

Results for the Six Months Ended September 30, 2019

November 2019



Building a better,
brighter future together

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

KYOWA EXEO CORPORATION

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

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1. Overview of FY19 Interim Results



(1) Performance Figures

- ◆ In addition to the organic growth of performance, the integration of the three companies in western Japan increased sales substantially.
- ◆ Although SG&A expenses increased due to Group company growth, our profit increased significantly thanks to the contributions made by the three companies in western Japan.

■ Overview of FY19 interim results (consolidated)

(¥bn)

	FY 2018		FY2019	
	Interim	Full year	Interim	
	A	B	Actual C	YOY C/A
Orders received	174.7	424.3	285.1	163%
Net sales	132.8	423.7	212.3	160%
Gross profit	13.3% 17.7	13.8% 58.3	13.3% 28.1	159%
SG&A expenses	6.9% 9.1	6.3% 26.6	8.2% 17.4	190%
Operating income	6.4% 8.5	7.5% 31.7	5.1% 10.7	126%
Ordinary income	6.7% 8.9	7.9% 33.4	5.0% 10.6	119%
Net income attributable to owners of parent	4.4% 5.8	9.5% 40.2	3.0% 6.2	106%

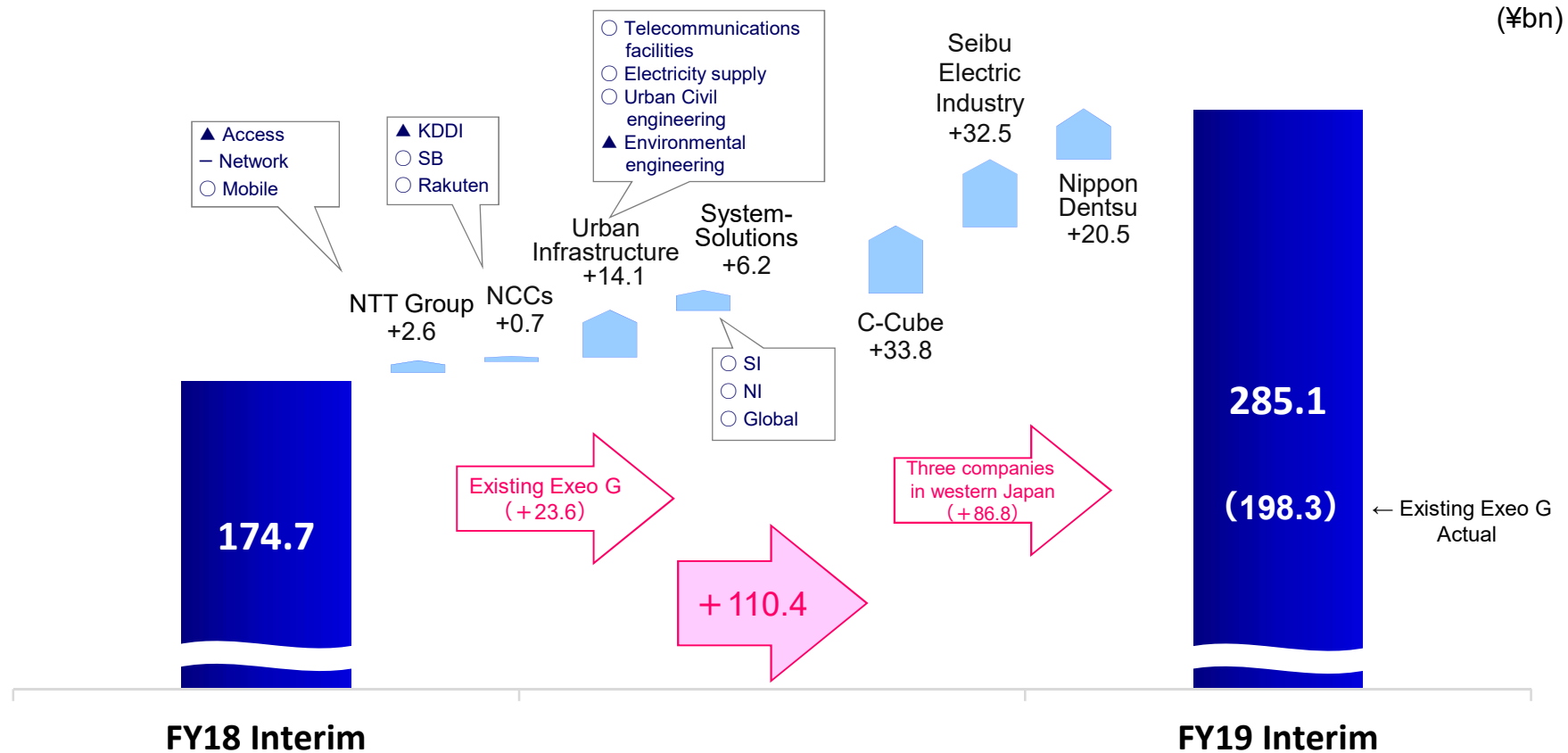
Notes: All amounts less than ¥100m are disregarded. Figures in parentheses are ratio to net sales.

1. Overview of FY19 Interim Results



(2) Orders Received

◆ Orders increased significantly thanks to strong performance in each segment and a large order in urban infrastructure. The three companies in western Japan also received orders steadily.



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

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

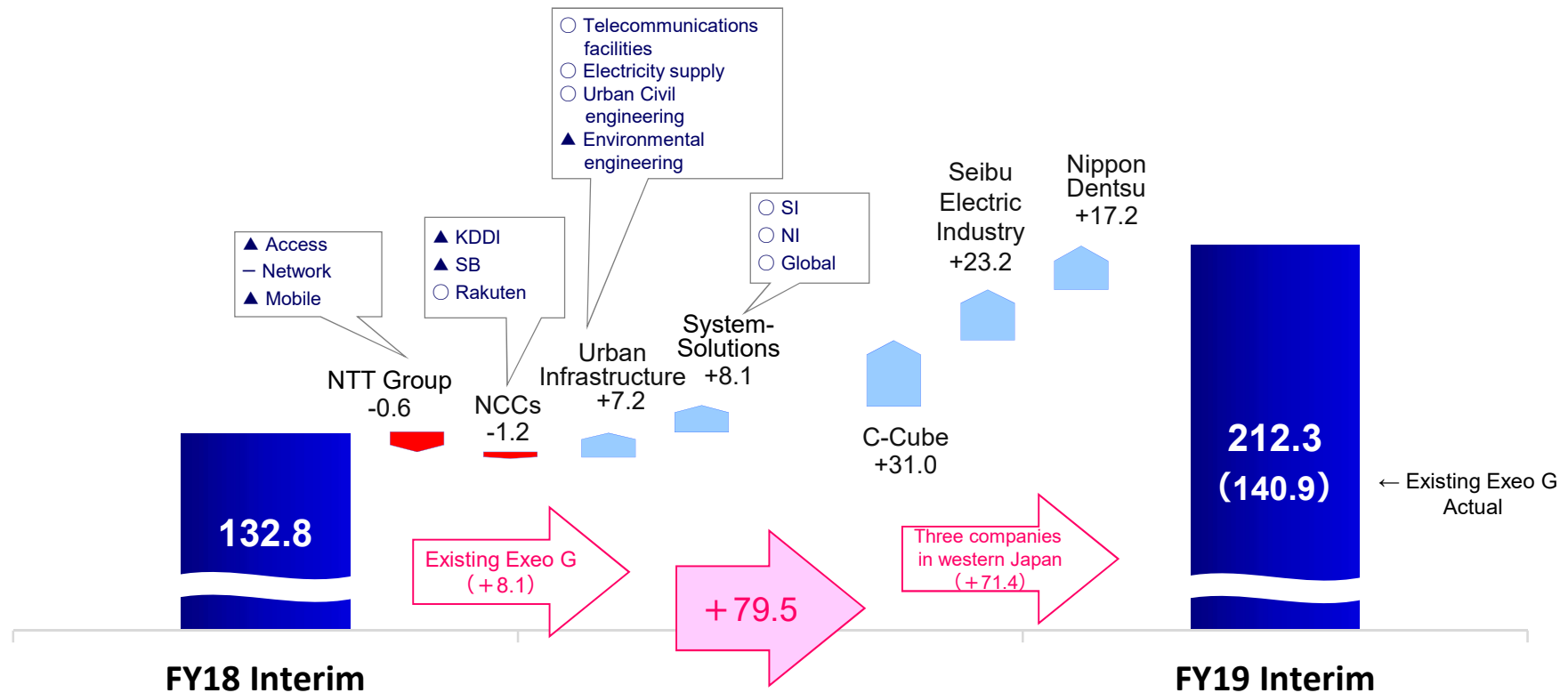
1. Overview of FY19 Interim Results



(3) Net Sales

◆ Although construction periods were extended in some segments, sales performed well against the background of strong orders.

(¥bn)



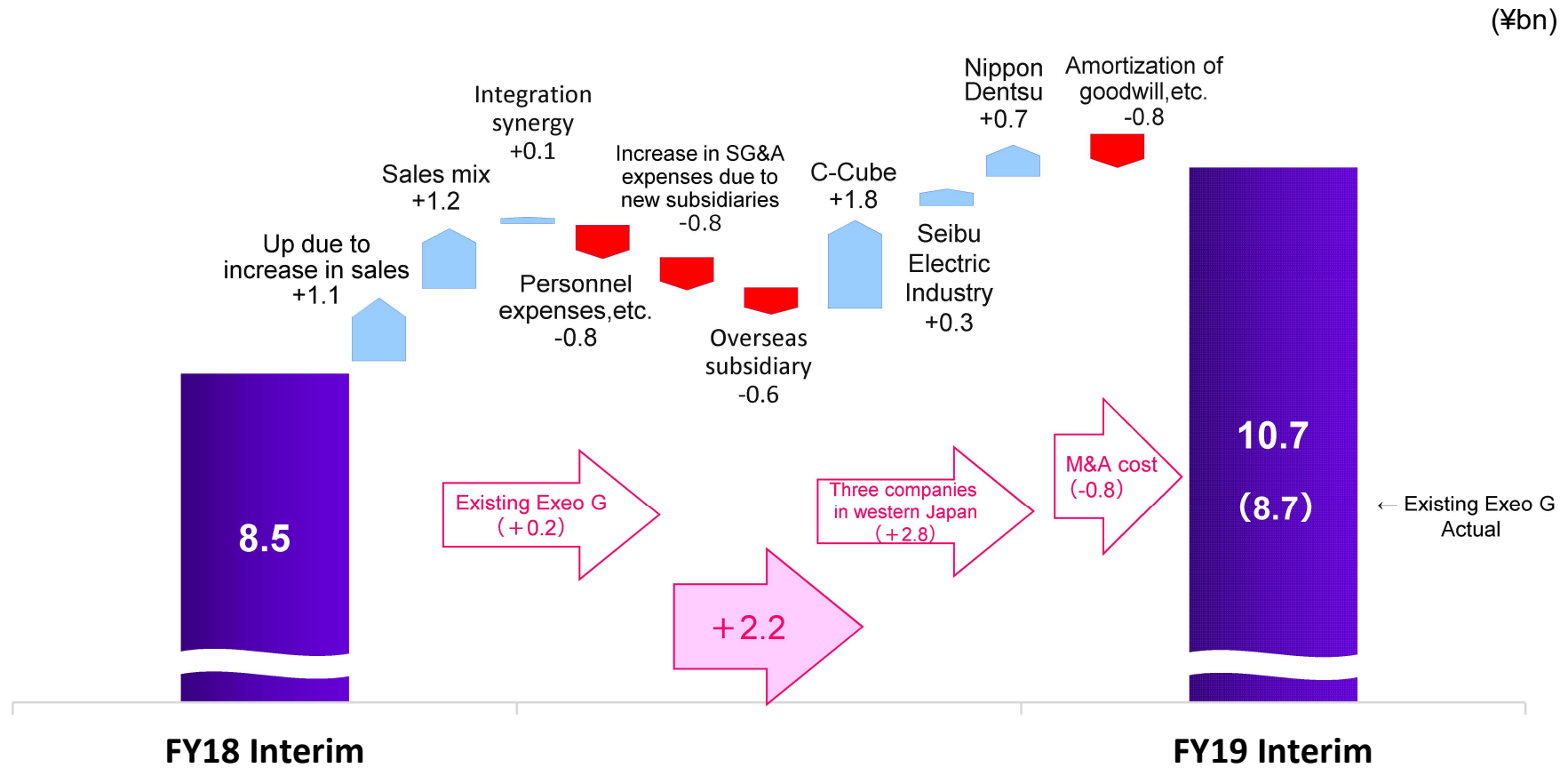
Note: All amounts less than ¥100m are disregarded.

1. Overview of FY19 Interim Results



(4) Operating Income

◆ Although SG&A expenses increased due to newly consolidated companies and M&A, operating income increased significantly thanks to the contributions made by the three companies in western Japan.



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

1. Overview of FY19 Interim Results



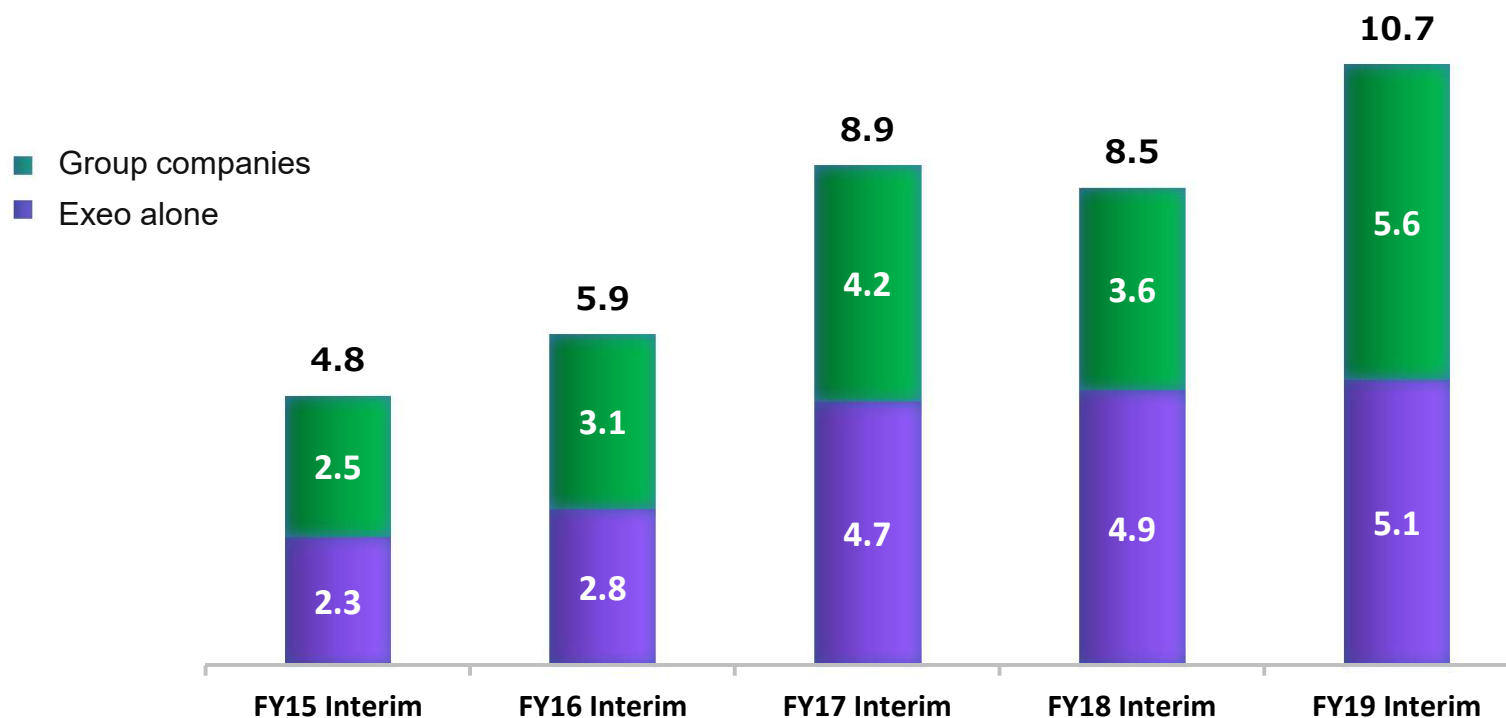
Reference: Trends in Group company profitability

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

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

(¥bn)

(Ratio of consolidated to non-consolidated profits)	(2.1)	(2.1)	(1.9)	(1.8)	(2.1)
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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 FY19 Interim Results

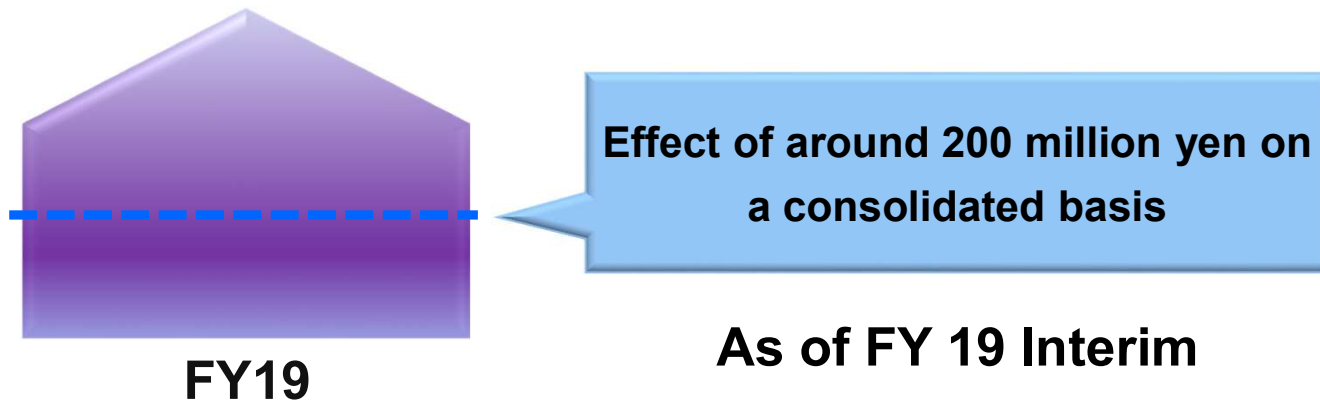


(5) Synergy with three companies in western Japan

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

- Sales collaboration and construction collaboration commenced in each business segment
- Work efficiency improvement and cost reduction by utilizing funds in the Group and joint purchases
- Integration of in-house systems and workflows
(shared-use systems for access are under development)

500 million yen/annual target



1. Overview of FY19 Interim Results



(6) Cash Flow

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

■ Cash flow (consolidated)

(¥bn)

	FY16	FY17	FY18		FY19
			Interim	Full year	Interim
Cash at beginning of FY	16.0	15.2	30.3	30.3	41.4
Operating activities	15.5	24.8	15.6	12.7	11.4
Investing activities	-6.0	-4.5	-9.5	-17.6	-5.2
Financial activities	-10.2	-5.1	-5.3	-4.9	-5.2
Increase/decrease of cash due to share exchange				21.0	
Cash at end of period	15.2	30.3	31.1	41.4	42.4

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

2. Expectations for the Rest of FY19



(1) Performance Figures

- ◆ The highest-ever topline is expected, thanks to organic growth and year-round contributions by the three companies in western Japan.
- ◆ An update of the highest profit is expected due to the effect of newly consolidated subsidiaries and the creation of integration synergy.

■ Overview of FY19 interim results (consolidated)

(¥bn)

	FY 2018		FY2019				
	Interim A	Full year B	Interim			Full year	
			Actual C	YOY C/A	Progress rate C/D	Plan D	YOY D/B
Orders received	174.7	424.3	285.1	163%	58%	495.0	117%
Net sales	132.8	423.7	212.3	160%	43%	495.0	117%
Gross profit	13.3% 17.7	13.8% 58.3	13.3% 28.1	159%	42%	13.4% 66.3	114%
SG&A expenses	6.9% 9.1	6.3% 26.6	8.2% 17.4	190%	51%	6.9% 34.3	129%
Operating income	6.4% 8.5	7.5% 31.7	5.1% 10.7	126%	34%	6.5% 32.0	101%
Ordinary income	6.7% 8.9	7.9% 33.4	5.0% 10.6	119%	32%	6.6% 32.8	98%
Net income attributable to owners of parent	4.4% 5.8	9.5% 40.2	3.0% 6.2	106%	29%	4.4% 21.8	54%

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

2. Expectations for the Rest of FY19

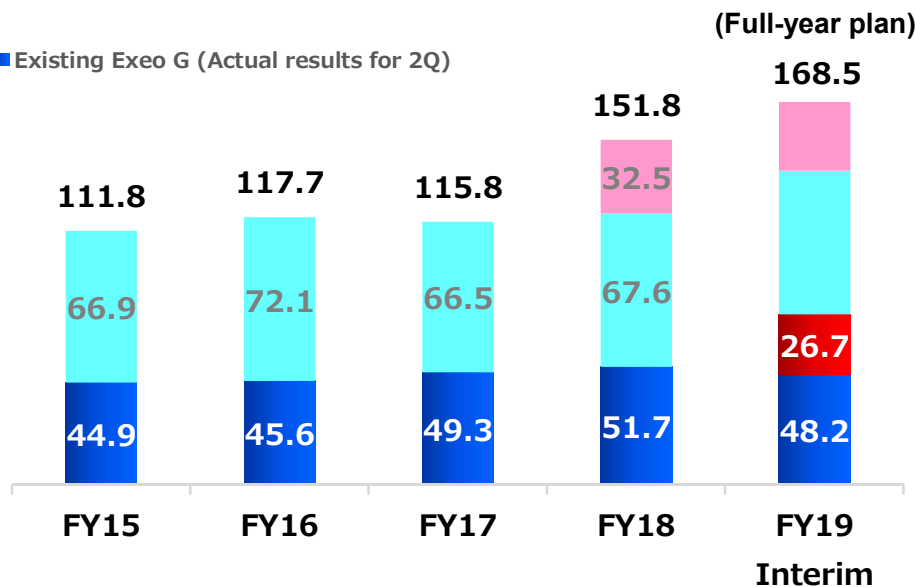
(2) NTT Group (Access/Network)

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

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

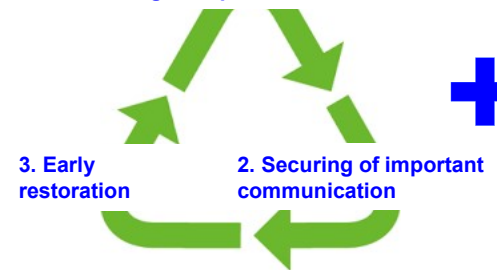
(¥bn)

- Three companies in western Japan (Results of the former Company for the second half period)
- Existing Exeo G (Results of the former Company for the second half period)
- Three companies in western Japan (Actual results for 2Q)
- Existing Exeo G (Actual results for 2Q)



■ NTT Group's disaster countermeasures

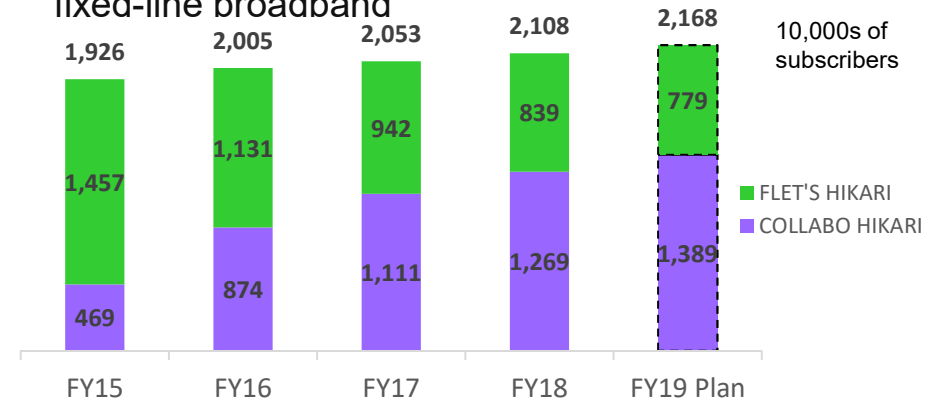
1. Improvement of reliability of communication networks (including multiple transmission routes)
2. Securing of important communication
3. Early restoration



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

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

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



2. Expectations for the Rest of FY19



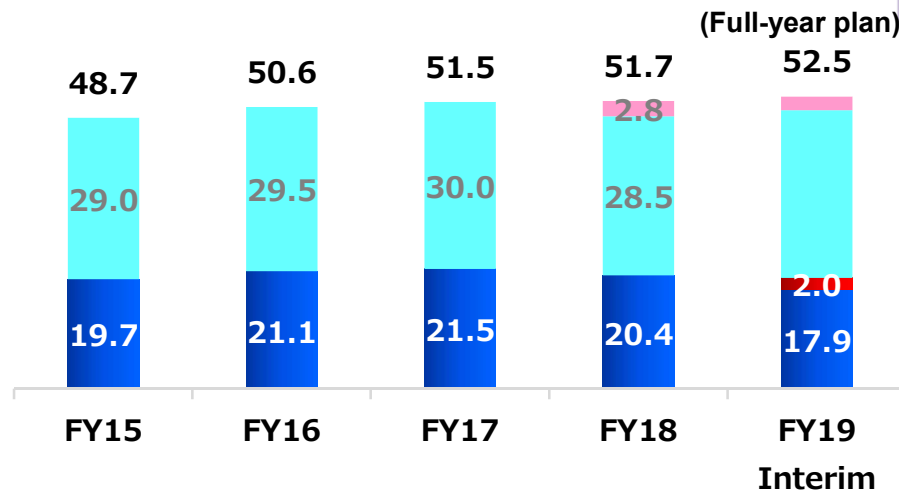
(3) NTT Group (Mobile)

- ◆ Expect an increase in the construction of 4G-enabled base stations for the new frequency (3.4GHz).
- ◆ Start receiving orders for 5G. Prepare our construction system in case the construction of 5G base stations proceeds more rapidly than initially expected.

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

(¥bn)

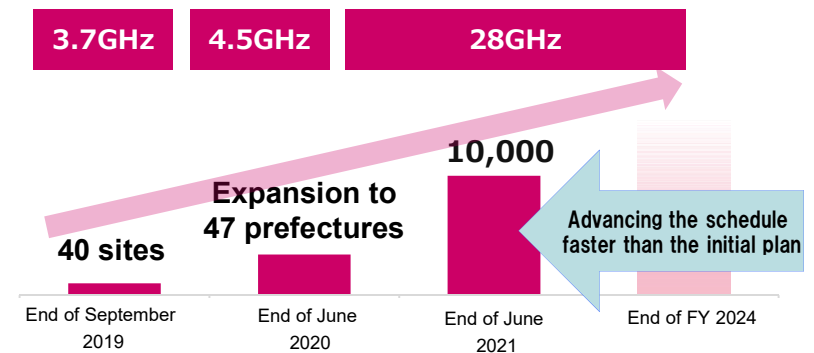
- Three companies in western Japan (Results of the former Company for the second half period)
- Existing Exeo G (Results of the former Company for the second half period)
- Three companies in western Japan (Actual results for 2Q)
- Existing Exeo G (Actual results for 2Q)



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



■ Construction of 5G networks for NTT DOCOMO



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

2. Expectations for the Rest of FY19



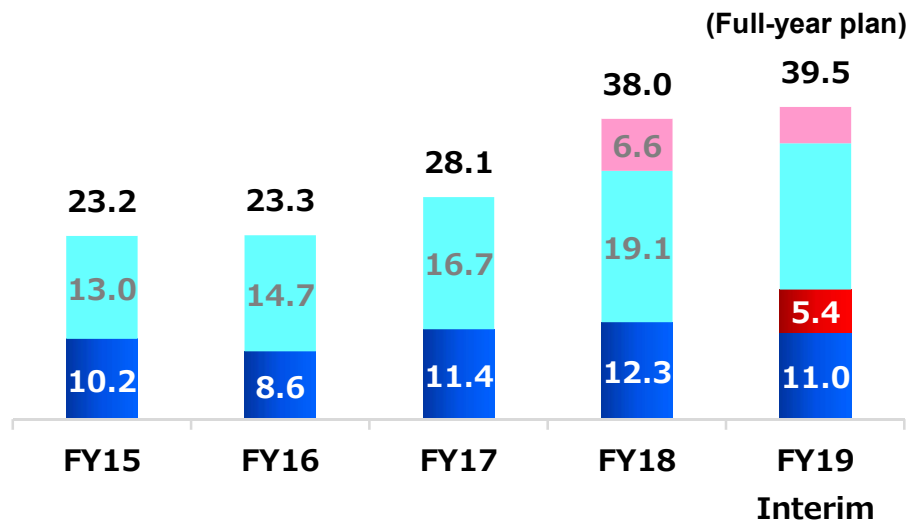
(4) NCCs

- ◆ Orders from Softbank perform well, and higher sales are expected in total compared to the previous year.
- ◆ Rakuten's wireless base station construction has started in earnest, and we are working with three companies in western Japan to respond.

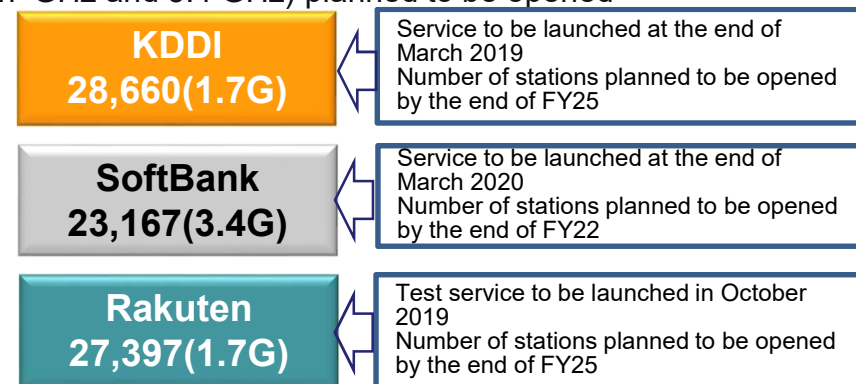
■ Net sales of NCCs (consolidated)

(¥bn)

- Three companies in western Japan (Results of the former Company for the second half period)
- Existing Exeo G (Results of the former Company for the second half period)
- Three companies in western Japan (Actual results for 2Q)
- Existing Exeo G (Actual results for 2Q)

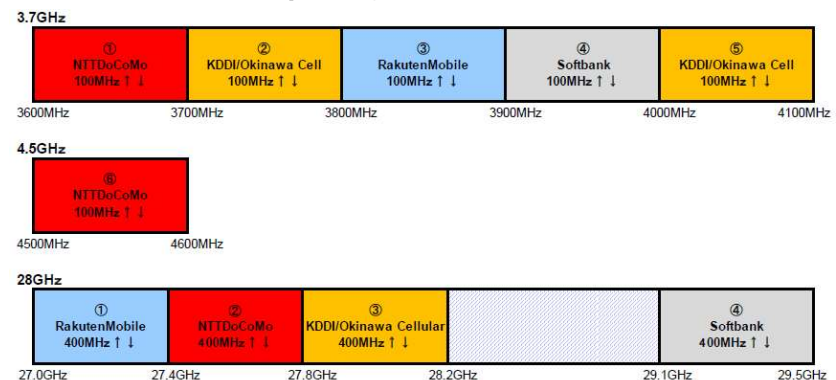


■ Number of base stations for new frequency bands for 4G (1.7 GHz and 3.4 GHz) planned to be opened



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

■ Results of 5G frequency allotment

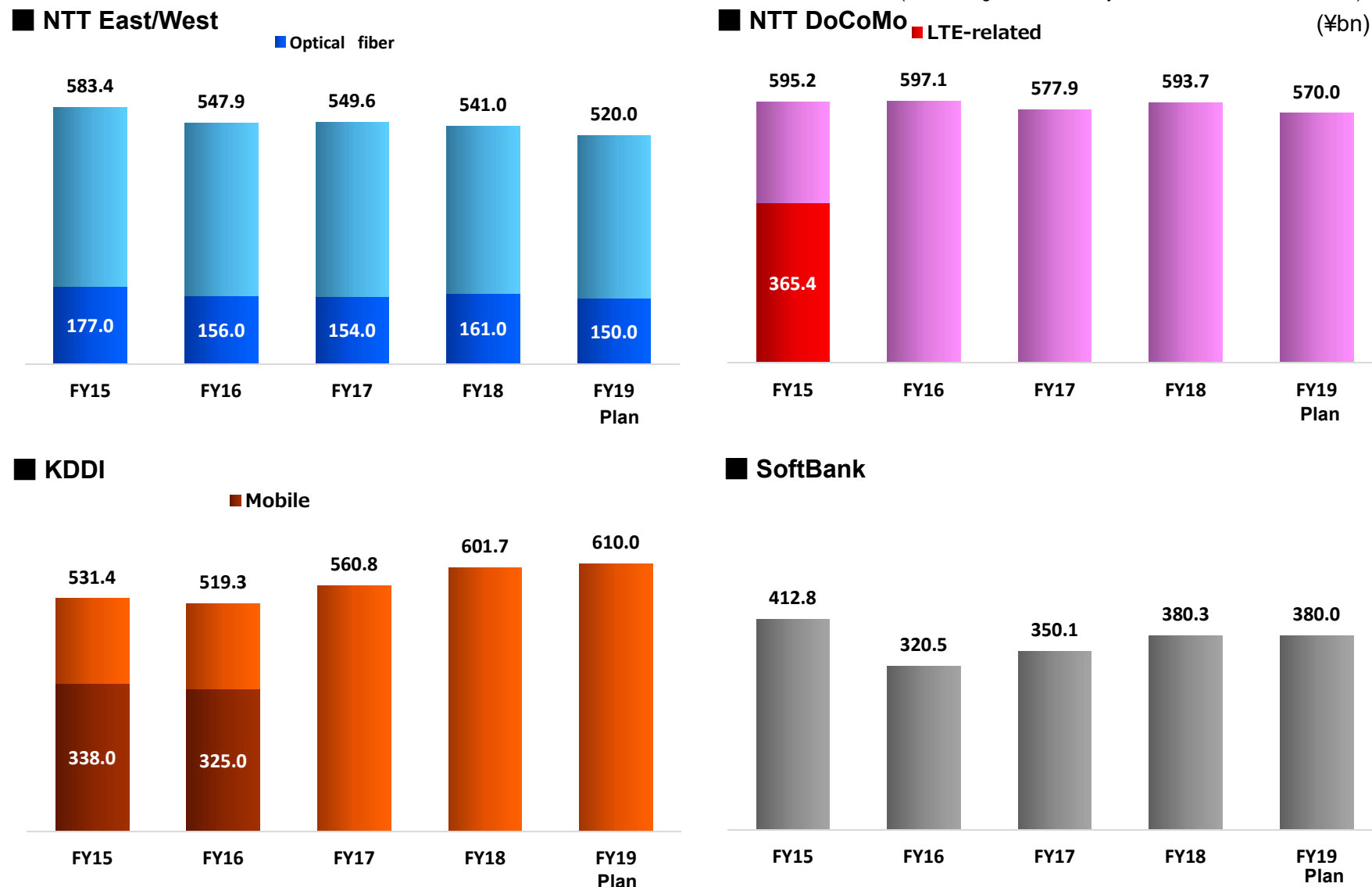


2. Expectations for the Rest of FY19



Reference: Investment Trends of Major Telecom Carriers

(Source: Figures released by the telecommunications carriers)



2. Expectations for the Rest of FY19

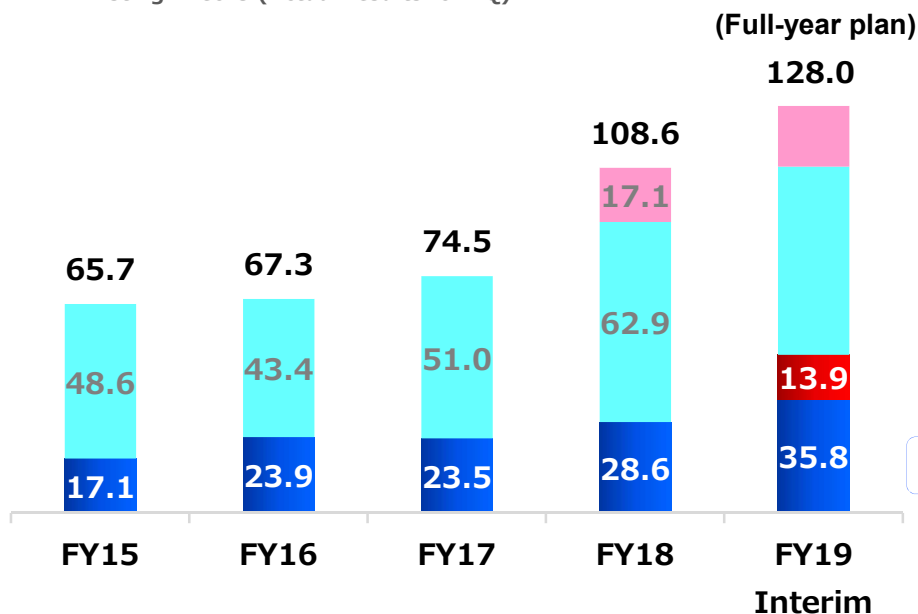
(5) Urban Infrastructure

- ◆ Construction for 700MHzBand TV reception measures is declining, but sales are expected to remain strong.
- ◆ We have received large orders for the construction of mega solar, and the earth shuttle method for submarine cables, and we aim to win large orders in the future.

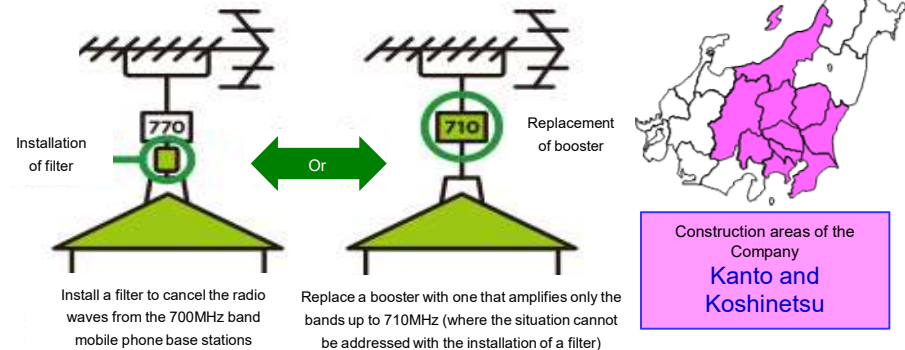
Urban Infrastructure net sales (consolidated)

(¥bn)

- Three companies in western Japan (Results of the former Company for the second half period)
- Existing Exeo G (Results of the former Company for the second half period)
- Three companies in western Japan (Actual results for 2Q)
- Existing Exeo G (Actual results for 2Q)



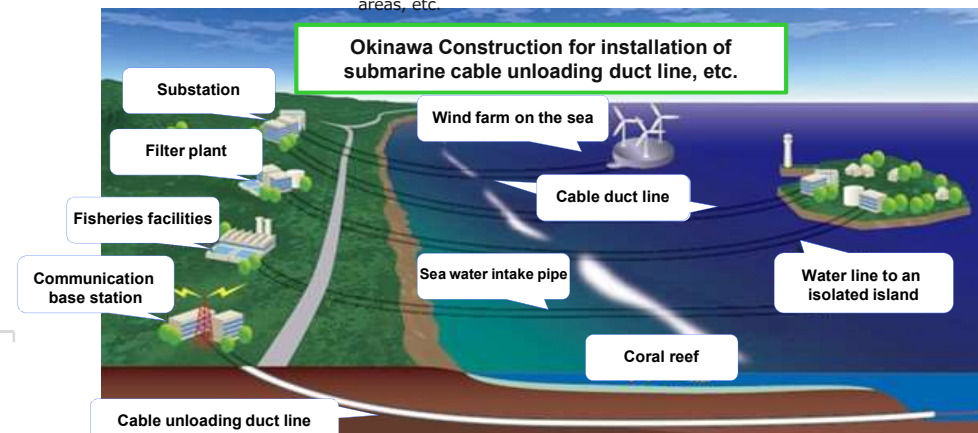
700 MHz Band TV reception measures



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

Undertake the earth shuttle method

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



2. Expectations for the Rest of FY19



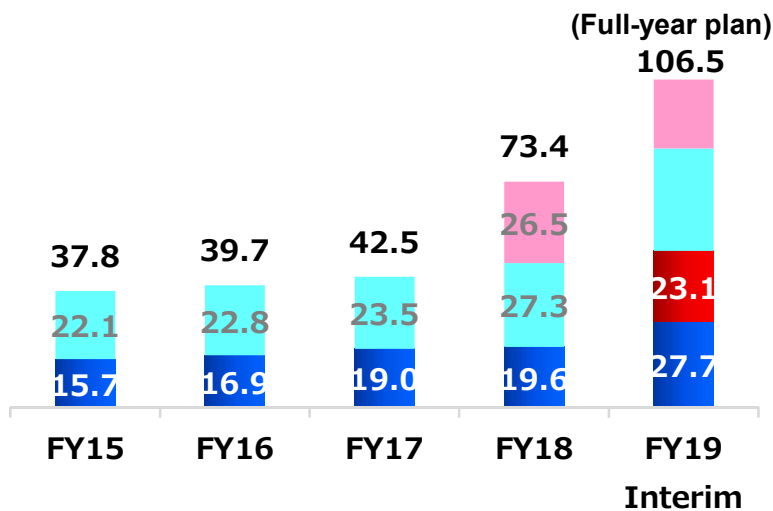
(6) System-Solutions

- ◆ Continue to focus on the expansion of new solutions such as the cloud.
- ◆ We will strengthen our global operations through M&A and promote business expansion in the APAC region.

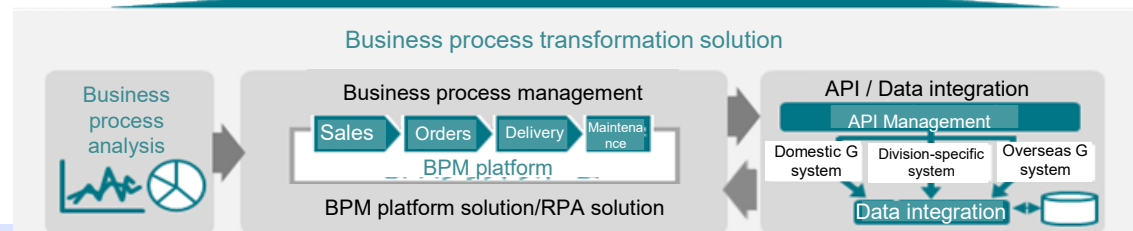
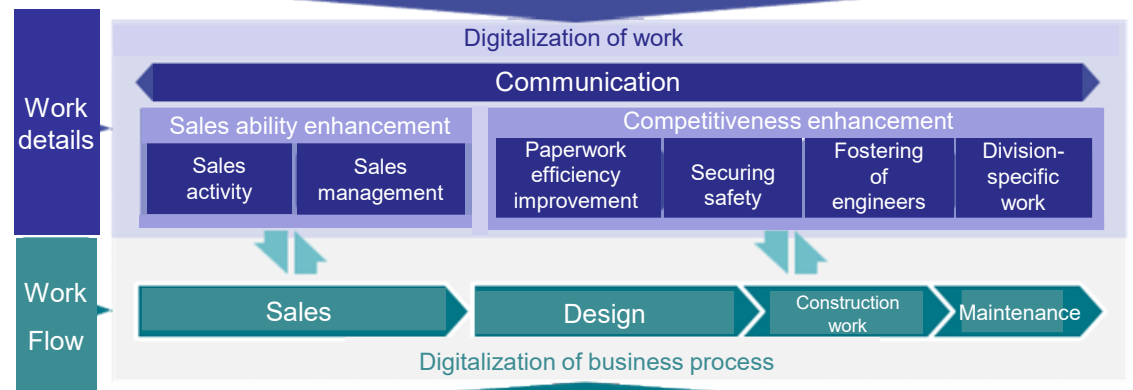
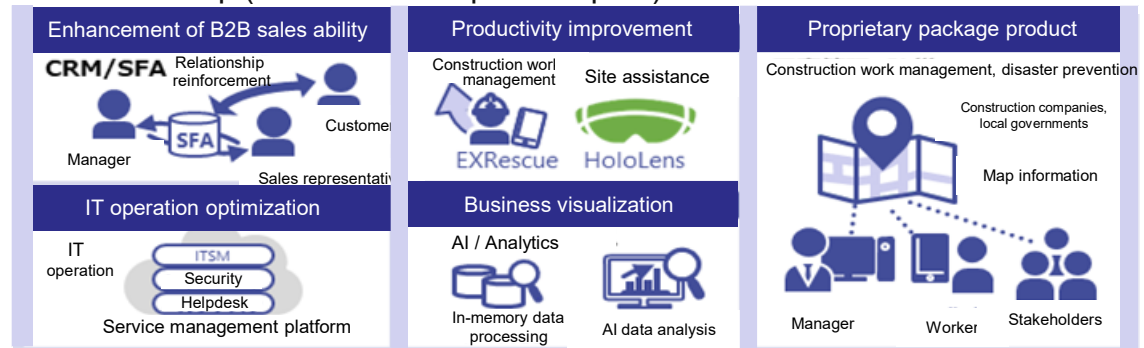
System-Solutions net sales (consolidated)

(¥bn)

- Three companies in western Japan (Results of the former Company for the second half period)
- Existing Exeo G (Results of the former Company for the second half period)
- Three companies in western Japan (Actual results for 2Q)
- Existing Exeo G (Actual results for 2Q)



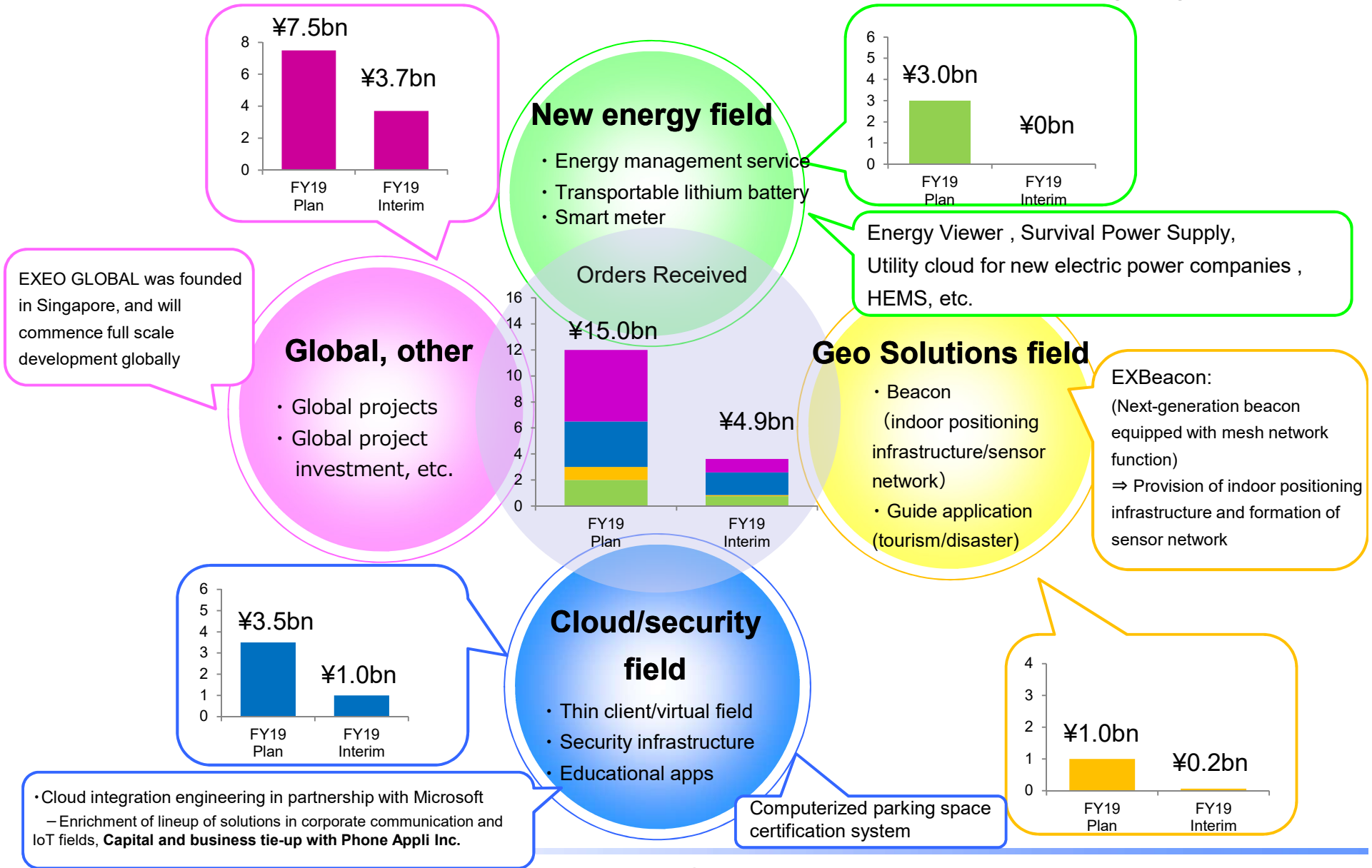
Solution Map (added value expansion plan)



2. Expectations for the Rest of FY19



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

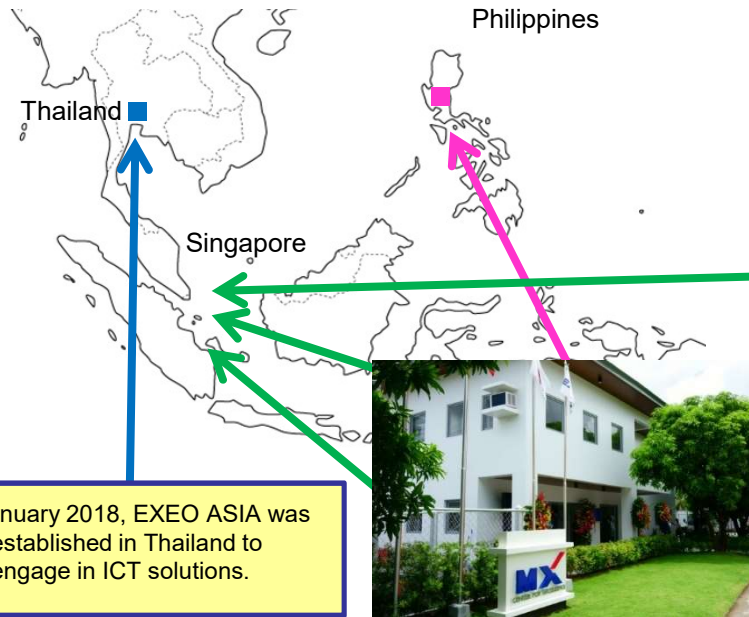


2. Expectations for the Rest of FY19



Reference: Global business initiatives

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



In January 2018, EXEO ASIA was established in Thailand to engage in ICT solutions.

External view of training center near Manila

In collaboration with training facilities in Japan, the center fosters engineers who will work globally. (In July 2018, Mr. Noda, Minister of MHLW at the time, visited the above training center.)

Training facility in Japan ... Chuo Training Center (Saitama Pref.) (In July 2019, Mr. Nemoto, Minister of MHLW, visited the training center.)

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

- It undertakes not only access & mobile construction work but also maintenance work for major local telecommunications carriers.
- It has advanced into the urban infrastructure business, such as railway communication and road-related construction work.

Building business bases in Southeast Asia
Philippines , Thailand , Singapore

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

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

N a m e	Leng Aik Engineering Pte.Ltd.
L o c a t i o n	Singapore
B u s i n e s s A c t i v i t i e s	Work for electrical and integrated facilities
C a p i t a l	1.5 million SGD
N u m b e r o f e m p l o y e e s	Approx. 260 people

In October 2019, the company signed an agreement to acquire all the shares of Winner Engineering, which engages in air conditioner installation work in Singapore.

N a m e	Winner Engineering pte.Ltd.
L o c a t i o n	Singapore
B u s i n e s s A c t i v i t i e s	Design and installation work for air conditioners, electrical work
C a p i t a l	1.5 million SGD
N u m b e r o f e m p l o y e e s	Approx. 130 people

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

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

3. Our M&A Strategy

(1) Development Direction by Business Segment

**Engineering Solutions
(Urban infrastructure)**

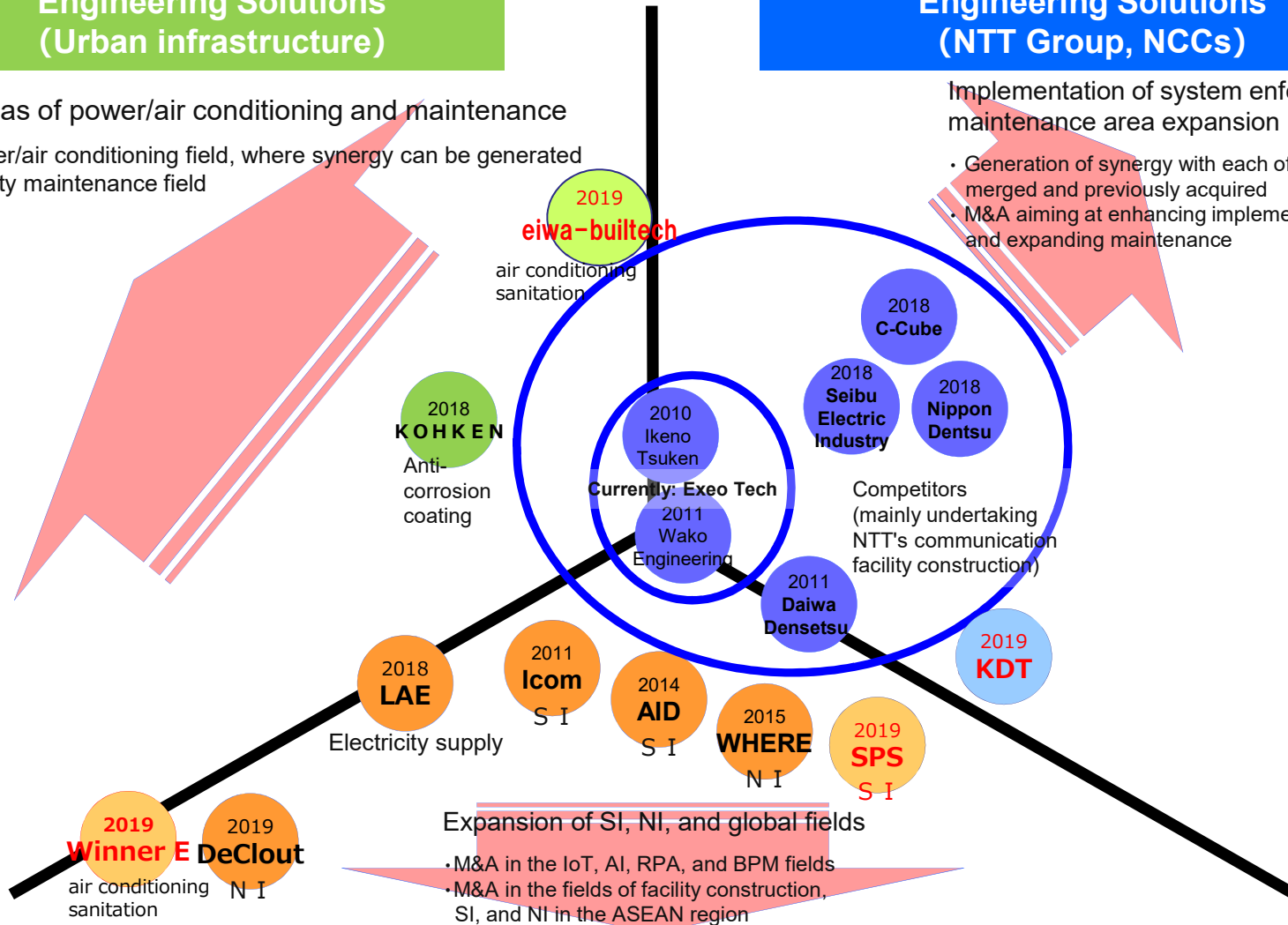
**Engineering Solutions
(NTT Group, NCCs)**

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

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



System Solutions

4. Initiatives for ESG and SDGs



(1) ESG Initiatives

E Environment	<ul style="list-style-type: none"> • 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 ⇒ 63% or more of ecological product purchases
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- 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 2019)

*DS: diversity, WLB: work life balance

S Society	<ul style="list-style-type: none"> • 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
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G Governance	<ul style="list-style-type: none"> • Strengthening corporate governance ⇒ Disclosure of the evaluation of the workability of board meetings • Ensuring compliance ⇒ Committee, promotion of effectiveness of internal report system • Proper risk management ⇒ Specifying risks of processes, enhancement of BCP
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4. Initiatives for ESG and SDGs



(2) SDGs initiatives

① Achievement of a safe and secure society through the infrastructure business

Achieve urban development that is safe and secure for everybody, as well as contributing to building infrastructure that is resilient to natural disasters



② Achievement of an affluent society through the solution business

Resolution of social issues and achievement of an affluent society through IoT technology



③ Global environment conservation and achievement of a recycling-oriented society

Promotion of recycling and effective utilization of resources; achievement of a society for the prevention of global warming



④ Achievement of favorable communication with stakeholders

To meet the expectations of stakeholders, favorable communication will be strengthened to resolve issues



5. Raising Shareholders' Value



(1) Shareholder Return Policy

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

■ FY2019 planned annual dividend: 80 yen

Item	FY16	FY17	FY18	FY19 Forecast
	DOE 3%	DOE 3%	DOE 3.5% (integrated from 2H)	DOE 3.5%
Annual dividends per share	¥46	¥50	¥70	¥80
Total annual dividends	¥4.38 billion	¥4.78 billion	¥7.31 billion	¥8.97billion
Payout ratio	31.7%	26.4%	※32.9 %	41.2%

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

■ Outline of repurchase of treasury stock in the first half of FY19

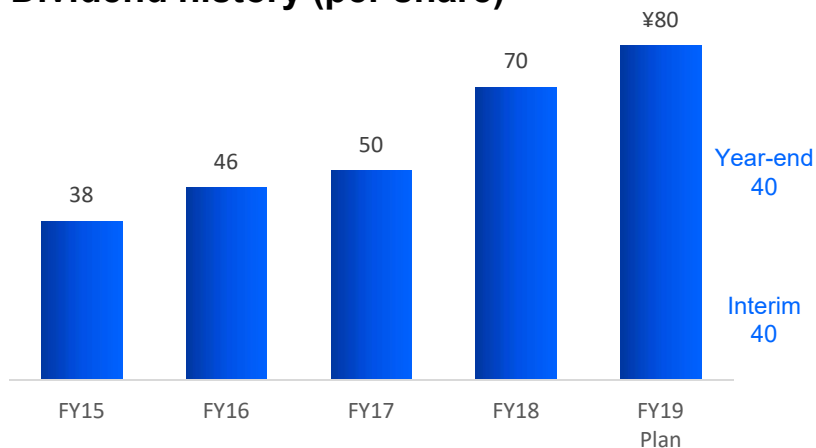
- (1) Purposes of the acquisition: Flexible implementation of capital policy and improvement of capital efficiency
- (2) Total acquisition: ¥5.0 billion
- (3) Total number of shares of treasury stock to be acquired: 1.93 million shares
- (4) Acquisition period: May 15, 2019 to September 30, 2019

5. Raising Shareholders' Value



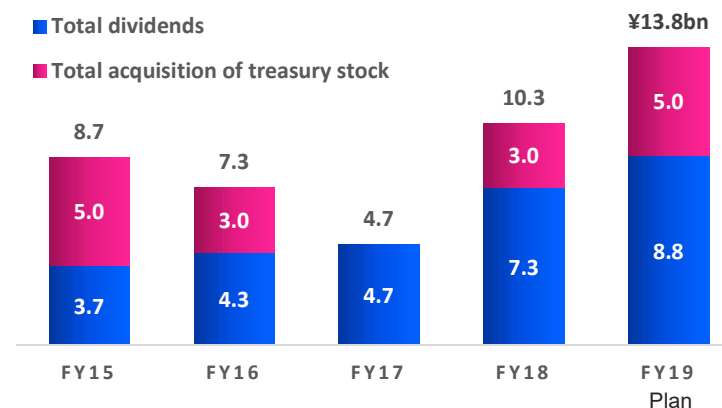
(2) Plan for shareholder returns for FY19, etc.

■ Dividend history (per share)

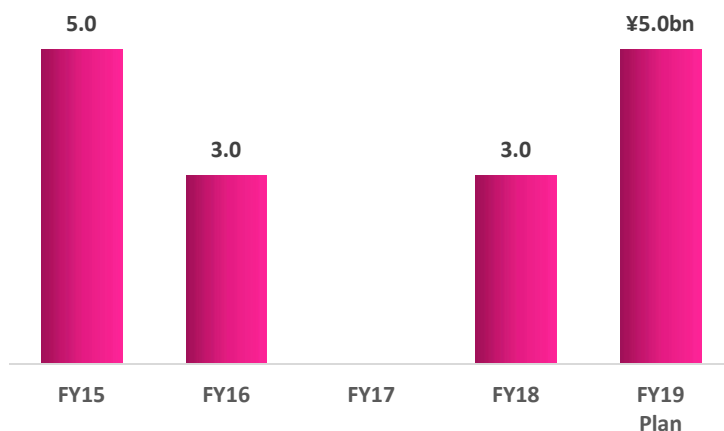


■ Total shareholder return

(Total dividends + total acquisition of treasury stock)

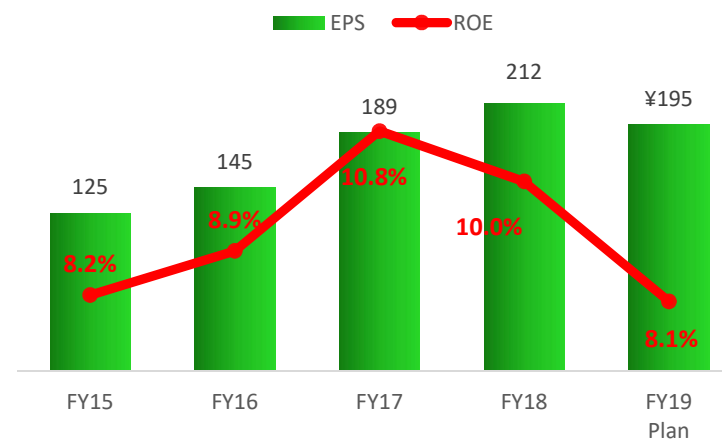


■ Acquisition of treasury stock



■ EPS/ROE

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



6. Topix



(1) KDT Co., Ltd. and SUN PLANNING SYSTEMS Co., Ltd made a Group company

- ◆ Grouped KDT Co., Ltd. for the expansion of business scale in Hokkaido
- ◆ Grouped SUN PLANNING SYSTEMS Co., Ltd, which holds a market competitive IT tool

■ Profile of KDT Co., Ltd.

Name	KDT Co., Ltd.
Address	2-12 Minami Go-jyo Nishi 22-chome, Sapporo Hokkaido
Name/title of representative	President and CEO Toshiro Watanabe
Business line	Telecommunication work
Paid-in capital	¥24 million
Established	April 23, 1964

■ Profile of SUN PLANNING SYSTEMS Co., Ltd

Name	SUN PLANNING SYSTEMS Co., Ltd
Address	12F Kayaba-cho Tower, 1-21-2, Shinkawa, Chuo-ku, Tokyo
Name/title of representative	President and CEO Takeshi Shiraha
Business line	System integration
Paid-in capital	¥200 million
Established	January 14, 1980

6. Topix



(2) eiwa-builtech and Winner Engineering Pte.Ltd. made a Group company

- ◆ eiwa-builtech was acquired by the Group with the aim of expanding the urban infrastructure business in the area of Kyushu.
- ◆ Grouped Winner Engineering Co., Ltd., which engages in air conditioning construction in Singapore.

■ Profile of eiwa-builtech

Name	eiwa-builtech
Address	Kawamiya 915-1, Tagawa-shi, Fukuoka Prefecture
Name/title of representative	President and CEO Katsumi Nakamura
Business line	Air conditioners and sanitary facilities construction work business
Paid-in capital	¥21 million
Established	October 16, 1986

■ Profile of Winner Engineering Pte.Ltd.

Name	Winner Engineering Pte.Ltd.
Address	18 Woodland Industrial Park E1 Singapore 757738
Name/title of representative	Managing Director Mr. Loi Sing Lee
Business line	Design and installation work for air conditioners, electrical work
Paid-in capital	1.5 million SGD
Established	July 20, 1989

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

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