

JCR's Rating Review of General Construction Companies

JCR has reviewed ratings for general construction companies from the following rating viewpoints. Please refer to JCR's press releases 21-D-1423 through 21-D-1425 for rating rationales for individual companies.

Rating Viewpoints

- (1) JCR has reviewed ratings for three general construction companies (TAISEI CORPORATION, OBAYASHI CORPORATION and SHIMIZU CORPORATION; collectively, the "Companies"). The Companies' profit level is lower than JCR's assumptions made at the time of last review in March 2021. However, JCR affirmed the long-term issuer rating with Stable outlook for all of the Companies, on the grounds, among others, that the risk of a further decline in the profit level is low at this point and that the Companies will likely be able to maintain the solid financial base that was built during a boom period. Looking ahead, JCR will keep an eye on the pace of profit recovery, outcome of growth investments, etc.
- (2) Currently, the Companies' profit level is falling because of the intensifying competition environment, especially for large-scale private-sector construction works, and rising prices of construction materials. Large-scale private-sector construction works that were contracted when the competition environment was severe are expected to be fully reported as net sales of completed construction contracts over the next two years or so. JCR assumes that, despite this increase in net sales of completed construction contracts for the near future, operating income will not far exceed 100 billion yen like in the boom period, due to a drop in profitability. On the other hand, medium-term demand for domestic construction works is expected to remain steady. While a considerable amount of private-sector projects are planned for, including large-scale redevelopment, semiconductor- and electronic device-related factories and logistics facilities, budget is set aside for such public-sector works as building national resilience and repairing infrastructures. Moreover, civil engineering works, mainly in the public sector, remain profitable. In light of the above factors, JCR views that the risk of a further drop in profits is marginal.
- (3) The Companies successfully enhanced equity capital while reducing interest-bearing debt during the boom period, thereby establishing a solid financial base. Some of them may see growth in interest-bearing debt even with the impacts of advances paid excluded as they move ahead with upfront investments aimed at strengthening the business base. That said, all of the Companies have expressed their intension to observe financial discipline; therefore, even if they make progress in investments, their solid financial base is not likely to be harmed.

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<Reference>

Issuer: TAISEI CORPORATION

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: OBAYASHI CORPORATION

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: SHIMIZU CORPORATION

Long-term Issuer Rating: AA-p Outlook: Stable

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