

# Our aim is to create value from a medium- to long-term perspective

## Introduction

We would like to express our deepest sympathies to everyone affected by the 2024 Noto Peninsula Earthquake that occurred on New Year's Day, and pray for the region's speedy recovery.

The Exeo Group is helping with the recovery by providing our survival power supply systems and multichargers to telecommunications companies to support the functioning of infrastructure damaged in the earthquake. In addition, about 6,000 people associated with the Group from across the country joined in support activities. We conduct our daily operations with an understanding of the critical role we play supporting fundamental societal infrastructure.

## Transforming our business portfolio

### Steadily progressing toward our 2030 Vision

We are establishing a solid business infrastructure that is resilient to economic fluctuations and social conditions. Our long-term vision for the Group is to have a business with an equally balanced ratio of sales among our three segments of telecom carriers business, urban infrastructure business, and system solutions business by 2030. The current Medium-Term Management Plan (FY2021-FY2025) contains specific strategies for each segment to achieve this goal.

Our business performance in fiscal 2023 included orders received reaching a record high and net sales down slightly from the previous fiscal year but remaining at an elevated level. The segment sales ratios continued approaching our target shape with the foundational telecom carrier business at 41%, the urban infrastructure segment, which we have set as our growth segment, at 29%, and the system solutions segment at 30%.

While the sales ratios are improving, we are still seeking to improve profitability. Total operating profit in fiscal 2023 grew 4.8% year on year to ¥34.1 billion, but is still significantly below our medium-term target of ¥47.0 billion with a 7.5% operating profit margin. We recognize that our major focus for fiscal 2024 onward must be to clarify and overcome the obstacles to enhancing profitability in each segment.

→ p.9-10 Transforming our business portfolio

→ p.43-44 Feature 2: Quest to be an engineering company that supports prosperity

Tetsuya Funabashi  
President and CEO

Top  
Message

→ p.57-58  
Telecom carriers business

**\*1 Access operation**  
Installation of optical fiber lines for broadband services

**\*2 Mobile operation**  
Construction and maintenance of indoor and outdoor base stations for mobile carriers

→ p.59-60  
Urban infrastructure business



→ p.41-42  
Feature 1: Taking on the renewable energy business

Growth strategy for the telecom carriers business

Enhance business efficiency through organizational restructuring and improvement of business processes

The telecom carriers business is where we have made the most extensive organizational restructuring in each area to improve profitability, which has included roughly a decade of aggressive M&A moves. Our reorganization and integration of businesses in the Hokkaido, Tohoku, Kansai-Chugoku, and Shikoku areas were all complete by fiscal 2023, and we merged three Group companies in the Tokyo metropolitan area in April 2024.

The reorganization improves the business efficiency by integrating our access\*1 and mobile\*2 operations into a single operation for each area, reduces management costs by enabling the most efficient allocation of human resources and business sites, and enables an optimized business formation by increasing collaboration among Group companies for a broader business domain. We will continue to advance the organizational restructuring in the final two areas of Tokai and Kyushu in fiscal 2024. In Kyushu, the newly constructed technology center in Dazaifu will serve as the technology hub for the Group's five businesses in Fukuoka City, which will significantly improve our operational efficiency.

Along with the reorganization, we are also focusing on improving our business processes. We are installing network cameras, AI software, and other digital technologies to enhance on-site safety and quality control, which will increase productivity. In addition, we are creating a system for personnel exchanges among Group companies to facilitate the horizontal adoption of effective initiatives.

Transforming the urban infrastructure business

Strengthening data center support and shifting to a recurring business model

We are taking two main approaches to improving the profitability of the urban infrastructure business. The first is to strengthen our business geared to the rapidly expanding field of data centers (DCs). The pace of DC construction in Japan is accelerating, and we are receiving a growing number of inquiries. We expect the heavy demand to continue into the foreseeable future as digital technologies spread throughout society, and we are actively investing management resources to ensure we fully capture the business opportunity.

The most urgent issue in the DC field is securing human resources. We are actively recruiting new personnel while also promoting reskilling by reassigning employees to gain experience in various positions within the company. Many people in the telecom carrier business are experienced in electricity and power-related fields, and we are assisting their reskilling into their areas of preference. This initiative has already led to a substantial number of people transferring into the urban infrastructure business.

The second approach we are taking to improve the business's profitability is to shift the business model to an environment-related business, with a main focus on the renewable energy field. We are shifting away from the standard construction-only model to a recurring business model encompassing construction as well as post-construction facility maintenance and operation services that will generate recurring income. In 2024, we plan to commence operations at woody biomass power plants in Ashikaga, Tochigi Prefecture, and one in Furudono, Fukushima Prefecture. Both plants will be operated to generate and sell electric power with the primary aim of producing recurring income, and will serve as pilot cases for establishing a new environmental business model in the future.

Advancing the system solutions business

Strengthening our human resources and providing total client DX support

We are taking a multifaceted approach to reforming the system solutions business. The business was finding it challenging to attract new hires because of the image our company held in the construction sector. To better establish our recognition as a company specializing in IT, in 2022, we consolidated the business's system development activities into Exeo Digital Solutions Inc. and our maintenance, operations, and other services into Exeo System Management, Inc. Our efforts are finally starting to bear fruit as we are now well-positioned to attract large numbers of outstanding talent.

Along with our human resources, the form of our business is also evolving. Although we currently and primarily engage in software development, system maintenance, and other types of "piecemeal work," we are formulating a new organizational structure to be an all-in-one DX support business for clients providing solutions as the main contractor from the initial project stage.

Another area where we see bright prospects is the ability of network integration to boost business profitability. The Group's origins in telecommunications construction have given us exceptional technical abilities and an extensive staff that are primed for application to network integration. To date, however, we have considered network integration as and ancillary service to our core telecom construction business and we accepted orders without fully considering the profit involved. We completely changed our approach in fiscal 2023 to ensure that our rates were in line with the actual value we deliver, and our profit margin has improved significantly as clients incorporated the price revisions.

Transforming our global business

Expanding our business while putting greater emphasis on profitability

Increasing our presence overseas is also important from the perspective of the circumstances in the domestic market where Japan is experiencing a declining birthrate and aging population. That is another reason why developing our global business continues to be a management priority.

The businesses in this segment have all been geared toward system solutions, but we have been expanding our overseas activities via M&A and other methods to broaden into fields that would be difficult to develop solely within Japan. These upfront investments are finally reaching a level where they are starting to contribute to group profits. We temporarily drew back from our global expansion efforts in fiscal 2023 to deal with the deteriorating environmental performance of the refurbishment business. We continue to view our global business as a growth field, and in July 2023, we opened our new global headquarters named The Pulse in Singapore which is now home to several of our local subsidiaries.

As in our core business areas, the expansion of our global business has reached a stage requiring revision of the business structure. From this point our focus will be on business fields where we can generate stable profits and fields that are strategically important with the aim of advancing a growth strategy with a balanced allocation of resources.

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System solutions business

→ p.63-64  
Strengthening our global business



→ p.29-32  
Human resources strategy  
round table discussion

→ p.49-52  
Human resources strategy

## On human resources

### Priority on creating an environment supporting active and diverse human resources

In May last year, we identified and announced 17 issues of materiality that we are prioritizing as a corporate group. All of these issues are important, but I myself place particular emphasis on the aspects related to human resources because I believe they are the foundation for the Group's future.

We established the Human Resources Development Department three years ago and have been investing significant management resources to create an environment to support an active and diverse group of human resources. Programs we have introduced include the Job Challenge System enabling employees to transfer to departments outside the usual corporate and company parameter, the Overseas Trainee System for internal recruitment of employees to join Group companies overseas to learn their business on-site, and the Driving Corporate Dynamism (DCD) Program aimed at developing leaders for our business transformation.

Another point I have been emphasizing is the importance of communication, particularly among middle managers, which I believe is important to break down the culture of top-down management that often exists in the engineering field. Since launching the Human Resources Development Department, supervisors and subordinates in each department have been regularly holding one-on-one meetings and creating a Career Development Program (CDP) for each person. We are gradually putting in place a structure to develop human resources as an organization.

## Creating a sustainable organization

### Three key words for our transformation

Since becoming company president in 2019, I have been sharing three key words at various opportunities.

The first word is "broadening." The skills we hold as a company are actually applicable to a wide variety of fields. For example, the cable technologies we use in our telecom operations can also be applied to the power generation field. In fact, we are putting this concept into practice by promoting the multi-skilling of employees as a way to grow our business in the power field. To spread the concept of broadening throughout the organization, in the second half of last fiscal year we started compiling the Group-wide Human Resources Database. Collecting all of the Group's human resource information into a centralized database will enable visualization of the skills, knowledge, and expertise our people possess, their locations, and their numbers. With this information available throughout the Group will enable us to maximize our potential as an organization.

The second key word is "connections." A large part of the Group's business was created with the help of partner companies, so part of this concept is to always be aware of the importance of our business partners. I also think that using M&A to expand our business activities and business domain is part of making connections. Post-merger integration (PMI) is often said to be what makes or breaks an M&A move. PMI activities are a form of making connections since the process requires both sides to communicate clearly with each other and to learn and help each other improve. We will put greater emphasis on this idea of connections in both Japan and overseas as we take on even bigger projects.

The third key word is "urgency." I feel that many people in our company, particularly at the middle and upper management levels, take a craftsman's approach of taking all



the time necessary to complete a job to perfection. While this in itself is not a bad thing, in our rapidly changing external environment, it is also important to be able to allow something to get started even though it is not yet perfect and maybe even just 50% or 60% ready, and then guiding and modifying it to match the conditions. I will continue emphasizing the importance of increasing our sense of urgency because I believe it is essential to growing our business in our rapidly changing times.

## To our stakeholders

### For the well-being of all stakeholders

I have a strong desire to change the corporate culture in a broad sense. In the engineering field, for example, completing a project brings a great sense of accomplishment and it is common to congratulate the people saying, "Great job! Well done," and consider the project to be done.

For our business to continue growing, however, we can't be satisfied with completing a project, we also need to connect the project with what comes next—the operation, maintenance, and management after the project is completed. Over the past five years, I have been constantly calling internally for us to "Reconsider how we do work and how we approach our work. Change our daily processes. Always be looking further ahead so we can provide even more value!" A corporate culture is many years in the making, and certainly will not change overnight. Nevertheless, whenever I look around the company, I see more and more worksites where the atmosphere seems to be gradually changing.

I believe that, in many ways, the purpose of a business is to improve people's well-being. Our objective is to realize continuing well-being for all of our stakeholders—our clients, Group employees, partner companies, shareholders, investors, and the people in the places we do business. We at the Exeo Group will continue advancing our business while looking into the future.

August 2024

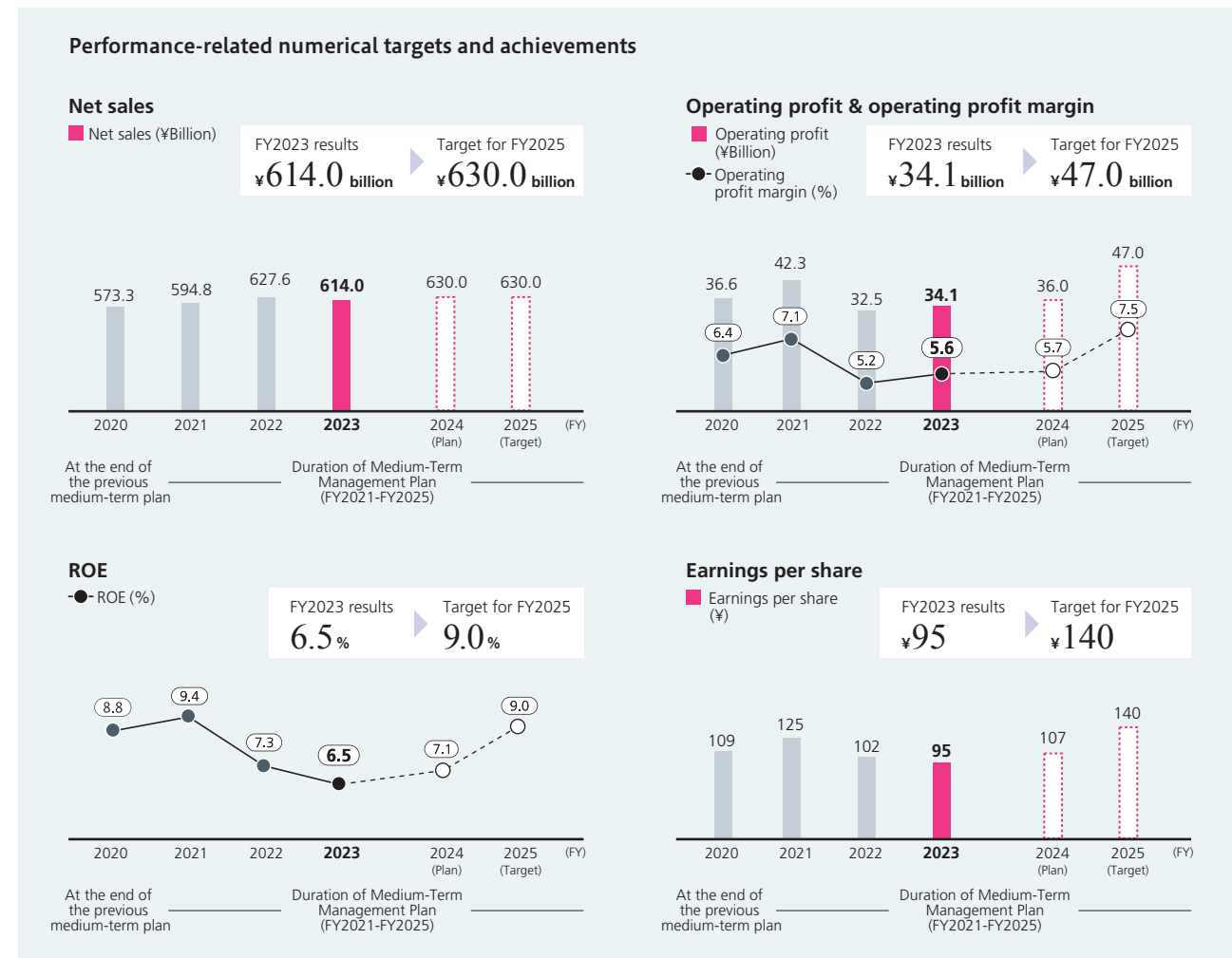
*T. Funabashi*  
President and CEO

→ p.27-28  
Group management

# Dedicated to boosting profit margin and strengthening business infrastructure to achieve our plan for fiscal 2025



In Medium-Term Management Plan (FY2021-FY2025), we set numerical targets for fiscal 2025 while clarifying the aims we envision in each of the three business segments of telecom carriers, urban infrastructure, and system solutions which we are now working toward. In fiscal 2023, we set new all-time highs in orders and also achieved an all-time high level of net sales. We are also steadily closing in on the envisioned transformation of our business portfolio set out in our business strategy, with urban infrastructure comprising 29% and system solutions at 30%.

The challenge going forward will be profitability. We will accelerate our efforts to achieve our profit plan by improving productivity in existing fields, shifting resources to growth fields, and going to even greater lengths to maximize synergies among Group companies. Concurrently, we will actively make future-oriented investments in human resource development and R&D to improve the continuity of our business while producing a steady stream of solutions to social issues—which we consider to be the universal mission of our Group.



What is the Exeo Group?	Messages from management	Value creation strategy	Strategy by business field	Governance	Data section
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Strengthening our business infrastructure

	Theme	Key achievements in FY2023	Relevant page(s)
 Financial strategy	<ul style="list-style-type: none"><li>● Achieving a stable financial base</li><li>● Active investment for growth</li><li>● Stable and flexible shareholder returns</li></ul>	<ul style="list-style-type: none"><li>● Conducted approximately ¥35.0 billion in M&amp;A cumulative over three years starting in FY2021</li><li>● Invested heavily in human resources and R&amp;D/DX, which are our business infrastructure</li><li>● Raised the DOE of our dividend policy from 3.5% to 4.0%. Planning a dividend increase for thirteen consecutive years (FY2024)</li><li>● Bought back treasury shares in a flexible manner (in FY2023: approximately ¥6.0 billion)</li></ul>	→ p.23-26 Message from the CFO
 Group management	<ul style="list-style-type: none"><li>● Flexible and agile Group management</li><li>● Synergies utilizing the Group's strengths</li><li>● Practiced diligent business management post-M&amp;A</li></ul>	<ul style="list-style-type: none"><li>● Reorganized Group companies in the system solutions field</li><li>● Strengthened Group-wide collaboration, including functional reorganization by area</li><li>● Increased the joint procurement capabilities of the Group</li><li>● Made business processes more efficient by establishing common systems</li><li>● Promoted implementation of Group standardized network &amp; security infrastructure</li></ul>	→ p.27-28 Group management
 DX implementation	<ul style="list-style-type: none"><li>● Increased productivity by improving business processes</li><li>● Created value geared toward a new era</li><li>● Advanced digital transformation (DX) in construction through AI, BIM/CIM, etc.</li></ul>	<ul style="list-style-type: none"><li>● Continued efficiency improvements through digital implementation project teams</li><li>● Generated innovations through R&amp;D promotion organizations</li><li>● Bolstered horizontal roll-outs of DX implementation cases</li><li>● Established training systems for developing DX human resources</li></ul>	→ p.53-54 Innovation strategy
 Safety, quality & BCP	<ul style="list-style-type: none"><li>● Responding to changes in the business environment</li><li>● Fostering an organization/culture that supports safety and quality</li><li>● Addressed new business risks</li></ul>	<ul style="list-style-type: none"><li>● Used network cameras to improve the efficiency of communication with worksites and better support them</li><li>● Introduced safety equipment and other checking functions through the use of AI</li><li>● Conducted practical training for preparedness against cyberattacks</li></ul>	<b>Our website</b> <ul style="list-style-type: none"><li>● Quality control &amp; customer safety and health</li><li>● BCP</li><li>● Occupational safety and health</li><li>● Information security</li></ul>
 Environment & energy	<ul style="list-style-type: none"><li>● Active contribution to environment-related business</li><li>● Promotion of the use of renewable energy</li><li>● Reducing the Company's CO<sub>2</sub> emissions</li><li>● Promoting energy-saving activities</li></ul>	<ul style="list-style-type: none"><li>● Built our own woody biomass power plants (two locations) generating approximately 72 million kWh of power per year</li><li>● Advanced our grid-scale battery storage business</li><li>● Switched to electricity from renewable sources at our sites (in FY2023: 77.8%)</li><li>● Promoted switching to EVs and other low-emission vehicles (in FY2023, for passenger vehicles: 96.7%)</li><li>● Scored an "A-" by the CDP as an outstanding company at climate change-related action and information disclosures</li></ul>	→ p.45-48 Environmental management  → p.41-42 Feature 1: Taking on the renewable energy business  <b>Our website</b> <ul style="list-style-type: none"><li>● Climate change initiatives</li><li>● Engagement with the TCFD Recommendations</li></ul>
 Human resources strategy	<ul style="list-style-type: none"><li>● Enhancing adaptability to changes to be able to achieve continuous growth</li><li>● Securing competitive human resources</li><li>● Developing a culture where diverse values are respected</li><li>● Raised employee engagement</li></ul>	<ul style="list-style-type: none"><li>● Introduced &amp; implemented the Driving Corporate Dynamism (DCD) Program</li><li>● Introduced &amp; implemented the Overseas Trainee System</li><li>● Worked on multi-skilling &amp; reskilling employees</li><li>● Began building the Group-wide Human Resources Database</li><li>● Earned outside recognition &amp; awards for efforts toward diversity and inclusion (Awarded the PRIDE Index silver certification for the third consecutive year, and the highest designation of the D&amp;I Award "Best Workplace for Diversity &amp; Inclusion" for the third consecutive year)</li></ul>	→ p.29-32 Human resources strategy round table discussion  → p.49-52 Human resources strategy  <b>Our website</b> <ul style="list-style-type: none"><li>● Human resource development</li><li>● Fair evaluations and treatment</li><li>● Work style reform</li><li>● Diversity &amp; inclusion</li><li>● Work-life balance</li><li>● Health and productivity management</li></ul>





## Our aim is to enhance our corporate value on a balance of financial health, growth investment, and shareholder return

**Shigeki Hayashi**  
Director and Managing Operating Officer, General Manager of  
Accounts & Finance Division, CFO

### Performance review and outlook

In fiscal 2023, the Group's orders received rose 4.9% year on year to a record-high ¥656.5 billion and net sales edged down 2.2% while remaining at high level of ¥614.0 billion. Operating profit rose 4.8% to ¥34.1 billion, coming in very close to our original plan for the year as solid growth in our domestic business overcame sluggish performances for the refurbishment business and digital trade platform services amid deteriorating conditions for the global business.

Profit attributable to owners of the parent declined 9.8% year on year to ¥20.0 billion owing to a ¥4.1 billion extraordinary loss booked on valuation of inventories associated with some digital trade platform services. While solemnly examining the circumstances that led to the unexpected extraordinary loss, we have already implemented countermeasures and do not expect to incur any further significant impact in the future.

The Group's overall growth was mainly driven by higher sales and profits in the urban infrastructure business and the domestic operations of the system solutions business. Together, these segments more than offset lower sales and profits in the core telecom carriers business caused by restrained investment spending by telecom carriers. The urban infrastructure business posted strong results from strong demand for construction of electrical facilities for large data centers and steady demand for projects related to railway and highway tunnels as well as for EV charging stations and storage battery facilities. In the system solutions business, the profit margin improved following the business restructuring and consolidation of business resources into two core companies.

In fiscal 2024, we expect consolidated net sales to rise based on our record level of construction projects being carried over from the previous year along with an ongoing

overall high level of orders. We also expect profit growth in all categories with positive contribution from each segment: in the telecom carriers business from the organizational restructuring and process improvement, the urban infrastructure business from rising demand related to data centers and energy, the system solutions business from enhanced high value-added services, and the global business from structural reforms.

We are diligently working to achieve the targets of the Medium-Term Management Plan (FY2021-FY2025). We are steadily advancing toward achieving sales of ¥630 billion and expect to reach our target one year ahead of schedule. At the same time, with less than two years left to our target date, we believe organic growth alone will not be enough to achieve our objectives for operating profit of ¥47 billion and an operating profit margin of 7.5%. We are therefore mobilizing an aggressive M&A strategy and also considering other approaches to boost profits, such as through capital and business alliances.

### Improving capital efficiency

We recognize that improving capital efficiency is more integral than increasing profits for enhancing our corporate value. That is why we explicitly set a target of 9% return on equity (ROE) in the final year of the Medium-Term Management Plan. In fiscal 2023, ROE was held to 6.5%, primarily owing to the aforementioned extraordinary loss. Without that loss, ROE would have improved to close to 7.9%, and we believe we still have the ability to achieve the plan's target for fiscal 2025.

We consider increasing net income to be the first step for raising ROE, which essentially means boosting the earning power of each business. We will therefore focus on increasing profits in our growth areas of the urban infrastructure and

system solutions businesses while also working to improve profitability in the telecom carriers business, where we see considerable room for improvement. We will focus specifically on restructuring its organization to optimize business formation while also progressing with digital transformation (DX) to improve operational productivity. Group companies previously separated into the access, mobile, and customer carrier business segments will be consolidated under business domains, allowing us to share resources and minimize business costs. We will also incorporate AI and advance DX to automate and standardize business processes for improved operational efficiency and lower costs. With carrier investment activity currently in a lull, we are approaching this time as an opportunity to enhance our business profitability by implementing structural reform to become a lean and muscular organization.

We are also taking steps to reduce our total assets and generate profits by selling unnecessary assets, primarily idle real estate and cross-shareholdings. In the three years of the present Medium-Term Management Plan, we have sold roughly ¥2 billion worth of unused real estate holdings, and in July 2024, we created the Corporate Real Estate (CRE) Office to clarify our policy and guide our real estate strategy. In that time, we have also divested roughly ¥14 billion worth of our cross-shareholdings. We intend to continue selling and reducing our holdings, and management determined in fiscal 2023 to increase the pace of sales.

We are also taking steps to stabilize the ROE denominator of net equity through flexible efforts to enhance shareholder return and leverage interest-bearing debt.

I also mentioned earlier that we are actively seeking to

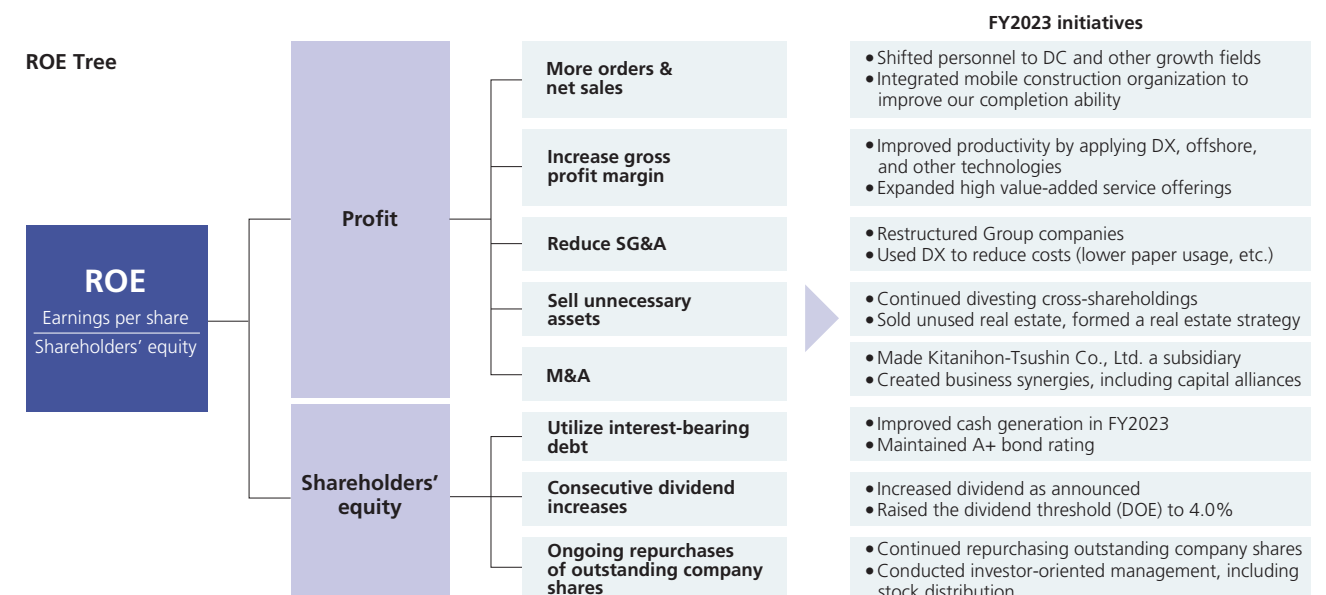
generate cash but will not rely completely on cash on hand for investing in growth, which will include M&A. While maintaining our financial soundness, we will take a flexible approach to raising capital which will include making active use of interest-bearing debt.

We currently emphasize our credit rating as an indicator of our financial health over our shareholders' equity to total assets and debt-to-equity ratio. The Group has earned an A+ rating from the Japan Credit Rating Agency, and maintaining that rating will be one of our guidelines. The average shareholders' equity to total assets of companies with an A+ rating is 46%. Our ratio is currently 52.9%, which we believe indicates that we have an adequate buffer for taking on a certain degree of risk.

### Our growth investment strategy

Cash that we accumulated from operating cash flow through our businesses, interest-bearing debt (borrowing), and gains from the sale of unneeded assets mentioned above will be allocated into two main areas: growth investment and shareholder return. We are progressing generally in line with the current Medium-Term Management Plan to invest over ¥120 billion in growth and return approximately ¥100 billion to shareholders over the five years of the plan. Funds for this will primarily derive from EBIDA (the sum of income before income taxes, extraordinary profit or loss, interest expenses, depreciation and amortization) and interest-bearing debt.

M&A has always been extremely important to the Group's growth, and we fully expect to allocate the largest amount of funds to this area. Primary examples of how M&A has benefited the urban infrastructure business are the



acquisitions of our now-subidiaries Kidoh Construction Co., Ltd., and Iseki Poly-Tech, Inc. These two companies have provided huge contributions to the Group by vastly expanding the scope of project orders we are able to cover from the addition of their proprietary pipe-jacking technologies (construction methods) and also through their synergy effects on peripheral businesses. M&A also played a key role in the system solutions business, as Exeo System Management, Inc., which now plays a central role in our all-in-one service

capabilities, grew out of our M&A with IT-It Co., Ltd., in fiscal 2021. The former company's maintenance and operations, help desk functions, as well as its recruitment and training system are greatly contributing to the system solutions business's current growth.

We actively pursued a promising M&A prospect in fiscal 2023 but were ultimately unable to finalize negotiations. Following that outcome, we are pursuing M&A more aggressively in fiscal 2024 with a focus on our key growth

## Cash allocation policy

### Policy

- Generate cash flow through steady growth
- Sell cross-shareholdings and unnecessary real estate
- Maintain financial soundness while leveraging interest-bearing debt

### Results

#### Interest-bearing debt

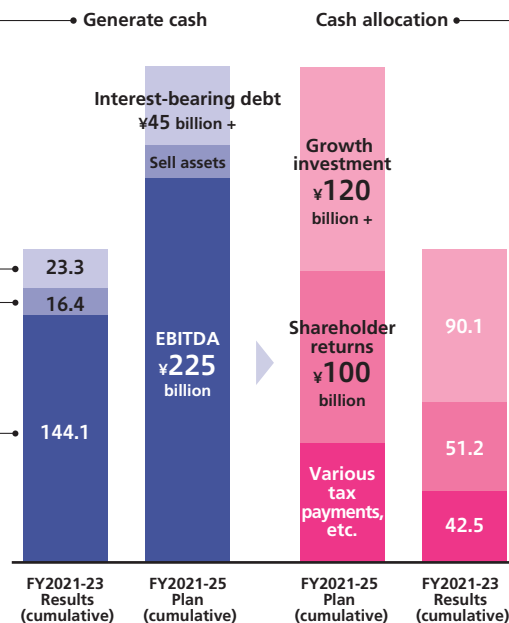
- Interest-bearing debt reduced by ¥12 billion (FY2023)

#### Sell assets

- Sale of ¥14 billion in cross-shareholdings (3-year cumulative total)
- Began examining medium- to long-term real estate strategies

#### EBITDA

- Achieved 64% of the medium-term target (3-year cumulative total)
- Aim for accelerating profits and growth in FY2024 onwards



### Policy

- Build a foundation for growth and continue investment through M&A
- Actively allocate cash to human resources/R&D
- Steadily increase dividends and continue share buybacks

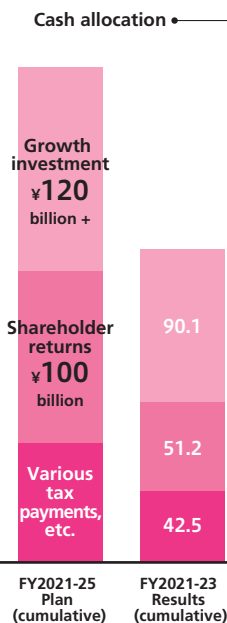
### Results

#### Growth investment

- Achieve 75% of the medium-term target (3-year cumulative total)
- Capital expenditure over ¥50 billion, M&A over ¥35 billion
- Human resource development: Annual average near ¥1 billion (for training, etc.)
- R&D/DX: Invest minimum of 1% of sales

#### Shareholder returns

- Increase DOE standard to 4.0% (FY2023)
- Continue share buybacks and other efforts to improve capital efficiency



## Basic policy on M&A strategies

- Strategically identify M&A targets to attain an even 1:1:1 business portfolio
- Select investments with consideration for the resulting effects and profitability, and build systems to monitor them
- Rebuild our asset portfolio by selling cross-shareholdings

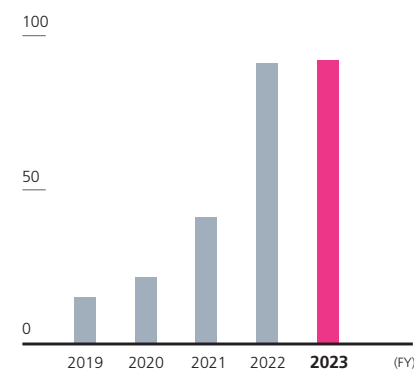
## Main investment results in FY2023

Business field	Strategy	FY2023 investments
Urban infrastructure	<b>Increase market share by expanding business scale and domains</b> <ul style="list-style-type: none"> <li>• Strengthen ability to respond to large-scale projects</li> <li>• Acquire firms in the construction field</li> <li>• Eliminate opportunity loss, accommodate new projects</li> <li>• Acquire human resources and development bases</li> </ul>	<ul style="list-style-type: none"> <li>• Kitanihon-Tsushin Co., Ltd.</li> <li>• X1Studio Co., Ltd.*</li> </ul>
System solutions	<b>Strengthen high-value-added offerings with new technologies and specializations</b> <ul style="list-style-type: none"> <li>• Launch new businesses</li> <li>• Acquire added value, such as patents and construction methods</li> <li>• Develop new products and solutions</li> <li>• Acquire expertise in AI and other new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Fixpoint, Inc.*</li> </ul>

\* Capital and business alliances

## M&A subsidiary sales

Net sales (¥Billion)



Note: Totals for subsidiaries added to the Group from fiscal 2018 onward. Figures exclude C-Cube Corporation, Seibu Electric Industry Co., Ltd., and Nippon Dentsu Co., Ltd.

areas of the urban infrastructure and system solutions businesses. We are looking to expand our partners in both businesses. In the urban infrastructure business, we are focusing mainly on firms with strong construction capabilities in the electric power industry to better capture the strong demand for data center construction. In the system solutions business, we are focusing on companies specializing in consignment software development and managed services.

M&A to bring in new subsidiaries will not be the only way we create new partnerships. In this era of rapidly evolving technologies and changing environment, capital and business alliances are also effective ways to add value to our businesses. In fiscal 2023, although we completed only two M&A moves, we entered into eight capital and business alliances (capital participation), including alliances with the system maintenance and operation company Fixpoint, Inc. and smart building solutions provider X1Studio Co., Ltd. We intend to continue pursuing collaboration and co-creating with companies outside our Group to leverage benefits that go beyond what we can achieve our own.

## To our shareholders and investors

Exeo considers returning profit to shareholders a management priority. Our dividend distribution policy is to maintain stable dividends and to take an active approach to distributing profits while considering our earnings performance, financial status, plans for developing future business, and other factors.

The Company has implemented a progressive dividend policy of increasing or maintaining dividends, with no reductions, for 19 consecutive years since fiscal 2005.

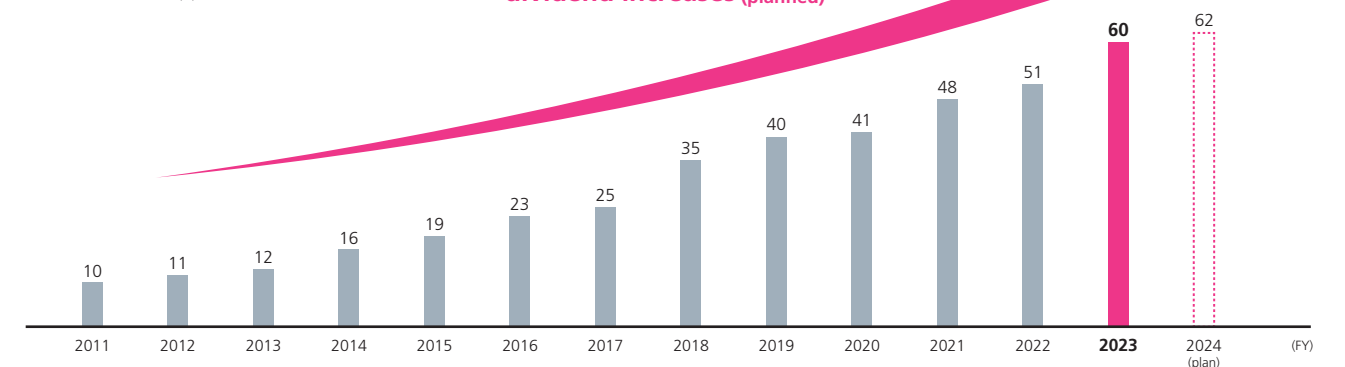
Dividends on equity (DOE) is used as an indicator for maintaining stable shareholder returns because it is not influenced by the business performance in a single fiscal year. In fiscal 2023, we raised our DOE base from 3.5% to 4.0%.

The shareholder dividend for fiscal 2023 was ¥120 per share (¥60 yen each for the interim and year-end), an increase of ¥18 from the previous period. We executed a 1:2 stock split on April 1, 2024, with the intention of improving share liquidity. We are also always monitoring for opportunities to repurchase and retire company shares as part of our flexible approach to improving capital efficiency and enhancing shareholder return. In fiscal 2023, we purchased a total of roughly ¥6 billion worth of outstanding company shares and retired 3 million shares of treasury stock.

Since becoming a director of the Company in fiscal 2023, the regular Board of Directors meetings have given me many more opportunities to engage in constructive discussions with outside directors and statutory auditors. The expert advice they have shared in these discussions have been integral to increasing our corporate value. I look forward to discussions about financial strategies that will further raise our corporate value and deepen our communications with shareholders, investors, and other stakeholders. We appreciated your continued understanding and support for the Exeo Group.

## Annual dividend

Dividend amount (¥)







Message from an officer

## Optimizing our group formation and strengthening governance for future growth

Yuichi Koyama

Director and Managing Operating Officer, General Manager of Group Business Promotion Division

The Group now comprises a total of 142 Group companies operating domestically and overseas (73 domestic, 69 overseas), generating 63% of our consolidated operating profit. To maximize the value of the Group as a whole, each of these companies needs to operate efficiently and effectively while coordinating with each other under the appropriate governance, pursuing overall Group optimization.

### Helping to drive continuous growth by optimizing our group formation

We are continuously engaged in optimizing our Group formation to establish the foundation for flexibly shifting resources for business efficiency and to growth fields such as solutions and social infrastructure. After making the preparations in fiscal 2023, we integrated two Tokyo area engineering companies in the access business and one in the mobile business in April 2024. In the Tohoku area, Kitanihon-Tsushin Co., Ltd. which has strength in local public works projects also joined the Group. Along with Daiwa Densetsu Corporation and Exeo Engineering Tohoku Co., Ltd., we expect them to significantly help boost our presence in the area and strengthen the foundation of our business.

Going forward, we will also work toward optimizing our formation per area and business segment, and on reskilling to take on growth fields. We will promote synergy creation as well as structural reforms through operational innovations via DX, building an organizational structure to achieve the Medium-Term Management Plan and deliver continuous growth.

### Stronger governance to support continuous growth

In addition to strengthening our business infrastructure by establishing our formation, we are also working to strengthen our governance. While formulating and instilling our Group Purpose, Human Rights Policy, and Procurement Policy, we are also establishing and implementing internal Group rules based on them as we universalize various types of systems and move toward more shared operations to get work done in parallel. Through these efforts, we will enable ourselves to quickly and accurately address changes in the business environment and to laws and regulations as a group of companies in its entirety. At the same time, we will aim to further enhance our risk management based on internal controls and common guidelines.

To bolster our cyber security we are introducing a zero trust security model that balances remote work with security as we advance network security integration throughout the Group as a whole. EXEO-SIRT (CSIRT/SOC)\*1 is implementing centralized security monitoring and operations and striving to ensure safety and security while reinforcing our governance.

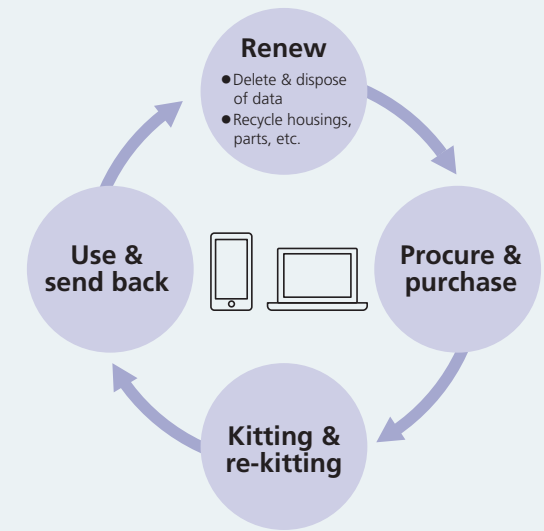
\*1 EXEO-SIRT (CSIRT/SOC): The rescue team that handles cyber security incidents within the Group

## TOPICS

### 1. Reconceptualizing device life cycles using refurbished computers and smartphones

Conventionally, each company in the Group had been externally procuring its own computers and smartphones. However, with heightened awareness of security threats and environmental impact, it was essential to reconceptualize device life cycles. Within the Group, we have created in-house subscription services that combine the refurbished computers sold by Group company Arco Japan, Inc. with the security configuration and maintenance capabilities of Exeo System Management, Inc. We have begun providing these services to Group companies.

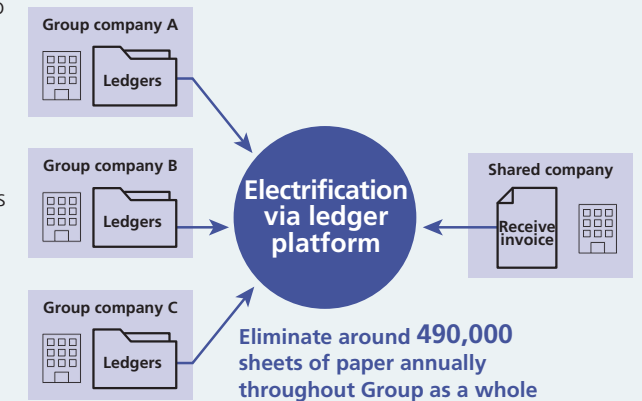
As a result, we are controlling our external cash outlays while at the same time improving operational efficiency in security and achieving greater sustainability through a circular economy.



### 2. Improving productivity with a Group-wide ledger platform

In addition to facilitating compliance with the Act on Preservation Methods for Books and Documents, we are also reconceptualizing inefficient workflows via conventional paper ledgers, implementing a Group-wide ledger platform and operating it. Including their partner companies, the companies we are using as implementation models have achieved a 77% rate of electrification. Eliminating around 490,000 sheets of paper throughout the Group as a whole is helping to improve productivity and reduce our environmental impact.

Going forward, we will also aim to reconceptualize processes and save more energy by deploying AI, move toward shared operations for processing invoices, and in doing so, improve efficiency throughout the Group as a whole.



### Group companies that were reorganized & integrated since April 2023

Company	Established	Merged company	Business activities
<b>EXEO Engineering, Inc.</b> Telecom carriers business    Urban infrastructure business	April 2024	● Shinyei Tsushin Co., Ltd. ● Suncrex Corporation ● Exeo Mobile Co., Ltd.	Telecommunication facilities construction, electrical facilities construction, business in power generation & sales

### Companies added to the Group since April 2023

Company	Added	Business activities
<b>Kitanihon-Tsushin Co., Ltd.</b> Urban infrastructure business    System solutions business	November 2023	Electrical construction, civil engineering & building construction, disaster information, road information, coastal & river information

# What human resources strategy is right for the future of the Group?

Human resources fuel the growth of our businesses. As such, they are the key to achieving Vision 2030.

Outside directors Naoko Iwasaki and Tomoko Aramaki had a discussion with Operating Officer and General Manager of the Human Resources Development Department Naoko Furukawa about what the human resources strategy for our Group as a whole should be.

**Tomoko Aramaki**  
Director

Certified Public Accountant. Established Aramaki CPA Office in 2006. Became an outside statutory auditor of Exeo Group, Inc. in 2018, and has been an outside director since 2023.

**Naoko Furukawa**  
Operating Officer, General Manager of  
Human Resources Development Department

Joined the Group in 2017. Assumed the role of the first ever general manager of the newly-established Human Resources Development Department in 2021 after previously serving as Manager of the Koshin Branch.

**Naoko Iwasaki**  
Director

Waseda University professor. Her research topics include the core competencies of CIOs, digital human resources development, and digital government (national & local e-government). She has been an outside director of Exeo Group, Inc. since 2019.



## Grooming human resources to be leaders who drive business transformation

**Furukawa** • The Group is currently transforming its business portfolio to achieve Vision 2030. Our mission in the Human Resources Development Department is to hire and develop personnel capable of creating the future we envision based on the Group's growth strategy, and to establish their workplace environments. Until now, we have been hiring and developing human resources separately in each of our three business segments. However, we are now fundamentally reconsidering our approach to human resources in order to keep pace in an era of turbulent change.

**Aramaki** • I have been involved in many different discussions in Board of Directors meetings since joining this Group as an outside director six years ago. Human resources hardly ever came up back then, but now we are frequently discussing it. The Human Resources Development Department headed up by Ms. Furukawa was established independently of the Human Resources Department three years ago and has begun working on a variety of concrete measures. I can say with confidence that having created the frameworks and systems to be the foundation for implementing our human resources strategy is itself a significant evolution.

**Iwasaki** • Over these past five years I have also been overseeing this Group's business strategies as an outside director. Now, I have a feeling that reforms toward Vision 2030 are steadily progressing in each department. Various human resources strategy measures are also being deployed with the Human Resources Development Department playing the leading role, and we are gradually seeing the fruits of those efforts. Of course, there are also even more issues we should tackle from the standpoint of structural change for the Group as a whole.

**Furukawa** • Indeed. One issue that I consider to be a particularly major challenge is developing leaders of transformation. We will need human resources who are capable of independently and autonomously changing organizations without clinging to existing concepts in order to keep pace with turbulent changes in the outside environment. Based on that idea, we have been implementing a new form of training called the Transformation Leader Development Program since fiscal 2022. In this program, we select future management candidates from among all business divisions including Group companies, and have each of them undergo their own coaching program.

**Aramaki** • If you think about the future of our Group, the development of leaders capable of driving bold transformations really is a key issue for management. What sort of qualities and abilities characterize the employees that our Group envisions as transformation leaders?

**Furukawa** • As opposed to those who forcefully push an organization on their own, these are leaders who are capable of guiding their subordinates and colleagues in a way that

respects their individuality and compels them to perform on their own initiative. I think it is important to have the attitude of getting work done while listening to what subordinates say, understanding their ambitions and desires, and thinking together with them, rather than the old way of communication to just tell them "Do this!" We want to seek business transformation together, with the Group as a whole and also our partner companies. This only the third year since the Transformation Leader Development Program began, but we can see that some participants have already started changing their management styles. We will to keep this moving steadily forward.

## Importance of interconnection between human resources strategy and DX strategy

**Aramaki** • Many companies are currently struggling to secure human resources. Under the current approach, as companies cannot seem to hire the people they seek, it will also become important to improve efficiency and save labor in various work operations through progress in digital transformation (DX) — in other words, the effective use of digital technologies. In that sense, I think interconnection between human resources strategy and DX strategy will be increasingly important. Does it seem that way to you?

**Furukawa** • Absolutely. We have a dedicated project team for DX efforts that launched in fiscal 2023, and they are engaged in activities encompassing the Group as a whole. Rather than just IT departments or solutions businesses, DX is a topic that involves the entire company including back-office departments like ours. It is important for each individual employee to think "where could added value be generated or efficiency improved through the use of digital?" with their own business processes in mind. To that end, we have conducted DX Training for all employees and also organized what we call the DX Activity Report as a Group-wide event to share specific initiatives taking place at worksites. Just by looking at this report, I can see that significant progress has been made in changing mindsets toward DX.

**Iwasaki** • DX at companies generally consists of internal DX and external DX. For internal DX, progress has been made at many companies in movements to make operations more efficient and allocate the right employees to the right positions through horizontal company-wide deployment of digital. The pandemic years also had an influence on this. On the other hand, external DX can also be leveraged to expand collaboration and co-creation not only with customers and partners but also with a wide variety of outside industry types, organizations, and groups. I believe this includes innovations even beyond improving productivity. For our Group, we are focusing on expanding our business domains while also branching out globally. That should also include organic developments such as partnering with overseas companies to create new services that utilize digital, or taking IT solutions



that originated overseas and deploying them in Japan as well. Those initiatives should also serve to develop new human resources while contributing to the growth of the company.

**Furukawa** • Thank you for the advice. I also think that DX implementation and human resources development will combine to fuel the evolution of business in each department. Going forward, we will further bolster interconnection between DX strategy and human resources strategy from a broader perspective — that of the Group’s overall evolution — and generate new ambitious initiatives throughout the Group as a whole.



## Utilizing human resources in a Group-wide manner

**Aramaki** • The optimal allocation of human resources post-M&A is also a major issue from the perspective of utilizing human resources. Over the past few years, the Group has been growing in size through vigorous M&A. However, skillfully integrating the human resources of each company after mergers is not as easy as it sounds. For example, our Group has the experience of merging a listed company in the same industry and making them a subsidiary. Companies like that possess talented human resources with skills in preparing securities reports and running General Meetings of Shareholders. We need perspectives and frameworks for how to effectively utilize people with such specialized skills after the mergers.

**Furukawa** • I also see the importance of creating frameworks for talented human resources to shine throughout the Group as a whole. Actually, that perspective is evident in the Group-wide Human Resources Database which we started building in 2023. In the past, even if we knew what type of human resources were lacking in which department, we did not have any efficient method for searching the Group for them. The idea is to facilitate greater sharing of data Group-wide to gain a comprehensive grasp on what human resources with which qualifications, specialized skills, and work experience exist where.

**Iwasaki** • The first stage is to build the database of our human resources. Going forward, the challenge will be how

to match human resources with the departments that need them. As for what type of human resources we need, I think we will need to establish more objective standards and make those clear. Those will also probably become our standards for human resources development. In one instance that I remember from my specialized research field, the core competencies and skills required for an overseas chief information officer (CIO) had been defined in extensive detail, and they had also systematized the learning program for that role. It is important that we also work to clarify the required skills while simultaneously building our human resources database, and then channel that into gradual development.

**Furukawa** • As you mentioned, I am recently starting to hear it pointed out that we need to establish a skills list for the human resources required by each department. The specialized qualifications and skills needed for each work operation have been clarified and we have a learning program, but we also plan to swiftly establish concrete methods for building the qualities and skills that are required of leaders.

## Mechanisms that keep employees from leaving

**Aramaki** • You always need to secure a certain number of employees in order to keep an organization functioning. Still, keeping your existing employees from leaving is also important. Of course, conditions such as salaries are a major element of that, but I hear that in many cases, young employees nowadays are quitting when they feel they cannot grow if they stay. It seems to me that a key point to reducing the number of people who leave would be to flexibly offer opportunities to gain new experiences to those who want them. Recently they are using terms like “no-choice job assignments” and “no-choice boss assignments”. If we had a mechanism to flexibly accommodate each employee’s career plan rather than having them stay put once their job assignment is decided, I think our retention rate would also change.

**Furukawa** • This Group really does have a wide variety of job types, so I think we could create a mechanism to allow them to take on their own new challenges and observe their situations after they receive job assignments. We have begun the Overseas Trainee System sending employees on one-year assignments at overseas affiliates and the Group internal job posting system (Job Challenge), but it would also be good to offer more diverse career paths such as assignments not only internally but to overseas affiliates, research institutions, and public offices.

**Aramaki** • I think we also need a mechanism that keeps people in managerial positions from leaving. For example, I have heard that one large company recently implemented a system that allows manager-level employees to temporarily downgrade to normal positions for personal reasons such as

nursing care or child care and assures they can eventually return to their original manager posts. They can temporarily escape the weight of their managerial roles and focus on their personal issues.



**Iwasaki** • In Europe and North America, there are options for more flexible work styles according to life events such as individual and family life circumstances, even for manager-level employees. There are also systems that enable job sharing for the workload and responsibilities of managers. However, the true nature of this is probably not about issues limited to women, but more about how the organization can comprehend diversity.

**Furukawa** • Many female employees in Japan say that they don’t want to become managers due to their anxiety over whether they could handle managerial duties while also raising children or caring for someone. Often male managers take that literally and assume they really don’t want such roles. I think we can enable talented female personnel to succeed in more settings and maximize the value of in-house human capital by establishing systems that make it easier for capable people to harness their abilities.

## Raising attractiveness through branding

**Aramaki** • Another important part of human resources strategy is bringing in talented people from the outside. I have repeatedly brought this up in Board of Directors meetings. It is important that we also put more energy into corporate branding for the Group to be able to continuously bring in talented personnel. For example, the Group’s system solutions business is now steadily expanding and our needs for IT personnel there are also growing, but on the outside there is still a narrative that we are primarily a telecommunications construction and engineering company. We need to quickly eliminate that gap between impressions and reality.

**Iwasaki** • The new online video ad we recently announced seems like a change in direction. For the first part in the series, we are implementing a branding strategy of narrowing the focus to young people and sparking their interest by flashing the Group logo and company name on-screen, and asking

what this company does.

**Aramaki** • I was also surprised at the ad that only promotes the brand “Exeo” without a word about what the company does or its profile. Our outside directors have also remarked that they’re looking forward to the second and third parts in the series.

**Furukawa** • In 2024, we are starting to deploy a new concept of recruiting-oriented advertising. The strategy is to increase our brand recognition by first simply stoking their interest to know “what is this?” On the other hand, we are also deploying corporate advertisements unique to Exeo Digital Solutions, Inc. which is the core company of our solutions business. In those, we have bolstered the messaging that clearly conveys being an IT company, and more new graduates are communicating their interest as a result.

**Iwasaki** • Aside from promotions through means such as commercials, I also consider it important to promote a true snapshot of the company through activities such as industrial-academic partnerships. Our Group is already engaged in various partnerships with multiple universities. Grounded initiatives such as these will likely lead to branding as a company in the future. I think it will be essential to collaborate with universities and other institutions on spreading women’s career advancement, which has been a key issue for the Group from the perspective of diversity.



**Furukawa** • We have already secured female employees in the system solutions business to a certain extent, and I think we can further increase our percentage of women through stronger branding going forward. Women’s career advancement in engineering involved with construction worksites is an issue, but on-site work styles are changing thanks to the deployment of DX and AI. Now there are many settings where women can also succeed in the field of engineering. I will draw on knowledge from both of you in strengthening our human resources capabilities in this area as well.