

[Kibe-log]

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#21

“The potential of Asian markets to boost INFRONEER’s growth strategy”

Dear Stakeholders, this is Kazunari Kibe, President and CEO of INFRONEER Holdings Inc.
Thank you so much, as always, for reading “Kibe-log.”

As readers of Kibe-log are probably already aware, INFRONEER Holdings announced on April 14 that it would acquire major water infrastructure company Swing Corporation for approximately ¥90 billion. The company plans to acquire shares sequentially from the current three shareholders that each own one-third of Swing Corporation — Mitsubishi Corporation, EBARA CORPORATION and JGC Holdings Corporation. The official share transfer is expected to be completed on July 1, when Swing Corporation will formally join the INFRONEER Group.

Until the share transfer is completed, we are subject to restrictions under antitrust laws and therefore cannot discuss the details. However, Swing Corporation is strong not only in the operation of water facilities such as water treatment plants, but also in design and construction of water facilities. We believe this acquisition will enable us to gain significant competitive strength in the water concession market, which is expected to see further expansion in the future. I plan to share more details about this M&A on Kibe-log after July, so please look forward to it.

Now, I’d like to talk about the overseas business of Sumitomo Mitsui Construction, which became a wholly owned subsidiary in December 2025, as well as the potential for overseas business opportunities of the INFRONEER Group.

As I mentioned in the past two editions of Kibe-log, Sumitomo Mitsui Construction is a company with strong capabilities in overseas business. In particular, the company has built an extensive network of local engineers, especially across Asia. In the Philippines, the company has established a training center function for employees at overseas offices. As a result, its capabilities in securing overseas projects and managing on-site operations are at a level that exceeds not only those of Maeda Corporation within the INFRONEER Group but could even be said to surpass Japan’s major general contractors.

©Vol.19: “Four reasons why I can confidently say that the acquisition of Sumitomo Mitsui Construction was the best management decision.”

(https://www.infroneer.com/pdf/company/topblog/kibelog_vol19.pdf)

©Vol.20: “PMI of Sumitomo Mitsui Construction - The biggest hurdle in PMI is the mental barrier.”

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In fact, I visited Delhi in India and Manila in the Philippines consecutively in March and April to hold town hall meetings at overseas offices. At the same time, I also visited project sites that Sumitomo Mitsui Construction is developing in Delhi and Manila. I was deeply impressed by the high level of site management capabilities demonstrated by the local employees.

Local talent is being developed, local management makes decisions, and local teams generate profits. That structure is already in place. I felt that this has significant implications for INFRONEER as it evolves into a truly global infrastructure company.

The India operation has not recorded a single loss-making project in over 10 years.

Let me start with India.

The Indian subsidiary of Sumitomo Mitsui Construction, SMCC Construction India Private Limited (Effective October 1, the company will change its name to ARSOCIA Construction India Private Limited) operates business through five offices located in Delhi, Gujarat, Bangalore, and Chennai. Construction is its core business. Last fiscal year, this subsidiary generated approximately ¥21.2 billion in revenue, while its local workforce has already expanded to more than 500 employees.

What impressed me most was the outstanding quality of on-site operations and management. Although SMCC Construction India is the local subsidiary of a Japanese company, management is thoroughly entrusted to Indian staff. The local engineering capabilities are so advanced that even large-scale projects worth more than ¥10 billion can be executed entirely by Indian personnel.

I actually spoke with Indian executives on site and they explained that everything — from PM (Project Manager) to construction, cost control, quality control, schedule management, and safety management — is handled entirely by Indian staff. Japanese executives only visit the sites once a week for site inspections. Of course, I already knew that Sumitomo Mitsui Construction was strong in overseas markets. However, I honestly did not expect the level of localization and operational independence to be this advanced.

In addition, the level of local project management capability is also extremely high. As mentioned earlier, SMCC Construction India mainly undertakes private-sector building construction and has not recorded any loss-making works for over the past 10 years. Its project execution capabilities are also highly regarded, and it has received evaluations from Japanese corporate clients such as being ‘number one in India in terms of quality, schedule adherence, and cost performance.’ This clearly demonstrates how solid and well-established the local management system is.

As mentioned in the previous Kibe-log, MAEDA CORPORATION posted a loss in the fiscal year ended March 2008. The primary factor behind this was the acceptance of unprofitable contracts. In order to sustain the local operating structure, the company prioritized top-line growth and consequently engaged in projects with poor profitability. The company lost in negotiations and failed to pass on additional costs to the client, even when necessary. The accumulation of such issues ultimately pushed the company into a net loss.

At the time, I was serving as General Manager of the Corporate Planning Department in Corporate Management Division, and I was struggling with efforts to improve the company’s fundamentals. That is why I am genuinely impressed—almost moved—by the achievement of no loss-making projects over the past 10 years overseas, particularly in India. According to local management, some projects came very close to becoming unprofitable, however, in the end, all of them were turned into profitable ones. This demonstrates its outstanding capabilities in project assessment and project management.

What I strongly felt during my visit to the India offices was that the stage of relying on guidance from Japan has already passed. A self-sustaining management structure, in which the local team takes the lead in generating profits, has been firmly established. I felt a great sense of confidence in this.

I would also like to add that some pointed to the high level of loyalty among local employees as one of the key reasons behind the strength of the local management.

During the COVID-19 pandemic in India, many foreign companies — including Japanese firms — laid off employees. However, SMCC Construction India did not lay off a single employee and protected everyone’s jobs. They said this greatly enhanced the relationship between management and employees.

People often say that the kind of emotional loyalty seen in Japan does not resonate with foreign employees. Of course, every country has different cultures and values, but at the end of the day, people everywhere can tell whether a company genuinely cares about its employees. I felt that this trust-based relationship appears to be a major driver of site-level performance and strength.

“A talent development hub in the Philippines”

Next, let me talk about the Philippines. In the Philippines, Sumitomo Mitsui Construction handles ODA projects through its Manila office, which operates directly under headquarters, while private-sector projects as well as civil engineering and building construction are carried out by its local subsidiary, SMCC Philippines, Inc. (Effective October 1, the company will change its name to ARSOCIA Philippines, Inc.)

One of the most widely known projects is the Metro Manila Subway project currently under development in the Manila metropolitan area. Sumitomo Mitsui Construction is independently executing Contract Package 103 (CP103) of the project, with a contract value of approximately JPY 70.7 billion as of March 2026.

I also visited the site and saw that it was an extremely large-scale project, with four shield tunneling machines operating simultaneously in a single work section. With my background in civil engineering, I have visited numerous underground construction projects, but this was the first time I had seen four shield tunneling machines operating simultaneously within a single work section.

In this way, SMCC Philippines is positioned as a key hub for overseas civil engineering operations. More importantly, however, its significance extends beyond that of a mere execution base. It functions as “a talent development hub.”

At the center of this initiative is the Human Resource Development Center in Manila. As mentioned in my previous Kibe-log article, Sumitomo Mitsui Construction established this center in 2016 with the aim of training local engineers and systematically passing on advanced construction management expertise to the next generation.

The program is designed for employees at overseas bases across Southeast Asia and India. It offers role-based training, allowing participants—from management-level staff to mid-level managers, site managers, and junior staff—to acquire the knowledge and expertise required for their respective positions. Although the training duration varies depending on the subject, participants undergo several months of intensive training covering the essential skills required to operate a construction site, including construction management, safety management, quality control, schedule management, cost management, and the leadership required to manage local staff.

Engineers trained here are not limited to the Philippines, but are active in projects around the world, including India, other Southeast Asian countries, and Africa. Rather than Japanese engineers being dispatched to overseas projects in various regions, a virtuous cycle has emerged in which local engineers

support local projects in their respective countries.

Of course, for manufacturing companies with a global footprint, independent management by local subsidiaries is to be expected. Similarly, localization of human resource development is not particularly unusual. However, because Japan's construction industry has a large domestic market, it has tended to be inward-looking. Overseas business has been limited to ODA (Official Development Assistance) projects and the construction of overseas factories for Japanese companies. Only a handful of general contractors have successfully achieved true globalization.

Among these Japanese companies, Sumitomo Mitsui Construction has achieved significant results in Asia's construction market. The decision to acquire Sumitomo Mitsui Construction was based on its strong engineering capabilities. Visiting project sites in India and the Philippines has further reinforced my view. I truly feel that choosing Sumitomo Mitsui Construction was the right decision. That is my honest impression.

Asia's concession market presents a significant opportunity.

Another key takeaway from this visit was the existence of large Public-Private Partnership (PPP) markets in both India and the Philippines.

Perhaps influenced by its former colonial power, the United Kingdom, India has been actively adopting concession models not only for highways but also for ordinary roads. The Philippines is also proactive in utilizing concessions, and large-scale projects based on concession schemes are currently underway in Manila.

In Japan, concessions are often discussed as a means of addressing population decline and fiscal constraints. In contrast, in India and the Philippines, concessions are used as a driving force to further accelerate economic growth. As seen with the enactment of a new PPP law in the Philippines in 2023, institutional frameworks have been steadily developed. There is no doubt that the use of concessions will continue to expand further.

This recent overseas visit has reconfirmed my belief that these overseas markets will continue to drive and accelerate INFRONEER's growth.

As mentioned earlier, at overseas offices, highly capable local engineers are operating autonomously, and a self-sustaining cycle of developing the next generation is already emerging. This talent development platform represents a significant competitive advantage for INFRONEER in pursuing overseas expansion.

As the case of India also shows, with appropriate management, overseas markets can become a stable source of revenue. Japanese general contractors have historically struggled in overseas markets. It is not unrelated to the fact that management was often handled by Japanese staff who were not fully familiar with local conditions.

Without personnel who deeply understand local business practices, labor conditions, contract frameworks, cost structures, and risk assessment, it is inevitably difficult to succeed in overseas operations.

Furthermore, the cross-border utilization of finance will also lead to an expansion of revenue opportunities. Although interest rates in Japan have begun to rise, they remain relatively low compared with those in Asian countries. If INFRONEER brings in equity and low-cost debt financing, both sides should be able to enjoy significant benefits.

In addition, there is potential to expand into overseas infrastructure concession markets. While INFRONEER is promoting domestic concessions under its “de-construction” strategy, Sumitomo Mitsui Construction’s network will enable us to compete effectively in overseas concession markets. This represents INFRONEER’s evolution beyond national boundaries toward becoming a truly global infrastructure company.

What the employees in India and the Philippines had in common was an extraordinary level of motivation toward growth.

We want to take on bigger work.

We want to take more challenging projects.

We want to support our country’s infrastructure with our own capabilities.

We want to become engineers who can compete globally.

I could feel that passion from each and every person on site.

In the end, it is people who drive corporate growth. Capital, technology, and strategy are all important but it is people and their passion that ultimately put them into action. By combining Sumitomo Mitsui Construction’s deep local presence with INFRONEER’s management strategy, and transforming the passion of its people into growth for the entire group, INFRONEER has the potential to evolve to an even higher stage. That was the key takeaway from my overseas visit.