

FYE June 2015 First Half

Financial Results

Agenda

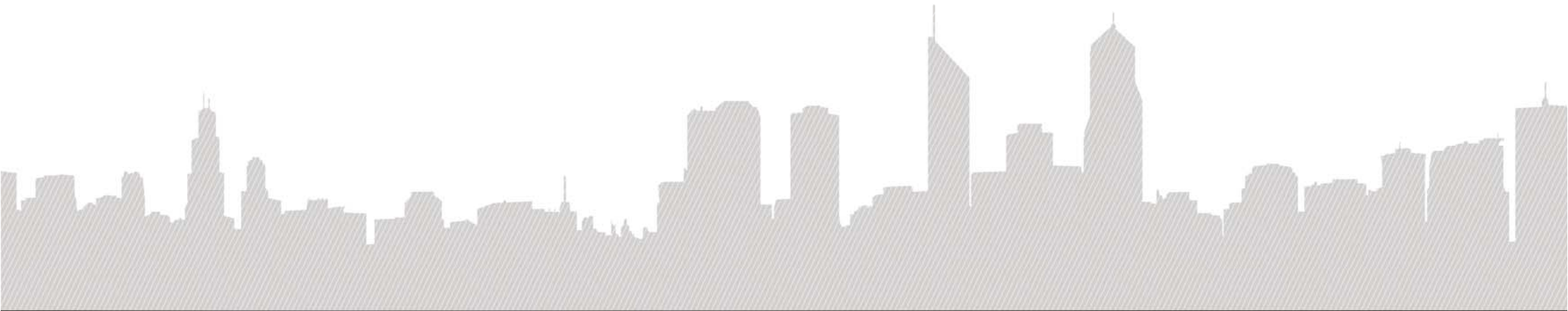
1. Overview of Financial Results	3
2. Results by Segment	15
3. Forecast for Fiscal Year Ending June 30, 2015	22
4. Management Policies for the Medium and Long Terms	31

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.

1

Overview of Financial Results

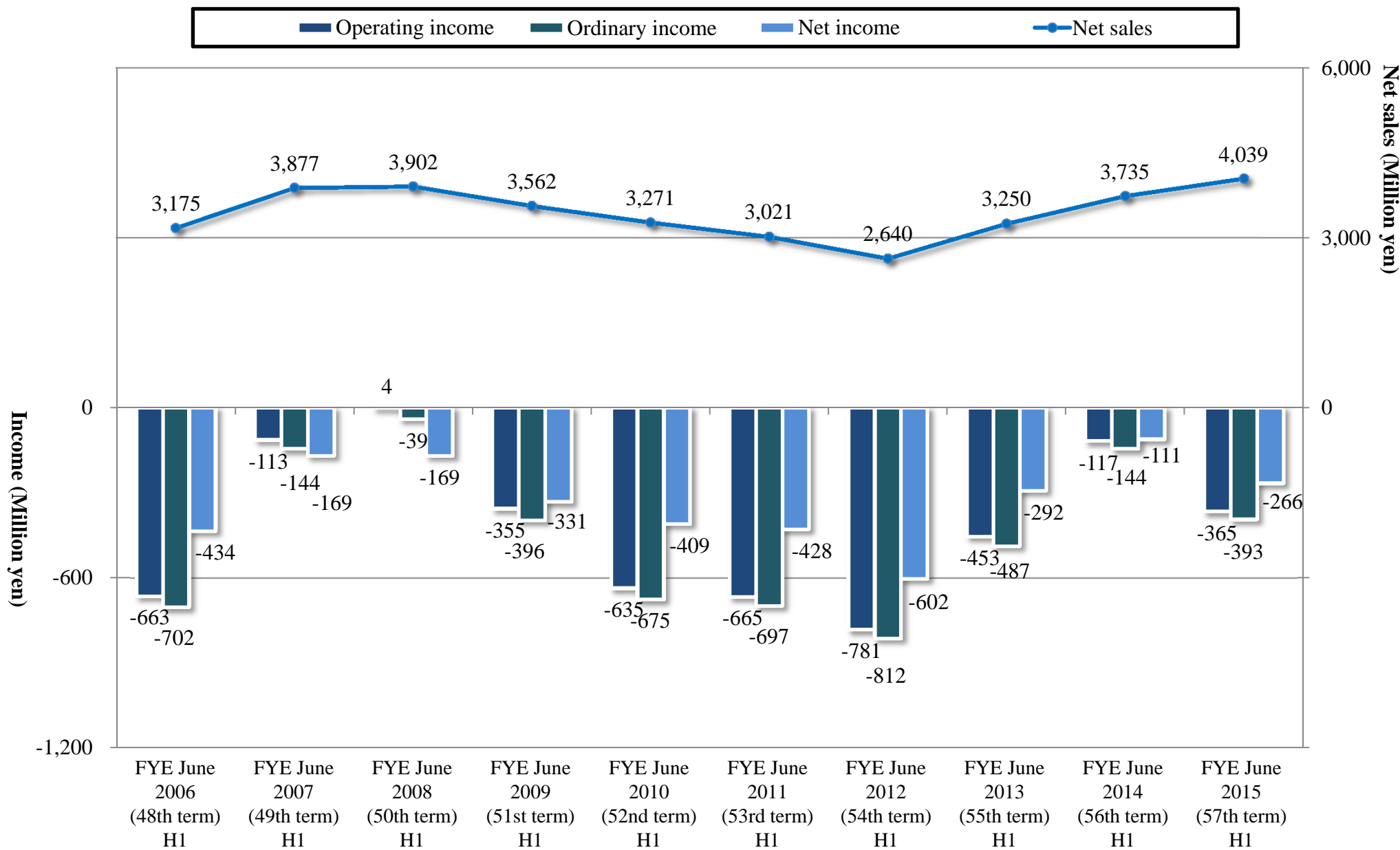


Financial Highlights

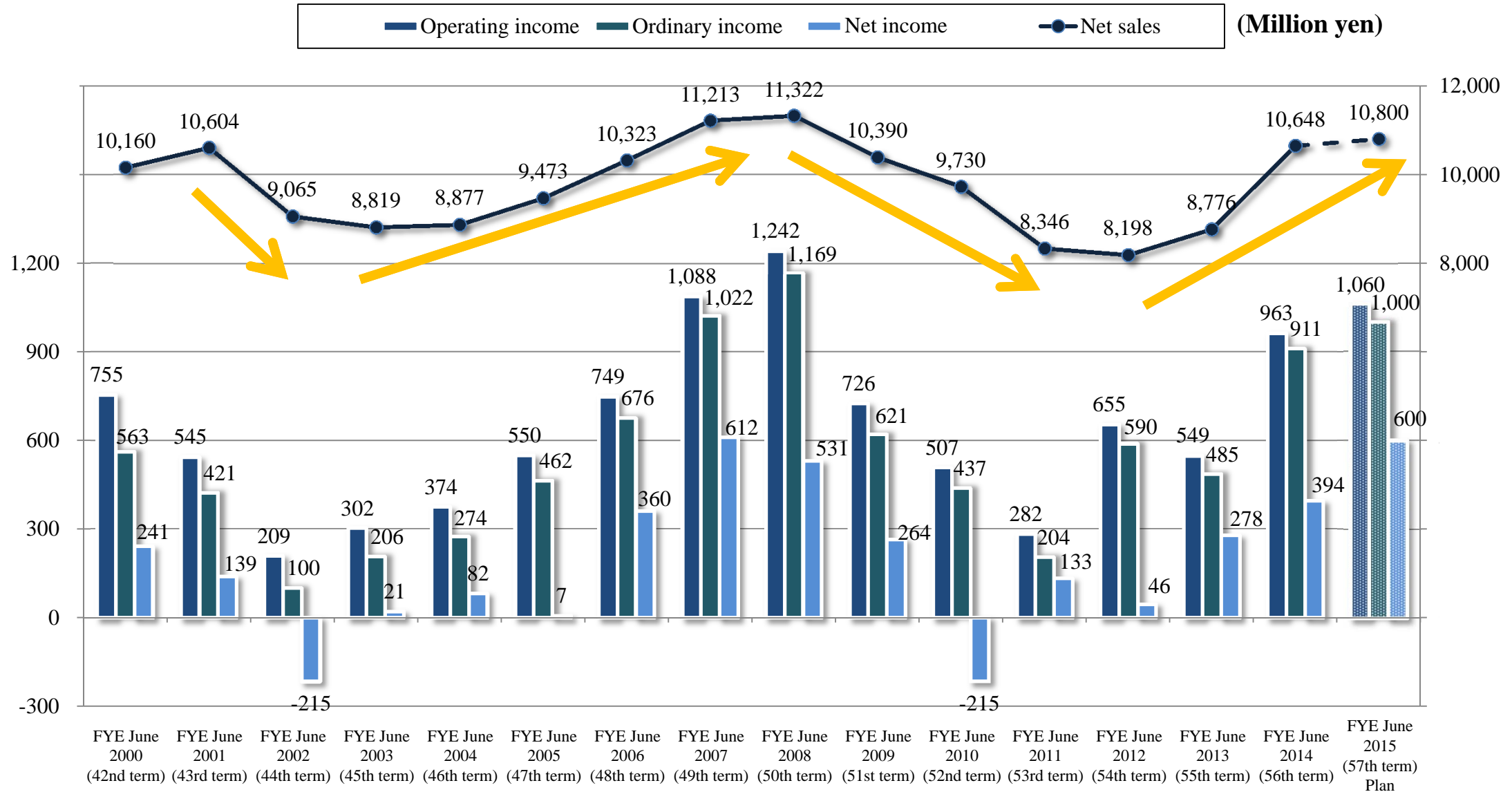
(Million yen)

	FYE June 2014 H1	FYE June 2015 H1 Plan	FYE June 2015 H1	Year-on-year change (rate of change)	Change from plan (rate of change)
Net sales	3,735	3,700	4,039	304 (8.1%)	339 (9.2%)
Operating income (loss)	-117	-200	-365	-248 (-)	-165 (-)
Ordinary income (loss)	-144	-235	-393	-249 (-)	-158 (-)
Net income (loss)	-111	-170	-266	-155 (-)	-96 (-)

Trends in First-Half Results



Trends in Full-Year Results Since Listing and Plan for FYE June 2015



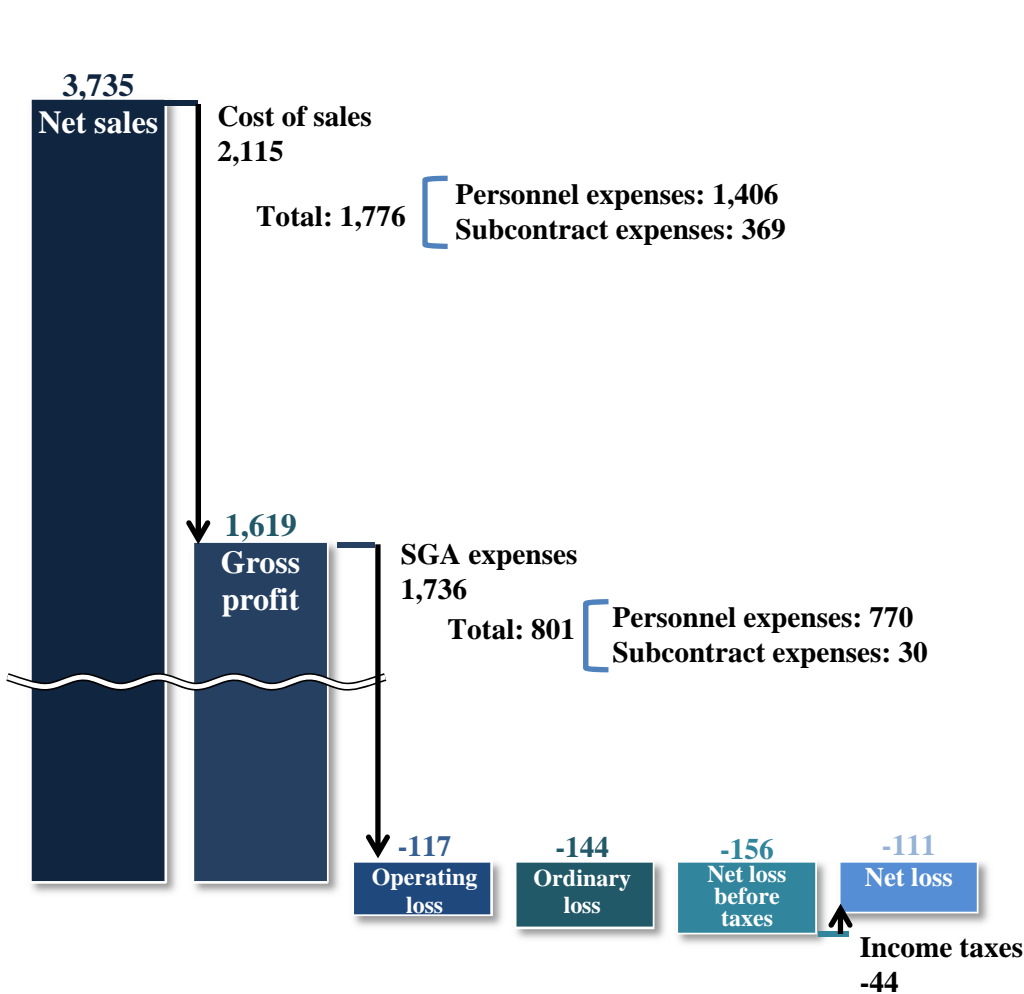
FYE June 2015 H1 Income Statement Highlights

(Million yen)

	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year-on-year change
Net sales	3,735	4,039	304
Cost of sales	2,115	2,441	326
Gross profit (loss) (Gross profit rate)	1,619 (43.4%)	1,597 (39.5%)	-22
SGA expenses	1,736	1,963	226
Operating income (loss) (Operating income rate)	-117 (-3.1%)	-365 (-9.1%)	-248
Non-operating profit & loss	-27	-27	-0
Ordinary income (loss) (Ordinary income rate)	-144 (-3.9%)	-393 (-9.7%)	-249
Extraordinary profit & loss	-11	-0	-11
Net income (loss) before taxes	-156	-393	-237
Income taxes	-44	-126	-82
Net income (loss) (Net income rate)	-111 (-3.0%)	-266 (-6.6%)	-155

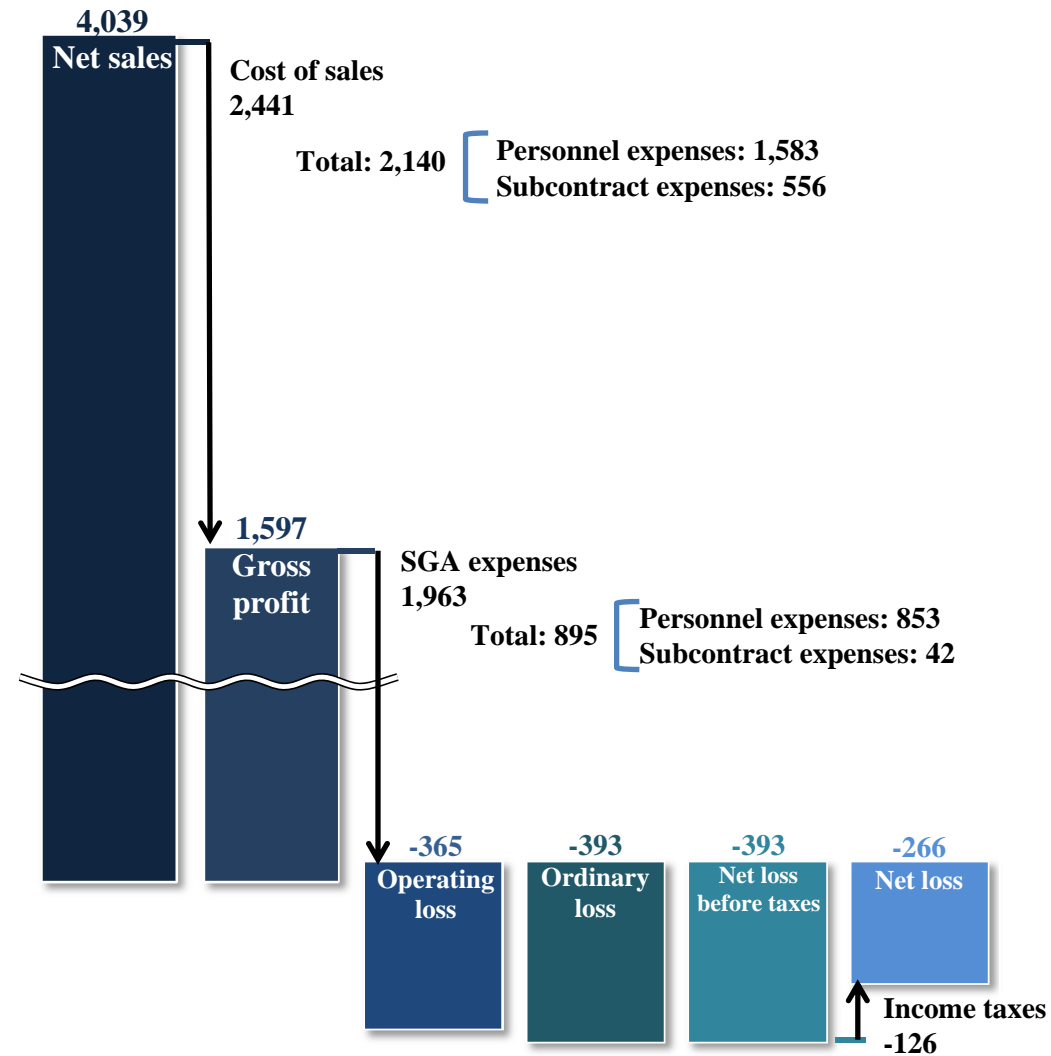
FYE June 2015 H1 Change in Profit and Loss

FYE June 2014 (56th term) H1



FYE June 2015 (57th term) H1

(Million yen)



FYE June 2015 H1 Highlights of Balance Sheet

(Million yen)

	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year-on- year change
Current assets	3,738	3,414	-324
Cash and deposits	618	306	-312
Notes and accounts receivable	1,441	1,316	-125
Goods in process	922	895	-26
Fixed assets	6,978	6,613	-365
Property, plant and equipment	5,539	5,093	-445
Intangible assets	369	329	-39
Total assets	10,717	10,027	-689

	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year-on- year change
Total liabilities	7,227	7,735	508
Current liabilities	5,310	5,780	469
Short-term borrowings*	3,325	3,620	295
Accrued expenses	126	178	51
Long-term liabilities	1,916	1,955	39
Long-term borrowings	484	232	-252
Total net assets	3,490	2,291	-1,198
Total liabilities and net assets	10,717	10,027	-689

* Long-term borrowings due within one year are included in short-term borrowings.

FYE June 2015 H1 Financial Position

B/S in H1 of FYE June 2014 (56th term)

Total assets: 10,717

Liabilities + Net assets: 10,717

Current assets 3,738 Cash and deposits 618 Accounts receivable 1,441 Goods in process 922	Current liabilities 5,310 Short-term borrowings 2,990 Long-term borrowings due within one year 335 Accrued expenses 126
Fixed assets 6,978 Property, plant and equipment 5,539 Intangible assets 369	Long-term liabilities 1,916 Long-term borrowings 484
	Net assets 3,490 Retained earnings 1,938

Interest-Bearing Debt 3,840

Capital ratio

B/S in H1 of FYE June 2015 (57th term)

Total assets: 10,027

Liabilities + Net assets: 10,027

Current assets 3,414 Cash and deposits 306 Accounts receivable 1,316 Goods in process 895	Current liabilities 5,780 Short-term borrowings 3,500 Long-term borrowings due within one year 120 Accrued expenses 178
Fixed assets 6,613 Property, plant and equipment 5,093 Intangible assets 329	Long-term liabilities 1,955 Long-term borrowings 232
	Net assets 2,291 Retained earnings 1,924

Interest-Bearing Debt 3,911

Change in assets (-689) (Million yen)

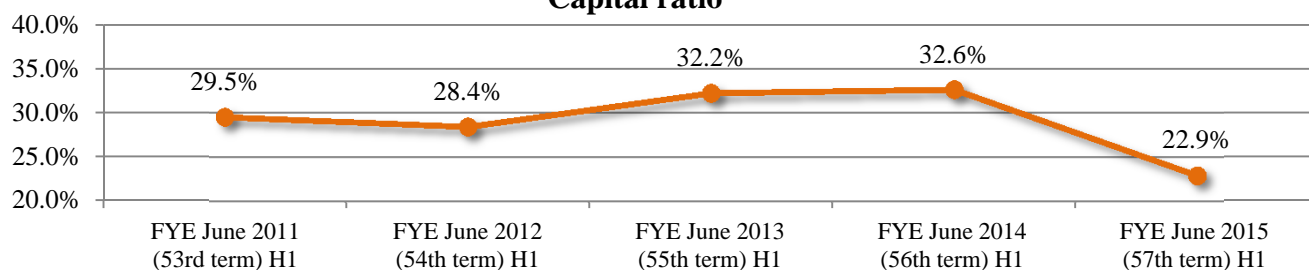
- **Decrease in current assets (-324)**
 Decrease in cash and deposits (-312)
 Decrease in accounts receivable (-125)
 Decrease in goods in process (-26)
- **Decrease in fixed assets (-365)**
 Decrease in property, plant and equipment (-445)
 Decrease in intangible assets (-39)

Change in liabilities (508)

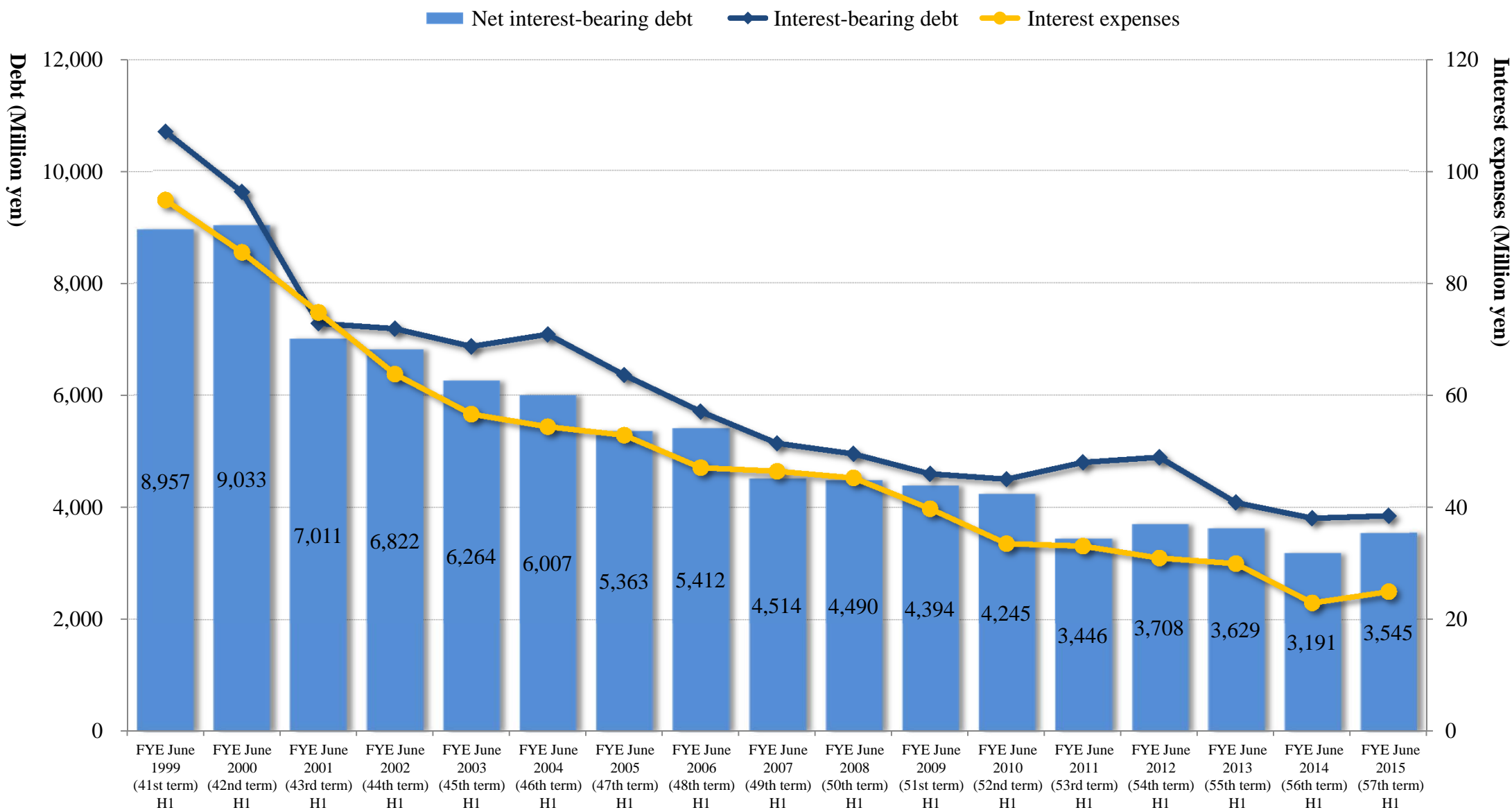
- **Increase in current liabilities (469)**
 Increase in short-term borrowings (510)
 Decrease in long-term borrowings due within one year (-215)
 Increase in accrued expenses (51)
- **Increase in long-term liabilities (39)**
 Decrease in long-term borrowings (-252)
 Increase in provision for retirement benefits (267)

Change in net assets (-1,198)

- **Decrease in retained earnings (-13)**



Changes in Net Interest-Bearing Debt and Interest Expenses



FYE June 2015 H1 Cash Flow Statement Highlights

(Million yen)

	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1
Balance at the beginning of FY	380	264
CF from operations	-948	-1,245
CF from investments	-57	-57
Free CF	-1,005	-1,303
CF from financing	1,243	1,345
Balance at the end of FY	618	306

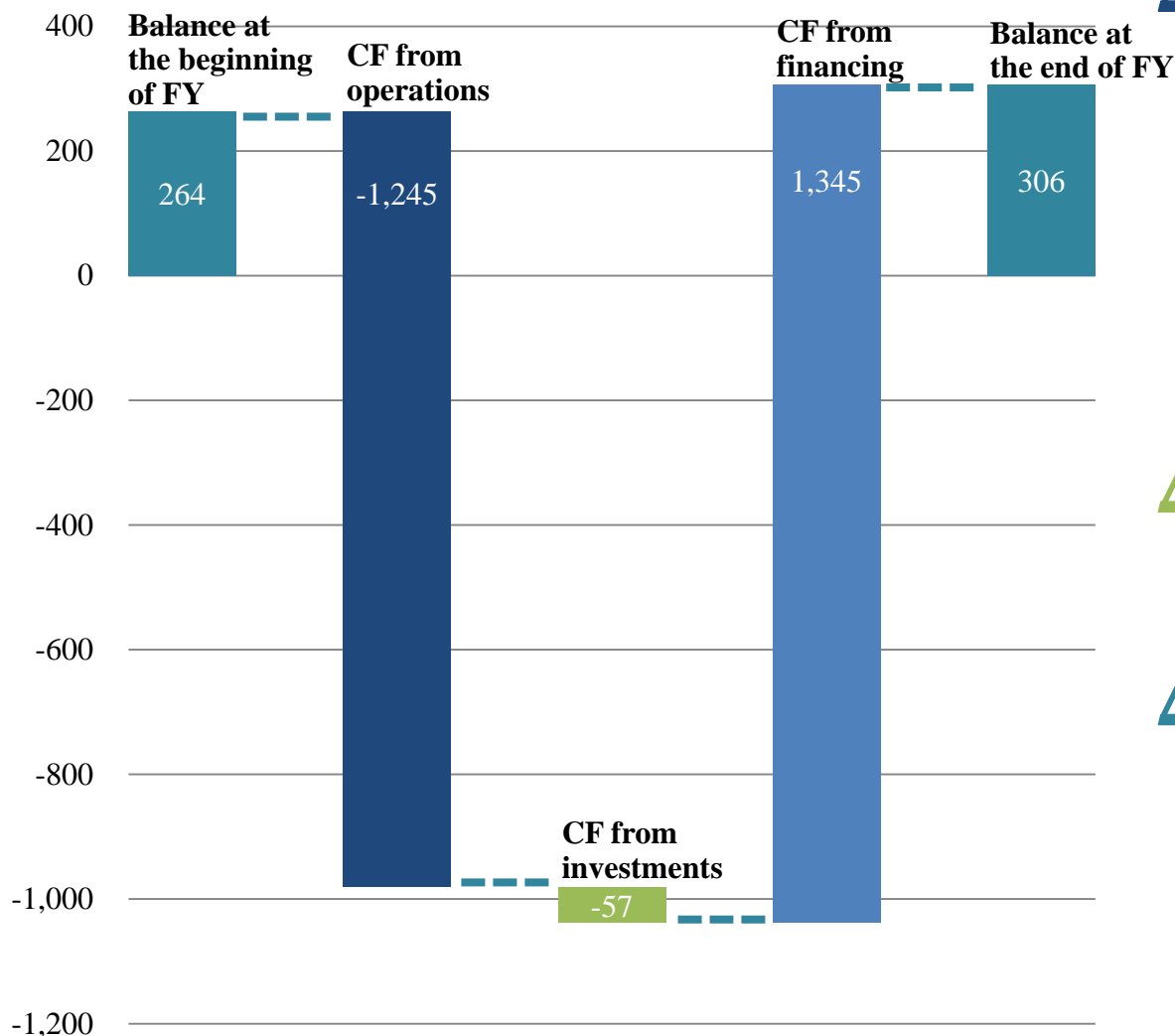
FYE June 2015 H1 Cash Flow Breakdowns

C/F in H1 of FYE June 2015 (57th term)

(Million yen)

(July 1, 2014 to December 31, 2014)

(Million yen)



Major components of CF from operations

● Net loss before taxes	-393
● Increase in reserve for bonuses	172
● Decrease in accounts receivable	60
● Increase in inventories	-486
● Decrease in accrued expenses	-489
● Corporation and other taxes paid	-200

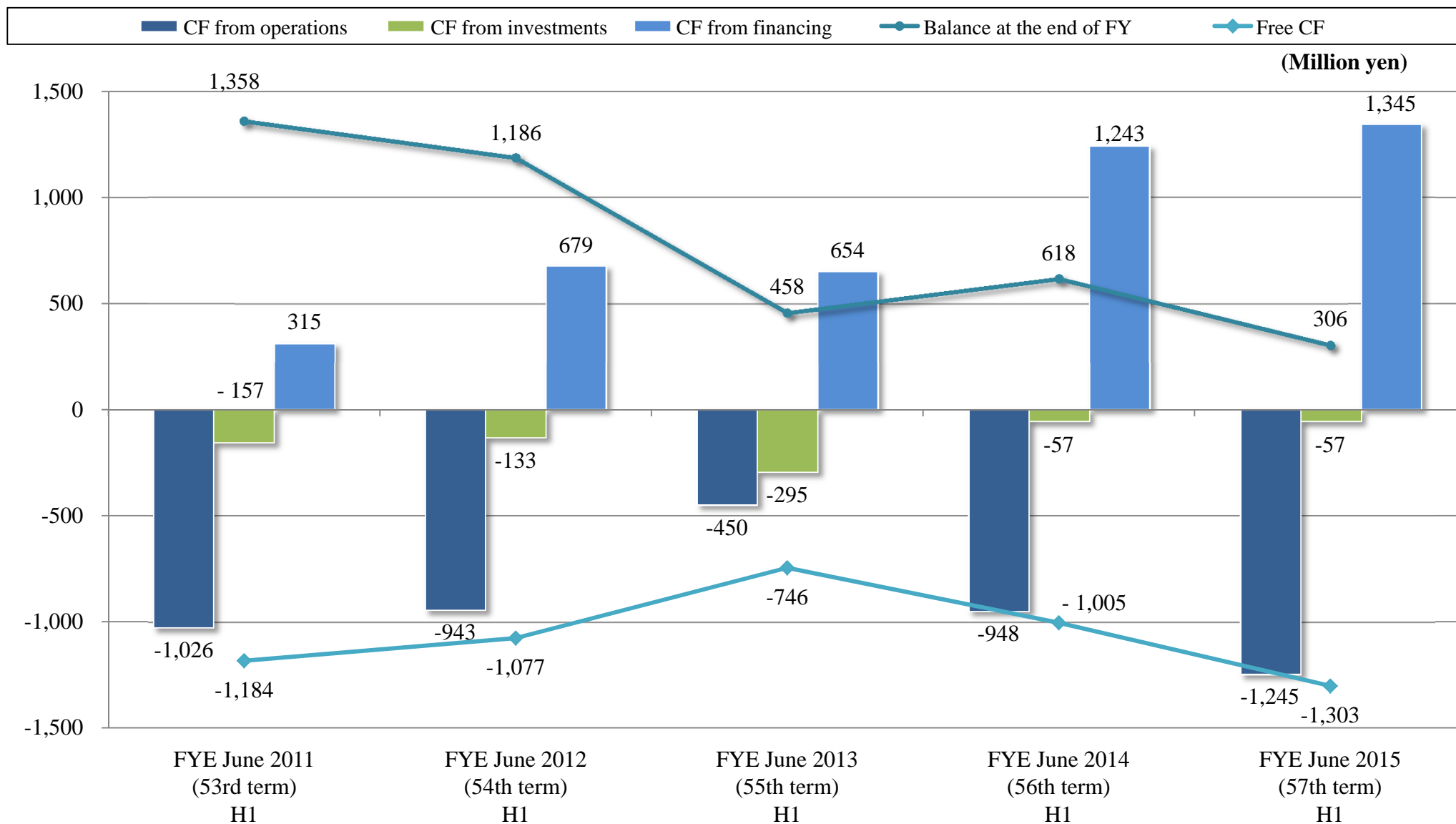
Major components of CF from investments

● Purchase of property, plant and equipment	-23
● Purchase of intangible assets	-25

Major components of CF from financing

● Net increase in short-term borrowings	1,550
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First-Half Cash Flows in the Last Five Fiscal Years

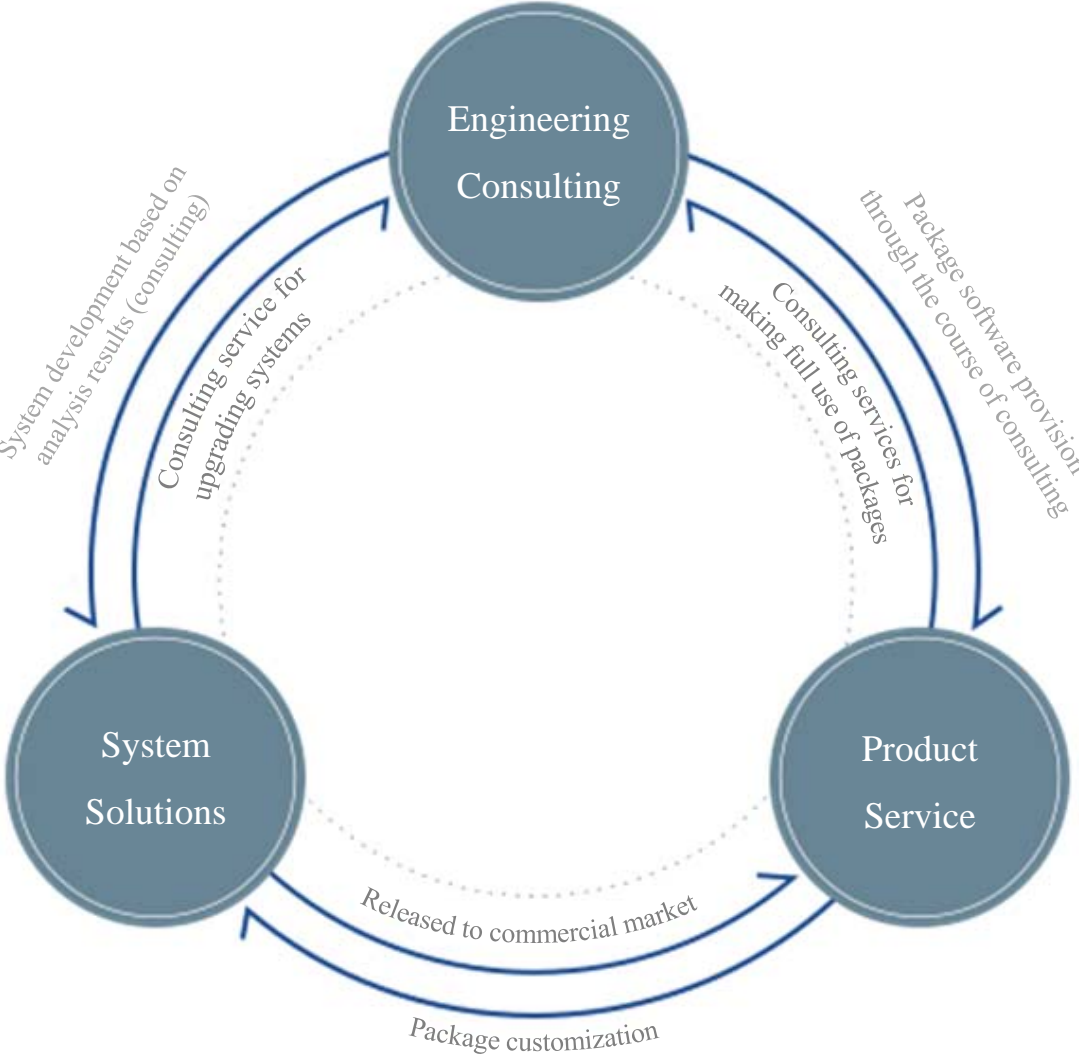


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Results by Segment

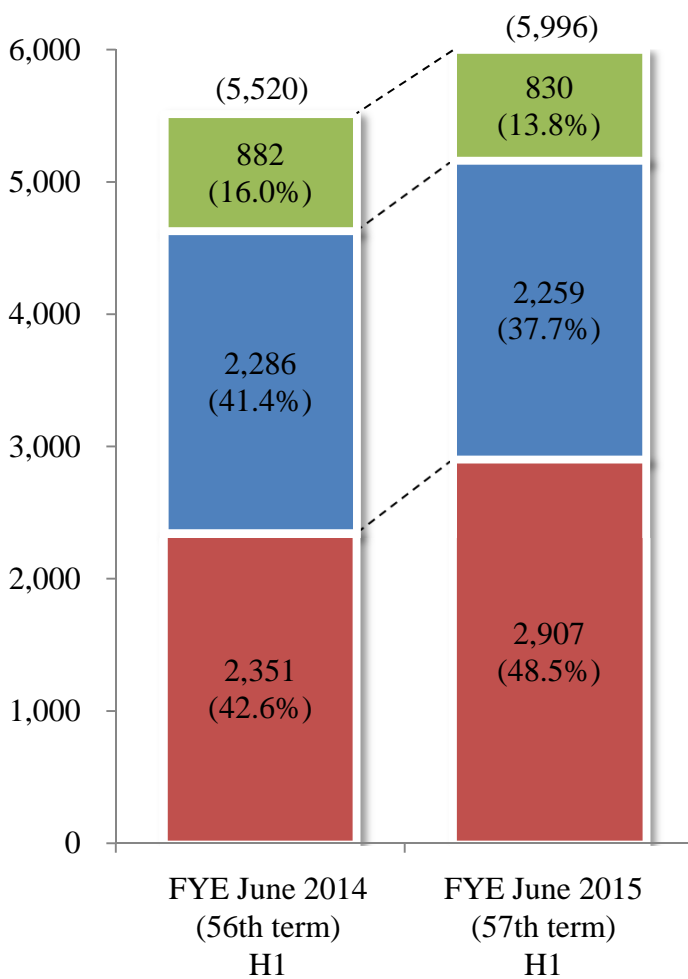


Synergy Produced by Three Business Segments

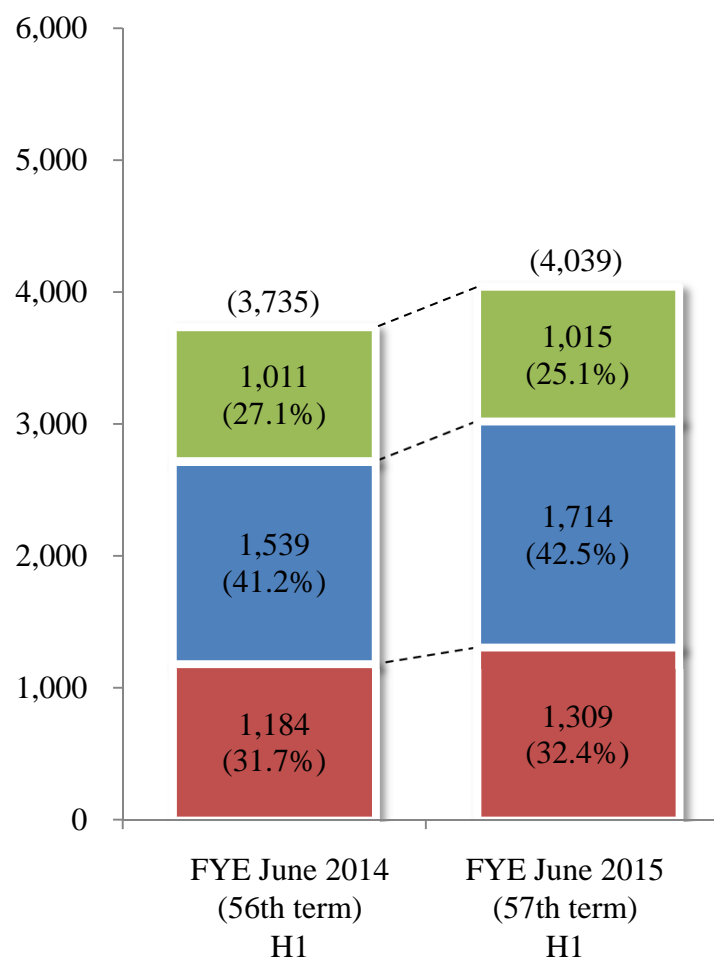


Orders, Net Sales, and Backlog of Orders by Segment

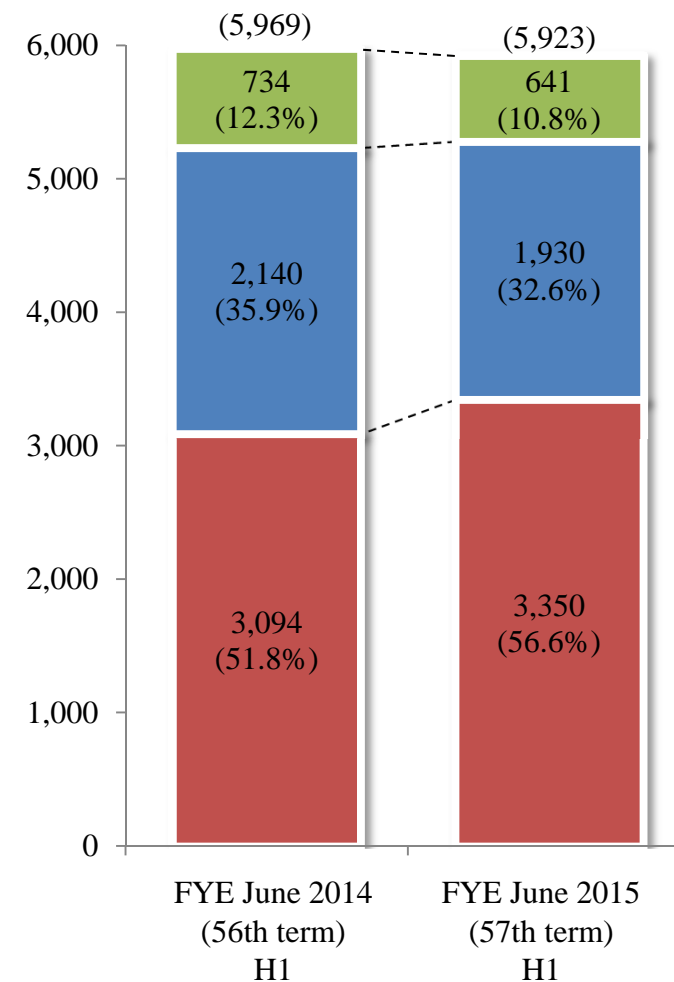
- Engineering Consulting
- System Solutions
- Product Service



Orders (Million yen)



Net sales (Million yen)

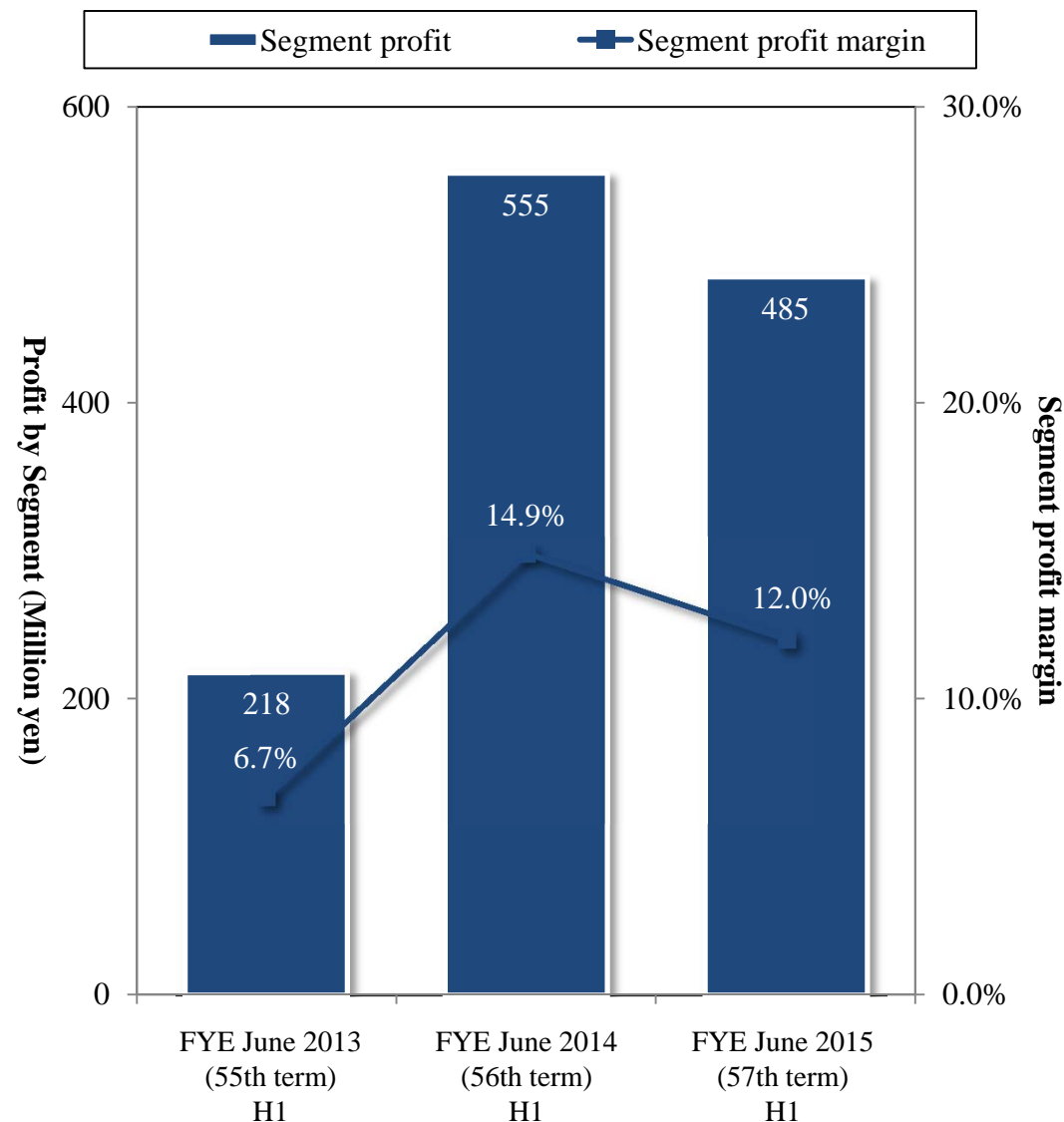


Backlog of orders (Million yen)

Total of the Three Business Segments

(Million yen)

	FYE June 2013 (55th term) H1	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year-on- year
Orders	4,698	5,520	5,996	8.6%
Net sales	3,250	3,735	4,039	8.1%
Profit by segment (margin)	218 (6.7%)	555 (14.9%)	485 (12.0%)	-12.6%
Backlog of orders	4,941	5,969	5,923	-0.8%



(1) Engineering Consulting

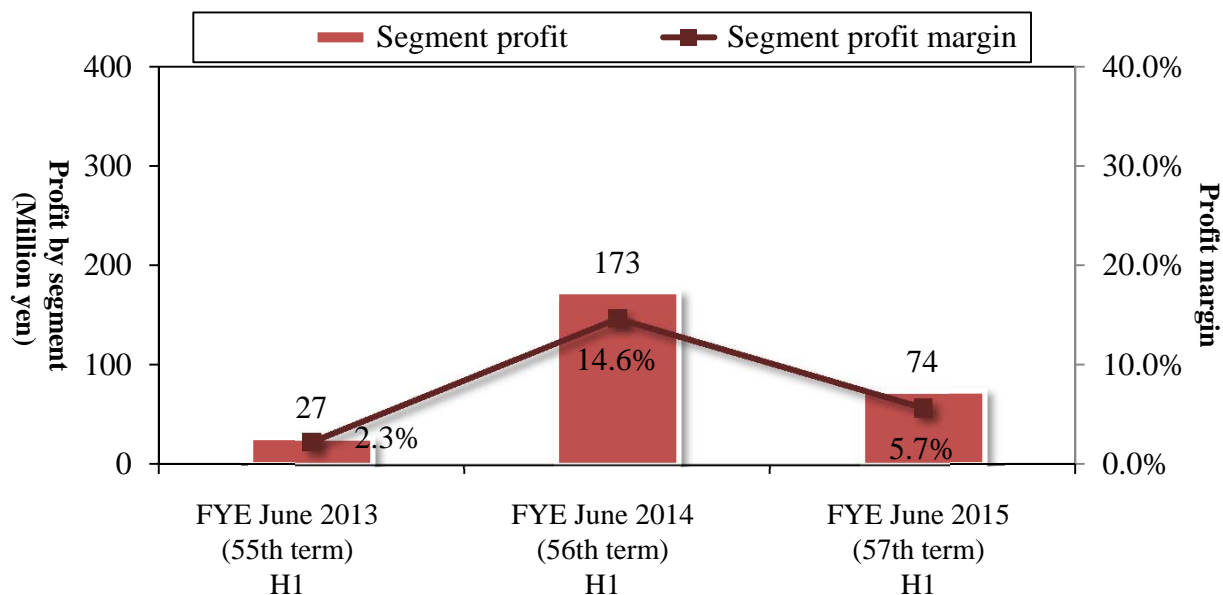
(Million yen)

	FYE June 2013 (55th term) H1	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year-on-year
Orders	2,179	2,351	2,907	23.6%
Net sales	1,169	1,184	1,309	10.5%
Profit by segment (margin)	27 (2.3%)	173 (14.6%)	74 (5.7%)	-57.0%
Backlog of orders	2,626	3,094	3,350	8.3%

- ◆ Consultation on disaster risk reduction, earthquake resistance, and environment assessment analysis
- ◆ Structural design of buildings
- ◆ Requirement definitions and basic reviews for software development
- ◆ Simulation for manufacturing and logistics business
- ◆ Marketing consulting and risk analysis
- ◆ Multi-agent simulation

Analysis of results

- Consultation on disaster risk reduction and earthquake resistance performed well.
- Profitability declined in certain tasks, such as the preparation of requirement specifications, in the upstream process associated with communications networks.



(2) System Solutions

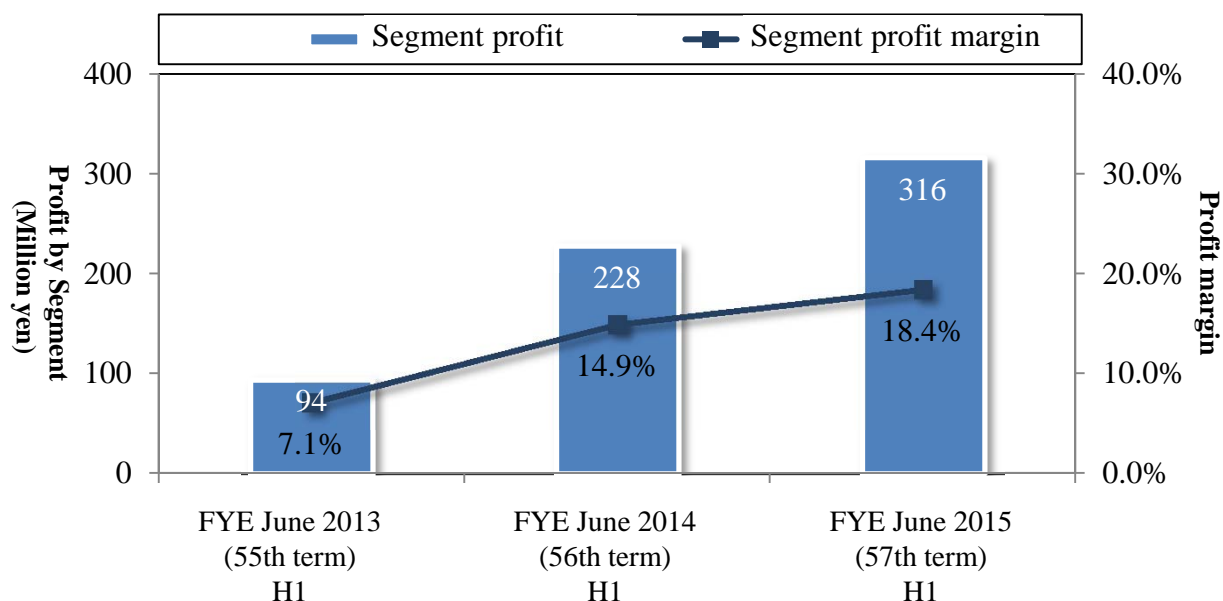
(Million yen)

	FYE June 2013 (55th term) H1	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year on year
Orders	1,690	2,286	2,259	-1.2%
Net sales	1,327	1,539	1,714	11.4%
Profit by segment (margin)	94 (7.1%)	228 (14.9%)	316 (18.4%)	38.2%
Backlog of orders	1,727	2,140	1,930	-9.8%

- ◆ System development of structural design support system
- ◆ Mobile communication and mobile network communication systems
- ◆ Bus service solution systems
- ◆ Sales and design support systems for the manufacturing industry
- ◆ Optimization and logistics systems

Analysis of results

- Structural calculation systems for major house builders and system development for household equipment manufacturers performed well.
- Bus service solution systems failed to make a profit.

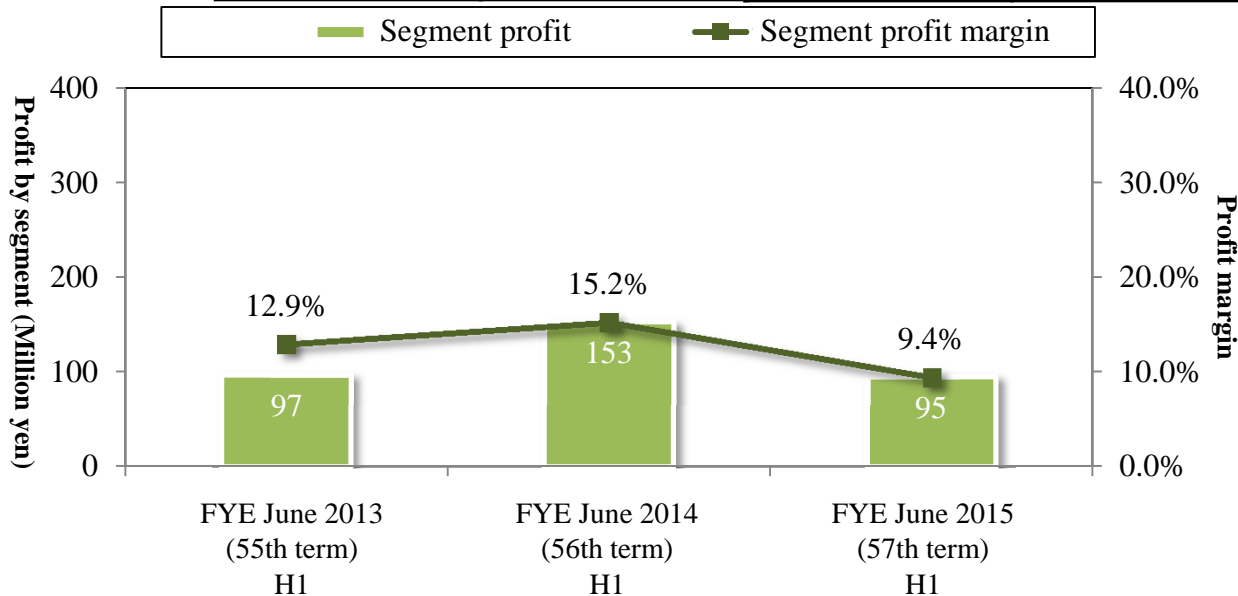


(3) Product Service

(Million yen)

	FYE June 2013 (55th term) H1	FYE June 2014 (56th term) H1	FYE June 2015 (57th term) H1	Year on year
Orders	828	882	830	-5.9%
Net sales	753	1,011	1,015	0.4%
Profit by segment (margin)	97 (12.9%)	153 (15.2%)	95 (9.4%)	-38.0%
Backlog of orders	587	734	641	-12.6%

- ◆ Construction structural analysis and earthquake resistance study software
- ◆ Network simulation software
- ◆ Radio wave propagation and electromagnetic wave analysis software
- ◆ CAE software for designers in the manufacturing industry
- ◆ Software for supporting marketing and decision-making
- ◆ Statistical analysis software and vision research software
- ◆ Consulting
- ◆ Education and training



Analysis of results

- Sales of
 - CAE software for designers
 - Integrated smoothed-particle hydrodynamic analysis software
 - Risk analysis and decision-making support software performed well.
- Sales of communications network software declined.

3

Forecast for Fiscal Year Ending June 30, 2015



Outlook for Fiscal Year Ending June 2015

Economic environment

Despite the weak yen and higher stock prices, economic recovery slowed due to sluggish consumption and exports.

Industries that KKE deals with

There seems to be a cautious stance on production and capital investment; however, there are strong demands for investment to strengthen competitiveness and safety/security.

1. Building a strong earnings structure through further improvement in quality control
2. Expanding the engineering consulting business, where we can earn higher profits by providing our unique technologies
3. Expansion of joint research with universities/research institutions and alliances with domestic/foreign companies with unique technologies
4. Enhancement of sales speed and efficiency through centralized management of important customer information
5. Overseas business expansion and hiring human resources

Pursue high customer satisfaction and enhancement of added value

Response to Stakeholders of the Company



To Achieve the Plan

(Million yen)

	FYE June 2014	FYE June 2015 Plan	Change from previous FY (amount)	Change from previous FY (rate of change)
Net sales	10,648	10,800	151	1.4%
Operating income	963	1,060	96	10.0%
Ordinary income	911	1,000	88	9.7%
Net income	394	600	205	52.0%

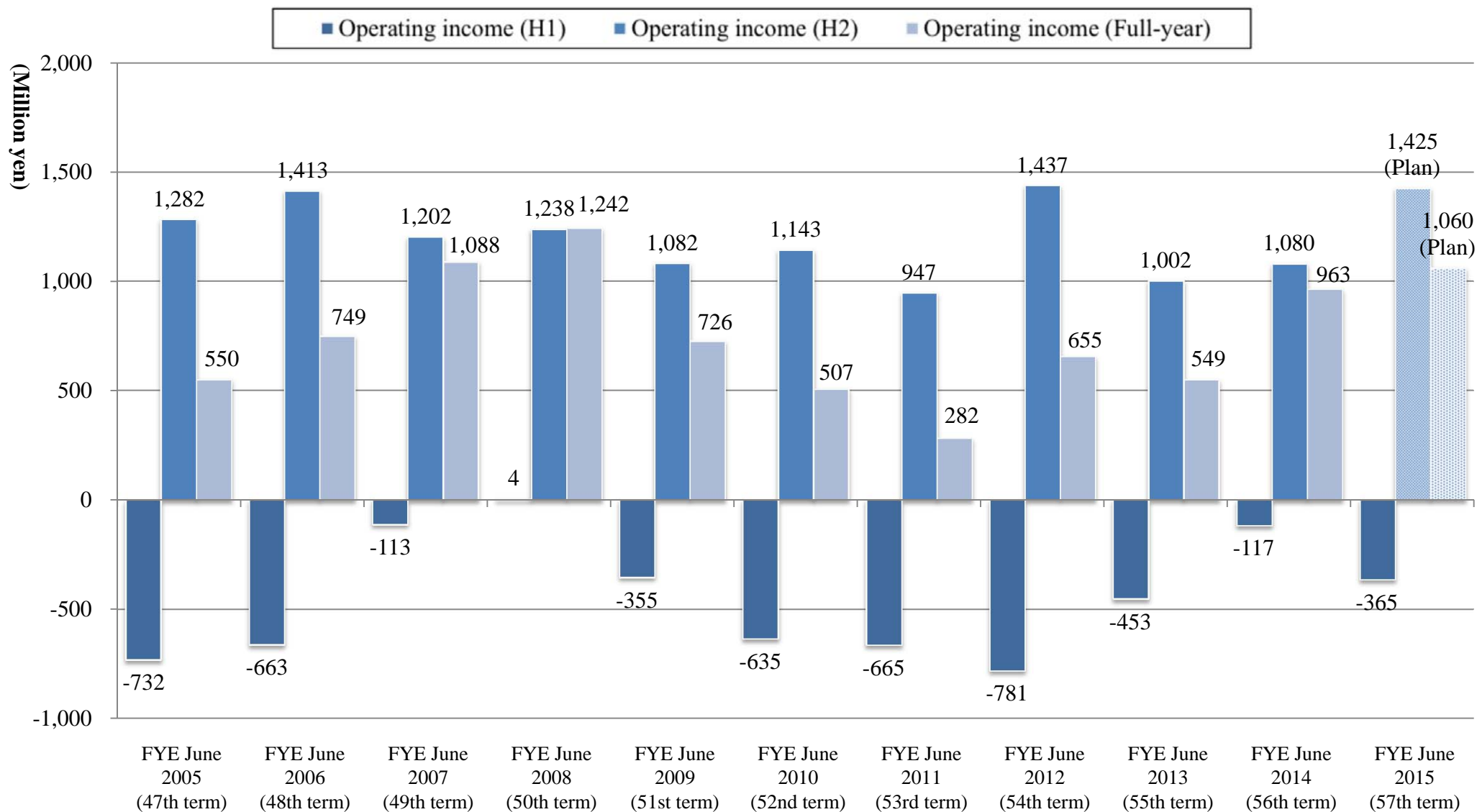
Dividends	Common dividend of 30 yen + commemorative dividend of 5 yen / share	40 yen/share
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Three Principles for Action (To Become a Professional Design & Engineering Firm)

Prioritized management with limited resources

- 1 *Collaboration:*** Always have a board vision.
Cooperate with partners both within and outside the Company.
- 2 *Feedback:*** Use the PDCA cycle.
Learn even from failure to enhance the strength of the organization.
- 3 *Speed:*** Stay ahead of the evolution of information technology.
Act promptly as members of the organization.

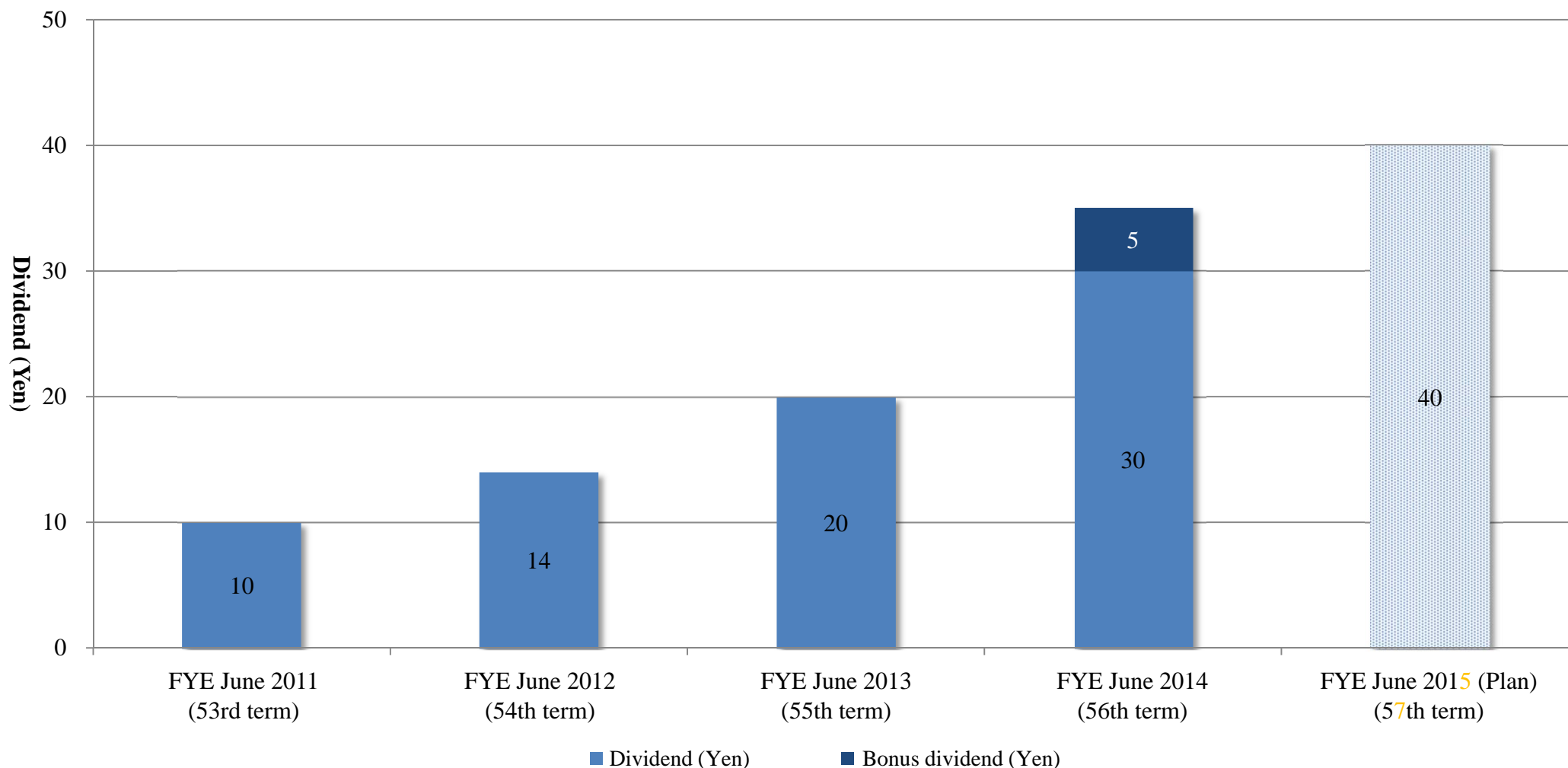
Changes in First-Half and Second-Half Operating Income



Basic Policy on Distribution of Profits

- We consider the distribution of profits to the shareholders a key management issue.
- Our basic policy is to continue to distribute stable dividends, taking into account the strengthening of the financial base and retained earnings for business development.
- Under the basic policy, we determine dividends for each fiscal year, considering an amount that can be distributed.

Forecast of a Dividend per Share (Fiscal Year Ending June 2015)



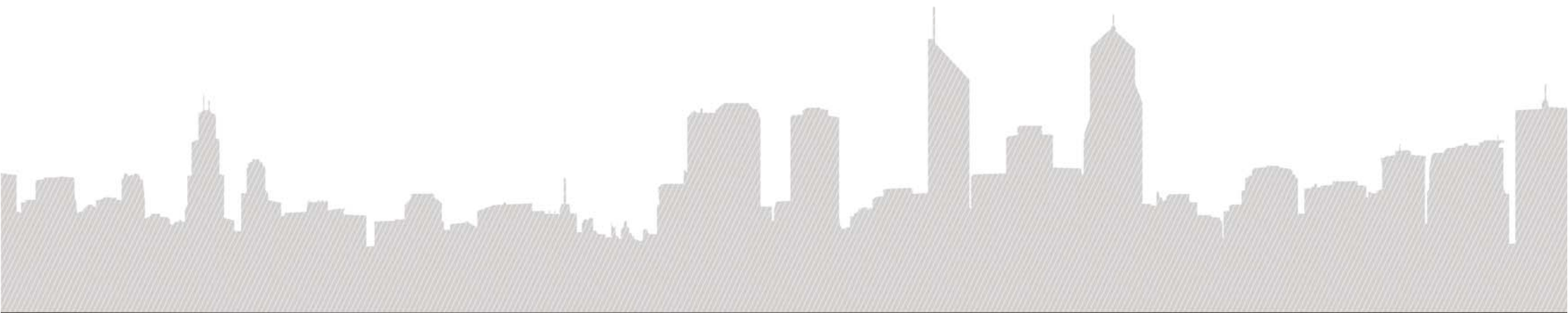
*The Company considers the distribution of profits to the shareholders to be a key management issue. Its basic policy is to continue to distribute stable dividends, taking into account the strengthening of the financial base and retained earnings for business development.

Priorities in the Second Half

- Achieving orders and sales early in fields where the Company can earn a high profit, making the most of the technological advantages
- Achieving profitability by improving quality control
- Controlling expenses, including subcontract expenses appropriately

4

Management Policies for the Medium and Long Terms





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

Response to Stakeholders of the Company



Three Principles for Action (To Become a Professional Design & Engineering Firm)

Prioritized management with limited resources

- 1 *Collaboration:*** Always have a board vision.
Cooperate with partners both within and outside the Company.
- 2 *Feedback:*** Use the PDCA cycle.
Learn even from failure to enhance the strength of the organization.
- 3 *Speed:*** Stay ahead of the evolution of information technology.
Act promptly as members of the organization.

Five I's to Enhance Added Value (Attitude)

I ntelligent

Engage to business based on compensation for knowledge and social contribution

I ndependent

Establish an environment with totally unrestricted, free thinking

I nterdisciplinary

Integrate and fuse diverse academic fields

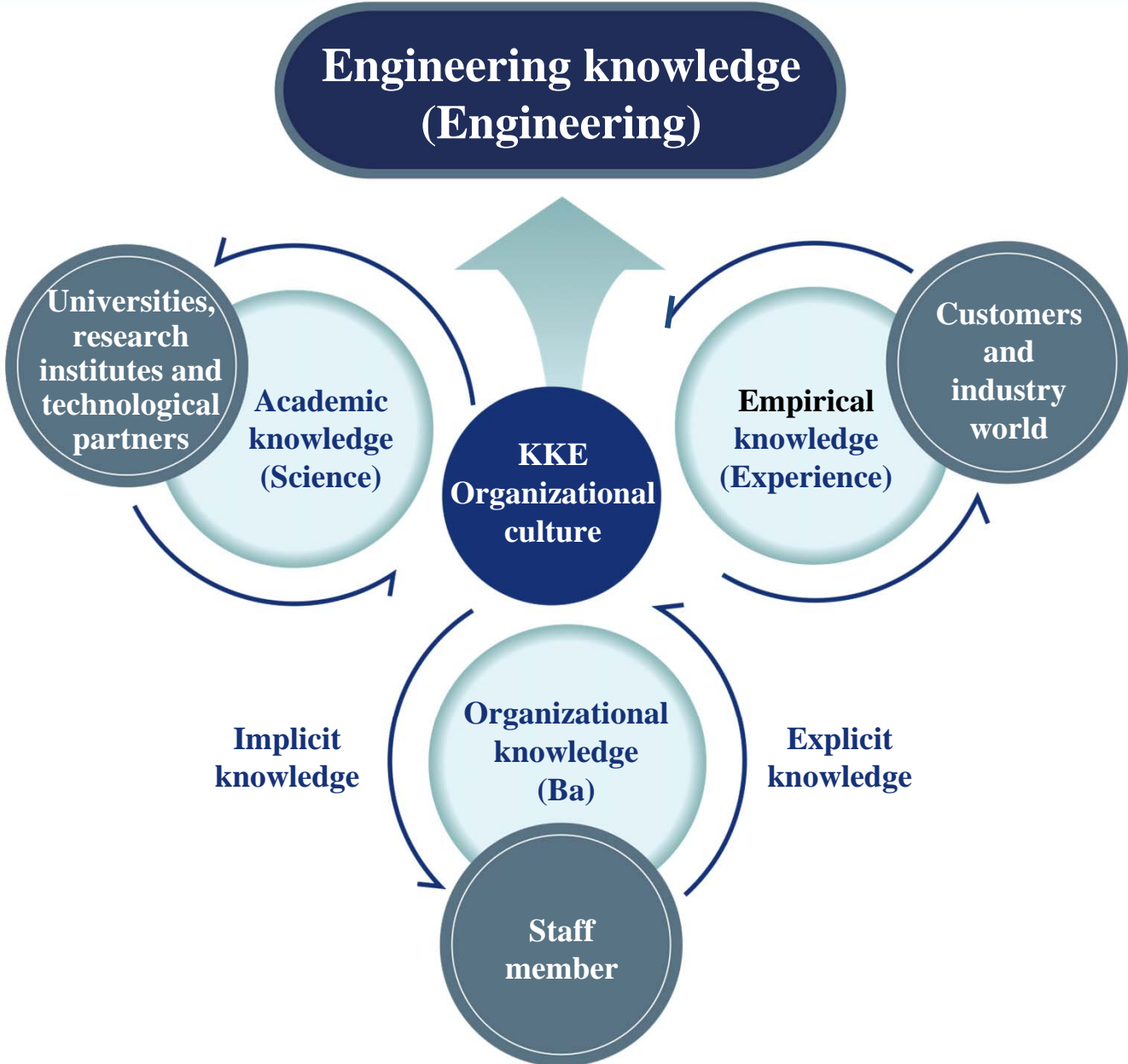
I nnovative

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

I nternational

Create alliances with overseas partners with different knowledge

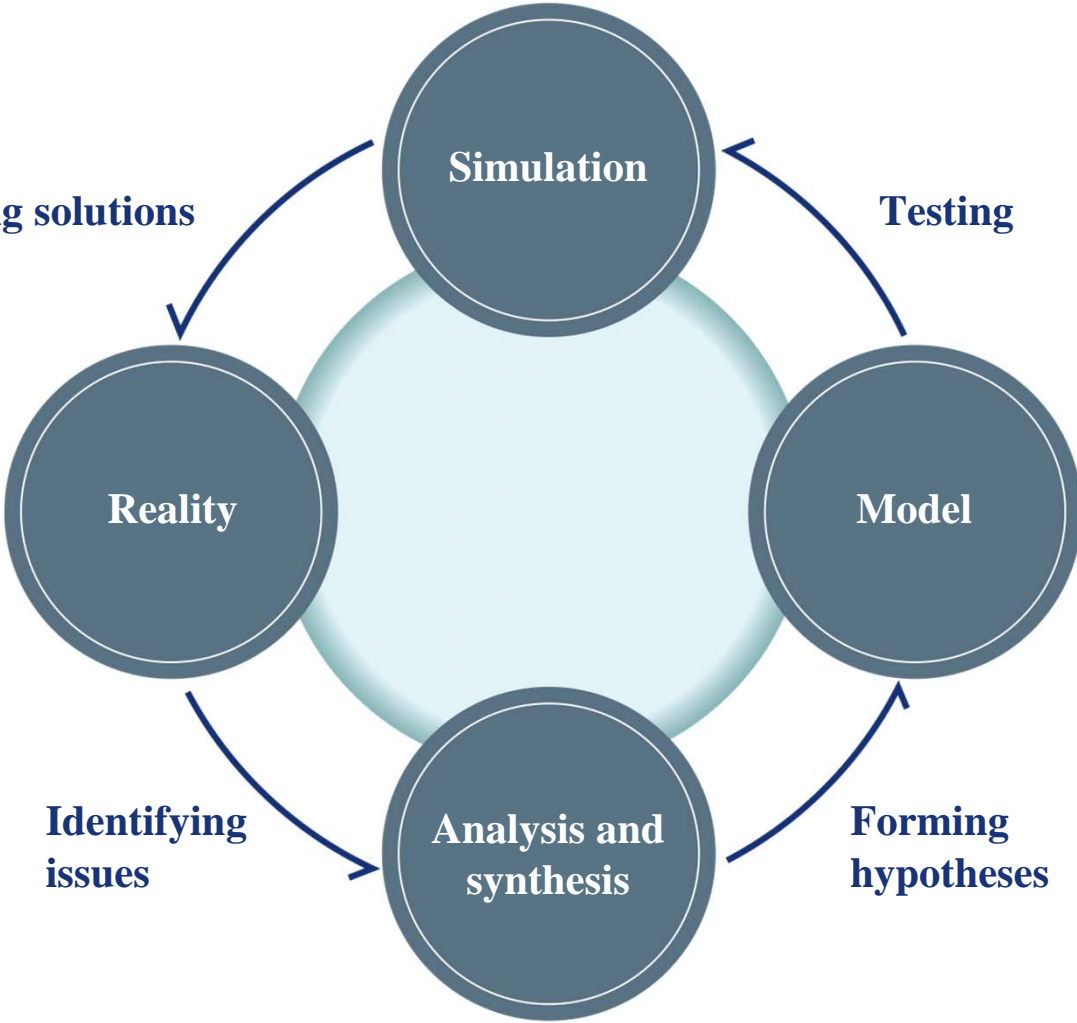
KKE's Characteristics (Vision) Structure of Knowledge



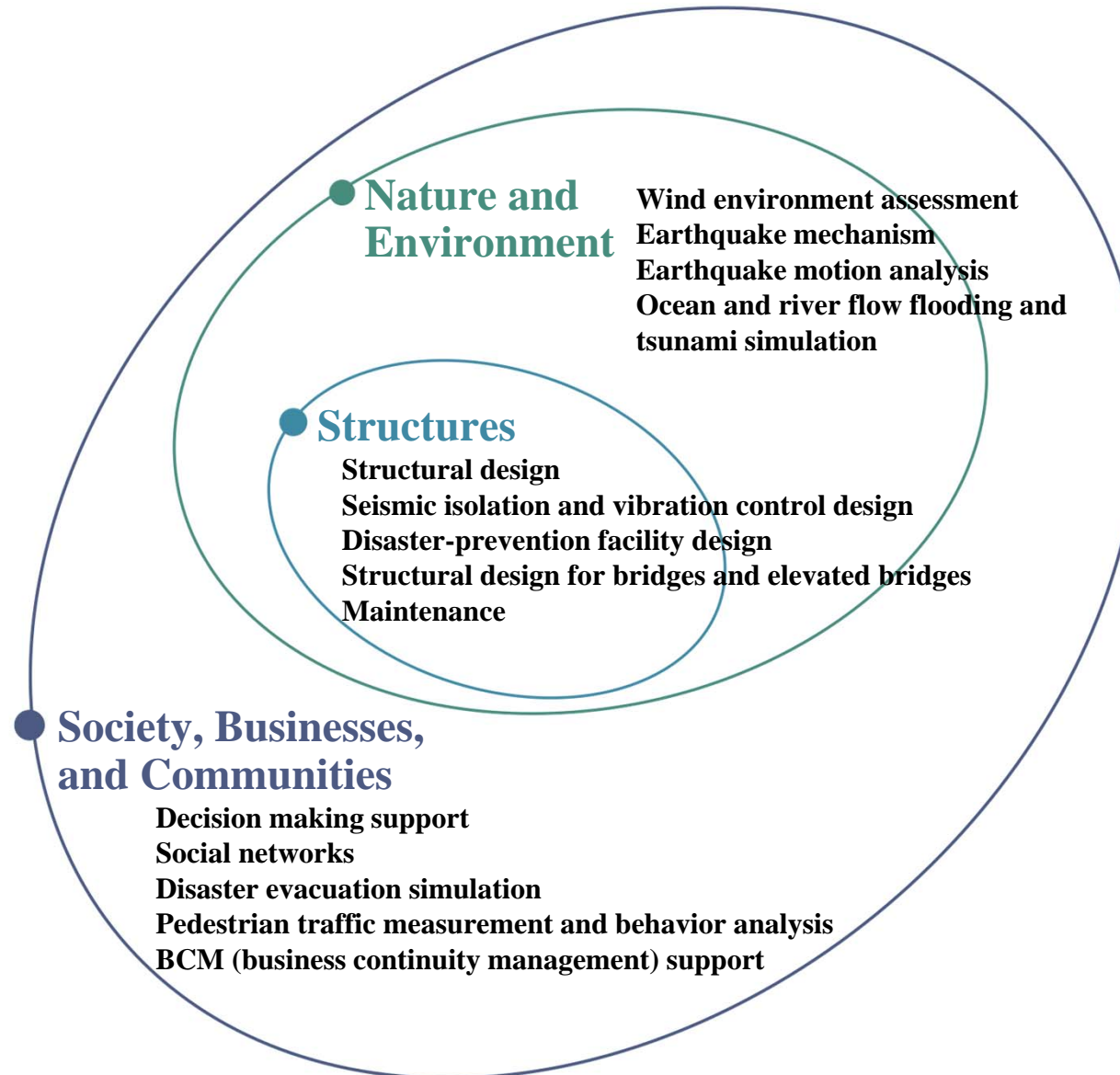
Approach from Engineering Technology (Model and Simulation)

- Engineering Consulting ●
- System Solutions ●
- Product Service ●

Providing solutions



Expanding Business Domains



Scenarios for Increasing Added Value

1. | By investing in business development

2. | Through staff member growth

3. | By increasing the number of staff member (associates)



*The Company defines added value as operating income plus personnel costs, which are resources distributable to stakeholders.

Hattori Award and In-house Recognition Project

Hattori Award

Presented to staff members who have contributed to cooperation with government, industry, and academia, and social contribution activities

■ 32nd award winner

Innovative Information
Technology Dept.

Toshikatsu Mori



■ Subject

Expansion of social simulation business

■ Reason of the award

The award winner has been recognized as seeking to enhance technologies, including the development of tools, in the field of social simulation. He also significantly contributed to the development of practical consulting as a new business focusing on social challenges.

Project Awards

Excellent in-house projects are awarded

34 projects (total 206 members) were awarded for contributing to the Company, and appreciated as excellent business role models.



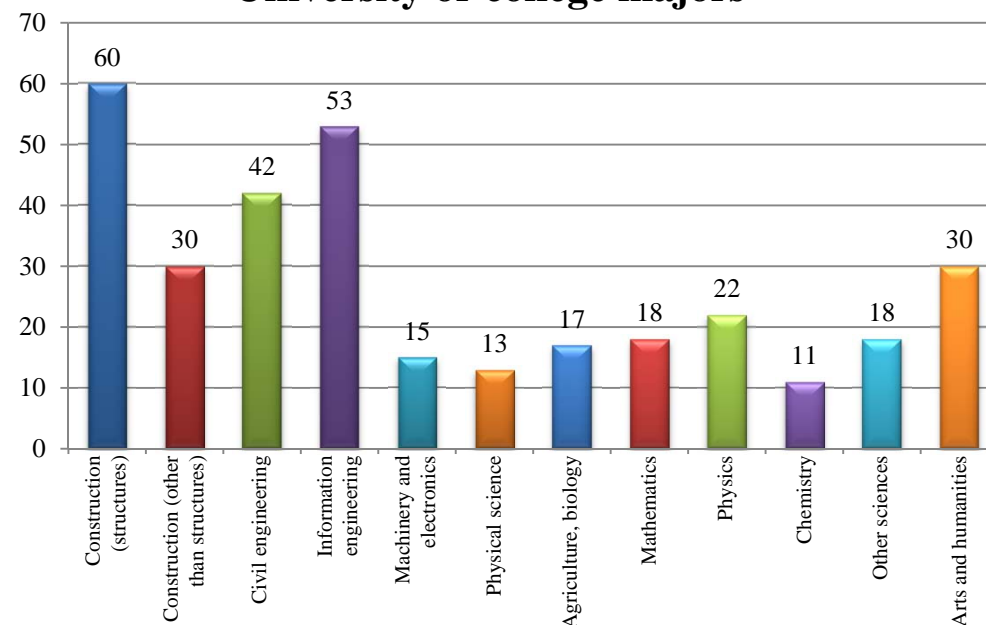
Former Chairman
Hisashi Tomino at his
retirement ceremony



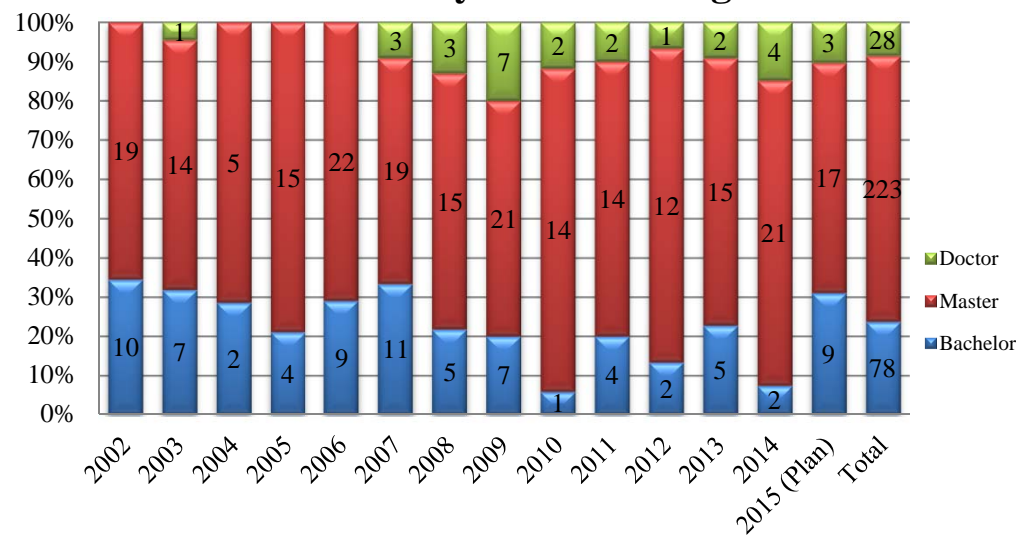
Recruitment: Cultivation of Talented Members (Achievements in Japan)

Top 20 universities (breakdown of those who joined the Company from April 2002 to April 2014)	Number of people
Tokyo Institute of Technology	29
Kyoto University	21
The University of Tokyo	21
Kyushu University	20
Waseda University	17
Tokyo University of Science	13
Kumamoto University	10
University of Tsukuba	10
Keio University	8
Osaka University	8
Nihon University	7
Nagoya University	6
Saitama University	5
Chuo University	5
Hosei University	5
Tohoku University	5
Kobe University	4
The University of Electro-Communications	4
Japan Advanced Institute of Science and Technology	4
Toyohashi University of Technology	4

University or college majors



Breakdown by academic degree



To Increase Added Value

- ❑ **Research institute marketing**
 - ✓ Generous investment in technology
 - ✓ Connecting promising technology seeds to businesses

- ❑ **Global development** from Asia
 - ✓ Employing diverse human resources in diverse environments
 - ✓ Global hiring

- ❑ **Applying** the Company's competitive technologies **to other lines of business**

- ❑ **Searching for new business models**

Award for Academic Startups 2014: Minister of Education, Culture, Sports, Science and Technology

Award for Academic Startups

- This award started in FY2014 to recognize promising venture companies that have started their business based on research and development results at universities or other institutes.
- Universities and companies that have contributed to the growth of the venture companies also receive an award.

Prometech Software, a partner of the Company, won the Minister of Education, Culture, Sports, Science and Technology Award. The University of Tokyo and the Company also won the award as a university and a company, respectively, which supported Prometech Software.



Company: Prometech Software, Inc.

- Providing solutions based on the particle methods

Representative: Toshimitsu Fujisawa (Prometech Software, Inc.)

Supporting university: Seiichi Koshizuka

(Professor, Graduate School of Engineering, The University of Tokyo)

- Devising particle method-based flow simulation

Supporting company: Shota Hattori (Kozo Keikaku Engineering, Inc.)

- Sales of Particleworks and consulting using it



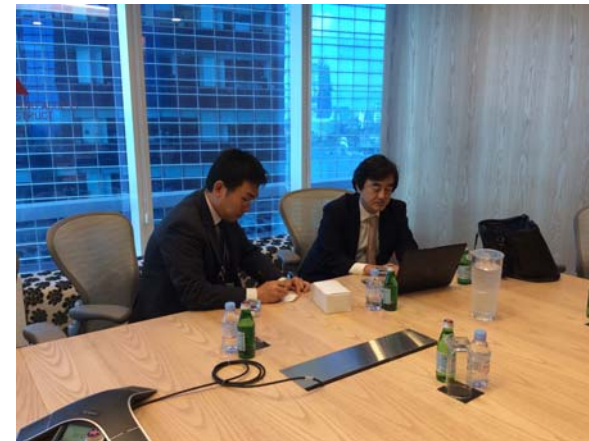
Vision

- **Applying Particleworks, the world's first commercial fluid analysis software using the particle method, in a variety of fields.**
 - ✓ Addressing important challenges associated with social infrastructure, including tsunamis and landslides.
 - ✓ Improving efficiency in production processes, using the particle method, in chemicals, medicine, and food manufacturing fields.
- In addition to sales of software, **providing consulting and other business related to the software.**
- **Overseas operations,** especially in Asia, using CAE (design aid using computer analysis) technology generated in Japan.

Establishment of a Group Company in Singapore

KKE Singapore Pte. Ltd

- ❑ Registration: January 9, 2015 Opening: Planned to open in April 2015
- ❑ Place: In the Marina Bay Financial Center
- ❑ Business: Marketing and research in the ASEAN region
- ❑ Capital: S\$120,000
- ❑ Officers: Shota Hattori, Tatsuo Yuguchi, a local staff member as a director



Vision

- ❑ Developing business, **passing on technologies of the Company and Japan** to the ASEAN region, which is expected to achieve high economic growth
- ❑ Developing KKE Singapore as **a base that will support the growth of the KKE Group in the medium- to long-term**
- ❑ Using KKE Singapore as a base for **global recruitment**

Recruitment in Singapore

ASEAN Career Fair 2015

- ❑ A joint company information (screening) session where more than 600 students participated from leading universities in ASEAN countries.
- ❑ Fifteen Japanese companies participated.

Purpose

- ❑ The Company participated in the fair for the second consecutive year.
- ❑ The external environment for hiring new graduates in Japan will change significantly. The participation is to secure other channels to hire new graduates joining the Company in 2016.
- ❑ For future global operations, the Company will increase foreign nationals as employees.
(Currently: 18 foreign nationals that account for 3.2% of all employees
Aim for April 2015: 23 foreign nationals that will account for 3.9%)

Recruitment last year

- ❑ Five new graduates joined us from ASEAN Career Fair 2014.
Nationality: Iran, Singapore, Indonesia, Malaysia, and China
University: National University of Singapore, Nanyang Technological University, Universiti Teknologi Malaysia, and Institut Teknologi Bandung



MAS Conference 2015: 15th MAS Competition

Since 1996 the Company has been participating in the business network of the Santa Fe Institute of the United States and has been continuing research in the field of complex systems.

The Company has been selling multi-agent simulators that it has developed and providing consulting using them. The Company has been cultivating its researchers and also working to promote the spread of technology.

Multi-agent simulation (MAS)

Simulating human behavior and economic and social phenomena, taking into consideration interaction among agents (e.g. humans).

Multi-agent simulation is used in a variety of fields, including disaster risk reduction, evacuation, marketing, transportation, the flow of people, market transactions, and urban planning.

□ Purpose

- ✓ Promoting the spread of technology associated with *KK-MAS* and *artisoc*, multi-agent simulators for complex system simulation
- ✓ Providing a place to exchange technologies and information associated with multi-agent simulation (MAS) through competition
- ✓ Finding new subjects

□ **Date:** Thursday, March 5, 2015 (lectures) and Friday, March 6 (competition)

□ **Place:** CongresSquare (Nakano Ward, Tokyo)

□ Lectures

- Masahiro Kino-oka, Graduate School of Osaka University
“Significance of prediction technology in regeneration medicine”
- Akira Namatame, National Defense Academy
“Application of multi-agent systems in industry”



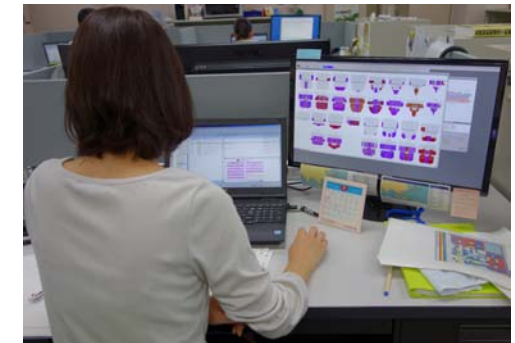
Stowage Planning Center for Container Shipping Established in Kumamoto

The Company and Nippon Yusen Kabushiki Kaisha(NYK) jointly established a stowage planning center for container shipping at the Kumamoto office of KKE(September 2014).

The Company has cooperated with NYK in *EAGLE*, a container shipping optimization project, among other projects.

GLO PLANNING CENTER

- Stowage planning for container shipping
 - ✓ Returning knowledge-intensive operations to Japan; pursuing efficiency and safety in the Japanese way
- Involved in 90% of the transportation of containers handled globally by NYK(3.5 million tons annually)



Vision

- **Proposing what bases for international specialization should be like** in the manufacturing and logistics industries
- **Expanding the fields where operation research technology can be used** from marine transportation to manufacturing and logistics
- Contributing to the **promotion of local businesses**, taking advantage of IT development
- **Continuing to provide environment where competent human resources can play an active role**

Innovating for a Wise Future

Innovation

Wisdom

Future

▶ Realizing a better society through repeated innovations.

▶ Designing society based on human wisdom
for sustainable happiness.

▶ Building a future society where people will develop
their creativity together, and inspire each other.

KKE Vision 2014

Outline of KKE Vision 2014

Main Theme: “A Future Found Together, A Society Built Together”

Objective

- ✓ An opportunity to share engineering knowledge among the Company, universities, research institutions, and business partners
- ✓ The Company’s biggest marketing event
- ✓ An opportunity to consider the future society together through communication (lecture and a question and answer session)

□ **Date:** Thursday, October 30, 2014

□ **Place:** Toranomom Hills Forum

□ **Applicants:** Approximately 1,000

□ **Lecture**



- Keynote lecture: “Change in mindset; from industrial development to social system design”
Specially-appointed Professor of The University of Tokyo Executive Management Program
Social system architect
Yoshinori Yokoyama
- Six breakout sessions including the following:
 - ◆ “The reality of the U.S. startup community, where innovations begin”
 - ◆ “Innovation in transportation and the creation of the future through ITS”
 - ◆ “Establish structure and process in regenerative medicine”



Building long-term trust relations with customers and partners

Actual projects are underway, including data analysis and seismic analysis for fixture.

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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