

K K E : V A L U E

2009

Business & Services

KKE is a professional engineering solution firm that
acts as a bridge between academic and business worlds.



KOZO KEIKAKU ENGINEERING Inc.

Five “I”s

Intelligent

Business based on compensation for knowledge and social contribution

Interdisciplinary

Integration and fusion of diverse academic fields

Innovative

Backbone, culture and DNA for always challenging things that are new

International

Alliances with overseas partners possessing different knowledge

Independent

Established a space for totally unrestricted, free thinking

It is said that a 17th-century English philosopher, Francis Bacon, first discovered the “Potential” resulting from mutual interaction of academic knowledge can be acquired through learning, and practical experience through specialty practice. That potential itself is “Engineering.”

Since our inauguration as a structural design firm in 1956, we have fulfilled the responsibility towards various social needs with our self-created “Engineering” without getting caught up in the existing framework.

We formulated a policy for making full use of academic knowledge in society and cope with societal challenges by the practical application of this knowledge, In particular, we continued this by rendering a social sense to knowledge and bridging the gap between the academic world and the business world.



TOP MESSAGE

Forging a Chain of Knowledge The Essence of Engineering

Welcoming the future with a chain of knowledge

From its foundation in 1956, Kozo Keikaku Engineering has fostered a host of innovations that have helped society through the integration of knowledge gained through theory and practice. We introduced to Japan the first computer (an IBM-1620) used for structural analysis in the construction sector. By working as engineering consultants to develop software for solving various engineering tasks and issues, we developed our business beyond the construction sector to include the fields of telecommunications, manufacturing and decision-making. The chain of knowledge that we have forged since our founding manifests itself as an ongoing joy in sharing knowledge that has become part of our corporate DNA and is shared by all our employees. Our competitiveness stems from the technology and expertise that we have cultivated through flexible concepts developed on our own, as well as from achievements based on joint developments with clients, overseas partners and research institutions.

We endeavor to maximize the value of the knowledge assets we have cultivated in our role as a knowledge technology company acting as a bridge between academia and research institutions and the business worlds. We work to provide high-value-added services by integrating our expertise and technologies spanning a host of areas.

Our Vision:

To grow our “場” (market) and “面” (opportunities)

Engineering can be expressed as “the application of science to society.” As the world becomes more global and sophisticated, society grows more complex. By evolving from an engineering approach of solving specific issues to one of integrating a variety of technologies and knowledge, we have gained the ability to solve larger problems and meet the need for more integrated and systematic considerations.



Photo by Yasuto Egi

We aim to be a professional engineering solution firm that realizes high added value by proposing technologies and scientific knowledge that fit actual customer's condition, based on its own experiences. We strive to be a firm that designs and proposes optimal systems and solutions that anticipate the future. Rather than limiting ourselves to any specific field, we seek to address various needs that society faces. Through this approach, we will expand both our business opportunities and our number of domains as we endeavor to become a world-class comprehensive engineering firm.

October 2009

Shota Watarai

Our Markets



Serving the Construction Industry

- Structural design related to seismic isolation, vibration damping and earthquake resistance technologies, earthquake protection diagnosis, etc.

Clients: Developers, general contractors, industrial and architectural design offices, building management companies, etc.

In 1956, KKE started out as a structural design firm specializing in large-scale buildings and introduced a computer in 1961.

Since then, as the leading company in our field, we have accumulated achievements in structural design of high-rise buildings and large-scale special structures using seismic-isolation, vibration damping, and earthquake-resistant technologies. In recent years, we have been contributing to the protection of schools and other public facilities, which are designated as disaster prevention centers in communities throughout Japan.

We also provide disaster-prevention solutions incorporating information technology, such as simulation technology for formulating evacuation plans to be activated in the event of an earthquake.



Serving the Information and Communication Industries

- Research, support and other services related to next-generation wireless communication methods and systems

Clients: Communication carriers, research institutes affiliated with communication carriers, etc.

In 1961 when KKE became the first company in Japan to introduce a computer for structural design of buildings, computers were such a rarity that we had no choice but to develop an operating system by ourselves. The software development know-how we gained during that formative period, which was subsequently utilized for maritime telephones and car telephones, eventually evolved into R&D of mobile communication systems.

KKE's core competence encompasses development of infrastructure software for radio control including technologies for network traffic congestion monitoring, increasing network traffic speed, minimizing radio interference and visualizing radio waves. As a leading source of such technologies, over time we have earned the trust of our clients.



Serving the Manufacturing Industry

- Customer Synchronized Resource Planning Solutions: Automated design system development, production planning system development, analysis software products

Clients: Housing construction companies, housing products, semiconductor production equipment, precision equipment, etc.

We help manufacturers of housing facilities, such as kitchen systems, determine at the sales stage requirements that meet customer requests involving optional parts and colors, material configurations and other factors. We are also working on a sales support system to automatically generate presentation materials, estimates and other items. In addition to providing sales support for manufacturers of housing materials and construction equipment, we have introduced numerous design engineer support systems using CAD development technology.

For housing manufacturers, we capitalize on the structural design technology we have long cultivated to develop structural design systems for houses.

We also put our operations research technologies to work in advanced planning and scheduling and warehouse management systems. We provide a host of software suites and solutions for design engineers in the manufacturing sector to help in performing thermal-fluid and structural analysis at the manufacturing design stage.



Other

- Marketing consulting based on analysis and visualization of flows of people and goods

Clients: Logistics and services

While initially KKE focused on the structural design of buildings, it has also pioneered the application of simulation software to analyze flows of people and goods.

This approach has led to a variety of new business opportunities that we are eagerly cultivating. One new business offers decision-making support services utilized in marketing. This business performs various simulations for activities such as projecting market share of a new product or service offered at a certain price.

Also, our visualization technology is utilized for setting rents for tenants of commercial buildings and in the field of urban development where flows of people are monitored by video sensor technology.

Our Business

Engineering Consulting

KKE proposes solutions spanning a diversity of fields, from requirement definitions, basic design and trial model studies for upstream software processes through structural design for buildings and earthquake-resistance and disaster prevention consulting. The Company applies its original engineering knowledge and experience to provide consulting services attuned to the needs of its customers.



System Solutions

We conduct development and other operations related to mobile communication systems, simulation system construction, transport solutions and sales support solutions. KKE employs its technological prowess, gleaned from extensive practical accomplishments, as a base to support customers' operational problem-solving through IT systems.



Product Services

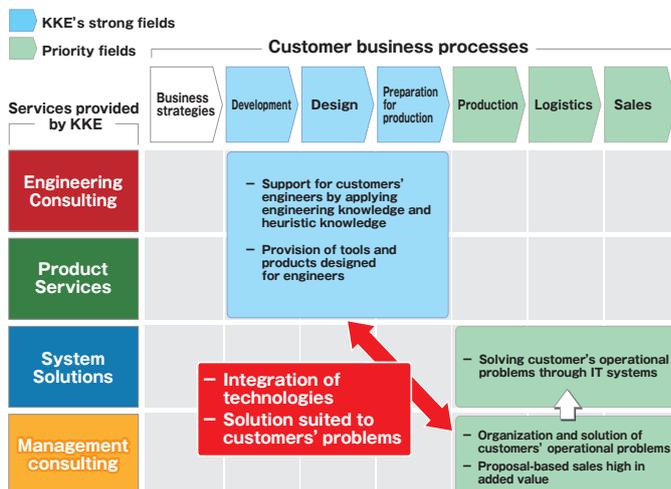
KKE sells and deals in CAE software for designers, software for structural analysis and earthquake resistance studies, marketing and decision-making support software, and other products for engineers. Furthermore, our tie-ups with partners outside Japan facilitate supply of the latest overseas products with proposals for their best and most effective use.



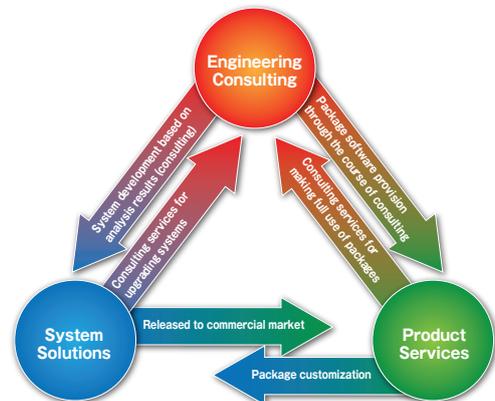
Earnings Model

The Company combines numerous elemental technologies and experience accumulated in house to best suit customer needs. The problem-solving measures that result are provided as solutions to clients. Moreover, KKE's three principal business areas—Engineering Consulting, System Solutions and Product Services—deploy synergies that serve as the source of higher-value-added services and products.

Map for Analyzing KKE's Strengths and Priority Fields



Our Service Synergy Produced by Three Business Segments



Our Hottest Solution

Customer Needs × Our Technologies

Customer needs are the starting point for innovation, which underpins KKE's corporate value. The following section highlights an example of how combinations of our elemental technologies are deployed to support customer solving initiatives.

Image sensor technologies, supporting a hospital management improvement solution

The Visualization Technology Department, Business Planning Department, and Overseas Marketing & Corporate Development Department

KKE's Visualization Technology Department is involved in business and research based on image-processing technologies. The department provided a solution to a medical product manufacturer seeking to advance its management improvement services for medical institutions through visualization of surgical unit operations.

Until now, this customer had focused primarily on the development and sales of medical devices and surgical kits that contribute to ensuring safety and improving earnings for medical institutions. It had also been engaged in promoting improvement support services for the overall running of surgical units and hospitals by providing products, distribution and information management systems relating to operating theaters.

Optimizing surgical unit operations through thorough visualization

KKE provided image sensor technologies capable of measuring entry and exit times for surgery room staff. Our customer incorporated this into its uniquely developed surgical management system, comprising products, distribution and information management systems. This configuration was used to advance hospital services by measuring the utilization rate for surgical facilities, equipment and staff, and analyzing the acquired data to

Column: Engineering for Society

People tend to form long queues in front of popular theme park attractions. We use “multi-agent simulations” to scientifically analyze and help alleviate this congestion.

A multi-agent simulation is a way of using a computer to emulate the independently determined movements of intelligent agents (people) in response to their surrounding environment. This method models individual and group behavior. In other words, this simulation incorporates the sometimes rational choices made by emotional beings as variables into current decision-making, resulting in a simulation that closely mirrors reality.

To shorten theme park lines, we incorporated this system into a “theme park model” simulation. We aimed to determine the approximate number of people

to whom information about congestion at attractions should be conveyed to minimize queue lengths. Our natural assumption was that people would want to know about crowding conditions. However, we found that if this information was provided to everyone, people would avoid places described as crowded, simply transferring the crowding to a different location. This resulted in heavier crowding than if no such information had been provided. Through our analysis, we determined the optimal ratio of people who should be provided with information to alleviate crowding.

Our simulation showed that on average, providing information about congestion to approximately 40% of visitors resulted in the shortest lines. Assuming that 40% of visitors would move on to another attraction upon learning that the attraction they had originally wanted

calculate profit performance per surgical operation. In addition, the project spanned measurement of productivity during preparation and cleanup by utilizing image sensor technologies. The reliability of KKE's image sensor technologies and the statistical analysis method for extracting useful findings from the gathered data drew widespread acclaim. After several years of collaborative verification with the client, we aim to launch full-fledged nationwide sales of a system for medical institutions in the future.

Realizing higher value and profits for the Company

Improving the efficiency of such peripheral operations as surgical unit preparation and cleanup was also a significant aspect in this example of an improvement solution for medical institutions. The important issue in this case was converting data relating to human movement and position gained from image sensors to meaningful data linked to an efficiency improvement solution. Accordingly, KKE's value as an engineering firm lay not only in its technologies to glean data from images, but in the entire process through to creating new value from the data obtained. In addition to the Visualization Technology Department, this solution called on technologies and know-how in the form of data analysis and consulting expertise from the Business Planning Department and the high capacity for providing



solutions to customer problems of the Overseas & Planning Marketing Department in what can truly be called a venture of collective knowledge.

Although the Company gained in terms of profits as reward for this high-value provision, in the future it can also expect royalty income for the system and revenues from customized development of measurement systems for other hospitals and from consulting services arising from use of the measurement data.

to enjoy was crowded, the 60% of the visitors who were not provided with crowding information would go on to visit the attraction as planned, we succeeded in alleviating the congestion.

This example shows how a computerized structure can emulate an "artificial society." Analyzing the simulation results helps smooth the distribution of

people at entrances and exits to shopping malls and theme park facilities. The simulation can also be used to optimize emergency exits and evacuation routes from places where people congregate, such as in aircraft and at theaters. These are some of the ways in which we help address issues that society faces.

Overview of the Theme Park Model

Our simulation scenario, a theme park, comprised four elements: visitors, attractions, gates and routes. Using a 200 by 200 grid to represent the overall theme park, we added gates, three attractions and routes for the visitors to move between them. Our model had three elements. Visitors came in through the gates to enter the theme park, progressed along the paths to one or more attractions and exited the gates when returning home. We modeled the theme park by looking at how individual visitors behaved and the lines that formed around attractions.





Construction Field

1950

1956: Makoto Hattori Kozo Keikaku Engineering established

- Founder went to U.S. to investigate the usage of computers



1960

- 1961: IBM1620 introduced Japan's first application of a computer to structural design



1970

- FACOM 23060 computer introduced Research of numerical analysis and earthquake resistance simulation



1980

- Practical application of modeling and visualization techniques and development of application technologies



1990

- From safety design to reliable design



2000

- Development of services integrating IT and disaster prevention



Information and Communications Field

Software development business launched, taking advantage of the early in-house introduction of computers

- 1969: Establishing a subsidiary in U.S.
- Starting entrusted development of software



- Research on software engineering to enhance development efficiency started
- Development of organizational software started



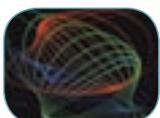
- Research of ADA language



- Development of reliable software in terms of quality, cost and speed



- Research and development of next-generation network protocol



Dr. Makoto Hattori, KKE's founder, opened a structural design firm in 1956, which was incorporated in 1959. Shortly after the company's founding, Dr. Hattori visited computer labs in the United States. The facilities and the work being done there greatly surpassed anything happening in Japan at that time. He returned to Japan determined to apply the power and sophistication of computers to earthquake resistance design. At that time, the application of computers in the architectural field was virtually unknown in Japan

Beginning with fewer than 10 people, Dr. Hattori sought to apply a computer to practical structural design in the architectural field in earthquake-prone Japan in 1961, before high-rise construction had become commonplace in the country. This launched KKE on a path of innovation that has underpinned its development ever since, and promises to do so far into the future.

Manufacturing Field

Simulation-based system efficiency evaluation business launched

- Operations Research Department established



- 1985: Tie-up with U.S.-based Pritzker Co. to tap manufacturing strengths



- Start provision of solutions for housing and household equipment manufacturers



- Promotion of customer-driven business



Decision-Making Support Field

Simulation-based decision-making

- Development of tools applied in consulting



- Consulting for analysis of decision-making structures started



- Expansion of application field, with "evaluation" as the watchword



Human Resources

Human Resources + Environment

As a knowledge-intensive company, our focus on Human resources and our working environment underpins our growth. Our employees are team players, eagerly helping one another by advising on solutions and contributing their technical skills. This mentality makes the sharing of knowledge and know-how second nature throughout KKE. We have always emphasized the cultivation of an environment conducive to information sharing. In order to make the knowledge, technological skills, and knowhow of individuals available throughout the organization, broad and deep communication among our people is more important than IT systems. Accordingly, we have adopted a flat organizational structure. Also, based on the conviction that thinking outside the box and fruitful communication cannot be achieved by a top-down approach, We have sought to give all our people plenty of autonomy and to encourage them to exercise discretion.

Cross-departmental integration of technologies leads to new solutions, which we propose to prospective clients so as to win new projects. This ongoing process is the lifeblood of KKE.

We concentrate on developing human resources capable of originating excellent proposals based on KKE's intellectual property by providing an autonomous, decentralized, free and vigorous workplace environment.

Collaboration with Academia and Overseas Clients

Our long track record of involvement in successful collaborative projects utilizing successive state-of-the-art technologies has enabled KKE to continually refine its expertise and retain its position as a source of high-tech solutions. While emphasizing field experience, we are eager to acquire the latest knowledge through collaboration with universities and research institutes as well as through joint research with clients.

Our Partner

Targeted Added Value Growth Rate

As a knowledge-intensive company, we aim to increase total added value at an annual rate of 10% by raising added value per employee, expanding the scale of the business through an expansion of the workforce and increasing profits by investing in new businesses.

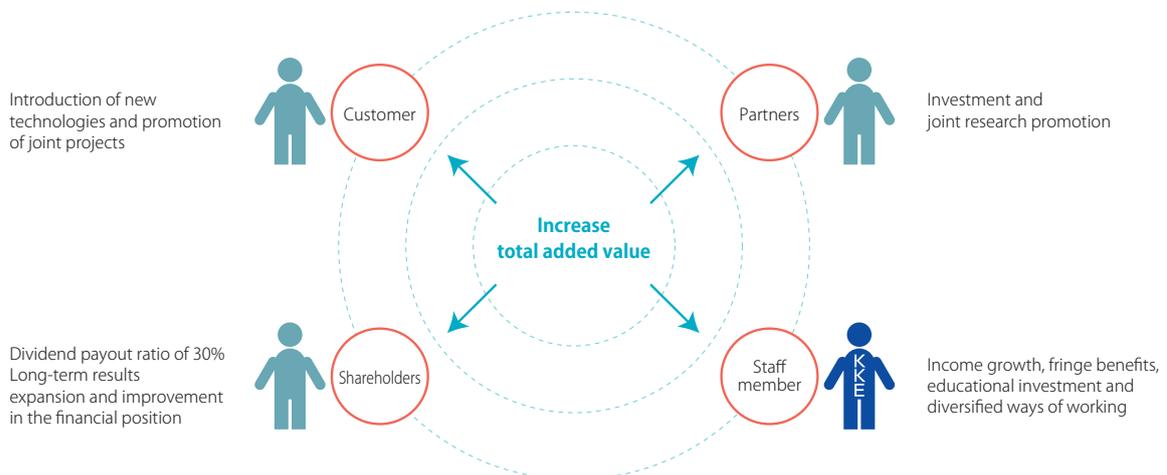
Return to Stakeholders

- Customer Introduction of new technologies and promotion of joint projects
- Shareholders Dividend payout ratio of 30% Long-term results expansion and improvement in the financial position
- Partners Investment and joint research promotion
- Staff member Income growth, fringe benefits, educational investment and diversified ways of working

Three Sources of Future Growth



Optimum distribution of added value to stakeholders



Balance Sheet (As of June 30, 2005, 2006, 2007, 2008 and 2009)

(Thousands of yen)

	2005	2006	2007	2008	2009
ASSETS					
Current assets	3,351,701	3,414,994	3,611,944	3,194,021	3,261,849
Fixed assets	7,001,049	6,952,105	6,923,287	6,976,482	6,754,450
Total assets	10,352,751	10,367,099	10,535,231	10,170,504	10,016,300
LIABILITIES					
Current liabilities	3,670,883	3,812,681	4,271,699	3,957,428	4,057,314
Fixed liabilities	3,626,701	3,146,213	2,448,618	2,061,777	1,819,246
Total liabilities	7,297,584	6,958,894	6,720,317	6,019,206	5,876,560
NET ASSETS					
Shareholders' equity	3,055,166	3,381,840	3,816,423	4,122,958	4,149,962
Total net assets	3,055,166	3,408,204	3,814,914	4,151,297	4,139,739
Total liabilities and net assets	10,352,751	10,367,099	10,535,231	10,170,504	10,016,300

Note: Amounts are rounded down to the nearest thousand yen.

Statements of Income (Years ended June 30, 2005, 2006, 2007, 2008 and 2009)

(Thousands of yen)

	2005	2006	2007	2008	2009
Net sales	9,473,576	10,323,490	11,213,347	11,322,287	10,390,411
Gross profit	3,029,046	3,569,789	3,693,563	4,149,733	3,739,180
Selling, general and administrative expenses	2,478,915	2,820,147	2,605,391	2,907,010	3,012,803
Operating income	550,130	749,641	1,088,172	1,242,723	726,377
Income before income taxes	77,858	667,402	1,099,765	948,663	473,206
Net income	7,647	360,988	612,684	531,957	264,019

Note: Amounts are rounded down to the nearest thousand yen.

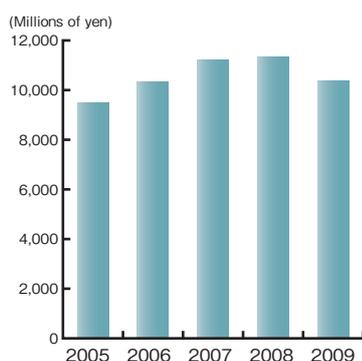
Statements of Cash Flows (Years ended June 30, 2005, 2006, 2007, 2008 and 2009)

(Thousands of yen)

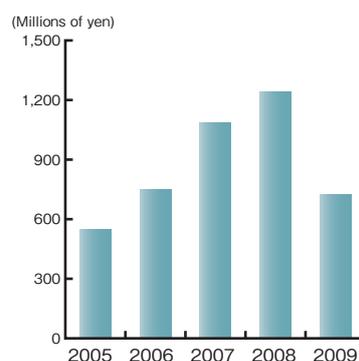
	2005	2006	2007	2008	2009
Cash flows from operating activities	621,917	898,652	1,168,201	521,694	129,889
Cash flows from investing activities	(320,426)	(259,974)	(191,570)	(356,503)	55,623
Cash flows from financing activities	(581,498)	(556,161)	(1,155,438)	(238,519)	(47,054)
Cash and cash equivalents at end of year	303,795	386,311	207,460	133,673	271,139

Note: Amounts are rounded down to the nearest thousand yen.

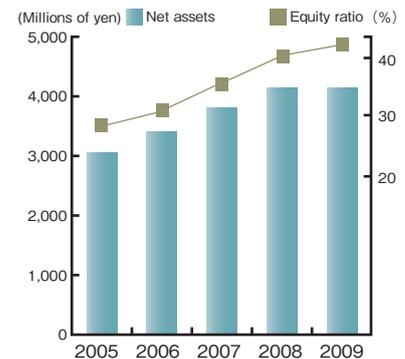
Net Sales



Operating Income



Net Assets/Equity Ratio



Corporate Data (As of June 30, 2009)

Company name	KOZO KEIKAKU ENGINEERING Inc.
Date of establishment	May 6, 1959
Common stock	¥1,010,200,000
Number of employees	559
Fiscal year-end	June 30
Listing	JASDAQ
Securities code	4748
Business	Engineering consulting System solutions Product services

Directory

- **Head Office**
4-38-13 Hon-cho, Nakano-ku, Tokyo 164-0012, Japan
- **Head Office, New Annex**
4-5-3 Chuo, Nakano-ku, Tokyo 164-0011, Japan
- **Osaka Branch Office**
3-6-3 Awaji-cho, Chuo-ku, Osaka 541-0047, Japan
- **Kyushu Branch Office**
2-14-1 Asano, Kokura Kita-ku, Kita Kyushu, Fukuoka 802-0001, Japan
- **Chubu Sales Office**
1-3-3 Sakae, Naka-ku, Nagoya, Aichi 460-0008, Japan
- **Kumamoto Office**
1315 Muro, Ozu-machi, Kikuchi-gun, Kumamoto 869-1235, Japan
- **Shanghai Rep. Office**
Shanghai World Financial Center, 15Fl.
No.100 Century Avenue, Pudong New Area, Shanghai, 200120, China

Corporate Officers (As of September 17, 2009)

CEO	Shota Hattori
COO	Masayoshi Abe
Director	Akihiro Sawaii
Director	Keiichi Nishio
Director	Takashi Miki
Director	Etsuo Harada
Auditor	Kenji Miyoshi
Auditor	Eiichi Obata
Auditor	Takayasu Okushima

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



Shanghai World Financial Center

The Shanghai World Financial Center (SWFC) is a 492-meter superhigh-rise building with 101 floors above ground. It is positioned in one of Asia's leading international financial cities, Shanghai, a hub for people and goods, money and knowledge, under the concept of "Global Management," which epitomizes its drive to be an information transmission center. SWFC, which was completed in 2008, includes offices and hotels, commercial facilities and the world's highest observatory.

KKE was engaged in the building's structural design administration operations. Our structural and vibration-damping technologies, leveraging the Company's mainstay engineering knowledge, contributed to realizing SWFC's combination of safety and luxury.