

# Three-year Medium-term Management Plan

From FY2005 to FY2007

(April 1, 2005 - March 31, 2008)

March 28, 2005



Tokyu Corporation

---

(9005)

<http://www.ir.tokyu.co.jp/>

# Contents

## <Mid-term Management Plan>

◇ Background of New Management Strategy .....	1
◇ Results of ‘Selection and Concentration’ .....	2
◇ Former Mid-term Management Plan .....	3
◇ Framework of New Mid-term Management Plan (from FY2005 to FY2007) .....	4

## <Growth Strategy>

◇ Growth Strategy .....	5
◇ Area Strategy .....	6
◇ Large-scale improvement projects of railway ; change to the quadruple tracking and the raised line crossings .....	7
◇ Build Barrier-Free facilities in our stations for Aging Society in near future .....	8
◇ Real Estate business model in mature market .....	9
◇ Type-1 Urban Area Redevelopment Project of Futako-Tamagawa East District ..	10
◇ Concept of “Shibuya Culture Platform” .....	11
◇ Establish Retail-related business Committee .....	12
◇ Provide Group Point Card Service .....	13

## <Management Target>

◇ Long-term Forecast .....	14
◇ Targets of Three-year Mid-term Management Plan .....	15
◇ Three-year Mid-term Management Plan (from FY2005 to FY2007) .....	16

# Background of New Management Strategy

1997	Defined “Self-dependency/Responsibility and Collaboration” as core management policy.
1998	Presented a policy of “Those who do not have Self-dependency/Responsibility are not eligible to participate in the Collaboration network” and requested “Three year management plan to Self-dependency/Responsibilities” to 50 key companies.
1999	Established Strategy and Investor Relations Committee to overcome shrinking credibility and falling stock prices, as well as to promote group management and IR activities.
2000	Designed, announced, executed Tokyu Group Management Policy; Established a Tokyu Group Corporate Executive Committee to ensure the group governance system.
2001	Acquired Tokyu Hotel Chain Co., Ltd. as a wholly-owned subsidiary (integration of domestic hotel business); Withdrew petroleum sales business and reduced transportation businesses in regions.
2002	Integrated management in freight transportation business; Acquired Tokyu Store Chain Co., Ltd. as a consolidated subsidiary; Acquired Tokyu Car Corp. as a wholly-owned subsidiary; Integrated management of JAS and JAL; Sold-out non-core businesses to outside entities; Downsized overseas businesses; Achieved group management target ( Interest-bearing debt/operating CF=10X or less, etc.); Announced early adoption of impairment accounting.
2003	Announced Two-year Mid-term Management Plan of Tokyu. (from FY2003 to FY2004); Demerged Tokyu Construction; Listed Tokyu REIT on Tokyo Stock Exchange; Reorganized Leisure and Service business; Adopted early the impairment accounting.
2004	Acquired Tokyu Tourist as a wholly-owned subsidiary and transferred its shares; Acquired Izukyu as a wholly-owned subsidiary.
Mar.2005	Predict to achieve management target;( Net consolidated Interest-bearing debt/operating CF =10X or less etc.); Announced “Three-year Mid-term Management Plan of Tokyu (New management plan; from FY2005 to FY2007) ”.
2005	Plan to acquire Tokyu Department Store as a wholly-owned subsidiary on Apr.1, 2005.

# Results of 'Selection and Concentration'



## < Financial Results of Combined Tokyu Group Publicly Traded Company\*1 >

(Billions of yen)	FY03/1999 Actual	FY03/2005 Forecast (as of Nov.15, 2004)	Change
Number of Group Companies	493 companies	302 companies	(191)companies
Number of Employees	85,366 person	*252,867 person	(32,499) person
Operating Revenue	3,171.0	2,424.0	(747.0)
Operating Profit	74.9	136.0	61.1
Recurring Profit	12.7	110.7	98.0
Net Income	(199.4)	41.1	240.5
Total Assets	4,993.3	3,439.5	(1,553.8)
Interest-bearing Debt	3,039.7	1,789.8	(1,249.9)
Interest Expenses	79.0	35.7	(43.3)
EBITDA	188.3	219.1	30.8
Interest-bearing Debt / EBITDA multiple	16.1 times	8.2 times	(7.9) Point

\*1 Excluded number of Group companies and employees.

\*2 As of March 31,2004

# Former Mid-term Management Plan



## ■ Management policies of Tokyu since April 2000

1. Maximize the stakeholders' value through growing sustainably.
2. Establish group management system by Tokyu becoming an operating holding company.
3. Adhere "Governance" "Alliance" "Compliance" of our management attitude.

## ■ Traditional management strategy

1. Grow by gaining operating CF from railway business.
2. Reinvest and create new businesses by using capital gain from real estate business in Tama Den-en toshi area.

## ■ Traditional business model

1. Gain stable revenue from social infrastructure business such as railway.
2. Fulfill our social responsibilities related developing towns, while gain developer's profit.
3. Invest real estate business and increase residential population of Tokyu area. The more increase population of Tokyu area, the more businesses grow by their consumption in our market.

# Framework of New Mid-term Management Plan (from FY2005 to FY2007)



## ■ Position

**Achieve sustainable growth through keeping financial stability.**  
**- As a first step for the “Development” project of Shibuya after FY2008 -**

## ■ Basic strategies

Convert our traditional profit structure and build strong collaboration among each our businesses in Tokyu area. And achieve sustainable growth.

1. Create demands and attract consumption.
  - Create non-commuter passengers demand. Change our traditional business model from stock-type to flow-type real estate business.
  - Enhance the market share in Tokyu area. Attract consumption from outside of Tokyu area.
2. Keep consolidated-based financial stability and supervise it from the view of an operating holding company of Tokyu group.
3. Gather business resources of Tokyu group prepared for the “Development” project of Shibuya.

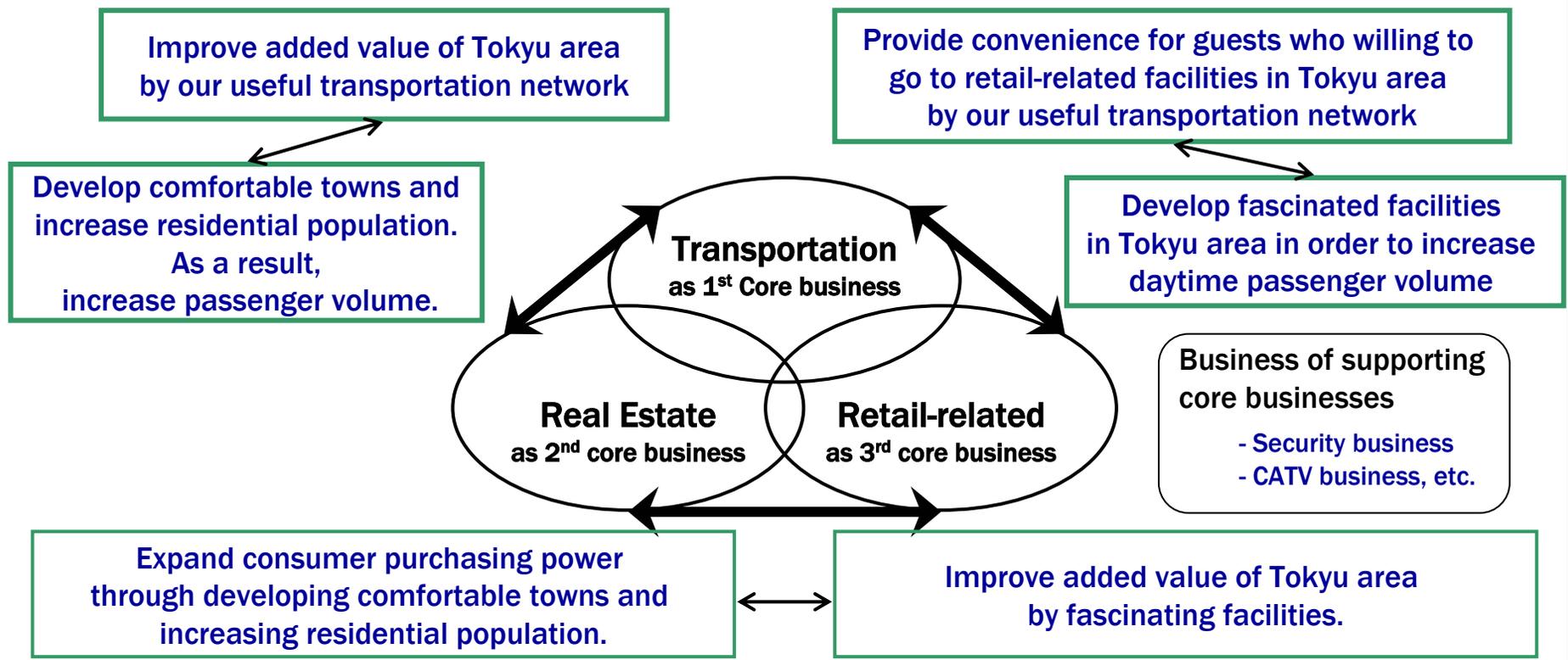
## ■ three growth strategies

Aim to generate a greater synergy by strong collaboration among our three core businesses.

1. Deepen Area strategy.
2. Execute development of major stations and the area around them in Tokyu area.
3. Grow retail-related business.

# Growth Strategy

**Momentum for Growth Strategy = [Aim to generate a greater synergy through strong collaboration among core businesses]**



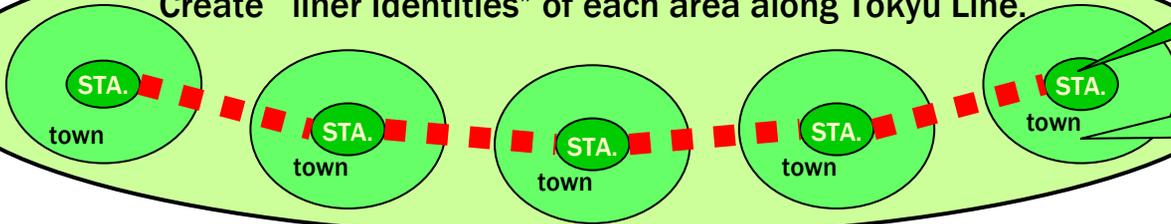
## Three growth strategies

- 1. Deepen Area strategy**
- 2. Expand developing major Tokyu area**
- 3. Grow Retail-related business**

# Area Strategy

## PEAs Strategy

Create "liner Identities" of each area along Tokyu Line.



### 【Hardware approach】

- Develop our major stations and the area around them.

### 【Software approach】

- Strong collaboration among our three core Businesses. Alliance with local communities and government.

Classify Tokyu area into four areas by its characteristic of residents and passengers, etc. And execute high effective measures.

### 【 Area along Den-en Toshi line 】

Takatsu-ku, Miyamae-ku, Aoba-ku, Tsuzuki-ku, Midori-ku etc.

#### <Characteristic>

"Now growing but aging-to-be area"; it is predicted that aging advances rapidly in near future.

#### <Strategy Policy>

Gather useful functions around station by using our assets efficiency. Through this measure, we aim to improve the utility of town.

<Den-en Toshi line >

### 【 Area along Toyoko line 】

Nakahara-ku, Kohoku-ku, Kanagawa-ku, Nishi-ku, Naka-ku of Kanagawa Pref.

#### <Characteristic>

"Mature area"; it will make progress slowly to aging society.

#### <Strategy Policy>

Create railway demand through making an appeal the attractiveness of Yokohama area.

< Toyoko line >

### 【 Shibuya and Other uptown Area 】

Shibuya-ku, Setagaya-ku, Meguro-ku of Tokyo

#### <Characteristic>

"Ideal area"; it has the balanced population dynamics.

#### <Strategy Policy>

Keep the position as a good image leader of Tokyu area. Contribute to a further improvement the brand value of Tokyu.

### 【 Area along Ikegami line and Tamagawa line 】

Shinagawa-ku, Oota-ku of Tokyo

#### <Characteristic>

"High-mature area"; it is to be revitalized.

#### <Strategy Policy>

Revitalize around this area through increasing inflow of families with small children.

Tama River

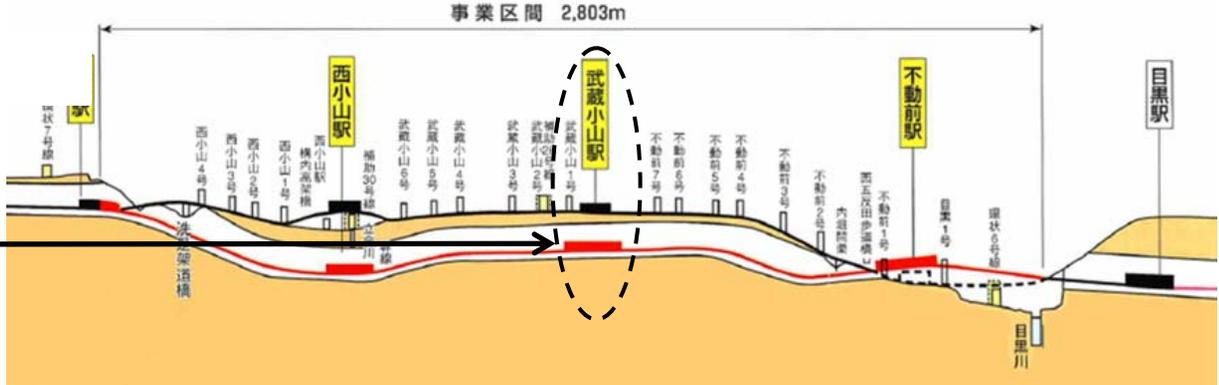
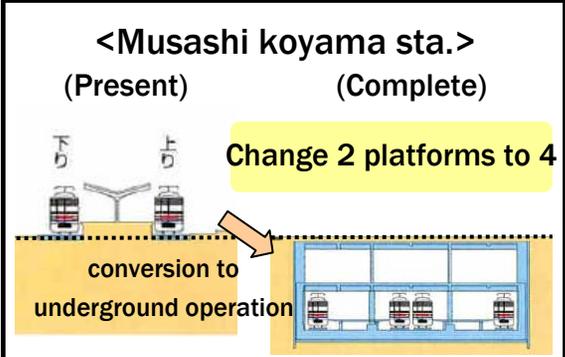
# Large-scale improvement projects of railway; change to the quadruple tracking and the raised line crossings.



**Meguro line**

Construction Project

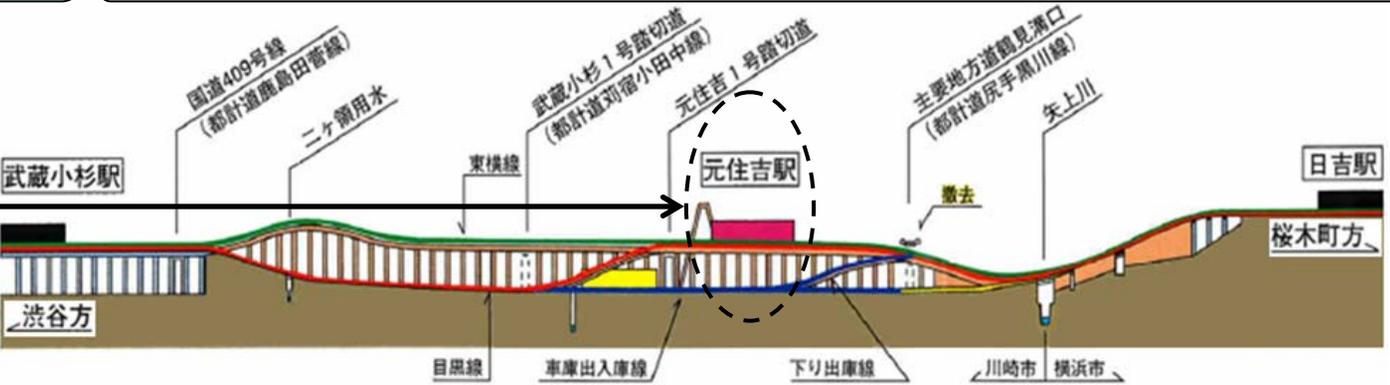
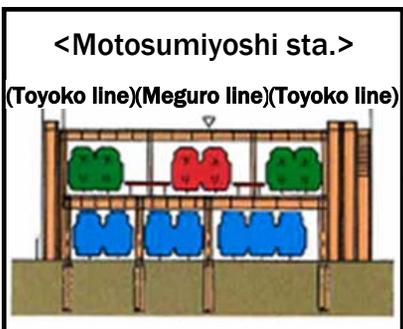
FY2006(plan): Complete works on raised line crossings from Meguro to Senzoku.  
 FY2006(plan): Begin to operate rapid trains from Meguro to Musashi kosugi.



**Toyoko line**

Construction Project

FY2007(plan): Complete works on elevating line and quadruple tracking from Musashi kosugi to Hiyoshi .  
 FY2007(plan): Expand the operating area of Meguro line to Hiyoshi.  
 FY2007(plan): Start to operate the municipal subway No.4 of Yokohama city and connect with it in Hiyoshi.



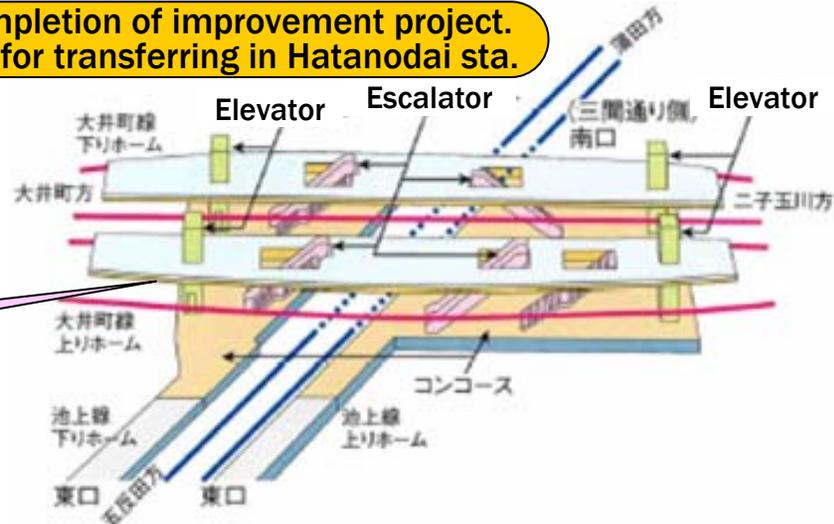
# Build Barrier-Free facilities in our stations for Aging Society in near future



## Station improvement project of Hatanodai sta.

1. Change 2 platforms to 4.  
And renovate decrepit facilities.
2. Improve the utility of this station;  
change to be easier to transfer.
3. Set up new barrier-free facilities.  
(elevators, escalators, etc.)
4. One small ticket gate of this station and crossovers near the gate will be stop to operate. And set up a new road and passage.

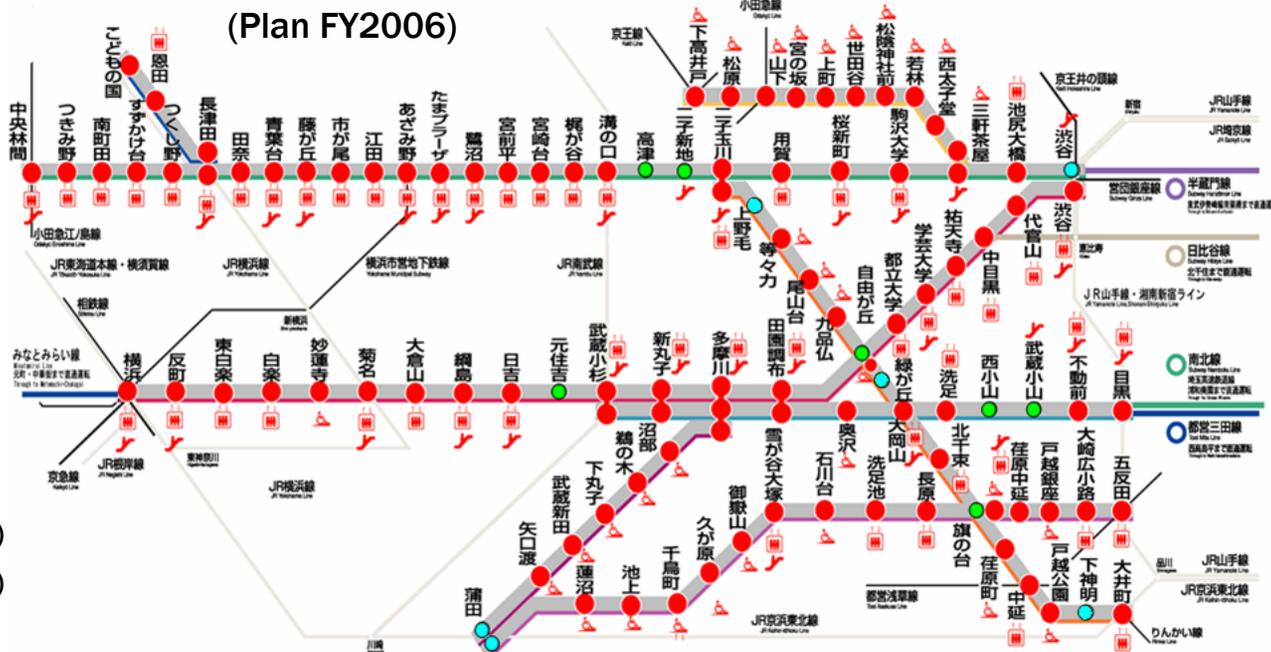
## After completion of improvement project. Facilities for transferring in Hatanodai sta.



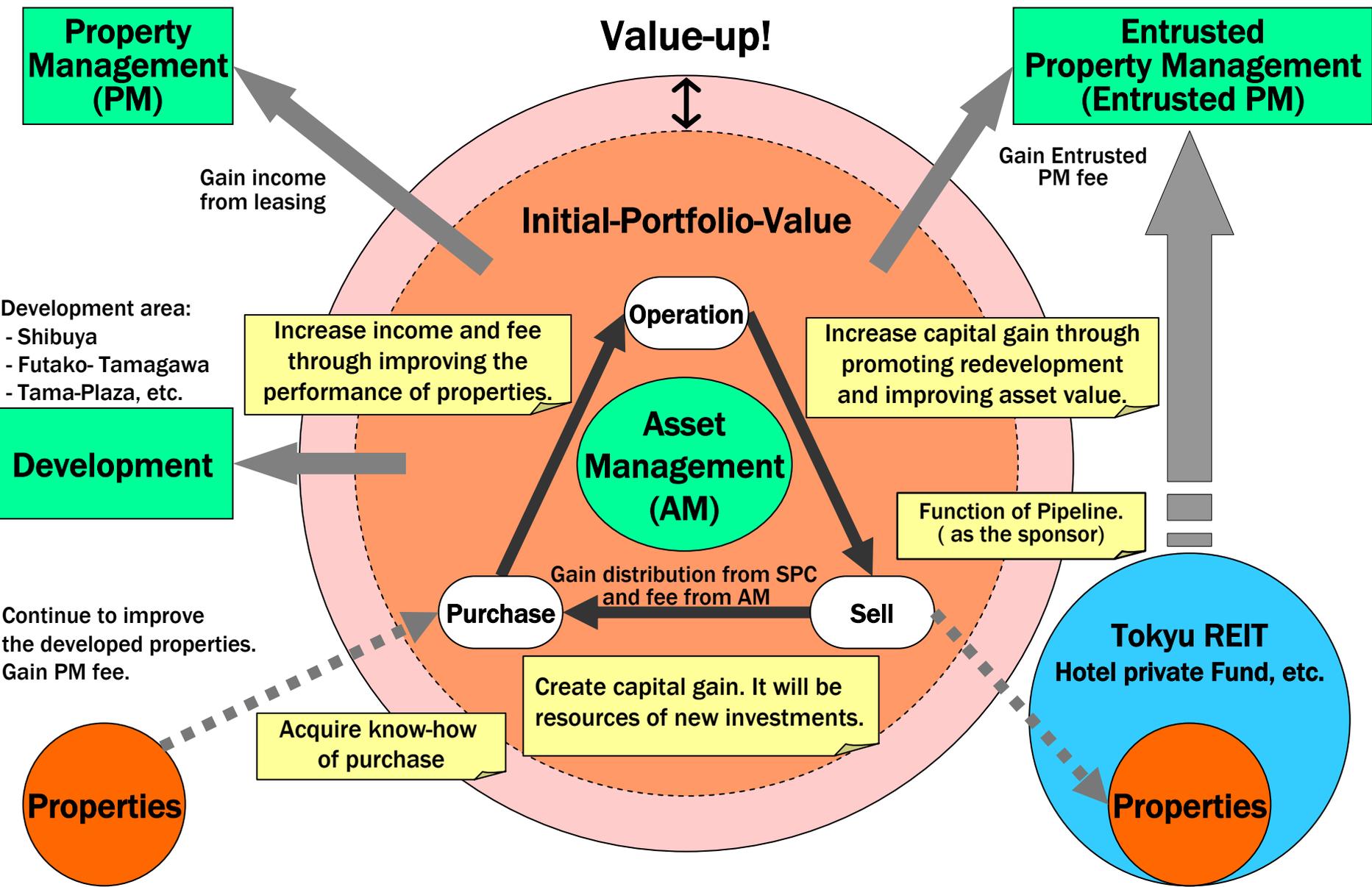
## Progress of setting up Barrier-free facilities



- Completed ( 86 stations)
- Planned to FY2007 ( 7 stations)
- Planned to FY2010 ( 5 stations)



# Real Estate business model in mature market



# Type-1 Urban Area Redevelopment Project of Futako-Tamagawa East District



## Summary of project plan

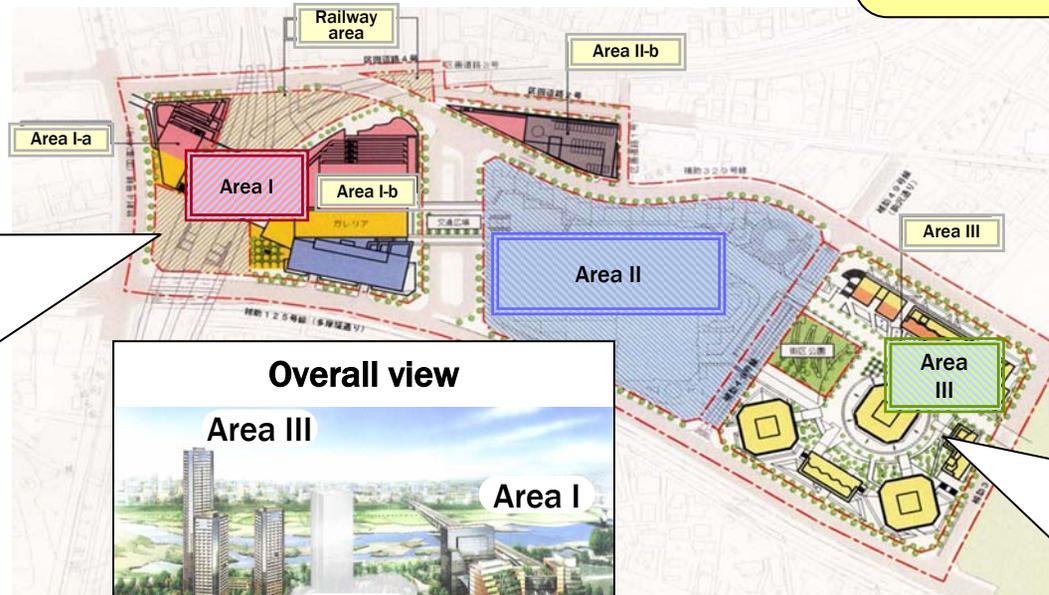
## Schedule

Area No.	Buildings		Main purposes	Height	Memo
	Building area	Floor space*			
I-a	2,415sqm	17,330sqm	shops	48m	
I-b	10,500sqm	87,180sqm	shops, offices, parking	Commercial build. 53m Offices build. 77m	
II-b	2,685sqm	7,268sqm	shops, offices, parking	16m	
III	18,500sqm	89,865sqm	shops, residences, parking	Low-rise build. 11m 23m	950 houses
				High-rise build. 102m 151m	

Established the union: Mar. 2005  
 Approve for the Changing right plan: Mar. 2006 (plan)  
 Start the construction: Apr. 2006 (plan)  
 Complete the construction: Mar. 2009 (plan)

- Residences 89,000sqm - Parking etc. 5,000sqm  
 - Shops 63,000sqm - Pedestrians 3,000sqm  
 - Offices 41,000sqm  
 Total 201,000sqm

\* Floor space which is based on calculation of cubic capacity of building.



# Concept of “Shibuya Culture Platform”



Be “Platform”. It contributes to create culture by using DNA of Shibuya such as unique culture and split of innovation of Shibuya, and results of traditional contribution by Tokyu.  
 Shibuya is to be a Culture-Creating town, where people gather from all over the world and touch their heart.

## 【Develop area around the station】

### ■ Reborn Shibuya station

- Put through Subway NO.13 ( FY2007 ) .
- Inaugurate the mutual direct train service ( FY2012).
- Designed by Tadao Ando

### ■ Develop a vacant lot of previous Tokyu Bunka Kaikan as a symbol of culture

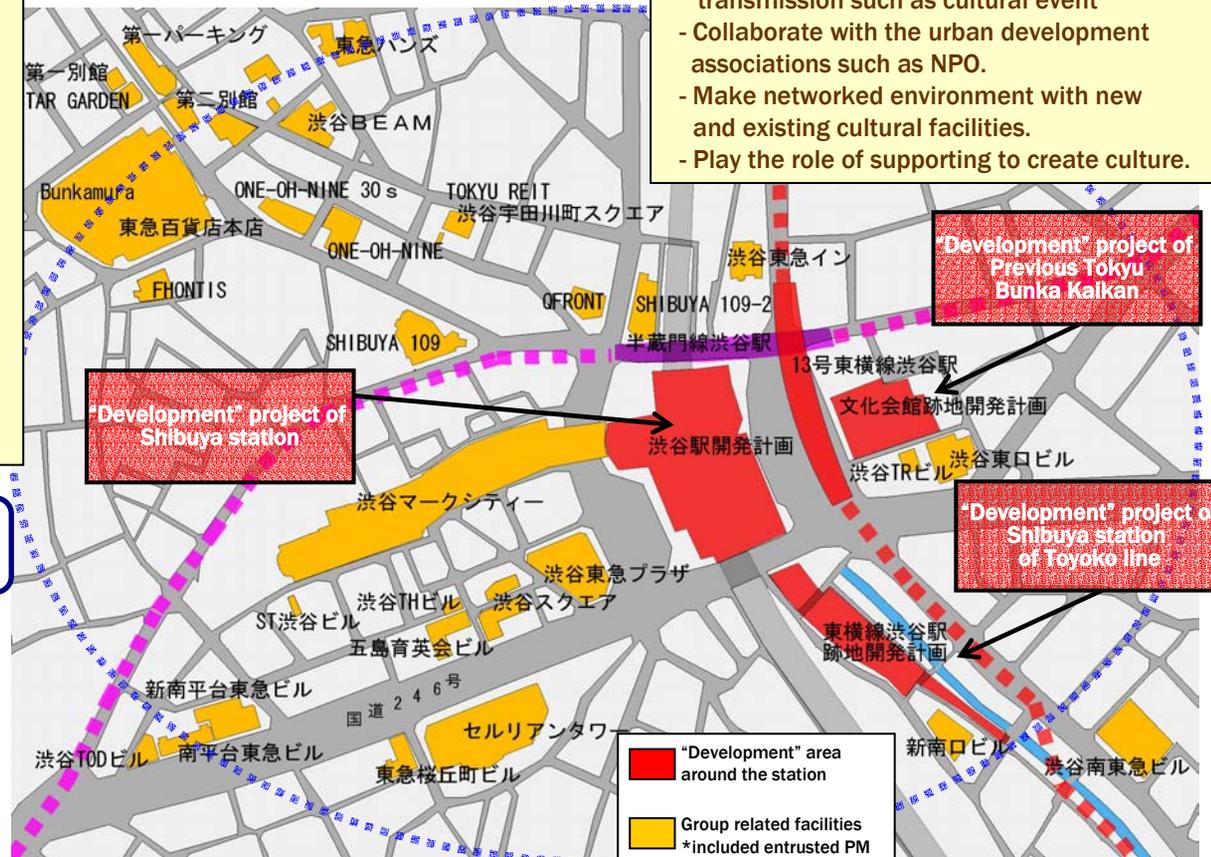
- Start to develop no later than the start of operating Subway NO.13 (FY2007).
- Main purposes; Shops, Offices, Theaters

### ■ Develop the Upper area of present Shibuya station

- Start to develop no later than the inauguration of the mutual direct train service (FY2012).

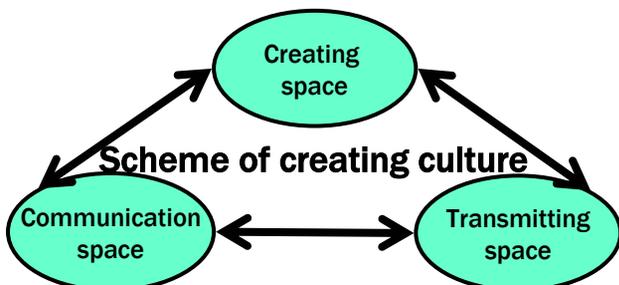
## 【Build brand of Shibuya】

- Increase opportunities of information transmission such as cultural event
- Collaborate with the urban development associations such as NPO.
- Make networked environment with new and existing cultural facilities.
- Play the role of supporting to create culture.



## What’s “Platform”?

-provide three spaces for creating culture-



# Establish Retail-related business Committee

## Retail-related business committee\*

- Establish a flexible system which has an ability to respond to the change of market in Tokyu area.
- Gather group business resources efficiency prepared for the Redevelopment project of Shibuya.

President of Tokyu  
as a chairman

Executive  
office

Conference ( an organization of decision-making)

Tokyu corporation

View from operating  
real estate business

View from group management

View from group strategy

Presidents of consolidated companies

Tokyu Dept. Store

Tokyu Store Chain

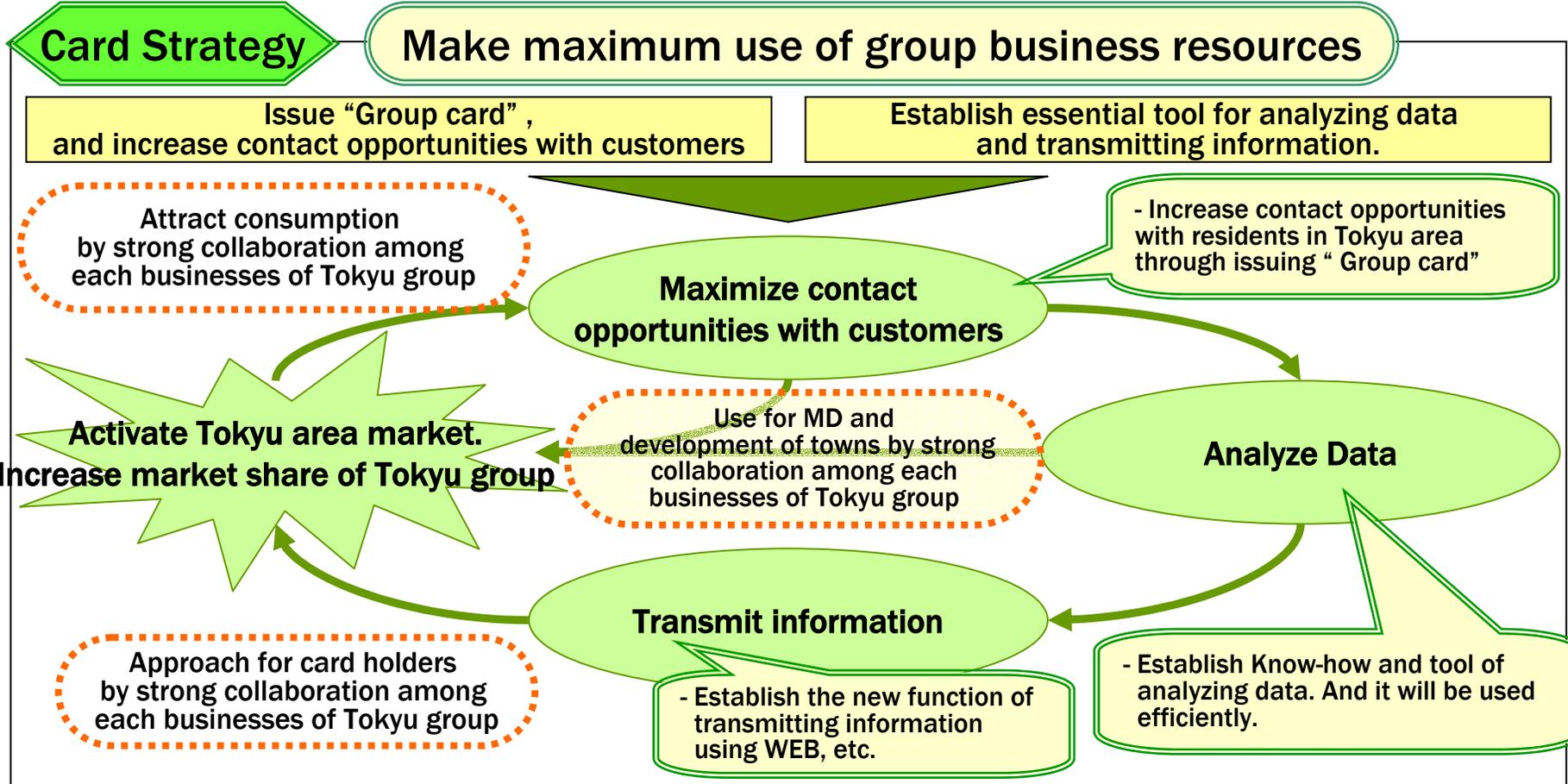
TMD

Tokyu Merchandising and  
Management

Tokyu Card

Nominated as required  
by chairman

# Provide Group Point Card Service



■ Utility of "Group card"

- Available for each facilities of Tokyu group in Tokyu are; include railway, buses.
- Every time customers can use some quality-of-life services such as shopping in retail-related facilities of Tokyu group, point will be added.

■ Target number of card in force

- 2 million cards issued mainly in Tokyu area.

■ Schedule (plan)

- FY 2006: Issue "Group card".  
Change to IC card of traffic ticket.

# Long-term Forecast

<b>By FY2009 -</b>		<b>*2 figures in [ ] is compared with FY2004</b>
- Tokyu EBITDA*1:	<b>160.0 billion yen and over</b>	<b>[ +22.5 billion yen ]*2</b>
- Net Income:	<b>40.0 billion yen and over</b>	<b>[ +40% ]*2</b>
- Equity ratio:	<b>16% and over</b>	<b>[ +7.6P ]*2</b>
- D/E ratio:	<b>3 times or less</b>	<b>Ref: 6.9 times (FY2004)</b>

\*Tokyu EBITDA= Operating Profit + Depreciation and Amortization cost + Amortization of the consolidation adjusting account + Disposal cost of fixed assets

## ■ Consistent with the Shibuya strategy

- Mid-term growth will be at the peak by the redevelopment project of Futako Tamagawa.
- From FY2009 or later, start to post an investment and a depreciation cost related the “development” project of Shibuya. It will decrease consolidated revenue and profit due to the rebuilding of Toyoko store of Tokyu Department Store Co.,Ltd.
- From FY2010 or later, net income will be continued stably at the level of about 35.0 billion. After completing the “development” project of Shibuya, we will return to a growth path.

# Targets of Three-year Mid-term Management Plan



## ■ Target of FY03/2008

\*2 figures in [ ] is compared with FY2004

1. Tokyu EBITDA*1:	153.0 billion yen and above	[+15.5 billion yen]*2
2. Interest-bearing Debt :	1,120.0 billion yen or less	[(146.0) billion yen]*2
3. Equity ratio:	13.2% and above	[+4.8P]*2

\*1 Tokyu EBITDA= Operating Profit + Depreciation and Amortization cost + Amortization of the consolidation adjusting account + Disposal cost of fixed assets

## ■ Financial forecast of FY03/2008

\*2 figures in [ ] is compared with FY2004

Operating Revenue:	1,520.0 billion yen	[ +480.0 billion yen ]*2
Operating Profit:	76.0 billion yen	[ +4.0 billion yen ]*2
Recurring Profit:	63.0 billion yen	[ +1.0 billion yen ]*2
Net Income:	39.0 billion yen	[ +10.5 billion yen ]*2

Total Asset:	2,150.0 billion yen	Equity:	285.0 billion yen and over
Interest-bearing Debt:	1,120.0 billion yen or less	Tokyu EBITDA*1:	153.0 billion yen and over

[D/E ratio: 3.9 times]

[Interest-bearing Debt / Tokyu EBITDA multiple: 7.3 times]

# Three-year Mid-term Management Plan (from FY2005 to FY2007) -1



(billions of Yen)

Changes of consolidated financial results	<u>FY03/2005</u>	<u>FY03/2006</u>	<u>FY03/2007</u>	<u>FY03/2008</u>	<u>Compared to FY2004</u>
	Forecast	Plan	Plan	Plan	
Operating Revenue	1,040.0	1,455.0	1,480.0	1,520.0	+480.0
Operating Profit	72.0	78.5	71.5	76.0	+4.0
Recurring Profit	62.0	66.0	62.0	63.0	+1.0
Net Income	28.5	31.0	31.5	39.0	+10.5
Equity	184.0	227.0	252.0	285.0	+101.0
Interest-bearing Debt	1,266.0	1,226.0	1,177.0	1,120.0	(146.0)
Tokyu EBITDA*	137.5	147.0	151.0	153.0	+15.5
Equity ratio	8.4%	10.3%	11.6%	13.2%	+4.8P
D/E ratio	6.9x	5.4x	4.7x	3.9x	(3.0)
Interest-bearing Debt / Tokyu EBITDA multiple	8.4x	8.3x	7.8x	7.3x	(1.1)

\*Tokyu EBITDA= Operating Profit + Depreciation and Amortization cost + Amortization of the consolidation adjusting account + Disposal cost of fixed assets

# Three-year Mid-term Management Plan (from FY2005 to FY2007) -2



(billions of Yen)

Consolidated Operating results	FY03/2005 Forecast	FY03/2006 Plan	FY03/2007 Plan	FY03/2008 Plan	Compared to FY2004
<b>Operating Revenue</b>	<b>1,040.0</b>	<b>1,455.0</b>	<b>1,480.0</b>	<b>1,520.0</b>	<b>+480.0</b>
Transportation	263.3	221.0	222.0	224.0	(39.3)
Real Estate	155.7	134.0	146.0	155.0	(0.7)
Retail*	361.9	694.0	707.0	726.0	+364.1
Leisure and Service	59.9	209.0	212.0	217.0	+157.1
Hotel	103.0	104.0	97.0	96.0	(7.0)
Others	156.5	142.0	147.0	153.0	(3.5)
Elimination	(60.3)	(49.0)	(51.0)	(51.0)	+9.3
<b>Operating Profit</b>	<b>72.0</b>	<b>78.5</b>	<b>71.5</b>	<b>76.0</b>	<b>+4.0</b>
Transportation	38.5	39.8	27.9	28.9	(9.6)
Railway of Tokyu Corp.	33.6	37.2	25.6	26.0	(7.6)
[Disposal cost of fixed assets]	[7.6]	[2.8]	[15.1]	[13.5]	[+5.9]
Real Estate	17.1	13.5	14.4	15.0	(2.1)
Land sales of Tokyu Corp.	9.1	9.5	4.8	3.1	(6.0)
Retail*	8.5	15.2	16.5	18.3	+9.8
Leisure and Service	2.0	3.5	4.0	4.9	+2.9
Hotel	2.6	3.8	4.4	4.5	+1.9
Others	2.7	2.0	3.4	3.8	+1.1
Elimination	0.6	0.7	0.9	0.6	0.0

\*Retail business: Department store business, Chain store business, SC business (transferred from Real Estate business) and other retail businesses.

# Three-year Mid-term Management Plan (from FY2005 to FY2007) -3



(billions of Yen)

Consolidated Cash Flow	FY03/2005 Forecast	FY03/2006 Plan	FY03/2007 Plan	FY03/2008 Plan
<b>CF from operating activities</b>	<b>118.0</b>	<b>115.0</b>	<b>131.5</b>	<b>122.0</b>
Net income before income taxes	48.8	52.1	59.7	66.7
Depreciation and amortization	54.7	59.7	58.4	57.5
Disposal cost of fixed assets	10.4	8.7	21.6	16.6
Gain or loss on sale of fixed assets	9.8	12.5	0.0	(2.0)
Urban railways Improvement Reserve	(2.9)	(4.8)	(4.8)	(4.8)
Income tax paid	(6.7)	(5.0)	(6.1)	(7.8)
<b>CF from investing activities</b>	<b>(30.6)</b>	<b>(69.0)</b>	<b>(80.0)</b>	<b>(59.0)</b>
Capital expenditure	(109.1)	(132.0)	(137.0)	(122.0)
Subsidies received for construction	19.1	23.0	14.0	16.0
Sale of fixed assets and securities	76.3	40.0	43.0	47.0
<b>CF from financing activities</b>	<b>(88.4)</b>	<b>(46.0)</b>	<b>(55.0)</b>	<b>(63.0)</b>
Interest-bearing Debt	(79.8)	(40.0)	(49.0)	(57.0)
Dividends	(8.6)	(6.0)	(6.0)	(6.0)
Increase in cash and cash equivalents	(1.0)	0.0	(3.5)	0.0
Cash and cash equivalents at end of period	49.2	49.2	45.7	45.7

**\*Forward-looking Statements**

**All statements contained in this document other than historical facts are forward-looking statements representing the beliefs and assumptions of Tokyu Corporation based on information currently available.**

**Tokyu wishes to caution readers that actual results may differ materially from expectations.**