

Sumitomo Mitsui Construction Revised FY2022 Earnings Forecast—Downward Pressure on Rating; JCR Will Watch Progress of Large-Scale Construction Projects

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by Sumitomo Mitsui Construction Co., Ltd. (security code: 1821) of its revisions to the earnings forecasts for the fiscal year ending March 2023.

- (1) Sumitomo Mitsui Construction Co., Ltd. (the "Company") announced today its earnings forecast revisions for the fiscal year ending March 2023 (FY2022). The revised forecasts are an operating income of 7.5 billion yen (previous forecast: 16.0 billion yen) and a net profit attributable to owners of parent company of 2.0 billion yen (previous forecast: 8.0 billion yen). This is mainly because the Company will newly record a loss of approximately 6.2 billion yen for large-scale construction projects in Japan, on which it made a large amount of provision for losses in the previous fiscal year, in association with rising material prices, primarily for steel, and revisions to the construction plans, among others.
- (2) Due to the impact of the said construction projects, profits are not recovering as JCR assumed, and this puts downward pressure on the rating. At present, JCR does not intend to revise the rating and outlook in relation to the revisions; however, the rating will be negatively affected where the Company is unable to make full-scale profit recovery because of incurring an additional loss for the construction projects, etc. and/or expectation of continuing deterioration in the financial foundation. Attention also needs to be paid to the outcome of the lawsuit filed by the client for a large amount of compensation for damages caused by the faulty installation of piles at a condominium construction.

Mikiya Kubota, Yasuhiro Shimoda

<Reference>

Issuer: Sumitomo Mitsui Construction Co., Ltd.

Long-term Issuer Rating: A- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)