



Agenda

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Note pertaining to this data:

- In principle, monetary amounts included in this document are rounded down to the nearest million yen.
- The forward-looking statements included in this document, such as those about future performance, are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. Actual business performance and other results may differ materially from forward-looking statements due to diverse factors.
- The names of companies, systems, and products included in this document are, as a general rule, trademarks or registered trademarks of companies, including KOZO KEIKAKU ENGINEERING Inc.



Overview of Financial Results



Financial Highlights

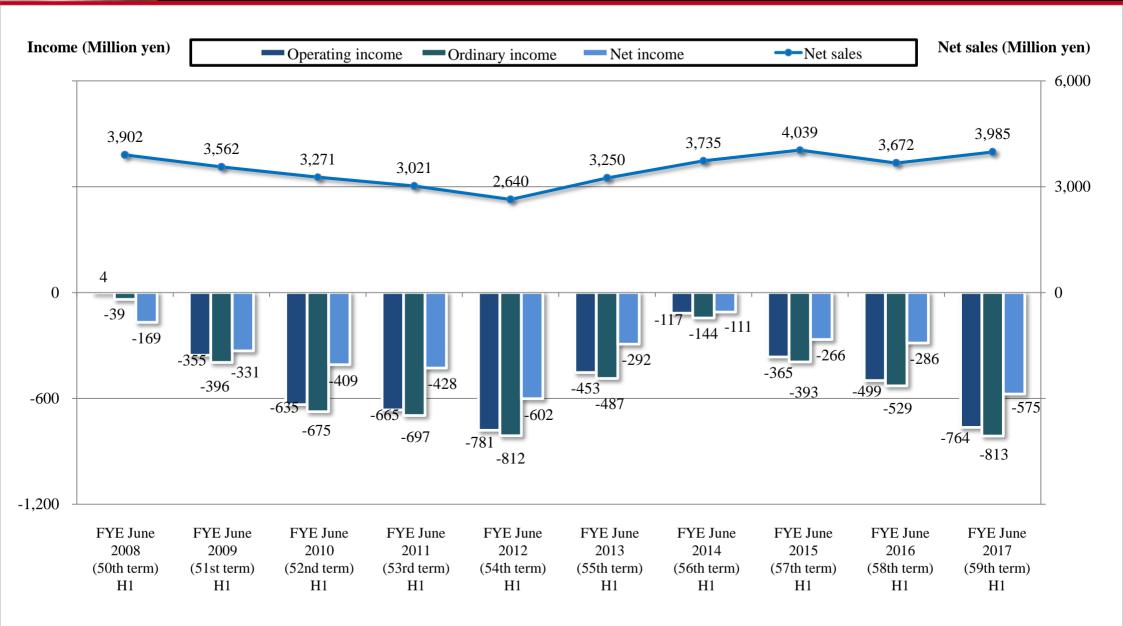
Net sales increased and income declined, and the backlog of orders reached a record high

(Million yen)

	FYE June 2016 H1	FYE June 2017 H1	Year-on-year change (rate of change)
Net sales	3,672	3,985	313 (8.5%)
Operating income (loss)	-499	-764	-265 (-)
Ordinary income (loss)	-529	-813	-283 (-)
Net income (loss)	-286	-575	-288 (-)
Backlog of orders	6,721	6,939	217 (3.2%)



Trends in First-Half Results





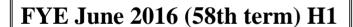
FYE June 2017 H1 Income Statement Highlights

(Million yen)

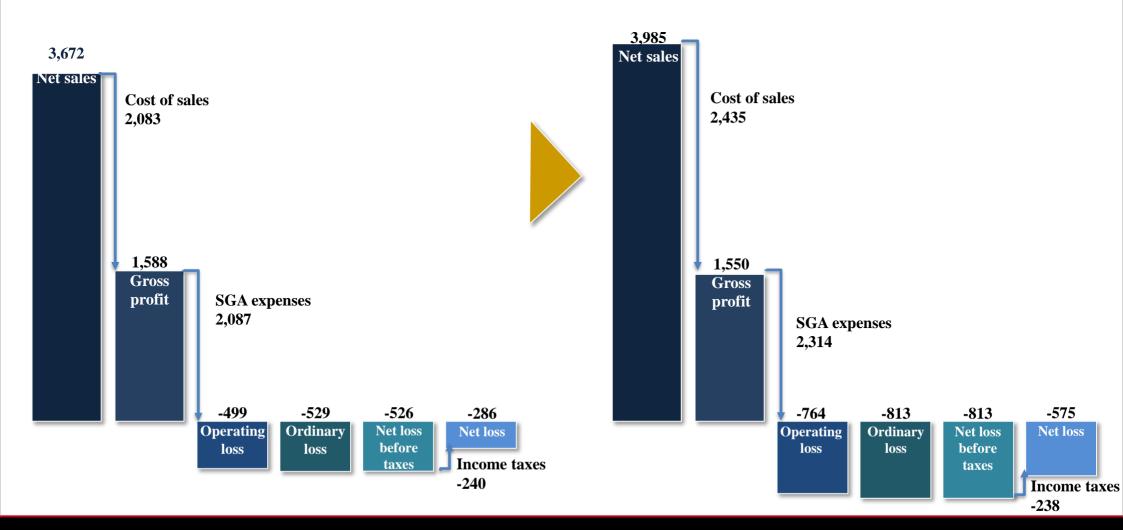
	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on-year change
Net sales	3,672	3,985	313
Cost of sales	2,083	2,435	351
Gross profit (Gross profit rate)	1,588 (43.3 %)	1,550 (38.9 %)	-38
SGA expenses	2,087	2,314	226
Operating income (loss) (Operating income rate)	-499 (-13.6%)	-764 (-19.2%)	-265
Non-operating profit & loss	-30	-48	-18
Ordinary income (loss) (Ordinary income rate)	-529 (-14.4%)	-813 (-20.4%)	-283
Extraordinary profit & loss	2	<u> </u>	-2
Net income (loss) before taxes	-526	-813	-288
Income taxes	-240	-238	2
Net income (loss) (Net income rate)	-286 (-7.8%)	-575 (-14.4%)	-288



FYE June 2017 H1 Change in Profit and Loss



FYE June 2017 (59th term) H1 (Million yen)





H1 Highlights of Balance Sheet (as compared to the end of the previous fiscal year)

(Million yen)

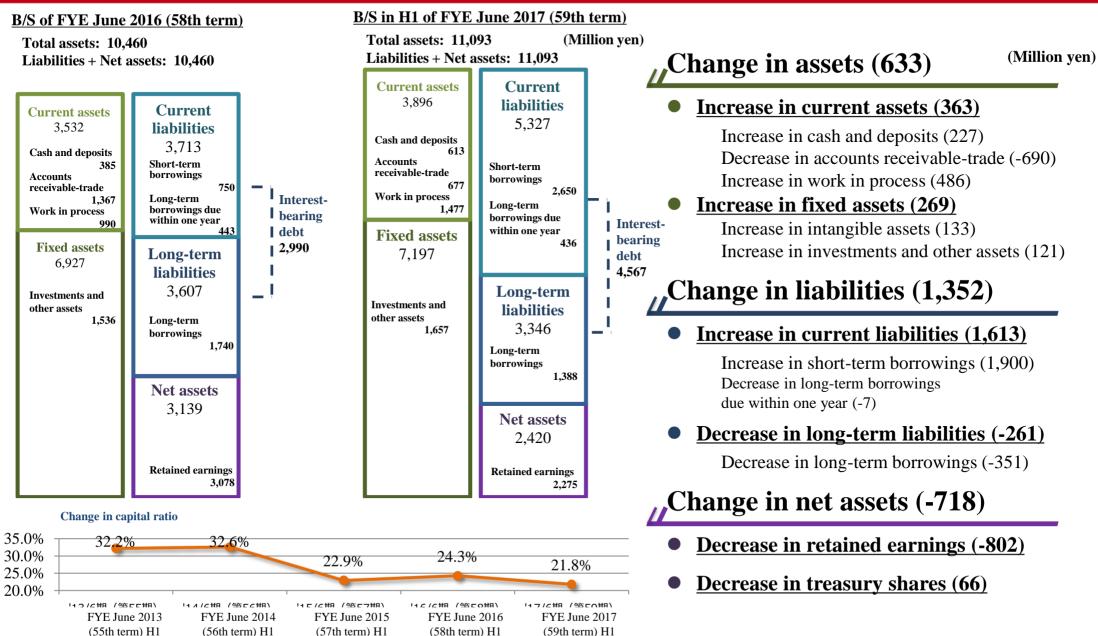
		FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on- year change
Cur	rent assets	3,532	3,896	363
	Cash and deposits	385	613	227
	Accounts receivable-trade	1,367	677	-690
	Work in process	990	1,477	486
Fixe	ed assets	6,927	7,197	269
	Property, plant and equipment	5,077	5,092	14
	Intangible assets	313	447	133
	Investments and other assets	1,536	1,657	121
Tota	al assets	10,460	11,093	633

			FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on- year change
Tota	ıl liab	oilities	7,321	8,673	1,352
	Cui	rrent liabilities	3,713	5,327	1,613
		Short-term borrowings*	1,193	3,086	1,892
	Lon	ng-term liabilities	3,607	3,346	-261
		Long-term borroswings	1,740	1,388	-351
Tota	ıl net	assets	3,139	2,420	-718
	Ret	ained earnings	3,078	2,275	-802
	Tre	asury shares	-2,234	-2,168	66
Tota asse	ts	ilities and net	10,460	11,093	633

^{*} Long-term borrowings due within one year are included in short-term borrowings

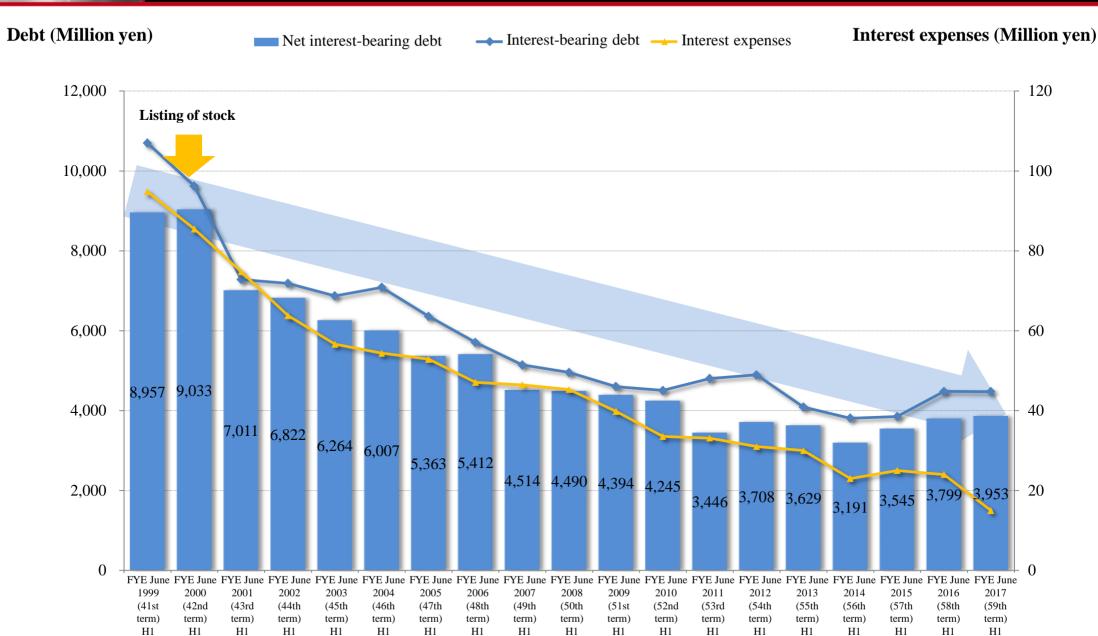


H1 Financial Position (as compared to the end of the previous fiscal year)





Changes in Net Interest-Bearing Debt





H1 Cash Flow Statement Highlights

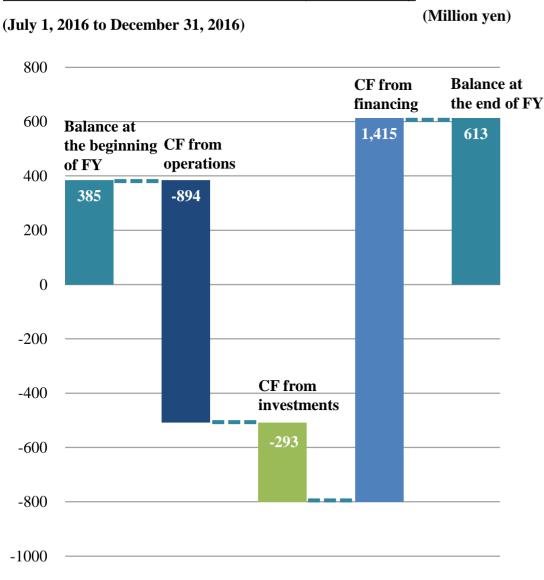
(Million yen)

	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Change	Major factors for change
Balance at the beginning of FY	316	385	69	
CF from operations	-1,806	-894	911	Decrease in accounts receivable 594 Decrease in inventories 347
CF from investments	-193	-293	-100	Acquisition of intangible assets -156
Free CF	-1,999	-1,188	810	
CF from financing	2,367	1,415	-951	Proceeds from long-term borrowings payable -1,200
Balance at the end of FY	683	613	-69	



H1 Cash Flow Breakdowns

C/F in H1 of FYE June 2017 (59th term)



Major components of CF from operations

Net loss before taxes	-813
Increase in reserve for bonuses	346

- Decrease in accounts receivable 752
- **Increase in inventories** -500
- -503 **Decrease in accrued expenses**
- Corporation and other taxes paid

Major components of CF from investments

Purchase of intangible assets

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-180

-115

Major components of CF from financing

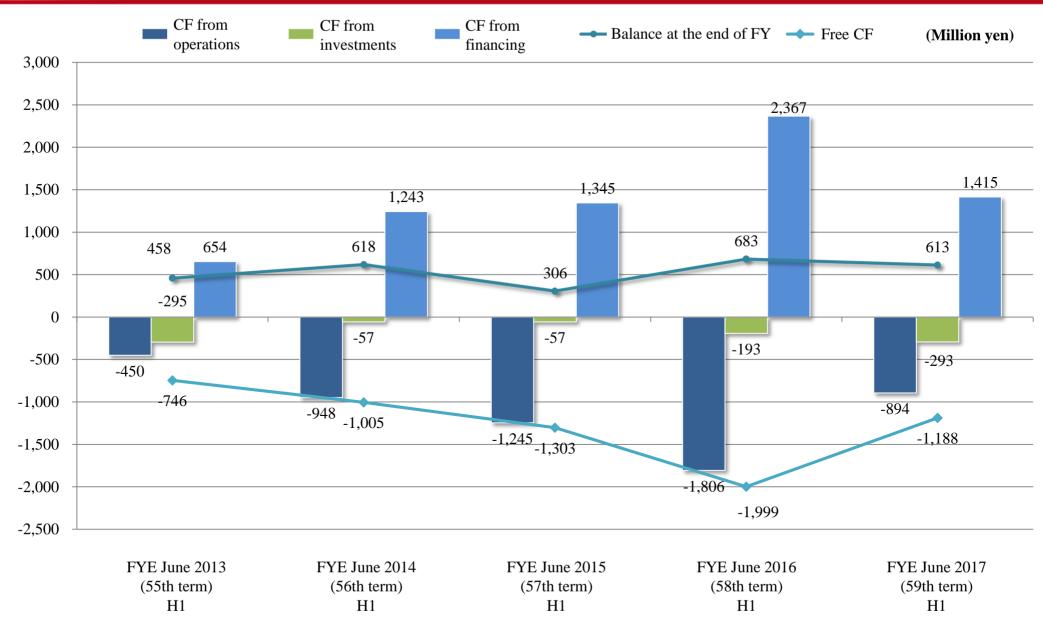
- Net increase in short-term borrowings payable 1.900
- Net decrease in long-term borrowings payable

- 359

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First-Half Cash Flows in the Last Five Fiscal Years





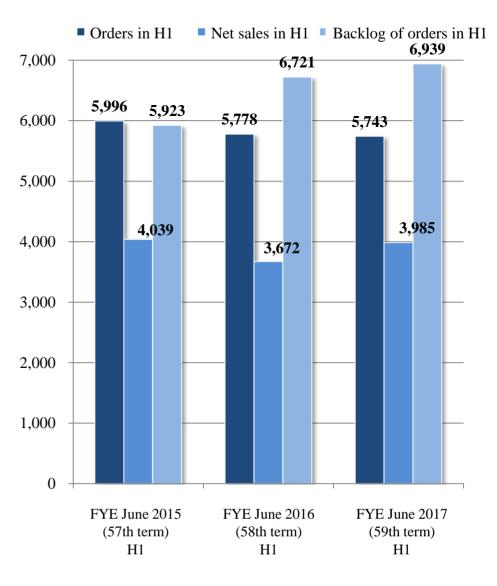
Results by Segment



Total of the Business Segments

(Million yen)

	FYE June 2015 (57th term) H1	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on-year
Orders	5,996	5,778	5,743	-0.6%
Net sales	4,039	3,672	3,985	8.5%
Segment profit (margin)	485 (12.0%)	486 (13.2%)	409 (10.3%)	-15.7%
Backlog of orders	5,923	6,721	6,939	3.2%

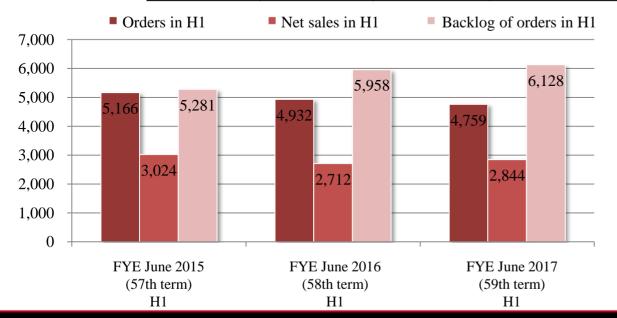




Engineering Consulting (ENG)

(Million yen)

	FYE June 2015 (57th term) H1	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on-year
Orders	5,166	4,932	4,759	-3.5%
Net sales	3,024	2,712	2,844	4.9%
Segment profit (margin)	390 (12.9%)	362 (13.4%)	137 (4.8%)	-61.9%
Backlog of orders	5,281	5,958	6,128	2.8%



- Consultation on disaster risk reduction, earthquake resistance, and environment assessment analysis
- ◆ Structural design support systems
- Structural design of buildings
- Mobile communication and mobile network communication systems
- ♦ Sales and design support systems for manufacturing industry
- Marketing consulting
- Optimization and logistics systems

Analysis of results

- Strong results in systems development and structural design consulting due to leading house manufacturing companies that invested to differentiate services
- Brisk sales in analysis operations for seismic retrofitting and disaster prevention/reduction from the perspective of medium-term preservation
- The large-scale unprofitable projects whose sales were recorded for the first quarter are completed, however, the recovery of another unprofitable project remains



Unprofitable Projects

Facts

- There were three unprofitable projects in system development for the engineering consulting business
- The two large-scale projects whose sales were recorded in the first quarter are completed
- For the third unprofitable project, the provisions for loss up until the current second quarter are already recorded

Causes that lead to unprofitable projects

- The orders were received leaving uncertainties factors in specifications at the time of the estimate
- The projects were managed by project managers who lacked experience and skill in large-scale projects
- The orders for those projects were received under the structure of multiple-layer subcontracts

Measures for recovery

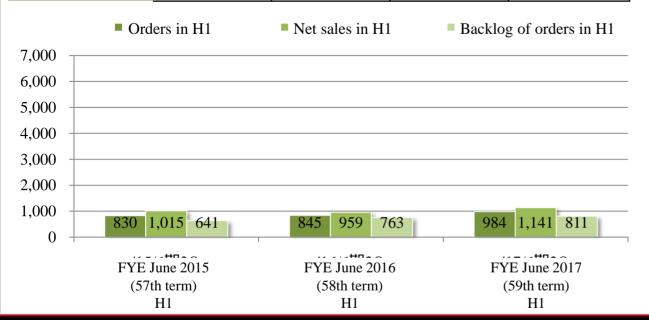
- To strengthen the elimination of risk at the time of an estimate, receiving an order and implementation of a project.
- To strengthen the management and supervision of project managers who is in charge of each development phase



Product Service (PKG)

(Million yen)

	FYE June 2015 (57th term) H1	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	Year-on-year
Orders	830	845	984	16.4%
Net sales	1,015	959	1,141	18.9%
Segment profit (margin)	95 (9.4%)	123 (12.9%)	271 (23.8%)	119.7%
Backlog of orders	641	763	811	6.3%



- Structure analysis and seismic performance analysis software
- ♦ Network simulation software
- Radio wave propagation and electromagnetic wave analysis software
- CAE software for designers in manufacturing industry
- Software for supporting marketing and decisionmaking
- Statistical analysis software
- Image processing software
- Cloud-based email distribution service
- ♦ Education and training

Analysis of results

■ Strong sales in the e-mail distribution service on a cloud based platform, CAE software for designers, computational fluid dynamic software, etc.



Forecast for Fiscal Year Ending June 30, 2017



Management Indicators

Continue sustainable development as a company by increasing the total added value

Focus on **operating income** that shows the true earning power of a business +

Personnel costs and fringe benefits to hire excellent human resources based on our concept that human resources are the source of KKE's growth

- = Total added value
- Reduce **year-end net interest bearing debts** to maintain a balance with business investments
- Increase ROE through high profit margins and efficient investments
- Promote a <u>dividend policy</u> of continuing to distribute stable dividends to shareholders who have held KKE shares for the medium and long term



Forecast for Fiscal Year Ending June 30, 2017 (59th Term)

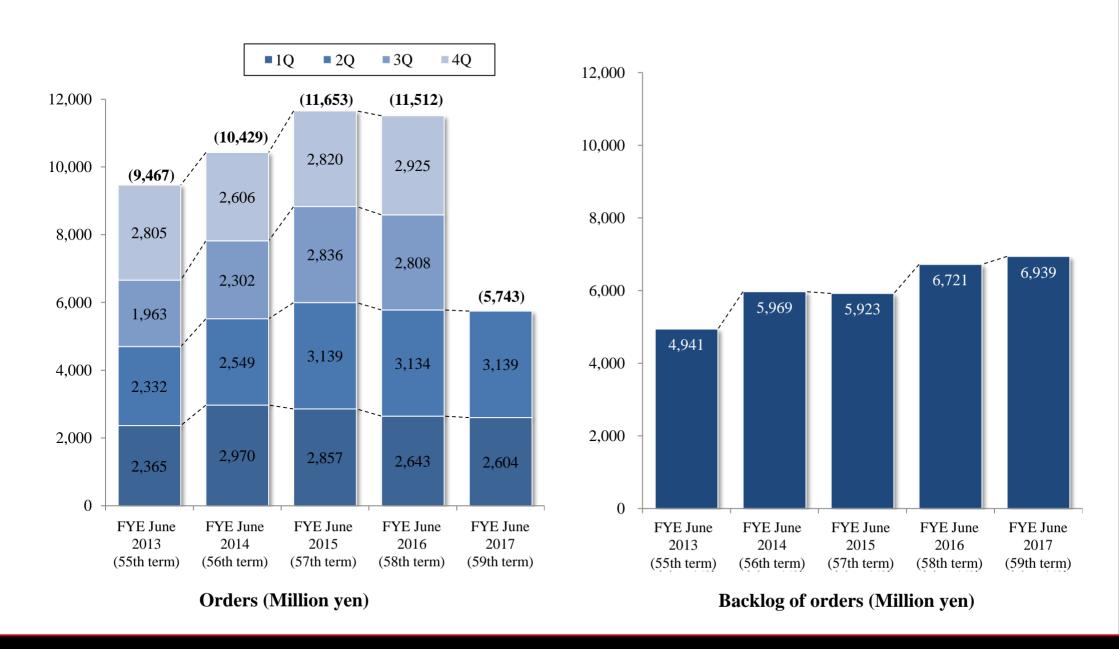
Aiming to increase sales, income, and dividends

(Million yen)

	FYE June 2016 (58 term)	FYE June 2017 (59 term) Plan	Change from previous FY	Rate of change from previous FY
Net sales	10,947	11,500	552	5.0%
Operating income	1,007	1,100	92	9.2%
Ordinary income	943	1,040	96	10.3%
Net income	671	690	18	2.8%
Dividends	55 yen per share	60 yen per share		

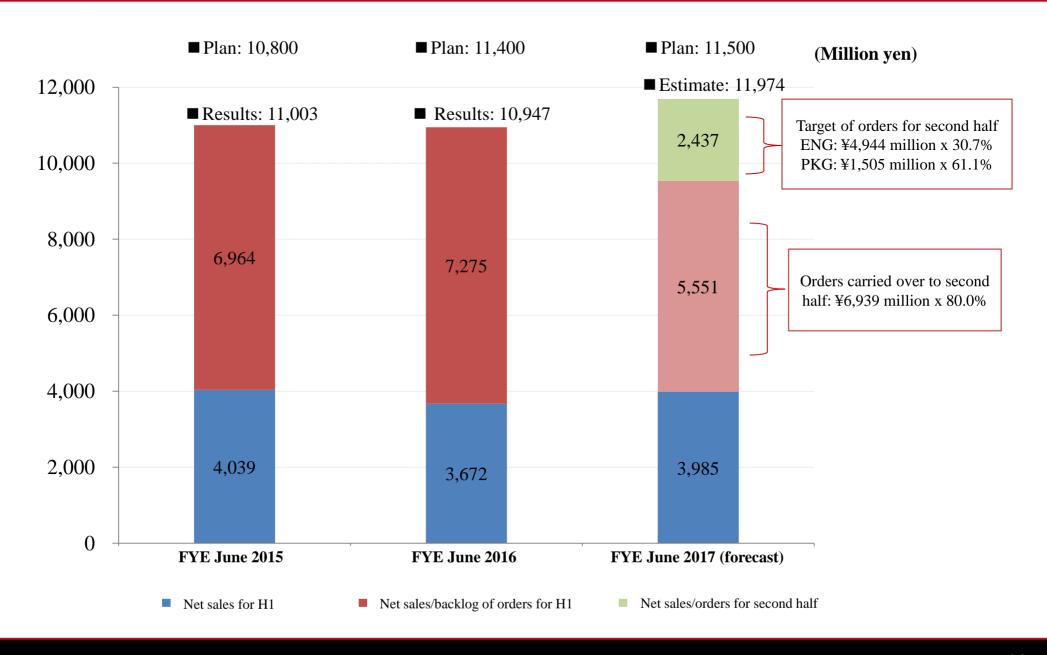


Grounds for Achievement of Business Targets (1) Changes in Orders and Backlog of Orders





Grounds for Achievement of Business Targets (2) Forecast of Sales for Second Half and Full-Year Sales





Grounds for Achievement of Business Targets (3) Earnings Outlook at the Present Time

								(Million yen)	
	H1 (results)			Second hal	alf (forecast)					
			Sales based on the backlog of orders		Sales based on the orders for second half		Full year (forecast)		st)	
	ENG	PKG	ENG	PKG	ENG	PKG	ENG	PKG	Total	
Net sales	2,844	1,141	4,902	649	1,517	919	9,264	2,709	11,974	
Cost of sales	1,719	715	2,326	366	663	461	4,709	1,542	6,252	
Gross profit	1,124	425	2,575	282	854	458	4,555	1,166	5,721	
Profit rate (%)	39.5	37.3	52.5	43.5	56.3	49.9	49.2	43.1	47.8	
SGA expenses	2,3	314		2,3	2,307			4,621		
Operating income	-70	64		1,8	64			1,100		

Outlook based on facts and figures at the present stage

The plan is highly achievable with an improvement in the profit rate by strengthening future project management, the promotion of highly profitable package sales and a focus on controlling expenses



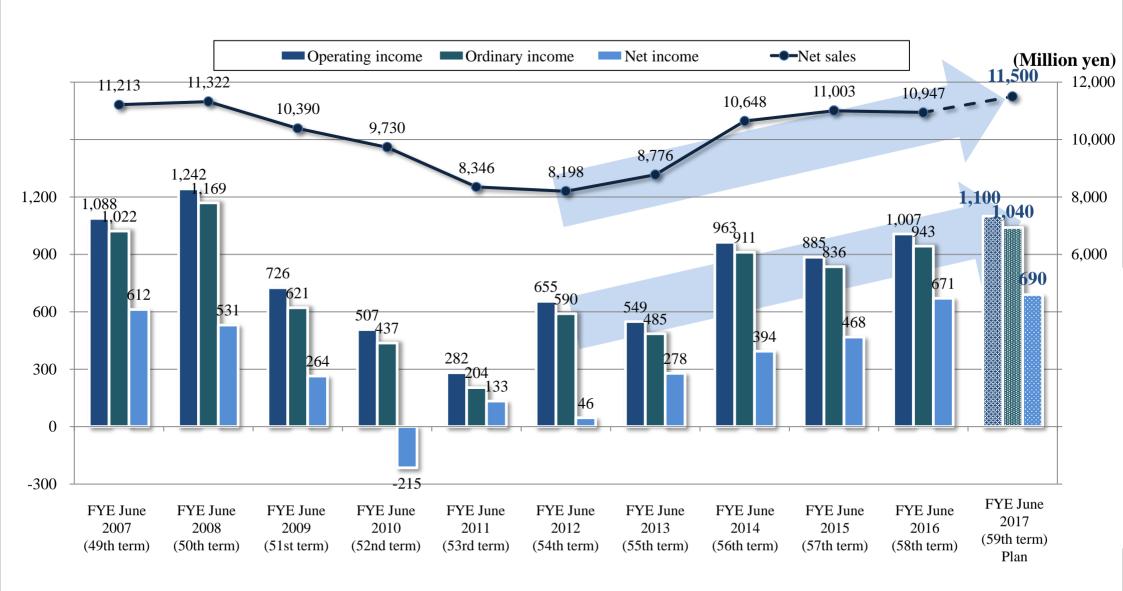
Grounds for Achievement of Business Targets (4) Summary

- Continued strong net sales
 - Net sales up until the current second quarter exceeded the plan
 - The backlog of orders hit a record high
- Unprofitable projects
 - Provisions for losses until the current second quarter are already recorded
 - All the unprofitable projects are expected to be finished during the third quarter with no impact on the future
- Expenses
 - Proper control of outsourcing and other costs

In addition to the highly profitable engineering consulting business with a large backlog of orders that is expected to post sales mostly during the current period, the product service mainly in the new business, which is showing rapid progress, contributes to the strong performance of business activities toward the end of the fiscal year



Trends in Results and Results Forecasts





Response to Stakeholders





Payment of Dividend for the Second Quarter

■ From the current fiscal year, the quarterly dividends are paid to increase the opportunities for the return of profits to shareholders, irrespective of the profit level, and ensure the leveling of the stock price

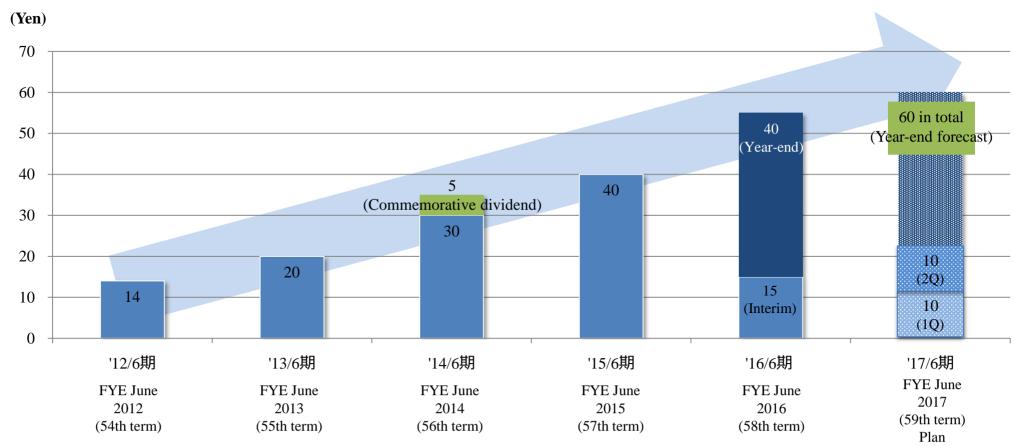
	Amount decided	
Record date	December 31, 2016	
Dividends per share	10 yen	
Total amount of dividends	47 million yen	
Effective date	March 10, 2017	
Dividend resource	Retained earnings	



Plan of a Dividend

Seeking to increase dividends for the fifth consecutive year

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



Quarterly dividend system introduced from the current fiscal year: the dividend for the second quarter is 10yen/shares



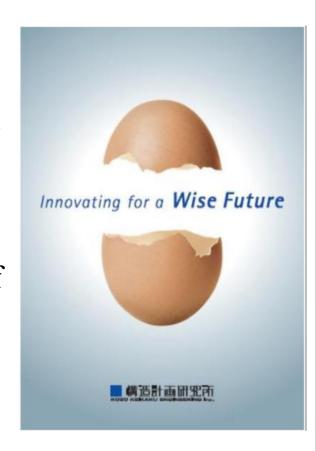
Management Policies for the Medium and Long Terms



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
- The word "innovating" is used to express the process of creating society





Medium- and Long-Term Management Strategies

To enhance KKE's total added value by ensuring its sustainable growth

Ensure the quality of services and products	Foster an organizational climate that is uncompromising on quality, learning from its past failures
Development of human resources	Have all members (engineers, managers and executives) the perspective on what is best as a company
Investment in new business developments and shaping "Design & Engineering" in overseas	Increase added value beyond development of technologies from overseas Achieve overseas business development, making use of its experiences in the Japanese market
Intellectual property strategy	Secure the intellectual property of deliverables Clarify areas of responsibility



Measures to Prevent Unprofitable Projects

- □ When receiving an order
 - Gain an understanding of the decision makers within the customer's side at an early stage
 - Reach an agreement on how to proceed with the project
 - Carefully examine when working with new customers or making attempts at new technologies, etc.
- ☐ After receiving an order
 - Ensure effective communication channels with customers
 - Avoid the following causes for miscommunication hindrance: second lower-tier subcontract, third lower-tier subcontract and state of dispatch
 - Strengthen the power to negotiate with customers
 - Utilize various software development methods
- Formulation of uniform company-wide standards
 - Avoid receiving an order for a large-scale project (more than 50 million yen)
 - Provide follow-ups on the project management to the departments with the unprofitable project



Development of Personnel Growth of Staff Members (1)

Hattori Award

Presented to staff members who achieved high performance in collaborating with industry, government and academia or

activities that benefits society

- ☐ Winners of the 34th award (from right)
- Kazuo Ito (joined the Company in 1970)
- Wataru Sekine
 (joined the Company in 1991)
- Mateo Arai Albert

 (joined the Company in 2010, graduated from the
 University of Barcelona)



An example of achievement made due to the diversity of KKE

- ☐ Title of the award winning project

 Development and expansion of the wind power generation business, and establishment of its position in the industry
- □ Reviews for the granting of the award

 Upon a revision to the Building Standards Act in 2007, KKE entered the market on a full-scale basis. With extensive business experience and strong technological capabilities in structure analysis, the team conducted business in Japan and overseas and established a new business line. In addition, it contributes to society in terms of renewable energy by providing support for the establishment of the system for the review of wind power generation from the Ministry of Economy, Trade and Industry (METI).

KKE Best Project FY2015

Awarding 23 projects that contribute to society as good role model projects







Development of Personnel Growth of Staff Members (2)

Based on the corporate philosophy of "bridging academia and industrial worlds," KKE encourages individuals to engage in outside activities to deepen academic-industrial alliances



- Collaborative study activities: 32 groups
- Lecturing at universities and associations: 28 activities (18 persons)
- Attending committee and study group: 66 persons at 125 groups
- In Japan and overseas
 - Studying at universities: 8 persons
 - Dispatched to outside organizations: 6 persons
- Papers published outside and books published: 97



(From Jan. – Dec. 2016)



Development of Personnel: Recruitment Results

Total new employees (including prospective employees) from 2002 to 2017

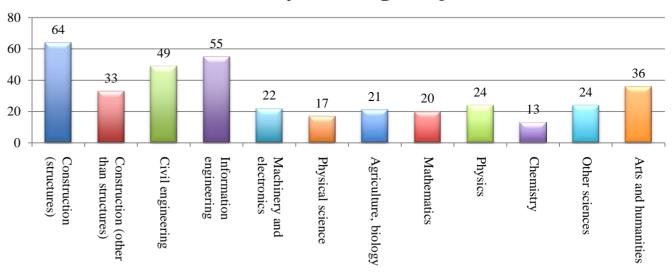
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Universities they graduated from (breakdown of those who joined the Company from April 2002 to April 2017)	Number of people
Tokyo Institute of Technology	33
The University of Tokyo	26
Kyoto University	23
Kyushu University	21
Waseda University	18
University of Tsukuba	14
Tokyo University of Science	14
Kumamoto University	12
Osaka University	10
Keio University	8
Nihon University	8
Nagoya University	8
Tokyo Metropolitan University (*1)	8
Tokyo University of Agriculture	6
Tohoku University	6
Kobe University	5
Yokohama National University	5
Saitama University	5
Sophia University	5
Chuo University	5
Hosei University	5

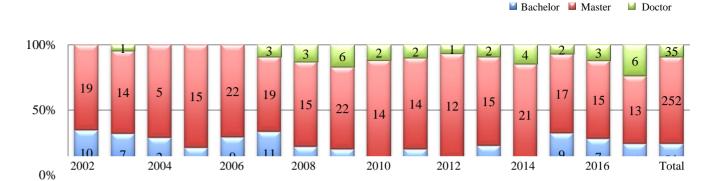
Red numbers indicate persons who are to join KKE in 2017

- *1: Sum of Tokyo Metropolitan University and Tokyo Metropolitan Institute of Technology
- *2: Each item of data includes prospective staff members

University or college majors



Breakdown by academic degree





Development of Personnel: Recruitment in Singapore

Activities

- Participation in the 5th ASEAN Career Fair
 - ♦ Held a company introduction session at a job forum which about 700 students of the leading universities in ASEAN gathered
- Recruitment activities at overseas universities and KKE overseas branches
 - Visited six universities in Singapore and Indonesia for a company introduction session and first interviews
 - ◆ Out of approx. 200 students participated in the first interview, will invite 12 students to Japan for final interviews (March, 2017)

Purpose and aims

- Secure a recruitment channel where students from various cultural areas and nationalities gather in order to enhance the diversity of the organization
- For future global operations, the Company will increase foreign nationals as employees (As of December 2016: 36 foreign nationals that will account for 6.1%)

□ Recruitment result in FY2016:

- August, December 2016-> Welcomed 6 persons to KKE
- April 2017-> 1 person is to join KKE
- Nationalities:
 - ◆ Indonesia, Iran, Singapore, Poland, Malaysia, Myanmar
- Universities:
 - Asian Institute of Technology, National University of Singapore, Chulalongkorn University, Nanyang Technological University, Institut Teknologi Bandung, University of Leeds

ASEAN Career Fair



Recruitment activity at university overseas





New Business Development and Investment (1) Wind Power Generation Business

Aim to contribute to society with the energy business by solving issues with power generation (e.g. construction of larger windmills, maintenance and management, grid connection)

2013 Electricity Business Act, safety review unification (METI)

->Establishment of systems to meet the demands of society for renewable energy

Reflect business results and knowledge of KKE

Utilize connections in Japan and overseas

Industry: business operators, overseas manufacturers, general

contractors, etc.

Government: METI, independent organizations, etc.

Academia: The University of Tokyo, Ashikaga Institute of

Technology, etc.

-> Model case of establishment of cooperation among industry, government and academia



KKE achieved a domestic share of 45% with sufficient technologies and organizational strength to undertake the entire process, offering support from system building





New Business Development and Investment (2) SendGrid

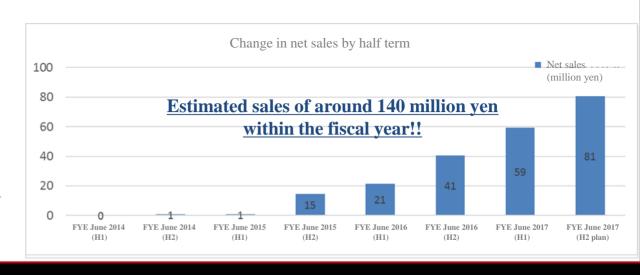
SendGrid

Release of new functions of SendGrid, the cloud-based email distribution service

- □ Developed by SendGrid Inc. in the United States
 A cloud-based platform for e-mail distribution service
- □ Support users with corporate sales promotion activities, marketing, and CRM
 - Improvement in e-mail deliverability and security, anti-spam measure
 - → Providing the advantages of no initial cost using the cloud service
 - Delivering more than 30 billion e-mails per month around the world Used by UBER, Airbnb, ChatWork, CrowdWorks, Misoca, PIXTA, etc.

Equipping the new advanced mail marketing function

- Easy-to-use segmentation of the address list
- Easy preparation of HTML mail that suits any device
- ☐ Measure and compare effectiveness of the e-mail with tracking for A/B test





New Business Development and Investment

(3) RemoteLock

"RemoteLock", the Wi-Fi type smart lock Launched sales and service in the Japan market

Remotely control multiple access codes for the door lock from the cloud system via the Internet

□ Delivery access codes with the cloud-based control system

- ☐ Control access for multiple facilities using the cloud system
- □ Record the history of unlocking the door
- ☐ Also available in API, connecting with various IoT devices and systems

Have more than 16,000 use cases in the United States

LockState certified as a Worldwide Partner of Airbnb, the leading U.S. company engaging in temporary rentals of private residences



• Expect creating synergy with KKE's technologies cultivated in the housing and structural fields

12345

- Aiming for domestic sales of 2.5 billion yen in the fiscal year 2020
- To achieve a more confortable indoor environment for the residents

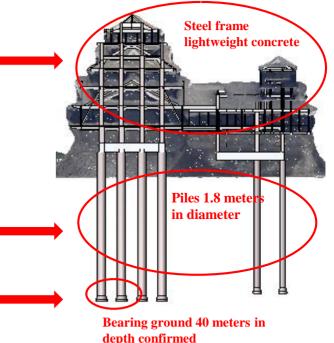


Actions for Restoration: Reconstruction of Kumamoto Castle

Succeeded the spirits of the designers of Kumamoto Castle Cooperation in a survey of damage of Kumamoto Castle's keep tower and a proposal for restoration, among other activities

- □ Restoration of Kumamoto Castle's keep tower (1960) Structural design by KKE's founder "Most solemn is the judgment of the force of nature" (Founder: the late Makoto Hattori)
 - Use of steel frame lightweight concrete for a comprehensive weight reduction of the castle
 - Embodiment of special consideration paid to safety backed up by a commitment to the quality of the structural design
 - → Design based on the assumption of a 25% increase in seismic force (seismic zoning factor in Kumamoto: originally 0.8 -> 1.0)
 - Support the keep tower without causing any damage to the stone wall by driving piles deep into the rigid ground
 - The founder himself went down to the bottom of the foundations, which are 40 meters in depth, to check the bearing ground





Commitment to the reconstruction project as a pioneer of castle's structural design

We will continue undertaking activities as the core member in the cooperation among industry, government and academia as we work toward the reconstruction of Kumamoto Castle, the symbol of the recovery of Kumamoto, as quickly as possible



Policy for Legal & Intellectual Property Strategy

High value-added solutions supported on intellectual properties

- Increase business value (to customers and to society)
- Use new technologies and collaborate with domestic and overseas partners for new business
- Share technologies that help resolve the issues that society faces

Direction of initiatives

- □ Scheme formulation, contracts, and negotiations with an awareness of intellectual property from the early stages of business
- □ Build a win-win relationship with partners founded upon the intellectual property we own
- ☐ Clarify the areas of responsibility
- □ Develop initiatives to manage and use intellectual and information assets to promote the transformation of tacit knowledge into explicit knowledge
- □ Promote a culture of sharing and using results and experiences, including both past successes and failures
- □ Promote flexible and strategic implementation of measures by establishing a department that handles both legal affairs and intellectual property

(Reference information)

Number of patents we hold as of August 30, 2016: 58

Number of patent-pending inventions as of August 30, 2016: 26

Ranking in terms of patent assets in FY2015: Fourth among companies in the information and communications industry in emerging markets

(Reference: Data from Patent Result Co., Ltd.)

Promote the creation of business models and new technologies by integrating research and development with business strategies



KKE Vision 2016 in Tokyo and Fukuoka

An annual conference where guests explore emerging technology and innovations Held not only in Tokyo, but also in Fukuoka where KKE opened its new branch office in 2016



Tokyo

Wednesday, October 26, 2016 at Toranomon Hills Forum

Number of visitors: 725 persons

Fukuoka

Tuesday, November 29, 2016 at Grand Hyatt Fukuoka Number of visitors: 275 persons



Keynote address in Tokyo
"Japan and the future international situation"
Satoshi Morimoto.

Chancellor of Takushoku University and former Minister of Defense



Keynote address in Fukuoka

"Mathematical Engineering: mathematics to support society"

Kazuyuki Aihara,

Professor, Institute of Industrial Science, The University of Tokyo



The 17th MAS Competition on March 17-18, 2017

Promote the utilization of social simulation and encourage its use for education

MAS (multi-agent simulator) "artisoc" developed by KKE

- Reproduction of various social phenomena on a computer
- Used at more than 500 universities/research institutes

Outline of the event

Date:

Competition: 9:30am - 6pm Friday, 17 March 2017

Workshop: 1pm - 5pm Saturday, 18 March 2017

Venue: KKE Head Office, New Annex

Details: http://mas.kke.co.jp/modules/tinyd3/



To continue initiatives and business that support consensus-building to solve complex problems in the real world





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

We look forward to your continued support and guidance.

Contact:

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Website: http://www.kke.co.jp

Innovating for a Wise Future



(Reference Material) The Ideal Organization that the Company Aims to be (Mission)

Professional Design & Engineering Firm

An organization to create high added value through unique solutions based on engineering approaches inspired by a combination of academic and empirical knowledge



(Reference Material) Five I's to Enhance Added Value (Attitude)



Engage to business based on compensation for knowledge and social contribution

ndependent

Establish an environment with totally unrestricted, free thinking

nterdisciplinary

Integrate and fuse diverse academic fields

nnovative

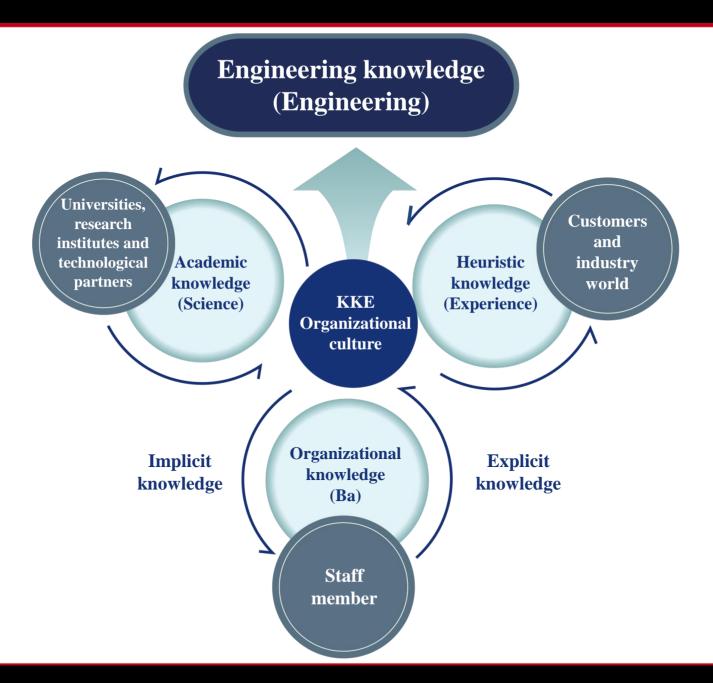
Have the structure, culture, and DNA to challenge new ideas

nternational

Create alliances with overseas partners with different knowledge

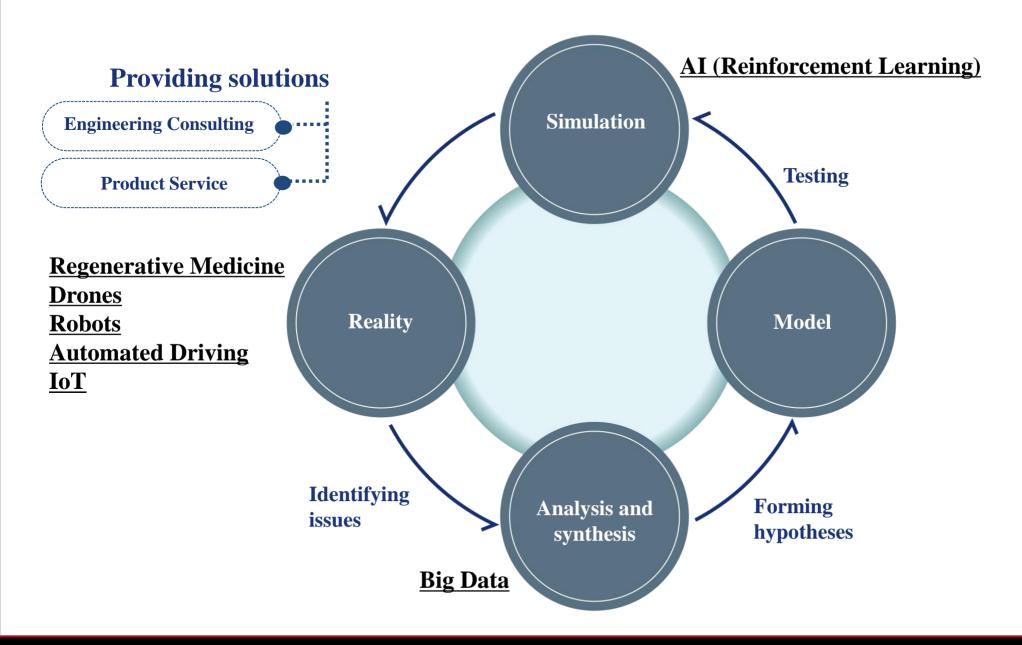


(Reference Material) Structure of Knowledge (Our Vision)



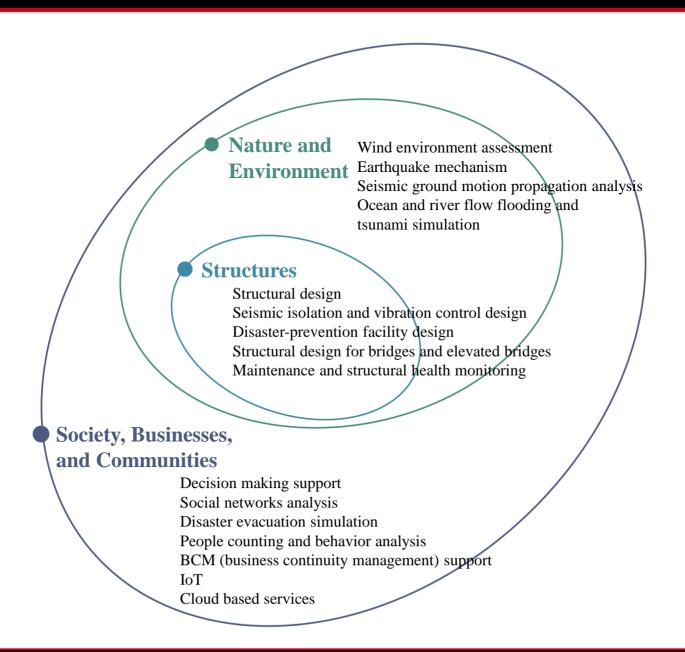


(Reference Material) Offering Value through Engineering Approach (Modeling and Simulation)





(Reference Material) Expanding Business Domains





(Reference Material) Scenarios for Increasing Total Added Value

By investing in business development

- Through employee growth
- By increasing the number of employees (associates)



* KKE defines the amount obtained by adding personnel costs and fringe benefits to operating income as the total added value to represent the source of profit distributed to stakeholders.