

NIPPON KOEI

Act with integrity and contribute to society
through technology and engineering



INTEGRATED REPORT 2019

Fiscal year ended June 30, 2019

Act with integrity and contribute to society through technology and engineering

The Nippon Koei Group has been building infrastructure for society in Japan and overseas since 1946. Nippon Koei founder Yutaka Kubota proclaimed, "Tackle your problems with sincerity and the road ahead shall be clear," and dedicated his technical expertise and passion to building infrastructure that is safe and reliable.

All of our employees today remain dedicated to our fundamental conviction that our business is to contribute to society.

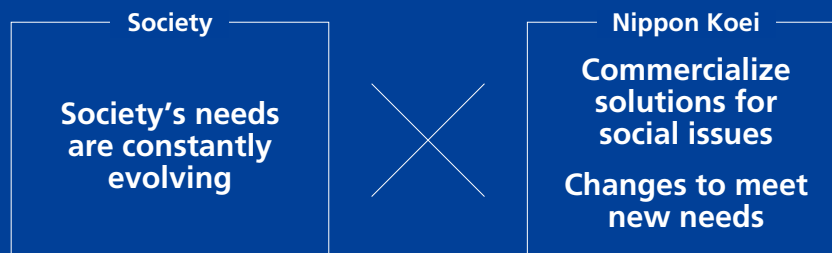
The world is full of people who desire better living standards.

The Nippon Koei Group is committed to acting with integrity as we help construct the infrastructure for societies and nations around the world.

Strengths of Nippon Koei Group

A sustainable business model that evolves with progress in society

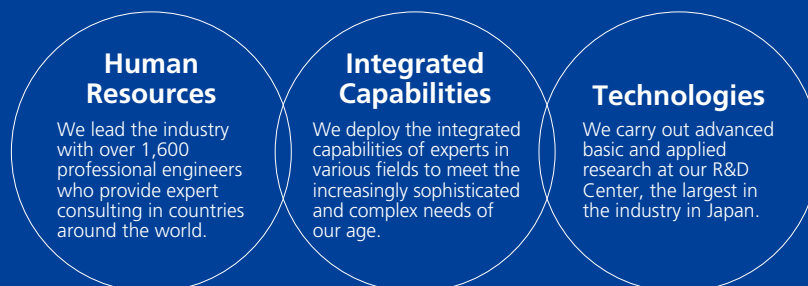
From its inception, Nippon Koei has been building infrastructure that helps solve social issues. The Group evolves as the needs of society change while continuing to expand our business and improve our profitability.



Japan's leading engineering consulting firm

The Nippon Koei Group is Japan's leading civil engineering consulting firm* and has participated in infrastructure development projects improving safety and security for people around the world for more than 70 years.

The Group has developed projects that have become foundations for the advancement of nations and people in over 160 countries and regions.



* Source: "Sales ranking of engineering consulting firms in Japan," *Nikkei Construction*, April 22, 2019

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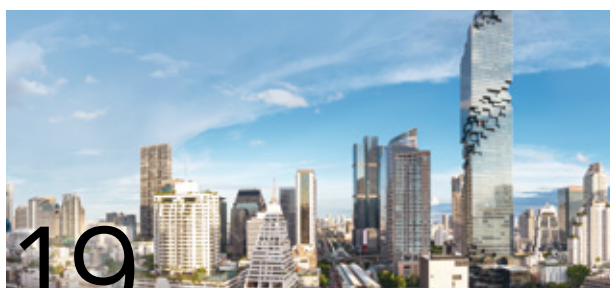
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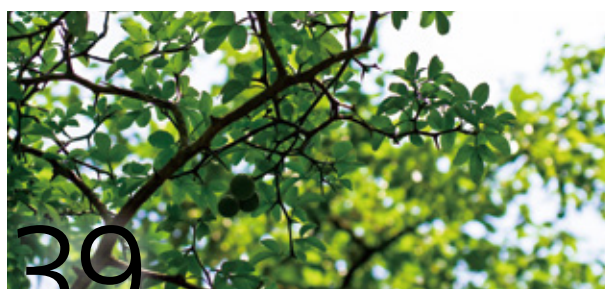
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Editorial Policy

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, 2019
(July 1, 2018–June 30, 2019)

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.

Origin

History of the Nippon Koei Group

Rising from the postwar reconstruction period to an international company aiming for sustaining growth

Nippon Koei's Origins

1946

Postwar reconstruction in Japan and abroad

From the 1930s until the end of WWII in 1945, Nippon Koei's founder Yutaka Kubota participated in engineering power generation facilities and dams on the Korean peninsula, which contributed to the economic development of the region. When the War ended, he returned to a Japan devastated by war and founded the Company to carry out his strong determination to rebuild his homeland. He brought together the repatriated specialists in civil engineering, geology, electricity, and machinery and focused their talents on reestablishing the country's national foundation and electric power infrastructure. He also saw the need for reconstruction in other countries destroyed by war and the 1954 project to build a power generation in Burma (now Myanmar) marked the first step in the globalization of the Nippon Koei Group.

Origin as a "construction consultant"

Kubota's idea to combine the expertise of engineers in planning, surveys, design, and construction supervision established the basic structure of preliminary surveys, assessments, and proposals followed by engineering consulting firms today. He also created the business style of approaching projects with a broad perspective by gathering engineers with areas of specialty beyond electrical and civil engineering technology so a project can contribute to resolving greater social issues. Today, engineering consulting firms are expected to fulfill the role that Yutaka Kubota defined more than half a century ago.

Stage 1

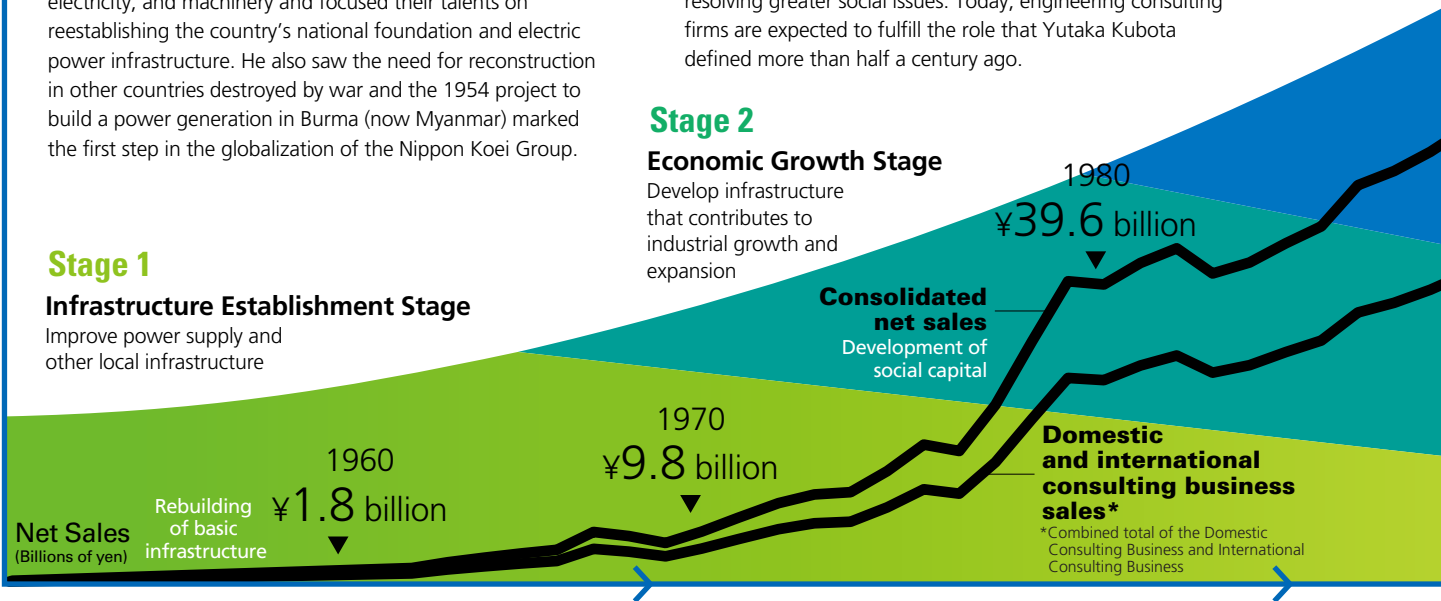
Infrastructure Establishment Stage

Improve power supply and other local infrastructure

Stage 2

Economic Growth Stage

Develop infrastructure that contributes to industrial growth and expansion



1946–1960s Establishment Phase

Postwar reconstruction of the power distribution and transportation networks and other infrastructure provided a foundation for Japan's rapid economic growth beginning in the mid 1950s. Nippon Koei's work constructing electric power generation and distribution facilities contributed to the postwar reconstruction in Japan. The Company also soon began providing consulting services, primarily for dam construction, in Southeast Asian countries in 1954.



Japan
Yakushima Island Power Development Project



Japan
Blocking coils (Line trap)



Myanmar
Baluchaung Hydropower Development Project



Vietnam
Da Nhim Hydropower Project

1970s–1980s Development Phase

The two oil-price shocks that occurred in the 1970s strongly impacted many Japanese industries and Nippon Koei was no exception. The Company responded with a comprehensive strategy to expand its technical expertise from disaster prevention to agriculture, waterways, transportation, and urban infrastructure. The Company further grew its business by meeting the growing demand for public works and ODA projects, which established its position as an engineering consultant firm in Japan and overseas. With the addition of the Power Engineering Business, the Company has continued developing into a distinctive multifaceted corporation.



Japan
Akashi-Kaikyo Bridge Anchorage design



Japan
Shin Sakado Substation High-capacity transmission and substation facilities



Sri Lanka
Mahaweli Irrigation Project



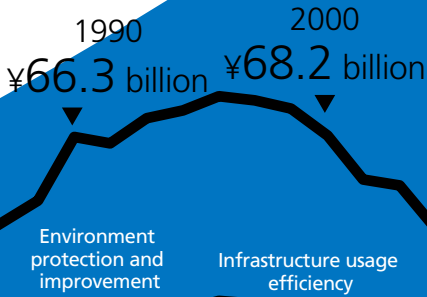
Indonesia
Asahan No.2 Hydropower Development Project

Stage 4 Social Transition Stage

Create societies that are sustainable and resilient

Stage 3 Maturity Stage

Renovate and maintain infrastructure supporting comfortable, flourishing lives and respond to environmental change



2019
¥108.5 billion

Urban & Spatial Development
Energy
Electricity deregulation
Infrastructure export

Environment protection and improvement

Infrastructure usage efficiency

2010
¥65.8 billion

Extension of infrastructure service life

Page colors

The four colors used in the graph represent the stages of development of the different countries and regions.

Stage 1

Stage 2

Stage 3

Stage 4

1990s–2000s Maturity Phase

After Japan's economic bubble burst in the 1990s, the government reduced spending on public works and ODAs and power companies cut capital investment. The Nippon Koei Group invested in the future by establishing the industry's first R&D center, fortifying its technical development, setting up local companies overseas, and conducting M&A with companies in Japan. These established the quality and productivity that would provide the foundation for the Group's next period of growth.



Substation central monitoring and control systems



Japan
Tokyo Coastal Highway Construction Project



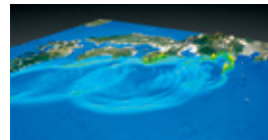
Sri Lanka
Greater Colombo Flood Control and Environment Improvement Project



Vietnam
Hai Van Tunnel Construction Project

2010–present Innovation Phase

Japan is actively strengthening its national resilience and disaster prevention and mitigation strategies following the Tohoku earthquake and tsunami in 2011 and in response to the increasing frequency of major typhoons and heavy downpours accompanying global warming. The Japanese government is also acting on the United Nations' Sustainable Development Goals (SDGs), which include addressing poverty in developing countries and rapid urbanization as populations grow in emerging countries. The Nippon Koei Group views this as a period of transformation presenting business growth opportunities and is actively developing its Urban & Spatial Business, Energy Business, and other operations with "sustainability" as a core theme.



Japan
Nankai Trough Preliminary Studies for Earthquake Countermeasures



Japan
Tsuruta Dam Redevelopment Project



United Kingdom
Palace of Westminster Restoration and Renewal Project



Bangladesh
Dhaka Metro Transit Infrastructure Project

Five segments contributing to the sustainability of global society

The Nippon Koei Group currently operates five main business segments—the three core operations of the Domestic Consulting, International Consulting, and Power Engineering to which it added Urban & Spatial Development in the fiscal year ended June 2017 and Energy in the fiscal year ended June 2019 to broaden the Group’s reach into new business domains. Each segment develops specialized services and products in line with our founding mission to pursue innovation and new challenges.

Domestic Consulting / International Consulting

Infrastructure construction and maintenance and various projects providing a foundation for comfortable lifestyles

Engineering consultants use their specialized civil engineering and architecture technology to prepare, examine, and propose technologies for national, local, and city infrastructure projects to national (such as the Ministry of Land, Infrastructure, Transport and Tourism) and local governments, overseas governmental institutions, and private companies. Consultants also conduct studies and environmental assessments, design projects, and supervise the project construction, management, and maintenance. The Nippon Koei Group employs a large corps of professional engineers with the national qualifications required for these projects.

A consultant’s role in developing infrastructure projects varies greatly from country to country. In Japan, the government conceives and generally supervises projects with consultants mainly performing the studies, planning, and design operations. Overseas, consultants can carry out the overall supervision of a project from the initial conception stages to the final construction, and projects can vary immensely in terms of scale and the type of contract. Our Domestic Consulting Business receives over 3,000 orders annually and most projects are completed within the same fiscal year. The International Consulting Business often engages in large-scale projects that can last several years.

Our range of business has been growing substantially in recent years, particularly related to the increase in disaster restoration projects, risk management for disaster prevention and mitigation, and asset management of public facilities as well as due to growing demand for expert advice, education, and training in civil engineering technology and for management advisory and monitoring for the increasing number of public-private partnerships (PPPs)*¹ and private finance initiatives (PFIs)*². We have also reached a period when not only is demand growing for new infrastructure, but it is also becoming essential to improve and upgrade the existing infrastructure. At the same time, the functionality of infrastructure is becoming increasingly complex, and engineering consultants must have comprehensive abilities with higher levels of expertise and technical capabilities incorporating various technologies. The Nippon Koei Group is taking on an ever-expanding role as a comprehensive partner in the development of social infrastructure.

*1 A public-private partnership (PPP) is any form of partnership between public and private entities to provide a public service.

*2 A private finance initiative (PFI) is a type of PPP in which a private entity provides financing, management, and technical services related to the design, construction, maintenance, and operation of a public facility to enable the public facility to provide more efficient or better services.

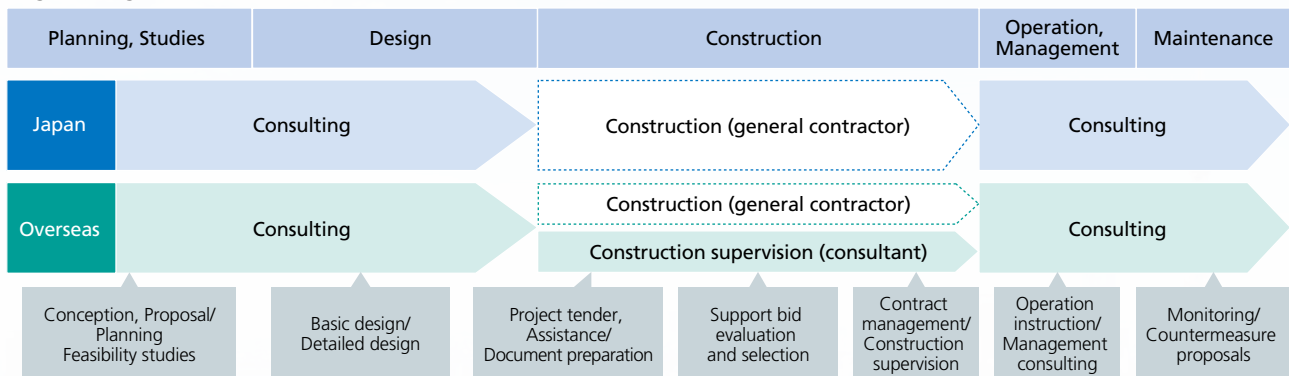


Japan
Yanba Dam



Myanmar
Yangon Thilawa Port Expansion Project

Engineering Consultant Business Domain



Power Engineering

Helping Japan and other countries meet electric power demand

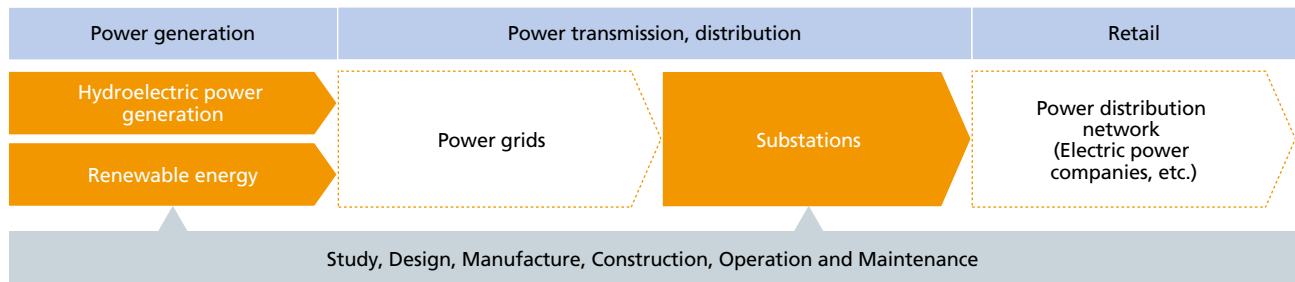
The Power Engineering Business helps Japan and other countries meet demand for electric power through services provided by the three main business departments. The Construction Division constructs and repairs substations, switching stations, and power plant facilities; the Plant Engineering Division provides comprehensive consulting services for entities operating electric power plants and equipment in Japan and overseas; and the Power & Digital Business Unit manufactures electric power generation equipment and constructs central monitoring and control systems to ensure electric power generation efficiency and dam management systems at hydroelectric power plants. These operations give the Power Engineering Business the formidable advantage of offering services covering every stage of development and operation from planning, studying, and designing to building

facilities, manufacturing equipment, and providing operation maintenance for electric power generation and electrical equipment in Japan and overseas.



Matsunoki Power Station
No.1 Power Generator Renovation and Water Turbine Maintenance Project

Power Engineering Business Domain



Urban & Spatial Development

Meeting urban development demand with architectural design services in the United Kingdom and worldwide

Architecture makes up a significant percentage of the worldwide sales of construction-related study and design companies. With demand for urban and spatial development soaring worldwide, Nippon Koei brought the U.K.-based architectural design company BDP Holdings into the Group in March 2016. BDP's architectural expertise is focusing on creating urban spaces that meet the needs of the new era.



United Kingdom
AstraZeneca Headquarters

Energy

Developing and supporting renewable energy and energy storage system

The Energy Business primarily centers on the two areas of electric power generation and energy management related to the major shift in the energy industry worldwide toward decarbonized energy. The electric power business focuses on the operation of hydroelectric power operations, and the energy management business mainly provides monitoring and control services enabling power distribution networks to provide a stable supply of energy by using energy stored from various sources.



Japan
Shinsogi Power Plant

Today for the Future

The Value Creation Process / Growth Strategies

To provide services that are of value in building safe and reliable infrastructure and spaces for flourishing lives

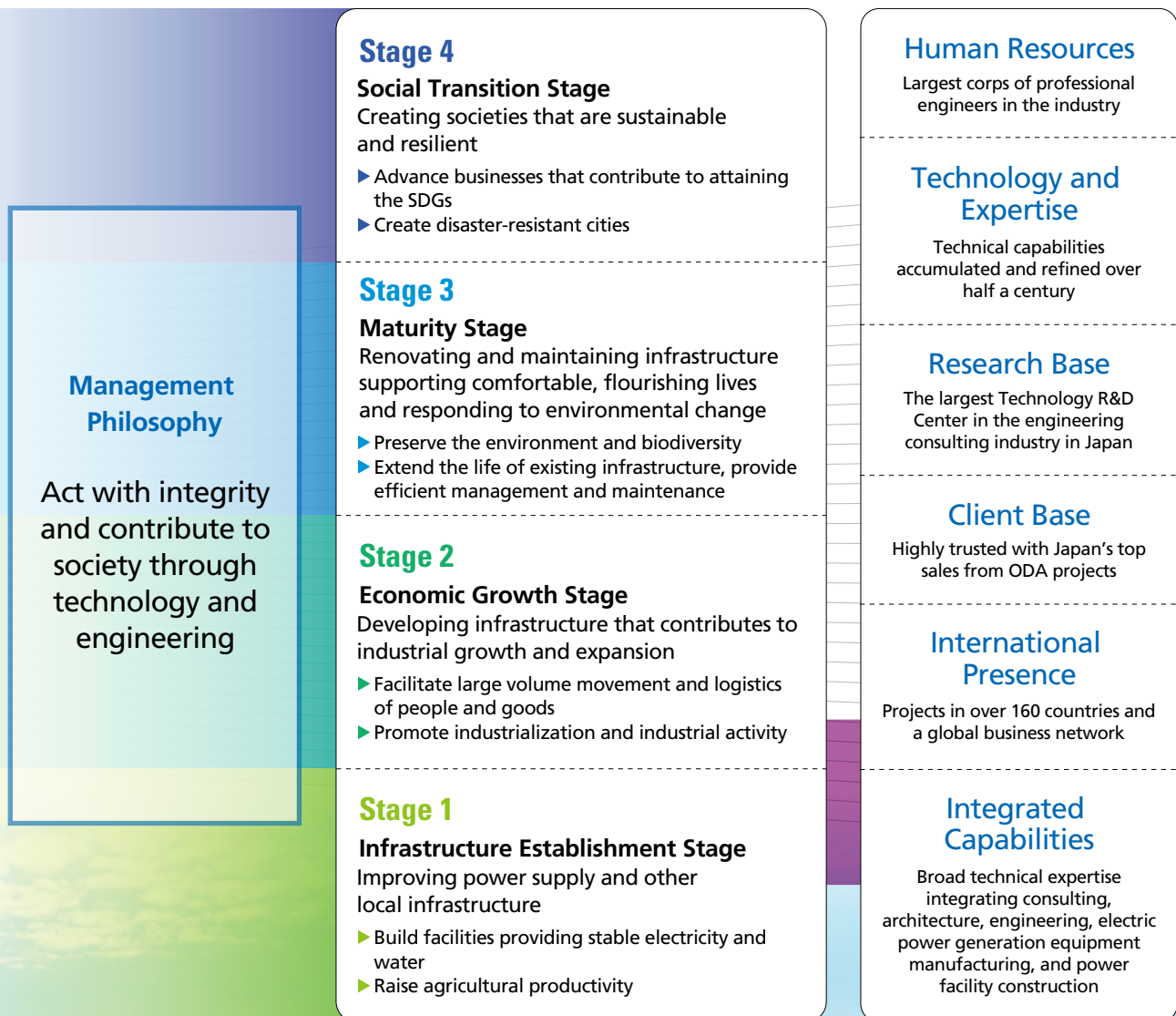
Successful results by meeting needs at each stage of national and regional development



Since its founding in 1946, the Nippon Koei Group has been continually growing and evolving by meeting diverse needs of society at each of the four stages of national and regional development. Our management resources of technology, expertise, human resources, and overall comprehensive strength are providing substantial support for the growth of infrastructure in countries and local regions worldwide progressing through various developmental processes. Our management resources are also the driving force of the Group's global development and sustained growth.

Experience and Expertise for Each Stage of National and Regional Development

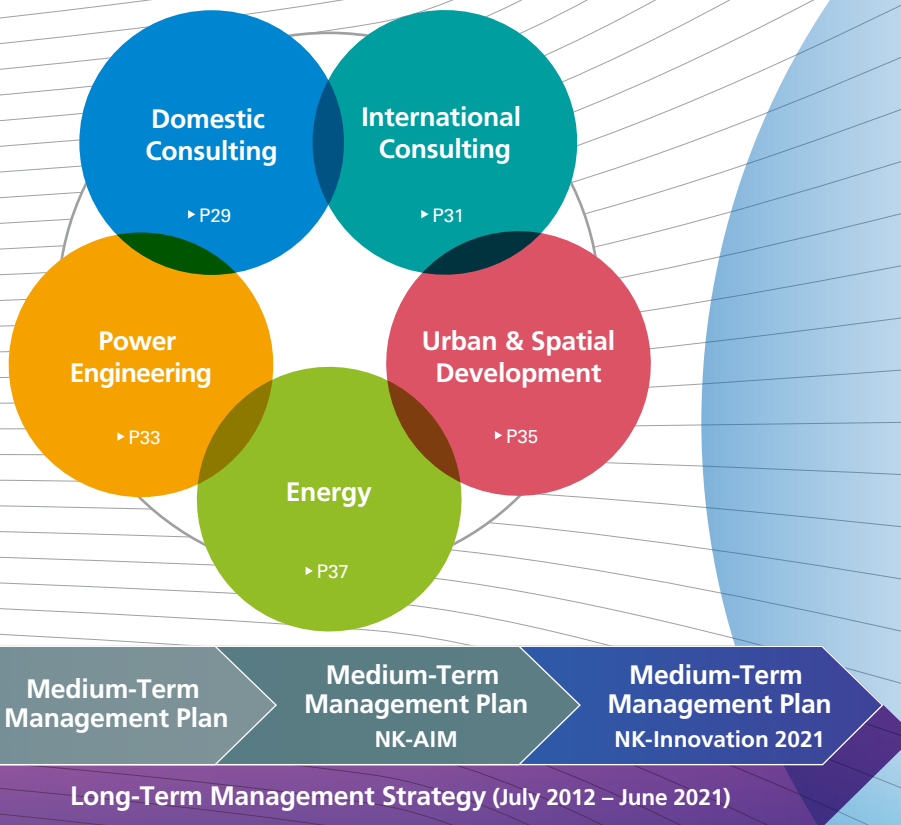
Strengths of the Nippon Koei Group —The Foundation for Value Creation



▶ ▶ ▶ **New growth opportunities from applying our integrated capabilities to help resolve issues for global community**

Constructing the infrastructure for the society of the future will require highly sophisticated technologies capable of accommodating new applications of IoT and AI. Expertise will also be needed across the full lifecycle of infrastructure from the initial planning through the financing, construction, operation, management, and maintenance. The Nippon Koei Group has mapped a long-term management strategy to June 2021 to mobilize the Group's unique strengths and sets growth strategies framed by forecasting the coming needs of society and by backcasting to determine what must be done now to realize the envisioned society of the future. The medium-term management plan NK-Innovation 2021 (see page 19) is the final stage of the long-term plan. NK-Innovation 2021 is further developing our integrated capabilities as a "global consulting and engineering firm" and fortifying our foundation for sustained growth in our corporate value.

The Group is currently in the process of formulating its next long-term management strategy, which will be geared toward 2030, the year the United Nations has set for fulfilling its SDGs. We are speeding up efforts to create closer ties among our office sites around the world and to strengthen the links between the consulting, urban & spatial development, power engineering, and energy businesses. The improved coordination will enable us to harness the full strength of our Group capabilities and create new value.



Contributing to a flourishing and comfortable world and future



Nippon Koei Group Initiatives

The Nippon Koei Group helps improve the lives of people around the world through its activities developing and building infrastructure in various fields. The Group thrives on taking on the responsibility and applying its superior technology, knowledge, and human resources to help nations and societies around the world lay the foundation for the future.

Stage 1

Services for Societies at the Infrastructure Establishment Stage

International Consulting Bangladesh



Haor Flood Management & Livelihood Improvement Project

Contract period: 2015–2023

The Haor is a rice-producing wetland region in the northeastern Bangladesh. The region is susceptible to frequent flooding of the Haor River during the rice harvest season that damages crops and threatens the livelihoods of local residents. Nippon Koei is helping repair and construct flood control facilities, such as embankments, drainage channels, and sluices and infrastructure for the farming communities as part of efforts to strengthen the local agricultural industry with the aim of raising the quality of life in the region and invigorating the local economy.



International Consulting Kenya



The Project for Enhancing Community Resilience against Drought in Northern Kenya

Contract period: 2017–2022

Kenya's climate is 80% arid or semi arid, and the country has incurred several droughts and floods in recent years. Fortifying the region has become an urgent issue because these and other natural disasters reduce the grazing land for cattle, threatening the livelihoods of cattle farmers. Nippon Koei has set three objectives of achieving sustainable natural resource management, diversifying local livelihoods, and enhancing the related capabilities of local officials with the aim of boosting the region's resilience to drought.



Stage 2

Services for Societies at the Economic Growth Stage

International Consulting India



Rengali Irrigation Project

Contract period: 2016–2023

The Rengali Irrigation Project aims to improve agricultural productivity in the Indian state of Odisha, which has persistently low grain crop yields despite abundant water resources and some 90% of its cultivated land area able to accommodate irrigation. With the objectives of expanding the reach of the irrigation facilities in the Brahmani River region and increasing agricultural yield volume, Nippon Koei is assisting in the project management by overseeing the general operations, planning and engineering the irrigation system, organizing the irrigation partnerships, and providing instruction in agricultural management.



International Consulting Senegal



Mamelles Sea Water Desalination Project

Contract period: 2017–2023

Metropolitan Dakar is home to roughly 80% of Senegal's total industrial activity and the city's population is growing rapidly. Demand for fresh water is growing even faster, and increasing the supply of water has become a critical issue because the current water supply is unable to meet daily peak demand. Nippon Koei is helping build a water desalination plant, which will be the first such facility in the country, and improving the urban water pipe network in Dakar. The Project aims to improve the urban living environment by diversifying the water supply resources and increasing the water supply capacity.



Stage 3

Services for Societies at the Maturity Stage

International Consulting Vietnam



Hai Phong Environment & Sanitation Improvement Project (Stage 1)

Contract period: 2010–2019

Haiphong is an international port and the third largest city in Vietnam with some 1.8 million residents. Rapid industrialization and urbanization is vastly increasing the volume of sewage drainage from the residential and industrial areas, which is threatening to degrade the water environment. Nippon Koei is helping construct the city's first sewage treatment plant and training personnel in the operation and maintenance of the facility to establish a sustainable sewage management system.



Urban & Spatial Development United Kingdom



Palace of Westminster Restoration and Renewal Project

Contract period: 2017–

The Nippon Koei Group architectural design firm BDP is conducting design work for the restoration and renewal of the Palace of Westminster. The Palace has significantly aged and has not received major repair or renovation work since it was reconstructed in the mid-1800s. The current renovation is intended to vastly improve the building's functionality and safety. BDP is also improving the building where the British Parliament will move temporarily while the Palace is being refurbished.



Domestic Consulting

Japan



Nagano National Highway Disaster Prevention Survey

Contract period: 2017–2019

Nippon Koei analyzed the disaster risk for the national highway in Nagano Prefecture and formulated a scheme for road disaster prevention measures. The analysis determined that the highway is able to accommodate construction (without requiring temporary scaffolding) in preparation for single-direction traffic in the event of a landslide, and the Company proposed ways to utilize the existing structure and enhance its functionality that will help strengthen the roadway.



Photo source: Kusatani and others (2019), presentation at the 58th Meeting of The Japan Landslide Society, pages 31–32

International Consulting

Philippines



New Clark City Infrastructure Design Project

Contract period: 2019–2020

The Philippines is advancing a national project in its capital city of Manila to alleviate growing traffic congestion, population, and other urban problems by building high-speed railways and relocating government facilities with the aim of creating a major new city in greater Manila by 2065. The smart city development project is designing a major new city to be called New Clark City at the site of the former Clark U.S. military base. The Nippon Koei Group is reviewing the project's master plan and designing the urban infrastructure.



Stage 4

Services for Societies at the Social Transition Stage

Domestic Consulting

Japan



Development of an Infrastructure Maintenance and Management System Using Satellite Data

Nippon Koei is developing applications of Infrastructure Deviation Detection Technology enabling the use of satellite synthetic-aperture radar (SAR) data to monitor infrastructure from space, which can be useful for gauging accident risk from aging infrastructure and risk of large-scale disasters, such as from typhoons, and could help reduce surging costs for maintenance and management costs. The Company has partnered with SKY Perfect JSAT Corporation to launch a one-stop consultation service for infrastructure risk assessment and countermeasure proposals based on anomalies detected using satellite data. The Company is preparing to launch the service in 2020.



Power Engineering

Japan



IP Equipment Installation at Control Stations

Power companies seeking to improve electric power supply efficiency are increasingly demanding systems with internet technology enabling remote monitoring and control of substation facilities. Nippon Koei is using open innovation to jointly develop internet protocol (IP) equipment. When installing IP equipment for the Yokohama Control Center of TEPCO Power Grid, Inc., the company accepted our proposal to place the new equipment inside the housing of existing monitoring and control system. This greatly reduced the amount of waste from installation project, which would normally include large amounts of plastic and iron scrap from the housing.



Domestic Consulting

Japan



Advancing the Introduction and Diffusion of Self-driving Vehicles

We are using our extensive experience in social infrastructure field to conceptualize construction of smart cities that are functional and comfortable for all inhabitants. A key element of smart cities will be Mobility as a Service (MaaS)*, and we are examining the technical, systemic, and operational aspects for the introduction and deployment of self-driving vehicles.



*Mobility as a Service (MaaS) is a new concept in mobility that uses information and communications technology to enable cloud computing-based transit with the promise of seamless movement for all types of transportation.

Energy

Europe



Storage Battery Project

As renewable energy usage grows and the energy business globalizes, Nippon Koei is aiming to be a comprehensive energy management company offering one-stop services spanning project discovery to engineering, resource procurement, construction, in-house developed system operation, and financing arrangement. The Company is serving as the engineering, procurement, and construction (EPC) contractor for the energy storage business led by NEC Energy Solutions, Inc., in the United Kingdom. We are involved in the overall design, engineering, equipment procurement, electrical and civil engineering construction, and project management of the electric power receiving and generation facilities.



We are approaching the changing times and needs of society as an opportunity for growth as we advance our long-term management strategy and seek to achieve the targets of our medium-term management plan.

Ryuichi Arimoto

Representative Director
and President

Opportunity in the changing times to grow toward our long-term management vision

The world population is projected to grow from the current 7.6 billion people to 8.6 billion in 2030. In just 10 years, the number of people in the world is expected to grow by some 12%. Most of that growth is expected to occur in developing countries and to be accompanied by rapid urbanization. It is estimated we will need two earths to absorb the carbon dioxide produced and supply the natural resources needed to support this population growth.

During this period of change, what can and what should the Nippon Koei Group do to help create a sustainable global society and continue our corporate growth? As a corporate group that provides important infrastructure to nations around the world, I believe we are obligated to follow two general approaches when we formulate and implement our business strategies.

First, we must apply the full strength that the Group has built up through its founding spirit and business history to devise growth strategies that will be resilient and effective no matter how the times change and even in periods of great change.

Yutaka Kubota established Nippon Koei in 1946 to help restore Japan's devastated domestic infrastructure and electric power industry and to reconstruct infrastructure of other countries that had suffered in the War. His guiding principle was "Tackle your problems with sincerity and the road ahead shall be clear." The Company's first overseas project was the construction of a power generation project in Burma (now Myanmar) in 1954. This project demonstrated Kubota's desire for Nippon Koei to be a company that contributes to the development in various countries by taking the initiative to address social issues. His management philosophy to "Act with

integrity and contribute to society through technology and engineering" continues to guide our corporate activities today.

This founding spirit has steered the Group as it accumulated comprehensive technological abilities that have contributed to resolving a wide range of social issues. While evolving with the changing times and social needs, we have developed businesses geared to each stage of national and regional development, such as the infrastructure establishment, economic growth, social maturity, and social transition phases.

As a leading company in the domestic consulting industry and a corporate group with business in some 160 countries, it is both our social mission and an important growth strategy for us to apply our strengths to address the food and energy challenges that are accompanying the growing populations and to find solutions for the transportation and environmental challenges caused by urbanization.

Secondly, we must look forward to anticipate the elements that will shape society in the future, such the digital transformation with the use of AI and IoT, and we must have the courage to be proactive about implementing change. In our history, our method of generating growth has always been to develop our operations to meet the changing needs of society, and I want our managers to approach the current changes not as a risk to our business but as an opportunity to aggressively grow our business.

This has been a key theme for me since I was appointed Company President in September 2014. After discussions with a large number of people presenting different perspectives from both inside and outside the Company, a year later in February 2015 we introduced the Group Vision "to provide services that are of value in building safe and reliable infrastructure and creating comfortable living spaces" and announced a long-term management strategy aimed at realizing this vision in June 2021.

Using our five businesses to meet the needs of global society

The long-term management strategy is rooted in a basic objective to “continue to evolve into a global consulting and engineering firm” by further strengthening our three existing core operations of Domestic Consulting, International Consulting, and Power Engineering and by using our technologies and human resources to create and establish new businesses beyond our existing businesses.

As part of this long-term strategy, under the medium-term management plan covering July 2015 to June 2018, we combined our civil engineering and architecture operations and created the new Urban & Spatial Development Business in 2016 when we welcomed the leading U.K.-based architectural design firm BDP Holdings Limited (BDP) into the Group. In addition, in 2018, we launched the Energy Business and reorganized our operations into five business segments.

The three core operations do not give us sufficient latitude to fully address the emerging issues in our society, including the growing global population, environmental and energy needs, increasing demand for infrastructure particularly in developing countries, and the transportation infrastructure needs accompanying urbanization. At the same time, labor shortages and limited government and public finances are leading nations around the world to increasingly rely on private-sector business enterprises to manage and maintain infrastructure. The Nippon Koei Group is approaching the changing business conditions by leveraging the abundant achievements and expertise of the three core operations to meet the infrastructure demands in developing countries and steadily increase earnings. We are also seeking new business opportunities in the fields of railways, urban and spatial development, and energy where private enterprises are expected to be most active. In addition, the Group is mobilizing its full strength to increase its contribution to society and pursue business growth potential in expanding overseas markets.

The growth strategy of current medium-term management plan NK-Innovation 2021 covering July 2018 to June 2021 has three core elements—focus on priority business areas (growth fields, new businesses), grow the core operations, and implement universal Group measures. Under the plan, we are advancing five business strategies and three major universal Group measures. The primary objective of NK-Innovation 2021 is to establish coordinated activities among the five business segments to unite the Group for business growth. We are bringing together technology and insight from inside and outside the Company to spark open innovation that reaches beyond our current structure. We are also seeking to not just respond to changes in society, but to create new businesses that enable social change.

With these strategies, the Nippon Koei Group aims to achieve earnings in the fiscal year ending June 2021 of net sales of ¥140.0 billion, operating income of ¥12.6 billion, an operating margin of 9.0%, and return on equity (ROE) of 12.7%.

The three core elements in the medium-term management plan

■ Growth fields and new businesses

The growth fields and new businesses element in the medium-term management plan entails augmenting our operations in areas where we anticipate high growth in the next generation. Specifically, we are enhancing our operating systems in the railways business in preparation for a growing volume of major projects, particularly in Asia; developing our Urban & Spatial Development Business overseas in anticipation of large-scale comprehensive development projects in Europe and the United States as well as in emerging countries in Asia; and establishing the Energy Business to respond to changing energy policies as countries around the world convert to a low-carbon society. We have allocated ¥25 billion over three years for priority investment to augment these operations.

In **Priority Investment Area 1** of enhancing our operating systems in the railways business, it is critical that we amplify our operating systems to be able to manage and communicate the massive volume of information needed for projects that are becoming increasingly larger. We are augmenting our operating systems by forming alliances with local companies and focusing on enhancing our project management

Priority Investment Area 1 Enhancement of the Operating System for the Railways Business

Market environment

- Higher demand for railways due to rapid population growth and urbanization in emerging countries in Asia
- Very large-scale railways projects under way in many countries, with the prospect of even more projects
- Japanese government’s firm commitment to “Initiative for expanding high-quality infrastructure exports”

Our strengths

- Extensive track record in projects and networks in emerging Asian countries
- Entered overseas railways business early

Strategy

- Develop and strengthen production systems in alliances with local companies (Group companies’ workforce: 1,700 in the fiscal year ended June 2018 growing to 3,000 in the fiscal year ending June 2021)
- Further develop IT tools to improve project management capabilities
- Strengthen technological abilities of regional engineers at Group companies using training materials from the head office and on-the-job training

➔ **Prepare for increasing order volume by improving productivity and profitability**

Message from the President

capabilities with cutting-edge IT tools, such as digital Building Information Modeling (BIM). We are also hiring and training new engineers and plan to increase the number of Group employees from the 1,700 in June 2018 to 3,000 by June 2021. We are also increasing the number of regional engineers with the skills to apply their expertise in any country. We aim to raise our corps of regional engineers at our companies overseas from 80 currently to 140 in the fiscal year ending June 2021.

In the year ended June 2019, receiving the project contract to engineer a mass rapid transit (MRT) system in Bangladesh and the creation of the new Dhaka Metro Development Office, which we established to share information, knowledge, and organizational expertise accumulated from other railway engineering and construction management activities, put us in an excellent position to attract private-sector projects in the future.

In **Priority Investment Area 2** of overseas expansion of the **Urban & Spatial Development Business**, we will continue to advance the growth strategy that was in place when BDP of the United Kingdom joined the Group. BDP's business has largely centered on domestic operations in the United Kingdom, but considering the potential impact from Britain's exit from the European Union and the company's declining percentage of sales in the U.K., we will focus on developing

business among the client base that Nippon Koei has accumulated over its many years of business activity in Asia. In February 2019, we welcomed in the Group Quadrangle Architects Limited, which is headquartered in Canada, a member of the British Commonwealth. Quadrangle and BDP's wide-ranging architectural expertise and Nippon Koei's civil engineering prowess will be integrated and shared throughout the Group as we pursue urban development projects in Japan and worldwide.

In **Priority Investment Area 3** of establishing the **Energy Business**, we created the Energy Segment in July 2018 as a major step toward building the business into a full-fledged earning source for the Group. Europe and many developed countries are already separating power generation operations from the transmission and distribution (T&D) functions, and this is leading to new value chain configurations as yet unknown in Japan. The Energy Segment concentrates the proficiency and achievements Nippon Koei has accumulated operating electric power engineering operations in various countries and will integrate newly acquired capabilities to develop profitable operations in businesses including storage batteries and energy management.

In Japan, the government's Basic Energy Plan pledges to increase renewable energy sources from 15% to 22–24%.

Priority Investment Area 2 Overseas Expansion of the Urban & Spatial Development Business

Market environment

- Urbanization in emerging Asian countries is creating demand for large-scale, comprehensive development
- Increasing development of smart cities

Our strengths

- Ability to meet a wide range of needs as a comprehensive civil engineering consultant
- BDP's architectural design technology

Strategy

- Develop a cooperative structure between the NK Group and local BDP subsidiaries in Singapore, India, and China to win urban development and other projects in Asia
- Strengthen our superiority and uniqueness in smart city development by accumulating a track record in combined civil engineering and architecture projects
- Construct a collaborative structure between the R&D Center and other business segments, centered on the domestic segments, to leverage our domestic expertise to accelerate global expansion (focused on urban transportation and water/transportation-related asset management)

Priority Investment Area 3 Establishment of the Energy Business

Market environment

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

Our strengths

- Expertise in the electric power business (consulting, equipment 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.)
- Develop and operate distributed power sources in Japan and Asia
- Establish concession businesses in hydropower generation

The plan calls for reforming the electricity system, including unbundling power generation and T&D functions in 2020. We are prepared to take advantage of this business opportunity in the domestic market to further expand our business in the energy field.

In the fiscal year ended June 2019, we established Nippon Koei Energy Europe B.V. in Rotterdam, the Netherlands, to serve as the European base for the energy business in the region.

Prioritizing investment in these areas will add momentum toward fulfilling our business targets for the fiscal year ending June 2020 and for the fiscal year ending June 2021 at the end of the current medium-term management plan. They will also enhance the Group's overall capabilities and enable us to actively pursue business development in promising fields, such as constructing smart cities that help resolve pressing resource and energy issues. We are concentrating our management resources on establishing a sustaining growth trajectory for the Nippon Koei Group.

■ Core operations

We have designated the consulting business's efforts to generate new business and expand overseas and the power engineering business's efforts to develop products and expand overseas as core operations.

The consulting business is seeking to generate new business mainly in its domestic consulting services. The business is seeking to extend beyond its existing planning and design services to encompass asset management, which is becoming promising growth field as formerly governmental operations, such as infrastructure maintenance and management, are increasingly being shifted to the private sector.

A key step toward generating new business was taken in July 2019 when the Group brought in Geoplan Namtech Inc., an IT consulting firm for networked infrastructure including water and sewage, electric power, gas, and communications. Nippon Koei and Geoplan Namtech will join forces to improve

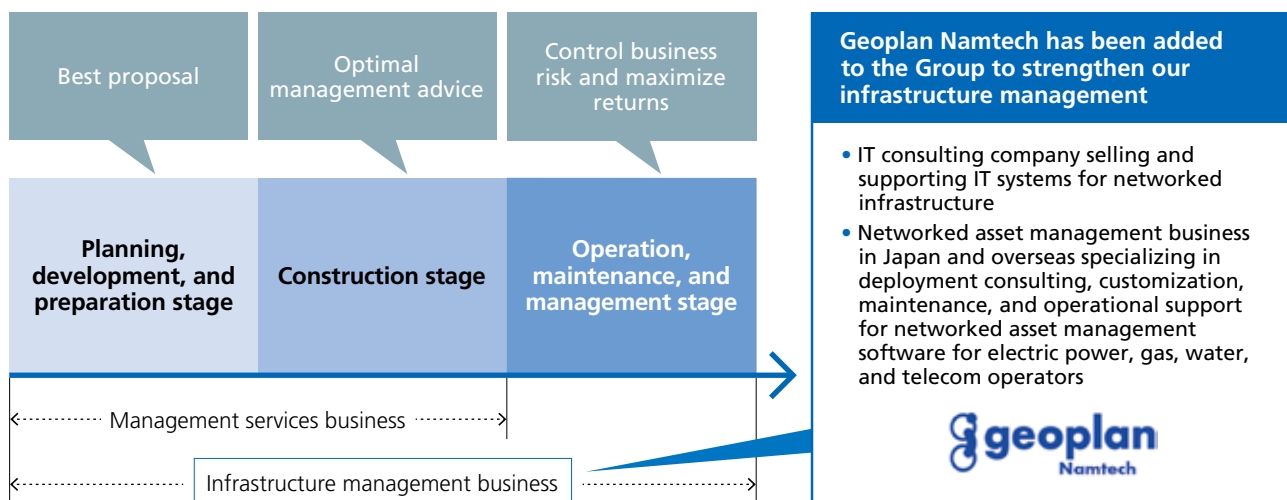


infrastructure management business efficiency and strengthen the maintenance & management and asset-related businesses.

To expand its overseas operations, the consulting business is using the advanced technology developed in Japan to cultivate a corps of uniformly highly trained engineers capable of providing consulting services anywhere in the world. The business is seeking to broaden its services outside the realm of official development assistance (ODA) projects to meet growing demand for highly technical services, such as city tunnel planning and ground analysis, arising from infrastructure demand in emerging countries. The bulk of the international consulting business is ODA, with roughly 20% of orders coming from non-ODA sources. We plan to leverage the advanced technology developed in Japan to raise non-ODA business to 30% of orders.

The power engineering business's main strength is its products in the electric substation field, and many of them are essential to providing a reliable supply of electricity. However, while demand for these products is fundamentally solid in Japan because of the country's aging facilities and other

The New Business Creation Process in the Consulting Business



Message from the President

factors, management does not expect demand created by the construction of new substation facilities to generate a steady contribution to profits. We are therefore broadening our supply chain in Japan and globally to better position us to meet the expected strong cost competition and to facilitate business expansion into overseas markets. We are also actively developing new products for power companies and other customers as the industry worldwide moves toward digitalization and adopts global product specifications.

■ Universal Group measures

At the same time, we are fortifying the Group's management foundation for further globalization and expansion of our business scope through universal Group measures to

integrate all companies into a one-stop marketing system, invest in technologies and human resources, and enhance Group governance.

The "Establishment of a One-Stop Marketing System" will provide a single, fully integrated marketing platform for the five business segments enabling them to meet diverse market needs and further raise customer satisfaction.

"Investment in Technologies and Human Resources" includes a strategy to invest in 16 areas shared by all Group companies, such as technology applying AI and big data to climate change and disaster prevention and mitigation, to sow seeds for next-generation businesses. The two-year investment strategy will begin in the fiscal year ending June 2020 and encompass roughly ¥2.4 billion in investments separate from

16 Themes for Technology Measures

Development of Innovative Technologies	1	Development of technologies to address climate change	We develop cutting-edge technologies and new businesses to meet the growing need for all industries to respond to climate change.
	2	Development of disaster prevention/mitigation technologies	We develop technologies to meet a wide range of needs for national safety and security.
	3	Development of data network technologies	We combine advanced technologies focused on 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 and propose advanced technologies integrating Group technologies with building information modeling (BIM), construction information modeling (CIM), virtual reality (VR), and augmented reality (AR).
	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.
	6	Development of new geotechnical, geological, environmental, and water quality investigation methods	We advance cutting-edge technologies, such as for DNA analysis.
	7	Development of resilience technologies	We formulate resilience concepts and develop new evaluation methods and technologies.
Development of Next-generation Businesses	NEW	8 Expansion in the fields of architecture, urban design, and transportation development (such as MaaS)	We create new value and expand markets geared to the urbanization in countries in Asia.
	NEW	9 Creation of business models centered on energy	We create high-value-added energy and related services.
	NEW	10 Construction and operation of next-generation infrastructure maintenance systems	We develop technologies using the latest IoT technology and through joint research with local governments to develop efficient maintenance and management technologies for aging structures.
	11	Application of big data to infrastructure	We use big data to develop new tangible and intangible ways to support and use infrastructure.
	NEW	12 Inspection and application of digital twin technology for infrastructure	We utilize technology that creates virtual replications of physical spaces.
	NEW	13 Inspection and implementation of new business models aimed at achieving the SDGs	We develop services and tools that assist in goal attainment.
Company Infrastructure Innovation and Productivity Improvement	14	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.
	15	Study of BIM software	We use BIM/CIM systems to improve construction productivity.
	16	Establishment of a high-quality, efficient production system	Our high-quality, highly efficient production system, which utilizes ICT, has achieved success in manufacturing and other industries.

* **NEW** indicates measures commencing in the fiscal year ending June 2020.

each segment's technology development spending. Strengthening resilience to major disaster events, such as floods and earthquakes, is becoming a major issue not just in Japan but in countries around the world. We will pursue alliances with other companies and engage in open innovation to further augmenting our technological advantage in disaster prevention and mitigation.

Investment in human resources includes cultivating regional engineers for the railways and international consulting businesses, reorganizing the staff structure to support the broader scope of business, and creating operating structures that accommodate diverse and flexible work styles so our employees can enjoy a healthy work-life balance.

The "Enhancement of Group Governance" is being led by the Total Risk Management (TRM) Council, of which I have served as the Chair since 2017. The director generals of each segment serve on the council and meet regularly to discuss the priority strategies of each year. The TRM Council also convenes quarterly to review the status of risk management for the Group. In the fiscal year ended June 2019, council discussions of policies on overtime work and harassment prevention, the growth strategy of strengthening overseas business, and ways to improve governance of the Group companies resulted in the creation of the Corporate Management Guideline for Nippon Koei Group Companies. With the adoption of the guidelines, Nippon Koei dispatched Governance Directors to all of the main Group companies.

The universal Group measures will also strengthen the Nippon Koei Group's standing in terms of environmental, social and governance (ESG) criteria, which in recent years has become a focus point for investors. The initiatives will increase the human and intellectual capital that the Group has available for constructing the next-generation society infrastructure. In particular, the investment spending to develop R&D themes for commercialization, which is a key part of the initiatives, will strengthen our non-financial capital, which includes natural and social capital. We are conscious of the new evaluation criteria and are working to ensure we continue to fulfill each and every expectation.



SDGs are a common language for producing better solutions

For our company to continue growing in tandem with society, it is essential that we develop business geared to times and the needs of society and that we look for opportunities to grow our business in processes that address issues in the international community. I view the United Nations' Sustainable Developments Goals (SDGs) as a call to action to the companies of the world.

We correlated our main businesses and the 17 SDGs and 169 associated targets, and found that our businesses are connected to every one of the 17 SDGs. We consider the SDGs as a "common language to help produce better solutions" for developing sustainable regions, and they are a touchstone for all of our solution proposals.

For example, the railways, urban space, and energy businesses that are priority business areas in our medium-term management plan are all businesses that simultaneously support the economic development in both emerging and developed countries while resolving issues that inhibit sustained economic growth, such as energy and resource depletion, traffic congestion, and increases in exhaust gas and waste emissions.

Moreover, linking the three core operations with a one-stop marketing system will enable us to apply our resources to formulate viable smart cities that solve numerous issues.

Framing the new long-term management strategy

The Group is actively aligning its business content toward fulfilling the SDGs as it seeks to establish sustaining business growth. However, the long-term management strategy currently sets these activities only as management policy and does not identify their materiality (the importance of each activity) to stakeholder expectations, company assessments, nor does it set key performance indicators (KPIs).

Therefore, the next long-term management strategy launching in 2021 will assign financial targets and it will also identify materiality and set KPIs for Group operations related to social issues. The plan will identify focus businesses and which non-financial capital will be improved to enable us to fulfill the 17 SDGs by the year 2030.

As a company with a public nature and public interest whose business contributes to a sustainable society in the form of infrastructure, and as a private enterprise aware of its responsibility to increase profits and share our growth with our diverse stakeholders, we will continue to fulfill our duty and our obligation to be a company that international community values and needs.

Operating Performance Review and Outlook

Review and analysis of operating performance in the fiscal year ended June 2019

The Nippon Koei Group set earnings targets of ¥115.0 billion in net sales, ¥6.2 billion in operating income, and 6.9% return on equity (ROE) for the fiscal year ended June 2019, the first year of the medium-term management plan NK-Innovation 2021. The Group uses these targets as objective benchmarks for measuring its business performance for the year.

For the year ended June 2019, the Group recorded net sales of ¥108.5 billion, representing 94.4% of the target amount, and operating income of ¥5.1 billion, or 82.4% of the target. The result reflected solid earnings in the Domestic Consulting Business but declines in sales and profit in the International Consulting Business. Profit attributable to owners of parent amounted to ¥3.3 billion, or 80.9% of the target. ROE was 5.7%.

The main reason for reported decline in profit from the previous fiscal year was the roughly ¥2.0 billion increase in general and administrative expenses. The decline largely reflected actions following the medium-term management plan to strengthen technologies and human resources and to develop new businesses in the energy and other fields along with advance investment for future business growth, including spending to expand business offices in the growing domestic market. Considering that the business operation sales and profits both increased year on year, management views the decline in reported profit to be within the range of expectations.

However, one of the factors in the profit decline was delayed orders with an estimated value of several billion yen in the International Consulting Business. To hedge against this risk in the future, management is further strengthening the risk management system and seeking to establish stronger links with private enterprises, such as through public-private partnerships (PPPs).

In these conditions, the Domestic Consulting Business emerged as the primary driver of our business performance for the year. The segment posted substantial increases in sales and profit by aggressively proposing projects to harness the surge in public investment to address Japan's aging infrastructure and in disaster prevention and mitigation to shore up national resilience.

The Power Engineering Business vastly reduced costs during the year while generating roughly ¥20 billion in orders that will utilize its full manufacturing capacity until the year 2025. The strong growth in orders came on an expanding customer base as Japan's renewable energy feed-in tariff (FIT) system broadened the sources of demand from power companies to public and private enterprises seeking to upgrade their facilities. The Power & Digital Business Unit successfully captured the growing demand for equipment upgrades with its offerings of hydropower and various other types of power generation equipment. The business also actively developed and marketed products meeting international standard specifications.

In the Urban & Spatial Development Business, BDP Holdings garnered several major project orders during the year that are expected to contribute significantly to earnings in the near future.

We view the favorable performance during the year as the

result of the initiatives set forth in the long-term management strategy and medium-term management plan. In a comparison with our business results over the past 10 years, adding the Urban & Spatial Development Business's results to the steady growth in the three existing business has increased sales by roughly 50% to over ¥100 billion and has lifted operating income by roughly 150%. We believe the results demonstrate the effectiveness of the medium-term management plan's strategies and continuing to steadily advance the initiatives will enable us to achieve the plan's objectives.

Business environment and issues requiring action

The business environment outlook for the Nippon Koei Group includes expectations that Japan's national budget for public works will increase substantially year on year from the addition of a three-year emergency plan for national resilience to the planned spending for disaster prevention and mitigation. While we expect power system reforms and other developments to present new business opportunities along with increased competition, we anticipate sustaining demand for renovation of power facilities as companies seek to reduce operating costs. Based on this outlook, we look for earnings to remain steady in the Domestic Consulting Business but ongoing severe competition in the Power Engineering Business. We anticipate generally favorable conditions for the International Consulting Business supported by the Japanese government's strategy to export high-quality infrastructure systems combined with growing infrastructure demand worldwide. However, risk also exists that the progress status of individual projects could impact the segment's earnings.

In the Urban & Spatial Development Business, the potential impact of Brexit is a concern for architectural design demand in the United Kingdom, but we expect urbanization in Asia to support ongoing growth in architecture demand. In the Energy Business, we expect the worldwide movement toward low-carbon economies to increase demand for renewable energy and a continuing trend of decentralizing energy resources.

Outlook for the fiscal year ending June 2020

We forecast year-on-year increases in both sales and profits in the fiscal year ending June 2020. Although we expect general administrative costs to continue rising as our business expands, including from the addition of new companies to the consolidated accounts, we anticipate ongoing favorable conditions for the Domestic Consulting Business and the Urban & Spatial Development Business. We also expect the International Consulting Business to book some of the contracts that were delayed in the previous fiscal year.

The areas that medium-term management plan designates for priority investment will be addressed as follows. We will enhance our railways business operating system by forming alliances to establish local operating systems. For the overseas expansion of the Urban & Spatial Development Business, we will

FYE June 2020 Forecast (consolidated, billions of yen)

	FYE19/6 Results (Japanese GAAP)	FYE20/6 Forecast (Japanese GAAP)	YoY Change Amount	YoY Change %	FYE20/6 Forecast (IFRS)
Orders	118.0	137.4	+19.3	+16.4%	137.4
Net Sales	108.5	127.7	+19.1	+17.6%	127.7
Operating Income	5.1	5.8	+0.6	+13.5%	6.7
Ordinary Income	5.5	6.2	+0.6	+11.0%	7.0
Profit Attributable to Owners of Parent	3.3	3.6	+0.2	+8.5%	4.5
Operating Margin (%)	4.7	4.5	—	—	5.2
ROE (%)	5.7	6.1	—	—	7.5

seek to expand business in Canada following the addition to the Group of the Canadian architectural design firm Quadrangle Architects Limited. We will also seek to increase business in Asia as well as Japan by leveraging the integrated civil engineering and architecture operations of the Japan Koei Group and BDP Holdings. The priority investment to establish the Energy Business will focus on continuing to develop the energy management business in Europe and on acquiring operating storage battery engineering, procurement, and construction (EPC) services to continue accumulating expertise in energy management. We will also seek to acquire in hydropower generation concession businesses in Japan.

We will continue steadfastly advancing these initiatives, which will enable us to provide highly competitive and differentiated solutions as we pursue our Group Vision to “provide services that are of value in building safe and reliable social infrastructure and comfortable living spaces” and to fulfill our commitment and responsibility to society.

The Nippon Koei Group has voluntarily adopted International Financial Reporting Standards (IFRS). As our business grows and becomes more diverse worldwide, reporting based on IFRS will improve the international comparability of our financial statements, which will be more convenient for our stakeholders, and will strengthen the management structure by establishing uniform accounting standards throughout the Group. We are also fortifying the Group’s internal governance structure to ensure full and effective support for our global expansion. Reported earnings figures will be based on Japanese GAAP for the first through third quarter and based on IFRS starting with the fourth quarter of the fiscal year ending June 2020.

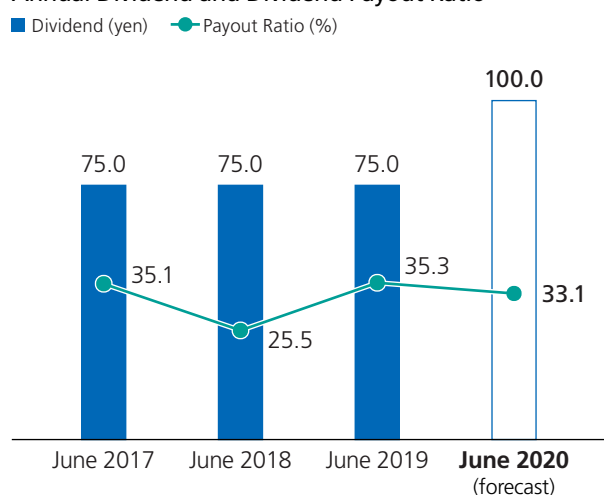
Shareholder returns

The basic policy of Nippon Koei is to provide return to shareholders through the distribution of stable dividends and in

accordance with rises in profit while maintaining a balance of growth investment, financial soundness, and effective asset utilization to advance our business activities and enhance corporate value. The Company has set a medium-term payout ratio target of 30%. Nippon Koei distributed dividends per share of ¥75 in the fiscal year ended June 2019 and declared that it will increase the dividend payout by ¥25 to distribute dividends per share of ¥100 in the fiscal year ending June 2020. The Company additionally conducted a share buyback program in August 2019 with the objective of increasing the share price by enhancing the Company’s capital efficiency and providing additional shareholder return.

The Group will continue steadily advancing the concerted initiatives aimed at achieving the earnings targets for the fiscal year ending June 2020 and toward fulfilling the vision for the Group in the fiscal year ending June 2021, the final year of the medium-term management plan.

Annual Dividend and Dividend Payout Ratio

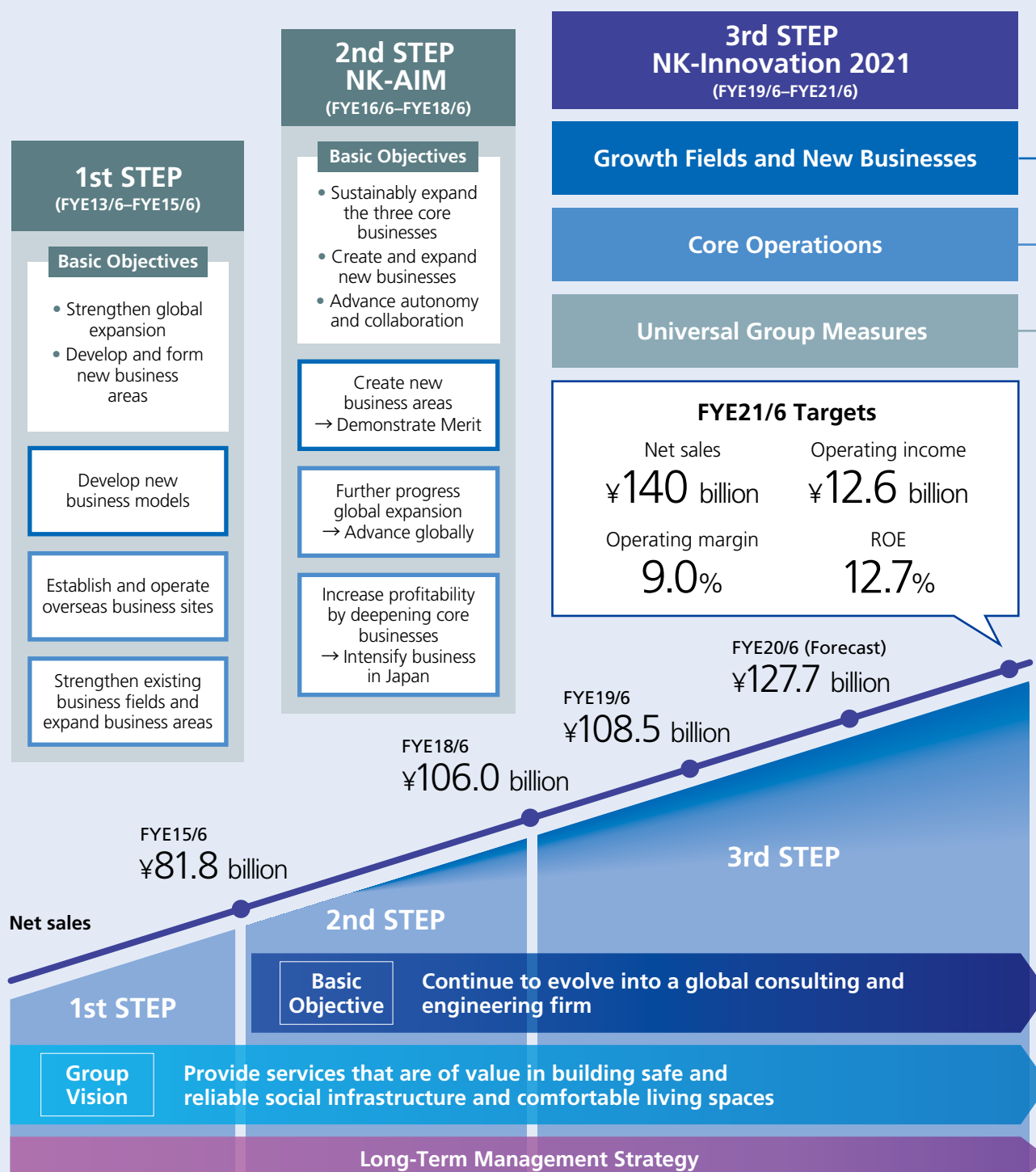


Progress of the NK-Innovation 2021 Medium-Term Management Plan









The Nippon Koei Group is advancing a long-term management strategy through the fiscal year ending June 2021 focused on positioning the Group to address issues ranging from the intensifying environmental and energy issues accompanying global population growth to the growing demand, particularly in emerging countries, for infrastructure and for traffic solutions associated with urbanization.

The plan outlines strategies to fortify the three core operations of Domestic Consulting, International Consulting, and Power Engineering and sets a basic course for "continuing to evolve into a global consulting and engineering firm." In this direction, the Group established the Urban & Spatial Development Business in the fiscal year ended June 2017 and the Energy Business in the fiscal year ended June 2019.

The NK-Innovation 2021 medium-term management plan is the third step of the Group's long-term management strategy and sets three priority investment areas: railways, urban development, and energy.



Review of FYE June 2019 and Priorities for FYE June 2020

Business strategy	Key initiatives	Review of FYE June 2019		Priority Issues for FYE June 2020
		Main actions	Evaluation	
Enhancement of operating system for Railways Business	Develop and strengthen the production system in alliance, etc., with local companies	<ul style="list-style-type: none"> Order received for Dhaka Metro Transit Infrastructure Project Established a local subsidiary in Bangladesh, established of Dhaka Metro Development Office and Logistics Planning Promotion Office ▶ P22 		<ul style="list-style-type: none"> Establish local production systems through promoting alliances
	Improve project management ability by further evolution of IT tools			
	Strengthen technological abilities of regional engineers with teaching materials from the head office and the implementation of OJT			
Overseas expansion of Urban & Spatial Development Business	Develop a cooperative structure between the NK Group and BDP local subsidiaries (Singapore, India and China) to win urban development projects in Asia and specific projects	<ul style="list-style-type: none"> Incorporated Canadian Quadrangle Architects Limited into the Group Order received for the Indian Smart City Project 		<ul style="list-style-type: none"> Expand operations in the Canadian and Asian markets ▶ P23 Develop the Japanese market
	Strengthen the superiority and uniqueness in smart city development by accumulating track records of projects combining civil engineering and architecture			
	Construct cooperative structures with each segment and R&D Center led by domestic divisions for the acceleration of global expansion utilizing domestic know-how			
Establishment of Energy Business	Engage in investment and business in Europe where liberalization of electric power is under way to accumulate the know-how for energy management in anticipation of electric power system reform	<ul style="list-style-type: none"> Established a European base Participated in the UK storage battery EPC Project Decided to establish a joint venture with a European company ▶ P24 		<ul style="list-style-type: none"> Pursue business development and accumulate operating results and know-how in Europe Acquire the hydropower concession business in Japan
	Develop and operate distributed power sources in Japan and Asian region			
	Efforts in the hydroelectric power concession business			
Creation of businesses and overseas expansion of Consulting Business	Reinforcement of domestic management base and support for the promotion of global strategies	<ul style="list-style-type: none"> Incorporated Geoplan Namtech Inc. into the Group 		<ul style="list-style-type: none"> Promote alliances and accelerate business creation Acquire orders in new technology fields by taking advantage of the superiority of domestic technologies
	Promotion of priority business areas (Disaster-prevention/mitigation, Modal connect, local/urban revitalization, information/energy areas)			
	Creation of new businesses centered on management techniques to improve the value of infrastructure			
Product development and overseas expansion of Power Engineering Business	Development of international standard specification products (mainly equipment for substations)	<ul style="list-style-type: none"> Delivered enhanced substation gateway equipment 		<ul style="list-style-type: none"> Create new products and services Build domestic and overseas supply chains
	Building a supply chain by securing overseas production bases for hydroelectric products			
	Reinforcement of price competitiveness and improvement of productivity in all business areas			
Establishment of one-stop marketing system	Improve the customer satisfaction level by providing solutions that leverage products and services from all segments	<ul style="list-style-type: none"> Roundtable meetings (Singapore, London, Manila) Considered entry into the airport business and hydroelectric power related business Supported overseas expansion 		<ul style="list-style-type: none"> Promote cross-segment projects such as smart cities
	Create businesses in target business areas (smart society) through long-term collaboration and integration with other segments			
Investment in technologies and human resources	Promote technology strategies	<ul style="list-style-type: none"> Reviewed and promoted technology strategy themes ▶ P25 Established Research and Development Planning Office and Center for Advanced Research and Development Increased the number of employees Promoted the WLB campaign 		<ul style="list-style-type: none"> Maintain and improve superior technologies such as disaster prevention/mitigation and maintenance management using AI Expand hiring, strengthen education, and promote early demonstration of capabilities
	Pursue strategic technological development to expand existing businesses			
	New business initiatives			
	Personnel system reform			
	Strengthen recruitment activities			
Promote work style reform				
Enhancement of Group governance	Establish a Group governance system	<ul style="list-style-type: none"> Established and implemented business management guidelines Promoted GAGE, IFRS, and BEPS 		<ul style="list-style-type: none"> Introduce IFRS and establish a global accounting platform
	Promote global accounting platforms GAGE* and IFRS, and continue to support BEPS to reinforce tax compliance			

*GAGE: Global Accounting Governance Enhancement

Growth Fields and New Businesses “Now”

Creating a Smart Society

The Nippon Koei Group’s NK-Innovation 2021 medium-term management plan to the fiscal year ending June 2021 calls for concentrating our investment on addressing social issues and supporting sustainable growth in Japan and overseas in the three areas of railways, urban development, and energy.

Focusing the Group’s operating structure into a five-business structure of these three areas and the existing businesses will enable us to create a comprehensive vision and apply our wide-ranging integrated capabilities to realizing the smart societies that will be needed in the future. By establishing Nippon Koei as a corporate group integral to infrastructure development around the world, our business will grow together with the stakeholders in international community.



Railway Development in Emerging Countries



Dhaka MRT Line 6 Construction Project



Contract period 2014–2023
 Contract amount ¥4.3 billion
 Client Dhaka Mass Transit Company Limited
 Consultant Nippon Koei and Nippon Koei India Pvt. Ltd. as part of a six-company joint venture

Nippon Koei Group contribution
 Tender assistance, construction supervision, operation and maintenance management and support

The Dhaka MRT Line 6 under construction

Meeting demand for railways and adjacent infrastructure as populations grow

The explosive population growth and rapid urbanization in emerging countries is creating major challenges for mobility and environmental protection. This is leading to increasing demand in the transportation industry, particularly for the development of railways and adjacent locations. Nippon Koei is engaged in a number of railway construction projects in several cities in Asia seeking to put in place mobility infrastructure for a flourishing society.

Dhaka, the capital of Bangladesh, has grown into one of the world’s megacities with a population of 15 million, but its infrastructure has not kept up with the rapid economic growth, and it has become critical to find solutions for the city’s chronic traffic congestion and air pollution. The city is advancing an ambitious project to build the country’s first mass transit system, the Mass Rapid Transit (MRT) Line 6 system which will run north-south through the city. Building a new railway system in a fully established city entails overcoming formidable challenges, such as constructing elevated structures over existing roads and train stations adjoined to existing buildings. Nippon Koei is bringing the full force of its technical abilities to every detail of the project.

Highly trained local human resources contribute to high-quality infrastructure

We will need to strengthen our production systems to meet the vigorous demand in the transportation field, and key to this will be cultivating a corps of highly trained local human resources. Nippon Koei Bangladesh Ltd., established in September 2018, currently has over 80 employees dedicated to producing high-quality infrastructure informed by local sensibilities.



Staff working on the Dhaka MRT Line 6 Project

Voice

Wider opportunities from training and using skilled local staff

Managers of projects overseas have broad responsibilities, ranging from managing costs to accommodating client work processes. Railway projects, in particular, require a large staff to handle the massive volume of work for the detailed planning needed in multiple highly specialized fields. The Dhaka MRT Line 6 project is utilizing some 30,000 blueprints and has a total staff of some 250 people. For this project, Nippon Koei hired and trained new employees, strengthened management capabilities, and had to outsource additional staff. Boosting our staff and the speed that we can work will enable us to successfully complete the railway project. After this project, I’m looking forward to aggressively pursuing more ODA projects and other business opportunities.



Takayuki Fujitomi General Manager of Dhaka MRT Line 6 Project Office

Railway Line and Urban Development in Emerging Countries



Thailand High-speed Rail Line / TOD Plan Preparation Project



Contract period 2019–2020
 Contract amount ¥100 million
 Client Government of Thailand
 Consultant Nippon Koei and BDP as part of a nine-company joint venture

Nippon Koei Group contribution
 Preparation of selection criteria, concept plan, preliminary planning, detailed master plan

Transit-oriented development for urbanizing societies and sustainable lifestyles in emerging countries

Transit-oriented development (TOD) seeks to avoid over-reliance on automobiles and create sustainable urban infrastructure centered on public transportation. TOD has been attracting attention as a way to address public transportation challenges accompanying the unprecedented speed and scale of urbanization in developing countries, and many governments of emerging countries are making TOD urban development a top priority. Nippon Koei has many years of experience contributing to the nation-building efforts of emerging countries, particularly in Asia, and expertise in urban planning that has become a fundamental component in economic growth. We are combining our expertise with the specialization of BDP, of the United Kingdom, in both architectural and urban planning, to conceptualize and realize TOD projects that will shape the cities

of the future. The Thailand High-speed Rail Line project we are currently developing includes urban planning around the line's three main train stations.

Combining our civil engineering and architectural knowledge for TOD

The plan review work we are conducting for the TOD project in Thailand involves preparing alternative plans for bridges over the new train line and other infrastructure based on the sites of the train stations as well as conceptualizing and planning highly livable spaces. We are combining our sophisticated consulting abilities in the civil engineering field, BDP's accumulated expertise in advanced urban design, and Tamano Consultants' prowess in compact city planning cultivated in Japan to create an urban plan that is very efficient and safe and that carries a minimal environmental footprint.

Voice

We offer comprehensive services combining each company's areas of expertise

The medium-term management plan calls for preparing for potential business risk in the United Kingdom where BDP has a strong presence and for collaborating with BDP in both civil engineering and architecture to provide solutions for urbanization challenges in Asia. BDP joined the Nippon Koei Group three years ago as we sought to expand into the architecture and urban planning field. Since then, we have steadily increased the number of projects in Asia that fuse our civil engineering and architecture capabilities. Nippon Koei and BDP collaborated on a joint presentation at the TOD seminar held in Singapore in July 2019. The seminar and our presentation booth allowed us to tighten the bonds between our companies and was an excellent opportunity to connect with new developers and increase recognition of the Nippon Koei Group. We are looking forward to creating more opportunities to grow our business. We are continuing to grow as a corporate group that is unrivaled for the comprehensive urban development services we offer through our combined strengths in civil engineering and architecture.



Peter Jenkins
 Architect Director and Head of Transport Sector, BDP



Nozomi Hishida
 Private Business Promotion Division

Europe Energy Management System/ Energy Storage System Project



Solutions for realizing a renewable energy society

Solar power, wind power, and other renewable energy sources are increasingly being used around the world. The increasing use of energy sources that can be affected by natural conditions will require constructing new energy networks capable of ensuring a stable and reliable supply of power. With Europe being a leading region in the adoption of renewable energy, the Nippon Koei Group established a company in the Netherlands to be at the forefront of storage battery and energy management technology.



Storage batteries used in the Port of Tilbury Project in the United Kingdom

Enabling reliable and environmentally sound energy supply

Since renewable energy often does not come from a constant supply source, introducing a high volume of renewable energy to an electric power grid can disrupt the balance of the supply and demand within the power grid, which could compromise the quality of the electric power, such as in the form of voltage or frequency fluctuation, and could even cause widespread power outages. Nippon Koei provides a one-stop solution in Europe by offering services ranging from the development of energy management businesses, such as ancillary and arbitrage services, using power storage systems to business to financing, EPC, and operation consultation.

Power storage systems with fast charge and discharge response speeds enable surplus energy produced by solar or hydropower systems to be stored for future use. These systems ensure a stable supply of electricity when energy demand exceeds the current production capacity, such as when weather conditions are not conducive to generating power. Nippon Koei is using its experience and expertise to create power grids that ensure stable and environmentally sound power supply in a new era of hybrid energy systems.

Voice

Promoting business development and operations in Europe and fighting climate change

The Japanese energy industry will enter a phase of major change in 2020 as the legal uncoupling of the power transmission and distribution operations becomes finalized. With price competition and global warming countermeasures set to transform the structure of electric power operations in Japan, Nippon Koei established a company in Europe in December 2018 to be at the front lines of energy infrastructure innovation and be a leader in formulating new energy industry business models that take account of product marketability. Our company is applying our extensive experience in power control technology and engineering technology in advanced energy systems to formulate new prototypes for the energy industry. Blending our existing technologies and the expertise we are accumulating through our operations in Europe is creating a strong and growing foundation for earnings.



Masato Suzuki Executive Director Vice Chairman Nippon Koei Energy Europe B.V.

Universal Group Measures “Now”

Technology Measures	R&D budget to the year ending June 2021 ¥2.4 billion
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Technology Measures: 16 Themes for Investment

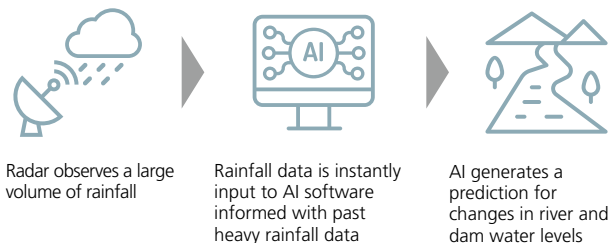
1. Innovative Technologies	2. Next-generation Businesses	3. Company Infrastructure Innovation and Productivity
<ul style="list-style-type: none"> • Climate change countermeasures • Disaster prevention and mitigation • Data networks • Analysis, design, and proposals • Artificial intelligence • New environmental survey methods • Development of resilience technologies 	<ul style="list-style-type: none"> • Architecture, urban, transportation • Energy • Maintenance and operation • Big data • Infrastructure digital twin technology • SDG achievement 	<ul style="list-style-type: none"> • Project management IT systems • Building information modeling (BIM) • Manufacturing systems

Focus

Harnessing AI for disaster prevention and mitigation

We are actively integrating AI and IoT into our development of advanced technologies because we believe they offer great potential for improving civil engineering and disaster prevention and mitigation technology.

Water Level Prediction Using AI



- Floodgate and dams preparation is activated
- People in flood regions are quickly evacuated to safety

Using AI to predict flood levels

Nippon Koei has developed a prediction system that employs AI to project peak water levels and floods when river levels are rising. Most current AI systems formulate projections using data from previous events, but these systems can be insufficient when a disaster without precedent occurs. We created learning data sets that combine AI learning with precipitation records and river level records from the past 25 years. The system employs deep learning using real-time water level data from water level gauges along Japan’s major rivers and in mere seconds can create a projection for water levels for the next six hours. The technology’s predictive abilities are attracting attention as Japan increasingly experiences weather events with unprecedented amounts of rainfall.

Preparing for more frequent flood events

The rise in rainfall in recent years due to climate change is increasing concern about potential damage from floods and making accurate flood prediction increasingly critical for flood prevention efforts and for evacuation of people to safety before floods occur.

Effective evacuation during flooding or water deluge events requires that the predictions are accurate enough so they can be used to make a decision to evacuate and also that the predictions are made with enough lead-time so the evacuation will be effective. Nippon Koei is proposing its technology to local governments and power companies to help ensure citizens will be notified for early evacuation, to a smooth evacuation process, and effective dam operations.

Human Resource Development

From June 2019 to June 2021

Increase Group employees by **2,000**

Hiring and training local engineers overseas

Targeting local engineers in June 2020 numbering: 120

Personnel system reform

Revising our qualification, evaluation, and compensation systems to boost professionalism and motivation

Career vision

Implementing training plans and programs geared to the human resource development vision

Work-life balance

Raising productivity, accommodating various workstyles

Focus

Hiring and training local engineers

We are increasing the training of locally hired engineers to effectively meet the growing worldwide demand in our priority investment fields, particularly railways, and the ongoing trend for increasingly larger projects.

Regional engineer system in each global region

The Nippon Koei Group has a regional engineer system for cultivating talented and experienced non-Japanese engineers to work on international projects and meet project demand in countries around the world. The system designates engineers to four tiers based on demonstrated technical ability and experience, and regional engineers are selected from the highest tier. As of December 2019, we had over 80 regional engineers capable of providing top-level skills to any project, and who are given priority for assignments to Company projects. We provide e-learning of topics including risk management and safety management, and are currently setting up a structure for on-the-job training system at project sites with the aim of increasing the number of regional engineers to 120 by the end of June 2020.



3D models of urban sites are generated using drone aerial photography, and the models are used to determine where to acquire land and where to locate underground train stations.

Using BIM in Bangladesh

Nippon Koei Bangladesh is using Building Information Modeling (BIM) to generate 3D architectural models for the basic design, detailed design, and construction supervision in the Dhaka MRT Line 1 Construction Project. Group company BDP, of the United Kingdom, created leading BIM technology in Europe, and Nippon Koei is working with engineers at Nippon Koei Bangladesh to adapt the technology to the MRT project.

Railway projects require both civil engineering and architectural expertise, and a project staff with the ability to both process and understand a massive amount of information is essential. We are using our global collaboration structure to strengthen the technical capabilities of our local engineers, and this is having the double effect of accelerating our work pace and raising the quality of our business content.

Performance Highlights

Urban & Spatial Development

Net sales
¥15.3 billion

Operating income
¥0.1 billion

Power Engineering

Net sales
¥16.5 billion

Operating income
¥2.0 billion

International Consulting

Net sales
¥24.9 billion

Operating income
¥0.8 billion

Energy

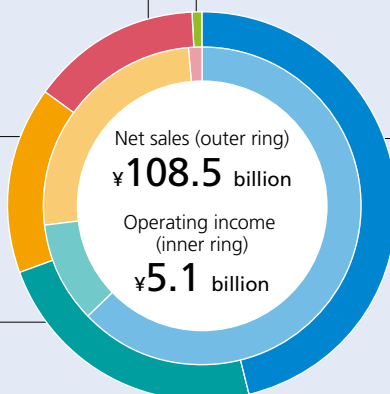
Net sales
¥0.7 billion

Operating income
¥(0.3) billion

Domestic Consulting

Net sales
¥49.5 billion

Operating income
¥4.9 billion

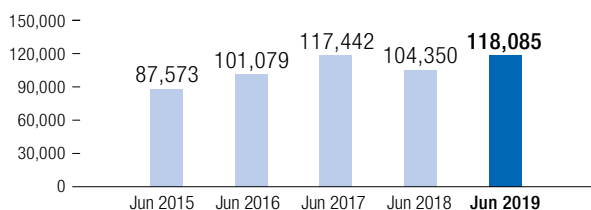


*Composition ratios for net sales and operating income do not include "Real estate / Others."
Composition ratios for the Energy Business are not provided due to the negative operating income.

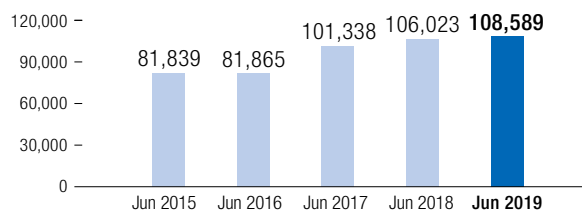
Financial-related

Performance trends for the past five years show that the sustained growth of three core Domestic Consulting, International Consulting, and Power Engineering businesses and the consolidation of BDP followed by the creation and expansion of the Urban & Spatial Development Business have boosted net sales by approximately 30 percent to over ¥100 billion and lifted operating income by about 10 percent. In addition, the new Energy Business launched in the fiscal year ended June 30, 2019 is positioned to generate further growth in the dynamically transforming global energy industry.

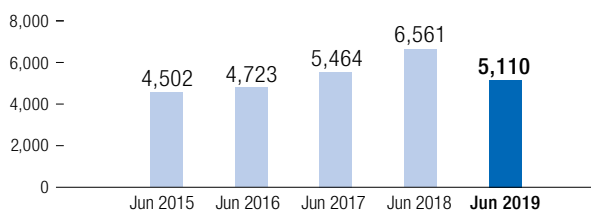
Orders (Millions of yen)



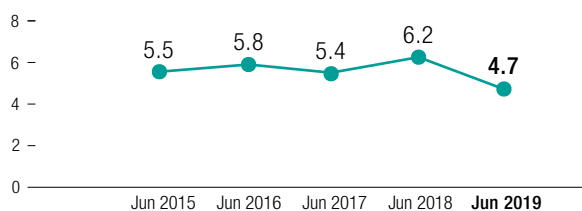
Net sales (Millions of yen)



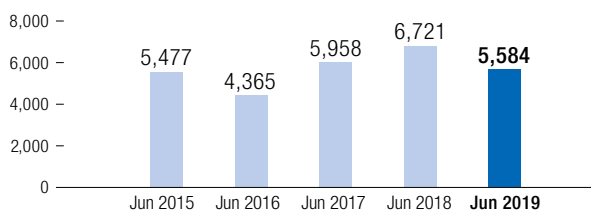
Operating income (Millions of yen)



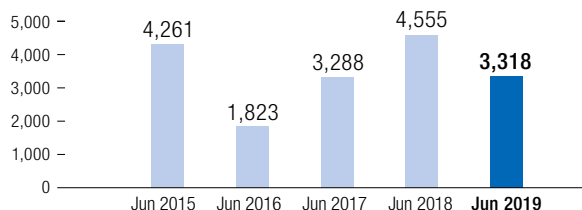
Operating margin (%)



Ordinary income (Millions of yen)



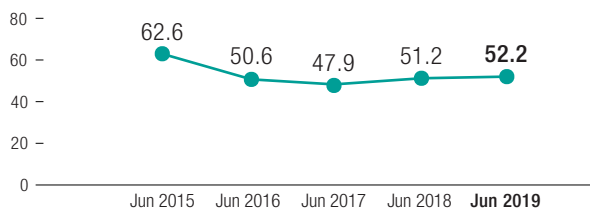
Profit attributable to owners of parent (Millions of yen)



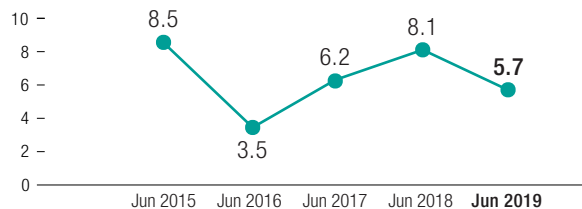
* Consolidated results include BDP beginning in the fiscal year ended June 2017.

* In the fiscal year ended June 2018, the Nippon Koei Group changed its basis for recording sales from the completed-contract method to the percentage-of-completion method.

Equity ratio (%)



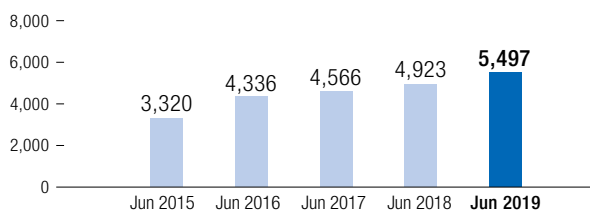
ROE (%)



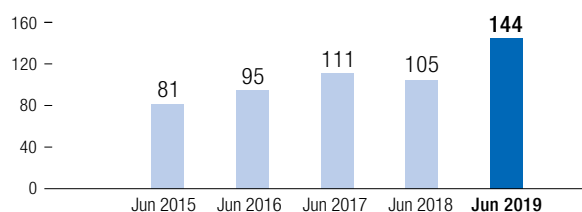
Human resources

We employ and develop human resources based on the stance that people are our greatest business resource. The number of Group employees is increasing in line with the growth in our business domain and business scale.

Number of employees (consolidated) (No. of people)



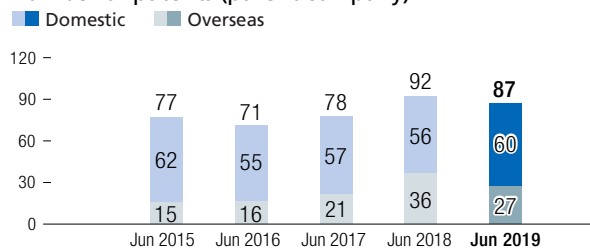
Number of new university graduates hired (including by Group companies in Japan) (No. of people)



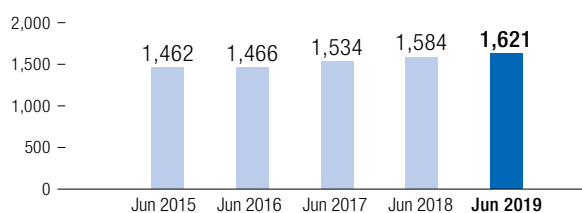
Technology

We are also actively investing in technology development, and have acquired numerous patents in Japan and overseas. The Nippon Koei Group employs the largest number of nationally qualified engineers in Japan.

Number of patents (parent company)



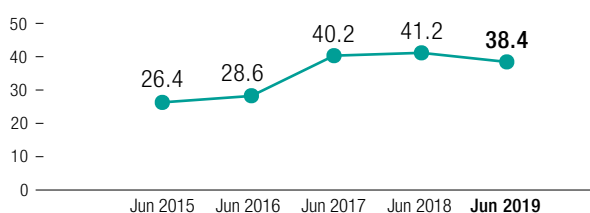
Number of certified professional engineers (including Group companies) (No. of people)



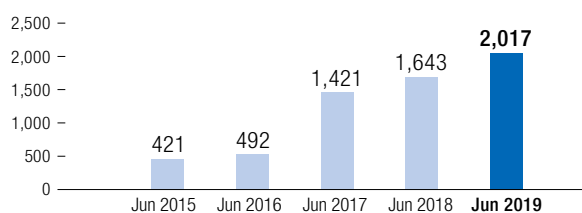
Overseas-related

We view overseas markets as growth markets and are actively promoting our businesses around the world. The percentage of our business conducted overseas is steadily expanding, and the number of employees working at Group companies overseas has also grown dramatically.

Overseas sales ratio (consolidated) (%)



Number of employees of overseas Group companies (No. of people)



Domestic Consulting

Business Areas

- Water resources and waterways
- Urban and regional development
- Disaster prevention
- Infrastructure management
- Dams and power generation
- Transportation
- Environmental management

Main Customers

- Ministry of Land, Infrastructure, Transport and Tourism
- Local governments



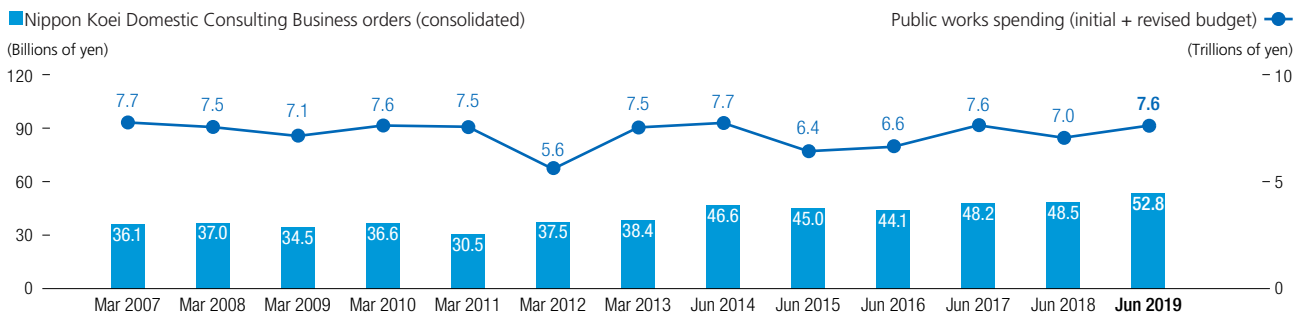
Business Overview

The Domestic Consulting Business provides a full range of civil engineering consultation related to infrastructure development, maintenance, and safety for local and national government agencies, such as the Ministry of Land, Infrastructure, Transport and Tourism with the aim of helping create vibrant communities and social environments that are beautiful, safe,

and flourishing. With proven technologies informed by diverse experience and R&D, the operation has grown into a comprehensive consulting service covering a vast array of projects encompassing the improvement, management, and maintenance of infrastructure supporting daily community life.

Market Trends

Public works spending (initial + revised budget) / Nippon Koei Domestic Consulting Business orders



Source: Ministry of Land, Infrastructure, Transport and Tourism, *Survey of Trends in Construction-Related Industries (Construction Consulting)*

Main Strategies

Nippon Koei Competitive Advantages

- Business offices in all 47 prefectures, strong client partnerships
- Ability to apply our wide-ranging technologies and integrated strengths to develop advanced technologies and effective solutions for a wide variety of projects

Business Opportunities

- Demand for national resilience, extending infrastructure life, and compact cities
- Government economic measures holding contract value of 50 major construction consulting companies high at ¥563.8 billion in FY2018

Risks

- Susceptibility to fluctuations in public spending trends
- Increasing competition for personnel accompanying the growth in business volume

Basic Strategies

- **Further strengthen the management base**
Develop human resources, expand the production system, improve quality, and maintain work-life balance
- **Use our advanced technologies to promote global strategies**
Formulate a structure with deeper integration among the segments
- **Business creation**
Expand business by reorganizing our structure to better align with the needs of society
- **Make business management more efficient**
Streamline business operations, advance measures to improve productivity, and continuously reduce costs

Performance in the Fiscal Year Ended June 2019

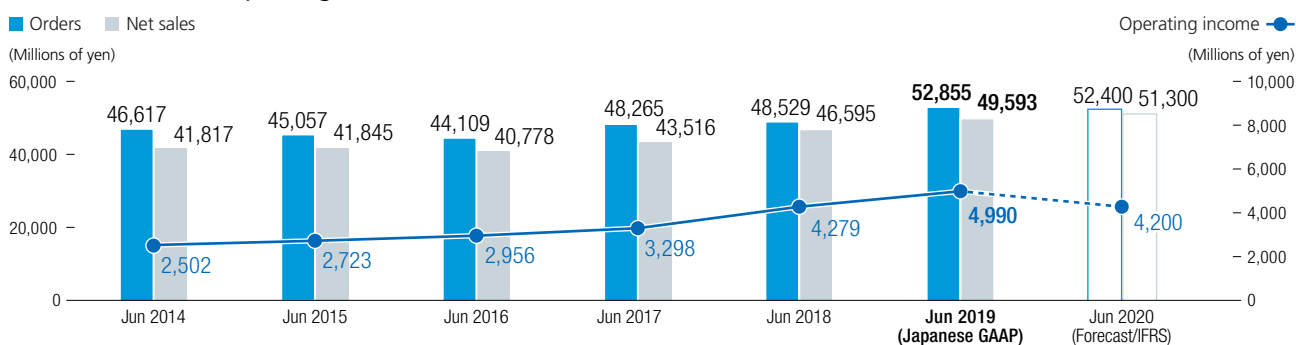
Performance Summary

- Orders reached an all-time high as government spending on disaster-related measures boosted orders substantially year on year and above expectations.
- Sales grew substantially year on year and vastly exceeded expectations on strong growth from aggressive efforts to increase business related to national resilience and disaster prevention and mitigation.
- Operating income increased year on year and above expectations supported by the higher sales and fewer unprofitable projects from efforts to maintain quality and improve productivity.

The Domestic Consulting Business reformulated its order-receipt and production systems, maintained and improved quality, and reinforced and improved the efficiency of its management base, including through workstyle reform. The business also supported the global strategy to integrate the International Consulting Business and the R&D Center and took steps to develop new businesses centered on management technology used to raise the value of infrastructure.

These efforts, particularly the aggressive pursuit of business activities related to national resilience and disaster prevention and mitigation, generated an 8.9% year-on-year increase in orders to ¥52,855 million. Net sales increased 6.4% to ¥49,593 million, operating income rose 16.6% to ¥4,990 million, and ordinary income increased 20.2% year on year to ¥4,976 million.

Orders, net sales, and operating income

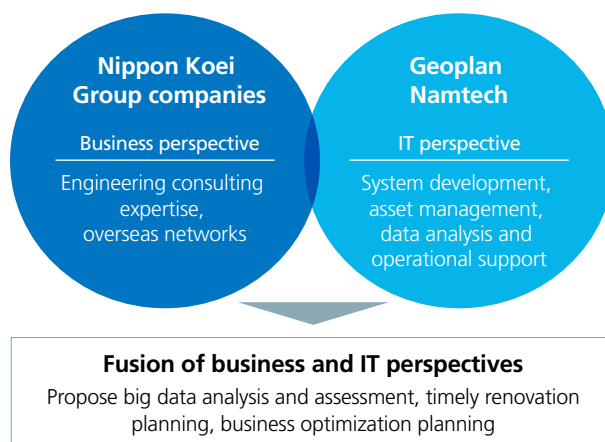


Medium- and Long-term Strategies

The medium-term management plan emphasizes the “Creation of businesses and overseas expansion of consulting business.” The Domestic Consulting Business is seeking to broaden its business scope by creating new business operations centered in infrastructure management, including PFI/PPP and concession operations. A major step toward the creation of new business will be achieved in the fiscal year ending June 2020 with the addition of Geoplan Namtech Inc., an IT consulting company with strengths in networked infrastructure systems for electric power, gas, and water and sewage operations. The Nippon Koei Group will combine its expertise in engineering consulting with Geoplan Namtech’s expertise in data maintenance and management to develop new services with a main focus on smart applications in the urban infrastructure business.

We will use our technological strengths from the R&D Center’s technical advances and our experience applying the latest technologies to our projects in Japan to develop solutions for increasingly complex issues the world faces.

Incorporation of Geoplan Namtech Inc. into the Group Effective FYE June 2020



International Consulting

Business Areas

- Water resources and waterways
- Urban and regional development
- Disaster prevention
- Agricultural and rural development
- Energy
- Transportation
- Environmental management
- Others

Main Customers

- Japan International Cooperation Agency (JICA)
- Overseas government agencies



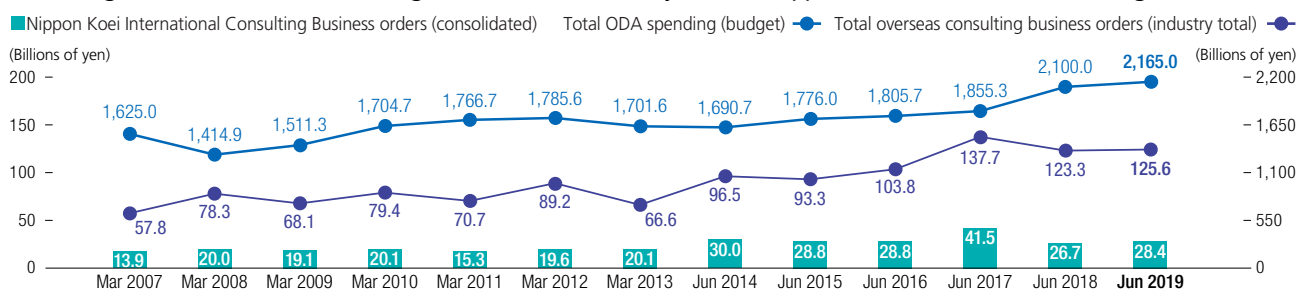
Business Overview

The Nippon Koei Group is engaged in numerous projects in fields ranging from water resources and waterways, energy, urban and regional development, transportation, environmental management, agricultural and rural development designed to support the development of countries in Asia, Africa, the Middle and Near East, Latin America, and other regions. The majority of these operations are ODA projects of the Japanese government, which generate sales over multiple years. The

Nippon Koei Group is among one of the leading firms participating in Japanese ODA projects. The Group is active on the front lines of social contribution and humanitarian aid across borders. Examples of our activities include environmental measures to combat global warming, developing regional transportation infrastructure in emerging countries undergoing rapid economic growth, and assisting in reconstruction in regions affected by conflict or natural disasters.

Market Trends

ODA budget*1 / Total overseas consulting business orders (industry total)*2 / Nippon Koei International Consulting Business orders



*1 Source: Ministry of Foreign Affairs, ODA Budget (Initial Budget)

*2 Source: Infrastructure Development Institute-Japan, Report on Orders Received in Overseas Consulting Business, etc.

Main Strategies

Nippon Koei Competitive Advantages

- Worldwide network built on trust, results, and expertise accumulated through numerous ODA products over many years

Business Opportunities

- Japanese government's ongoing policy to export high-quality infrastructure
- The focus of ODA loans on the transportation field and mainly India and Bangladesh
- ODA, PPP, and private sector expansion due to growing infrastructure demand in emerging countries

Risks

- Susceptibility to fluctuations in ODA budgets
- As projects become larger, results fluctuations due to progress status of specific projects
- Changes in government policy of different countries

Basic Strategies

- **Strengthen the production system**
Secure staff, train and utilize regional engineers
- **Increase non-ODA business**
Collaborate with other industries and strengthen Group company production systems
- **Apply comprehensive risk management**
Conduct regular technical and safety patrols
- **Stabilize revenue management**
Ensure thorough profit management and reinforce Group governance
- **Ensure safety**
Establish a safety network for the Company and Group companies

Performance in the Fiscal Year Ended June 2019

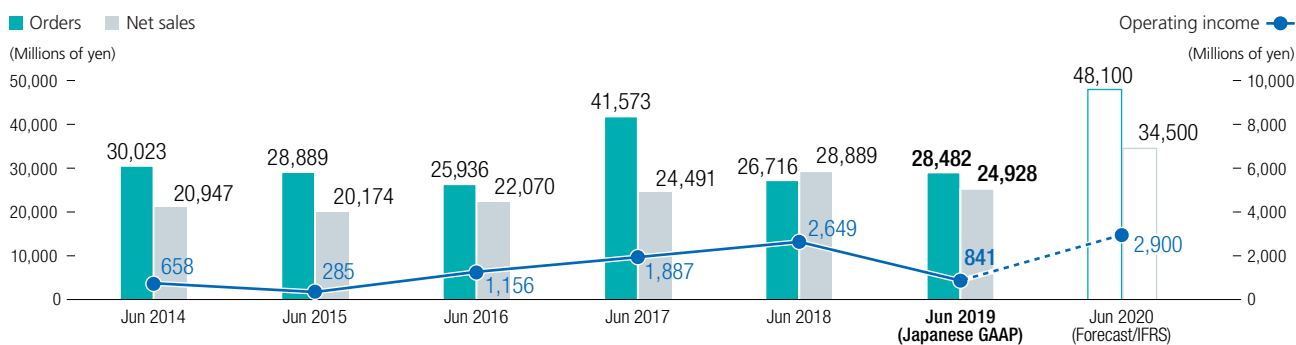
Performance Summary

- Orders fell short of plan due to delayed orders for anticipated large projects.
- Sales fell short of plan due to reduced revenue caused in part by delays in add-on contracts at the Vietnam railway project.
- Operating income declined from the sluggish sales and lower operating rate caused by the delayed orders.

The International Consulting Business acquired and trained human resources, mainly in the railways business, strengthened the production system by enhancing its project management capabilities, and conducted strict revenue, risk, and safety management. The business also actively engaged in the Public Private Partnership (PPP) and private sector business.

Orders increased 6.6% year on year to ¥28,482 million. However, largely due to delayed contracts for a large-scale project, net sales decreased 13.7% to ¥24,928 million, operating income declined 68.2% to ¥841 million, and ordinary income fell 76.2% to ¥574 million.

Orders, net sales, and operating income

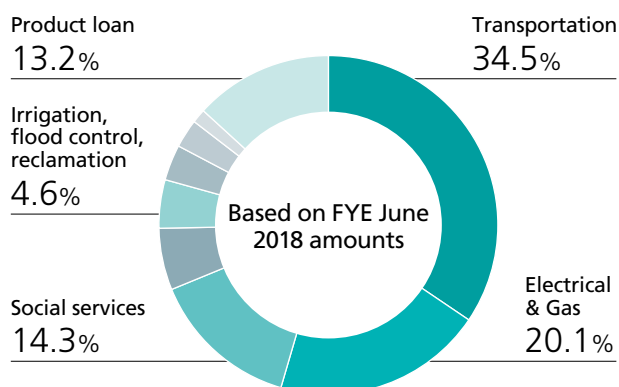


Medium- and Long-term Strategies

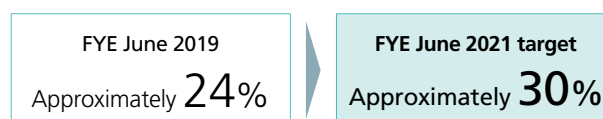
The medium-term management plan emphasizes the “Enhancement of the operating system for the railways business.” In emerging countries where there is strong demand in the railway field, the business is seeking to grow business by establishing local affiliated companies, training local staff and increasing their technological capabilities, and forming alliances with local companies. The Group and its local affiliates are also making a concerted effort to strengthen their businesses by applying thorough revenue management and by strengthening Group governance and ensuring strict legal compliance to improve its risk management.

The International Consulting Business is currently primarily engaged in Japanese government ODA projects, but it is seeking to increase the volume of non-ODA business activities. The segment is establishing ties with local companies to expand its concession, PPP, and private sector activities to meet a wider range of demand in overseas markets. The segment is also linking with the Domestic Consulting Business to use the Group’s advanced technologies in Japan for business in overseas markets.

ODA project participation by industry (FYE June 2018 total)



International Consulting Business ratio of non-ODA orders



Power Engineering

Business Areas

- Manufacture of equipment and devices
- Mechanical and electrical consulting
- Geotechnical surveying, sale of civil engineering measurement devices

Main Customers

- Construction of electrical facilities
- Manufacture of safety gear and equipment
- Electric power companies
- Private companies
- Local governments



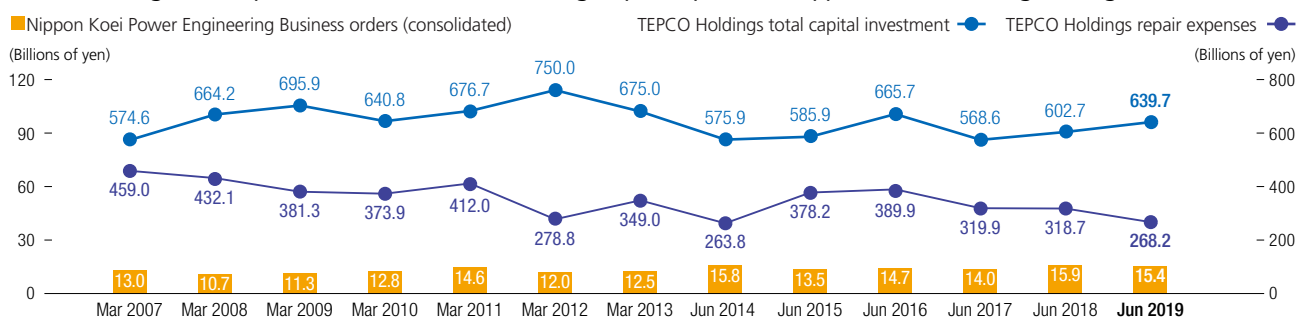
Business Overview

The Power Engineering Business proposes optimal solutions for electric power companies to support electric power development and meet electric power needs in Japan and emerging countries. The segment constructs and repairs substations, switching stations, and power plants, constructs

central monitoring and control systems to improve operating efficiency, constructs dam control systems at hydropower plants, and manufactures related equipment. The segment has also been increasingly focusing on the sustainable energy field in recent years.

Market Trends

TEPCO Holdings total capital investment / TEPCO Holdings repair expenses* / Nippon Koei Power Engineering Business orders



Source: Published materials of Tokyo Electric Power Company Holdings, Inc.

Main Strategies

Nippon Koei Competitive Advantages

- Link to the engineering consulting business
- One-stop services encompassing every stage from planning and surveying for electric power operations and electrical equipment to engineering and construction as well as equipment manufacture, maintenance, and operation in Japan and overseas
- Extensive experience in product delivery and projects with the TEPCO Group

Business Opportunities

- Increasing business opportunities from power system reforms and digitization
- Electric power company demand for electric power facility and electrical equipment renovation

Risks

- Efforts in the domestic electric power market to reduce costs and lower consignment rates to international levels
- Exposure to the capital investment activity of TEPCO Power Grid, Inc.

Basic Strategies

- Expand the electric power engineering business
- Expand the mechanical and electrical consulting business
- Strengthen Group cooperation
- Strengthen price competitiveness and marketing capabilities by deeply cutting costs
- Advance the development of products and technologies

Performance in the Fiscal Year Ended June 2019

Performance Summary

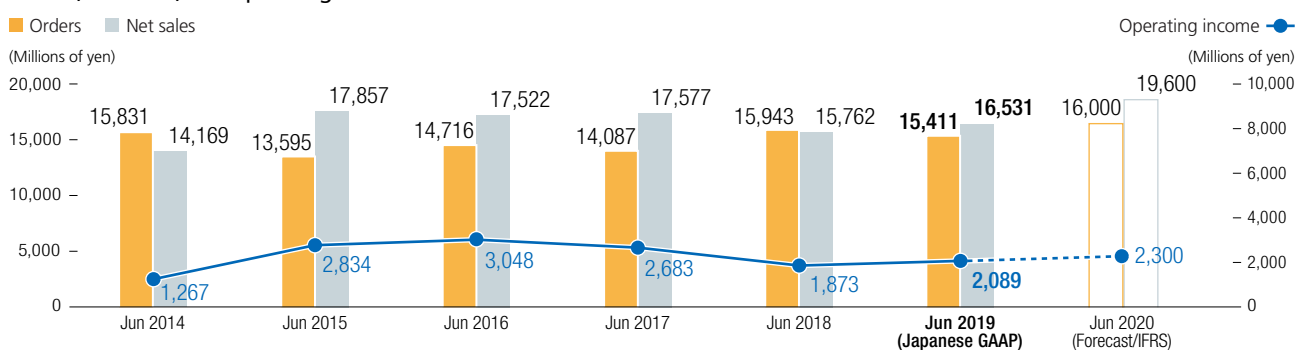
- Orders were essentially flat year on year but surpassed the target upon receipt of a major order in the fourth quarter.
- Sales increased year on year supported by carryover business from the previous year, but the end result was below forecast.
- Operating income grew year on year due to growth in sales and widespread efforts to reduce costs.

The Power Engineering Business broadened the mechanical and electrical consulting business by entering into new fields, such as traffic, transport, maintenance, and management, with the aim of developing its global business. The segment also strengthened the Group cooperation in the energy-related and maintenance and management businesses, developed products and technologies tailored to global standard specifications, and enhanced its price competitiveness and sales capabilities by

continuing to rigorously cut costs.

Orders declined 3.3% year on year to ¥15,411 million from the previous fiscal year when a large-scale order was received. Net sales rose 4.9% to ¥16,531 million due to sales from existing unfilled orders. Operating income increased 11.5% to ¥2,089 million as a result of successful efforts to reduce costs, and ordinary income rose 3.0% to ¥2,047 million.

Orders, net sales, and operating income

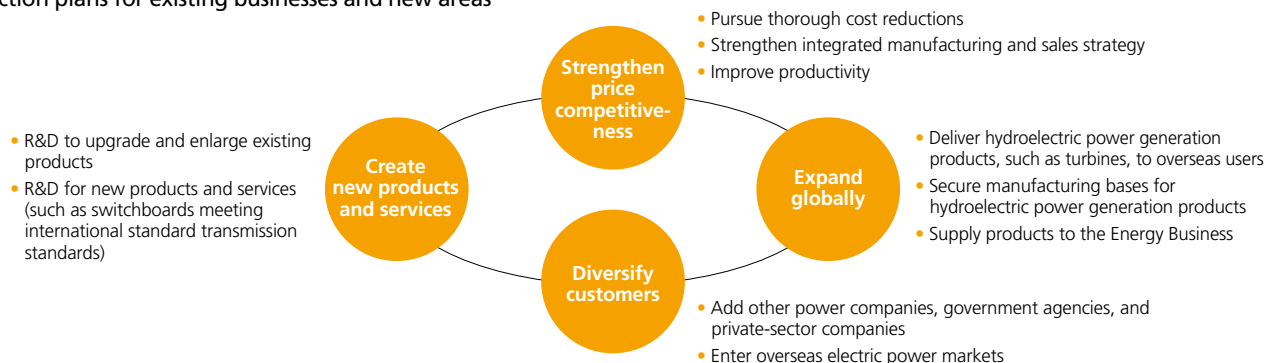


Medium- and Long-term Strategies

The medium-term management plan calls for the “Product development and overseas expansion of the Power Engineering Business.” The segment is establishing supply chains in Japan and overseas and strengthening its proposal capabilities to electric power companies in Japan and governmental and private entities in Japan and overseas. The segment is also reorganizing its operating structure for effective global operations and developing products for global markets, including recalibrating its existing products, particularly its

next-generation monitoring and control systems for substations, from a focus mainly on TEPCO specifications to meeting international standards. The segment is also securing overseas production sites for its hydroelectric power generation products with the aim of cutting costs, establishing sales operations in Asia and other regions, and partnering with electric power companies in Japan to develop its systems business for global operations.

Action plans for existing businesses and new areas



Urban & Spatial Development

Business Areas

- Architecture
- Urban design and development
- Refurbishment of historic buildings

Main Customers

- Private companies

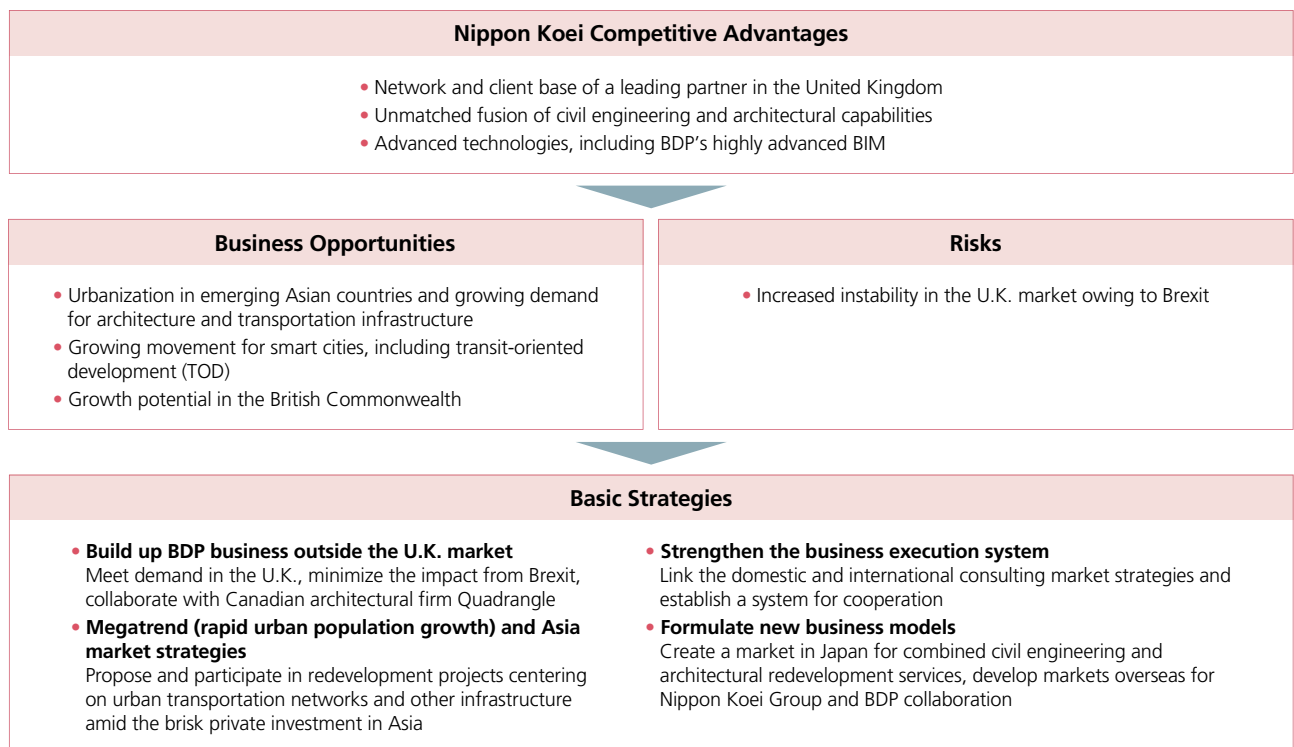


Business Overview

Nippon Koei established the Urban & Spatial Development Business in 2016 when it welcomed BDP of the United Kingdom into the Group and launched its drive to enter the field of architecture, which represents one quarter of the construction surveying and design market worldwide. In emerging countries in Asia, rapid urbanization is leading to worsening traffic congestion, environmental pollution, and

other problems. While continuing to help build additional transportation infrastructure, we are fusing civil engineering and architecture technologies to create multipurpose, multisolution urban and spatial designs for airport complexes, train stations, commercial facilities, schools, medical facilities, and peripheral structures.

Main Strategies



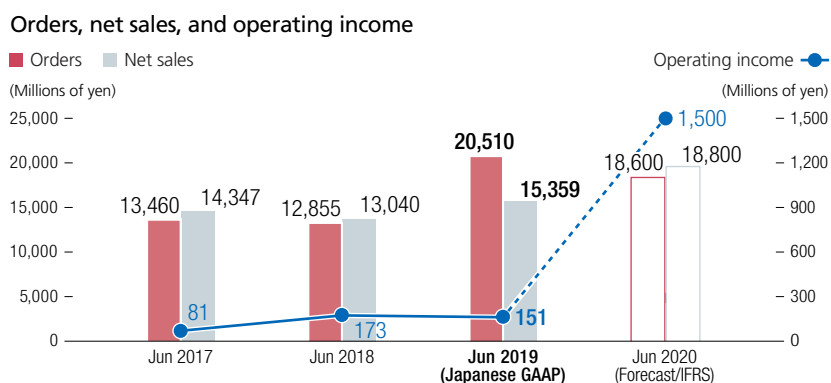
Performance in the Fiscal Year Ended June 2019

Performance Summary

- Orders rose year on year and achieved the target with contributions from the start of orders associated with the Palace of Westminster refurbishment projects and add-on contracts from major projects.
- Sales grew on solid orders and the addition of Quadrangle to the Group.
- Operating income declined owing to the acquisition cost for Quadrangle, sales costs (including labor costs) and upfront general and administrative expenses for the Westminster project.

The Urban & Spatial Development Business responded to changes in the U.K. market, expanded business in Asia by promoting Group collaboration centered on Singapore, and advanced measures to enter the British Commonwealth markets. BDP acquired shares in a Canadian architectural design firm Quadrangle Architects Limited on February 4, 2019

and made Quadrangle a consolidated subsidiary. Orders received increased 59.5% year on year to ¥20,510 million, and net sales rose 17.8% to ¥15,359 million. Operating income declined 12.6% to ¥151 million, due to increased selling, general and administrative expenses, and ordinary income decreased 42.2% to ¥114 million.



Medium- and Long-term Strategies

The medium-term management plan calls for the “Overseas expansion of the Urban & Spatial Development Business” by incorporating BDP’s architectural design expertise to the Nippon Koei Group and developing global business for services that combine the Group’s civil engineering and BDP’s architecture technologies. The partnership will also be used to develop combined civil engineering and architecture service packages and to create new markets for Nippon Koei’s competence in Asia. The segment additionally plans to enter the urban redevelopment market in Japan beginning in the fiscal year ending June 2020. At the same time, the segment will

accelerate business development in British Commonwealth countries and Asia as part of a strategy to reduce BDP’s reliance on its domestic market of the United Kingdom, where it currently records over 80% of its sales. Quadrangle of Canada was brought into the Group to play a key role in this strategy.

We expect the growing trend in urban planning for smart cities to increase the need for the Group’s coordinated and overarching expertise in the civil engineering and architecture fields as well as the energy field. The Nippon Koei Group will continue seeking broader range of business collaboration as a leading promoter of smart city development.

Growth strategies for the Urban & Spatial Development Business



Energy

Business Areas

- Hydroelectric power generation operations
- Energy management
- Energy conservation management

Main Customers

- Electric power companies
- Private companies
- Independent power producers

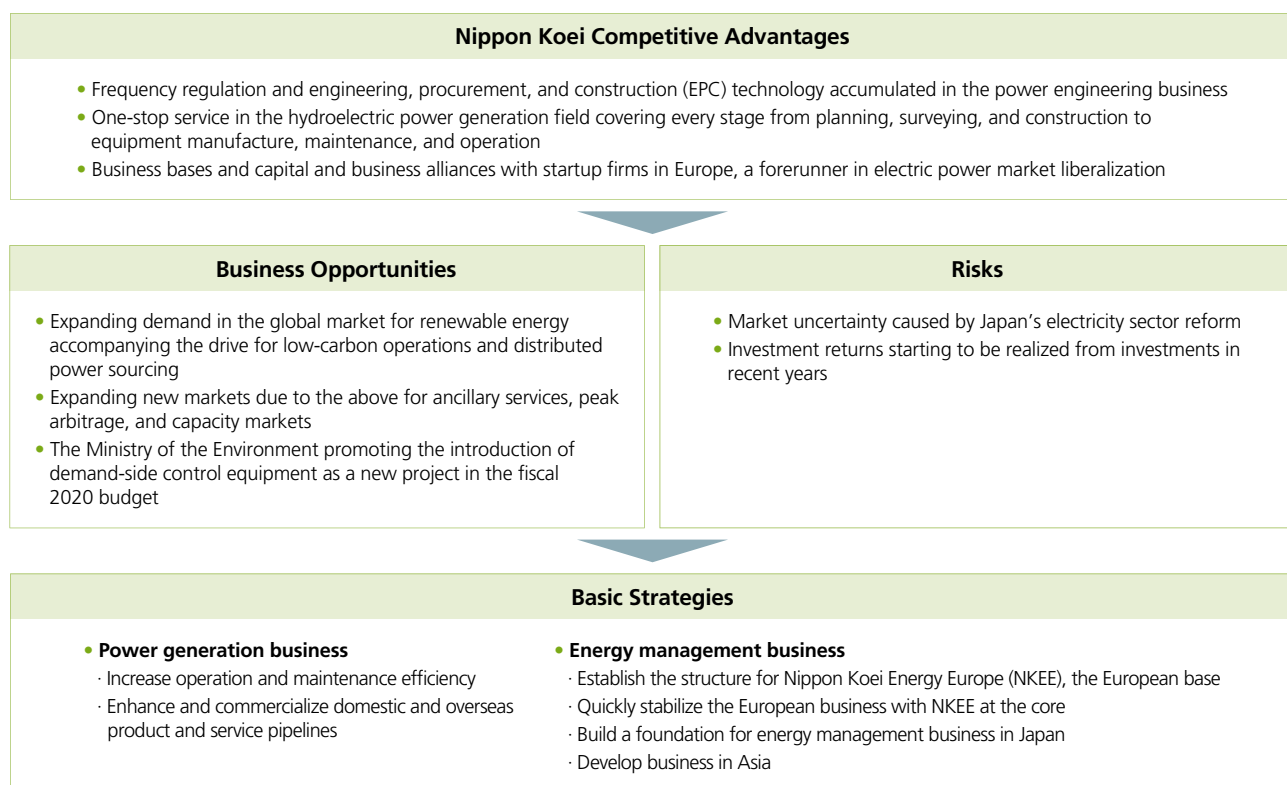


Business Overview

Nippon Koei established the Energy Business in July 2018 to capitalize on the expanding markets for renewable energy and movements toward electric power system reform in Japan and overseas. The segment studies, develops, designs, builds,

manages, operates, supports, and develops systems and technologies for power generation and energy management businesses using renewable energy, energy storage systems, and other distributed energy resources.

Main Strategies



Energy Business domain

Domestic power generation	Overseas power generation
<p>Development and operation of hydroelectric power generation</p> <ul style="list-style-type: none"> • Eight hydroelectric power plants in operation and one plant under construction (Yamagata Prefecture) 	<p>Development and operation of electric power generation</p> <ul style="list-style-type: none"> • Small hydroelectric power development project in the Chikaengan River basin, Indonesia • Biomass thermal power generation project under way in Mindanao, the Philippines
Domestic energy management	Overseas energy management
<p>Renewable energy monitoring and energy conservation consulting services</p> <ul style="list-style-type: none"> • Virtual power plant (VPP) demonstration project (assisted by METI) 	<p>Investment in ancillary services and other businesses</p> <ul style="list-style-type: none"> • Developing projects with European companies

Performance in the Fiscal Year Ended June 2019

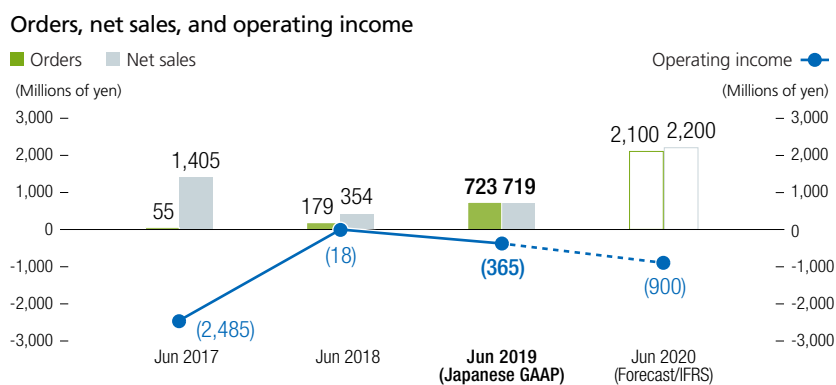
Performance Summary

- Orders fell short of target owing to delayed orders for EPC in Europe, although orders improved for renewable energy (solar power) monitoring and other services.
- Sales came in below target due to order delays, although the domestic power generation business recorded improving sales.
- Operating income was negative due to upfront investment in the overseas energy management business.

The Energy Business boosted revenues in the power generation business, including for hydroelectric power and other renewable energy operations. The segment entered new projects with private enterprises, including private finance initiatives, and accumulated achievements in renewable energy and storage battery engineering, procurement & construction (EPC) projects in the energy management business. In addition, the segment advanced its services as a resource aggregator (an intermediary

providing control and management services for energy operators and users) and in the virtual power plant (VPP) business.

Orders received increased 303.3% year on year to ¥723 million and net sales rose 102.8% to ¥719 million. The segment recorded an operating loss of ¥365 million and ordinary loss of ¥391 million, due mainly to upfront investment in the overseas energy management business.



Medium- and Long-term Strategies

The Energy Business anticipates a business environment of expanding opportunities driven by the worldwide shift to low-carbon power generation, which will increase the sources of power supply from the existing structure of major power generation facilities to various sources including renewable energy as well as purchasing programs from factories and households. Nippon Koei is strengthening its energy management business of efficient energy management and control services providing stable energy supply to the end users over various types of power networks.

In addition, the Company anticipates the intermixing of renewable energy and large-scale power generation to lead to new forms of energy trading markets from which will emerge

needs for new businesses in the energy market, such as resource aggregators for the distributed power sources, virtual power plants (VPP) developers and operators, and storage battery engineering, procurement & construction (EPC) services.

While the electric power system reform and new business creation is currently occurring mainly in developed nations overseas, the Company anticipates Japan implementing similar reforms in the future. To ensure Nippon Koei is at the vanguard of new energy technologies, the Group set up a European operating base in Rotterdam, the Netherlands, which in April 2019 began full-fledged operations in several energy-related businesses.

Environmental and Social

The Nippon Koei Group’s approach to sustainability is manifest in its management philosophy to “Act with integrity and contribute to society through technology and engineering.” The sustainability of our business comes from applying this philosophy as we develop business strategies to pursue opportunities in the risk related to environmental issues and by proposing solutions and conducting business activities that anticipate environmental and social needs. Elevating and maximizing our social and environmental value increases the Group’s corporate value and competitiveness.

Nippon Koei has defined guidelines and standards for its

corporate conduct and employee actions in the Nippon Koei Group Code of Conduct and our Ten Environmental Principles, which were formulated based on international standards including ISO 26000 and the United Nations Global Compact. As a contributor to the development of sustainable societies, we are deeply aware of our responsibility to maintain the highest ethical standards. The Group has set its own high standard for corporate social responsibility (CSR) that goes beyond compliance with laws and regulations, and we are dedicated to achieving the sustainable development goals (SDGs) of the international community.

Climate Change Countermeasures

Nippon Koei’s R&D Center is spearheading activities to develop cutting-edge technologies to cope with climate change in two key areas: technologies for formulating climate change scenarios and technologies for formulating criteria for decision-making in conditions of high uncertainty. We are sharing expertise and developing tools for all of our internal departments so these technologies can be used across our consulting businesses to further improve our services throughout the Group.

In 2019, the Japanese Ministry of the Environment report “City-to-City Collaboration for Low-Carbon Society”


promoted supporting cities in Japan and greater Asia seeking to introduce low-carbon technologies and create a Joint Crediting Mechanism (JCM) to contribute to reducing greenhouse gas emissions. The Ministry of Economy, Trade and Industry also released a report entitled “Contributing Visualization Project of Japanese Companies in Adaptation Areas in Developing Countries” aimed at increasing awareness of the business opportunity potential in responding to climate change. We expect these government reports to help spur activities to adapt to and mitigate the effects of global climate change.

Topic
Development of a New Bias Correction Method and a Website Launch

Accurate climate forecasting for specific regions requires a correction process that correlates the differences (bias) between data produced from institutional forecast models and the actual observed data. Nippon Koei has taken bias correction to a new level with its TR3S data correction method capable of factoring various statistical properties.

We used the corrected data produced by TR3S to create a world map of the climate forecasts (rainfall, temperature) that are used as base data when researching climate change adaptation measures. Nippon Koei has made the map freely accessible on its NK-ClimVault website, where visitors can view

bias-corrected time-series predictions for major cities around the world. Making accurate base data freely available provides a useful tool for climate change adaptation businesses and research in various fields, and Nippon Koei hopes it will stimulate open innovation and help create new business opportunities.



The NK-ClimVault webpage

Signatory of the UN Global Compact

Nippon Koei announced its support for the United Nations Global Compact in July 2019. The Company is fully dedicated to the compact’s Ten Principles, to actively following a global perspective in its business activities in accordance with the expectations of international stakeholders, to conducting responsible management as expected of a truly global company, and to contributing to the creation of a sustainable society.



Action Toward Achieving the Sustainable Development Goals

NK-Innovation 2021 sets the SDGs as a common platform for our businesses to be incorporated into our daily activities. We constantly consider how our projects and our actions can contribute to achieving the goals. We seek to accurately assess how our projects relate to various issues and mobilize our technologies to solve those issues.



Topic

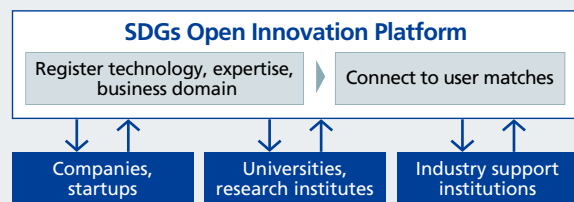
Participation in the SDGs Open Innovation Platform

Nippon Koei is an administrator of the Osaka Chamber of Commerce's SDGs Open Innovation Platform website designed to help companies connect with institutions that could help with their SDG activities. The website includes examples of successful business endeavors that have integrated SDG-related technology and expertise from companies, universities, and research institutions as a way to encourage other businesses to incorporate the SDGs into their operations.

The site also has a unique service enabling a registered company to upload the attributes and characteristics of their data, which it then correlates into a common format and generates a chart showing potential compatibility with other companies and institutions. The website's administrators manage and operate the site and use the open innovation

method to propose product and service combinations that could improve efficiency, speed, and provide the best value. In addition to distributing information related to the SDGs, the site has become a spark for new business creation.

The SDGs Open Innovation Platform



Human Resource Training and Skill Development

The Nippon Koei Group considers its human resources as its greatest asset. The Group provides a full range of training and seminar programs designed so each employee is fully aware of

their role as a professional, has opportunities grow in their career, and feels a sense of purpose in their work. In addition, the personnel structure and training systems are formulated to support continuing skill development.

Human Resource Training and Skill Development Activities

Training and Seminars	Programs	Systems
<ul style="list-style-type: none"> • New employee training • Third-year training • Mid-level employee training • Manager training • Harassment prevention training • Live presentation seminar 	<ul style="list-style-type: none"> • Technical development training / TD follow-up training*¹ • Professional engineer (secondary) exam preparation seminar • Skill advancement courses 	<ul style="list-style-type: none"> • Personnel Exchange Multiseed Program*² • Distance education • Financial incentives for paper submissions and lecture attendance • Financial incentives for certification attainment
		<ul style="list-style-type: none"> • NKG E-learning System • Career Path Planning System • CPD Activity Recording System

*1 Technical Development: A Nippon Koei training program for employees to define their career vision to serve as a guide for developing technical expertise to achieve their vision.

*2 Multiseed Program (MSP): A personnel exchange system for assigning employees to different departments for specified periods to help develop engineers with diverse skills, knowledge, and perspectives.

Topic

Advancing BIM and CIM Technology

The Nippon Koei Group is harnessing advances in information and communications technology applications in the construction industry, including using Building Information Modeling (BIM) combining digital 3D modeling and a design information database and Construction Information Modeling (CIM) in the construction, maintenance, and production processes of civil infrastructure projects.

BDP is a leader in BIM application not only in the United Kingdom but in all of Europe, and 70% of its technical staff is proficient in the use of BIM software. When BDP joined the Group, Nippon Koei eagerly invited BDP staff to provide BIM training in Japan and sent young and mid-career employees to train in BIM for several months at BDP. Integrating BIM software should improve the Group's operations in many areas

including improving the efficiency and productivity of all of the Group's construction production systems and lowering costs.

We believe BIM is becoming essentially mandatory in Japan for design visualization and interference checking of architectural, structural, and building designs, and expect it to be increasingly used in other countries of Asia as well. The Nippon Koei Group is keeping abreast of the changing needs of the times as it continues to provide the high value-added services and solutions.



Topic

Supporting Pursuit of Engineering Certification

Professional Engineer is the highest national qualification in this technical field in Japan, and it is essential to the Company's business strategy that our engineers have this qualification. The Company supports individuals seeking to become Professional Engineers by offering annual preparation seminars for the certification examinations.

Programs are designed to build the confidence of individuals preparing for the examination through correcting and advising about written submissions, workshops and study

sessions on test preparation and how to write papers, practice questions and answers, and mock interviews for the oral examination.

The Company also offers financial incentives and a support system for the cost of examinations to reward employees that earn certification.

The Company encourages its employees to earn professional qualifications and will continue to promote the professional development of all employees.

Promoting Diversity and Workstyle Reform

Nippon Koei seeks to boost employee productivity and to ensure employees maintain a healthy work-life balance because it believes both are necessary for all employees to realize work styles that bring out the highest quality in their work.

Nippon Koei is applying its Phase II Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace and maintains a fundamental framework that includes consultation services offered in

Japanese and English. The Company fully supports female employees, non-Japanese employees, and workforce diversity, and seeks to provide an environment in which employees can perform to the best of their capabilities. In addition, work structures are designed to accommodate various work styles and encourage a diverse workforce to be themselves. The Company also reviews the personnel system to ensure employee evaluations are fair and based on skill and performance standards.

Topic

Promoting Workstyle Reform

Steps to create an environment that accommodates various work styles included introducing a work-at-home system in 2016 and expanding it in 2018 to raise productivity and reduce the commute burden for a greater number of employees. In 2019, the Company initiated a satellite office system for employees at the R&D Center in Tsukuba, Ibaraki Prefecture, and the Yokohama Technology Center in Kanagawa Prefecture.

The Company is seeking to create work systems that are

not tied to a time or place by deepening the use of IT to reduce paperwork and Microsoft Office 365 software to increase the efficiency of communication and information sharing.



Supporting Employee Health

Employees are the foundation of our Company and ensuring their health and well-being is of utmost importance to helping them perform to the best of their abilities.

The Nippon Koei Group offers various health management and health promotion activities and maintains a Safety and Health & Environment Committee, which is supervised by the Total Risk Management Council chaired by the Company president, and the Work-Life Balance Promotion Committee under the Management Council. Further support for employee health management is provided by a full-time in-house physician in the Health Management Office and staff from the Human Resources Department, General Affairs Department, health insurance association, and Health Management Office.

Activities to Promote Employee Health

Health Area	Activities
Regular full health checkups, consultation, and follow-up	Fully subsidized screening for lifestyle-related diseases, general checkups, health guidance for specific health issues using ICT
Mental health care	Full-time in-house physician, counseling by a certified psychologist, stress checks for all employees
Collaboration with the health insurance association	Fully subsidized flu vaccinations and outpatient services for employees trying to quit smoking, dental checkups, health seminars
Health literacy	Relay race, walking events, indoor gym, access to health check equipment

Topic

Recognition an Outstanding Health and Productivity Management Organization

The Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi selected Nippon Koei as a 2019 “White 500” Outstanding Health and Productivity Management Organization. The selection recognizes companies demonstrating exceptional health management measures through rapid countermeasures for health issues and activities to promote employee health.

Nippon Koei will continue to support employee health-related activities by providing an environment encouraging employees to be active about maintaining and improving their health.



Respect and Consideration for Human Rights and the Environment

In accordance with the Nippon Koei Group Code of Conduct and its Ten Environmental Principles, Nippon Koei conducts full due diligence, particularly in environmental and social areas,

when carrying out its business activities in Japan and around the world. We work to reduce potential human rights risks by effectively assessing the impact of our activities on people and regional societies based on international standards.

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. The Group actively

seeks to identify and address social issues that stakeholders would expect the Group to address now and in the future. We also actively develop partnerships and networks among stakeholders as we engage in business activities in Japan and other countries around the world.

Stakeholders	Key Issues	Main Points of Contact	Method of Communication
Customers	Create good products and services, respond to complaints, provide appropriate product and service information	Each business headquarters and operations	<ul style="list-style-type: none"> • Business activities • Website
Shareholders, investors	Disclose appropriate information in a timely manner, earn appropriate assessments and support from capital markets, reflect shareholder and investor perspectives in corporate management	Corporate Communication Office Legal & Compliance Department	<ul style="list-style-type: none"> • Results announcement meetings (twice annually) • General Meeting of Shareholders (annual) • IR events, individual meetings (about 100 annually) • IR materials (integrated reports, shareholder newsletters, shareholder surveys, etc.)
Suppliers	Conduct fair business relationships, smoothly share information to create closer partnerships	Each business headquarters	<ul style="list-style-type: none"> • Procurement activities
Employees	Keep all employees active, treat employees appropriately, strengthen the occupational health and safety management system	Human Resources Department General Affairs Department Technology Headquarters Each business headquarters and operations	<ul style="list-style-type: none"> • Intranet • Internal communications • Group training sessions • Manager and staff dialogue meetings (at each business site with president and director in charge of personnel administration; twice annually) • Employee e-learning (40 times annually)
National and local governments, industry groups	Comply with all laws and regulations in Japan and all countries	Each business headquarters and operations	<ul style="list-style-type: none"> • Participation in business and industry associations
Local communities	Fulfill responsibilities as a corporate citizen, participate in local communities	Each business headquarters and operations General Affairs Department	<ul style="list-style-type: none"> • Contributions to local communities through business activities • Participation in volunteer activities
Academic groups, research institutes	Assist academic groups and research institutes in technology innovation, participate in industry-government-academia collaboration	Technology Headquarters Each business headquarters and operations	<ul style="list-style-type: none"> • Open innovation (joint research)

Corporate Governance

The Nippon Koei Group’s fundamental approach to enhancing corporate value is to perform comprehensive corporate governance by strengthening oversight of management organizations, ensuring management transparency, and maintaining a structure facilitating the swift execution of business.

Structure and Policy

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). To further enhance management fairness and transparency, we also maintain a Nomination and Compensation Advisory Committee with members including independent outside directors and Audit & Supervisory Board members. The executive officer system clarifies responsibility and expedites decision-making by separating the management supervision and monitoring functions from execution functions.

Board of Directors

The Board of Directors, in accordance with the Regulations of the Board of Directors, makes decisions about important matters and oversees the directors’ execution of their duties. The Board of Directors is composed of 10 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

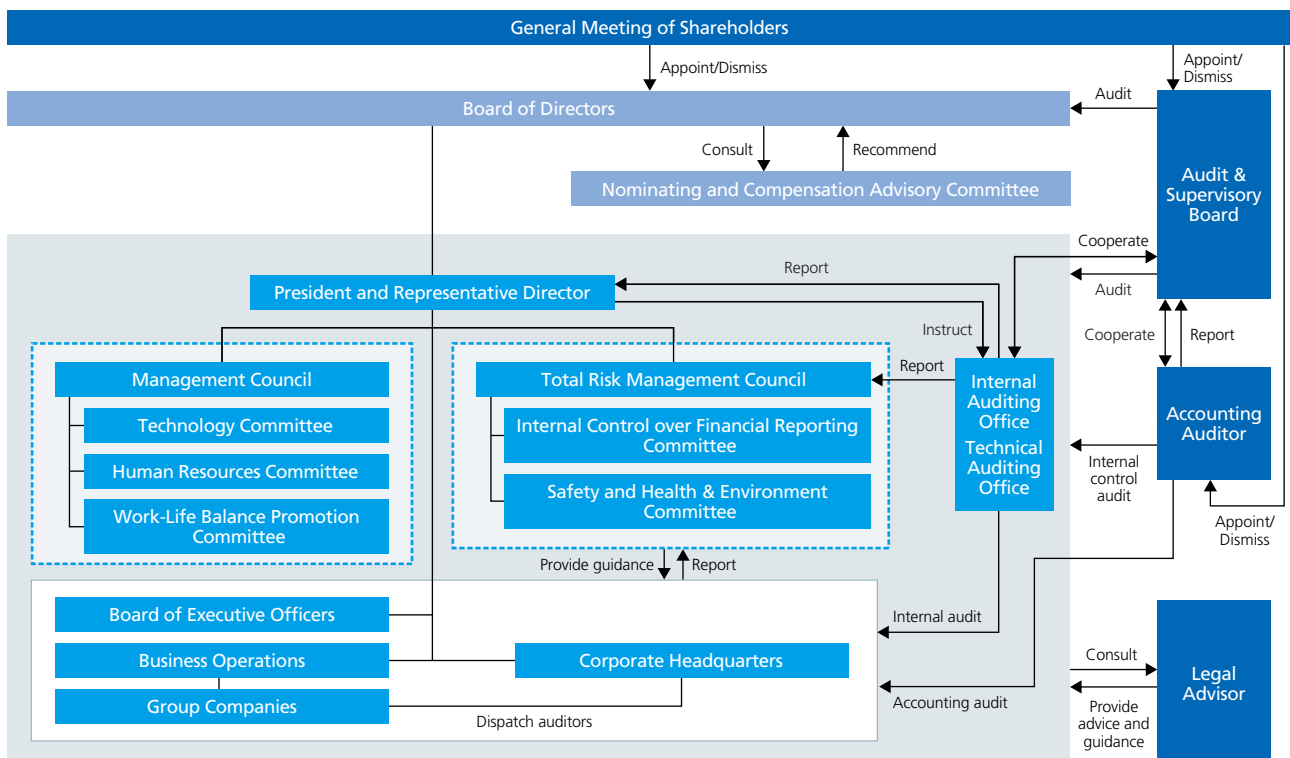
The Company has a Nominating and Compensation Advisory Committee, with members including independent outside officers, to enhance management fairness and transparency. The committee reports its discussions of personnel changes, director compensation, and other matters to the Board of Directors.

Management Council

The Management Council convenes, in principle, twice a month to discuss and respond flexibly to basic policies and important business execution matters with the objective of improving management efficiency. The council is composed of eight members, including the three representative directors plus five directors designated by the president. One Audit & Supervisory Board member attends the council meetings as an observer.

The Management Council oversees the Technology Committee, Human Resources Committee, and Work-Life Balance Promotion Committee. The council discusses and flexibly responds to matters related to R&D, human resource development, productivity enhancement, and workstyle reform.

Corporate Governance Organizational Chart (as of September 26, 2019)



Member Distribution

Position	Name	Outside Officers	Board of Directors	Audit & Supervisory Board	Nominating and Compensation Advisory Committee	Management Council
Representative Director and Chairman	Noboru Takano		●			●
Director and Vice Chairman	Akira Mizukoshi		●		●	●
Representative Director and President	Ryuichi Arimoto		●			●
Representative Director	Hiroyuki Akiyoshi		●			●
Director	Takayasu Tsuyusaki		●			●
Director	Haruhiko Kanai		●			●
Director	Hiroaki Shinya		●			●
Director	Yasushi Hirusaki		●		●	●
Director	Hiizu Ichikawa	●	●		●	
Director	Kazumasa Kusaka	●	●		●	
Full-time Audit & Supervisory Board Member	Yoshizo Goto		●	●		●
Full-time Audit & Supervisory Board Member	Kunio Okamura	●	●	●		
Audit & Supervisory Board Member	Naoki Honjo		●	●		
Audit & Supervisory Board Member	Yoshiko Koizumi	●	●	●	●	

●: Council Chair or Committee Chair

Board of Executive Officers

The executive officer system has been adopted to separate monitoring and oversight from business execution functions, strengthen monitoring and oversight, clarify responsibility, and facilitate decision-making.

The Board of Executive Officers is composed of the president and all executive officers. The Board closely monitors the execution of specific measures related to the annual business plan and the medium-term management plan. Meetings of the Board of Executive Officers are held, in principle, once a month and are attended by two full-time Audit & Supervisory Board members.

Audit & Supervisory Board

The Audit & Supervisory Board system includes four appointed Audit & Supervisory Board members, including two outside members. The Audit & Supervisory Board has established Auditing Standards for Audit & Supervisory Board Members requiring audits, such as audits of the directors' execution of duties and monitoring of the independence of the accounting auditor, and audit status reports 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 the allocation of audit work.

In addition, the Auditing Standards for Audit & Supervisory Board Members stipulate that Audit & Supervisory Board members shall consult with directors regarding providing support for the Audit & Supervisory Board members in the execution of their duties, and an assistant auditor system has been arranged to provide an assistant if requested by an Audit & Supervisory Board member.

Total Risk Management Council

The Total Risk Management (TRM) Council meets monthly to identify and assess risk associated with Group business and operations and to formulate risk prevention and countermeasures. The council, which in principle meets once a month, comprises six directors with the president serving as the chair. Each meeting includes an Audit & Supervisory Board member who attends as an observer.

The TRM Council oversees the Safety and Health & Environment Committee and the Internal Control over Financial Reporting Committee, which monitor and supervise risk management activities in their areas of specialization.

Audit Status

Status of Audits by the Audit & Supervisory Board

Nippon Koei maintains an Audit & Supervisory Board structure with four Audit & Supervisory Board members, including two outside members. One of the members is deeply versed in the Company's financial status from extensive experience in the Company's finance and accounting departments.

In accordance with the Auditing Standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, the board conducts operating audits of directors' execution of duties and other audits, including monitoring the independence of accounting auditors, and reports the status of the audits to the president, the head of the Internal Control Department, and others. Audit & Supervisory Board members (including outside members) and accounting auditors regularly exchange information and hold liaison meetings. Board members (including outside members) and the head of the corporate headquarters also exchange information whenever deemed appropriate.

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.

The Auditing Standards for Audit & Supervisory Board Members stipulates that, when considered necessary, Audit & Supervisory Board members shall consult with directors about securing support for their auditing operations. As of September 26, 2019, one employee is assigned to provide to assist the Audit & Supervisory Board members.

Status of Internal Audits

The Internal Audit Rules stipulate that the Internal Auditing Office, which reports directly to the Company president, is to conduct audits of the Internal Control System, Business Management System, and other systems and to report the status of the audits to the president. The president communicates audit findings to departments pertinent to the audits and instructs the departments in the appropriate response.

The Internal Auditing Office and the Audit & Supervisory Board members (including outside members) hold monthly meetings to exchange information and liaison on various matters, such as incorporation of the audit findings of the Accounting Auditor. The Internal Auditing Office comprises eight members (including the Office Head).

Business Risks

The following are matters that could significantly affect the judgment of investment companies concerning business conditions, accounting status, and other items.

Forward-looking statements included here are the judgment of the Nippon Koei Group as of June 30, 2019.

Dependence on Major Customers

Our domestic and international consulting operations highly rely on national and local government contracts and projects based on the Japanese official development assistance (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.

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 is constantly striving to maintain 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.

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.

Compensation of Board Members

Policy and Items Concerning Officer Compensation and the Calculation Method of Director Compensation

Compensation for the Board of Directors is determined as stipulated in “Director Compensation (method and procedure for determining compensation)” of the Basic Policy of Corporate Governance.

Director compensation follows the compensation framework established at the General Meeting of Shareholders, and individual compensation amounts are set using the following policies and procedures established by the Board of Directors.

Compensation of directors excluding that for outside directors shall be fixed compensation (monthly compensation), results-based compensation (bonus) and compensation related to restricted stocks. The amount of the fixed compensation (monthly compensation) is determined in accordance with the standards predetermined for each official position and the amount of the result-based compensation (bonus) is determined in accordance with 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 after the deliberations of the Nominating and Compensation Advisory Committee. In addition, with respect to the compensation related to restricted stocks, the Company allocates each director such restricted stocks in a manner that the Company requires each director to contribute in kind the monetary remuneration payable which the Company issues to each director in accordance with standards predetermined for each official position. Compensation of outside directors shall be fixed compensation (monthly compensation) and a part of which is spent to acquire the Company’s share under the Directors’ Stock Ownership Plan.

The Company has adopted a structure in which these compensation systems are reviewed by the Nominating and Compensation Advisory Committee as necessary.

Fixed compensation (base compensation) is determined for each director based on their role and level of responsibility.

Performance-linked compensation (bonus) is intended to serve as an incentive for generating short-term earnings results, and a specific amount of consolidated profit attributable to

owners of the parent is selected as an indicator for earnings performance. The target amount is ¥2,570 million, and the profit attributable to owners of the parent was ¥3,318 million in the fiscal year ended June 2019.

Compensation in the form of restricted stock is provided with the intention of having directors share with shareholders the merits and risks of share price fluctuations and providing additional motivation to generate growth in the share price and corporate value.

The standard compensation structure for director compensation is 65% fixed compensation (base compensation), 20% results-based compensation (bonus), and 15% restricted stock compensation.

Compensation for Audit & Supervisory Board members follows the compensation framework established at the General Meeting of Shareholders, and individual compensation amounts are set using the following policies and discussions with the individual member.

Compensation for Audit & Supervisory Board members is a fixed compensation (monthly compensation) with the option of allotting a portion of the salary to be used to acquire Company shares in the Officer Shareholding Association.

Resolution of the General Meeting of Shareholders Regarding Officer Compensation

The upper limit of the annual compensation to directors was set at ¥465 million (including the director bonus payment; excluding outside directors) at the 62nd General Meeting of Shareholders held on June 28, 2007. The Company had 13 directors at the time the resolution was adopted.

In addition, separate from the above limit to the annual compensation to directors, the upper limit of the total value of restricted stock compensation provided to directors (excluding outside directors) was set at ¥60 million at the 73rd General Meeting of Shareholders held on September 28, 2017. The Company had 9 directors (excluding outside directors) at the time the resolution was adopted.

The upper limit of the annual compensation to outside directors was set at ¥30 million at the 70th General Meeting of Shareholders held on September 25, 2014. The Company had 2 outside directors at the time the resolution was adopted.

The upper limit of the annual compensation to Audit & Supervisory Board members was set at ¥80 million at the 74th General Meeting of Shareholders held on September 27, 2018. The Company had 4 Audit & Supervisory Board members at the time the resolution was adopted.

Nomination and Compensation Advisory Committee Processes for Determining Officer Compensation

The Board of Directors determines officer compensation amounts based on reports received from the Nomination and Compensation Advisory Committee (comprising two internal directors and three independent outside officers). In the fiscal year ended June 2019, the Nomination and Compensation Advisory Committee convened six times, and in the fiscal year ending June 2020, the committee convened on July 10, 2019, to discuss director evaluations and restricted stock compensation. The committee submitted a report, and the Board of Directors determined officer bonus payments at the meeting held on August 13, 2019.

Total Amount of Compensation in FYE19/6 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 (Millions of yen)			Number of Eligible Officers
		Fixed Compensation		Results-based Compensation	
		Base Compensation	Restricted Stock Compensation	Bonus	
Directors (excluding outside directors)	353	215	46	91	9
Audit & Supervisory Board Members (excluding outside members)	26	26	—	—	3
Outside Directors	30	30	—	—	2
Outside Audit & Supervisory Board Members	33	33	—	—	2

Notes: 1. The application of the above included one Audit & Supervisory Board member who retired at the close of the 74th Annual General Meeting of Shareholders held on September 27, 2018.

2. The bonus compensation amount is recorded in the provision for directors' bonuses in the current fiscal year.

3. The retirement benefits program for directors and Audit & Supervisory Board members was abolished at the close of the 59th Annual General Meeting of Shareholders held on June 29, 2004.

Messages from Outside Directors and Outside Audit & Supervisory Board Members



Hiizu Ichikawa
Outside Director

Kazumasa Kusaka
Outside Director

Yoshiko Koizumi
Outside Audit & Supervisory
Board Member

Kunio Okamura
Outside Audit & Supervisory
Board Member

The Nippon Koei Group seeks to strengthen its corporate governance by maintaining various types of meeting committee structures, such as including outside directors and outside Audit & Supervisory Board members on the Board of Directors, to receive advice and council from specialized and objective perspectives. This section presents comments by four outside officers about what they think are key points for the Group to strengthen its corporate governance now and for the future.

I would like to help the Company strengthen its abilities at the worksite and in management

Hiizu Ichikawa
Outside Director



The 50 years I spent in the financial and manufacturing industries, including 10 years working overseas, gave me opportunities to come in contact with a wide range of perspectives. Overseas, I participated in a lawsuit for damages, served as a witness at trial, confronted anti-social forces, and had many experiences that unexpectedly caused me to delve deeply into my sense of duty and compassion. I hope to use this past experience and my current information network to provide a different perspective on the various

issues that the Company faces to help double check and revise its activities.

The launch of the medium-term management plan shifted Nippon Koei into a whole new gear in the fiscal year ended June 2016. The Company expanded out of its order-based production structure to creating its own businesses and, while maintaining its operations as a Company asset, started developing businesses aimed at expanding its earnings. While the slowing growth in the public works and ODA businesses

are concerns that must be dealt with, doing so improve the Company's ability to meet new challenges and provide opportunities to further hone its various competences, such as in being well-versed in market information, focusing on business feasibility, managing risk and finances, and participating in alliances. In short, making a successful business will require comprehensive abilities; it will need to have exceptional capabilities both at the worksite and in the management at the head office. The Group already has a strong brand and reputation from its successful track record using its advanced technologies to meet client order specifications. However, in framing its future businesses, the Company will need to become more proficient in the areas of negotiating with the clients of those businesses, local business partners, and governments and at being able to flexibly formulate business plans accommodating all associated parties.

At the same time, management will need to carefully screen each project that arises from the worksites and to discuss how much risk to accept, how much management resources to invest, and how much profit can be generated. Basically, this will test the strategic capabilities of the Board of Directors.

Considering the current financial status, the forward spending needed to increase investments and strengthen the workforce will put significant stress on the Company. I would expect this, plus the adoption of the new accounting standard, to put the Company at just about breakeven numerically for the current fiscal year. Management will have to be very diligent this year since they would like to put up a good result in the fiscal year ending June 2021, the final year of the medium-term management plan. Each and every one of our employees and executives are all putting in extra effort to make the year a success.

Becoming a corporate group where everyone from top executives to the youngest employees feels a sense of ownership

Kazumasa Kusaka
Outside Director



The Group is currently seeking to diversify beyond its three core businesses. The Urban & Spatial Development Business, for example, is steadily moving in that direction including welcoming into the Group the U.K. firm BDP and the Canadian company Quadrangle. The consulting businesses are also advancing a series of initiatives aimed at creating new businesses and developing business overseas with promise to spur growth in the future.

We are aware that these ventures into new businesses, and even the existing businesses, will require new types of competitiveness and risk management that are different from the Group's past focus area of infrastructure. In business associated with official development assistance (ODA), the country's government managed the complex financing involved and the public sector assumed the business risk; but the Company will now start targeting customers who are private enterprises. The Company will need more than technical consulting and engineering ability and just being an engineering group with specialization and expertise will not be enough. The Group will have to be proficient at forecasting demand and projecting business profitability and will need to have diverse and sophisticated knowledge and judgment capabilities. New projects will have to generate sustaining growth and will also test the true comprehensive strength of the Group.

The mission of myself and the other outside directors is to help guide the Group successfully through these challenges. I am emphasizing two major directions forward. The first direction is to elevate the sophistication of the decision-making processes, including concerning risk management. Before I was appointed, the positions of Company's directors and executive officers were very closely related and some of their duties overlapped.

I spent a good part of my career working in a government ministry that participated in multinational projects related to environmental, energy, and trade issues where we needed to assess country risk, business risk, and how to respond to competitors. This experience taught me that directors and executive officers may all base their assessments on knowledge and expertise derived from experience, but they each have their own individual long-term vision. The higher a person's position, the longer perspective they tend to take when making decisions, and that can sometimes create uncertainty about each director's role, which can hinder decision-making. For that reason, I believe the Group's clear delineation between the Board of Directors and the Board of Executive Officers is a major step forward.

The second direction forward is to "return to the starting point to see the path forward," which is what I always do

when reaching a turning point. What was the founder Yutaka Kubota seeking to accomplish? He was certainly looking beyond being a technical consultant as he and his associates traveled overseas and launched electric power operations that supported the local industries. There are many stories of the extensive measures he undertook to assemble financing for his endeavors as he sought to figure out viable ways to boost his business's profitability. The new Company office building that will open in 2020 will have a gallery where people can learn about the Company's history. I hope the gallery will be

used to educate people and provide inspiration and perspective for all employees to work together to make the infrastructure for the future. For example, I would like to see our young and multinational employees become a tightknit team, like the Japanese team in the Rugby World Cup, and openly discuss their vision for the Group in five and 10 years, and then be able to present it to upper management. I want to help make Nippon Koei a group where the outside directors and young employees also shoulder the responsibility of ownership and help drive our growth as a corporate group.

Maintaining the corporate culture of open discussion as the Group grows

Yoshiko Koizumi
Outside Audit & Supervisory Board Member



I have been an outside auditor for the Company for three years now. I have served on several boards of directors for other companies, and the Nippon Koei Board of Directors is among the best. The main reason I think so is that the reports that the departments issue often generate a large amount of questions from other departments that lead to a healthy amount of discussions. For companies engaged in multiple businesses, it makes sense that each department would have its own perspective and approach issues from their particular point of view. However, Japanese managers are commonly reluctant to question or bring up issues with other departments. In contrast, the atmosphere among our Board of Directors is that there is nothing they will not say and, in fact, this corporate culture exists in all of the Company's committees. Of course, this varies to some degree depending on the situation, but our role as outside members is to say what must be said so this organizational culture that encourages discussions is highly appreciated. As the Group becomes more internationalized, I think this will become one of the Group's underlying strengths.

One of the hot issues in recent discussions is how to address the new risks that appear as our business evolves.

The Nippon Koei Group has participated in over 5,000 projects in more than 160 countries worldwide and is currently engaged in over 500 projects. While the Group deserves respect for the effort it is making in countries with undeveloped

infrastructure, it is still essential for it to meticulously review each project's safety and the economic feasibility. It has been reassuring to see the rapid increase in the Group's number of non-Japanese engineers in recent years, but we need to accompany this improved diversity with strengthened compliance and quality assurance systems.

In addition, concession contracts involving private funding, such as public-private partnerships (PPPs) and private finance initiatives (PFIs), becoming mainstream, I believe we will need to have greater ability to anticipate future trends, including the ability to anticipate and respond to various risks that can arise over long-term contracts that last 20 and 30 years. The Company has been actively bringing companies from Europe and North America into the Group in recent years, and I have been impressing upon the Board of Directors that while this is helping the Group expand into new fields and increase its workforce, it's also an opportunity to construct new business schemes and the risk management associated with the schemes.

In addition to maintaining an environment that encourages the sharing of opinions, I want to provide my perspective as an outsider and my experience in risk management to provide useful input, even if that input may be hard to hear. I hope this will help us find ways to address new issues and contribute to sustaining growth for the Nippon Koei Group.

Seeking to maintain objectivity as we expand from the government to the private market

Kunio Okamura

Outside Audit & Supervisory Board Member



I was appointed to the Outside Audit & Supervisory Board at the end of September 2019 and, although it's too short a period to reflect on my own contributions, I understand from the conversations I have participated in with the Group's Board of Directors and executive officers that they are very aware and conscientiously discussing both the new opportunities and risks that come with the rapid expansion of the Group's business content. The Group is in a period of transformation and growth, and my role and responsibility as an outside auditor at the meetings of the Board of Directors is to help determine how to effectively manage and deal with the increased risk.

Many books describe the role of an outside auditors as to provide a "third-party" perspective; however, to me the term "third party" sounds like it means "that person's" point of view. I believe my purpose is to provide an unvarnished "objective" view of the Group from the point of view of shareholders and stakeholders. As I seek to offer relevant perspectives and share my opinions, I am also aware that "objectivity" also constantly changes as a company develops and conventional views evolve.

Since my background is as an official of the Japan International Cooperation Agency and other agencies, I know very well that government officials, who have been the Group's primary clients, have their own style of business practices. As we broaden our business scope from the government to the private market and consider new business ideas, I will be very conscientious about approaching the inherent business risk from the perspective of shareholders and stakeholders as we move from a market. Regarding business opportunity, I will strongly encourage the Group to actively incorporate the latest AI and IoT technologies.

On recent visits to Nippon Koei Group companies in Japan, I have been impressed by how these technologies are being used to predict river flooding and potential cracks in tunnels. I will be seeking to maintain the balance between proactive advances like these and the business viability checks conducted by the Board of Directors as I help the Group achieve healthy growth.



Board of Directors, Executive Officers and Audit & Supervisory Board Members (As of September 26, 2019)

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
 2015 Director General of Corporate Headquarters
 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 Vice President / 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)
 2019 Representative Director and Executive Vice President (current position)



Takayasu Tsuyusaki

Director and Senior Managing Executive Officer / Director General of Global Strategy Headquarters
 1979 Joined the Company
 2015 Director General of Global Strategy Headquarters
 2016 Managing Executive Officer
 2017 Director and Managing Executive Officer
 2018 General Manager of Business Development Office (current position)
 2019 Director and Senior Managing Executive Officer (current position)



Haruhiko Kanai

Director and Senior 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
 2019 Director and Senior 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 and Director General of Corporate Headquarters and General Manager of Personnel Department
 Director and Executive Officer (current position)
 2018 General Manager of the 75th Anniversary Secretarial Office (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 (MITI)
- 1984 MITI Energy Minister of the International Energy Agency (IEA) of the Organization for Economic Co-operation and Development (OECD)
- 2001 Director-General, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry (METI)
- 2002 Director-General, Trade Policy Bureau, METI
- 2003 Commissioner of Agency for Natural Resources and Energy, METI
- 2004 Vice-Minister for International Affairs, METI
- 2006 Advisor, Dentsu Inc.
- 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)
Advisor, The Canon Institute for Global Studies (current position)
- 2013 Chairman of Japan Economic Foundation (current position)
- 2015 Outside Director of the Company (current position)

Senior Managing Executive Officer

Yasuyoshi Iio

Managing Executive Officers

Shuichi Ueda
Ken Nishino
Noriaki Yoshida
Akimitsu Arai

Executive Officers

Kevin Tynes	Noriyuki Nakashima	Hideo Tamura
Hiroyuki Yamate	Shigeki Toyoshima	Hiroshi Yokota
Yasusuke Kurosaki	Katsuya Fukasaku	Toru Nakagawa
Takuro Hamanaka	Hiroshi Matsuda	Michio Hasegawa
Hitoshi Nagasaki	Tomohisa Fukuoka	

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 Corporate Auditing Office
- 2014 General Manager of Internal Auditing Office
- 2015 Deputy Director General of International Consulting Operations
- 2018 Audit & Supervisory Board Member (current position)



Kunio Okamura

- Audit & Supervisory Board Member
- Outside Independent**
- 1979 Joined Overseas Economic Cooperation Fund
- 2008 Director General of Operations Strategy Department, Japan International Cooperation Agency
- 2012 Senior Special Advisor of the Japan International Cooperation Agency
- 2015 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Cameroon, Ministry of Foreign Affairs of Japan (MOFA)
- 2016 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of Cameroon and the Central African Republic, MOFA
- 2019 Outside 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
- 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 Taiheyo Cement Corporation (current position)
Outside Director of Dowa Holdings Co., Ltd. (current position)
- 2016 Outside Auditor of Sumitomo Bakelite Co., Ltd.
- 2017 Outside Audit & Supervisory Board Member of the Company (current position)

Consolidated Financial Statements

Consolidated Balance Sheets

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Assets		
Current assets		
Cash and deposits	16,392	13,147
Notes and accounts receivable—trade	26,214	29,938
Work in process	7,942	5,709
Other	3,796	3,855
Allowance for doubtful accounts	(83)	(203)
Total current assets	54,263	52,446
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,152	14,831
Accumulated depreciation	(11,070)	(9,409)
Buildings and structures, net	6,082	5,421
Machinery, equipment and vehicles	3,895	3,955
Accumulated depreciation	(2,586)	(2,703)
Machinery, equipment and vehicles, net	1,308	1,252
Tools, furniture and fixtures	5,008	4,872
Accumulated depreciation	(4,385)	(3,955)
Tools, furniture and fixtures, net	622	917
Land	16,598	16,035
Leased assets	153	184
Accumulated depreciation	(99)	(69)
Leased assets, net	54	114
Construction in progress	2,957	6,141
Total property, plant and equipment	27,624	29,882
Intangible assets		
Goodwill	8,185	8,193
Other	4,778	5,307
Total intangible assets	12,964	13,501
Investments and other assets		
Investment securities	9,176	7,228
Long-term loans receivable	1,678	2,276
Deferred tax assets	1,512	1,502
Net defined benefit assets	4,079	3,943
Other	2,767	2,564
Allowance for doubtful accounts	(177)	(169)
Total investments and other assets	19,037	17,345
Total non-current assets	59,626	60,728
Total assets	113,890	113,175

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable—trade	4,164	5,037
Current portion of long-term loans payable	2,050	2,082
Income taxes payable	1,012	1,137
Advances received	8,693	6,687
Provision for bonuses	1,860	1,972
Provision for directors' bonuses	83	91
Provision for loss on construction contracts	176	119
Other	10,398	10,953
Total current liabilities	28,441	28,082
Non-current liabilities		
Long-term loans payable	18,934	17,639
Deferred tax liabilities	2,766	2,819
Provision for directors' retirement benefits	32	30
Provision for environmental measures	34	34
Liability for retirement benefits	3,873	3,817
Other	357	545
Total non-current liabilities	25,999	24,886
Total liabilities	54,440	52,969
Net assets		
Shareholders' equity		
Capital stock	7,415	7,437
Capital surplus	6,466	6,488
Retained earnings	45,528	47,864
Treasury shares	(1,180)	(787)
Total shareholders' equity	58,229	61,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,195	456
Foreign currency translation adjustments	(2,045)	(3,063)
Remeasurements of defined benefit plans	983	693
Total accumulated other comprehensive income	133	(1,913)
Non-controlling interests	1,086	1,115
Total net assets	59,449	60,205
Total liabilities and net assets	113,890	113,175

Consolidated Statements of Income and Comprehensive Income

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Net sales	106,023	108,589
Cost of sales	73,664	75,627
Gross profit	32,359	32,962
Selling, general and administrative expenses	25,797	27,851
Operating income (loss)	6,561	5,110
Non-operating income		
Interest income	140	223
Dividend income	305	113
Gain on sales of property, plant and equipment	7	781
Other	332	302
Total non-operating income	786	1,420
Non-operating expenses		
Interest expenses	222	277
Loss on valuation of investment securities	154	311
Share of loss of entities accounted for using equity method	—	129
Foreign exchange losses	148	164
Other	101	65
Total non-operating expenses	626	947
Ordinary income (loss)	6,721	5,584
Extraordinary income		
Gain on sales of property, plant and equipment	1,276	—
Total extraordinary income	1,276	—
Extraordinary losses		
Head office transfer expenses	832	—
Total extraordinary losses	832	—
Income (loss) before income taxes	7,165	5,584
Income taxes—current	1,832	1,991
Income taxes—deferred	723	189
Total income taxes	2,556	2,180
Net income (loss)	4,608	3,403
Net income (loss) attributable to		
Net income (loss) attributable to owners of parent	4,555	3,318
Net income (loss) attributable to non-controlling interests	52	85
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	176	(740)
Foreign currency translation adjustments	(241)	(932)
Remeasurements of defined benefit plans	155	(289)
Share of other comprehensive income of entities accounted for using equity method	—	(91)
Total other comprehensive income (loss)	90	(2,054)
Comprehensive income (loss)	4,698	1,349
Comprehensive income (loss) attributable to		
Owners of parent	4,680	1,264
Non-controlling interests	17	85

Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Cash flows from operating activities		
Income (loss) before income taxes	7,165	5,584
Depreciation	1,668	1,710
Amortization of goodwill	474	482
Loss (gain) on sales of investment securities	(63)	12
Loss (gain) on valuation of investment securities	154	311
Share of loss (gain) of entities accounted for using equity method	—	129
Loss (gain) on sales of property, plant and equipment	(1,283)	(781)
Increase (decrease) in allowance for doubtful accounts	85	113
Increase (decrease) in provision for bonuses	508	130
Increase (decrease) in provision for loss on construction contracts	122	(57)
Interest and dividend income	(446)	(336)
Decrease (increase) in notes and accounts receivable—trade	(8,086)	(2,917)
Decrease (increase) in inventories	3,797	2,282
Increase (decrease) in notes and accounts payable—trade	159	588
Increase (decrease) in accounts payable—other	415	(181)
Increase (decrease) in advances received	(2,079)	(2,016)
Decrease (increase) in accrued consumption taxes	(828)	477
Other, net	(668)	(511)
Subtotal	1,094	5,020
Interest and dividend income received	491	186
Interest expenses paid	(215)	(265)
Income taxes paid	(1,973)	(1,831)
Net cash provided by (used in) operating activities	(602)	3,109
Cash flows from investing activities		
Net decrease (increase) in time deposits	1,352	679
Purchase of property, plant and equipment	(3,322)	(3,686)
Proceeds from sales of property, plant and equipment	2,339	1,846
Purchase of intangible assets	(277)	(159)
Purchase of investment securities	(1,592)	(179)
Proceeds from sales of investment securities	2,857	558
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(581)	(2,685)
Payments of loans receivable	(790)	(600)
Collection of loans receivable	992	—
Other, net	0	721
Net cash provided by (used in) investing activities	977	(3,504)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	1,294
Repayments of long-term loans payable	(2,100)	(2,393)
Proceeds from sales of treasury shares	294	400
Purchase of treasury shares	(25)	(8)
Cash dividends paid	(1,192)	(1,188)
Other, net	(37)	(42)
Net cash provided by (used in) financing activities	(3,062)	(1,936)
Effect of exchange rate change on cash and cash equivalents	(22)	(309)
Net increase (decrease) in cash and cash equivalents	(2,709)	(2,641)
Cash and cash equivalents at beginning of period	17,083	15,233
Increase in cash and cash equivalents from newly consolidated subsidiaries	860	71
Cash and cash equivalents at end of period	15,233	12,663

Consolidated Financial Statements

Consolidated Statements of Changes in Equity

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Shareholders' equity		
Capital stock		
Balance at beginning of current period	7,393	7,415
Issuance of new shares	21	22
Total changes of items during period	21	22
Balance at end of current period	7,415	7,437
Capital surplus		
Balance at beginning of current period	7,240	6,466
Issuance of new shares	21	22
Change of scope of consolidation	39	
Disposal of treasury shares		
Retirement of treasury shares	(835)	
Total changes of items during period	(774)	22
Balance at end of current period	6,466	6,488
Retained earnings		
Balance at beginning of current period	43,450	45,528
Changes of items during period		
Change of scope of consolidation	37	209
Dividends of surplus	(1,192)	(1,192)
Profit attributable to owners of parent	4,555	3,318
Retirement of treasury shares	(1,323)	
Total changes of items during period	2,077	2,336
Balance at end of current period	45,528	47,864
Treasury shares		
Balance at beginning of current period	(3,607)	(1,180)
Changes of items during period		
Purchase of treasury shares	(25)	(8)
Disposal of treasury shares	294	400
Retirement of treasury shares	2,158	
Total changes of items during period	2,426	392
Balance at end of current period	(1,180)	(787)
Total shareholders' equity		
Balance at beginning of current period	54,477	58,229
Changes of items during period		
Issuance of new shares	43	44
Change of scope of consolidation	76	209
Dividends of surplus	(1,192)	(1,192)
Profit attributable to owners of parent	4,555	3,318
Purchase of treasury shares	(25)	(8)
Disposal of treasury shares	294	400
Total changes of items during period	3,752	2,773
Balance at end of current period	58,229	61,003

	(Millions of yen)	
	For the fiscal year ended June 30, 2018	For the fiscal year ended June 30, 2019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of current period	1,016	1,195
Changes of items during period		
Net changes of items other than shareholders' equity	178	(738)
Total changes of items during period	178	(738)
Balance at end of current period	1,195	456
Foreign currency translation adjustment		
Balance at beginning of current period	(1,813)	(2,045)
Changes of items during period		
Change of scope of consolidation	(21)	(16)
Net changes of items other than shareholders' equity	(209)	(1,001)
Total changes of items during period	(231)	(1,018)
Balance at end of current period	(2,045)	(3,063)
Remeasurements of defined benefit plans		
Balance at beginning of current period	828	983
Changes of items during period		
Net changes of items other than shareholders' equity	155	(289)
Total changes of items during period	155	(289)
Balance at end of current period	983	693
Total accumulated other comprehensive income		
Balance at beginning of current period	30	133
Changes of items during period		
Change of scope of consolidation	(21)	(16)
Net changes of items other than shareholders' equity	124	(2,029)
Total changes of items during period	102	(2,046)
Balance at end of current period	133	(1,913)
Non-controlling interests		
Balance at beginning of current period	365	1,086
Changes of items during period		
Change of scope of consolidation	710	
Net changes of items other than shareholders' equity	9	29
Total changes of items during period	720	29
Balance at end of current period	1,086	1,115
Total net assets		
Balance at beginning of current period	54,874	59,449
Changes of items during period		
Issuance of new shares	43	44
Change of scope of consolidation	765	193
Dividends of surplus	(1,192)	(1,192)
Profit attributable to owners of parent	4,555	3,318
Purchase of treasury shares	(25)	(8)
Disposal of treasury shares	294	400
Net changes of items other than shareholders' equity	134	(2,000)
Total changes of items during period	4,575	756
Balance at end of current period	59,449	60,205

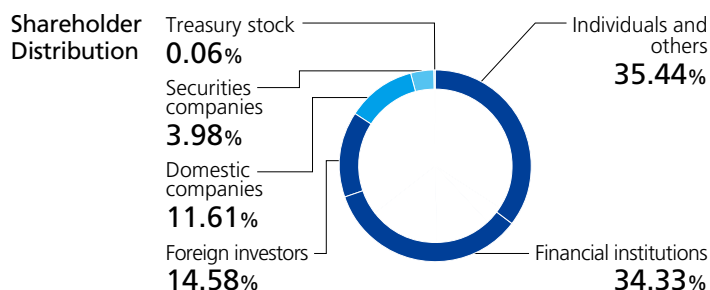
Corporate Data (As of June 30, 2019)

Corporate Data

Corporate name:	Nippon Koei Co., Ltd.	Established:	June 7, 1946
Head office:	1-14-6 Kudankita, Chiyoda-ku, Tokyo 102-8539, Japan	Capital:	¥7,458,850,991 (As of October 25, 2019)
Registered address:	5-4 Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan	Business areas:	Domestic Consulting, International Consulting, Power Engineering, Urban & Spatial Development, Energy
Phone:	81-3-3238-8030	Number of employees:	5,497 (consolidated), 2,258 (non-consolidated)
Representative:	Ryuichi Arimoto, Representative Director and President		

Stock Information

Number of shares authorized:	38,000,000
Number of shares issued:	15,919,544
Number of shareholders:	7,273
Fiscal year-end:	June 30
Stock listing:	Tokyo Stock Exchange, First Section
Securities code:	1954
Transfer agent:	Mizuho Trust & Banking Co., Ltd.

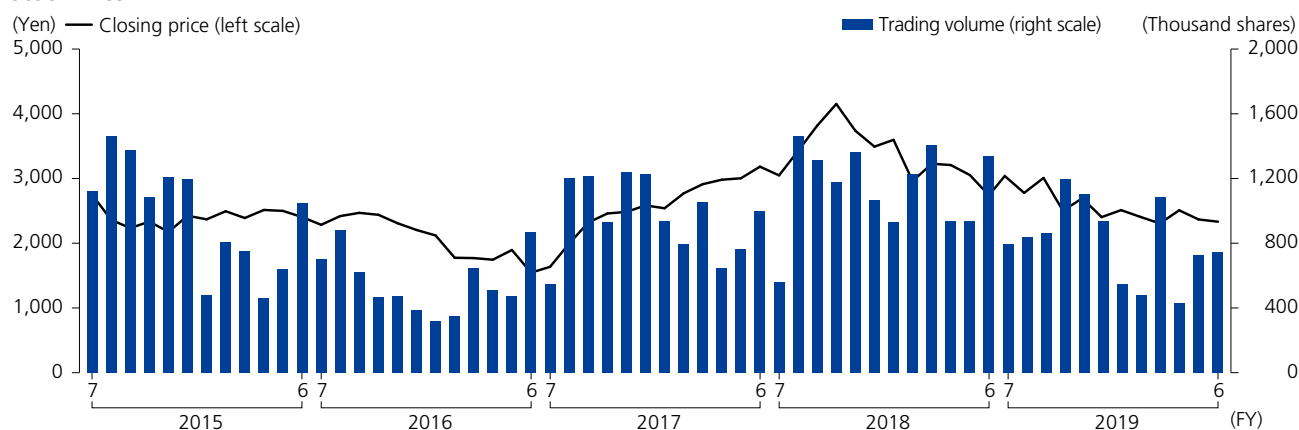


Major Shareholders (Top 10 by Shares Owned)

Name	Shares Owned	Percentage of Total Shares Owned
The Koei Employees' Stockholders Association	810,815	5.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	810,100	5.09
MUFG Bank, Ltd.	739,852	4.65
Meiji Yasuda Life Insurance Company	705,904	4.44
GOVERNMENT OF NORWAY	610,599	3.84
Japan Trustee Services Bank, Ltd. (Trust Account)	558,000	3.51
Mizuho Securities Co., Ltd.	447,500	2.81
Japan Trustee Services Bank, Ltd. (Trust Account 9)	437,800	2.75
Mizuho Bank, Ltd.	382,126	2.40
Tsukishima Kikai Co., Ltd.	368,600	2.32

Note: The percentage of total shares owned is calculated using a denominator of 15,910,376 shares, after deducting the 9,168 shares of treasury stock from the total number of shares issued.

Stock Price



Network (As of June 30, 2019)



Major Group Companies (As of June 30, 2019)

Domestic Consulting Business

Consolidated Subsidiaries

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

Non-Consolidated Subsidiaries

- Aichi Tamano Information System Co., Ltd.
- Tamano Ecost Co., Ltd.
- Geoplan Namtech Inc.

International Consulting Business

Consolidated Subsidiaries

- Koei Research & Consulting Inc. (KRC)
- Nippon Koei Latin America-Caribbean Co., Ltd.
- Nippon Koei Latin America-Caribbean, Mexico S.de R.L. de C.V.
- 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.
- Nippon Koei Bangladesh Ltd.

Power Engineering Business

Consolidated Subsidiary

- Koei System Inc.

Energy Business

Consolidated Subsidiaries

- KOEI Energy Co., Ltd.
- Nippon Koei Energy Europe B.V.
- Ironmont Hydro Pte. Ltd.

Non-Consolidated Subsidiaries

- PT. Cikaengan Tirta Energi
- Ruien Energy Storage NV

Urban & Spatial Development Business

Consolidated Subsidiaries

- BDP Holdings Limited
- Quadrangle Architects Limited

Non-Consolidated Subsidiary

- Kisho Kurokawa architect & associates Co., Ltd.

Real Estate Leasing Business

Consolidated Subsidiary

- Nikki Corporation

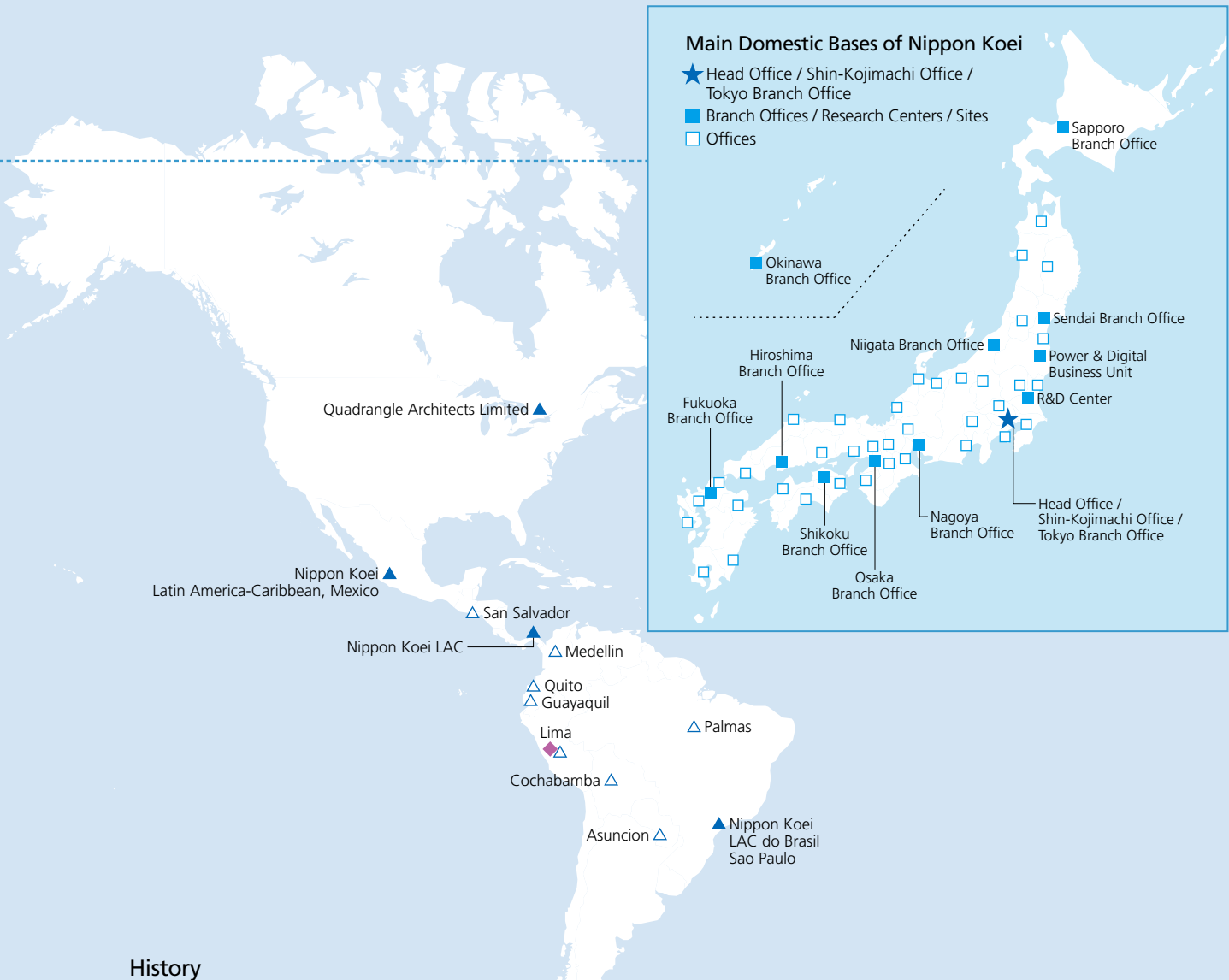
Other

Consolidated Subsidiary

- DSI Co., Ltd.

Non-Consolidated Subsidiary

- Nippon Koei Australia Pty. Ltd.



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
Nippon Koei Bangladesh Ltd. established
- 2019** Canada architectural design company Quadrangle Architects Limited* becomes a subsidiary

* Currently a consolidated subsidiary

NIPPON KOEI

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<https://www.n-koei.co.jp/english/>