

Tokyu Corporation Formulates Three-year Medium-term Management Plan

The company aims to convert its traditional profit structure and achieve sustainable growth through collaboration among businesses within the areas along Tokyu railways.

Tokyu Corporation (Headquarters: Shibuya-ku, Tokyo, President: Kiyofumi Kamijo) has formulated its three-year mid-term management plan starting from April 2005.

The Tokyu Group with Tokyu Corporation as its core company announced the Tokyu Group Management Policy in April 2000 and another subsequent management plan in the last five years. To pursue those two plans, the group has put "recovery of financial stability" above all others and has worked to solve financial issues such as the adoption of impairment accounting and reduction of interest-bearing debt, while it has been aggressively restructuring the group. In addition, it strived to establish the consolidated management structure with stronger group management led by Tokyu Corporation.

In its "Two-year Mid-term Management Plan of Tokyu" from April 2003 to March 2005, Tokyu introduced the early adoption of impairment accounting, carried out group restructuring such as the demerger of Tokyu Construction, reorganization of the leisure and service business, and acquisition of Izukyu Corporation and Tokyu Department Store Co.,ltd as wholly-owned subsidiaries. We also have expected to achieve all the management index targets; 9.5 times for "interest-bearing debt/operating CF" (target: 10 times or less), 16.5% for "consolidated return on equity (ROE)" (target: 10% and above), and 8.2 times for "group interest-bearing debt/EBITDA multiple" (target: 9 times or less).

The various efforts during these five years contributed to certain achievements toward the recovery of financial stability. Therefore, in this new management plan the group's basic strategy is to "convert its traditional profit structure and achieve sustainable growth by building collaboration among its businesses within the areas

along Tokyu railways (hereinafter referred to as “Tokyu Area”) and it will concentrate on "promotion of growth strategy" which aims to utilize the synergy generated by collaboration among core businesses within Tokyu Area.

A framework of the Three-year Mid-term Management Plan of Tokyu is on the separate sheets.

(Reference) Today this material was provided to the Kabuto Club and the Press Club of Land, Infrastructure and Transportation Ministry.

(Separate sheets)

Framework of the Three-year Mid-term Management Plan of Tokyu

1. Implementation Period

During three years starting from April 2005

2. Basic Strategies

“Conversion of our traditional profit structure and achievement of sustainable growth through collaboration among businesses within Tokyu Area.

- In order that Tokyu Area may win a place as the “selected area”, we will promote growth strategies through the business operation “unique to Tokyu”. We will improve the value of the area by making the best use of operating bases of railway and town development, deepening area strategies as well as collaborating among core businesses.
- To achieve conversion of traditional profit structure and sustainable growth, while maintaining good financial stability, we will grow the “retail related business” as our third core business to follow the transportation and real estate businesses, promote a flow-type real estate business, and change businesses and portfolios.

3. Three Growth Strategies

Collaboration among our three core businesses, i.e. “transportation”, “real estate” and “retail related”, within Tokyu Area will bring about the synergy among those businesses, which will serve as a momentum for growth of the Tokyu group.

1) Deepening of area strategies

Tokyu Area will be zoned into four areas which will be analyzed by factors such as residents, passengers, and existing commerce and businesses. Then effective businesses and facilities will be developed following the business strategic policies determined by the characteristics of each area.

The four areas

- 1) Shibuya and other uptown areas
- 2) Area along the Den-en Toshi line
- 3) Area along the Toyoko line
- 4) Area along the Ikegami and Tamagawa lines

2) Development of key locations within Tokyu area.

Based on the area strategies, we will develop the key locations around major stations of Tokyu such as Shibuya, Futako-Tamagawa, and Tama-Plaza. Development of businesses and facilities among which collaboration would bring about the synergy will attract residents, promote consumption and encourage them to stay, thereby increasing daytime passenger volume and improve demand of “retrograde transportation” (transportation to carry passengers against the usual rush hour flow).

3) Promotion of the retail related business

By strongly promoting the “retail related business” as the third core business, we will try to circulate consumption within Tokyu Area back to the group .

*Retail related business: department store business, chain store business, shopping center business, and other retail businesses and service businesses.

(1) We will establish a “Retail Related Business Committee” in Tokyu Corporation to execute the best strategic deployment of commercial facilities within Tokyu Area from the viewpoint of total optimization. It will manage all retail related businesses in the area in an integrated fashion and make best use of the advantage of scale and improve flexibility of the businesses.

(2) We will introduce Tokyu Group Point Card Service from FY2006 and enhance the customer base of the group and support growth of retail related businesses.

4. Outlook for Consolidated Performance by FY 2009 (5 Years Later)

- Tokyu EBITDA: 160.0 billion yen and above
- Net income: 40.0 billion yen and above
- Equity ratio: 16% and above

* Tokyu EBITDA: Operating profit + Depreciation and amortization cost + Amortization of the consolidation adjusting account + Disposal cost of fixed assets

5. Target Level of Consolidated Performance by FY2007 (3 Years Later)

- Tokyu EBITDA: 153.0 billion yen and above
- Interest-bearing debt: 1,120.0 billion yen or less
- Equity ratio: 13.2% and above

6. Consolidated Financial Results Plan

(Billions of yen)

FY Item	FY2004 forecast	FY2005 plan	FY2006 plan	FY2007 plan
Operating revenue	1,040.0	1,455.0	1,480.0	1,520.0
Operating profit	72.0	78.5	71.5	76.0
Recurring profit	62.0	66.0	62.0	63.0
Net income	28.5	31.0	31.5	39.0

Equity	184.0	227.0	252.0	285.0
Interest-bearing debt	1,266.0	1,226.0	1,177.0	1,120.0

Tokyu EBITDA	137.5	147.0	151.0	153.0
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Equity ratio	8.4%	10.3%	11.6%	13.2%
Interest-bearing debt/Tokyu EBITDA multiple	8.4 times	8.3 times	7.8 times	7.3 times

7. Reference

Separate volume “Three-year Medium-Term Management Plan”