

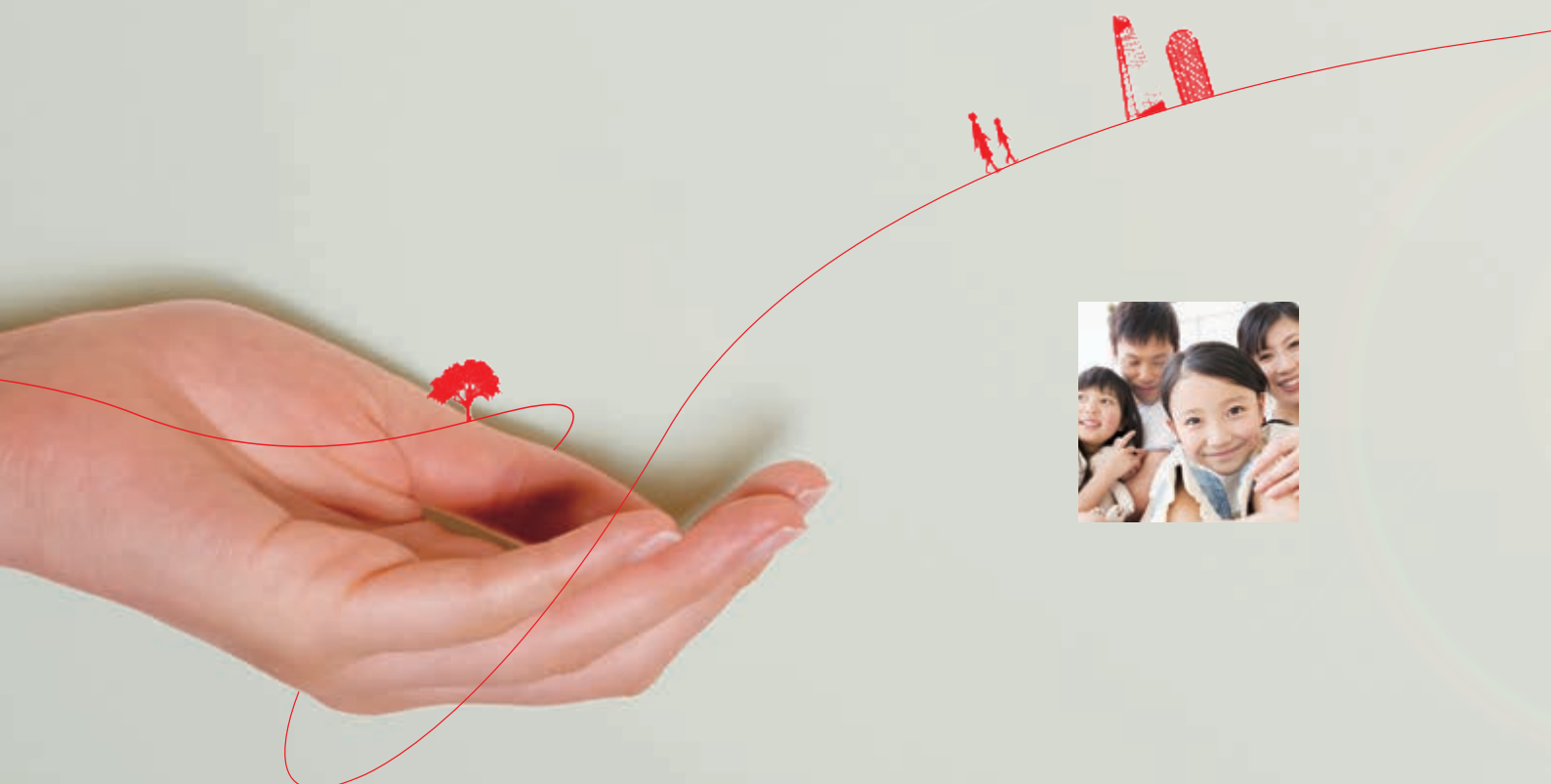
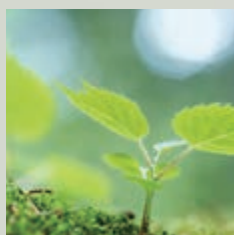
60th
Anniversary

KYOWA EXEO GROUP
CORPORATE REPORT
2014



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

*ICT is an acronym for Information and Communications Technology.



Corporate Philosophy:

Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society

The corporate philosophy of the KYOWA EXEO Group, which is the basic guideline for our corporate social responsibility, includes cultivating technological capabilities, seeking affluence and contributing to society. The corporate philosophy clearly answers the question: "Why does the KYOWA EXEO Group exist?" 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.



Building a better,
brighter future together



To help you better understand the corporate activities of the KYOWA EXEO Group, we are providing an integrated-version issue of the Annual Report and the CSR Report.

Corporate Data

Company Name	KYOWA EXEO CORPORATION
Established	May 17, 1954
Paid-in Capital	¥6,888 million (as of April 1, 2014)
Stock Listing	First Section of the Tokyo Stock Exchange
Representatives	Kunio Ishikawa, Chairman Fuminori Kozono, President
Net Sales	¥318.5 billion (consolidated) ¥247.3 billion (non-consolidated) (as of March 31, 2014)
Number of Employees	7,553 (consolidated) 3,552 (non-consolidated) (as of March 31, 2014)
Head Office	29-20, Shibuya 3-chome, Shibuya-ku, Tokyo TEL: +81-3-5778-1111 (switchboard) URL: http://www.exeo.co.jp
West Japan Head Office	6-13, Kyomachibori 3-chome, Nishi-ku, Osaka TEL: +81-6-6459-1581
Number of Business Offices	Branch offices: 13 Sales offices: 15
Major Banks	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Independent Auditor	Kudan Audit Corporation



Editorial Policy

Period Covered by the Report:	From April 1, 2013, to March 31, 2014 (However, in some cases, activities before and after the coverage period are also included in this report.)
Organizations Covered by the Report:	Companies subject to consolidation of the KYOWA EXEO Group (However, in some cases, KYOWA EXEO CORPORATION's non-consolidated data are used instead of consolidated data.)
Reference Guidelines:	GRI "Sustainability Reporting Guideline Version 3.1" Ministry of Environment "Environmental Reporting Guidelines (Fiscal 2012 Version)" ISO26000 "Guidance on social responsibility"
Issuance:	August 2014
Next Issuance Scheduled:	August 2015

KYOWA EXEO CORPORATION

<http://www.exeo.co.jp/overseas/index.html>
29-20, Shibuya 3-chome, Shibuya-ku, Tokyo 150-0002, Japan

CONTENTS

05 Milestones of the KYOWA EXEO Group

07 Business Overview

15 Consolidated Financial Highlights

17 TOP MESSAGE

REVIEW 2013

■ Review of Fiscal 2013

19 Business Results for Fiscal 2013

20 Tasks Addressed and
Achievements in Fiscal 2013

GROWTH STRATEGY

■ Growth Strategies

Pick Up!

In Focus:
Value Created by TEAM EXEO

23 1 Mobile

25 2 System Solutions

29 CSR Concept

Management Systems

31 Corporate Governance

32 Compliance

33 Risk Management

Involvement in the Environment

35 Environmental Management

39 Financial Section

53 Stock Information

54 Board of Directors

Notice on forward-looking statements:

This Corporate Report 2014 contains forward-looking statements such as the future business performance of KYOWA EXEO. As these statements are based on the information available at the time of the preparation of this report, the actual results might 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.

Milestones of the KYOWA EXEO Group

Since its foundation in May 1954 as Kyowa Densetsu Kaisha, Ltd., KYOWA EXEO has continued to create “Linkages” in society.



Business Topics



System Solutions



Environmental/Social Infrastructure



Communications Infrastructure

Corporate History

- May 1954** • Company established as Kyowa Densetsu Kaisha, Ltd.
- Jul. 1954** • Qualified to participate in telecommunications facility tenders for Nippon Telegraph and Telephone (now NTT)
- Feb. 1963** • Listed on the Second Section of the Tokyo Stock Exchange
- Sep. 1963** • Began engaging in telecommunications and electric power construction outside that for NTT
- Feb. 1972** • Listed on the First Section of the Tokyo Stock Exchange
- Apr. 1982** • Branched out into the software business
- Jun. 1986** • Entered the environment business
- May 1991** • Changed company name to KYOWA EXEO CORPORATION
- Apr. 1998** • Entered into the NI business.
- Mar. 1999** • Relocated head office to current address in Shibuya-ku, Tokyo
- Apr. 2004** • Acquired Daiwa Densetsu Corp.
- May 2004** • Acquired WAKO ENGINEERING CORP.
- Apr. 2005** • Acquired KANAC Corp.
- Sep. 2009** • KANAC Corp. was converted into a wholly owned subsidiary

- May 2010** • Made Ikeno Tsuken Co., Ltd., a consolidated subsidiary
- Aug. 2011** • WAKO ENGINEERING CORP., Daiwa Densetsu Corporation and Ikeno Tsuken Co., Ltd., were converted into wholly owned subsidiaries
- Nov. 2011** • ICOMSYSTECH Co., Ltd., was converted into a wholly owned subsidiary

May 1991
Changed company name to KYOWA EXEO CORPORATION



Year ended September 1988:
Achieved annual net sales of
¥100 billion

Year ended September 1974:
Achieved annual net sales of
¥50 billion

1982
Branched out into the software business

1983
Started developing billing systems.

1986
Entered the environment business (Water treatment)

1988
Acquired a construction technology evaluation statement from the Minister of Construction for the development of a rainfall storage penetration system

1990
Entered the food plant wastewater treatment business and river purification business

May 1954
Company established as Kyowa Densetsu Kaisha, Ltd.



Feb. 1963
Listed on the Second Section of the Tokyo Stock Exchange

Feb. 1972
Listed on the First Section of the Tokyo Stock Exchange

1963
Started overseas work (Honduras)
Started service tunnel (communications tunnel) work adopting the shield tunneling method.



1975
Started establishing a railway communications network inside Tehran Province in Iran.

1983
Started optical fiber work.



1986
Started CATV work.

1992
Started work on PDC (movia)



Mobile phone base station

1955
Started coaxial cabling work.
1956
Started telex work.

1954

1960

1970

1980

1990



Year ended March 2006:
Achieved annual net sales of
¥300 billion

Year ended March 1997:
Achieved annual net sales of
¥200 billion

Jan. 1997
Acquired ISO9001 certification

Mar. 1999
Completed construction of the new company building in Shibuya (head office)

1998
Entered into the NI business.

1999
Developed the Social Insurance System

Developed SOA solutions.

1994
Developed the Air Traffic Control System

1994
Acquired a construction technology evaluation statement from the Minister of Construction for the development of a high-efficiency river purification system

1995
Started work on the C-C-Box.

1996
Started Internet compliant system establishment work.

May 2000
Acquired ISO14001 certification

Apr. 2001
Merged with Showa Technos Corp.

Nov. 2001
Instituted a compliance program

Sep. 2003
Acquired OHSAS18001 certification

Apr. 2004
Acquired Daiwa Densetsu Corp.

May 2004
Acquired WAKO ENGINEERING CORP.

Apr. 2005
Acquired KANAC Corp.

Jun. 2005
Won a gold medal at the 38th World Skills Competitions in Helsinki, Finland

2001
Started developing an Administrative Organ Accounting System.

Started developing a "Work Management System."

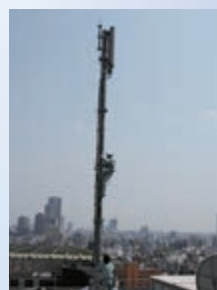
2002
Started customer services.

2000
Started the dioxin-countermeasure-compliant incinerator business

2001
Entered into the livestock excreta disposal business.

2002
Acquired the ash fusion business from Niigata Engineering Co., Ltd.

2001
Started IMT (FOMA) work.



Mobile phone base station

2002
Shifted the B FLET'S work to full scale.

2003
Sold an Internet video conference system

2002
Entered into the installation of solar power generation facilities.

2003
Completed the first bio plant (Iwate Prefecture)

2005
Operated the thermite-style dual-side ash fusion furnace business in a full-scale

2003
Started analog antenna exchange work compliant with ground digital broadcasting.

2004
Entered into the KDDI au base station construction business full scale.

Started to reestablish the railway communication network along with the quadruple track extension of private railway lines in Tokyo

2006
Started work on the next-generation network (NGN).

Shifted the MNP work to full scale.

Jan. 2006
Acquired the ISMS certification

Mar. 2006
Obtained the Privacy Mark.

Nov. 2007
Won a gold medal at the 39th World Skills Competitions in Shizuoka, Japan (second consecutive championship).

Sep. 2009
KANAC Corp. was converted into a wholly owned subsidiary

Tokyo Integrated Engineering Center (TEC) started operation (Heiwajima).

Oct. 2009
Won a gold medal at the 40th World Skills Competitions in Calgary, Canada (third consecutive championship).

May 2010
Made Ikeno Tsuken Co., Ltd., a consolidated subsidiary

2009
Entered into an SOA service agreement with the Tokyo Stock Exchange.

2006
Entered into the wood biomass boiler business.

2006
Started long-term comprehensive business consignment services at general waste treatment sites (Tochigi Prefecture)

2010
First general waste incinerator completed (Aomori Prefecture)

2009
Started WiMAX work.

2010
Shifted the regional intranet establishment business to full scale.

Started LTE work.
Shifted the analog-analog antenna exchange work compliant with ground digital broadcasting to full scale.

Aug. 2011
WAKO ENGINEERING CORP., Daiwa Densetsu Corporation and Ikeno Tsuken Co., Ltd., were converted into wholly owned subsidiaries

Oct. 2011
Won a gold medal at the 41st World Skills Competition in London (fourth consecutive championship).

Nov. 2011
ICOMSYSTECH Co., Ltd., was converted into a wholly owned subsidiary

Nov. 2013
Won a gold medal at the 51st National Skills Competition in Chiba (for the fifth time).

May 2014
Formed a capital and business alliance with Eponet, Inc. and WHERE, Inc.

2011
Received the IBM Excellent Partner Award Japan 2010
Authorized as a Core Business Partner of NTT DATA CORPORATION

2012
Stated selling the Adaptive Biz Service.

2013
Newly established the ICT Solution business headquarters.



2012
Received an order to construct a large-scale cleaning plant (Wakayama).

Shifted the installation of the mega solar power generation facilities to full scale.
Started selling electricity.



2011
Entered into the Softbank mobile project.

Engaged in the Great East Japan Earthquake recovery work.



Started A-XGP work.

2012
Started the Platinum Band Project (900 MHz).

Mar. 2014
Conducted construction work for the post-disaster restoration of Izu Oshima.

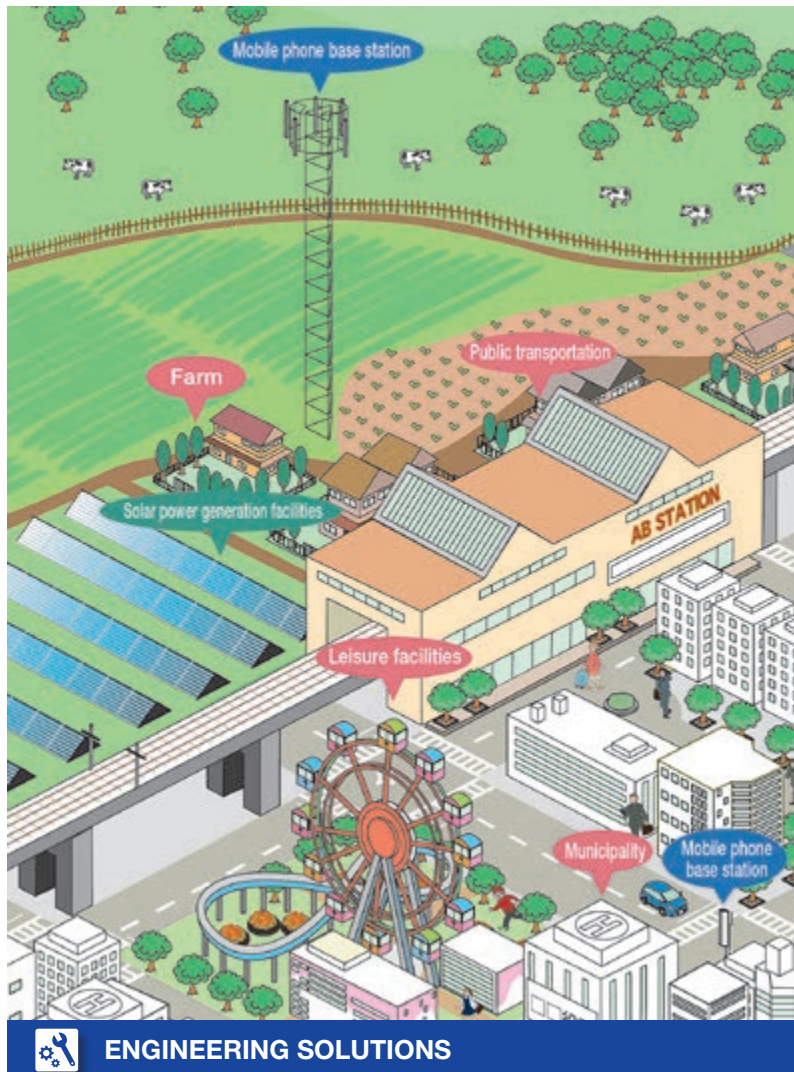
2000

2010

2013

Linking all Communications. We Contribute to Creating an Affluent Society with Two Types of Solutions.

The KYOWA EXEO Group works to contribute to the realization of an affluent society and perform its corporate social responsibility by providing high-value-added ENGINEERING SOLUTIONS and SYSTEM SOLUTIONS.



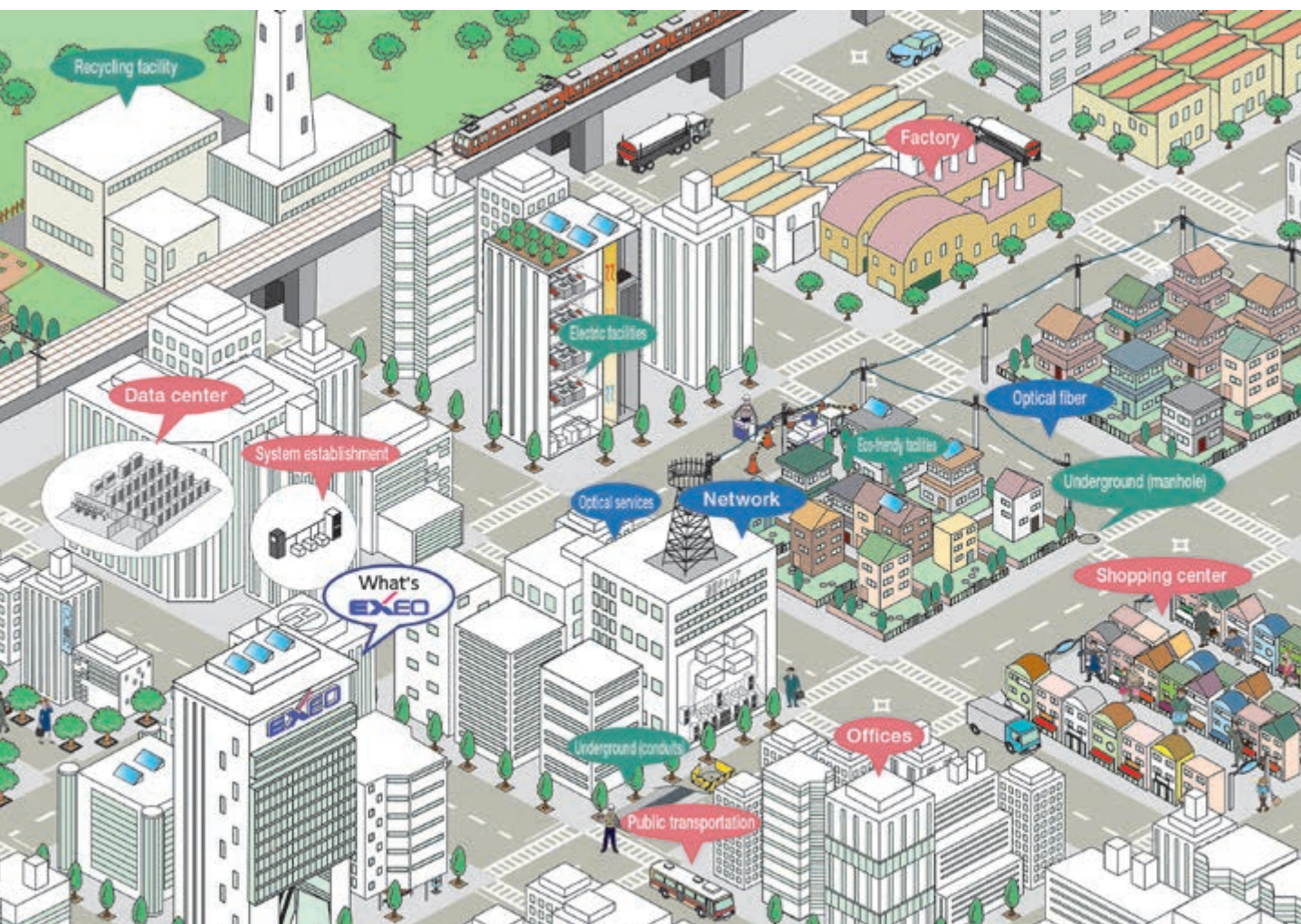
Telecommunications Infrastructure

As broadband services are expanding toward the building of a safe and secure ICT society, the diversification and sophistication of various technologies are under way. We provide consistent quality services from planning and design to construction, operation and maintenance for all types of communications equipment and facilities throughout the country based on performance over the years and excellent technologies.



To page 9





SYSTEM SOLUTIONS

Environmental and Social Infrastructure:

By developing the electrical and engineering technologies that we have nurtured in building a telecommunications infrastructure, we have accumulated experience in the design and construction of electrical and air-conditioning facilities and equipment. Utilizing such technologies in the environmental field, to realize a recycling-oriented society, we are working to establish a social infrastructure that includes new energy facilities, urban civil engineering structures and environmental plants.



To page 11



Drawing on our ICT technologies, we are offering total solutions in both the network integration (NI) field, which is establishing LAN/WANs and Internet environments, and the system integration (SI) field, which is establishing systems for corporations such as communications carriers, financial institutions and manufacturers.



To page 12





ENGINEERING
SOLUTION

NTT Group

We are working to establish various telecommunications facilities for the NTT Group companies.

Access engineering:

We lay optical fiber cable networks, which are indispensable for high-speed communications networking, and install the Fiber To The Home (FTTH) system to provide broadband services such as the Internet to corporations and households. EXEO's world-leading, high-quality construction technologies, which have won the gold medal at the World Skills Competition four consecutive years, are supporting the ever-evolving information communications age.



Network engineering:

We inspect, design, build, monitor and operate next-generation networks (NGNs) using leading-edge routers and servers. We also design, construct and maintain switchers, transmission equipment and power equipment at nationwide legacy facilities, all of which support today's communications networks.



Mobile engineering:

We provide total services to achieve comfortable mobile communications environments not only inside buildings where people gather but also inside station premises and tunnels. Our services include negotiations for installation, prior investigations and design of wireless phone base stations, and we establish mobile communications facilities in general, conduct quality surveys and provide various types of maintenance.



ENGINEERING
SOLUTION

Multi-carriers

Establishing various telecommunications facilities for customers other than the NTT Group companies

Telecommunications facilities:

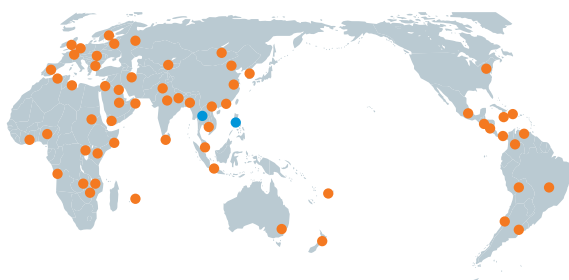
We construct telecommunications facilities for new common carriers (NCCs) such as the KDDI Group and the Softbank Group, municipalities, government agencies, cable television companies, railway companies and other customers.



Global development

Starting with orders received for communications cable installation work in Honduras in South America in 1963, we have long engaged in various projects overseas. We have sent engineers to nearly 100 countries.

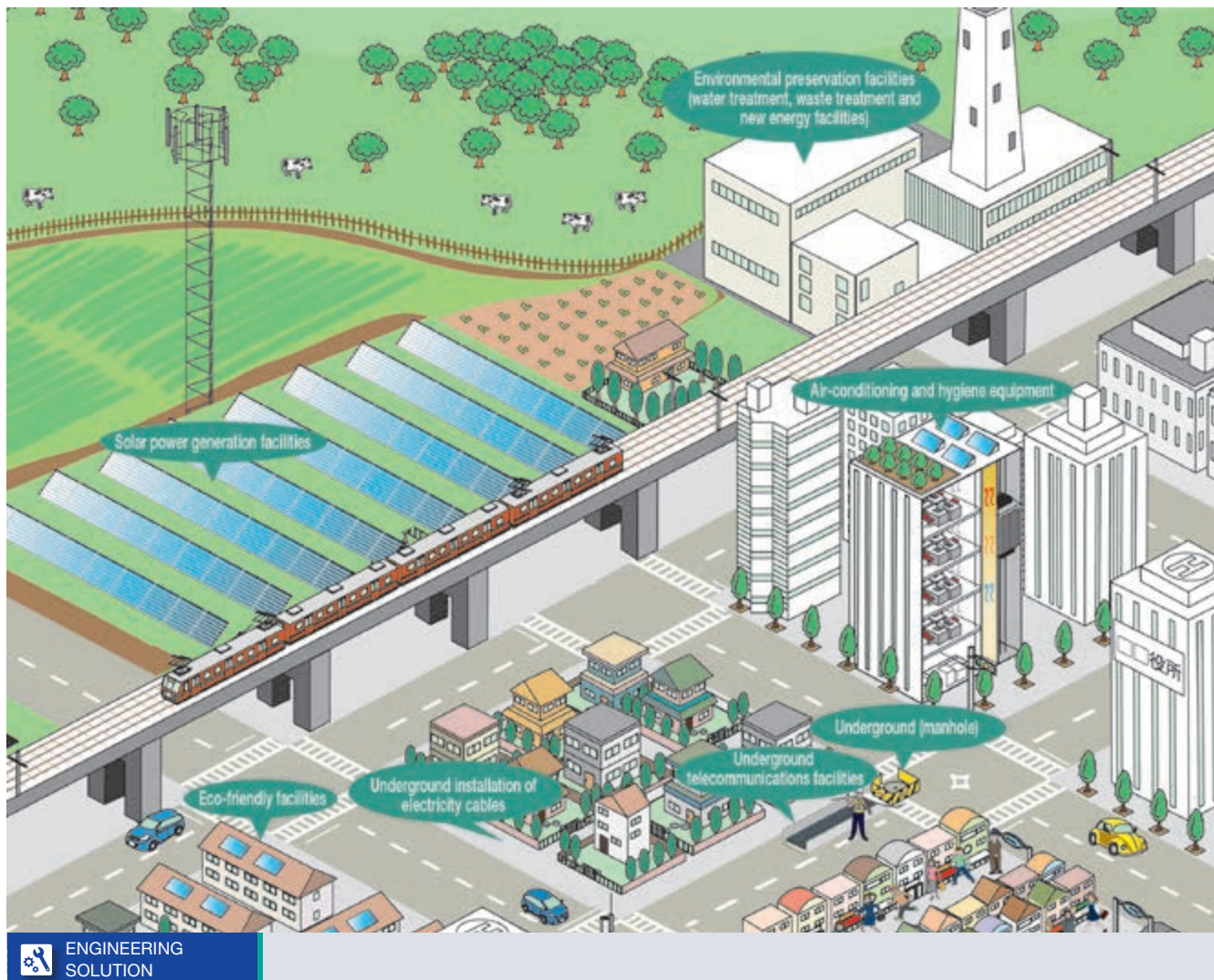
■ Countries to which we have sent engineers since 1992
(● Local corporations/● Locations to which our engineers were sent)



Currently, we have local operational bases in Manila, the Philippines, and Bangkok, Thailand, contributing to establishing and expanding local telecommunications facilities. Our consolidated subsidiary in the Philippines, MG EXEO NETWORK INC., in particular, has an operational structure that can handle projects in neighboring countries.



Many of our recent projects support Japanese companies that are developing businesses overseas. When such companies launch large-scale factories overseas, we are contributing to establishing the local IT environment for them such as constructing LANs and WANs.



ENGINEERING
SOLUTION

Electricity supply

Drawing on the Group's long-nurtured business results and technologies for stable electricity supply to telecommunications facilities, we are providing a broad range of consistent services from design and construction to maintenance for office buildings and commercial buildings, as well as telecommunications, power generation, air-conditioning and hygiene facilities nationwide. We can handle various projects from general electrical work to intricate electric power construction that requires highly advanced technologies. We are also contributing to society in energy-saving fields such as mega solar power generation and LED lighting projects.



Urban civil engineering

With our long-nurtured technologies in the construction of information telecommunications facilities, we establish telecommunications facilities such as manholes and underground conduits, rehabilitate building structures and install electricity cables underground. We are establishing a social infrastructure that addresses the needs of new generations with a consistent operational structure from design and construction to maintenance. Furthermore, drawing on our experience as a trailblazer of the shield tunneling method (non-drilling), we are contributing to the installation of lifelines such as water supply and sewage.



Environmental engineering

The Group contributes to the preservation of the global environment and creating a society where people can live with a sense of security. To this end, we utilize our waste treatment technologies for incineration and recycling facilities and our wood biomass boilers and other such renewable energy technologies and water treatment technologies for industrial wastewater treatment facilities and sewage treatment facilities. We offer such comprehensive eco-technologies with low environmental burden from planning, proposal and construction to operation.





Network Integration (NI)

The Group offers various types of services such as designing, constructing and operating servers and LANs for corporations, and improves server/Internet environments and security.

〈Major solutions〉

- Network and server solutions
- Wireless LAN solutions
- Security solutions
- Cloud solutions
- Sound (e.g., IP-PBX) solutions
- Video solutions
- Smart sensing solutions
- Energy management solutions
- Operation, monitoring and maintenance services



System Integration (SI)

To help customers solve their management issues, we provide system solution services tailored to a variety of customer needs, which encompass everything from consulting to development, construction, maintenance and operation, by drawing on the latest technologies such as service-oriented architecture (SOA) and our powerful solutions.

〈Major solutions〉

- SOA solutions
EAI/ESB, BPM, BRMS, ETL/BI, etc.
- Business support solutions
Adaptive Biz Service (ABS)
- Customer-specific billing solutions
- Facility and equipment management solutions
- Financial solutions



Strength of the KYOWA EXEO Group

Drawing on the Group's strengths of "Total Process," "Total Solution" and "Nationwide Expansion," we continue to provide high-quality services to meet diversifying customer needs through the concerted Group-wide power.

Total Process

We respond to customers' needs with one-stop services from planning and development to construction, operation and maintenance, which are sustained by high engineering and technological capabilities.

From Planning
to Maintenance

Total Solution

We meet diversified customers' needs by fully drawing on the latest technologies in a wide variety of fields such as telecommunications, civil engineering, electricity, network integration (NI) and system integration (SI).

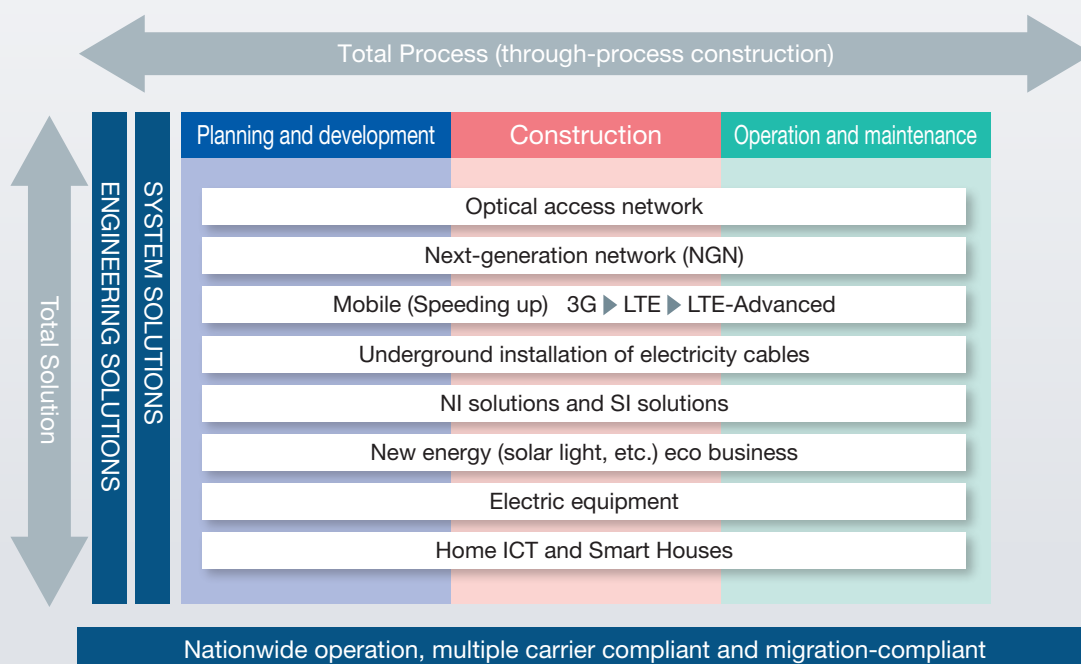
Group of
Professionals Who
Are Acquainted
with Every Kind of
Technology

EXEO

Nationwide Expansion

We are prepared to meet every kind of customer need, which can be covered by our operating bases and Group companies located throughout the nation.

Support
Nationwide



Group Structure

(As of July 1, 2014)



Business Bases

(As of July 1, 2014)

Domestic bases: (■ Branches/■ Offices)

- **Head Office:** 29-20, Shibuya 3-chome, Shibuya-ku, Tokyo
- **Nishi-Nippon Head Office:** 6-13, Kyomachibori 3-chome, Nishi-ku, Osaka-shi, Osaka

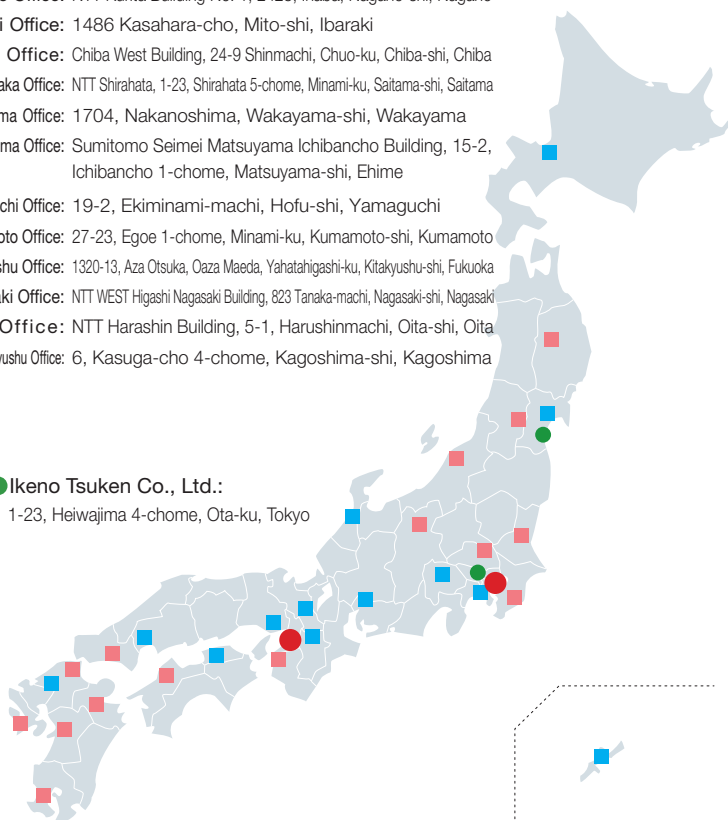
- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Hokkaido Branch: 2-20, Minami 21-jo Nishi 7-chome, Chuo-ku, Sapporo-shi, Hokkaido ■ Tohoku Branch: 5-1, Omachi 2-chome, Aoba-ku, Sendai-shi, Miyagi ■ Koshin Branch: 602-2, Ochiai-cho, Kofu-shi, Yamanashi ■ Minami Kanto Branch: 12-1 Kanagawahoncho, Kanagawa-ku, Yokohama-shi, Kanagawa ■ Tokai Branch: Nishiki SIS Bldg., 10-33, Nishiki 3-chome, Naka-ku, Nagoya-shi, Aichi ■ Kansai Branch: 6-13, Kyomachibori 3-chome, Nishi-ku, Osaka-shi, Osaka ■ Miyako Branch: 539-20, Omiya Nishiru Monzen-cho, Oike-dori, Chukyo-ku, Kyoto-shi, Kyoto ■ Hyogo Branch: 1-13, Ekiminami-dori 2-chome, Hyogo-ku, Kobe-shi, Hyogo ■ Hokuriku Branch: Kanazawa Fit Building, 53-1 Futakuchi-machi-Ni, Kanazawa-shi, Ishikawa ■ Shikoku Branch: 136, Mitani-cho, Takamatsu-shi, Kagawa ■ Chugoku Branch: 7-11, Ogawachi-machi 2-chome, Nishi-ku, Hiroshima-shi, Hiroshima ■ Kyushu Branch: 7-8, Tamagawa-machi, Minami-ku, Fukuoka-shi, Fukuoka ■ Okinawa Branch: 30-52, Oroku 1-chome, Naha-shi, Okinawa | <ul style="list-style-type: none"> ■ Iwate Office: 5-7, Honcho-dori 2-chome, Morioka-shi, Iwate ■ Yamagata Office: 9-10, Minami Yonban-cho, Yamagata-shi, Yamagata ■ Niigata Office: Cosmo Shinano, 4-27 Shinano-machi, Chuo-ku, Niigata-shi, Niigata ■ Nagano Office: NTT Kurita Building No. 1, 2423, Inaba, Nagano-shi, Nagano ■ Ibaraki Office: 1486 Kasahara-cho, Mito-shi, Ibaraki ■ Chiba Office: Chiba West Building, 24-9 Shinmachi, Chuo-ku, Chiba-shi, Chiba ■ Kanto Naka Office: NTT Shirahata, 1-23, Shirahata 5-chome, Minami-ku, Saitama-shi, Saitama ■ Wakayama Office: 1704, Nakanoshima, Wakayama-shi, Wakayama ■ Matsuyama Office: Sumitomo Seimei Matsuyama Ichibancho Building, 15-2, Ichibancho 1-chome, Matsuyama-shi, Ehime ■ Yamaguchi Office: 19-2, Ekiminami-machi, Hofu-shi, Yamaguchi ■ Kumamoto Office: 27-23, Egoe 1-chome, Minami-ku, Kumamoto-shi, Kumamoto ■ Kitakyushu Office: 1320-13, Aza Otsuka, Oaza Maeda, Yahatahigashi-ku, Kitakyushu-shi, Fukuoka ■ Nagasaki Office: NTT WEST Higashi Nagasaki Building, 823 Tanaka-machi, Nagasaki-shi, Nagasaki ■ Oita Office: NTT Harashin Building, 5-1, Harushinmachi, Oita-shi, Oita ■ Minami-Kyushu Office: 6, Kasuga-cho 4-chome, Kagoshima-shi, Kagoshima |
|--|---|

Bases of Three Major Consolidated Subsidiaries

- **WAKO ENGINEERING CORP.:** 1-23, Heiwajima 4-chome, Ota-ku, Tokyo
- **Daiwa Densetsu Corporation:** 5-1, Omachi 2-chome, Aoba-ku, Sendai-shi, Miyagi
- **Ikeno Tsuken Co., Ltd.:** 1-23, Heiwajima 4-chome, Ota-ku, Tokyo

Overseas Bases

- **Philippines**
MG EXEO NETWORK INC.
9/F Floor, DPC Place Building 2322 Chino Roces Ave. 1231
Makati City, Philippines
- **Thailand**
THAI EXEO CORPORATION LTD.
56/8 Moo 1 Soi Chaengwattana 14 Chaengwattana Road,
Thungsonghong, Lakki, Bangkok 10210, THAILAND





Financial Information

(Billions of yen)

	2009	2010	2011	2012	2013	2014 (plan)
Operating results (Fiscal year):						
Orders received	276.2	273.7	288.5	317.8	304.2	320.0
Net sales	271.2	282.2	273.1	301.3	318.5	320.0
Operating income	13.8	12.3	8.9	18.0	20.7	22.0
Net income	8.3	7.7	7.8	11.3	14.9	14.1
Capital expenditures	9.6	4.0	1.9	3.3	7.3	—
Depreciation expenses	2.9	3.0	2.9	2.3	2.2	—
Financial position (at year-end)						
Total assets	180.1	196.9	181.2	200.4	217.0	—
Net assets	105.3	112.2	113.4	122.3	135.6	—
Interest-bearing Debt	18.0	21.3	8.1	9.9	13.3	—
Cash flows (Fiscal year)						
Net cash provided by (used in) operating activities	10.9	0.6	16.4	7.1	9.8	—
Net cash provided by (used in) investing activities	△ 10.6	△ 1.5	△ 4.5	△ 2.1	△ 7.4	—
Net cash provided by (used in) financing activities	△ 4.0	△ 3.6	△ 17.5	△ 3.0	△ 0.9	—
Cash and cash equivalents	22.2	17.6	12.3	14.6	16.2	—
						(¥)
Per share of common stock:						
EPS	79.75	75.58	74.96	109.25	147.75	144.28
Cash dividend	20.0	20.0	20.0	22.0	24.0	24.0
						(%)
Financial indicators:						
Operating Income to Net Sales	5.1	4.4	3.3	6.0	6.5	6.9
ROE (Note 2)	8.6	7.6	7.2	9.6	11.6	—
ROA (Note 3)	4.7	4.1	4.2	5.9	7.1	—
Equity ratio	55.4	53.9	62.4	60.9	62.3	—

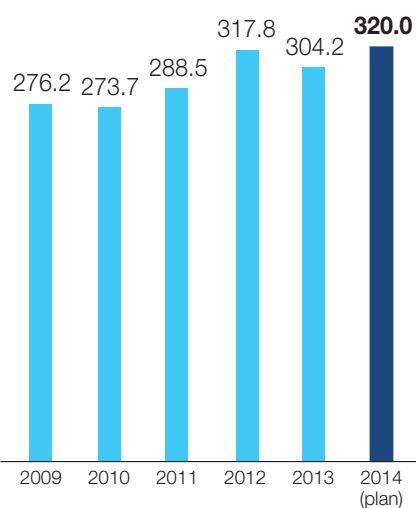
Notes: 1. Amounts less than ¥100 million were truncated.
2. ROE = Net income ÷ Total shareholders' equity (yearly average)
3. ROA = Net income ÷ Total assets (yearly average)

Non-Financial Information

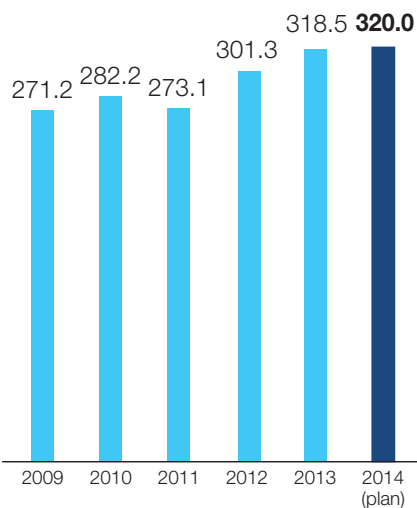
	2009	2010	2011	2012	2013
Number of employees	7,132	7,729	7,872	7,521	7,553
Number of new graduates employed (Note 1)	129	105	92	66	61
Number of days of paid leave taken per employee (Note 1)	9.2	9.4	11.1	10.1	10.0
Turnover rate for employees with up to three years of service (%) (Note 1)	6	6	2	1	5
Number of employees with IT-related expert qualifications (Note 1)	116	139	167	190	219
CO ₂ emissions (t-CO ₂) (Note 1)	6,469	5,975	5,082	6,343 (Note 2)	6,859 (Note 2)

Notes: 1. On a non-consolidated basis.
2. These increases are attributable to the change in emission coefficients for power companies that was released by the Ministry of the Environment.

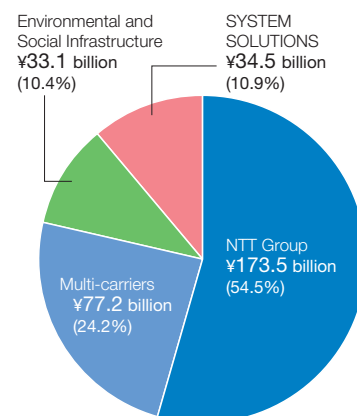
Orders received (¥Billion)



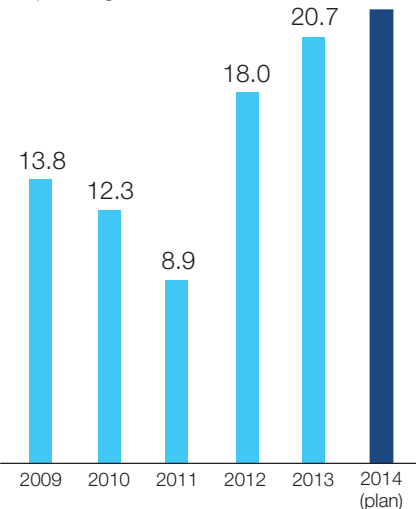
Net sales (¥Billion)



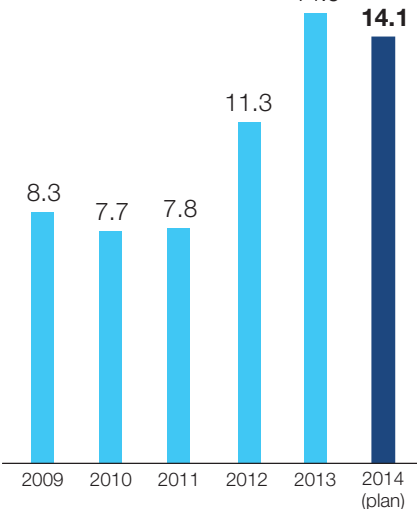
Net Sales by Segment



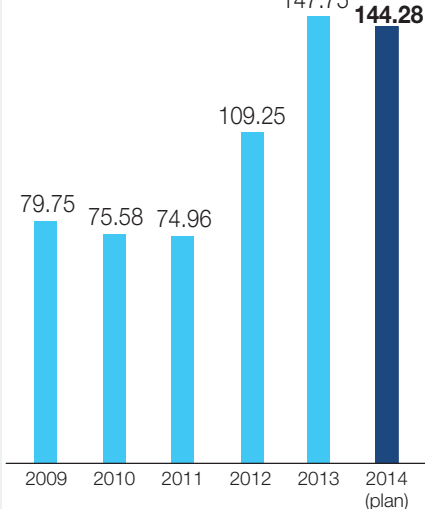
Operating income (¥Billion)



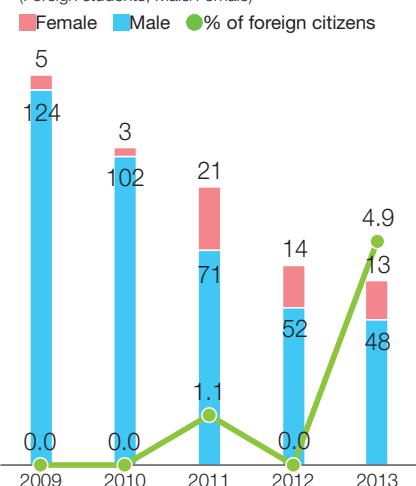
Net income (¥Billion)



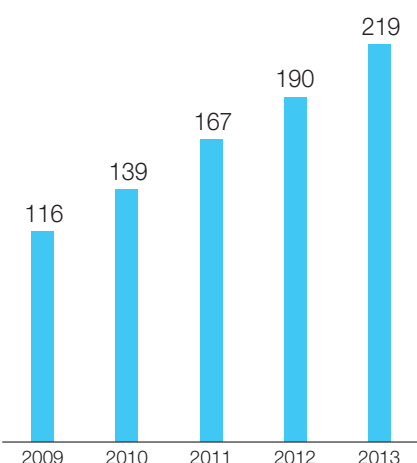
EPS (¥)



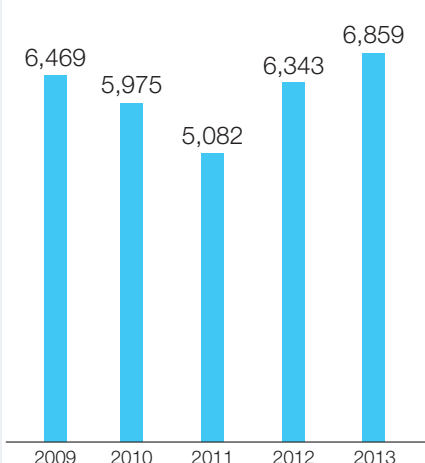
Number of new graduates employed
(Foreign students, Male/Female)



Number of employees with IT-related
expert qualifications



CO₂ emissions (t-CO₂)



Message from the President



Greetings

I hereby express my sincere gratitude for your understanding and support for the Group's business activities.

Established in May 1954 to meet the increasing demand for the installation of large-scale telecommunications facilities, the KYOWA EXEO Group reached its 60th anniversary on May 17, 2014.

Since its establishment, the Group has promoted business activities drawing on its expertise in the creation of information communications infrastructure as a core competence, and provided consistent and integrated services nationwide for the installation of various information communications facilities and equipment.

Currently, in addition to establishing the information communications infrastructure, the Group is providing various ICT solution services such as development of ICTs and software. Furthermore, we have produced many business results in the establishment and management of an environmental and social infrastructure harnessing our long-nurtured environmental, civil engineering and electrical facility technologies.

The EXEO of the KYOWA EXEO Group is the Latin *exeo*, which refers to breaking the mold and continually venturing out to address new challenges. Reaffirming the meaning of the company name, we will continue to provide high-value-added total ICT solutions by gathering the strength of the entire Group, thereby contributing to the sustainable growth of society as a corporation creating an affluent living environment. Your continuing support is highly appreciated.

小園 文典

Fuminori Kozono
President
KYOWA EXEO CORPORATION

REVIEW 2013

■ Review of Fiscal 2013

CONTENTS

- 19** Business Results for Fiscal 2013
- 20** Tasks Addressed and Achievements in Fiscal 2013

REVIEW 2013



Fiscal 2013 got off to a good start as the first year of the medium-term management plan.

Business Results for Fiscal 2013

We enjoyed favorable business results for fiscal 2013, achieving record-high net sales, operating income and net income. It was an excellent start as the first year of the medium-term management plan for 2013 to 2015.

The business environment for the KYOWA EXEO Group was favorable as a whole.

In the field of telecommunications infrastructure, a core business of the Group, we suffered consecutive year-on-year decreases in the business performance of fixed telecommunications facilities, whereas the acceleration of LTE (Long-Term Evolution)-related investments boosted the business results related to mobile telecommunications facilities. In addition, with the sentiment of economic recovery expanding nationwide against the backdrop of Abenomics, we enjoyed favorable trends throughout fiscal 2013 for our businesses in the field of environmental and

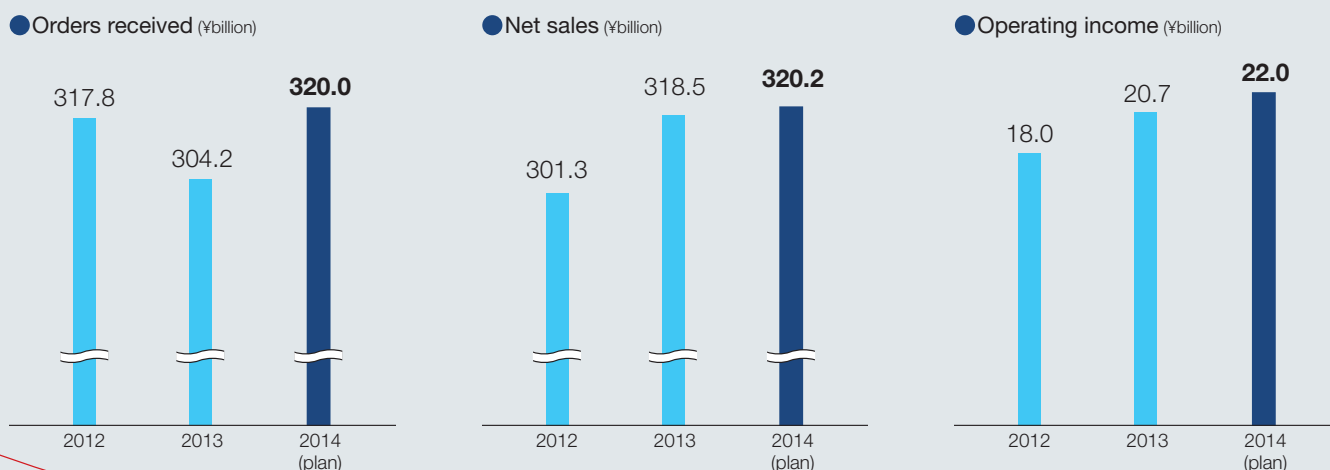
social infrastructure, including the acceleration of investments for restoration, disaster prevention/mitigation, renewable energies and aging infrastructure, and the increasing applications for ICT technologies.

The decision to host the 2020 Tokyo Olympic and Paralympic Games further contributed to increasing the possibility of our business expansion in the medium term.

Under these business circumstances, orders received in fiscal 2013 attained the third highest level in history, although declining 4% to ¥304.2 billion, compared with the previous year, which experienced a temporary increase in order receipts associated with the construction of a large waste treatment plant.

Consolidated net sales for fiscal 2013 reached a record high of ¥318.5 billion (up 6% year over year), chiefly reflecting increasing demand for the construction of LTE-related mobile facilities and solar power generation facilities, as well as plenty of construction projects brought forward

Operation highlight



from the previous fiscal year.

Operating income jumped 15% from the previous year, hitting a record ¥20.7 billion, the first new high in seven years. This was attributable to the effect of streamlining measures such as the continued reorganization of Group companies and the consolidation of operational bases, in addition to the net sales increase.

Tasks Addressed and Achievements in Fiscal 2013

In fiscal 2013, we not only produced solid business achievements but were also active in planting seeds for continued future growth.

Let me introduce some of our activities. First, I would like to cite our solution business.

In April 2013, we launched the ICT Solutions Headquarters to develop the solution business into a new pillar of the Group's businesses. Unlike the conventional style of business by taking contracts for the construction of telecommunications infrastructure, the ICT Solutions Headquarters focuses on designing and proposing solutions to potential clients.

The IC Solutions Headquarters' staff of about 150 employees is working actively to promote the new solution business, while capitalizing on the accumulated experience in the conventional field of business. In fiscal 2013, more than ten new projects were initiated. The staff is experiencing the birth pangs of a new business, but we are beginning to produce promising results.

Second, our involvement in the energy business, centering on solar power generation, has been enlarged significantly.

Although we have been actively involved in solar power generation for 10 years, the order receipts for this business in fiscal 2013 reached ¥5.0 billion, or triple the orders received in the previous fiscal year, making the business a pillar of the Group's environment and social infrastructure businesses.

We have also engaged in in-house power generation. In fiscal 2013, we started generation at four locations, with a

combined power output of about 6 MW. The use of biomass technology—a realm of expertise of the Group—for power generation is under consideration.

The third task we are addressing is to globalize the Group's business activities.

Except for a brief period in the past, the Group has not been active overseas. However, because it is highly likely that the domestic market will eventually shrink, we have decided to increasingly focus on overseas markets to seize business opportunities.

Some practical moves have already started in South-east Asia, including the order receipt in May 2014 for a large access-engineering project centering on the wiring work for telecommunications for homes and offices in the Philippines.

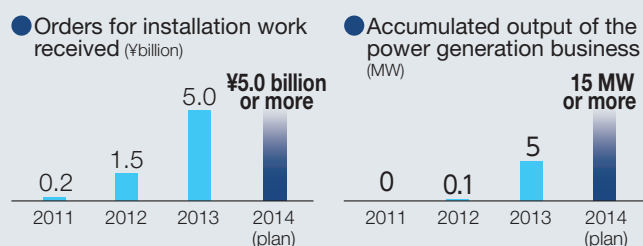
From the perspective of increasing the efficiency of the Group's business operations, we made focused efforts for the optimal relocation of human resources, while promoting the reorganization of the Group companies and the consolidation of operational bases.

In fiscal 2013, we shifted about 150 employees Group-wide from fixed telecommunications to the growing business fields of mobile and solutions.

A shortage of workers is becoming a big problem in Japan, and job opportunities tend to concentrate in certain areas, including Tokyo and the Tohoku region.

The Group has a large workforce of more than 10,000 employees; accumulated expertise in various fields including fixed and mobile telecommunications, electricity, civil engineering, ecology and software; and an extensive network covering the entire nation to implement construction works. To enhance the productivity of our businesses, it is important to use these resources flexibly and swiftly in the most appropriate places. With this recognition, we will continue to promote the flexible distribution of our resources.

Our involvement in solar power generation



Kyowa Exeo Minami Boso Solar Farm (in-house power generation)

The Group's global development toward the future

MG Exeo Network Inc., a consolidated subsidiary of Kyowa Exeo Corporation, received an order from Philippine Long Distance Telephone Company for access-engineering work, which involves the installation and maintenance of 15,300 telecommunication lines for general subscribers each month in the provinces of Laguna and Batangas in the suburbs of Manila, the capital of the Philippines. The project started on May 1, 2014. This will give us a wider view of overseas markets and promote globalization of the Group's businesses.



Areas covered by the Philippines access-engineering work project

GROWTH STRATEGY

■ Growth Strategies

Pick Up!

In Focus:
Value Created by TEAM EXEO

23 1 Mobile



25 2 System Solutions



GROWTH STRATEGY



We will focus on mobile engineering projects in the immediate future, while gradually increasing involvement in system solutions to make it a new core business of the Group.

Business Outlook for Fiscal 2014

For fiscal 2014, we aim to continue sales and profit increases to achieve record-high order receipts, net sales and operating income.

This may sound challenging, considering the declining demand for the Group's mainstay fixed telecommunications infrastructure business, but we still believe we can achieve these targets.

The forecast for orders in fiscal 2014 is ¥320.0 billion (up 5% year over year), as the mobile business is expected to remain favorable and some promising projects will likely become concrete.

The forecast for net sales is ¥320.0 billion (up 0.5% year over year) due to a greater contribution from the expansion of order receipts to more than offset a decline in projects brought forward from the previous year.

The forecast for operating income is ¥22.0 billion (up 6% year over year), which we intend to achieve by con-

tinuing measures to increase the efficiency of business operations.

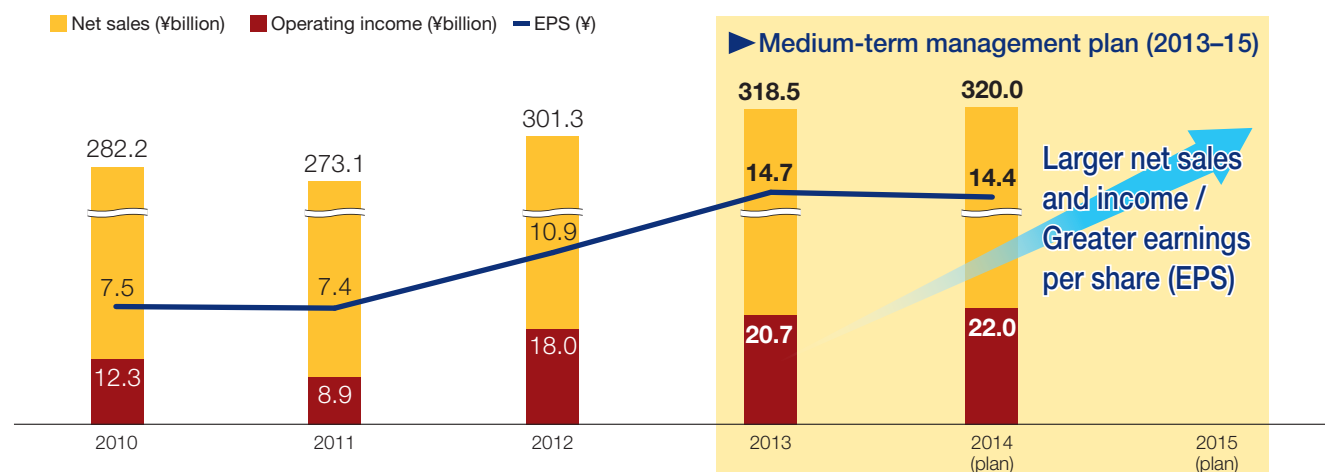
Fiscal 2014 coincides with the 60th anniversary of the Company, and we therefore would like to make it an epoch-making year with the rise of new businesses.

With the recognition that expanding order receipts is essential to the continued growth of the Group, we have been making aggressive efforts to receive orders from the beginning of fiscal 2014, without being content with the favorable results in fiscal 2013. The seeds of projects planted during fiscal 2013 will be gradually taking shape in fiscal 2014.

Regarding the Group's business development in the coming years, we will focus on the mobile engineering business in the immediate future as a leading force to garner earnings, while increasing involvement in system solutions to make it a new core business of the Group.

Let me explain more about these two businesses.

Medium-term management plan



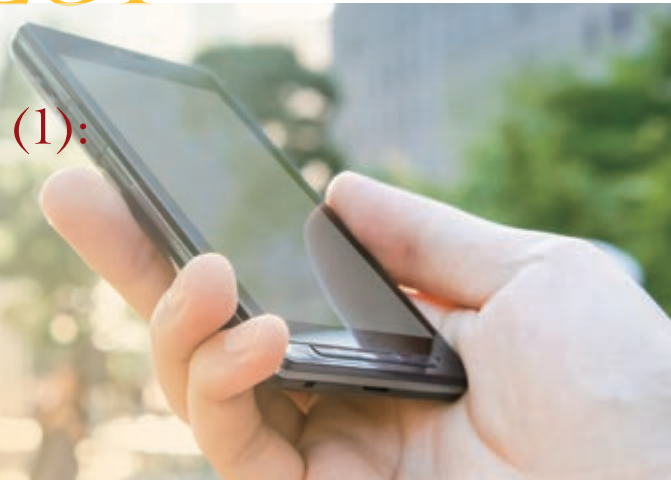
Note: The figures are rounded down to the nearest ¥billion.

GROWTH STRATEGY

The EXEO Group's Growth Strategies

Value Created by TEAM EXEO (1):

Mobile



External environment

The mobile telecommunications market continues to be active.

Due to the rapid spread of smartphones over the past few years, smartphone users now constitute about half of mobile phone users. The traffic of mobile telecommunications has been almost doubling each year. This rapid pace of growth is expected to continue for a while.

The competition for better connectivity among domestic mobile telecommunications carriers remains severe, keeping capital investments in networking systems at high levels.

LTE is now the mainstream of mobile telecommunications, and LTE-Advanced, which is 10 times faster than LTE, will start in fiscal 2014. In addition, considerations have started for the practical application of fifth-generation (5G) services toward 2020. The evolution of technologies for mobile telecommunications will continue at a rapid pace in the coming years.

Under these circumstances, strong demand is expected to continue for the construction of telecommunications infrastructure, including mobile phone base stations, which is covered by the Group's mobile telecommunications business.

The current status of and outlook for the mobile telecommunications business

For fiscal 2013, the Group's orders received for the mobile telecommunications business increased about 10% from the previous year. In and after the third quarter, when NTT DoCoMo launched the sale of iPhones, orders for LTE construction increased more than expected, contributing to better business results for the mobile business.

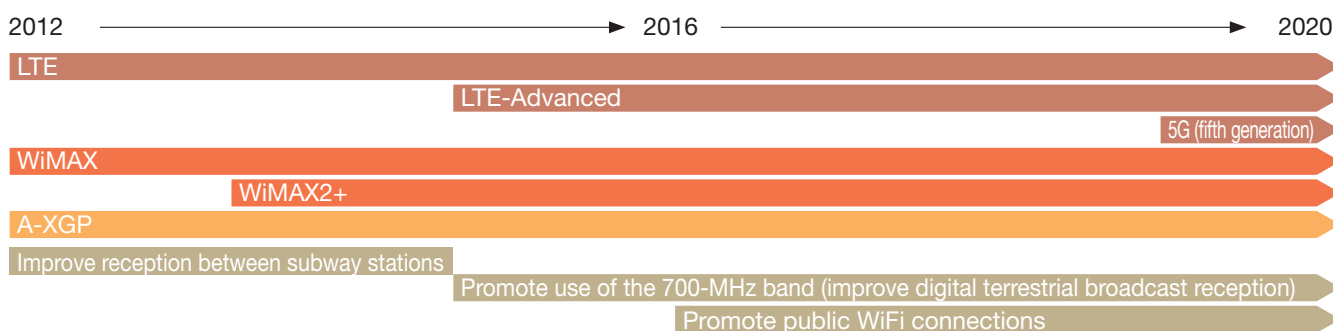
In fiscal 2014, orders for the construction of mobile telecommunications facilities, especially LTE-related ones, are expected to achieve a higher level than the previous fiscal year.

Beginning with the second half of fiscal 2014, orders for the construction of base stations using the 700-MHz band will occur, as well as those for the construction of LTE-Advanced communications facilities.

Beginning in fiscal 2014, we will start to undertake the work of preventing the interference of radio waves in the 700-MHz band from mobile phones with digital terrestrial broadcast reception. The Group will be involved in this work for some years to come by receiving such orders in the Kanto and Koshinetsu regions.

In fiscal 2015, the demand for LTE-related construction might decrease somewhat, but the full-scale start of LTE-

Trends of Japan's Mobile engineering technologies



Advanced-related construction jobs is expected to ensure a high level of overall order receipts.

Regarding the outlook for fiscal 2016 and thereafter, we anticipate that the building of the LTE-Advanced infrastructure will continue steadily toward 2020 when the Tokyo Olympic and Paralympic Games are held in Japan. In the meantime, the introduction of 5G (fifth generation) service will be on the horizon.

Japan lags behind the Western countries in public WiFi connections, which will increase in Japan in the foreseeable future. These situations will continue to provide many business opportunities for the Group.

Tasks ahead

The most important issue for the Group's mobile telecommunications business is to optimize the use of its resources to maximize efficiency in addressing these abundant prospects.

Recently, construction projects for mobile telecommunications have been concentrated in Tokyo, Nagoya and Osaka, where the communication traffic is busier than other areas. The LTE-Advanced construction jobs are also planned to start in high-traffic areas.

An increasingly larger regional difference in the volume of projects must be addressed through the flexible shifting of resources. The July 2014 consolidation of two mobile-engineering Group companies was part of our measures to enable the efficient application of resources.

While ensuring efficient management of the Group's resources, we will best meet the needs of our customers—mobile telecommunications carriers—by continuing to offer high-quality and speedy services.



Enhancement of “connectivity” contributes to society



Motoyuki Takahashi

Facility Construction Department, Mobile Engineering Division
DoCoMo Business Headquarters

I am currently engaged in LTE-related outdoor works for NTT DoCoMo. We are in charge of more than 1,000 projects in Tokyo's 23 wards, corresponding to 300–400 base stations. Due to the huge number of projects, I have difficulty planning operation schedules, coordinating schedules with customers and negotiating with the owners of the buildings where facilities are installed. However, I feel greatly rewarded when I realize the communication speed for smartphones and tablet PCs becomes faster in the areas for which our projects have been completed.

Although the number of orders received by the Group for the construction of fixed telecommunications infrastructure has been on a decline, our department, which is in charge of the mobile engineering work that enjoys active demand, is determined to offer quality services to win the trust of our customers so we can continue to achieve stable order receipts. I am confident that our projects contribute to society, and I know that our careful work according to the time and other requirements of customers will eventually benefit smartphone and tablet PC users. This is something I can tell my family with pride.

As it is expected that the mobile telecommunications infrastructure will evolve from LTE to LTE-Advanced, and 5G (fifth generation), I will continue to upgrade my engineering abilities so that I can deal with the installation of any advanced facilities, and provide advice to younger engineers.

GROWTH STRATEGY

The EXEO Group's Growth Strategies

Value Created by TEAM EXEO (2):

System Solutions

System solutions the Group aims to offer

Since I assumed the office of President one year ago, I have focused particularly on the expansion of the system solutions business.

The telecommunications infrastructure business accounts for 80% of the Group's net sales. However, the demand for fixed telecommunications facilities has been declining, and I do not think the mobile engineering market, although it is currently booming, will see a big leap forward in the years ahead.

To ensure the continued growth of the Group, it is essential to create a new core business, which I believe is the business of system solutions.

This is not a completely new field for the Group, and I do not envision competing head to head with leading system integrators. The Group's traditional field of expertise should be best utilized to achieve a competitive edge in offering system solutions.

As mentioned earlier, the Group has an extensive range of technologies in such fields as fixed and mobile telecommunications, electricity, civil engineering, ecology and software, and an extensive network covering the entire nation for implementing construction works. I believe optimal combination of these technologies and resources will generate added value, enabling us to offer competitive solution services that capitalize on our strengths.

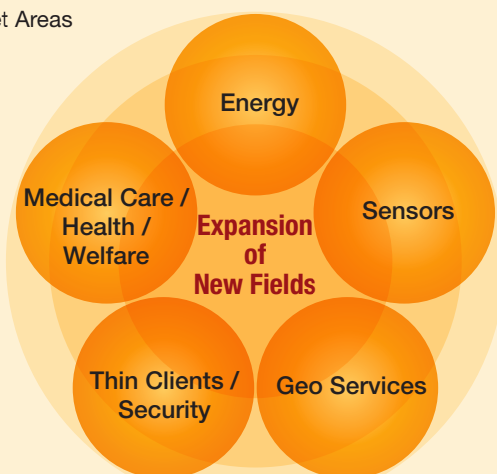
Achievements in fiscal 2013

During fiscal 2013, which was designated as the year of challenge, we tapped into the scope of "new solutions," as we call it, that had not been actively explored before.

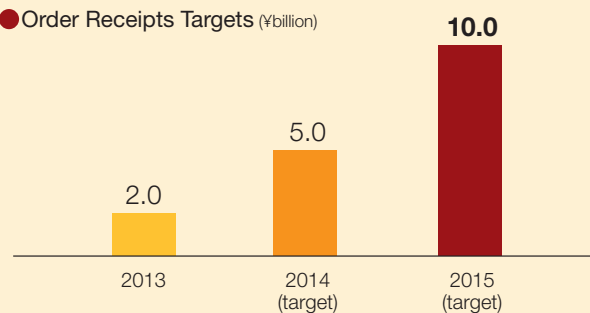
Major target areas in the scope of new solutions include energy, for which greater market expansion is expected as the deregulation of the electric power industry moves forward; geo services through the use of smartphone, GIS

New Solutions

● Target Areas



● Order Receipts Targets (¥billion)



Challenge

Development

A New Pillar of Business

and mapping technologies; and the areas of sensors, thin clients, medical treatment and healthcare related to the government-led national resilience action plans and ICT growth strategies.

Orders received in this “new solutions” field in fiscal 2013 amounted to only ¥2.0 billion, but I believe that was sufficient to pave the way for expansion in fiscal 2014 and thereafter.

Through the efforts to expand business opportunities in the scope of new solutions, we built alliances with various companies that we had not traded with, and established new and good business relationships with large trading firms, manufacturers, vendors and small businesses. One example is the capital and business alliance we formed in May 2014 with Eponet Inc. and WHERE, Inc. Although not all such efforts have generated good results, preparations for the expansion of the system solutions business have been steadily under way.

Looking forward

Various seeds of “new solutions” were planted during fiscal 2013. I expect these seeds to take root, sprout and grow big in fiscal 2014.

For the past year, I have been speaking about the importance of the solution business inside the Company, which has helped change the awareness of employees significantly.

Given its declining population, Japan needs to increase the productivity of each citizen to continue economic growth. Utilizing ICT technologies is an effective way to achieve that, and we will see more and more opportunities for the solution business using ICT technologies.

We will make Group-wide efforts to promote the system solutions business so that it will provide a new core source of earnings in the future.



Image of EXTravel in use

Development and sale of EXTravel, an application that provides information for sightseeing and disaster prevention.



Kumiko Kamibayashi

Solution Consulting Department, Solution Promotion Division
ICT Solutions Headquarters

When the ICT Solutions Headquarters was established in April 2013, we would often discuss what could be a pillar of our businesses. During those discussions, someone suggested that we develop an application combining information for sightseeing and disaster prevention. That was the start of the EXTravel application. We carefully designed a business model, for which we acquired internal cooperation and consensus, while simultaneously engaging in application development jointly with a software house with expertise in that field, and finally got to the point of selling the application. I think we acted speedily from the initial suggestion to the start of selling the application.

The difficult part of the marketing efforts for the application was how to make its distinctive features and benefits better understood by customers. The sales point of EXTravel was the information for disaster prevention offered in addition to tourist information. Because the target customers were individuals who were not necessarily Japanese, the application had to be available in multiple languages. The application underwent other refinements based on the consideration of possible events in times of a disaster before it grew into something that could fully meet customers' expectations.

If EXTravel can be used with satisfaction by foreigners visiting Japan, it will not only increase the number of its users but also lead to more foreign tourists visiting Japan.

In the future, we hope to see this application on every smartphone and tablet PC carried by foreigners visiting Japan when the Tokyo Summer Olympic and Paralympic Games are held in 2020.

GROWTH STRATEGY

We will continue to undertake new challenges in fiscal 2014.



Other business fields of focus

Even in the markets other than mobile engineering and system solutions, we expect to engage in a higher-than-usual number of promising projects in fiscal 2014.

In the field of fixed telecommunications infrastructure, the construction works for restoration of the disaster-stricken Tohoku region will be fully active. In relation to the 2020 Tokyo Olympic and Paralympic Games, a growing number of orders are expected for the undergrounding of overhead power lines and the installation of electrical and air-conditioning equipment. In particular, we have been actively involved in the redevelopment of

the Shibuya district where the Company's head office is located.

Demand for the construction of solar power plants is expected to remain strong, and we will likely acquire some orders related to waste treatment plants in fiscal 2014.

For the globalization of the Group's activities, a large access-engineering project has begun in the Philippines this year (see page 20). Taking this opportunity, we intend to expand the range of overseas businesses chiefly in Southeast Asia.

The term *exeo* in the Company's name partially means "breaking the mold."

Businesses related to the Tokyo Olympic and Paralympic Games

Year	2014 Winter (Sochi)	2015	2016 Summer (Rio)	2017	2018 Winter (Pyeongchang)	2019	2020 Summer (Tokyo)
Telecommunications infrastructure	Enhancement of the mobile telecommunications environment (LTE, LTE-Advanced and public WiFi)						
	Enhancement of the fixed telecommunications environment (4K/8K television, data offloading to WiFi, etc.)						
	Telecommunications works associated with the enhancement of facilities, roads, airports and railways; Installation of surveillance cameras						
	Construction and removal of telecommunications equipment for the Olympic facilities						
Environmental and social infrastructure	Undergrounding of power lines						
	Installation of electrical and air-conditioning equipment associated with the Olympic facilities, redevelopment of the Tokyo metropolitan district and enhancement of accommodation facilities and transportation systems, etc.						
System solutions	Various solutions for disaster prevention, sightseeing, security, charging of electric vehicles, barrier-free facilities, etc.						

I believe the value of an enterprise lies in taking on something new. We experienced many challenges in fiscal 2013, and that attitude will continue throughout fiscal 2014.

The business environment for the Group is rapidly changing, but we must never be afraid of making small mistakes and quickly taking on new challenges to ensure continued growth.

CSR Management

Since its establishment in 1954, the KYOWA EXEO Group has continued to grow based on the core competence of building telecommunications infrastructure. Therefore, we recognize that our corporate social responsibility (CSR), especially for our clients and users of the infrastructure, can be fulfilled when we realize a comfortable environment for telecommunications by properly conducting the core business.

When the Great East Japan Earthquake occurred on March 11, 2011, we swiftly responded by setting up a unit to promote the recovery of the Tohoku region, through which we have contributed in various ways to the restoration of the afflicted areas. We are still engaged in construction works for the greater convenience of the people in those areas. When a large mudflow caused by a typhoon hit Izu Oshima (Oshima-cho, Tokyo) in October 2013, we sent a recovery team the following day to help restore the telecommunications infrastructure.

The Group's high technological excellence is proven with our engineers having won four consecutive World-Skills championships in the category of Information Net-

work Cabling. Integrating our accumulated expertise in the construction of telecommunications infrastructure with other extensive technologies of the Group in the fields of environment and social infrastructure and software development will enable the offering of total ICT solutions by Team EXEO, an interdepartmental force of experienced engineers. In this way, I hope the Group's capabilities will contribute to the creation of a safer, more secure and more comfortable society.

Distributing returns to shareholders

The KYOWA EXEO Group regards profit distribution to shareholders as an important managerial issue and has a basic policy of stable and continuous profit distribution to shareholders.

Under our basic policy, we raised the annual dividend to ¥24 per share in fiscal 2013, and the same annual dividend is planned for fiscal 2014.

We also plan to purchase ¥3.0 billion in shares of treasury stock in fiscal 2014. The recent level of the total return ratio—the sum of dividends paid and share buybacks as a proportion of consolidated net income—should be high enough to fully satisfy our shareholders.

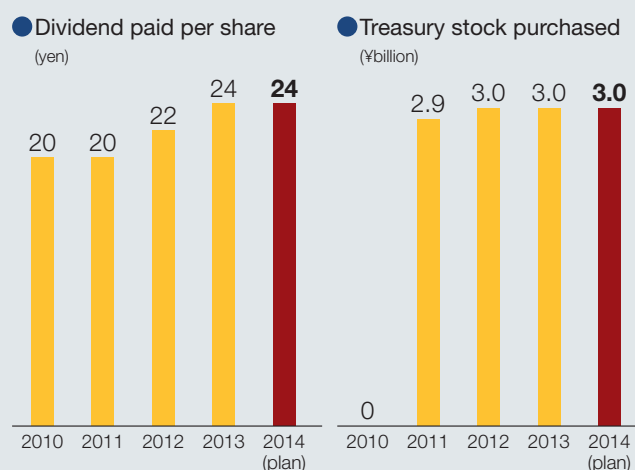
Doing a good job and being appreciated by customers, which enhances employee morale and thereby boosts business performance, results in the distribution of higher profits to shareholders. We will strive to enhance corporate value through raising business performance and aggressively distributing profits to shareholders.

CSR



Restoration after the mudflow disaster in Izu Oshima

Distributing returns to shareholders





Performing Corporate Social Responsibility (CSR) through Its Primary Businesses

The KYOWA EXEO Group's basic CSR policy is to materialize its corporate philosophy and perform its social responsibility through its daily business activities. The Group seriously addresses promoting corporate governance, compliance and risk management and works to ensure sincere and highly transparent business operations to contribute to the sustainable growth of society.

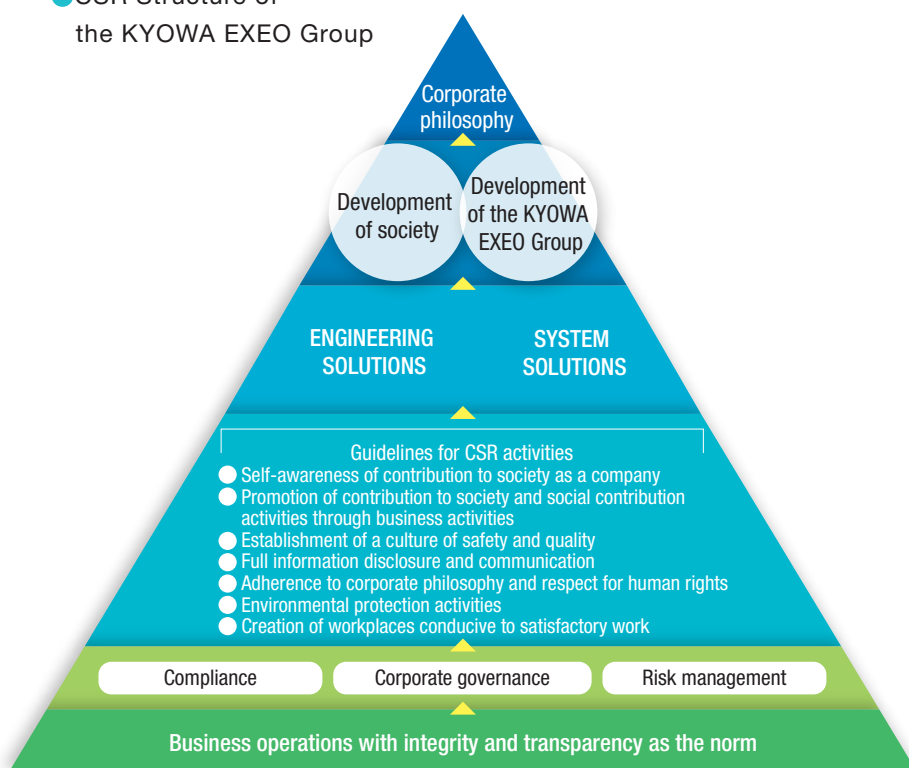
Basic CSR Policy

The KYOWA EXEO Group will, through its business activities, conduct environment-friendly management and contribute to the preservation of environment and sustainable growth of society in order to realize the corporate philosophy.

The corporate philosophy of the KYOWA EXEO Group, which is the basic guideline for our corporate social responsibility, includes cultivating technological capabilities, seeking affluence and contributing to society, and we work to make integrity and transparency the fundamental norms of our management.

We recognize that efforts to achieve our corporate philosophy are indeed efforts toward CSR, and we are working to promote CSR.

● CSR Structure of the KYOWA EXEO Group



Our Themes to Be Addressed in Fiscal 2014 (Classification by ISO26000 Standards)

Core themes in the ISO26000	Major stakeholders	Our themes	Measures to be taken	Organization in charge
Organizational governance	All (Corporate philosophy) (Basic ethics) (Action guidelines)	Promotion of compliance	Educating on and improving the awareness of laws and regulations and the Basic Ethics of the KYOWA EXEO Group through compliance-promoting activities Thorough adherence to social norms	Risk Management Division
		Operation of corporate governance	Analysis of the causes, responses and background of recent conflicts and incidents, as well as the prevention of recurrence via lateral intra-organizational information exchanges	
		Appropriate risk management	Fermentation of information security literacy to ensure zero information accidents	Risk Management Division
			The Group's acquisition of certification for management system standards	Corporate Planning Division
			Reduction of management risk	General Affairs Division
			Reinforcement of business continuity planning (BCP)	Risk Management Division
			Enhancement of internal audits of the Group	
Human rights	Employees	Principle that human resources are our chief asset, Fermentation of the Connection Culture	Respect for human rights and utilization of diversified human resources (Promotion and reinforcement of diversity)	Human Resources Division

CSR Promotion Systems (Relationships with All Stakeholders)

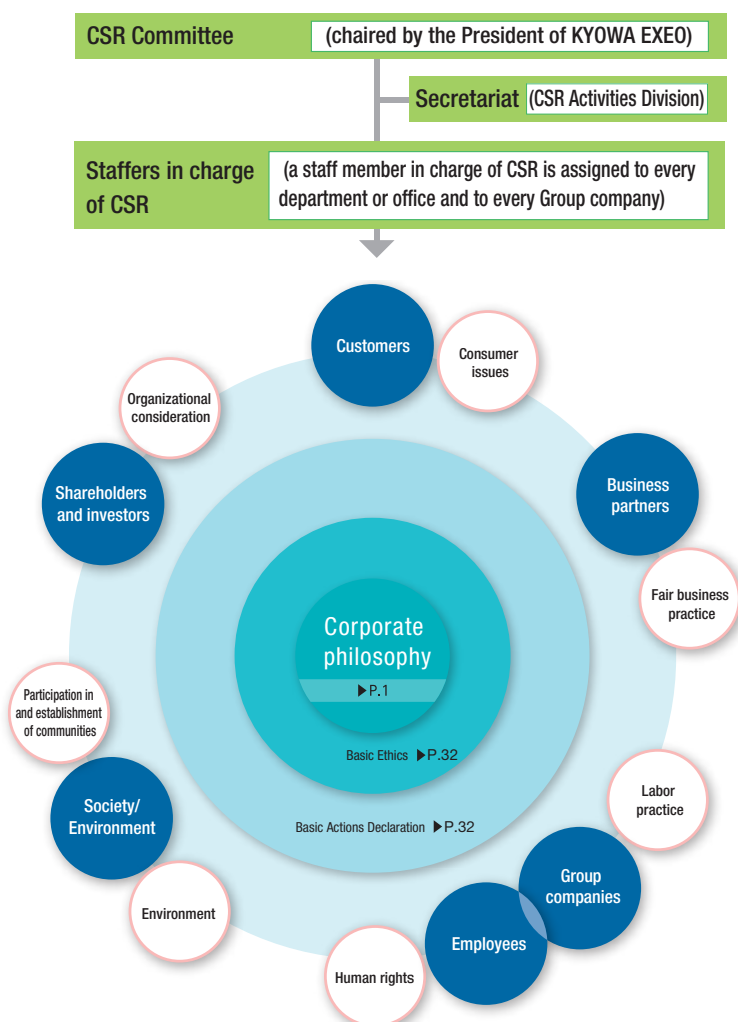
Rather than having a specific division responsible for CSR activities, at the KYOWA EXEO Group, we recognize that CSR is something that every member of the staff should put into practice throughout the business process. In 2009, we reorganized the CSR Promotion Division that until then had been tasked with promoting CSR, and we established the new CSR Activities Division as the department responsible for disseminating information about activities.

In 2010, we launched the CSR Committee, chaired by the President, with meetings held whenever necessary. Moreover, as a lower-level organization of the CSR Activities Division, a staff member in charge of CSR is assigned to every department or office and to every Group company so that there is a group-wide system of CSR promotion.

Continuing to be a Company Trusted by All Stakeholders

In addition to striving to ensure ever-greater information disclosure, the KYOWA EXEO Group will engage in proactive communication with all our stakeholders in order to fulfill our corporate social responsibility. Effective from fiscal 2011, the Group's relationships with various stakeholders are classified based on the seven core themes set forth in the ISO26000* standard.

*The ISO26000 standard provides organizations including companies with the best international guidance on socially responsible behavior and possible actions.



Core themes in the ISO26000	Major stakeholders	Our themes	Measures to be taken	Organization in charge
Labor practice	Employees	Principle that human resources are our chief asset, Fermentation of the Connection Culture	Development and cultivation of human resources Creation of ideal working conditions (Promotion and reinforcement of work-life balance)	Human Resources Division
	Group companies	Development of group businesses and improvement of consolidated operating results	Promotion of reorganization to raise the consolidated competitive edge	Group Business Development Division
Environment	Environment	Promotion of environment-friendly management	Environmental preservation activities toward the prevention of global warming → Promotion of energy-saving activities	General Affairs Division
Fair business practice	Business partners	Ensuring transparency and the fair competition principle	Thoroughly impartial transactions in accordance with the "Procurement Policy" including Green Procurement	Procurement Division
Consumer issues	Customers	Rooting of the "safety quality culture"	Assurance and improvement of quality Elimination of serious accidents (physical for employees and at equipment/facilities)	Construction departments Safety & Quality Control Headquarters
		Improvement of customer satisfaction	Thorough management of customer satisfaction	Sales departments and Safety & Quality Control Headquarters
	Shareholders and investors	Emphasis on return of profits and communications	Enhancement of IR activity for impartial and fair information disclosure	Corporate Planning Division
Participation in and development of communities	Society	Contribution to society and local communities	Promotion of social contribution activities Promotion of local community contribution activities	General Affairs Division
		Improvement of social evaluation	Verification of external questionnaires, Compliance with the ISO26000 standards, Issuance of integrated reports	General Affairs Division, Corporate Planning Division



Establishing Various Mechanisms to Promote Globally the Overall Group

Corporate Governance

Endeavoring to ensure transparent management by establishing sound management systems and strengthening internal controls

The KYOWA EXEO Group aims to maintain the full trust of shareholders and all other stakeholders by operating with integrity and a high standard of transparency. To this end, we are confident that it is one of the significant management issues to establish and maintain an organizational structure and management systems through which corporate governance can effectively function. Moreover, it is our basic CSR policy to make ongoing improvements to strengthen corporate governance mechanisms that are suitably tailored to the Group's circumstances, including the assessment of structures for monitoring management in light of changes in social conditions, laws and other developments.

stipulated the Basic Guideline for Establishing Internal Control Systems in accordance with the relevant provisions of the Companies Act and addresses its appropriate and efficient operation.

The Internal Control Committee, which was established in April 2003, reviews the execution of duties by the directors to further promote reinforcing internal control systems.

In June 2014, the Risk Management Division was established to integrate compliance-related duties, which had been distributed among more than one department, thereby enabling the centralized management and treatment of compound risks.

Promotion of internal control

The KYOWA EXEO Group works to thoroughly adhere to compliance, manage various risks and properly and efficiently execute business operations. At the same time, to ensure the reliability of financial reporting, the Group has

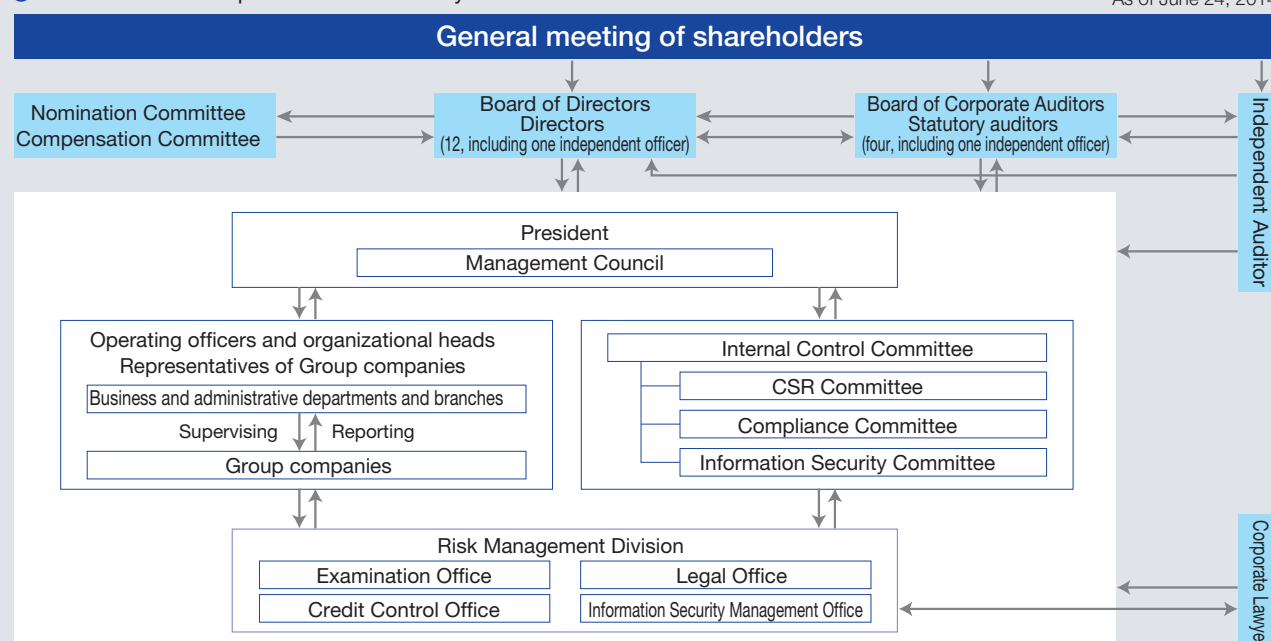


To view the Basic Guideline for Establishing Internal Control Systems, visit

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

KYOWA EXEO's Corporate Governance System

As of June 24, 2014



The Nomination Committee deliberates such matters as the designation of candidates for directors, the Internal Control Committee deliberates such matters as the oversight of execution of duties by directors and the Compensation Committee deliberates such matters as the remuneration and bonuses to directors. The results of these discussions are reported to the Board of Directors.

Compliance

In the KYOWA EXEO Group, everybody on the management team maintains a high standard of ethics—integrity—when conducting business. Furthermore, individual directors and employees make principled actions grounded in compliance to fulfill their social responsibility.

—EXEO Group Basic Actions Declaration—

▶ In case we are forced to select either earnings or ethics in our own activities, we shall prioritize without hesitation laws and regulations and corporate ethics.

Individual directors and employees of the Group make principled actions grounded in compliance, the guiding force of our business activities, in the practice of our business activities; engage in socially trusted management; and perform their social and legal responsibilities. They promote compliance toward the realization of the corporate philosophy of “Contributing to Society,” in accordance with the “EXEO Group Basic Actions Declaration,” a code of conduct of the Group.

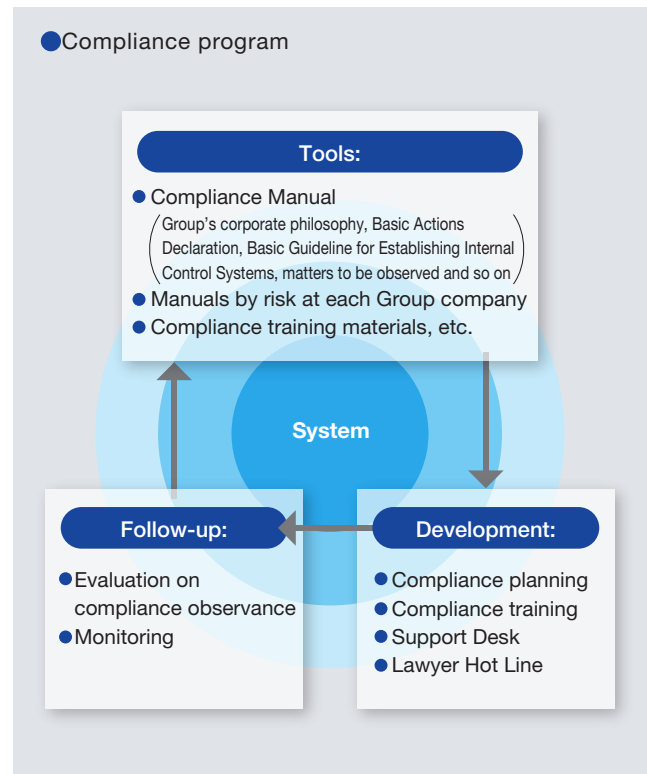


Compliance training for management executives



Please refer to the website below for the full text of EXEO Group Basic Actions Declaration

<http://www.exeo.co.jp/csr/compliance.html#kihonkoudou>



Basic Ethics of the KYOWA EXEO Group

Matters to be observed in business activities

▶ Relationships with customers

Elimination of accidents; assurance of quality; improvement of and respect for technologies; transparent transactions; appropriate inducement; confidentiality

▶ Relationships with industries and business partners

Fair competition; compliance with industry-specific laws and regulations; impartial transactions; fair transactions

Matters to be observed regarding society

Management with responsibility; information disclosure; control of insider information; protection of the environment; ensuring the security of society; resolute attitude against antisocial forces

Matters to be observed internally at the company

Respect for human rights; ensuring the physical safety of employees; conservation of company assets; appropriate accounting procedures; observance of authority; maintenance of discipline

Promotion Systems and Activities

The Company instituted a compliance program in November 2001 and extensively applied the program to Group companies in March 2003. Consequently, the group-wide EXEO GROUP Compliance System was established.

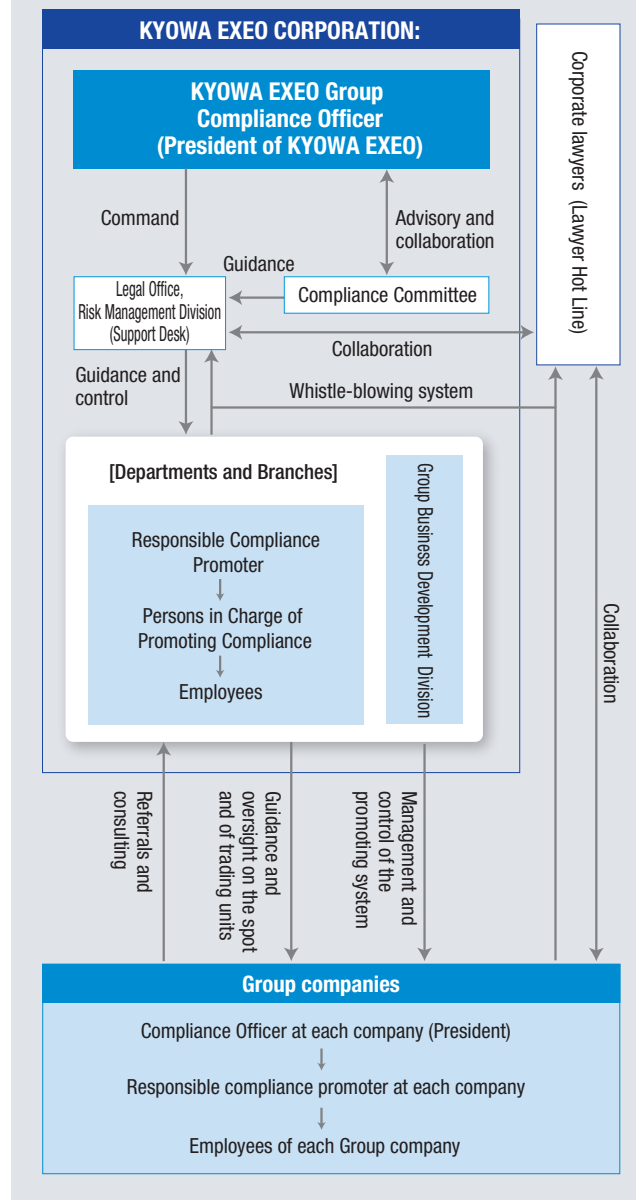
To promote compliance, the formulation of the EXEO Group Compliance Manual and the establishment of a dedicated promotional department followed. Compliance training is given to employees of the Group companies on an ongoing basis.

Initiatives to Promote

Measures taken	Description
Whistle-blowing system	Establishing the Support Desk regarding compliance and the Lawyer Hot Line for direct consulting or communicating with corporate lawyers
Compliance training	Conducting basic training for new employees and brush-up training with specific themes to be observed in business activities
Compliance training for management executives	Conducting training for management executives (e.g., Chairman, President, General Managers of the Head Office, Branch Managers, Presidents of the Group companies) by inviting outside experts as lecturers
Evaluation on compliance observance	Inspecting the observance status of compliance plans, which have been prepared by the respective branches and Group companies, as well as the relevant laws and regulations, for evaluation; compliance mind-set of each employee is checked in terms of his/her level of understanding
Compliance promotion and enhancement month	October was designated as the annual Compliance Promotion and Enhancement Month in 2010. Various campaign measures such as signage and meetings encourage in-depth understanding of and raise awareness among employees.



Promoting System



Risk Management

Establishing the promoting system, the KYOWA EXEO Group actively addresses risk management in all its business fields.

Basic Stance on Risk Management

To realize further business expansion and new growth through the provision of the total ICT solutions, the KYOWA EXEO Group strives to appropriately control risk factors by reducing exposure to risks and adverse effects for risk that

might occur in overall business activities. Meanwhile, it is necessary for the Group to minimize the economic loss and/or damage in case of exposure to any risk. The Group's risk management is set up on such recognition.

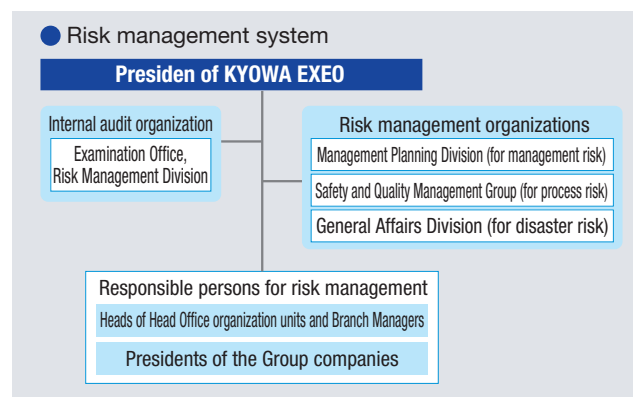
Risk Management System

The KYOWA EXEO Group takes appropriate risk control measures after grasping and analyzing various risks surrounding the Group management to conduct sound business activities.

In accordance with the Risk Management Rules, which provide basic guidelines regarding risk management, various risks are classified as shown in the table below. According to the characteristics of the respective risks, efforts are made to streamline and sophisticate risk management methods and systems. The appropriate monitoring of risk status, cross-sectional responses and lateral, intra-organizational information exchanges are also conducted to manage risks.

Furthermore, the Audit Division formulates an audit plan every year and conducts audits to check whether improvement measures or actions have been taken appropriately from an independent standpoint. The audit

results are reported to the management and to conferences at which the heads of organizational units attend according to the plan-do-check-act (PDCA) cycle.



Initiatives to Promote

Responsible division	Business risk			
Corporate Planning Division	Management risk	Business environment risk	Risk in the business environment	Issues shall be solved by establishing a task force and/or holding a business strategy conference to find the best solutions, according to the instructions of management.
		Management strategy risk	Risk in decision making for management strategies or business strategies	
General Affairs Division	Disaster risk		Risk of various disasters such as earthquakes, fires and typhoons	The Disaster Countermeasure Rules shall be stipulated to cope with the risk. Meanwhile, disaster prevention-related capital investment and disaster exercises shall be proactively made.
Risk Management Division	Process risk		Risk in daily business operations	General manager of each department or branch manager shall be responsible for taking measures to reduce the risk concerned.
	Credit risk		Risk of uncollectible credits with regard to transactions with new customers and long-term and large-sum projects	The appropriate scale of trading with customers is examined and determined to prevent trading problems and minimize risk damage. Meetings of the Extended Order Study Committee, which consists of the heads of related organization units, are held as required.

Promoting Information Security

— Initiatives at the Information Security Committee —

The KYOWA EXEO Group established the Information Security Committee in June 2004 to handle diverse requests for security-related requests from customers. The committee is committed to bolstering protective measures with regard to information security related accidents and incidents.

The Information Security Committee, which is chaired by the Chief Information Security Officer (CISO) and consists of committee members (responsible information managers), meets four times per year (April, July, October and January).

Major initiatives taken in fiscal 2013 were as follows:

- ▶ Improved group-wide security
- ▶ Thoroughly executed employee training toward enhanced awareness of information security (Conducted during July–September every year) (DVDs for trainings prepared and distributed)
- ▶ Upgraded antivirus measures
- ▶ Enhanced inspections of private-use personal computers at home

Timing	
Jun. 2004	Implemented an information management system Established the Information Security Committee
Jul. 2006	Assigned the Chief Information Security Officer (CIO) at the Information Security Committee
May 2009	Extended the information management system to the Group companies



While Promoting Resources Recycling and Effective Utilization of Resources, Developing Environment Preservation Activities Toward the Prevention of Global Warming and Other Concerns

Environmental Management

The Group works to reduce the environmental impact accompanying business activities, and every employee acts with “what he/she can and he/she should do” in mind.

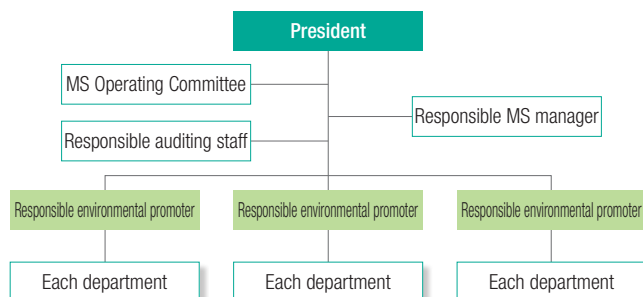
Basic Stance on Environment Preservation Activities

Coexistence with the global environment is a social responsibility of corporations and is a significant element in creating a sustainable society.

The KYOWA EXEO Group engages in business activities as a company that offers customer-satisfying solutions based on its core IC networking technologies. The Group therefore pays careful attention to coordination with the environment in its business activities and endeavors to reduce the environmental impact that inevitably accompanies such activities. Meanwhile, every employee of the Group is committed to environment preservation activities with “what he/she can and he/she should do” in mind—always taking into account the effects of business activities on global environment.

Promotion of an Environmental Management System

In promoting the environmental management system (ISO14001), of which certification has been continuously obtained since May 2000, the Company works to reduce the environmental impact on an ongoing basis through companywide environment preservation activities according to the PDCA cycle. The Company identifies predictable environmental risks, which are determined depending on onsite working environments, the location conditions of the building and other factors, sets up specific environment-related targets and extensively applies them to all the departments at the Head Office and branches.



Environmental Education

Environment preservation activities cannot be achieved without low-key efforts for the activities and strong consciousness of every employee regarding the improvement of environmental issues. Consequently, the Head Office and branches prepare their respective plans and conduct environmental education programs so that all the employees can understand the importance of environmental preservation and voluntarily and positively participate in such activities in their daily lives. With this approach, precise knowledge and consciousness of environmental issues and preservation initiatives have been steadily disseminated among employees.

The educational training courses in fiscal 2012 were as follows: In-house environmental auditors' training for the purpose of obtaining qualification as in-house auditors; in-house environmental auditors' brush-up training for the purpose of upgrading skills as auditors; environmental operation training for the purpose of mastering knowledge of promoting environmental activities; and basic environmental management training mainly targeting new employees. A total of 592 persons attended the course lectures.

● Number of qualified persons as in-house environmental auditors and participants in various training courses

		Fiscal 2011	Fiscal 2012	Fiscal 2013	
In-house environmental auditors		870	894	971	

Training course name	Target	Fiscal 2011	Fiscal 2012	Fiscal 2013	Description
In-house environmental auditors' training	Prospective in-house auditors	48	74	129	Qualification as in-house auditors
In-house environmental auditors' brush-up training	In-house auditors	187	92	43	Enhancing skills of in-house auditors
Environmental operation training	Regular employees	202	263	159	Mastering knowledge of environmental activities
Industrial waste training	Regular employees	14	14	0	Mastering knowledge of industrial waste
Basic environmental management training	New employees, etc.	127	149	183	Basic knowledge of environmental MS
Total		578	592	514	

Initiatives toward Prevention of Global Warming and Preservation of Biodiversity

EXEO's forests (Mori), which extending nationwide, are groomed by employees' hands

Embracing the opportunity of the Company's 50th anniversary of its foundation, forest preservation activity started and the Company continues to maintain government-owned forests for up to 60 years.

Seizing the opportunity of the 50th anniversary of its foundation, the Company became strongly conscious of the prevention of global warming and contributing to local communities. Giving its approval to the maintenance enhancement campaign of forest resources, which was then promoted by the Forestry Agency, the Company entered into a profit-sharing afforestation contract* with the Hokkaido, Tohoku, Kansai, Kyushu, Chugoku and Kyushu regional forest offices regarding so-called corporate forests. The Company named the forests "EXEO's forests" and continues their maintenance activity, which also serves as an occasion for social assembly and recreation among employees and their families.

*Profit-sharing afforestation contract: Agreement on the maintenance activities of government-owned forests (natural forests), which are premised on there being no logging.

● Degree of environmental contribution of EXEO's forests (Mori), achievement in fiscal 2013

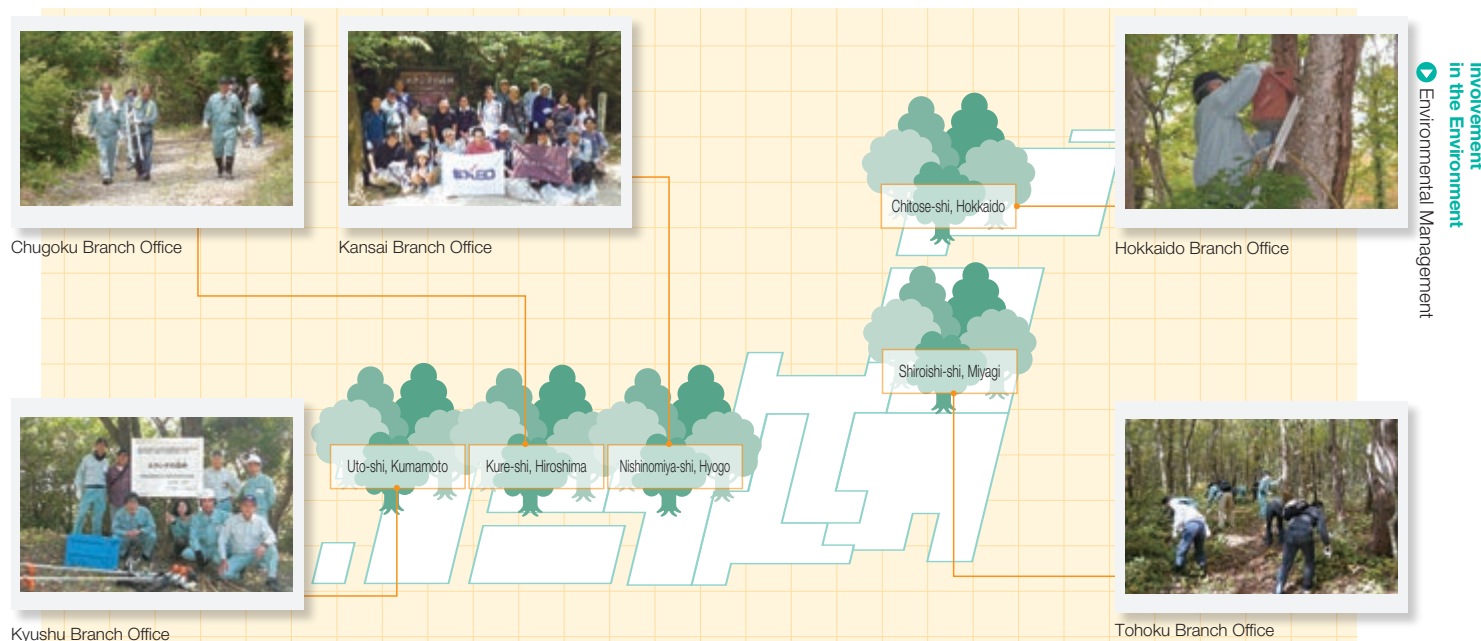
(According to the Forestry Agency Report)

Term of contract	Region	Location	Area (ha)	Degree of environmental contribution: One year (effects for the period of April 2012–March 2013 converted in the respective units shown below)		
				Watershed pondage or water quality purification volume (in terms of 2-L PET bottles)	Sediment runoff prevention volume (in terms of a 10-ton truck loading 5.5 m³)	Absorbed and fixed CO ₂ volume (in terms of CO ₂ emitted by a person in a year)
60 years (1/2005–3/2065)	Kyushu	Karimawashi-yama government-owned forest, Uto-shi, Kumamoto Prefecture	5.36	3,711 m³ (1,855,000 bottles)	70 m³ (13 trucks)	15 t (48 persons)
21 years (2/2005–3/2026)	Kansai	Kitayama government-owned forest, Nishinomiya-shi, Hyogo Prefecture	1.14	465 m³ (233,000 bottles)	14 m³ (3 trucks)	3 t (9 persons)
60 years (8/2006–3/2066)	Hokkaido	Chitose government-owned forest, Chitose-shi, Hokkaido Prefecture	3.10	1,181 m³ (591,000 bottles)	40 m³ (7 trucks)	8 t (26 persons)
22 years (10/2006–3/2028)	Tohoku	Fubosan government-owned forest, Shiroishi-shi, Miyagi Prefecture	2.48	656 m³ (328,000 bottles)	20 m³ (4 trucks)	5 t (16 persons)
20 years (3/2007–3/2027)	Chugoku	Noroyama government-owned forest, Kure-shi, Hiroshima Prefecture	3.29	1,664 m³ (832,000 bottles)	40 m³ (7 trucks)	7 t (20 persons)
Total			15.37	7,677 m³ (3,839,000 bottles)	184 m³ (34 trucks)	38 t (119 persons)

Content of Activities

Five branches, of which the business area is located near EXEO's forests (Mori), regularly conduct forest preservation and cleaning activities such as maintenance of walking trails, mowing of bottom weeds, cutting ivy and putting up bird houses.

Forest exploration is also conducted as part of the recreation activities for employees and their families. Such events are also used for enlightening activities to explain the importance of preventing global warming and biodiversity preservation.





Fiscal 2013 Material Balance of the Company (Non-consolidated)

To make environment-friendly business activities effective and reduce the accompanying environmental load as much as possible, we strive to understand and analyze the kinds of resources and energy sources that are used and the environmental load that has been produced.

INPUT

Total energy input	196,931 GJ
Electric power purchased	13,076 MWh
Solar power generation electricity output	68 MWh
City gas	87 km ³
LPG	2 km ³
Gasoline	1,221 kℓ
Light oil	109 kℓ
Kerosene	15 kℓ

Water resource input	44 km ³
----------------------	--------------------

Environment-friendly business activities

OUTPUT

Electricity sold	1,956 MWh
------------------	-----------

Total greenhouse effect gas emissions	14,622 tons (CO ₂ conversion)
Electric power sourced	6,620 tons (CO ₂ conversion)
Fuel sourced	3,930 tons (CO ₂ conversion)
Waste sourced	5,001 tons (CO ₂ conversion)
Water resource sourced	9 tons (CO ₂ conversion)
Power generation and electric power selling sourced	▲939 tons (CO ₂ conversion)
EXEO's forests (Mori) sourced	▲38 tons (CO ₂ conversion)

Waste emissions and recycled volume	21,921 tons
Industrial waste emissions	5,215 tons
General waste emissions	245 tons
Total recycled volume	16,460 tons

Total displacement	44 km ³
--------------------	--------------------

● The Company's CSR initiatives (nonconsolidated; environment/society-related), fiscal 2013 targets and full-year results of activities and fiscal 2014 activity targets

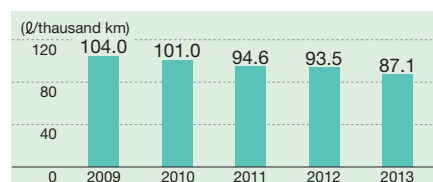
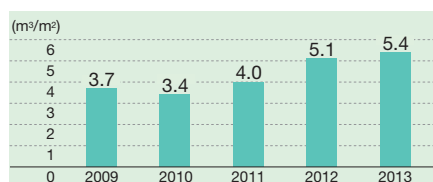
Measures taken		Content of specific initiative	Fiscal 2013 targets and full-year results of activities
			Fiscal 2013 targets
Reduction in CO ₂ emissions	①Reduction in power consumption: Set power consumption management targets Work to precisely grasp monthly management of power consumption values	(on the basis of medium- and long-term planning based on the revised Energy Conservation Law) ● Monthly management of total power consumption ● Turning off lights during break time, room temperature setting, economy in electricity ● Enhanced use of "Cool Biz" and "Warm Biz" ambient-temperature-compliant wear ● Review of conversion to energy-saving equipment and devices at their new installation or renewal (e.g., air conditioners, PCs, LED lights)	1) Economy in power used Against fiscal 2009: 1% reduction every year for five consecutive years toward a cumulative total of 4% or more (target) 10.53 kWh/m ² 2) Restriction on peak power used Summer ● Hokkaido Electric Power's jurisdiction ▲ 7% ● Tokyo Electric Power's jurisdiction ▲10% ● Kansai Electric Power's jurisdiction ▲10% (government's target) ● Kyushu Electric Power's jurisdiction ▲10% (government's target) ● Other Electric Powers' jurisdictions ▲ 5%
	②Reduction in gasoline used: Review reduction in the number of vehicles owned Implement gasoline card-based management measures	● Gasoline card control (monthly management of amounts used) ● Purchase and renewal of vehicles with good fuel consumption ● Study on partial introduction of hybrid/idling-stop/electric vehicles ● Eco-driving education ● Reduction in the number of vehicles owned ● Implementation of "telematics"	Against fiscal 2009: 1% reduction every year for five consecutive years toward a cumulative total of 4% or more (target) 99.9 l/thousand km
	③Use of green energy: Promote the use of solar power generation systems, etc.	● Review of implementing solar power generation systems on company-owned buildings ● Participation in the solar power generation business	To be implemented at four or more operating bases: May 2013: 1,300 kW planned in Kose, Kofu City August 2013: 1,400 kW planned in Shimpu, Nirasaki City September 2013: 100 kW planned at the Kagawa Technology Center December 2013: 2,400 kW planned in Minamiboso City
	CO ₂ emissions (total of the above items ①-③)		Against fiscal 2009: 1% reduction every year, for five consecutive years toward a cumulative total of 4% or more
Reduction in general waste	④Reduction in paper consumption: Take paperless-oriented initiatives to reduce paper consumption volume	● Actual inventory of paper materials ● Reduction in stored volume of paper materials (reduction in the file meter (fm)-converted volume) ● Storage via the digitization of materials ● Simultaneous campaign to designate a day to destroy documents (once per month)	Against fiscal 2010: 4% reduction every year for five consecutive years toward a cumulative total of 12% or more (target) 17.981 fm
Initiatives of promoting greenery of buildings	⑤Promotion of rooftop greening	● Studying targets regarding permanently owned company assets	To be studied at the target facility on a case-by-case basis: ● Greening is planned to be executed at the Kagawa Technology Center. ● Greening is planned to be executed at the Sendai Integrated Engineering Center.
	⑥Promotion of greenery within the premises	● Studying possible implementation of measures at parking lots on company-owned premises	

Fiscal 2013 Initiatives Regarding the Prevention of Global Warming

As for the reduction of power consumption, power-saving measures for equipment are taken including the conversion of electric appliances to energy-saving type ones and the enhanced use of inverters for diverse equipment. In addition, companywide initiatives mainly taken by the responsible person on each floor

include setting the energy-saving mode for PCs, removing unnecessary lighting devices, turning off lights during lunchtime hours and setting appropriate temperatures for air conditioners. Moreover, every employee aggressively promotes electricity-saving activity in his/her daily actions.

● Change in power consumption (per square meter) ● Change in city gas consumption (at the Head Office building) (per square meter) ● Change in gasoline and light oil consumption (per travel distance)

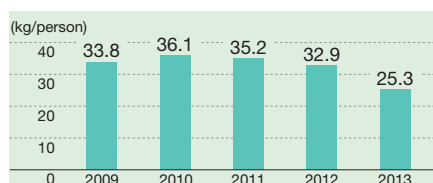
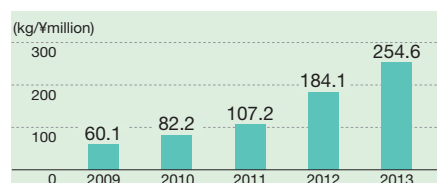


Promotion of Recycling and Effective Utilization of Resources

The KYOWA EXEO Group proactively addresses abating volumes and the appropriate treatment of waste, as well as promoting its reuse as recycled resources in the pursuit of reduced waste volume and complete recycling. The waste category covered by this initiative is industrial waste produced from the construction work of information and communication facilities and general waste discharged from offices.

Asphalt, concrete debris, electric wire trash, etc., are properly treated via a sorting control for further reuse or recycling. Moreover, ongoing initiatives include the enhanced use of proper amounts for work materials, requests for collection of packaging materials to suppliers and guidance on the necessary steps to workers for recycling via onsite patrols.

● Change in industrial waste emissions (per value of finished work) ● Change in general waste emissions (per person) ● Change in total recycled volume

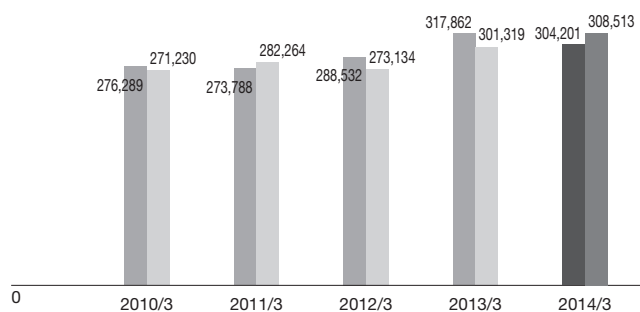


Full-year results of activities	Fiscal 2014 activity targets																		
<p>① power used Fiscal 2009 (full-year) 10.96 kWh/m² ⇒ Fiscal 2013 (full-year): 9.72 kWh/m² Reduction rate: ▲11.3%</p> <p>② Results of restriction in peak power used</p> <table border="1"> <thead> <tr> <th></th> <th>Summer</th> </tr> </thead> <tbody> <tr> <td>• Hokkaido Electric Power's jurisdiction</td> <td>▲7%</td> </tr> <tr> <td>• Tokyo Electric Power's jurisdiction</td> <td>▲17%</td> </tr> <tr> <td>• Kansai Electric Power's jurisdiction</td> <td>▲17%</td> </tr> <tr> <td>• Kyushu Electric Power's jurisdiction</td> <td>▲20%</td> </tr> <tr> <td>• Other Electric Powers' jurisdictions</td> <td>▲28%</td> </tr> </tbody> </table>		Summer	• Hokkaido Electric Power's jurisdiction	▲7%	• Tokyo Electric Power's jurisdiction	▲17%	• Kansai Electric Power's jurisdiction	▲17%	• Kyushu Electric Power's jurisdiction	▲20%	• Other Electric Powers' jurisdictions	▲28%	<p>① Economy in power used Against fiscal 2009: 1% reduction every year for five consecutive years toward a cumulative total of 5% or more in accordance with the Energy Conservation Law. (target) 10.42 kWh/m²</p> <p>② Restriction in peak power used Summer Autonomous targets are set against fiscal 2010, in response to the "power-saving consciousness rooted among consumers"</p> <table border="1"> <tbody> <tr> <td>• Tokyo, Kansai & Kyushu Electric Powers' jurisdictions</td> <td>▲10%</td> </tr> <tr> <td>• Hokkaido Electric Power's jurisdiction</td> <td>▲7%</td> </tr> <tr> <td>• Other Electric Powers' jurisdictions</td> <td>▲5%</td> </tr> </tbody> </table>	• Tokyo, Kansai & Kyushu Electric Powers' jurisdictions	▲10%	• Hokkaido Electric Power's jurisdiction	▲7%	• Other Electric Powers' jurisdictions	▲5%
	Summer																		
• Hokkaido Electric Power's jurisdiction	▲7%																		
• Tokyo Electric Power's jurisdiction	▲17%																		
• Kansai Electric Power's jurisdiction	▲17%																		
• Kyushu Electric Power's jurisdiction	▲20%																		
• Other Electric Powers' jurisdictions	▲28%																		
• Tokyo, Kansai & Kyushu Electric Powers' jurisdictions	▲10%																		
• Hokkaido Electric Power's jurisdiction	▲7%																		
• Other Electric Powers' jurisdictions	▲5%																		
<p>Fiscal 2009 (full-year) 104.0 l/1,000 km ⇒ Fiscal 2013 (full-year): 87.1 l/1,000 km • Reduction rate: ▲16.2%</p>	<p>③ In accordance with the Energy Conservation Law, a 1% reduction every year, for five consecutive years toward a cumulative total of 5% or more against fiscal 2009. (target) 98.9 l/1,000 km</p>																		
<p>Already implemented at four operating bases: A solar power generation system with output capacity of 1,385 kW was implemented in Shimpu, Nirasaki-shi in August 2013. A solar power generation system with output capacity of 100 kW was implemented in the Kagawa Technology Center in October 2013. A solar power generation system with output capacity of 1,064 kW was implemented in Kose, Kofu-shi in December 2013. A solar power generation system with output capacity of 2,414 kW was implemented in Minamiboso-shi in December 2013.</p>	<p>④ To sell electricity of 10 mW or more in total (5 mW or more to be introduced)</p> <table border="1"> <tbody> <tr> <td>January 2015</td> <td>660 kW planned in Ishioka City</td> </tr> <tr> <td>March 2015</td> <td>1,160 kW planned at the Ishioka Technology Center</td> </tr> <tr> <td>March 2015</td> <td>100 kW planned at the Hyogo Technology Center</td> </tr> </tbody> </table>	January 2015	660 kW planned in Ishioka City	March 2015	1,160 kW planned at the Ishioka Technology Center	March 2015	100 kW planned at the Hyogo Technology Center												
January 2015	660 kW planned in Ishioka City																		
March 2015	1,160 kW planned at the Ishioka Technology Center																		
March 2015	100 kW planned at the Hyogo Technology Center																		
<p>Fiscal 2009 (full-year) 6,469 t-CO₂ ⇒ Fiscal 2013 (full-year): 6,859 t-CO₂ • Reduction rate: 6.0% (Reflecting the rise in the conversion factor used by power companies)</p>	<p>⑤ 1% reduction every year for five consecutive years toward a cumulative total of 5% or more against fiscal 2009</p>																		
<p>End of March 2010: 20,324 fm ⇒ End of March 2014: 17,882 fm • Reduction rate: ▲12.0%</p>	<p>⑥ 4% reduction every year for five consecutive years toward a cumulative total of 16% or more against fiscal 2010 (target) 17,262 fm</p>																		
<p>1) Late June Three kinds of sweet potatoes were planted on the rooftop of the Kyushu Branch Building (4F). 2) July 25 Trees were planted, instead of concrete fences, along the site boundaries of the Sendai Integrated Engineering Center. 3) October 25 Part of the parking grounds was planted with trees at the Kagawa Technology Center.</p>	<p>⑦ Future green spaces for the technology center and branch buildings are under consideration.</p>																		

Financial Highlights (Consolidated)

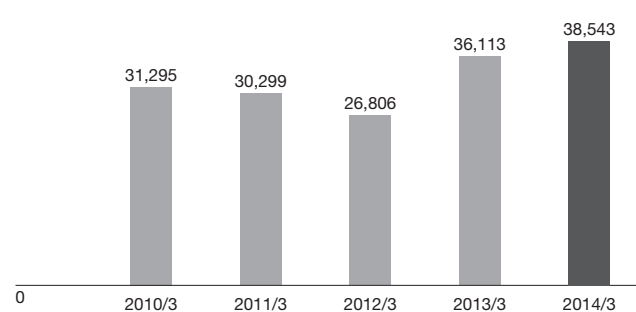
■ Orders Received ■ Net Sales

(¥Millions)



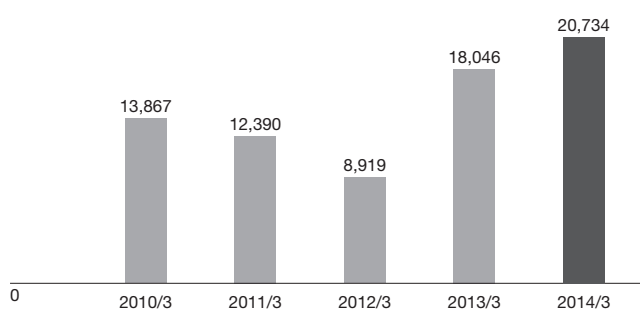
■ Gross Profit

(¥Millions)



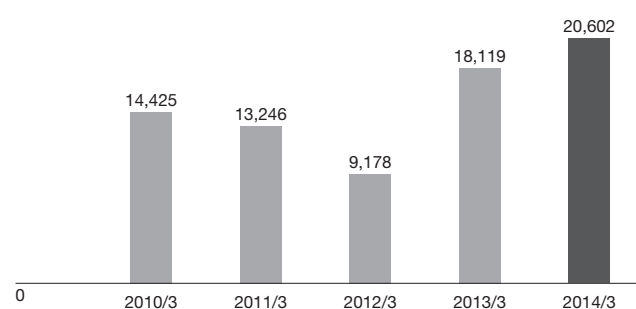
■ Operating Income

(¥Millions)



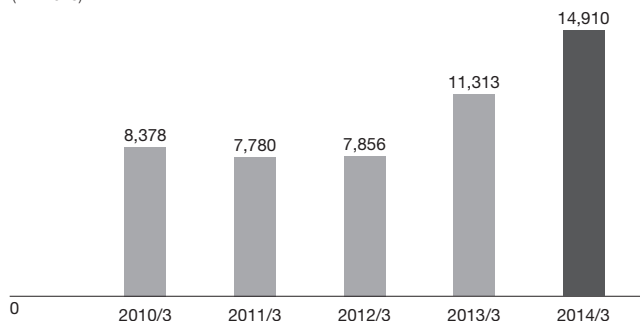
■ Ordinary Income

(¥Millions)



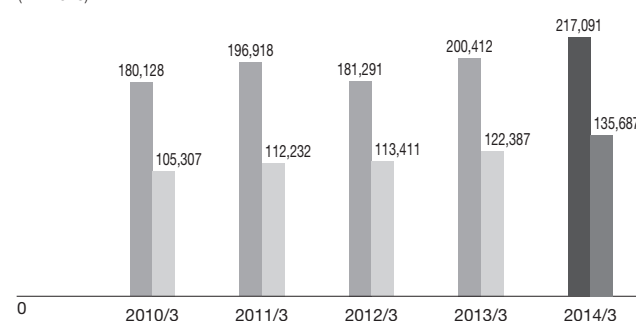
■ Net Income

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)



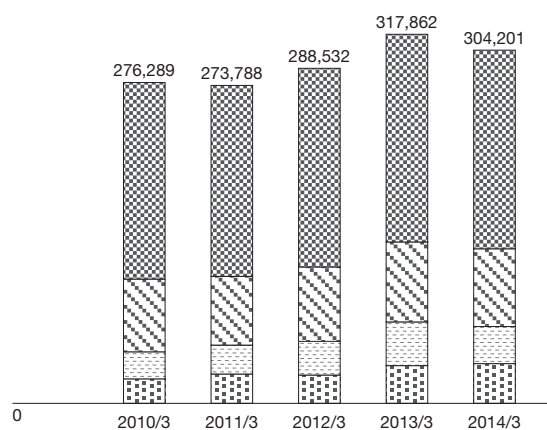
(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Orders Received	276,289	273,788	288,532	317,862	304,201
Net Sales	271,230	282,264	273,134	301,319	318,513
Gross Profit	31,295	30,299	26,806	36,113	38,543
Operating Income	13,867	12,390	8,919	18,046	20,734
Ordinary Income	14,425	13,246	9,178	18,119	20,602
Net Income	8,378	7,780	7,856	11,313	14,910
Total Assets	180,128	196,918	181,291	200,412	217,091
Net Assets	105,307	112,232	113,411	122,387	135,687

Trends by Segment (Consolidated)

Orders Received by Business Segment (Consolidated)

(¥Millions)



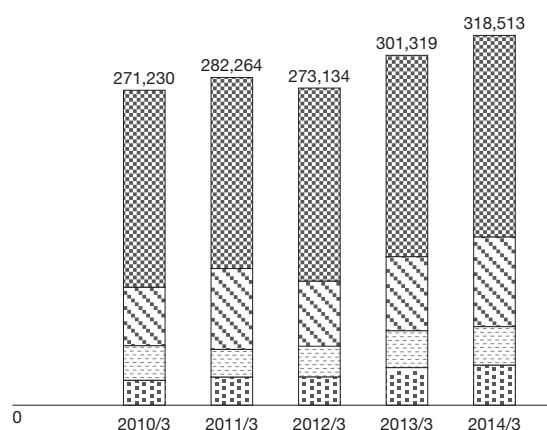
Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Telecommunications infrastructure (NTT group engineering)	169,261	164,421	171,061	178,869	171,084
Telecommunications infrastructure (Non-NTT telecom engineering)	62,653	59,184	64,075	68,838	66,934
Environmental and social infrastructure	23,265	24,905	28,991	37,659	31,883
SYSTEM-SOLUTIONS	21,108	25,277	24,404	32,494	34,299
Total	276,289	273,788	288,532	317,862	304,201

Net Sales by Business Segment (Consolidated)

(¥Millions)



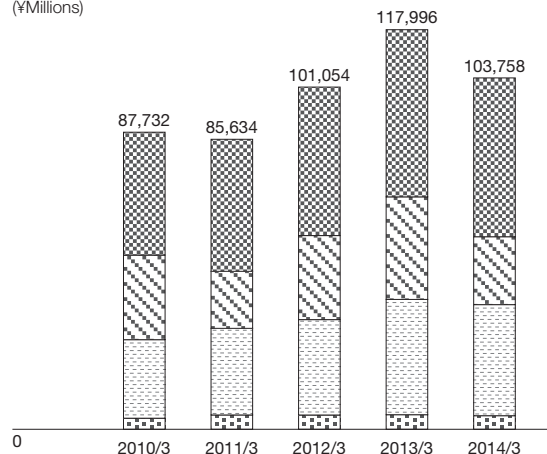
Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Telecommunications infrastructure (NTT group engineering)	169,583	164,562	166,199	173,321	173,544
Telecommunications infrastructure (Non-NTT telecom engineering)	50,327	69,601	56,114	63,801	77,259
Environmental and social infrastructure	29,798	23,782	26,399	31,795	33,117
SYSTEM-SOLUTIONS	21,520	24,317	24,420	32,401	34,592
Total	271,230	282,264	273,134	301,319	318,513

Outstanding Orders by Business Segment (Consolidated)

(¥Millions)



Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

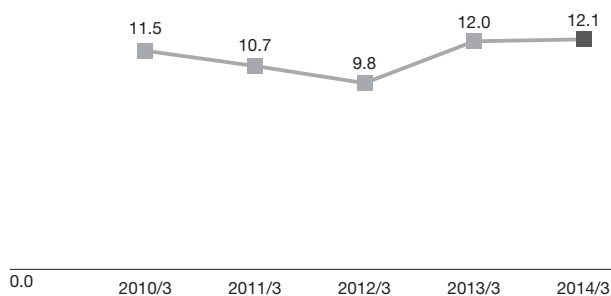
(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Telecommunications infrastructure (NTT group engineering)	36,287	38,992	43,854	49,352	46,893
Telecommunications infrastructure (Non-NTT telecom engineering)	24,988	16,830	24,812	30,301	20,051
Environmental and social infrastructure	23,181	25,576	28,168	34,031	32,796
SYSTEM-SOLUTIONS	3,274	4,234	4,218	4,310	4,016
Total	87,732	85,634	101,054	117,996	103,758

Profitability Indices (Consolidated)

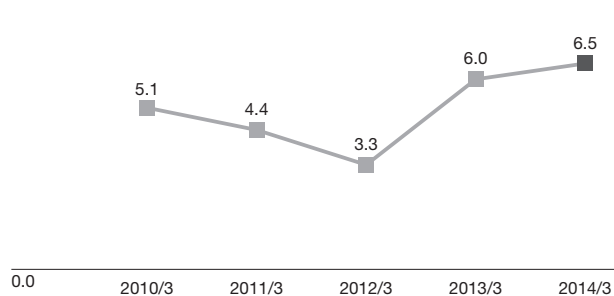
■ Gross Profit to Net Sales

(%)



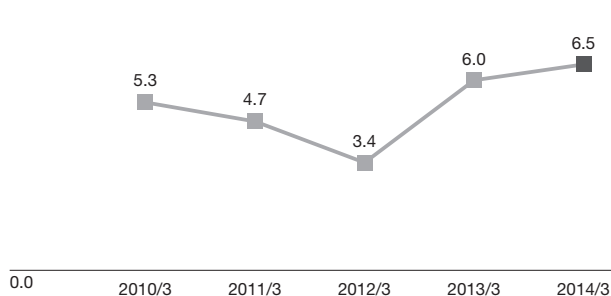
■ Operating Income to Net Sales

(%)



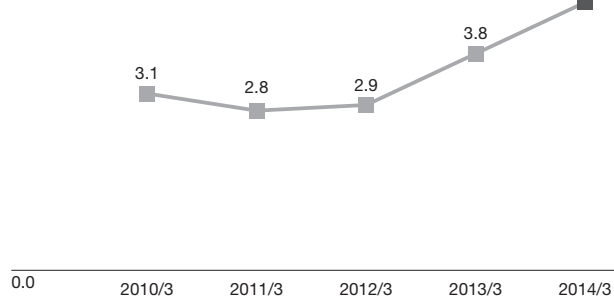
■ Ordinary Income to Net Sales

(%)



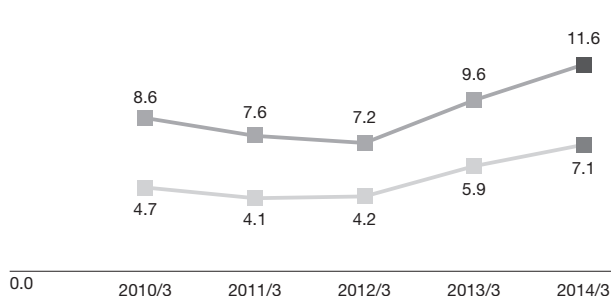
■ Net Income to Net Sales

(%)



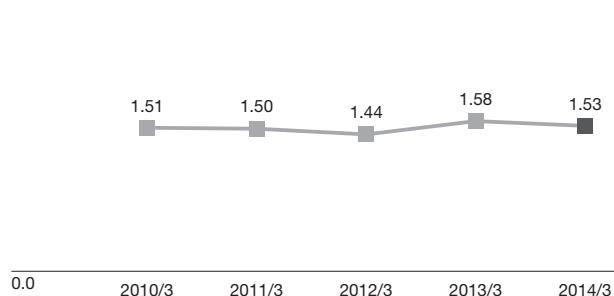
■ Return on Equity ■ Return on Assets

(%)



■ Total Assets Turnover

(Times)

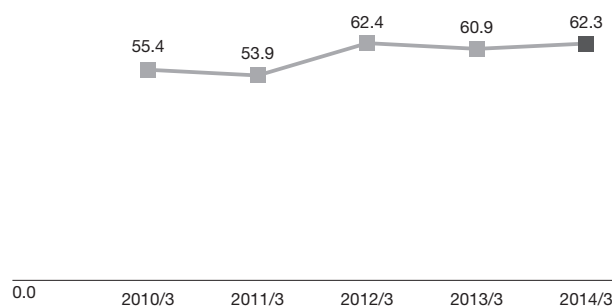


	2010/3	2011/3	2012/3	2013/3	2014/3
Gross Profit to Net Sales (%)	11.5	10.7	9.8	12.0	12.1
Operating Income to Net Sales (%)	5.1	4.4	3.3	6.0	6.5
Ordinary Income to Net Sales (%)	5.3	4.7	3.4	6.0	6.5
Net Income to Net Sales (%)	3.1	2.8	2.9	3.8	4.7
Return on Equity (%)	8.6	7.6	7.2	9.6	11.6
Return on Assets (%)	4.7	4.1	4.2	5.9	7.1
Total Assets Turnover (Times)	1.51	1.50	1.44	1.58	1.53

Stability Indices (Consolidated)

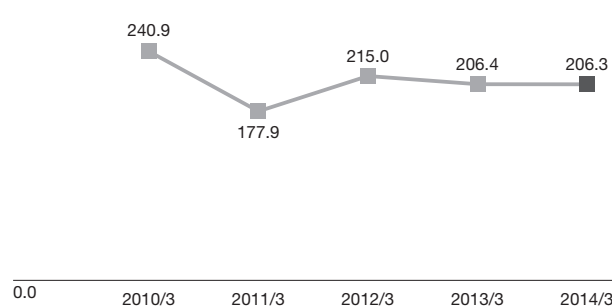
■ Shareholders' Equity to Total Assets

(%)



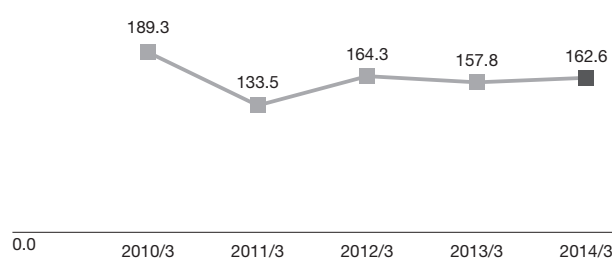
■ Current Ratio

(%)



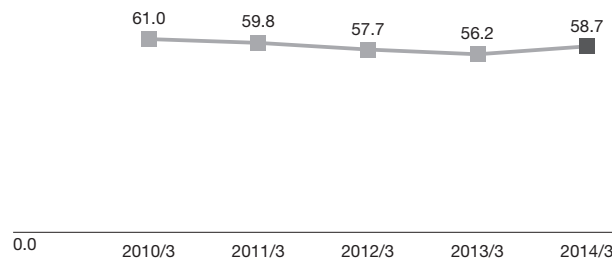
■ Quick Assets to Current Liabilities

(%)



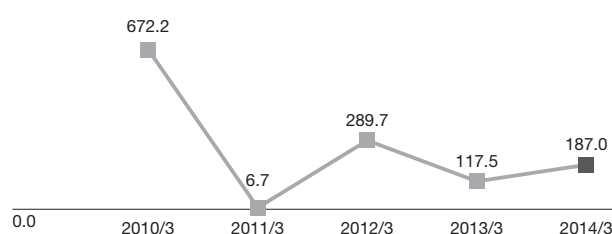
■ Fixed Assets Ratio

(%)



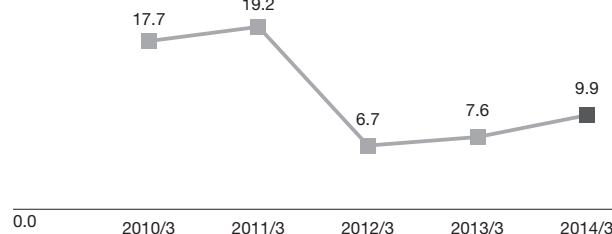
■ Interest Coverage Ratio

(Times)



■ Debt Equity Ratio

(%)

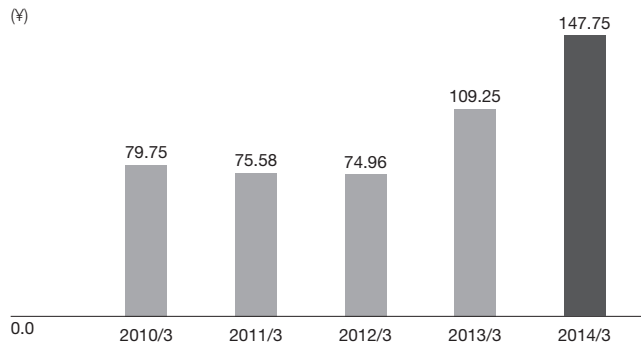


	2010/3	2011/3	2012/3	2013/3	2014/3
Shareholders' Equity to Total Assets (%)	55.4	53.9	62.4	60.9	62.3
Current Ratio (%)	240.9	177.9	215.0	206.4	206.3
Quick Assets to Current Liabilities (%)	189.3	133.5	164.3	157.8	162.6
Fixed Assets Ratio (%)	61.0	59.8	57.7	56.2	58.7
Interest Coverage Ratio (Times)	672.2	6.7	289.7	117.5	187.0
Debt Equity Ratio (%)	17.7	19.2	6.7	7.6	9.9

Stock Price Indices(Consolidated)

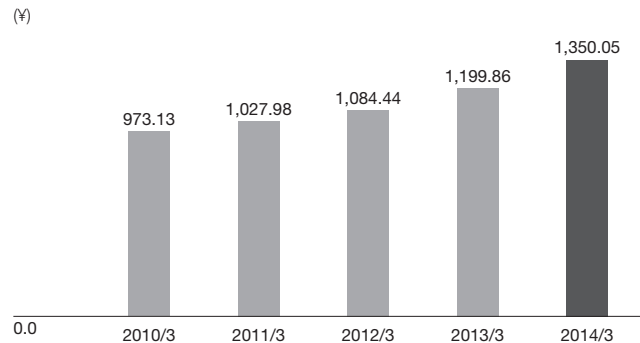
■ Earnings Per Share

(¥)



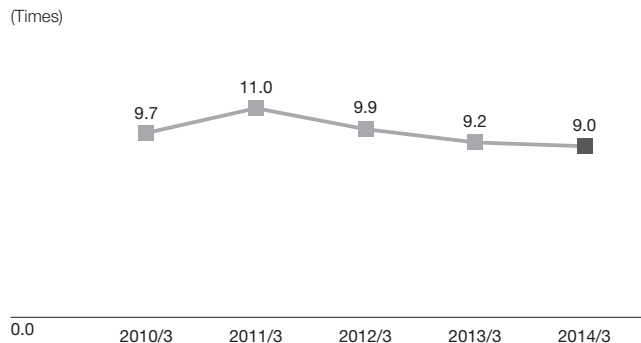
■ Book-value Per Share

(¥)



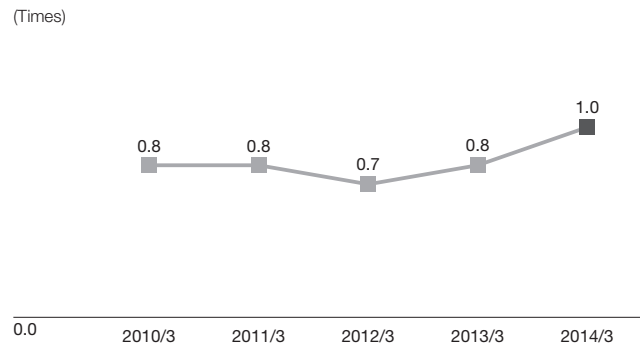
■ Price Earnings Ratio

(Times)



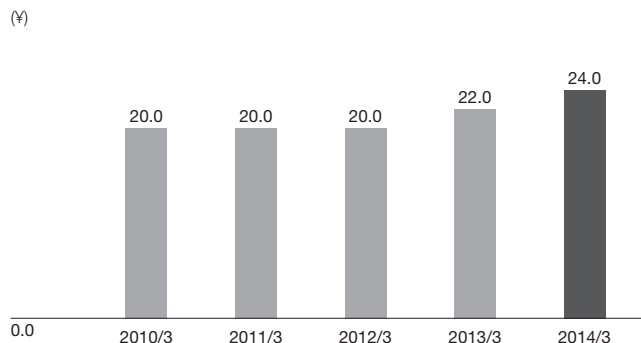
■ Price Book-value Ratio

(Times)



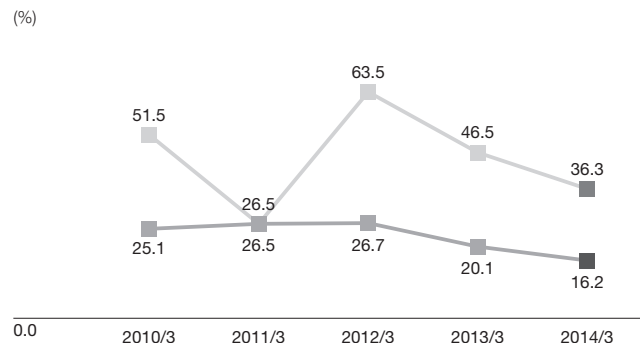
■ Cash Dividends Per Share

(¥)



■ Payout Ratio ■ Total Shareholder Return Ratio

(%)

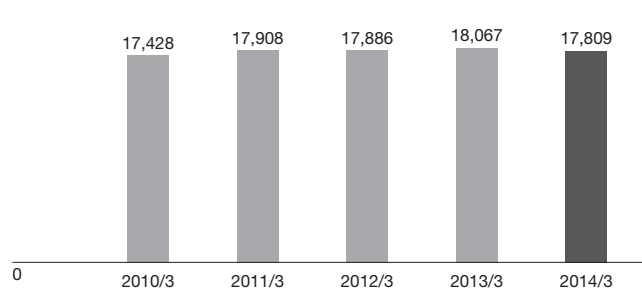


	2010/3	2011/3	2012/3	2013/3	2014/3
Earnings Per Share (yen)	79.75	75.58	74.96	109.25	147.75
Book-value Per Share (yen)	973.13	1,027.98	1,084.44	1,199.86	1,350.05
Price Earnings Ratio (Times)	9.7	11.0	9.9	9.2	9.0
Price Book-value Ratio (Times)	0.8	0.8	0.7	0.8	1.0
Cash Dividends Per Share (yen)	20.0	20.0	20.0	22.0	24.0
Payout Ratio (%)	25.1	26.5	26.7	20.1	16.2
Total Shareholder Return Ratio (%)	51.5	26.5	63.5	46.5	36.3

Other Indices (Consolidated)

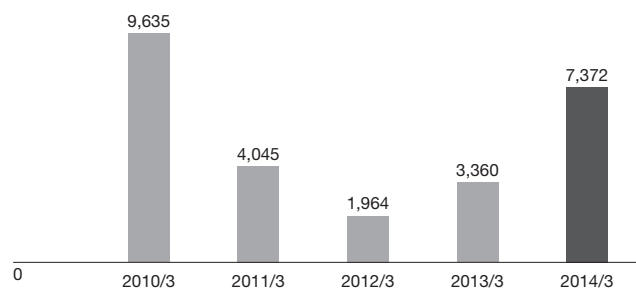
■ Selling, General and Administrative Expenses

(¥Millions)



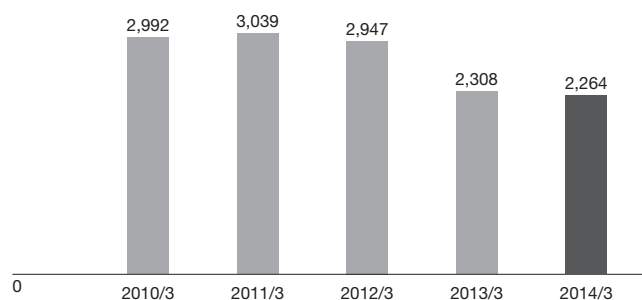
■ Capital Expenditures

(¥Millions)



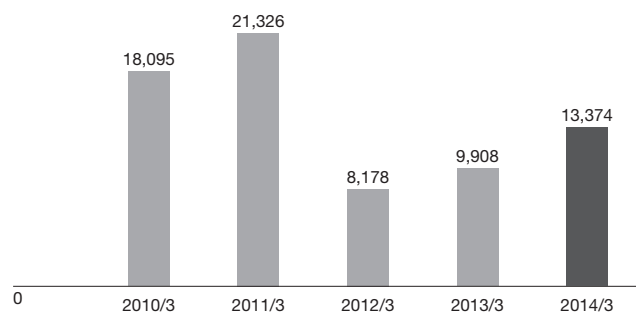
■ Depreciation Expenses

(¥Millions)



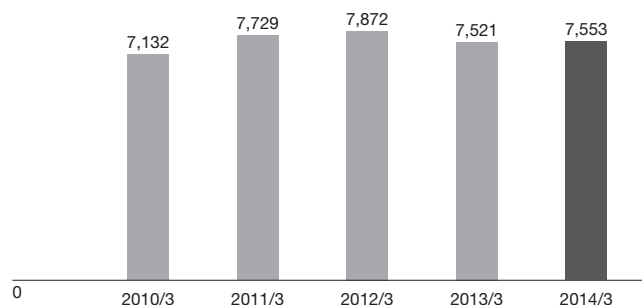
■ Interest-bearing Debt

(¥Millions)



■ Number of employees

(People)



	2010/3	2011/3	2012/3	2013/3	2014/3
Selling, General and Administrative Expenses (¥Millions)	17,428	17,908	17,886	18,067	17,809
Capital Expenditures (¥Millions)	9,635	4,045	1,964	3,360	7,372
Depreciation Expenses (¥Millions)	2,992	3,039	2,947	2,308	2,264
Interest-bearing Debt (¥Millions)	18,095	21,326	8,178	9,908	13,374
Number of employees (People)	7,132	7,729	7,872	7,521	7,553

Consolidated Balance Sheets

	2010/3	2011/3	2012/3	2013/3	2014/3
(¥Millions)					
ASSETS					
Current assets	119,239	133,466	116,010	131,906	137,656
Cash and deposits	6,136	17,185	5,849	8,306	10,293
Notes receivable, accounts receivable from completed construction contracts	70,917	82,462	76,311	86,245	92,307
Short-term investment securities	16,630	499	6,515	6,315	5,919
Costs on uncompleted construction contracts and other	19,404	25,617	21,799	24,082	22,521
Deferred tax assets	3,329	3,451	2,971	4,037	4,131
Other current assets	3,021	4,372	2,632	2,995	2,548
Allowance for doubtful accounts	(199)	(122)	(68)	(77)	(65)
Noncurrent Assets	60,889	63,452	65,280	68,505	79,434
Property, plant and equipment	45,228	48,447	47,736	47,707	50,767
Buildings and structures	18,166	17,777	16,975	16,528	17,541
Machinery, vehicles, tools, furniture and fixtures	1,218	1,067	887	727	1,700
Land	25,429	29,179	29,319	29,364	30,923
Other property and equipment	413	422	553	1,087	601
Intangible assets	2,932	2,435	4,938	4,658	4,894
goodwill	—	98	3,294	2,621	—
Other intangible assets	2,932	2,337	1,644	2,036	4,894
Investments and other assets	12,729	12,569	12,605	16,139	23,773
Investment securities	6,379	7,001	6,872	9,847	13,991
Net defined benefit asset	—	—	—	—	7,575
Deferred tax assets	924	495	617	916	—
Other investments and other assets	7,444	7,468	7,363	6,820	4,053
Allowance for doubtful accounts	(2,019)	(2,396)	(2,248)	(1,444)	(1,846)
Total assets	180,128	196,918	181,291	200,412	217,091
LIABILITIES					
Current liabilities	49,494	75,033	53,957	63,916	66,720
Notes payable, accounts payable for construction contracts	28,722	35,482	31,025	35,553	35,089
Short-term loans payable	—	—	1,237	3,563	7,550
Income taxes payable	3,738	4,419	3,809	6,663	5,441
Advances received on uncompleted construction contracts	2,948	3,787	4,400	1,662	1,971
Provision for bonuses	424	435	562	1,029	1,039
Provision for directors' bonuses	75	87	105	127	142
Provision for warranties for completed construction	201	154	704	405	359
Provision for loss on construction contracts	257	350	246	269	824
Provision for asset retirement	—	—	—	101	—
Provision for Loss on dissolved welfare pension fund	—	—	—	—	123
Other current liabilities	13,125	30,317	11,864	14,540	14,178
Noncurrent liabilities	25,326	9,653	13,922	14,107	14,683
Convertible bond-type bonds with subscription rights to shares	15,000	—	—	—	—
Long-term loans payable	2,450	2,139	6,310	5,694	5,367
Deferred tax liabilities	852	1,411	1,042	2,131	3,532
Provision for retirement benefits	4,469	4,367	4,875	4,705	—
Provision for directors' retirement benefits	410	423	410	392	397
Allowance for investment loss	373	104	102	93	48
Negative goodwill	385	—	—	—	—
Net defined benefit liability	—	—	—	—	4,456
Other noncurrent liabilities	1,385	1,205	1,182	1,090	881
Total liabilities	74,821	84,686	67,879	78,024	81,404
NET ASSETS					
Shareholders' Equity	99,215	105,543	112,170	119,077	129,868
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,009	6,097	6,230	6,300	6,645
Retained earnings	97,590	103,315	109,067	118,296	130,822
Treasury stock	(11,272)	(10,758)	(10,016)	(12,408)	(14,487)
Accumulated other comprehensive income	652	639	1,002	2,904	5,446
Valuation difference on available-for-sale securities	652	639	1,002	2,895	3,631
Foreign currency translation adjustment	—	—	—	9	21
Remeasurements of defined benefit plans	—	—	—	—	1,794
Subscription rights to shares	272	361	217	231	175
Minority interests	5,167	5,687	19	174	195
Total net assets	105,307	112,232	113,411	122,387	135,687
Total liabilities and net assets	180,128	196,918	181,291	200,412	217,091

Consolidated Statements of Income

	2010/3	2011/3	2012/3	2013/3	2014/3
(¥Millions)					
Net sales	271,230	282,264	273,134	301,319	318,513
Cost of sales	239,934	251,965	246,327	265,205	279,969
Gross profit	31,295	30,299	26,806	36,113	38,543
Selling, general and administrative expenses	17,428	17,908	17,886	18,067	17,809
Operating income	13,867	12,390	8,919	18,046	20,734
Non-operating income	880	2,218	1,310	1,845	1,083
Interest income	118	70	37	39	20
Dividends income	136	191	284	170	173
Reversal of allowance for doubtful accounts	—	—	—	—	122
Land and house rent received	111	126	181	186	146
Commission fee	93	—	—	—	—
Foreign exchange gains	—	—	—	364	—
Amortization of negative goodwill	199	—	—	—	—
Other	221	1,830	806	1,084	620
Non-operating expenses	322	1,362	1,051	1,772	1,215
Interest expenses	19	92	60	59	51
Provision of allowance for investment loss	85	—	—	—	—
Bad debts expenses	33	—	—	—	—
Impairment loss	—	90	196	545	318
Loss on retirement of noncurrent assets	—	—	84	224	—
Loss on sales of noncurrent assets	—	51	—	—	163
Provision for bonuses	—	—	—	265	—
Loss on liquidation of subsidiaries	—	—	—	231	—
Provision of allowance for Loss on dissolved welfare pension fund	—	—	—	—	123
Other	184	1,127	709	445	558
Ordinary income	14,425	13,246	9,178	18,119	20,602
Extraordinary income	—	517	2,863	—	3,797
Gain on revision of retirement benefit plan	—	517	—	—	—
Gain on negative goodwill	—	—	2,660	—	—
Gain on reversal of subscription rights to shares	—	—	203	—	—
Gain on sales of noncurrent assets	—	—	—	—	2,238
Gain on bad debts recovered	—	—	—	—	1,559
Extraordinary loss	776	315	—	—	571
Loss on disaster	—	315	—	—	—
Reversal of allowance for doubtful accounts	—	—	—	—	571
Income before income taxes and minority interests	13,649	13,449	12,041	18,119	23,828
Income taxes-current	4,406	4,683	4,199	8,192	8,837
Income taxes-deferred	611	633	145	(1,405)	76
Total income taxes	5,017	5,316	4,344	6,786	8,914
Income before minority interests	8,631	8,132	7,697	11,332	14,914
Minority interests in income(loss)	253	352	(158)	19	4
Net income	8,378	7,780	7,856	11,313	14,910

Consolidated Statements of Comprehensive Income

	2010/3	2011/3	2012/3	2013/3	2014/3
(¥Millions)					
Income before minority interests	—	8,132	7,697	11,332	14,914
Other comprehensive income	—	(32)	371	1,892	735
Valuation difference on available-for-sale securities	—	(32)	—	22	29
Foreign currency translation adjustment	—	—	—	—	—
Total accumulated other comprehensive income	—	(32)	371	1,915	765
Comprehensive income	—	8,099	8,068	13,247	15,680
Breakdown	—	—	—	—	—
Comprehensive income attributable to owners of the parent	—	7,767	8,219	13,214	15,658
Comprehensive income attributable to minority interests	—	332	(150)	33	21



Consolidated Statements of Changes in Net Assets

	2010/3	2011/3	2012/3	2013/3	2014/3
(¥Millions)					
Shareholders' equity					
Capital stock					
Balance at the beginning of current period	6,888	6,888	6,888	6,888	6,888
Changes of items during the period	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—
Balance at the end of current period	6,888	6,888	6,888	6,888	6,888
Capital surplus					
Balance at the beginning of current period	5,959	6,009	6,097	6,230	6,300
Changes of items during the period					
Disposal of treasury stock	50	87	133	69	324
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	—	20
Total changes of items during the period	50	87	133	69	344
Balance at the end of current period	6,009	6,097	6,230	6,300	6,645
Retained earnings					
Balance at the beginning of current period	91,184	97,590	103,315	109,067	118,296
Changes of items during the period					
Dividends from surplus	(2,127)	(2,054)	(2,103)	(2,084)	(2,429)
Net income	8,378	7,780	7,856	11,313	14,910
Change of scope of consolidation	154	—	—	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	—	44
Total changes of items during the period	6,405	5,725	5,752	9,228	12,525
Balance at the end of current period	97,590	103,315	109,067	118,296	130,822
Treasury stock					
Balance at the beginning of current period	(8,494)	(11,272)	(10,758)	(10,016)	(12,408)
Changes of items during the period					
Purchase of treasury stock	(3,297)	(1)	(2,691)	(3,000)	(3,003)
Disposal of the treasury stock	519	546	3,464	608	924
Change of scope of consolidation	—	(30)	(31)	—	—
Total changes of items during the period	(2,778)	514	741	(2,392)	(2,079)
Balance at the end of current period	(11,272)	(10,758)	(10,016)	(12,408)	(14,487)
Total shareholders' equity					
Balance at the beginning of current period	95,537	99,215	105,543	112,170	119,077
Changes of items during the period					
Dividends from surplus	(2,127)	(2,054)	(2,103)	(2,084)	(2,429)
Net income	8,378	7,780	7,856	11,313	14,910
Purchase of treasury stock	(3,297)	(1)	(2,691)	(3,000)	(3,003)
Disposal of the treasury stock	569	634	3,597	678	1,249
Change of scope of consolidation	154	(30)	(31)	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	—	64
Total changes of items during the period	3,677	6,327	6,627	6,906	10,791
Balance at the end of current period	99,215	105,543	112,170	119,077	129,868
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities					
Balance at the beginning of current period	250	652	639	1,002	2,895
Changes of items during the period					
Net changes of items other than shareholders' equity	401	(12)	363	1,892	736
Total changes of items during the period	401	(12)	363	1,892	736
Balance at the end of current period	652	639	1,002	2,895	3,631
Foreign currency translation adjustment					
Balance at the beginning of current period	—	—	—	—	9
Changes of items during the period					
Net changes of items other than shareholders' equity	—	—	—	9	11
Total changes of items during the period	—	—	—	9	11
Balance at the end of current period	—	—	—	9	21
Remeasurements of defined benefit plans					
Balance at the beginning of current period	—	—	—	—	—
Changes of items during the period					
Net changes of items other than shareholders' equity	—	—	—	—	1,794
Total changes of items during the period	—	—	—	—	1,794
Balance at the end of current period	—	—	—	—	1,794
Total accumulated other comprehensive income					
Balance at the beginning of current period	250	652	639	1,002	2,904
Change of items during the period					
Net changes of items other than shareholders' equity	401	(12)	363	1,901	2,542
Total changes of items during the period	401	(12)	363	1,901	2,542
Balance at the end of current period	652	639	1,002	2,904	5,446
Subscription rights to shares					
Balance at the beginning of current period	181	272	361	217	231
Changes of items during the period					
Net changes of items other than shareholders' equity	90	89	(143)	13	(56)
Total changes of items during the period	90	89	(143)	13	(56)
Balance at the end of current period	272	361	217	231	175
Minority interests					
Balance at the beginning of current period	5,908	5,167	5,687	19	174
Changes of items during the period					
Net changes of items other than shareholders' equity	(740)	520	(5,668)	155	21
Total changes of items during the period	(740)	520	(5,668)	155	21
Balance at the end of current period	5,167	5,687	19	174	195
Total net assets					
Balance at the beginning of current period	101,878	105,307	112,232	113,411	122,387
Changes of items during the period					
Dividends from surplus	(2,127)	(2,054)	(2,103)	(2,084)	(2,429)
Net income	8,378	7,780	7,856	11,313	14,910
Purchase of treasury stock	(3,297)	(1)	(2,691)	(3,000)	(3,003)
Disposal of treasury stock	569	634	3,597	678	1,249
Change of scope of consolidation	154	(30)	(31)	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	—	64
Net changes of items other than shareholders' equity	(248)	596	(5,448)	2,070	2,507
Total changes of items during the period	3,429	6,924	1,179	8,976	13,299
Balance at the end of current period	105,307	112,232	113,411	122,387	135,687

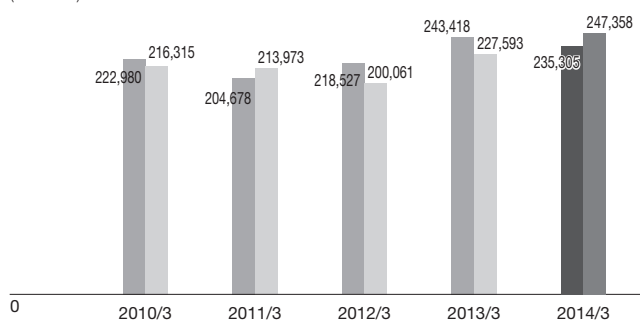
Consolidated Statements of Cash Flows

	2010/3	2011/3	2012/3	2013/3	2014/3
(¥Millions)					
Net cash provided by (used in) operating activities	10,989	614	16,435	7,160	9,888
Income before income taxes and minority interests	13,649	13,449	12,041	18,119	23,828
Depreciation and amortization	2,992	3,039	2,947	2,308	2,264
Impairment loss	—	—	196	545	318
Amortization of goodwill	(192)	—	215	678	688
Gain on negative goodwill	—	(278)	—	—	—
Increase (decrease) in allowance for doubtful accounts	(650)	188	(201)	(796)	388
Increase (decrease) in provision for retirement benefits	(1,018)	(854)	93	(169)	(4,705)
Increase (decrease) in provision for bonuses	—	—	47	466	10
Increase (decrease) in net defined benefit asset (liability)	—	—	—	—	(470)
Interest and dividends income	(255)	(262)	(322)	(209)	(193)
Interest expenses	19	92	60	59	51
Gain (Loss) on sales of noncurrent assets	—	—	—	—	(2,074)
Decrease (increase) in notes and accounts receivable-trade	1,029	(9,263)	6,951	(9,842)	(6,008)
Decrease (increase) in costs on uncompleted construction contracts and other	1,751	(2,902)	3,931	(2,214)	1,581
Decrease (increase) in other operating assets	975	(1,409)	836	(3)	4,343
Increase (decrease) in notes and accounts payable-trade	59	5,269	(4,579)	4,516	(473)
Increase (decrease) in advances received on uncompleted construction contracts	(2,076)	(156)	612	(2,738)	308
Increase (decrease) in other operating liabilities	37	(2,766)	485	1,810	170
Other, net	308	402	(2,442)	(145)	(10)
Sub-total	16,630	4,548	20,875	12,385	20,015
Interest and dividends income received	257	262	321	208	195
Interest expenses paid	(16)	(91)	(56)	(60)	(52)
Income taxes paid	(5,881)	(4,104)	(4,704)	(5,373)	(10,269)
Net cash provided by (used in) investing activities	(10,600)	(1,535)	(4,523)	(2,160)	(7,477)
Purchase of property and equipment	(8,963)	(3,449)	(1,545)	(2,359)	(5,575)
Proceeds from sales of property, plant and equipment	168	746	496	426	2,890
Purchase of intangible assets	(714)	(387)	(590)	(430)	(2,002)
Purchase of investment securities	(611)	(675)	(36)	(565)	(3,233)
Proceeds from sales of investment securities	251	—	317	720	309
Purchase of investments in subsidiaries	—	—	—	—	—
resulting in change in scope of consolidation	—	—	(3,752)	—	—
Payments of loans receivable	—	—	(173)	(267)	(17)
Collection of loans receivable	324	315	236	125	119
Other, net	(1,055)	1,915	522	190	31
Net cash provided by (used in) financing activities	(4,095)	(3,650)	(17,533)	(3,038)	(905)
Net increase (decrease) in short-term loans payable	(992)	(892)	(2,015)	2,450	4,000
Repayment of long-term loans payable	—	(1,041)	(1,114)	(739)	(340)
Proceeds from long-term loans payable	2,450	50	5,000	—	—
Redemption of bonds	—	(180)	(15,180)	—	—
Purchase of treasury stock	(3,297)	(3)	(2,691)	(3,000)	(3,003)
Proceeds from sales of treasury stock	—	677	829	580	1,127
Cash dividends paid	(2,127)	(2,054)	(2,104)	(2,083)	(2,429)
Cash dividends paid to minority shareholders	(82)	(68)	—	—	—
Other, net	(45)	(138)	(258)	(244)	(259)
Effect of exchange rate change on cash and cash equivalents	(1)	(22)	(10)	32	43
Net increase (decrease) in cash and cash equivalents	(3,706)	(4,594)	(5,631)	1,993	1,548
Cash and cash equivalents at beginning of period	26,261	22,229	17,634	12,304	14,611
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(325)	—	301	313	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	—	53
Cash and cash equivalents at the end of period	22,229	17,634	12,304	14,611	16,213

Financial Highlights (Non-consolidated)

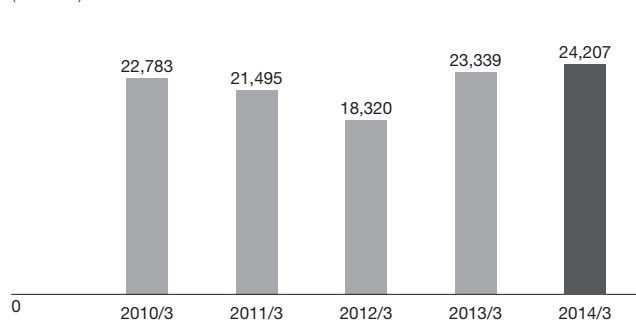
■ Orders Received ■ Net Sales

(¥Millions)



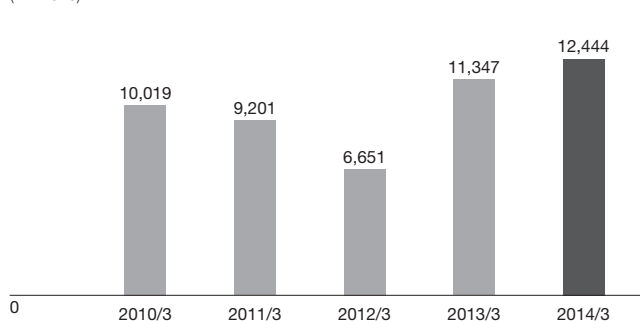
■ Gross Profit

(¥Millions)



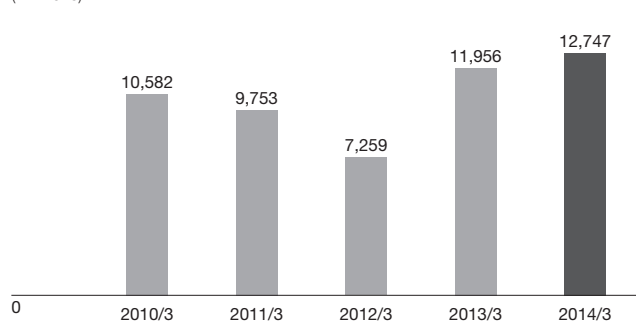
■ Operating Income

(¥Millions)



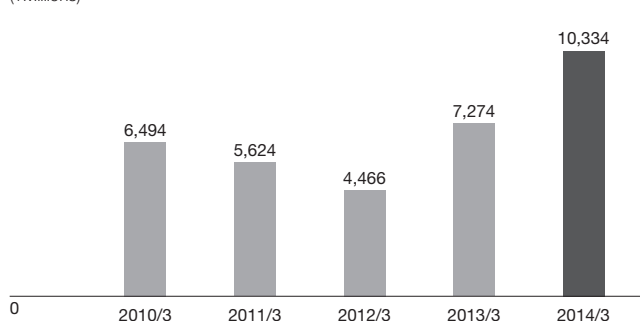
■ Ordinary Income

(¥Millions)



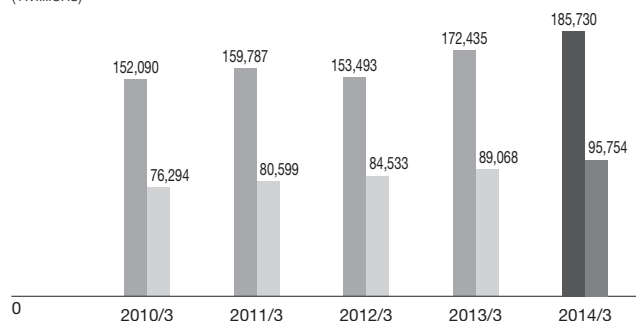
■ Net Income

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)



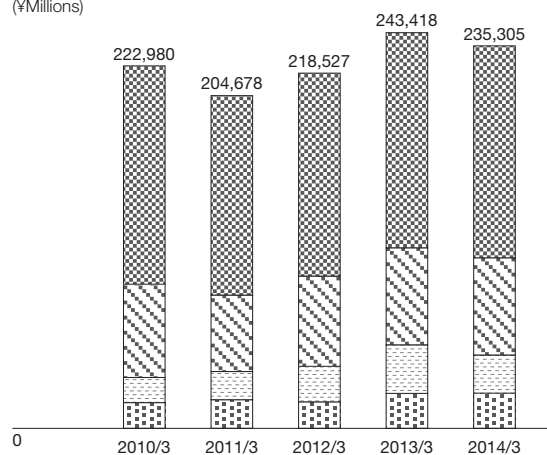
(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Orders Received	222,980	204,678	218,527	243,418	235,305
Net Sales	216,315	213,973	200,061	227,593	247,358
Gross Profit	22,783	21,495	18,320	23,339	24,207
Operating Income	10,019	9,201	6,651	11,347	12,444
Ordinary Income	10,582	9,753	7,259	11,956	12,747
Net Income	6,494	5,624	4,466	7,274	10,334
Total Assets	152,090	159,787	153,493	172,435	185,730
Net Assets	76,294	80,599	84,533	89,068	95,754

Trends by Segment (Non-consolidated)

Orders Received by Business Segment (Non-consolidated)

(¥Millions)



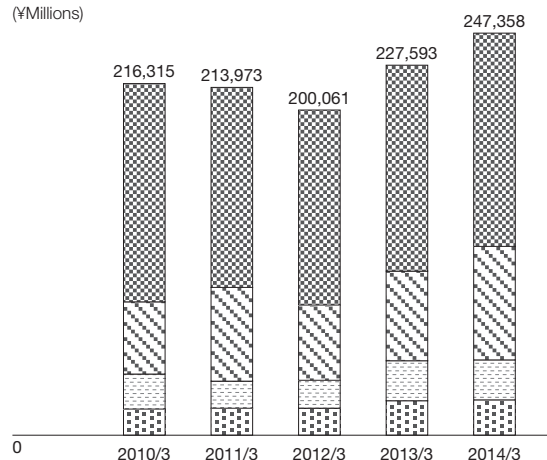
Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Telecommunications infrastructure (NTT group engineering)	134,288	122,680	124,821	132,355	130,375
Telecommunications infrastructure (Non-NTT telecom engineering)	57,386	47,039	55,528	59,660	59,783
Environmental and social infrastructure	15,475	17,332	21,863	29,886	23,484
SYSTEM-SOLUTIONS	15,829	17,625	16,313	21,517	21,661
Total	222,980	204,678	218,527	243,418	235,305

Net Sales by Business Segment (Non-consolidated)

(¥Millions)



Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
Telecommunications infrastructure (NTT group engineering)	134,267	123,041	119,991	126,691	131,193
Telecommunications infrastructure (Non-NTT telecom engineering)	44,419	57,666	46,265	55,079	69,832
Environmental and social infrastructure	21,547	16,662	17,180	24,606	24,581
SYSTEM-SOLUTIONS	16,081	16,602	16,624	21,215	21,751
Total	216,315	213,973	200,061	227,593	247,358

Non-consolidated Balance Sheets

(¥Millions)

	2010/3	2011/3	2012/3	2013/3	2014/3
ASSETS					
Current assets	100,115	105,593	91,375	106,015	109,286
Cash and deposits	5,061	15,720	4,259	5,662	8,489
Notes receivable-trade	173	201	154	231	106
Accounts receivable from completed construction contracts	56,592	61,896	56,749	67,312	72,095
Short-term investment securities	16,630	499	6,506	6,315	5,919
Costs on uncompleted construction contracts	13,433	15,148	14,072	16,212	15,213
Raw materials and supplies	340	43	113	314	47
Short-term loans receivable	4,666	7,649	6,850	6,032	3,434
Prepaid expenses	226	202	214	235	242
Deferred tax assets	2,322	2,210	1,817	2,511	2,595
Other current assets	842	2,115	690	1,252	1,201
Allowance for doubtful accounts	(172)	(94)	(54)	(63)	(59)
Noncurrent assets	51,974	54,193	62,118	66,419	76,444
Property, plant and equipment	33,604	34,877	34,809	35,059	38,966
Buildings	14,302	13,446	12,855	12,407	12,809
Structures	551	470	408	434	1,274
Machinery and equipment	121	85	101	94	829
Vehicles	14	2	1	0	0
Tools, furniture and fixtures	726	642	536	402	670
Land	17,525	19,952	20,547	20,795	22,973
Lease assets	342	270	352	416	266
Construction in progress	20	7	6	508	143
Intangible assets	2,582	1,981	1,370	1,823	2,771
Software	2,379	1,764	1,201	1,004	2,635
Other intangible assets	203	216	169	818	136
Investments and other assets	15,787	17,334	25,937	29,536	34,706
Investment securities	4,096	3,951	4,326	7,418	11,562
Stocks of subsidiaries and affiliates	7,001	9,118	17,263	17,144	17,173
Long-term loans receivable	1,698	1,630	1,634	1,599	488
Claims provable in bankruptcy, claimed provable in rehabilitation and other	73	134	229	58	56
Long-term prepaid expenses	183	157	133	108	83
Prepaid pension cost	2,637	2,769	3,362	3,941	4,918
Other investments and other assets	2,183	1,811	1,116	890	2,107
Allowance for investment loss	(288)	(237)	(162)	—	—
Allowance for doubtful accounts	(1,798)	(2,002)	(1,966)	(1,624)	(1,684)
Total assets	152,090	159,787	153,493	172,435	185,730
LIABILITIES					
Current liabilities	57,277	76,201	61,690	75,835	82,375
Notes payable	484	485	—	—	—
Accounts payable for construction contracts	29,058	32,615	29,027	34,511	34,663
Short-term loans payable	—	500	1,000	3,500	7,500
Lease obligations	86	91	130	160	113
Convertible bond-type bonds with subscription rights to shares	—	15,000	—	—	—
Accounts payable-other	1,590	720	749	1,292	1,277
Accrued expenses	5,586	5,303	4,982	6,458	6,683
Income taxes payable	3,185	3,565	2,778	4,542	3,453
Advances received on uncompleted construction contracts	2,479	2,127	3,707	1,228	1,457
Deposits received	13,960	14,653	18,209	22,959	25,638
Provision for warranties for completed construction	181	118	372	62	98
Provision for loss on disaster	—	145	—	—	—
Provision for loss on construction contracts	223	207	181	245	729
Provision for asset removal	—	—	—	101	—
Other current liabilities	440	666	551	775	758
Noncurrent liabilities	18,518	2,986	7,269	7,531	7,601
Convertible bond-type bonds with subscription rights to shares	15,000	—	—	—	—
Long-term loans payable	2,450	1,904	6,296	5,694	5,367
Lease obligations	280	202	249	287	177
Deferred tax liabilities	117	499	381	1,375	1,837
Allowance for investment loss	369	104	102	93	48
Other noncurrent liabilities	301	275	239	80	169
Total liabilities	75,796	79,187	68,960	83,367	89,976
NET ASSETS					
Shareholders' equity	75,358	79,498	83,273	86,141	92,291
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,009	6,035	6,738	6,814	7,139
Legal retained earnings	1,547	1,547	1,547	1,547	1,547
Reserve for advanced depreciation of noncurrent assets	171	313	325	323	1,348
General reserve	64,200	68,900	72,300	74,600	74,600
Retained earnings brought forward	7,813	6,541	5,483	8,375	15,255
Treasury stock	(11,272)	(10,727)	(10,010)	(12,408)	(14,487)
Valuation and translation adjustments	663	739	1,042	2,695	3,287
Valuation difference on available-for-sale securities	663	739	1,042	2,695	3,287
Subscription rights to shares	272	361	217	231	175
Total net assets	76,294	80,599	84,533	89,068	95,754
Total liabilities and net assets	152,090	159,787	153,493	172,435	185,730

Non-consolidated Statements of Income

	2010/3	2011/3	2012/3	2013/3	2014/3
	(¥Millions)				
Net sales	216,315	213,973	200,061	227,593	247,358
Cost of sales	193,531	192,477	181,740	204,254	223,150
Gross profit	22,783	21,495	18,320	23,339	24,207
Selling, general and administrative expenses	12,763	12,294	11,669	11,991	11,763
Operating income	10,019	9,201	6,651	11,347	12,444
Non-operating income	901	1,565	1,198	1,563	1,152
Interest income	36	38	37	41	33
Interest on securities	94	43	14	14	8
Dividends income	235	256	241	133	129
Land and house rent received	251	408	478	473	468
Reversal of allowance for doubtful accounts	98	—	—	—	305
Foreign exchange gains	—	—	—	446	—
Reversal of allowance for investment loss	—	—	77	171	—
Other	185	817	348	284	208
Non-operating expenses	338	1,012	590	954	848
Interest expenses	24	51	49	72	66
Provision of allowance for doubtful accounts	—	—	—	—	—
Bad debts expenses	33	102	28	14	17
Provision of allowance for investment loss	85	—	—	—	—
Loss on debt waiver of subsidiaries and affiliates	58	—	—	—	—
Loss on disposal of equipment and materials	—	—	8	118	—
Loss on disposal of fixed assets	—	—	13	177	—
Penalty for contract breach	—	—	—	—	86
Rent expenses	—	141	126	157	152
Impairment loss	—	—	—	280	187
Other	137	716	364	133	339
Ordinary income	10,582	9,753	7,259	11,956	12,747
Extraordinary income	432	—	203	—	3,709
Extraordinary loss	234	196	—	—	571
Income before income taxes	10,781	9,557	7,462	11,956	15,885
Income taxes-current	3,180	3,491	2,790	5,297	5,499
Income taxes-deferred	1,106	440	206	(615)	51
Total income taxes	4,286	3,932	2,996	4,681	5,550
Net income	6,494	5,624	4,466	7,274	10,334

Stock Information

(as of March 31, 2014)

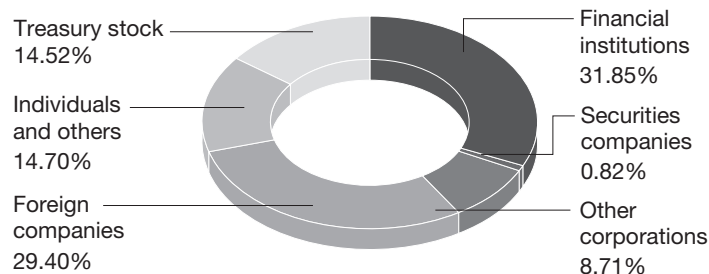
Fiscal Year-End	March 31
Annual Shareholders' Meeting	June 24, 2014
Stock Listing	Tokyo Stock Exchange (First Section)
Ticker Code	1951
Common Stock	Authorized: 300,000,000 shares Issued: 117,812,419 shares
Total Number of Shareholders	10,185
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Major Shareholders

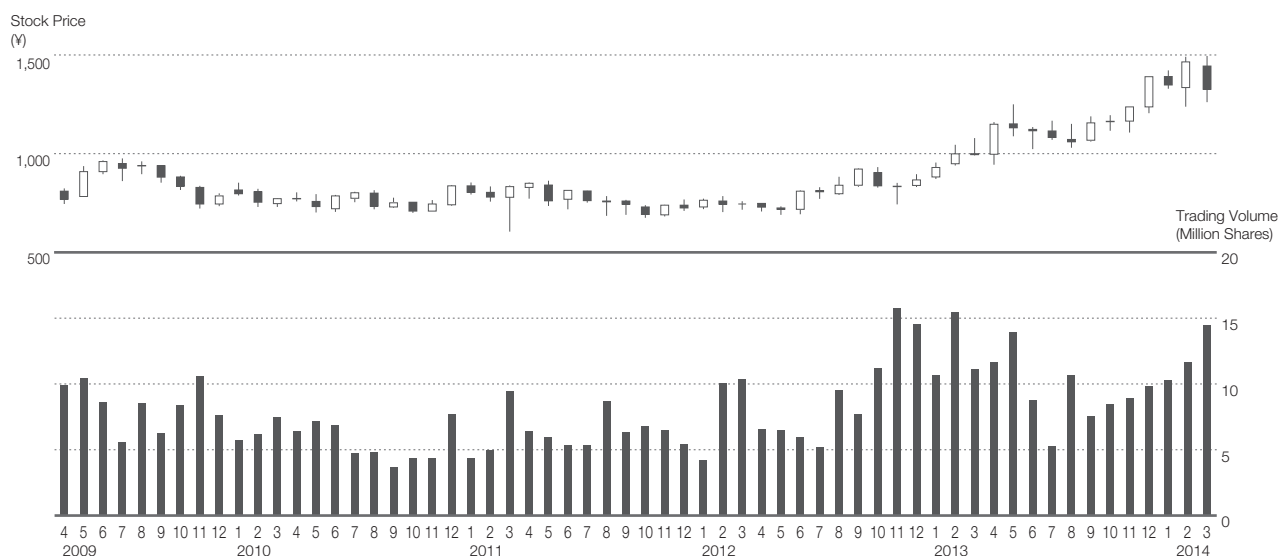
	Number of shares held (thousand)	Percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Sumitomo Electric Industries, Ltd., Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank, Limited)	5,766	4.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,178	4.40
Japan Trustee Services Bank, Ltd. (Trust Account)	4,694	3.98
ESOP Association of KYOWA EXEO CORPORATION	3,830	3.25
JUNIPER	2,311	1.96
CMBL S. A. RE MUTUAL FUNDS	2,231	1.89
SUMITOMO LIFE INSURANCE COMPANY	2,000	1.70
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Retirement Benefit Trust Account)	1,834	1.56
Sumitomo Realty & Development Co., Ltd.	1,695	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,688	1.43

Note: In addition to the above, treasury stock of 17,107,000 shares (14.52%) is held by the Company.

Composition of Shareholders



Stock Price Range and Trading Volume on the Tokyo Stock Exchange



Board of Directors

(as of June 24, 2014)

Building a better, brighter future together



Chairman
Kunio Ishikawa



President
Fuminori Kozono



Director and Executive
Operating Officer
Takayuki Watanabe



Director and Executive
Operating Officer
Toshio Tsuda



Director and Managing
Operating Officer
Takashi Sakai



Director and Managing
Operating Officer
Yoshiharu Yamazaki



Director and Managing
Operating Officer
Yoshiaki Matsuzaka



Director and Managing
Operating Officer
Noritsugu Totani



Director and Managing
Operating Officer
Tsutomu Ota



Director
Hisashi Yazawa



Director
Yuki Sakuyama



Director
(Independent Director)
Kumiko Kitai



Standing Statutory
Auditor
Yuji Sugita



Standing Statutory
Auditor
Shigeru Tanaka



Statutory Auditor
Akira Yamada



Statutory Auditor
(Independent Auditor)
Kozo Meguro

Managing Operating Officers

Takashi Shikano
Haruhiko Watanabe
Kenjiro Tsunoda
Yoshiharu Takizawa
Hisamitsu Hoshi
Yasuo Ohtsubo

Operating Officers

Toshimitsu Kiribayashi
Kazuyuki Kaihatsu
Atsuo Yuhara
Genzaburo Oe
Keiji Kakura
Hiroshi Yamashita
Hideyuki Goto

Masafumi Yoshihara
Junichi Sato
Hideki Obara
Hideo Higuchi
Tomohiro Kurosawa
Fumio Kumagai
Yuji Sato



KYOWA EXEO CORPORATION

29-20, Shibuya 3-chome, Shibuya-ku, Tokyo 150-0002, Japan

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