

Main Q&A Regarding the Scheduled Commencement of the Tender Offer for Sumitomo Mitsui Construction Co., Ltd.

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Speakers: President and CEO Kazunari Kibe/ Executive Officers: Takao Nakanishi, Yuji Hatakama, Yasuo Kato, Toshiaki Tomiyasu, Masashi Shimojo

Q. Regarding the issues with Sumitomo Mitsui Construction's high-rise condominium projects, including those nearing completion, as well as related problems such as lawsuits with the developer and the reconstruction of tilted condominiums that have impacted business performance, do you have a clear outlook on resolving these challenges?

A. We understand that your question pertains to valuation. Regarding the property in question, while it has not yet reached completion and handover, we hear from Sumitomo Mitsui Construction's materials that most of the issues have been resolved. Based on this, we have carefully estimated any potential future losses and reflected them in the valuation. Under the assumption that no further losses will arise, we have conducted a calm evaluation.

Similarly, regarding the lawsuits, we are thoroughly reviewing materials on the progress of the cases and have incorporated certain risks into the valuation, considering the fact that the client side has not yet reached a settlement.

Additionally, we have confirmed that there are ongoing projects within Sumitomo Mitsui Construction facing unprofitable construction, and these have also been appropriately evaluated in the valuation. Taking all of these factors into account, we have arrived at a valuation of 600 yen per share, and we hope this explanation clarifies our perspective.

Q. Under the holding company, there are two general contractors operating in the same business sector. Could you share your perspective on the possibility of these two companies merging in the future? Additionally, what conditions or factors might lead to such a merger?

A. To conclude upfront, there are no specific plans for merging the two companies at this time. In the construction industry, due to the nature of the contracting industry, it is widely recognized that simply combining two companies does not equate to $1+1=2$. We fully understand this point as well.

On the other hand, INFRONEER Holdings, as the only holding company in the industry, has developed a unique system that complies with the Construction Business Act. After referring to related laws and regulations, it was confirmed with the Ministry of Land, Infrastructure, Transport and Tourism that business companies with direct capital relationships can coordinate orders without falling into the categories of cartels or bid-rigging. Based on this premise, we designed our structure so that the holding company does not obtain a construction business license. This allows Maeda Corporation and Sumitomo Mitsui Construction to coordinate bids in advance, providing a framework to maximize synergies.

In fact, a report from a study group under the Ministry of Land, Infrastructure, Transport, and Tourism about 20 years ago explicitly recommended creating a mechanism allowing business companies under a holding company to bid on the same project to promote reorganization in the construction industry. As of now, we are the only example in the major construction industry employing this model, and we hope to contribute to the development of the industry overall, including regional construction sector reorganizations, by leveraging this approach.

Regarding integration, it is not currently a premise. Instead, we prioritize leveraging the holding company structure to generate synergies while maintaining each company's sales foundation. However, should discussions arise during

business operations about overlapping functions or efficiencies that could be achieved through integration, it may be considered in the future.

Additionally, for indirect divisions such as research laboratories, DX departments, and accounting core systems, which do not directly impact competitiveness, we are considering accelerating their standardization. Through such initiatives, we aim to fully utilize the strengths of being a holding company.

Q. Regarding this TOB, is there a possibility or risk that it could fail, as in the past case of Toyo Construction?

A. Honestly, it's difficult to say at this point. In past cases, there were unexpected developments, and we cannot completely rule out the possibility of unforeseen circumstances this time as well. However, for this TOB, we have conducted a very thorough valuation, and our actions are based on its results. Therefore, even if there is an overbid, we are not currently considering raising the price lightly.

Q. Could you elaborate further on the specific reasons why Sumitomo Mitsui Construction was chosen as the target for the TOB? Among many general contractors, why was Sumitomo Mitsui Construction selected? Additionally, could you discuss the intentions and background, such as expectations for order expansion in specific fields or the attractiveness of the valuation, in more detail?

A. I would like to respond with the utmost respect for everyone at Sumitomo Mitsui Construction.

Since the establishment of our holding company, we have believed that technological competitiveness will become increasingly crucial in the construction industry. While this trend has already been evident in Western markets, we recognize that its progress has been relatively slower in Japan. When we established the holding company in 2021, our aim was not industry consolidation but rather to create a framework that facilitates collaboration with diverse partners, including competitors and entities from other industries.

The construction industry is not only focused on construction contracts but is also shifting toward "de-construction." One reason we have maintained a competitive edge in bidding is our internalized engineering capabilities. This enables us to accurately assess costs and risks in EPC (Engineering, Procurement, and Construction) and to submit bids utilizing proprietary technologies. This strength is not easily replicable by trading companies or developers.

Additionally, when we established a joint venture with Macquarie in 2014, our aim was to combine Macquarie's strengths in infrastructure investment and PPP (Public-Private Partnership) with our engineering capabilities. Although the company's activities were scaled down due to limited progress in concessions within Japan, we gained significant insights into integrating finance and engineering during this process.

There are two main reasons why we chose Sumitomo Mitsui Construction. First, the company possesses outstanding technological capabilities. For instance, their prestressed concrete technology is highly competitive in areas such as highway deck replacement projects and large-scale renovations. In the building construction segment, they are the only general contractor in Japan capable of ultra-fast construction, completing one floor in just three days, surpassing even Maeda Corporation and other major general contractors in terms of technical prowess. The company, which combines Mitsui Construction's high-rise building expertise and Sumitomo Construction's concrete technology, is a significant asset for us.

Second, their growth potential in overseas markets. The company already generates approximately 100 billion yen in sales overseas, with particularly high profitability in its operations in India. The fact that their overseas business

achieves higher profit margins than their domestic operations is noteworthy. As we aim to expand into international markets such as Asia and Africa, the company's expertise and track record in overseas markets are of immense value to us.

For these reasons, we have determined that Sumitomo Mitsui Construction is the partner with the greatest potential for synergy in our growth strategy.

Q. I would like to ask about the balance sheet perspective. How do you plan to approach debt financing in relation to this acquisition? In the past, convertible bonds have been issued, but could you elaborate further on the policies and plans for financing this time?

A. Regarding the financing of approximately 90 billion yen, we have confirmed comprehensive support from our main bank, Sumitomo Mitsui Banking Corporation. Additionally, we are currently exploring refinancing options from various perspectives, taking into account future credit ratings and the debt-equity balance.

Given that the convertible bonds (CBs) issued in the past were poorly received in the market, we are not considering the use of CBs at this time. We are closely monitoring interest rate trends and market conditions to determine the optimal capital structure. We are preparing to announce specific policies for permanent financing at an early stage and will keep everyone informed accordingly.

Q. In the past, I recall that Maeda Corporation had not actively promoted the expansion of overseas construction business as part of its business strategy. Could you explain the background and reasons for stepping into overseas business expansion this time?

A. The reason Maeda Corporation had not been proactive in overseas business previously lies in the low profitability of such projects. Particularly with ODA (Official Development Assistance) projects, it was common for these projects to proceed without confirmed profits, often leading to legal disputes in the end. Based on these experiences, we have stopped bidding on ODA projects, with the last being a project in Ho Chi Minh City Metro project in Vietnam. However, we are paying close attention to Sumitomo Mitsui Construction which has been generating stable profits from ODA projects.

While the importance of overseas business has always been recognized, Maeda Corporation has struggled to find concrete solutions for its development. Moving forward, numerous projects are anticipated in regions such as Asia, the Middle East, Africa, and Central Asia, particularly large-scale PPP (Public-Private Partnership) projects. While we possess expertise in PPP projects, we currently face a shortage of on-site construction resources and management personnel in these regions. Consequently, we have been exploring partnerships with companies that already have the necessary expertise and resources for overseas expansion.

For instance, Sumitomo Mitsui Construction generates approximately 30 billion yen in revenue from the Indian market, employing over 500 local Indian staff and providing a robust education system. The fact that Indian staff are actively serving as site managers is highly commendable. In contrast, while we have operations in India, we have not been able to secure sufficient operating profit. However, India is expected to become the world's most populous country within the next few years, surpassing China in terms of capital investment and industrial activity, making it a highly promising market.

Additionally, as Japanese manufacturing companies accelerate their shift to India, we believe that securing Sumitomo Mitsui Construction as an excellent partner during this period of revising our overseas strategy will significantly contribute to our future growth.

Q. In relation to strengthening engineering capabilities, the term "de-construction" was mentioned. Could you provide a concrete image of how Sumitomo Mitsui Construction's engineering capabilities create synergies in the context of "de-construction"?

A. Regarding engineering capabilities in "de-construction," for example, we have accumulated achievements such as the opening of IG Arena, the concession acquisition for Japan National Stadium, and the BT + concession acquisition for Toyohashi Arena. Based on these accomplishments, we have received numerous requests from municipalities and private companies nationwide to jointly apply for concessions with us. However, due to our current limitations in construction capacity, we are unable to respond to all projects and are forced to carefully select them.

On the other hand, Sumitomo Mitsui Construction possesses outstanding construction capacity and technical capabilities among mid-tier construction companies, with its construction quality being highly regarded. By leveraging these capabilities, we expect to generate significant synergies in BT + concession projects for arenas that we could not handle on our own.

Another noteworthy area is water and wastewater. Sumitomo Mitsui Construction has a wealth of experience in technical development for facilities such as water and wastewater treatment plants, and its capabilities are considered to surpass ours. With an anticipated increase in BT + concession projects, including Water PPP 4.0, nationwide, there were aspects of EPC (Engineering, Procurement, and Construction) that we found challenging to manage independently. However, with Sumitomo Mitsui Construction's participation, we believe that the design and construction capabilities for water and wastewater facilities will be significantly enhanced.

Through collaboration between the two companies, we expect to strengthen engineering capabilities further, enabling us to handle a broader range of projects.

Q. How will the acquisition of Sumitomo Mitsui Construction affect shareholder returns? You previously explained the method of financing, but is there any possibility that this acquisition will impact the policy of a minimum dividend of 60 yen or a dividend payout ratio of 40%? Given that this policy has just been announced, can we assume that it will be firmly maintained?

A. Regarding shareholder returns, we announced INFRONEER Medium-term Vision at the end of March. The acquisition of Sumitomo Mitsui Construction was already an ongoing matter at that time, and our shareholder return policy was formulated with this in mind. Therefore, you can rest assured that the minimum dividend and dividend payout ratio will not deteriorate due to the integration with Sumitomo Mitsui Construction.

Q. Regarding synergies, could you explain the potential for improving margins on Sumitomo Mitsui Construction's side? In the civil engineering sector, Maeda Corporation currently has higher margins, and I believe utilizing your expertise could lead to improvements. On the other hand, it was mentioned that Sumitomo Mitsui Construction excels in overseas business. Within the scope of what can be discussed at this time, could you share the potential for improving Sumitomo Mitsui Construction's performance by incorporating your technology and expertise?

A. Let me carefully address the synergies on Sumitomo Mitsui Construction's side. First, the primary reason Maeda Corporation's building division maintains industry-leading profit margins is its strict adherence to an order discipline that avoids unprofitable projects entirely. In contrast, Sumitomo Mitsui Construction still faces challenges due to a high volume of unprofitable orders, which has put pressure on its management. By sharing our expertise in order discipline and establishing an appropriate order process, we believe we can significantly improve their profit margins.

Specifically, it is crucial to help Sumitomo Mitsui Construction understand Maeda Corporation's history of avoiding unprofitable orders, our contract negotiation processes, and the operation of our branch-based independent profit-and-loss system. This approach allows for securing orders at fair prices based on trust rather than merely lowering prices, enabling them to maintain their order share while improving profit margins. The success of Maeda Road serves as clear evidence of this approach.

Furthermore, we believe that mutual complementarity in technology will generate substantial synergies. While Sumitomo Mitsui Construction has strengths in bridge technology that surpass even those of super general contractors, Maeda Corporation also excels in many specialized areas. By exchanging these technologies, both companies can reinforce their respective weaknesses and further enhance their competitiveness.

As a result, we expect the collaboration between the two companies to create value that exceeds the sum of their individual contributions, leading to increased order acquisition rates and expanded market share. As a holding company, we view maximizing this synergy effect as a critical first step.

Q. With this integration, the combined revenue of both companies will exceed 1 trillion yen, placing you among the top-tier mid-sized general contractors. Are you envisioning strategies or positioning with an awareness of the super general contractors, or are you aiming for a distinctive position by leveraging your unique strengths? I'd like to hear your thoughts on this.

A. We are not managing the company with the super general contractors in mind. Furthermore, we are not aiming to pursue revenue scale as a goal. Rather, what we are striving for is the construction of Japan's only business model that integrates construction and de-construction operations. Therefore, we have no strategies in mind to catch up to the super general contractors or to become the top among the mid-sized general contractors. While it's possible that we may end up in such a position as a result, it is not aligned with the fundamental direction we are aiming for.

Q. Based on the earlier press conference, I was able to form a somewhat concrete image of the synergies between Maeda Corporation and Sumitomo Mitsui Construction, as well as between Japan Wind Development and Sumitomo Mitsui Construction. On the other hand, if there are any specific prospects for the synergies envisioned between Maeda Road or Maeda Seisakusho and Sumitomo Mitsui Construction, could you please share them?

A. Regarding Maeda Road, Sumitomo Mitsui Construction is the parent company of Sumiken Mitsui Road, and while its revenue scale is approximately one-eighth that of Maeda Road, we believe there are clear synergies to be expected in terms of factory operations and construction capabilities.

As for Maeda Seisakusho, we are not currently considering any specific synergies, but Sumitomo Mitsui Construction also owns a machinery-related company and has extensive experience in constructing high-rise residential buildings, with numerous tower cranes in its possession. In this regard, there is potential for synergies to emerge between Maeda Seisakusho and Sumitomo Mitsui Construction. Maeda Seisakusho was originally established by spinning off the machinery division of Maeda Corporation, and it specializes in manufacturing, selling, and maintaining construction machinery. It also contributes to cost reductions for the entire group, which is another area where synergies are expected.

That said, these synergy effects have not been factored into the valuation for this integration.

Q. From the perspective of strengthening engineering, I believe that Infroneer Strategy & Innovation, established in April, will play an important role. Could you tell me about the specific synergies expected between this new company and Sumitomo Mitsui Construction?

A. Infroneer Strategy & Innovation (ISI) aims primarily to reform the information systems division and promote DX at Maeda Corporation. Given that Sumitomo Mitsui Construction has a similar business model, we believe that similar initiatives can be applied there as well.

At present, Sumitomo Mitsui Construction may not have had the mindset or resources to advance a JV-like initiative with Accenture, but through ISI, this can become a reality, and we expect very significant benefits. Specifically, the cost reduction effect at Maeda Corporation has been extremely large, with the possibility of costs being halved in some cases, leading to substantial synergies for the entire group.

Additionally, although we have not yet detailed this initiative to our colleagues at Accenture, we believe that once they understand it, they will view it very positively.

Q. When do you expect the synergies created by the integration to be fully reflected in business profit? Additionally, if you have any specific projections regarding the scale of these synergies, please share them.

A. As I mentioned earlier regarding procedures under the competition law in the Philippines, if everything proceeds smoothly, the tender offer is expected to be completed by August, and privatization is anticipated by September. At this point, full consolidation will commence, so if all goes well, starting in the second half of the fiscal year, PL and cash flow will be combined.

Currently, Sumitomo Mitsui Construction's plan projects this fiscal year's(FY25) net sales at 410 billion yen, so you can consider adding an additional 200 billion yen. As a result, the group's total net sales for this fiscal year(FY25) will reach approximately 1.1 trillion yen on a simple combined basis, and with full consolidation next fiscal year(FY26), we expect it to exceed 1.3 trillion yen.

Additionally, as for business profit, we anticipate it could reach approximately 70 billion yen next fiscal year(FY26).

Q. With the integration, is there currently a possibility of restructuring or reallocating personnel in the indirect departments of Sumitomo Mitsui Construction? Additionally, do you plan to gradually apply the shared services initiatives being advanced by your group to Sumitomo Mitsui Construction?

A. Regarding this matter, we are not conducting specific examinations at this time. We do not currently have the mindset of streamlining by restructuring personnel. On the contrary, we ourselves are in a situation of manpower shortage, and we do not intend to conduct personnel restructuring to pursue cost benefits, including personnel flexibility within the group.

On the other hand, while initiatives such as effective reallocation may be considered in the future, there is no plan to implement this from the beginning at present. Additionally, we have not had specific discussions with Sumitomo Mitsui Construction on this matter. However, while there may be room for consideration in the future, please understand that this is not a plan based on that premise.

Lastly, when writing reports or engaging in dialogue with investors, there may be a misunderstanding that this integration serves as a "white knight" role for Mr. Murakami or is a bank-led rescue measure for Sumitomo Mitsui Construction. However, such perspectives are entirely mistaken, and I would like to emphasize this point clearly.