

**KYOWA EXEO GROUP**  
CORPORATE REPORT 2015



2015



## Corporate Philosophy:

### **Cultivating Technological Capabilities, Seeking Affluence and Contributing to Society**

The corporate philosophy of the KYOWA EXEO Group, which is the basic guideline for our corporate social responsibility, includes cultivating technological capabilities, seeking affluence and contributing to society. The corporate philosophy clearly answers the question: "Why does the KYOWA EXEO Group exist?" The utmost ground for existence is the Group's technological capabilities. Throughout its existence, the Group has aimed to be a corporate group that always anticipates and pursues better technologies at the forefront of leading-edge technologies. The technological capabilities cultivated through these efforts will help create more affluent living environments for people. The Group intends to be a valuable enterprise by contributing to society through activities in the pursuit of state-of-the-art technologies.

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

\*ICT is an acronym for Information and Communications Technology.

## Building a better, brighter future together



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

## Corporate Data

Company Name	KYOWA EXEO CORPORATION
Established	May 17, 1954
Paid-in Capital	¥6,888 million (as of April 1, 2015)
Stock Listing	First Section of the Tokyo Stock Exchange
Representatives	Kunio Ishikawa, Chairman Fuminori Kozono, President
Net Sales	¥300.9 billion (consolidated) ¥236.6 billion (non-consolidated) (as of March 31, 2015)
Number of Employees	7,988 (consolidated) 3,582 (non-consolidated) (as of March 31, 2015)
Head Office	29-20, Shibuya 3-chome, Shibuya-ku, Tokyo TEL: +81-3-5778-1111 (switchboard) URL: <a href="http://www.exeo.co.jp">http://www.exeo.co.jp</a>
West Japan Head Office	6-13, Kyomachibori 3-chome, Nishi-ku, Osaka TEL: +81-6-6459-1581
Number of Business Offices	Branch offices: 13 Sales offices: 15
Major Banks	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Independent Auditor	Kudan Audit Corporation



## Editorial Policy

Period Covered by the Report:	From April 1, 2014, to March 31, 2015 (However, in some cases, activities before and after the coverage period are also included in this report.)
Organizations Covered by the Report:	Companies subject to consolidation of the KYOWA EXEO Group (However, in some cases, KYOWA EXEO CORPORATION's non-consolidated data are used instead of consolidated data.)
Reference Guidelines:	GRI "Sustainability Reporting Guideline Version 3.1" Ministry of Environment "Environmental Reporting Guidelines (Fiscal 2012 Version)" ISO26000 "Guidance on social responsibility"
Issuance:	July 2015
Next Issuance Scheduled:	July 2016

### KYOWA EXEO CORPORATION

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

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Corporate Value of the KYOWA EXEO Group

Provide a comfortable environment for telecommunications

1

Special Feature

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Corporate Value of the KYOWA EXEO Group

Solve environmental issues with the Group's technological excellence and creative proposals

2

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Corporate Value of the KYOWA EXEO Group

Provide new forms of value that fulfill social expectations

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### Notice on forward-looking statements:

This Corporate Report 2014 contains forward-looking statements such as the future business performance of KYOWA EXEO. As these statements are based on the information available at the time of the preparation of this report, the actual results might differ materially from the content described or suggested therein due to various factors. As this corporate report is not intended for the purpose of soliciting investment, all users of this report are advised to undertake decisions concerning investment at their own discretion. The figures stated in units of ¥100 million and ¥1 million are rounded down.

# Milestones of the KYOWA EXEO Group

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

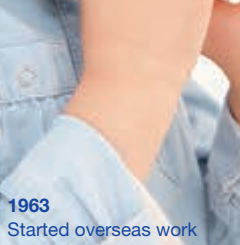
## Corporate History

<b>May 1954</b>	Company established as Kyowa Densetsu Kaisha, Ltd.	<b>Mar. 1999</b>	Relocated head office to current address in Shibuya-ku, Tokyo
<b>Jul. 1954</b>	Qualified to participate in telecommunications facility tenders for Nippon Telegraph and Telephone (now NTT)	<b>Apr. 2004</b>	Acquired Daiwa Densetsu Corp.
<b>Feb. 1963</b>	Listed on the Second Section of the Tokyo Stock Exchange	<b>May 2004</b>	Acquired WAKO ENGINEERING CORP.
<b>Sep. 1963</b>	Began engaging in telecommunications and electric power construction outside that for NTT	<b>Apr. 2005</b>	Acquired KANAC Corp.
<b>Feb. 1972</b>	Listed on the First Section of the Tokyo Stock Exchange	<b>Sep. 2009</b>	KANAC Corp. was converted into a wholly owned subsidiary
<b>Apr. 1982</b>	Branched out into the software business	<b>May 2010</b>	Made Ikeno Tsuken Co., Ltd., a consolidated subsidiary
<b>Jun. 1986</b>	Entered the environment business	<b>Aug. 2011</b>	WAKO ENGINEERING CORP., Daiwa Densetsu Corporation and Ikeno Tsuken Co., Ltd., were converted into wholly owned subsidiaries
<b>May 1991</b>	Changed company name to KYOWA EXEO CORPORATION	<b>Nov. 2011</b>	ICOMSYSTECH Co., Ltd., was converted into a wholly owned subsidiary
<b>Apr. 1998</b>	Entered into the NI business.	<b>Dec. 2014</b>	AID Holdings Inc. (the holding company of ADVANCED INFORMATION DESIGN Co., Ltd.) was converted into a wholly owned subsidiary

**May 1954**  
Company established as Kyowa Densetsu Kaisha, Ltd.



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



**1963**  
Started overseas work (Honduras)

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



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



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

**1955**  
Started coaxial cabling work.  
**1956**  
Started telex work.

1954

1960

1970

1980

1990

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

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

**1982**  
Branched out into the software business

**1983**  
Started developing billing systems.

**1986**  
Entered the environment business (Water treatment)

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

**1983**  
Started optical fiber work.



**1986**  
Started CATV work.

**May 1991**  
Changed company name to KYOWA EXEO CORPORATION



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

**1992**  
Started work on PDC (mova)



Mobile phone base station



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

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

**Jan. 1997**  
Acquired ISO9001 certification

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

**1994**  
Developed the Air Traffic Control System

**1998**  
Entered into the NI business.

**1999**  
Developed the Social Insurance System

Developed SOA solutions.

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

**1995**  
Started work on the C-C-Box.

**1996**  
Started Internet compliant system establishment work.

**May 2000**  
Acquired ISO14001 certification

**Apr. 2001**  
Merged with Showa Technos Corp.

**Nov. 2001**  
Instituted a compliance program

**Sep. 2003**  
Acquired OHSAS18001 certification

**2001**  
Started developing an Administrative Organ Accounting System.

Started developing a "Work Management System."

**2002**  
Started customer services.

**2000**  
Started the dioxin-countermeasure-compliant incinerator business

**2001**  
Entered into the livestock excreta disposal business.

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

**2001**  
Started IMT (FOMA) work.



Mobile phone base station

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

**Apr. 2004**  
Acquired Daiwa Densetsu Corp.

**May 2004**  
Acquired WAKO ENGINEERING CORP.

**Apr. 2005**  
Acquired KANAC Corp.

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

**2003**  
Sold an Internet video conference system

**2002**  
Entered into the installation of solar power generation facilities.

**2003**  
Completed the first bio plant (Iwate Prefecture)

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

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

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

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

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

Shifted the MNP work to full scale.

**Jan. 2006**  
Acquired the ISMS certification

**Mar. 2006**  
Obtained the Privacy Mark.

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

**Sep. 2009**  
KANAC Corp. was converted into a wholly owned subsidiary Tokyo Integrated Engineering Center (TEC) started operation (Heiwajima).

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

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

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

**2006**  
Entered into the wood biomass boiler business.

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

**2010**  
First general waste incinerator completed (Aomori Prefecture)

**2009**  
Started WiMAX work.

**2010**  
Shifted the regional intranet establishment business to full scale. Started LTE work.

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

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

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

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

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

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

**2011**  
Received the IBM Excellent Partner Award Japan 2010

Authorized as a Core Business Partner of NTT DATA CORPORATION

**2012**  
Stated selling the Adaptive Biz Service.

**2013**  
Newly established the ICT Solution business headquarters.

**2012**  
Received an order to construct a large-scale cleaning plant (Wakayama). Shifted the installation of the mega solar power generation facilities to full scale.

Started selling electricity.



Mega solar power plant

**2011**  
Entered into the Softbank mobile project. Engaged in the Great East Japan Earthquake recovery work.



Started A-XGP work.

**2012**  
Started the Platinum Band Project (900 MHz).

**May 2014**  
A ceremony was held to celebrate the Company's 60th anniversary.

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

**Feb. 2015**  
Started the introduction of electric vehicles.



Electric vehicle and charging equipment

**2014**  
Launched EXTravel, an integrated application for sightseeing and disaster prevention

Started collaboration with NIPPON SYSTEMWARE CO., LTD.

Launched EXRescue, a system for facilitating disaster responses

**2013**  
Installation of wood biomass boiler equipment completed (Kaneyama-machi, Yamagata Prefecture)

**2014**  
Large-scale recycling center completed (Higashimurayama City, Tokyo)



Higashimurayama Recycling Center

Commenced the work for installation of charging equipment for electric vehicles

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

Started the LTE-Advanced work. MG EXEO NETWORK INC., a local subsidiary in the Philippines, received an order for and commenced a large access-engineering work project.

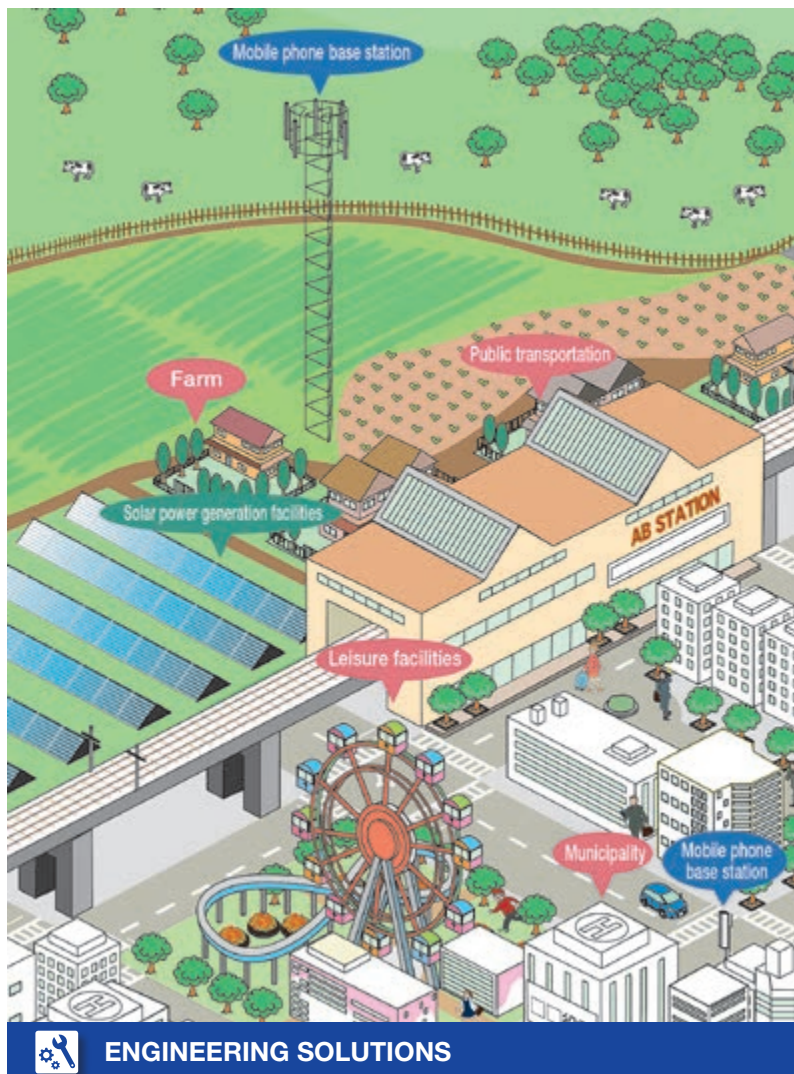
2000

2010

2014

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

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



**ENGINEERING SOLUTIONS**

### Telecommunications Infrastructure

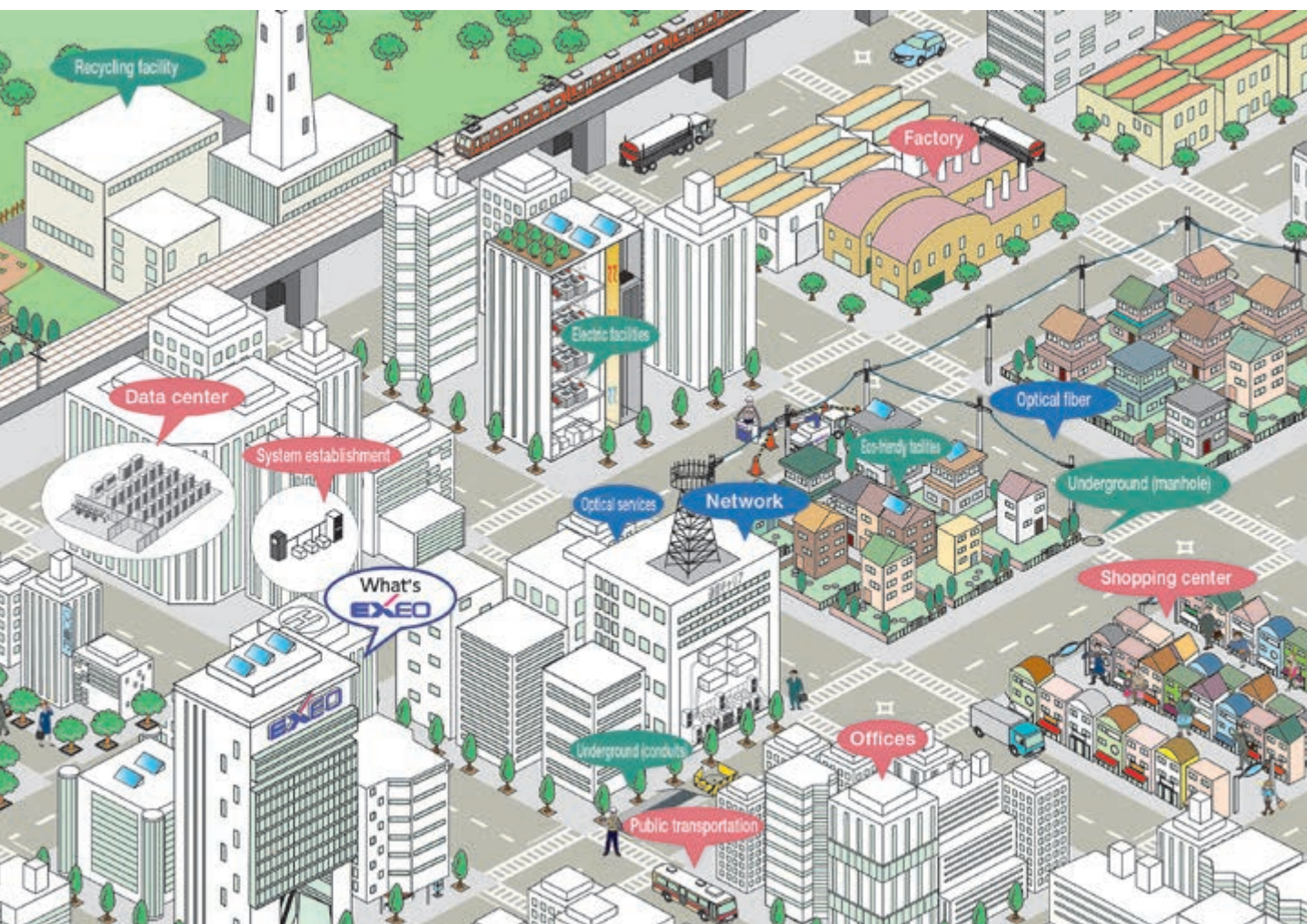
As broadband services are expanding toward the building of a safe and secure ICT society, the diversification and sophistication of various technologies are under way. We provide consistent quality services from planning and design to construction, operation and maintenance for all types of communications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



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 SYSTEM SOLUTIONS

### Environmental and Social Infrastructure:

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

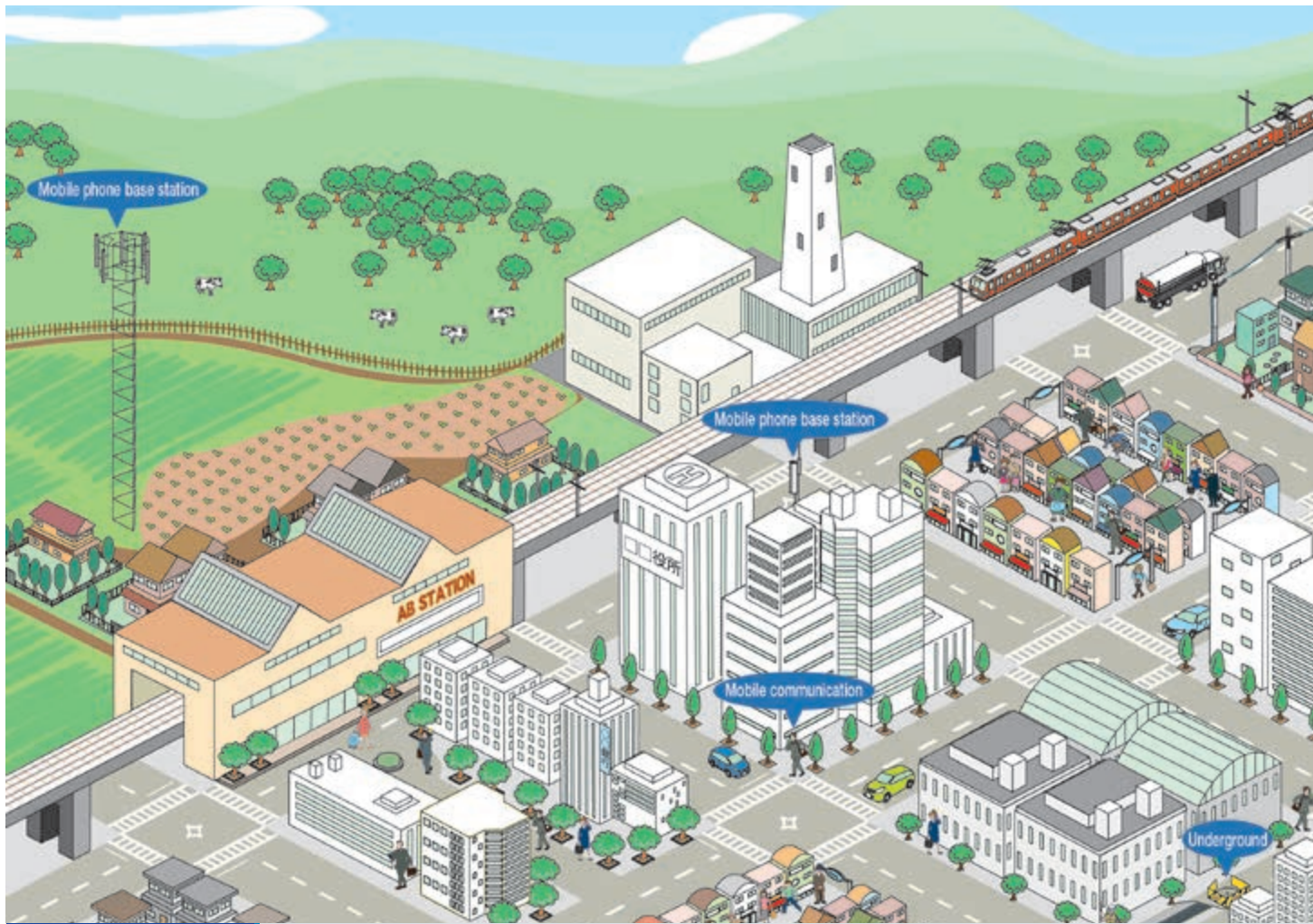
Drawing on our ICT technologies, we are offering total solutions in both the network integration (NI) field, which is establishing LAN/WANs and Internet environments, and the system integration (SI) field, which is establishing systems for corporations such as communications carriers, financial institutions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



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NTT Group

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

**Access engineering:**

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



**Network engineering:**

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



**Mobile engineering:**

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





ENGINEERING SOLUTION

Multi-carriers

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

**Telecommunications facilities:**

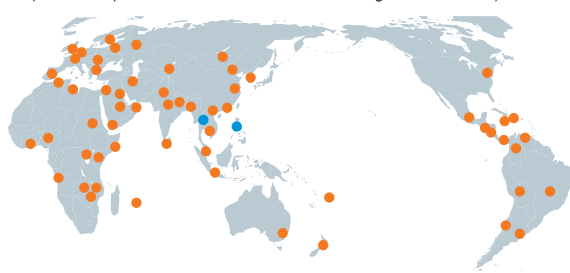
We construct telecommunications facilities for new common carriers (NCCs) such as the KDDI Group and the Softbank Group, municipalities, government agencies, cable television companies, railway companies and other customers.



**Global development**

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

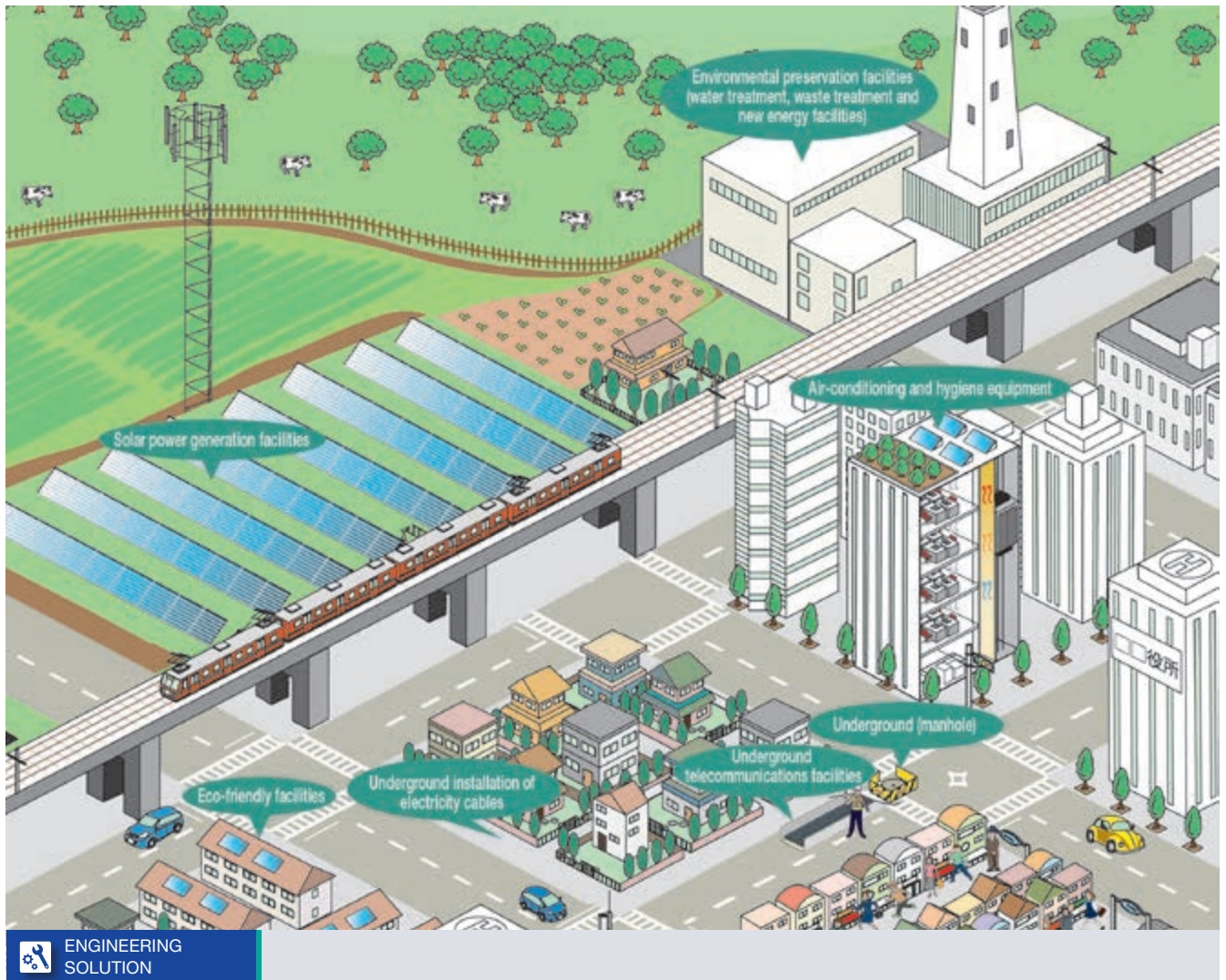
■ Countries to which we have sent engineers since 1992  
 (● Local corporations/● Locations to which our engineers were sent)



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



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



**ENGINEERING SOLUTION**

### Electricity supply

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



### Urban civil engineering

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



### Environmental engineering

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





**SYSTEM SOLUTIONS**

**Network Integration (NI)**

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

〈Major solutions〉

- Network and server solutions
- Wireless LAN solutions
- Security solutions
- Cloud solutions
- Sound (e.g., IP-PBX) solutions
- Video solutions
- Smart sensing solutions
- Energy management solutions
- Disaster prevention/mitigation and disaster response solutions
- Home network solutions
- Operation, monitoring and maintenance services



**System Integration (SI)**

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

〈Major solutions〉

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



## Strength of the KYOWA EXEO Group

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

### Total Process

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

From Planning to Maintenance

### Total Solution

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

Group of Professionals Who Are Acquainted with Every Kind of Technology

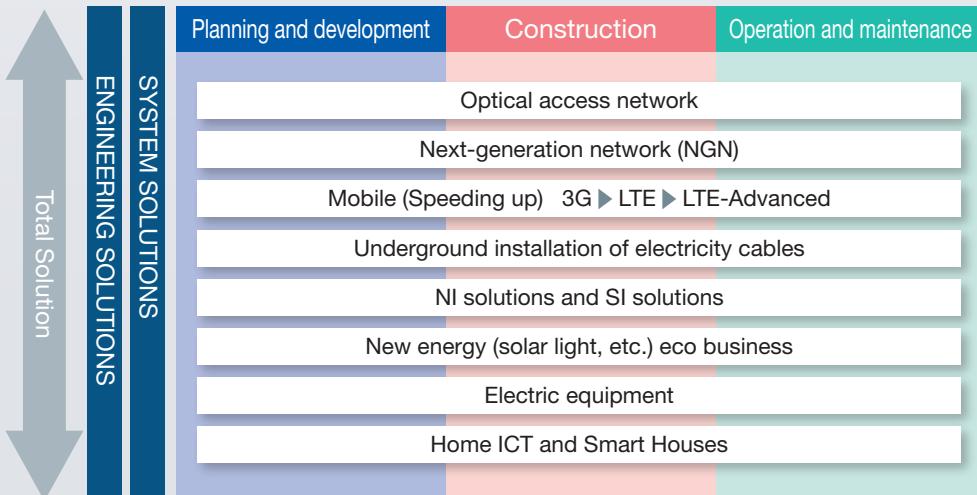
EXEO

### Nationwide Expansion

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

Support Nationwide

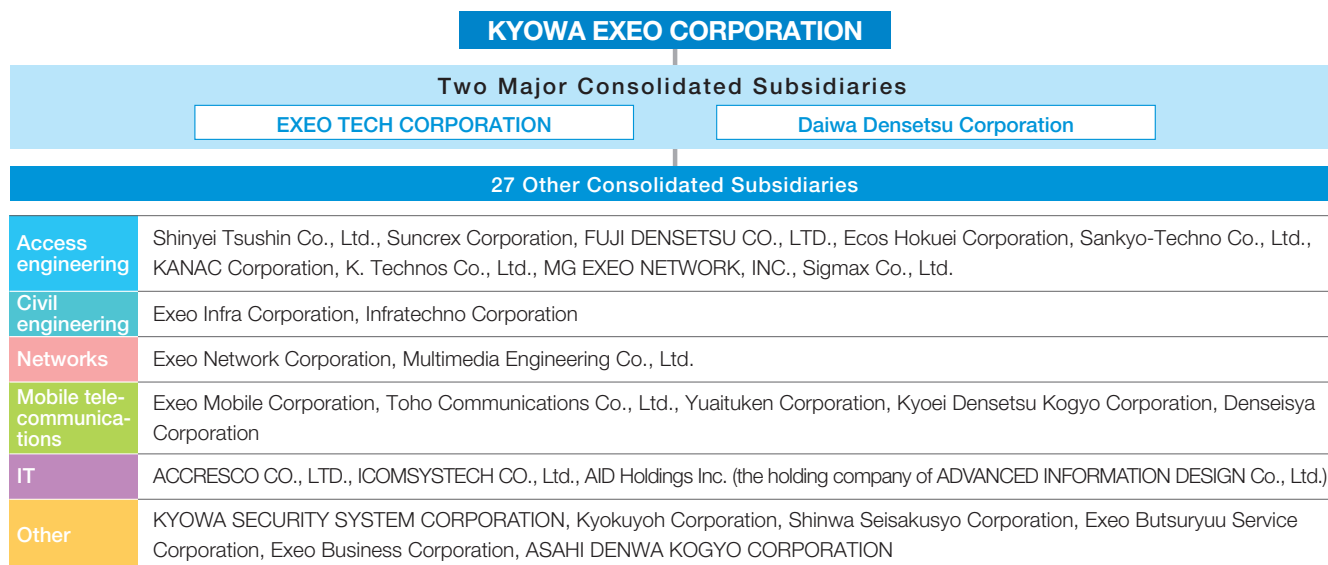
Total Process (through-process construction)



Nationwide operation, multiple carrier compliant and migration-compliant

## Group Structure

(As of July 1, 2015)



The Group companies other than the above: 10 nonconsolidated subsidiaries and 11 affiliates

## Business Bases

(As of July 1, 2015)

**Domestic bases:** (■ Branches/■ Offices)

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

<ul style="list-style-type: none"> <li>■ <b>Hokkaido Branch:</b> 2-20, Minami 21-jo Nishi 7-chome, Chuo-ku, Sapporo-shi, Hokkaido</li> <li>■ <b>Tohoku Branch:</b> 5-1, Omachi 2-chome, Aoba-ku, Sendai-shi, Miyagi</li> <li>■ <b>Koshin Branch:</b> 602-2, Ochial-cho, Kofu-shi, Yamanashi</li> <li>■ <b>Minami Kanto Branch:</b> 12-1 Kanagawahoncho, Kanagawa-ku, Yokohama-shi, Kanagawa</li> <li>■ <b>Tokai Branch:</b> Nishiki SIS Bldg., 10-33, Nishiki 3-chome, Naka-ku, Nagoya-shi, Aichi</li> <li>■ <b>Kansai Branch:</b> 6-13, Kyomachibori 3-chome, Nishi-ku, Osaka-shi, Osaka</li> <li>■ <b>Miyako Branch:</b> 539-20, Omiya Nishiru Monzen-cho, Olke-dori, Chukyo-ku, Kyoto-shi, Kyoto</li> <li>■ <b>Hyogo Branch:</b> 1-13, Ekiminami-dori 2-chome, Hyogo-ku, Kobe-shi, Hyogo</li> <li>■ <b>Hokuriku Branch:</b> Kanazawa Fit Building, 53-1 Futakuchi-machi-Ni, Kanazawa-shi, Ishikawa</li> <li>■ <b>Shikoku Branch:</b> 148-20, Hayashi-cho, Takamatsu-shi, Kagawa</li> <li>■ <b>Chugoku Branch:</b> 7-11, Ogawachi-machi 2-chome, Nishi-ku, Hiroshima-shi, Hiroshima</li> <li>■ <b>Kyushu Branch:</b> 7-8, Tamagawa-machi, Minami-ku, Fukuoka-shi, Fukuoka</li> <li>■ <b>Okinawa Branch:</b> 30-52, Oroku 1-chome, Naha-shi, Okinawa</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Iwate Office:</b> 5-7, Honcho-dori 2-chome, Morioka-shi, Iwate</li> <li>■ <b>Yamagata Office:</b> 9-10, Minami Yonban-cho, Yamagata-shi, Yamagata</li> <li>■ <b>Niigata Office:</b> Cosmo Shinano, 4-27 Shinano-machi, Chuo-ku, Niigata-shi, Niigata</li> <li>■ <b>Nagano Office:</b> NTT Kurita Building No. 1, 2423, Inaba, Nagano-shi, Nagano</li> <li>■ <b>Ibaraki Office:</b> 1486 Kasahara-cho, Mito-shi, Ibaraki</li> <li>■ <b>Chiba Office:</b> Chiba West Building, 24-9 Shinmachi, Chuo-ku, Chiba-shi, Chiba</li> <li>■ <b>Kanto Naka Office:</b> NTT Shirahata, 1-23, Shirahata 5-chome, Minami-ku, Saitama-shi, Saitama</li> <li>■ <b>Wakayama Office:</b> 5-29-1, Fukiya-cho, Wakayama-shi, Wakayama</li> <li>■ <b>Matsuyama Office:</b> Sumitomo Seimei Matsuyama Ichibancho Building, 15-2, Ichibancho 1-chome, Matsuyama-shi, Ehime</li> <li>■ <b>Yamaguchi Office:</b> 19-2, Ekiminami-machi, Hofu-shi, Yamaguchi</li> <li>■ <b>Kumamoto Office:</b> 27-23, Egoe 1-chome, Minami-ku, Kumamoto-shi, Kumamoto</li> <li>■ <b>Kitakyushu Office:</b> 1320-13, Aza Otsuka, Oaza Maeda, Yahatahigashi-ku, Kitakyushu-shi, Fukuoka</li> <li>■ <b>Nagasaki Office:</b> NTT WEST Higashi Nagasaki Building, 823 Tanaka-machi, Nagasaki-shi, Nagasaki</li> <li>■ <b>Oita Office:</b> NTT Harashin Building, 5-1, Harushinmachi, Oita-shi, Oita</li> <li>■ <b>Minami-Kyushu Office:</b> 6, Kasuga-cho 4-chome, Kagoshima-shi, Kagoshima</li> </ul>
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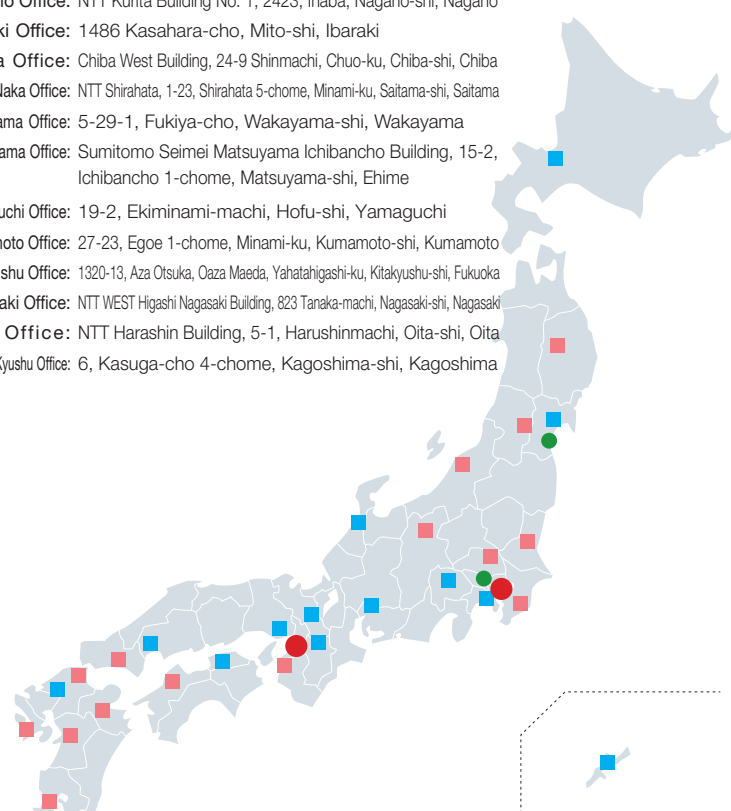
**Bases of Two Major Consolidated Subsidiaries**

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

**Overseas Bases**

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





## Financial Information

(Billions of yen)

	2010	2011	2012	2013	2014	2015 (plan)
<b>Operating results (Fiscal year):</b>						
Orders received	273.7	288.5	317.8	304.2	301.4	<b>310.0</b>
Net sales	282.2	273.1	301.3	318.5	300.9	<b>305.0</b>
Operating income	12.3	8.9	18.0	20.7	18.3	<b>21.0</b>
Net income	7.7	7.8	11.3	14.9	12.2	<b>13.2</b>
Capital expenditures	4.0	1.9	3.3	7.3	4.2	—
Depreciation expenses	3.0	2.9	2.3	2.2	2.6	—
<b>Financial position (at year-end)</b>						
Total assets	196.9	181.2	200.4	217.0	228.4	—
Net assets	112.2	113.4	122.3	135.6	146.7	—
Interest-bearing Debt	21.3	8.1	9.9	13.3	8.6	—
<b>Cash flows (Fiscal year)</b>						
Net cash provided by (used in) operating activities	0.6	16.4	7.1	9.8	23.1	—
Net cash provided by (used in) investing activities	-1.5	-4.5	-2.1	-7.4	-2.8	—
Net cash provided by (used in) financing activities	-3.6	-17.5	-3.0	-0.9	-12.3	—
Cash and cash equivalents	17.6	12.3	14.6	16.2	24.2	—
(¥)						
<b>Per share of common stock:</b>						
EPS	75.58	74.96	109.25	147.75	123.83	<b>136.98</b>
Cash dividend	20.0	20.0	22.0	24.0	32.0	<b>32.0</b>
(%)						
<b>Financial indicators:</b>						
Operating Income to Net Sales	4.4	3.3	6.0	6.5	6.1	<b>6.9</b>
ROE (Note 2)	7.6	7.2	9.6	11.6	8.7	—
ROA (Note 3)	4.1	4.2	5.9	7.1	5.5	—
Equity ratio	53.9	62.4	60.9	62.3	64.0	—

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

2. ROE = Net income ÷ Total shareholders' equity (yearly average)

3. ROA = Net income ÷ Total assets (yearly average)

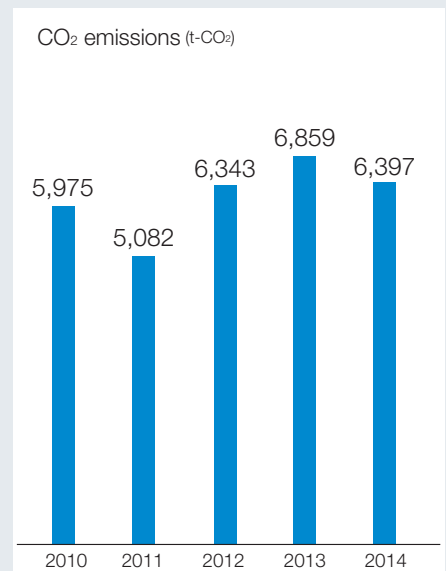
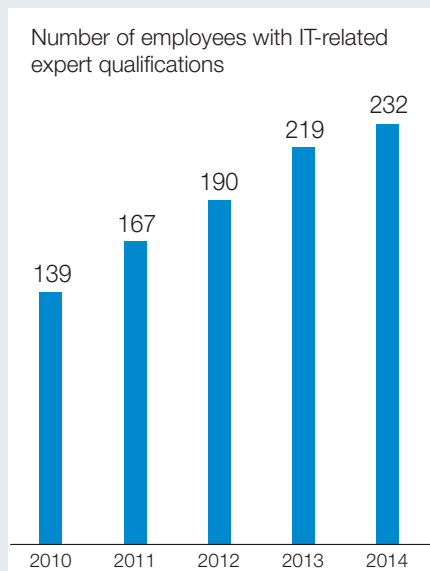
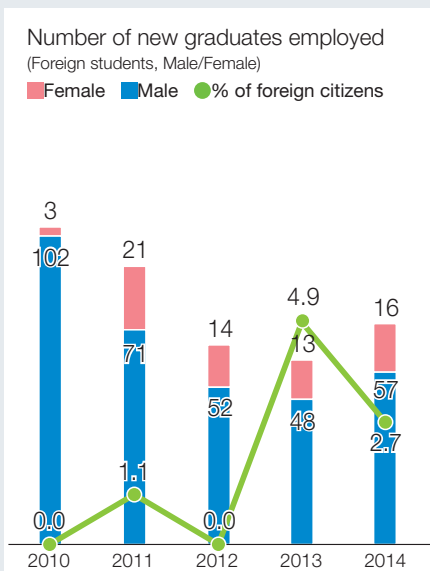
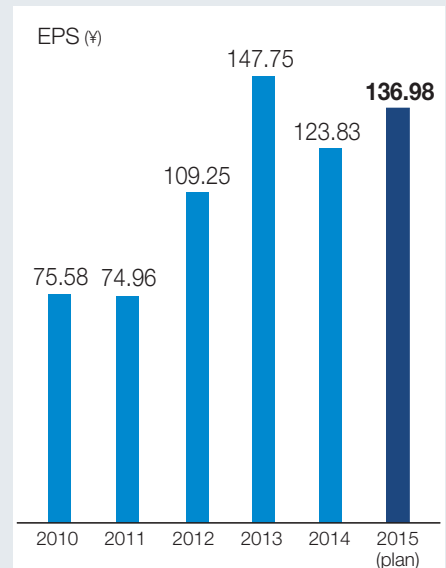
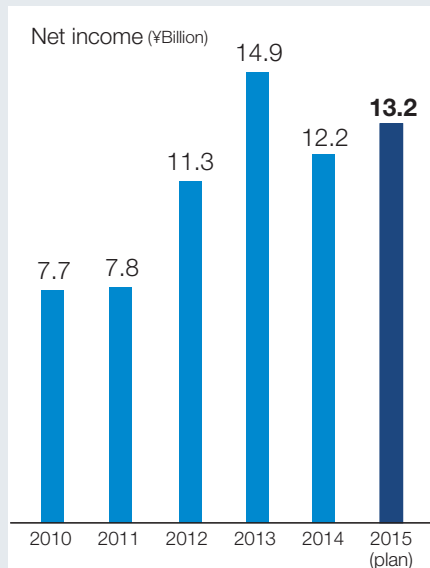
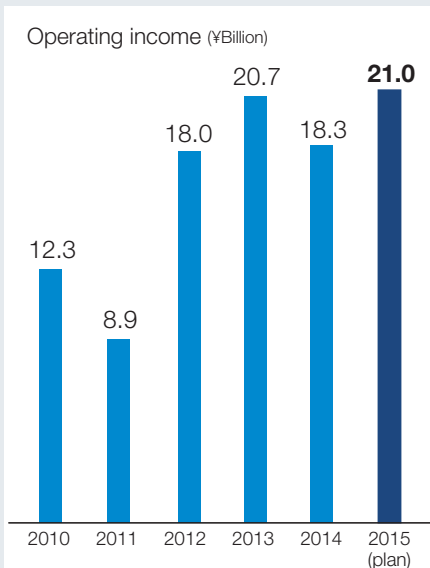
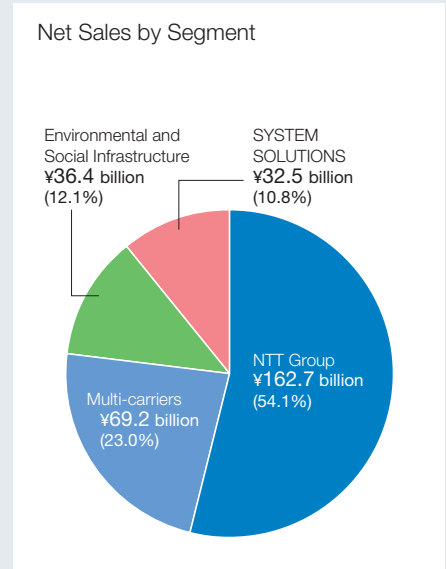
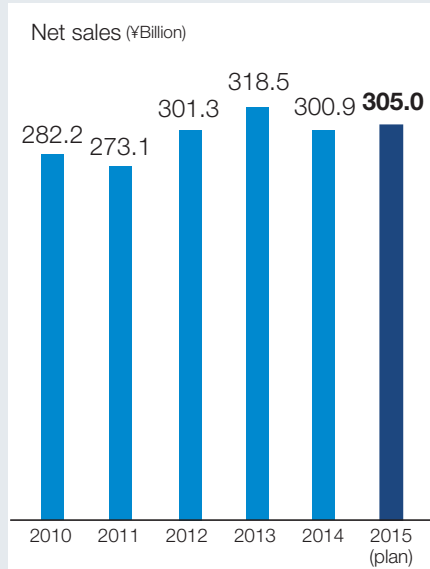
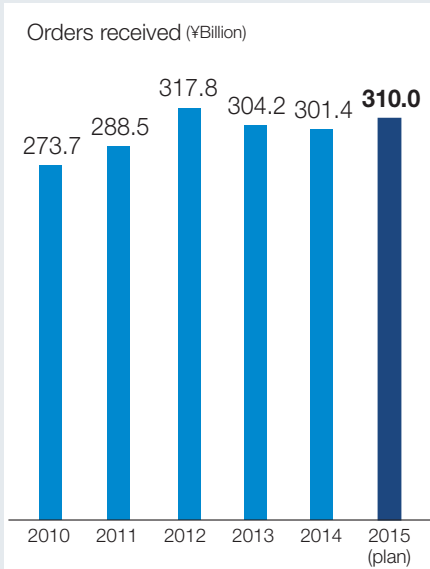
## Non-Financial Information

	2010	2011	2012	2013	2014
Number of employees	7,729	7,872	7,521	7,553	7,988
Number of new graduates employed (Note 1)	105	92	66	61	73
Number of days of paid leave taken per employee (Note 1)	9.4	11.1	10.1	10.0	11.2
Turnover rate for employees with up to three years of service (%) (Note 1)	6	2	1	5	3
Number of employees with IT-related expert qualifications (Note 1)	139	167	190	219	232
CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) (Note 1)	5,975	5,082	6,343 (Note 2)	6,859 (Note 2)	6,397

Notes: 1. On a non-consolidated basis.

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





## Greetings

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

Established in May 1954 to meet the increasing demand for the installation of large-scale telecommunications facilities, the KYOWA EXEO Group reached its 61st year in 2015.

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

Currently, in addition to establishing the information communications infrastructure, the Group has produced many business results in the establishment and management of environmental and social infrastructure by harnessing our long-nurtured environmental, civil engineering and electrical facility technologies.

Furthermore, in the software development business we started in 1982, we have a track record of developing solutions and applications that combine ICT and software, thereby we will strive to offer a significant contribution to the advancement of the Internet of Things (IoT) technologies.

The EXEO of the KYOWA EXEO Group is the Latin "exeo," which refers to breaking the mold and continually venturing out to address new challenges. Reaffirming the meaning of the company name, we will continue to make flexible responses to a changing business environment and provide high-value-added total ICT solutions in a wide range of business fields by gathering the strength of the entire Group, thereby contributing to society as a corporation creating an affluent living environment. With such an attitude as a pillar of our CSR management, we will aim to achieve the sustainable growth of the Group.

Your continuing support is highly appreciated.

Fuminori Kozono  
President  
KYOWA EXEO CORPORATION

小園 文典

# Message from the President



## Promoting the restructuring of our business portfolio, we will develop our solution business into the second pillar of the Group's businesses.

### Business Results for Fiscal 2014

Although we had aimed for year-on-year increases in sales and income to achieve record net sales and operating income for fiscal 2014, a decline in NTT-related works and other factors resulted in decreases in sales and income compared with the previous year.

In the Group's core business segment—telecommunications infrastructure—fixed telecommunications-related sales have been on a decline, and mobile telecommunications-related sales did not grow as we had expected due to reduced investments during the second half of the year despite a favorable result in the year's initial period. Our system solutions business also suffered a year-over-year decline in sales, although we engaged in such efforts as promoting M&As and tapping new business opportunities to expand the range of the segment's businesses. Meanwhile, our environmental and social infrastructure business enjoyed a significant increase in sales from the previous year because we received an order of a large project for the installation of electrical facilities as the recovering corporate earnings aided by the government's economic and monetary policies have been boosting the redevelopment of the Tokyo metropolitan area.

For fiscal 2014, the Group recorded orders received amounting to ¥301.4 billion (down 1% year over year), and achieved consolidated net sales of ¥300.9 billion (down 6% year over year) and operating income of ¥18.3 billion (down 11% year over year).

### Tasks Addressed and Achievements in Fiscal 2014

Although we had decreases in sales and income for fiscal 2014, some results were productive, such as further raising business efficiency through the reorganization of the Group companies and consolidation of the bases for construction work, as well as significantly increasing the business associated with government agency projects such as for wireless digital communications for fire and disaster management and the installation of electrical facilities related to the redevelopment of the Tokyo metropolitan area.

To counter the declining trend of capital investments by telecommunications carriers, we have engaged in marketing efforts aimed at expansion of the system solutions business to make it a new pillar of business that promotes our continued growth. Specifically, we aggressively proposed system solutions for the fields where the Group's strengths can be exploited, including new energy, geo services,

## Message from the President

sensors, culture and education, medical care, health and welfare. An example of such efforts in the geo service field includes the EXTravel, a multilingual smartphone application that serves the purposes of sightseeing and disaster prevention. Based on the EXTravel, we developed and started the delivery of navigation services via smartphone applications for sightseeing in Nikko and Kyoto Daigoji in fiscal 2014. These events, although perhaps a tiny step, make us feel that our efforts have been steadily bearing fruit.

As another effort to expand peripheral and new businesses for the future, we acquired ADVANCED INFORMATION DESIGN Co., Ltd., in December 2014, which has a good track record in developing software such as systems mainly for financial institutions.

### Outlook for Fiscal 2015

For fiscal 2015, we aim to return to year-over-year increases in sales and profits and achieve record-high operating income.

In the telecommunications infrastructure business, telecommunications carriers tend to curtail their capital investments, but they are expected to continue steady investments for upgrading base station equipment to accommodate increases in the volume and velocity of mobile traffic. In line with the governmental initiatives for building national resilience and revitalizing local communities, ICT investments by municipalities are also expected to increase. In the environmental and social infrastructure business, growing demand is expected for the undergrounding of overhead power lines and the installation of electrical equipment associated with redevelopment projects in the Tokyo metropolitan area, whereas orders for the refurbishment of aging social infrastructure are also anticipated. In the system solutions business, we see favorable signs that strong corporate earnings are pushing forward IT investments and other investments to develop systems for accommodating the liberalization of electricity markets and the introduction of the “my number” system, along with investments for related businesses. Moreover, we see various ICT technologies, including sensors and cloud computing, used for factories, automobiles and various facilities of social infrastructure, which makes us envisage the arrival of a society where all things are connected to the Internet, the IoT era, drastically changing business and social systems.

Under these business circumstances, we will continue to promote the growth strategy of expanding our system solutions business to ensure continued growth. This is being done by placing a focus on four target fields: the “new energy” field in anticipation of the liberalization of electricity markets; the “security/cloud” field, which is becoming increasingly important due to the advancement of ICT; the “geo solutions” field to address the need for sightseeing information and support for disaster management utilizing elements such as mapping information, GPS and smartphones; and the “global” field for promoting the initiatives led by the Group’s local subsidiary in the Philippines to establish ICT mainly in Southeast Asia. These fields not

only are expected to enjoy the expansion of markets, but also capitalize on the Group’s strengths. Especially in the new energy field, we have been involved in businesses concerning energy management systems (EMSs) and quick chargers. In addition, we will aggressively sell the Group’s high technologies and nationwide networking capabilities to power producers and suppliers (PPSs), as well as traditional power companies, to expedite the expansion of businesses.

To reinforce efforts to raise productivity, we placed a person responsible for promoting business process re-engineering in each business headquarters. By reviewing the process of business operation in each headquarters, we will solidify the Group’s competitive strength for further business expansion and seek improvements in terms of quality, cost and delivery timing to ensure the supply of valuable services to our customers.

### Image of KYOWA EXEO in 2020

To provide a hint as to the future growth of the Group, we have set the target portfolio of our businesses we aim to achieve in 2020—the year when the Olympic and Paralympic Games will be held in Tokyo: **50%** will be accounted for by the telecommunications carrier business for the NTT Group and new common carriers (NCCs); **25%** will be accounted for by the urban infrastructure business, which consists of non-carrier telecommunications, environmental and social infrastructure; and **25%** will be accounted for by the solution business. Although the telecommunications carrier business is not expected to achieve large growth, we will secure stable income by continuing efficient operations based on our accumulated experience while expanding the range of



businesses to include maintenance and other related businesses. Meanwhile, we will focus on the enlargement of the urban infrastructure and solution businesses, which have significant growth potential.

In particular, we are thinking of doubling the scale of our solution business. To enable that, we have about 1,500 system engineers engaged in various kinds of system development, as well as professional engineers who have high expertise and accumulated experience in the field of telecommunications networks. Combining such system development and network building capabilities, we will continue to support the construction of foundations for the increasingly sophisticated ICT society, thereby cultivating the solution business into a new pillar of business for ensuring the sustainable growth of the Group.

### Distributing returns to shareholders

The KYOWA EXEO Group regards profit distribution to shareholders as an important managerial issue and has a

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

We raised the annual dividend per share by ¥8 to ¥32 in fiscal 2014, and the same annual dividend is planned for fiscal 2015.

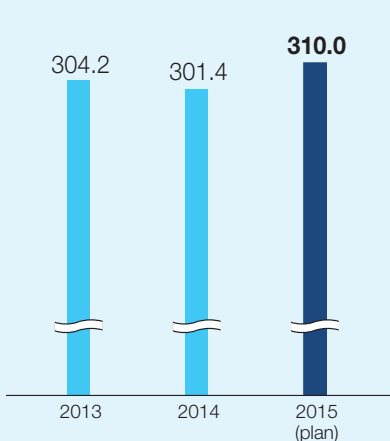
We also plan to purchase ¥5.0 billion in shares of treasury stock in fiscal 2015, which is an increase of ¥2.0 billion compared with the previous fiscal year. The recent level of the total return ratio—the sum of dividends paid and share buybacks as a proportion of consolidated net income—should be high enough to fully satisfy our shareholders.

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

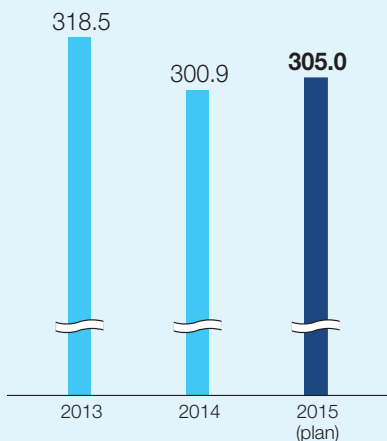
Doing a good job and being appreciated by customers leads to higher employee morale and better business performance. In the end, that results in the distribution of higher profits to shareholders. We will strive to enhance corporate value through raising business performance and aggressively distributing profits to shareholders.

## Operation highlight

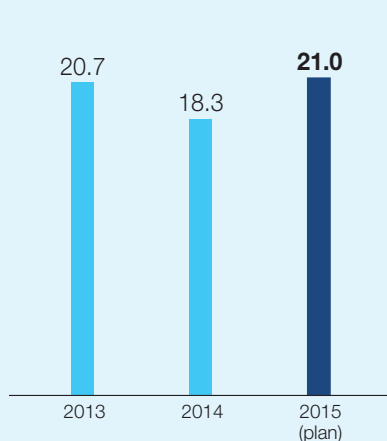
Orders received (¥billion)



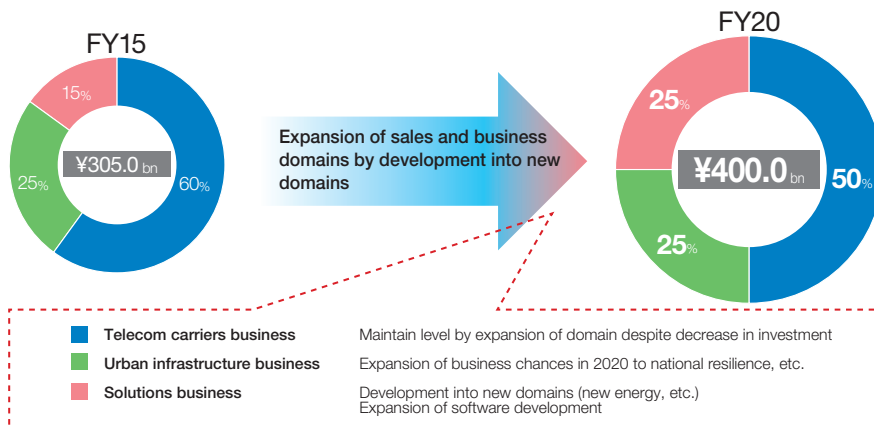
Net sales (¥billion)



Operating income (¥billion)



Close Up



# Corporate Value of the KYOWA

We face a wide array of social issues to be addressed, including global warming due to Japan and its falling birthrate and aging population. The KYOWA EXEO Group is willing to these issues and achieve growth in a harmonious way with society.

## Connection between the Group's businesses and the social issues it recognizes



# EXEO Group

climate change, the declining population of offer its “linking” technologies to help solve

Important issues for the KYOWA EXEO Group to achieve sustainable growth  
 Developing human resources / developing and handing down technologies



## Telecommunications Infrastructure Business

The telecommunications infrastructure business can meet social needs as follows.

- Enhances the quality of telecommunications (e.g., speed of connection)
- Facilitates the operations that address the reception difficulty for the 700-MHz band
- Facilitates the spread of LTE-Advanced
- Ensures a smooth transition to the next-generation wireless technology (5G)

PICK UP!



## Creating a comfortable environment for telecommunications

Special Feature 1: Provide a comfortable environment for telecommunications

See page 23 →



## Environmental and Social Infrastructure Business

The environmental and social infrastructure business can meet social needs as follows.

- Promotes active use of natural energy
- Preserves water resources
- Offers flexible solutions to problems with waste in local communities
- Ensures a globally comparable level of landscape by promoting the undergrounding of overhead power lines

PICK UP!



## Contributing to ensuring the sustainability of the Earth

Special Feature 2: Solve environmental issues with the Group's technological excellence and creative proposals

See page 25 →



## System Solutions Business

The system solutions business can meet social needs as follows.

- Provides leading-edge ICT technologies
- Promotes the deepening of communication
- Creates solutions with a focus on safety and security
- Creates new value

PICK UP!



## Creating new forms of communication

Special Feature 3: Provide new forms of value that fulfill social expectations

See page 27 →

Special Feature  
 Corporate Value of the KYOWA EXEO Group



Special Feature

1

# Provide a comfortable

Currently, being able to connect anywhere is taken "for volume of information that they are expected to handle is attention throughout the world, ensuring a comfortable

## Employees' Talk

<Connection between the Group's businesses and solutions to social issues ①>

**As Team EXEO, the KYOWA EXEO Group makes concerted approaches to various challenges, including higher transmission speed and wider area coverage.**

### Current status of the mobile technology

Currently, people of all ages from elementary school kids to senior citizens in their 80s have one or more mobile terminals, such as cell phones and tablet PCs. This phenomenal spread of mobile terminals has occurred because they are used not only as a communication device for calling or texting but also to fulfill functions that previously were available only through personal computers, such as connecting to the Internet and using various applications, transforming into an information-utilizing terminal.

Japan's telecommunications environment for mobile phones is now approaching the final stage of the LTE installation process. Although the LTE is now the prevailing standard for wireless telecommunication in Japan, the LTE-Advanced standard, which enables 10 times faster wireless telecommunication than the LTE, already has been introduced in some areas and will become more widely available in Japan starting this year. Furthermore, preparations for introducing the fifth-generation standard of wireless telecommunication are about to begin toward the Tokyo Olympic/Paralympic year of 2020.

To meet the social demand for higher transmission rates, it is imperative to accelerate efforts to upgrade the telecommunication infrastructure, including the installation/im-

provement of base stations. To meet such demand, Team EXEO will respond to expectations by exercising active leadership with its proven technologies and speediness.

### Collaborative strength of Team EXEO

To address the latest needs of the times while ensuring the quality of the telecommunication speed and area coverage, it is important to make full use of the Group's nationwide network of construction/installation forces so that the right amount of labor is delivered to the right places. To achieve that, close collaboration is indispensable between the Company and the Group companies.

Cell phones and other mobile terminals exchange information with each other by means of radio waves, which are invisible and sent by base stations that consist of antennas and other equipment. Currently, the number of base stations for telecommunications is said to be around 600,000 nationwide. When the LTE-Advanced service, which started in the previous fiscal year, becomes more widely available, it will be necessary to renew all the equipment of each base station to enable better services. To accomplish this task, the ability to manage the work process to ensure maximum efficiency will be required in addition to sufficient technological capabilities to deliver results of a stable quality. Efficient onsite management in collaboration with the Group companies for speedier realization of the services demanded by society will also be important.

The KYOWA EXEO Group has been making a concerted effort to address this social demand by networking the installation forces including the Group companies throughout Japan to enable their closer collaboration and flexible allocation of personnel to required sites.

### Handing down technologies and contributing to future society

Highly advanced and updated technologies of a stable quality are indispensable for ensuring the comfortable telecommunication environment demanded by society. To keep offering such technologies, we must maintain the high quality of the Group's installation technologies and share



Installation of a base station for mobile phones



# environment for telecommunications

granted". Because the latest mobile terminals can do jobs comparable to those of PCs, the increasing more and more. Toward the 2020 Tokyo Olympics, which is receiving considerable telecommunications environment is a major issue of Japan and the KYOWA EXEO Group.

them throughout the Group, while learning the latest technologies at all times. A corporate culture of communicating knowledge is established within the employees of the KYOWA EXEO Group, including intensive trainings given at its Technology Training Center and on-the-job training (OJT) at various sites where experienced employees pass on their skills to newer employees. At the same time, acquiring multiple skills is encouraged. We are currently working on building a system to enable the flexible allocation of labor forces according to changing onsite needs by reeducating the employees who engaged in the installation of wired communication facilities or civil engineering work through OJT.

We are also deliberating on how the KYOWA EXEO Group can better serve the needs that might arise when, in the near future, mobile telecommunications carriers try to upgrade and spread their own communications facilities. While proceeding with the installation and enhancement of telecommunications facilities, we are constantly seeking measures to fulfill various forms of social demand.

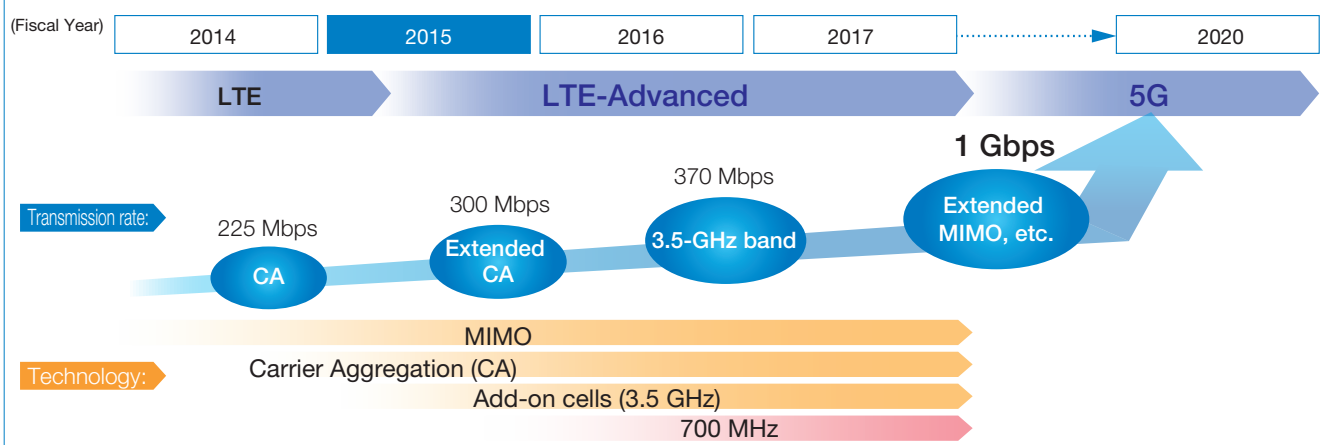
Toward the Tokyo Olympics and Paralympics in 2020, moves for the introduction of the fifth generation (5G) service are about to begin. By actively utilizing the latest technologies while maintaining its proven technologies to ensure a comfortable telecommunication environment, the KYOWA EXEO Group will continue to make concerted efforts on a Group-wide basis to contribute to the creation of future society.



Profile:

**Yoshihiro Akiyama** (joined the Company in 2002)  
 Facility Construction Department, Mobile Engineering Division,  
 DoCoMo Business Headquarters

Reference: NTT DoCoMo's planned network development (Source: NTT DoCoMo's presentation material for financial results, edited by the Company.)



Special Feature

2

# Solve environmental issues with the

Environmental problems are global social issues. Among largest number of waste incinerator plants and therefore to the various municipalities of Japan suffering from waste plants suited to their respective needs.



## Employees' Talk

<Connection between the Group's businesses and solutions to social issues ②>

## The KYOWA EXEO Group proposes waste treatment plants for the harmonious coexistence of humans and the Earth

### Promoting the creation of a recycling-oriented society

Reflecting on the conventional society of mass production, mass consumption and mass disposal, there has been a significant call for ecological lifestyles to protect the global environment throughout the world. The realization of a recycling-oriented society is a big social issue we must address. A recycling-oriented society means a society where the consumption of natural resources is minimized by promoting the efficient use thereof, thus reducing waste so that environmental burdens are minimized.

The realization of a recycling-oriented society is what all people and corporate entities are asked to aim for. In particular, municipalities responsible for domestic waste disposal must take the initiative and act to promote re-

gional efforts to address this issue.

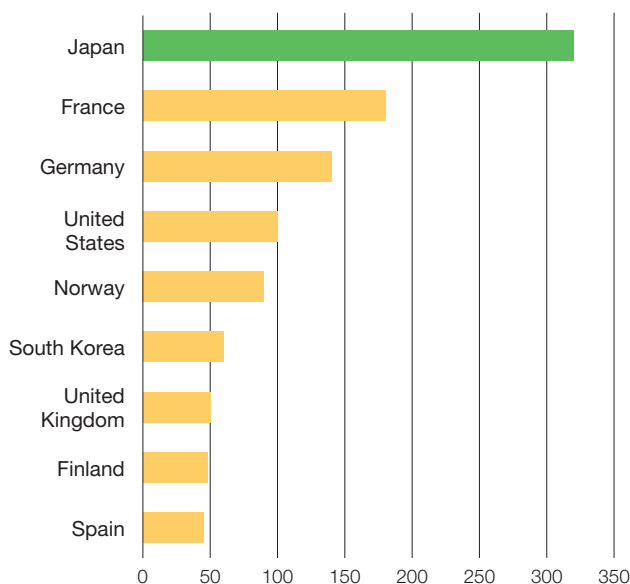
By addressing the issue of waste disposal, the KYOWA EXEO Group offers its various technologies to contribute to the creation of a recycling-oriented society. They include comprehensive engineering of waste treatment plants from design and construction to operation management, waste treatment technologies combined with the telecommunications technology the Group specializes in to produce differentiated incineration and recycling facilities, and renewable energy technologies, such as wood biomass boilers.

### Creative ability to propose solutions to regional issues

The construction of the Shusuien Recycling Center, for which the Company had received an order from Hishiyama City, Tokyo, was completed in June 2014 to replace the existing waste treatment facility, which had been degraded with odor and noise, annoying neighborhood residents and being blamed for a poor working environment. In designing and constructing a new recycling facility that can treat and recycle the bottles and

### Amount of waste incineration per person (kg)

(Reference: Environmental Statistics and other documents from the Ministry of the Environment)



Recycling facility

# Group's technological excellence and creative proposals

them, the KYOWA EXEO Group addresses the waste problem in Japan, which has the world's imposes a significant burden to the global environment. The Group has been closely attentive problems and has helped them to solve such social issues by constructing waste treatment

cans collected from 70,000 households in Higashiyama City, the Company took the utmost care to protect the living environment for the nearby residents by installing deodorizing equipment using activated charcoal and sound insulating walls at the site, among other measures. In addition, the new facility adopted a single line for separating bottles and cans, instead of the previous method of using different lines. Based on the accurate identification of client needs, we address them by combining the Group's knowledge in the most appropriate way to deliver the best results, thereby producing new value that contributes to society.

## As a woman and a member of Team EXEO

I am currently engaging in a project to construct a waste treatment facility with large area coverage that processes domestic waste from three municipalities, which is scheduled to be completed in February 2016. This waste incineration/recycling facility not only adopts an advanced and effective method of waste treatment but also has the ecological feature of recycling the thermal energy produced during the incineration process to generate power, which is used to operate various equipment within the facility.

It might still be uncommon for women to work on a construction site as I do, but being a woman does not



### Profile:

**Mami Nishihara** (joined the Company in 2012)  
Engineering Department, Environmental Projects Division, Electrical & Telecoms Engineering / Environmental Projects Headquarters



A morning assembly at the site

bother me when doing daily jobs for this project, possibly due to the ambience of my workplace that makes employees less aware of gender differences. Still, sometimes a feminine sense of caring can cheer up the people at the site, increasing the work efficiency.

Waste treatment plants are indispensable facilities for communities. As a member of Team EXEO, I will seek better and wider application of the technology of the KYOWA EXEO Group so that we can contribute to building a society that is friendlier to the global environment.

Special Feature

# 3

## Provide new forms of

The forms of communication are evolving continuously, enable the acquisition of location/positional information, of safety, security and disaster prevention. The KYOWA terminals must achieve continuing evolution to ensure that



### Employees' Talk

<Connection between the Group's businesses and solutions to social issues ③>

Utilizing the potential of ICT technologies, we have developed an application for school trips to create new forms of communication.

### Expectations for new forms of communication

Recently, the number of foreign tourists visiting Japan has been increasing—exceeding 13.41 million in 2014, which is a significant increase from 8.35 million in 2012. To come up with a convenient way to introduce the culture of Japan to these tourists in their native language, while at the same time delivering information for disaster prevention, we developed the EXTravel application for smartphones and tablet PCs in fiscal 2013 which is a multiple-language application integrating information for sightseeing and disaster prevention. In fiscal 2014, the EXTravel application was adopted by Nikko City and other municipalities that are promoting local tourism.

In fiscal 2014, when we were looking for other ways of using EXTravel, we came up with the idea of using it

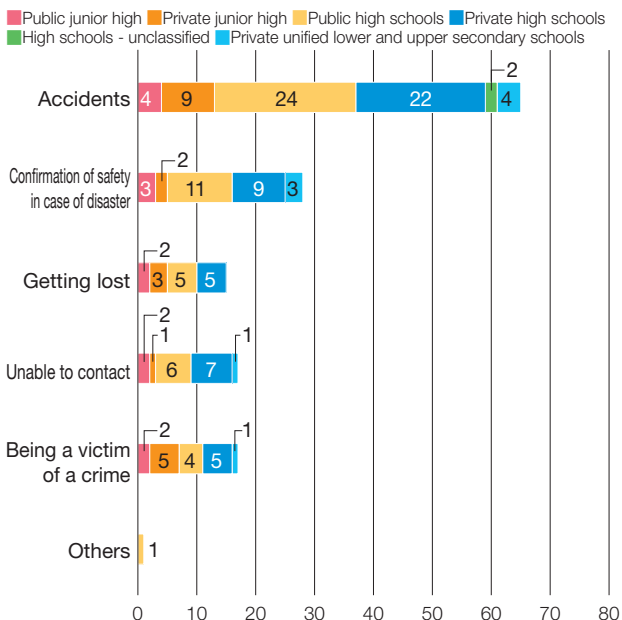


for school trips, for which safety and security are the top priorities. Especially after the disaster of the Great East Japan Earthquake, parents have given great attention to schools' preparedness for disaster. Therefore, schools place the top priority on ensuring safety and the prompt evacuation of students in case of an emergency.

The use of mobile phones might be sufficient to address the issue of disaster prevention alone. Meanwhile, the use of ICT technologies can be effective for students' learning and enable them to have timely communications with their parents and teachers. With this perspective, a new form of communication based on EXTravel has been developed.

### Concerns over the security of students on a school trip (Number of schools)

(Reference: A survey by the Educational Tour Institute)



### The debut of the EXTravel-based application for school trips and its distinctive features

Because school trips have different purposes from trips in general, the development of the school trip application started from scratch by hearing opinions and requests from prospective users of the application, including teachers and students, as well as experts on this issue. Although user-friendliness is a basic premise, we examined various functions that might be included in

# value that fulfill social expectations

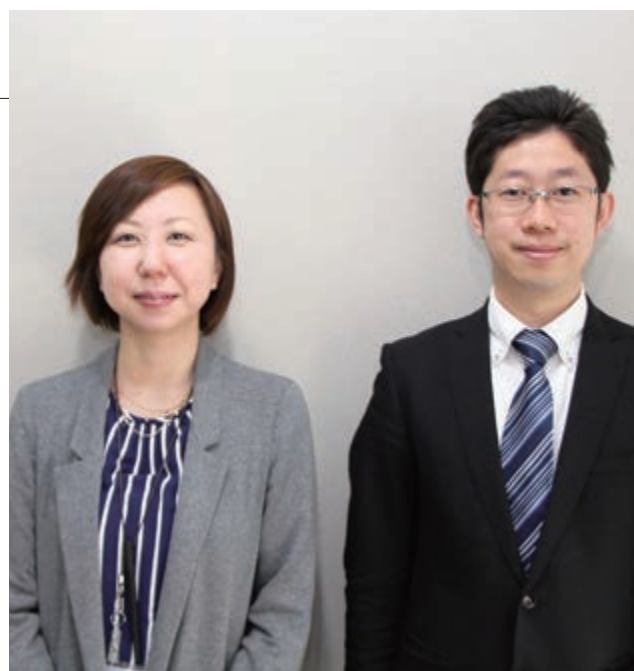
Take for example, smartphones, WiFi or beacons. These new communication technologies thereby offering advanced features that are not only convenient but also serve the purposes EXEO Group believes the new ways of communication enabled by advanced mobile people enjoy their lives wherever they are without fear and irrespective of national borders.

the application.

In December 2014, we gave it a trial by having high school students use the application on a school trip to Hawaii. For the pre- and post-trip learning opportunities in Japan, we provided the students with the functions of the application using the cloud technology. While touring Hawaii, we provided them with tablet PCs in which the application had been installed. The application was equipped with many distinctive features that utilize the advantages of the ICT technologies. For example, the students were given the mission of talking to the local people in English and taking a picture or video of it with a tablet PC. The pictures and videos uploaded to the cloud were then viewable by their parents. For the teachers, the application informs them of the whereabouts of the students in great detail and, in case of an emergency, provides disaster prevention functions which enable them to navigate the students to the evacuation area. The application also delivers a chat function between teachers and student groups. With many distinctive features, the EXTravel-based application has realized new forms of communication that fulfill the expectations of potential users.

## Great potential of the ICT technologies opens up the future

After the application's trial, we interviewed parents and teachers, as well as the students who used the



### Profile:

(Left) **Kumiko Kamibayashi** (joined the Company in 2003)  
Business Promotion Department, New Energy Promotion Division, ICT Solutions Headquarters

(Right) **Shingo Fujishima** (joined the Company in 2002)  
Geo Solutions Promotion Department, Solution Promotion Division, ICT Solutions Headquarters

application during the school trip. The feedback from them was generally favorable.

Combining these ICT technologies with the knowledge accumulated within the Group can create new forms of communication. The growing application of these ICT technologies might produce greater ideas to ensure safety and security in times of emergency and much more.

Paying attention to social issues and demand, we will continue to enhance the comfort, safety and security of people's lives in the context of the ICT technologies.



## Performing Corporate Social Responsibility (CSR) through Its Primary Businesses

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

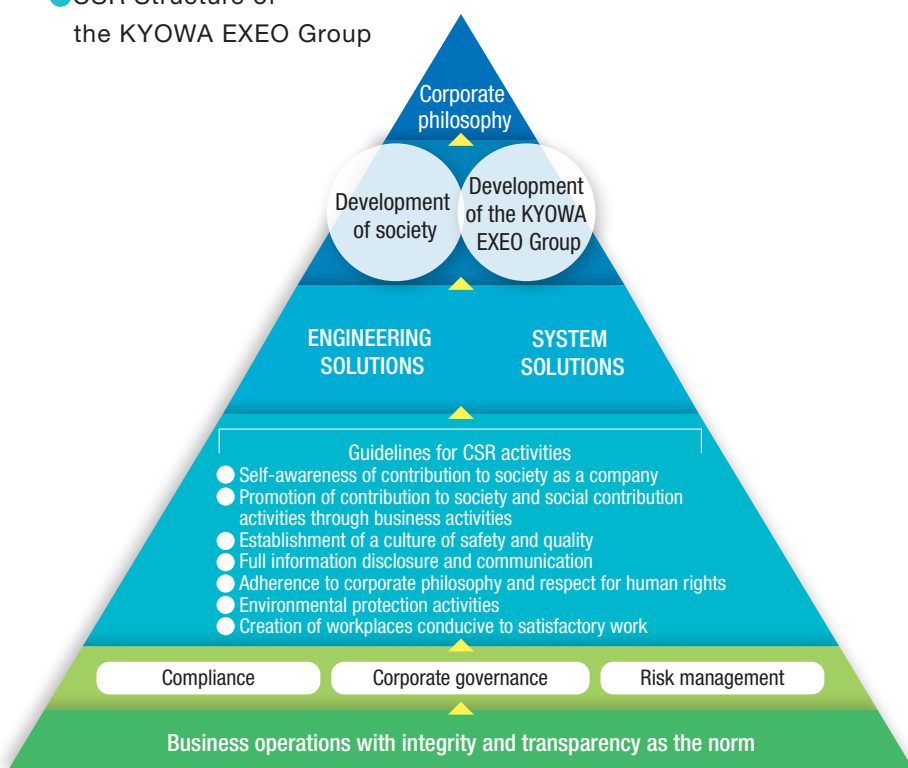
### Basic CSR Policy

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

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

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

● CSR Structure of the KYOWA EXEO Group



## Our Themes to Be Addressed in Fiscal 2015 (Classification by ISO26000 Standards)

Core themes in the ISO26000	Major stakeholders	Our themes	Measures to be taken	Organization in charge	
Organizational governance	All (Corporate philosophy) (Basic ethics) (Action guidelines)	Promotion of compliance	Educating on and improving the awareness of laws and regulations and the Basic Ethics of the KYOWA EXEO Group through compliance-promoting activities	Risk Management Division	
			Thorough adherence to social norms		
			Analysis of the causes, responses and background of recent conflicts and incidents, as well as the prevention of recurrence via lateral intra-organizational information exchanges		
		Appropriate risk management	Fermentation of information security literacy to ensure zero information accidents		
			Amendments to the ISMS-related standards to reflect the 2013 revision. (to be assessed in July 2015)		Corporate Planning Division
			Reduction of management risk		General Affairs Division
		Reinforcement of business continuity planning (BCP)	Risk Management Division		
		Enhancement of the internal controls of the Group subsidiaries			
Human rights	Employees	Principle that human resources are our chief asset, Fermentation of the Connection Culture	Respect for human rights and utilization of diversified human resources (Reinforcement of efforts to promote diversity)	Human Resources Division	

## CSR Promotion Systems (Relationships with All Stakeholders)

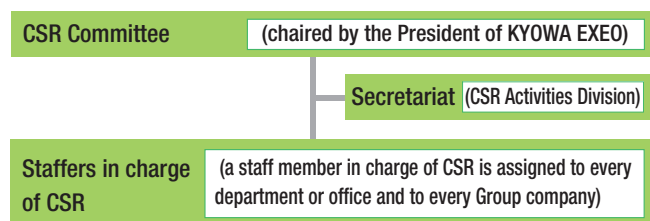
Rather than having a specific division responsible for CSR activities, at the KYOWA EXEO Group, we recognize that CSR is something that every member of the staff should put into practice throughout the business process. In 2009, we reorganized the CSR Promotion Division that until then had been tasked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

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

### Continuing to be a Company Trusted by All Stakeholders

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

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



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



## Establishing Various Mechanisms to Promote Globally the Overall Group

### Corporate Governance

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

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

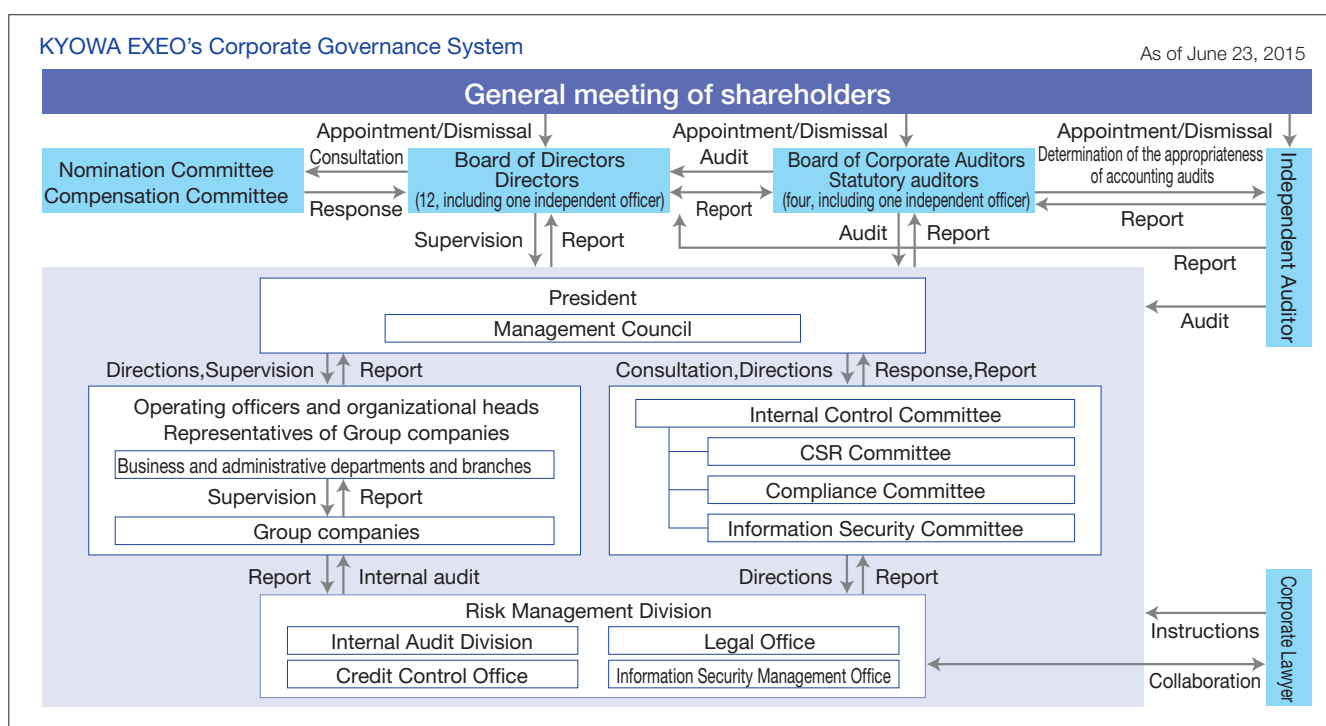
#### Promotion of internal control

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

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

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

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





## Compliance

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

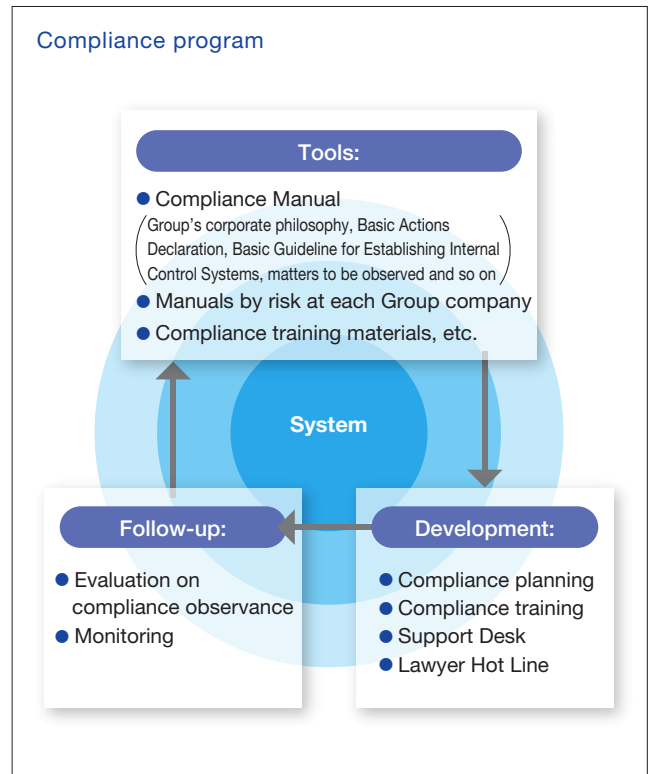
### EXEO Group Basic Actions Declaration

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

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



Compliance training for management executives



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

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

## Basic Ethics of the KYOWA EXEO Group

### Matters to be observed in business activities

#### Relationships with customers

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

#### Relationships with industries and business partners

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

### Matters to be observed regarding society

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

### Matters to be observed internally at the company

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



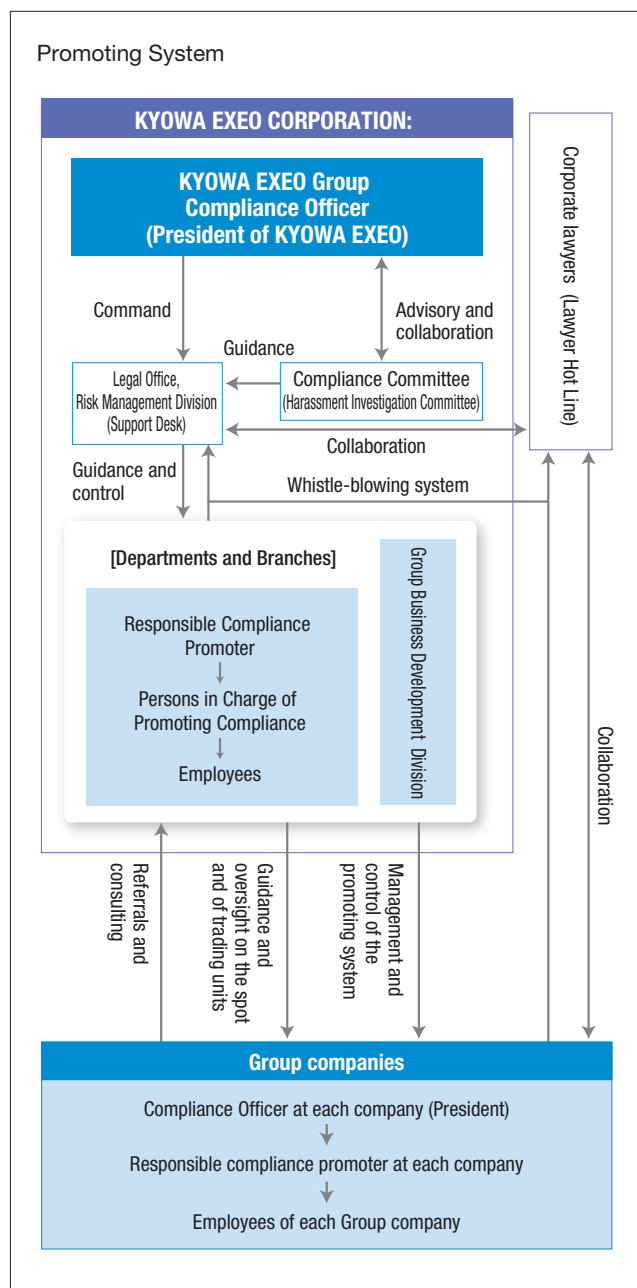
### Promotion Systems and Activities

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

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

### Initiatives to Promote

Measures taken	Description
<b>Whistle-blowing system</b>	Establishing the Support Desk regarding compliance and the Lawyer Hot Line for direct consulting or communicating with corporate lawyers
<b>Compliance training (Twice or more per year)</b>	Conducting basic training for new employees and brush-up training with specific themes to be observed in business activities
<b>Compliance training for management executives</b>	Conducting training for management executives (e.g., Chairman, President, General Managers of the Head Office, Branch Managers, Presidents of the Group companies) by inviting outside experts as lecturers (Held three times in fiscal 2014.)
<b>Evaluation on compliance observance</b>	Inspecting the observance status of compliance plans, which have been prepared by the respective branches and Group companies, as well as the relevant laws and regulations, for evaluation; compliance mind-set of each employee is checked in terms of his/her level of understanding
<b>Compliance promotion and enhancement month</b>	October was designated as the annual Compliance Promotion and Enhancement Month in 2010. Various campaign measures such as signage and meetings encourage in-depth understanding of and raise awareness among employees.



## Risk Management

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

### Basic Stance on Risk Management

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

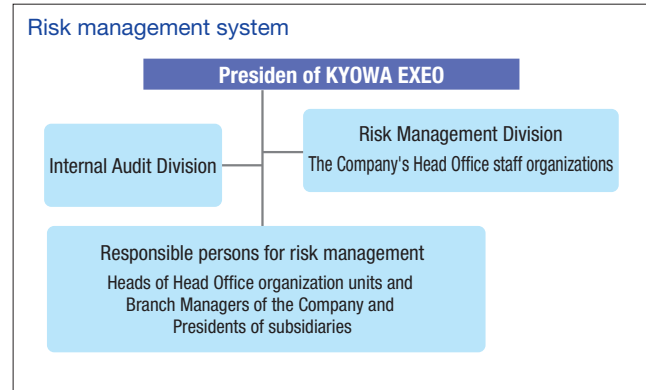
might occur in overall business activities. Meanwhile, it is necessary for the Group to minimize the economic loss and/or damage in case of exposure to any risk. The Group's risk management is set on such recognition.

## Risk Management System

The KYOWA EXEO Group takes appropriate risk control measures based on the identification, analysis and assessment of various risks across the Group to pursue sound business activities.

The risk management system of the Company and the Group as a whole is based on the Risk Management Rules. Possible risks are classified as shown in the table below, and measures are taken to prevent the occurrence of such risks or minimize the damage should they occur.

The Internal Audit Division is responsible for monitoring the ongoing measures taken to manage business process risks and regularly reports on the Group-wide status of risk management to the top management.



## Risk Assessment/Management System by Risk Category

Risk Management Category			Description of the Risk	Risk Assessment/Management
Business risk	Management risk	Business environment risk	Risk relating to changes in the management and business environments	Risk control measures are taken in accordance with rules and regulations related to business management, which are determined by the relevant risk management unit.
		Management strategy risk	Risk relating to the decision making concerning management and business strategies, etc.	
	Business process risk	Risk relating to daily business operations	The persons responsible for risk control take leadership in promoting risk control measures in line with the risk control policies determined by the relevant risk management unit.	
Disaster risk		Risk relating to the occurrence of natural disasters	Risk control measures are taken in accordance with rules and regulations related to disaster management, which are determined by the relevant risk management unit.	

## Initiatives for Business Process Risk Management

### Major efforts to manage information security risk

To ensure and reinforce the security level that is demanded internally and externally, the KYOWA EXEO Group established the Information Security Committee in June 2004. The Committee makes decisions on the policies of measures to be taken to improve the information security of the Group and strives to improve measures to protect information security against accidents and incidents.

The Information Security Committee is chaired by the Chief Information Security Officer (CISO) and consists of

committee members who are the heads of Head Office staff organizations. Meetings of the Committee are held quarterly.

### Major initiatives taken in fiscal 2014 were as follows:

- ▶ Made the EXEO content available to the Group companies
- ▶ Thoroughly executed employee training toward enhanced awareness of information security
- ▶ Enhanced inspections of private-use personal computers at home, etc.

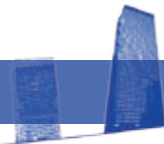
### Major efforts to manage credit risk

The KYOWA EXEO Group has established systems for credit management and claim management/collection relative to the companies with which it has business relationships to ensure the prompt collection of construction contract fees and other receivables and avoid or minimize the risk of having uncollectible debt.

We regard credit management as an important issue of risk management, which is necessary to solidify the foundations for our construction/installation forces by monitoring the reliability of suppliers and subcontractors

and securing good-performing business partners.

With the recognition that credit management is a crucial managerial task for the continued development and expansion of the Group's businesses, we will gather the necessary information through credit agencies' reports and other avenues to examine and determine the appropriate scale of trading with business partners. Collaboration with related organizations will also be sought as necessary to reinforce the Group's credit management, thereby stabilizing its business management.



## Promoting the Group's Unified Efforts to Implement the ISO-Compliant Management Systems

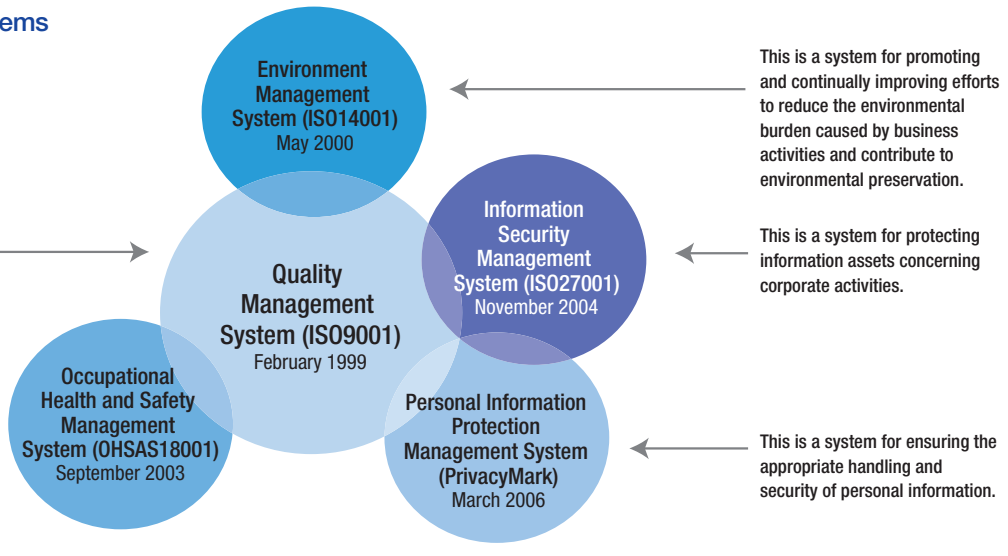
The Company has established the ISO-compliant management systems described below to accomplish its managerial policies and targets. In September 2014, the Company and three major subsidiaries acquired a group-based ISO certification and are committed to improving productivity by implementing the ISO-compliant management systems in a unified manner across the Group.



### ISO Management Systems

This is a system for assuring the quality of the Company's products and services to enhance customer satisfaction.

This is a system for minimizing employees' risk and companies' risk in case of a disaster to improve business performance.



This is a system for promoting and continually improving efforts to reduce the environmental burden caused by business activities and contribute to environmental preservation.

This is a system for protecting information assets concerning corporate activities.

This is a system for ensuring the appropriate handling and security of personal information.

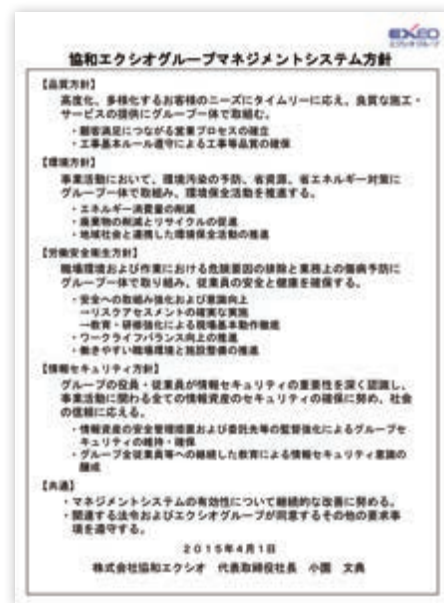
## The KYOWA EXEO Group's Management System Policies

The KYOWA EXEO Group has established unified policies and targets across the Group for each of the management systems for quality, the environment, occupational health and safety and information security. According to the policies and targets, the relevant organizations plan activities and measures and implement them as required by the standardized management systems.

These efforts concerning the management systems are regularly reviewed by the top management for continuous improvement.

## Efforts for the Protection of Personal Information

The Company established the Privacy Policy in March 2005 when the Act on the Protection of Personal Information became effective, thereby familiarizing all employees with the policy. We also introduced the Personal Information Protection Management System to reinforce efforts to manage the protection of personal information.



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

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





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

### Environmental Management

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

#### Basic Stance on Environment Preservation Activities

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

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

#### Promotion of an Environmental Management System

In promoting the environmental management system (ISO14001), of which certification has been continuously obtained since May 2000, the Company works to reduce the environmental impact on an ongoing basis through companywide environment preservation activities according to the PDCA cycle. The Company identifies predictable environmental risks, which are determined depending on onsite working environments, the

location conditions of the building and other factors, sets up specific environment-related targets and extensively applies them to all the departments at the Head Office and branches.

#### Environmental Education

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

The educational training courses in fiscal 2014 included the environmental operation training aimed at mastering the knowledge required for promoting environmental activities and the basic training mainly for new employees on the environment management system. A total of 179 persons attended these course lectures.

### Joined the Clean-up Campaign to Beautify Mt. Fuji

The latter term of the Mt. Fuji clean-up campaign organized by the Mt. Fuji Beautification Foundation took place on September 9, 2014, and was joined by 25 employees working at the Company's Koshin Branch Office and the Group companies. (The total number of participants in the campaign was around 450.) The clean-up activities were done mainly on the fifth and sixth stations, collecting 80 kg of waste, combustibles and non-combustibles together. This was a decrease of as much as 70 kg compared with the latter-term campaign of the previous year.

Partly because Mt. Fuji was listed as a World Cultural Heritage in June 2013, climbers' and tourists' manners concerning waste are improving. So that we can continue to be proud of Mt. Fuji and hand down this beautiful world heritage site to coming generations, we will continue to participate in these activities.



## Initiatives toward Prevention of Global Warming and Preservation of Biodiversity

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

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

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

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

### ● Degree of environmental contribution of EXEO's forests (Mori), achievement in fiscal 2014

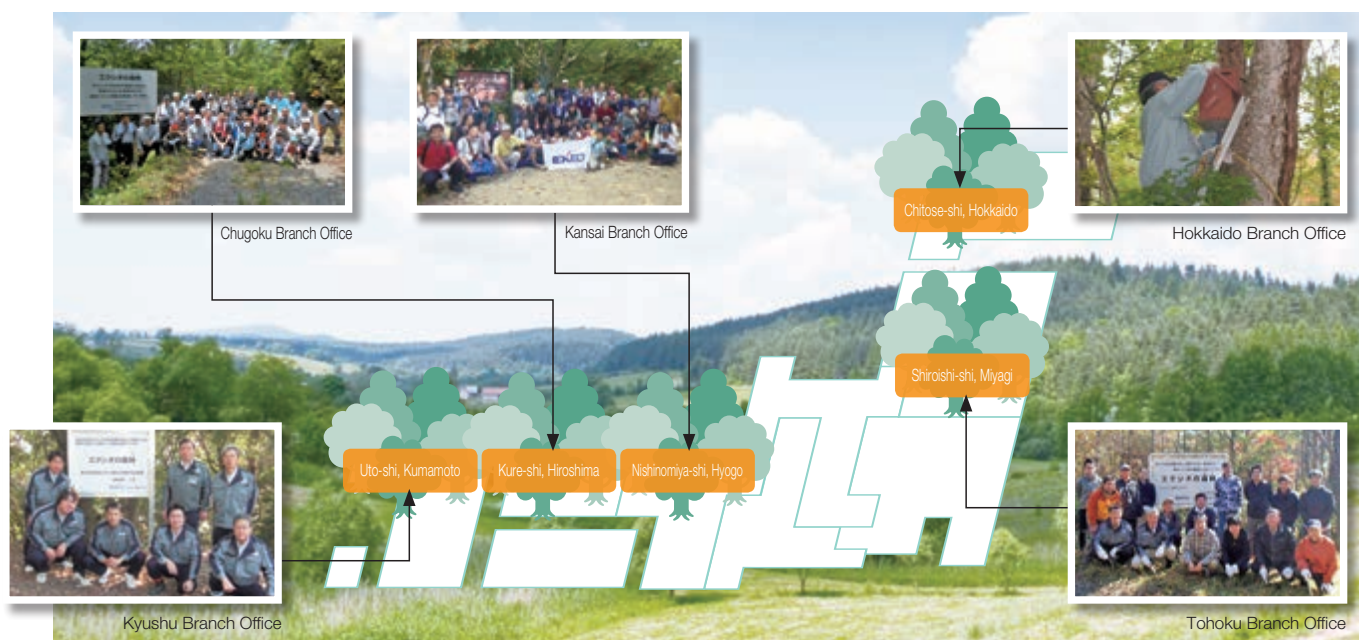
(According to the Forestry Agency Report 27 Rin Koku Gyo No. 6)

Term of contract	Region	Location	Area (ha)	Degree of environmental contribution: One year (effects for the period of April 2013–March 2014 converted in the respective units shown below)		
				Watershed pondage or water quality purification volume (in terms of 2-L PET bottles)	Sediment runoff prevention volume (in terms of a 10-ton truck loading 5.5 m <sup>3</sup> )	Absorbed and fixed CO <sub>2</sub> volume (in terms of CO <sub>2</sub> emitted by a person in a year)
60 years (1/2005–3/2065)	Kyushu	Karimawashi-yama government-owned forest, Uto-shi, Kumamoto Prefecture	5.36	3,711 m <sup>3</sup> (1,855,000 bottles)	70 m <sup>3</sup> (13 trucks)	15 t (48 persons)
21 years (2/2005–3/2026)	Kansai	Kitayama government-owned forest, Nishinomiya-shi, Hyogo Prefecture	1.14	465 m <sup>3</sup> (233,000 bottles)	14 m <sup>3</sup> (3 trucks)	3 t (9 persons)
60 years (8/2006–3/2066)	Hokkaido	Chitose government-owned forest, Chitose-shi, Hokkaido Prefecture	3.10	1,181 m <sup>3</sup> (591,000 bottles)	40 m <sup>3</sup> (7 trucks)	8 t (26 persons)
22 years (10/2006–3/2028)	Tohoku	Fubosan government-owned forest, Shiroishi-shi, Miyagi Prefecture	2.48	656 m <sup>3</sup> (328,000 bottles)	20 m <sup>3</sup> (4 trucks)	5 t (16 persons)
20 years (3/2007–3/2027)	Chugoku	Noroyama government-owned forest, Kure-shi, Hiroshima Prefecture	3.29	1,664 m <sup>3</sup> (832,000 bottles)	40 m <sup>3</sup> (7 trucks)	7 t (20 persons)
Total			15.37	7,677 m <sup>3</sup> (3,839,000 bottles)	184 m <sup>3</sup> (34 trucks)	38 t (119 persons)

## Content of Activities

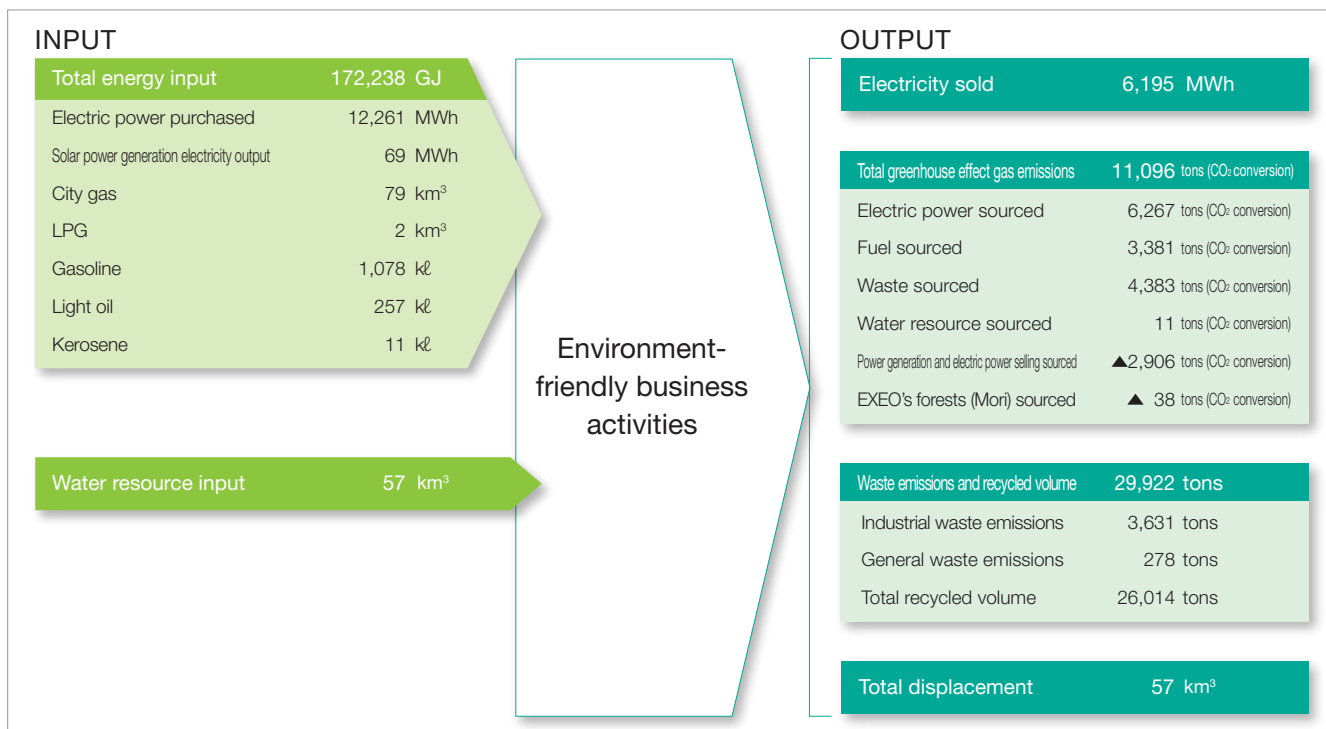
Five branches, of which the business area is located near EXEO's forests (Mori), regularly conduct forest preservation and cleaning activities such as maintenance of walking trails, mowing of bottom weeds, cutting ivy and putting up bird houses.

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



## Fiscal 2014 Material Balance of the Company (Non-consolidated)

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



● The Company's CSR initiatives (nonconsolidated; environment/society-related), fiscal 2014 targets and full-year results of activities and fiscal 2015 activity targets

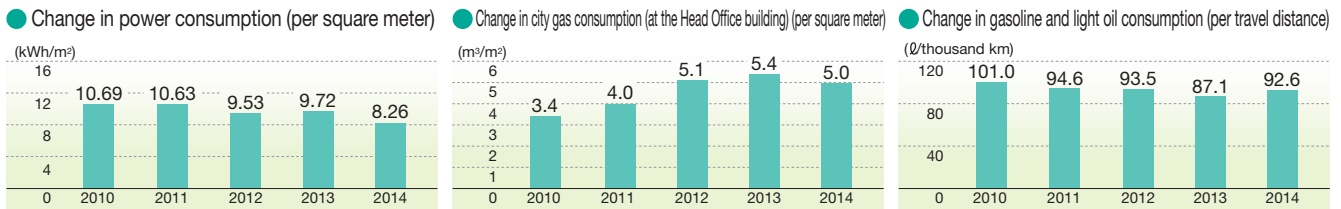
Measures taken	Content of specific initiative	Fiscal 2014 targets and full-year results of activities	
		Fiscal 2014 targets	
Reduction in CO <sub>2</sub> emissions	① Reduction in power consumption (General Affairs) Set power consumption management targets. Work to precisely grasp the monthly management of power consumption values	<b>① Economy in power used</b> Against fiscal 2009: A 1% reduction every year for five consecutive years toward a cumulative total of <b>5% or more</b> in accordance with the Energy Conservation Law [Fiscal 2009: 10.93 kWh/m <sup>2</sup> ⇒ 5-year later target: 10.39 kWh/m <sup>2</sup> ]  <b>② Restriction on peak power used</b> Against fiscal 2010: Summer Voluntary targets are set to meet the government's electricity-saving request ● Tokyo, Kansai and Kyushu Electric Powers' jurisdictions ▲10% ● Hokkaido Electric Power's jurisdiction ▲ 7% ● Other Electric Powers' jurisdictions ▲ 5%	
	② Reduction in gasoline used (Procurement/Safety & Quality Control) Review reduction in the number of vehicles owned Implement gasoline card-based management measures	● Gasoline card control (monthly management of amounts used) ● Purchase and renewal of vehicles with good fuel efficiency ● Study on partial introduction of hybrid and idling-stop vehicles ● Eco-driving education ● Reduction in the number of vehicles owned ● Expanded introduction of "telematics" (Already introduced by the Tohoku and Kyushu branches) ● Promoted introduction of electric vehicles	Against fiscal 2009: A 1% reduction every year for five consecutive years in accordance with the Energy Conservation Law [Target: 98.9 l/thousand km]
	③ Use of green energy (Electrical & Environmental, General Affairs) Promote the use of solar power generation systems, etc.	● Review of implementing solar power generation systems on company-owned buildings ● Continued participation in the solar power generation business ● Maintenance of EXEO's forests	Sell electricity of 10 mWh or more in total (Install new capacity of 5 mW or more) Installations being considered: June 2015: 1,050 kW planned in Oizumi, Hokuto City March 2016: 903 kW planned in Chiyodako, Kofu City March 2016: 1,204 kW planned in Hosaka, Nirasaki City March 2016: 1,095 kW planned in Ubaishi, Nirasaki City March 2016: 1,323 kW planned in Akeno, Hokuto City
Reduction in general waste	④ Reduction in paper consumption (General Affairs) Take paperless-oriented initiatives to reduce paper consumption volume	● Investigated the status of paper consumption (Data on the volume of paper used at all-in-one printers are managed) ● Promoted storage via the digitization of materials	Against fiscal 2010: A 4% reduction every year for five consecutive years toward a cumulative total of <b>16% or more</b> [Target: 17,262 fm]
Initiatives of promoting greenery of buildings	⑤ Promotion of rooftop greening (General Affairs)	● Studied the possibility targeted at permanently owned company assets	Study the possibility of introducing greenery at the technology center and branch buildings to be constructed in the future.
	⑥ Promotion of greenery within the premises (General Affairs)	● Studied the possibility at parking lots on company-owned premises	
Improvement of the green purchasing ratio (Procurement)	● Set the target ratios of purchasing eco-products (except those used for construction/installation)	Against fiscal 2011: A 1% improvement every year for five consecutive years toward a cumulative total of 3% or more improvement of the green purchasing ratio (58.8%) [Target: 61.8%]	



## Fiscal 2014 Initiatives Regarding the Prevention of Global Warming

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

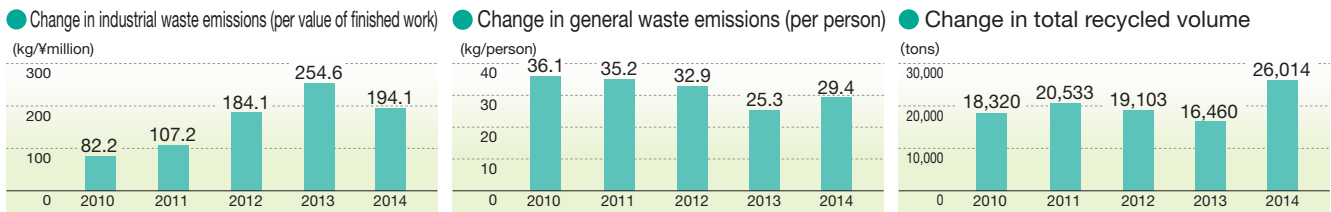
include setting the energy-saving mode for PCs, removing unnecessary lighting devices, turning off lights during lunchtime hours and setting appropriate temperatures for air conditioners. Moreover, every employee aggressively promotes electricity-saving activity in his/her daily actions.



## Promotion of Recycling and Effective Utilization of Resources

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

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



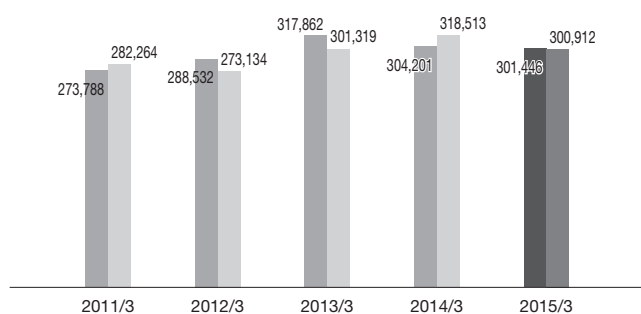
Full-year results of activities	Fiscal 2015 activity targets
<p>① Economy in power used Fiscal 2014: 8.26 kWh/m<sup>2</sup> (▲15% compared with fiscal 2013) Fiscal 2013: 9.72 kWh/m<sup>2</sup> Fiscal 2009: 10.93 kWh/m<sup>2</sup></p> <p>② Results of the restriction in peak power used Summer (Target) ● Hokkaido Electric Power's jurisdiction +19% (▲ 7%) ● Tokyo Electric Power's jurisdiction ▲ 7% (▲10%) ● Kansai Electric Power's jurisdiction ▲24% (▲10%) ● Kyushu Electric Power's jurisdiction ▲30% (▲10%) ● Other Electric Powers' jurisdictions ▲15% (▲ 5%)</p>	<p>① Economy in power used A 1% reduction year over year [Target: 8.18 kWh/m<sup>2</sup>]</p> <p>② Restriction in peak power used Summer Set voluntary targets to meet the government's electricity-saving request A 1% reduction year over year for each of the Electric Power Companies' jurisdictions</p>
<p>Fiscal 2014: 92.6 l/thousand km (Fiscal 2009: 104.0 l/thousand km)</p>	<p>A 1% reduction year over year [Target: 91.7 l/thousand km]</p>
<p>Total volume of electricity sold: 6.1 mWh New plant of 1,117 kW in capacity completed in February 2015 in Ishido, Hokuto City.</p>	<p>Planned plant installations: June 2015: 835 kW planned in Ishioka City (Kitafuchu) July 2015: 1,175 kW planned at Ishioka Technology Center August 2015: 126 kWh planned at Hyogo Technology Center January 2016: 2,200 kW planned at Matsue Solar Farm</p>
<p>Second half of fiscal 2014: 16,948 fm (▲8.48% compared with the first half of fiscal 2014) First half of fiscal 2014: 18,519 fm</p>	<p>● Investigate the status of the storage of materials via paper media Abolish the use of the file meter (fm). For all-in-one printers, paper consumption is managed by recording the number of pieces of paper used. ● Promote storage via the digitization of materials ● Reduce the volume of documents for use at conferences; Promote the paperless office</p>
<p>● Cultivation of shiitake mushrooms started with 200 mushroom logs in March 2015 at the Koshin Branch Office.</p>	<p>Targets: Continue voluntary efforts at each office/center ● April 2015: Trial hydroponic cultivation of leaf vegetables using LEDs at the Koshin Branch Office ● July 2015: Greening of the space on the inside of the outer walls at the Hyogo Technology Center</p>
<p>KYOWA EXEO CORPORATION (the Company): 57.9% (Group companies except the Company 68.8%; the entire Group 62.3%)</p>	<p>△ Because the fiscal 2014 target has not been achieved, the target remains the same. [Target: 61.8%]</p>



## Financial Highlights (Consolidated)

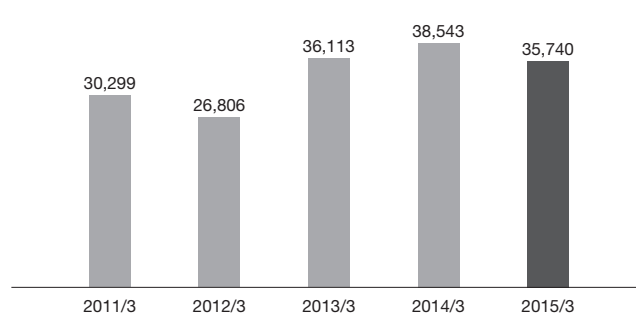
■ Orders Received ■ Net Sales

(¥Millions)



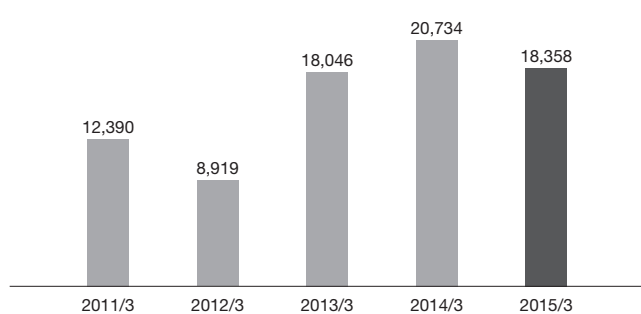
■ Gross Profit

(¥Millions)



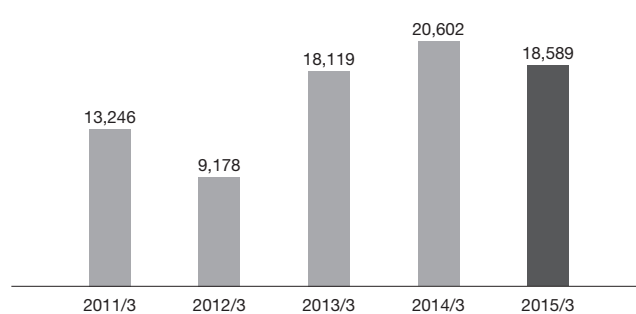
■ Operating Income

(¥Millions)



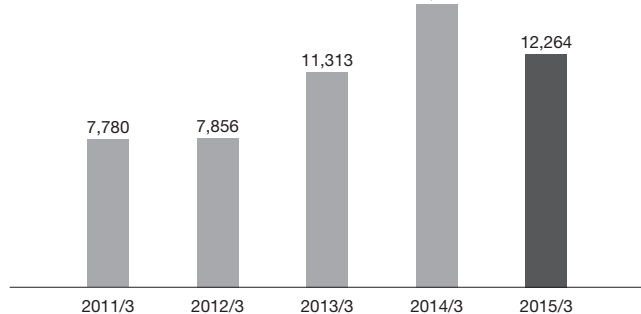
■ Ordinary Income

(¥Millions)



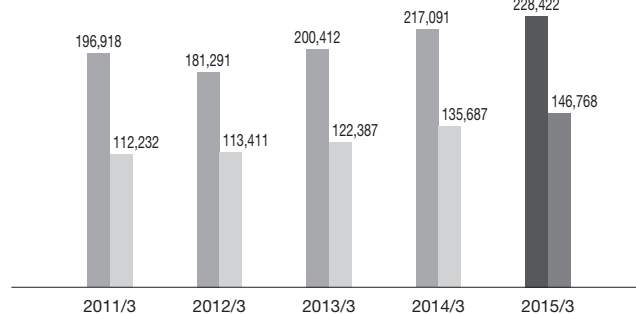
■ Net Income

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)



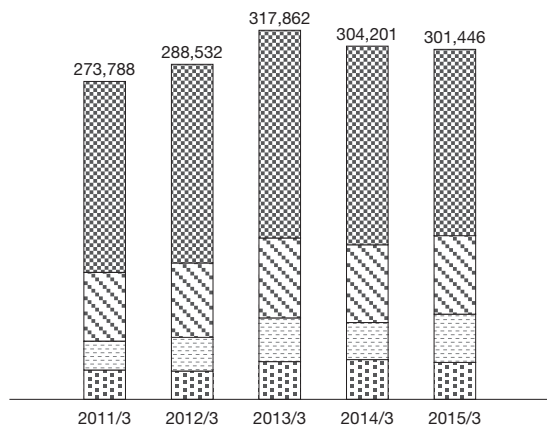
(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
Orders Received	273,788	288,532	317,862	304,201	301,446
Net Sales	282,264	273,134	301,319	318,513	300,912
Gross Profit	30,299	26,806	36,113	38,543	35,740
Operating Income	12,390	8,919	18,046	20,734	18,358
Ordinary Income	13,246	9,178	18,119	20,602	18,589
Net Income	7,780	7,856	11,313	14,910	12,264
Total Assets	196,918	181,291	200,412	217,091	228,422
Net Assets	112,232	113,411	122,387	135,687	146,768

## Trends by Segment (Consolidated)

### Orders Received by Business Segment (Consolidated)

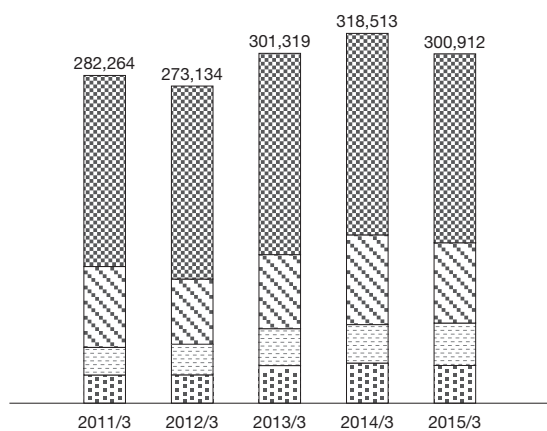
(¥Millions)



	2011/3	2012/3	2013/3	2014/3	2015/3
Telecommunications infrastructure (NTT group engineering)	164,421	171,061	178,869	171,084	<b>160,375</b>
Telecommunications infrastructure (Non-NTT telecom engineering)	59,184	64,075	68,838	66,934	<b>67,685</b>
Environmental and social infrastructure	24,905	28,991	37,659	31,883	<b>41,578</b>
SYSTEM-SOLUTIONS	25,277	24,404	32,494	34,299	<b>31,807</b>
<b>Total</b>	<b>273,788</b>	<b>288,532</b>	<b>317,862</b>	<b>304,201</b>	<b>301,446</b>

### Net Sales by Business Segment (Consolidated)

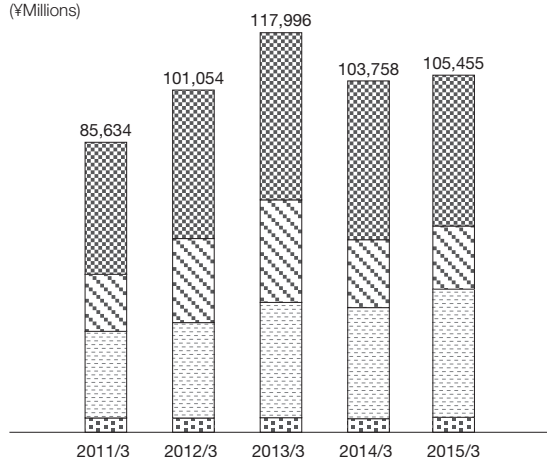
(¥Millions)



	2011/3	2012/3	2013/3	2014/3	2015/3
Telecommunications infrastructure (NTT group engineering)	164,562	166,199	173,321	173,544	<b>162,729</b>
Telecommunications infrastructure (Non-NTT telecom engineering)	69,601	56,114	63,801	77,259	<b>69,139</b>
Environmental and social infrastructure	23,782	26,399	31,795	33,117	<b>36,537</b>
SYSTEM-SOLUTIONS	24,317	24,420	32,401	34,592	<b>32,506</b>
<b>Total</b>	<b>282,264</b>	<b>273,134</b>	<b>301,319</b>	<b>318,513</b>	<b>300,912</b>

### Outstanding Orders by Business Segment (Consolidated)

(¥Millions)



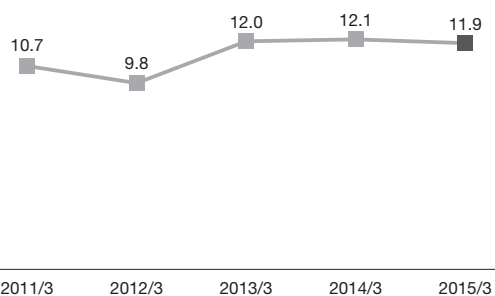
	2011/3	2012/3	2013/3	2014/3	2015/3
Telecommunications infrastructure (NTT group engineering)	38,992	43,854	49,352	46,893	<b>44,539</b>
Telecommunications infrastructure (Non-NTT telecom engineering)	16,830	24,812	30,301	20,051	<b>18,653</b>
Environmental and social infrastructure	25,576	28,168	34,031	32,796	<b>37,838</b>
SYSTEM-SOLUTIONS	4,234	4,218	4,310	4,016	<b>4,424</b>
<b>Total</b>	<b>85,634</b>	<b>101,054</b>	<b>117,996</b>	<b>103,758</b>	<b>105,455</b>



## Profitability Indices (Consolidated)

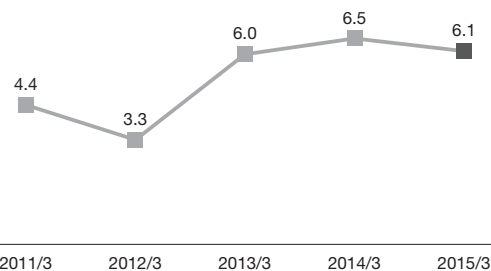
■ Gross Profit to Net Sales

(%)



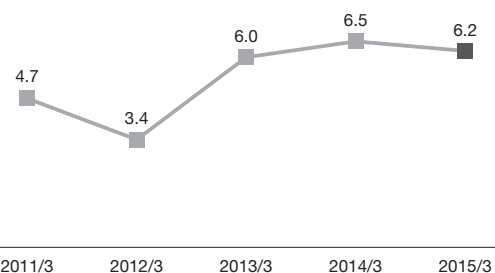
■ Operating Income to Net Sales

(%)



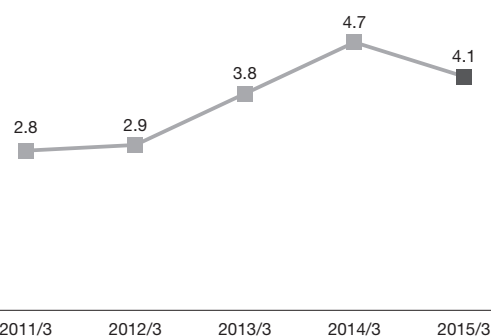
■ Ordinary Income to Net Sales

(%)



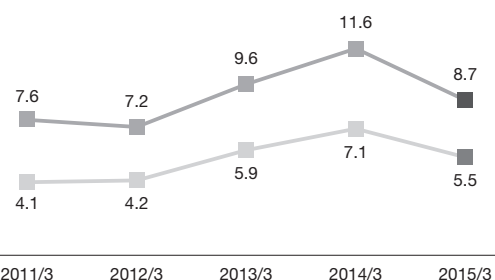
■ Net Income to Net Sales

(%)



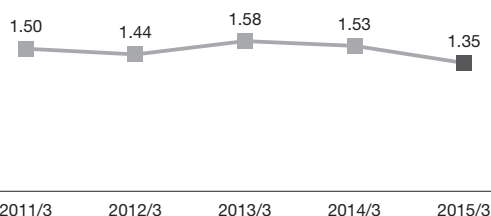
■ Return on Equity ■ Return on Assets

(%)



■ Total Assets Turnover

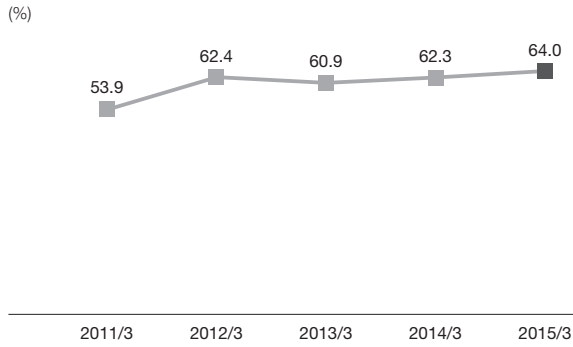
(Times)



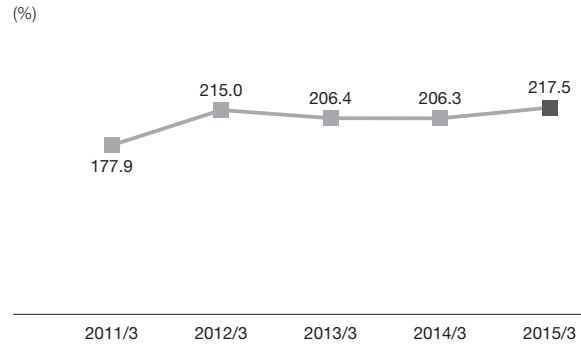
	2011/3	2012/3	2013/3	2014/3	2015/3
Gross Profit to Net Sales (%)	10.7	9.8	12.0	12.1	<b>11.9</b>
Operating Income to Net Sales (%)	4.4	3.3	6.0	6.5	<b>6.1</b>
Ordinary Income to Net Sales (%)	4.7	3.4	6.0	6.5	<b>6.2</b>
Net Income to Net Sales (%)	2.8	2.9	3.8	4.7	<b>4.1</b>
Return on Equity (%)	7.6	7.2	9.6	11.6	<b>8.7</b>
Return on Assets (%)	4.1	4.2	5.9	7.1	<b>5.5</b>
Total Assets Turnover (Times)	1.50	1.44	1.58	1.53	<b>1.35</b>

## Stability Indices (Consolidated)

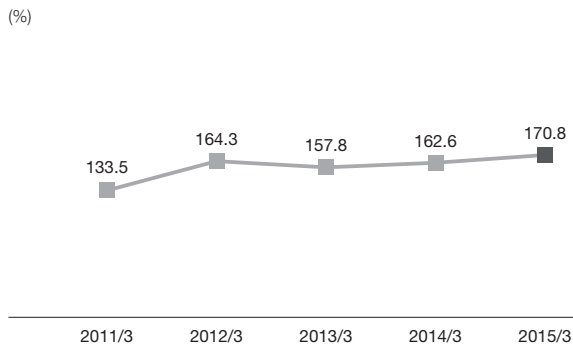
■ Shareholders' Equity to Total Assets



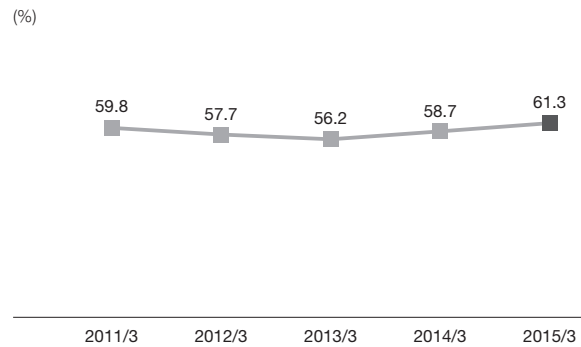
■ Current Ratio



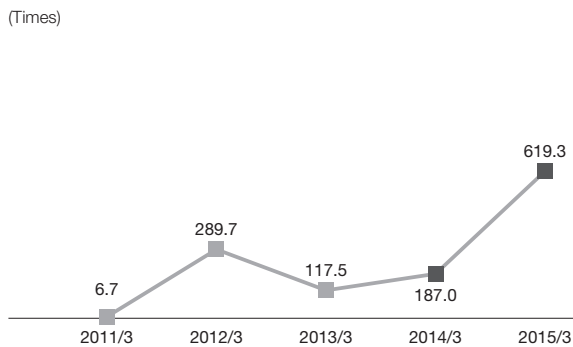
■ Quick Assets to Current Liabilities



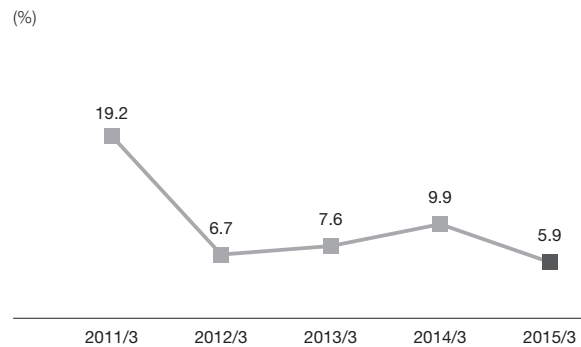
■ Fixed Assets Ratio



■ Interest Coverage Ratio



■ Debt Equity Ratio

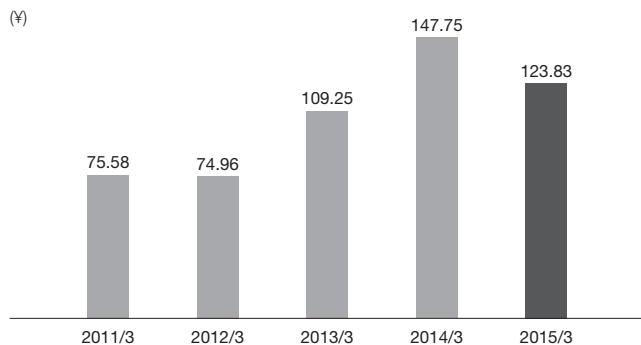


	2011/3	2012/3	2013/3	2014/3	2015/3
Shareholders' Equity to Total Assets (%)	53.9	62.4	60.9	62.3	64.0
Current Ratio (%)	177.9	215.0	206.4	206.3	217.5
Quick Assets to Current Liabilities (%)	133.5	164.3	157.8	162.6	170.8
Fixed Assets Ratio (%)	59.8	57.7	56.2	58.7	61.3
Interest Coverage Ratio (Times)	6.7	289.7	117.5	187.0	619.3
Debt Equity Ratio (%)	19.2	6.7	7.6	9.9	5.9

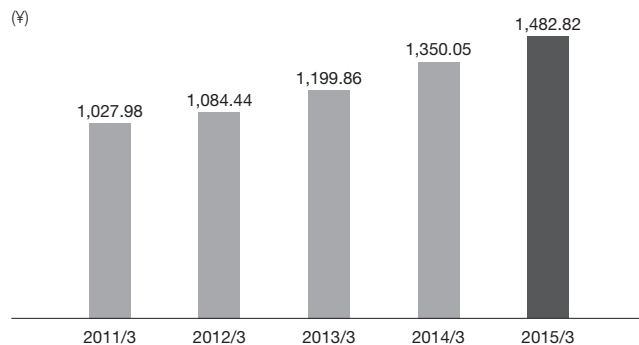


## Stock Price Indices (Consolidated)

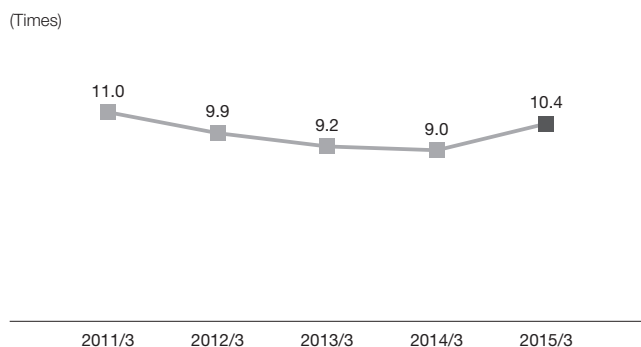
■ Earnings Per Share



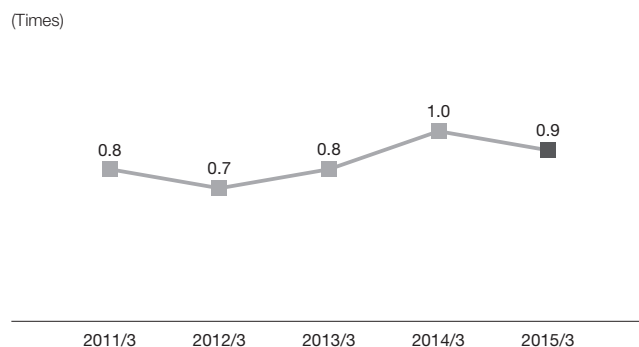
■ Book-value Per Share



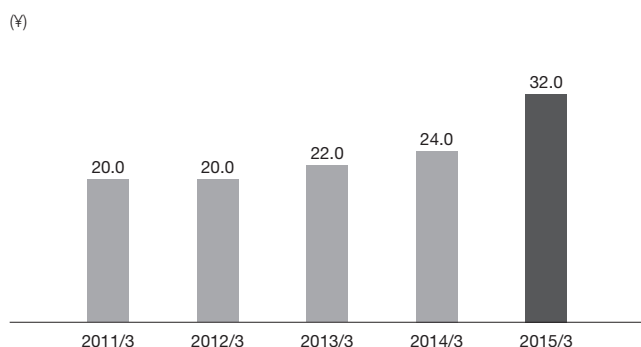
■ Price Earnings Ratio



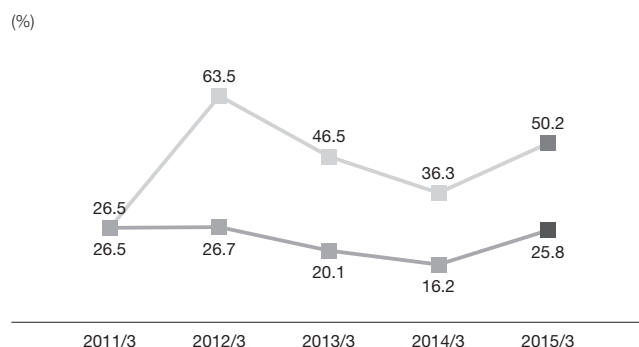
■ Price Book-value Ratio



■ Cash Dividends Per Share



■ Payout Ratio ■ Total Shareholder Return Ratio

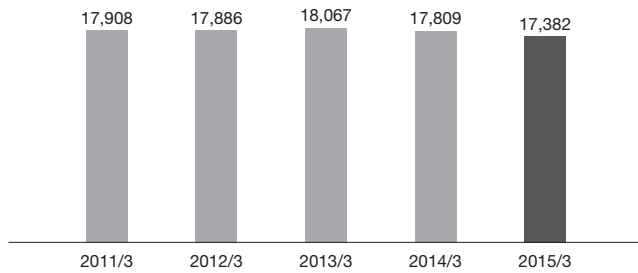


	2011/3	2012/3	2013/3	2014/3	2015/3
Earnings Per Share (yen)	75.58	74.96	109.25	147.75	<b>123.83</b>
Book-value Per Share (yen)	1,027.98	1,084.44	1,199.86	1,350.05	<b>1,482.82</b>
Price Earnings Ratio (Times)	11.0	9.9	9.2	9.0	<b>10.4</b>
Price Book-value Ratio (Times)	0.8	0.7	0.8	1.0	<b>0.9</b>
Cash Dividends Per Share (yen)	20.0	20.0	22.0	24.0	<b>32.0</b>
Payout Ratio (%)	26.5	26.7	20.1	16.2	<b>25.8</b>
Total Shareholder Return Ratio (%)	26.5	63.5	46.5	36.3	<b>50.2</b>

## Other Indices (Consolidated)

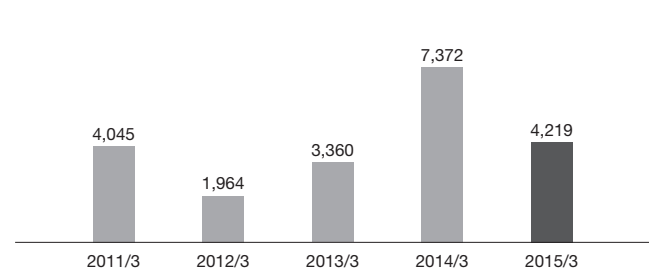
### ■ Selling, General and Administrative Expenses

(¥Millions)



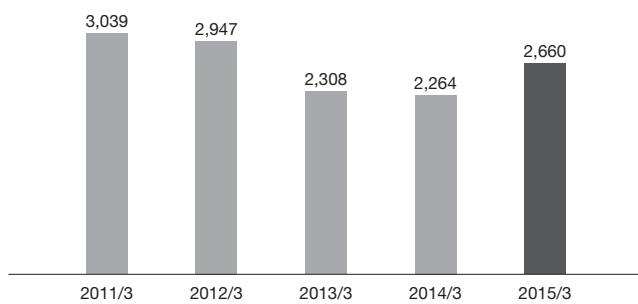
### ■ Capital Expenditures

(¥Millions)



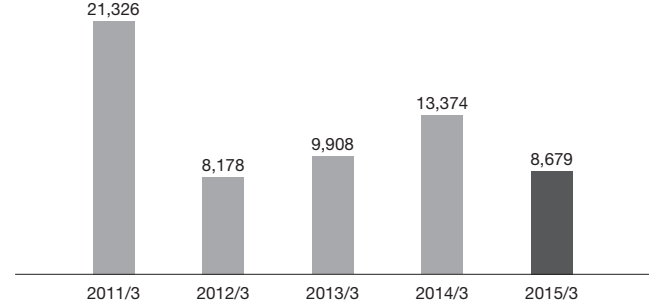
### ■ Depreciation Expenses

(¥Millions)



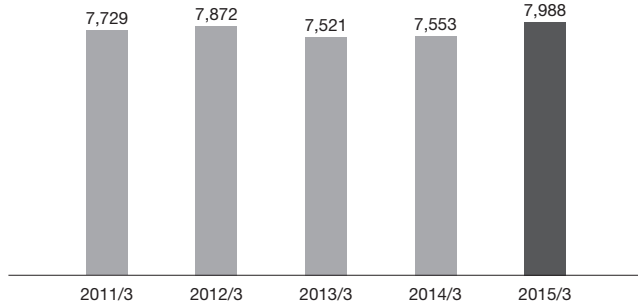
### ■ Interest-bearing Debt

(¥Millions)



### ■ Number of employees

(People)



	2011/3	2012/3	2013/3	2014/3	2015/3
Selling, General and Administrative Expenses (¥Millions)	17,908	17,886	18,067	17,809	17,382
Capital Expenditures (¥Millions)	4,045	1,964	3,360	7,372	4,219
Depreciation Expenses (¥Millions)	3,039	2,947	2,308	2,264	2,660
Interest-bearing Debt (¥Millions)	21,326	8,178	9,908	13,374	8,679
Number of employees (People)	7,729	7,872	7,521	7,553	7,988



## Consolidated Balance Sheets

(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
<b>ASSETS</b>					
Current assets	133,466	116,010	131,906	137,656	138,813
Cash and deposits	17,185	5,849	8,306	10,293	12,526
Notes receivable, accounts receivable from completed construction contracts	82,462	76,311	86,245	92,307	84,691
Short-term investment securities	499	6,515	6,315	5,919	11,765
Costs on uncompleted construction contracts and other	25,617	21,799	24,082	22,521	22,010
Deferred tax assets	3,451	2,971	4,037	4,131	4,976
Other current assets	4,372	2,632	2,995	2,548	2,903
Allowance for doubtful accounts	(122)	(68)	(77)	(65)	(60)
Noncurrent Assets	63,452	65,280	68,505	79,434	89,609
Property, plant and equipment	48,447	47,736	47,707	50,767	52,005
Buildings and structures	17,777	16,975	16,528	17,541	17,732
Machinery, vehicles, tools, furniture and fixtures	1,067	887	727	1,700	2,408
Land	29,179	29,319	29,364	30,923	30,342
Other property and equipment	422	553	1,087	601	1,521
Intangible assets	2,435	4,938	4,658	4,894	6,278
goodwill	98	3,294	2,621	1,940	3,065
Other intangible assets	2,337	1,644	2,036	2,953	3,213
Investments and other assets	12,569	12,605	16,139	23,773	31,325
Investment securities	7,001	6,872	9,847	13,991	16,896
Net defined benefit asset	—	—	—	7,575	11,774
Deferred tax assets	495	617	916	—	—
Other investments and other assets	7,468	7,363	6,820	4,053	4,474
Allowance for doubtful accounts	(2,396)	(2,248)	(1,444)	(1,846)	(1,819)
<b>Total assets</b>	<b>196,918</b>	<b>181,291</b>	<b>200,412</b>	<b>217,091</b>	<b>228,422</b>
<b>LIABILITIES</b>					
Current liabilities	75,033	53,957	63,916	66,720	63,819
Notes payable, accounts payable for construction contracts	35,482	31,025	35,553	35,089	35,193
Short-term loans payable	—	1,237	3,563	7,550	2,180
Income taxes payable	4,419	3,809	6,663	5,441	1,964
Advances received on uncompleted construction contracts	3,787	4,400	1,662	1,971	2,248
Provision for bonuses	435	562	1,029	1,039	1,049
Provision for directors' bonuses	87	105	127	142	173
Provision for warranties for completed construction	154	704	405	359	296
Provision for loss on construction contracts	350	246	269	824	5,456
Provision for asset retirement	—	—	101	—	—
Provision for Loss on dissolved welfare pension fund	—	—	—	123	123
Other current liabilities	30,317	11,864	14,540	14,178	15,134
Noncurrent liabilities	9,653	13,922	14,107	14,683	17,834
Long-term loans payable	2,139	6,310	5,694	5,367	5,974
Deferred tax liabilities	1,411	1,042	2,131	3,532	5,732
Provision for retirement benefits	4,367	4,875	4,705	—	—
Provision for directors' retirement benefits	423	410	392	397	262
Allowance for investment loss	104	102	93	48	17
Net defined benefit liability	—	—	—	4,456	4,682
Other noncurrent liabilities	1,205	1,182	1,090	881	1,163
<b>Total liabilities</b>	<b>84,686</b>	<b>67,879</b>	<b>78,024</b>	<b>81,404</b>	<b>81,653</b>
<b>NET ASSETS</b>					
Shareholders' Equity	105,543	112,170	119,077	129,868	134,696
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,097	6,230	6,300	6,645	6,879
Retained earnings	103,315	109,067	118,296	130,822	137,957
Treasury stock	(10,758)	(10,016)	(12,408)	(14,487)	(17,029)
Accumulated other comprehensive income	639	1,002	2,904	5,446	11,579
Valuation difference on available-for-sale securities	639	1,002	2,895	3,631	5,157
Foreign currency translation adjustment	—	—	9	21	35
Remeasurements of defined benefit plans	—	—	—	1,794	6,386
Subscription rights to shares	361	217	231	175	263
Minority interests	5,687	19	174	195	229
<b>Total net assets</b>	<b>112,232</b>	<b>113,411</b>	<b>122,387</b>	<b>135,687</b>	<b>146,768</b>
<b>Total liabilities and net assets</b>	<b>196,918</b>	<b>181,291</b>	<b>200,412</b>	<b>217,091</b>	<b>228,422</b>



## Consolidated Statements of Income

	2011/3	2012/3	2013/3	2014/3	2015/3
	(¥Millions)				
<b>Net sales</b>	282,264	273,134	301,319	318,513	<b>300,912</b>
Cost of sales	251,965	246,327	265,205	279,969	<b>265,171</b>
<b>Gross profit</b>	<b>30,299</b>	<b>26,806</b>	<b>36,113</b>	<b>38,543</b>	<b>35,740</b>
Selling, general and administrative expenses	17,908	17,886	18,067	17,809	<b>17,382</b>
<b>Operating income</b>	<b>12,390</b>	<b>8,919</b>	<b>18,046</b>	<b>20,734</b>	<b>18,358</b>
<b>Non-operating income</b>	<b>2,218</b>	<b>1,310</b>	<b>1,845</b>	<b>1,083</b>	<b>1,254</b>
Interest income	70	37	39	20	<b>26</b>
Dividends income	191	284	170	173	<b>243</b>
Foreign exchange gains	—	—	364	73	<b>438</b>
Reversal of allowance for doubtful accounts	—	—	—	122	—
Land and house rent received	126	181	186	146	<b>146</b>
Other	1,830	806	1,084	547	<b>399</b>
<b>Non-operating expenses</b>	<b>1,362</b>	<b>1,051</b>	<b>1,772</b>	<b>1,215</b>	<b>1,024</b>
Interest expenses	92	60	59	51	<b>52</b>
Loss on sales of noncurrent assets	51	—	—	163	<b>313</b>
Loss on retirement of noncurrent assets	—	84	224	—	—
Impairment loss	90	196	545	318	<b>208</b>
Provision for bonuses	—	—	265	—	—
Loss on liquidation of subsidiaries	—	—	231	—	—
Provision of allowance for Loss on dissolved welfare pension fund	—	—	—	123	—
Other	1,127	709	445	558	<b>449</b>
<b>Ordinary income</b>	<b>13,246</b>	<b>9,178</b>	<b>18,119</b>	<b>20,602</b>	<b>18,589</b>
<b>Extraordinary income</b>	<b>517</b>	<b>2,863</b>	<b>—</b>	<b>3,797</b>	<b>1,180</b>
Gain on revision of retirement benefit plan	517	—	—	—	—
Gain on negative goodwill	—	2,660	—	—	—
Gain on reversal of subscription rights to shares	—	203	—	—	—
Gain on sales of noncurrent assets	—	—	—	2,238	<b>1,180</b>
Gain on bad debts recovered	—	—	—	1,559	—
<b>Extraordinary loss</b>	<b>315</b>	<b>—</b>	<b>—</b>	<b>571</b>	<b>—</b>
Loss on disaster	315	—	—	—	—
Reversal of allowance for doubtful accounts	—	—	—	571	—
<b>Income before income taxes and minority interests</b>	<b>13,449</b>	<b>12,041</b>	<b>18,119</b>	<b>23,828</b>	<b>19,769</b>
Income taxes-current	4,683	4,199	8,192	8,837	<b>6,823</b>
Income taxes-deferred	633	145	(1,405)	76	<b>669</b>
Total income taxes	5,316	4,344	6,786	8,914	<b>7,493</b>
<b>Income before minority interests</b>	<b>8,132</b>	<b>7,697</b>	<b>11,332</b>	<b>14,914</b>	<b>12,276</b>
<b>Minority interests in income(loss)</b>	<b>352</b>	<b>(158)</b>	<b>19</b>	<b>4</b>	<b>11</b>
<b>Net income</b>	<b>7,780</b>	<b>7,856</b>	<b>11,313</b>	<b>14,910</b>	<b>12,264</b>

## Consolidated Statements of Comprehensive Income

	2011/3	2012/3	2013/3	2014/3	2015/3
	(¥Millions)				
<b>Income before minority interests</b>	<b>8,132</b>	<b>7,697</b>	<b>11,332</b>	<b>14,914</b>	<b>12,276</b>
<b>Other comprehensive income</b>					
Valuation difference on available-for-sale securities	(32)	371	1,892	735	<b>1,526</b>
Foreign currency translation adjustment	—	—	22	29	<b>36</b>
Remeasurements of defined benefit plans	—	—	—	—	<b>4,592</b>
Total accumulated other comprehensive income	(32)	371	1,915	765	<b>6,154</b>
<b>Comprehensive income</b>	<b>8,099</b>	<b>8,068</b>	<b>13,247</b>	<b>15,680</b>	<b>18,430</b>
Breakdown					
Comprehensive income attributable to owners of the parent	7,767	8,219	13,214	15,658	<b>18,397</b>
Comprehensive income attributable to minority interests	332	(150)	33	21	<b>33</b>



## Consolidated Statements of Changes in Net Assets

	2011/3	2012/3	2013/3	2014/3	2015/3
					(¥Millions)
<b>Shareholders' equity</b>					
<b>Capital stock</b>					
Balance at the beginning of current period	6,888	6,888	6,888	6,888	6,888
Changes of items during the period	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—
Balance at the end of current period	6,888	6,888	6,888	6,888	6,888
<b>Capital surplus</b>					
Balance at the beginning of current period	6,009	6,097	6,230	6,300	6,645
Changes of items during the period					
Disposal of treasury stock	87	133	69	324	234
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	20	—
Total changes of items during the period	87	133	69	344	234
Balance at the end of current period	6,097	6,230	6,300	6,645	6,879
<b>Retained earnings</b>					
Balance at the beginning of current period	97,590	103,315	109,067	118,296	130,822
Cumulative effects of changes in accounting policies	—	—	—	—	(2,352)
Changes of items during the period					
Dividends from surplus	(2,054)	(2,103)	(2,084)	(2,429)	(2,776)
Net income	7,780	7,856	11,313	14,910	12,264
Change of scope of consolidation	—	—	—	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	44	—
Total changes of items during the period	5,725	5,752	9,228	12,525	9,487
Balance at the end of current period	103,315	109,067	118,296	130,822	137,957
<b>Treasury stock</b>					
Balance at the beginning of current period	(11,272)	(10,758)	(10,016)	(12,408)	(14,487)
Changes of items during the period					
Purchase of treasury stock	(1)	(2,691)	(3,000)	(3,003)	(3,002)
Disposal of the treasury stock	546	3,464	608	924	460
Change of scope of consolidation	(30)	(31)	—	—	—
Total changes of items during the period	514	741	(2,392)	(2,079)	(2,542)
Balance at the end of current period	(10,758)	(10,016)	(12,408)	(14,487)	(17,029)
<b>Total shareholders' equity</b>					
Balance at the beginning of current period	99,215	105,543	112,170	119,077	129,868
Cumulative effects of changes in accounting policies	—	—	—	—	(2,352)
Changes of items during the period					
Dividends from surplus	(2,054)	(2,103)	(2,084)	(2,429)	(2,776)
Net income	7,780	7,856	11,313	14,910	12,264
Purchase of treasury stock	(1)	(2,691)	(3,000)	(3,003)	(3,002)
Disposal of the treasury stock	634	3,597	678	1,249	694
Change of scope of consolidation	(30)	(31)	—	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	64	—
Total changes of items during the period	6,327	6,627	6,906	10,791	7,179
Balance at the end of current period	105,543	112,170	119,077	129,868	134,696
<b>Accumulated other comprehensive income</b>					
Valuation difference on available-for-sale securities					
Balance at the beginning of current period	652	639	1,002	2,895	3,631
Changes of items during the period					
Net changes of items other than shareholders' equity	(12)	363	1,892	736	1,525
Total changes of items during the period	(12)	363	1,892	736	1,525
Balance at the end of current period	639	1,002	2,895	3,631	5,157
Foreign currency translation adjustment					
Balance at the beginning of current period	—	—	—	9	21
Changes of items during the period					
Net changes of items other than shareholders' equity	—	—	9	11	14
Total changes of items during the period	—	—	9	11	14
Balance at the end of current period	—	—	9	21	35
Remeasurements of defined benefit plans					
Balance at the beginning of current period	—	—	—	—	1,794
Changes of items during the period					
Net changes of items other than shareholders' equity	—	—	—	1,794	4,592
Total changes of items during the period	—	—	—	1,794	4,592
Balance at the end of current period	—	—	—	1,794	6,386
Total accumulated other comprehensive income					
Balance at the beginning of current period	652	639	1,002	2,904	5,446
Change of items during the period					
Net changes of items other than shareholders' equity	(12)	363	1,901	2,542	6,132
Total changes of items during the period	(12)	363	1,901	2,542	6,132
Balance at the end of current period	639	1,002	2,904	5,446	11,579
<b>Subscription rights to shares</b>					
Balance at the beginning of current period	272	361	217	231	175
Changes of items during the period					
Net changes of items other than shareholders' equity	89	(143)	13	(56)	88
Total changes of items during the period	89	(143)	13	(56)	88
Balance at the end of current period	361	217	231	175	263
<b>Minority interests</b>					
Balance at the beginning of current period	5,167	5,687	19	174	195
Changes of items during the period					
Net changes of items other than shareholders' equity	520	(5,668)	155	21	33
Total changes of items during the period	520	(5,668)	155	21	33
Balance at the end of current period	5,687	19	174	195	229
<b>Total net assets</b>					
Balance at the beginning of current period	105,307	112,232	113,411	122,387	135,687
Cumulative effects of changes in accounting policies	—	—	—	—	(2,352)
Changes of items during the period					
Dividends from surplus	(2,054)	(2,103)	(2,084)	(2,429)	(2,776)
Net income	7,780	7,856	11,313	14,910	12,264
Purchase of treasury stock	(1)	(2,691)	(3,000)	(3,003)	(3,002)
Disposal of treasury stock	634	3,597	678	1,249	694
Change of scope of consolidation	(30)	(31)	—	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	64	—
Net changes of items other than shareholders' equity	596	(5,448)	2,070	2,507	6,254
Total changes of items during the period	6,924	1,179	8,976	13,299	13,434
Balance at the end of current period	112,232	113,411	122,387	135,687	146,768

## Consolidated Statements of Cash Flows

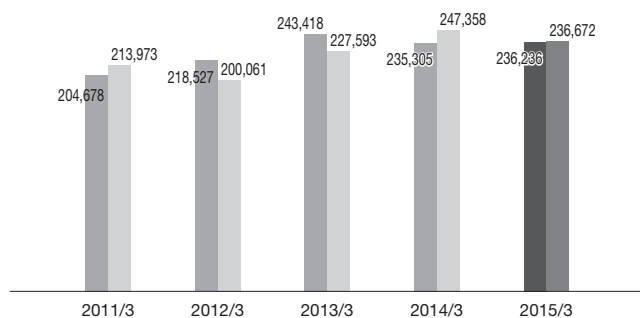
	2011/3	2012/3	2013/3	2014/3	2015/3
					(¥Millions)
<b>Net cash provided by (used in) operating activities</b>	614	16,435	7,160	9,888	<b>23,167</b>
Income before income taxes and minority interests	13,449	12,041	18,119	23,828	<b>19,769</b>
Depreciation and amortization	3,039	2,947	2,308	2,264	<b>2,660</b>
Impairment loss	—	196	545	318	<b>208</b>
Amortization of goodwill	—	215	678	688	<b>849</b>
Gain on negative goodwill	(278)	—	—	—	—
Increase (decrease) in allowance for doubtful accounts	188	(201)	(796)	388	<b>(32)</b>
Increase (decrease) in provision for retirement benefits	(854)	93	(169)	(4,705)	—
Increase (decrease) in provision for bonuses	—	47	466	10	<b>(347)</b>
Increase (decrease) in provision for loss on construction contracts	—	—	—	555	<b>4,631</b>
Increase (decrease) in net defined benefit asset (liability)	—	—	—	(470)	<b>(2,004)</b>
Interest and dividends income	(262)	(322)	(209)	(193)	<b>(270)</b>
Interest expenses	92	60	59	51	<b>52</b>
Loss (gain) on sales of noncurrent assets	—	—	—	(2,074)	<b>(867)</b>
Decrease (increase) in notes and accounts receivable-trade	(9,263)	6,951	(9,842)	(6,008)	<b>8,095</b>
Decrease (increase) in costs on uncompleted construction contracts and other	(2,902)	3,931	(2,214)	1,581	<b>877</b>
Decrease (increase) in other operating assets	(1,409)	836	(3)	4,343	<b>(623)</b>
Increase (decrease) in notes and accounts payable-trade	5,269	(4,579)	4,516	(473)	<b>(454)</b>
Increase (decrease) in advances received on uncompleted construction contracts	(156)	612	(2,738)	308	<b>277</b>
Increase (decrease) in other operating liabilities	(2,766)	485	1,810	(384)	<b>189</b>
Other, net	402	(2,442)	(145)	(10)	<b>44</b>
Sub-total	4,548	20,875	12,385	20,015	<b>33,055</b>
Interest and dividends income received	262	321	208	195	<b>270</b>
Interest expenses paid	(91)	(56)	(60)	(52)	<b>(37)</b>
Income taxes paid	(4,104)	(4,704)	(5,373)	(10,269)	<b>(10,121)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(1,535)</b>	<b>(4,523)</b>	<b>(2,160)</b>	<b>(7,477)</b>	<b>(2,828)</b>
Purchase of property and equipment	(3,449)	(1,545)	(2,359)	(5,575)	<b>(3,434)</b>
Proceeds from sales of property, plant and equipment	746	496	426	2,890	<b>1,990</b>
Purchase of intangible assets	(387)	(590)	(430)	(2,002)	<b>(612)</b>
Purchase of investment securities	(675)	(36)	(565)	(3,233)	<b>(738)</b>
Proceeds from sales of investment securities	—	317	720	309	<b>203</b>
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,752)	—	—	<b>(361)</b>
Payments of loans receivable	—	(173)	(267)	(17)	—
Collection of loans receivable	315	236	125	119	<b>109</b>
Other, net	1,915	522	190	31	<b>16</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(3,650)</b>	<b>(17,533)</b>	<b>(3,038)</b>	<b>(905)</b>	<b>(12,343)</b>
Net increase (decrease) in short-term loans payable	(892)	(2,015)	2,450	4,000	<b>(6,799)</b>
Repayment of long-term loans payable	(1,041)	(1,114)	(739)	(340)	<b>(124)</b>
Proceeds from long-term loans payable	50	5,000	—	—	—
Redemption of bonds	(180)	(15,180)	—	—	<b>(110)</b>
Purchase of treasury stock	(3)	(2,691)	(3,000)	(3,003)	<b>(3,002)</b>
Proceeds from sales of treasury stock	677	829	580	1,127	<b>669</b>
Cash dividends paid	(2,054)	(2,104)	(2,083)	(2,429)	<b>(2,777)</b>
Cash dividends paid to minority shareholders	(68)	—	—	—	—
Other, net	(138)	(258)	(244)	(259)	<b>(199)</b>
Effect of exchange rate change on cash and cash equivalents	(22)	(10)	32	43	<b>83</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,594)</b>	<b>(5,631)</b>	<b>1,993</b>	<b>1,548</b>	<b>8,078</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>22,229</b>	<b>17,634</b>	<b>12,304</b>	<b>14,611</b>	<b>16,213</b>
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	301	313	—	—
Increase (decrease) in cash and cash equivalents resulting from merger and acquisition (consolidated subsidiary and nonconsolidated subsidiary)	—	—	—	53	—
<b>Cash and cash equivalents at the end of period</b>	<b>17,634</b>	<b>12,304</b>	<b>14,611</b>	<b>16,213</b>	<b>24,291</b>



## Financial Highlights (Non-consolidated)

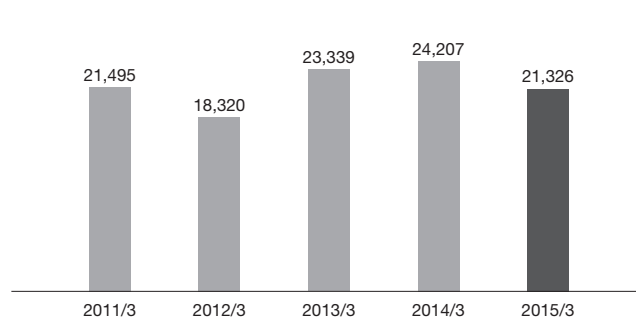
■ Orders Received ■ Net Sales

(¥Millions)



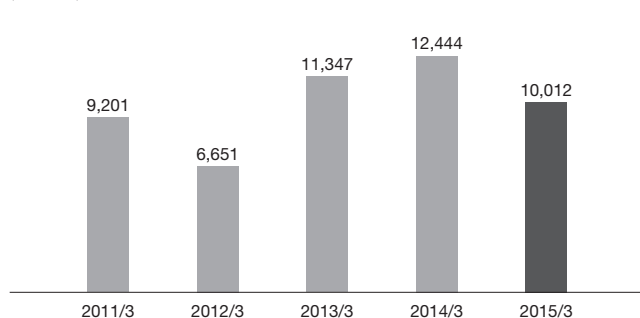
■ Gross Profit

(¥Millions)



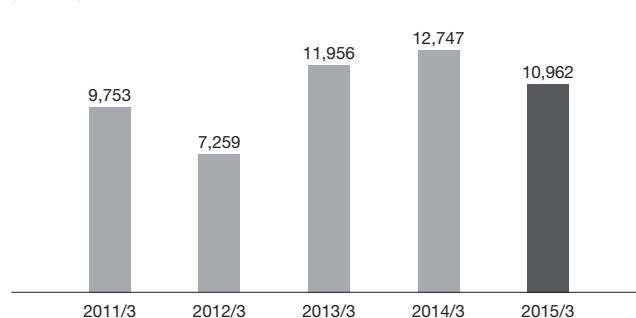
■ Operating Income

(¥Millions)



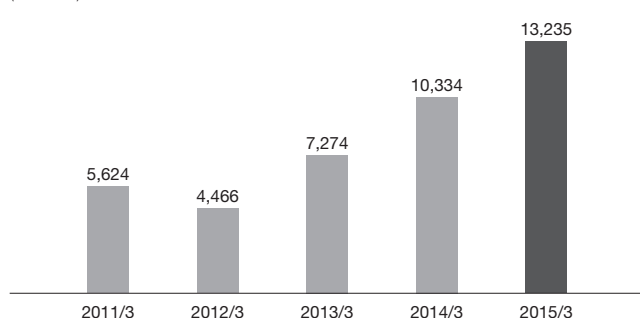
■ Ordinary Income

(¥Millions)



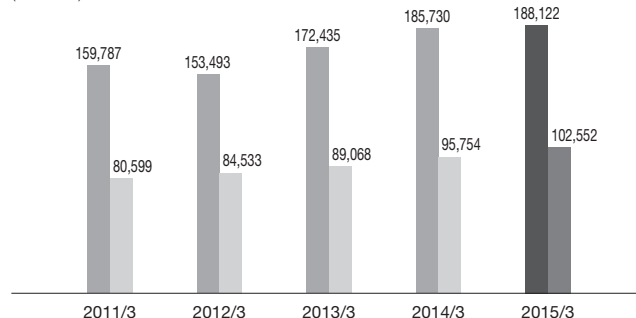
■ Net Income

(¥Millions)



■ Total Assets ■ Net Assets

(¥Millions)

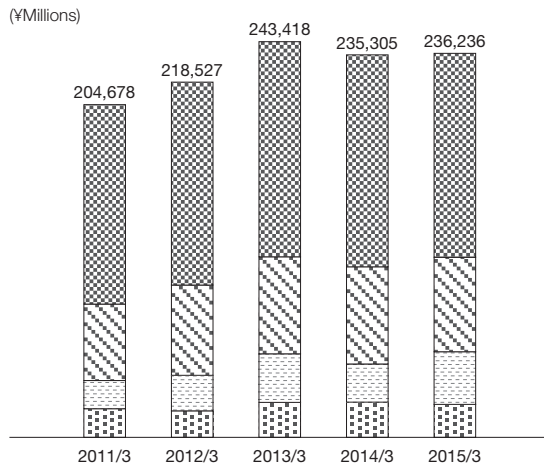


(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
Orders Received	204,678	218,527	243,418	235,305	<b>236,236</b>
Net Sales	213,973	200,061	227,593	247,358	<b>236,672</b>
Gross Profit	21,495	18,320	23,339	24,207	<b>21,326</b>
Operating Income	9,201	6,651	11,347	12,444	<b>10,012</b>
Ordinary Income	9,753	7,259	11,956	12,747	<b>10,962</b>
Net Income	5,624	4,466	7,274	10,334	<b>13,235</b>
Total Assets	159,787	153,493	172,435	185,730	<b>188,122</b>
Net Assets	80,599	84,533	89,068	95,754	<b>102,552</b>

## Trends by Segment (Non-consolidated)

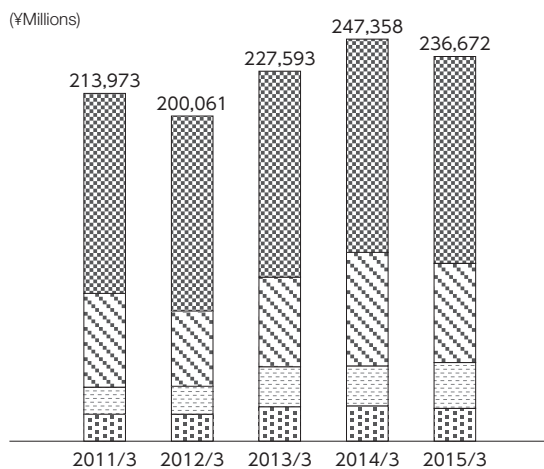
### Orders Received by Business Segment (Non-consolidated)



(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
Telecommunications infrastructure (NTT group engineering)	122,680	124,821	132,355	130,375	<b>125,428</b>
Telecommunications infrastructure (Non-NTT telecom engineering)	47,039	55,528	59,660	59,783	<b>58,132</b>
Environmental and social infrastructure	17,332	21,863	29,886	23,484	<b>32,391</b>
SYSTEM-SOLUTIONS	17,625	16,313	21,517	21,661	<b>20,284</b>
<b>Total</b>	<b>204,678</b>	<b>218,527</b>	<b>243,418</b>	<b>235,305</b>	<b>236,236</b>

### Net Sales by Business Segment (Non-consolidated)



(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
Telecommunications infrastructure (NTT group engineering)	123,041	119,991	126,691	131,193	<b>127,237</b>
Telecommunications infrastructure (Non-NTT telecom engineering)	57,666	46,265	55,079	69,832	<b>61,038</b>
Environmental and social infrastructure	16,662	17,180	24,606	24,581	<b>28,173</b>
SYSTEM-SOLUTIONS	16,602	16,624	21,215	21,751	<b>20,222</b>
<b>Total</b>	<b>213,973</b>	<b>200,061</b>	<b>227,593</b>	<b>247,358</b>	<b>236,672</b>



## Non-consolidated Balance Sheets

(¥Millions)

	2011/3	2012/3	2013/3	2014/3	2015/3
<b>ASSETS</b>					
Current assets	105,593	91,375	106,015	109,286	108,185
Cash and deposits	15,720	4,259	5,662	8,489	9,074
Notes receivable-trade	201	154	231	106	1,147
Accounts receivable from completed construction contracts	61,896	56,749	67,312	72,095	63,863
Short-term investment securities	499	6,506	6,315	5,919	11,765
Costs on uncompleted construction contracts	15,148	14,072	16,212	15,213	14,365
Raw materials and supplies	43	113	314	47	79
Short-term loans receivable	7,649	6,850	6,032	3,434	2,500
Prepaid expenses	202	214	235	242	277
Deferred tax assets	2,210	1,817	2,511	2,595	3,332
Other current assets	2,115	690	1,252	1,201	1,823
Allowance for doubtful accounts	(94)	(54)	(63)	(59)	(46)
Noncurrent assets	54,193	62,118	66,419	76,444	79,936
Property, plant and equipment	34,877	34,809	35,059	38,966	39,372
Buildings	13,446	12,855	12,407	12,809	12,733
Structures	470	408	434	1,274	1,191
Machinery and equipment	85	101	94	829	1,169
Vehicles	2	1	0	0	0
Tools, furniture and fixtures	642	536	402	670	590
Land	19,952	20,547	20,795	22,973	22,459
Lease assets	270	352	416	266	223
Construction in progress	7	6	508	143	1,003
Intangible assets	1,981	1,370	1,823	2,771	3,003
Software	1,764	1,201	1,004	2,635	2,159
Other intangible assets	216	169	818	136	844
Investments and other assets	17,334	25,937	29,536	34,706	37,560
Investment securities	3,951	4,326	7,418	11,562	13,836
Stocks of subsidiaries and affiliates	9,118	17,263	17,144	17,173	19,653
Long-term loans receivable	1,630	1,634	1,599	488	642
Claims provable in bankruptcy, claimed provable in rehabilitation and other	134	229	58	56	56
Long-term prepaid expenses	157	133	108	83	65
Prepaid pension cost	2,769	3,362	3,941	4,918	2,506
Other investments and other assets	1,811	1,116	890	2,107	2,315
Allowance for investment loss	(237)	(162)	—	—	—
Allowance for doubtful accounts	(2,002)	(1,966)	(1,624)	(1,684)	(1,517)
<b>Total assets</b>	<b>159,787</b>	<b>153,493</b>	<b>172,435</b>	<b>185,730</b>	<b>188,122</b>
<b>LIABILITIES</b>					
Current liabilities	76,201	61,690	75,835	82,375	78,210
Notes payable	485	—	—	—	—
Accounts payable for construction contracts	32,615	29,027	34,511	34,663	35,085
Short-term loans payable	500	1,000	3,500	7,500	1,073
Lease obligations	91	130	160	113	96
Convertible bond-type bonds with subscription rights to shares	15,000	—	—	—	—
Accounts payable-other	720	749	1,292	1,277	2,170
Accrued expenses	5,303	4,982	6,458	6,683	4,724
Income taxes payable	3,565	2,778	4,542	3,453	414
Advances received on uncompleted construction contracts	2,127	3,707	1,228	1,457	1,332
Deposits received	14,653	18,209	22,959	25,638	26,290
Provision for warranties for completed construction	118	372	62	98	76
Provision for loss on disaster	145	—	—	—	—
Provision for loss on construction contracts	207	181	245	729	5,175
Provision for asset removal	—	—	101	—	—
Other current liabilities	666	551	775	758	1,771
Noncurrent liabilities	2,986	7,269	7,531	7,601	7,358
Long-term loans payable	1,904	6,296	5,694	5,367	5,000
Lease obligations	202	249	287	177	153
Deferred tax liabilities	499	381	1,375	1,837	1,993
Allowance for investment loss	104	102	93	48	17
Asset retirement obligations	—	—	—	—	121
Other noncurrent liabilities	275	239	80	169	72
<b>Total liabilities</b>	<b>79,187</b>	<b>68,960</b>	<b>83,367</b>	<b>89,976</b>	<b>85,569</b>
<b>NET ASSETS</b>					
Shareholders' equity	79,498	83,273	86,141	92,291	97,745
Capital stock	6,888	6,888	6,888	6,888	6,888
Capital surplus	6,035	6,738	6,814	7,139	7,373
Legal retained earnings	1,547	1,547	1,547	1,547	1,547
Reserve for advanced depreciation of noncurrent assets	313	325	323	1,348	2,088
General reserve	68,900	72,300	74,600	74,600	74,600
Retained earnings brought forward	6,541	5,483	8,375	15,255	22,277
Treasury stock	(10,727)	(10,010)	(12,408)	(14,487)	(17,029)
Valuation and translation adjustments	739	1,042	2,695	3,287	4,544
Valuation difference on available-for-sale securities	739	1,042	2,695	3,287	4,544
Subscription rights to shares	361	217	231	175	263
<b>Total net assets</b>	<b>80,599</b>	<b>84,533</b>	<b>89,068</b>	<b>95,754</b>	<b>102,552</b>
<b>Total liabilities and net assets</b>	<b>159,787</b>	<b>153,493</b>	<b>172,435</b>	<b>185,730</b>	<b>188,122</b>

## Non-consolidated Statements of Income

	2011/3	2012/3	2013/3	2014/3	2015/3
					(¥Millions)
<b>Net sales</b>	213,973	200,061	227,593	247,358	<b>236,672</b>
Cost of sales	192,477	181,740	204,254	223,150	<b>215,346</b>
<b>Gross profit</b>	21,495	18,320	23,339	24,207	<b>21,326</b>
Selling, general and administrative expenses	12,294	11,669	11,991	11,763	<b>11,313</b>
<b>Operating income</b>	9,201	6,651	11,347	12,444	<b>10,012</b>
<b>Non-operating income</b>	1,565	1,198	1,563	1,152	<b>1,504</b>
Interest income	38	37	41	33	<b>33</b>
Interest on securities	43	14	14	8	<b>13</b>
Dividends income	256	241	133	129	<b>193</b>
Land and house rent received	408	478	473	468	<b>466</b>
Foreign exchange gains	—	—	446	—	<b>474</b>
Reversal of allowance for doubtful accounts	—	—	—	305	<b>168</b>
Reversal of allowance for investment loss	—	77	171	—	<b>—</b>
Other	817	348	284	208	<b>155</b>
<b>Non-operating expenses</b>	1,012	590	954	848	<b>554</b>
Interest expenses	51	49	72	66	<b>57</b>
Bad debts expenses	102	28	14	17	<b>—</b>
Loss on disposal of equipment and materials	—	8	118	—	<b>—</b>
Loss on disposal of fixed assets	—	13	177	—	<b>—</b>
Rent expenses	141	126	157	152	<b>202</b>
Penalty for contract breach	—	—	—	86	<b>—</b>
Impairment loss	—	—	280	187	<b>150</b>
Other	716	364	133	339	<b>144</b>
<b>Ordinary income</b>	9,753	7,259	11,956	12,747	<b>10,962</b>
<b>Extraordinary income</b>	—	203	—	3,709	<b>6,669</b>
<b>Extraordinary loss</b>	196	—	—	571	<b>—</b>
<b>Income before income taxes</b>	9,557	7,462	11,956	15,885	<b>17,632</b>
<b>Income taxes-current</b>	3,491	2,790	5,297	5,499	<b>3,837</b>
<b>Income taxes-deferred</b>	440	206	(615)	51	<b>558</b>
<b>Total income taxes</b>	3,932	2,996	4,681	5,550	<b>4,396</b>
<b>Net income</b>	5,624	4,466	7,274	10,334	<b>13,235</b>

(as of March 31, 2015)

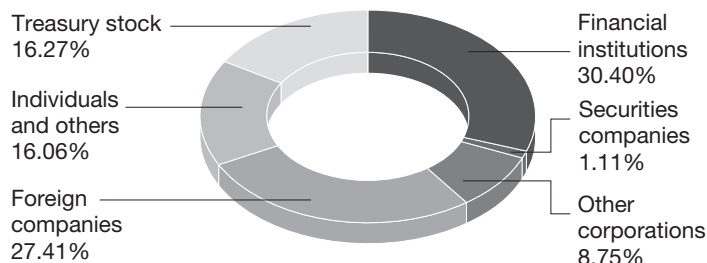
<b>Fiscal Year-End</b>	March 31
<b>Annual Shareholders' Meeting</b>	June 23, 2015
<b>Stock Listing</b>	Tokyo Stock Exchange (First Section)
<b>Ticker Code</b>	1951
<b>Common Stock</b>	Authorized: 300,000,000 shares Issued: 117,812,419 shares
<b>Total Number of Shareholders</b>	12,804
<b>Transfer Agent and Registrar</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

## Major Shareholders

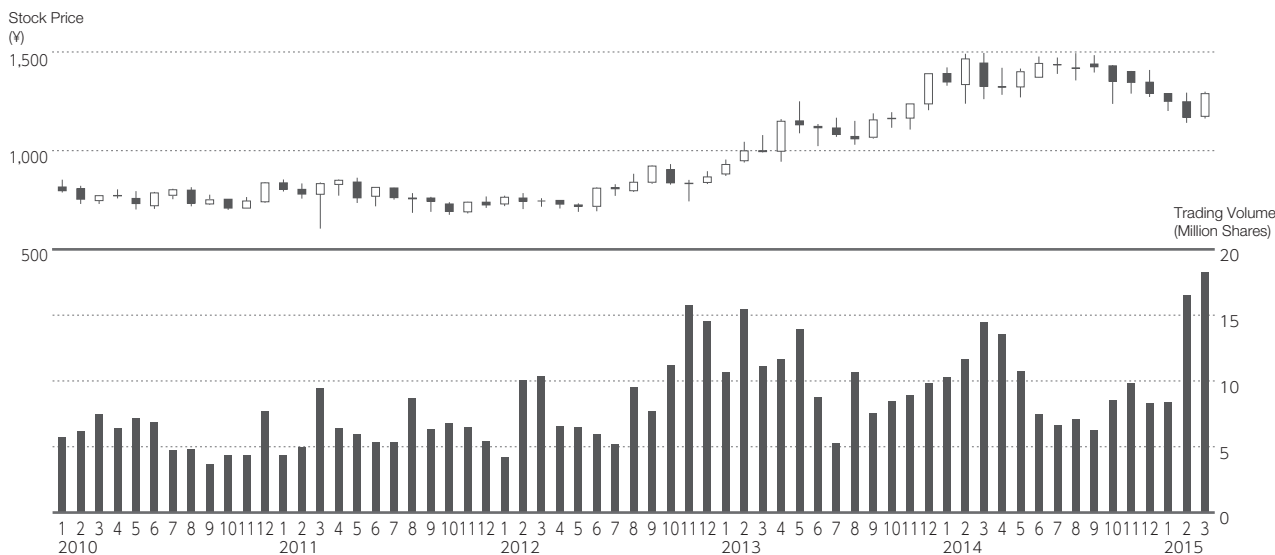
	Number of shares held (thousand)	Percentage of total shares issued (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,153	5.22
Japan Trustee Services Bank, Ltd. (Sumitomo Electric Industries, Ltd., Retirement Benefit Trust Account reentrusted by Sumitomo Mitsui Trust Bank, Limited)	5,766	4.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,059	3.45
ESOP Association of KYOWA EXEO CORPORATION	3,921	3.33
CMBL S. A. RE MUTUAL FUNDS	3,543	3.01
JUNIPER	2,311	1.96
Sumitomo Realty & Development Co., Ltd.	2,081	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,018	1.71
SUMITOMO LIFE INSURANCE COMPANY	2,000	1.70
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Retirement Benefit Trust Account)	1,834	1.56

Note: In addition to the above, treasury stock of 19,165,000 shares (16.27%) is held by the Company.

## Composition of Shareholders



## Stock Price Range and Trading Volume on the Tokyo Stock Exchange





(as of June 23, 2015)

Building a better, brighter future together



Chairman **Kunio Ishikawa**



President **Fuminori Kozono**



Director and Executive Operating Officer  
**Takayuki Watanabe**



Director and Executive Operating Officer  
**Takashi Sakai**



Director and Managing Operating Officer  
**Yoshiaki Matsuzaka**



Director and Managing Operating Officer  
**Noritsugu Totani**



Director and Managing Operating Officer  
**Tsutomu Ota**



Director and Managing Operating Officer  
**Yasuo Otsubo**



Director  
**Yuki Sakuyama**



Director (Independent Director)  
**Kumiko Kitai**



Director (Independent Director)  
**Kazuteru Kanazawa**



Standing Statutory Auditor  
**Yuji Sugita**



Standing Statutory Auditor  
**Haruhiko Watanabe**



Statutory Auditor  
**Akira Yamada**



Statutory Auditor (Independent Auditor)  
**Kozo Meguro**

**Managing Operating Officers**

Yoshiharu Takizawa  
Hisamitsu Hoshi  
Genzaburo Oe  
Tomohiro Kurosawa  
Eiichi Matsuda  
Junichi Sato

**Operating Officers**

Toshimitsu Kiribayashi Fumio Kumagai  
Kazuyuki Kaihatsu Yuji Sato  
Atsuo Yuhara Kazuo Sato  
Hiroshi Yamashita Takayuki Yamada  
Hideyuki Goto Yutaka Motohashi  
Masafumi Yoshihara Masato Suwabe  
Hideki Obara Koichi Mino  
Hideo Higuchi



## **KYOWA EXEO CORPORATION**

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

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