

Annual Results for the Fiscal Year Ended March 31, 2019 (FY 2018)

May 16, 2019



Building a better,
brighter future together

Total ICT Solutions:
Contributing to the Realization of a Brighter
Future by Bringing People Together and
Forming Connections with Society

KYOWA EXEO CORPORATION
URL: <http://www.exeo.co.jp/overseas/index.html>

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1. Overview of FY18 Results

(1) Performance Figures

- ◆ In addition to the organic growth of performance, the integration of the three companies in western Japan increased sales and profit substantially.
- ◆ Negative goodwill (18.3 billion yen) from the integration was posted as an extraordinary loss.

Overview of FY18 results (consolidated)

(¥bn)

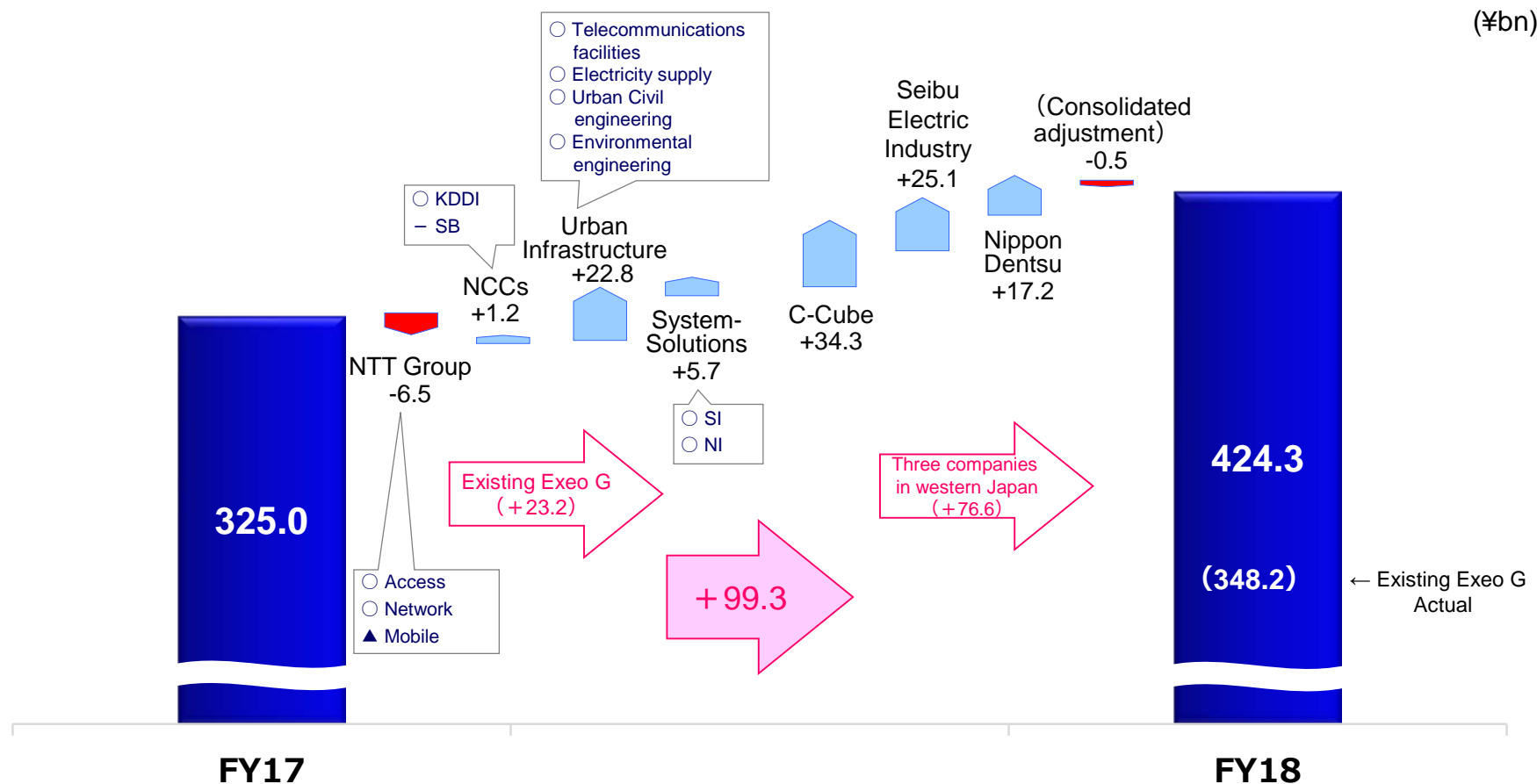
	FY 2017 Actual A	FY 2018			
		Corrective plan (Announced on Nov. 6, 2018) B	Actual C	YOY C/A	Plan accuracy C/B
Orders received	325.0	415.0	424.3	131%	102%
Net sales	312.6	420.0	423.7	136%	101%
Gross profit	(13.9%) 43.3	(13.3%) 56.0	(13.8%) 58.3	135%	104%
SG&A expenses	(5.7%) 17.7	(5.8%) 24.5	(6.3%) 26.6	150%	109%
Operating income	(8.2%) 25.6	(7.5%) 31.5	(7.5%) 31.7	124%	101%
Ordinary income	(8.5%) 26.4	(7.7%) 32.5	(7.9%) 33.4	126%	103%
Net income attributable to owners of parent	(5.8%) 17.9	(10.0%) 42.0	(9.5%) 40.2	224%	96%

Notes: All amounts less than ¥100m are disregarded. Figures in parentheses are ratio to net sales.

1. Overview of FY18 Results

(2) Orders Received

◆ Orders received increased substantially due to the favorable results of Urban Infrastructure year on year, and the three integrated companies in western Japan successfully won orders.



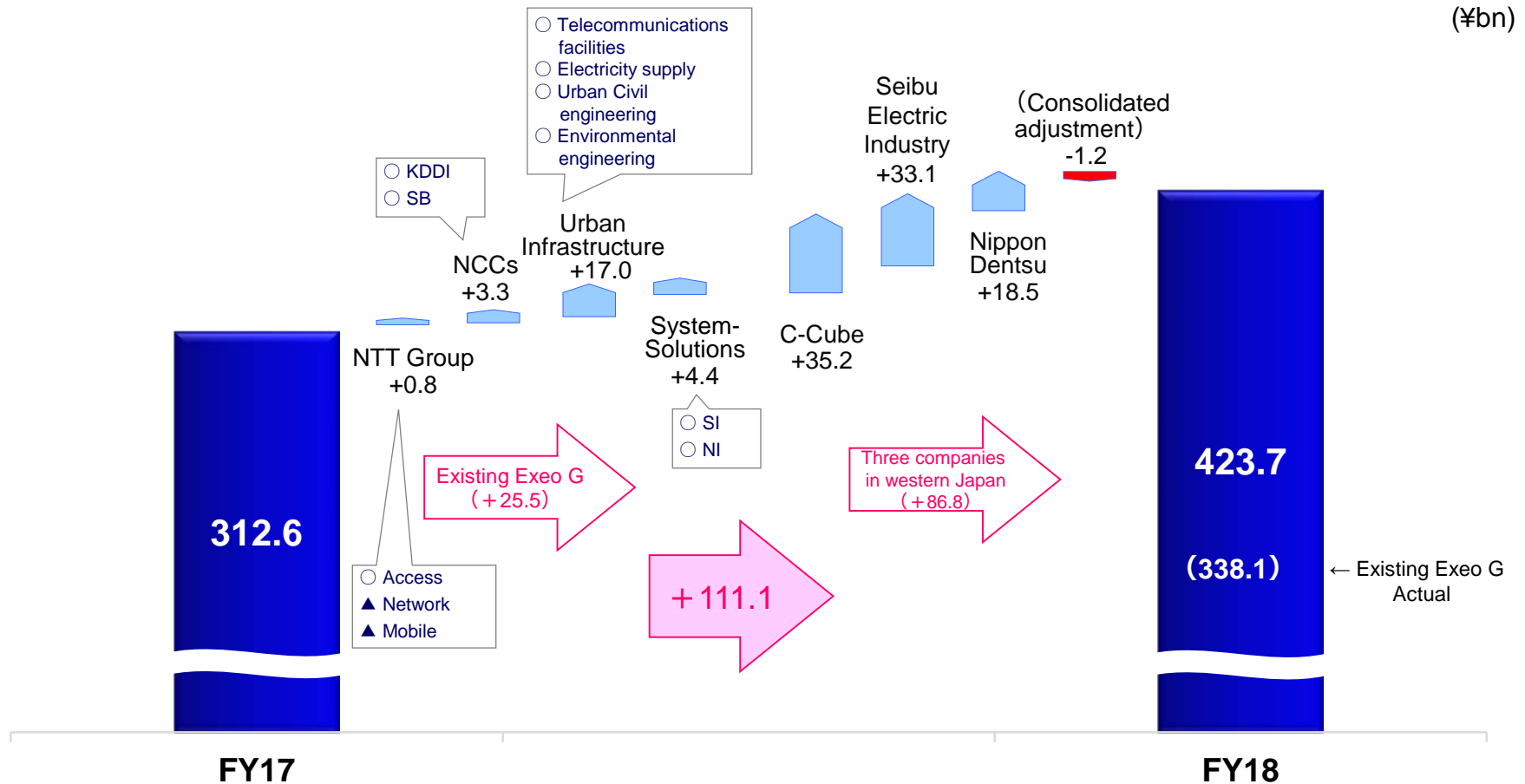
○ Reason for increase ▲ Reason for decrease — No increase/decrease

Note: All amounts less than ¥100m are disregarded.

1. Overview of FY18 Results

(3) Net Sales

- ◆ Urban Infrastructure, which increased the number of orders received substantially, also increased net sales significantly.
- ◆ The net sales of the three integrated companies in western Japan were mostly as planned.



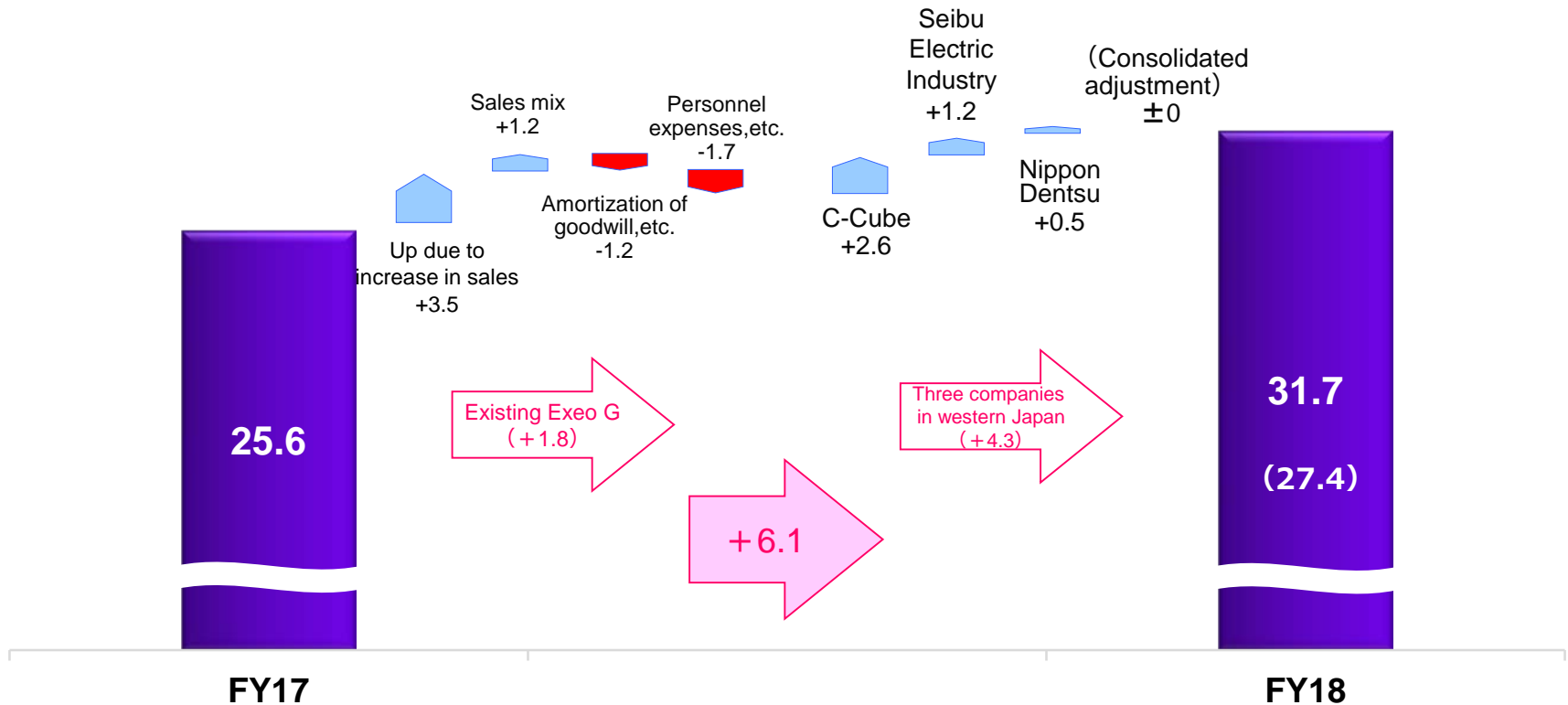
Note: All amounts less than ¥100m are disregarded.

1. Overview of FY18 Results

(4) Operating Income

◆ SG&A expenses increased in line with the increased sales and M&A, but the improvement of the sales mix resulted in record-high income.

(¥bn)



Note: All amounts less than ¥100m are disregarded.

1. Overview of FY18 Results

Reference: Trends in Group company profitability

◆ The results of the group companies were favorable, and the ratio of consolidated to non-consolidated profits remained high.

■ Trends in operating profits over the past five years (consolidated/non-consolidated)

(¥bn)

(Ratio of consolidated to non-consolidated profits)

(1.8)

(1.8)

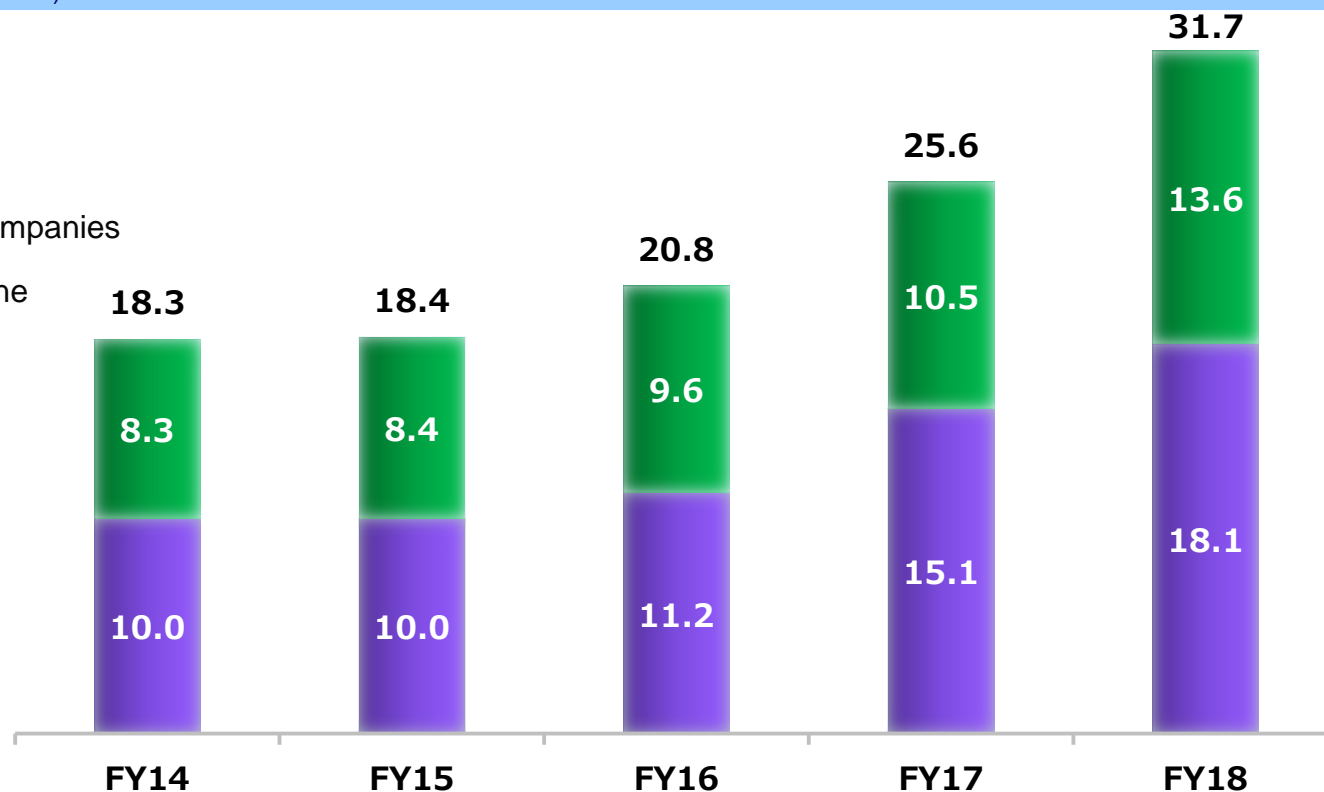
(1.9)

(1.7)

(1.8)

■ Group companies

■ Exeo alone



Notes: Ratio of consolidated to non-consolidated profits = operating profits from consolidated projects ÷ operating profits from non-consolidated projects. All amounts less than ¥100m are disregarded.

1. Overview of FY18 Results



(5) Cash Flow

◆ Cash flow is stable and cash on hand is ample.

■ Cash flow (consolidated)

(¥bn)

	FY15	FY16	FY17	FY18
Cash at beginning of FY	24.2	16.0	15.2	30.3
Operating activities	5.3	15.5	24.8	12.7
Investing activities	-13.9	-6.0	-4.5	-17.6
Financial activities	0.3	-10.2	-5.1	-4.9
Increase/decrease of cash due to share exchange				21.0
Cash at end of period	16.0	15.2	30.3	41.4

Note: All amounts less than ¥100m are disregarded.

2. Review of Medium-term management plan (FY19-20)



(1) Medium-term vision (No Change)

Focus Group strengths to take total solutions to a new growth stage

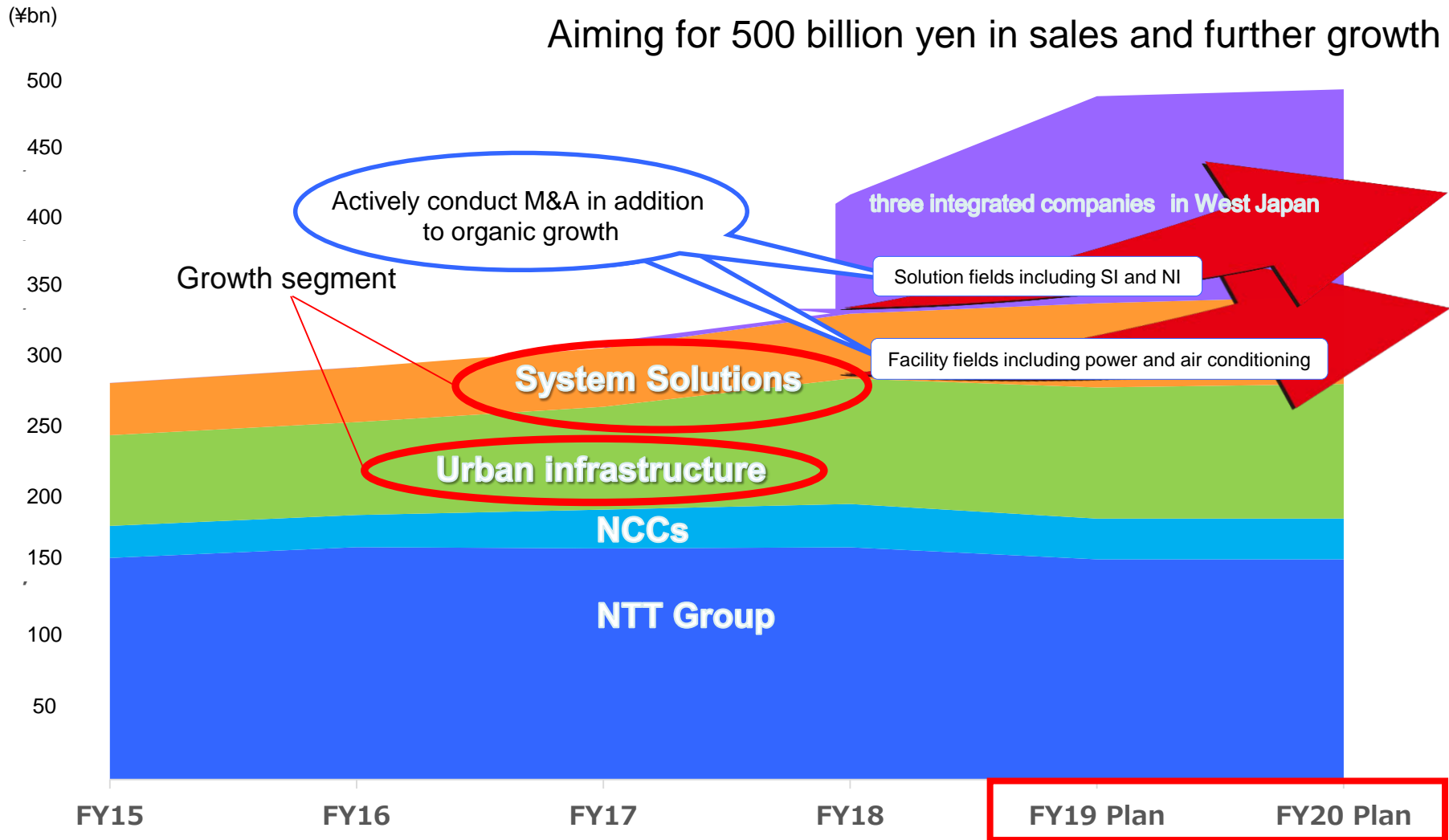
(2) Basic Policies (Slightly Changed)

1. Creation of group synergy with the three integrated companies
2. Acceleration of solution business and expansion of stock business
3. Building of construction formation for the full-scale launch of 5G
4. Development of overseas business with EXEO GLOBAL as a starting point
5. Improvement of productivity through the digitalization of operations and the fostering of highly-skilled IT human resources
6. Increase in shareholder value due to the improvement of capital efficiency

(3) Performance Target for FY20 (Changed)

■ Net sales	¥500.0bn
■ Operating income	¥33.0bn (Operating income margin 7.5%)
■ ROE	8.5%
■ EPS	¥210

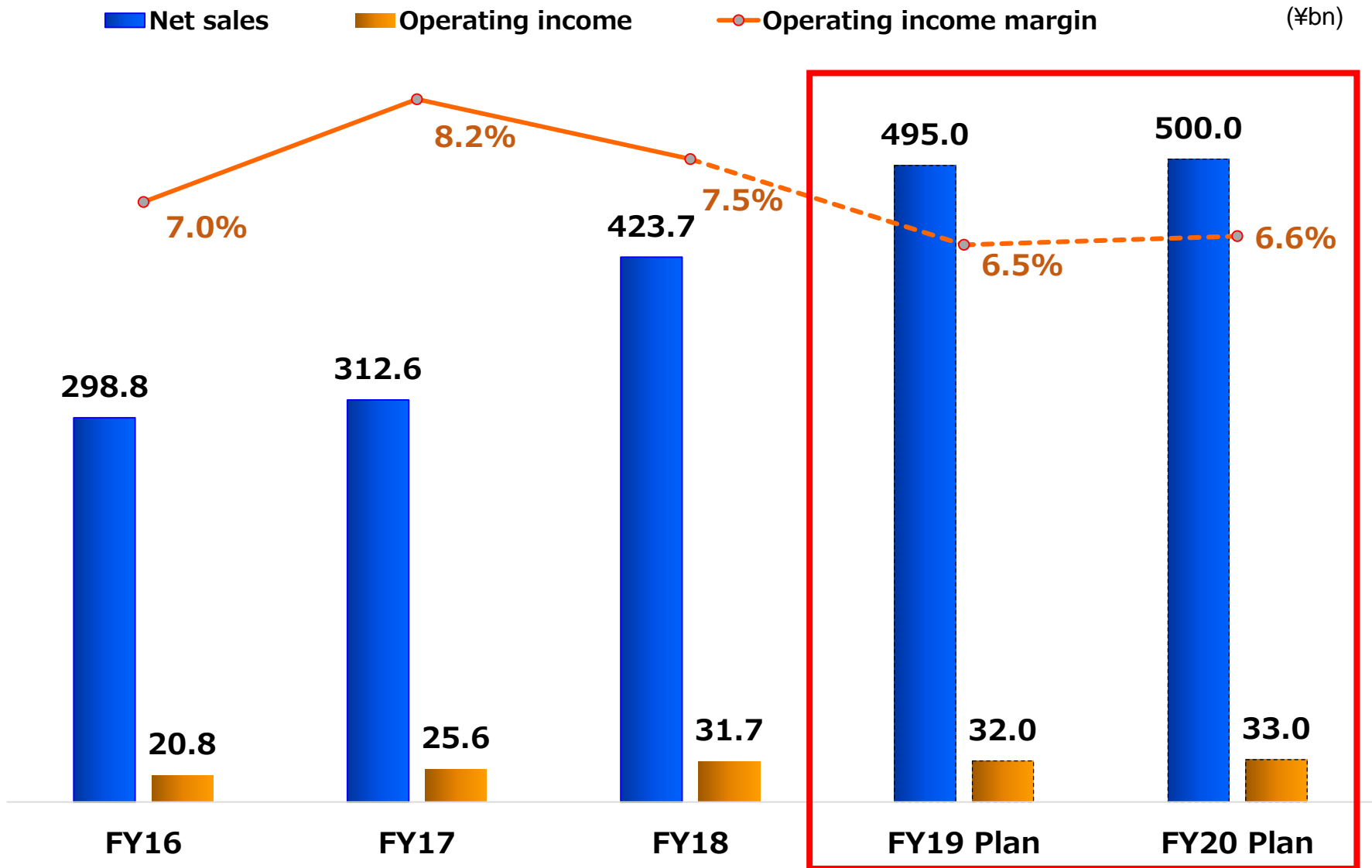
(4) Objective and Growth Picture



2. Review of Medium-term management plan (FY19-20)



(5) Net sales and Operating Income Plans

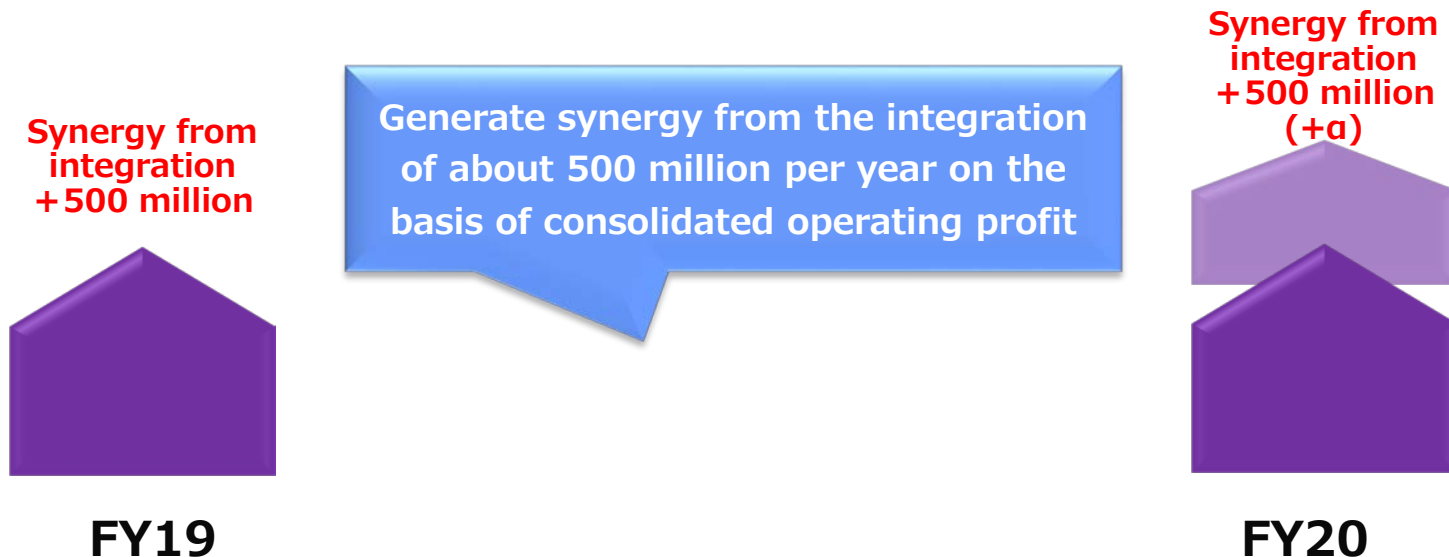


2. Review of Medium-term management plan (FY19-20)

(6) Create synergy with three companies in western Japan

◆ From the cooperation with the three integrated companies in western Japan, synergy from the integration is created throughout the EXEO Group.

- While securing the profit level, concentrating operations in the same area as one operation for better construction efficiency.
(Launch of NTT service comprehensive construction in the Kyoto-Osaka region, and others)
- Improvement of profitability through rebuilding of construction formation
(reduction of outsourcing costs outside the group by mutually utilizing subsidiaries)
- Integration of internal system/business flow
(improvement of costs through shared use of access/user systems)



3. Plans for FY19

(1) Performance Figures

- ◆ Orders received and net sales are expected to increase substantially from the previous year, due in part to the full-year contribution of the three integrated companies in western Japan.
- ◆ New record profit planned through improved productivity and synergy following the integration.

■ Plans for FY19 (consolidated)

(¥bn)

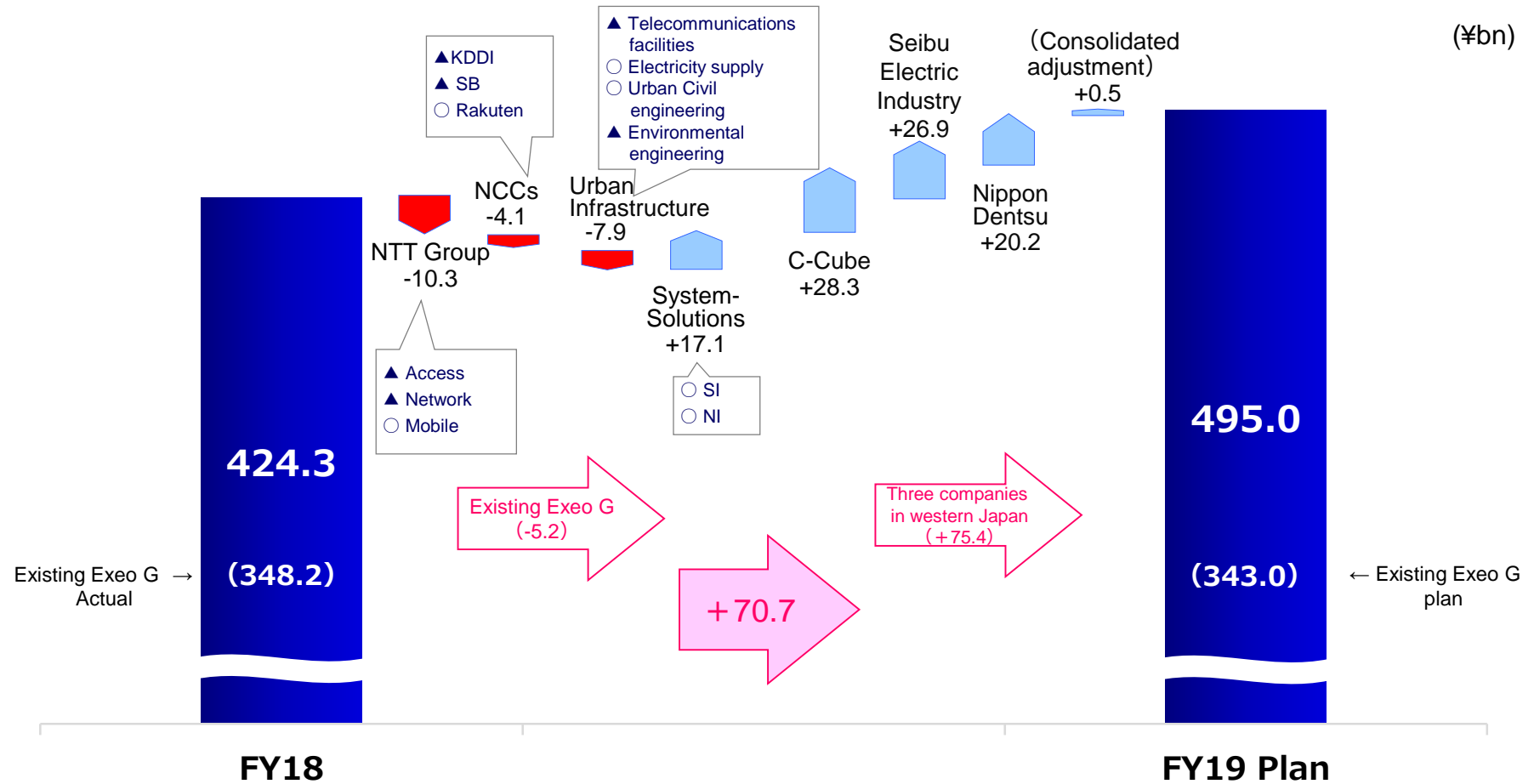
	FY 2018 Actual A	FY 2019	
		Plan B	YOY B/A
Orders received	424.3	495.0	117%
Net sales	423.7	495.0	117%
Gross profit	(13.8%) 58.3	(13.4%) 66.3	114%
SG&A expenses	(6.3%) 26.6	(6.9%) 34.3	129%
Operating income	(7.5%) 31.7	(6.5%) 32.0	101%
Ordinary income	(7.9%) 33.4	(6.6%) 32.8	98%
Net income attributable to owners of parent	(9.5%) 40.2	(4.4%) 21.8	54%

Notes: All amounts less than ¥100m are disregarded. Figures in parentheses are ratio to net sales.

3. Plans for FY19

(2) Orders Received

◆ While orders received are forecast to decline for the NTT Group, we aim to increase those for system solutions substantially.



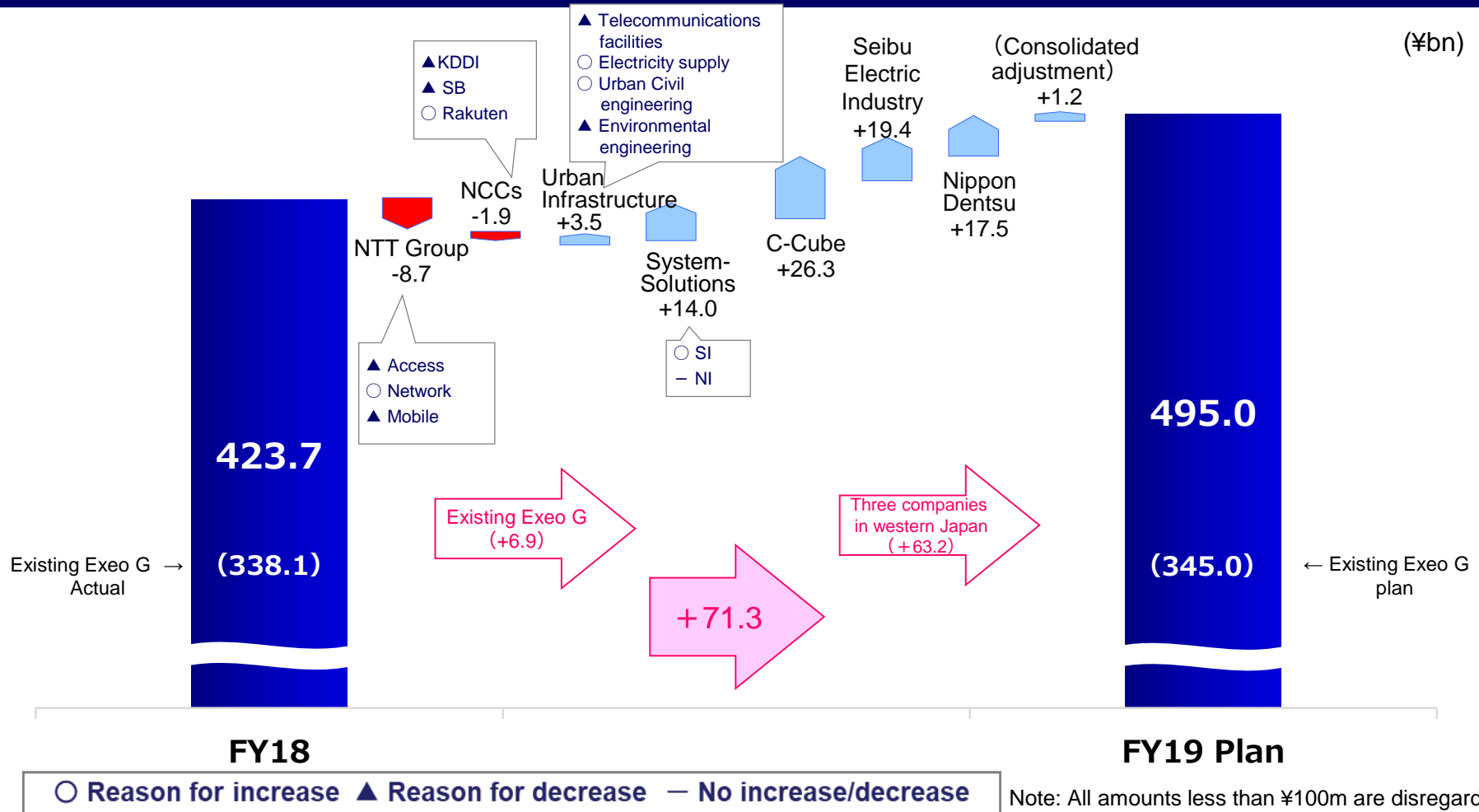
○ Reason for increase ▲ Reason for decrease — No increase/decrease

Note: All amounts less than ¥100m are disregarded.

3. Plans for FY19

(3) Net Sales

◆ While working on the completion of a large amount of carried-over construction work, aiming to increase sales by winning an increased number of orders.

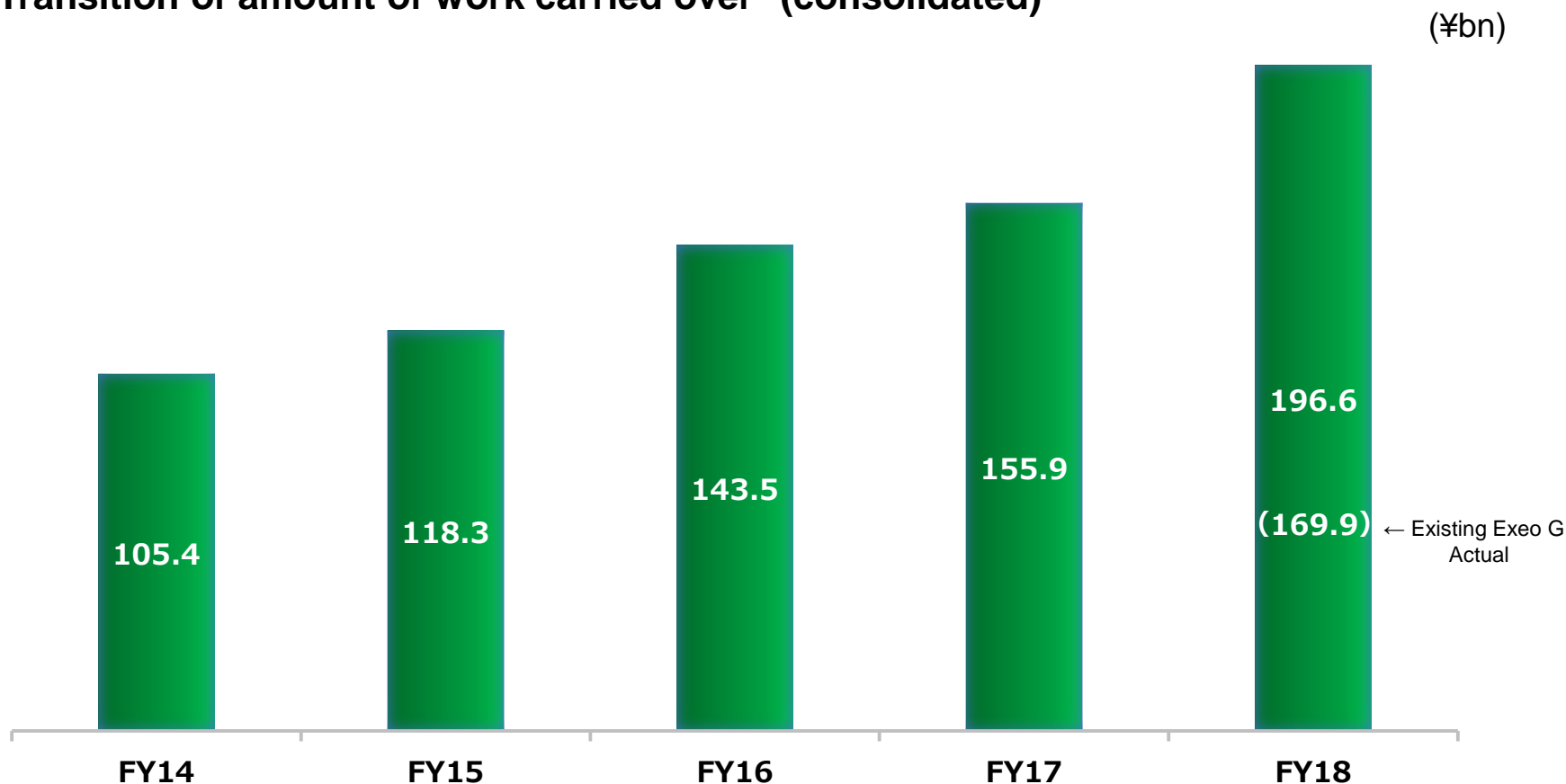


3. Plans for FY19

Reference: Status of projects carried over

◆ Work carried over will continue to increase because of the increased number of orders for large construction of Urban Infrastructure with longer construction periods.

■ Transition of amount of work carried over (consolidated)



Note: All amounts less than ¥100m are disregarded.

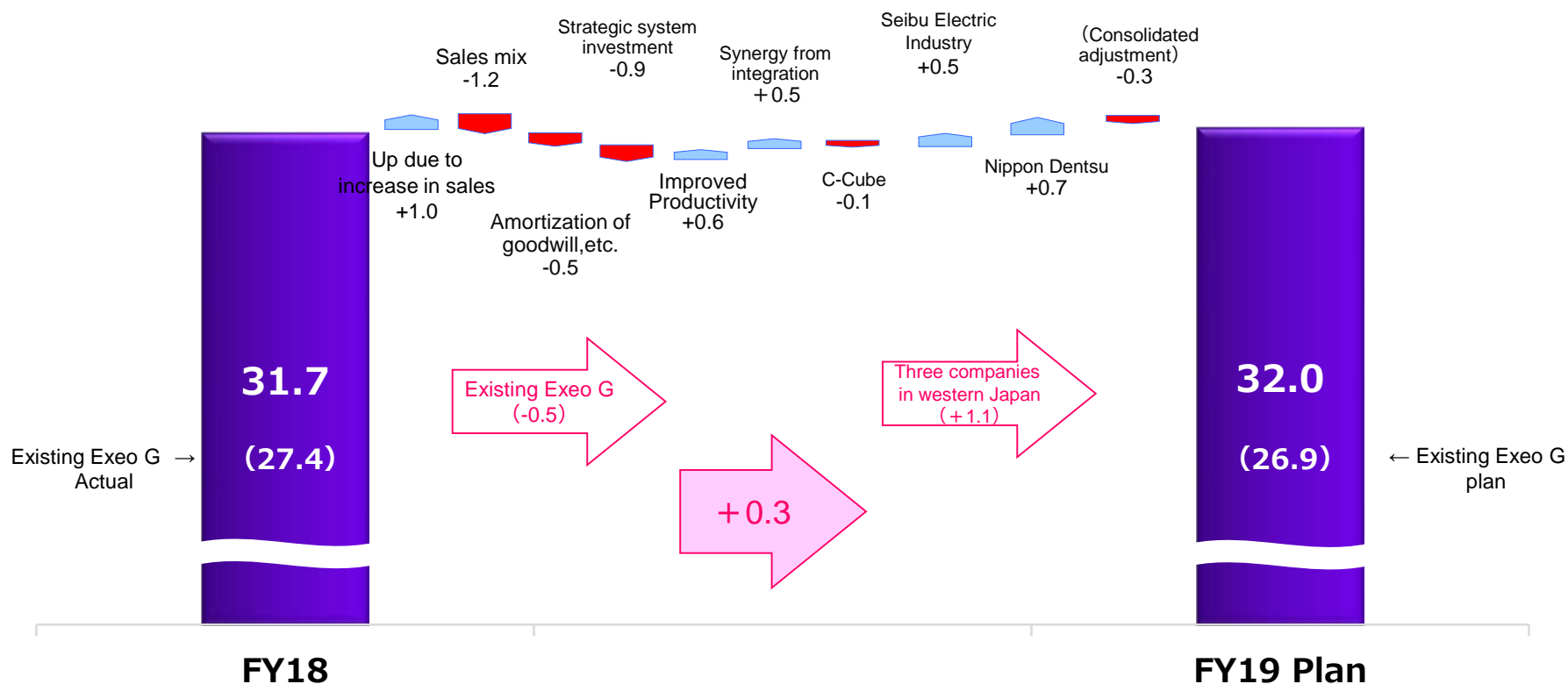
3. Plans for FY19



(4) Operating Income

◆ Despite the worsening of the mix and the increase in SG&A expenses, we will aim to achieve a new record-high income, due in part to synergy following the integration.

(¥bn)



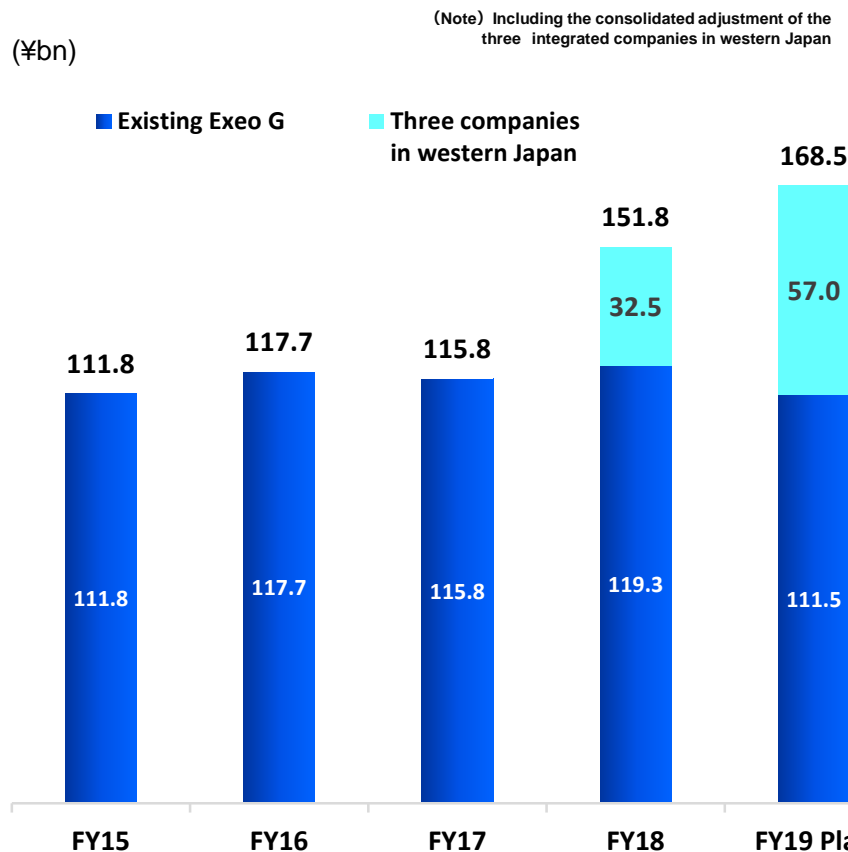
Note: All amounts less than ¥100m are disregarded.

3. Plans for FY19

(5) NTT Group (Access/Network)

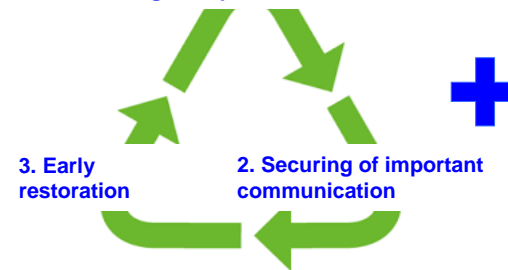
- ◆ Net sales from work to open an optical network are strong, and maintenance and construction for disaster countermeasures have gradually been increasing in recent years.
- ◆ In line with the increase in mobile traffic, NTT Building's power-supply constructions are strong.

Net sales of NTT Group (fixed-line network, consolidated)



NTT Group's disaster countermeasures

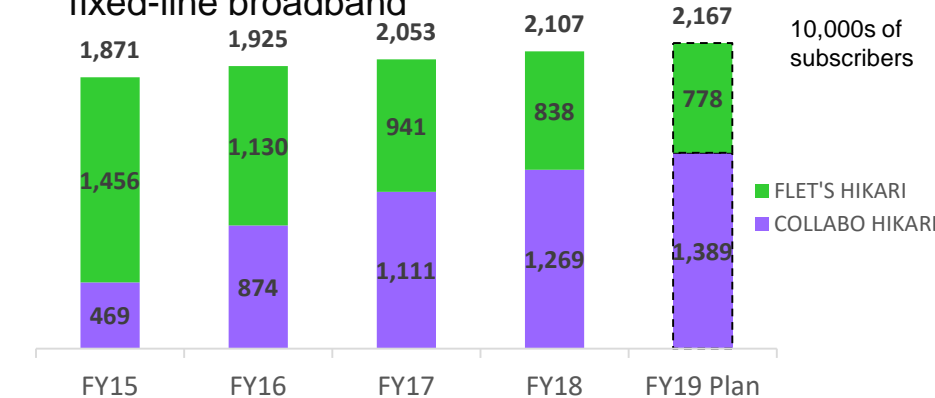
1. Improvement of reliability of communication networks (including multiple transmission routes)
2. Securing of important communication
3. Early restoration



- Further strengthening of communication infrastructure (concentration of communication facilities, etc.)
- Proactive disaster response
- Appropriate transmission of information

(Source: Created by Kyowa Exeo based on NTT presentation material)

Trend of number of subscribers to NTT Group's fixed-line broadband



3. Plans for FY19

(6) NTT Group (Mobile)

- ◆ Expect an increase in the construction of 4G-enabled base stations for the new frequency (3.4GHz) from 2H.
- ◆ In preparation for the full-scale construction for 5G, a new construction system is established in which access/mobile is integrated.

Net sales of NTT Group (mobile network, consolidated)

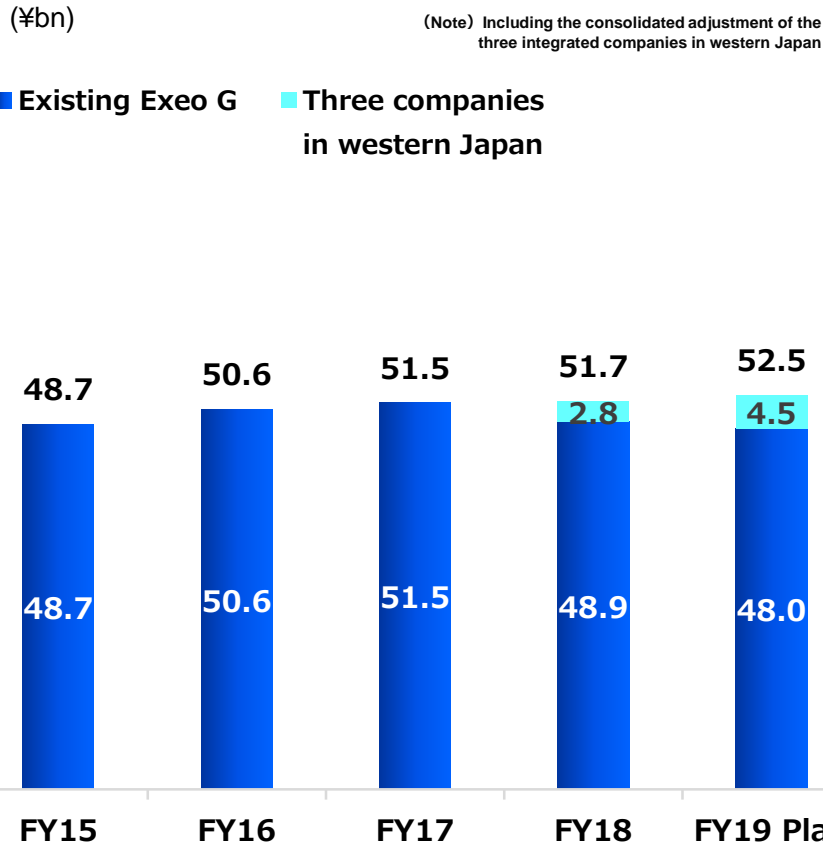
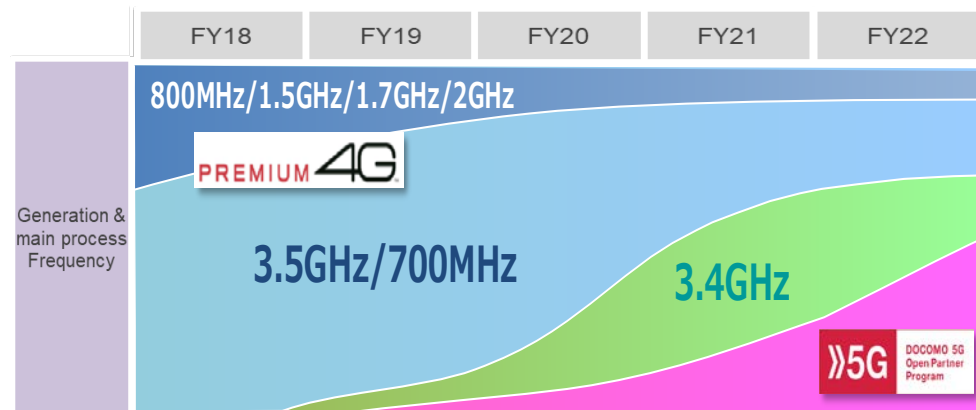


Image of NTT DOCOMO Main Processes (our company's assumption)



NTT Docomo's development of 5G service

September 2019
Preservice starts

Spring 2020
Commercial service starts

Building of 5G infrastructure
Investment

1 trillion yen
(2019-2023 total)

- 5G trial site: 75 trials will be conducted
- Docomo 5G open partner program: Around 1,800 companies and organizations will participate

(Source: Created by us based on NTT DoCoMo presentation material.)

3. Plans for FY19

(7) NCCs

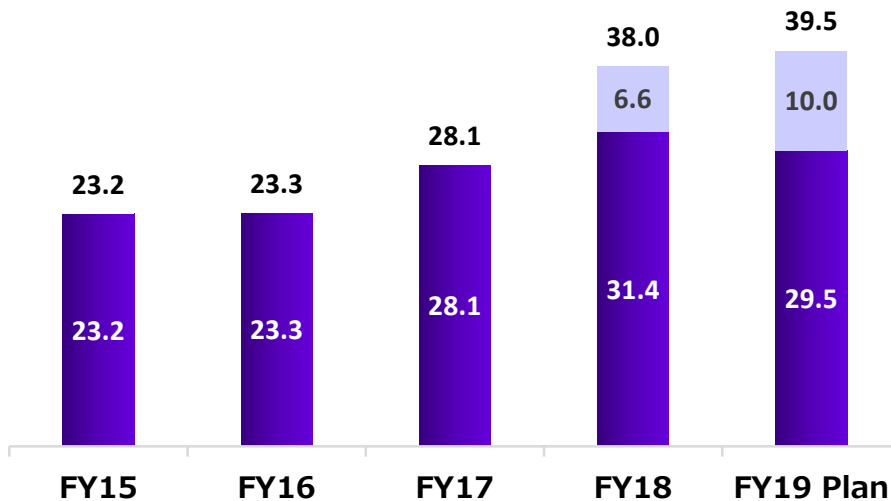
- ◆ Strong sales are expected to continue because of the increase in orders received in recent years.
- ◆ We will respond to the construction of Rakuten's wireless base stations, which will be commenced on a full-scale basis, jointly with the three integrated companies in western Japan.

■ Net sales of NCCs (consolidated)

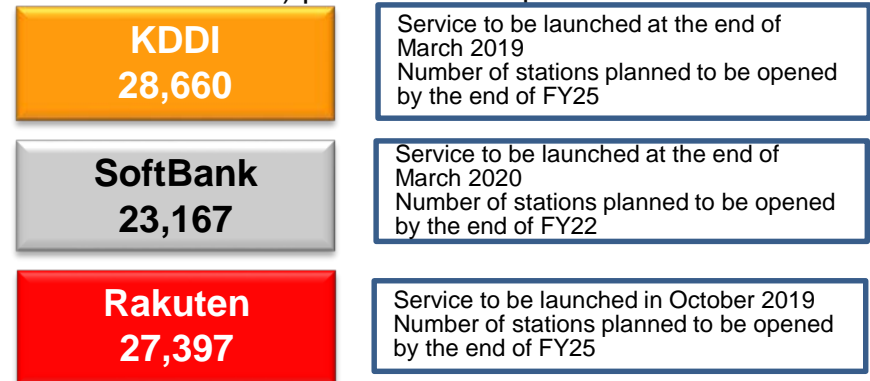
(¥bn)

(Note) Including the consolidated adjustment of the three integrated companies in western Japan

■ Existing Exeo G ■ Three companies in western Japan

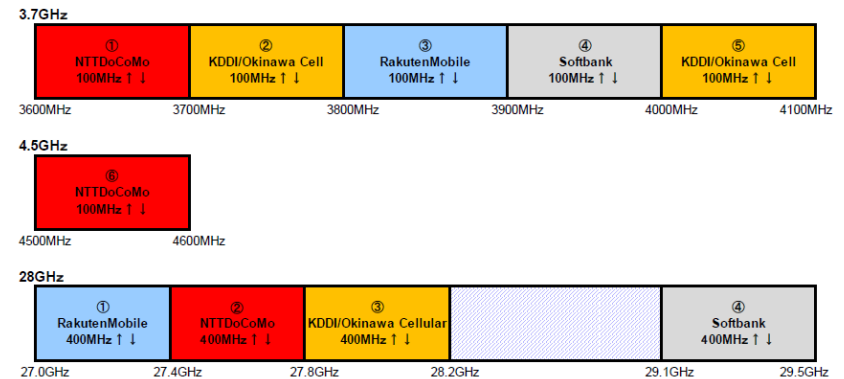


■ Number of base stations for new frequency bands for 4G (1.7 GHz and 3.4 GHz) planned to be opened



(Source: Prepared by the Company based on the materials of the Telecommunication Bureau, Ministry of Internal Affairs and Communications)

■ Results of 5G frequency allotment



3. Plans for FY19

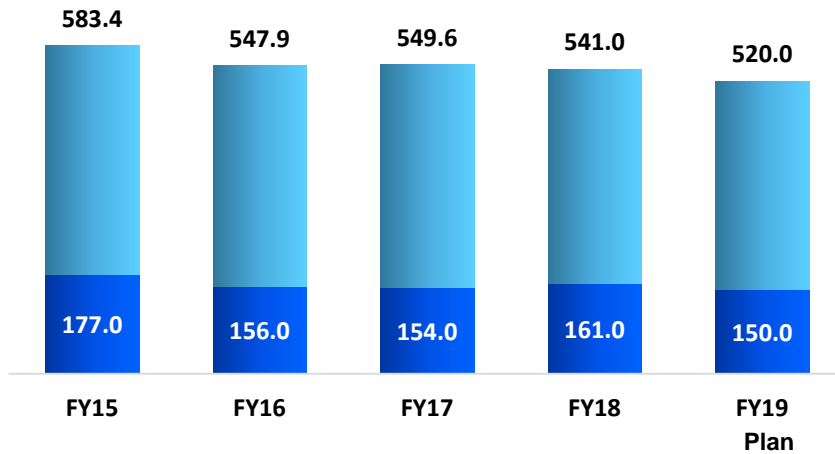


Reference: Investment Trends of Major Telecom Carriers

(Source: Figures released by the telecommunications carriers)

NTT East/West

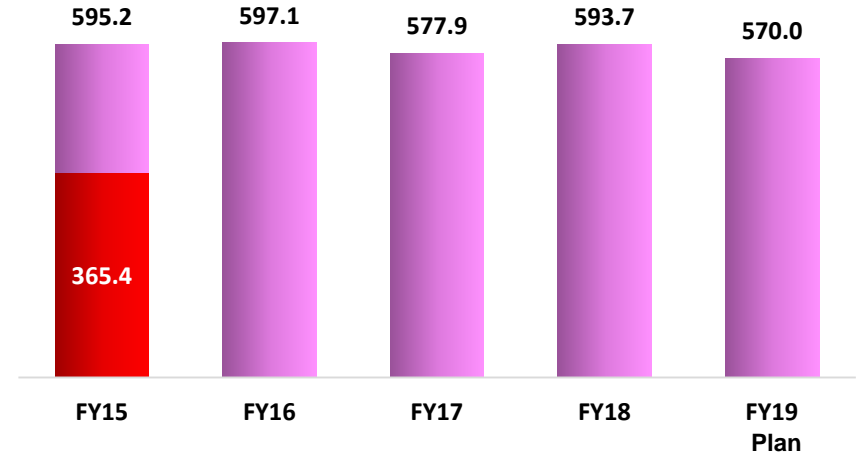
■ Optical fiber



NTT DoCoMo

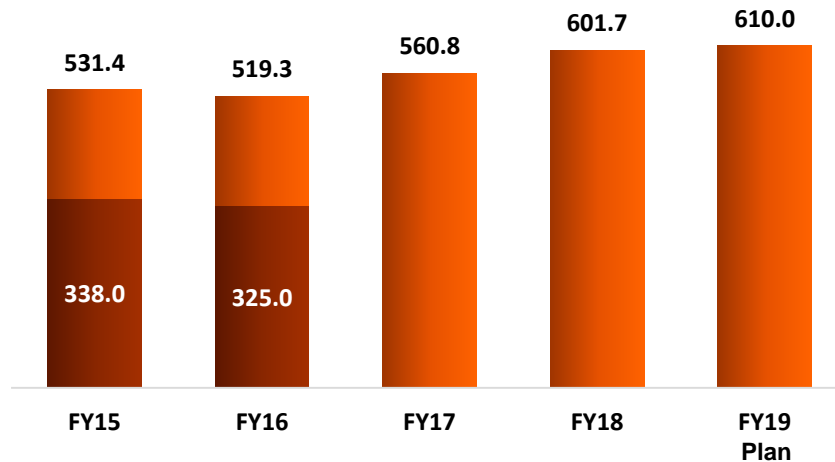
■ LTE-related

(¥bn)

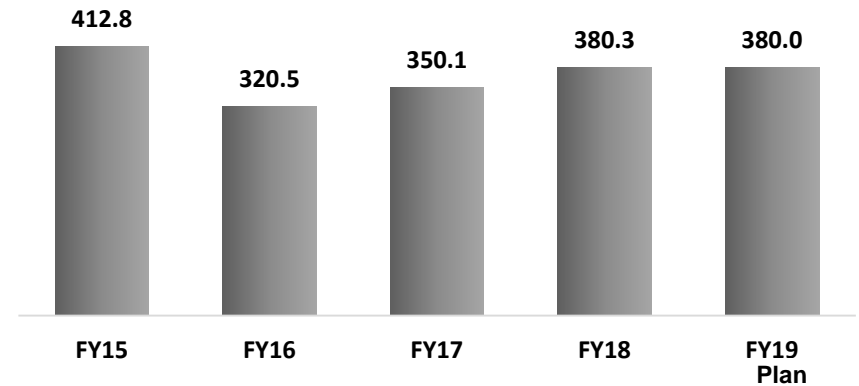


KDDI

■ Mobile



SoftBank

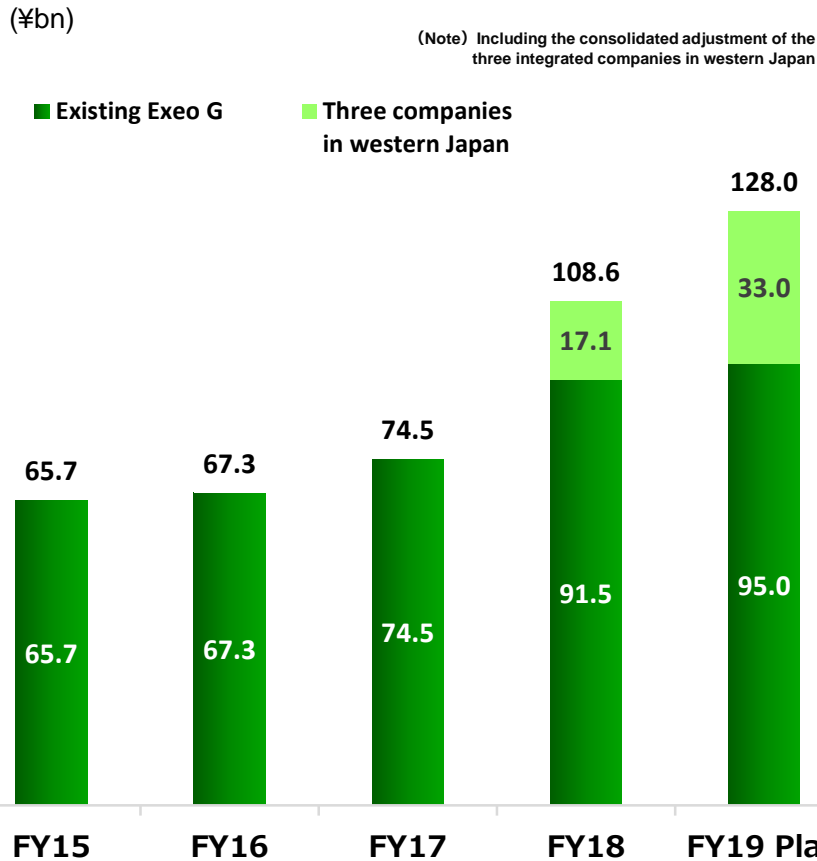


3. Plans for FY19

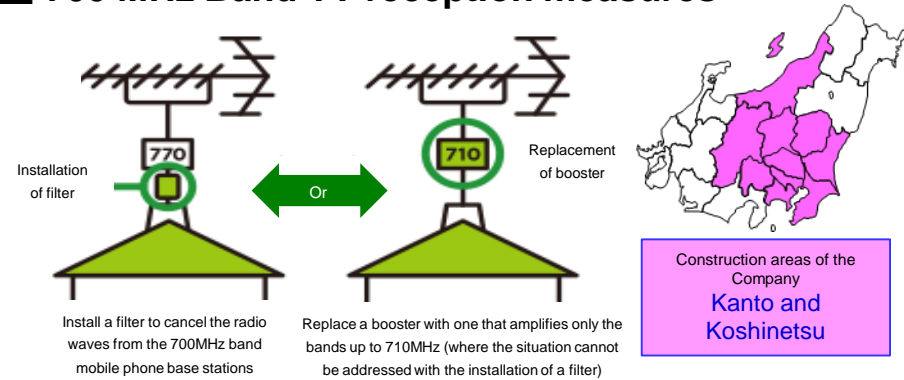
(8) Urban Infrastructure

- ◆ Construction for 700MHz Band TV reception measures is declining, but sales are expected to remain strong.
- ◆ We will undertake construction in a new field, including the earth shuttle method for submarine cables.

Urban Infrastructure net sales (consolidated)



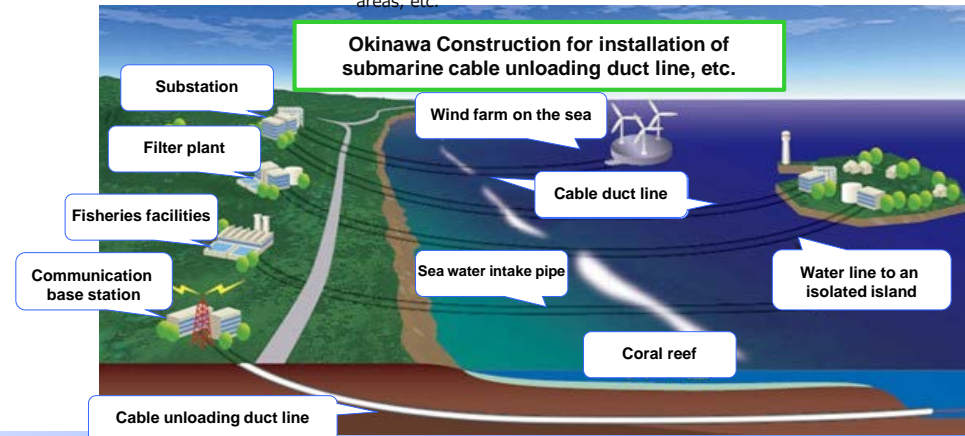
700 MHz Band TV reception measures



(Source: Created by us based on the HP of Association of 700MHz Frequency Promotion)

Undertake the earth shuttle method

Note: Appropriate method for the penetration of the sea, rivers, and mountain areas, etc.



3. Plans for FY19

(9) System-Solutions

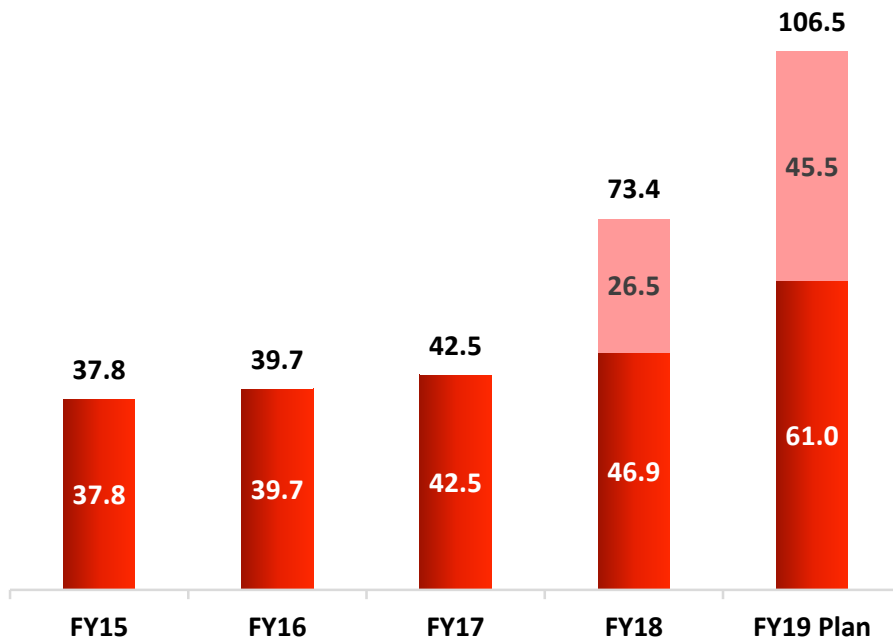
- ◆ Continue to focus on the expansion of new solutions such as new energy and Geo Solutions.
- ◆ Through global M&A, strengthen the base with the aim of expanding business in the APAC region.

■ System-Solutions net sales (consolidated)

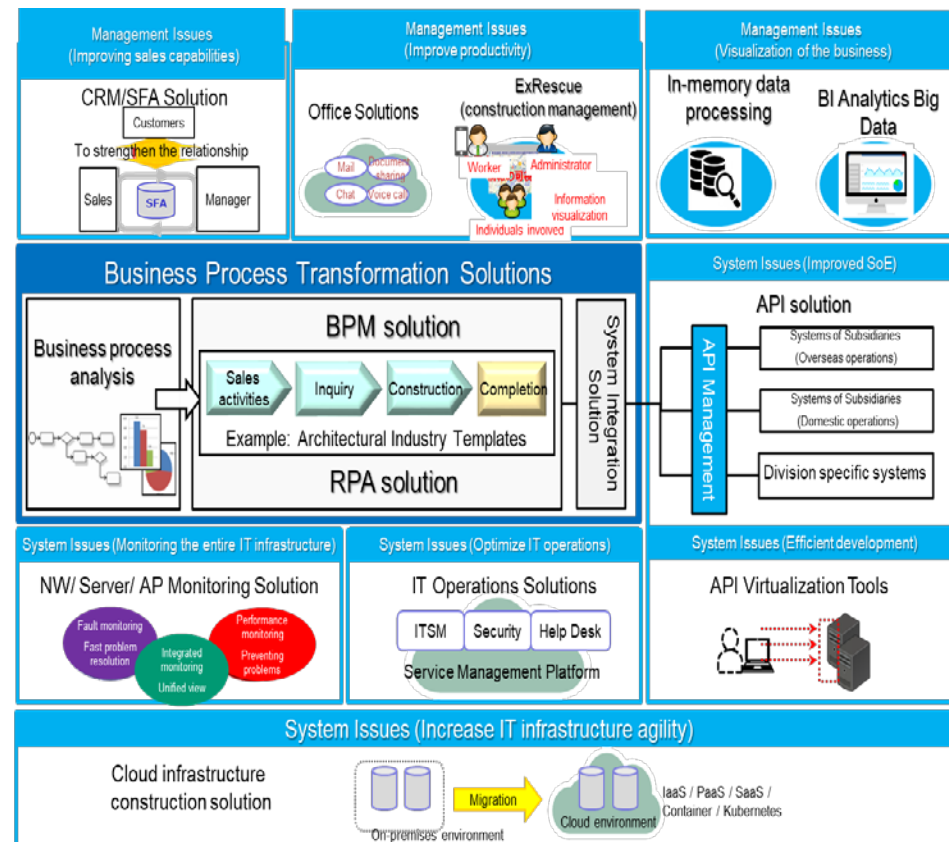
(¥bn)

(Note) Including the consolidated adjustment of the three integrated companies in western Japan

■ Existing Exeo G ■ Three companies in western Japan

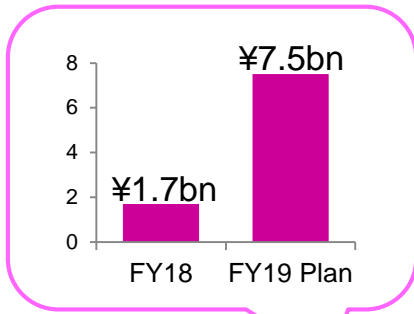


■ Solution Map (added value expansion plan)



3. Plans for FY19

Reference: Results of orders received for new solutions and activities going forward



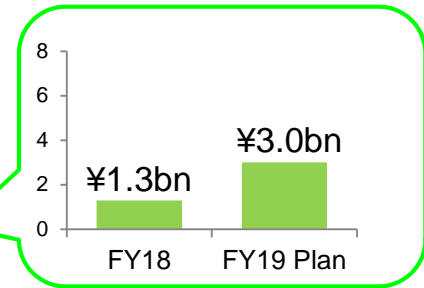
EXEO GLOBAL was founded in Singapore, and will commence full scale development globally

Global, other

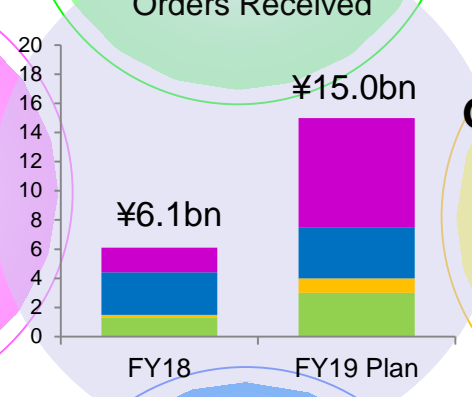
- Global projects
- Global project investment, etc.

New energy field

- Energy management service
- Transportable lithium battery
- Smart meter



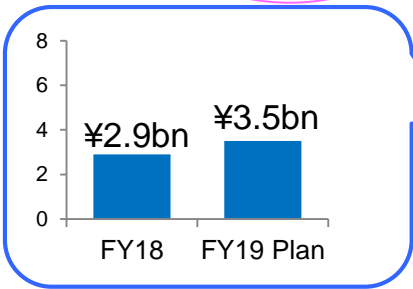
Energy Viewer , Survival Power Supply, Utility cloud for new electric power companies , HEMS, etc.



Geo Solutions field

- Beacon (indoor positioning infrastructure/sensor network)
- Guide application (tourism/disaster)

EXBeacon: (Next-generation beacon equipped with mesh network function) ⇒ Provision of indoor positioning infrastructure and formation of sensor network

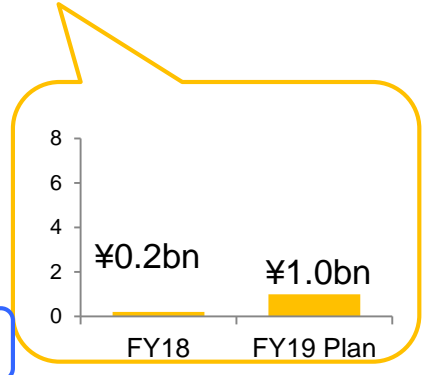


Cloud/security field

- Thin client/virtual field
- Security infrastructure
- Educational apps

• Cloud integration engineering in partnership with Microsoft
 – Enrichment of lineup of solutions in corporate communication and IoT fields, **Capital and business tie-up with Phone Appli Inc.**

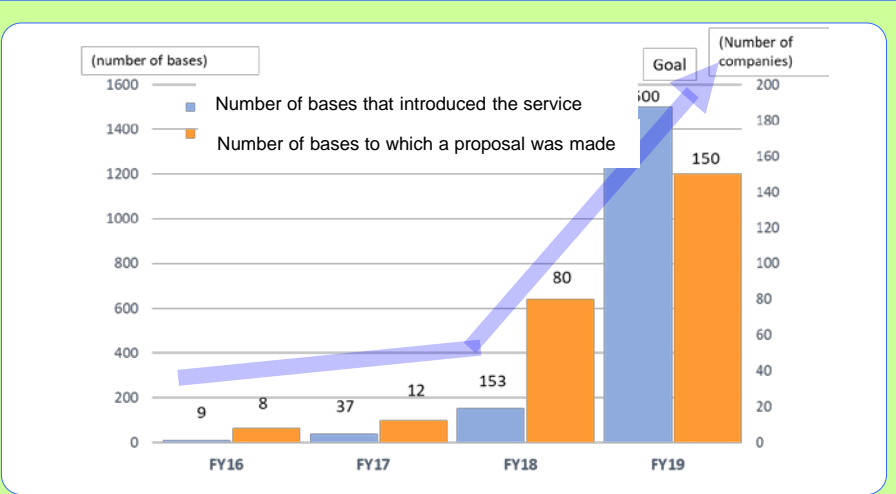
Computerized parking space certification system



3. Plans for FY19

Reference : Energy Viewer

Reference : Cloud Integration Engineering



Transition of number of bases that introduced the service/to which a proposal was made

Number of bases that introduced the service

20 companies, 153 bases, reduced electricity for air conditioning by 20% on average

- ✓ FY2018: Four companies made a full-scale introduction after understanding the effect in a trial
- ✓ Partners (middle B) also strengthened sales to achieve a substantial increase in the number of companies to which a proposal was made

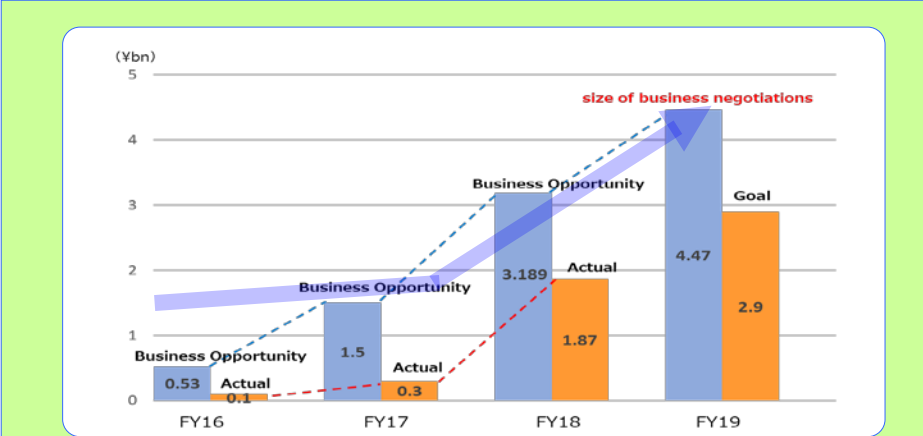
Inquiries for new partners

Discussing collaboration with seven companies

- ✓ The value of the solution is recognized, due in part to winning the Energy Conservation Award

New business development

- ✓ Solution other than added value of electric power selling
- ✓ Analysis and utilization of accumulated big data



Trend of numbers on comprehensive cloud engineering, including received orders

Status of activities [FY2018]

- ✓ Efforts for comprehensive cloud engineering in collaboration with Microsoft Japan and other companies
 - Reform of communication through cooperation between Microsoft Teams and existing telephones
 - Support of introduction/operation of Microsoft Azure IoT
 - Renewal of network/security for the introduction of the cloud, support for the introduction of cloud PBX (PBX renewal, voice recognition)
- ✓ IoT
 - Collaboration with multiple carriers in Japan in agricultural IoT/factory IoT solutions



Vision AI Developer Kit

Obtained approval of Microsoft Japan

- ✓ 18.6 Commenced telephone system connection service construction support for Microsoft Teams for the first time in Japan
- ✓ 18.7 Certified as a Microsoft Mixed Reality partner
- ✓ 18.11 Trial of Microsoft Azure IoT Edge commenced

Provision of new solution in cooperation with Nextgen

- ✓ 19.4 Opened a laboratory for the next-generation voice solution (voice recognition/analysis, etc.), starting to consider next-generation voice base

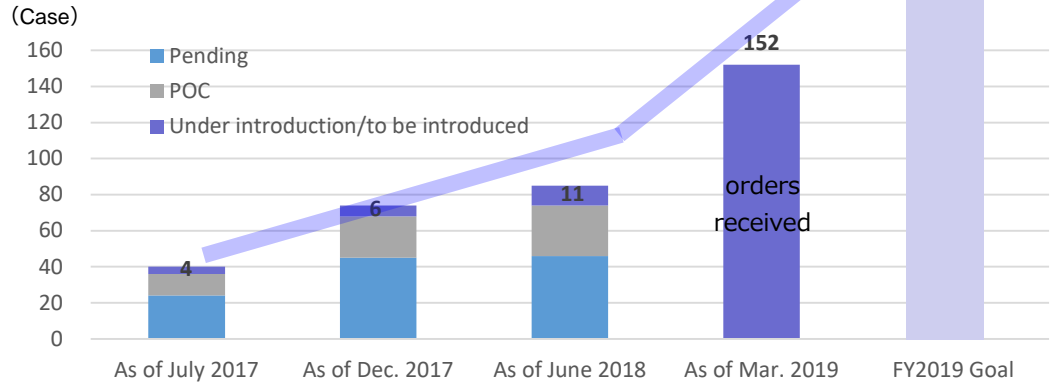
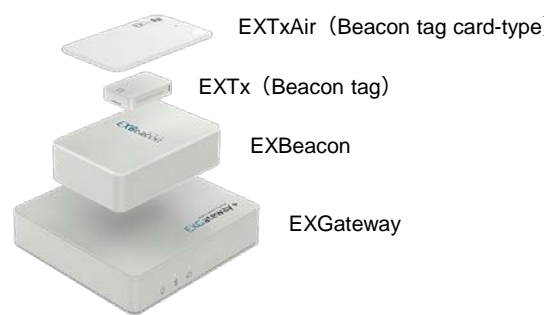
3. Plans for FY19

Reference: Mesh-Type Beacon (new LAN exclusive for IoT)



Photo of equipment introduced in Company A

Achieve integration of attendance management using location detection of employees and production management using location detection of products



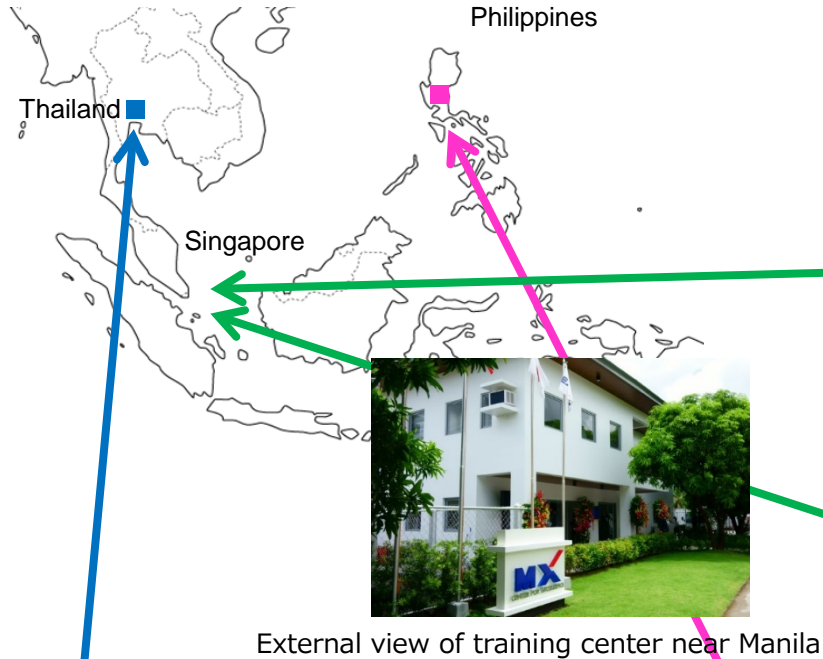
Trend of numbers on mesh-type beacon, including introduction results

Domain	Sales Policies	Partner
	Plant 1. Direct sales/trade show/2. Joint sales with MES provider: Major automobile plant, major musical instrument company, MES provider Office 1. Direct sales/trade show/2. Sales by distributor: Major trading company, major furniture and fixtures company, NTT East/West, MS, etc.	
	Building management: Jointly provide part of a building management system jointly with a management company: NTT Facilities, NTT Data Office survey: Develop Sol solution jointly with a partner: Major real estate company, NTT Facilities.	
	Facility design Position IoT-LAN as a new item for designing building equipment: Nikken Sekkei, major general contractor, NTT Facilities (IoT-LAN)	
	Facilities/equipment installation: Development/sales of joint solution with air conditioner maker: Major air conditioner maker, Hitachi GLS	
	Furniture and fixtures installation: Development/sales of joint solution with a furniture and fixtures maker: Major furniture and fixtures company	
	Warehouse Development/sales of a solution with WMS provider: Own use, Densetsu, Hitachi Solutions	
	Nursing care facilities/hospital 1. Transfer of PoC business in nursing facilities, 2. Business development of Juntendo University SOMPO, Nichii Gakkan Soft Bank, Juntendo University	
	Construction site: Subscription system with a rental company as an agency: Major construction machinery rental company	

3. Plans for FY19

Reference: Global business initiatives

With EXEO GLOBAL as a starting point, expand business in the APAC region



Building business bases in Southeast Asia
Philippines, Thailand, Singapore

- Airport ICT
- Industrial complex ICT
- Data center ICT
- Expressway communication
- Railway communication

On October 31, 2018, the company signed an agreement to acquire all shares of the LAE Group, which engages in work for electrical and integrated facilities in Singapore.

N a m e	Leng Aik Engineering Pte.Ltd.
L o c a t i o n	Singapore
B u s i n e s s A c t i v i t i e s	Work for electrical and integrated facilities
C a p i t a l	150 million SGD
N u m b e r o f e m p l o y e e s	Approx. 260 people
D a t e o f E s t a b l i s h m e n t	September 6, 1999

In November 2018, EXEO GLOBAL Pte.Ltd. was established in Singapore to operate and manage overseas subsidiaries. A takeover bid is currently underway for all the shares of [DeClout](#), a global operator of a system solution business.

N a m e	DeClout Limited
L o c a t i o n	Singapore
B u s i n e s s A c t i v i t i e s	Sale and service of IT infrastructure and cloud service
C a p i t a l	114 million SGD
N u m b e r o f e m p l o y e e s	Approx. 630 people
D a t e o f E s t a b l i s h m e n t	August 21, 2010

EXEO ASIA

Establishment of EXEO ASIA, a new joint venture in Thailand in Jan. 2018

N a m e	EXEO ASIA COMPANY LIMITED
L o c a t i o n	Bangkok, Thailand
B u s i n e s s A c t i v i t i e s	Planning, marketing, design, construction, development, sales and maintenance services in relation to ICT solutions, communication equipment and IP/Internet
C a p i t a l	6,000,000 THB
O w n e r s h i p R a t i o s	KYOWA EXEO 40%, Net Chart 9%, S.E.C.T. 16%, KDTS 10%, Millennium Plus One 25%
D a t e o f E s t a b l i s h m e n t	January 3, 2018

MG Exeo (Philippines) has been engaged in construction for communication common carriers for a long time.

- Development of ICT technology educators in the Philippines
→ Spread to other SE Asian countries
- Global human resources development in the Philippines (one-year stay & short-term stay)
Continue to send trainees (employees of our company) from Japan starting in 2015.

4. Our M&A Strategy

(1) Development Direction by Business Segment

Engineering Solutions (Urban infrastructure)

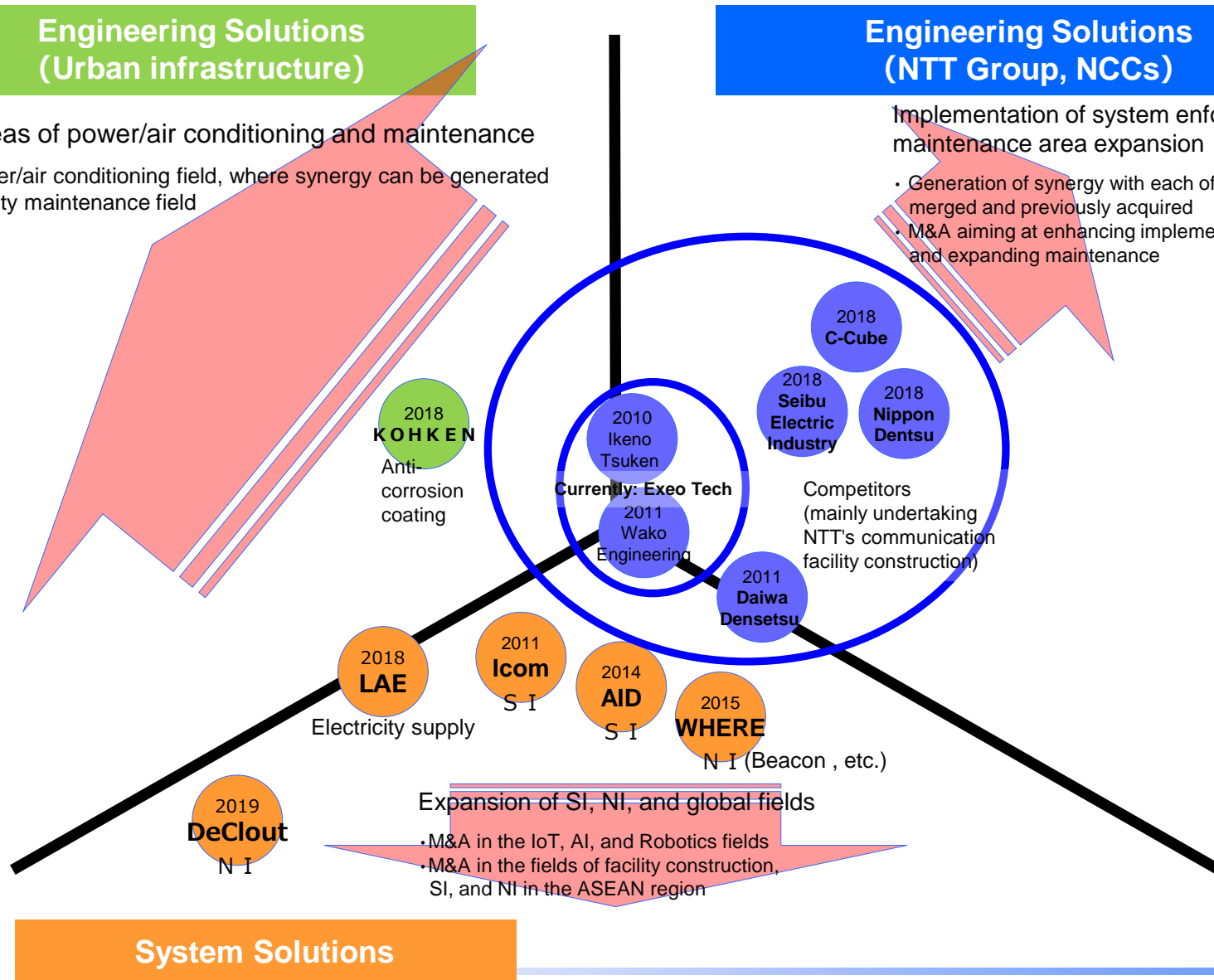
Expanding areas of power/air conditioning and maintenance

- M&A in the power/air conditioning field, where synergy can be generated
- M&A in the facility maintenance field

Engineering Solutions (NTT Group, NCCs)

Implementation of system enforcement, maintenance area expansion

- Generation of synergy with each of the companies merged and previously acquired
- M&A aiming at enhancing implementation system and expanding maintenance



5. Raising Shareholders' Value

(1) Shareholder Return Policy

- ◆ From the FY2018 dividend, DOE was raised to around 3.5% to strengthen shareholder returns
- ◆ Plan to acquire own shares of 5 billion yen in 1H FY2019

■ FY2019 planned annual dividend: 80 yen

Item	FY16	FY17	FY18	FY19 Forecast
	DOE 3%	DOE 3%	DOE 3.5% (integrated from 2H)	DOE 3.5%
Annual dividends per share	¥46	¥50	¥70	¥80
Total annual dividends	¥4.38 billion	¥4.78 billion	¥7.31 billion	¥8.86billion
Payout ratio	31.7%	26.4%	※32.9 %	40.9%

*Calculated by subtracting the extraordinary profit (negative goodwill) arising from the management integration.

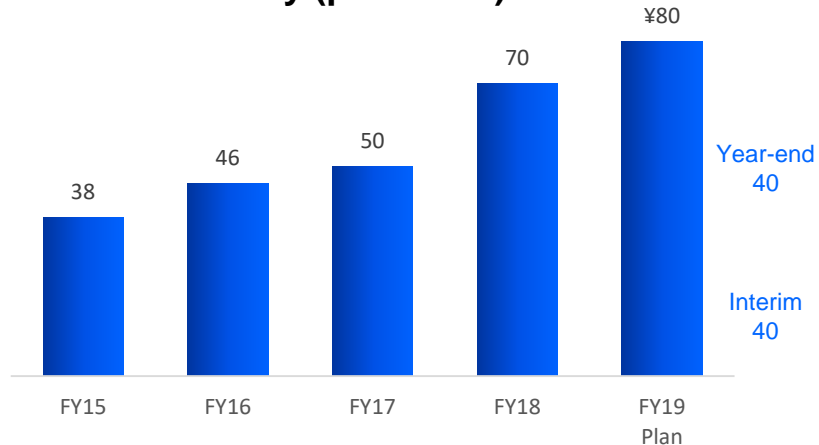
■ Outline of repurchase of treasury stock (the first half of FY19)

- (1) Purposes of the acquisition: Flexible implementation of capital policy and improvement of capital efficiency
- (2) Total acquisition: ¥5.0 billion (upper limit)
- (3) Total number of shares of treasury stock to be acquired: 2.0 million shares (upper limit)
- (4) Acquisition period: May 15, 2019 to September 30, 2019

5. Raising Shareholders' Value

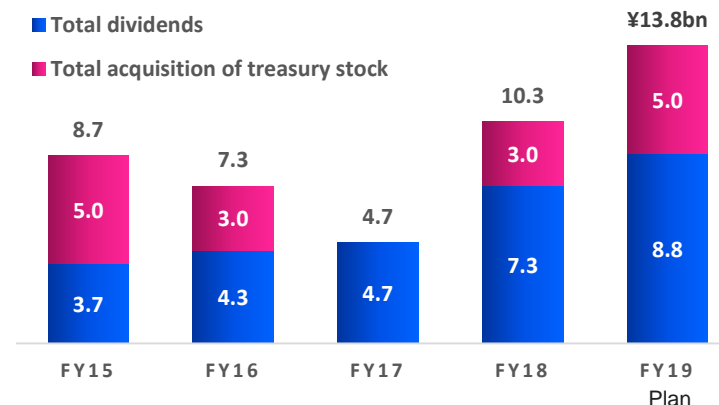
(2) Plan for shareholder returns for FY19, etc.

■ Dividend history (per share)



■ Total shareholder return

(Total dividends + total acquisition of treasury stock)

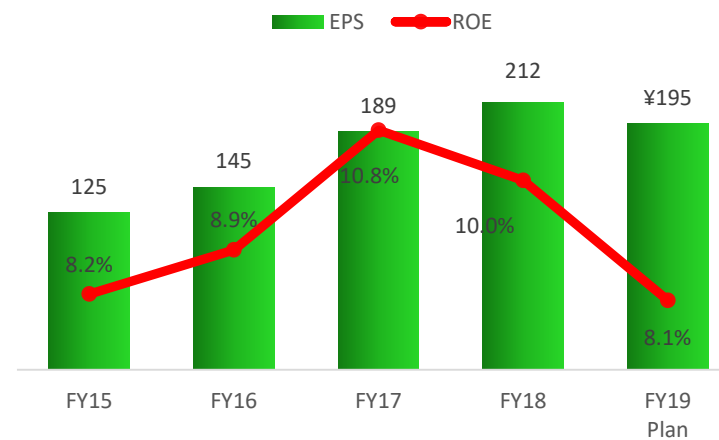


■ Acquisition of treasury stock



■ EPS/ROE

Note)EPS and ROE are calculated by subtracting the special profit (negative goodwill) from the management integration.



6. Topics

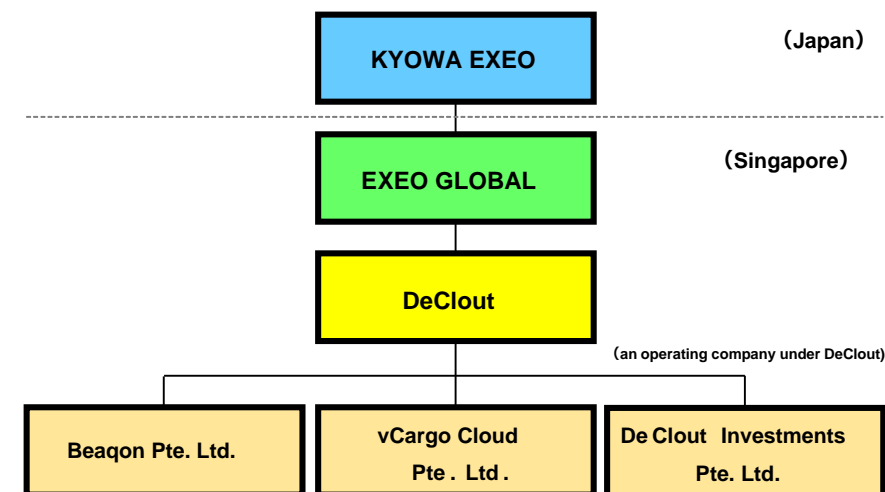
(1) Singapore-based DeClout made into a group company

◆ As part of the efforts to achieve business expansion in the APAC region, EXEO GLOBAL was founded and DeClout, a global system solution provider, was made into a group company.

■ Overview of EXEO GLOBAL

Name	EXEO GLOBAL Pte.Ltd
Location	Singapore 80 Robinson Road #02-00 Singapore 068898
Title and name of representative	Managing Director, President Fumitoshi Imaizumi
Business activities	Management of KYOWA EXEO CORPORATION's overseas subsidiary
Capital	6.0 million SGD (about 5.0 million yen)
Date of establishment	November 20, 2018

■ Business formation of DeClout



Name	Business activities
DeClout	Sales/service of IT infrastructure that use next-generation information communication technology
Beaqon	ICT solution, data center, and neutral hosting
vCargo Cloud	Platform business for smooth digitalized trade
De Clout Investments	Start-up for growth of companies, venture/incubation, and investment

Disclaimer Regarding Forward-Looking Statements

Management of the Company has made estimates and assumptions relating to financial forecasts based on information available as of the reporting date. Actual results could differ from those estimates.

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A variety of IR materials is available for
consultation on our company website.