



FYE June 2021 (63rd Term) First Half Financial Results

February 25, 2021

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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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1

Overview of Financial Results



Income Statement Highlights for FYE June 2021 H1

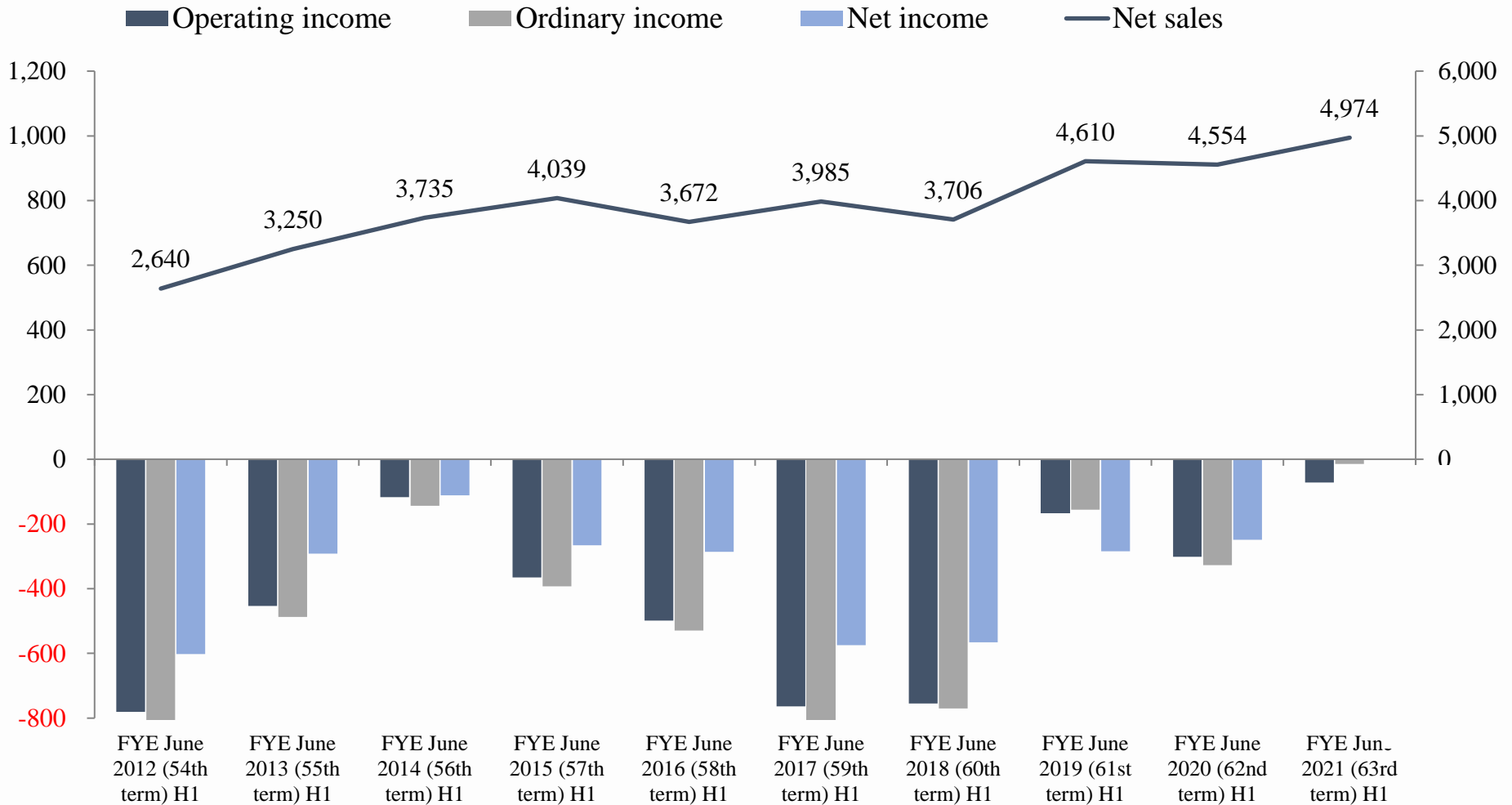
(Million yen)

	FYE June 2020 (62nd term) H1	FYE June 2021 (63rd term) H1	Change from previous FY	Rate of change from previous FY
Net sales	4,554	4,974	419	9.2%
Cost of sales	2,153	2,386	232	10.8%
Gross profit (Gross profit rate)	2,400 (52.7%)	2,588 (52.0%)	187	7.8%
SGA expenses	2,701	2,660	-41	-1.5%
Operating income (loss) (Operating income rate)	-301 (-6.6%)	-72 (-1.5%)	228	—
Non-operating profit & loss	-26	57	83	—
Ordinary income (loss) (Ordinary income rate)	-327 (-7.2%)	-14 (-0.3%)	312	—
Extraordinary profit & loss	-13	-41	-28	—
Net income (loss) before taxes	-340	-56	284	—
Income taxes	-90	-58	32	—
Net income (loss) (Net income rate)	-249 (-5.5%)	2 (0.0%)	252	—

Trends in H1 Results

Income (Million yen)

Net sales (Million yen)



Highlights of Balance Sheet

(Comparison with the End of the Previous Fiscal Year)

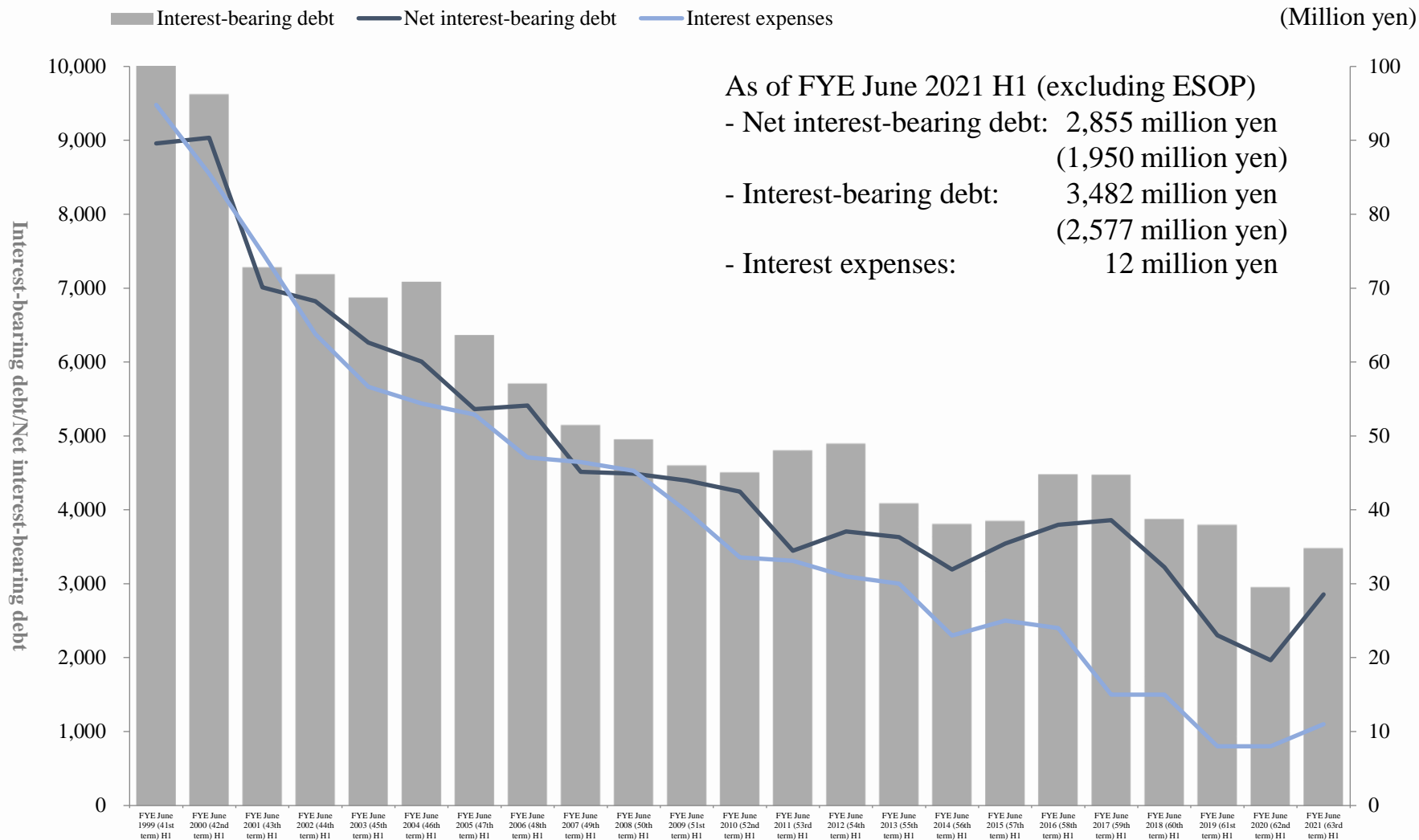
(Million yen)

Item	FYE June 2020 (62nd term)	FYE June 2021 (63rd term) H1	Change	Item	FYE June 2020 (62nd term)	FYE June 2021 (63rd term) H1	Change
Cash and deposits	2,014	627	-1,386	Short-term borrowings	—	360	360
Notes/accounts receivable - trade	1,952	1,591	-360	Current portion of long-term borrowings/corporate bonds	794	644	-150
Work in process	678	1,302	623	Advances received	1,101	991	-110
Other	1,179	1,340	161	Accounts payable - accrued expenses	748	202	-545
				Other	1,838	1,202	-636
[Current assets]	5,824	4,862	-962	[Current liabilities]	4,483	3,400	-1,082
Property, plant and equipment	5,119	5,060	-58	Long-term borrowings/corporate bonds	1,887	2,478	590
Intangible assets	430	394	-36	Provision for retirement benefits	2,066	2,154	87
Investments and other assets	3,558	3,843	285	Other	229	235	6
Investment securities	1,831	2,062	231	[Long-term liabilities]	4,184	4,868	684
Shares of subsidiaries and associates	291	291	—	[Liabilities]	8,667	8,269	-397
Investments in capital of subsidiaries and associates	44	54	9	Capital stock	1,010	1,010	—
Deferred tax assets	897	932	35	Capital surplus	1,159	1,325	165
Other	493	503	9	Retained earnings	4,760	4,345	-415
[Fixed assets]	9,108	9,298	190	Treasury shares	-671	-857	-186
				Valuation difference on available-for-sale securities	5	68	62
				[Net assets]	6,264	5,891	-373
[Assets]	14,932	14,160	-771	[Liabilities and net assets]	14,932	14,160	-771

*1 Capital ratio FYE June 2020: 42.0%; FYE June 2021 H1: 41.6%

*2 Impact of introducing ESOP in the 63rd term: 177 million yen is included in Other of current assets, 752 million yen in treasury shares, and 905 million yen in long-term borrowings.

Changes in Net Interest-Bearing Debt



Cash Flow Statement Highlights

	(Million yen)		
	FYE June 2020 H1 (62nd term)	FYE June 2021 H1 (63rd term)	Change
Balance at the beginning of FY	1,351	2,014	662
CF from operations	-553	-1,584	-1,031
CF from investments	-320	-172	148
Free CF	-873	-1,756	-883
CF from financing	510	369	-141
Balance at the end of FY	988	627	-361

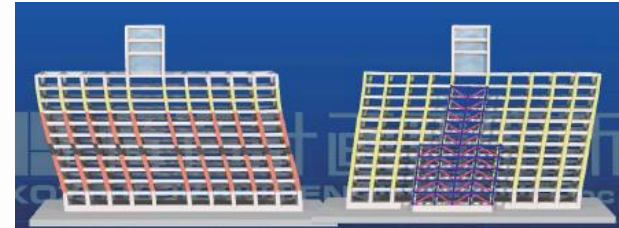
	(Million yen)		
Highlights of CF from operations	FYE June 2020 H1	FYE June 2021 H1	Change
Net income before taxes	-340	-56	284
Decrease in accounts receivable	1,188	250	-937
Increase in inventories	-780	-628	152
Highlights of CF from investments	FYE June 2020 H1	FYE June 2021 H1	Change
Purchase of investment securities	-50	-187	-137
Sales of property, plant and equipment	—	85	85
Purchase of intangible assets	-48	-39	9
Highlights of CF from financing	FYE June 2020 H1	FYE June 2021 H1	Change
Net increase in short-term borrowings	1,200	360	-840
Net increase/decrease in long-term borrowings	-583	490	1,074
Proceeds from disposal of treasury shares	309	774	464

2

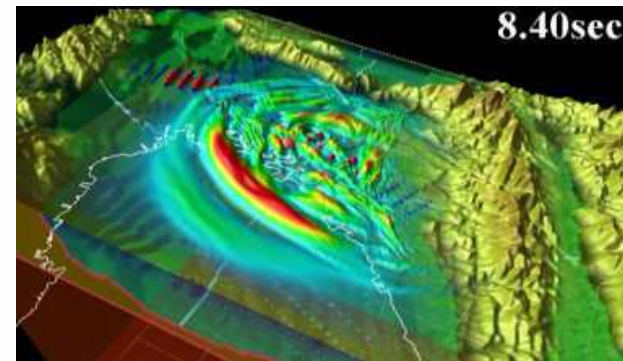
Results by Segment



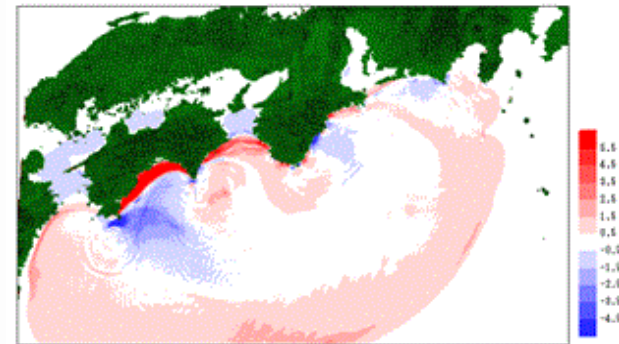
- Structural design and structural analysis consulting
 - Structural design of high-rise buildings and structural analysis of large buildings
- Environment assessment and disaster risk reduction consulting
 - Ground motion assessment, wind condition analysis and disaster risk assessment
- IT system development for housing and construction
 - System development including CAD, BIM and structural calculation
- Decision-making support consulting
 - Social simulation and optimization
- Information and communication technology consulting
 - Communication network, radio wave propagation, and electromagnetic field simulation



Seismic analysis of structures



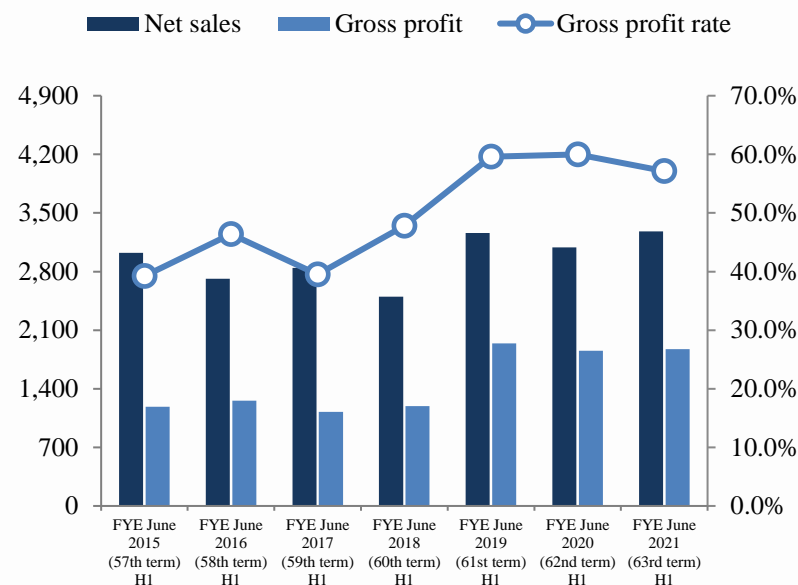
Simulation of ground motion



Assessment of tsunami risk

(Million yen)

	FYE June 2019 (61st term) H1	FYE June 2020 (62nd term) H1	FYE June 2021 (63rd term) H1	Year-on- year
Orders	4,845	5,414	4,784	- 629
Net sales	3,259	3,090	3,278	187
Gross profit	1,943	1,854	1,873	19
(Gross profit rate)	(59.6%)	(60.0%)	(57.2%)	
Backlog of orders	5,943	7,518	6,813	- 705



Analysis of results

- Because willingness to invest in system development continued to be strong in face-to-face industries, system development business for home builders and system development business for the construction and manufacturing industries remained firm.
- Structural design consulting business also continued to remain solid.

Business themes

Examples of package-sales type

Examples of cloud service-provision type

Manufacturing industry

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



Structural and seismic analysis

Architectural building analysis, ground analysis, etc.



Decision-making support

Social simulation, risk assessment, optimization, etc.



Information and communications/IoT

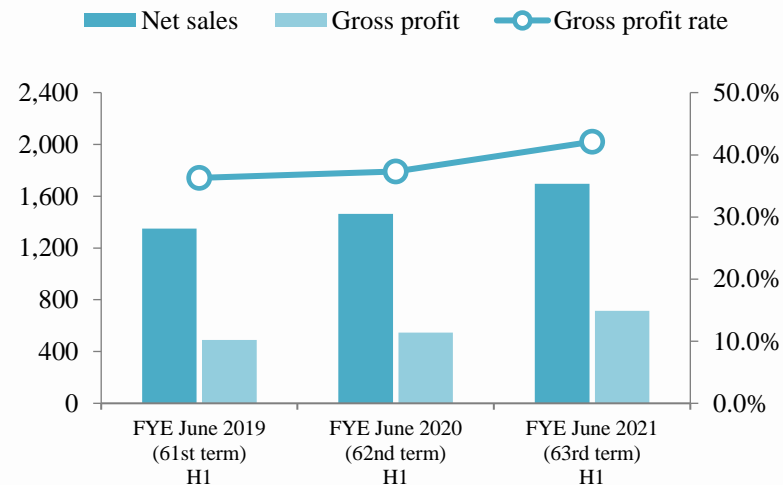
Radio propagation analysis, indoor navigation, email delivery, remote lock, etc.



NavVis

(Million yen)

	FYE June 2019 (61st term) H1	FYE June 2020 (62nd term) H1	FYE June 2021 (63rd term) H1	Year-on- year
Orders	1,173	1,398	1,534	135
Net sales	1,350	1,464	1,696	231
Gross profit	490	546	714	168
(Gross profit rate)	(36.3%)	(37.3%)	(42.1%)	
Backlog of orders	886	1,017	958	- 58

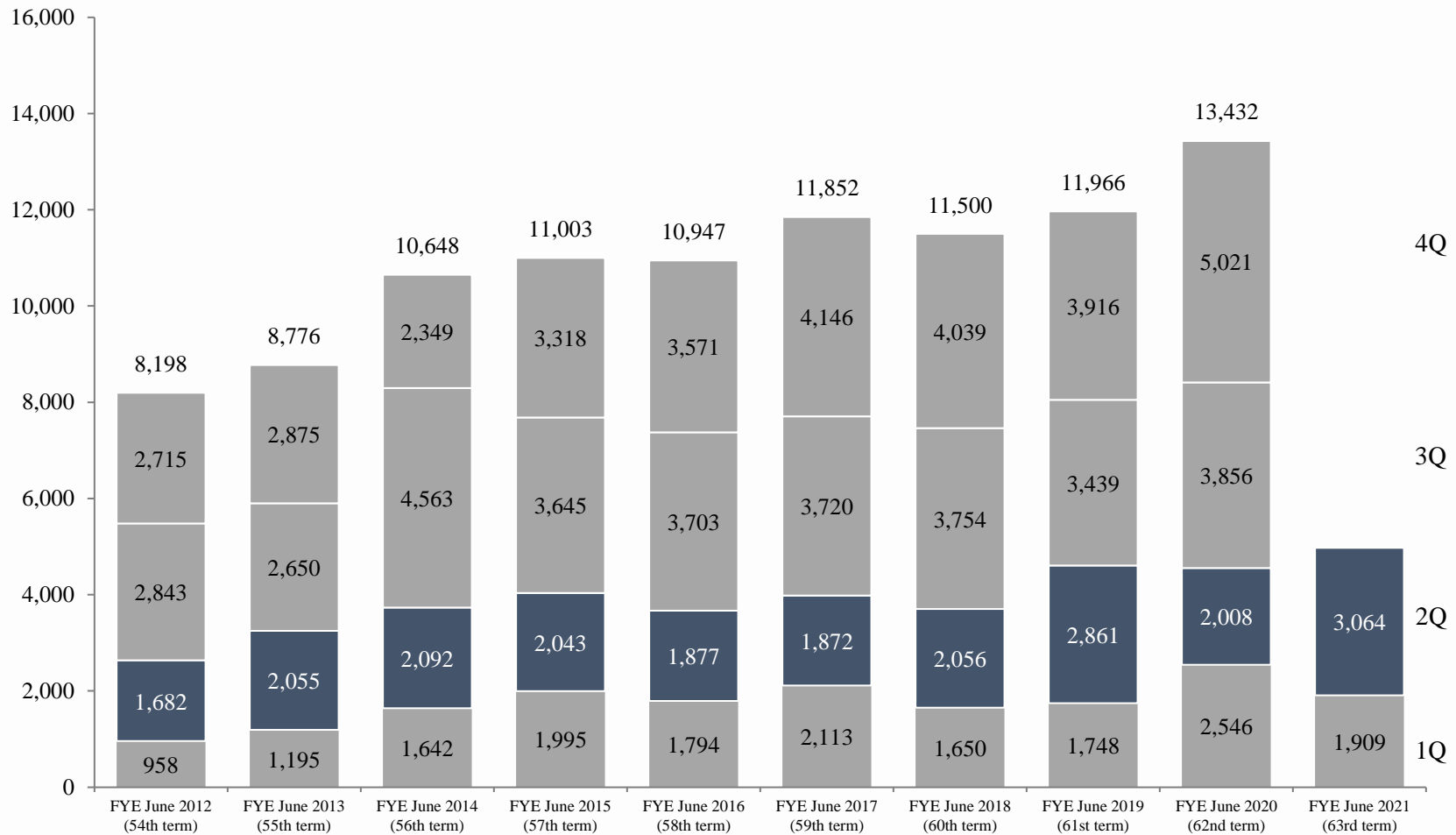


Analysis of results

- The cloud-based email delivery service of Twilio, Inc. in the United States and the entry and exit management cloud service of LockState, Inc. in the United States expanded sales steadily.
- Sales of CAE software and particle-based simulation software for design engineers remained firm.

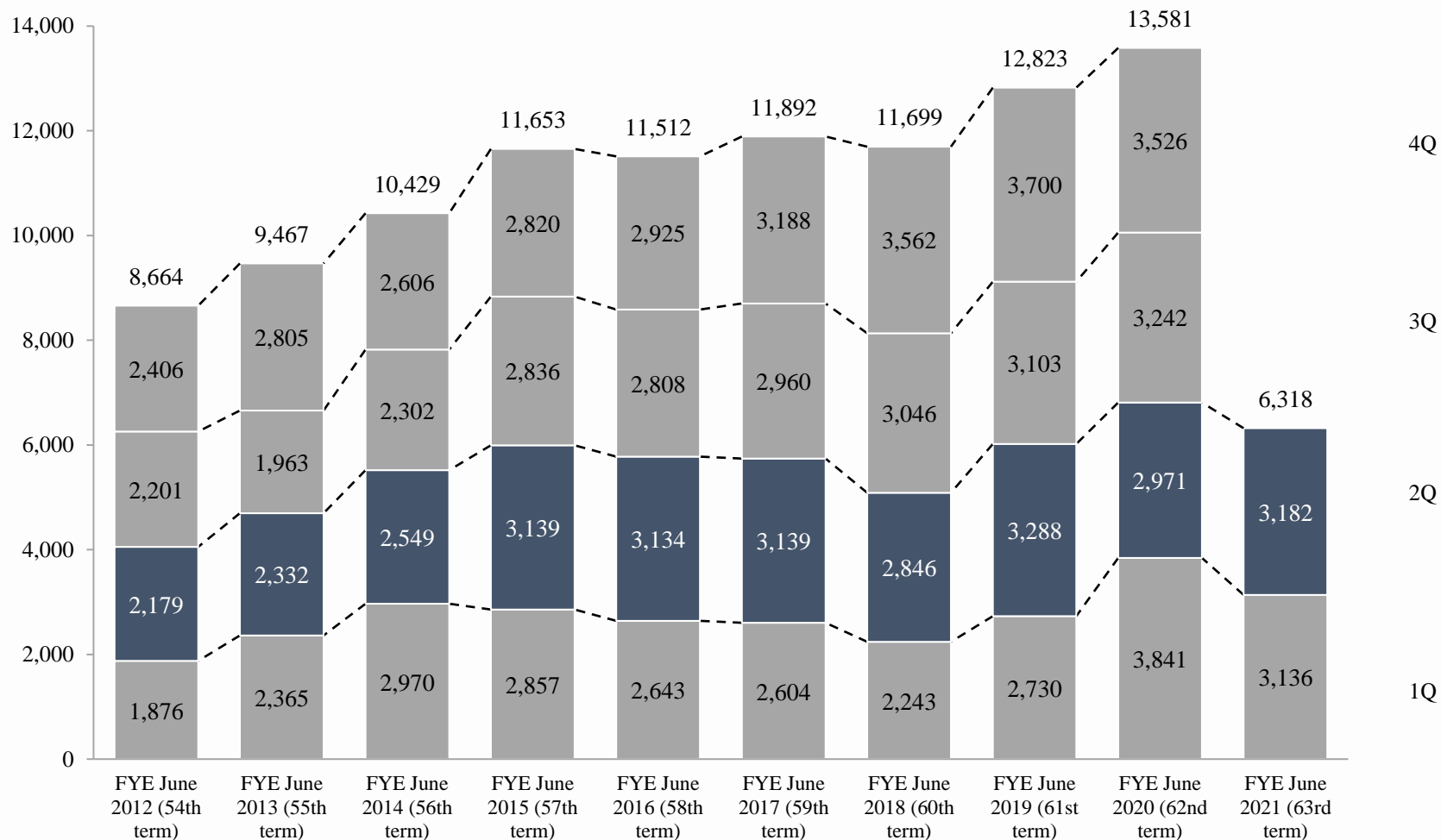
Changes in Sales by Quarter

(Million yen)



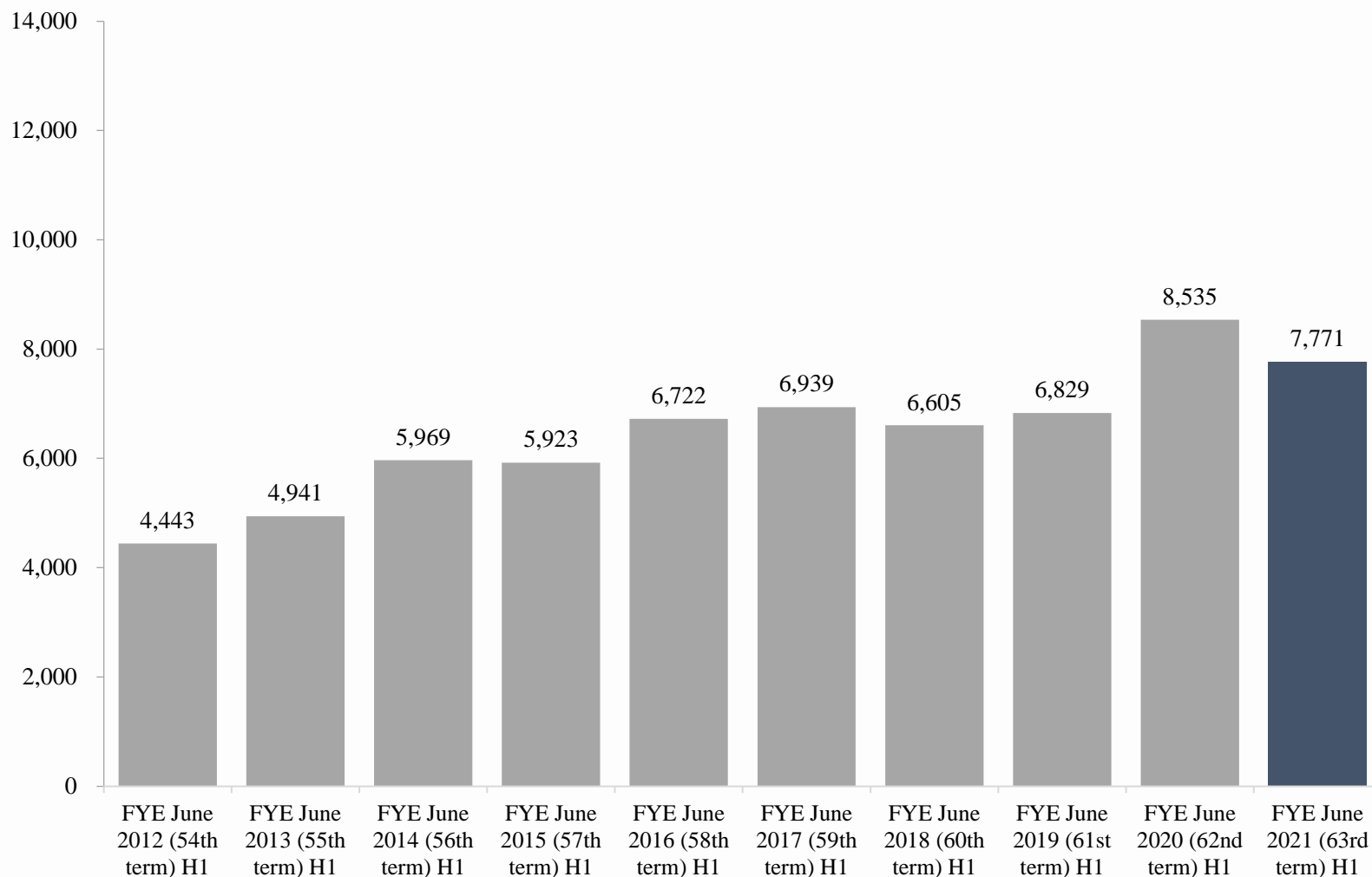
Changes in Orders by Quarter

(Million yen)



Changes in Backlog of Orders at the End of H1

(Million yen)



3 In Anticipation of Future Development

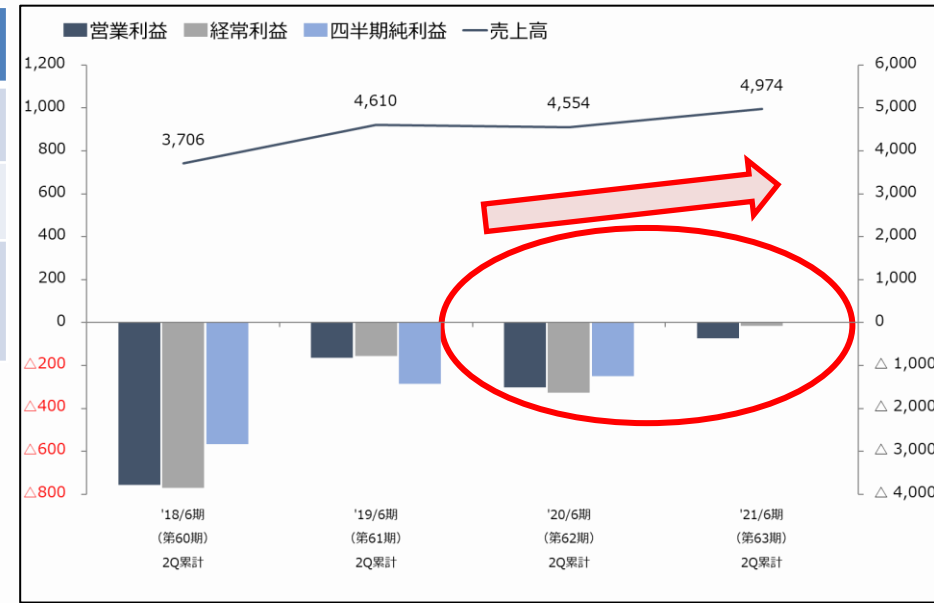
A knowledge-intensive company
that represents Japan in the 21st century
Design & Engineering Firm

*Innovating for a **Wise Future***

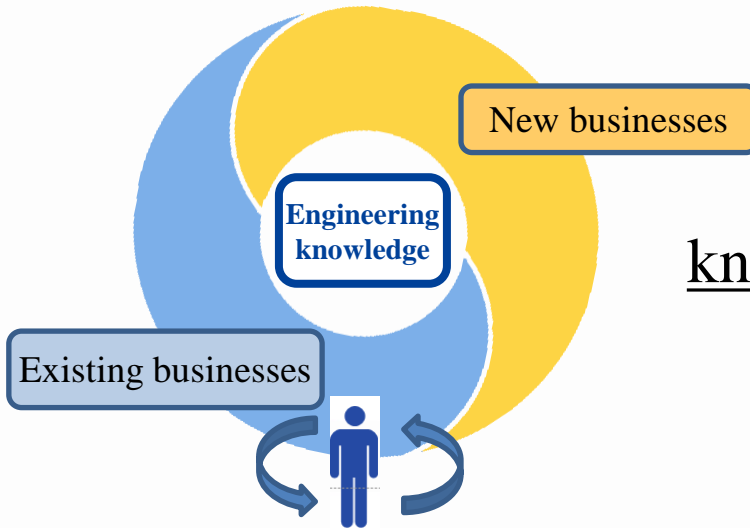
Status of KKE's Performance

Declining performance	Strong performance
Air transportation	Electrical equipment
Land transportation	Chemical
Service	Information and communications

Source: Prepared by KKE based on "Polarized by COVID-19: Financial Results of Listed Companies Marked by Upward Revision of Results Forecasts" of NHK.



While the performance is polarized,
KKE maintains the performance.



Support innovation using
knowledge (engineering knowledge)
for business

Collaboration with outside partners



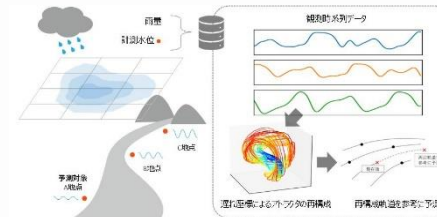
Existing businesses and new businesses remain firm based on the relationship of trust with customers in a variety of fields.

- Structural design and structural analysis consulting
 - Structural design of high rise buildings and structural analysis of large buildings
- Environment assessment and disaster risk reduction consulting
 - Ground motion assessment, wind condition analysis and disaster risk assessment
- Development of systems for housing and construction sectors
 - System development including CAD, BIM and structural calculation
- Decision-making support consulting
 - Social simulation and optimization
- Information and communication technology consulting
 - Communication network, radio wave propagation, and electromagnetic field simulation

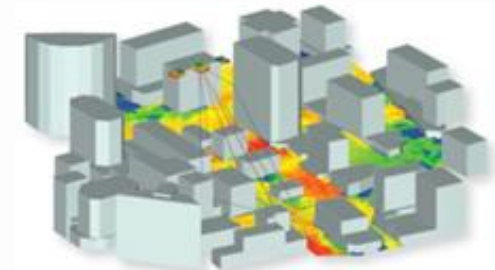
Wind power generation

Wood structure

RiverCast



5G initiatives



Actively promoting business in **growth areas** even in existing businesses.

Structural design: Establishment of the Wind Power Design Dept.

- Participated in a committee related to design methods and **involved in design guidelines** created by the Ministry of Economy, Trade and Industry (METI) in 2013.
Assisting with **activities to disseminate the design guidelines** in regional cities.
- Acquired a high share in **the land wind power business**.
- Established** the Wind Power Design Dept. in August 2020.

Results of businesses related to land wind power generation

Type	Overview	Number of projects
Substructure design	Foundation design business of support structures of wind power generation facilities (including foundation design and time history response analysis of large land wind power)	81
Tower structure verification	Structure verification business of towers of foreign-made wind power generation facilities (including structure verification and reinforcement proposals based on Japanese standards)	50
Response to examination	Response to questions at examinations by third-party organizations and the METI (including response to questions about structural parts and the review of findings)	81

Aggregation period: 2010 to January 2021



Structural design: Establishment of the Wind Power Design Dept.

Aim to expand the land wind power business and create value in the offshore wind power business.

- Toward realizing a decarbonization society, local governments that declare work on net-zero CO₂ emissions by 2050 are increasing.
- Aim to expand the land wind power business and create value in **the offshore wind power business.**



Structural Design: Development of Wood Structure Design Business

- In 2010, the government presented the Act on Facilitating the Use of Wood in Public Buildings, etc., the basic policy for the government to take the initiative in using wood.
- KKE also started a study aiming for new possibilities for wood buildings around 2011.
- In 2021, the government presented **a policy supporting the development of wooden buildings in the national resilience plan.**



KKE invented a quake-resistant wall that combines wood panels in a checkered pattern and **acquired patents.**

The realization of buildings with excellent design, lighting and workability is possible.

In August 2020, the Wood Creation Design Section was established.
KKE will contribute to the realization of a sustainable society
through structural design consulting using wood materials.

Disaster Risk Reduction: Flood Forecast System "RiverCast"

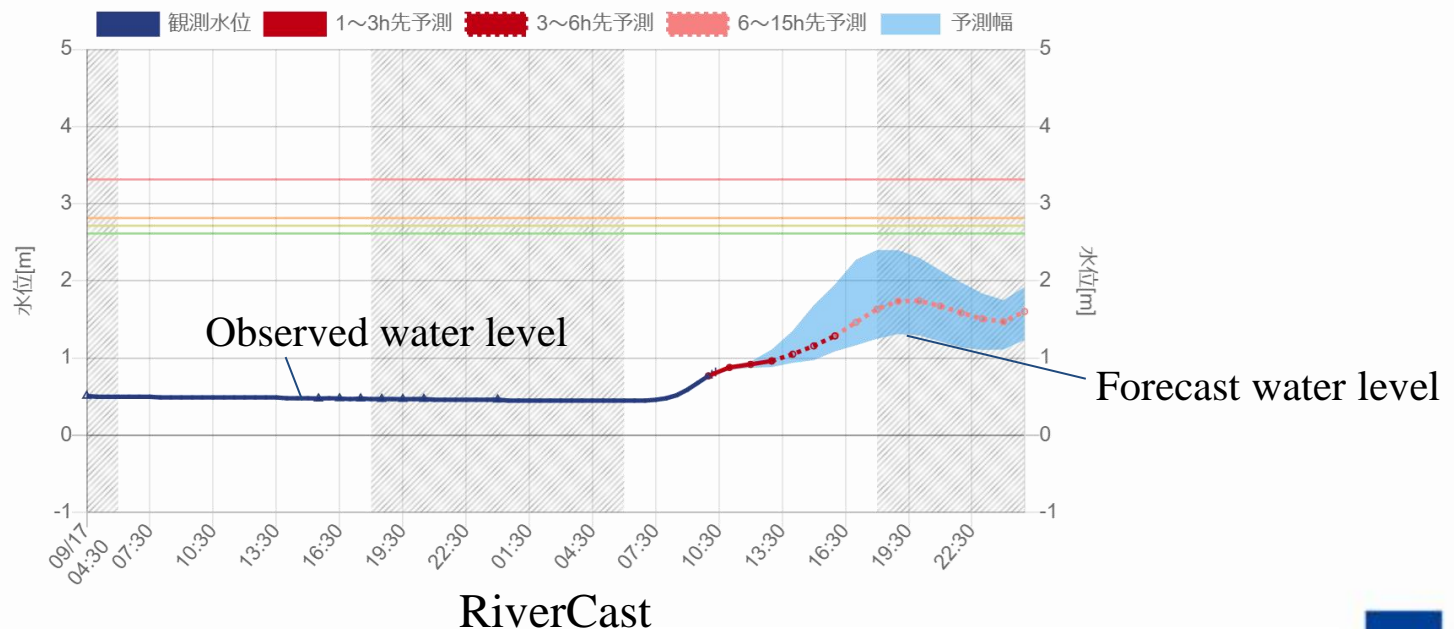
- Established a social cooperation section called “Mathematical Engineering for Complex Social Systems in the Future,” jointly with Distinguished Professor Kazuyuki Aihara at the Institute of Industrial Science of the University of Tokyo in 2016.

Developed a method to predict target variables from short-term observational data.

- Developed a **real-time flood forecast system** to which study results were applied in 2018.

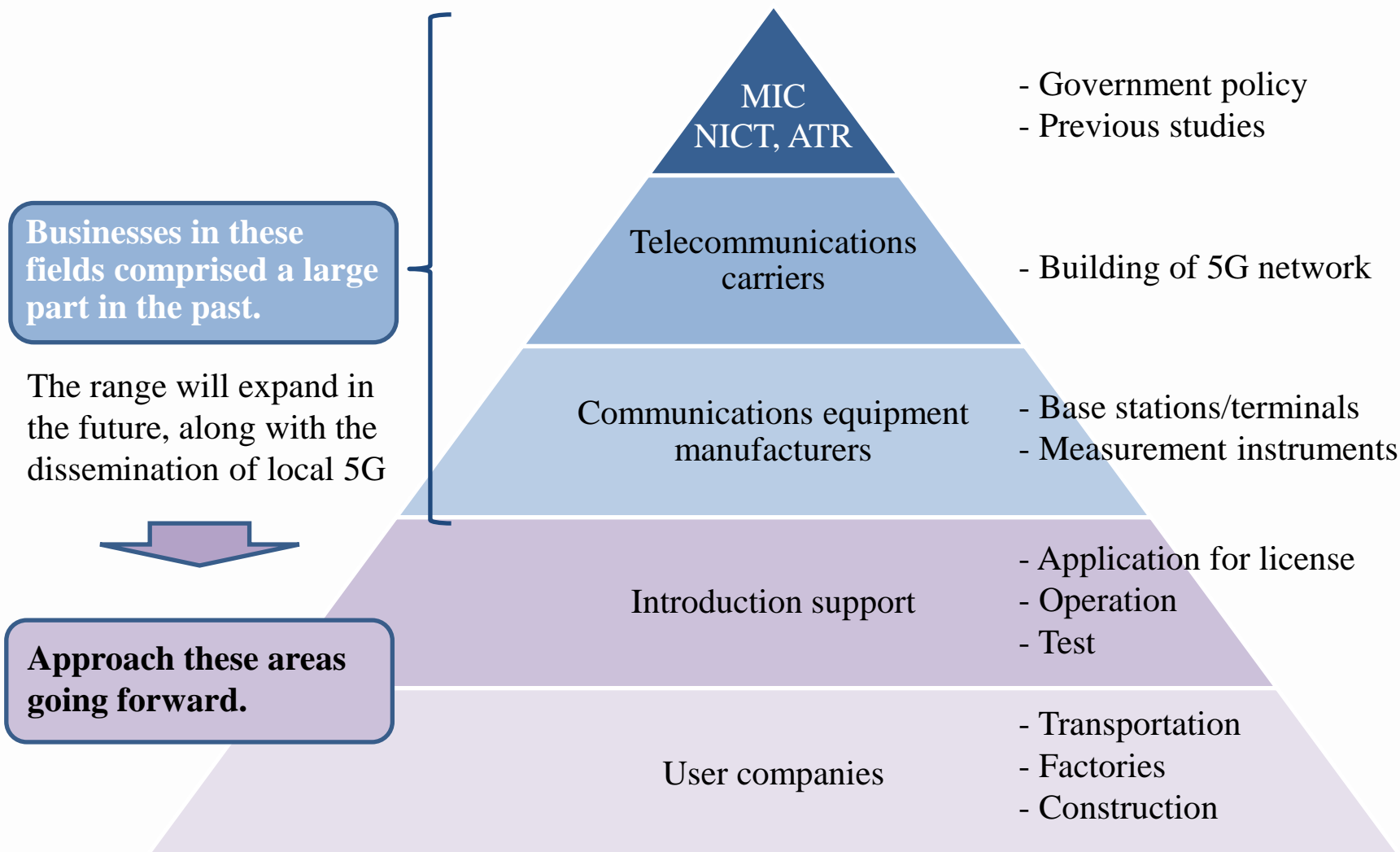
Toward social implementation to protect society from intensifying heavy rain disasters

- Started on-site demonstration in Kawasaki City, Kanagawa.
- Provide to large general construction contractors (construction sites, etc.).

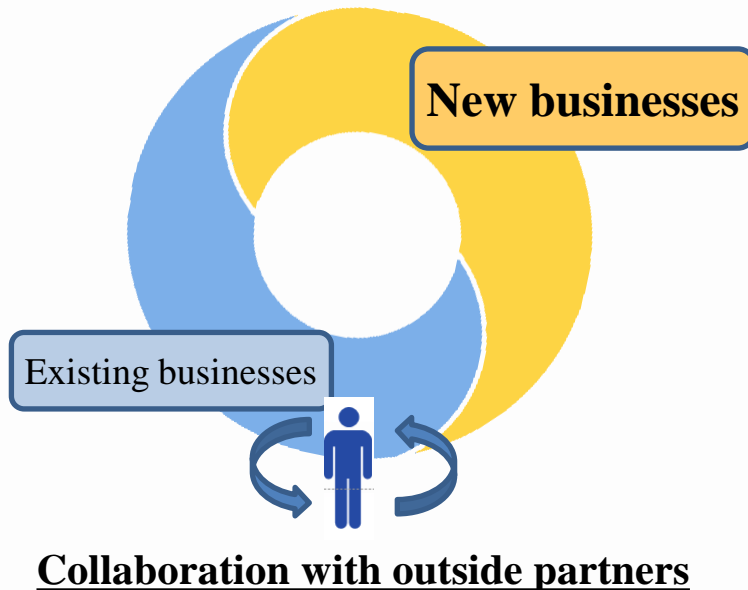


Information and Communications: Local 5G-related Initiatives

5G-related market pyramid



New Businesses: Collaboration with Overseas Partners



• Twilio SendGrid



- Cloud-based e-mail delivery service
- Launched the service for Japan **in 2013.**

• RemoteLOCK

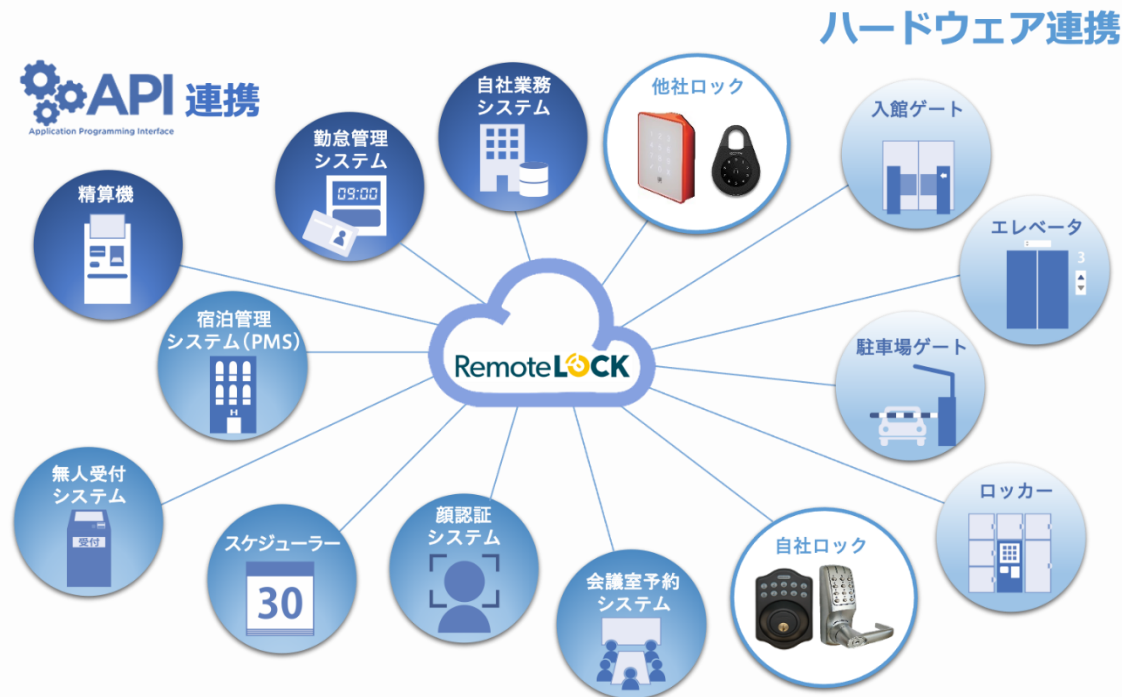


- Wi-Fi type smart lock
- Launched sales and service in the Japanese market **in 2017.**

• NavVis




- Platform for 3D mapping of space
- Started the business alliance to sell in the Japanese market and develop solutions **in 2015.**



Concluded a partner agreement with West Corporation as the first partner for the platform in Japan.

- Access control open platform able to manage various devices and collaborate with different services, irrespective of manufacturers.
- Provide **added value**, in addition to entry and exit management, through a variety of types of collaboration as a platform operator.

Development for local governments

- Issues such as the heavy management burden of the government public facilities have surfaced.
- 
- Procedures for using facilities are simplified by "**Machikagi Remote,**" a reservation system of RemoteLOCK.
 - Demonstration tests have started with Omitama City, Ibaraki and Ashiya City, Hyogo. Currently, introduced in **13 local governments**.
 - Now, following about 50 local governments. We will make efforts to create projects going forward.



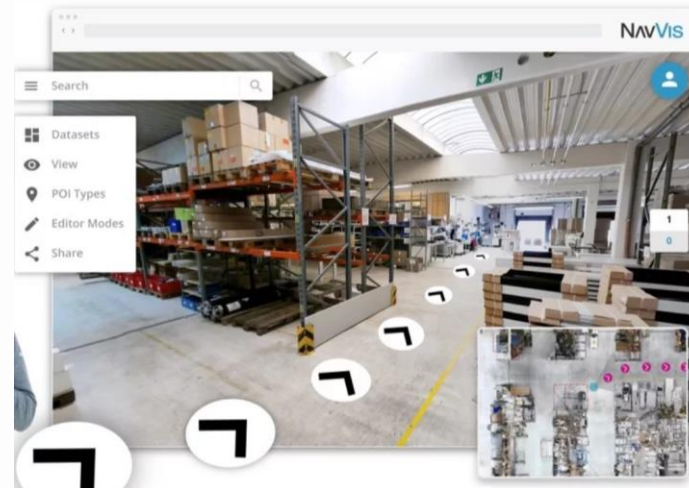
Ikeda City, Osaka

NavVis GmbH

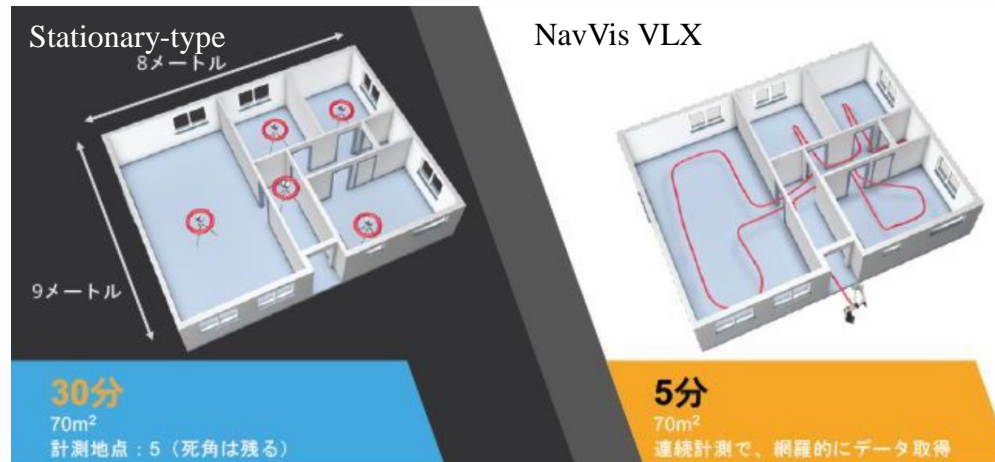
- Indoor 3D digitization solution using university-launched technologies
- Expands services for several major car manufacturers in Germany, contractors and facility managers amid the trend of Industry 4.0.
- Many of its management team members and venture capital investors are from McKinsey & Company, Germany.
- Founded in May 2013, it has grown into a company with 200 employees.
- Set a 20 million euro loan facility from a European investment bank in July 2020.

NavVis

Head office: Munich, Germany

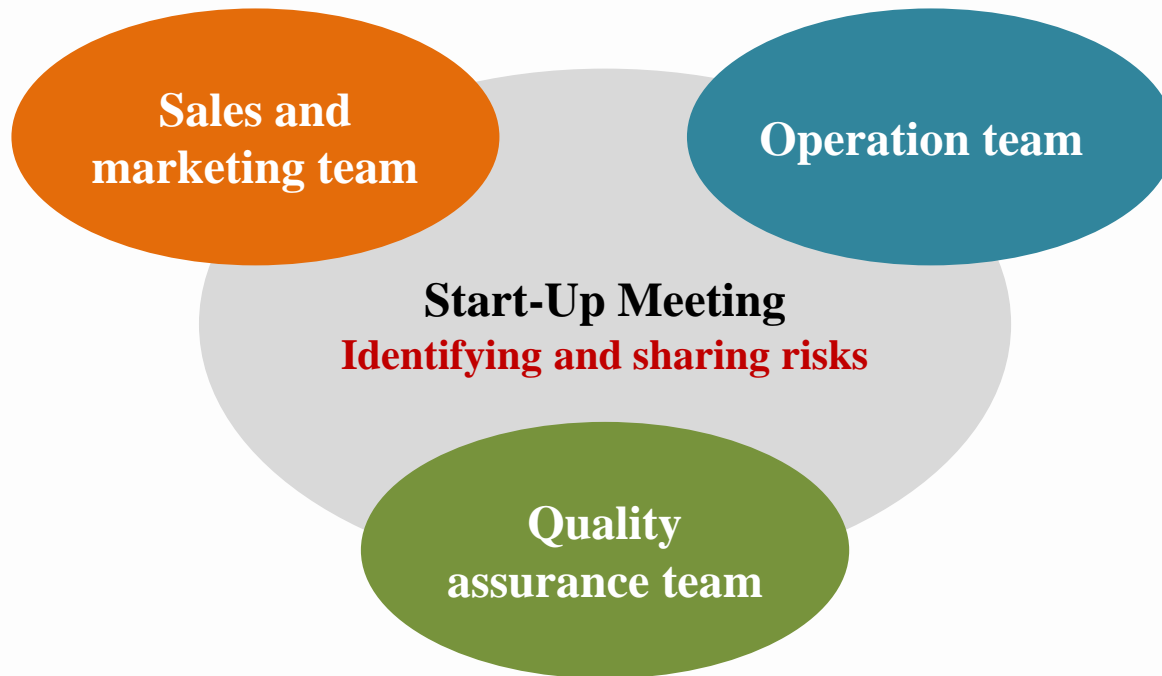


- Growing needs for the digitalization of 3D data at facilities in the manufacturing industry
For the purpose of creating digital twin and production simulation
- Enable management and decision making from remote locations and improving work efficiency of production and maintenance.
- **Consultations from the construction and infrastructure industries**, as well as the manufacturing industry, **are increasing** due to the emergence of VLX.
Introduced to large facilities in the infrastructure industry and construction sites, etc.
- Webinar held four times in 2020 was well received, and more than 100 people participated each time.



Comparison of working hours of a stationary-type measurement instrument and a wearable instrument (VLX) (Image)

- Quality issue has a significant impact in the medium to long term.
- To ensure quality, implement efforts to avoid risks at the proposal, estimation and contract stages before starting a project.



Hold a **start-up meeting** 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.**

Aiming for Our Vision

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

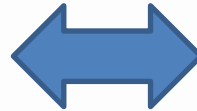
*Innovating for a **Wise Future***

As a knowledge-intensive company

Conventional Japanese
companies

(Capital- and labor-intensive)

- Capital
- Hourly wage
- Repetition
- Real estate



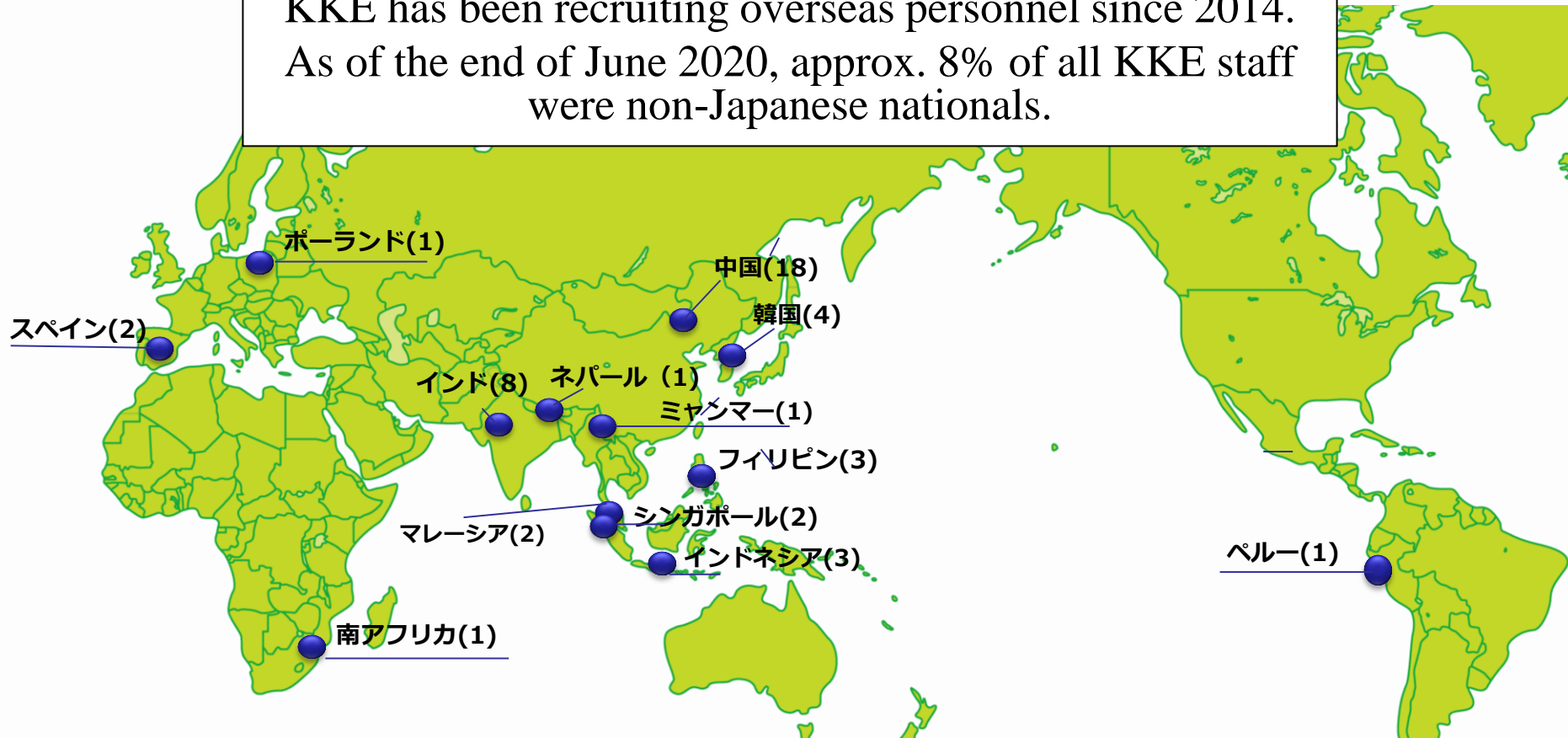
KOZO KEIKAKU
ENGINEERING

- Knowledge and expertise
- Evaluation of achievements
- Always changing
- **People and human resources**

Provide knowledge as value to society.

Participation of Diverse Human Resources from Around the World

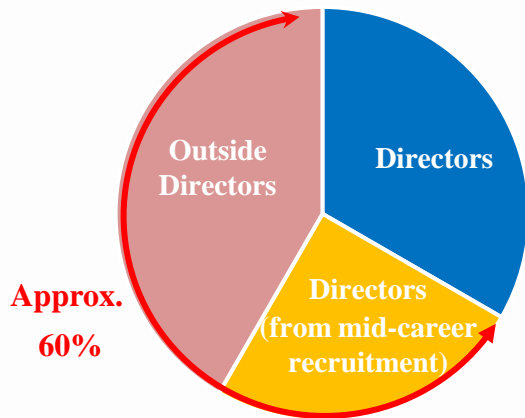
KKE has been recruiting overseas personnel since 2014.
As of the end of June 2020, approx. 8% of all KKE staff
were non-Japanese nationals.



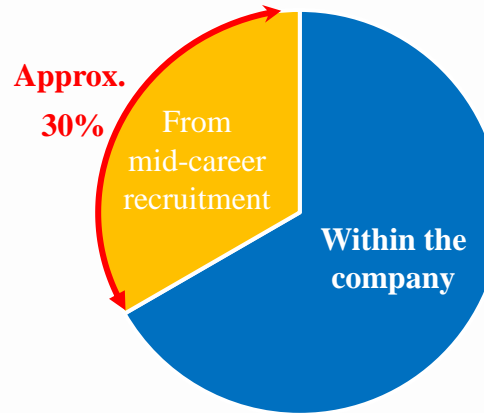
Participation of human resources with different culture and system
Foundation for organizational activation and new business development

Participation of human resources with diverse backgrounds

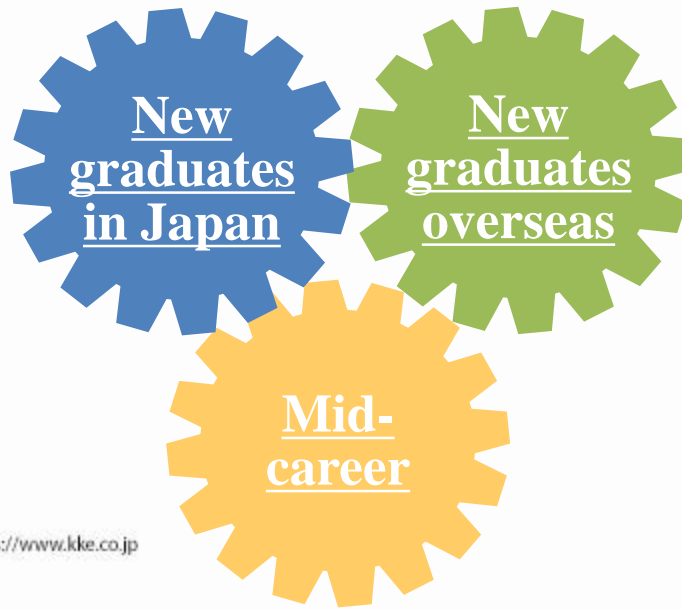
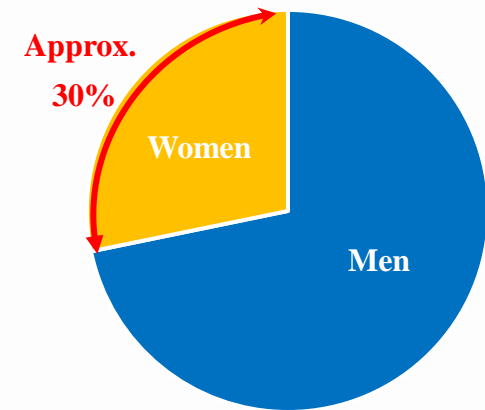
Composition of 12 Directors



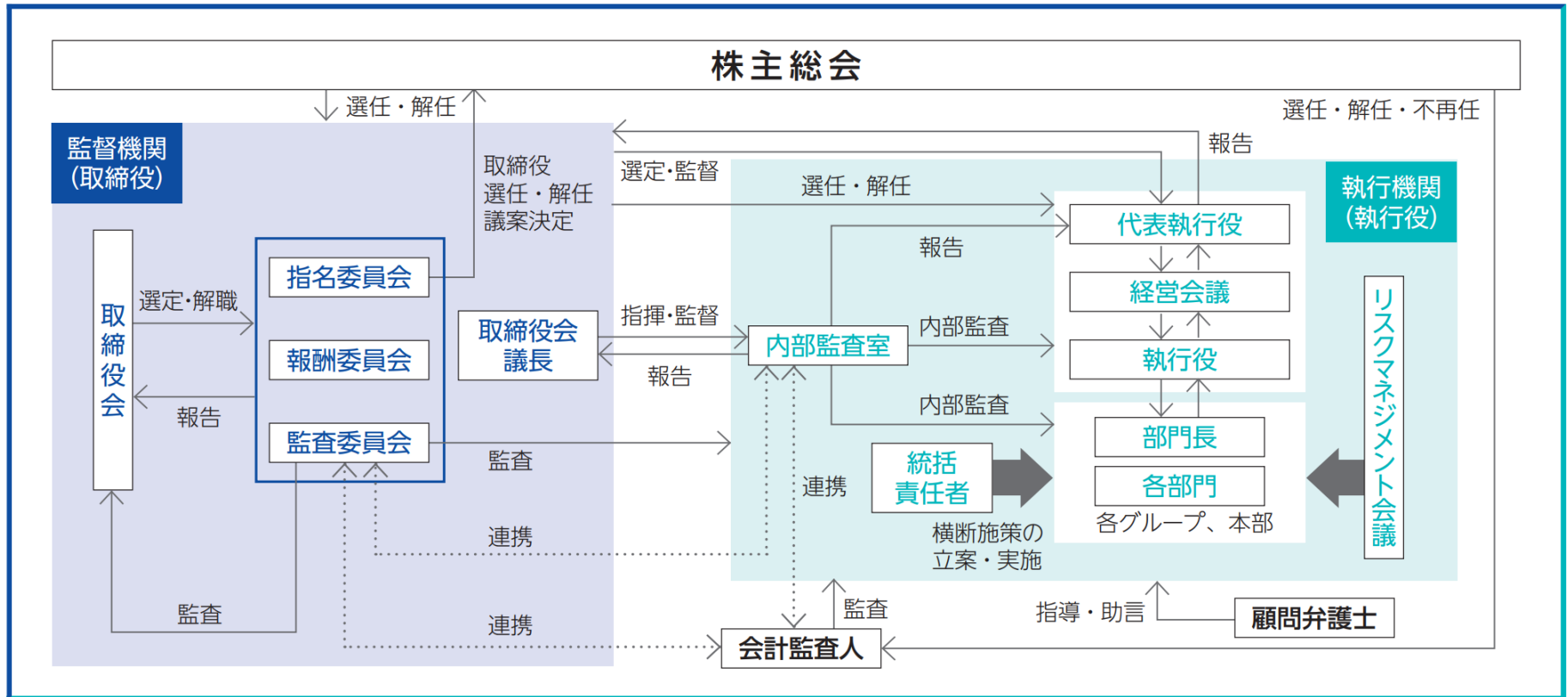
Composition of 17 Executive Officers



Ratio of Men and Women

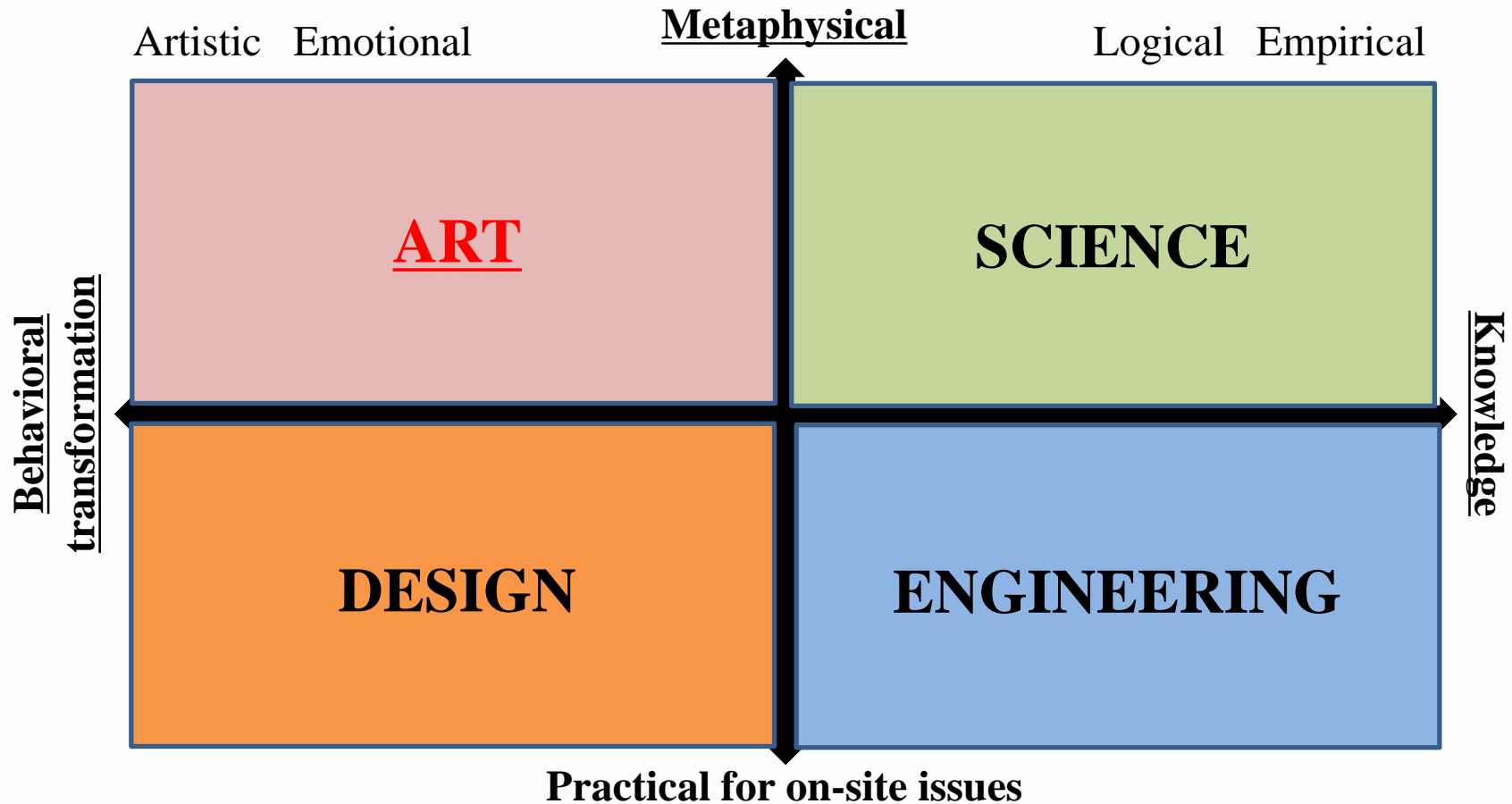


Diverse human resources
grow and contribute through
friendly competition.



- ❑ Shifted to a company with a nominating committee, etc. in September 2019.
- ❑ Only approx. 80 companies among approx. 3,700 listed companies have adopted the system

Aiming to Be a Knowledge-intensive Company that Represents Japan in the 21st Century



Professional Design & Engineering Firm

4

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



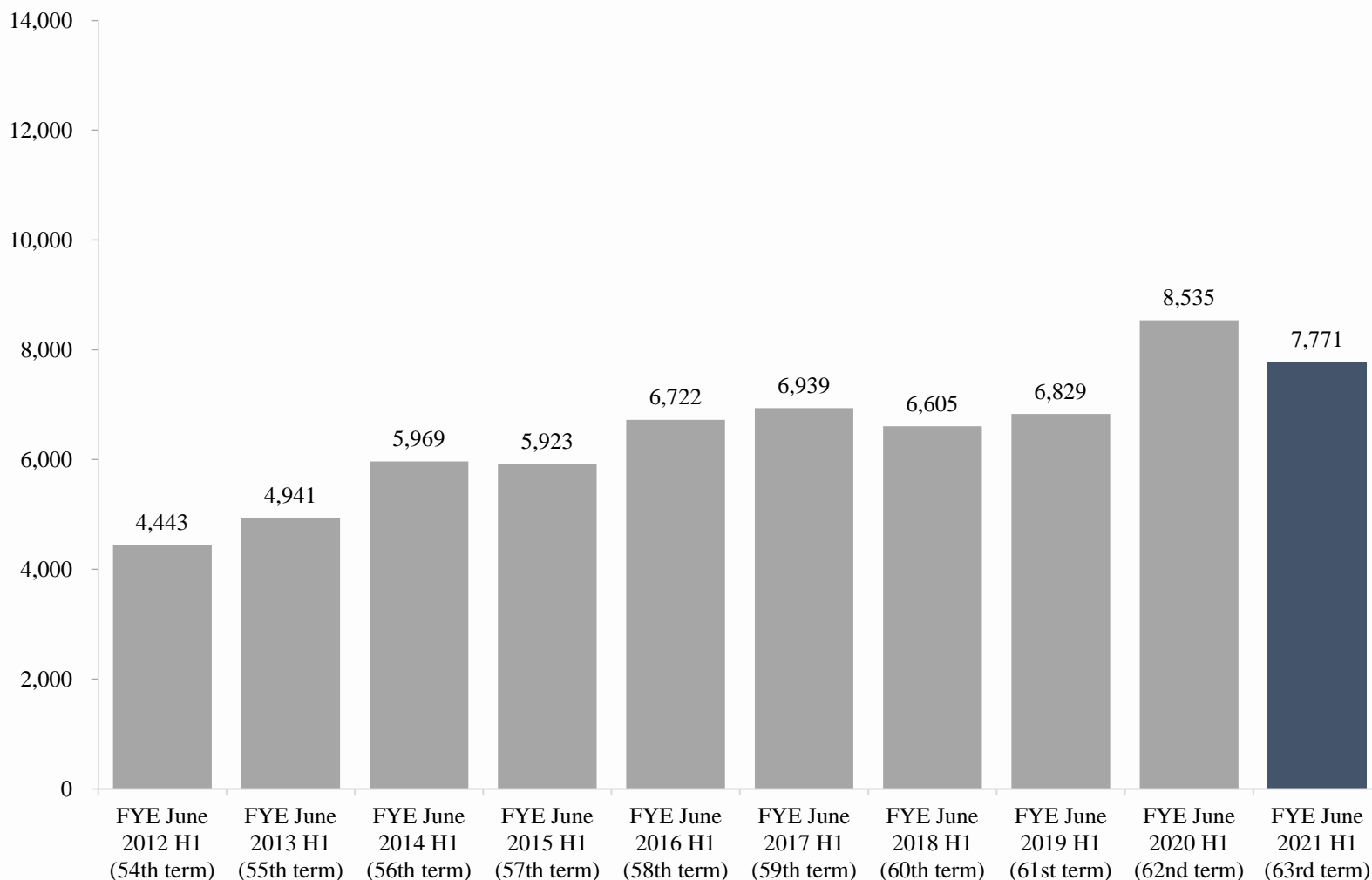
(Million yen)

	Net sales	Operating income	Ordinary income	Net income
FYE June 2020 (62nd term) H1	4,555	-301	-327	-250
FYE June 2021 (63rd term) H1	4,975	-72	-15	2
Year on year	9.22%	—	—	—

- Results in the first half of the 63rd term were strong.
Sales ratio in previous fiscal years \Rightarrow H1:H2 = 3:7
Sales ratio in the current fiscal year \Rightarrow H1:H2 = 4:6
- Net sales and income at all levels were record-high for H1.
- Operating income and ordinary income reduced the deficit significantly, and net income returned to profitability.

Changes in Backlog of Orders at the End of H1

(Million yen)



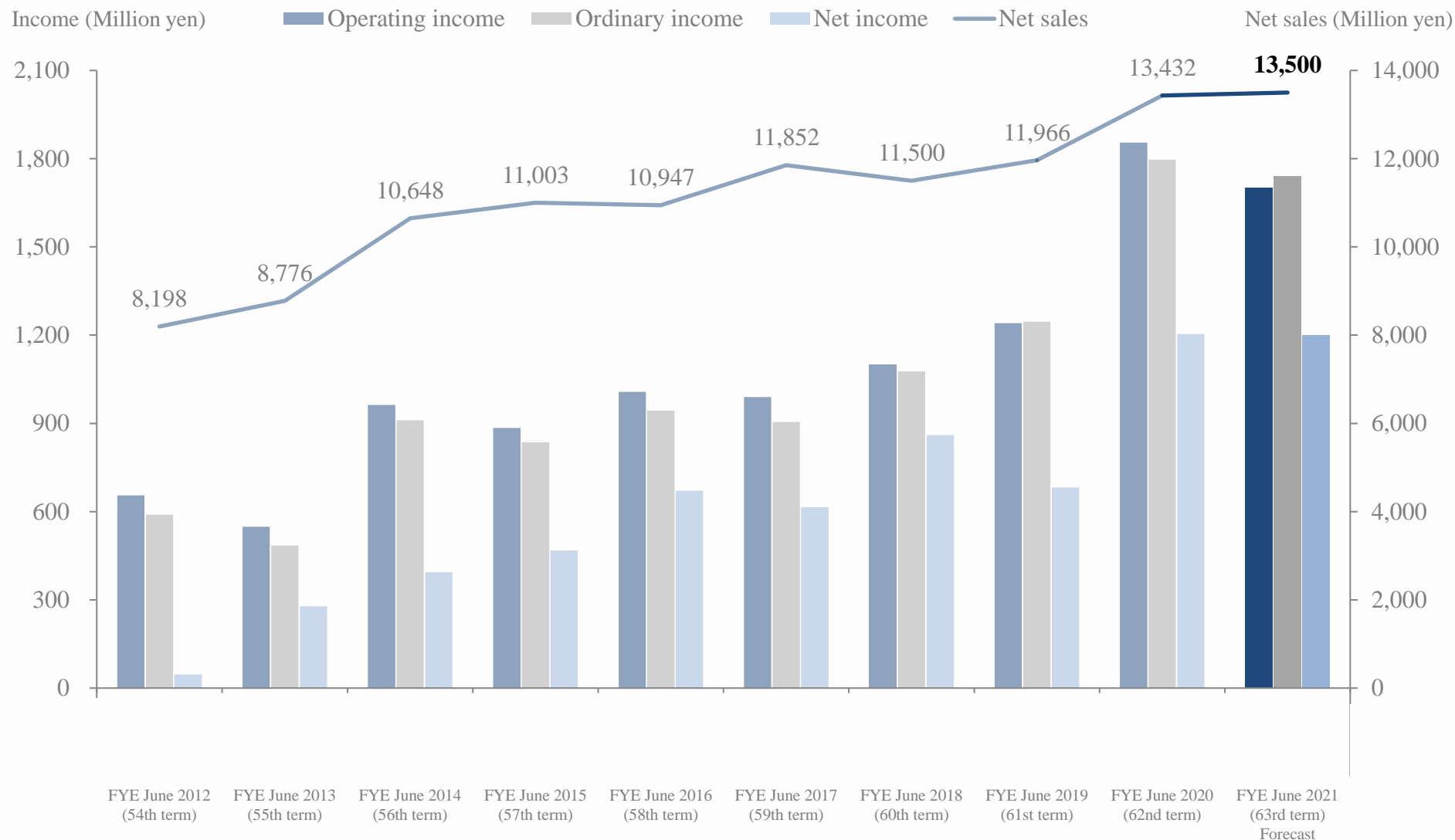
Forecast for Fiscal Year Ending June 2021 (63rd Term)

As a result of closely examining the year-end results forecast in light of results for H1 and the subsequent situation, net sales and income at all levels are expected to exceed the initial forecast.

(Million yen)

	FYE June 2020 (62nd term)	FYE June 2021 (63rd term) Initial forecast	FYE June 2021 (63rd term) Revised forecast
Net sales	13,432	12,700	13,500
Operating income	1,855	1,500	1,700
Ordinary income	1,797	1,470	1,740
Net income	1,204	1,000	1,200

Results Forecast after Revisions and Changes in Results in the Past

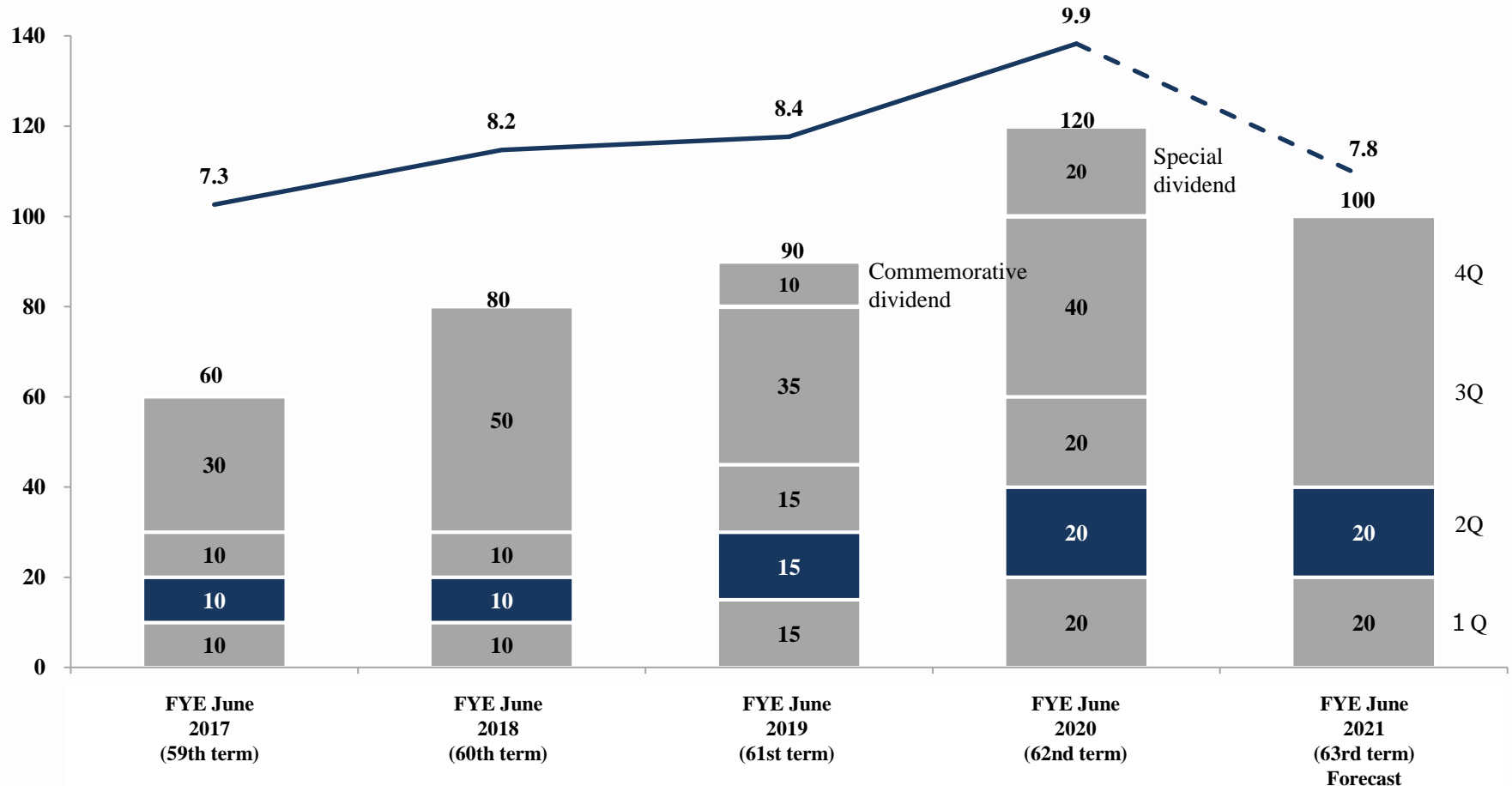


Actual Dividends in the Past and Forecast Dividends for the 63rd Term

Pay stable dividends continuously according to the dividend policy.

Quarterly dividends and DOE in each term

(Yen, %)



* DOE = Dividend per share divided by net assets per share, multiplied by 100

Innovating for a Wise Future

We want to create a wise future society with our stakeholders by disseminating useful technologies based on our engineering knowledge.

Innovating with a focus on the process of creating a society.



Contact:

Corporate Communications & Investor Relations Section

T E L : 03-5342-1040

F A X : 03-5342-1242

E - M A I L : ir@kke.co.jp

W e b s i t e : <https://www.kke.co.jp>

*Innovating for a **Wise Future***