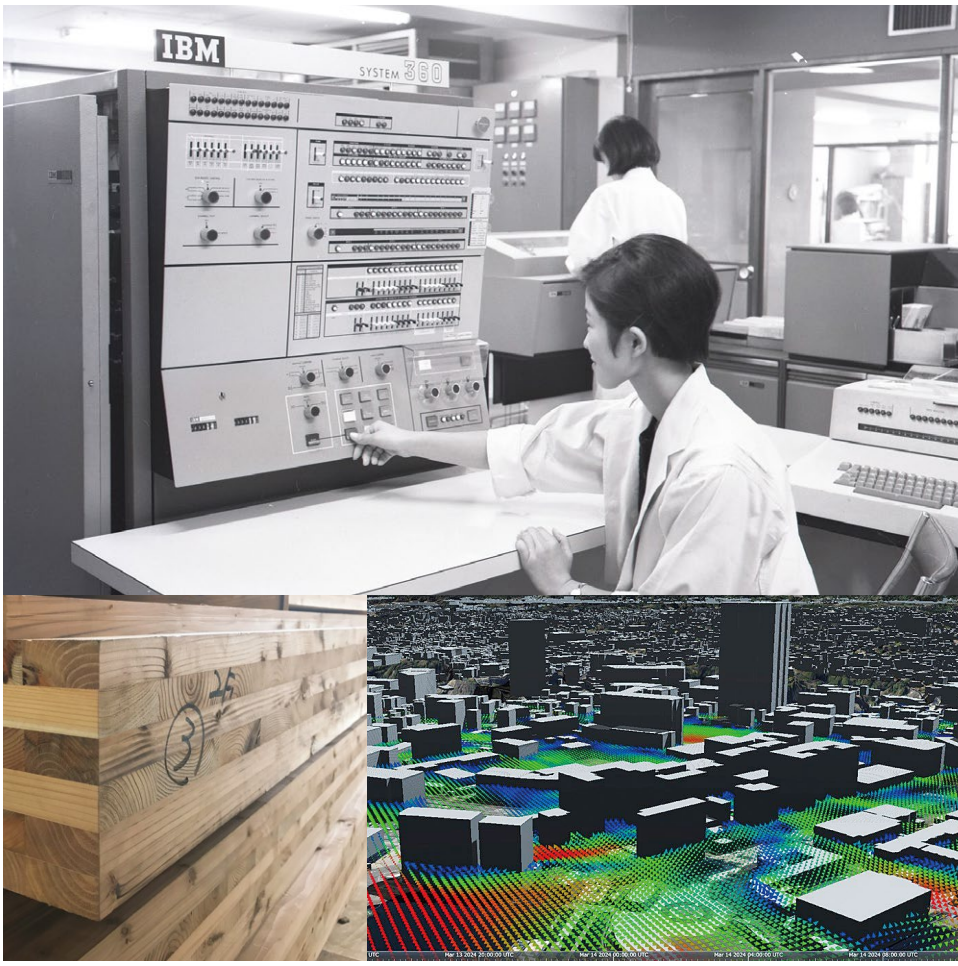
For FYE June 2024

Annual Shareholders Newsletter

From July 1, 2023 to June 30, 2024



Innovating for a ***Wise Future***

Contents

Creating systems that advance society by integrating human, physical, and intangible resources.

構造計画研究所ホールディングス
KOZO KEIKAKU ENGINEERING HOLDINGS Inc.

KOZO KEIKAKU ENGINEERING HOLDINGS Inc. was established as a wholly-owning parent company of KOZO KEIKAKU ENGINEERING Inc. on July 1, 2024, through a share transfer.

To Our Shareholders

渡邉太門

Tamon Watanabe

Director and Chairman KOZO KEIKAKU ENGINEERING HOLDINGS Inc.

I would like to extend my heartfelt gratitude to our shareholders for their continued support.

On July 1, 2024, KOZO KEIKAKU ENGINEERING HOLDINGS Inc. was established as a wholly-owning parent company of KOZO KEIKAKU ENGINEERING Inc. through a share transfer.

We hereby provide a report on the general situation during FYE June 2024 at KOZO KEIKAKU ENGINEERING Inc., which became a wholly-owned subsidiary and was delisted following the above.

Overview of FYE June 2024

In FYE June 2024, we continued to act on our management policy of re-growing existing businesses and further expanding new businesses as well as solidifying our organizational structure within a new framework in order to realize our “ideal shape” of being “a knowledge-intensive company that represents Japan in the 21st century” and to achieve sustainable growth with a view to the “100th anniversary of our founding.”

For that new framework, we made the transition to a holding company structure as of July 1, 2024.

Financial Results for FYE June 2024

In FYE June 2024, just as did in FYE June 2023, we successively achieved both record- high net sales and profit, with net sales of ¥17,942 million, operating profit of ¥2,372 million, and profit of ¥1,949 million. This was due to the solid performance of our highly profitable Engineering Consulting segment and steady growth according to plan in our cloud service provision business.

Looking at each segment, in the Engineering Consulting segment, we grew earnings by managing to steadily meet client needs in the likes of structural design consulting, analytic solutions, and systems development projects in the residential and construction industries. Our ability to meet the needs of greater society are the reason for this record of performance, with examples being operations related to the structural design of special structures including wooden architecture in recent years, wind turbine-related business against the backdrop of demand for natural energy, structural analysis of civil engineering structures and earthquake resistance measures for factories that serve as preparations for natural disasters, evacuation planning, and the analysis of radio wave propagation for the 5G standard and that with a view towards the 6G standard beyond that. Additionally, we believe that one of the factors behind this is that the “expansion of our client base,” which we have been actively working for the past several years in order to further develop the above trend, is coming to fruition.

In our Product Service segment, in addition to the existing engineering of manufacturing processes for the manufacturing industry and product quality support analysis techniques continuing to show growth in response to the needs of the times, our cloud service provision business progressed as planned, driving sales with a growth rate in excess of 20%. Within that business, the cloud-based door entry/exit control system (RemoteLOCK) is experiencing expanded needs in the lodging market due to the increase in inbound travel following the subsiding of COVID-19. Moreover, needs from local governments are increasing in response to events such as natural disasters, which have become increasingly large-scale in recent years (examples of response measures being opening schools and other facilities to serve as evacuation centers in the event of a disaster). The number of local governments that we have business dealings with has already surpassed 100.

When I joined KKE in July 2014, our cloud service provision business had just begun. Now, however, it has grown to account for 18% of our sales companywide. That figure is expected to continue growing in the future.

“Field Capability” at the Source of Our Value Offering

Over time, we have provided diverse value by “utilizing information engineering based on engineering knowledge that enables the firm to address any problem in society.” We believe our success in building up our current net sales and profit levels is the result of our diverse human talents multiplying diverse engineering and repeatedly providing value in diverse ways.

At the source of this is our “strength in the field” and “advanced field capability.” “Field capability” refers to each and every staff member earnestly approaching clients, confronting challenges, racking their brains, and continuing self-improvement on a daily basis as professionals for the sake of seeing the happy faces of those clients. That capability includes technical prowess, attitude toward work, and the ability to identify issues. We are proud of how the accumulation of those efforts is manifesting itself in our current results.

Our founder, Makoto Hattori, had strived to realize “an engineering firm of independent professional engineers” since our firm’s inception. We believe the roots of that firm continue to be passed down uninterruptedly to today. For that reason, we take the position that the source of our growth lies in our “human talent,” and we are committed to management that places the highest priority on how to develop that “human talent.”

Strengths of “Architecture & IT” Since Our Founding

Our founder Makoto Hattori introduced computers for structural calculations in 1961. According to the work “Itsudemo Yumewo” (Stories of people who never forget their dreams and aspirations) by our former Representative Director and President Hisashi Tomino, at the time, it was rare for people in Japan’s construction and architectural design industry to pay attention to the future of computers. Even at universities, interested people were few. Moreover, even if computers had been introduced, they would have required software development, a completely different form of engineering from architectural design. Driven by the practical need to utilize computers at all costs at that time, early morning study sessions were held. It is said that our staff members studied truly hard and managed to get the system up and running, even as they struggled with programming. Apparently, as early as 1973, our founder passionately spoke of the prospects of the expansion of construction-related business and the future potential of the software development business as a professional in the two fields of structural engineering and software.

In this manner, we have continued over time to hone our skills as software professionals as well since the early days of the firm’s existence. Our knowledge of software has expanded the breadth of our business while simultaneously enabling the firm to provide proprietary solutions in its inherited business of architecture from the past to the present.

Social issues surrounding architecture and construction are changing along with the times. What challenges have we taken on in order to do our part to resolve these issues and see the happy faces of our clients? In this edition of the Annual Shareholders Newsletter, we would like to introduce some of the ways IT engineering is utilized in the construction field. That utilization is anticipated to continue growing in the future.

To enable ourselves to “create a wise future society” together with our stakeholders, we will continue to earnestly tackle the resolution of various social issues and keep on taking on challenges in our capacity as professionals as we move forward.

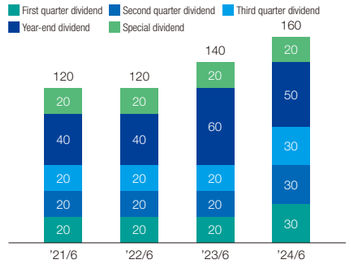
We therefore ask our shareholders for their continued support.

Shareholder Returns

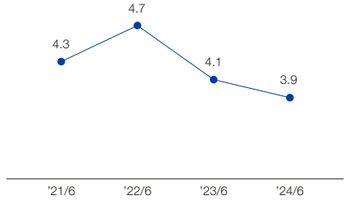
Basic Policy on Profit Distribution

We recognize that returning profits to our shareholders is an important management issue, and makes it a basic policy to pay continuous and stable dividends while taking into account the needs for internal reserves for the strengthening of management base and future business development.

Trends in Dividends (Unit: ¥)



Dividend Yield (shown in %)



*Status of KOZO KEIKAKU ENGINEERING Inc., which became a wholly-owned subsidiary on July 1, 2024

Our solutions, which combine the structural design engineering that represents our inherited business with IT, have made great strides in the domain of "system development in the residential and construction industries" since the 1980s. Our structural design support systems are still used by a wide variety of people beyond structural calculation specialists even today. The roots of those systems are our strong emphasis on exploring the essential requirements of our clients who use them. Here, we introduce the sentiments of our predecessors who experienced the dawn of the business and the current state of the structural design support systems that we offer.

Interview

History of System Development Based on Knowledge of the Architectural Field

Masayoshi Abe
Former Director and Chairman,
KOZO KEIKAKU ENGINEERING Inc.

Expansion Into Architecture-Related Businesses

While starting out as a design firm, KKE had introduced computers not long after its inception. Initially, we started using computers for structural calculations based on a simple program whose results were printed using a typewriter. In 1967, with former Representative Director and President Hisashi Tomino as development leader, KKE commenced development of STAN, a framework structural analysis software program. STAN, through which we applied computer engineering to structural analysis, was our first in-house developed software program. It was used in actual work involving structural design and analysis consulting.

Additionally, our founder Makoto Hattori, who sought to make us a general engineering firm capable of addressing any social issue, started up the Engineering Application (E.A.) Department and sought to develop a wide range of building-related businesses that were not just for structural design professionals. Then, in 1971, we received an order from Nippon Telegraph and Telephone Public Corporation (now NTT) to develop "DEMOS" (Dendenkosha - Multi-Access Online System), the basis for the development of the structural design support systems that continue to this day.

Meticulous Requirements Definition in DEMOS Development

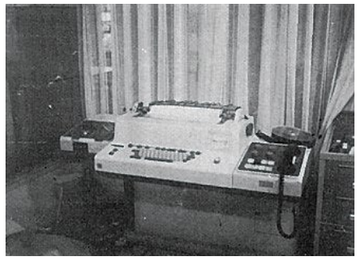
As computers were very expensive at the time, they were only available to a limited number of people, such as those in large companies and research institutions. Amid these circumstances, Nippon Telegraph and Telephone Public Corporation had been planning a service for the public that would also allow small and medium-sized business operators to access domestically-produced high-speed computers via telephone lines. That service is the "DEMOS" scientific and engineering calculation service system. Among the DEMOS services that enabled users to create and run programs, provide data files, and so forth, we oversaw the development of an application for building structure design in which users enter parameters and data into the program to obtain results. With little experience in contracted system development across our firm as a whole, as the person in charge of the project, I would have detailed meetings, from the upstream of the development process, on desired functions and other areas with Nippon Telegraph and Telephone Public Corporation, the client in this case. I would compile their system requirements in a requirement design document that would form the basis of the next round of discussion. I repeated this process multiple times.

As a system, DEMOS serves an unspecified number of users involved in architectural design, non-specialists included, throughout Japan. Accordingly, the required level of quality was extremely high. We repeated the review process countless times, plus there were even stretches of days when we would go to the client in the middle of the night to debug the system. From upstream design to development, things were extremely severe and difficult. At the same time, that is precisely why we had absolutely no system failures in the DEMOS we released. While it was tough at the time, the more I think about it, it was a good experience that taught me a lot.

Fully Understanding the Client's Requirements

Entering the 1980s, when we received a request from a home builder to develop a structural design support system for an urban three-story industrial housing complex in the Tokyo metropolitan area. The experience and knowledge that we gained through the DEMOS requirements definition process proved useful in the development of that structural design support system as well. Since then, our "design systems for industrialized housing" have been developed on an order-made basis for each home builder, which possesses different building techniques, and have become one of the main solutions offered by KKE to date.

Departments that develop systems are naturally present in each house builder. However, if they still find themselves wanting to use the most ideal application for their own design, our deep knowledge of both the architecture and IT fields proves indispensable. In order to develop a one-of-a-kind system tailored to each home builder, we must fully understand the client's requirements no matter what. It is often said that "systems developed by KKE are easy to use."



In-house DEMOS operation room

To realize that ease of use, it is necessary to make proposals at the development upstream by suggesting certain systems for certain requirements rather than saying that something cannot be done.

If we develop better systems, clients will continue to rely on us as a matter of course. In order to implement such a virtuous circle, our first order of business is to grasp what the other party really wants. My hope is that in the future, KKE will continue its approach of using one's imagination as professionals, building relationships conducive to having many discussions, and realizing the ideal shape that the other party is after.

Case 1

Contributing to the Realization of a Decarbonized Society through Design Support Systems

To realize a decarbonized society, the further promotion of the use of renewable resources such as forests is essential. Among such efforts, the expanded use of timber in buildings, which constitutes the main use of timber in Japan, plays an important role as a major receptacle of demand for domestic timber. For that reason, the use of wood in buildings is being promoted across the entire country. While continuing to strongly emphasize providing systems that can be used by a wide range of individuals, structural design specialists and non-specialists alike, we are developing structural design support systems for wooden residences as well as structural design support systems aimed at the development and popularization of construction methods utilizing "CLT," a new wood-based material.

Wooden Architecture Design Support Systems

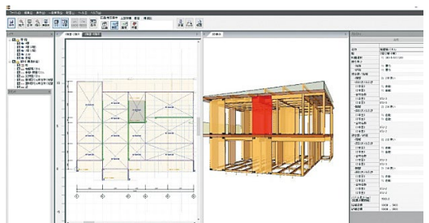
In promoting the use of timber in buildings, it is important to promote the use of wood in medium- and large-scale buildings, where the wood usage rate is low and there is considerable room to expand demand.

Around the world, the development of forms of engineering for realizing medium- and large-scale wooden architecture is progressing. One such form is "CLT" (Cross-Laminated Timber), which came into being in Europe in the mid-1990s.

In Japan as well, the notification on design methods for buildings using CLT was promulgated and enforced in 2016. This made it possible to build CLT buildings through normal public examinations without having to obtain ministerial certification for each individual building, which had been required up to that point.

However, the structural design of these buildings requires advanced calculations. Moreover, the infrastructure for design is still insufficient, making the hurdles to design considerably high at this juncture. Consequently, only a handful of designers with expertise are able to design CLT buildings. This is hindering their popularization. Given this predicament, we participated in a project for the establishment of CLT building construction methods in collaboration with universities and private enterprises, and developed a mechanism that enables CLT architecture to be designed with ease as well as a structural design support system to realize that mechanism.

Enabling intuitive operation that does not rely on expertise



For many years, we have been working on the development of structural design support systems for home builders. Based on our experience and accumulated know-how, we have developed systems incorporating various functions that take into account the complex structural calculations of CLT architecture and factory production of CLT used in that architecture, enabling engineers without special expertise to design CLT architecture.

To further popularize wooden architecture, it will continue to be necessary in the future to develop systems that assist engineers and lower the hurdles to design. We will continue to promote "the utilization of knowledge to resolve social issues," which constitutes one of our missions, and contribute to the popularization of wooden architecture and the realization of a decarbonized society through our dependable system development engineering.

Case 2

Aiming to Resolve Labor Shortages and Improve Productivity in the Architecture Industry

Buildings require an extremely large number of processes, from planning to design, construction, inspection, and so on. Each process involves a great large number of people, including the client, design engineers, structural engineers, facility engineers, and site workers. These people combine their special skills and steadily work off each other to complete the building. In recent years, with the growing diversity of architectural spaces and increasing strictness of standards that must be met in response to disasters, the environment surrounding buildings has changed dramatically from the past to the present. However, low productivity unable to accommodate the increasing complexity of buildings is presenting a problem. Compounding the problem are shortages of labor in the industry. Veteran technicians in particular are in increasingly short supply. “A fundamental reform of construction operations”—Here, we introduce our solutions to address pressing issues faced by the industry.

BIM

An initiative for facilitating operational reforms in the construction industry through IT is the popularization of the concept of BIM (Building Information Modeling), which is recently accelerating. BIM refers to the approach of utilizing data in all aspects of architecture by adding unique attribute information (such as component and material names, materials, dimensions, and prices) to a 3D model of a building generated on a computer. The concept of BIM appears to be gradually spreading in response to work style reforms, stronger promotion by the Ministry of Land, Infrastructure, Transport and Tourism, and other factors.

A Platform as a Universal Language for the Construction Industry, Which Is Facing a Labor Shortage

Communication requires a common “language.” As an example, the “drawings” used when constructing buildings could be said to constitute a language through which the people involved in that construction process work off each other with a shared understanding. At the same time, in the construction industry, discrepancies in communication based on drawings are becoming more and more apparent.

Behind that is the decline in the number of skilled engineers. “Examining a 2D drawing, imagining its finished state in 3D, and erecting a building” takes a certain degree of experience. However, with the retirement of skilled engineers, the “sharing of tacit knowledge” between engineers and site supervisors that had facilitated construction work up to this point no longer holds, causing various reworking due to dimensional errors and specification discrepancies to ensue.

Additionally, in recent years, an increasing number of workers have come from overseas. For people from overseas working in the field, the language of “drawings” no doubt poses a barrier. Drawing information is based on individual companies’ unique description methods. It does not reflect globally shared specifications.

In the construction industry, where labor productivity cannot be termed high to begin with, the loss of knowledge of skilled engineers and the shortage of labor are further contributing to low productivity.

Given that, what the construction industry needs is a BIM platform, the kind that can be intuitively understood by anyone and be considered a universal language.

From the Resolution of Each Critical Issue to a Wise Future Society

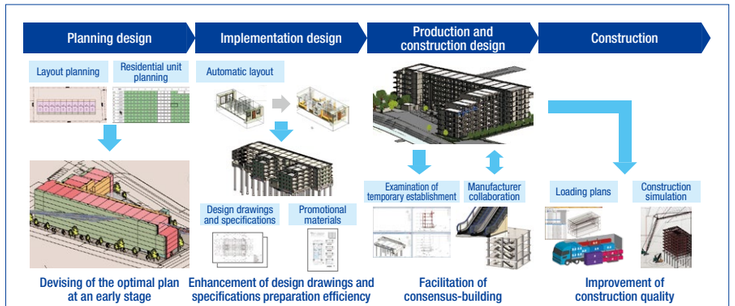
BIM is not just a 3D design tool. It aims to “connect” all kinds of information related to the construction process. The BIM concept is materialized on a computer and used as a centralized digital infrastructure for architectural information.

In conventional construction processes, when revisions occurred along the way, countless drawings used by various design-related individuals in all processes from design to construction had to be revised. In on-site management, high volumes of paperwork are necessary associated with construction planning, construction records, quality inspections, and other administrative tasks. When applied in the construction industry, where work is still conducted non-digitally, BIM causes a change to one model to result in changes to all related drawings in the digital space, and outputs the information assigned to those models as is. This makes it possible to realize the elimination of time, effort and cost that had been incurred in great amounts across all processes. Moreover, the scope of application of the BIM approach does not end with the construction of the building at the construction site. Since building information is built on a digital platform, the lifecycle beyond the completion of construction (maintenance, management, and repairs) is also taken into account.

In developing a BIM system, we first outline the client’s ideal shape, then sort out the modeling requirements for the purpose of realize that shape. Upon doing so, we incorporate the requirements individually sought in each construction process, such as “structural design” for ensuring the safe structure of the building in addition to “design engineering” for the floor plan and design, as well as “facility design” related to the likes of air conditioning and plumbing. By utilizing the myriad of engineering knowledge we have accumulated over the years, we are working towards building a BIM system customized for each client to contribute to the improvement of operations of the various stakeholders with the aim of creating a system that will serve as a platform for architectural design.

The approach behind BIM will also serve as the foundation for the realization of smart cities. One conceivable future is attaching sensors to heavy machinery at construction sites to “automate all construction processes.” Still, whatever we do, nothing will take place without the presence of digital information on architecture. We will confront each and every one of the critical issues standing right before our clients and proceed towards a wise future society while realizing operational reforms.

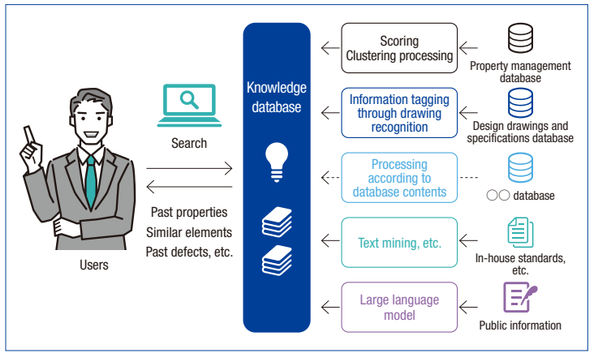
Establishment of an integrated BIM system



Knowledge Utilization

Against the backdrop of labor shortages, engineers are required to prepare meticulous plans that take into account mitigating the burden on construction sites. In addition, the diversification of architectural spaces and building materials as well as repeated revisions to laws and regulations have resulted an ever-increasing number of elements that engineers must consider. Additionally, as the workforce changes, such as through the retirement of veterans and increases in the number of designers without an architecture background, the quality of defect-free design must be maintained.

Expectations are that amid such circumstances, “information (knowledge) of past design work” accumulated at various companies will be utilized. For young, inexperienced engineers in particular, systems that enable them to easily search past knowledge help them save time and aid them considerably in design.



Searching for a myriad of information using a centralized database

Giving Engineers More Time to Think by Enhancing Work Efficiency

The knowledge utilization system using AI is our solution for making engineers’ work more efficient. We have deciphered vast amounts of information that has been individually accumulated in various forms, including drawings, documents, and property data, and compiled it into a database. When users input information on the building they want to look up, such as its structure or number of floors, AI picks up information on similar projects in the past as well as keywords that could pose risks such as “seismic isolation” and “rain leakage.”

A crucial component of developing systems is deep knowledge of the architecture industry. To give an example, when an architectural drawing is input to AI, it must be made to learn the various architectural rules contained in the drawing, not just the image itself. Additionally, in the building of databases as well, we are able to meticulously accommodate various scenarios. For example, we can suggest the possibility of input data to exist in the construction process or other processes, rather than it being only information related to design. We can also propose the optimum way to present the data for the application scenario in question.

Leveraging past knowledge to shorten work times also helps give engineers more time to think. “Giving people more time to think”—Inheriting the philosophy of the firm’s founder Makoto Hattori, we emphasize the use of IT that allows engineers’ own thinking and senses to be utilized rather than opting to automate everything, and cherish the creation of value with people invariably placed at the center.

Construction Planning Optimization System

Alongside the shortage of labor at construction sites, there are growing needs to maintain optimal personnel allocation conditions at all times in construction planning. Residences are built with the involvement of craftspeople representing a variety of occupational categories. In order to make progress on construction work for as many as hundreds of buildings per month with a limited number of craftspeople, it is necessary to schedule them and other vendors in an efficient manner. At present, this management is handled by skilled site supervisors who manage plans while taking into account a variety of elements such as the age, experience, and compatibility of the craftspeople. However, because onsite work involves various uncertainties such as weather conditions, due to reasons such as process delays and the resulting inability of craftspeople in subsequent processes to get started on their work, unnecessary waiting time and updates to construction plans frequently arise. This makes process management an extremely difficult task.

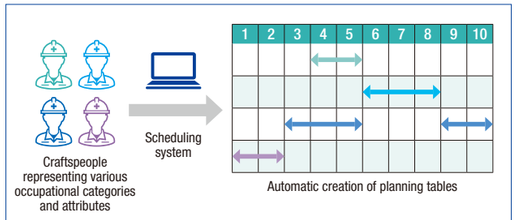
Operation System Based on a “Common Language With Clients”

Through utilizing a mathematical optimization technique called Operations Research (OR), we provide solutions that optimize process management by taking into account the relationship between fellow craftspeople and their performance efficiency, among other elements. OR refers to a technique for mathematically analyzing and modeling complex problems to find optimal solutions. By clearly documenting judgments and intuition based on the experience of veteran craftspeople, it is possible to prepare optimal process plans automatically.

We successfully developed our system for process management optimization by combining our knowledge and techniques in the differing fields of architecture and OR. With a “common language with clients” pertaining to the construction industry as a foundation, we were able to identify and systematize elements to be considered as optimization problems.

This system serves to greatly reduce the workload of site supervisors by automatically generating an optimized process chart. Information on upcoming sites of assignment is automatically shared with craftspeople over their smartphones. In order to realize a system that will be operated over the long term in client operations, the system must improve the satisfaction of all people involved in processes, including general managers, site supervisors, and craftspeople. In our approach to problem-solving, we strongly emphasize ascertaining the issues of the client after forming an understanding of their overall company situation, then carefully examining solutions.

Lean construction planning with OR engineering



Case 3

Aiming to Realize Sustainable and Safe Cities: Reproducing Cities in Three Dimensions

In order for people to go about their lives in comfort, city-scale measures that include buildings are essential. In fields related to urban planning, which are closely intertwined with architecture, as well, we continue to tackle challenges with the use of IT by leveraging the know-how in our possession.

Project PLATEAU

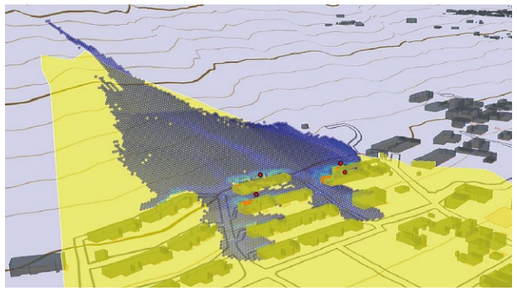
PLATEAU, a project to develop cities across Japan in cyberspace using 3D, was initiated by the Ministry of Land, Infrastructure, Transport and Tourism in 2020. The conversion of 3D city models into open data as a platform for digital transformation of urban development, including smart cities, will facilitate the creation of open innovation with the participation of numerous local governments, private enterprises, various researchers, and other parties. Use cases have been developed in various domains in the public and private sectors, and social implementation of the platform is underway. Rather than a model that renders “shape” alone as 3D data, PLATEAU comprises a model that adds “semantics” in the form of the use and age of buildings and streets and information on urban activities such as administrative plans, among others. Processing semantic information by computer makes it easier to utilize simulations and data analysis in urban development and other efforts with 3D city models as the base.

Challenging Engineering and Resolving Social Issues

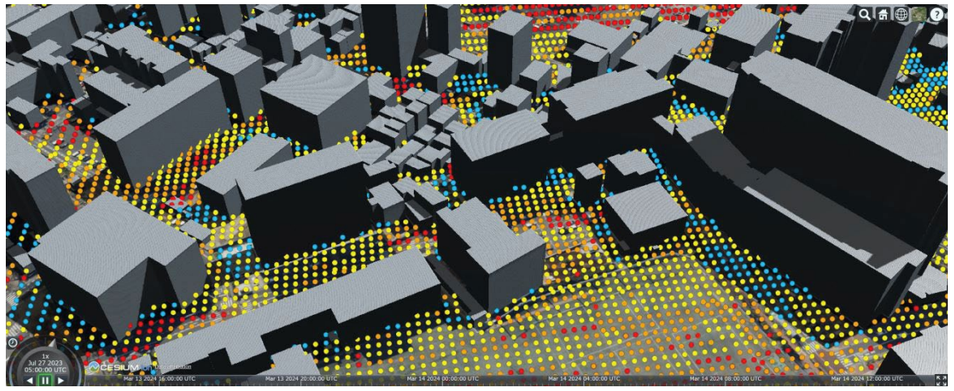
As a participant in PLATEAU, we are endeavoring to resolve social issues through the development of advanced use cases. We have developed a debris flow simulator for Bizen City, Okayama jointly with Wesco Inc. Hazard information currently in operation, such as landslide hazard warning areas, covers the maximum area that can be estimated mechanically based on the topography. In this development endeavor, together with university researchers in the dual fields of civil engineering and architecture, we realized a sophisticated debris flow fluid numerical simulator and accompanying 3D visualization system that takes into account factors such as the status of the collapse of houses.

Additionally, we are also working on simulations with heat island countermeasures for urban areas in mind. We developed a thermo-fluid simulation system for Yokosuka City, Kanagawa that can perform thermo-fluid analysis over the Web while acquiring data such as building spatial and subject attributes (use), land use classification, and topography from PLATEAU.

Our participation in PLATEAU has allowed us to engage in the development of algorithms for simulations that have few precedents. This is a meaningful achievement in both academic and engineering terms as well, including its implications for future presentations at meetings of academic societies. Furthermore, in order to implement the results of PLATEAU in the form of useful value to society, it is necessary for users in local governments and private enterprises who do not possess expert knowledge to use the systems in their normal operations. We will go beyond tackling engineering challenges to explore the ideal shape of cities together with users and strongly emphasize “truly usable engineering” from the user’s standpoint. Going forward, we will continue to take on challenges from our roots of seeking to resolve social issues in our capacity as professionals.



Sample visualization of debris flow simulation



Display of heat index in simulation results

Interview

History of Software Development and Quality Assurance Ambitions

Tetsuhiro Mizuno
Director in charge of Group Quality,
KOZO KEIKAKU ENGINEERING HOLDINGS Inc.

Aiming to Popularize Software

Our founder Makoto Hattori introduced the use of computer (an IBM 1620), the first time a private enterprise in Japan had done so, to free talented engineers from structural calculation work, which used to be enormously time-consuming when designing buildings. In order to widen the breadth of computer use, a completely different engineering from architectural design in the form of “software development” was required. Given that, we studied software engineering on our own and accumulated practical experience largely in the field of engineering to lay the foundation of “Architecture & IT” at the firm, which continues to this day.

Once the 1970s began, armed with a sense of mission to improve society by popularizing software in the world at all costs even at the expense of the development of his own firm, Makoto Hattori founded the Japan Software Industry Association, the forerunner of JISA (Japan Information Technology Services Industry Association), which is currently comprised of major information service enterprises in Japan. Assuming the position of its Chair, Hattori worked diligently to unbundle (separate) software, which was even said to be nothing more than an add-on to hardware at the time, from that hardware with the aim of having the value of software be evaluated on a stand-alone basis.

Aiming for Quality Improvement in Systematic Software Development

Hisashi Tomino, our former Representative Director and President, is another figure who contributed to the development of the information service industry as a common cause. Tomino’s focus was on the quantification of software. Subscribing to Tom DeMarco’s philosophy of “You can’t manage what you can’t measure,” Tomino tackled public activities in the form of popularizing in the industry the measurement of “function points” that are not simply numbers of program steps and a method for evaluating software that relies on quality and productivity indicators based on that measurement.

He also compiled the “Green Book” as a standard guideline for organizational software development at our firm. These efforts on Tomino’s part indicated key points of the software development process, which was still in its infancy at the time, and served to instill within the firm an orderly project management method that adhered to the basics so that software bearing uniform quality could be produced no matter who made it. This Green Book has been revised repeatedly to reflect the times. Even now, it remains the bible of software development at our firm.

Realization of Our Clients’ Ideal Shape Through Combinations of IT Engineering

I am a member of the generation that entered KKE after Makoto Hattori passed away. Still, if I could relate an anecdote regarding our founder, one example is the story of how he dived 47 meters underground with both feet in a small bucket and dangling from a rope to conduct a ground survey for the reconstruction of Kumamoto Castle. Another is how he tried to ensure quality 1.5 times higher than the design standards required by law. These and other such anecdotes are quite soul-stirring. His actions may have been a product of his desire to “protect the cultural property that is Kumamoto Castle” and the belief that “quality standards should be determined by ourselves.”

Similar sentiments are of the essence in system development as well. Quality is not defined by a bug-free system. We are not just programmers who create what we are told to. Rather, we are professionals who provide better products to our clients without compromising quality. That approach is what is truly important. In recent years, there have been remarkable advances in forms of IT engineering such as IoT and generative AI. From a fundamental viewpoint, such IT engineering is a tool and nothing more. At the same time, if our approach is one of trying to provide solutions using only the forms of engineering we have at the moment, without familiarity with engineering that exists in greater society, we can neither create truly good products nor meet the needs of our clients.

Moreover, we are not a consulting firm that merely proposes clients’ ideal shape to them. Rather, we think alongside them and work together to resolve their issues until that ideal shape is realized. That is what KKE is about. To that end, we must be a firm that is capable of presenting better options to our clients to approach their ideal shape rather than simply being driven by fads in greater society. Both technical prowess and consideration must continue to be refined and nurtured. My hope is that all of our staff members continue to maintain such aspirations.

We have adopted a quality policy of “winning the highest-level customer satisfaction” under which the following three items are stated.

-KKE emphasizes quality in all its corporate activities.
-KKE guarantees high quality consistently and systematically.
-KKE does not compromise on quality.

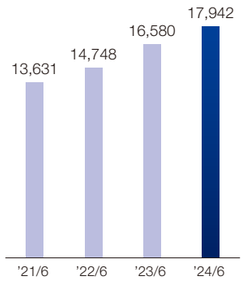
Such aspirations and culture occupy a critical position with respect to the quality of solutions by KKE. I feel my role is to instill within the firm KKE’s stance toward quality that does not change even as the times do.

*Status of KOZO KEIKAKU ENGINEERING Inc., which became a wholly-owned subsidiary on July 1, 2024

Financial Highlights

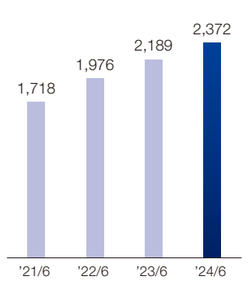
Net Sales
(Unit: Million yen)

17,942 million yen
(Up 8.2% year on year)



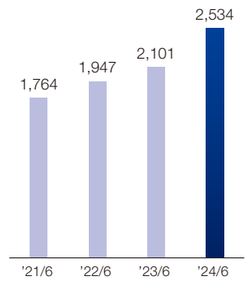
Operating Profit
(Unit: Million yen)

2,372 million yen
(Up 8.3% year on year)



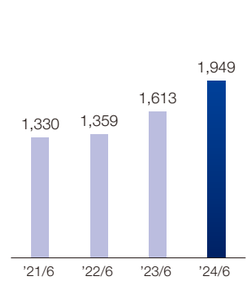
Ordinary Profit
(Unit: Million yen)

2,534 million yen
(Up 20.6% year on year)



Profit
(Unit: Million yen)

1,949 million yen
(Up 20.8% year on year)



Segment Review

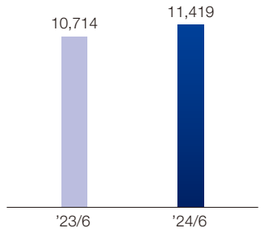
Engineering Consulting

In the fiscal year under review, net sales and profit exceeded their levels for the previous fiscal year, following the steady implementation of projects carried over from the end of the previous fiscal year, and new orders received during the fiscal year under review. We managed to maintain a high profit margin by executing high value-added projects utilizing our extensive experience and knowledge gained in the past while being mindful to ensure quality. In terms of the backlog of orders for the next fiscal year, we have secured ¥5,524 million, which exceeds the backlog of orders as at the end of the previous fiscal year (¥5,269 million as of the end of the previous fiscal year).

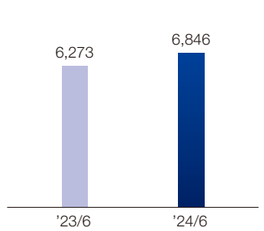
Net Sales 11,419 million yen (Up 6.6% year on year)

Gross Profit 6,846 million yen (Up 9.1% year on year)

Net Sales
(Unit: Million yen)



Gross Profit
(Unit: Million yen)



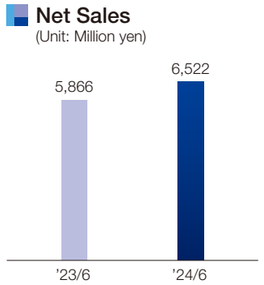
Product Service

Our cloud service provision business progressed at a growth rate of more than 20% according to plan, driving forward sales growth in the Product Service segment. Within that business, for our cloud-based access control system (RemoteLOCK), we have made various proposals suited to clients and markets by linking that system with check-in, reservations, and other systems, resulting in progress in its implementation in the lodging market and by local governments. The number of local governments that have introduced the system now exceed 100. We also developed services aimed at the start of the provisions of services with Individual Number Card (“My Number Card”) support. NavVis, which supports the acceleration of onsite 3D rendering, has shown steady performance, with the effects of new product launches manifesting themselves from the second half of the fiscal year.

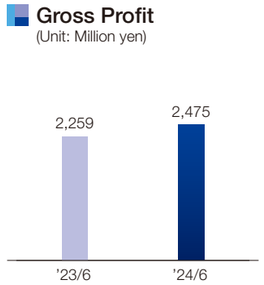
Net Sales 6,522 million yen (Up 11.2% year on year)

Gross Profit 2,475 million yen (Up 9.5% year on year)

Net Sales
(Unit: Million yen)



Gross Profit
(Unit: Million yen)



Financial Data

Balance Sheet (Summary)
(Unit: Thousand yen)

	FYE June 2023	FYE June 2024
(Assets)		
Current assets	6,954,771	8,370,226
Cash and deposits	2,399,906	2,743,021
Notes receivable-trade	17,871	56,741
Accounts receivable-trade	2,151,907	2,519,939
Contract assets	610,848	531,707
Work in process	22,619	39,261
Other	1,751,617	2,479,554
Non-current assets	11,353,098	12,359,461
Property, plant and equipment	5,427,285	5,649,452
Intangible assets	378,091	364,886
Investments and other assets	5,547,721	6,345,122
Total assets	18,307,870	20,729,687
(Liabilities)		
Current liabilities	5,697,546	5,802,443
Accounts payable-trade	365,509	320,803
Current portion of long-term borrowings	908,420	580,000
Other	4,423,616	4,901,640
Non-current liabilities	3,308,628	4,397,452
Long-term borrowings	650,000	1,612,630
Lease liabilities	453	17,083
Provision for retirement benefits	2,316,345	2,357,427
Provision for retirement benefits for directors (and other officers)	20,540	20,540
Provision for share-based payments	226,508	286,530
Asset retirement obligations	94,780	103,241
Total liabilities	9,006,174	10,199,895
(Net Assets)		
Shareholders’ equity	8,870,827	10,012,627
Share capital	1,010,200	1,010,200
Capital surplus	1,353,082	1,367,412
Retained earnings	7,121,309	8,142,297
Treasury shares	-613,764	-507,282
Valuation and translation adjustments	430,868	517,164
Total net assets	9,301,695	10,529,792
Total liabilities and net assets	18,307,870	20,729,687

Income Statement (Summary)
(Unit: Thousand yen)

	FYE June 2023 (From July 1, 2022 to June 30, 2023)	FYE June 2024 (From July 1, 2023 to June 30, 2024)
Net sales	16,580,736	17,942,186
Cost of sales	8,048,089	8,620,107
Gross profit	8,532,647	9,322,079
Selling, general and administrative expenses	6,342,765	6,949,633
Operating profit	2,189,882	2,372,445
Non-operating income	16,925	184,683
Non-operating expenses	105,326	23,002
Ordinary profit	2,101,481	2,534,126
Extraordinary income	–	705
Extraordinary losses	25,805	404
Profit before income taxes	2,075,676	2,534,427
Income taxes-current	601,697	682,568
Income taxes-deferred	-139,056	-97,338
Profit	1,613,034	1,949,196

Cash Flow Statement (Summary)
(Unit: Thousand yen)

	FYE June 2023 (From July 1, 2022 to June 30, 2023)	FYE June 2024 (From July 1, 2023 to June 30, 2024)
Cash flows from operating activities	1,797,307	1,538,361
Cash flows from investing activities	-865,044	-1,087,682
Cash flows from financing activities	-1,092,833	-107,360
Effect of exchange rate change on cash and cash equivalents	165	-202
Net increase (decrease) in cash and cash equivalents	-160,405	343,115
Cash and cash equivalents at beginning of period	2,560,311	2,399,906
Cash and cash equivalents at end of period	2,399,906	2,743,021

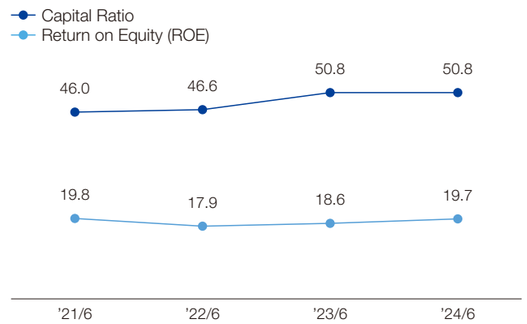
Balance Sheet Highlights

- Total assets increased 13.2% year on year to ¥20,729 million.
- Total liabilities increased 13.3% year on year to ¥10,199 million.
- Total net assets increased 13.2% year on year to ¥10,529 million.

Income Statement Highlights

- Net sales were ¥17,942 million. Operating profit came to ¥2,372 million, ordinary profit came to ¥2,534 million, and profit came to ¥1,949 million, all exceeding the announced earnings forecasts.

Capital Ratio/Return on Equity (ROE)
(Unit: %)



Corporate Profile / Stock Information

Corporate Data (As of July 1, 2024)

Name:	KOZO KEIKAKU ENGINEERING HOLDINGS Inc.
Date of Foundation:	June 6, 1956
Date of Establishment:	July 1, 2024
Accounting Term:	June
Listed on:	Tokyo Stock Exchange (Standard Market)
Line of Business:	Engineering Consulting/ Product Service

Main Group Companies

KOZO KEIKAKU ENGINEERING Inc.
KKE Smile Support Inc.
PARA-SOL, Inc.
RemoteLock Japan Co., Ltd.
International Logic Corporation (U.S.A.)

Main 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
Nakanosakaue Annex:	Sumitomo Nakanosakaue Building 10Fl. 1-38-1 Chuo, Nakano-ku, Tokyo 164-0011
Nagoya Branch Office:	JP TOWER NAGOYA 25Fl. 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi 450-6325
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
Spain Rep. Office:	C.d'En Granada,16,43003 Tarragona, Spain

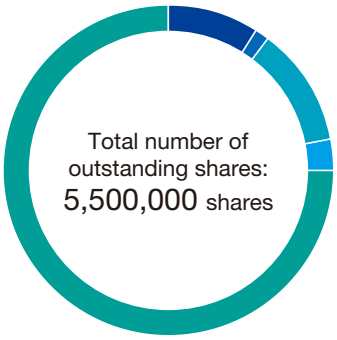
Share Status (As of July 1, 2024)

Total number of authorized shares:	21,624,000 shares
Total number of outstanding shares:	5,500,000 shares
Number of shareholders:	7,920 (As of June 30, 2024*)

*Status of KOZO KEIKAKU ENGINEERING Inc., which became a wholly-owned subsidiary on July 1, 2024

Composition of Shareholders (As of June 30, 2024*)

*Status of KOZO KEIKAKU ENGINEERING Inc., which became a wholly-owned subsidiary on July 1, 2024



- Financial institutions: 9.15%
  6 shareholders / 503,665 shares
- Securities companies: 1.20%
  11 shareholders / 66,012 shares
- Other corporations: 11.66%
  51 shareholders / 641,327 shares
- Foreign corporations, etc.: 3.04%
  87 shareholders / 167,000 shares
- Individuals and others: 74.95%
  7,765 shareholders / 4,121,996 shares

(Note) The figure for "Individuals and others" includes 26,754 shares of treasury shares.

Additional Information

Fiscal year:	From July 1 to June 30 of the following year
Annual meeting of shareholders:	Every September
Record dates for dividends:	March 31, June 30, September 30 and December 31
Record date:	June 30
Administrator of shareholder registry & Special account management institution:	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the above:	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikkocho, Fuchu-shi, Tokyo (Mailing address) Corporate 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:	https://www.kke-hd.co.jp (in Japanese) (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.)

構造計画研究所ホールディングス
KOZO KEIKAKU ENGINEERING HOLDINGS Inc.
Contact: Investor Relations Section e-mail: ir@kke.co.jp