



FYE June 2018 First Half Financial Results

February 23, 2018

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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 currently available to the Company and on certain preconditions that the Company deems reasonable. The Company provides no guarantee that what is stated will actually be realized.
- 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.

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Overview of Financial Results

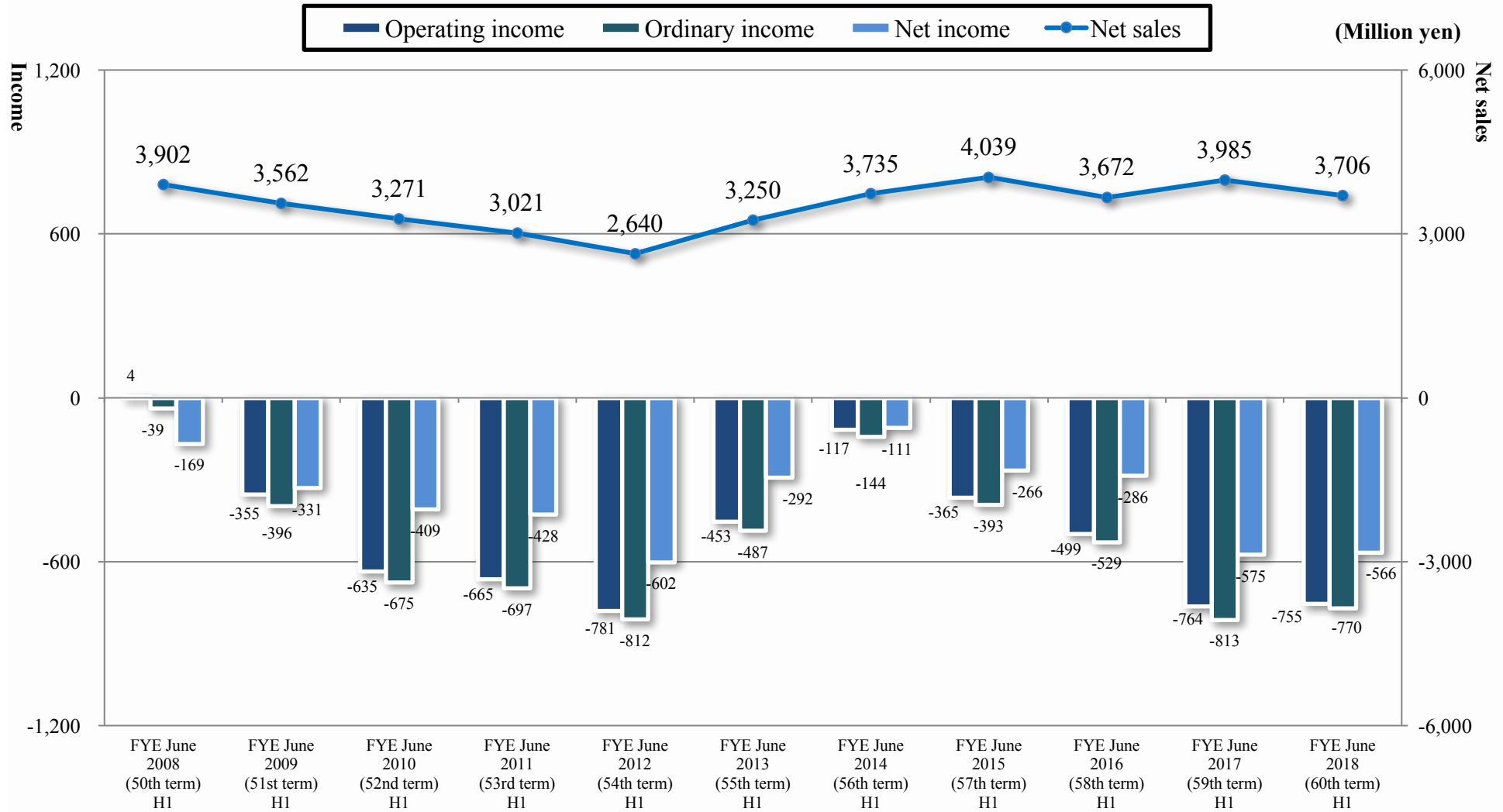


Income Statement Highlights

(Million yen)

	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Change from previous FY	Rate of change from previous FY
Net sales	3,985	3,706	-278	-7.0%
Cost of sales	2,435	2,129	-305	-12.5%
Gross profit (Gross profit rate)	1,550 (38.9%)	1,576 (42.5%)	26	1.7%
SGA expenses	2,314	2,332	17	0.8%
Operating income (loss) (Operating income rate)	-764 (-19.2%)	-755 (-20.4%)	8	—
Non-operating profit & loss	-48	-15	33	—
Ordinary income (loss) (Ordinary income rate)	-813 (-20.4%)	-770 (-20.8%)	42	—
Extraordinary profit & loss	—	-0	-0	—
Net income (loss) before taxes	-813	-771	41	—
Income taxes	-238	-204	33	—
Net income (loss) (Net income rate)	-575 (-14.4%)	-566 (-15.3%)	8	—
Backlog of orders	6,939	6,605	-334	-4.8%

Trends in Results



Highlights of Balance Sheet

(Million yen)

	FYE June 2017 (59th term)	FYE June 2018 (60th term) H1	Change		FYE June 2017 (59th term)	FYE June 2018 (60th term) H1	Change
Current assets	3,177	3,845	668	Total liabilities	6,819	8,234	1,415
Cash and Deposits	411	651	240	Current liabilities	3,763	5,296	1,533
Accounts receivable	1,388	810	-578	Short-term borrowings*	1,045	2,983	1,937
Work in process	549	1,303	754	Accounts payable	636	148	-488
Fixed assets	7,305	7,402	97	Long-term liabilities	3,056	2,938	-118
Property, plant and equipment	5,156	5,140	-15	Long-term borrowings	1,095	893	-201
Intangible assets	455	459	3	Total net assets	3,662	3,012	-649
Investments and other assets	1,692	1,802	109	Retained earnings	3,371	2,613	-758
Total assets	10,482	11,247	765	Total liabilities and net assets	10,482	11,247	765

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

Capital Ratio	34.9%	26.8%
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(Million yen)

Change in assets (765)

- **Increase in current assets (668)**
 - Increase in cash and deposits (240)
 - Decrease in accounts receivable (-578)
 - Increase in work in process (754)
- **Increase in fixed assets (97)**
 - Increase in investments and other assets (109)

Change in liabilities (1,415)

- **Increase in current liabilities (1,533)**
 - Increase in short-term borrowings (1,937)
 - Decrease in accounts payable (-488)
- **Decrease in long-term liabilities (-118)**
 - Decrease in long-term borrowings (-201)

Change in net assets (-649)

- **Decrease in retained earnings (-758)**
- **Decrease in treasury shares (50)**

Highlights of Balance Sheet (Comparison with H1 of the Previous Fiscal Year)

(Million yen)

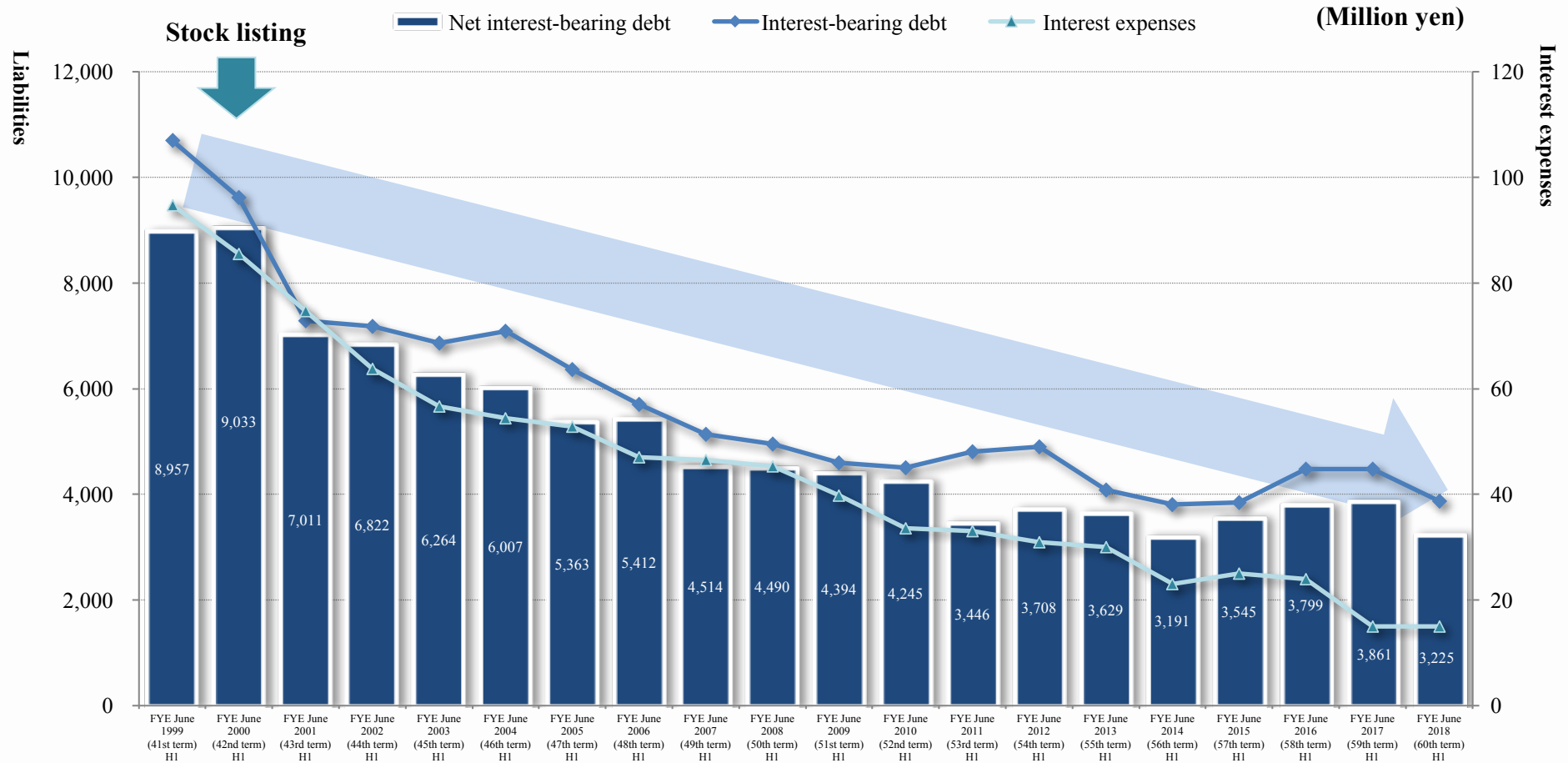
	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Change
Current assets	3,896	3,845	51
Cash and Deposits	613	651	37
Accounts receivable	729	810	80
Work in process	1,477	1,303	-173
Fixed assets	7,197	7,402	204
Property, plant and equipment	5,092	5,140	48
Intangible assets	447	459	11
Investments and other assets	1,657	1,802	144
Total assets	11,093	11,247	153

	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Change
Total liabilities	8,673	8,234	-438
Current liabilities	5,327	5,296	-30
Short-term borrowings*	3,086	2,983	-102
Accounts payable	209	148	-61
Long-term liabilities	3,346	2,938	-408
Long-term borrowings	1,388	893	-495
Total net assets	2,420	3,012	592
Retained earnings	2,275	2,613	337
Total liabilities and net assets	11,093	11,247	153

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

Capital Ratio	21.8%	26.8%
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Changes in Net Interest-Bearing Debt



Cash Flow Statement Highlights

(Million yen)

	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Change
Balance at the beginning of FY	385	411	25
CF from operations	-894	-1,232	-337
CF from investments	-293	-226	67
Free CF	-1,188	-1,458	-270
CF from financing	1,415	1,698	283
Balance at the end of FY	613	651	37

CF highlights for operations

Net income before taxes	-771
Decrease in accounts receivable	736
Increase in inventories	-755

Main reason for the decline in CF from operations	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Amount of decline
Decrease in inventories	-500	-755	-255

CF highlights for investments

Purchase of investment securities	-74
Purchase of property, plant and equipment	-75
Purchase of intangible assets	-50

CF highlights for financing

Net Increase in short-term loans payable	2,130
Dividend payments	-190

2 Results by Segment



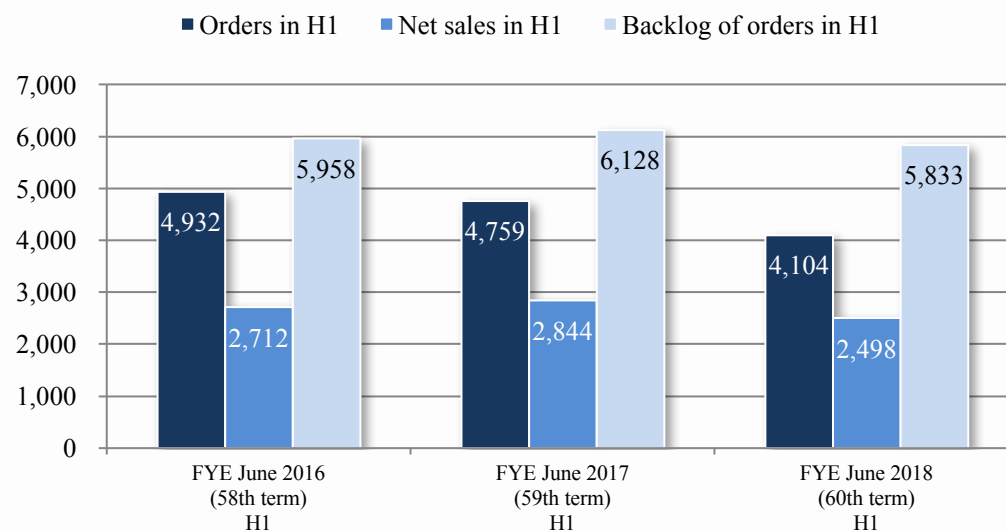
(Million yen)

	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Year-on-year
Orders	4,932	4,759	4,104	-13.8%
Net sales	2,712	2,844	2,498	-12.1%
Gross profit (Gross profit rate)	1,258 (46.4%)	1,124 (39.5%)	1,194 (47.8%)	6.2%
Segment profit (margin)	362 (13.4%)	137 (4.8%)	193 (7.7%)	40.2%
Backlog of orders	5,958	6,128	5,833	-4.8%

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

Analysis of results

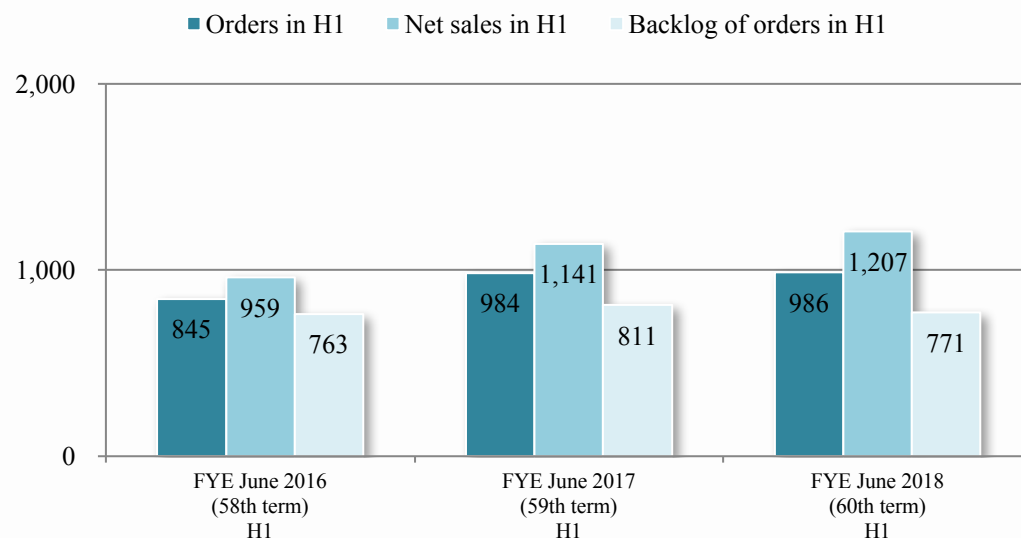
- Structural design of buildings, system development business that responds to investment in differentiation made by the top companies that lead the housing industry, and analysis business for disaster prevention and reduction all remained solid.
- In 1H under review, profitability improved year on year because of the absence of large unprofitable projects, despite the decline in sales.



(Million yen)

	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Year-on-year
Orders	845	984	986	0.2%
Net sales	959	1,141	1,207	5.8%
Gross profit (Gross profit rate)	329 (34.4%)	425 (37.3%)	382 (31.7%)	-10.2%
Segment profit (margin)	123 (12.9%)	271 (23.8%)	246 (20.3%)	-9.4%
Backlog of orders	763	811	771	-4.9%

- ◆ CAE software for designers in the manufacturing industry
- ◆ Cloud-based email distribution service
- ◆ Radio wave propagation and electromagnetic wave analysis software
- ◆ Statistical analysis software
- ◆ Structural analysis and seismic performance analysis
- ◆ Software for supporting marketing and decision-making
- ◆ Image processing software
- ◆ Education and training



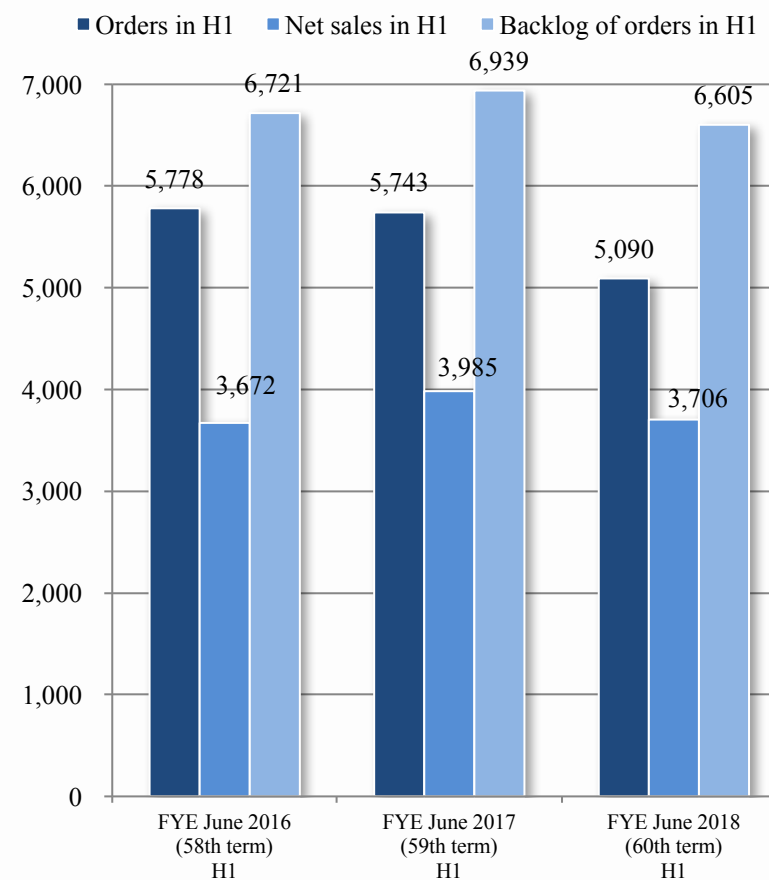
Analysis of results

- Sales of CAE software for designers and cloud-based email distribution service, etc. remained strong.
- In 1H under review, sales increased but profits declined year on year, reflecting a rise in expenses in this segment, including an increase in operating expenses due to a pick up in sales activities.

Total of the Business Segments

(Million yen)

	FYE June 2016 (58th term) H1	FYE June 2017 (59th term) H1	FYE June 2018 (60th term) H1	Year-on-year
Orders	5,778	5,743	5,090	-11.4%
Net sales	3,672	3,985	3,706	-7.0%
Gross profit (Gross profit rate)	1,588 (43.3%)	1,550 (38.9%)	1,576 (42.5%)	1.7%
Segment profit (margin)	486 (13.2%)	409 (10.3%)	439 (11.9%)	7.3%
Backlog of orders	6,721	6,939	6,605	-4.8%



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Forecast for Fiscal Year Ending June 30, 2018 (60th term)



Estimates for Fiscal Year Ending June 2018 (60th Term)

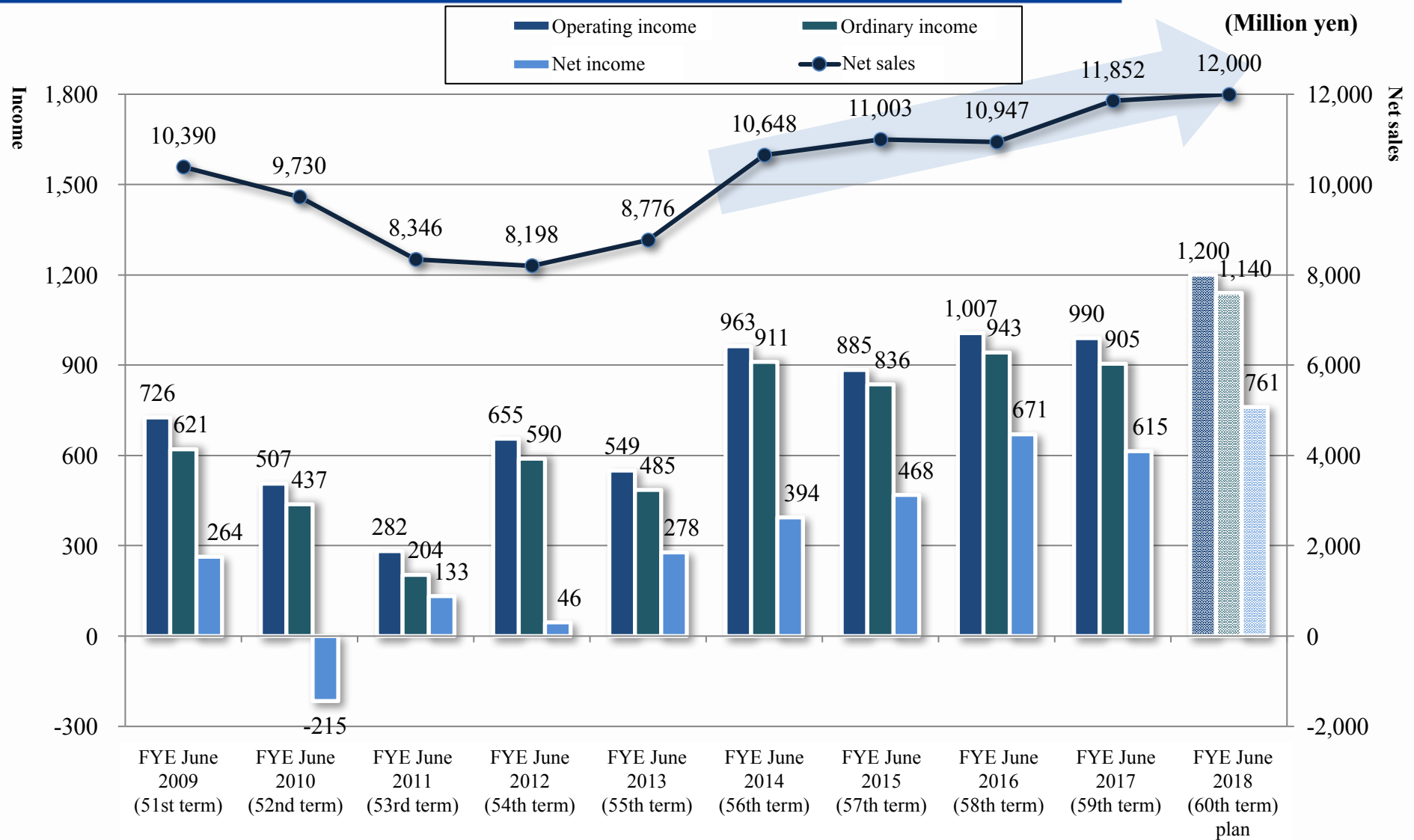
(Million yen)

	FYE June 2017 (59th term)	FYE June 2018 (60th term) Plan	Increase	% increase
Net sales	11,852	12,000	147	1.2%
Operating income	990	1,200	209	21.1%
Ordinary income	905	1,140	234	26.0%
Net income	615	761	145	23.7%

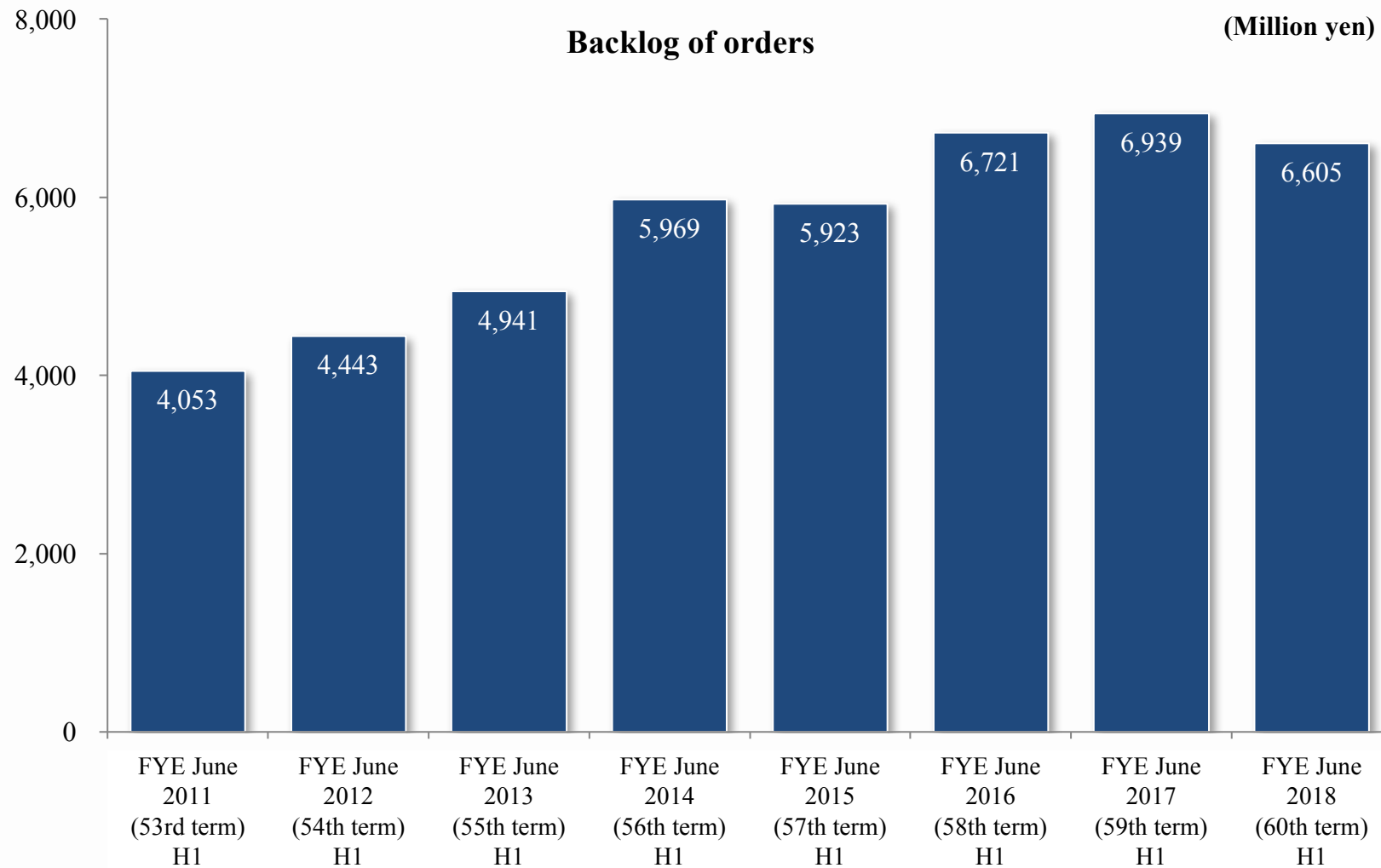
(Yen)

Year-end dividend	60	70
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Trends in Results and Results Forecasts

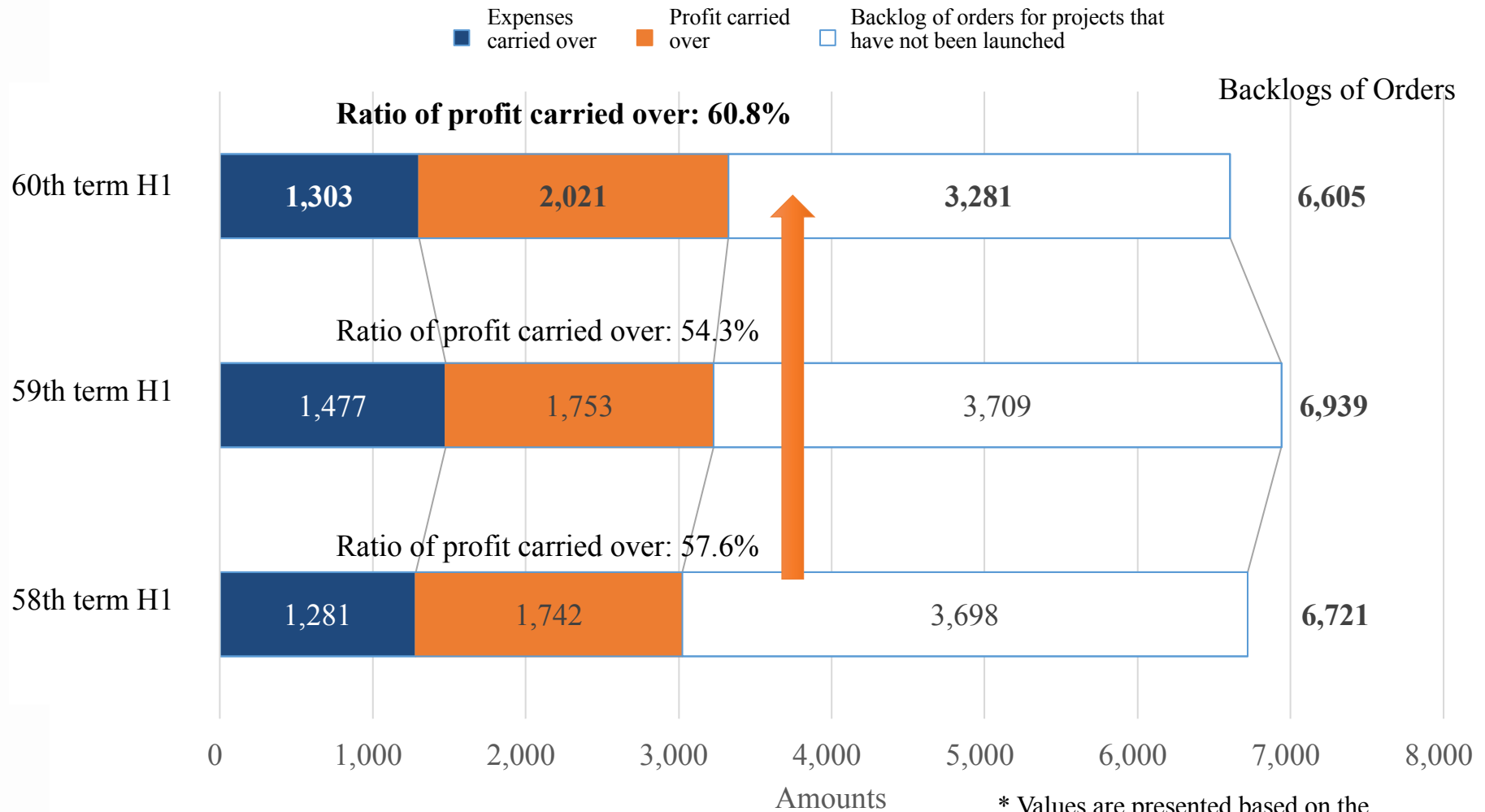


Trends in Backlog of Orders



Status of Profit in the Current Fiscal Year

(Million yen)



* Values are presented based on the Company's management accounting

Targets set for 2H to Achieve the Plan

(Million yen)

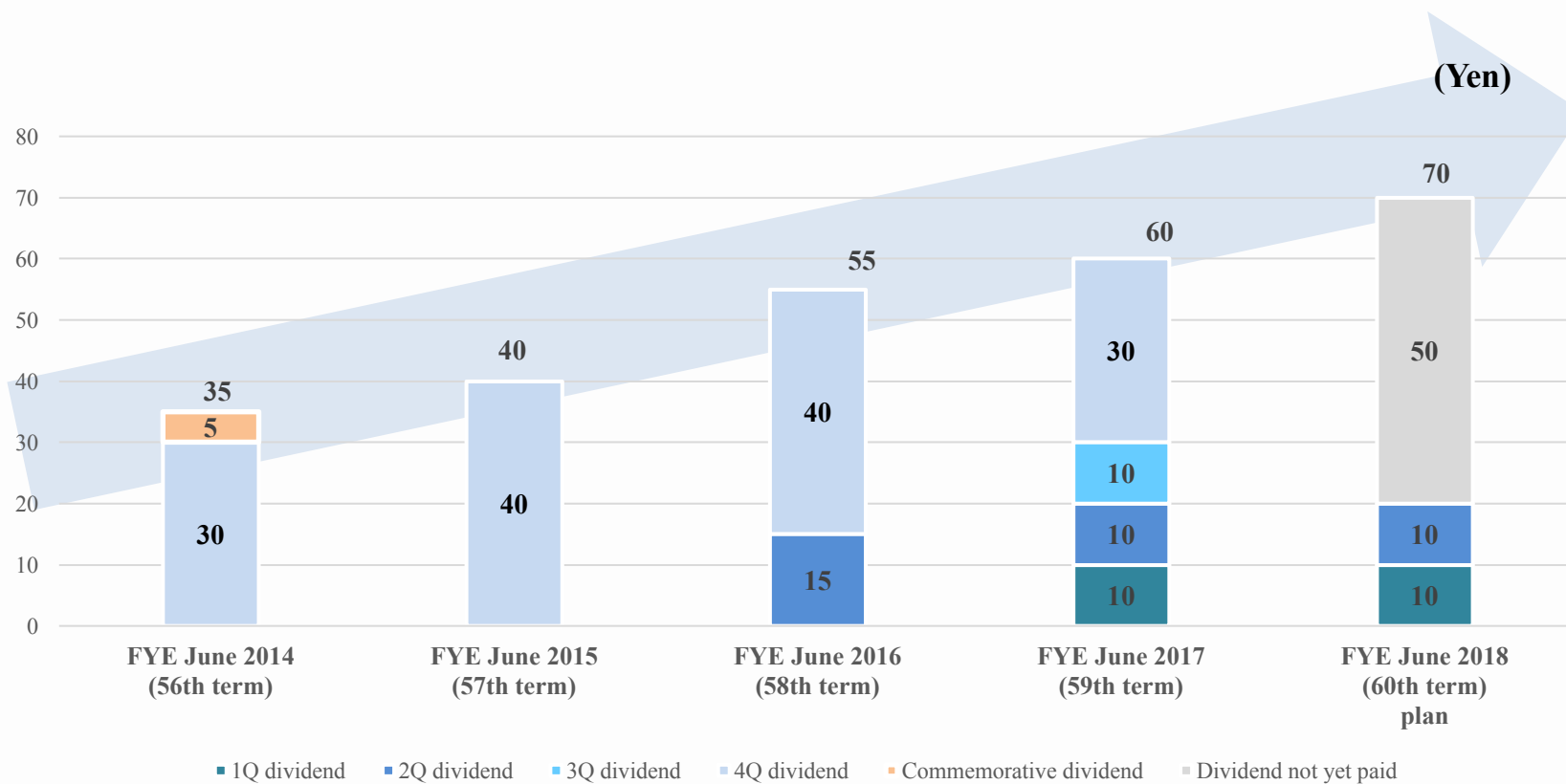
	Engineering Consulting				Product Service				Total			
	1Q	2Q	H2	Fiscal year	1Q	2Q	H2	Fiscal year	1Q	2Q	H2	Fiscal year
Net sales	1,094	1,405	6,971	9,470	556	652	1,322	2,530	1,650	2,056	8,293	12,000
Cost of sales	599	706	3,277	4,581	392	433	846	1,671	991	1,139	4,123	6,253
Gross profit	495	699	3,695	4,889	164	218	476	859	659	918	4,171	5,747
Gross profit rate	45.2%	49.8%	53.0%	51.6%	29.5%	33.5%	36.0%	33.9%	39.9%	44.6%	50.3%	47.9%
SGA expenses									1,087	1,246	2,215	4,547
Operating income									-428	-328	1,956	1,200
Ordinary income rate									-25.9%	-15.9%	23.6%	10.0%

- High net sales in H2
 - Approx. 70% of annual net sales are concentrated in H2.
- High value-added projects are carried over to H2.
 - GIV earnings rate of projects carried over to H2 is 60.8%.
 - There is no large unprofitable project.



Plan of Dividends

Seeking to increase dividends continuously
Focusing on returning profits to medium- and long-term shareholders, while taking into account the appropriate level of internal reserves and the state of business investment



4

Value We Aim to Create



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.



Improving corporate value through sustained business expansion and human resource development

Business growth strategy

- Pursuing high added value by leveraging the experience curve
- Expanding business by developing new businesses
- Providing value by finding essential problems and achieving solutions
- Improving added value through the open use of intellectual property

Human resource development strategy

- Bringing on board a diverse range of human resources, including overseas
- Providing a place for personal growth
- Pursuing new engineering knowledge through industry-academia partnership

Improving corporate value through sustained business expansion and human resource development

Business growth strategy

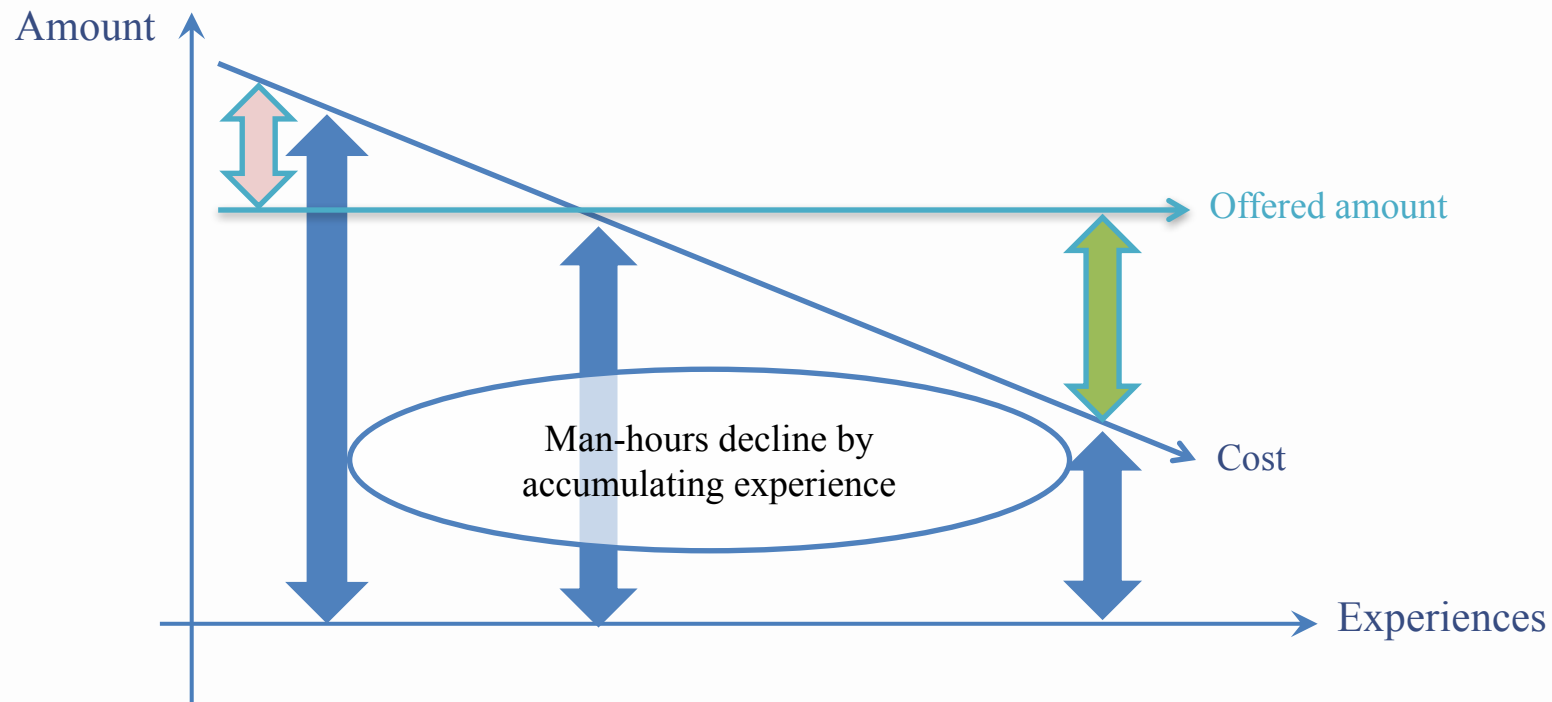
- Pursuing high added value by leveraging the experience curve
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Human resource development strategy

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Pursuing High Added Value by Leveraging the Experience Curve

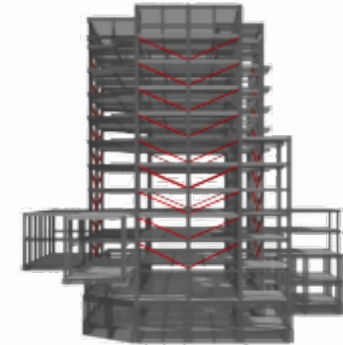
Increasing value in the project overall by leveraging the experience curve, despite a loss at the beginning



Aim to build a business model to receive appropriate consideration by utilizing high value-added engineering knowledge

Accumulation of Empirical Knowledge in Existing Businesses

- Providing structural design support systems in the housing industry
 - Developing structural design engineering, the roots of the Company, to the housing field
- Wind power generation-related consulting
 - Consulting based on our engineering knowledge on structural design, following increasing social demand for renewable energy
 - Social contribution through industry-academia partnership including institutional design
- Container stowage planning service
 - Fusing the on-site capabilities of NYK Line and the operations research techniques and data-analysis technology that the Company has cultivated



List of Major Business Development Investments

Investment destination	Investment period	Remarks
International Logic Corporation	March 2005 –	Established for the purpose of collecting information in the United States
Vitracom AG	August 2006 –	Developing business centered on people counter
LockState, Inc.	June 2008 –	Developing a cloud service for room entry-exit records, including RemoteLock
KKE SINGAPORE PTE. LTD.	January 2015 –	Cultivating customers through a network with local universities and actively recruiting foreign national staff members.
Symphony Creative Solutions Pte.Ltd.	March 2016 –	Jointly established with NYK Line and Weathernews Inc.
Overseas affiliates (5 companies)		

Housing Life Information Management System Planning LLP	October 2005 –	Contributing to the realization of a more affluent housing life with a housing history information service.
Prometech Software, Inc.	November 2012 –	Providing state-of-the-art CAE (fluid analysis) solutions useful for product development
GDEP Solutions, Inc.	March 2016 –	Providing various solutions utilizing the GPU products of NVIDIA
Affiliates in Japan (3 companies)		

Kansai Science City ATR-Venture NVCC Investment Limited Partnership	February 2015 –	Investment for the commercialization of ventures of research seeds such as robots, radio communication and brain information science
MIC Innovation No. 4 Investment Limited Partnership	January 2016 –	Investment for the commercialization of ventures of the next-generation IT services
VC in Japan (2 companies)		

Recent Situation of Overseas Partners

(1) Partners in the United States



SendGrid

Colorado, the United States

- Listed on the New York Stock Exchange in November 2017
 - ✓ Market capitalization: Approx. 1.0 billion dollars (as of February 2018)
 - ✓ Net sales: Approx. 80 million dollars (results in the fiscal year ended December 2016)
- Steadily expanding business because it is used by Uber and Airbnb, etc.
- Certified as a partner of AWS, cloud service of Amazon

LOCKSTATE

Colorado, the United States

- Sales are increasing, thanks to strong sales of RemoteLock and other products.
- Made an alliance with Loves, a chain of truck stop and convenience stores across the United States, and Target Corporation, a large retailer.

Recent Situation of Overseas Partners

(2) Partners in Germany



NAVVIS

Munich, Germany

- Grown to a size of 140 employees within four years of founding due to a contract with leading automakers in Germany.
- Securing sound management based on the management rights of the four founders and funding from venture funds in Germany.

vitracom®

Karlsruhe, Germany

- Acquired a company with 3D video analysis technology.
- Aiming to increase customers with consulting using people counter.

New Business Development (Japan)

Email Distribution Service



- The business of SendGrid, the developer in the United States, has entered a new stage with its listing in the United States.
- In Japan, business is expanding with the Company as a partner since 2013.
 - Supporting use for sales promotion activities, marketing and CRM, etc. of companies by providing reachability, better security and measures against unwanted email messages.



Further developing the Japanese market by adding the Company's own high-quality support to the stronger appeal of its service quality and safety.

New Business Development (Japan)

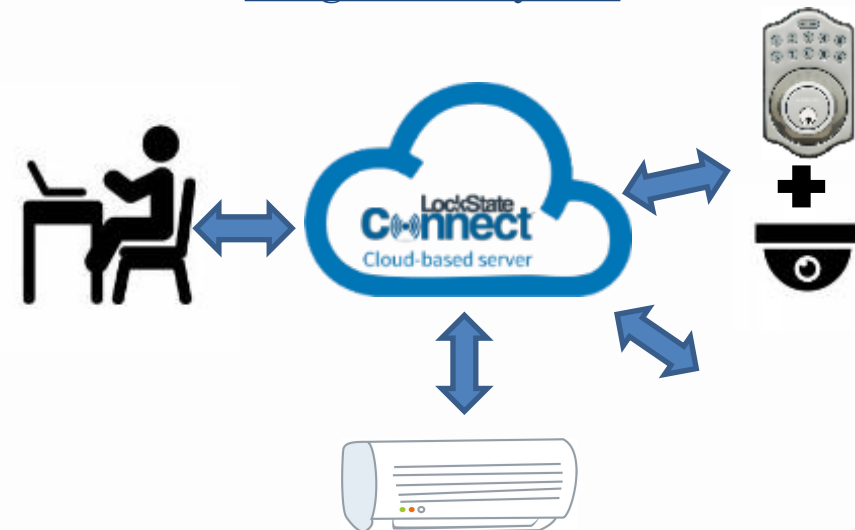
RemoteLock

Enabling the unified management of room entry-exit records

RemoteLOCK



Realizing connected home using a cloud system

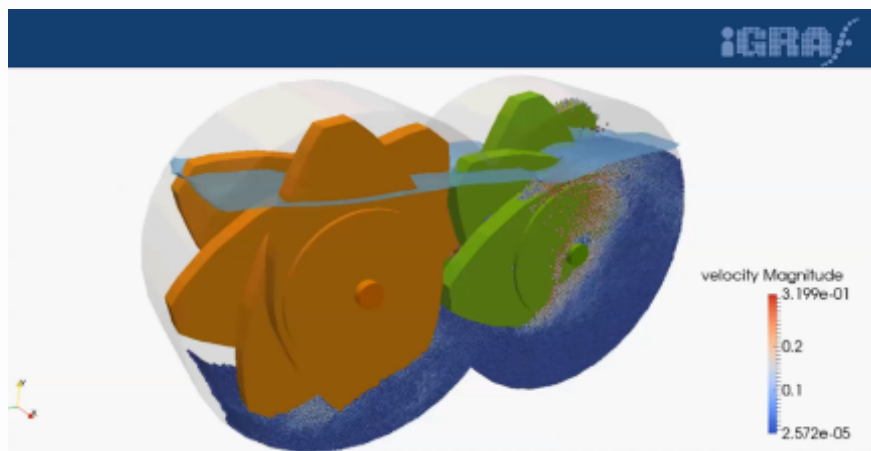


Introduction examples

- Providing accommodation business operators that aim to capture inbound demand with the check-in management function
- Enabling to acquire an attendance management history in collaboration with an office security system
- Realizing full security management in a rental space even in unmanned operation

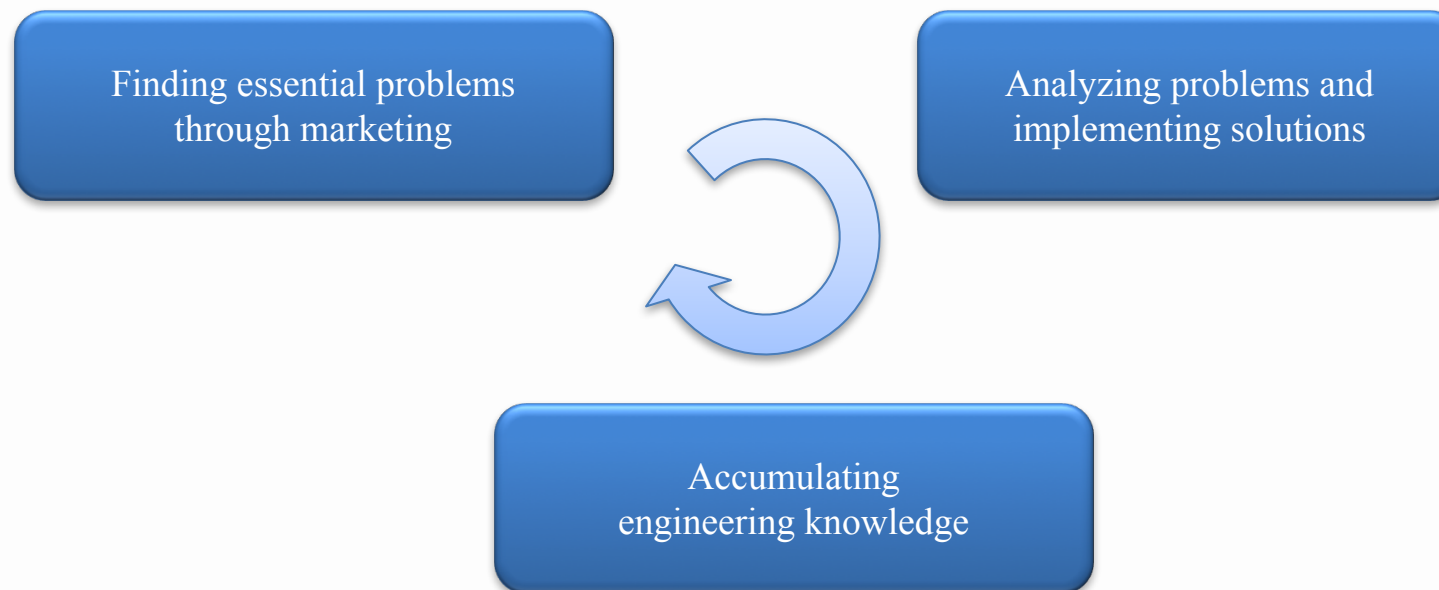
New Business Development (Industry-Academia Partnership) Powder Simulation Software iGRAF

- Providing engineering knowledge based on industry-academia partnership
 - Introduced the algorithm of Mikio Sakai, Professor at the University of Tokyo
- Enabled the simulation of powder, in addition to gas and fluid in the past
 - Realized the powder simulation of devices with a complex form and the mixed simulation of solid, liquid and gas which required an ultra-high performance computer in the past
- Developing marketing to the global market, as well as in Japan
 - Hosted the **Powder Simulation Technology Utilization Subcommittee** in the Association of Power Process Industry and Engineering, Japan
 - Set up booth at a nationwide event of SOLIDWORKS in the United States to develop marketing



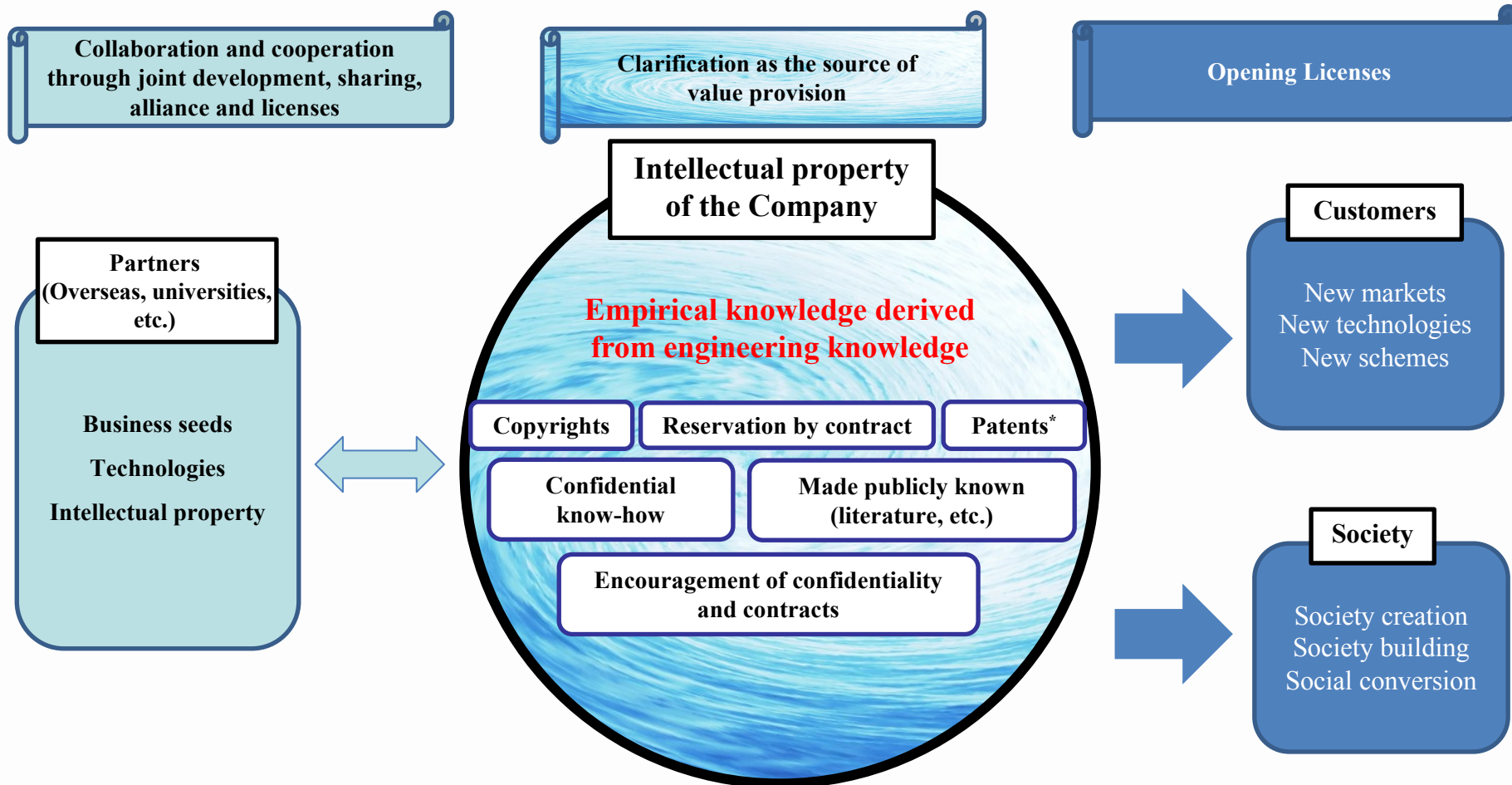
Providing Value by Finding Essential Problems and Achieving Solutions

- Finding problems through courteous marketing activities
 - Identifying the real problems without falling into narrow-minded engineer thinking
 - Determining essential problems behind visible issues
- Problems are solved only if a customer has mastered solutions.
 - Making commitments up to actual operation, not just the analysis of problems



Efforts for Intellectual Property by Leveraging Characteristics of the Company

Providing value more widely and deeply by accelerating open innovation



As an independent company, we are horizontally developing our empirical knowledge with ties to related entities.

* In FY2017, the size of patent assets was the third largest and the number of patents was the largest among companies in the information and telecommunications area in emerging markets (a survey by Patent Result Co., Ltd.)

Improving corporate value through sustained business expansion and human resource development

Business growth strategy

- Pursuing high added value by leveraging the experience curve
- Expanding business by developing new businesses
- Providing value by finding essential problems and achieving solutions
- Improving added value through the open use of intellectual property

Human resource development strategy

- Bringing on board a diverse range of human resources, including overseas
- Providing a place for personal growth
- Pursuing new engineering knowledge through industry-academia partnership

Participation of Diverse Human Resources: Recruitment Activities Overseas

Securing excellent overseas human resources with Asia as a contact point

▼ Scene of ACF



◆ ASEAN CAREER FAIR (ACF)

Joint company information session that brings together students from the top universities in ASEAN

In February 2018, approx. 150 students visited the KKE booth, and we implemented a company information session and recruitment selection.

◆ Company information session at local universities

We focus on recruitment activities including a briefing session at local universities from which graduates join the Company every year.

▼ Company information session at a local university



FY2017 recruitment record

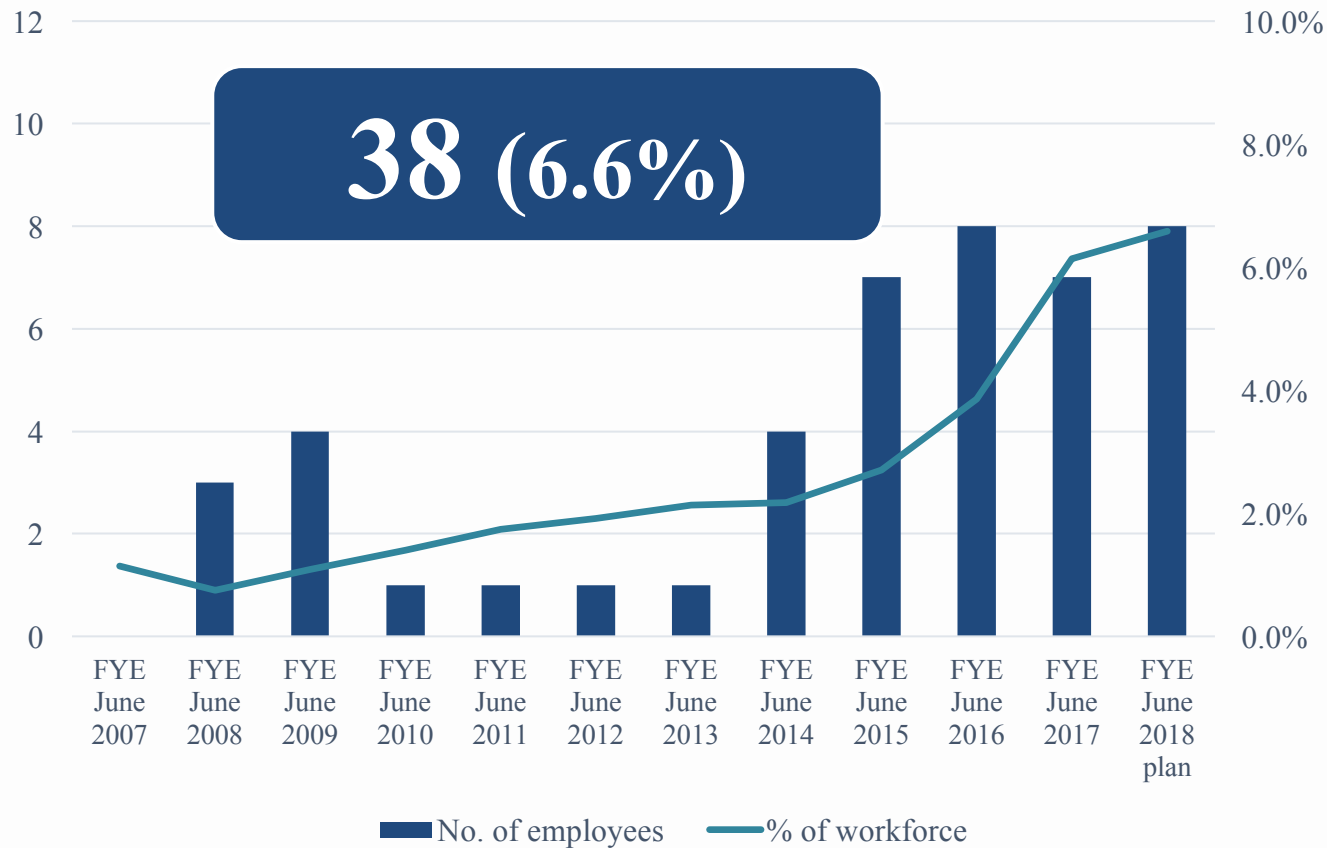
3 graduates joined the Company in December 2017, and 3 are to join the Company in April 2018.

Nationality: Philippine, Singaporean, Chinese and Indonesian

Recruitment of Human Resources

Securing a Diverse Range of Human Resources

Status of foreign national affiliation



Nationalities	Number of staff members
Chinese	12
Singaporean	5
South Korean	5
Indonesian	3
Philippine	3
Malaysian	2
Iranian	1
Indian	1
Spanish	1
Vietnamese	1
Peruvian	1
Polish	1
Myanmarese	1
South African	1

Recruitment of Human Resources Recruitment record in recent years: 2014 – 2018 (planned)

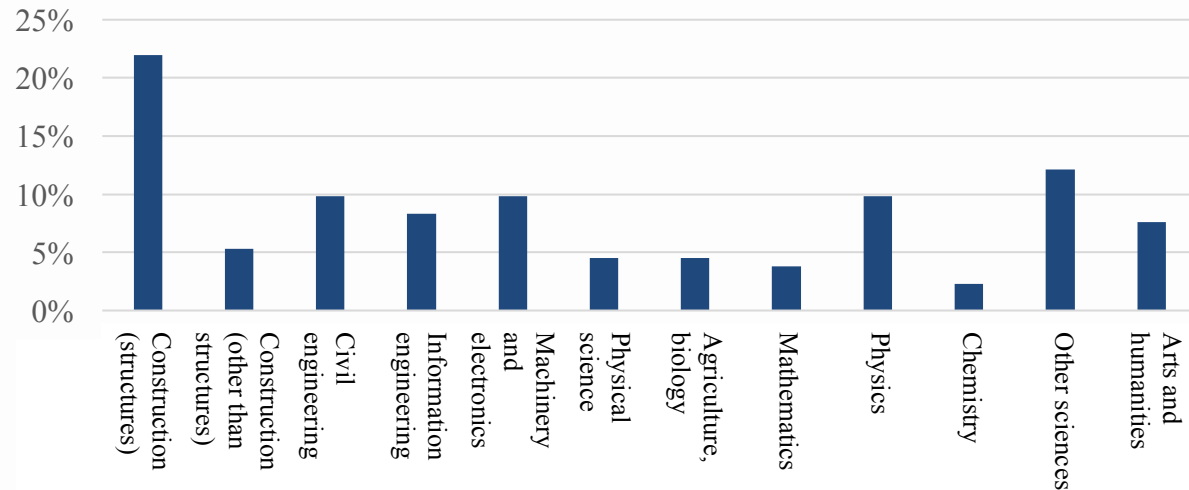
Total new employees
(including prospective employees)
from 2014 to 2018 **131**

Universities they graduated from (breakdown of those who joined the Company from April 2014 to April 2018)	Number of staff members	%
The University of Tokyo	15	11%
Kyoto University	10	8%
Tokyo Institute of Technology	9	7%
University of Tsukuba	7	5%
Tokyo University of Science	6	5%
Kyushu University	6	5%
Chiba University	6	5%
National University of Singapore	5	4%
Osaka University	5	4%
Nanyang Technological University	5	4%
Nihon University	4	3%
Waseda University	3	2%
Institut Teknologi Bandung	3	2%
Kumamoto University	3	2%
Kansai University	3	2%

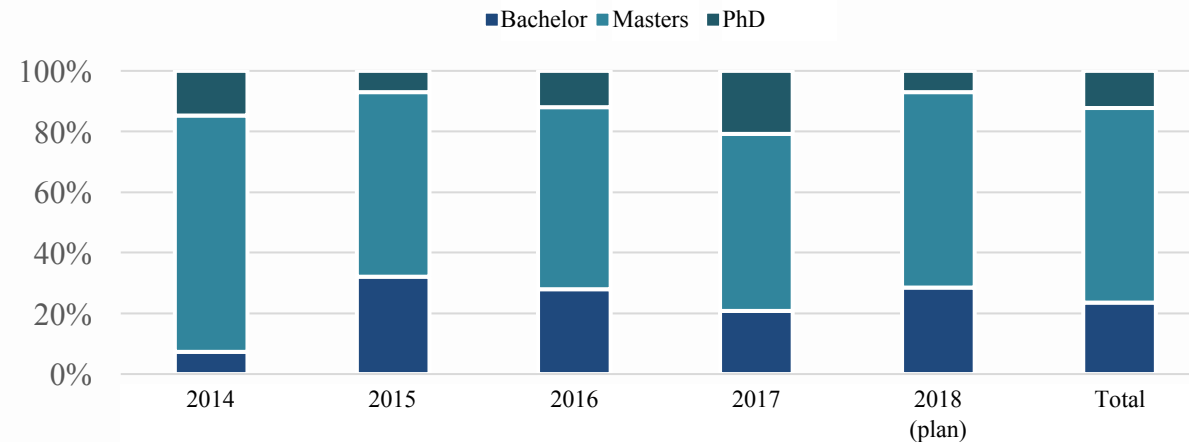
* Foreign universities

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

University or college majors

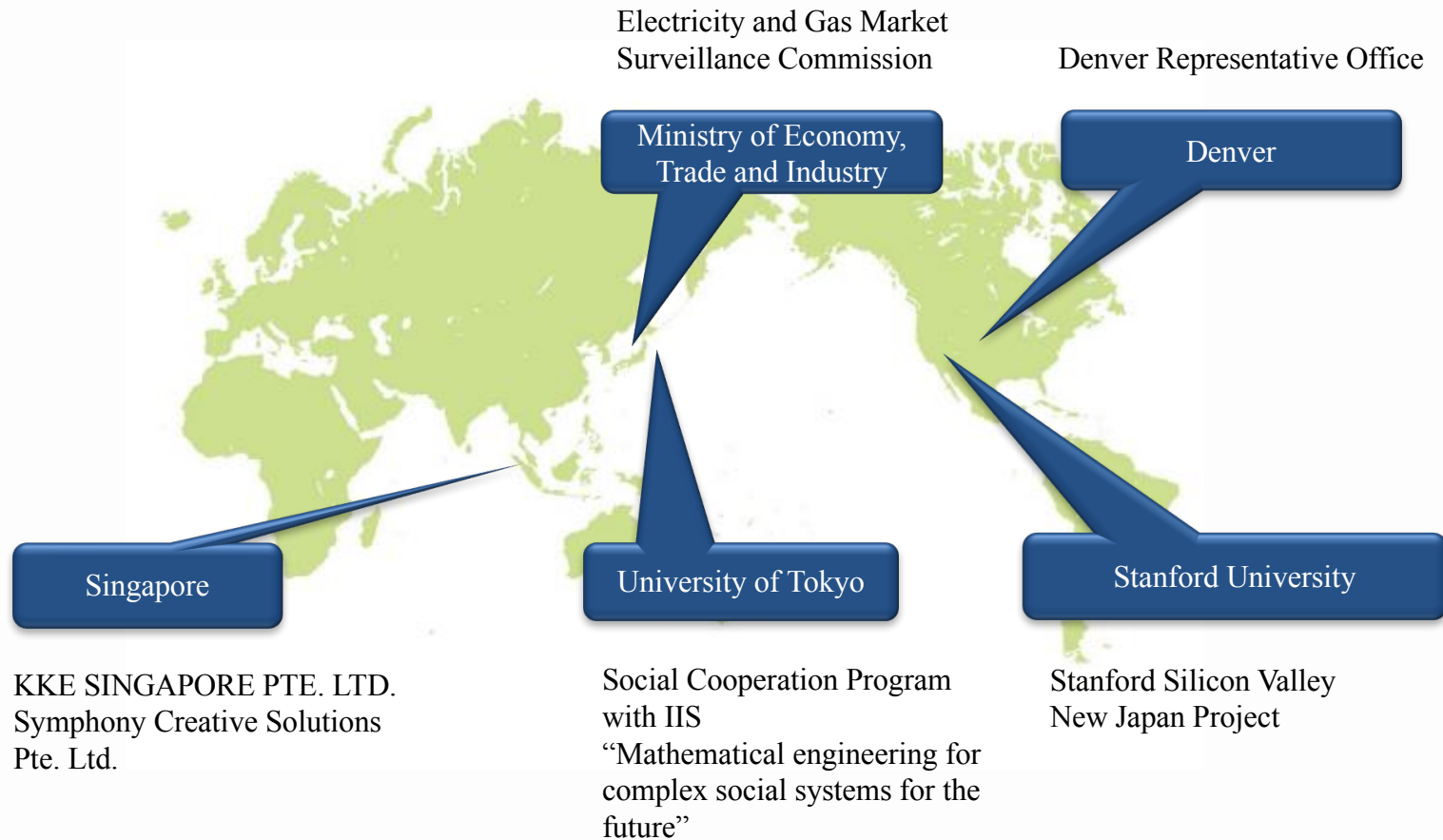


Breakdown by academic degree



Development of Personnel

Assigning Staff to External Organizations



Developing human resources through experiences across a wide range of fields, domestic and international

Development of Personnel

In-house commendation system

Hattori Makoto Scholarship Fund (Hattori Award)

Staff members who made a significant contribution or who are expected to make a contribution in the near future to the enhancement of the value of the Company are commended every year on the anniversary of the death of founder Makoto Hattori.

Winners of the 35th award



Teruhiko Yoneyama, **Chief of Social Simulation Section**, Innovative Information Technology Dept.

Reasons for the granting of the award

Made noticeable achievements in social contribution in the energy field through an industry-academia partnership.

Project commendation

24 projects that will contribute to society and become a model for others were awarded.



Human Resource Development Providing Opportunities for Self-Development

Encouraging self-development through external activities with universities, academic societies, etc.

- Actively encouraging outside activities
 - Academic societies and related groups: 64 organizations
 - Committee/research group activities with outside organizations: 34 members, 115 organizations
 - Speaking activities at universities, etc.: 16 activities, 13 members
 - Outside presentations and publications: 107



- Creating opportunities for “shadow work”
 - Offering library facilities, available at all times
 - Providing reference materials, space for quiet study, etc.



Pursuing New Engineering Knowledge through Industry-Academia Partnership

- KKE Vision 2017 -

Objectives of the KKE Vision 2017

- “Creation of fans” and “deep cultivation”
- Creation of a place to connect
- Transmission and penetration of an image as a Professional Design & Engineering Firm

Results

- Date: Tuesday October 24, 2017
- Venue: Hyatt Regency Tokyo
- Number of visitors: 1,095 persons
- Keynote speech: Soichiro Tahara
“Taking a closer look at Japan as a digital society
– From the early days of the Japanese computer industry to the present day, and beyond”



▲ Exhibition corner “Origin of KKE” to look back on an aspiration and technologies at the time of foundation



▲ Scene of keynote address

Pursuing New Engineering Knowledge through Industry-Academia Partnership

- Hosting of the 18th MAS Competition -

Objectives of the the 18th MAS Competition

- Promotion of the spread of social simulation and utilization in the educational interface

Overview

- Date and venue: Friday, March 9 at the Corporate Library Office of the Company
- Agenda:
 - (1) Lecture by Susumu Yamakage, Professor at Aoyama Gakuin University
 - (2) Lecture by Hiroyasu Ide, Teacher at Aichi Prefectural Koromodai High School
 - (3) Presentation of latest achievements by researchers



▲ Scene of the
18th MAS Competition

MAS (Multi Agent Simulator) developed by the Company
artisoc

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



Supporting consensus building among people
to solve complex problems in the real world.

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

We look forward to your continued support and guidance.

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