



November 10, 2022

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 Representative: Yasunori Sakurano, President
 Securities code:1861
 Stock exchange listings:Tokyo Stock Exchange, Prime Market

Notice Regarding Revision of Financial Results Forecasts

Kumagai Gumi Co., Ltd. (hereinafter “the Company”) hereby announces that it has revised its full-year earnings forecast released at the time of results announcement (August 9, 2022) for the first three months of the fiscal year ending March 31, 2023. Details are as follows.

1. Revisions to Financial Results Forecasts

(1) Revision to the consolidated financial results forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

	Net sales of completed construction contracts	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	442,000	23,200	23,500	16,200	364.56
Revised forecast (B)	408,000	15,600	16,400	11,000	247.78
Change (B-A)	(34,000)	(7,600)	(7,100)	(5,200)	—
Change (%)	(7.7)	(32.8)	(30.2)	(32.1)	—
(Reference) Results for previous fiscal year (FY2021)	425,216	22,743	23,732	15,850	342.13

(Note) No changes were made to the previously announced forecasts (August 9, 2022) from the initial forecasts announced on May 13, 2022.

(2) Revision to non-consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

	Net sales of completed construction contracts	Ordinary profit	Profit	Basic earnings per share
	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	334,000	18,700	13,300	298.60
Revised forecast (B)	306,400	13,800	9,700	217.98
Change (B-A)	(27,600)	(4,900)	(3,600)	—
Change (%)	(8.3)	(26.2)	(27.1)	—
(Reference) Results for previous fiscal year (FY2021)	331,021	19,960	13,730	295.72

(Note) No changes were made to the previously announced forecasts (August 9, 2022) from the initial forecasts announced on May 13, 2022.

2. Reason for the Revision

A decline in profitability is expected on a non-consolidated basis due to factors such as a lack of sales growth in the Domestic Civil Engineering Business as a consequence of sluggish progress of construction projects, slower-than-expected progress in cost cutting resulting from surges in construction material prices for PFI and other construction projects in which design changes cannot be anticipated, and a number of projects for which negotiations with ordering parties for design changes are difficult partly because of the impact of COVID-19 and surges in commodity prices. In the Domestic Building Construction Business, erosion of profitability is expected due to such factors as a tendency in which prices for orders to subcontractors exceed initial budget reflecting rises in material prices, orders received for strategic value engineering (VE) projects in which cost reduction is not achieved as initially anticipated, and increases during design periods in construction cost for projects that make use of the Company's designs and construction capabilities.

In addition to the revision to the non-consolidated earnings forecast, the Company has also revised its consolidated earnings forecast, mainly due to an anticipated fall significantly below initial forecasts of the financial results of Gaeart Co., Ltd., the Company's major subsidiary, as a result of increases in construction costs and product costs associated with surges in crude oil prices, etc.

To cope with rises in construction costs, the Company will continue to work on design changes and negotiate about VE proposals with parties who have placed orders for the above projects with falling profitability.

3. Future Course of action

Considering that a significant fall in profitability is expected for the fiscal year under review, the Company will tighten primary review of projects prior to bidding and establish a system under which various risk factors are identified and examined based on detailed check items. The Company will also work to strengthen its cost management system. Specifically, signs of falling profitability in construction projects, such as price fluctuations, will be identified at an early stage; the examination and implementation of countermeasures will be promoted with business divisions of the head office taking the initiative; and support from business divisions of the head office will be strengthened in negotiations with ordering parties for design changes and VE proposals.

The Kumagai Gumi Group is working toward achieving sustained growth as a unified group in order to fulfil the Kumagai Gumi Group Vision under the "Medium-term Management Plan (FY2021 - FY2023) Constant Challenge for Sustained Growth" formulated in May 2021. If a change in performance targets described in the initial plan becomes necessary, the Company will make an announcement as appropriate.

4. Dividend Forecasts

The Company has adopted a basic policy of properly and stably distributing profits to shareholders, taking into consideration the performance of the current fiscal year, medium- to long-term earnings forecasts, management environment, etc., while working to strengthen its management foundation and attain sufficient retained earnings for expanding revenues and profits. With regard to the dividend for the fiscal year ending March 31, 2023, the Company plans to maintain the initial forecast of 130 yen per share.

(Note) The above business outlook is based on information available as of the published date of this release, and actual results may differ from the forecast subject to various factors that may arise in the future.