

# Results for the Six Months Ended September 30, 2021

November 19, 2021



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## Our company name change

Our company changed its name on October 1 this year.

We will pursue further growth under the new corporate name, which represents our strong desire for every individual member of the Group to apply their abilities and work together as one team to realize our future.

- New business name: EXEO Group, Inc.
- Date of change: October 1, 2021

A special site is available on our company website.

Please take a look at it.

<https://www.exeo.co.jp/en/special/>





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# 1. Overview of FY21 Interim Results

## (1) Financial Highlights

**Received orders, net sales and operating profit hit record high in second quarter.**

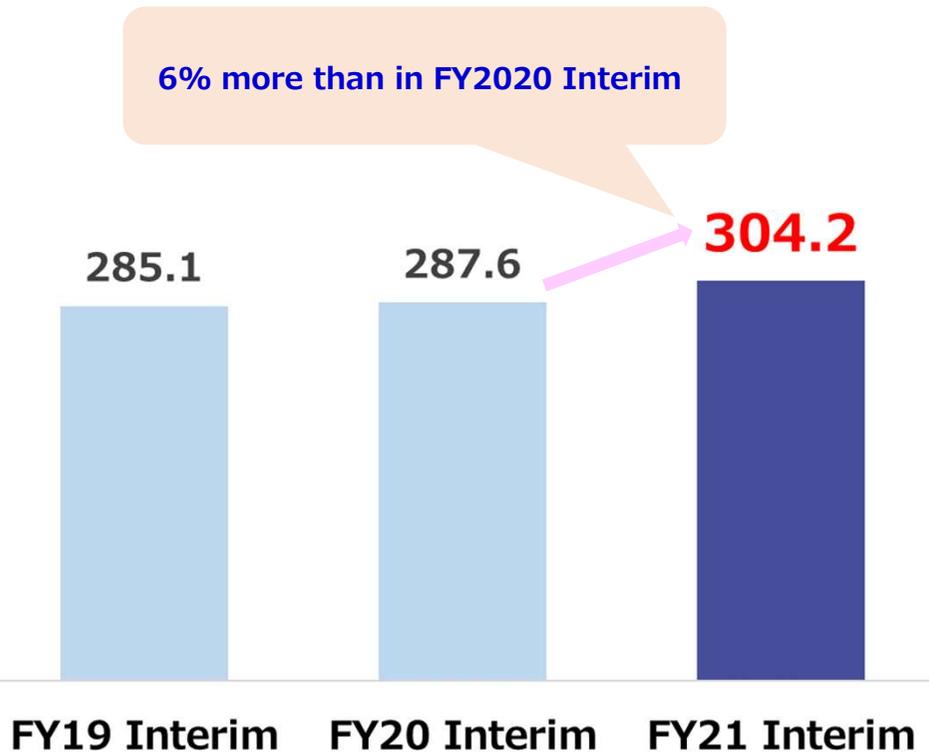
**Operating profit was up 52% from the previous year (controlling the increase in SG & A expenses)**

**Plan to cancel treasury stock (1 million shares implemented in November) and pay a commemorative dividend (2 yen at the end of the fiscal year).**

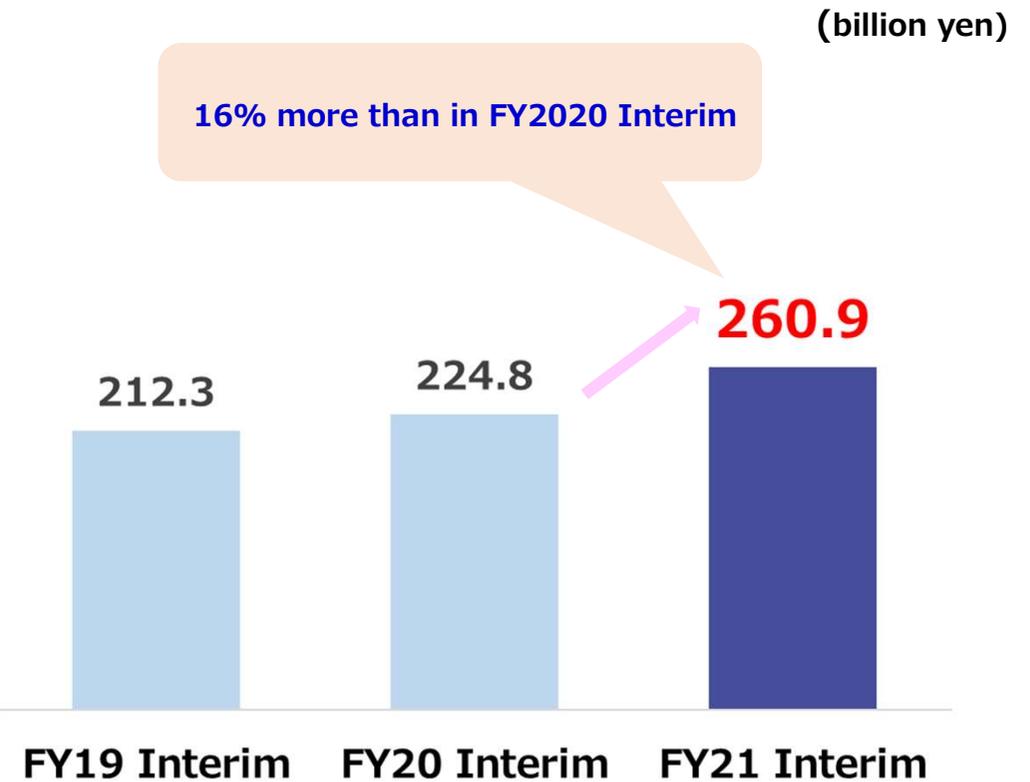
## ／ (2) Results Highlights (Orders Received, Net Sales)

Record high in both orders and sales, with year-on-year growth in all segments

### ■ Orders Received



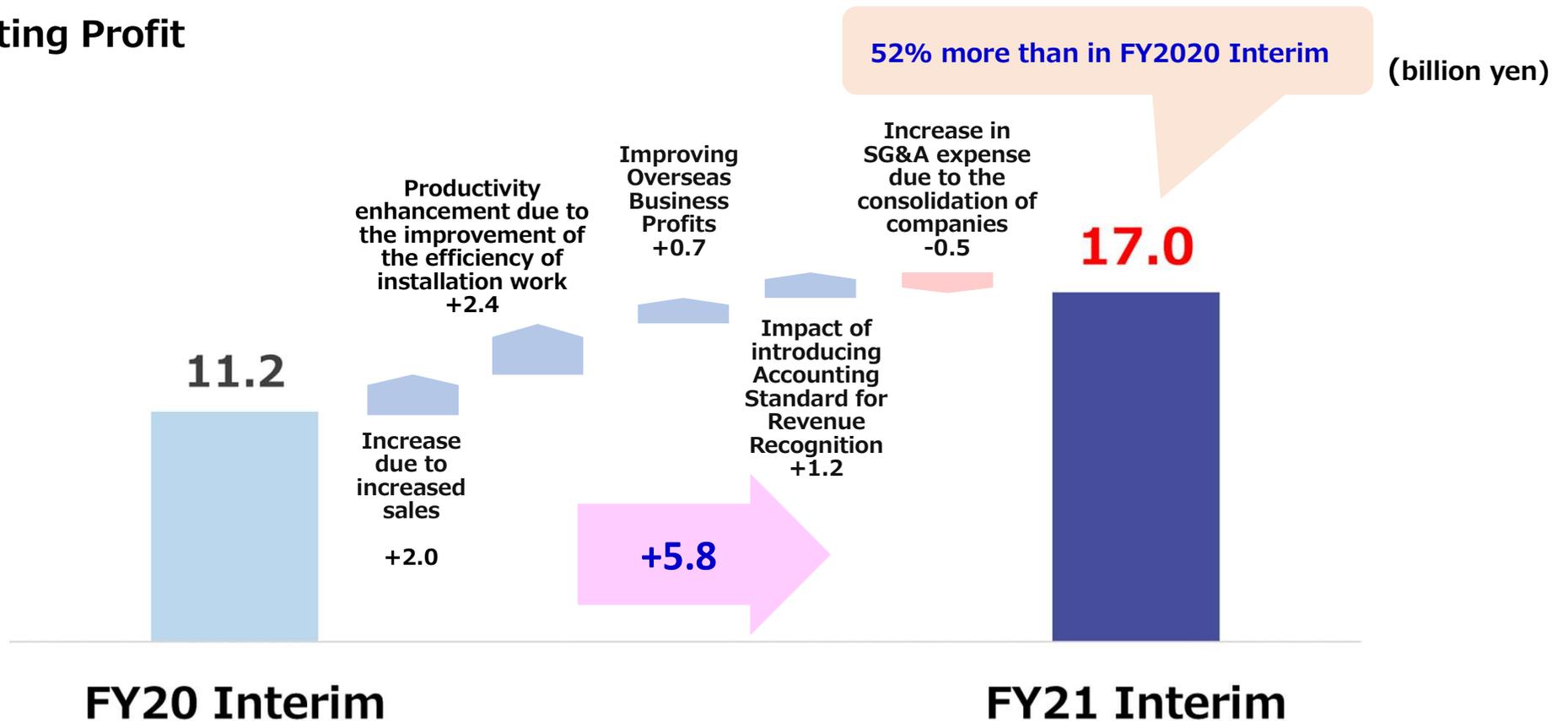
### ■ Net Sales



## ／ (3) Results Highlights (Operating Profit)

In addition to the increase in profit due to the increase in net sales, the improvement in overseas business and other profits led to a substantial increase in profit.

### ■ Operating Profit





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## **2. Forecast for FY2021 Performance**

## ／ (1) Plan Summary

Although the first-half results were favorable, the full-year forecast was unchanged at this point in view of the impact of the global semiconductor shortage and the reaction to the special demand in the second half of last year.

(billion yen)	FY2020	FY2021	
	Actual A	Plan B	YOY B-A
Orders received	631.0	550.0	▲81.0
Net sales	573.3	560.0	▲13.3
Operating profit	(6.4%) 36.6	(6.6%) 37.0	(+0.2P) +0.4



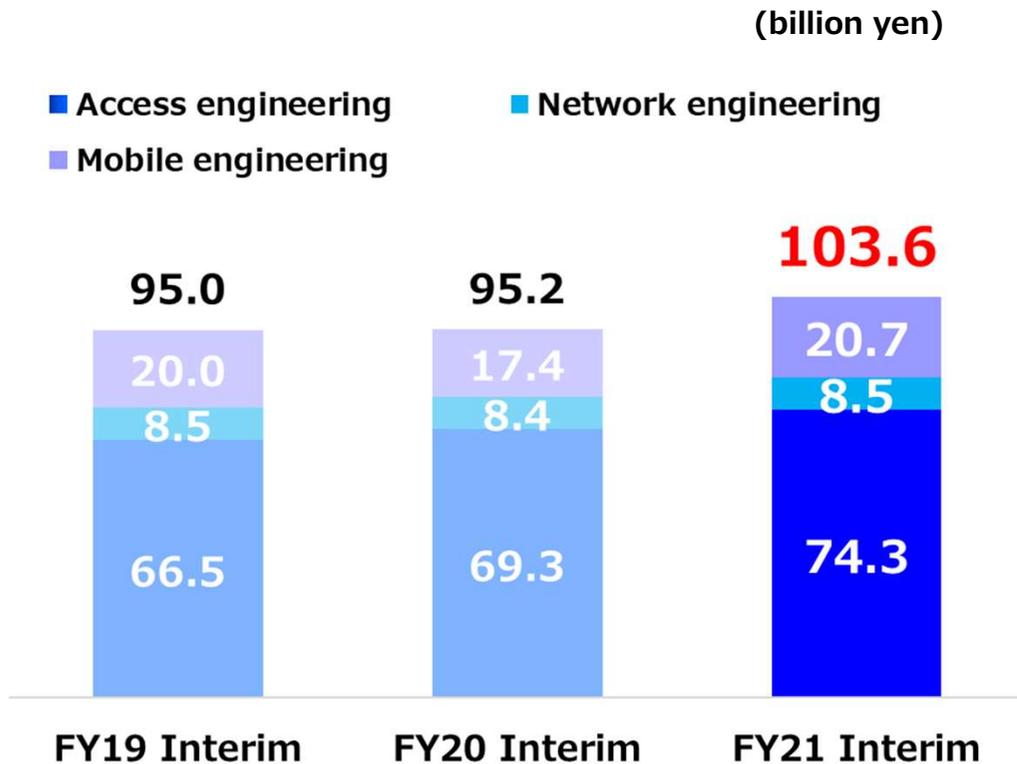
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## 3. Segment Information

# ／ (1) NTT Group

**Net sales increased due to Project on Promoting Advanced Radio Environment Improvements and progress of construction of NTT DOCOMO's 5G base stations.**

## ■ Trends in net sales



## ■ Topics (NTT East, West and NTT DOCOMO)

### Project on Promoting Advanced Radio Environment Improvements

Construction of the project, which was awarded in fiscal 2020, made steady progress this fiscal year, contributing to increased sales in the access field.

### NTT DOCOMO's 's 5G base station plan

It is positively developing 5G by the new frequency band. Construction is progressing toward the achievement of 20,000 stations by the end of the fiscal year.

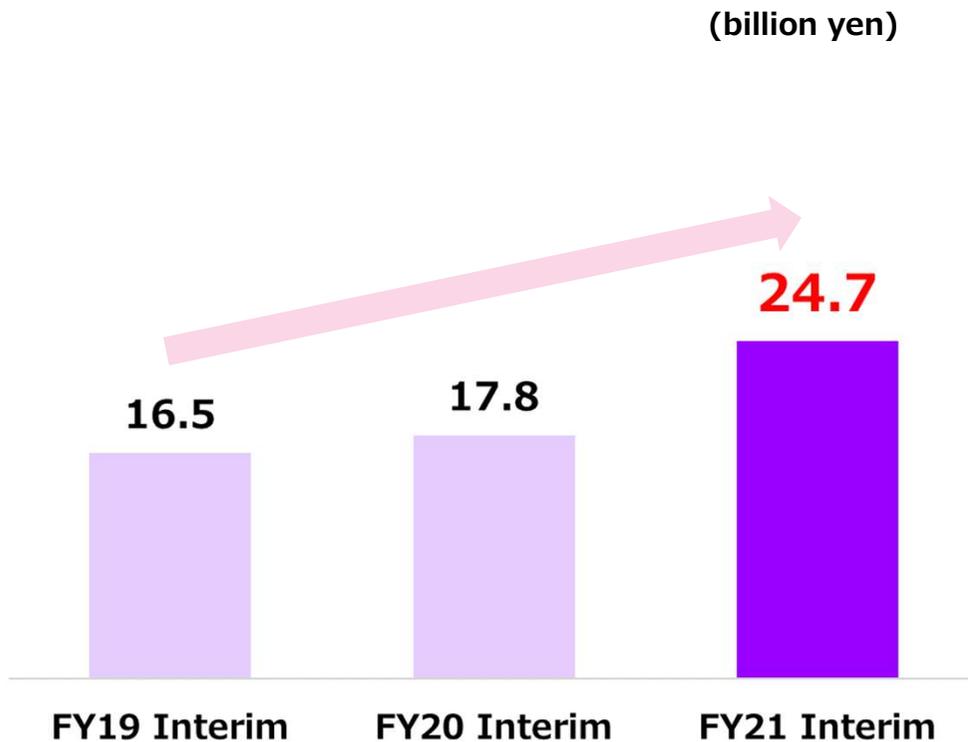


(Source: Created by the Company based on the presentation materials of telecom carriers)

## (2) NCCs

Both orders and sales increased significantly from the previous year due to aggressive capital investment by telecommunications carriers.

### ■ Trends in net sales



### ■ Topics

#### Construction of base stations by telecommunications carriers

- |          |   |
|----------|---|
| Softbank | It's generally favorable. 5G population coverage has progressed to around 80%.  |
| KDDI     | The station platforms of the Yamanote Line and the Osaka Loop Line and the 5G area between the stations were completed. |
| Rakuten  | Construction of an outdoor base station is delayed due to a shortage of semiconductors.                                 |

(Source: Created by the Company based on the presentation materials of telecom carriers)

Each company has not changed its base station construction policy and is steadily promoting construction to achieve the target.

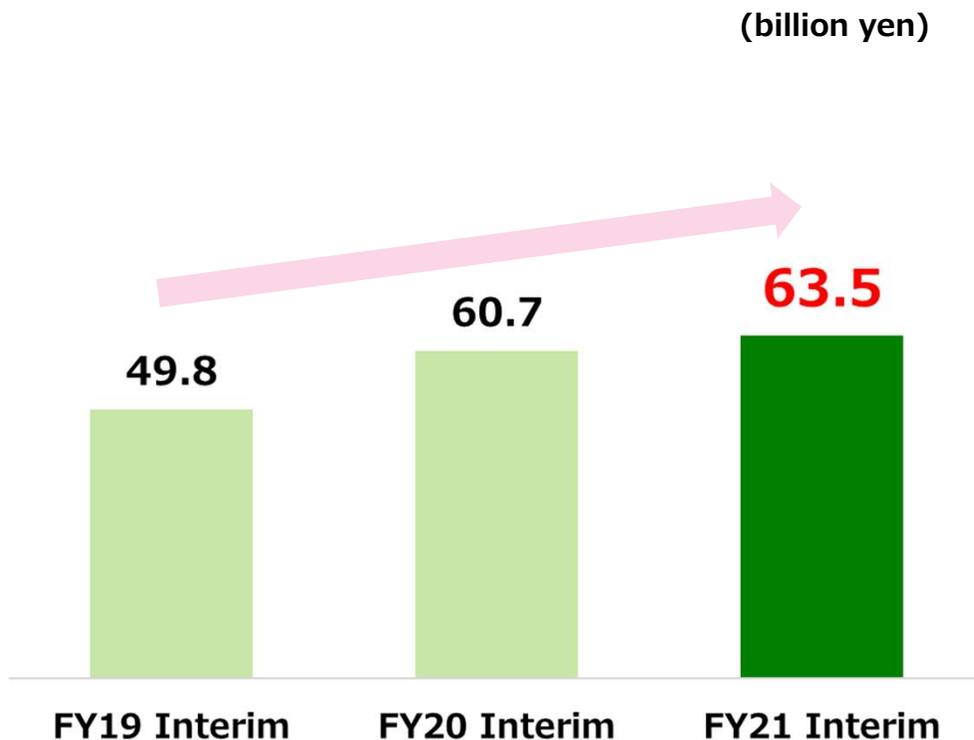
#### Method for coping with rapid increase in construction quantity

In order to meet the needs of each company, we have improved construction capabilities by shifting resources within the Group to multi-skill systems.

## ／ (3) Urban infrastructure

**Aggressively expand business, including new areas, as a growth segment.**

### ■ Trends in net sales



### ■ Topics

#### Renewable energy P.15

Started business tie-up with SWCC SHOWA HOLDINGS CO.,LTD. to enter the offshore wind power generation business.

#### Woody Biomass in-house power generation P.16

We are constructing our own power generation facility using woody biomass. Investment funds will be raised through green bonds.

#### Local 5G Demonstration Experiment

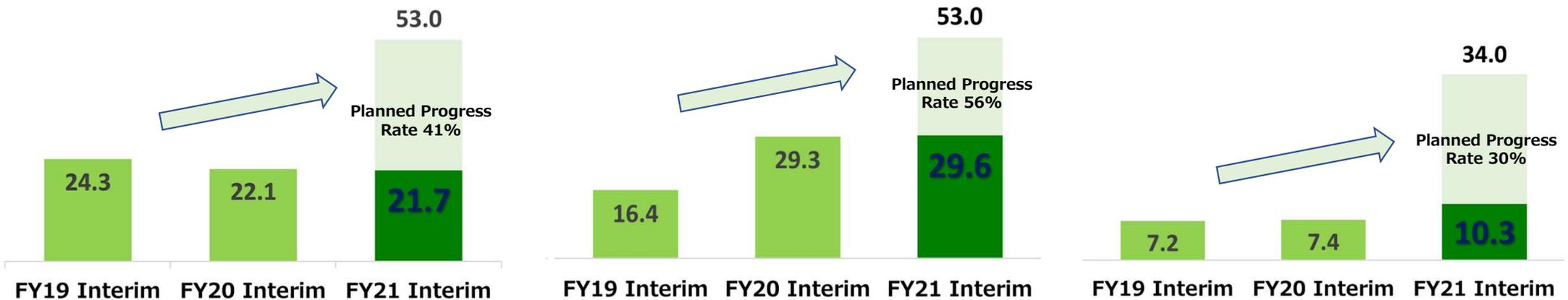
Demonstration experiments will be conducted to improve the efficiency and safety of maintenance work in expressway tunnels.

## ／ (3) Urban infrastructure

**Aim to expand business by developing new fields in each business domain.**

### ■ Trends in net sales

(billion yen)



#### •Public infrastructure equipment

Actively investing resources in the future in response to growing demand for public infrastructure-related upgrades such as railways and tunnels.

#### •Electrical/Environmental equipment

In addition to continuing demand for data centers, plans to develop renewable energy fields (offshore wind power, woody biomass, etc.).

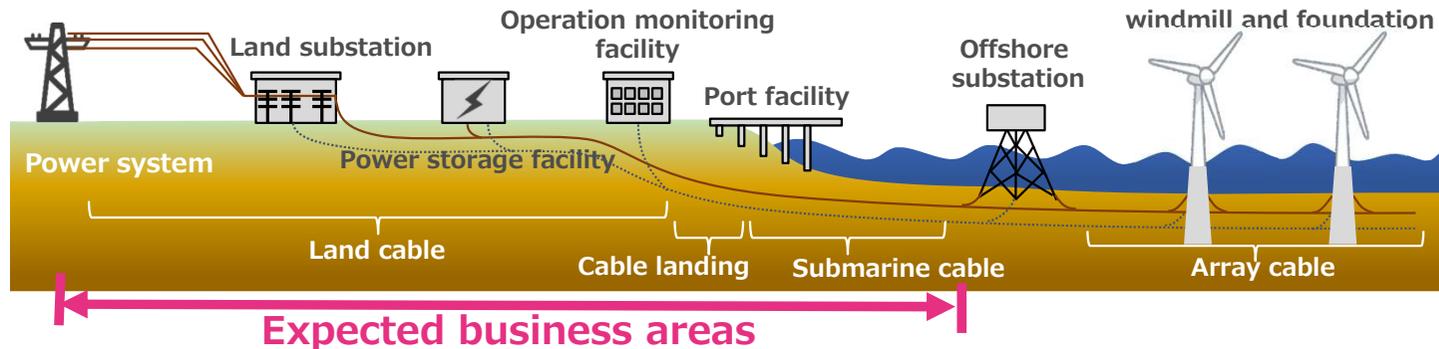
#### •Civil engineering equipment

Actively respond to demand for utility pole elimination, tunnel construction, and renovation of aging infrastructure.

### ／ (3) Urban infrastructure (Participation in the offshore wind business)

Regarding offshore wind power generation, our company plans to participate in projects in areas such as electric power self-operated line and cable landing.

**Business tie-up with SWCC SHOWA HOLDINGS CO.,LTD. to expand business in the renewable energy field.**



#### ■ Business tie-up with

#### SWCC SHOWA HOLDINGS

In September 2021, our company and SWCC SHOWA HOLDINGS CO.,LTD. started a business alliance for an electric power project related to offshore wind power generation.

#### ■ Market size forecast

**To reach a cumulative market size of approximately ¥4 trillion by 2030**  
(Source: Yano Research Institute Ltd.)

Fiscal year	2020	2030	2040	2050
Annual introduction	~1GW	2~4GW	4~6GW	
Number of sites per year	3~10	6~40	13~60	
Estimate of construction cost for as electric power self-operated line	30billion yen ~ 50billion yen per case			

(Source: Trial calculation by the Company based on The Crown Estate 「 Guide to an offshore wind farm 」)

## ／ (3) Urban infrastructure (Biomass power generation)

Two power plants are under construction to start in-house power sales using wood biomass power generation. We plan to raise 10 billion yen through green bonds.

### [Purpose of Business]

#### ● As part of the EXEO Group

- Establishing a recycling-oriented society by utilizing local resources  
⇒ Contributing to the achievement of SDGs

- Securing new revenue from power sales

#### ● To the local government of the construction site

- Job creation and regional revitalization
- Creating precedents as a city promoting renewable energy
- Providing functions as a regional disaster prevention base

Biomass gasification power plant in Fukushima Prefecture (Image) ▷  
• Power generation scale : 2,000kw (Sales of electricity:1,800kw)  
• Fuel: Flammable gas generated by dry distillation of wood chips  
• Start of sales of electricity : In 2024



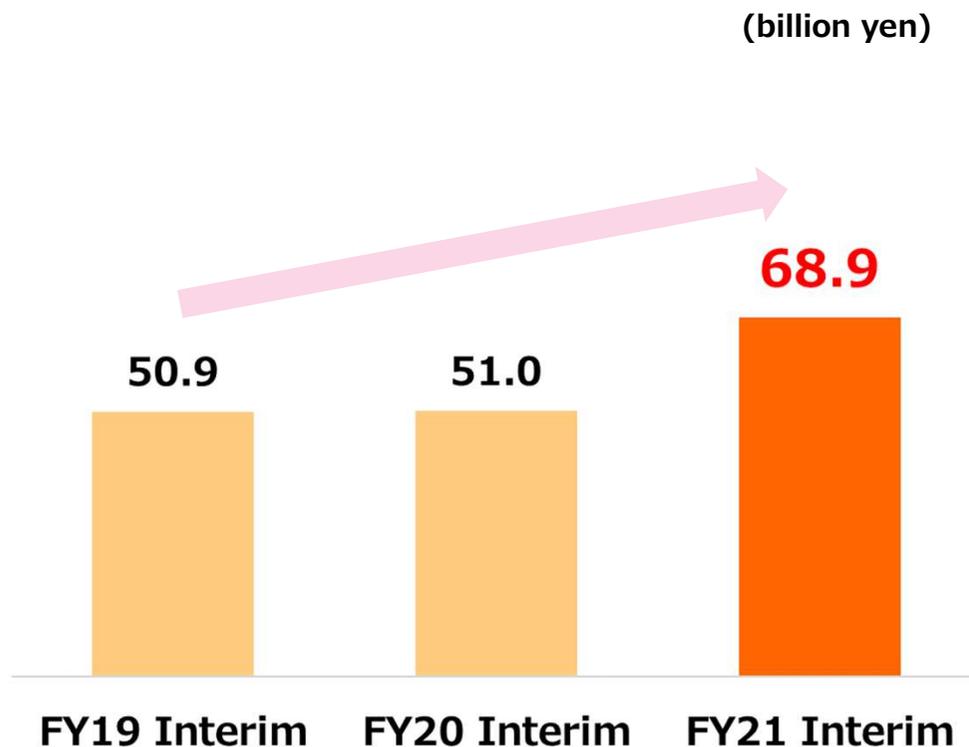
△ Biomass power plant in Tochigi Prefecture (Image)  
• Power generation scale : 7,000kw (Sales of electricity: 6,000kw)  
• Fuel: Woody Biomass from Domestic Natural Trees  
• Start of sales of electricity : In 2023



## ／ (4) System solutions

Pursue high-value-added solutions to achieve steady growth in both sales and profits.

### ■ Trends in net sales



### ■ Topics

#### Responding to new ways of working

Providing new services, including cloud services, such as providing a communication platform that adapts to new ways of working.

#### Expansion of maintenance and operation business p.19

Integrate services provided by individual Group companies to expand the recurring business , including security.

#### Improving profitability of overseas business

Expansion of business base in APAC and steady improvement of profitability.

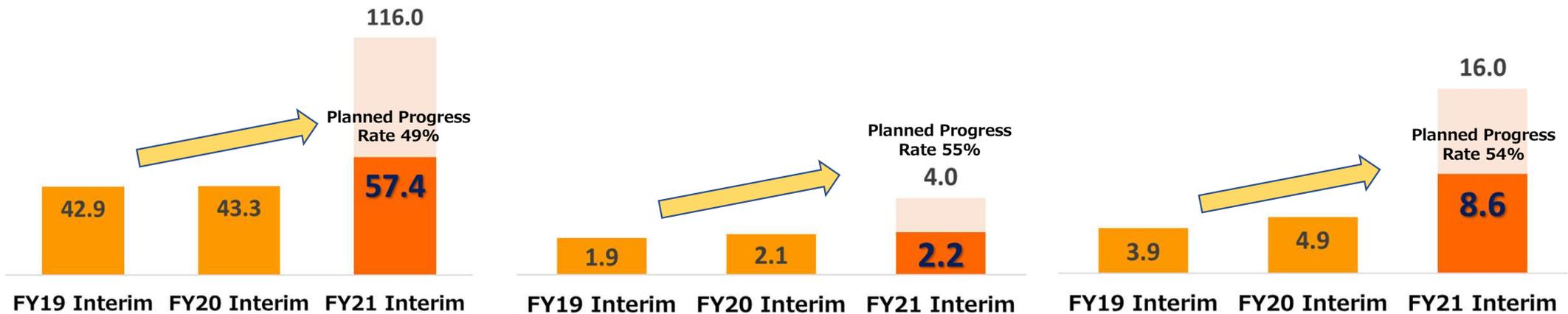
We have begun to develop new businesses in Japan that originate from overseas businesses.

## ／ (4) System solutions

Leverage the resources of Group companies to create new solutions

### ■ Trends in net sales

(billion yen)



#### • System development and service provision

Securing new revenue by providing one-stop services from upstream consulting and creating new solutions.

#### • Maintenance and operation business

By utilizing the new Customer Center, we will concentrate resources within the Group and seek to expand our recurring business.

#### • Overseas business

Aim to expand business boldly and establish a revenue base by creating new business opportunities that capture APAC's economic growth.

## ／ (4) System solutions (Maintenance and operation business)

Expansion of maintenance and operation business to secure recurring business income  
(10 billion Scale business in FY 2025)

Consolidating Group Resources and  
Establishing a Management Structure

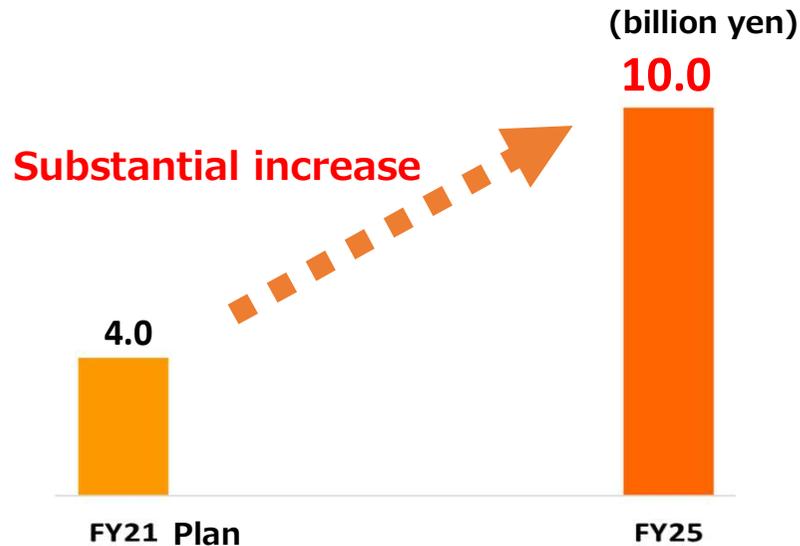
Consolidation of reception system by newly established Customer Center  
(24 hours a day, 365 days a year)

Expansion of maintenance bases (including M & A) in cooperation  
with group companies

Full IT system refresh/implementation of Knowledge Sharing Tools

Expansion of maintenance and operation menu including security

### ■ Growth Image (Net Sales)



Note: Newly established customer service center

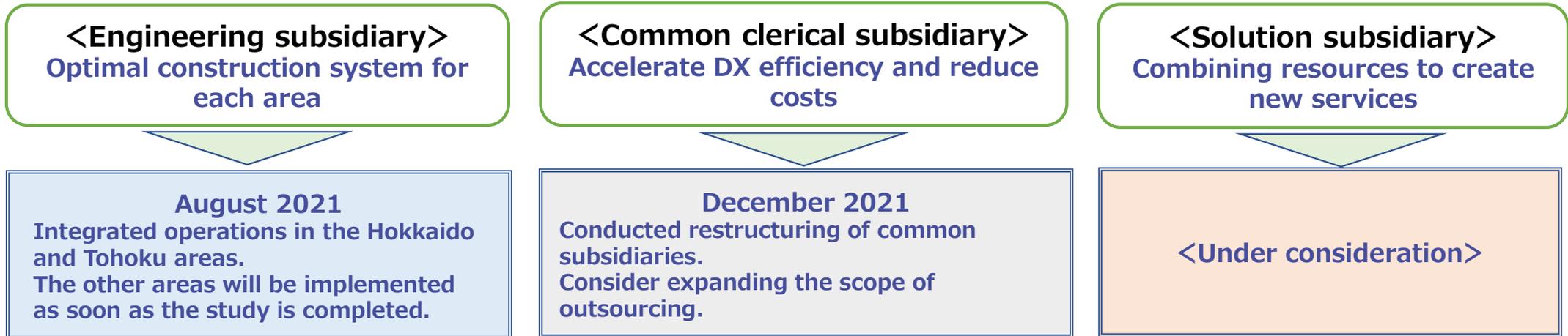


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## 4. Group Strategies

# ／ (1) Reorganization of group companies

## Reinforcing group management and implementing reorganization to maximize synergies



## ／ (2) Domestic M & A Results and Future Aims

Conduct M & A as appropriate to achieve the medium-term management plan

### ■ Implemented in November 2021

• RYOSEI SYSTEMS, LTD. (Urban infrastructure)  
⇒ Reinforcement of electric power line construction business and promotion of engineer training.

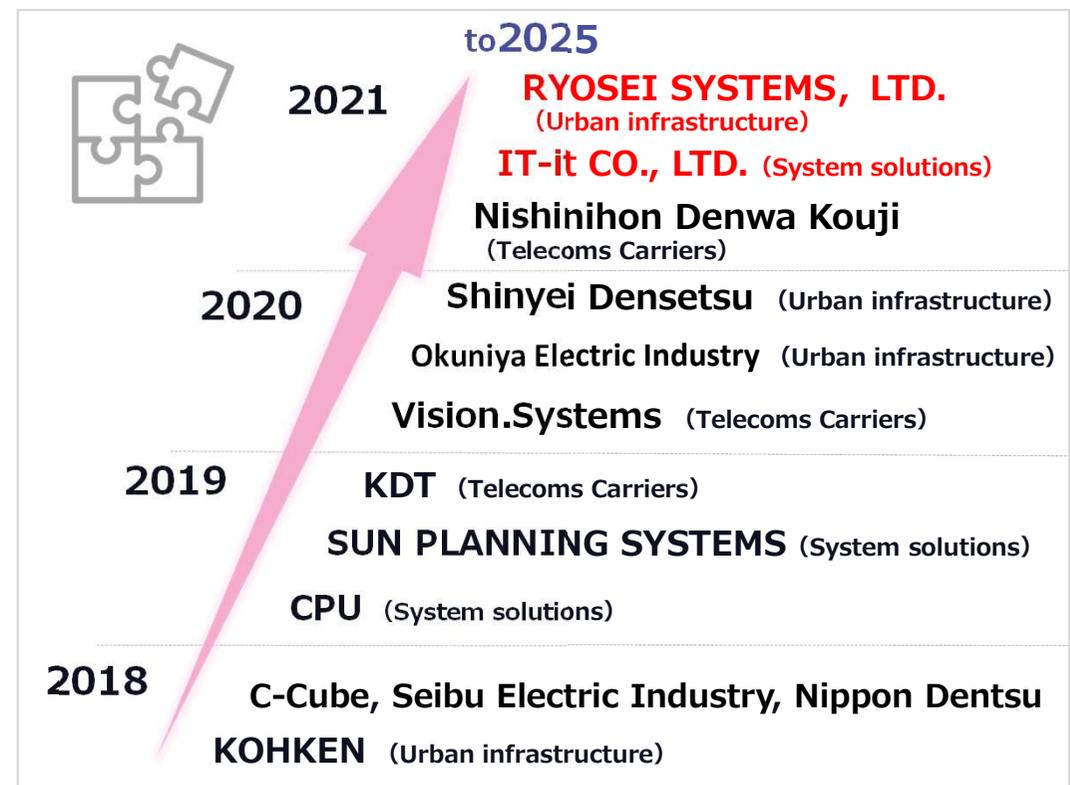
• IT-it CO., LTD. (System solutions)  
⇒ Reinforcement of maintenance and operation business base and expansion of recurring business.

### ■ Future Action Policy

• Exploring M & A Destinations to Become Growth Drivers  
⇒ Securing engineers, complementing and strengthening new business and expansion areas. Acquisition of pioneering technologies and reinforcement of upper/lower layer systems.

• Strengthen the PMI  
⇒ Maximize synergy effect

### Major Grouping through M & A (2018 and later)



## (3) ESG Goals

### Implementation of KPI management as an ESG management practice

	Challenges to address	KPI	Targets for FY2025	Related SDGs
Environment	Shift to renewable energy	Purchase of electricity from renewable energy sources (Target: Company-managed sites)	100%	     
	Initiatives toward decarbonization, reduction of CO <sub>2</sub> emissions	Rate of adoption of EVs and other low-emission vehicles	100%	
		CO <sub>2</sub> emissions	10% reduction from FY2020 level	
	Contribution to a resource recycling-oriented society	Final disposal rate of industrial waste	50% reduction from FY2020 level	
	Use of environmentally friendly green products	Green product use rate	65%	
Social	Ensuring safety and quality in business	Serious bodily injury and serious equipment accidents	Aim for zero	     
	Promotion of Diversity & Inclusion	Number of women in management positions	1.5 times compared to FY2020	
		Number of female employees	25% increase over FY2020	
		Percentage of male employees taking childcare leave	20%	
Driving work style reforms	Percentage of paid leave used	80%		
Governance	Achieving transparent management	Ensure diversity in the Board of Directors and Board of Statutory Auditors	—	   
	Ensuring strict compliance	Serious violations of laws and regulations	Aim for zero	
	Ensuring thorough risk management	Serious information security incidents	Aim for zero	
Rate of risk assessment implementation for cases involving significant business risks		100%		



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## 5. Shareholder Return

## ／ (1) Dividends, Share Buybacks

Consistent and continuous shareholder returns based on DOE.

The year-end dividend for the current fiscal year is scheduled to be **a commemoration dividend (2 yen)** due to the name change in addition to the ordinary dividend.

- Annual dividends: **Will increase for the tenth consecutive year.**



- Acquisition of treasury stock:

Will flexibly purchase treasury stock in light of market trends, results, and financial condition.

Our Company announced the repurchase of 3 billion yen in treasury stock for the current fiscal year and will continue to make appropriate decisions in light of various circumstances.

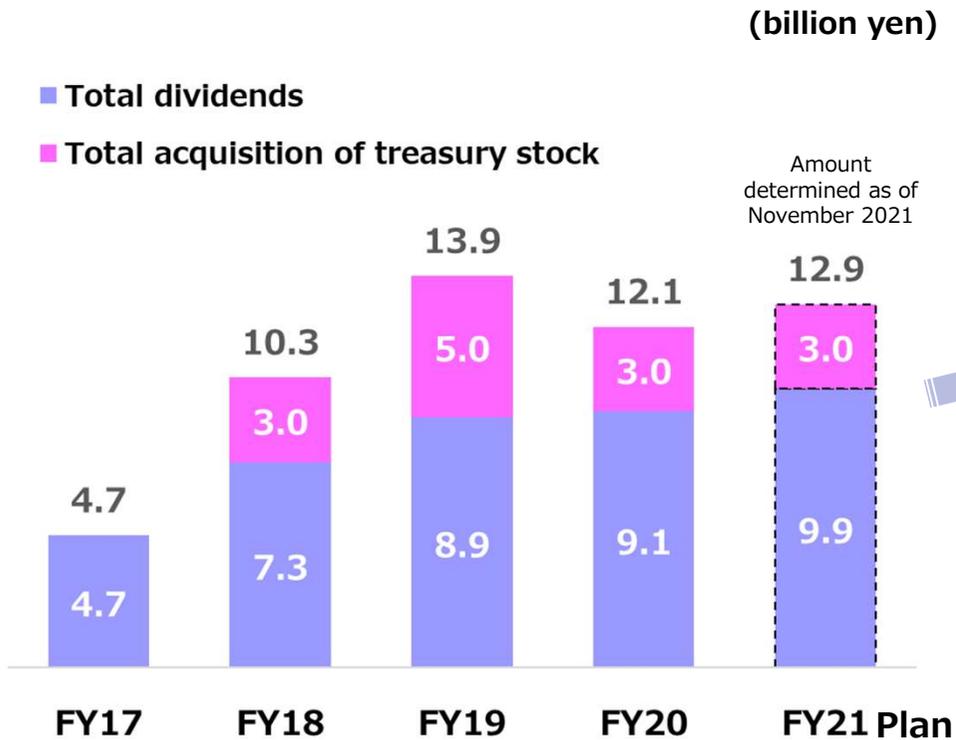
- Retirement of treasury stock: Implementation as appropriate based on business trends

1 million shares of treasury stock were cancelled this year.

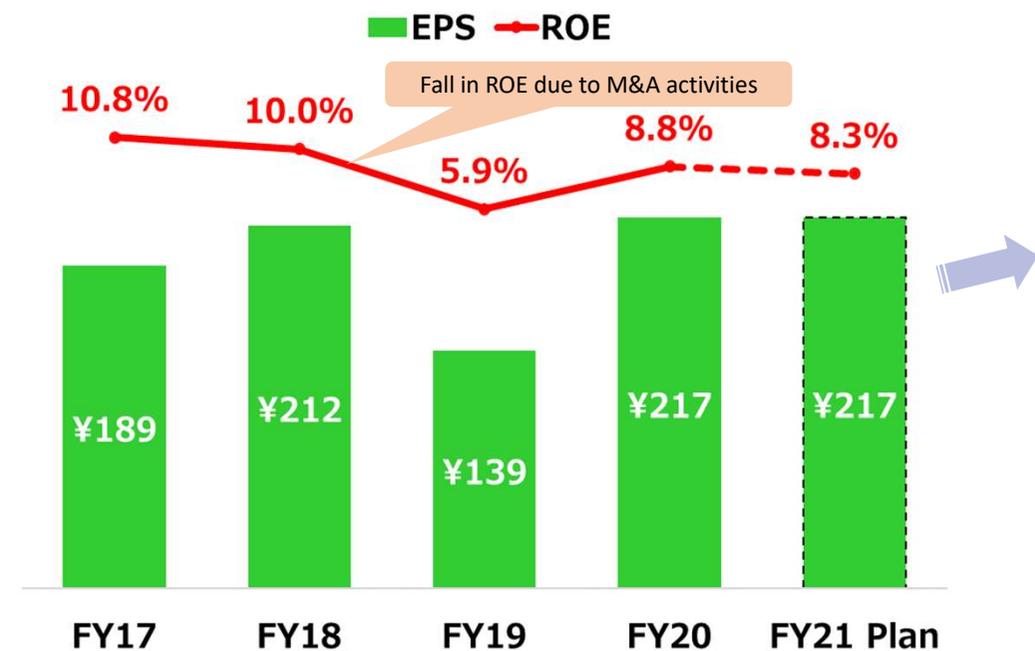
## ／ (2) Total Shareholder Return, ROE, EPS

Aim to steadily increase ROE and EPS by continuing to increase income and capital efficiency.

### ■ Total Shareholder Return



### ■ ROE/EPS





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## 6. Topics

## ／ (1) Workplace vaccination with COVID-19

**Nationwide implementation of occupational vaccinations from early July to the end of August 2021. Vaccination of approximately 9,000 people, including group employees, family members, and employees at business sites, completed.**



**Vaccination at the Head Office Building**



## ／ (2) Establishment of branch offices based on the concept of smart offices

A new office was established to consolidate our company's three business bases and five group companies that had been dispersed in Sapporo. Improving operational efficiency by introducing the latest equipment and promoting the creation of collaborative offices.

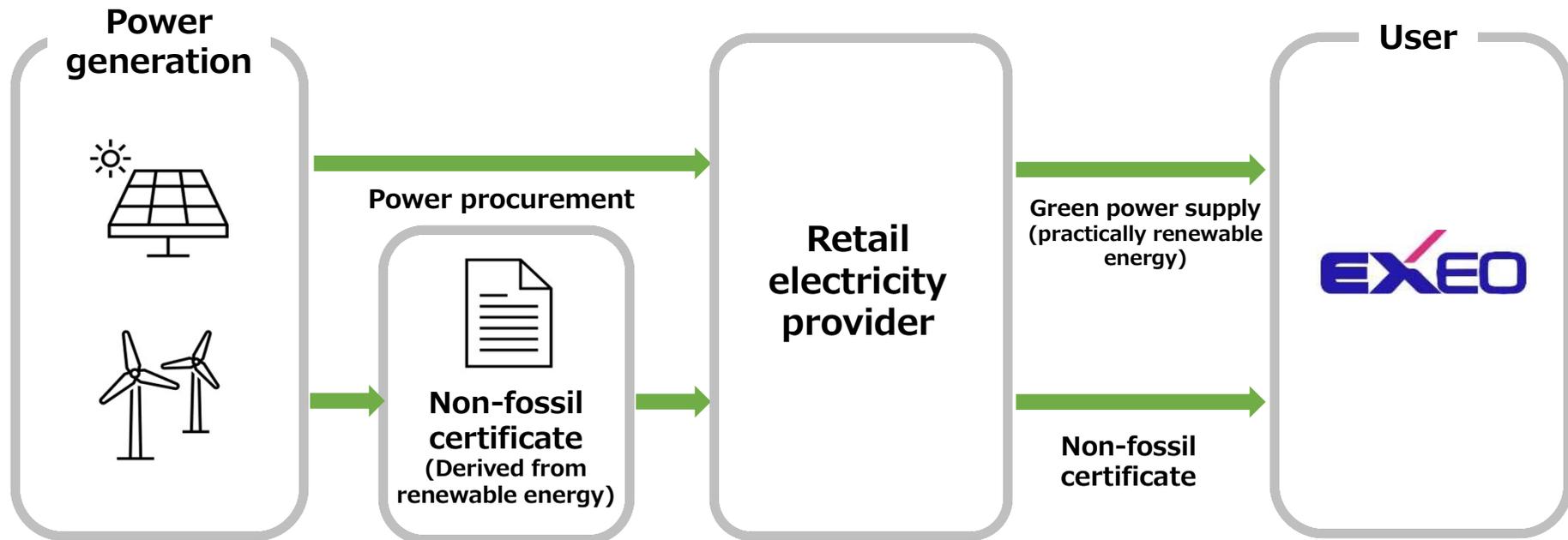


**New Hokkaido Branch Office "EXEO Natrae" Building (Opened in May 2021)**



### ／ (3) Introduction of electricity derived from renewable energy

Introduction of electricity from renewable energy sources at 38 sites in Japan. Our company plans to switch all the power used at the Group's own sites by fiscal 2025.



**Note :** By combining non-fossil certificates designated as renewable energy, it becomes practically renewable energy that can be understood the origin of environmental value.



## 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.

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