

**Main Q&A at the Briefing on Performance Figures Following the Inclusion of
Sumitomo Mitsui Construction in the Group**

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Speakers: President and CEO Kazunari Kibe

Executive Officers: Takao Nakanishi, Yuji Hatakama, Masashi Shimojo, Toshio Shibata

Q. Regarding the integration effects in the medium-term plan for business improvement, could you tell us about the overseas business development? Specific figures have been presented as integration effects, but are there already concrete projects, or, within the possible scope, could you share any projects, areas, or details that you are aiming for going forward?

A. Sumitomo Mitsui Construction is currently engaged in overseas construction projects totaling approximately 100 billion yen, particularly in India, where we are developing our building construction business. We will continue our overseas operations, and there are numerous inquiries regarding PPP/PFI projects. While we cannot provide specific details yet, our policy is to leverage the overseas expertise that Sumitomo Mitsui Construction has cultivated and continue to respond accordingly. The FY27 business profit target of 100 billion yen does not currently factor in overseas synergies. If synergies are realized in the future, we expect additional positive effects as a plus.

Q. Regarding the reduction of financial expenses, you mentioned an expected effect of 9 billion yen. Is it correct to understand that this refers to a reduction in interest burden? Please provide a breakdown of the financial expenses.

A. Regarding financial expenses, the cost of borrowings and commitment lines previously held by Sumitomo Mitsui Construction will be significantly reduced through integrated procurement by INFRONEER Holdings. In addition, fees for unnecessary commitment lines will also be reduced, with an expected annual savings of approximately 2 to 3 billion yen. As you understand, compared to the sum of each company individually, after three years, we expect the profit for the year to be 9 billion yen, of which 2 billion yen will be attributable to the reduction of financial expenses.

Q. To what extent will interest rates actually be reduced? Please provide an estimate.

A. INFRONEER utilizes a CMS (Cash Management System) and can procure funds at low interest rates due to its A+ credit rating. While we cannot provide specific interest rate differences, the interest rate is several percentage points lower, which is expected to result in an annual reduction effect of approximately 9 billion yen.

Q. Business profit increased by 22.8 billion yen, but operating profit increased by only 14.7 billion yen. Please explain the reason for this difference.

A. Of the 22.8 billion yen increase in business profit, approximately 15 billion yen is attributable to the gain on sale of TOYO Construction. The remainder reflects additional business profit following the integration of Sumitomo Mitsui Construction. The reason operating profit did not increase as much as business profit is that we have assumed expenses such as impairment losses on fixed assets.

Q. Is this impairment loss a one-off expense?

A. We consider it to be a one-off expense.

Q. Regarding the integration effects, in which area do you expect the greatest impact over the next two years or so?

A. We expect effects in both civil engineering and building construction, but the largest impact will be from streamlining selling, general, and administrative expenses. By improving efficiency in overlapping operations across the group and leveraging IT/DX, we aim to achieve positive effects of over 10 billion yen over three years.

Q. Does the integration effect include the strengthening of order discipline at Sumitomo Mitsui Construction?

A. The effect from strengthening order discipline is separate from the 10 billion yen. Sumitomo Mitsui Construction has thoroughly enforced order discipline in the past, and we will continue to do so across the entire group going forward.

Q. With net sales of 1,131 billion yen projected for the FY 2026, please share your sales targets and strategy for the FY 2028.

A. We have not set a sales target for the FY 2028 at this time, nor have we considered specific figures. While it is possible that results may reach 1.3 trillion or 1.4 trillion yen, we are not setting these as targets.

Q. Regarding dividends, the dividend for this fiscal year has been increased to 78 yen. Please explain the risk of a dividend decrease in the next fiscal year and your policy on maintaining a payout ratio of over 40%.

A. We will strive to pay a dividend of at least 78 yen next fiscal year as well. Our policy is to maintain a payout ratio of over 40% and to set dividends flexibly according to performance.

Q. Regarding Sumitomo Mitsui Construction's annual business plan, the final year of the medium-term management plan forecasts operating profit of 20 billion yen. Please share your assumptions for the full-year results and margins.

A. For this fiscal year, we expect full-year operating profit to be in the high 14 billion yen to low 15 billion yen range. For operating profit of 20 billion yen in three years, we anticipate a gross profit margin of around the upper 14% range for civil engineering and the lower 9% range for building construction.

Q. Is it correct to understand that there is potential for more than 20 billion yen?

A. The current figure of 20 billion yen does not include integration effects. We expect further growth if synergy effects are taken into account.

Q. Regarding the “early recovery” of Sumitomo Mitsui Construction’s building construction business, specifically, what period does this refer to?

A. By “early,” we expect a gradual recovery from the latter half of this fiscal year, with clear effects appearing in the next fiscal year or, at the latest, within three years.

Q. Please tell us about the schedule for group integration after the TOB is completed.

A. We plan to conduct a squeeze-out in December and aim to make the company a wholly owned subsidiary by the end of the year.

Q. You mentioned that initiatives such as overseas PPP are not included in the integration effects. What is your outlook going forward?

A. PPP projects require time from bidding to contracting and commercialization. We will continue to proceed with preparations, and expect them to contribute to performance from 2030 onward.

Q. Regarding the integration effects, is it correct to understand that management efficiency through integrated operation of corporate and site assets will be promoted both domestically and internationally?

A. That is correct. We will utilize both domestic and overseas sites to promote efficiency and effective use across the entire group.

Q. Please tell us about short-term initiatives toward synergy creation, such as working groups and information exchange by department. Also, please share about order coordination and sharing of project information.

A. We have already initiated PMI activities such as working groups and integration committees. In addition, from September 26 onward, as a unified competitive entity, we have become able to share project information and discuss bidding and order policies among group companies. Therefore, going forward, we will further advance discussions between companies to efficiently secure projects.

Q. Regarding the building construction business performance of Sumitomo Mitsui Construction, orders have decreased due to a focus on profitability, but is there an outlook for expanding orders in the future?

A. Due to the completion of large-scale projects, manpower has returned to the building construction division, resulting in a temporary decline in order intake. However, going forward, we will aim to increase order intake, although not to the level of peak periods. In addition, we will thoroughly enforce order discipline and pursue order expansion with a focus on profitability.