Building the future on new foundations

TOKYU CONSTRUCTION

FY03/2024 Financial Results Briefing

May 20, 2024

Overview of FY03/2024 Financial Results

FY03/2024 Financial Results Briefing

FY03/2024 Financial Highlights

Orders exceeded the previous period as the firm construction demand in the focus area was steadily taken in. Building construction and civil engineering projects on hand progressed steadily. The gross profit margin of completed construction improved, contributing to operating profit and net profit.

Orders (non-consolidated)	Net Sales	Operating income	Profit (loss) attributable to owners of parent
278.3 billion yen	285.6 billion yen	8.1 billion yen	7.2 billion yen
YoY + 3.9%	YoY −1.1%	YoY +59.7%	YoY +38.5%

External environment

- **Demand remained strong. The volume of industry-wide construction projects on hand has risen to a high level, and it tended to ease the competitive environment.**
- **Overtime work cap regulations and labor shortage should be addressed urgently. Labor costs may continue to rise.**

Building construction	• Although many of the construction projects on hand were affected by price increases, profit was maintained through originality and ingenuity at the site.
Civil engineering	• The gross profit margin of completed construction increased thanks to the improved profitability of our area of specialty such as railway and tunnel construction, in addition to higher revenue and profit.
Real estate	• Profit fell due to a reactionary decrease from the previous fiscal year when there were sales of several income properties. A decrease in gross profit from the real estate business was limited thanks to decreased provision for loss associated with withdrawal from development projects recorded in previous years.
subsidiary	• Earnings of overseas subsidiaries improved compared with a temporary drop in the previous period. The construction renewal business also performed steadily.

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Consolidated Financial Results

Sales achieved the previous fiscal year's level thanks to steady progress centered on large-scale construction work. Operating profit grew, despite an increase in selling, general and administrative expenses.
An increase of 1 yen per share based on the dividend policy of a "DOE of at least 4.0%."

(Millions of yen)	FY03/23	Ratio	FY03/24	Ratio	YoY
Orders(non-consolidated)	267,792	—	**278,341**	—	+3.9% +10,548
Net Sales	288,867	—	**285,681**	—	(1.1%) (3,186)
Gross profit	21,879	7.6%	**26,082**	**9.1%**	+19.2% +4,203
Selling, general and administrative expenses	16,771	5.8%	**17,927**	**6.3%**	+6.9% +1,155
Operating income	5,107	1.8%	**8,155**	**2.9%**	+59.7% +3,047
Ordinary income	5,020	1.7%	**9,736**	**3.4%**	+93.9% +4,716
Profit (loss) attributable to owners of parent	5,245	1.8%	**7,266**	**2.5%**	+38.5% +2,020
Dividend per share	36yen	—	**37yen**	—	+1yen

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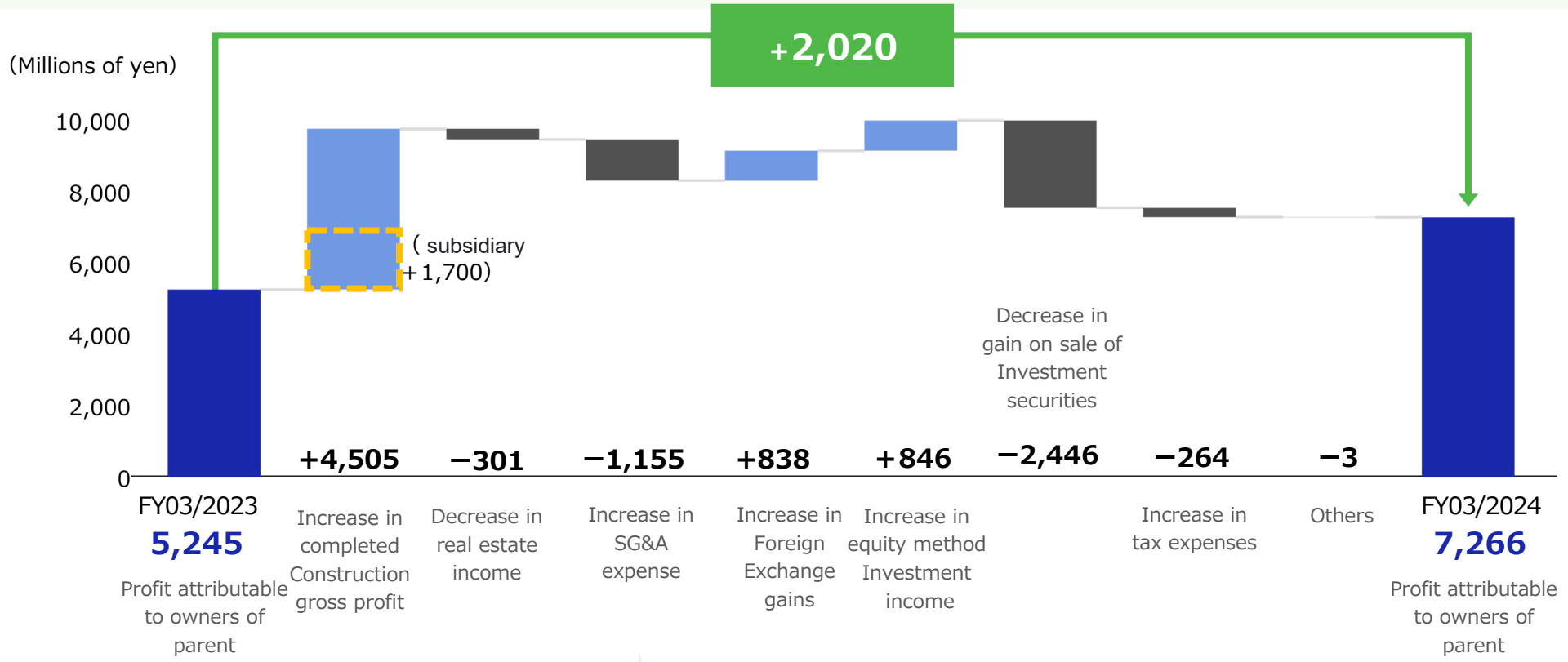
Factors Affecting Net Income

Profit grew due mainly to an increase in gross profit margin of completed construction, foreign currency gains, and an increase in equity method return on investment.



・human capital investment
・We recorded R&D, digital and innovation costs

FY03/2023	FY03/2024
16,771	17,927

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Non-consolidated Financial Results

Completed construction sales increased due to the steady progress in construction projects. The gross profit margin of completed construction rose due to an improvement in the profitability of civil engineering.
Profit was up, absorbing an increase in selling, general and administrative expenses including human resource investment for sustainable growth.

(Millions of yen)	FY03/2023 Results	FY03/2024 Results	FY03/2024 Ratio	Rate of Change	YoY
Net Sales	**261,529**	**260,626**	**100%**	**(0.3%]**	**(903)**
Completed construction sales	252,377	259,208	—	+2.7%	+6,831
Building construction	192,052	192,909	74.1%	+0.4%	+856
Civil engineering	60,325	66,299	25.4%	+9.9%	+5,974
Real estate sales	9,151	1,417	0.5%	(84.5%)	(7,734)
Gross profit	**20,063**	**22,462**	(Profit rate) **8.6%**	**+12.0%**	**+2,398**
Completed construction gross profit	17,229	20,034	7.7%	+16.3%	+2,804
Building construction	13,778	13,795	7.2%	+0.1%	+16
Civil engineering	3,450	6,238	9.4%	+80.8%	+2,787
Real estate gross profit	2,833	2,428	171.3%	(14.3%)	(405)
Selling, general and administrative expenses	**15,665**	**16,709**	**6.4%**	**+6.7%**	**+1,044**
Operating income	**4,398**	**5,752**	**2.2%**	**+30.8%**	**+1,354**
Ordinary income	**4,426**	**6,996**	**2.7%**	**+58.1%**	**+2,570**
Net income	**3,825**	**5,147**	**2.0%**	**+34.5%**	**+1,321**

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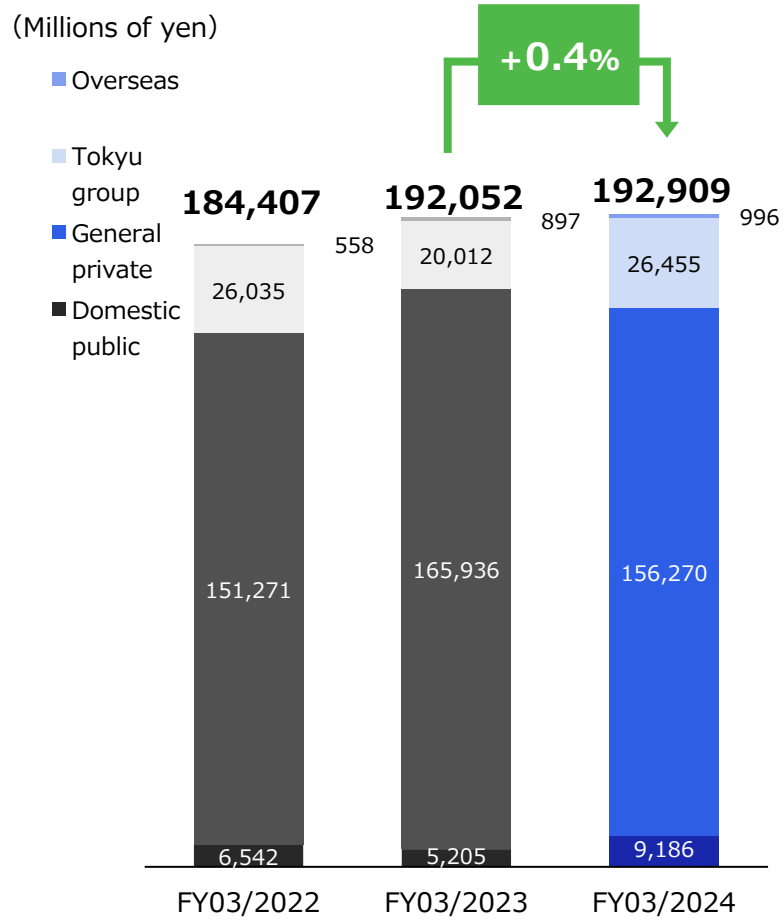
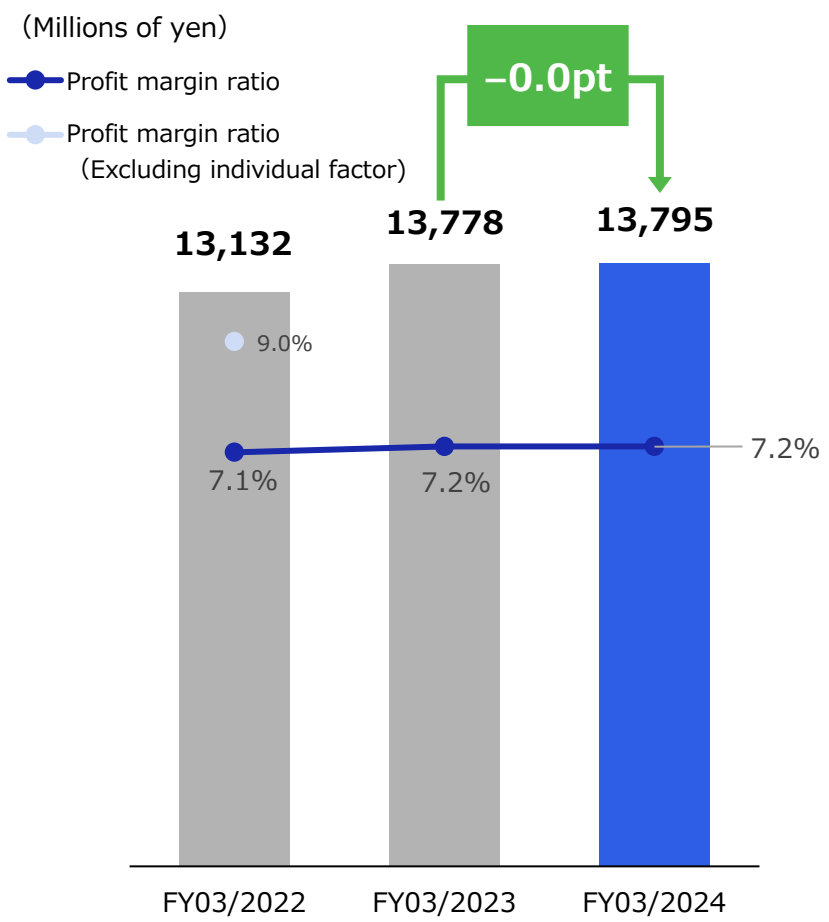
Non-Consolidated ／ Building construction（Completed construction sales･Completed construction gross profit)

Steady progress in large-scale projects on hand from the previous period contributed to completed construction sales. Although many of the construction projects were ordered amid severe competition for profit or affected by price increases, profit was maintained through originality and ingenuity at the site.

Completed construction sales



Gross profit



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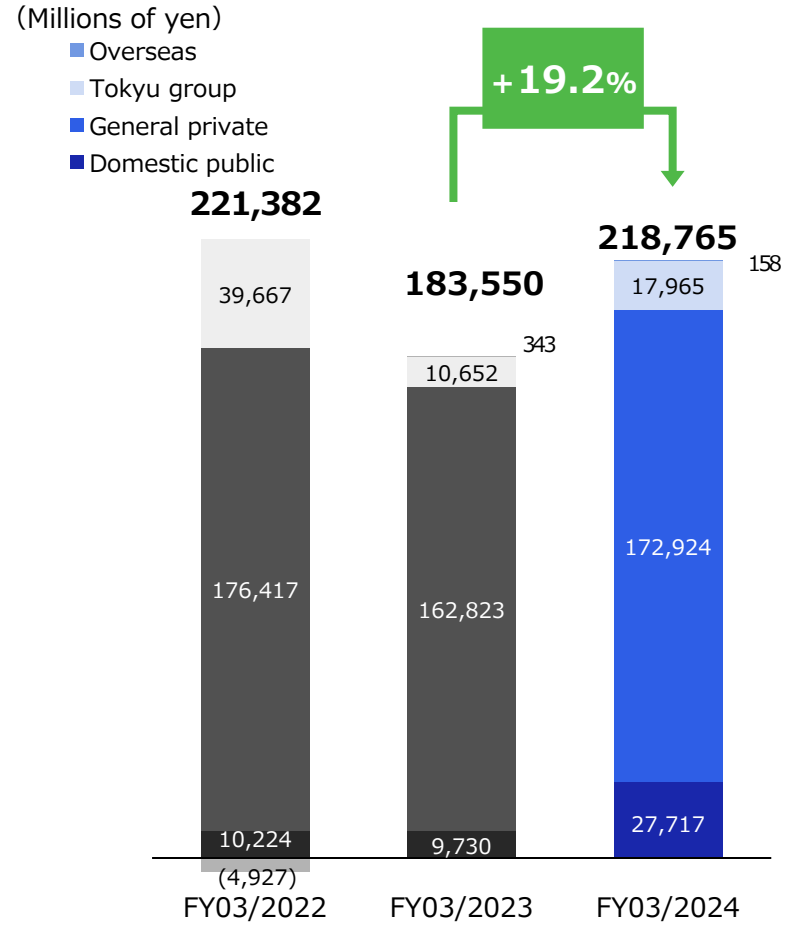
Non-Consolidated ／ Building construction（Orders）

We received orders for targeted projects in our strong area steadily, considering our construction capacity. Domestic public projects increased due to the orders received for multiple construction projects including large-scale ones.

Orders



Main orders

Ordered by	Name of construction	Place of construction
Tokyo Institute of Technology	Construction work for a new school building and other constructions of Tokyo Tech High School of Science and Technology (Ookayama)	Tokyo
The Doshisha	Construction of sports complex buildings	Kyoto Prefecture
Nansei Rakuen Resorts Co., Ltd.	New construction of Aramanda Hilltop Hotel (tentative name)	Okinawa Prefecture
Mitsubishi Estate Residence Co., Ltd./ SOTSU CORPORATION/ Chitose Corporation	New construction under the project for Azabu-Nagasaka-cho, Minato Ward	Tokyo
Mishima Station South Exit East, Block A, Area Urban Redevelopment Association	Facilities associated with Mishima Station South Exit East, Block A, Area Type 1 Urban Redevelopment Project New building construction	Shizuoka Prefecture
Clean Authority of TOKYO	Construction work for the development of a central breakwater non-combustible and bulky waste disposal facility	Tokyo
FUKUOKAUNYU CO., LTD.	SAPPORO TEIONUNYU CO., LTD.	Hokkaido
Mitsui Fudosan Co., Ltd.	New construction for Mitsui Fudosan Logistics Park Amagasaki I	Hyogo Prefecture
ITOEN, LTD.	New construction of Second Factory Kobe, ITO EN, Limited(tentative name)	Hyogo Prefecture
Tokyu Land Corporation	New construction for Yoyogi Park PFI Plan	Tokyo

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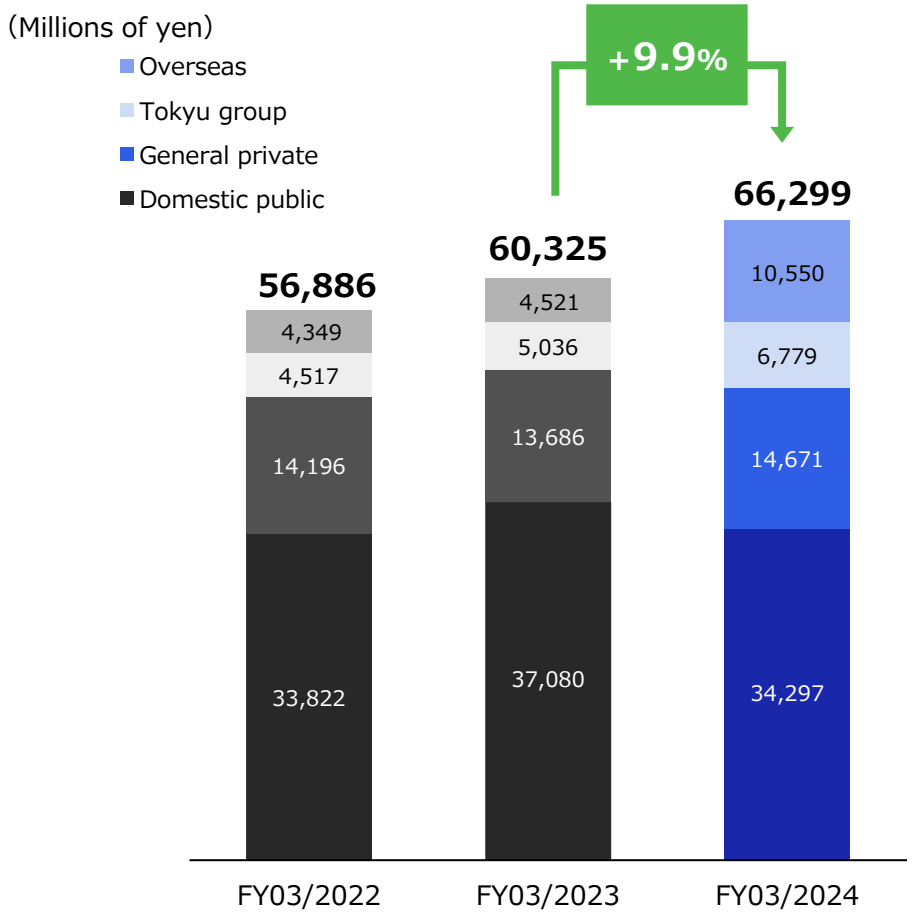
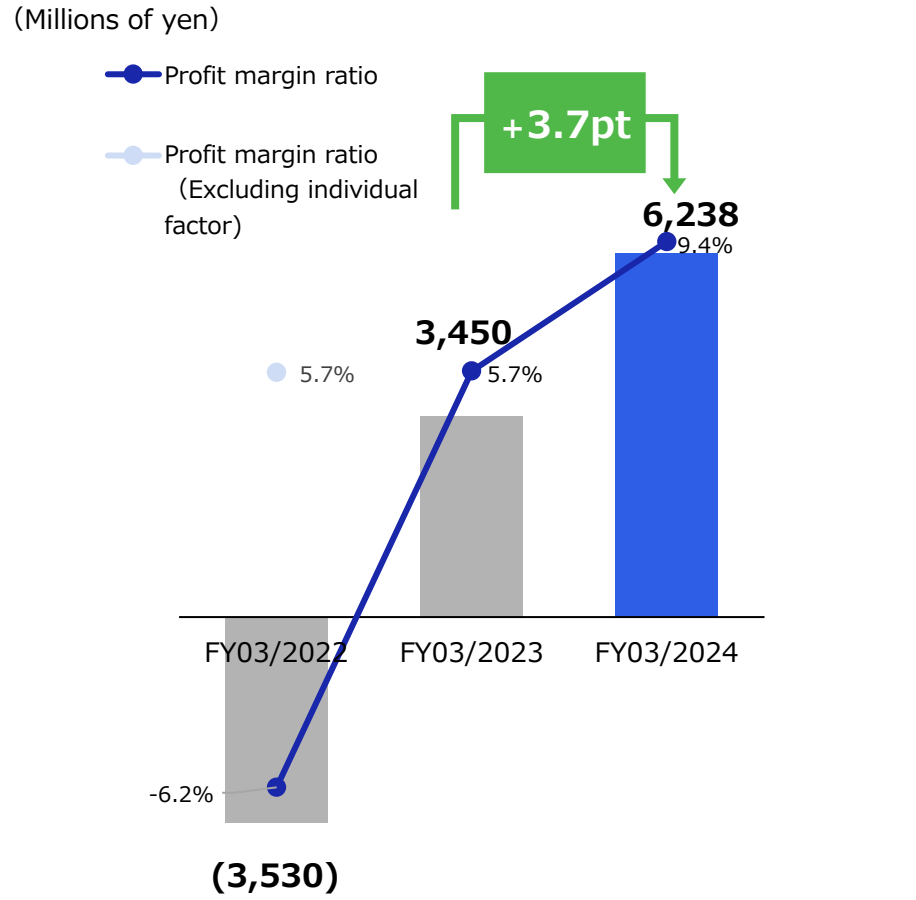
Non-Consolidated ／ Civil engineering （Completed construction sales･Completed construction gross profit)

Completed construction sales increased due to the steady progress in construction projects on hand at the beginning of the period. The gross profit margin rose thanks to the improved profitability of our area of specialty such as tunnel and railway construction, in addition to an increase in completed construction.

Completed construction sales



Gross profit



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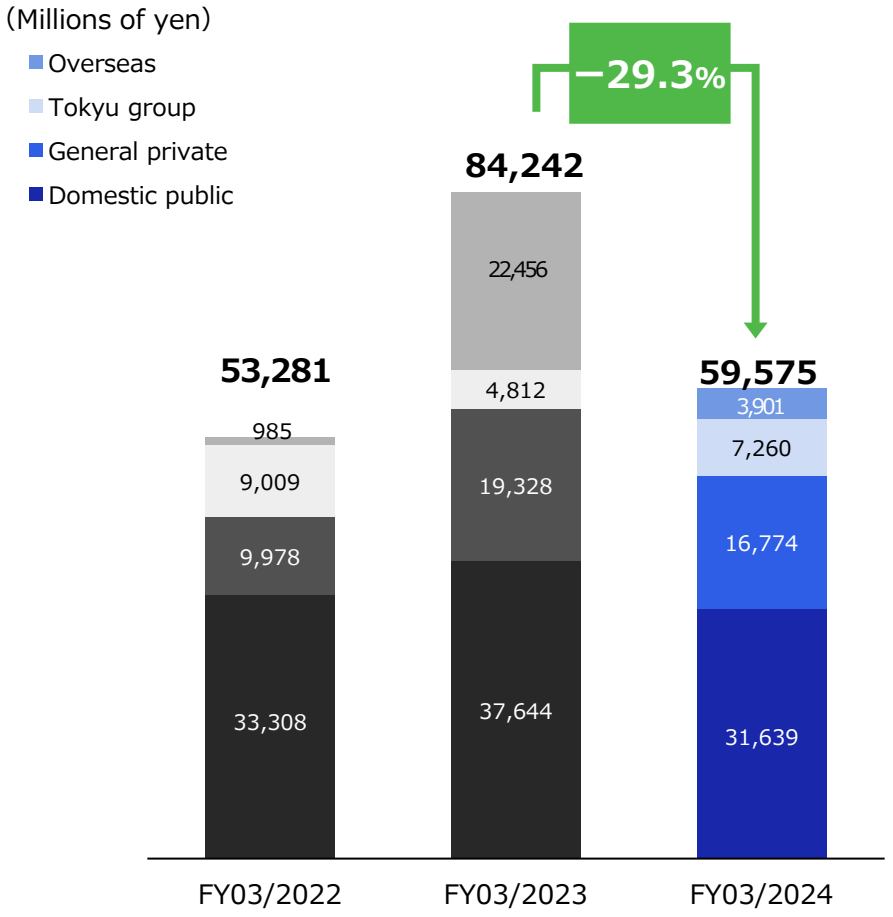
Non-Consolidated ／ Civil engineering (Orders)

Overseas sales fell due to a reactionary decrease from the previous year when there were sales from large-scale ODA-related construction. With firm domestic demand due mainly to the measures for disaster prevention/mitigation and National Resilience, and a recovery in capital investment by railway companies, we received orders steadily from our area of specialty such as tunnel and railway construction.

Orders



Main orders

Ordered by	Name of construction	Place of construction
Ministry of Land, Infrastructure, Transport and Tourism	FY2023 construction work for Kidani Tunnel on the Akitsu Bypass	Hiroshima Prefecture
Ministry of Land, Infrastructure, Transport and Tourism	R5 Shin-omiya, Ageo Road, Miyamae District, bridge foundation Part 2 construction work	Saitama Prefecture
Tokyo	Karabori River upstream rainwater trunk line construction work	Tokyo
Tokyo	Seismic reinforcement construction part 2 of Kasai Water Recycling Center water conduit and water treatment facility	Tokyo
Uedadentetsu Co., Ltd.	Chikuma River bridge reinforcement construction work (P3 Bridge Piers)	Nagano Prefecture
Harmony TMK	(Tentative name) Construction work for residential land and road development under the development project (Parcel 10a-B) in 5 banchi-5 Hanazono, Kutchan-cho and others	Hokkaido Prefecture
Tokyo Metro Co., Ltd.	Civil engineering work for additional platform of Toyosu Station	Tokyo
TOKYUCorporation, TOKYURailways	Construction work to reinforce the retaining walls between Yoga Station and Futakotamagawa Station on the Den-en-toshi Line (civil engineering work)	Tokyo

Consolidated Balance Sheets

The equity ratio was at 37.8%, decrease of 0.4 percentage points compared with March 31, 2023. D/E ratio was 0.54 times due to an increase in borrowings.

(Millions of yen)	As of March 31, 2023	As of March 31, 2024	YoY
Current assets	187,892	**206,541**	**+18,648**
Non-current assets	28,700	**23,938**	**(4,761)**
Investments and other assets	32,571	**34,045**	**+1,473**
Total assets	249,164	**264,525**	**+15,360**
Liabilities	144,743	**137,388**	**(7,354)**
Non-current liabilities	8,400	**26,347**	**+17,946**
Total net assets	96,020	**100,789**	**+4,769**
Total liabilities and net assets	249,164	**264,525**	**+15,360**
Equity ratio(%)	38.2	**37.8**	**(0.4pt)**
Interest-bearing debt	21,970	**54,728**	**+32,757**
D/E ratio (times)	0.23	**0.54**	**+0.31**
Net Cash	36,743	**(22,605)**	**(59,349)**

Increase/decrease factors

- Cash and deposits −26,591
- Notes receivable, accounts receivable from completed construction contracts and other +40,258

– Liabilities

- Notes payable, accounts payable for construction contracts and other −4,636
- Advances received on construction contracts in Progress −4,764
- Electronically recorded obligations – operating −4,806
- Income taxes payable −1,923
- Provision for loss on construction contracts −3,709
- Short-term borrowings +13,124

– Non-current liabilities

- Long-term borrowings +19,633
- Provision for loss on real estate business and other −2,467

– Total net assets

- Retained earnings +3,441
- Total accumulated other comprehensive income +1,586

Consolidated Statements of Cash Flows

Operating cash flow was negative due to the advanced payment of construction charges.

(Millions of yen)	FY03/2023	FY03/2024	FY03/2024 remarks
Cash flows from operating activities	20,392	**−54,023**	Cash decreased due to an increase in trade receivables and a decrease in trade payables, etc.
Cash flows from investing activities	2,398	**−1,399**	Cash decreased due to payment for the acquisition of property, plant and equipment, intangible assets, etc.
Free cash flow	22,790	**−55,422**	—
Cash flows from financing activities	−2,762	**28,523**	Cash increased due to income from long-term borrowings and a net increase in short-term borrowings, etc.
Net increase (decrease) in cash and cash equivalents	20,066	**−26,771**	—
Cash and cash equivalents at beginning of period	38,648	**58,714**	—
Cash and cash equivalents at end of period	58,714	**31,942**	—

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Full-year Forecast for FY03/2025

FY03/2024 Financial Results Briefing

Consolidated Financial Results Forecast

Orders received and net sales will remain steady. We expect operating profit to decrease due to lower gross profit margin and increased selling, general and administrative expenses associated with human resource investment, etc. Dividend per share will be 38 yen, up 1 yen, as we expect an increase in equity capital.

(Millions of yen)

	FY03/2024	Ratio	FY03/2025 (Forecast)	Ratio	YoY
Orders(non-consolidated) ※	278,341	—	**304,000**	—	+9.2% +25,658
Net Sales	285,681	—	**310,000**	—	+8.5% +24,318
Gross profit	26,082	9.1%	**24,100**	**7.8%**	(7.6%) (1,982)
Selling, general and administrative expenses	17,927	6.3%	**19,100**	**6.2%**	+6.5% 1,172
Operating income	8,155	2.9%	**5,000**	**1.6%**	(38.7%) (3,155)
Ordinary income	9,736	3.4%	**5,800**	**1.9%**	(40.4%) (3,936)
Profit (loss) attributable to owners of parent	7,266	2.5%	**4,400**	**1.4%**	(39.4%) (2,866)
Dividend per share	37yen	—	**38yen**	—	–

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Non-consolidated Financial Results Forecast

Sales will increase as large-scale construction work is expected to progress. Gross profit will decrease as construction work that was ordered amid severe competition progresses. In addition, due to increased selling, general and administrative expenses due to human resource investment for future growth, we expect profit to decrease.

(Millions of yen)	FY03/2024 Results	FY03/2025 Forecast	FY03/2025 Ratio	Rate of Change	YoY
Net Sales	**260,626**	**282,000**	**100%**	**+8.2%**	**+21,373**
Completed construction sales	259,208	279,000	98.9%	+7.6%	+19,791
Building construction	192,909	201,000	71.2%	+4.2%	+8,090
Civil engineering	66,299	78,000	27.7%	+17.6%	+11,700
Real estate sales	1,417	3,000	1.1%	+111.7%	+1,582
Gross profit	**22,462**	**20,800**	(Profit rate) **7.4%**	**(7.4%)**	**(1,662)**
Completed construction gross profit	20,034	20,000	7.2%	(0.2%)	(34)
Building construction	13,795	13,200	6.6%	(4.3%)	(595)
Civil engineering	6,238	6,800	8.7%	+9.0%	+561
Real estate gross profit	2,428	800	26.7%	(67.1%)	(1,628)
Selling, general and administrative expenses	**16,709**	**17,800**	**6.3%**	**+6.5%**	**+1,090**
Operating income	**5,752**	**3,000**	**1.1%**	**(47.8%)**	**(2,752)**
Ordinary income	**6,996**	**3,600**	**1.3%**	**(48.5%)**	**(3,396)**
Net income	**5,147**	**2,900**	**1.0%**	**(43.7%)**	**(2,247)**

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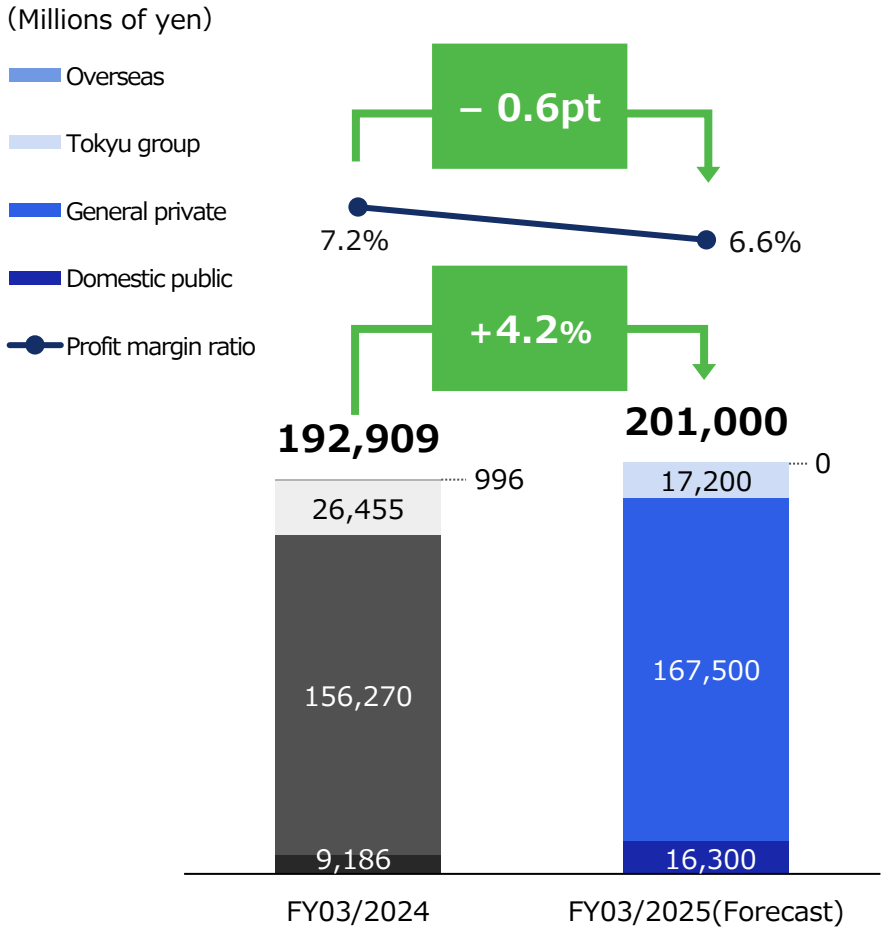
Non-consolidated Financial Results Forecast／Building construction

Completed construction sales will be boosted by the progress of large-scale construction work on hand. Construction work ordered amid severe competition may continue to affect the gross profit margin of completed construction. Although expecting uncertain factors including an effect of the tight labor market due to working style reform, we aim to improve profit through originality and ingenuity.

Completed construction sales /Gross Profit



Construction work carried forward

(Millions of yen)	FY03/2024	FY03/2025 Forecast
Amount brought forward	263,926	**289,782**
Orders	218,765	**210,000**
Completed construction sales	192,909	**201,000**
Amount carried forward	289,782	**298,782**

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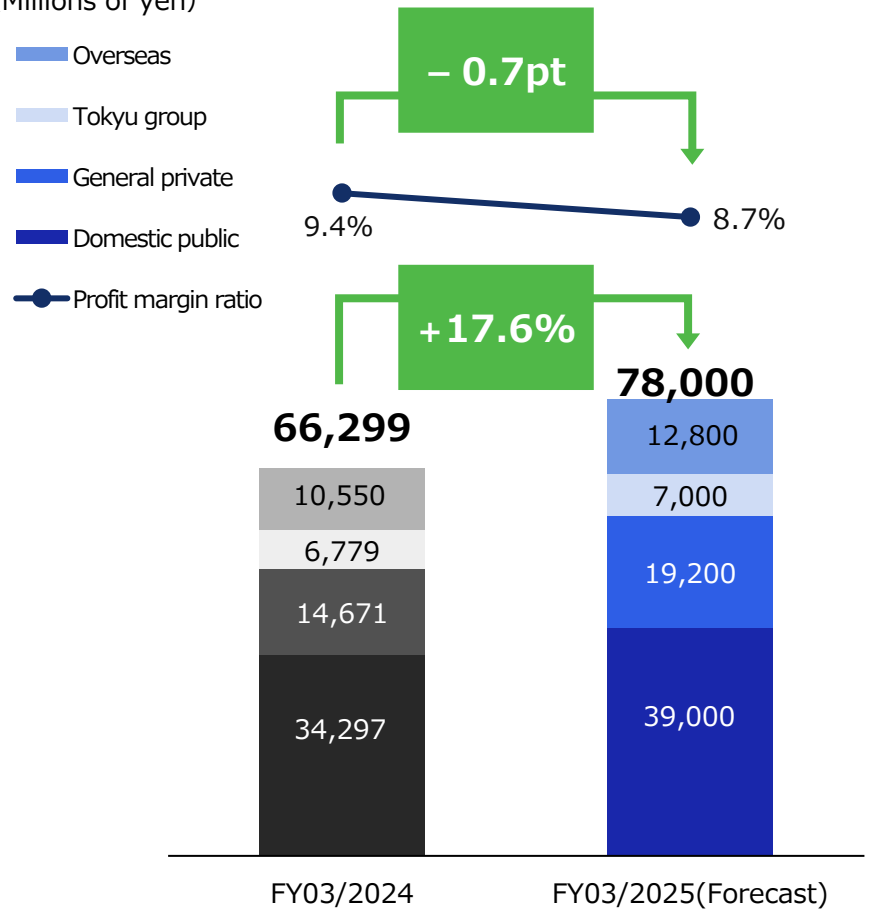
Non-consolidated Financial Results Forecast／ Civil engineering

Large-scale construction carried over from previous years will progress and completed construction sales will increase. We expect higher profit due to an increase in completed construction sales.
Although expecting uncertain factors including an effect of the tight labor market due to working style reform, we aim to improve profit through originality and ingenuity.

Completed construction sales /Gross Profit

(Millions of yen)



Construction work carried forward

(Millions of yen)	FY03/2024	FY03/2025 Forecast
Amount brought forward	114,321	**107,597**
Orders	59,575	**94,000**
Completed construction sales	66,299	**78,000**
Amount carried forward	107,597	**123,597**

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Non-Consolidated Order Forecast

In building construction, we will strive to secure our target projects. In civil engineering, we will aim to acquire orders mainly for overseas ODA projects and domestic governmental projects. Keenly aware of the importance of appropriate profit levels, considering our construction capacity.

(Millions of yen)	FY03/2024 Results	FY03/2025 Forecast	Rate of Change	YoY
Domestic public	27,717	30,000	+8.2%	+2,282
Domestic private	190,890	180,000	(5.7%)	(10,890)
General private	172,924	150,000	(13.3%)	(22,924)
Tokyu Group	17,965	30,000	+67.0%	+12,034
Overseas	158	—	(100.0%)	(158)
Building construction	**218,765**	**210,000**	**(4.0%)**	**(8,765)**
Domestic public	31,639	43,000	+35.9%	+11,360
Domestic private	24,034	18,000	(25.1%)	(6,034)
General private	16,774	7,700	(54.1%)	(9,074)
Tokyu Group	7,260	10,300	+41.9%	+3,039
Overseas	3,901	33,000	+745.8%	+29,098
Civil engineering	**59,575**	**94,000**	**+57.8%**	**+34,424**
Total	**278,341**	**304,000**	**+9.2%**	**+25,658**

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Construction Renewal

The construction renewal market will continue to expand. Demand is increasing from inbound projects such as hotels and commercial facilities, and schools, etc. We will continue to secure our target projects.

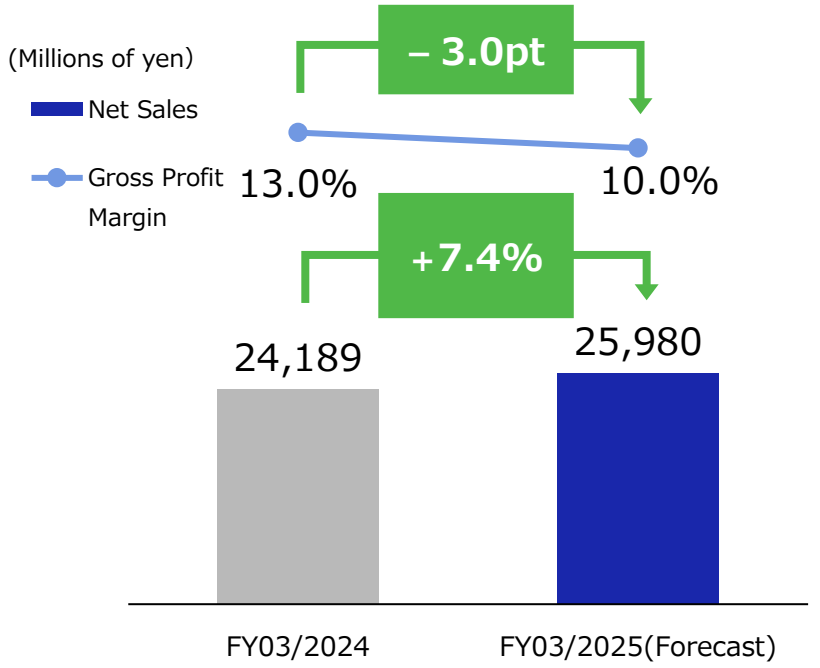
External environment

- **Desire for investment is strong, due partly to the recovery of inbound arrivals and a reaction to the suppression of investment during the COVID-19 pandemic.**

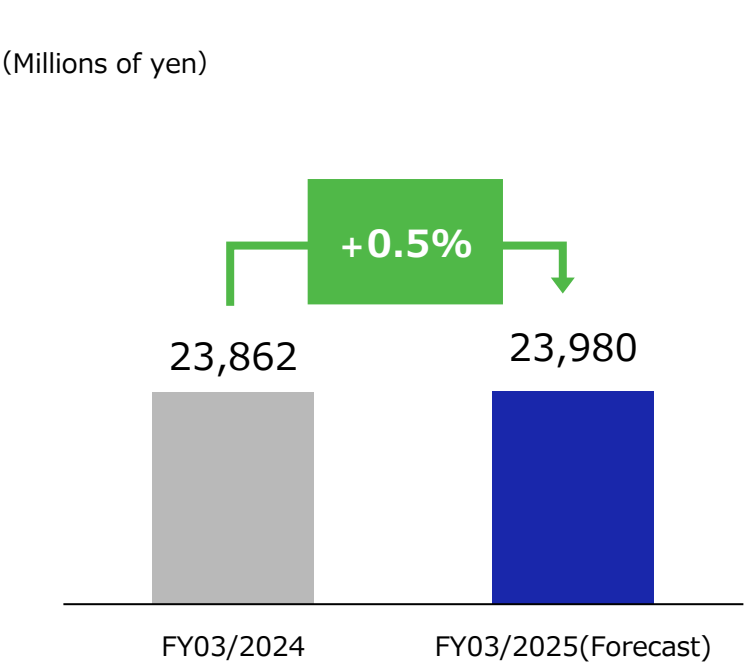
Future policy

- **Improve productivity by acquiring more large-scale renewal projects**

Net Sales/Gross Profit



Orders



※Each of the numbers for the construction renewal business is a simple sum of numbers from Tokyu Renewal Co., Ltd. and Token Industry Co., Ltd., subsidiaries engaged in the business, and no elimination was taken into account.

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International

Place ODA projects as a core business.
Strive to expand the business area to both upstream and downstream of the value chain by participating in TOD*1.

Future policy

- Know-how and technology we cultivated through urban development along the Tokyu Line, and railway/road construction work in Japan and overseas

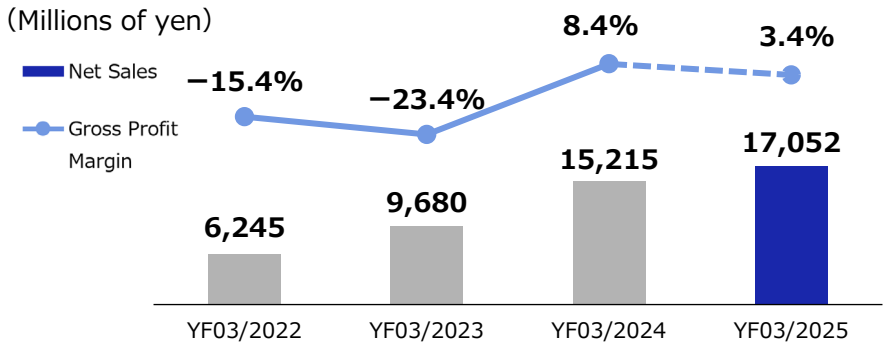
External environment

- Needs for infrastructure development in Southeast and South Asia will increase.
- Intensifying market competition with growing local general contractors
- Rising uncertainty, including the risk of political upheaval and rising prices

Future policy

- **Expand and maintain ODA projects, Expand and maintain ODA projects, and enter non-ODA projects**
- **Focus on TOD urban planning, etc. in cooperation with overseas partner companies**
- **Strengthen the foundation for growth by implementing personnel and organizational strategies**

Net Sales/Gross Profit ※2



Summary of financial results

- Sales increased in FY03/2024 thanks to the progress of a large-scale ODA construction ordered in past fiscal years. Profit margin recovered as negative factors of the previous fiscal year were solved.
- We expect higher profit for FY03/2025 due to the progress in carryover construction projects at the beginning of the period. We will strive to resolve the effects of political changes early and receive orders for new large-scale projects to increase profit.

*1 Abbreviation of “Transit Oriented Development.” Urban development aimed at a society based on public transportation that does not rely on cars.
※2Each of the numbers for Overseas is a simple sum of numbers from overseas subsidiaries and from non-consolidated overseas business of the Company, and no elimination was taken into account.（Overseas subsidiaries : TokyuConstructionIndonesia社、GoldenTokyuConstruction社、IndochineGroup、TokyuPacificConstruction社）

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Real estate

Targeting environment-conscious customers, provide environmentally friendly properties with added value, such as leasing, development, and renewal of old properties by leveraging synergy with construction business. Increase capital efficiency through cyclical real estate business using rental income and property sales.

Future policy

- Mainly targeted are small- and medium-sized properties in front of the Tokyu Line and other stations in cooperation with Tokyu Group companies, and in Tokyo's five central wards
- Promote real estate development and adding value to properties through making maximum use of synergy as a general construction company
- Provision of added value, including the use of renewable energy, promotion of lifespan extension of properties, and provision of safe and secure space

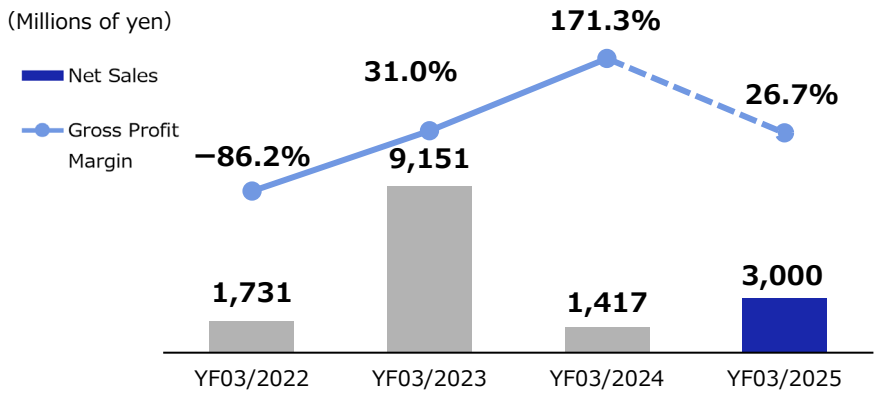
External environment

- The progressing aging of buildings
- Environmental real estate needs will expand.

Future policy

- **Use the strength of a general contractor in increasing our value by promoting environmentally friendly properties and introducing our TG Brand**
- **Continue to acquire new profitable properties and replace assets in the Tokyo metropolitan area where we are strong, to promote cyclical business**

Net Sales/Gross Profit ※



Summary of financial results

- In FY03/2024, sales were from leasing business only. Net sales fell due to a reactionary decrease because of a lack of properties for sale. Higher gross profit from the real estate business was due to a decreased provision for loss from the real estate business associated with withdrawal from development projects recorded in previous years.
- For FY03/2025, we expect leasing sales and property sales, etc. Acquired new properties and strove to replace assets held.

※ Numbers for the real estate business are the values of the sales and gross profit of the real estate business on the Company's non-consolidated statement of income.

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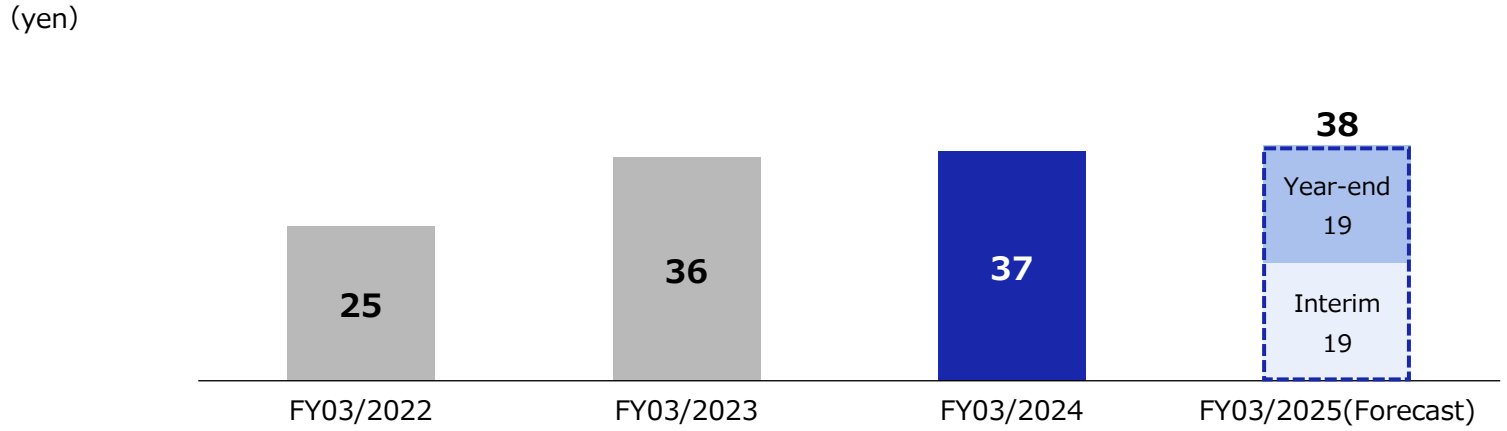
Shareholder returns

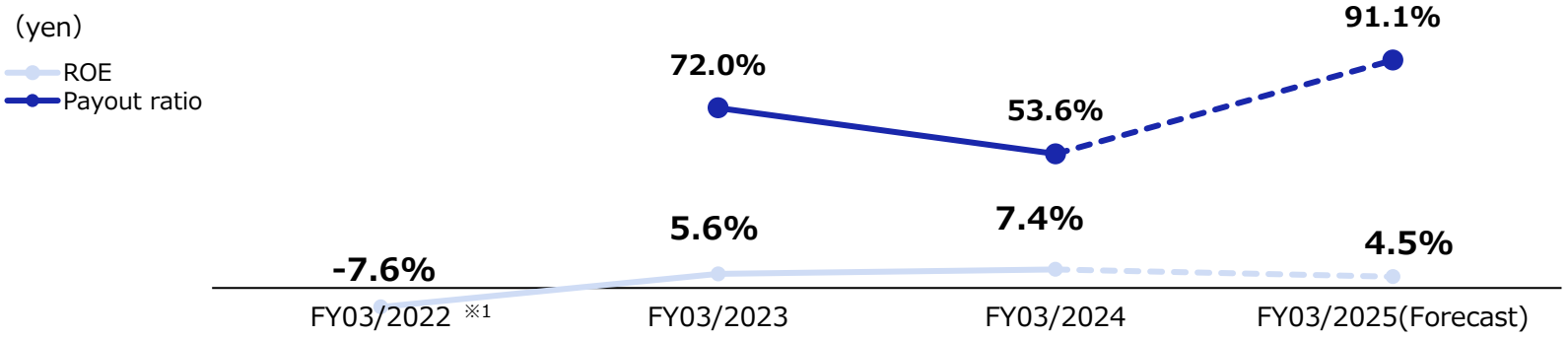
The Long-term Management Plan announced in May 2021 set the basic dividend policy as DOE of 4.0% or higher.
Year-end dividend per share will be 37 yen for FY03/2024, up 1 yen, and 38 yen for FY03/2025.

Dividend per share



[Reference] ROE and payout ratio

A “DOE of at least 4.0%” is set in the basic policy of paying dividends, as a balance between the medium to long-term results targets of an ROE of at least 10% and a consolidated payout ratio of at least 40%.



※1 Dividend payout ratio for the FY03/2022 is not shown due to the net loss for the year.

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Long-Term Management Plan “To zero, from zero.” (Rolling the plan in May 2024)

Introduced a management cycle with a ten-year long-term plan and a one-year short-term strategy. With a long-term target, implement rolling plan flexibly.
Respond to severe changes in business environment and strengthen human resource investment for sustainable growth.

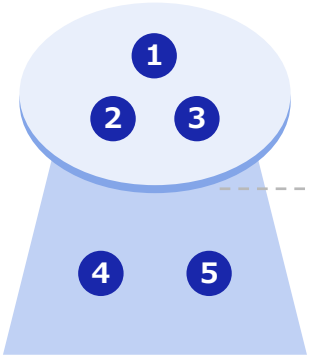
Three deliverable values

Decarbonization / Zero waste / disaster prevention

Competitive advantage

human resources / Digital technology

Business strategy



1 Tokyu Construction brand

Establishment of the Tokyu Construction brand through the building of competitive advantages in human resources and digital technology and the provision of three values

2 Core business

Strengthening of problem-solving skills, construction and production system innovation, and growth through alliances and M&A

3 Strategic business

The creation of new growth opportunities through investments in strategic business and synergies with core business

4 Human resource and organizational strategies

Creation of results and acceleration of innovation through the strengthening of human resources and reform of the organization and corporate culture

5 Financial and capital strategies

Emphasis on capital efficiency and the construction of stable financial foundations by pursuing the optimal capital structure

KPI

		03/FY2024 Results	03/FY2025	03/FY2027	03/FY2031
Profitability	Operating profit	8.2 billion yen	5.0 billion yen	At least 9.0 billion yen	At least 22.0 billion yen
	Operating profit margin	2.9%	1.6%	At least 2.8%	At least 5.0%
Efficiency	ROIC（※1）	5.5%	—	—	At least 7.0%
	ROE	7.4%	4.5%	At least 7.0%	At least 10.0%
Soundness	Debt-to-equity ratio	0.54times	0.5 times or less		0.5 times or less
	Capital adequacy ratio	37.8%	About 40%		About 45%
Non financial	Employee engagement rating（※2）	BB	A	A	AAA
	GHG emissions（※3）	—	16.2% reduction	23.5% reduction	30.0% reduction

※1 The ROIC of 7.0% or higher is set as a medium- to longer-term target for FY03/2031.
※2 Engagement rating using Link and Motivation Inc.’s “Motivation Cloud.” Subjects are employees of the Group as a whole, including subsidiaries. Rating is divided into a total of 11 stages, and the current “BB” is the fifth rating from the top after “AAA,” “AA,” “A” and “BBB ”
※3 The baseline is the emissions in FY03/2019. We are scheduled to get a third-party certification to heighten the data credibility on GHG emissions and are planning to disclose the data for FY03/2023 around July 2023..

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Restructuring of our earning power (Problem-solving skills)

Acquire and develop human resources which are the key to our future competitive edge, while reconstructing earning power based on a policy defined for each individual strategy.
Strengthen the problem-solving skills and continue to meet customers' expectations.

Points of strategy	Policy	Measures to be taken	
Safety/ quality	Improve employees' accident prevention awareness, eliminate lost earnings due to human errors caused by the Company and partner companies	Building construction	• Apply stricter guidelines to ensure construction procedures, and raise awareness of not only employees but also partner companies • Ensure we more thoroughly take measures based on past failure analysis
		Civil engineering	• Prepare construction plans using ICT technology, and establish a control quality system in which headquarters and branches are involved
Sales force	Ensure we judge the adequacy of a project, taking into account the focus area and profitability Efforts made by management and construction workers as one	Building construction	• Screen strategic focus projects early and allocate internal resources efficiently • Deal with price increases, and carefully explain with clear rationale to contractees
		Civil engineering	• Take advantage of track record and qualifications in determining target projects and making better proposals
Productivity/ labor force	Improve the support system of headquarters and branches to reduce operational burden of worksites Raise productivity and efficiency by improving the construction and production system continuously		• Raise productivity by using DX (including BIM and CIM) and labor-saving construction methods • Collect examples of construction improvement and share measures horizontally • Strengthen the relationship through the cooperating company associations, and help partner companies to secure work resources
Construction Renewal	Judge the adequacy of focus projects in a growing market, and focus on large-scale renewal projects		• Use human resources efficiently by focusing on large-scale renewal projects mainly in the metropolitan area
Human resources investment	Improve employee treatment that is inferior to that of competitors		• Make human resource investment by quickly raising base pay, etc. • Review personnel development plan including digital learning, and align the direction of the Company's growth and personal growth

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Take actions to realize management that is conscious of capital cost and stock prices

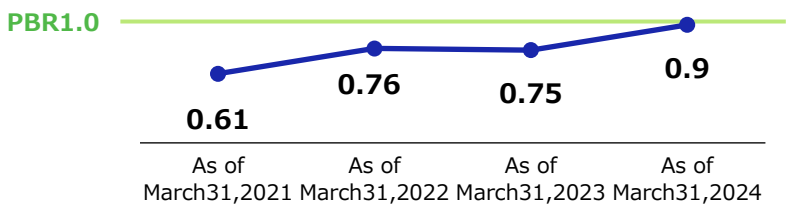
FY03/2024 Financial Results Briefing

Measures for the recognition and improvement of current situation from a PBR perspective

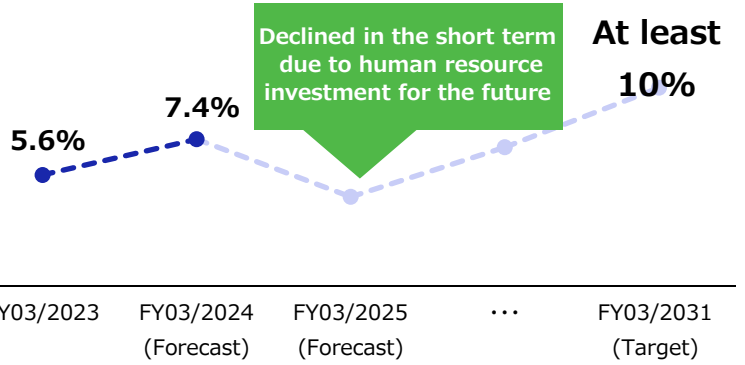
PBR has improved since the announcement of the Long-term Management Plan in May 2021
Promote capital-efficiency-conscious management to improve the current PBR which has fallen below 1.0.

Current status of the Company

PBR



ROE



Measures for improving PBR

PBR = ROE × PER

Improve PBR = Improve ROE / Reduce capital costs

- Restructuring of our earning power (Problem-solving skills) P21
- Initiatives for Working Style Reform and Construction Quality P28-30
- Reduction of Low-Performing Assets (Strategic Shareholdings) P32

Initiatives for growth

- Promotion of Human Capital Management P23-24
- Acquisition of Market Opportunities by Leveraging Our Strength P25-27

Reduce capital costs

- Stable and continuous shareholder return (DOE 4%) P19
- Use green loans to respond to climate change
- Improve Dialogue with the Stock Market and Information Disclosure P31

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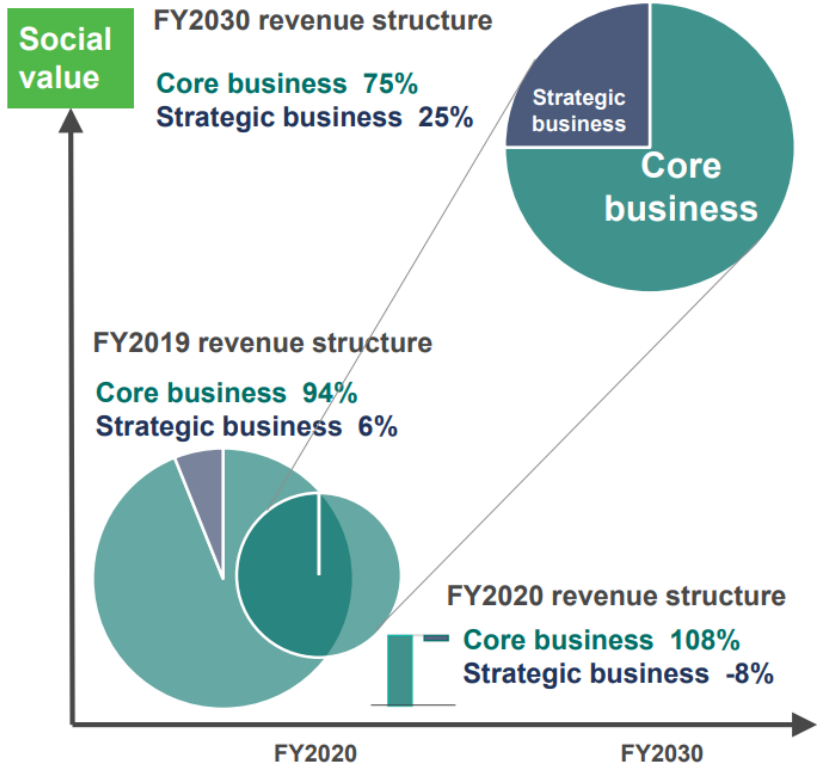
Expansion of human capital investment

Reallocate FY2030 business portfolio to 75% for the core business and 25% for the strategic business. Expand human capital investment to accelerate the revision of personnel portfolio including shifting the necessary skills and recruitment.

Investment in sources of competitive advantage (human resources, DX)
(Total investment between FY2021 and FY2030)

10 billion yen ▶ **38billion yen**



Core Businesses (Domestic Building Construction/ Domestic Civil Engineering/Construction Renewal))

Develop digital professionals who can deal with transformations to the construction production system
Digitalize the customer contact point throughout life cycle
Build and operate BIM/CIM-driven data platform

Strategic Businesses (International Business/Real Estate Business/New Businesses)

Hire experts and develop professionals
Foster innovative corporate culture

Common (recruitment, training, and reskilling)

HR system reform, treatment improvement, and personnel development investment
Establish system infrastructure and environment that promote company-wide DX

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Promotion of Human Capital Management (Instilling Philosophy and Vision)

Vision Dialogue throughout the year, an opportunity for management and a small number of employees to communicate online (all employees are eligible)
By sharing the Philosophy, Vision, and Long-term Management Plan with employees and highlighting them to them, encourage them to take action voluntarily.

What is Vision Dialogue?

- Online dialogue where one management officer and five employees communicate (all employees are eligible)
- Facilitated by corporate and executive officers including the President (held 2 to 3 times a month)
- Randomly chosen employees of various departments, ages, and job types, etc.
- Everyone attends the dialogue on a level footing (no lecturer, no audience)

Background to initiatives

- The whole company needs to understand and accept the plan regarding difficulties and change, including VISION 2030, and the Long-term Management Plan to realize it
- Management repeatedly conveys the Company's vision to employees to create a cycle of understanding, agreement, and voluntary action

Implementation status

	FY2021 (1st phase)	FY2022 (2nd phase)	FY2023 (3rd phase)	FY2024 (4th phase)
Theme	First step is to spread the new Vision and have people learn it	Behavioral change necessary to realize vision and transformation	Moving experience (rediscover job satisfaction, pride, and vision)	Dream (Deepen the mission "Realize dreams for each individual")
Participation status	• 2,436 (participation ratio: 93%) • 511 times	• 2,447 (participation ratio: 90%) • 571 times	• 2,371 (participation ratio: 90%) • 495 times	(To be started in June)
Evaluation	• Vision is abstract and measures lack concreteness • Restoration of confidence affected by quality accident	• Insufficient relative strength and concern about future • Proceedings of dialogue vary between facilitators	• Increased concern about working style reform • Positively evaluated dialogue with psychological safety	**To be continued into the future**
Issues to be improved	• **Revise the discussion themes to be more concrete for more active dialogue**	• **Prior discussion to foster a common view among all the management officers** • **Executives publish their opinions and thoughts in the company newsletter**	• **Will take up a forward-looking and positive subject** • **Strengthen the direction of employees and the Company**	

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Acquisition of Market Opportunities by Leveraging Our Strength
1)Our Strengths

Resident-mindedness, a keen awareness of the community and visitors which we have fostered through years of urban planning as a member of the Tokyu Group.
We will leverage the world's leading track record, technology, and know-how in developments around railways/stations and seek other market opportunities

Strengths of Tokyu Construction Group

The Technology, Expertise, and Teamwork That Keep Urban Functions Running





Shibuya Scramble Square



Shibuya Station East Exit Infrastructure Development Construction (first construction district) associated with Shibuya Station Area Land Readjustment Project

Tokyu Toyoko Line Shibuya Station to Daikanyama Station track switchover



Tokyo Metro Ginza Line Shibuya Station railway track diversion project



National Route 246 Shibuya Station East Exit Footbridge



R2 National Route, 246 Shibuya Station Area Underpass Construction



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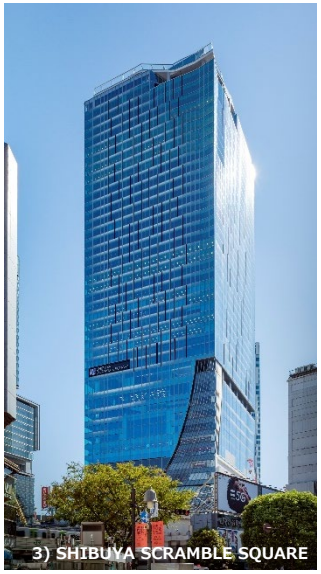
Urban Development in Shibuya

We have executed difficult construction projects in Shibuya, leveraging our technology, expertise and teamwork.
Shibuya has huge future potential with numerous redevelopment projects planned.

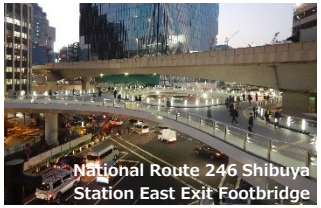


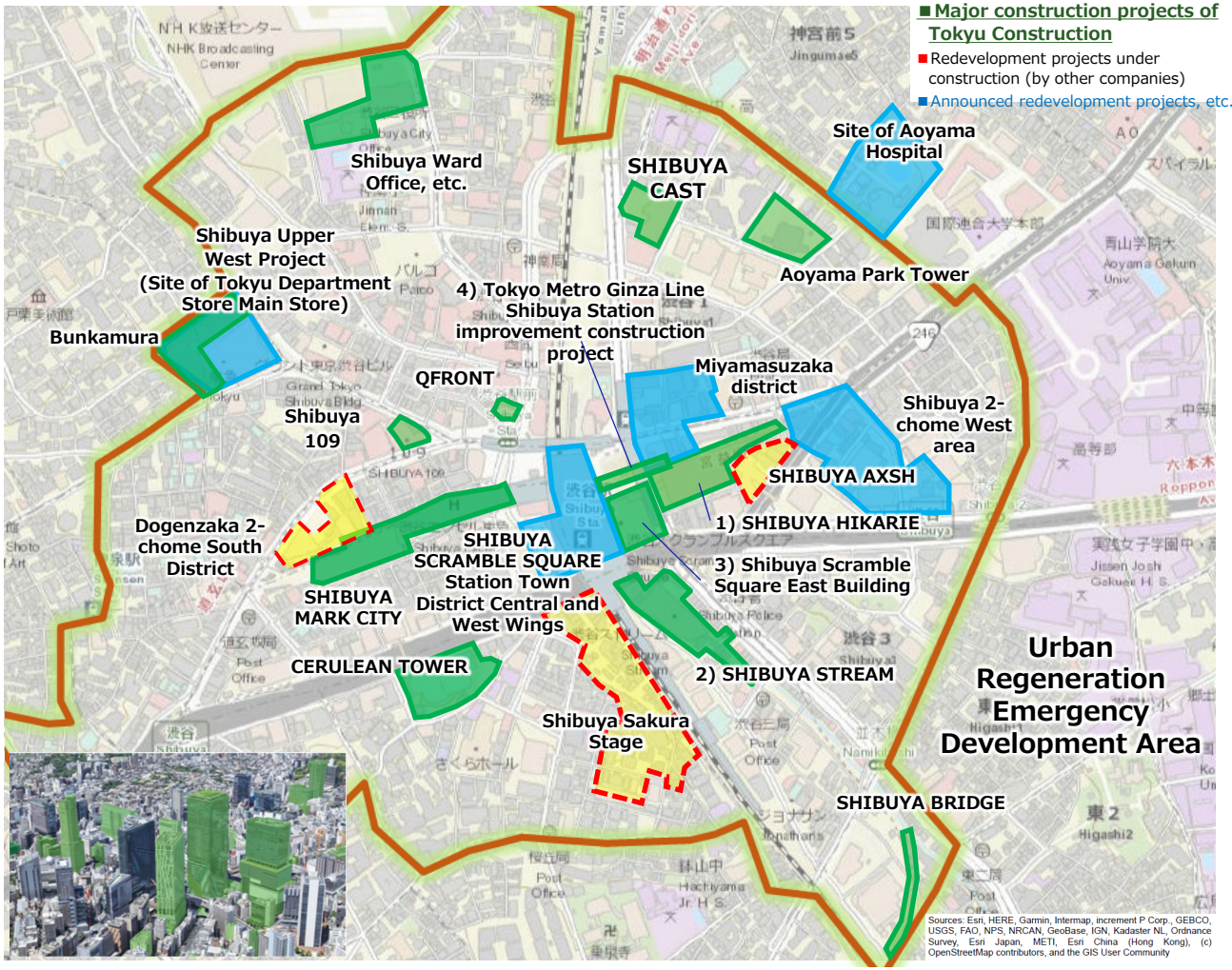












The buildings and infrastructure highlighted in the aerial photos are our construction projects. The map was created by the Company based on published data. *Scheduled to open after November 30, 2023.

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Acquisition of Market Opportunities by Leveraging Our Strength 2)Three values

Acquire market share in the strategically important three areas of our value: decarbonization, zero waste, and disaster prevention and mitigation.
Instill the recognition internally and execute measures powerfully.

Example of acquisition of market opportunities

- ZEBot, a ZEB service for existing buildings, won the Minister of Economy, Trade and Industry Award in the Business Model of the Energy Conservation Grand Prize.
- Raise the share of ZEB to 50% or more, out of design and consultation services.



- Enter the power storage facility business and stabilize the balance of power supply and demand, and leverage renewable energy



- Measures for disaster prevention/mitigation and National Resilience Fulfill our social mission



Urgent disaster recovery of Noto Hanto Peninsula Earthquake (road service resumption)

Three values



Main measures

Acquisition of revenue opportunities

- Entry into renewable energy-related business
- Promotion of wooden construction projects
- Development and operation of decarbonization-related technology
- Extension of the service life of buildings and disaster prevention/mitigation through the use of building health diagnosis technology and torrential rain damage forecasting technology
- Contribution to infrastructure longevity through infrastructure asset management
- Creation of a disaster simulation tool through the use of digital twins

Responding to climate change

- Conversion of all electricity used in our business activities to renewable energy
- Conversion of heavy machinery and dump truck fuel to non-fossil fuel
- Decarbonization of construction materials
- Reduction of final disposal of waste plastics and other wastes
- Promotion of recycled material use
- Development and operation of waste recycling technology

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Initiatives for Working Style Reform and Productivity Improvement

Realize a more productive and satisfactory working style, taking the overtime work cap restriction as an opportunity for change Continue to improve our construction technology and know-how, while utilizing digital skills to improve productivity,
in cooperation with other partner companies.

Purpose of initiative

- **Change from “support” to “sharing”**
- **Eliminate lost profits through thorough awareness of quality, safety and security**
- **Utilization of digital technology and human resource development with a view to the medium to long term**

Measures to be taken

Measures for Overtime Work Cap Regulations

- Focus on core operations by work site engineers
  - ・Support from head office departments
  - ・Use of dispatch and outsourcing
- Introduction and expansion of ICT tools and labor-saving methods
- Strengthening and support for quality management systems

・Turn a local office into a satellite office
・Introduction of shift work and flexible working hours
・Construction plans based on the premise of closing work sites for a total of eight days of every four weeks ・Construction plans based on the premise of closing work sites for a total of eight days of every four weeks

Creating with cooperating companies

- Strengthening cooperation with cooperative associations
- Holding events to present good practices and improvement cases at the work site (held every year)
- Support for human rights education
- Support for hiring of cooperating companies

Improving implementation ratio of closing work sites for a total of eight days out of every four weeks

Realize a more productive and satisfactory working style



※1 closing work sites for a total of eight days out of every four weeks: A system to secure eight days off in four weeks (a five-day week)
※2 TQ-BUDDY: A job information site operated by a professional construction partner company released in 2023 with which the Company has business. Job seekers can directly apply for jobs at each partner company.

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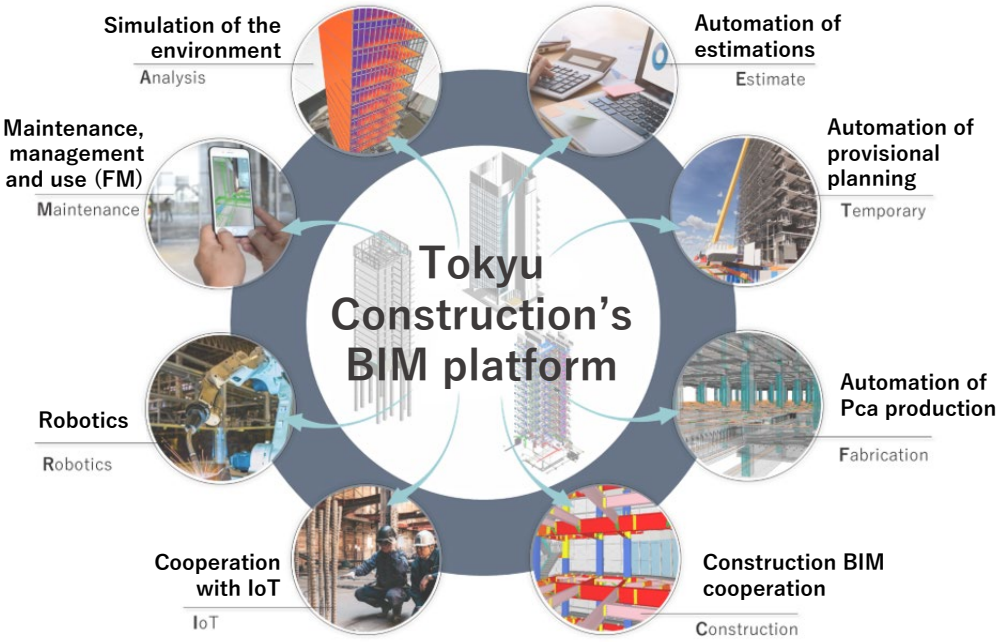
Transformation to BIM-Driven Construction and Production Systems

We are accelerating construction production system reform centered on BIM/CIM to provide solutions to a labor shortage and working time cap, etc.
We strengthen training to improve the digital literacy of employees and promote collaboration with partner companies.

【Building Construction】 In view of digital twin*1, we have accumulated a track record of introducing a labor-saving and efficient system driven by digital technology centered on BIM, in cooperation with partner companies.

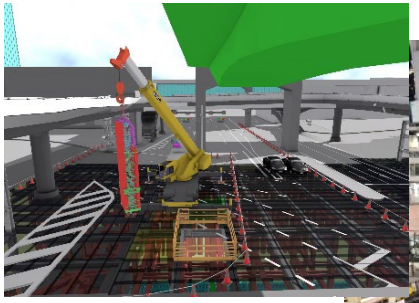


*1: A digital twin of a building is a virtual version of the building.
*2: Under the PCa (precast concrete) method, concrete products are made at factories in advance before delivered to and used at construction sites. The use of the method helps heighten productivity and reduce waste materials compared with the popular method under which concrete structures are cast on site.

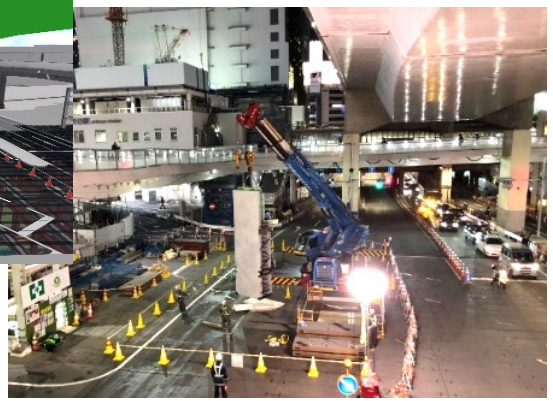
【Civil Engineering】 Generated a 50% process reduction effect with PPCa box culvert using 4D simulation

Winner of the Excellence Award of the Ministry of Land, Infrastructure, Transport and Tourism's Infrastructure DX Award

https://www.tokyu-cnst.co.jp/topics/2575.html



VR with game engine and 4D simulation



The construction of the underpass around Shibuya Station on R2 National Route 246

[Common] Improvement of employees' digital literacy

Number of qualified employees (people)

IT passport holders	**357**/2,471
Digital personnel development Number of employees who participated in internal training	**2,043**/2,471

(As of the end of March 2024)

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Efforts to Prevent Recurrence of Quality Problems, Improve Construction Quality, and Restore Trust

Regarding the past quality problems, we have reviewed the structure, system and organizational culture to prevent their recurrence thoroughly.
Strictly ensure the awareness of safety and quality control through dialogue between management and all employees.

Overview of the quality problems

In fiscal year 2021, the 3 points below were discovered

1. Defects in the tips of foundation piles and the falsification of data during station improvement work
2. Temporary structures left in civil engineering works in past fiscal years
3. Defects in building work in past fiscal years

The response

2021

July 26 Defects in the tips of foundation piles in construction work (1 Official announcement)

November 8 Revision of results forecast (1 - 3 Recording of losses and expenses)

November 18 Defects in the tips of foundation piles in construction work (1 Follow-up report)

2022

May 19 Disclosure of initiatives for the prevention of reoccurrence

Subsequently

- ▶ **Continuation of measures for the prevention of reoccurrence**
- ▶ **Deepening of reform of the organizational culture**

Investigation of the cause and prevention of reoccurrence

Cause

- **Lack of awareness and management** of special construction conditions
- **Dilution of quality** awareness **and sense of ethics**
- **Gaps in intergenerational communication** in the field
- **Lack of on-site support** by Head Office and branches

Prevention of reoccurrence

Improvement of construction quality management system (Civil Engineering)

- New establishment of the quality control division of Head Office
- Building of a human and technical support system for the field

Information sharing & Improvement of training programs for worksite engineers

- Introduction of preliminary reporting by e-mail of accidents and problems directly linked to management
- Expansion of the internal reporting system
- Review of construction management education and training programs

Accountability clarification

- Voluntary return of remuneration by Directors and Executive Officers
- Of remuneration for directors, the portion of variable compensation, which is linked to short-term performance, has not been paid to them in FY03/2023

Reforming corporate culture

- Compliance education for all officers and employees
- Launch of measures that make communications more frequent and effective

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Improve Dialogue with the Stock Market and Information Disclosure

We strive to reduce any asymmetric information between the Company and investors through constructive dialogue with shareholders and investors, and active disclosure.
We report opinions received through IR activities to management and outside directors to improve corporate value.

Major activity

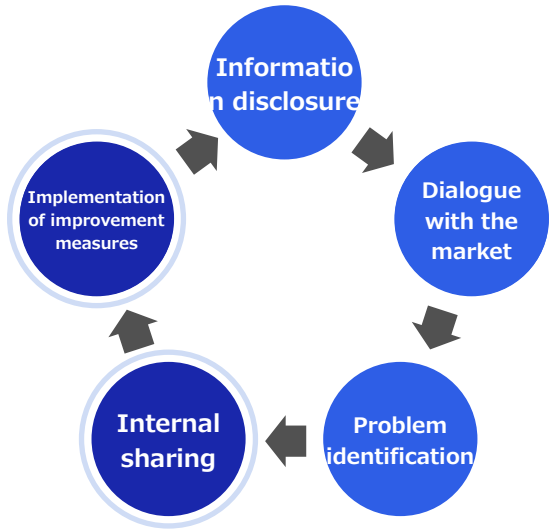
	1Q	2Q	3Q	4Q
Information disclosure	• Financial results reference material • Financial results briefing session	• Financial results reference material • Publication of integrated report	• Financial results reference material • Q2 financial results briefing session	• Financial results reference material
Dialogue	• Business briefing session • Financial result briefing for employees	• Business briefing session	• Business briefing session • Financial result briefing for employees	• Field tour • Constructive dialogue with shareholders and institutional investors

Quarterly actions
Report IR activity results, and opinions of shareholders and investors, and share information with related internal divisions

Activity done all year round (as needed)
Active distribution of news releases and enhancement of corporate website
Deal with inquiries and questionnaires

Activity done all year round (as needed)
Individual IR interviews, surveys of related (internal) divisions and on-site visits

Reflect management in PDCA cycle



Promote mutual understanding and make us more trustworthy for the stock market through IR activities

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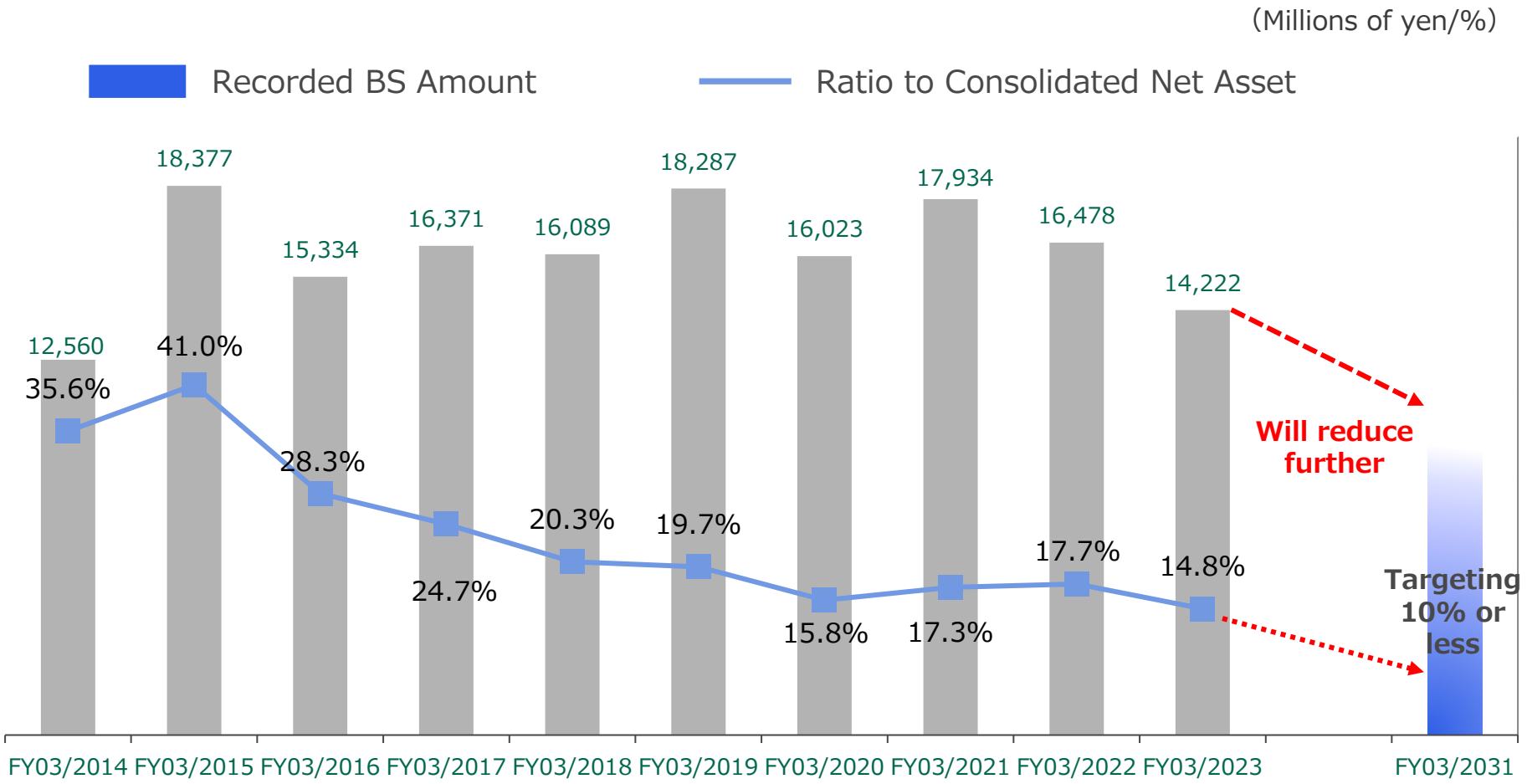
【Appendix】

FY03/2024 Financial Results Briefing

Reduction of Low-Performing Assets (Strategic Shareholdings)

We judge the appropriateness of holdings based on capital efficiency and strategic significance (as to business synergy and securing stable profit, etc.).
We will reduce our strategic shareholdings, in principle.



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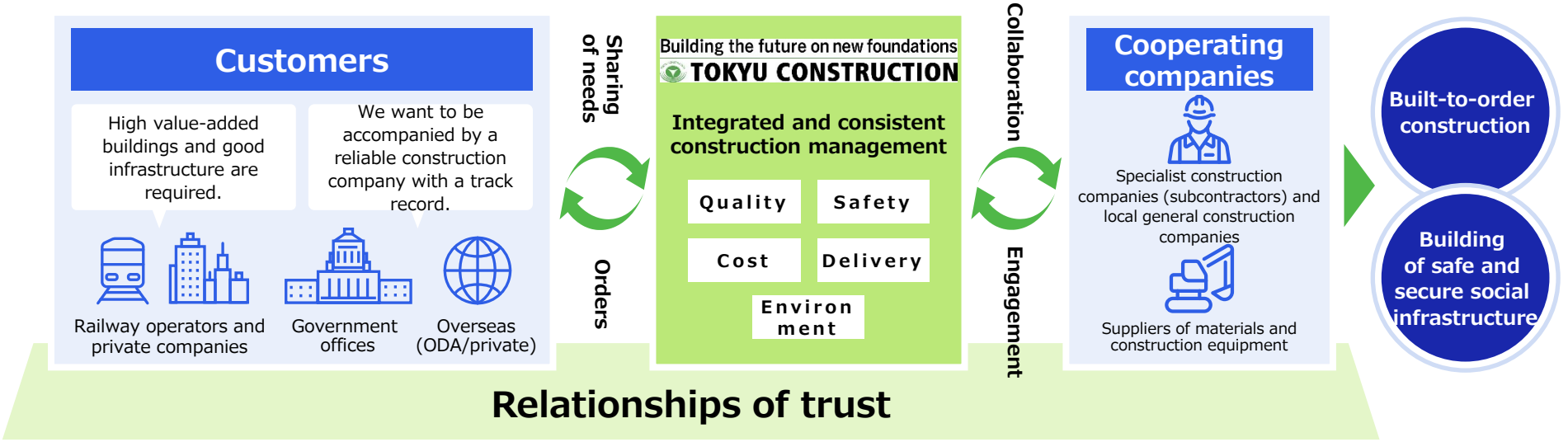
Business model and business overview

We take on construction work en masse from government agencies and private companies, and manage construction work efficiently in cooperation with numerous suppliers. We realize the maximization of added value by implementing integrated construction management of everything from quality and costs to safety and the environment.

Business development based on strong relationships of trust



Business overview

Core business

Building Construction	Construction of commercial facilities, hotels, offices, factories, and distribution centers
Civil Engineering	Railways, roads, tunnels, bridges, and other construction
Construction renewal	Building renewal work

Synergy

Strategic business

Real estate	Real estate rental business Equivalent exchange business, etc
Inter-national	Railways and roads, construction of high rise buildings and factories, etc
New Business	PPP / Concession Business such as airports, water and sewage systems

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Building the future on new foundations

TOKYU CONSTRUCTION

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Notes

Forward-looking statements such as forecasts of the company's results contained in this document are based on information available as of the date of publication and assumptions made as of the date of publication regarding uncertain factors that may affect future results.
Except as otherwise provided for by law, the company shall bear no obligation to update these future predictions. Actual results may differ from future predictions due to various factors.