

EXEO Group, Inc.



Engineering for Fusion

Connecting our world - to all our tomorrows

Integrated Report
2023

Purpose & Vision



Purpose

Bring the benefits of connectivity to all

Exeo Group believes access to infrastructure should be universal.

Everyone everywhere deserves the basic support functions to pursue happiness on their own terms.

This is the world we're aiming for.

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



Corporate philosophy

Cultivating technological capabilities, seeking affluence, and contributing to society

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



Carbon-neutral society



Global society where diversity is appreciated



2030 Vision

Engineering for Fusion

Connecting our world - to all our tomorrows



Society without poverty or inequality



A smart society where people live healthy and vibrant lives



Future



Turning unused timber material into energy

Expanding the usage of renewable energy has become imperative since the Japanese government set its goal of achieving carbon neutrality by 2050. Utilizing technology developed in the design and construction of biomass facilities, the Group is building its own woody biomass power plants and woody biomass gasification power plants in two locations—one in Fukushima Prefecture and the other in Tochigi Prefecture. These plants will generate a total of approximately 72 million kWh of energy per year. We are aiming to have these plants begin commercial operations in 2024.



 A smart society where people live healthy and vibrant lives

Stable indoor telecommunications infrastructure for Indonesia

Data traffic has surged in Indonesia as the population continues to grow, but the country now faces issues with building and improving its telecommunications environments in buildings such as offices and shopping malls. Leveraging our expertise honed in the construction and operation of telecommunications infrastructure, the Group operates indoor telecommunications infrastructure sharing in Indonesia. Local telecom carriers have hailed this business as an efficient way to expand their service areas while keeping capital investments down.



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Editorial policy

Referenced guidelines	<ul style="list-style-type: none">● International Integrated Reporting Framework (IFRS Foundation)● Company-Investor Dialogue for Collaborative Value Creation (Ministry of Economy, Trade and Industry of Japan)● GRI Sustainability Reporting Standards (Global Reporting Initiative)● SASB Standards (Sustainability Accounting Standards Board)
Scope of reporting	Period: April 2022 to March 2023 (includes some information relating to before or after the reporting period) Scope: Exeo Group, Inc. and its consolidated subsidiaries (in some cases Exeo Group, Inc. only)
Issued	August 2023 (Next scheduled issue: August 2024)
Notice on forward-looking statements	This corporate report contains forward-looking statements such as the future business performance outlook of the Group. As these statements are based on the information available at the time of the preparation of this report, the actual results may differ materially from the content described or suggested therein due to various factors. As this corporate report is not intended for the purpose of soliciting investment, all users of this report are advised to undertake decisions concerning investment at their own discretion. The figures stated in units of ¥100 million and ¥1 million are rounded down.

External evaluation

Nadeshiko Brand The Group has been recognized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years, with selection as a Nadeshiko Brand in 2020 and as a Semi-Nadeshiko Brand in 2021 and 2022. 	D&I Award The Group was awarded the highest designation "Best Workplace for Diversity & Inclusion" in D&I Award 2022*1 which recognizes the efforts of companies that strive toward diversity and inclusion. *1 Operated by JobRainbow 	Digital Transformation Certification Exeo Group was recognized as a certified DX (digital transformation) operator in March 2022 based on the Digital Transformation Certification System of the Ministry of Economy, Trade and Industry. 
Top Hundred Telework Pioneer The Group was selected in fiscal 2018 as a "Top Hundred Telework Pioneer," one of the companies and organizations recognized by the Ministry of Internal Affairs and Communications as having achieved sufficient introduction and utilization of telework. 	PRIDE Index The Group received silver certification in the PRIDE Index 2022*2 that evaluates workplace initiatives related to LGBTQ and other sexual minorities. *2 Formulated by volunteer nonprofit organization "work with Pride" 	Nikkei Smart Work We achieved a 4 star rating in the 6th Nikkei Smart Work Management Survey, which recognizes companies that are utilizing human resources to their maximum potential and thus pioneering innovation and new markets by creating diverse, flexible work styles. 

Tetsuya Funabashi
President and CEO

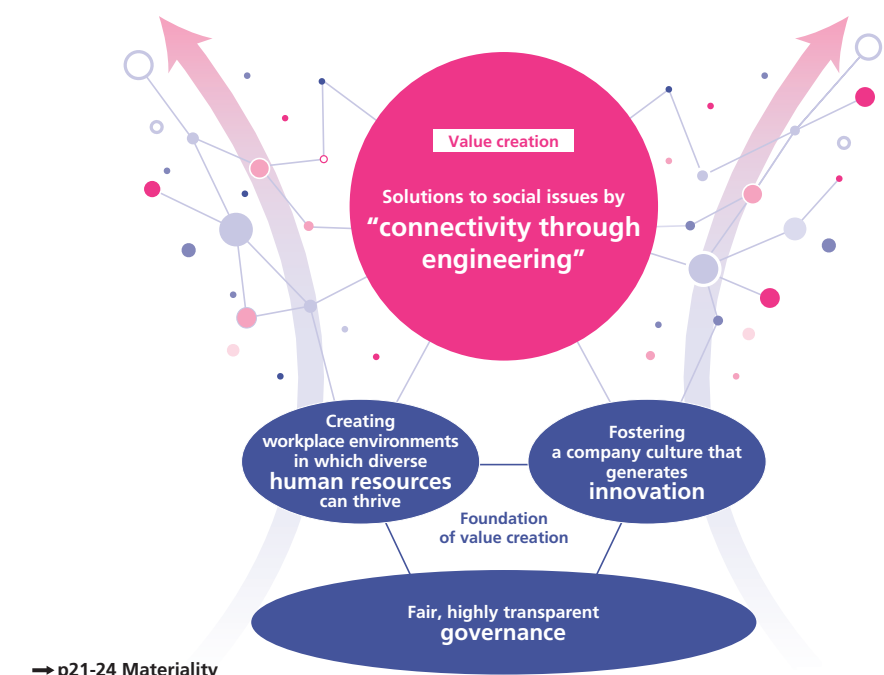
Leveraging “connectivity” to boost our capability to deliver solutions for social issues seeking to further boost the value of our business

Identifying our materiality

Deciding the key issues to focus on through broad-perspective considerations

In May 2023, we announced our materiality, the key issues on which we should focus our efforts as a corporate group. We have positioned “solutions to social issues” as our universal mission in order to achieve the four visions for society advocated in our 2030 Vision announced in 2021. I believe that this clarification of our materiality will enable us to form a shared awareness within the Group of what kind of group we want to be and what we should pursue to accomplish this mission, while giving our stakeholders a better understanding as well.

Our materiality





In the materiality that we identified, we expressed the value that our Group creates as “connectivity through engineering that generates solutions to social issues.” In the approximately 70 years since its founding, our Group has been leveraging the diverse experience, knowledge, and skills accumulated through the business of building telecommunications infrastructure to expand our business domain. The driving force behind that is the benefits of connectivity linking businesses with businesses and people with people. “Connectivity” is also a keyword in our purpose which we announced in May 2022, to “Bring the benefits of connectivity to all,” and I believe that it expresses the meaning of our social existence.

What we particularly emphasized in identifying our materiality was to include and integrate broad perspectives as much as possible. When determining these issues, we referred to international guidelines such as the GRI Standards and SASB Standards, while also organizing workshops for participation by Group companies and business divisions to hold successive discussions about what is important for our Group and society to be able to grow sustainably. Incorporating the opinions expressed by external stakeholders and outside officers into these as well, we ultimately decided on the materiality at a meeting of the Board of Directors.

Going forward, we plan to link each of these key issues to our actual business activities and determine the specific items to work toward. At the same time, we will set KPIs for the quantifiable items and manage the progress of the related activities. Rather than keeping these items fixed, we plan to revise them periodically to keep them up-to-date with changes in the external environment and our business structure.

Creating a new company culture

Promoting transformation of the organizational culture to generate innovation

We have broadly established three definitions to this materiality as the foundation for our practical value creation. These are “creating workplace environments in which diverse human resources can thrive,” “fostering a company culture that generates innovation,” and “fair, highly transparent governance.” All three of these are of course important, but what we emphasize most as upper management in terms of creating new company culture is the power to make innovation happen.

Our Group’s greatest strength lies in the various advanced technical capabilities that we have cultivated through our experience in many fields, and in the integrity to never run away or give up prematurely when facing difficulties. I am certain that the strong level of trust which we have earned from our customers through these strengths is the very foundation of our growth. However, along with technological capabilities and integrity, in order to continue growing in the business environment of today that changes at blinding speed, it will also be important to offer greater value to customers through ideas unlike any before, and to move swiftly in entering unknown areas of business.

From this standpoint, I have been emphasizing the importance of innovation at every opportunity since assuming the role of President and CEO. We have also made efforts toward changing attitudes internally, such as establishing the new Innovation Promotion Office that aims to create new business domains, and introducing employee learning programs geared toward developing innovation personnel.

The important thing is for all Group employees to have the attitude that it’s OK to try

working on new products or services that nobody has ever heard of. Each business division has launched efforts to challenge themselves in new fields, including expansion into the renewable energy field in the urban infrastructure business, and internationally entering the refurbishments^{*1} and digital trade platforms^{*2} businesses. These efforts have gradually begun producing results.

However, I believe that we are still only halfway to the situation that I want us to reach. Progress has been limited particularly in our R&D strategy, for which there is still little awareness internally and we still have not formed a team structure of taking it upon ourselves to grow the seeds of new value creation. Because of this, in fiscal 2023, we organized the R&D Task Force which has begun to engage in activities. With this team and the aforementioned Innovation Development Unit working together, I would like to gather the various seeds rolling around at workplaces in each Group company and department, and grow them into new business creation.

Progress in Medium-Term Management Plan

Growth strategies in the three business segments are gradually advancing

In the Medium-Term Management Plan (FY2021-FY2025) we are currently working on, we have declared numerical targets of ¥630.0 billion in net sales, ¥47.0 billion in operating profit, ROE of 9.0% or higher, and ¥280 or higher in EPS to be achieved in fiscal 2025, the final year of the plan, while also clarifying the challenges we face in each of the three business segments of telecom carriers, urban infrastructure, and system solutions, as we work to implement growth strategies.

Our ¥625.6 billion in orders received (up 5% year-on-year) and ¥627.6 billion in net sales (up 6% year-on-year) in fiscal 2022, the second year of the Medium-Term Management Plan, were both record high levels. Looking at business by segment, revenues in the telecom carriers business decreased due to the effects of curtailed investments by mobile operators. However, revenues increased in the urban infrastructure business as we steadily captured booming data center-related demand, and our system solutions business also recorded higher revenues due to expansion of IT managed services^{*3} including operations and maintenance. In our global business (segment-wise, included in the system solutions business) which is a strategic field, we also achieved more growth than anticipated through the effects of M&A and other factors.

On the other hand, profits declined significantly to ¥32.5 billion (down 23% year on year). This was attributable to the effects of unprofitable projects that arose and surging costs of materials, as well as effects that we did initially anticipate such as the completion of the Project on Promoting Advanced Radio Environment Improvements, curtailed investments by mobile operators, and less construction for reception of 700 MHz. The unprofitable projects were themselves unfortunate, but they occurred since more expenses arose than we anticipated in taking on work in fields where we had little experience, so we see this in a positive light as something that will contribute to growth from next year onward.

In fiscal 2023, the business environment is expected to remain uncertain, including the ongoing risks of delayed goods and surging materials costs, but we will focus on expanding our urban infrastructure business and system solutions business while continuing to work on structural reforms primarily in our telecom carriers business. Based on this, we are forecasting our net sales to increase to ¥630.0 billion and our operating profit to increase

*1 Refurbishments

Services to repair and rework IT devices such as computers and smartphones which are either used or considered defective, and offer them as refurbished products. Also, those refurbished products themselves.

*2 Digital trade platforms

Services to provide business flows from procurement to payments and finance through digitalization and easy access to information and resources.

→ p27-28 Medium-Term Management Plan and progress

*3 IT managed services

Business for round-the-clock, year-round monitoring operations and supporting the full life cycle of IT devices all the way through disposal

→ p49-60
Strategy by business field

***4 Cable jointers**

Power line connection engineers with the expert knowledge and specialized technologies to handle high-voltage cables that are essential for connecting grids of electric power lines

***5 Self-owned power lines**

Electric power lines necessary for renewable energy and offshore wind power generation, installed by those other than general power distribution companies

to ¥34.0 billion. We plan to achieve the net sales target in our Medium-Term Management Plan two years early.

Medium- to long-term outlook

Expanding our business domain in each field and further increasing profitability

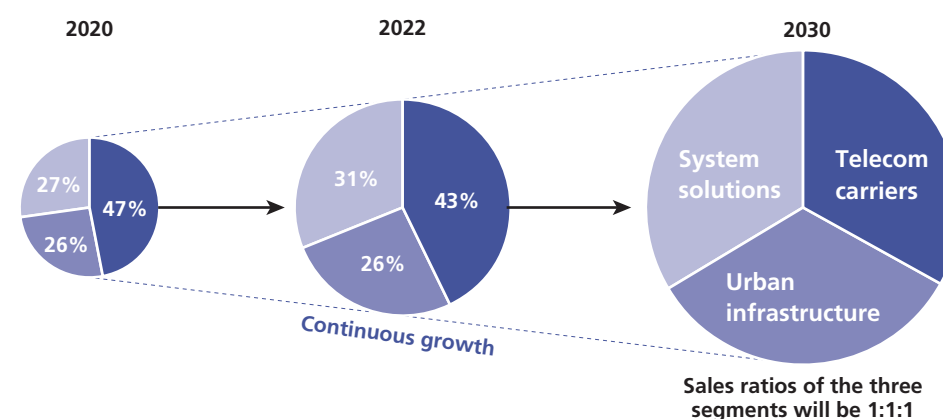
Many unanticipated circumstances such as the COVID-19 pandemic and the conflict in Ukraine have arisen over the past few years, and these have had more than a small impact on our business operations. We believe that unpredictable risk factors such as these will arise in the future. Therefore, we intend to fully verify and properly address every individual risk while facing the issues in each business domain head-on and steadily implementing strategies geared toward continuous growth.

Our highest priority issue in the telecom carriers business, our largest segment, is improving profitability. Seeking to make ourselves more flexible to accommodate the changing investment circumstances of telecom carriers, we worked on multi-skilling our engineers and revamping our organizations and locations in each area. In July 2023, we unified our organizational structure for mobile construction which had previously operated separately for each carrier.

In the urban infrastructure business, integrating many types of engineering is an issue. For example, in data center projects we will broaden our range of services beyond just electrical equipment and into peripheral domains such as LAN/WAN and other telecommunications environments, racks and servers, air conditioning, storage batteries, and building maintenance, expanding our earnings by taking on the operations of customers' entire buildings. At the same time, we will accelerate our charge into new domains such as renewable energy. Many new projects are already under way, including construction of woody biomass power plants, professional development of cable jointers*4 to build self-owned power lines*5 for offshore wind power generation, joint tests for "solar sharing" solar power generation on agricultural land, and our partnership with the NTT Group for business in storage batteries.

In system solutions business, we will make further efforts at breaking away from contracted business by expanding our high value-added services that begin with consulting,

Illustration of business portfolio changes



and by expanding our IT managed services and other recurring business. Reorganizations including for Group companies have also produced effects, business earnings are steadily increasing, and profit margin is also trending higher, but our absolute shortage of development personnel is an issue. We are steadily acquiring and developing human resources centered on newly established companies Exeo Digital Solutions, Inc. and Exeo System Management, Inc. as the two core companies.

Globally, our refurbishments business for the utilization of IT devices and our indoor infrastructure sharing business in Indonesia are steadily growing, while we are also getting large-scale engineering projects for railroads and redevelopment, as we have now transitioned from the upfront investment phase to the profit contribution phase. Our policy is to continue actively investing for additional growth going forward as well. We will plot our expansion with a close eye on the balance between expanded operations, including capital demand and profit creation.

In 2030 Vision, which we announced two years ago, we set the goal of roughly equal net sales (1:1:1) among all three of our segments in 2030. Transformation of our business portfolio is accelerating thanks to healthy growth in urban infrastructure and system solutions business, and our net sales in fiscal 2022 broke down to 43% in telecom carriers, 26% in urban infrastructure, and 31% in system solutions. We expect our business portfolio to get even closer to an even 1:1:1 in fiscal 2023, and we thus consider it possible to achieve this goal even before 2030.

Message to stakeholders

Being a corporate group capable of greater contributions toward solutions for wide-ranging social issues

The upheaval caused by the COVID-19 pandemic is finally settling down, and economic activity is trending toward recovery all over the world. Although the aforementioned chaos in supply chains and surging raw materials costs including energy prices are still ongoing issues, investments in energy and environmental fields geared toward a sustainable future are increasing, and demand for upgrading aging social infrastructure is robust. As a result, we now have even more opportunities to harness the strengths of our Group.

We believe that all the businesses we operate in a wide variety of domains are either directly or indirectly linked with solutions to social issues. Through the further expansion and evolution of our business domains, we feel that we will contribute toward various issues concerning the entire planet as indicated in the SDGs. As a business operator in the construction industry, we are pursuing sustainable growth and increases in business value by forming stronger, deeper "connections" not only with our customers but also with our partners cooperating with us in each business and with our colleagues who comprise our Group, with safety and security first and foremost. I look forward to our stakeholders' continued understanding and support for our Group.

August 2023

T. Funabashi
President and CEO



Our heritage and our future: Delivering value by connecting people

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

As we have adapted this strength according to the needs of the times, we have expanded into business domains such as electrical, civil, and environmental infrastructure, network integration, and systems integration, while at the same time enriching people's lives and contributing to solutions for a variety of social issues.

May 1954
Established Kyowa Densetsu Kaisha, Ltd.

1972
Listed on the First Section of
the Tokyo Stock Exchange

1982
Entered the system
integration business

1986
Entered the
environment
business

1991
Changed the company
name to Kyowa Exeo
Corporation

1998
Entered the network
integration business

2018
C-Cube, Seibu Electric Industry,
and Nippon Dentsu made
Group companies

2021
Change the company
name to EXEO Group, Inc.

Net sales in FY2022 (consolidated)
¥627.6 billion

Societal
trends

1960

• Rapid economic growth

1970

1980

• Privatization of NTT
• Liberalization of telecommunications

1990

• Emergence of mobile phones

2000

• Spread of the Internet
• Increasing severity of climate change

2010

• Internet of Things

2020



1954- Development of a high-quality telecommunication infrastruc- ture network across Japan

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

Materiality and related efforts

- Construction of telecommunications facilities for highways
- Overhead laying of optical fiber cables
- Implementing the shield tunneling method in tunnel construction

Value creation Basis of value creation



1980s Expansion of business domains following liberalization of telecommunications business

With the liberalization of telecommunications, the telecommunications industry entered a new era in which multiple operators competed to provide better services. We worked to diversify our business and meet the diverse needs of telecommunications carriers.

- Construction of satellite communication stations
- Optical fiber construction
- Cable television construction
- Construction of microwave transmission lines



1990s Responsible for the spread of mobile communications and the upgrading of communica- tion networks

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

- Construction of electrical & telecommunications facilities for high-rise buildings
- Integrated construction of cellular base stations
- Began ensuring two days off per week
- Implemented environment management system (ISO 14001)



2000s Expanding business in the environmental field to contrib- ute to environmental issues

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

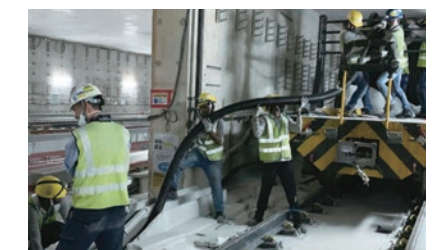
- Developed a work management system compatible with i-mode
- Built a broadband network
- Implemented a compliance program
- Implemented information security management system (ISMS)



2010s Shift to a total ICT solutions provider

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

- Construction of woody biomass boilers
- Launched mega solar power generation business operations
- Appointed outside directors
- Opened a training center for local engineers in the Philippines

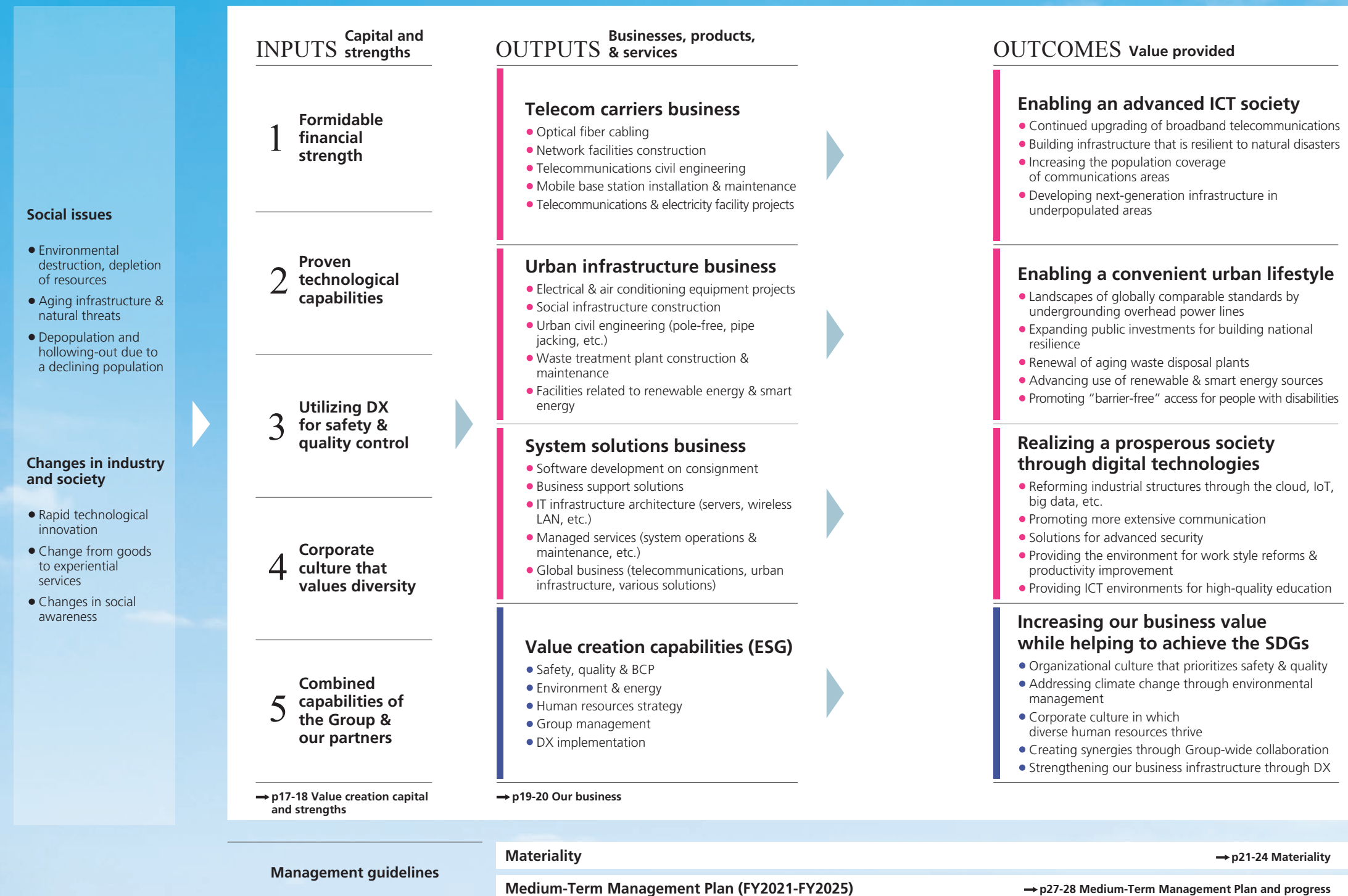


2020s Expanding global business to rapidly growing overseas markets

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

- Local 5G
- Offshore wind power generation business
- Established Human Resources Development Department
- Established Innovation Development Unit

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



Carbon-neutral society



A smart society where people live healthy & vibrant lives

2030 Vision

Engineering for Fusion

Connecting our world -
to all our tomorrows






Global society where diversity is enjoyed

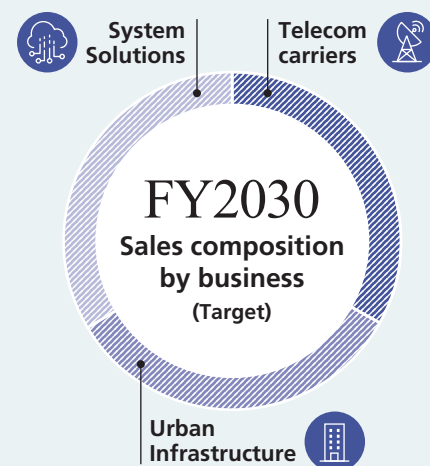
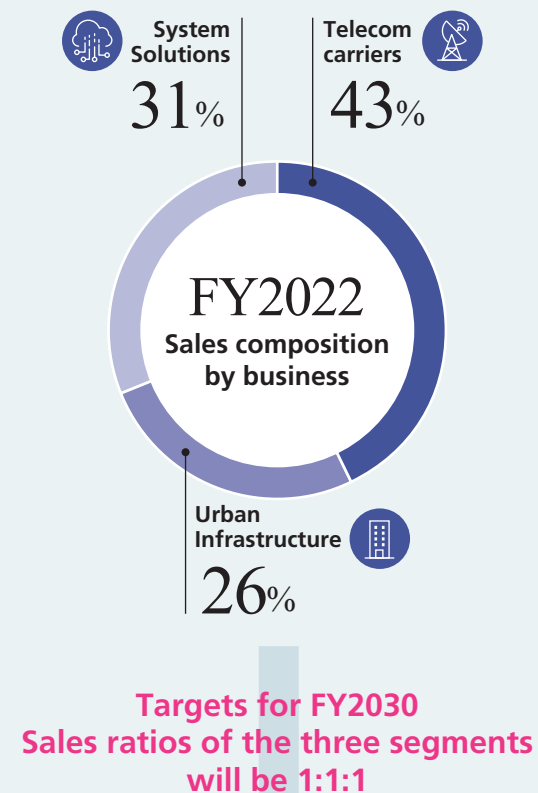
Society without poverty or inequality



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

	Capital and strengths	For business improvement and strength	Data & achievements
Financial capital 1 Formidable financial strength <p>→ p29-32 "Message from the CFO"</p>	<p>Our strength lies in having little interest-bearing debt and maintaining a high level of shareholders' equity to total assets. Based on this sturdy financial foundation, we invest in growth through a three-pronged approach of M&A, innovation, and investing in DX. Our policy for shareholder returns is to continue paying stable dividends with a target DOE (dividend on equity) of 4.0% while buying back shares in a flexible manner.</p>	<ul style="list-style-type: none"> • Generating Group-wide synergies to boost earning power • Focusing on investment in growth areas and on strengthening businesses while maintaining appropriate balance between capital and liabilities • Continuously providing stable shareholder returns 	<p>Shareholders' equity to total assets 52.5%</p> <p>Dividends 11 consecutive years of dividend increases</p>
Intellectual capital 2 Proven technological capabilities <p>→ p35-36 "DX implementation"</p> <p>→ p41-48 "Human resources strategy"</p>	<p>Our telecom carriers business provides a full range of services from planning and design to construction, operation, and maintenance throughout Japan. Our urban infrastructure business leverages electrical, civil engineering, and other technologies that we have developed through telecommunications construction. Our system solutions business delivers solutions that address the diverse needs of our customers. We create value that harnesses the technological capabilities of each Group company in these three businesses.</p>	<ul style="list-style-type: none"> • Making our organizational operating mindset even more conducive to innovation • Building internal systems for working on DX and R&D • Multi-skilling and better HR development that is up-to-date on new technology 	<p>Number of ESPs*1 and VE*2 proposals 9,456</p> <p><small>*1 ESP: Exeo Solution Proposals *2 VE: Value Engineering</small></p> <p>Holders of technology related professional qualifications (cumulative total) 28,836</p>
Manufacturing capital 3 Utilizing DX for safety and quality control <p>→ p37-38 "Safety, quality & BCP"</p>	<p>In the areas of engineering solutions (telecom carriers, urban infrastructure) and system solutions in which we do business, the use of DX to strengthen and rationalize safety and quality control has been an important topic. We are actively utilizing DX to improve operational efficiency and accuracy, such as by deploying AI in safety and quality inspections for telecommunications construction work.</p>	<ul style="list-style-type: none"> • Automating and improving the efficiency of business processes with ServiceNow, RPA, etc. • Using tools such as network cameras and AI to improve safety and quality control • Enhancing security to operate business more securely 	<p>Nikkei Smart Work Management Survey Smart Work <small>★★★★ 2023</small></p> <p>Digital Transformation Certification </p>
Human capital 4 Corporate culture that values diversity <p>→ p41-48 "Human resources strategy"</p>	<p>In this era of uncertainty and turbulent changes referred to as VUCA, it is essential to establish work environments where diverse human resources such as mid-career hires and female and international employees can harness their capabilities, in order to secure and develop human resources capable of navigating sudden technological innovations and market changes. The Company promotes diversity and inclusion as a top management priority while also making focused investments in training and other HR development, and has been selected as a Nadeshiko Brand and Semi-Nadeshiko Brand for three consecutive years starting in fiscal 2020.</p>	<ul style="list-style-type: none"> • Implementing new work styles not dependent on location (normalizing telework) • Employee learning & development and assignments according to each individual's capabilities and career path (Overseas trainees, developing transformation leaders, etc.) • Human resources development based on our shared Group-wide Career Development System (CDP) 	<p>Selected as Nadeshiko Brand </p> <p>PRIDE Index 2022 </p>
Social & relational capital 5 Combined capabilities of the Group and its partners <p>→ p33-34 "Group management"</p>	<p>Our Group includes companies that operate community-based businesses, and we have strong bases of operations in regions throughout Japan. In order to harness this strength to the fullest, we are building systems that can flexibly utilize human resources within the Group. We are also dedicating energy to establishing the foundations of good relationships with partner companies working together with us on-site in order to provide high-quality solutions to our customers.</p>	<ul style="list-style-type: none"> • Horizontal rollouts of Group products and mutual support in sales and construction • Standardized, more efficient business processes through commonized systems • Building stronger relationships with co-creation and collaboration partner companies • Creating new projects in collaboration with universities and technical colleges 	<p>Number of consolidated subsidiaries 135</p> <p>Number of consolidated employees 16,772</p>

Diverse businesses that support the prosperity of society



In order to establish solid business infrastructure that cannot be swayed by economic and social circumstances, we will further expand our business in urban infrastructure and system solutions and grow our sales in each segment to roughly equal proportions in fiscal 2030.



Our business

Leveraging the track record we have established over the years and our unsurpassed technological capabilities, we provide high-quality, integrated services nationwide all in one, from planning and design to construction, operations, and maintenance, for the telecommunications facilities of all telecom carriers.



Main customers

Telecom carriers (cell phones, land lines)

Examples of value provided to society

We support telecommunications infrastructure through construction of a variety of telecommunications facilities, from optical fiber networks to servers and routers, including 5G—the next-generation standard in mobile telecommunications.



Our business

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



Main customers

Cloud operators / general contractors / local government agencies / railways, etc.

Examples of value provided to society

We support the infrastructure for an advanced information society by building and operating stable power supply systems and data centers that require advanced information security management.



Our business

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



Main customers

IT business operators / education & medical / overseas business operators, etc.

Examples of value provided to society

Through implementations of cloud services, we help to create office environments that improve work efficiency and allow people to work comfortably anywhere, anytime.



We identified our materiality as business challenges

Sustainability in our Group management

Based on the concept of “Engineering for Fusion: Connecting our world - to all our tomorrows,” we have made it our Group’s universal mission to deliver solutions to social issues based on our “four visions for society” (p2).

To facilitate those efforts, the Group has established the Sustainability Committee chaired by the President and

CEO and also established the Sustainability Promotion Office as a dedicated organization for sustainability. We are working to deliver solutions to ongoing social issues through our business, and to contribute toward achieving a sustainable society alongside the continuous growth of our Group.

The process to determine our materiality

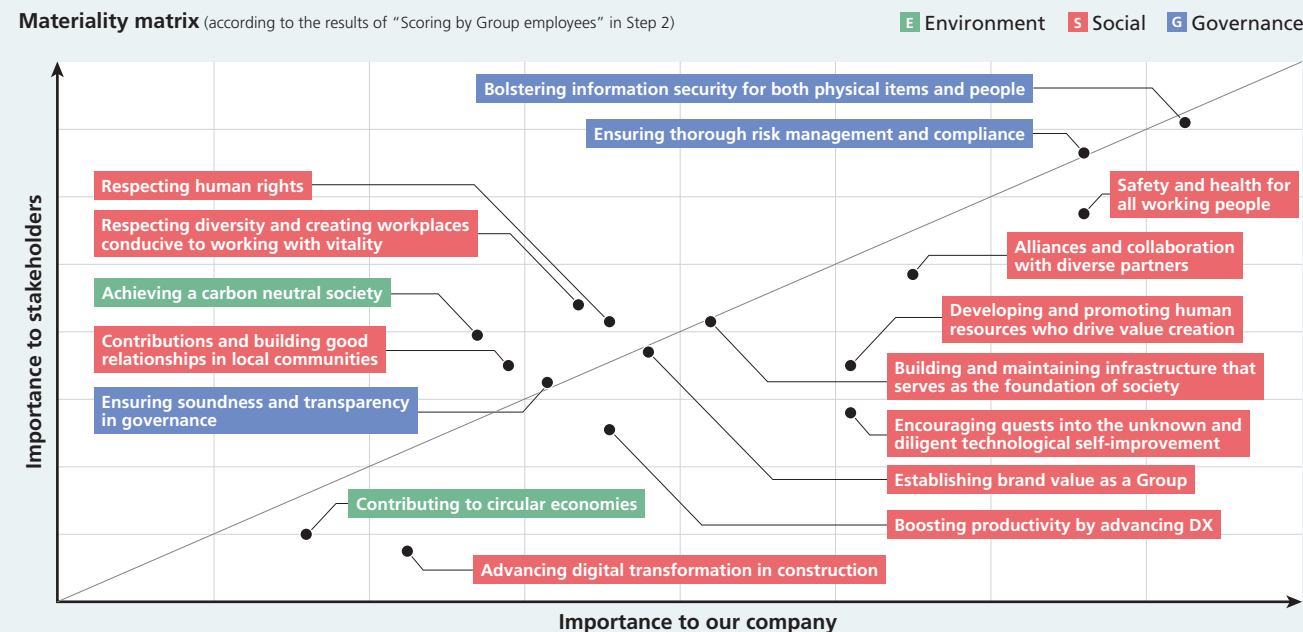
To determine our materiality, we first referred to international standards such as the GRI Standards and identified social issues. After that, we involved Group employees in scoring and workshops to rate the importance of issues along the two axes of “importance to stakeholders,” and “importance to our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

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

The process

STEP 1	Identify social issues Identified 52 issues after referencing the GRI Standards, SASB Standards, etc.
STEP 2	Prioritize the issues Prioritized the issues through scoring by Group employees and holding workshops, then selecting the proposals
STEP 3	Dialogues with internal and external stakeholders Exchanged opinions with outside experts, consulted with outside directors and statutory auditors, and prepared the final proposal
STEP 4	Decision by management Official decision made by the Management Council and Board of Directors

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



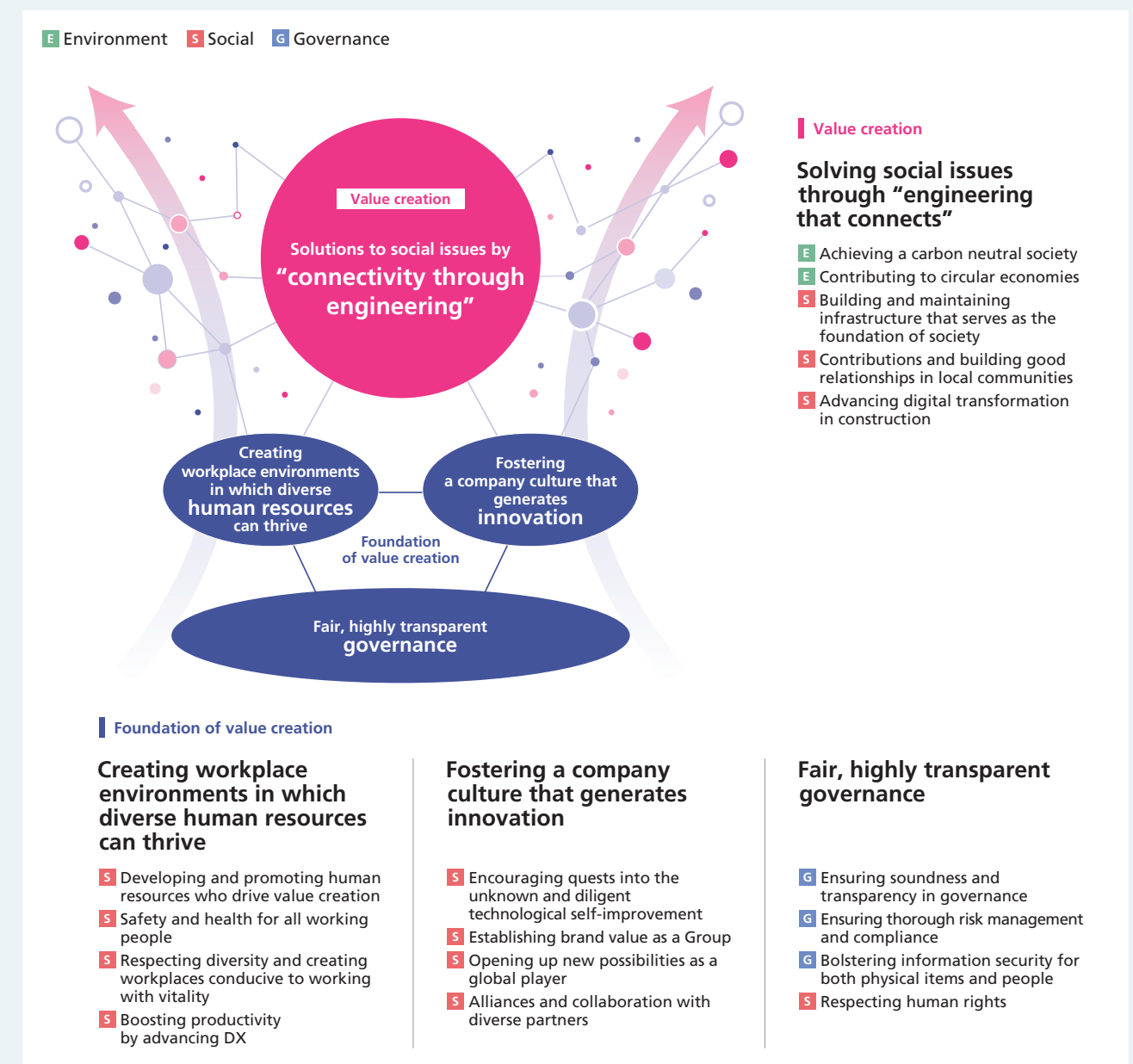
Note: “Opening up new possibilities as a global player” was added in Step 3, and is therefore not included in this chart.

Our materiality

Our Group’s materiality is broadly comprised of four material topics, which are further divided into 17 material subtopics. Going forward, we will prepare specific actions for each of these, and plot our continuous growth by

delivering solutions to these issues through our business activities. We will also flexibly accommodate future changes in society by making periodical revisions to the materiality identified here.

Our materiality



ESG goals in our Medium-Term Management Plan

Our Group defines “practicing ESG management” as a key challenge in our 2030 Vision. In the Medium-Term Management Plan (FY2021-FY2025) currently in progress, we also emphasize “strengthening our business infrastructure” in parallel with the expansion of our business. Throughout the Group, we are working together toward the six key topics of safety, quality & BCP, environment & energy, human resources strategy, financial strategy, Group management, and DX implementation.

Based on these business plans, we are fully engaged in building robust business infrastructure by tackling

important social problems and actively participating in the related businesses, and by generating our own creative ideas and driving innovation. We position human resources strategy as particularly important among these topics. As we continue to engage the work styles of the new era, we will acquire and develop the talent to execute new business.

In order to quantify these efforts and goals, we have set environmental, social, and governance KPIs respectively, as we work systematically and continuously to achieve the final targets for fiscal 2025 in the Medium-Term Management Plan.

Rationale for determining our materiality and examples of initiatives

	Material subtopic	Why is it important?	Relevant page(s)
Value creation	Solving social issues through “engineering that connects” <div><div>7</div><div>9</div><div>12</div></div>		
	Achieving a carbon neutral society	Operating an environment-related business that helps to reduce greenhouse gas emissions and reducing the environmental impact of our own business activities are pressing social issues	→ p55-56 “Developing our renewable energy business”
	Contributing to circular economies	Efforts toward waste reduction and efficient resource usage and recycling are social expectations on a global level	→ p58 “Vision of society in 2030”
	Building and maintaining infrastructure that serves as the foundation of society	Our Group’s mission is to continue providing the infrastructure that supports industry and people’s lives, leveraging the high product quality and strength in building information and communications infrastructure honed since our establishment	→ p51-52 “Telecom carriers business” → p53-54 “Urban infrastructure business”
	Contributions and building good relationships in local communities	Work to deliver solutions to environmental and social issues facing local communities through our business, and help to energize and revitalize communities	—
	Advancing digital transformation in construction	Leverage DX to reform construction processes, improving operational efficiency while providing new added value to make the construction industry itself more appealing	→ p35-36 “DX implementation”
Foundation of value creation	Creating workplace environments in which diverse human resources can thrive <div><div>4</div><div>5</div></div>		
	Developing and promoting human resources who drive value creation	Achieve continuous growth by creating opportunities to develop employees’ capabilities from a medium- to long-term perspective and working dedicatedly on human resources development	→ p41-48 “Human resources strategy”
	Safety and health for all working people	Striving to eliminate occupational accidents and create workplace environments where employees can work with both physical and mental health is the highest priority in our business operations	→ p37-38 “Safety, quality & BCP”
	Respecting diversity and creating workplaces conducive to working with vitality	Harness the capabilities of individuals in fair workplaces where nobody is ever subjected to disadvantageous treatment due to their gender, nationality, race or due to disabilities or life events such as childbirth or parenting	→ p41-48 “Human resources strategy”
	Boosting productivity by advancing DX	Raise productivity by reforming work processes and shift resources to value-creating work to contribute to solutions for customers’ issues while making business more efficient	→ p35-36 “DX implementation”
	Fostering a company culture that generates innovation <div><div>8</div><div>9</div></div>		
	Encouraging quests into the unknown and diligent technological self-improvement	Provide solutions to social issues such as climate change, aging infrastructure, and declining populations by using cutting-edge technologies to tackle new challenges	→ p9 “Message from the President”
	Establishing brand value as a Group	Increase promotional communication internally and externally to boost our brand value as a Group and expand business opportunities while raising employee engagement	→ p33-34 “Group management”
	Opening up new possibilities as a global player	Contribute to society on a global level by pioneering means for solutions to many types of social issues by solving the problems facing each country and community	→ p59-60 “Strengthening our global business”
	Alliances and collaboration with diverse partners	Build and maintain partnerships based on trust to boost business efficiency, expand new business, and grow together with our partners	—
	Fair, highly transparent governance <div><div>5</div><div>16</div></div>		
	Ensuring soundness and transparency in governance	Drive continued growth and increased business value for the Group through efforts to ensure soundness and transparency in our business operations	→ p67-76 “Corporate governance”
	Ensuring thorough risk management and compliance	Accurately classifying and judging business-related risks and taking measures to counter them while continuously working to observe laws, regulations, and corporate ethics is the foundation of corporate management	
	Bolstering information security for both physical items and people	Ensuring information security is fundamental to business operations and prerequisite for continuity in an information society where the entire world is linked instantaneously	
	Respecting human rights	Respecting the basic rights of all people and not tolerating discrimination is the basis of a company’s very existence	

Medium-Term Management Plan (FY2021-FY2025) numerical targets

	Challenges to address	KPI	FY2020 actual	FY2022 actual	Targets for FY2025	Scope of data
Environment	Shift to renewable energy	Purchase of electricity from renewable energy sources	—	73.2%	100%	Company-managed sites of Exeo Group, Inc.
	Initiatives toward decarbonization, reduction of CO2 emissions	Rate of adoption of EVs and other low-emission vehicles	91.4%	96.1%	100%	Passenger vehicles of Exeo Group, Inc.
		CO2 emissions (Scope 1 & 2)	86,583 t-CO2	76,877 t-CO2	10% reduction from FY2020 level	Consolidated
	Use of eco-friendly green products	Green product usage rate	64.8%	78.0%	Year-on-year increase	Exeo Group, Inc.
	Contribution to a resource recycling-oriented society	Final disposal rate of industrial waste	5.6%	3.2%	50% reduction from FY2020 level	Exeo Group, Inc.
Social	Ensuring safety and quality in business	Serious bodily injury and serious equipment accidents	7	4	Aim for zero	Exeo Group, Inc. and its five major subsidiaries*
	Promotion of diversity & inclusion	Number of women in management positions	20	27	1.5 times compared to FY2020	Exeo Group, Inc.
			34	42	—	Exeo Group, Inc. and its five major subsidiaries*
		Number of female employees	307	328	25% increase over FY2020	Exeo Group, Inc.
			509	560	—	Exeo Group, Inc. and its five major subsidiaries*
	Driving work style reforms	Percentage of male employees taking childcare leave	7.3%	17.5%	20%	Exeo Group, Inc.
		Percentage of paid leave used	64.0%	76.0%	80%	Exeo Group, Inc.
Governance	Achieving transparent management (Ensured diversity in the Board of Directors and Board of Statutory Auditors)	Number and percentage of outside directors	4/12	4/11	1/3 or more	Exeo Group, Inc.
		Number and percentage of outside auditors	2/4	3/5	More than half	
	Ensuring strict compliance	Serious violations of laws and regulations	0	0	Aim for zero	Consolidated
	Ensuring thorough risk management	Serious information security incidents	0	0	Aim for zero	Consolidated
		Rate of risk assessment implementation for cases involving significant business risks	100%	100%	100%	Consolidated

* Five major subsidiaries: C-Cube, Seibu Electric Industry, Nippon Dentsu, Daiwa Densetsu, and Exeo Tech

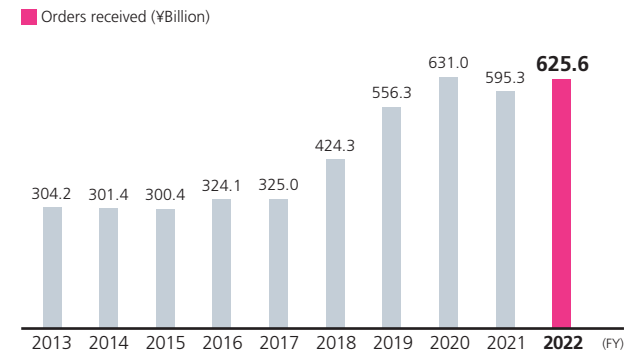
Financial and non-financial highlights

Financial

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

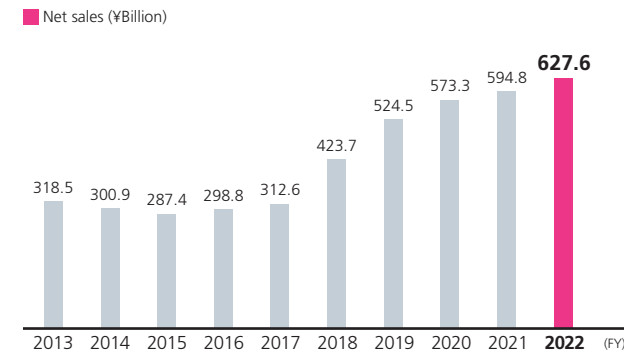
Orders received

¥625.6 billion Change year on year +5%



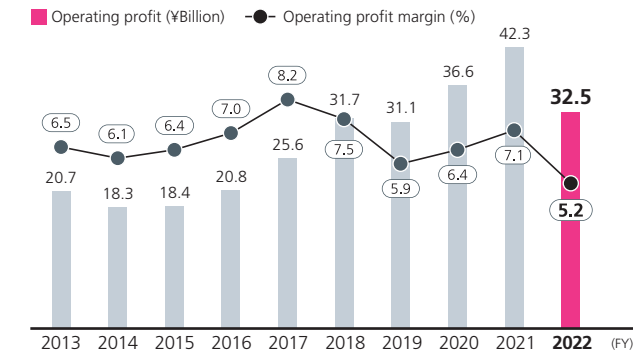
Net sales

¥627.6 billion Change year on year +6%



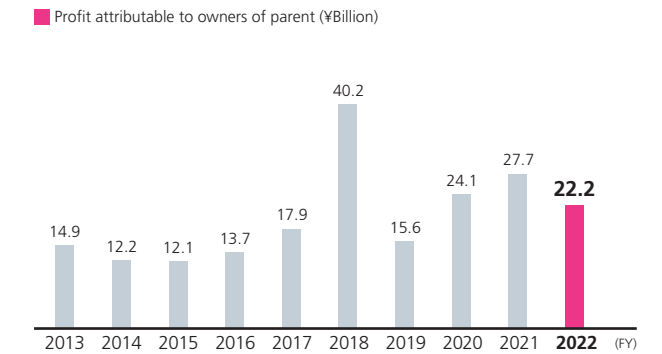
Operating profit

¥32.5 billion Change year on year -23%



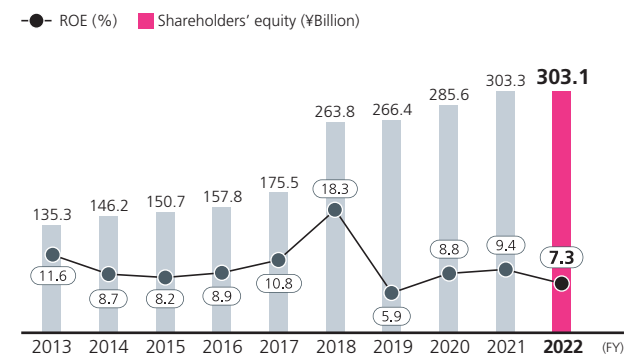
Profit attributable to owners of parent

¥22.2 billion Change year on year -20%



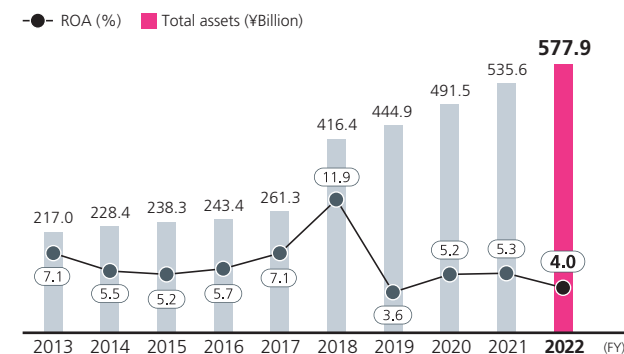
ROE

7.3% Change year on year -2.1 points



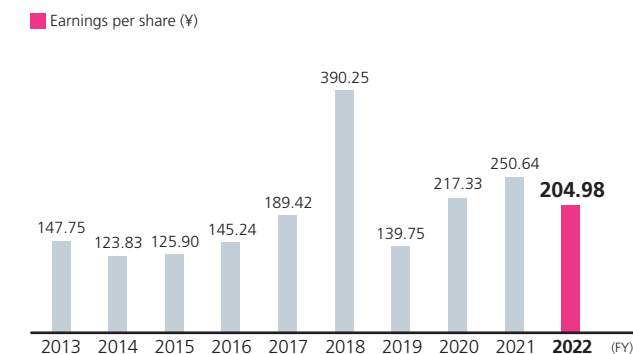
ROA

4.0% Change year on year -1.3 points



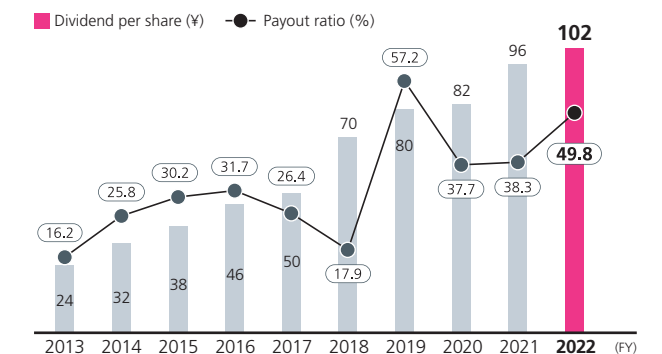
Earnings per share

¥204.98 Change year on year -18%



Dividend per share

¥102 Change year on year +6%

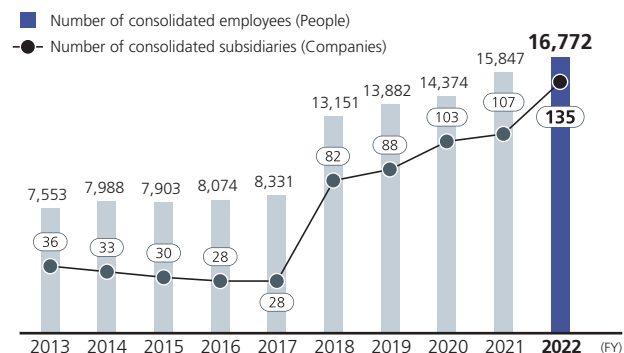


Non-financial

* Five major subsidiaries: C-Cube, Seibu Electric Industry, Nippon Dentsu, Daiwa Densetsu, and Exeo Tech

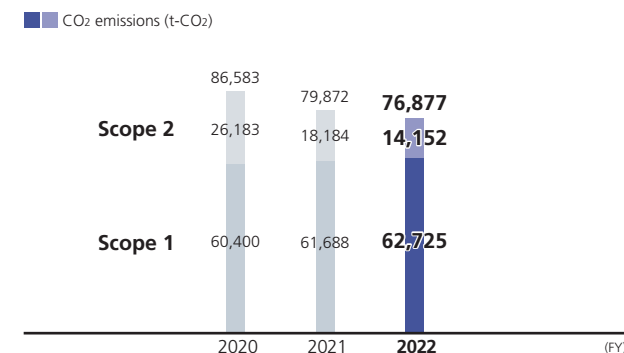
Number of consolidated employees

16,772 Change year on year +6%



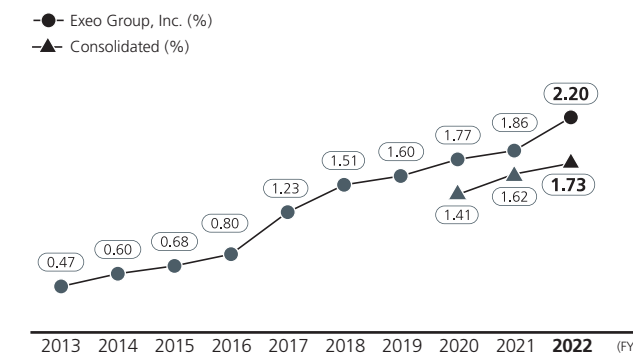
CO₂ emissions (Scope 1 & 2)

76,877 t-CO₂ Change year on year -3.7%



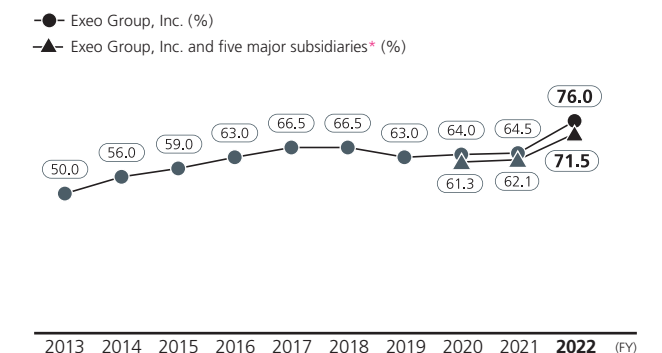
Ratio of women in managerial positions

1.73% Change year on year +0.11 points



Percentage of annual paid leave taken

71.5% Change year on year +9.4 points



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

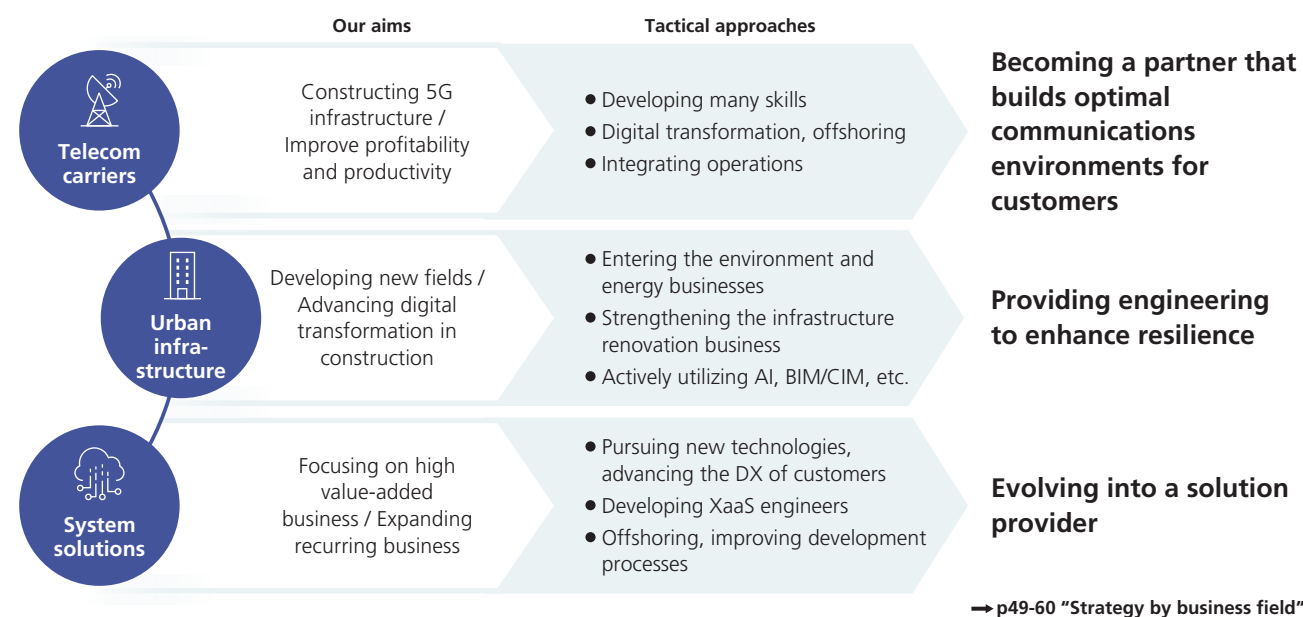
In Medium-Term Management Plan (FY2021-FY2025), we have set numerical targets which we are working toward after clarifying our aims in each of the three business segments of telecom carriers, urban infrastructure, and system solutions. We made steady progress in fiscal 2022 in our urban infrastructure and system solutions businesses, both of which we have positioned as growth fields, resulting in record high net sales of ¥627.6 billion—just shy of our medium term target of ¥630.0 billion.

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

Performance-related achievements and targets

	FY2022 (Achievements)	FY2025 (Target)
Net sales	¥627.6 billion	¥630.0 billion
Operating profit	¥32.5 billion (Operating profit margin 5.2%)	¥47.0 billion (Operating profit margin 7.5%)
ROE	7.3%	9.0% or more
EPS	¥205	¥280 or more

Strategy by segment



Strengthening our business infrastructure

	Theme	Key achievements in FY2022	Relevant page (s)
	<ul style="list-style-type: none"> Achieving a stable financial base Active investment for growth Stable and flexible shareholder returns 	<ul style="list-style-type: none"> Conducted approximately ¥30.0 billion in M&A cumulative over three years starting in fiscal 2021 Invested heavily in human resources and DX, which are our business infrastructure Raised the DOE of our dividend policy from 3.5% to 4.0%. Planning a dividend increase for the twelve consecutive years (FY2023) Bought back treasury shares in a flexible manner (in FY2022: approx. ¥7.5 billion) 	→ p29-32 "Message from the CFO"
	<ul style="list-style-type: none"> Flexible and agile Group management Synergies utilizing the Group's strengths Practiced diligent business management post-M&A 	<ul style="list-style-type: none"> Reorganized Group companies in the system solutions field by function Strengthened Group-wide collaboration, including functional reorganization by area Increased the joint procurement capabilities of the Group Made business processes more efficient by establishing common systems Promoted implementation of Group standardized network & security infrastructure 	→ p33-34 "Group management"
	<ul style="list-style-type: none"> Increased productivity by improving business processes Created value by providing new solutions Advanced digital transformation (DX) in construction through AI, BIM/CIM, etc. 	<ul style="list-style-type: none"> Established digital implementation project teams and assigned DX Implementation Leaders in each organization Bolstered horizontal roll-outs of DX implementation cases Established training systems for developing DX human resources 	→ p35-36 "DX implementation"
	<ul style="list-style-type: none"> Responding to changes in the business environment Fostering an organization/culture that supports safety and quality Addressed new business risks 	<ul style="list-style-type: none"> Used network cameras to improve the efficiency of communication with worksites and better support them Introduced safety equipment and other checking functions through the use of AI Conducted practical training for preparedness against cyberattacks 	→ p37-38 "Safety, quality & BCP"
	<ul style="list-style-type: none"> Active contribution to environment-related business Promotion of the use of renewable energy Reducing the Company's CO₂ emissions Promoting energy-saving activities 	<ul style="list-style-type: none"> Built our own woody biomass power plants (two locations) generating approximately 72 million kWh of power per year Participated in testing for solar power generation facilities on agricultural land (solar sharing) Switched to electricity from renewable sources at our sites (in FY2022: 73.2%) Promoted switching to EVs and other low-emission vehicles (in FY2022, for passenger vehicles: 96.1%) 	→ p39-40 "Environmental management" → p55-56 "Developing our renewable energy business"
	<ul style="list-style-type: none"> Enhancing adaptability to enable human resources to adapt to changes in the business environment Increasing labor productivity Developing a culture where diverse values are respected Responding to new ways of working in the new normal created by the COVID-19 pandemic Raised employee engagement 	<ul style="list-style-type: none"> Introduced & implemented a transformation leader development program Introduced & implemented an overseas trainee system Worked on multi-skilling & reskilling employees Earned outside recognition & awards for efforts toward diversity & inclusion (in FY2022: awarded the PRIDE Index silver certification, and the highest designation of the D&I Award "Best Workplace for Diversity & Inclusion") Established work environments that make it easier for employees to thrive, normalizing remote work while also introducing a flextime system, remote work location system, etc. 	→ p41-48 "Human resources strategy"

Emphasizing capital efficiency while implementing financial strategy to maximize business value

Shigeki Hayashi

General Manager of Accounts & Finance Division,
Director and Operating Officer, CFO

Summary of fiscal 2022 performance

In my first year as CFO, in fiscal 2022, we recorded ¥627.6 billion in net sales, up 6% year-on-year, and a construction balance forward of ¥625.6 billion, up 5% year-on-year, both of which were new record highs as we steadily built on our upward trajectory. On the other hand, operating profit fell 23% year-on-year to ¥32.5 billion and profit attributable to owners of parent fell 20% year-on-year to ¥22.2 billion, both representing significant decreases.

This year we announced our first plan with a profit decrease in 13 years, factoring in decreases in demand

that were anticipated at the start of the fiscal year including the completion of the advanced radio business, curtailed investments by mobile carriers, and less construction for reception of 700 MHz. However, the extent of the decline in profit was larger than we anticipated due to factors such as unprofitable projects that arose in the urban infrastructure and system solutions businesses, and surging prices for raw materials and energy that rose higher than anticipated during the year.

Thus, the overall performance results were numerically unfavorable, but I am confident that we were able to continue steadily advancing our initiatives in terms of financial strategy. Effects emerged from the M&A we have been actively pursuing in the urban infrastructure and system solutions businesses which we positioned as growth fields, and we were able to steadily grow sales. Excluding the aforementioned unprofitable projects and surging costs of parts and materials, I assess that profits in these two segments are trending upward. In our global business which is included in the system solutions segment, net sales more than doubled year-on-year, and in terms of profitability, I consider us to have transitioned from the upfront investment phase to the harvesting phase.

Increasing ROE

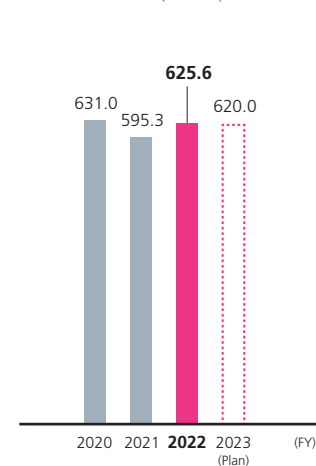
Fiscal 2023 is third year of our Medium-Term Management Plan, representing the halfway point. This plan sets numerical targets of ¥630.0 billion in net sales, ¥47.0 billion in operating profit (7.5% or higher profit margin),

and ROE of 9.0% or higher for fiscal 2025. Since achievement of this net sales target is already in reach partly as a result of effects produced by our M&A transactions to this point, the focus will now be on how close we can get to each of our targets for operating profit, profit margin, and investment efficiency (ROE). I particularly consider ROE to be an important metric for business valuation, and I recognize that we must endeavor to manage with a greater awareness of capital efficiency.

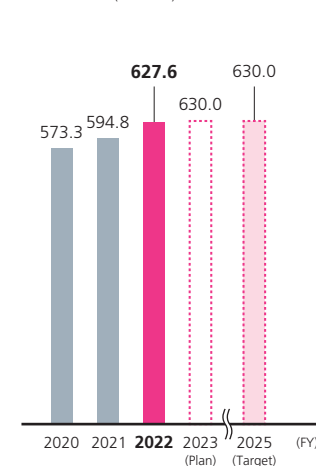
I consider growing profits, in other words boosting earning power, to be the basis for increasing ROE. One of the keys to that is to accelerate the transformation of our business portfolio. We need to further increase the proportion of our overall sales comprised by the two growth field business segments, while at the same time increasing profitability on a per-business basis. In terms of finance, our intention is to continue actively investing in growth in both the urban infrastructure and system solutions segments, while shifting our business resources including human resources.

Another key is raising the combined capabilities of the Group. I believe there is plenty of room for growth in this area. We have been implementing measures to strengthen our Group operations by transforming our organizations, but going forward we will aim to further eliminate inefficiency and waste in management while linking this also with initiatives such as DX implementation to become a leaner organization that generates more profit through less effort.

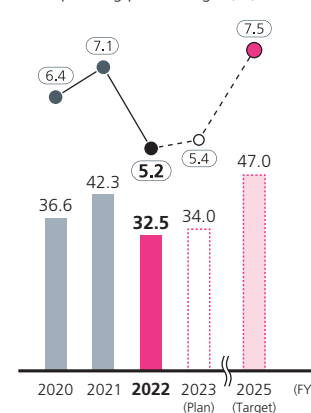
Orders received
■ Orders received (¥Billion)



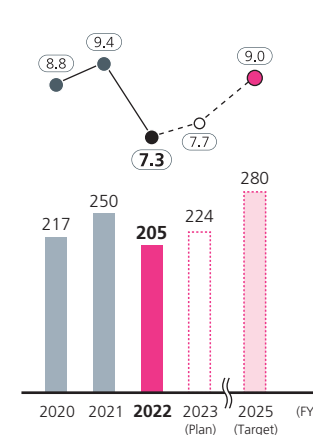
Net sales
■ Net sales (¥Billion)



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



Earnings per share & ROE
■ Earnings per share (¥)
● ROE (%)



Measures to increase ROE



M&A strategy

M&A is extremely important to expanding our earnings and boosting our earning power. I would say that our M&A in recent years has been proceeding well on the whole as we also utilize lessons learned from past failures. Multiple companies acquired through past M&A also underpinned our overall performance in fiscal 2022. I also want the finance department to continue their involvement in M&A transactions from the initial due diligence stage and thoroughly check the overall flow, including everything up to the monitoring of post-merger integration.

Our top candidates for M&A in the urban infrastructure business are in the fields of electrical, environment, and renewable energy. Demand is currently quite robust in this market, including for data centers, and we lost out on more than a few opportunities in fiscal 2022 due to our inability to fully accommodate this demand. From fiscal 2023 onward, I believe that we can definitely not only increase our sales but also boost our business profitability by expanding our ranks in this field through M&A and capturing a solid portion of the growing demand.

Our profit margin in the system solutions business is still currently low, but we expect it to rise each year going forward as our upfront investments bear fruit. M&A candidates in that business are companies that can contribute to strengthening our managed services. Like Telistar Solutions of Singapore which was added to our Group in fiscal 2022, we will bring aboard even more companies with strength in this field and channel their

additions into stable business profitability growth and higher ROE for the Group as a whole.

We are conscious not to inflate shareholders' equity, the denominator of ROE, any more than necessary. When needing to raise additional funds for large-scale M&A, our policy is to invest in growth by flexibly utilizing outside capital such as interest-bearing debt, while being mindful to maintain our current rating.

Cash allocation policy

In my opinion, the biggest responsibility of a finance professional is to effectively allocate capital that is raised for the purposes of business growth and increasing business value, as well as the cash that a company has earned—in other words, cash allocation. In the current medium-term plan, we have announced our cash allocation policy for the cumulative five years of 2021-2025. Funded primarily by operating cash flow and interest-bearing debt, we are planning for upwards of ¥120.0 billion overall in growth investments and roughly ¥100.0 billion in shareholder returns over the five years.

Included in the growth investments is around ¥70.0 billion that we plan to invest in building foundations for growth, including investments in DX which forms business infrastructure, and real estate investments which are essential for business. Going forward, our policy is to increase funds allocated to human resources and R&D in particular.

We are planning for at least ¥50.0 billion in M&A investments over the five years, of which we have invested

around ¥30.0 billion to this point. The size of our remaining budget is therefore around ¥20.0 billion. M&A is in some ways has a life of its own, and we believe there will be some fluctuations over the remaining two and a half years, with some doing better than planned and others worse. From increases in our EBITDA to increases in our interest-bearing debt, the progress of our M&A can have accompanying impacts that are both positive and negative. Therefore, as a finance professional, I want to make decisions flexibly with an eye on overall balance.

To our shareholders and investors

We regard the return of profits to our shareholders as one of the most important challenges for management. We have had a basic policy to pay stable, continuous shareholder dividends in light of our business performance trajectory, financial standing, future business outlook, and other factors, but starting in fiscal 2023 we raised our dividends on equity (DOE) from the previous level of 3.5% to 4.0%. We reached that decision because five years had passed

since the last time we raised the level of our DOE, our sales levels have recently been increasing, and in terms of profit, we expect to revert to increased profit in fiscal 2023. Thus we plan to pay a shareholder dividend of ¥120 per share in fiscal 2023, an increase of ¥18 from the previous period.

As part of our of returns to shareholders, we will also continue conducting share buybacks. In fiscal 2022, we purchased a total of around ¥7.5 billion in treasury shares, and our policy is to also flexibly conduct more buybacks going forward while comprehensively taking capital efficiency and the business environment into consideration.

In closing, I would like to mention that I assumed the role of director by resolution in the Board of Directors meeting in June 2023. Since I will now have more opportunities to engage in direct discussions with outside directors in the Board, in addition to serving my role as CFO, I am also determined to take a broader view over movements throughout the Group. I will do my best to engage in constructive discussions that lead to increases in business value. I look forward to the continued support of our shareholders, investors, and all other stakeholders.

Basic policy on M&A strategies

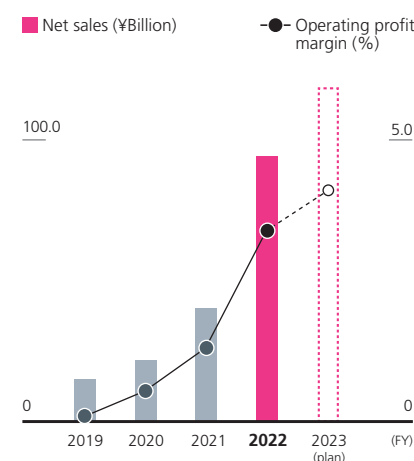
- Strategically identify M&A targets to attain an even 1:1:1 business portfolio
- Select investments with consideration for the resulting effects and profitability, and build systems to monitor them
- Rebuild our asset portfolio by selling cross-shareholdings

Main investment results in fiscal 2022

Business field	Strategy	FY2022 investments
Urban infrastructure	<ul style="list-style-type: none"> • Bolster our energy business • Develop our renovations business • Expand business scale 	<ul style="list-style-type: none"> • Iseki Poly-Tech • Sanetsu Corporation
System solutions (including global)	<ul style="list-style-type: none"> • Accelerate managed services • Expand our refurbishments business • Acquire trailblazing technologies • Transition to regional bases/utilize offshoring 	<ul style="list-style-type: none"> • Sanden System Engineering Corporation* • Procurri Corporation Ltd. • Telistar Solutions Pte Ltd.

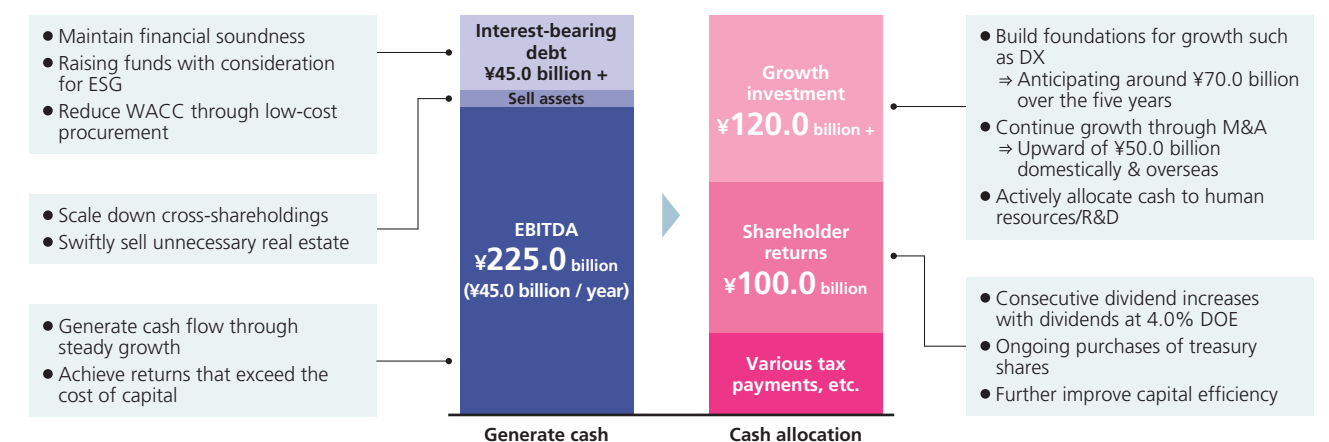
* Changed name to Exeo Core Innovation Co., Ltd.

Performance of subsidiaries acquired via M&A

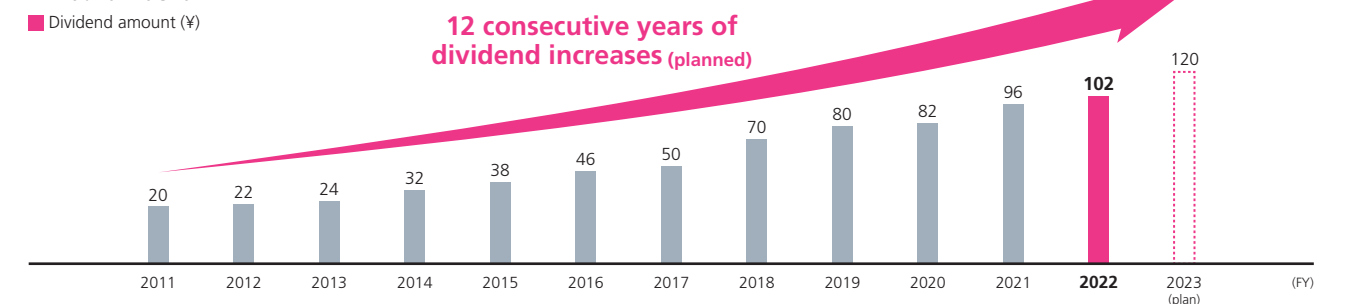


Note: Totals of subsidiaries added to the Group from fiscal 2018 onward. However, these figures exclude C-Cube, Seibu Electric Industry, and Nippon Dentsu.

Cash allocation policy (cumulative FY2021-FY2025)



Annual dividend



Group management



Supporting productivity improvements at each company in multifaceted ways to maximize the business value of the Group as a whole

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

Mission of the Group Business Promotion Division

The number of consolidated subsidiaries in the Group totaled 135 (76 domestic, 59 overseas) as of March 2023, generating 58% of our consolidated operating profit. The mission of the Group Business Promotion Division is to apply the appropriate governance for this group of companies while finding ways to maximize growth and earnings for the Group as a whole and achieve our maximum value. To accomplish this, the division is bolstering its support for Group companies together with business units and other staff organizations based on the three focal points of (1) creating business synergies through cooperation and collaboration, (2) optimizing business resources and making them more efficient, and (3) handling changes in the environment and business risks appropriately, while at the same time leveraging the strengths and characteristics of each Group company.

Specifically, this means supporting the formulation and execution of each company's business strategy according to directives established by congregating each company's senior management and business unit leaders together under one roof, learning about their business circumstances and challenges, and building consensus about their business strategies. In addition to basic support for management such as finance, business management, human resources, and DX, we are also working toward effective distribution of the Group's business resources, promoting shifts to growth fields, and creating new synergies based on the rapid changes in social requirements such as ESG and the business environment in recent times. At the same time, we are also learning about new business risks such as cyber risk and doing what we can to mitigate them.

Integrating & reorganizing Group companies

In order to harness the maximum potential of the companies newly added to the Group, it will be essential to realize an efficient business scale, multi-skill and utilize resources to the fullest, and increase our presence. To accomplish that optimally, we are integrating and reorganizing our Group companies.

In fiscal 2022, we reorganized existing subsidiaries along with companies we had acquired through M&A and established two core companies to accommodate our customers' diversifying needs in system solutions. One is Exeo Digital Solutions, Inc. which plays a central role in the system development function. The other is Exeo System Management, Inc. which plays a central role in system operations and maintenance along with customer support.

In the telecom carriers business, we integrated Group companies in the Hokkaido and Tohoku areas into one company in each area in fiscal 2021, and integrated existing subsidiaries in the Kansai, Chugoku, and Hokuriku areas into one company in fiscal 2022 in order to strengthen local collaboration in both the access and mobile businesses. In security and general civil engineering, we also integrated companies into one single company that operates nationwide.

Support for generating synergies and reforming business structures

We are also engaged in efforts to help generate synergies among Group companies and reform their business structures. In sales, we engage in sales activities with consulting teams that play a leading role in making proposals to horizontally roll out products of Group companies. In construction, we have pooled our technological capabilities and resources in efforts to handle things within the Group in order to compensate for business fluctuations in particular areas.

Taking into consideration enhancement of cyber security as well as soaring prices for devices, we also revamped our procurement supply chain for devices such as computers and smartphones which we had been procuring externally. Examples include utilizing the refurbished devices sold by Group company Arco Japan and providing an internally-offered subscription service that combines the kitting and maintenance capabilities of Exeo System Management, Inc. These efforts have bolstered our security while also containing our cash outlays by doing business internally.

To stay ahead of changes in the business environment, we are also aggressively working on reskilling efforts between our Group companies. Doing so is enabling us to flexibly shift human resources to growth fields and improve productivity by boosting motivation.

Support for making business processes more efficient

Making business processes at Group companies more efficient through digital technology is one of the initiatives we are focusing on.

In outsourcing agreements with many of our partner companies, there are situations where business is still being done through physical paper and stamping processes. We are revising those processes and systems, and in addition to going paperless and stampless, we are also advancing in digitalization through AI. This is improving our operational efficiency while reducing costs.

For better governance, we are actively implementing and operating data-based digital workflows for preparing and signing off on documents and giving approvals. In addition to shortening time taken to prepare and sign off on documents and improving operational efficiency, this is also leading to process improvements utilizing accumulated data, and swifter decision-making.

Standardizing our IT environments & business

To standardize our IT environments and business, we are installing and integrating our own standard Group-wide network and security infrastructure. Having a unified security infrastructure enables us to fortify our cyber security while reducing operations costs. Through centralized monitoring, we are also now able to swiftly detect and respond to security incidents, increasing the resilience of the Group as a whole.

Accordingly, we are working to equip more common core IT systems throughout the Group. We expect this to enable smoother coordination between systems and easier sharing and utilization of resources and information belonging to management.

Rules pertaining to employees and finance are also subjects of our standardization efforts. In addition to improving compliance and management systems, we are committed to these efforts with the idea that they will also boost the motivation of employees at our Group companies.

Group companies that were reorganized & integrated since April 2022

Company	Established	Previous company name	Business activities
Exeo Engineering West Japan Co., Ltd.	July 2022	Kyoei Densetsu Kogyo Corp. Sankyo-Techno Inc.	Design, construction, maintenance, and the related information processing and sales of equipment and other products for telecommunications, electrical, and civil engineering, etc.
KYOWA SECURITY SYSTEM CORPORATION	August 2022	KYOWA SECURITY SYSTEM CORPORATION Kyokuyo Co., Ltd.	Security, temp staffing
Denken Co., Ltd.	April 2023	Nagasaki Denken Industrial Co., Ltd. Nishi Kyushu Denken Co., Ltd.	Information and communication, public and private demand (electrical engineering), sales and construction of solar power generation systems, general civil engineering, etc.
EXEO Infra CO., LTD.	April 2023	EXEO Infra CO., LTD. Infra Techno Co., Ltd.	Telecommunications civil engineering, mobile communications construction

Companies added to the Group since April 2022

Company	Added	Business domains	Business activities
JUST Engineering Co., Ltd.	April 2022	Telecom carriers System solutions	Hardware, software, infrastructure services, etc.
ISEKI Poly-Tech, Inc.	April 2022	Urban infrastructure	Construction equipment, (manufacturing, sales, and rentals of boring machines used in pipe jacking), construction work (pipe jacking, pipe roofing, shielding, etc.)
Sanetsu Corporation	October 2022	Urban infrastructure	Design, construction, tuning, & maintenance for instrumentation and automatic control systems Construction and sales for air conditioning, sanitation, and electrical equipment
Exeo Core Innovation Co., Ltd. (previously Sanden System Engineering Corporation)	April 2023	System solutions	Systems development, operations and maintenance, and package systems sales and architecture
Telistar Solutions Pte. Ltd	January 2023	Global	IT managed services provider

DX implementation



We revamped our implementation system to promote autonomous DX activity in each organization

Hitoshi Takanashi
Operating Officer, Deputy General Manager of Solutions Headquarters
Chief Digital Officer (CDO)

DX implementation has entered phase two

As we enter an age of upheaval, we are forging ahead in our contributions to turning the four visions for society advocated in our 2030 Vision into a reality. DX in particular helps to make engineering more efficient and advanced. It can even be considered essential for innovating business processes and reforming value chains. I believe that DX implementation can not only expand and accelerate solutions to social issues through business, but it can also light the path to our sustainable growth and maximize our business value.

The Digital Transformation Strategic Division established in April 2019 builds IT infrastructure and serves the Center of Excellence (CoE) function for the entire Group, plotting the course to internal digitalization. They are also implementing operational reforms utilizing cutting-edge technologies such as IoT and AI as our initial phase of DX draws to a close. In this initial phase, we focused on making business processes more efficient and saving labor. ServiceNow has been used to make various internal inquiries and procedures more efficient, while implementing robotic process automation (RPA) has reduced workload to save labor. AI has been used to improve safety at construction sites, while introducing tablets at the sites has improved work efficiency and helped shift to paperless. These are just a few examples.

Based on these results from the initial phase, we decided that we had reached the stage of evolving into our next phase. Then, the digital implementation project team led by myself as Chief Digital Officer (CDO) launched in February 2023, tasked with making specific improvements. These are to strengthen our DX implementation system, horizontally roll out successful DX cases, and develop DX human resources.

Strengthening measure 1: Strengthen our DX implementation system

To this point, we have been making our company-wide processes more efficient and making the IT transitions needed for that to happen in our initial DX phase under the lead of our Chief Information Officer (CIO). Each organization also made their own transitions to IT in the initial phase targeting DX.

Then, in addition to Group-wide DX and per-organization DX measures, in January 2023, we appointed DX Implementation Leaders to each organization to integrate these measures and spearhead DX organically. DX Implementation Leaders are not only responsible for their organization's transition to IT, but also to DX. We will also open up communication links between the DX Implementation Leaders in organizations and the Digital Transformation Strategic Division which is the CoE to collaborate smoothly as a digital implementation project team. Through these efforts, our Group will be working together to engineer business transformations that accommodate DX and other changes in the external environment that lie ahead.

Strengthening measure 2: Horizontally roll out successful DX cases

Each respective organization has made various improvements and advanced their DX by implementing the latest technologies at construction sites. Other organizations can utilize many of these efforts with a certain degree of customizations, added functions, and changes. The digital implementation project team plays the lead in rolling these out horizontally to other organizations. I believe this has enabled us to effectively utilize DX-related assets that had previously been localized internally.

For example, we are horizontally rolling out digitalization of drawings at construction sites utilizing tablets, usage of AI to check for safety at construction

sites, and business process improvements through process visualizations on iGrafx which is sold exclusively in Japan by one of our domestic subsidiaries.

Strengthening measure 3: Develop DX human resources

As shown in **Chart 1**, the digital implementation project team is conducting training in cooperation with the Human Resources Development Department and Digital Transformation Strategic Division in order to develop all Group employees into DX human resources. DX is not necessarily limited to IT. It means flexibly adapting to changes in the business environment with the goal of business transformation. Therefore, as opposed to just IT engineers, all Group employees need to understand DX and become leaders who spearhead transformation.

For that purpose we are conducting a broad range of trainings for various levels and ranks, from DX training for all employees to mindset transformation training primarily for DX Implementation Leaders, culture creation training for executive-class personnel to help then accelerate transformation, and more. We will develop all Group employees into true DX human resources by continuously conducting trainings such as these, and channel that momentum into future business growth.

Chart 2 illustrates the initiatives and system that I have described. The Digital Transformation Strategic Division will advance DX throughout the Group, while the digital implementation project team will be providing each organization with attentive support for the DX they need while also cooperating with the Human Resources Development Department to build DX mindsets among all Group employees.

Through these initiatives, I believe we will adapt to this era of uncertainty and turbulent changes referred to

as VUCA and to the ever-changing external environment, and channel these adaptations into greater business value.

Chart 1 Policies to develop DX human resources by hierarchical level

All employees understand the true meaning of DX, understand transformation, and act accordingly

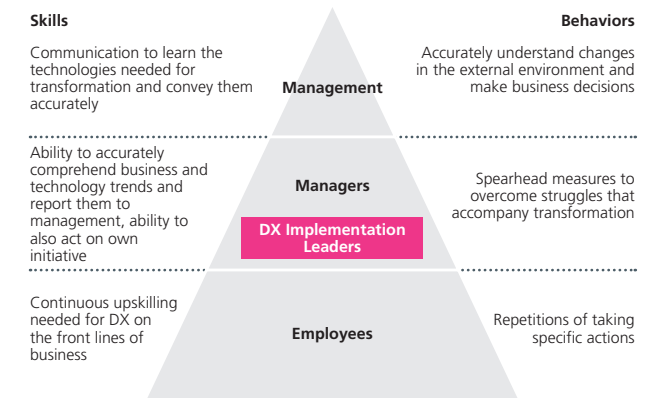
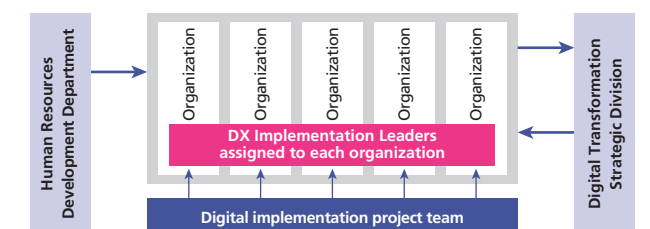


Chart 2 Approach to DX implementation



Points to strengthen by establishing the digital implementation project team

- Providing consultations and support by establishing a cross-organizational digital implementation project team
- The project team rolls out DX measures implemented at organizations into other organizations and opens up communication with the Digital Transformation Strategic Division which handles DX requirements and development for each organization
- Clarify who is the DX implementer at each organization by assigning DX Implementation Leaders
- Fostering transformation (DX) mindsets through cooperation between the project team and Human Resources Development Department

Role of DX Implementation Leaders

DX Implementation Leaders have the role of leading organizations together with the organizational heads to facilitate the growth of each organization by spearheading true DX transitions (business and operational transformation) that solve the fundamental problems of our organizations without being restrained by the status quo.

Specifically, they visualize and analyze their own organization's business processes, identify the issues, and propose and execute concrete measures while cooperating with the Digital Transformation Strategic Division which has expert knowledge as well as with the digital implementation project team.

As the first step to making initiatives like this more effective, the important thing is to take action. In my opinion, another important role of DX Implementation Leaders is to give the employees in charge of the actual work a stronger sense of ownership and promote mindset transformation.

With support from the digital implementation project team as well, leaders are cooperating with each other more extensively. This includes forming teams connected across organizations through their DX Implementation Leaders, and establishing more concrete plans for advancing discussions. Through inter-organizational connections such as these, I hope we can help to accelerate transitions to DX not only in our own organization but throughout the Group as a whole.



Kohei Saegusa
Manager, First Facilities
Construction Department
Business Engineering
Headquarters

Safety, quality & BCP

Occupational safety and health

Initiatives to promote a safe and quality-oriented culture

The Group strives on a daily basis to prevent the occurrence of bodily injuries and equipment accidents at construction worksites by taking every possible initiative to ensure safety and quality, and by strengthening management.

Since 2016, we have been working to create systems for each and every employee to understand the importance of safety and quality and put it into practice in their behavior, under the slogan “return to the basics of a safety and quality-oriented culture.” Then, with the five-year slogan of “evolve (enhance/develop) our safety and quality-oriented culture” starting in fiscal 2021, we are bolstering our efforts to improve quality and create added value in addition to eliminating accidents, with the aim of being “a company and group that can be relied on for safety and security.”

As for measures to mitigate safety risks, we are eliminating and revamping dangerous work and giving primary consideration to eliminating and mitigating risks starting in the work planning stages (essential measures), while prioritizing facilities-related measures (engineering measures) including for heavy machinery.

We are also deploying network cameras and other ICT to make communication between worksites and desks more efficient and deliver better support, and we are actively taking management measures such as human resources development for foremen and others in charge at worksites.

In addition, we are also focusing on measures to form habits of safe behavior by actively uncovering and publicizing cases deserving recognition through more extensive conversational patrols. Having acquired certification for our Occupational Health and Safety Management System and Quality Management System, we are continuously engaged in improving our safety and quality.

Financial losses from legal proceedings

There were no financial losses in fiscal 2022 resulting from legal proceedings related to accidents or allegations pertaining to faultiness or safety.

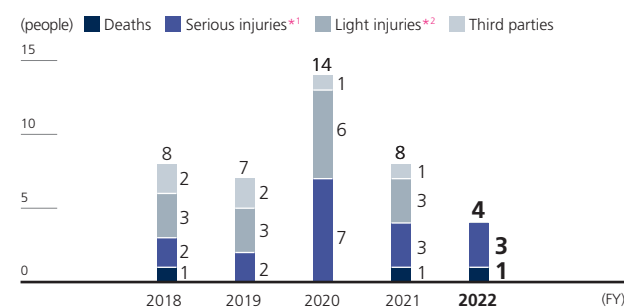
Status of bodily injury accident* occurrences

The number of accidents occurring in 2022 decreased compared to the previous year, but there was one fatal accident that occurred at a Group company. We are thoroughly implementing recurrence prevention measures to ensure that such an accident does not occur again. Additionally, the occupational accident rates in Exeo Group, Inc. in 2022 were 0.39 frequency rate and 0.03 severity rate.

We will continue working with a strong sense of determination to maintain these numbers at low levels.

* Total occurrences of occupational accidents and accidents causing injury or death to third parties

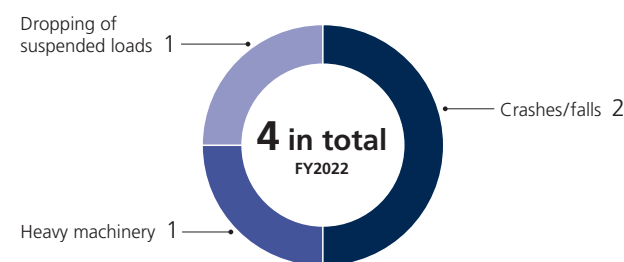
Status of bodily injury accident occurrences



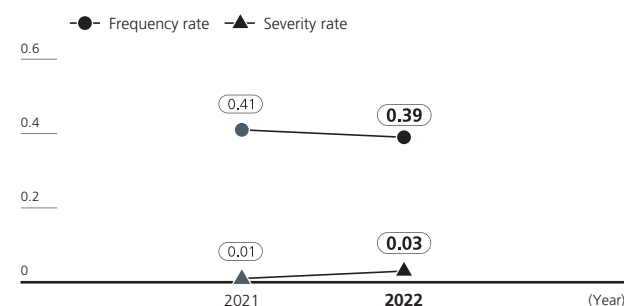
Scope of data: Exeo Group, Inc. and its five major subsidiaries (C-Cube Corporation, Seibu Electric Industry Co., Ltd., Nippon Dentsu Co., Ltd., Daiwa Denetsu Corp., and Exeo Tech Corporation)

*1 Hospitalized for two weeks or more and 30 or more days of temporary absence
*2 Lost time the following days after the incident

Breakdown of bodily injury accidents



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



Occupational safety and health management structure

Managerial post	Applicable job title	Role
Group representative	President	<ul style="list-style-type: none"> Approve the Group's occupational safety and health management policies and goals Give instructions for improving results of implemented priority measures
General manager of occupational safety and health management	General Manager of Safety and Quality Management Headquarters	<ul style="list-style-type: none"> Supervise safety and health management of the entire company Formulate occupational safety and health management policies, goals, and priority measures related to the Group's occupational safety Roll out priority measures for the Company's headquarters/branches and major subsidiaries (hereinafter referred to as "each organization"), and report the results to representatives of the Group Stay up to date with laws and regulations related to safety and health, the construction industry, and accidents
General manager of health supervision	General Manager of Human Resources Department	<ul style="list-style-type: none"> Supervise health management and operation Formulate occupational safety and health management policies, goals, and priority measures for the Group's health Roll out priority measures for each organization and report the results to representatives of the Group Stay up to date with laws and regulations related to health
Supervisor of occupational safety and health	Head of each organization	<ul style="list-style-type: none"> Implement priority measures and report the results Formulate and implement internal measures Stay up to date with regulations of the local government having jurisdiction over occupational safety and health
Manager of occupational safety and health	Safety and quality control department manager at each organization General Manager of General Affairs	<ul style="list-style-type: none"> Manage occupational safety and health management tasks carried out by each organization Identify hazards in buildings, equipment, and work areas and implement preventive measures Improve work conditions and health at facilities
Manager of internal audits	Safety Center Director	<ul style="list-style-type: none"> Implement management inspections/on-site inspections and report the results to representatives of the Group

Business continuity plan (BCP)

Basic policy

Our business continuity plan (BCP) is our basic policy to maintain the minimum necessary business operations based on predetermined roles in the event of a disaster (major earthquake, new pandemic, etc.) in order to ensure the future continuation of our business and prevent or minimize resulting damage to the business value of our Group. We have designated the order of priorities for work operations in advance, taking into consideration that in-house resources could be limited when a disaster occurs.

Order of priorities when disasters occur

- Ensure life safety
 - Protect the lives and safety of employees (including contract employees) and their family members, and check their safety
 - Assist the injured
- Minimize the financial impact and damage to customer value
 - Activities to minimize any decline or worsening in the Group's earnings
 - Activities to keep loss of our Group's credibility to a minimum

Disaster response

The Group has defined provisions for how to deal with potential natural disasters such as typhoons and earthquakes, and man-made disasters such as cyber terrorism, pandemics, and armed attacks. When disasters occur (including when they might occur) we establish an information coordination preparatory office according to the circumstances of the disaster and begin coordinating information while smoothly transitioning to an information coordination office, disaster response task force, or crisis response task force depending on the scale and expectations of the damage and engaging in recovery activities.

We also support swift recovery by coordinating with the disaster response organizations at each branch and Group company.

Human resources development & training

We conduct training at the time they are transferred and on a regular basis at least once per year for employees and others (including contractors) to enable them to execute processes when disasters occur and tasks at the time of activation without delay. In addition, we conduct drills at least once per year for processes when BCP is activated (including checking safety). Measures are taken for issues discovered in the drills, and the issues are utilized in improving the plan.

In fiscal 2022, we also conducted drills (exercises) for responding to cyberattacks.

Environmental management (report based on TCFD recommendations)

The Group considers environmental problems such as climate change to be important issues for management to address. Thus, we have defined “practicing ESG management” as one of the three challenges in our 2030 Vision. We also set KPIs for each of these in our Medium-Term Management Plan (FY2021-FY2025), which we are working systematically and continuously to achieve.

In terms of governance, the Sustainability Committee chaired by the President and CEO deliberates on direction and matters such as key issues as an advisory body to the Management Council while also monitoring the status of initiatives and deliberating and reporting on these details in the Management Council and Board of Directors. The



committee met twice in fiscal 2022.

Risks related to climate change are identified and evaluated primarily in the Sustainability Committee and then addressed in concert with the Business Risk Management Committee which serves as the Group-wide risk manager.

Additionally, in December 2021, we declared our support for the recommendations of the TCFD (Task Force on Climate related Financial Disclosures) and also joined the TCFD Consortium. The Group will continue making information disclosures according to the TCFD Framework going forward.

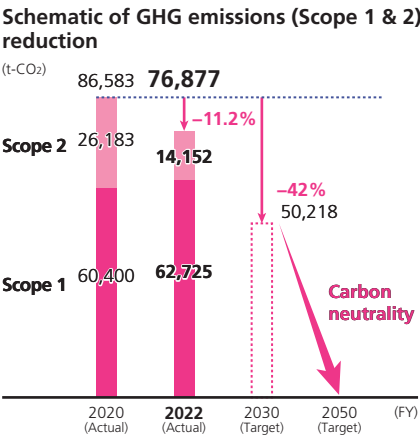
Metrics and goals

The Group has defined and is monitoring the following metrics and goals for managing climate-related risks and opportunities.

Metric & actual (GHG emissions by Scope)				
	Base year (FY2020)	FY2022	Difference	% change
Scope 1 & 2 (our own)	86,583	76,877	-9,706	-11.2%
Scope 1 (direct emissions)	60,400	62,725	2,325	3.8%
Scope 2 (indirect emissions)	26,183	14,152	-12,031	-45.9%
Scope 3 (supply chain)	1,728,553	1,594,294	-134,259	-7.8%
Category 1 (purchased goods and services)	275,913	195,614	-80,299	-29.1%
Category 2 (capital goods)	41,490	51,742	10,252	24.7%
Category 3 (fuel- and energy-related activities)	12,652	13,958	1,306	10.3%
Category 5 (waste generated in operations)	2,429	5,279	2,850	117.3%
Category 6 (business travel)	1,869	2,180	311	16.6%
Category 7 (commuting)	3,398	3,965	567	16.7%
Category 11 (use of sold products)	1,389,872	1,320,757	-69,115	-5.0%
Category 13 (downstream leased assets)	930	799	-131	-14.1%



Goal		Base year (FY2020)	Target year		Scope of data
Goal	Scope 1 & 2	86,583	FY2030 (vs. base year)	FY2050	Carbon neutrality
	Scope 3	1,728,553	1,296,414 (-25%)	—	Consolidated
Sub-metrics	Switch to electricity from renewable energy sources	—	73.2%	100%	Company-man aged sites of Exeo Group, Inc.
	Adoption of EVs and other low-emission vehicles	91.4%	96.1%	100%	Passenger vehicles of Exeo Group, Inc.



Strategy

We use scenario analyses to anticipate what the world will be like in 2030 to ascertain the impact that climate change will have on our Group’s business. The primary information sources for our analyses were the 1.5°C scenario by the International Energy Agency (IEA), and the 4°C scenario by the Intergovernmental Panel on Climate Change (IPCC).

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

Type	Climate change factor	Impact on the Group	Time line of impact*1	Level of impact*2	Key response measures
Risks	Introduction of carbon tax	● Increase in taxation such as instituting a carbon tax (taxed according to CO2 emissions from business activities)	Medium / Long	▼9	● Shift to the use of renewable energy for the electric power used in business activities (Switching to the renewable energy menu, purchasing renewable energy certificates, PPA, etc.), switching to eco-friendly cars ● Efforts to save energy in business activities (switching to LED lights, setting proper temperatures for air conditioners, promoting eco-driving, use of accelerants, etc.)
	Emissions controls	● Increase in cost to buy credits for CO2 emissions (emissions quotas) that fail to reduce enough volume	Medium / Long	▼2	● Achieve reduction targets by implementing the CO2 emissions reduction measures shown above
	Shifting to renewable energy (renewable energy measures)	● Soaring renewable energy procurement prices if renewable energy is not supplied in sufficient volume	Short / Medium / Long	▼0.1	● Strive to mitigate risk of cost increases by passing them on in prices for construction work
	Surging raw materials prices	● Increased cost of stocking materials made from natural resources	Short / Medium / Long	—	
	Obligation to disclose information	● Increase in costs to comply with expanded obligations to disclose information related to greenhouse gas emissions	Short / Medium / Long	▼1	● Avoid increased costs to handle emissions calculations by implementing DX in the calculation operations
	Changing customer preferences	● Preferences shift toward companies that have done more for the environment, and declining sales for those who miss this trend due to business relationships being severed or losing market share to other companies	Short / Medium / Long	—	● Increase our business value with activities to decarbonize our Group from within and with social contributions through our business (improve our assessments from environmental ratings agencies)
Opportunities	Stakeholder assessments	● Business value (stock price) falls due to negative assessments of measures against climate change (insufficient information disclosures, failure to reach CO2 emissions targets, etc.), making it harder to raise funds and secure human resources	Short / Medium / Long	—	
	Products and services	● Expansion of business due to increased demand for renewable energy such as offshore wind power generation ● Expansion of smart grid business due to changes in power distribution systems (ability to newly enter the power distribution business) ● Expansion of energy storage plant construction and maintenance business due to increasing needs for storage batteries ● Expansion of solar sharing business to use land at sites where solar power plants are installed as agricultural land	Short / Medium / Long	▲▲	● Actively pursue business in renewable energies such as solar power, offshore wind power generation and biomass, and expand orders for EPC projects (mutually complementary resources through business partnerships, expand construction domains through capital contributions, etc.)
	Market expansion	● Markets for renovation construction and cloud services due to increased demand for disaster response and mitigation ● Solutions market for decarbonization efforts generated by usage of ICT ● Markets for the development of infrastructure such as networks as urban digitalization advances ● Market for refurbishments geared toward creating circular economies	Short / Medium / Long		● Expand our urban infrastructure and refurbishments businesses
	Adaptation to climate change	● Stronger resilience by switching to telecommuting and other flexible work styles not dependent on location, in response to climate change	Short / Medium / Long	▲	● Make further efforts toward flexible work styles
	Stakeholder assessments	● Decarbonization efforts lead to higher business value, more opportunities to raise funds from financial institutions and the business growth that entails, create opportunities to receive orders from new clients, and create opportunities to secure talented human resources	Short / Medium / Long	—	● Increase our business value with in-house decarbonization activities and with social contributions through our business (improve our assessments from environmental ratings agencies) ● Raise funds through means such as Sustainability-Linked Loans

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

Type	Climate change factor	Impact on the Group	Time line of impact*1	Level of impact*2	Key response measures
Risks	(Acute) Intensifying weather	● Emerging risk of flood damage to residential and other buildings as well as the commensurate increase in damage insurance premiums, worsening work environments ● Supply chain disruptions due to intensified weather, interruptions to procurement and deliveries, lost chances to make proposals to customers or receive orders from them	Medium / Long	▼▼20-22	● Better BCP preparedness in the event of a disaster, regular hazard risk assessments for properties owned
	(Chronic) Higher temperatures	● Worsening labor shortages in construction due to increased health risks (heatstroke, etc.) and worsening work environments at outdoor construction sites ● Lower work efficiency, delayed completion of construction, and increased cost of provisions due to heat stress	Medium / Long	▼8	● Ensure and improve operating efficiency of worksites by taking thorough measures against heatstroke (utilizing ICT in safety management for work sites) and advancing digital transformation (DX) of work sites ● Secure sufficient construction periods

*1 Short time line: 3 years or less, Medium time line: Over 3 and up to 10 years, Long time line: Over 10 years
*2 Financial impact (profit) on business activities of the Group in fiscal 2030 is calculated under the assumption of certain conditions. Anticipating the relative magnitudes, risks are expressed as “▼▼▼(large),” “▼▼(medium),” and “▼(small),” and opportunities as “▲▲▲(large),” “▲▲(medium),” and “▲(small).” Impact scale in financial terms is (large): ¥10.0 billion or more, (medium): From ¥1.0 billion to less than ¥10.0 billion, and (small): Less than ¥1.0 billion

Human resources strategy



Establishing work environments where everyone can feel even more energized and power the ongoing growth of the Group

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

Pursuing a human resources strategy based on our business strategy

The mission of our Human Resources Development Department is to secure and steadily develop human resources who are capable of dealing with rapid technological innovation and market changes, according to our basic philosophy regarding employees as the Group's primary assets.

In this era of an uncertain future and turbulent change, we will be implementing growth strategies in each business field while also striving to transform our business structure itself according to our 2030 Vision and Medium-Term Management Plan (FY2021-FY2025) in order to stay on top of diverse customer needs and rapid technological innovations.

As we take on new business domains and expand our business globally, bolstering the capabilities of our human resources who get us there will be essential. Human resources strategy is also one of the most important areas for us to strengthen during the current Medium-Term Management Plan. We will implement a human resources strategy that contributes to the ongoing growth of the Group while linking it with our business strategy.

Developing leaders who propel our Group into the future

In the Human Resources Development Department, we create a Career Development Program (CDP) for every specialization, based on which we find ways to improve the knowledge and skills of each individual in close collaboration with the Human Resources Department. For employee development we strive to deliver an extensive training system including new employee training comprised of a multifaceted curriculum, position-based training according to position and years of continuous service, and upskilling for technical jobs. Moreover, we are also dedicated to supporting self-development, such as incentive programs for

acquiring qualifications and correspondence courses.

Another thing we particularly focus on for human resources development is building the flexibility, autonomy, and independence to adapt to turbulent changes in the environment. The attitude to think and act on your own and carve out your own future is essential for generating new value in an environment that is changing at lightning speed. From that standpoint, we launched a new initiative called the Transformation Leader Development Program in fiscal 2022. In this program, we select future management candidates from among all business divisions including Group companies, and conduct coaching for each of them respectively. In conjunction, we have also instituted new training for middle managers that combines a Coaching Program for six months with a two-day Coaching Workshop to accelerate the development of our next generation of leaders who drive transformation.

Addressing business globalization and technological evolution

In fiscal 2022, we also launched an overseas trainee system to bolster our development of global human resources. In this system, we accept applicants from among all employees of the Group every year and select a number of them to work at overseas Group companies for roughly one year. In addition to gaining work experience, this helps build their language and intercultural communication skills.

At the same time, we are also putting emphasis on bolstering technological capabilities, which can be considered the very core of our Group's value creation. For technical training, we are pushing forward with acquisition of professional skills needed for business expansion, including advanced engineering skills and cutting-edge IT skills, under the lead of each business division. The Human Resources Development Department also supports employees seeking to acquire high-difficulty qualifications such as for

professional engineers, and assists in self-development including for correspondence courses. Employee multi-skilling and reskilling have also increased in importance along with the evolution of our business domains and shift in our business structure. To facilitate the acquisition of these skills, we are focusing efforts on training and development as well as measures to boost motivation. Multi-skilling conducted thus far has resulted in more than a few employees being immediate contributors in shifting from the telecom carriers business to the urban infrastructure and system solutions businesses. As we check on the aspirations of our younger employees, we are also reskilling some of them for solutions business through short-term intensive training aimed at upskilling over a short period of time.

Aside from that, in promoting digital transformation (DX), we are extending our DX basic training throughout the Group, and the Corporate Planning Division is playing a leading role in organizing DX Activity Plan Presentations for all of our organizations with the aims of implementing DX in actual business and transforming mindsets. DX training will also be held for organizational heads in fiscal 2023 as we aim to further transform mindsets.

Organizational culture that promotes diversity & inclusion

Promoting diversity and inclusion (D&I) is another important mission of the Human Resources Development Department. New ideas are born through the collision and fusion of diverse personalities, experiences, and thoughts. In this sense, D&I is a requirement for companies to grow. With that in mind, the Diversity Promotion Office was established in our Group in 2017 and has been working to foster an organizational culture of mutual acceptance among people with different values.

One important issue in D&I is supporting women's career advancement. In 2021, we set the goal of raising our existing goal of 20 women in management positions to 30 by fiscal 2025. As a result of various measures subsequently implemented, the number has steadily risen to 27 as of March 2023. This was of course attributable to the hard

work of those managers, but the gradual changes in mindsets of others involved was also highly meaningful. With a low overall number of female human resources with technical backgrounds on the job market, we were able to raise our ratio of females among new graduate hires to 25% in fiscal 2023 through aggressive hiring efforts.

The key to promoting D&I is psychological safety. This means having an environment where differing opinions can be expressed openly and comfortably. In order to eliminate various types of unconscious bias (assumptions), the Human Resources Development Department holds training for superiors who have female subordinates, in addition to training about approaches and key points in one-on-one meetings, as well as company-wide training to promote LGBTQ understanding.

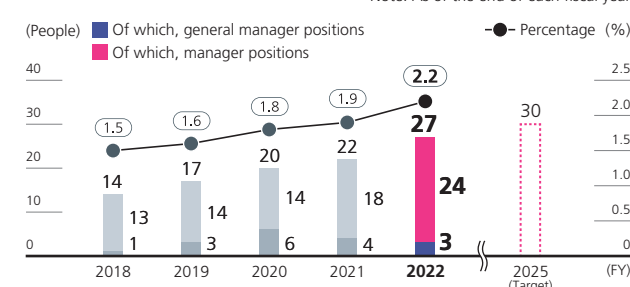
Establishing organizational environments where everyone can feel energized

The importance of employee engagement in relation to their company has been increasingly pointed out in recent years. The typical turnover of employees in their initial three years with a company is said to be around 30%, but ours has been steady at less than half of that number. In addition to our tutor system in which more tenured employees continue looking after employees in their first three years through discussions and other means, we believe this also due to positive effects including the strong sense of unity established between trainees who undergo our long duration new employee training together.

We also believe that being able to choose work styles according to each person's values and lifestyle is another key element to higher engagement. Remote work has already become established for desk work employees not at construction sites. We will continue striving to create workplaces where everyone can feel energized and harness their capabilities to the fullest by implementing a flextime system, a remote work system, and mechanisms for thriving beyond the frameworks of the Group. Doing so, we hope to raise our employee engagement even higher, and channel it into the continued growth of our Group.

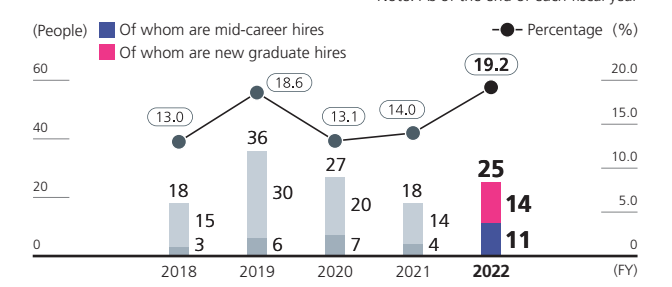
Number and percentage of women in management positions

Note: As of the end of each fiscal year



Number and percentage of female employees hired by year

Note: As of the end of each fiscal year



Basic approach to human resources

Our employees are invaluable assets. Based on our human resources philosophy regarding employees as the Group's primary assets, we pursue prosperity for both our employees and the Company through diligent practice of respect for human rights, fair evaluations and treatment, human resource development, and professionalism. Based also on the idea that it is essential to our future ongoing growth to secure and develop talented human resources and create workplaces where everyone can work with vitality and harness their capabilities to the fullest, we are implementing work style reforms to change attitudes toward work styles, reform rules, and promote diversity.



Respect for human rights

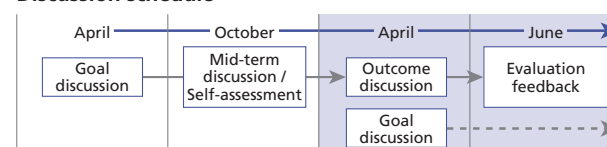
In our business activities, we place great importance on respect for human rights and conduct training to raise and improve human rights awareness in order to provide a workplace environment in which each and every employee can work with vitality. In addition, through training and other activities to promote compliance, we show that we do not tolerate any kind of discriminatory treatment on gender, beliefs, nationality, status of disability, sexual orientation, gender identity or other basic human rights. We strongly advocate for respecting the dignity and individuality of every person.

Fair evaluations and treatment

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

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

Discussion schedule



Implementation rate of discussions

FY2020	FY2021	FY2022
100.0%	100.0%	100.0%

Human resource development

Basic approach and promotion system

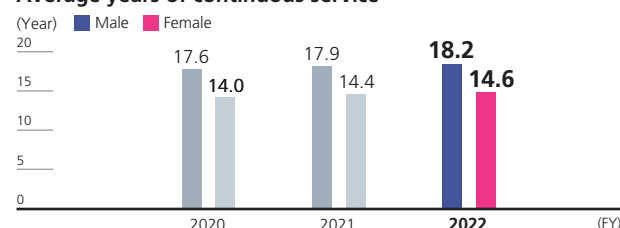
Based on the policy of regarding employees as our primary assets, the Group provides a variety of training programs such as new employee training, position-based training, technical training, the transformation leader development program, and the culture transformation program. Moreover, we also provide support for self-development, such as incentive programs for acquiring qualifications and correspondence courses, and are committed to providing growth opportunities and encouraging employees to proactively take advantage of them.

To adapt to rapid technological innovations and changing markets, we are also hiring and developing human resources who are capable of quickly adapting to the business environment.

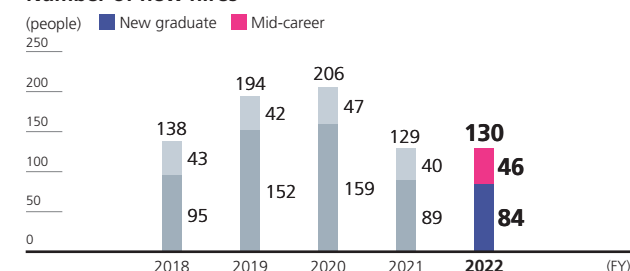
Four hiring & human resources development policies

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

Average years of continuous service



Number of new hires



Initiatives at Group companies

We want all employees at our 172 Group companies (135 consolidated subsidiaries, 17 non-consolidated subsidiaries, and 20 affiliates), including those overseas, to be able to work with a sense of fulfillment. Our top priority is to build one new team to enable this. We see this as an essential step toward developing our human resources for the future, reforming our work styles and increasing diversity. Based on the Group's common operational measures, in addition to playing the role of a "go-between" for expanding the excellent initiatives of our Group companies, we will further promote the establishment of one strong team that takes on the challenge of new businesses and responds to changes.

Group employee wins gold medal at WorldSkills Competition 2022

Toru Ebihara, an employee at Exeo Group, Inc. entered the Information Network Cabling skills category representing Japan and won a Gold Medal at the WorldSkills Competition 2022 held at Miyako Messe convention center (Kyoto) from October 15 to 18.

Ebihara went up against competitors from 12 countries and regions in the skill of Information Network Cabling, which tested abilities in the construction and measurement skills required for building information network infrastructure. We are determined to continue strengthening and improving our technical skills, developing outstanding engineers, and contributing to society.



Group employee Toru Ebihara (center) wins gold medal at WorldSkills Competition 2022

Training system

[illegible]

Work style reform

Basic approach

With the aim of proper management of working hours and rectifying long working hours, labor representatives and top management have issued a joint declaration and are working on reforms to comply with labor related laws and regulations, promote flexible work styles, improve operational efficiency across the organization, and maintain and promote physical and mental health by raising employee awareness and implementing specific measures. We are also working to realize diverse and flexible work styles through means such as the establishment of a regional key position system (a system for regionally assigned employees) and a teleworking system. For the new lifestyles and new working styles recommended by the Japanese government, we are striving to create a work environment where everyone can work with peace of mind and enthusiasm through efforts including: (1) review of operations (business inventory, business evaluation, etc.), (2) improvement of the environment (PC, work environment, etc.), (3) consideration for health and wellbeing (development of a system for supporting mental health, etc.), (4) enhancement of systems (review of commuting styles, establishment of an expenses policy for working from home and for working from remote locations, etc.).

Boosting productivity through digital transformation

Utilizing IT infrastructure, AI technologies, and other common tools across the Group including Office 365*, we are working to improve sales capabilities, business efficiency, quality, safety, and comfort while aiming to boost productivity in a noticeable way, not only for employees but for our partners as well.

* Office 365 is a registered trademark of Microsoft Corporation in the U.S. and other countries.

Health and productivity management initiatives

Nothing is of greater importance to achieving our purpose (the role that the Group should fulfill in society) “Bring the benefits of connectivity to all” and our continued expansion and growth than the physical and mental health of all our Group employees and their families in Japan and throughout the world. Based on this approach, our entire Group is engaging in health and productivity management—promoting new work styles and work-life balance in addition to building workplace environments where employees are physically and mentally healthy and feel energized on the job.

In order to continue being an enterprise that contributes even more to society and is recognized by society as a valuable presence, the Group, labor union, and health insurance association are working together to maintain and promote employee health.

Work-life balance

Basic approach

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

Supporting the balance between work and home

To ensure that employees can achieve a balance between work and child-rearing or work and family caregiving, regardless of gender and continue to work and achieve success with peace of mind for as long as possible, we have established balance support schemes that go beyond statutory requirements. Specifically, we have improved our parenting support systems such as for payments of allowances for returning to work early, and we introduced Special Treatment Leave which can also be used for fertility treatment as well as a reduced work hours system for undergoing medical treatments, as we have striven to give employees what they need to balance work with parenting.

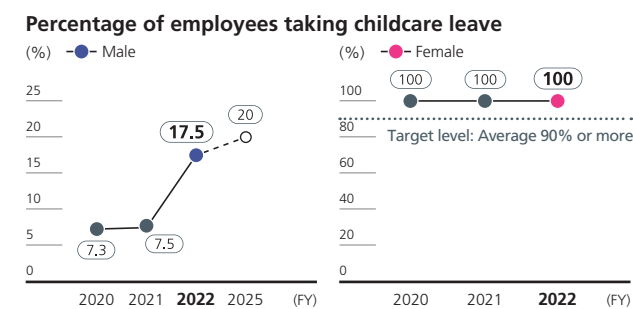
We are actively enhancing systems and holding briefings to achieve the targets in the action plan (Seventh Action Plan) that we formulated in April 2022 pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children. We have introduced company-led childcare facilities along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



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

Target	(1) Achieve 20% rate of male employees taking childcare leave (2) Maintain childcare leave usage rate of at least 90% among female employees (3) Effectively communicate guidance about how to use the System for Balancing Medical Treatment with Work which was newly established in April 2022, and about the related procedures
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Plan period: April 1, 2022 to March 31, 2026 (4 years)



Data on childcare leave (April 1, 2022 to March 31, 2023)

	Male	Female
Total number of employees eligible for childcare leave	78	9
Total number of employees who have taken childcare leave	14	9
Total number of employees who have returned to work after childcare leave	11	7
Return to work rate of employees after childcare leave	100%	100%
Total number of employees enrolled at the end of 12 months after returning to work*	7/8	12/12
Retention rate of employees after childcare leave	87.5%	100%
Average number of days of childcare leave taken	52.8	342.4

* Total includes employees who returned to work between April 1, 2022, and March 31, 2023.

Support for balancing work with medical treatment

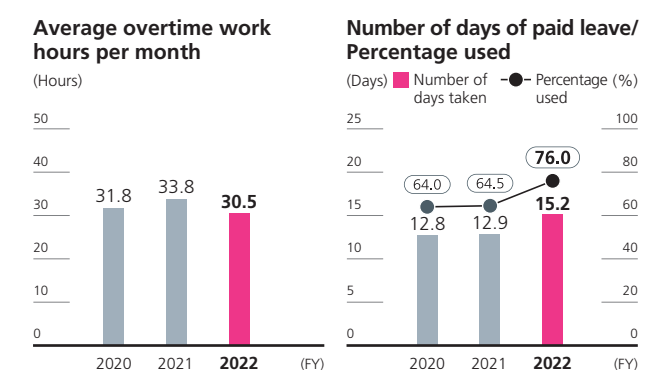
We have established a new support system for balancing work with medical treatment so employees can continue working with vitality even while undergoing treatments. In addition to treatment of diseases, applicable treatments also include fertility treatment, and we are working to support parents in raising the next generation. Specifically, our support includes making it possible to receive allocations of special leave of absence, take accumulated annual paid leave, and use the reduced work hours system, telework system, and shift changes to be able to receive proper treatment. Through diverse work styles, we actively support our motivated employees in balancing their medical treatments with work so they can thrive in the workplace.

Reducing long working hours

As initiatives to reduce long work hours we are visualizing

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

As part of our initiatives to achieve a healthy work-life balance, we also seek to develop a comfortable work environment for employees by setting annual targets for use of paid leave, promoting consecutive days of leave by combining annual paid leave with long holidays, summer holidays, year-end/new-year holidays, and designating a no overtime day for each week.



Maintaining good labor-management relations

Mutual trust between labor and management is fundamental to the Group’s business. In the view of pursuing company growth and maintaining and improving employees’ work conditions, we seek to build stable labor-management relations through regular discussions between labor and management.

We hold regular labor-management meetings for exchanging opinions between both sides on the business plan and other important issues in order to engage in proactive business operations and achieve the healthy growth of the company, and when changing the personnel system we provide forums for discussions between labor and management before revisions are made. We also hold meetings of a committee for improved work hours and conditions where we are setting targets for the total number of work hours for the year and annual paid leave to be taken and monitoring the progress. In addition, labor and management are working together on ways to reduce overtime work and determine specific measures for having employees take their annual paid leave.

The Central Complaint Handling Committee has been established as a contact point between labor-management relations, comprised of members put forward by both labor and management to swiftly resolve any allegations brought up by an employee.

Diversity & inclusion

Diversity & inclusion declaration

Diversity means variety. In other words, promoting diversity in an organization is a strategy to harness the abilities of various human resources to the fullest. With the aim of quickly and flexibly meeting the diversifying needs of our customers, expanding our business, and boosting performance, we are fostering a culture as Team Exeo that promotes mutual acceptance among people of diverse values regardless of gender, beliefs, nationality, disability, sexual orientation, gender identity or other such attributes, and leads to new value creation free from conventional norms or stereotypes while continuously growing both as individuals and as an organization. Diversity promotion does not aim for any particular goal. We aim for the true meaning of diversity and inclusion, to energize organizations with new ideas derived from diverse feelings and values that enable organizations to generate innovation.

Tetsuya Funabashi President and CEO

Supporting women's career advancement

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

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

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

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

	As of the end of March, 2021	As of the end of March, 2023	Target at the end of March, 2026
Number of women in management positions	20	27	1.5 times (30)
Number of female employees	307	328	25% increase (384)
Percentage of male employees taking childcare leave	7.3%	17.5%	20%



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

Additionally, we engage in various measures aimed at raising the awareness of our female employees, such as training courses together with superiors for working together with unified purpose, social events with female employees of other companies, and events geared toward all of our female employees, as we create opportunities for women to thrive and provide them with support.

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

Promoting the employment of people with disabilities

To ensure that all people can demonstrate their capabilities and aptitude to the fullest extent and lead active, fulfilling lives regardless of whether or not they have disabilities, Exeo Group, Inc. actively pursues the employment of people with disabilities. Employees of the Diversity Promotion Office have completed disabled person occupational and lifestyle counsellor certification courses, carefully gather information about desired workplace, occupation, skills, and disability considerations when employees are hired, and strive to match employees with the right organization. Even after an employee has joined the company we regularly follow up on the individual and their assigned department and make every effort to ensure they are able to succeed in a reassuring environment. We work to create new occupational fields so that persons with all kinds of disabilities can flourish while making active efforts to hire people with specialist skills.

We also provide training to promote deeper understanding of people with disabilities for employees who work with them and for management teams, managers, and others, including at Group companies.

Percentage of employees with disabilities (As of March 31, 2023)

Exeo Group, Inc.	2.29%
C-Cube Corporation	1.84%
Seibu Electric Industry Co., Ltd.	2.91%
Nippon Dentsu Co., Ltd.	1.97%
Daiwa Dentsu Corporation	2.54%
Exeo Tech Corporation	1.89%

Rehiring of retirees

In order to make use of the skills and experience gained over the years by employees who are motivated to work after retirement, we have a system to rehire retirement-age employees, a registered employee system to hire retired employees on a temporary basis, and a system to rehire former employees who have left the company due to family circumstances such as family relocation, marriage, childbirth, and nursing care. These systems provide opportunities for diverse work styles.

These efforts are helping to secure our technological capabilities for the future and ensure that we are able to pass on our skills.

Number of retirees who have been rehired

	FY2020	FY2021	FY2022
Number of rehired employees	249	301	320

Life plan seminars

The Group holds seminars for employees at the ages of 53 and 54 to help them design their postretirement life with a deeper understanding and awareness so that they can lead materially, physically, and mentally healthy lifestyles. We also hold seminars for employees at the age of 58 and 59 to deepen their understanding of post-retirement social security and pension fund systems.

In fiscal 2022, we began holding seminars to inform employees in their forties about our internal systems for post-retirement age and about the social security and pension fund systems at an earlier stage than before in their careers. This guidance aims to enable them to enjoy more fulfilling second careers post-retirement through better planning.

Number of seminar attendees (the past 3 years)

* Held in alternating years for each age group

	FY2018	FY2020	FY2022
40-49 years old	—	—	1,308
53-54 years old (including Group companies)	237	307	404
	FY2017	FY2019	FY2021
58-59 years old	105	139	192

Hiring foreign nationals

In order to promote global business, especially in the Asia region, and to internationalize and invigorate the company, we are actively hiring foreign students who are expected to be active both in Japan and abroad. In fiscal 2023, we hired one foreign national new graduate and three mid-career foreign nationals. In addition to hiring foreign exchange students, in fiscal 2022, we hired five employees with specialized skills who have Philippines nationality. We will

continue to pursue diversity in our hiring going forward.

Foreign nationals hired by year

	FY2018	FY2019	FY2020	FY2021	FY2022
New graduate	1	5	0	2	2
Mid-career	0	0	0	1	3

Implementation of diversity promotion training

Training is conducted starting from upper levels of the company to foster an understanding of the importance of diversity promotion as a management strategy and to recognize issues the company faces in doing so. In training aimed at executives and managers, attendees learn about management techniques for diverse human resources and approaches for supporting career development. This knowledge is then put into practice in the workplace. Moving forward, we will expand the scope to include a wider range of employees and conduct training that fosters a culture that promotes the mutual acceptance and utilization of a diverse range of values.

As a result of these efforts, our company received bronze certification in the PRIDE Index 2020 and a silver certification in the fiscal 2021 and 2022 versions of this index established by the organization "work with Pride" to evaluate workplace initiatives related to LGBTQ and other sexual minorities. Aside from that, we were awarded the highest possible rank "Best Workplace for Diversity & Inclusion" for two consecutive years in fiscal 2021 and 2022 by the D&I Award which recognizes companies making admirable efforts toward diversity and inclusion.



Diversity promotion training (FY2017–FY2022)

Content of training	Number of sessions
Diversity promotion training for management level*1	4
Diversity management training for managers	31
Diversity management training for newly appointed managers	4
Training for female leaders	4
Career design training for women	6
Diversity training for new recruits	6
LGBTQ training*1*2	5
Training to promote understanding of people with disabilities*1	3

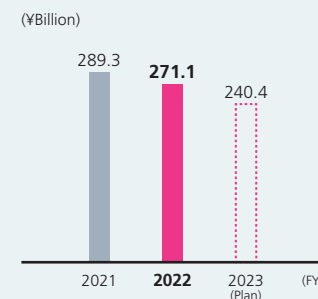
*1 Including Group companies *2 Overlaps with training for management level



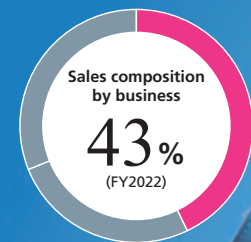
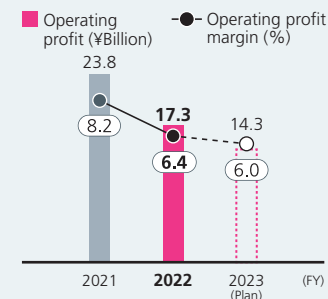
Telecom carriers business

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

Net sales



Operating profit/ Operating profit margin



SWOT analysis

S Strengths

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

O Opportunities

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

W Weaknesses

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

T Threats

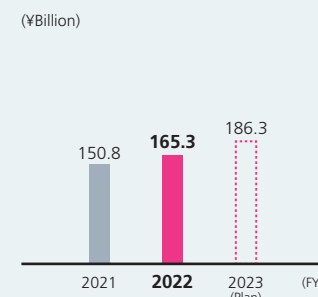
- Increases and decreases in capital expenditures resulting from business trends among telecom carriers and national government policy
- Slowing of investment in base station construction due to 4G frequency bands being switched to 5G (shift to New Radio: NR) and infrastructure sharing



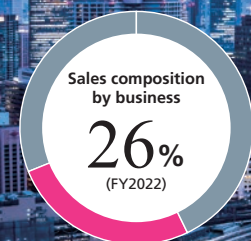
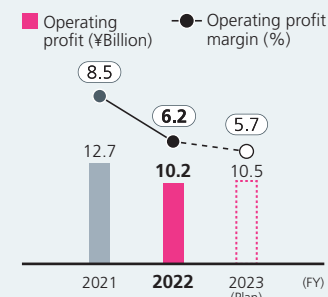
Urban infrastructure business

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

Net sales



Operating profit/ Operating profit margin



SWOT analysis

S Strengths

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

O Opportunities

- Growth of the renewable energy market on the path to achieving a decarbonized society
- Deregulation of the power transmission business offers greater opportunities for entry
- Increasing needs to upgrade aging public infrastructure
- Growing demand for data centers along with the advancement of data usage in society

W Weaknesses

- Not enough engineers to accommodate increased demand
- Insufficient track record or brand power to compete in the same domain as businesses such as large general contractors
- Lack of risk management experience in new domains

T Threats

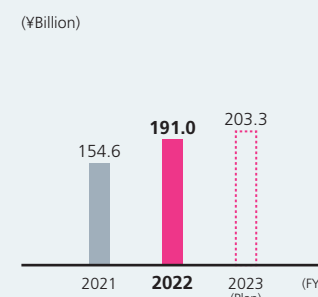
- Surging costs of raw materials and longer lead times for procurement
- Entry of foreign-owned business operators into Japanese domestic markets for energy-related business



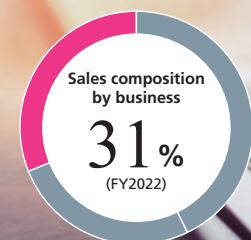
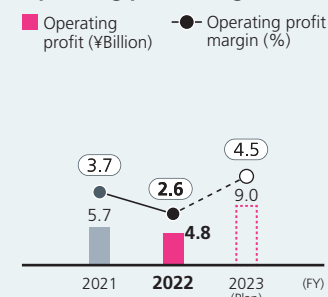
System solutions business

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

Net sales



Operating profit/ Operating profit margin



SWOT analysis

S Strengths

- Provide all-in-one services from consulting, design, and construction to operations and maintenance
- Group companies that specialize in areas such as education-related products and IoT devices
- Cloud engineers who support development/sales organizations
- Advancements in new business domains overseas

O Opportunities

- Continued appetite for DX implementation among companies and public offices
- Rising demand for security against intensifying cyberattacks
- Increased demand for subscription-based managed services
- Market expansion primarily in Asia Pacific

W Weaknesses

- Lack of human resources for development
- Uneven profitability among business domains
- Revenues are comprised of a low proportion of recurring business
- Lack of brand power in the IT market
- Need for continuous investment in international business

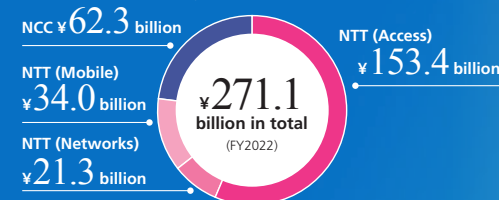
T Threats

- Arrivals of new players and services could make existing services obsolete
- Depletion of IT human resources in Japan, and accompanying spikes in labor costs
- Declining profit margin due to competition with major systems integrators who have a head start
- Abrupt policy changes due to changing government administrations in Asia-Pacific countries

Telecom carriers business

We provide nationwide services for telecom carriers, contributing to the enhancement of telecommunications infrastructure.

Sales composition by unit



Main businesses

We provide integrated, high-quality services from planning and design to construction, operation, and maintenance for all communication facilities of telecommunications carriers throughout Japan. This is backed by a proven track record and best-in-class technical capabilities in the construction of telecommunications-related facilities, which we have cultivated since our founding. Our advanced technical capabilities are garnering accolades both at home and abroad, including six gold medals in the Information Network Cabling category at the WorldSkills Competition.

NTT Unit (for NTT Group companies)

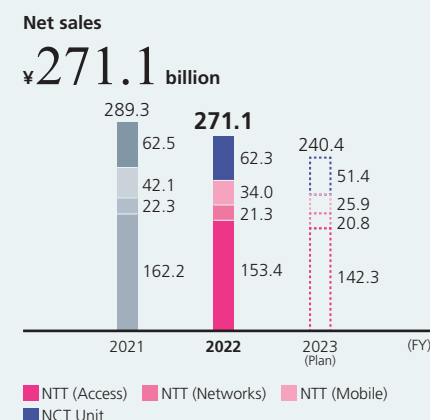
Market environment & strengths

This has been our core business since our founding, where we play a central role in supporting Japan's telecommunications infrastructure from metal to optical fiber lines. With our broad array of technologies as a starting point, we have been generating steady profits until the present.

NCC Unit (for KDDI, SoftBank & Rakuten)

Market environment & strengths

Mobile is now not only limited to being a communication tool, but it has also become essential as a means of payment, with services expected to evolve even more in the future. We operate flexibly to accommodate the business development of each telecom carrier.



Our aims in the Medium-Term Management Plan

- Construction of 5G infrastructure
- Improve profitability and productivity

Key achievements in 2022

- Promoted the completion of backlog construction projects in mobile
- Made progress in multi-skilling
- Leveraged DX to improve business processes

Plans for fiscal 2023

- Unify our mobile construction organization (Structural Reform 2.0) (improve productivity, build flexible construction systems)
- Shift even more personnel to growth fields

Summary of fiscal 2022

In the telecom carriers business, we swiftly and flexibly accommodate the requests of each carrier with a presence that continuously contributes to society by helping to build and maintain Japan's telecommunications infrastructure.

Along with the completion of the Project on Promoting Advanced Radio Environment Improvements which had been a business driver until fiscal 2021, curtailed capital investments by mobile carriers also had an impact, but the decline in demand was even greater than anticipated as construction projects with some carriers were either canceled or postponed. Thus, although we had initially planned for lower revenues and profits in fiscal 2022, it ended up being quite a harsh year in terms of profit.

On the other hand, we moved forward with standardizations of operations at Group companies and subcontractors, including systems sharing and usage of tablets to go paperless at worksites. At the same time, we worked on operational improvements to further improve productivity and profitability and ensure better safety by utilizing AI to inspect safety equipment and ensure the safety of heavy machinery in addition to establishing safety management systems that combine webcams with a surveillance center.

As we construct next-generation telecommunications infrastructure for 6G and O-RAN and transition to optical lines for "last mile" connections in apartment buildings and other urban areas in this business, while also removing and updating aging infrastructure, we will continue contributing to the maintenance and development of telecommunications infrastructure that is essential to people's lives.

Fiscal 2023 plan and forecast

As telecom carriers continue to curtail their investments in fiscal 2023 and some remote work demand from the COVID pandemic dissipates, we anticipate demand for optical lines will also decrease. On the other hand, the ongoing upward trend in mobile telecommunications traffic will continue as mobile also becomes established as a means of payment and mobile phones become entrenched an indispensable part of people's lives. It will therefore become imperative to build more infrastructure such as base stations and backbone networks.

In our Group, we implemented "Structural Reform 2.0" in July 2023 to bolster the profitability of this business while at the same time putting a system in place capable of handling rapid increases in demand. We will eliminate the separate construction systems employed for each mobile carrier and unify them into one. Concurrently, we will evenly level out operational deployment through fluctuations in demand and by leveraging Group product iGrafx® (tool for creating workflows with set writing rules that are easy for anyone to understand) to standardize and optimize business processes.

Manpower will be freed up through these structural reforms, which we can then divert to the growth fields of urban infrastructure and systems solutions and leverage to create business opportunities.

We will continue pursuing more efficient operations in this business where there is ongoing demand for transitioning to optical lines for "last mile" connections in apartment buildings and other urban areas, as well as removing metal lines and 3G facilities that are no longer needed, and updating aging infrastructure.

Vision of society in 2030

A smart society where people live healthy and vibrant lives Smart construction using point cloud data

Our Group is pursuing higher productivity and safe construction at worksites by creating digital twins at construction sites by implementing point cloud (three-dimensional) data and AI in all processes at the sites, and through the use of drones and autonomous robots.

At the same time, we will leverage our *proven technologies* honed over the years while striving to create new value through smart construction to help create a sustainable, efficient, and comfortable society.



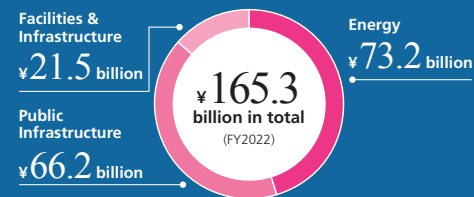
Delivering high added-value design and construction through the use of point cloud data (rendering)



Urban infrastructure business

We provide services related to telecommunications, electricity, civil engineering, and the environment, contributing to the realization of a society in which people can live comfortably.

Sales composition by unit



Energy Unit

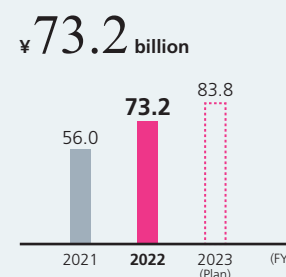
Main businesses

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

Market environment & strengths

Renewable energy business is expected to expand along with the robust demand for data centers. Based on the knowledge our Group has honed over the years in the construction and operation of electrical equipment and plants, we will accurately discern the growing needs and continue our growth.

Net sales



Data centers

Public Infrastructure Unit

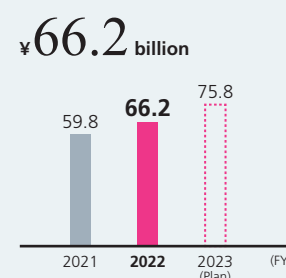
Main businesses

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

Market environment & strengths

We expect to see robust demand for upgrading telecommunications infrastructure of highways and railways, and for updating aging public infrastructure. Bidding for projects is common in this intensely competitive field, but we will increase our added value by implementing construction DX and channeling it into business growth.

Net sales



Railway telecommunications construction

Facilities & Infrastructure Unit

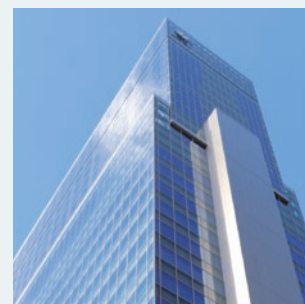
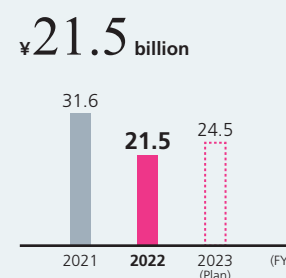
Main businesses

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

Market environment & strengths

Construction for the reception of 700 MHz TV signals has mostly wrapped up but the movement toward even more sophisticated telecommunications facilities continues, including more testing for local 5G. Leveraging the technological capabilities in telecommunications at our core, we will meet our customers' needs.

Net sales



Electrical & air conditioning construction for office buildings

Our aims in the Medium-Term Management Plan

- Develop new business fields
- Advance digital transformation in construction

Key achievements in 2022

- Further expanded orders for data center construction
- Received orders in new energy markets such as direct current (DC) power supply facilities
- Verified woody biomass gasification power plants

Plans for fiscal 2023

- Develop smart energy-related business
- Expand the domain of our data center business
- Further bolster efforts to secure & develop engineers

Summary of fiscal 2022

The urban infrastructure business is a segment where we will pursue business expansion by integrating our diverse technological capabilities in areas such as telecommunication, electrical, civil engineering, and the environment. In fiscal 2022, business was strong in electrical construction, including construction projects for large data centers which are increasingly in demand due to the trend toward digitalization. Business performance was also solid in orders received for facilities renovations and long-term management plus maintenance of treatment plants that handle large-sized waste. Electrical and civil engineering subsidiaries added to the Group through fiscal 2022 are steadily growing, including synergies generated with various other Group companies, as they bolster our performance in the segment.

With renewable energy becoming more widespread as a result of government energy policies, our Group vigorously pushed forward with various businesses such as woody biomass gasification power generation, solar power generation on agricultural land, and installations of electric vehicle chargers and energy storage plants. We also continued efforts geared toward future business growth such as training engineers at connecting power transmission lines, which has been ongoing since fiscal 2022. It was a tough fiscal year in terms of profits, due to the impacts of construction wrapping up for the reception of TV signals in the 700 MHz frequency band in addition to soaring materials prices, but we made steady progress toward future growth.

Fiscal 2023 plan and forecast

In fiscal 2023, we will aim to both broaden our business scope and also achieve profit growth on the path to achieving the Medium-Term Management Plan. Demand remains robust in the construction of large data centers which drove our business performance in recent years. Going forward, we will pool the capabilities of subsidiaries newly added to the Group to go beyond our previous focus of electrical facilities construction and expand our applicable scope to include all facilities within these buildings, from telecommunications to air conditioning, LAN/WAN and more, in the pursuit of orders to handle everything all-in-one. We will actively divert resources freed up by structural reforms in the telecom carriers business to be deployed in this business domain as we aim to capture additional business opportunities. As we shift resources away from the telecom carriers business where structural reforms are under way, we are freeing up manpower. We will actively deploy these engineers in order to avoid missing out on business opportunities. Meanwhile, in the energy-related business where we anticipate full-scale business development from fiscal 2023 onward, we will team up with partner businesses including the NTT Group to leverage the various specializations of our Group companies in pursuit of additional growth as an integrated engineering enterprise.

As we keep a watchful eye on the impacts of turmoil in supply chains and soaring prices of materials, we will continue initiatives aimed at medium- to long-term growth such as construction DX and handling more design work offshore as we strive to generate added value.

Vision of society in 2030



Carbon-neutral society

Successful demonstration test of woody biomass gasification power generation

We finished testing at the woody biomass gasification power plant we have been building in Furudono in Fukushima Prefecture, and completed the designated performance verification. Equipped with groundbreaking plant technologies designed overseas, wood chips made from domestic timber materials can also be used as fuel in this low-waste plant with combustion furnaces capable of treating the wood tar that it generates.

Through cooperation with local governments, we are pushing forward with power plant construction aimed at a full-scale launch of operations in 2024 as an initiative to contribute to environmental conservation (CO₂ reduction) through renewable energy usage and the creation of a recycling-oriented society (SDGs).



Woody biomass gasification power plant aiming to launch full-scale operations in 2024 (Furudono in Fukushima Prefecture)

Accelerating business expansion that contributes to carbon neutrality and GX

As concerns over global warming have risen, we have been contributing toward carbon neutrality and green transformation (GX) while positioning renewable energy business as a pillar of our urban infrastructure business with the aim of constructing robust business infrastructure that is not at the mercy of economic and social trends.

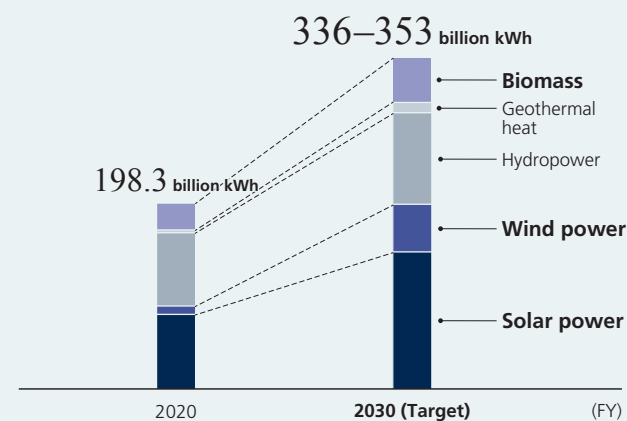
One specific business is our woody biomass gasification power generation utilizing forest resources. Utilizing technology developed in the design and construction of woody biomass power plants, we are building company-owned power plants with the aim of generating steady sales and profitability over the next 20 years through Japan's Feed-In Tariff (FIT) scheme. Woody biomass gasification power plants are expected to spread as distributed power sources for local production and local consumption, and they also help to invigorate forestry and establish circulation cycles in forests. We plan to begin selling

power generated at our company-owned plants in 2024.

Along with Tokyu Land Corporation, we are also participating in field tests for solar power generation on agricultural land (solar sharing). Since solar power generation on agricultural land that makes effective use of farmland is expected to expand throughout Japan going forward, we are engaged in the related sales activities utilizing our expertise gained from the construction of facilities.

We are also working to build self-owned power lines (transmission cables) in offshore wind power generation. Connecting cables requires the services of cable jointers with expert knowledge and special skills, and developing these technical professionals has been a major challenge. Thus, we entered into a business alliance with SWCC Corporation which owns cutting-edge cable connecting technologies and were granted a license by having our employees undergo their technical training. Since the construction work is large in scale and high in difficulty, we intend to first build experience in construction work for self-owned power lines in onshore wind power and increase orders to a level of roughly ¥10 billion by around 2028.

Renewable energy implementation status and goals according to the Agency for Natural Resources and Energy



Source: Agency for Natural Resources and Energy, "Renewable Energy Policy in the Future"
Note: From the Sixth Strategic Energy Plan

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

Woody biomass power generation

We are constructing a woody biomass power plant that uses fuel consisting of unused forest materials and pruned tree branches from roadside trees and parks in Ashikaga, Tochigi Prefecture, and another fueled by unused forest materials in Furudono in Fukushima Prefecture, both of which are scheduled to begin operation in 2024.



Related video on YouTube



Business locations
Ashikaga, Tochigi Prefecture

Anticipated power generated per year

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

Business locations

Furudono, Fukushima Prefecture

Anticipated power generated per year
Approx.

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



Solar power generation on agricultural land (solar sharing)

Together with partners including Tokyu Land Corporation, we built and launched operation of a pilot facility for solar power generation on agricultural land which uses land equipped with a solar power plant as farmland in Higashi Matsuyama, Saitama Prefecture. As we acquire data and expertise, we will aim to spread and expand solar sharing.

Businesses schemes and achievements sought

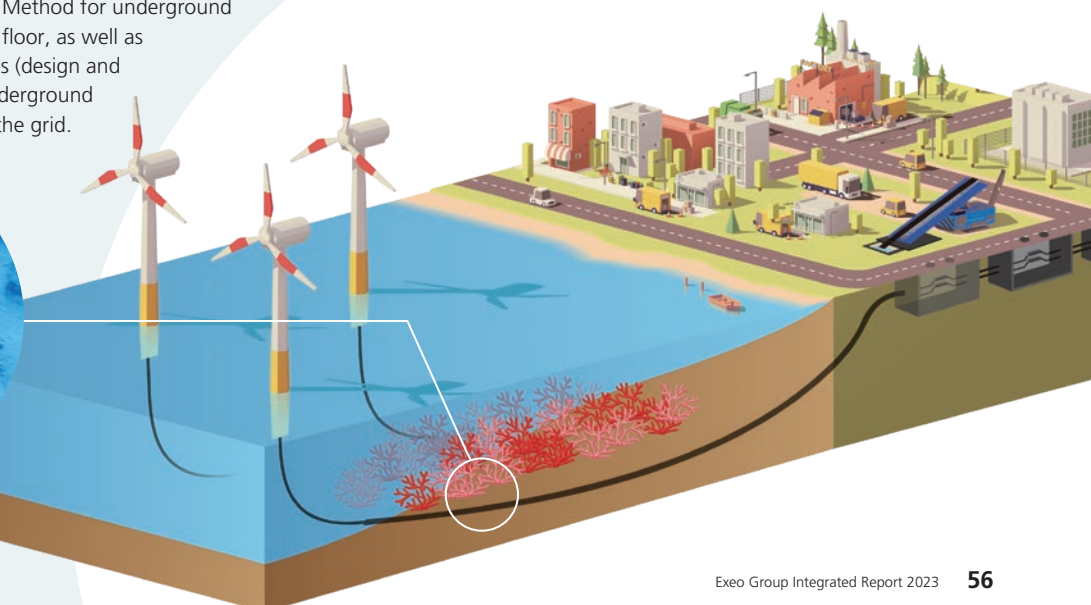
Joint partners



Field testing / Promoting understanding of cutting-edge technologies / Developing and improving new technologies
Local decarbonization / Local partnerships / Agricultural support, etc.

Building self-owned power lines in offshore wind power generation

Our Civil Engineering Headquarters and Group companies possess various telecommunications civil engineering technologies. Throughout Japan, we handle installation of pipes for extra high voltage cables using the Earth Shuttle Method for underground excavation without damaging the sea floor, as well as construction of self-owned power lines (design and construction of pipes, jacking, and underground structures) that extend all the way to the grid.

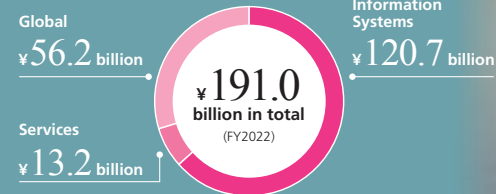




System solutions business

In addition to providing ICT-based solutions in the Japanese market, we also operate a wide variety of services in overseas markets.

Sales composition by unit



Information Systems Unit

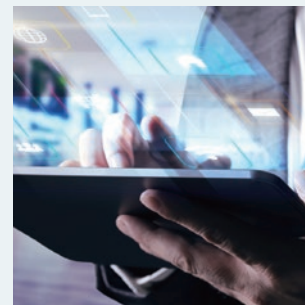
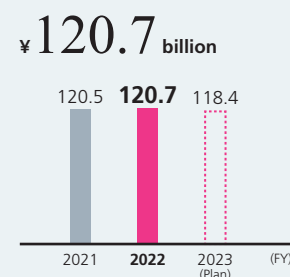
Main businesses

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

Market environment & strengths

Making maximum use of all-around technologies and expertise from consulting to design, development, and operations for various types of solutions, we assist customers in overcoming their issues and implementing DX in order to create new added value geared toward the realization of a digital society.

Net sales



Integrated information systems support from consulting to design, development, and operations

Services Unit

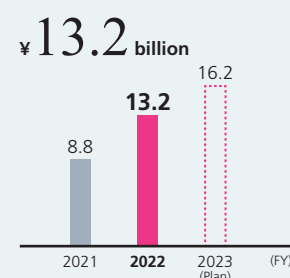
Main businesses

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

Market environment & strengths

We need to provide all types of services, from various forms of subscription agreements and system operations and monitoring to recovery operations and end user support, all in one place. We will provide services that leverage the knowledge of each company in the Group.

Net sales



Offering round-the-clock managed services

Global Unit

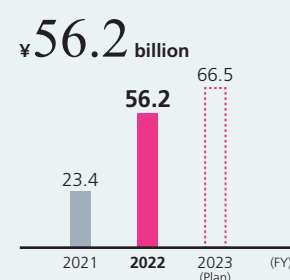
Main businesses

Construction for telecommunications, electrical, and air conditioning equipment, and providing various types of solutions in the Asia-Pacific region and other overseas markets

Market environment & strengths

With our global business management headquarters Exeo Global playing a central role, we aggressively challenge ourselves to undertake business that would be unfeasible in Japan and create value on a global level with the aims of pursuing new business opportunities and making ourselves more competitive, including in overseas markets.

Net sales



Offering various solutions, primarily in the Asia-Pacific region

Our aims in the Medium-Term Management Plan

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

Key achievements in 2022

- Launch of a core company for systems development, operations & maintenance
- Utilized M&A to develop global business

Plans for fiscal 2023

- Bolster resources, including through reskilling
- Expand refurbishments business
- Improve global business profitability through operational reforms

Summary of fiscal 2022

In the system solutions business, we worked toward creating new business opportunities and boosting earnings by providing efficient services that leverage economies of scale, from high-level consulting to operations and maintenance, all in one—with the two core companies established through business reorganization (Exeo Digital Solutions, Inc., Exeo System Management, Inc.) playing a central role.

Utilizing competitive tools such as ServiceNow and iGrafx, we implement DX at local governments and at companies and help to optimize systems. At the same time, we also continue to provide services that leverage the strengths of our Group for projects in the educational field, including for elementary, junior high, and high schools.

In global business, we are steadily growing not only in our core area for new value creation in Asia Pacific, but also throughout the world. We operate in the field of solutions including digital trade platforms, and engineering business for electrical and air conditioning, in addition to our refurbishments business for used IT devices, and our indoor telecommunications infrastructure sharing business in Indonesia, along with other businesses that create new value. Furthermore, with the addition of Telistar Solutions to the Group, we are also establishing an organizational system for stronger recurring business internationally.

Fiscal 2023 plan and forecast

As the midpoint year in our Medium-Term Management Plan, we aim to further improve our productivity and profitability in fiscal 2023 by building up our all-in-one services from consulting to operations and maintenance in order to grow this business into a pillar of our Group's overall business.

We plan to create even more opportunities and execute a shift into higher value-added business domains by bolstering our human resources through reskilling within the Group, and by acquiring skills and talent through means such as M&A and mid-career hiring.

With our two IT core companies playing a central role, we will leverage the economies of scale in the Group overall to provide services more swiftly and efficiently and strengthen our organizational system for operations and maintenance. Doing so, we will make progress toward expanding our managed services and also provide new value-added services.

In our global business, important challenges in fiscal 2023 will be to boost earning power by shifting from the upfront investment phase to the profit contribution phase along with the development of the business and to reform operations in the businesses we have acquired. We will balance these with investment in growth businesses such as refurbishments and infrastructure sharing while striving toward continued growth.

Vision of society in 2030



Carbon-neutral society

Procurri Corporation supports life cycle management of IT devices

Singapore-based Procurri operates a maintenance business to extend the useful life of computers, smartphones, and other IT devices, in addition to IT asset disposal (ITAD) to properly erase the data on such devices once they are no longer used. They also operate in refurbishments to restore and re-circulate IT devices from which data has been adequately deleted. Their refurbished products are garnering a great deal of interest as a business that helps to reduce environmental impact since it emits less CO₂ than the production of new IT devices and reuses the materials in the devices.



Data deletion being performed on IT devices

Feature 2

Strengthening our global business

Cultivating markets in rapidly growing Southeast Asian economies

Exeo Global Pte Ltd which oversees our global business was established in Singapore in November 2018 and operates in the three fields of urban infrastructure including telecommunications facilities, system solutions, and new business. Targeting Southeast Asia which is undergoing continuous economic growth and is home to roughly 670 million people—just under 10% of the world's population—we are expanding our new growth opportunities while also distributing risk and making ourselves more competitive.

In the urban infrastructure business which has a high degree of affinity with our domestic business, we are delivering proposals for high value-added projects such as construction of overseas data center facilities that leverage our expertise honed in Japan. We are also increasing our competitiveness by incorporating methods such as BIM and DFMA which raise the efficiency of construction projects. Additionally, we own indoor antenna apparatus at more

than 1,300 facilities in Indonesia, and we are the country's largest business operator providing shared-use services to mobile carriers. These services also contribute to earnings stability since they generate steady recurring revenue.

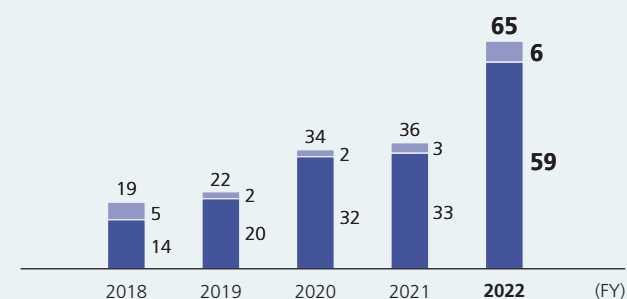
In the field of system solutions, we operate a refurbishments business for IT devices. Demand for sustainable use of IT devices is increasing, as are needs for usage of devices even after they are no longer supported by the manufacturers. This has mainly been happening overseas, but these needs are now emerging in Japan as well. We are launching new IT managed services for customers to use in subscription format that offer even more added value by combining maintenance and call center support with the IT devices among our Group assets.

In terms of new business fields, we are investing in businesses such as digital trade platform services that can serve as new revenue bases, as well as new technologies that show promise for future synergies with our existing businesses.

Our current goal is for global business to comprise around 10% of both the net sales and operating profit targets in the Medium-Term Management Plan (FY2021-FY2025). Next fiscal year's plan calls for sales of ¥66.5 billion, so the path to achieving this goal is taking shape. As we work toward efficiency improvements in existing businesses and turning new business profitable quickly along with transitioning from the investment phase to the profit generation phase, we will be fully dedicated to achieving this goal.

Group companies in our global business

(Companies) ■ Number of consolidated subsidiaries
■ Non-consolidated companies & affiliates



Southeast Asia



IT managed services (system solutions field)

Singapore-based Telistar operates in the IT managed services business. They improve customers' operational efficiency while eliminating their information security risk when disposing of devices by handling a series of cumbersome administrative tasks for them, from introducing IT devices through deleting data at the time of disposal.



Indoor neutral hosting (urban infrastructure field)

dhost owns antenna transmission systems for cell phones inside facilities where large numbers of people gather, including Indonesian shopping centers, hotels, office tenants, hospitals, universities, and airports. We provide these as shared-use services to mobile carriers.



M&E for electrical, air conditioning, and signals (urban infrastructure field)

Teaming up with Singapore-based companies LAE, Winner, and 68 Systems, we have been active in many types of projects including subway construction. Our ability to handle all types of construction related to electrical, air conditioning, and signals ourselves is a major advantage.



Trade platforms (new business field)

GUUD provides platforms that digitalize global business transactions, facilitating a path away from conventional models that rely on manual work while improving operational efficiency. Their digital trade platforms currently being provided in Singapore have a 20% market share, making them the largest business operator in the field.



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

We will strive to raise the effectiveness of our Board of Directors and strengthen our governance

Just how has our corporate governance evolved thus far, and what type of governance should we seek to further increase our business value?

Certified Public Accountant Tomoko Aramaki, who has been an Outside Statutory Auditor for Exeo Group, Inc. since June 2018, has a conversation with President and CEO Tetsuya Funabashi.*



Tetsuya Funabashi
President and CEO

Assumed the role of Vice President and Representative Director of Exeo Group, Inc. in 2018 after previously serving as Senior Executive Vice President, NTT Communications Corporation. Became President and CEO in 2019.

Tomoko Aramaki
Outside Statutory Auditor

Certified Public Accountant. Established Aramaki CPA Office in 2006. Became an outside statutory auditor of Exeo Group, Inc. in 2018 (vacated role in June 2023).

* This conversation was recorded in April 2023. In June 2023, Tomoko Aramaki completed her term as outside statutory auditor and newly assumed a role as outside director.

Five years in which the Group's business domains broadly expanded

Funabashi • Five years have already passed since you became an outside statutory auditor here. Looking back on these past five years, what are your impressions?

Aramaki • In short, my impression is that I have witnessed a major turning point for this company. We established new domains in urban infrastructure and system solutions to transform a business structure that had previously been centered on telecommunication facility construction, laying a foundation of expertise honed in building telecommunications infrastructure while steadily expanding our business realm. We are also aggressively expanding globally, and our nimble M&A investments are also increasing. With those big movements taking place, I have tried to monitor in a constructive manner as a statutory auditor with an understanding of the aims and intentions of the business execution.

Funabashi • The larger our realm of business grows, as you mentioned, the more important it is to get specialist expertise from the outside and advice from objective viewpoints. Particularly for M&A, I think we really need outside officers pointing things out and giving advice from various perspectives, including about how much risk to take on. Not only is there M&A to supplement the technologies and domains that we lack, but there are also cases where we want to further enhance our core strengths. I feel that you have been thinking together with us about approaches to increase our business value, taking the various industry and market environments into consideration.

Aramaki • The primary function of a statutory auditor is to ascertain the risk involved in business execution and try to avoid damaging the company's business value. At the same time, I have come to realize that as the content of the work grows broader, we will not be able to accomplish that mission without having a broad range of knowledge and the latest information related to each business and strategy in addition to my own fields of expertise in finance and accounting. Every day, I try to raise my knowledge level by staying up to date on what is happening in various fields, everything from ICT industry trends to geopolitical risks in different parts of the world.

Evolving the way meetings proceed to facilitate better discussions

Aramaki • The atmosphere in our Board of Directors and Board of Statutory Auditors really is conducive to participants freely speaking their mind. We outside officers also speak up about our ideas time and again with no hesitation (laughing). You also chair the Board of Directors meetings. What do you keep in mind to make the meetings more active?

Funabashi • Being CEO might make me the highest ranking on the executive side, but I definitely do not consider it best for 100% of the motions raised by the executive side to be passed. The most important function of the Board of Directors is to thoroughly debate matters with outside perspectives and expert knowledge also being represented. To make that happen, what we need are level-headedness and rationality. We on the executive side feel strongly about our own plans, and we are prone to getting heated about them. As chair, I believe that my biggest mission is to have the level-headed outlooks of our statutory auditors and outside directors keep that passion checked and receive strategic advice from them while leading discussions toward rational conclusions that benefit our growth and our future. That is why I make it a point to facilitate discussion among everyone at the meetings and only make comments myself as CEO in the most critical moments.

Aramaki • That makes sense. Sometimes in meetings, opinions are divided and discussions get heated, but from your perspective then, these are healthy debates. Is that right?

Funabashi • That is correct. If any of the participants have lingering anxieties or doubts, the meetings should not proceed without resolving them. Particularly when making risk judgments, I think we need to heavily emphasize the level-headed perspectives of our outside members and do everything we can to discuss until we reach a consensus among all participants whenever possible.

Aramaki • Over these past five years, it feels like the way Board of Directors meetings are run has evolved significantly. Now, the meetings really are a forum where everyone can engage in focused discussions on the truly important topics.

Funabashi • That is the result of improvements we have made in response to things you have all pointed out. One of these was to continuously request efforts on the executive side to thoroughly provide easy-to-understand

explanations that clarify the main points through face-to-face briefings rather than simply distributing the materials in advance. We are also taking care to attentively answer the questions received from participants in the advance briefing sessions and have them prepared for the meetings with a good understanding of the backgrounds and aims of the agenda items.

Aramaki • Indeed, it does seem that the presentations and materials preparations are done in a far better manner than when the advance briefings first began. Since we also receive compiled reports at the beginning of meetings about which directors had which questions and got which responses in the advance briefing Q&A sessions, everyone is able to engage in substantial discussions in the actual meetings.

Continuously monitoring M&A transactions from the initial stages

Aramaki • Various types of agenda items are deliberated in the Board of Directors, but where I think evolution has been particularly evident compared to five years ago is the handling of M&A transactions. When I first arrived here, many M&A cases were being brought up for discussion in the stage immediately before going through with the purchase after due diligence was finished, and in many cases, the events leading up to that point were not particularly clear. In response, I asked to have information provided a

little earlier on, and recently the Board has been sharing information in each phase starting with the identification of each target and all the way through the due diligence and closing phases. I consider that to be a major evolution.

Funabashi • Recently our M&A cases have been growing in number, and unfortunately, some of those cases have not gone very well. Having experienced that myself, I thought it would be important to also share the details with outside officers from the early stages and have them included in the deliberations in order to prevent those failures from repeating. Now, we take your advice and the things you point out very seriously, and we are thorough about delivering feedback in Board of Directors meetings after discussing them in greater depth internally among the executives when necessary.

Aramaki • It seems that greater emphasis has also been placed on the post-acquisition integration process, the so-called PMI, over the past few years, and the way that we handle it has also evolved. However, I am a bit worried that with more than 130 companies now consolidated, administrative departments which play the leading roles in handling PMI are chronically short-staffed. One potential way to solve this is to preemptively compile all of the points that seem likely to cause problems after the merger such as things related to human resources systems or information systems, incorporate these into contracts, clarify the conditions, and push forward with these until closing.

Funabashi • Thank you for the advice. That means incorporating the PMI perspective ahead of time into pre-M&A transaction processes. Indeed, our M&A is still in the developmental stages in that area. Going forward, I would like to standardize our approach to negotiating conditions to a certain degree, and find ways to make our administrative departments more efficient by handling PMI in a systematic manner.

Vector Meetings to understand the company more deeply

Aramaki • One distinctive feature of our Board of Directors is the unique meeting called the “Vector Meeting.” I consider this an excellent operating mechanism.

Funabashi • We began that when we had the idea to look at matters in the phase before they become agenda items—in gardening terms, like radishes growing in the field while they are still covered in mud—and explore what direction

we could take our proposals. For example, in an M&A case, we would say in the investigative phase before getting involved, “We have this potential target, what do you think?” and have the others look at it, then if we got the impression that it could be taken up in actual Board meetings, we would properly prepare it among the executives as an agenda item and bring it up in a Board of Directors meeting.

Aramaki • Quite a broad range of topics other than M&A have also been discussed at Vector Meetings. Sometimes there have been brainstorming workshop-type activities to bring up major global trends or issues that many companies face and consider how we would deal with them if they happened here. I feel that excellent discussions have taken place at these meetings, about an extremely wide range of topics.

Funabashi • Since fiscal 2022, we have also offered more opportunities for site visits to our different business divisions for outside officers to gain a deeper understanding of our Group.

Aramaki • Being able to see the places where actual work is being done and speak directly with the people who work there really is a great learning opportunity for us outside officers. In January 2023, I made my first site visit to an underground tunnel built by our Group, and it gave me a deep sense of our social significance and just how we are contributing to the world. I would love the chance to see various other worksites and gain an even deeper understanding of our Group’s business going forward.

Boosting visibility and brand power as a company will also be critical

Funabashi • If you have noticed any issues with our Board of Directors or governance, please take this opportunity to share them.

Aramaki • Thank you, I actually would like to discuss capital policy and allocation of funds in greater depth. We have been investing more in M&A to expand our business domains and grow globally in recent years, but various other possible directions for growth investment exist, such as different types of capital investments, R&D, or DX. The Company also actively pursues shareholder returns, including through share buybacks. It would be great if you could share your basic policy on cash allocation in that regard, and then we could consider various growth strategies based on that.

Funabashi • Our CFO (director in charge of finance) was added to the Board of Directors starting fiscal 2023, so I




also hope that we can engage in more intensive in-depth discussions about overall capital policy and financial strategy. For cash allocation as well, I would like to separate out set periods of maturity and discuss with our officers while sharing with them the story of how we will raise and allocate funds by what dates.

Aramaki • Another thing I would like to mention is that our Group needs to raise its profile in society. Having a low profile is said to be the fate of B-to-B companies, but with having revamped our name and now increasingly expanding our business into new domains while broadly contributing to society, I think it would be highly meaningful to be recognized by more people. In addition to the effects on human resources strategy going forward, that would also definitely boost the pride and motivation of employees who work for the Group and lead to greater business value. I think it would be a good idea to communicate more broadly about the combined capabilities of the Group, not just about our business descriptions and performance but also about non-financial initiatives such as ESG.






Funabashi • Thank you, yes, I also feel strongly that raising our social profile as a corporate group is one of our top management priorities. In addition to public relations and IR activities targeting a broad range of stakeholders, I also want to dedicate more energy to branding activities within the Group and show the world various scenes of our Group employees working together to accomplish great things. I look forward to your ongoing support.



Directors

 <p>Tetsuya Funabashi President and CEO Born in 1956 Director tenure: 5 years Number of the Company's shares held: 33,500</p>	 <p>Shigeki Hayashi Director and Operating Officer, General Manager of Accounts and Finance Division Operating Officer, CFO Born in 1967 Director tenure: Appointed in June 2023 Number of the Company's shares held: 1,500</p>
 <p>Koichi Mino Director and Executive Operating Officer, General Manager of Corporate Planning Division Born in 1960 Director tenure: 3 years Number of the Company's shares held: 28,800</p>	 <p>Yasushi Kohara Director Born in 1953 Director tenure: 5 years Number of the Company's shares held: 2,300</p>
 <p>Noriyuki Watabe Director and Executive Operating Officer, General Manager of Electrical, Environment, and Smart Energy Headquarters Born in 1958 Director tenure: 1 year Number of the Company's shares held: 11,000</p>	 <p>Naoko Iwasaki Director Born in 1975 Director tenure: 4 years Number of the Company's shares held: 0</p>
 <p>Yuichi Koyama Director and Managing Operating Officer, General Manager of Group Business Promotion Division Born in 1959 Director tenure: 6 years Number of the Company's shares held: 20,300</p>	 <p>Tatsushi Mochizuki Director Born in 1956 Director tenure: 3 years Number of the Company's shares held: 1,100</p>
 <p>Takafumi Sakaguchi Director and Managing Operating Officer President and Representative Director, Seibu Electric Industry Co., Ltd. Born in 1964 Director tenure: 2 years Number of the Company's shares held: 6,300</p>	 <p>Keiji Yoshida Director Born in 1953 Director tenure: 2 years Number of the Company's shares held: 1,800</p>
 <p>Fumitoshi Imaizumi Director and Managing Operating Officer, General Manager of Global Business Department Managing Director and President, Exeo Global Pte. Ltd. Born in 1963 Director tenure: 1 year Number of the Company's shares held: 6,700</p>	 <p>Tomoko Aramaki Director Born in 1968 Director tenure: Appointed in June 2023 Number of the Company's shares held: 0</p>

Statutory auditors

 <p>Yasuo Otsubo Standing Statutory Auditor Born in 1959 Statutory Auditor tenure: 1 year Number of the Company's shares held: 28,000</p>	 <p>Kimiko Takahashi Statutory Auditor Born in 1963 Statutory Auditor tenure: 2 years Number of the Company's shares held: 0</p>
 <p>Shinji Kojima Standing Statutory Auditor Born in 1960 Statutory Auditor tenure: Appointed in June 2023 Number of the Company's shares held: 4,500</p>	 <p>Eiko Osawa Statutory Auditor Born in 1963 Statutory Auditor tenure: Appointed in June 2023 Number of the Company's shares held: 0</p>
 <p>Shinnosuke Yamada Statutory Auditor Born in 1956 Statutory Auditor tenure: 3 years Number of the Company's shares held: 0</p>	

Skills matrix of directors and statutory auditors

	Name	Corporate management & ESG	Innovation & DX	Engineering	Marketing & global business	Finance & accounts	Legal, human resources & labor relations
Directors	Tetsuya Funabashi	●	●	●	●		●
	Koichi Mino	●	●	●	●		
	Noriyuki Watabe	●			●		
	Yuichi Koyama	●			●		●
	Takafumi Sakaguchi	●	●	●	●		●
	Fumitoshi Imaizumi	●	●	●	●		
	Shigeki Hayashi	●			●	●	
	Yasushi Kohara	●			●		
	Naoko Iwasaki	●	●		●		
	Tatsushi Mochizuki	●					●
	Keiji Yoshida	●		●	●		●
Statutory Auditors	Tomoko Aramaki	●			●	●	
	Yasuo Otsubo	●	●	●	●		
	Shinji Kojima	●		●	●		
	Shinnosuke Yamada					●	
	Kimiko Takahashi	●				●	●
	Eiko Osawa				●	●	

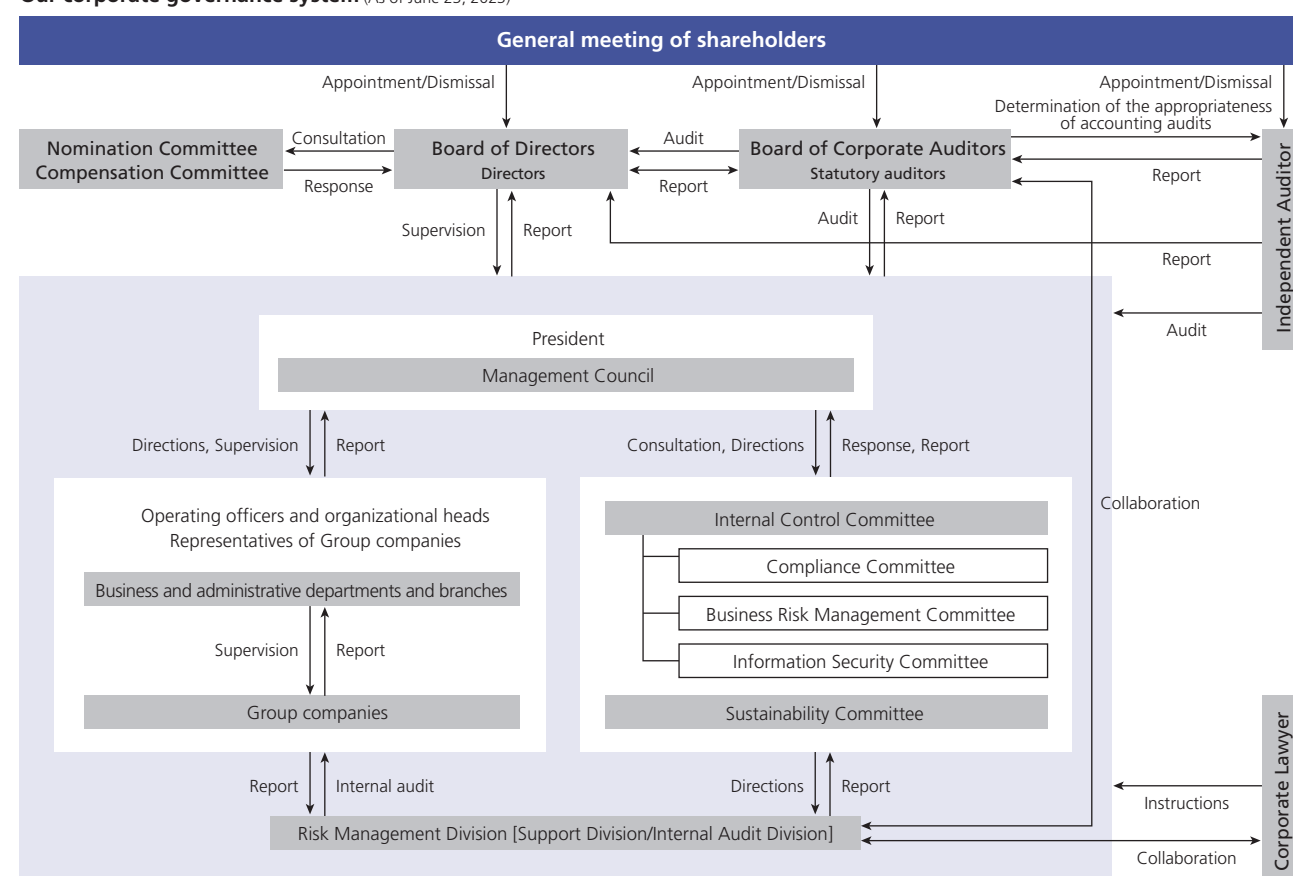
Note: These are the skills that directors and statutory auditors are particularly expected to have, and this table does not comprehensively indicate their entire skillsets.

Governance system and rationale for adopting this system

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









Format	Company with Audit and Supervisory Board
Directors	12 (including 5 outside directors)
Auditors	5 (including 3 outside auditors)
Number of Board of Directors meetings held this fiscal year	14
Number of Board of Statutory Auditors meetings held this fiscal year	14
Operating officers system	Yes
Operating officers	31
Internal units of the Board of Directors	Nomination Committee and Compensation Committee

Our corporate governance system (As of June 23, 2023)



	Name	Board of Directors	Nomination Committee	Compensation Committee	Board of Corporate Auditors
Directors	Tetsuya Funabashi	◎ 100% (14/14)	—	—	—
	Koichi Mino	100% (14/14)	◎ 100% (2/2)	100% (1/1)	—
	Noriyuki Watabe	100% (10/10)	—	100% (2/2)	—
	Yuichi Koyoma	100% (14/14)	—	100% (3/3)	—
	Kenji Asano	100% (14/14)	100% (3/3)	—	—
	Takafumi Sakaguchi	100% (14/14)	100% (2/2)	100% (1/1)	—
	Fumitoshi Imaizumi	100% (10/10)	—	100% (2/2)	—
	Tomohiro Kurosawa	100% (4/4)	100% (1/1)	—	—
	Hideo Higuchi	100% (4/4)	100% (1/1)	—	—
	Yasushi Kohara ★	100% (14/14)	100% (3/3)	◎ 100% (3/3)	—
	Naoko Iwasaki ★	100% (14/14)	100% (3/3)	100% (3/3)	—
	Tatsushi Mochizuki ★	100% (14/14)	100% (3/3)	100% (3/3)	—
	Keiji Yoshida ★	100% (14/14)	100% (3/3)	100% (3/3)	—
Statutory Auditors	Yuki Sakuyama	100% (4/4)	—	—	100% (5/5)
	Yasuo Otsubo	100% (10/10)	—	—	◎ 100% (9/9)
	Masato Suwabe	100% (14/14)	—	—	100% (14/14)
	Tomoko Aramaki ★	100% (14/14)	—	—	100% (14/14)
	Shinnosuke Yamada ★	100% (14/14)	—	—	100% (14/14)
	Kimiko Takahashi ★	100% (14/14)	—	—	100% (14/14)

Transition to a stronger governance system

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

Nomination Committee and Compensation Committee

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

The Nomination Committee deliberates on matters such as the nomination of candidates for directors and dismissal of directors. The Compensation Committee deliberates on matters such as remuneration and bonuses for Directors. Each reports relevant items to the Board of Directors.

During fiscal 2022, the Nomination Committee held discussions on the composition of the Board of Directors with the perspective of diversity in mind, and the director candidates selected as a result of these discussions were deliberated.

The Compensation Committee for fiscal 2022 referred to governance surveys and other information to observe trends at other companies and investor perspectives and held discussions with the aim of bettering our disclosures related to officer compensation. They also proceeded with considerations for awarding stock-based compensation to Group companies and provided a report in a Board of Directors meeting.







Meetings in fiscal 2022

Nomination Committee	3 meetings
Compensation Committee	3 meetings

Composition of the Nomination Committee for fiscal 2023

Committee chairman	Committee members				
					
Mochizuki	Mino	Hayashi	Kohara	Iwasaki	

Composition of the Compensation Committee for fiscal 2023

Committee chairman	Committee members				
					
Kohara	Watabe	Koyama	Yoshida	Aramaki	

 Outside director (honorifics omitted)

Board of Statutory Auditors

In the Board of Statutory Auditors, we consider auditing policies and audit plans, the development and operational status of internal control systems, the appropriateness of accounting audits, and agreements on the evaluations and compensation of accounting auditors. In fiscal 2022, the Board of Statutory Auditors received detailed explanations from the Finance Department and accounting auditors, held lively discussions, and expressed opinions about changing the categorization of our reporting segments from corporate group to business domain, and about considerations for Key Audit Matters (KAM).

For statutory auditor audits, they conduct audits according to the auditing policy and audit plan in compliance with the statutory auditor audit standards determined by the Board of Statutory Auditors. Specifically, they attend important meetings such as the Board of Directors, audit the proceedings and resolutions, and express opinions when necessary. Aside from that, they conducted 71 interviews and field visits with the representative director, head office executives, main business locations, and subsidiaries (in fiscal 2022, the planned number of field visits was limited and shifted primarily to online meetings due to the COVID-19 pandemic), and audited business operations and financial conditions.

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

In fiscal 2022, outside directors and outside statutory auditors observed worksites, visited business locations, and exchanged opinions with general managers and younger executive-class personnel to gain a deeper understanding of the business being done. Three outside statutory

auditors participated in these activities.

Internal Control Committee

Based on our Basic Guideline for Establishing Internal Control Systems, we established an Internal Control Committee (Committee chair: President and CEO) tasked with establishing organizational systems to ensure observance of laws and regulations, operational effectiveness and efficiency, and the reliability of our financial reports, in addition to comprehending and evaluating the overall operational status of the applicable internal control systems.

Related committees have been established under the Internal Control Committee. These are the Compliance Committee, Business Risk Management Committee, and Information Security Committee.

Meetings in fiscal 2022

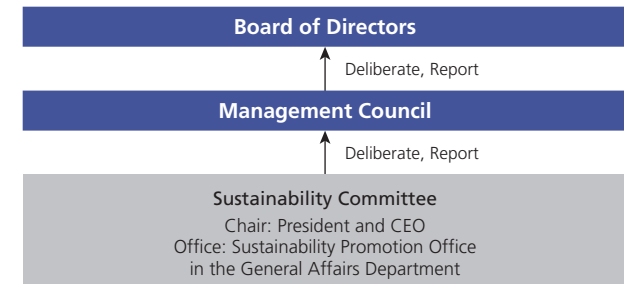
Internal Control Committee	2 meetings
Compliance Committee	4 meetings
Business Risk Management Committee	15 meetings
Information Security Committee	4 meetings

Sustainability Committee

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

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

Organizational system for sustainability



Evaluating the effectiveness of the Board of Directors

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

In addition, we continued to distribute Board of Directors’ meeting materials as early as possible, to enhance the explanations that we provide in advance to independent outside directors and independent outside statutory auditors, and to arrange for site visits by independent outside directors. During fiscal 2022 under review we also conducted “Vector Meetings,” for 19 projects, in which all business units get on the same page by discussing their business strategies among other matters at an early stage. The Sustainability Committee also holds sufficient discussions on initiatives to improve sustainability such as ESG and the SDGs, and reports to the Board of Directors on a regular basis. Outside directors and outside statutory auditors actively make sound comments from an independent standpoint grounded in sufficient insight in discussions at meetings of the Board of Directors. We see the undeniable effects of these efforts in the strengthened effectiveness of the Board of Directors.

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

Director appointment, composition, and development of successors

Desired qualities and appointment process

Our method for choosing candidates for directors is to hold deliberations in the Nomination Committee, an internal unit of the Board, on those with excellent character

and insight, strong moral character, the energy to drive transformation, leadership skills, and the ability to make accurate decisions. The representative director then gives recommendations, suitability of the candidates is deliberated in the Board of Directors, after which offers are made and motions sent to the General Meeting of Shareholders. Appointments and dismissals of representative directors and executive directors are decided in the Board of Directors.

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

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

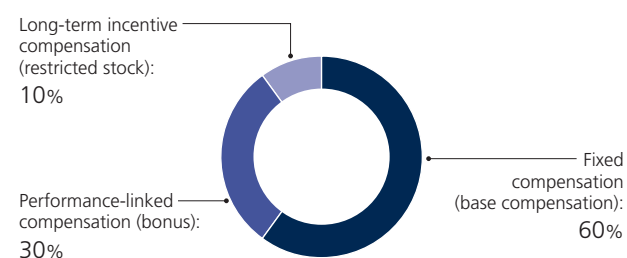
Composition of the Board of Directors

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

Successor planning

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

Composition of director compensation (excluding outside directors)



Remuneration of officers

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

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

Fixed compensation (base compensation)

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

Performance-linked compensation (bonus)

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

Metrics used for calculating bonuses are consolidated net sales, consolidated operating profit, and profit attributable to owners of parent. The reasoning behind the use of these metrics is that directors have responsibility as managers for the overall consolidated performance. For calculation, we multiply base compensation by an index that accounts for achievement level of the business plan and a qualitative evaluation.

Performance-linked compensation calculation metrics, targets, and results

Metric	Target	FY2022 actual
Consolidated net sales	¥600.0 billion	¥627.6 billion
Consolidated operating profit	¥38.5 billion	¥32.5 billion
Profit attributable to owners of parent	¥25.6 billion	¥22.2 billion

Long-term incentive compensation (restricted stock)

As long-term incentive compensation, 14,700 shares of restricted stock have been issued to six directors (excluding outside directors). Restricted stock consists of performance-linked restricted stock and continuous service-linked restricted stock.

Compensation for outside directors and statutory auditors

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

Delegated determinations

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

Such authority, which governs the determination of the amount of base compensation and bonuses for each director,

was delegated to the President and Representative Director on the grounds that the President and Representative Director is the most suitable person to evaluate, in the context of the Company’s overall performance, each of the businesses for which directors are responsible.

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

The Compensation Committee, which conducts the above procedures, met three times during the fiscal year under review.

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

Classification of officers	Total amount of remuneration, etc. (¥Million)	Total amount of remuneration, etc. by type (¥Million)			Number of eligible officers
		Monetary remuneration		Long-term incentive compensation	
		Base compensation	Bonus	Restricted stock	
Director (excluding outside directors)	212	106	71	35	9
Statutory auditors (excluding outside statutory auditors)	40	40	—	—	3
Outside officers	Outside directors	48	—	—	4
	Outside statutory auditors	28	—	—	3

Note: 1. Amounts are rounded down to the nearest million yen.
2. The above figures include two directors and one auditor who retired at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 24, 2022.
3. Since outside directors and statutory auditors are independent from the execution of business, their remuneration is limited to base compensation.

Components of long-term incentive compensation

Type	Performance-linked metrics	Overview and rationale for selection as metrics
Performance-linked restricted stock	Consolidated operating profit	This stock is granted in accordance with the rank of the employee, based on linkage with the achievement of business results through medium- to long-term consolidated profits, for the purpose of providing medium- to long-term incentives for continued increases in our business value and promoting the sharing of value with shareholders. We use consolidated operating profit as the performance-linked metric since it is directly linked to the achievement of performance targets and sharing of value with shareholders.
Continuous service-linked restricted stock	—	The condition for waiving the restriction on transfer is that the employee continuously serves as one of our directors or in a certain other position for a certain period of time.

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

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

*1 Not including employee salaries in the case of directors who also serve as employees

*2 Outside directors are not eligible

Use of outside directors and auditors

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

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

Reasons for selection of outside directors

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

Discussions with shareholders and investors

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

Organizational system for IR activities

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

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

State of IR activities

In our everyday IR activities, we actively engage in individual interviews with both sell-side and buy-side analysts. For overseas shareholders and investors with whom we cannot easily communicate on an everyday basis, we are also increasing our dialogue by participating in conferences hosted by securities companies and making individual visits. We also actively organize events such as financial results briefings. Descriptions of our main activities during fiscal 2022 are as shown in the table below.

Activities in fiscal 2022

Meeting	Speaker	Number of times, etc.
Financial results briefings	President and CEO	2
Small meetings	President and CEO	7
Individual meetings	General Manager of Corporate Planning Division	25
	IR representative	106
ESG meetings	Head of relevant division or organization	3
Attend conferences hosted by securities companies	President and CEO	1 (3 sessions)
	President and CEO	2 (12 sessions)
Visit overseas investors (including online)	General Manager of Corporate Planning Division	1 (7 sessions)
	IR representative	2 (around 200 attendees each time)
Individual investor briefings for shareholders	IR representative	1
Business briefings	IR representative	1

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

Providing feedback internally

Results of dialogues in IR activities and various reports written by outside analysts are provided as feedback to relevant organizational heads and others on a regular

basis. We are also continuously working to provide reports to the Board of Directors on what transpired in financial results briefings and overseas investor visits in particular, and utilize the information for discussions in the Board of Directors by also sharing it with outside directors.

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

Shareholders’ meeting

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

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

The scale of the meetings had been reduced in recent years due to social distancing measures during the COVID-19 pandemic, but along with the reclassification of COVID-19 as a Class 5 disease, the Ordinary General Meeting of Shareholders held on June 23, 2023 returned to the past scale of the meetings while at the same time taking sufficient precautions.

Designation of a quiet period

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

Risk management

Basic policy

- When setting strategies and business performance targets and engaging in efforts to achieve them, we seek integration of strategies and risk management by considering risk profiles, risk appetite, risk capacity and risk tolerance.
- By recognizing risks clearly at an earlier stage and promptly providing as many choices as possible for risk management, we reduce the possibility of unachieved business targets, losses, accidents, and failures.
- By monitoring risks on a regular basis, we address any deviation from intended performance swiftly and with consistency.
- With a grasp of our comprehensive and consistent risk portfolio, we seek optimum allocation of the Group's resources.

Risk management system

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

We listed these major risks as what we should address with priority based on level of impact and frequency of occurrence among those risks that we regularly identify

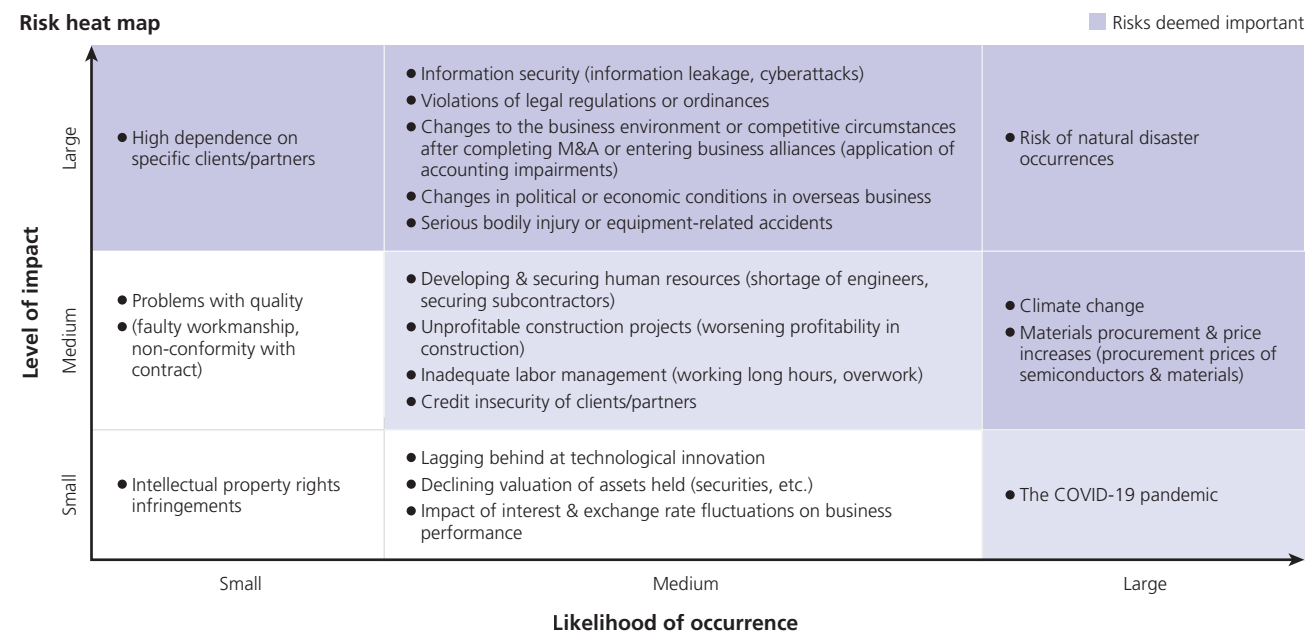
and evaluate within the Group. However, what is listed below does not comprehensively cover all of the risks relevant to our Group. Other pertinent risks do exist. Any of the applicable risk factors could have repercussions.

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

Business Risk Management Committee

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

The number of meetings held in fiscal 2022 was 15.



Compliance

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

Exeo Group Basic Actions Declaration

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

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

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

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

Training & development

Basic training and lectures on compliance in our Group are conducted for all Group employees (including contract and temp staff) soon after entering the company.

In addition to the above, compliance training is also conducted every year for all employees. We deliver learning content to raise awareness of compliance among all employees, bringing up topics pertinent to the times and also featuring content related to stopping corruption including insider trading and corporate fraud.

In training for management, we invite outside experts according to the topic to conduct training more specifically

Training topics for management

FY	Topic
2022	Amended Whistleblower Protection Act
2021	Business & human rights
2020	Compliance, management systems

tailored to the management side. We also raise awareness effectively by incorporating compliance into position-based training and providing training on the content of each job position.

Information security

Organizational system

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

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

Training & development

Training & development on information security and personal information protection is conducted annually, for all Group employees, at each division. In this training we offer learning through repetition, featuring explanations with case examples on the "ten basic tenets of preventing information leaks" covering topics such as the importance of protecting information, the roles and responsibilities of each employee, the results that can be anticipated if an incident or accident is caused, and security measures.

Additionally, the Group conducts mock exercises to respond to targeted email attacks, and various security checks.

Number of information security training attendees

2020	2021	2022
13,918	15,505	20,861

Eleven-year major financial data

Message from
the President

Our value creation

Value creation
strategy

Strategy by
business field

Governance

Data section

Item	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operating results												
Orders received	¥Million	317,862	304,201	301,446	300,438	324,102	325,029	424,318	556,321	631,088	595,373	625,689
Net sales of completed construction contracts	¥Million	301,319	318,513	300,912	287,437	298,825	312,669	423,727	524,574	573,339	594,840	627,607
Gross profit on completed construction contracts	¥Million	36,113	38,543	35,740	35,795	38,480	43,354	58,337	68,327	75,865	84,323	81,837
Selling, general and administrative expenses	¥Million	18,067	17,809	17,382	17,382	17,607	17,732	26,620	37,226	39,241	41,942	49,285
Operating profit	¥Million	18,046	20,734	18,358	18,412	20,873	25,621	31,716	31,100	36,623	42,380	32,552
Ordinary profit	¥Million	18,119	20,602	18,589	18,512	21,409	26,448	33,431	30,669	38,186	45,217	33,771
Profit attributable to owners of parent	¥Million	11,313	14,910	12,264	12,184	13,789	17,993	40,219	15,603	24,192	27,766	22,233
Capital expenditures	¥Million	3,360	7,372	4,219	13,215	7,139	4,256	3,945	15,855	12,239	20,802	15,263
Depreciation	¥Million	2,308	2,264	2,660	3,001	3,251	3,272	4,725	6,473	6,789	7,414	8,700
Financial status												
Total assets	¥Million	200,412	217,091	228,422	238,301	243,438	261,305	416,483	444,905	491,574	535,617	577,941
Property, plant and equipment	¥Million	47,707	50,767	52,005	59,830	62,002	62,664	97,955	107,677	113,375	126,900	135,635
Net assets	¥Million	122,387	135,687	146,768	151,241	158,280	176,101	267,811	270,109	288,884	307,053	307,941
Balance of interest-bearing debt (balance of loans payable, bonds payable, etc.)	¥Million	9,908	13,374	8,679	16,299	12,825	11,435	18,049	47,167	57,520	80,619	115,716
Cash flow status												
Cash flows from operating activities	¥Million	7,160	9,888	23,167	5,389	15,504	24,800	12,770	17,299	6,301	26,406	5,483
Cash flows from investing activities	¥Million	(2,160)	(7,477)	(2,828)	(13,907)	(6,027)	(4,538)	(17,609)	(17,085)	(9,249)	(20,388)	(13,332)
Free cash flow	¥Million	4,999	2,411	20,338	(8,518)	9,477	20,262	(4,839)	213	(2,947)	6,018	(7,849)
Cash flows from financing activities	¥Million	(3,038)	(905)	(12,343)	313	(10,230)	(5,137)	(4,924)	4,227	(1,750)	5,023	3,298
Cash and cash equivalents at end of period	¥Million	14,611	16,213	24,291	16,037	15,241	30,343	41,469	46,012	41,246	53,727	50,204
Per share data												
Earnings per share	¥	109.25	147.75	123.83	125.90	145.24	189.42	390.25	139.75	217.33	250.64	204.98
Net assets	¥	1,199.86	1,350.05	1,482.82	1,569.09	1,668.29	1,842.97	2,343.43	2,395.16	2,576.78	2,748.21	2,832.22
Cash dividend	¥	22	24	32	38	46	50	70	80	82	96	102
Payout ratio	%	20.1	16.2	25.8	30.2	31.7	26.4	17.9	57.2	37.7	38.3	49.8
Financial indices												
Operating profit margin	%	6.0	6.5	6.1	6.4	7.0	8.2	7.5	5.9	6.4	7.1	5.2
Profit attributable to owners of parent to net sales	%	3.8	4.7	4.1	4.2	4.6	5.8	9.5	3.0	4.2	4.7	3.5
Return on equity (ROE)	%	9.6	11.6	8.7	8.2	8.9	10.8	18.3	5.9	8.8	9.4	7.3
Return on assets (ROA)	%	5.9	7.1	5.5	5.2	5.7	7.1	11.9	3.6	5.2	5.3	4.0
Equity ratio	%	60.9	62.3	64.0	63.3	64.8	66.6	63.4	59.9	58.1	56.6	52.5
Stock price												
Highest stock price	¥	1,079	1,495	1,494	1,543	1,744	3,075	3,410	3,135	3,030	3,065	2,482
Lowest stock price	¥	690	944	1,141	1,096	1,142	1,559	2,309	1,906	2,182	2,261	2,034
Other												
Number of consolidated employees	People	7,521	7,553	7,988	7,903	8,074	8,331	13,151	13,882	14,374	15,847	16,772

Operating results

During this fiscal year (April 1, 2022 through March 31, 2023) the Japanese economy showed a moderate recovery trend along with the relaxation of restrictions on social and economic activity due to the COVID-19 pandemic. On the other hand, we must remain vigilant about risks that put downward pressure on the economy such as monetary tightening throughout the world as the conflict in Ukraine becomes protracted, soaring prices for electricity and other forms of energy plus inflation concerns due to escalating prices of goods, and trends in supply chains including for semiconductors.

In the information and communications field in which the Company does business, we must provide services that offer stability as the most fundamental form of infrastructure supporting all types of social and economic activities as the whole of society shifts toward digitalization. The resilience of networks in accommodating increased traffic is a key issue in this field. Demand for data is also certain to grow, including for digitalization to solve social issues in communities. Data centers to store and process vast amounts of data are also becoming increasingly important. In the field of construction, prices of materials continue to soar, but private capital investment is recovering and we forecast that public investment for upgrades and maintenance of infrastructure such as roads will remain steady. In the renewable energy-related business, we anticipate

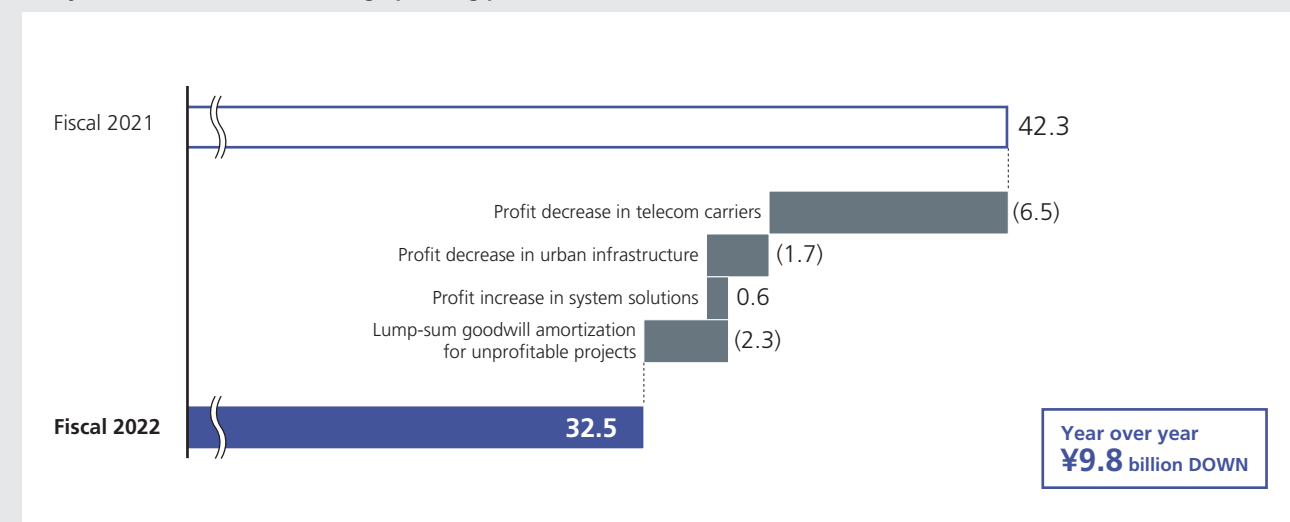
accelerated investment in storage batteries and infrastructure for electric power transmission and distribution geared toward expanding the use of renewable energy on the path to achieving a decarbonized society.

In this business environment we operated our business with both caution and flexibility, making maximum use of in-house environments for teleworking while we continued making efforts to prevent the spread of COVID-19. As a result of these efforts, we made steady progress at expanding business in both the urban infrastructure and system solutions segments, and net sales increased by ¥32,766 million from the previous fiscal year to ¥627,607 million (up 5.5% year-on-year).

Profit-wise, our operating profit decreased by ¥9,828 million from the previous fiscal year to ¥32,552 million (down 23.2% year-on-year) as highly profitable projects decreased, materials prices soared, and multiple unprofitable projects arose. As a result, ordinary profit decreased by ¥11,445 million from the previous fiscal year to ¥33,771 million (down 25.3% year-on-year), and profit attributable to owners of parent decreased by ¥5,532 million from the previous fiscal year to ¥22,233 million (down 19.9% year-on-year). Return on equity (ROE) decreased by 2.1 percentage points to 7.3%, and earnings per share (EPS) decreased by ¥45.66 to ¥204.98.

Note that the impact of the COVID-19 pandemic in the current fiscal year was limited.

Analytical chart of factors affecting operating profit (¥Billion)



Financial status

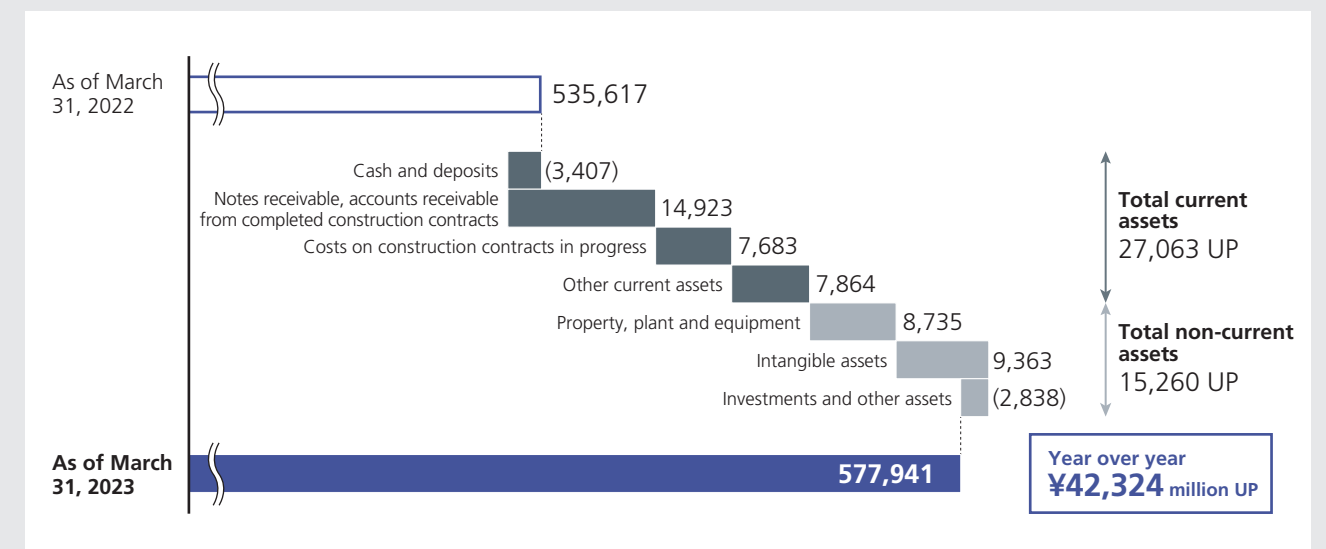
Assets increased by ¥42,323 million from the end of the previous fiscal year to ¥577,941 million (up 7.9% year-on-year). This was mainly due to an increase in notes receivable, accounts receivable from completed construction contracts and in goodwill.

Liabilities increased by ¥41,434 million from the end of the previous fiscal year to ¥269,999 million (up 18.1%

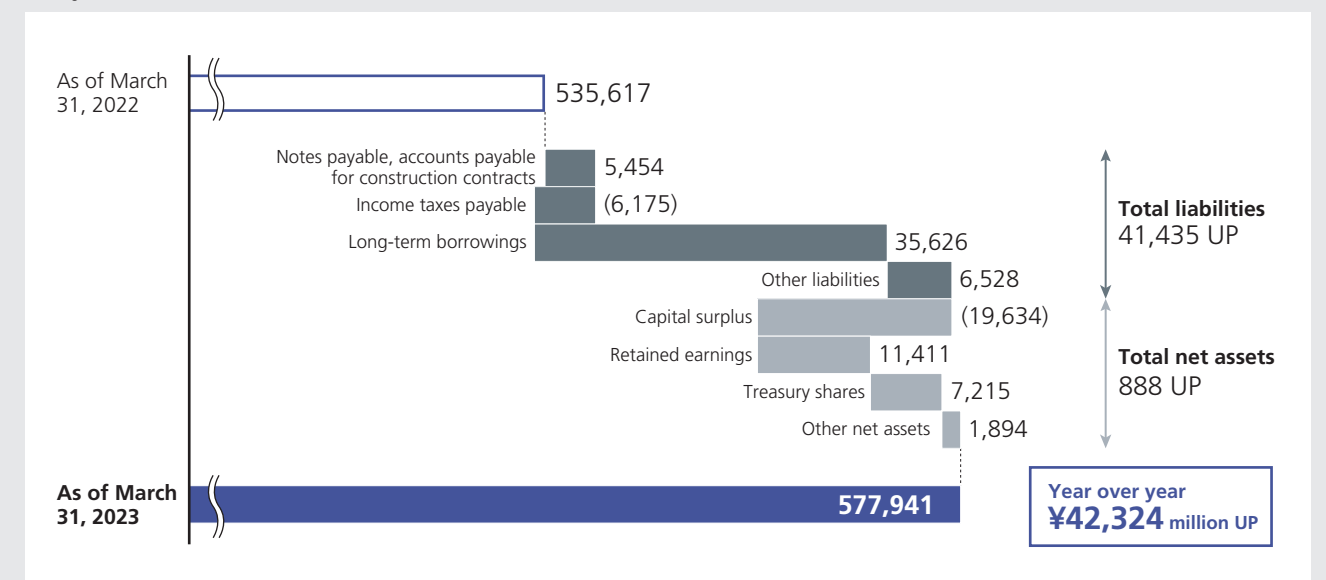
year-on-year). This was mainly due to increases in long-term borrowings, notes payable, and accounts payable for construction contracts.

Net assets increased by ¥888 million from the end of the previous fiscal year to ¥307,941 million (up 0.3% year-on-year). This was mainly due to an increase in retained earnings.

Analytical chart of assets (¥Million)



Analytical chart of liabilities and net assets (¥Million)



Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the current fiscal year decreased by ¥3,523 million from the end of the previous fiscal year to ¥50,204 million.

The capital demand of the Group includes ordinary working capital, as well as capital investment funds for building the foundations for growth such as DX and M&A investment funds for expanding business. Regarding distribution of returns to shareholders, our basic policy is to actively continue ensuring stable dividends, and we flexibly conduct share buybacks while employing a dividend on equity (DOE) of 4.0% as the benchmark percentage.

The source of the Group's funding is cash earned through operating activities, but when there are shortages, we raise funds mainly from liabilities while considering how to maintain a sound financial position. We deal with any temporary lack of funds through short-term borrowings from financial institutions, and if long-term demand for investment funds or other types of funds arises, we mainly consider handling it through sustainable finance.

The funds of our Group companies are centrally managed by the Company, and we are working to improve the efficiency of funds within the Group and liquidate them.

Cash flows from operating activities

Funds provided by operating activities were ¥5,483 million (¥26,406 million provided in the previous fiscal year). This was mainly due to profit before income taxes and income taxes paid.

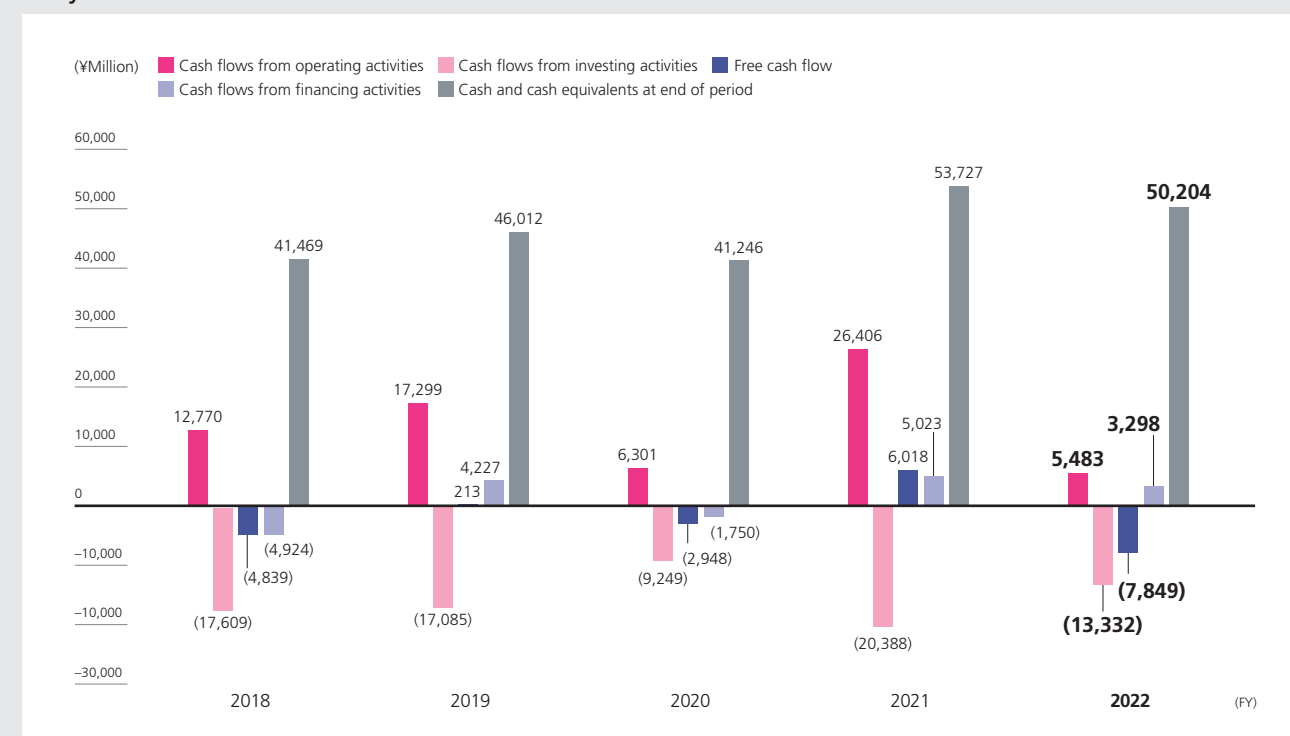
Cash flows from investing activities

Funds used in investing activities were ¥13,332 million (¥20,388 million used in the previous fiscal year). This was mainly due to acquisition of property, plant and equipment expenses.

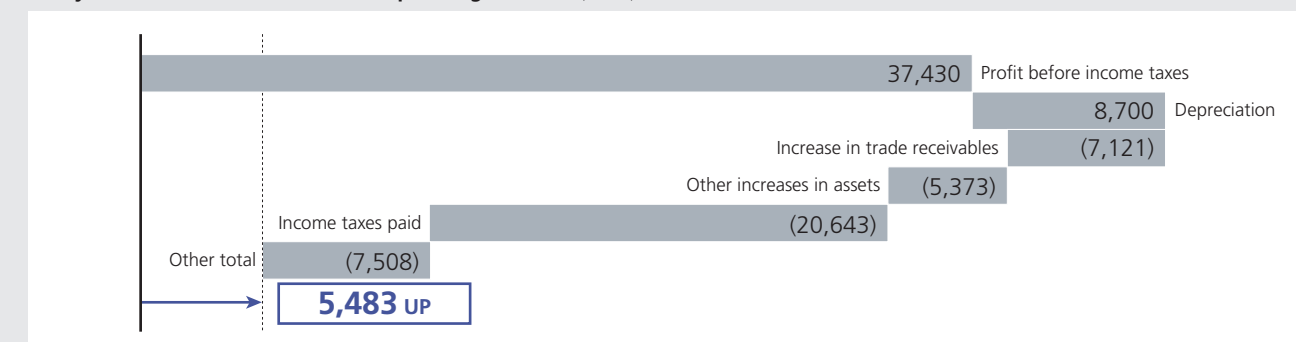
Cash flows from financing activities

Funds obtained through financing activities were ¥3,298 million (¥5,023 million obtained in the previous fiscal year). This was mainly due to increases in long-term borrowings and dividend payments.

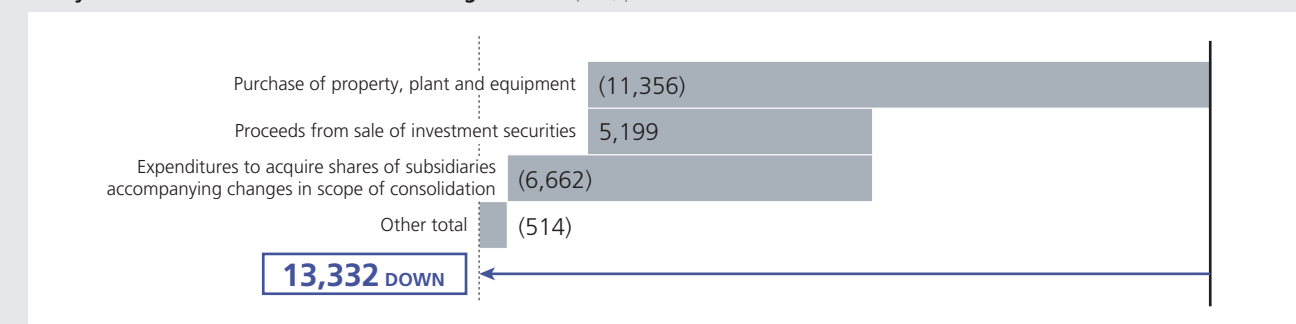
Analytical chart of cash flow status



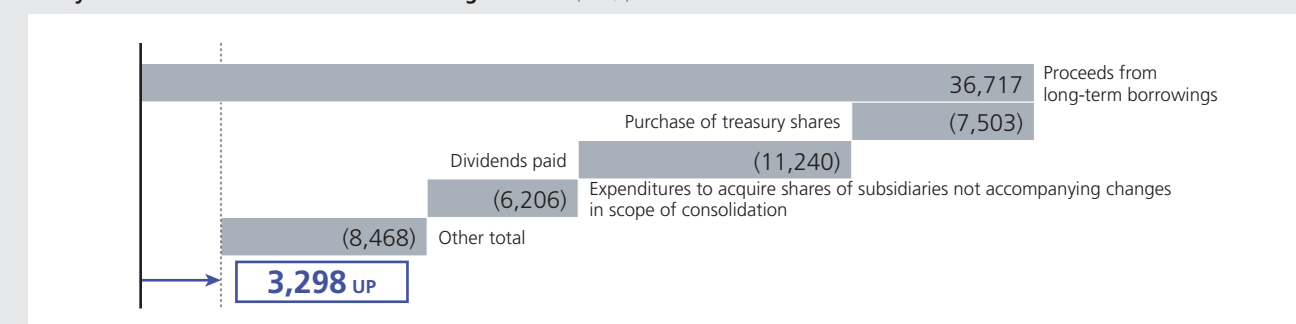
Analytical chart of cash flows from operating activities (¥Million)



Analytical chart of cash flows from investing activities (¥Million)



Analytical chart of cash flows from financing activities (¥Million)

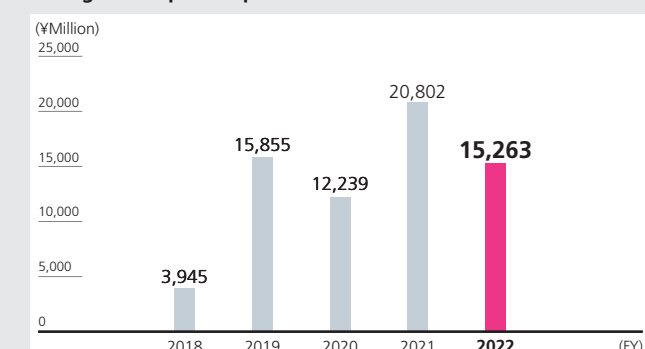


Capital expenditure status

The total amount of capital expenditures in the current fiscal year was ¥15,263 million, mainly due to construction of branch office and other buildings and woody biomass power plants. There was no retirement or sale of important equipment in the current fiscal year.

We have formulated a cross-Group utilization plan for the newly installing and retiring equipment based on medium-term usage needs and trends to promote utilization in a systematic and efficient way. There are also no plans to retire any important equipment.

Changes in capital expenditure



Corporate data (As of March 31, 2023)

Company name	Exeo Group, Inc.
Established	May 17, 1954
Paid-in capital	¥6,888 million
Fiscal Year-end	March 31
Stock listing	Listed on Prime Market of Tokyo Stock Exchange
President and CEO	Tetsuya Funabashi
Net sales	¥627.6 billion (consolidated) (fiscal year ended March 31, 2023)
Number of employees	16,772 (consolidated) (As of March 31, 2023)
Head office	29-20, Shibuya 3-chome, Shibuya-ku, Tokyo
West Japan head office	2-10, Uchihonmachi 2-chome, Chuo-ku, Osaka
Number of business offices	Headquarters and branch offices: 14, Sales offices: 23
Consolidated subsidiaries	135 companies (Excludes non-consolidated subsidiaries (17 companies) and affiliated companies (20 companies))
Correspondent banks	Mizuho Bank / Sumitomo Mitsui Banking Corporation / MUFG Bank

Group companies (As of July 1, 2023)

Major subsidiaries

 C-Cube Corporation	 Seibu Electric Industry Co., Ltd.	 Nippon Dentsu Co., Ltd.	 Daiwa Densetsu Corporation	 Exeo Tech Corporation
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Other consolidated subsidiaries

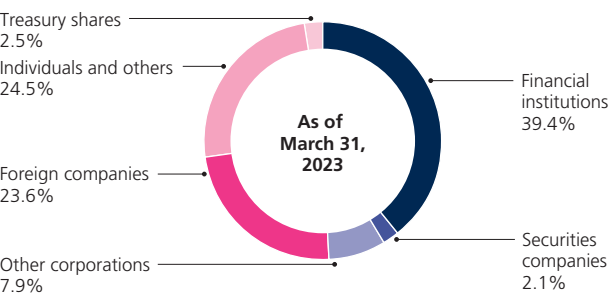
Telcom carriers-related Shinyei Tsushin Suncrex Exeo Mobile Exeo Engineering Hokkaido Exeo Engineering Tohoku Exeo Engineering West Japan Just Engineering Kanak Denseisha K.Tech Hikari Progress Other subsidiaries	Urban infrastructure-related Exeo Infra Ryosei Kidoh Construction Kohken Iseki Poly-Tech Koyo Engineering Sanetsu Denken Ashikaga Eco Power Furudono Ronden Eco Power Other subsidiaries	System solutions-related Exeo Digital Solutions Exeo System Management Advanced Information Design Sun Planning Systems CPU KDT Where Other subsidiaries
Group companies (overseas) Exeo Global Pte. Ltd. MG Exeo Network, Inc. Leng Aik Engineering Pte. Ltd. Exeo Asia Co., Ltd.	DeClout Pte. Ltd. Aeqon Pte. Ltd. dhost Pte. Ltd. Arco Pte. Ltd.	Ascent Solutions Pte. Ltd. Winner Engineering Pte. Ltd. 68 Systems & Project Engineering Pte. Ltd. GUUD Pte. Ltd.

Stock information (As of March 31, 2023)

Shareholding

Common stock authorized	300,000,000 shares
Issued	109,812,419 shares
Total number of shareholders	35,114

Shareholding structure



Major shareholders

	Number of shares held (thousand)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,297	16.16
Custody Bank of Japan, Ltd. (Trust Account)	10,171	9.50
Exeo Group, Inc. Employee Shareholding Association	4,804	4.49
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,323	2.17
Sumitomo Life Insurance Company	2,296	2.15
Sumitomo Realty & Development Co., Ltd.	2,081	1.94
SSBTC CLIENT OMNIBUS ACCOUNT	1,988	1.86
Custody Bank of Japan, Ltd. (Mitsui Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	1,834	1.71
Custody Bank of Japan, Ltd. (Sumitomo Electric Industries, Ltd. Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank, Limited)	1,500	1.40
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	1,311	1.23

Note: The Company holds 2,759 thousand shares of treasury stock although those shares are not included in the above table.
Treasury shares are also excluded from calculation of equity stake.

Stock price range and trading volume on the Tokyo Stock Exchange

