



KYOWA EXEO GROUP CORPORATE REPORT 2016



Building a better, brighter future

Total ICT Solutions: Contributing to the Realization of a Brighter Future

*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.

Corporate Data

Company Name	KYOWA EXEO CORPORATION
Established	May 17, 1954
Paid-in Capital	¥6,888 million (as of April 1, 2016)
Stock Listing	First Section of the Tokyo Stock Exchange
Representatives	Kunio Ishikawa, Chairman Fuminori Kozono, President
Net Sales	¥287.4 billion (consolidated) ¥227.5 billion (non-consolidated) (as of March 31, 2016)
Number of Employees	7,903 (consolidated) 3,632 (non-consolidated) (as of March 31, 2016)
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: 15 Sales offices: 16
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, 2015, to March 31, 2016 (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 4" Ministry of Environment "Environmental Reporting Guidelines (Fiscal 2012 Version)" ISO26000 "Guidance on social responsibility"
Issuance:	July 2016
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together

by Bringing People Together and Forming Connections with Society

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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.

KYOWA EXEO CORPORATION

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

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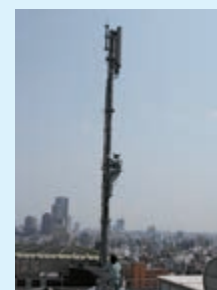
Milestones of the KYOWA EXEO Group

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



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
Dec.	2014	AID Holdings Inc. (the holding company of ADVANCED INFORMATION DESIGN Co., Ltd.) was converted into a wholly owned subsidiary
Dec.	2015	WHERE Inc. was converted into a wholly owned subsidiary



Mobile phone base station

2000 - 2010



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



2002

Started customer services.

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.
- 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.

2006
Net Sales: ¥300 Billion



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

- 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.



May 2014

A ceremony was held to celebrate the Company's 60th anniversary.

Dec. 2014

AID Holdings Inc. (the holding company of ADVANCED INFORMATION DESIGN Co., Ltd.) was converted into a wholly owned subsidiary.

Feb. 2015

Started the introduction of electric vehicles.



Electric vehicle and charging equipment



2014

- Launched EXTravel, an integrated application for sightseeing and disaster prevention
- Started collaboration with NIPPON SYSTEMWARE CO., LTD.
- Launched EXRescue, a system for facilitating disaster responses



2013

Installation of wood biomass boiler equipment completed (Kaneyama-machi, Yamagata Prefecture)

2014

- Large-scale recycling center completed (Higashimurayama City, Tokyo)
- Commenced the work for installation of charging equipment for electric vehicles



2012

Started the Platinum Band Project (900 MHz).

2014

- Conducted construction work for the post-disaster restoration of Izu Oshima.
- MG EXEO NETWORK INC., a local subsidiary in the Philippines, received an order for and commenced a large access-engineering work project.

2015 - 2016



June 2015

Acquired the Kurumin mark, which certifies a company as providing active parenting support.

December 2015

WHERE, Inc. was converted into a wholly owned subsidiary.



December 2015

Began full-scale operation of the cloud integration engineering business.

January 2016

Began full-scale operation of the geospatial business.

March 2016

Started selling the survival power supply, a portable smart power supply.



Survival power supply



February 2016

11 solar power generation facilities in operation nationwide



EXEO Matsue Solar Farm

March 2016

Completed a large-scale cleaning plant in Wakayama.



Kinoumi Clean Center



2015

- Began full-scale LTE-Advanced work.



Business Topics



System Solutions



Environmental/
Social Infrastructure



Communications
Infrastructure

Consolidated Financial and Non-financial Highlights

Financial Information

(Billions of yen)

	2011	2012	2013	2014	2015	2016 (plan)
Operating results (Fiscal year):						
Orders received	288.5	317.8	304.2	301.4	300.4	305.0
Net sales	273.1	301.3	318.5	300.9	287.4	300.0
Operating income	8.9	18.0	20.7	18.3	18.4	20.0
Profit attributable to owners of parent	7.8	11.3	14.9	12.2	12.1	13.3
Capital expenditures	1.9	3.3	7.3	4.2	13.2	—
Depreciation expenses	2.9	2.3	2.2	2.6	3.0	—
Financial position (at year-end)						
Total assets	181.2	200.4	217.0	228.4	238.3	—
Net assets	113.4	122.3	135.6	146.7	151.2	—
Interest-bearing Debt	8.1	9.9	13.3	8.6	16.2	—
Cash flows (Fiscal year)						
Net cash provided by (used in) operating activities	16.4	7.1	9.8	23.1	5.3	—
Net cash provided by (used in) investing activities	-4.5	-2.1	-7.4	-2.8	-13.9	—
Net cash provided by (used in) financing activities	-17.5	-3.0	-0.9	-12.3	0.3	—
Cash and cash equivalents	12.3	14.6	16.2	24.2	16.0	—
Per share of common stock:						
EPS	74.9	109.2	147.7	123.8	125.9	140.4
Cash dividend	20.0	22.0	24.0	32.0	38.0	46.0
Financial indicators:						
Operating Income to Net Sales	3.3	6.0	6.5	6.1	6.4	6.7
ROE (Note 2)	7.2	9.6	11.6	8.7	8.2	—
ROA (Note 3)	4.2	5.9	7.1	5.5	5.2	—
Equity ratio	62.4	60.9	62.3	64.0	63.3	—

Notes: 1. Amounts less than ¥100 million were truncated.

2. ROE=Profit attributable to owners of parent ÷ Total shareholders' equity (yearly average)

3. ROA=Profit attributable to owners of parent ÷ Total assets (yearly average)

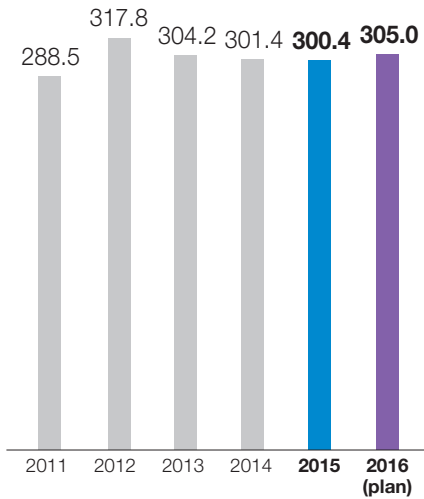
Non-Financial Information

	2011	2012	2013	2014	2015
Number of employees	7,872	7,521	7,553	7,988	7,903
Number of new graduates employed (Note 1)	92	66	61	73	85
Number of days of paid leave taken per employee (Note 1)	11.1	10.1	10.0	11.2	11.8
Turnover rate for employees with up to three years of service (%) (Note 1)	2	1	5	3	5
Number of employees with IT-related expert qualifications (Note 1)	167	190	219	232	259
CO ₂ emissions (t-CO ₂) (Note 1)	5,082	6,343 (Note 2)	6,888 (Note 2)	6,478	6,457

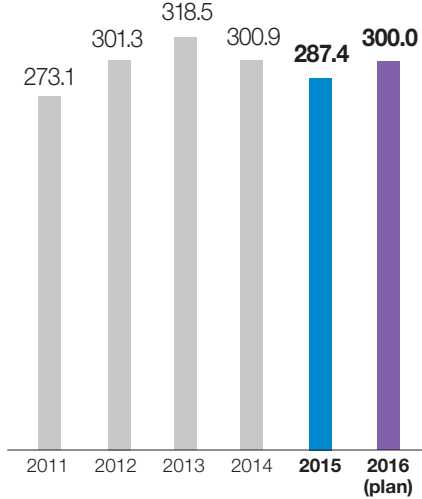
Notes: 1. On a non-consolidated basis.

2. These increases are attributable to the change in emission coefficients for power companies that was released by the Ministry of the Environment.

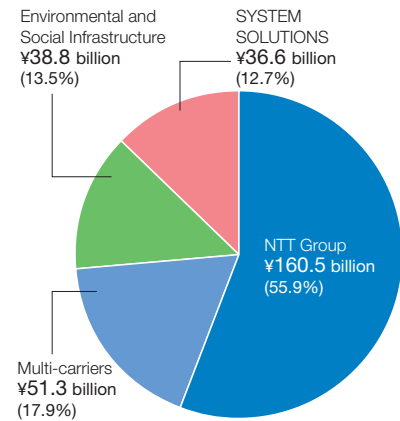
Orders received (¥Billion)



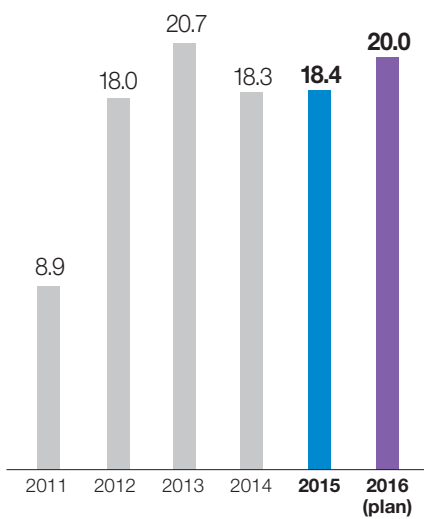
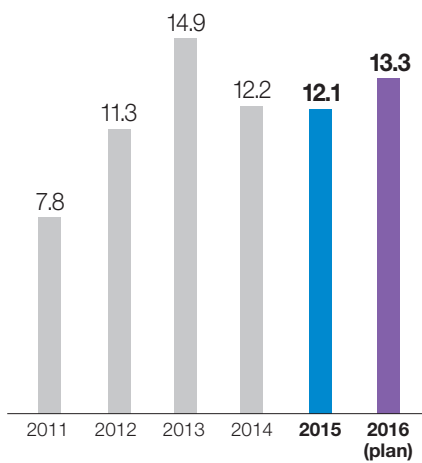
Net sales (¥Billion)



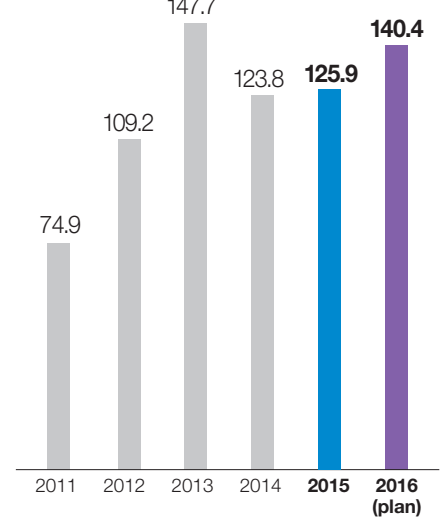
Net Sales by Segment



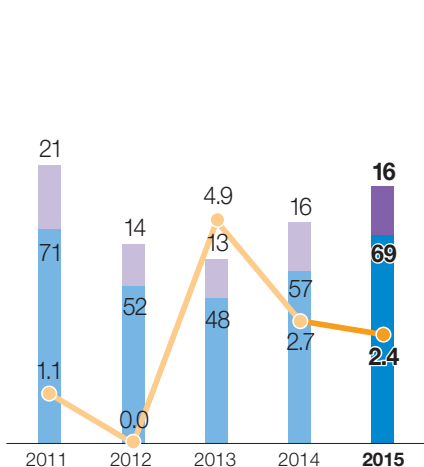
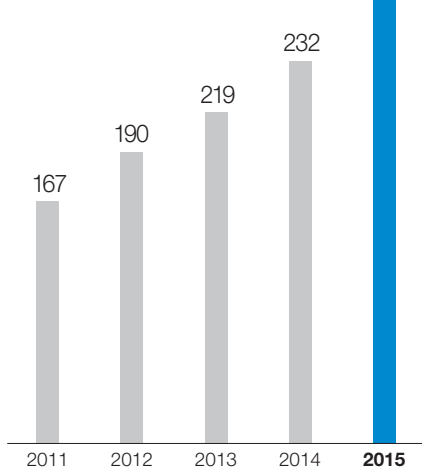
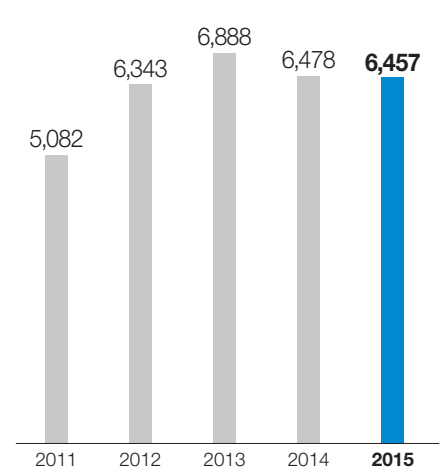
Operating income (¥Billion)


Profit attributable to owners of parent
(¥Billion)


EPS (¥)


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

Female Male % of foreign citizens


Number of employees with IT-related
expert qualifications

CO₂ emissions (t-CO₂)




We will pool into providing help create an

Greetings

Since its establishment in 1954, the KYOWA EXEO 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 has produced many business results in the establishment and management of environmental and social infrastructure by harnessing our long-nurtured environmental, civil engineering and electrical facility technologies.

Furthermore, in the software development business we started in 1982, we have a track record of developing solutions and applications that combine ICT and software, thereby we will strive

to offer a significant contribution to the advancement of the Internet of Things (IoT) 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 make flexible responses to a changing business environment and provide total solutions in a wide range of business fields by gathering the strength of the entire Group, thereby contributing to society as a corporation creating an affluent living environment. With such an attitude as a pillar of our CSR management, we will aim to achieve the sustainable growth of the Group.

Fuminori Kozono
President
KYOWA EXEO CORPORATION

小園 文典

all of the Group's efforts total solutions, so as to affluent living environment.

Business Results for Fiscal 2015

Although an unexpected decline in the receipt of orders for NCC (new common carrier)-related works resulted in a year-on-year decrease in net sales for fiscal 2015, operating income increased slightly from the previous year due to measures taken to increase productivity, including cost-cutting efforts.

In the telecommunications infrastructure business, NTT-related works performed steadily. A decline in fixed telecommunications-related works was modified by the receipt of orders for maintenance works and the refurbishment of aging facilities, and mobile telecommunications-related works achieved higher sales than planned, mainly due to an increase in the receipt of orders related to LTE-Advanced, the so-called fourth-generation standard of wireless telecommunication. Meanwhile, order receipts and net sales of NCC-related works declined significantly, which resulted in a year-on-year decrease in overall sales of the telecommunications infrastructure business segment. The environmental and social infrastructure business enjoyed an increase in sales from the previous year, as we received orders for the installation of electrical equipment, the undergrounding of overhead power lines in association with redevelopment projects in the Tokyo metropolitan area and for a large environmental-related project. The system solutions business benefitted from the contribution to sales from ADVANCED INFORMATION DESIGN Co., Ltd., which became a subsidiary in fiscal 2014.

As a result, for fiscal 2014, the Group recorded orders received amounting to ¥300.4 billion (100% year over year), and achieved consolidated net sales of ¥287.4 billion (down 4% year over year) and operating income of ¥18.4 billion (100% year over year).

Tasks Addressed and Achievements in Fiscal 2015

In fiscal 2015, despite the sales decline, we secured the same level of income as the previous year. This was due to measures taken to enhance productivity, including the reorganization of the Group, the consolidation of bases and the improvement of business operations through Business Process Re-engineering (BPR). In addition, we expanded the range of businesses other than those related to the telecommunications carriers by acquiring orders for highway-related communications work, the installation of electrical equipment in association with redevelopment projects in the Tokyo metropolitan area and the construction of biomass boilers, which is expected to grow from now.

Regarding the system solutions business on which we have focused for several years, we have promoted aggressive marketing efforts in the business fields where the Group's strengths can be exploited, including new energy, geo services and cloud security. In the geo services field, we consolidated WHERE Co., Ltd., a company with expertise in geo applications development and spatial positioning technology, as a wholly owned subsidiary to reinforce the operation of

Message from the President

the geospatial business, a promising area for future growth.

Medium-Term Management Plan

Under the former medium-term management plan for fiscal 2013 to fiscal 2015 aimed at increasing sales and income and earnings per share (EPS) in line with the medium-term vision “Developing total ICT solutions on a group-wide basis to create value and build a solid base for growth,” we engaged in efforts to expand the business lineup and enhance the productivity and efficiency of business operations. By setting up the ICT Solutions Headquarters, we launched the system solutions business, a new business field with high growth potential, and we made aggressive marketing efforts to expand the business lineup in the existing business fields. In addition, we strived to enhance productivity through the integrated application of Group resources as well as the elimination and consolidation of the Group companies. However, although we achieved record net sales and operating income in fiscal 2013, the plan’s first year, the growth of net sales and income did not continue thereafter due to declining capital investments by telecommunications carriers. Accordingly, the expansion of businesses outside the telecommunications carrier-related sector became our ongoing agenda.

With the recognition of these tasks to be tackled, we formulated the new medium-term management plan with its first year being fiscal 2016. In anticipation of increasingly active investments related to the 2020 Tokyo Olympic and Paralympic Games, we deemed it appropriate to draw up a growth scenario for a longer span and prepared the new plan for five years instead of the three years typical of conventional medium-term plans. A change in the segmentation of businesses was

also made, including a separate description of the NCC-related business, to enable a better grasp of the growth of businesses other than the telecommunications carrier business.

Under the new medium-term vision “Focus Group strengths to take total solutions to a new growth stage,” we set business performance targets for fiscal 2020. We aim for net sales of ¥400 billion, operating income of ¥30 billion, ROE of 10% and EPS of ¥200 or more. On a net sales basis, we aim to achieve a business portfolio of 50% in the telecommunications carrier business; 25% in the urban infrastructure business, which consists of non-carrier telecommunications, environmental and social infrastructure; and 25% in the system solutions business.

Toward these targets, although they might be high, we will further strengthen the measures we have taken to develop the solution business into the second pillar of the Group’s businesses and ensure higher earnings therefrom. In addition, we will upgrade the management of human resources and the group structure to continue to raise the efficiency of existing businesses. Meanwhile, we will actively promote the M&As of companies that can generate synergies, which will be combined with the variety of technical services that we offer, such as building telecommunications infrastructure and developing systems, to provide new solution businesses that can address radically changing market needs.

Outlook for Fiscal 2016

Partly because fiscal 2016 has the advantage that it began with a record amount of outstanding work, we plan to achieve increases in net sales and income again.

In the telecommunications infrastructure business, telecommunications carriers have tended to curtail their capital investments, but they are expected to

Medium-Term Management Plan (FY16–FY20)

To successfully complete the plan, we will focus Group efforts to push forward with our operations, and establish a management base that is robust to changes in the business environment.



Focus Group strengths to take total solutions to a new growth stage

Under this vision, we will push forward our various endeavors based on the following five basic strategies

Basic Policies

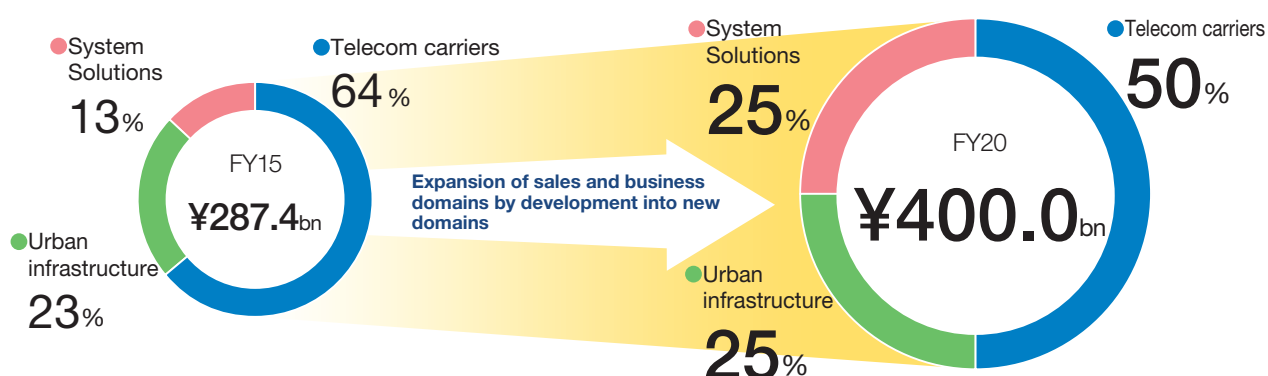
1. Reorganize business portfolio, fostering solutions into second core business
2. Expand engineering peripheral businesses by combining existing technologies and services
3. Expand business through M&A and alliances
4. Bolster profitability by increasing productivity through business improvement and implementing thorough efficiency measures
5. Increase shareholder value by boosting capital efficiency

Achievements and targets

	FY20
Net sales	¥400.0 _{bn}
Operating income	¥30.0 _{bn} (Operating income margin 7.5%)
ROE	10%
EPS	Over¥200

ROE: return on equity EPS: earnings per share

Target portfolio





continue steady investments to upgrade base station equipment to accommodate the increasing volume of mobile traffic and the new frequency band. In the urban infrastructure business, growing demand is expected for the installation of electrical equipment and the undergrounding of overhead power lines in association with redevelopment projects in the Tokyo metropolitan area. ICT investments by municipalities are also expected in line with the governmental initiatives for building national resilience and other policies. In the system solutions business, we can see growing business opportunities, such as the cloud, big data and IoT, which could lead to revolutionary social changes.

Under these business circumstances, our priority in fiscal 2016, the first year of the new medium-term management plan, is to promote active marketing efforts to bring the system solutions business into full bloom after the periods of seeding and burgeoning and grow it into a new pillar of generating earnings. In the new energy field, we will expand the range of business related to the liberalization of the electricity markets. In the geo service field, we will reinforce our involvement in the “geospatial” business, which is a combination of spatial positioning via beacons and mapping information, while continuing to offer applications that provide sightseeing information and support for disaster management. In the “cloud/security” field, we will engage aggressively in the “cloud integration engineering” business in partnership with Microsoft Japan Co., Ltd. We are providing employee training to develop 2,000 Microsoft cloud engineers nationwide, and from among them the top 50 engineers initially were to be qualified as advanced cloud engineers. However, more than 70 have qualified in just the two months since the training started. Therefore, the target number of advanced cloud engineers has been revised upward to 200, and increased by four-folds. Taking advantage of our capability to provide

one-stop services nationwide, we will actively promote the “cloud integration engineering” business by combining a technology for building the cloud service and a technology for building the telecommunications infrastructure. In the global field, through MG EXEO Network Inc., a consolidated subsidiary based in the Philippines, we will promote the expansion of business in the telecommunications and ICT markets in Southeast Asia, which are expected to achieve rapid growth. Trials are being conducted in Indonesia for the startup of business with careful attention to the business opportunities and risks in the market.

To raise productivity, we will make continued cost-cutting efforts through such measures as Business Process Re-engineering (BPR) for the improvement of business operations and sharing of system foundations. We will also conduct projects across the business divisions to explore potential markets for providing high-value-added customer service, while continuing to improve the quality, cost and delivery time of our services.

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 dividends, while considering business results, the future business environment and investments for ensuring financial strength and business expansion.

Beginning with the second half of fiscal 2015, we have employed a dividend on equity (DOE) of 3% as an indicator of a stable dividend. Accordingly, the annual dividend per share for fiscal 2015 was ¥38, up ¥6 from the previous fiscal year, and we plan to further increase the annual dividend per share for fiscal 2016 by ¥8 to ¥46.



We also plan to purchase ¥3.0 billion in shares of treasury stock in fiscal 2016. 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.

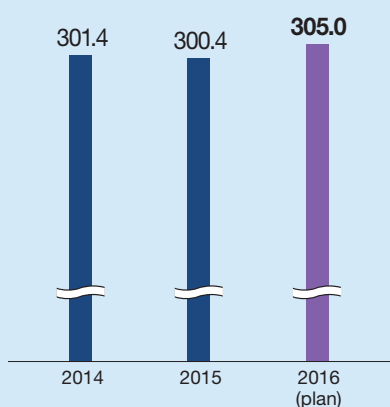
In addition, we will strive to ensure a stable high level of return on equity (ROE) by promoting the growth of income and enhancing capital efficiency.

Establishing a continuous cycle that starts with raising awareness of employees, which activates the organization and leads to offering services appreciated by customers and better business performance, will result 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.

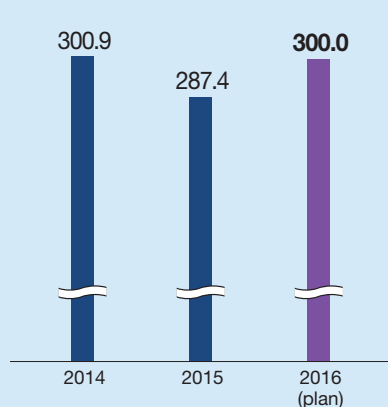


Operation highlight

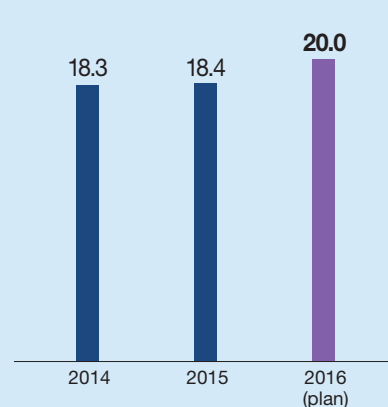
Orders received (¥billion)



Net sales (¥billion)

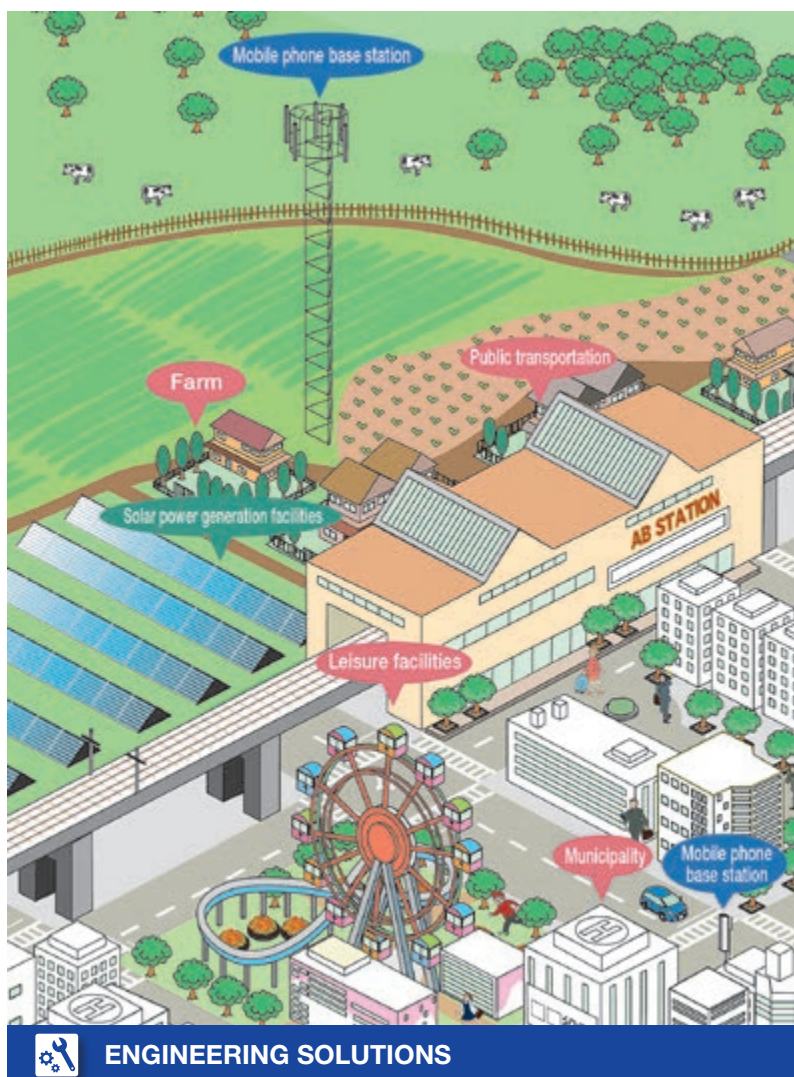


Operating income (¥billion)



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.



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SYSTEM SOLUTIONS

Urban infrastructure

We are engaged in works related to redevelopment projects toward 2020 in the Tokyo metropolitan area and public works in line with the government's initiatives for building national resilience, including the installation of telecommunications (except for telecommunications carrier-related), electrical and air-conditioning facilities and urban civil engineering works. We are also working to establish social infrastructure toward the realization of a recycling-oriented society by engaging in renewable energy (e.g., biomass) and other environment-related works and the construction of environmental plants.

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.

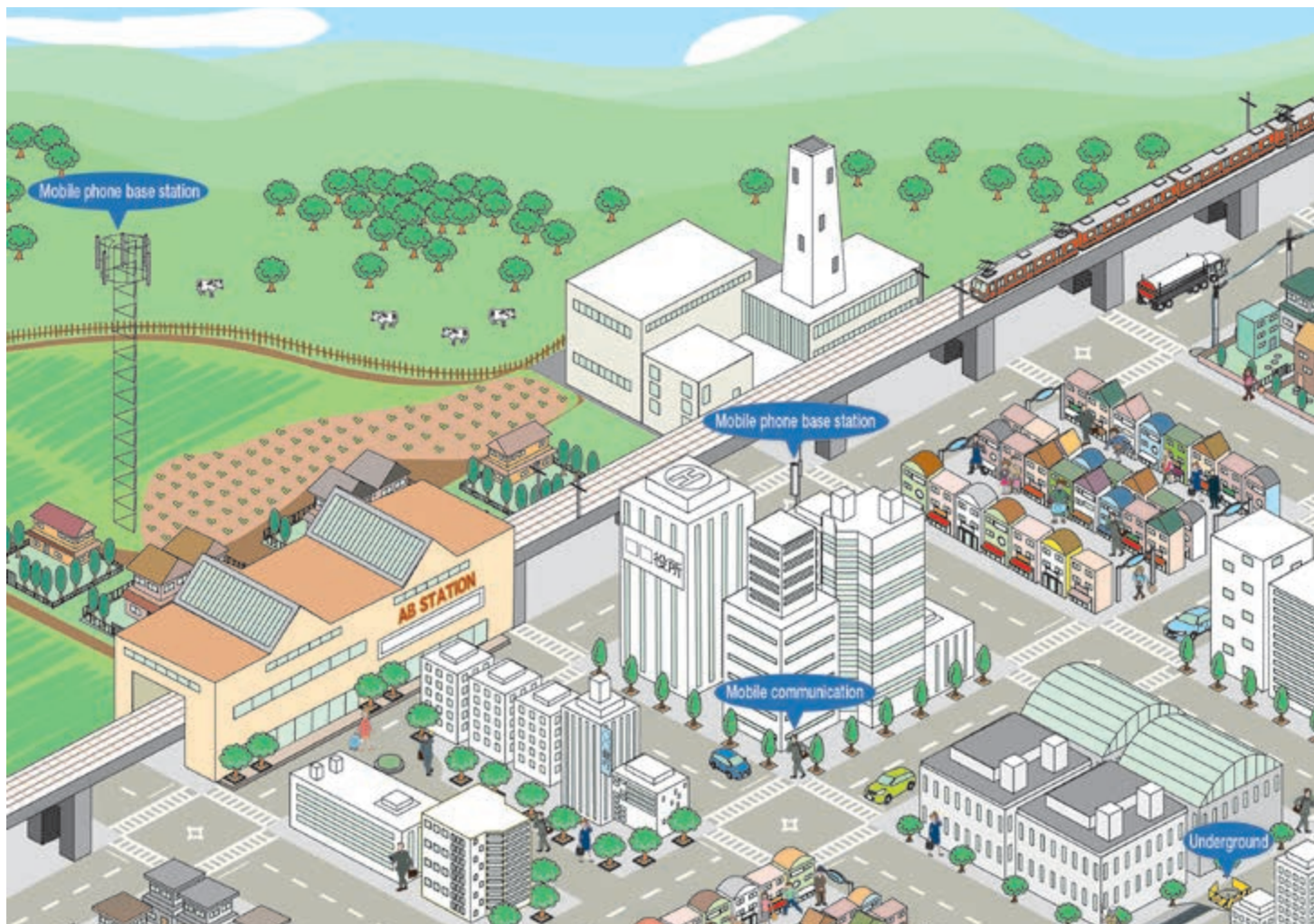


To page 17



To page 18





ENGINEERING
SOLUTION

Telecommunications Infrastructure

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.





NCC

Establishing various telecommunications facilities for new common carriers (NCCs)

Telecommunications facilities

We construct telecommunications facilities for new common carriers (NCCs) such as the KDDI Group and the Softbank Group.



Handing down the technology and contributing to society

Supporting the core business for KYOWA EXEO

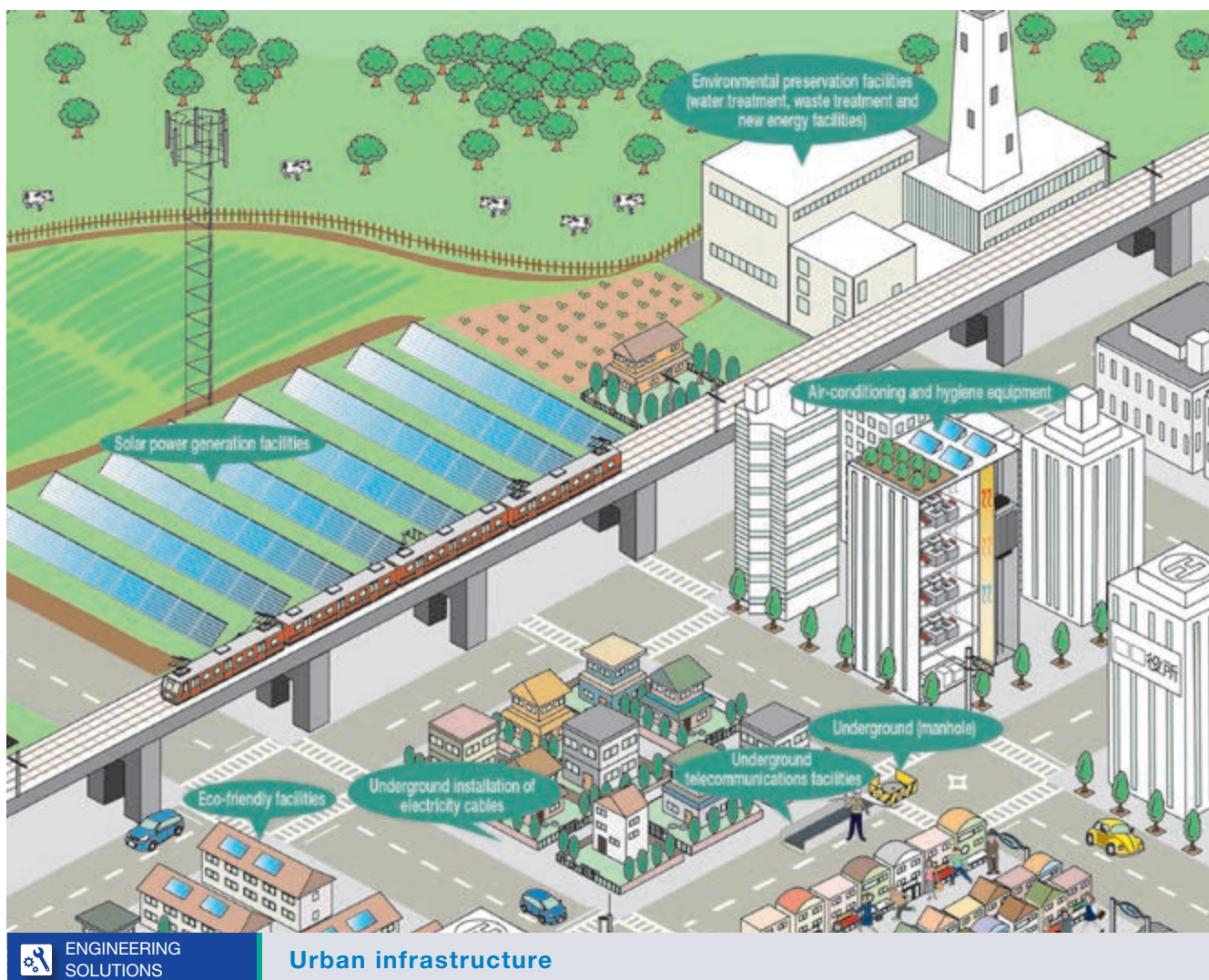
Michio Sagawa, an employee of the Company, was recognized in 2015 by the Ministry of Health, Labor and Welfare as an outstanding skilled worker (master craftsman), in appreciation of his years of involvement in the wiring and installation works for information and communications facilities, which contributed to raising the quality of telecommunications works, as well as in the training of the Company's employees and instructors, which produced many medalists at the National Skills Competition.



Contributing to the development of the information and communications industries overseas

Since 1998, the Company has been providing foreign engineers with lectures and facility tours for fostering optical access installation engineers as part of the "BHN Human Resources Development Program" hosted by the BHN Association, a nonprofit organization. We will continue to be actively engaged in contributing to the strengthening and enhancement of technical capabilities and the development of human resources to promote the growth of information and communications industries at home and abroad.





ENGINEERING
SOLUTIONS

Urban infrastructure

Telecommunications facilities

We construct telecommunications facilities for municipalities and government agencies, cable television companies, railway companies and other customers based on performance over the years and excellent technologies.



Urban civil engineering

We establish telecommunications facilities such as manholes and underground conduits, rehabilitate building structures and install electricity cables underground. We are establishing a social infrastructure with a consistent operational structure from design and construction to maintenance.



Electricity supply

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.



Environmental engineering

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 ecotechnologies 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.



System Integration (SI)

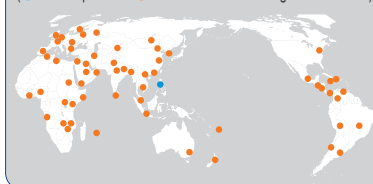
To help customers solve their management issues, we provide system solution services tailored to a variety of customer needs, which encompass everything from consulting to development, construction, maintenance and operation, by drawing on the latest technologies such as service-oriented architecture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



Global

Since 1963, the Company has been involved in overseas works in nearly 100 nations. Currently, we are conducting business mainly in Southeast Asia, including works for communications facilities in the Philippines led by MG EXEO Network Inc., a Philippines-based consolidated subsidiary of the Company.

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



- 〈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
 - Disaster prevention/mitigation and disaster response solutions ● Home network solutions
 - Operation, monitoring and maintenance services ● 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).

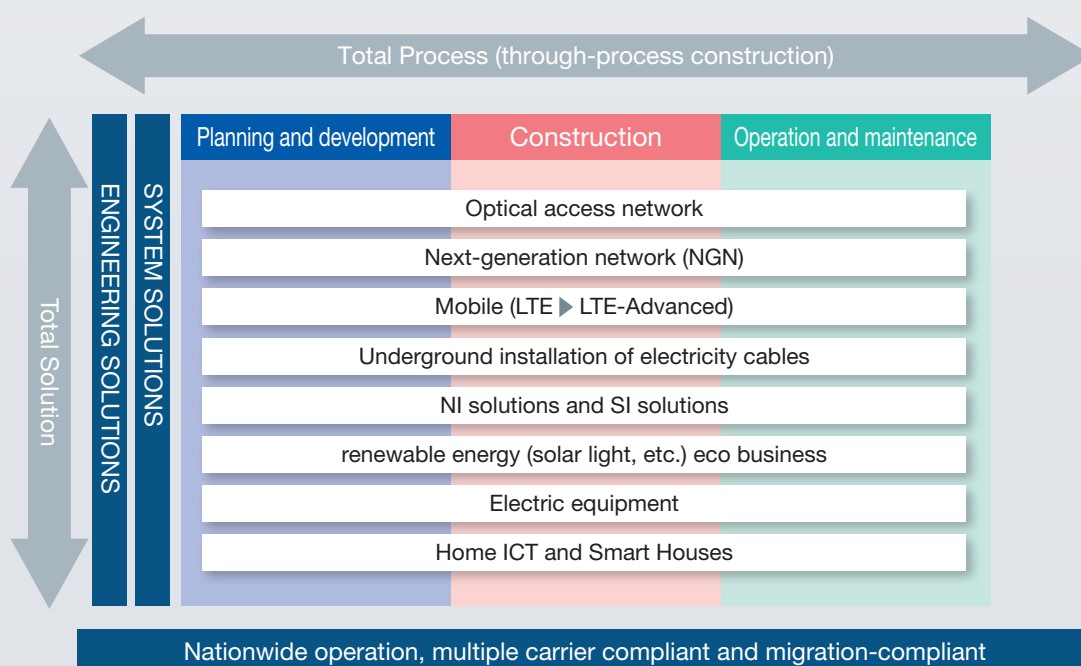
Group of
Professionals Who
Are Acquainted
with Every Kind of
Technology

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, 2016)

KYOWA EXEO CORPORATION

Two Major Consolidated Subsidiaries

EXEO TECH CORPORATION

Taking on the challenges for new growth with the integrated ICT engineering capability that can address a diverse range of needs

EXEO TECH CORPORATION was established on July 1, 2015, through the management integration of WAKO ENGINEERING Co., Ltd., and Ikeno Tsuken Co., Ltd.

Under its management philosophy of “While making swift responses to environmental changes based on the spirit of customer first, we provide support for information and communications services through our advanced technical abilities and quality and optimal services, thereby contributing to the realization of affluent society,” we will continue to take on the challenges for new growth as a member of the KYOWA EXEO Group by seeking the expansion of business operations in such fields as the environmental energy and welfare solutions, etc.

Company Name	EXEO TECH CORPORATION
Establishment	May 20, 1948
Head Office	1-23, Heiwajima 4-chome, Ota-ku, Tokyo
Representatives	Representative Director and President: Yuki Sakuyama
Paid-in Capital	¥450 million
Business Outline	Communications infrastructure, ICT solutions, environmental and social innovations, etc.

● Examples of expanding solution business



Installation of a smart meter



A Braille guide board with a multilingual voice guidance

Daiwa Densetsu Corporation

Developed with local communities based on the construction of communications infrastructure regarding new fields as new pillars of growth

Since it was established in 1949, Daiwa Densetsu Corporation Group, with the construction of information and communications infrastructure as its core business, has contributed to promoting optical access and ICT in Tohoku and to restoration and recovery in such areas as those devastated by the Great East Japan Earthquake. The self-developed NUTRIMATE food service management system has earned a growing share mainly in the market for university hospitals. While improving the efficiency of construction of information and communications infrastructure toward 2020, we will continue to seek to contribute to local communities as a member of the KYOWA EXEO Group based on our pillars of growth which is the solution business centering on NUTRIMATE and electrical and public works backed by high expertise and quality accumulated through the construction of communications infrastructure.

Company Name	Daiwa Densetsu Corporation
Establishment	August 1, 1949
Head Office	5-1, Omachi 2-chome, Aoba-ku, Sendai-shi
Representatives	Representative Director and President: Hideki Tohara
Paid-in Capital	¥450 million
Business Outline	Communications infrastructure, ICT solutions, environmental and social innovations, etc.

● Examples of expanding solution business



NUTRIMATE food service management system

27 Other Consolidated Subsidiaries

	Access engineering	Shinsei Tsushin Co., Ltd., Suncrex Corporation, FUJI DENSETSU CO., LTD., Ecos Hokuei Corporation, Sankyo-Techno Co., Ltd., KANAC Corporation, K. Technos Co., Ltd., MG EXEO NETWORK, INC., Sigmax Co., Ltd.
	Civil engineering	Exeo Infra Corporation, Infratechno Corporation
	Networks	Exeo Network Corporation, Multimedia Engineering Co., Ltd.
	Mobile telecommunications	Exeo Mobile Corporation, Toho Communications Co., Ltd., Yuaituken Corporation, Kyoei Densetsu Kogyo Corporation, Densetsya Corporation
	IT	ACCRESO CO., LTD., ICOMSYSTECH CO., Ltd., AID Holdings Inc. (the holding company of ADVANCED INFORMATION DESIGN Co., Ltd.)
	Other	KYOWA SECURITY SYSTEM CORPORATION, Kyokuyoh Corporation, Shinwa Seisakusyo Corporation, Exeo Butsuryuu Service Corporation, Exeo Business Corporation, ASAHI DENWA KOGYO CORPORATION

The Group companies other than the above: 11 nonconsolidated subsidiaries and 9 affiliates

Overview of Group Companies



Access engineering Suncrex Corporation

Although founded in 1964, Suncrex Corporation became what it is today upon the merger of three companies in July 2003. The company name “Suncrex” contains the meanings of “creation” and “growth” which are the basic spirits shared by all employees. Under the KYOWA EXEO Group’s new vision, “Focus Group strengths to take total solutions to a new growth stage,” we conduct access engineering for communications lines and installation works within customers’ houses as the core business. We also engage in various other works, trying to be an “all-round player,” including the construction of information and communications facilities, such as NCC-related works, railway communications, LAN wiring and system development, as well as works related to the installation of solar power equipment and transmission lines for smart meters.



Civil engineering Exeo Infra Corporation

As a leading company in the field of civil engineering for telecommunications equipment, Exeo Infra Corporation has accumulated highly advanced civil engineering capabilities, with which it serves as a contractor of civil engineering works for the Group. Toward 2020 when the Tokyo Olympic and Paralympic Games will be held, Exeo Infra Corporation not only plans to meet the demand for higher reliability of telecommunications infrastructure, but also to make flexible adjustments to possible changes in the business environment resulting from changes in the management system of the Group operations. We always explore business opportunities to expand the domain of business into peripheral business areas, thereby offering an added level of safety quality, services and proposals in constructing infrastructure for redevelopment of the Tokyo metropolitan area and the governmental initiative of building national resilience.



Networks Exeo Network Corporation

The world of information and communications services undergoes changes day by day. The unprecedented development of business through ICT solutions is now common. At this time of great change, three companies that had long been involved in network engineering merged to become Exeo Network Corporation, a large-scale company with nationwide business bases, on July 1, 2015. Armed with high technological expertise and a nationwide network for offering engineering works, Exeo Network Corporation will address the needs of the changing times to expand the business boundaries of the Group as a member of team EXEO, thereby contributing to society.



Mobile telecommunications Exeo Mobile Corporation

Exeo Mobile Corporation makes it a top priority to provide customers with safe and high-quality designing, constructing and maintenance services on a continuing basis. Accordingly, we focus on employee training for the acquisition of multiple skills and management capabilities. Since we have branches and technology centers throughout Japan, we, as a member company of the KYOWA EXEO Group, ensure ongoing collaboration with the mobile divisions at the head and branch offices of KYOWA EXEO CORPORATION to enable one-stop construction management around the nation with flexible adjustments according to the volume of works, while promoting business improvements to steadily enhance productivity and achieve the targets set out in its business plan.



IT ADVANCED INFORMATION DESIGN Co., Ltd. (AID)

Since its establishment in 1980, AID has accumulated experience and accomplished achievements chiefly in the field of financial system development. In 2020, when its 40th anniversary will be held, we aim to attain net sales of ¥10.0 billion by maintaining and expanding the financial system business which is a core strength of AID, exploring new customers, expanding the stock-type business with recurring income from our own products and services and promoting nearshore development.

We will reinforce our technological capacity and competitiveness by exploring new business opportunities and utilizing synergies with the Group companies, while deepening collaboration with local communities to help revitalize them, thereby broadening the range of AID businesses to establish a foundation for further growth for the next generation.



Other KYOWA SECURITY SYSTEM CORPORATION

KYOWA SECURITY SYSTEM CORPORATION has engaged for 33 years in the traffic control and security services for the KYOWA EXEO Group. With the increasingly active redevelopment projects and social infrastructure construction toward 2020, when the Tokyo Olympic and Paralympic Games will be held, demand for security services is expected to increase. After 2020, a move toward the construction of safety- and security-oriented social infrastructure is expected to accelerate. With the top priority remaining the security services of the Group, we will explore new business opportunities, such as security services for facilities, while acquiring adequate staff and raising the quality thereof, to expand the range of our business operations and grow into a company that can offer comprehensive security services.

Business Bases

(As of July 1, 2016)

Domestic bases: (■ Branches/■ Offices)

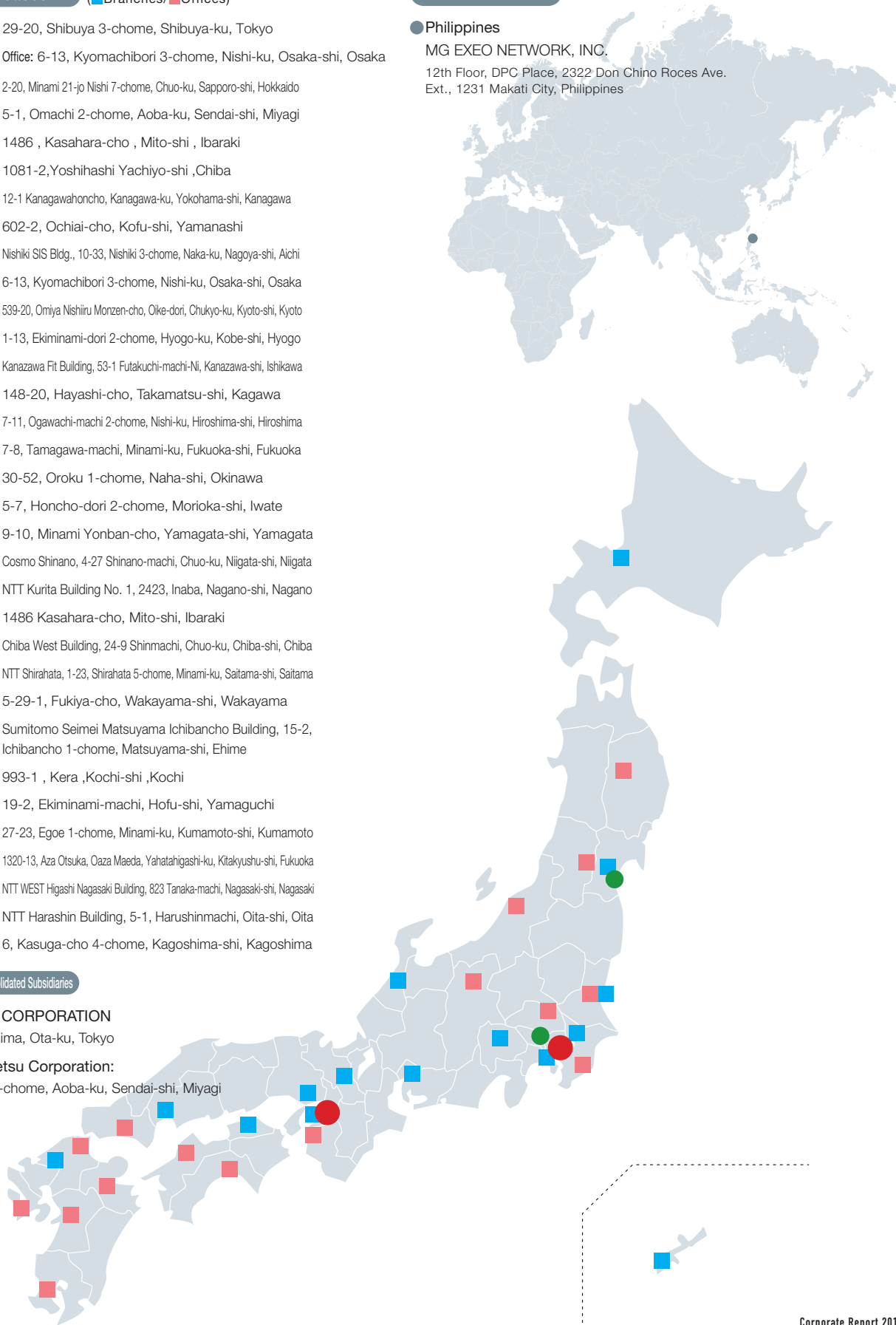
- Head Office: 29-20, Shibuya 3-chome, Shibuya-ku, Tokyo
- Nishi-Nippon Head Office: 6-13, Kyomachibori 3-chome, Nishi-ku, Osaka-shi, Osaka
- Hokkaido Branch: 2-20, Minami 21-jo Nishi 7-chome, Chuo-ku, Sapporo-shi, Hokkaido
- Tohoku Branch: 5-1, Omachi 2-chome, Aoba-ku, Sendai-shi, Miyagi
- Ibaraki Branch: 1486 , Kasahara-cho , Mito-shi , Ibaraki
- Chiba Branch: 1081-2, Yoshiihashi Yachiyo-shi , Chiba
- Minami Kanto Branch: 12-1 Kanagawahoncho, Kanagawa-ku, Yokohama-shi, Kanagawa
- Koshin Branch: 602-2, Ochiai-cho, Kofu-shi, Yamanashi
- 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: 148-20, Hayashi-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
- 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
- Saitama Office: NTT Shirahata, 1-23, Shirahata 5-chome, Minami-ku, Saitama-shi, Saitama
- Wakayama Office: 5-29-1, Fukiya-cho, Wakayama-shi, Wakayama
- Matsuyama Office: Sumitomo Seimei Matsuyama Ichibancho Building, 15-2, Ichibancho 1-chome, Matsuyama-shi, Ehime
- Kochi Office: 993-1 , Kera ,Kochi-shi ,Kochi
- 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 Two Major Consolidated Subsidiaries

- EXEO TECH CORPORATION
4-1-23, Heiwajima, Ota-ku, Tokyo
- Daiwa Densetsu Corporation:
5-1, Omachi 2-chome, Aoba-ku, Sendai-shi, Miyagi

Overseas Bases

- Philippines
MG EXEO NETWORK, INC.
12th Floor, DPC Place, 2322 Don Chino Roces Ave.
Ext., 1231 Makati City, Philippines



The KYOWA EXEO Group Makes Use

As represented by the Sustainable Development Goals (SDGs) and the Paris Agreement, social issues to develop solutions based on highly advanced technologies and global collaboration. The KYOWA EXEO Group is solving social issues, thereby achieving the sustainable growth of itself and society.

Major social issues:

- Global warming
- Water risk
- Energy problems
- Urban concentration
- Japan's falling birthrate, super aging population, etc.



Medium- to long-term business environment:

- Declining fixed-line phones
- Labor shortage in the construction industry
- Social needs toward the Tokyo Olympics and Paralympics
- Transition to the next-generation wireless technology (5G)
- Reinforcement of disaster management, etc.

Needs of the times

KYOWA EXEO Group's

Strict corporate governance

Urban infrastructure business

Telecommunications Infrastructure Business

Promoting CSR management

Telecommunications Infrastructure Business

Social issues to be solved through the telecommunications infrastructure business:

- Continued upgrading of broadband telecommunications (LTE → LTE-Advanced → 5G)
- Facilitates the operations that address the reception difficulty for the 700-MHz band
- Expanding the demand for optical fiber access services through 4K and 8K UHD (ultra-high definition) displays and the Hikari Collaboration

Urban infrastructure business

Social issues to be solved through the urban infrastructure business:

- Ensures a globally comparable level of landscape by promoting the undergrounding of overhead power lines
- Expanding public investments for building national resilience (e.g., installation of monitoring cameras, refurbishment of highways)
- Renewal of aging waste disposal plants
- Renewable energy sources, including biomass

of Its Strengths to Solve Social Issues

be solved are increasingly clear at the global level. To address these issues, it is increasingly important to Group makes use of its accumulated expertise and the synergies of the Group companies to contribute to

Important issues for the KYOWA EXEO Group to achieve sustainable growth

Developing human resources / developing and handing down technologies

Technological Capabilities

Offering value

Value offered for society:

Convenient and affluent life
Safe and secure society
Green-rich Earth
Stable employment
Support for restoration of
disaster-afflicted areas
More disaster-resilient infrastructure
Enhancement of energy efficiency

Medium- and
long-term growth
strategies

System
Solutions
Business

Pick
Up!!

Our activities in the four focus areas:

The KYOWA EXEO Group pursues various strategies by capitalizing on its technological capabilities accumulated

over 60 years to achieve sustainable development while accommodating changes in the business environment.

The Group's current activities in the four focus areas to create "new value" for the benefit of society are described in the following pages.

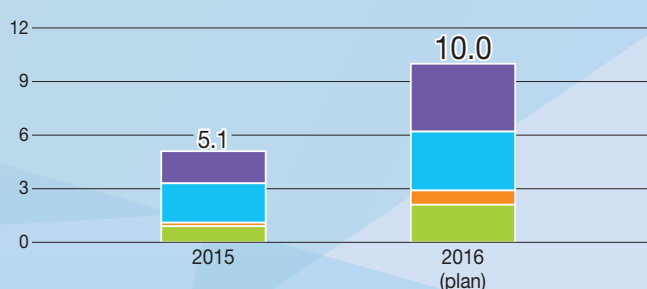


System Solutions Business

Social issues to be solved through the system solutions business:

- Reform of industrial structures through the cloud, IoT, big data, etc.
- Promotes the deepening of communication
- Solutions for advanced security including the management of the My Number system
- ODA (Official Development Assistance)-related efforts to address the economic growth of Southeast Asia

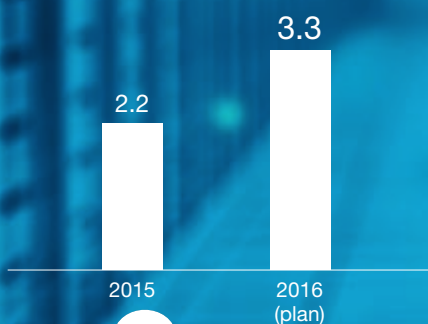
Orders received (¥billion)





- ▶ Thin client, virtualization
- ▶ Security foundations
- ▶ M2M, IoT

Orders received (¥billion)



1 New Value Created by the Cloud Security Area

The cloud service enables the storage of data and software on the Internet, instead of on a computer or other terminals, and access to such data and software from various locations. Because the use of the cloud can save time, raise the efficiency of business operations and achieve other cost-reduction targets, it has been drawing attention as a growth strategy across the nation. For example, teleworking is one of the benefits of the cloud service. People who once had to take child-care or nursing-care leave might now be able to continue working at home.

Although the cloud service may be growing, it cannot create new value unless the service becomes fully usable through enhancements in the quality and security of telecommunications, which is the issue that can be best addressed by the KYOWA EXEO Group. For more than 60 years, we have accumulated technological expertise by engaging in the construction of telecommunications infrastructure through the ages of analog and digital communication. We now focus on the field of “cloud integration engineering,” a combination of the cloud technology and our expertise in telecommunications infrastructure, to solve various social issues. By taking full advantage of our capabilities accumulated to ensure greater safety and security of society, we will continue to realize new and valuable forms of communication.

! For instance

Reinforcing the Cloud Integration Engineering Capability

Partnership with Microsoft Japan

By combining our technological advantages in all aspects of the construction of telecommunications facilities with Microsoft's cloud service, we are strengthening the effort to offer a one-stop cloud integration engineering service across the nation. Microsoft's idea of changing the society through Mobile and Cloud has been united with KYOWA EXEO's wish to create a better society through the business of constructing information and communications to realize a partnership aimed at creating new value in society.

Japan's leading group of cloud engineers

Engineers account for 90% of the entire workforce of the KYOWA EXEO Group, and many of them have already acquired high-level qualifications. As a new initiative, we launched the “Exeo Top Gun” team consisting of selected engineers, and about 70 of them have acquired Microsoft Office 365 and cloud-related MCSE and MCSA certifications so far. We will encourage employees outside the team to acquire the certifications, aiming to increase the number of cloud engineers to 2,000 Group-wide by fiscal 2018 to become one of Japan's largest groups of cloud engineers.

Notes: Office 365 is a registered trademark or a trademark of Microsoft Corporation in the United States and other countries.

MCSE stands for Microsoft Certified Solutions Expert.

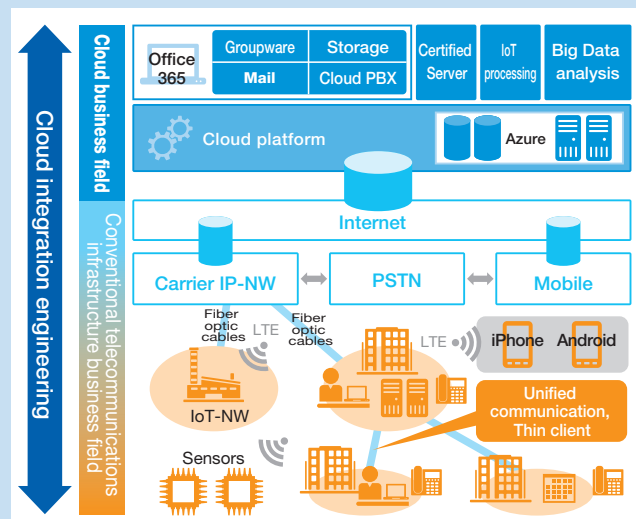
MCSA stands for Microsoft Certified Solutions Associate.

Telecommunications Infrastructure Technology × Cloud Technology

Exploring the field of corporate communications

By leveraging its accumulated experience in constructing next-generation network, voice and public Wi-Fi networks for telecommunications carriers, the KYOWA EXEO Group has embarked on the corporate communications business by offering proposals to construct and support the introduction of Skype for Business for corporate clients.

Notes: Skype for Business is a registered trademark or a trademark of Microsoft Corporation in the United States and other countries.





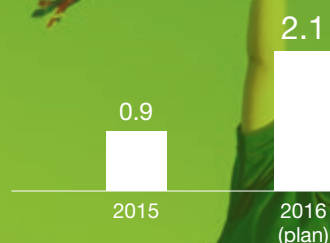
2 New Value Created by the New Energy Area

The Paris Agreement, which was adopted at the COP21 conference in December 2015, sets out a policy of virtually eliminating greenhouse-effect gas emissions in the second half of the 21st century. Responding to this global move, the Japanese government lays out a national goal of achieving 17% energy conservation by fiscal 2030. The concept of “energy management” is one of the policies that captured growing attention. Instead of repeating conventional ways of stringent control over the use of energy, the idea of “energy management” promotes smarter forms of saving energy to generate greater effects using advanced information technology.

To promote the national move to save energy, the KYOWA EXEO Group has started an attempt to control power consumption using its communications technology. If the Group’s technology enables the optimization of energy management according to the status of power supply, it will maximize the efficiency of energy consumption, achieving energy conservation and cost reduction simultaneously. New forms of energy conservation, beyond the conventional methods, can be created through the use of advanced information technology. By exploiting our expertise in the new business field of “energy conservation,” we will continue to tackle challenges to realize a society where many people can live in comfort.

- ▶ Local power companies
- ▶ Power Producers and Suppliers (PPS)
- ▶ Batteries

Orders received (¥billion)



! For instance

Challenges for Energy Management

Launched Energy Viewer into the Market

Challenges for energy management

To utilize our technology for energy conservation, we launched the sales of the “Energy Viewer,” an energy management system for small and medium-sized corporate power users in the spring of 2016. Until then, technology was limited to the visualization of power consumption and actions beyond that were the responsibility of power management officers. Without the effort of these officers, no sustainable effect of energy conservation had been ensured. The Energy Viewer system visualizes what action can be taken according to the status of power use, ensuring sustainable energy-saving effects without a burden on power management officers.

Taking advantage of the Group’s technological strengths

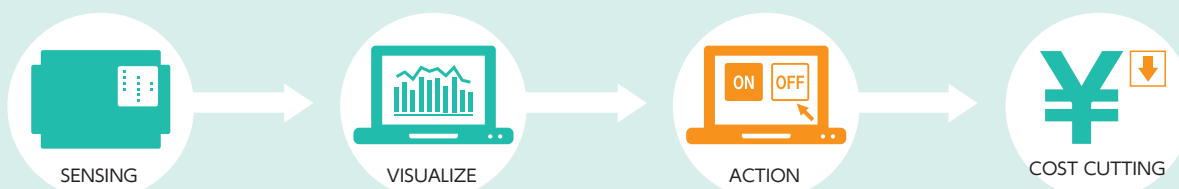
The Energy Viewer system achieves automated control over the power consumed through air-conditioners, which is said to account for 30% to 40% of the power consumption. As we engage in the construction of communications equipment, we have the advantages of providing one-stop solutions that include the

installation of equipment and control over air-conditioning devices made by different manufacturers. In addition, the expertise of a construction company can be used effectively to minimize costs in the process of equipment construction and to ensure the construction of an optimal energy management network using cloud servers.

Maximizing the use of data accumulated through connections with various systems

The current Energy Viewer system addresses the energy management of air-conditioning devices alone, but connecting the system to the sensors of other equipment, such as lighting devices and automatic doors, will expand its possibilities so that not only power conservation is achieved, but also the value of a space is enhanced. “Connections” with other systems will enable the accumulation of various data, which not only serve to promote energy conservation but might also produce new business opportunities. With the aim of bringing happiness to everyone, the KYOWA EXEO Group’s IoT actions have already begun.

Major functions of Energy Viewer





- ▶ Okinawa
- ▶ International
- ▶ Support projects, etc.

Orders received (¥billion)



3 New Value Created by the Global Area

Although Japan is a super aging society without parallel in the world, facing the social issue of a declining population, population growth is expected in other parts of Asia where the improvement of infrastructure has been gradually under way to ensure a better living environment. The economic growth of Southeast Asia has attracted attention, with a projection for the combined GDP of Indonesia, Thailand and the Philippines reaching US\$2,400 billion in 2020 compared with US\$1,500 billion in 2012. The Internet population also has been on the rise. In the Philippines, for example, the number of Internet users more than doubled in 2014 from four years earlier.

The KYOWA EXEO Group has already engaged in global business operations aimed at providing people around the globe with better and more comfortable living environments. Based on our business facility in the Philippines, which has been operating for 25 years, we will nurture ICT engineers and global human resources within the Philippines to provide safe, secure and high-quality telecommunications infrastructure to the nations of Southeast Asia. Backed up by the Japanese government, a range of information and communications devices from Japan are now in use in Southeast Asia. It is one of the missions of the KYOWA EXEO Group to construct a communications infrastructure that makes those devices perform 100% at local sites. We will capitalize on our technological and human resources to contribute to creating a better social environment in the world.

! For instance

Utilizing Japanese Technologies for the World

Overseas Social Contribution Activities through MG EXEO Network

Profile of MG EXEO Network

MG EXEO Network Inc., a joint venture with a local company established in 1991, has long served local communities within the Philippines by undertaking works for constructing communications facilities using advanced technologies from Japan. Having become a consolidated subsidiary of the KYOWA EXEO Group in 2012, the venture has mainly engaged in the installation works for leading telecommunications carriers in the Philippines. Having grown to a workforce of eight Japanese and about 500 local employees, MG EXEO Network contributes to enhancing the standard of living of the Filipino people through involvement with the construction of communications infrastructure.

Received orders from PLDT for access engineering and maintenance work

In May 2014, MG EXEO Network received orders from the Philippine Long Distance Telephone Company ("PLDT"), the largest telecommunications carrier in the Philippines, for installation and refurbishment works for communications lines within general households and offices across the provinces of Batangas and Laguna, where PLDT offers service, as well as works for the maintenance and refurbishment of related outdoor wiring and equipment. We believe this remarkable accomplishment is due to the recognition of the high-quality achievements of MG EXEO Network and the relationships of trust that have been established with its customers.

Taking the EXEO quality to Southeast Asia

There are two aspects to "quality." One concerns "technology," such as the ease of connection, and the other concerns "safety and security." To ensure the highest technological quality, we provide opportunities such as technology training so that the Group's advanced technologies can be acquired by the Filipino employees. A training center is slated to open in fiscal 2016, which will be available for customers as well. Another aspect of quality, or safety and security, refers to the labor environment for local employees. We tailor the compliance rules to suit the local customs and culture to provide a safe and secure working environment where all employees can work in comfort.





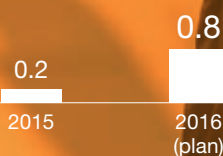
4 New Value Created by the Geo Solution Area

According to a survey by the Ministry of Internal Affairs and Communications, Internet users in Japan account for more than 80% of the entire population and approximately 47% of them use the Internet via smartphones. It is also expected that the IoT will grow explosively with the number of things connected to the Internet reaching 530 in 2020, possibly creating various forms of new value. Among them, the field of “geospatial,” which is one of the initiatives of the Japanese government, has attracted attention as the technology provides solutions by combining indoor and outdoor spatial positioning and mapping information. The combined use of geospatial information as well as information and communications technologies is considered to provide effective solutions to many social issues.

The KYOWA EXEO Group has already offered the “EXTravel” service, which provides information on tourism and disaster prevention using a geo application, a smartphone application offering service based on positional information. Starting with Nikko City, the EXTravel application has been officially adopted by Daigoji in Kyoto, Ebina, Fujisawa, Fufuki and Higashihiroshima Cities, offering the service to ensure safety and security for not only tourists but also people living there. We will continue to explore the unlimited range of business opportunities via the geospatial technology we hold so that new forms of value for enhancing society can be created.

- ▶ EXTravel (outdoors, indoors, educational and tourist spot versions)
- ▶ Beacon positioning

Orders received (¥billion)



! For instance

Mobilizing Technologies to Make Dreams Come True

Full-Scale Involvement in the Geospatial Business Has Begun

Expanding the geospatial possibilities in partnership with WHERE

The KYOWA EXEO Group has started full-scale involvement in the geospatial business by making WHERE, Inc., into a consolidated subsidiary, which the Group had held a capital and business alliance. WHERE is a distributor of geo applications with expertise in positioning engines. Combining the KYOWA EXEO Group's construction technology of communications with the positioning engine technology of WHERE will realize geospatial services in a dynamic and speedy manner, creating new value in society.

Seamless move becomes an ordinary thing

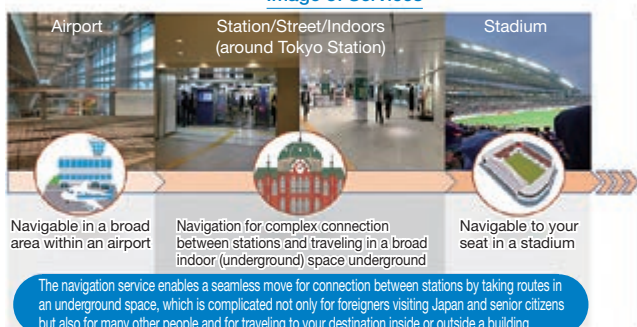
Toward the 2020 Tokyo Olympic and Paralympic Games, we see growing demand for services using “positional information.” For example, when you want to know how to get to an Olympic game venue, it is necessary to identify the best route

for everyone, even those who have a baby stroller, walk with a cane or are in a wheelchair regardless of indoors or outdoors. Here lies an opportunity for the Group's geospatial business. Combining the positioning technology of beacons, or electric wave transmitters that are installable anywhere, with the Group's expertise accumulated through the tourist/disaster prevention application will ensure that all kinds of people can travel in a seamless motion even if they are inside a building where accurate positional information is not available via a global positioning system (GPS).

The Group's technologies will open up the great potential of next-generation beacons

The Group's accumulated technologies and development capabilities have enabled the development of next-generation beacons for mesh networking. These beacons exchange information with each other, which enables easier management of positional information over a more extensive area than with ordinary beacons. For example, it is difficult to monitor the status of individual beacons for any failure or other problems if they are distributed over an extensive area. However, the introduction of next-generation beacons will enable the centralized monitoring of the beacon status, providing a more stable spatial infrastructure. Next-generation beacons have the potential of realizing people's dreams and creating new value. By utilizing all our available technologies for the geospatial business, we will create integrated services for ensuring a comfortable living environment.

Image of Services



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.

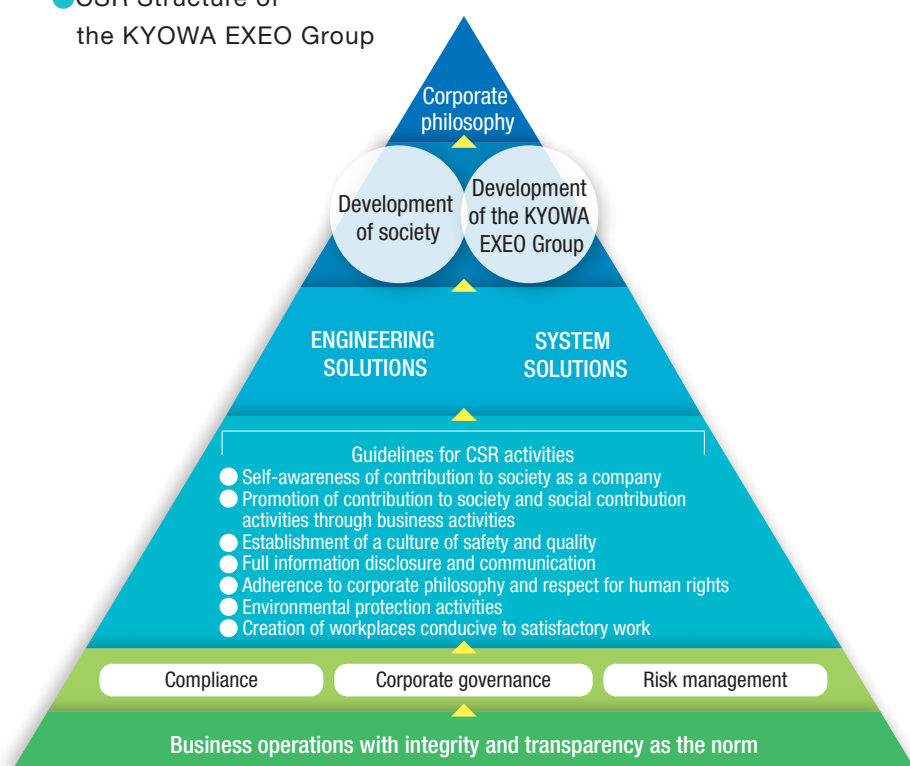
Basic CSR Policy

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 2016 (Classification by ISO26000 Standards)

Core themes in the ISO26000	Major stakeholders	Our themes	Measures to be taken
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
		Appropriate risk management	Building information security literacy to eliminate information leakage accidents
			Reduction of management risk
			Reinforcement of business continuity planning (BCP)
			Enhancement of the internal controls of the Group subsidiaries
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 (Reinforcement of efforts to promote diversity)

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
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)
	Group companies	Development of group businesses and improvement of consolidated operating results	Promotion of reorganization to raise the consolidated competitive edge
Environment	All	Promotion of environment-friendly management	Environmental preservation activities toward the prevention of global warming (Promotion of energy-saving activities)
Fair business practice	Business partners	Ensuring transparency and the fair competition principle	Ensure compliance with the procurement policy
Consumer issues	Customers	Return to the basics of a safety and quality-oriented culture	Ensure high awareness of quality and continue education Elimination of serious accidents (physical for employees and at equipment/facilities)
	Shareholders and investors	Improvement of customer satisfaction Emphasis on return of profits and communications	Thorough management of customer satisfaction Enhancement of IR activity for impartial and fair information disclosure
Participation in and development of communities	Society	Promotion of social contribution activities	Promotion of social contribution activities
		Contribution to society and local communities Improvement of social evaluation	Promotion of local community contribution activities Verification of external questionnaires, Compliance with the ISO26000 standards, Issuance of integrated reports

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.

Promotion of internal control

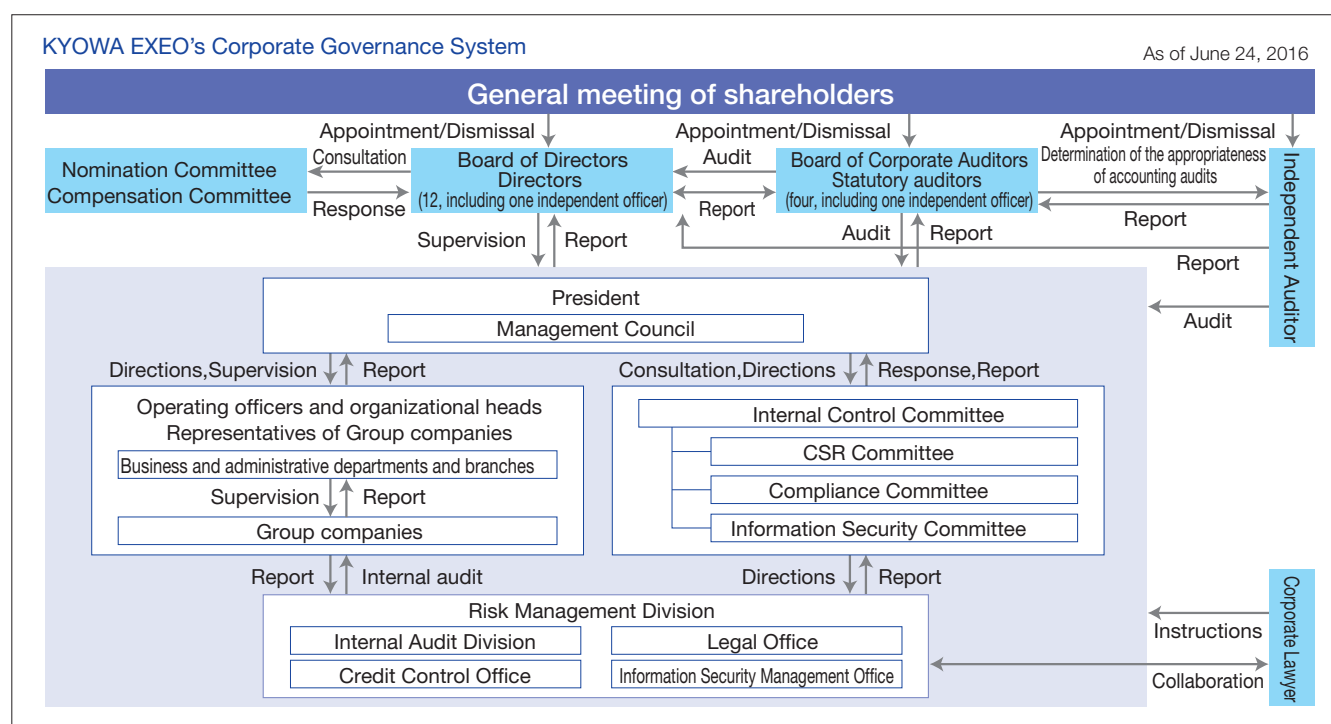
The KYOWA EXEO Group works to thoroughly adhere to compliance, manage various risks and properly and efficiently execute business operations. At the same time, to ensure the reliability of financial reporting, the Group has stipulated the Basic Guideline for Establishing Internal Control Systems in accordance 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.



► To view the Basic Guideline for Establishing Internal Control Systems, visit
<http://www.exeo.co.jp/overseas/management/cg.html>



An Interview with the Outside Directors (Independent Officers)

We asked Ms. Kitai and Mr. Kanazawa, who serve as Outside Directors (independent officers) of the Company, to talk about the corporate governance of KYOWA EXEO and the enhancement of its corporate value.



Mr. **Kazuteru Kanazawa**

Having held managerial positions in JFE Holdings Corporation and other companies, he has served as Outside Director (independent officer) of the Company since June 2015.



Ms. **Kumiko Kitai**

Having had important positions with the central government, she has served as Outside Director (independent officer) of the Company since June 2014. She also acts as a lawyer.

The corporate culture is characterized by sincerity and diligence. Active discussions take place at Board meetings.

Kitai: Regarding the issues of labor and legal affairs and compliance, I have delivered opinions and asked questions at the meetings of the Board of Directors. The implementation of the revised Companies Act and Japan's Corporate Governance Code seems to have had a significant effect on the way the Company's Board of Directors is operated.

Kanazawa: I agree. Corporate governance reflects the basic concept for corporate management. The Company's management team seems to engage in their duties with sincerity and in earnest. Active discussions are often observed at the meetings of the Board of Directors, and I feel that the discussions have become richer at every meeting.

Kitai: Regarding the matters of managerial importance mentioned in Japan's Corporate Governance Code, the Company has continually improved the methods to supply and explain information. Attention to such details is paid in a sincere and diligent manner, which truly represents the corporate culture of KYOWA EXEO.

Systems are in place to ensure that various senses of value are reflected in the management of the Company and that any problems will be solved as early as possible.

Kanazawa: The Company aims to double the number of female employees in managerial positions by 2020. I think it is important that the viewpoints of female officers are reflected in corporate management and that

the management is synchronized with society.

Kitai: Female employees are working actively not only at the workplace for software development but also at the construction site for communications facilities. The Company's workplace climate features the recognition of diversity irrespective of gender and other differences. According to a report on the whistleblowing system, I think that the Company has a good system to ensure that any problems, such as harassment and overwork, can be detected and solved as early as possible.

Kanazawa: The role of an independent officer is, after all, to act from the perspective of the shareholders. As independent officers, we are required to take part in the management of the Company and provide suggestions from the viewpoint of the shareholders and based on our own professional knowledge.

Act fairly and squarely, and sometimes break the shell.

Kitai: The new medium-term management plan has been announced. I expect the Company to make continued efforts to build a firm business foundation based on its highly advanced technological capacity, and sometimes to break the shell and take on new challenges.

Kanazawa: I think that the value of a company lies in generating profits and returning them to its stakeholders. It is important to generate profits by conducting business in a fair and square manner. Ensuring compliance or corporate governance achieves that. From such a perspective, we shall fulfill our duties.

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

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

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

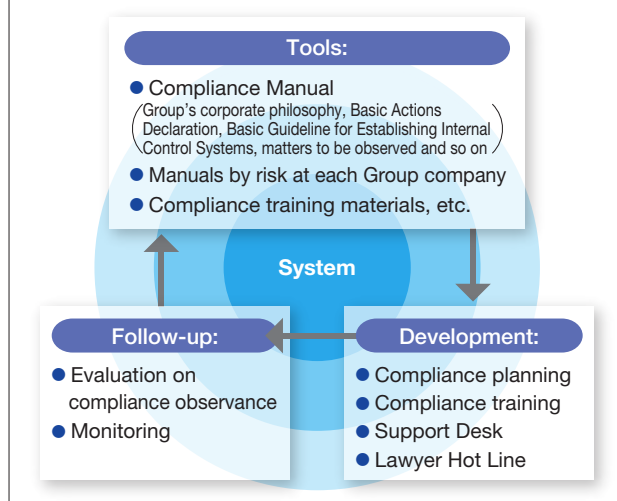
In addition, ensuring such compliance is indispensable for the company to maintain the trust of society and the realization of the Group's corporate philosophy of "Contributing to Society."

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

From time to time, we will improve the EXEO Group Compliance Program in accordance with or in anticipation of social circumstances, thereby fostering a spirit of compliance with laws and corporate ethics.

We set out the matters described below as the basic ethics of the KYOWA EXEO Group and reconfirm that it is our eternal and unchanging responsibility to ensure that our actions toward our stakeholders, including customers, business partners and shareholders, are based on these ethics, thereby endeavoring to realize the Group's corporate philosophy.

Compliance program



Basic Ethics of the KYOWA EXEO Group

1. Matters to be observed in business activities

(1) Relationships with customers

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

(2) Relationships with industries and business partners

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

2. 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

3. 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

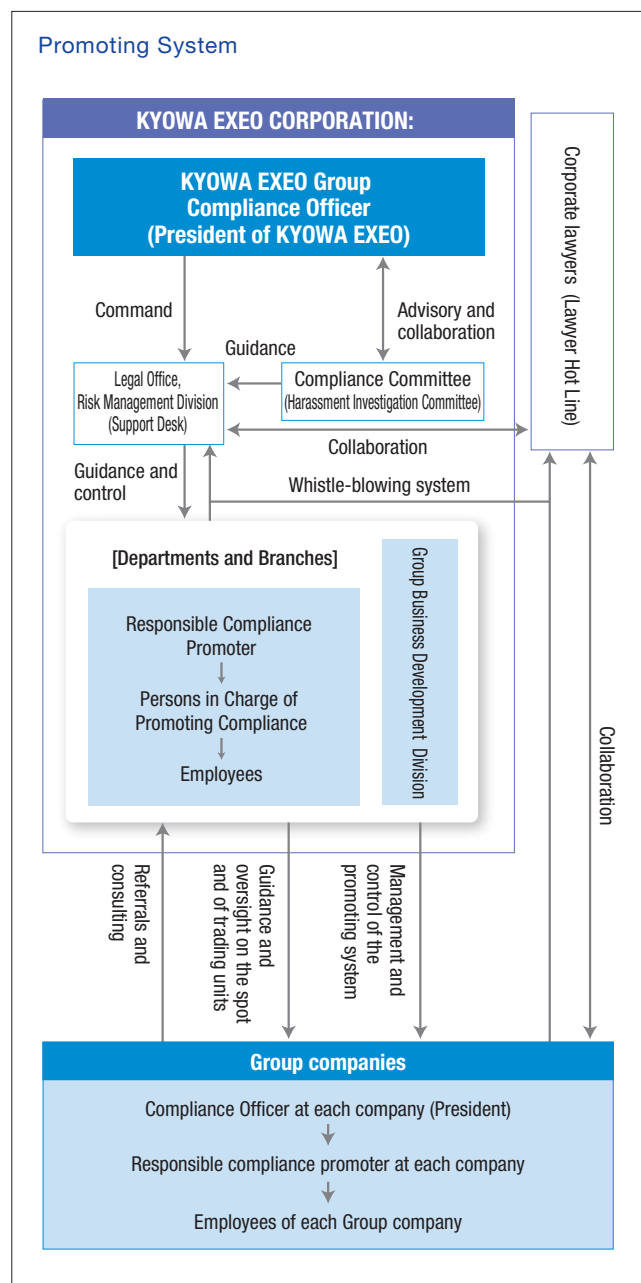
Promotion Systems and Activities

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.

Employees must take compliance training two or more times a year. The training includes basic training for new employees and brush-up training on specific matters to comply with when conducting business activities.

Promoting System



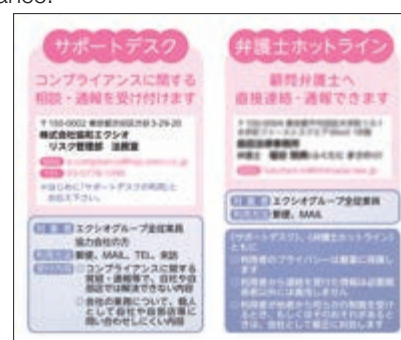
Initiatives to Promote

Measures taken and Description

Whistle-blowing system

Regarding compliance matters, the “Support Desk” is the contact point for whistleblowers, and the “Lawyer Hot Line” is provided to enable direct consulting or communication with corporate lawyers.

In 2015, “Compliance Cards” were distributed to raise the awareness of compliance.



Compliance training for management executives

More than once a year, we provide compliance training by inviting lecturers for management executives, including the Chairman, President, General Managers of the Head Office, Branch Managers and Presidents of the Group companies.



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.



Risk Management

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

Basic Policy

The KYOWA EXEO Group's basic policy for risk management is as follows:

- (1) We eliminate any factors that could impede the realization of the Group's corporate philosophy or accomplishment of its business performance targets wherever possible so that the Group can continue to grow in a sound manner.
- (2) In case of emergencies, we make the utmost effort to minimize any effect on the Group's stakeholders and put forth measures to prevent a recurrence and endeavor to restore trust in the Group.

Risk Management System

The KYOWA EXEO Group sets forth its basic rules on risk management in the "Risk Management Rules" and conducts risk management as detailed below.

Risk Management Division

Each Risk Management Division identifies, analyzes and assesses any risks for which it is responsible at the Group level and determines the policy of handling any risk that is recognized as serious, which will be known to each person responsible for risk management.

Responsible persons for risk management

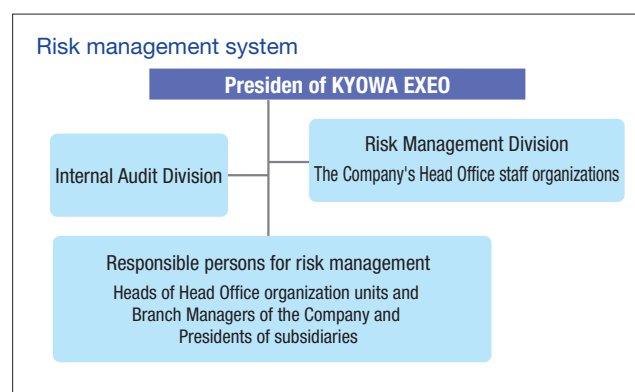
Each responsible person for risk management formulates an action plan for executing specific measures according to the workplace circumstances in accordance with the policy of risk management determined by the respective risk management divisions and manages the progress of the measures being taken.

Internal Audit Division

Each Internal Audit Division performs internal audits to monitor the status of measures being taken to address business process risks at the respective divisions. If the measures do not work effectively, the relevant division provides instructions for improvement in collaboration with the related risk management division.

System for Managing Business Process Risks

Business process risks can be classified into the seven categories listed in the table to the right. The risk management divisions responsible for the respective business process risks provide instruction and training in accordance with the relevant manuals by risk category and using other means.



Risk Management Category

Risk Management Category			Description of the Risk
Business risk	Management risk	Business environment risk	Risk relating to changes in the management and business environments
		Management strategy risk	Risk relating to the decision making concerning management and business strategies, etc.
	Business process risk		Risk relating to daily business operations
Disaster risk			Risk relating to the occurrence of natural disasters

Business Process Risk Categories

Business Process Risk Categories	
Compliance risk	Compliance with authority, Act of injustice
Employment risk	Employment and service, Equal treatment
Financial risk	Financial reporting, Credit agreement
Information risk	Information disclosure, Information leakage
Safety and hygiene risk	Occupational safety, Hygiene and health
Quality assurance risk	Equipment accidents, Occurrence of defects
Environmental risk	Environmental pollution, Resource conservation

Utilization of the ISO-Compliant Management Systems

From among the business process risks, the Company utilizes the ISO-compliant management systems to manage the risks relating to quality assurance, environmental conservation, occupational health and safety and information security. We formulate policies for managing these risks by using the relevant risk assessment methods given in the ISO management systems and implement the policies while making ongoing improvements in the effectiveness and appropriateness of business operations.

The Company and major subsidiaries acquired a group-based ISO certification and are committed to standardize the management procedures by implementing ISO-compliant management systems in a unified manner across the Group.

ISO Management Systems of which certification has been acquired

Category	Applicable Standards	Period of Validity (until)
Quality Management System	JIS Q 9001:2008	September 14, 2017
Environment Management System	JIS Q 14001:2004	September 14, 2017
Occupational Health and Safety Management System	BS-OHSAS 18001:2007	September 14, 2017
Information Security Management System	JIS Q 27001:2014	September 18, 2017

Efforts to Ensure Information Security, etc.

As a necessary part of operating its business, the KYOWA EXEO Group handles important information, including data on technologies and customers held by its customers and other parties. With the expansion of networking, as represented by the spread of the cloud service and social networking service (SNS), it is increasingly important to ensure the appropriate management of information. Accordingly, we are strengthening our efforts regarding information security and the protection of personal information.

Efforts to ensure information security

The KYOWA EXEO Group has established a system for managing information security by designating an officer who assumes the top responsibility for information security, as well as providing a manager with the chief responsibility and people working on information management at each business division. The Information Security Committee decides policies on group security, discusses measures to prevent the recurrence of any

information security accidents, and monitors and evaluates the status of any improvements in overall security matters to enhance the Group's information security on a continuous basis.

The Group also provides all of its employees with information security training, while conducting various kinds of security checkups.

Efforts to protect personal information

The Company engages in a broad range of business operations and handles a large amount of personal information and specific personal information in the process of carrying out these operations. In the recognition that appropriately managing such information is a corporate social responsibility, we are promoting efforts to ensure the protection of private information under the Privacy Policy.

In response to the implementation of the Act on the Use of Numbers to Identify a Specific Individual in an

Administrative Procedure, the so-called My Number Act, in October 2015, we reorganized our management system for the protection of personal information by designating those who take the overall responsibility for and engage in the administrative work for handling those numbers.

To ensure the continued protection of personal information in an appropriate manner, we have continually updated our certification of the Personal Information Protection Management System.



► For the details of the KYOWA EXEO Privacy Policy, visit:

<http://www.exeo.co.jp/company/ppolicy.html>



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.

Utilization of the Environment 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.

Efforts towards Environment Preservation Activities

Environment preservation activities cannot be continued without a strong awareness regarding the improvement of environmental issues and persistent efforts. 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.



PICK UP!

Joined the Clean the Ota River Campaign

The Clean the Ota River Campaign took place on July 26, 2015, hosted by the Clean the Ota River Committee. About 70 employees from the Company's Chugoku Branch and Group companies participated in the campaign, collecting about 20 bags of empty cans and other garbage to clean the riverbed along the Ota River in Hiroshima City.

This cleanup event has been conducted as one of the river preservation campaigns in July every year with the tagline “Let's make the Ota River famous for clear streams.” The Company will continue to join the campaign as one of its environmental preservation and community contribution efforts.



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 2015

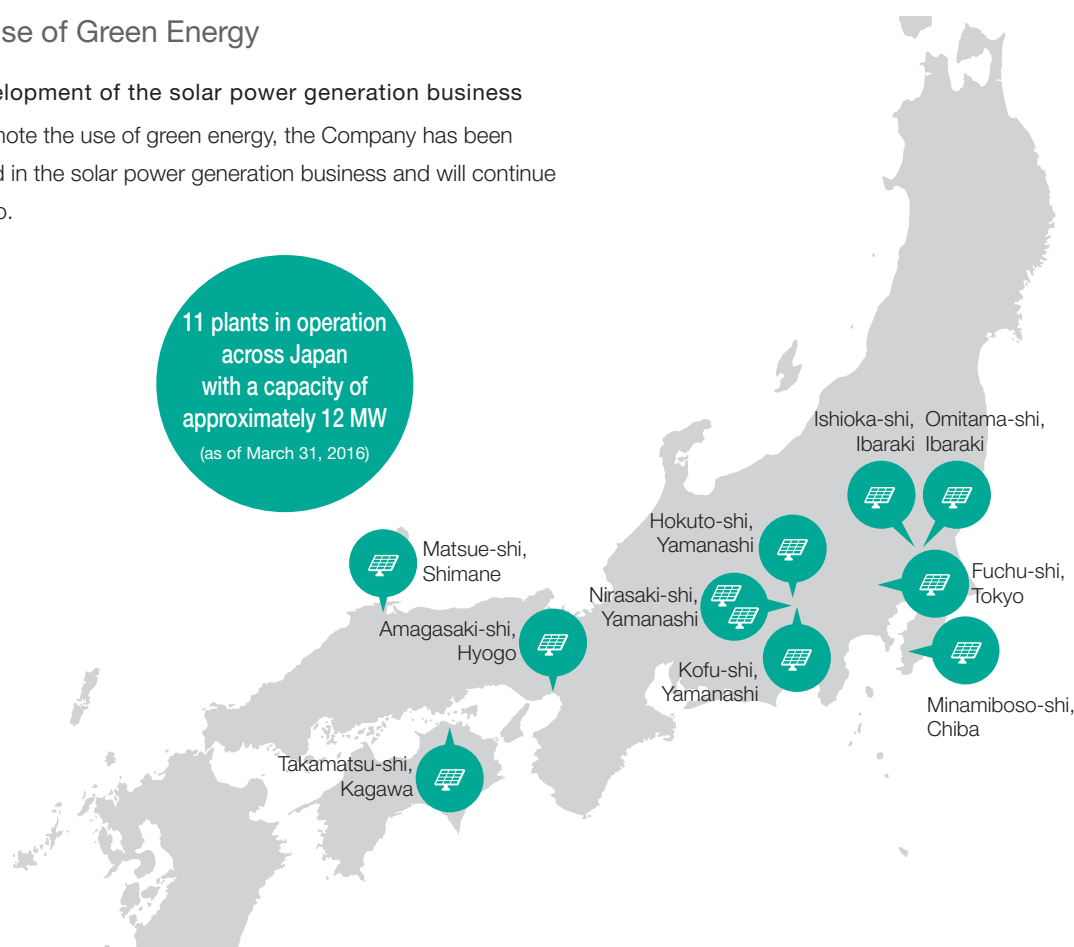
(According to the Forestry Agency Report)

Term of contract	Region	Location	Area (ha)	Degree of environmental contribution: One year (effects for the period of April 2015–March 2016 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 (1,855,283 bottles)	70 m³ (13 trucks)	15.4 t (48 persons)
21 years (2/2005–3/2026)	Kansai	Kitayama government-owned forest, Nishinomiya-shi, Hyogo Prefecture	1.14	465 m³ (232,646 bottles)	14 m³ (3 trucks)	2.8 t (9 persons)
60 years (8/2006–3/2066)	Hokkaido	Chitose government-owned forest, Chitose-shi, Hokkaido Prefecture	3.10	1,181 m³ (590,623 bottles)	40 m³ (7 trucks)	8.4 t (26 persons)
22 years (10/2006–3/2028)	Tohoku	Fubosan government-owned forest, Shiroishi-shi, Miyagi Prefecture	2.48	656 m³ (328,134 bottles)	20 m³ (4 trucks)	5.1 t (16 persons)
20 years (3/2007–3/2027)	Chugoku	Noroyama government-owned forest, Kure-shi, Hiroshima Prefecture	3.29	1,664 m³ (831,819 bottles)	40 m³ (7 trucks)	6.5 t (20 persons)
Total			15.37	7,677 m³ (3,838,505 bottles)	184 m³ (34 trucks)	38.2 t (119 persons)

— Use of Green Energy

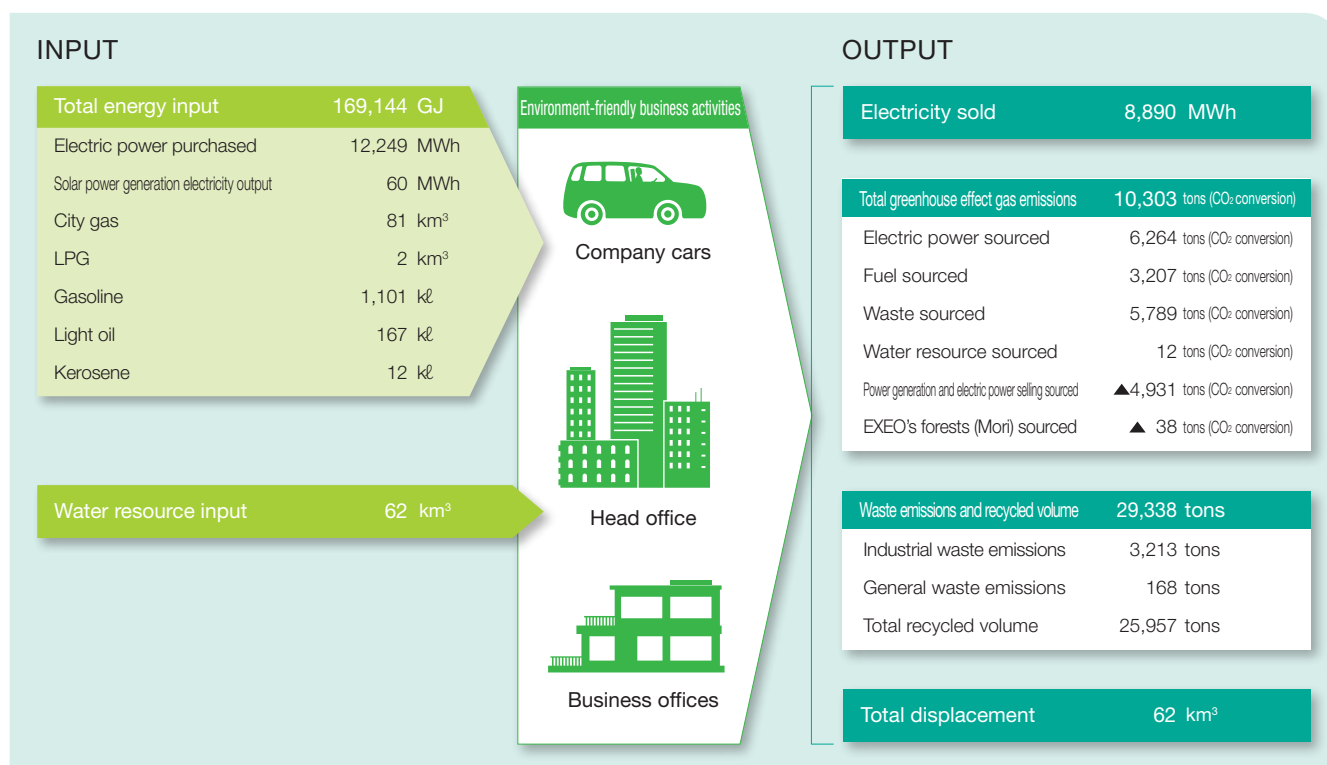
● Development of the solar power generation business

To promote the use of green energy, the Company has been involved in the solar power generation business and will continue to do so.



Fiscal 2015 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.



● The Company's CSR initiatives (nonconsolidated; environment/society-related), fiscal 2015 targets and full-year results of activities and fiscal 2016 activity targets

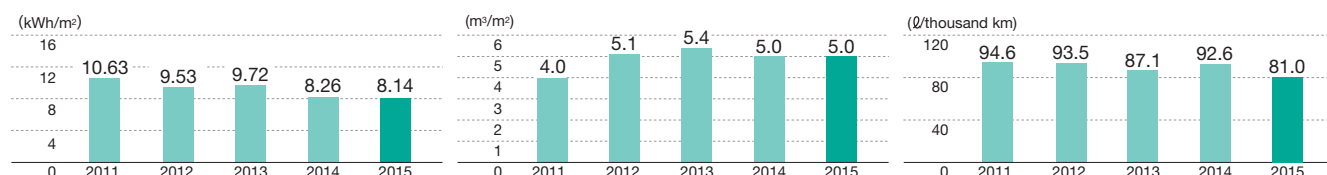
Measures taken		Content of specific initiative	Fiscal 2015 targets and full-year results of activities
Reduction in CO ₂ emissions	①Reduction in power consumption Set power consumption management targets. Work to precisely grasp the monthly management of power consumption values	(On the basis of medium-term planning based on the revised Energy Conservation Law) ● Monthly management of total power consumption ● Turning off lights during break time, room temperature setting and 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)	Activity targets 1) Reduction in power used Against fiscal 2009: A 1% reduction every year for five consecutive years toward a cumulative total of 5% or more in accordance with the Energy Conservation Law has already been achieved, but we continue to set a target of a 1% reduction year over year. [Target: 8.18 kWh/m ²] 2) Restriction on peak power used Voluntary targets are set to meet the government's electricity-saving request in summer Against fiscal 2010: ● Hokkaido Electric Power's jurisdiction ▲ 7.0% ● Tokyo Electric Powers' jurisdiction ▲13.0% ● Kansai and Kyushu Electric Powers' jurisdictions ▲10.0% ● Other Electric Powers' jurisdictions ▲ 6.0%
	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 efficiency ● Study on partial introduction of hybrid and idling-stop vehicles ● Eco-driving education ● Reduction in the number of vehicles owned ● Expanded introduction of "telematics" (Already introduced by the Tohoku and Kyushu branches) ● Promoted introduction of electric vehicles	Gasoline used A 1% reduction year over year [Target: 1,361 thousand l]
	③Use of green energy Promote the use of solar power generation systems, etc.	● Review of implementing solar power generation systems on company-owned buildings ● Continued participation in the solar power generation business ● Maintenance of EXEO's forests	Planned plant installations: June 2015: Ishioka-shi, Ibaraki Prefecture 834kW July 2015: Omitama-shi, Ibaraki Prefecture 1,175kW August 2015: Amagasaki-shi, Hyogo Prefecture 126kW January 2015: Matsue-shi, Shimane Prefecture 2,200kW
Reduction in general waste	④Reduction in paper consumption Take paperless-oriented initiatives to reduce paper consumption volume	● Investigated the status of paper use (Data on the volume of paper used at all-in-one printers are managed) ● Promoted storage via the digitization of materials	● Investigated the status of paper use Abolish the use of the file meter. For all-in-one printers, paper consumption is managed by recording the number of pieces of paper used. ● Promote storage via the digitization of materials ● Reduce the volume of documents for use at conferences; Promote the paperless office
Initiatives of promoting greenery of buildings	⑤Promotion of rooftop greening	● Studied the possibility targeted at permanently owned company assets	Continue voluntary efforts at each office/center
	⑥Promotion of greenery within the premises	● Studied the possibility at parking lots on company-owned premises	
Improvement of the green purchasing ratio		● Set the target ratios of purchasing eco-products (except those used for construction/installation)	Target ratio of purchasing eco-products The fiscal 2015 target has not been achieved, so the target remains the same. [Target: 61.8%]

Fiscal 2015 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)

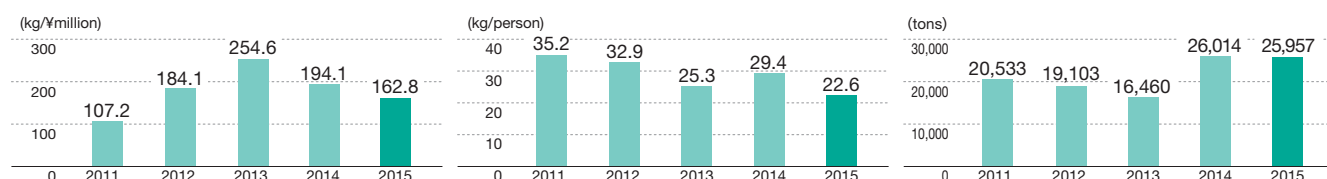


Promotion of Recycling and Effective Utilization of Resources

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

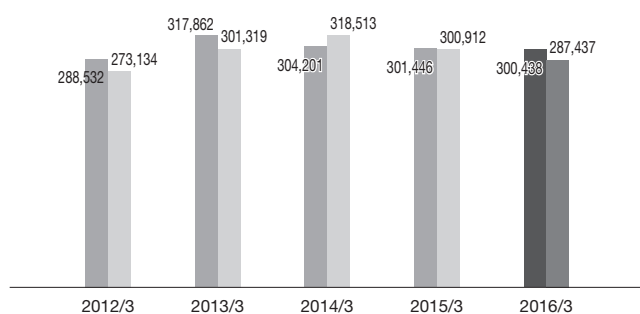


Results of activities	Fiscal 2016 activity targets
1) Power used [8.14kWh/m²] ▲1.4% year over year Fiscal 2014 (full year): 8.26 kWh/m²	1) Power used A 1% reduction year over year [Target: 8.06 kWh/m²]
2) Restriction on peak power used Against fiscal 2010: ● Hokkaido Electric Power's jurisdiction ▲18.0% ● Tokyo Electric Powers' jurisdiction ▲10.8% ● Kansai Electric Powers' jurisdiction + 1.7% ● Kyushu Electric Powers' jurisdiction ▲16.5% ● Other Electric Powers' jurisdictions + 5.7%	1) Restriction on peak power used Voluntary targets based on the government's expectation of electricity saving in summer Against fiscal 2010: ● Tokyo Electric Powers' jurisdiction ▲13.0% ● Kansai Electric Powers' jurisdiction ▲12.0% ● Other Electric Powers' jurisdictions ▲10.0%
Gasoline used [1,268 thousand l] (▲8% year over year Fiscal 2014: 1,374 thousand l)	Gasoline used A 1% reduction year over year [Target; 1,255 thousand l]
Power generation started at five locations: June 2015: Ishioka-shi, Ibaraki Prefecture 834kW July 2015: Omitama-shi, Ibaraki Prefecture 1,175kW July 2015: Amagasaki-shi, Hyogo Prefecture 126kW November 2015: Matsue-shi, Shimane Prefecture 2,200kW February 2016: Nirasaki-shi, Yamanashi Prefecture 1,177kW	Planned plant installations: April 2016: Kumage-gun, Yamaguchi Prefecture 1,246kW July 2016: Nirasaki-shi, Yamanashi Prefecture 1,272kW October 2016: Togane-shi, Chiba Prefecture 2,600kW October 2016: Kofu-shi, Yamanashi Prefecture 1,092kW
Number of pieces of paper purchased [50.17 million] (▲ 4% year over year Fiscal 2014: 52.24 million)	● Number of pieces of paper purchased A 1% reduction year over year [Target: 49.67 million] ● Promote storage via the digitization of materials ● Reduce the volume of documents for use at conferences; Promote the paperless office
● Koshin Branch Office. (1) Continued the hydroponic cultivation of leaf vegetables using LEDs. (2) Continued the cultivation of shitake mushrooms (200 mushroom logs). (3) Continued the cultivation of plants at a rooftop area shaded by solar panels. ● Kansai Branch office, July 2015: Greening of the space on the inside of the outer walls at the Hyogo Technology Center	○ Continue voluntary efforts at each office/center
Target ration of purchasing eco-products [53.8%] (Group companies except the Company 64.5% the entire Group 58.3%)	△ Target ratio of purchasing eco-products The fiscal 2015 target has not been achieved, so the target remains the same. [Target: 61.8%]

Financial Highlights (Consolidated)

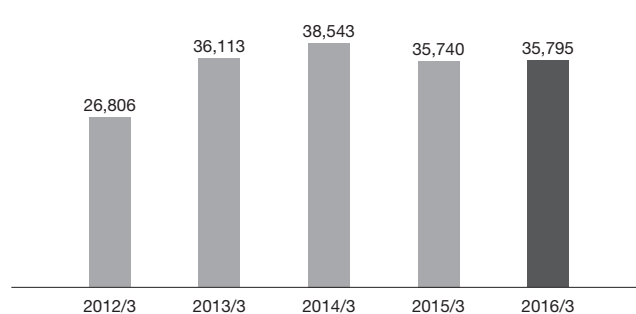
■ Orders Received ■ Net Sales

(¥Millions)



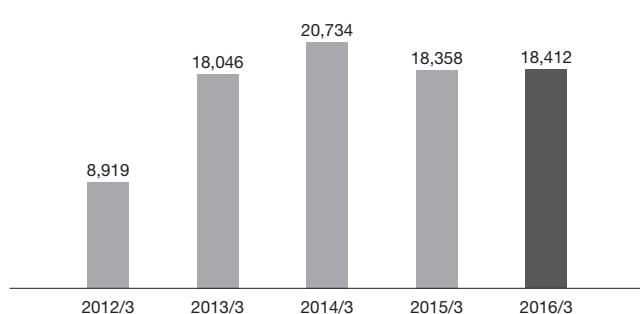
■ Gross Profit

(¥Millions)



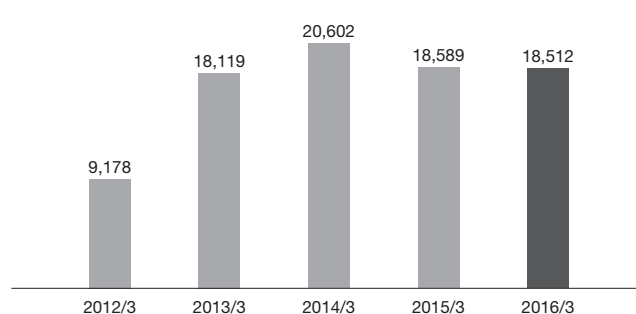
■ Operating Income

(¥Millions)



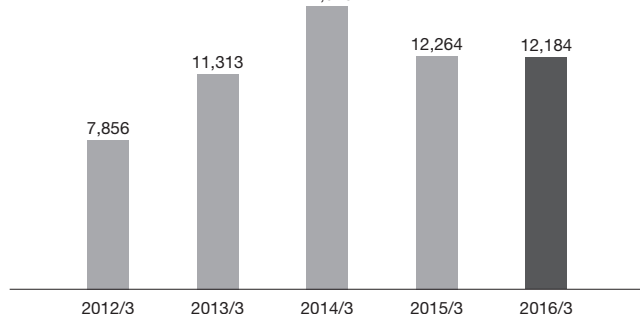
■ Ordinary Income

(¥Millions)



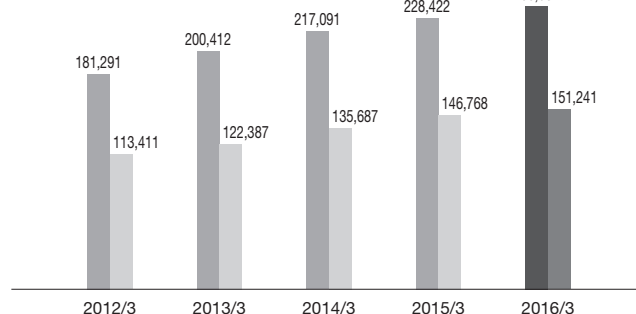
■ Profit attributable to owners of parent

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)



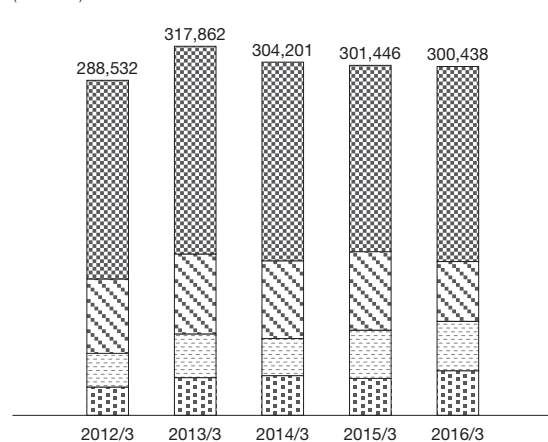
(¥Millions)

	2012/3	2013/3	2014/3	2015/3	2016/3
Orders Received	288,532	317,862	304,201	301,446	300,438
Net Sales	273,134	301,319	318,513	300,912	287,437
Gross Profit	26,806	36,113	38,543	35,740	35,795
Operating Income	8,919	18,046	20,734	18,358	18,412
Ordinary Income	9,178	18,119	20,602	18,589	18,512
Profit attributable to owners of parent	7,856	11,313	14,910	12,264	12,184
Total Assets	181,291	200,412	217,091	228,422	238,301
Net Assets	113,411	122,387	135,687	146,768	151,241

Trends by Segment (Consolidated)

Orders Received by Business Segment (Consolidated)

(¥Millions)

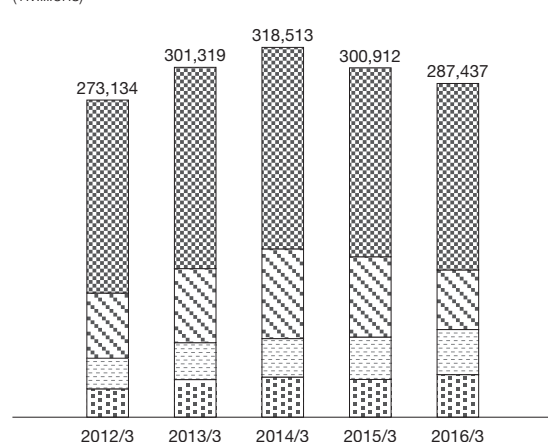


Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

	2012/3	2013/3	2014/3	2015/3	2016/3
Telecommunications infrastructure (NTT group engineering)	171,061	178,869	171,084	160,375	167,963
Telecommunications infrastructure (Non-NTT telecom engineering)	64,075	68,838	66,934	67,685	51,506
Environmental and social infrastructure	28,991	37,659	31,883	41,578	42,527
SYSTEM-SOLUTIONS	24,404	32,494	34,299	31,807	38,443
Total	288,532	317,862	304,201	301,446	300,438

Net Sales by Business Segment (Consolidated)

(¥Millions)

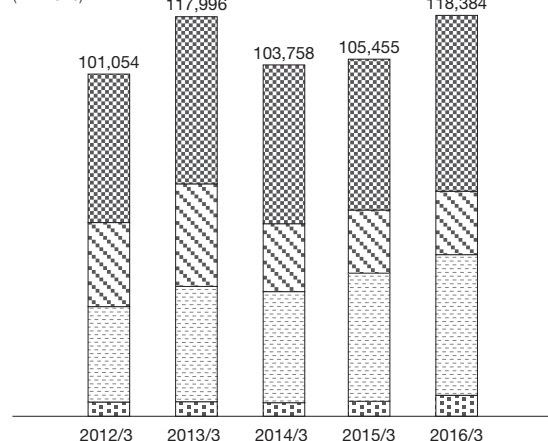


Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

	2012/3	2013/3	2014/3	2015/3	2016/3
Telecommunications infrastructure (NTT group engineering)	166,199	173,321	173,544	162,729	160,587
Telecommunications infrastructure (Non-NTT telecom engineering)	56,114	63,801	77,259	69,139	51,349
Environmental and social infrastructure	26,399	31,795	33,117	36,537	38,840
SYSTEM-SOLUTIONS	24,420	32,401	34,592	32,506	36,661
Total	273,134	301,319	318,513	300,912	287,437

Outstanding Orders by Business Segment (Consolidated)

(¥Millions)



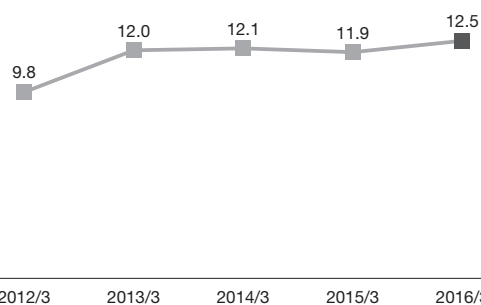
Telecommunications infrastructure (NTT group engineering)
 Telecommunications infrastructure (Non-NTT telecom engineering)
 Environmental and social infrastructure SYSTEM-SOLUTIONS

	2012/3	2013/3	2014/3	2015/3	2016/3
Telecommunications infrastructure (NTT group engineering)	43,854	49,352	46,893	44,539	51,915
Telecommunications infrastructure (Non-NTT telecom engineering)	24,812	30,301	20,051	18,653	18,738
Environmental and social infrastructure	28,168	34,031	32,796	37,838	41,525
SYSTEM-SOLUTIONS	4,218	4,310	4,016	4,424	6,205
Total	101,054	117,996	103,758	105,455	118,384

Profitability Indices (Consolidated)

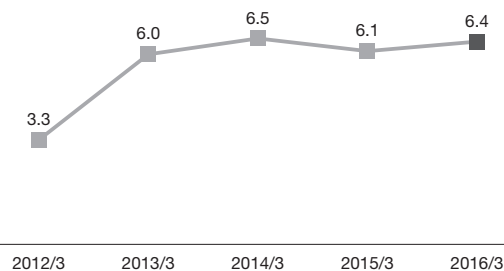
■ Gross Profit to Net Sales

(%)



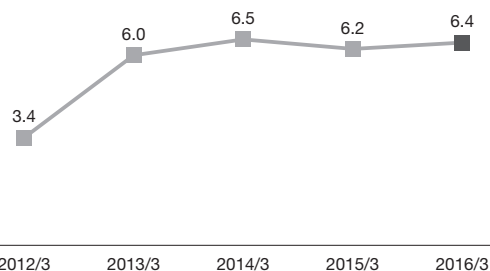
■ Operating Income to Net Sales

(%)



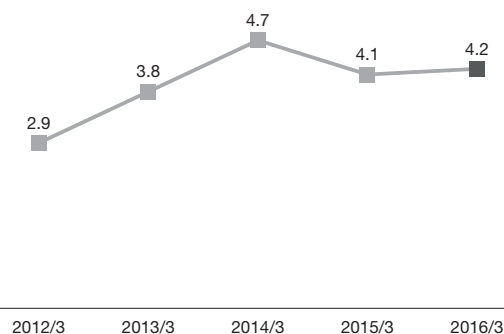
■ Ordinary Income to Net Sales

(%)



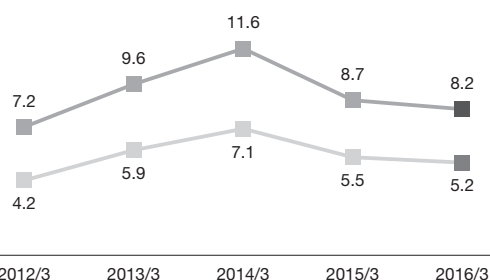
■ Profit Attributable to Owners of Parent to Net Sales

(%)



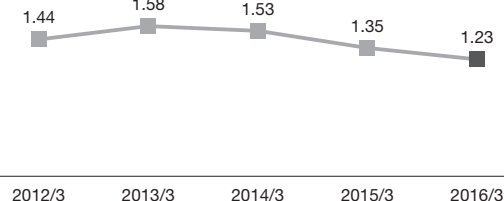
■ Return on Equity ■ Return on Assets

(%)



■ Total Assets Turnover

(Times)



	2012/3	2013/3	2014/3	2015/3	2016/3
Gross Profit to Net Sales (%)	9.8	12.0	12.1	11.9	12.5
Operating Income to Net Sales (%)	3.3	6.0	6.5	6.1	6.4
Ordinary Income to Net Sales (%)	3.4	6.0	6.5	6.2	6.4
Profit Attributable to Owners of Parent to Net Sales (%)	2.9	3.8	4.7	4.1	4.2
Return on Equity (%)	7.2	9.6	11.6	8.7	8.2
Return on Assets (%)	4.2	5.9	7.1	5.5	5.2
Total Assets Turnover (Times)	1.44	1.58	1.53	1.35	1.23

Stability Indices (Consolidated)

■ Shareholders' Equity to Total Assets

(%)



2012/3 2013/3 2014/3 2015/3 2016/3

■ Current Ratio

(%)



2012/3 2013/3 2014/3 2015/3 2016/3

■ Quick Assets to Current Liabilities

(%)



2012/3 2013/3 2014/3 2015/3 2016/3

■ Fixed Assets Ratio

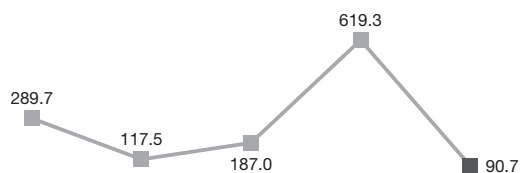
(%)



2012/3 2013/3 2014/3 2015/3 2016/3

■ Interest Coverage Ratio

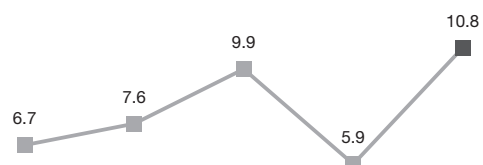
(Times)



2012/3 2013/3 2014/3 2015/3 2016/3

■ Debt Equity Ratio

(%)



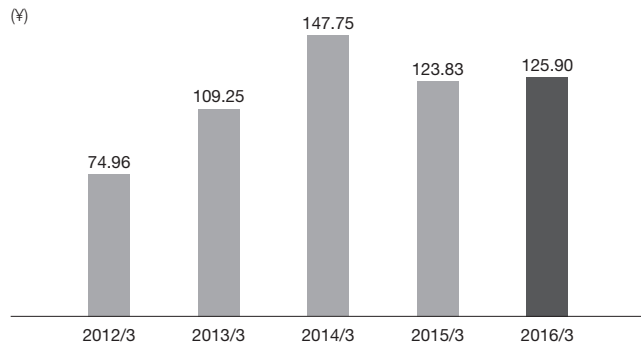
2012/3 2013/3 2014/3 2015/3 2016/3

	2012/3	2013/3	2014/3	2015/3	2016/3
Shareholders' Equity to Total Assets (%)	62.4	60.9	62.3	64.0	63.3
Current Ratio (%)	215.0	206.4	206.3	217.5	191.0
Quick Assets to Current Liabilities (%)	164.3	157.8	162.6	170.8	151.4
Fixed Assets Ratio (%)	57.7	56.2	58.7	61.3	66.6
Interest Coverage Ratio (Times)	289.7	117.5	187.0	619.3	90.7
Debt Equity Ratio (%)	6.7	7.6	9.9	5.9	10.8

Stock Price Indices (Consolidated)

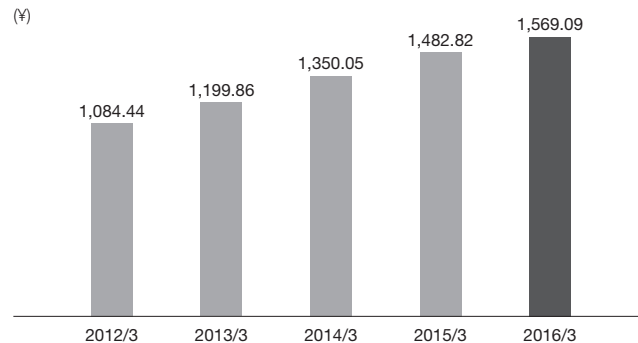
■ Earnings Per Share

(¥)



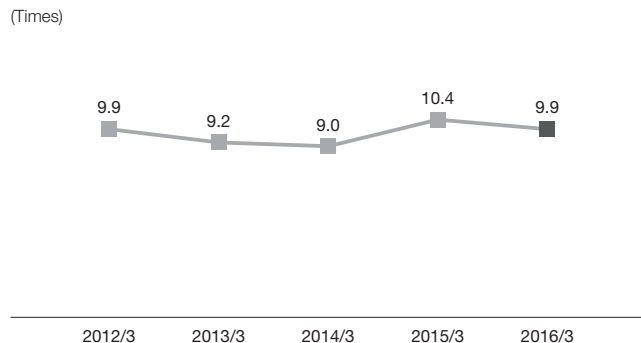
■ Book-value Per Share

(¥)



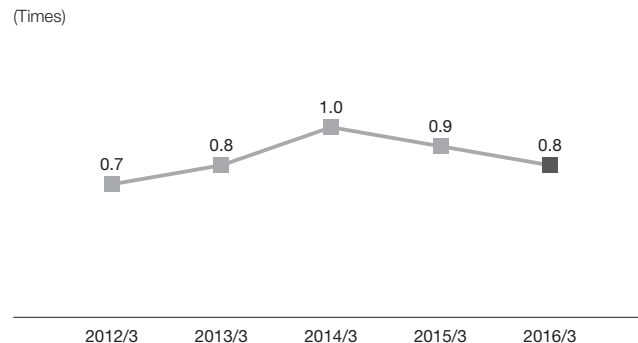
■ Price Earnings Ratio

(Times)



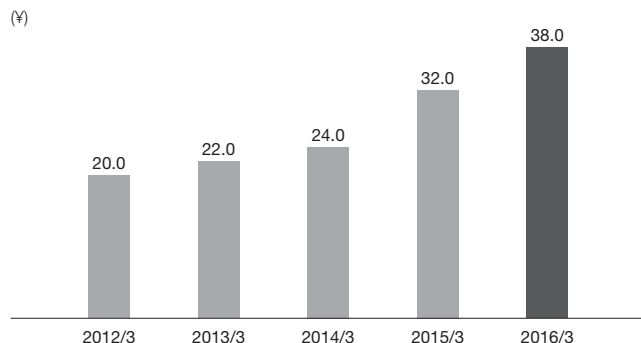
■ Price Book-value Ratio

(Times)



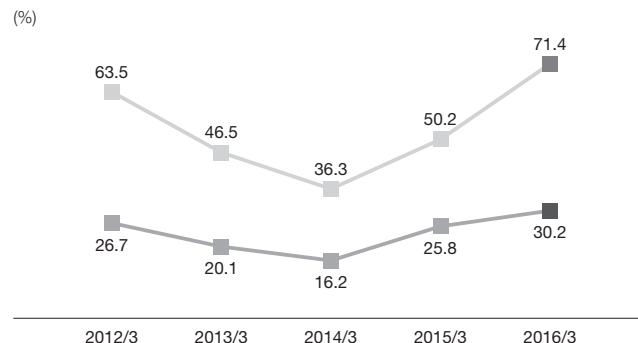
■ Cash Dividends Per Share

(¥)



■ Payout Ratio ■ Total Shareholder Return Ratio

(%)

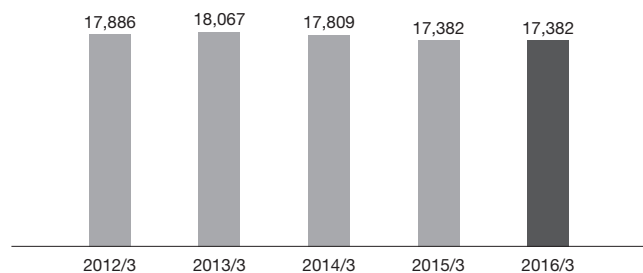


	2012/3	2013/3	2014/3	2015/3	2016/3
Earnings Per Share (yen)	74.96	109.25	147.75	123.83	125.90
Book-value Per Share (yen)	1,084.44	1,199.86	1,350.05	1,482.82	1,569.09
Price Earnings Ratio (Times)	9.9	9.2	9.0	10.4	9.9
Price Book-value Ratio (Times)	0.7	0.8	1.0	0.9	0.8
Cash Dividends Per Share (yen)	20.0	22.0	24.0	32.0	38.0
Payout Ratio (%)	26.7	20.1	16.2	25.8	30.2
Total Shareholder Return Ratio (%)	63.5	46.5	36.3	50.2	71.4

Other Indices (Consolidated)

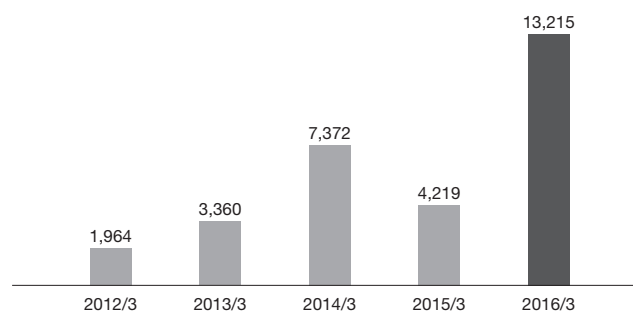
■ Selling, General and Administrative Expenses

(¥Millions)



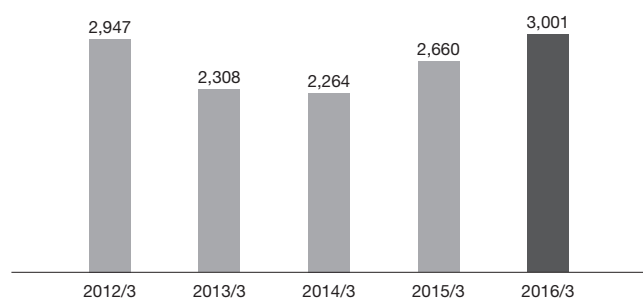
■ Capital Expenditures

(¥Millions)



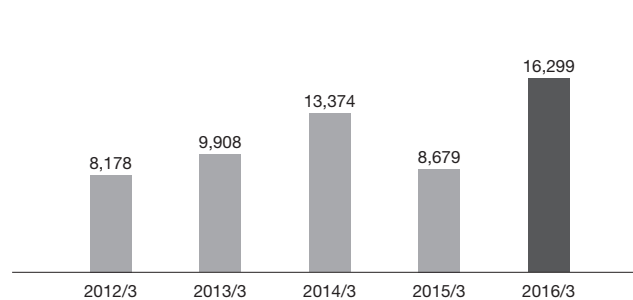
■ Depreciation Expenses

(¥Millions)



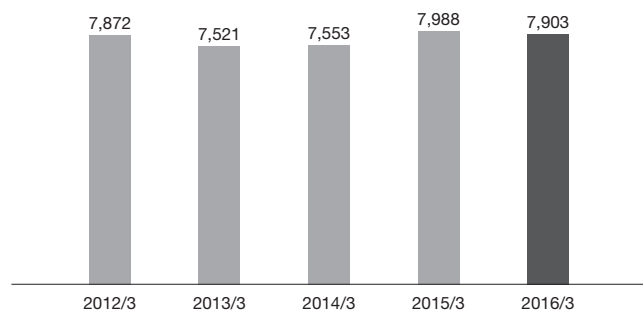
■ Interest-bearing Debt

(¥Millions)



■ Number of employees

(People)



	2012/3	2013/3	2014/3	2015/3	2016/3
Selling, General and Administrative Expenses (¥Millions)	17,886	18,067	17,809	17,382	17,382
Capital Expenditures (¥Millions)	1,964	3,360	7,372	4,219	13,215
Depreciation Expenses (¥Millions)	2,947	2,308	2,264	2,660	3,001
Interest-bearing Debt (¥Millions)	8,178	9,908	13,374	8,679	16,299
Number of employees (People)	7,872	7,521	7,553	7,988	7,903

Consolidated Balance Sheets

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
ASSETS					
Current assets	116,010	131,906	137,656	138,813	137,950
Cash and deposits	5,849	8,306	10,293	12,526	16,244
Notes receivable, accounts receivable from completed construction contracts	76,311	86,245	92,307	84,691	93,055
Short-term investment securities	6,515	6,315	5,919	11,765	91
Costs on uncompleted construction contracts and other	21,799	24,082	22,521	22,010	21,515
Deferred tax assets	2,971	4,037	4,131	4,976	3,355
Other current assets	2,632	2,995	2,548	2,903	3,688
Allowance for doubtful accounts	(68)	(77)	(65)	(60)	(1)
Noncurrent Assets	65,280	68,505	79,434	89,609	100,350
Property, plant and equipment	47,736	47,707	50,767	52,005	59,830
Buildings and structures	16,975	16,528	17,541	17,732	20,615
Machinery, vehicles, tools, furniture and fixtures	887	727	1,700	2,408	4,043
Land	29,319	29,364	30,923	30,342	34,370
Other property and equipment	553	1,087	601	1,521	801
Intangible assets	4,938	4,658	4,894	6,278	6,477
goodwill	3,294	2,621	1,940	3,065	1,983
Other intangible assets	1,644	2,036	2,953	3,213	4,494
Investments and other assets	12,605	16,139	23,773	31,325	34,043
Investment securities	6,872	9,847	13,991	16,896	17,777
Net defined benefit asset	—	—	7,575	11,774	13,467
Deferred tax assets	617	916	—	—	—
Other investments and other assets	7,363	6,820	4,053	4,474	4,161
Allowance for doubtful accounts	(2,248)	(1,444)	(1,846)	(1,819)	(1,363)
Total assets	181,291	200,412	217,091	228,422	238,301
LIABILITIES					
Current liabilities	53,957	63,916	66,720	63,819	72,241
Notes payable, accounts payable for construction contracts	31,025	35,553	35,089	35,193	37,629
Short-term loans payable	1,237	3,563	7,550	2,180	13,336
Income taxes payable	3,809	6,663	5,441	1,964	2,562
Advances received on uncompleted construction contracts	4,400	1,662	1,971	2,248	3,255
Provision for bonuses	562	1,029	1,039	1,049	1,124
Provision for directors' bonuses	105	127	142	173	138
Provision for warranties for completed construction	704	405	359	296	907
Provision for loss on construction contracts	246	269	824	5,456	258
Provision for asset retirement	—	101	—	—	—
Provision for Loss on dissolved welfare pension fund	—	—	123	123	76
Other current liabilities	11,864	14,540	14,178	15,134	12,952
Noncurrent liabilities	13,922	14,107	14,683	17,834	14,818
Long-term loans payable	6,310	5,694	5,367	5,974	2,413
Deferred tax liabilities	1,042	2,131	3,532	5,732	5,557
Provision for retirement benefits	4,875	4,705	—	—	—
Provision for directors' retirement benefits	410	392	397	262	244
Allowance for investment loss	102	93	48	17	95
Net defined benefit liability	—	—	4,456	4,682	4,809
Other noncurrent liabilities	1,182	1,090	881	1,163	1,697
Total liabilities	67,879	78,024	81,404	81,653	87,060
NET ASSETS					
Shareholders' Equity	112,170	119,077	129,868	134,696	139,922
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,230	6,300	6,645	6,879	7,939
Retained earnings	109,067	118,296	130,822	137,957	147,004
Treasury stock	(10,016)	(12,408)	(14,487)	(17,029)	(21,910)
Accumulated other comprehensive income	1,002	2,904	5,446	11,579	10,821
Valuation difference on available-for-sale securities	1,002	2,895	3,631	5,157	4,121
Foreign currency translation adjustment	—	9	21	35	28
Remeasurements of defined benefit plans	—	—	1,794	6,386	6,671
Subscription rights to shares	217	231	175	263	241
Non-controlling interests	19	174	195	229	255
Total net assets	113,411	122,387	135,687	146,768	151,241
Total liabilities and net assets	181,291	200,412	217,091	228,422	238,301

Consolidated Statements of Income

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
Net sales	273,134	301,319	318,513	300,912	287,437
Cost of sales	246,327	265,205	279,969	265,171	251,642
Gross profit	26,806	36,113	38,543	35,740	35,795
Selling, general and administrative expenses	17,886	18,067	17,809	17,382	17,382
Operating income	8,919	18,046	20,734	18,358	18,412
Non-operating income	1,310	1,845	1,083	1,254	1,438
Interest income	37	39	20	26	21
Dividends income	284	170	173	243	266
Foreign exchange gains	—	364	73	438	—
Reversal of allowance for doubtful accounts	—	—	122	—	441
Land and house rent received	181	186	146	146	157
Gain on sales of non-current assets	—	—	—	—	261
Other	806	1,084	547	399	289
Non-operating expenses	1,051	1,772	1,215	1,024	1,338
Interest expenses	60	59	51	52	57
Loss on sales of noncurrent assets	—	—	163	313	138
Loss on retirement of noncurrent assets	84	224	—	—	—
Foreign exchange losses	—	—	—	—	397
Impairment loss	196	545	318	208	—
Provision for bonuses	—	265	—	—	—
Loss on liquidation of subsidiaries	—	231	—	—	—
Provision of allowance for Loss on dissolved welfare pension fund	—	—	123	—	—
Other	709	445	558	449	745
Ordinary income	9,178	18,119	20,602	18,589	18,512
Extraordinary income	2,863	—	3,797	1,180	—
Gain on negative goodwill	2,660	—	—	—	—
Gain on reversal of subscription rights to shares	203	—	—	—	—
Gain on sales of noncurrent assets	—	—	2,238	1,180	—
Gain on bad debts recovered	—	—	1,559	—	—
Extraordinary loss	—	—	571	—	—
Reversal of allowance for doubtful accounts	—	—	571	—	—
Income before income taxes and minority interests	12,041	18,119	23,828	19,769	18,512
Income taxes-current	4,199	8,192	8,837	6,823	4,203
Income taxes-deferred	145	(1,405)	76	669	2,086
Total income taxes	4,344	6,786	8,914	7,493	6,290
Net income	7,697	11,332	14,914	12,276	12,222
Profit attributable to non-controlling interests	(158)	19	4	11	37
Profit attributable to owners of parent	7,856	11,313	14,910	12,264	12,184

Consolidated Statements of Comprehensive Income

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
Net income	7,697	11,332	14,914	12,276	12,222
Other comprehensive income					
Valuation difference on available-for-sale securities	371	1,892	735	1,526	(1,035)
Foreign currency translation adjustment	—	22	29	36	(18)
Remeasurements of defined benefit plans	—	—	—	4,592	285
Total accumulated other comprehensive income	371	1,915	765	6,154	(769)
Comprehensive income	8,068	13,247	15,680	18,430	11,452
Breakdown					
Comprehensive income attributable to owners of the parent	8,219	13,214	15,658	18,397	11,426
Comprehensive income attributable to non-controlling interests	(150)	33	21	33	26

Consolidated Statements of Changes in Net Assets

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
Shareholders' equity					
Capital stock					
Balance at the beginning of current period	6,888	6,888	6,888	6,888	6,888
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	6,097	6,230	6,300	6,645	6,879
Changes of items during the period					
Disposal of treasury stock	133	69	324	234	1,060
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	133	69	344	234	1,060
Balance at the end of current period	6,230	6,300	6,645	6,879	7,939
Retained earnings					
Balance at the beginning of current period	103,315	109,067	118,296	130,822	137,957
Cumulative effects of changes in accounting policies	—	—	—	(2,352)	—
Changes of items during the period					
Dividends from surplus	(2,103)	(2,084)	(2,429)	(2,776)	(3,137)
Profit attributable to owners of parent	7,856	11,313	14,910	12,264	12,184
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	5,752	9,228	12,525	9,487	9,047
Balance at the end of current period	109,067	118,296	130,822	137,957	147,004
Treasury stock					
Balance at the beginning of current period	(10,758)	(10,016)	(12,408)	(14,487)	(17,029)
Changes of items during the period					
Purchase of treasury stock	(2,691)	(3,000)	(3,003)	(3,002)	(5,002)
Disposal of the treasury stock	3,464	608	924	460	2,057
Acquisition of own shares via trust	—	—	—	—	(2,600)
Transfer of own shares via trust	—	—	—	—	664
Change of scope of consolidation	(31)	—	—	—	—
Total changes of items during the period	741	(2,392)	(2,079)	(2,542)	(4,880)
Balance at the end of current period	(10,016)	(12,408)	(14,487)	(17,029)	(21,910)
Total shareholders' equity					
Balance at the beginning of current period	105,543	112,170	119,077	129,868	134,696
Cumulative effects of changes in accounting policies	—	—	—	(2,352)	—
Changes of items during the period					
Dividends from surplus	(2,103)	(2,084)	(2,429)	(2,776)	(3,137)
Profit attributable to owners of parent	7,856	11,313	14,910	12,264	12,184
Purchase of treasury stock	(2,691)	(3,000)	(3,003)	(3,002)	(5,002)
Disposal of the treasury stock	3,597	678	1,249	694	3,117
Acquisition of own shares via trust	—	—	—	—	(2,600)
Transfer of own shares via trust	—	—	—	—	664
Change of scope of consolidation	(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	6,627	6,906	10,791	7,179	5,226
Balance at the end of current period	112,170	119,077	129,868	134,696	139,922
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities					
Balance at the beginning of current period	639	1,002	2,895	3,631	5,157
Changes of items during the period					
Net changes of items other than shareholders' equity	363	1,892	736	1,525	(1,036)
Total changes of items during the period	363	1,892	736	1,525	(1,036)
Balance at the end of current period	1,002	2,895	3,631	5,157	4,121
Foreign currency translation adjustment					
Balance at the beginning of current period	—	—	9	21	35
Changes of items during the period					
Net changes of items other than shareholders' equity	—	9	11	14	(7)
Total changes of items during the period	—	9	11	14	(7)
Balance at the end of current period	—	9	21	35	28
Remeasurements of defined benefit plans					
Balance at the beginning of current period	—	—	—	1,794	6,386
Changes of items during the period					
Net changes of items other than shareholders' equity	—	—	1,794	4,592	285
Total changes of items during the period	—	—	1,794	4,592	285
Balance at the end of current period	—	—	1,794	6,386	6,671
Total accumulated other comprehensive income					
Balance at the beginning of current period	639	1,002	2,904	5,446	11,579
Change of items during the period					
Net changes of items other than shareholders' equity	363	1,901	2,542	6,132	(758)
Total changes of items during the period	363	1,901	2,542	6,132	(758)
Balance at the end of current period	1,002	2,904	5,446	11,579	10,821
Subscription rights to shares					
Balance at the beginning of current period	361	217	231	175	263
Changes of items during the period					
Net changes of items other than shareholders' equity	(143)	13	(56)	88	(22)
Total changes of items during the period	(143)	13	(56)	88	(22)
Balance at the end of current period	217	231	175	263	241
Minority interests					
Balance at the beginning of current period	5,687	19	174	195	229
Changes of items during the period					
Net changes of items other than shareholders' equity	(5,668)	155	21	33	26
Total changes of items during the period	(5,668)	155	21	33	26
Balance at the end of current period	19	174	195	229	255
Total net assets					
Balance at the beginning of current period	112,232	113,411	122,387	135,687	146,768
Cumulative effects of changes in accounting policies	—	—	—	(2,352)	—
Changes of items during the period					
Dividends from surplus	(2,103)	(2,084)	(2,429)	(2,776)	(3,137)
Profit attributable to owners of parent	7,856	11,313	14,910	12,264	12,184
Purchase of treasury stock	(2,691)	(3,000)	(3,003)	(3,002)	(5,002)
Disposal of treasury stock	3,597	678	1,249	694	3,117
Acquisition of own shares via trust	—	—	—	—	(2,600)
Transfer of own shares via trust	—	—	—	—	664
Change of scope of consolidation	(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	(5,448)	2,070	2,507	6,254	(754)
Total changes of items during the period	1,179	8,976	13,299	13,434	4,472
Balance at the end of current period	113,411	122,387	135,687	146,768	151,241

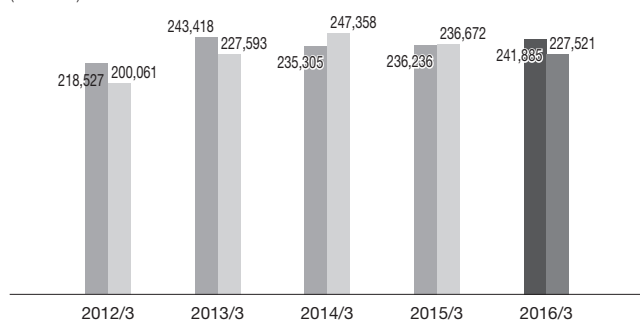
Consolidated Statements of Cash Flows

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
Net cash provided by (used in) operating activities	16,435	7,160	9,888	23,167	5,389
Income before income taxes and minority interests	12,041	18,119	23,828	19,769	18,512
Depreciation and amortization	2,947	2,308	2,264	2,660	2,857
Impairment loss	196	545	318	208	71
Amortization of goodwill	215	678	688	849	1,082
Increase (decrease) in allowance for doubtful accounts	(201)	(796)	388	(32)	(514)
Increase (decrease) in provision for retirement benefits	93	(169)	(4,705)	—	—
Increase (decrease) in provision for bonuses	47	466	10	(347)	75
Increase (decrease) in provision for loss on construction contracts	—	—	555	4,631	(5,197)
Increase (decrease) in net defined benefit asset (liability)	—	—	(470)	(2,004)	(1,339)
Interest and dividends income	(322)	(209)	(193)	(270)	(288)
Interest expenses	60	59	51	52	57
Loss (gain) on sales of noncurrent assets	—	—	(2,074)	(867)	(122)
Decrease (increase) in notes and accounts receivable-trade	6,951	(9,842)	(6,008)	8,095	(8,419)
Decrease (increase) in costs on uncompleted construction contracts and other	3,931	(2,214)	1,581	877	487
Decrease (increase) in other operating assets	836	(3)	4,343	(623)	(423)
Increase (decrease) in notes and accounts payable-trade	(4,579)	4,516	(473)	(454)	2,438
Increase (decrease) in advances received on uncompleted construction contracts	612	(2,738)	308	277	1,006
Increase (decrease) in other operating liabilities	485	1,810	(384)	189	(2,061)
Other, net	(2,442)	(145)	(10)	44	482
Sub-total	20,875	12,385	20,015	33,055	8,705
Interest and dividends income received	321	208	195	270	288
Interest expenses paid	(56)	(60)	(52)	(37)	(59)
Income taxes paid	(4,704)	(5,373)	(10,269)	(10,121)	(3,545)
Net cash provided by (used in) investing activities	(4,523)	(2,160)	(7,477)	(2,828)	(13,907)
Purchase of property and equipment	(1,545)	(2,359)	(5,575)	(3,434)	(10,467)
Proceeds from sales of property, plant and equipment	496	426	2,890	1,990	1,533
Purchase of intangible assets	(590)	(430)	(2,002)	(612)	(2,137)
Purchase of investment securities	(36)	(565)	(3,233)	(738)	(2,570)
Proceeds from sales of investment securities	317	720	309	203	10
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,752)	—	—	(361)	—
Payments of loans receivable	(173)	(267)	(17)	—	(30)
Collection of loans receivable	236	125	119	109	4
Payments into time deposits and other	—	—	—	—	(298)
Other, net	522	190	31	16	49
Net cash provided by (used in) financing activities	(17,533)	(3,038)	(905)	(12,343)	313
Net increase (decrease) in short-term loans payable	(2,015)	2,450	4,000	(6,799)	5,703
Repayment of long-term loans payable	(1,114)	(739)	(340)	(124)	(708)
Proceeds from long-term loans payable	5,000	—	—	—	2,600
Redemption of bonds	(15,180)	—	—	(110)	—
Purchase of treasury stock	(2,691)	(3,000)	(3,003)	(3,002)	(5,002)
Proceeds from sales of treasury stock	829	580	1,127	669	3,008
Acquisition of own shares via trust	—	—	—	—	(2,600)
Transfer of own shares via trust	—	—	—	—	664
Cash dividends paid	(2,104)	(2,083)	(2,429)	(2,777)	(3,133)
Other, net	(258)	(244)	(259)	(199)	(218)
Effect of exchange rate change on cash and cash equivalents	(10)	32	43	83	(49)
Net increase (decrease) in cash and cash equivalents	(5,631)	1,993	1,548	8,078	(8,254)
Cash and cash equivalents at beginning of period	17,634	12,304	14,611	16,213	24,291
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	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	12,304	14,611	16,213	24,291	16,037

Financial Highlights (Non-consolidated)

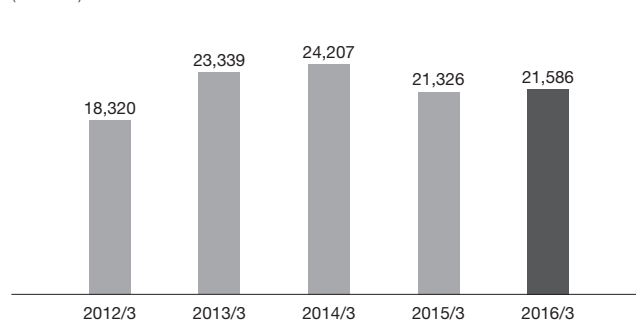
■ Orders Received ■ Net Sales

(¥Millions)



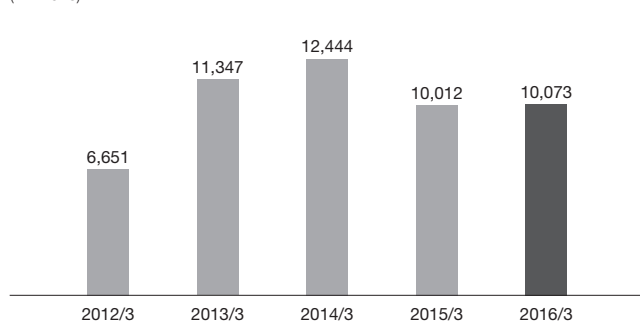
■ Gross Profit

(¥Millions)



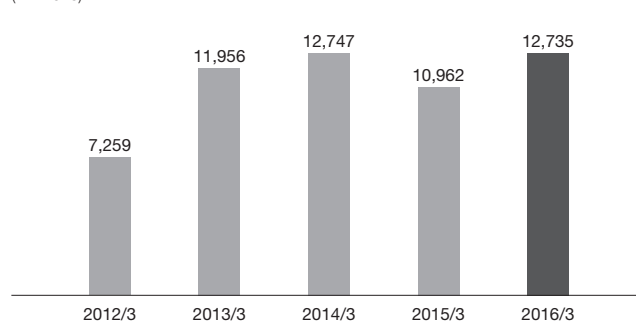
■ Operating Income

(¥Millions)



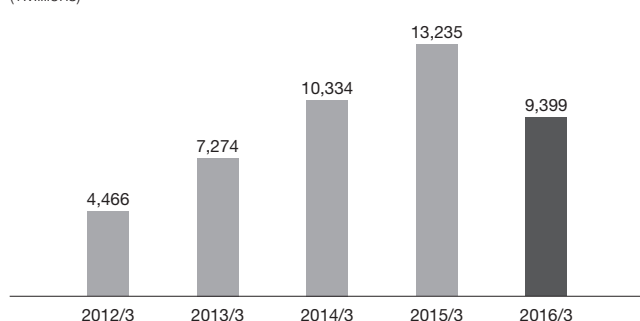
■ Ordinary Income

(¥Millions)



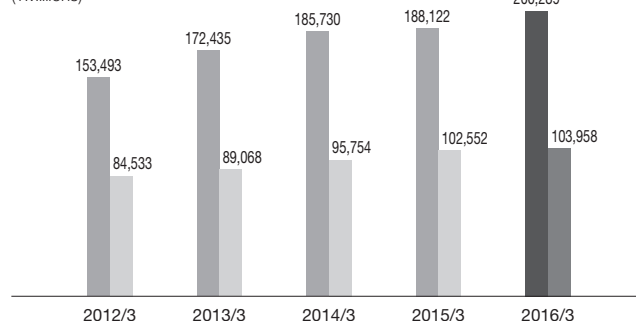
■ Net Income

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)

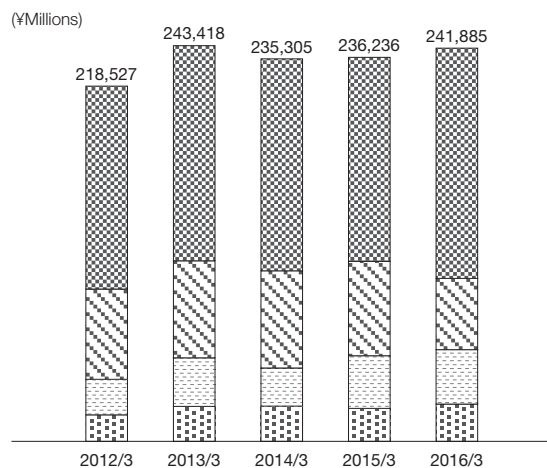


(¥Millions)

	2012/3	2013/3	2014/3	2015/3	2016/3
Orders Received	218,527	243,418	235,305	236,236	241,885
Net Sales	200,061	227,593	247,358	236,672	227,521
Gross Profit	18,320	23,339	24,207	21,326	21,586
Operating Income	6,651	11,347	12,444	10,012	10,073
Ordinary Income	7,259	11,956	12,747	10,962	12,735
Net Income	4,466	7,274	10,334	13,235	9,399
Total Assets	153,493	172,435	185,730	188,122	200,289
Net Assets	84,533	89,068	95,754	102,552	103,958

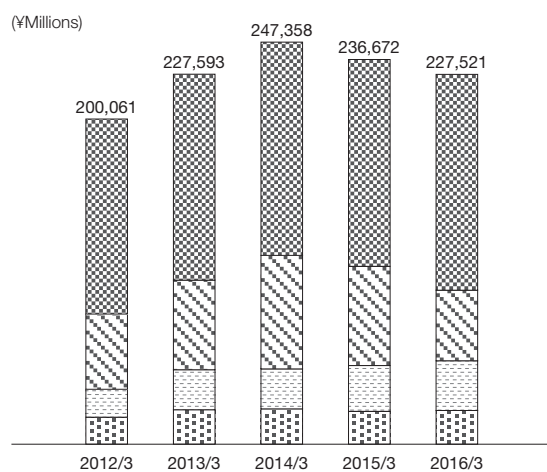
Trends by Segment (Non-consolidated)

Orders Received by Business Segment (Non-consolidated)



	2012/3	2013/3	2014/3	2015/3	2016/3
Telecommunications infrastructure (NTT group engineering)	124,821	132,355	130,375	125,428	141,628
Telecommunications infrastructure (Non-NTT telecom engineering)	55,528	59,660	59,783	58,132	43,842
Environmental and social infrastructure	21,863	29,886	23,484	32,391	33,467
SYSTEM-SOLUTIONS	16,313	21,517	21,661	20,284	22,946
Total	218,527	243,418	235,305	236,236	241,885

Net Sales by Business Segment (Non-consolidated)



	2012/3	2013/3	2014/3	2015/3	2016/3
Telecommunications infrastructure (NTT group engineering)	119,991	126,691	131,193	127,237	132,765
Telecommunications infrastructure (Non-NTT telecom engineering)	46,265	55,079	69,832	61,038	43,407
Environmental and social infrastructure	17,180	24,606	24,581	28,173	30,598
SYSTEM-SOLUTIONS	16,624	21,215	21,751	20,222	20,749
Total	200,061	227,593	247,358	236,672	227,521

Non-consolidated Balance Sheets

	2012/3	2013/3	2014/3	2015/3	2016/3
(¥Millions)					
ASSETS					
Current assets	91,375	106,015	109,286	108,185	109,519
Cash and deposits	4,259	5,662	8,489	9,074	12,990
Notes receivable-trade	154	231	106	1,147	772
Accounts receivable from completed construction contracts	56,749	67,312	72,095	63,863	74,487
Short-term investment securities	6,506	6,315	5,919	11,765	90
Costs on uncompleted construction contracts	14,072	16,212	15,213	14,365	12,963
Raw materials and supplies	113	314	47	79	540
Short-term loans receivable	6,850	6,032	3,434	2,500	2,617
Prepaid expenses	214	235	242	277	326
Deferred tax assets	1,817	2,511	2,595	3,332	1,794
Other current assets	690	1,252	1,201	1,823	2,935
Allowance for doubtful accounts	(54)	(63)	(59)	(46)	—
Noncurrent assets	62,118	66,419	76,444	79,936	90,769
Property, plant and equipment	34,809	35,059	38,966	39,372	47,541
Buildings	12,855	12,407	12,809	12,733	15,219
Structures	408	434	1,274	1,191	1,849
Machinery and equipment	101	94	829	1,169	2,547
Vehicles	1	0	0	0	0
Tools, furniture and fixtures	536	402	670	590	690
Land	20,547	20,795	22,973	22,459	26,671
Lease assets	352	416	266	223	253
Construction in progress	6	508	143	1,003	310
Intangible assets	1,370	1,823	2,771	3,003	4,315
Software	1,201	1,004	2,635	2,159	2,921
Other intangible assets	169	818	136	844	1,394
Investments and other assets	25,937	29,536	34,706	37,560	38,912
Investment securities	4,326	7,418	11,562	13,836	14,417
Stocks of subsidiaries and affiliates	17,263	17,144	17,173	19,653	19,891
Long-term loans receivable from subsidiaries and associates	1,634	1,599	488	642	—
Claims provable in bankruptcy, claimed provable in rehabilitation and other	229	58	56	56	56
Long-term prepaid expenses	133	108	83	65	186
Prepaid pension cost	3,362	3,941	4,918	2,506	3,611
Other investments and other assets	1,116	890	2,107	2,315	1,914
Allowance for investment loss	(162)	—	—	—	—
Allowance for doubtful accounts	(1,966)	(1,624)	(1,684)	(1,517)	(1,165)
Total assets	153,493	172,435	185,730	188,122	200,289
LIABILITIES					
Current liabilities	61,690	75,835	82,375	78,210	91,408
Accounts payable for construction contracts	29,027	34,511	34,663	35,085	41,292
Short-term loans payable	1,000	3,500	7,500	1,073	12,000
Lease obligations	130	160	113	96	103
Accounts payable-other	749	1,292	1,277	2,170	1,993
Accrued expenses	4,982	6,458	6,683	4,724	5,142
Income taxes payable	2,778	4,542	3,453	414	954
Advances received on uncompleted construction contracts	3,707	1,228	1,457	1,332	2,590
Deposits received	18,209	22,959	25,638	26,290	26,132
Provision for warranties for completed construction	372	62	98	76	774
Provision for loss on construction contracts	181	245	729	5,175	258
Provision for asset removal	—	101	—	—	—
Other current liabilities	551	775	758	1,771	166
Noncurrent liabilities	7,269	7,531	7,601	7,358	4,922
Long-term loans payable	6,296	5,694	5,367	5,000	2,010
Lease obligations	249	287	177	153	179
Deferred tax liabilities	381	1,375	1,837	1,993	1,900
Allowance for investment loss	102	93	48	17	95
Asset retirement obligations	—	—	—	121	287
Other noncurrent liabilities	239	80	169	72	449
Total liabilities	68,960	83,367	89,976	85,569	96,330
NET ASSETS					
Shareholders' equity	83,273	86,141	92,291	97,745	100,186
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,738	6,814	7,139	7,373	8,433
Legal retained earnings	1,547	1,547	1,547	1,547	1,547
Reserve for advanced depreciation of noncurrent assets	325	323	1,348	2,088	2,151
General reserve	72,300	74,600	74,600	74,600	74,600
Retained earnings brought forward	5,483	8,375	15,255	22,277	28,475
Treasury stock	(10,010)	(12,408)	(14,487)	(17,029)	(21,910)
Valuation and translation adjustments	1,042	2,695	3,287	4,544	3,530
Valuation difference on available-for-sale securities	1,042	2,695	3,287	4,544	3,530
Subscription rights to shares	217	231	175	263	241
Total net assets	84,533	89,068	95,754	102,552	103,958
Total liabilities and net assets	153,493	172,435	185,730	188,122	200,289

Non-consolidated Statements of Income

	2012/3	2013/3	2014/3	2015/3	2016/3
	(¥Millions)				
Net sales	200,061	227,593	247,358	236,672	227,521
Cost of sales	181,740	204,254	223,150	215,346	205,934
Gross profit	18,320	23,339	24,207	21,326	21,586
Selling, general and administrative expenses	11,669	11,991	11,763	11,313	11,513
Operating income	6,651	11,347	12,444	10,012	10,073
Non-operating income	1,198	1,563	1,152	1,504	3,644
Interest income	37	41	33	33	43
Interest on securities	14	14	8	13	10
Dividends income	241	133	129	193	2,392
Land and house rent received	478	473	468	466	397
Foreign exchange gains	—	446	—	474	—
Reversal of allowance for doubtful accounts	—	—	305	168	397
Reversal of allowance for investment loss	77	171	—	—	—
Other	348	284	208	155	403
Non-operating expenses	590	954	848	554	982
Interest expenses	49	72	66	57	48
Foreign exchange losses	—	—	—	—	400
Bad debts expenses	28	14	17	—	—
Loss on disposal of equipment and materials	8	118	—	—	—
Loss on disposal of fixed assets	13	177	—	—	121
Rent expenses	126	157	152	202	137
Penalty for contract breach	—	—	86	—	—
Impairment loss	—	280	187	150	—
Other	364	133	339	144	275
Ordinary income	7,259	11,956	12,747	10,962	12,735
Extraordinary income	203	—	3,709	6,669	—
Extraordinary loss	—	—	571	—	—
Income before income taxes	7,462	11,956	15,885	17,632	12,735
Income taxes-current	2,790	5,297	5,499	3,837	1,276
Income taxes-deferred	206	(615)	51	558	2,059
Total income taxes	2,996	4,681	5,550	4,396	3,336
Net income	4,466	7,274	10,334	13,235	9,399

Stock Information

(as of March 31, 2016)

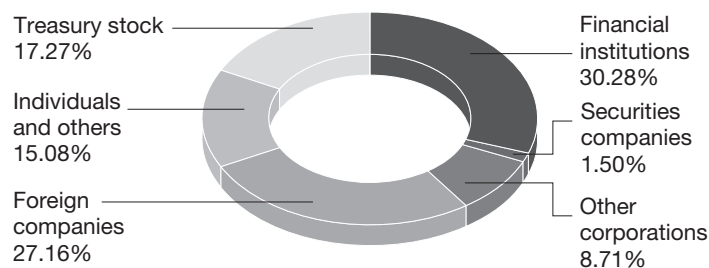
Fiscal Year-End	March 31
Annual Shareholders' Meeting	June 24, 2016
Stock Listing	Tokyo Stock Exchange (First Section)
Ticker Code	1951
Common Stock	Authorized: 300,000,000 shares Issued: 117,812,419 shares
Total Number of Shareholders	10,914
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Major Shareholders

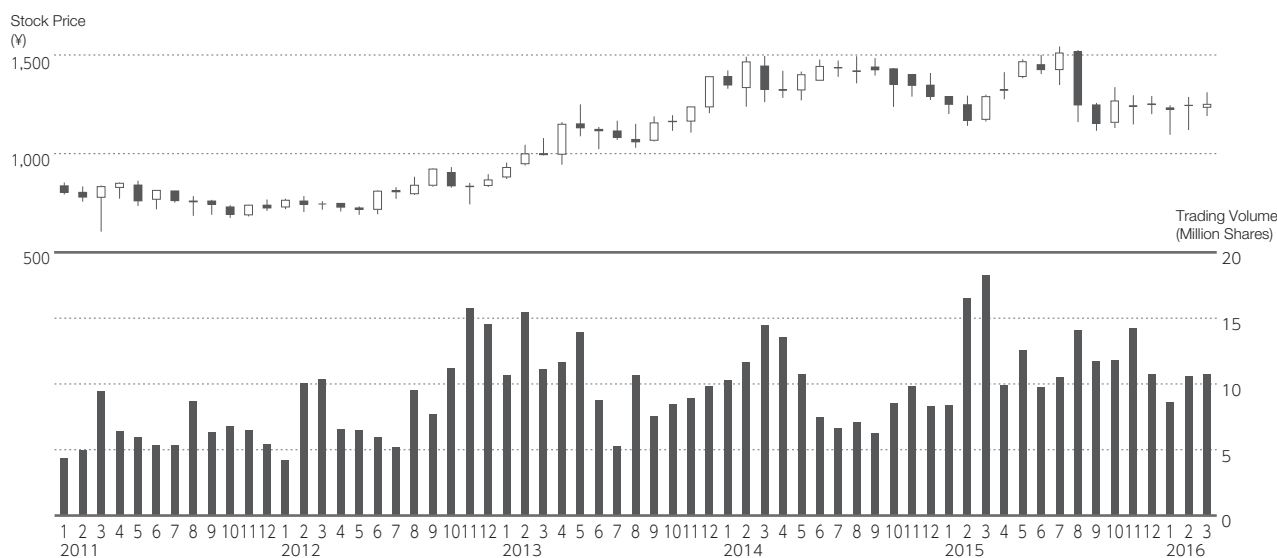
	Number of shares held (thousand)	Percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,239	5.30
Japan Trustee Services Bank, Ltd. (Sumitomo Electric Industries, Ltd., Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank, Limited)	5,766	4.89
ESOP Association of KYOWA EXEO CORPORATION	3,877	3.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,806	3.23
Sumitomo Realty & Development Co., Ltd.	2,081	1.77
SUMITOMO LIFE INSURANCE COMPANY	2,000	1.70
THE BANK OF NEW YORK MELLON SA/NV 10	1,936	1.64
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Retirement Benefit Trust Account)	1,834	1.56
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,590	1.35
NORTHERN TRUST CO. (AVFC) RE NVI01	1,489	1.26

Note: In addition to the above, treasury stock of 20,341,000 shares (17.27%) is held by the Company.

Composition of Shareholders



Stock Price Range and Trading Volume on the Tokyo Stock Exchange





Chairman **Kunio Ishikawa**



President **Fuminori Kozono**



Director and Executive
Operating Officer
Takashi Sakai



Director and Executive
Operating Officer
Tsutomu Ota



Director and Managing
Operating Officer
Yoshiaki Matsuzaka



Director and Managing
Operating Officer
Noritsugu Totani



Director and Managing
Operating Officer
Yasuo Otsubo



Director and Managing
Operating Officer
Tomohiro Kurosawa



Director
Yuki Sakuyama



Director
(Independent Director)
Kumiko Kitai



Director
(Independent Director)
Kazuteru Kanazawa



Standing Statutory
Auditor
Haruhiko Watanabe



Standing Statutory
Auditor
Yoshiharu Takizawa



Statutory Auditor
(Independent Auditor)
Kozo Meguro



Statutory Auditor
Haruhiko Yamada

**Managing
Operating Officers**

Hisamitsu Hoshi
Genzaburo Oe
Eiichi Matsuda
Junichi Sato
Hiroshi Yamashita
Yuji Sato
Yuichi Koyama

Operating Officers

Kazuyuki Kaihatsu Kazuo Sato
Atsuo Yuhara Takayuki Yamada
Hideyuki Goto Yutaka Motohashi
Masafumi Yoshihara Masato Suwabe
Hideki Obara Koichi Mino
Hideo Higuchi Kyoji Okabe
Fumio Kumagai Takashi Itamiya

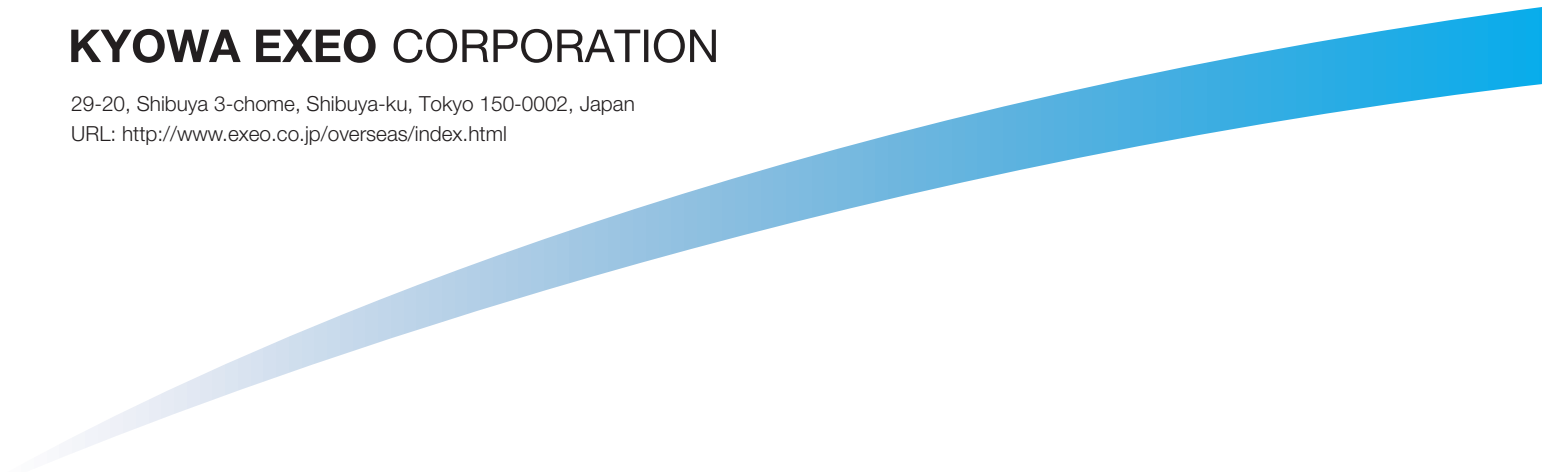
To help you better understand the corporate activities of the KYOWA EXEO Group, we are providing an integrated-version issue of the Annual Report and the CSR Report.



KYOWA EXEO CORPORATION

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

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

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