

# Results for the Six Months Ended September 30, 2017

November 2017



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>

<b>1. Overview of FY17 Interim Results</b>	••• 2	<b>3. Medium-Term Management Plan</b>	••• 25
(1) Performance Figures	••• 3	(1) Outline	••• 26
(2) Orders Received	••• 4	(2) Image of growth in each segment	••• 27
(3) Net Sales	••• 5		
(4) Operating Income	••• 7	<b>4. Raising Shareholders' Value</b>	••• 29
(5) Cash Flow	••• 9	(1) Payment of Dividends	••• 30
<b>2. Expectations for the Rest of FY17</b>	••• 10	<b>5. Topics</b>	••• 31
(1) Performance Figures	••• 11	(1) The National Skills Competition	••• 32
(2) NTT Group (Access/Network)	••• 12	(Skill sector: Information Network Cabling)	
(3) NTT Group (Mobile)	••• 13		
(4) NCCs	••• 14		
(5) Urban Infrastructure	••• 15		
(6) SYSTEM-SOLUTIONS	••• 16		
(7) Measures for greater efficiency	••• 22		
(Improved Productivity)			

# 1. Overview of FY17 Interim Results

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

# 1. Overview of FY17 Interim Results



## (1) Performance Figures

- ◆ Both orders received and net sales up YOY due to strong NTT Group orders
- ◆ Due to the greater efficiency of construction and the like, all types of income increased YOY and compared to the plan, and reached a new high

### Overview of FY17 interim results (consolidated)

(¥bn)

	FY 2016		FY2017						
	Interim A	Full year B	Interim				Full year		
			Plan C	Actual D	YOY D/A	Plan accuracy D/C	Progress rate D/E	Plan E	YOY E/B
Orders received	154.6	324.1	155.0	161.1	104%	104%	49%	330.0	102%
Net sales	116.2	298.8	128.0	124.9	108%	98%	39%	320.0	107%
Gross profit	(12.3%) 14.3	(12.9%) 38.4	(12.3%) 15.7	(13.8%) 17.2	120%	110%	42%	(12.9%) 41.3	107%
SG&A expenses	(7.2%) 8.3	(5.9%) 17.6	(7.0%) 8.9	(6.6%) 8.3	100%	93%	45%	(5.7%) 18.3	104%
Operating income	(5.2%) 5.9	(7.0%) 20.8	(5.3%) 6.8	(7.1%) 8.9	149%	131%	39%	(7.2%) 23.0	110%
Ordinary income	(5.0%) 5.7	(7.2%) 21.4	(5.7%) 7.3	(7.8%) 9.7	168%	133%	41%	(7.4%) 23.6	110%
Net income attributable to owners of parent	(2.1%) 2.4	(4.6%) 13.7	(3.7%) 4.7	(5.1%) 6.3	263%	135%	41%	(4.9%) 15.7	114%

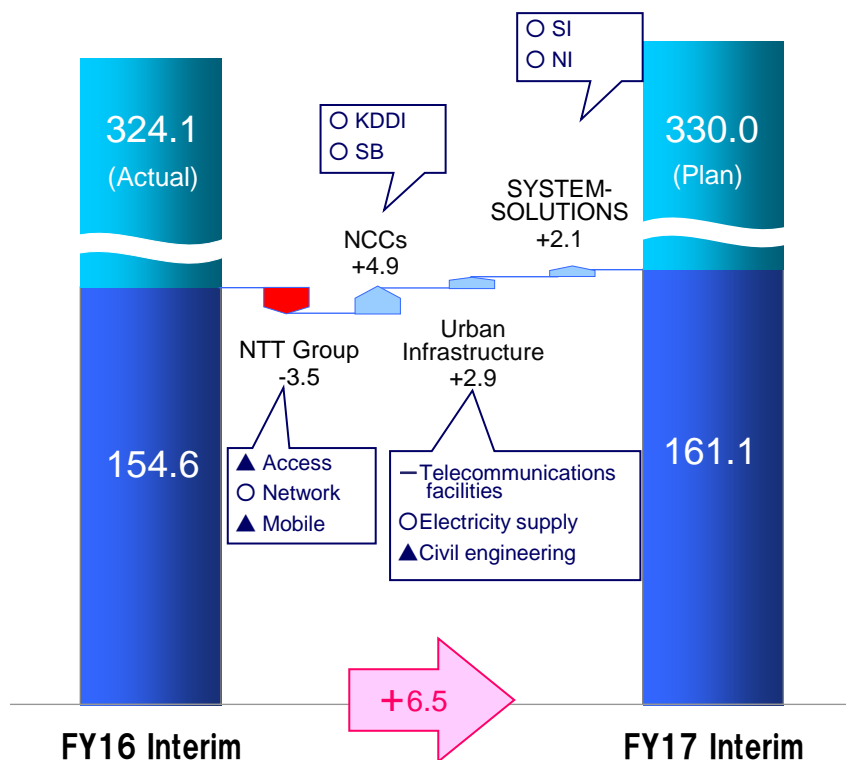
Notes: All amounts less than ¥100m are disregarded. Figures in parentheses are ratio to net sales.

# 1. Overview of FY17 Interim Results

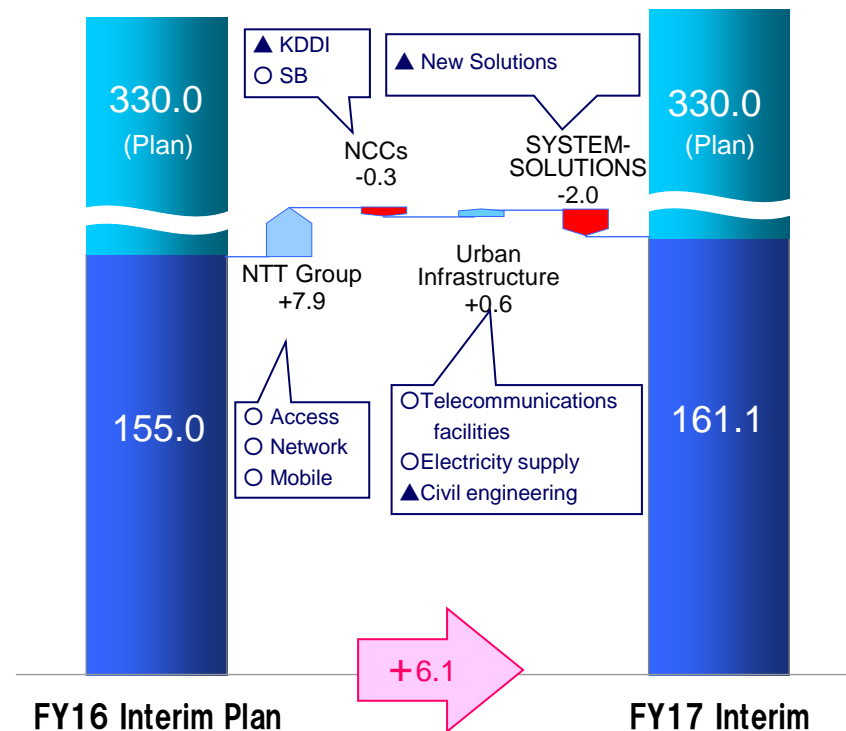
## (2) Orders Received

- ◆ Exceeded the previous year due to strong NCCs and Urban Infrastructure orders
- ◆ Increased compared to the plan due to the strong orders received from the NTT Group

### ■ YOY (consolidated)



### ■ Compared to plan (consolidated) (¥bn)



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

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

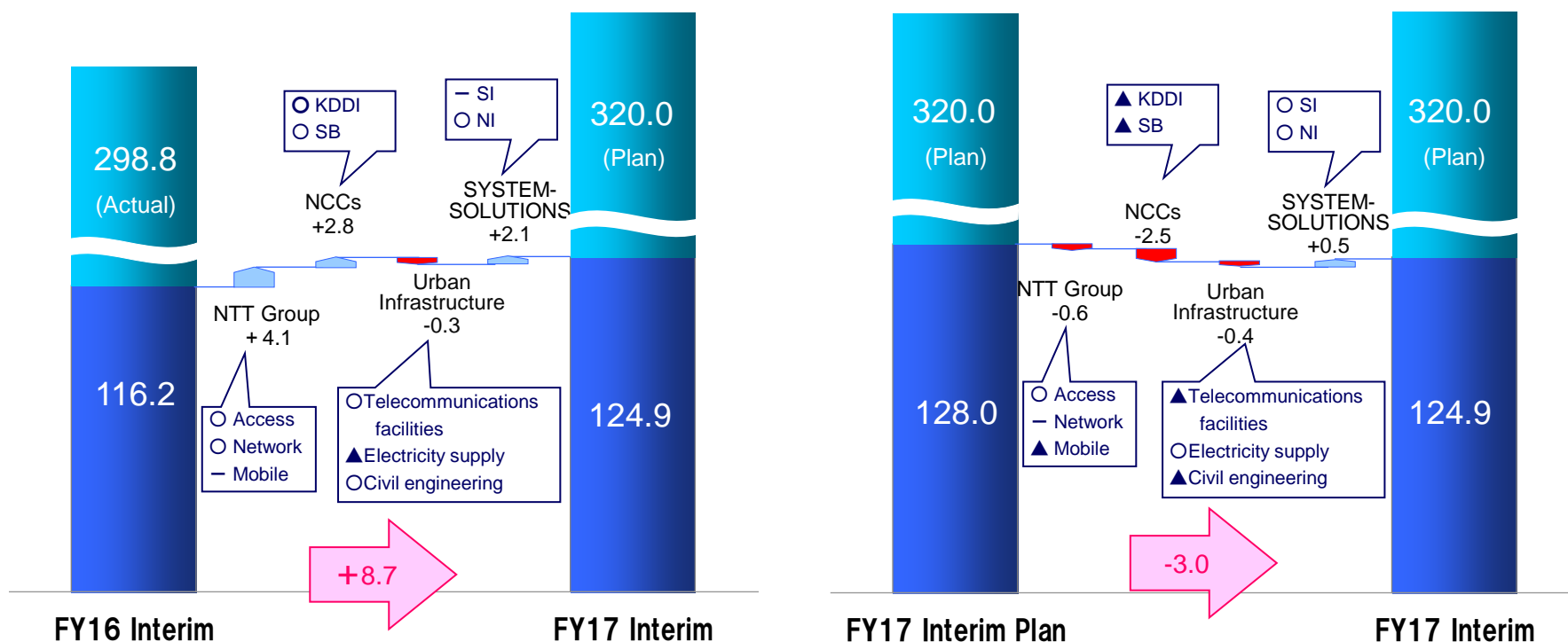
# 1. Overview of FY17 Interim Results

## (3) Net Sales

- ◆ Increased YOY by consuming a large number of carried-over projects in each segment
- ◆ Fell slightly short compared to the plan due to the delayed sales of Mobile (NTT & NCC)

### ■ YOY (consolidated)

### ■ Compared to plan (consolidated) (¥bn)



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

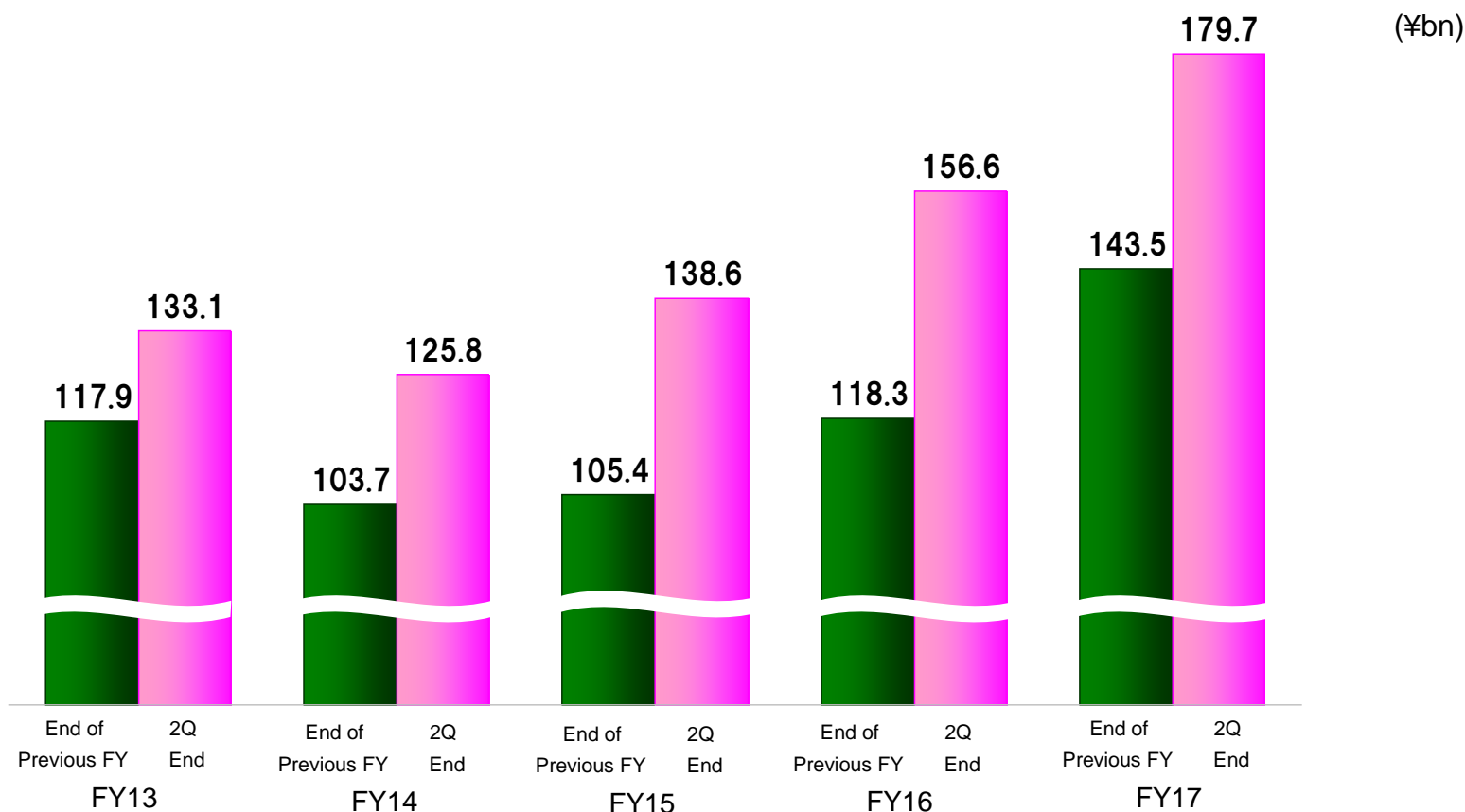
Note: All amounts less than ¥100m are disregarded.

# 1. Overview of FY17 Interim Results

Reference: Status of projects carried over

◆ Work carried over after 2Q at all-time high

■ Work carried over at end of Previous FY and 2Q by year (consolidated)



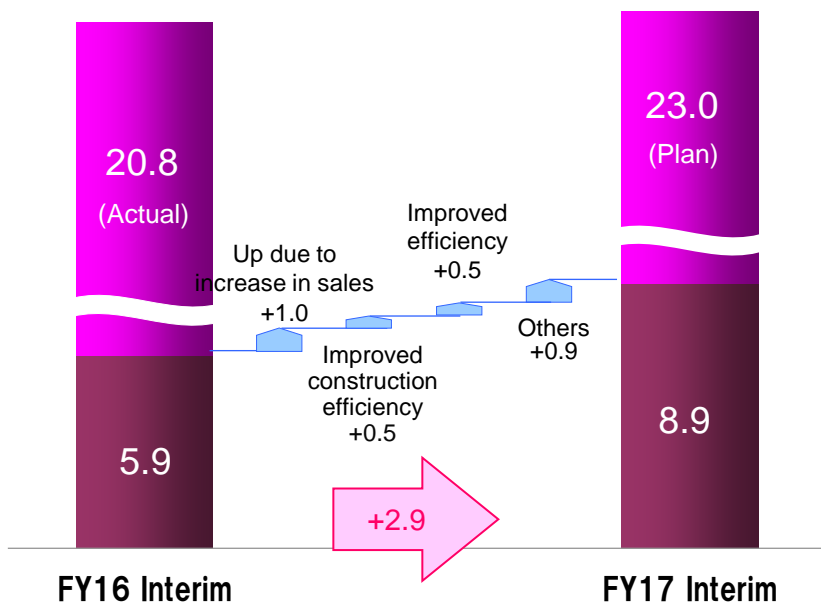
Note: All amounts less than ¥100m are disregarded.

# 1. Overview of FY17 Interim Results

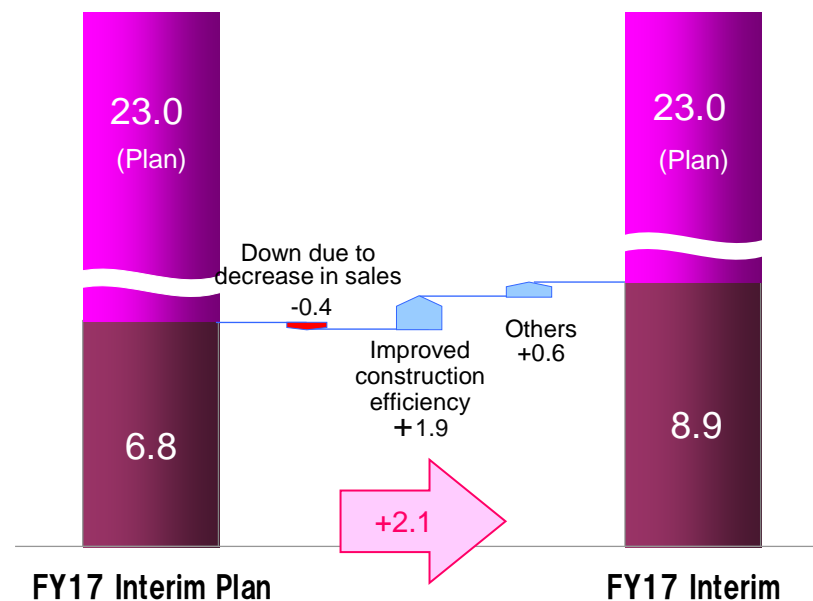
## (4) Operating Income

◆ Reached a record high due to the improved construction efficiency and the promotion of multiple measures for greater efficiency

### ■ YOY (consolidated)



### ■ Compared to plan (consolidated) (¥bn)



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



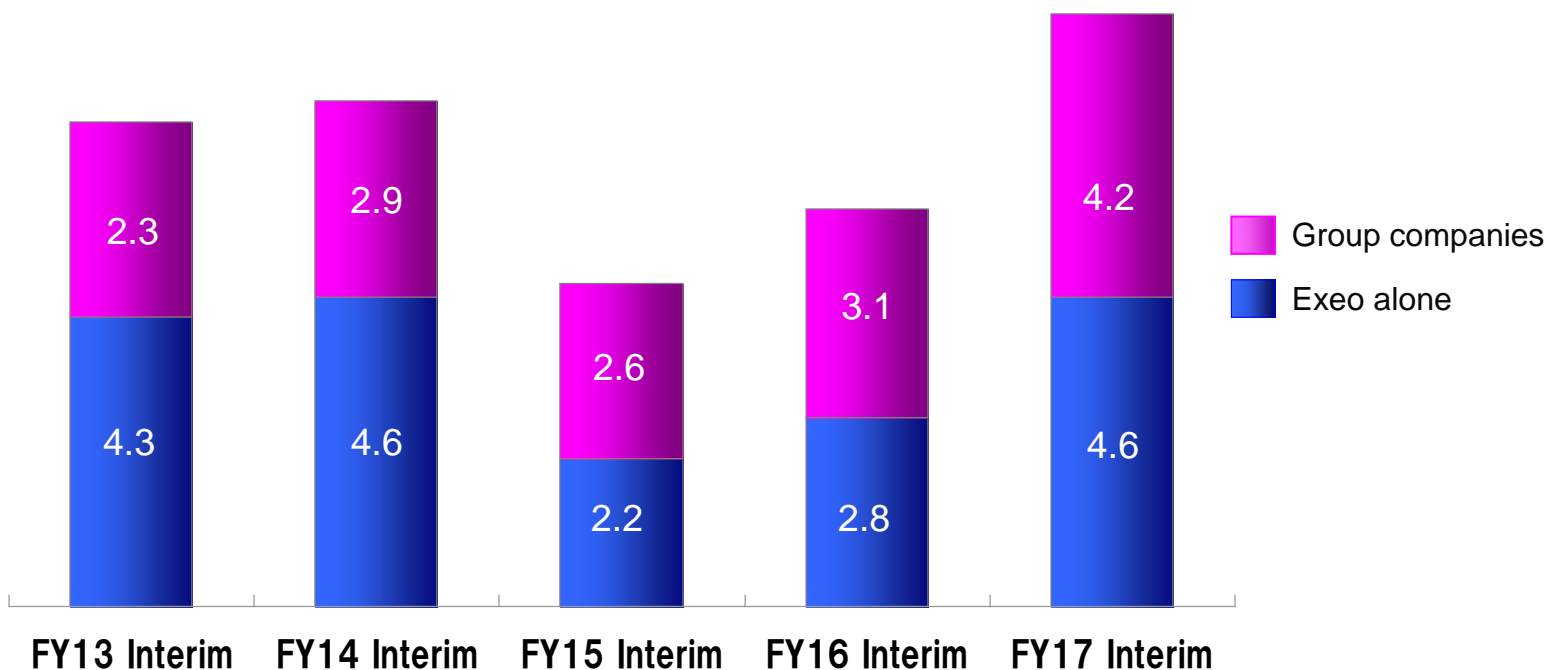
# 1. Overview of FY17 Interim Results

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)

(Ratio of consolidated to non-consolidated profits) (1.7) (1.6) (2.1) (2.1) (1.9)



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 FY17 Interim Results



## (5) Cash Flow

### ◆ Stable cash flow

#### ■ Cash flow (consolidated)

(¥bn)

	FY14	FY15	FY16		FY17
			Interim	Full	Interim
Cash at beginning of FY	16.2	24.2	16.0	16.0	15.2
Operating activities	23.1	5.3	17.9	15.5	17.3
Investing activities	-2.8	-13.9	-2.0	-6.0	-1.4
Financing activities	-12.3	0.3	-12.5	-10.2	-2.3
Cash at end of FY	24.2	16.0	19.3	15.2	28.7

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

## 2. Expectations for the Rest of FY17

- (1) Performance Figures
- (2) NTT Group (Access/Network)
- (3) NTT Group (Mobile)
- (4) NCCs
- (5) Urban Infrastructure
- (6) SYSTEM-SOLUTIONS
- (7) Measures for greater efficiency  
( Improved Productivity)

## 2. Expectations for the Rest of FY17

### (1) Performance Figures

- ◆ Will remain firm in 2Q
- ◆ Aim to achieve annual plan on the back of record-high work carried over and strong orders

### ■ Plans for FY17 (consolidated)

(¥bn)

	FY 2016		FY2017						
	Interim A	Full year B	Interim				Full year		
			Plan C	Actual D	YOY D/A	Plan accuracy D/C	Progress rate D/E	Plan E	YOY E/B
Orders received	154.6	324.1	155.0	161.1	104%	104%	49%	330.0	102%
Net sales	116.2	298.8	128.0	124.9	108%	98%	39%	320.0	107%
Gross profit	(12.3%) 14.3	(12.9%) 38.4	(12.3%) 15.7	(13.8%) 17.2	120%	110%	42%	(12.9%) 41.3	107%
SG&A expenses	(7.2%) 8.3	(5.9%) 17.6	(7.0%) 8.9	(6.6%) 8.3	100%	93%	45%	(5.7%) 18.3	104%
Operating income	(5.2%) 5.9	(7.0%) 20.8	(5.3%) 6.8	(7.1%) 8.9	149%	131%	39%	(7.2%) 23.0	110%
Ordinary income	(5.0%) 5.7	(7.2%) 21.4	(5.7%) 7.3	(7.8%) 9.7	168%	133%	41%	(7.4%) 23.6	110%
Net income attributable to owners of parent	(2.1%) 2.4	(4.6%) 13.7	(3.7%) 4.7	(5.1%) 6.3	263%	135%	41%	(4.9%) 15.7	114%

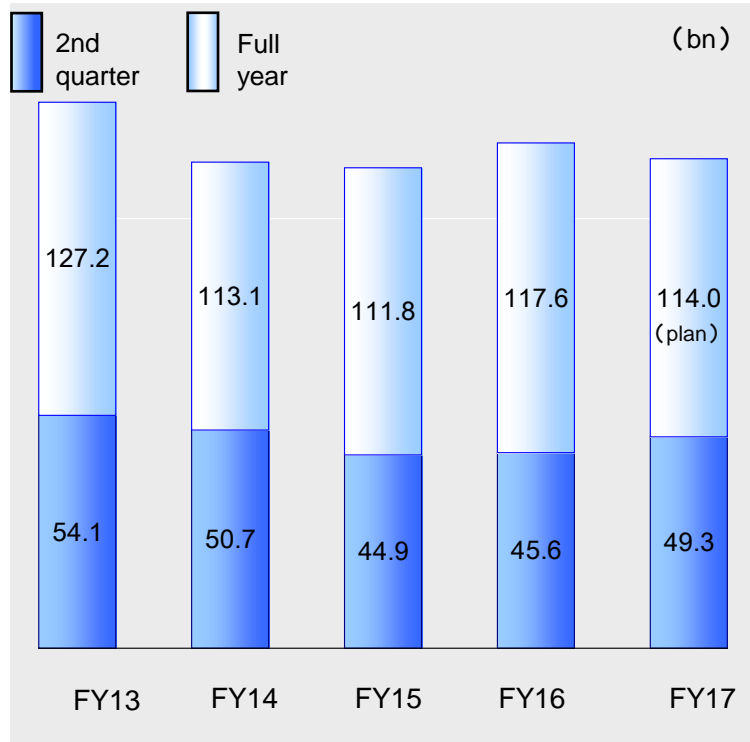
Notes: All amounts less than ¥100m are disregarded. Figures in parentheses are ratio to net sales.

## 2. Expectations for the Rest of FY17

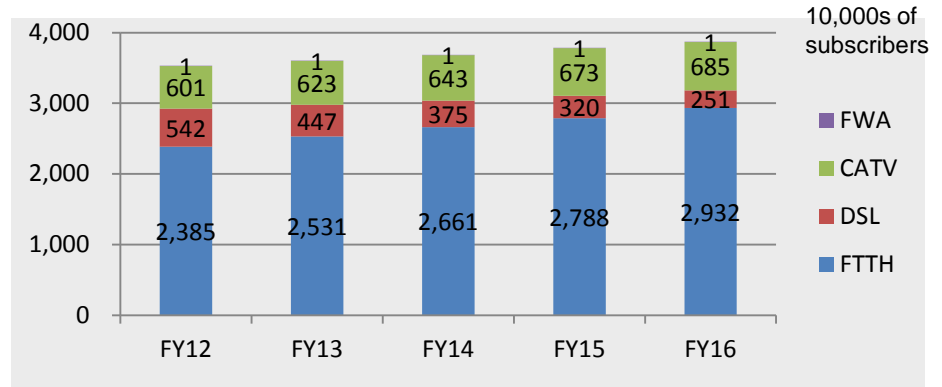
### (2) NTT Group (Access/Network)

- ◆ Increase in the Hikari collaboration has resulted in continued demand for FTTH
- ◆ The Group as a whole is promoting measures for greater efficiency

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



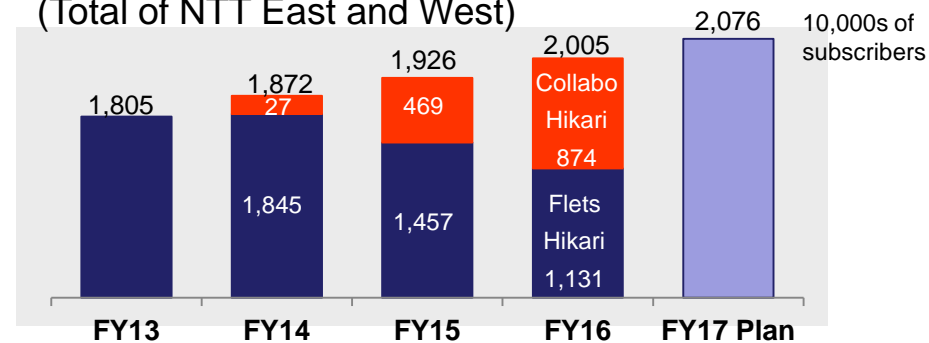
#### Trend of number of subscribers to fixed-line broadband



Note: FWA: Fixed Wireless Access

(Source: Created by us based on WHITE PAPER Information and Communications in Japan 2017 of the Telecommunications Bureau of the Ministry of Internal Affairs and Communications)

#### Trend in Number of FTTH Subscribers (Total of NTT East and West)



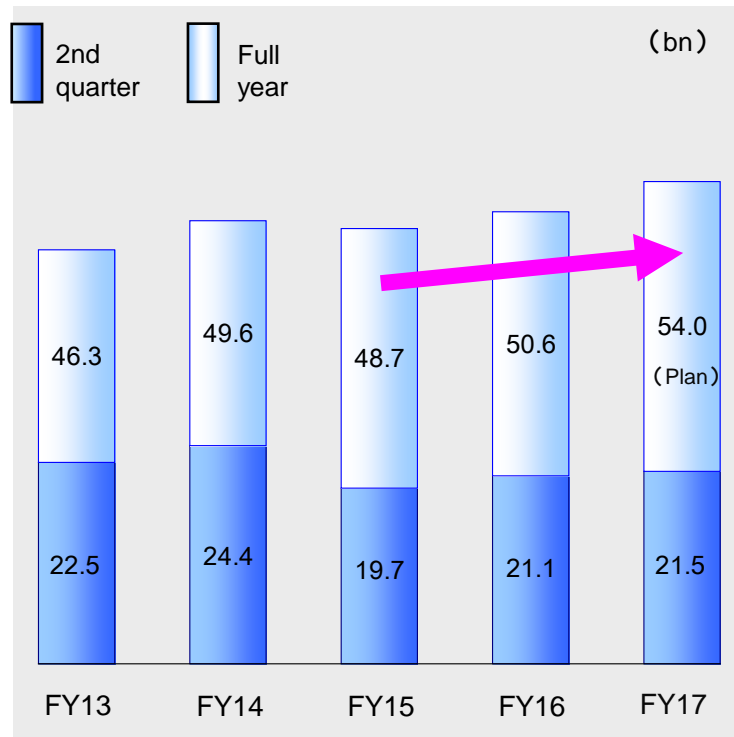
(Source: Created by Kyowa Exeo, based on NTT presentation material)

## 2. Expectations for the Rest of FY17

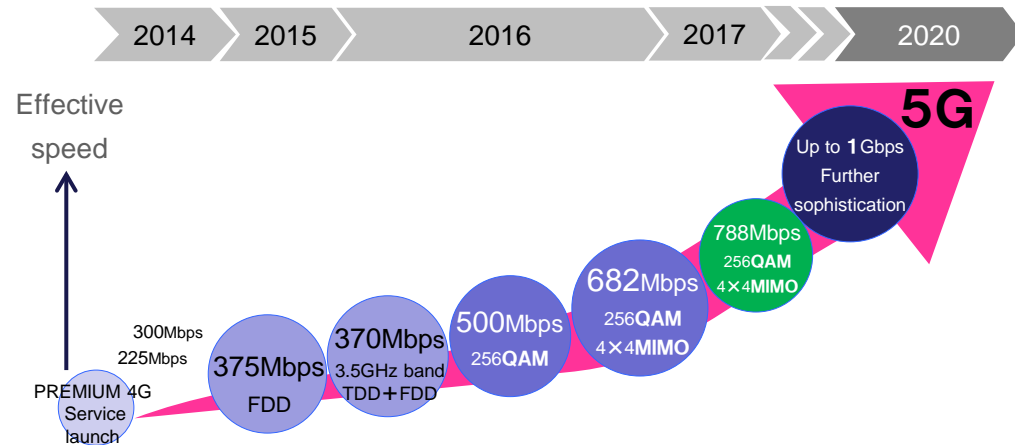
### (3) NTT Group (Mobile)

- ◆ LTE-Advanced construction work volume remains high
- ◆ The construction work is behind schedule due to the extension of work, etc. However, we aim to catch up throughout the full year

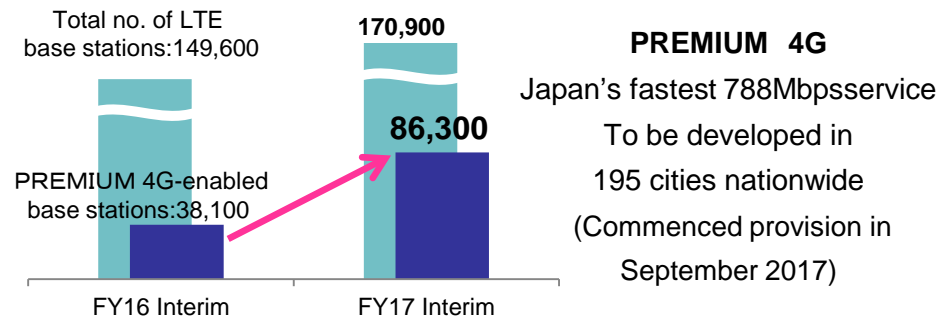
#### ■ Net sales of NTT Group (mobile network, consolidated)



#### ■ NTT DoCoMo Network Development



#### ■ LTE Base Stations



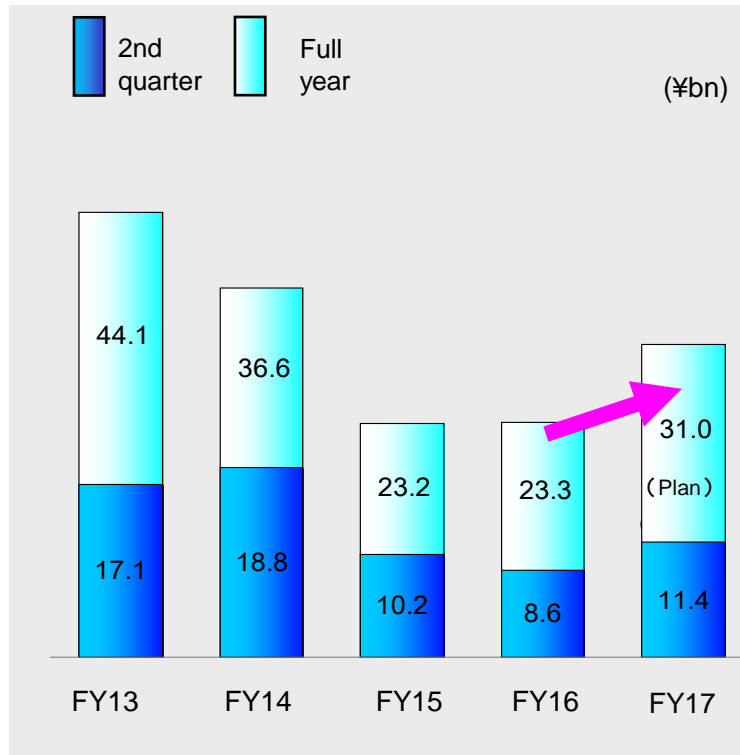
(Source: Created by us based on NTT DoCoMo presentation material.)

## 2. Expectations for the Rest of FY17

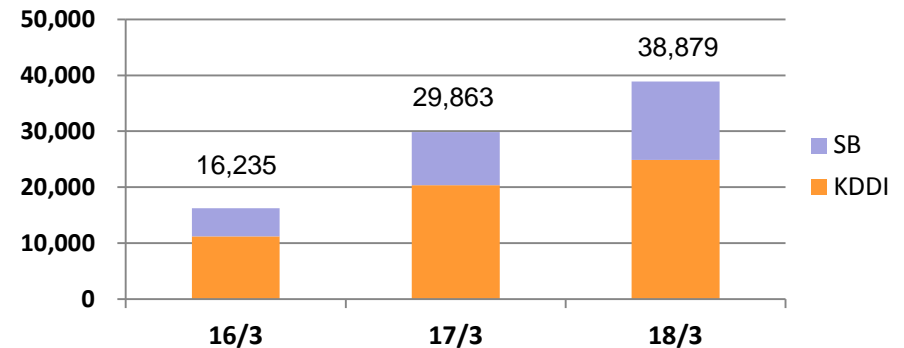
### (4) NCCs

- ◆ Sales fell below the plan, but increased YOY
- ◆ Construction jobs of new frequency bands for traffic in 4G are active

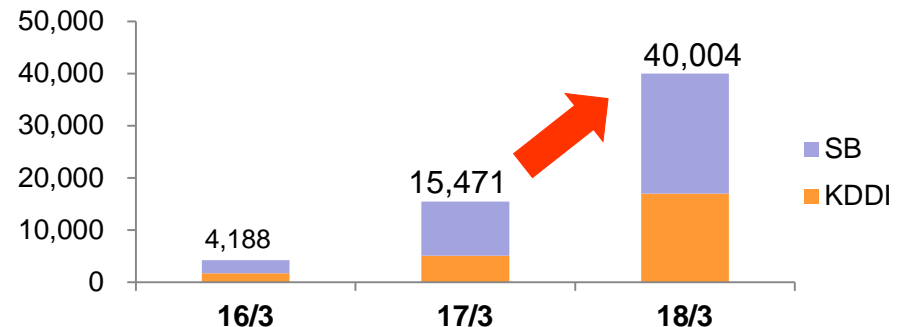
#### ■ Net sales of NCCs (consolidated)



#### ■ Planned number of specified base stations with 700MHz



#### ■ Planned number of specified base stations with 3.5GHz



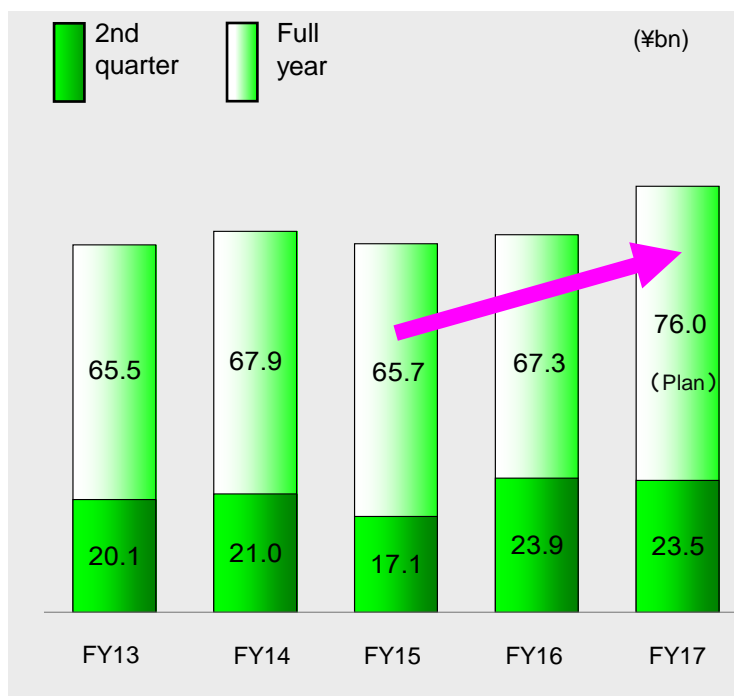
(Source: Created by us based on documents from the Telecommunications Bureau of the Ministry of Internal Affairs and Communications)

## 2. Expectations for the Rest of FY17

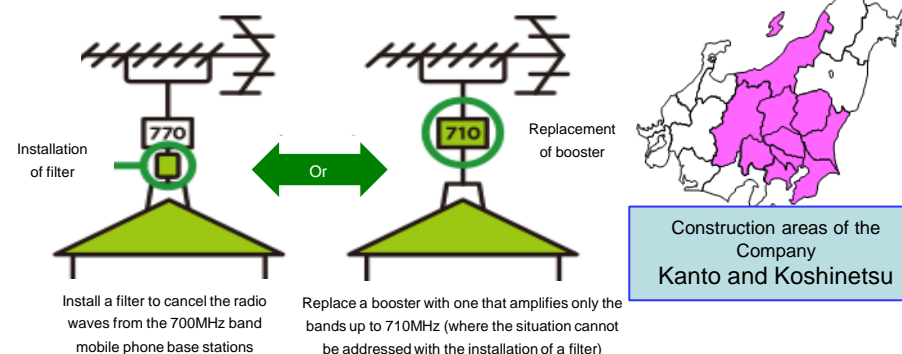
### (5) Urban Infrastructure

- ◆ Construction jobs for 700MHz TV reception will be proceeding at full pace towards FY19
- ◆ Continue to aim to win orders for large-scale electrical construction projects related to Tokyo metropolitan area redevelopment

#### ■ 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)

#### ■ Topics of orders received in the first half •••

Order for mega solar power station in Kagoshima Prefecture : Approx. 5.5 billion



Note: The above photo is for illustrative purposes only: Another plant constructed by us.

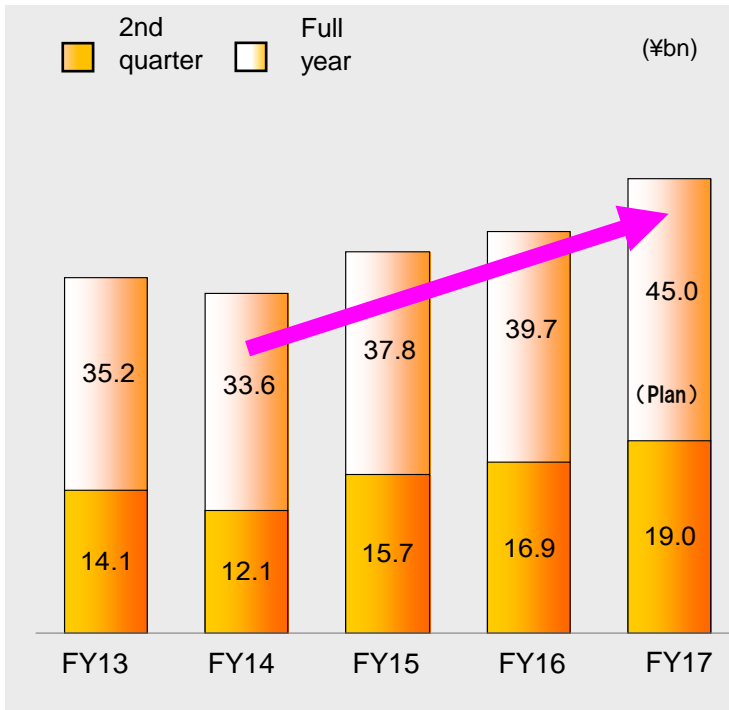


## 2. Expectations for the Rest of FY17

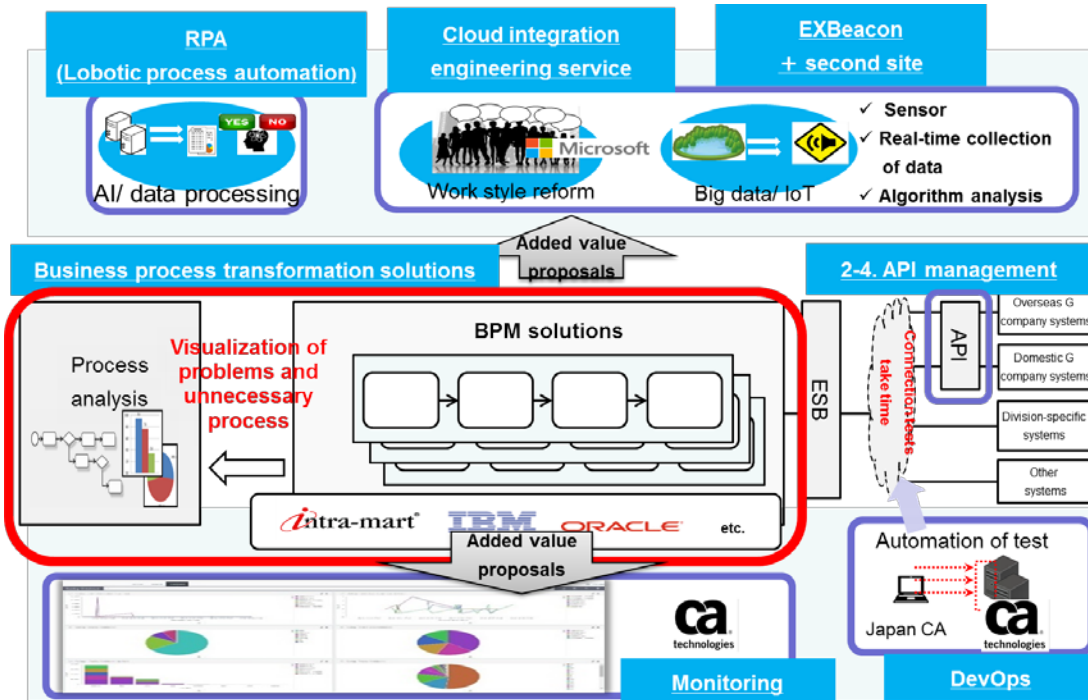
### (6) SYSTEM-SOLUTIONS

- ◆ Fuse the BPM solution business with the peripheral domains to expand the added value
- ◆ Gradually produce results in the new solution fields such as IoT and the cloud

#### ■ SYSTEM-SOLUTIONS net sales (consolidated)

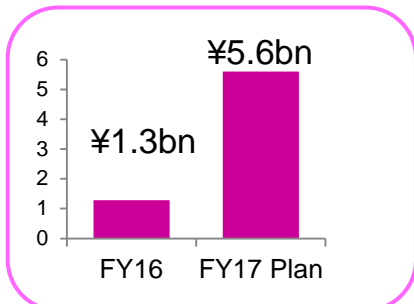


#### ■ Expand the added value of the BPM solution business



# 2. Expectations for the Rest of FY17

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



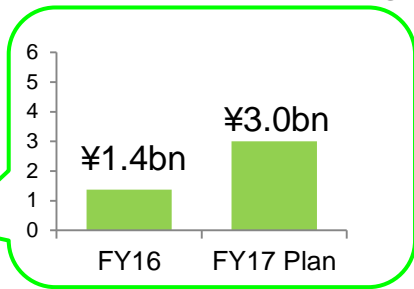
- Expand business in the Philippines
- Participate in business in Vietnam
- Participate in business in Thailand

**Global, other**

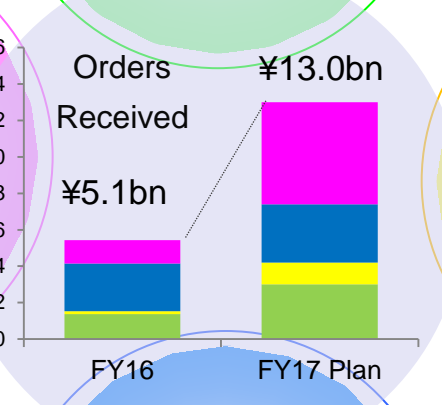
- Okinawa
- International, etc.

**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.

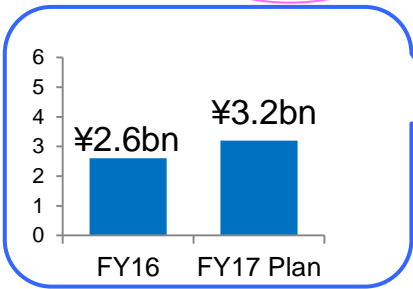


**Solutions field**

- 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

**EXTravel:**  
(Guide application for tourism, etc.)

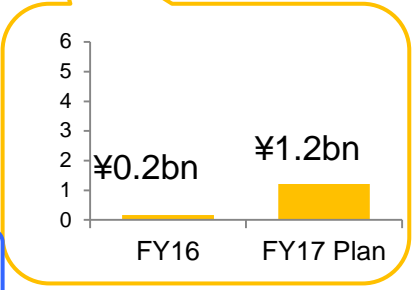


**Cloud/security field**

- 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.**

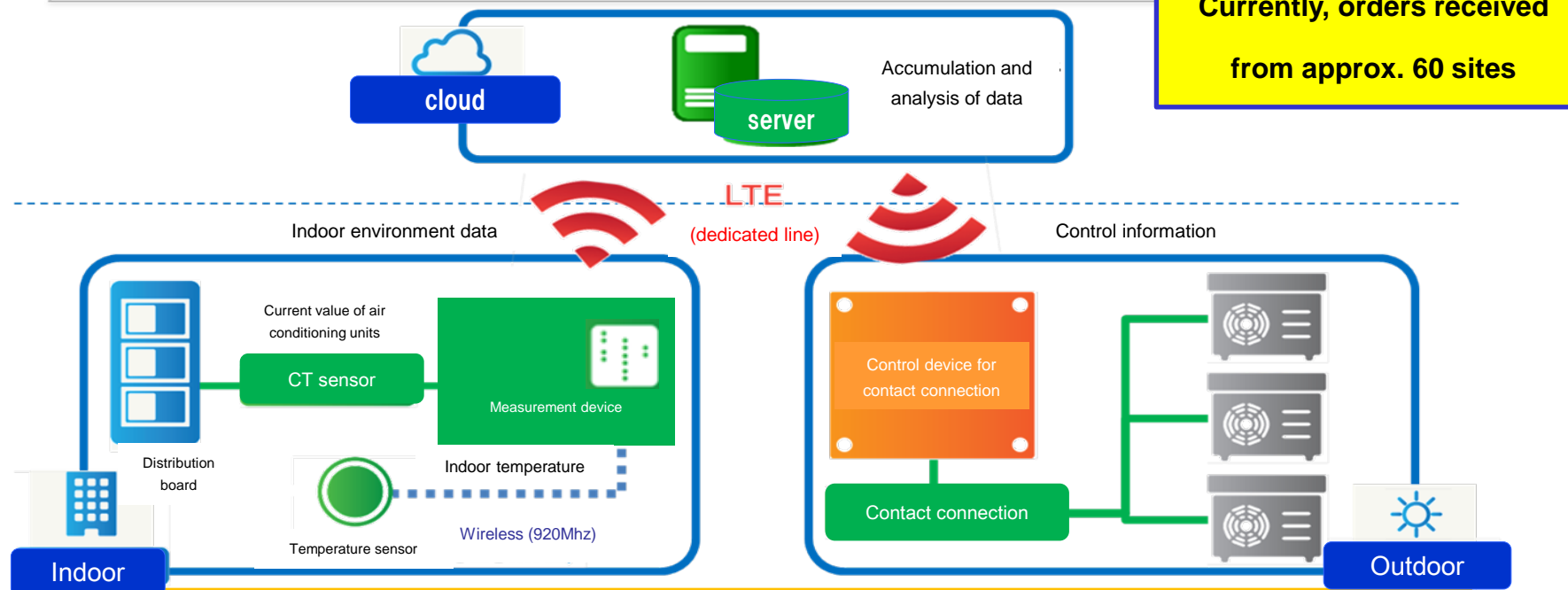
Computerized parking space certification system



## 2. Expectations for the Rest of FY17

- ◆ Deregulation of electric power and energy saving trend provide an opportunity to enter into the market in the new energy field
- ◆ “Energy Viewer” is a B2B2X business model through **collaboration with the local electric power companies**
- ◆ Developed as a tool to reduce power usage through the control of air conditioning and to acquire customers and prevent withdrawal for the local electric power companies

### Solutions for air conditioning units utilizing IoT



Monitor the indoor environment 24 hours a day, 365 days a year by utilizing the IoT devices  
Automated control of air conditioning units connected to the network from a remote location

# 2. Expectations for the Rest of FY17

## Reference: Cloud Integration Engineering\*

Development of the market for sound solutions for enterprises and the expansion of the IoT solutions lineup

### ◆ Concept of business development of cloud integration engineering

Business development that we start small, but allow to grow big /  
From construction income to stock income



- (1) State of activities [From April to the end of September 2017]
  - ✓ Efforts for sound solutions for enterprises in collaboration with Microsoft Japan.
    - Approx. 30 orders received, approx. 70 business deals in progress.
    - Actual results: Assessment and partial introduction, etc. (leading transport companies, manufacturers and local core medical institutions, etc.)
  - ✓ IoT
    - Visualize and analyze field engineering in real time by enhancing sensor networks including LPWA.
- (2) Gained approval from Microsoft Japan (only 6 companies in Japan)
  - ✓ Mar. 2017 Approved as Skype Operations Framework Offers Partner (6 companies elected in Japan)
- (3) Capital and business tie-up with Nextgen
  - ✓ Feb. 2017 Entered into a capital and business tie-up for the purpose of improving the sound communications environment for enterprises.
- (4) Capital and business tie-up with Phone Appli Inc.
  - ✓ Oct. 2017 Established a capital and business tie-up with the aim of enhancing the provision of office total solutions utilizing ICT
- (5) Train cloud engineers
  - ✓ Train 2,000 Microsoft cloud engineers by 2018 (as of September 30, approx. 1,950 engineers had acquired qualifications).

\*Offer nationwide, unified, one-stop engineering, including cloud implementation alongside existing network engineering

# 2. Expectations for the Rest of FY17

## Reference: Mesh-Type Beacon

Currently, approximately 20 companies are introducing it on a small scale. (POC)

**Plant/warehouse , etc.**

- ◆ Management of storage place for packages
- ◆ Visualization of employees' behavior
- ◆ Control of room environment
- ◆ Collection of sensor information of machines, etc.

<Visualization of situation>

**Construction site, etc.**

- ◆ Management of workers' whereabouts
- ◆ Management of gate entrance and exit/ Authentication management
- ◆ Management of the location/taking out of goods
- ◆ Management system of operation reports, etc.

<Visualization of worksite>

**Office , etc.**

- ◆ Management of employees' positions/traffic lines
- ◆ Management of building entrance and exit/Authentication of employees
- ◆ Control of office space environment
- ◆ Work style reforms

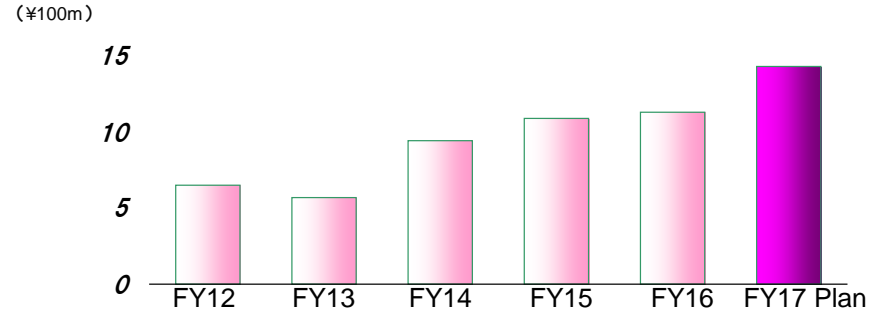
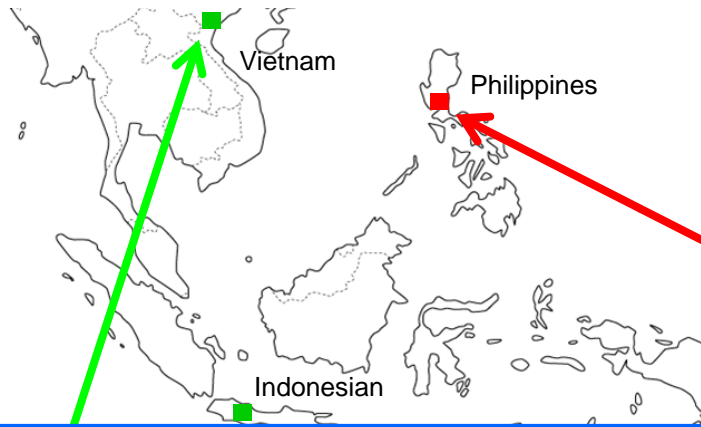
<Visualization of work style>



POC stands for Proof of Concept

# 2. Expectations for the Rest of FY17

## Reference: Global business initiatives ■ MG Exeo sales trends



**MG Exeo (Philippines) as a base for development in Asia including ASEAN**

Concluded an agreement to acquire shares of a new company of the IBS (In-Building System) Business in Vietnam in April 2017.

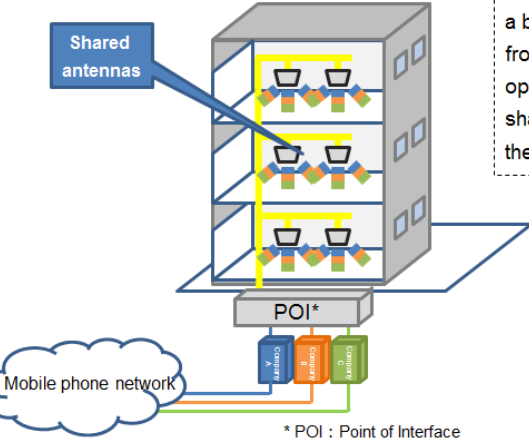
- Development of ICT technology educators in the Philippines → Spread to other SE Asian countries
- Train global staff in the Philippines (One-year local stay) Send trainees from Japan (First group sent in Oct. 2015 (completed); second group in Oct. 2016 (completed) ; Third group in Oct. 2017 (In process))



**Trial implementation of Indonesian FTTH project**

- Targeting various projects using government ODA
- Airport ICT
  - Industrial complex ICT
  - Data center ICT
  - Expressway communication
  - Railway communication
  - ICT business investment

**IBS Business:**  
Abbreviation for In-Building System Business. It is a business model for receiving facility usage fees from telecom carriers by having multiple mobile operators use communications facilities such as shared antennas in a large building by constructing them on your own account.



Signing ceremony with a local partner

## 2. Expectations for the Rest of FY17

### (7) Measures for greater efficiency (Improved Productivity)

◆ Progress as planned by 2Q

◆ Continued measures to improve profits

#### Enhanced profitability through cost reductions

	FY	FY2014	FY2015	FY2016	FY2017
Improvement	Aims	¥1.5bn (cumulative ¥5.0bn)	¥1.0bn (cumulative ¥6.0bn)	¥1.0bn (cumulative ¥7.0bn)	<b>¥1.0bn</b> (cumulative ¥8.0bn)
	Results	¥2.0bn (cumulative ¥7.0bn)	¥1.0bn (cumulative ¥8.0bn)	<b>¥1.5bn</b> (cumulative ¥9.5bn)	<b>2Q Actual ; ¥0.5bn</b> (cumulative ¥10.0bn)

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

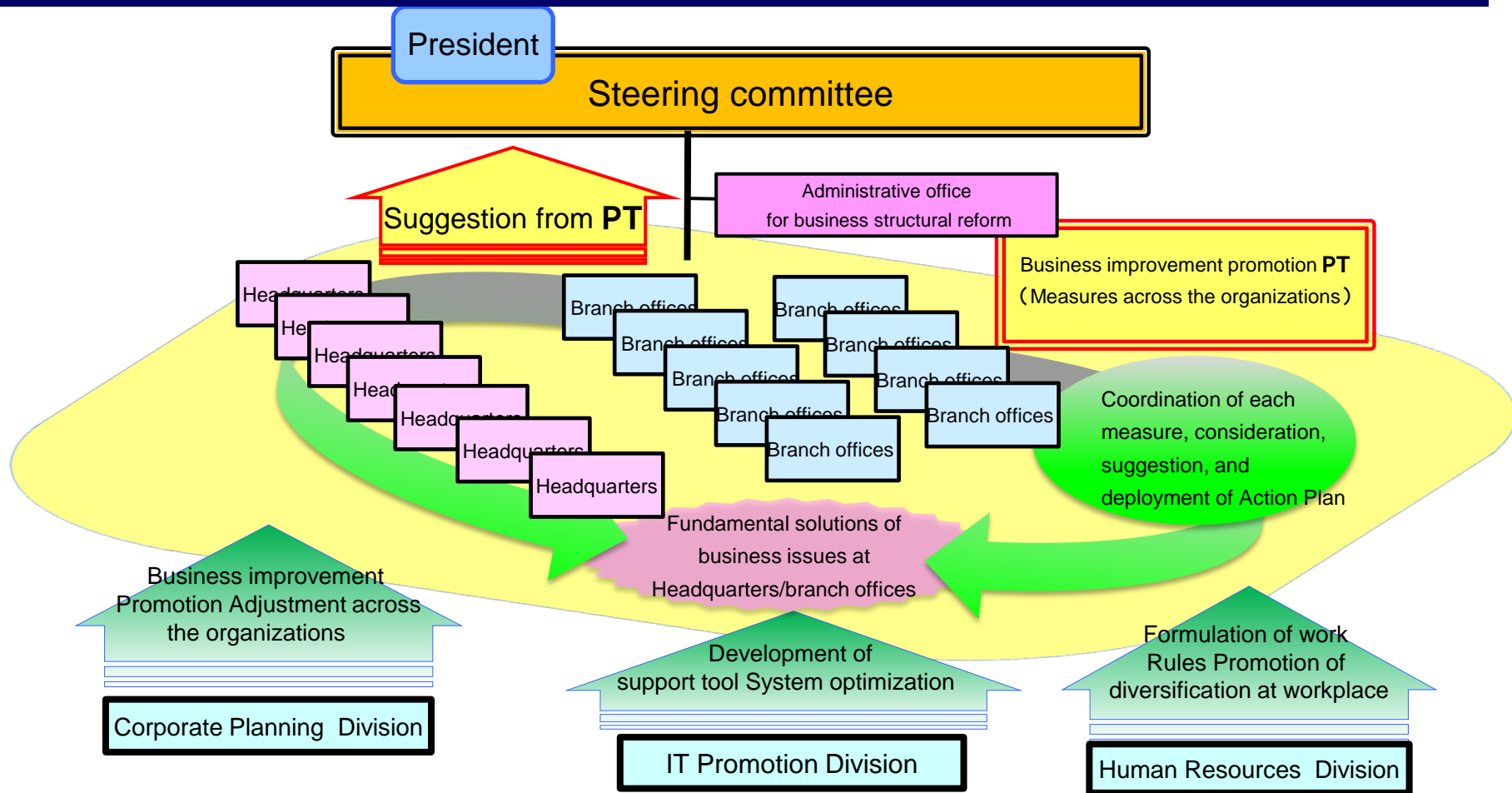
#### Recent principal measures

Area	Measures
Functional integration	<ul style="list-style-type: none"> <li>◇Review of access, network, and engineering construction systems</li> <li>◇Expansion of shared company work consignments</li> <li>◇Group-wide unification of audits, MS tasks</li> <li>◇Reorganization of Group access companies in Kanto area</li> <li>◇Integrated cross-departmental systems</li> <li>◇Improved business flow and systems through BPR</li> </ul>
Reorganization of Group companies	<ul style="list-style-type: none"> <li>◇Construct common bases for system</li> <li>◇Continue to improve business flow and systems through BPR</li> <li>◇Merger of subsidiary security companies</li> <li>◇Merger of subsidiary access companies in Kansai/Chugoku regions</li> <li>◇Merger of subsidiary mobile companies</li> <li>◇Merger of subsidiary access companies in Tohoku region</li> <li>◇Merger of major subsidiaries (WAKO and Ikeno)</li> <li>◇Merger of subsidiary network companies</li> </ul>
Consolidation of bases	<ul style="list-style-type: none"> <li>◇Sendai General Engineering Center (9 bases → 1)</li> <li>◇Kagawa Technical Center (5 bases → 1)</li> <li>◇Ishioka General Technical Center (4 bases → 1)</li> <li>◇Koshin branches (5 bases → 1)</li> <li>◇Hyogo General Technical Center (5 bases → 1)</li> <li>◇Kansai branches (11 bases → 1) *(planned for Feb. 2018)</li> <li>◇Shonan Technical Center (2 bases → 1) *(planned for Nov. 2017)</li> </ul>
Resource sharing	<ul style="list-style-type: none"> <li>◇Resource shift to mobile/solutions area</li> <li>◇Group-wide cross-sectional projects (mobile, 700 MHz TV reception measures, Data Centers, etc.)</li> </ul>

## 2. Expectations for the Rest of FY17

Reference: System for promoting business structural reform

- ◆ Promote the horizontal development of the best practice measures across the fields



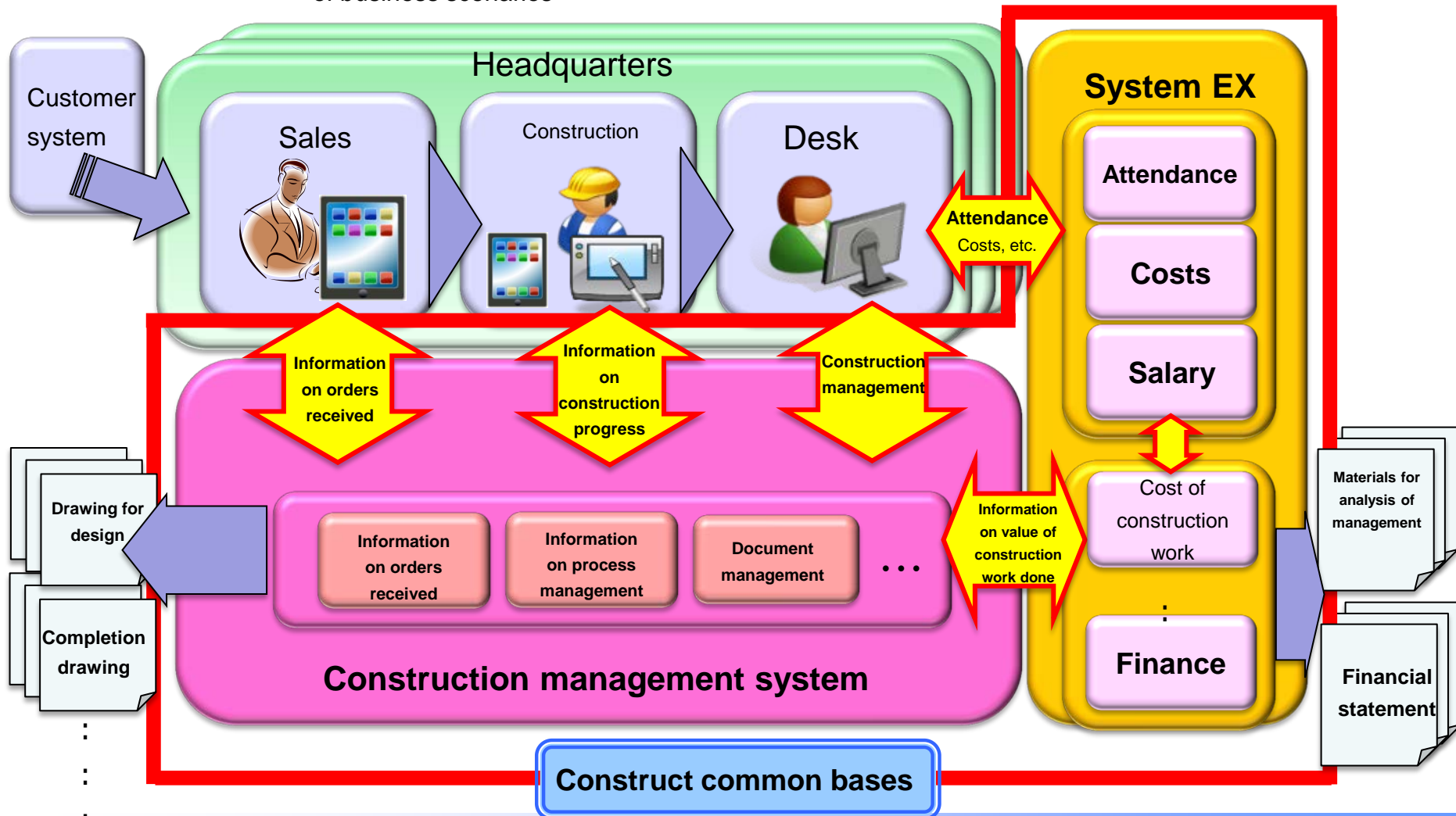


## 2. Expectations for the Rest of FY17

Reference: Specific example of business improvement measures  
(construct common bases for in-house systems)

**Goal**

Automated mutual collaboration with system EX via construction management system from all kinds of business scenarios



### **3. Medium-Term Management Plan (FY16–FY20)**

- (1) Outline
- (2) Image of growth in each segment

## (1) Outline

### ■ Medium-Term Vision

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

### ■ Basic Policies

1. Reorganize business portfolio, fostering solutions into second core business
2. Expand engineering peripheral businesses by combining existing technologies and services
3. Expand business through M&A and alliances
4. Bolster profitability by increasing productivity through business improvement and implementing thorough efficiency measures
5. Increase shareholder value by boosting capital efficiency

### ■ Achievements and Targets

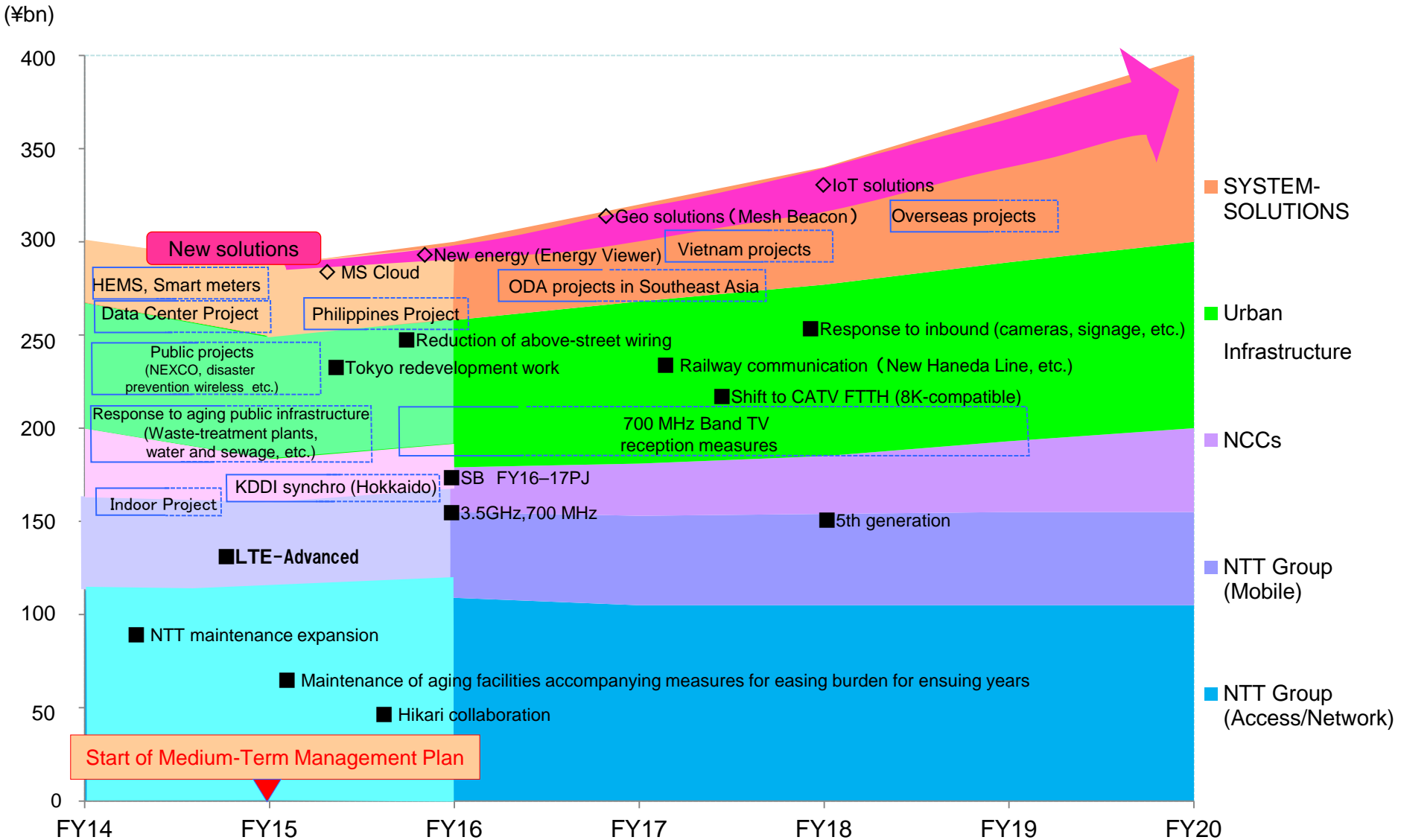
Net sales	¥400.0bn
Operating income	¥30.0bn ( Operating income margin 7.5% )
ROE	10%
EPS	Over ¥200

ROE: return on equity    EPS: earnings per share

# 3. Medium-Term Management Plan(FY16–FY20)



## (2) Image of growth in each segment



# 3. Medium-Term Management Plan(FY16–FY20)

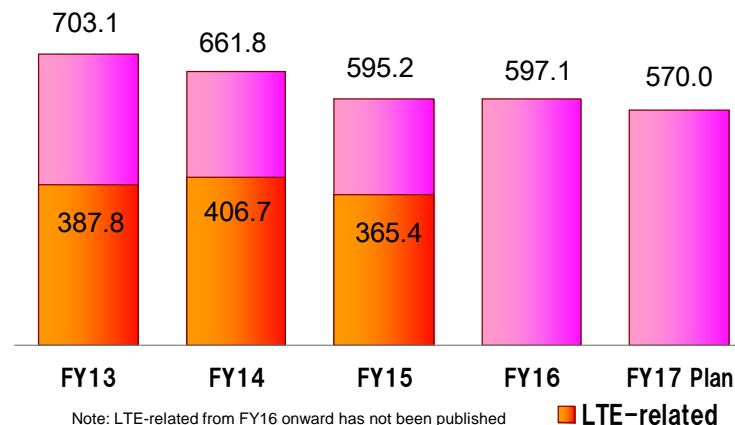
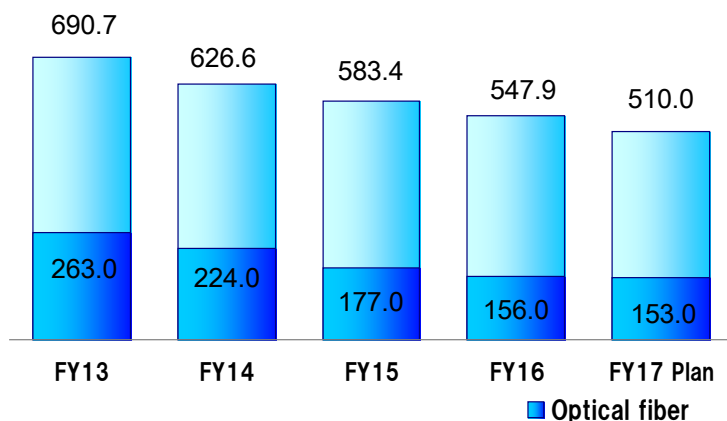


## Reference: Investment Trends of Major Telecom Carriers

■ NTT East/West

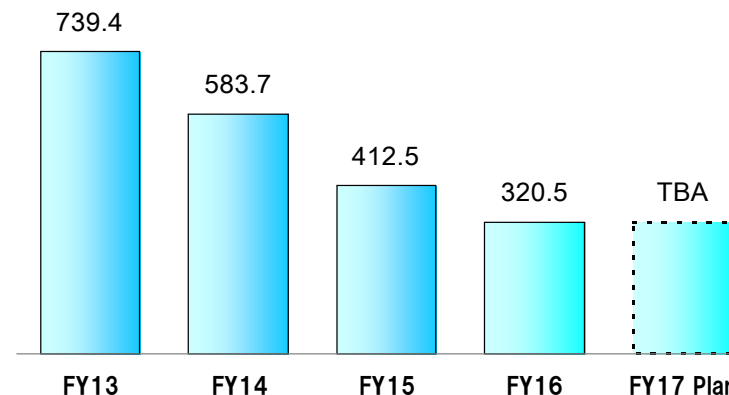
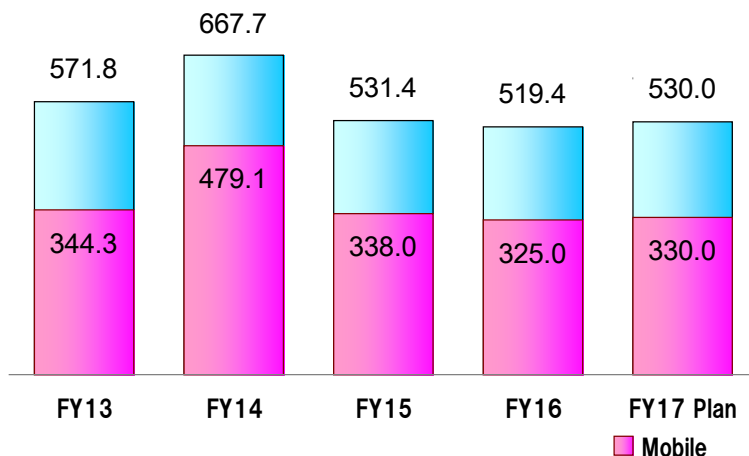
■ NTT DoCoMo

(¥bn)



■ KDDI

■ SoftBank



Note: Trends in FY14 or later include UQ mobile.

On Japanese standards in FY13, and on IFRS in the years after FY14.

Notes: FY12 and FY13 figures are totals for mobile and fixed-line communications (Source: FY13 Results Data Sheet).  
FY14 and FY15 figures are domestic communications business (Source: FY15 Results Data Sheet).  
On Japanese standards in FY12, and IFRS standards in the years after FY13.

(Source: Figures released by the telecommunications carriers)

## 4. Raising Shareholders' Value

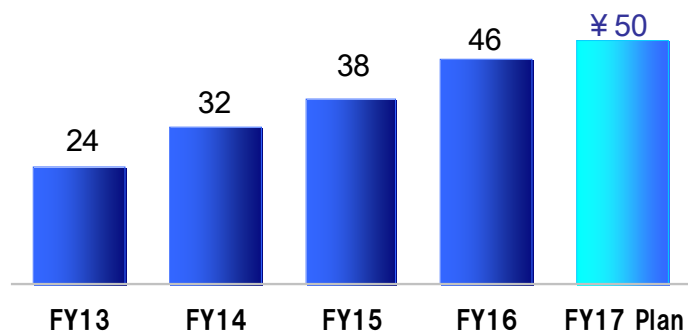
### (1) Payment of Dividends

# 4. Raising Shareholders' Value

## (1) Payment of Dividends

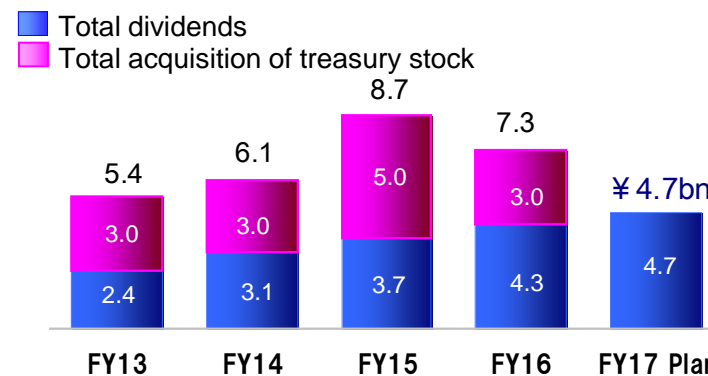
- ◆ Annual dividend up ¥4 YoY to ¥50
- ◆ Targeting 3% DOE and continued stable mid- to long-term dividend rise

### ■ Dividend history (per share)

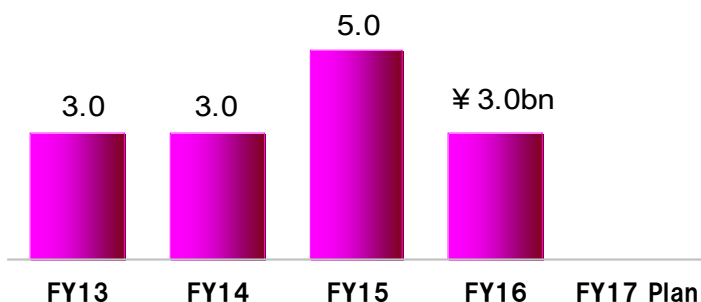


### ■ Total shareholder return

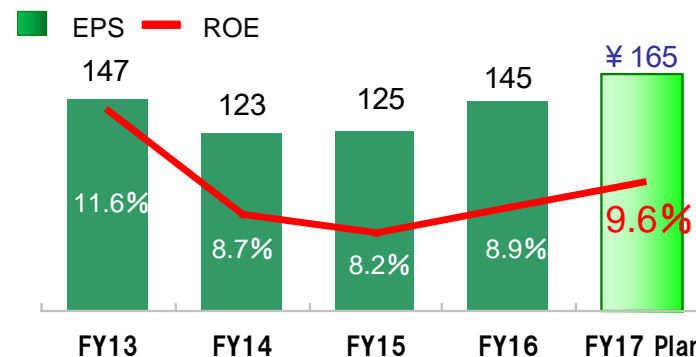
(Total dividends + total acquisition of treasury stock)



### ■ Acquisition of treasury stock



### ■ EPS/ROE



## 5. Topics

- (1) The National Skills Competition  
(Skill sector: Information Network Cabling)

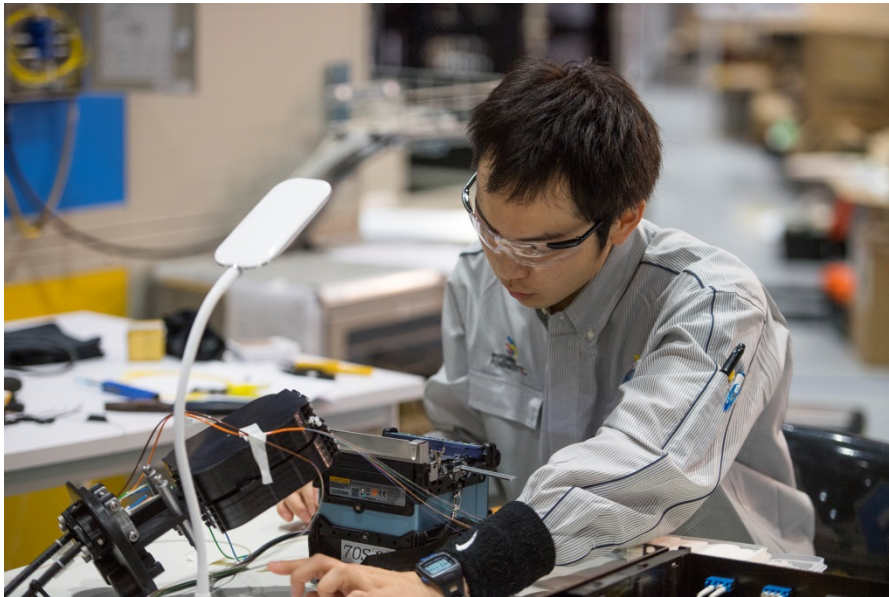


# 5. Topics

## (1) The National Skills Competition (Skill sector: Information Network Cabling)

◆ Mr. Yoshiaki Shimizu, one of our employees, won the gold medal in the National Skills Competition held in Abu Dhabi, UAE in October 2017!!

- Our employees participated in the same skill sector of the National Skills Competition as representatives of Japan for the fifth time, and they have won the gold medal in all the competitions (including four consecutive victories).



Mr. Shimizu, during the competition



Mr. Shimizu after the commendation ceremony

## 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.

### **KYOWA EXEO CORPORATION**

3-29-20 Shibuya, Shibuya-ku,  
Tokyo 150-0002 JAPAN

<http://www.exeo.co.jp/overseas/index.html>

TEL: (81)3-5778-1073

FAX: (81)3-5778-1228

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