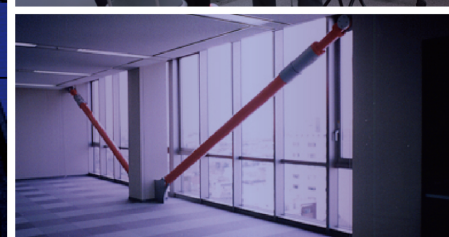


FYE June 2016

Financial Results

August 24, 2016





Agenda

| | | |
|---|-------|-----------|
| 1. Overview of Financial Results | | 3 |
| 2. Results by Segment | | 19 |
| 3. Management Policies for the Medium and Long Terms | | 24 |
| 4. Forecast for Fiscal Year Ending June 30, 2017 | | 47 |

Note pertaining to this data:

- In principle, monetary amounts included in this document are rounded down to the nearest million yen.
- The forward-looking statements included in this document are based on information currently available to the Company and on certain preconditions that the Company deems reasonable. The Company provides no guarantee that what is stated will actually be realized.
- The names of companies, systems, and products included in this document are, as a general rule, trademarks or registered trademarks of companies, including KOZO KEIKAKU ENGINEERING Inc.



Overview of Financial Results

Financial Highlights

Income figures exceeded the preceding fiscal year's level and the planned level.

(Million yen)

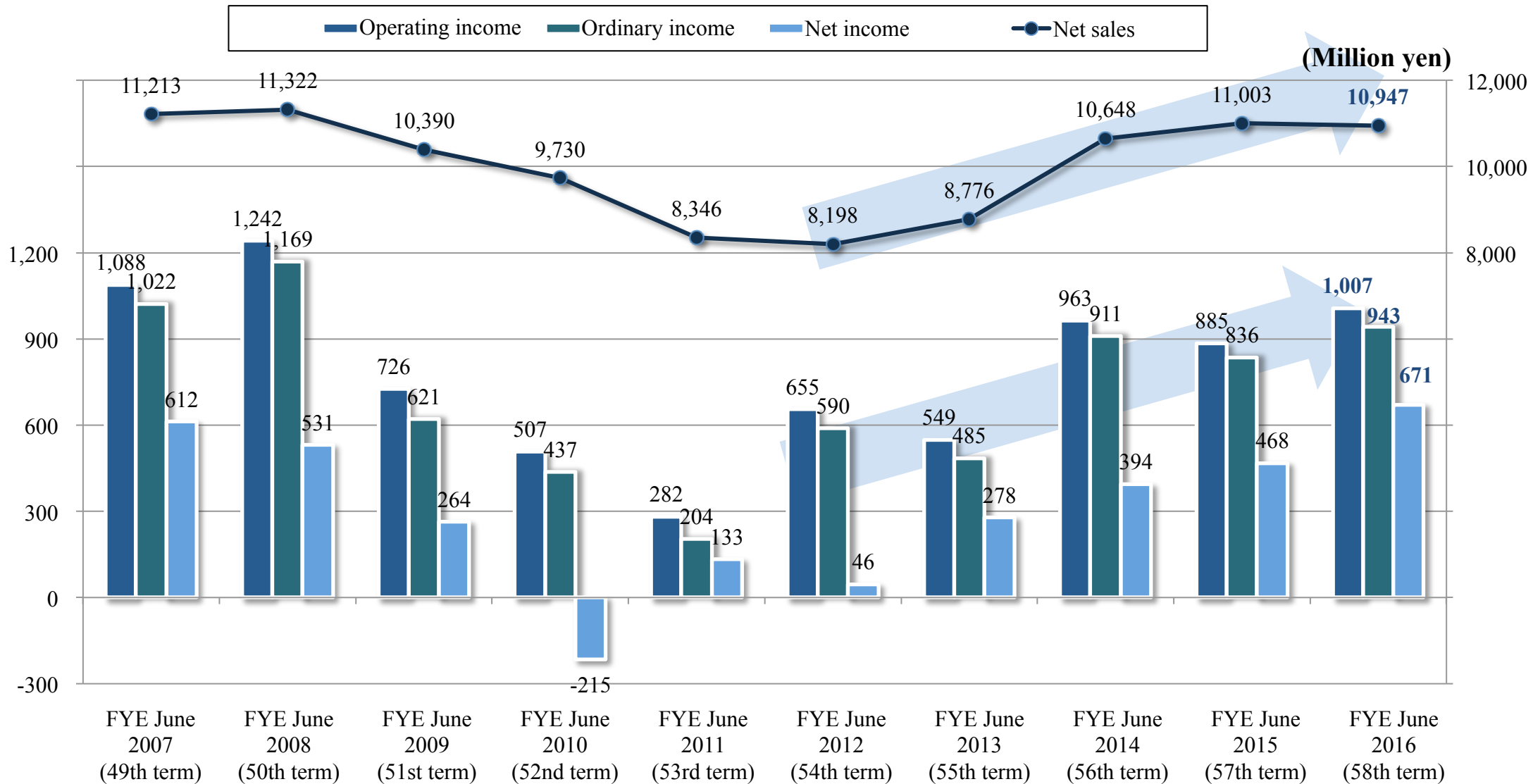
| | FYE June 2015 (57th term) | FYE June 2016 (58th term) | | Change from plan (rate of change) | Change from previous FY (rate of change) |
|------------------|------------------------------|---------------------------|--|--------------------------------------|--|
| | | Plan* | Results | | |
| Net sales | 11,003 | 11,400 | 10,947 | -452 (-4.0%) | -56 (-0.5%) |
| Operating income | 885 | 1,000 | 1,007 | 7 (0.8%) | 122 (13.8%) |
| Ordinary income | 836 | 940 | 943 | 3 (0.3%) | 106 (12.8%) |
| Net income | 468 | 590 | 671 | 81 (13.8%) | 202 (43.3%) |
| Dividends | 40 yen per share | 45 yen per share | Interim: 15 yen per share Year-end: 40 yen (Plan) | | |

* The plan represents the results forecasts announced on August 13, 2015.



Trends in Results for the Past 10 Years

Growth achieved for the fourth consecutive year, with net income hitting a record high.



Income Statement Highlights

(Million yen)

| | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Change from previous FY | Rate of change from previous FY |
|---|---------------------------------|---------------------------------|----------------------------|------------------------------------|
| Net sales | 11,003 | 10,947 | -56 | -0.5% |
| Cost of sales | 6,028 | 5,568 | -459 | -7.6% |
| Gross profit (Gross profit rate) | 4,974 (45.2%) | 5,378 (49.1%) | 403 | 8.1% |
| SGA expenses | 4,089 | 4,370 | 281 | 6.9% |
| Operating income (Operating income rate) | 885 (8.0%) | 1,007 (9.2%) | 122 | 13.8% |
| Non-operating profit & loss | -49 | -64 | -15 | - |
| Ordinary income (Ordinary income rate) | 836 (7.6%) | 943 (8.6%) | 106 | 12.8% |
| Extraordinary profit & loss | -0 | -1 | -1 | - |
| Net income before taxes | 836 | 941 | 105 | 12.6% |
| Income taxes | 367 | 270 | -97 | -26.5% |
| Net income (Net income rate) | 468 (4.3%) | 671 (6.1%) | 202 | 43.3% |

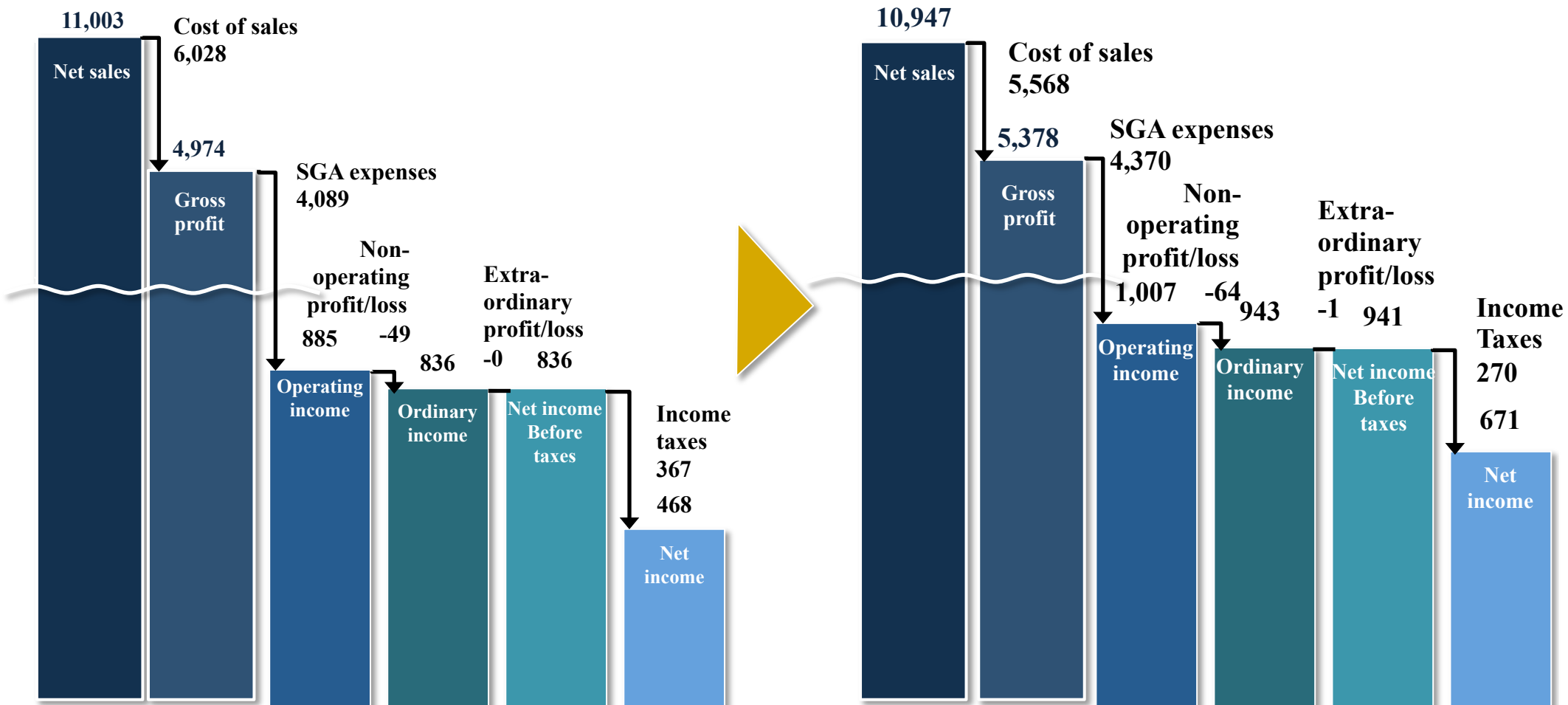
Change in Profit and Loss

Income figures increased compared with the same period the preceding year.

FYE June 2015 (57th term)

FYE June 2016 (58th term)

(Million yen)



Highlights of Balance Sheet

Growth in investment led to growth in assets.

A shift from short-term borrowings to long-term borrowings resulted in a healthier financial standing.

(Million yen)

| | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Change from previous FY |
|---|---------------------------------|---------------------------------|-------------------------------|
| Current assets | 3,338 | 3,532 | 194 |
| Cash and deposits | 316 | 385 | 69 |
| Accounts receivable-trade | 1,608 | 1,367 | -241 |
| Work in process | 432 | 990 | 557 |
| Fixed assets | 6,614 | 6,927 | 313 |
| Shares of subsidiaries and associates | 261 | 393 | 131 |
| Investments in capital of subsidiaries and associates | 33 | 178 | 145 |
| Total assets | 9,953 | 10,460 | 507 |

| | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Change from previous FY |
|---|---------------------------------|---------------------------------|-------------------------------|
| Total liabilities | 6,797 | 7,321 | 524 |
| Current liabilities | 4,848 | 3,713 | -1,134 |
| Short-term borrowings* | 1,820 | 1,193 | -626 |
| Long-term liabilities | 1,948 | 3,607 | 1,658 |
| Long-term borrowings | 172 | 1,740 | 1,568 |
| Total net assets | 3,156 | 3,139 | -16 |
| Retained earnings brought forward | 2,526 | 2,946 | 419 |
| Total liabilities and net assets | 9,953 | 10,460 | 507 |

* Long-term borrowings due within one year are included in short-term borrowings

Financial Position

B/S in FYE in June 2015 (57th term)

Total assets: 9,953 (Million yen)

Liabilities + Net assets: 6,797 + 3,156

| | | |
|--|---|--|
| <p>Current assets 3,338</p> <p>Cash and deposits 316 Accounts receivable 1,608 Work in process 432</p> | <p>Current liabilities 4,848</p> <p>Short-term borrowings 1,700</p> | <p>Interest-bearing debt 2,050</p> |
| <p>Fixed assets 6,614</p> <p>Shares of subsidiaries and associates 261 Investments in capital of subsidiaries and associates 33</p> | <p>Long-term liabilities 1,948</p> <p>Long-term borrowings 172 Provision for retirement benefits 1,666</p> | |
| | | <p>Net assets 3,156</p> <p>Retained earnings brought forward 2,526 Treasury shares -1,684</p> |

B/S in FYE in June 2016 (58th term)

Total assets: 10,460 (Million yen)

Liabilities + Net assets: 7,321 + 3,139

| | | |
|---|---|--|
| <p>Current assets 3,532</p> <p>Cash and deposits 385 Accounts receivable 1,367 Work in process 990</p> | <p>Current liabilities 3,714</p> <p>Short-term borrowings 750</p> | <p>Interest-bearing debt 2,990</p> |
| <p>Fixed assets 6,927</p> <p>Shares of subsidiaries and associates 393 Investments in capital of subsidiaries and associates 178</p> | <p>Long-term liabilities 3,607</p> <p>Long-term borrowings 1,740 Provision for retirement benefits 1,755</p> | |
| | | <p>Net assets 3,139</p> <p>Retained earnings brought forward 2,946 Treasury shares -2,234</p> |

Change in assets (507) (Million yen)

● Increase in current assets (194)

- Increase in cash and deposits (69)
- Decrease in accounts receivable-trade (-241)
- Increase in work in process (557)

● Increase in fixed assets (313)

- Increase in shares of subsidiaries and associates (131)
- Increase in investments in capital of subsidiaries and associates (145)

Change in liabilities (524)

● Decrease in current liabilities (-1,134)

- Decrease in short-term borrowings (-950)

● Increase in long-term liabilities (1,658)

- Increase in long-term borrowings (1,568)
- Increase in provision for retirement benefits (88)

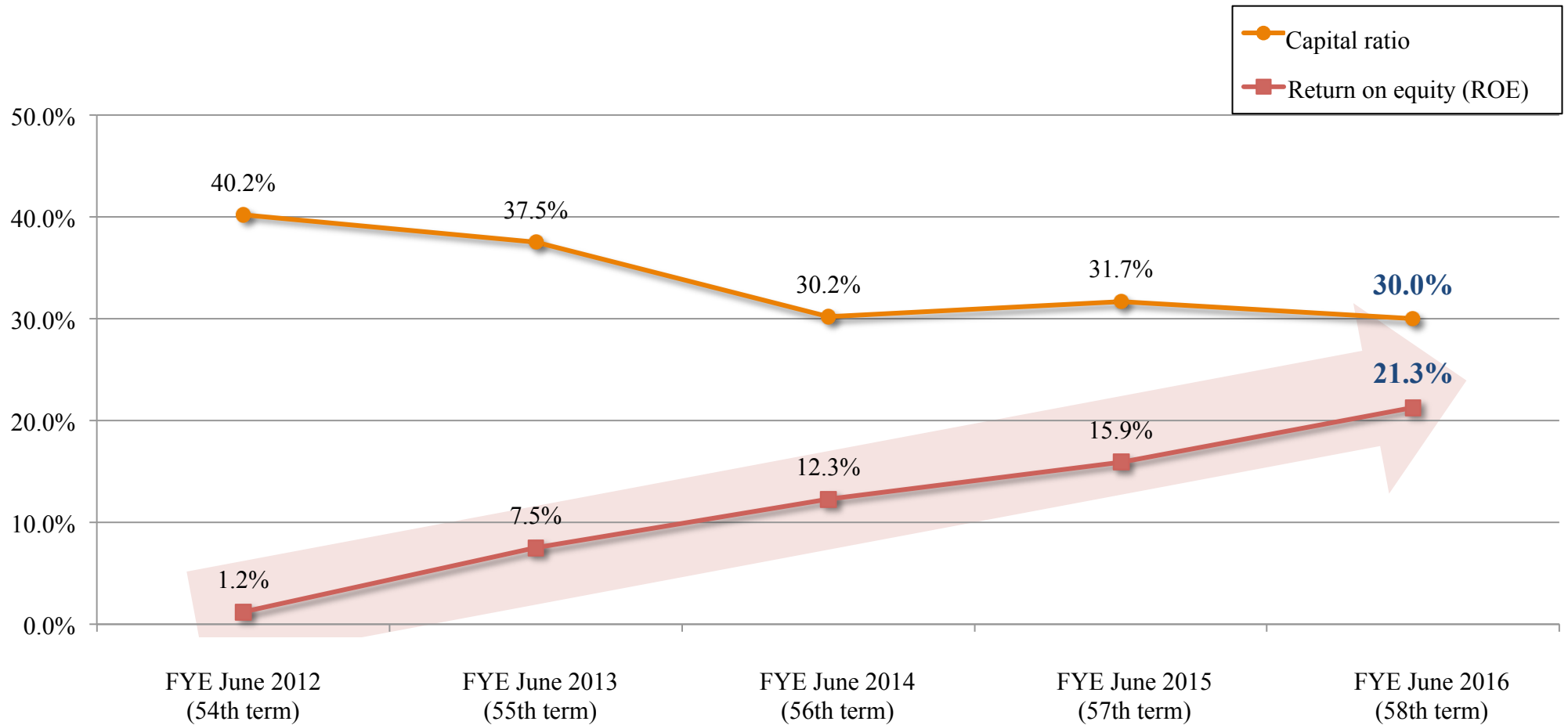
Change in net assets (-16)

- Increase in retained earnings brought forward (419)
- Increase in treasury shares (-549)



Trends in Capital Ratio and Return on Equity (ROE)

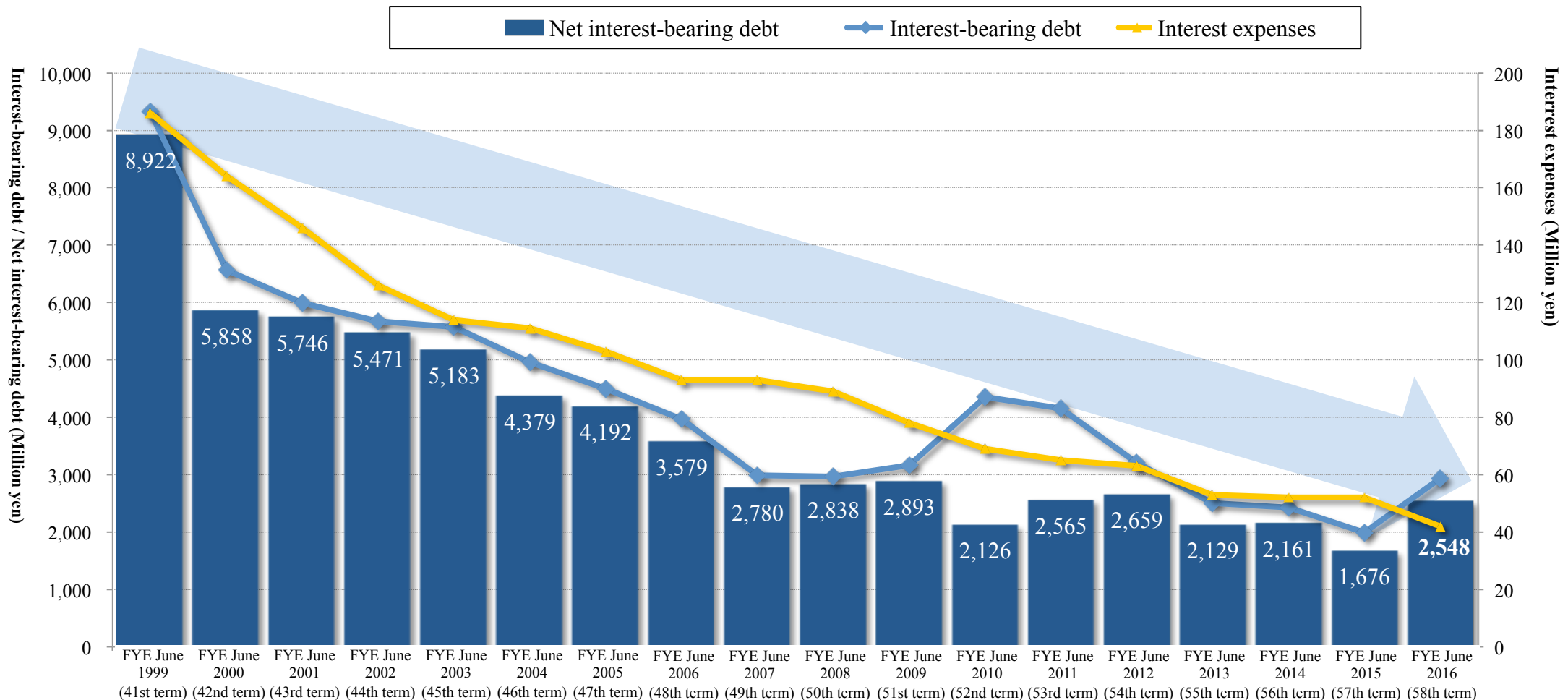
The capital ratio remained at a level of 30% or higher.
ROE climbed for the fourth consecutive year.





Changes in Net Interest-Bearing Debt and Interest Expenses

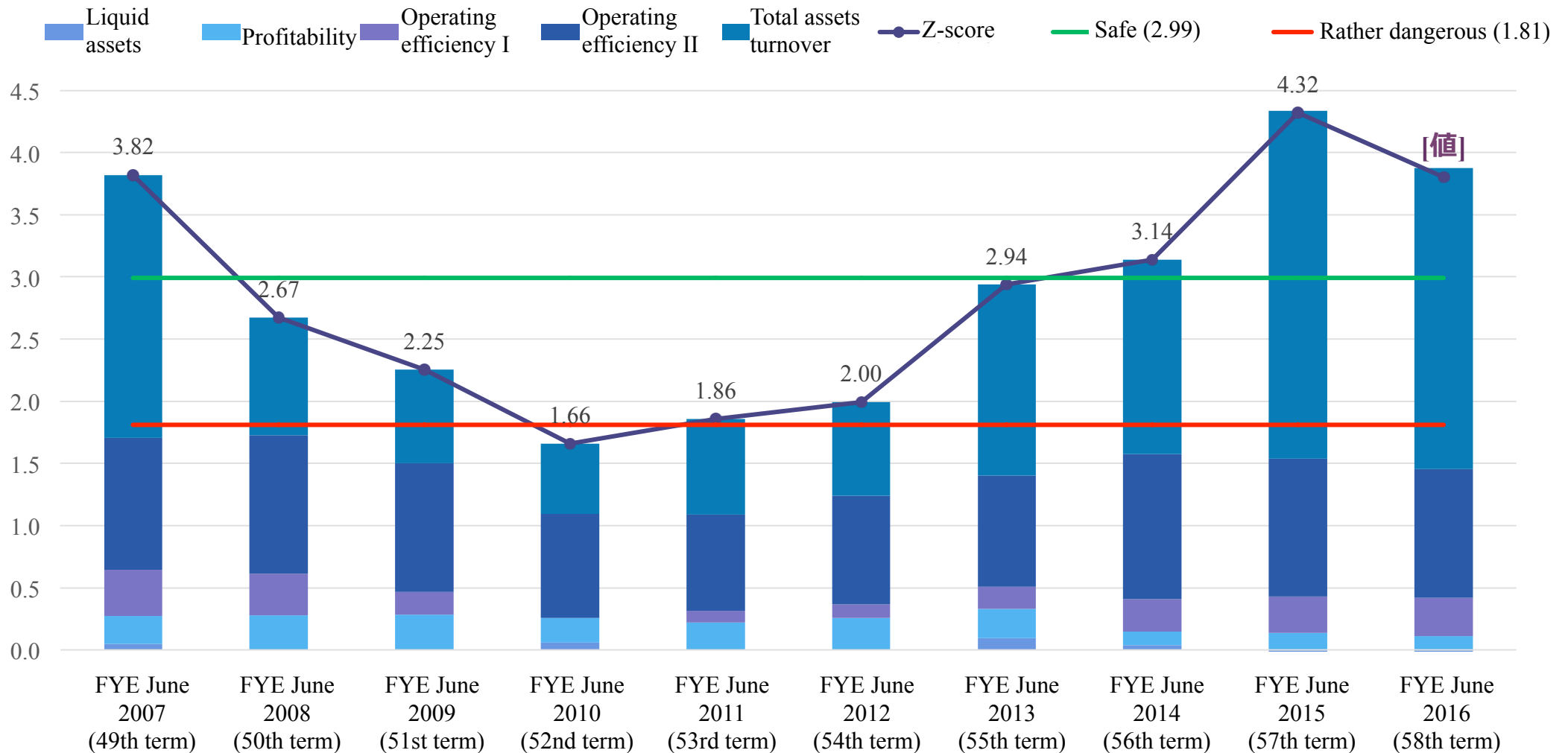
Long-term efforts were made to achieve a healthier financial position, taking into account the balance with business investments.





Trends in Z-Score

The Z-score dropped slightly after growth of interest-bearing debt attributable to business investment.



Trends in Net Assets and Treasury Stock

Treasury stock is actively used
to carry out flexible capital policies and
return profits to stakeholders

(Million yen)

| | | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Change from previous FY |
|--|-----------------------------------|------------------------------|------------------------------|----------------------------|
| Shareholders' equity | | 3,120 | 3,134 | 14 |
| | Capital | 1,010 | 1,010 | — |
| | Capital stock | 1,134 | 1,279 | 145 |
| | Retained earnings | 2,660 | 3,078 | 418 |
| | Retained earnings brought forward | 2,526 | 2,946 | 419 |
| | Treasury stock | -1,684 | -2,234 | -549 |
| Valuation difference on available-for-sale securities | | 35 | 4 | -31 |
| Total net assets | | 3,156 | 3,139 | -16 |



Cash Flow Statement Highlights

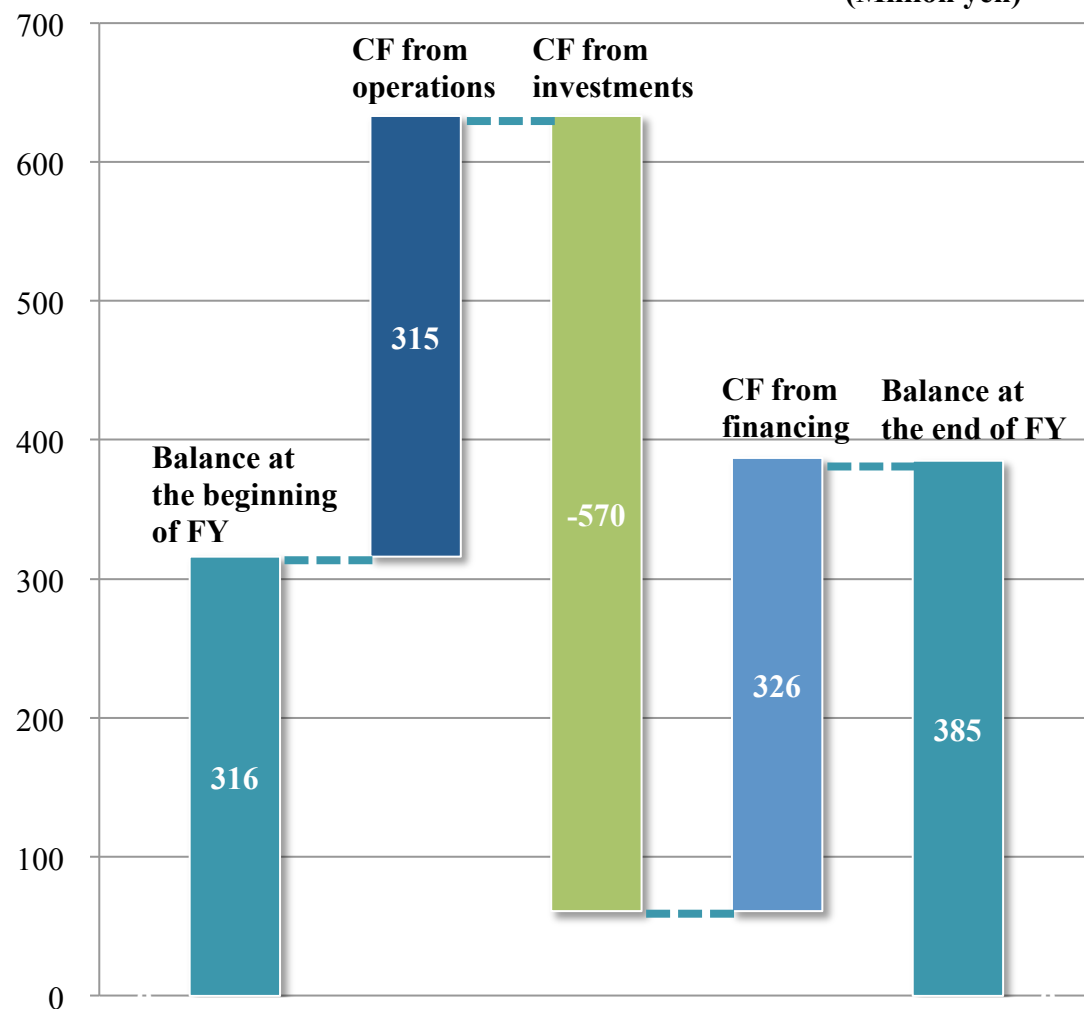
CF from operations shrunk after growth in work in process.
CF from investments and CF from financing grew due to investment in new business development for the future.

| (Million yen) | FYE June 2015 (57th term) | FYE June 2016 (58th term) |
|--------------------------------|---------------------------|---------------------------|
| Balance at the beginning of FY | 264 | 316 |
| CF from operations | 700 | 315 |
| CF from investments | -200 | -570 |
| Free CF | 499 | -255 |
| CF from financing | -448 | 326 |
| Balance at the end of FY | 316 | 385 |

Cash Flow Breakdowns

C/F in FYE June 2016 (58th term)

(Million yen)



CF from operations (315)

(Million yen)

- Net income before taxes 941
- Depreciation 233
- Increase in inventories (work in process) -556

CF from investments (-570)

- Purchase of shares of subsidiaries and associates -131
- Purchase of investments in capital of subsidiaries and associates -120
- Purchase of investment securities -70

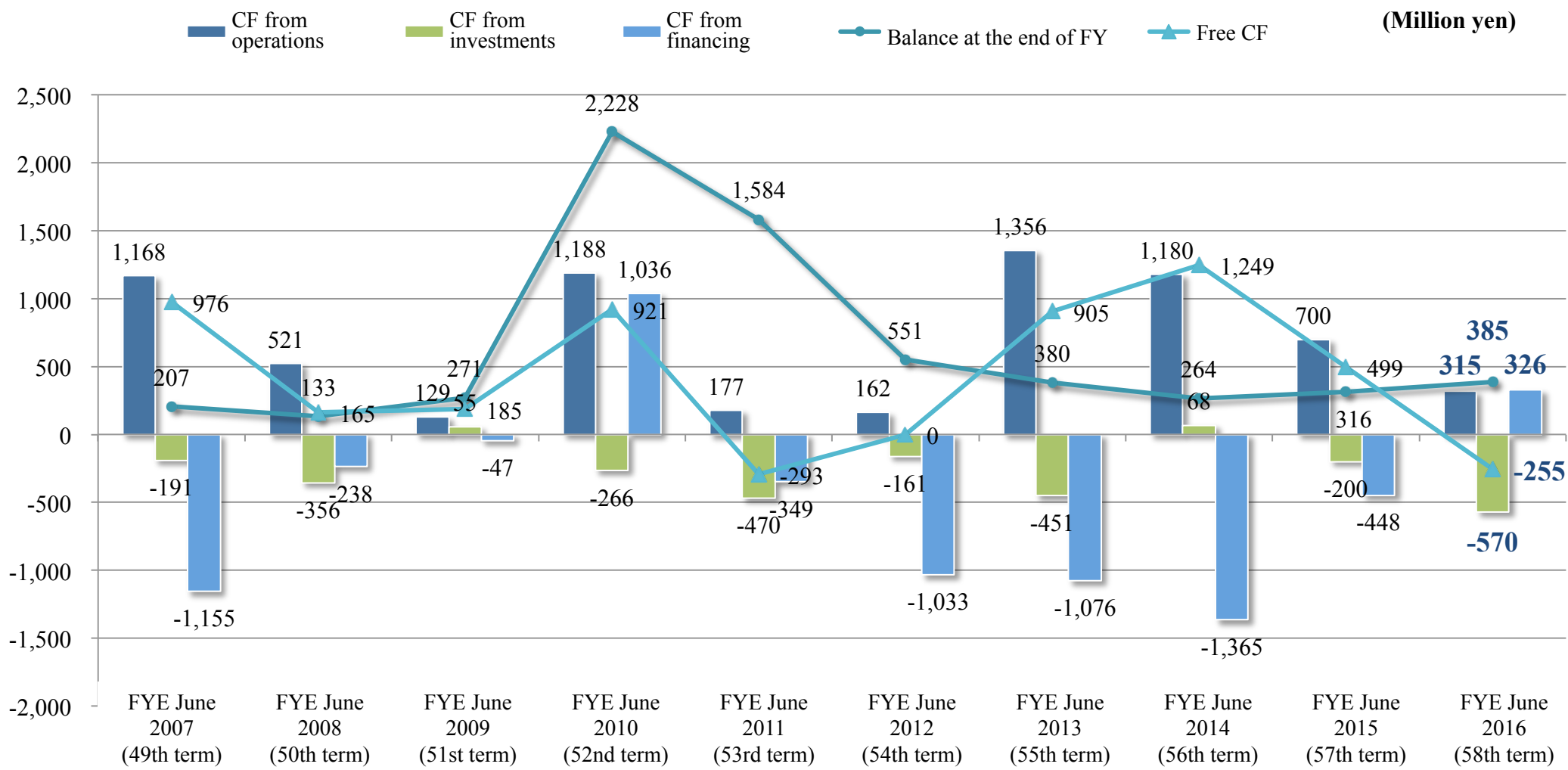
CF from financing (326)

- Purchase and disposal of treasury shares -344
- Net decrease in short-term loans payable -950
- Net increase in long-term loans payable 1,891

| | |
|--------------------------|---|
| Free cash flow: | -255 million yen (499 million in the same period the preceding year) |
| Interest coverage ratio: | 7.6 (13.6 in the same period a year earlier) |

Cash Flows for the Past Ten Years

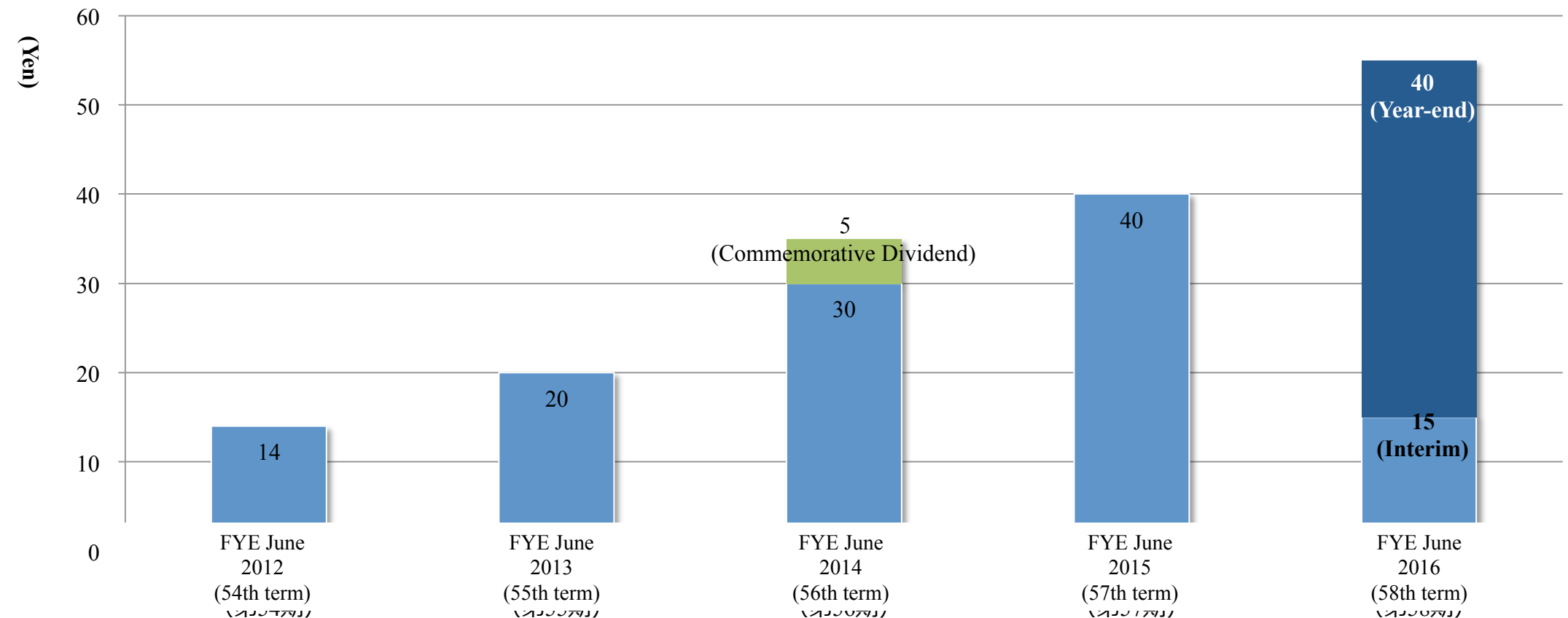
Investing activities were stimulated from a medium- and long-term perspective, while aiming to expand CF from operations.





Trends in Dividends per Share

Dividends per share will be 10 yen higher than the annual plan
Payment of an interim dividend was 15 yen and the planned payment of a year-end dividend is 40 yen
Maintain stable dividend payments to medium- and long-term shareholders.





Contribution to Kumamoto Earthquake Recovery Fund for Damaged Cultural Assets

In the wake of the Kumamoto Earthquake in April 2016, KKE donated 100 million yen to the Kumamoto Prefectural Board of Education for reconstruction of damaged cultural assets.

□ **Purpose**

Help visualize the management status of the projects to restore Kumamoto Castle and other cultural assets severely damaged by the 2016 Kumamoto Earthquake

□ **Party Responsible for Donations**

Culture Section, Education and General Affairs Bureau, Kumamoto Prefectural Board of Education

□ **Value**

100 million yen





Results by Segment



Changes in Reported Segments (from the First Quarter of FYE June 2016)

Changed to two segments: Engineering Consulting and Product Service

Engineering Consulting

- Consultation of disaster risk reduction, earthquake resistance and environment assessment
- Structural design of buildings
- Software development (Requirement definitions, basic reviews, research & prototype)
- Simulation of manufacturing and logistics business
- Marketing consulting
- Risk analysis
- Multi-agent simulation
- Traffic simulation, etc.

System Solutions

- Development of
- Structural design support systems
 - Mobile communication and mobile network communication systems
 - Sales and design support systems for the manufacturing industry
 - Optimization and logistics systems, etc.

Product Service

- Sales, consulting and training of
- Structure analysis and seismic performance analysis software
 - Network simulation software
 - Radio wave propagation and electromagnetic wave analysis software
 - CAE software for designers in the manufacturing industry
 - Software for supporting marketing and decision-making
 - Statistical analysis software
 - Image processing software
 - Cloud based services

Engineering Consulting

Integrated as

Engineering consulting and system solutions have become more closely tied, in order to propose solutions in an integrated manner by extracting demands of customers.

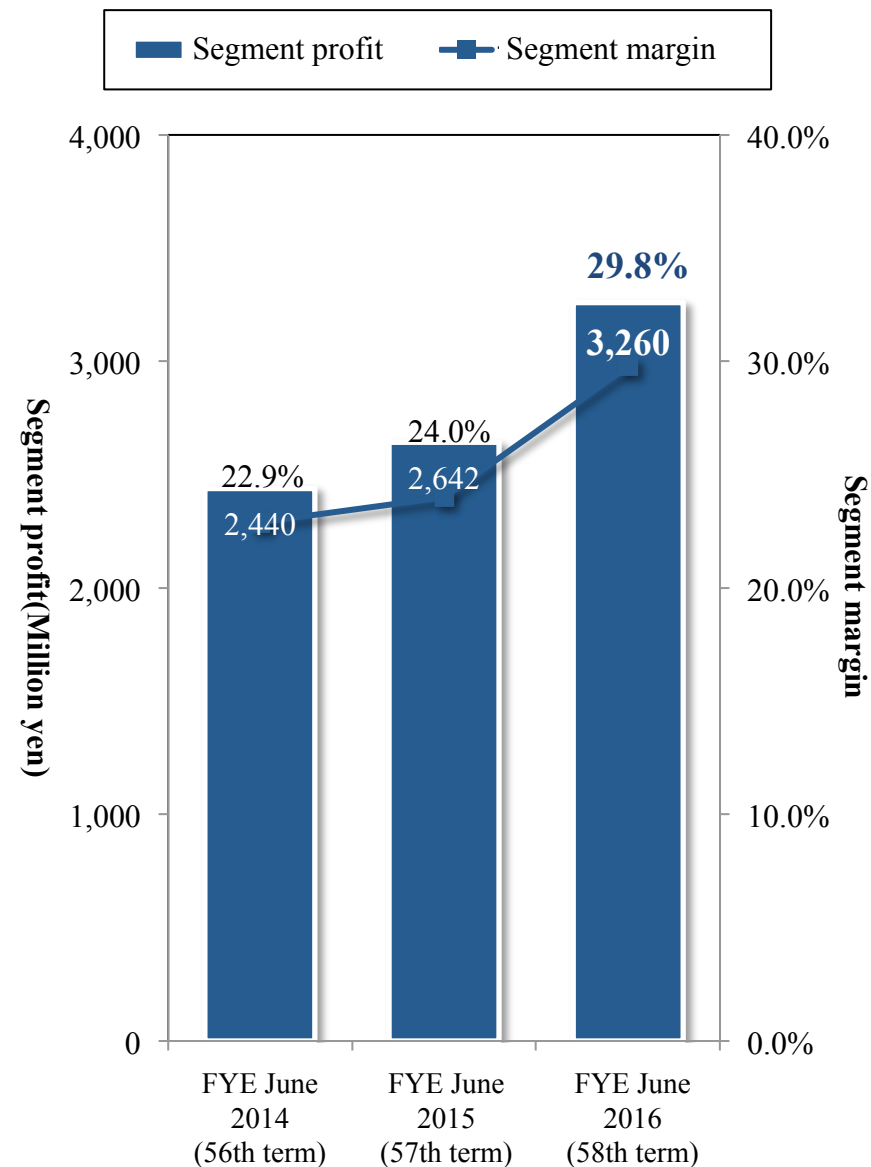
Product Service



Total of the Business Segments

(Million yen)

| | FYE June 2014 (56th term) | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Year-on-year |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------|
| Orders | 10,429 | 11,653 | 11,512 | -141 (-1.2%) |
| Net sales | 10,648 | 11,003 | 10,947 | -56 (-0.5%) |
| Segment profit (margin) | 2,440 (22.9%) | 2,642 (24.0%) | 3,260 (29.8%) | 617 (23.4%) |
| Backlog of orders | 3,965 | 4,615 | 5,180 | 565 (12.2%) |



(1) Engineering Consulting

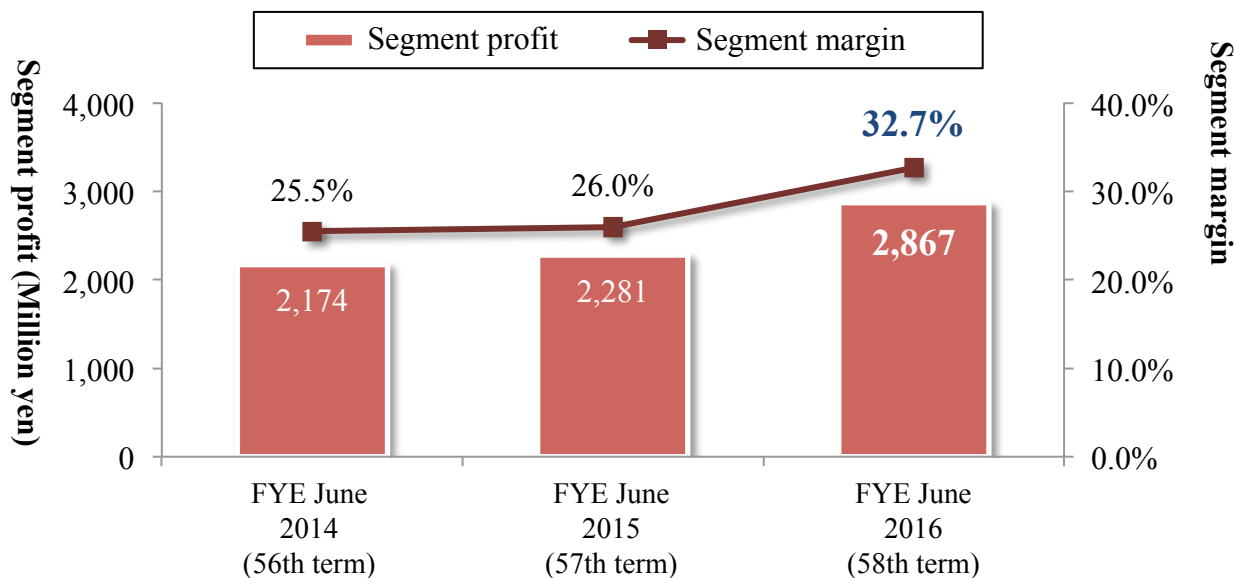
(Million yen)

| | FYE June 2014 (56th term) | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Year-on-year |
|----------------------------|------------------------------|------------------------------|--------------------------------|-------------------------------|
| Orders | 8,337 | 9,367 | 9,255 | -112 (-1.2%) |
| Net sales | 8,519 | 8,768 | 8,780 | 12 (0.1%) |
| Segment profit (margin) | 2,174 (25.5%) | 2,281 (26.0%) | 2,867 (32.7%) | 585 (25.7%) |
| Backlog of orders | 3,139 | 3,738 | 4,212 | 474 (12.7%) |

- ◆ Consultation on disaster risk reduction, earthquake resistance, and environment assessment analysis
- ◆ Structural design support systems
- ◆ Structural design of buildings
- ◆ Mobile communication and mobile network communication systems
- ◆ Sales and design support systems for the manufacturing industry
- ◆ Marketing consulting
- ◆ Optimization and logistics systems

Analysis of results

- Strong results in systems development, structural design consulting, analysis for disaster prevention and reduction, and decision-making support consulting
 - due to leading house manufacturing companies that invested to differentiate its service.



(2) Product Service

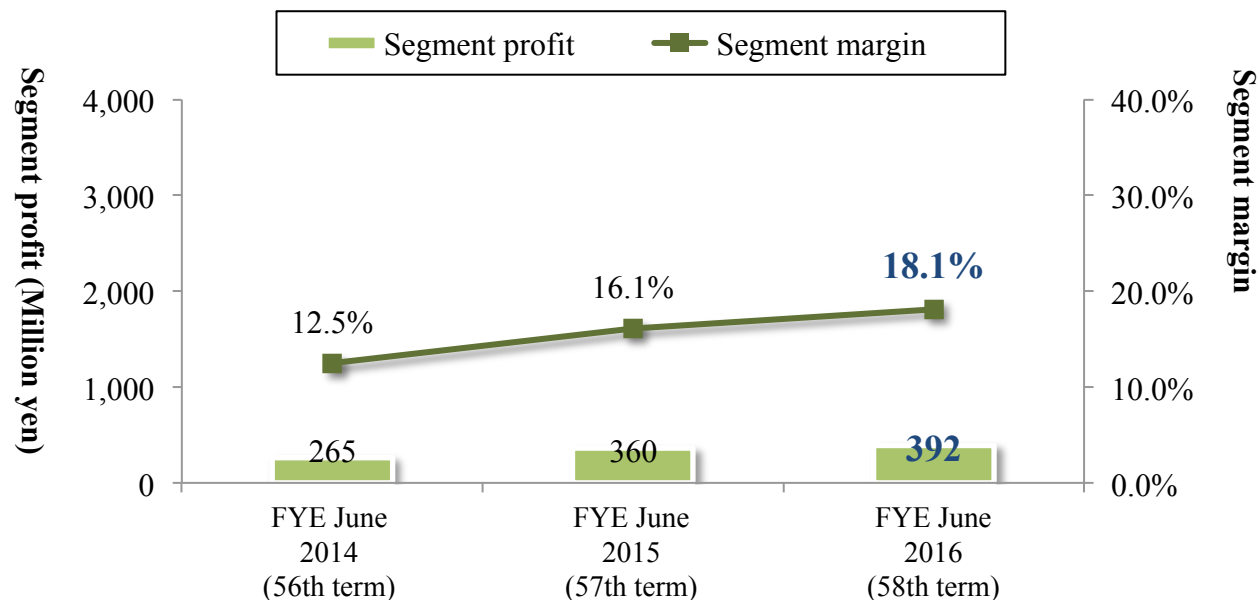
(Million yen)

| | FYE June 2014 (56th term) | FYE June 2015 (57th term) | FYE June 2016 (58th term) | Year-on-year |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
| Orders | 2,091 | 2,285 | 2,257 | -28 (-1.3%) |
| Net sales | 2,128 | 2,234 | 2,166 | -68 (-3.0%) |
| Segment profit (margin) | 265 (12.5%) | 360 (16.1%) | 392 (18.1%) | 32 (9.0%) |
| Backlog of orders | 826 | 877 | 968 | 90 (10.3%) |

- ◆ Construction structural analysis and seismic performance analysis
- ◆ Network simulation software
- ◆ Radio wave propagation and electromagnetic wave analysis software
- ◆ CAE software for designers in the manufacturing industry
- ◆ Software for supporting marketing and decision-making
- ◆ Statistical analysis software
- ◆ Image processing software
- ◆ Cloud based service
- ◆ Consulting and education training

Analysis of results

- Brisk sales in CAE software for designers, computational fluid dynamic software, statistical analysis software, risk management solutions for manufacturers, and cloud based services





Management Policies for the Medium and Long Terms



The Future Vision We Aim to Share
and Achieve with Society (“Thought”)

Innovating for a Wise Future

- Utilizing the company’s technology built based on engineering knowledge, we aim to create a bright future society with full of human wisdom together with our stakeholders.
- We use the word “innovating” to express the process of creating society.



Our Ideal (Mission)

Professional Design & Engineering Firm

An organization to create high added value
through unique solutions based on engineering
approaches inspired by a combination of
academic and empirical knowledge



Five I's to Enhance Added Value (Attitude)

I ntelligent

Engage to business based on compensation for knowledge and social contribution

I ndependent

Establish an environment with totally unrestricted, free thinking

I nterdisciplinary

Integrate and fuse diverse academic fields

I nnovative

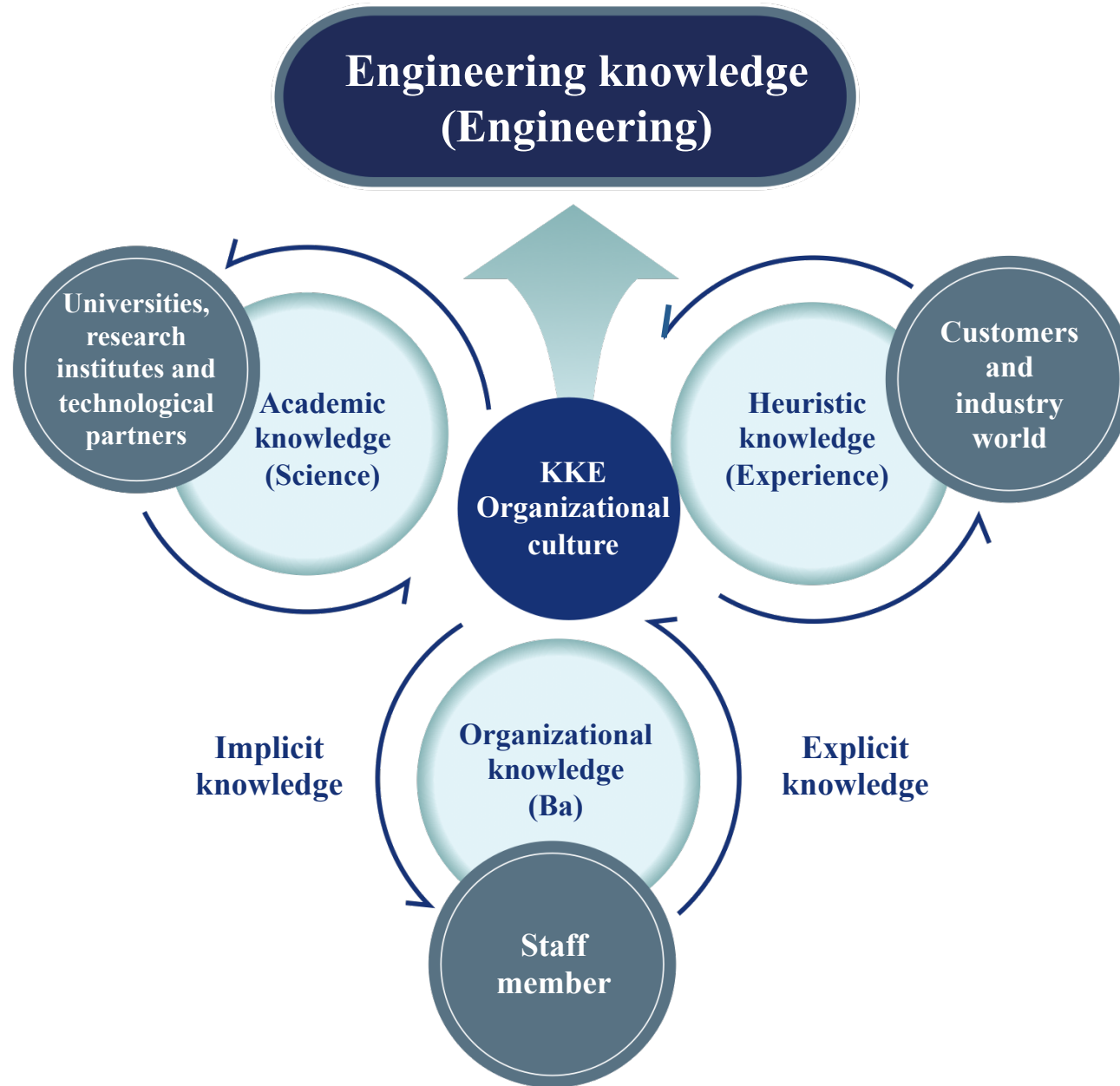
Have the structure, culture, and DNA to challenge new ideas

I nternational

Create alliances with overseas partners with different knowledge

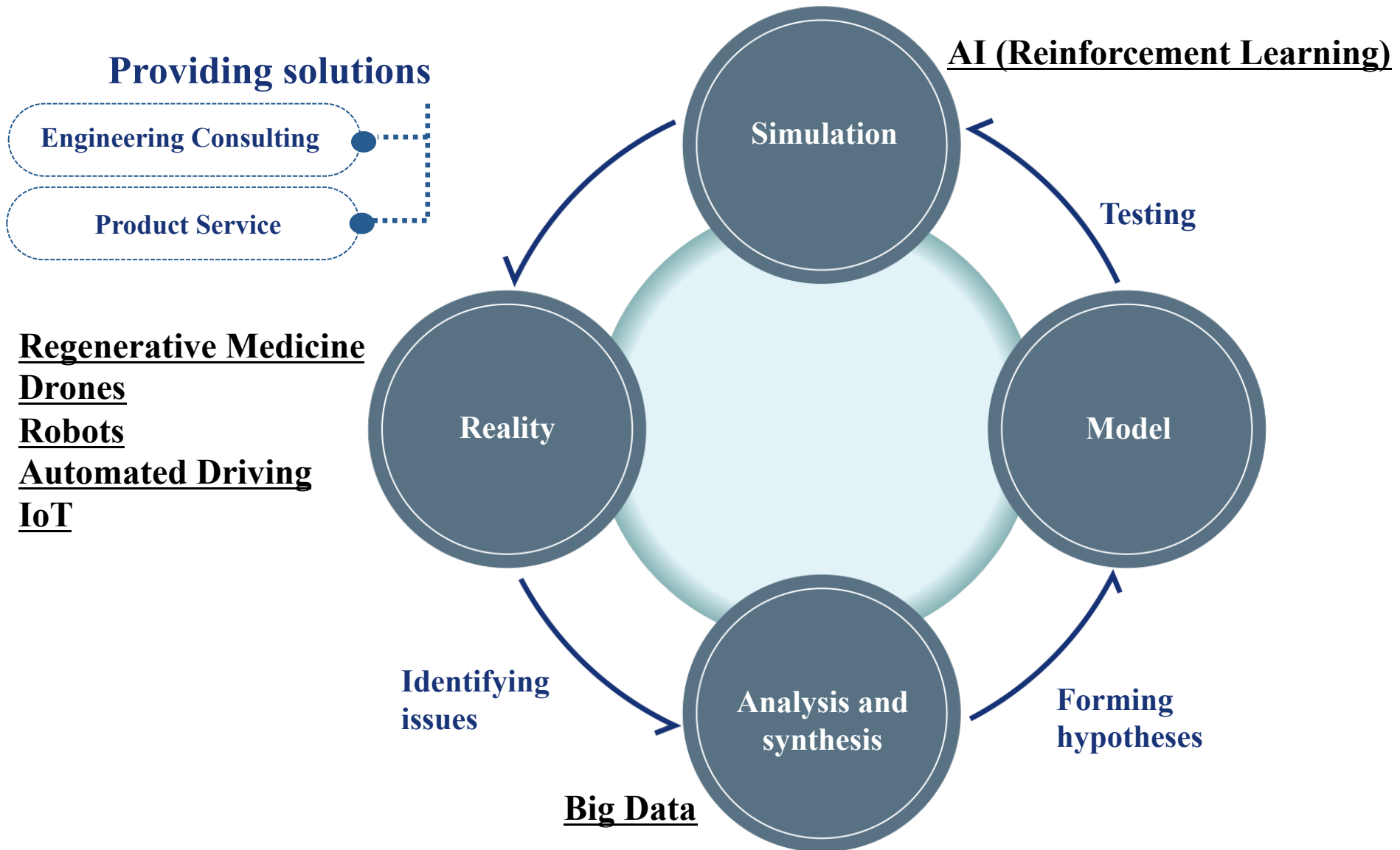


Structure of Knowledge (Our Vision)



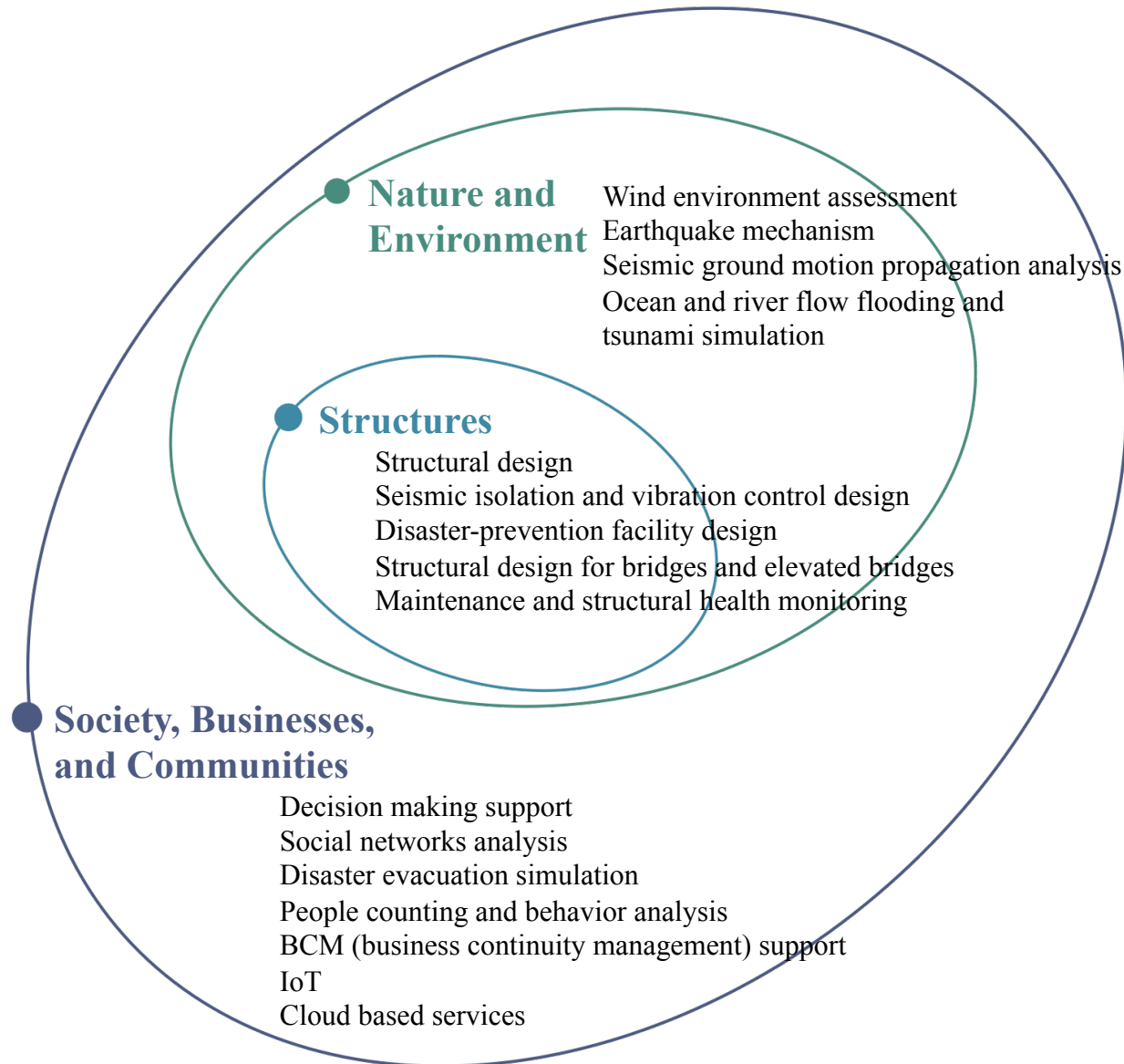


Offering Value through Engineering Approach (Modeling and Simulation)





Expanding Business Domains





Scenarios for Increasing Total Added Value

1. | By investing in business development

2. | Through employee growth

3. | By increasing the number of employees (associates)



* KKE defines the amount obtained by adding personnel costs and fringe benefits to operating income as the total added value to represent the source of profit distributed to stakeholders.



Medium- and Long-Term Management Strategies

To enhance total added value by continuing sustainable growth as a company

Ensure the quality of services and products to provide

- Foster an organizational climate that is uncompromising on quality, learning from failures in the past.

Development of human resources

- Engineers, managers and executives who think and practice from a companywide perspective.

Investment in new business developments and development of “Design & Engineering” overseas

- Increase added value beyond development of technologies from overseas.
- Achieve overseas development, making use of experiences in Japan.

Intellectual property strategy

- Secure the intellectual property of deliverables.
- Clarify areas of responsibility.



Medium- and Long-Term Management Strategies

1. Quality Maintenance

High Quality and High Added Value = A High Level of Customer Satisfaction

Forge an organizational culture that learns from past errors and relentlessly pursues quality

- Operation of a companywide integrated management system (IMS)
 - Implement an IMS measures formulated on a companywide level into individual divisions
 - Feedback and improvements under companywide management
- Visualization of the project progress status
 - Share knowledge based on experience and knowledge with the entire organization
- Reviews on important project
 - Share status and provide support for potential risks and issues
- Education for engineers
- Quality management matched with contractual terms



Stable expansion of the existing highly profitable engineering consulting business

Building relationships of trust with customers in new businesses



Medium- and Long-Term Management Strategies

2. New Business Development: Seven Domains

Steadily conducting activities with an eye on the medium- and long-term future, including the organization of owned technologies, marketing surveys, and the building of human connections





Medium- and Long-Term Management Strategies

2. New Business Development: Local Subsidiary in Singapore (1)

KKE SINGAPORE PTE.LTD

- Registration: January 9, 2015 Office opening: July 1, 2015
- Location: Inside the Marina Bay Financial Center
- Business: Marketing and research in the ASEAN region
- Capital: S\$120,000



Vision

- Developing business, passing on technologies of KKE and Japan to the ASEAN region, which is expected to achieve high economic growth
- Developing KKE SINGAPORE as a base that will support the growth of the KKE Group in the medium- to long-term
- Using KKE SINGAPORE as a base for global recruitment



Medium- and Long-Term Management Strategies

2. New Business Development: A startup in Singapore (2)

Symphony Creative Solutions Pte. Ltd., a startup jointly organized by KKE, the NYK Group and Weathernews Inc.

□ Collaborating Companies

KKE

Operations research technologies, and leading-edge simulation technologies with the use of data analysis technologies

The NYK Group (Nippon Yusen K.K. (NYK Line), Monohakobi Technology Institute, NYK Business Systems Co. Ltd.)

Knowledge, practical capabilities, and global network nurtured through the marine transportation and distribution businesses

Weathernews Inc.

Infrastructure network and meteorological forecasting technologies



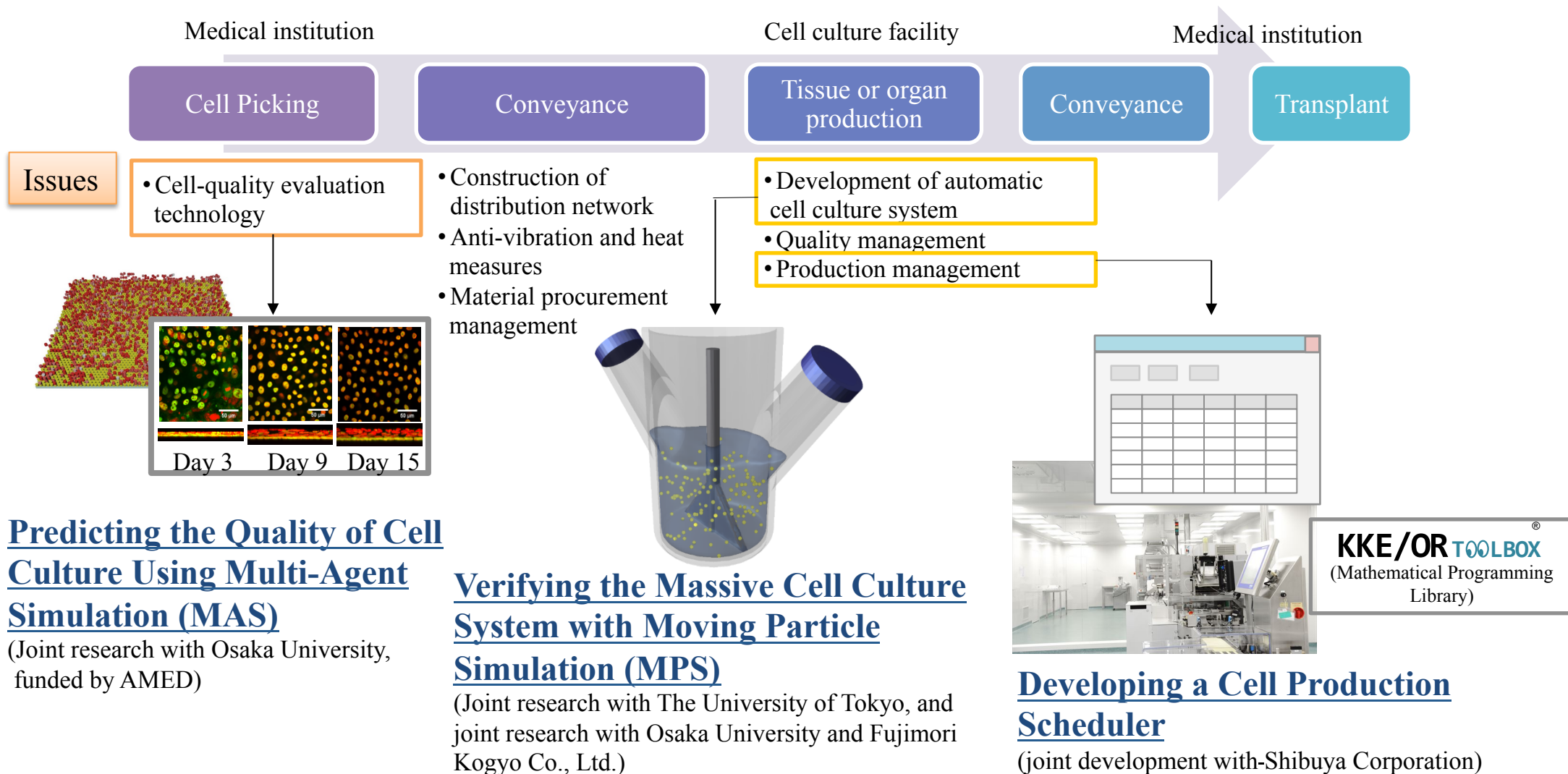
**Working to offer next-generation solutions
in the marine transportation and distribution sector
Conducted a test on the introduction of
land transport and delivery system for vehicles in July**



Medium- and Long-Term Management Strategies

2. New Business Development: Computational Regenerative Medicine

Support the industrialization of regenerative medicine To establish “quality, cost, and delivery (QCD)” in cell production



SendGrid

- **Developed by SendGrid based in the United States**
A cloud-based mail distribution service
- **Support corporate sales promotion activities, marketing, and CRM**
 - Improvement in deliverability and security, anti-spam measure
→ Providing the advantages of the cloud service at no initial cost
 - 1% of mail messages (excl. spam) distributed around the world are sent through SendGrid.

KKE launched the service for Japan in December 2013,
and customized its service to meet the needs
of the Japanese market.



Reducing operation costs and labor on the part of customers
Powerful support to promote the use of e-mail in business activities





Medium- and Long-Term Management Strategies

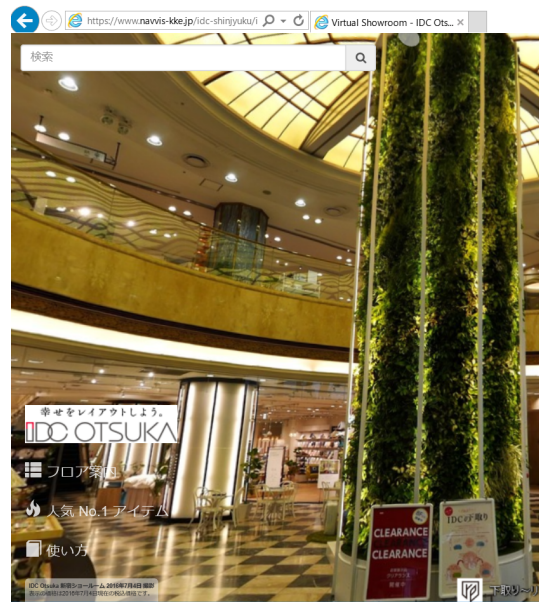
2. New Business Development: Collaboration with Partners (2)

Partnership formed with Germany-based NavVis in October 2015

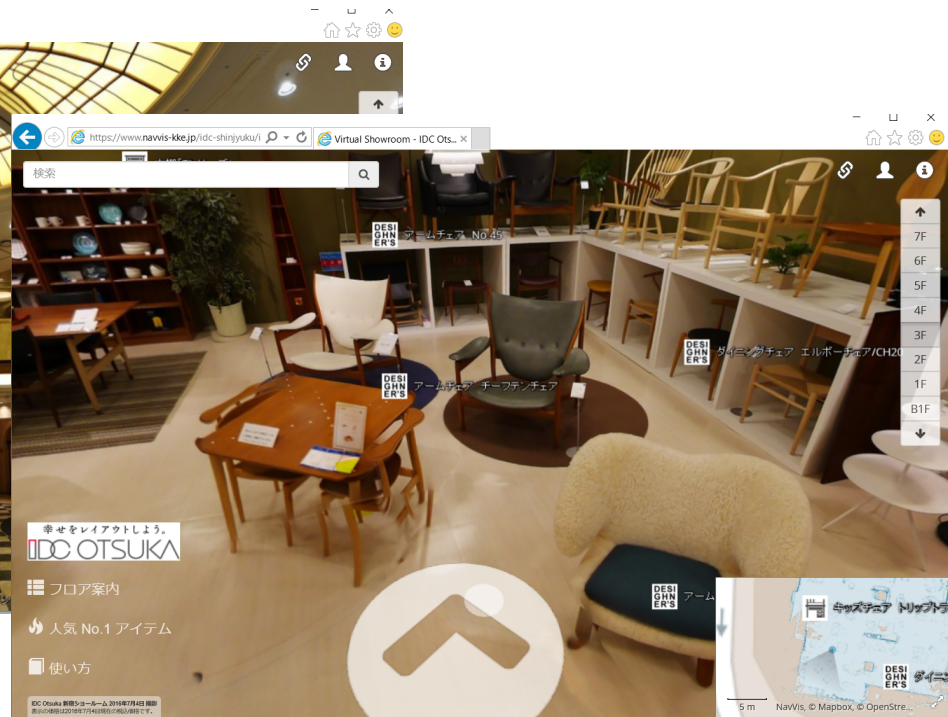
Overview of cooperation

- ❑ Partner company: NavVis GmbH (Munich, Germany)
- ❑ Beginning of business alliance: October 2015
- ❑ Details of alliance:
Sales and development of solutions using *NavVis*, an indoor mapping & navigation platform, in the Japanese market

NavVis
- 3D mapping of a space



**Virtual Showroom of
Otsuka Kagu, Ltd. developed
using *NavVis***



<https://www.navvis-kke.jp/idc-shinjyuku/iv.html>



Medium- and Long-Term Management Strategies

2. New Business Development: Collaboration with Partners (3)

Vitracom AG (Germany)

People Counter

- Thoroughly analyzing the movements of people



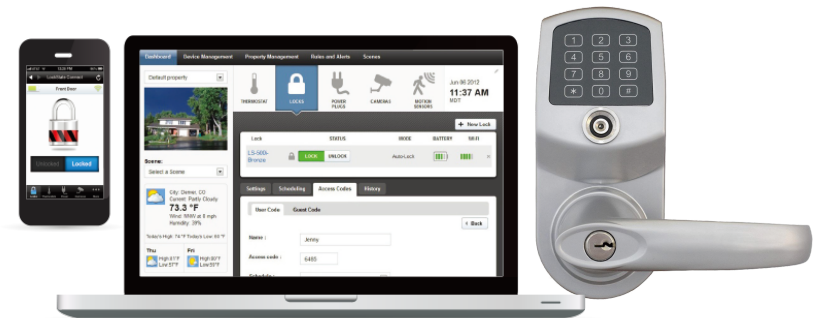
People
Counter

- ✓ A high precision and easy-to-install sensor for counting the number of people
- ✓ Integration with POS data, weather data, and camera sensor detection data on age and gender
- ✓ Industry's top-class cost effectiveness
- ✓ At least 20,000 models introduced in Japan and overseas

LockState (U.S.)

Remote Lock

- Controlling locks from anywhere



RemoteLOCK

- ✓ A Wi-Fi smart lock requiring no additional equipment
- ✓ Control camera, room thermometer, and motion sensor on a cloud based platform
- ✓ A partner in the Airbnb host support program



Integration of technologies that have been cultivated by working on various structures
Providing support for the Internet of Things (IoT) to improve
the comfort and convenience of buildings



In February 2016, KKE and the Institute of Industrial Science of the University of Tokyo jointly set up a social cooperation program.

Mathematical Engineering for Complex Social Systems

□ Period

February 1, 2016 to March 31, 2020

□ Research Staff

Professor Kazuyuki Aihara, Institute of Industrial Science, The University of Tokyo
Professor Tomonari Yashiro, Institute of Industrial Science, The University of Tokyo
Some researchers assigned from KKE



A basic study in mathematical engineering that serves as the foundation for solving different problems with future complex social systems
Exploration of subjects in the applied area with an eye on medium- and long-term issues



Medium- and Long-Term Management Strategies

2. New Business Development: Investments in Funds (1)

Overview of investment

- ❑ Investment target: Venture companies related to ATR's research seeds and products
 - ❑ Commitment amount: 200 million yen
 - ❑ Duration of the fund: Until June 30, 2024
 - ❑ Investors: KKE and several other companies
-
- ✓ Periodic meetings for technological exchange
 - ✓ Technical study meeting with ATR-related companies and companies invested by the fund
(Position information of people, drone-related areas and brain science, etc.)
 - ✓ Participation in ATR exhibitions
 - ✓ Realization of events based on the network of the fund

ATR (Advanced Telecommunications Research Institute International)



Keynote speech at KKE Vision 2015 OSAKA by Hiroshi Ishiguro of ATR



Vision

Excavate business seeds (ATR technologies + Existing technologies of KKE)

=> Creation of high value added businesses

- ❑ **Create a project and business out of promising seeds**, making use of the marketing capabilities of KKE
- ❑ **Cultivation of human resources in management** by dispatching personnel to fund-related venture companies
- ❑ **Capital gains** from the exit stage



Telenoid Planning, Inc., a company invested by the fund



Medium- and Long-Term Management Strategies

2. New Business Development: Investments in Funds (2)

Mobile Internet Capital, Inc. Innovation IV Limited Liability Fund

Overview of investment

- ❑ Investment target: Next-generation ICT technology/Service & other sectors utilizing ICT, which have significant growth potential (e.g.) IoT, AI, healthcare and security
- ❑ Commitment amount: 200 million yen
- ❑ Duration of the fund: Until December 2026

- ✓ Sharing of information on the efforts of many venture companies (about 500 cases a year)
- ✓ Having an opportunity to be exposed to presentations by venture companies by participating in MIC Day, an event for investors.

Vision

Seek to cultivate and expand businesses of KKE.

- ❑ Contribute to the growth of KKE by acquiring knowledge about keys to business success and cultivation methods, etc.
- ❑ Create higher added value by creating an alliance between venture companies and KKE's businesses.
- ❑ Cultivate human resources in management by evaluating venture companies and dispatching managers to them.

□ Recruitment

Engineering consultants capable of using technologies that are beneficial for society

- Hiring personnel from a wide variety of academic disciplines
- Overseas recruitment:
31 non-Japanese nationals (constituting 5.3% as of June 30, 2016)
Six such personnel unofficially set to join in 2017
- Active use of the internship program

□ Education

Various forms of support from the organization to members in attaining the goals they independently set

- Training of leaders for the next generation
Dispatching staff to outside educational institutions:
Nomura Management School, The University of Tokyo
Executive Management Program (EMP), etc.
- Enhancement of education for non-Japanese staff, multi-cultural communication among staff



Twenty-five new staff joined KKE in April 2016, four of whom actually joined in December 2015. Twenty-six unofficially set to join in April 2017.



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Business Development Dept.

Stanford Silicon Valley
New Japan Project
(SSVNJ)



Teruhiko Yoneyama

Innovative Information Technology
Dept.

Electricity and Gas Market
Surveillance Commission,
Ministry of Economy, Trade
and Industry

□ Purpose

Formulate a multi-dimensional platform connecting Silicon Valley and Japan.

□ Research themes sought by KKE

- Applicability of innovation initiatives in Silicon Valley to initiatives put forward by Japanese companies and the Japanese government.
- Examination of the potential for policy planning and implementation, using the results of analyzing big data with artificial intelligence techniques.

□ Purpose

Surveillance and maintenance of electricity and gas market that has been deregulated.

□ Research themes sought by KKE

- Analysis of market data and preparation of monitoring reports.



Medium- and Long-Term Management Strategies

4. Policy for Legal & Intellectual Property Strategy

Professional design & engineering firm that provides high value-added solutions supported on intellectual properties

- Increase business value (to customers and to society)
- Use new technologies and collaborate with domestic and overseas partners for business
- Share technologies that help resolve the issues that society faces

Direction of initiatives

- Scheme formulation, contracts, and negotiations with an awareness of intellectual property from the early stages of business
- Build a win-win relationship with partners founded upon the intellectual property we own
- Clarify the areas of responsibility
- Develop initiatives to manage and use intellectual and information assets to promote the transformation of tacit knowledge into explicit knowledge
- Promote a culture of sharing and using results and experiences, including both past successes and failures
- Promote flexible and strategic implementation of measures by a single department handling both legal affairs and intellectual property

(Reference information)

Number of patents we hold as of August 30, 2016: 58

Number of patent-pending inventions as of August 30, 2016: 26

Ranking in terms of patent assets in FY2015: Fourth among companies in the area of information and communications in emerging markets (Reference: Data from Patent Result Co., Ltd.)

Promote the creation of business models and new technologies by integrating research and development with business strategies.



4

Forecast for Fiscal Year
Ending June 30, 2017 (59th term)



Estimates for Fiscal Year Ending June 2017 (59th Term)

Aiming to increase sales, income, and dividends

(Million yen)

| | FYE June 2016 (58 term) | FYE June 2017 (59 term) Plan | Change from previous FY | Rate of change from previous FY |
|------------------|----------------------------|---------------------------------|----------------------------|---------------------------------------|
| Net sales | 10,947 | 11,500 | 553 | 5.0% |
| Operating income | 1,007 | 1,100 | 93 | 9.2% |
| Ordinary income | 943 | 1,040 | 97 | 10.3% |
| Net income | 671 | 690 | 19 | 2.8% |
| Dividends | 55 yen per share | 60 yen per share | | |



Response to Stakeholders



Management Indicators KKE Sets as the Targets

- Focus on **operating income** that shows the true earning power of a business +
Personnel costs and fringe benefits to hire excellent human resources based on our concept that human resources are the source of KKE's growth
= **Total added value**

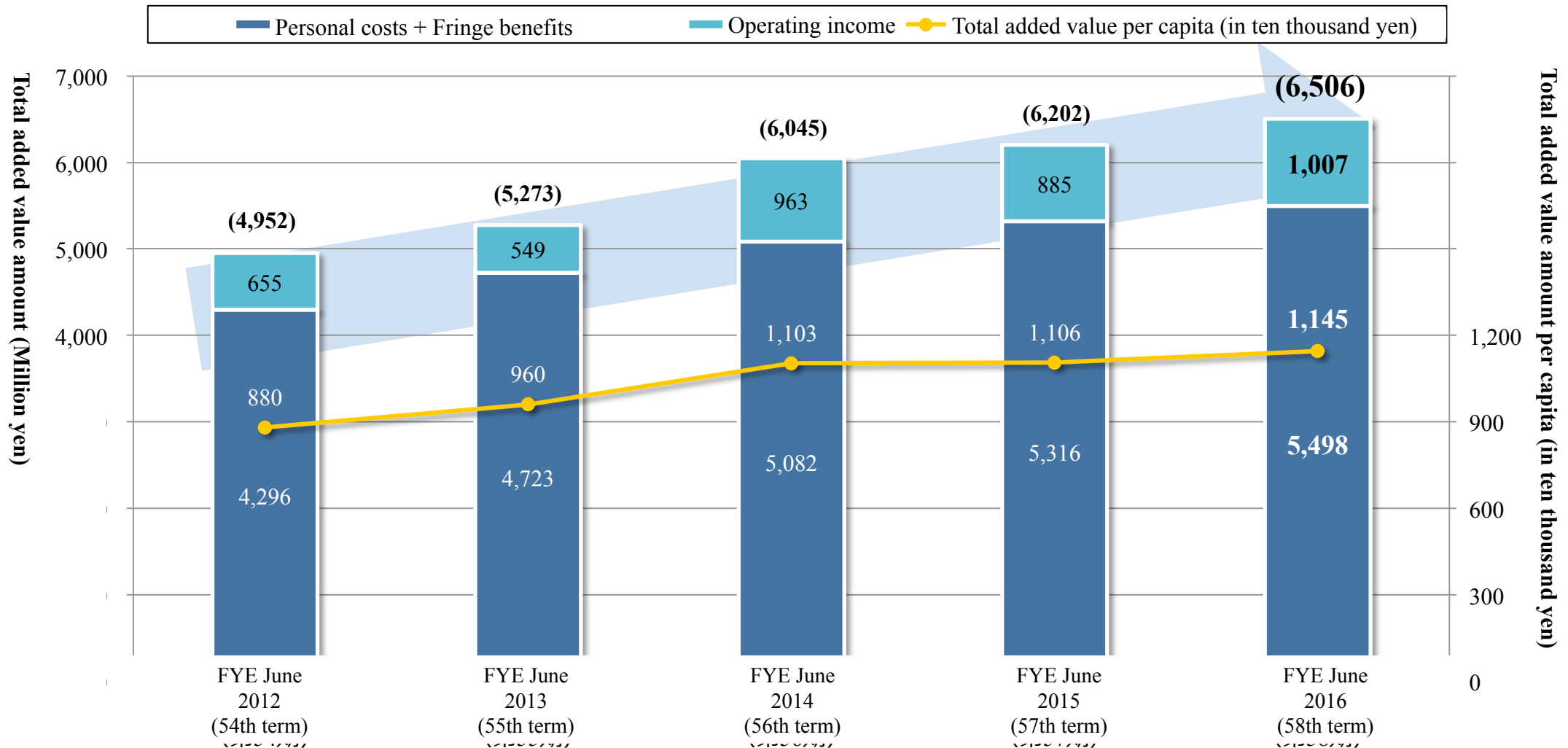
Continue sustainable development as a company by increasing the total added value. For FYE June 2016, total added value hit a record high of 6,506 million yen. (The figure for FYE June 2015 stood at 6,202 million yen.)

- Consider year-end net interest-bearing debt **that takes into account the balance with business investments for the future**
- Increase **ROE** through high profit margins and efficient investments.
- Promote a **dividend policy** of continuing to distribute stable dividends to shareholders who have held KKE shares for the medium and long term.



Changes in Total Added Value Amount

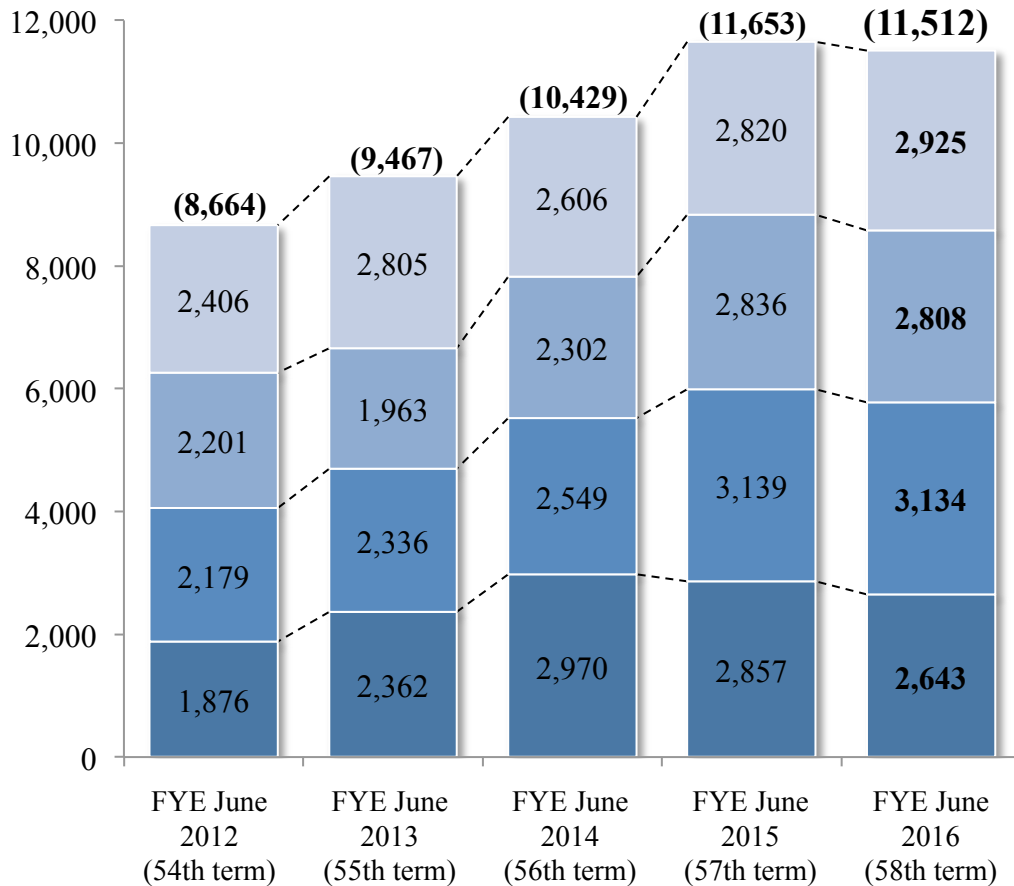
Aiming to increase total added value by about 7% annually.



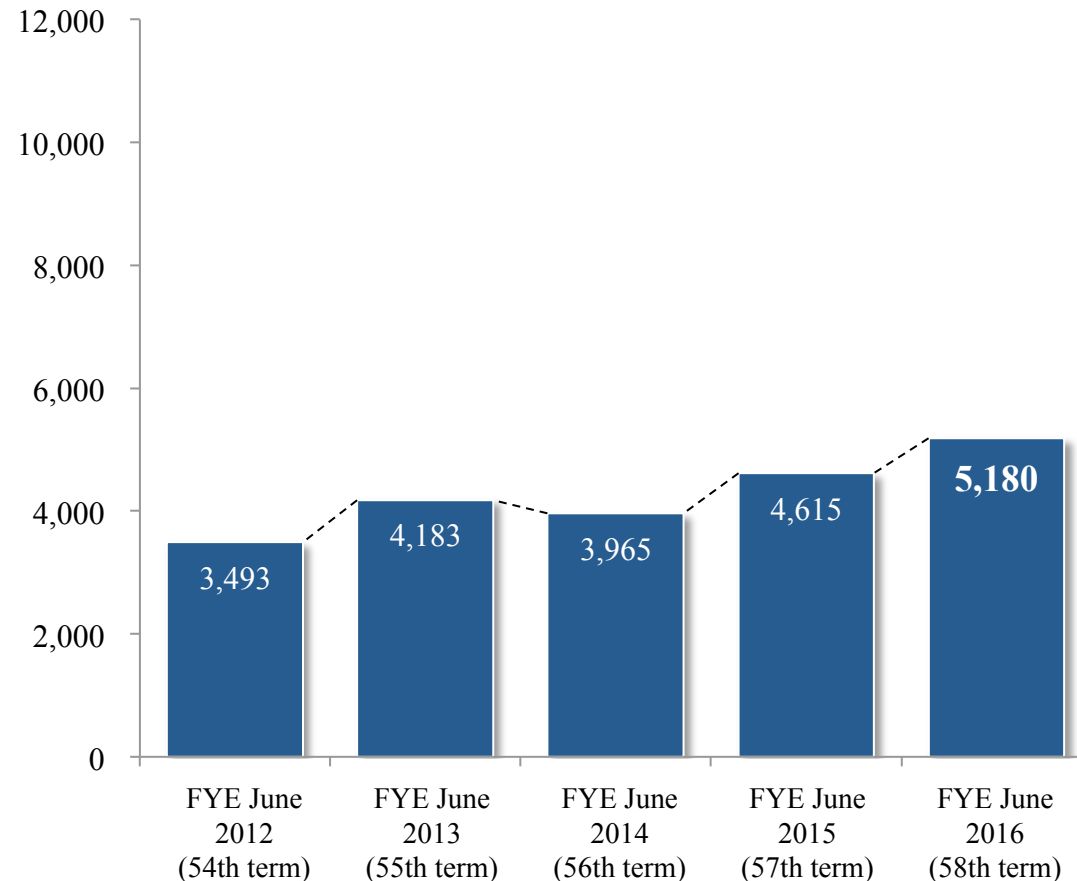


Orders and Backlogs of Orders at the Fiscal Year End

Constantly winning strong orders
to start with a higher backlog than in the preceding fiscal year



Orders (Million yen)

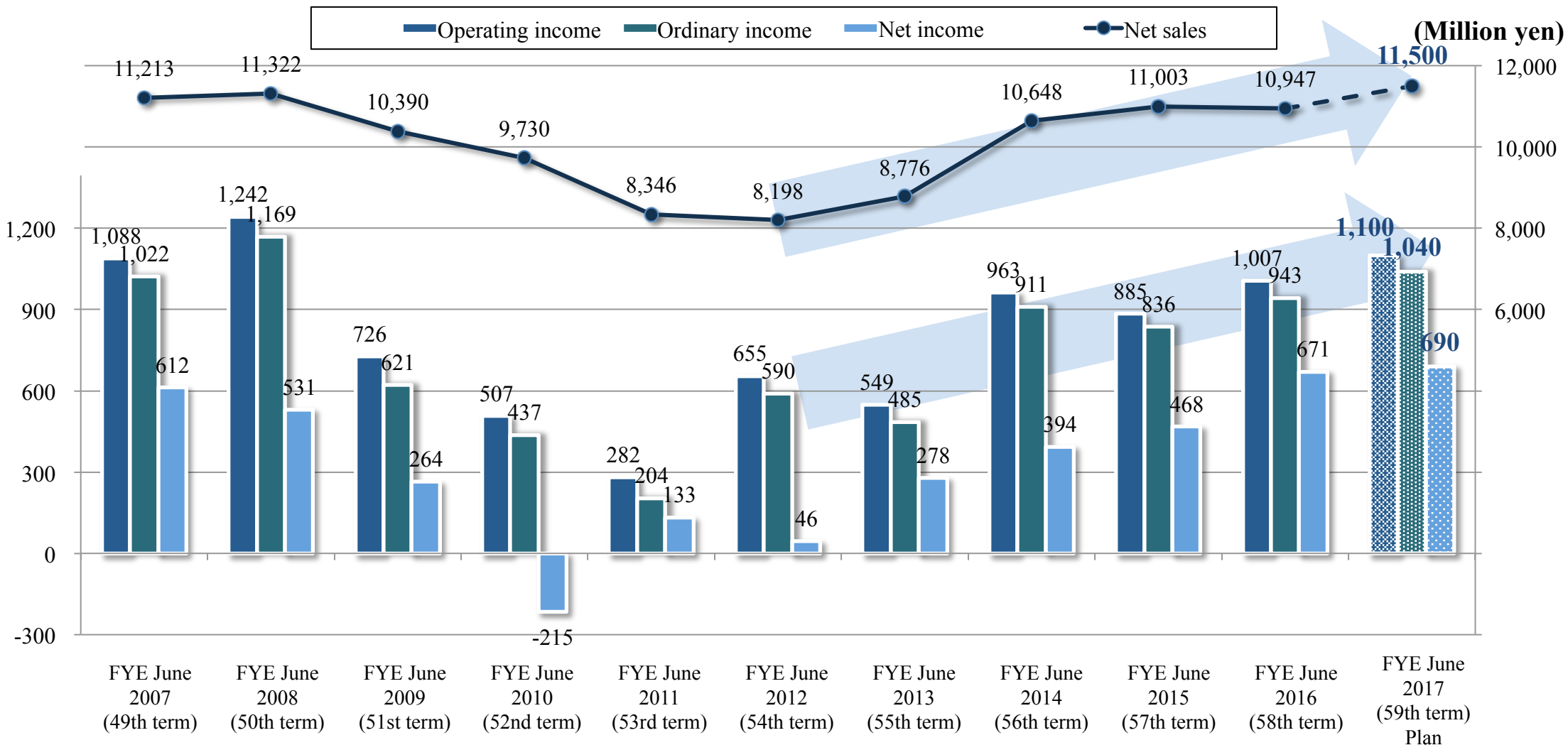


Backlog of orders (Million yen)



Trends in Results and Results Forecasts

Making a good start with a high deferred backlog
with a view towards sales and income growth for a fifth consecutive fiscal year

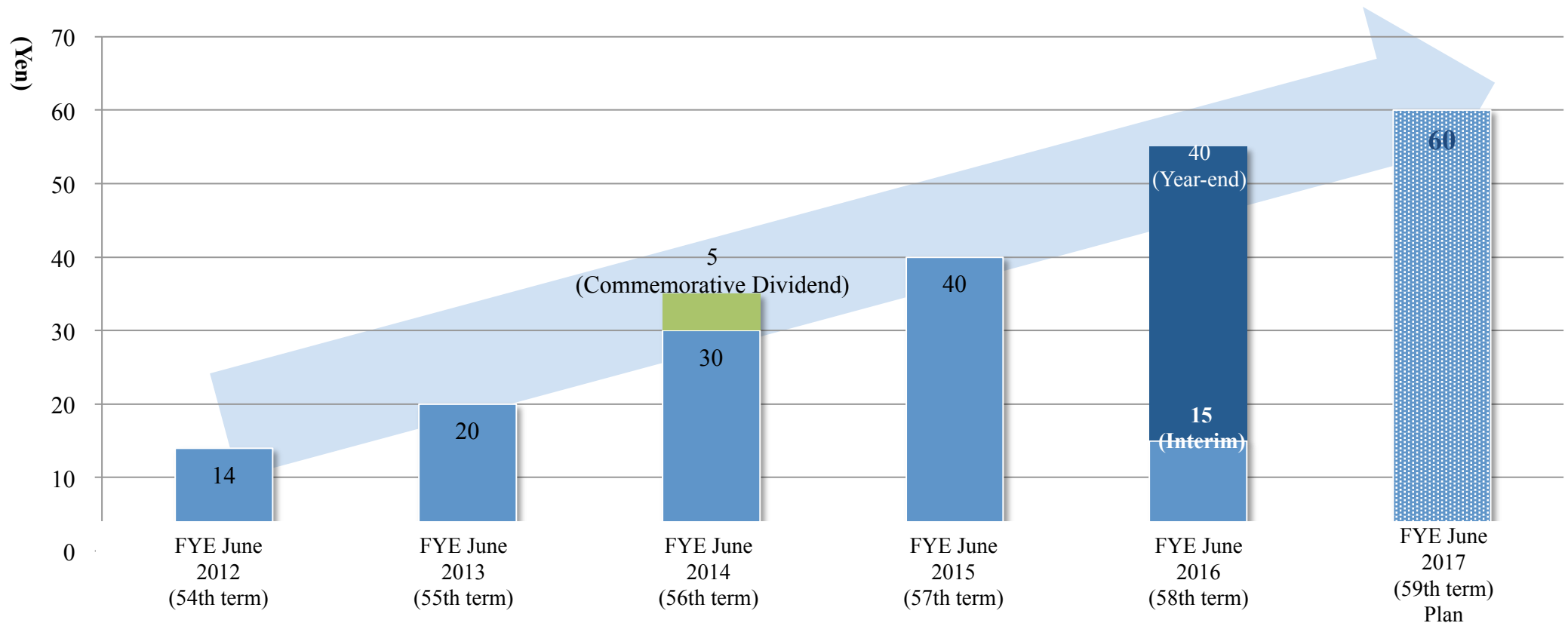




Plan of Dividends per Share

Seeking to increase dividends for the fifth consecutive year.

Focusing on returning profits to medium- and long-term shareholders, while taking into account the appropriate level of internal reserves and the state of business investments



A quarterly dividend system to be introduced in FYE June 2017



Corporate Branding Event: KKE Vision 2016



● KKE Vision 2016 TOKYO

- Date: Wednesday, October 26, 2016
- Venue: Toranomom Hill Forum
- Keynote Lecture: Satoshi Morimoto, chancellor of Takushoku University and former Minister of Defense
- Participant Target: 1,000

● KKE Vision 2016 FUKUOKA

- Date: Tuesday, November 29, 2016
- Venue: Grand Hyatt Fukuoka
- Keynote Lecture: Dr. Kazuyuki Aihara, professor, Institute of Industrial Science, The University of Tokyo, head of the Collaborative Research Center for Innovative Mathematical Modelling
- Participant Target: 400



Subjects of Lectures

- ✓ Realizing a safe and secure society
- ✓ Bringing about a fulfilling society with a long life expectancy
- ✓ Using valuable data
- ✓ Constructing a sustainable society
- ✓ Preparing for natural disasters

* Please note that the themes may change in the future.



Fukuoka Branch Office: Launched on August 19, 2016

Stimulating activities in Kyushu and in the Fukuoka area

- Developing marketing activities and creating new businesses in the Kyushu region
- Serving as a trend setting point for the IoT business



JRJP Hakata Building,
directly connected to Hakata Station

Enhancing the branch office functions

- Renamed the Chubu Sales Office to Nagoya Branch Office. Stimulate sales and marketing activities that mainly target regional centers in Nagoya, Osaka, and Fukuoka.
- Strengthened the management function of individual offices to establish closer ties between the regional areas and Tokyo.