



FYE June 2018 Financial Results

August 28, 2018

- 1. Overview of Financial Results**
- 2. Results by Segment**
- 3. Forecast for Fiscal Year Ending June 30, 2019 (61st term)**
- 4. Toward New Growth**

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 2017 (59th term)	FYE June 2018 (60th term)	Change from previous FY	Rate of change from previous FY
Net sales	11,852	11,500	-352	-3.0%
Cost of sales	6,349	5,832	-517	-8.1%
Gross profit (Gross profit rate)	5,502 (46.4%)	5,667 (49.3%)	164	3.0%
SGA expenses	4,512	4,566	54	1.2%
Operating income (Operating income rate)	990 (8.4%)	1,100 (9.6%)	110	11.1%
Non-operating profit & loss	-85	-23	50	—
Ordinary income (Ordinary income rate)	905 (7.6%)	1,077 (9.4%)	171	19.0%
Extraordinary profit & loss	-12	-22	-9	—
Net income before taxes (Net income before taxes rate)	892 (7.5%)	1,054 (9.2%)	162	18.2%
Income taxes	276	194	-81	-29.5%
Net income (Net income rate)	615 (5.2%)	860 (7.5%)	244	39.6%

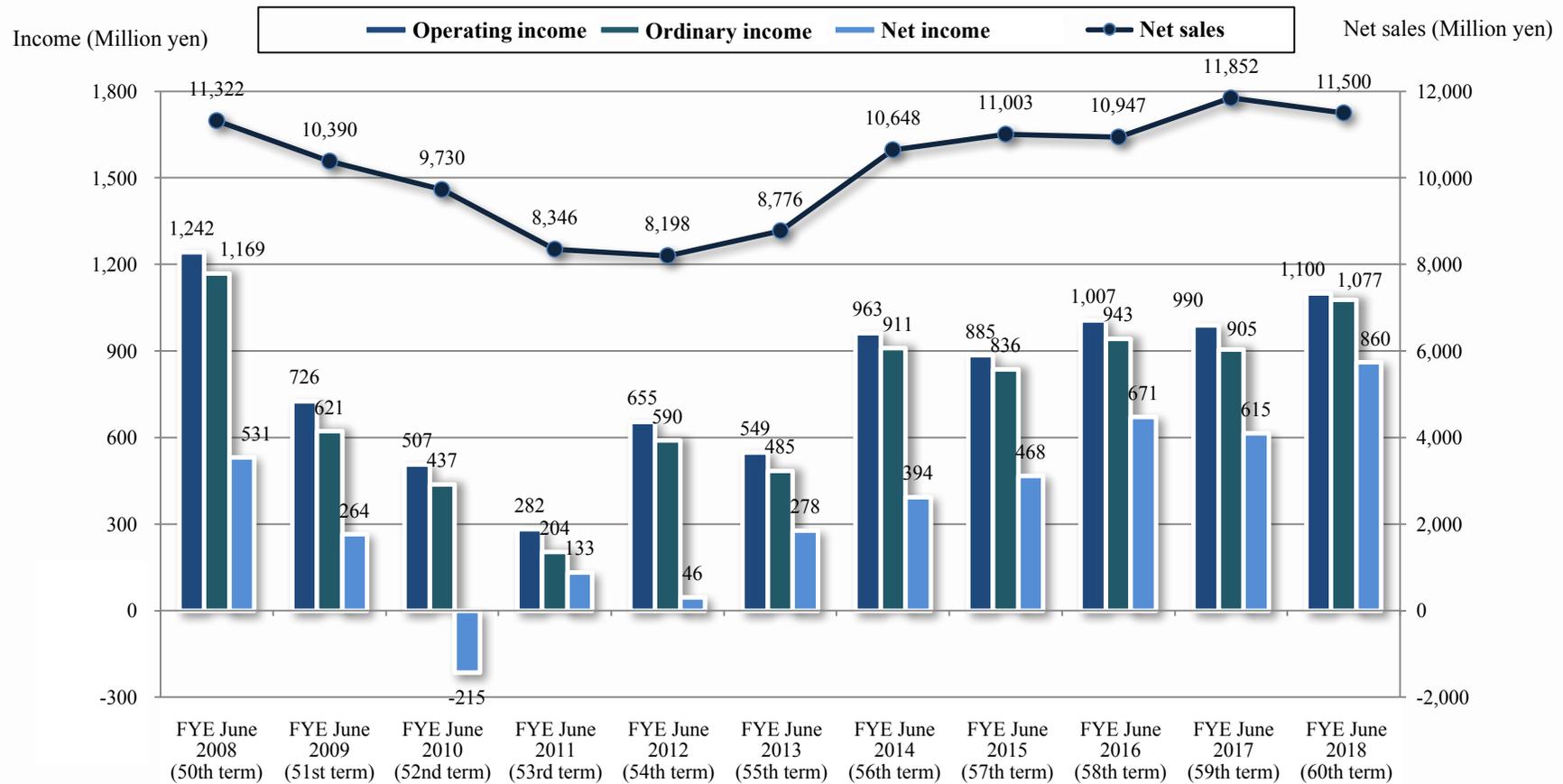
(Reference) Net Income Excluding Tax Reduction Effect

Tax expenses reduction effect due to ESOP dividends (Million yen)

Expenses for tax purposes	Tax rate	Amount of tax reduction
473	30.86%	-146

	FYE June 2018 (Plan)	FYE June 2018 (Results)	FYE June 2018 (Excluding tax reduction effect)	Achievement rate of plan
Net sales	12,000	11,500	11,500	-4.2%
Operating income (Operating income rate)	1,200 (10.0%)	1,100 (9.6%)	1,100 (9.6%)	-8.3%
Ordinary income (Ordinary income rate)	1,140 (9.5%)	1,077 (9.4%)	1,077 (9.4%)	-5.5%
Net income before taxes (Net income before taxes rate)	1,140 (9.5%)	1,054 (9.2%)	1,054 (9.2%)	-7.5%
Income taxes	378	194	340	
Net income (Net income rate)	761 (6.3%)	860 (7.5%)	714 (6.0%)	-6.2%

Trends in Results

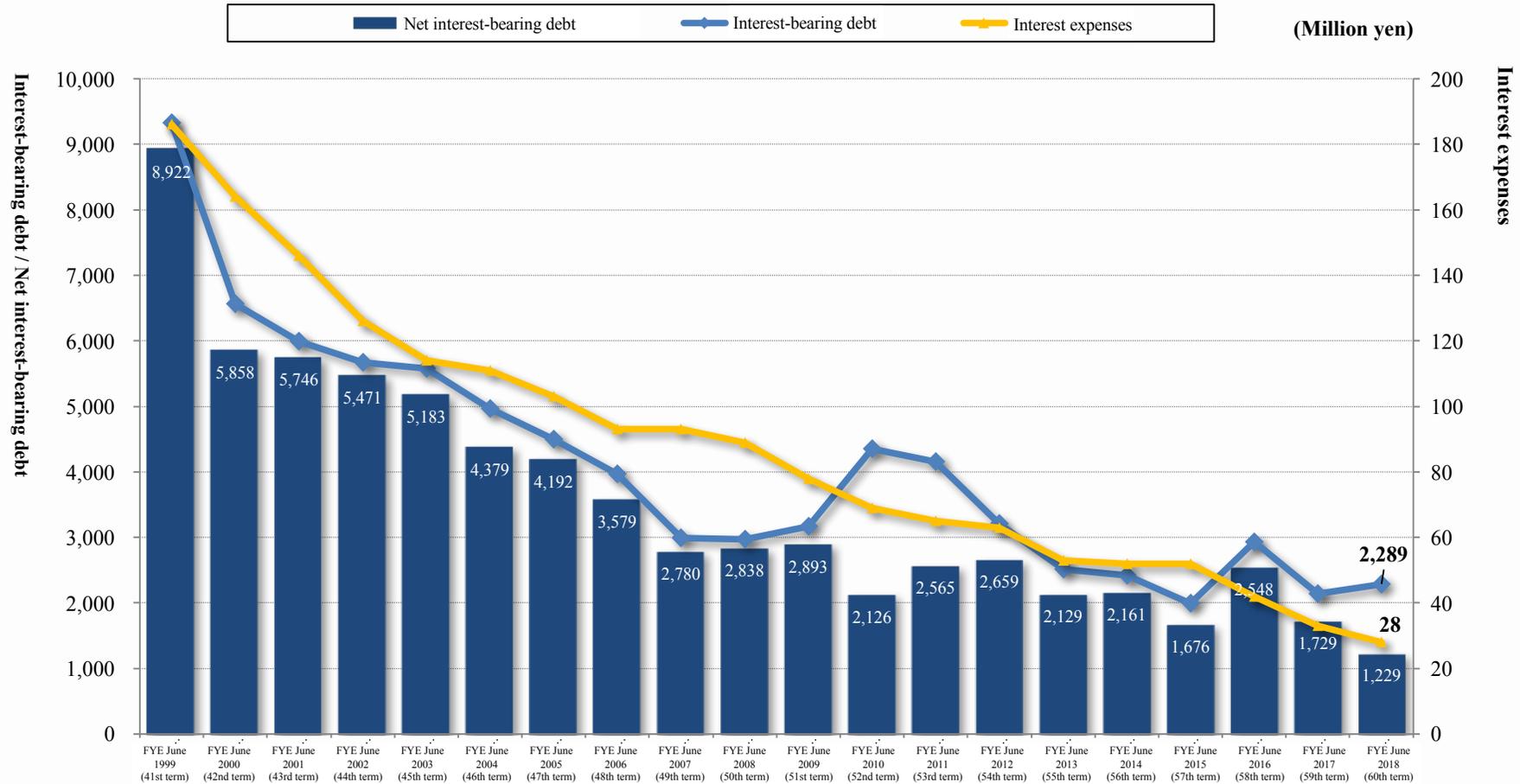


Highlights of Balance Sheet

(Million yen)

Item	FYE June 2017 (59th term)	FYE June 2018 (60th term)	Change	Item	FYE June 2017 (59th term)	FYE June 2018 (60th term)	Change
Cash and Deposits	411	1,059	648	Short-term borrowings	320	–	-320
Notes /accounts receivable - trade	1,388	1,654	266	Current portion of long-term borrowings	725	396	-329
Work in process	549	542	-6	Advances received	748	855	106
Other	828	1,455	626	Accounts payable - accrued expenses	636	872	235
				Other	1,332	1,448	115
[Current assets]	3,177	4,711	1,534	[Current liabilities]	3,763	3,571	-191
Property, plant and equipment	5,156	5,116	-39	Long-term borrowings	1,095	1,893	798
Intangible assets	455	476	20	Provision for retirement benefits	1,816	1,924	107
Investments and other assets	1,692	1,952	260	Other	144	177	32
[Fixed assets]	7,305	7,545	240	[Long-term liabilities]	3,056	3,995	939
				[Liabilities]	6,819	7,566	747
				Capital stock	1,010	1,010	–
				Capital surplus	1,279	1,897	617
				Retained earnings	3,371	3,943	571
				Treasury shares	-2,020	-2,177	-156
				Valuation difference on available-for-sale securities	22	17	-4
				[Net assets]	3,662	4,690	1,028
[Assets]	10,482	12,257	1,775	[Liabilities and net assets]	10,482	12,257	1,775
Total borrowings	2,140	2,289	148	Capital Ratio	34.9%	38.3%	
Net interest-bearing debt	1,729	1,229	-499				

Changes in Net Interest-Bearing Debt and Interest Expenses



* Net interest-bearing debt includes borrowings of ESOP trust of 295 million yen in FYE June 2012, 196 million yen in FYE June 2013, 62 million yen in FYE June 2014, 582 million yen in FYE June 2016, 282 million yen in FYE June 2017 and 1,194 million yen in FYE June 2018.

Cash Flow Statement Highlights

(Million yen)

	FYE June 2017 (59th term)	FYE June 2018 (60th term)	Change
Balance at the beginning of FY	385	411	25
CF from operations	1,359	598	-761
CF from investments	-515	-530	-15
Free CF	844	68	-776
CF from financing	-819	580	1,400
Balance at the end of FY	411	1,059	648

(Million yen)

Highlights of CF from operations	FYE June 2017	FYE June 2018	Change
Net income before taxes	892	1,054	162
Increase/decrease in accounts receivable	61	-162	-224
Decrease in inventories	416	9	-406

Highlights of CF from investments	FYE June 2017	FYE June 2018	Change
Purchase of property, plant and equipment	-87	-112	-25
Purchase of intangible assets	-261	-143	118
Purchase of shares of subsidiaries and associates	-17	-164	-146

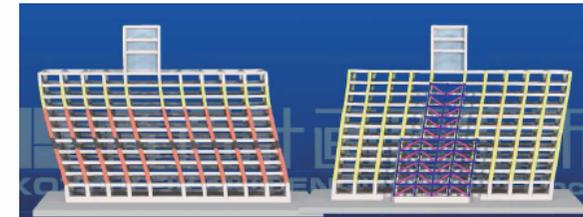
Highlights of CF from financing	FYE June 2017	FYE June 2018	Change
Net decrease in short-term borrowings	-430	-320	110
Net increase/decrease in long-term borrowings	-363	468	832
Dividend payments	-329	-286	42

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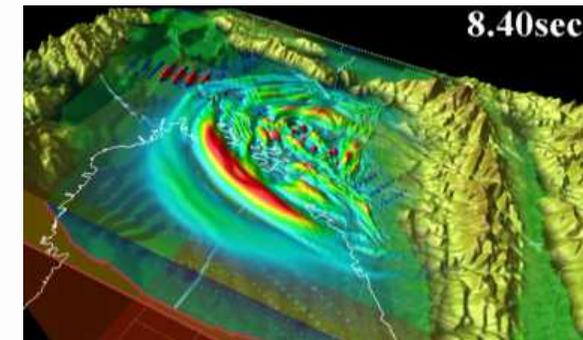
Results by Segment



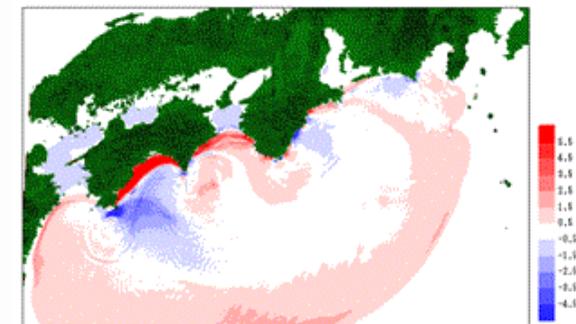
- Structural design and structural analysis consulting
 - Structural design of high-rise buildings and structural analysis of large buildings
- Environment assessment and disaster risk reduction consulting
 - Wind condition analysis, thermal environment analysis and disaster risk assessment
- System development in the housing and construction fields
 - System development including CAD, BIM and structural calculation
- Decision-making support consulting
 - Social simulation and optimization



Seismic analysis of structures



Simulation of ground motion

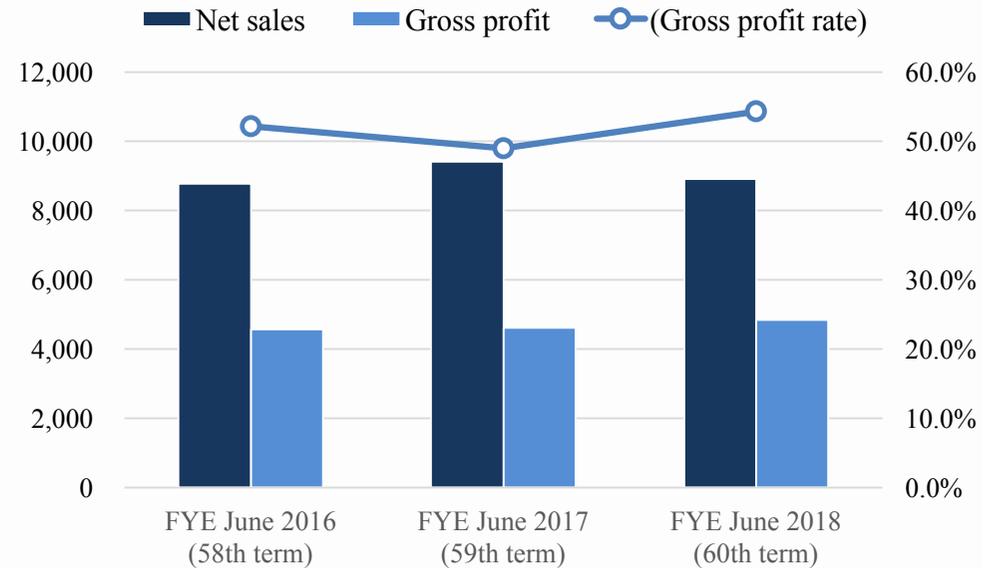


Assessment of tsunami risk

Engineering Consulting

(Million yen)

	FYE June 2016 58th term	FYE June 2017 59th term	FYE June 2018 60th term	Year-on-year
Orders	9,255	9,434	9,045	-4.1%
Net sales	8,780	9,419	8,916	-5.3%
Gross profit (Gross profit rate)	4,579 (52.2%)	4,617 (49.0%)	4,846 (54.3%)	5.0%
Backlog of orders	4,212	4,227	4,357	3.1%

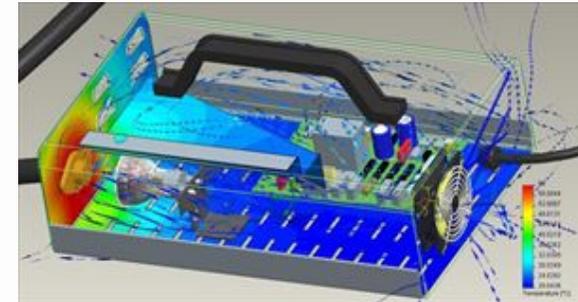


Analysis of results

- ❑ System development business that responds to investment in differentiation made by the top companies that lead the housing industry, structural design to build a safe, secure society and analysis business to prevent and reduce disasters and decision-making support consulting business remained firm.
- ❑ Profitability improved because we were able to reduce the occurrence of large unprofitable projects, although sales declined from the previous fiscal year.
- ❑ The backlog of orders increased because orders remained strong in the second half.

Develop in-house and sell externally

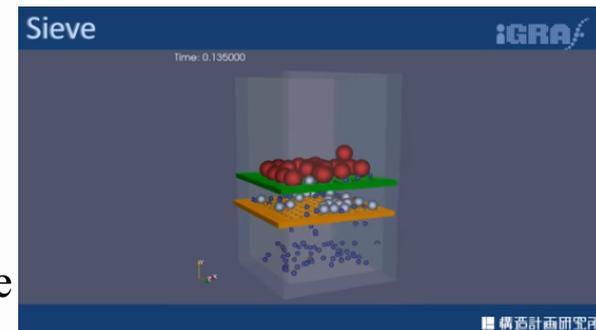
- Structural and seismic analysis software
 - Structural design of buildings and ground analysis
- Optimization and decision-making support software
 - Multi-agent simulator, optimization simulator



Thermal flow analysis

Introduce from overseas and develop

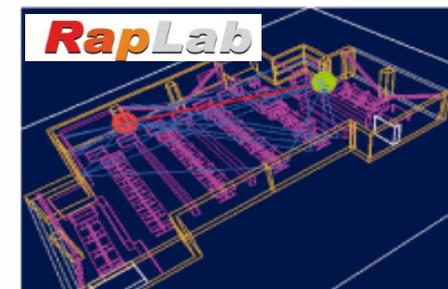
- CAE software for manufacturing
 - Thermal flow analysis, particle-based simulation, granular simulation
 - Radio wave and electromagnetic field analysis software
 - Radio propagation, electromagnetic field analysis, positioning simulator



Granular simulation

Provide cloud services

- Cloud services
 - Email delivery service, smart locks

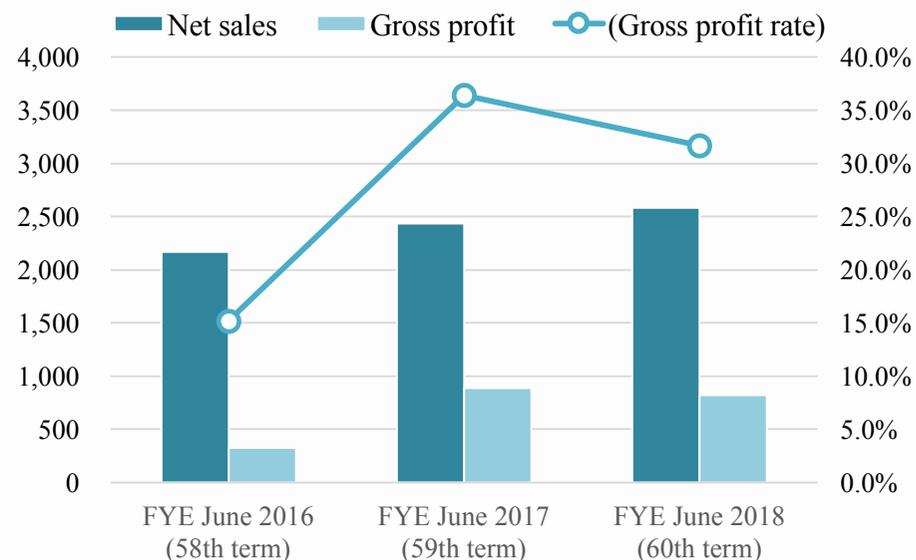


Radio propagation analysis

Product Service

(Million yen)

	FYE June 2016 58th term	FYE June 2017 59th term	FYE June 2018 60th term	Year-on-year
Orders	2,257	2,458	2,653	7.9%
Net sales	2,166	2,433	2,583	6.2%
Gross profit (Gross profit rate)	329 (15.2%)	885 (36.4%)	820 (31.7%)	-7.3%
Backlog of orders	968	993	1,063	7.1%



Analysis of results

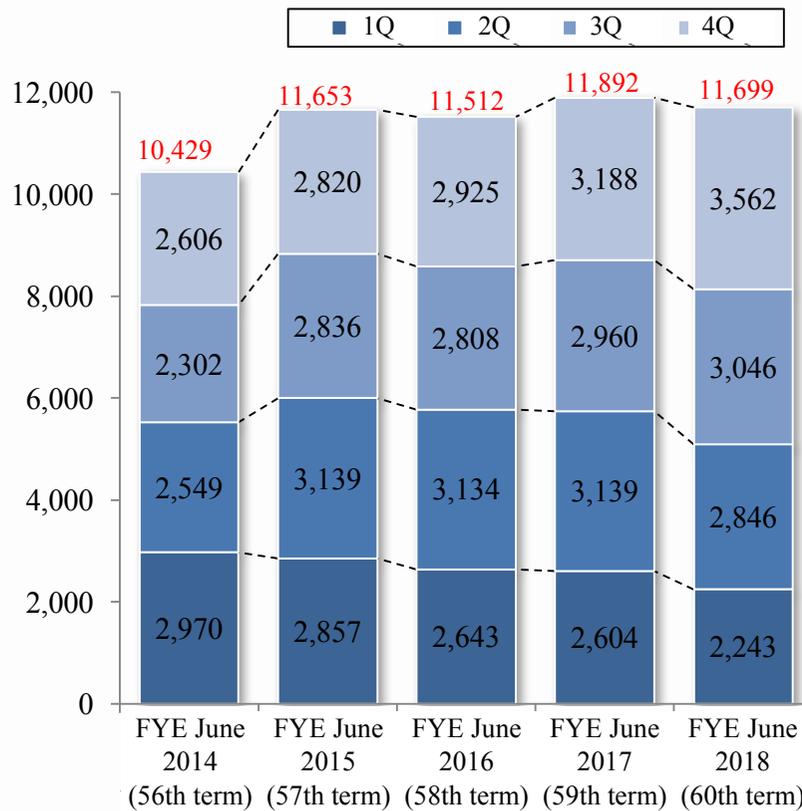
- Sales of CAE software for architects that will shorten the period of product development and reduce costs, radio propagation analysis software and cloud-based email delivery service remained solid.
- Net sales increased for the third consecutive year due to the expansion of sales of services, in addition to conventional package sales-type products.
- Profitability declined slightly from the previous fiscal year, mainly due to a rise in purchase expenses.

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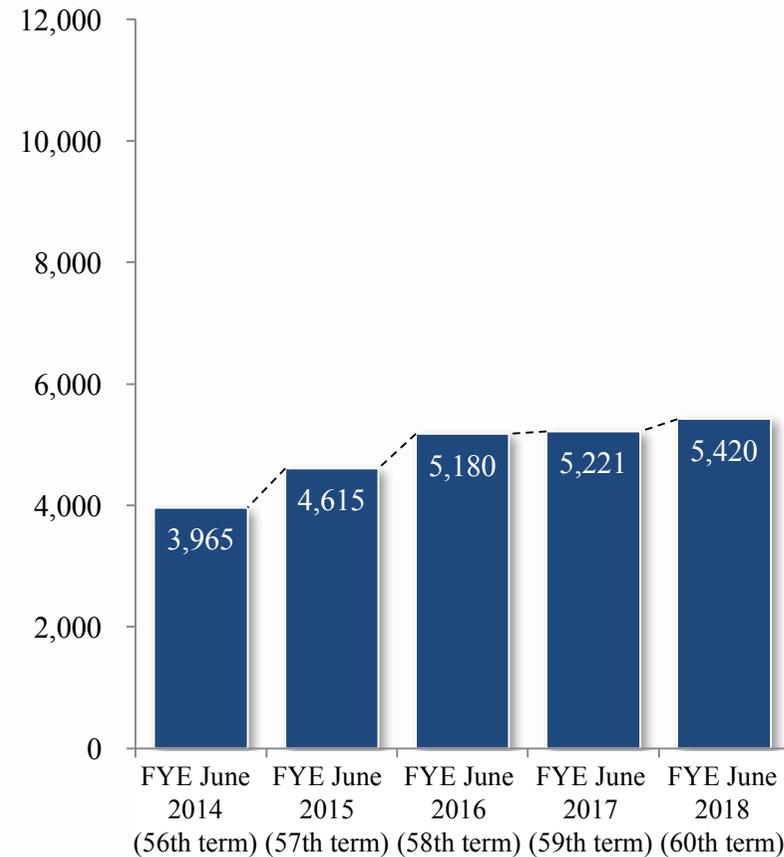
Forecast for Fiscal Year Ending June 30, 2019 (61st term)



Orders and Backlogs of Orders

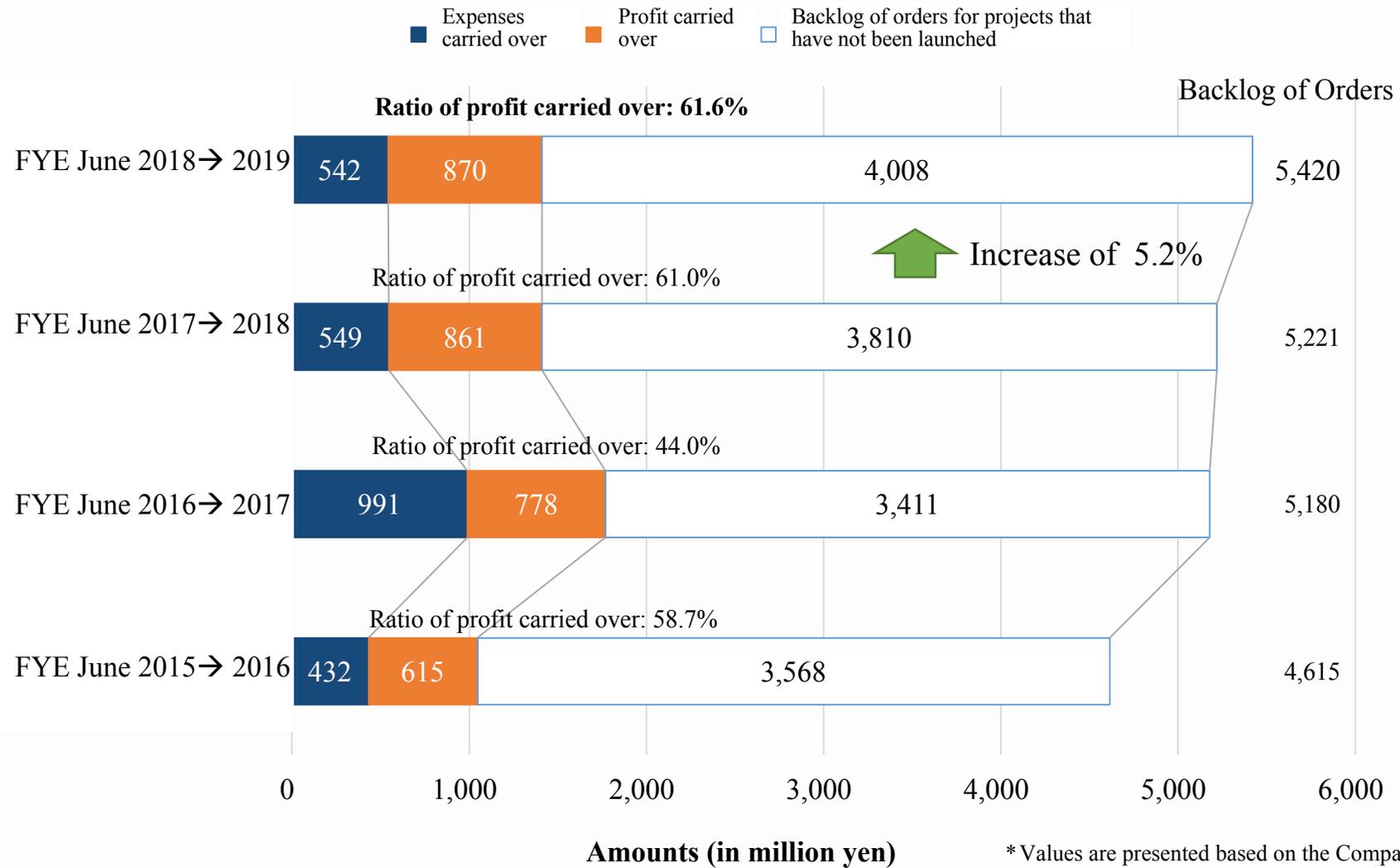


Orders (Million yen)



Backlog of orders (Million yen)

Status of Profit at the Beginning of FYE June, 2019



* Values are presented based on the Company's management accounting

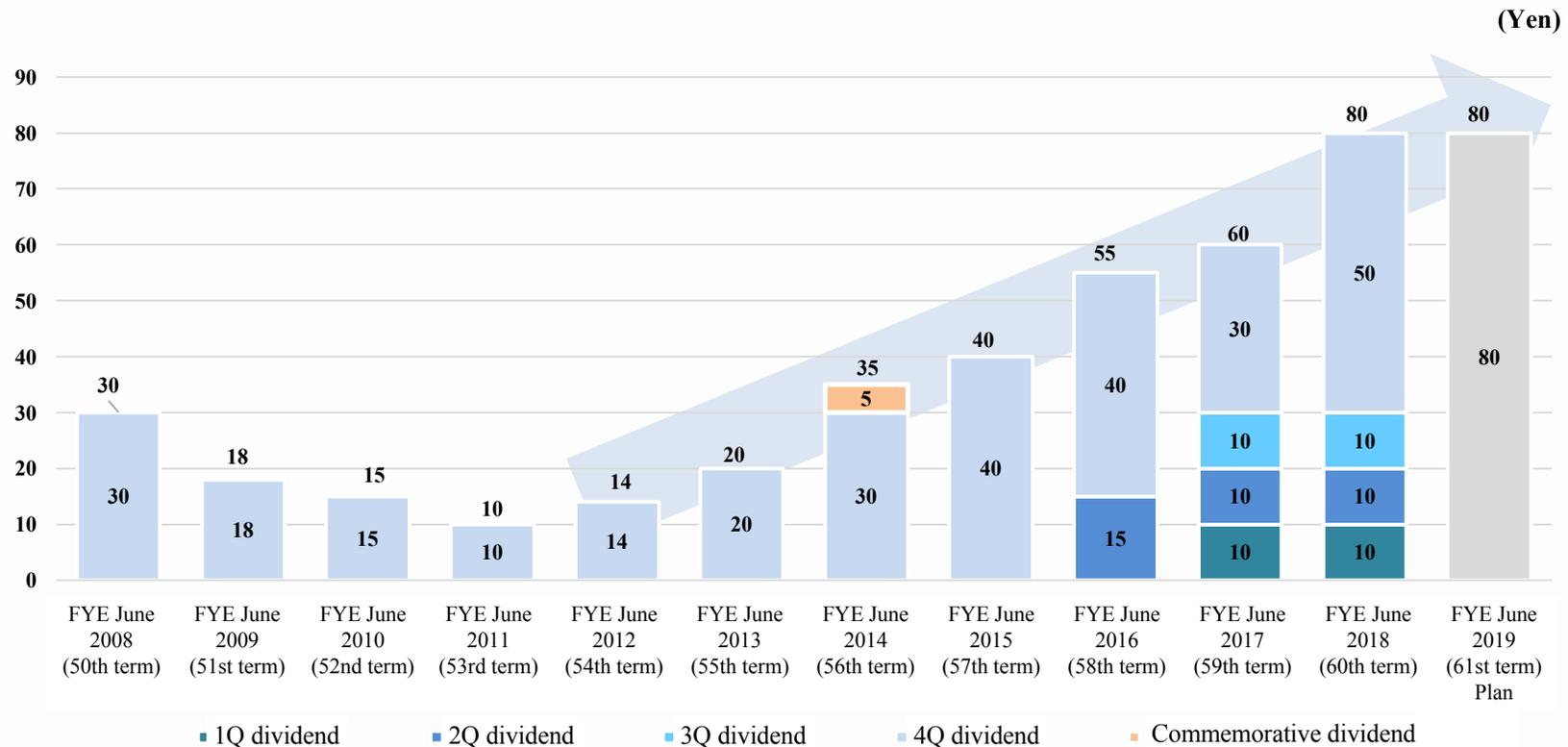
Estimates for Fiscal Year Ending June 2019 (61st Term)

(Million yen)

	FYE June 2018 (60th term) Results	FYE June 2019 (61st term) Plan	Change	% change
Net sales	11,500	12,000	499	4.3%
Operating income	1,100	1,200	99	9.0%
Ordinary income	1,077	1,175	97	9.1%
Net income	860	800	-60	-7.0%
Year-end dividend	80 yen per share	80 yen per share		

Plan of Dividends

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



*56th term: Special 55th commemorative dividend paid

*58th term: Interim dividend paid

*59th term: Switched to quarterly dividends

Overview of Cancellation of Treasury Shares

- 1. Reasons for cancellation:** Expand shareholder returns and eliminate concern about dilution in the future.
- 2. Class of cancelled shares:** Common shares of the Company
- 3. Number of cancelled shares:** 606,000
(9.9% of 6,106,000, the total number of shares outstanding before cancellation)
- 4. Date of cancellation:** August 27, 2018
- 5. Total number of shares outstanding after cancellation:** 5,500,000

4

Toward New Growth



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

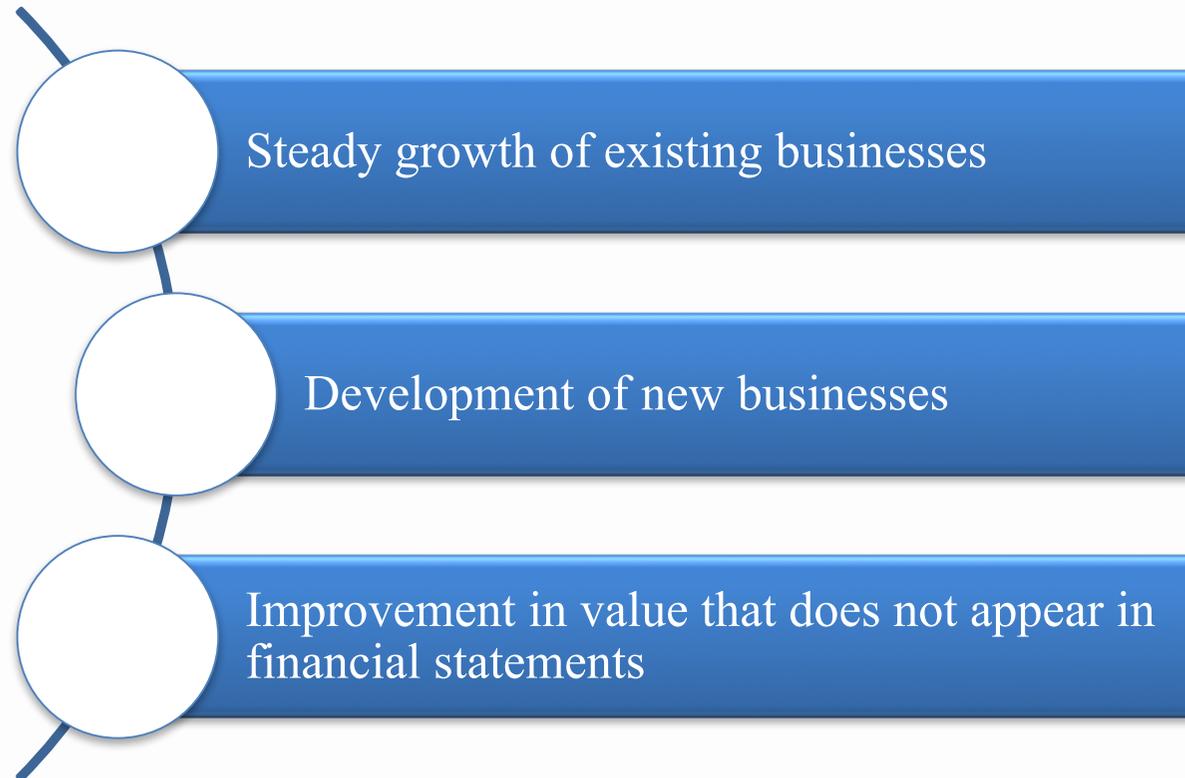
Innovating for a **Wise Future**

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.

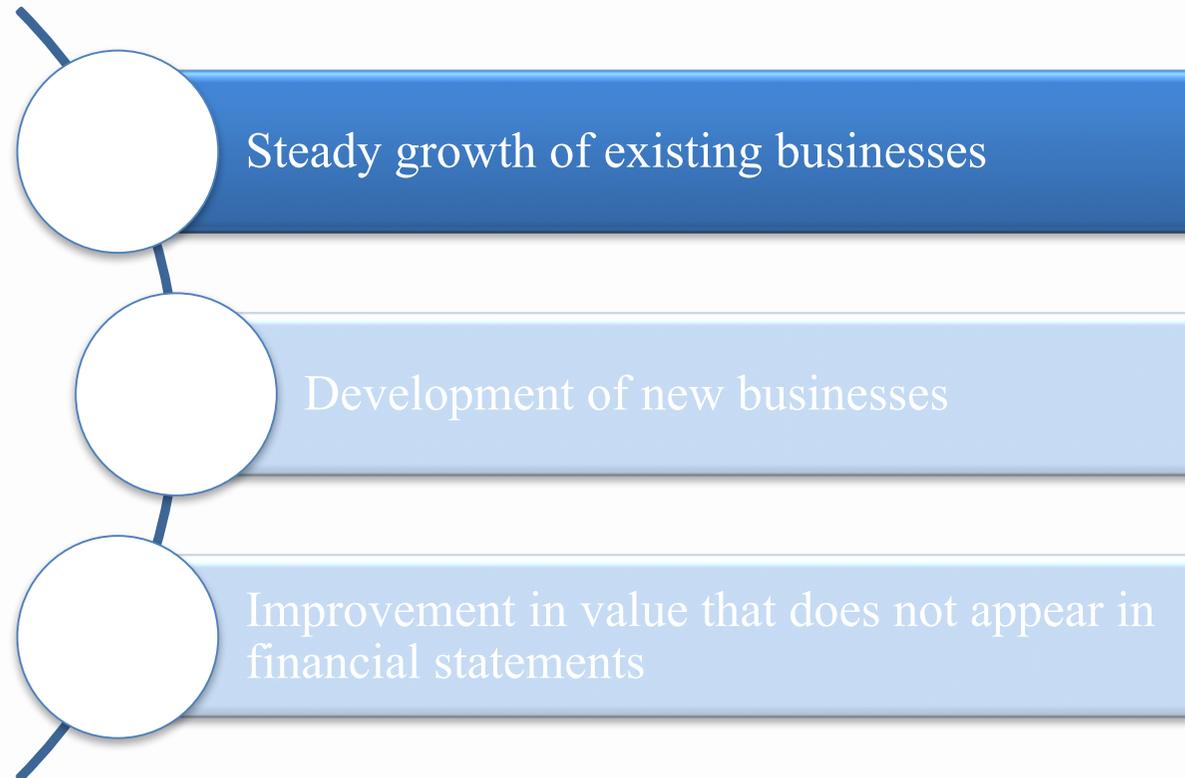
We use the word “innovating” to express the process of creating society.



Three perspectives for sustainable growth in the future



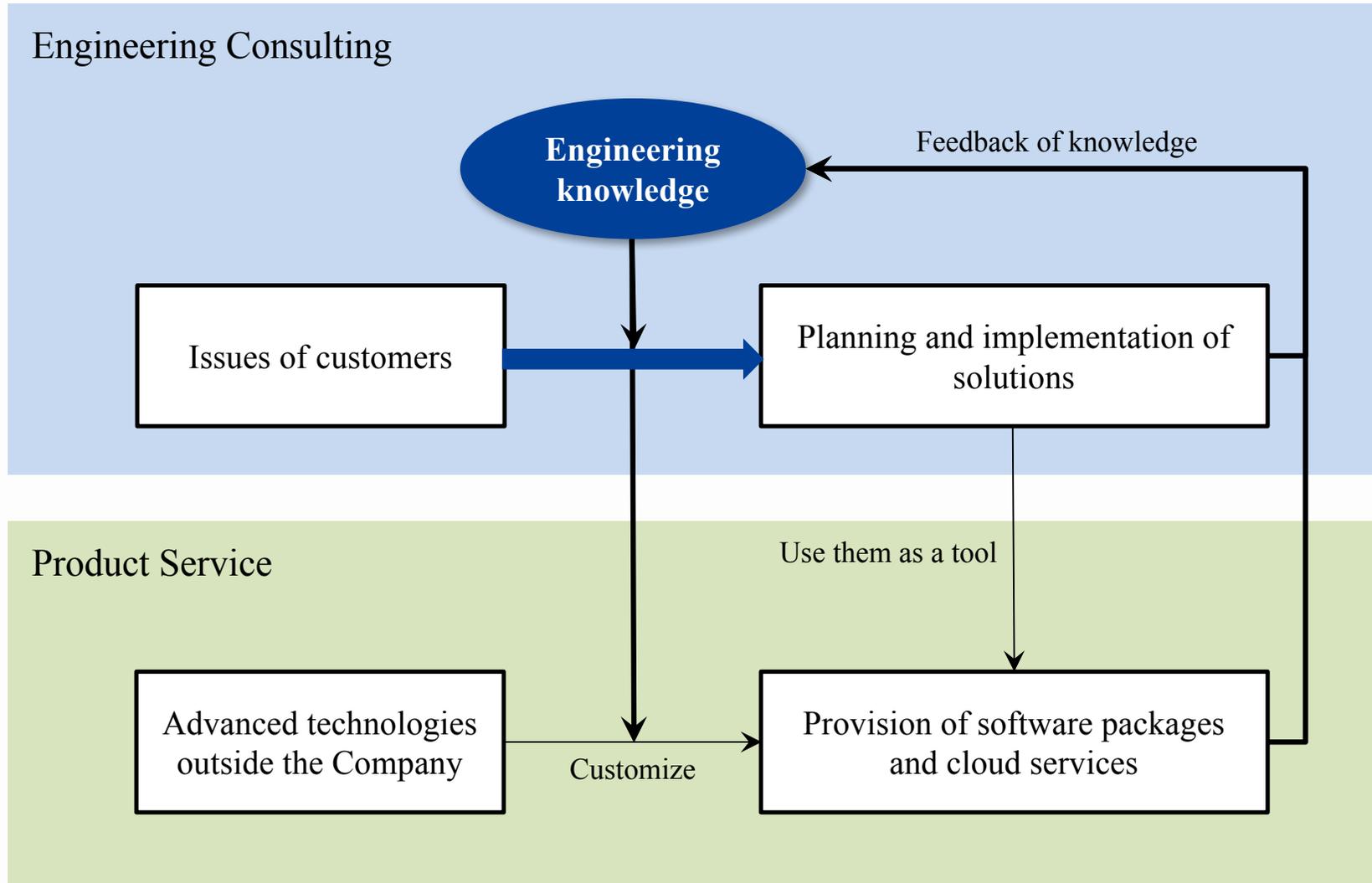
Three perspectives for sustainable growth in the future



Characteristics of Each Segment

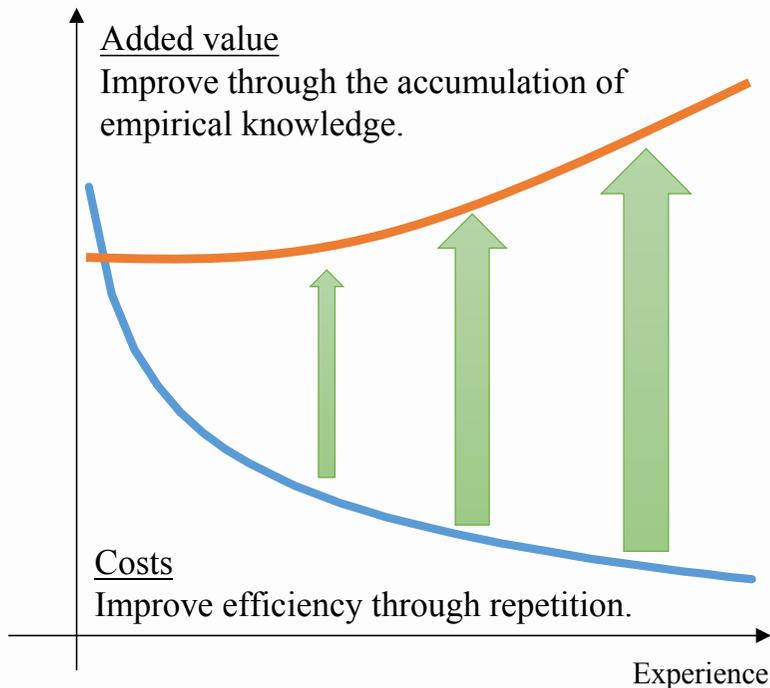
	Engineering Consulting	Product Service
Competitiveness	Provision of consultation through the accumulation and combination of technologies	Bring in products and services in-house and from outside the Company and provide them after adding value.
Business model	Contract type consulting	Package sales and the provision of cloud services
Number of users	1–100	100–10,000
Stability and growth potential	Quality control is important, but it is relatively stable and will grow gradually.	There are uncertainties such as the introduction of products on a large scale, but the growth potential is high.
Mobility	Mobility in the selection and discretion of technology themes is relatively high.	In large-scale services that are operated constantly, continuity is required.
Cash flow	Project periods are long, and it sometimes takes several months or more from the receipt of an order to payment.	Payment after sales will be made in a relatively short span of time, and there are regular payments for maintenance, etc.

Relationship Between Both Segments



Growth of Engineering Consulting Business

Steadily expand in the areas of specialty
while focusing on the experience curve effect.



- Structural design consulting
- Structural and environment analysis consulting
- Housing and architectural IT system development
- Decision-making support consulting
- Information and communications technology consulting

Promotion of high-quality and high added value businesses

Initiatives in the Energy Industrial Field

Offer various forms of technology consultation for issues in the energy industry.

Stable supply

We support the rationalization of resources development and fuel procurement using **optimization and risk assessment technologies**. We also offer consultation on electric power system assessment using **simulation and data analysis technologies**.

Environmental consideration

We design wind power generation facilities based on wind condition analysis and **structural design technology**. In addition, we undertake **demand forecasting** for the more efficient use of electricity and offer consultation on energy management.

Securing of safety

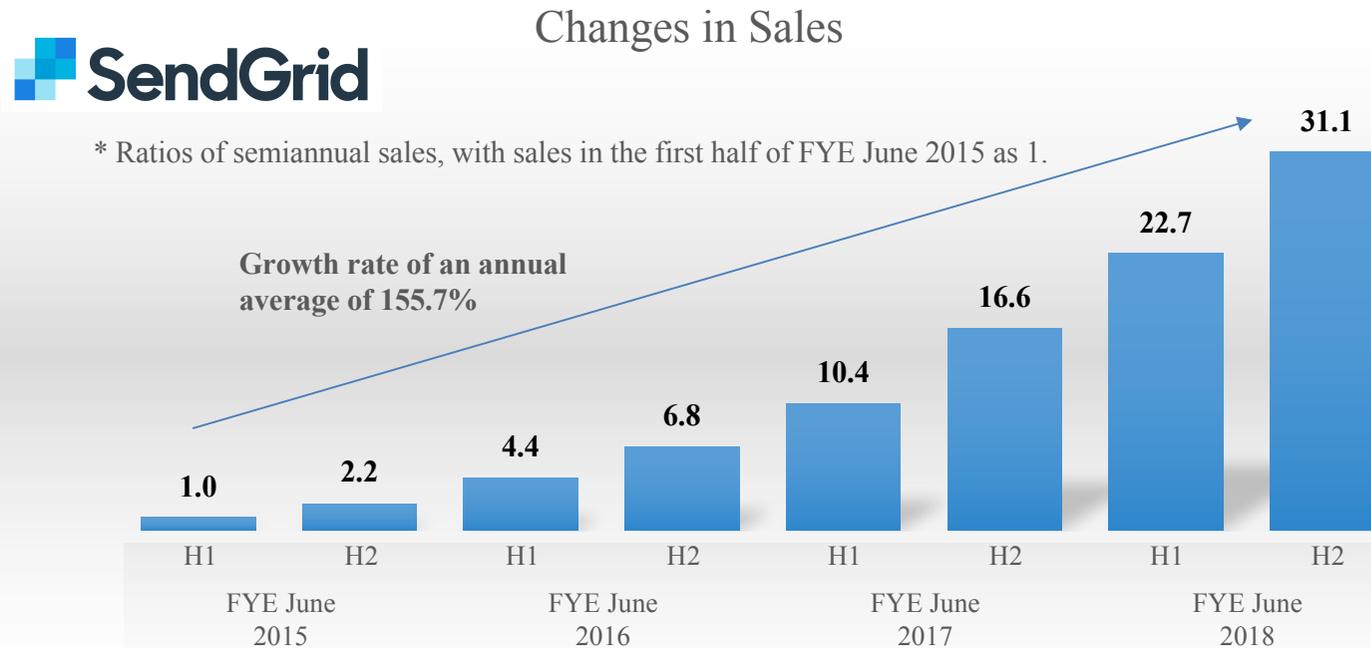
We offer maintenance and management support for energy infrastructure and perform **seismic design** of power generation facilities based on sensor data analysis. In addition, we offer consultation on measures at the time of a disaster, including the **formulation support of evacuation plans**.

We also support institutional design for the entire energy industry.

(Institutional design support based on electricity trading simulation, monitoring support of market trends, etc.)

Growth by New Product Services

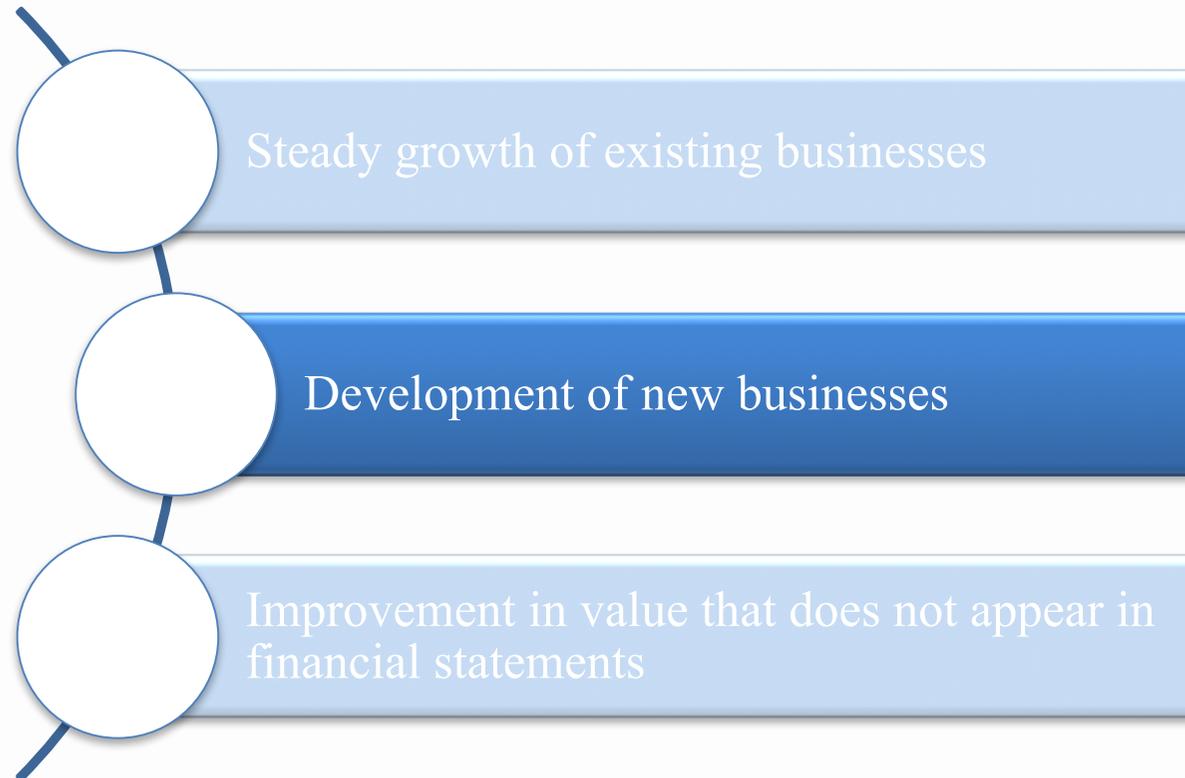
SendGrid, a cloud-based email delivery service, has been steadily expanding its business scale in Japan since the beginning of the service at the end of 2013.



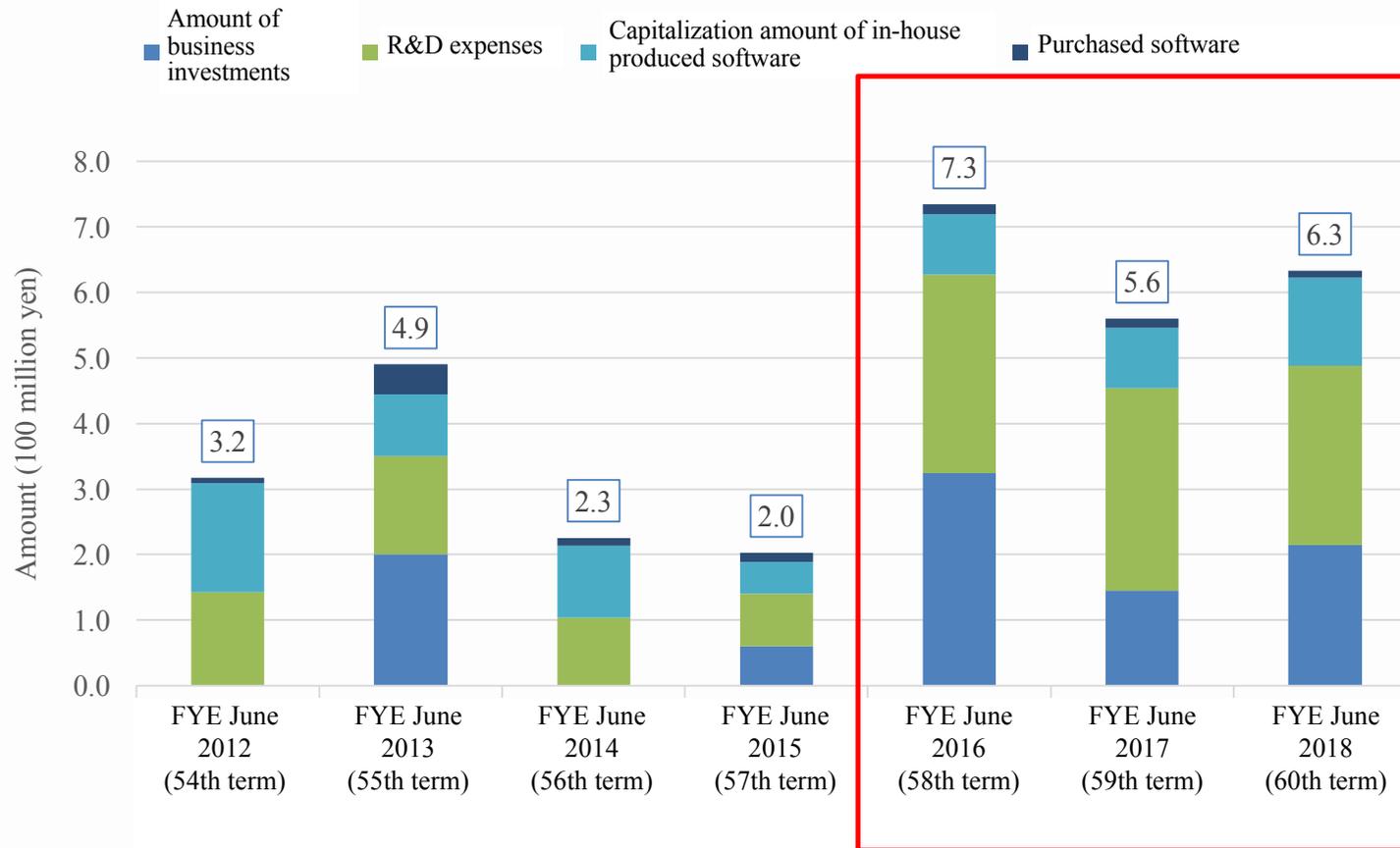
SendGrid, Inc. (Colorado, the United States)

Listed on the New York Stock Exchange in November 2017, and its market capitalization is about 1.23 billion dollars*. It is expanding its business, as its service is now used by Uber and Airbnb in the United States.

Three perspectives for sustainable growth in the future



Research and Development Investments



Have been making investments for the groundwork for new growth.

Research and Development Investment Initiatives To Date

Convenience and IoT of living location

Housing history management
system
SMILE ASP (2009–)

Monitoring sensor
EVER Relief (2017–)

Cloud-based access management
RemoteLOCK
(2017–)

Information and telecommunications

Software radio
RRP (2013–)

Cloud-based email distribution
service
SendGrid (2013–)

Cyber security
CyNote (2017–)

Space information

O2O solution
BeaconCast
(2013–2015)

People flow measurement
PeopleCounter
(2014–)

Indoor space information
measurement
NavVis(2015–)

Disaster prevention measures

Radio communication at the
time of disaster
Relay-by-Smartphone
(2015–)

Weather disaster prevention
River water level prediction
(2017–)

Seeking new themes while occasionally feeding off failures.

Initiatives for New Business

Business development with new themes

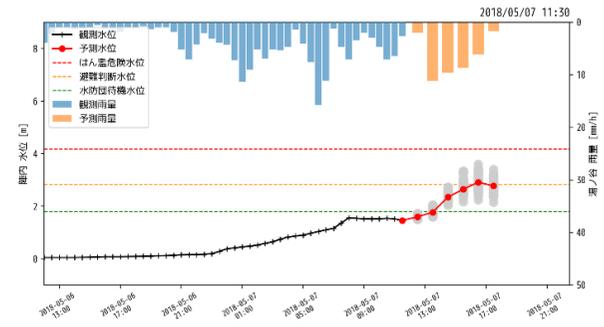
Environmental analysis theme: Weather disaster prevention

Joint development of technology for water level prediction in rivers based on business-academia collaboration.

Environmental analysis technology of the Company



Mathematical engineering of Professor Kazuyuki Aihara in the Social Cooperation Program of the University of Tokyo



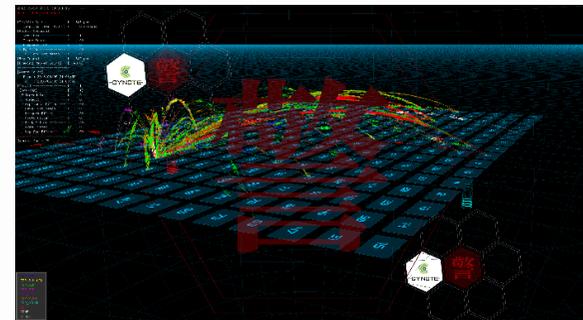
Information and communications theme: Cyber security

Development and sale of software for network security in cooperation with a research institute

Network monitoring technology of the Company



Security software of the National Institute of Information and Communications Technology



Investments in Outside Partners

- Investments in partner companies in Japan and overseas
 - (Japan) Prometech Software, Inc.
 - (The United States) LockState Inc., (Germany) Vitracom AG
- Investments in venture funds
 - ATR venture fund at Keihanna Science City
 - MIC Innovation No. 4 Investment Fund
- Investments in business-academia collaboration
 - Operating a social cooperation program “Mathematical Engineering for Complex Social Systems in the Future” jointly with Professor Kazuyuki Aihara at the Institute of Industrial Science of the University of Tokyo

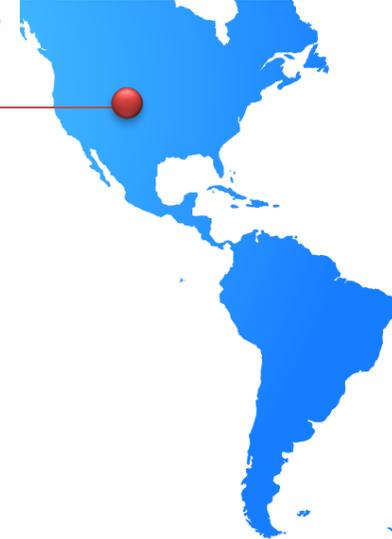
Collaboration with Overseas Partners

● LockState Inc.

- Provides cloud services for access control at facilities centered on RemoteLOCK.
- Designated as a global partner of Airbnb, a leading private residence service, and provides services to Love's, a gas station provider, and Target, a leading retailer.
- Raised funds totaling 5.8 million dollars in 2018 (1.5 million dollars from the Company).

RemoteLOCK™

Head office: Denver, Colorado



● NavVis

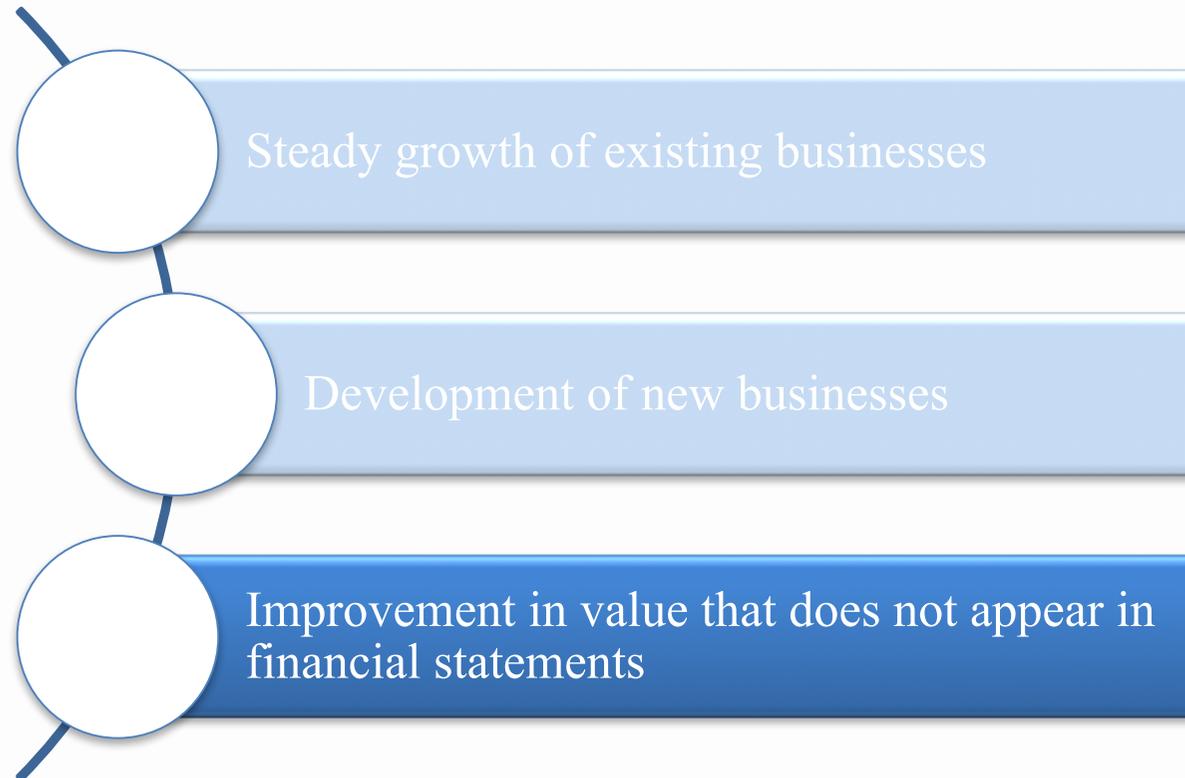
- Provides an indoor 3D digitalization service.
- Expanded into several leading German automakers, the construction industry and the FM field through the trend of Industry 4.0.
- Grew to a size of about 150 employees within four years of establishment.

NAVVIS

Head office: Munich



Three perspectives for sustainable growth in the future



Toward Sustainable Growth in the 21st Century

- End of the large-scale production and consumption model of the 20th century
- The source of profit is the sustainable creation of difference^[1]
 - Difference = You will not be able to gain value unless you create novelty.
 - It is human creativity that creates novelty.
 - You will not be able to create novelty sustainably unless you support this as an organization.



Katsuhito Iwai
Professor emeritus at the
University of Tokyo^[2]

For sustainable growth, not only financial statements but also an improvement in value are necessary.

[1] Katsuhito Iwai, “‘Japanese-style management 2.0’ will revive the Japanese economy,” DIAMOND Quarterly, 2018

[2] From “Cultural Contributors in Fiscal 2016” (the Ministry of Education, Culture, Sports, Science and Technology)

http://www.mext.go.jp/b_menu/houdou/28/11/attach/1379064.htm

Value that does not Appear in Financial Statements

- Participation of excellent and diverse human resources
in Japan and around the world
- Cultivation of human resources through domestic and international interactions
- Provision of an attractive environment tailored to the changes of the times
- Flexible and open-minded corporate culture



Continue to grow by creating new value sustainably.

Recruiting Excellent Human Resources, Irrespective of Nationality and Field

Newly-added KKE members
(including prospective ones)
from 2015 to 2019

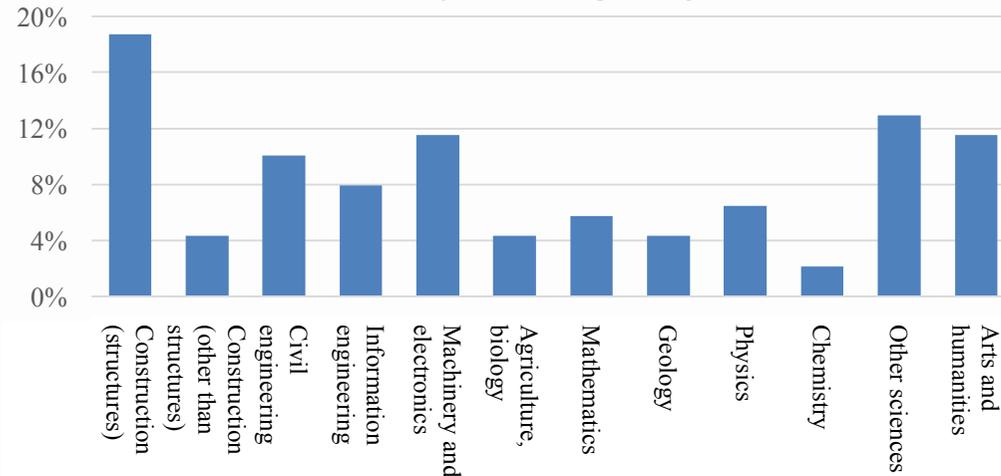
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Universities they graduated from (breakdown of those who joined the Company from April 2015 to April 2019)	Number of staff members	%
The University of Tokyo	16	11.5%
The University of Tsukuba	9	6.5%
Nanyang Technological University	9	6.5%
Tokyo Institute of Technology	8	5.8%
Kyoto University	8	5.8%
National University of Singapore	7	5.0%
Chiba University	6	4.3%
Nara Women's University	5	3.6%
Osaka University	4	2.9%
Institut Teknologi Bandung	4	2.9%
Kyushu University	4	2.9%
Nihon University	4	2.9%
Tokyo University of Science	4	2.9%
Nagoya University	3	2.2%
Kagoshima University	3	2.2%
Kumamoto University	3	2.2%

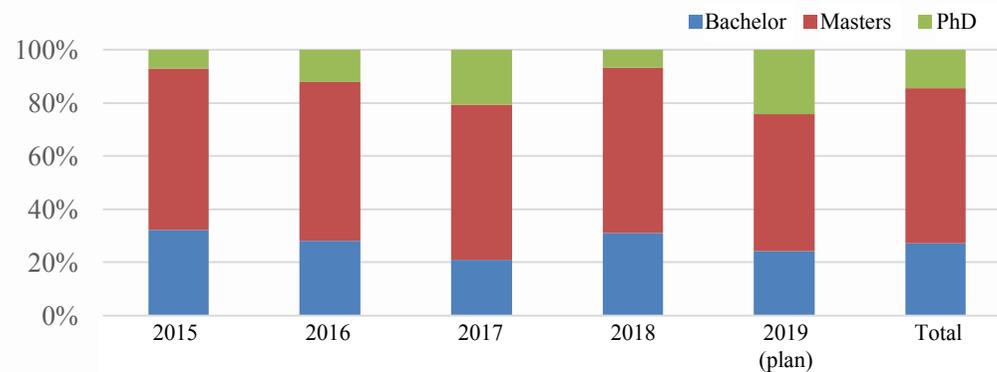
* Foreign universities

<http://www.kke.co.jp>

University or college majors



Breakdown by academic degree



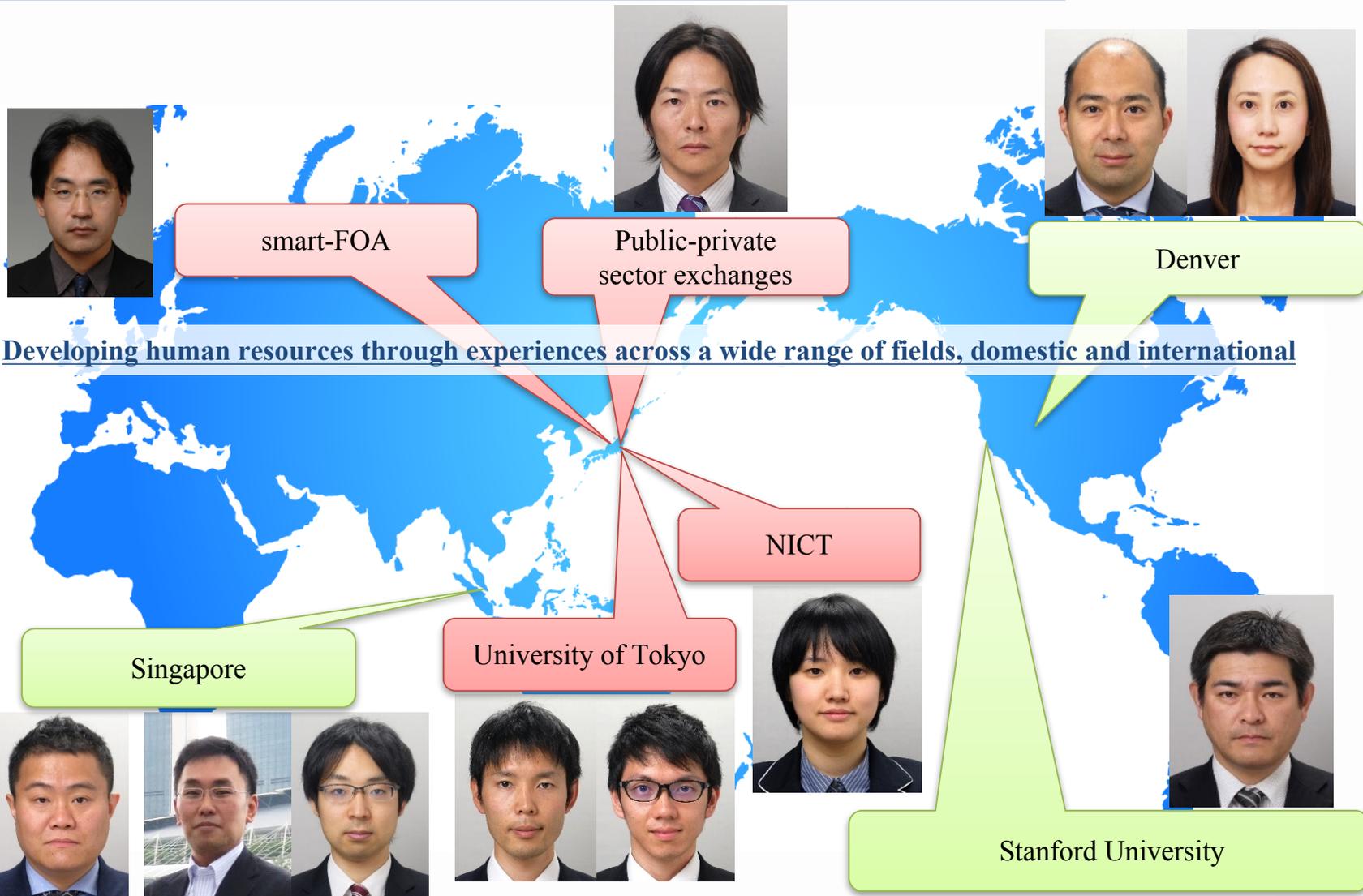
Participation of Diverse Human Resources from Around the World

Began overseas recruitment in earnest in 2014, and 38 foreign national staff members account for 6.6% of all the staff members as of the end of FYE June 2018.



Fostering the foundation for new development through diverse culture and experiences.

Providing Diverse Opportunities for Growth



Developing human resources through experiences across a wide range of fields, domestic and international

Arrangement of Attractive Environment and Systems

- Arrangement of an environment to promote creation and growth
 - Establishment of workplaces for business development departments at the enclave
 - Establishment of an in-house café to promote the exchange of different cultures
 - Recommendation of shadow work and the opening of a library for learning and intensive work
- Arrangement of an environment to achieve more flexible and diverse work styles
 - Abolishment of the retirement age system and establishment of an area- and time-limited work system
 - Introduction of a discretionary work system for job positions at a certain level or above (understand work conditions at the same time)
 - Establishment of a bicycle parking space and a car parking space



Corporate Branding Event KKE Vision 2018

AIMING FOR THE SOCIALIZATION OF TECHNOLOGY - WHAT IS NECESSARY FOR TECHNOLOGY TO BE ACCEPTED BY SOCIETY? -

KKE Vision 2018

Tuesday October 23
Cerulean Tower Tokyu Hotel



▲5-minute walk from Shibuya Station

Keynote speech

“How has the coevolution of human and information technology been progressing?”

Jiro Kokuryo
Vice-President
Professor of Faculty of
Policy Management
Keio University



A vision for structures in society

Technology that will be of real help
at the time of a disaster

Mobility of future creation

* Also to be held in Osaka on November 30, 2018.

*Innovating for a **Wise Future***

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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Innovating for a **Wise Future**