

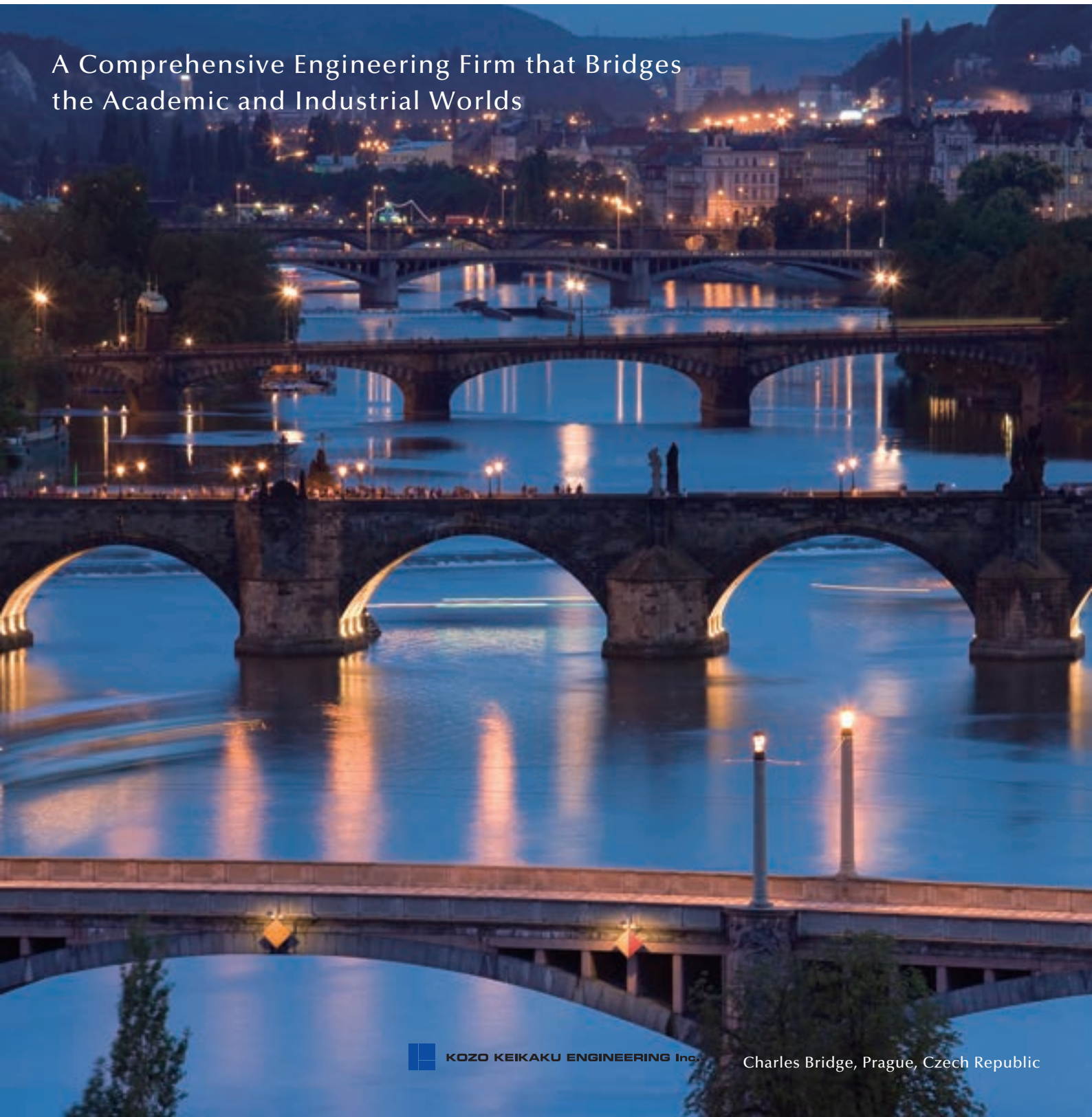
C o n n e c t i n g S t a k e h o l d e r s a n d K K E

K K E : P R E S S

59th Term

Fiscal year ended June 2017 (from July 1, 2016 to June 30, 2017)

A Comprehensive Engineering Firm that Bridges
the Academic and Industrial Worlds





[Innovating for a Wise Future]

Enhancing our total added value as a company by establishing a stable business foundation and steadily building up growth strategies geared towards the future.

» PROFILE

Born in Tokyo in 1956. Graduated from the undergraduate program in International Relations, Department of Humanities and Social Sciences, College of Arts and Sciences, the University of Tokyo in 1980. Upon completion of the master's program of the Graduate School of Sociology, the University of Tokyo, studied at the graduate level at the Massachusetts Institute of Technology on the Fulbright Program and researched the effects of the application of artificial intelligence technology on social phenomena. While abroad, joined the Boston Consulting Group and engaged in the consulting business. Joined Kozo Keikaku Engineering in 1987. Assumed the post of President in 2002. Has been advocating the marketing of engineering technology, while internally engaging in the creation of opportunities such as institutional design for the Company.

Shota Hattori
President

Shota Hattori



Q » Tell us about the business results and the approaches taken by KKE in the 59th term.

As was the case in the previous year, customers who do business with us continued to demonstrate strong appetites for investment and customer orders remained robust. In the Engineering Consulting business, which accounts for approximately 80% of orders received, we have been offering system development services to blue-chip enterprises in the residential/construction industries, in response to requests for continuous technology development investment. In addition, we have been steadily receiving orders for our structural design and analytical consulting services, which have contributed to the Company's performance. However, defects occurred in certain system development projects and we ended up unsatisfying some customers due to delayed deliveries, which adversely affected our business results. Nevertheless, such issues, including the defective projects, were all resolved during the 59th term, and will have no effect upon the coming fiscal year (60th term).

To avoid any more unprofitable projects, we have increased personnel at the Quality Assurance Center, and provided the necessary time and authority to the directors in charge so that they will exert their leadership in preventing the recurrence of defective projects.

Going forward, the Company cannot expect to grow by simply relying on high revenues from existing businesses and business fields in which we currently receive a steady stream of orders. Consequently, amid the constantly changing tide of technology, we have been promoting the marketing of new technology themes that will solve the customers' issues. Three years have passed since we became the Japanese distributor for the cloud-based platform email distribution services of SendGrid, headquartered in Denver, Colorado in the U.S., which has resulted in a considerable amount of contracts and customers. In addition, in January we commenced sales of "RemoteLock," a Wi-Fi-connected, smart lock system, with the cooperation of LockState in the U.S. We have also commenced sales of "EVER Relief," a monitoring sensor system for nursing care facilities. Furthermore, expectations are high for the growth of the granular and multiphase flow simulation software "iGRAF," for which we launched domestic sales in April, in addition to our previously released particle method simu-

lation technology.

While these Product Services have yet to contribute to profits on levels comparable to existing businesses, each project is being led by junior staff members who will become next-generation leaders and how our customers will evaluate these projects will become crucial. All of these new businesses are in line with the Company policy of (1) Collaboration between academia and the industrial world, (2) Collaboration with outstanding overseas partners and (3) Our Thought "Innovating for a Wise Future."

Q » Can you elaborate on KKE's medium- to long-term outlook and future growth strategies?

I would like to talk about growth strategies and investments in human resources by type of business.

First of all, we are aiming for growth in each business based on the following three perspectives.

The Company, which was founded in the late 1950's as a structural design office, started as a provider of structural design services amid the post-WWII boom in castle reconstruction, including the restoration of Kumamoto Castle. Ever since the Company adopted computers (IBM1620) to enhance the value of its structural design services in 1961, it has been creating value for its customers through the effective utilization of information technology. Nevertheless, we consider such technology to be only a means to an end and that our true strengths lie in systematic consulting conducted face-to-face with our customers by our staff members.

In our mainstay Engineering Consulting business, it's essential for nurturing the problem-solving capabilities of our consultants and steadily improving their communication skills.

Additionally, in the Product Service business, new ways of providing services have appeared amid various developments in information technology. With the spread of the Internet and the widespread use of smartphones and tablet devices as well as the emergence of cloud services, we have been expanding our business not only as a company engaged in B-to-B contract development but also through B-to-B-to-C business models based

on marketing in line with the trends of our end users.

Furthermore, in recent years, the Company has been promoting investments to enable collaboration with partner companies both in Japan and overseas as well as cooperating with funds that invest in start-up enterprises with unique technologies and has been developing a systematic approach for revenues generated by investments.

In order to ensure medium- to long-term growth, the first order of business will be to develop human resources in the core business of Engineering Consulting, which will be followed by the pursuit of new ways of expanding the Product Service business, and finally the establishment of the investment business.

Next, turning our attention to investments that are not necessarily reflected in the financial statements, we must consider investments in human resources development. From the standpoint of human resources development, we have been carrying out the following three measures.

First, our staff members are receiving training at external organizations.

We are providing next-generation management candidates with opportunities to gain multiple perspectives of the organization from the outside, including the dispatch of researchers to Stanford University in the U.S., and the secondment of staff members to a joint venture in Singapore; the Ministry of Economy, Trade and Industry and other agencies; and to U.S. partner enterprises, among others. We are confident that the experience at the host companies and organizations will prove invaluable to them in the future.

Secondly, from the standpoint of hiring diverse talent, we have been engaged in recruitment activities in Singapore from around four years ago as well as making ongoing efforts to hire foreign nationals to be trained as engineers in Japan. Currently the Company has 36 foreign engineers. These male and female engineers hail from universities that rank higher than most renowned Japanese universities in the Asian University Rankings (e.g. National University of Singapore, Nanyang Technological University and Bandung Institute of Technology) and many quickly become fluent in Japanese. Having diverse talent participate has also benefited our Japanese staff members, which has led to the necessity of maintaining a broad perspective and mutual acceptance of diverse cultures and civilizations. We are looking forward to the day in the near future when the Company's engineering is introduced throughout Southeast Asia.

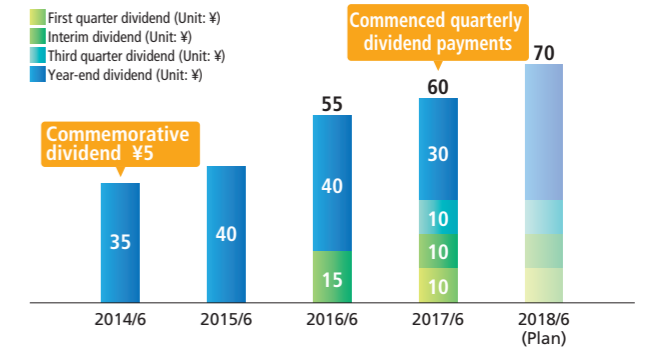
Thirdly, the Company encourages shadow work and supports efforts by its staff members to enhance their capabilities. The Company provides an environment conducive to study and promotes self-improvement by supporting presentations at various academic societies, writing endeavors, and establishing its own library accessible 24/7 within the premises.

While the three measures that I have just explained and the development of systems and environments to encourage staff members to grow will not directly be reflected in the financial statements, we believe they are strategies that will be beneficial to the medium- to long-term growth of the organization going forward.

Q » Tell us about your outlook for the 60th term and your views on returning profits to shareholders.

The order backlog from the previous term to the 60th term is on an increasing trend. Moreover, the projects for orders brought forward from the previous term are highly profitable and work on

Trends in Dividends



many of the projects has not commenced yet. The profit margin on the projects brought forward has improved by approximately 17% and profits have also exceeded the previous term by ¥80 million. We hope to maintain the patronage of our existing customers while steadily receiving evaluations and rewards from new customers with regard to new technology themes.

As far as returning profits to shareholders is concerned, we will continue with the quarterly dividend system which was adopted in the 59th term to encourage our shareholders to hold our stocks in the medium- to long-term, based on the principle of maintaining stable dividends and aim for a dividend payout ratio of approximately 40%. Needless to say, we will flexibly respond to changes in the economic situation while taking into account the improvement of the Company's financial standing and the costs involved in the development of new businesses. Furthermore, as resolved by the General Meeting of Shareholders held on September 15, the Company transitioned from "a Company with Board of Company Auditors" to "a Company with Audit and Supervisory Committee." The Company intends to further improve its corporate governance structure and enhance its corporate value by establishing an Audit and Supervisory Committee comprised of a majority of outside directors, and reinforcing the functions of audits and monitoring of the execution of business by the outside directors.

Therefore, we ask our shareholders for their continued support going forward.



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2016

July

In-house forum 2016 held

An in-house forum was held this year at the Hotel New Otani featuring a lecture titled "The flexibilities and vulnerabilities of society learnt by the science of structural engineering" by Akira Wada, Professor Emeritus of Tokyo Institute of Technology (current Advisor of the Company), and a lecture titled "Discovering the new and innovation through the past in Noh" by Noboru Yasuda, Noh performer.



August

Opened new branch in Fukuoka

KKE opened its Fukuoka Branch in order to expand its marketing activities and create new businesses in the Kyushu region. The new branch will also serve as a base for the IoT business, for which demand is expected to rise going forward.



September

58th Annual Shareholders' Meeting KKE Best Project FY2015

Each year KKE holds an annual project award ceremony to commend and raise awareness of excellent projects, and to share in their achievements with the entire company.



October

Business alliance relating to structural optimization software "HiramekiWorks"

"HiramekiWorks," an add-on product for SOLIDWORKS, is the world's first software equipped with both structural optimization and CAD model conversion functions. It was developed jointly by the Company and Quint Corporation that has been commercializing its research results by working together with both domestic and overseas partners (including University of Michigan and Nagoya University), and went on sale from February 2017.



KKE Vision 2016

KKE Vision is an annual event that has been held continuously since 2002 serving as an interface between multiple parties to share information from diverse fields and to realize a better society. In 2016, the event with 725 visitors was kicked off by a keynote address, titled "Japan and the Future International Situation" by Satoshi Morimoto, Chancellor of Takushoku University and former Minister of Defense. The venue was greatly enlivened as 15 presenters delivered speeches about their latest findings, and real-time experience of showcased technologies fascinated the attendees.



November

KKE Vision 2016 in Fukuoka

This year, KKE Vision was held for the first time in Fukuoka with approximately 300 visitors. Professor Kazuyuki Aihara of the Institute of Industrial Science, the University of Tokyo, who gave a lecture at KKE Vision 2015, was once again invited to give the keynote address titled "Mathematical Engineering: Mathematics to Support Society."



December

Company-wide Year-end Party 2016 in Tokyo

The annual company-wide year-end party was held at Westin Tokyo Hotel. We deepened our cultural knowledge thanks to a lecture by Professor Tomoji Onozuka of the Graduate School of Economics, the University of Tokyo, and congratulated each other on our mutual efforts throughout the past year.



2017

January

Commenced sales of "RemoteLock," the door lock system connected to the Internet

The Company has been launching new IoT-related businesses, while proactively adopting and proposing useful IoT technologies from both Japan and overseas. The Company recently commenced domestic sales of "RemoteLock," a Wi-Fi type smart lock developed by LockState in the U.S., recognizing its features would prove especially strong in usage for business purposes in Japan. (The photo shows "RemoteLock 5i." The lineup was further expanded in August 2017)



34th Hattori Award

The award was established to commend staff members who have contributed to cooperation with government, industry and academia, and social contribution activities. The 34th Award was presented to Kazuo Ito, Wataru Sekine and Albert Mateo Alay for their project, "Development and expansion of wind power generation business, and establishment of its position in the industry."

February

Launched sales of "EVER Relief," a monitoring sensor system for nursing care beds for the prevention of falls when getting up from bed and wandering

As part of its IoT-related businesses, the Company has developed "EVER Relief," a sensor for nursing care beds which can accurately detect the movements of patients rising from bed to address the risks associated with patients getting up from bed. Equipped with multiple sensors, the monitoring sensor can accurately detect the patient's condition immediately prior to rising from bed while minimizing false alarms and non-detection.



March

Held 17th MAS Competition encouraging state-of-the-art research in social simulation



The Company held the 17th MAS Competition, in which users of the MAS (multi-agent simulator) "artisoc," the most widely-used simulator in Japan developed by the Company, presented the results of their state-of-the-art research in competition form. Presentations using posters were also made, among others, to provide opportunities for the researchers to exchange information. A hands-on workshop was also held, led by Professor Kiyoshi Izumi of the University of Tokyo Graduate School, who actually utilizes "artisoc" in his classes.

April

Initiation ceremony and length-of-service award ceremony

A total of 24 new members from both Japan and overseas joined KKE in FY2017. A total of 22 employees were awarded for their long years of service at KKE: 9 employees for 20 years of service, and 13 employees for 30 years of service.



Commenced sales of Granular and Multiphase Flow Simulation Software "iGRAF"



"iGRAF" is a simulation software which enables granular simulation and simulation of multiphase flow (flows with a mixture of various substances including solids, liquids and gasses) containing powders. KKE has independently developed this software based on the latest algorithm proposed by Associate Professor Mikio Sakai of the Resilience Engineering Center, Graduate School of Engineering, the University of Tokyo. The Company aims to pass on the fruits of cutting-edge research to wider society by developing software which can be easily used by general designers.

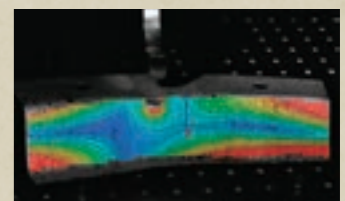
10th Anniversary of the opening of the Shanghai Representative Office



June

Launched services that combine non-contact measurement system and simulation

KKE and MARUBENI INFORMATION SYSTEMS CO., LTD. entered into a distributorship agreement for "ARAMIS," a non-contact, optical, 3D deformation measurement system. By utilizing this system, the Company expects to speed up the execution of difficult processes of obtaining the physical properties of new materials, particularly CFRP (Carbon Fiber Reinforced Plastics), resins and rubber, and establishing analytical models.





Early years

■ 1950's – 1960's

As the Japanese economy picked up after WWII, the whole nation was keen on restoring old Japanese castles as symbols of post-war recovery.

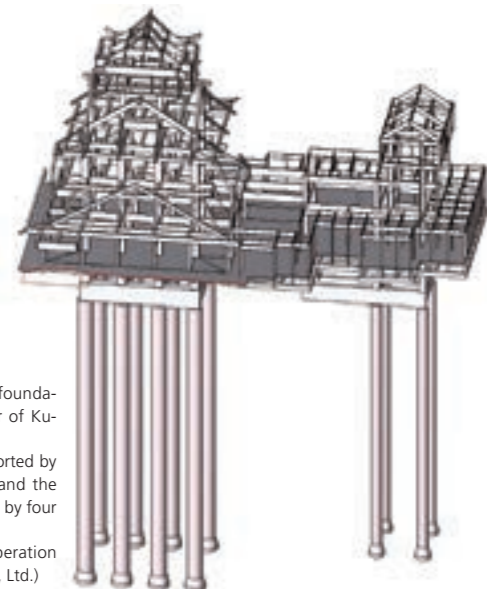
From the 1960's to the 1980's, Kozo Keikaku Structural Engineering Firm (established in 1956), the predecessor of the Company, provided structural design services relating to the reconstruction of Wakayama Castle, Kokura Castle, Odawara Castle and Aizu-Wakamatsu Castle, etc., as well as Kumamoto Castle, commissioned by the late Professor Michio Fujioka of the Tokyo Institute of Technology who was an expert in architectural history and an authority on castle construction.

Reconstruction of the keep tower of Kumamoto Castle, which had burned down during the Seinan War (1877), was performed from 1959 to 1960 in line with the trends prevailing at the time.

The following are the thoughts of the late Makoto Hattori, the Company's founder, who was in charge of the structural engineering at that time.

"Today, we have no means to infer the strength of its stone walls, which were built hundreds of years ago and which are now designated as special historic sites. It is the wish of all of the design engineers that the reconstruction of the keep tower be completed without any harm or damage to the historic stone walls, and, furthermore, it is our hope to see the castle maintained for good and all."
Excerpt from *Structural Specifications relating to the Reconstruction Work of the Kumamoto Castle*

Calculations were made on the assumption of seismic force factors (seismic zone factors) 25% higher than standard value, while thoroughly making the keep tower itself lightweight. Also to prevent a collapse of the stone walls, which had become brittle through exposure to wind and rain since the fire during the Seinan War, under the weight of the load, they built concrete foundations reaching to a depth of 47 meters below ground, and supported the weight of the 7,000-ton tower.



3D CAD model of the foundations of the keep tower of Kumamoto Castle
The large tower is supported by eight foundation piles and the small tower is supported by four foundation piles
(Image by KKE. In cooperation with Asia Air Survey Co., Ltd.)

The Kumamoto Earthquakes and Actions for Kumamoto Recovery

■ From April 2016

Kumamoto Castle was seriously damaged as a result of the 2016 Kumamoto Earthquakes but the keep tower managed to withstand the two consecutive jolts measuring 6 on the intensity scale.

Going forward, we sincerely hope that Kumamoto Castle is restored and opened to the public to bring tranquility back to the lives of the residents.



Documents used around the 1960's for Kumamoto Castle Restoration (structural drawing, architectural drawing and structural calculation sheet)

The following are some of the initiatives taken by KKE in the hopes of the recovery for Kumamoto.

Keep Tower of Kumamoto Castle

As one of the companies involved in the reconstruction design at the time of the tower reconstruction in the 60's, we were asked by Kumamoto City to conduct an investigation of damages. We completed a simple and a detailed investigation and submitted a report. In the report, we presented to Kumamoto City a proposal for reconstruction and improvements in earthquake resistance upon conducting an assessment of the post-earthquake damages.

Our engineers are making efforts regardless of division as they must address a wide range of tasks including the implementation of a seismic diagnosis of the keep tower, preparation of vibration analysis and seismic wave reports, and conducting soundness assessments of the piles.

(In cooperation with Akira Wada, Professor Emeritus of Tokyo Institute of Technology (current Advisor of the Company))



Images of the interior of the keep tower of Kumamoto Castle and the conditions of the stone walls were recorded using the indoor mapping platform, "NavVis."

By generating a 3D map, the engineers can assess the situation without actually being at the site.

NavVis M3 trolley (a mobile 3D scanning device)

Stone Walls

We were commissioned by NHK (Japan's national public broadcasting company) to analyze the three methods of stone masonry in building the stone walls. Compared to the other two methods, the "musha-gaeshi" method, which is distinct to Kumamoto Castle, was found to be particularly strong structurally in the face of horizontal force such as the horizontal jolts of earthquakes, as reported in the NHK's program.

Stone walls had previously been treated mainly as historical sites and they have only begun to be studied from an engineering perspective in the wake of the Kumamoto Earthquakes. We also intend to participate in study groups relating to diagnosis and reinforcement of the castle walls. Going forward, we are hoping that this will lead to growing demand for the analysis of stone walls throughout Japan.

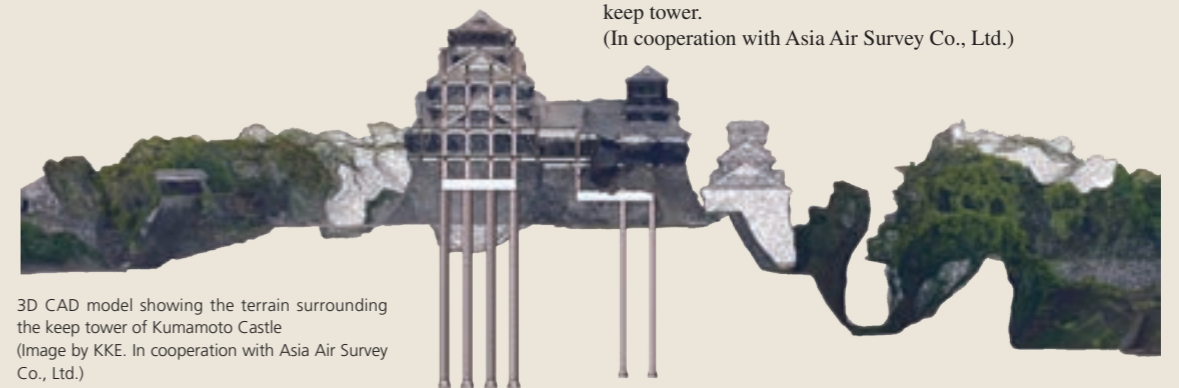
Furthermore, as it is necessary to put the fallen rocks back to their original places when restoring the stone walls, which can be extremely time- and labor-consuming, we intend to propose a stone masonry management system based on image recognition technology.

(In cooperation with Tomio Tamano, Professor, Osaka Sangyo University)

Area surrounding Kumamoto Castle

A group of KKE members who strongly hoped to contribute to helping the castle restoration prepared a BIM model. The model had initially been prepared as part of presentation materials for Kumamoto City to make the overall structure of the keep tower easy to understand. The model was later taken up by the press including the Kumamoto Nichinichi Shimbun (a regional paper) and has been helpful in making the general public understand the structure of the keep tower.

(In cooperation with Asia Air Survey Co., Ltd.)



3D CAD model showing the terrain surrounding the keep tower of Kumamoto Castle
(Image by KKE. In cooperation with Asia Air Survey Co., Ltd.)

KKE aims to empower all its stakeholders through developing efficient, modern, and sustainable engineering-based solutions. Today, we set a Thought (philosophy) "Innovating for a Wise Future," as to always hold fast to its founding spirit and will continue to sincerely engage ourselves in solving the issues of society.

Our latest efforts for disaster prevention may be found in the following pages. ▶▶▶



“Applying concepts on skyscraper to a factory. Taking an optimal reinforcement solution over a conventional approach with half the construction period.”

Toyota Industries Corporation

More people are becoming acutely aware of the danger of the potential earthquake along the Nankai Trough (i.e. Tokai earthquake, Tounankai, Nankai earthquake). Takahama Plant of TOYOTA INDUSTRIES CORPORATION is located in Aichi Prefecture, and they initially planned to conduct a seismic retrofit but switched to seismic vibration control based on KKE’s simulation result. We interviewed Ikuo Kawashima, Project General Manager and Takayuki Nishitani, Manager of Production Engineering Dept., on why and what led them to make their decision.

Takahama Plant, TOYOTA INDUSTRIES CORPORATION
Production Engineering Dept.
(From right)
Mr. Ikuo Kawashima,
Project General Manager
Mr. Takayuki Nishitani,
Manager



Is meeting the required “Is” the only answer for earthquake reinforcement?

—Please tell us about the company and the Takahama plant.

We obtain a top-class market share around the world for products such as lift trucks and car air-conditioning compressors. There are 10 plants in Japan, including Takahama plant that specializes in productions of lift trucks.

There are many types of buildings in the plant premises. For our first reinforcement project, we chose a few of factories and laboratories that were built based on the old seismic code.

Regarding prevention measures against earthquakes, each plant and office decides which building should be a priority and takes actions. The discussion for conducting reinforcement for factory A came up in an early stage since it had the largest building area and a high density of workers.

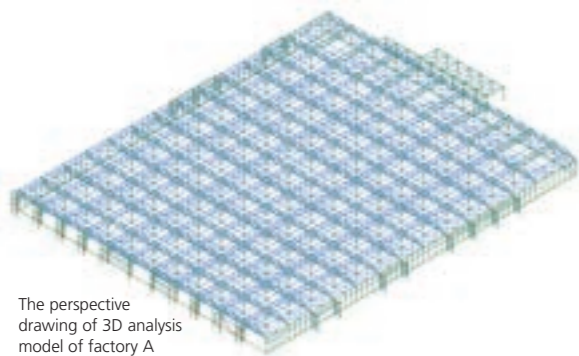
—A general construction contractor had first proposed a seismic retrofit?

Yes. The Japanese seismic codes require a building to have a “Is (Seismic Index of Structure) more than 0.6*”. For buildings that don’t meet the index are considered as “necessary to increase seismic resilience”.

At first, we considered satisfying the value of Is. There were, however, questions from the executive managers such as “What’s the difference between 0.55 and 0.6?” and nobody could give a precise explanation to it. We asked the general contractor “If we had a value of Is over 0.6, the building will survive a major earthquake, right?” but they never gave a 100% assurance. Leaving the question up in the air, the seismic retrofit plan for the factories came out in the summer of 2014. The retrofit would take 15 years only for factory A, in total 18 years including other factories and labs. This period and the cost were not something that we have expected.

Is(Seismic Index of Structure)

Is is a standard value of seismic performance which is calculated based on seismic strength, seismic ductility and aged degradation of structures. It is described that against an earthquake of intensity 6-7, a building with the value of Is more than 0.6 has a lower risk of collapsing or being destroyed in the Act for Promotion of Renovation for Earthquake-Resistant Structures of Buildings, No.184-185. (established by Ministry of Land, Infrastructure, Transport and Tourism, 2005) (Citation for Japanese Seismic Diagnosis Association -Japanese only <http://www.taishin-jsda.jp/is.html>)



The perspective drawing of 3D analysis model of factory A

—So the construction period of the initial plan was too long?

It wasn’t a realistic prevention plan against a major earthquake, which might hit any day. We asked KKE for its support since it specializes in building structures and seismic solutions, and has run a simulation of seismic retrofit in the past for one of our plants.

KKE simulated how factory A would react towards a major earthquake strike under two different patterns. One was “as-is”, the present condition and another was based on a scenario with seismic retrofit proposed by the general contractor. Both results showed that the building will collapse eventually, but the building with seismic retrofit collapsed faster than the status quo.

Factory A was built on a fairly soft ground. We expected to mitigate seismic vibration by satisfying the value of Is over 0.6, but it turned out to produce a building to vibrate stronger on several shaking patterns.

From these results, we made our final decision by the end of 2014 that we would not introduce seismic retrofit plan for factory A. We requested KKE to continue with the studies and make some proposals for new designs.

KKE proposed a design of seismic control to ensure the safety and security of our employees. Instead of strengthening of the building, it proposed to implement dampers on the walls outside the building to absorb seismic vibration. This allows keeping the production line going during the construction, thus saves time and cost drastically.

—I heard that countless discussions were made between you and members from KKE.

With no precedent case, we had to take detailed steps. It started from having discussions on seismic control, making decisions on basic design, detailed design and then proceeding to the construction work.

We finally decided to adopt the seismic control design at the end of 2015 and the work started from the beginning of 2016. Compared with the initial retrofit design, we succeeded to shorten the period by half including the discussion process and the cost by 50%.

We used simulation as a tool, to understand how buildings would respond to a major earthquake strike and what measures would be effective to secure safety. The key is to find the most optimal measure for each structure. I would say customization is necessary for reinforcement.



Building image with seismic dampers

“All clear” from an academic point of view

—You chose seismic control design over Is.

We did. If we focused on satisfying the Is and strengthening the building, we could say “But we followed the act” even when the building



Seismic control devices were placed on the external part of a building, thus people were able to continue their operation as usual.

collapsed. What we wanted to achieve was, however, to find a way that ensures the building from collapsing.

During the project, an evaluation which a third party conducts for super high-rise building (“evaluation of seismic capacity”) caught our attention. We approached Professor Hideki Idota of Nagoya Institute of Technology who is an expert on structural and seismic safety. We explained our standards and concept for seismic control and got feedback, then reflected to our design.

Our seismic control design was concluded a suitable earthquake measure for factory A. Even if there were an unexpected damage caused by an earthquake, at least we would be able to explain why we took the measure and it was supervised under a seasoned expert. We are considering reinforcement for other buildings based on the same standard and concept.

—What do you think of KKE?

KKE members worked with passion. We were taken aback by the new proposal which was deeply thought through but even caused an overheated discussion within our team. Everyone was convinced that placing the external dampers would work, but it turned out that it’s necessary to place one damper inside the building, near to a wall. Then we found an underground tank close to the wall and realized that we could not place a damper above it.

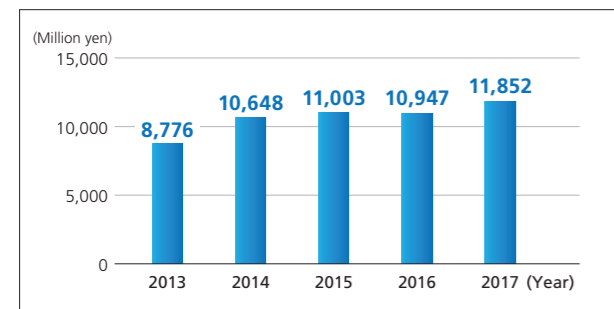
This was a pain in the neck, but led us to a new discovery that the time and cost were better installing some dampers inside the building rather than placing all dampers outside. We plan to take this approach for our next project if the condition allows.

—Do you have any expectations or requests for KKE?

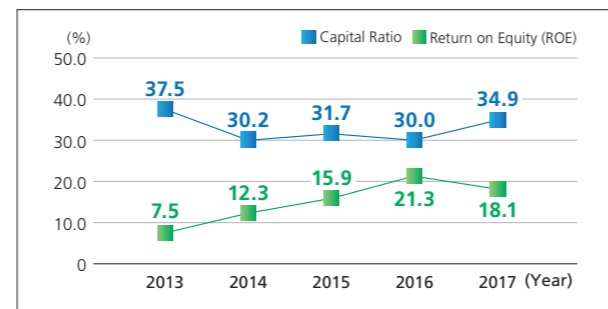
I was inspired when I heard its mission was to “create new added-values based on engineering”. The same thing can be said with us manufacturers: technology is our strength when we challenge the world. Based on its mission, we wish KKE for further works and contributions to various business fields.

Financial Highlights

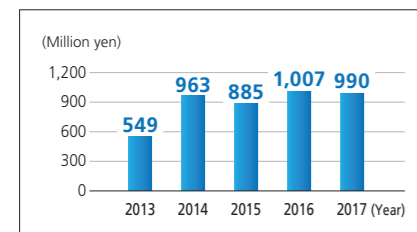
Net Sales



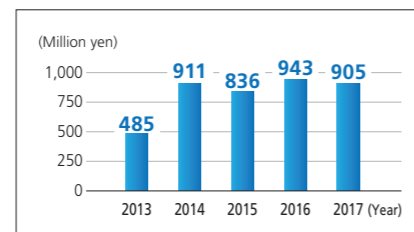
Capital Ratio/Return on Equity (ROE)



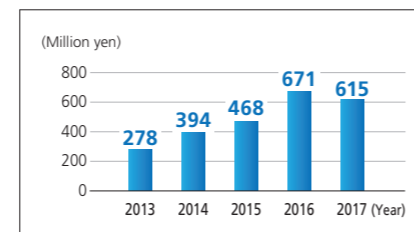
Operating Income



Ordinary Income

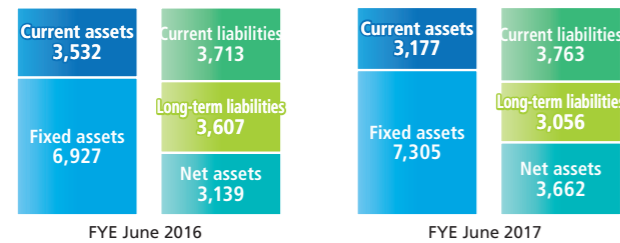


Net Income



Highlights of Balance Sheet

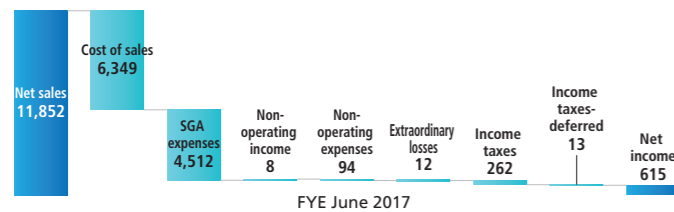
(Unit: Million yen)



- Total assets increased 0.2% year on year to ¥10,482 million.
- Total liabilities decreased 6.9% year on year to ¥6,819 million.
- Total net assets increased 16.7% year on year to ¥3,662 million, due mainly to a ¥294 million increase in retained earnings brought forward, and a ¥213 million decrease in treasury stock as a result of purchase/disposal of treasury stock conducted for the purpose of executing flexible capital policies, returning a portion of profits to shareholders and enhancing benefits for employees.

Income Statement Highlights

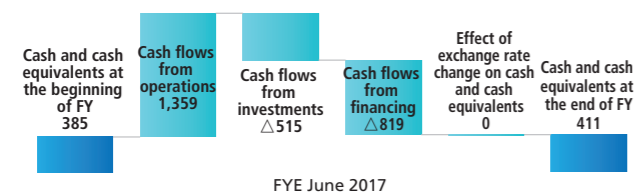
(Unit: Million yen)



- Net sales were ¥11,852 million; operating income came to ¥990 million; ordinary income came to ¥905 million and net income amounted to ¥615 million. Revenues increased while profits decreased compared to the previous fiscal year, due mainly to KKE taking on large-scale, unprofitable projects.
- As of the end of June 2017 KKE managed to secure an order backlog surpassing that of the previous fiscal year at ¥5,221 million (compared to ¥5,180 million as at the end of the previous fiscal year).

Cash Flow Statement Highlights

(Unit: Million yen)



- Net cash provided by operating activities amounted to ¥1,359 million, due mainly to net income before taxes of ¥892 million and depreciation of ¥242 million.
- Net cash used in investing activities amounted to ¥515 million, due mainly to the purchase of tangible assets of ¥87 million.
- Net cash used in financing activities amounted to ¥819 million, due mainly to the decrease in short-term borrowings of ¥430 million.

Financial Data

Summarized Balance Sheet (Unit: Thousand yen)

	FYE June 2016 (As of June 30, 2016)	FYE June 2017 (As of June 30, 2017)
(Assets)		
Current assets	3,532,532	3,177,091
Cash and deposits	385,747	411,227
Notes receivable-trade	34,285	78,885
Accounts receivable-trade	1,367,778	1,309,294
Work in process	990,267	549,430
Other	754,453	828,253
Fixed assets	6,927,925	7,305,067
Tangible assets	5,077,858	5,156,473
Intangible assets	313,789	455,651
Investments and other assets	1,536,277	1,692,941
Total assets	10,460,458	10,482,158
(Liabilities)		
Current liabilities	3,713,412	3,763,177
Accounts payable-trade	312,861	249,018
Short-term borrowings	750,000	320,000
Long-term borrowings due within one year	443,600	725,659
Other	2,206,950	2,468,499
Long-term liabilities	3,607,843	3,056,381
Long-term borrowings	1,740,617	1,095,235
Lease obligations	39,933	63,023
Provision for retirement benefits	1,755,573	1,816,712
Provision for directors' retirement benefits	40,000	40,000
Asset retirement obligations	31,719	41,411
Total liabilities	7,321,255	6,819,558
(Net Assets)		
Shareholders' equity	3,134,300	3,640,268
Capital stock	1,010,200	1,010,200
Capital surplus	1,279,603	1,279,603
Retained earnings	3,078,808	3,371,213
Treasury stock	(2,234,311)	(2,020,748)
Valuation and translation adjustments	4,902	22,331
Total net assets	3,139,202	3,662,600
Total liabilities and net assets	10,460,458	10,482,158

Summarized Income Statement (Unit: Thousand yen)

	FYE June 2016 (From July 1, 2015 to June 30, 2016)	FYE June 2017 (From July 1, 2016 to June 30, 2017)
Net sales	10,947,203	11,852,597
Cost of sales	5,568,868	6,349,862
Gross profit	5,378,335	5,502,734
SGA expenses	4,370,646	4,512,055
Operating income	1,007,689	990,679
Non-operating income	6,437	8,850
Non-operating expenses	70,969	94,478
Ordinary income	943,157	905,051
Extraordinary income	2,810	—
Extraordinary losses	4,371	12,766
Net income before taxes	941,596	892,285
Income taxes-current	267,050	262,933
Income taxes-deferred	3,016	13,392
Net income	671,529	615,959

Summarized Cash Flow Statement (Unit: Thousand yen)

	FYE June 2016 (From July 1, 2015 to June 30, 2016)	FYE June 2017 (From July 1, 2016 to June 30, 2017)
Cash flows from operations	315,246	1,359,861
Cash flows from investments	(570,567)	(515,470)
Cash flows from financing	326,440	(819,220)
Effect of exchange rate change on cash and cash equivalents	(1,393)	310
Net increase (decrease) in cash and cash equivalents	69,726	25,480
Cash and cash equivalents at the beginning of FY	316,021	385,747
Cash and cash equivalents at the end of FY	385,747	411,227

Statement of Changes in Net Assets (Unit: Thousand yen)

(Unit: Thousand yen)

FYE June 2017 (From July 1, 2016 to June 30, 2017)	Shareholders' equity										Valuation and translation adjustments		Total net assets	
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation of fixed assets	Reserve for special depreciation	General reserve	Retained earnings brought forward						Total retained earnings
Balance as of July 1, 2016	1,010,200	252,550	1,027,053	1,279,603	31,646	834	100,000	2,946,327	3,078,808	(2,234,311)	3,134,300	4,902	4,902	3,139,202
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	12,248	12,248	—	—	—	—	12,248
Restated balance	1,010,200	252,550	1,027,053	1,279,603	31,646	834	100,000	2,958,575	3,091,056	(2,234,311)	3,146,548	4,902	4,902	3,151,450
Changes of items during the period														
Dividends from surplus	—	—	—	—	—	—	—	(335,803)	(335,803)	—	(335,803)	—	—	(335,803)
Net income	—	—	—	—	—	—	—	615,959	615,959	—	615,959	—	—	615,959
Reversal of reserve for advanced depreciation of fixed assets	—	—	—	—	1,305	—	—	—	1,305	—	—	—	—	—
Reversal of reserve for special depreciation	—	—	—	—	—	(417)	—	—	417	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(30,555)	(30,555)	—	—	(30,555)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	244,118	244,118	—	—	244,118
Net change of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	17,429	17,429	17,429
Total changes of items during the period	—	—	—	—	(1,305)	(417)	—	281,879	280,156	213,563	493,719	17,429	17,429	511,149
Balance as of June 30, 2017	1,010,200	252,550	1,027,053	1,279,603	30,340	417	100,000	3,240,455	3,371,213	(2,020,748)	3,640,268	22,331	22,331	3,662,600



Corporate Data (As of June 30, 2017)

Name:	KOZO KEIKAKU ENGINEERING Inc.
Date of Establishment:	May 6, 1959
Number of Employees:	565
Accounting Term:	June
Listed on:	Tokyo Stock Exchange (JASDAQ Standard) Code: 4748
Line of Business:	Engineering Consulting Product Service

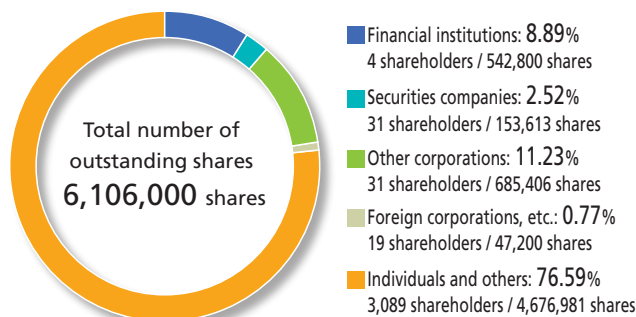
Locations:

Head Office:	4-38-13 Hon-cho, Nakano-ku, Tokyo 164-0012, Japan
Central Office:	4-5-3 Chuo, Nakano-ku, Tokyo 164-0011
Corporate Library Office:	A.S Bldg. 4-5Fl. 6-16-11 Hon-cho, Nakano-ku, Tokyo 164-0012
Nakano Innovation Office:	Nakano Central Park South 2Fl. 4-10-2 Nakano, Nakano-ku Tokyo 164-0001
Nagoya Branch Office:	Asahi Kaikan 11Fl. 1-3-3 Sakae, Naka-ku, Nagoya, Aichi 460-0008
Osaka Branch Office:	Midosuji MTR Bldg. 5Fl. 3-6-3 Awaji-cho, Chuo-ku, Osaka 541-0047
Fukuoka Branch Office:	JRJP Hakata Bldg. 8Fl. 8-1 Hakataekichuogai, Hakata-ku, Fukuoka-shi, Fukuoka 812-0012
Kumamoto Office:	1315 Muro, Ozu-machi, Kikuchi-gun, Kumamoto 869-1235
Shanghai Rep. Office:	Shanghai World Financial Center, 15Fl. No. 100 Century Avenue, Pudong New Area, Shanghai, 200120, China
KKE SINGAPORE PTE. LTD.:	Level 11, Marina Bay Financial Centre, Tower 1, 8 Marina Blvd., Singapore 018981

Share Status (As of June 30, 2017)

Total number of authorized shares:	21,624,000 shares
Total number of outstanding shares:	6,106,000 shares
Number of shareholders:	3,174

Composition of Shareholders (As of June 30, 2017)



(Note) The figure in "Individuals and others" includes 1,319,528 shares of treasury stock.

Additional information

Fiscal year:	from July 1 to June 30 of the following year
Record date:	June 30
Annual meeting of shareholders:	Every September
Administrator of shareholder registry:	
Special account management institution:	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the above:	Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikkocho, Fuchu-shi, Tokyo (Mailing address) Stock Transfer Agency Division Mitsubishi UFJ Trust and Banking Corporation P.O. Box No. 29 Shin-Tokyo Post Office, 137-8081 TEL: 0120-232-711 (Toll free)
Method of public notice:	By electronic public notice
URL where public notice is posted:	http://www.kke.co.jp (Japanese only) (However, public notice is posted on the Nihon Keizai Shimbun in the event that electronic public notice is unavailable due to accident or other unavoidable reasons.)

Note: Contact information has changed to the above, effective August 14, 2017, in conjunction with the relocation of the office of the Administrator of the shareholder registry and the special account management institution.

IR Information



<http://www.kke.co.jp/ir/>