

Main Contents of Q&A from the Briefing on the Acquisition of Shares of Swing Corporation

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Speakers: INFRONEER Holdings Inc.

President and CEO Kazunari Kibe

Executive Officers: Takao Nakanishi, Masashi Shimojo
Swing Corporation

President and Representative Director: Masanori Yasuda

Q. It is considered that the shareholders had multiple options for the sale of their shares. Please explain why INFRONEER Holdings was selected.

A. With respect to this transaction, the decision was not made by Swing Corporation selecting the buyer unilaterally but rather was determined through ongoing discussions among the existing shareholders.

Q. You have stated that water and sewerage concessions are a cost-controlled model. Please explain the key points.

A. The most significant feature of water and sewerage concessions is the ability to reduce costs while maintaining service levels within limited revenue. Personnel expenses and electricity costs constitute major cost factors, and it is difficult for local governments to review or optimize these costs independently.

In Europe, there are numerous examples of water purification plants and wastewater treatment facilities being operated by a minimal number of personnel through centralized control using IT and AI. In contrast, Japan continues to rely primarily on analog operations with a large workforce allocated at each facility.

Furthermore, large pumps and blowers must be operated for extended periods at water and sewerage facilities, resulting in high electricity costs. Maintaining water quality and treatment performance requires advanced operational expertise, rather than simply suspending operations.

Swing Corporation operates more than 300 facilities nationwide. Based on its extensive operational experience, Swing Corporation considers its ability to propose cost reductions through DX utilization and optimized operations to be a key competitive advantage.

Q. What impact do you expect the establishment of an integrated, end-to-end framework for water and sewerage projects to have on local governments?

A. When outsourcing infrastructure projects, local governments often express concerns about the significant burden of coordinating separately with multiple contractors across fields such as design, construction, equipment, electrical systems, and operations, and have requested a more unified point of contact.

As a result of this transaction, the INFRONEER Group will be able to provide integrated services covering planning, construction, and operation of water and sewerage facilities, thereby offering a comprehensive, one-stop service framework with practical execution capabilities.

In addition, many local governments seek to structure projects using the private proposal system stipulated in Article 6 of the Act on Promotion of Private Finance Initiative, as projects initiated by local governments require time-consuming processes such as approval by local assemblies. Establishing a framework that enables private-sector entities to submit concrete proposals is expected to significantly reduce the time required for project consideration and legislative coordination.

Q. Will there be changes to Swing Corporation's management structure, and what impact is expected from the reduction of secondees from former shareholder companies?

A. At present, INFRONEER Holdings does not intend to make any significant changes to Swing Corporation's management structure. President Yasuda is expected to continue serving as President and Representative Director and to lead the company's operations.

While respecting Swing Corporation's specialized expertise, INFRONEER Holdings will consider ways to complement this with the Group's accumulated management capabilities in concession businesses as well as civil engineering and building construction.

Secondees from former shareholder companies have fulfilled certain roles to date, and the impact of future changes in this regard is expected to be limited.

Q. How will Swing Corporation's relationship with MAEDA CORPORATION and bidding activities be affected?

A. In public-sector bidding, there are generally few cases in which Swing Corporation and MAEDA CORPORATION compete directly. Depending on the characteristics of individual projects, flexible role allocation is possible, including cases in which MAEDA CORPORATION or Sumitomo Mitsui Construction leads with Swing Corporation participating, or cases led by Swing Corporation with MAEDA CORPORATION or Sumitomo Mitsui Construction responsible for design and construction.

By forming optimal consortia within the Group, the Company expects to enhance cost competitiveness and improve bid success rates.

Q. Please explain the funding method for the investment exceedingly approximately ¥90.0 billion and its impact on financial performance.

A. The acquisition price is approximately ¥91.2 billion. The Company plans to fund the acquisition through a combination of cash on hand and partial bridge financing.

Through previous fundraising initiatives and asset sales, INFRONEER Holdings has secured sufficient cash reserves, and the Company believes that this acquisition will not have a material impact on its consolidated financial condition or credit ratings.

Q. Does this acquisition conclude M&A activities for future growth strategies?

A. With Swing Corporation joining the Group, INFRONEER Holdings believes that the core functions required for the infrastructure management business it aims to develop over the next five to ten years are largely in place.

However, in fields such as arenas and stadiums, the Company may consider further expansion through partnerships or joint ventures, including overseas opportunities.

Q. Regarding future profit growth at Swing Corporation, do you prioritize revenue growth or margin improvement?

A. Both revenue growth and improvement in operating profit margins are considered important, and the Company aims to achieve both. Life-extension and maintenance work for aging water and sewerage facilities is characterized by relatively high margins and is expected to serve as a stable source of revenue.

In addition, efforts will be made to reduce costs through DX utilization, process improvements, and partial outsourcing of operations.

Q. Please explain the expected synergies with Swing Corporation in the Toyohashi Water Purification Plant Redevelopment Project.

A. The Toyohashi Water Purification Plant Redevelopment Project was not originally structured on the premise of Swing Corporation's participation. However, following Swing's integration into the Group, the Company intends to strengthen collaboration where possible.

In this project, achieving investment returns through long-term operation, rather than securing profits solely from EPC, is considered essential. As the industry moves toward an early transition from Water PPP 3.5 to 4.0, Swing Corporation's operational expertise is expected to contribute significantly to improved efficiency and cost reduction during the operational phase. Through collaboration between the Group's design and construction capabilities and Swing Corporation's operational know-how, the Company aims to enhance overall competitiveness and profitability.

Q. Please outline the medium- to long-term approach to expanding business domains.

A. The Company plans to deepen existing infrastructure businesses while expanding into public sectors where efficiency improvements through public-private partnerships are expected. In Japan, in addition to water and sewerage and roads, potential target areas include cultural facilities and public hospitals. Achieving stable, long-term operations through the utilization of private-sector management expertise and financing is considered essential in these fields.

In the prison sector, overseas examples demonstrate that incorporating private-sector know-how can improve operations. The Company recognizes that, in Japan as well, appropriately structured incentives for private operators could improve service quality and reduce the fiscal burden.

Overseas, the Company believes that collaboration with Swing Corporation will enable expansion into water and sewerage projects in regions such as Asia and Africa. By leveraging Japan's ODA and public financing, the Company also intends to pursue integrated construction-and-operation business models. In both greenfield and brownfield projects, infrastructure management will be positioned as the core business to achieve sustainable domestic and international growth.

Q. How will the Company approach the port sector going forward?

A. Ports are recognized as having future potential as a concession field; however, in Japan, it is expected to take time for projects to materialize. Accordingly, the Company does not currently view port-related capabilities as essential and intends, for the time being, to examine opportunities through alliances and careful evaluation of business potential rather than through M&A.