



FYE June 2022 (64th Term) First Half Financial Results

2022.02.25

- 1. Overview of Financial Results**
- 2. Overview of Results by Segment**
- 3. Forecast for Fiscal Year Ending June 30, 2022 (64th term)**
- 4. Toward achieving sustainable growth in partnership with stakeholders**

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



□ Application of Accounting Standard for Revenue Recognition

- If performance obligations are satisfied over time, progress in efforts to satisfy performance obligations is estimated and **revenue is recognized (posted) for a certain period of time based on that progress.**
- **If the reasonable estimation of progress is difficult,** revenue is **recognized based on an amount of expenses** expected to be collected until progress is reasonably estimated (application of the cost recovery method).

□ Applicable to Engineering Consulting Services

* Services for which reasonable estimation is difficult

In the previous term or before: Sales and costs were posted after profits are finalized

Accounting Standard for Revenue Recognition: Sales and costs are posted according to expenses that have arisen in the term

□ Increase in Both Net Sales and Cost of Sales (Income statement)

- The gross profit and other profit ratios declined from those in the previous period
- Profitability ratios improved in line with progress in services (finalization of profits)

Income Statement

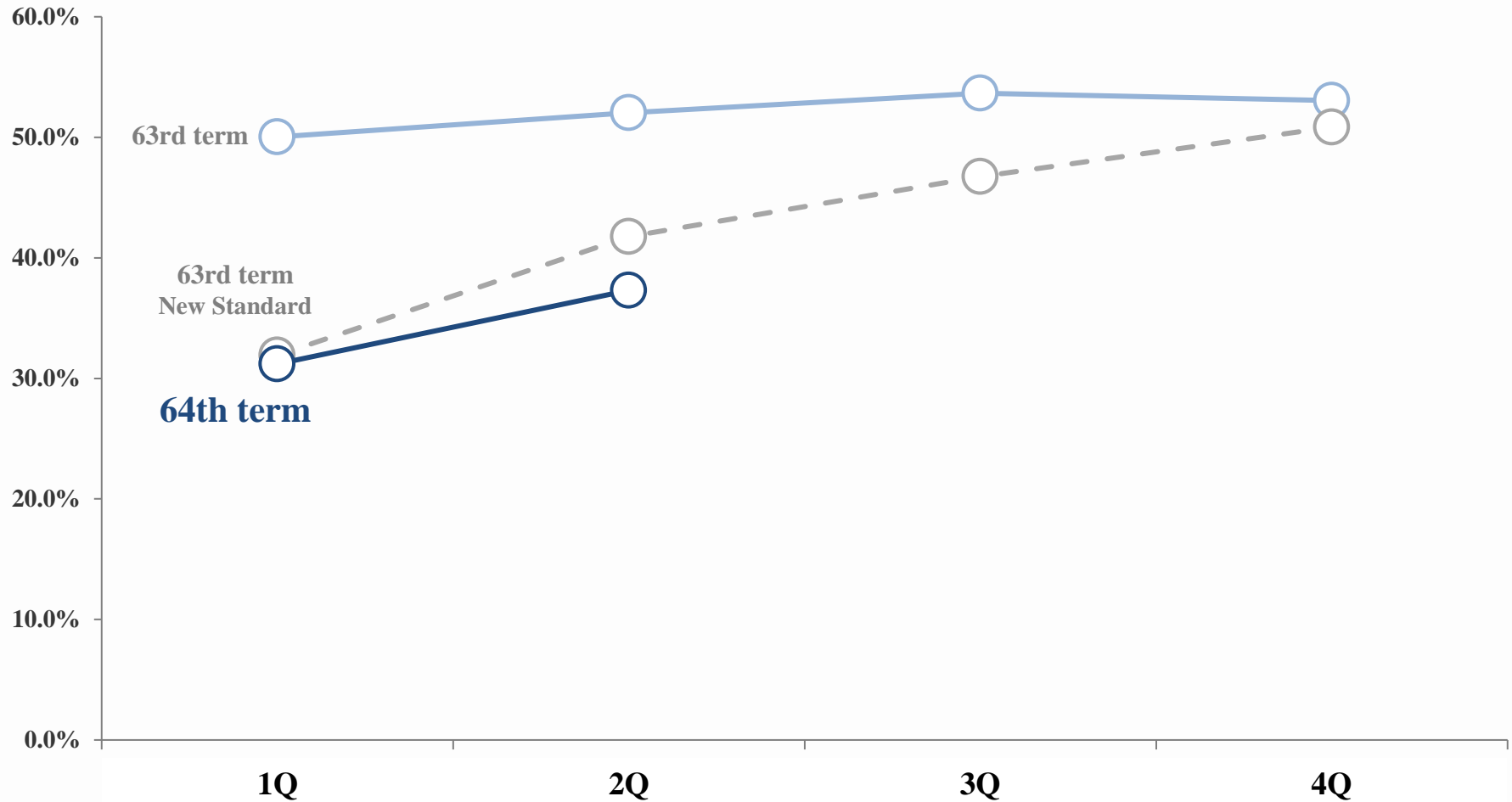
(Million yen)

	FYE June 2021 (63rd term) H1	FYE June 2022 (64th term) H1	Change from previous FY	Rate of change from previous FY
Net sales	4,974	6,138	1,164	23.4%
Cost of sales	2,386	3,850	1,464	61.4%
Gross profit	2,588	2,288	-299	-11.6%
(Gross margin)	(52.0%)	(37.3%)		
SGA expenses	2,660	2,703	42	1.6%
Operating income (loss)	-72	-414	-341	—
(Operating margin)	(-1.5%)	(-6.7%)		
Non-operating profit & loss	57	20	-36	-63.6%
Ordinary income (loss)	-14	-393	-378	—
(Ordinary margin)	(-0.3%)	(-6.4%)		
Extraordinary profit & loss	-41	-19	21	—
Net income (loss) before taxes	-56	-413	-357	—
Income taxes	-58	-149	-90	—
Net income (loss)	2	-263	-266	—
(Net margin)	(0.0%)	(-4.3%)		

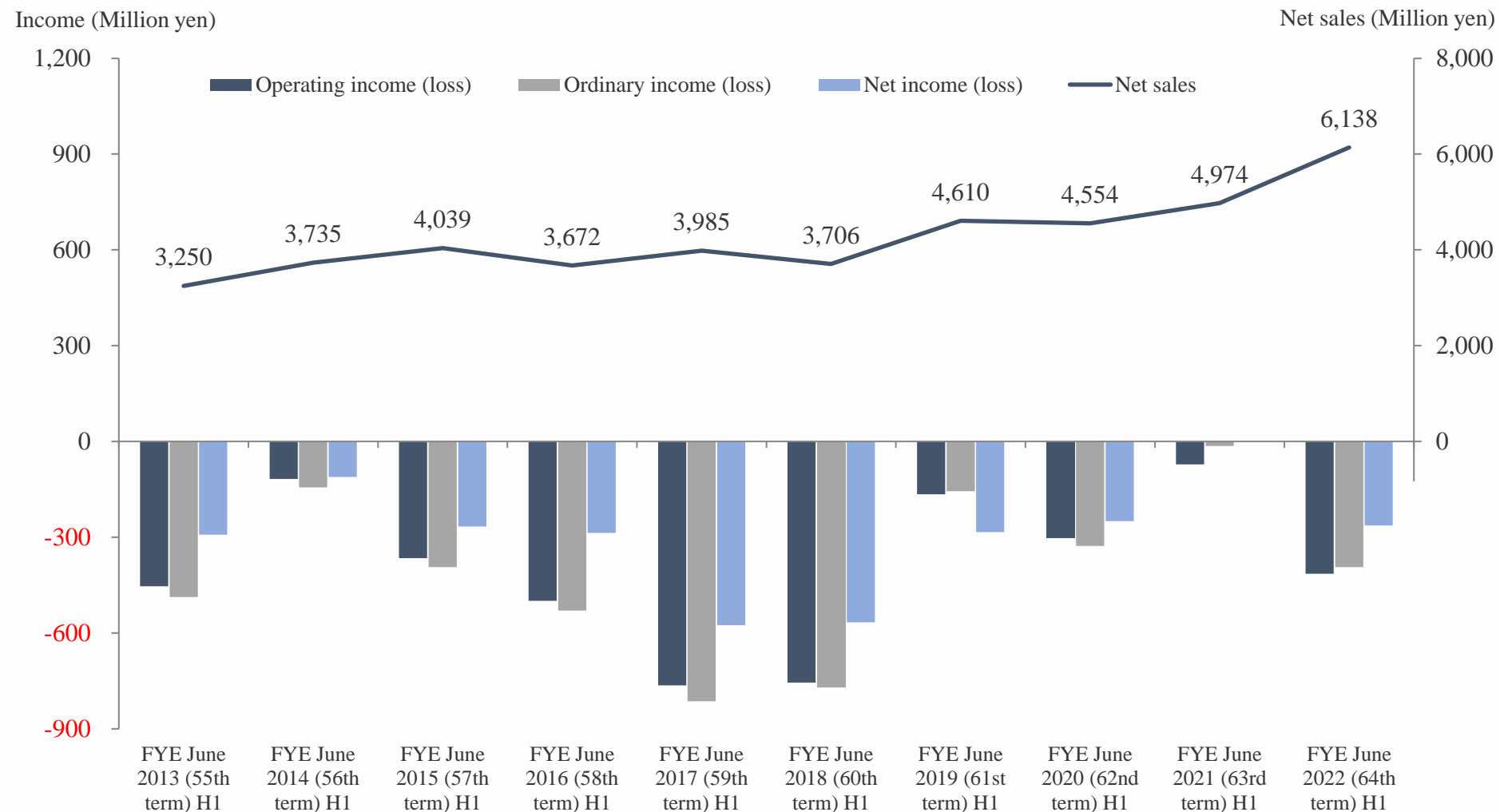
* Starting from the 64th term, we have applied the Accounting Standard for Revenue Recognition, etc. (hereinafter the "New Standard").

Impact of Accounting Standard Pertaining to Revenue Recognition (Year-on-Year Comparison of Gross Margin)

Quarterly gross margin



Trends in H1 Results



* Starting from the 64th term, we have applied the New Standard.

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

(Million yen)

Item	FYE June 2021 (63rd term)	FYE June 2022 (64th term) H1	Change	Item	FYE June 2021 (63rd term)	FYE June 2022 (64th term) H1	Change
Cash and deposits	2,120	649	-1,470	Short-term borrowings	—	500	500
Notes / accounts receivable - trade and contract assets	1,699	2,463	764	Current portion of long-term borrowings / corporate bonds	612	1,149	536
Work in process	601	62	-539	Advances received	939	1,088	149
Other	1,648	1,568	-79	Accounts payable - accrued expenses	805	197	-607
				Other	1,594	1,445	-148
[Current assets]	6,069	4,743	-1,325	[Current liabilities]	3,951	4,381	429
Property, plant and equipment	5,442	5,641	198	Long-term borrowings / corporate bonds	1,952	1,567	-385
Intangible assets	374	325	-48	Provision for retirement benefits	2,223	2,262	38
Investments and other assets	3,661	4,409	747	Other	264	286	22
Investment securities	2,154	1,976	-177	[Long-term liabilities]	4,440	4,115	-324
Shares of subsidiaries and associates	76	836	759	[Liabilities]	8,392	8,497	105
Investments in capital of subsidiaries and associates	54	54	0	Capital stock	1,010	1,010	—
Deferred tax assets	860	1,053	192	Capital surplus	1,325	1,325	—
Other	514	488	-26	Retained earnings	5,453	4,750	-703
[Fixed assets]	9,478	10,376	897	Treasury shares	-765	-514	250
				Other securities			
				Valuation difference on available- for-sale securities	132	52	-80
				[Net assets]	7,156	6,623	-533
[Assets]	15,548	15,120	-428	[Liabilities and net assets]	15,548	15,120	-428

*1 Capital ratio FYE June 2021: 46.0%; FYE June 2022 H1: 43.8%

*2 Impact of introducing ESOP: FYE June 2021: 58 million yen is included in Other of current assets, 660 million yen in treasury shares, and 677 million yen in long-term borrowings.

FYE June 2021 H1: 78 million yen is included in Other of current assets, 436 million yen in treasury shares, and 433 million yen in current portion of long-term borrowings.

Balance Sheet (Comparison with the End of the Previous H1)

(Million yen)

Item	FYE June 2021 (63rd term) H1	FYE June 2022 (64th term) H1	Change	Item	FYE June 2021 (63rd term) H1	FYE June 2022 (64th term) H1	Change
Cash and deposits	627	649	21	Short-term borrowings	360	500	140
Notes / accounts receivable - trade and contract assets	1,591	2,463	872	Long-term borrowings / corporate bonds	644	1,149	504
Work in process	1,302	62	-1,240	Advances received	991	1,088	97
Other	1,340	1,568	227	Accounts payable - accrued expenses	202	197	-5
				Other	1,202	1,445	243
[Current assets]	4,862	4,743	-118	[Current liabilities]	3,400	4,381	980
Property, plant and equipment	5,060	5,641	580	Long-term borrowings / corporate bonds	2,478	1,567	-911
Intangible assets	394	325	-68	Provision for retirement benefits	2,154	2,262	107
Investments and other assets	3,843	4,409	565	Other	235	286	50
Investment securities	2,062	1,976	-85	[Long-term liabilities]	4,868	4,115	-753
Shares of subsidiaries and associates	291	836	544	[Liabilities]	8,269	8,497	227
Investments in capital of subsidiaries and associates	54	54	0	Capital stock	1,010	1,010	—
Deferred tax assets	932	1,053	120	Capital surplus	1,325	1,325	—
Other	503	488	-14	Retained earnings	4,345	4,750	404
[Fixed assets]	9,298	10,376	1,077	Treasury shares	-857	-514	343
				Other securities Valuation difference on available-for-sale securities	68	52	-16
				[Net assets]	5,891	6,623	731
[Assets]	14,160	15,120	959	[Liabilities and net assets]	14,160	15,120	959

*1 Capital ratio FYE June 2021 H1 : 41.6%; FYE June 2022 H1: 43.8%

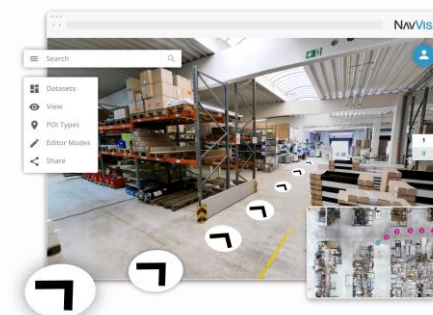
*2 Impact of introducing ESOP: FYE June 2021 H1: 177 million yen is included in Other of current assets, 752 million yen in treasury shares, and 905 million yen in long-term borrowings.

■ Made additional investment to accelerate business development with partners

Investees	LockState, Inc.	NavVis GmbH
Overview	Provider of a platform that manages smart locks and wired access control devices via cloud	Provider of a system that improves services, increases operation efficiency and enhances operations through the digitization of indoor spaces
Relationship	KKE started to take a stake in 2008 and launched the service in Japan in 2017 as a sole distributor.	The company was established in 2015. KKE entered into a business alliance with the company and launched the service in 2015.
Address	Denver, Colorado, the U.S.	Munich, Germany
Investment round	Series B	Series C-3
Amount Invested	\$3.25 million	€2 million

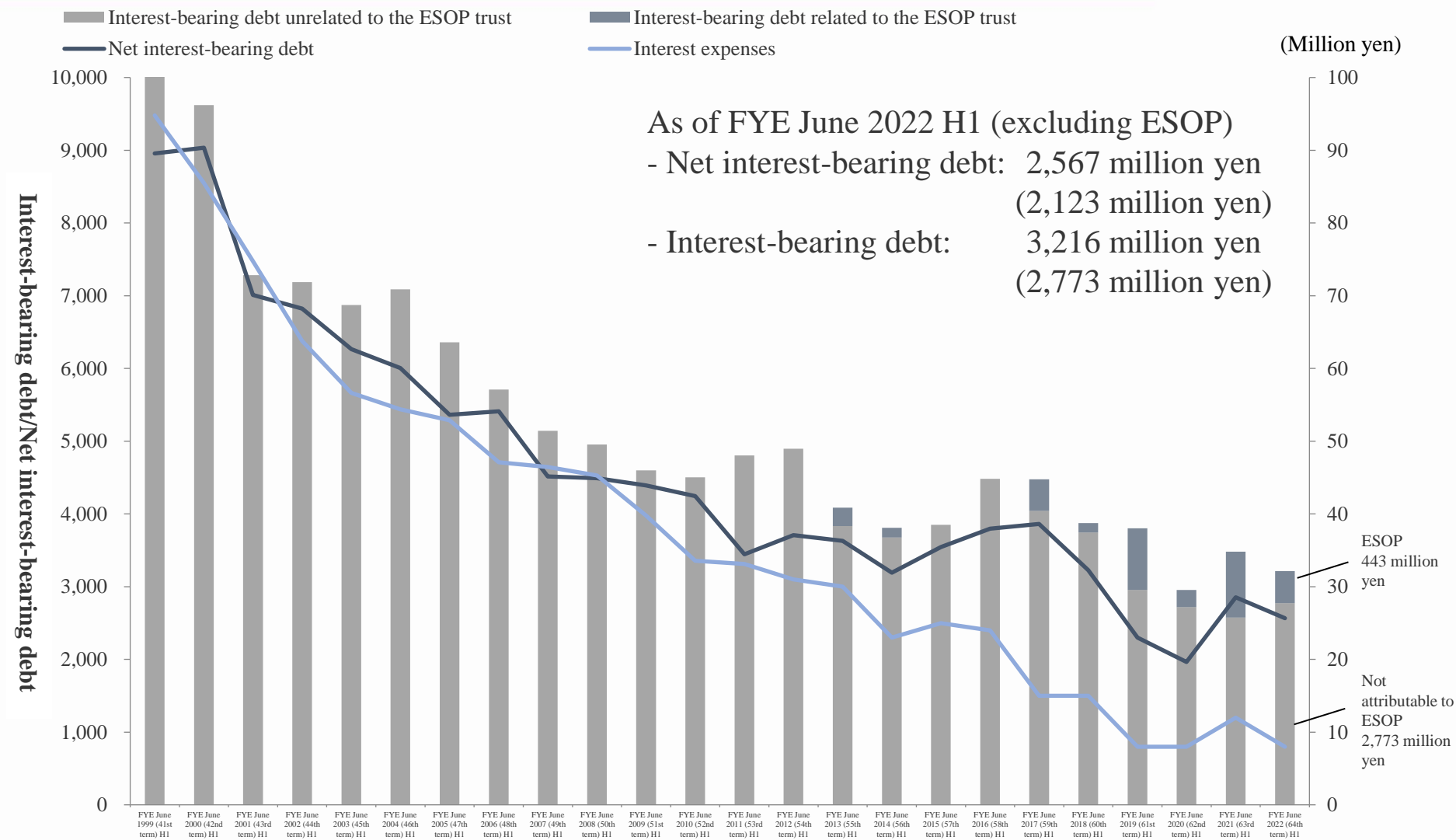


<https://www.kke.co.jp>



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Changes in Net Interest-Bearing Debt



Cash Flow Statement Highlights

(Million yen)

	FYE June 2021 H1 (63rd term)	FYE June 2022 H1 (64th term)	Change
Balance at the beginning of FY	2,014	2,120	105
CF from operations	-1,584	-1,277	307
CF from investments	-172	-659	-487
Free CF	-1,756	-1,936	-179
CF from financing	369	465	95
Balance at the end of FY	627	649	21

Highlights of CF from operations	FYE June 2021 H1	FYE June 2022 H1	Change
Net income before taxes	-56	-413	-357
Increase/decrease in accounts receivable*	250	-614	-865
Increase/decrease in inventories*	-628	558	1,187
Highlights of CF from investments	FYE June 2021 H1	FYE June 2022 H1	Change
Purchase of investment securities	-187	-646	-459
Purchase of property, plant and equipment	-43	-280	-237
Sale of shares of subsidiaries and associates	-	291	291
Highlights of CF from financing	FYE June 2021 H1	FYE June 2022 H1	Change
Net increase in short-term borrowings	360	500	140
Net increase in long-term borrowings	490	200	-289
Proceeds from disposal of treasury shares	774	263	-511

* Changes are significant due to the application of the New Standard.
However, the total amount of operating cash flow is not affected.

2

Overview of Results by Segment



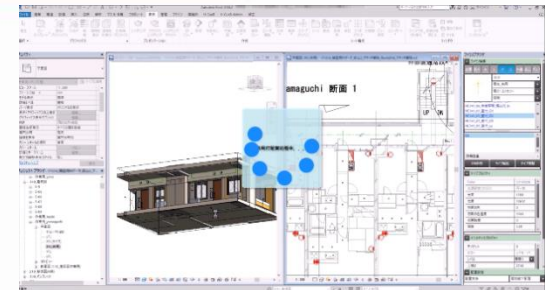
- Structural design and structural analysis consulting
Structural design of high-rise buildings and structural analysis of large buildings

- Environment assessment and disaster risk reduction consulting
Ground motion assessment, wind condition analysis and disaster risk assessment

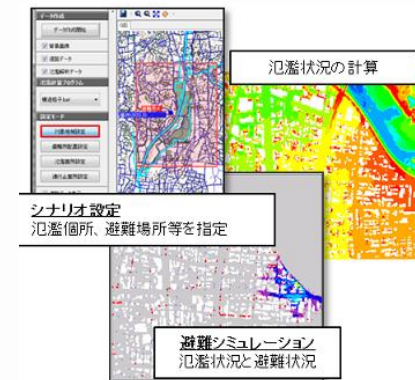
- IT system development for housing and construction
System development including CAD, BIM and structural calculation

- Decision-making support consulting
Social simulation and optimization

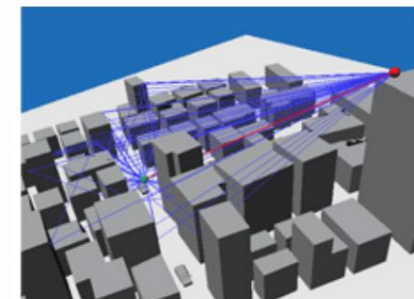
- Information and communication technology consulting
Communication network, radio wave propagation, and electromagnetic field simulation



Automation of design (automatic disposition)



Evacuation simulation



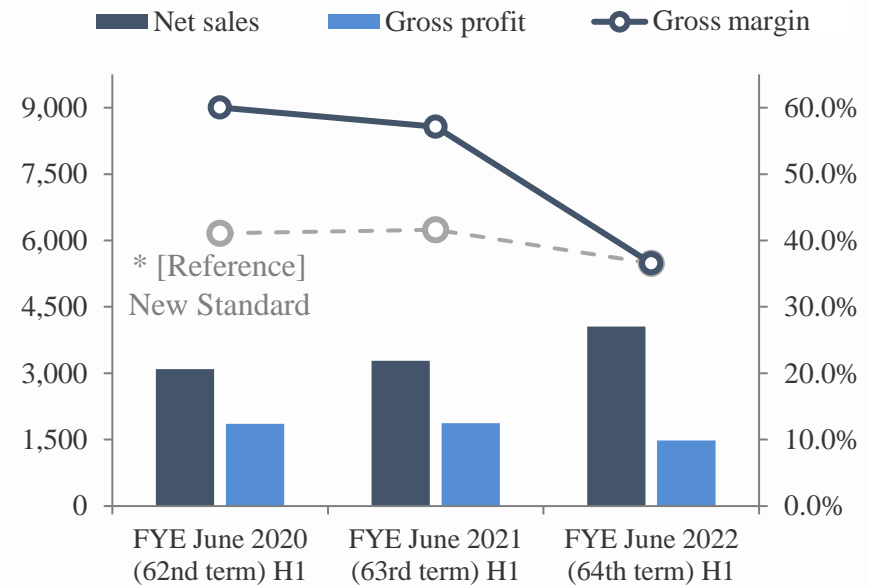
Radio wave propagation simulation

Overview by Segment

(Engineering Consulting: Changes over the past two terms)

(Million yen)

	FYE June 2020 (62nd term) H1	FYE June 2021 (63rd term) H1	FYE June 2022 (64th term) H1	Year-on-year
Orders	5,414	4,784	5,270	485
Net sales	3,090	3,278	4,056	778
Gross profit	1,854	1,873	1,483	-390
(Gross margin)	(60.0%)	(57.2%)	(36.6%)	
Backlog of orders	7,518	6,813	6,838	25



Analysis of results

- Progress was made in developing systems for the housing and construction sectors and in promoting structure design consulting services
- Sales increased given the positive impact of the application of the Accounting Standard for Revenue Recognition, etc., but profitability declined.

* Starting from the 64th term, KKE has adopted the New Standard. Figures for the past two terms reflect the application of the New Standard.

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 Telecommunications/IoT

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

Examples of package-sales type



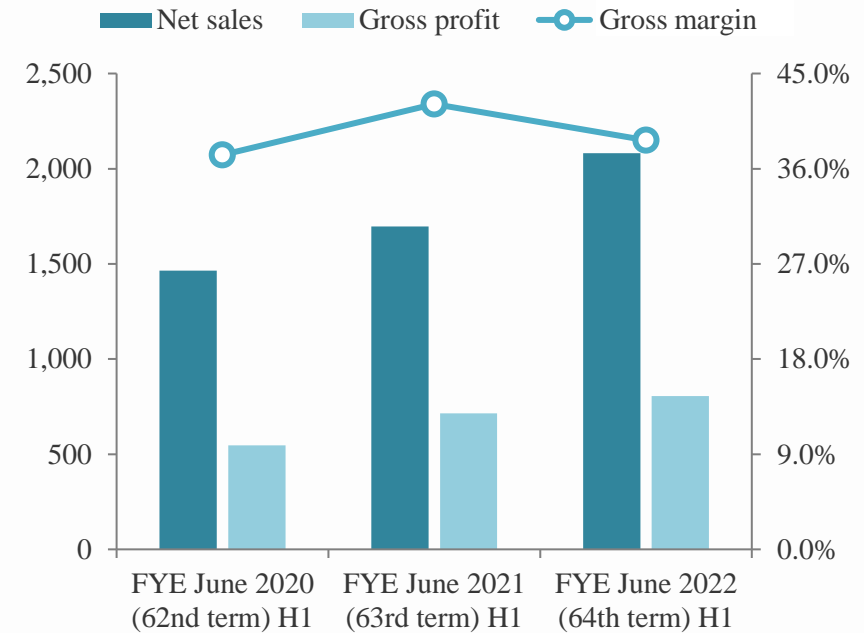
Examples of cloud service-provision type



Overview by Segment

(Product Service: Changes over the past two terms)

	(Million yen)			
	FYE June 2020 (62nd term) H1	FYE June 2021 (63rd term) H1	FYE June 2022 (64th term) H1	Year-on-year
Orders	1,398	1,534	2,117	583
Net sales	1,464	1,696	2,082	386
Gross profit	546	714	805	91
(Gross margin)	(37.3%)	(42.1%)	(38.7%)	
Backlog of orders	1,017	958	1,257	299



Analysis of results

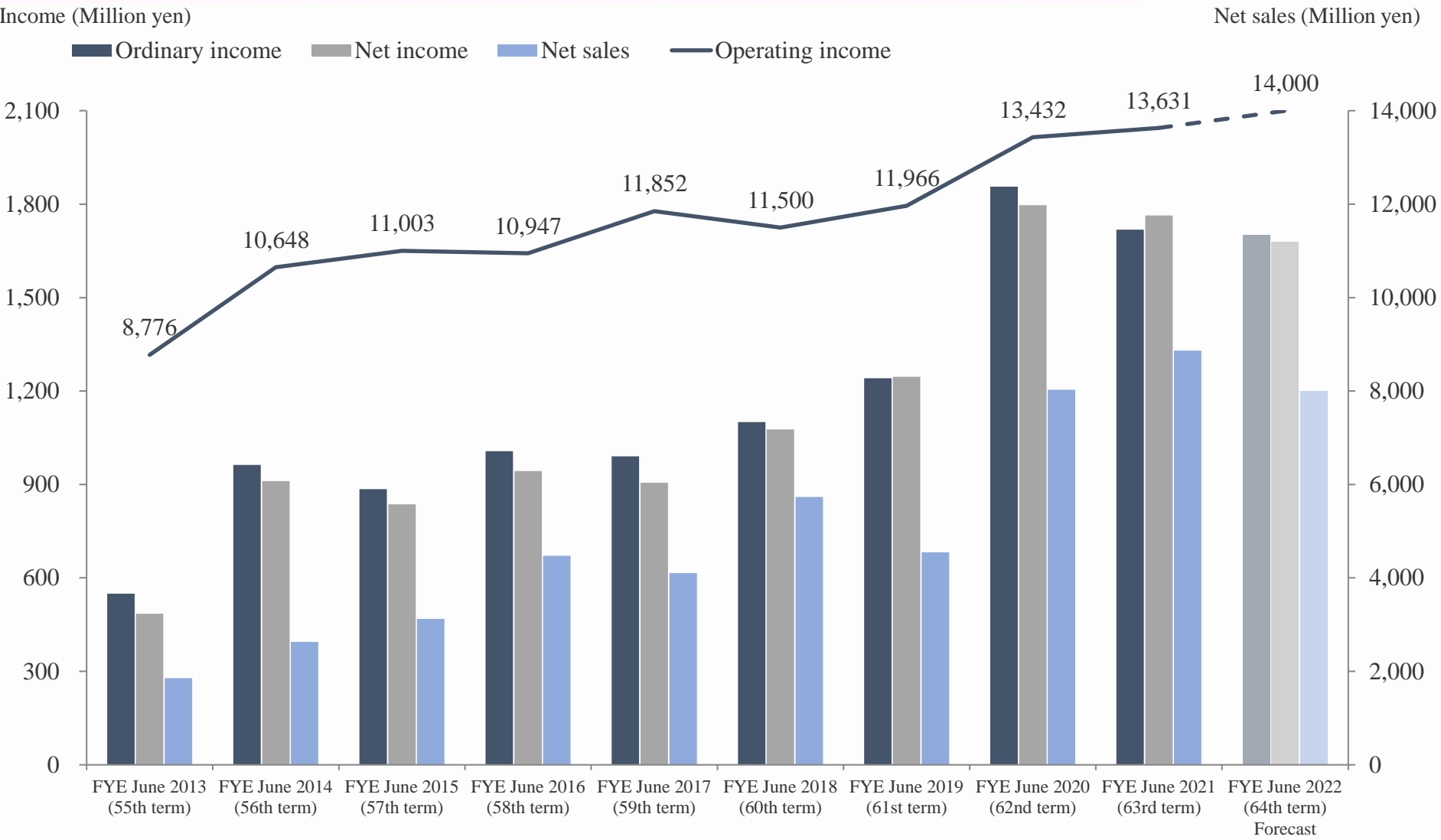
- Orders and sales rose significantly, reflecting successful efforts in selling hardware which is indispensable for the future expansion of cloud business, but overall profitability declined.
- With respect to packaged sales-type products, sales of CAE software and radio wave propagation analysis software for design engineers remained firm.

3

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

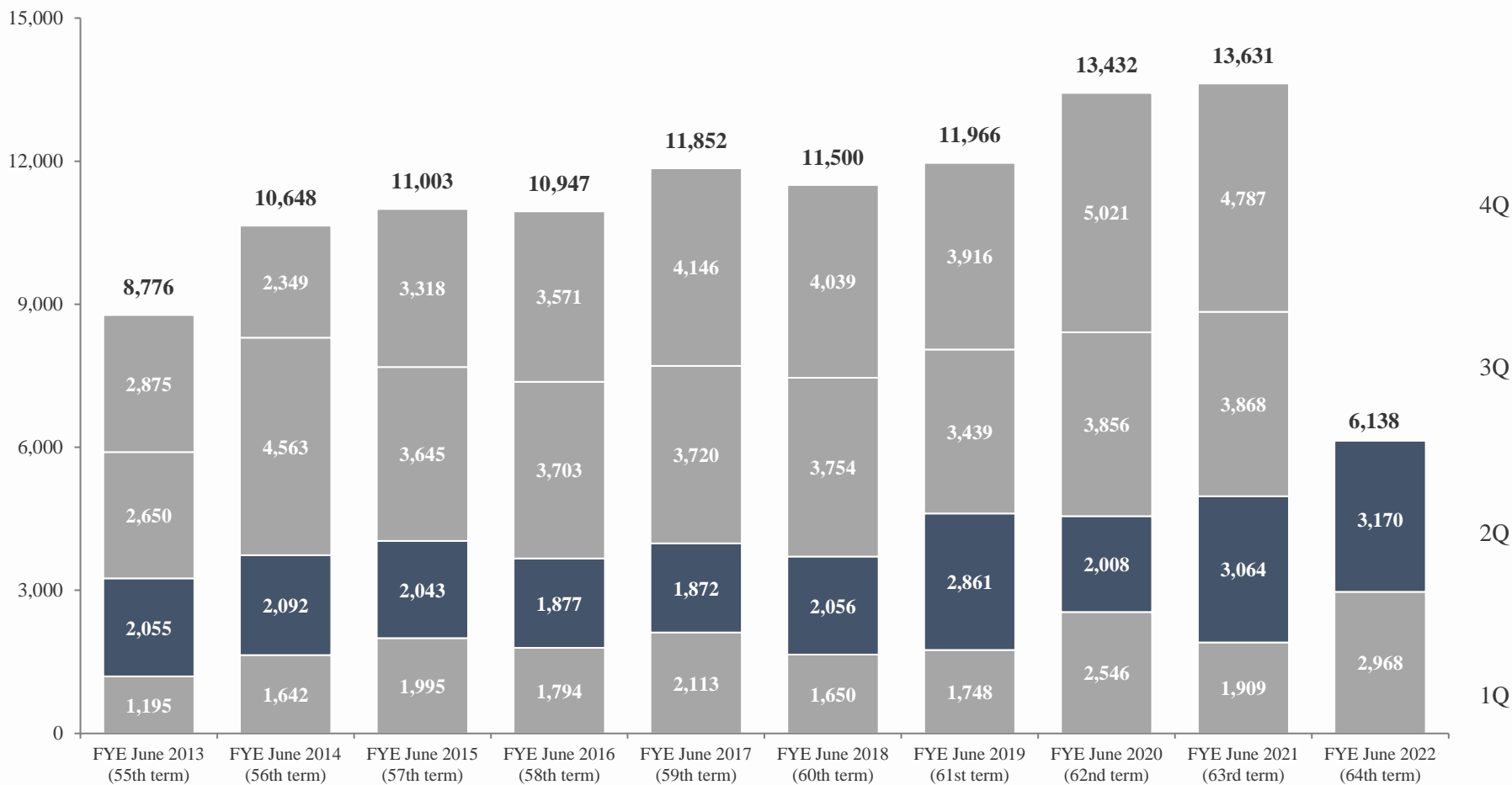


Trends in Results and Results Forecasts



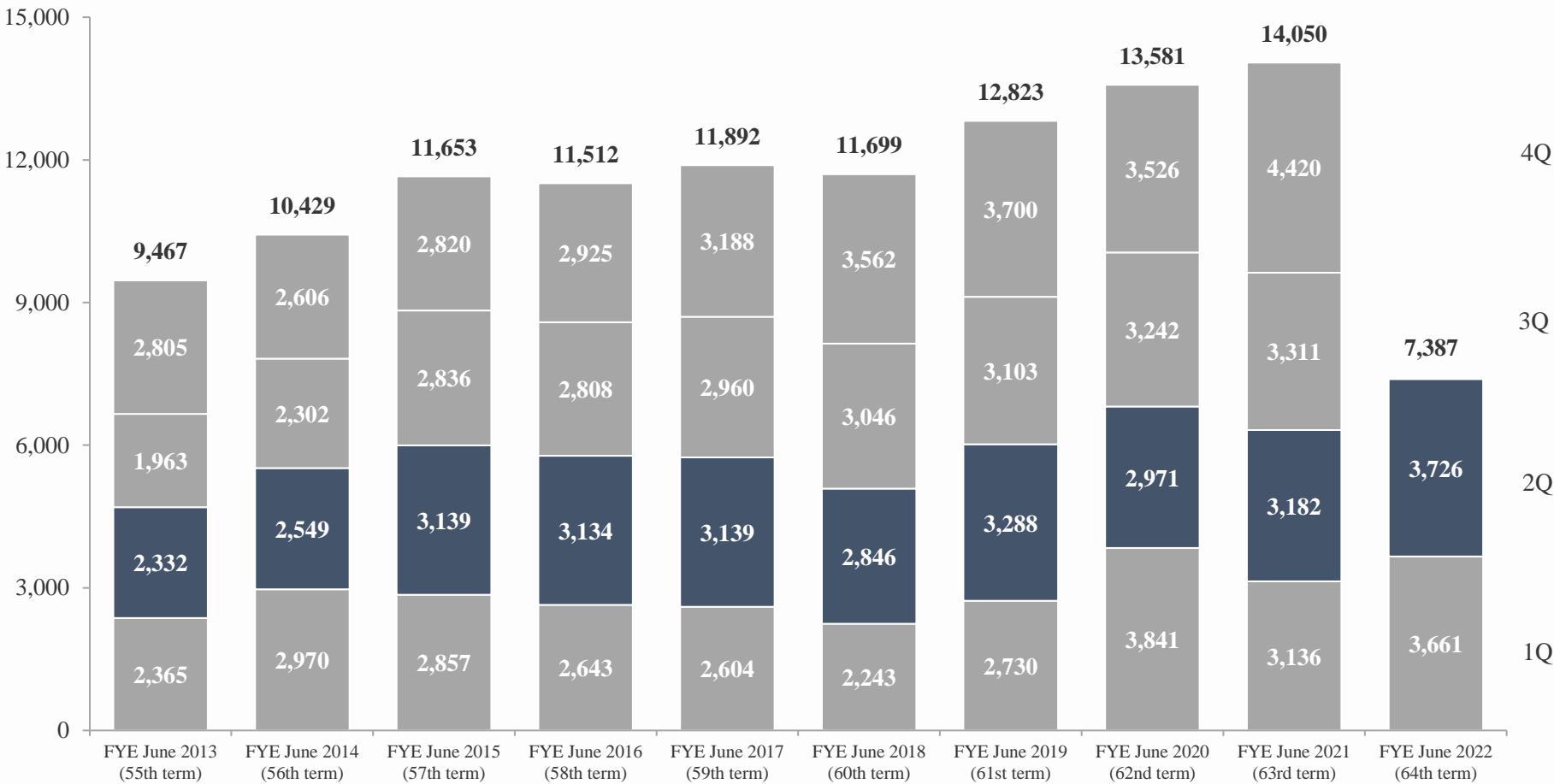
Net sales by quarter

(Million yen)



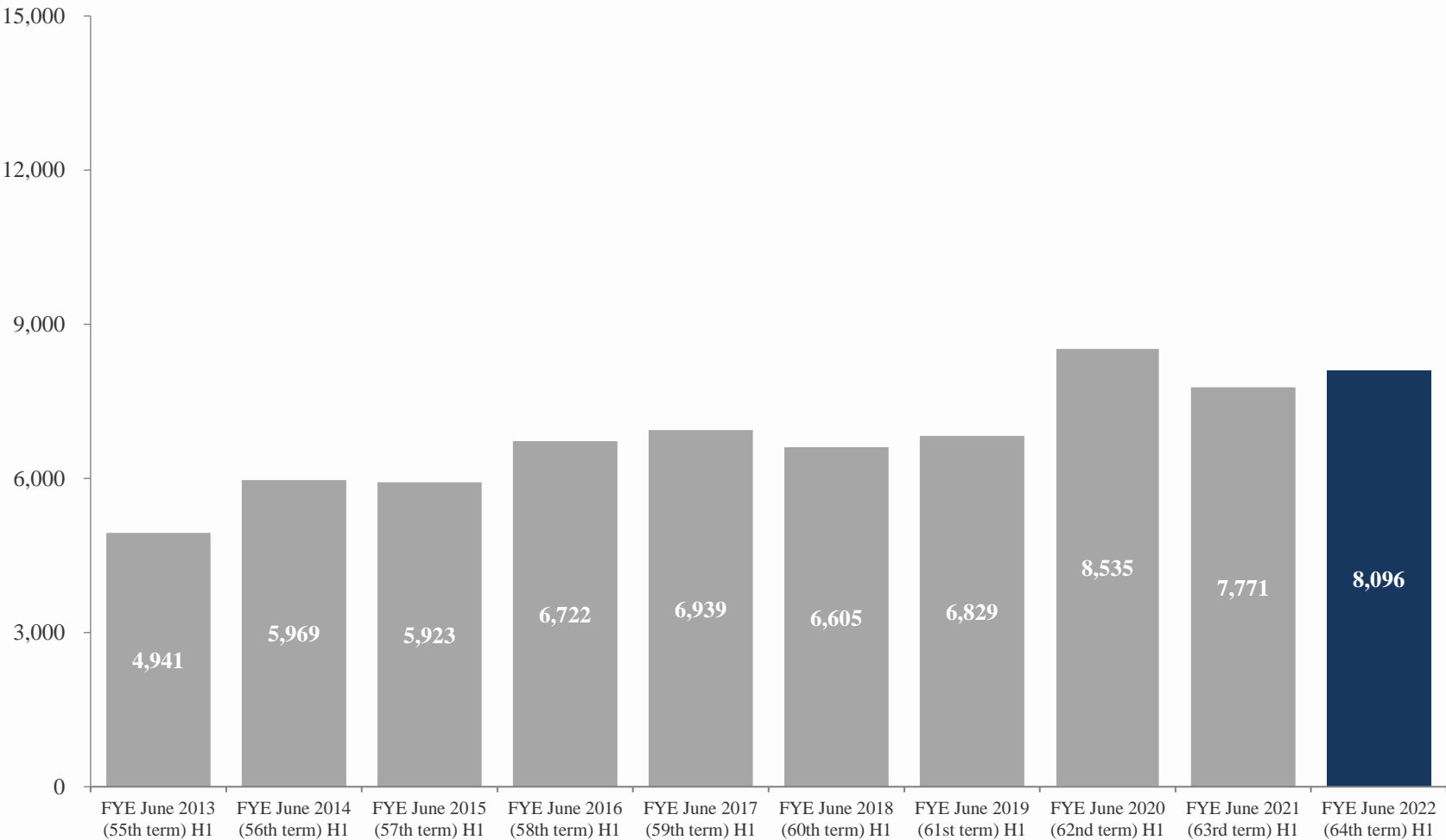
Orders by quarter

(Million yen)



Backlog of orders

(Million yen)



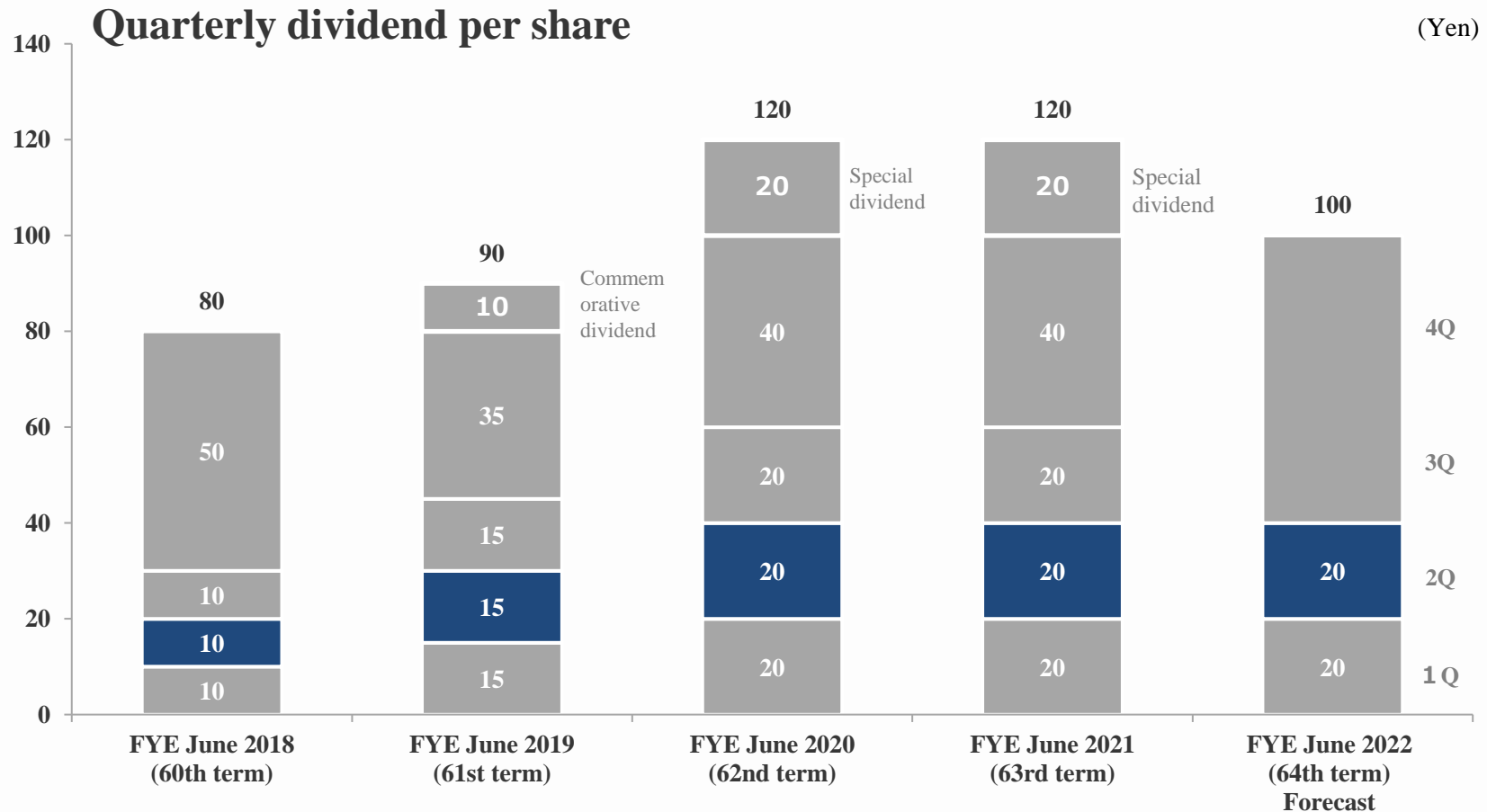
構造計画研究所
KOZO KEIKAKU ENGINEERING Inc.

	FYE June 2021 (63rd term)	FYE June 2022 (64th term) Forecast	Change	Rate of change from previous FY
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		

23

Actual Dividends in the Past and Dividends for the Second Quarter of FYE June 2022 (64th term)

Pay stable dividends continuously according to the dividend policy.



- The Company will acquire treasury shares to improve capital efficiency while flexibly implementing capital policies in response to changes in the business environment, and return part of profits to shareholders.

Class of shares to be acquired	Common shares of the Company
Total number of shares to be acquired	120,000 shares (Ratio to the total number of shares outstanding (excluding treasury shares) 2.18%)
Total value of shares to be acquired	300,000,000 yen (Maximum)
Acquisition period	From February 8, 2022 to August 31, 2022
Method of acquisition	Purchase on the market of the Tokyo Stock Exchange (including the purchase of treasury shares through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3))

* Treasury share holdings as of December 31, 2021

Total number of shares outstanding (excluding treasury shares) 5,499,894 shares

Number of treasury shares 106 shares

4 **Achieving Sustainable Growth in Partnership with Our Stakeholders**



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

Our vision

**A knowledge-intensive company in the 21st century
Design & Engineering Firm**

**We embrace a collaborative professionals-centered
organizational culture to make KKE stand out.**

Innovating for a Wise Future

Wise Future: With the aim of creating a future society full of human wisdom

Innovating: We will keep innovating to provide value to society in a sustainable way.

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

Stakeholders:

Shareholders/investors, local communities, customers/industrial sector, universities/research institutions/partners (portfolio companies, cooperative companies/individual business operators) and KKE staff

Aiming to be a Knowledge-intensive Company

Initiatives to build a highly objective and transparent governance system

- Started to appoint outside directors in FYE June 2012
- Shifted to a company with a nominating committee, etc. in FYE June 2020
 - [Reference] Four of 658 JASDAQ-listed companies
 - 85 of 3,825 TSE-listed companies
 - * According to the JACD list of companies that have nominating committee, etc. (as of January 20, 2022)
- FYE June 2022
 - Half of the members of the Board of Directors are independent outside directors with extensive knowledge and experience
 - Appointed outside directors chairpersons of the Nominating Committee, Audit Committee and Compensation Committee, respectively, the majority of which are outside directors



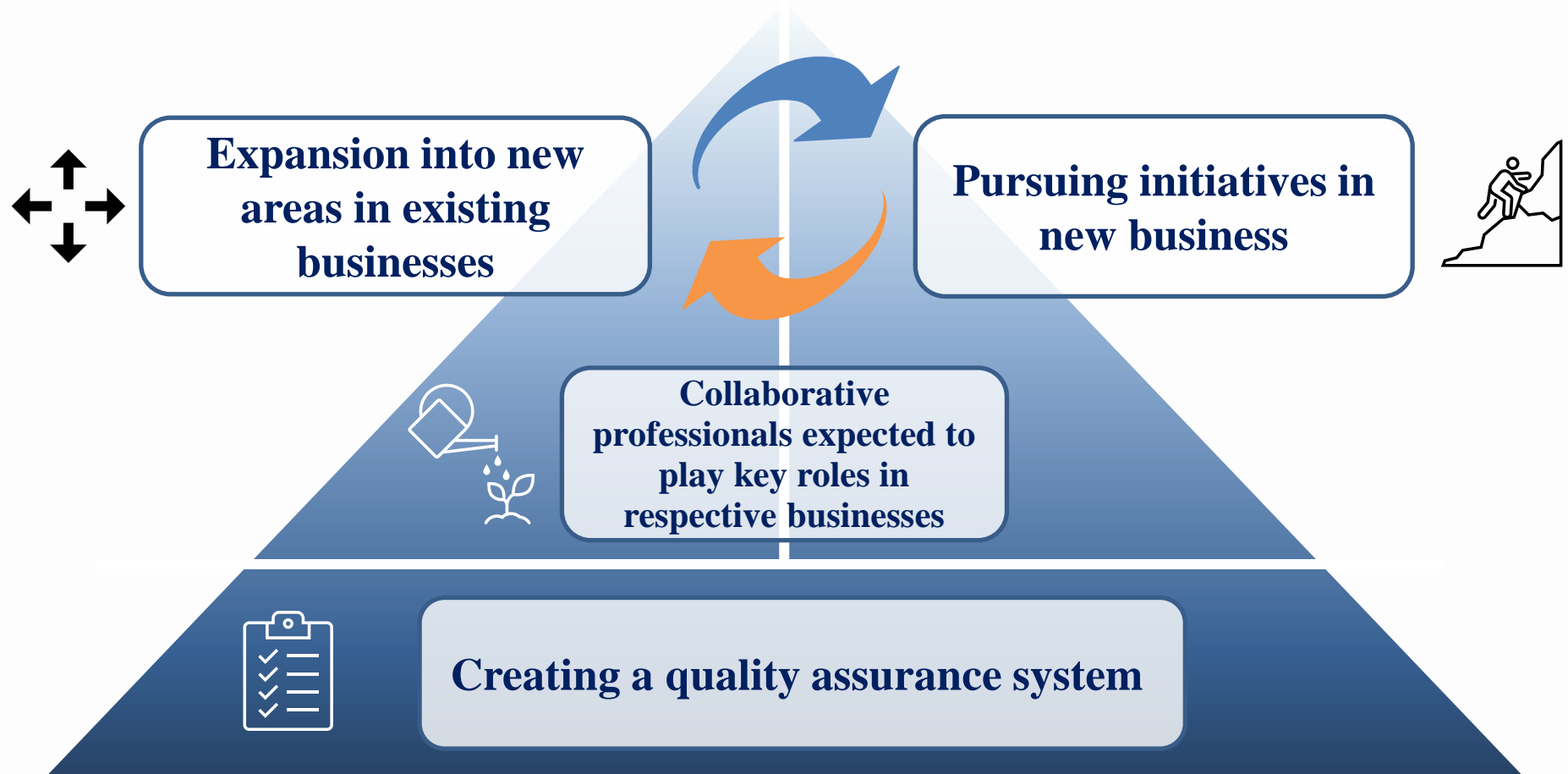
In conjunction with the reorganization of the Tokyo Stock Exchange

Announced our policy and initiatives to ensure compliance with the Corporate Governance Code on our corporate website.

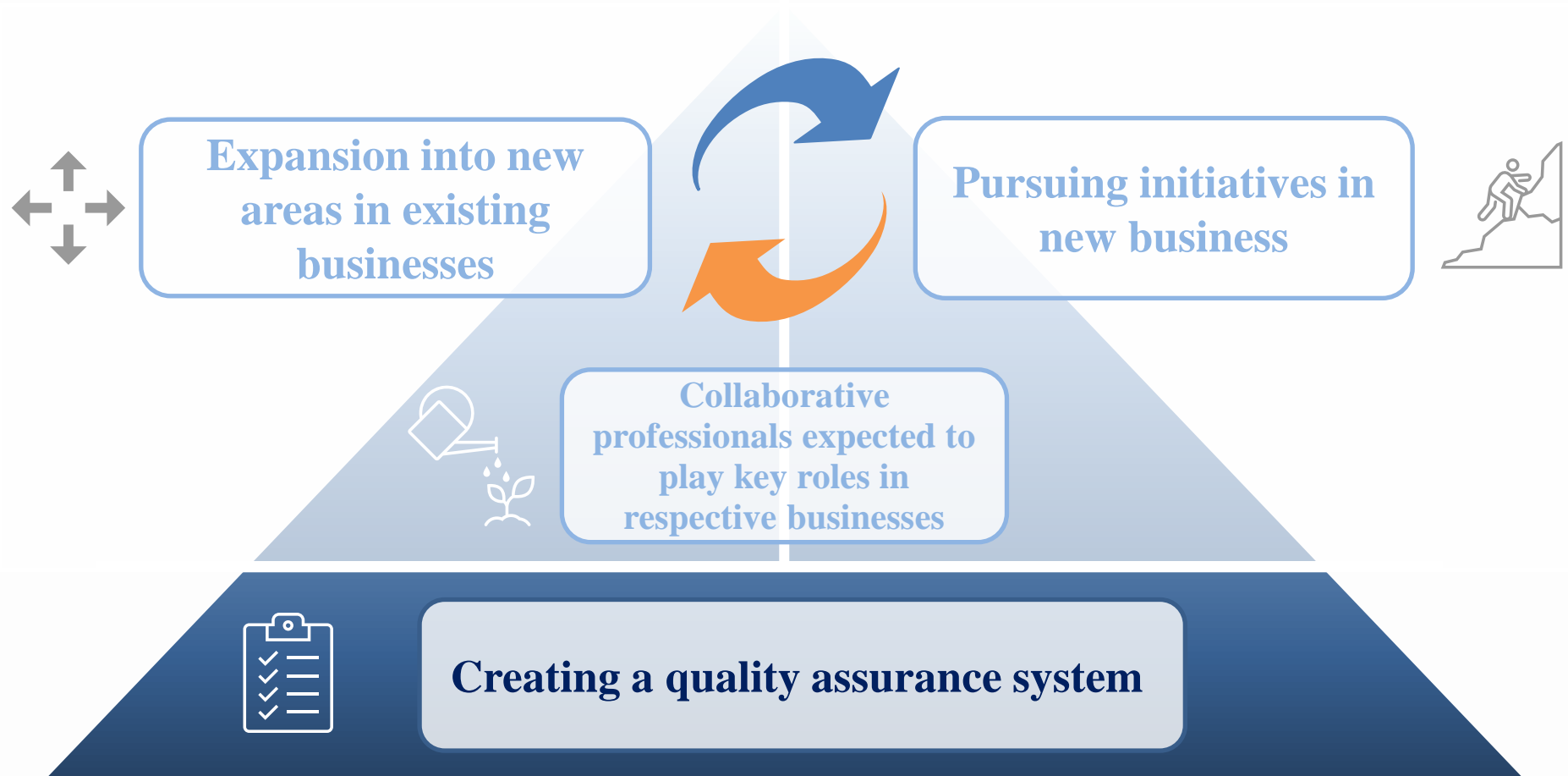
We will aim to achieve sustainable growth together with our stakeholders.



*Innovating for a **Wise Future***



*Innovating for a **Wise Future***



Initiatives Continuing from the Previous Fiscal Year to Improve Organizational Quality

Continued to advance initiatives to reinforce organizational foundations by improving quality, enhancing organizational culture and developing collaborative professionals with a view toward sustainable growth.

(Quoted from 2. Status of businesses in Annual Securities Reports)

Annual Securities Report (End of the 62nd term)

- We will **improve the quality of organizations and enhance training programs for KKE staff** from medium-term perspectives, while also consistently delivering on our earnings targets.

Annual Securities Report (End of the 63rd term)

- We will **further improve the quality of organizations and enhance training programs for KKE staff** while delivering on our earnings targets, with a view toward sustainable growth.

Focused on quality improvement as in the previous fiscal year

In particular, we worked on the securing and improvement of quality, a management issue of highest priority.

Accumulation and Utilization of Empirical Knowledge Including Past Failures

The present quality assurance system and scheme are **lessons** learned from the past.

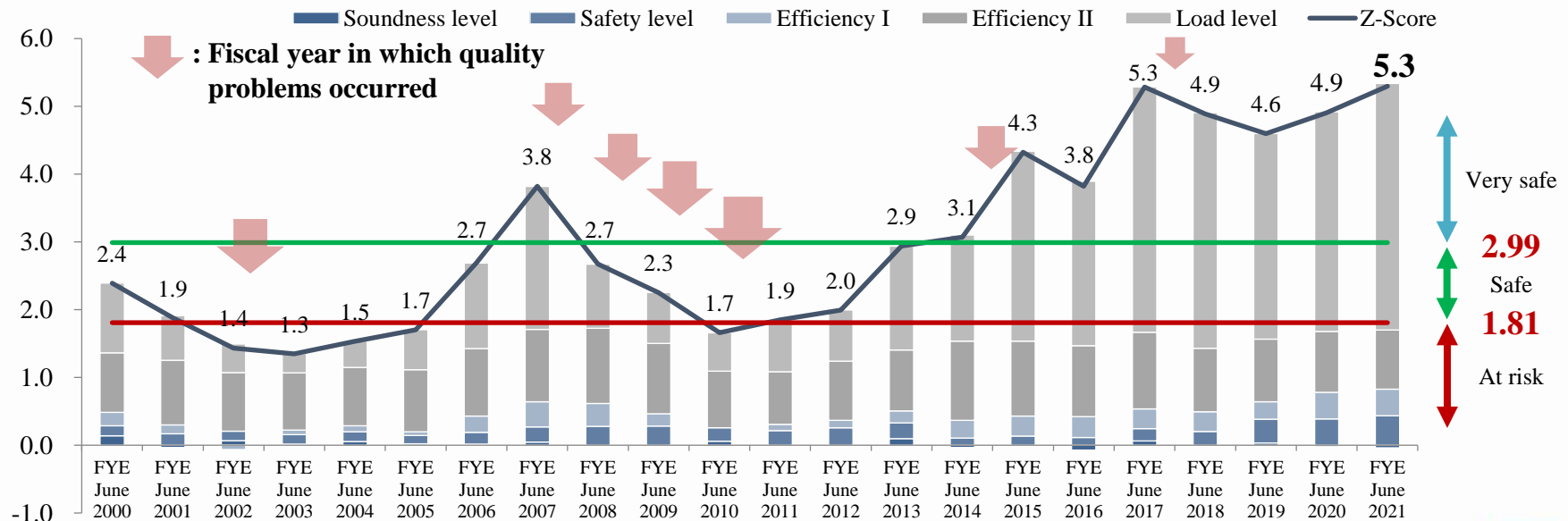
❑ Change in Z-scores (bankruptcy risk levels)

➤ Quality issue has a significant impact on organizational growth in the medium to long term.

❑ Established an organizational structure to control and maintain quality according to lessons learned from past quality issues.

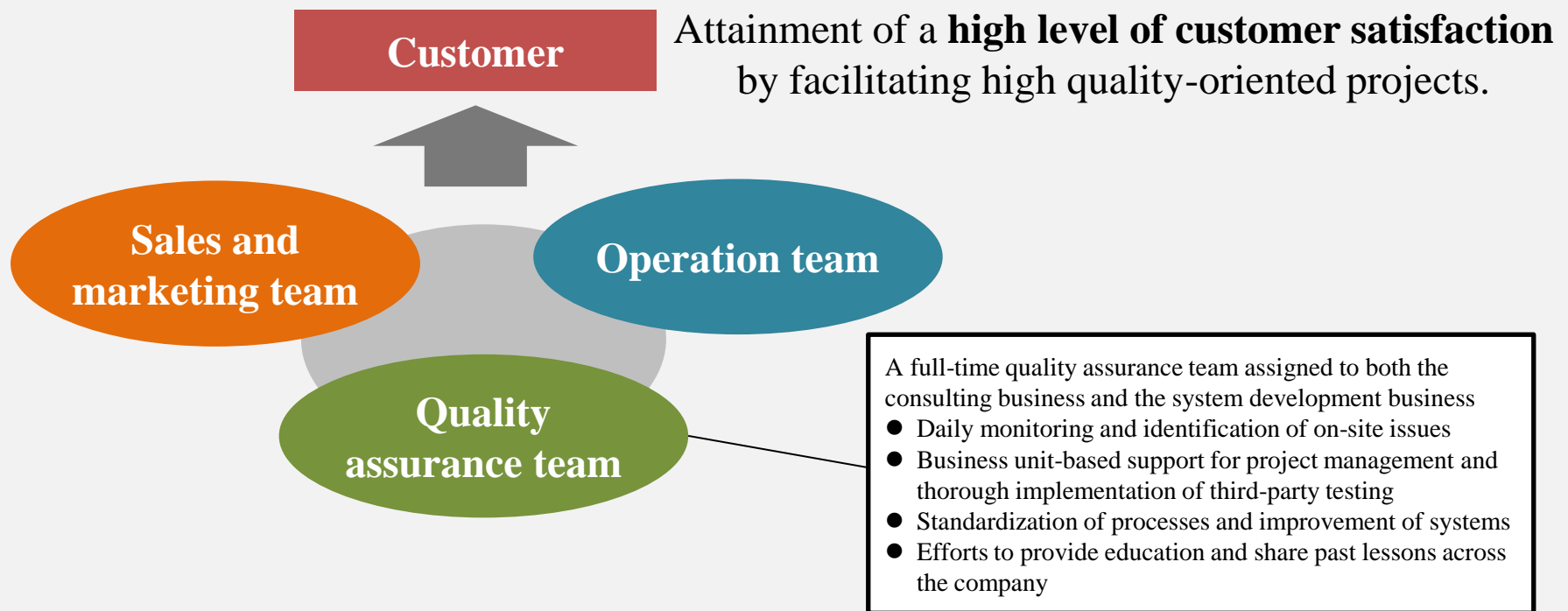
➤ Established the Quality Assurance Center as an organization independent of the operation team to control and maintain quality from third party perspectives.

Past quality issues and changes in Z-scores

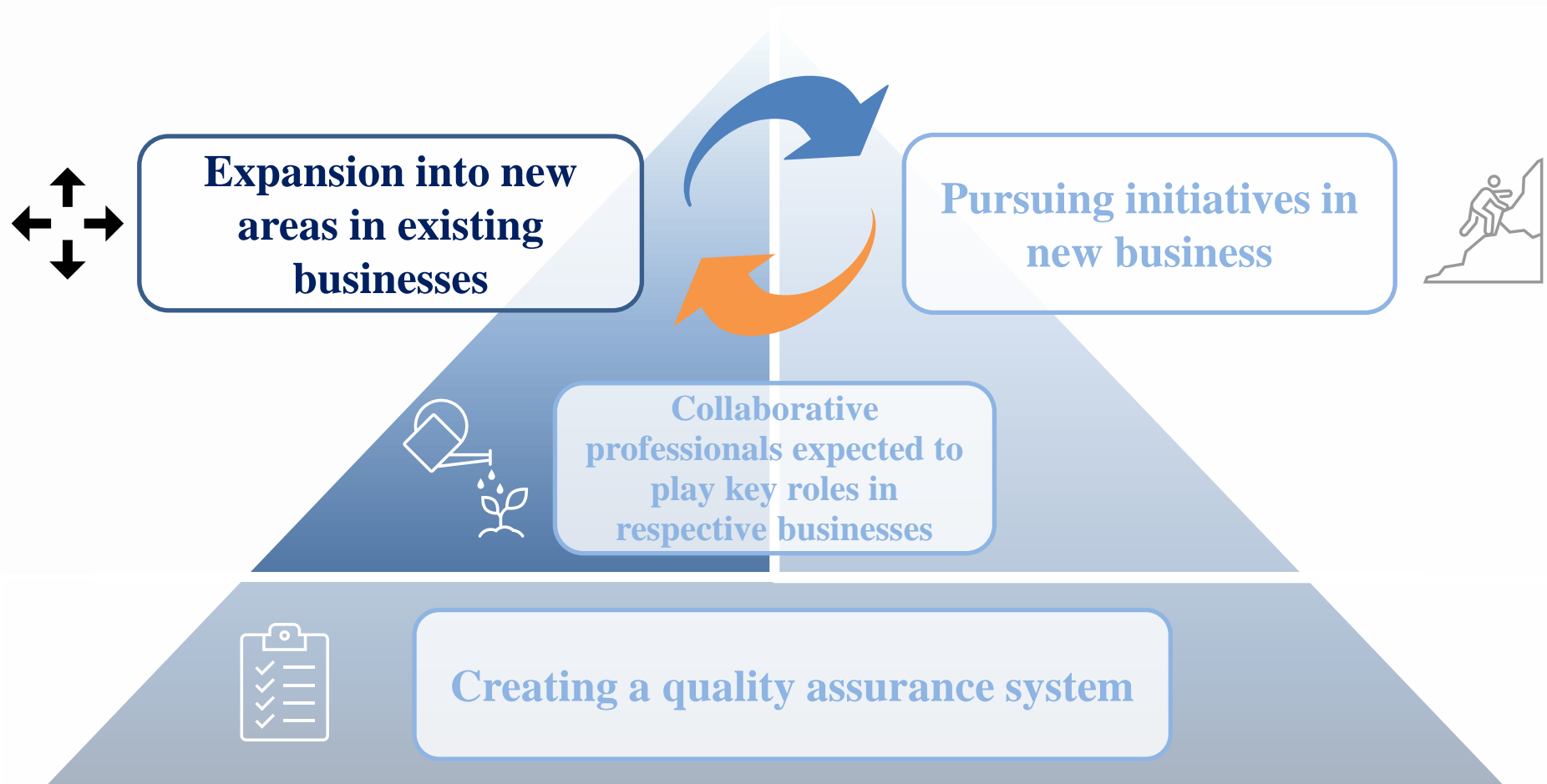


- We established an organizational system to secure quality over the medium to long term according to lessons learned from past quality issues.

We will prevent the occurrence of issues by identifying and sharing risks through company-wide collaborations.



*Innovating for a **Wise Future***



Based on our vision, we will seek to create a
Design & Engineering Firm
as an organizational model.

Design

Skills to establish models in computer-based digital environments by utilizing information technologies



Engineering

Skills to enhance engineering knowledge derived from science to socially applicable levels



A common base for all of our operations such as the analysis of the environmental conditions of the ground and surrounding areas, provision of support for the use of IT in the construction and manufacturing industries, simulation of social systems including human behavior, and provision of support for decision-making processes, as well as structural design

Existing Businesses

- ❑ Structural design and structural analysis
- ❑ Housing and construction
- ❑ Telecommunication
- ❑ Manufacturing
- ❑ Decision-making support



**Environment
(Environment)**



**Social
(Social)**



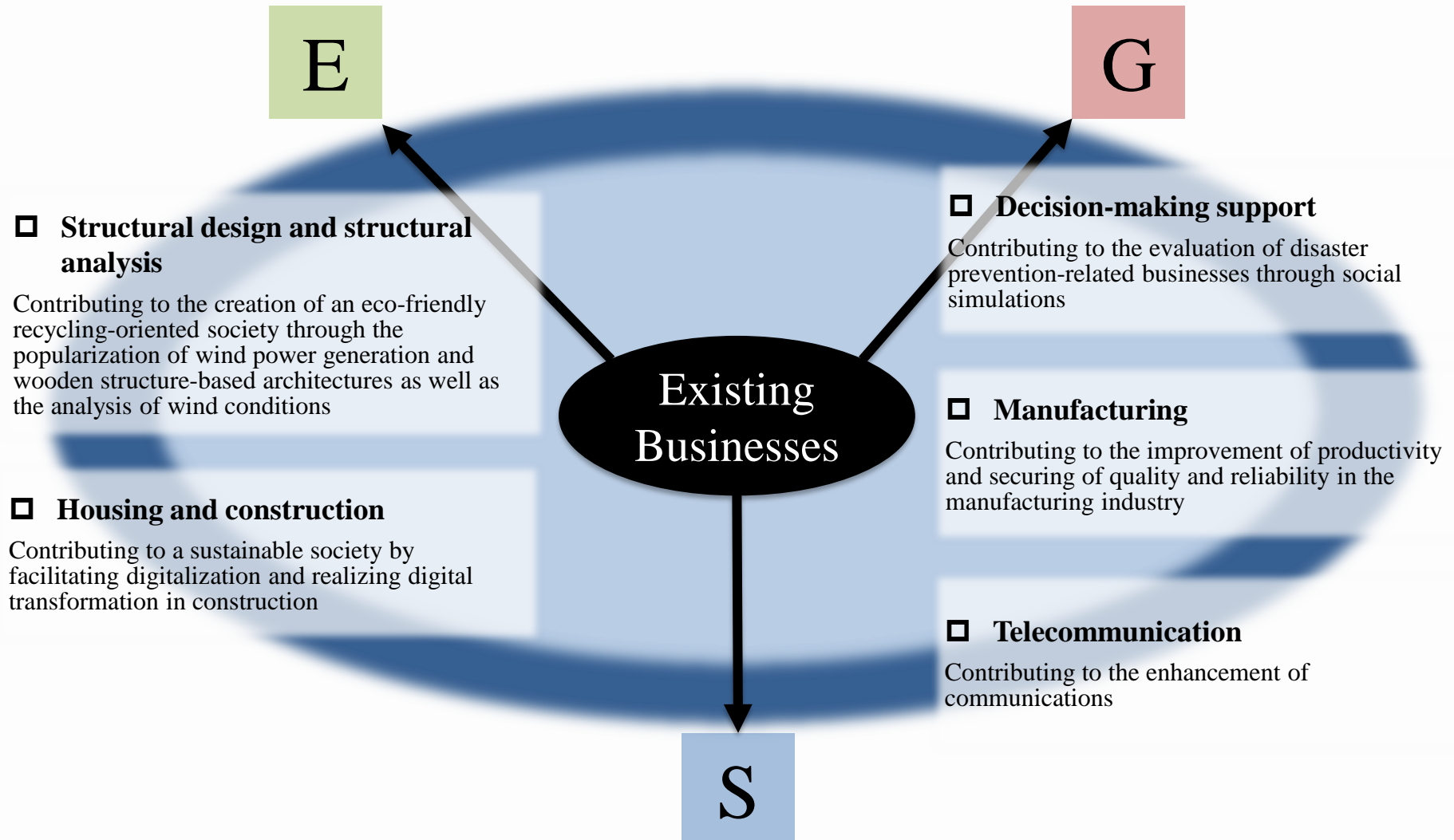
**Corporate
governance
(Governance)**



Globally growing interest in the environment, society,
and corporate governance (ESG)



We will support ESG initiatives through engineering consulting.



Structural Design/Analysis: Promotion of Wind Power Generation-related Businesses

To provide the value of KKE on a company-wide basis in the offshore wind power business

Changes in the surrounding environment

Social trends toward the creation of a decarbonized society

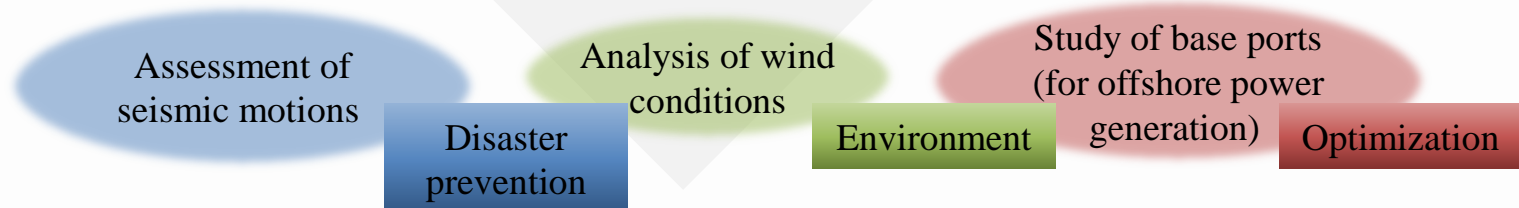
Efforts that we have made to date to provide value in the **onshore wind power business**

- ❑ Achieved high reliability and market shares through a wealth of empirical knowledge



Value creation initiatives in the current **offshore wind power business**

- ❑ Involved with the METI's system design operations in 2021 in relation to offshore power generation facilities
→ First step toward the provision of value in the offshore power generation business
- ❑ Will aim to **provide one-stop services** by harnessing empirical knowledge and technologies about other business areas.

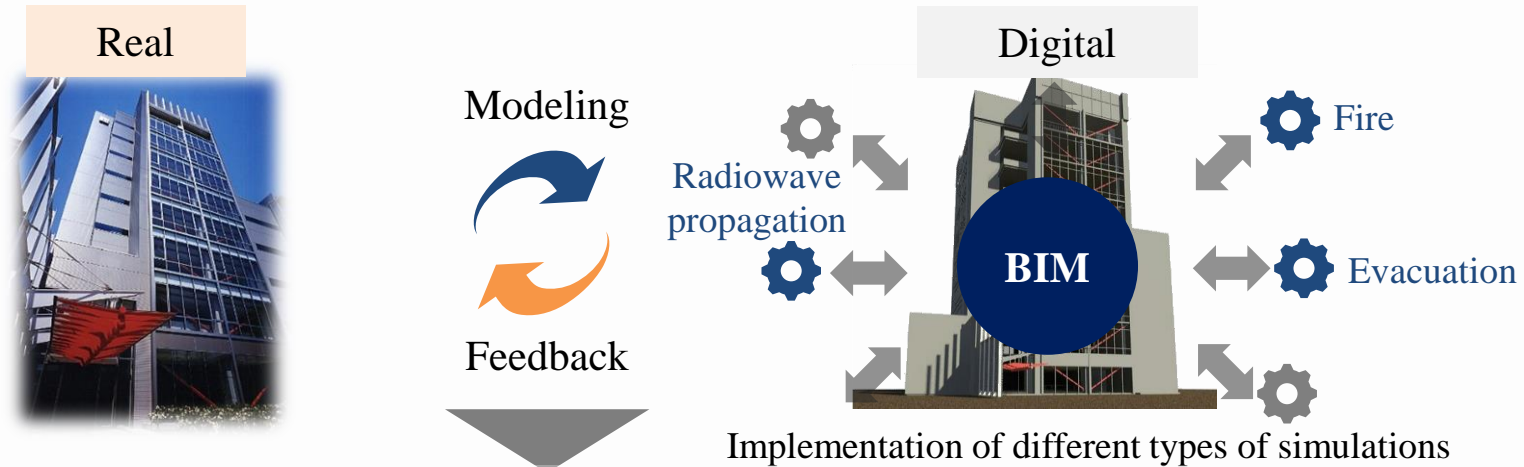


KKE will work on varieties of wind power-focused challenges as one.

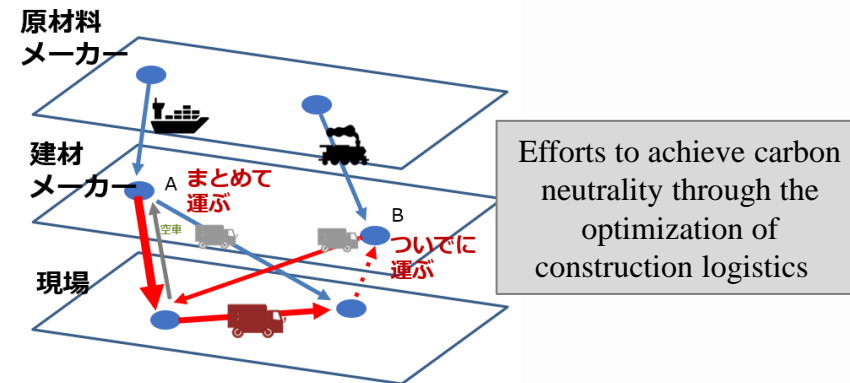
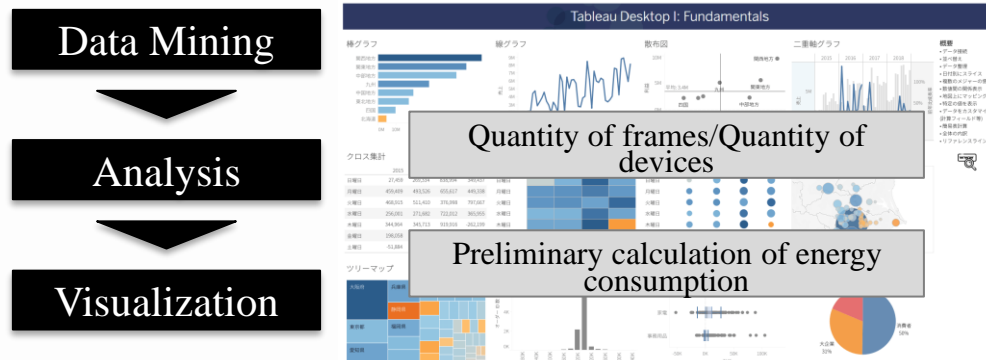
Housing/Construction: Initiatives for Digitalization and the Digital Transformation of Construction

Digitalization of BIM, point clouds and images, etc. by harnessing information technologies

BIM: A method of centrally managing building information in a 3D-based model.



Realizing the digital transformation of construction by using accumulated digital information



Contributing to a sustainable society by facilitating digitalization and realizing digital transformation in construction

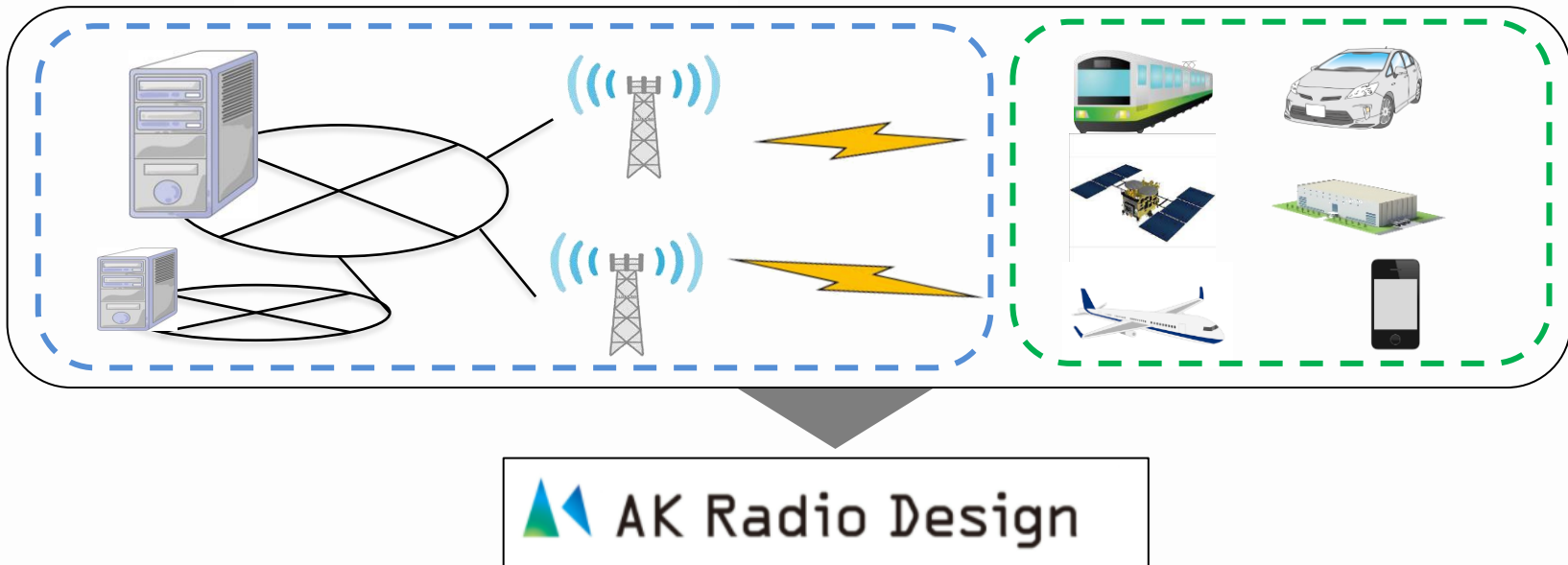
Information and Communications: Initiatives for 5G-related Businesses

Provision of values through collaboration with partners

- We established a company (AK Radio Design) with Anritsu Corporation in June 2021 in anticipation of the growth of demand in the local 5G market.

Simulation engineering
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Manufacturing of measurement
equipment/measurement technologies
Anritsu

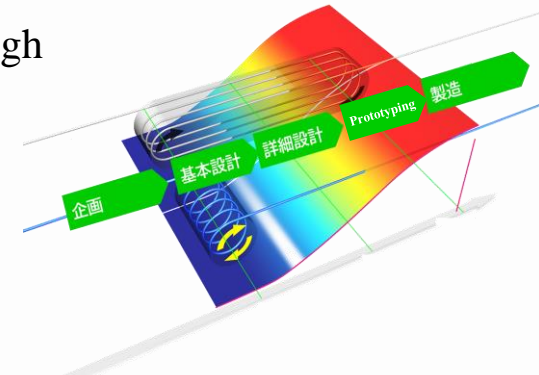


We will offer a one-stop validation support service as networks become more sophisticated and complicated overall.

Manufacturing Industry: Offering of Additional Value in Product Services

Provision of added value in simulation software for developers (CAE)

- We will shorten a design period, improve quality and reduce costs through the use of simulations at the upstream stage in design.



- **Provision of consulting services** to support customers in development process assessment, in addition to sales
- **Provision of problem solving skills including measurement and data assimilation**, in addition to CAE

	Design development	Production technologies
Assembly-type manufacturing industry (automobiles/electric & electronic products/machinery)	Sales centered around PKG solutions	
Processing-type manufacturing industry (chemicals/pharmaceuticals/food)		Sales and consulting of PKG solutions

Support for the maintenance of quality and safety

We will expand into the consulting business with a focus on packaged solutions.

Decision-Making Processes: Initiatives to Promote Businesses in the Disaster Prevention Area

Support for decision-making processes in disaster prevention projects undertaken by local governments or public offices

- Featuring the simulation of social issues, we will promote decision-making process support services and consulting for disaster prevention-related projects undertaken by local governments and public offices.

Social simulation technologies

- Evacuation simulation
- Pedestrian flow (walking around) data
- Traffic simulation
- Network analysis, etc.

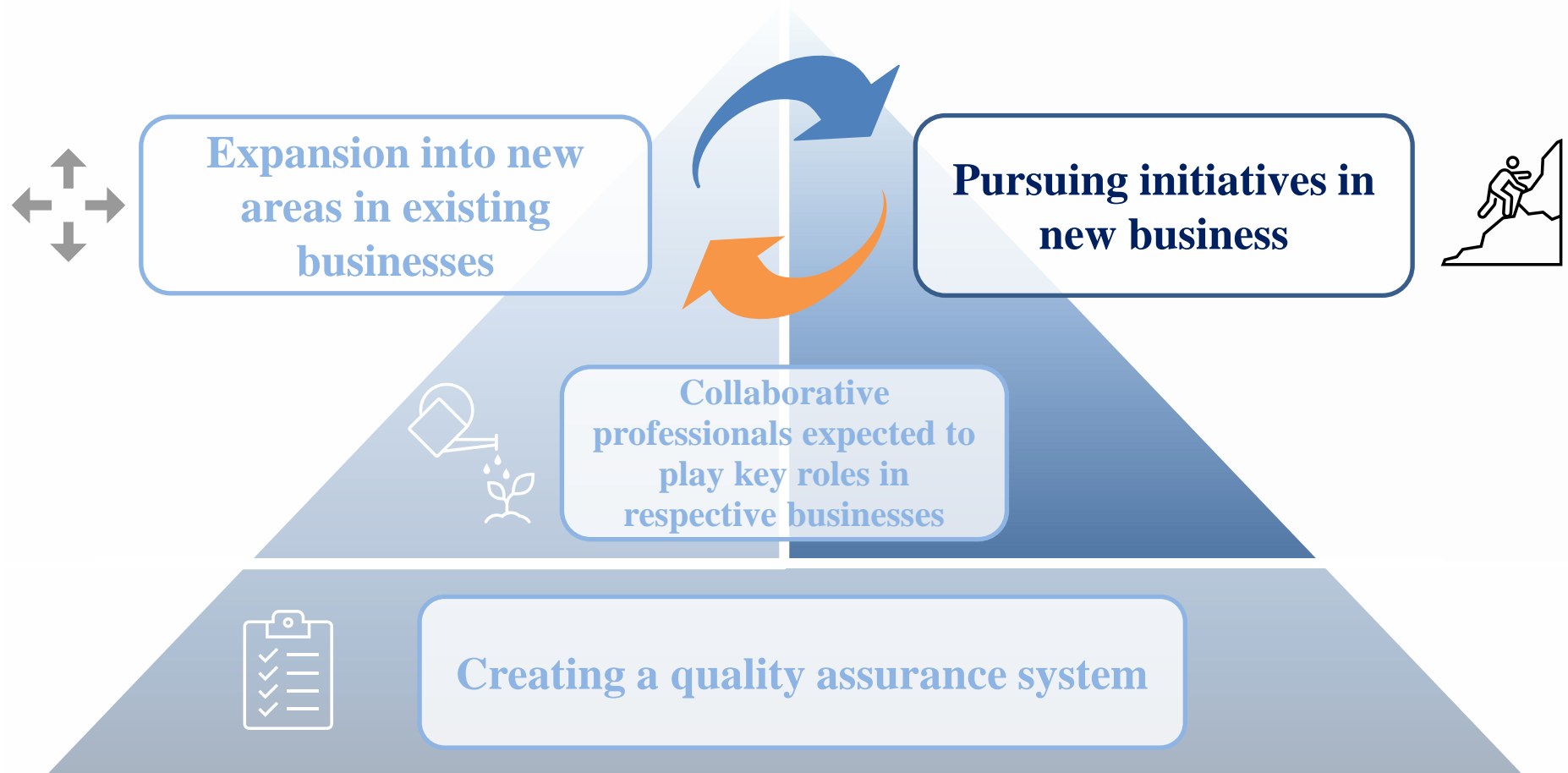
Disaster prevention-related projects of local governments and public offices

- ✓ Estimated time of evacuation (ETE) in case of nuclear disaster
- ✓ Support for the evaluation of projects and policies

- Acquisition of strong trust from customers
- Further accumulation of empirical knowledge through the continuation of simulations and cross-functional application thereof

We will expand into disaster prevention-related businesses and promote them by leveraging social simulation skills and accumulated empirical knowledge.

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Initiatives Continuing from the Previous Fiscal Year to Improve Organizational Quality

(Quoted from 2. Status of businesses in Annual Securities Reports)

Annual Securities Report (End of the 62nd term)

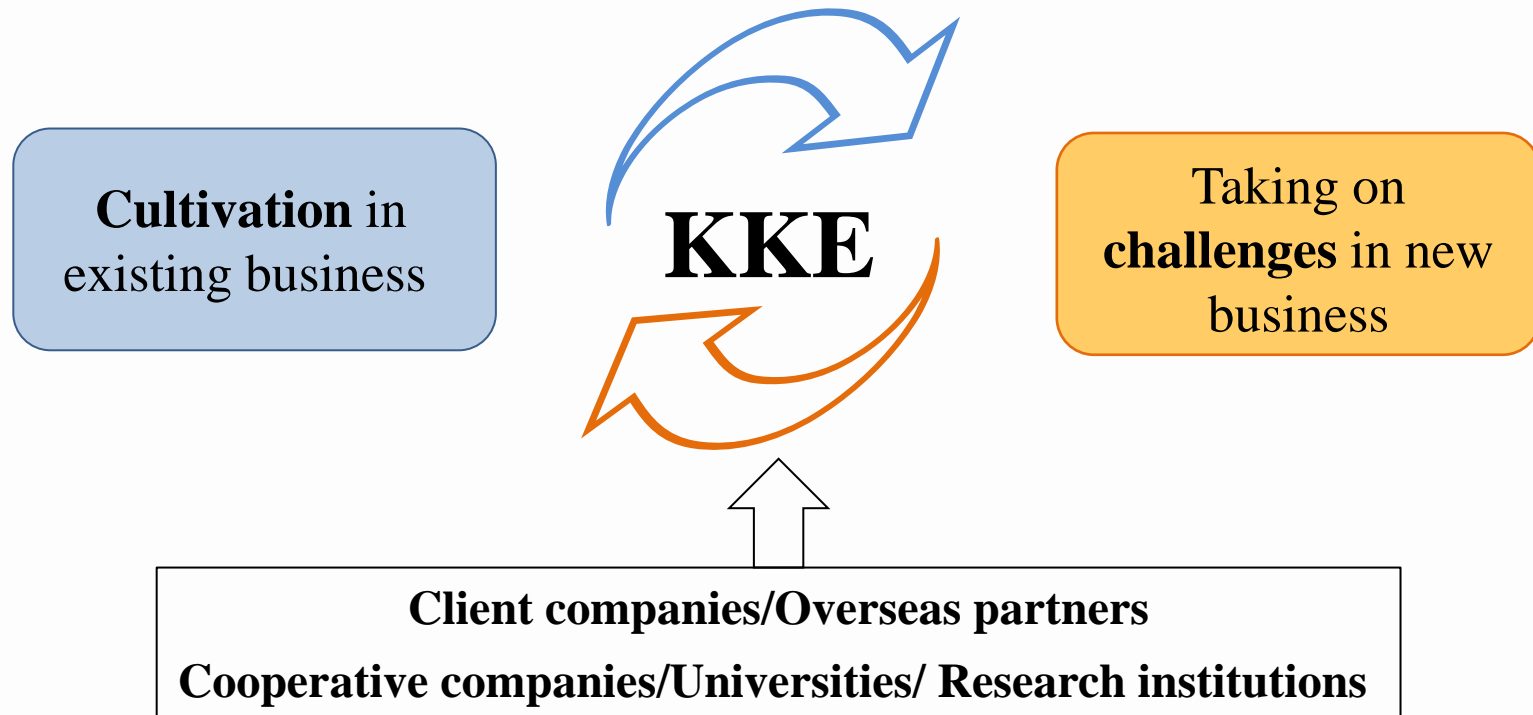
- We will improve the quality of organizations and enhance training programs for KKE staff from medium-term perspectives, while also consistently delivering on our earnings targets.

Annual Securities Report (End of the 63rd term)

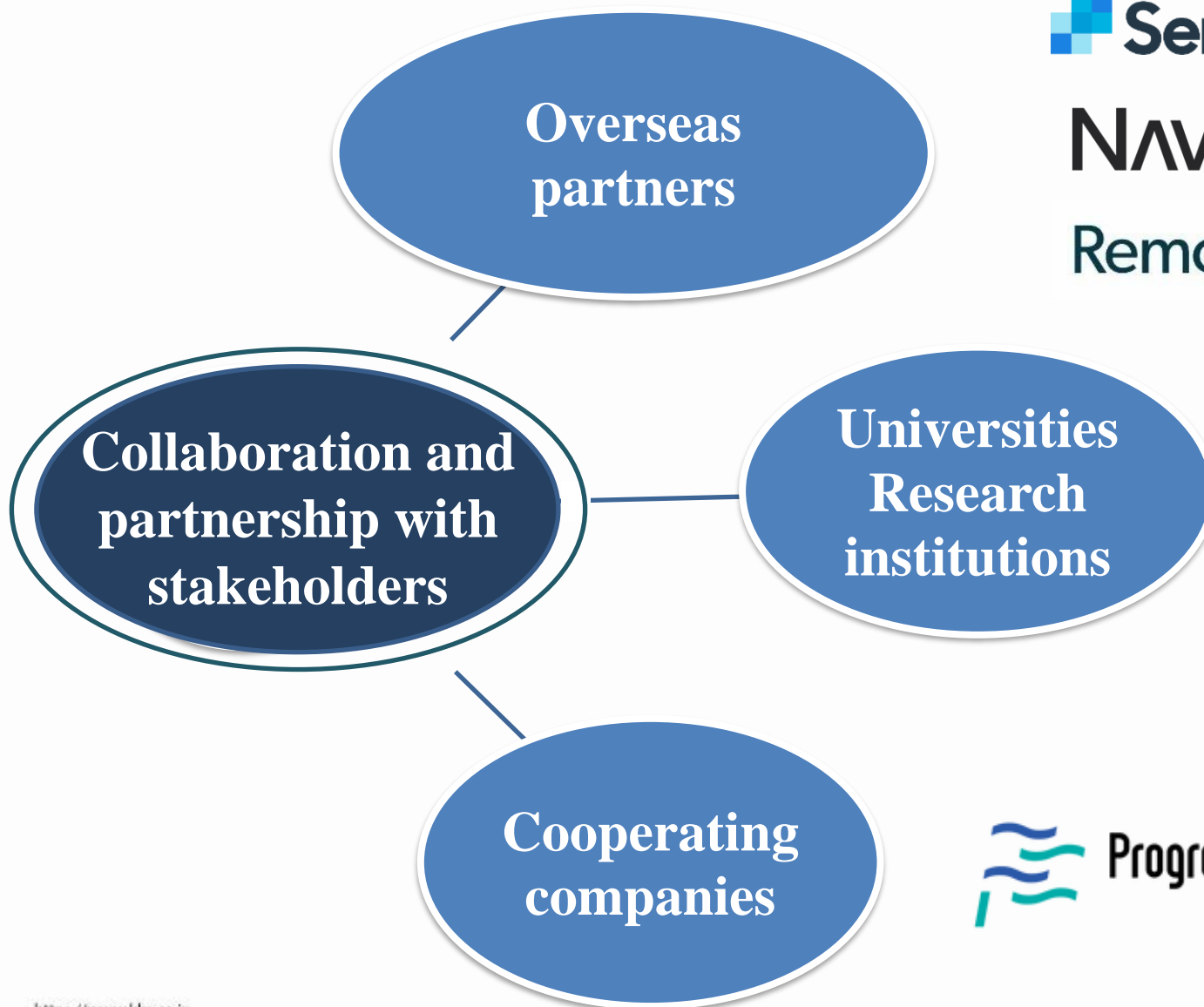
- We will further improve the quality of organizations and enhance training programs for KKE staff while delivering on our earnings targets, with a view **toward sustainable growth**.

Initiatives to increase added value with an eye to sustainable growth,
in addition to enhancing the quality of products, collaborative professionals
and organizational culture

- Taking on **challenges to launch new businesses** is necessary and important from the perspectives of sustainable growth and added value enhancement, as well as the steady growth of existing businesses



We will achieve these objectives through collaboration with stakeholders.



NAVVIS

RemoteLOCK



東京大学
THE UNIVERSITY OF TOKYO



Creating value through collaboration with overseas partners

□ Twilio SendGrid

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



□ NavVis

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



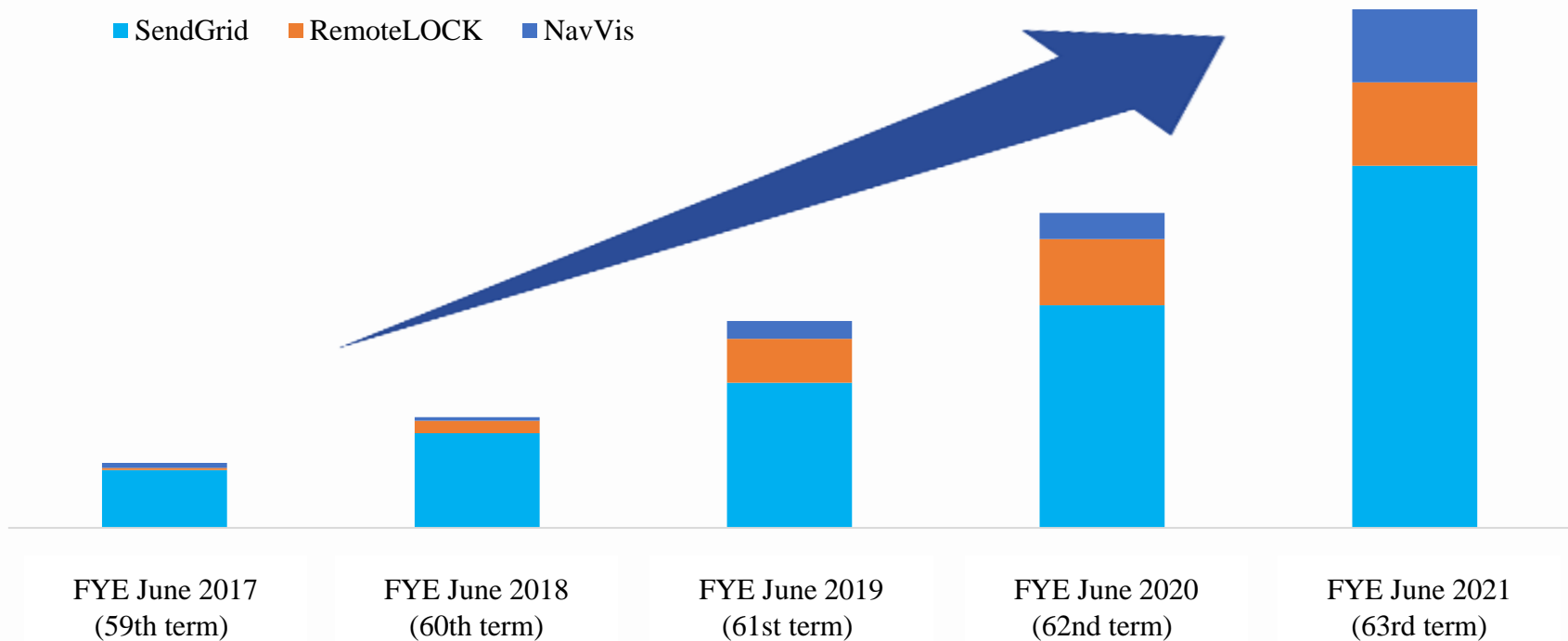
□ RemoteLOCK

- ✓ Wi-Fi type smart lock
- ✓ Launched service in the Japanese market in 2017.



New businesses:  **SendGrid**  **RemoteLOCK**  **NavVis**

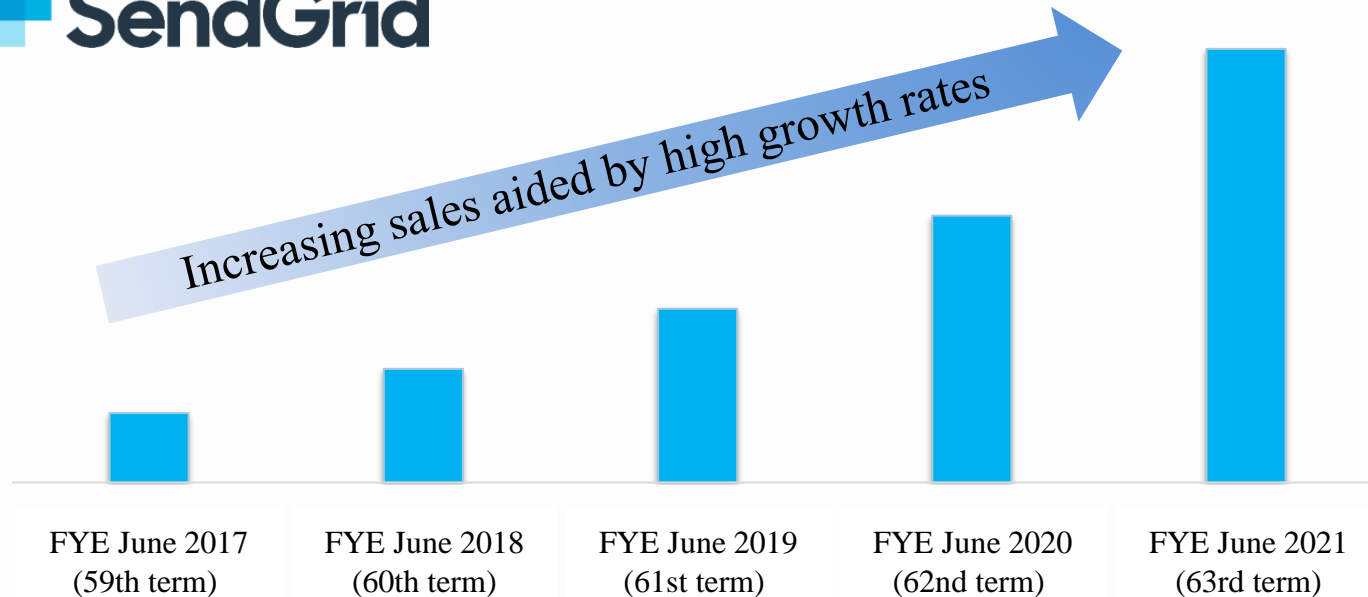
CAGR: compound annual growth rate: 51%



New businesses including SendGrid have been growing steadily



Changes in Sales



Spread through communities, provision of safety and reliability
and changes in the external environment

⇒ **Continuous expansion in the size of business**

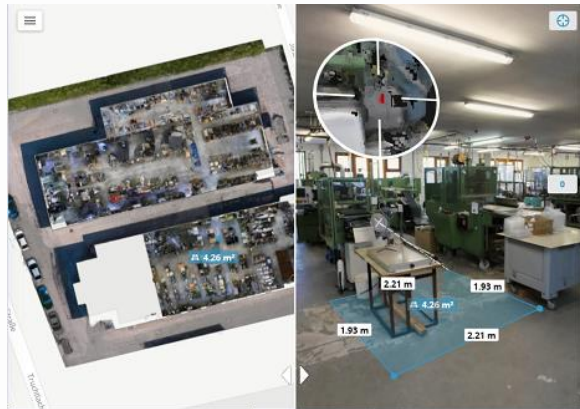
Received the **ITreview Grid Award 2022 Winter** in the ITreview
review site that provides IT and Cloud-based services

Became the leader of the industry due to **high customer satisfaction
and recognition**



Sharp growth in the domestic market reflecting a rise in DX demand, as well as strong sales of VLX, a new product.

NavVis

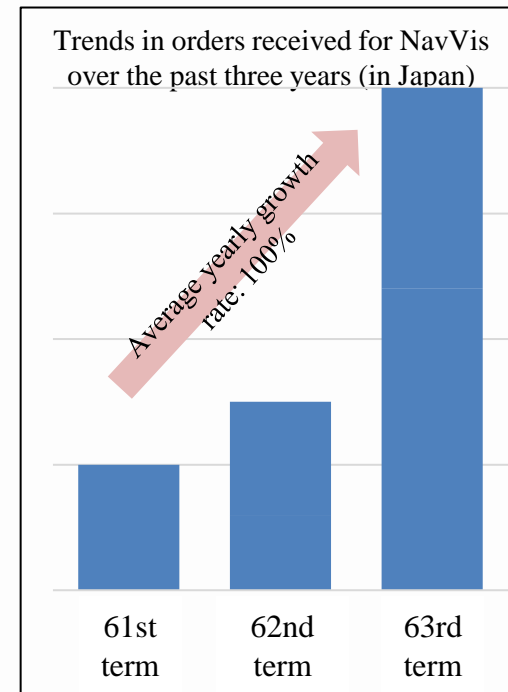
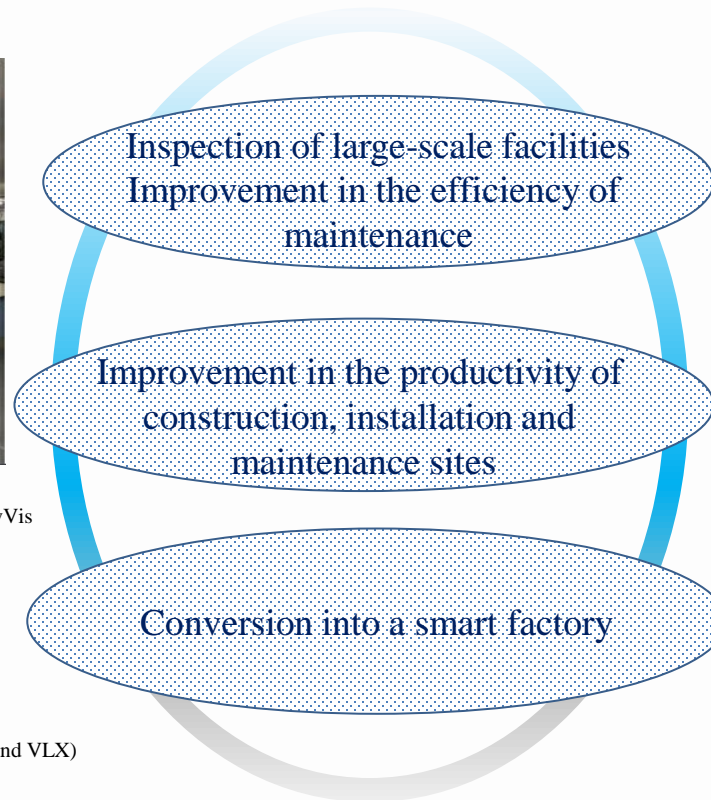


▲ 3D data of the inside of a factory measured by NavVis



◀ Main unit of NavVis (M6 and VLX)

Source: <https://demofactory.iv.navvis.com/?vlon=2.54&vlat=0.05&fov=150.0&image=655>



Separated from the business development department and became an independent business unit in the 64th term with the aim of increasing sales.

In addition, areas covered by the solution expanded through collaboration with other departments.

Facilitation of labor-saving efforts through IoT.

RemoteLOCK™

- ❑ Issues such as the heavy management burden of the government and the low convenience of users in public facilities have surfaced.

→ Procedures for using facilities are simplified by "**Machikagi Remote**," a reservation system of RemoteLOCK.



A RemoteLock system installed at the entrance of an assembly hall of Kobe City's municipal housing facilities



A RemoteLock system installed at the entrance of a gallery in Nikko City

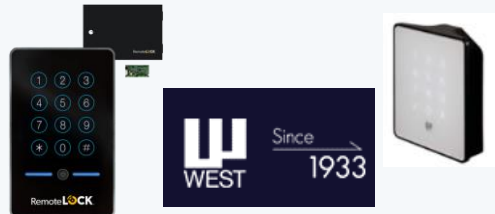
RemoteLOCK: Challenges to Advance Open Innovations

We will aim to facilitate partnership with partners as a platform operator.

Any Brands, Any credential, Any Software

Hardware collaboration

- ✓ Our lock system
- ✓ Other companies' lock systems
- ✓ Gate into the facility
- ✓ Gate into the parking place
- ✓ Lockers, etc.



**Application of the
certification system to
broader areas**

System collaboration with different types of services

- ✓ Reservation system
- ✓ Settlement system
- ✓ Hotel system, etc.



- ❑ Access control open platform able to manage various devices and collaborate with different services, irrespective of manufacturers.

Made the following investments in overseas partners **as a strategic partner to create value through business collaboration and partnership**

□ NavVis GmbH

NAVVIS

Head office: Munich, Germany



Series C

Investment of €2 million

□ LockState, Inc.

RemoteLOCK

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



Series B

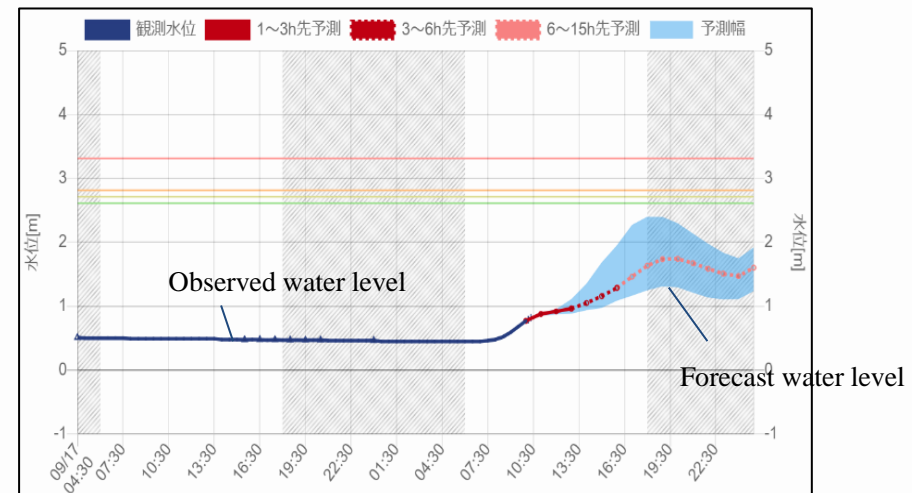
Investment of US\$3.25 million

Further efforts to strengthen partnership and facilitate business collaboration

Partnership with Stakeholders 2: Universities and Research Institutions



- ❑ 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, with high accuracy in a short period of time.**

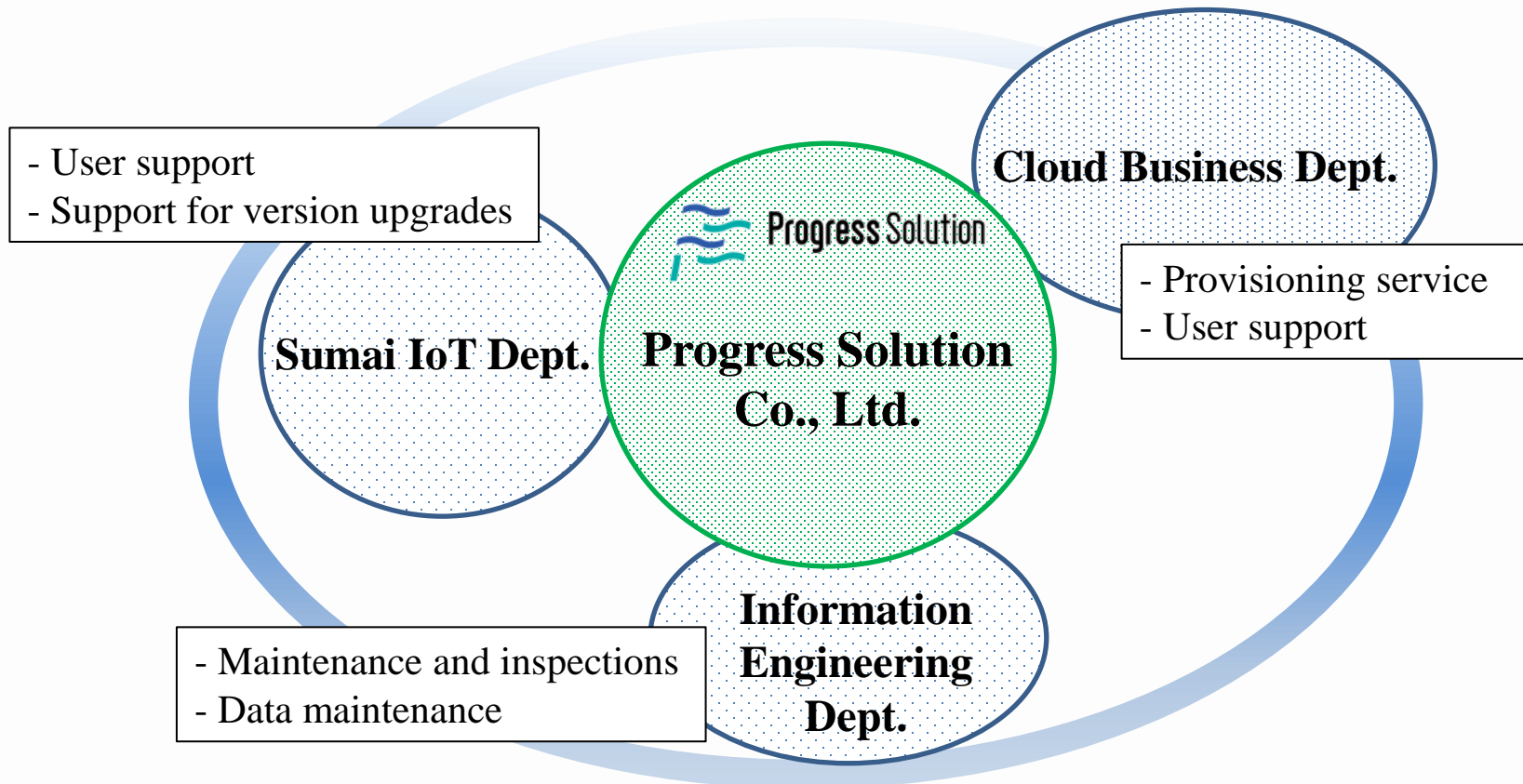


▲ Prediction of the water level of rivers through the RiverCast service

**Provision of value to society through joint development
with universities and research institutions**

Partnership with Stakeholders 3: Cooperative Companies

- Value creation through collaboration with Progress Solution Co., Ltd.
 - The partner company supports businesses conducted by some of our departments.
 - We will seek to enhance value together with the partner.



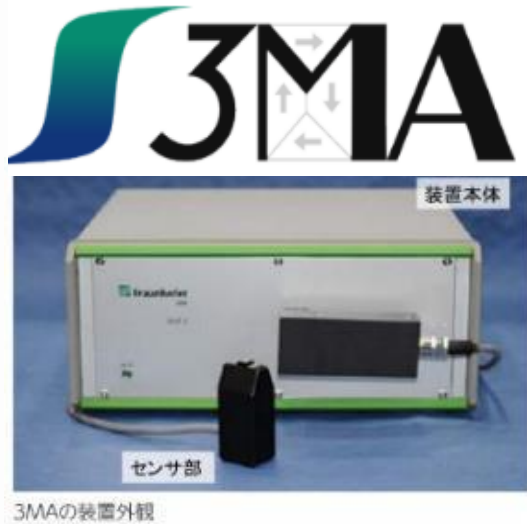
Aiming to Create a Corporate Culture that Embraces Challenges

- ❑ A scheme that aims to create an organizational culture that applauds and supports people who take on challenges



- Quote from the Business Competition program in 2019.
 - **"Integrated manufacturing-oriented solution for quality inspection"**
 - Using 3MA (advanced non-disruptive inspection devices) is expected to result in reductions in the manufacturing lead time and inspection cost.

→ We established the Next Generation Business Development Dept. 3MA Business Section as a result of the Business Competition.



やりたいビジネス、
KKEで
はじめませんか？

62期 応募締め切り
社内公募 5月11日(月)

日常の業務に追われて
眠りかけた
そのアイデア、
その優れた技術、
その熱い思い、
カタチにする
チャンスです！

応募資格 KKE 所属ならどなたでも
個人、チーム不同
※ 経年との能力検定も可

応募方法 特設フォームより履歴書、
応募用紙に記入の上デマオにて

最優秀賞 10万円 ※その他の特別賞あり

眠れる
獅子を
呼び覚ませ！

お問い合わせ bizcon2019-ml@kke.co.jp 2019年度社内公募事務局 (事業開発部 竹内)

- **KKE Best Project**

- Commended notable projects implemented in the fiscal year and shared information on a companywide basis.
- In FY2021, awarded **31 projects** that were selected due to them being "notable projects."

Reason for commendation

- Technological characteristics
- Future visions provided by projects
- Novelty
- Expanded application beyond existing fields
- Project management
- Internal contribution and contribution to customers
- Contribution to the development of related businesses
- Materialization of the Innovating for a Wise Future slogan



KKE Best Project 2021

KKE KnowledgeDAY

- An internal commendation program in which academic or business achievements are awarded once a year
- Projects that received the Hattori Award in this fiscal year
 - **Development of the NavVis business in Japan**



▲ A commemorative lecture after receiving the award (Hyatt Regency Tokyo)

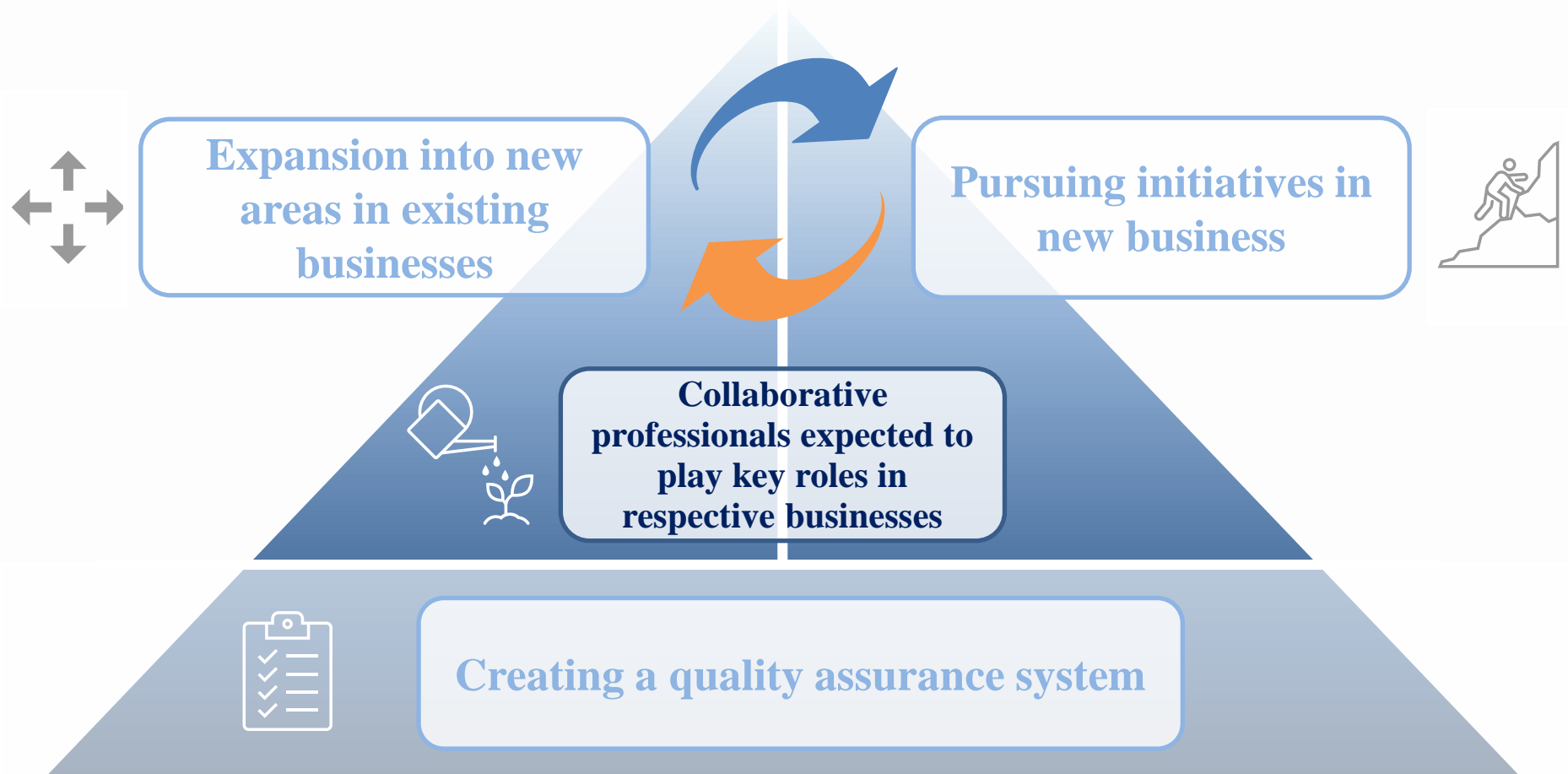


Creating an organizational culture that embraces and supports challenges undertaken for the development of new businesses despite their uncertainties

	Existing businesses	New businesses
Business model	<ul style="list-style-type: none"> Value creation by harnessing empirical knowledge Consulting oriented 	<ul style="list-style-type: none"> Focus on speed Cloud services Subscription business Utilization of hardware (measurement equipment, etc.)
Customer	<ul style="list-style-type: none"> Trust built over many years Business through one-on-one negotiations 	<ul style="list-style-type: none"> Business with new customers Business with customers from a broad range of industries
Growth potential	<ul style="list-style-type: none"> Steady growth at the rate of approximately 5% per year 	<ul style="list-style-type: none"> Potential for growth at the rate of 20% to 30%
Quality	<ul style="list-style-type: none"> Empirical knowledge based on past failures 	<ul style="list-style-type: none"> New definitions and initiatives in conjunction with quality
Characteristics of required collaborative professionals	<ul style="list-style-type: none"> Steady, unswayed, determined, self-assured 	<ul style="list-style-type: none"> Embracing challenges, flexible, broad-ranging, self-motivated

**Establishing business models in new businesses
with a view toward enhancing added value**

*Innovating for a **Wise Future***

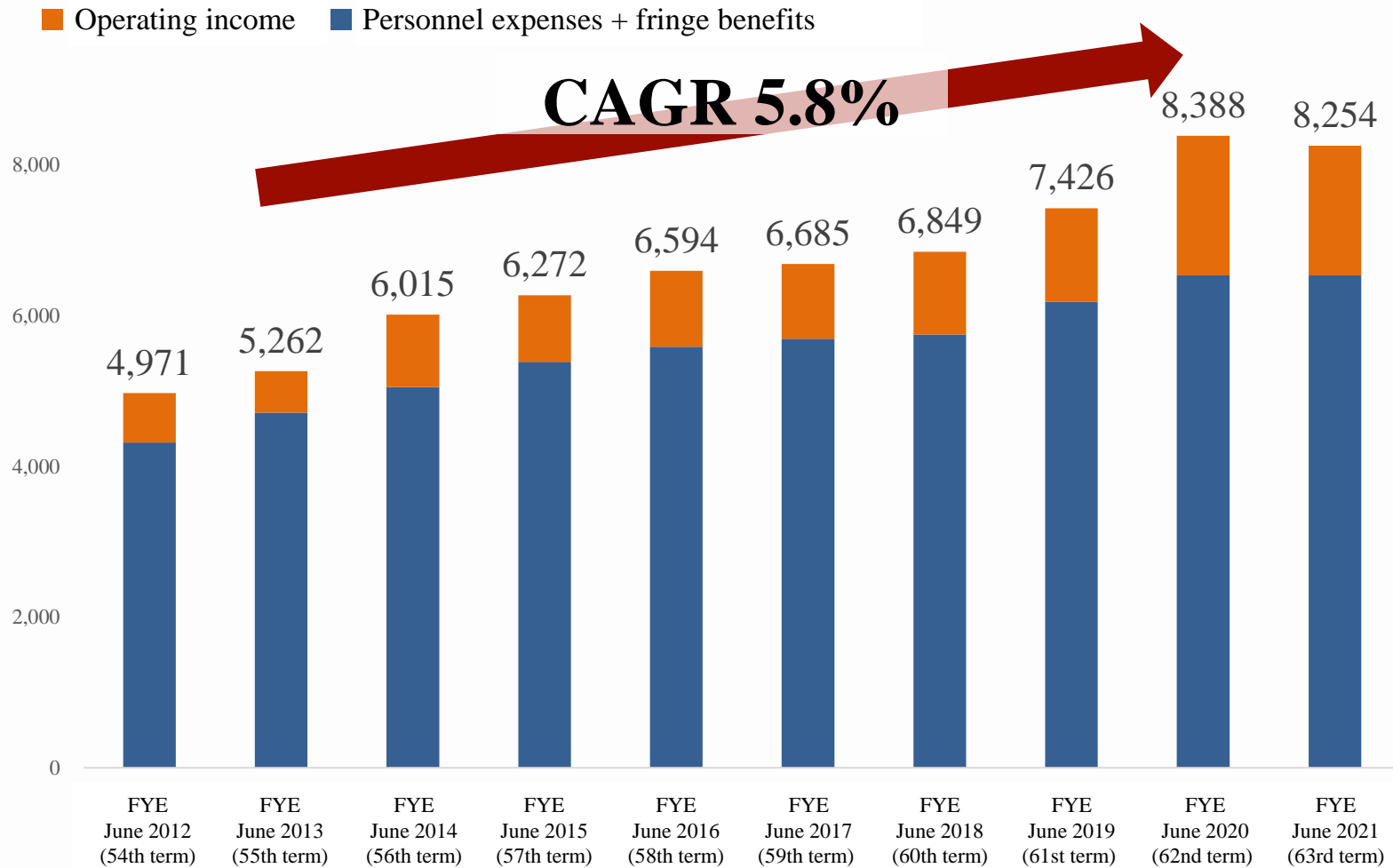


- The source of our added value are **collaborative professionals**
- Total added value (Management indicators)
Taking into consideration **returns to collaborative professionals, namely, the source of growth**, as well as the pursuit of profits, we have defined total added value as follows.

$$\text{Total Added Value} = \text{Operating income} + \text{Personnel expenses} + \text{Fringe benefits}$$

We have adopted a management goal of achieving annual growth of 5% to 7% on a medium- to long-term basis.

Changes in the Total Added Value over the Past 10 Years



Concept of an organizational culture that makes KKE stand out

□ **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**

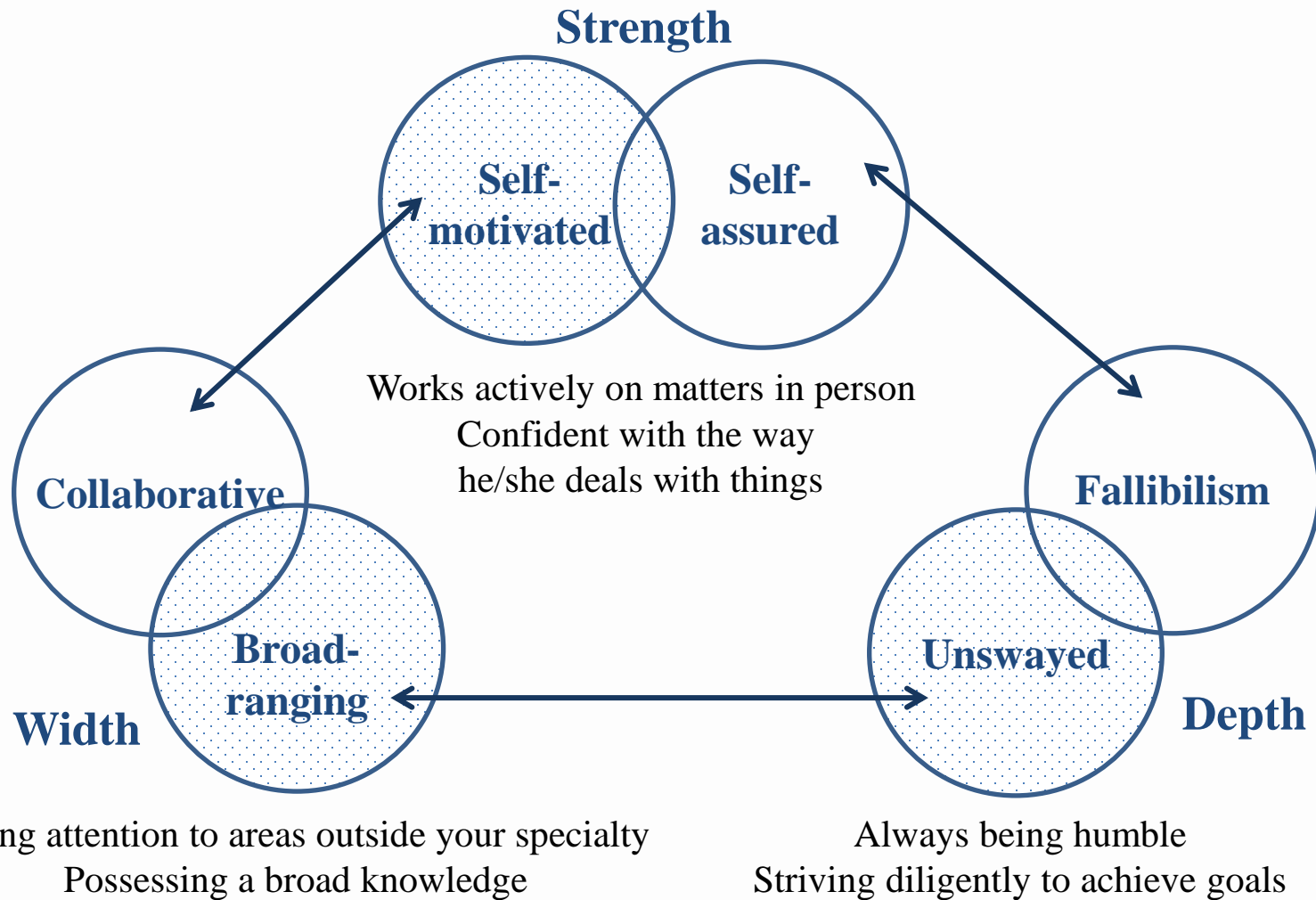
- ✓ A position of an independent company and very conscious of the importance of intellectual property
- ✓ Provision of value through the use of experience curves (knowledge about a range of customers, fields and conditions)
- ✓ Selective acquisition of orders for projects in which we can fully take advantage of our resources

□ **Diversity**

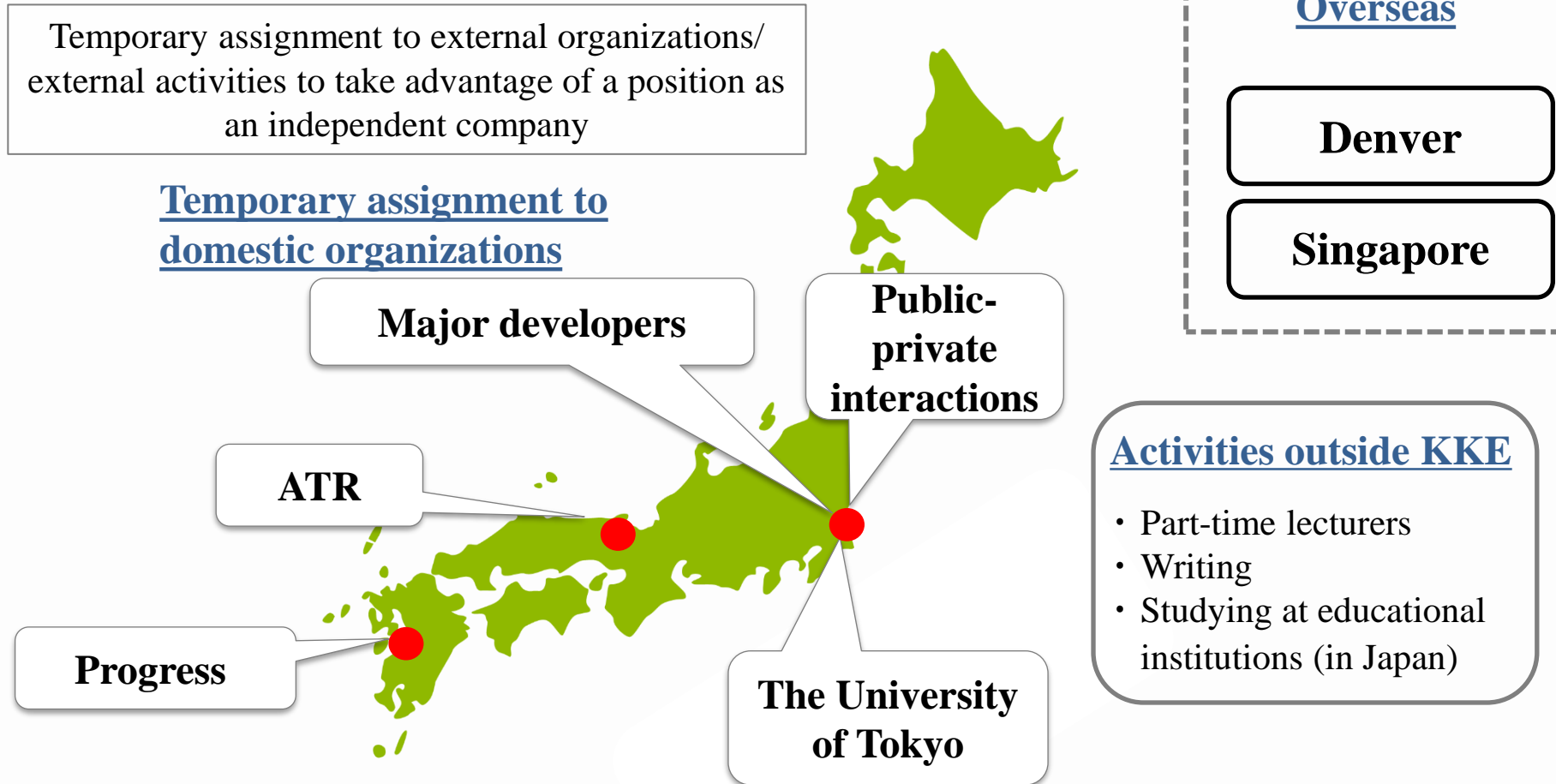
- ✓ Commenced business as a structural design office and subsequently expanded into a range of business areas by utilizing information technologies
- ✓ Deployment of a diverse team of collaborative professionals regardless of gender, nationality and age
- ✓ Collaboration with a range of partners in Japan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

KKE WAY

The way of thinking and acting as KKE staff, and what they consider important



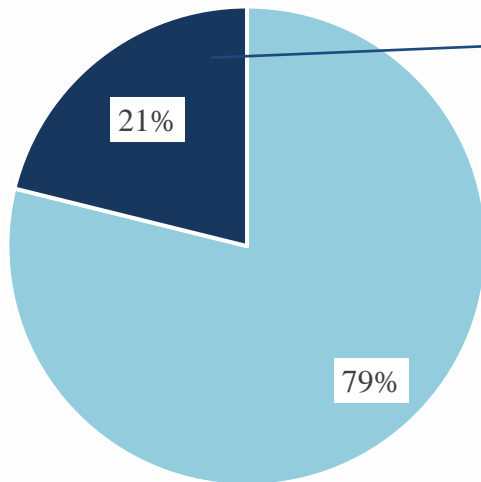
Independence: Activities from Broader Perspectives Reflecting External Developments



Helping collaborative professionals gain experience externally,
whether in Japan and abroad, and grow

Diversity: Participation by Individuals with Diverse Backgrounds and Forward-looking Recruitment Activities

- New graduates joining KKE in the 64th term: 38
 - 34 with Japanese nationality and four with foreign nationality
 - 30 males and 8 females
 - Their majors were diverse including science, agriculture, sociology and management, not to mention engineering.
- Mid-career hires account for **approximately 20%** of all KKE. (As of the end of FYE June 2021)
 - Active as the key members in enhancing existing operations and vitalizing organizations and businesses.



■ New graduate recruitment

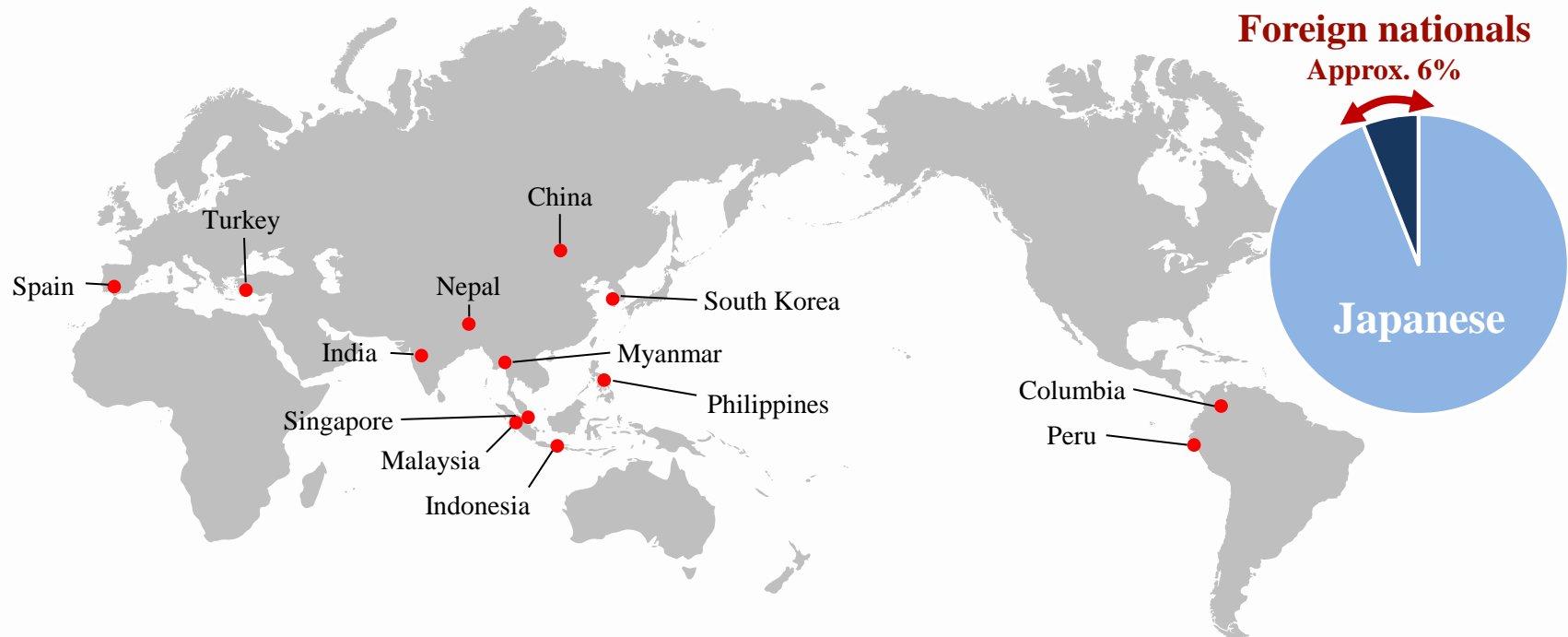
■ Mid-career recruitment

Example) Mid-career employment (third year of service): Head of a manufacturing-related department

- Ex-employee of a chemical manufacturer before joining KKE
- Played a leading role in simulation engineering for manufacturers by leveraging his previous job.
- Promoted to the head of department in 2021

Diversity: Participation by Individuals with Different Cultural Backgrounds and Experience in Different Economic Zones as Collaborative Professionals

- ❑ We began overseas recruitment in earnest in 2014. Now, non-Japanese staff members account for **approximately 6%, or 36 staff members**, of all KKE staff. (As of January 1, 2022)



Leading to the vitalization of organizations and the development of new business through the fusion of diverse values

Diversity: Individuals with Diverse Backgrounds Work Actively at KEE as Collaborative Professionals

15th year of service, Head of the Analysis Sales Department

- Engaged in simulations of ground liquefaction
- Accumulated knowledge on his area of specialty through temporary assignment to government ministries and agencies

19th year of service, Head of the Telecommunication-related Department

- Development of businesses related to the radio propagation technology
- Contributing to the preparation of international standards for the use of radiowaves at the International Telecommunication Union (ITU)

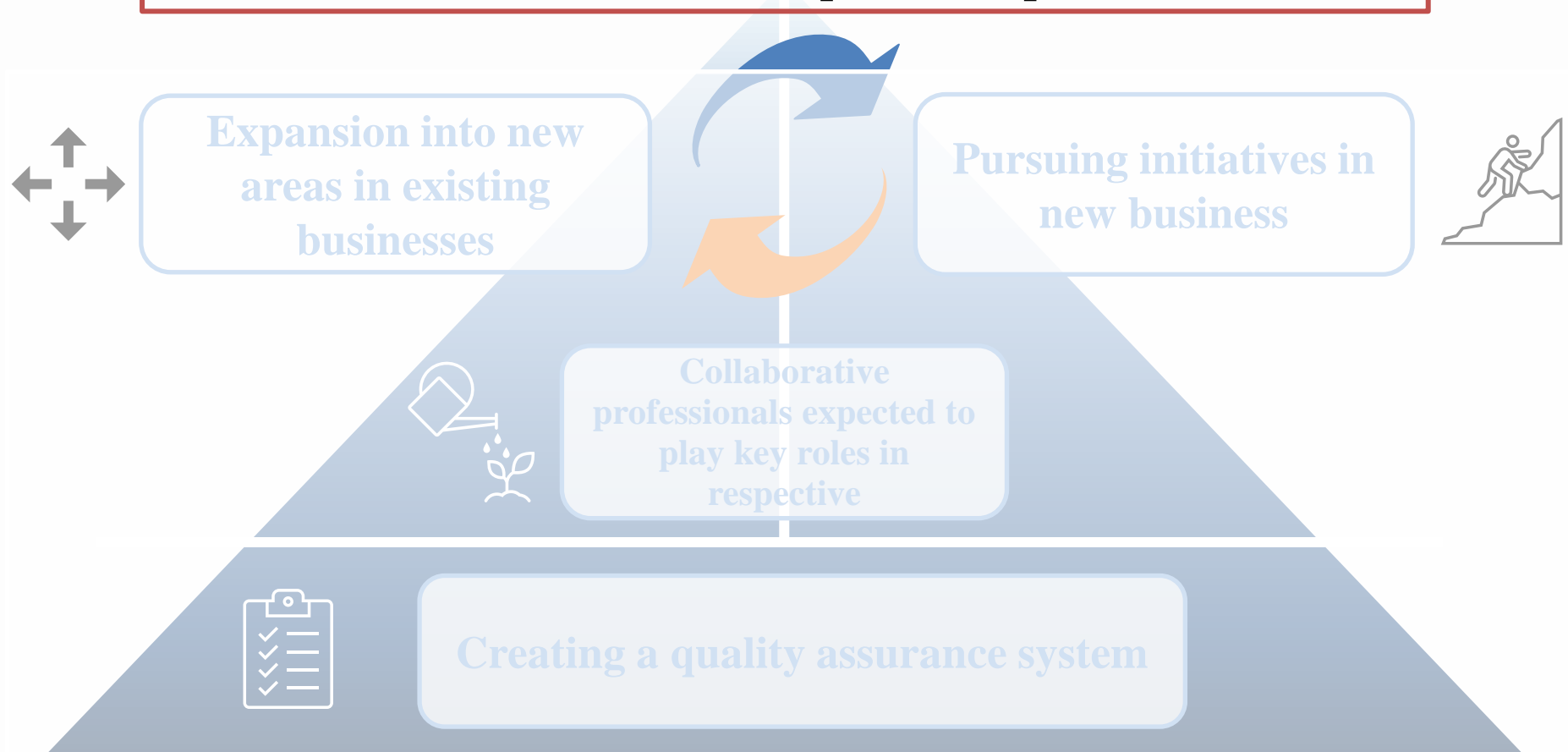
12th year of service, Technical Manager

- Born and raised in Barcelona, Spain
- Design of wind-powered towers for wind power generation
- Active as a point of contact for overseas operators in offshore wind power generation projects

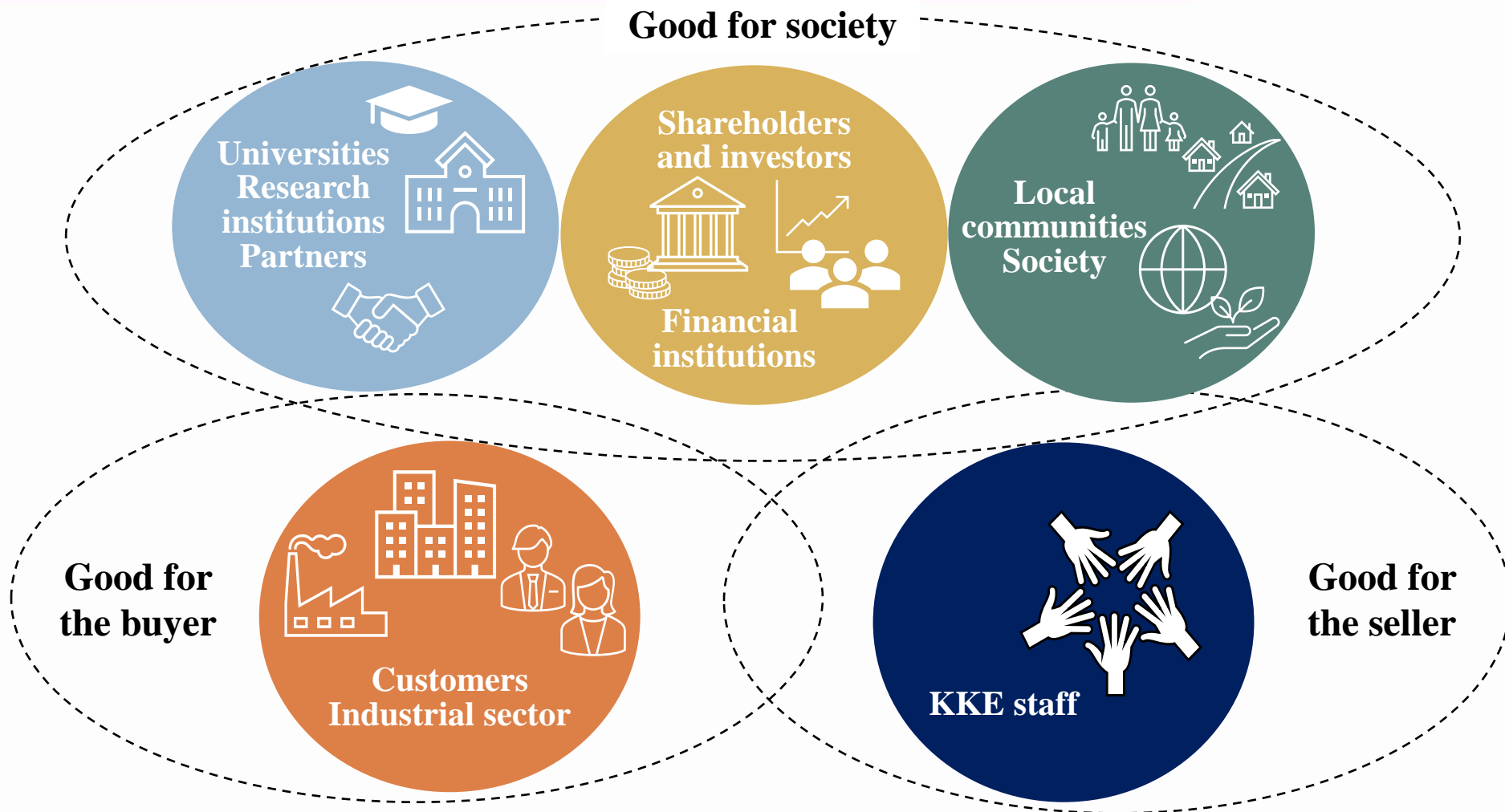
**Individuals with diverse backgrounds and
experience work actively as collaborative professionals**

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→ A future vision that we create **in partnership with stakeholders**



To Facilitate Partnership with Stakeholders



We will seek to achieve our future vision (= Thought) based on the "Sampo Yoshi (good for the three sides)" concept.

Innovating for a Wise Future

Wise Future: With the aim of creating a future society full of human wisdom

Innovating: We will keep innovating to provide value to society in a sustainable way.

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

Stakeholders:

Shareholders/investors, local communities, customers/industrial sector, universities/research institutions/partners (portfolio companies, cooperative companies/individual business operators) and KKE staff

Contact:

Investor Relations Section

TEL: 03-5342-1040

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E-MAIL: ir@kke.co.jp

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

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