

## Sumitomo Mitsui Construction Revises FY2024 Earnings Forecast—Financial Resilience Will Decline, Putting Greater Downward Pressure on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by Sumitomo Mitsui Construction Co., Ltd. (security code: 1821) on its revision to the earnings forecast for the fiscal year ending March 2025 (FY2024).

- (1) Sumitomo Mitsui Construction Co., Ltd. (the "Company") announced its revision to the earnings forecast for FY2024 today. It now expects 1.0 billion yen in operating income and 8.0 billion yen in loss attributable to owners of parent, as opposed to the previous forecast of 12.5 billion yen in operating income and 4.5 billion yen in profit, respectively. This revision is made because of the reporting of additional construction losses in the amount of approximately 13.1 billion yen for a large-scale domestic building construction project (the "Project"), for which the Company has already posted construction losses multiple times to date. The Project is scheduled for delivery in FY2025, and the Company states in the announcement that the additional losses reflect the costs to be incurred up to completion, which are almost fixed.
- (2) If the impact of the Project is excluded, a certain level of profits are secured. The Company has also improved the profitability of construction works at the time of order placement by, for instance, being strictly selective in orders, and JCR predicts that profits are most likely to recover once the Project is delivered. That said, equity capital has decreased with the posting of net loss due to the Project, and financial capacity has dropped to a considerably lower level than before. Hence, in the event that financial capacity lessens further going forward due to unexpected events, etc., the possibility of rating revision will increase. JCR will monitor progress in profit recovery and financial improvement while keeping an eye on the Project and so forth.

Mikiya Kubota, Yasuhiro Shimoda

### <Reference>

Issuer: Sumitomo Mitsui Construction Co., Ltd.

Long-term Issuer Rating: BBB+      Outlook: Negative

### 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

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