

FY03/2022

The First Half Financial Results Briefing

November 18, 2021

Building the future on new foundations



TOKYU CONSTRUCTION

FY03/2022 Revision to the Full-Year Forecast

The First Half FY03/2022 Financial Results Briefing

Factors Contributing to Revisions to Full-year Forecast

“Notice Concerning Revisions to Full-year Forecast” (November 8, 2021)

- ✓ Recorded estimated losses related to “Defective Ends of Piles for an Ongoing Construction Project” (announced on July 26, 2021)
- ✓ Recorded estimated costs of removing temporary structures for civil engineering projects that were delivered in prior years
- ✓ Estimated an increase in repair costs for construction defects in some building construction projects that were delivered in prior years

“Defective Ends of Piles for an Ongoing Construction Project (follow-up report)” (November 18, 2021)

- ✓ The internal examination committee with third party member examined the “discrepancy between the records of piling work and the investigation results,” which was discovered in the process of investigating the cause of the defective ends of piles as announced on July 26, 2021. As a result, it was found that some project site workers had falsified the record table for concrete placing, etc.
- ✓ It is absolutely unacceptable that we, a construction company whose business is built on the trust of customers, let such an issue happen. We recognize and seriously and sincerely accept that there was a problem with the quality control system as part of an organization.



[Prevention of recurrence]

Strengthen the quality control system at construction sites

- Improve the system for the head office and branch offices to support project sites
- Set up an expert committee and introduce other measures for specific projects
- Reinforce training for engineers and technicians on core operations including safety, quality, and process control

Ensure thorough compliance education

- Provide compliance education for all officers and employees

Impact on Earnings



(Millions of yen)

[Consolidated]	FY03/2022 Forecast				Difference compared to previous	
	Revised(Nov 8)		Previous(May 12)			
	Forecast	Ratio	Forecast	Ratio	Forecast	pt
Net Sales	267,000		285,000		(18,000)	
Operating Income	(3,600)	(1.3%)	7,000	2.5%	(10,600)	(3.8pt)
[Non-Consolidated]	Forecast	Ratio	Forecast	Ratio	Forecast	Pt
Net Sales	250,000		267,000		(17,000)	
Civil engineering	64,200		69,800		(5,600)	
Building construction	184,100		195,500		(11,400)	
Real estate	1,700		1,700		0	
Gross profit	11,300	4.5%	21,600	8.1%	(10,300)	(3.6pt)
Civil engineering	(1,400)	(2.2%)	6,900	9.9%	(8,300)	(12.1pt)
Building construction	11,900	6.5%	13,900	7.1%	(2,000)	(0.6pt)
Real estate	800	47.1%	800	47.1%	0	0.0pt

Factor (1) Changes resulting from individual factors		Factor (2) Other changes		If factor (1) were excluded	
Forecast	pt	Forecast	pt		
0		(18,000)			
(10,250)	(3.8pt)	(350)	(0.0pt)		
Forecast	pt	Forecast	pt	Forecast	pt
0		(17,000)		250,000	
0		(5,600)		64,200	
0		(11,400)		184,100	
0		0		1,700	
(10,250)	(3.6pt)	(50)	(0.0pt)	21,550	8.6%
(6,750)	(9.8pt)	(1,550)	(2.3pt)	5,350	8.3%
(3,500)	(1.1pt)	1,500	0.5pt	15,400	8.4%
0	0.0pt	0	0.0pt	800	47.1%

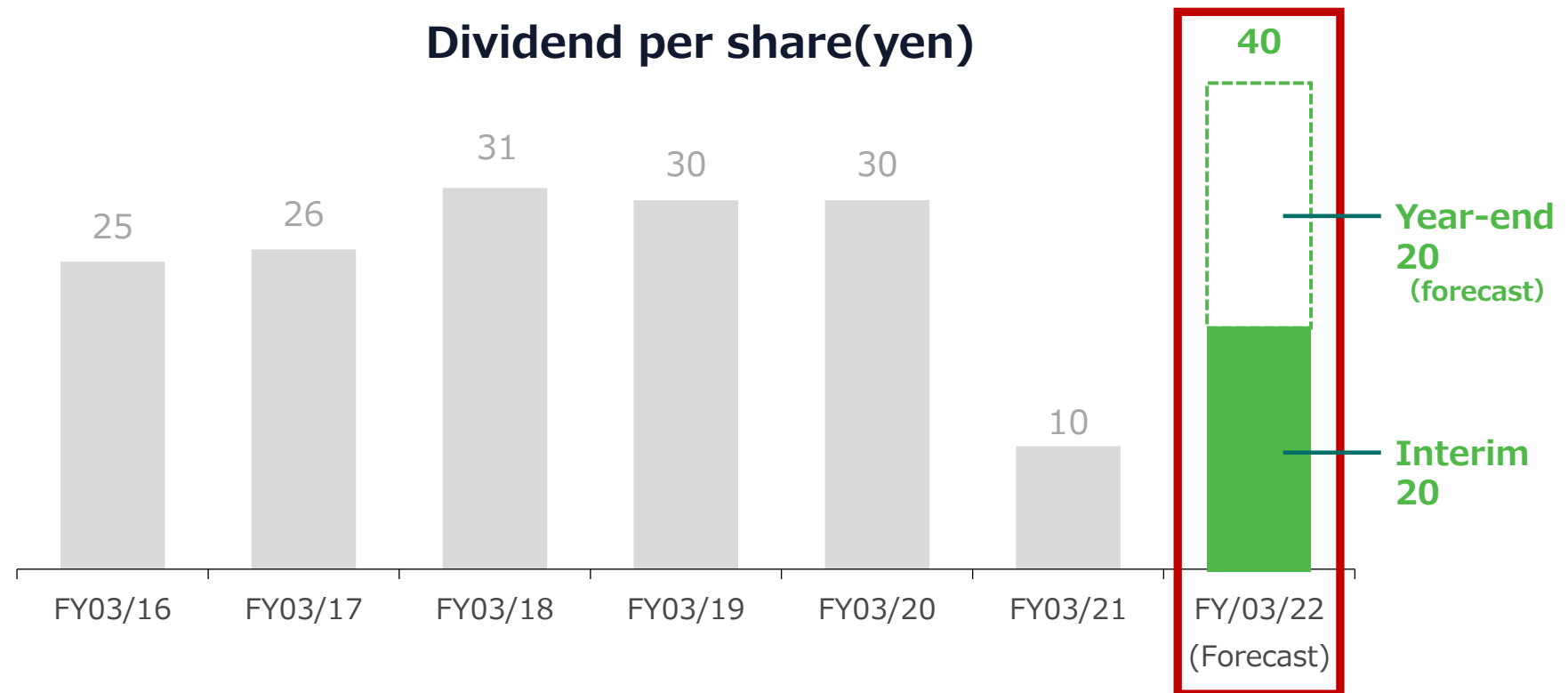
Factor (1) Changes resulting from individual factors

- ✓ Recorded estimated losses related to the “defective ends of piles” disclosed on July 26, 2021
- ✓ Recorded estimated costs of removing temporary structures for civil engineering projects that were delivered in prior years
- ✓ Estimated an increase in repair costs for construction defects in some building construction projects that were delivered in prior years

Factor (2) Other changes (Impact excluding the above factors)

- ✓ Net sales impacted by lower completed construction sales due to delays in order receipt and the progress of some construction projects
- ✓ Decline in gross profit of civil engineering due to a decrease in completed construction sales, lower profit margin of railway civil engineering, and the impact of overseas construction
- ✓ Increase in gross profit of building construction due to the reduction of construction costs through the ingenuity of construction management, additional orders obtained, etc.

Based on the policy of aiming to achieve a dividend on equity ratio (DOE) of 4.0% or more, we will pay dividends steadily and consistently in a manner not easily affected by short-term profit volatility



Treasury stock acquisition

Total number of shares of treasury stock for FY3/2021: 1,965,100 shares
(total value of acquisition: 999,976,175 yen)

FY03/2022

Overview of First Half FY03/22 Financial Results

The First Half FY03/2022 Financial Results Briefing

Business environment

- Although some industries remain in difficult situations due to the impact of COVID-19, there are signs of a recovery, supported by strong public investment and developments in recoveries in the domestic and overseas economies.
- While warehousing and distribution facilities are performing well, and capital investment in factories is expected, the recovery of accommodation facilities is slow.
- Construction costs are on an upward trend due to continued increases in the prices of materials and equipment.

Full-Year Results (Consolidated)

Non-consolidated orders	: 119,771million yen (1H FY2021:122,357million yen,-2.1% YoY)
Net Sales	: 111,614million yen (1H FY2021:95,423million yen,17.0% YoY)
Gross Profit	: 411million yen (1H FY2021:8,323million yen,-95.1% YoY)
Gross Profit Margin	: 0.4% (-8.3pt YoY)
Operating Income	: -7,152million yen (1H FY2021:1,192million yen)

- Non-consolidated orders declined slightly year on year. Progress against the full-year forecast is about 47%.
- Consolidated net sales increased due to orders obtained in the previous fiscal year in building construction.
- Gross profit fell sharply due to the recording of estimated losses resulting from individual factors.
- Operating income decreased significantly due to lower gross profit.

Financial conditions (Consolidated)

- Equity capital was 93,886million yen, Equity ratio was at 44.3%, a decline of 1.1 percentage points compared to March 31, 2021

FY03/22 First Half Results (Consolidated)



The Company's non-consolidated orders fell 2.1% year on year. Progress of about 47% has been made toward the full-year forecast.

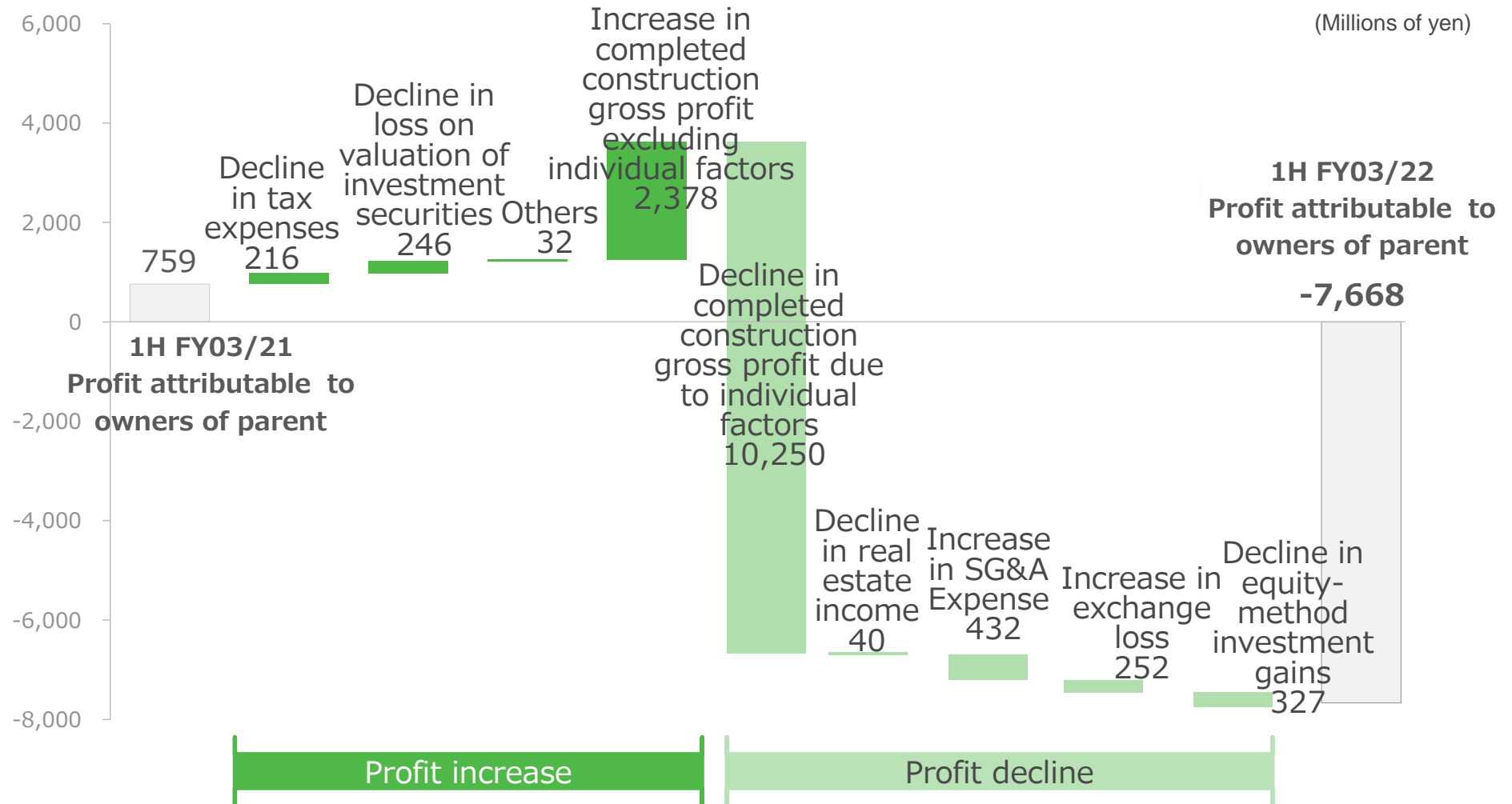
Although net sales rose due to an increase in completed construction sales, profit dropped significantly due to the recording of losses reflecting individual factors

(Millions of yen)

Items	1H FY03/21	Ratio	1H FY03/22	Ratio	Difference compared to previous year	Rate of change
Orders(non-consolidated)	122,357	-	119,771	-	(2,586)	(2.1%)
Net Sales	95,423	-	111,614	-	16,191	17.0%
Gross profit	8,323	8.7%	411	0.4%	(7,912)	(95.1%)
Selling, general and administrative expenses	7,130	7.5%	7,563	6.8%	432	6.1%
Operating income	1,192	1.2%	(7,152)	(6.4%)	(8,345)	—
Ordinary income	1,680	1.8%	(7,151)	(6.4%)	(8,832)	—
Profit (losses) attributable to owners of parent	759	0.8%	(7,668)	(6.9%)	(8,428)	—

Factors Affecting Net Income (Consolidated)

Completed construction gross profit significantly decreased due to individual factors



FY03/22 First Half Results (Non-Consolidated)



Although net sales rose due to an increase in completed construction sales in building construction, profit dropped significantly owing to individual factors

(Millions of yen)

Items	1H FY03/21	1H FY03/22		Difference compared to previous year	Rate of change
		Forecast	Ratio		
Completed construction sales	86,899	103,901	100%	17,002	19.6%
Civil engineering	30,538	24,475	23.6%	(6,063)	(19.9%)
Building construction	56,360	79,426	76.4%	23,065	40.9%
Completed construction gross profit	7,086	(745)	(0.7%)	(7,832)	—
Civil engineering	2,604	(5,350)	(21.9%)	(7,955)	—
Building construction	4,482	4,605	5.8%	123	2.7%
Real estate sales	777	818	-	41	5.3%
Real estate gross profit	418	390	47.7%	(27)	(6.7%)
Net sales	87,677	104,720	-	17,043	19.4%
Gross profit	7,504	(355)	(0.3%)	(7,860)	—
Selling, general and administrative expenses	6,869	7,158	6.8%	288	4.2%
Operating income	635	(7,513)	(7.2%)	(8,148)	—
Ordinary income	1,076	(7,306)	(7.0%)	(8,382)	—
Net income	464	(7,708)	(7.4%)	(8,173)	—

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



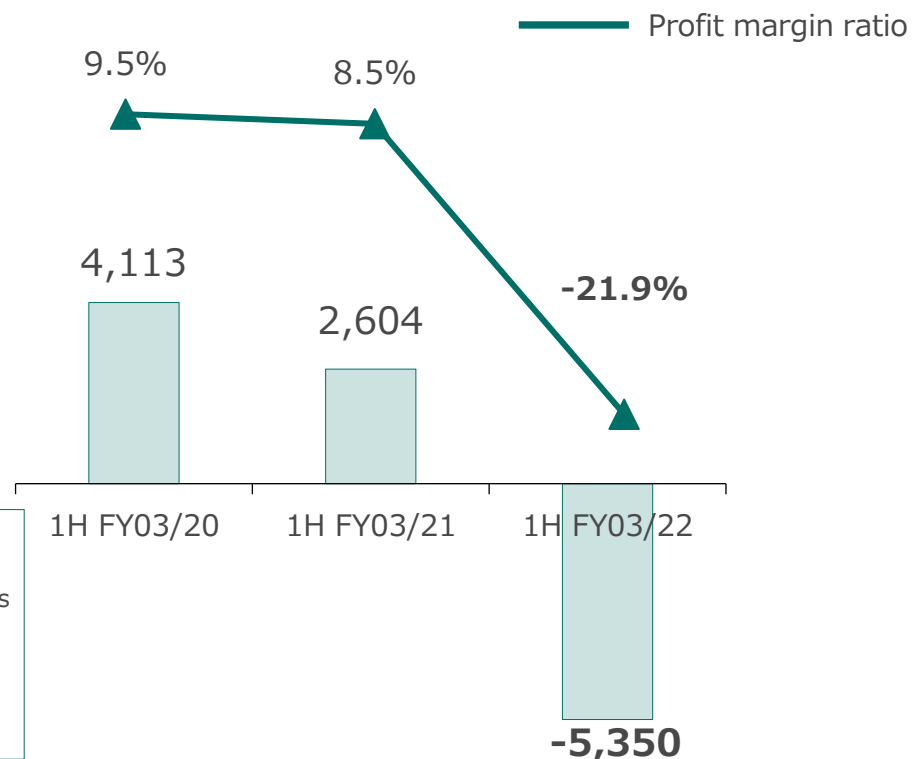
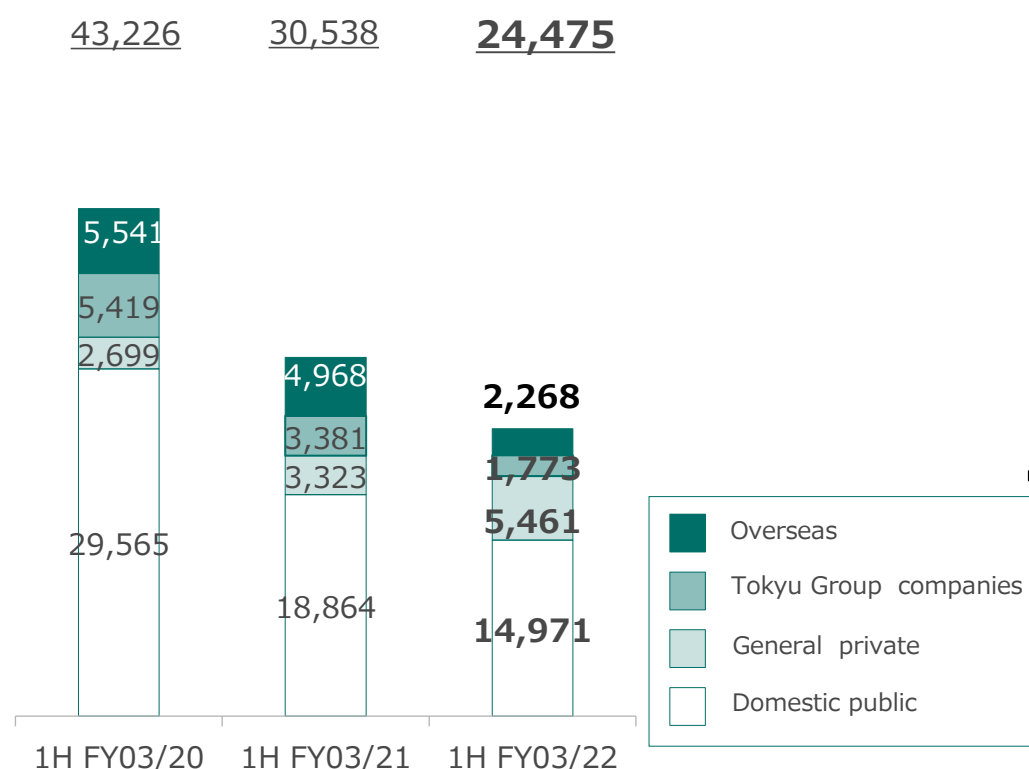
Completed construction sales: Declined due to lower revenue from domestic public projects and overseas projects

Gross profit: Declined significantly due to revenue deterioration caused by individual factors

(Millions of yen)

Completed construction sales

Gross profit



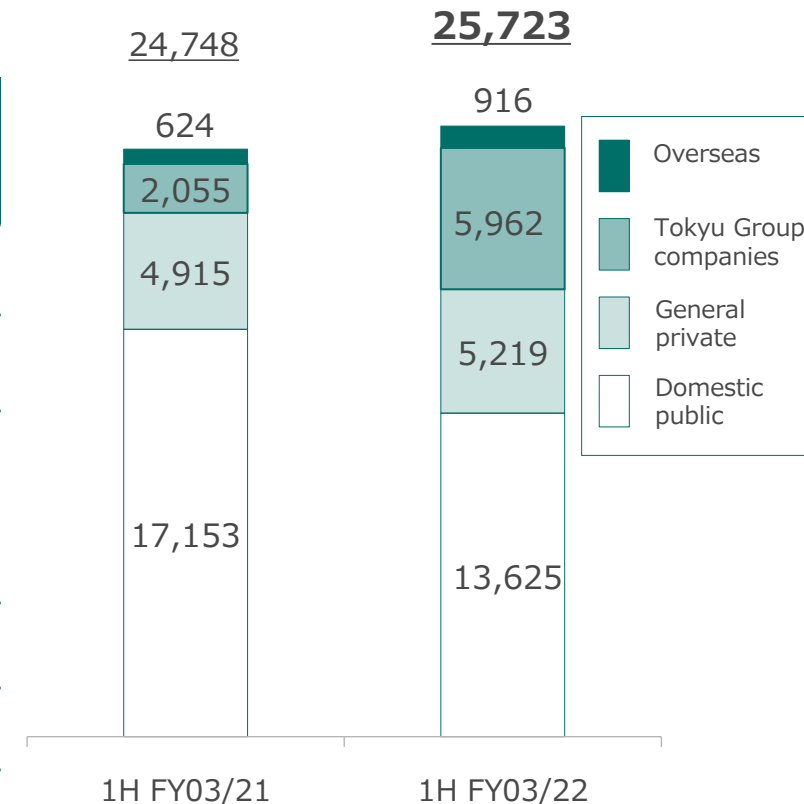
Orders (Non-Consolidated / Civil engineering)



Orders from the Tokyu Group increased due to a base effect, and orders for domestic public projects were steadily won despite a year-on-year fall in them

Progress of about 45% has been made toward the ¥57 billion full-year order forecast

		(Millions of yen)			
		1H FY03/21	1H FY03/22	Difference compared to previous year	Rate of change
Civil engineering	Domestic public	17,153	13,625	(3,528)	(20.6%)
	Domestic private	6,970	11,182	4,211	60.4%
	General private	4,915	5,219	304	6.2%
	Tokyu Group companies	2,055	5,962	3,906	190.0%
	Overseas	624	916	292	46.8%
		24,748	25,723	975	3.9%

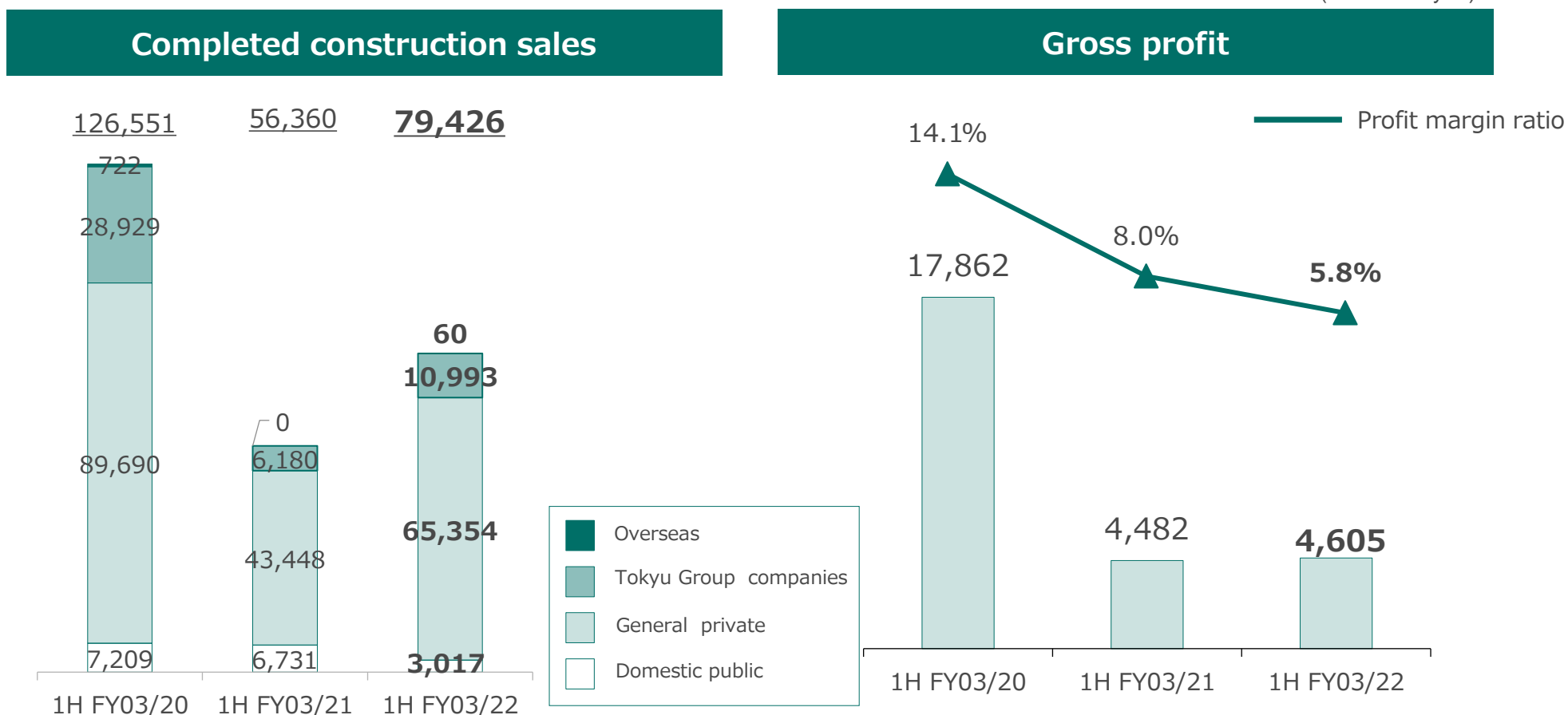


Completed construction sales・Completed construction gross profit (Non-Consolidated / Building construction)



Completed construction sales: Increased about 40% year on year as major projects received in the previous fiscal year progressed
Gross profit: Increased as a result of higher completed construction sales but profit margin fell due to individual factors

(Millions of yen)



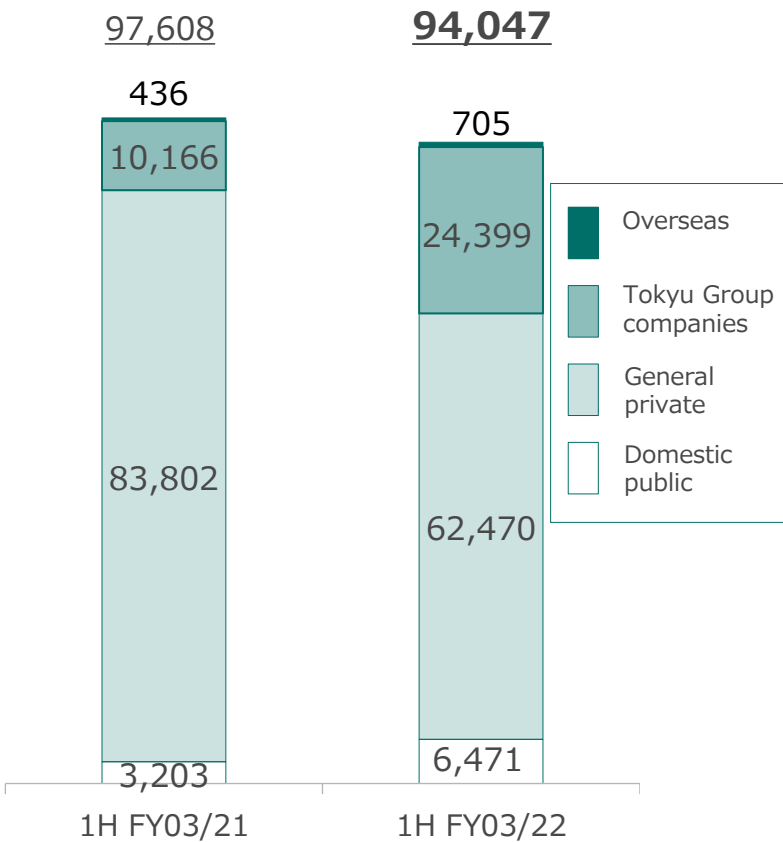


Orders (Non-Consolidated / Building construction)



Orders from the general private sector, which generated several orders for major logistics projects in the previous fiscal year, declined, while orders from the Tokyu Group were boosted by major project orders
Progress of about 47% has been made toward the ¥200 billion full-year order forecast

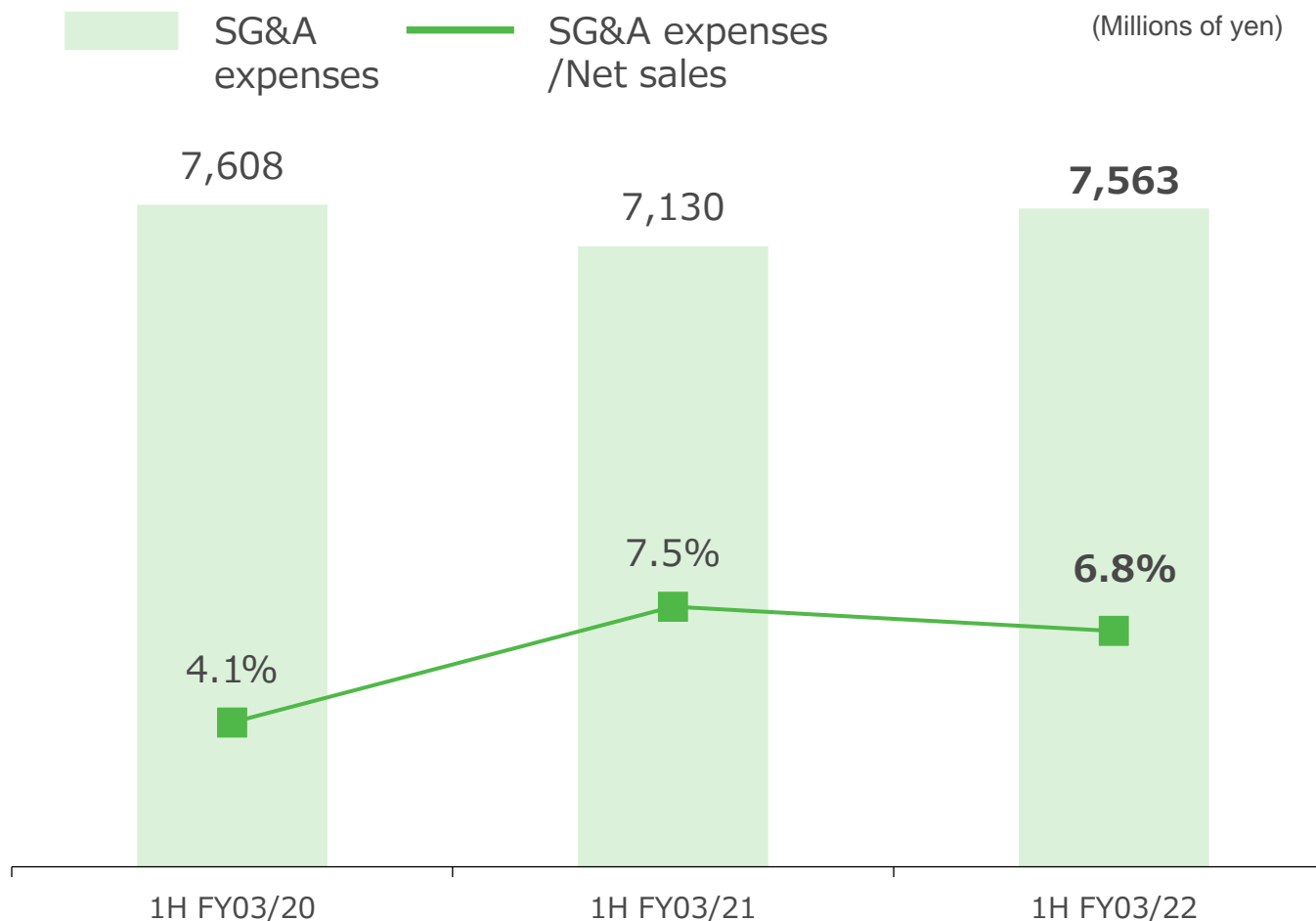
		(Millions of yen)			
		1H FY03/21	1H FY03/22	Difference compared to previous year	Rate of change
Building construction	Domestic public	3,203	6,471	3,268	102.0%
	Domestic private	93,968	86,870	(7,098)	(7.6%)
	General private	83,802	62,470	(21,331)	(25.5%)
	Tokyu Group companies	10,166	24,399	14,233	140.0%
	Overseas	436	705	268	61.5%
		97,608	94,047	(3,561)	(3.6%)



Selling, general & administrative expenses (Consolidated)



Selling, general & administrative expenses increased ¥432 million year on year
Expenses for R&D, digital technology, and innovation promotion increased



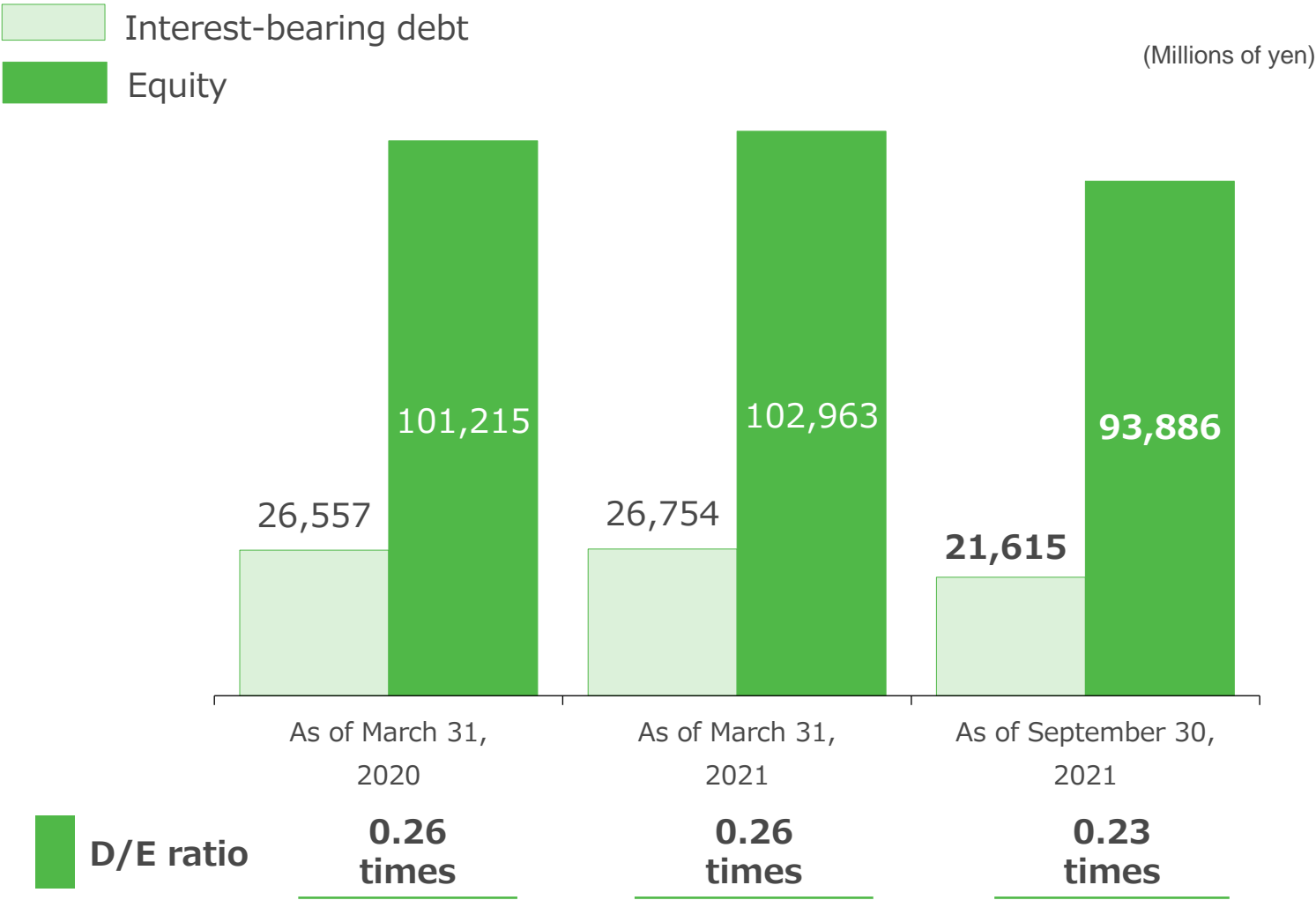




Interest-bearing debt, Equity, D/E ratio (Consolidated)



D/E ratio was at 0.23 times, declining from March 31, 2021 due to reduced short-term borrowings



D/E ratio

0.26
times

0.26
times

0.23
times

Cash flow statement (Consolidated)



Free cashflow improved to ¥10.3 billion as cash flows from operating activities increased due to reduced accounts receivable trade, etc. (Millions of yen)

Items	Year ended September 30, 2020	Year ended September 30, 2021	Remarks
Cash flows from operating activities	(6,793)	11,543	Cash increase mainly due to a decrease in accounts receivable - trade and an increase in provision for loss on construction contracts, despite a cash decrease resulting from the recording of net loss
Cash flows from investing activities	(2,645)	(1,202)	Purchase of investment securities, purchase of property, plant and equipment, purchase of intangible assets, etc.
Free cashflow	(9,438)	10,341	—
Cash flows from financing activities	5,782	(6,208)	Decrease in short-term borrowings, dividends paid, etc.
Effect of exchange rate change on cash and cash equivalents	(3)	(27)	—
Cash and cash equivalents at beginning of period	29,549	34,173	—
Cash and cash equivalents at end of period	25,890	38,278	—

FY03/2022

Full-Year Forecast

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P/L Forecast (Consolidated)



The full-year forecast announced on May 12 was revised downward due to lower net sales reflecting delays in order receipt and the progress of some construction projects, as well as reduced profit caused by the recording of provisions

(Millions of yen)

Items	FY03/21	Ratio	FY03/2022 Forecast			Difference compared to previous year	Difference compared to previous Forecast
			Previous	Revised	Ratio		
Net Sales	231,483	-	285,000	267,000	-	35,516	(18,000)
Gross profit	18,170	7.8%	23,700	13,100	4.9%	(5,071)	(10,600)
Selling, general and administrative expenses	14,620	6.3%	16,700	16,700	6.3%	2,079	—
Operating income	3,549	1.5%	7,000	(3,600)	(1.3%)	(7,149)	(10,600)
Ordinary income	4,891	2.1%	7,300	(3,300)	(1.2%)	(8,191)	(10,600)
Profit (losses) attributable to owners of parent	2,647	1.1%	4,800	(4,800)	(1.8%)	(7,447)	(9,600)

P/L Forecast (Non-Consolidated)



Although net sales are forecast to increase due to higher completed construction sales in building construction, profit is forecast to fall significantly owing to the recording of provisions

SG&A expenses are expected to include expenses for R&D, digital technology, and innovation promotion

(Millions of yen)

Items	FY03/21	FY03/2022 Forecast			Difference compared to previous year	Difference compared to previous Forecast
		Previous	Revised	Ratio		
Completed construction sales	214,560	265,300	248,300	100%	33,739	(17,000)
Civil engineering	75,568	69,800	64,200	25.9%	(11,368)	(5,600)
Building construction	138,991	195,500	184,100	74.1%	45,108	(11,400)
Completed construction gross profit	17,854	20,800	10,500	4.2%	(7,354)	(10,300)
Civil engineering	6,031	6,900	(1,400)	(2.2%)	(7,431)	(8,300)
Building construction	11,822	13,900	11,900	6.5%	77	(2,000)
Real estate sales	1,684	1,700	1,700	-	15	—
Real estate gross profit	(1,336)	800	800	47.1%	2,136	—
Net sales	216,245	267,000	250,000	-	33,754	(17,000)
Gross profit	16,517	21,600	11,300	4.5%	(5,217)	(10,300)
Selling, general and administrative expenses	14,043	15,900	15,900	6.4%	1,856	—
Operating income	2,474	5,700	(4,600)	(1.8%)	(7,074)	(10,300)
Ordinary income	3,054	5,900	(4,500)	(1.8%)	(7,554)	(10,400)
Net income	1,262	3,900	(5,600)	(2.2%)	(6,862)	(9,500)

Order Forecast (Non-Consolidated)

Civil engineering: Orders from general private companies are forecast to fall back from the previous fiscal year, when orders for major projects were recorded, despite rising orders from the Tokyu Group that was affected by the COVID-19 pandemic in the previous fiscal year

Building construction: While orders from general private companies are forecast to fall back from a sharp increase in the previous fiscal year, orders from the public sector and the Tokyu Group are expected to rise

(Millions of yen)

		FY03/21	FY03/22 (Revised forecast)	Difference compared to previous year	Rate of change
Civil engineering	Domestic public	37,099	34,000	(3,099)	(8.4%)
	Domestic private	25,184	21,000	(4,184)	(16.6%)
	General private	20,752	13,000	(7,752)	(37.4%)
	Tokyu Group companies	4,432	8,000	3,567	80.5%
	Overseas	1,429	2,000	570	39.9%
		63,713	57,000	(6,713)	(10.5%)
Building construction	Domestic public	5,731	18,000	12,268	214.0%
	Domestic private	235,125	180,000	(55,125)	(23.4%)
	General private	209,636	145,000	(64,636)	(30.8%)
	Tokyu Group companies	25,488	35,000	9,511	37.3%
	Overseas	2,063	2,000	(63)	(3.1%)
		242,920	200,000	(42,920)	(17.7%)
Total		306,633	257,000	(49,633)	(16.2%)

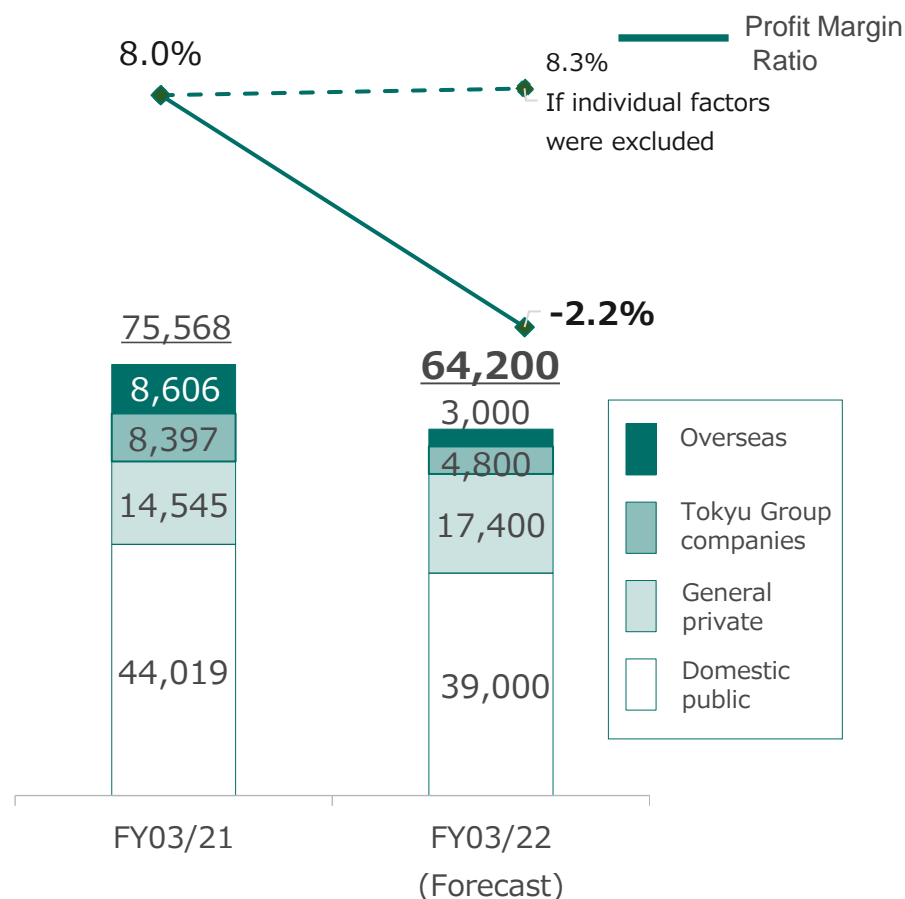
P/L·Order Forecast (Non-Consolidated/Civil engineering)



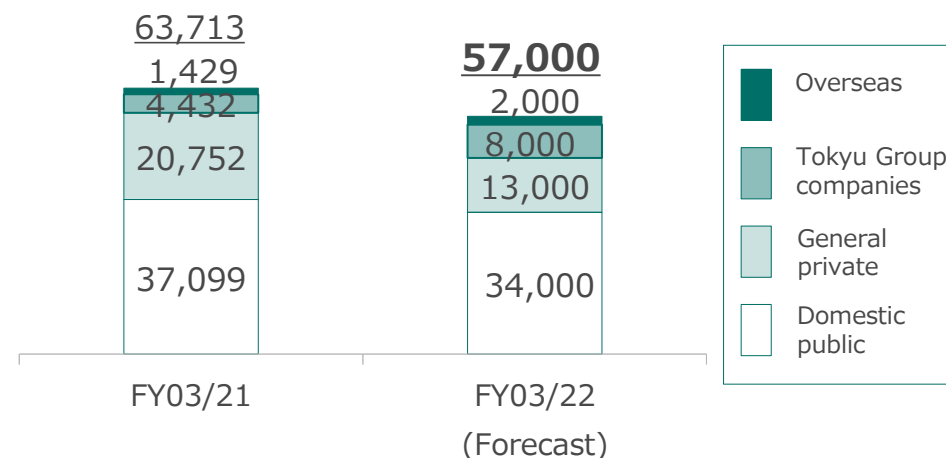
Profit margin is forecast to decline significantly due to the impact of railway and overseas projects, in addition to individual factors
(profit margin would be at the 8.3% level if individual factors were excluded)
Orders are expected to reach ¥57 billion, as forecast at the year's start, following increased efforts for domestic public projects

(Millions of yen)

Completed construction sales ·Gross Profit



Orders



【Construction work carried forward】

	FY03/21	FY03/22 (Forecast)
Amount brought forward	118,531	94,009
Orders	63,713	57,000
Completed construction sales	75,568	64,200
Amount carried forward	106,676	86,809

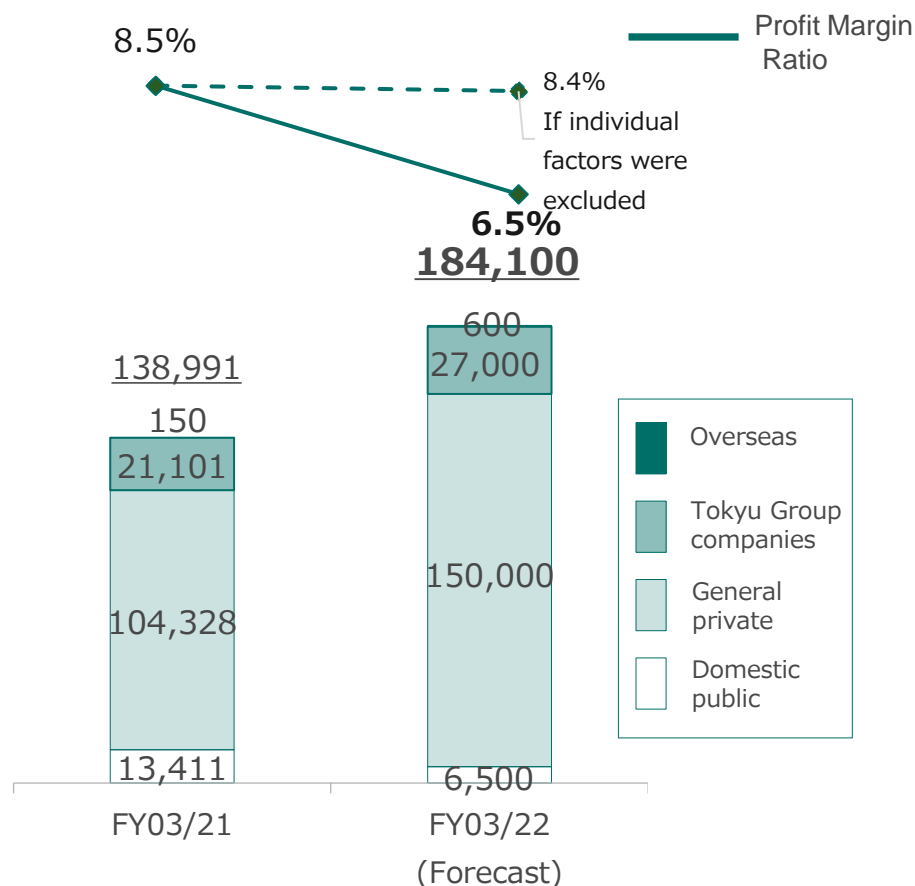
P/L·Order Forecast (Non-Consolidated／Building construction)



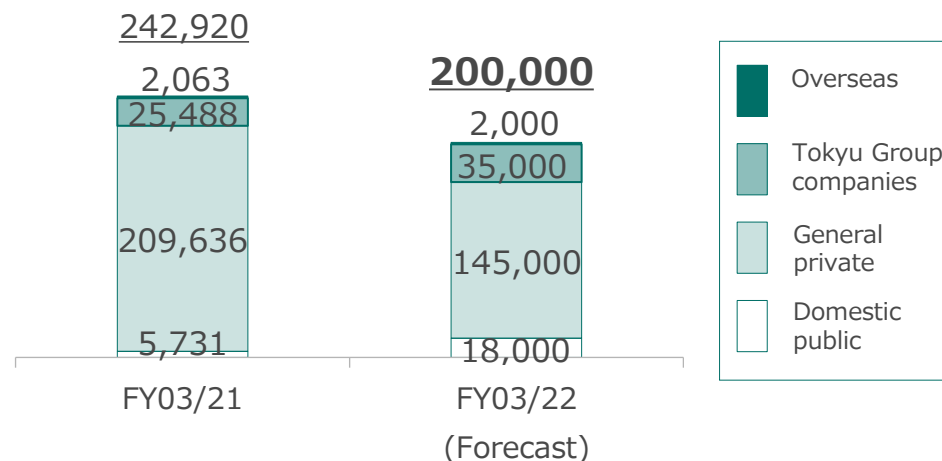
While completed construction sales are forecast to increase owing to progress in major projects, profit margin is forecast to fall due to individual factors
(profit margin would be at the 8.4% level if individual factors were excluded)
Orders are expected to reach ¥200 billion, as forecast at the year's start, despite dropping from the previous year's high level

(Millions of yen)

Completed construction sales ·Gross Profit



Orders



【Construction work carried forward】

	FY03/21	FY03/22 (Forecast)
Amount brought forward	133,007	235,453
Orders	242,920	200,000
Completed construction sales	138,991	184,100
Amount carried forward	236,935	251,353

Net Sales·Gross Profit Forecast (Construction Renewal)

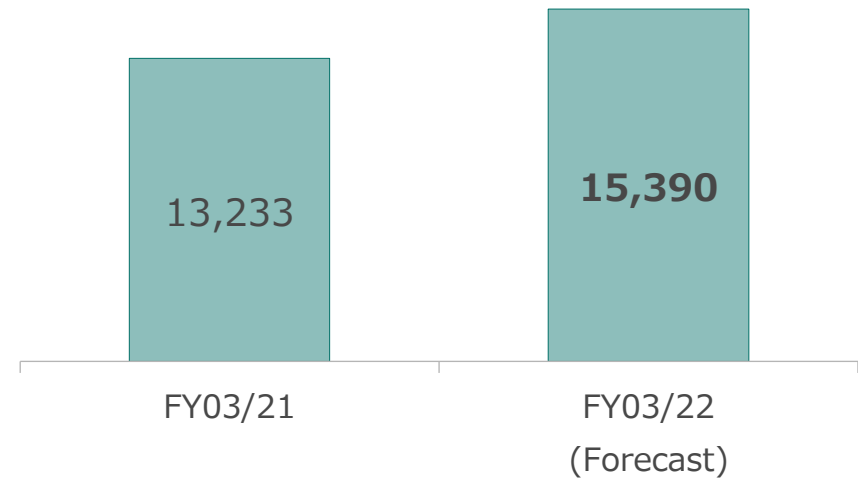
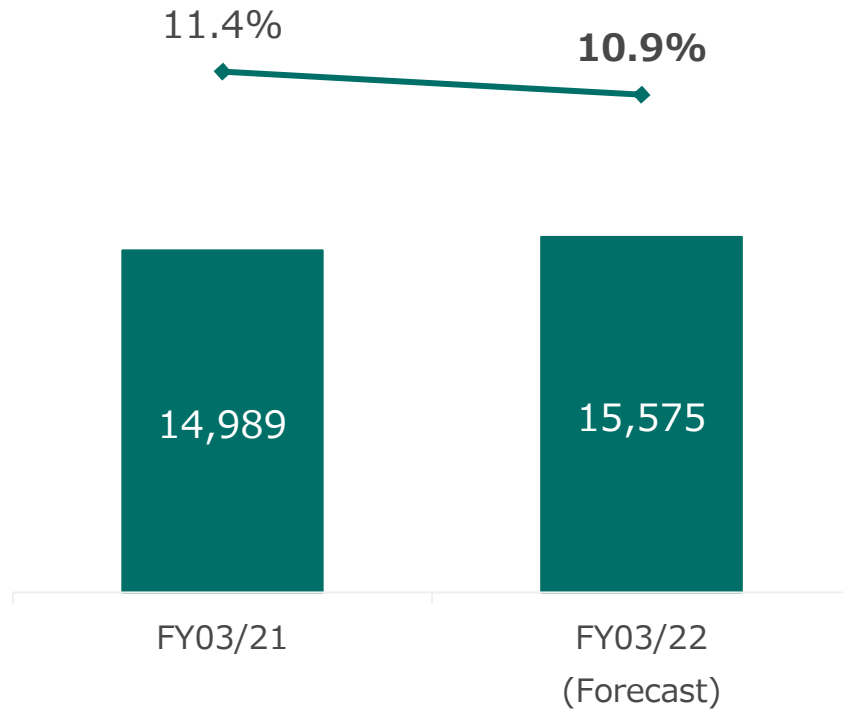


Although client inquiries have been gradually increasing recently, the recovery is expected to be limited due to the impact of the COVID-19 pandemic
Proposals for renewals making each whole floor or tenant “ZEB Ready” will be made to customers

(Millions of yen)

Net Sales·Gross Profit

Orders



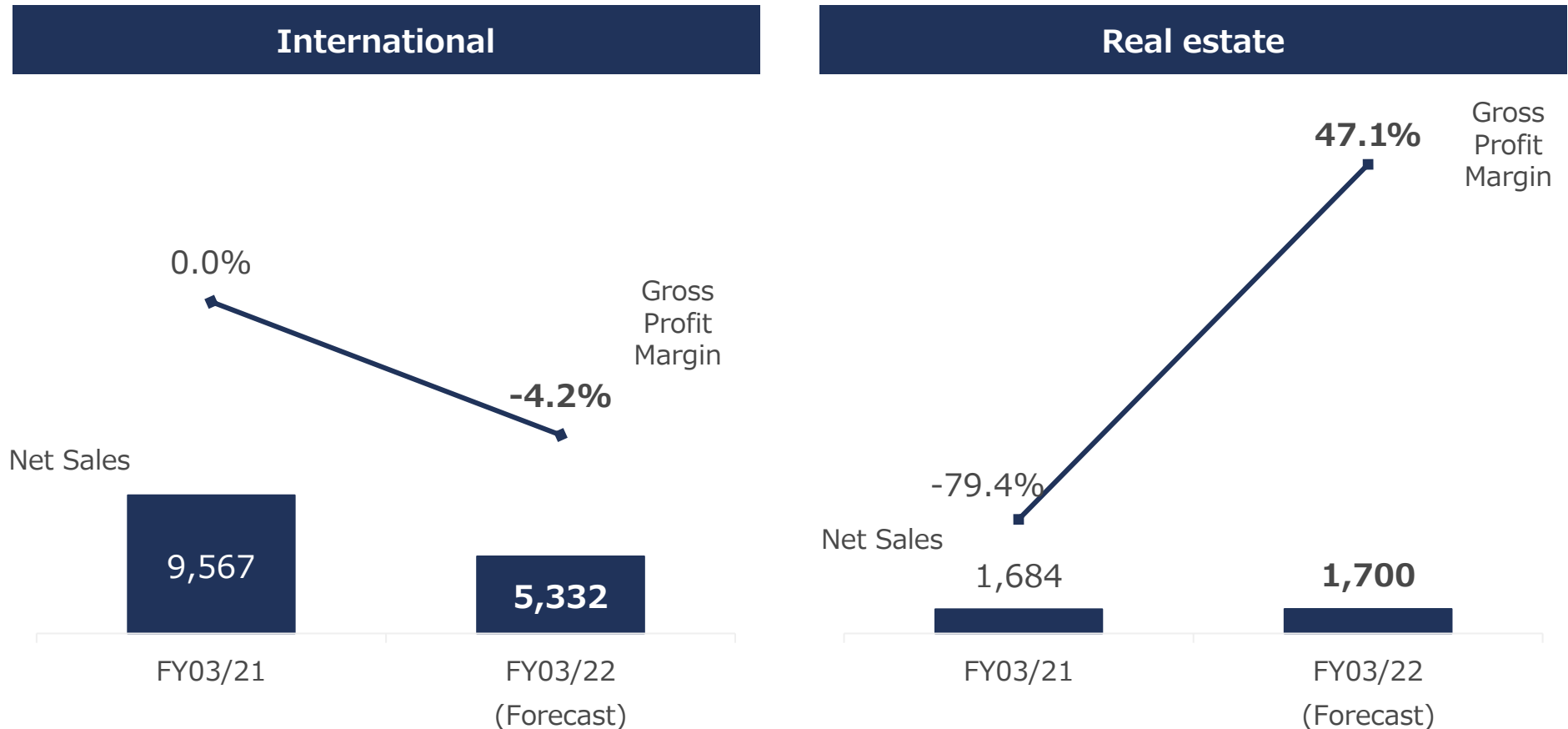
* Each of the numbers for the construction renewal business is a simple sum of numbers from Tokyu Renewal Co., Ltd. and Token Industry Co., Ltd., subsidiaries engaged in the business, and no elimination was taken into account

Net Sales・Gross Profit Forecast (International・Real estate)



Overseas: Business expansion will be centered on ODA projects in Southeast and South Asia.
Progress in Myanmar projects will be affected
Real estate: Profitability is forecast to improve due to the disappearance of effects from the deterioration in development revenue experienced in the previous fiscal year

(Millions of yen)



*Each of the numbers for Overseas is a simple sum of numbers from two overseas subsidiaries (TCI and GTC) and from non-consolidated overseas business of the Company, and no elimination was taken into account.

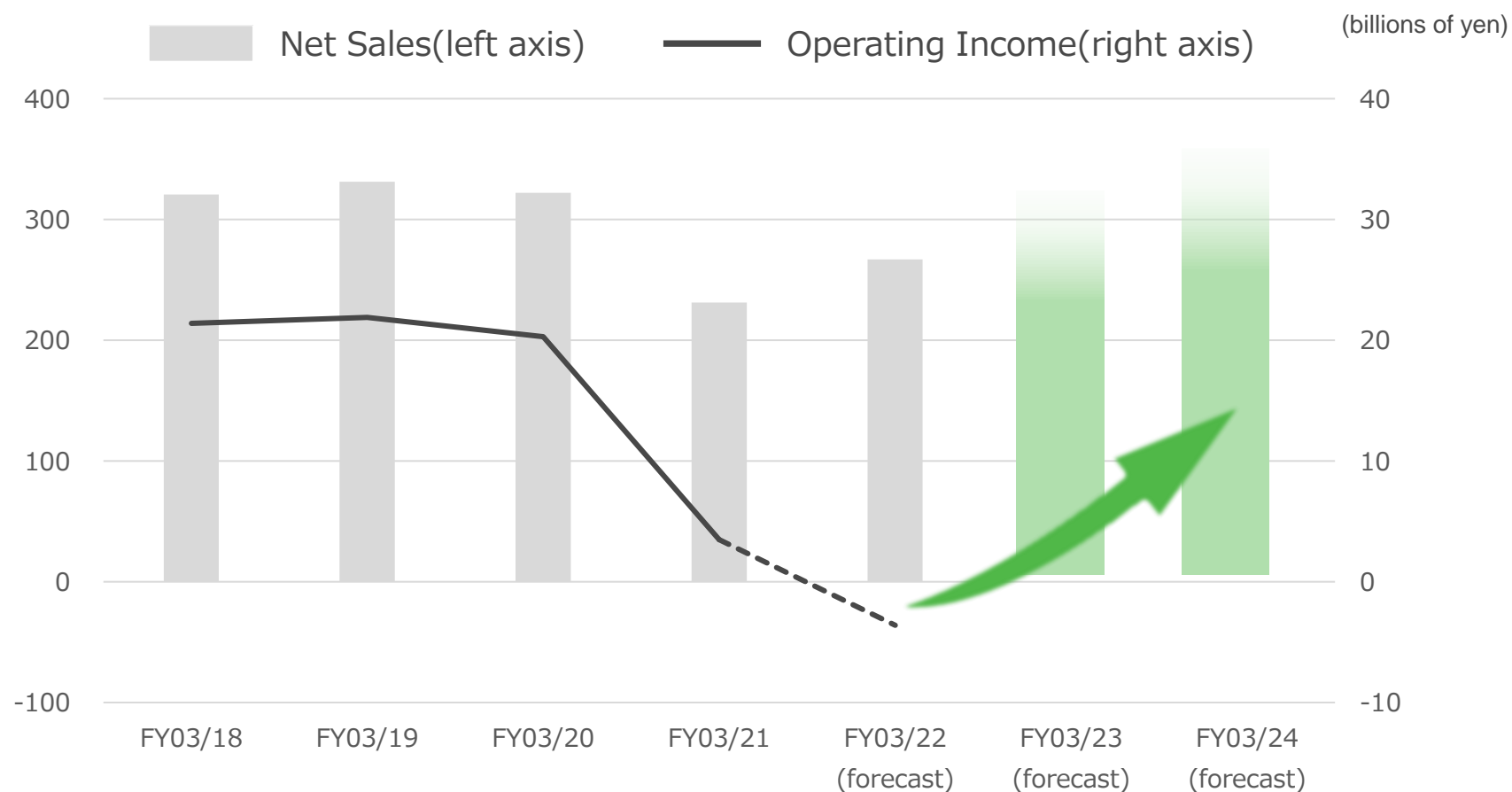
TCI: Pt. Tokyu Construction Indonesia/GTC: Golden Tokyu Construction Co., Ltd. (Myanmar)

*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.

Toward Earnings Recovery



We take the incidents that led to the revision of the earnings forecast seriously and are fully committed to ensuring they do not happen again and restoring confidence
We will make all-out efforts to strengthen proposal capabilities, win orders for target projects, and improve profitability
There are no changes to the strategies outlined in the long-term management plan or the shareholder return policy. We continue to implement them



Appendix : Provision of three values (Decarbonization/Zero waste/ Disaster prevention and mitigation) ・DX・Human resources



Decarbonization

Zero waste

Efforts to meet the needs for green architecture (ZEB, ZEH-M)

Propose optimal plans that meet the needs of customers interested in environmentally friendly buildings such as ZEB and ZEH-M



Estimation of energy consumption and costs on the spot using our unique "energy-saving simulation tool"

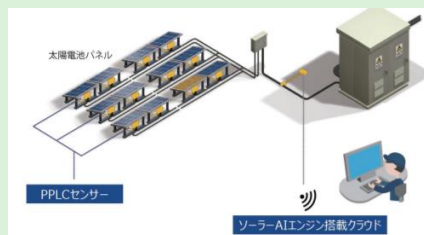
Demonstrate technology to make each whole floor or tenant area, instead of a whole building, ZEB Ready



Opening of a live office showcasing renewal based on the ZEB concept (subsidiary: Tokyu Renewal Co., Ltd.)

Investing in venture companies

Make venture investments aimed at creating new growth opportunities, focusing on the provision of three values, human resources, and digital. The first investment was made in Girasol Energy Inc., which has technology for solar panel maintenance management.



Efforts at worksites

To reduce CO₂ emissions, all new construction projects will use 100% renewable electricity



Conclusion of basic agreements with retail electricity providers for stable supply

Introduction of GTL fuel, an alternative to diesel fuel with less environmental impact, at construction sites in Japan

Develop and employ environmentally friendly materials that effectively utilize low-carbon materials and by-products

Low-carbon concrete: CELBIC

A portion of cement is replaced with granulated blast furnace slag to reduce CO₂ by up to 63%



SUSTAR, a preparatory material used for concrete placement with reduced environmental impact

More than 90% of the components are by-products, reducing CO₂ by 70%



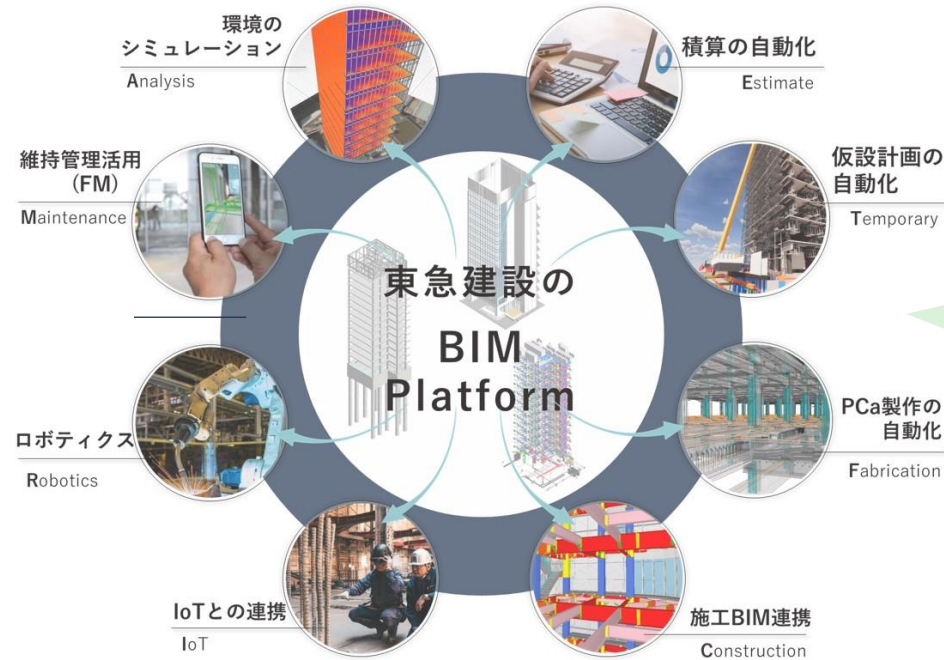
Appendix : Provision of three values (Decarbonization/Zero waste/ Disaster prevention and mitigation) ・DX・Human resources



Digital

BIM in Building Construction

Utilize BIM as a data platform to pursue labor saving and efficiency improvement company-wide, while exploring its various application possibilities as a digital twin



Example of BIM/CIM utilization in civil engineering business (Shibuya Station relocation project on the Tokyo Metro Ginza Line)



Achieve advanced construction management by deploying 3D model simulation and VR. Develop human resources that can utilize CIM in civil engineering business.

October 2020
Turned an overseas BIM facility design company into a subsidiary (Indochine Engineering Limited)

Simulation of building completion inspection using MR (mixed reality) (cooperation: JAPAN ERI Co., Ltd.)

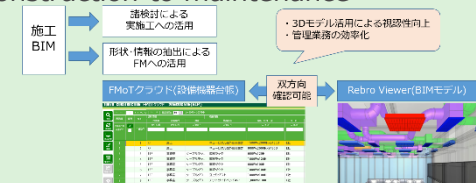


January 2021
Tuned a building-cost service provider into a subsidiary (Kawamura Quantity Surveyor's Co., Ltd.)

April 2021
Established Iwase Precast Co., Ltd., a joint venture that manufactures and sells precast concrete products

May 2021
Started rolling out the BIM firm model covering architecture, structures, and facilities to all construction sites before the start of construction, to promote the company-wide use of BIM

November 2021
Started using the BIM model for facility management with digitalization of information covering areas from construction to maintenance



Appendix : Provision of three values (Decarbonization/Zero waste/ Disaster prevention and mitigation) ・DX・Human resources



Disaster prevention and mitigation

Actions for disaster-prevention measures and renewal of aging infrastructure

Monitor the condition of building structures
in the event of earthquakes, etc.

“Dr. BC Push,” which incorporates a **building protection system “4D-Doctor,”** won the top award in the advanced technology and information and communications category at the 2021 Disaster Prevention and Epidemic Prevention Products Awards



Infrastructure asset management

ISO 55000s certification was obtained to promote **inspection and maintenance services centering on railroad-related structures**, our specialty area, and **infrastructure**



Tunnel Full Cross-Section Inspection System iTOREL



Real-time automatic detection of concrete scaling and cracks in aging tunnels

Human resources

Continue to **share the new corporate vision, VISION2030**



Managers and employees were divided into small groups of about five to hold dialogue, with the aim of fostering understanding and acceptance of the newly formulated corporate vision for 2030. We will continue with efforts to have dialogue with all employees

An internal event for all employees was held. Ken Shibusawa, the great-great-grandson of Eiichi Shibusawa who built the origin of the Tokyu Group, was invited to talk and hold a panel discussion with President Terada



We receive “Eruboshi” certification based on Act on Promotion of Women’s Participation and Advancement in the Workplace.



Application for listing on the “Prime Market”

We apply for listing on the “Prime Market” segment of TSE starting on April, 2022.

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.