



FYE June 2024 (66th Term) Financial Results KOZO KEIKAKU ENGINEERING Inc.

2024.09.20

- 1. Overview of Financial Results**
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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.

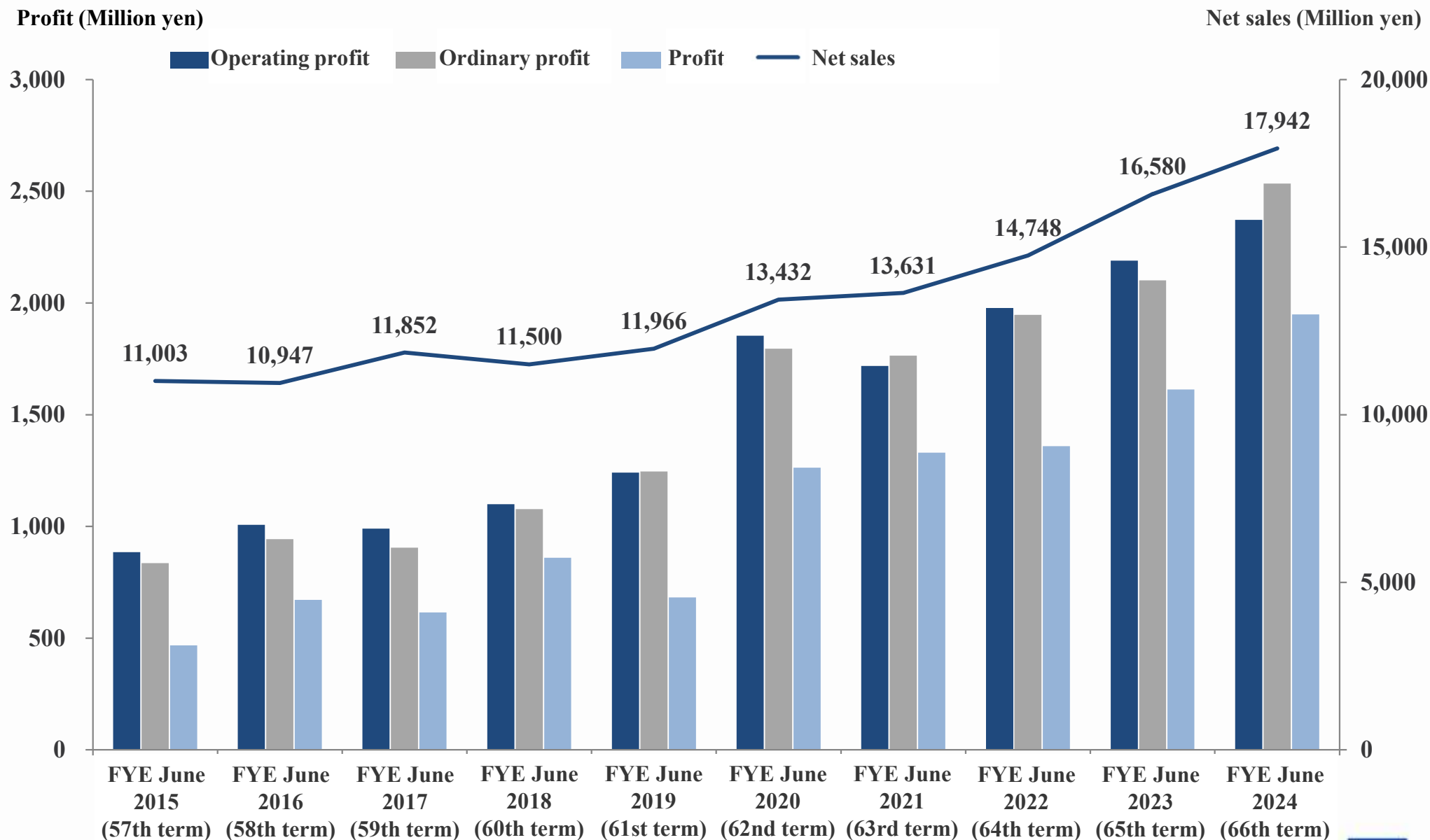


1 Overview of Financial Results



Income Statement

	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Change from previous FY	Rate of change from previous FY
Net sales	16,580	17,942	1,361	8.2%
Cost of sales	8,048	8,620	572	7.1%
Gross profit	8,532	9,322	789	9.3%
(Gross margin)	(51.5%)	(52.0%)		
SGA expenses	6,342	6,949	606	9.6%
Operating profit	2,189	2,372	182	8.3%
(Operating margin)	(13.2%)	(13.2%)		
Non-operating income (expenses)	-88	161	250	—
Ordinary profit	2,101	2,534	432	20.6%
(Ordinary margin)	(12.7%)	(14.1%)		
Extraordinary income (loss)	-25	0	26	—
Profit before income taxes	2,075	2,534	458	22.1%
Income taxes	462	585	122	26.5%
Profit	1,613	1,949	336	20.8%
(Net margin)	(9.7%)	(10.9%)		



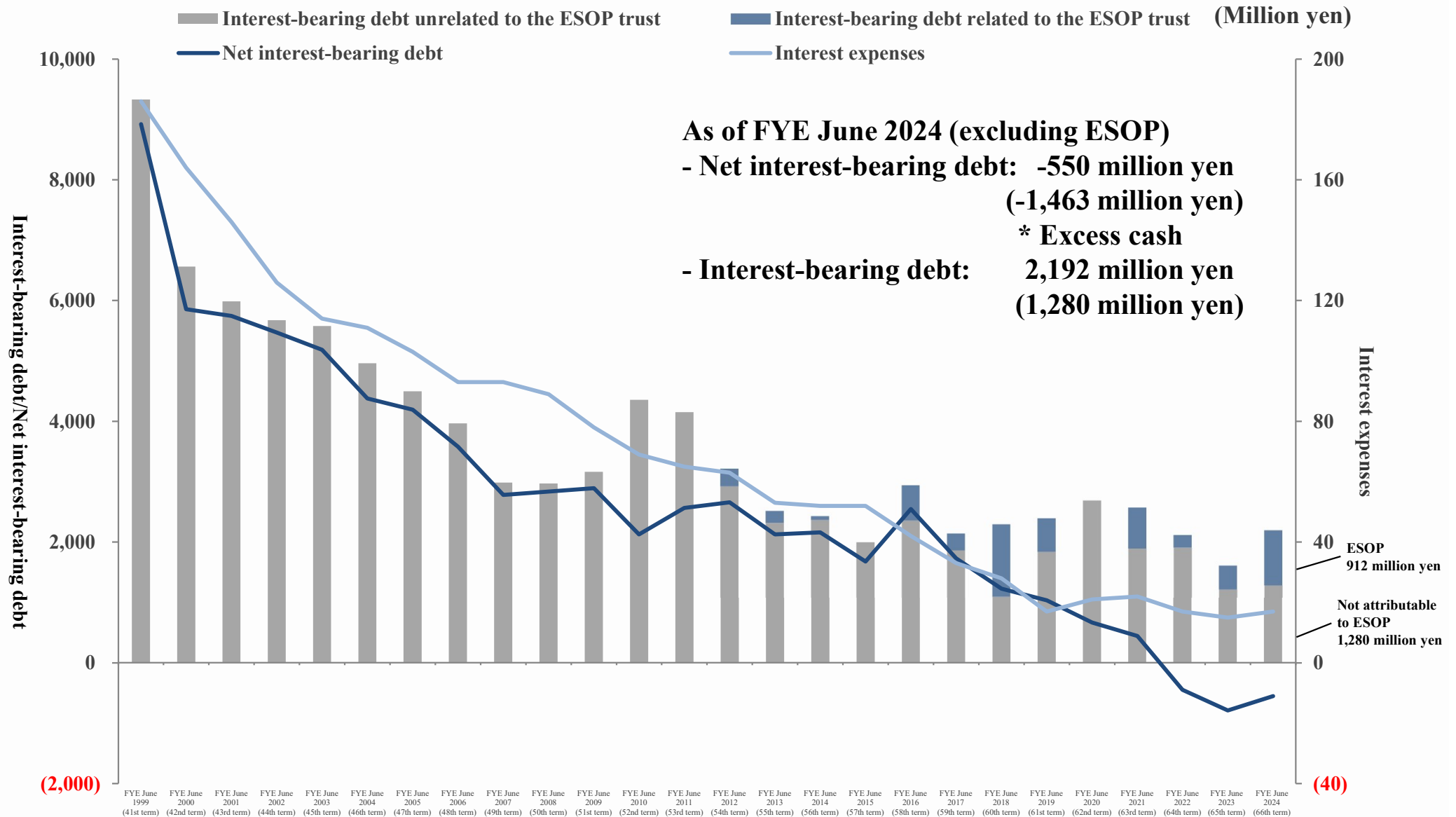
Balance Sheet

Item	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Change	Item	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Change
Cash and deposits	2,399	2,743	343	Short-term borrowings	—	—	—
Notes / accounts receivable - trade and contract assets	2,780	3,108	328	Current portion of long-term borrowings	958	580	-378
Work in process	22	39	16	Advances received	1,197	1,555	358
Other	1,751	2,479	728	Accrued expenses	1,750	1,929	178
				Other	1,791	1,737	-53
[Current assets]	6,954	8,370	1,415	[Current liabilities]	5,697	5,802	104
Property, plant and equipment	5,427	5,649	222	Long-term borrowings	650	1,612	962
Intangible assets	378	364	-13	Provision for retirement benefits	2,316	2,357	41
Investments and other assets	5,547	6,345	797	Other	342	427	85
Investment securities	2,777	2,884	106	[Non-current liabilities]	3,308	4,397	1,088
Shares of subsidiaries and associates	1,109	1,723	614	[Liabilities]	9,006	10,199	1,193
Investments in capital of subsidiaries and associates	56	57	0	Share capital	1,010	1,010	—
Deferred tax assets	1,177	1,237	59	Capital surplus	1,353	1,367	14
Other	425	441	16	Retained earnings	7,121	8,142	1,020
[Non-current assets]	11,353	12,359	1,006	Treasury shares	-613	-507	106
				Valuation difference on available-for-sale securities	430	517	86
				[Net assets]	9,301	10,529	1,228
[Assets]	18,307	20,729	2,421	[Liabilities and net assets]	18,307	20,729	2,421

* Capital ratio FYE June 2023: 50.8%; FYE June 2024: 50.8%

* Impact of introducing ESOP: FYE June 2023: 38 million yen is included in Other of current assets, 410 million yen in treasury shares, and 393 million yen in current portion of long-term borrowings.
FYE June 2024: 612 million yen is included in Other of current assets, 358 million yen in treasury shares, and 912 million yen in long-term borrowings.

[Reference] Changes in Net Interest-Bearing Debt



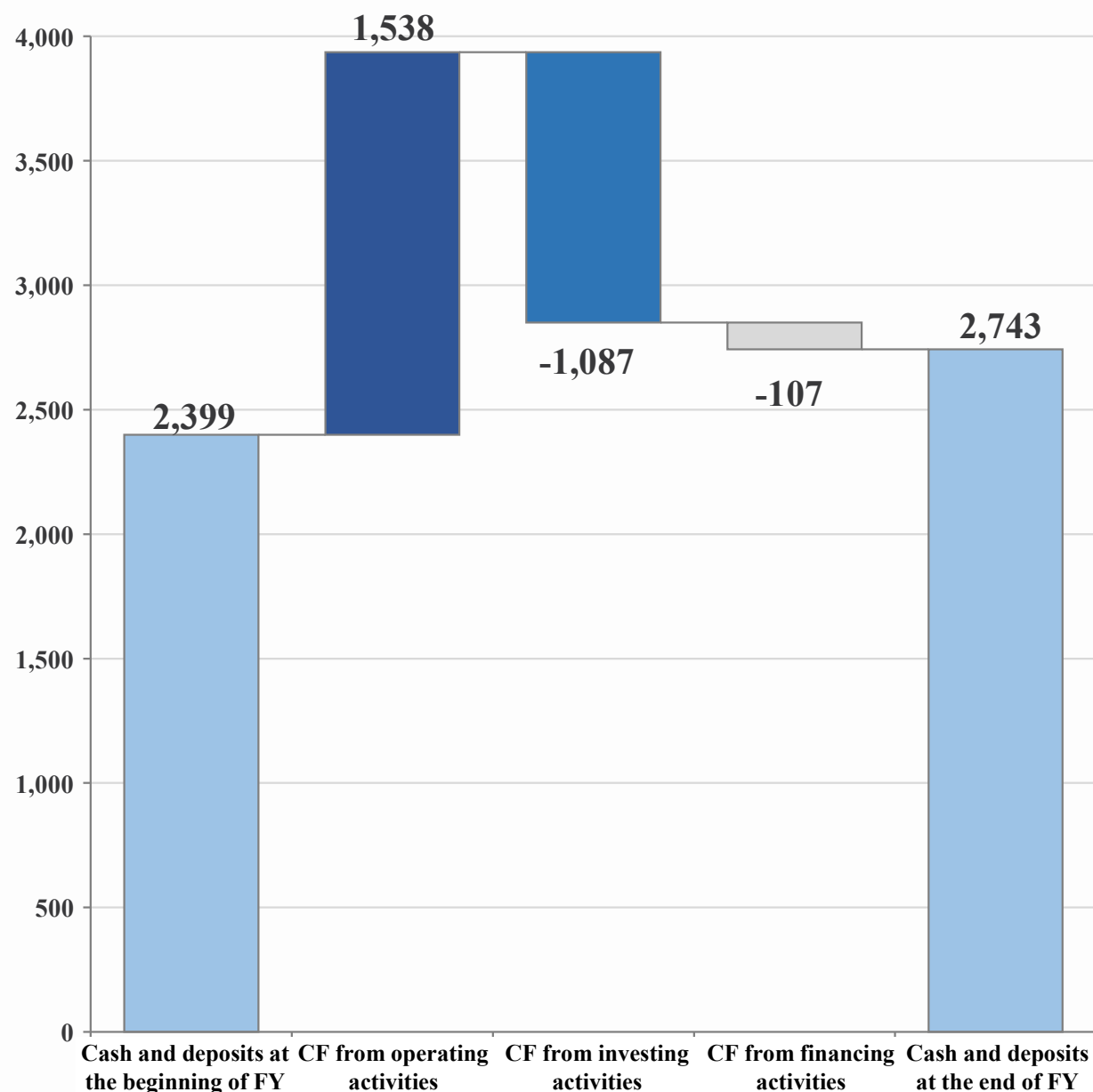
Cash Flow Statement Highlights

(Million yen)

	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Change
Balance at the beginning of FY	2,560	2,399	-160
CF from operating activities	1,797	1,538	-258
CF from investing activities	-865	-1,087	-222
Free CF	932	450	-481
CF from financing activities	-1,092	-107	985
Balance at the end of FY	2,399	2,743	343

Cash Flow Statement Highlights

(Million yen)



Breakdown of CF from operating activities

- Profit before income taxes	2,534
- Depreciation	316
- Increase in provision for retirement benefits	41
- Increase in provision for share-based payments	60
- Increase in trade receivables	-327
- Increase in inventories	-18
- Increase in prepaid expenses	-234
- Decrease in trade payables	-44
- Decrease in accounts payable - other	-150
- Increase in accrued expenses	178
- Income taxes paid	-592

Breakdown of CF from investing activities

- Purchase of investment securities	- 10
- Purchase of shares of subsidiaries and associates	-614
- Purchase of property, plant and equipment	-307
- Purchase of intangible assets	-123
- Increase in guarantee deposits	-29

Breakdown of CF from financing activities

- Net increase in long-term borrowings	634
- Purchase of treasury shares	-444
- Disposal of treasury shares	685
- Dividends paid	-924

2 Overview of Results by Segment



□ Structural design and structural analysis consulting

Structural analysis of specialized buildings and structural design of wind turbine foundations and towers

□ Environment assessment and disaster risk reduction consulting

Ground motion assessment, wind condition analysis and disaster risk assessment

□ IT system development for housing and construction

System development including CAD, BIM and structural calculation

□ Decision-making support consulting

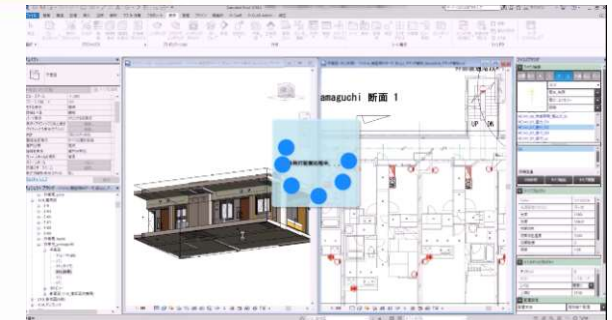
Social simulation and optimization

□ Information and communication technology consulting

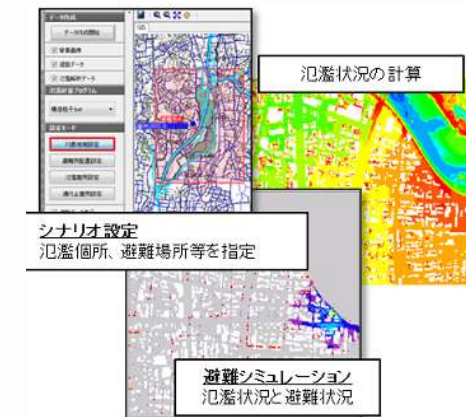
Communication network, radio wave propagation, and electromagnetic field simulation

□ Data utilization and consulting for the manufacturing sector

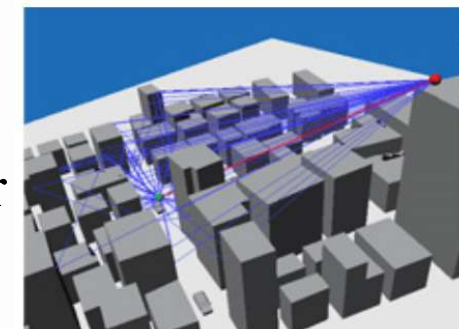
CAE-based design streamlining and optimization of production technologies



Automation of design (automatic disposition)



Evacuation simulation

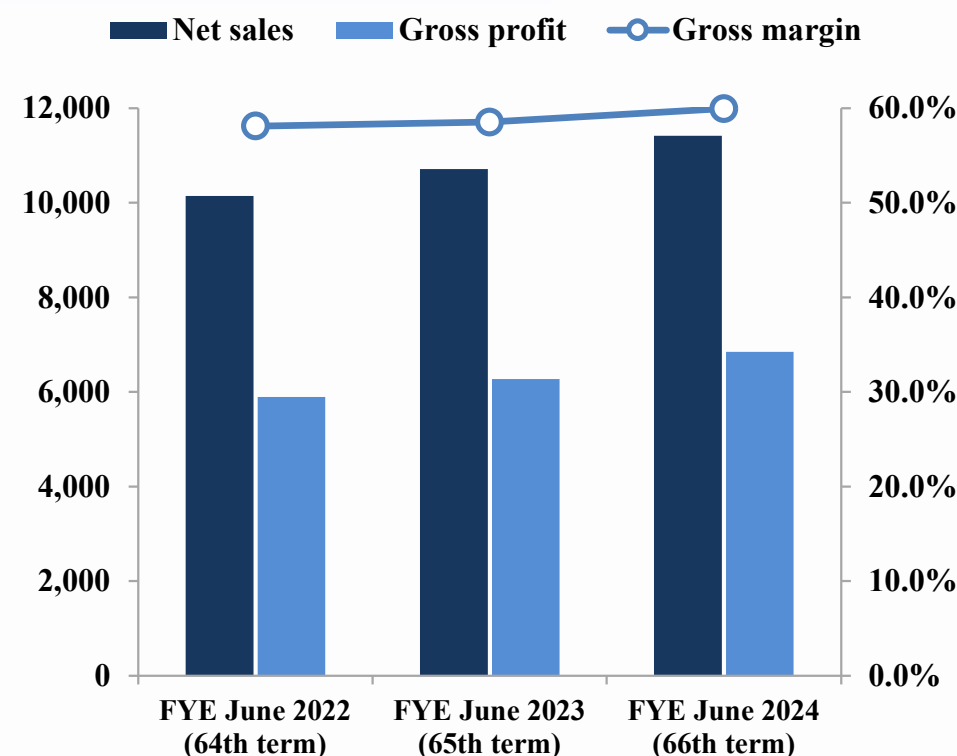


Radio propagation analysis

Overview by Segment

(Engineering Consulting: Changes over the past two terms)

	(Million yen)			
	FYE June 2022 (64th term)	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Year-on-year Change
Orders	10,315	10,772	11,674	901
Net sales	10,141	10,714	11,419	705
Gross profit	5,893	6,273	6,846	573
(Gross margin)	(58.1%)	(58.5%)	(60.0%)	
Backlog of orders	5,212	5,269	5,524	254



Analysis

- In the fiscal year under review, net sales and profit exceeded their year-ago levels, following the steady execution of projects carried over from the end of the previous fiscal year, and new orders received during the fiscal year under review.
- High value-added projects utilizing the wealth of empirical knowledge that KKE has accumulated to date were steadily implemented while paying attention to quality assurance, with high profit margins maintained as a result.

Market segment

Examples of package-sales type

Examples of cloud service-provision type

Manufacturing-related markets

CAE, thermal flow analysis, particle-based simulation, granular simulation, sales support solutions, etc.



Architecture- and civil-engineering-related markets

Architectural building analysis, ground analysis, etc.



Telecommunication-related markets

Radio propagation analysis



Others/Cross-industrial markets

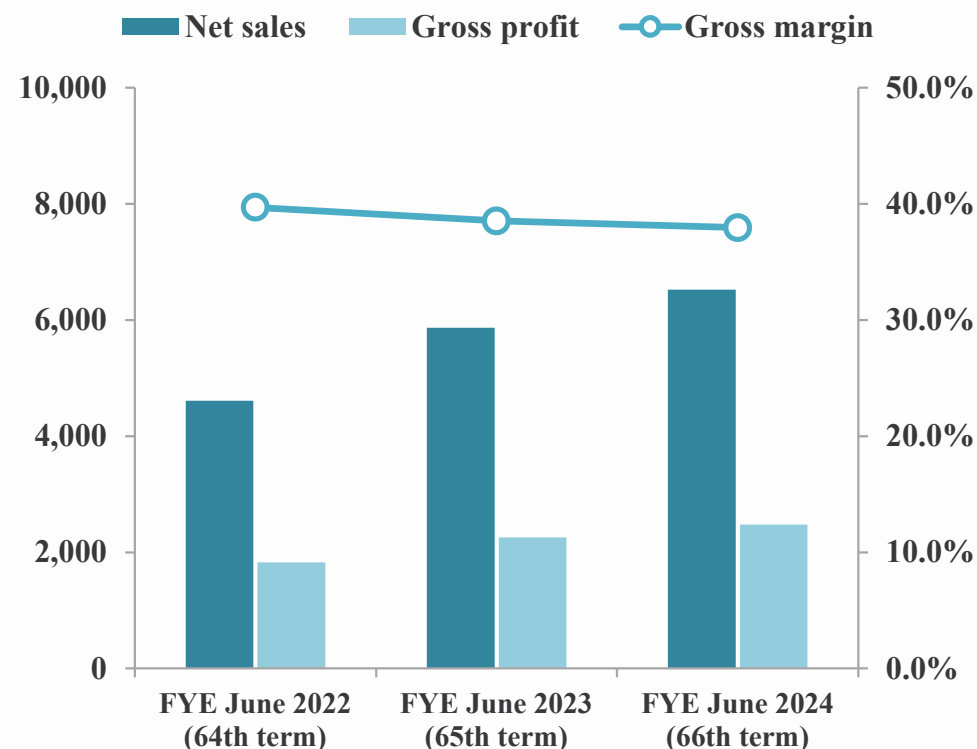
Social simulation, risk assessment, cloud-based entry/exit control platform, and others



Overview by Segment

(Product Service: Changes over the Past Two Terms)

	(Million yen)			
	FYE June 2022 (64th term)	FYE June 2023 (65th term)	FYE June 2024 (66th term)	Year-on-year Change
Orders	5,044	6,132	6,887	754
Net sales	4,607	5,866	6,522	656
Gross profit	1,829	2,259	2,475	215
(Gross margin)	(39.7%)	(38.5%)	(37.9%)	
Backlog of orders	1,659	1,926	2,291	365

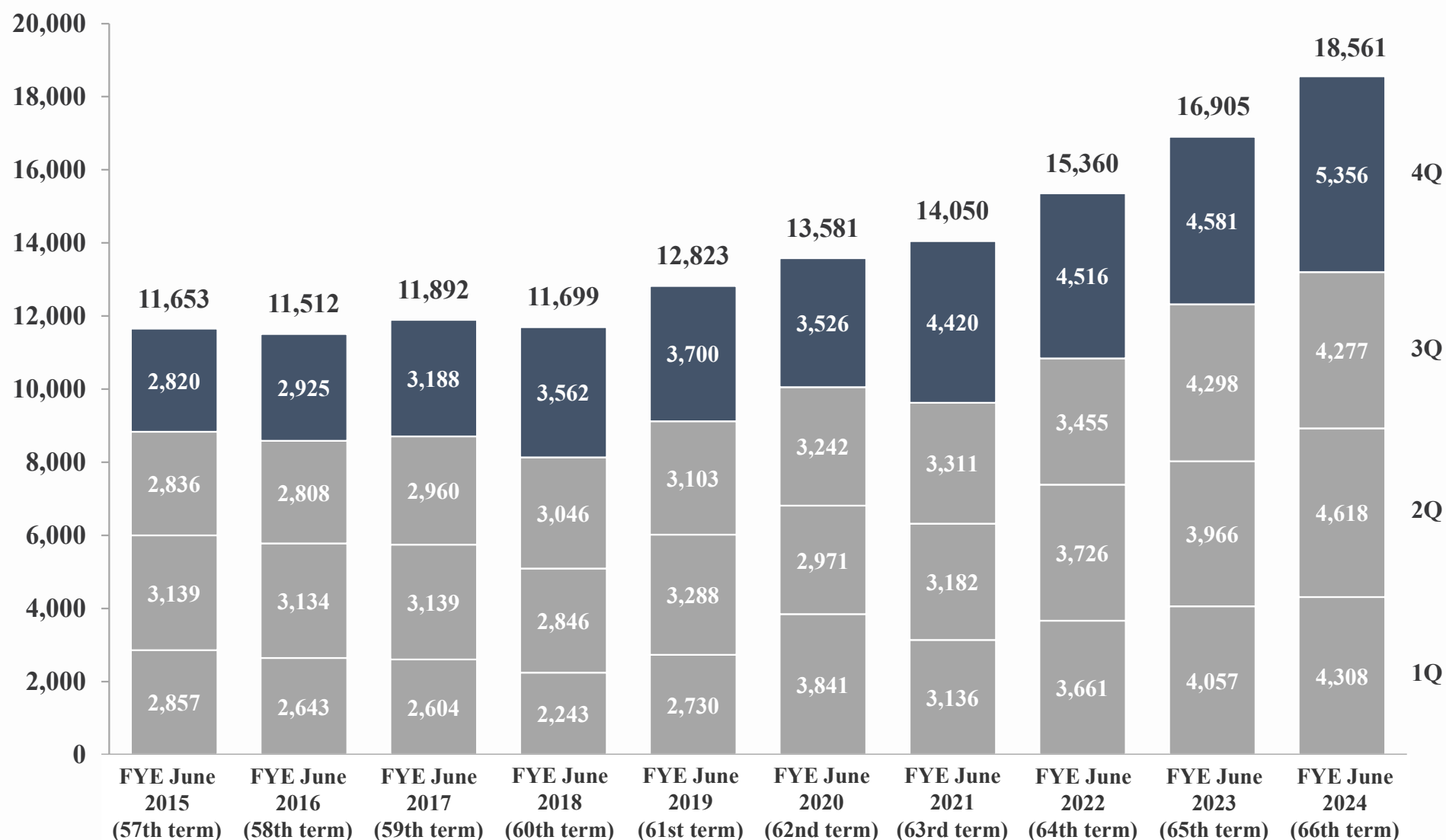


Analysis

- The cloud service provision-type business accounted for 18% of company-wide net sales, with a growth rate exceeding 20% proceeding as planned
- A wide range of proposals tailored to customers and markets have been developed for the RemoteLOCK cloud-based entry/exit control system by providing integration with check-in, reservation and other systems. The system has been steadily introduced in the hotel market and by local governments, with more than 100 local governments having now introduced the system. Development was also conducted to launch services compatible with the “My Number” individual number system.
- Effects from launch of new products for NavVis, which supports accelerated 3D visualization of site data, emerged from the second half of the fiscal year and have shown steady results.

Orders by quarter

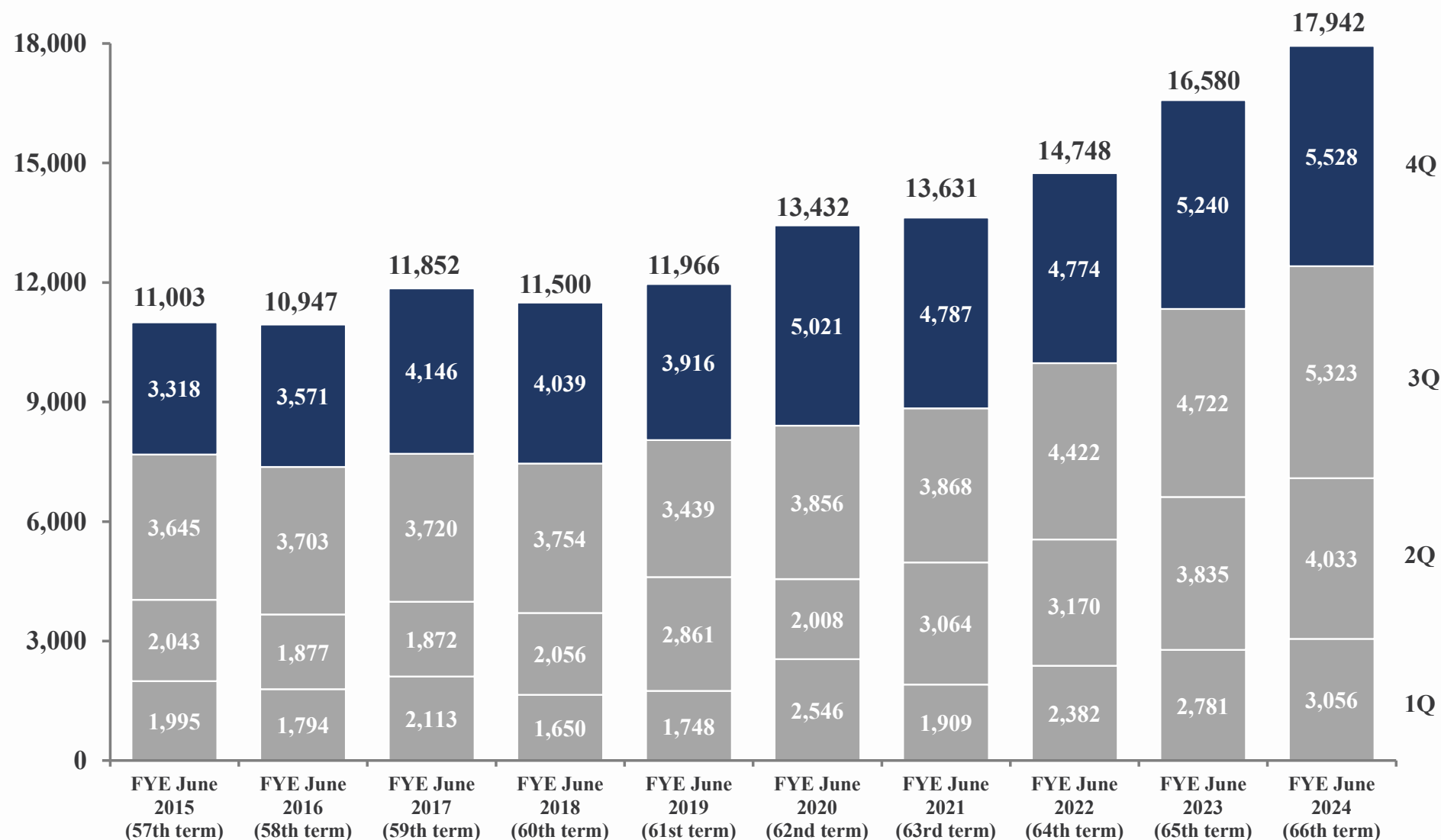
(Million yen)



Changes in Net Sales by Quarter

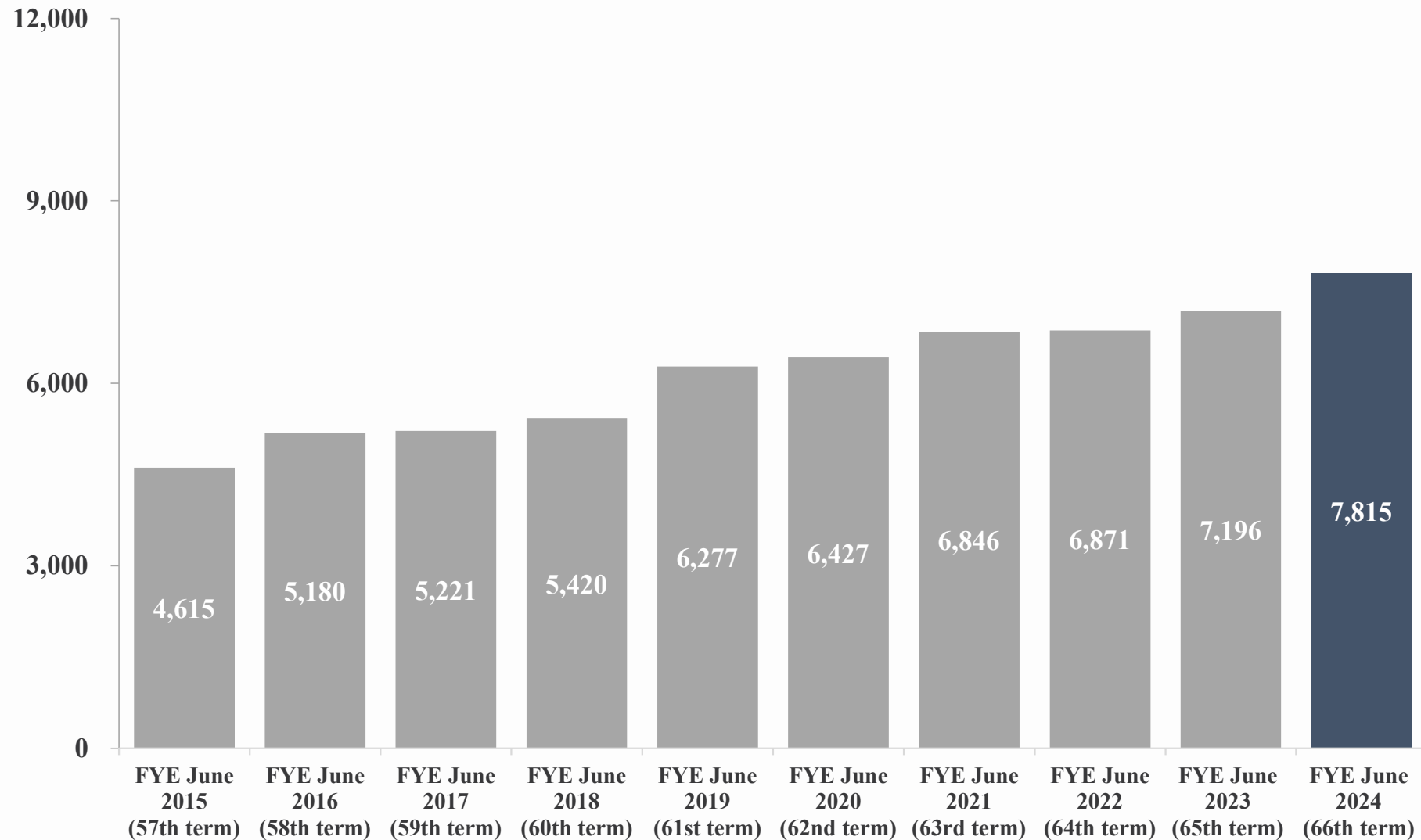
Net sales by quarter

(Million yen)

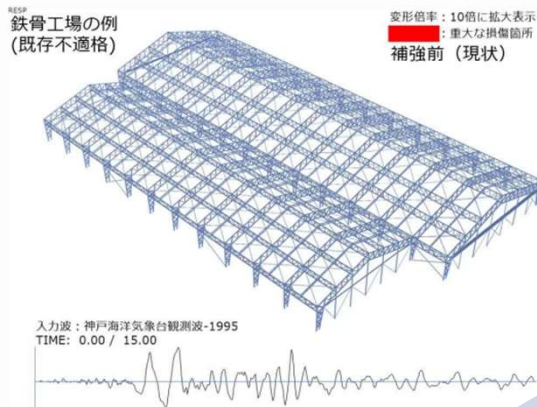


Backlog of orders

(Million yen)



Rather than the uniform and inefficient seismic retrofitting prescribed by the Act on Promotion of Seismic Retrofitting of Buildings, KKE proposes practical earthquake countermeasures utilizing computer simulation.



Design and supervision

Construction management that considers laws and regulations and reflects the client's intentions

Aseismic performance

What degree of shaking can the structure withstand?

Susceptibility to ground shaking Will the shaking become more intense due to the ground?

Scenario earthquake

What epicenters should be considered around the target site?

Background

- **Business continuity including the supply chain in anticipation of a Nankai Trough earthquake or similar**
- **Status of BCP formulation**
 - **76.4% of large companies and 45.5% of medium-sized companies have formulated BCPs**
 - **By industry, the percentage is 76.6% for the finance and insurance industries, but just 58.3% in the manufacturing sector**

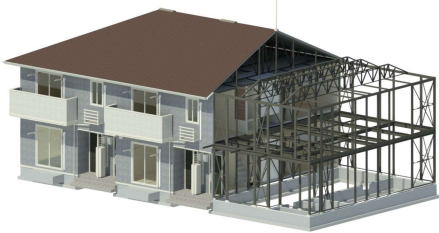
Cabinet Office 2023 Survey on Corporate Business Continuity and Disaster Prevention Initiatives

- **Client Concerns**
 - “Can seismic retrofitting work be carried out without shutting down plant operations?”
 - “With limited points within the facility that can be retrofitted, can you present the best possible plan and return on investment?”

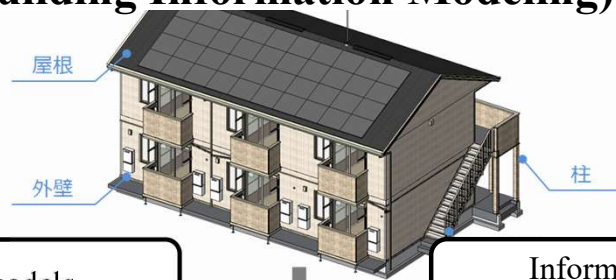
KKE supports business transformation focused on BIM for all stakeholders involved in the construction industry

- **Business transformation design based on architectural and engineering knowledge**
- **Implementation of BIM systems through engineering**

Detached homes and low-rise housing complexes



BIM (Building Information Modeling)

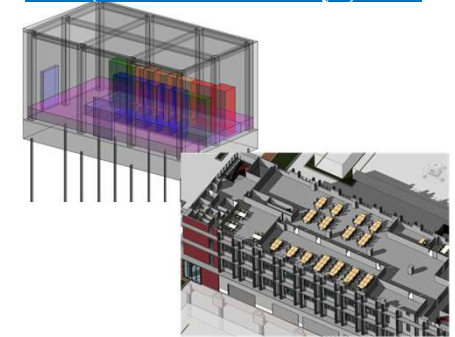


3D models



Information
(Building information)

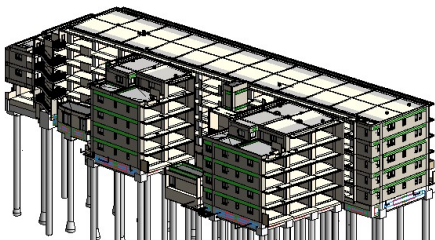
Infrastructure
(roads and railways)



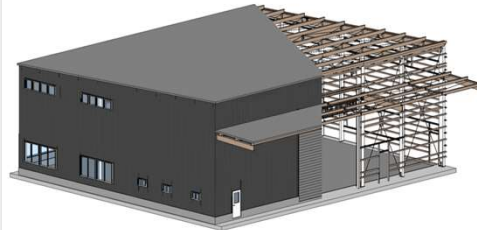
* BIM (Building Information Modeling) is a digital platform that applies building attribute information to 3D models.

It is a digital platform that can be considered a universal language for experts in design, structures, equipment and so on, as well as for those less familiar with architectural concepts such as clients and users.

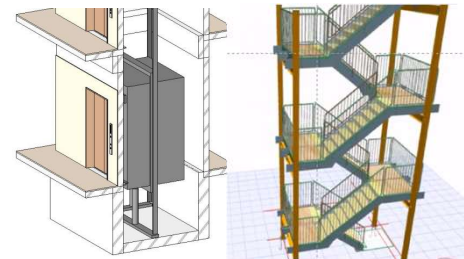
Housing complex



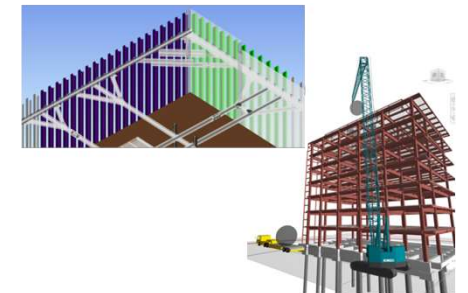
Warehouses and factories



Elevators, escalators
and stairs



Scaffolding equipment
and heavy machinery



Background

- A large number of construction engineers (general contractor engineers and workers) are leaving the profession or retiring due to advanced age
 - Improvement in productivity and building quality is promoted through the use of digital technologies
 - The utilization of BIM is being promoted and institutionalized by the Ministry of Land, Infrastructure, Transport and Tourism
- ➡ Handling of BIM by general contractors and other stakeholders in the construction industry is accelerating



国土交通省
建築BIM活用プロジェクト
を支援します

令和5年度補正予算において
～「建築BIM加速化事業」を引き続き実施します～
(併設G05欄内)

小規模プロジェクトや改修プロジェクトも
対象になりました！

個々のBIM みんなのBIM

建築BIM加速化事業 **3つのポイント**

- 1 来年度末(R6年度末)までの基本設計・実施設計・施工のBIMモデル作成が対象です
- 2 設計BIMモデルや施工BIMモデルの作成等に要する費用について幅広く補助します
- 3 協力事業者(下請事業者等)だけでなく、代表となる元請事業者等も補助の対象です

まずは、プロジェクトの代表となる事業者の登録をお願いします (その他のプロジェクト等の変更は可能です)

BIM Acceleration Project

Budget in FY2022: 8 billion yen

Budget in FY2023: 6 billion yen

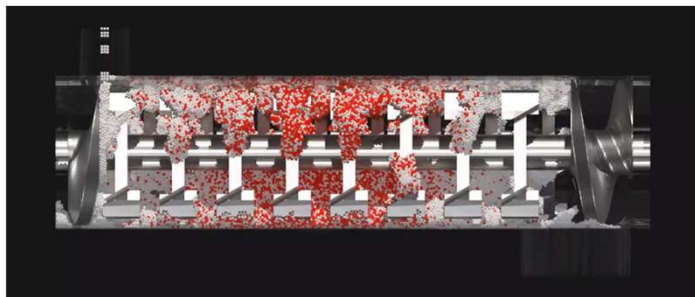
Source: Ministry of Land, Infrastructure, Transport and Tourism Construction BIM Acceleration Project
https://r5-6bim-shien.jp/wp-content/uploads/2024/01/R5-6_bim_kasokuka.pdf

- With technological capabilities and experience cultivated as Japan's first group of CAE engineers, KKE provides engineering consulting utilizing CAE
- KKE began selling CAE software to designers in the construction industry in 1980 and over 1,400 companies have adopted the software since that time

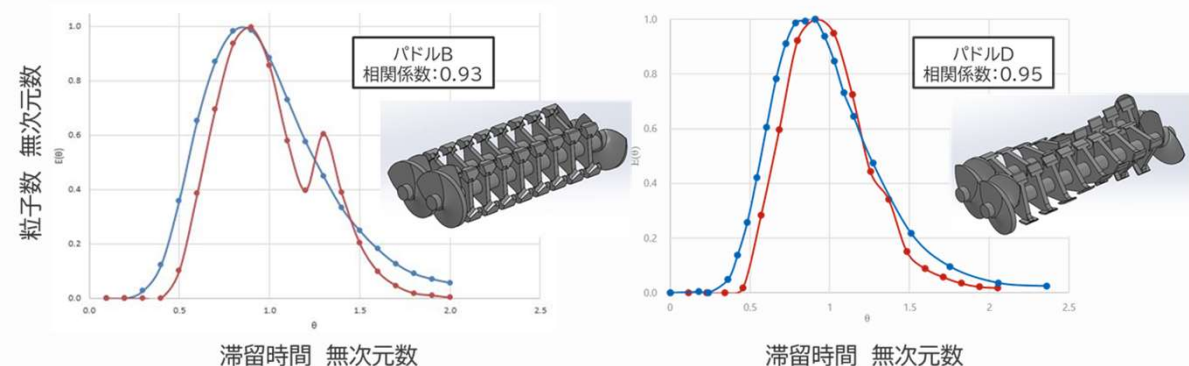
* CAE is an analysis technology that simulates product design, manufacturing and process design on a computer for prior verification.
The forces acting upon an object and its temperature are visualized on a computer to verify the quality and performance of the product.



Powder simulation developed by KKE under the supervision of University of Tokyo Associate Professor Mikio Sakai



Evaluation of twin-screw kneading machine -
conditions inside the machine



High-precision simulation

Background

- Due to the ongoing digitalization of the manufacturing industry, the use of CAE is expanding in scope
- Amid demands for more eco-friendly manufacturing, the industry is working to:
 - ✓ Develop more efficient manufacturing processes and reduce the amount of raw materials that end up being discarded
 - ✓ Reduce the number of experiments to cut unnecessary costs
- In the design of increasingly complex machines and systems, there is a growing need for advanced calculations of safety and durability
- In today's globally competitive environment, it is important to shorten the time taken to bring a product to market, while also reducing development costs

The Future Vision We Aim to Share and Achieve with Society (“Thought”)

*Innovating for a **Wise Future***

KKE strives to innovate a wiser future together with its stakeholders through dissemination of beneficial engineering-based technologies to society.



Makoto HATTORI, Founder
<https://www.kke-hd.co.jp/>

Create an organization of a wide variety of experts in all domains to operate an engineering business handling all kinds of problems in society

	Decided amount
Record date	June 30, 2024
Dividends per share	Common dividend: 50 yen Special dividend: 20 yen Total: 70 yen
Total dividends	875 million yen
Effective date	September 11, 2024
Source of dividends	Retained earnings
Dividend payout ratio	43.9%

3

Forecast of Financial Results for the Fiscal Year Ending June 30, 2025

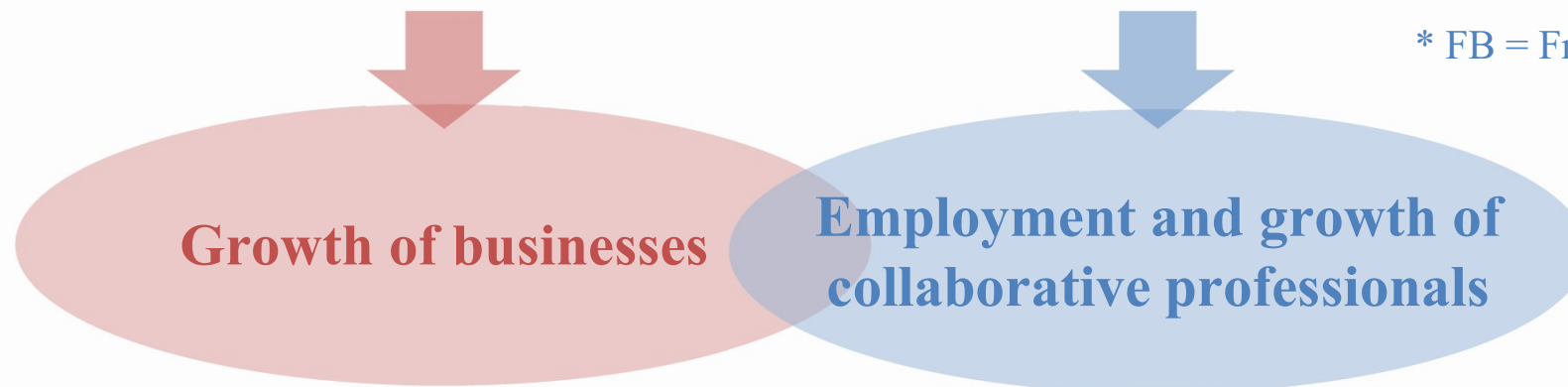


For the KKE Group's continuous growth, it is vital to gather and develop competent collaborative professionals.

Our management indicators

Total added value = **Operating profit**
+ **Personnel expenses** + **Welfare expenses (FB*)**

* FB = Fringe benefits



We have adopted a management goal of achieving annual growth of 5% to 7% on a medium- to long-term basis.

Forecast of Financial Results for the Fiscal Year Ending June 30, 2025

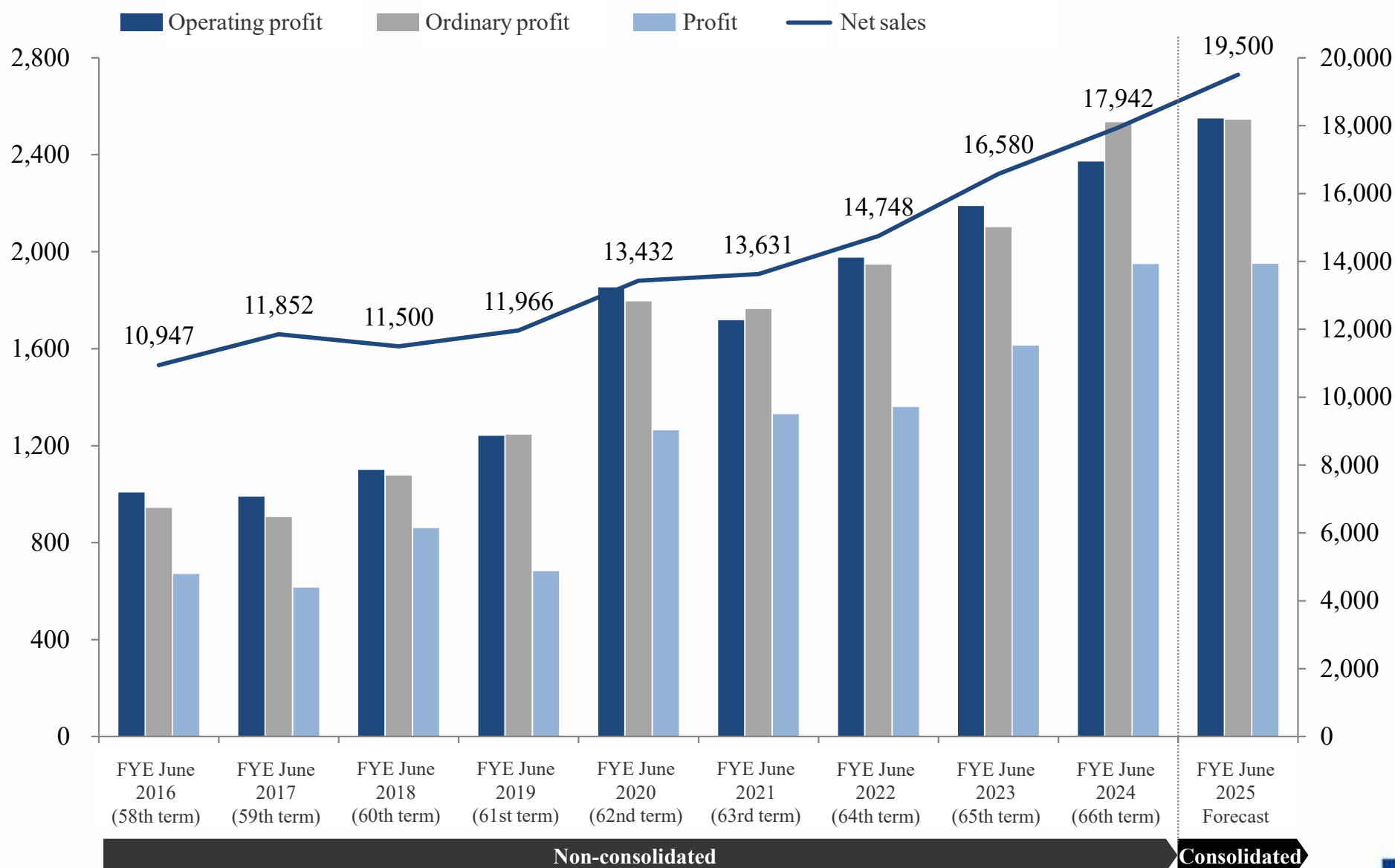
(Million yen)

	FYE June 2024 (Non- consolidated)	FYE June 2025 (Consolidated) Forecast	Change	Rate of change from previous FY
Net sales	17,942	19,500	1,558	8.7%
Operating profit	2,372	2,550	178	7.5%
Ordinary profit	2,534	2,545	11	0.4%
Profit	1,949	1,950	1	0.1%

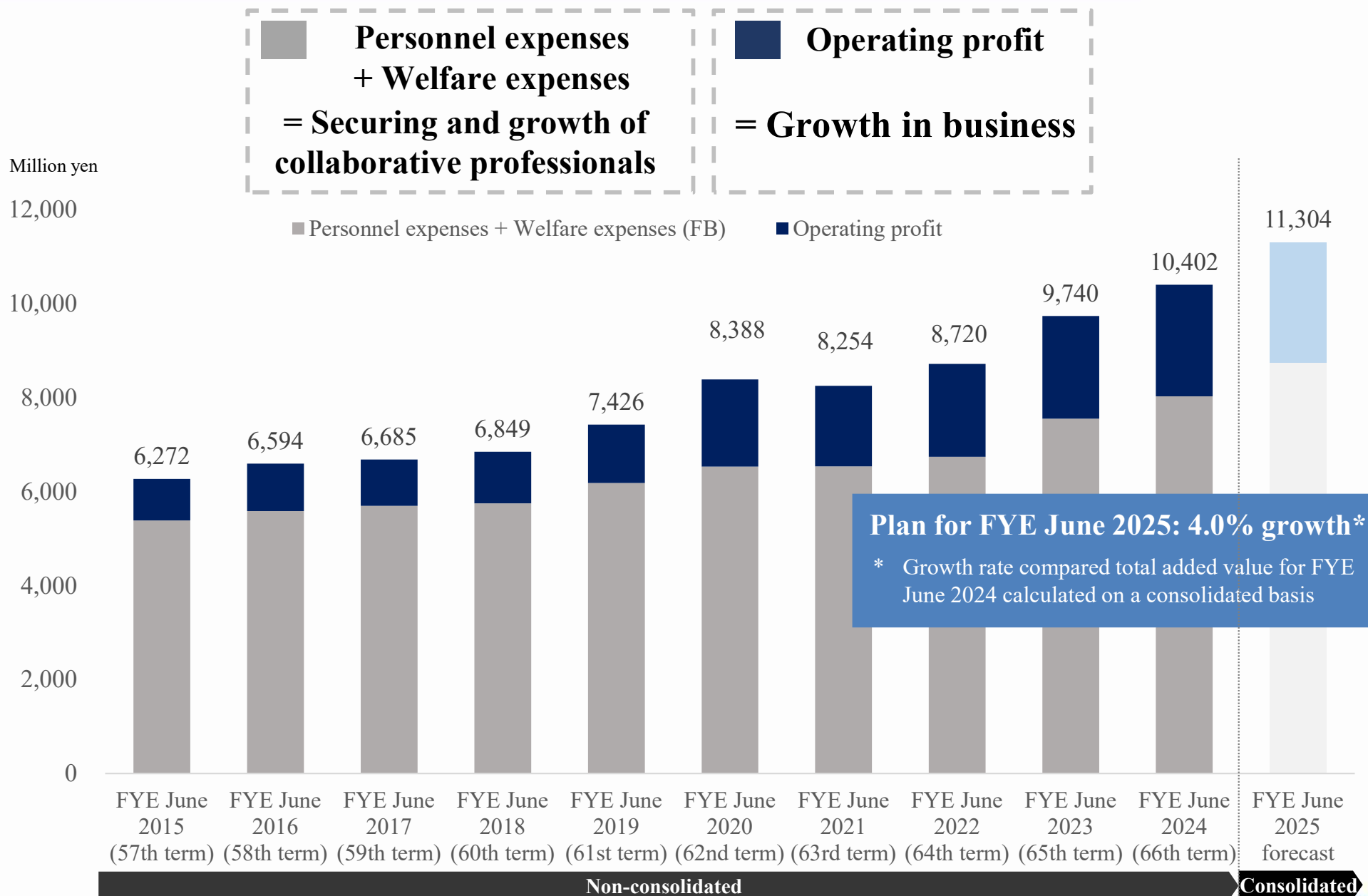
Trends in Results and Results Forecasts

Profit (Million yen)

Net sales (Million yen)



Changes in the Total Added Value over the Past 10 Years



Basic Policy on Profit Distribution

- Paying continuous and stable dividends aiming for long-term shareholding while taking into account the needs for internal reserves for the strengthening of management base and future business development

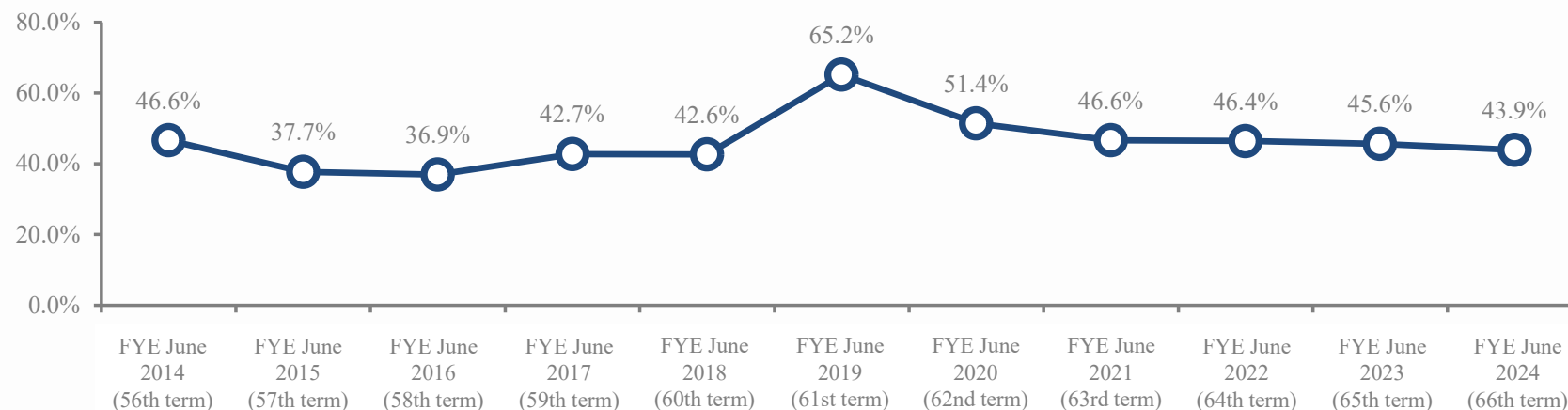
Rough targets	Dividend payout ratio	50%
	DOE (dividends on equity ratio)	8%

Formula: $\text{DOE} = \frac{\text{Dividend per share}}{\text{Net assets per share}}$

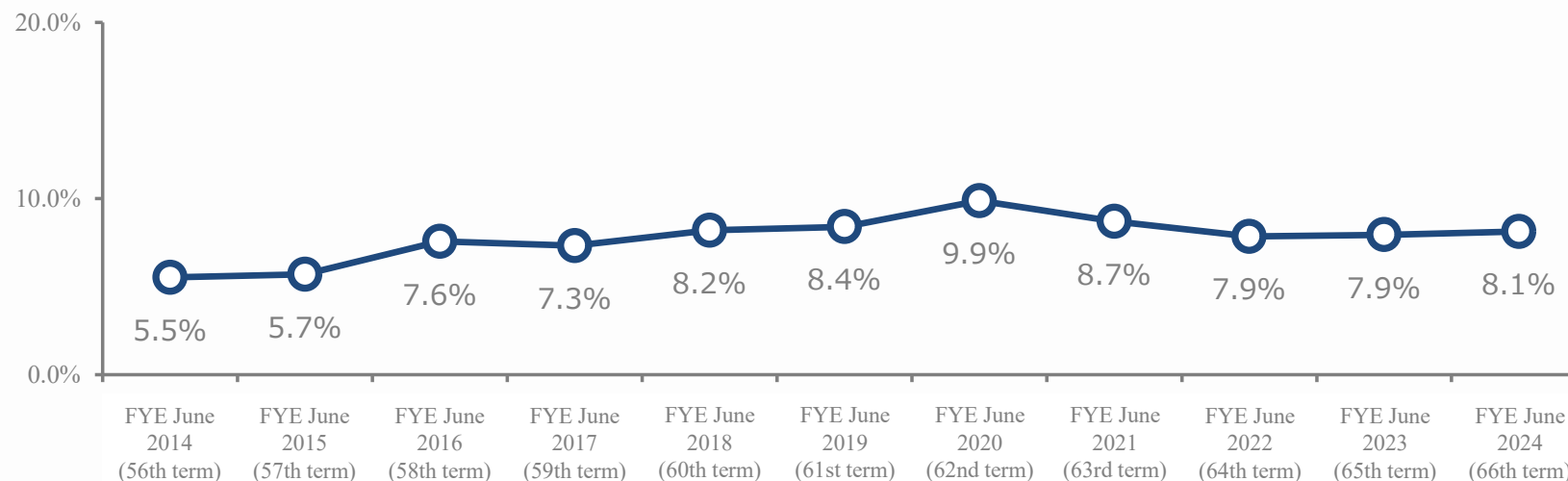
Dividend forecast
for the current FY

160 yen

Dividend payout ratio



DOE



4

Transitioned to a Holding Company



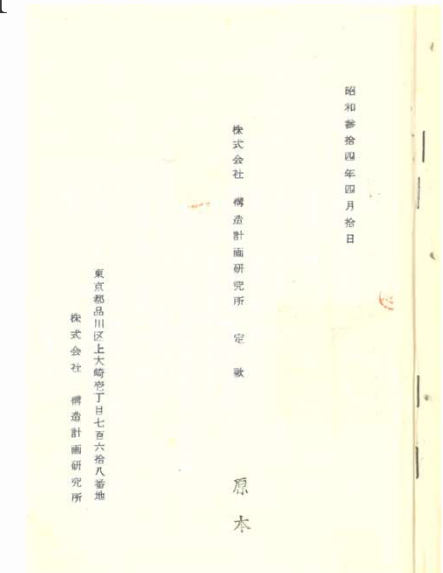
Within Walking Distance of Meguro Station, Near the Ookayama Campus of Tokyo Institute of Technology Home and Office

地理院地図
GSI Maps

* Arrows added to map produced by the Geospatial Information Authority of Japan



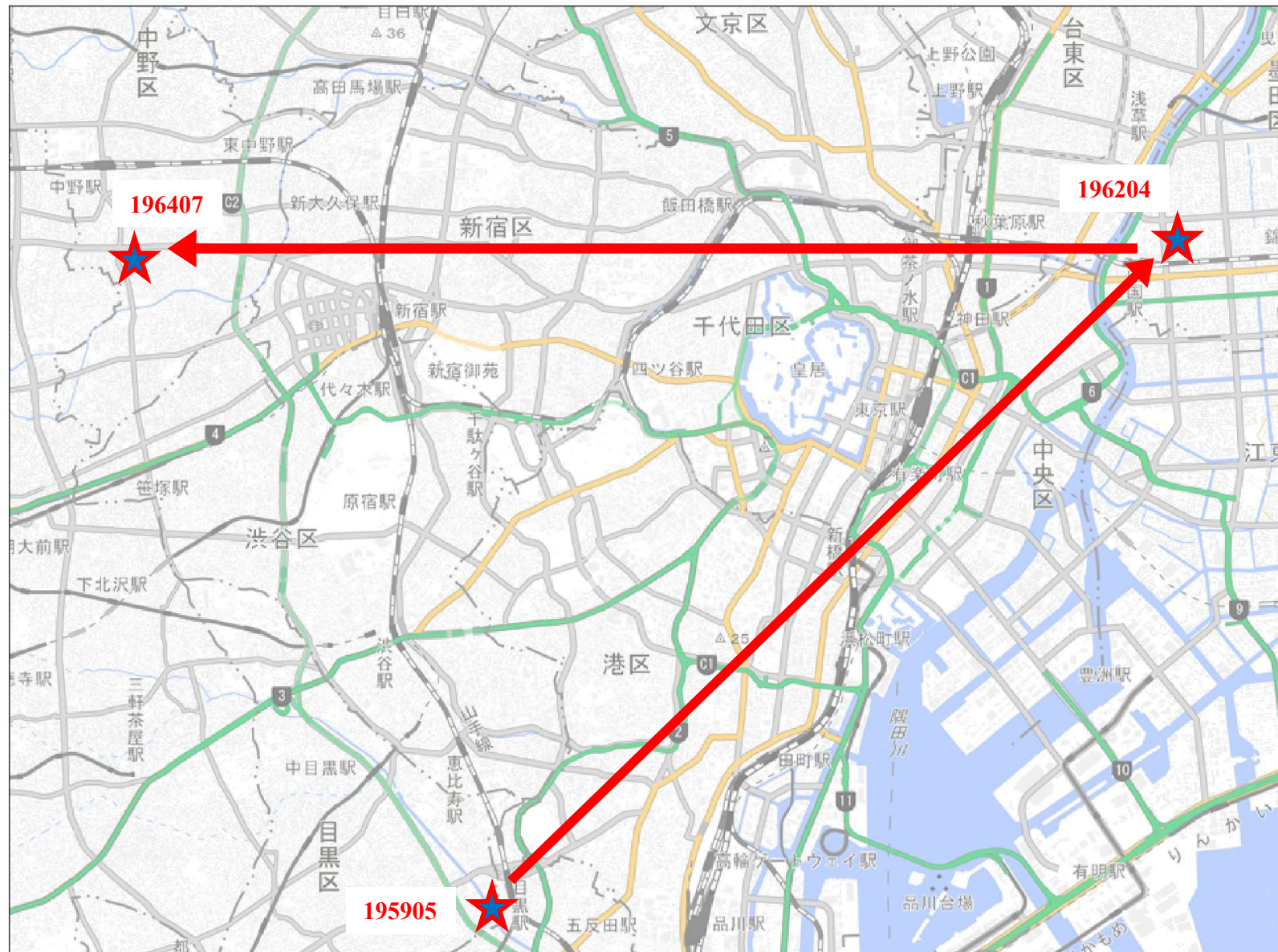
- June 6, 1956: The Kozo Keikaku Structural Engineering Firm (specializing in structural design) is established by Dr. Makoto HATTORI
- May 6, 1959: KOZO KEIKAKU ENGINEERING Inc. is established with 1 million yen in paid-in capital
- 1961: Introduction of the IBM1620
- 1968: Capital participation from outside investors and loans from financial institutions
- 1969: US Office opened in San Francisco
- 1971: Nippon Mini-Computer Corporation established
- January 29, 1983: Sudden death of the founder (aged 56)
- May 1983: Support for the Kumamoto Technopolis Concept
Expansion into Kumamoto
Loan from Industrial Bank of Japan for new company building in 1986
- March 23, 2000: Public listing of the Company's shares (over-the-counter registered stock)



Kami-osaki, Shinagawa-ku ⇨ Asakusabashi, Taito-ku ⇨ Nishimachi, Nakano-ku (now Hon-cho 4-chome)

地理院地図
GSI Maps

* Arrows added to map produced by the Geospatial Information Authority of Japan



Nanyu Corporation (Hiromi Kikuchi, 1885 - 1967)

Coal magnate in pre-war Japan, one of Japan's three wealthiest individuals

Third-generation head of the family: Misao Kikuchi

Chairperson of Keiyo Gas Co., Ltd., President of Powdertech Co., Ltd.,
Outside Director of Keisei Electric Railway Co., Ltd., Outside Director of
Oriental Land Co., Ltd.

President of the Kikuchi Kanjitsu Memorial Tomo Museum (Adjacent to
Hotel Okura Tokyo in Kamiyacho)

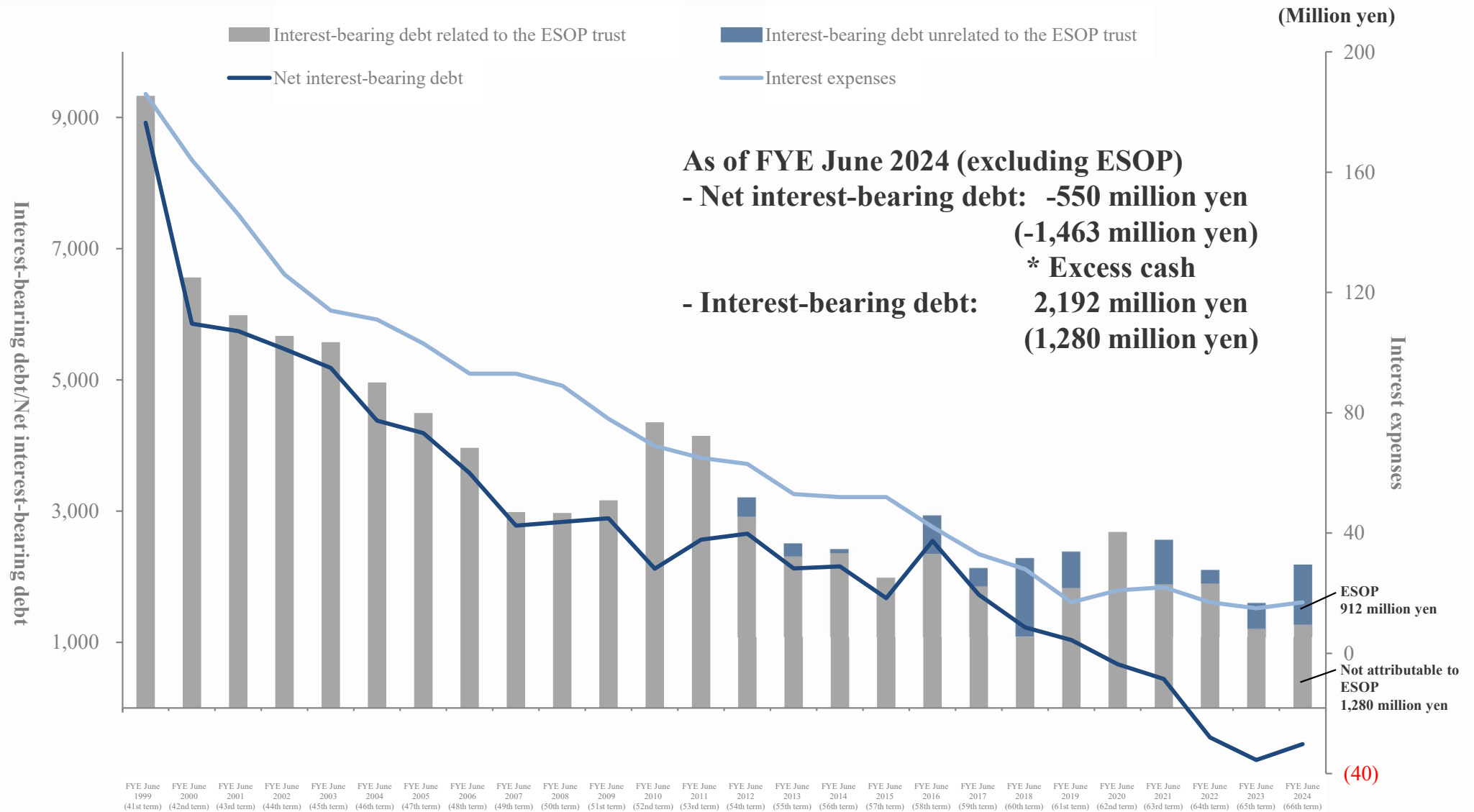
Kojimachi Real Estate (Fuji Sash: Tomoji Sano, 1910 - 1987)

Residential sash manufacturer established after World War II

Start of financing from Daiwa Bank

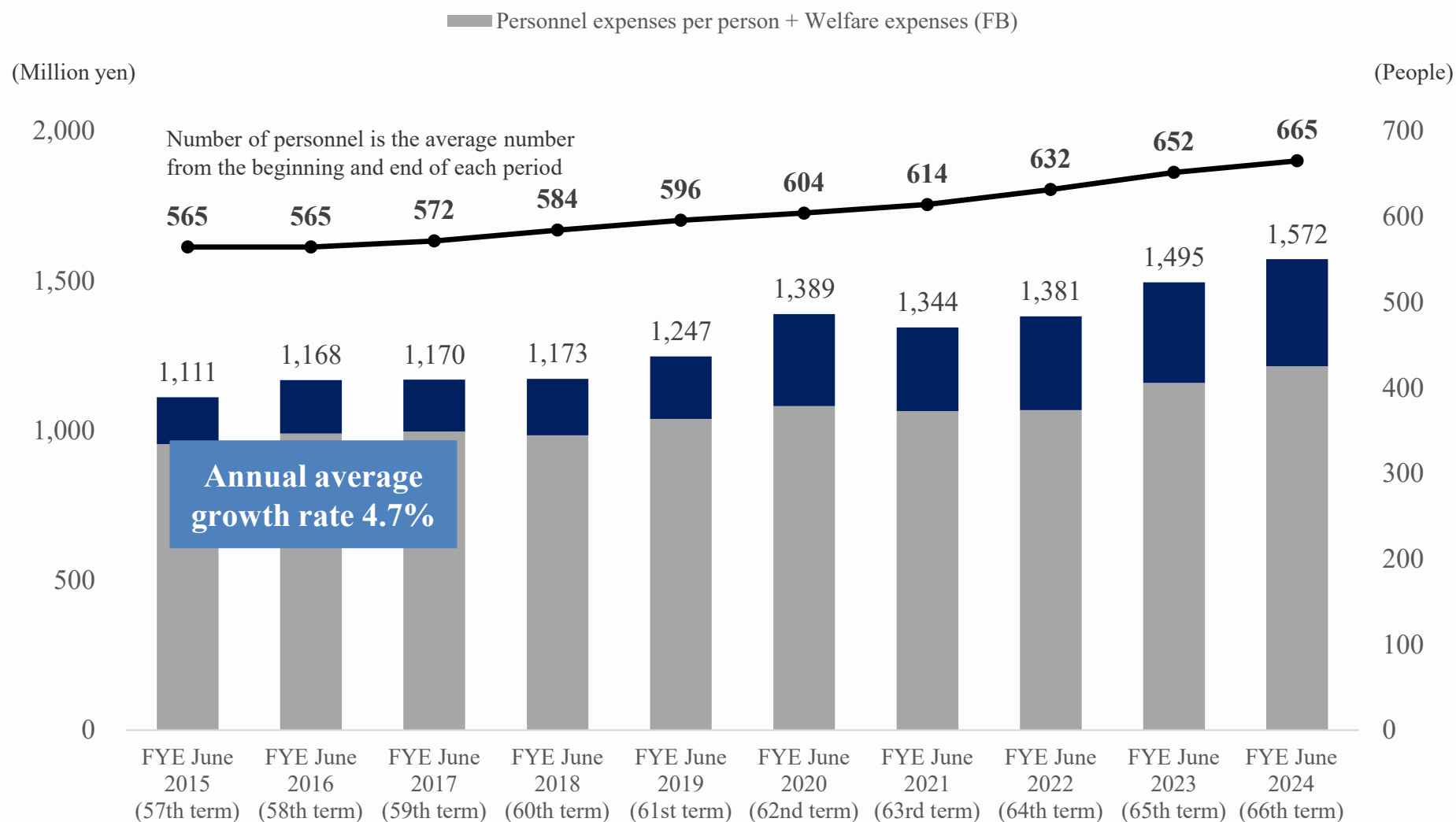
- Bursting of the IT bubble, share price fell from initial 5,000 yen to 351 yen two years later
- 2000s: Frequent occurrence of projects with quality issues
 - Lax credit management: Powers
 - Software development: Deterioration in quality
 - Structural design work: Lax outsourcing management, payment of roughly 1 billion yen in compensation for damages
- From 2012
 - Sale of the founding family's shares to a fund and repurchase
 - Introduction of employee stock ownership plan (ESOP)
 - ESOP membership rate: approx. 83%
 - Nanyu Corporation: 8.9%, Main Bank: 3.6%

Changes in Net Interest-Bearing Debt



Debt has also steadily declined and shareholders' equity has improved, and could top 10 billion yen

Average annual growth rate in value when the effects of personnel increases are removed is 4.7%



Performance Results Due to Long-term Acquisition of Shares



Performance Results Due to Long-term Acquisition of Shares: Average Annual Growth Rate



- What is the unique role of a **knowledge-intensive company organization**
 - September 2019: Adopted structure as a company with a nominating committee, etc.
 - Currently 95 companies (81 companies on the Prime Market, 11 companies on the Standard Market, 3 companies on the Growth Market)
- **Corporate Management: Separation of Governance and Business Execution**
 - Discussion over the past five years
 - What is better governance?
 - A company operates on the assumption of existing forever, while individual people have limited time
 - How should governance and business execution interact in next-generation management?
 - Cultivation of managerial talent

Middle of 21st Century: What Defines a Knowledge-Intensive Company Organization That Shines 100 Years After Its Founding?

- **Demonstrates proper corporate governance**
- **Organization and group handling a diverse range of business operations**
- **A place where considerate people gather, and can each succeed in their own lives**

- **As a company that utilizes and supports the introduction of engineering knowledge and information technology**
 - **Independence**
 - **Diversity**
 - **Mobility**
 - **Transparency**

- Expanding **existing businesses** in depth and breadth: The traditional KOZO KEIKAKU ENGINEERING Inc.
 - Maintaining high profitability and achieving sustainable growth
- Taking on the challenge of **new businesses**
 - Constantly utilizing external resources to launch new businesses
 - Taking on challenges through an independent organization separate from business development
- **Flexible utilization of human capital**
 - KKE Smile Support: Utilizing people's individualities with diverse working styles
 - PARA-SOL: IT services connected around the world from Kumamoto

- **Investment management companies**
 - **NavVis, RemoteLock, investment in various funds**
- **RemoteLock Japan**
- **Dedicated system development companies?**
- **Start-ups developed by KKE members?**

- **Respecting the philosophy from the time of the KKE's founding**

- Worked with academia

- Spin-offs from Tokyo Institute of Technology

- Embodied science in engineering

- Worked with overseas partners

- Introduced the IBM1620, established office in San Francisco

- Turned attention beyond Japan to the world

- Worked with startups, aiming to mitigate business risks

- **Future: Responding as an organization to new service models**

- Participation of a diverse range of human talent (especially non-engineer positions)

- Promote direct relationship-based businesses while providing cloud-based services

- Develop diverse range of partners at subsidiaries

Business category

- Highly profitable relationship-based engineering consulting businesses
- Product services
- Cloud services

Use of engineering knowledge and information technology

- Improved added value through collaboration between industry and academia
- Collaboration with overseas startups



Philosophy from the time of our founding

- Joy of studying
- Five-day workweek
- Recruitment of female engineers

21st century and beyond

- Introduction of total added value indicators
 - Utilization of fringe benefits
 - Utilization of evaluation systems
 - Participation of diverse human talent
- Recruitment of non-Japanese and mid-career employees

**In every situation, it all came down to people, because
dreams and aspirations were only possible with people.
As long as you remember this, the day will come when
you can again see the rainbow.**



Book titled
Itsudemo Yume Wo
(Stories of people
who never forget their
dreams and
aspirations)

Contact

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*Innovating for a **Wise Future***