



FYE June 2015

Financial Results

August 20, 2015

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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 are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company makes no warranty as to the achievability of forward-looking statements.
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1

Overview of Financial Results

Increase in net sales and net income.

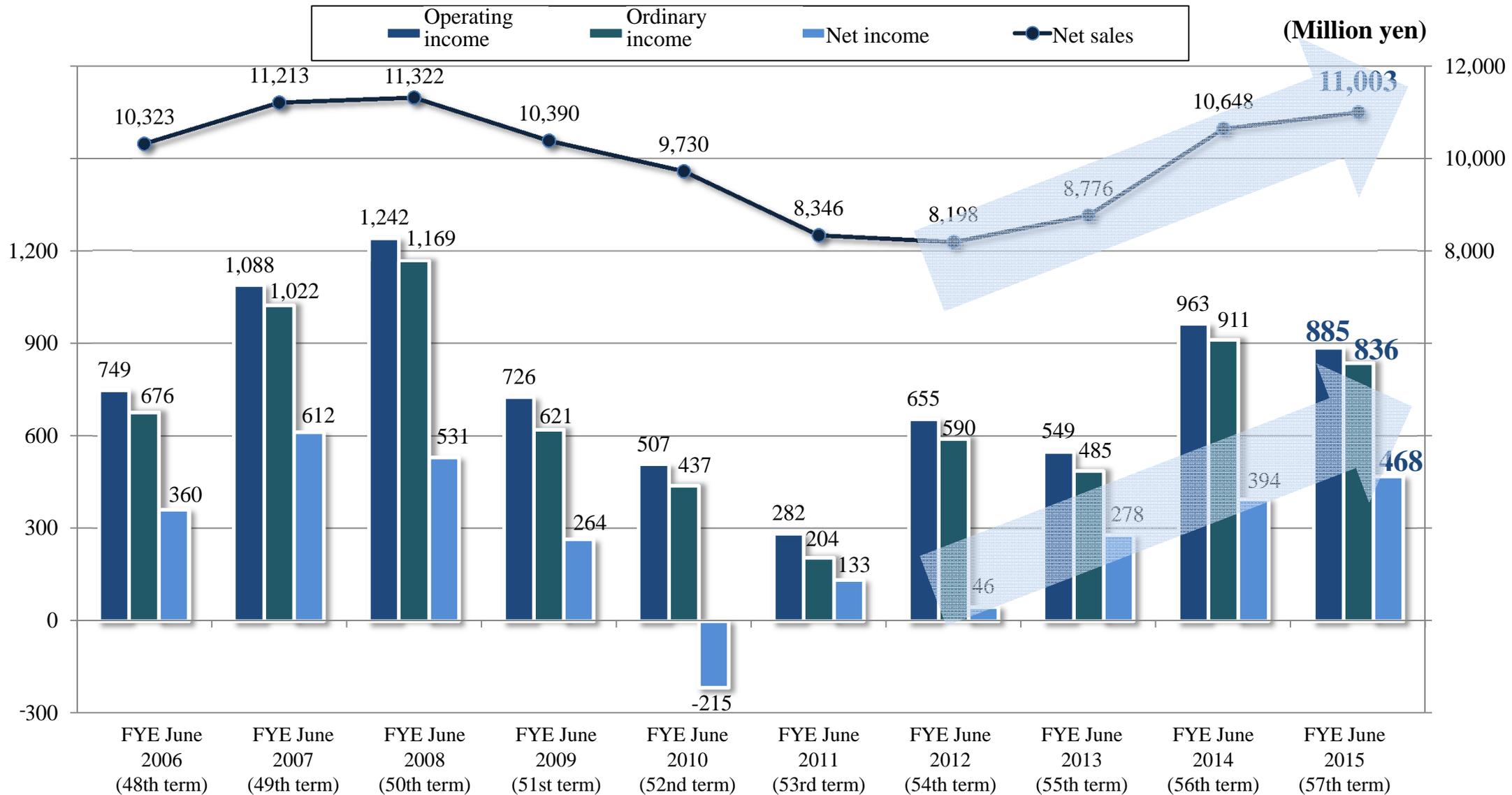
(Million yen)

	FYE June 2014 (56th term)	FYE June 2015 (57th term)		Change from plan (rate of change)	Change from previous FY (rate of change)
		Plan*	Results		
Net sales	10,648	10,800	11,003	203 (1.9%)	355 (3.3%)
Operating income	963	1,060	885	-174 (-16.5%)	-78 (-8.1%)
Ordinary income	911	1,000	836	-163 (-16.4%)	-75 (-8.3%)
Net income	394	600	468	-131 (-21.9%)	73 (18.7%)
Dividends	30 + 5 yen per share	40 yen per share	40 yen per share		

* The plan represents the results forecasts announced on August 14, 2014.

Trends in Results for the Past 10 Years

Net sales and net income increased for the third consecutive year.



Income Statement Highlights

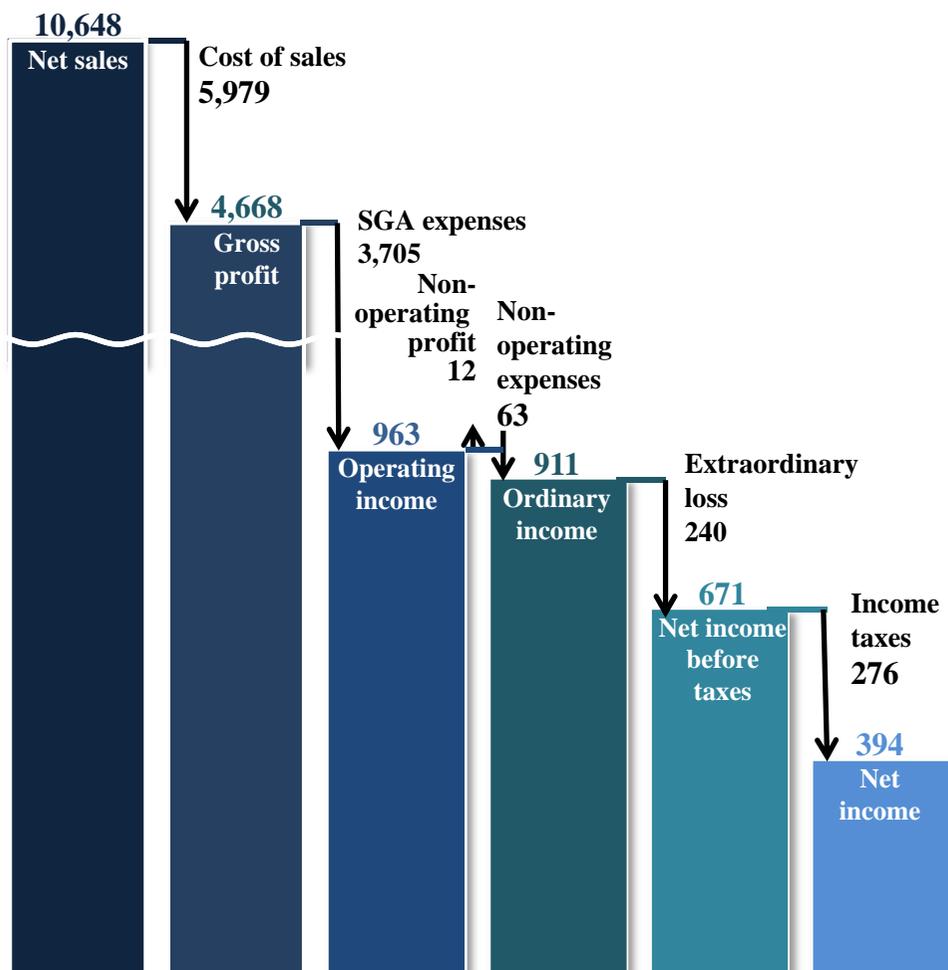
(Million yen)

	FYE June 2014 (56th term)	FYE June 2015 (57th term)	Change from previous FY	Rate of change from previous FY
Net sales	10,648	11,003	355	3.3%
Cost of sales	5,979	6,028	49	0.8%
Gross profit (Gross profit rate)	4,668 (43.8%)	4,974 (45.2%)	305	6.5%
SGA expenses	3,705	4,089	383	10.4%
Operating income (Operating income rate)	963 (9.0%)	885 (8.0%)	-78	-8.1%
Non-operating profit & loss	-51	-49	2	-
Ordinary income (Ordinary income rate)	911 (8.6%)	836 (7.6%)	-75	-8.3%
Extraordinary profit & loss	-240	-0	240	-
Net income before taxes	671	836	164	24.6%
Income taxes	276	367	90	32.9%
Net income (Net income rate)	394 (3.7%)	468 (4.3%)	73	18.7%

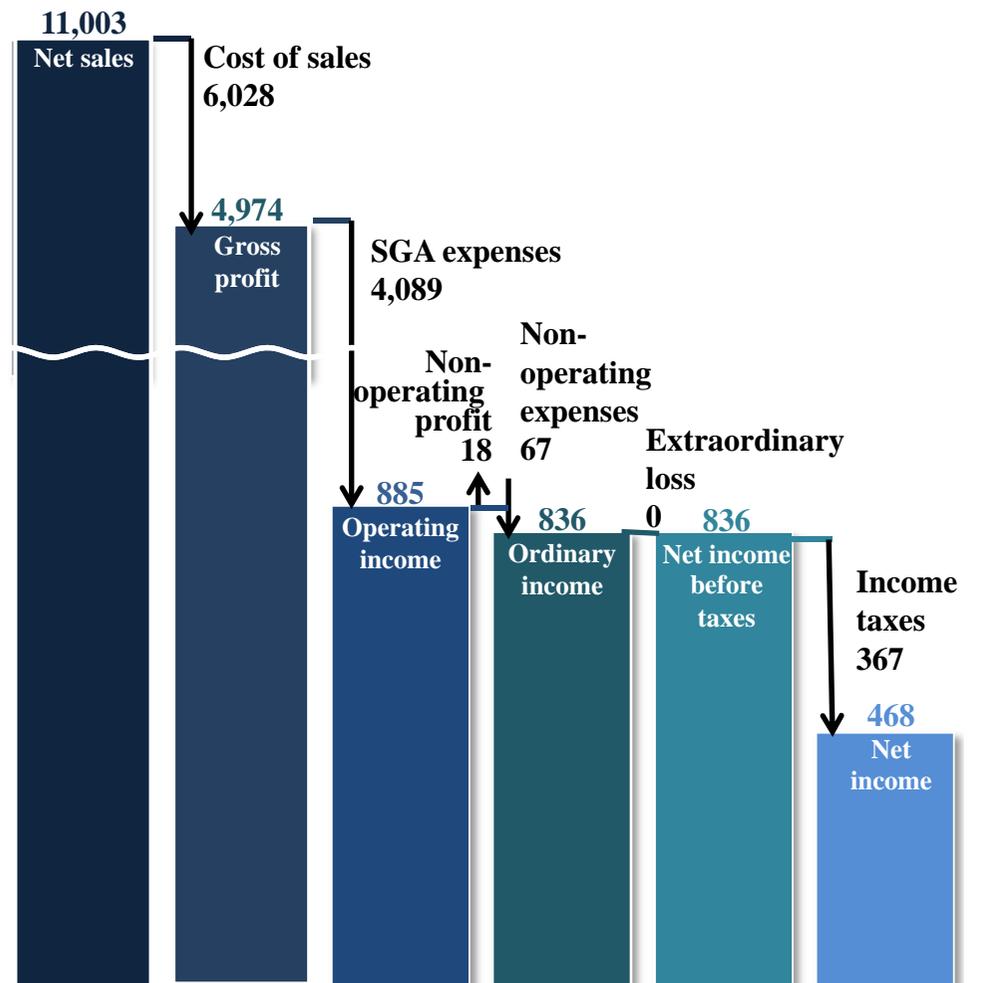
Change in Profit and Loss

Both net sales and net income increased year on year.

FYE June 2014 (56th term)

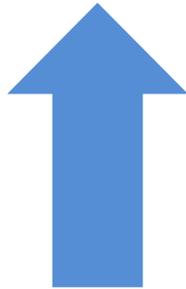


FYE June 2015 (57th term)



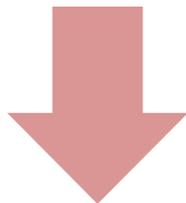
(Million yen)

Net sales increased 355 million yen year on year, to 11,003 million yen.



- Analysis and consulting for disaster prevention and disaster reduction
- System solutions for the housing industry
- Seismic retrofitting and structural design consulting
- Production management consulting for the manufacturing industry
- CAE software for designers, integrated fluid analysis software, building structural analysis program, sales support solutions, and risk analysis and decision-making support software

**Operating income declined 78 million yen year on year, to 885 million yen.
Ordinary income decreased 75 million yen year on year, to 836 million yen.**



- An increase in marketing expenses for winning orders and developing new businesses over the medium and long term
- Withdrawal from system development for the public bus service
- Resignation from regular participation in the quasi-zenith satellite project

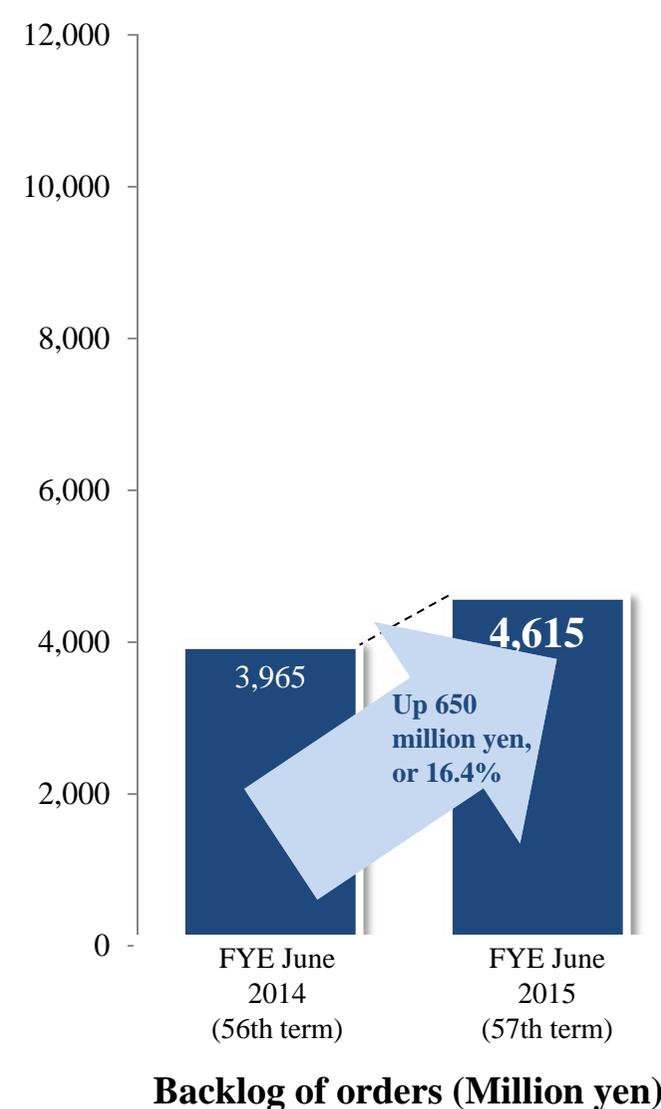
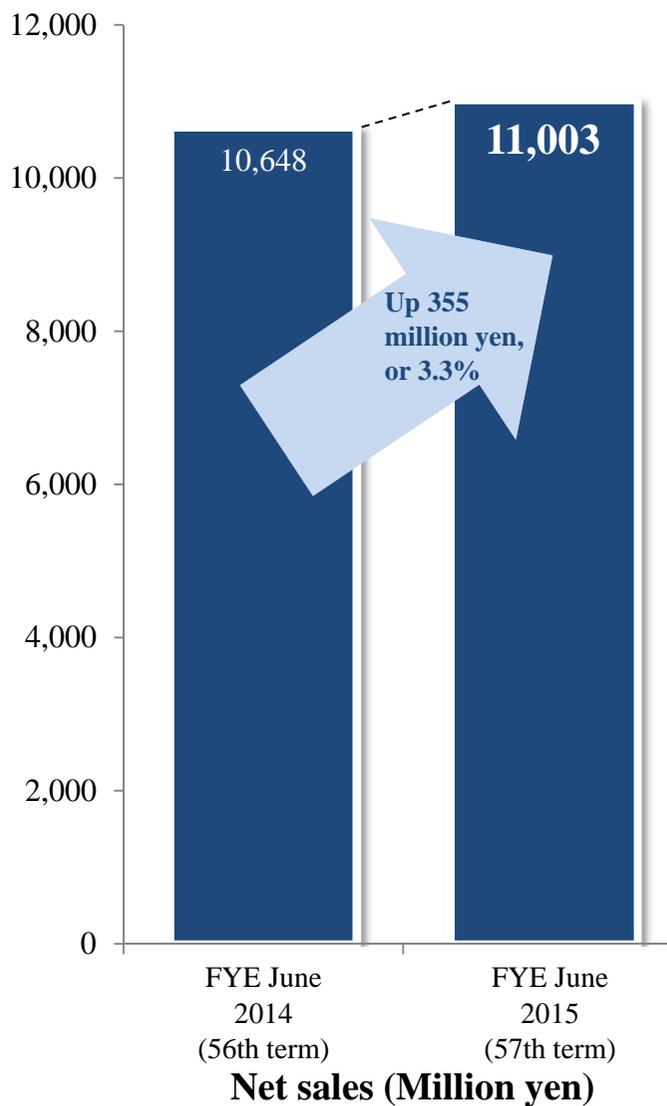
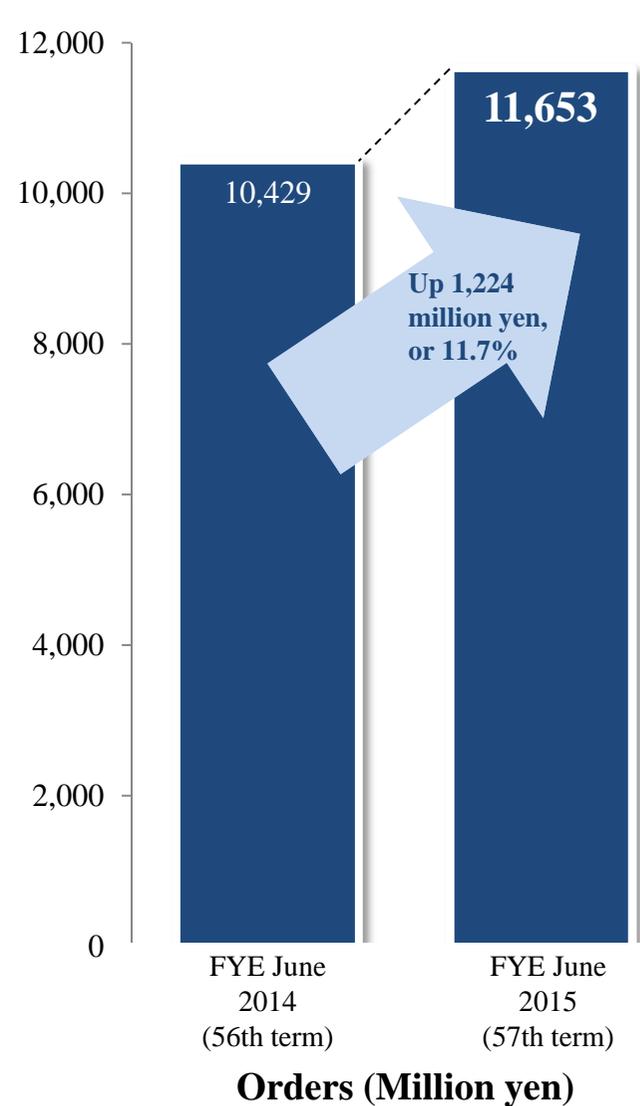


**Net income increased 73 million yen year on year,
to 468 million yen.**



Orders, Net Sales, and Backlog of Orders

Orders, net sales, and backlog of orders all increased year on year, getting off to a good start for FYE June 2016.



Highlights of Balance Sheet

Assets increased due mainly to a rise in accounts receivable-trade and investments. The capital ratio also improved.

(Million yen)

	FYE June 2014 (56th term)	FYE June 2015 (57th term)	Change from previous FY
Current assets	2,567	3,338	770
Cash and deposits	264	316	51
Accounts receivable-trade	1,066	1,608	542
Notes receivable-trade	43	146	102
Fixed assets	6,575	6,614	39
Investment securities	93	194	101
Total assets	9,143	9,953	810

	FYE June 2014 (56th term)	FYE June 2015 (57th term)	Change from previous FY
Total liabilities	6,386	6,797	410
Current liabilities	4,566	4,848	281
Short-term borrowings*	2,132	1,820	-312
Long-term liabilities	1,819	1,948	129
Long-term borrowings	292	172	-120
Total net assets	2,756	3,156	399
Total liabilities and net assets	9,143	9,953	810

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

Financial Position

B/S in fiscal year ended in June 2014 (56th term)

Total assets: 9,143 (Million yen)

Liabilities + net assets: 9,143

<p>Current assets 2,567</p> <p>Cash and deposits 264</p> <p>Accounts receivable-trade 1,066</p> <p>Notes receivable-trade 43</p>	<p>Current liabilities 4,566</p> <p>Short-term borrowings 1,950</p> <p>Long-term borrowings due within one year 182</p> <p>Advances received 702</p>	<p>Interest-Bearing Debt 2,494</p>
<p>Fixed assets 6,575</p> <p>Building 1,786</p> <p>Investment Securities 93</p>	<p>Long-term liabilities 1,819</p> <p>Long-term borrowings 292</p> <p>Provision for retirement benefits 1,419</p>	
		<p>Net assets 2,756</p> <p>Other retained earnings 788</p> <p>Retained earnings brought forward 2,311</p>

B/S in fiscal year ended in June 2015 (57th term)

Total assets: 9,953 (Million yen)

Liabilities + net assets: 9,953

<p>Current assets 3,338</p> <p>Cash and deposits 316</p> <p>Accounts receivable-trade 1,608</p> <p>Notes receivable-trade 146</p>	<p>Current liabilities 4,848</p> <p>Short-term borrowings 1,700</p> <p>Long-term borrowings due within one year 120</p> <p>Advances received 1,071</p>	<p>Interest-Bearing Debt 2,050</p>
<p>Fixed assets 6,614</p> <p>Building 1,729</p> <p>Investment Securities 194</p>	<p>Long-term liabilities 1,948</p> <p>Long-term borrowings 172</p> <p>Provision for retirement benefits 1,666</p>	
		<p>Net assets 3,156</p> <p>Other retained earnings 882</p> <p>Retained earnings brought forward 2,526</p>

Change in assets (810)

● Increase in current assets (770)

Increase in cash and deposits	(51)
Increase in accounts receivable-trade	(542)
Increase in notes receivable-trade	(102)

● Increase in fixed assets (39)

Decrease in property, plant and equipment	(-57)
Increase in investment securities	(101)

Change in liabilities (410)

● Increase in current liabilities (281)

Increase in short-term borrowings	(-250)
Decrease in long-term borrowings due within one year	(-62)
Increase in advances received	(368)

● Increase in long-term liabilities (129)

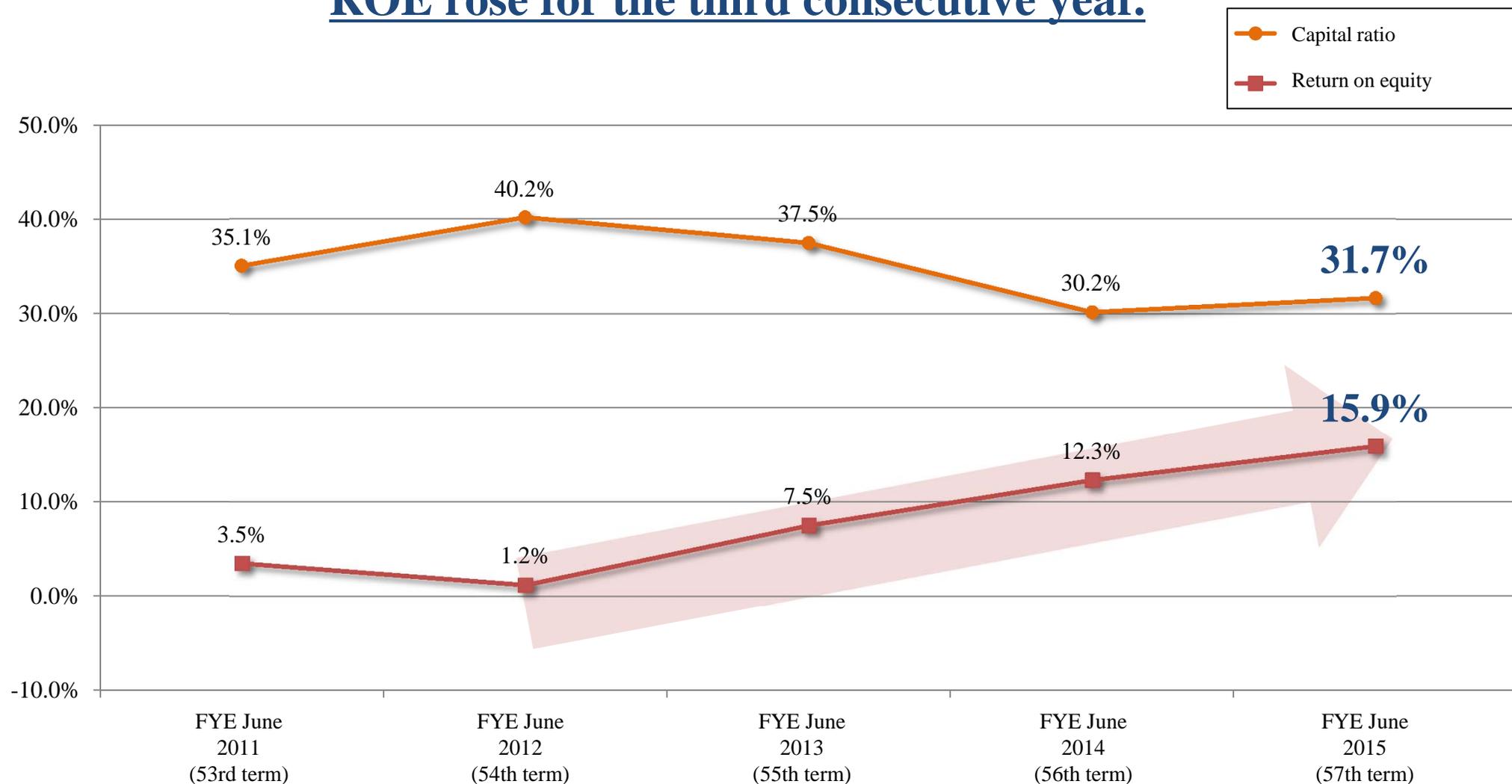
Decrease in long-term borrowings	(-120)
Increase in provisions for retirement benefits	(247)

Change in net assets (399)

Increase in other retained earnings	(93)
Increase in retained earnings brought forward	(215)

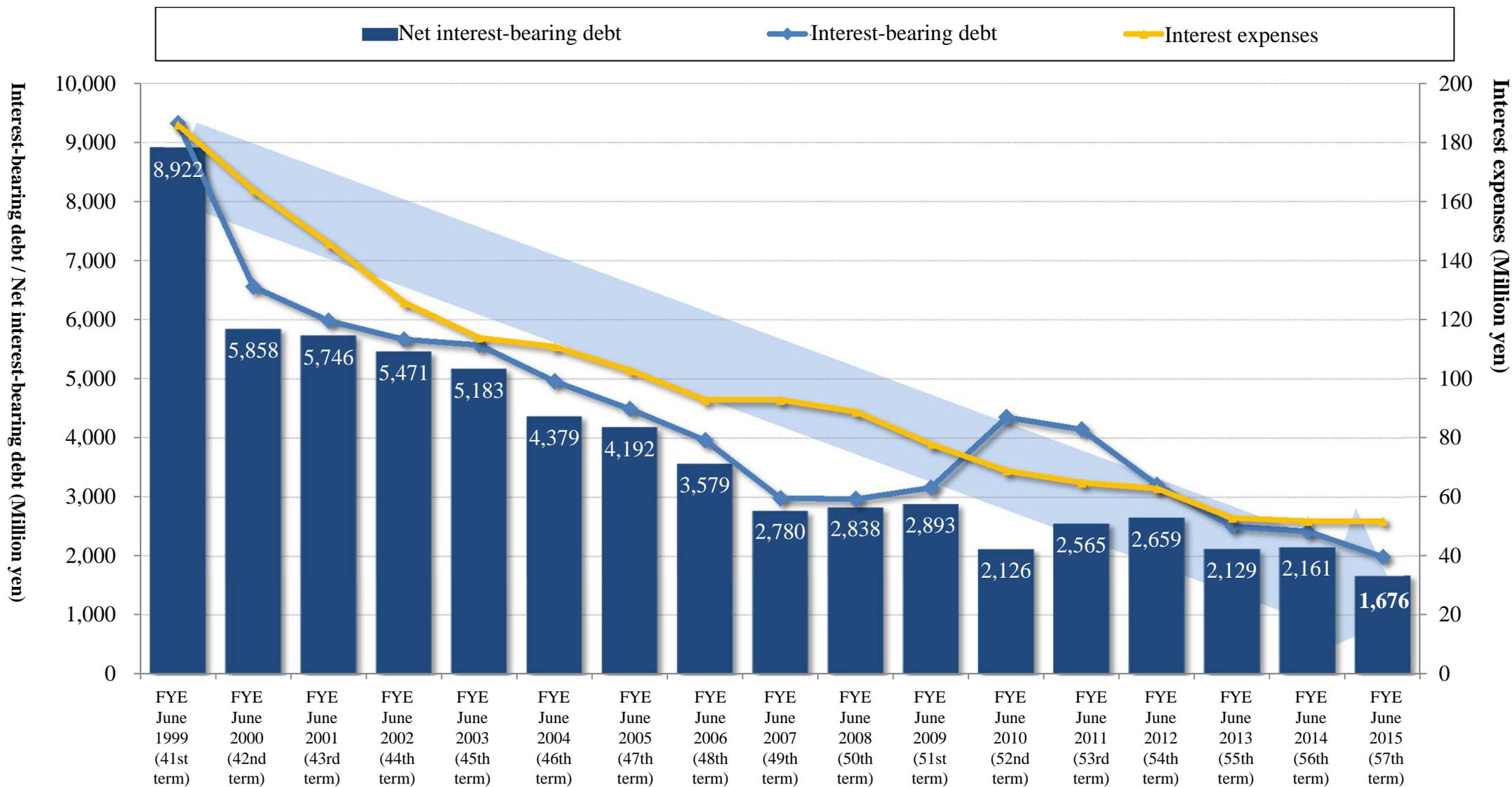
Trends in Capital Ratio and Return on Equity (ROE)

A capital ratio of 30% or more was maintained, and ROE rose for the third consecutive year.



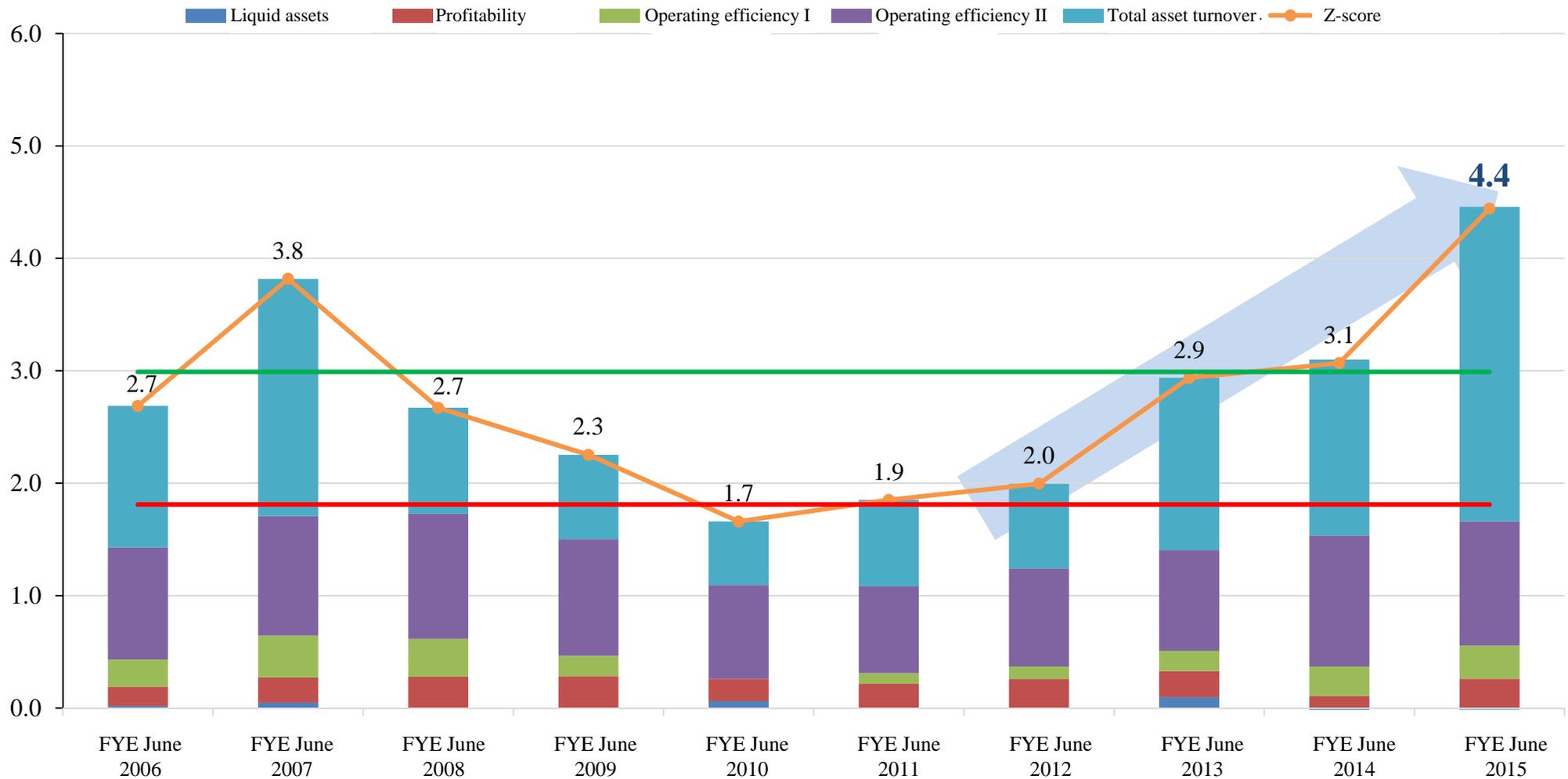
Changes in Net Interest-Bearing Debt and Interest Expenses

The financial position became sound again as a result of our efforts over an extended period of time to reduce interest-bearing debt.



Trends in Z-Score

Z-score improved as a result of the financial position being sound again.



Z-score: An indicator showing the credit risk of companies. This indicator was created by Edward Altman, an economist from the United States.

Cash Flow Statement Highlights

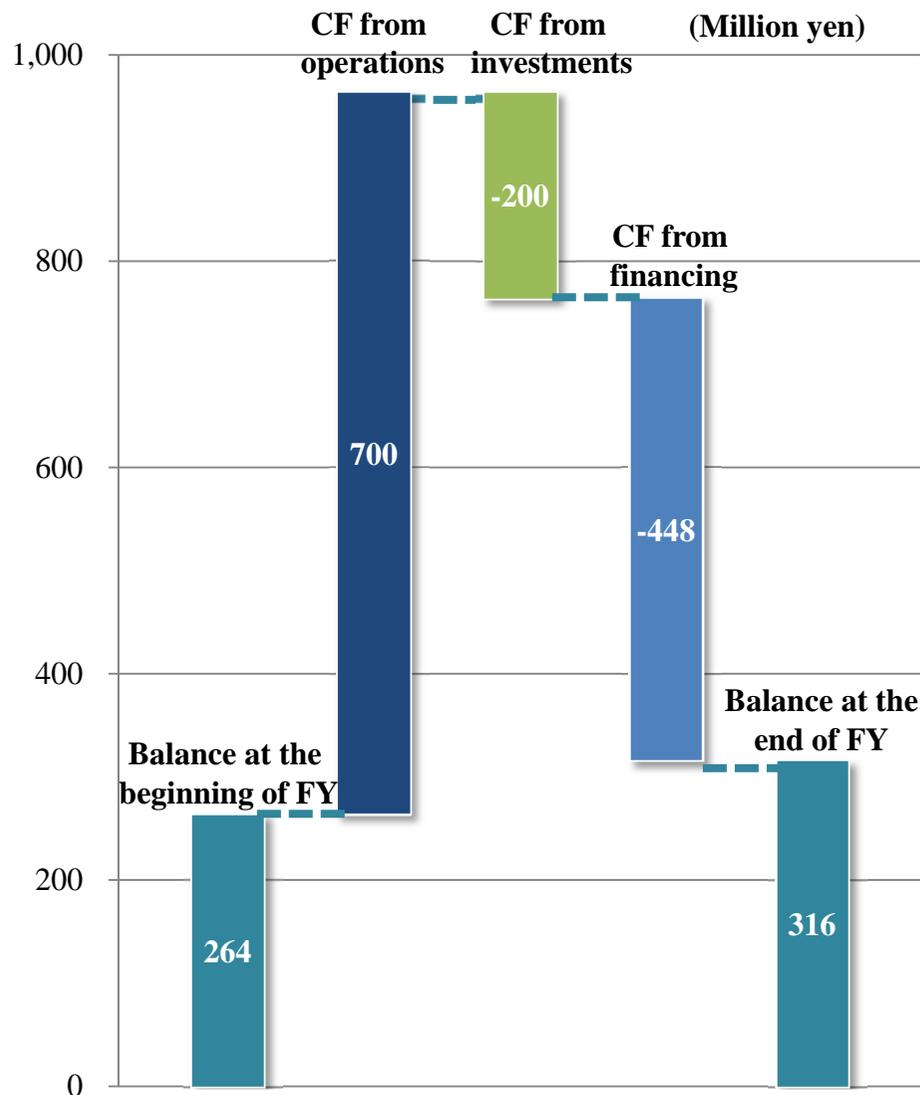
CF from operations declined due mainly to an increase in accounts receivable-trade and a decline in accounts payable-other.

CF from investments declined largely as a result of investment in the new business developments.

(Million yen)	FYE June 2014 (56th term)	FYE June 2015 (57th term)
Balance at the beginning of FY	380	264
CF from operations	1,180	700
CF from investments	68	-200
Free CF	1,249	499
CF from financing	-1,365	-448
Balance at the end of FY	264	316

Cash Flow Breakdowns

C/F in fiscal year ended in June 2015 (57th term)



// CF from operations (700)

(Million yen)

- Net income before taxes 836
- Loss on disposal of fixed assets 239
- Increase in accounts receivable-trade (- shows increase) -278
- Corporation and other taxes paid -373

// CF from investments (-200)

- Purchase of property, plants, and equipment -52
- Purchase of intangible assets -80
- Purchase of investment securities -50

// CF from financing (-448)

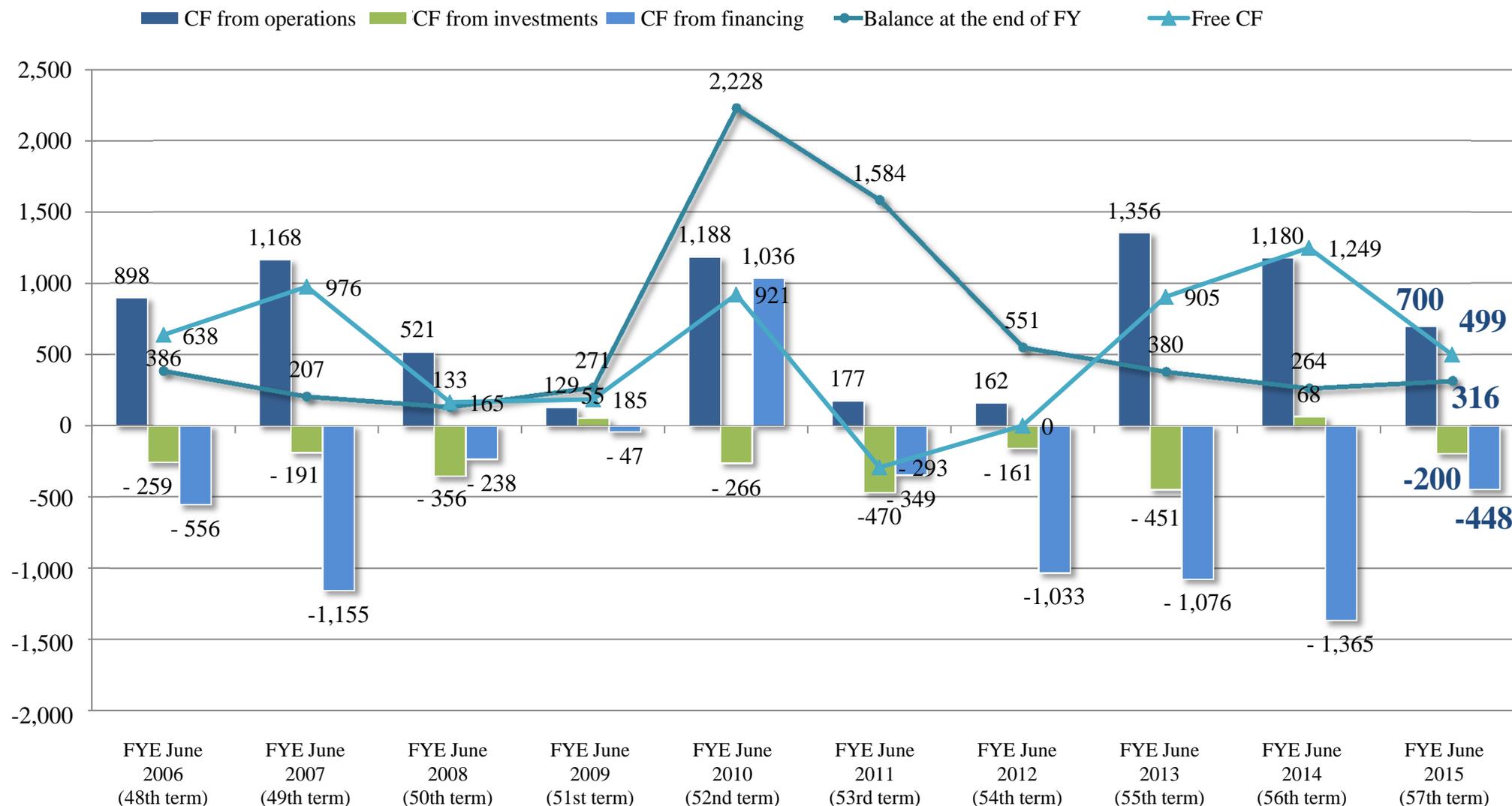
- Proceeds from the disposal of treasury shares 351
- Net decrease in short-term loans payable -250
- Purchase of treasury shares -189
- Repayments of long-term loans payable -182

Free cash flows: 499 million yen (1.249 million yen a year ago)
Interest coverage ratio: 13.6 (23.3 a year ago)

Cash Flows for the Past Ten Years

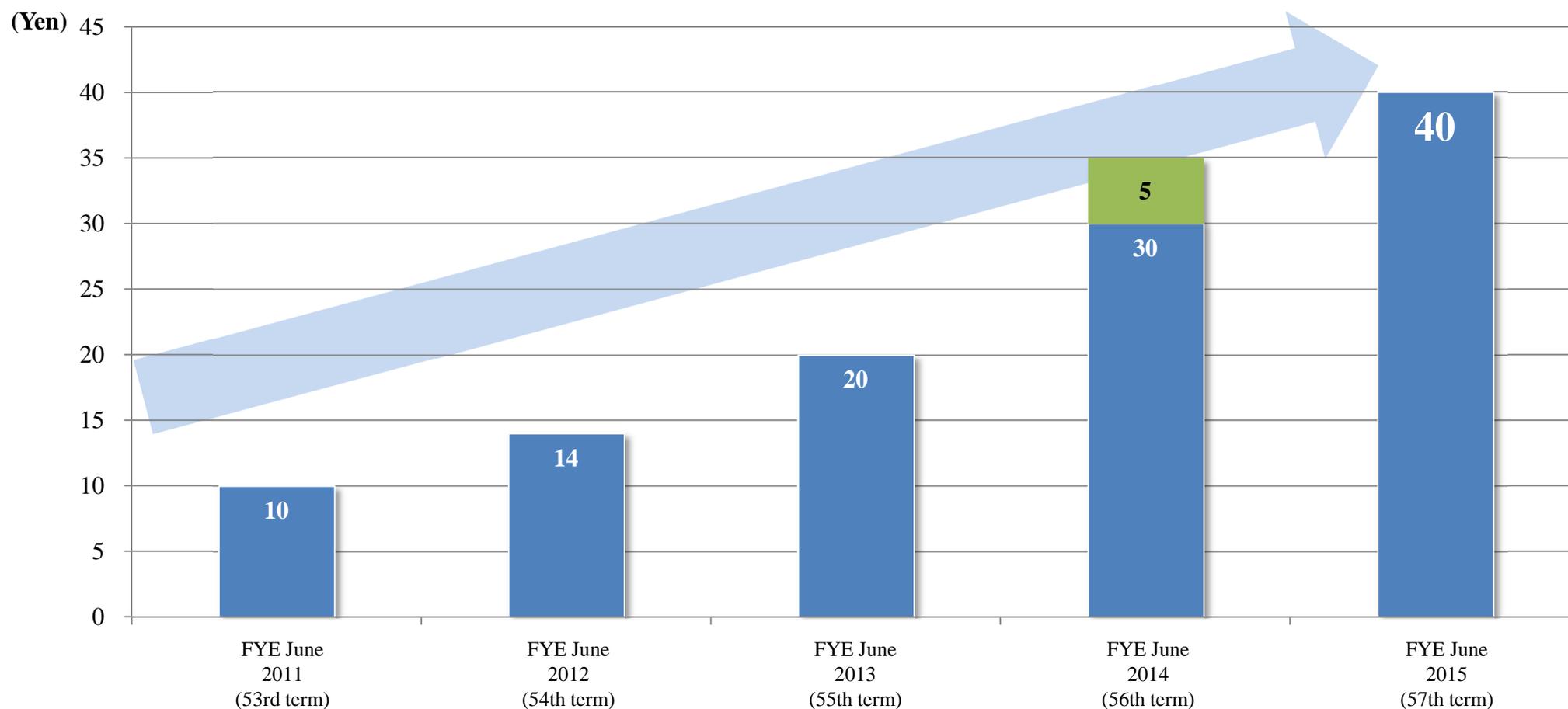
Investment activities and reduction of liabilities over the medium and long term, with the aim of expanding CF from operations.

(Million yen)



Trends in a Dividend per Share

Dividends increased for the fourth consecutive year.
We place profit distribution to shareholders as a key management issue
based on our basic policy of continuing to distribute stable dividends.





2

Management Policies for the Medium and Long Terms

Innovating for a Wise Future

- Utilizing the company’s technology built based on engineering knowledge, we aim to create a bright future society with full of human wisdom together with our stakeholders.
- We use the word “**innovating**” to express the process of creating society.





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

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

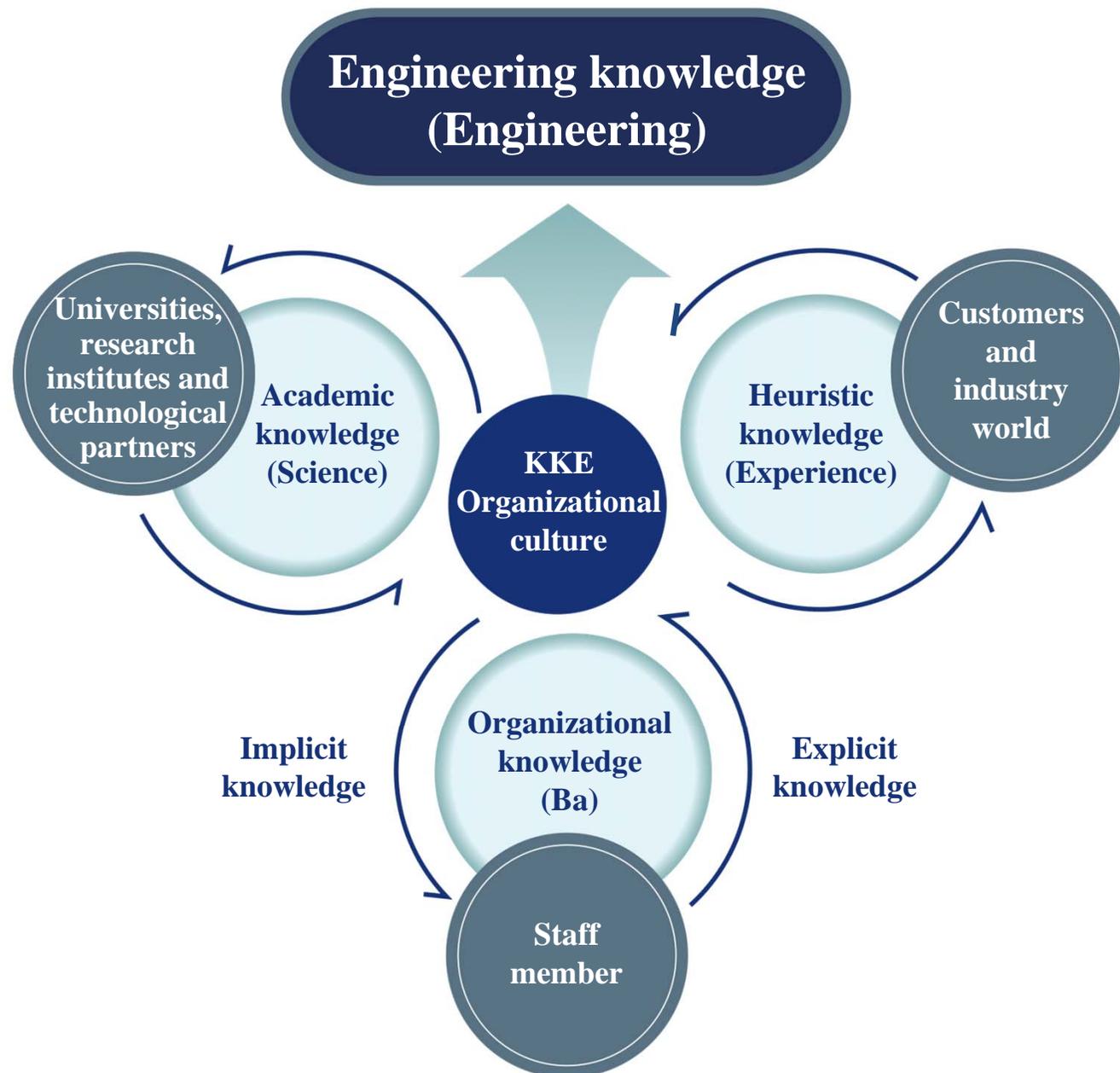
I nnovative

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

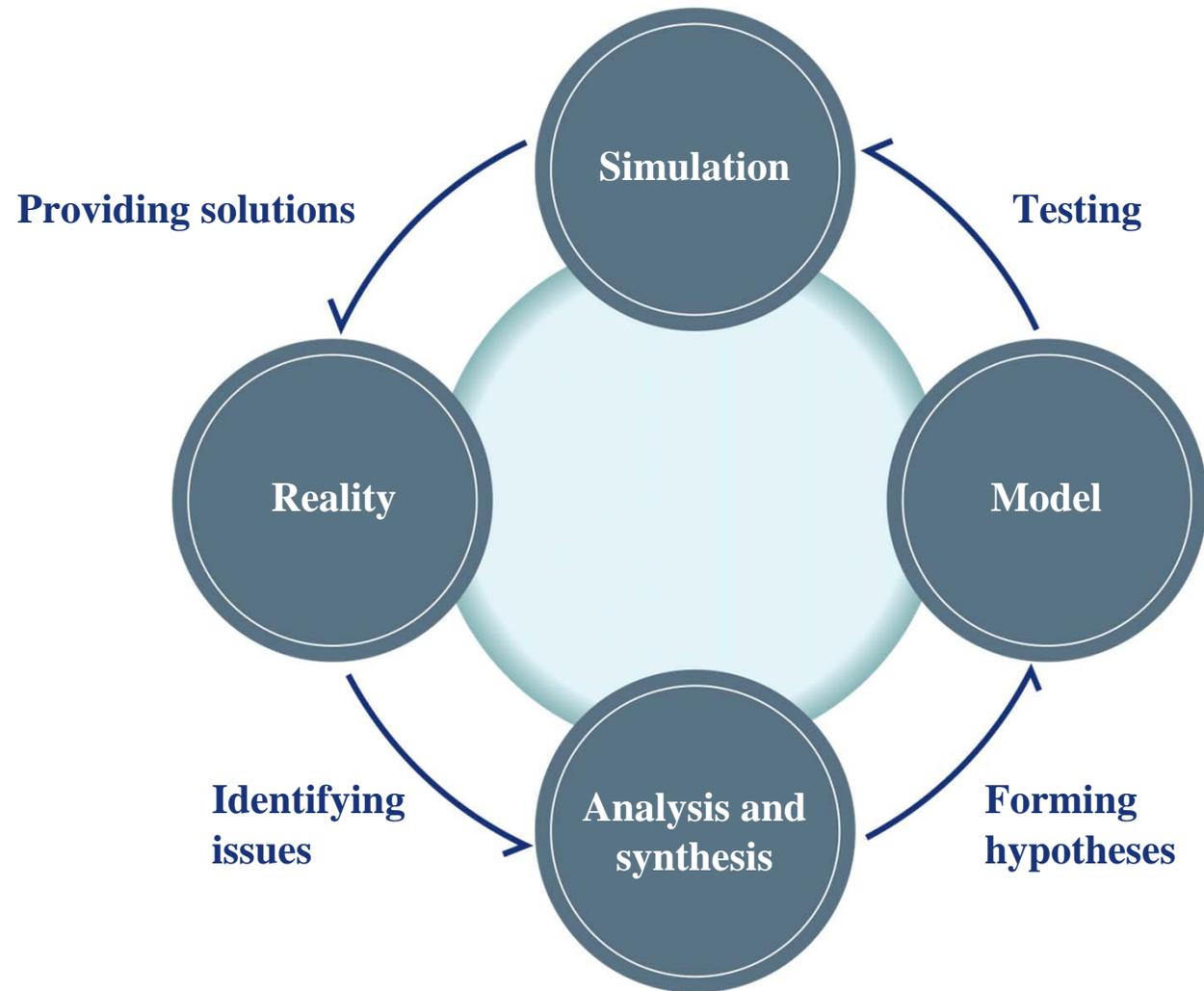
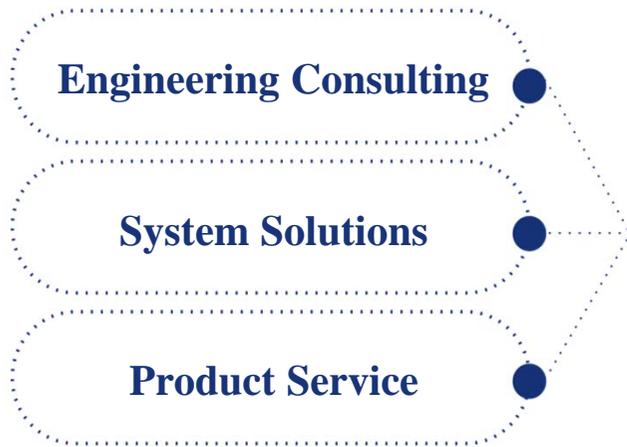
I nternational

Create alliances with overseas partners with different knowledge

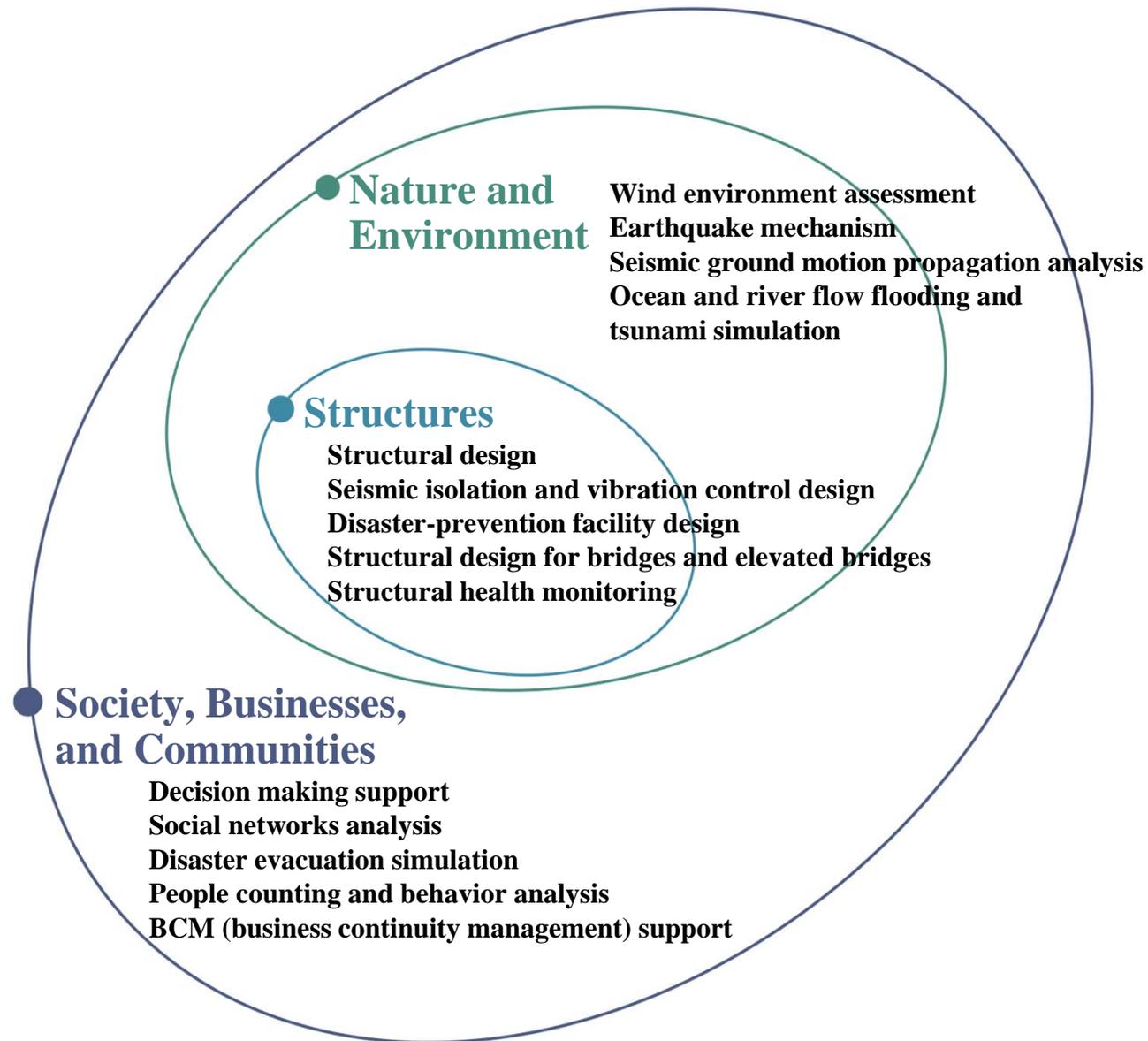
Structure of Knowledge (Our Vision)



Engineered Approach (Model and Simulation)



Expanding Business Domains



Scenarios for Increasing Added Value

1. | By investing in business development



2. | Through employee growth



3. | 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.

Establishment of a Subsidiary (KKE SINGAPORE PTE. LTD.) in Singapore

KKE SINGAPORE PTE. LTD.

- Registration: January 9, 2015 Office opening: July 1, 2015
- Location: Inside the Marina Bay Financial Center Tower1
- Business: Marketing and research in the ASEAN region
- Capital: S\$120,000
- Directors: Shota Hattori, Tatsuo Yuguchi, Naoki Kanatani



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**

Investment in Kansai Science City ATR-Venture NVCC Investment Limited Partnership

Overview of investment

- ❑ **Investment target: Venture companies related to ATR's research seeds and products**
- ❑ **Commitment amount: 200 million yen**
- ❑ **Duration of the fund: Until June 30, 2024**
- ❑ **Investors: KKE and several other companies**

ATR (Advanced Telecommunications Research Institute International)

Number of employees: 206 (including 162 researchers)

- Thorough pursuit of researchers' producing prominent results as an entire organization
- Possess a number of research seeds that will lead to improvement in real life
E.g. brain information science, radio communication and robotics
- Wide networks of international research institutions
 - More than 30 overseas universities and research institutes



Vision

Create high value-added businesses by combining the technological seeds of ATR with the existing technology of KKE.

- ❑ **Excavate business seeds**
- ❑ **Create a project and business out of promising seeds, making use of the marketing capabilities of KKE**
- ❑ **Dispatch personnel to the venture company established by the fund and cultivate human resources for management.**
- ❑ **Earn capital gains from the exit**

Growth of Staff Members: Hattori Award and Dispatch to Stanford Univ.

Hattori Award

Presented to staff members who have contributed to collaborating with industry-academia-government, and to social activities.



**32nd award winner
Innovative Information
Technology Dept.
Toshikatsu Mori**

- Expansion of social simulation business.
- 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.

Stanford Silicon Valley New Japan Project (SSVNJ)

Purpose: Formulate a multi-dimensional platform connecting Silicon Valley and Japan.



**Corporate Planning Section
Takahito Inoshita**

- Research themes sought by KKE
 - Applicability of innovation initiatives in Silicon Valley to initiatives put forward by Japanese companies and the Japanese government.
 - Examination of the potential for policy planning and implementation, using the results of analyzing big data with artificial intelligence techniques.

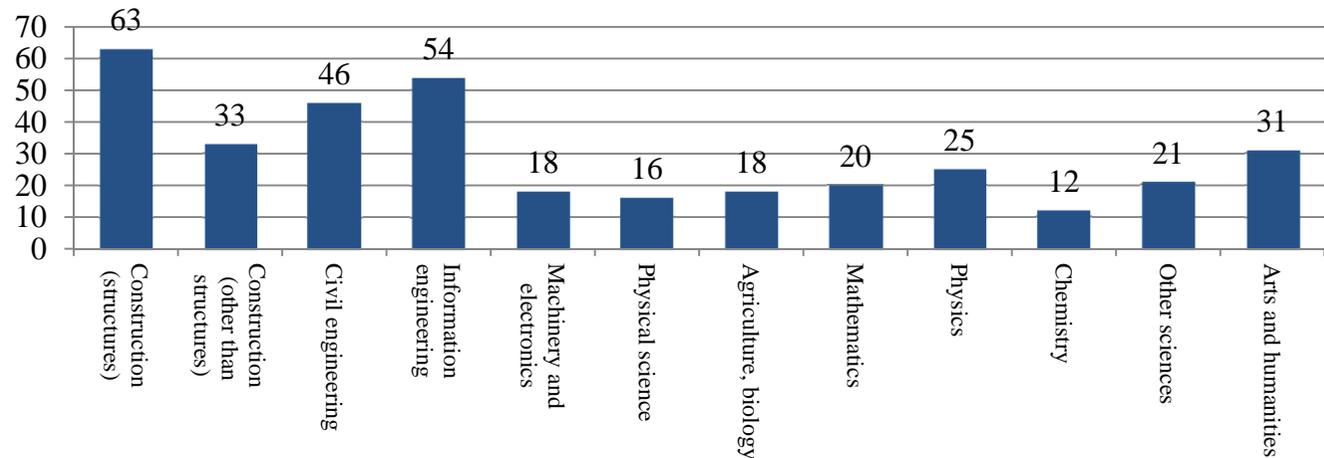
Increase in Staff Members (1) Recruitment Results

Top 20 universities (breakdown of those who joined the Company from April 2002 to April 2015)	Number of people
Tokyo Institute of Technology	31
Kyoto University	23
The University of Tokyo	22
Kyushu University	21
Waseda University	18
University of Tsukuba	13
Tokyo University of Science	13
Kumamoto University	12
Keio University	9
Osaka University	9
Nihon University	8
Nagoya University	7
Tokyo Metropolitan University (*1)	7
Tohoku University	6
Tokyo University of Agriculture	6
Yokohama National University	5
Chuo University	5
Saitama University	5
Tohoku University	5
Hosei University	5

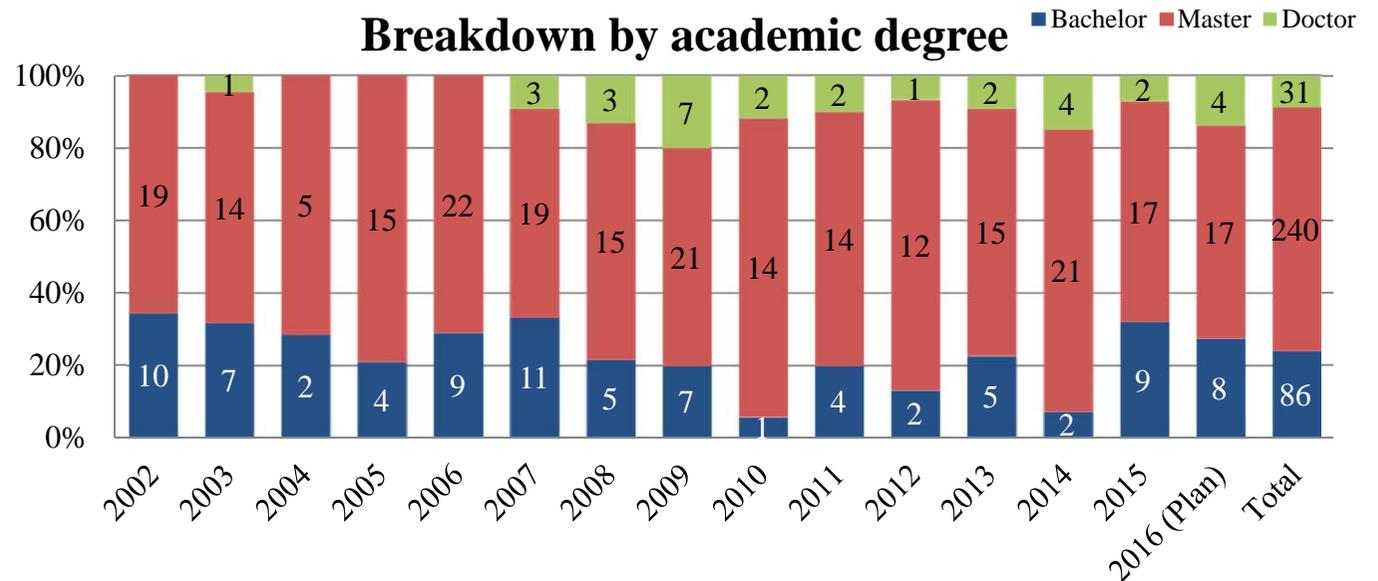
*1: Sum of Tokyo Metropolitan University and Tokyo Metropolitan Institute of Technology

*2: Each item of data includes prospective staff members.

University or college majors (breakdown of those who joined the Company from April 2002 to April 2016)



Breakdown by academic degree



Increase in Staff Members (2) 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 will change significantly from 2016 in Japan. KKE seeks to secure other channels on hiring new graduates.
- ❑ For future global operations, the Company will increase foreign nationals as employees.
(April 2015: 23 foreign nationals that will account for 4%)

Expected members joining KKE from April, 2016

- ❑ Six people will be joining the Company.
Nationality: Singapore, India, China, Indonesia, and Malaysia
University: National University of Singapore, Singapore Management University, Nanyang Technological University, Institut Teknologi Bandung, and Universiti Teknologi Malaysia



Focused Initiatives to Be Continued in the Future

Increase total added value by continuing sustainable development as a company.

Ensure the quality of services and products we provide

- Learn lessons from past failures to foster an organizational culture that does not compromise quality.

Cultivate human resources

- Each and every engineer, manager, and member of management thinks and practices from a company-wide perspective.

Invest in new business developments and develop “Design & Engineering” overseas

- New pillar of operations.
- Develop business overseas, making use of our experiences in Japan.
- Increase added value that goes beyond the simple development of technologies from overseas.

Intellectual Property Strategy

- Secure the intellectual properties of deliverables
- Clarify the areas of responsibility

Professional Design & Engineering Firm that provides High Value-Added Solutions Supported on Intellectual Properties

Direction of initiatives

- **Develop initiatives to manage and use intellectual and information assets to promote the transformation of tacit knowledge into explicit knowledge.**
- **Scheme formulation, contracts, and negotiations with an awareness of intellectual property from the early stages of business**
- **Promote a culture of sharing and using results and experiences, including both past successes and failures.**
- **Build a win-win relationship with partners founded upon the intellectual property we own**
- **Clarify the areas of responsibility.**

(Reference information)

Number of patents we hold as of August 2015: 53

Number of patent-pending inventions as of August 2015: 25

Ranking in terms of patent assets in FY2014: Third among companies in the area of information and communications in emerging markets (Reference: Data from Patent Result Co., Ltd.)

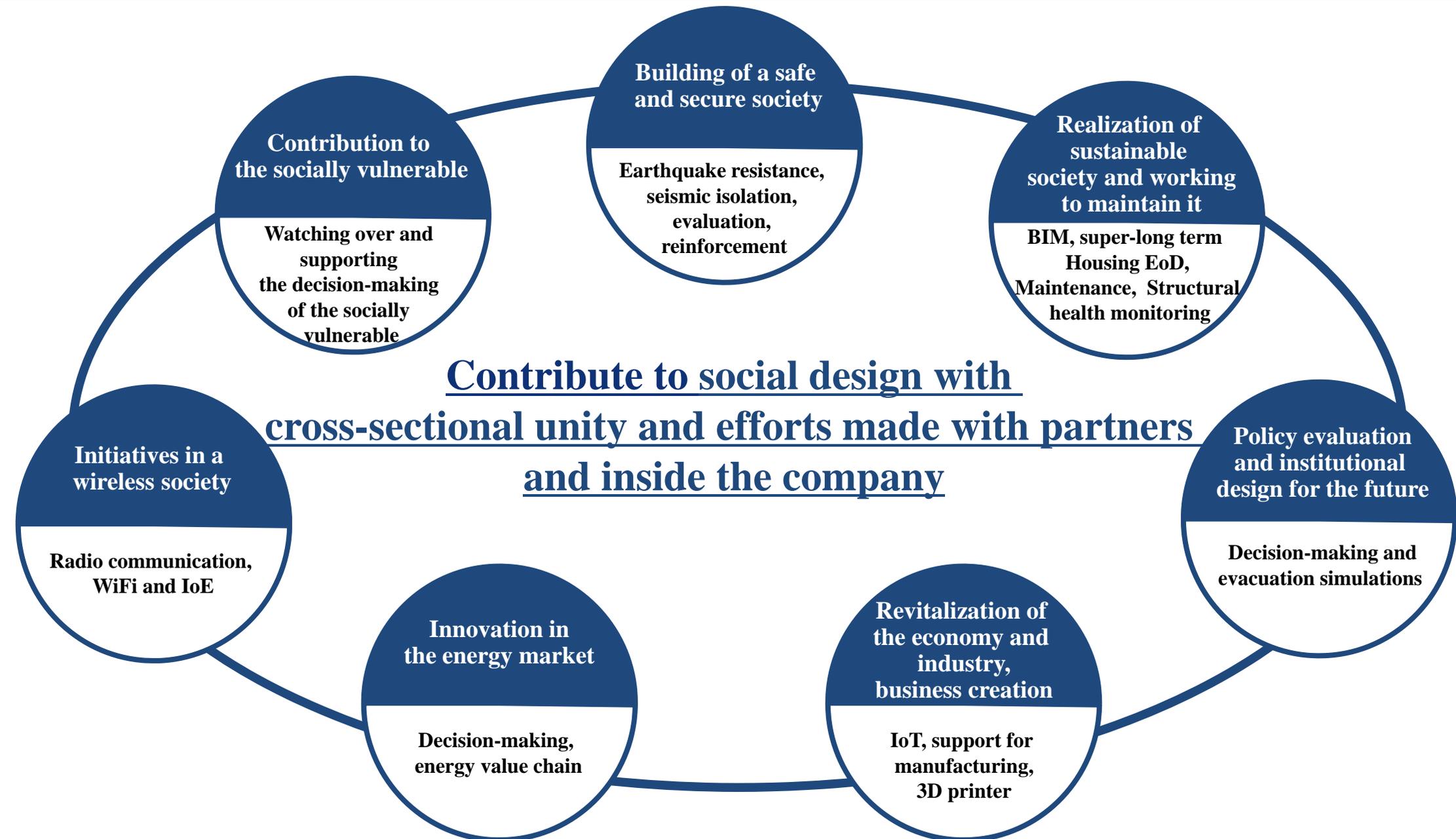
Promote the creation of business models and new technologies by integrating research and development with business strategies.

Innovating for a Wise Future

- Utilizing the company’s technology built based on engineering knowledge, we aim to create a bright future society with full of human wisdom together with our stakeholders.
- We use the word “**innovating**” to express the process of creating society.



Seven Domains for New Business Development



Seven Domains for New Business Development: Policy Evaluation and Institutional Design for the Future

Past efforts

- **Ministry of Land, Infrastructure, Transport and Tourism: Projects related to the use of housing information for inspections**
- **Ministry of Economy, Trade and Industry:**
 - **Venture support project that addresses advanced issues**
 - **Utilization research project on unused energy, etc. and the trend survey on maintenance and the management of wind power facilities**
 - **Infrastructure development in response to the trend towards the information and service economy of Japanese economic society**
- **Cabinet Office:**
 - **The risk of fires spreading and measures for efficient evacuation when large-scale earthquakes occur, particularly in crowded city blocks containing many wood houses**
 - **Examination of measures and information gathering and provision, etc. to control the spread of fire in urban districts in the event the Southern Tokyo Inland Earthquake or other major earthquake strikes**
 - **Research and assessment of the major impact on society caused by damage from falling volcanic ash Etc.**

Select core members by organizing ongoing efforts

Conduct activities by developing strategies for specific concepts and targets.

Use our technical capabilities and power of connecting concerned parties to become a leading firm in market formation that backs the government, and regulatory reforms and institutional design which matches the next generation society.

Seven Domains for New Business Development: Innovation in the Energy Market

Past efforts

By theme

- ❑ **Procurement of resources and fuel: Evaluation of the quantity of resources and the evaluation of supply chains**
- ❑ **Power system operation: Start-and-stop plans (unit commitment)**
- ❑ **Full liberalization of the retail market: Service design and institutional design**

Industry-academia collaboration

- ❑ **Institute of Industrial Science, the University of Tokyo, Ogimoto Laboratory: Preparation of a (unit commitment)**
- ❑ **model Kyoto University, Matsuyama Laboratory: Energy on demand (EoD)**

Etc.

Reorganize issues in the energy industry and examine new technical concepts
Extend targeting focus beyond the current energy industry (housing, mobility)
Continue collaboration between industry and academia Strengthen
relationships with related government agencies

Contribute to social design by supporting the formulation of policies and measures, and
implement processes to solve social issues in energy policies.



3

**Forecast for Fiscal Year Ending
June 30, 2016**

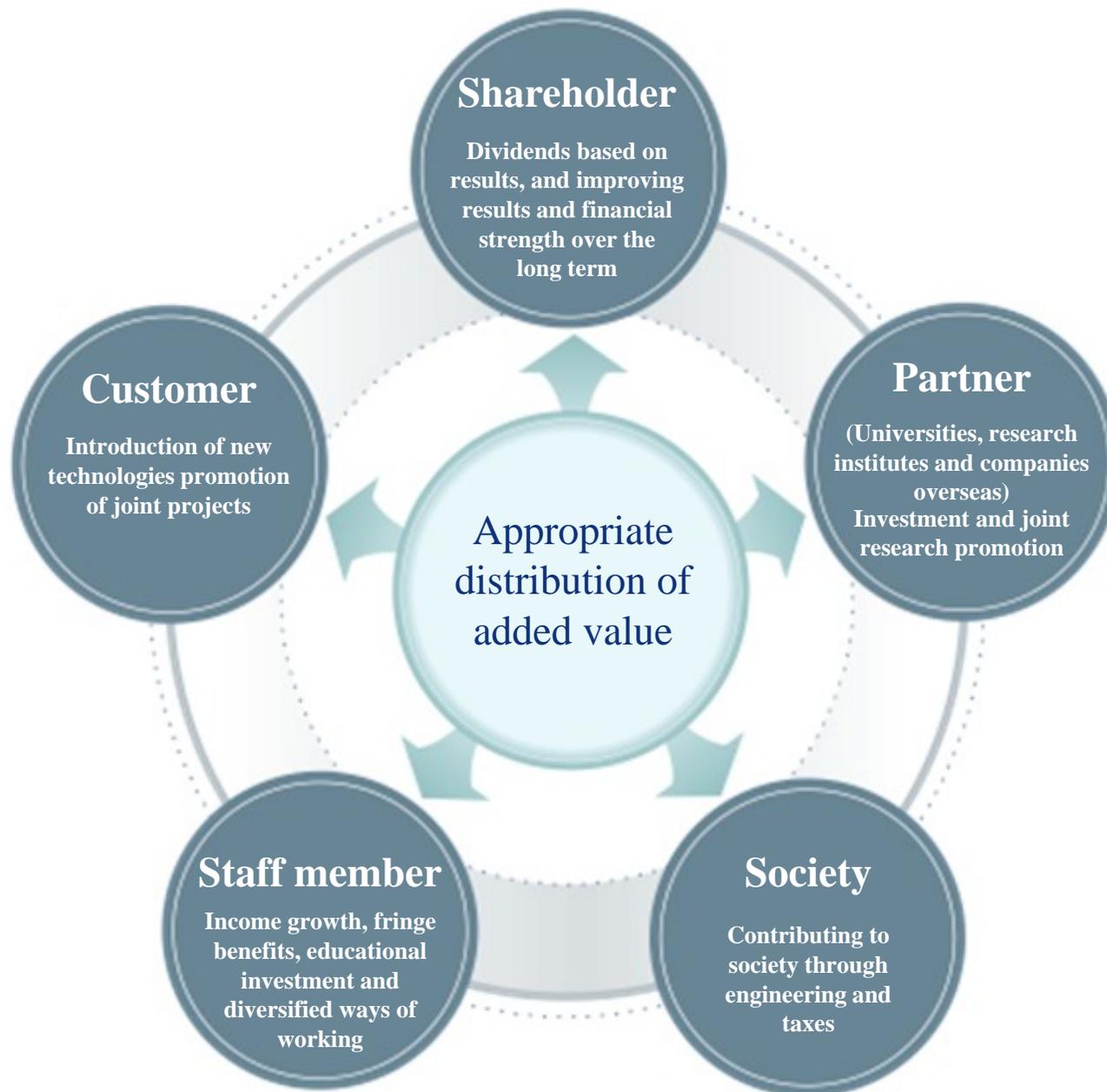
Estimates for Fiscal Year Ending June 2015

Aiming to increase sales, profits, and dividends.

(Million yen)

	FYE June 2015 (57 term)	FYE June 2016 (58 term) Plan	Change from previous FY	Rate of change from previous FY
Net sales	11,003	11,400	397	3.6%
Operating income	885	1,000	115	12.9%
Ordinary income	836	940	104	12.4%
Net income	468	590	122	25.9%
Dividends	40 yen per share	45 yen per share		

Response to Stakeholders of the Company



Management Indicators KKE Sets as the Targets

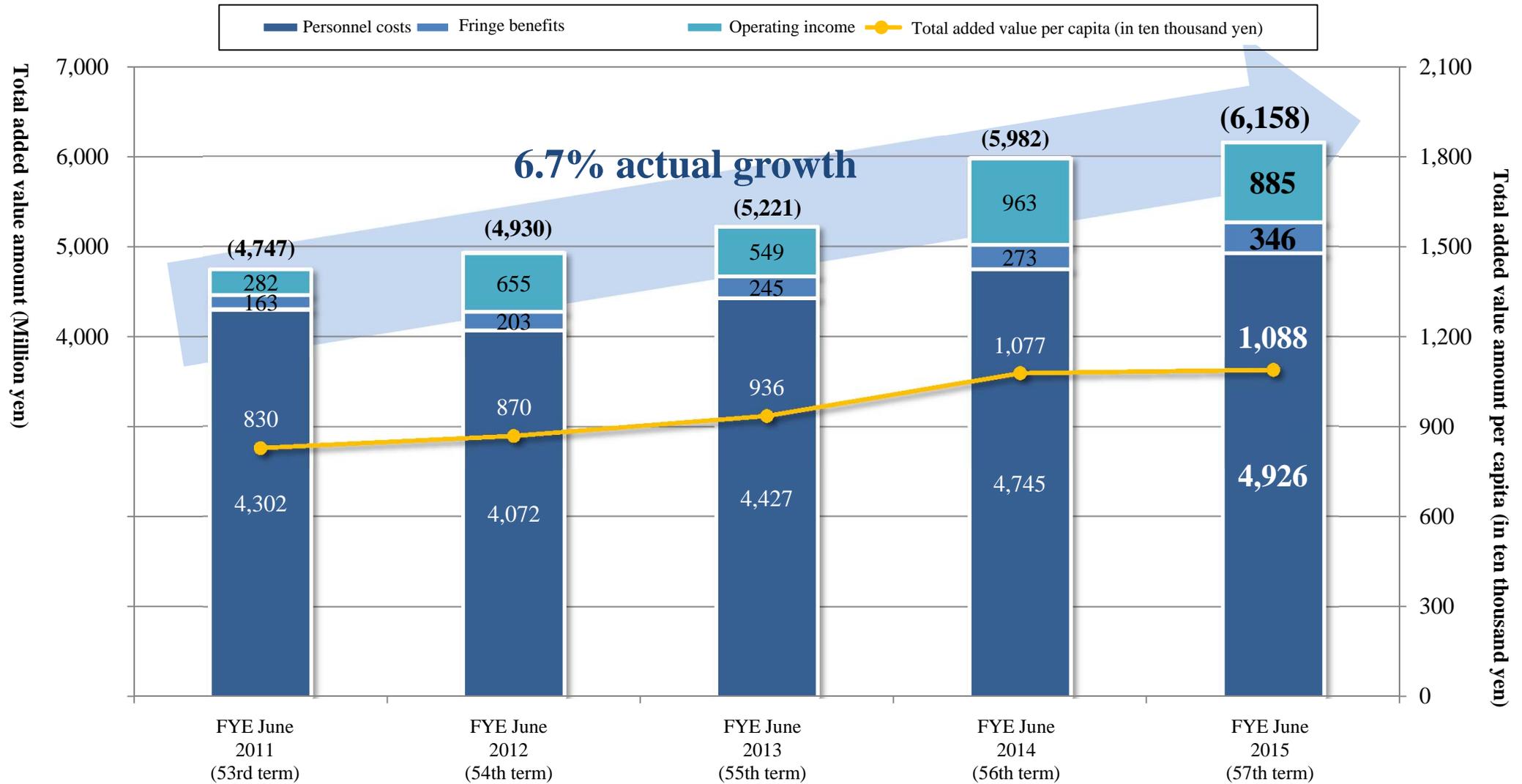
- Focus on **operating income** that shows the true earning power of a business
+
Personnel costs and fringe benefits to hire excellent human resources based on our concept that human resources are the source of the company's growth
= **Total added value**

Continue sustainable development as a company by increasing the total added value. The amount of total added value for FYE June 2015 was 6,158 million yen, a record high (up 175 million yen year on year).

- Reduce **net interest-bearing debt at the term end**, taking into account the balance with business investments.
- Increase **ROE** through high profit margins and efficient investments.
- Promote **dividend policy** of continuing to distribute stable dividends to shareholders who have held KKE shares for the medium and long term.

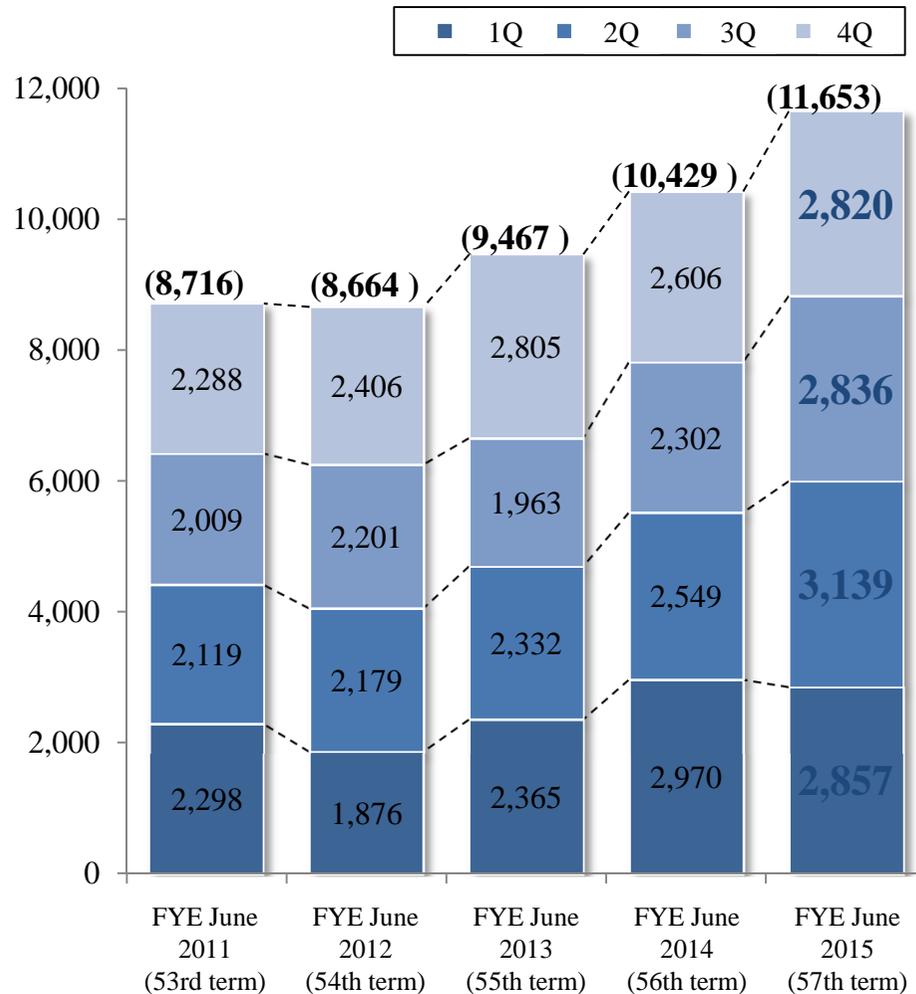
Changes in Total Added Value Amount

Aiming to increase added value by about 5% annually.

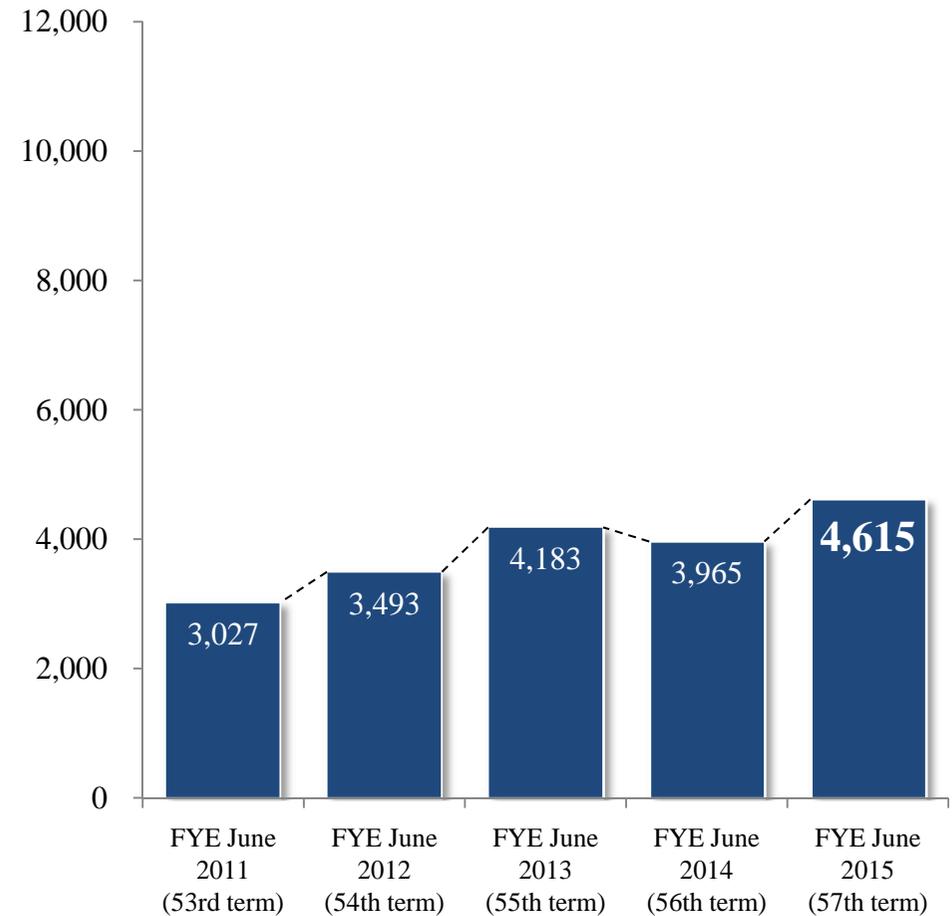


Orders and Backlogs of Orders at the Fiscal Year End

Started with larger backlog of orders than the previous fiscal year when orders were accumulated steadily.



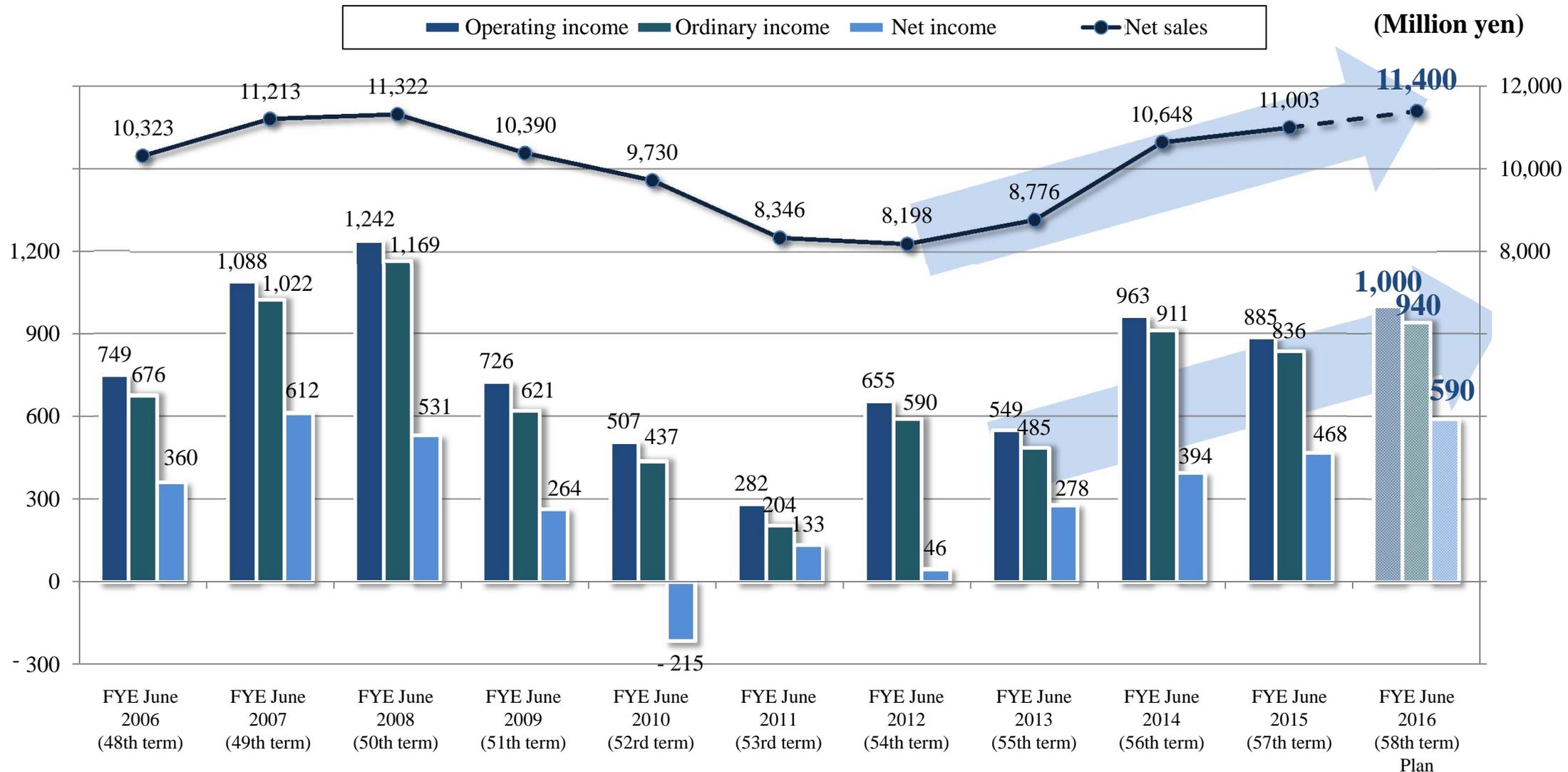
Orders (Million yen)



Backlog of orders (Million yen)

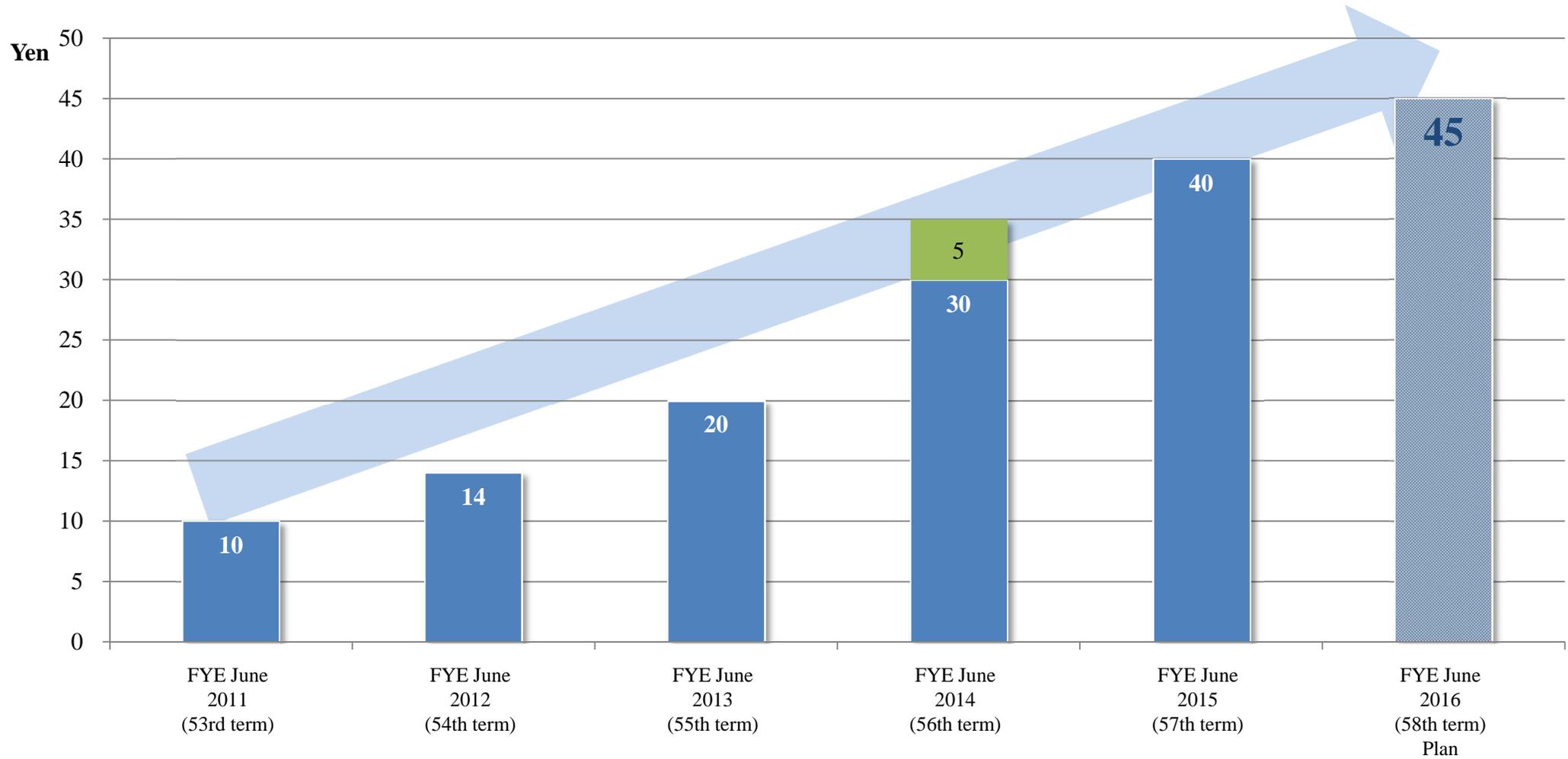
Trends in Results and Results Forecasts

Aiming to achieve higher sales and profits for the fourth consecutive year, taking advantage of a good start with a high backlog of orders.



Plan for Dividend per Share

Aiming to increase dividends for the fifth consecutive year.



Outline of KKE Vision 2015

□ Tokyo

Date: Thursday, October 29, 2015

Venue: Hilton Tokyo

Number of visitors last year: 700

Themes: Structure, maintenance, and energy

□ Osaka

Date: Friday, November 20, 2015

Venue: Knowledge Capital Congress Convention Center

Number of visitors in 2013: 300

Themes: Maintenance and disaster prevention

*Please note that themes may change in the future.



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

We look forward to your continued support and guidance.

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