

Main Contents of Q&A from the FY2025 1Q Financial Presentation

Date: August 8, 2025 (Friday) 13:00 - 13:45

Speakers: President and CEO Kazunari Kibe

Executive Officers: Takao Nakanishi, Yuji Hatakama, Masashi Shimojo

Q. Regarding the building construction segment, I recognize that both net sales and profits had a very favorable start in the first quarter. Will this trend continue from the second quarter onward, and is there a possibility that both net sales and profits will exceed the full-year plan? Additionally, regarding future profit levels, how much recovery can be expected in the medium term? If there are specific numerical targets, such as 13–14%, please share them.

A. We expect the favorable trend seen in the first quarter to continue through the second quarter and until the end of the fiscal year. Our profit target for this fiscal year is set at 10%, but this is a conservative estimate, and we believe that achieving over 10% is possible. In the medium term, we are steadily securing large-scale construction projects from the upstream stage. Although delays in large-scale projects have been pointed out industry-wide, our company is conducting thorough discussions with the unions and participating developers in redevelopment projects, and they have kindly given their understanding and approval regarding price increases and additional costs. In addition, we have established a system to review all projects once every three months, or at the longest every six months, and there are no so-called stagnant projects. Through these efforts, we believe the current favorable trend will continue over the medium to long term. In the medium term, we are aiming for a profit margin of over 11%.

Q. Please tell us about the contribution of Sumitomo Mitsui Construction to performance and the funding policy. I understand that there was a slight shift in the timing of the acquisition, but will the contribution to performance be reflected in the entire second half, or will there be some timing differences? Also, if you do not mind, we would appreciate your comments on the funding policy for the acquisition of Sumitomo Mitsui Construction.

A. Regarding the timing of Sumitomo Mitsui Construction's contribution to performance, we are currently proceeding with a TOB, which, if it goes smoothly, is expected to be completed on September 18, at which point Sumitomo Mitsui Construction will become a consolidated subsidiary. Therefore, its performance will be consolidated from the second half starting in October, and at this time there are no concerns about delays. As for funding, we plan to utilize a bank bridge loan for this tender offer. The bridge loan is expected to have a term of one year, and we are considering switching to permanent financing as soon as possible. The specific details are currently under consideration, and we will promptly report to all concerned once a decision has been made.

Q. I have heard that you consistently secure over one trillion yen worth of construction project information in the building construction segment. Could you please provide an update on the current situation? Additionally, if there are any industries with particularly strong inquiries, please explain as well.

A. Thanks to your continued support, we continue to see very strong demand for large-scale projects, particularly in the Tokyo metropolitan area. By industry, we are receiving especially many inquiries for large-scale residential buildings and hotels, as well as refrigerated and frozen warehouses and meat processing plants, which we are focusing on.

Q. Please explain the current status of the battery storage business. Fiscal Year ending March 2026 (FY25)

A. Regarding the battery storage business, this fiscal year and next fiscal year we are proceeding with the development of relatively small-scale high-voltage battery storage systems. For this fiscal year, we have one high-voltage project planned, and for next fiscal year, we are planning approximately seven projects. As for extra-high-voltage projects, since development requires a certain amount of time, we plan to start these between 2027 and 2028. Currently, progress is in line with our plans, and we will continue to work toward securing additional projects in the future.

Q. Is it correct to assume that the profitability of the battery storage business will become fully apparent around 2028?

A. Profitability is expected to become fully apparent in fiscal year 2027, or possibly somewhat later, around fiscal year 2028.

Q. I would like to ask about the business environment of the building construction segment. First, it seems that steel prices are showing a slight downward trend in some areas—could this have a positive impact on profits? Also, I understand that the labor shortage continues; I would like to hear your views on the negative effects of this, such as risks to construction progress.

A. Regarding steel prices, both steel frames and rebar are showing a downward trend. At our company, we provide an initial estimate and then use a system whereby we determine the contract amount again at the implementation stage, so any decrease in steel prices is passed on to our customers. Therefore, a decline in steel prices does not have a direct impact on our profits. This is our company policy and is a point of difference from other companies. Regarding the impact of the labor shortage, we accept orders with careful consideration of the required personnel, so at present, there have not been any major negative effects. However, there is a shortage of technicians for equipment and electrical work, and in some cases, we do miss out on some opportunities for orders. Overall, however, we do not recognize any serious impact. Going forward, we expect that our integration with Sumitomo Mitsui Construction will bring even greater benefits, including addressing labor shortages.

Q. Regarding the civil engineering segment, profit margin of orders received continue at a high level. If there are any risks currently recognized in the civil engineering segment, please let me know. For example, if there are any specific risks such as potential delays in construction start due to increased costs, please provide details.

A. As for increased costs and labor shortages, we believe that these risks are relatively lower in the civil engineering segment compared to the building construction segment. With regard to increased costs, a price escalation system has been established throughout the industry, and we have a framework to respond appropriately as needed.

Regarding labor shortages, although the situation varies depending on the type of construction, at present, there is no significant shortage, and we do not recognize this as a major risk under current market conditions.

On the contrary, we expect an increase in positive projects going forward, including the establishment of the Disaster Management Agency, promotion of national resilience, and trends in the electric power sector such as the introduction of new nuclear reactors.

Q. Overall, is it correct to interpret the progress of business profit in the first quarter as a positive result that exceeded the company's expectations? If so, which segment do you feel particularly outperformed, and could you please share your overall assessment once again?

A. As for the first quarter, as indicated, business profit exceeded our expectations. We had anticipated a high possibility of an upward result from the outset, and the progress has exceeded our plan.

The main factor was the building construction segment, where net sales progressed better than planned, and projects acquired in previous years with high profit margins of orders received have been progressing smoothly since this fiscal year, both of which contributed to the results.

We also believe there is a high possibility of exceeding our full-year plans. Please note that the consolidated figures with Sumitomo Mitsui Construction will be disclosed at the end of September, and we are preparing to explain the rolling update of the medium-term management plan to you as soon as possible.

Q. The infrastructure management segment has also seen an increase in profit; was this in line with initial expectations? Also, is it correct to assume that this profit growth this fiscal year is due to contributions from facilities such as Aichi Arena?

A. Including Aichi Arena, the increase in profit in the infrastructure management segment is as initially expected. In particular, during the first quarter, the previous structure had Maeda Corporation as the lead company and NTT Docomo as the second. As the operation phase began, NTT Docomo became the lead company and our company became the second. As a result, the reversal of losses associated with the opening costs was recorded, which significantly contributed to the first quarter results. However, for the full-year forecast, we expect performance to be in line with our plan.

Q. In your above response, is it correct to understand that a one-time expense related to Aichi Arena was incurred?

A. As you pointed out, rather than a one-time expense, there was a reversal of 1.3 billion yen in the first quarter at Aichi Arena, which had a significant impact compared to the same period last year. However, the full-year plan for the infrastructure management segment has been formulated with this figure taken into account, so the full-year outlook remains in line with the plan.

Q. I would like to confirm whether the valuation gains on investment assets were incorporated into the current plan. In addition, please let us know about the possibility of additional profit being recorded due to asset revaluation from the second quarter onward, as well as the likelihood of similar valuation gains occurring over the medium term.

A. The largest valuation gain was generated from the project in which we invested 20 billion yen in Toshiba Corporation several years ago. This fiscal year, a significant valuation gain was recorded due to Toshiba Corporation's business recovery and the rise in the value of the shares held. This was not incorporated into the initial plan.

Looking ahead, as Toshiba Corporation's performance remains strong, there remains a possibility that additional profit may be recorded in the future.

Our investment in Toshiba Corporation was made through a silent partnership. Under Japanese accounting

standards, the balance fluctuates at the time of profit and loss distribution, while under IFRS, a fair value assessment is conducted every period. As a result, such valuation gains were generated in this fiscal year.

Q. Regarding the impact on business performance if the TOB for Sumitomo Mitsui Construction is successful, you mentioned earlier that the planned figures will be disclosed at the end of September. You have also provided combined figures for sales, etc., but I would like to know specifically how you view synergy effects that go beyond the simple sum of “1+1=2.” Although you explained this thoroughly at the briefing in May, three months have now passed, and now that the TOB has actually commenced, I would like to once again ask for your views regarding the synergies that would result from the successful completion of this TOB.

A. There have been no new updates in the past three months. As explained in May, we expect synergies with Sumitomo Mitsui Construction in two aspects of our business model: ‘Construction’ and ‘de-construction’.

First, regarding ‘Construction’, from the perspective of the Construction Business Act, simply combining the strengths of two companies does not directly lead to increased business, and there may even be fewer bidding opportunities.

However, because we operate under a holding company structure, there are mechanisms for Sumitomo Mitsui Construction and Maeda Corporation to coordinate and collaborate within the group in advance. As a result, we believe that cooperation between the two companies can generate effects beyond simple addition.

Specific coordination of orders and information sharing will only become possible after Sumitomo Mitsui Construction becomes a consolidated subsidiary in late September, so at this stage, we are unable to make concrete estimates regarding bidding opportunities or probabilities.

In addition, our overseas business is not affected by competition laws, so we anticipate even more opportunities in that area.

Next, in the ‘de-construction’ field, we expect further growth and scaling up of BT + concession projects that combine EPC and operations, such as stadiums, arenas, and water supply.

As you are aware, there is currently a shortage of personnel in both building construction and civil engineering contracting, and sufficient capacity is required even for the BT component. With Sumitomo Mitsui Construction joining the group, we expect significant expansion of new business opportunities in these areas as well.

We are still examining the extent to which these synergies will contribute to performance figures, so we plan to provide further explanation after September.

Q. If the TOB is successful, will the company name of Sumitomo Mitsui Construction remain as is, or are there plans to change it? If a policy has been determined at this point, please let me know.

A. We plan to change the company name in the future. As the TOB has not yet been completed, we are unable to specify the timing of the change at this stage, but we intend to proceed with the renaming at an appropriate time in the future.

Q. Regarding the Civil Engineering segment, you explained that this fiscal year you aim to achieve the plan through the accumulation of design changes and similar measures. Compared to last year, are there any large-scale projects scheduled for completion, and what is your current view on the timing of anticipated design changes?

A. Regarding this fiscal year, there are few large-scale project completions, but there are several medium-scale projects scheduled for completion, so our headquarters and branches are working together to negotiate design changes, focusing on these projects. As a result, we expect to be able to secure design change amounts comparable to previous years by the end of the fiscal year. As for next fiscal year, there are large-scale projects scheduled for completion, and we anticipate further accumulation. We will continue to focus on obtaining design changes in order to maintain this fiscal year's planned figures.

Q. Is it correct to assume that the timing of securing design changes tends to be concentrated near the end of the fiscal year?

A. While we would like to secure design changes as early as possible, coordination with customers is necessary, so we expect that, in many cases, they will ultimately be secured near the end of the fiscal year.