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To Whom It May Concern

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Basic Mindset for the Formulation of our Vision 2030 and Long-Term Management Plan

Tokyu Construction have been formulating new corporate vision for every 10 years based on the corporate philosophy promulgated since 2000. Tokyu Construction are currently formulating a new vision (“Vision 2030”) to succeed our Vision 2020 of being “a general contractor that continues to embody “Shinka” (which, roughly translated, means “deepening and evolving in the pursuit of genuine value”).

The current fiscal year is also the final year of our medium-term management plan for 2018–2020. In place of our usual practice of drafting new medium-term management plans every three years, Tokyu Construction are now working to formulate both our Vision 2030 as well as a long-term plan to achieving our new vision.

We plan to release our Vision 2030 and long-term management plan in May 2021. At present, however, the future path has uncertainties, notably due to changes in the business environment caused by COVID-19 and the “new normal”, this has affected our earnings outlook as well. Hence, Tokyu Construction wish to inform you of our “basic mindset” in light of the studies we have done on these factors thus far.

1. Assessment of current conditions and our response

As stated in our release today on our earnings forecast revision, we have decided to revise down our FY03/21 full-year outlook. The deterioration in business performance for the current fiscal year is due to our own unique circumstances, namely the playing out of large-scale construction including redevelopment work around Shibuya Station, as well as the adverse effects on the business environment from COVID-19. In terms of our outlook for orders for FY03/21, we maintained our initial forecast of 68% year-on-year growth since there are a number of areas, such as major logistics warehouses, in which we continue to field brisk inquiries in spite of the COVID-19 pandemic, and we will work earnestly to achieve earnings recovery in FY03/22 onward.

In light of these circumstances, as indicated in Tokyu Construction press release today, “Notice

Regarding the Purchase of Own Shares,” we have decided to proceed with a stock buyback in order to improve capital efficiency by comprehensively considering cash on hand, a share price level, and other factors.

We are currently implementing our medium-term management plan for 2018–2020 (current medium-term plan) as well as the Our Ideals for 2026 plan, which we adopted at the same time, but given the substantial changes in the business environment described above, we have strategically decided to consider a new mindset with our Vision 2030 and our long-term management plan, which we are now in the process of formulating. Over the period leading up to our disclosure of our new Vision and management plan in May 2021, we will continue to put together specific initiatives in line with this new mindset and implement bold decision-making as the circumstances may require. The strategic stock buyback announced today is also aimed at maximizing the spread between the cost of capital and capital efficiency premised on pursuing optimal capital structure, and will be implemented on the basis of this “basic mindset” that establishes a “finance and capital policy” that is consistent with the “medium- to long-term performance targets.”

2. Assessment of the future environment

In formulating our Vision 2030 and long-term management plan, rather than focusing only the changes in the current environment, we are strongly and equally aware of the increasing uncertainty for the future, and as such, we will carry out periodic review and scenario planning (a method of anticipating multiple scenarios that may occur in the future and deriving strategies).

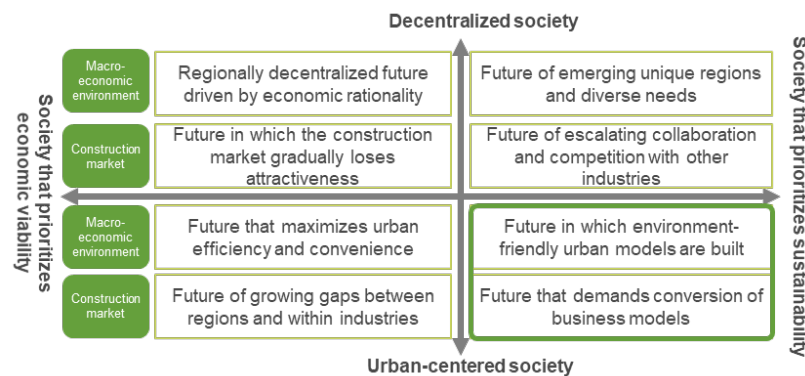
In considering such scenarios, firstly we will identified and defined conceivable environmental changes such as Japan’s shrinking domestic population, a persistently uncertain market environment, accelerated penetration of digital technology into the construction market, and climate change and increases in large-scale natural disasters. Next, from the two aspects of the domestic and overseas macroeconomic environment and the domestic construction market, we have extracted factors that will have large impact on our company which are also highly uncertain. We then sorted these into two vectors, “decentralized society vs. urban-centralized society” and “society prioritizing sustainability (a society based on SDGs and other efforts to solve environmental and social problems) vs. society prioritizing economic viability (society putting the economy and corporate profits first), and formed scenarios based on four quadrants.

The one we have chosen as our main scenario is the bottom right in the table below, “Future in which environment-friendly urban models are built,” and “Future that demands conversion of business models.” Under these scenario, society as a whole will take more seriously the large-scale natural disasters that occur frequently worldwide due to the effects of climate change and events that alter our very way of life, such as the COVID-19 pandemic. And consequently, SDGs, which are the Sustainable Development Goals set by the United Nations, and ESG investment, which helps link SDGs with corporate activities to create economic value, will take on greater importance. Similarly

it is anticipated that there will be growing awareness of personal and corporate sustainability which will bring about changes in the way people work, and urban models will be built with stronger awareness of the environment, and disaster prevention and mitigation along with further decentralization to regional areas.

Against this backdrop, in the construction market, with the evolution of digital technology, BIM/CIM will become a platform that connects value chains, and that will generate potential for providing new value and create new business opportunities. And as a result, we believe that the business model will be forced to undergo a major shift as opportunities for entry from different industries increase.

While placing this scenario at the center of our strategic consideration, we will formulate strategies for the future where uncertainty will increase by taking a bird's-eye view of the potential for other scenarios to progress.

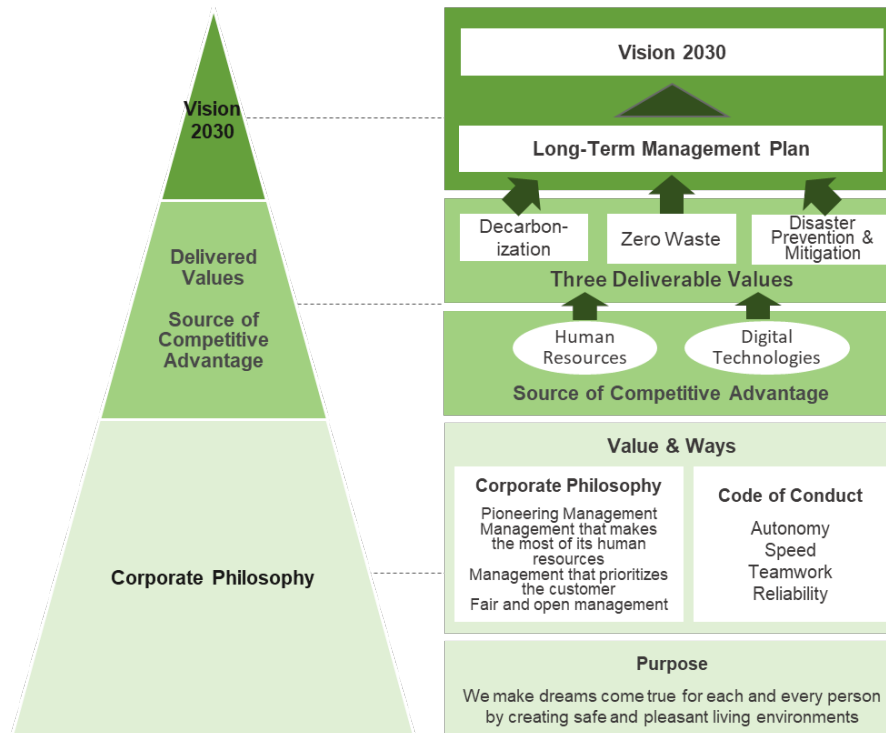


3. Basic mindset (corporate value creation story)

As indicated in the figure below and “4. Reference,” Tokyu Construction believe the most important foundation for future-oriented sustainable corporate value creation will consist of our “purpose” derived from our foundation and corporate philosophy, the common values in our organization and action (management philosophy and code of conduct), and “Shinka” (“deepening and evolving in the pursuit of genuine value”) accumulated through our Vision 2020.

In line with this mindset, based on our main scenario planning, namely “Future in which environment-friendly urban models are built,” and “Future that demands conversion of business models,” we will adopt the growing importance of SDGs as a business opportunity, study the suitability with our capabilities, and use strategies based deliveries of three values, “decarbonization”, “zero waste,” and “disaster prevention and mitigation,” whereby Tokyu Construction will author our own corporate value generation story.

With Tokyu Construction Vision 2030 and long-term management plan, based on these elements, we will make human assets and digital technologies the source of our competitive superiority, provide solutions to social issues and by extension generate economic value. Further still, through our overall business activities, we will practice sustainable management with a firm attention to providing return to our stakeholders (customers, business partners, employees and their families, shareholders, and society).



(1) What are our goals?

- With human assets and digital technologies as the source of our competitive superiority, we will generate synergies in each business segment, including civil engineering, building construction, international market, and real estate, and by delivery of three key values, we will establish the "Tokyu Construction Brand" as a unique position and be a leader in the industry and aim to maximize corporate value in terms of both financial and non-financial aspects.

(2) Where will we focus our efforts?

- In our civil engineering and building construction businesses, we intent to forge stronger bonds with our existing customer base who have a strong interest in three values we deliver. We will carry out development and deep cultivation of new markets and new customers including ~~and~~ aggressively expand into both upstream and downstream areas.
- In our international business, utilizing the strengths and skillsets we have cultivated through domestic railway construction and urban development along Tokyu railway lines, we will work on railway and transportation infrastructure and TOD (public transportation-oriented urban development) via ODA in emerging countries notably in Southeast and South Asia, and achieve active business growth by contributing to the development of social infrastructure and sustainable urban development in these countries where we operate.
- In the real estate business, we will focus on our three deliverable values to tap into the market demand for SDG attainment as well as customers that attach strong importance to the areas of concerns such as the environment, safety, and health. Armed with value-added quality real estate development that maximizes synergies with our construction business (i.e. maximizing property value and raising profit margins), we will endeavors to engage in such unique undertakings.
- In addition, we will proactively implement a series of new business expansions in areas with the

potential to mutually expand our three deliverable values, such as renewable energy, as well as areas that use digital technologies, which are one of the sources of our competitive superiority.

(3) How will we succeed?

- We will achieve deep market penetration of the Tokyu Construction Brand and elevate brand value through undertakings to achieve a sustainable society via SBT certification and TCFD endorsement, and the formation of strategies complementing our three deliverable values.
- We will build a digital platform with BIM/CIM and advance business transformation in the building construction business at a speed that intends to overwhelms the competition, and raise the value and high standards we provide to our customers and together with a higher rate productivity along the value chain to be the leader in our class in the industry.
- We will continue to invest in generating new value and creating business models utilizing ZEB technology and digital platforms, and by demonstrating open innovation and synergies between businesses, we will differentiate ourselves through our ability to deliver such high standards results together with our strong track record of achievements.

(4) What new abilities will we acquire ?

- We will take on the challenge of transforming our contracting business model using BIM/CIM as our platform.
- We will establish the sales and marketing capabilities necessary to raise customer awareness of the three main values we deliver.
- We will establish "DX promotion abilities" to implement business and human resource transformation in our existing businesses.
- We will continually establish new business with the capacity to creating and generate new businesses in areas with the potential to enhance and expand our three deliverable values and areas that use digital technologies, which are one of the sources of our competitive superiority.
- We will strengthen our open innovation functions, including the use of the geographic advantage of Shibuya that supports those two functions.

(5) What kind of management system will we need?

- We will pursue corporate governance to ensure that reforms are completed by 2030.
- We will establish a management system to transform our corporate organization to support management decision-making and business execution of each business, and deliver results.
- We will introduce a management cycle based on our Vision 2030 and a 10-year long-term management plan and short-term execution plans to achieve them, in place of medium-term management plans every three years.
- We will maximize the spread between cost of capital and capital efficiency (ROE, ROIC, etc.) premised on pursuing optimal capital structure, taking into account business risks as well.
- Based on the above, we will establish consistent "medium- to long-term performance targets (growth potential)" and "finance and capital policies (including shareholder return policies)".

4. Reference

(1) Our foundation

Tokyu Construction is a company that was created to solve social issues. Our history goes back to the immediate post-war days. Tokyo had been reduced to ashes, and a "Temporary Postwar Reconstruction Committee" was established within Tokyu Corporation (currently Tokyu) for the reconstruction of Japan's capital, and therein laid the origins of Tokyu Construction. Tokyu Construction Industry Co., Ltd., our precursor, was established in 1946, and following a merger with Tokyu Land Corporation, it re-emerged as Tokyu Construction Co., Ltd. in 1959. Since then, we have taken an active role as a member of the Tokyu Group, which saw the social issue of Tokyo's rapid population explosion as a major business opportunity. We played a part in the development of Tama Garden City (town development such as railway laying and residential land development), and laid the foundation of business by working on numerous challenging construction projects that pushed traditional boundaries. We also expanded our business from all over Japan to overseas, and in the latter half of the 1980s, we grew into a company that took its place among the second-tier general contractors.

Then, in 2000, we formulated a reconstruction plan in response to the management crisis caused by overinvestment during Japan's asset bubble economy. At that time, we inherited the company motto "Tokyu Construction contributes to society through the creation of a prosperous human environment and constantly develops as a group of employees with a lust for life" and established a new corporate philosophy. Our corporate philosophy consists of our *raison d'être* (our purpose) and the values shared by management and human assets (management philosophy and code of conduct).

Based on this corporate philosophy, in 2011 we adopted our Vision 2020 of being "a general contractor that continues to embody "Shinka" (which, roughly translated, means "deepening and evolving in the pursuit of genuine value"). We have improved our corporate value by making every effort to solve social issues by taking on the challenge of new business areas. We are engaged in reconstruction from the Great East Japan Earthquake and worked to boost national resilience in preparation for intensifying natural disasters, and constructed buildings and structures throughout Japan and overseas.

(2) Vision 2020 overview

To be "a general contractor that continues to embody "Shinka"

"Deepening": Elevate our competence in our core business of construction contracting

"Evolving": Undertake challenges in new areas of business outside of contracting and produce results

"Genuine Value": Continue to contribute to society as a general contract of genuine value

① "Deepening": Elevate our competence in our core business of construction contracting

Since fiscal 2012, we have been making efforts to achieve our vision through three, three-year medium-term management plans. We have achieved steady results in our main contracting

business. We have been engaged in a number of large-scale construction projects and challenging construction works in Japan and overseas, such as earthquake disaster reconstruction work and construction of facilities for the Tokyo Olympics and Paralympics. Above all, efforts for the redevelopment project around Shibuya Station have been a significant achievement that can be said to be a symbol of our company since its establishment. Shibuya Station and its environs are a major urban hub, home to JR, Tokyo Metro, and Tokyu rail lines, department stores and other commercial facilities, one of the heaviest flows of passenger traffic of any station in Japan, as well as the underground Shibuya river. Without causing stoppage to any of these elements, we successfully formed construction work schedules and execution plans with proper regard to safety. This required us to achieve perfect partnership amid intertwining civil engineering and building construction segments. Although it is sometimes said in the industry that civil engineering and building construction are separate companies, we were able to demonstrate our strengths in teamwork and safely proceed with construction. We are confident that our numerous achievements in such grand-scale projects have led to the further improvement of our construction management capabilities, and have firmly contributed to the "deepening" set forth in our vision.

② “Evolving” : Undertake challenges in new areas of business outside of contracting and produce results

In undertaking challenges in new business areas, we have been active in the concession business, real estate business, and paprika business.

In the concession business, we are working on domestic airport privatization in collaboration with Tokyu Corporation, and in addition to the Sendai Airport management business that has already commenced operation, we are also participating as an investor in the Hiroshima Airport management business, the selection of priority negotiation right holders for which was announced on September 11, 2020. In addition, we have achieved results such as participating as an investor in the Hamamatsu City Public Facilities (Seien Treatment Zone) management project, which is Japan's first sewerage concession project.

In the real estate business, we are implementing initiatives with a focus on demonstrating synergies with our construction business. With our expertise as a primarily construction general contractor, we plan to raise the value of old properties by renovation, and promote their operation as rental income properties that generate stable income. In addition, we are utilizing the strengths of the Tokyu Group to jointly acquire properties and secure opportunities to participate in large-scale redevelopment in the future.

The paprika business is a new business launched after the formulation of our Vision 2020. We have acquired GLOBAL G.A.P. certification, which is given to companies that practice "sustainable production activities" that consider food safety, working environment, and environmental conservation, and we produce and sell high quality paprika using an efficient production system, while also contributing to job creation in the local Miho village of Ibaraki Prefecture. This marks our first major undertaking outside the realm of construction, as we aim to solve social issues by creating a safe and comfortable living environment, which is our corporate *raison d'être* (our purpose).

② “Genuine Value”: Continue to contribute to society as a general social contract of genuine value

We will adopt our Vision 2030, which will inherit the “deepening” and “evolving” of our Vision 2020, and we will continue to enhance our corporate value by demonstrating our true value in solving social issues.