



**TOKYU CONSTRUCTION**

**The First Half FY03/21 Financial Results Briefing**

Nov. 17, 2020

## The First Half FY03/21 Financial Results Briefing

1. Business Environment
2. Overview of the First Half FY03/21 Financial Results
3. Full-Year Forecast for FY03/21
4. Basic Mindset for Formulation of Vision 2030 and Long-Term Management Plan



This briefing material includes our earnings forecasts and projections.

Please note that these reflect forecasts and estimates based on information available to the Company as of the date of release of this document, and contain uncertainties.

# 1 Business Environment

## Business Environment in 1H FY03/21

1. **The economy:** COVID-19 continued to take a major toll on corporate earnings, and the job market remained weak.  
However, income held steady, and consumer spending is picking up.
2. **The construction market:** Government construction outlays picked up, but private sector capex was down year-on-year as corporations revised business plans.
3. **Construction costs:** Labor and materials & equipment costs both held steady.

## Prospects

1. With measures in place to prevent the spread of COVID-19, the economy is expected to continue to recover at a gradual pace thanks to rising levels of socio-economic activity and the effects of various government policies.
2. Although COVID-19 will affect private-sector construction investment, the construction market should hold up thanks to strong demand expected for certain applications and government construction budgets, notably for disaster prevention and mitigation.
3. In addition to mounting international environment-consciousness, the construction business also faces the unique challenge of structural reform in construction production systems, such as changes in demand for recurring-revenue business, serious labor shortages, and work style reform.

## Financial Results Briefing

# 2. Overview of the First Half FY03/21 Financial Results (Apr.–Sep. 2020)

- ✓ 1H initially expected to be a slow period as major projects played out
- ✓ Consolidated net sales half of previous year's record high, due in part to the COVID-19 pandemic
- ✓ Orders up more than 70% year-on-year, thanks largely to building construction orders

## 2 1H FY03/21 Results (Consolidated)

**Consolidated net sales were down 48.0% year-on-year, profit attributable to owners of parent was -93.4%.**

**Both net sales and profit were down sharply from record-highs a year ago amid peak in major projects.**

(Millions of yen)

Items	1H FY03/20	1H FY03/21			Difference compared to previous year	Rate of change
		Tokyu Construction	Subsidiaries	Consolidated		
<b>Net sales</b>	183,415	87,677	8,224	<b>95,423</b>	(87,992)	(48.0%)
Gross profit	23,928	7,504	940	<b>8,323</b>	(15,604)	(65.2%)
Selling, general and administrative expenses	7,608	6,869	429	<b>7,130</b>	(477)	(6.3%)
Operating income	16,320	635	511	<b>1,192</b>	(15,127)	(92.7%)
Ordinary income	16,972	1,076	500	<b>1,680</b>	(15,291)	(90.1%)
<b>Profit (losses) attributable to owners of parent</b>	11,516	—	—	<b>759</b>	(10,757)	(93.4%)

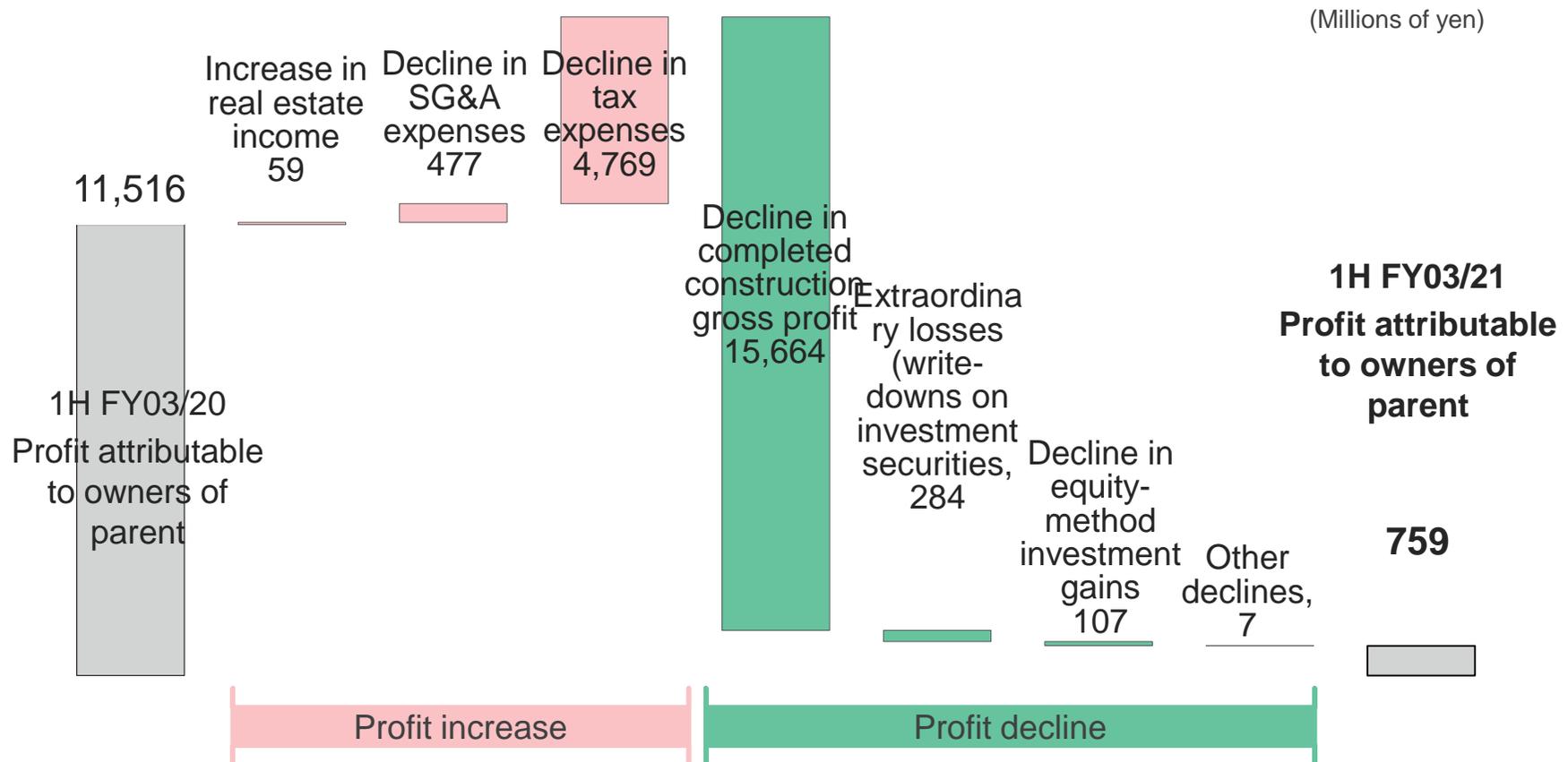
Consolidated subsidiaries	Profit (losses) attributable to owners of parent
Token Industry	(21)
Tokyu Renewal	304
Tokyu Construction Indonesia	(58)
Golden Tokyu Construction	(36)
Plantaardig farm (formerly Purantaru farm)	11
Osaka Firefighting Private Financial Initiative (PFI)	7
<b>Consolidated subsidiaries total</b>	<b>208</b>

Equity-method affiliates	Equity-method profit (losses)
Seikitokyu Kogyo	426
Tokyu Green System	(9)
Ch. Karnchang-Tokyu Construction	59
Asuka Soken	45
<b>Equity-method affiliates total</b>	<b>522</b>

# 2 Factors Affecting Net Income (Consolidated)

**Profit attributable to owners of parent was down due to sharp decline in completed construction gross profit.**

**Extraordinary losses consisted of write-downs on investment securities.**



# 2 1H FY03/21 Results (Non-Consolidated)

1H FY03/21



**Net sales were down 48.6% year-on-year due to decline in completed construction sales in both civil engineering and building construction as major projects played out.**

**Net income was down 95.6%, mainly due to drop in completed construction gross profit from building construction.**

(Millions of yen)

Items	1H FY03/20	1H FY03/21		Difference compared to previous year	Rate of change
		Results	Ratio (%)		
Completed construction sales	169,777	86,899	(100)	(82,878)	(48.8%)
Civil engineering	43,226	30,538	35.1	(12,687)	(29.4%)
Building construction	126,551	56,360	64.9	(70,191)	(55.5%)
Completed construction gross profit	21,976	7,086	8.2	(14,889)	(67.8%)
Civil engineering	4,113	2,604	8.5	(1,509)	(36.7%)
Building construction	17,862	4,482	8.0	(13,380)	(74.9%)
Real estate sales	674	777	(100)	103	15.4%
Real estate gross profit	377	418	53.8	41	10.9%
<b>Net sales</b>	<b>170,452</b>	<b>87,677</b>	100	(82,774)	(48.6%)
<b>Gross profit</b>	<b>22,353</b>	<b>7,504</b>	8.6	(14,848)	(66.4%)
Selling, general and administrative expenses	7,352	6,869	7.8	(482)	(6.6%)
Operating income	<b>15,001</b>	<b>635</b>	0.7	(14,365)	(95.8%)
Ordinary income	15,305	1,076	1.2	(14,229)	(93.0%)
<b>Net income</b>	<b>10,548</b>	<b>464</b>	0.5	(10,083)	(95.6%)

# 2 Net Sales (Non-Consolidated)

1H FY03/21

Civil engineering sales declined in a fall-off from major joint-venture subcontracting work recorded a year ago.

Building construction was hit by a fall-off from Shibuya redevelopment and other major projects as well as delayed receipt of orders in FY03/20.

The real estate segment purchased old rental properties with potential for synergy with the construction business, targeting the Company's strong areas of central Tokyo and along Tokyu rail lines.

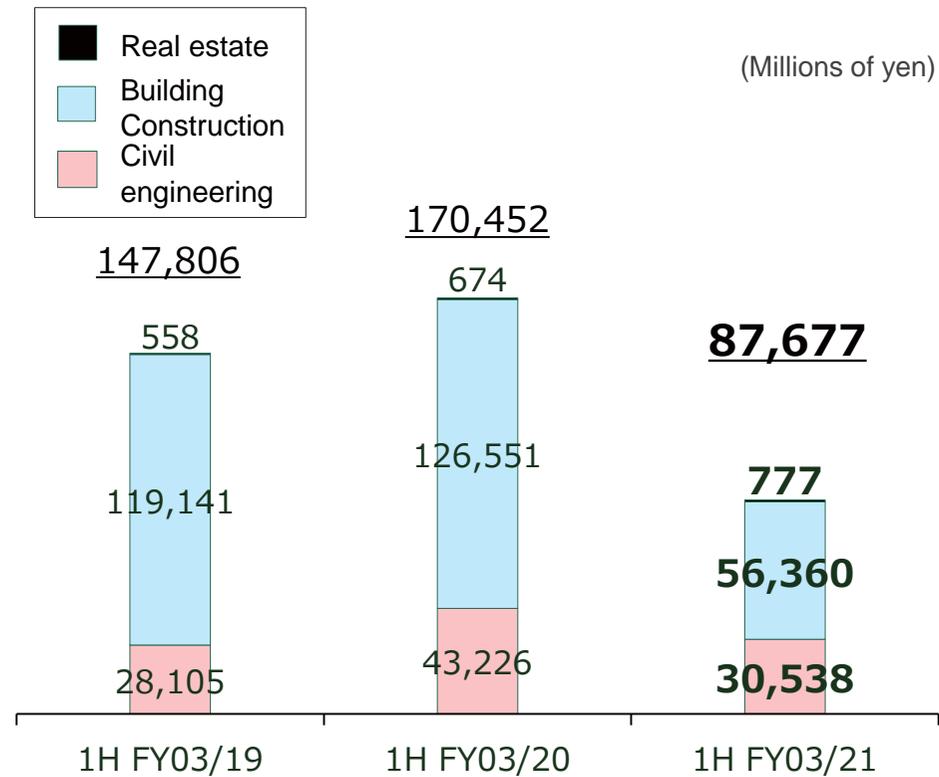
**Net sales**                    **¥87.6 billion**  
 (-48.6% YoY)

● Completed construction sales

Civil engineering        **¥30.5 billion**  
 (-29.4% YoY)

Building construction **¥56.3 billion**  
 (-55.5% YoY)

● Real estate sales        **¥0.7 billion**  
 (+15.4% YoY)

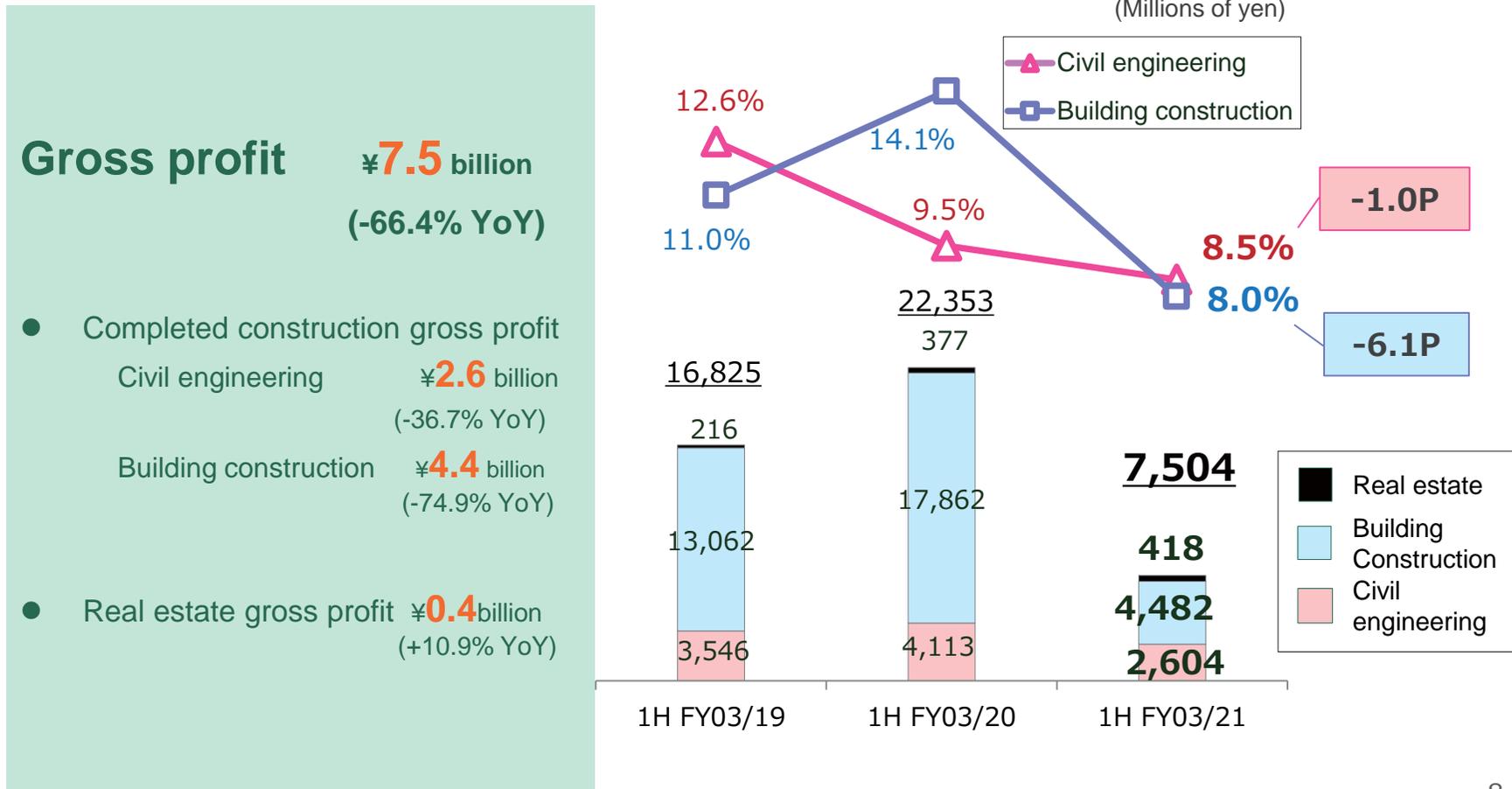


# 2 1H FY03/21 Gross Profit (Non-Consolidated)

Civil engineering was partially hit by the impact of COVID-19 on overseas work and few projects reached completion, resulting in meager improvement on additional work.

Building construction profit margin was down 6.1pt from 1H FY03/20, which saw sharp improvement in profit margin on major projects reaching completion.

Real estate earnings steadily benefitted from acquisition of income-generating properties as well as improvement in rent through means such as renovation.



# 2 1H FY03/21 Financial Position and Cash Flow (Consolidated)



**Net assets fell to ¥100.5bn due to dividends of surplus. The equity ratio was 39.7%.**

## [Consolidated Financial Position]

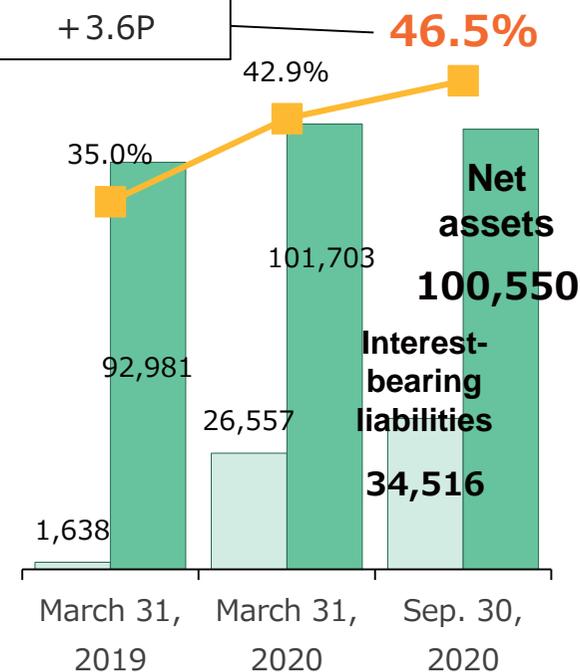
(Millions of yen)

Items	March 31, 2019	March 31, 2020	Sep.30, 2020	Rate of change
Total assets	264,996	235,897	<b>215,236</b>	(8.8%)
Total liabilities	172,014	134,193	<b>114,686</b>	(14.5%)
Interest-bearing debt	1,638	26,557	<b>34,516</b>	+30.0%
(Short-term debt)	80	25,081	<b>33,081</b>	+31.9%
(Long-term debt)	1,557	1,476	<b>1,435</b>	(2.8%)
Net assets	92,981	101,703	<b>100,550</b>	(1.1%)
Equity ratio	35.0%	42.9%	<b>46.5%</b>	+3.6 p

### YoY change -1,153

- Profit attributable to owners of the parent +759
- Dividends of surplus -2,134, etc.

Equity ratio  
+3.6P



## [Consolidated Cash Flow]

(Millions of yen)

Items	1H FY03/20	1H FY03/21
Cash flows from operating activities	(46,093)	<b>(6,793)</b>
Cash flows from investing activities	(2,529)	<b>(2,645)</b>
Cash flows from financing activities	15,776	<b>5,782</b>
Effect of exchange rate change on cash and cash equivalents	(197)	<b>(3)</b>
Net increase (decrease) in cash and cash equivalents	(33,043)	<b>(3,659)</b>
Cash and cash equivalents at end of year	16,101	<b>25,890</b>

# 2 Orders (Non-Consolidated, Company-Wide)

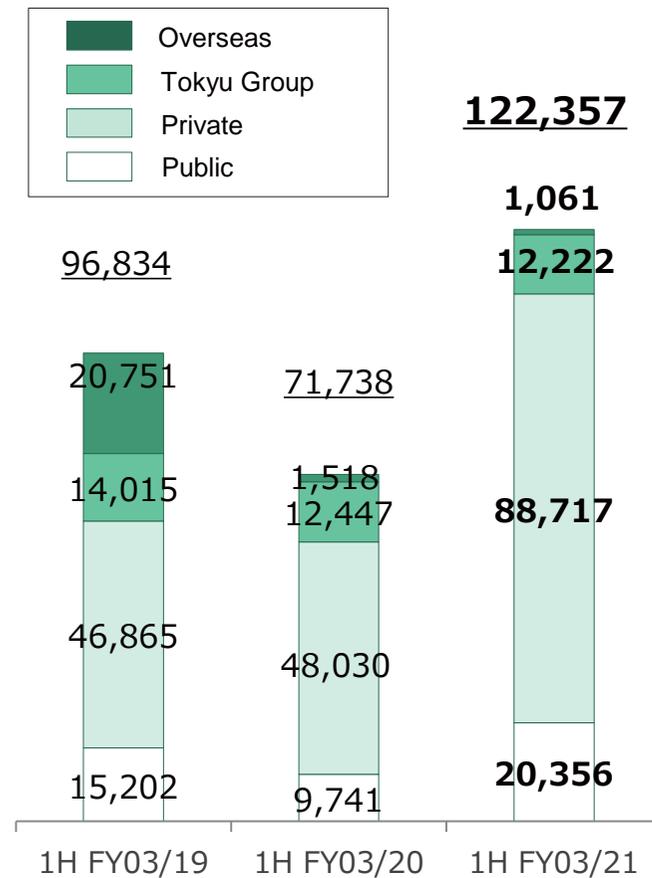
1H FY03/21



Domestic public and domestic general private projects were both up sharply year-on-year. Overall orders came to ¥122.3bn, 37% of the ¥325bn full-year forecast. The Company will steadily obtain orders for scheduled projects going forward.

(Millions of yen)

		1H FY03/21	Difference compared to previous year	Rate of change
Company-wide	Domestic public	20,356	10,614	109.0%
	Domestic private	100,939	40,462	66.9%
	General private	88,717	40,686	84.7%
	Tokyu Group companies	12,222	(224)	(1.8%)
	Overseas	1,061	(457)	(30.1%)
		<b>122,357</b>	50,619	70.6%



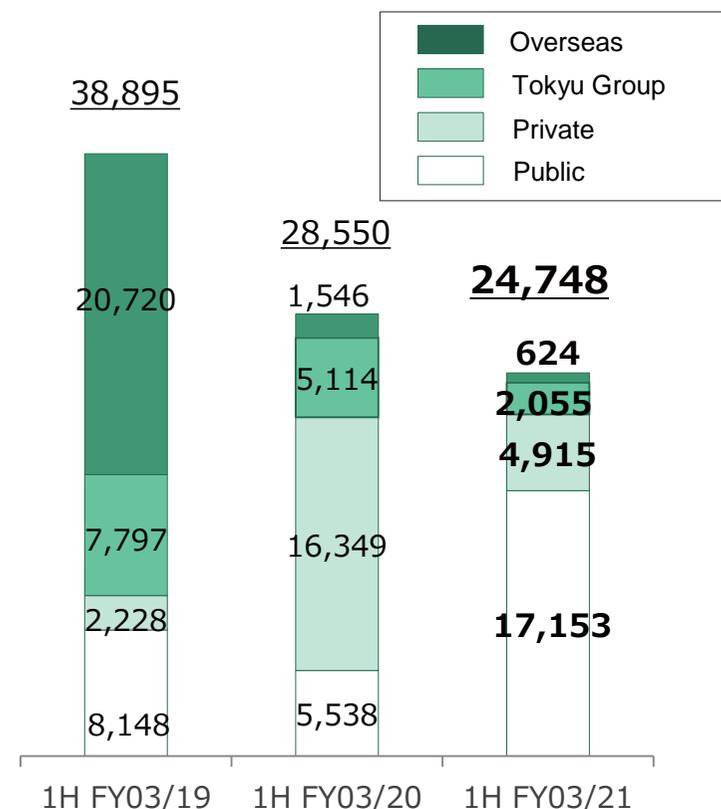
# 2 Orders (Non-Consolidated, Civil Engineering)

1H FY03/21

Overall civil engineering orders were down 13.3% due to a fallback in domestic private sector orders although domestic public sector orders were up sharply year-on-year.

(Millions of yen)

		1H FY03/21	Difference compared to previous year	Rate of change
Civil engineering	Domestic public	17,153	11,614	209.7%
	Domestic private	6,970	(14,493)	(67.5%)
	General private	4,915	(11,434)	(69.9%)
	Tokyu Group companies	2,055	(3,058)	(59.8%)
	Overseas	624	(922)	(59.6%)
		<b>24,748</b>	<b>(3,801)</b>	<b>(13.3%)</b>



# 2 Orders (Non-Consolidated, Building Construction)

1H FY03/21

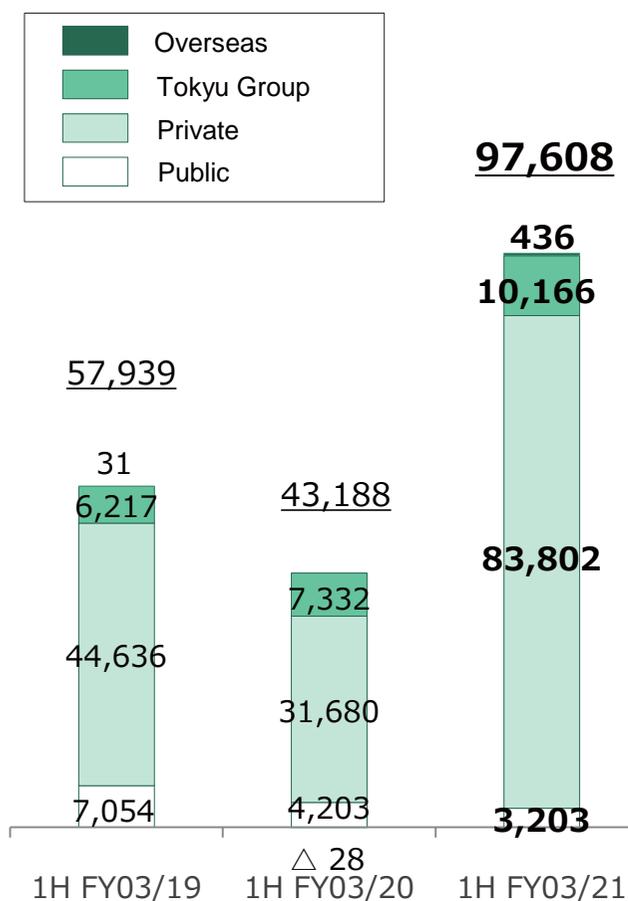


General private-sector orders surged 126% year-on-year thanks largely to large-scale logistics warehouse projects.

In October onward as well, the Company will steadily accumulate planned projects including large-scale logistics warehouses and redevelopment along railway lines.

(Millions of yen)

		1H FY03/21	Difference compared to previous year	Rate of change
Building construction	Domestic public	3,203	(999)	(23.8%)
	Domestic private	93,968	54,955	140.9%
	General private	83,802	52,121	164.5%
	Tokyu Group companies	10,166	2,834	38.7%
	Overseas	436	464	— %
		<b>97,608</b>	54,420	126.0%



## Financial Results Briefing

# 3 . Full-Year Forecast for FY03/21

- ✓ **Aug. 6 announced full-year forecast revised in light of the impact of COVID-19**
- ✓ **Consolidated net sales forecast revised to ¥230bn (from ¥244bn)**
- ✓ **Operating income forecast revised to ¥4.0bn (from ¥6.8bn) due to decline in completed construction gross profit, and profit attributable to owners of parent revised to ¥3.0bn (from ¥5.1bn)**



# 3 Full-Year Forecast for FY03/21

## Factors Contributing to YoY Change in Full-Year Outlook

Consolidated profit/loss	Full-Year Forecast for FY03/21		Difference compared to previous year		①Difference factors(original)		②Difference factors(COVID19)		Q1 projection (Aug. 6)	As of Q2 (Nov. 9)
	Millions of yen	Rate	Millions of yen	pt	Millions of yen	pt	Millions of yen	pt		
Net sales	230,000		(92,170)		(50,170)		(42,000)		(28,000)	(14,000)
Operating income	4,000	1.7%	(16,315)	(4.6pt)	(10,715)	(2.8pt)	(5,600)	(1.8pt)	(2,800)	(2,800)
<b>Non-consolidated profit/loss</b>	Millions of yen	Rate	Millions of yen	pt	Millions of yen	pt	Millions of yen	pt	Millions of yen	Millions of yen
Completed construction sales	214,000		(82,426)		(50,426)		(32,000)		(23,000)	(9,000)
Civil engineering	72,600		(15,478)		(11,378)		(4,100)		(2,000)	(2,100)
Building construction	139,800		(67,156)		(39,456)		(27,700)		(21,100)	(6,600)
Real estate sales	1,600		209		409		(200)		(100)	(100)
Completed construction gross profit	18,200	8.5%	(14,887)	(2.7pt)	(9,687)	(1.6pt)	(5,200)	(1.0pt)	(2,700)	(2,500)
Civil engineering	6,600	9.1%	(1,618)	(0.2pt)	582	2.1pt	(2,200)	(2.4pt)	(700)	(1,500)
Building construction	10,900	7.8%	(13,817)	(4.1pt)	(10,917)	(3.7pt)	(2,900)	(0.4pt)	(1,948)	(952)
Real estate profit	700	43.8%	549	32.9pt	649	33.6pt	(100)	(0.7pt)	(52)	(48)

### Our original

- ✓ Work carried forward at the beginning of the fiscal year down sharply due to playing out of large-scale work such as Shibuya redevelopment and plunge in orders received in FY03/20
- ✓ Profit not improving as expected due to shortage of work on hand reaching completion

### COVID-19

Q1

Q2

- ✓ Anticipated delays in order receipt and partial cancellations
- ✓ Impacts greater than anticipated in Q1, taking a toll on FY03/21 earnings
  - Delayed orders lead to decline in FY03/21 sales
  - Rising costs on overseas ODA projects
  - Loss of additional work obtained in FY03/21 due to delayed civil engineering project schedules, etc.

# 3

Full-Year Forecast for FY03/21

## Completed Construction Sales and Gross Profit (Non-Consolidated, Civil Engineering)

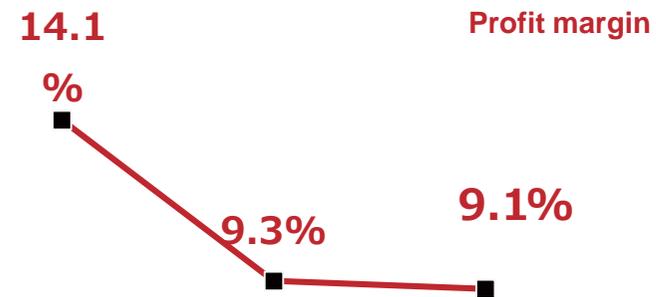


Completed construction sales were down from previous year's record high recorded on major joint-venture subcontracting work.

Prospects for FY03/21 profit margin improvement are slim due to delays in project bidding because of COVID-19, curbs on capex for railway-related work, thinner margins on major overseas work, and numerous major projects whose completion will be postponed to FY03/22.

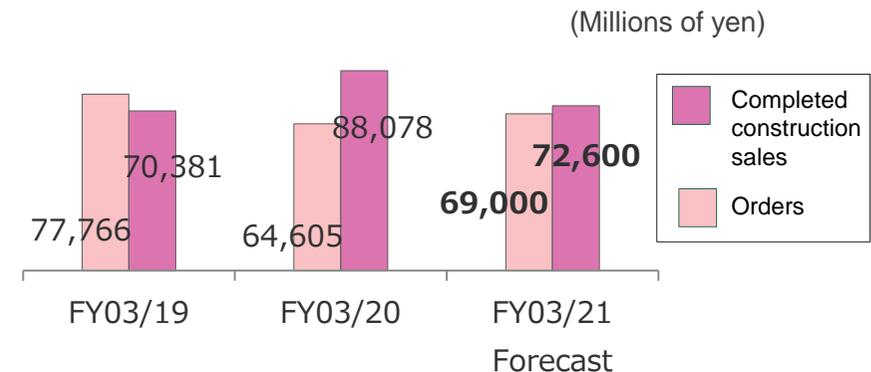
### [Civil Engineering]

- Completed construction sales **¥72.6 billion**  
(-17.6% YoY)
- Completed construction gross profit **¥6.6 billion**  
(-19.7% YoY)
- Completed construction profit margin **9.1%**



(Reference) Construction work carried forward

	FY03/19	FY03/20	FY03/21 (Forecast)
Orders	77,766	64,605	69,000
Completed construction sales	70,381	88,078	72,600
Construction carried forward to next fiscal year	142,004	118,531	114,931



# 3 Full-Year Forecast for FY03/21

## Completed Construction Sales and Gross Profit

(Non-Consolidated, Building Construction)



Completed construction sales declined in FY03/21 due to playing out of Shibuya redevelopment and other large-scale projects, and postponement of orders and construction starts on large-scale projects due to COVID-19.

Factors leading to lower profit margin include lower profits due to competition, and poor prospects for major improvement due to shortage of work on hand reaching completion in FY03/21.

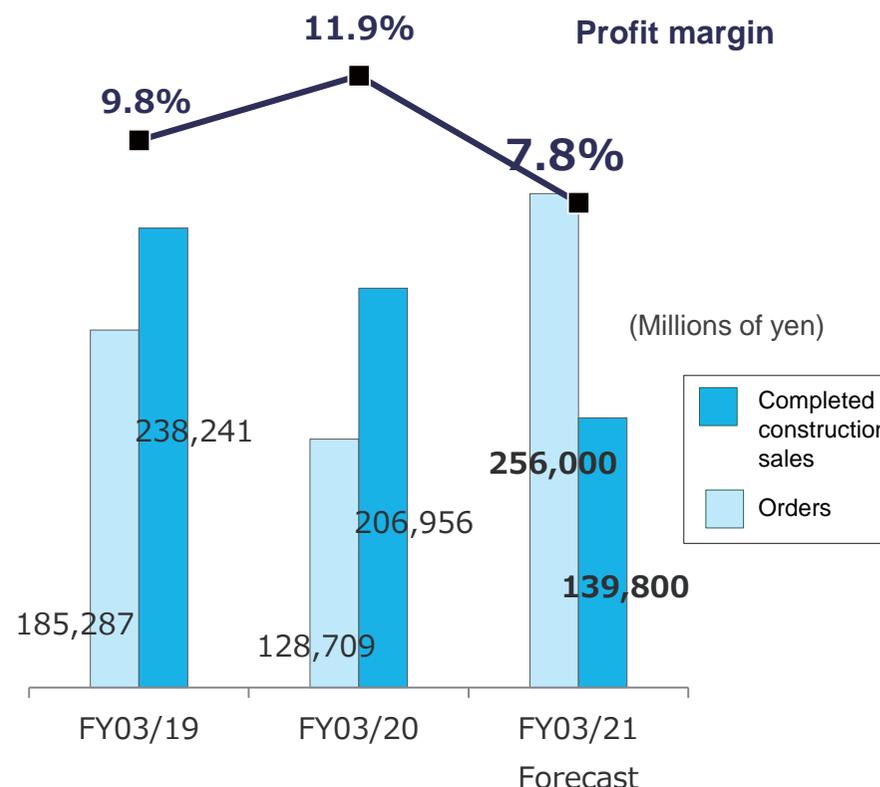
However, FY03/21 orders have maintained initial levels, and work carried forward to FY03/22 is expected to rise.

### [Building construction]

- Completed construction sales      **¥139.8 billion**  
(-32.4% YoY)
- Completed construction gross profit    **¥10.9 billion**  
(-55.9% YoY)
- Completed construction profit margin    **7.8%**

(Reference) Construction work carried forward

	FY03/19	FY03/20	FY03/21 (Forecast)
Orders	185,287	128,709	256,000
Completed construction sales	238,241	206,956	139,800
Construction carried forward to next fiscal year	<b>211,253</b>	<b>133,007</b>	<b>249,207</b>



# 3 Full-Year Forecast for FY03/21 Non-Consolidated Orders

**Orders** **¥325.0 billion**  
(+68.1% YoY)

Civil Engineering **¥69.0 billion**  
(+6.8% YoY)

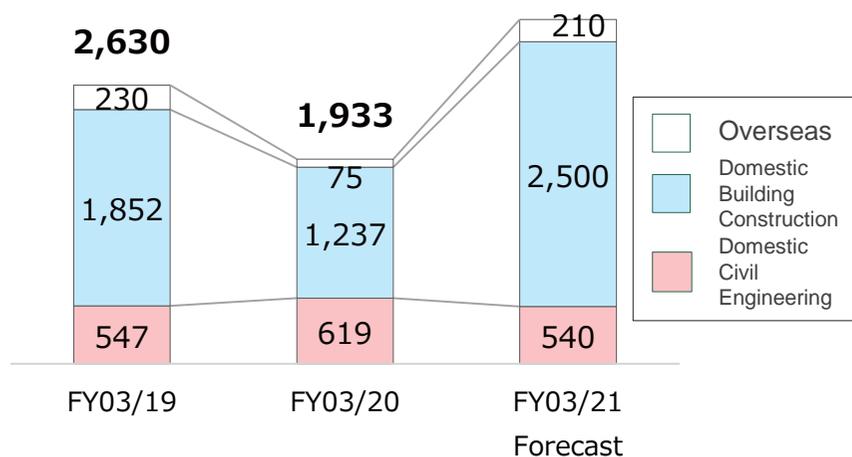
Building Construction **¥256.0 billion**  
(+98.9% YoY)

Although FY03/21 earnings are expected to be down, orders, a leading indicator, are expected to come in from large-scale warehouses and other relatively solid areas in spite of COVID-19.

(Millions of yen)

		FY03/21 (Forecast)	Rate of change
Civil Engineering	Domestic public	37,000	20.0%
	Domestic private	17,000	(45.4%)
	General private	9,000	(59.1%)
	Tokyu Group companies	8,000	(12.6%)
	Overseas	15,000	470.5%
			<b>69,000</b>
Building Construction	Domestic public	20,000	100.1%
	Domestic private	230,000	102.2%
	General private	190,000	92.0%
	Tokyu Group companies	40,000	170.2%
	Overseas	6,000	21.4%
			<b>256,000</b>
<b>Total</b>		<b>325,000</b>	<b>68.1%</b>

**Orders**  
(100 millions of yen)



# 3 Topics ① Use of Digital Technologies

We are strengthening construction business and searching out new potential using digital technologies in partnership with various leading edge companies based on BIM/CIM data.

## From individual Virtual Reality to shared Virtual Reality

Start of proving trials to accelerate information sharing and consensus building at construction sites using a virtual space where multiple people can gather at the same time



The “Ricoh Virtual Workplace” from Ricoh enables multiple people to meet in the same place simulated in Virtual Reality. This solution uses a range of features to enable natural, free communication even with people separated by physical distance, and we will verify its effectiveness for possible commercialization in the future.



## Proving trials for use in building confirmation

Mixed Reality-based simulated screening as a step toward use of BIM data in building confirmation



We are running proving trials jointly with a confirmation inspection institution using Microsoft’s HoloLens 2 mixed reality device and BIM. With centralized comparison of chart data submitted for confirmation and actual structures, we will aim to boost inspection efficiency and precision. (Simulated Inspection: [tentative name] Nishi-Kawaguchi Plan New Construction Project Site)

Tokyu Construction conducts legal checks jointly with the confirmation inspection institution to ensure flawless internal pre-inspection and boost building quality. We are also searching out other uses for Mixed Reality.

# 3 Topics ② Action on Climate Change

**Amid growing calls for carbo-free society, we are aggressively working toward solutions to the challenges posed by climate change.**

## Environmental policy

“We will work to prevent contamination and protect the environment, and promote environment-friendly management in order to realize a ‘sustainable society’ that achieves a harmonious balance between the environment and the economy.”



SCIENCE  
BASED  
TARGETS

We have set emissions reduction targets to keep the rise in average temperatures “below two degrees Celsius” as agreed upon in the Paris Agreement. We aim to reduce FY2050 Scope 1 and 2 emissions by 100% vs. FY2018.

Revision of environmental policy (April 2019)

SBT(WB2°C) certification acquired (April 2020)

## Climate Change Related Initiatives

CDP initial reply (July 2019)



**Evaluation: B minus**  
(fourth highest among eight grades from A to D)

Endorsement of TCFD (November 2020)



We endorse the recommendations of the TCFD, and will expand disclosure going forward.

※CDP (Carbon Disclosure Project): International NPO that surveys, evaluates, and ranks companies' climate change initiatives

※SBT(Science Based Targets): Framework for certifying and publicizing companies' longer-term GHG emissions reductions targets based on their consistency with initiatives sought by the Paris Agreement

※TCFD (Task Force on Climate-Related Financial Disclosures): A task force for accelerating the disclosure of consistent, comparable, reliable, clear, and efficient climate related financial information

# 3 Topics ② Action on Climate Change

Using our accumulated technologies to help reduce GHG emissions as well as make proactive proposal for new business opportunities

## ZEB (net Zero Energy Buildings)

ZEB renovations at Institution of Technology, which was completed 25 years ago, commenced in 2016. 78% energy cut, the highest level in Japan, was achieved in FY2019. We proactively propose optimized design and administration in terms of wellness and resilience as a ZEB planner.



### A-Wing of Tokyo City University

With total floor space of 10,000sqm, this new building is one of the largest university halls in Japan. It was designed ZEB Ready using Tokyu Construction's numerous accumulated elemental technologies. (Construction started in June 2020)



### Seikitokyu Kogyo Co., Ltd. head office building

Cramped urban office buildings are considered problematic in terms of ZEB, but Tokyu Construction is working to achieve ZEB design. (Construction to start in Spring 2021)

## Use of reduced burden materials

### Use of CELBIC environment-friendly concrete that reduces CO<sub>2</sub> emissions

To meet the needs of the customer, one of the world's largest private companies in the real estate business, we propose and use concrete with newly certified properties,



thereby reducing CO<sub>2</sub> emitted in overall building cement production by roughly 40%. (Construction to start in March 2021)

### (Tentative name) New Ginza 5-Chome Construction Project

Customer: Ginza Kabuki SPC  
Financing: Grosvenor Limited  
Design: Doone Silver Kerr  
Design Supervisor: Mori Architect Design Office, Ltd.  
CM: Fusion Management Platz Co., Ltd.

## Financial Results Briefing

# 4. Basic Mindset for Formulation of Vision 2030 and Long-Term Management Plan

- ✓ Following on from our Vision 2020, we are currently formulating our “Vision 2030” and 10-year “Long-Term Management Plan” for achieving that vision (scheduled to be released in May 2021).
- ✓ We will present our basic mindset in light of current feasibility studies, and steadily put them into action.

# 4 From Vision 2020 to FY03/20 results

## Vision 2020

- ❑ Market environment & earnings: The domestic construction market environment has improved significantly, and after rapid recovery in business performance, it remained at a high level through FY03/20 that ended March 2020.
- ❑ Construction business: Results were created on big projects in Japan and overseas, including redevelopment around Shibuya Station.
- ❑ New business domains: Although efforts have been made in the concession business and some results have been achieved, they are not enough yet to form a pillar of earnings to complement construction business.
- ❑ Capital policies: Equity ratio has reached 40%, and progress has been made on soundness of financial structure, which has been an issue since the company split in 2003.

2010

2018

2019

## Our Ideals for 2026 and 2018–2020 Medium-Term Plan

- ❑ Market environment & earnings: Favorable environment to persist through FY03/21, on which we plan to maintain strong earnings
- ❑ Construction business: Market & customer development/deep cultivation leading to FY03/21 onward, ICT-powered productivity improvement, and aggressive development in Southeast and South Asia
- ❑ New business domains: Accelerating expansion into new business areas (real estate, concessions, etc.) while conditions in the construction market remain favorable

## FY03/20 (previous fiscal year)

- ❑ While several high-profit large-scale construction products completed in the previous fiscal year, we started out with the prospect of sharp profit decline due to signs of downturn in business conditions, but at the start of the fiscal year, we determined that profit decline would be temporary, and we maintained shareholder returns (dividends) at the same level as the previous term.
- ❑ With a series of large-scale construction work on hand, such as redevelopment in front of Shibuya station, completed, we achieved significant profits beyond our expectations, resulting in earnings close to the record-highs achieved in FY03/19.
- ❑ Orders received fell sharply due to intensifying competition amid a gradual deterioration in the business environment in addition to postponements in some large-scale construction work.

# 4 Current Status (FY03/21 Outlook)

## Start of the fiscal year

- Due to the unpredictable nature of the impact of COVID-19, we postponed the disclosure of full-year outlook when we reported FY03/20 results, and put out annual projections net of the impact of COVID-19 at our FY03/20 results briefing.
- Profits were expected to decline significantly more than at the beginning of FY03/20 due to a sharp drop in construction work on hand at the beginning of the fiscal year resulting from a serious of completions on large-scale construction works such as redevelopment in front of Shibuya station in the previous fiscal year and a large drop in orders.
- The outlook for orders is expected to increase significantly, including large-scale construction projects and large-scale logistics warehouse projects held over from the previous fiscal year.

May

August

November

## Q1 results

- Release of full-year outlook anticipating impact of COVID-19
- Earnings expected to worsen more than expected at beginning of the term as sales outlook is expected to decline due to delays in ordering and partial cancellations
- Dividend reduced year-on-year (from ¥30 to ¥10, payout ratio of 20%) in light of uncertainty about the future amid COVID-19 outbreak

## Q2 results (most recent)

- We released a downward revision to our full-year outlook.
- Earnings are expected to worsen due to increased costs of overseas ODA projects, loss of prospects for additional acquisition due to delay in completion of government office work, and slower than expected progress on profit improvement on-hand work.
- In spite of only 37% progress toward the full-year outlook for orders, we plan to obtain orders in fields such as large distribution warehouses where inquiries are relatively strong, and we therefore maintain the outlook form the beginning of the term and will work to achieve earnings recovery from FY03/22.
- Although uncertainties due to COVID-19 remain, in the process of formulating our long-term management plan, we confirmed the absence of decline beyond our most recent downward revision announcement, and while maintaining our year-end dividend amount, we will also implement a stock buyback of up to ¥1 billion.

# 4 Basic Mindset for Formulation of Vision 2030 and Long-Term Management Plan



- **Aiming to maximize corporate value both financially and non-financially by establishing the “Tokyu Construction Brand” as a unique position within the industry by assembling a strategy centered on delivering three values: (1) decarbonization, (2) zero waste, and (3) disaster prevention and mitigation, with "human resources" and "digital technology" as the source of competitive advantage**

- We implement scenario planning with a strong awareness of growing uncertainty from the present into the future.
- Although we do not anticipate a significant decline in the domestic construction market in the short to medium term, competition is sure to intensify given the unpredictable nature of the future outlook.
- Earnings recovery in FY03/22 onward may not be V-shaped, but we will practice future-oriented sustainable management.
- In terms of Our Ideals for 2026, we aim to reinvent our mindset in response to major environmental changes, and, in line with our basic mindset, we will assemble business strategies and financial and capital policies for business recovery in our long-term management plan to be announced in May 2021.

- Supplemental information on financial and capital policies

## 1. Pursuing optimal capital structure that takes into account business risks as well

- Since the restructuring and revitalization of our company after the bursting of Japan’s asset bubble economy, we have been working to enhance our equity capital with the issue of sound financial structure.
- The construction industry is a one-time revenue business that is susceptible to economic fluctuation, and it will remain important to enhance equity capital based on growth strategies in consideration of future investment and business risks.
- In our long-term management plan, while remaining mindful of the cost of capital, we will pursue optimal balance between debt and capital and enhance shareholder returns in order to continuously improve corporate value based on our growth strategy.

## 2. Maximizing ROIC spreads and equity spreads premised on pursuit optimal capital structure

- We aim to maximize spreads with capital efficiency (ROIC, ROE, etc.) exceeding our cost of capital as KPIs.
- We will establish "financial and capital policies (including shareholder return policies)" that are mutually consistent with "medium-to long-term performance targets (growth potential).“

- Our latest stock buyback will be carried out based on our stock’s undervalued price as well as the shift in mindset described above.



# TOKYU CONSTRUCTION



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