

Results for the Six Months Ended September 30, 2014

November 2014



**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 FY14 Interim Results

- (1) Performance Figures
- (2) Orders Received
- (3) Net Sales
- (4) Operating Income
- (5) Cash Flow

1. Overview of FY14 Interim Results



(1) Performance Figures

- ◆ Progress ahead of plan, although sales decreased YOY.
- ◆ Record interim operating income and operating income margin.

■ Overview of FY14 interim results (consolidated)

(¥bn)

| | FY13 Interim actual A | FY14 Interim plan B | FY14 Interim actual C | YOY C/A | Plan accuracy C/B |
|------------------|--------------------------------|------------------------------|--------------------------------|------------|-------------------------|
| Orders received | 143.2 | 149.0 | 149.3 | 104% | 100% |
| Net sales | 128.1 | 125.0 | 127.1 | 99% | 102% |
| Gross profit | (12.4%) 15.9 | (12.6%) 15.8 | (12.8%) 16.2 | 102% | 103% |
| SG&A expenses | (6.8%) 8.6 | (7.0%) 8.8 | (6.8%) 8.6 | 100% | 99% |
| Operating income | (5.7%) 7.2 | (5.6%) 7.0 | (5.9%) 7.5 | 104% | 108% |
| Ordinary income | (5.9%) 7.5 | (5.8%) 7.2 | (6.0%) 7.6 | 101% | 107% |
| Net income | (4.9%) 6.3 | (3.4%) 4.3 | (3.6%) 4.5 | 72% | 105% |

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

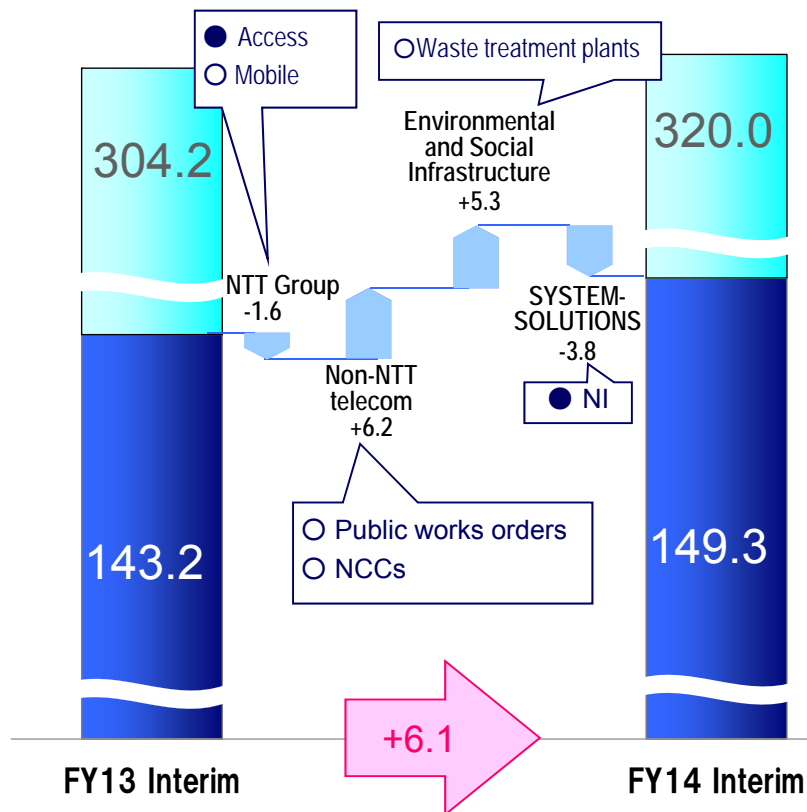
1. Overview of FY14 Interim Results



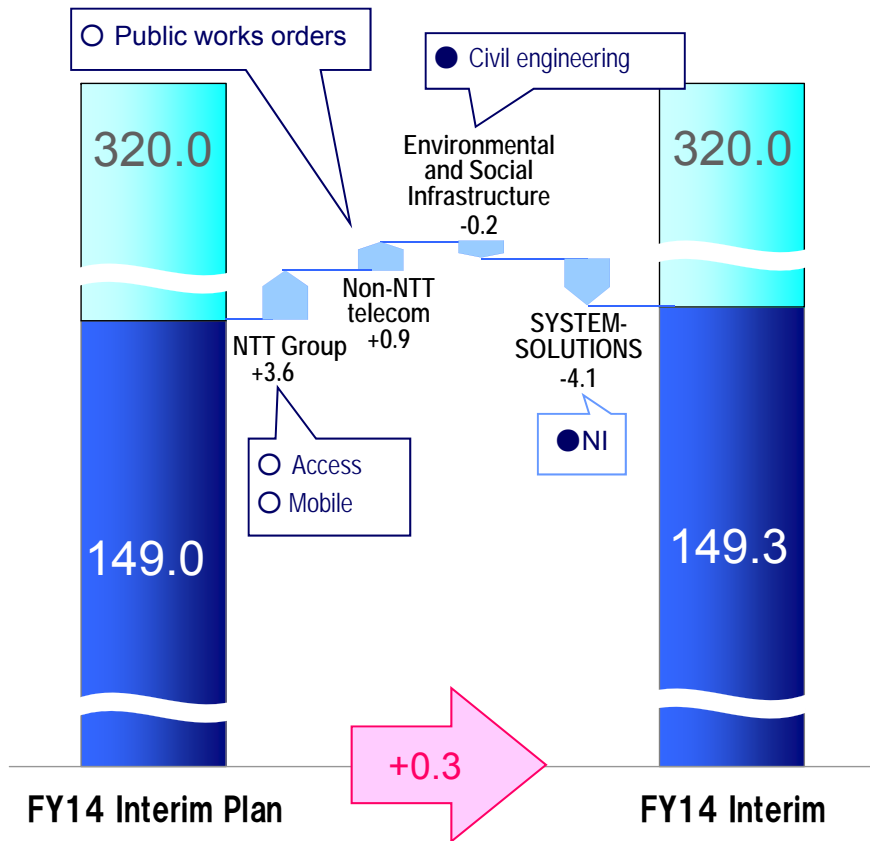
(2) Orders Received

- ◆ Progress ahead of both previous period and plan
- ◆ Continued aggressive business expansion to exceed plan during the year

■ YOY (consolidated)



■ Compared to plan (consolidated) (¥bn)



○ Reason for increase ● Reason for decrease

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

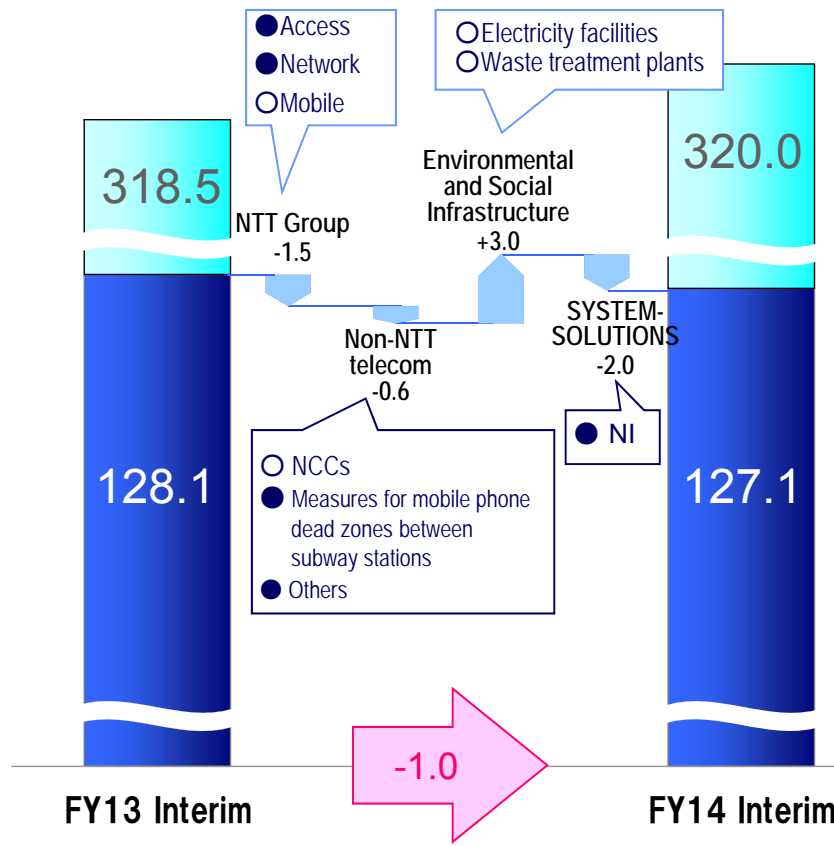
1. Overview of FY14 Interim Results



(3) Net Sales

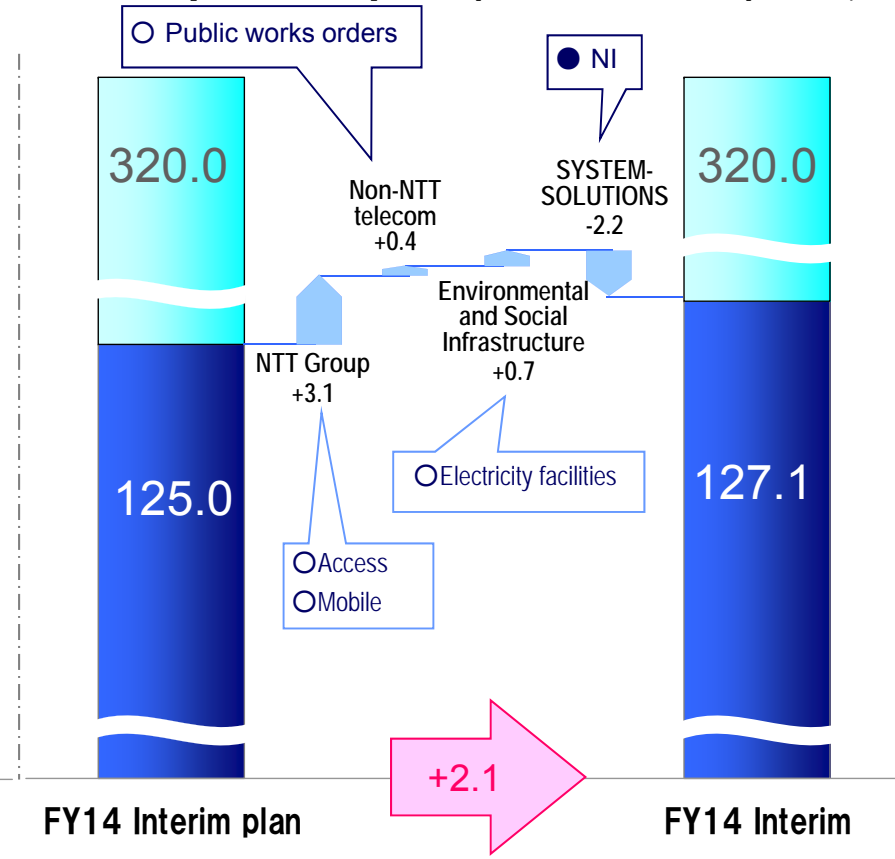
- ◆ Achieved interim plan, despite YOY decrease
- ◆ Steady progress

■ YOY (consolidated)



■ Compared to plan (consolidated)

(¥bn)



○ Reason for increase ● Reason for decrease

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

1. Overview of FY14 Interim Results

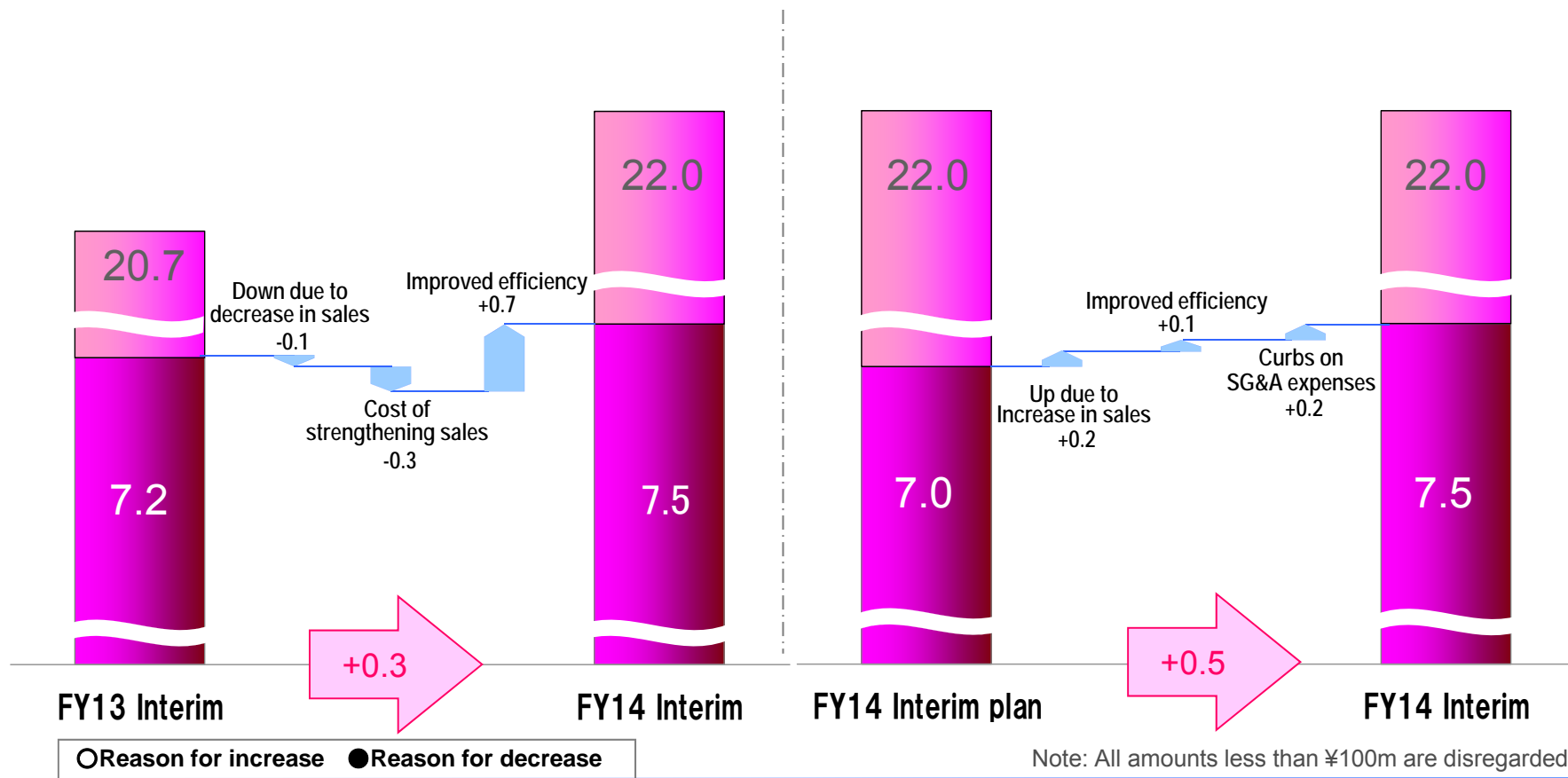


(4) Operating Income

- ◆ Steady progress, exceeding both previous period and plan
- ◆ Increased profitability, highest ever during first half

■ YOY (consolidated)

■ Compared to plan (consolidated) (¥bn)



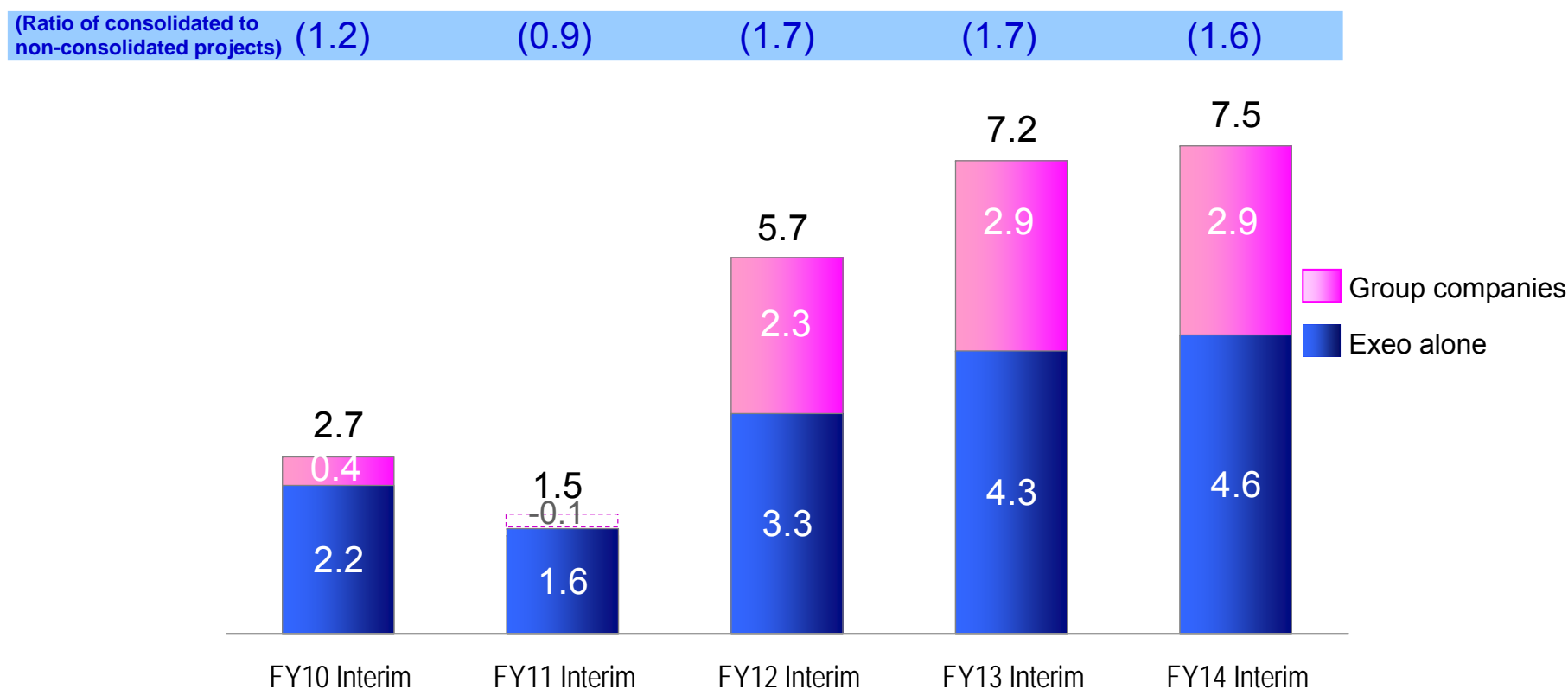
1. Overview of FY14 Interim Results



Reference: Trends in Group company profitability

◆ Continued high level of profits in Group companies

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



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

1. Overview of FY14 Interim Results



(5) Cash Flow

◆ Stable cash flow

■ Cash flow (consolidated)

(¥bn)

| | FY11 | FY12 | FY13 | | FY14 Interim |
|-------------------------|-------|------|---------|------|-----------------|
| | | | Interim | Full | |
| Cash at beginning of FY | 17.6 | 12.3 | 14.6 | 14.6 | 16.2 |
| Operating activities | 16.4 | 7.1 | 3.9 | 9.8 | 23.1 |
| Investing activities | -4.5 | -2.1 | -1.7 | -7.4 | -1.3 |
| Financing activities | -17.5 | -3.0 | -5.0 | -0.9 | -10.6 |
| Cash at end of FY | 12.3 | 14.6 | 11.8 | 16.2 | 27.3 |

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

2. Expectations for the Rest of FY14

- (1) Performance Figures
- (2) Medium-Term Forecast for Projects
- (3) Investment Trends of Major Telecom Carriers
- (4) NTT Group (Access/Network)
- (5) NTT Group (Mobile)
- (6) Non-NTT Telecom Engineering
- (7) Environmental and Social Infrastructure
- (8) SYSTEM-SOLUTIONS

2. Expectations for the Rest of FY14



(1) Performance Figures

◆ Continued efforts to exceed plan during the year

■ Plans for FY14 (consolidated)

(¥bn)

| | FY13 | | FY14 | | YOY D/B |
|------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | Interim A | Full B | Interim C | Plan D | |
| Orders received | 143.2 | 304.2 | 149.3 | 320.0 | 105% |
| Net sales | 128.1 | 318.5 | 127.1 | 320.0 | 100% |
| Gross profit | (12.4%) 15.9 | (12.1%) 38.5 | (12.8%) 16.2 | (12.3%) 39.5 | 102% |
| SG&A expenses | (6.8%) 8.6 | (5.6%) 17.8 | (6.8%) 8.6 | (5.5%) 17.5 | 98% |
| Operating income | (5.7%) 7.2 | (6.5%) 20.7 | (5.9%) 7.5 | (6.9%) 22.0 | 106% |
| Ordinary income | (5.9%) 7.5 | (6.5%) 20.6 | (6.0%) 7.6 | (6.9%) 22.2 | 108% |
| Net income | (4.9%) 6.3 | (4.7%) 14.9 | (3.6%) 4.5 | (4.4%) 14.1 | 95% |

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

2. Expectations for the Rest of FY14

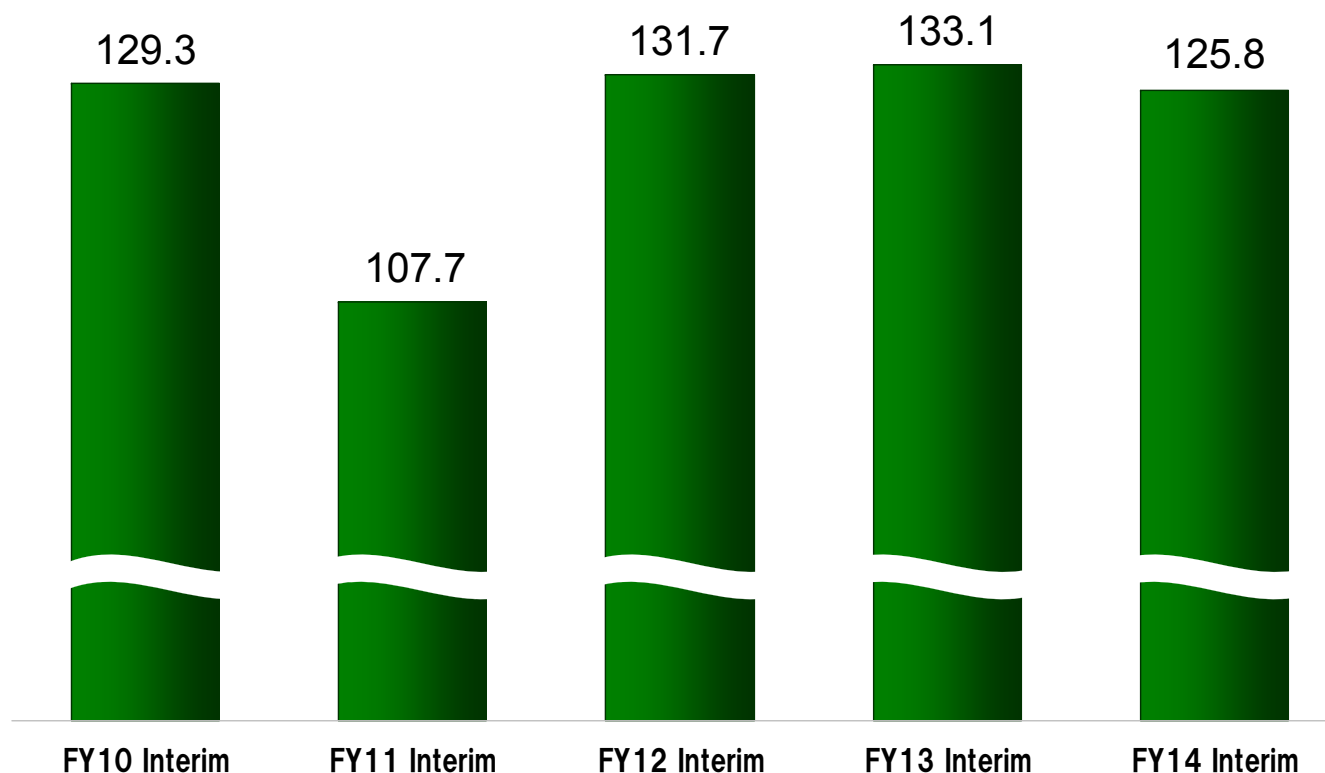


< Reference > Construction work carried over from 2Q of FY14

◆ Continued high level of projects carried over in 3Q

■ Trends for value of work carried over into second half of fiscal year (from 2Q to 3Q) (consolidated)

(¥bn)

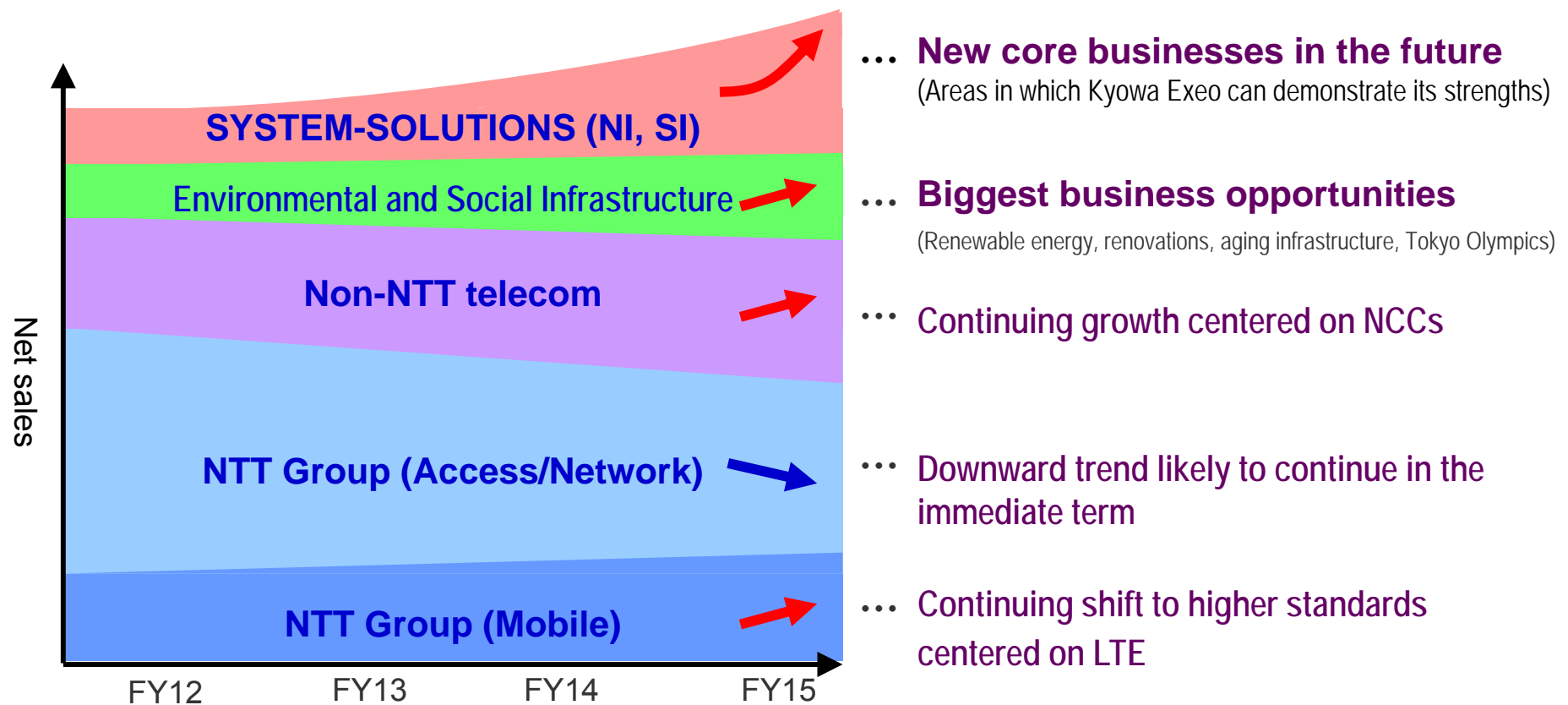


Note: All amounts less than ¥100m are disregarded.

2. Expectations for the Rest of FY14

(2) Medium-Term Forecast for Projects

◆ Decrease in NTT fixed-line absorbed by other projects; increased earnings and profits to continue in the medium term

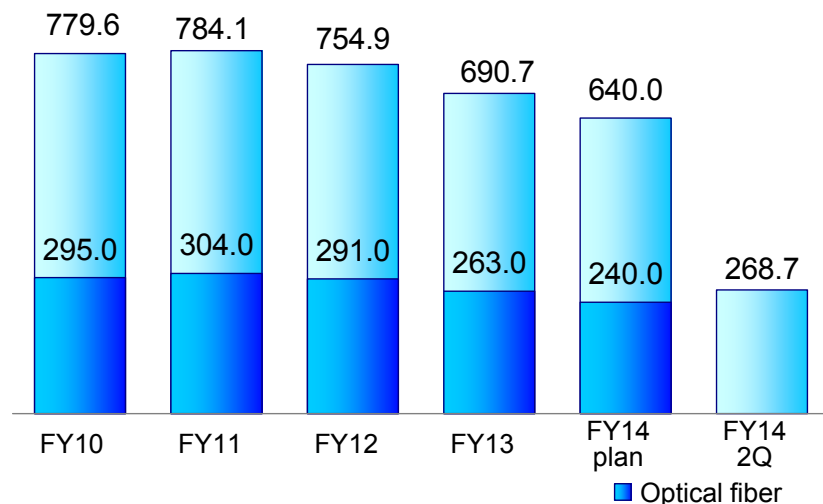


2. Expectations for the Rest of FY14



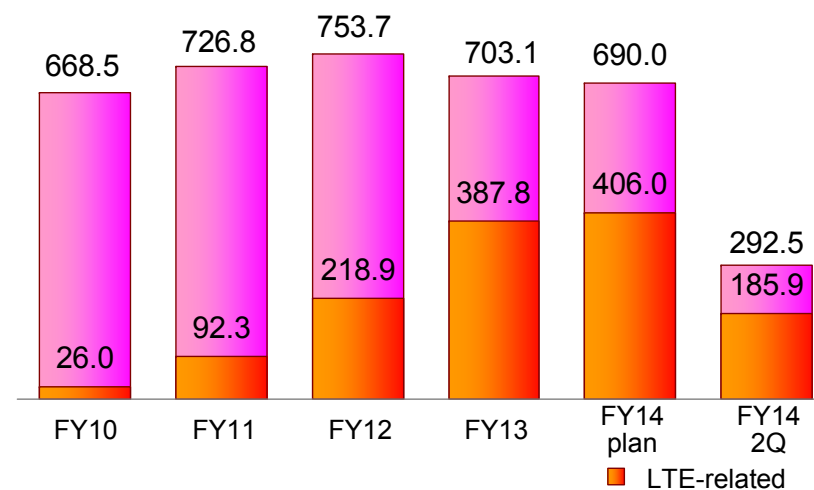
(3) Investment Trends of Major Telecom Carriers

■ NTT East/West

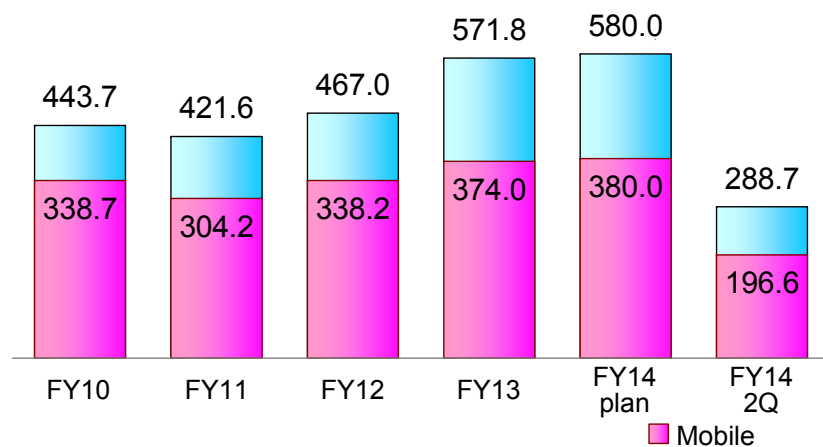


■ NTT docomo

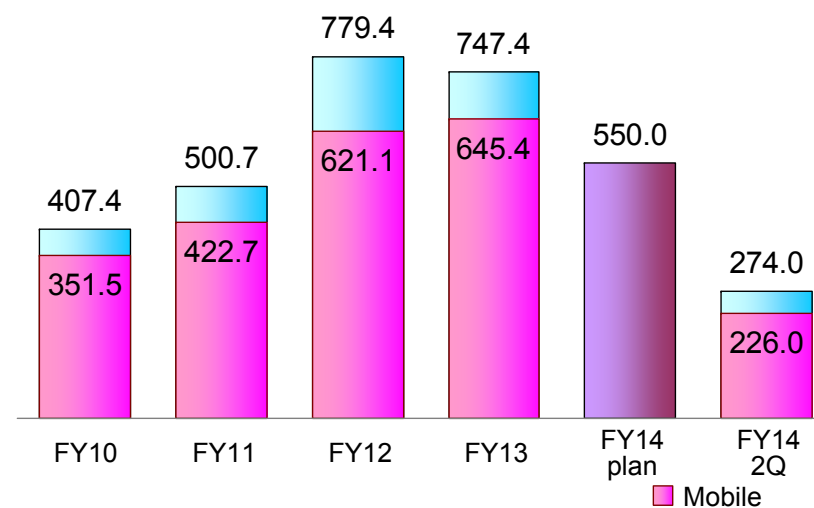
(¥bn)



■ KDDI



■ SoftBank



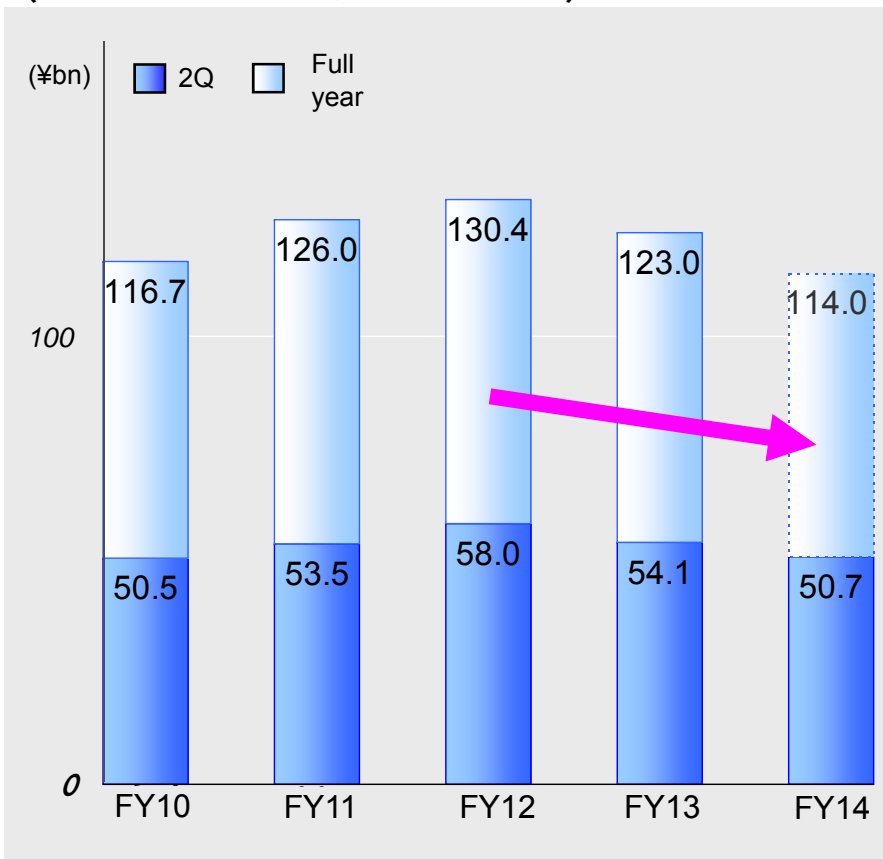
(Source: Figures released by the telecommunications carriers)

2. Expectations for the Rest of FY14

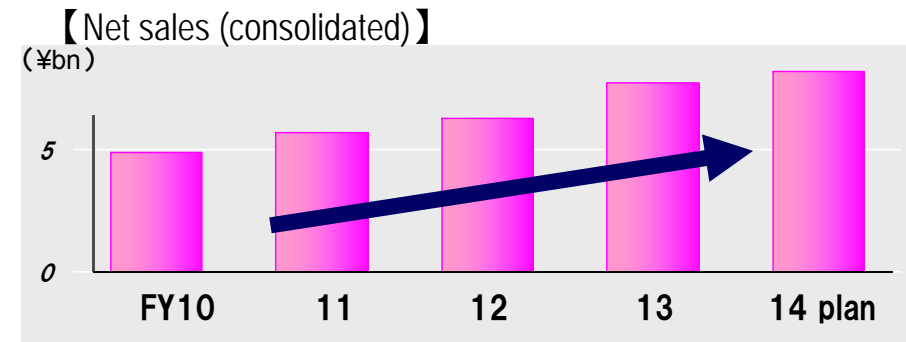
(4) NTT Group (Access/Network)

- ◆ Current downward trend in fixed-line related business
- ◆ Expected rise in fiber-access users due to wholesaling of services

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

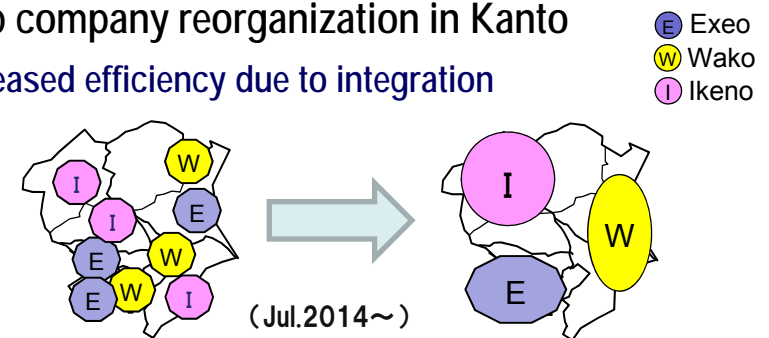


■ NTT facilities management (fixed-line related)



■ Group company reorganization in Kanto

- ◆ Increased efficiency due to integration



■ Wholesaling of fiber-access services

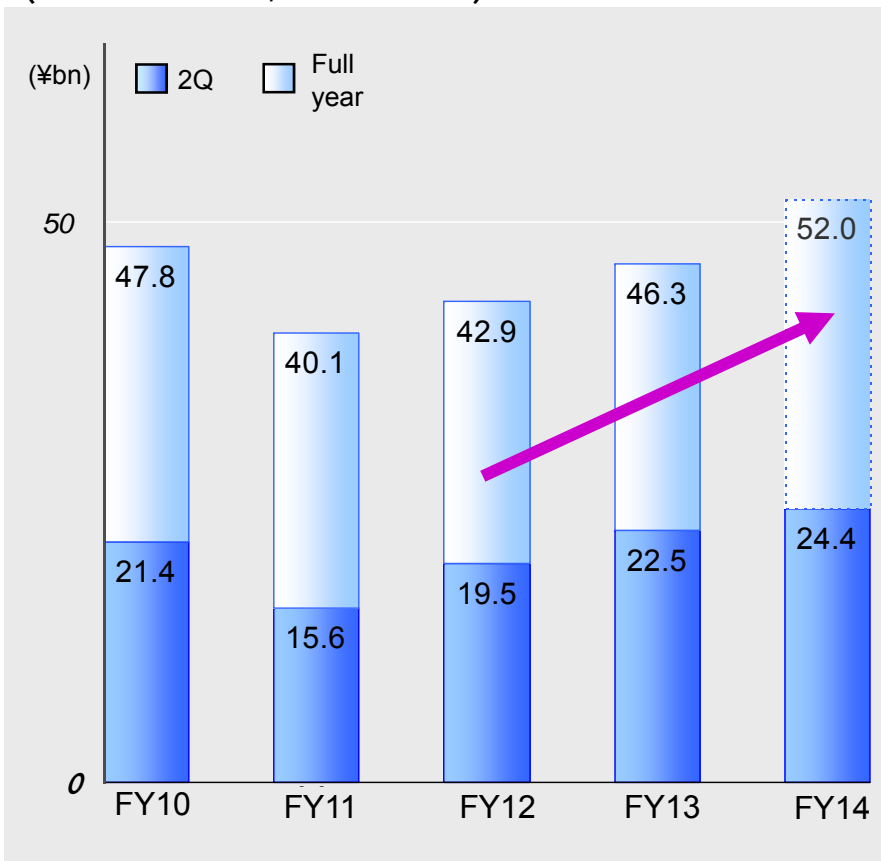
- ◆ Many businesses adopting fiber services
- ◆ Projected expansion in fiber-service users

2. Expectations for the Rest of FY14

(5) NTT Group (Mobile)

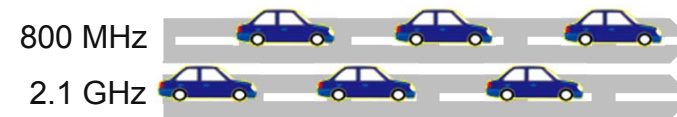
- ◆ LTE construction work to progress at strong pace
- ◆ LTE-Advanced to proceed at full pace from next fiscal year

Net sales of NTT Group (mobile network, consolidated)

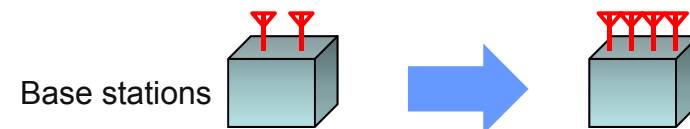


Main projects envisaged for Exeo

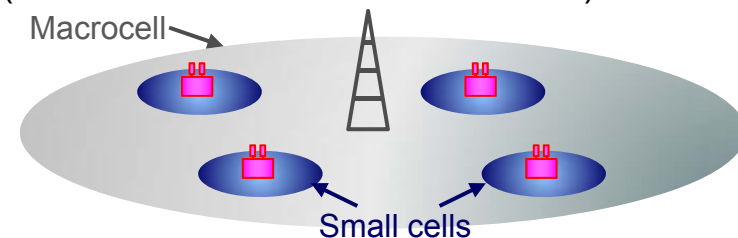
(1) Change to CA (carrier aggregation)



(2) Multifrequency sharing
(work to replace antennas, change to MIMO)



(3) Change to small cells
(construction of small base stations)

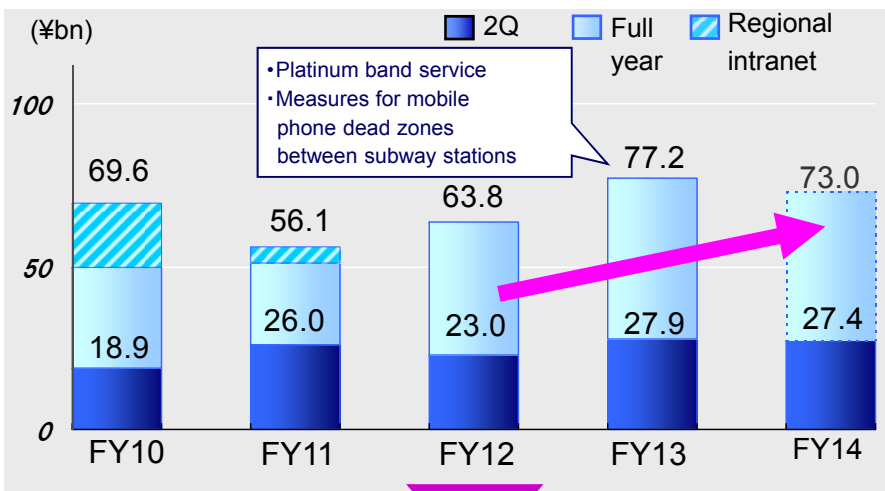


2. Expectations for the Rest of FY14

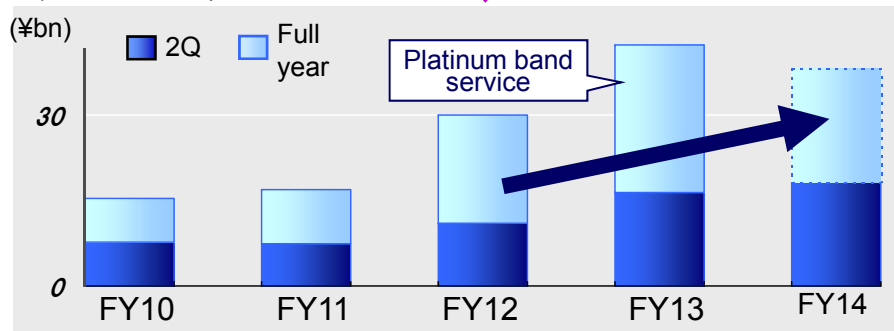
(6) Non-NTT Telecom Engineering

- ◆ LTE construction work of NCCs also to progress at strong pace
- ◆ Start of construction work for 700 MHz reception

■ Non-NTT Telecom Engineering net sales (consolidated)



(NCC restated)



■ Measures for 700 MHz Band TV Reception

(FY) 2014 2020 2025

(From Sep.FY14)

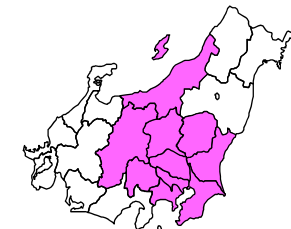
Measures for TV reception

(From Jan. 2015)

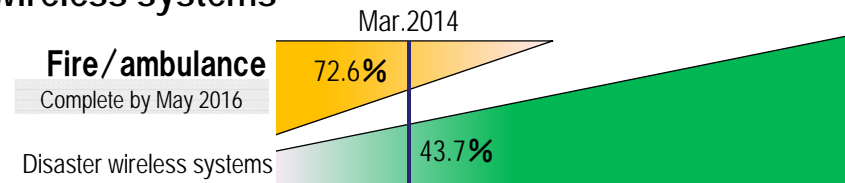
700 MHz LTE service

Note: May change due to progress in migration of FPU, specified radio microphones.

Areas covered by Exeo
Kanto, Koshinetsu



■ Digitization of fire department and disaster wireless systems



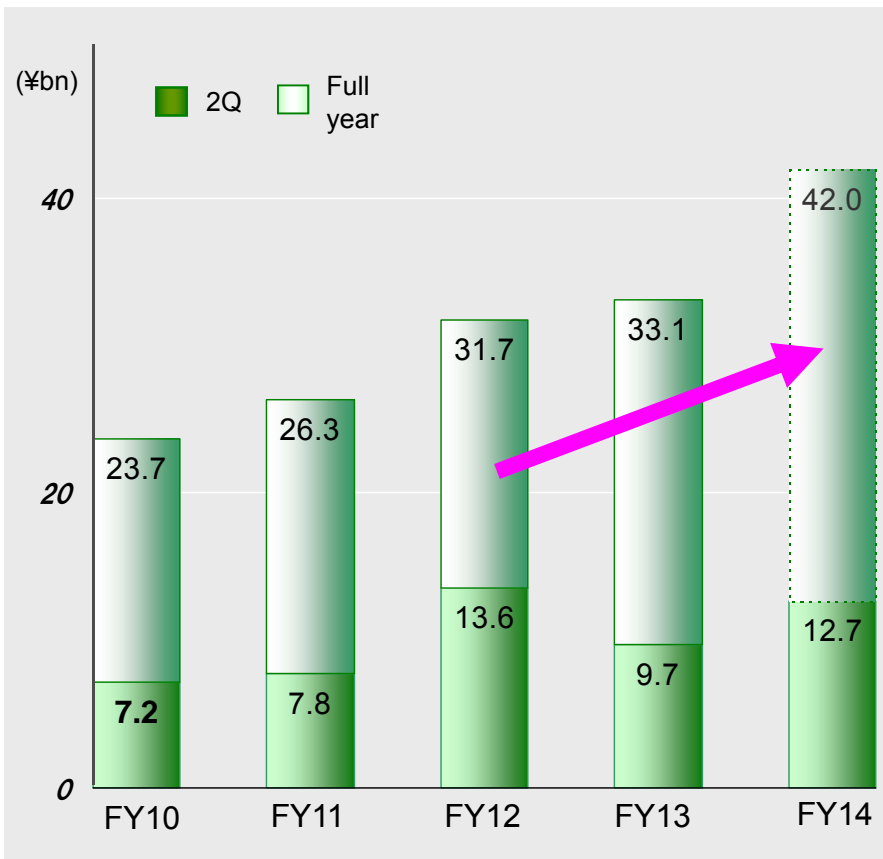
Source: Information and Communications in Japan White Paper 2014

2. Expectations for the Rest of FY14

(7) Environmental and Social Infrastructure

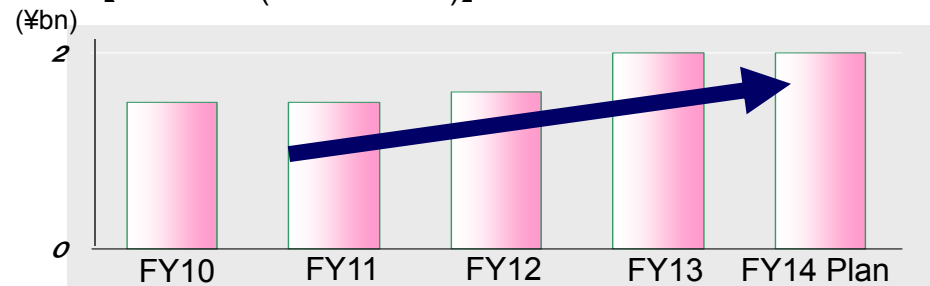
- ◆ Received order for large-scale waste-processing plant
- ◆ Good business environment due to development of Tokyo metropolitan area, etc.

■ Environmental and Social Infrastructure net sales (consolidated)



■ Operation maintenance management of waste-processing plants

【Net sales (consolidated)】



■ Orders in the first half of the year

(1) Waste-processing plants

| | | |
|-------------------|----------------|-----------|
| Ibusuki-Kagoshima | Approx. ¥1.6bn | Sep. 2014 |
| Kunigami-Okinawa | Approx. ¥2.2bn | Jun. 2014 |

(2) Elimination of power poles

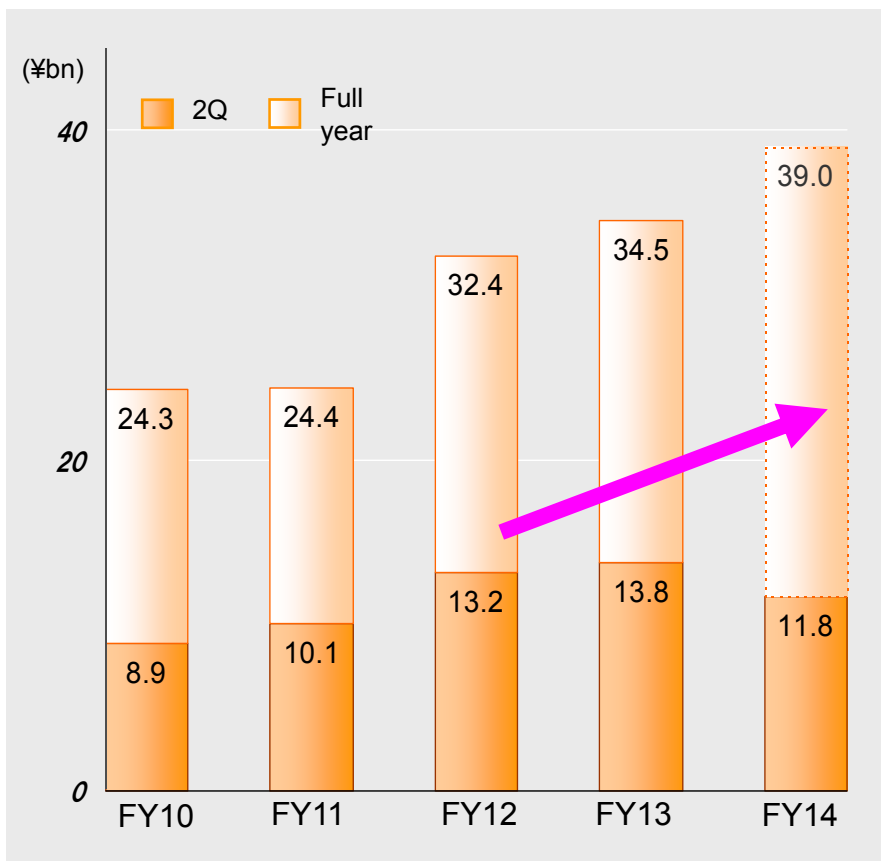
| | | |
|--|----------------|-----------|
| Green goods block of Toyosu new market | Approx. ¥1.2bn | Apr. 2014 |
| Sumitomo Fudosan Nibancho-bld. | Approx. ¥0.7bn | May. 2014 |

2. Expectations for the Rest of FY14

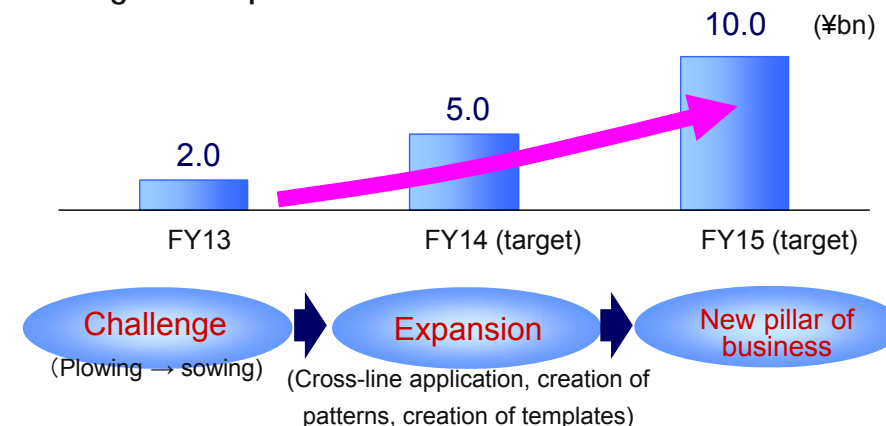
(8) SYSTEM-SOLUTIONS

- ◆ Work to achieve recovery after slow first half
- ◆ Further strengthen structure through M&A

■ SYSTEM-SOLUTIONS net sales (consolidated)



■ Target for expansion of new solutions orders received



■ Capital and business partnerships

Geo-services, AR technologies (May 2014)



■ Business expansion through M&A

Finance / public services / manufacturing systems (Nov. 2014)



3. Topics

- (1) AID Becomes a Subsidiary
- (2) New Solutions Business
- (3) Global Business
- (4) Improved Productivity

3. Topics

(1) AID Becomes a Subsidiary

- ◆ Strengths in system development for finance, public administration, and manufacturing
- ◆ Via integration of clients/resources, etc., further grow business through synergies.

AID Advanced Information Design

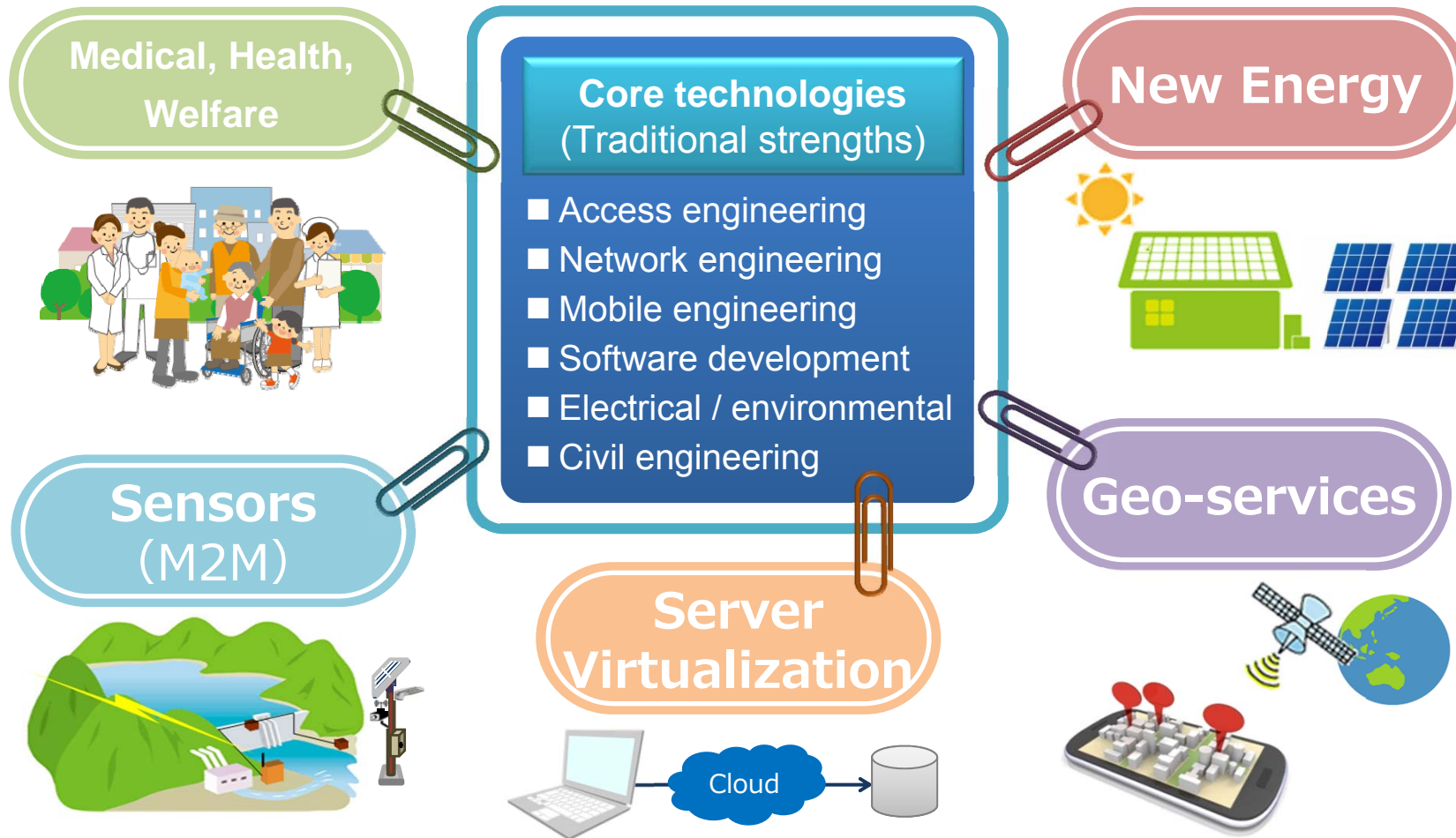
| | |
|---------------------|--|
| Company Name | ADVANCED INFORMATION DESIGN CORPORATION |
| Representative | Noritaka Toya, President |
| Established | 1980 |
| Locations | (Head Office) Matsumoto City, Nagano Prefecture (Branch Offices) Tokyo, Osaka, Hiroshima, Fukuoka |
| Business operations | (1) Software development (Finance, public administration, medical, etc.) (2) System-Solutions (Internet, mobile, etc.) (3) Package services (Information distribution, etc.) |
| Net sales | ¥6,362 million (as of March 31, 2014) |
| Number of employees | 543 |



3. Topics

(2) New Solutions Business

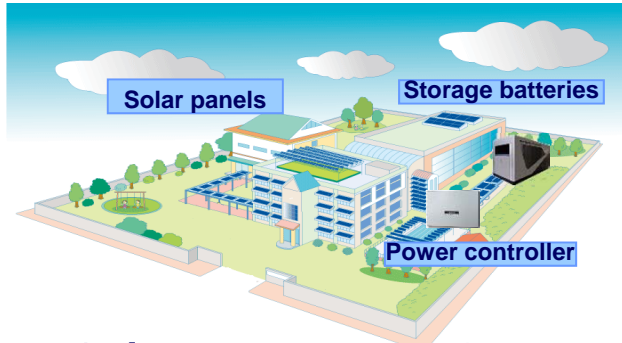
◆ Targeting business worth ¥10bn by combining core technologies and developing new fields



3. Topics

■ New Energy

(Case 1: Solar panels + storage batteries / EMS)



- Main Targets
- Municipal evacuation centers
 - Nationwide chain stores
 - HEMS
 - Supermarkets, parking lots

[FY13 orders] Approx. ¥700m: municipal evacuation centers, HEMS
 [FY14 orders] Approx. ¥700m: municipal evacuation centers, rapid chargers
 [Ongoing projects] Approx. ¥2.2b: nationwide chain stores, HEMS, etc.

■ Geo-services (GPS, digital map, and smartphone)

(Case 1: Disaster support system)



- Targets
- Municipalities
 - Private companies

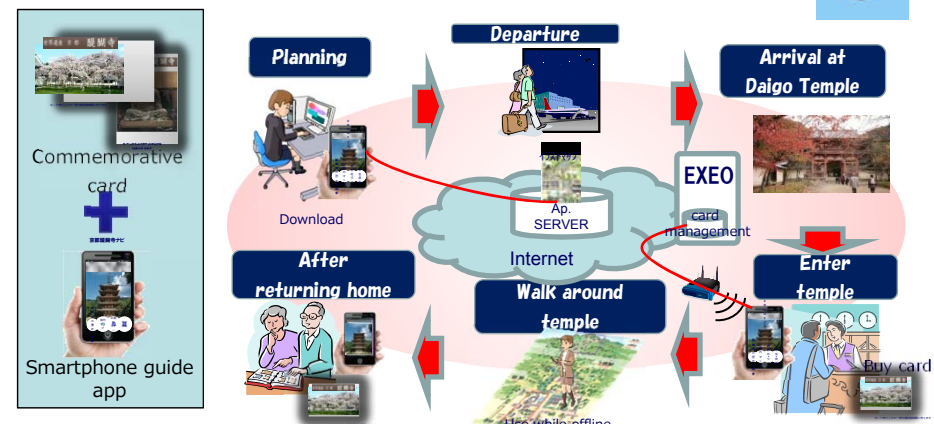
Future initiatives: planning trial experiment

(Case 2: EXTravel: multilingual sightseeing and disaster prevention app)



Actual orders received: Nikko and 10 other local governments
 Future initiatives: expansion to municipalities nationwide,
 trial experiment in partnership with Beacon (LaLaport Toyosu)

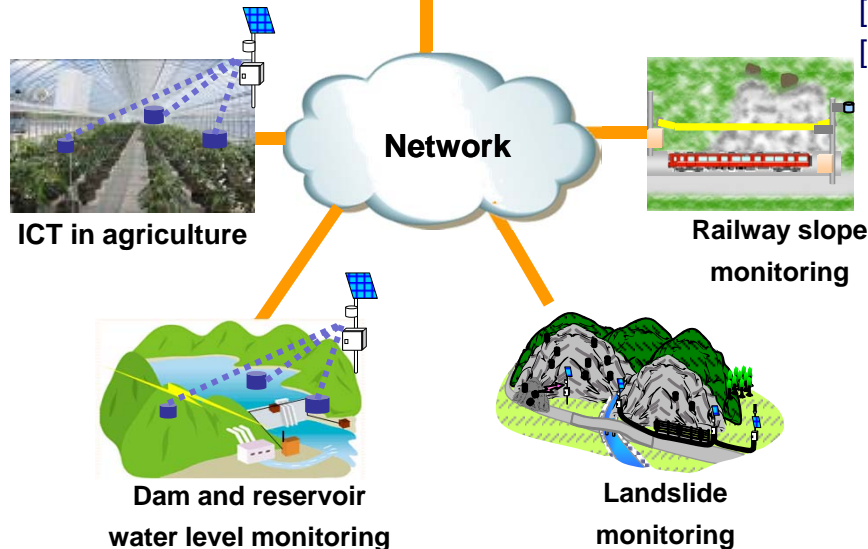
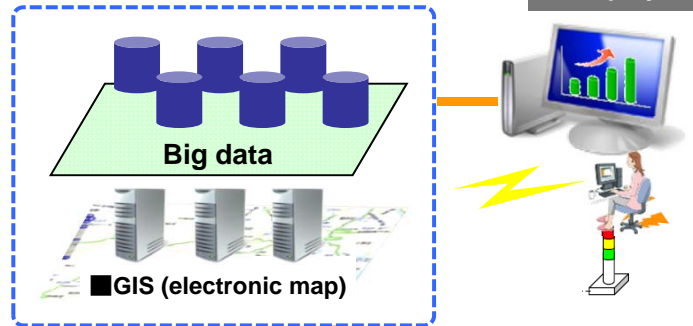
(Case 3: EXTravel: multilingual tourist spot guide)



Future initiatives: trial experiment at Daigo Temple, Kyoto

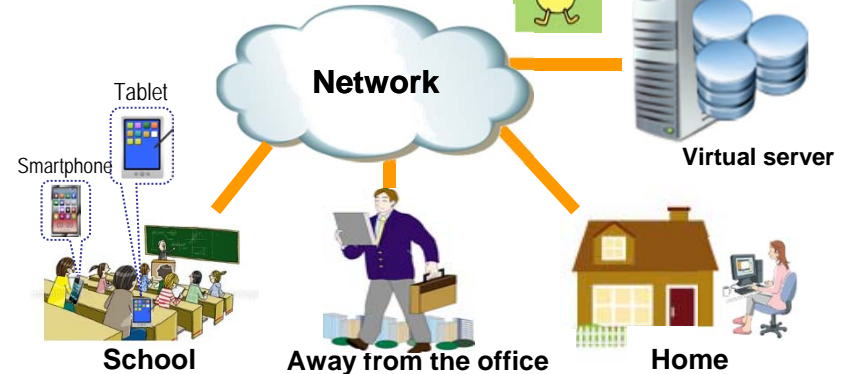
3. Topics

M2M (Sensors)



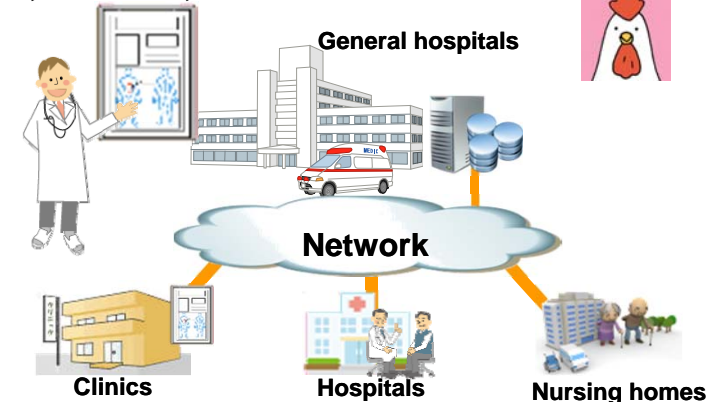
[FY13 orders] Approx. ¥500m: NICT, etc.
 [FY14 orders] Approx. ¥20m
 [Ongoing projects] Approx. ¥300m: municipalities, etc.

Server Virtualization



[FY13 orders] Approx. ¥200m: NTT Group companies, etc.
 [FY14 orders] Approx. ¥700m: NTT Group (East and West), national universities, etc.
 [Ongoing projects] Approx. ¥800m: regional universities, city halls, virtualization platforms

Medical, Health, Welfare



[FY13 orders] Approx. ¥800m: Sendai area healthcare, medical apps
 [FY14 orders] Approx. ¥300m: medical information infrastructure, medical apps
 [Ongoing projects] Approx. ¥800m: local healthcare partnerships, medical universities

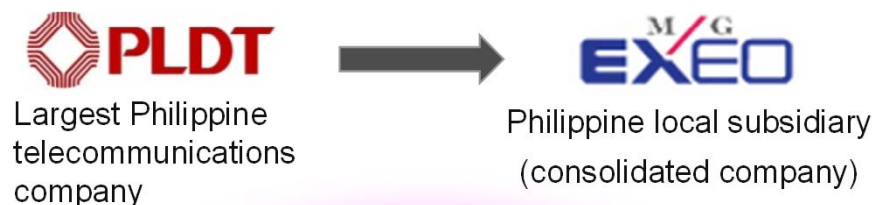
3. Topics



(3) Global Business

- ◆ Start of comprehensive service project in Philippines
- ◆ Proactive development of solutions targeted overseas

Comprehensive service project (Philippines)

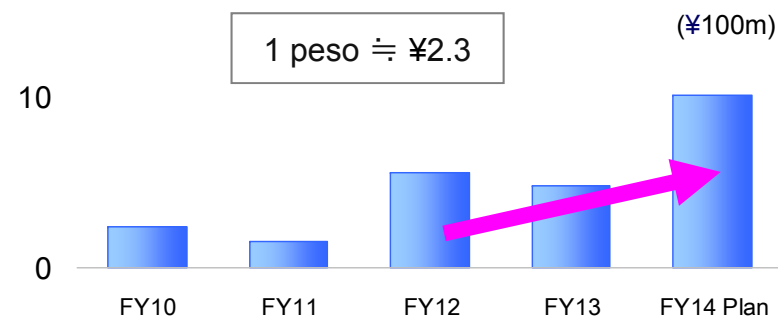


Comprehensive service project started

May 2014–April 2017 (three years)
 ¥1.8bn
 Manila suburbs (Batangas, Laguna)



MG Exeo sales trends



New solutions targeted overseas

Terrestrial digital TV-related (Philippines)

- ◆ Pylon and telecommunications equipment construction, etc.

ODA-related (SE Asia)

- ◆ Airports, ICT construction

3. Topics



(4) Improved Productivity

- ◆ Streamlining efforts advancing swifter than target
- ◆ Continued development of measures for further profit improvement

■ Enhanced profitability through cost reductions

| FY | | 2011 | 2012 | 2013 | 2014 |
|-------------|---------|---------|---------------------------------|---------------------------------|---------------------------------|
| Improvement | Aims | -¥1.0bn | -¥1.0bn (cumulative -¥2.0bn) | -¥1.5bn (cumulative -¥2.0bn) | -¥1.5bn (cumulative -¥5.0bn) |
| | Results | -¥1.0bn | -¥2.0bn (cumulative -¥3.0bn) | -¥2.0bn (cumulative -¥5.0bn) | -¥0.7bn (cumulative -¥5.7bn) |

Note: Amount of improvement represents cost reductions relative to FY10.

■ Recent principal measures

| Area | Measures |
|-----------------------------------|--|
| Functional integration | <ul style="list-style-type: none"> ◇Review of access, network, and engineering construction systems ◇Expansion of shared company work consignments ◇Group-wide unification of audits, MS tasks ◇Reorganization of Group access companies in Kanto area (July 2014) |
| Reorganization of Group companies | <ul style="list-style-type: none"> ◇Liquidation of subsidiary network companies ◇Merger of subsidiary security companies ◇Merger of subsidiary access companies in Kansai/Chugoku regions (planned for July 2014) ◇Merger of subsidiary mobile companies (completed in July 2014) ◇Merger of subsidiary access companies in Tohoku region (October 2014) |
| Consolidation of bases | <ul style="list-style-type: none"> ◇Sendai General Engineering Center (9 bases → 1) ◇Kagawa Technical Center (5 bases → 1) ◇Ishioka General Technical Center (4 bases → 1) (completed in June 2014) ◇Koshin branches (5 bases → 1) (planned for January 2015) ◇Hyogo General Technical Center (5 bases → 1) (planned for July 2015) |
| Resource sharing | <ul style="list-style-type: none"> ◇Resource shift to mobile/solutions area (approx. 170 people) ◇Group-wide cross-sectional projects (mobile, 700 MHz TV reception measures, EV charging, etc.) |

3. Topics



Reference: Reorganization of Group companies

◆ Progress in reorganization of Group companies aimed at improved streamlining and optimization of resources

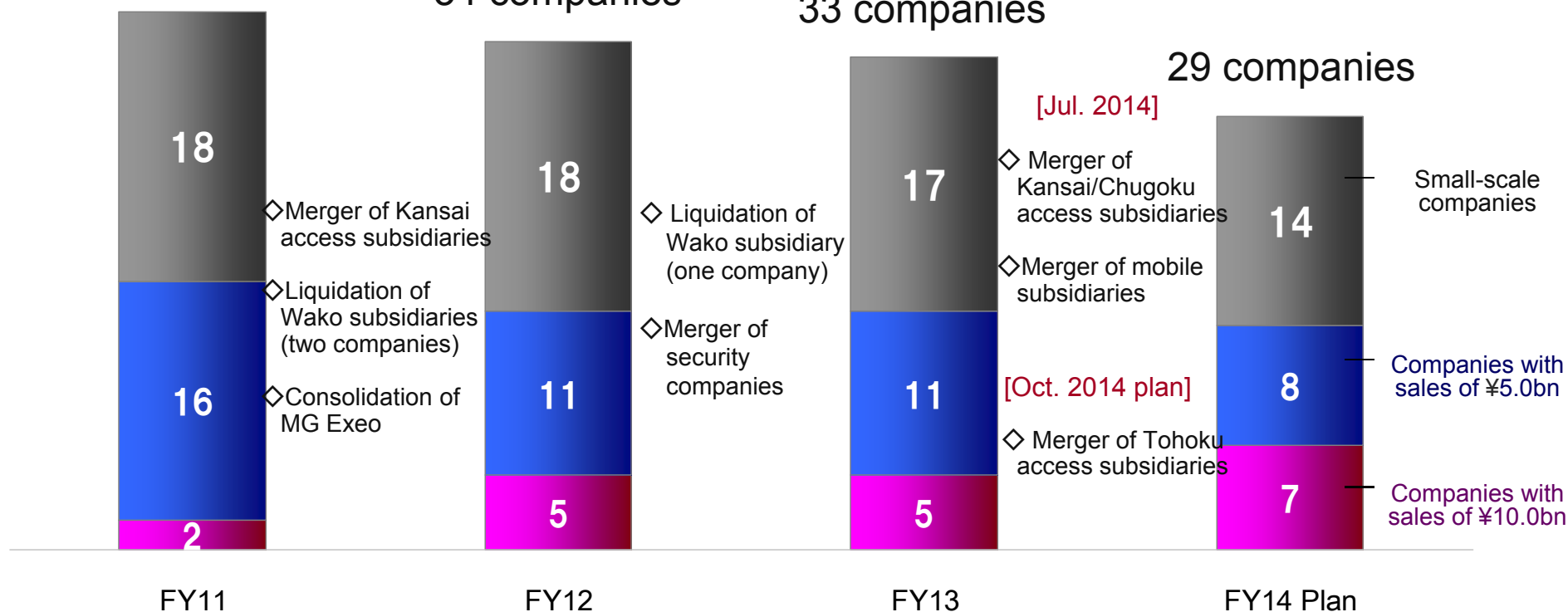
■ Trends in number of subsidiaries (excluding three main companies)

36 companies

34 companies

33 companies

29 companies



4. Raising Shareholders' Value

4. Raising Shareholders' Value

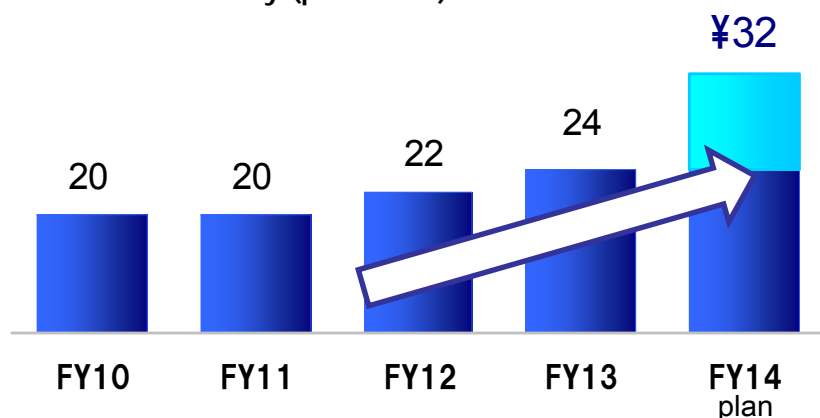


(1) Payment of Dividends

◆ Continuing proactive payment of dividends

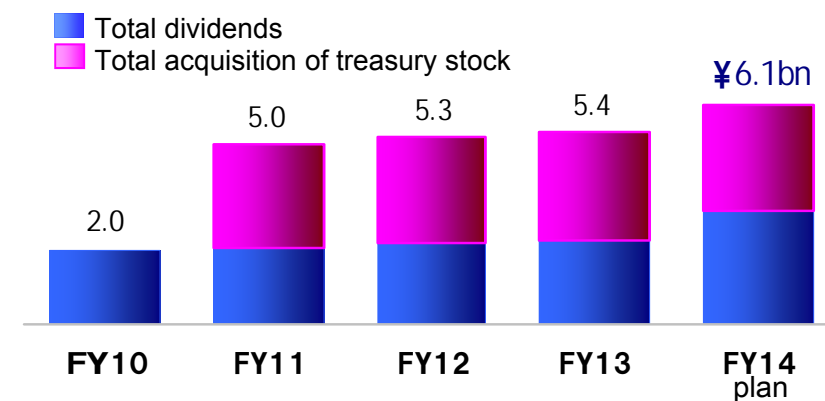
◆ Third consecutive increase from ¥24 annually to ¥32

■ Dividend history (per share)

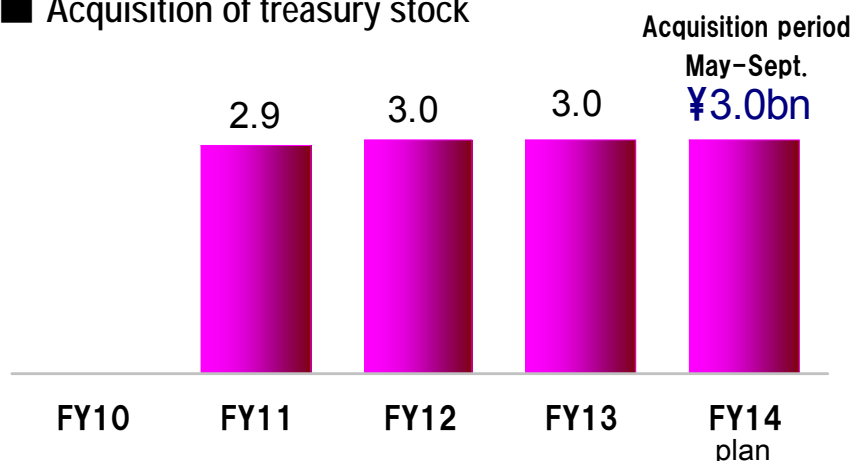


■ Total shareholder return

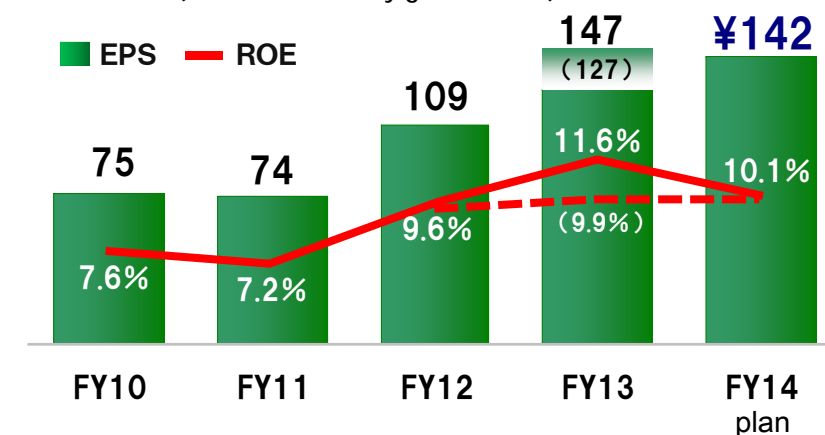
(Total dividends + total acquisition of treasury stock)



■ Acquisition of treasury stock



■ EPS/ROE (excl. extraordinary gains/losses)



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.