

**Main Contents of Q&A from the FY2025 3Q Financial Presentation**

Date: February 10, 2026 (Tuesday) 15:00 - 16:07

Speakers: President and CEO Kazunari Kibe

Executive Officers: Takao Nakanishi, Yuji Hatakama, Masashi Shimojo

---

**Q. Looking solely at the fourth quarter in the consolidated results, business profit appears to be ¥11.0 billion and operating profit ¥9.1 billion, which seem somewhat modest. Based on the progress up to the third quarter, please explain the factors that would lead to a decrease in business profit in the fourth quarter.**

**In addition, given that a half-year contribution from Sumitomo Mitsui Construction is expected to be included in the consolidated results, how should we view the potential upside to performance? Please elaborate on both the results to date (up to the third quarter) and the outlook for the fourth quarter.**

A. As you are aware, construction contracts may involve design changes or additional work in the fourth quarter, and we believe there remains ample room for performance to exceed the forecast. However, please understand that projects not yet finalized at this stage have not been reflected in our year-end earnings forecast.

In the building construction business, MAEDA CORP. has a large-scale project that may become unprofitable in the fourth quarter, and we expect a certain level of impact on profit. Sumitomo Mitsui Construction also has one large-scale project, and profitability will depend on the extent to which price adjustments for inflation and additional work can be secured.

Meanwhile, both companies have steadily accumulated profit through the third quarter, and we believe that securing adjustments for inflation and obtaining approvals for design changes will remain key factors in the fourth quarter.

In the civil engineering business, negotiations on design changes for government contracts are entering a critical phase toward the fiscal year-end. MAEDA CORP. and Sumitomo Mitsui Construction are working collaboratively across headquarters, branches, and construction sites to finalize negotiations, and we are making every effort to generate upside. We expect that some level of additional profit will be achievable.

**Q. Based on your earlier comments, a large-scale unprofitable project is expected to occur in the fourth quarter within the building construction business. Is it correct to understand that this reflects insufficient pass-through of inflation-related cost increases toward the end of the project, resulting in losses?**

**Furthermore, to what extent could such events impact margins in the building construction business from next fiscal year onward? Please explain the magnitude and scope of the expected impact.**

A. Due to the extremely tight construction schedule for the project, certain portions have required accelerated work. However, this does not mean that it is a loss-making project; rather, the point is that its profit margin is lower than our usual level. We would appreciate your understanding in this regard. In addition, there are no factors that will have any impact on performance in the next fiscal year.

In addition, there are no factors that will have any impact on performance in the next fiscal year.

**Q. Regarding valuation changes in financial assets, the stock price of Kioxia has recently shown significant volatility. Is it correct to understand that the current forecast is based on the stock price as of the end of December? Or have stock price movements through the end of January also been reflected?**

**Please explain the specific valuation criteria and timing used in calculating the forecast values.**

A. As you noted, gains on valuation of financial assets are significantly affected by fluctuations in KIOXIA's stock price. Our current fiscal year-end forecast is calculated based on the average stock price at the end of December and the end of January.

Please also be aware that, as the stock price has continued to rise recently, there remains a possibility that valuation gains on financial assets will fluctuate toward the fiscal year-end.

**Q. I understand that certain factors make the fourth-quarter profit outlook conservative. However, according to page 49 of the presentation materials, Sumitomo Mitsui Construction's domestic gross profit was ¥10.6 billion in the third quarter, while the full-year plan is ¥10.4 billion, implying a loss in the fourth quarter alone.**

**Given this, the full-year profit forecast for the building construction business appears to be set quite low. Is the actual situation such that profits will fall significantly or that losses are expected? Or should this simply be viewed as a conservative estimate?**

**Also, you mentioned earlier that these special factors will not affect next fiscal year. Based on this assumption, could building construction margins recover to around 12–13% from next year onward? What level should be considered a realistic “underlying capability” given the current business environment?**

A. At Sumitomo Mitsui Construction, there are differences in views regarding inflation-related cost increases for certain large-scale projects, and price negotiations are currently underway. For this reason, the current fiscal-year outlook has been set somewhat conservatively.

For next fiscal year, we expect Sumitomo Mitsui Construction to achieve both revenue and profit growth. The company will form joint ventures with MAEDA CORP. across ten projects totaling approximately ¥40 billion, aiming to enhance productivity. The planned 50/50 JV structure is also expected to increase the certainty of higher revenue and profit.

For MAEDA CORP., the profit margin of orders received for the current fiscal year is expected to reach 9.4%, with the margin on a completed basis potentially exceeding 11%. The plan for next fiscal year assumes a 9.0% margin of orders received, but we believe there is upside potential depending on circumstances. The gross profit margin on completed construction is expected to remain around 13%.

Sumitomo Mitsui Construction uses different management standards from MAEDA CORP. for the profit margin of orders received. Going forward, we will enforce order discipline and secure profit margins aligned with the standards. As for the gross profit margin, it is expected to be 7.5% this fiscal year, but to improve to above 8% next fiscal year as the impact of unprofitable projects diminishes.

In addition, the differing definitions for profit margin of orders received and gross profit margin on completed construction between the two companies will be standardized to MAEDA CORP.'s criteria from next fiscal year. Until now, differences in the treatment of SG&A expenses have made Sumitomo Mitsui Construction's gross profit appear relatively lower, but standardization will enable both companies to be viewed at comparable levels, including profit margins of orders received.

**Q. Please provide any update you can share at this point regarding the refinancing of the bridge loan. In past briefings, you mentioned that various options—including the use of debt—were under consideration. If there have been any developments or additional points to note since then, please let us know.**

A. There is nothing new to disclose at this time. Please understand that we remain in the stage of considering all possible options.

**Q. Regarding the results of the building construction segment, the gross profit margin for the third quarter alone appears to be relatively high at around 13%. How should we interpret this background?**

**Meanwhile, the gross profit margin for the civil engineering segment is around 16%, which seems close to the usual level. Were there any notable factors in the third quarter, such as design changes? Please elaborate.**

A. In the building construction segment, the proportion of large-scale projects has increased, and the profitability of these projects was very strong. This is the primary factor behind the high gross profit margin in the third quarter. In addition, we were able to appropriately secure adjustments for inflation as well as additional construction work, which also contributed to the high gross profit margin.

On the other hand, in the civil engineering segment, there were no major design changes finalized as of the third quarter. However, taking into account the design change management sheets and other information, we are working to steadily build up profit margins with the fourth quarter in mind. If the projects currently under negotiation are finalized, there is potential for the gross profit margin to increase further.

**Q. When looking at the profit margin of orders received for Sumitomo Mitsui Construction on page 22 of the presentation materials, it has remained in the 12% range since FY2023. I understand that there are differences from MAEDA CORP. in the methods of recording costs and SG&A expenses. However, given that the Azabudai Project will be completed this fiscal year, the outlook that the gross profit margin of the building construction segment will remain at 8.3–8.4% next fiscal year appears somewhat low.**

**If the negative impact from the Azabudai Project, which has been weighing down the margin, will be resolved, it would not seem unreasonable for the margin to recover to above 10% next fiscal year. Could you explain the factors that will keep the gross profit margin in the 8% range, and how we should interpret the gap between the gross profit margin and the profit margin of orders received?**

A. The fact that the profit margin of orders received is in the 12% range is due to differences from MAEDA CORP. in the methods of recording costs and SG&A expenses. From next fiscal year, these standards will be unified to those of MAEDA CORP., and in that case, we believe it would be appropriate to assume a profit margin of orders received of around 11%.

Although the Azabudai Project will be completed this fiscal year, certain unprofitable large-scale projects will remain next fiscal year, and these are the main factors keeping the gross profit margin in the 8% range. These unprofitable projects are expected to be resolved sequentially by FY2026, after which we expect margins to improve to levels closer to those of MAEDA CORP.

At the same time, several factors that will contribute to future gross profit improvement are making positive progress. We are continuing negotiations for additional construction work reflecting inflation, and if these are finalized, there is potential for a significant improvement in profit margins.

We are also reinforcing order discipline and shifting toward selectively receiving highly profitable upstream projects rather than pursuing volume. In addition, by proactively taking on highly productive projects, we are working to secure profit margins even when order volumes are not necessarily large.

Taking all these efforts into account, we expect both revenue and profit growth from next fiscal year into the following year, together with a steady improvement in the gross profit margin.

**Q. The full-year plan for Sumitomo Mitsui Construction is shown on page 49 of the presentation materials, and our understanding is that the company's full-scale earnings recovery is still ahead. Earlier, you mentioned that the cleanup of loss-making projects is progressing and that major issues are expected to be largely resolved around FY2027.**

**Based on this premise, and considering the potential that Sumitomo Mitsui Construction possesses, what level of net sales and profit can be expected in the future?**

A. We are steadily advancing PMI initiatives with the aim of achieving the targets set forth in the INFRONEER Medium-term Vision. Although these targets are by no means easy to achieve, we are actively implementing initiatives where the Group can provide support, including collaboration in orders received and forming joint ventures in construction.

From the perspective of Sumitomo Mitsui Construction's future potential, we believe that the achievable level for the building construction segment as a whole—supported also by the strength of its overseas business—is within reach.

In particular, overseas, the company has established a strong business foundation in the Indian market, and further net sales growth is expected as Japanese companies continue expanding their investments.

At the same time, reforms to the profit structure—such as productivity enhancement and strengthening the acquisition of upstream, highly profitable projects—are making steady progress, and we believe there is still room for further growth across the entire building construction segment.

With regard to profit margins, starting next fiscal year, cost and expense recognition standards will be unified with those of MAEDA CORP., and this will raise profit levels in both the domestic building construction segment and the civil engineering segment toward those of MAEDA CORP.

Overseas as well, despite a challenging business environment, the company continues to deliver solid results and is consistently securing a gross profit margin of around 10%. We believe this level can continue to be maintained going forward.

**Q. Regarding the concession arena business, our understanding is that in the operation of IG Arena and Japan National Stadium, initial costs such as opening expenses are currently substantial, and their contribution to earnings remains limited at this point. How should we view the earnings contribution over the next two to three years?**

A. For greenfield projects such as IG Arena, we expect them to turn profitable around the second to third year after the start of operations. In contrast, brownfield projects such as Japan National Stadium would ordinarily be able to turn profitable from the first year. However, for Japan National Stadium, approximately ¥9 billion has been invested in the first year for upgrades to VIP rooms and lounges, as well as the installation of state-of-the-art ICT equipment. As a result, the profit-generation profile will be similar to that of IG Arena, and we expect full-fledged contribution to earnings around four to five years after the start of operations.

For each of these projects, we expect annual profit equivalent to roughly 10% of the investment amount, and there may be years in which a comparable level of return can be expected from a cash flow perspective as well. As previously explained, the investment amounts are approximately ¥40 billion (including tax) for IG Arena, and for Japan National Stadium, ¥52.8 billion (including tax) for the concession rights fee plus approximately ¥9 billion (including tax) for renovation work and ICT equipment installation.

Regarding Shizuoka Arena, we submitted our proposal last week, and the operator is expected to be selected by sometime in March. Construction is scheduled to begin sequentially thereafter.

**Q. In today's explanation, you mentioned that some accelerated construction work has occurred in the building construction business this fiscal year. Could you explain the background to this?**

**While factors such as the high level of construction difficulty or challenges in arranging subcontractors may be project-specific, what were the factors that led to the need for accelerated work?**

**In addition, with construction and project costs rising, we are seeing certain projects being postponed. We recognize that some of your redevelopment projects have also been affected. To what extent will this situation impact the building construction business from next fiscal year onward, or should we view the impact as limited?**

**Furthermore, how should we assess the current risk of a significant decline in building construction net sales from next fiscal year onward?**

A. The background to the accelerated construction work stems from the overlap of three main factors. First, the initial construction plan was tight, and it became difficult to proceed according to the originally scheduled timeline. Second, the arrangement of subcontractors did not progress as expected, leading to delays in securing the required workforce. Third, it took time to finalize specifications with the client, resulting in schedule adjustments being pushed back.

Cases in which all three factors occur simultaneously are extremely rare among the approximately 200 projects we handle, and we recognize this as a special circumstance.

Regarding the impact on redevelopment projects, it is true that the rise in project and construction costs has resulted in additional expenses for some projects. We are working closely with redevelopment associations, project partners, and participating members to appropriately reflect costs by reviewing inflation on a semiannual basis based on actual market conditions and engaging in individual negotiations with partner companies. Unlike general deflators, our cost management is grounded in actual market conditions, a point that has been highly valued by developers.

As a result of these efforts, even though many large-scale redevelopment projects are underway, there is no increased uncertainty around our major projects. We consider the near-term risk to be limited, and we do not believe there is any situation that would lead to significant concerns about building construction net sales from next fiscal year onward.

**Q. Regarding the gross profit margin in the building construction business, my understanding is that your company has traditionally ensured appropriate information sharing with clients through the cost disclosure method and has thereby secured profit margins reliably as a contractor. As a result, I recognize that you have maintained stable gross profit margins to date.**

**Meanwhile, looking at market conditions over the past one to two years, there are cases where companies that do not use the cost disclosure method have achieved greater improvements in gross profit margins, and it is possible that this trend may continue for some time.**

**Given this context, will you continue to use the cost disclosure method going forward? Alternatively, is it possible to adopt a strategy in which you set a higher profitability level at the time of order receipt, raise the gross profit margin in the building construction business to around 15%, and then further build on this through design changes and additional construction work?**

**From the standpoint of growth in the building construction business, the room for improvement in gross profit margins is extremely important. If there appears to be an upper limit to profit margins, volume expansion would become necessary, but given the constraints on construction capacity, this may not be realistic.**

**Taking these factors and future market conditions into account, to what extent do you believe gross profit margins in the building construction business can be raised, and how might your approach to profitability at the time of order receipt change?**

A. The cost disclosure method is a practice MAEDA CORP. has pursued since FY2005; however, it is not applied to all clients, and the adoption ratio in ordinary construction contracts is still not high.

On the other hand, for “de-construction”-type projects such as arena businesses, we apply the cost disclosure method across all projects.

The reason we recommend and seek to expand the cost disclosure method is based on our approach to building fair and long-term partnerships with clients.

As you pointed out, when supply–demand conditions are favorable, companies not using the cost disclosure method may be able to secure higher profit margins. However, supply–demand conditions do not permanently favor contractors, and when conditions turn, the industry inevitably returns to accepting unprofitable orders. In fact, the industry has experienced this cycle many times. We cannot rule out that the current market may have already peaked.

Therefore, we see the traditional model—where profit margins rise and fall in line with market “waves” in supply and demand—as a structural issue inherent in Japan’s construction contracting model. This is precisely why we intend to continue promoting long-term, trust-based initiatives through the cost-reveal method or contract structures aligned with its principles.

In one past project with a developer, we refunded cost reductions to the client during a period of falling prices, which was highly appreciated. As a result, even today, when other general contractors are struggling with price negotiations, both our company and Sumitomo Mitsui Construction have been able to secure inflation-related adjustments. This demonstrates how long-term sincerity directly strengthens our negotiating power.

Furthermore, the steady increase in MAEDA CORP.’s profit margin of orders received is not due to taking advantage of favorable supply–demand conditions to “add a markup.” Rather, it reflects our practice of reasonably sharing part of the cost-reduction effects generated through productivity improvements with clients, while appropriately recording the remainder as profit.

By continuing our initiatives to improve productivity and linking those results to better profit margins of orders received, we believe that both MAEDA CORP. and Sumitomo Mitsui Construction still have sufficient room to further increase their profit margins.

**Q. I would like to ask about trends in the building construction market. Some market participants suggest that the order environment may be showing signs of having peaked. How do you assess the current market environment?**

**In addition, are you actually sensing any signs that would indicate a peak-out? Please share your view.**

A. As you pointed out, it is true that, against the backdrop of rising construction costs, we are seeing an increasing number of delays in project schedules, particularly for large-scale projects. When such delays become widespread, the workload of specialized contractors—such as equipment and electrical subcontractors—tends to settle down, which in turn triggers a cycle in which overall market prices decline rapidly. Over the approximately 30 years since I began overseeing corporate planning at MAEDA CORP., I have experienced this type of environment three times, and I believe it is highly likely that a similar situation will arise again at some point.

That said, our company is advancing a shift toward diversified business models, including de-construction businesses, in order to maintain and normalize profit margins even amid such market fluctuations. Accordingly, even if the order environment were to peak out, we believe we have sufficient resilience to manage the impact.

At the same time, the current market environment also differs slightly from past cycles. Performance across general contractors remains generally strong, and given the current backlog of orders, there is no apparent need to engage in unreasonably low-priced bidding. For these reasons, it is possible that the current situation is structurally different from past periods in which market conditions deteriorated rapidly. In this sense, we do not believe there is a need to take an excessively negative view of the current environment.

**Q. I would like to ask about the earnings outlook for Japan Wind Development. Through past business briefings, I fully understand that the company has significant potential.**

**Meanwhile, the external environment surrounding renewable energy is changing substantially, including the restart of nuclear power plants and shifts in energy policy. Even under these circumstances, is it correct to understand that your outlook—that the company will steadily accumulate earnings, enter a growth trajectory, and achieve profitability—remains unchanged?**

A. Regarding the restart of nuclear power plants, we expect progress to continue generally in line with the Ministry of Economy, Trade and Industry's policy, with the exception of the Hamaoka Nuclear Power Plant. However, even if all nuclear plants were to be restarted, the supply of renewable energy—or more broadly, carbon-neutral power—would still be insufficient relative to the targets set forth in the government's Strategic Energy Plan.

In particular, to reach renewable energy ratios comparable to those in Europe, the current level is far from adequate. Against this backdrop, and driven also by overseas market requirements such as RE100, which call for carbon-neutrality across entire supply chains, demand for renewable energy among Japanese manufacturers continues to rise year by year. This trend has already begun to be reflected in renewable electricity prices.

When we valued Japan Wind Development at the time of acquisition, we assumed a sales price of around ¥18 per kWh for 1 GW of development projects around 2030. Although current market prices have not universally reached

¥18, some transactions have already exceeded this level, and we believe prices could reach levels above our initial assumptions by 2030.

Furthermore, a notable trend since the publication of the Strategic Energy Plan is the rapid expansion in the construction of data centers in Japan. Large-scale investments by overseas companies, including GAFAs, are underway, and recently, landing points for subsea cables have been announced, around which multiple large-scale data centers are expected to be built. Since these data centers require carbon-neutral power, we expect demand for wind power generation to increase even further.

Considering these changes on both the supply and demand sides, Japan Wind Development is benefiting from strong tailwinds in both electricity prices and demand. At this point, we see a strong upside potential.

**Q. Based on today's stock price movements (February 10, 2026), your market capitalization has risen to approximately ¥730 billion, and it now seems increasingly realistic that INFRONEER could join the "¥1 trillion market cap club." I see this as a reflection of the market's solid recognition of the efforts of management, including the President and CEO, as well as each business segment.**

**At the same time, in order to continue achieving sustainable growth, it will be necessary not only to further strengthen existing businesses but also to maintain an active stance toward growth investments, as you have done to date. In that sense, strengthening your capital base early to secure additional investment capacity—including for M&A—could also be an option.**

**From this perspective, could you share your current thoughts on future growth strategies and on additional investments or M&A?**

A. We believe that the growth-strategy perspective you have highlighted aligns precisely with the direction INFRONEER Holdings aims to pursue. With that in mind—and while remaining mindful of insider-information considerations—I would like to respond as follows.

First, for INFRONEER Holdings to continue growing, further enhancement of our existing businesses is of critical importance. Business companies such as Sumitomo Mitsui Construction and MAEDA ROAD still have substantial room for improvement, and we recognize that raising their performance will be the primary driver of our growth.

Next, with respect to growth investments, including M&A and TOB, since our establishment we have been advancing multiple initiatives to strengthen areas that cannot be fully addressed with our existing resources, based on our management policy of integrating construction and de-construction businesses. While we cannot disclose details at this time, we ask that you understand these initiatives are steadily progressing “behind the scenes.”

In pursuing such growth investments, there may eventually come a point at which we will need to consider strengthening our capital base. We are examining how to combine the optimal balance of equity and debt with the feasibility of our growth strategies—essentially working through a “simultaneous equation”—and we intend to provide updates at an appropriate timing.

Regarding market capitalization, as you noted, prior to the establishment of INFRONEER Holdings, we started from a level of less than ¥200 billion (MAEDA CORP.'s market capitalization at the end of September 2021 was approximately ¥175 billion). Since then, we have grown to roughly four times that scale, reaching a point where ¥1 trillion is now within view. Looking back, we regard the speed at which we have achieved this growth—while consistently delivering on our guidance—as a significant accomplishment.

Looking ahead, if we are in a position where a ¥1 trillion market capitalization is a realistic target, we would like to reach that milestone as early as possible. To that end, we will continue to move forward with a sense of urgency, considering every possible option necessary to achieve it.