



Connecting Engineering Company

Integrated Report  
**2024**

[Philosophy]  
Our enduring passion and guiding principles

## Cultivating technological capabilities, seeking affluence, and contributing to society

The utmost ground for existence is the Group's technological capabilities.  
Throughout its existence, the Group has aimed to be a corporate group that always anticipates and pursues better technologies at the forefront of leading-edge technologies.  
The technological capabilities cultivated through these efforts will help create more affluent living environments for people.  
The Group intends to be a valuable enterprise by contributing to society through activities in the pursuit of state-of-the-art technologies.

[Purpose]  
Our role in society

# Bring the benefits of connectivity to all

Exeo Group believes access to infrastructure should be universal.  
Everyone everywhere deserves the basic support functions to pursue happiness on their own terms. This is the world we're aiming for.

Working closely with our partners in a rapidly evolving world, we're betting on technology and combined expertise, from hardware to software, to bring the benefits of connectivity to all.









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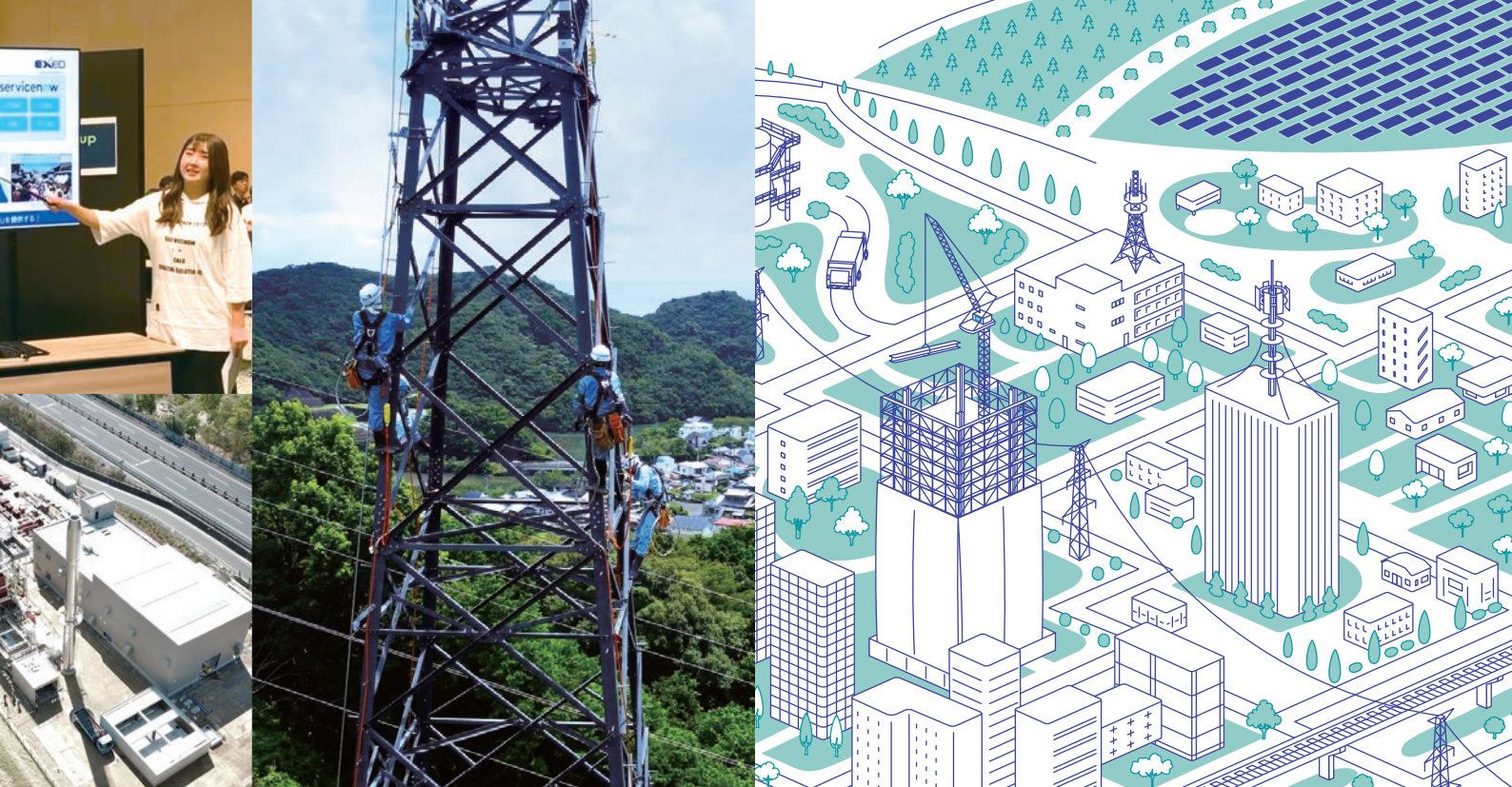
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## Editorial policy

### Referenced guidelines

- International Integrated Reporting Framework (IFRS Foundation)
- Company-Investor Dialogue for Collaborative Value Creation (Ministry of Economy, Trade and Industry of Japan)
- GRI Sustainability Reporting Standards (Global Reporting Initiative)
- SASB Standards (Sustainability Accounting Standards Board)

### Scope of reporting

Period: April 2023 to March 2024 (includes some information relating to before or after the reporting period)  
Scope: Exeo Group, Inc. and its consolidated subsidiaries (in some cases Exeo Group, Inc. only)

### Issued

August 2024 (Next scheduled issue: August 2025)

### Notice on forward-looking statements

This corporate report contains forward-looking statements such as the future business performance outlook of the Group. As these statements are based on the information available at the time of the preparation of this report, the actual results may differ materially from the content described or suggested therein due to various factors.  
As this corporate report is not intended for the purpose of soliciting investment, all users of this report are advised to undertake decisions concerning investment at their own discretion. The figures stated in units of ¥100 million and ¥1 million are rounded down.

## External evaluation

### SBT validation

In July 2024, we received SBT Validation from the international Science Based Targets (SBT) initiative organization for our greenhouse gas reduction target for 2030 as a target based on scientific evidence.



### Digital Transformation Certification

Exeo Group was recognized as a certified digital transformation (DX) operator in March 2022 based on the Digital Transformation Certification System of the Ministry of Economy, Trade and Industry.



### CDP Climate Change Report

International non-government organization CDP which runs an environmental information disclosure system selected us for an A- designation as a company with outstanding environmental initiatives and information disclosures pertaining to climate change.



### D&I Award

The Group was awarded the highest designation "Best Workplace for Diversity & Inclusion" in D&I Award 2023\*1 which recognizes the efforts of companies that strive toward diversity and inclusion.



\*1 Operated by JobRainbow Co., Ltd.

### PRIDE Index

The Group received silver certification in the PRIDE Index 2023\*2 that evaluates workplace initiatives related to LGBTQ and other sexual minorities.



\*2 Formulated by volunteer nonprofit organization Work with Pride

### Nikkei Smart Work

We achieved a 4 star rating in the 7th Nikkei Smart Work Management Survey, which recognizes companies that are utilizing human resources to their maximum potential and thus pioneering innovation and new markets by creating diverse, flexible work styles.

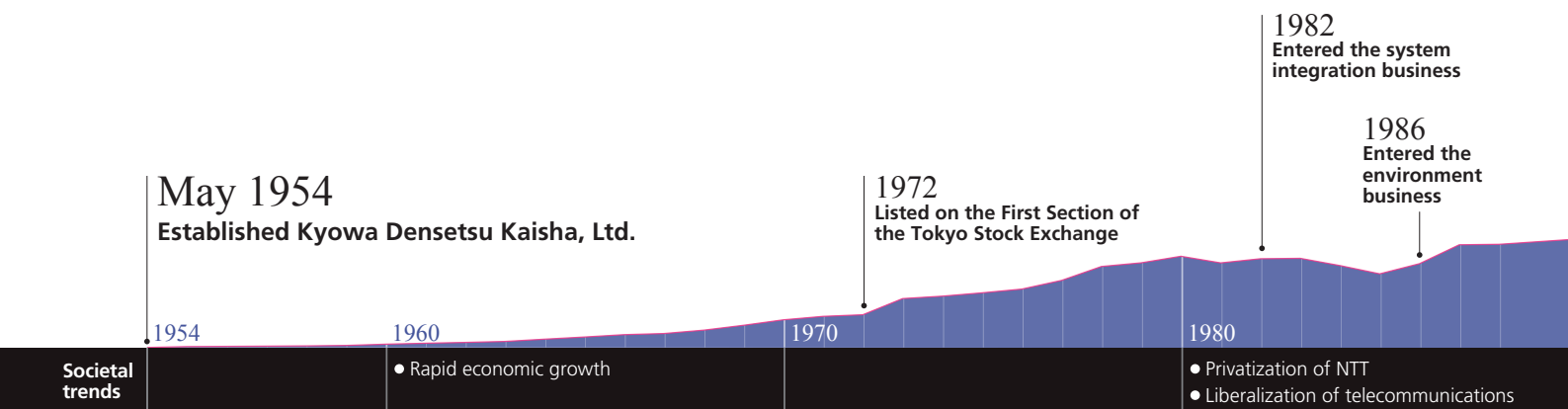


### Nadeshiko Brand

The Group has been recognized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years, with selection as a Nadeshiko Brand in 2020 and as a Semi-Nadeshiko Brand in 2021 and 2022.



# Our heritage and our future: Delivering value by connecting people



Value generated  
through connectivity

What “benefits”  
were created?

## Founding-1970s



### Telecom carriers business

#### Development of a high-quality telecommunication infrastructure network across Japan

As Japan entered a period of rapid economic growth, its telecommunications network, particularly telephones, became an indispensable aspect of its infrastructure. We were responsible for the construction of telecommunications facilities throughout Japan, contributing to the development of the telecommunications network.

#### Implementing the shield tunneling method in tunnel construction

Tunnels to house underground telecommunications cables were conventionally dug by hand, but then it became normal to excavate such tunnels using shield tunneling machines. Tunnels reaching up to approximately 650 km in total length are currently supporting telecommunications infrastructure throughout Japan.

## 1980-1990s



### Telecom carriers business

#### Responsible for the spread of mobile communications and the upgrading of communication networks

In addition to the widespread use of cell phones, there was growing demand for high-standard telecommunication networks such as optical fiber communication and digital communication. With this business environment providing a tailwind, we strengthened our construction capabilities to handle large-scale projects.

#### Spread of optical fibers

We took part in building the approximately 4,000 km high-speed telecommunications highway spanning all of Japan in the Trans-Japan Optical Fiber Transmission Line project from 1983 until 1985. Doing so, we played a part in bringing about the age of high-volume data transmission.



Net sales in FY2023 (consolidated)

¥614.0 billion

1991

Changed the company  
name to Kyowa Exeo  
Corporation

1998

Entered the network  
integration business

2018

C-Cube Corporation, Seibu Electric Industry  
Co., Ltd., Nippon Dentsu Co., Ltd. made  
Group companies

2021

Change the company  
name to EXEO Group, Inc.

1990

• Emergence of mobile phones

2000

• Spread of the Internet  
• Increasing severity of climate change

2010

• Internet of Things (IoT)

2020

• Spread of telework

2000s



Urban infrastructure business

**Expanding business in the environmental field to contribute to environmental issues**

Amid growing public concern about the environment, we expanded our services to provide integrated construction, operation, and maintenance of waste treatment facilities and biomass boilers. This enabled us to take advantage of our technical capabilities, cultivated through telecommunications construction.

**Internet connections through handheld devices such as i-mode**

NTT Docomo's i-mode service was launched in 1999, and by 2000 it already had more than 10 million subscribers. Our Group supported the meteoric growth of data traffic through cellular networks, including of competitors, through the construction of wireless stations.

2010s



System solutions business

**Shift to a total ICT solutions provider**

As businesses ramped up their efforts to adapt to the IoT era, characterized by the spread of smartphones and tablets and the shift to cloud services, we pivoted to become a total ICT solutions provider.

**Launching LTE and the emergence of IoT**

The Group was involved in construction projects such as carrier aggregation, adding and replacing antennas, and constructing compact base stations for the launch of the LTE high-speed telecommunications standard. As LTE became prevalent, the internet of things (IoT) went into use in various fields.

2020s



System solutions business

**Expanding global business to rapidly growing overseas markets**

As the domestic market matured, we expanded business with a base in Singapore to seek further growth opportunities. We are active in the three fields of urban infrastructure including telecommunications facilities, system solutions, and new business.

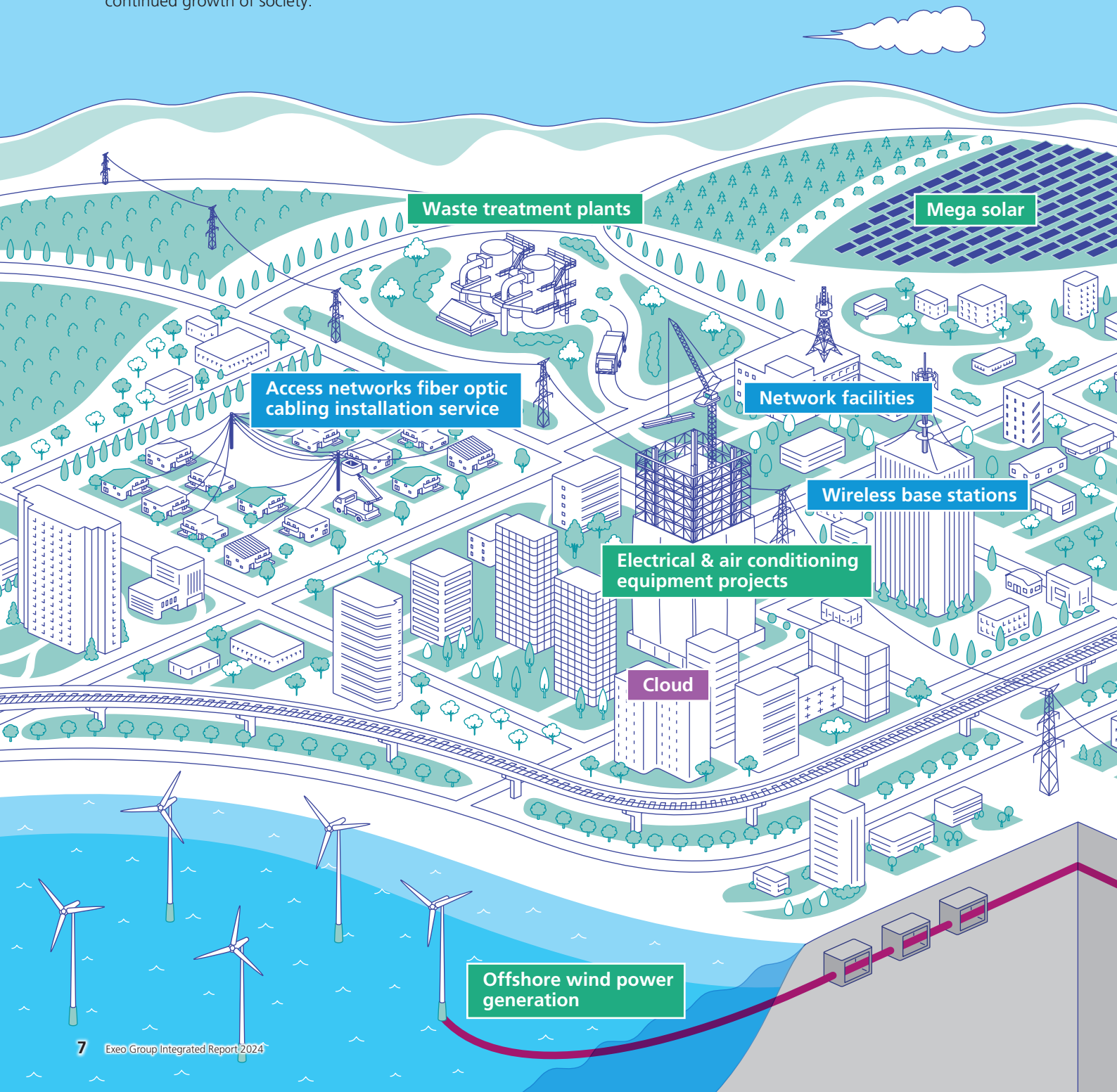
**Advancements in information education**

Japan's GIGA School Program aims to equip each student with one learning device together with high-speed telecommunication network services. The Group contributed to the ICT learning environments of children by supporting package implementations at approximately 5,000 public elementary and junior high schools, comprising one-sixth of all such schools in the country.

# Helping society flourish with diverse businesses generated by connectivity

The strength that we have honed since our establishment is the technological capability to build high-quality information and communications infrastructure.

Leveraging these technological capabilities honed over the years to deliver solutions to social issues in many different fields, we are expanding our business domain while contributing to the prosperity of individuals and the continued growth of society.







### Telecom carriers business

Throughout Japan, we provide integrated all-in-one services from design to construction, operations, and maintenance, for the telecommunications facilities of telecom carriers. We support construction for a broad range of telecommunications infrastructure, including 5G mobile telecommunications, optical fibers, servers, and routers.



### Urban infrastructure business

We provide an integrated system from design and construction to maintenance, covering communication infrastructure including railroad communication facilities, data centers, and electrical facilities for office buildings, as well as a variety of infrastructure works including pole-free facilities.



### System solutions business

We provide a full range of ICT-based solutions for the construction, maintenance, and operation of various corporate systems, from communication network systems to core systems for the manufacturing industry, as well as educational and medical applications.

## Onshore wind power generation

### Data centers

### Biomass power plants

### Railway telecommunications

### Educational ICT

### Pole-free

### Wi-Fi, wireless LAN, servers

### All-in-one support for local government DX

### Medical & healthcare

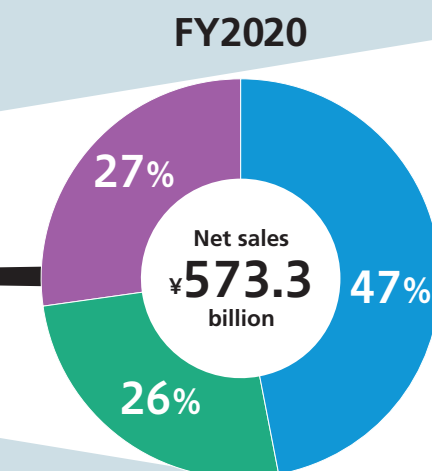
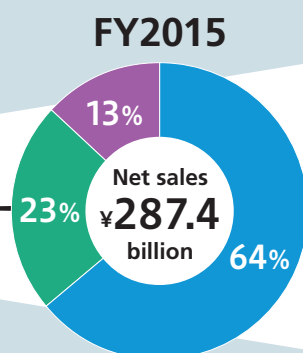
### Energy-saving & smart energy

### Pipe jacking

# Trailblazing new business domains in pursuit of continuous growth

The Group has a long-term vision to make our telecom carriers, urban infrastructure, and system solutions businesses roughly equal in net sales by 2030, to fully harness the connectivity we have honed through the years and continuously grow our business value.

## Roadmap



- Integration of three companies in the same industry in western Japan
- Expansion of operations through M&A activities
- Promotion of global business

## Main businesses serving as growth drivers



### Urban infrastructure business



#### Renewable energy

→ p.41-42 Feature 1



#### Data centers

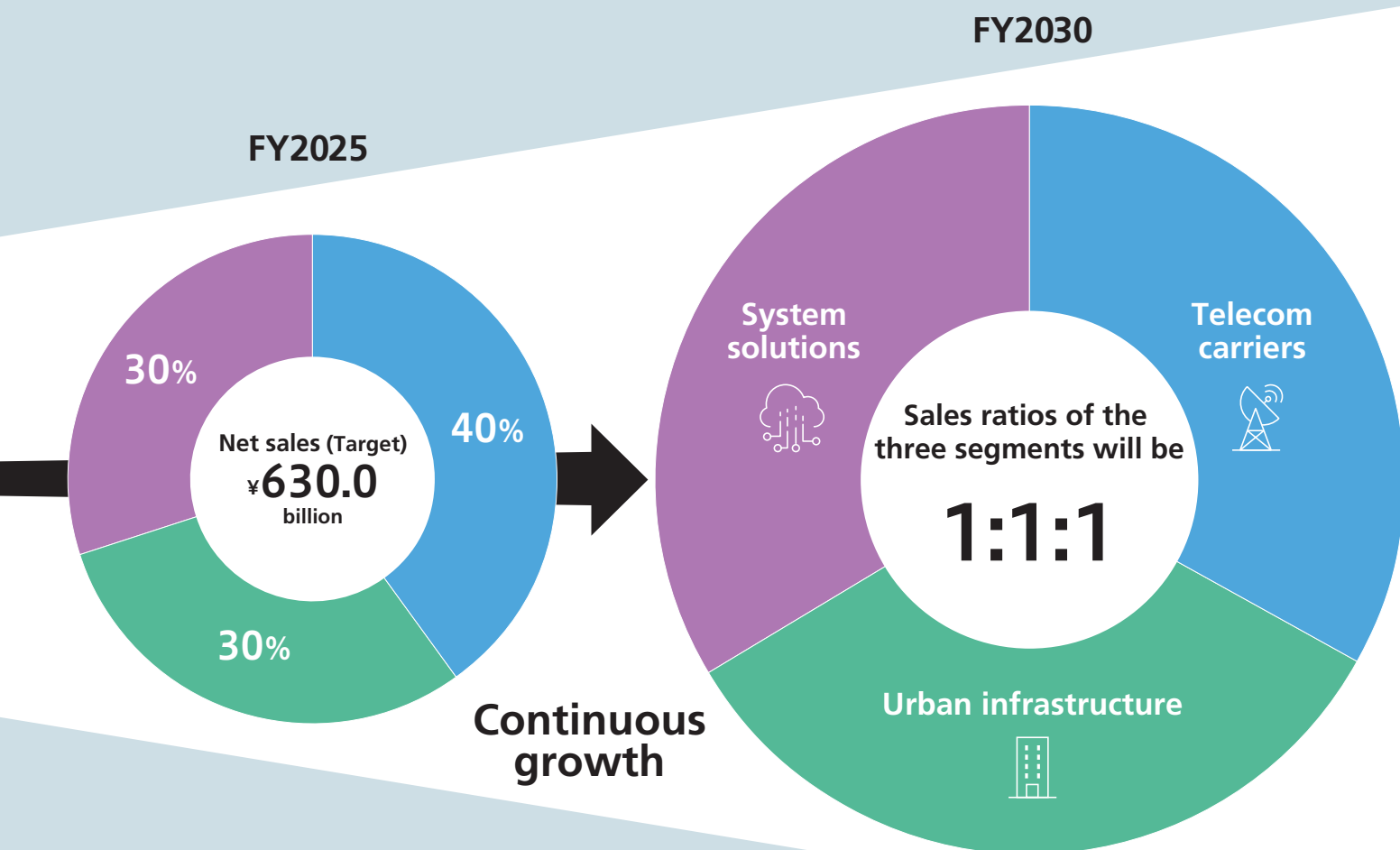
→ p.59-60 Urban infrastructure business



#### Social infrastructure construction

→ p.43-44 Feature 2





## System solutions business



**Expanding business infrastructure via core subsidiaries**

→ p.61-62 System solutions business



**Expanding recurring business**

→ p.61-62 System solutions business



**Global business**

→ p.63-64 Strengthening our global business

# Financial and non-financial highlights

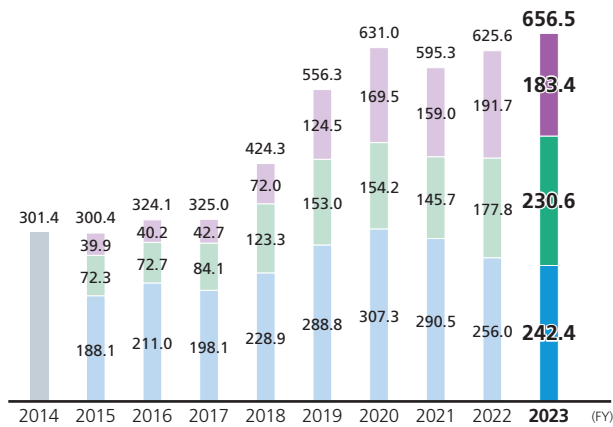
## Financial

Scope of data: Exeo Group, Inc. and its consolidated subsidiaries

### Orders received

¥656.5 billion +4.9% 

■ Telecom carriers business ■ Urban infrastructure business  
■ System solutions business (¥Billion)

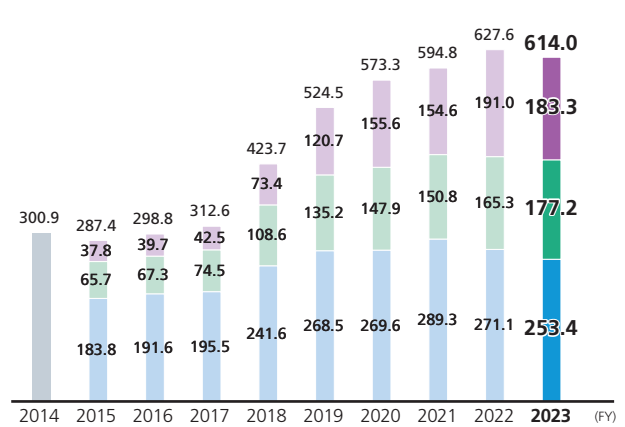


Although curtailed investments by telecom carriers and slumping business overseas had an impact, orders were strong in urban infrastructure—primarily in data centers. As a result, we recorded a new all-time high in orders received with a 4.9% year-on-year increase.

### Net sales

¥614.0 billion -2.2% 

■ Telecom carriers business ■ Urban infrastructure business  
■ System solutions business (¥Billion)

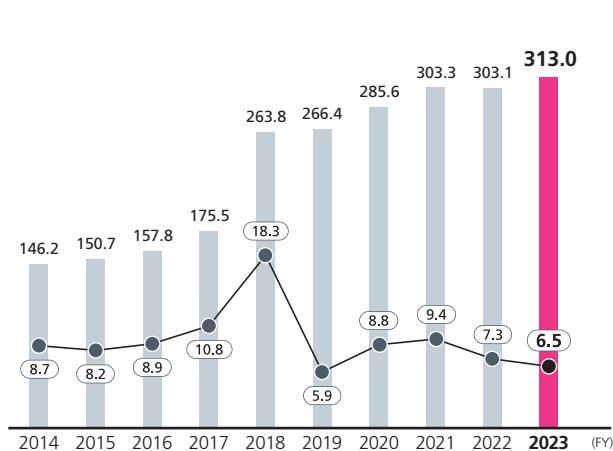


Although net sales did not reach the level of the previous year, sales in energy unit and public infrastructure increased in the urban infrastructure business. As a result, we secured a high level of net sales that exceeded ¥600.0 billion for the second straight year.

### ROE

6.5% -0.8 points 

● ROE (%) ■ Shareholders' equity (¥Billion)

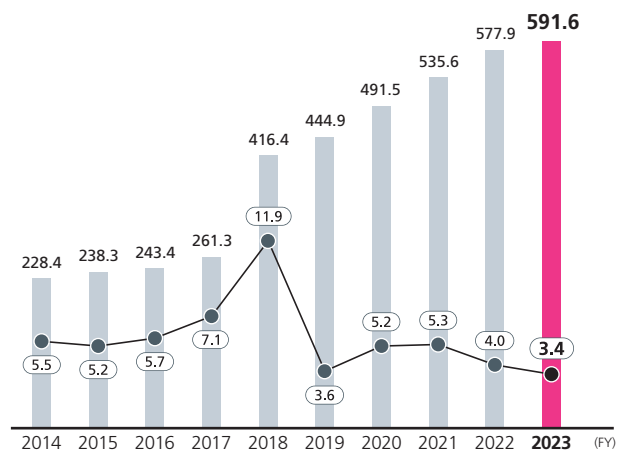


Yearly profit declined, resulting in a year-on-year decrease of 0.8 percentage points to 6.5%. We will bolster our profitability in order to reach the 9.0% ROE specified in our Medium-Term Management Plan.

### ROA

3.4% -0.6 points 

● ROA (%) ■ Total assets (¥Billion)



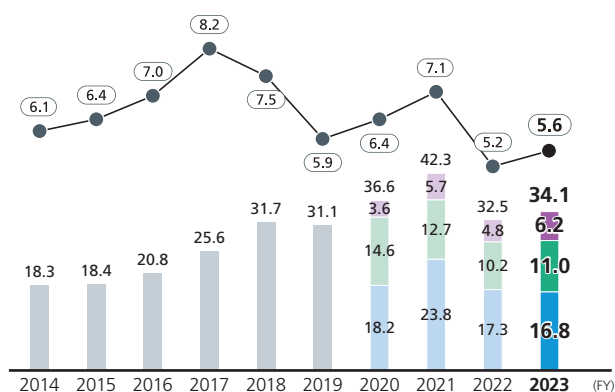
Yearly profit declined, resulting in a year-on-year decrease of 0.6 percentage points to 3.4%.

\* We conducted a two-for-one stock split for common stock effective April 1, 2024. Numerical values shown for past years are recalculated figures taking this stock split into consideration.

## Operating profit

¥34.1 billion Change year on year +4.8%

■ Telecom carriers business ■ Urban infrastructure business  
■ System solutions business (¥Billion) ● Operating profit margin (%)

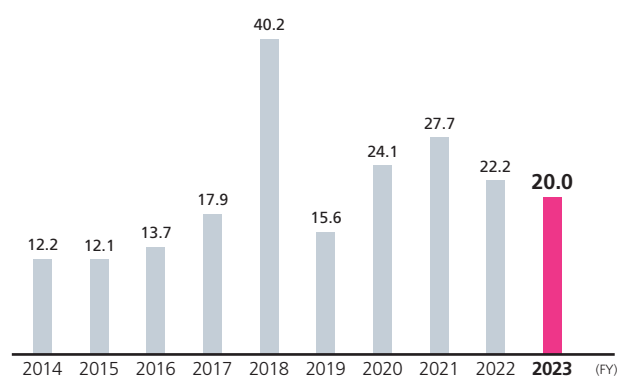


Profit grew across all segments as structural reform initiatives proceeded and domestic business also grew. While our profit margin decline in the telecom carriers business slowed down, we also improved our margin in the system solutions business.

## Profit attributable to owners of parent

¥20.0 billion Change year on year -9.8%

■ Profit attributable to owners of parent (¥Billion)

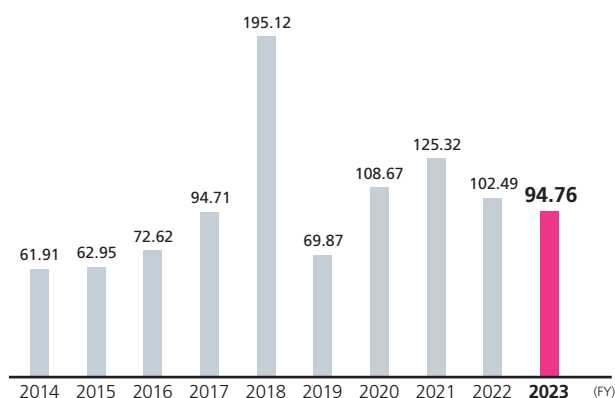


Profit attributable to owners of parent declined by ¥2.1 billion year-on-year to ¥20.0 billion along with loss on valuation of inventories overseas.

## Earnings per share\*

¥94.76 Change year on year -7.5%

■ Earnings per share (¥)

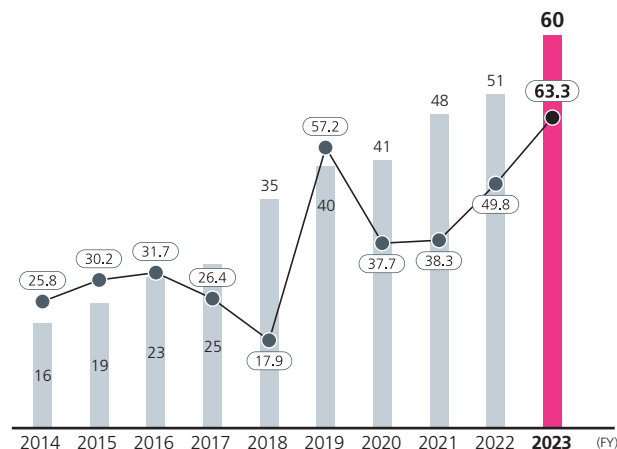


The decline in yearly profit resulting in a 7.5% year-on-year decrease to ¥94.76. Please note that we conducted a two-for-one stock split for common stock effective April 1, 2024.

## Dividend per share\*

¥60 Change year on year +17.6%

■ Dividend per share (¥) ● Payout ratio (%)



We are revising our dividend policy to raise our DOE level from the 3.5% level in fiscal 2023 to 4.0%. Our dividend for the year was ¥60 in fiscal 2023, an increase for the 12th consecutive year. In fiscal 2024, we plan to increase the dividend again to ¥62.



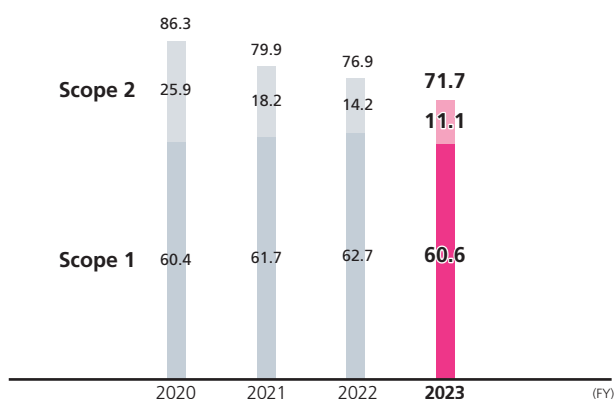
# Financial and non-financial highlights

## Non-financial

### CO<sub>2</sub> emissions (Scope 1 & 2)

**71.7** thousand t-CO<sub>2</sub> Change year on year -6.7% ↘

■ CO<sub>2</sub> emissions (thousand t-CO<sub>2</sub>)

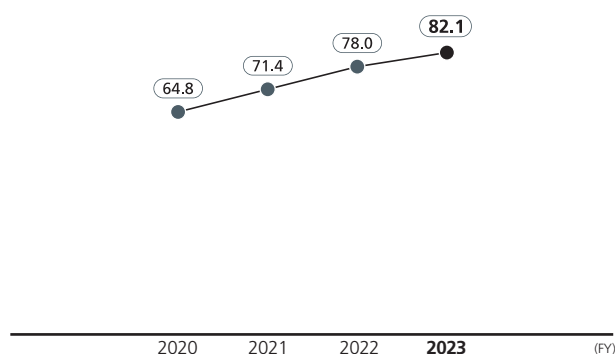


We have set the targets of reducing our greenhouse gas (Scope 1 & 2) emissions by 43.9% in fiscal 2030 compared to our base year of fiscal 2020, and of achieving carbon neutrality in fiscal 2050. To achieve these targets, we are implementing various measures and monitoring them.

### Green procurement\*1

**82.1**% Change year on year +4.1 points ↗

● Green procurement (%)

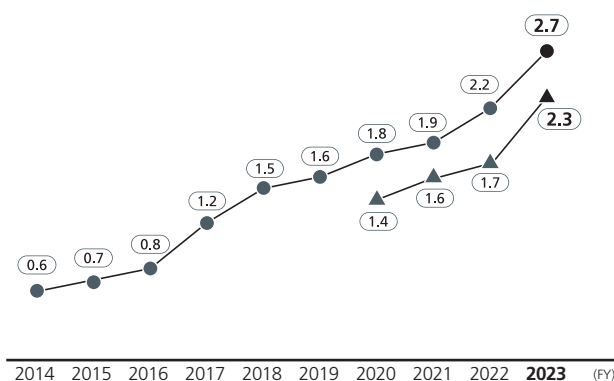


In purchasing office supplies, we engage in green procurement to reduce impact on the environment by actively choosing products with environmental labels (trademarks). Every year we are setting targets and monitoring our progress toward achieving them.

### Ratio of women in managerial positions

**2.3**% Change year on year +0.6 points ↗

● Exeo Group, Inc. (%)  
▲ Consolidated (%)

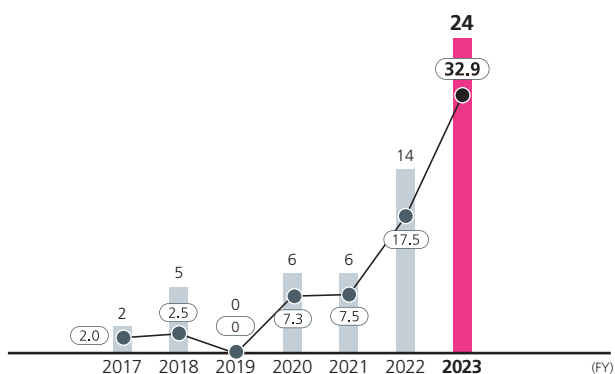


The Company has defined an action plan to raise the number of women in management positions by 50% from the base year of fiscal 2020 to 30 in fiscal 2025. In addition to aggressive hiring, we are devising development plans for grooming future executives and engaging in various other efforts toward this goal.

### Percentage and number of male employees taking childcare leave\*1

**32.9**% Change year on year +15.4 points ↗

■ Number of male employees taking childcare leave  
● Percentage of male employees taking childcare leave



The Company has defined an action plan to raise the number of employees taking childcare leave from 7.3% in the base year fiscal 2020 to 20% in fiscal 2025. We have established systems to ensure that employees can achieve a balance between work and parenting regardless of gender, and continue to work and achieve success with peace of mind for as long as possible.

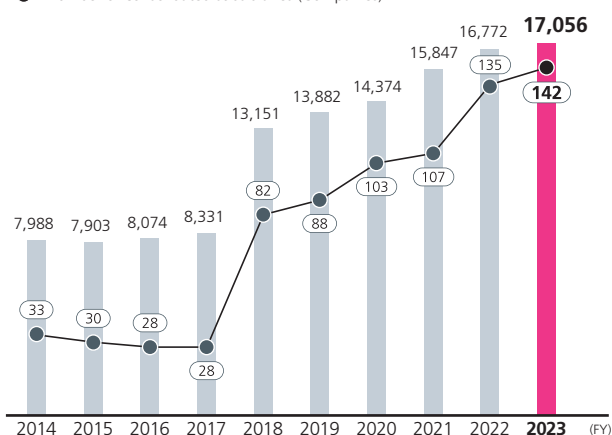
\*2 Five major subsidiaries: C-Cube Corporation, Seibu Electric Industry Co., Ltd., Nippon Dentsu Co., Ltd., Daiwa Densetsu Corporation, and Exeo Tech Corporation

\*1 Scope of data: Exeo Group, Inc.

## Number of consolidated employees

**17,056** Change year on year  
**+1.7%** 

■ Number of consolidated employees (People)  
● Number of consolidated subsidiaries (Companies)

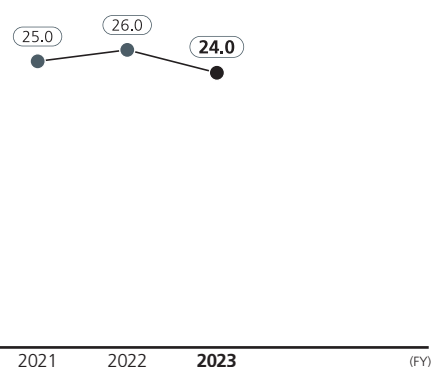


As a result of aggressive hiring activities and Kitanihon-Tsushin Co., Ltd. becoming a new part of the consolidated Group, our consolidated employee headcount increased by 284 year-on-year to 17,056.

## Ratio of mid-career hires\*1

**24.0%** Change year on year  
**-2.0 points** 

● Ratio of mid-career hires (%)

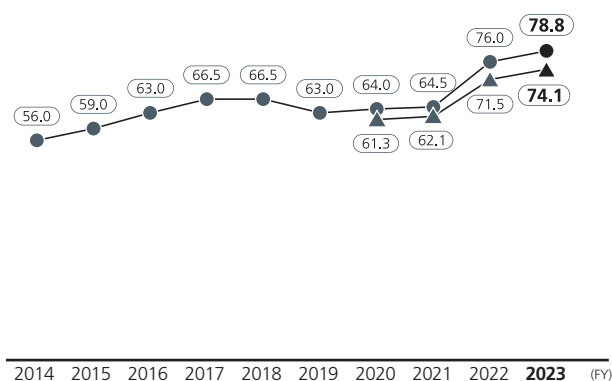


In addition to new graduate hiring, we are broadly hiring skilled and experienced human resources in a flexible manner for the sustainable growth of the Group in our mid-career hiring.

## Percentage of annual paid leave taken

**74.1%** Change year on year  
**+2.6 points** 

● Exeo Group, Inc. (%)  
▲ Exeo Group, Inc. and five major subsidiaries\*2 (%)

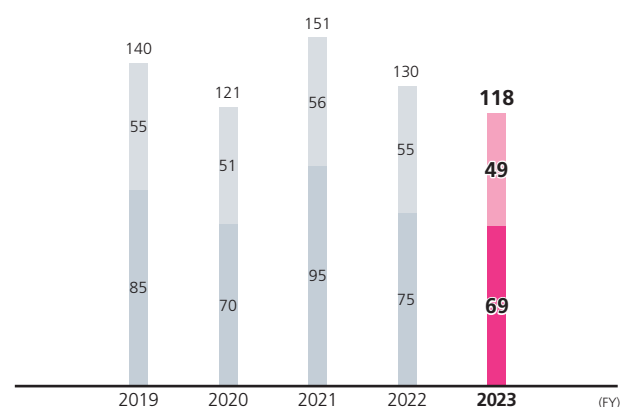


Having set an annual target of an 80% usage rate for paid leave in fiscal 2025, we are encouraging employees to take consecutive leave by combining annual paid leave with long holidays, summer holidays, and year-end/new-year holidays as we create more comfortable work environments.

## Number of agenda items in Board of Directors meetings\*1

**118** Change year on year  
**-9.2%** 

■ Resolutions ■ Reports



We are working to improve Board discussions by distributing Board of Directors' meeting materials early and providing better advance explanations to outside directors and outside statutory auditors, and by utilizing "Vector Meetings" in which all business units get on the same page by discussing their business strategies and other matters at an early stage.

# 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 form 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

## Message from the President

→ 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<sup>\*1</sup> and mobile<sup>\*2</sup> 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 an 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.

→ p.61-62  
System solutions business

## 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.

→ p.63-64  
Strengthening our  
global business



## Message from the President

→ 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

→ p.27-28  
Group management



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

# 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.

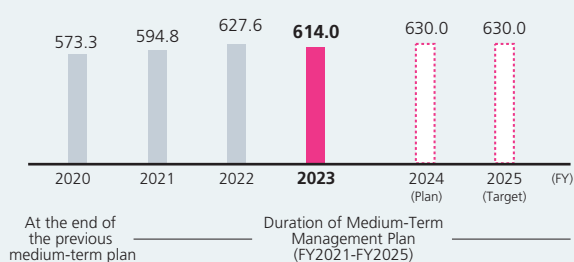
### Performance-related numerical targets and achievements

#### Net sales

■ Net sales (¥Billion)

FY2023 results  
¥614.0 billion

Target for FY2025  
¥630.0 billion

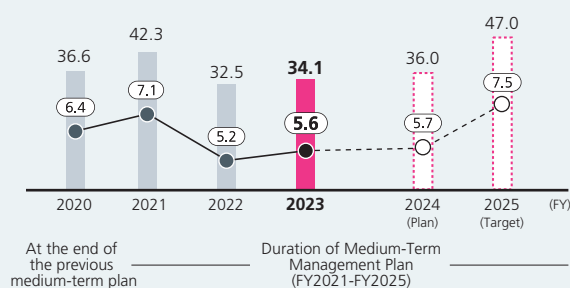


#### Operating profit & operating profit margin

■ Operating profit (¥Billion)  
● Operating profit margin (%)

FY2023 results  
¥34.1 billion

Target for FY2025  
¥47.0 billion

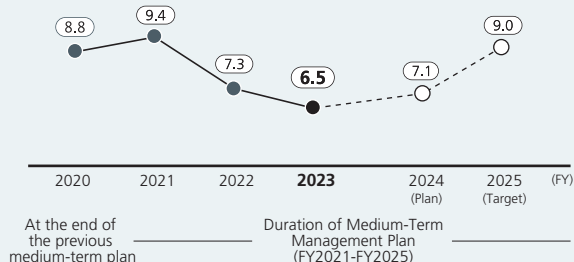


#### ROE

● ROE (%)

FY2023 results  
6.5%

Target for FY2025  
9.0%

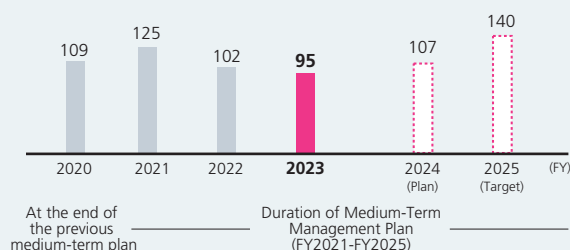


#### Earnings per share

■ Earnings per share (¥)



FY2023 results  
¥95

Target for FY2025  
¥140





## Strengthening our business infrastructure

Theme	Key achievements in FY2023	Relevant page(s)
 <b>Financial strategy</b> <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>→ p.23-26 Message from the CFO</p>
 <b>Group management</b> <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>→ p.27-28 Group management</p>
 <b>DX implementation</b> <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>→ p.53-54 Innovation strategy</p>
 <b>Safety, quality &amp; BCP</b> <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>	<p><b>Our website</b></p> <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>
 <b>Environment &amp; energy</b> <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>→ p.45-48 Environmental management</p> <p>→ p.41-42 Feature 1: Taking on the renewable energy business</p> <p><b>Our website</b></p> <ul style="list-style-type: none"> <li>● Climate change initiatives</li> <li>● Engagement with the TCFD Recommendations</li> </ul>
 <b>Human resources strategy</b> <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>→ p.29-32 Human resources strategy round table discussion</p> <p>→ p.49-52 Human resources strategy</p> <p><b>Our website</b></p> <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

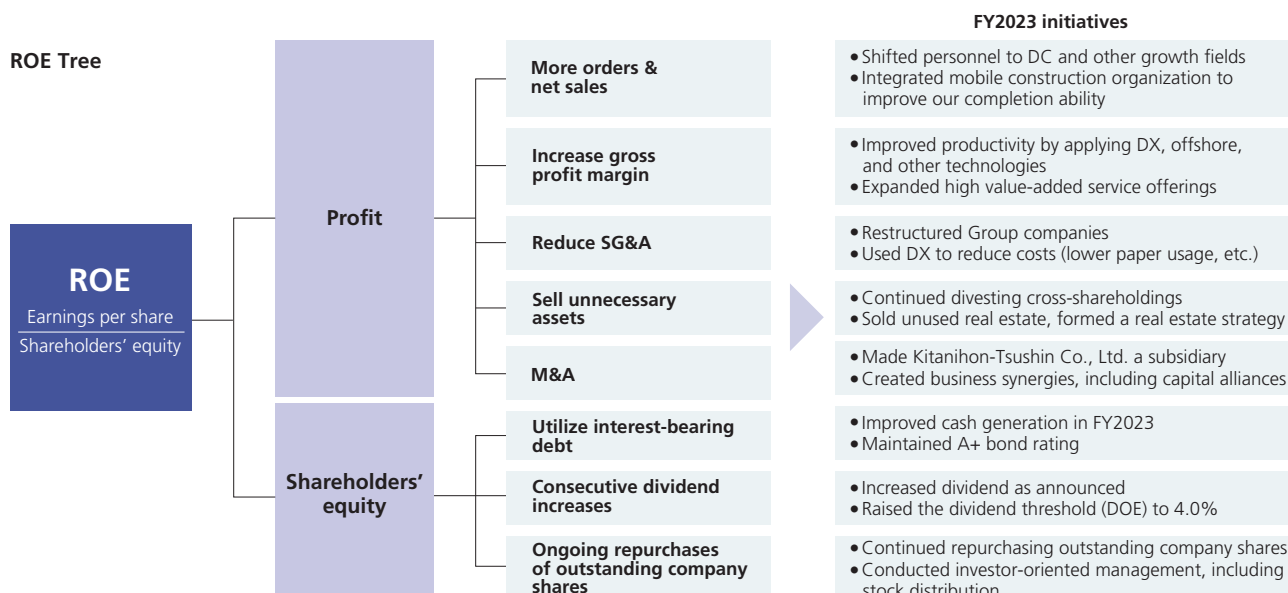
generate cash but will not rely completely on cash on hand for investing in growth, which will include M&A. While maintaining our financial soundness, we will take a flexible approach to raising capital which will include making active use of interest-bearing debt.

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



## Message from the CFO

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

#### Generate cash

##### Interest-bearing debt

¥45 billion +

##### Sell assets

16.4

23.3

144.1

EBITDA

¥225 billion

FY2021-23  
Results  
(cumulative)

FY2021-25  
Plan  
(cumulative)

#### Cash allocation

##### Growth investment

¥120 billion +

90.1

Shareholder returns

¥100 billion

51.2

Various tax payments, etc.

42.5

90.1

51.2

42.5

90.1

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#### 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

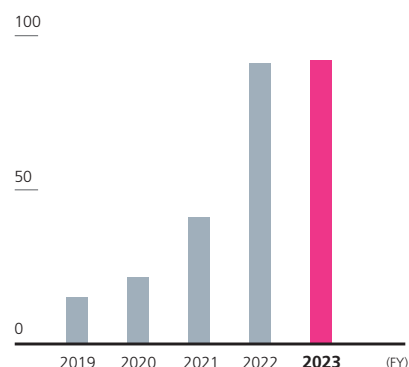
### Main investment results in FY2023

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%.

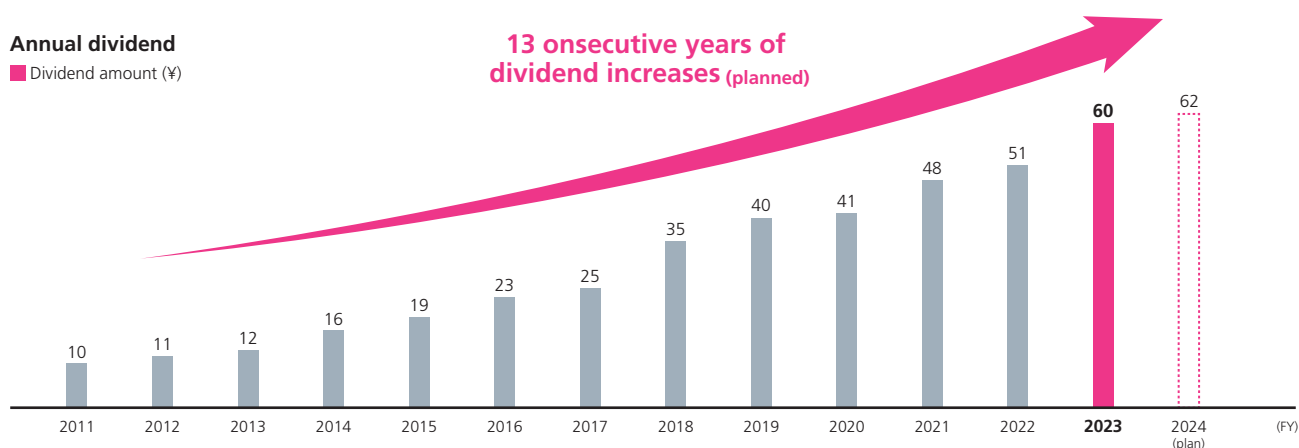
The shareholder dividend for fiscal 2023 was ¥120 per share (¥60 yen each for the interim and year-end), an increase of ¥18 from the previous period. We executed a 1:2 stock split on April 1, 2024, with the intention of improving share liquidity. We are also always monitoring for opportunities to repurchase 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 (¥)

13 onsecutive years of  
dividend increases (planned)





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)\*<sup>1</sup> is implementing centralized security monitoring and operations and striving to ensure safety and security while reinforcing our governance.

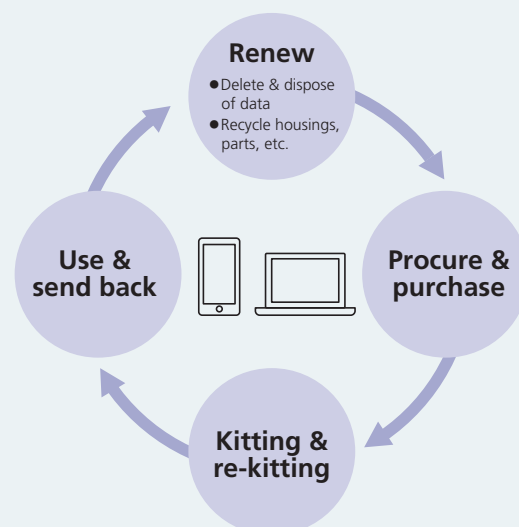
\*<sup>1</sup> EXEO-SIRT (CSIRT/SOC): The rescue team that handles cyber security incidents within the Group

## 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.

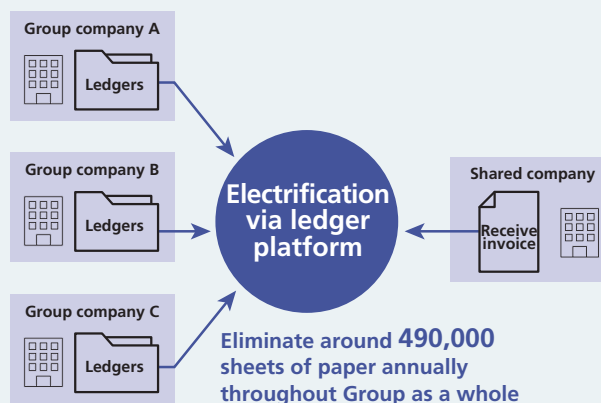
As a result, we are controlling our external cash outlays while at the same time improving operational efficiency in security and achieving greater sustainability through a circular economy.



## 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 &amp; 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

## Human resources strategy round table discussion

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.

# Providing wide-ranging value to society using engineering capabilities cultivated for seven decades

## Social issues

- Environmental destruction, depletion of resources
- Aging infrastructure & natural threats
- Depopulation and hollowing-out due to a declining population

## Changes in industry and society

- Rapid technological innovation
- Change from goods to experiential services
- Changes in social awareness

## MATERIALITY Key issues

### Value creation

#### Solving social issues through “engineering that connects”

- Building and maintaining infrastructure that serves as the foundation of society
- Contributions and building good relationships in local communities
- Advancing digital transformation in construction
- Achieving a carbon neutral society
- Contributing to circular economies

### Foundation of value creation

#### Creating workplace environments in which diverse human resources can thrive

- Developing and promoting human resources who drive value creation
- Safety and health for all working people
- Respecting diversity and creating workplaces conducive to working with vitality
- Boosting productivity by advancing DX

#### Fostering a company culture that generates innovation

- Encouraging quests into the unknown and diligent technological self-improvement
- Establishing brand value as a Group
- Opening up new possibilities as a global player
- Alliances and collaboration with diverse partners

#### Fair, highly transparent governance

- Ensuring soundness and transparency in governance
- Ensuring thorough risk management and compliance
- Bolstering information security for both physical items and people
- Respecting human rights

→ p.37-38 Materiality

## INPUTS Capital and strengths

1 Formidable financial strength

2 Proven technological capabilities

3 Utilizing DX for safety and quality control

4 Corporate culture that values diversity

5 Combined capabilities of the Group and our partners

→ p.35-36 Value creation capital and strengths

Management guidelines

Medium-Term Management Plan (FY2021-FY2025)



## OUTPUTS **Businesses, products, & services**

### Telecom carriers business

- Optical fiber cabling
- Network facilities construction
- Telecommunications civil engineering
- Mobile base station installation & maintenance
- Telecommunications & electricity facility projects

### Urban infrastructure business

- Electrical & air conditioning equipment projects
- Social infrastructure construction
- Facilities related to renewable energy & smart energy
- Urban civil engineering (pole-free, pipe jacking, etc.)
- Waste treatment plant construction & maintenance

### System solutions business

- Software development on consignment
- DX support solutions
- IT infrastructure architecture (servers, wireless LAN, etc.)
- Managed services (system operations & maintenance, security monitoring, etc.)
- Global business (telecommunications, urban infrastructure, various solutions)

→ p.7-8 Our businesses

## OUTCOMES **Value provided**

### Enabling an advanced ICT society

- Continued upgrading of broadband telecommunications
- Building infrastructure that is resilient to natural disasters
- Increasing the population coverage of communications areas
- Developing next-generation infrastructure in underpopulated areas

### Enabling a convenient urban lifestyle

- Landscapes of globally comparable standards by undergrounding overhead power lines
- Expanding public investments for building national resilience
- Renewal of aging waste disposal plants
- Advancing use of renewable & smart energy sources
- Promoting “barrier-free” access for people with disabilities

### Realizing a prosperous society through digital technologies

- Reforming industrial structures through the cloud, IoT, big data, etc.
- Promoting more extensive communication
- Solutions for advanced security
- Providing the environment for work style reforms & productivity improvement
- Providing ICT environments for high-quality education

### Increasing our business value while helping to achieve the SDGs

- Organizational culture that prioritizes safety & quality
- Addressing climate change through environmental management
- Corporate culture in which diverse human resources thrive
- Creating synergies through Group-wide collaboration
- Strengthening our business infrastructure through DX

→ p.21-22 Medium-Term Management Plan and progress

# Bolstering our non-financial capital, the source of our value creation

## Capital and strengths

### Financial capital

## 1 Formidable financial strength

→ p.23-26 Message from the CFO

Our strength lies in making effective use of interest-bearing debt while maintaining a high level of shareholders' equity to total assets and having the financial soundness to obtain an "A+" rating from JCR. Based on this sturdy financial foundation, we are making aggressive investments for continuous growth, including in M&A, human resources, and R&D. Our policy for shareholder returns is to continue paying stable dividends with dividends on equity (DOE) of 4.0% as a standard while also buying back shares in a flexible manner.

### Intellectual capital

## 2 Proven technological capabilities

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

→ p.49-52 Human resources strategy

Our telecom carriers business provides a full range of services from planning and design to construction, operation, and maintenance nationwide. Our urban infrastructure business leverages electrical, civil engineering, and other technologies honed in telecommunications construction. Our system solutions business delivers solutions that address the diverse needs of our customers. We create value that harnesses the technological capabilities of each Group company in these three businesses.

### Manufacturing capital

## 3 Utilizing DX for safety and quality control

→ p.53-54 Innovation strategy

Usage of DX to raise productivity by improving business processes and further improve safety and quality control has been an important topic in all business areas in which we operate. We are actively utilizing DX to improve operational efficiency and accuracy, including in offshore business collaborations and in utilizing AI for photo inspections and checking equipment.

### Human capital

## 4 Corporate culture that values diversity

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

→ p.49-52 Human resources strategy

In this era of uncertainty and turbulent changes referred to as VUCA, it is essential to establish work environments where diverse human resources such as mid-career hires and female and international employees can harness their capabilities, in order to secure and develop human resources capable of navigating sudden technological innovations and market changes. The Company is promoting diversity and inclusion as a top management priority while also making focused investments in training and other HR development.

### Social & relational capital

## 5 Combined capabilities of the Group and our partners

→ p.27-28 Group management

Our Group does business globally with Group companies that have their own unique strengths. We also have strong bases of operations in regions throughout Japan, including our five major subsidiaries. In order to harness this strength to the fullest, we are building systems that can flexibly utilize the Group's human resources. We are also dedicating energy to establishing the foundations of good relationships with a large number of partner companies in order to provide high-quality services to our customers.

## For business improvement and strength

- Generating Group-wide synergies to boost earning power
- Focusing on investment in growth areas and on strengthening businesses while maintaining appropriate balance between capital and liabilities
- Continuously providing stable shareholder returns

## Data and achievements

Shareholders'  
equity to  
total assets

52.9%

Dividends

12 consecutive years of  
dividend increases

- Making our organizational operating mindset even more conducive to innovation
- Building internal systems for working on DX and R&D
- Multi-skilling and better HR development that is up-to-date on new technology

Number of ESPs\*<sup>1</sup>  
and VE\*<sup>2</sup> proposals

9,089

\*<sup>1</sup> ESPs: Exeo Solution Proposals\*<sup>2</sup> VE: Value EngineeringHolders of technology  
related professional  
qualifications  
(cumulative)

11,814

- Automating and improving the efficiency of business processes with ServiceNow, RPA, etc.
- Using tools such as network cameras and AI to improve safety and quality control
- Enhancing security to operate business more securely

Nikkei Smart Work  
Management Survey

 NIKKEI  
Smart Work  
★★★★ 2024
Digital Transformation  
Certification

 DX認定

- Employee learning & development and assignments according to each individual's capabilities and career path (Job Challenge System, Overseas Trainee System, Transformation Leader Development Program, etc.)
- Building a Group-wide personnel database
- Human resources development based on our shared Group-wide Career Development Program (CDP)

PRIDE Index 2023


 work with Pride  
Silver  
2023

- Horizontal rollouts of Group products and mutual support in sales and construction
- Standardized, more efficient business processes through commonized systems
- Strengthening communication with co-creation and collaboration partner companies
- Creating new projects in collaboration with universities and technical colleges

Number of  
consolidated  
subsidiaries

142

Number of consolidated  
employees

17,056

# Putting the materiality into practice as our Group guidelines for achieving a sustainable society

Our Group's materiality is broadly comprised of four material topics, which are further divided into 17 material subtopics. We will find solutions to various social issues while plotting out the continuous growth of the Group by

having each and every employee act with our materiality in mind in all of our business activities. As society changes, we will flexibly accommodate those changes by making periodical revisions to our formulated materiality.

## Our materiality

**E** Environment **S** Social **G** Governance



### Value creation

#### Solving social issues through "engineering that connects"

- E** Achieving a carbon neutral society
- E** Contributing to circular economies
- S** Building and maintaining infrastructure that serves as the foundation of society
- S** Contributions and building good relationships in local communities
- S** Advancing digital transformation in construction

### Foundation of value creation

#### Creating workplace environments in which diverse human resources can thrive

- S** Developing and promoting human resources who drive value creation
- S** Safety and health for all working people
- S** Respecting diversity and creating workplaces conducive to working with vitality
- S** Boosting productivity by advancing DX

#### Fostering a company culture that generates innovation

- S** Encouraging quests into the unknown and diligent technological self-improvement
- S** Establishing brand value as a Group
- S** Opening up new possibilities as a global player
- S** Alliances and collaboration with diverse partners

#### Fair, highly transparent governance

- G** Ensuring soundness and transparency in governance
- G** Ensuring thorough risk management and compliance
- G** Bolstering information security for both physical items and people
- S** Respecting human rights



## The process to determine our materiality

To determine our materiality, we first referred to international standards such as the GRI Standards and identified social issues. After that, we involved Group employees in scoring and workshops to rate the importance of issues along the two axes of “importance to stakeholders,” and “importance to our company.”

Based on the proposals created through these efforts, we consulted with outside experts, outside directors, and outside statutory auditors, and then reflected their opinions in preparing the final proposal. After considerations in the Management Council and Board of Directors, we made the official decision on May 19, 2023.

### The process

STEP  
1

#### Identify social issues

Identified 52 issues after referencing the GRI Standards, SASB Standards, etc.

STEP  
2

#### Prioritize the issues

Prioritized the issues through scoring by Group employees and holding workshops, then selecting the proposals

STEP  
3

#### Dialogues with internal and external stakeholders

Exchanged opinions with outside experts, consulted with outside directors and statutory auditors, and prepared the final proposal

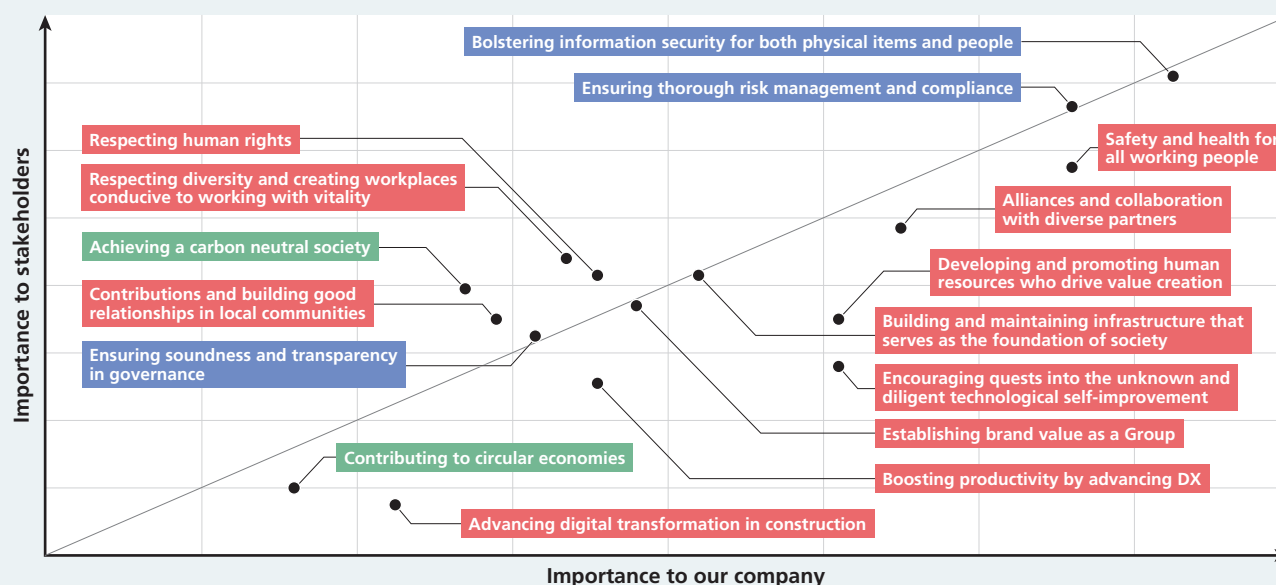
STEP  
4

#### Decision by management

Official decision made by the Management Council and Board of Directors

**Materiality matrix** (according to the results of “Scoring by Group employees” in Step 2)

**E** Environment **S** Social **G** Governance



Note: “Opening up new possibilities as a global player” was added in Step 3, and is therefore not included in this chart.

### Message from an outside director


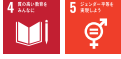


In Board of Directors discussions, we placed heavy weight on the perspective of contributing to local communities by developing telecommunications infrastructure—which is our mission, and perspectives such as new future-oriented advancements and the growth, happiness, and job satisfaction of our employees. From identifying items to taking concrete actions, we engaged in discussions with these perspectives in mind. We also considered means of expression and how to make the materiality appealing, and settled on a design that illustrates our commitment to major growth with governance as the foundation. I think that we managed to formulate a materiality that also properly reflects ideas from internal and external stakeholders.

If the activities of our business units and Group companies are the vertical thread in cloth-weaving, this materiality that we have formulated is the intersecting horizontal thread. I believe that weaving these two interlocking threads together correctly will lead to excellent work performance and increased business value. To make that happen, it is vital to diligently engage in awareness-raising activities that promote understanding among all employees, set easy-to-understand KPIs, and thoroughly execute PDCA. The other outside directors and I will be working on this alongside you and offering our advice.



**Yasushi Kohara**  
Director

## Action plans & KPIs based on our materiality

Materiality		Action plan	
Value creation	<b>Solving social issues through “engineering that connects”</b> 	<b>E</b> Achieving a carbon neutral society	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions</li> <li>Advance smart energy business (self-owned power lines for wind power generation, storage batteries, EV chargers, etc.)</li> </ul>
		<b>E</b> Contributing to circular economies	<ul style="list-style-type: none"> <li>Continue initiatives to reduce industrial waste, save energy &amp; save resources</li> <li>Advance resource recycling-oriented business (refurbishments business, woody biomass power generation)</li> </ul>
		<b>S</b> Building and maintaining infrastructure that serves as the foundation of society	<ul style="list-style-type: none"> <li>Work with advancements in telecommunications infrastructure (5G, 6G, IOWN, OREX)</li> <li>Build &amp; update social infrastructure (expressways, water supply and sewage, putting power lines underground, etc.)</li> <li>National resilience, disaster recovery support</li> </ul>
		<b>S</b> Contributions and building good relationships in local communities	<ul style="list-style-type: none"> <li>Engage in community contribution activities &amp; sponsor community events</li> <li>Enter into partnerships with communities through business</li> </ul>
		<b>S</b> Advancing digital transformation in construction	<ul style="list-style-type: none"> <li>Use BIM/CIM to transform construction workflows</li> <li>Use AI/Webcams to improve safety and work efficiency at construction sites</li> </ul>
Foundation of value creation	<b>Creating workplace environments in which diverse human resources can thrive</b> 	<b>S</b> Developing and promoting human resources who drive value creation	<ul style="list-style-type: none"> <li>Develop next-generation leaders who drive transformation</li> <li>Implement various human resource development programs</li> <li>Develop careers based on dialogues with employees as prerequisite</li> </ul>
		<b>S</b> Safety and health for all working people	<ul style="list-style-type: none"> <li>Implement safety initiatives (AI/network cameras, surveillance centers, etc.)</li> <li>Develop safety professionals and improve safety training</li> <li>Implement health and productivity management (reducing overtime, taking paid leave, various health examinations, health guidance)</li> </ul>
		<b>S</b> Respecting diversity and creating workplaces conducive to working with vitality	<ul style="list-style-type: none"> <li>Promote diversity, equity, and inclusion (DE&amp;I).</li> <li>Use DX to reform work styles</li> <li>Raise employee engagement</li> </ul>
		<b>S</b> Boosting productivity by advancing DX	<ul style="list-style-type: none"> <li>Utilize RPA, AI, tablets &amp; offshore</li> <li>Build shared IT infrastructure for the Group</li> <li>Develop DX implementation personnel</li> </ul>
	<b>Fostering a company culture that generates innovation</b> 	<b>S</b> Encouraging quests into the unknown and diligent technological self-improvement	<ul style="list-style-type: none"> <li>Develop innovative personnel, foster a culture of innovation</li> <li>Generate business &amp; make proposals related to technological development</li> <li>Partner with universities &amp; research institutions</li> </ul>
		<b>S</b> Establishing brand value as a Group	<ul style="list-style-type: none"> <li>Company promotions via commercials, etc.</li> <li>Sponsor cultural events, sports teams, etc.</li> <li>More tie-up activities with universities, etc.</li> </ul>
		<b>S</b> Opening up new possibilities as a global player	<ul style="list-style-type: none"> <li>Further expand global business</li> <li>Hire overseas personnel</li> <li>Bolster development of global human resources</li> </ul>
		<b>S</b> Alliances and collaboration with diverse partners	<ul style="list-style-type: none"> <li>Formulate &amp; instill our Basic Procurement Policy</li> <li>Bolster communication with partner companies</li> </ul>
	<b>Fair, highly transparent governance</b> 	<b>G</b> Ensuring soundness and transparency in governance	<ul style="list-style-type: none"> <li>Achieving transparent management (ensure diversity &amp; effectiveness of Board of Directors &amp; Board of Statutory Auditors)</li> <li>More dialogues with stakeholders</li> <li>Produce various types of information disclosures</li> </ul>
		<b>G</b> Ensuring thorough risk management and compliance	<ul style="list-style-type: none"> <li>Strengthen risk analysis using heat map, etc.</li> <li>Training &amp; learning/development for compliance</li> <li>Conduct training for various types of risks</li> </ul>
		<b>G</b> Bolstering information security for both physical items and people	<ul style="list-style-type: none"> <li>Bolster Group monitoring through EXEO-SIRT</li> <li>Conduct information security training, learning/development &amp; drills/exercises</li> <li>Thoroughly implement recurrence prevention measures when accidents occur</li> </ul>
		<b>S</b> Respecting human rights	<ul style="list-style-type: none"> <li>Establish the Exeo Group Human Rights Policy</li> <li>Conduct ongoing human rights awareness training</li> <li>Build an organizational structure for Human rights due diligence &amp; conduct training</li> </ul>

\* Five major subsidiaries: C-Cube Corporation, Seibu Electric Industry Co., Ltd., Nippon Dentsu Co., Ltd., Daiwa Densetsu Corporation, and Exeo Tech Corporation

KPIs (consolidated if not noted otherwise)	Target (FY of goal)	FY2023 actual	Relevant page(s)
(1) Rate of CO <sub>2</sub> emissions reduction (Scope 1 + 2) (vs. FY2020) (2) Renewable electric power usage rate (Company-managed domestic sites)	(1) -43.9% (FY2030) (2) 100% (FY2025)	(1) -16.9% (2) 77.8%	→ p.41-42 Feature 1 → p.45-48 Environmental management
(1) Final disposal rate of industrial waste (non-consolidated) (2) Reduction of pieces of paper used (non-consolidated)	(1) -50% vs. FY2020 (FY2025) (2) -50% vs. FY2023 (FY2024)	(1) 3.3% (2) -28% (year-on-year)	→ p.27-28 Group management
Holders of technical qualifications at S Ranks (elite ranks) and above (internal standards)	Encourage acquisition of high-rank qualifications	11,814 (cumulative)	→ p.43-44 Feature 2
Number of social & community contribution activities	Continue social & community contribution activities	92	→ p.47-48 Environmental management
Number of severe accidents (bodily injury or equipment-related)	Aim for zero	2	→ p.49-52 Human resources strategy
Number of employees who undergo the Transformation Leader Development Program	Cumulative total 1,040 (FY2025)	227 (cumulative 589)	→ p.29-32 Human resources strategy round table discussion → p.49-52 Human resources strategy
(1) Percentage of annual paid leave taken (non-consolidated) (2) Percentage undergoing stress checks (non-consolidated & five major subsidiaries*)	(1) 80% (FY2025) (2) 100% (FY2024)	(1) 78.8% (2) 98.3%	
(1) Number of women in management positions (non-consolidated) (2) Percentage of male employees taking childcare leave (non-consolidated)	(1) 1.5 x FY2020 (FY2025) (2) 20% (FY2025)	(1) 35 (2) 32.9%	
Amount of IT & R&D (investments & expenditures)	Generally at least 1% of annual sales	1.03%	→ p.53-54 Innovation strategy
(1) Create new business through business contests (2) Develop technologies through ESP & VE proposal activities	(1) Number of entries (2) Number of proposals	(1) 61 (2) 9,089	→ p.53-54 Innovation strategy
Engagement fostered (employee satisfaction improvement)	80% or more (FY2024)	78%	—
(1) Proportion of net sales from global business (2) Number of overseas trainees sent	(1) At least 10% of net sales (FY2025) (2) Cumulative total 17 (FY2024)	(1) 7.2% (2) Cumulative total 11	→ p.63-64 Strengthening our global business
Measures implemented for communicating with partners	Number of partner surveys conducted	729	→ p.69-82 Corporate governance
(1) Number and percentage of outside directors (2) Number and percentage of outside statutory auditors	(1) 1/3 or more (FY2025) (2) More than half (FY2025)	(1) 5 out of 12 outside directors (2) 3 out of 5 outside statutory auditors	→ p.69-82 Corporate governance
(1) Serious violations of laws and regulations (2) Rate of risk assessment implementation for cases involving significant business risks	(1) Aim for zero (2) 100% (FY2025)	(1) Zero (2) 100%	
(1) Number of serious information security incidents (2) Rate of conducting security training	(1) Aim for zero (2) 100% (FY2025)	(1) Zero (2) 100%	
(1) Establishment of policy (2) Rate of undergoing training & e-learning	(1) Establishment of human rights policy (2) 100% (FY2024)	(1) Established January 2024 (2) Formulated training policy & e-learning	

# 1 Taking on the renewable energy business

## Leveraging the Group's expertise to help build a sustainable society

The Group engages in various types of renewable energy-related business, including solar power plants, offshore wind power generation, and woody biomass power generation. We are growing this business domain while collaborating more extensively with business partners, including solar sharing through partnerships with real estate firms, and training engineers for self-owned power lines through partnerships with power cable manufacturers.

Ashikaga, Tochigi Prefecture

**Ashikaga Eco Power Plant**

(Launched operations in March 2024)

Anticipated power generated per year

Approx. **56.80** million kWh  
(equivalent to combined annual power consumption of 13,300 households)



### Woody biomass power generation

Ashikaga Eco Power Plant is using unused forest materials and pruned tree branches from roadside trees and parks as fuel, while Furudono Ronden Eco Power Plant is doing the same with unused forest materials. We are operating these as company-owned power plants with the aim of generating steady sales and profitability over the next 20 years through Japan's Feed-In Tariff (FIT) scheme.

Furudono, Fukushima Prefecture

**Furudono Ronden Eco Power Plant**

(Launched operations in August 2024)

Anticipated power generated per year

Approx. **15.23** million kWh  
(equivalent to combined annual power consumption of 3,500 households)





## Solar power generation on agricultural land (solar sharing)

Together with partners including Tokyu Land Corporation, we built a pilot facility for solar power generation on agricultural land which uses land equipped with a solar power plant as farmland in Higashi Matsuyama, Saitama Prefecture. We are verifying factors including the angle, height, and other installation conditions of the solar panels, effects on the growth and yield of the crops, and power generation effects. We aim to spread and expand solar sharing while exchanging information closely with local farmers.

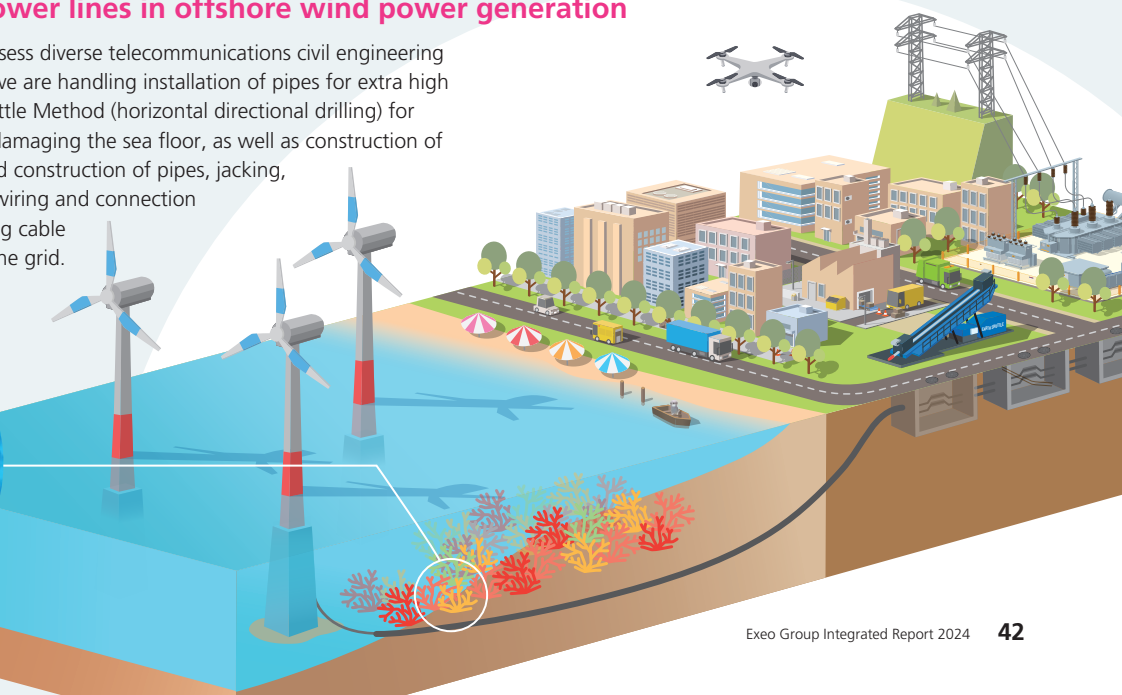


## Grid-connected storage batteries

Demand is rapidly increasing for grid-connected storage batteries that temporarily store electric power generated from sunlight and wind power, level out the output fluctuations, and adjust to balance supply with demand. Leveraging our accumulated expertise from the construction of solar power plants and power generation facilities, the Group will swiftly enter this market as an EPC (engineering, procurement, and construction) company and help to expand the use of renewable energy.

## Building self-owned power lines in offshore wind power generation

We and our Group companies possess diverse telecommunications civil engineering technologies. Throughout Japan, we are handling installation of pipes for extra high voltage cables using the Earth Shuttle Method (horizontal directional drilling) for underground excavation without damaging the sea floor, as well as construction of self-owned power lines (design and construction of pipes, jacking, and underground structures) and wiring and connection construction (work performed using cable jointers) extending all the way to the grid.





## 2 Quest to be an engineering company that supports prosperity

# Building safe social infrastructure across many fields domestically and internationally

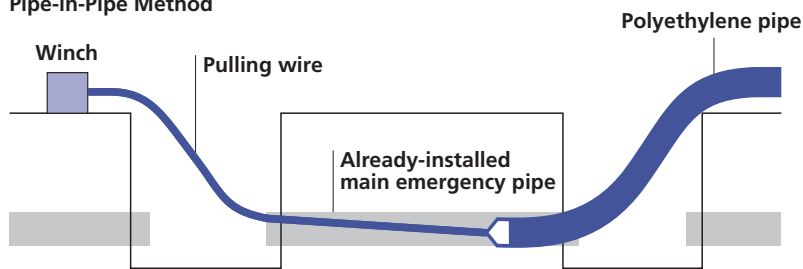
The Group's urban infrastructure business supports the construction and maintenance of infrastructure that serves as society's foundation, including electric power, transportation, and weather forecasting. Leveraging technologies cultivated in the telecom carriers business in telecommunications, electrical, and civil engineering, we are helping to make society more convenient.

Nachikatsuura, Wakayama Prefecture

### Construction and maintenance of electric power lines

To transmit electric power steel towers must be built, power cables must be strung up, and electric power transmission lines must be created to connect power plants with substations. Construction of electric power lines in particular has a broad geographical reach, from steep mountainous areas to urban areas. It also requires advanced construction technologies for compatibility with extremely high-voltage power lines. In addition to construction for domestic power companies, we have also been fulfilling requests from overseas including the Middle East in recent years.

### Pipe-in-Pipe Method



Hachinohe Expressway,  
Iwate Prefecture

## Updating fire extinguishing facilities for highway tunnels



One major issue in Northern Tohoku which receives heavy snow accumulation is the degradation of fire extinguishing equipment due to corrosion from the use of snow melting agent. To update the water supply lines installed inside the tunnels for these projects, we adopted the Pipe-in-Pipe Method. This involves mounting wires inside of small-diameter polyethylene pipes, then pulling them into the existing pipes by winding them with a winch.

## Installing weather radar

We completed a construction project to install solid-state weather radar on the premises of Malaysia's Malacca Meteorological Office. This was our first ever comprehensive project (civil engineering, construction, wiring, radar device installation) without having a local affiliate, but the project was completed through the combined strength of support from Head Office and partner companies in Japan, along with cooperation from local staff. As a result, we helped to minimize damage from localized heavy rainfall in this tropical area.

State of Malacca,  
Malaysia



## Activities to aid restoration after the Noto Peninsula Earthquake

Our entire Group is engaged in activities to provide relief in the wake of the 2024 Noto Peninsula Earthquake which struck on New Year's Day 2024. We sent as many as 6,000 engineers from all around Japan to work on restoring the local telecommunications infrastructure.

It appears there is still a long path ahead for restoration. We will continue doing what we can to help.



## Environmental management

### Information disclosures based on TCFD recommendations

The Group considers environmental problems such as climate change to be important issues for management to address. We defined practicing ESG management as one of the challenges in our 2030 Vision, and in Medium-Term Management Plan (FY2021-FY2025) we set environmental, social, and governance KPIs as well as specific targets, which we are working systematically and continuously to achieve. Additionally, in December 2021, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) while also joining the TCFD Consortium, and we are now disclosing information according to the TCFD framework. We are using scenario analyses that

anticipate what the world will be like in 2030 and 2050 to ascertain the impact that climate change will have on our Group's business. The primary information sources for our analyses were the 1.5°C scenario by the International Energy Agency (IEA), and the 4°C scenario by the Intergovernmental Panel on Climate Change (IPCC). We have also defined and are monitoring the following metrics and goals for managing risks and opportunities. We will actively engage in eco-friendly business practices such as reducing greenhouse gas emissions while also working actively to contribute toward solutions for climate-related social issues through businesses such as renewable energy.

#### Goal

(Unit: thousand t-CO<sub>2</sub>)

	Base year (FY2020)	Target year		Scope of data
		FY2030 (vs. base year)	FY2050	
Scope 1 & 2	86.3	48.4 (−43.9%)	Carbon neutrality	Consolidated
Scope 3	1,757.0	1,317.8 (−25%)	—	Consolidated

#### Submetrics

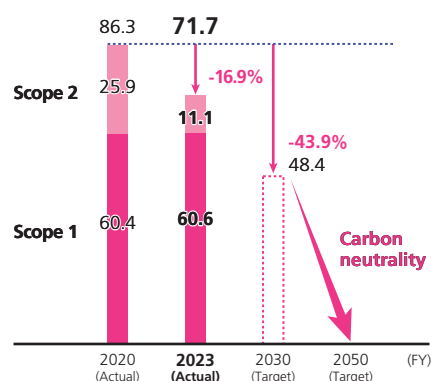
	FY2021	FY2022	FY2023	FY2025 (Target)	Scope of data
Switch to electricity from renewable energy sources	33.6%	73.2%	77.8%	100%	Company-managed sites of Exeo Group, Inc.
Adoption of EVs and other low-emission vehicles	95.5%	96.1%	96.7%	100%	Passenger vehicles of Exeo Group, Inc.

Notes: 1. Greenhouse gas emitted by the Group is CO<sub>2</sub> (carbon dioxide).

2. Numerical values for the base year could be subject to change if applicable scope or calculation methods change as we make these calculations more sophisticated going forward, or if an event that exceeds the course of our business growth occurs.

#### Schematic of GHG emissions (Scope 1 & 2) reduction

(Unit: thousand t-CO<sub>2</sub>)



#### Metric & actual (GHG emissions by Scope)

(Unit: thousand t-CO<sub>2</sub>)  
(Scope of data: consolidated)

	Base year (FY2020)	FY2023	Difference	% change
Scope 1 & 2 (our own)	86.3	71.7	−14.5	−16.9%
Scope 1 (direct emissions)	60.4	60.6	0.2	0.3%
Scope 2 (indirect emissions)	25.9	11.1	−14.7	−57.0%
Scope 3 (supply chain)	1,757.0	1,264.4	−492.7	−28.0%
Category 1 (purchased goods and services)	275.9	173.7	−102.2	−37.0%
Category 2 (capital goods)	41.5	70.2	28.7	69.2%
Category 3 (fuel- and energy-related activities)	12.7	13.0	0.4	2.9%
Category 5 (waste generated in operations)	2.4	4.6	2.2	89.0%
Category 6 (business travel)	1.9	2.2	0.3	18.6%
Category 7 (commuting)	3.4	4.0	0.6	18.7%
Category 11 (use of sold products)	1,418.4	995.8	−422.5	−29.8%
Category 13 (downstream leased assets)	0.9	0.8	−0.1	−14.2%

Notes: 1. Companies subject to consolidated accounting are the scope of cumulative total emissions.

2. An independent third-party assurance report has been obtained from Sustainability Accounting Co., Ltd. for these emissions figures.

3. Numerical values for the base year could be subject to change if applicable scope or calculation methods change as we make these calculations more sophisticated going forward, or if an event that exceeds the course of our business growth occurs.



For our fiscal 2030 target, we received SBT validation in July 2024.



**1.5°C scenario** (scenario in which the necessary measures were taken to keep temperature rises to 1.5°C compared to pre-industrial levels)

Type	Climate change factor	Impact on the Group	Time line of impact*1	Level of impact*2		Key response measures
				2030	2050	
Risks	Introduction of carbon tax	● Increase in taxation such as instituting a carbon tax (taxed according to CO <sub>2</sub> emissions from business activities)	Medium / Long	▼▼ 10	—	● Shift to the use of renewable energy for the electric power used in business activities (switching to the renewable energy menu, purchasing renewable energy certificates, PPA, etc.), switching to eco-friendly cars ● Efforts to save energy in business activities (switching to LED lights, setting proper temperatures for air conditioners, promoting eco-driving, use of accelerants, etc.)
	Emissions controls	● Increase in cost to buy credits for CO <sub>2</sub> emissions (emissions quotas) that fail to reduce enough volume	Medium / Long	—	▼ 2	● Achieve reduction targets by implementing the CO <sub>2</sub> emissions reduction measures shown above
	Shifting to renewable energy (renewable energy measures)	● Soaring renewable energy procurement prices if renewable energy is not supplied in sufficient volume	Short / Medium / Long	▼ 0.3	▼ 0.4	● Strive to mitigate risk of cost increases by passing them on in prices for construction work
	Surging raw materials prices	● Increased cost of stocking materials made from natural resources	Short / Medium / Long	—	—	
	Obligation to disclose information	● Increase in costs to comply with expanded obligations to disclose information related to greenhouse gas emissions	Short / Medium / Long	▼ 1	▼ 1	● Avoid increased costs to handle emissions calculations by implementing DX in the calculation operations
	Advancements in energy-saving and renewable energy	● Declining profit due to limited capacity to accept orders attributable to shortage of engineers	Short / Medium / Long	▼▼	▼▼	● Mutually complement resources through M&A and business partnerships as a measure against declining profit due to limited capacity to accept orders attributable to shortage of engineers
	Changing customer preferences	● Preferences shift toward companies that have done more for the environment, and declining sales for those who miss this trend due to business relationships being severed or losing market share to other companies	Short / Medium / Long	—	—	● Increase our business value with activities to decarbonize our Group from within and with social contributions through our business (improve our assessments from environmental ratings agencies)
	Stakeholder assessments	● Business value (stock price) falls due to negative assessments of measures against climate change (insufficient information disclosures, failure to reach CO <sub>2</sub> emissions targets, etc.), making it harder to raise funds and secure human resources	Short / Medium / Long	—	—	
Opportunities	Renewable energy-related construction	● Expansion of business due to increased demand for renewable energy such as offshore wind power generation ● Expansion of smart grid business due to changes in power distribution systems (ability to newly enter the power distribution business) ● Expansion of energy storage plant construction and maintenance business due to increasing needs for storage batteries ● Expansion of solar sharing business to use land at sites where solar power plants are installed as agricultural land	Short / Medium / Long	▲▲	▲▲	● Actively pursue business in renewable energies such as solar power, offshore wind power generation and biomass, and expand orders for EPC projects (mutually complementary resources through business partnerships, expand construction domains through capital contributions, etc.)
	Market expansion	● Markets for renovation construction and cloud services due to increased demand for disaster response and mitigation ● Solutions market for decarbonization efforts generated by usage of ICT ● Markets for the development of infrastructure such as networks as urban digitalization advances ● Market for refurbishments geared toward creating circular economies	Short / Medium / Long	▲	▲	● Expand our urban infrastructure and refurbishments businesses
	Services for mitigating and addressing climate change	● Expansion of our urban infrastructure business from advancements in pole-free and shifts to net-zero energy buildings (ZEB) to mitigate climate change	Short / Medium / Long			
	Adaptation to climate change	● Stronger resilience by switching to telecommuting and other flexible work styles not dependent on location, in response to climate change	Short / Medium / Long			● Make further efforts toward flexible work styles
	Stakeholder assessments	● Decarbonization efforts lead to higher business value, more opportunities to raise funds from financial institutions and the business growth that entails, creates opportunities to receive orders from new clients, and creates opportunities to secure talented human resources	Short / Medium / Long	—	—	● Increase our business value with in-house decarbonization activities and with social contributions through our business (improve our assessments from environmental ratings agencies) ● Raise funds through means such as Sustainability-Linked Loans

**4°C scenario** (scenario in which measures to counter climate change are insufficient, and temperatures rise by approximately 4°C compared to pre-industrial levels)

Type	Climate change factor	Impact on the Group	Time line of impact*1	Level of impact*2		Key response measures
				2030	2050	
Risks	(Acute) Intensifying weather	● Emerging risk of flood damage to residential and other buildings as well as the commensurate increase in damage insurance premiums, worsening work environments ● Supply chain disruptions due to intensified weather, interruptions to procurement and deliveries, lost chances to make proposals to customers or receive orders from them	Medium / Long	▼ 7	▼▼ 19	● Better BCP preparedness in the event of a disaster, regular hazard risk assessments for properties owned
	(Chronic) Higher temperatures	● Worsening labor shortages in construction due to increased health risks (heatstroke, etc.) and worsening work environments at outdoor construction sites ● Lower work efficiency, delayed completion of construction, and increased cost of provisions due to heat stress	Medium / Long	▼ 8	▼▼ 11	● Ensure and improve operating efficiency of worksites by taking thorough measures against heatstroke (utilizing ICT in safety management for work sites) and advancing digital transformation (DX) of work sites ● Secure sufficient construction periods

\*1 Short time line: 3 years or less, Medium time line: Over 3 and up to 10 years, Long time line: Over 10 years

\*2 Financial impact (profit) on business activities of the Group in fiscal 2030 is calculated under the assumption of certain conditions. Anticipating the relative magnitudes, risks are expressed as "▼▼▼ (large)," "▼▼ (medium)," and "▼ (small)," and opportunities as "▲▲▲ (large)," "▲▲ (medium)," and "▲ (small)." Impact scale in financial terms is (large): ¥10.0 billion or more, (medium): From ¥1.0 billion to less than ¥10.0 billion, and (small): Less than ¥1.0 billion

## Report based on TNFD recommendations

We began performing analyses according to the LEAP approach<sup>\*1</sup> advocated by the Taskforce on Nature-related Financial Disclosures TNFD, identified our dependencies and impacts on the natural environment, and learned about the natural environments surrounding our worksites. Going forward, we will pursue harmony between a rich natural environment and our business activities by evaluating nature-related risks and opportunities and considering measures to make our business activities more eco-friendly.

We also declared our support for the principles of the TNFD and joined the group of supportive organizations of the TNFD Forum starting in July 2024.

<sup>\*1</sup> An approach to locate (L) interfaces with nature, evaluate (E) dependencies and impacts, assess (A) materials risks and opportunities, and prepare (P) to respond and report.

Related website: The TNFD Forum  
<https://tnfd.global/engage/tnfd-community/>



### Dependencies and impacts on nature

Using ENCORE<sup>\*2</sup>, we analyzed the dependencies on ecosystem services and influences on the environment in the business activities of the Company. The analysis results

identified a high dependency on timber which is turned into fuel at our biomass power plants. In terms of influences on the environment, we learned that we could very likely be impacting the environment through a variety of factors such as land and water usage and emissions of water and land contaminants in addition to greenhouse gases in the telecom carriers and urban infrastructure businesses in which we perform various types of construction.

<sup>\*2</sup> A tool developed by organizations including the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) to understand the dependencies and impacts on nature of each business process.

### Sensitive locations

Based on the location data of worksites conducting the Company's business activities, we engaged in considerations to identify sites that correspond to any of the TNFD's four suggested assessment standpoints (biodiversity importance, ecosystem integrity, water stress, importance of ecosystem services provision) as sensitive locations. The results of the analysis identified multiple locations including biomass and solar power plants as sensitive locations. After analyzing the risks and opportunities, we will further narrow these down to sites we should focus on as priority locations and strive to mitigate the environmental impact of the activities at each of these sites.

### Relationships of dependencies indicated by ENCORE with our activities

Type	Dependency or impact	Relationship with us
Dependency	Fibers and other materials	Fuel procurement in biomass power generation
	Use of terrestrial, freshwater, and marine ecosystems	Land modifications and use of heavy machinery in construction, laying of undersea cables
Impact	Water usage	Biomass power generation, cooling at data centers, cleaning at solar power plants
	GHG & non-GHG emissions	Fuel burning in construction activities and biomass power generation
	Contaminants in water	Contaminating water and releasing chemicals into land in construction
	Soil contaminants	Using paints, coatings, and anti-corrosion agents and also runoff of harmful substances in construction
	Solid waste	Generating ashes and other waste after fuel burning in biomass power generation
	Disruptions (nuisances)	Noise and bright lights due to construction or laying of cables

## Main initiatives to conserve biodiversity in our business activities

### Deploying the Earth Shuttle Method to avoid negative impacts on marine and coastal ecosystems

Our Earth Shuttle Method of horizontal directional drilling enables the laying of submarine pipes of a required diameter in a required location while protecting the seabed. It is used in applications such as communications and electric power landing pipes, water supply pipes, seawater intake pipes, and high-voltage cables for offshore wind farms. It is ideal for delicate natural habitats such as fishing grounds and coral reef nature reserves, as well as sites where waves could damage pipes and cables.

Offshore wind power generation is seen as a promising source of renewable energy in the future. We consider this method to be a key initiative to addressing the associated problem of the impact of submarine cables on biodiversity.

We also newly developed the Marine Shuttle Method which is capable of extending into underwater areas from long distances with small-diameter pipes using the slurry type pipe jacking method. We dedicate ourselves to creating systems that meet our customers' wide-ranging needs.

→ p.41-42

Feature 1: Taking on the renewable energy business

## Activities to maintain and bolster forest resources

### Exeo Forests ("Mori")

We showed our support for activities by Japan's Forestry Agency to maintain and bolster forest resources by entering into revenue-sharing forest development agreements (conservation agreements for national forests on the condition of no logging) with forest offices in the regions of Hokkaido, Tohoku, Kansai, Chugoku, and Kyushu.

These have all been named Exeo Forests ("Mori"). We are engaged in a variety of activities at these forests, from cutting lawns and vine cutting to installing birdhouses and cleaning up surrounding areas. We also use them as locations for activities to raise awareness about biodiversity conservation.

### Seibu Forest of Kikuchi

Based on the Seibu Forest of Kikuchi Joint Forestry with Corporations partnership agreement signed in 2010 with

the city of Kikuchi in Kumamoto Prefecture, Seibu Electric Industry Co., Ltd. engages in forest maintenance with the aims of protecting watersheds and preventing global warming.

Employees of Seibu Electric Industry and their family members and past employee groups are performing forestry work through this collaboration, helping with forest thinning, tree planting, and weeding work on a volunteer basis while bolstering social engagement with the community.

Through activities such as these to maintain and bolster forests, we will continue striving to conserve biodiversity. We will also explore conservation of natural environments through the acquisition of timberlands.



An activity at an Exeo Forest (Kansai Branch)



Tree planting activities at Seibu Forest of Kikuchi

## Human resources strategy

### Basic approach to human resources

Our employees are invaluable assets. Based on our human resources philosophy regarding employees as the Group's primary assets, we pursue prosperity for both our employees and the Company through diligent practice of respect for human rights, fair evaluations and treatment, human resource development, and professionalism.

Based also on the idea that it is essential to our future ongoing growth to secure and develop talented human resources and create workplaces where everyone can work with vitality and harness their capabilities to the fullest, we are implementing work style reforms to change attitudes toward work styles, reform rules, and promote diversity, equity, and inclusion (DE&I).

### Hiring & human resource development

The Group strives to hire and develop human resources who are capable of adapting to rapid technological innovations and market changes.

For training, we offer a diverse lineup of programs including new employee training, position-based training, technical training, the Transformation Leader Development Program, and the culture transformation program. Moreover, we also provide support for self-development, such as incentive programs for acquiring qualifications and correspondence learning courses, and are committed to providing growth opportunities and encouraging employees to actively take advantage of them.

### Basic policies, strategies, and efforts for bolstering our human capital

Area	Basic policy	Strategic issue	Main initiatives
Hiring	Hire human resources who are capable of adapting to rapid technological innovations and changes in business structure	Securing competitive human resources	<ul style="list-style-type: none"> <li>● Strengthen promotions using hiring websites, YouTube, and other platforms/channels</li> <li>● Increase referral hiring and re-hiring of alumni (past employees)</li> </ul>
Development	Offer early-on and well-timed development programs that further the development of transformation leaders and high-skilled professionals	Transformation leader development	<ul style="list-style-type: none"> <li>● Bolstering our curriculum for developing the younger generation of employees</li> <li>● Transformation Leader Development Program (target: cumulative total 1,040 participants by end of fiscal 2025)</li> </ul>
		Developing high-skilled professionals	<ul style="list-style-type: none"> <li>● Bolstering technology training through collaboration with Group companies</li> <li>● Working on multi-skilling &amp; reskilling employees</li> </ul>
Culture	Establish environments where employees feel energized on the job, leading to high productivity, by raising engagement and ensuring psychological safety	Raising engagement	<ul style="list-style-type: none"> <li>● Career development programs (CDPs) and career development plotted out by employees themselves</li> <li>● Establishing environments for autonomous development via e-learning, etc.</li> </ul>
		Ensuring psychological safety	<ul style="list-style-type: none"> <li>● Creating harassment-free workplaces that unlock employees' capabilities</li> <li>● Promoting one-on-one discussions where employees can think and speak their minds</li> </ul>

### Four foundations of strategy implementation

- Visualizing our human resources portfolio by building a talent management program and swiftly linking it with management strategy
- Implementing diversity, equity, and inclusion (DE&I) measures (for women, disabled, LGBTQ, promoting childcare leave by men, etc.)
- Strategic communication of information internally and externally (external disclosures of reports, bolstering hiring promotions, communicating information to promote internal understanding, etc.)
- Group collaboration on hiring activities and development measures such as training plans



#### Four hiring & human resources development policies

- Strive to pursue the sustainable growth of the Group by flexibly hiring human resources according to business requirements.
- Develop human resources as required to expand and shift our business by improving employee knowledge, capabilities, and skills systematically and in a timely manner through the Career Development Program (CDP) and training.
- Implement DE&I measures to build work environments that make it easier for diverse human resources to thrive.
- Foster an open, liberated culture and comfortable workplaces that enable each employee to better harness their capabilities.

#### Overseas Trainee System

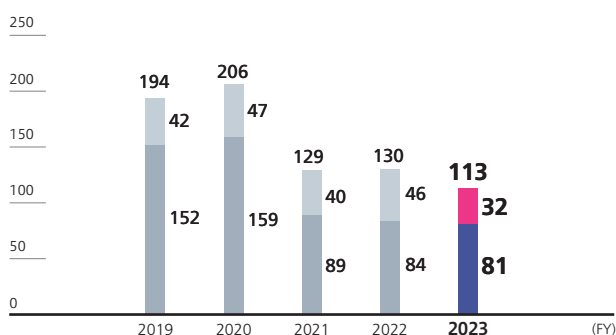
From 2015 to 2021, the Company had a program to send employees to the Philippines. However, in 2022, in tune with the expansion of our global business, we discontinued the the program and created a new expanded global trainee system based on the Philippine model.

Through this system, we accept applicants from among all employees of the Group including Group companies (who have been with us at least three years and are age 25 or older) and send them to work at overseas Group companies for roughly one year. Engaging hands-on at the worksites where they are assigned, trainees gain experience, personal networks, and expertise, while quickly developing into the personnel who will drive the Group's business into the future.

Five trainees were sent overseas in fiscal 2023, with three going to Singapore and two going to the Philippines.

#### Number of new hires

(people) ■ New graduate ■ Mid-career



#### Average years of continuous service

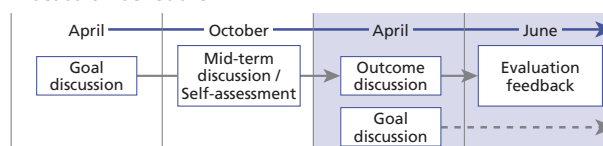
	FY2021	FY2022	FY2023
Male	17.9	18.2	18.7
Female	14.4	14.6	14.5
Total	17.6	17.9	18.3

#### Fair evaluations and treatment

As a system to reward employees for their efforts by fairly evaluating outcomes, employees hold bi-annual discussions with their superiors to discuss their progress and achievement of self-established goals. We are helping to ensure the evaluations are convincing by providing feedback on the results of the evaluations to employees.

In addition, all employees are given an opportunity to talk with their supervisors once a year about their job satisfaction, career plans and other matters.

#### Discussion schedule



#### Implementation rate of discussions with supervisors

FY2021	FY2022	FY2023
100%	100%	100%

#### Work style reform

With the aim of proper management of working hours and rectifying long working hours, labor representatives and top management have issued a joint declaration and are working on reforms to comply with labor related laws and regulations, promote flexible work styles, improve operational efficiency across the organization, and maintain and promote physical and mental health by raising employee awareness and implementing specific measures. We are also working to realize diverse and flexible work styles through means such as the establishment of a regional key position system (a system for regionally assigned employees) and a teleworking system.

For the new lifestyles and new working styles recommended by the Japanese government, we are striving to create a work environment where everyone can work with peace of mind and enthusiasm through efforts including: (1) review of operations (business inventory, business evaluation, etc.), (2) improvement of the environment (PC, work environment, etc.), (3) consideration for health and well-being (development of a system for supporting mental health, etc.), (4) enhancement of systems (review of commuting styles, establishment of an expenses policy for working from home and for working from remote locations, etc.).

## Health and productivity management initiatives

The Group aims to create safe, highly appealing workplaces with job satisfaction and to maintain and improve the health of all employees performing the operations of the Group, for the sake of the physical and mental health of each and every employee, and for higher productivity, better work efficiency, and the ongoing growth of the company.

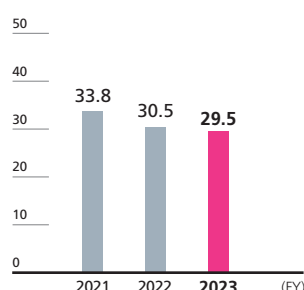
Based on this approach, on April 1, 2024, we established the Exeo Group Health & Productivity Management Declaration.

### Reducing long working hours

As initiatives to reduce long work hours, we are visualizing scheduled and actual overtime work hours using a system and working to standardize operations. At the same time, we are proactively reducing overall annual work hours by improving productivity through DX implementation.

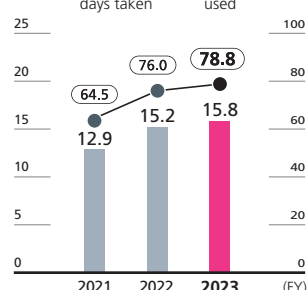
#### Average overtime work hours per month\*

(Hours)



#### Number of days of paid leave/ Percentage used

(Days) ■ Number of days taken ● Percentage (%) used



\* Overtime work hours are cumulative work hours exceeding our scheduled 7.5 work hours per day and 37.5 work hours per week

## Diversity, equity, and inclusion (DE&I)

### Supporting women's career advancement

We have formulated an action plan in accordance with the Act on the Promotion of Women's Participation and Advancement in the Workplace and publish related information including numerical targets in addition to actively hiring women—which will also enable us to achieve these targets. In order to develop future female executives, the Diversity Promotion Office, Human Resources Department, and our various departments are also working together on promoting initiatives to develop female managers, including considerations for creating development plans.

We also changed the name of our promoters for women's career advancement, initiated in 2017 to "diversity promoters" in order to pursue DE&I from a broader range of perspectives throughout the Group as a whole. Both men and

women are being selected by departments and branches as their diversity promoters to engage in activities that get their workplaces involved.

As a result of these efforts, the Ministry of Health, Labour and Welfare recognized Exeo Group, Inc. in 2016 with its Eruboshi certification, which is awarded to companies for outstanding efforts to support the career development of women. We have also received recognition from the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years, as a Nadeshiko Brand in 2020 and as a Semi-Nadeshiko Brand in 2021 and 2022. These certifications are awarded to listed companies in recognition of their efforts to support the career advancement of women.

### General Employers Action Plan based on the Act on the Promotion of Women's Participation and Advancement in the Workplace and our progress

Plan period: April 1, 2021 to March 31, 2026 (5 years)

	As of the end of March, 2021	As of the end of March, 2024	Target at the end of March, 2026
Number of women in management positions	20	35	1.5 times (30)
Number of female employees	307	343	25% increase (384)
Percentage of male employees taking childcare leave	7.3%	32.9%	20%



### Training for management and managerial positions

Training is conducted starting from upper levels of the company to foster an understanding of the importance of promoting DE&I as a management strategy and to recognize issues the company faces in doing so.

As a result of these efforts, our company received bronze certification in the PRIDE Index 2020 and a silver certification in the fiscal 2021 through 2023 versions of this index established by the organization Work with Pride to evaluate workplace initiatives related to LGBTQ and other sexual minorities. Aside from that, we were awarded the highest possible rank "Best Workplace for Diversity & Inclusion" for three consecutive years in fiscal 2021 through 2023 by the D&I Award which recognizes companies making admirable efforts toward diversity and inclusion.



## Work-life balance

### Basic approach

We are also engaged in various activities to reduce overall work hours and create physically and mentally healthy efficient workplaces. We are reducing unnecessary and non-urgent overtime hours by ensuring that meetings are held at the beginning and end of work. In addition to activities in the everyday work environment such as diligently enforcing no-overtime day once per week, we are also promoting the use of annual paid leave days in combination with long holidays such as Japan's "Golden Week" from the end of April to early May, summer holidays, and year-end/new-year holidays.

### Supporting the balance between work and home

We are actively enhancing systems and holding briefings to achieve the targets in the action plan (Seventh Action Plan) that we formulated in April 2022 pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children. We have introduced company-led childcare facilities along with a babysitter system, and are actively providing consultations from midwives as we work to develop environments that make it easy for employees to strike a balance between their jobs and parenting responsibilities, regardless of gender. In 2015, we earned the Kurumin Mark, an accreditation from the Minister of Health, Labour and Welfare recognizing companies providing support for childcare.



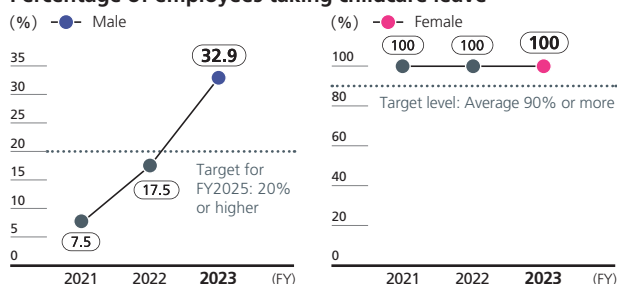
Kurumin Mark from  
the Minister of Health,  
Labour and Welfare

### General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Target	(1) Achieve 20% rate of male employees taking childcare leave
	(2) Maintain childcare leave usage rate of at least 90% among female employees
	(3) Effectively communicate guidance about how to use the System for Balancing Medical Treatment with Work which was newly established in April 2022, and about the related procedures

Plan period: April 1, 2022 to March 31, 2026 (4 years)

### Percentage of employees taking childcare leave



## Occupational safety and health

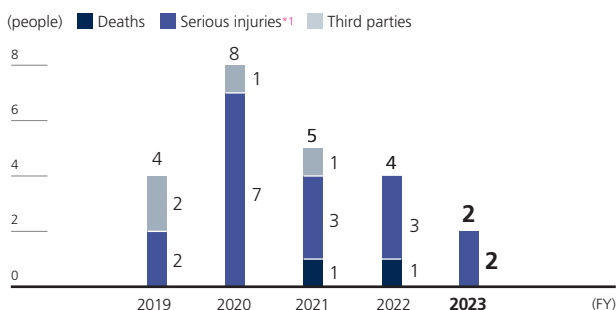
Among the Exeo Group Management Policies, our occupational safety and health management policies call for "thoroughly ensuring safe work operations and maintaining and promoting mental and physical health."

Based on these policies, we have established four priority measures and we are working together throughout the Group to achieve the related goals.

### Priority measures

- Reliably execute safe construction cycles and verify that they become established
- Implement measures to prevent bodily injury accidents that absolutely cannot be allowed to occur
- Manage work-life balance (reduce overall work hours)
- Preemptively prevent health problems from overwork and provide better mental health care

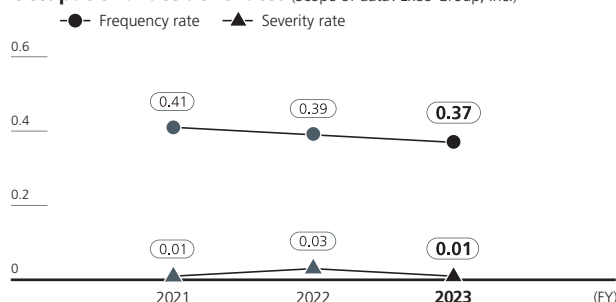
### Status of bodily injury accident occurrences



Scope of data: Exeo Group, Inc. and its five major subsidiaries (C-Cube Corporation, Seibu Electric Industry Co., Ltd., Nippon Dentsu Co., Ltd., Daiwa Denetsu Corporation, and Exeo Tech Corporation)

\*1 Hospitalized for two weeks or more and 30 or more days of temporary absence

### Occupational accident rates (Scope of data: Exeo Group, Inc.)





### New business creation and R&D with sights set on medium- to long-term growth

Kazuhiko Okubo

Operating Officer, General Manager of Innovation Promotion Division

#### Mission of the Innovation Promotion Division

The Group established the Innovation Promotion Division in July 2020 with the primary mission to create new businesses for the continuous growth of the Group as a whole. When considering new businesses, we analyze changes in the business environment from a medium- to long-term perspective and aim to start up new businesses that leverage the strengths of the group for competitive advantage.

To achieve our mission, we focus on creating the mechanisms to continuously innovate (organizational operating mindset) and establishing systems to develop innovative personnel.

#### Innovation strategy

We are defining concepts and refining them under an innovation strategy comprised of two policies: (1) expand domains via our existing businesses, and (2) start up new businesses that leverage existing strengths. Based on expertise honed over the years as an integrated engineering enterprise, we will work on expanding into the domains of service providers and data platform companies while starting up new businesses in urban infrastructure and system solutions.

Our main achievements in fiscal 2023 were construction to equip older buildings with energy-saving (ESG renovations) in the urban infrastructure business, and an AI meal planning service called the NutriMate nutritional meal management system in the system solutions business. In fiscal 2024, we will steadily engage in these new businesses and find ways to scale them up, while also continuing to give tangible form to business ideas arising from our workspaces.

For human resources development, we are also organizing trainings and lectures on the topic of innovation, as well as business contests to bring in ideas for new businesses. Through efforts such as these, we aim to create organizations capable of continuously generating innovations.

#### R&D strategy

Upfront investments in technology aimed at medium- to long-term future growth are also important. As such, the Group has defined automation and labor saving, safety and quality, carbon neutrality, and new businesses and solutions as the four fields we should focus our R&D on. I think these four fields are essential to the Group's continued growth in domains that also relate to the social contribution of supporting telecommunications and social infrastructure.

Our objective for fiscal 2024 is to identify core technologies that can be competitive advantages for the Group in this priority domain. For example, in automation and energy-saving, we will work on technological development through open innovation in partnership with companies inside and outside the Group and also universities to make remote operation of factories possible and increase the efficiency of solutions business through the use of generative AI.

We will also share the details of such efforts between Group companies and consolidate expertise, then channel those into operational efficiency and further growth for each Group company.



## Construction to equip existing buildings with energy-saving

Demand for renovations of older buildings is rising from the standpoint of reducing environmental impact. Through “construction without moving out” in which construction is done while tenants remain in existing buildings, we are performing construction to equip older buildings with energy-saving that reduces energy consumption.

This form of construction is a proposal-based business that aims to generate new business from the standpoint of solutions to social issues. Currently, we are working continuously toward steady profit generation and business expansion.

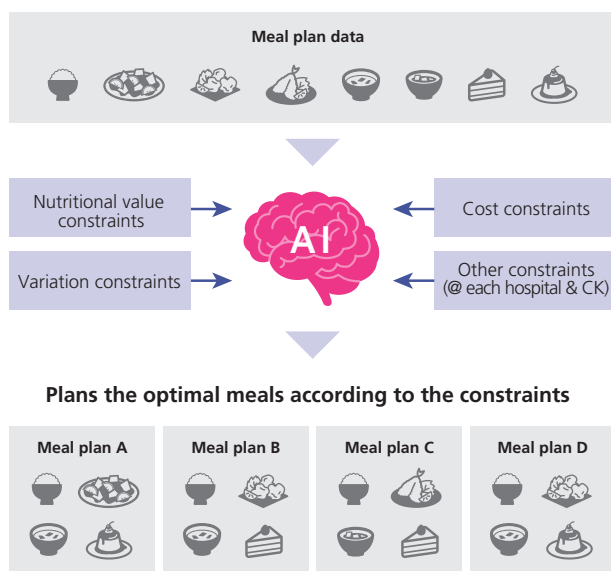


## Developing AI meal planning services with potential for use at hospitals and nursing homes

Nutritional meal management system “NutriMate” is a comprehensive system that can support nutritional meal service operations at facilities such as hospitals and nursing homes. Taking many different factors into consideration from accommodating allergies to nutritional balance, flavor, plate presentation, seasonal dishes, and avoiding monotonous repetition, it can generate meal plans that seamlessly align closely with human sensibilities. With large hospitals as the primary users, the system has been implemented at 49% of university hospitals — representing the number one market share nationwide.

We are applying for the patent as a business model capable of meeting all forms of meal-related needs, as well as individualized dietary needs in the era of Japan’s rapidly aging society.

### Illustration of AI-based meal plan generation concept



### Innovation promotion plan

Topic	Status
ESG renovations	Delivering energy savings through maintenance and re-construction of older buildings
Smart construction	Working on automating the process of site surveys, design, cost estimation, and construction in engineering work and making these more efficient
Healthcare	Conducting a PoC for AI-based meal planning business as a new offering. Releasing automated meal plan creation feature in July 2024
Solar power	Cooperating with Seibu Electric Co., Ltd. and other Group companies to explore a medium- to long-term strategy to win projects
Business contest (creating organizational operating mindset)	Conducting as an approach to generating continuous business ideas and raising worksite awareness for turning ideas into IP and products

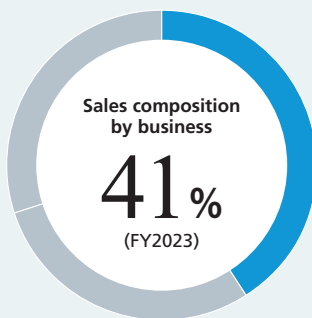
### R&D activity plan and progress

Topic	Status
Automation and labor saving in construction processes	<ul style="list-style-type: none"> <li>Clarifying the state of operations in a series of construction flows</li> <li>Analyzing the possibilities and methods to build systems when applying past precedents and case examples from Japan and the world at our companies</li> </ul>
Remote operation & automation in pipe jacking	<ul style="list-style-type: none"> <li>Taking inventory of expertise in conventional labor-based tasks and preparing to implement a VR system</li> <li>Gathering pipe jacking data in Japan and the world and exploring ways to configure remote operating systems through industry-academia partnership</li> </ul>
Generative AI-driven improvements in operational efficiency of solutions	<ul style="list-style-type: none"> <li>Verifying application of design and operations/maintenance to solution operations</li> <li>Building Group-wide environments for safe usage of generative AI</li> </ul>

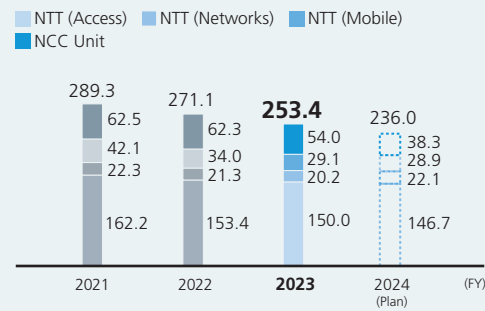
## Summaries by segment



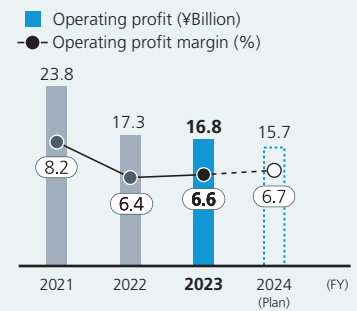
### Telecom carriers business



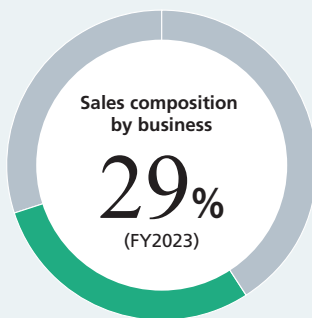
Net sales (¥Billion)



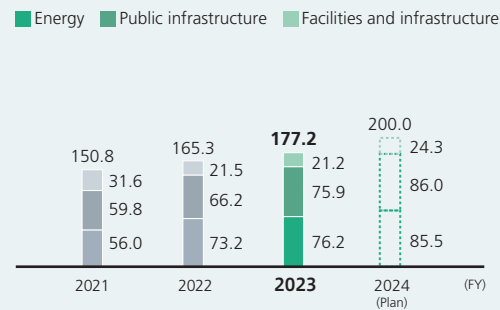
Operating profit / Operating profit margin



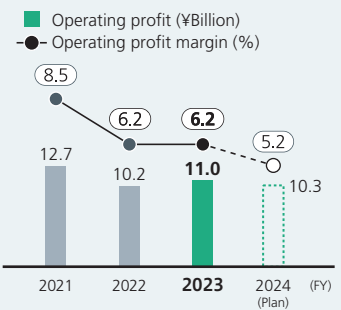
### Urban infrastructure business



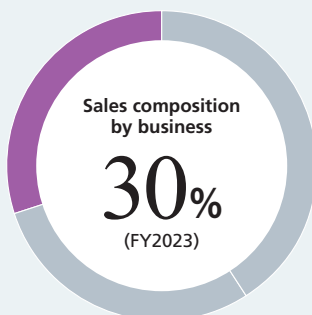
Net sales (¥Billion)



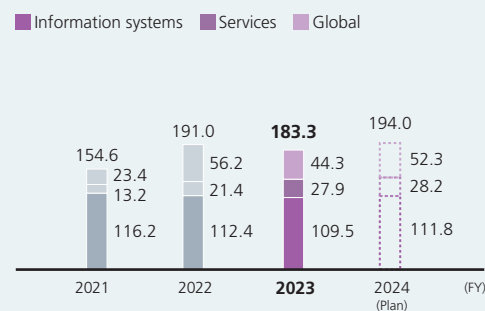
Operating profit / Operating profit margin



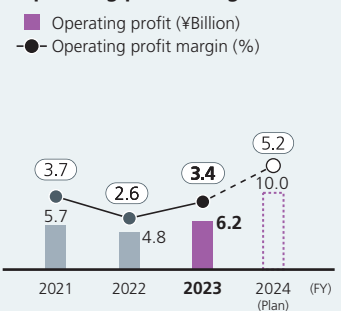
### System solutions business



Net sales (¥Billion)



Operating profit / Operating profit margin



**Main products & services**

- Optical fiber cabling
- Network facilities construction
- Telecommunications civil engineering
- Mobile base station installation & maintenance
- Telecommunications & electricity facility projects

**Summary of FY2023**

Harsh circumstances in the previous fiscal year carried over into fiscal 2023 due to the impact of curtailed capital investments by telecom carriers. However, we were able to keep the loss in profits to a minimum as orders and sales recovered somewhat due to investments in quality improvements by some mobile carriers in the second half of the fiscal year. The profit margin also improved thanks to productivity improvements through DX utilization and ongoing efforts in structural reorganizations such as building a more flexible and efficient organizational structure through the integration of our mobile construction organization.

We will steadily secure profits in our core businesses by implementing even more in-depth measures including the use of offshoring and efforts toward optimization by area, while also actively engaging in initiatives such as next generation communications infrastructure IOWN.

**Main products & services**

- Electrical & air conditioning equipment projects
- Social infrastructure construction
- Facilities related to renewable energy & smart energy
- Urban civil engineering (pole-free, pipe jacking, etc.)
- Waste treatment plant construction & maintenance

**Summary of FY2023**

In fiscal 2023, the results of our ongoing efforts steadily accumulated and led to big results as we received multiple orders for large public-sector projects. In data centers, inquiries from the market also remained strong. In civil engineering technologies where we have strength and in pipe jacking in particular, we actively established the organizational structure to support business expansion by adding a company with extremely high technological strength to the Group and opening expatriate offices locally.

In our environment-related business also, we are starting to generate our own energy at two woody biomass power plants, in addition to ongoing initiatives through collaborations with partner companies such as installing grid-connected storage batteries and building EV charging infrastructure.

**Main products & services**

- Software development on consignment
- DX support solutions
- IT infrastructure architecture (servers, wireless LAN, etc.)
- Managed services (system operations & maintenance, security monitoring, etc.)
- Global business

**Summary of FY2023**

In fiscal 2023, revenues declined due to a worsening business environment internationally, but business was strong domestically and profit also improved, resulting in an overall profit increase in the business. Domestically we established an organizational structure to meet robust demand for systems development which included shifting personnel from other businesses, while overseas we also consolidated nine Group companies into our new global head office building as we moved forward with business growth more efficiently and aggressively.

In domestic business, we are accelerating business expansion in the form of total solutions by advancing collaborations between Group companies and bolstering sales activities that leverage products that are each company's strengths. Globally, we are deciding which businesses to adopt or reject as we shift to a business structure that can facilitate stable contributions to profit and strive to improve profitability.



## Telecom carriers business

Net sales in FY2023

¥253.4 billion

**Main businesses** We provide high-quality, integrated services all in one nationwide, from planning and design to construction, operations, and maintenance for the telecommunications facilities of all telecom carriers. We support domestic telecommunications infrastructure through construction of a variety of telecommunications facilities, from optical fiber networks to servers and routers, including 5G—the next-generation standard in mobile telecommunications.

**Main customers** Telecom carriers (cell phones, land lines)

### SWOT analysis

#### S Strengths

- Track record established in building telecommunications-related facilities since our founding, and unsurpassed technological capabilities
- Integrated services from planning and design to construction, operations, and maintenance for the telecommunications facilities of all telecom carriers
- Organizational capabilities to provide the same level of service anywhere in Japan

#### W Weaknesses

- Operations of subsidiaries and subcontractors must be further standardized and made more efficient
- Standardizing and commonizing workflows of construction systems for each individual carrier is a challenge

#### O Opportunities

- Expansion of mobile base stations due to full-scale deployment of 5G
- Backbone expansion that accompanies increases in telecommunications traffic
- Transitioning to optical connections for the “last mile” in urban areas
- Demand for facilities renovations as telecommunications infrastructure ages

#### T Threats

- Reduced capital expenditures resulting from trends in the business strategies of telecom carriers and from national government policy
- Slowing of investment in base station construction due to 4G frequency bands being switched to 5G (shift to New Radio: NR) and infrastructure sharing



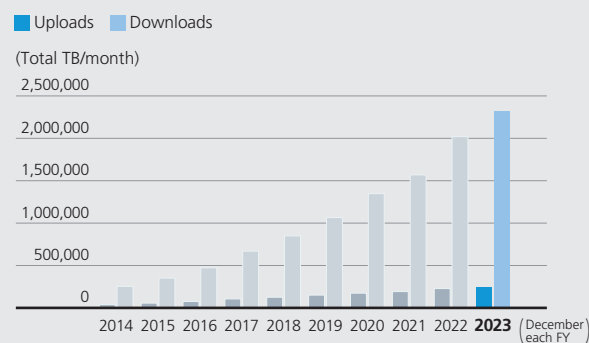
Access networks cabling installation



Outdoor base station on a rooftop

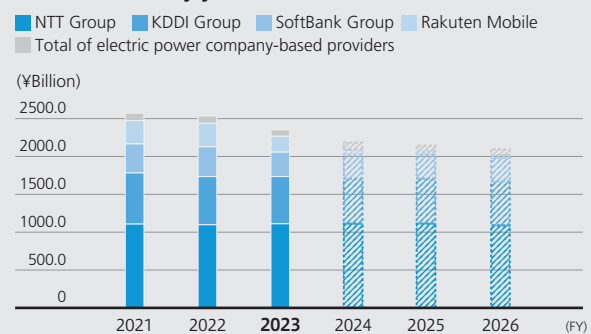
### Market trends and data

#### Mobile communications traffic



Telecommunications traffic is growing at an accelerated pace along with the spread of DX implementation, social media, and video viewing. Traffic in mobile communications has grown approximately thirteen-fold over the past decade, with further increases expected in the future.

#### Past and projected capital expenditures per Japanese telecom carrier by year



(From IR materials of telecom carriers and MCA analysis in fiscal 2021-2026)  
Source: MCA Inc. "Network Investment Strategies of Major Carriers and the Telecommunications Infrastructure Market FY2023"

Capital expenditures by telecom carriers exceeded ¥2.5 trillion in fiscal 2021 and 2022, but they each announced business plans that curtail such spending in subsequent years. Expenditures are projected to shrink to around ¥2.1 trillion in fiscal 2026.



## Our aims in the Medium-Term Management Plan

- Construction of 5G infrastructure
- Improve profitability and productivity

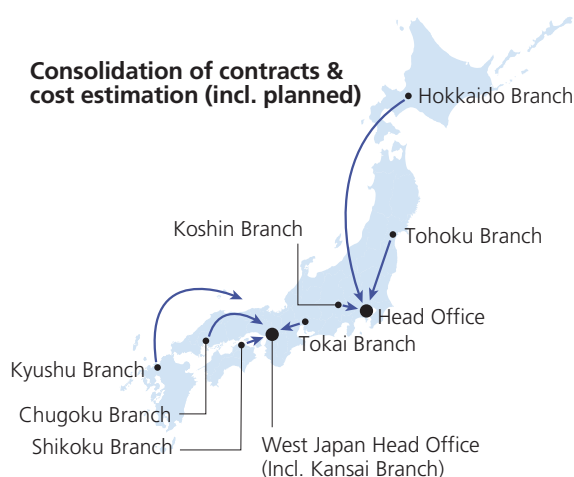
We aim to contribute toward strengthening business infrastructure in what has conventionally been our core business by leveraging DX to further improve profitability and productivity. As we are helping to build and maintain more advanced telecommunications infrastructure including 5G and 6G, we will continue to support economic activity and the daily lives of citizens.

## Major initiatives and key achievements

### Operational efficiency efforts including use of DX

We are making operations more efficient by using RPA to automatically create various forms and advancing transitions to DX including tablet devices for information sharing at construction sites. As we consolidate our contracts and cost estimations as well as our design and technical support throughout Japan and shift to offshore inspection operations, we are striving to operate more efficiently. Additionally, we are also working on deploying network cameras and AI for safety.

Aside from those, we made efforts to shift personnel to growth fields through multi-skilling in access/mobile and network/electric power and flexibly build operations.



### Building the optimal operational structure by restructuring subsidiaries

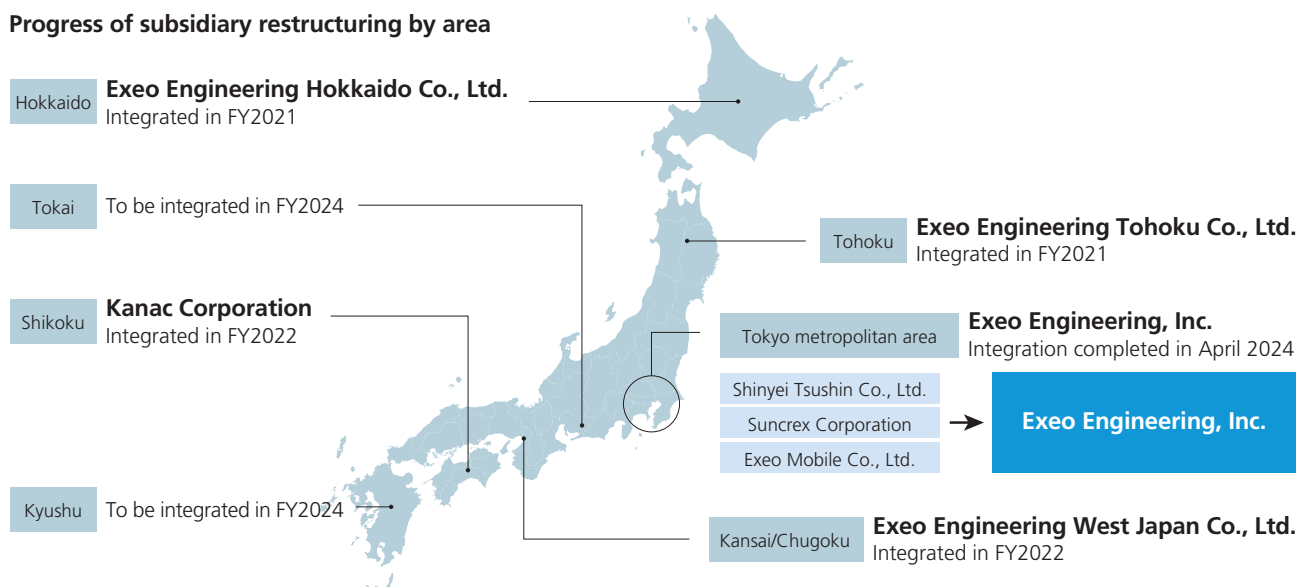
We are restructuring our subsidiaries by area from the perspectives of continuous business growth, better profitability, and stronger governance. Doing so, we will integrate skills, increase operational efficiency, and grow and expand business domains while making effective use of assets, reducing indirect costs, and increasing our presence in communities.

In fiscal 2023, we integrated and reorganized access and mobile construction companies in the Tokyo metropolitan area. We also established an organizational structure more conducive to harnessing synergies by integrating Group business locations that had been dispersed in the city of Fukuoka and establishing a new technology center in the city of Dazaifu.



Dazaifu General Technology Center

### Progress of subsidiary restructuring by area



## Urban infrastructure business



## Urban infrastructure business

Net sales in FY2023

¥177.2 billion

### Energy Unit

Net sales in FY2023 ¥76.2 billion

**Main businesses** Construction and maintenance of electrical and air conditioning equipment, smart energy-related facilities including data centers, and waste treatment plants

**Main customers** Cloud operators, general contractors, local government authorities, etc.

#### SWOT analysis

**S**  
Strengths

- Technological and operational capabilities established through decades of experience in construction of electrical facilities in data centers and office buildings
- Knowledge in plant construction and operations, including for biomass power generation

**W**  
Weaknesses

- Not enough engineers to accommodate increased demand
- Lack of risk management experience in new domains

**O**  
Opportunities

- Growing demand for data centers along with the advancement of data usage in society
- Growth of the renewable energy market on the path to achieving a decarbonized society

**T**  
Threats

- Entry of foreign-owned business operators into Japanese domestic markets for energy-related business



Data centers

### Public Infrastructure Unit

Net sales in FY2023 ¥75.9 billion

**Main businesses** Telecommunications construction and urban civil engineering related to public offices, local government agencies, cable television, and transport-related (wireless-activated disaster warning systems, construction work to eliminate utility poles)

**Main customers** Local government authorities, operators of public infrastructure such as railways and roads.

#### SWOT analysis

**S**  
Strengths

- Able to build a variety of construction projects including telecommunications, electrical, and urban civil engineering all in one
- Possession of cutting-edge civil engineering technologies including shield tunneling and pipe jacking

**W**  
Weaknesses

- Insufficient track record or brand power to compete in the same domain as businesses such as large general contractors
- Shortages of personnel with various qualifications

**O**  
Opportunities

- Increasing needs to upgrade aging public infrastructure such as expressway facilities and water supply and sewerage system

**T**  
Threats

- Surging raw materials and labor costs and longer lead times for procurement



Railway telecommunications construction

### Facilities & Infrastructure Unit

Net sales in FY2023 ¥21.2 billion

**Main businesses** Construction of various telecommunication facilities for use in homes or by specific customers outside of the public sector (company internal local 5G, network architecture, etc.)

**Main customers** Local government authorities, others

#### SWOT analysis

**S**  
Strengths

- Able to build a variety of construction projects including telecommunications, electrical, and urban civil engineering all in one

**W**  
Weaknesses

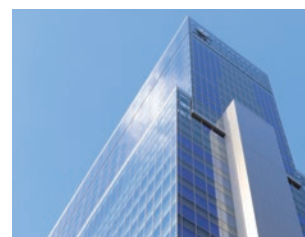
- Not enough engineers to accommodate increased demand

**O**  
Opportunities

- Building infrastructure for further DX implementation (collecting positioning information from inside buildings, etc.)

**T**  
Threats

- Surging costs of raw materials and longer lead times for procurement



Electrical & air conditioning construction for office buildings

## Our aims in the Medium-Term Management Plan

- Develop new business fields
- Advance digital transformation in construction

We aim to expand the breadth of what we handle to include all facilities inside buildings, including telecommunications, air conditioning, and LAN/WAN and capture more orders for all-in-one services. We also aim to expand business in fields where growth is expected such as renewable energy, power storage, and EV chargers. Our efforts will also include striving to maximize added value in DX deployments at worksites and in offshoring of design operations.

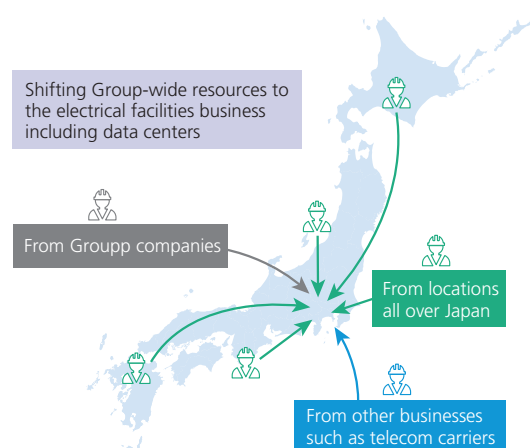
## Major initiatives and key achievements

### Energy Unit

#### Capturing data center-related demand

Due to advancements in digitalization and the spread of generative AI, demand for large data centers is further increasing. Leading cloud business operators in the US have announced intentions to invest ¥4.0 trillion in data centers in Japan, and urgent efforts are being made to address high heat generation which accompanies the higher speeds of devices.

Data center demand is expected to keep growing, and we will capture this demand by working to consolidate resources within the Group as a whole and grow our construction capabilities, while also enhancing our education and training and bolstering our ranks of engineers with experience at data center worksites.



### Public Infrastructure Unit

#### Sewage pipe construction in Jakarta

We are expanding globally in the field of civil engineering. With long-established track records in construction overseas, Kidoh Construction Co., Ltd. and Iseki Poly-Tech, Inc. are playing leading roles in this expansion.

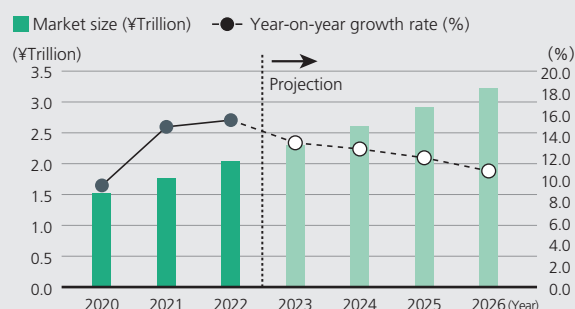
Sewer development using ODA from Japan is under way in Jakarta, Indonesia, and multiple companies in our Group are advancing this business together. Since Jakarta is also an area with particularly heavy traffic, the pipe jacking method is utilized to minimize the impact of construction on traffic. We are leveraging the Group's technological capabilities to the fullest in this work.



## Market trends and data

### Energy Unit

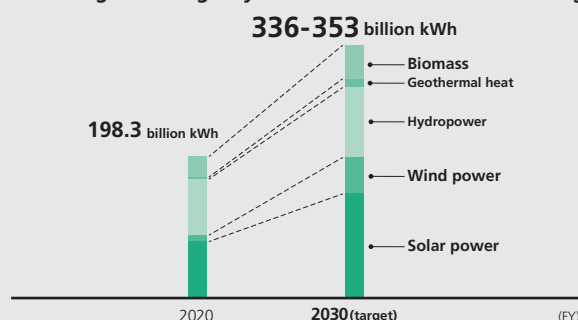
#### Size of Japan's data center services market by year<sup>\*1</sup> and future projections



Even after the data centers market in Japan eclipsed ¥2 trillion in size for the first time in fiscal 2022, it has still continued to grow. Maintaining a high average annual growth rate of 12.8% from 2021 to 2026, the value of the market is projected to reach over ¥3.2 trillion in 2026.

### Energy Unit

#### Renewable energy implementation status and goals according to the Agency for Natural Resources and Energy<sup>\*2</sup>



In light of the Japanese government's stated aim to reduce its greenhouse gas emissions by 46% in fiscal 2030 (vs. fiscal 2013), the Agency for Natural Resources and Energy has set a target of raising the ratio of renewable energy to 36-38% of all power supplies.

<sup>\*1</sup> 2022 is forecast, 2023 onward are projections  
Source: IDC Japan, "Japan Datacenter Services Forecast" (August 29, 2022)

<sup>\*2</sup> From the Sixth Strategic Energy Plan  
Source: Agency for Natural Resources and Energy, "Renewable Energy Policy in the Future"

## System solutions business



## System solutions business

Net sales in FY2023

¥183.3 billion

### Information Systems Unit

Net sales in FY2023 ¥109.5 billion

**Main businesses** Contract development of large-scale systems, business support solutions, network integration (servers, wireless LAN, security, cloud, etc.)

**Main customers** IT business operators

#### SWOT analysis

**S**  
Strengths

- IT engineering capabilities honed in telecommunications facilities construction
- Provide all-in-one services from consulting/design/construction to operations and maintenance
- Group companies with strengths in each domain

**W**  
Weaknesses

- Lack of human resources for development
- Not enough services provided on our own
- Low brand power in the IT market

**O**  
Opportunities

- Continued appetite for DX implementation among companies and public offices
- Rising demand for security against intensifying cyberattacks

**T**  
Threats

- Arrivals of new players and services could make existing services obsolete
- Depletion of IT human resources in Japan, and accompanying spikes in labor costs
- Declining profit margin due to competition with major systems integrators



Exeo Digital Solutions, Inc. which plays a central role in the system development function

### Services Unit

Net sales in FY2023 ¥27.9 billion

**Main businesses** Operations and maintenance of customers' systems, sales and maintenance of various licenses, providing other managed services

**Main customers** Education & medical, general private sector demand

#### SWOT analysis

**S**  
Strengths

- Group companies that specialize in areas such as education-related products and IoT devices
- Track record in help desk operations including with the NTT Group

**W**  
Weaknesses

- Low rate of recurring revenues due to having focused on construction until now

**O**  
Opportunities

- Increased demand for subscription-based managed services due to more efficient IT operations at companies

**T**  
Threats

- Depletion of IT human resources in Japan, and accompanying spikes in labor costs



Exeo System Management, Inc. which plays a central role in system operations and maintenance

### Overseas Projects Unit

Net sales in FY2023 ¥44.3 billion

**Main businesses** Construction for telecommunications, electrical, and air conditioning equipment, and providing solutions in the Asia Pacific region and other overseas markets

**Main customers** Overseas business operators

#### SWOT analysis

**S**  
Strengths

- Speedy business expansion overseas including M&A
- Large presence due to owning our own building (Singapore)

**W**  
Weaknesses

- Lack of brand power overseas
- Insufficient personnel and experience in new domains internationally

**O**  
Opportunities

- Market expansion primarily in Asia Pacific
- Lower barriers for new services than in the Japanese market

**T**  
Threats

- Regional conflicts, changes in government, and other geopolitical risks in each country



Officially opened "The Pulse," our new global headquarters that will house Group companies including Exeo Global Pte. Ltd. which oversees global affiliates



## Our aims in the Medium-Term Management Plan

- Focus on high value-added business
- Expand recurring business

We seek to differentiate our services and boost added value by providing cutting-edge solutions that leverage Group companies' respective strengths and assets through collaboration. As we break away from business models centered on contracting, we are also working to grow recurring business with potential for stable earnings.

## Major initiatives and key achievements

### Information Systems Unit

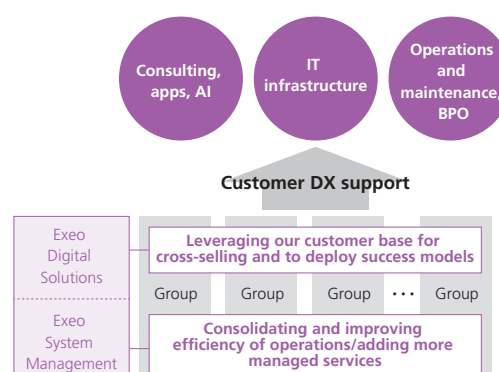
### Services Unit

#### Integrating resources and expertise at two core companies, expanding business infrastructure

In system solutions, we are integrating resources and expertise at the two core companies established through business reorganization in 2022\*. We aim to grow the Group's presence in the system solutions business while expanding our business infrastructure and boosting added value.

We will provide all-encompassing total solutions from consulting to design, manufacturing, operations, and maintenance to accurately address diversifying customer needs.

\* The two companies are Exeo Digital Solutions, Inc. and Exeo System Management, Inc.



### Information Systems Unit

### Services Unit

#### Took 1st place at ServiceNow Japan Hackathon 2023

Exeo Digital Solutions, Inc. (EDS) took first place at the ServiceNow Japan Hackathon 2023 event organized by ServiceNow Japan.

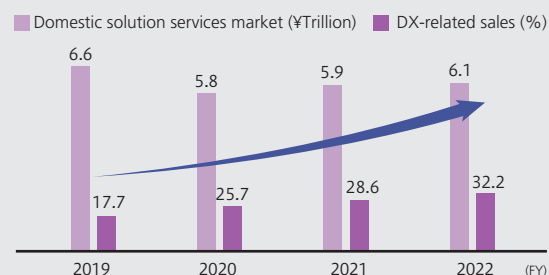
EDS supports implementations of ServiceNow, a cloud service that standardizes and automates the business processes of entire companies. Boasting one of Japan's most extensive track records of implementations, EDS also has one of the country's largest rosters of certification holders. Competing with 31 companies to come up with the best ideas at the event, EDS created an application that uses construction-related information to train AI to automatically generate tasks and documents.



At the event

## Market trends and data

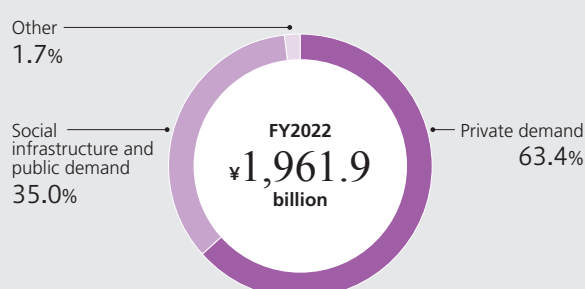
### Proportion of the domestic solution services market that is DX-related



Source: JEITA Solution Service Market Size Survey by Japan Electronics and Information Technology Industries Association (JEITA)

The domestic solution services market that had temporarily shrunk due to the pandemic recovered to a size of around ¥6.0 trillion by fiscal 2022. The biggest part of that recovery was steady growth in DX-related investments, comprising over 30% of all investment in fiscal 2022. Social infrastructure and public demand comprised roughly one-third of the DX-related solution services market as of fiscal 2022.

### Monetary proportion of domestic DX-related solution services market size



## Strengthening our global business

# Collaborating domestically and internationally to grow markets and be more competitive

Five years have passed since Exeo Global Pte. Ltd. which oversees our global business primarily targeting Southeast Asia was established in Singapore. Around two years of that time was impacted by the pandemic, but this business has now grown to a scale of roughly ¥50.0 billion in annual sales. Going forward, we will be working to stabilize the business, improve its profitability, and also facilitate entries to the Japanese market while aiming to achieve the goal of contributing 10% toward the Medium-Term Management Plan.

### 1. IT managed services

We have expanded the area coverage of our services to roughly 150 countries and regions including in Asia Pacific, North and South America, Europe, and Africa as we build a robust organizational structure capable of swiftly attending to the needs of virtually all of our customers. As a result of our efforts, orders from large telecommunications carriers and major IT device manufacturers have been increasing.

Going forward, we will continue this stable business growth while enhancing the added value of our services through the additions of security monitoring and AI-powered automation tools.





## 2. Design for Manufacture and Assembly (DfMA)

The prefabricated construction method based on DfMA is used to manufacture components of buildings at locations away from the construction sites to be swiftly assembled at the sites. This DfMA method is deployed by Leng Aik Engineering Pte. Ltd. and Winner Engineering Pte. Ltd. to efficiently perform high-quality and safe construction.

One example is The Pulse, Exeo Global's headquarters building completed in 2023, where Winner Engineering used DfMA to construct the air conditioning facilities. Use of DfMA is also increasing in large projects in Singapore, and the results it achieves are leading to more orders.



## 3. IoT smart tracking

Ascent Solutions Pte. Ltd. offers IoT smart tracking solutions and remote monitoring with seamless coverage from outdoors to indoors, and also swiftly handles various end-to-end traceability needs in supply chains. Their strength is in their ability to flexibly accommodate customers' needs since they handle design in-house and manufacture the optimal IoT devices for projects.

Currently, they are preparing to enter the Japanese market.



## 4. Power frequency stabilization business in Taiwan

Leveraging its extensive experience in facilities construction and in operations and maintenance, Aeqon Pte. Ltd. has entered the market for providing facilities to stabilize power output during times of fluctuation, with the aim of supplying stable renewable energy to Taiwan. This business is recurring by nature, with a business model that is resistant to economic downturns.

In the future, they will leverage that experience and expertise to capture a market advantage when similar needs emerge in Japan.



# Message from outside directors

## Leveraging my national and local government experience in Board of Directors discussions

Tatsushi Mochizuki  
Director



### What I consider my role as an outside director

From work creating laws and other systems to work in which I directly interfaced with residents, my past experience in the Ministry of Internal Affairs and Communications (MIC) and six different local government agencies has spanned all aspects of local government. My roles in local government have been wide ranging, including in human services, education, environment, disaster management, industrial promotion, informatization, and building everyday infrastructure. Based on that experience in the MIC and local government agencies, I try to speak mainly from the perspectives of residents, communities, and government in Board of Directors meetings.

Our Group has made “delivering solutions to social issues through our business” into its eternal mission. We must gain the understanding of various stakeholders such as shareholders, investors, service users, clients and partners, and local communities, in order to seek not only our own profitability but also solutions to social issues. Seeing our Group’s businesses from the perspectives of residents, communities, and governments respectively, I hope to aid in achieving our Group’s mission of delivering solutions to social issues.

### Composing the Board of Directors with diversity in mind as chair of the Nomination Committee

I serve as chair of the Nomination Committee which has the duties of deliberating on matters such as the nomination of candidates for directors and dismissal of directors, and providing the necessary reports to the Board of Directors. The majority of the members are outside directors, with three being outside directors and two inside directors. Director candidates are nominated through deliberations in the Nomination Committee. The President and CEO then gives recommendations, suitability of the candidates is deliberated in the Board of Directors, after which offers are made and motions sent to the General Meeting of Shareholders.

In nominating director candidates, it is important to first sufficiently discuss the composition of the Board of Directors

with the perspective of diversity in mind. Our Board of Directors meetings must be a forum where various opinions are exchanged for the purpose of increasing the value of our business, equipped with a good balance in terms of gender, professional background, age, specialization, and other factors. We are doing our best to nominate specific candidates through comprehensive decisions on attributes such as character, insight, moral character, ability to get things done, and decision making skills, taking the importance of diversity into consideration.

### Shared awareness in the Board of Directors about the importance of sustainability

The Board of Directors also has vigorous discussions on the topic of sustainability. Sustainability of the environment and society is fundamental to the continuity of our business. “Sustainability” is a term that had primarily been used in the environmental field in the past, but its application has broadened in recent years. Now it is discussed as being linked to the responsibilities companies have toward society as a whole. Companies are heavily expected to engage in business activities that take environmental, economic, and social impact into sufficient consideration.

In 2024, we established our Human Rights Policy and Procurement Policy. In Board of Directors discussions on our Human Rights Policy, we affirmed that “respect for human rights is an important corporate social responsibility for all aspects of our business activities.” In discussing our Procurement Policy, we decided to “commit to environmental conservation and reducing our environmental impact throughout the entire supply chain” and to “ensure that transactions with suppliers are conducted in a fair and unbiased manner, treating them as equal partners.”

The Board of Directors has a shared awareness about the importance of sustainability. It is only with sustainability that we are even able to engage in these business activities in the first place. We need to have even more in-depth discussions on how to get stronger in that regard.



## Compelled to bring new businesses to maturity leveraging my management experience at an engineering company

Keiji Yoshida  
Director



### Taking the stance of clarifying my doubts from an outsider's perspective to contribute to Board of Directors deliberations

From expanding business domains to unearthing new businesses, projects, and more, I have been involved in many cases and projects in the management of an engineering company. Here, we also now find ourselves in a major transformation period. Looking at the business portfolio as well, the telecommunications construction domain which had traditionally been the main focus is already down to about 40% of the portfolio, while urban infrastructure and the system solutions field comprise an increasingly larger portion each year. Proposals such as M&A cases seeking to expand our business domains have also been deliberated at nearly every Board of Directors meeting recently.

All of these cases are proposed confidently after sufficient consideration in the related departments. However, since they are new businesses, they contain at least a little risk. Rather than taking a negative stance on that, I elicit explanations regarding my doubts from an outsider's perspective. I think it is important to bring cases to maturity through that process. My aim is to continue making my experience useful in bringing more cases to maturity going forward.

### Strengthening governance of Group companies is imperative

We have conducted many M&A transactions over these past few years, and the number of Group companies has grown significantly. What we need to further strengthen in terms of governance is the management of these Group companies.

In the Board of Directors, we are also receiving regular reports on the status of Group companies and following up on the problematic cases every month. For companies that joined the Group via M&A, we receive regular reports after analyzing their financial targets, progress of synergies, and capital efficiency, among other factors.

I think one of the roles of outside directors is to

recommend bold proposals for dealing with problems when they arise, and I also consider it imperative to build governance systems that can preemptively prevent them. To that end, it is important to share information with Group companies and get on the same page with their management. Currently, we are sharing information through exchanges of personnel and DX implementation, and aligning management direction in meetings with presidents of Group companies. I look forward to seeing the fruits of these efforts.

### Diversity among human resources is key to building a company's value

Outside-the-box thinking and swift decision-making are essential to a company's continuous growth in a rapidly changing business environment. From that perspective, I think human resources policy is particularly important in terms of bolstering sustainability.

We are also frequently having human resources-related discussions in Board of Directors meetings. With Japan's population of young people rapidly declining, it is no exaggeration to say that a company's future hinges on how well it can secure, develop, and allocate diverse human resources. Along with diversifying our hiring sources, we have been implementing learning and development programs for global personnel, engineers, and our leaders, and the results are starting to show. It is essential to allocate diverse personnel to important positions such as management. We are making progress in areas such as promoting women to operating officer roles, but I hope we can utilize diverse personnel to an even greater extent.

## Directors



**Tetsuya Funabashi**  
President and CEO

Born in 1956  
Director tenure: 6 years  
Number of the Company's shares held: 80,000



Newly appointed

**Koji Tanaka**  
Director and Managing Operating Officer, Representative of West Japan Head Office and Branch Manager of Kansai Branch

Born in 1968  
Director tenure: Appointed in June 2024  
Number of the Company's shares held: 3,000



Newly appointed

**Keigo Kajimura**  
Executive Vice President and Representative Director

Born in 1965  
Director tenure: Appointed in June 2024  
Number of the Company's shares held: 2,000



Outside Independent

**Yasushi Kohara**  
Director

Born in 1953  
Director tenure: 6 years  
Number of the Company's shares held: 5,000



**Koichi Mino**  
Director and Executive Operating Officer, General Manager of Corporate Planning Division

Born in 1960  
Director tenure: 4 years  
Number of the Company's shares held: 65,000



Outside Independent

**Naoko Iwasaki**  
Director

Born in 1975  
Director tenure: 5 years  
Number of the Company's shares held: 0



**Noriyuki Watabe**  
Director and Executive Operating Officer, General Manager of Electrical, Environment, and Smart Energy Headquarters

Born in 1958  
Director tenure: 2 year  
Number of the Company's shares held: 26,000



Outside Independent

**Tatsushi Mochizuki**  
Director

Born in 1956  
Director tenure: 4 years  
Number of the Company's shares held: 3,000



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

Born in 1959  
Director tenure: 7 years  
Number of the Company's shares held: 51,000



Outside Independent

**Keiji Yoshida**  
Director

Born in 1953  
Director tenure: 3 years  
Number of the Company's shares held: 5,000



**Fumitoshi Imaizumi**  
Director and Managing Operating Officer, General Manager of Global Business Department Managing Director and President, Exeo Global Pte. Ltd.

Born in 1963  
Director tenure: 2 year  
Number of the Company's shares held: 21,000



Outside Independent

**Tomoko Aramaki**  
Director

Born in 1968  
Director tenure: 1 year  
Number of the Company's shares held: -



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

Born in 1967  
Director tenure: 1 year  
Number of the Company's shares held: 5,000

## Statutory auditors



### Shinji Kojima

#### Standing Statutory Auditor

Born in 1960  
Statutory Auditor tenure: 1 year  
Number of the Company's shares held: 9,000



### Eiko Osawa

#### Statutory Auditor

Born in 1963  
Statutory Auditor tenure: 1 year  
Number of the Company's shares held: -

Outside Independent



### Naruhiko Yamada

#### Standing Statutory Auditor

Born in 1963  
Statutory Auditor tenure: Appointed  
in June 2024  
Number of the Company's shares held: 15,000

Newly appointed



### Akira Harashima

#### Statutory Auditor

Born in 1960  
Statutory Auditor tenure: Appointed in June 2024  
Number of the Company's shares held: -

Newly appointed Outside Independent



### Kimiko Takahashi

#### Statutory Auditor

Born in 1963  
Statutory Auditor tenure: 3 years  
Number of the Company's shares held: -

Outside Independent

Note: Number of the Company's shares held are rounded down to the nearest 1,000 shares. Officers who do not hold shares are listed as having "-" shares.

### Skills matrix of directors and statutory auditors

	Name	Corporate management & ESG	Innovation & DX	Engineering	Marketing & global business	Finance & accounts	Legal, human resources & labor relations
Directors	Tetsuya Funabashi	●	●	●	●		●
	Keigo Kajimura	●	●	●	●		●
	Koichi Mino	●	●	●	●		
	Noriyuki Watabe	●			●		
	Yuichi Koyoma	●			●		●
	Fumitoshi Imaizumi	●	●	●	●		
	Shigeki Hayashi	●			●	●	
	Koji Tanaka	●	●	●	●		
	Yasushi Kohara	●			●		
	Naoko Iwasaki	●	●		●		
	Tatsushi Mochizuki	●					●
	Keiji Yoshida	●		●	●		●
	Tomoko Aramaki	●			●	●	
Statutory auditors	Shinji Kojima	●		●	●		
	Naruhiko Yamada	●			●		●
	Kimiko Takahashi	●				●	●
	Eiko Osawa				●	●	
	Akira Harashima	●			●		●

Note: These are the skills that directors and statutory auditors are particularly expected to have, and this table does not comprehensively indicate their entire skillsets.

## Corporate governance

### Governance system and rationale for adopting this system

The Company has adopted a Company with an Audit and Supervisory Board format, having determined this system to be the most conducive to ensuring appropriate corporate governance. Members of the Board of Statutory Auditors attend meetings of the Board of Directors and other important meetings in accordance with the audit policy and audit plan. They observe, from a perspective of fairness and impartiality, the execution of duties by the Board of Directors and audit the business and financial conditions of major offices and Group companies.

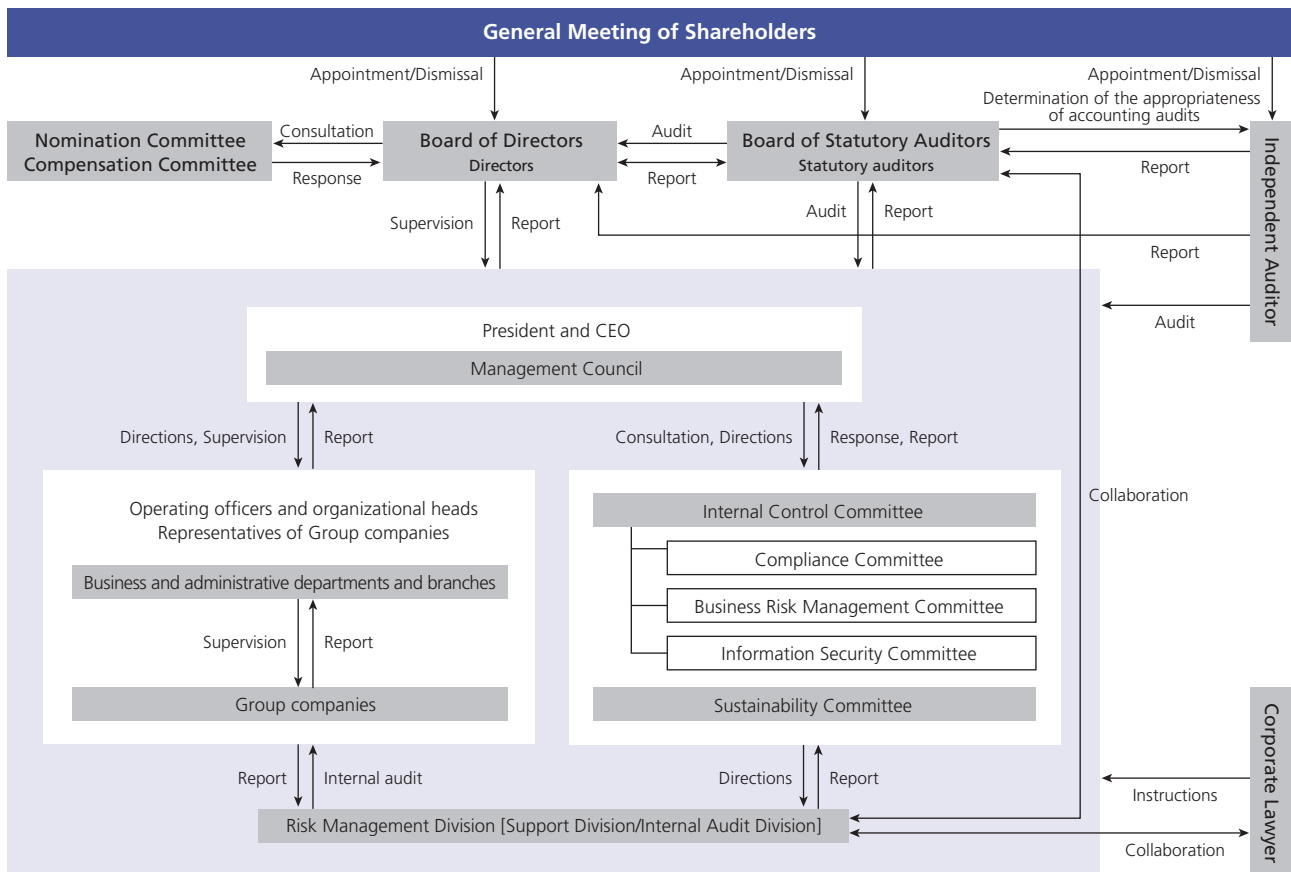
We have also adopted an operating officers system to separate the management decision-making and supervisory function from the business execution function, to achieve prompt and appropriate decision-making and business execution while further strengthening our corporate governance. The Board of Directors, chaired by the President and CEO, makes decisions on important matters and supervises business execution. Operating officers execute

operations based on the Board of Directors' decisions. Furthermore, in our Management Council we discuss important matters pertaining to business execution.

#### Simplified chart of corporate governance system

<b>Format</b>	Company with Audit and Supervisory Board
<b>Directors</b>	13 (including 5 outside directors)
<b>Statutory auditors</b>	5 (including 3 outside statutory auditors)
<b>Number of Board of Directors meetings held this fiscal year</b>	15
<b>Number of Board of Statutory Auditors meetings held this fiscal year</b>	16
<b>Operating officers system</b>	Yes
<b>Operating officers</b>	31
<b>Internal units of the Board of Directors</b>	Nomination Committee and Compensation Committee

#### Our corporate governance system (As of June 26, 2024)


















































































## Officers' activities in FY2023 ★ Independent officers ◎ Chair or committee chair

	Name	Board of Directors	Nomination Committee	Compensation Committee	Board of Statutory Auditors
Directors	Tetsuya Funabashi	◎ 100% (15/15)	—	—	—
	Koichi Mino	100% (15/15)	100% (3/3)	—	—
	Noriyuki Watabe	100% (15/15)	—	100% (4/4)	—
	Yuichi Koyoma	100% (15/15)	—	100% (4/4)	—
	Takafumi Sakaguchi	100% (15/15)	100% (1/1)	—	—
	Fumitoshi Imaizumi	100% (15/15)	—	100% (1/1)	—
	Shigeki Hayashi	100% (11/11)	100% (2/2)	—	—
	Kenji Asano	100% (4/4)	100% (1/1)	—	—
	Yasushi Kohara ★	100% (15/15)	100% (3/3)	◎ 100% (4/4)	—
	Naoko Iwasaki ★	93% (14/15)	100% (3/3)	100% (1/1)	—
	Tatsushi Mochizuki ★	100% (15/15)	◎ 100% (3/3)	100% (1/1)	—
	Keiji Yoshida ★	100% (15/15)	100% (1/1)	100% (4/4)	—
	Tomoko Aramaki ★	100% (11/11)	—	100% (3/3)	—
Statutory auditors	Yasuo Otsubo	100% (15/15)	—	—	◎ 100% (16/16)
	Shinji Kojima	100% (11/11)	—	—	100% (11/11)
	Masato Suwabe	100% (4/4)	—	—	100% (5/5)
	Shinnosuke Yamada ★	100% (15/15)	—	—	100% (16/16)
	Kimiko Takahashi ★	100% (15/15)	—	—	100% (16/16)
	Eiko Osawa ★	100% (11/11)	—	—	100% (11/11)
	Tomoko Aramaki ★	100% (4/4)	—	—	100% (5/5)

Note: Numbers in parentheses are times attended/number of meetings held during term as director. Discrepancies in number of meetings held are results of differences in time of appointment and/or leaving the position.

## Transition to a stronger governance system

 Outside director

	Measure	Composition of the Board of Directors	Female directors
2023	Increased the number of outside directors (from 4 to 5) Outside officers now chair both the Nomination Committee and Compensation Committee	7 inside 5 outside           	12 in total 2
2021	Increased proportion of outside directors	7 inside 4 outside         	11 in total 1
2020	Increased the number of outside directors (from 3 to 4) The majority of the members of the Nomination Committee and Compensation Committee are outside members	8 inside 4 outside         	12 in total 1
2018	Increased the number of outside directors (from 2 to 3)	12 inside 3 outside           	15 in total 1
2015	Increased the number of outside directors (from 1 to 2) Using a third-party organization, conducted a questionnaire for evaluating the effectiveness of the Board of Directors	9 inside 2 outside         	11 in total 1
2014	Appointed an outside director	11 inside 1 outside          	12 in total 1
2009	Adopted an operating officers system	8 inside       	8 in total 0
2003	Established Nomination Committee and Compensation Committee	18 inside           	18 in total 0

## Nomination Committee and Compensation Committee

We have established a Nomination Committee and Compensation Committee comprised of directors including independent outside directors who were appointed in the Board of Directors, where we build common understanding on the evaluation criteria and compensation standards of each director and improve their supervisory function. Each committee is comprised of a majority of independent outside directors.

The Nomination Committee engages in activities with the objective of strengthening corporate governance by ensuring the objectivity, timeliness, and transparency of officer personnel-related matters. During fiscal 2023, they held discussions on the composition of the Board of Directors with the perspective of diversity in mind, and the director candidates selected as a result of these discussions were deliberated.

The Compensation Committee engages in activities with the objective of strengthening corporate governance by ensuring the objectivity and fairness of the compensation and other conditions of officers. The Compensation Committee for fiscal 2023 referred to research materials from outside institutions and other information to observe trends at other companies and investor perspectives and held discussions with the aim of adding new evaluation metrics for officer remuneration. They also proceeded with considerations for awarding stock-based compensation to Group companies and provided a report in a Board of Directors meeting.






### Meetings in FY2023


Nomination Committee	3 meetings
Compensation Committee	4 meetings

### Composition of the Nomination Committee for FY2024

Committee chairman	Committee members			
 Mochizuki	 Mino	 Hayashi	 Kohara	 Iwasaki

### Composition of the Compensation Committee for FY2024

Committee chairman	Committee members			
 Kohara	 Watabe	 Koyama	 Yoshida	 Aramaki

 Outside director

(honorifics omitted)

## Board of Statutory Auditors

In the Board of Statutory Auditors, we consider auditing policies and audit plans, business management from the sustainability perspective, the development and operational status of internal control systems, the appropriateness of accounting audits, and agreements on the evaluations and compensation of accounting auditors. Additionally, they receive detailed explanations from the Finance Department and independent auditors hold lively discussions, and express opinions about Key Audit Matters (KAM).

For statutory auditor audits, they conduct audits according to the auditing policy and audit plan in compliance with the statutory auditor audit standards determined by the Board of Statutory Auditors. Specifically, they attend important meetings such as the Board of Directors, audit the proceedings and resolutions, and express opinions when necessary. Aside from that, they conducted 73 interviews and field visits with the representative director, Head Office executives, main business locations, and subsidiaries (held primarily online for flexibility, recordability, and efficiency, making on-location field visits as needed). In the interviews and field visits, aside from auditing business operations and financial conditions they also exchanged opinions about matters such as DX implementation initiatives, operational structures according to area characteristics, unified R&D efforts as a Group, securing and developing personnel from the perspective of human capital, and employee health and safety.

Standing statutory auditors report to the Board of Statutory Auditors on the results of their active communication and information sharing with related departments on important decision-related documents viewed, deliberations in the Management Council, and on the various issues. In everyday auditing activities, they gather information internally to comprehend the issues in our business groups and share information and opinions with outside statutory auditors in a timely manner. Outside statutory auditors express opinions from broad perspectives in the Board of Directors and Board of Statutory Auditors based on their extensive range of work experience and high-level expertise. Exchanging opinions also with the President and CEO, they receive explanations of management policies and leverage their expertise and experience to express their opinions from an outside perspective.

In fiscal 2023, outside directors and outside statutory auditors observed worksites, visited business locations, and exchanged opinions with general managers and younger executive-class personnel to gain a deeper understanding of the business being done. Three outside statutory auditors participated in these activities.

## Evaluating the effectiveness of the Board of Directors

To enhance the function of the Board of Directors and business value, we evaluate the effectiveness of our Board of Directors based on the results of questionnaire surveys among all Directors and Statutory Auditors, which are collected and analyzed by an external organization to ensure objectivity. Based on the results of the analysis and discussion in the Board of Directors, it was confirmed that our Board of Directors has adequate scale and structure and is appropriately operated to ensure proper decision-making on important management agendas and supervision of business execution. As part of our efforts to strengthen our governance, we are working to increase our ratio of female officers. Since June 2023, we have one additional female independent outside director. Now with two female independent outside directors and two female independent outside statutory auditors for a total of four, women hold 24% of our officer roles.

In addition, we continued to distribute Board of Directors' meeting materials as early as possible, to enhance the explanations that we provide in advance to independent

outside directors and independent outside statutory auditors, and to arrange for site visits by independent outside directors. During fiscal 2023 under review we also conducted "Vector Meetings," for 35 projects, in which all business units get on the same page by discussing their business strategies among other matters at an early stage. The Sustainability Committee also holds sufficient discussions on initiatives to improve sustainability such as ESG and the SDGs, and reports to the Board of Directors on a regular basis. Outside directors and outside statutory auditors actively make sound comments from an independent standpoint grounded in sufficient insight in discussions at meetings of the Board of Directors. We see the undeniable effects of these efforts in the strengthened effectiveness of the Board of Directors.

Going forward, based on these results of Board of Directors effectiveness evaluations and opinions, the Company's Board of Directors will fully consider measures for improving its effectiveness and continue to implement initiatives for enhancing its functions.

### Board of Directors evaluation process



### Efforts in FY2024 to further improve effectiveness

Topic	Description	Efforts in FY2024
Operation of Board of Directors	Monitoring for the purpose of ongoing effectiveness improvements	<ul style="list-style-type: none"> <li>• M&amp;A and investment monitoring</li> <li>• DX strategy monitoring</li> <li>• Workforce plan monitoring</li> <li>• Real estate investment plan monitoring</li> <li>• Training plan monitoring</li> <li>• R&amp;D monitoring</li> </ul> In addition to the above, also promote sustainability and report the status of our global business.
	Secure time for strategic discussions	<ul style="list-style-type: none"> <li>• Consider narrowing &amp; raising standards for bringing up matters in Board of Directors</li> <li>• Set times for deliberation according to number of agenda items &amp; their content</li> </ul>
Board of Directors discussions	Make discussions more in-depth and effectiveness evaluations more strategic	<ul style="list-style-type: none"> <li>• Continuously hold "Vector Meetings" for all business units to get on the same page by discussing their business strategies at an early stage</li> <li>• Hold free discussions after the conclusion of Board of Directors meetings</li> </ul>
	Measures to enhance discussions and strengthen effectiveness evaluations	<ul style="list-style-type: none"> <li>• Worksite observations by outside directors &amp; outside statutory auditors*, hold business briefings</li> <li>• Engage in dialogues between outside directors &amp; outside statutory auditors and executive-class personnel &amp; Group company employees</li> <li>• Regularly report on global business</li> </ul>

\* Worksite observations: Conducted four times in fiscal 2023. Outside directors and outside statutory auditors participate as much as possible at all observations. Observations are of all domestic and international plants of Group companies, etc.

## Use of outside directors and statutory auditors

The Company has five outside directors and three outside statutory auditors. The functions and roles that outside directors and outside statutory auditors should carry out in the corporate governance of the Company are as follows. Outside directors fulfill the function of supervising and monitoring the management of the Company from an independent and neutral standpoint, providing comments based on their abundant experience and wide-ranging knowledge. Outside statutory auditors fulfill the management monitoring function by auditing from an objective standpoint, offering a perspective informed by advanced expertise, abundant experience, and wide-ranging knowledge.

Regarding the criteria or policies concerning independence for appointing outside directors or outside statutory auditors, the Company secures independent directors and statutory auditors in accordance with Article 436-2 and Article 445-4 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc., and the criteria for determining independence stipulated by the same exchange (“Guidelines for Listing Management, etc.”).

To facilitate better Board of Directors meetings, the Company distributes Board of Directors’ meeting materials to outside directors early on, and provides them advance explanations on the backgrounds, objectives, and details of proposals for Board of Directors agenda items.

### Reasons for selection of outside directors and statutory auditors

Job title	Name	Year appointed	Reasons for selection
Directors	Yasushi Kohara	2018	Having gained deep experience and insight in corporate management at the Toyota Group, Mr. Kohara has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Naoko Iwasaki	2019	Ms. Iwasaki is a leading international researcher and expert on digitalization in international relations, national and local government administration, disaster countermeasures and BCP, aging society, and women’s career advancement. She has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling her role as an outside director.
	Tatsushi Mochizuki	2020	Mr. Mochizuki has been involved in key positions in central government ministries and local governments for many years. With the insight he has accumulated through his career, he has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Keiji Yoshida	2021	Mr. Yoshida has a wealth of experience and insight in corporate management as an officer of JFE Engineering Corporation and other companies. He has provided appropriate advice and recommendations in important management decisions of the Company, appropriately fulfilling his role as an outside director.
	Tomoko Aramaki	2023	Possessing a wealth of experience and expertise in finance and accounting as a CPA and tax accountant and insight in business management, Ms. Aramaki has provided appropriate advice and recommendations in important management decisions of the Company. She is appropriately fulfilling her role as an outside director.
Statutory auditors	Kimiko Takahashi	2021	Possessing a wealth of experience and expertise in finance, accounting, and law as a CPA and attorney, Ms. Takahashi has been auditing the business execution of directors from an independent standpoint while also appropriately fulfilling her role as an outside statutory auditor.
	Eiko Osawa	2023	Possessing a wealth of global experience and expertise in finance and accounting as a CPA at a major auditing firm, Ms. Osawa has been auditing the business execution of directors from an independent standpoint while also appropriately fulfilling her role as an outside statutory auditor.
	Akira Harashima	2024	Possessing a wealth of experience and outstanding knowledge in business management, including in global business as an officer at Tokio Marine Holdings, Inc., Mr. Harashima can be expected to properly execute his duties as a statutory auditor.



## Director appointment, composition, and development of successors

### Desired qualities and appointment process

Our method for choosing candidates for directors is to hold deliberations in the Nomination Committee, an internal unit of the Board, on those with excellent character and insight, strong moral character, the energy to drive transformation, leadership skills, and the ability to make accurate decisions. The representative director then gives recommendations, suitability of the candidates is deliberated in the Board of Directors, after which offers are made and motions sent to the General Meeting of Shareholders. Appointments and dismissals of representative directors and executive directors are decided in the Board of Directors.

If there is a director who should be dismissed, the Board of Directors raises a motion for dismissal of the director in the General Meeting of Shareholders.

To choose candidates for statutory auditors, the representative director recommends those with business management experience, expertise in finance and accounting, and the high-level insight needed to fulfill the role of a statutory auditor. Motions are then sent to the General Meeting of Shareholders after approval by the Board of Statutory Auditors.

### Composition of the Board of Directors

We are committed to improving the activity level and governance of our Board of Directors by ensuring balance and diversity among their backgrounds and areas of expertise. Based on the belief that our number of directors can enable us to swiftly and accurately accommodate drastically changing business environments, we employ an operating officers system in order to further accelerate our decision-making.

### Successor planning

We promote and attract management personnel from the outside in addition to internally. From among these personnel, our representative director identifies individuals who deeply understand our Group philosophy and management vision, have high ethical standards, leadership qualities, and the capability to drive the ongoing growth of the Group, and selects them as successors. Decisions on these successors are then made after deliberation in the Nomination Committee and Board of Directors.

## Sustainability Committee

Chaired by the President and CEO, the Sustainability Committee is positioned as an advisory body to the Management Council and has the stated purpose of “deliberating on our direction, important issues, goal setting, and information disclosure in terms of sustainability and monitoring the status of initiatives as part of the Group’s business strategy,” in the overall scheme of our operations.

In principle, this committee meets twice per year to deliberate and report to the Management Council and Board of Directors on policies and the results of initiatives.

### Organizational system for sustainability



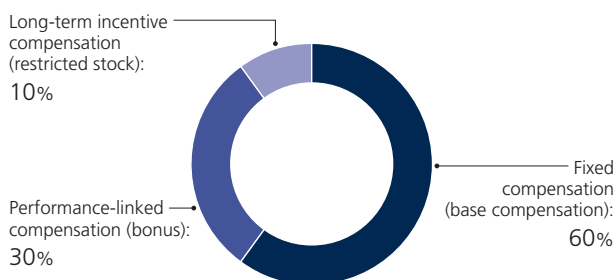
## Remuneration of officers

To decide the amounts of compensation for directors and the applicable calculation methods, we have a three-pronged basic policy of “effectively-functioning incentives to drive medium- to long-term growth in business value,” “setting levels that enable us to secure and retain outstanding talent,” and “decision-making processes that are transparent and fair.” Our policy concerning decision-making is deliberated by the Compensation Committee, which is comprised of directors including independent outside directors appointed by the Board of Directors (chaired by an independent outside director), and then determined by resolution of the Board of Directors.

Compensation for directors (excluding outside directors) consists of base compensation, bonuses, and restricted stock, the ratios for which are as indicated below (ratios include employee salaries and bonuses in the case of directors who also serve as employees).

We refer to objective research data from specialized outside institutions to determine the appropriateness of director compensation levels.

### Composition of director compensation (excluding outside directors)



### Fixed compensation (base compensation)

Base compensation is aligned with the rank of the position and is fixed at an appropriate level based on consideration of the business environment and market rates.

### Performance-linked compensation (bonus)

Bonuses are paid to directors (excluding outside directors) as performance-linked compensation. Amounts paid are determined based on a comprehensive consideration of the business environment and other factors, with the basic principle of linking bonuses to business performance during the fiscal year under review.

Metrics used for calculating bonuses are consolidated net sales, consolidated operating profit, and profit attributable to owners of parent. The reasoning behind the use of these metrics

is that directors have responsibility as managers for the overall consolidated performance. For calculation, we multiply base compensation by an index that accounts for achievement level of the business plan and a qualitative evaluation.

### Performance-linked compensation calculation metrics, targets, and results

Metric	Target	FY2023 actual
Consolidated net sales	¥630.0 billion	¥614.0 billion
Consolidated operating profit	¥34.0 billion	¥34.1 billion
Profit attributable to owners of parent	¥23.6 billion	¥20.0 billion

### Long-term incentive compensation (restricted stock)

As long-term incentive compensation, 11,800 shares of restricted stock have been issued to six directors (excluding outside directors). Restricted stock consists of performance-linked restricted stock and continuous service-linked restricted stock.

### Compensation for outside directors and statutory auditors

Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

### Delegated determinations

The President and CEO determines the specific amount of compensation for each individual director in the Group based on authority delegated by resolution of the Board of Directors.

Such authority, which governs the determination of the amount of base compensation and bonuses for each director, was delegated to the President and CEO on the grounds that the President and CEO is the most suitable person to evaluate, in the context of the Company’s overall performance, each of the businesses for which directors are responsible.

The Board of Directors has made it a condition of the above delegation that the Compensation Committee shall confirm that details such as the amount of base compensation for each director are appropriate, to ensure that the above authority may be properly exercised by the President and CEO. Since the amount of remuneration for each individual director has been determined through such confirmation procedures, the Board of Directors has determined the content to be in line with the decision-making policy.

The Compensation Committee, which conducts the above procedures, met four times during fiscal 2023.

## Total amount of remuneration, etc. for directors and statutory auditors

Classification of officers		Total amount of remuneration, etc. (¥Million)	Total amount of remuneration, etc. by type (¥Million)			Number of eligible officers
			Monetary remuneration		Long-term incentive compensation	
			Base compensation	Bonus	Restricted stock	
Directors (excluding outside directors)		213	105	69	37	8
Statutory auditors (excluding outside statutory auditors)		40	40	—	—	3
Outside officers	Outside directors	57	57	—	—	5
	Outside statutory auditor	28	28	—	—	4

Note: 1. Amounts are rounded down to the nearest million yen.

2. The above figures include one director and two statutory auditors who retired at the conclusion of the 69th Ordinary General Meeting of Shareholders held on June 26, 2023.

3. Tomoko Aramaki stepped down as a statutory auditor and assumed a director role at the conclusion of the 69th Ordinary General Meeting of Shareholders held on June 23, 2023, and the portion of her term as director and portion of her term as statutory auditor are categorized accordingly and included in the monetary amounts and personnel numbers above.

4. Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

## Components of long-term incentive compensation

Type	Performance-linked metrics	Overview and rationale for selection as metrics
Performance-linked restricted stock	Consolidated operating profit CDP	This stock is granted in accordance with the rank of the employee, based on linkage with the achievement of business results through medium- to long-term consolidated profits, for the purpose of providing medium- to long-term incentives for continued increases in our business value and promoting the sharing of value with shareholders. We use consolidated operating profit as the performance-linked metric since it is directly linked to the achievement of performance targets and sharing of value with shareholders. Starting in fiscal 2024, we are adding scores by the CDP international climate change framework in order to link the practical application of ESG management to increased business value.
Continuous service-linked restricted stock	—	The condition for waiving the restriction on transfer is that the employee continuously serves as one of our directors or in a certain other position for a certain period of time.

## Matters concerning resolutions of the General Meeting of Shareholders regarding remuneration, etc. of directors and statutory auditors

Classification	Type of compensation	Maximum compensation amount	Resolutions at the General Meeting of Shareholders	Number of officers at time of resolution
Directors	Monetary remuneration	Up to ¥350 million/year <sup>*1</sup>	June 23, 2009 55th Ordinary General Meeting of Shareholders	8
	Remuneration for performance-linked restricted stock	Up to ¥50 million/year, up to 50,000 shares/year <sup>*2</sup>	June 21, 2019 65th Ordinary General Meeting of Shareholders	12 (excluding outside directors)
	Remuneration for continuous service-linked restricted stock	Up to ¥50 million/year, up to 50,000 shares/year <sup>*2</sup>		
Statutory auditors	Monetary remuneration	Up to ¥80 million/year	June 23, 2009 55th Ordinary General Meeting of Shareholders	5

<sup>\*1</sup> Not including employee salaries in the case of directors who also serve as employees

<sup>\*2</sup> Outside directors are not eligible

## Internal Control Committee

Based on our Basic Guideline for Establishing Internal Control Systems, we established an Internal Control Committee (Committee chair: President and CEO) tasked with establishing organizational systems to ensure observance of laws and regulations, operational effectiveness and efficiency, and the reliability of our financial reports, in addition to comprehending and evaluating the overall operational status of the applicable internal control systems. Related committees have been established under the Internal Control Committee. These are the Compliance Committee, Business Risk Management Committee, and Information Security Committee.

### Meetings in FY2023

Internal Control Committee	3 meetings
Information Security Committee	4 meetings
Business Risk Management Committee	10 meetings
Compliance Committee	4 meetings

## Risk management

### Basic approach

Major risks we are aware of that could significantly impact the financial standing, operating results, and cash flow status of our Group are as follows.

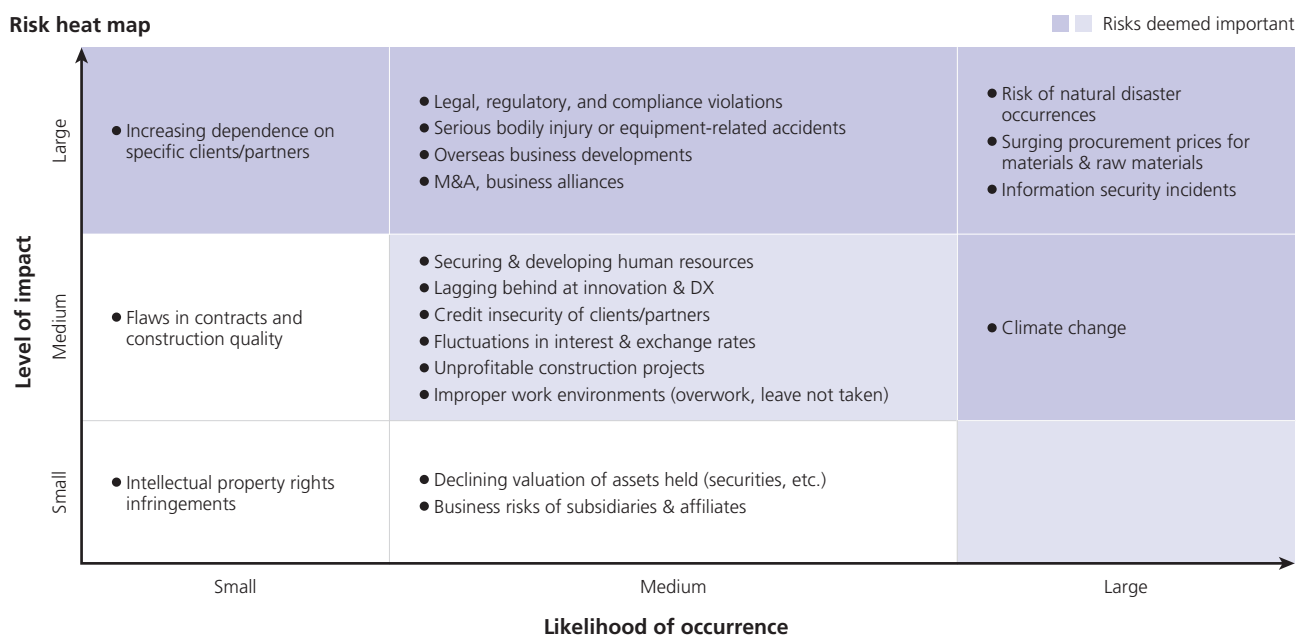
We also linked these major risks to the materiality (the key issues on which we should prioritize our efforts as a corporate group) that we announced in May 2023 and listed them as priorities based on level of impact and frequency of occurrence among those risks that we regularly identify and evaluate within the Group. However, what is listed below does not comprehensively cover all of the risks relevant to our Group. Other pertinent risks do exist.

### Assessment process

For risk assessments in the Group, we not only assess risks particular to ourselves such as those involved with our business activities and business plans, but we also assess and revise our assessments taking social trends into consideration, as well as social issues of increasing concern in recent years.

We regularly examine and assess the risks from among all types of possibilities and plot out those for which we should

### Risk heat map





prioritize our efforts along the two axes of “level of impact” and “likelihood of occurrence” to display them graphically as a risk heat map.

The Support Divisions handle the risk management and monitoring for each of these risks respectively and circumstances assessed as serious risks are reported to the Business Risk Management Committee. We then take concrete actions to mitigate the risks and make improvements based on the Group’s organizational structure for risk management.

### Risk management system

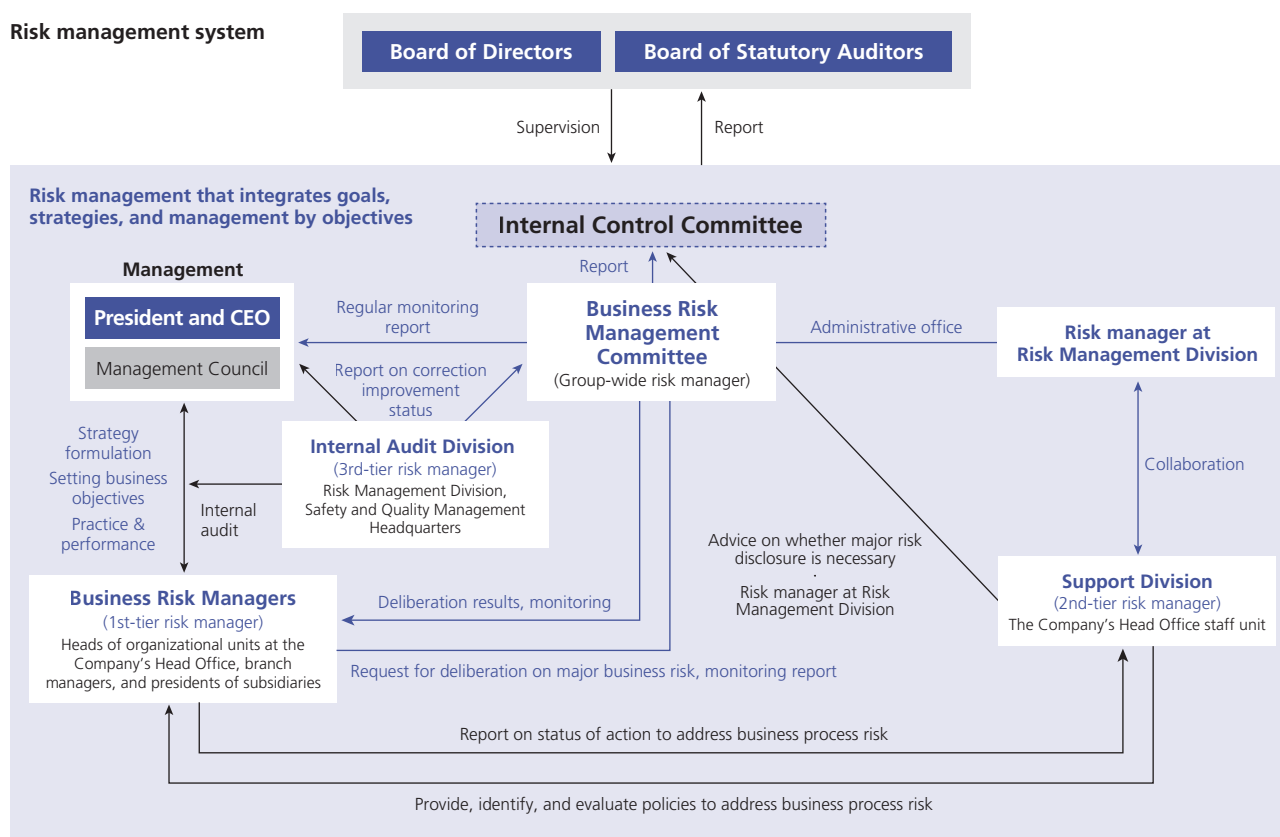
We have formulated the Risk Management Rules that specify the basic points involved in risk management and have established risk categories in addition to the Risk Management Division that handles them. We have also established the Business Risk Management Committee as the Group-wide risk manager, as we build and operate systems to identify and evaluate risks on a Group-wide level.

### Business Risk Management Committee

As the Group-wide risk manager, the committee was established to provide the risk management systems required to accomplish strategies and business performance targets in the process of creating, maintaining, and realizing value and to steadily provide the Group’s stakeholders with reasonable expectations that risks can be controlled to a tolerable amount. The standing members of the Committee are the General Manager of the Corporate Planning Division, the General Manager of the Group Business Promotion Division, the General Manager of the Accounts & Finance Division, and the General Manager of the Risk Management Division.

The number of meetings held in fiscal 2023 was 10.

### Risk management system



## Compliance

Everybody on our management team maintains a high standard of ethics when conducting business. Furthermore, individual directors and employees take principled actions grounded in compliance to fulfill their social responsibility.

### Exeo Group Basic Actions Declaration

Based on the Exeo Group Compliance Program, the officers and employees of the Group presuppose compliance with not only laws and regulations but also corporate ethics, including the spirit underlying those ethics, and engage in activities with high social value, thereby contributing to society.

Given that a company is part of society, it is a prerequisite for all stakeholders in a company, irrespective of whether they are officers or employees of the company, to comply with laws and corporate ethics when carrying out the company's business operations. Such compliance is also to be expected of us as individual members of society.

In addition, ensuring such compliance is indispensable for the company to maintain the trust of society and realize the Group's corporate philosophy of "Contributing to Society."

In light of the above, we shall without hesitation prioritize laws, regulations, and corporate ethics in case we are forced to choose between earnings or ethics in our own activities.

## Information security

In the course of its business operations, the Group handles important information, such as technical data and customer data owned by customers. We are working to strengthen our information security, given the increasingly critical importance of appropriate information management, amid the spread of cloud services, social media, and other forms of networks.

In terms of our system, we are improving our management system by assigning an officer in charge as the chief information security officer (CISO), as well as assigning an information management officer and information manager for each organization. In addition, under the supervision of the Information Security Committee, we determine policy for the Group's efforts, monitor the overall status of the efforts, consider measures to prevent recurrence in the event of an accident, conduct training via e-learning systems, evaluate the status of improvement, and promote continuous improvement.

## Composition of the Information Security Committee

Chair	CISO: Kazuhiko Okubo
Committee members	Comprised of 13 members, heads of the following organizations: Crisis Management Office, Safety and Quality Management Headquarters, General Affairs Department, Human Resources Department, Human Resources Development Department, Accounts & Finance Division, Procurement Division, Corporate Planning Division, Risk Management Division, Group Business Promotion Division, Digital Transformation Strategic Division, Innovation Development Unit, Global Business Department

## Respect for human rights

The Group recognizes that respect for human rights is an important corporate social responsibility for a company in all settings of business activities. We will contribute to the realization of a sustainable society by fulfilling this responsibility. In order to engage in efforts geared toward respect for human rights in this manner, in January 2024, we have established the Exeo Group Human Rights Policy based on the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

Based on this policy, we will make efforts to prevent and mitigate risks of human rights violations by conducting human rights due diligence and using remediation mechanisms according to international standards as we manage business with a commitment to respect for human rights.

## Metrics and goals

Metric	Goal
Rate of undergoing training & e-learning to deepen understanding of the Exeo Group Human Rights Policy	100%

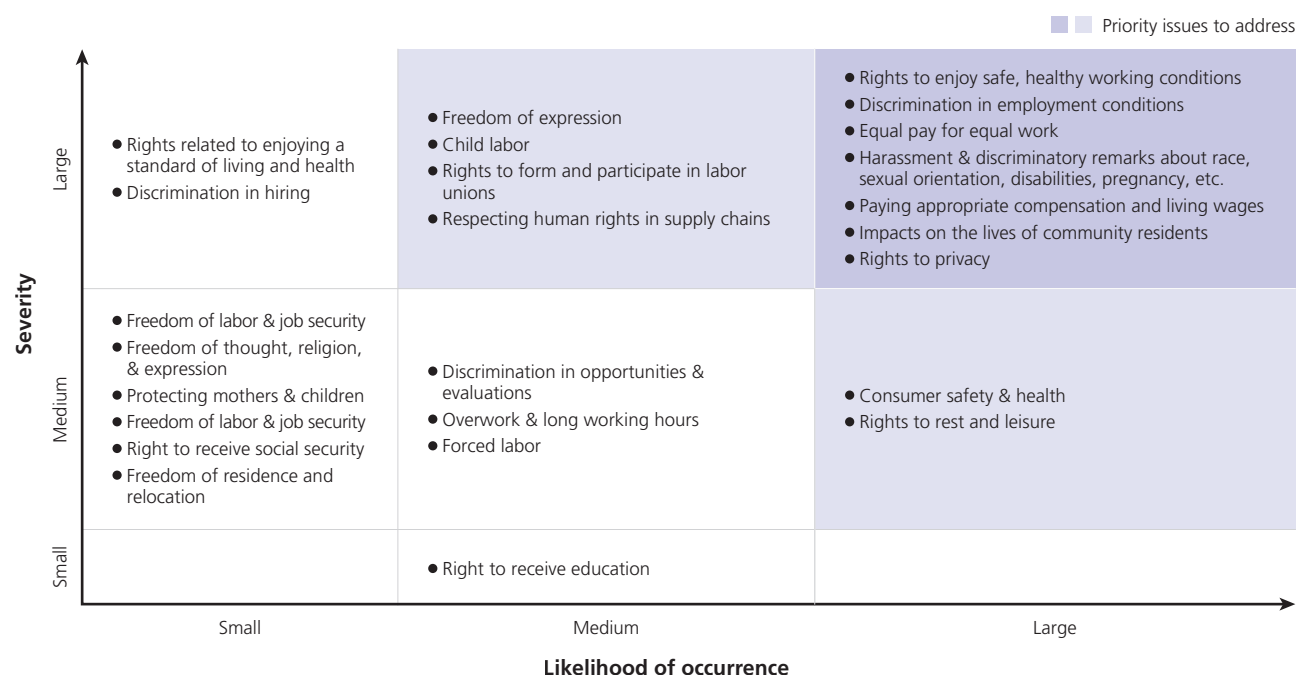
### Strategy: Build a mechanism for human rights due diligence

We will build the human rights due diligence mechanism below and implement it regularly and continuously throughout the Group as a whole.



### Managing risks: Human rights issues to address

We identify the priority issues to address from the human rights risk map, and work on addressing those risks.



## Discussions with shareholders and investors

We disclose information about our Group in a fair, timely, and appropriate manner while also proactively engaging in IR activities that are easy to understand with the aim of promoting understanding of our Group among shareholders, investors, and all other stakeholders, and earning fair evaluations and trust from them.

### Organizational system for IR activities

Three dedicated personnel for IR are assigned to the Corporate Communications Office of the Corporate Planning Division, where they engage in daily IR activities. Additionally, the President and CEO, General Manager of the Corporate Planning Division, and other executives attend financial results briefings and various other events and engage in dialogues whenever necessary.

We also facilitate cooperation to promote dialogues with the Corporate Planning Division, Accounts & Finance Division, Risk Management Division, and other related divisions, business divisions, and subsidiaries of the Group to ensure the effectiveness of our IR activities.

### State of IR activities

In our everyday IR activities, we actively engage in individual interviews with both sell-side and buy-side analysts. For overseas shareholders and investors with whom we cannot easily communicate on an everyday basis, we are also increasing our dialogue by participating in conferences hosted by securities companies and making individual visits. We also actively organize events such as financial results briefings. Descriptions of our main activities during fiscal 2023 are as shown in the table below.

#### Activities in FY2023

Meeting	Speaker	Number of times, etc.
Financial results briefings	President and CEO	2
Small meetings	President and CEO	7
Individual meetings	General Manager of Corporate Planning Division	24
	Outside directors	1
	IR representative	136
ESG meetings	Head of relevant division or organization	3
Attend conferences hosted by securities companies	President and CEO	1 (6 sessions)
Visit overseas investors (including online)	President and CEO	2 (15 sessions)
	General Manager of Corporate Planning Division	1 (7 sessions)
Individual investor briefings	IR representative	2
Briefings at sites	IR representative	1

Additionally, from the perspective of fair disclosures, we are continuously disclosing not only legally mandated disclosures such as financial results summaries on our website, but also various other types of IR materials such as financial results briefing materials, supplemental financial results materials, monthly order status tables, and more. At the same time, we have also created an English language site for overseas shareholders and investors, which displays virtually the same information as shown on the Japanese site.

### Providing feedback internally

Results of dialogues in IR activities and various reports written by outside analysts are provided as feedback to relevant organizational heads and others on a regular basis. We are also continuously working to provide reports to the Board of Directors on what transpired in financial results briefings and overseas investor visits in particular, and utilize the information for discussions in the Board of Directors by also sharing it with outside directors.

Particularly regarding capital policy, we have held discussions referencing opinions shared by stakeholders and customers in the Board of Directors and other meetings, and these have been reflected in actions such as cancellations of treasury shares that began in fiscal 2021.

We are also utilizing comments received externally to further enhance our IR activities such as the one-on-one meetings with outside directors held at the request of institutional investors in fiscal 2023.

### General Meetings of Shareholders

The Company views the meeting as an important forum for communicating with its shareholders, and engages in initiatives accordingly including the following.

- Avoiding days with high concentrations of other shareholders' meetings
- Early dispatch of the convocation notice
- Disclosure of the convocation notice prior to dispatch
- Exercise of voting rights online
- Participation in the voting rights exercise platform
- Introduction of a smartphone-based voting right exercise service
- Accepting questions in advance
- Holding hybrid interactive and virtual General Meetings of Shareholders
- Disclosure of an English-language convocation notice



## Designation of a quiet period

We have designated the four weeks leading up to the day of our financial results announcement as a quiet period in order to prevent leakages of information that could impact our stock price and to ensure fairness. During this period, we refrain from responding to comments and questions pertaining to our financial results. However, if we find during the quiet period that our actual earnings forecast differs from the forecast we had announced by an amount greater than what is specified in the Timely Disclosure Rules, we will swiftly disclose that information.

## Group governance

In accordance with our Basic Policy on Internal Controls Pertaining to Financial Reporting, we establish frameworks for proper reporting and regularly and continuously evaluating our operational status to ensure the reliability and appropriateness of the financial reports of Group companies. Group companies are obligated by the Company's operating rules for subsidiaries to report their business performance, financial status, and other important business-related information to the Company or receive the Company's acknowledgment of this information. The Company's Internal Audit Division audits the effectiveness and appropriateness of each Group company's work operations.

We formulate a medium-term business plan for the business execution of directors at Group companies and find ways to ensure their efficiency. We also install divisions in the Company to manage Group business and strive to operate business smoothly through Group company president meetings and other arrangements.

For risk management, we formulated the Risk Management Rules for the Group as a whole, and we manage risks throughout the Group in an all-inclusive and comprehensive manner.

For compliance, we established Group compliance risk control standards and are establishing systems and processes that serve as the foundation for more reliable and precise compliance activities by Group companies, based on unified rules that meet the standards expected by society. We have also created a Group compliance manual which we are making all of our Group company directors, statutory auditors, and employees fully aware of. Every year, we also conduct training for Group company directors, statutory auditors, and employees on compliance with laws and other regulations, as we work to foster compliance awareness.

## Supply chain management

In April 2024, the Group established and published its Basic Procurement Policy.

Together with our business partners, the Group will engage in sustainable, highly transparent, and responsible procurement activities in accordance with this basic policy.

### Procurement Policy

#### 1. Compliance with the laws, regulations, and social norms

We comply with domestic and international laws, regulations, and social norms.

#### 2. Respecting human rights

Based on the Exeo Group Human Rights Policy, we respect the human rights of all our stakeholders and engage in efforts for the respect of human rights throughout our entire supply chain while requesting understanding and support for the Exeo Group Human Rights Policy.

#### 3. Environmental initiatives

We work on environmental conservation and reducing environmental impact throughout our entire supply chain.

#### 4. Fair and impartial business transactions

We judge technology, quality, pricing, lead time, and stable supply in a comprehensive manner and engage in fair and impartial business transactions as a partner on equal ground with our clients and partners.

#### 5. Ensuring quality and safety

We seek out technologies, ensure the quality and safety that customers desire, and strive toward further improvement together with our partner companies.

#### 6. Ensuring safety and health

We work together with our partner companies to ensure workplace safety and health and prevent occupational accidents.

#### 7. Thoroughly enforcing information security

We thoroughly work to prevent leakage of confidential and personal information. When security incidents occur or are suspected, we immediately notify the related locations while also disclosing details about the cause, the results of our response, and our recurrence prevention measures.

#### 8. Disaster response

We strive to maintain the organizational structures of our business continuity plans (BCPs) during normal times and contribute to restoration activities when disasters occur.

## Eleven-year major business data

Item	Unit	FY2013	FY2014	FY2015
<b>Operating results</b>				
Orders received	¥Million	304,201	301,446	300,438
Net sales of completed construction contracts	¥Million	318,513	300,912	287,437
Gross profit on completed construction contracts	¥Million	38,543	35,740	35,795
Selling, general and administrative expenses	¥Million	17,809	17,382	17,382
Operating profit	¥Million	20,734	18,358	18,412
Ordinary profit	¥Million	20,602	18,589	18,512
Profit attributable to owners of parent	¥Million	14,910	12,264	12,184
Capital expenditures	¥Million	7,372	4,219	13,215
Depreciation	¥Million	2,264	2,660	3,001
<b>Financial status</b>				
Total assets	¥Million	217,091	228,422	238,301
Property, plant and equipment	¥Million	50,767	52,005	59,830
Net assets	¥Million	135,687	146,768	151,241
Balance of interest-bearing debt (balance of loans payable, bonds payable, etc.)	¥Million	13,374	8,679	16,299
<b>Cash flow status</b>				
Cash flows from operating activities	¥Million	9,888	23,167	5,389
Cash flows from investing activities	¥Million	(7,477)	(2,828)	(13,907)
Free cash flow	¥Million	2,411	20,338	(8,518)
Cash flows from financing activities	¥Million	(905)	(12,343)	313
Cash and cash equivalents at end of period	¥Million	16,213	24,291	16,037
<b>Per share data<sup>*1</sup></b>				
Earnings per share	¥	73.87	61.92	62.95
Net assets	¥	675.03	741.41	784.54
Cash dividend	¥	12	16	19
Payout ratio	%	16.2	25.8	30.2
<b>Financial indices</b>				
Operating profit margin	%	6.5	6.1	6.4
Profit attributable to owners of parent to net sales	%	4.7	4.1	4.2
Return on equity (ROE)	%	11.6	8.7	8.2
Return on assets (ROA)	%	7.1	5.5	5.2
Equity ratio	%	62.3	64.0	63.3
<b>Stock price</b>				
Highest stock price	¥	1,495	1,494	1,543
Lowest stock price	¥	944	1,141	1,096
<b>Non-financial metrics</b>				
CO <sub>2</sub> emissions (Scope 1 & 2) (Consolidated)	Thousand t-CO <sub>2</sub>	-	-	-
Green procurement <sup>*2</sup>	%	-	-	-
Number of consolidated employees	People	7,553	7,988	7,903
Ratio of mid-career hires <sup>*2</sup>	%	-	-	-
Ratio of women in managerial positions (Consolidated)	%	-	-	-
Percentage of annual paid leave taken <sup>*3</sup>	%	-	-	-
Number of consolidated subsidiaries	Companies	36	33	30

<sup>\*1</sup> We conducted a two-for-one stock split for common stock effective April 1, 2024. Numerical values shown for past years are recalculated figures taking this stock split into consideration

<sup>\*2</sup> Scope of data: Exeo Group, Inc. only

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
324,102	325,029	424,318	556,321	631,088	595,373	625,689	656,533
298,825	312,669	423,727	524,574	573,339	594,840	627,607	614,095
38,480	43,354	58,337	68,327	75,865	84,323	81,837	89,158
17,607	17,732	26,620	37,226	39,241	41,942	49,285	55,037
20,873	25,621	31,716	31,100	36,623	42,380	32,552	34,121
21,409	26,448	33,431	30,669	38,186	45,217	33,771	36,922
13,789	17,993	40,219	15,603	24,192	27,766	22,233	20,058
7,139	4,256	3,945	15,855	12,239	20,802	15,263	20,710
3,251	3,272	4,725	6,473	6,789	7,414	8,700	10,142
243,438	261,305	416,483	444,905	491,574	535,617	577,941	591,637
62,002	62,664	97,955	107,677	113,375	126,900	135,635	145,954
158,280	176,101	267,811	270,109	288,884	307,053	307,941	319,059
12,825	11,435	18,049	47,167	57,520	80,619	115,716	106,431
15,504	24,800	12,770	17,299	6,301	26,406	5,483	41,902
(6,027)	(4,538)	(17,609)	(17,085)	(9,249)	(20,388)	(13,332)	(13,591)
9,477	20,262	(4,839)	213	(2,947)	6,018	(7,849)	28,311
(10,230)	(5,137)	(4,924)	4,227	(1,750)	5,023	3,298	(30,555)
15,241	30,343	41,469	46,012	41,246	53,727	50,204	47,430
72.62	94.71	195.12	69.87	108.67	125.32	102.49	94.76
834.15	921.48	1,171.71	1,197.58	1,288.39	1,374.11	1,416.11	1,489.68
23	25	35	40	41	48	51	60
31.7	26.4	17.9	57.2	37.7	38.3	49.8	63.3
7.0	8.2	7.5	5.9	6.4	7.1	5.2	5.6
4.6	5.8	9.5	3.0	4.2	4.7	3.5	3.3
8.9	10.8	18.3	5.9	8.8	9.4	7.3	6.5
5.7	7.1	11.9	3.6	5.2	5.3	4.0	3.4
64.8	66.6	63.4	59.9	58.1	56.6	52.5	52.9
1,744	3,075	3,410	3,135	3,030	3,065	2,482	3,370
1,142	1,559	2,309	1,906	2,182	2,261	2,034	2,368
-	-	-	-	86.3	79.9	76.9	71.7
-	-	-	-	64.8	71.4	78.0	82.1
8,074	8,331	13,151	13,882	14,374	15,847	16,772	17,056
-	-	-	-	-	25	26	24
-	-	-	-	1.4	1.6	1.7	2.3
-	-	-	-	61.3	62.1	71.5	74.1
28	28	82	88	103	107	135	142

\*3 Scope of data: Exeo Group, Inc. and its five major subsidiaries  
(C-Cube Corporation, Seibu Electric Industry Co., Ltd., Nippon Dentsu Co., Ltd., Daiwa Densetsu Corporation, and Exeo Tech Corporation)

# Corporate data

## Corporate data

<b>Company name</b>	Exeo Group, Inc.
<b>Established</b>	May 17, 1954
<b>Paid-in capital</b>	¥6,888 million
<b>Fiscal year-end</b>	March 31
<b>Stock listing</b>	Listed on Prime Market of Tokyo Stock Exchange
<b>President and CEO</b>	Tetsuya Funabashi
<b>Executive Vice President and Representative Director</b>	Keigo Kajimura
<b>Net sales</b>	¥614.0 billion (consolidated) (fiscal year ended March 31, 2024)
<b>Number of employees</b>	17,056 (consolidated) (As of March 31, 2024)
<b>Head office</b>	29-20, Shibuya 3-chome, Shibuya-ku, Tokyo
<b>West Japan head office</b>	2-10, Uchihonmachi 2-chome, Chuo-ku, Osaka
<b>Number of business offices</b>	Headquarters and branch offices: 14, Sales offices: 23
<b>Consolidated subsidiaries</b>	142 companies (Excludes non-consolidated subsidiaries (15 companies) and affiliated companies (18 companies))
<b>Correspondent banks</b>	Mizuho Bank / Sumitomo Mitsui Banking Corporation / MUFG Bank / Sumitomo Mitsui Trust Bank

## Group companies

### Major subsidiaries

 C-Cube Corporation	 西部電気工業株式会社 Seibu Electric Industry Co., Ltd.	 Nippon Dentsu Co., Ltd.	 大和電設工業株式会社 Daiwa Densetsu Corporation	 Exeo Tech Corporation
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### Other consolidated subsidiaries

#### Telecom carriers-related

Exeo Engineering Hokkaido Co., Ltd.  
Exeo Engineering Tohoku Co., Ltd.  
Exeo Engineering West Japan Co., Ltd.  
EXEO Engineering, Inc.  
Kanac Co., Ltd.  
K.Technosu Co., Ltd.  
Hikari Progress Co., Ltd.  
Denseisha Co., Ltd.  
Just Engineering Co., Ltd.  
Other subsidiaries

#### Urban infrastructure-related

Denken Co., Ltd.  
Ryosei, Ltd.  
Koyo Engineering Co., Ltd.  
Sanetsu Corporation  
Kitanihon-Tsushin Co., Ltd.  
Exeo Infra Co., Ltd.  
Kohken Co., Ltd.  
Kidoh Construction Co., Ltd.  
Iseki Poly-Tech, Inc.  
Ashikaga Eco Power Co., Ltd.  
Furudono Ronden Eco Power Co., Ltd.  
Other subsidiaries

#### System solutions-related

Exeo Digital Solutions, Inc.  
Exeo System Management, Inc.  
Advanced Information Design Co., Ltd.  
Where, Inc.  
KDT Co., Ltd.  
Sun Planning Systems Co., Ltd.  
CPU Inc.  
Other subsidiaries

### Group companies (Overseas)

Exeo Global Pte. Ltd.  
MG EXEO NETWORK, INC.  
Leng Aik Engineering Pte. Ltd.  
EXEO ASIA CO., LTD.

EXEO Global Asset Holdings Pte. Ltd.  
Aeqon Pte. Ltd.  
dhost Pte. Ltd.  
Arco Pte. Ltd.

Ascent Solutions Pte. Ltd.  
Winner Engineering Pte. Ltd.  
68 Systems & Project Engineering Pte. Ltd.  
GUUD Pte. Ltd.

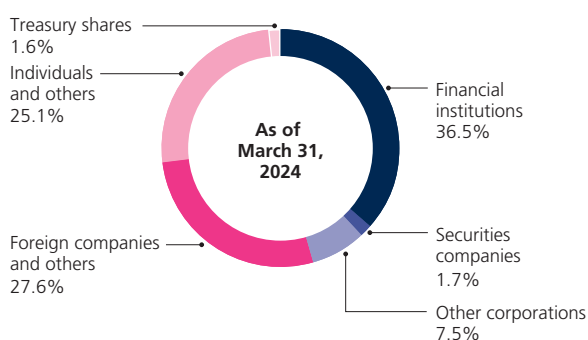


## Stock information (As of March 31, 2024)

### Shareholding

<b>Common stock authorized</b>	300,000,000 shares
<b>Issued</b>	106,812,419 shares
<b>Total number of shareholders</b>	45,458

### Shareholding structure

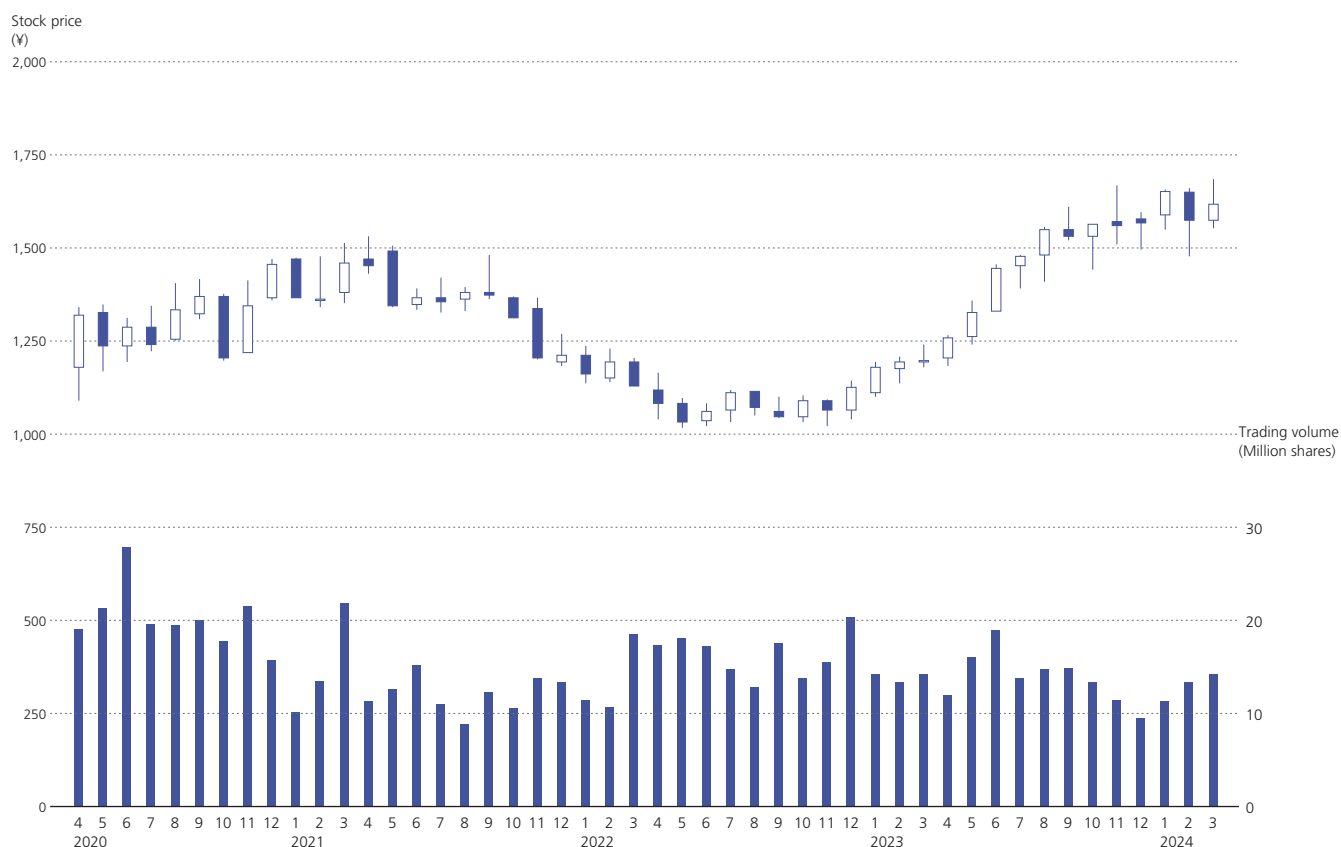


### Major shareholders

	Number of shares held (thousand)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,330	14.59
Custody Bank of Japan, Ltd. (Trust Account)	9,466	9.01
Exeo Group, Inc. Employee Shareholding Association	4,843	4.61
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,531	4.31
Sumitomo Life Insurance Company	2,296	2.19
Sumitomo Realty & Development Co., Ltd.	2,081	1.98
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	2,066	1.97
Custody Bank of Japan, Ltd. (Mitsui Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	1,834	1.75
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	1,642	1.56
SSBTC CLIENT OMNIBUS ACCOUNT	1,539	1.47

Note: The Company holds 1,735 thousand shares of treasury stock although those shares are not included in the above table.  
Treasury shares are also excluded from calculation of equity stake.

### Stock price range and trading volume



Note: We conducted a two-for-one stock split for common stock effective April 1, 2024. Numerical values shown for past years are recalculated figures taking this stock split into consideration.

**EXEO Group, Inc.**