

## 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 18-D-1135 to 18-D-1137 for rating rationale for individual companies.

### Rating Viewpoints

- (1) As a result of rating reviews for 3 general construction companies (TAISEI CORPORATION, OBAYASHI CORPORATION, and SHIMIZU CORPORATION), JCR affirmed the long-term issuer ratings with Stable outlook for all of them. In the last review made in May 2018, JCR upgraded their long-term issuer ratings by 1 notch to AA-. JCR judged this time that favorable conditions assumed at the time of last review have been continuing.
- (2) Domestic construction demand has been strong. As it is considered that a large number of large-scale redevelopment projects and renovations for infrastructure mainly in Tokyo metropolitan area are scheduled up to the mid-2020s, domestic construction demand will remain firm over a medium term. Domestic construction demand, however, may decline in the future due to maturing economies and fiscal constraints. Given this, JCR considers that building of stronger business base through increasing market share for domestic construction business, expanding overseas business and nurturing new businesses will be challenges for the 3 companies.
- (3) Operating income of the 3 companies for the fiscal year ended March 2019 (FY2018) is expected to remain at a high level thanks to several factors including the following: (i) maintenance of their policies to win orders focused on profitability; (ii) decline of low and unprofitable works, for which it has received orders in the past; (iii) implementation of cost control through placing orders for labor and equipment in a deliberate manner. A high income is also expected in FY2019. Construction cost including labor and equipment costs has been on the rise, but JCR sees that they can offset the negative impact by passing the increase on to the price for customers and promoting measures to increase construction efficiency.
- (4) JCR considers that there are no changes to trend of financial base being strengthened through an increase of equity capital for all 3 companies. Going forward, they plan to aggressively implement growth investments such as acquisition of real estate for leasing and M&A, but capital expenditures are expected to be within the scope of operating cash flow.

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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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