

Results for the Six Months Ended September 30, 2018

November 2018



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 Interim Results

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

1. Overview of FY18 Interim Results

(1) Performance Figures

- ◆ Orders for urban infrastructure were particularly strong, and both orders and sales increased from the previous year and from the plan.
- ◆ Sales hit another record high, but operating income declined year on year due to an increase in SG&A expenses, etc.

■ Overview of FY18 interim results (consolidated)

(¥bn)

	FY 2017		FY2018			
	Interim A	Full year B	Interim			
			Plan C	Actual D	YOY D/A	Plan accuracy D/C
Orders received	161.1	325.0	153.0	174.7	108%	114%
Net sales	124.9	312.6	128.0	132.8	106%	104%
Gross profit	(13.8%) 17.2	(13.9%) 43.3	(13.4%) 17.2	(13.3%) 17.7	103%	103%
SG&A expenses	(6.6%) 8.3	(5.7%) 17.7	(7.0%) 9.0	(6.9%) 9.1	110%	102%
Operating income	(7.1%) 8.9	(8.2%) 25.6	(6.4%) 8.2	(6.4%) 8.5	96%	104%
Ordinary income	(7.8%) 9.7	(8.5%) 26.4	(6.6%) 8.5	(6.7%) 8.9	92%	105%
Net income attributable to owners of parent	(5.1%) 6.3	(5.8%) 17.9	(4.5%) 5.7	(4.4%) 5.8	93%	104%

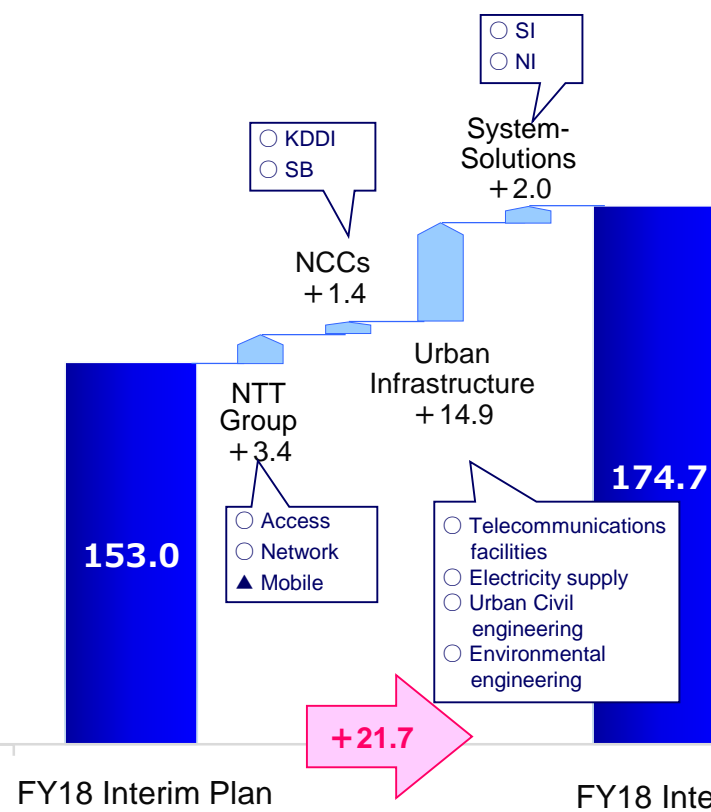
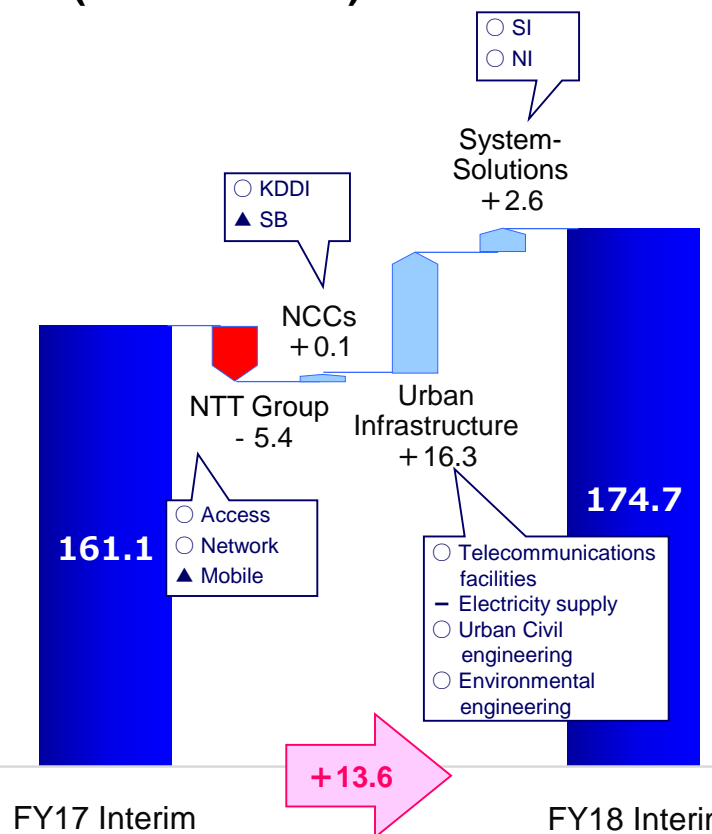
1. Overview of FY18 Interim Results

(2) Orders Received

- ◆ NTT Mobile saw a year-on-year decline, but orders received increased overall year on year due to the particularly strong performance of Urban Infrastructure.
- ◆ Other than NTT Mobile, sales were favorable, and those of Urban Infrastructure were particularly strong, resulting in an increase from the plan.

■ YOY (consolidated)

■ Compared to plan (consolidated) (¥bn)



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

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

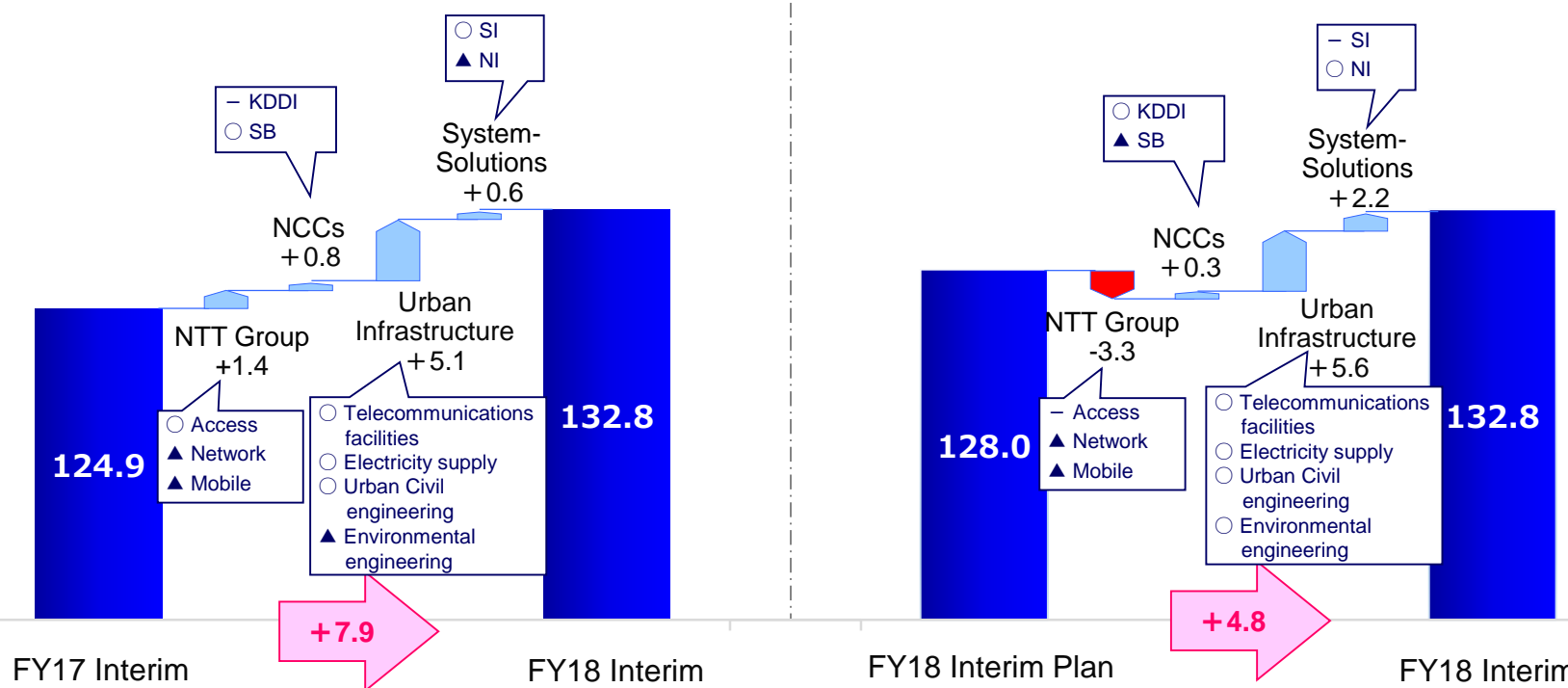
1. Overview of FY18 Interim Results

(3) Net Sales

- ◆ Increased YOY by consuming a large number of carried-over work in each segment.
- ◆ NTT Network and Mobile saw delays due to the extension of the construction period, but orders for urban infrastructure were strong, resulting in an increase from the plan.

■ 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 FY18 Interim Results

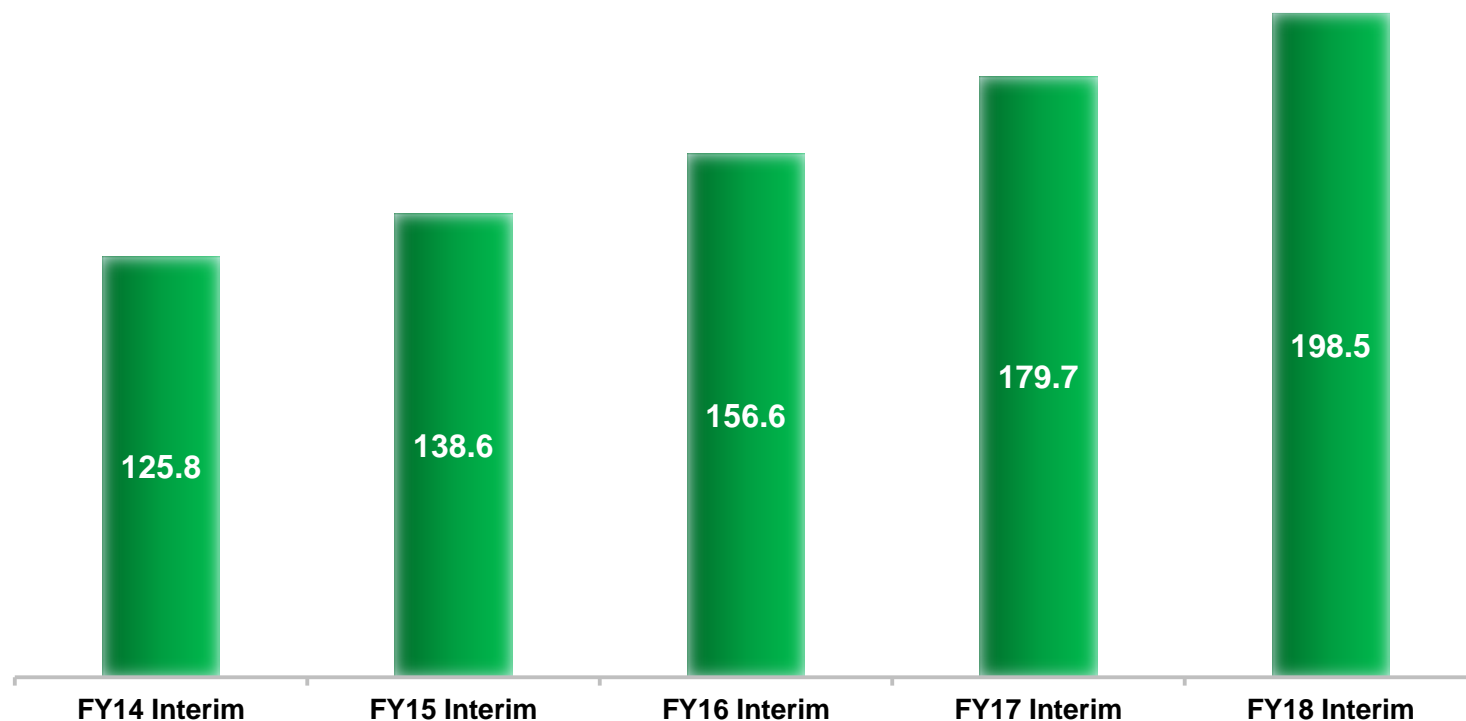


Reference: Status of projects carried over

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

■ Work carried over at the end of the 2Q (consolidated)

(¥bn)



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

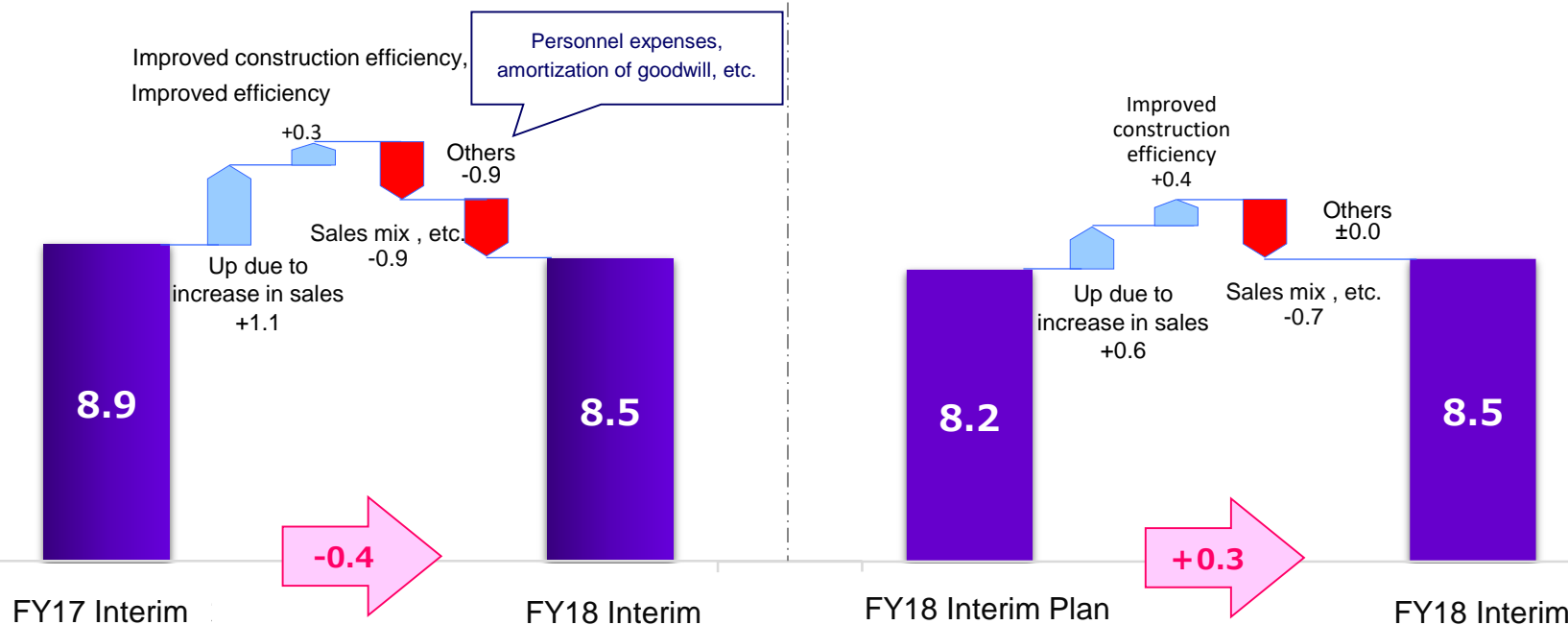
1. Overview of FY18 Interim Results

(4) Operating Income

◆ Operating income decreased year on year partly due to an increase in SG&A expenses, but increased from the plan due to an increase in sales.

■ YOY (consolidated)

■ Compared to plan (consolidated) (¥bn)



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

1. Overview of FY18 Interim Results

Reference: Trends in Group company profitability

◆ The profit of the group companies decreased, but the ratio of consolidated to non-consolidated profits was high.

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

(¥bn)

(Ratio of consolidated to non-consolidated profits)

(1.6)

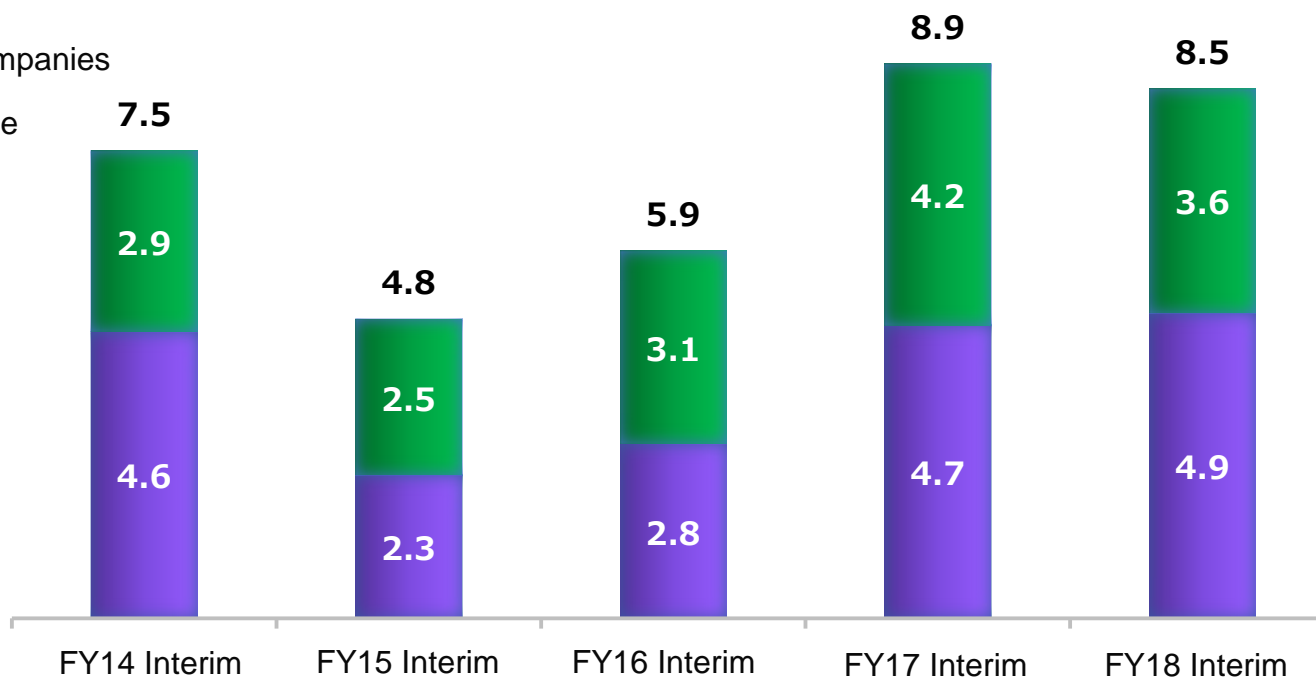
(2.1)

(2.1)

(1.9)

(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 Interim Results

(5) Cash Flow

- ◆ Stable cash flow
- ◆ Cash flows from investing activities increased due to M&A in the second quarter of FY18.

■ Cash flow (consolidated)

(¥bn)

	FY15	FY16	FY17		FY18
			Interim	Full year	Interim
Cash at beginning of FY	24.2	16.0	15.2	15.2	30.3
Operating activities	5.3	15.5	17.3	24.8	15.6
Investing activities	-13.9	-6.0	-1.4	-4.5	-9.5
Financial activities	0.3	-10.2	-2.3	-5.1	-5.3
Cash at end of period	16.0	15.2	28.7	30.3	31.1

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

1. Overview of FY18 Interim Results



Reference: Performance of the three integrated companies of Western Japan

◆ The three integrated companies also generally performed well in the second quarter of FY18.

■ Overview of results (consolidated)

(¥bn)

	FY 2017				FY2018			
	Interim				Interim			
	C-Cube	Seibu Electric Industry	Nippon Dentsu	Simple total of three companies	C-Cube	Seibu Electric Industry	Nippon Dentsu	Simple total of three companies
Orders received	29.5	25.8	18.6	74.0	30.8	29.3	16.3	76.4
Net sales	26.0	24.3	16.5	66.9	28.8	22.9	15.4	67.2
Gross profit	(11.3%) 2.9	(8.1%) 1.9	(13.1%) 2.1	(10.6%) 7.0	(11.5%) 3.3	(7.3%) 1.6	(15.2%) 2.3	(10.9%) 7.3
SG&A expenses	(7.7%) 2.0	(5.5%) 1.3	(11.2%) 1.8	(7.8%) 5.2	(7.7%) 2.2	(5.7%) 1.3	(11.5%) 1.7	(7.9%) 5.3
Operating income	(3.6%) 0.9	(2.6%) 0.6	(1.8%) 0.3	(2.8%) 1.8	(3.8%) 1.1	(1.6%) 0.3	(3.6%) 0.5	(3.0%) 2.0
Ordinary income	(4.0%) 1.0	(3.2%) 0.7	(2.4%) 0.3	(3.3%) 2.2	(4.2%) 1.2	(2.3%) 0.5	(4.3%) 0.6	(3.6%) 2.4
Net income attributable to owners	(2.2%) 0.5	(1.7%) 0.4	(1.4%) 0.2	(1.8%) 1.2	(2.4%) 0.6	(1.2%) 0.2	(2.7%) 0.4	(2.1%) 1.3

2. Expectations for the Rest of FY18

- (1) Revision of the full-year plan due to management integration
- (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 FY18

(1) Revision of the full-year plan due to management integration

- ◆ On October 1, 2018, management integration with C-Cube, Seibu Electric Industry, and Nippon Dentsu was implemented.
- ◆ Net sales, etc. will increase significantly for the full year, but the operating income margin is expected to fall.

■ Overview of revised operating results (Consolidated)

(¥bn)

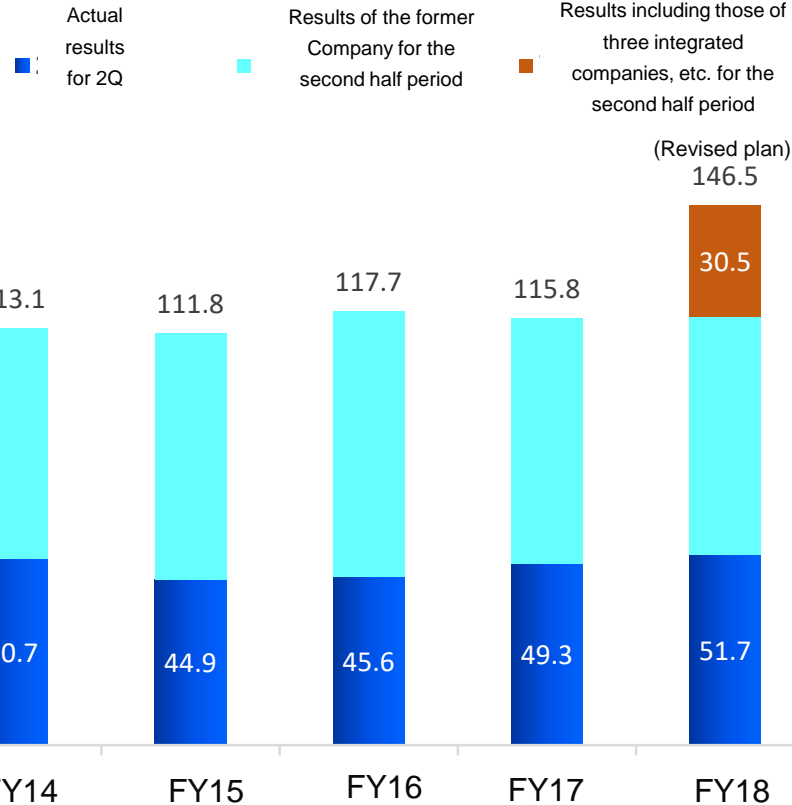
	FY 2017		FY2018				
	Interim	Full year	Interim		Full year		
			Plan	Actual	Initial plan	after revision plan	Increase (decrease)
	A	B	C	D	E	F	F-E
Orders received	161.1	325.0	153.0	174.7	340.0	415.0	+75.0
Net sales	124.9	312.6	128.0	132.8	335.0	420.0	+85.0
Gross profit	(13.8%) 17.2	(13.9%) 43.3	(13.4%) 17.2	(13.3%) 17.7	(13.9%) 46.5	(13.3%) 56.0	(-0.6P) +9.5
SG&A expenses	(6.6%) 8.3	(5.7%) 17.7	(7.0%) 9.0	(6.9%) 9.1	(5.7%) 19.0	(5.8%) 24.5	(+0.1P) +5.5
Operating income	(7.1%) 8.9	(8.2%) 25.6	(6.4%) 8.2	(6.4%) 8.5	(8.2%) 27.5	(7.5%) 31.5	(-0.7P) +4.0
Ordinary income	(7.8%) 9.7	(8.5%) 26.4	(6.6%) 8.5	(6.7%) 8.9	(8.4%) 28.1	(7.7%) 32.5	(-0.7P) +4.4
Net income attributable to owners of parent	(5.1%) 6.3	(5.8%) 17.9	(4.5%) 5.7	(4.4%) 5.8	(5.6%) 18.8	(10.0%) 42.0	(+4.4P) +23.2

2. Expectations for the Rest of FY18

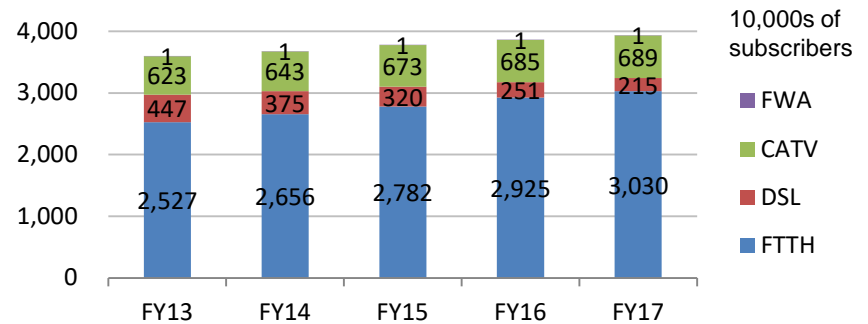
(2) NTT Group (Access/Network)

- ◆ Solid performance despite emergence of trend toward slight slowdown in growth of optical access engineering work
- ◆ NTT East announced that it would terminate ADSL services at the end of January 2023. Expected for investment in optical fiber.

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

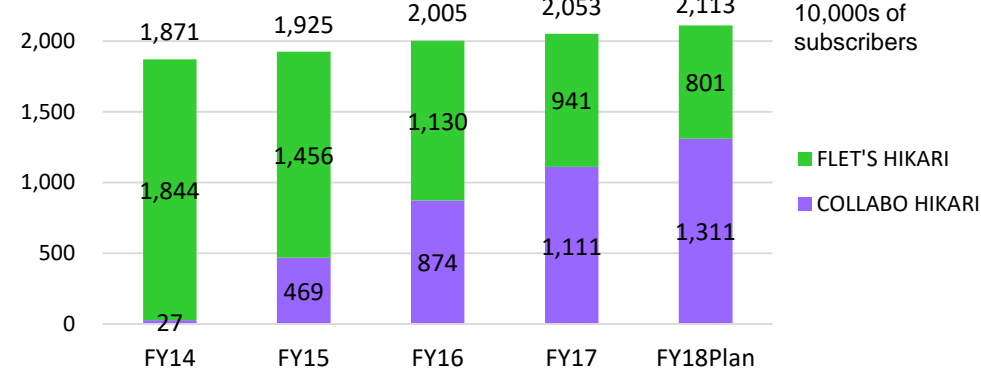


Trend of number of subscribers to fixed-line broadband (10,000s of subscribers)



Note: FWA: Fixed Wireless Access

Trend of number of subscribers to NTT Group's fixed-line broadband (10,000s of subscribers)



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

2. Expectations for the Rest of FY18

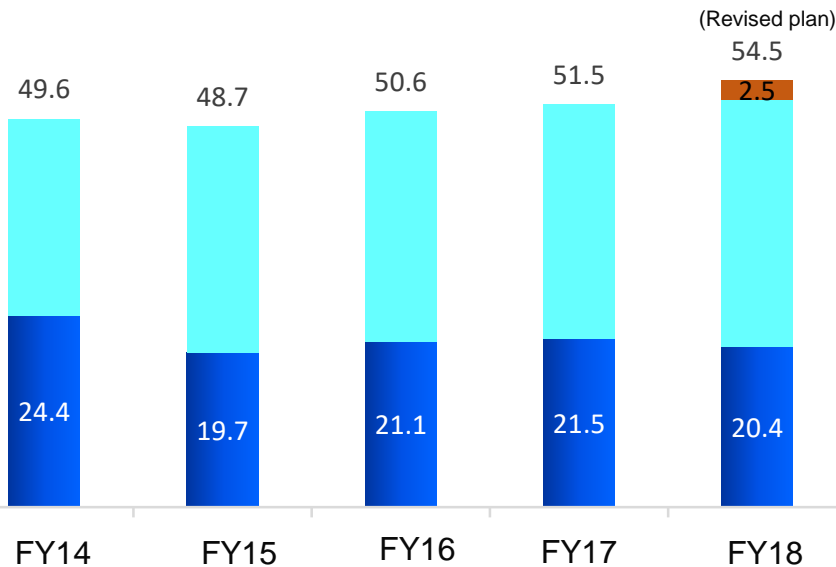
(3) NTT Group (Mobile)

- ◆ Orders up to 2Q were somewhat weak, but the completion of the construction work of numerous 4G radio base stations on hand was accelerated.
- ◆ Establishing and reinforcing construction systems for receiving orders for construction work for 5G

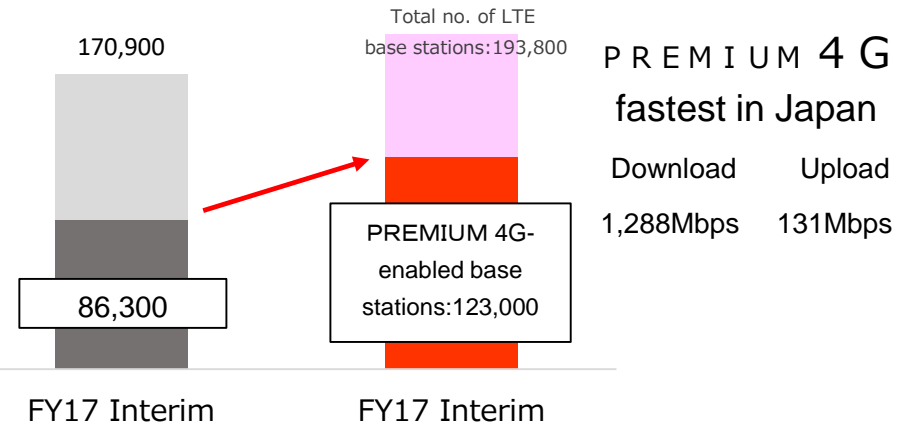
Net sales of NTT Group (mobile network, consolidated)

(¥bn)

■ Actual results for 2Q
■ Results of the former Company for the second half period
■ Results including those of three integrated companies, etc. for the second half period



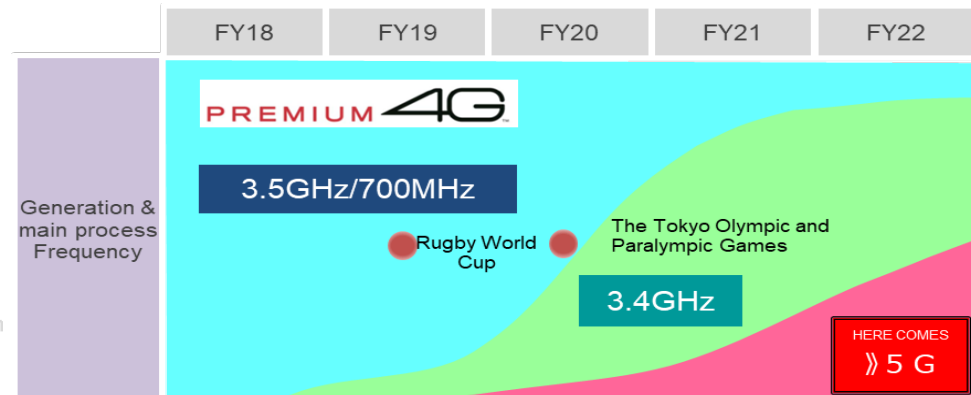
NTT DOCOMO LTE Base Stations



PREMIUM 4G fastest in Japan
 Download 1,288Mbps
 Upload 131Mbps

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

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



2. Expectations for the Rest of FY18

(4) NCCs

- ◆ Both orders received and net sales have been on track to recovery since FY17.
- ◆ Orders are expected to be received for the construction of radio base stations for the new frequency bands for 4G from the 3rd quarter onward.

Net sales of NCCs (consolidated)

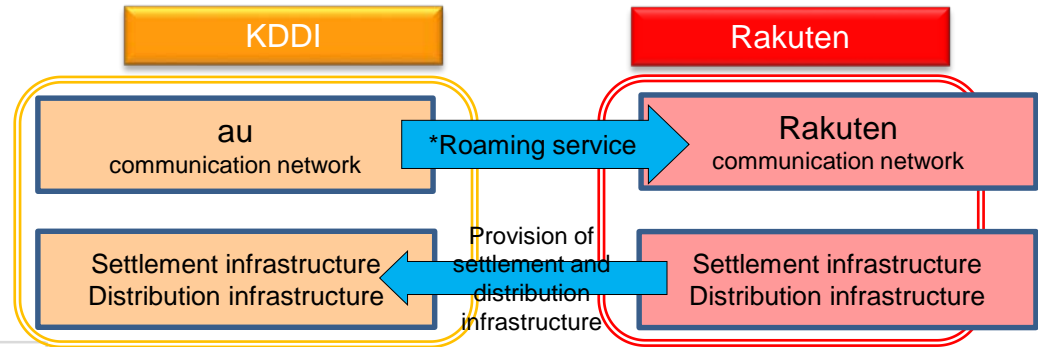
Number of base stations for new frequency bands for 4G (1.7 GHz and 3.4 GHz) planned to be opened

■ Actual results for 2Q
■ Results of the former Company for the second half period
■ Results including those of three integrated companies, etc. for the second half period

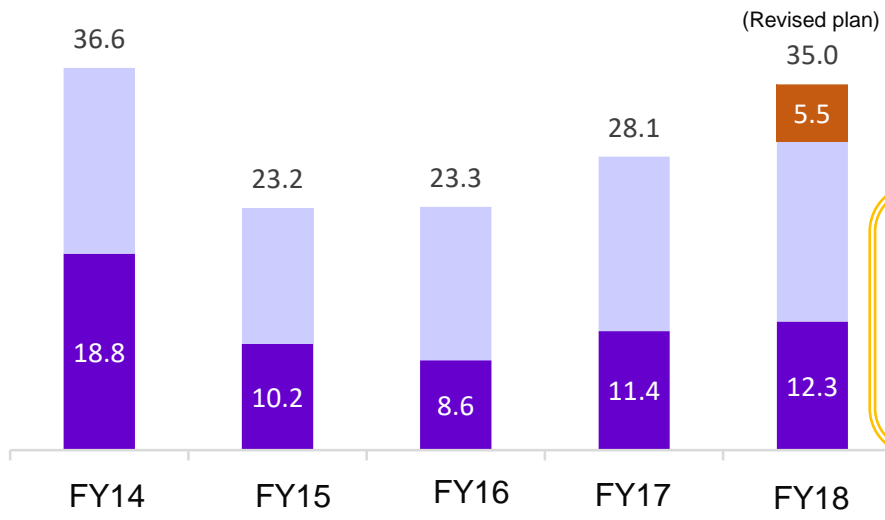
KDDI 28,660	Service to be launched at the end of March 2019 Number of stations planned to be opened by the end of FY25
SoftBank 23,167	Service to be launched at the end of March 2020 Number of stations planned to be opened by the end of FY22
Rakuten 27,397	Service to be launched in October 2019 Number of stations planned to be opened by the end of FY25

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

KDDI, Rakuten Announce Partnership

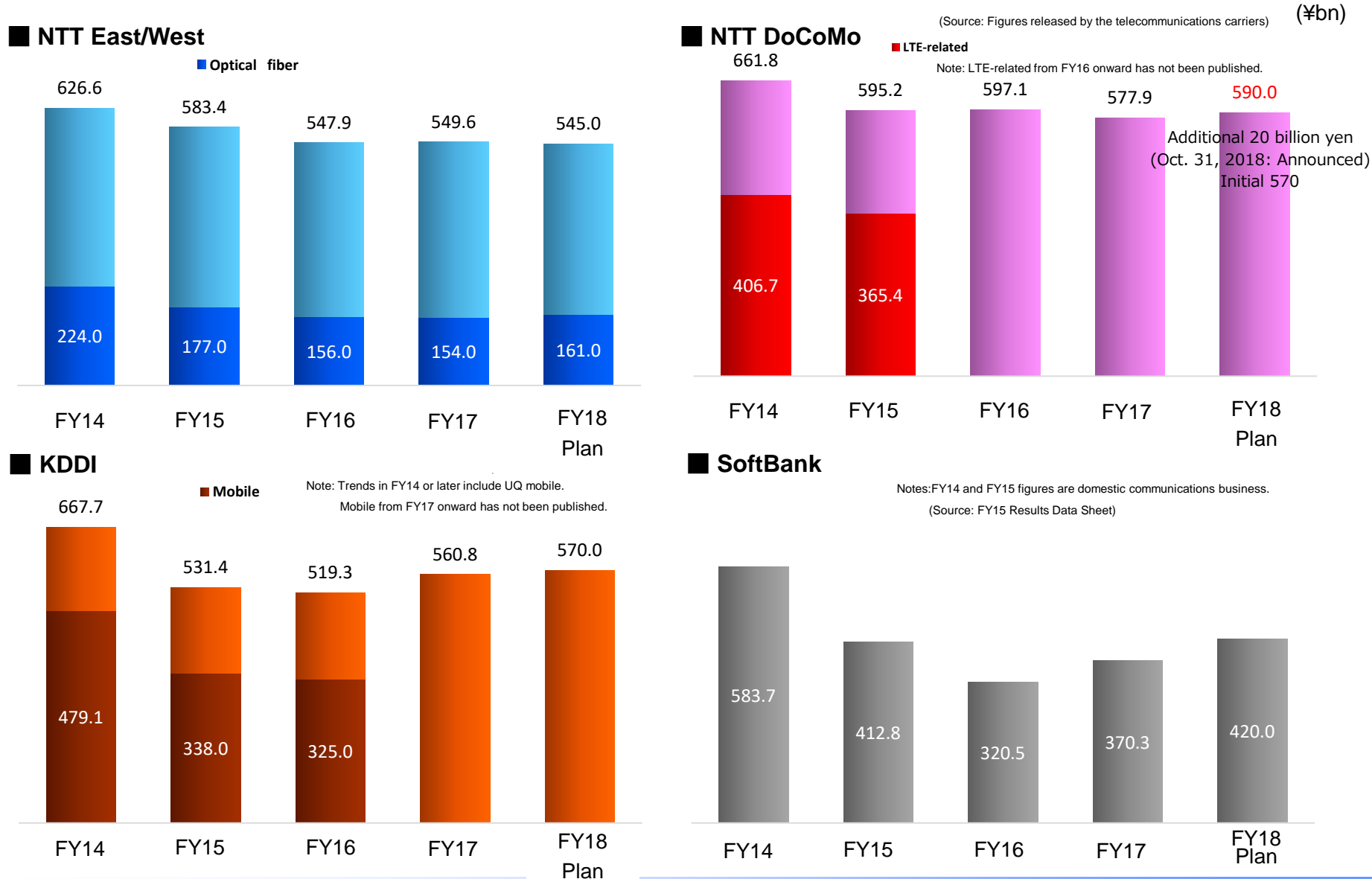


*Gradual switchover from areas where in-house network construction was completed
(Source: Prepared by the Company based on the materials published by KDDI)



2. Expectations for the Rest of FY18

Reference: Investment Trends of Major Telecom Carriers



2. Expectations for the Rest of FY18

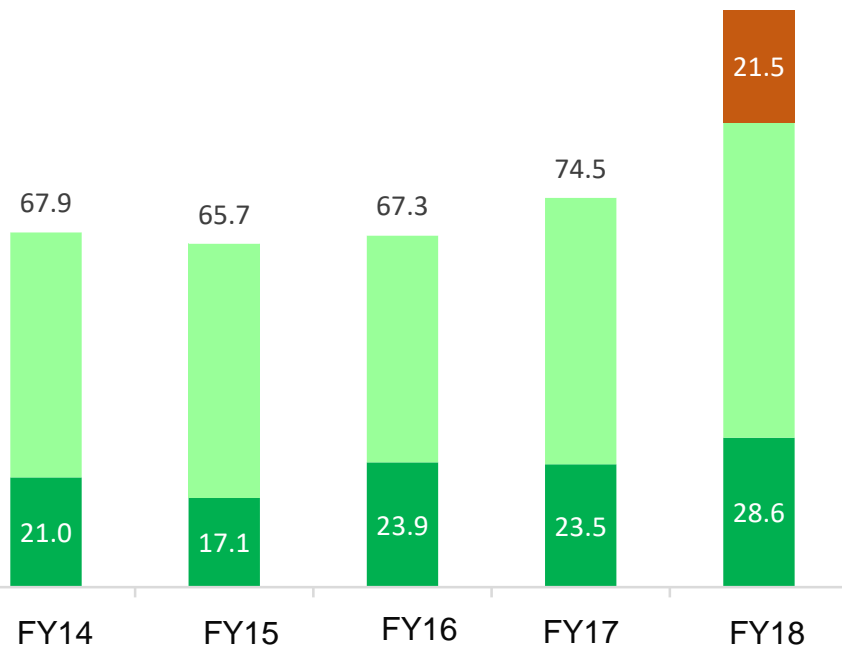
(5) Urban Infrastructure

- ◆ Construction work for the measures for 700 MHz Band TV reception will be brisk, with orders ahead of schedule.
- ◆ Net sales are expected to rise for the full year due to strong orders in all segments.

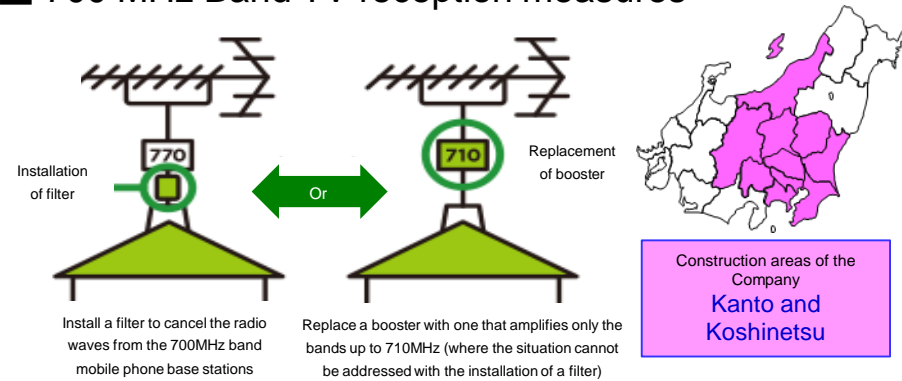
Urban Infrastructure net sales (consolidated) (¥bn)

■ Actual results for 2Q
■ Results of the former Company for the second half period
■ Results including those of three integrated companies, etc. for the second half period

(Revised plan) 110.5



700 MHz Band TV reception measures



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

Power pole elimination projects

Plan for promotion of elimination of power poles announced by the Ministry of Land, Infrastructure, Transport and Tourism (in April 2018)

- *Period of the promotion plan: Three years from fiscal 2018 to fiscal 2020
- *Promotional Goal
- Note: Figures in () other than (4) indicate the current rate of elimination of poles ⇒ the target rate of elimination of poles

 1. Disaster Prevention (Urban Emergency Road 34% ⇒ 42%)
 2. Ensuring safe, efficient traffic (15% ⇒ 51%)
 3. Landscape Formation and Tourism Promotion (37% ⇒ 79%)
 4. Olympic and Paralympic (92% ⇒ Complete) Joint Electric Wire Channel Improvement Rate

In order to achieve the above targets, it is necessary to reduce utility poles by approximately 1,400 km.

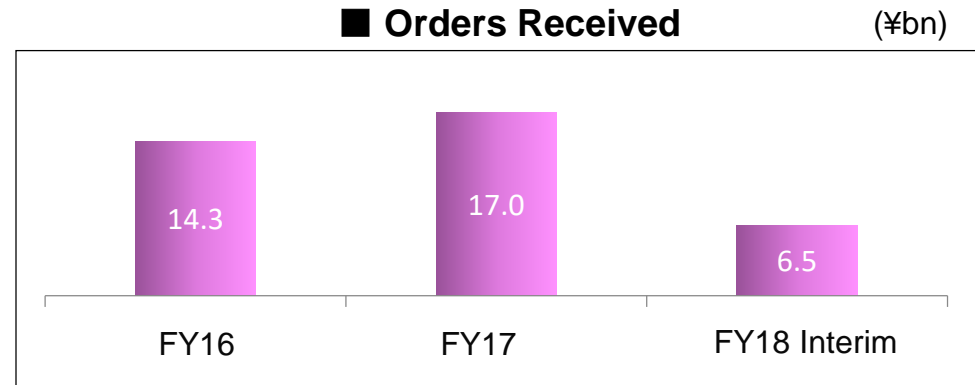
(Source: Created by us based on data released by Ministry of Land, Infrastructure, Transport and Tourism)

2. Expectations for the Rest of FY18

Reference: Other Major Construction Projects in the Urban Infrastructure Business

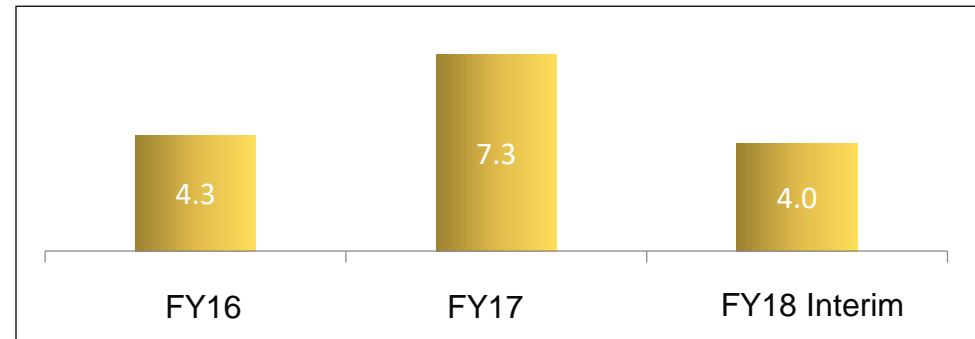
Note: Orders received do not include those of the three consolidated companies.

(1) Construction of electrical facilities



◆ Order received in the current fiscal year Note: The above photograph shows a different property.
 June 2018: Work for electricity/power equipment for a large DC building in Osaka Prefecture. Around ¥1.3 bn

(2) Solar power plant construction



◆ Order received in the current fiscal year Note: The above photograph shows a different property.
 Sep. 2018: Work for construction of mega solar power plants in Kagoshima Prefecture. Around ¥ 3.3 bn

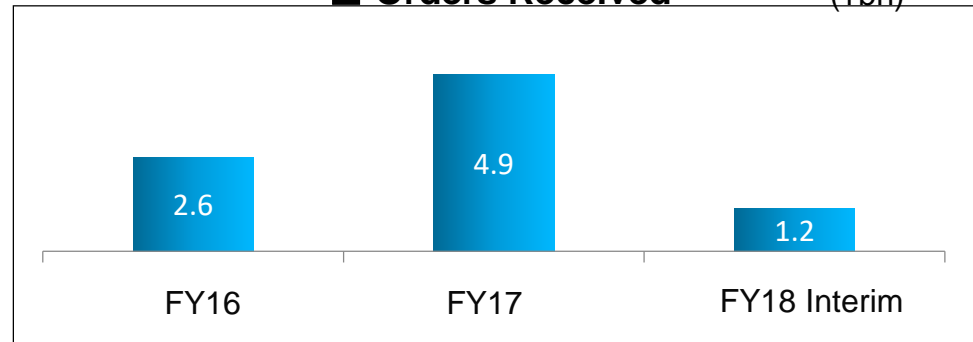
2. Expectations for the Rest of FY18

Reference: Other Major Construction Projects in the Urban Infrastructure Business

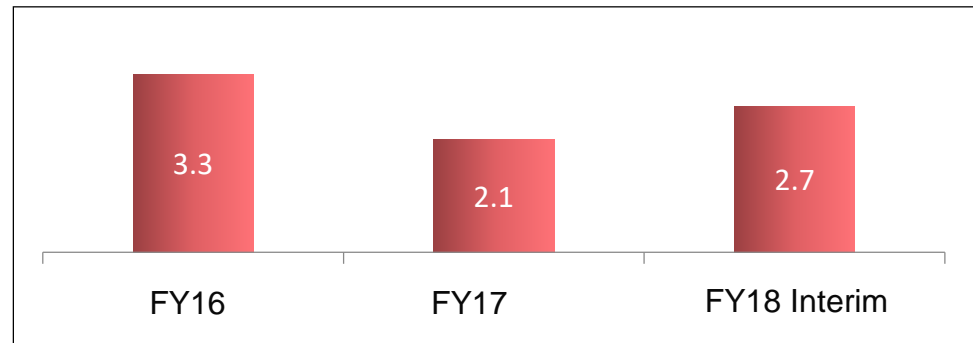
(3) Expressway communications



■ Orders Received (¥bn)



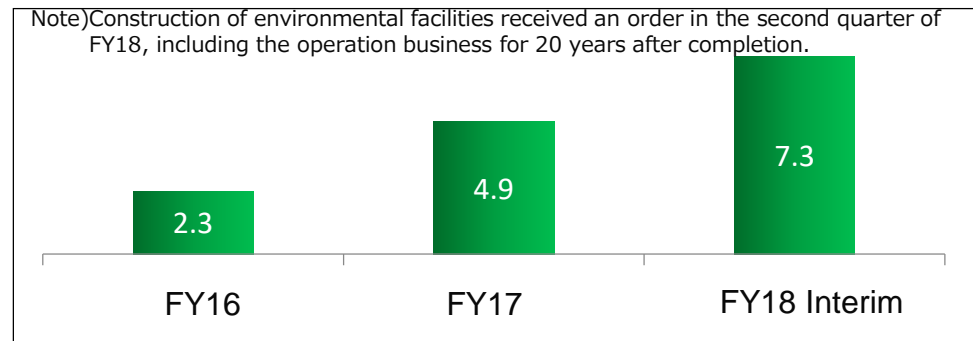
(4) Disaster prevention radio communications



(5) Construction and operation of environmental plant



Note) Construction of environmental facilities received an order in the second quarter of FY18, including the operation business for 20 years after completion.

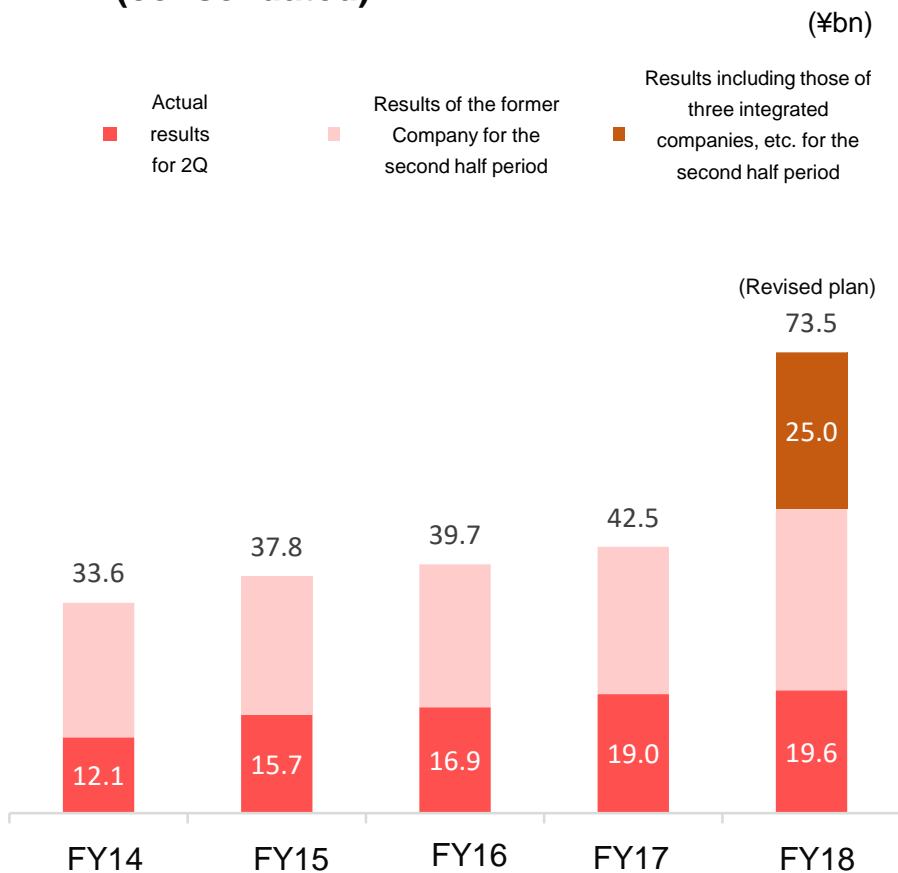


2. Expectations for the Rest of FY18

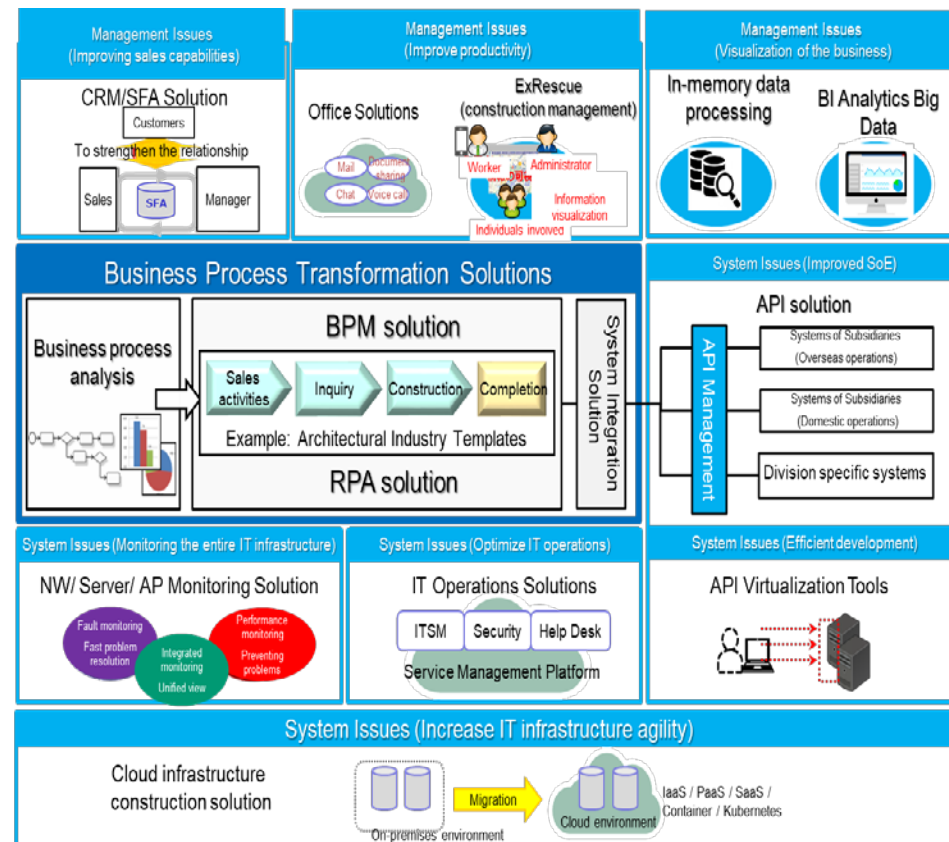
(6) System-Solutions

- ◆ Expanding added value by integrating solutions with leading-edge technologies such as RPA and Cloud
- ◆ Continue to focus on expansion of new solutions such as new energy and Geo Solutions

■ System-Solutions net sales (consolidated)

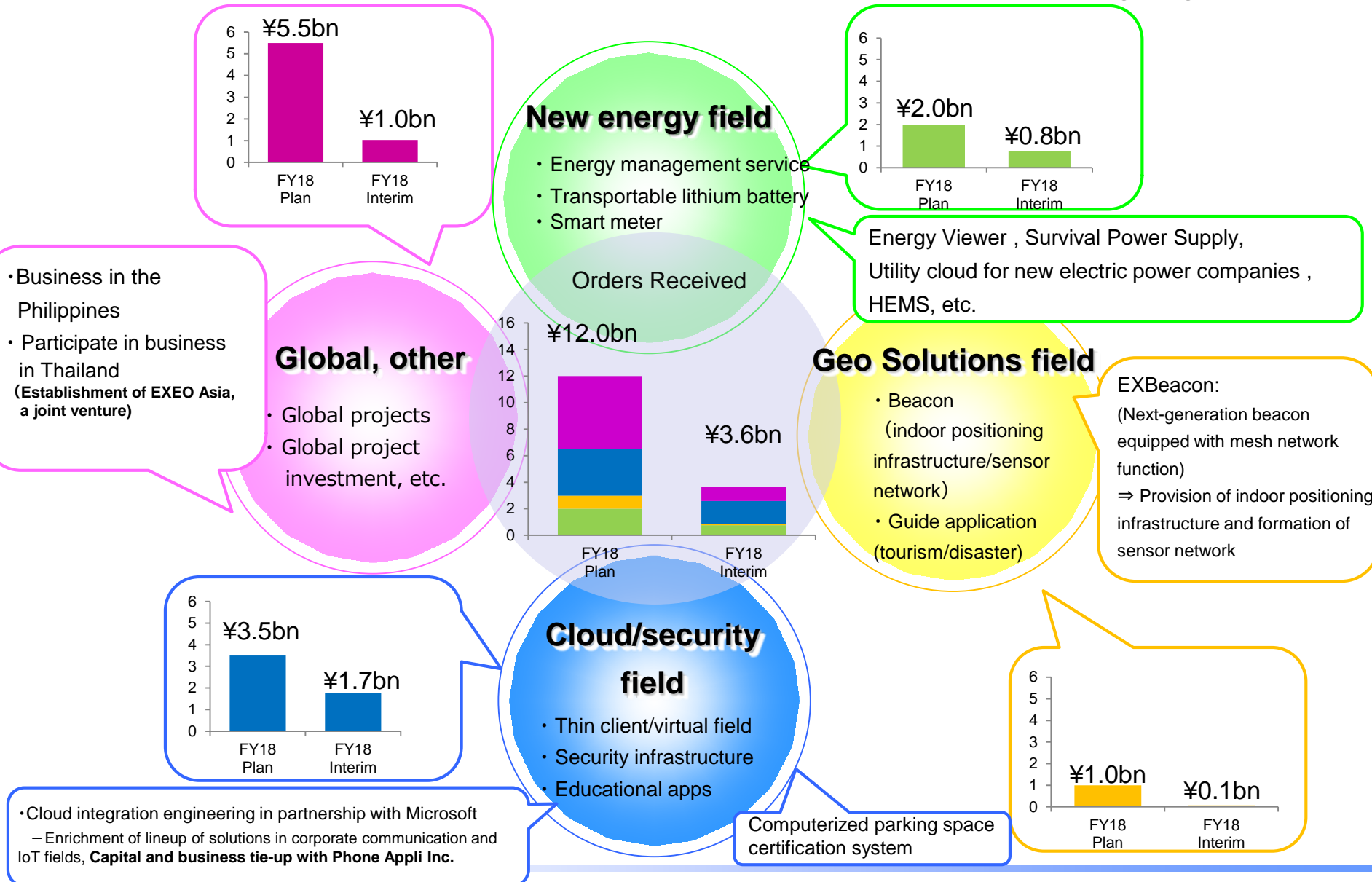


■ Solution Map (added value expansion plan)



2. Expectations for the Rest of FY18

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

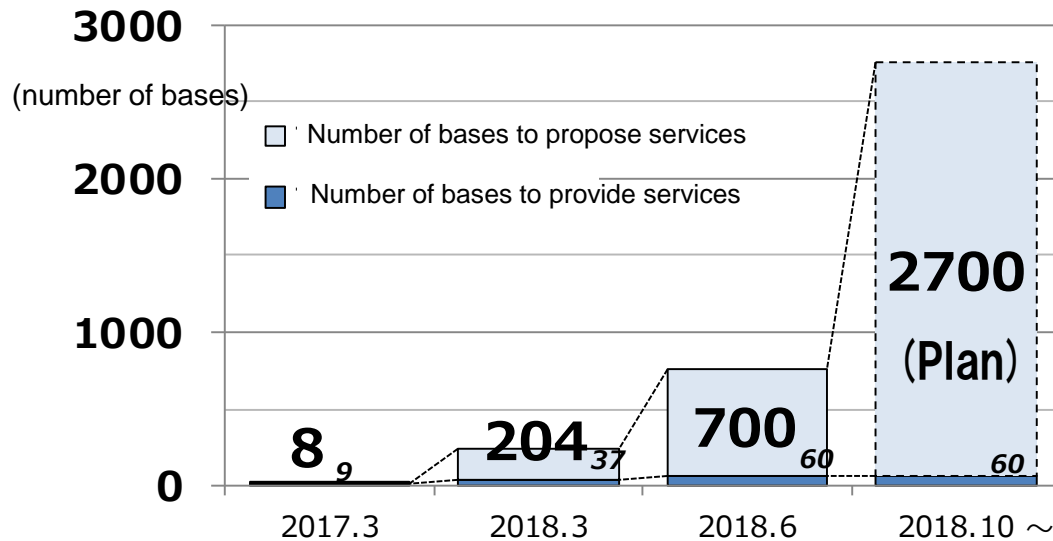


2. Expectations for the Rest of FY18

Reference: Energy Viewer

- Energy Viewer reduces power usage through the remote and automatic control of air conditioning, employing a B2B2X business model **in collaboration with local electric power companies.**
- Conduct PoC at around 60 locations. Achieved an **average of 18% reduction in air conditioning energy** at hardware stores, drug stores, clothing stores, automobile dealers, and so on. Established a business model that **can recover the service expenses within three years.** In recognition of this achievement, we **received the Energy Conservation Grand Prize 2017** through collaboration with Tepco Customer Service Corporation.
- With highly evaluated PoC results, Middle B **created a detailed plan of large scale sales promotions**, which are scheduled to start this Autumn (**approx. 2,000 bases**).
- Currently analyzing accumulated big data for automatic control optimization.

Trend of number of bases to provide and propose services



President Kozono and President Nagasaki of Tepco Customer Service Corporation after the presentation ceremony

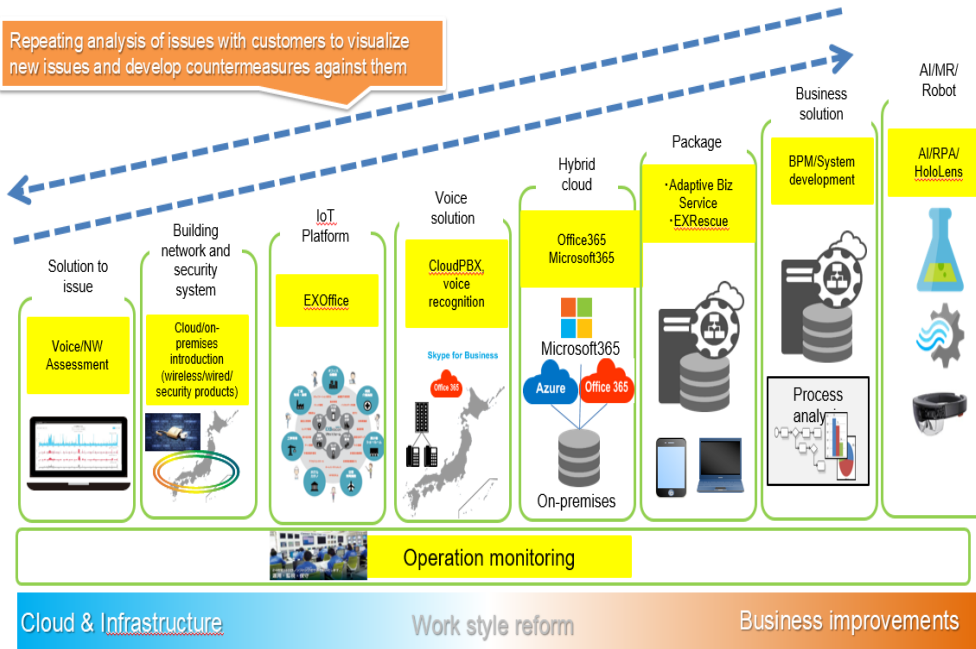
2. Expectations for the Rest of FY18

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

Recurring business model leading to various solutions
[Being a long-term, comprehensive partner of customers]



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

(1) State of activities [April to end of Sep. FY18]

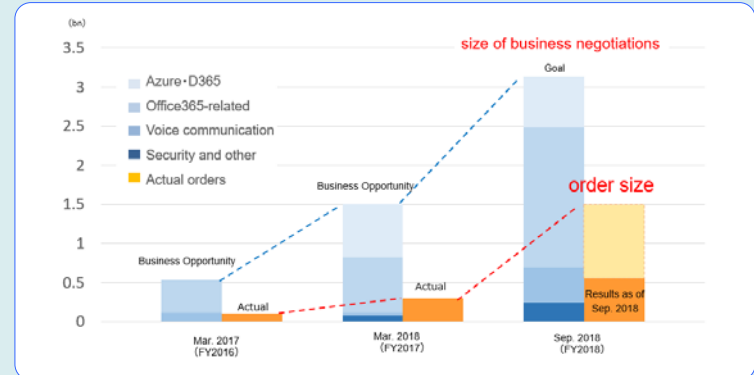
- ✓ Efforts for comprehensive cloud engineering in collaboration with Microsoft Japan and other companies
 - Approx. 58 orders received (560 million),
 - 48 business deals in progress (3.14 billion)
 - Actual results: Communication reform using Microsoft Office 365/Azure
 - Network security renewal and management reform support associated with cloud introduction
 - Cloud PBX introduction support (PBX renewal, voice recognition)
- ✓ IoT
 - Began collaboration with multiple Japanese domestic communication carriers on agricultural IoT and factory IoT solutions.

(3) Gained approval from Microsoft Japan

- ✓ 18.6 Started telephone system connection service construction support for Microsoft Teams for the first time in Japan
- ✓ 18.7 Certified as a Microsoft Mixed Reality partner
- ✓ 18.8 Showcased at Microsoft Japan Partner Conference

(4) Provision of new solution in cooperation with Nextgen

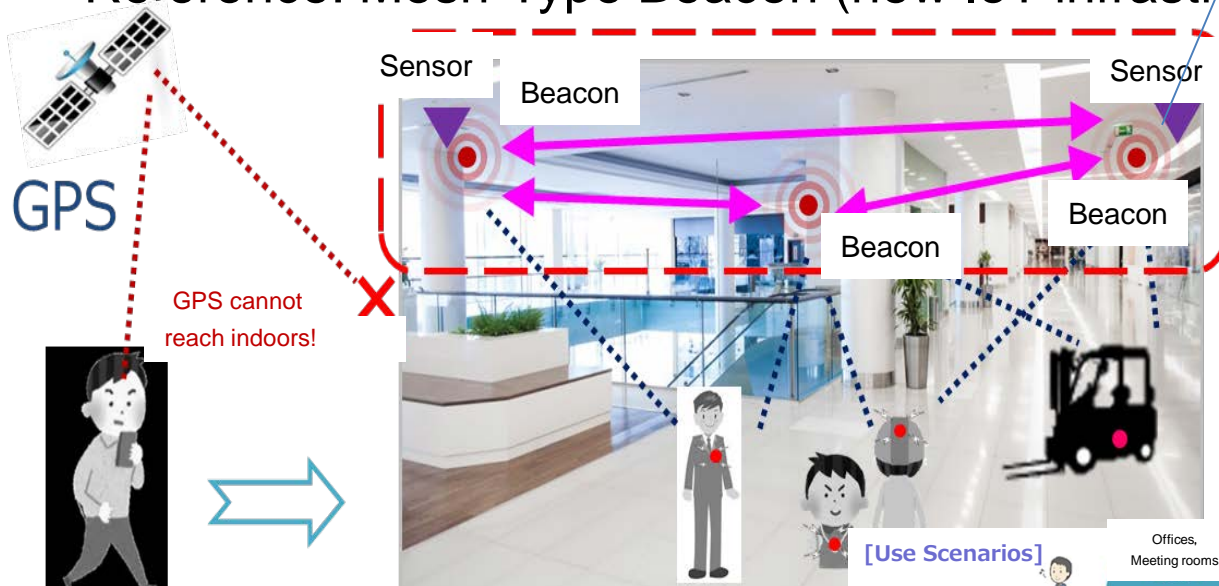
- ✓ 18.5 Began provision of voice recognition service (Next Gen VOTEX Series)



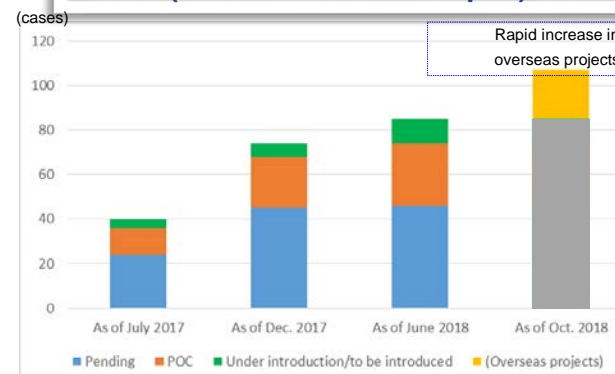
Trend of numbers on comprehensive cloud engineering, including received orders

2. Expectations for the Rest of FY18

Reference: Mesh-Type Beacon (new IoT infrastructure)

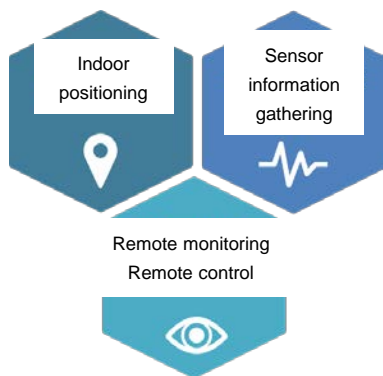


Commercialization of Bluetooth Mesh (most advanced in Japan)



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

EXBeacon simultaneously provides three services.



- ① High redundancy: In case a beacon breaks, another beacon will work.
- ② Easy installation: No wiring needed.

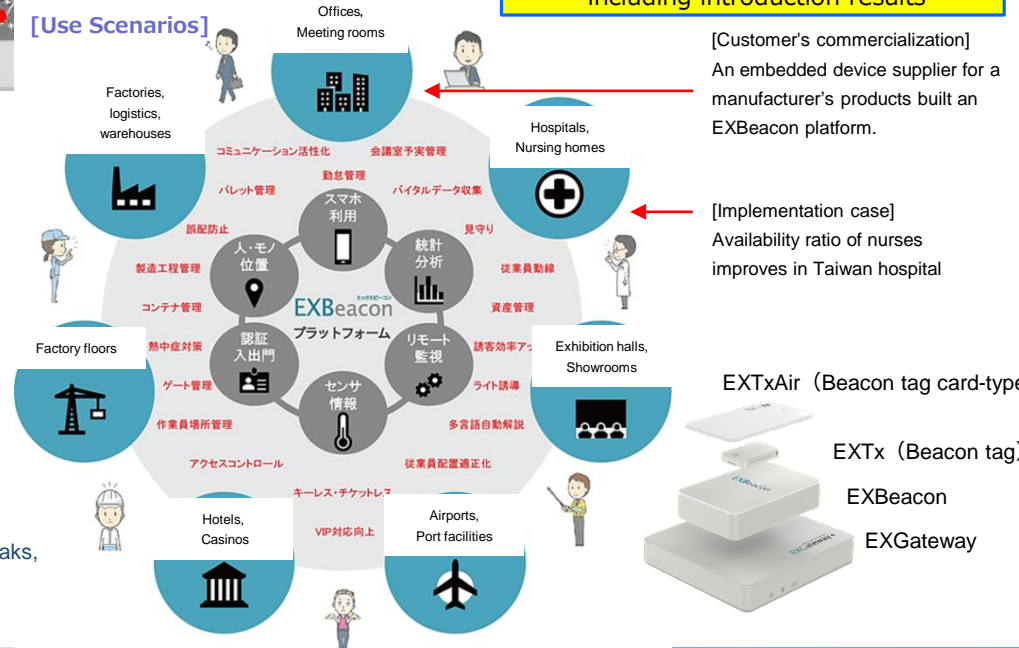
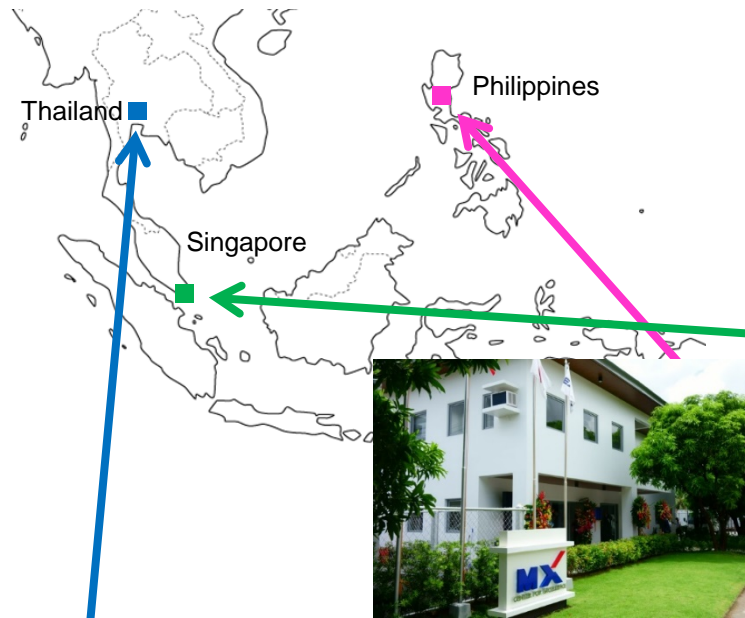


Photo of equipment introduced in Company A

2. Expectations for the Rest of FY18

Reference: Global business initiatives



External view of training center near Manila

Building business bases in Southeast Asia

- Philippines
- Thailand
- ...

- 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.

Location	Singapore
Business Activities	Work for electrical and integrated facilities
Capital	1.5 million SGD
Number of employees	Approx. 260 people
Date of Establishment	September 6, 1999

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) as a base for development in Asia including ASEAN

- 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 (completed))

<Note> In April 2017, we concluded an agreement with ACOM, Vietnam to acquire stocks of a new IBS business company that ACOM was to establish in its country. However, because circumstances changed regarding the IBS business in Vietnam, we concluded an agreement to dissolve the stock purchase with the consent of both companies in September 2018.

2. Expectations for the Rest of FY18

(7) Measures for greater efficiency (Improved Productivity)

- ◆ Measures for greater efficiency have produced a greater impact than planned in past years
- ◆ Continued groupwide promotion of improved productivity, cost improvements and workstyle reform

Enhanced profitability through cost reductions

	FY	FY15	FY16	FY17	FY18
Improvement	Aims	¥1.0bn	¥1.0bn	¥1.0bn	¥1.0bn (cumulative ¥11.6bn)
	Results	¥1.0bn (cumulative ¥8.0bn)	¥1.5bn (cumulative ¥9.5bn)	¥1.1bn (cumulative ¥10.6bn)	Results for the second quarter ¥0.2bn

Recent principal measures

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

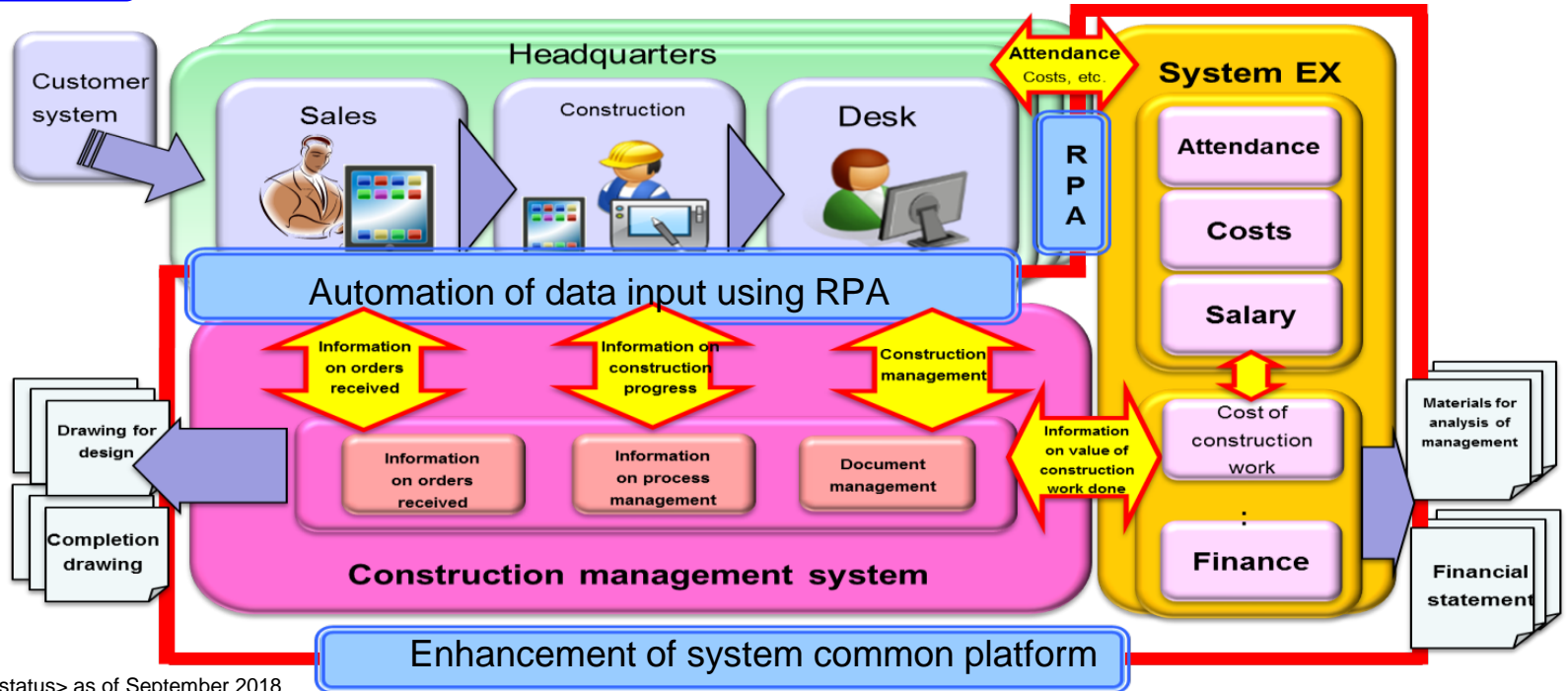
Area	Measures
Functional integration	<ul style="list-style-type: none"> ◇Review of access, network, and engineering construction systems ◇Expansion of shared company work consignments ◇Group-wide unification of audits, MS tasks ◇Reorganization of Group access companies in Kanto area ◇Integrated cross-departmental systems ◇Improved business flow and systems through BPR
Reorganization of Group companies	<ul style="list-style-type: none"> ◇Introduction of a new telework style ◇Introduction of RPA to each organization and subsidiary ◇Development of a common platform for internal systems and automatization of the systems (continued)
Consolidation of bases	<ul style="list-style-type: none"> ◇Merger of subsidiary security companies ◇Merger of subsidiary access companies in Kansai/Chugoku regions ◇Merger of subsidiary mobile companies ◇Merger of subsidiary access companies in Tohoku region ◇Merger of major subsidiaries (WAKO and Ikeno) ◇Merger of subsidiary network companies
Resource sharing	<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) ◇Koshin branches (5 bases → 1) ◇Hyogo General Technical Center (5 bases → 1) ◇Kansai branches (7 bases → 1) ◇Shonan Technical Center (2 bases → 1) ◇Resource shift to mobile/solutions area ◇Group-wide cross-sectional projects (mobile, 700 MHz TV reception measures, Data Centers, etc.)
	<ul style="list-style-type: none"> ◇Management integration with C-Cube, Seibu Electric Industry, and NIPPON DENTSU. ◇Establishing and reinforcing construction systems for construction work for 5G ◇Reemployment of the Company's veteran employees, etc. across organizations. (continued)

2. Expectations for the Rest of FY18

Reference: Examples of improvement measures ◎ Enhancement of system common platform - Automation of data input using RPA

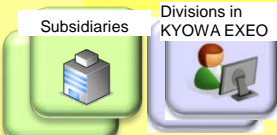
◎ Modularization of individual business processes of business divisions/branches/Group companies

Goal

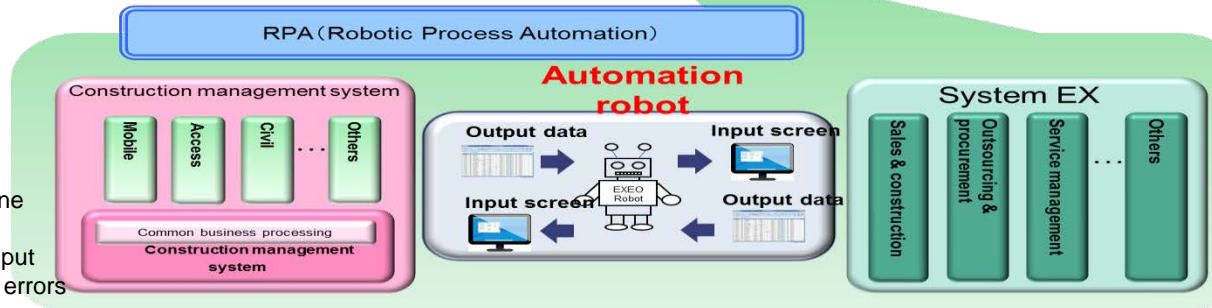


<RPA implementation status> as of September 2018
 KYOWA EXEO: Implemented in 2 divisions/4 branches
 Subsidiaries: Implemented in 10 companies
 In the future, we plan to implement 5 divisions/3 branches in KYOWA EXEO and 8 subsidiaries until the end of FY18

RPA will be introduced sequentially.



- Replacement of work done by humans with robots
- Reduction of duplicate input
- Eradication of data input errors



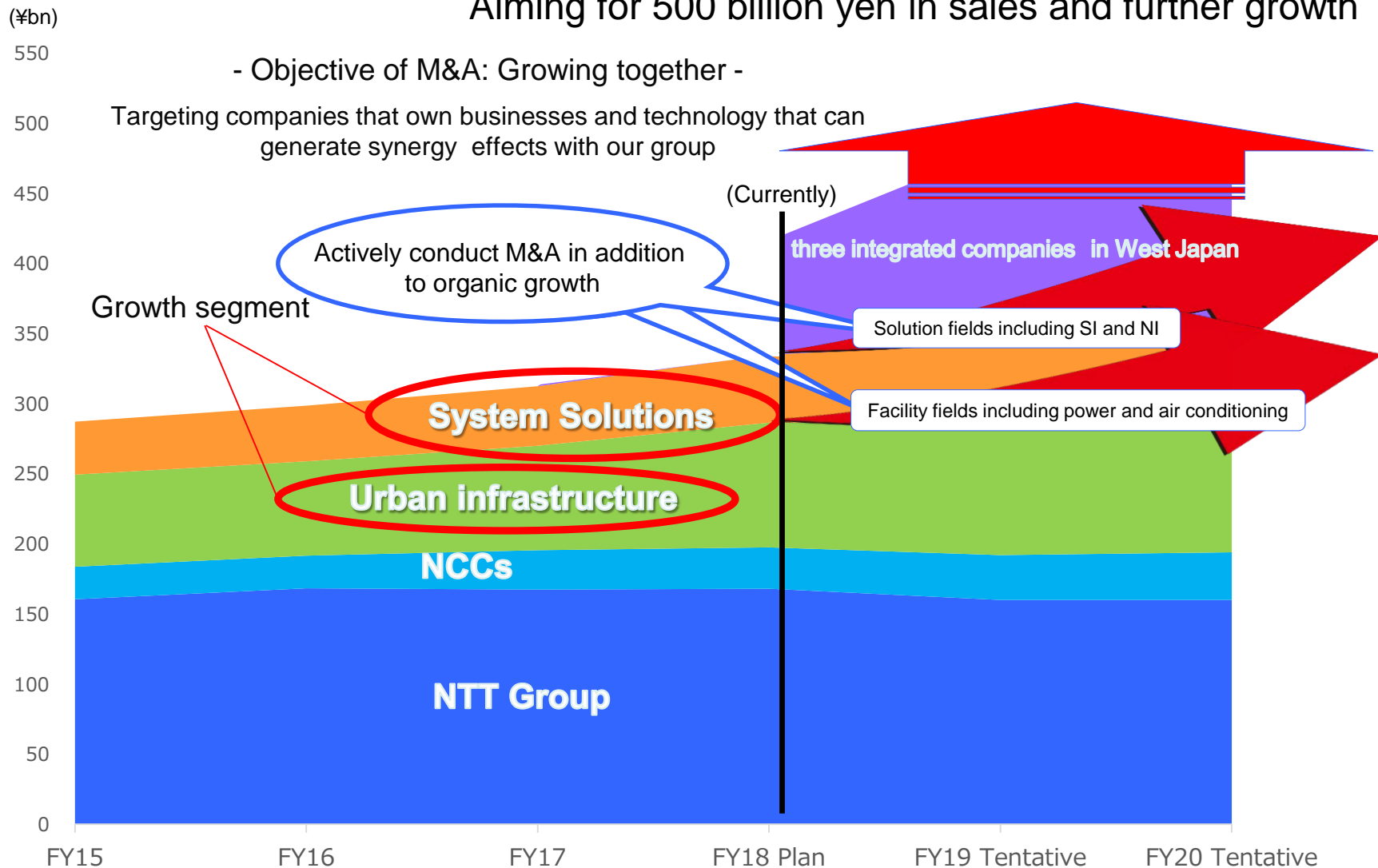
3. Our M&A Strategy

- (1) Objective and Growth Picture
- (2) Development Direction by Business Segment

3. Our M&A Strategy

(1) Objective and Growth Picture

Aiming for 500 billion yen in sales and further growth



3. Our M&A Strategy

(2) Development Direction by Business Segment

Engineering Solutions (Urban infrastructure)

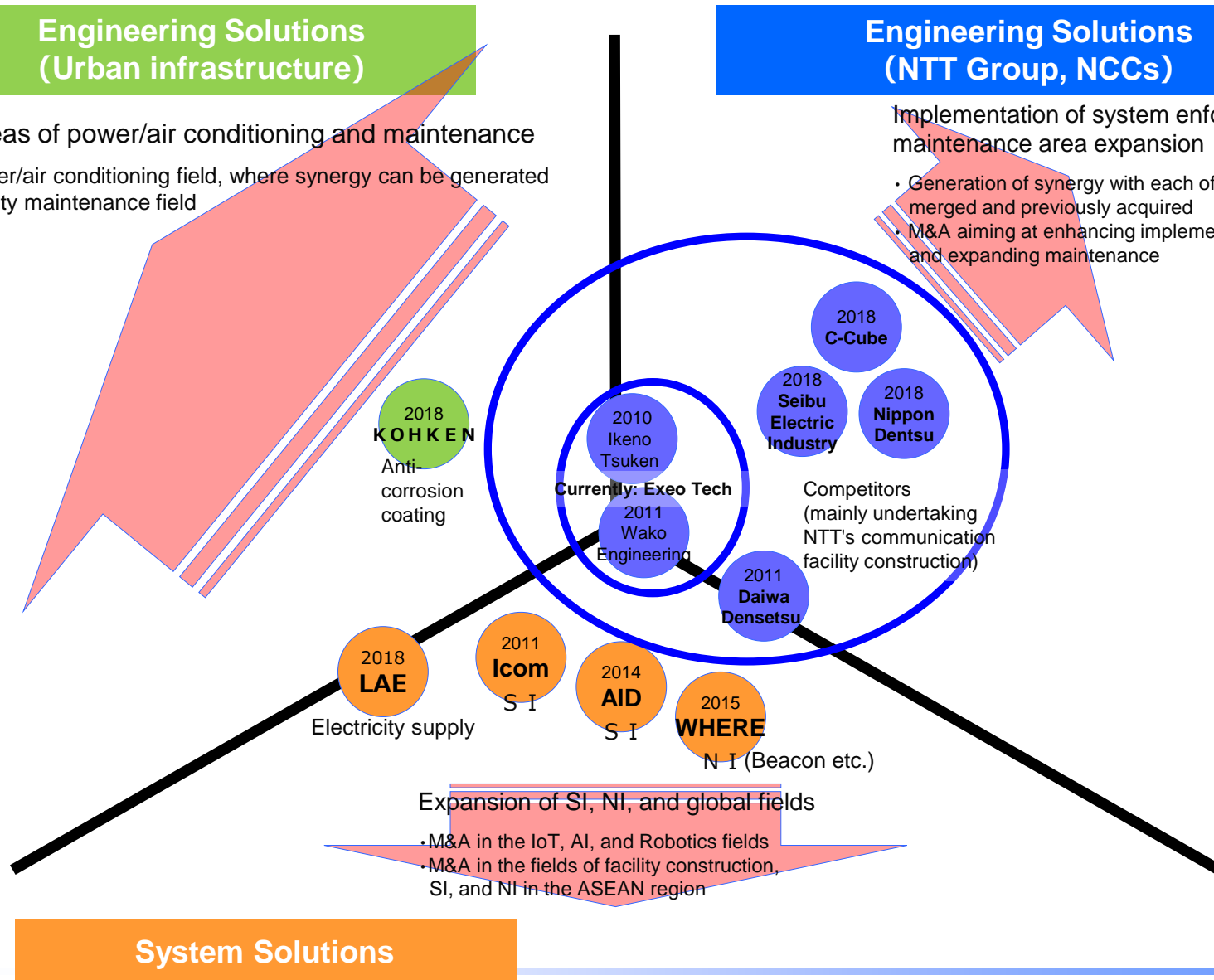
Expanding areas of power/air conditioning and maintenance

- 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



Expansion of SI, NI, and global fields

- M&A in the IoT, AI, and Robotics fields
- M&A in the fields of facility construction, SI, and NI in the ASEAN region

4. Raising Shareholders' Value

(1) Shareholder Return Policy

(Revision of year-end dividend forecast, etc.)

(2) Plan for shareholder returns for FY18, etc.

4. Raising Shareholders' Value

(1) Shareholder Return Policy (Revision of year-end dividend forecast, etc.)

- ◆ Increase DOE from about 3% to about 3.5% from FY18 dividend and strengthen shareholder return
- ◆ Revision of year-end dividend forecast from ¥32 to ¥38 (considering the equity capital of the three integrated companies)

■ Revision of year-end dividend forecast to **¥38**

Revision Summary

As of October 1, 2018, the management was integrated with C-Cube, Seibu Electric Industry and Nippon Dentsu and the shareholders' equity of the three companies was added, and the year-end dividend forecast was revised based on DOE 3.5%.

Forecast amount of annual dividends for FY18 and amounts paid in past years	Item	FY14	DOE at 3% since the end of FY15	FY16 with DOE at 3%	FY17 with DOE at 3%	FY18 forecast	
						DOE 3.5% Initial	DOE 3.5% after revision
Annual dividends per share		¥32	¥38	¥46	¥50	¥64	¥70
Total annual dividends		¥3.16 billion	¥3.7 billion	¥4.38 billion	¥4.78 billion	¥6.06 billion	¥7.33 billion
Payout ratio		25.8%	30.2%	31.7%	26.4%	32.3%	33.7%*

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

Annual dividends for FY18 : **¥70** (Interim : ¥32 / Year-end : **¥38**)

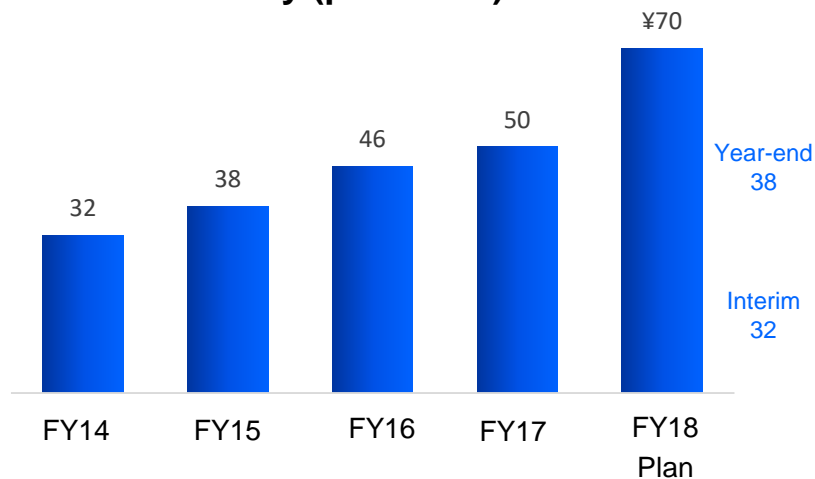
■ Outline of repurchase of treasury stock in the first half of FY18

- (1) Purposes of the acquisition: Flexible implementation of capital policy and improvement of capital efficiency
- (2) Total acquisition: ¥2,999,734,683 yen
- (3) Total number of shares of treasury stock to be acquired: 1,007,900 shares
- (4) Acquisition period: May 10, 2018 to September 20, 2018

4. Raising Shareholders' Value

(2) Plan for shareholder returns for FY18, etc.

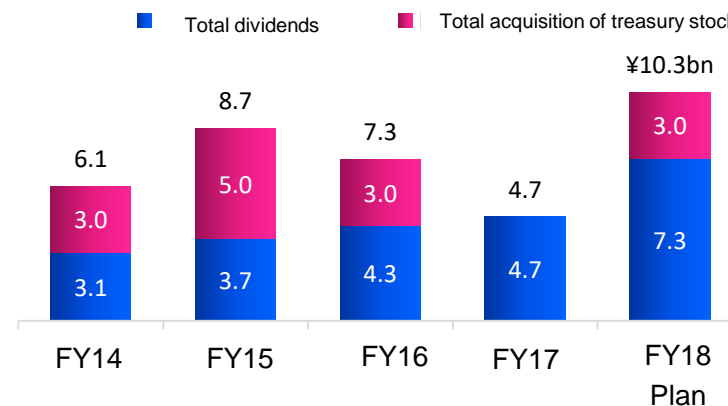
■ Dividend history (per share)



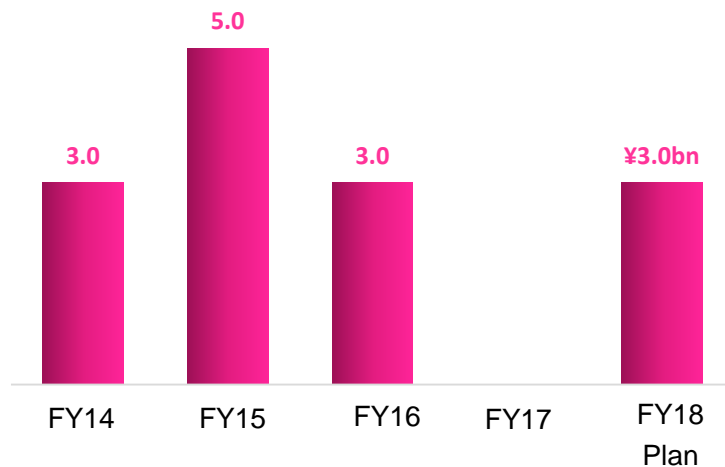
■ Total shareholder return

(Total dividends + total acquisition of treasury stock)

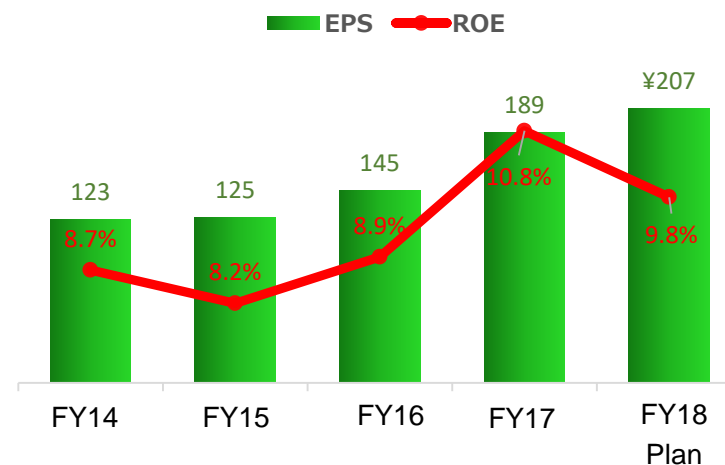
Note: The acquisition of treasury stock will be implemented flexibly.



■ Acquisition of treasury stock



■ EPS/ROE



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

5. ESG Initiatives

(1) Major Initiatives

5. ESG Initiatives

(1) Major Initiatives

E Environment

- Reduction of CO₂ emissions ⇒ 1% reduction of power/gasoline use compared to the previous year
- Use of green energy, forest conservation ⇒ Solar power business, Forest of Exeo, and so on
- Promotion of green procurement ⇒ 70% or more of ecological product purchases

- Activities on Forest of Exeo -

Fifty years after Exeo's foundation, we once again acknowledge the need for global warming protection and community contribution, by currently concluding profit-sharing silviculture agreements* with five regional forest management offices nationwide. Naming each one a "Forest of Exeo," we are promoting activities to protect national forests and develop a friendship between employees and their families.

Conservation activities of national forests on the premise of not cutting them down.



Our stocks have been selected for the MSCI Japan ESG Select Leaders Index. (as of June 2018)

*DS: diversity, WLB: work life balance

S Society

- Promotion of DS/WLB※ ⇒ More than 25% new female graduate employment, total reduction of working hours, and so on
- Securing safety and quality ⇒ Zero serious accidents per year, ensuring and disseminating the quality philosophy
- Contribution to society and community ⇒ Recovery measures in the case of natural disasters, and community contribution

Our stocks have been selected for the MSCI Japan Empowering Women Index (WIN). (as of June 2018)

G Governance

- Strengthening corporate governance ⇒ Internal control committee meetings, guidelines review
- Ensuring compliance ⇒ Committee/training, promotion of effectiveness of internal report system
- Proper risk management ⇒ Specifying risks of processes, enhancement of BCP

6. Topics

- (1) Turning KOHKEN into a wholly owned subsidiary
- (2) Plan to turn the LAE Group of Singapore into a wholly owned subsidiary

6. Topics

(1) Turning KOHKEN into a wholly owned subsidiary

◆ On September 13, 2018, KOHKEN a company that handles anticorrosive painting mainly in the Tokyo metropolitan area, was made a wholly-owned subsidiary. The aim is to further expand the urban infrastructure business.

Name	KOHKEN Co., Ltd.
Location	12-7, Torihama-cho, Kanazawa-ku, Yokohama-shi, Kanagawa
Title and name of representative	President: Seiji Masuda
Business activities	Painting work
Capital	20 million yen
Date of establishment	October 28, 1983

6. Topics

(2) Plan to turn the LAE Group of Singapore into a wholly owned subsidiary

◆ 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. The aim is to expand the global business.

Name	Leng Aik Engineering Pte Ltd
Location	Singapore 17 Soon Lee Road 628080
Title and name of representative	President: Tan Seow Leng
Business activities	Work for electrical and integrated facilities
Capital	1.5 million SGD (about 124 million yen)
Date of establishment	September 6, 1999

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.