



FYE June 2020 (62nd Term) Financial Results

August 27, 2020

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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.
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Overview of Financial Results

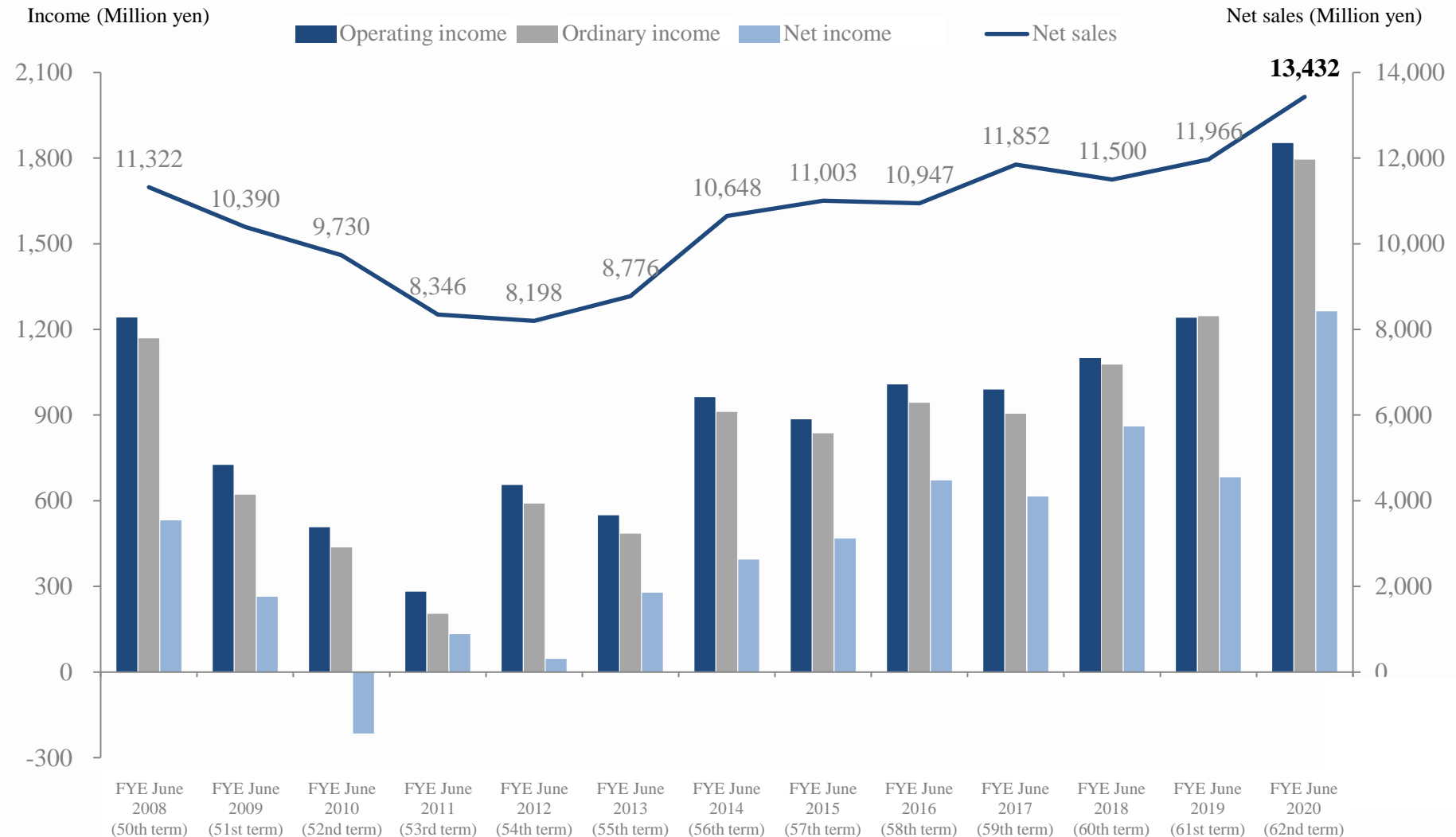


Income Statement Highlights

(Million yen)

	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Change from previous FY	Rate of change from previous FY
Net sales	11,966	13,432	1,466	12.3%
Cost of sales	5,508	6,071	562	10.2%
Gross profit (Gross profit rate)	6,457 (54.0%)	7,360 (54.8%)	903	14.0%
SGA expenses	5,216	5,505	289	5.5%
Operating income (Operating income rate)	1,241 (10.4%)	1,855 (13.8%)	613	49.5%
Non-operating profit & loss	5	-58	-63	—
Ordinary income (Ordinary income rate)	1,246 (10.4%)	1,797 (13.4%)	550	44.2%
Extraordinary profit & loss	-242	-109	133	—
Net income before taxes	1,003 (8.4%)	1,688 (12.6%)	684	68.2%
Income taxes	321	483	162	50.4%
Net income (Net income rate)	682 (5.7%)	1,204 (9.0%)	522	76.5%

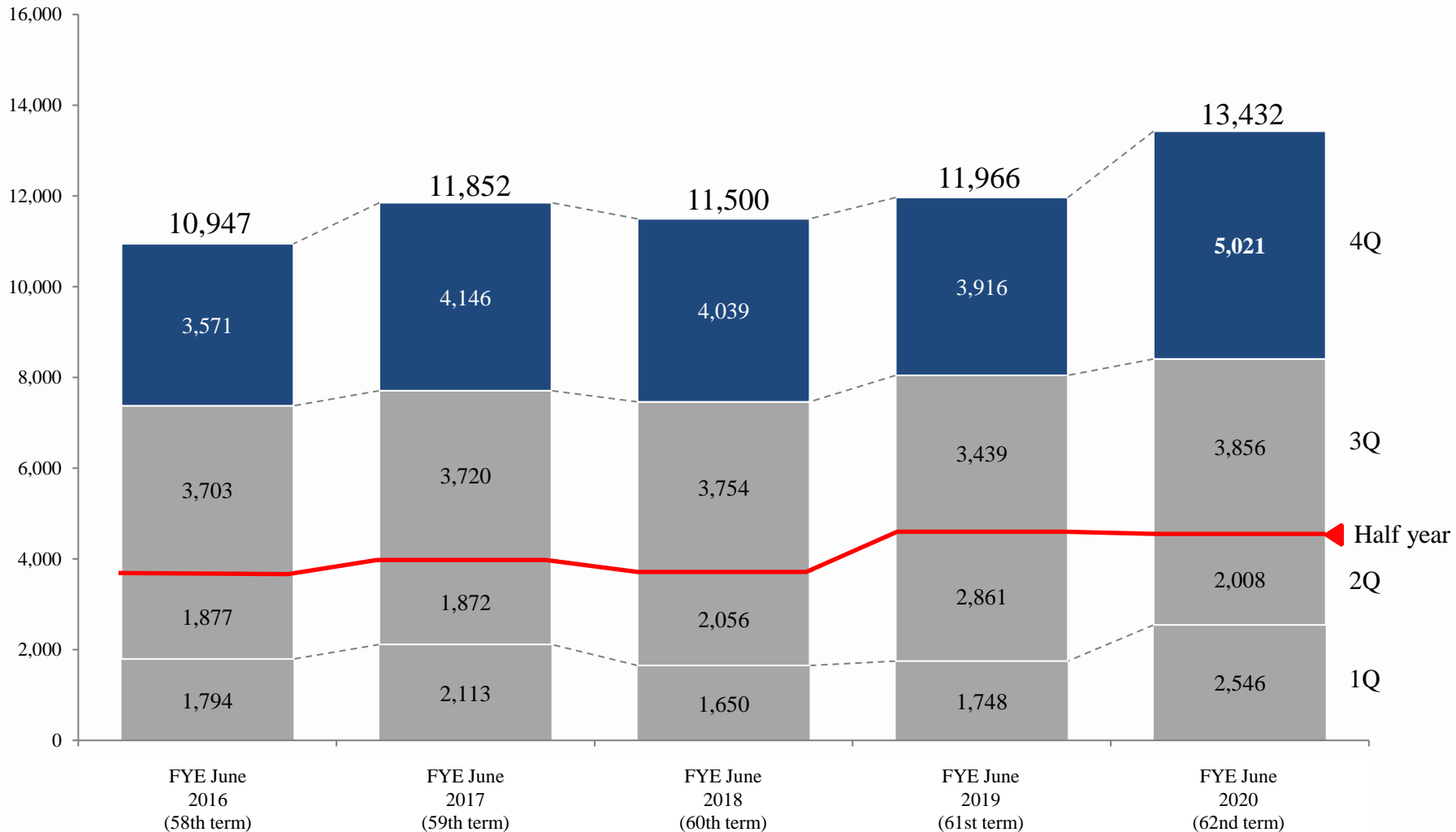
Trends in Results



Changes in Sales by Quarter

Net sales by quarter

(Million yen)



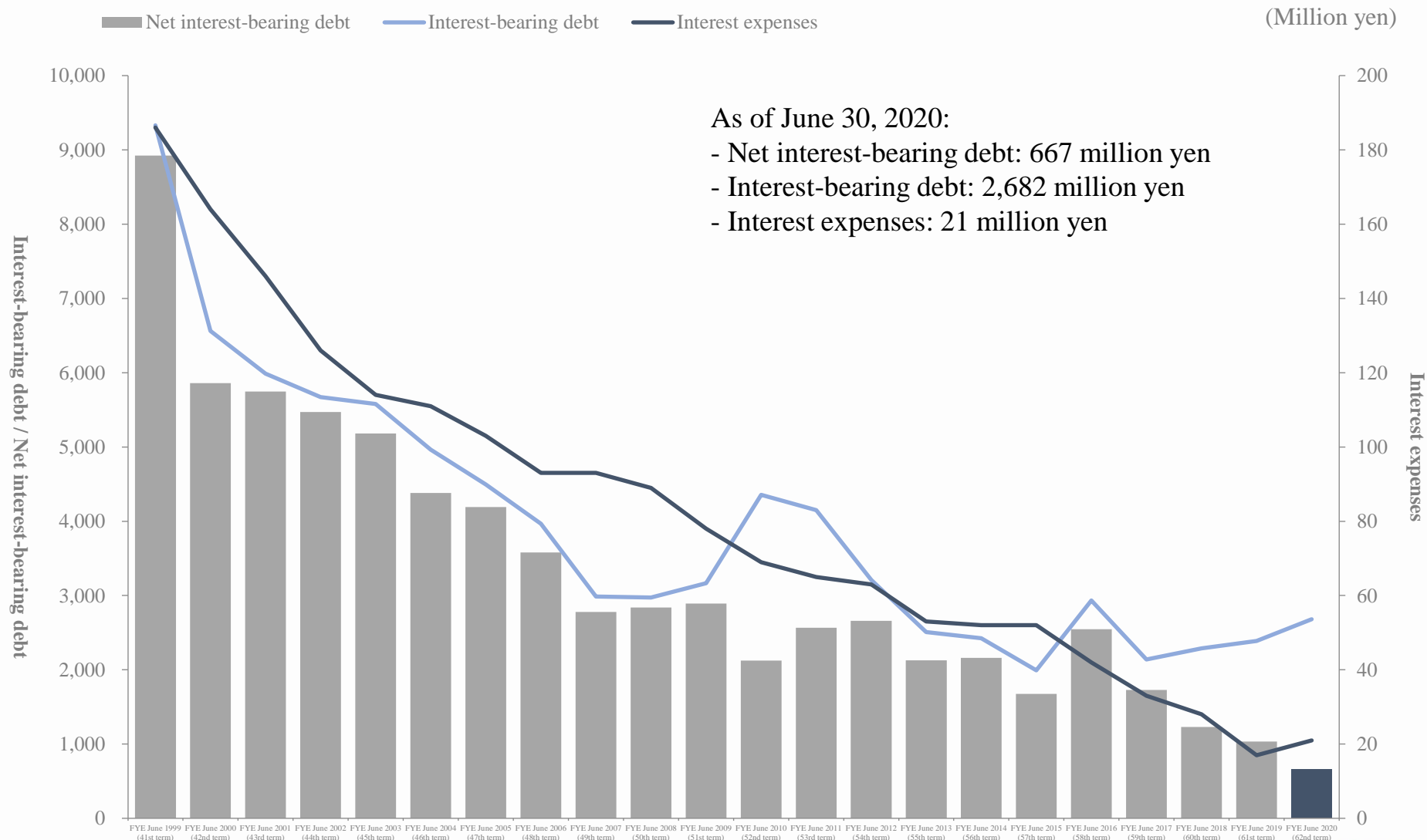
Highlights of Balance Sheet

(Million yen)

Item	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Change	Item	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Change
Cash and Deposits	1,351	2,014	662	Short-term borrowings	10	—	-10
Notes /accounts receivable - trade	1,415	1,952	536	Current portion of long-term borrowings / corporate bonds	641	794	152
Work in process	702	678	-24	Advances received	884	1,101	217
Other	726	1,179	453	Accounts payable - accrued expenses	861	748	-112
				Other	1,238	1,838	599
[Current assets]	4,195	5,824	1,628	[Current liabilities]	3,636	4,483	846
Property, plant and equipment	5,053	5,119	65	Long-term borrowings / corporate bonds	1,736	1,887	151
Intangible assets	439	430	-9	Provision for retirement benefits	2,004	2,066	62
Investments and other assets	3,309	3,558	248	Other	194	229	34
Investment securities	1,654	1,831	177	[Long-term liabilities]	3,935	4,184	248
Shares of subsidiaries and associates	378	291	-86	[Liabilities]	7,572	8,667	1,094
Investments in capital of subsidiaries and associates	43	44	1	Capital stock	1,010	1,010	—
Deferred tax assets	928	897	-31	Capital surplus	1,159	1,159	—
Other	305	493	188	Retained earnings	4,117	4,760	643
[Fixed assets]	8,803	9,108	304	Treasury shares	-851	-671	179
				Valuation difference on available-for-sale securities	-9	5	15
				[Net assets]	5,426	6,264	838
[Assets]	12,998	14,932	1,933	[Liabilities and net assets]	12,998	14,932	1,933

* Capital ratio FYE June 2019: 41.7%; FYE June 2020: 42.0%

Changes in Net Interest-Bearing Debt



Cash Flow Statement Highlights

(Million yen)

	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Change
Balance at the beginning of FY	1,059	1,351	291
CF from operations	1,633	1,419	-214
CF from investments	-1,453	-731	722
Free CF	180	688	507
CF from financing	111	-25	-137
Balance at the end of FY	1,351	2,014	662

(Million yen)

Highlights of CF from operations	FYE June 2019	FYE June 2020	Change
Net income before taxes	1,003	1,688	684
Increase/decrease in accounts receivable	267	-319	-587
Income taxes paid	-317	-399	-82

Highlights of CF from investments	FYE June 2019	FYE June 2020	Change
Purchase of property, plant and equipment	-60	-175	-114
Purchase of intangible assets	-104	-140	-35
Purchase of investment securities	-1,266	-219	1,047

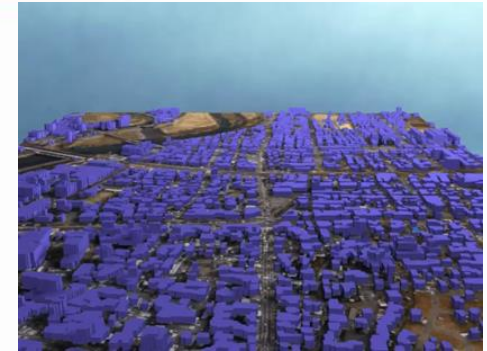
Highlights of CF from financing	FYE June 2019	FYE June 2020	Change
Net increase (decrease) in short-term and long-term borrowings	-351	393	745
Net increase (decrease) in bonds payable	440	-100	-540
Payments for purchase of treasury shares	-0	-343	-343
Dividend payments	-506	-560	-54

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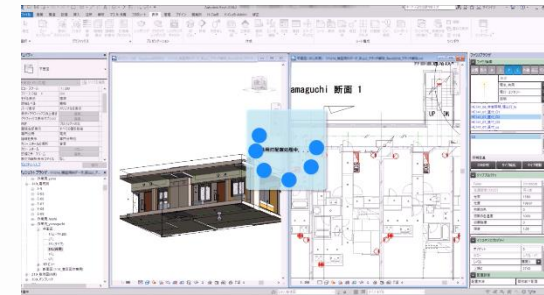
Results by Segment



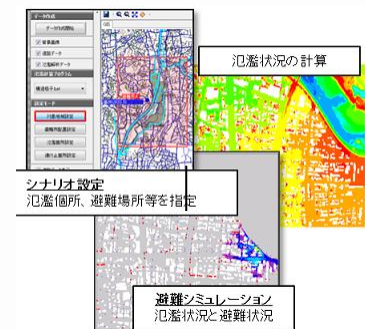
- Structural design and structural analysis consulting
 - Structural analysis of special structures and structural design of wind power generation facilities
- Disaster risk reduction and environment assessment consulting
 - Disaster risk assessment, estimation of damage and environmental impact assessment
- Development of systems for housing and construction sectors
 - Development of design systems for constructors and housing manufacturers
- Decision-making support consulting
 - Social simulation and physical distribution simulation
- Information and communication technology consulting
 - Radio environment assessment, electromagnetic field analysis, and network analysis



River flood simulation



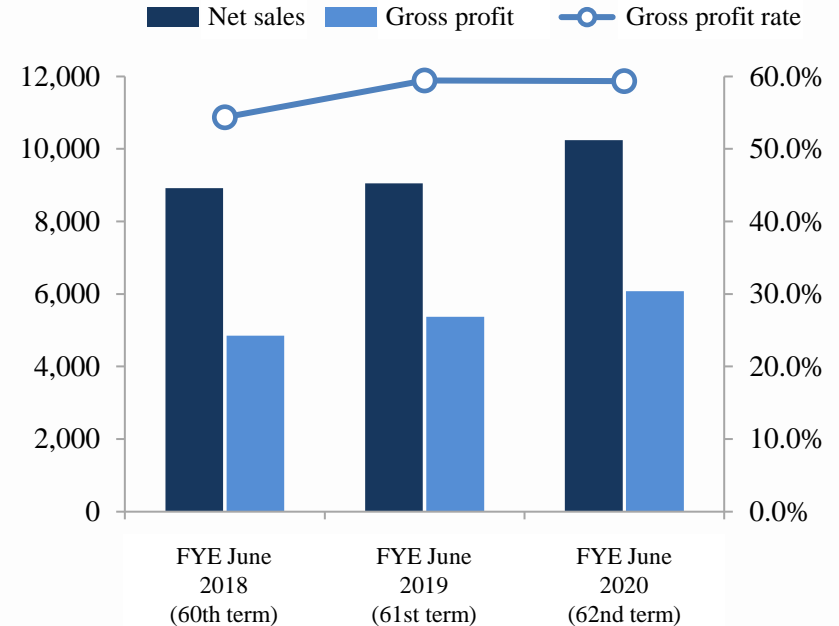
Design automation
(automated layout design)



Evacuation simulation

(Million yen)

	FYE June 2018 (60th term)	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Year-on- year
Orders	9,045	9,884	10,352	468
Net sales	8,916	9,046	10,241	1,195
Gross profit	4,846	5,374	6,076	701
(Gross profit rate)	(54.4%)	(59.4%)	(59.3%)	
Backlog of orders	4,357	5,195	5,306	111



Analysis of results

- Structural design consulting business, system development business for home builders and construction and manufacturing industries remained firm.

Business themes

Examples of package-sales type

Examples of cloud service-provision type

Manufacturing industry

Multibody dynamics analysis, thermal flow analysis, particle-based simulation, granular simulation, sales support solutions, etc.



Structural and seismic analysis

Architectural building analysis, ground analysis, vibration analysis, etc.



Decision-making support

Social simulation, risk assessment, optimization, etc.



Information and communications/IoT

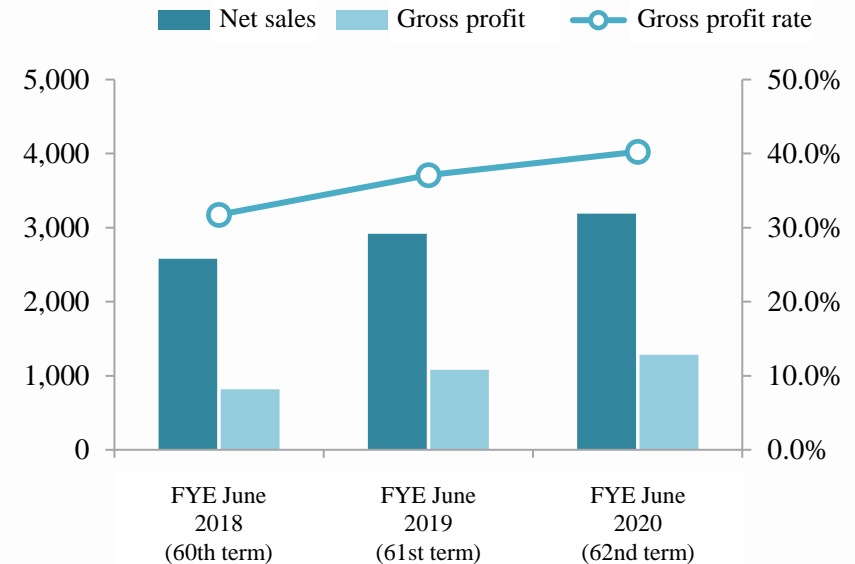
Radio propagation analysis, indoor navigation, email delivery, remote lock, etc.



NavVis

(Million yen)

	FYE June 2018 (60th term)	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	Year-on- year
Orders	2,653	2,939	3,228	289
Net sales	2,583	2,919	3,190	271
Gross profit	820	1,083	1,284	201
(Gross profit rate)	(31.8%)	(37.1%)	(40.2%)	
Backlog of orders	1,063	1,082	1,120	37



Analysis of results

- CAE software, thermo-fluid analysis software and particle method analysis software for design engineers attained brisk sales.
- Sales of SendGrid cloud-based e-mail delivery service and RemoteLOCK entry and exit management cloud service grew steadily.

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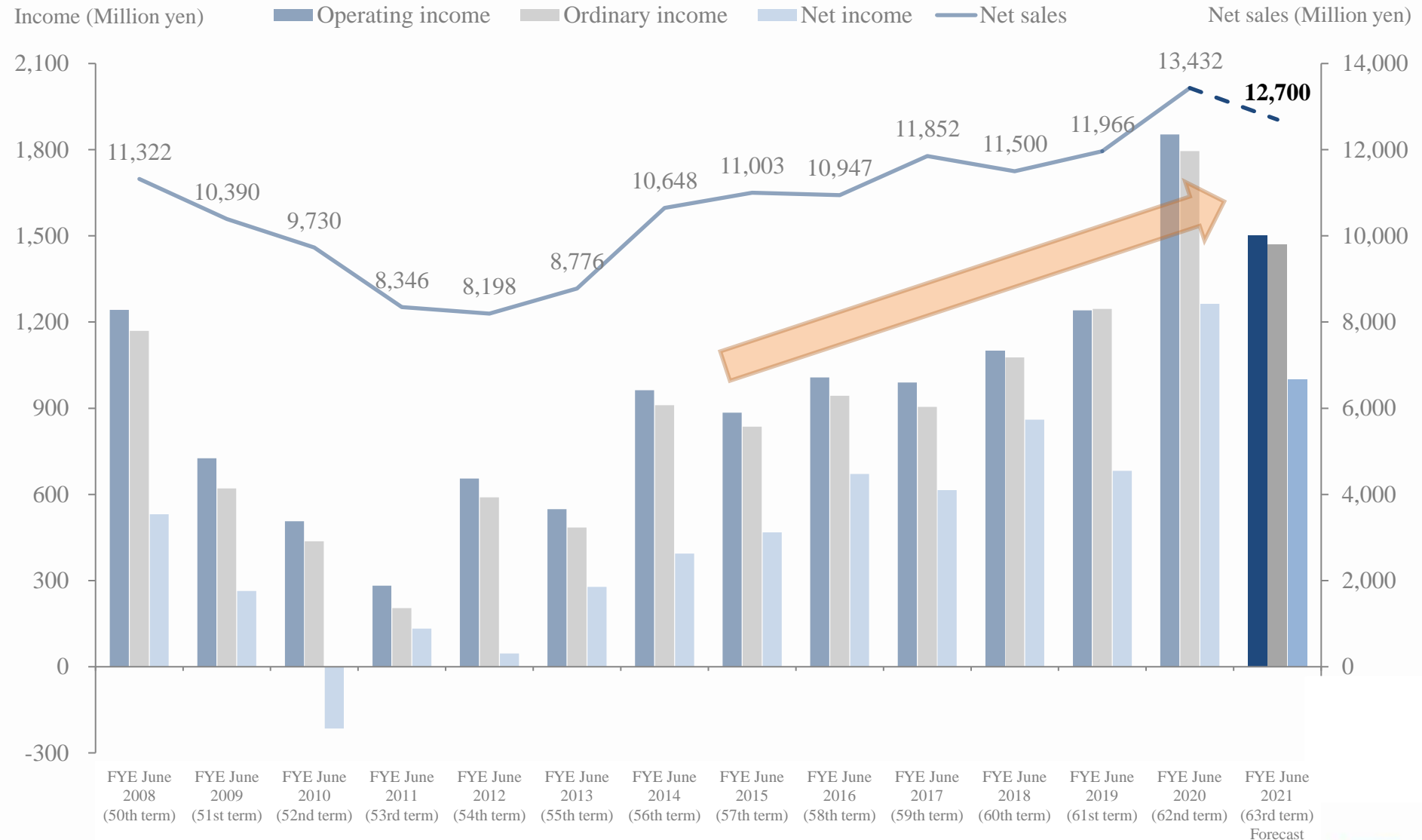
Forecast for Fiscal Year Ending June 30, 2021 (63rd term)



構造計画研究所
KOZO KEIKAKU ENGINEERING Inc.

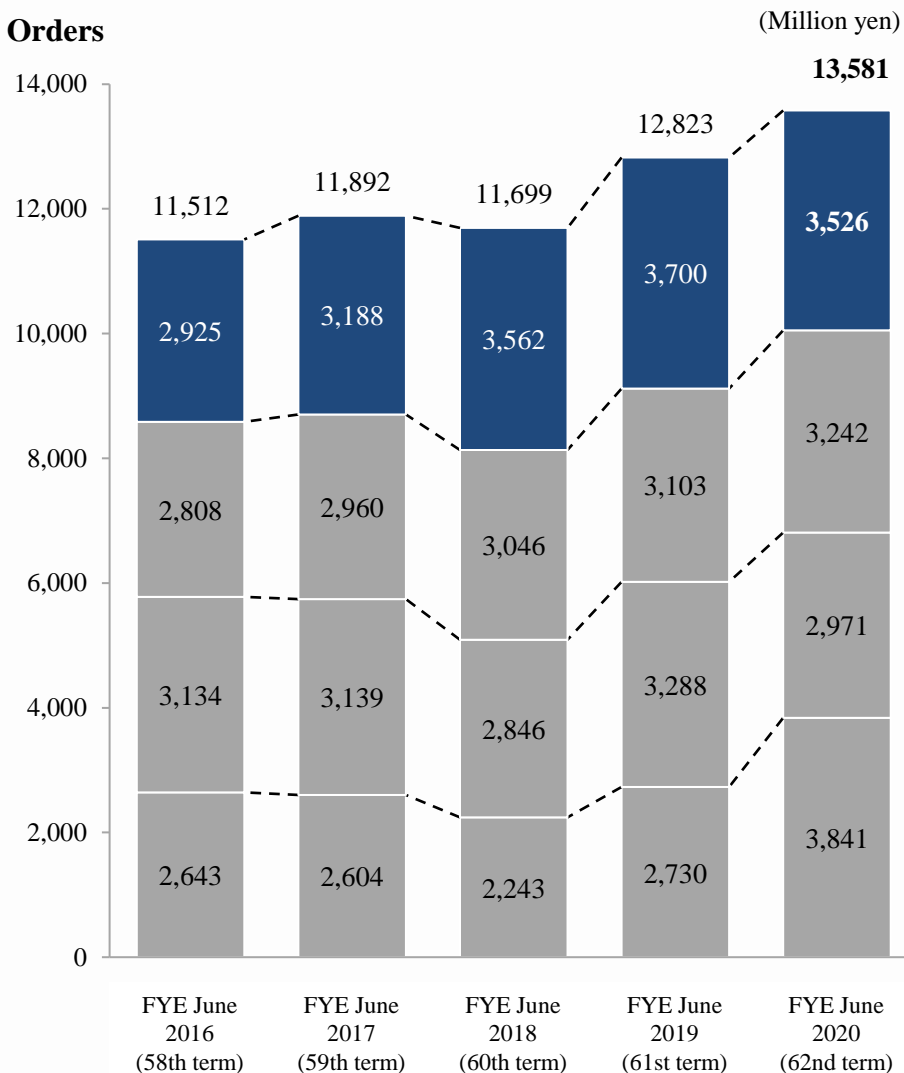
	FYE June 2020 (62nd term)	FYE June 2021 (63rd term) Forecast	Change	% change
Net sales	13,432	12,700	-732	-5.5%
Operating income	1,855	1,500	-355	-19.1%
Ordinary income	1,797	1,470	-327	-18.2%
Net income	1,204	1,000	-204	-17.0%
		(Yen)		
Year-end dividend	120 (Common dividend:100) (Special dividend: 20)	100		

Trends in Results and Target for FY Ending June 2021

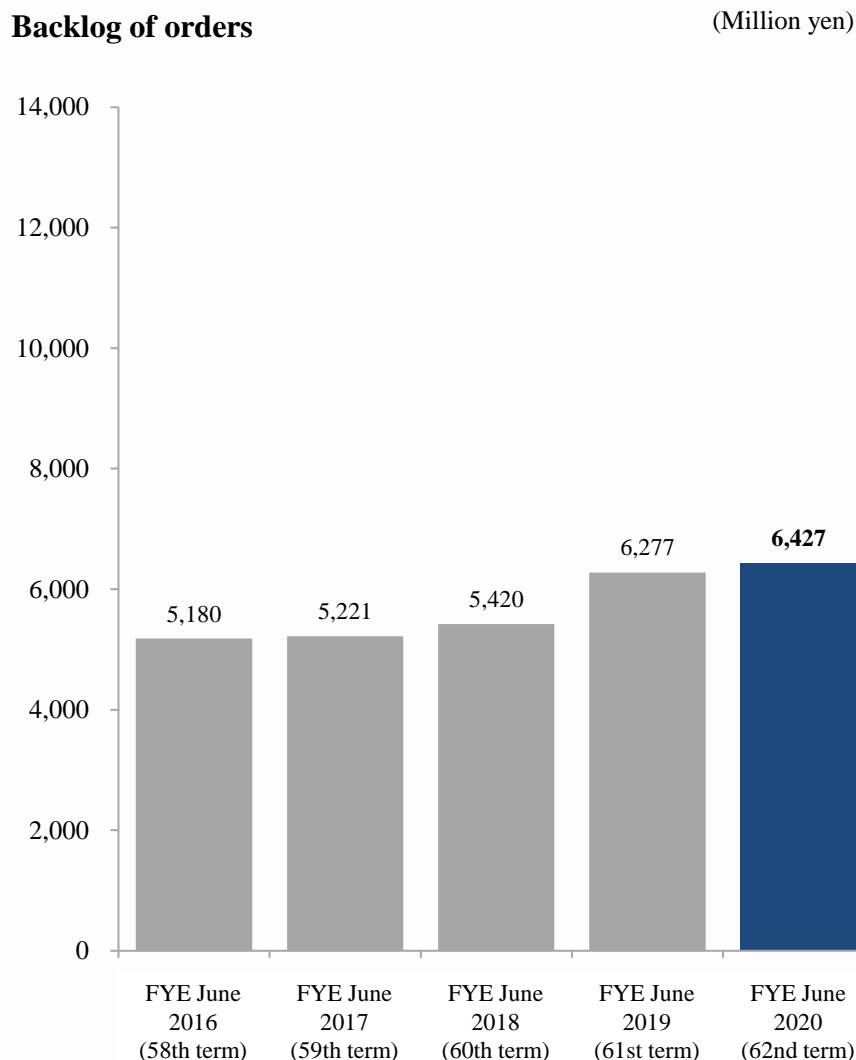


Changes in Orders Received and Year-End Backlogs of Carried-Over Orders

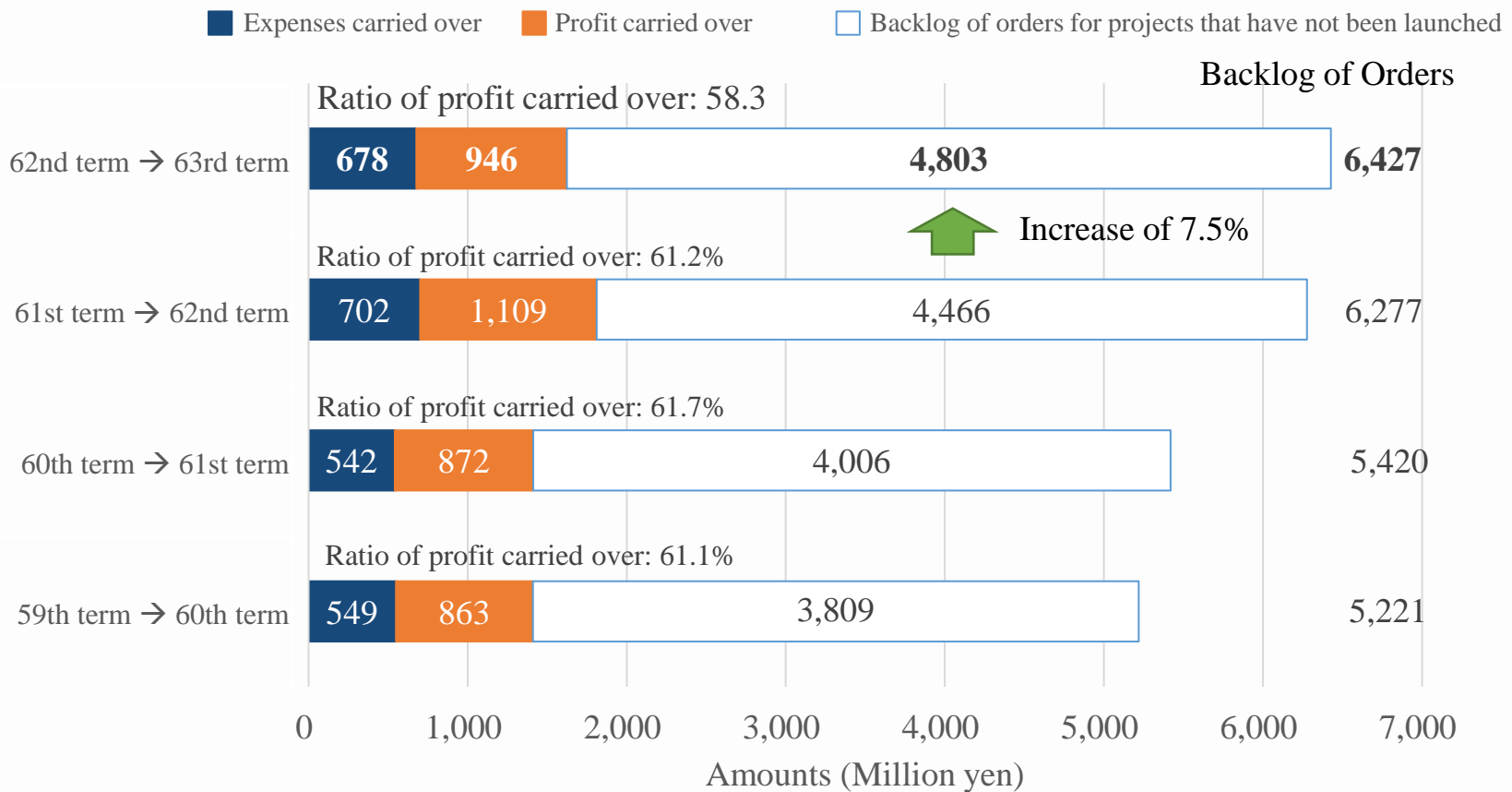
Orders



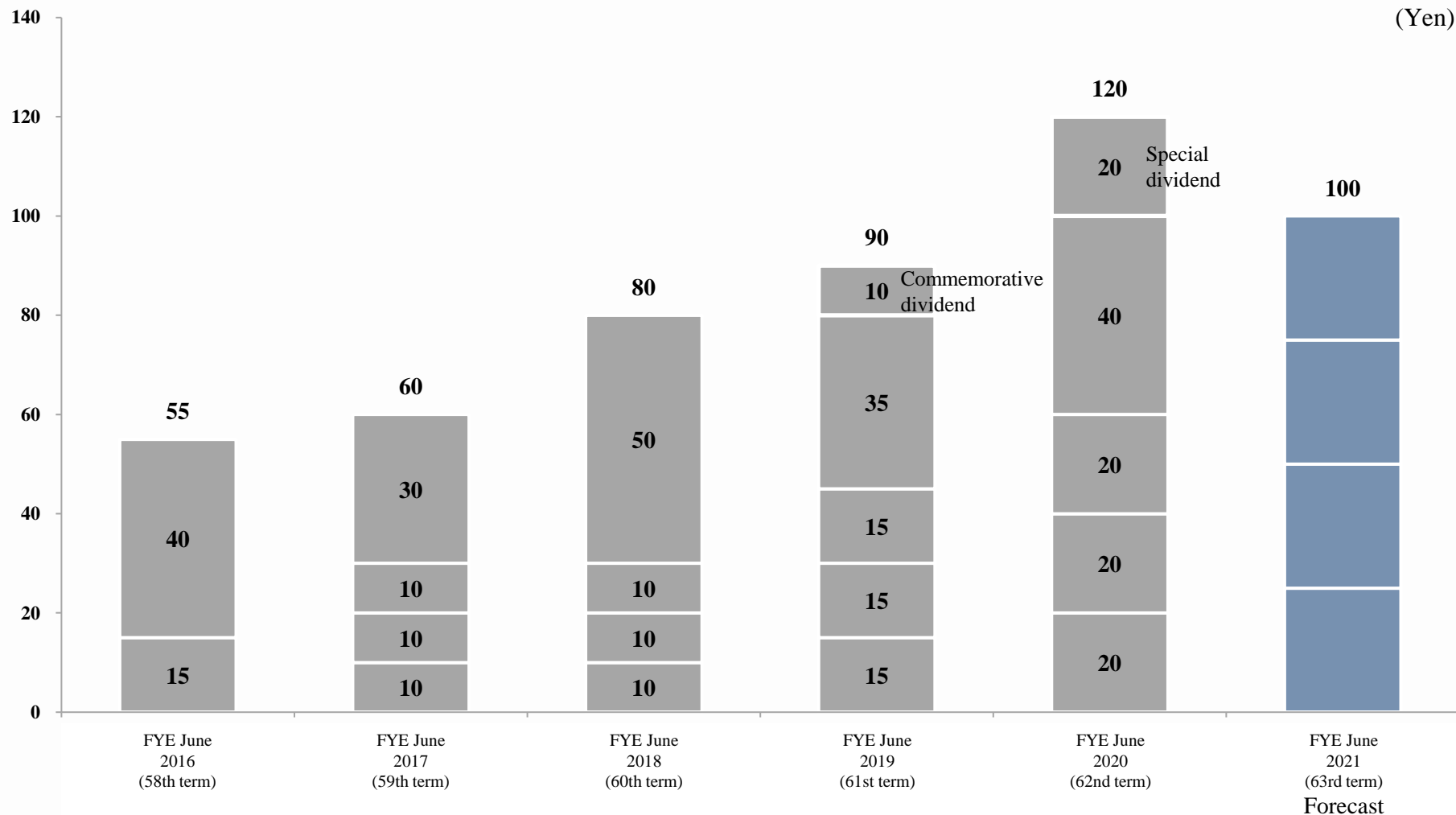
Backlog of orders



- While profit carried over decreased slightly, the unrecorded portion of the backlog of orders rose.
 - Backlogs increased 150 million yen from the previous fiscal year, including orders valued at 330 million yen that have not yet started.
 - The amount of profit carried over was 940 million yen and the ratio of profit carried over was 58.3%.



Actual and forecast dividends



Total value-added Appropriate distribution

Shareholder

- Quarterly dividends in line with results
- Improvement in financial strength to attain stable management
- Improvement in long-term results for asset building

Society

- Engineering activities that contribute to local regions
- Sharing and publication of knowledge in engineering through seminars and other methods
- Payment of taxes

Customer

- Assurance of first-class quality
- Proposals that lead to increased value
- Solutions based on unique ideas

Staff member

- Higher income and asset value
- Enrichment of technical knowledge and experience
- Broad general knowledge
- Response to diversified ways of working
- Appropriate evaluation of achievements

Partners

- Synergy between technologies
- Open innovation
- Joint research with universities and research institutions
- Encouragement of startups

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Towards a Sincere and Sturdy Organization

A knowledge-intensive company
that represents Japan in the 21st century
Design & Engineering Firm

*Innovating for a **Wise Future***

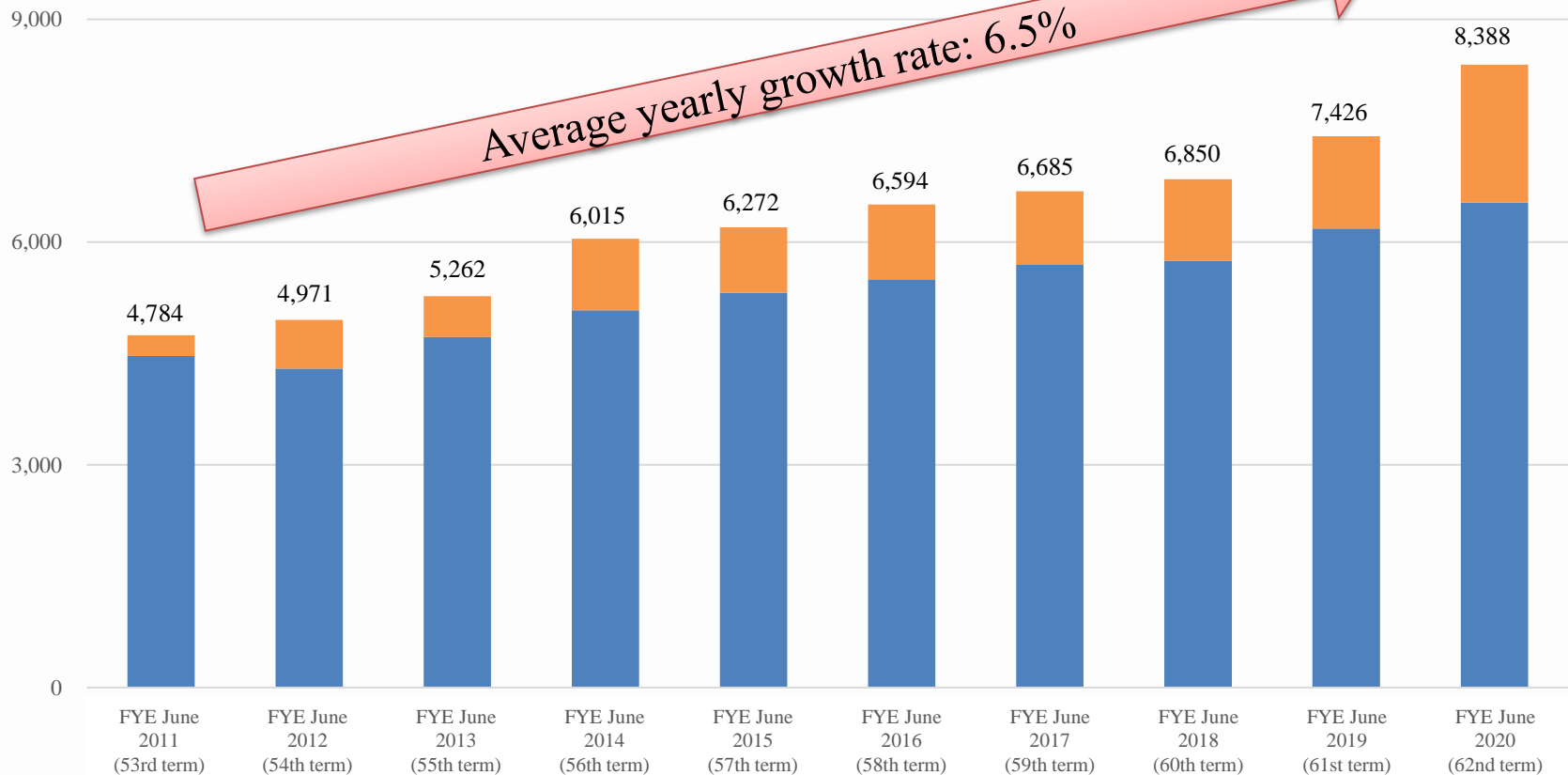
Towards a Sincere and Sturdy Organization

Total value-added







■ Personnel expenses + fringe benefits

■ Operating income

(Million yen)

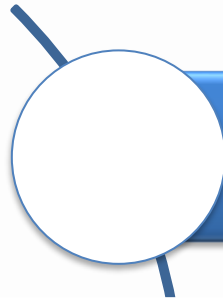


Comparison with Fiscal Year Ended June 2011

	FYE June 2011	FYE June 2020	
Net sales	8,340 million yen	13,430 million yen	1.6 times 
Operating income	280 million yen	1,850 million yen	6.6 times 
Income after taxes	130 million yen	1,200 million yen	9.2 times 
Equity capital	3,780 million yen	6,260 million yen	1.7 times 
Capital ratio	35.1%	42.0%	Up 6.9 percentage points 
Number of employees	563	601	<u>1.1 times</u> 

Towards a Sincere and Sturdy Organization





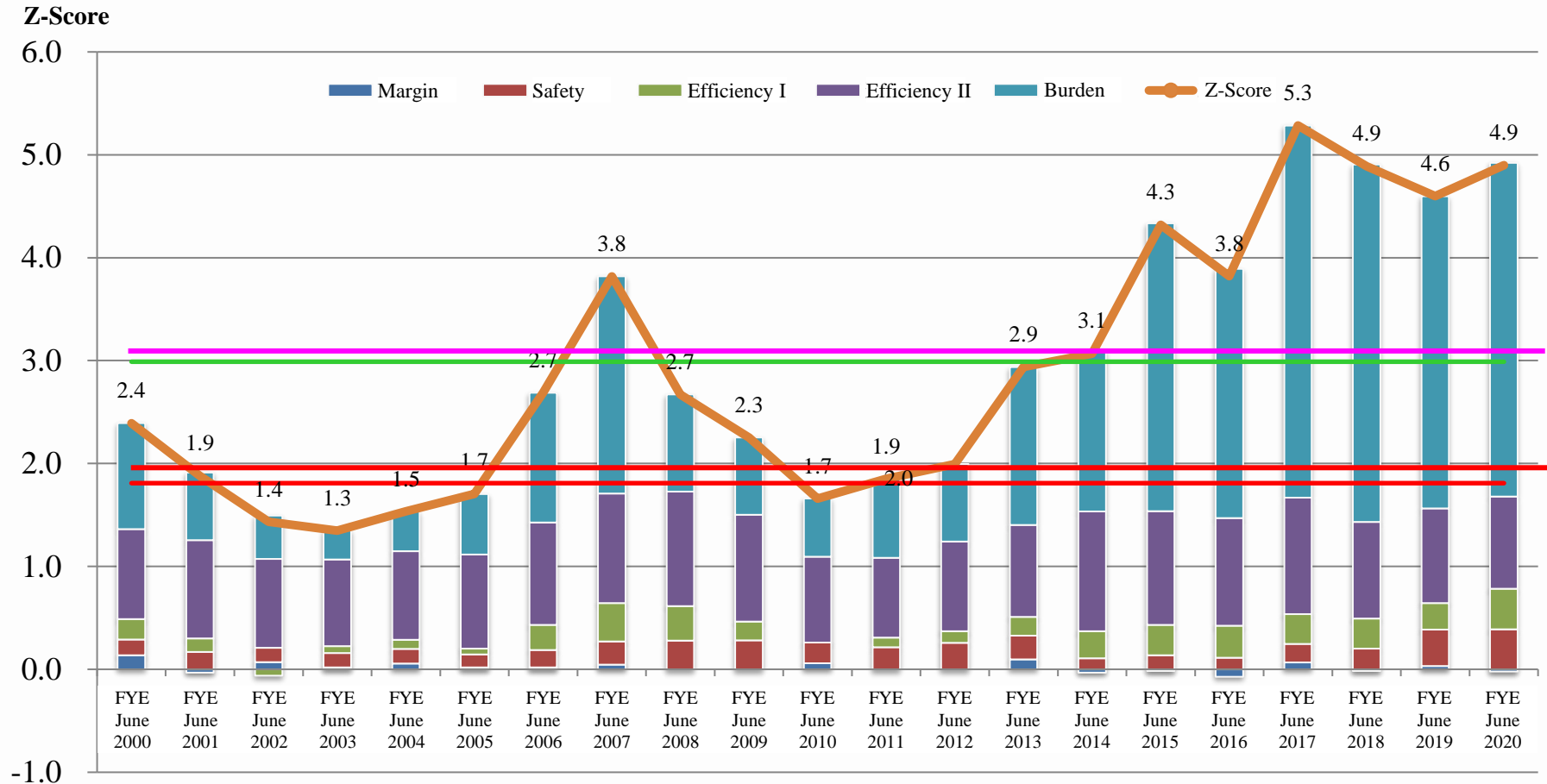
Maintenance of quality and increase in value

- Maintain quality
- Increase value in collaboration with partners
 - Customers
 - Universities and research institutions
 - Overseas technology partners
 - Partners in Kumamoto

Quality Assurance in Business

Z-Score Trend

Z-Score Trend (FYE June 2000 to FYE June 2020)



Z-Score of less than 1.81: At risk

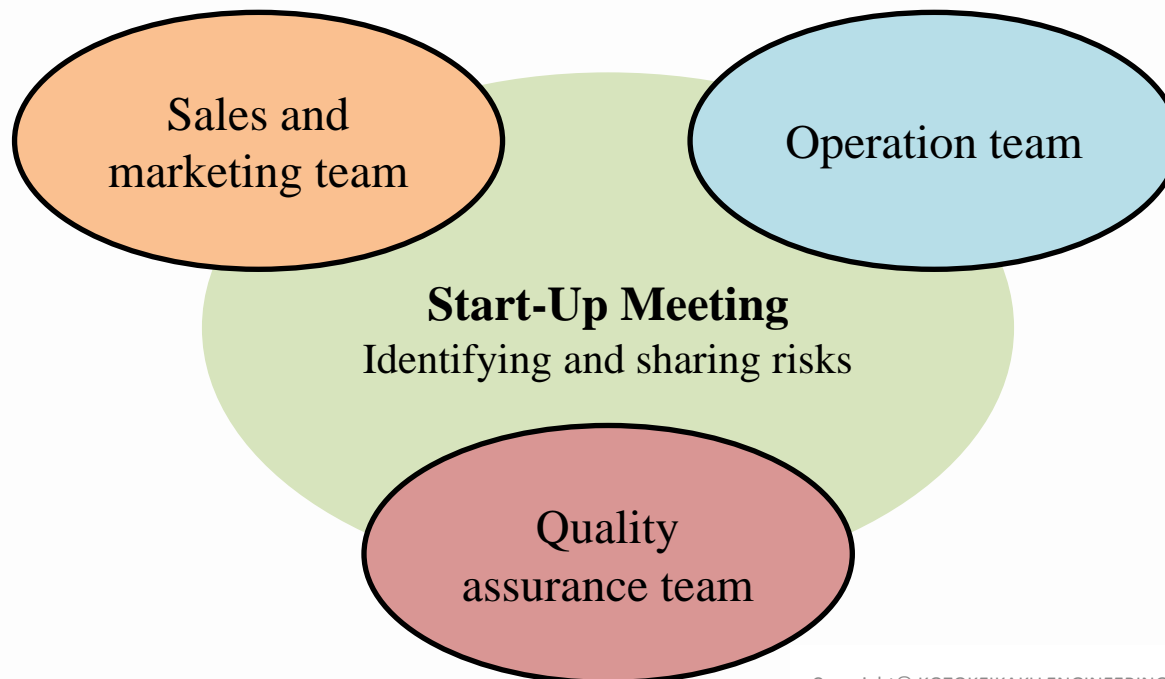
Z-Score of 1.81 to 2.99: Undeniable risk of bankruptcy

The assurance of high quality and high customer satisfaction are pivotal to business profit.

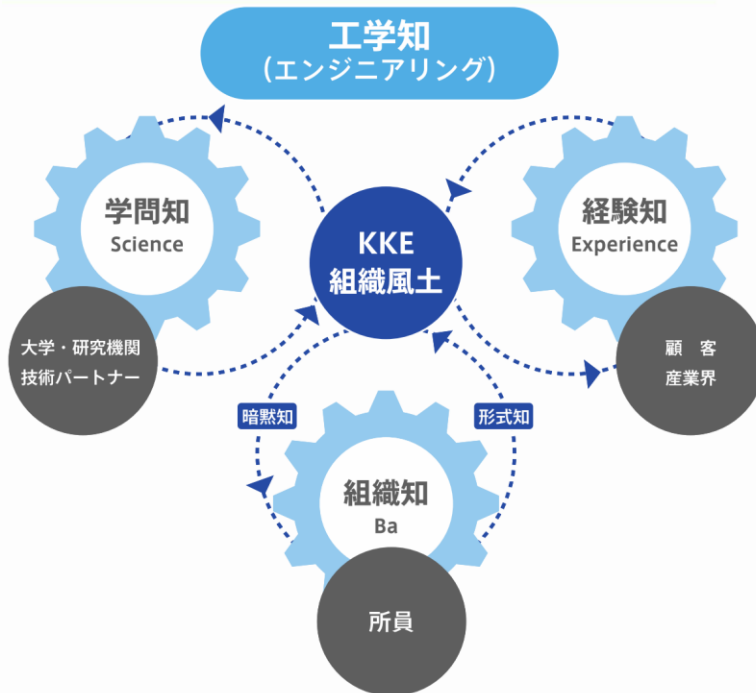
- Consistent risk management from the stage of sales to the stages of implementation and delivery
 - Accumulation and utilization of empirical knowledge including past failures
 - Continuation of two wheels for the steady operation of developed in-house systems and fostering a culture of not compromising in terms of quality
- A full-time quality assurance team assigned to both the consulting business and the system development business
 - Risk management from the stage of receiving orders, such as limiting the amount of orders for projects with novelty
 - Identification of issues through a constant internal business audit and countermeasures

Implement action to avoid risks at the super-upstream stage

Hold a start-up meeting at the super-upstream stage to ensure that the sales and marketing team, the operation team and the quality assurance team cooperate on identifying and sharing risks and on steadily taking countermeasures.



Increase in Extra Value in Collaboration with Partners



□ Customers

- Relationships with principal good customers

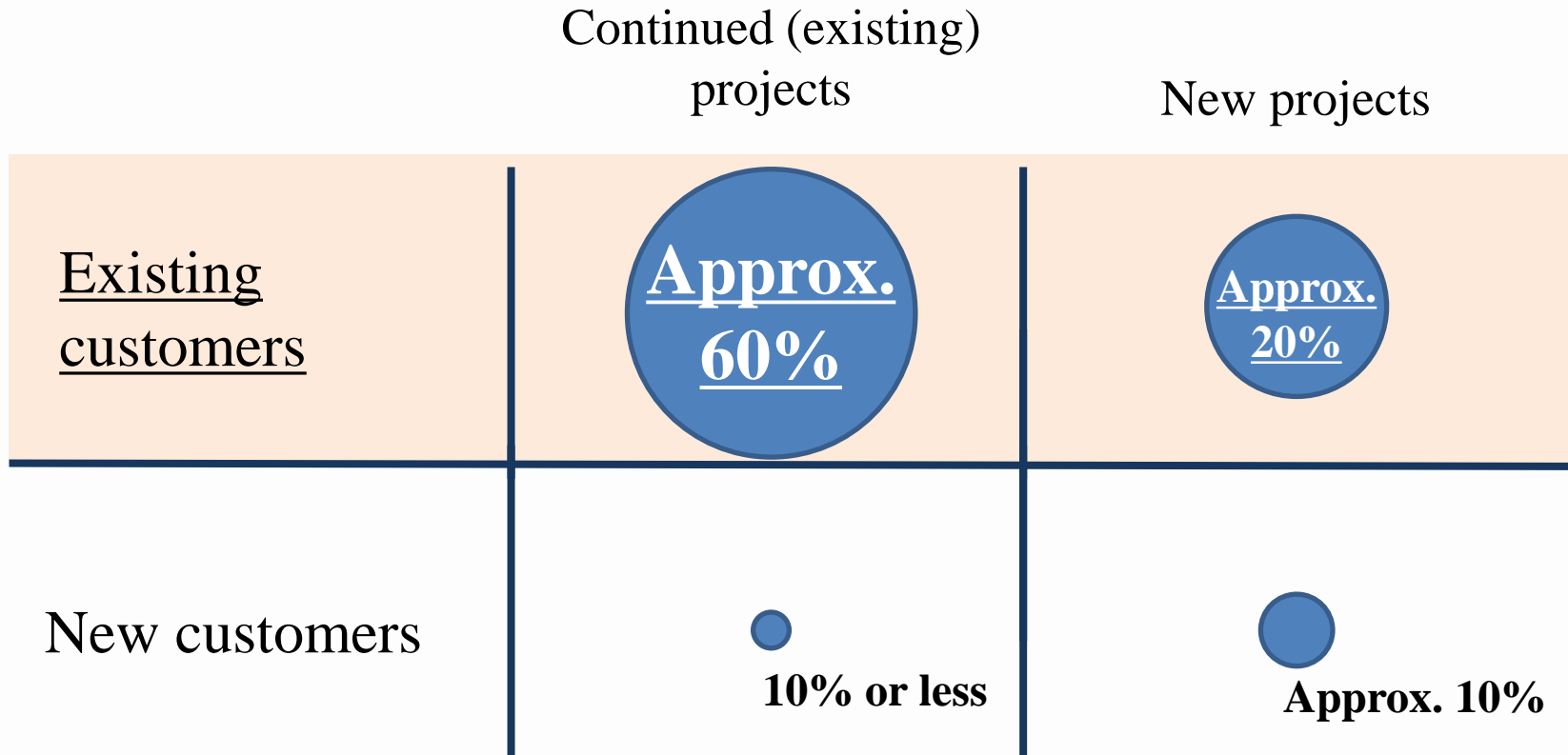
□ Universities and research institutions

- Collaboration with researchers and educators

□ Overseas technology partners

- Collaboration with startups

□ Partners in Kumamoto

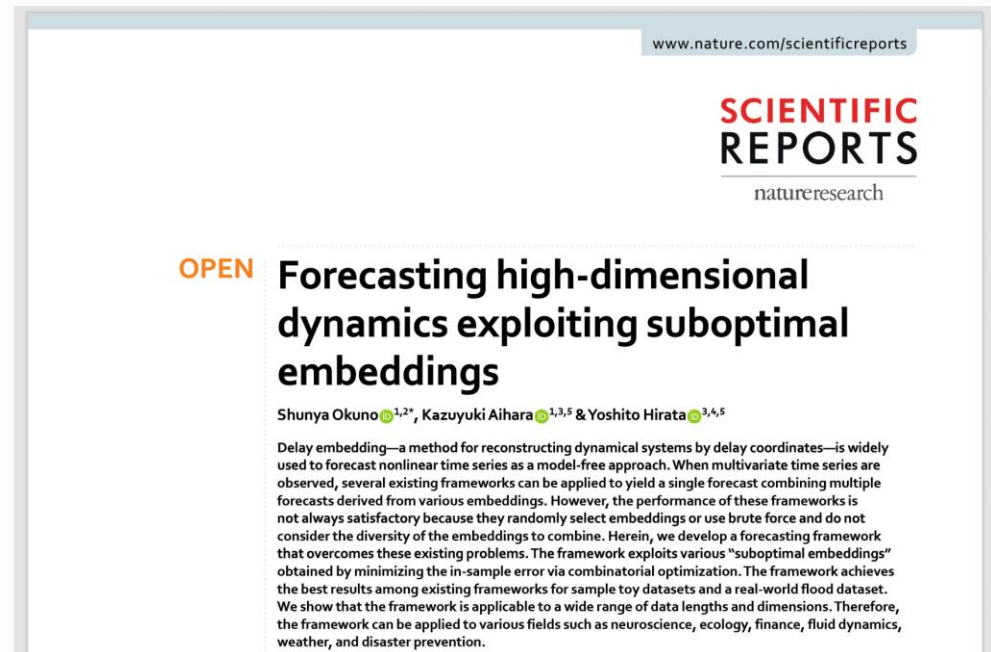


Supported by continued projects from principal customers

- Established a social cooperation section called “**Mathematical Engineering for Complex Social Systems in the Future**” in 2016 jointly with Professor Kazuyuki Aihara at the Institute of Industrial Science of the University of Tokyo
- Developed a flood forecast solution using the jointly developed chaos time-series analysis technology



Shunya Okuno, Chief of Weather Disaster
Prevention Business Section,
Next-Generation Business Development Dept.



Achievement: The paper was published in *Scientific Reports*,
a general science magazine from Nature Publishing Group.

Source: Scientific Reports

Cyber-Physical Architecture for the Sustainable Built Environment

Joint research with Tomonari Yashiro, Professor at the Institute of Industrial Science, the University of Tokyo

- Period
 - April 2020 to March 2023
- Objectives
 - Envisioning architecture that could link physical spaces and cyberspace using an interdisciplinary approach and creating academic theory that will aid this construction
 - Developing applied studies for use of the architecture to create comprehensive services in the built environment that will contribute to the realization of a sustainable built environment

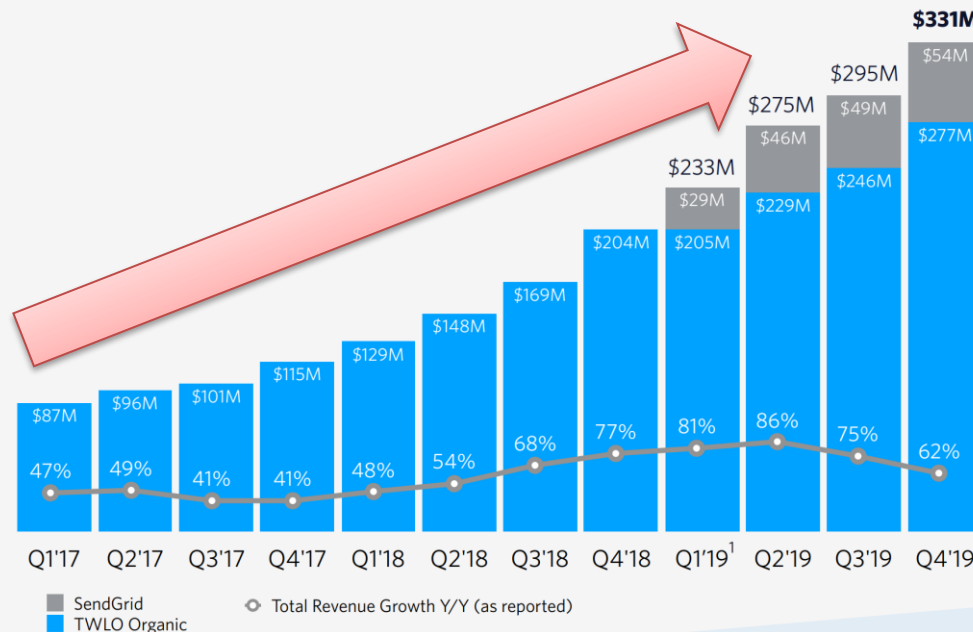
Collaboration with Overseas Technology Partners: Twilio



Head office: Denver, Colorado, the U.S.

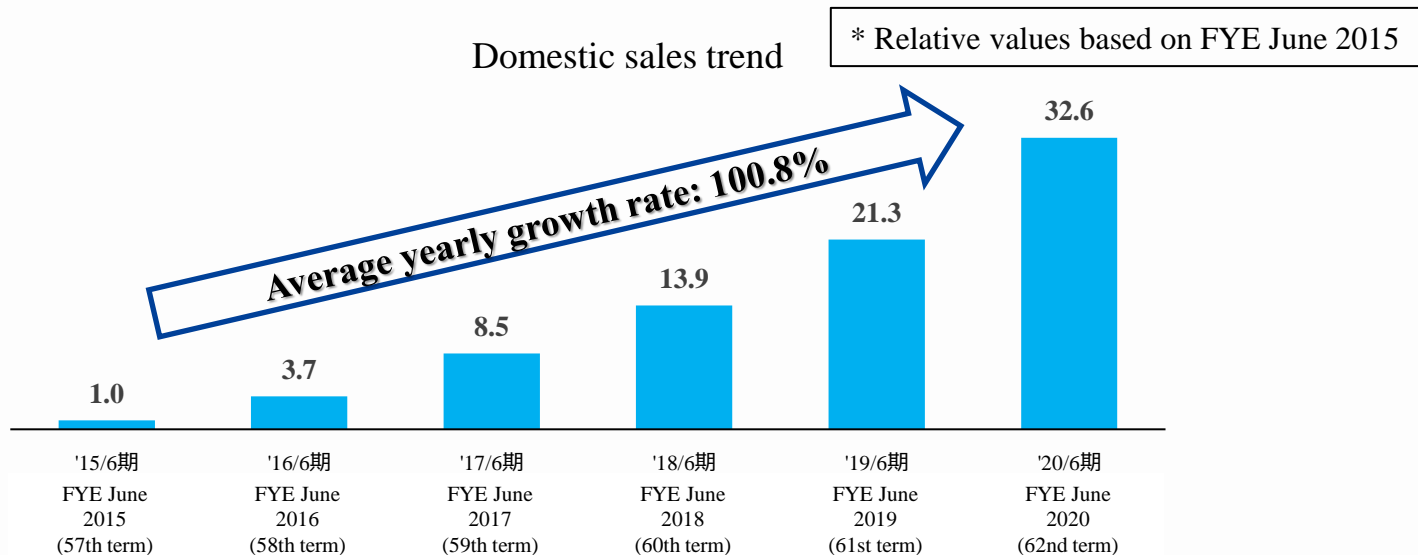
- Listed shares on the New York Stock Exchange as SendGrid in November 2017
- Participated in Twilio Inc. in February 2019

Quarterly Total Revenue



Collaboration with Overseas Technology Partners: Twilio SendGrid

- In Japan, KKE serves as a partner for the Twilio SendGrid service. Launched at the end of 2013, it is constantly expanding.



The service in Japan was ranked fourth in the top 50 products in terms of satisfaction and recognition on the *ITreview* website featuring user reviews on IT products for business.

1st: Slack
3rd: Zoom Meetings

2nd: GitHub
4th: Twilio SendGrid

Collaboration with Overseas Technology Partners: LockState

RemoteLOCK™

Head office: Denver, Colorado, the U.S.



- LockState, Inc.
 - ❑ Offers Remote Lock and other cloud services for access control for at least 500,000 doors
 - ❑ One of the five fastest-growing startups in Colorado in September 2018

Business operations in Japan

Projects for small- and medium-sized hotel operators

- Solved the hassle of key delivery and security issues such as key loss, and profit increased.
- Guests can check in alone by receiving a passcode via email.



Collaboration with local governments

- The convenience of facilities is increased and management costs are reduced through unified management on a cloud platform.
- Evacuation centers can be remotely unlocked in the event of a disaster or other emergency situations.



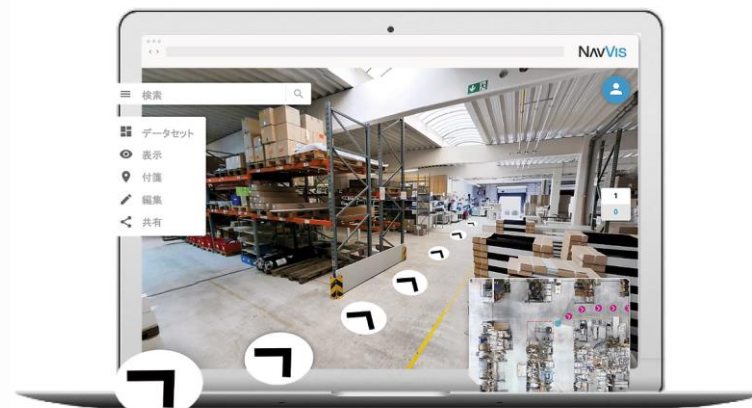
Collaboration with Overseas Technology Partners: NavVis

- NavVis GmbH

- Offers indoor 3D digitalization services using technologies developed at universities
- Expands services for several major car manufacturers in Germany, contractors and facility managers amid the trend of Industry 4.0
- Many of its management team members and venture capital investors are from McKinsey & Company, Germany
- Established in May 2013 and now has 200 employees
- Received 20 million euro loan from the European Investment Bank in July 2020



Head office: Munich, Germany



Collaboration with Overseas Technology Partners: NavVis

- Formed a business partnership with KKE in October 2015 and offers indoor navigation and facility maintenance and management services in the Japanese market
- Releases the NavVis VLX wearable measurement device that may be used on construction sites and in plants where measurements are difficult



**Realized remote supervision of on-site work
using 3D digital data on site**

Collaboration with Overseas Technology Partners: Vitracom

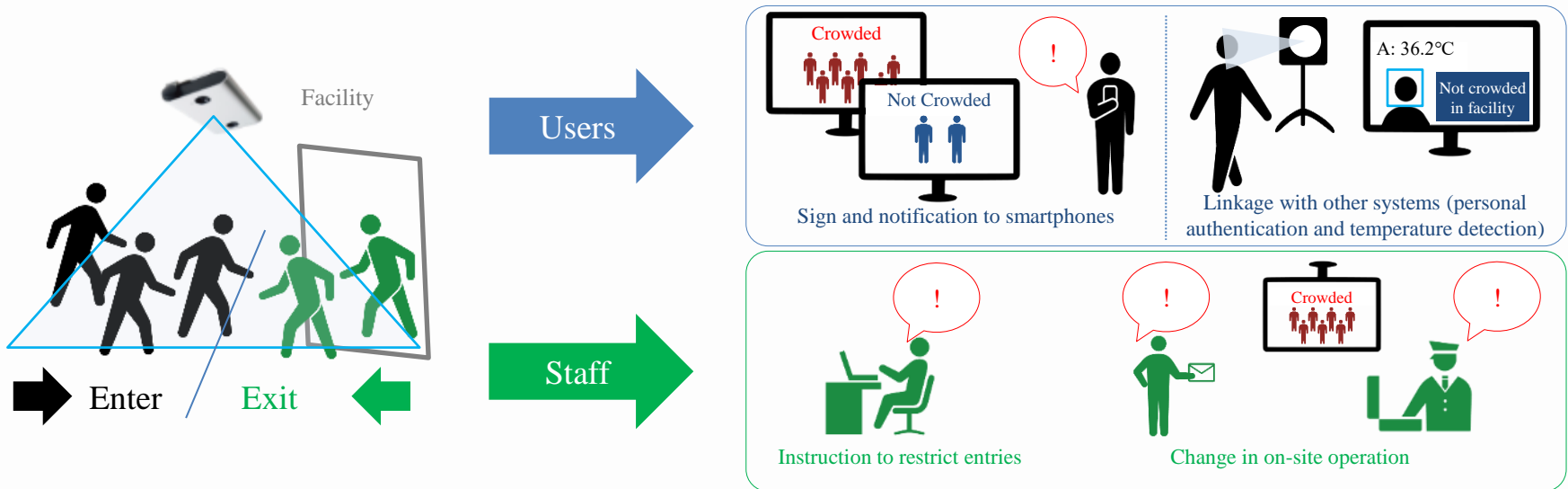
- Vitracom GmbH
 - ▣ Grasps the number of people in a specific place by counting the human traffic in a 3D view captured by a stereo camera
 - ▣ Partnered with KKE since 2005 to operate its business in Japan



Head office: Karlsruhe, Germany



- **Crowdedness: Measuring the number of people in a location by counting those who enter and exit**
 - Estimation of whether crowding occurs
 - Warning in the case of crowding
 - Sign and indication on the website and smartphone app notifications to prompt users to change their behavior
 - Notification to staff by mail and other formats to give instructions on changes in operation and others



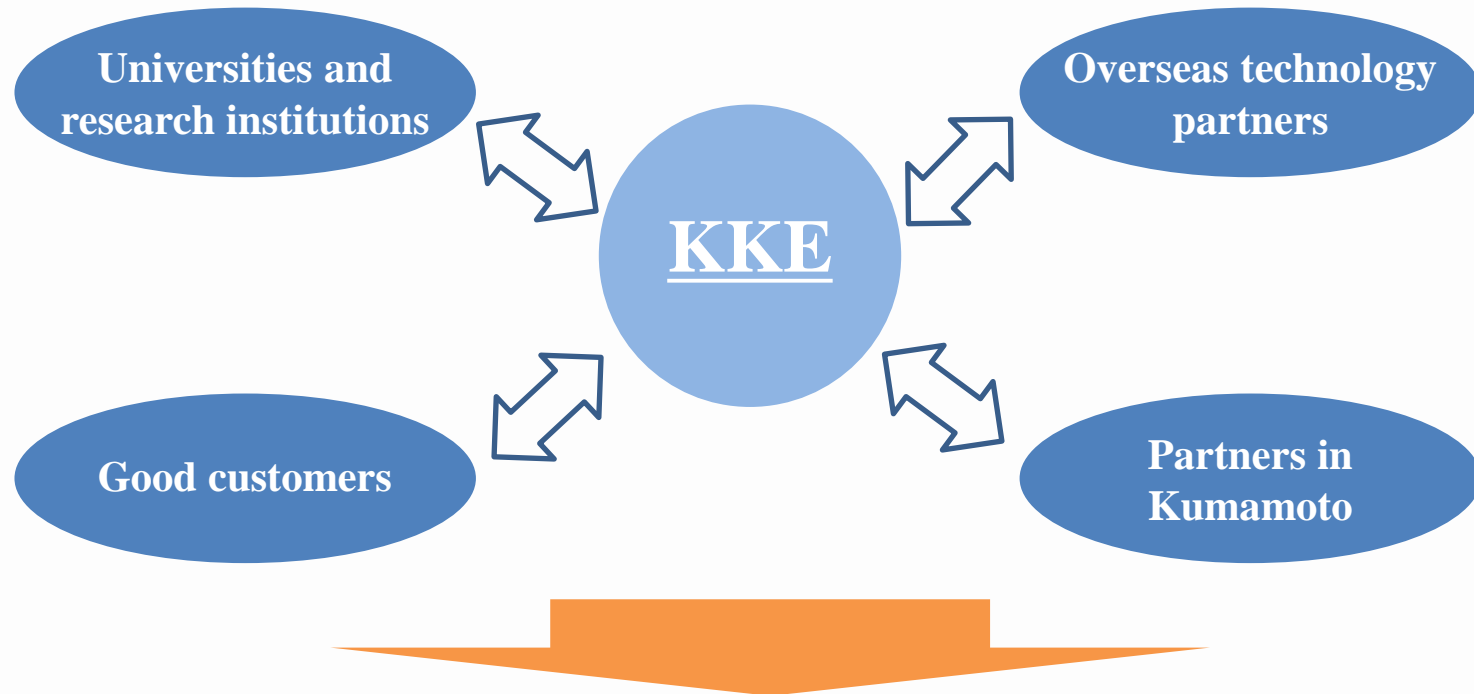
Use of information technologies paves the way for collaboration with players in provincial regions.

With Progress Solution Co., Ltd., a partner company with 26 staff members, we will actively advance Kumamoto Kozo Keikaku Engineering.

- Place of software development (1984 -)
- Diversification of operations including back office ones (2015 -)
 - ✓ Engineer consulting services
 - Planning the placement of cargo containers loaded on cargo ships
 - ✓ Supporting product and service operations
 - Supporting customer service and other operations



Kumamoto Kozo Keikaku Engineering has around 90 workers, including KKE employees.



Increase value with partners surrounding KKE.

Towards a Sincere and Sturdy Organization



(1) Leaders

Resolve to achieve success in business with the company, think profoundly and use their resources to fulfill their duties

(2) Players (neither human assets nor human resources)

Strongly believe that the company's growth will directly lead to their growth, think logically and have the capacity to accomplish their work with a sense of responsibility

(3) Workers

Operate like robots, merely doing what they are instructed to do and never thinking independently

(4) Labor Force

Work unproductively (and avoid working if possible) merely to earn wages

(5) Slaves

Always complain and disturb the team



Shenzhen Talent Park, China

Personnel are the origin of KKE's value creation.

⇒ All KKE staff behave independently according their respective roles and positions.

□ Individuals are eager to grow in specific ways.

- Ambitiously address independently set targets
- Quality of proposals, willpower and ability to act

□ Managers are responsible for supporting personal growth.

- A policy to develop players from a long-term perspective
 - Desired results of development and expectations from members after growth

□ The organization offers as many opportunities for growth as possible.

Recruiting Excellent Human Resources, Irrespective of Nationality and Field

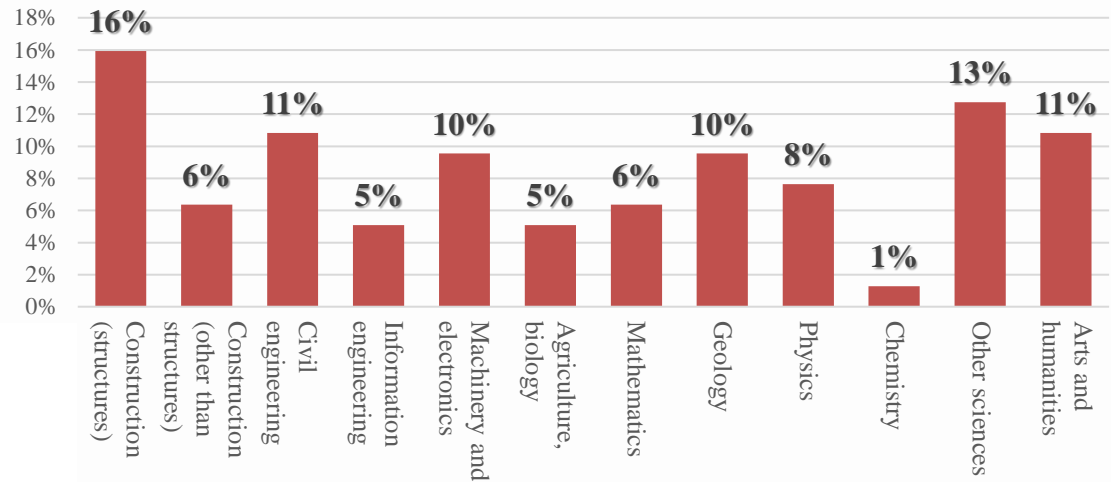
Total new employees
(including prospective employees)
in the last five years

157

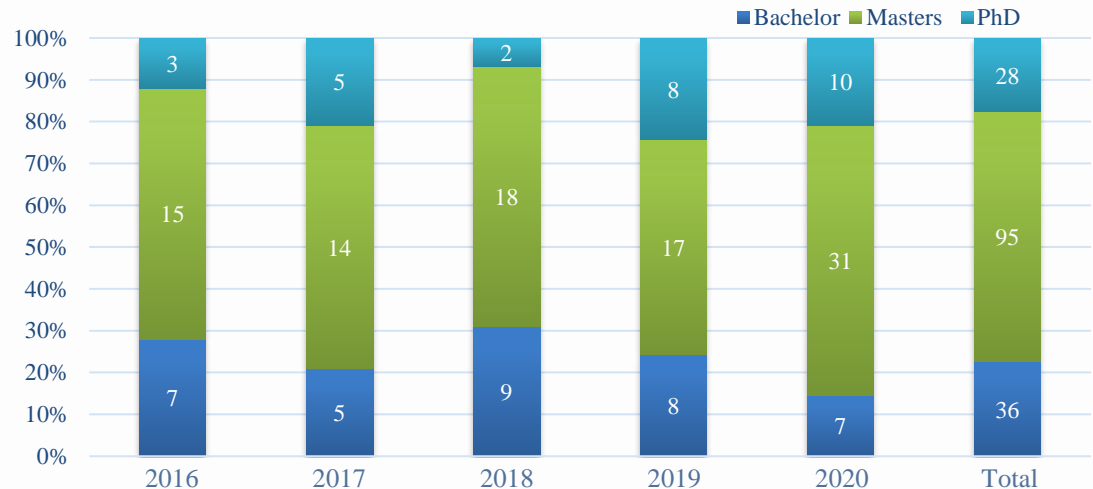
Universities they graduated from	Number of staff members	%
University of Tokyo	20	13%
Tokyo Institute of Technology	11	7%
Kyoto University	10	6%
University of Tsukuba	9	6%
(Singapore) Nanyang Technological University	9	6%
Chiba University	8	5%
(Singapore) National University of Singapore	6	4%
Kumamoto University	5	3%
Nara Women's University	5	3%
Osaka University	4	3%
Tokyo University of Science	4	3%
(Thailand) Asian Institute of Technology	3	2%
Nihon University	3	2%
Kagoshima University	3	2%
Nagoya University	3	2%
(Indonesia) Institut Teknologi Bandung	3	2%

* Foreign universities

University or college majors

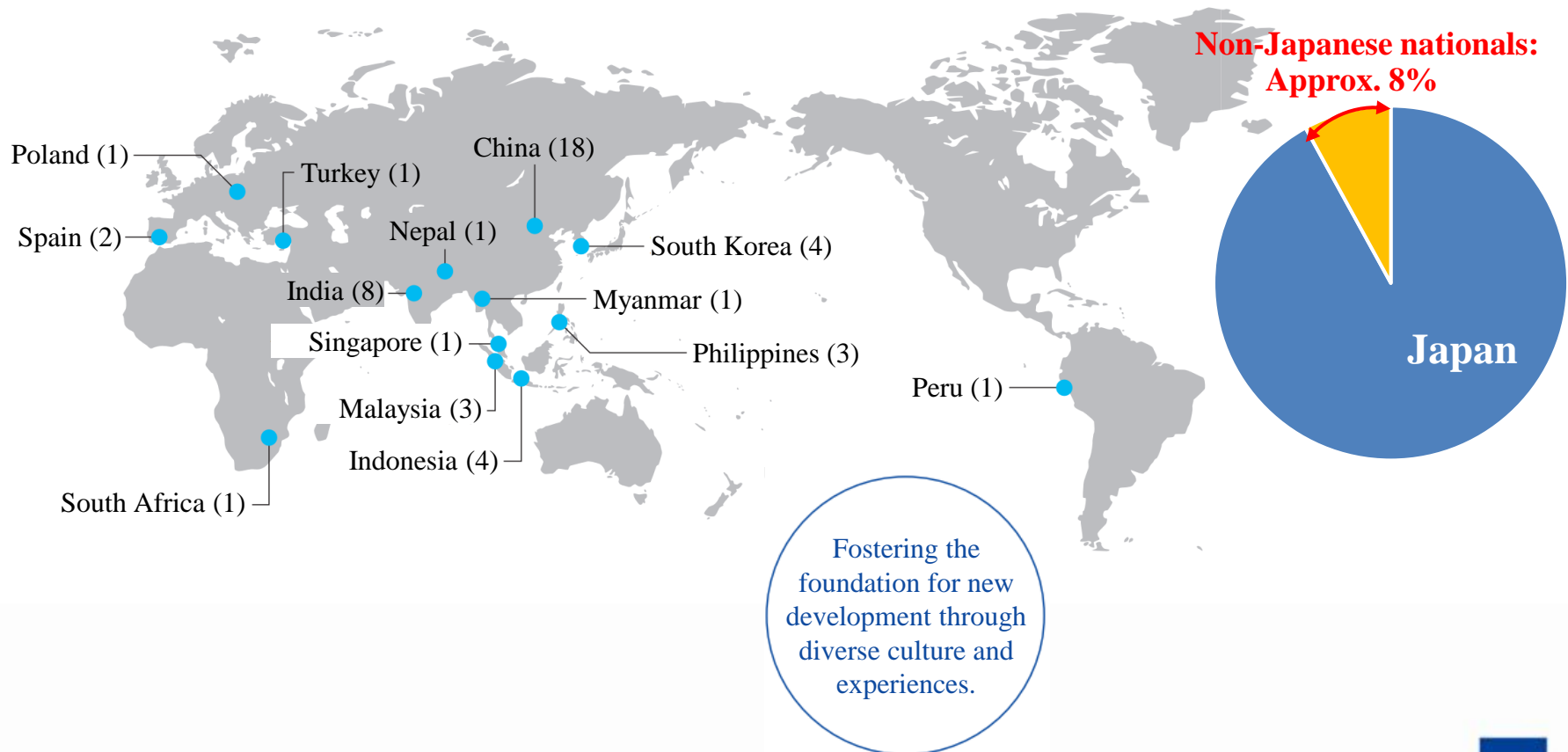


Breakdown by academic degree



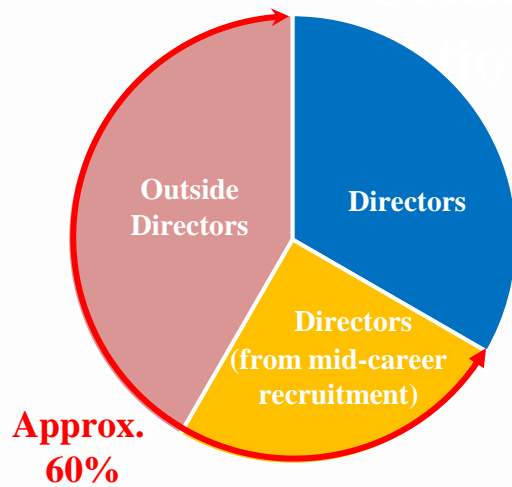
Participation of Diverse Human Resources from Around the World

KKE has been recruiting overseas personnel since 2014. As of the end of June 2020, approx. 8% in of all KKE staff, specifically 49 staff members, were non-Japanese nationals.

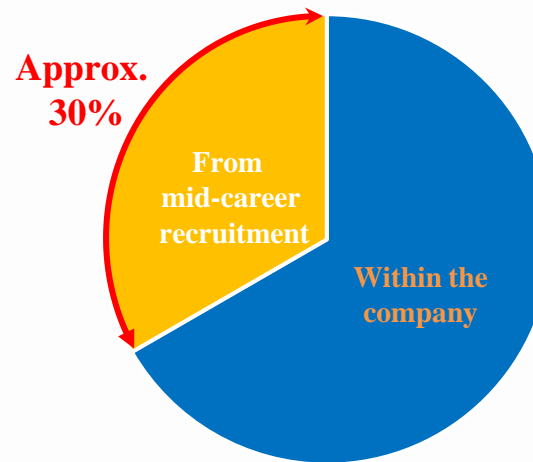


Participation of human resources with diverse backgrounds

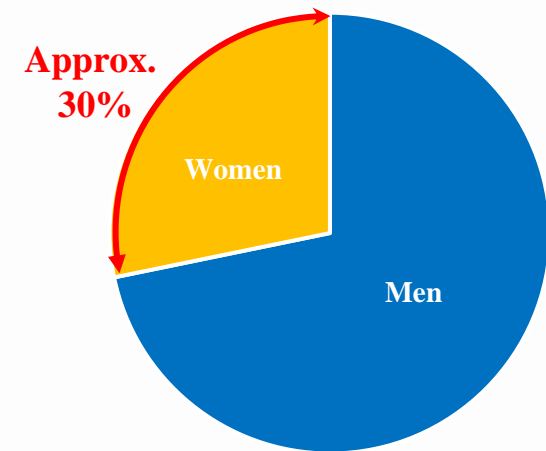
Composition of 12 Directors



Composition of 17 Executive Officers



Ratio of Men and Women



Female managers make up **10%** of all managers

Contribution of members from mid-career recruitment:

- Chief of Recruitment Section	Joined the company in June 2019	Previous job: Automobile industry
- Chief of Legal & Intellectual Property Strategy Section	Joined the company in May 2019	Previous job: Distribution
- Chief of Engineering Consulting Sales Dept.	Joined the company in April 2019	Previous job: Financial services

- Encouragement of independent development through outside activities at universities, academic conferences and others
 - Affiliation with universities: A cumulative total of 128 members at 45 universities
 - Activities at committees, study groups and others of outside associations: 78 members with 150 registrations
 - Activities as lecturers at universities and other institutions: 27 members in 13 activities
 - Academic papers and publications outside the company: 81
 - Transfer on loan to government offices

- Provision of opportunities

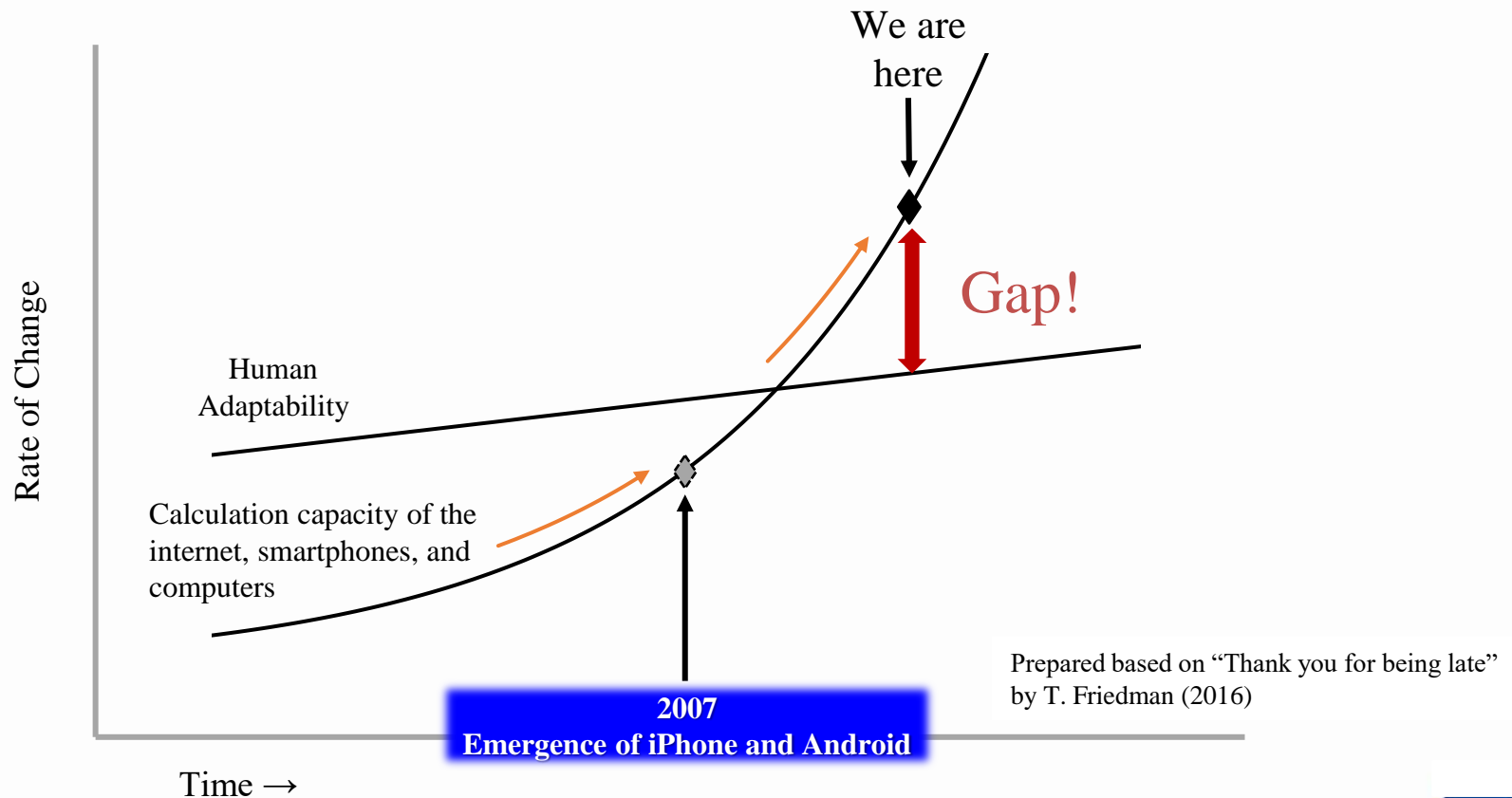
Training Program	Organizer	Period
Executive Management Program	The University of Tokyo	To be commenced in Oct. 2020
Executive Management Course	Japan Management Association	Jul. 2019 to Feb. 2020
Management Strategy for Senior Executives	Nomura School of Advanced Management	Jul. 2019
Managing Technology	Osaka Gas Business Create Co., Ltd.	Jun. 2019 to Mar. 2020
WBS Next Leader Program	Waseda Business School (Graduate School of Business and Finance)	Apr. 2020 to Feb. 2020
Innovatorship Training Program	Management Service Center Co., Ltd.	Oct. 2019 to Mar. 2020
Open University for Social Innovators	The Institute of Knowledge Leadership Studies	Oct. 2019 to Mar. 2020
Life Shift University	Life Shift	Apr. 2020 to Sep. 2020

Towards a Sincere and Sturdy Organization



Engineering consulting

that fills the gap between technical advancement and individual skills (companies, communities and social systems).



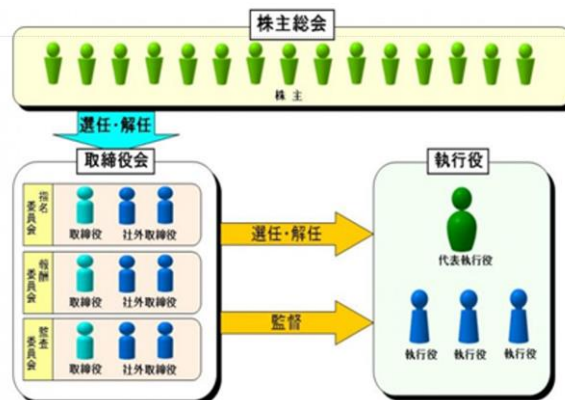
Boutique-type engineering consulting firm

- Organization that is not too large
- Open innovation
- Active use of partners

Governance of a knowledge-intensive company

- Participatory management structure instead of confrontation between management and labor
- A mechanism in which individuals display their strengths and their results are fairly evaluated
- Shares are open to the public but the majority are owned by the corporate management and employees
- A company with committees

指名委員会等設置会社



Characteristics as a knowledge-intensive company

□ Independence

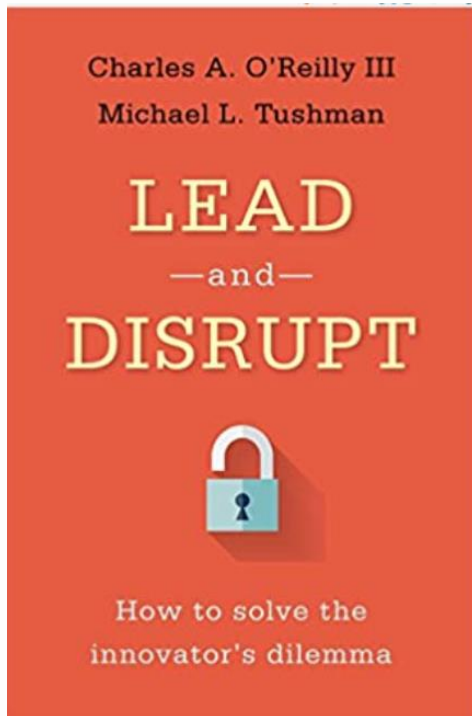
⇒ Both the organization and individuals share empirical knowledge and seek the joy of working.

□ Diversity

⇒ We are free from gender, age and nationality stereotypes.

□ Flexibility

⇒ We are free from hierarchical frameworks and value independence and autonomy.



Lead and Disrupt
by Charles A. O'Reilly III and
Michael L. Tushman

- Seeking technological sophistication in existing projects and new business from new projects
- Working to maintain existing business in sales activities and to propagate new technologies in marketing activities
- Providing engineering consulting on a project basis and product services for many customers

Launch of Nakanosakaue Annex



- Nakanosakaue Annex launched in August 2020. Approximately 170 staff members, mainly in the sales and marketing teams, now work there.

Thank you very much for taking the time
to attend today's briefing.

We look forward to your continued support and guidance.

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