

Date and time of the event : May 22,2025 10:00~11:00

Attendees : President Shin Ueda, Vice President Koji Okaichi, General Manager of the Administration Division Hiroyasu Yaguchi, General Manager of the Civil Engineering Management Division Tetsuo Ono, General Manager of the Architectural Management Division Taiji Ito, General Manager of the International Division Hideki Yamasaki, General Manager of the Management Strategy Division Naohiro Shimizu, General Manager of Corporate Planning Department IR Group Chihiro Nosaka

**Q1: Please explain the FY2025 performance outlook for Building Construction, including quantitative information such as on-hand loss projects.**

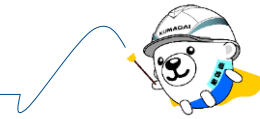
A1: The proportion of unprofitable construction carried over to the next term is about 3% of the sales revenue. The gross profit margin at the time of order in the current term improved by 2.5 percentage points compared to the previous term, and the profitability outlook for the carried-over construction, which accounts for over 90% of the sales revenue in the next term, has been raised. Therefore, a significant improvement in the profit margin is expected for the next term.

**Q2: So far, the subsidiary has been growing steadily and supporting the consolidated performance, but I would like to hear your thoughts on the future growth strategy.**

A2: Road company Gaeart has advanced in passing on costs in its product business, and improved profit margins in its contract business, particularly in government projects. Building Construction Renewal company K&E is experiencing continued market strength, with an increase in large-scale projects leading to improved productivity and the establishment of a stable construction system and profits. Taiwankumagai, the local subsidiary in Taiwan, is celebrating its 50th anniversary with established brand strength and many inquiries, but needs to expand its scale gradually while considering its construction system, due to being in the process of implementing landmark large-scale projects. As a whole group, progress is being made smoothly towards the target values in the final year of the Mid-Term Management Plan.

**Q3: Regarding the plans for the next period of Civil Engineering, it appears conservative, but I would like to inquire about the approach.**

A3: In Civil Engineering, for the current term, many projects involved settlement negotiations with clients, contributing to improved profit margins. The profit plan has been conservatively set at a level that can be reliably committed to, with only partial incorporation of significant uncertain additional design changes. The establishment of a system for acquiring additional design changes continues to improve profits, and depending on the timing of design changes, we see a potential improvement of around 2 points compared to the initial plan for the next term.



**Q4: The concern about a downward shift cannot be fully dispelled as the loss has continued to widen so far.**

A4: Repeated downward revisions due to an increase in losses from unprofitable construction projects have resulted in an inability to achieve initial announced figures. For the next fiscal year's plan, realistic levels have been established by steadily accumulating projects from each branch in Civil Engineering and Building Construction. Additionally, necessary provisioning has been made for projects carrying losses over to the next year, so there is no concern for earnings revisions due to loss increases.

**Q5: Is it correct to understand that additional shareholder returns will not be implemented because the equity ratio is currently hovering below 40%?**

A5: For the FY2026, based on achieving profits as outlined in the Mid-Term Management Plan and considering the dividend payout ratio, it is believed that it would be possible to increase dividends by an additional 30 yen, raising it to approximately 190 yen per share. The order environment continues to be steady, and if revenue increases and profits are further augmented, we are considering additional returns while comprehensively taking into account the dividend payout ratio and equity ratio. We are aware that shareholder returns, including the introduction of interim dividends, are a management challenge, and we constantly discuss them.

**Q6: Going forward, what fundamental measures are being undertaken internally to prevent the occurrence of loss-making projects in Building Construction?**

A6: Regarding measures to prevent recurrence of loss risks, we have detailed the causes and countermeasures on pages 26-27 of the explanation materials, following the occurrence of a major loss project. In addition to the existing pre-order cost and credit examinations, we are strengthening initiatives to eliminate the risk of profit deterioration. Specifically, we are working on excluding disadvantageous clauses, prohibiting principle agreements based on estimates, and tightening examinations regarding agreement content. Furthermore, we are committing to receive orders under the condition of re-agreeing on construction costs with the final implementation drawings and ensuring appropriate processes in design, estimation, and construction. For design and construction projects, we eliminate risks at the design stage by including the head of the design department as a review member.



### Q7: Is there further room for improvement in the profitability at the time of order for Building Construction?

A7: They are engaged in a well-balanced order-taking activity across a wide range of markets and are capable of flexibly responding to future market changes. For instance, they are currently focusing on high productivity plants and data centers, in addition to working on markets like medium to large-scale timber Building Construction and decarbonization-oriented Building Construction for differentiation from other companies. There is room for improvement in profit margins at the time of order acquisition.

#### (Precautions)

The content of this document is a summary of the main questions and answers to the financial results briefing, and is based on information currently available to us and certain assumptions that we judge to be reasonable. However, please be aware that the content may fluctuate due to changes in the business environment or other factors.

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