

**Main Contents of Q&A from the FY2025 2Q Financial Presentation
and Medium-term Management Plan (Revised Edition, November 2025)**

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Q. Regarding the upward revision of performance, please explain why the increase in profit before tax is greater than the increase in operating profit.

Also, as the full-year contribution from Sumitomo Mitsui Construction is expected next fiscal year, can we assume that the gain on sale of Toyo Construction shares this fiscal year can be sufficiently offset by other businesses? While it may be difficult to present specific performance figures at this time, please explain, including the risk of dividend reduction.

A. For profit before tax this fiscal year, in addition to strong profits from the contracting businesses of each operating company, investment valuation gains made a significant contribution. In particular, the gain on sale of Toyo Construction shares greatly contributed to the amount of increase in profit before tax.

Regarding next fiscal year, as you pointed out, we are setting targets and working to offset the decrease in gain on sale of Toyo Construction shares with growth in other businesses.

With respect to the risk of dividend reduction, our policy of a 40% payout ratio remains unchanged, and if we can secure profits exceeding this fiscal year, there is sufficient possibility of increasing dividends, including valuation gains. Of course, there is also a possibility that performance may fall short, but we plan to pay dividends based on our predetermined dividend policy.

Q. Regarding the new performance figures indicated on page 5 of the Medium-Term Management Plan, while the numbers for Mitsui Sumitomo Construction are reflected, the base figures for INFRONEER have also been revised. Please explain the background of the segments that have traditionally shown upward or downward fluctuations, as well as the factors behind the downward revision in the infrastructure management segment business.

A. By segment, the building construction segment has shown the most significant increase. Large-scale projects are progressing favorably, and as we have a strong backlog from the next fiscal year onward, we continue to expect solid performance.

On the other hand, for Japan Wind Development (JWD), we decided to retain projects originally scheduled for sale this fiscal year, considering the current market environment, resulting in a negative impact of approximately 3 billion yen.

An increase of approximately 15 billion yen resulting from the sale of shares in Toyo Construction has become an overall upside factor.

Q. Is it correct to understand that the reason for the downward revision of business profit in the infrastructure management business on page 5 is due to the postponement of the planned sale of JWD projects?

A. That is correct. Basically, both for this fiscal year's plan and for the performance figures in the medium-term management plan, we originally planned to sell a certain number of JWD projects.

The government's Basic Energy Plan had high expectations for offshore wind power to account for most of the expansion in wind power, but since the development of offshore wind is currently greatly delayed, the expansion of onshore wind power has become essential.

JWD owns almost exclusively onshore wind projects, and there is a possibility that the scarcity of onshore wind will increase in the future. Also, we believe that demand for onshore wind could rise even further as off-takers who were originally considering offshore wind may shift to onshore wind projects.

Taking these circumstances into consideration, we revised our plan so that it no longer assumes the sale of projects, which led to a decrease in the performance figures for the infrastructure management segment. However, this does not mean that we will not conduct any sales at all; rather, we will monitor market conditions and proceed with sales appropriately when the right conditions are met.

Let me also add a supplement regarding the power sector. In Japan, there have been reports about stagnation in offshore wind projects, raising concerns that this may slow the overall growth of wind power and the promotion of renewable energy. In Europe, however, about half of electricity generation is already supplied by renewables, and this has affected electricity price increases.

The share of renewable energy in Japan is still less than 20%, but the government's Strategic Energy Plan sets a target to raise this to 40% by 2040. We must achieve at least this government target, and it is necessary to increase the share by another 20% going forward. I do not believe that the government's policy will waver.

Of all renewable sources, wind power is the most lacking. Solar power has already met its target, so further expansion of wind power is essential. However, offshore wind projects in general sea areas—which the government and market had high expectations for—are hardly being developed under current rules, and we also strongly feel that expectations for JWD's onshore wind projects are rising significantly.

As for electricity prices, although there are exchange rate effects, the price per kilowatt-hour in the UK is about twice as high as Japan, and in Germany it is about 2.5 times higher. Japan has the lowest electricity prices among developed countries, and this is also true for industrial electricity.

Therefore, we are confident that the development of renewable energy, especially wind power, will not stagnate and will continue to be steadily promoted.

Q. Has there been any change in the outlook for the concession business?

A. Basically, there has been no change to the current outlook. While progress is slightly behind the targets set by the Cabinet Office under the PPP/PFI Action Plan formulated by the government, taking into account the status of Water PPP discussions among local governments nationwide and the increasing inquiries regarding stadium and arena projects, we expect that many new projects will begin to move forward in the second half of this fiscal year and into next fiscal year.

Q. Please tell us about the earnings outlook and turnaround initiatives for Sumitomo Mitsui Construction. What specific measures are currently being implemented, and if any effects have already appeared, please let us know.

A. The standalone financial results for Sumitomo Mitsui Construction have been disclosed today on the Tokyo Stock Exchange, so please refer to those details for further information.

In summary, for the first half of this fiscal year, net sales decreased while profit increased. Although orders for both civil engineering and building construction declined slightly, gross profit exceeded expectations, with total completed gross profit at 13.4 billion yen, sales at 19.1 billion yen, and a profit margin of 10.1%.

This fiscal year, with the completion of Toranomon Azabudai Hills, earnings are recovering to normal levels. For the full year, we expect consolidated net sales of approximately 400 billion yen and gross profit of around 43 billion yen.

Improving profitability and productivity in the building construction segment remains a challenge, and in order to approach the standards of Maeda Corp., we are discussing and implementing various measures, including synergies with both INFRONEER and Maeda Corp.

Q. Please tell us about the future earnings outlook for Sumitomo Mitsui Construction, even a rough estimate would be fine.

A. As stated on page 5 of the materials, we have set planned figures for each segment: civil engineering, building construction, and road civil engineering.

For FY2027, Sumitomo Mitsui Construction's operating profit plan is 7 billion yen for building construction, 14.1 billion yen for civil engineering, and 1.2 billion yen for road civil engineering, totaling 22.3 billion yen. Previously, our target was 20 billion yen, but we have increased this by approximately 5 billion yen, and after deducting INFRONEER's expenses, we have set 22.3 billion yen as the business profit plan.

Although the completed construction amount in the building segment has not yet reached its peak, we aim for orders of 150 billion yen and hope to reach that level in three years.

Q. Please tell us about the specific initiatives for the revitalization of Sumitomo Mitsui Construction.

A. We are currently actively advancing PMI (post-merger integration), establishing subcommittees from management to working level, and focusing not only on setting targets but also on implementing specific measures. For each area—building construction, civil engineering, and corporate—executive officers in charge at the holdings are demonstrating leadership.

In the building construction business, we are striving to secure profits by thoroughly reviewing all projects. This fiscal year, we are aiming to expand orders at both companies by utilizing surplus personnel following the completion of Toranomon Azabudai Hills. We are also considering forming joint ventures for multiple properties.

In the civil engineering field, we are leveraging the strengths of both Maeda Corp. and Sumitomo Mitsui Construction, reconstructing sales strategies to address concerns about dis-synergies, and enhancing order acquisition capabilities by optimally allocating resources from both sides.

Additionally, we are working to improve profitability by sharing within the group the know-how on improving on-site productivity and acquiring design changes that Maeda Corp. is pursuing.

Regarding overseas business, our policy is to leverage the strengths of both companies to expand the market, including ODA projects.

Some have pointed out concerns that “1+1 may not equal 2” when it comes to achieving our targets; however, since there is no direct capital relationship under the holding company, prior coordination does not pose antitrust issues, and we believe that optimal resource allocation can make “1+1” equal 2.5 or 3.

In the corporate field, the reduction of financial costs resulting from integration is an immediate synergy. Short-term financing will be consolidated at INFRONEER Holdings, and we expect to reduce costs by approximately 2 billion yen annually.

Other measures include reducing listing-related costs, eliminating functional overlap between the holdings and operating companies, and expanding order-taking and construction capabilities through resource sharing among operating companies.

As for road paving fields and de-construction fields, we will begin full-scale efforts in the future, but currently we are focusing on cost reduction in civil engineering, building construction, and corporate areas.

Q. Regarding the medium-term outlook for the domestic building construction sector, I would like to hear the perspectives of both Maeda Corp. and Sumitomo Mitsui Construction.

This time, Maeda Corp. has raised its business profit targets in its medium-term management plan, but is a further improvement in the building construction division’s margins expected from this fiscal year to next and the year after?

Also, as the industry as a whole is seeing a trend of improving building margins, does Maeda Corp. believe there is additional potential for increasing its profit margins?

Additionally, Sumitomo Mitsui Construction has disclosed its profit status at the time of order receipt, and while the profit margin at order seems relatively high, the actual margin at completion appears to decline. Is this gap due to losses on individual projects, or is there potential for future margin improvement through design changes or additional measures during construction?

Furthermore, please explain in detail the specific initiatives and outlook for medium-term profit margin improvement.

A. Regarding Maeda Corp.’s medium-term profit outlook, as we have previously explained, we expect projects totaling around 2 trillion yen by around 2030, of which roughly 1 trillion yen are projects with a high probability of being awarded. Since these projects are being advanced systematically from the upstream phase, we anticipate further improvement in profit margins going forward.

For Sumitomo Mitsui Construction, our approach to the profit margin of orders received differs from that of Maeda Corp. Specifically, we adopt a “zero cushion” approach, where the profit margin of orders received and final cost are aligned.

As you pointed out, there have been cases where the final profit margin was low, but we now conduct extremely rigorous screening at the time of order, with even stricter approval processes than Maeda Corp. Therefore, we believe that there will be very few cases going forward where the margin drops significantly at completion.

We also recognize that the final cost should never be higher than the profit margin of orders received, and we will continue to carefully monitor this and strive to secure appropriate projects.

Continuing, regarding the profit margin of orders received, and the most recent gross profit margin, the main reason for the decline in gross profit margin over the past one to two years is that some low-profitability projects affected by rising prices still remain.

We are currently replacing these with projects where margins can be secured, and have especially tightened screening over the past two years, so we expect that there will be fewer cases with sharply lower margins going forward.

By 2027, the impact of these low-margin projects is expected to be almost resolved, with the gross profit margin recovering to around 9%.

Additionally, our approach to the profit margin of orders received differs from Maeda Corp., as there are recurring costs of around 1–2% apart from individual project gross profit, so when comparing the profit margin of orders received with Maeda Corp., it is appropriate to subtract this portion. We are currently closely examining these differences as well.

In any case, we will continue to enforce strict management to ensure that margins do not decline from the time of order onward.

Q. Regarding the equity ratio indicated on page 7 of the medium-term management plan, please explain how the bridge loan and equity financing related to the acquisition of Sumitomo Mitsui Construction will impact the ROE target and other metrics.

A. The acquisition price for Sumitomo Mitsui Construction is approximately 94 billion yen, of which 76 billion yen will be procured through a bridge loan after the TOB is completed, with the remainder to be borrowed after the squeeze-out is finalized. The equity ratio before Sumitomo Mitsui Construction joined the group was about 35%, but it is currently around 30%, reflecting the impact of the bridge loan.

Going forward, we will strengthen profitability toward 2027 and operate with a focus on capital efficiency and financial discipline (maintaining a D/E ratio of 1.0 or less), aiming for ROE of 12% and an equity ratio of 30% or higher.

Depending on future financing methods, the equity ratio and other metrics may fluctuate, but no specific policies have not yet been determined.

Q. I believe the equity ratio will be around 30% after the execution of the bridge loan, but what is your outlook for the D/E ratio?

A. The D/E ratio after the execution of the bridge loan is expected to be approximately the target level of 1.0.

Q. Please share your outlook regarding the impact on future performance from winning the bid for the Toyohashi Water Purification Plant.

A. This project uses the BT+concession model, with the redevelopment BT portion amounting to approximately 33.5 billion yen. The main focus will be on civil engineering work, which is planned to be carried out by Maeda Corp., and the budget includes profit margins comparable to those of standard civil engineering projects.

Regarding the concession, the initial plan is to start with Water PPP 3.5, and transition to Water PPP 4.0 from the 11th year at the request of the prefecture. However, our company is considering accelerating this transition to around the fifth year.

We expect an IRR of around 10%, and believe the project will sufficiently contribute to earnings. However, as the contract has not yet been finalized, we refrain from disclosing detailed annual impacts at this time.

Q. Regarding the image graph of concession revenue for the New National Stadium, it appears that there will be little profit until around 2030. Could you explain under what circumstances positive profit will be generated?

A. In the concession project for the New National Stadium, JSC (Japan Sport Council, an independent administrative institution) had planned to subsidize up to 1 billion yen per year (including consumption tax) in operating expenses if the operator did not propose a concession fee. However, our group comprehensively evaluated the brand power, profitability, and innovation of the New National Stadium and proposed a concession fee of 52.8 billion yen.

Regarding revenue, in addition to the conventional rental income, we expect hospitality income through the conclusion of a naming rights contract at the highest price in domestic history and the addition of approximately 50 VIP suites, and we anticipate an early turnaround to profitability.

Q. Regarding the valuation gains on financial instruments included in pre-tax profit, please specify the details and let us know whether these gains are limited to this period or what the outlook is for the next fiscal year and beyond.

A. The significant positive factor in financial income for this period is attributable to the increased in the valuation of Kioxia, related to Toshiba, in which we have invested. The future outlook depends on the business conditions of both Kioxia and Toshiba.

Q. Is it correct to assume that valuation gains fluctuate in line with annual changes in stock prices?

A. That is correct. If stock prices rise, valuation gains may occur; if they fall, valuation losses may result. However, considering the current trends in the semiconductor industry, I believe there is a high possibility that prices will continue to rise in the future.

Q. Please explain the background for reconsidering the sale of JWD project.

A. The reason for reconsidering the sale is that, taking into account expectations for an increase in environmental value and the current situation of electricity prices, we determined that it would be more advantageous to retain the project for the time being and observe the situation.

In particular, considering policy trends in renewable energy and the progress of offshore wind power, we are carefully reviewing the timing of the sale, as there is a possibility that the value of onshore wind power may increase.

Q. Are there any indicators or benchmarks that would allow external parties to predict the timing of the sale? In particular, this sale appears to be difficult to understand from the outside. Is it correct to understand that this asset is evaluated based on the ongoing situation and overall asset allocation?

A. The main factors for decision-making are the trends in electricity sales prices and the environmental value of renewable energy. As these increase, profitability improves, making them important indicators when considering the timing of a sale. We will carefully and comprehensively consider these factors, including our cash allocation policies, in making our decisions.

C. Regarding JWD, I have repeatedly asked about this because the fluctuations have become larger year by year. Even if not on a quarterly basis, I would like to hear your views whenever necessary. I hope you will continue to provide explanations in the future.

Q. It appears that the business profit outlook for the infrastructure management business has decreased compared to the previous forecast. Could you explain the background?

A. In the previous medium-term management plan, we had assumed the sale of the JWD project, but in light of current market conditions, we have changed our policy to continue holding it. Therefore, we are not expecting any one-off profits from the sale and have formulated a plan based on stable recurring business profits. If the sale is realized in the future, there is a possibility that business profits will exceed the current plan.

C. I believe this policy is appropriate. Since gains from sales are considered one-off profits, they tend not to be highly valued from a valuation perspective. As a business, even though solid efforts are being made, the reality is that profits with high volatility are not easily reflected in the stock price. Therefore, it is clearer to base estimates on conservative figures and recognize any gains from sales as an upside factor.

Q. Regarding the gross profit margin for your building construction business, some companies in the industry are aiming for around 17% over the next 1-2 years. What is your outlook for improving your gross profit margin?

A. At Maeda Corp., the profit margin of orders received is 9.4%, and the final gross profit margin for this fiscal year is 10.9%. We expect a further increase of about 3-4% going forward. In the future, we believe there is

potential to improve to around 13–15%, but in order to aim for the high level of a 17% gross profit margin, additional initiatives such as creating added value will be required.

Profit margins in the building construction business are greatly influenced by supply-demand conditions and trends in labor and material costs. While it is unlikely that labor costs will decrease significantly, material costs, although currently stable, require us to remain vigilant going forward.

We are shifting away from traditional price competition and, even in contract work, are focusing on increasing profit margins by creating added value from the upstream stages, rather than competing solely on cost. We are thoroughly implementing a system to secure profits from the order stage and pass them on to the construction site.

Furthermore, by enforcing strict order disciplines, optimizing construction systems, and focusing on operating profit margins, we are working to strengthen overall corporate profitability. We will also collaborate with Sumitomo Mitsui Construction to achieve our targets.

Q. Page 9 of the medium-term management plan presentation materials describes the status of cash allocation, including cash-in and cash-out. Cash-in consists of proceeds from earnings from business activities and the sales of assets, while cash-out covers a wide range of items, such as up to 133 billion yen in growth investments in renewable energy. I believe that by disclosing returns on these investments, including past performance, it will be easier to understand the certainty of these investments. I would like you to consider this going forward.

In addition, since there are significant cash-outs in addition to cash-in, I think it is important to prioritize investments when necessary, not only shareholder returns such as increased dividends. From the perspective of maintaining an equity ratio of over 30% and improving credit ratings, I believe that capital enhancement should also be considered.

Please explain your approach to cash-out, including its relationship and background to the medium-term management plan.

A. The main focus of growth investment is the renewable energy business, and the projects currently under development at JWD will soon enter the construction phase. We have also begun investing in the battery storage business, which will be another key investment area.

Regarding the balance between cash-in and cash-out, we are continuously consulting with rating agencies and considering measures to maintain and improve our credit rating. We strive to balance shareholder returns and growth investments, enforce financial discipline (such as ROE and D/E ratio), and maximize capital efficiency.

For investment returns, we carefully examine and judge each project from both immediate returns and, for example in renewable energy projects, the potential upside from future power sales prices and increased environmental value.

We fully understand your intention regarding the clarification of investment returns. Going forward, we will strive to disclose them in a more understandable manner; however, while considering the impact on individual project negotiations, we will do our best to disclose information as much as possible within the allowable scope.

We will continue to pursue both share price improvement and financial soundness, and actively engage in information disclosure.

Q. As we anticipate further expansion of investments exceeding 100 billion yen per individual project in the future, I believe that clearly presenting the investment criteria such as ROI established internally, as well as the target levels of return, will help reassure investors that sufficient profitability is being secured. What is your view on this?

A. We have established strict criteria for each investment project. For example, in the Happou Wind Power Project, we recorded a profit of approximately 6.8 billion yen on an investment of 1.2 billion yen. Regarding the minimum investment recovery standards, we will continue to consider ways to enhance our disclosure so that these standards are communicated clearly to our investors.

C. Currently, there are few cases in the market, so it is difficult for external parties to understand the future profitability, latent gains, and capital gains at the time of sale for investment projects. While there are expectations for the future, if the sale price at the time a deal is actually concluded is clearly indicated, it will become easier to specifically visualize the value of projects currently under development. We would appreciate it if you could consider further improvements in disclosure so that such information becomes easier to understand.

Q. Regarding the business profit shown on page 5 of the medium-term management plan presentation materials, the figure appears to have approximately doubled after the integration of the building construction and civil engineering divisions. Is this due to an increase in construction volume, or does it reflect improved profit margins resulting from synergies?

A. The business profit is the result of building up the targets that each company aims to achieve in FY2027, and it does not simply reflect a doubling of construction volume; it also incorporates synergy effects such as improved profit margins and reductions in selling, general, and administrative expenses. Efficiency improvements through SG&A cost reductions have also contributed to business profit, so please understand that this is the accumulated result of leveraging the strengths of both companies.

Q. Regarding the gross profit margin of 10% for building construction and 16.4% for civil engineering, what levels are expected for fiscal year 2027?

A. As targets for fiscal year 2027, Maeda Corp. aims for approximately 11% in building and approximately 19% in civil engineering, while Sumitomo Mitsui Construction aims for approximately 9% in building construction and slightly over 15% in civil engineering.

Q. Is it correct to understand that efficiency improvements from the integration will also be reflected in profit margins?

A. The effects of the integration are expected to be reflected in profit margins. In particular, reductions in indirect costs such as SG&A expenses are expected to contribute to the improvement of business profit.

Q. Regarding the infrastructure management business, I have heard that the sale schedule for JWD's onshore wind projects is being reviewed. There was mention of a possible sale in FY2027, and that if it happens, there could be an upside in performance. If a sale actually takes place, what amount do you expect to realize from the sale?

A. The reason I mentioned a potential upside in performance from a sale is that, previously, our plans were based on the assumption of a sale, but we have now changed to a plan to continue to own and develop the projects instead.

Therefore, it does not mean that performance will decline if we do not sell; rather, there is a possibility that performance will improve if a sale is realized. However, we are not specifically expecting any upside in FY2027.

As for the timing of the sale, our policy is to make flexible decisions based on market conditions, and at this point, there is also a possibility that we will continue to own the projects. Since there are many variable factors, we are not making plans based on the assumption of a sale, and we are not particularly expecting any upside in FY2027.

Q. Please tell us about your future policy regarding M&A involving cash out.

A. As we aim to grow into an integrated infrastructure services company, we will continue to pursue M&A as needed.

We are not currently considering TOB for listed companies, but we are exploring complementary acquisitions of unlisted companies and small- to medium-sized enterprises, particularly in the operations field.

Specific targets have not yet been determined, but our policy is to proactively invest, mainly in Japan, whenever opportunities arise. We are also considering the possibility of establishing joint ventures with overseas companies.