



# **FYE June 2021 (63rd Term) Financial Results**

August 26, 2021

- 1. Overview of Financial Results**
- 2. Overview of Results by Segment**
- 3. Forecast for Fiscal Year Ending June 30, 2022 (64th term)**
- 4. To Be One of Japan's Leading Knowledge-Intensive Companies**

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

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# Income Statement

(Million yen)

	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Change from previous FY	Rate of change from previous FY
Net sales	13,432	13,631	198	1.5%
Cost of sales	6,071	6,398	327	5.4%
Gross profit (Gross profit rate)	7,360 (54.8%)	7,232 (53.1%)	-128	-1.7%
SGA expenses	5,505	5,514	8	0.2%
Operating income (Operating income rate)	1,855 (13.8%)	1,718 (12.6%)	-136	-7.4%
Non-operating profit & loss	-58	46	104	—
Ordinary income (Ordinary income rate)	1,797 (13.4%)	1,764 (12.9%)	-32	-1.8%
Extraordinary profit & loss	-109	58	167	—
Net income before taxes	1,688 (12.6%)	1,823 (13.4%)	135	8.0%
Income taxes	483	492	9	1.9%
Net income (Net income rate)	1,204 (9.0%)	1,330 (9.8%)	125	10.5%

## Prometech Software, Inc.

PROMETECH.

- Established on October 29, 2004
- Development and sales of fluid/particle analysis software, as well as the provision of support and analysis consulting services
  - Particleworks, Granuleworks
- Ended the capital relationship in June 2021 and **posted 100 million yen as a gain on the sale of shares of subsidiaries and associates** in the year-end financial results
- Maintained the current status from an agency agreement perspective

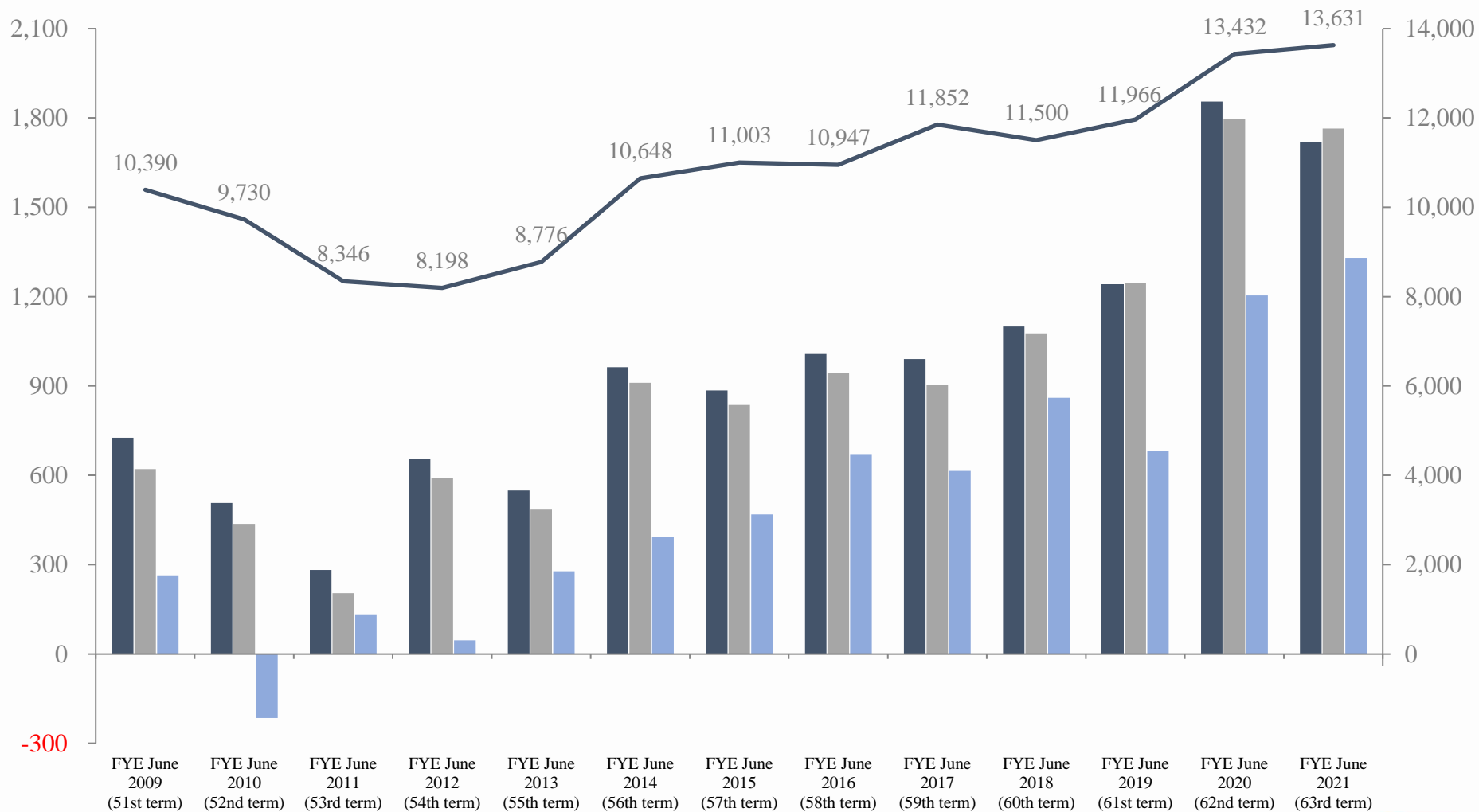
**The iGRAF particle analysis software (developed in-house)** contributed to the steady expansion of business.

# Trends in Results

Income (Million yen)

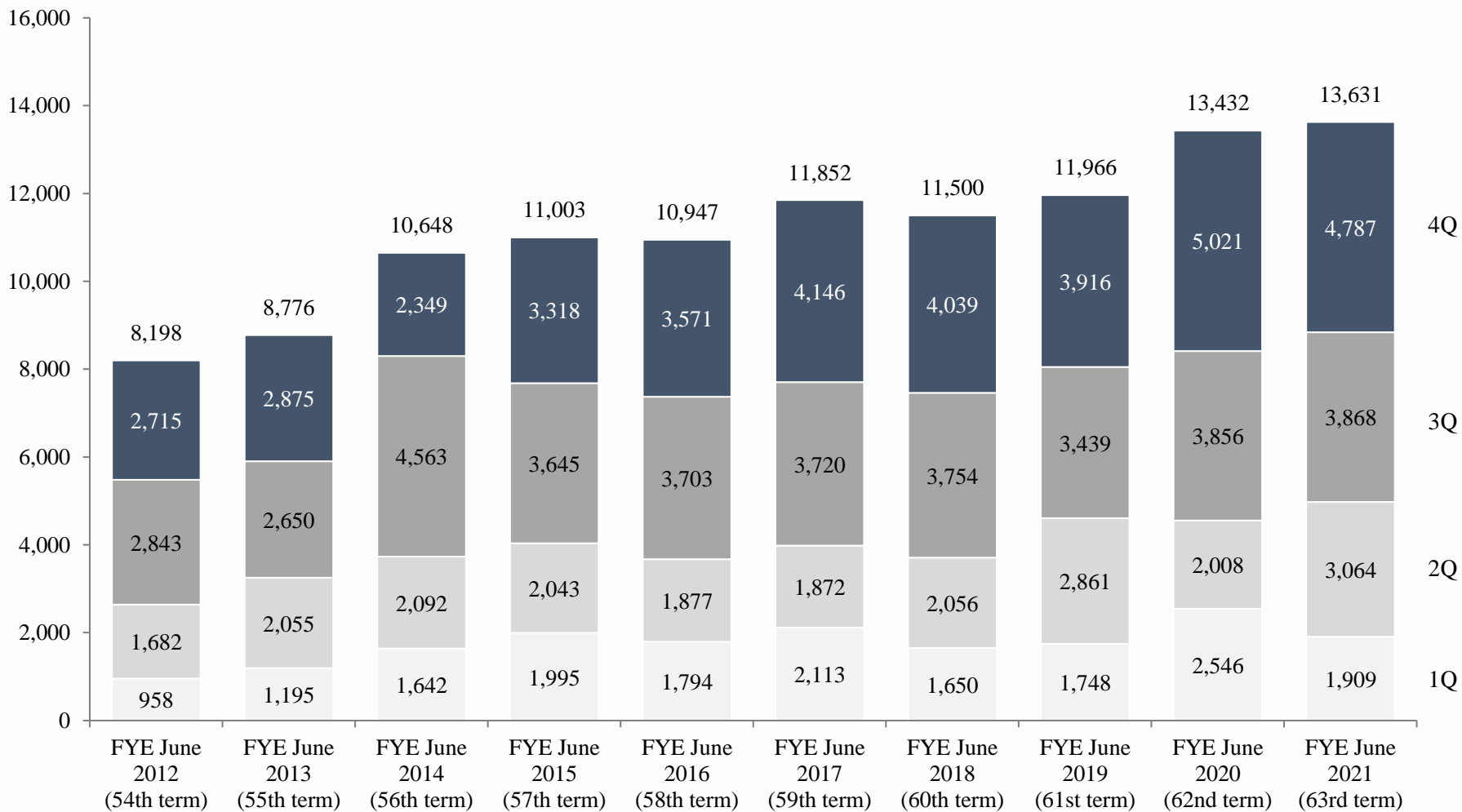
Net sales (Million yen)

Operating income Ordinary income Net income Net sales



# Changes in Sales by Quarter

(Million yen)



# Balance Sheet (Comparison with the End of the Previous Fiscal Year)

(Million yen)

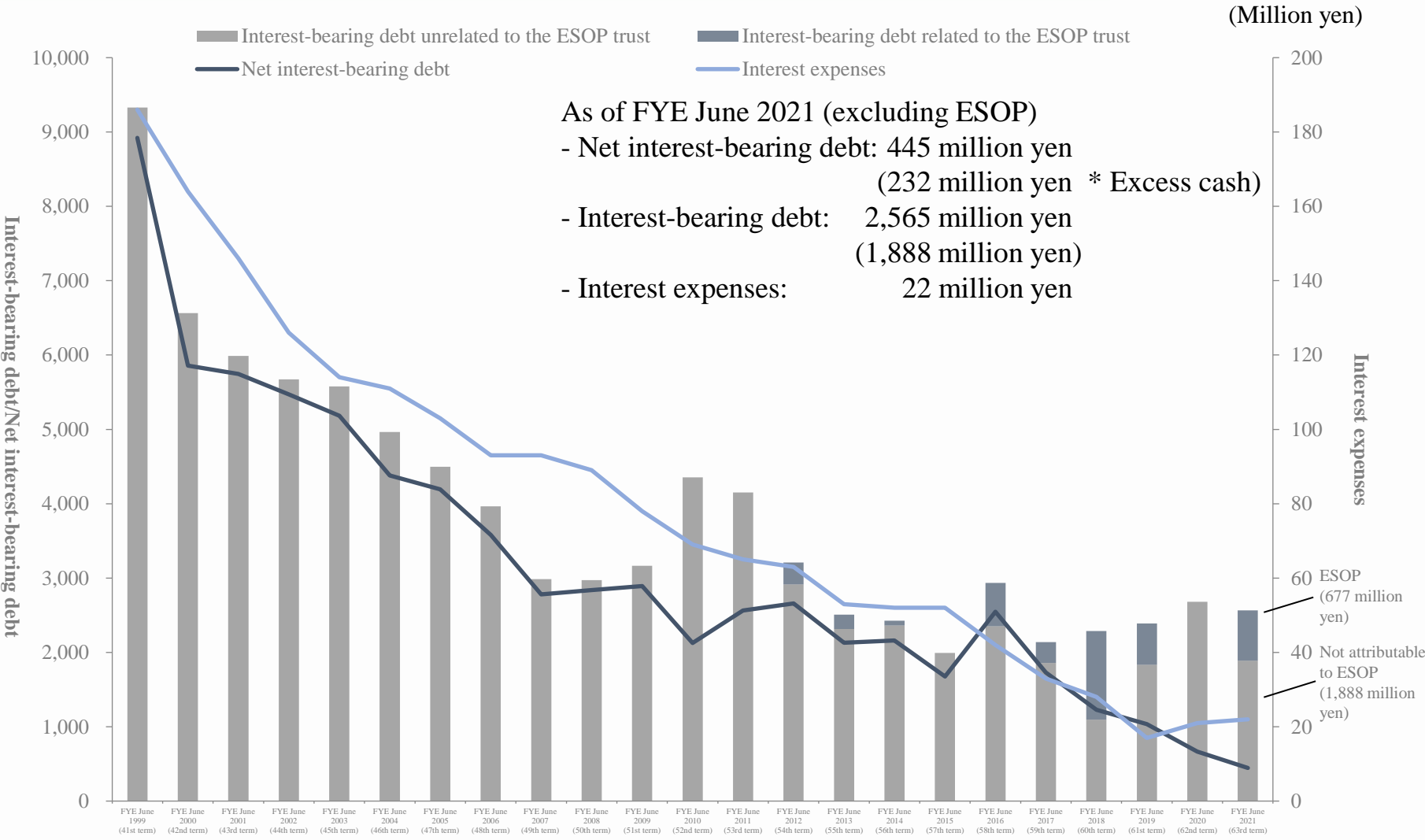
Item	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Change	Item	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Change
Cash and deposits	2,014	<b>2,120</b>	105	Short-term borrowings	—	—	—
Notes /accounts receivable - trade	1,952	<b>1,699</b>	-252	Long-term borrowings / corporate bonds	794	<b>612</b>	-181
Work in process	678	<b>601</b>	-76	Advances received	1,101	<b>939</b>	-161
Other	1,179	<b>1,648</b>	468	Accounts payable - accrued expenses	748	<b>805</b>	56
				Other	1,838	<b>1,594</b>	-244
<b>[Current assets]</b>	<b>5,824</b>	<b>6,069</b>	<b>245</b>	<b>[Current liabilities]</b>	<b>4,483</b>	<b>3,951</b>	<b>-531</b>
Property, plant and equipment	5,119	<b>5,442</b>	323	Long-term borrowings / corporate bonds	1,887	<b>1,952</b>	65
Intangible assets	430	<b>374</b>	-56	Provision for retirement benefits	2,066	<b>2,223</b>	156
Investments and other assets	3,558	<b>3,661</b>	103	Other	229	<b>264</b>	34
Investment securities	1,831	<b>2,154</b>	323	<b>[Long-term liabilities]</b>	<b>4,184</b>	<b>4,440</b>	<b>256</b>
Shares of subsidiaries and associates	291	<b>76</b>	-215	<b>[Liabilities]</b>	<b>8,667</b>	<b>8,392</b>	<b>-275</b>
Investments in capital of subsidiaries and associates	44	<b>54</b>	10	Capital stock	1,010	<b>1,010</b>	—
Deferred tax assets	897	<b>860</b>	-36	Capital surplus	1,159	<b>1,325</b>	165
Other	493	<b>514</b>	21	Retained earnings	4,760	<b>5,453</b>	693
<b>[Fixed assets]</b>	<b>9,108</b>	<b>9,478</b>	<b>370</b>	Treasury shares	-671	<b>-765</b>	-94
				Valuation difference on available-for-sale securities	5	<b>132</b>	127
				<b>[Net assets]</b>	<b>6,264</b>	<b>7,156</b>	<b>891</b>
<b>[Assets]</b>	<b>14,932</b>	<b>15,548</b>	<b>616</b>	<b>[Liabilities and net assets]</b>	<b>14,932</b>	<b>15,548</b>	<b>616</b>

\*1 Capital ratio FYE June 2020: 42.0%; FYE June 2021: 40.6%

\*2 Impact of introducing ESOP in the 63rd term: 58 million yen is included in Other of current assets, 660 million yen in treasury shares, and 677 million yen in long-term borrowings.



# Changes in Net Interest-Bearing Debt



# Cash Flow Statement Highlights

(Million yen)	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Change
Balance at the beginning of FY	1,351	2,014	662
CF from operations	1,419	1,469	50
CF from investments	-731	-683	47
Free CF	688	786	98
CF from financing	-25	-680	-655
Balance at the end of FY	2,014	2,120	105

(Million yen)

Breakdown of operating cash flow	
Net income before taxes	1,823
Depreciation	290
Growth in provision for retirement benefits	156
Decrease in accounts payable	-172
Decrease in accounts payable - other	-164
Gain on sales of shares of subsidiaries and associates	-100
Income taxes paid	-482

Breakdown of investment cash flow	
Purchase of property, plant and equipment	-487
Purchase of investment securities	-193
Purchase of intangible assets	-99
Sales of property, plant and equipment	83

Breakdown of financial cash flow	
Net decrease in long-term borrowings	-16
Net decrease in bonds payable	-100
Dividend payments	-638
Payments for purchase of treasury shares	-904
Proceeds from disposal of treasury shares	1,003

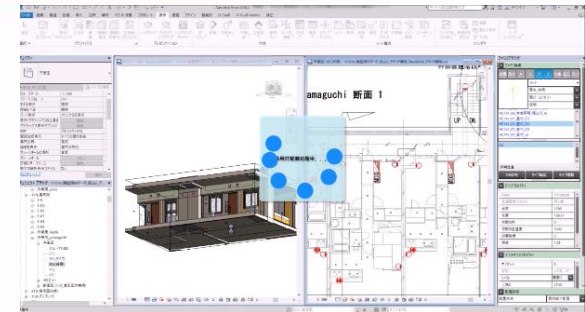
# 2

## Overview of Results by Segment

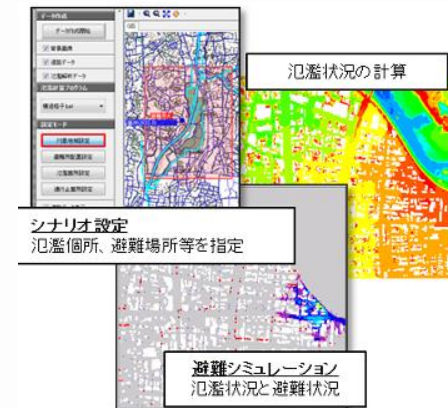
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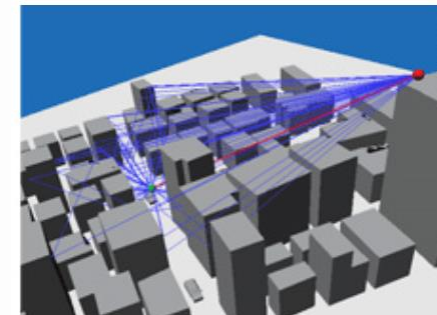
- Structural design and analysis consulting
  - Structural design of high-rise buildings and structural analysis of large buildings
- Environment assessment and disaster risk reduction consulting
  - Ground motion assessment, wind condition analysis and disaster risk assessment
- IT system development 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



Automation of design (automatic disposition)



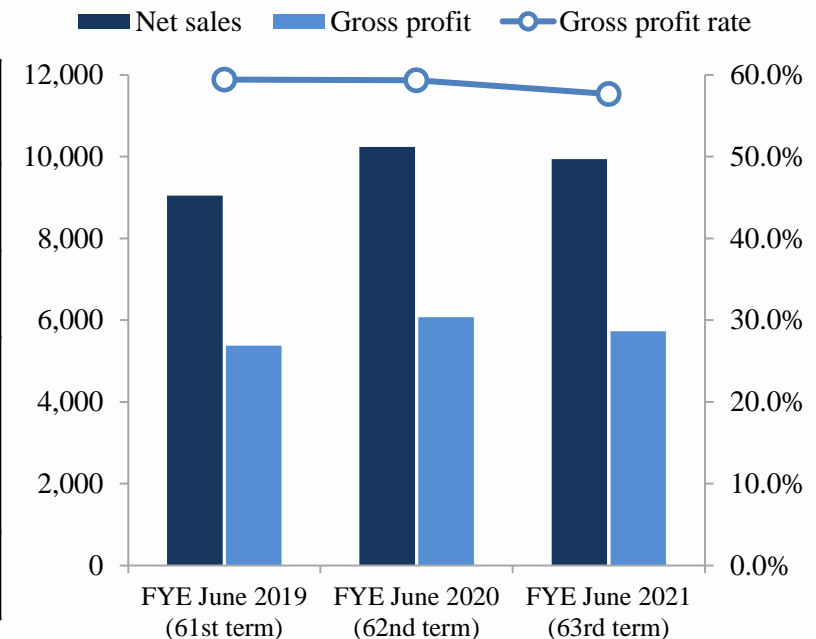
Evacuation simulation



Radio wave propagation simulation

(Million yen)

	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Year-on-year
Orders	9,884	10,352	10,254	-98
Net sales	9,046	10,241	9,937	-304
Gross profit	5,374	6,076	5,730	-345
(Gross profit rate)	(59.4%)	(59.3%)	(57.7%)	
Backlog of orders	5,195	5,306	5,624	317



## Analysis of results

- System development services for housing and construction contributed to the segment's results as the appetite for investment in system development continued to be strong.
- Structural design and analysis consulting services also remained steady, reflecting solid demand for wind power generation-related businesses.
- Information and communication technology consulting services also held firm, reflecting the acceleration of research and development investments in the telecommunication industry.

# Product Service (PS)

## Business themes

### 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.

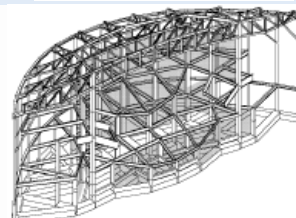
### Decision-making support

Social simulation, risk assessment, optimization, etc.

### Information and communications/IoT

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

## Examples of package-sales type

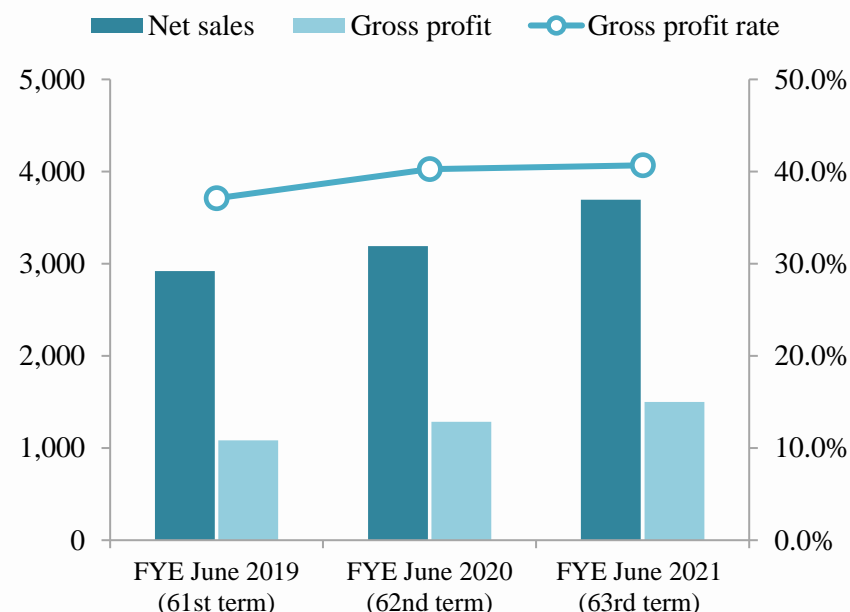


## Examples of cloud service-provision type



(Million yen)

	FYE June 2019 (61st term)	FYE June 2020 (62nd term)	FYE June 2021 (63rd term)	Year-on-year
Orders	2,939	3,228	<b>3,796</b>	567
Net sales	2,919	3,190	<b>3,694</b>	503
Gross profit	1,083	1,284	<b>1,501</b>	217
(Gross profit rate)	(37.1%)	(40.2%)	<b>(40.7%)</b>	
Backlog of orders	1,082	1,120	<b>1,222</b>	102



## Analysis of results

- Sales of radio wave propagation analysis software, CAE software and particle-based simulation software for design engineers remained firm.
- A steady expansion of sales was achieved for the cloud-based email delivery service of Twilio, Inc. in the United States, solutions for 3D digitization of NavVis GmbH in Germany, and the room entry and exit management cloud service of LockState, Inc. in the United States, contributing to results.

# 3

## **Forecast for Fiscal Year Ending June 30, 2022 (64th term)**

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**構造計画研究所**  
KOZO KEIKAKU ENGINEERING Inc.

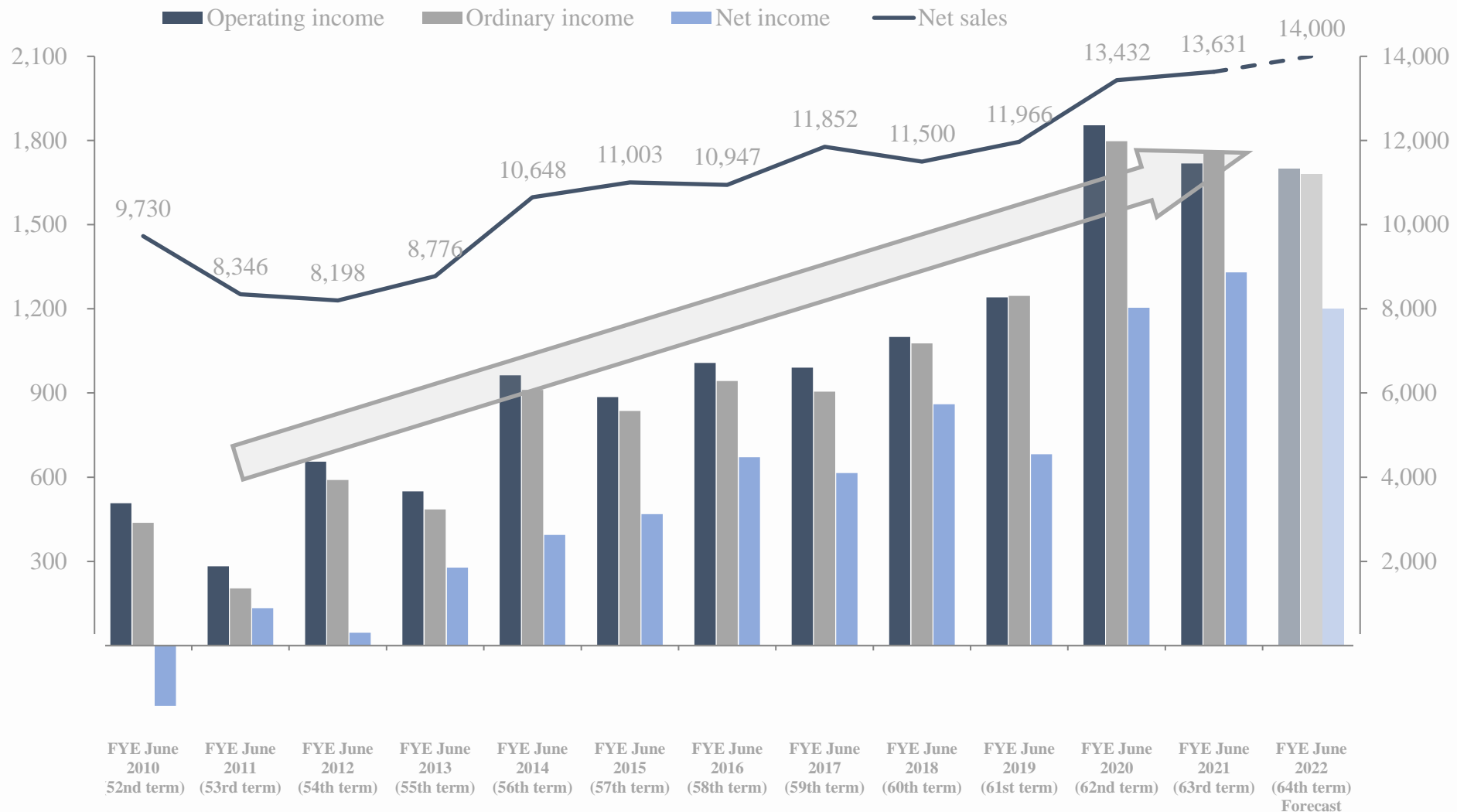
	FYE June 2021 (63rd term)	Forecast for Fiscal Year Ending June 2022 (64th term)	Change	% change
Net sales	13,631	14,000	368	2.7%
Operating income	1,718	1,700	-18	-1.1%
Ordinary income	1,764	1,680	-84	-4.8%
Net income	1,330	1,200	-130	-9.8%
		(Yen)		
Year-end dividend	120 (Common dividend: 100) (Special dividend: 20)	100		

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

# Changes in Results up to FYE June 2021 and Forecasts for FYE June 2022

Income (Million yen)

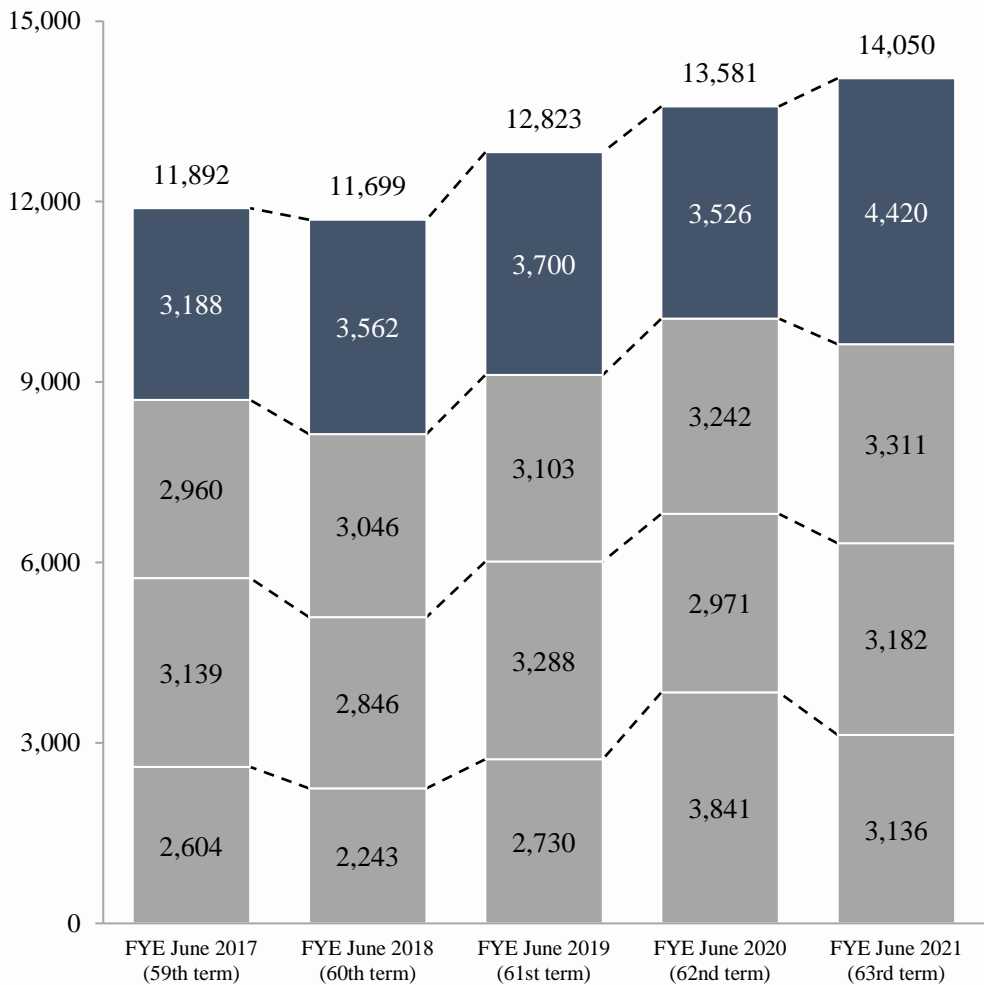
Net sales (Million yen)



# Changes in Orders and Order Backlogs

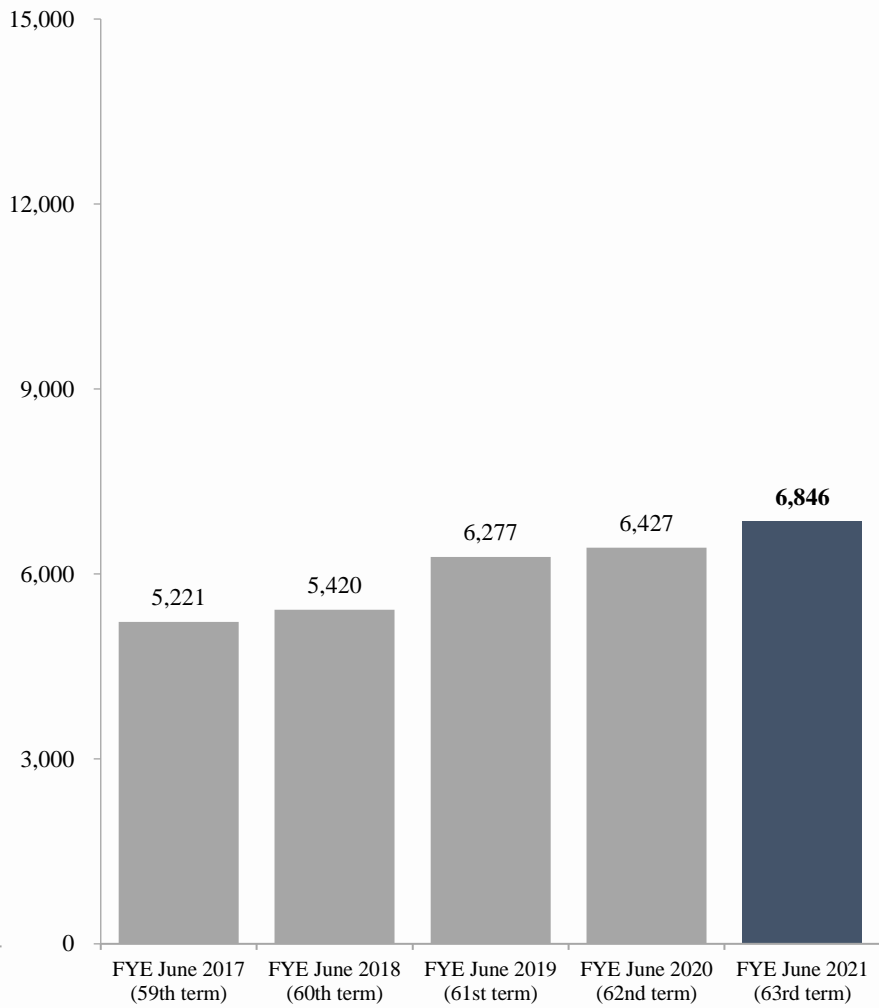
Orders

(Million yen)



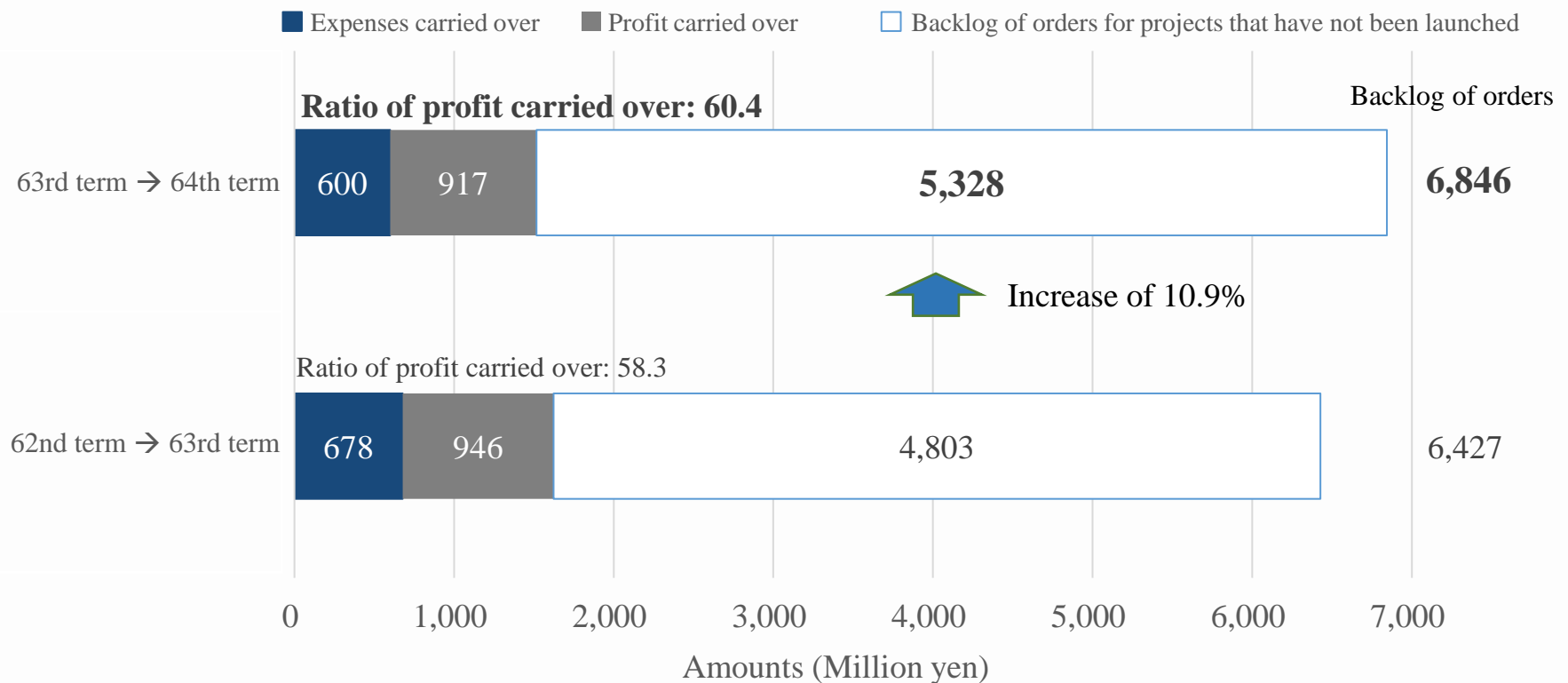
Backlog of Orders

(Million yen)



# Overview of Services Carried Over at the Beginning of the Fiscal Year

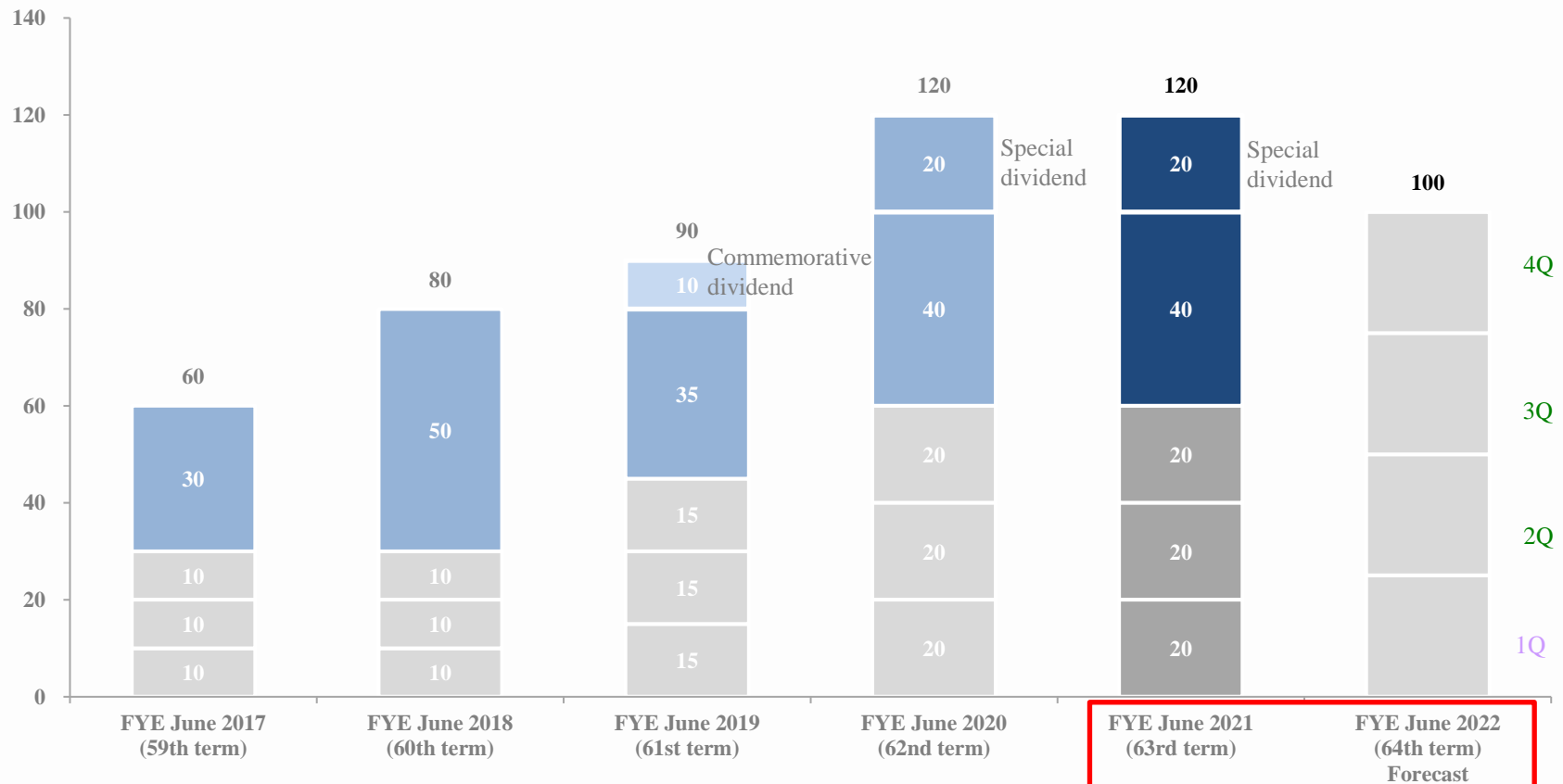
- Order backlogs and the profit ratio of services carried over both increased
  - The backlog increased 410 million yen from the previous fiscal year, which includes 510 million yen for orders that have not yet started.
  - The amount of profit carried over was 910 million yen, a decrease of 40 million yen, and the ratio of profit carried over was 60.4%. (an increase of 2.1%)



# Dividends for the 63rd Term and Dividend Forecast for the 64th Term

Pay stable dividends continuously according to the dividend policy.

(Yen)



Added value created by the Company

## 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 societies in Japan and abroad
- 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

# 4

## **To Be a Knowledge-Intensive Company That Represents Japan**

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**A knowledge-intensive company**  
that represents Japan in the 21<sup>st</sup> century  
**Design & Engineering Firm**

*Innovating for a **Wise Future***





**Organizational form that we have established**

**Current status of our business and its future development**

**Aiming to achieve further growth**

## Organizational form that we have established

- Autonomy, independence and mobility
- Independence
- Diversity
- ▣ Quality assurance system
- ▣ Governance System

Current status of our business and its future development

Aiming to achieve further growth

## Basic stance on organizational operation that has been unchanged since our founding

### □ **Autonomy, independence and mobility**

- A group of professionals who embrace frankness, openness and agility
- A stance that respects a high level of expertise, a broad range of collaboration and long-term perspectives

### □ **Independence**

- Independent position and securing of intellectual property
- Leveraging experience curves

### □ **Diversity**

- Commenced business as a structural design office and subsequently expanded into a range of business areas by utilizing information technologies
- Deployment of a diverse team of collaborative professionals regardless of gender, nationality and age
- Collaboration with a range of partners in Japan and overseas

To ensure that each of KKE member, staff member and colleague works on his/her assignments as an autonomous and independent professional.



- ❑ **MBO-based performance management system**
- ❑ **MVA (Mission Vision Action)-based performance evaluation system**
- ❑ **Improvement of the promotion system**
- ❑ **Abolition of the retirement age system**

**MBO system and performance-linked pay policy**  
**Designing of fair and convincing in-house systems**

Emphasis on **operating income** that shows  
the profitability of businesses per se  
+

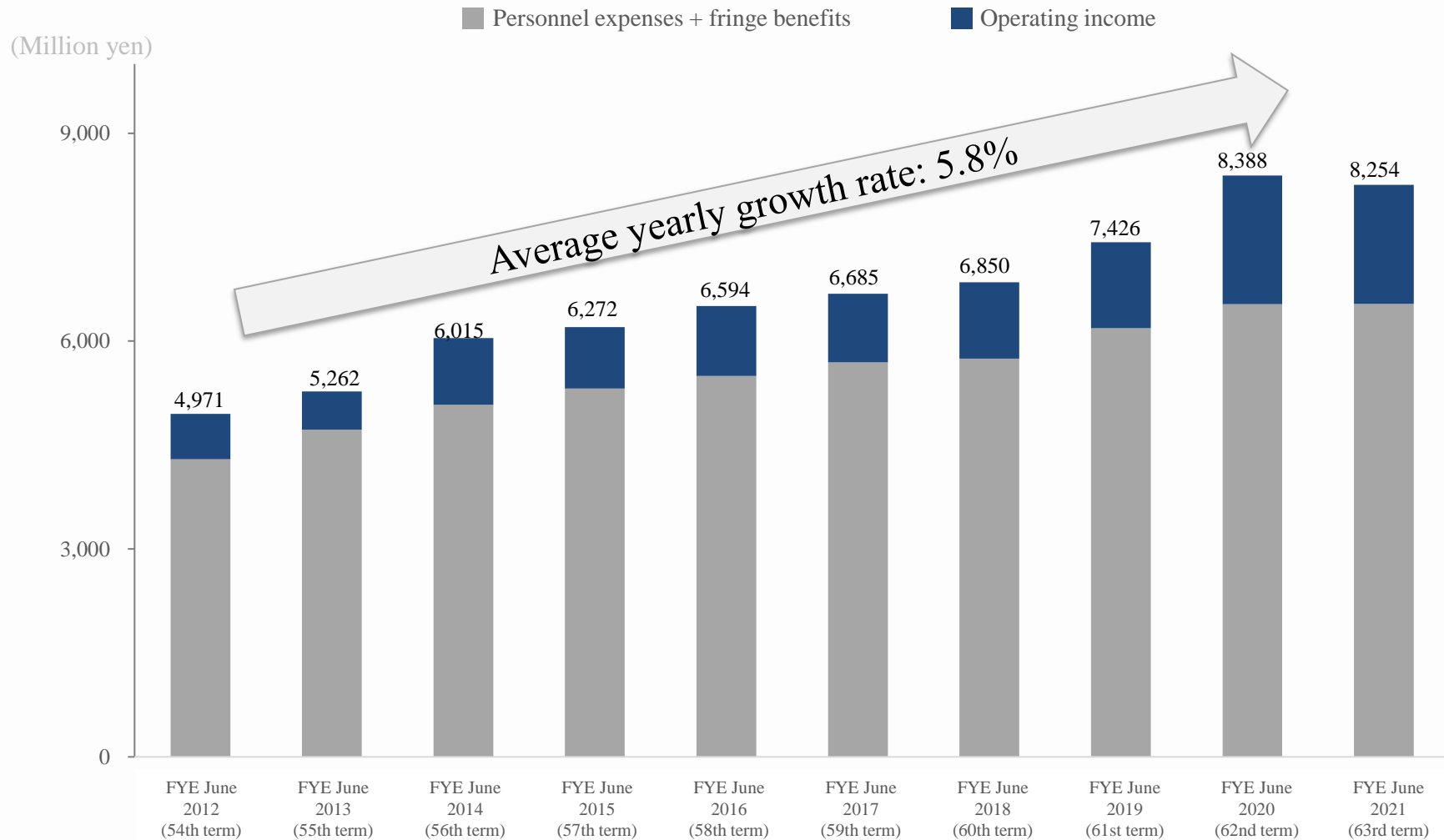
**Personnel expenses + fringe benefits**

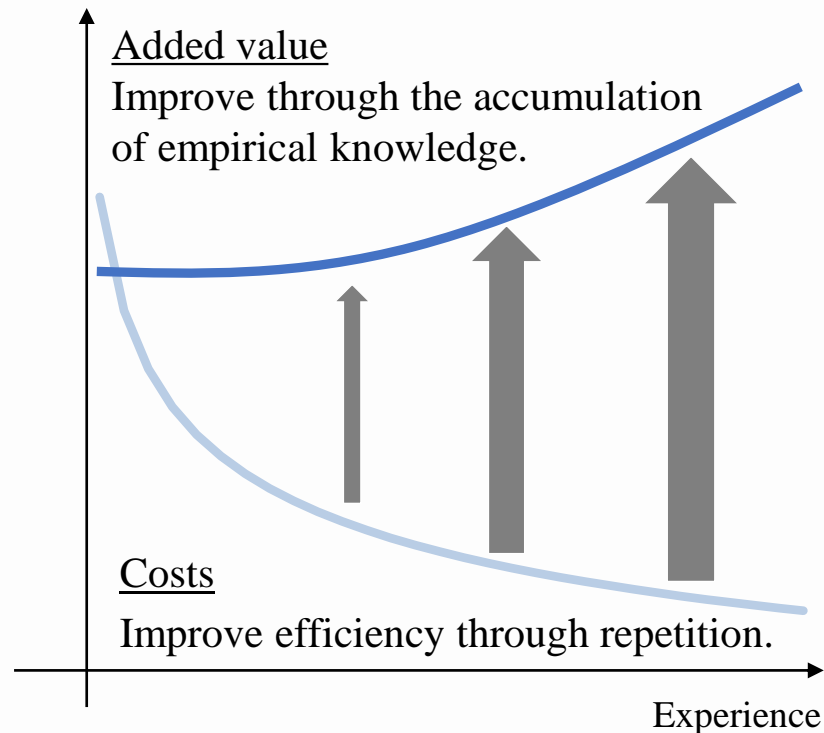
to secure competent collaborative professionals based on the idea that  
collaborative professionals are the sources of corporate growth

= **Total Value-added**

**We will continue to develop sustainably as a  
company by increasing total added value**

# Autonomy: Changes in Total Added Value (Past 10 Years)

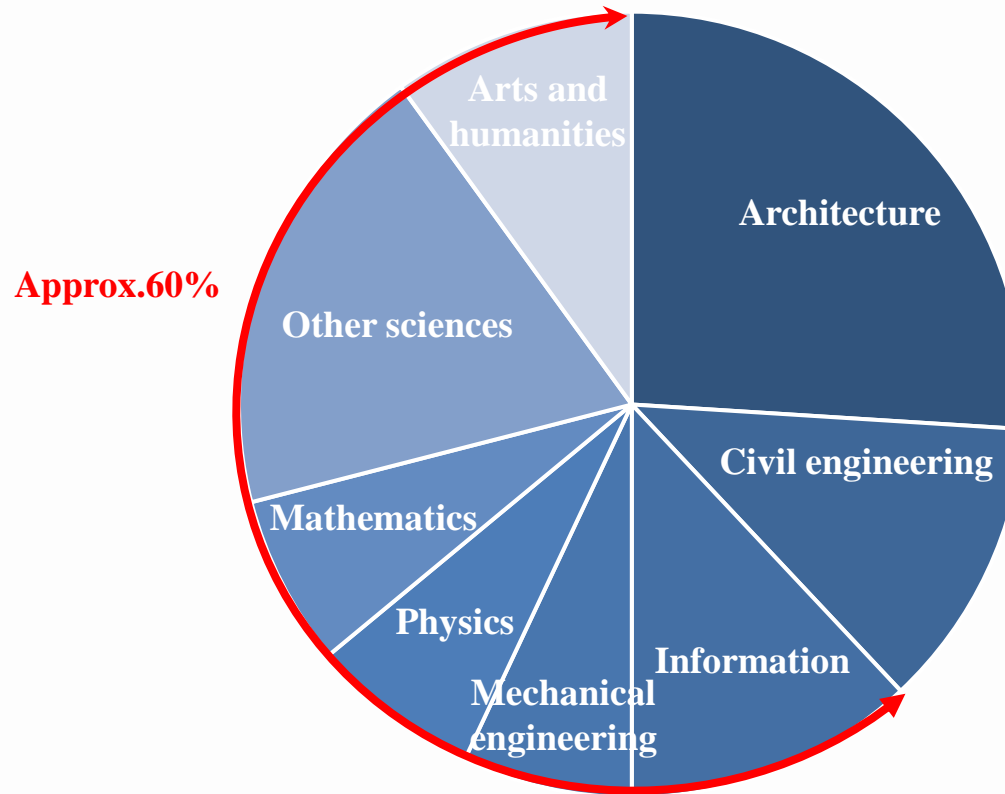




- With independence maintained, we can accumulate empirical knowledge acquired in respective projects while simultaneously **leveraging experience curbs** .
- We keep in mind that efforts should be made to constantly obtain orders for projects, the sizes of which are suitable for our company, instead of those for large-scale ones.

# Diversity: Recruiting Excellent Collaborative Professionals, Irrespective of Nationality and Field

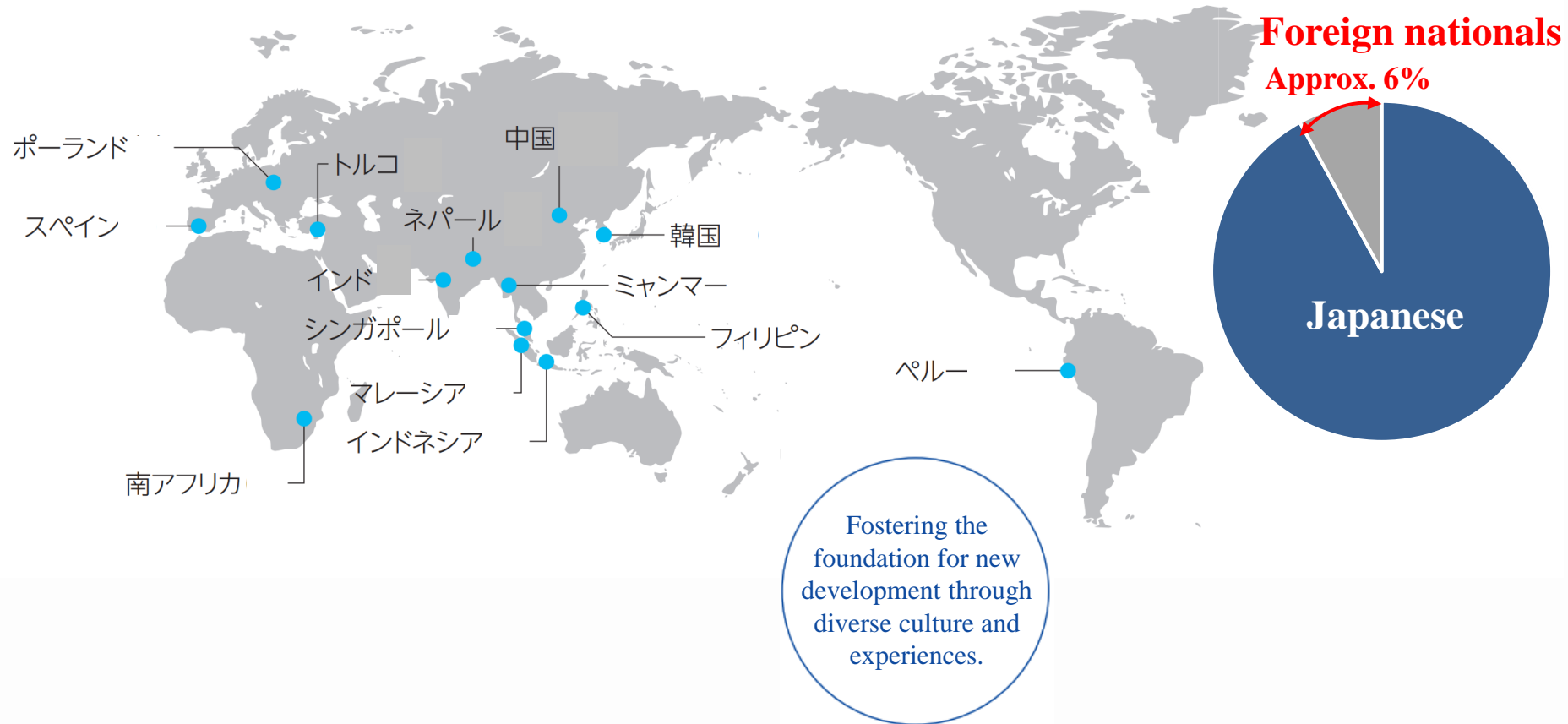
**Majors of new graduates at respective universities (members who joined the Company during the period from 2002 till 2021)**



New graduates whose majors were not architecture or civil engineering accounted for approximately 60% in 2002 and subsequent years. KKE members, staff members and colleague who are experts in respective areas participated.



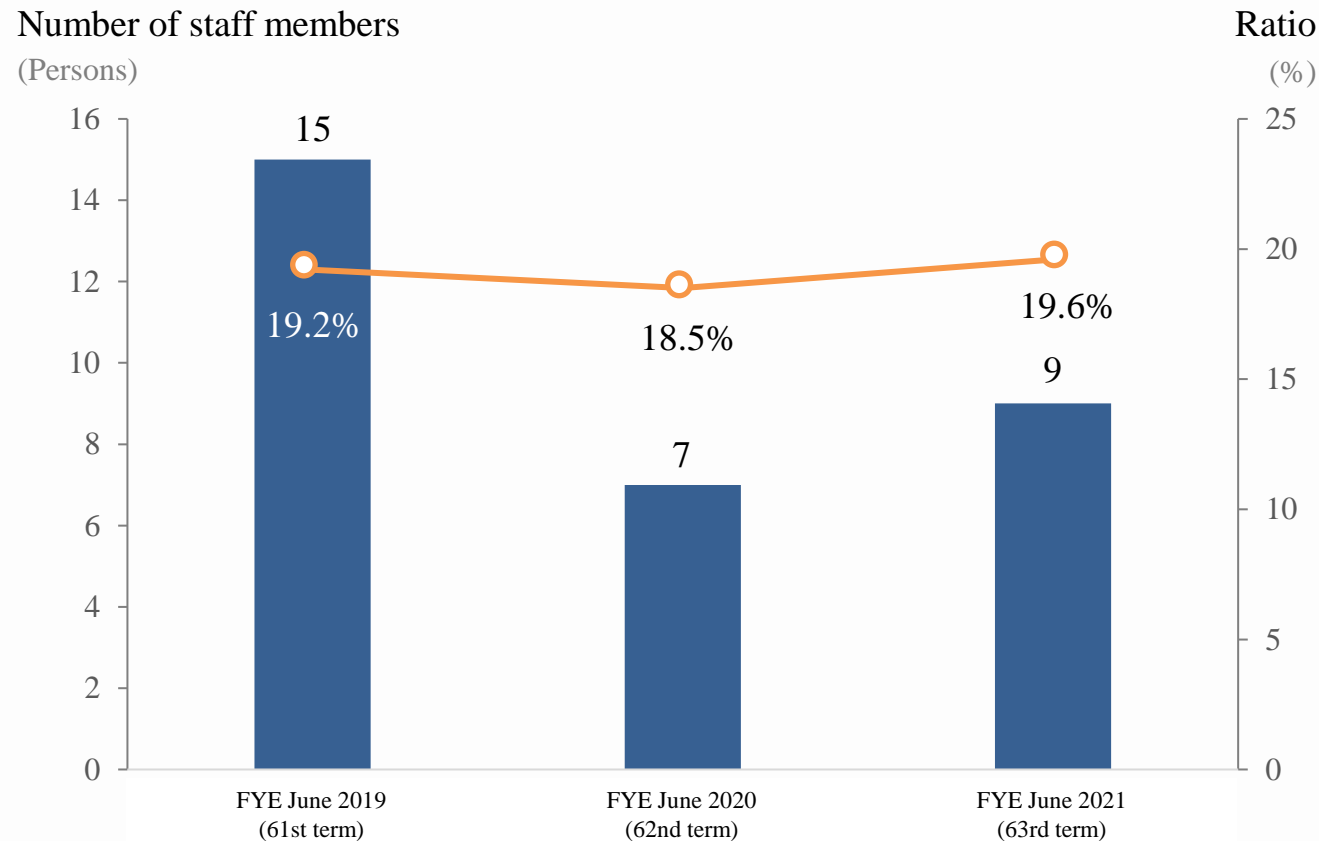
# Diversity: Hiring Diverse Collaborative Professionals from around the World



We began overseas recruitment in earnest in 2014. Now, non-Japanese staff members account for **approximately 6%, or 39 staff members**, of all KKE members, staff members and colleagues.

(As of June 30, 2021)

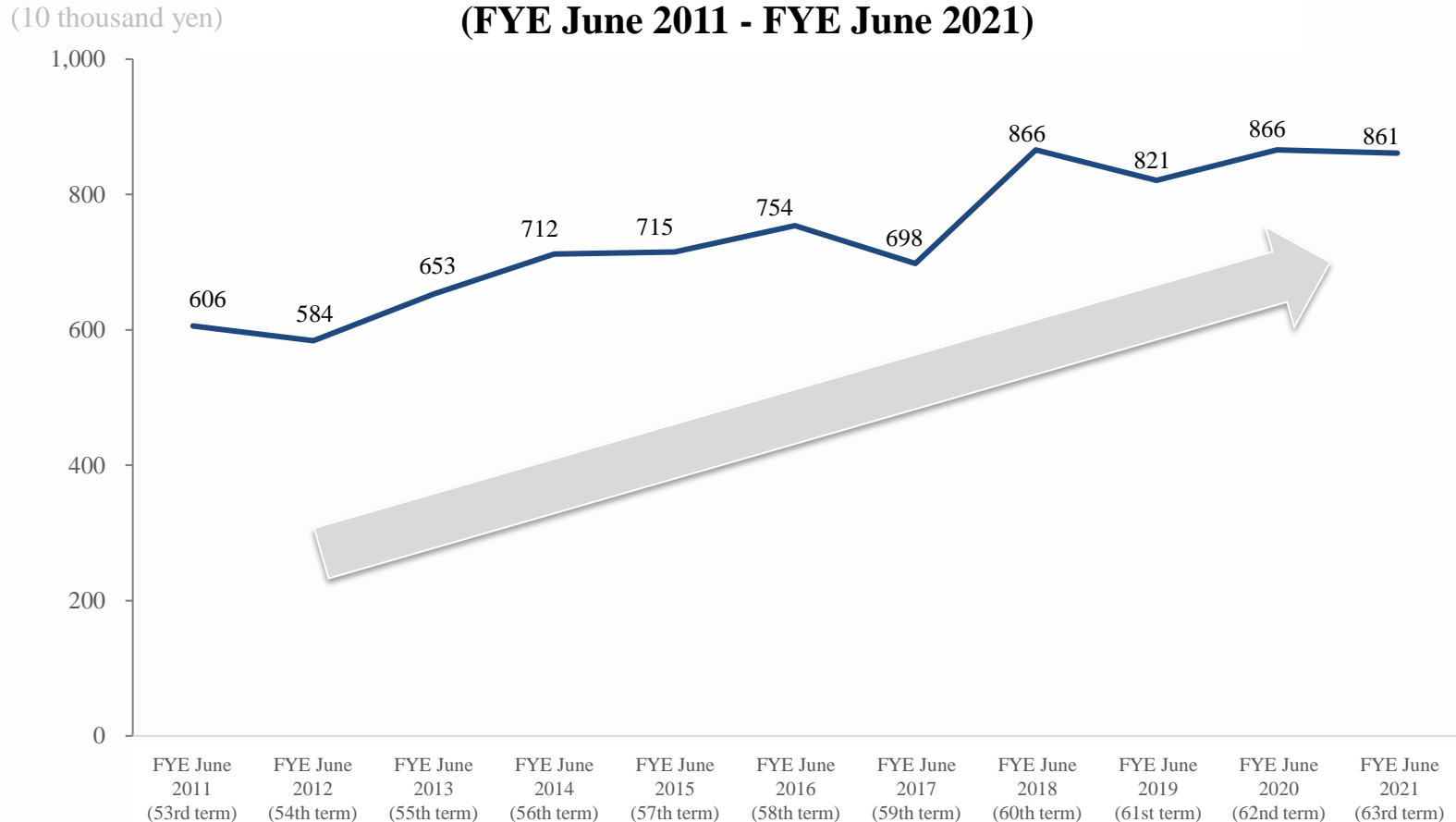
## Number of mid-career professionals and the ratio to all KKE members, staff members and colleagues



Significant contributions are made by mid-career professionals as well as new graduates. Mid-career hires occupy **approximately 20%** of all KKE members, staff members and colleagues.

# Diversity: Increase in the Number of Mid-Career Hires Due to Higher Salaries

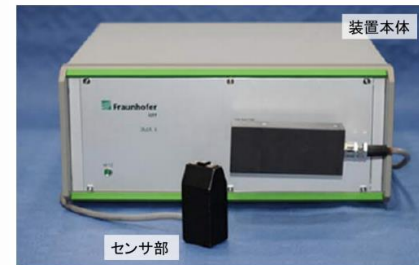
**Average salary of KKE members, staff members and colleague  
(FYE June 2011 - FYE June 2021)**



It has become possible to provide talented mid-career professionals with job opportunities due to improvements in the treatment of KKE members, staff members and colleagues.

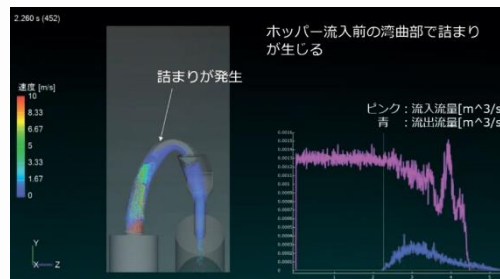
# Diversity: Significant Contributions by Mid-Career Professionals

- Member responsible for 3MA, a next generation non-destructive inspection device:  
**Joined in 2019, Previous job: an employee at a large industrial machinery manufacturer**



3MAの装置外観

- Member responsible for the sale of CAE for manufacturing companies:  
**Joined in 2019, Previous job: an employee at a large chemical manufacturer**

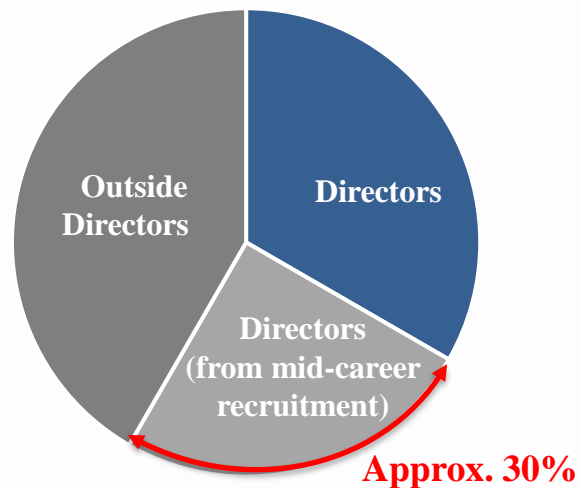


Powder-based simulation

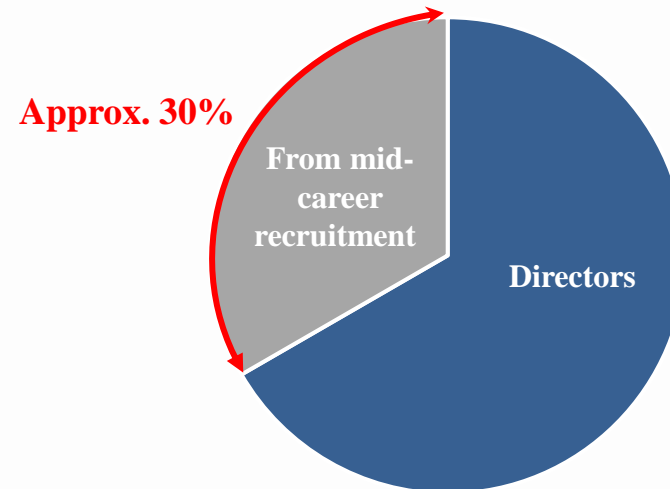
**Competent people who joined as mid-career professionals have been making contributions as major players.**

# Diversity: Ratio of Mid-Career Hires in the Management Team

## Composition of 11 Directors

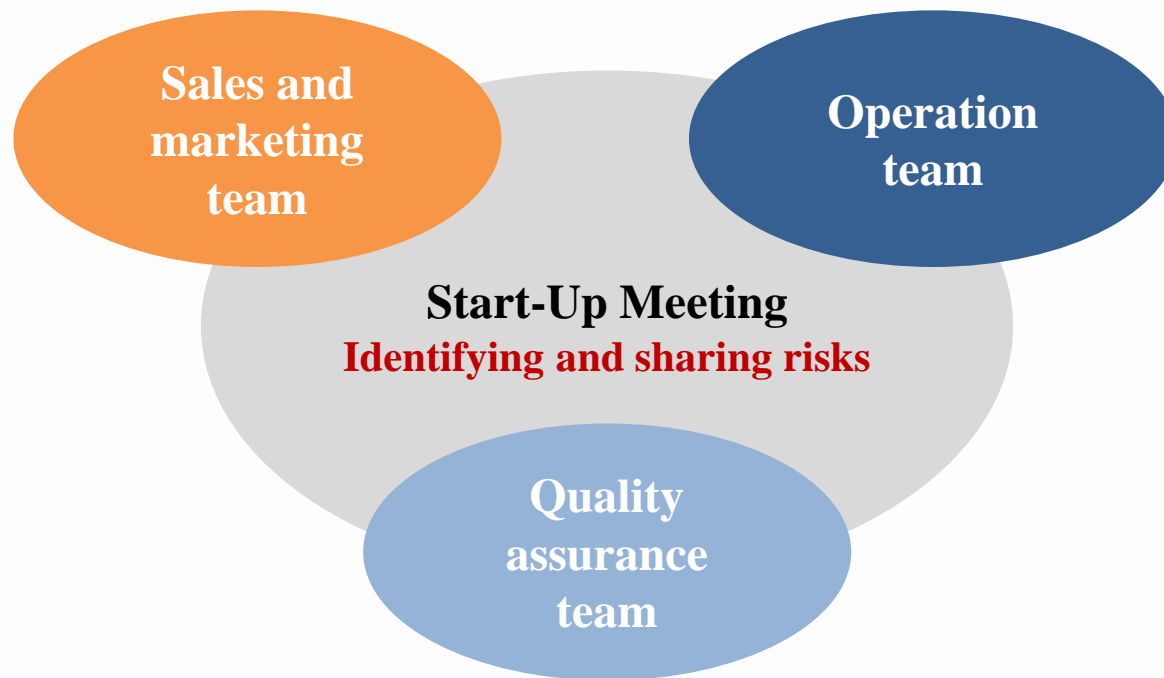


## Composition of 18 Executive Officers



Competent people who joined as mid-career professionals have been executing their duties successfully in the management team.

To ensure quality, implement efforts to avoid risks at the proposal, estimation and contract stages before starting a project.

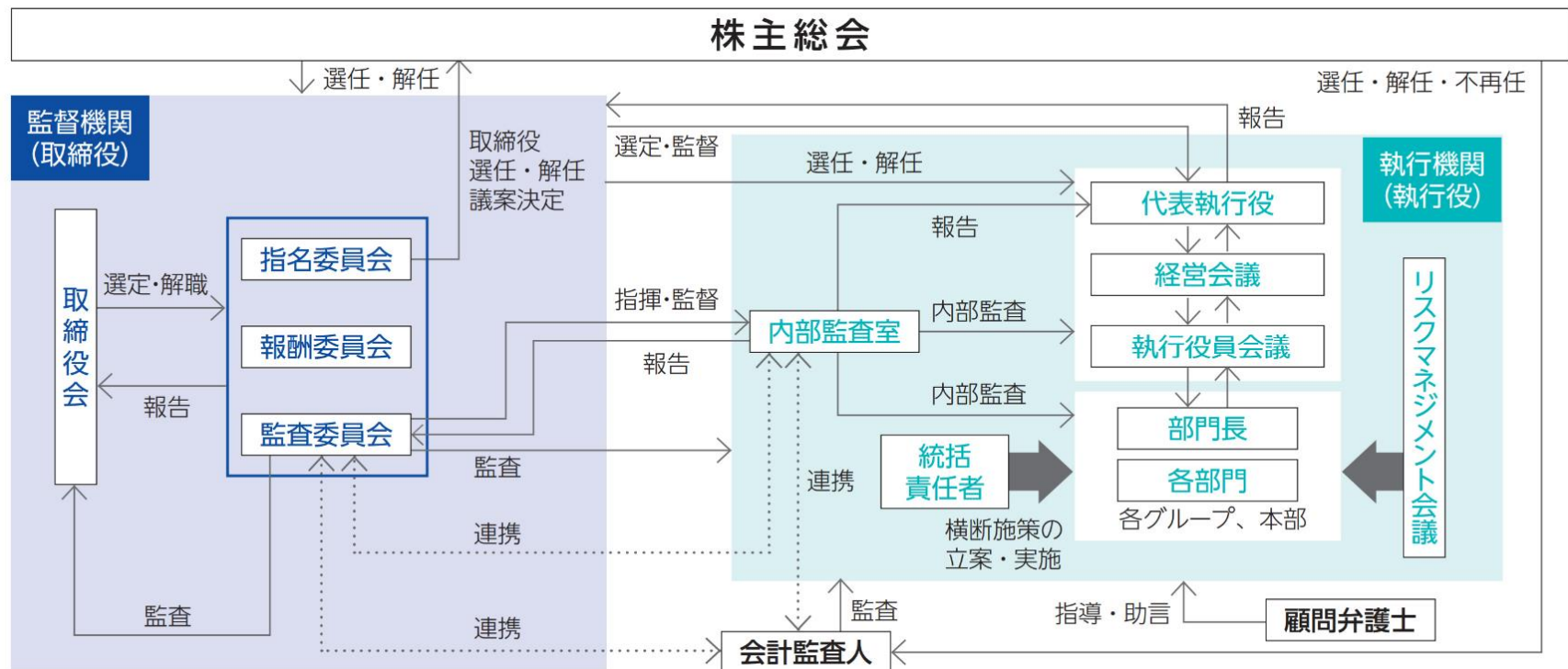


The units involved in sales and marketing, operations and quality assurance **work cooperatively to identify and share risks while also steadily taking countermeasures.**

Before August 2017: Company with a Board of Auditors

After September 2017: Company with an Audit and Supervisory Committee

After September 2019: Company with a Nominating Committee, etc.



**Only approx. 80 companies among approx. 3,700 listed companies have adopted the system** (As of August, 2021)

# Governance System: Skills Matrix

氏名			取締役の属する委員会 (★は委員長を示します。)			経験・知見								専門性	
						知識集約型 企業経営	品質管理・ リスクマネジメント	採用・ 人材育成・ 評価制度	企業文化 の継承と 醸成	産学連携	多様性	グローバル 連携	新規事業・ 投資	法律・ コンプライ アンス	会計・ 監査・ ファイナンス
						指名	報酬	監査							
服部 正太	再任	取締役 代表執行役会長 指名委員	●			●	●	●	●				●		
渡邊 太門	再任	取締役 代表執行役社長 指名委員	●			●		●	●			●			●
木村 香代子	再任	取締役 執行役副社長 報酬委員		●			●	●	●	●	●				
郭 献群	再任	取締役 専務執行役					●			●	●				
黒木 弘聖	再任	取締役 常勤監査委員			●									●	●
中込 秀樹	再任 独立役員 社外取締役候補者	取締役 指名委員	●							●			●	●	
本庄 修二	再任 独立役員 社外取締役候補者	取締役 指名委員	●							●		●	●		
新宅 祐太郎	再任 独立役員 社外取締役候補者	取締役 指名委員、報酬委員	★	●		●						●	●		●
加藤 嘉一	再任 独立役員 社外取締役候補者	取締役 報酬委員、監査委員		★	●						●	●			●
根本 博史	再任 独立役員 社外取締役候補者	取締役 監査委員			★									●	●

Participation by directors who have extensive experience, knowledge and expertise



# Trends in Main Performance Indicators during the Period from FYE June 2002 to FYE June 2021

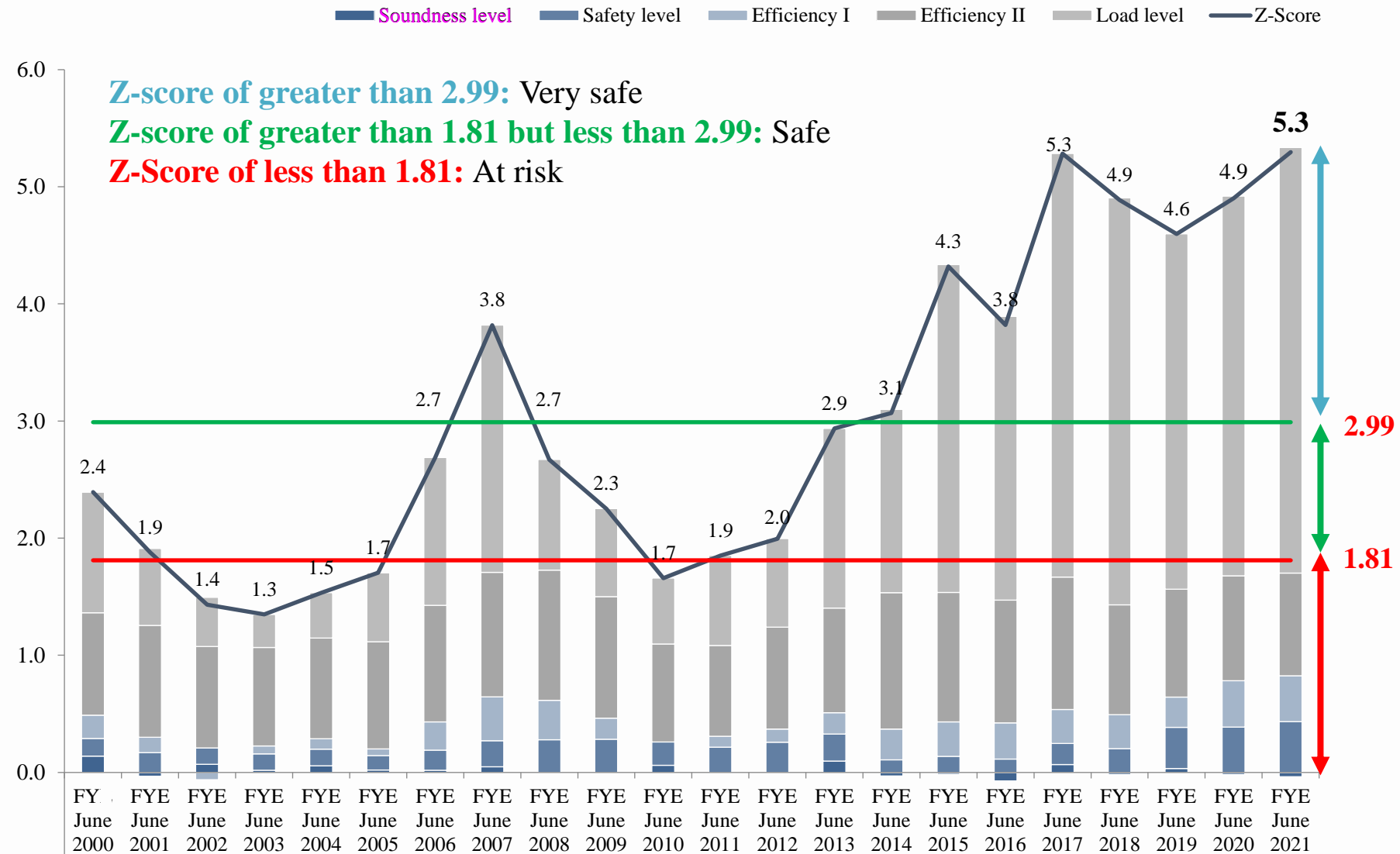


FYE June 2002	
Net sales	9,070 million yen
Operating income	210 million yen
Equity capital (Capital ratio)	3,180 million yen (30.4%)
Number of employees	535
Average salary	6.22 million yen
Dividends	5 yen

FYE June 2011	
Net sales	8,350 million yen
Operating income	280 million yen
Equity capital (Capital ratio)	3,780 million yen (35.1%)
Number of employees	563
Average salary	6.06 million yen
Dividends	10 yen

FYE June 2021		vs. 2002
Net sales	<b>1,363 million yen</b>	<b>1.5 times</b>
Operating income	<b>1,720 million yen</b>	<b>8.2 times</b>
Equity capital (Capital ratio)	<b>716 million yen (46.0%)</b>	<b>2.3 times</b>
Number of employees	<b>607</b>	<b>1.1 times</b>
Average salary	<b>8.61 million yen</b>	<b>1.4 times</b>
Dividends	<b>120 yen</b>	<b>24 times</b>

# Z-Score Trend (FYE June 2000 to FYE June 2021)



Organizational form that we have established

Current status of our business and its future development

- New businesses that are expected to grow
- New initiatives in existing businesses

Aiming to achieve further growth



- ❑ Cloud-base mail distribution service, subscription model
- ❑ The business expanded steadily due to the adoption by Uber, Airbnb, etc.
- ❑ SendGrid was listed on the New York Stock Exchange in November 2017  
Participated in Twilio Inc. in February 2019
- ❑ The business has been continuing to grow **more than 50%** year on year.

**We became their partner in Japan and have continuously expanded business since the start of services at the end of 2013.**

## Tapping on local government needs

- We drastically improved the management/utilization of public facilities by establishing linkage to the **Machikagi Remote** online booking system developed by us.
  - Improved convenience, energy saving, solutions to staff shortages, security enhancement and the opening of evacuation facilities
- We concluded a basic agreement with Ube city, Yamaguchi Prefecture on May 28, 2021
  - Commenced a demonstration experiment on the Machikagi Remote-based management of public facilities



▲ RemoteLOCK8j installed at the entrance of a gymnasium

## NavVis VLX, a wearable device

- **Orders grew sharply due to improved operability**
  - Orders received rose three times in the 63rd term from the level in the 62nd term.
- **Orders from major customers**
  - Adoption by a large car manufacturer
  - Adoption by an energy business company
- **Spillover effect on other themes that we have been working on**
  - Consulting on the introduction of BIM
  - Development of a dust detection technology through image processing
  - Validation of autonomous robots and LiDAR
  - Support for structural design services



As a company-wide concerted effort, KKE will develop businesses multilaterally.



- We will develop new businesses based on our existing businesses as the foundation.

**Sharp growth** of new businesses

- We aim to achieve steady growth in both new and existing businesses.

**We will facilitate the steady growth of existing businesses.**



# Developments in Existing Businesses

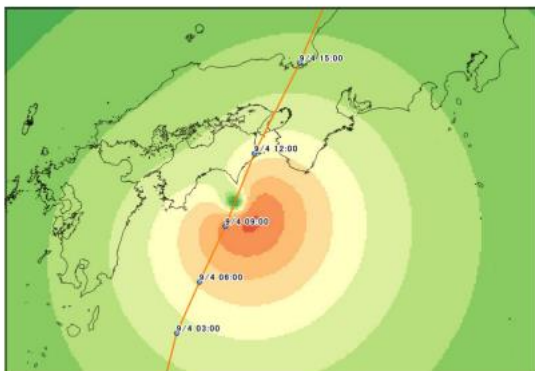
## -Wind Power Generation-

### □ 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	81
Tower structure verification	Structure verification business of towers of foreign-made wind power generation facilities	50
Response to examination	Response to questions at examinations by third-party organizations and the METI	85



### □ Analysis of wind conditions



We make assessments on forecasts on strong wind areas, effects on neighboring areas and comparisons wind environments before and after construction, and make proposals on wind control measures.



**Structural design × Environment assessment**



# Developments in Existing Businesses

## -Collaboration with New Partners-

### □ AK Radio Design Co., Ltd.

- Established on July 1, 2021
- A joint venture between Anritsu, an expert in the manufacture of measurement equipment, and KKE, an expert in simulation services.
- **One-stop services** will be offered in the local 5G market.

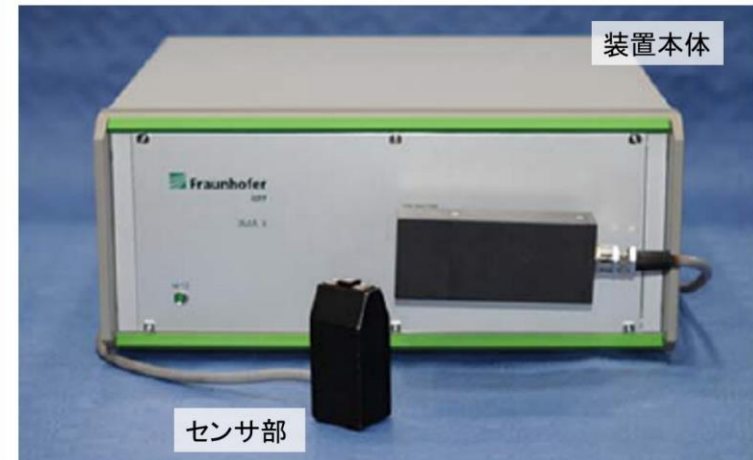


▲ Signing ceremony

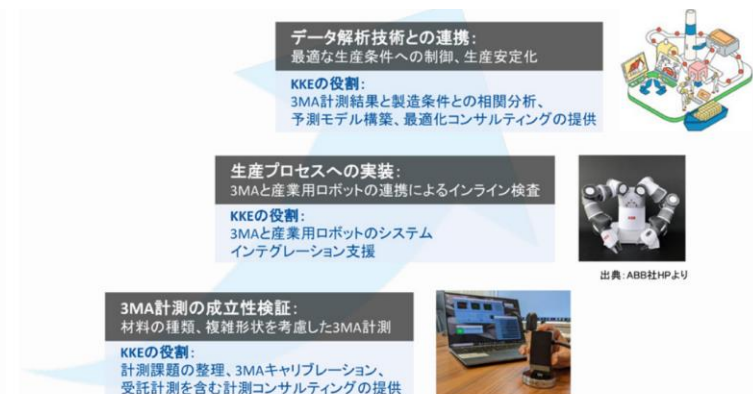


### □ Fraunhofer Institute for Nondestructive Testing

- Innovative magnetic device that can inspect the quality of products without destroying them
- Through collaboration with data analysis technologies and with industrial robots, inspections can be made on a real-time basis while production is ongoing



### 非破壊検査デバイス「3MA」



KKEの技術を活用した3MAビジネスの展望



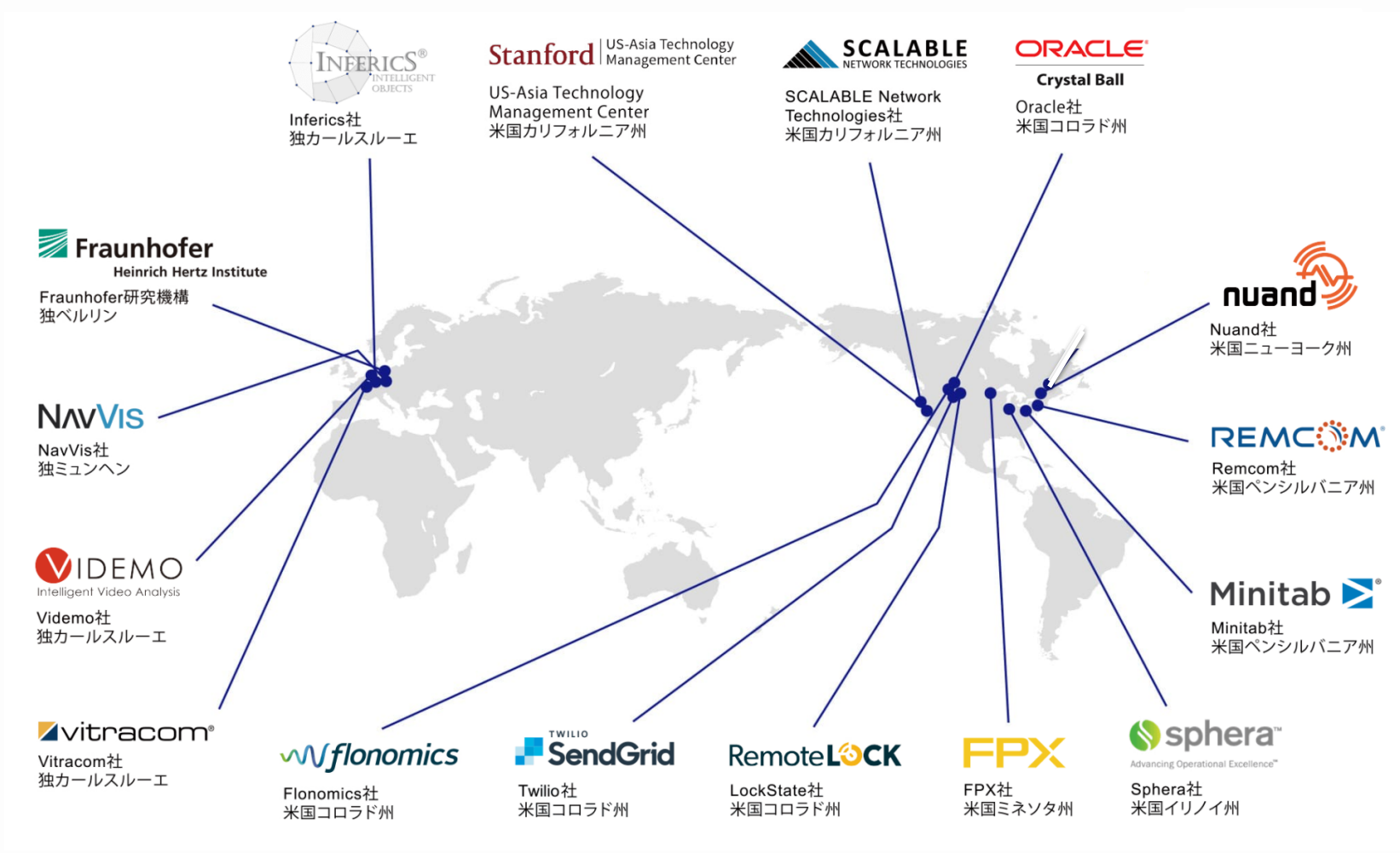
Organizational form that we have established

Current status of our business and its future development

**Aiming to achieve further growth**

- ❑ Collaboration with partners/Industry-academia collaboration
- ❑ Investments in partners in Japan and overseas
- ❑ Sustainable growth that we seek to achieve

# Collaboration with Overseas Partners



# Strengthening of Industry-Academia Collaboration -Climate Disaster Prevention Office-

- Established a corporate sponsored research program 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
- By utilizing the jointly developed time series analysis technology, we provides the RiverCast service, **flood forecasts**, which so far had required a great deal of efforts, **with high accuracy in a short period of time.**

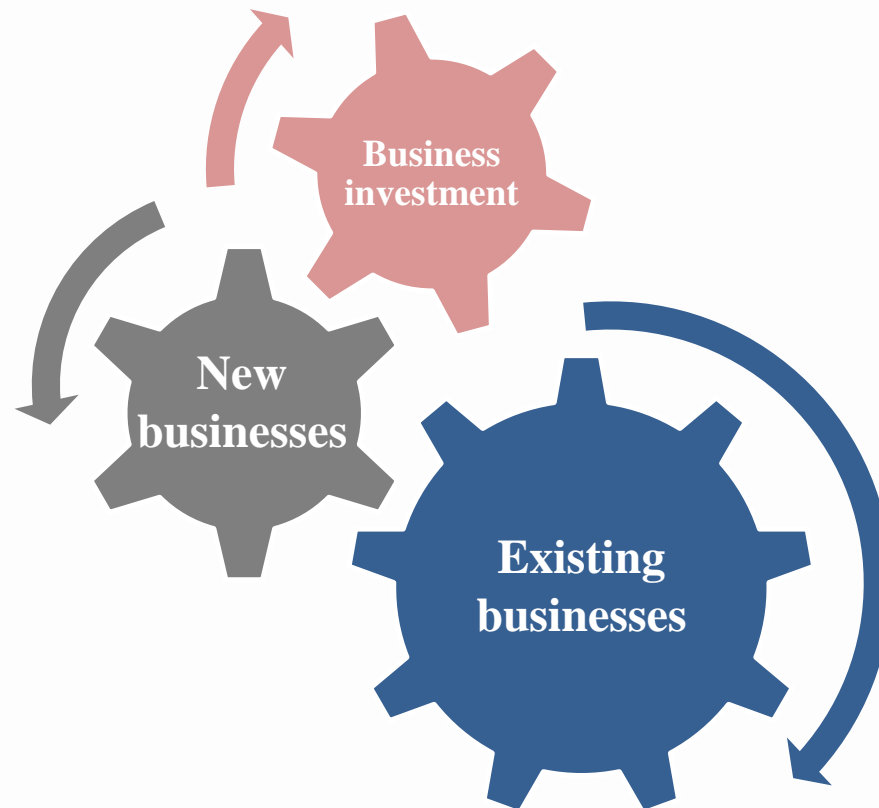


Selected as Top 100 in Physics in the Scientific Reports  
(26th-51st)

Recognized as an excellent thesis by the Regional Development  
Bureau, excellent lecture by the Japan Society of Civil  
Engineering, etc.



出典：東京大学IRCIN 2021/3/12 プレスリリース, <https://ircn.jp/pressrelease/20210312-kazuyuki.aihara>



- From the perspective of our corporate vision for the 21st century, while also continuing to engage in existing businesses, we will **make new investments** in the development of business models in which efforts are made to increase value based on strategic partnerships, including investments in domestic and overseas companies.

## Collaborative professionals who create new businesses

Collaborative professionals who discover the seeds of businesses (tapping into demand)

Collaborative professionals who grow such seeds

Collaborative professionals who enhance businesses that have grown

**We develop collaborative professionals who identify social needs (issues) and create new businesses.**

## □ **Autonomy, independence and mobility**

- Organization with a self-righteousness attitude, with no collaboration among groups

## □ **Independence**

- Organization with self-complacency, paying no attention to outside the company

## □ **Diversity**

- Organization broken into pieces, with no sense of unity

**To avoid such a situation**

- **Maintain the governance system**
- **Ensure that values and corporate philosophy are respected**
- **Share the future vision ("thoughts") we aim to achieve with society**

**We will work on these with a humble attitude**



## *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:

### Investor Relations Section

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*Innovating for a **Wise Future***