

# Results in the First Half of FY2008

(Term ended September 2008)

## Presentation for Investments

November 18, 2008



Tokyu Corporation

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(9005)

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

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# **I. Executive Summary**

# Main Points of Results in the First Half of FY2008



(100 million yen)

First Half Results	2008/9		2007/9			2008/9			
	Results	Results	Change	Rate of change	Main changes	Forecast as of May 15	Change	Rate of change	Main changes
Operating revenue	6,431	6,693	- 261	- 3.9%	Retail: -147; Other: -47; Transportation: +12	6,565	- 133	- 2.0%	Real Estate: -47; Retail: -40
Operating profit	328	462	- 133	- 29.0%	Transportation: - 82; Retail: -16; Hotel: -10; Other: -8	320	+ 8	+ 2.6%	Real Estate: +8; Retail: +3; Transportation: +2; Leisure and Services: -4
Non-operating profit	65	99	- 34	- 34.4%	Negative amortization of goodwill: -21; Gain on equity method: -9	69	- 3	- 5.3%	Gain on equity method: -10
Non-operating expenses	100	102	- 1	- 1.6%		119	- 18	- 15.6%	Interest expenses: -10
Recurring profit	293	459	- 166	- 36.2%		270	+ 23	+ 8.6%	
Extraordinary gains	61	66	- 4	- 7.4%	Reversal of urban railways improvement reserve: -26; Subsidies received for construction: +28	51	+ 10	+ 20.4%	
Extraordinary losses	109	138	- 29	- 21.4%	Impairment loss: -57; Reduction of subsidies received for construction: +28	81	+ 28	+ 34.9%	Recall expenses: +12 Impairment losses: +12
Net income	115	258	- 142	- 55.1%		120	- 4	- 3.4%	

## Year-on-year comparison

**Operating revenue** A fall of ¥26.1 bn from the year-ago level due to the leasing of some stores in department store operations in the retail business and a decline in orders for manufacturing rolling stock. The fall came despite an increase in the Company's transportation revenue resulting from the extension of the Meguro line.

**Operating profit** A fall of ¥13.3 bn due to an increase in depreciation and amortization (+¥3.1 bn) and cost of disposal of fixed assets (+¥2.4 bn) in the railway operations associated with the completion of large construction works and the introduction of new rolling stock, as well as an increase in costs in other businesses along with the implementation of value-up investments and a decrease in sales in the retail business.

**Recurring profit** A decline of ¥16.5 bn due to the fall in operating profit as well as a drop in non-operating profit, reflecting a fall in amortization of negative goodwill and investment gains from equity method.

**Net income** A fall of ¥14.2 bn which was smaller than the decline in recurring profit. This was because impairment losses, which we recorded in a large amount for stores of Tokyu Store in the previous year under extraordinary losses, decreased in the first half under review.

## Comparison with forecast in May

**Operating revenue** A fall of ¥13.3 bn due to smaller sales in areas other than those along the railway lines in the real estate sales business of the Company, and a drop in sales in the retail business.

**Operating profit** A rise of ¥800 mil due to our efforts to reduce costs and selling expenses, despite the fall in operating revenue.

**Recurring profit** An increase of ¥2.3 bn thanks to the rise in operating profit and a fall in interest.

**Net income** A fall of ¥400 mil, which was almost in line with the forecast, due to the generation of impairment losses and recall expenses under extraordinary losses, despite the rise in recurring profit.

# Main Points of Full-Year Results Forecast for FY2008



(100 million yen)

Full-Year Result Forecast	2009/3					2009/3				
	Forecast as of Nov. 13	2008/3 Results	Change	Rate of change	Main changes	Forecast as of May 15	Change	Rate of change	Main changes	
Operating revenue	13,460	13,729	- 269	- 2.0%	Other: -230; Retail: -165; Real Estate: +95; Transportation: +25	13,640	- 180	- 1.3%	Retail: -60; Real Estate: -42; Leisure and Services: -41; Hotel: -17	
Operating profit	720	867	- 147	- 17.0%	Transportation: -93; Other: -22; Retail: -20; Hotel: -14	710	+ 10	+ 1.4%	Real Estate: +12; Transportation: +8; Retail: +4	
Non-operating profit	130	239	- 109	- 45.8%	Gain on equity method: -49; Income from anonymous associations: -39; Negative amortization of goodwill: -20	165	- 35	- 21.2%	Gain on equity method: -44 (Tokyu Land: -31, Tokyu Construction: -10)	
Non-operating expenses	228	226	+ 1	+ 0.5%		235	- 7	- 3.0%	Interest expenses: -21	
Recurring profit	622	880	- 258	- 29.3%		640	- 18	- 2.8%		
Extraordinary gains	185	193	- 8	- 4.2%	Reversal of reserves: -53; Gain on sale of assets: -39; Subsidies received for construction: +95	159	+ 26	+ 16.4%	Gain on sale of assets: +12	
Extraordinary losses	249	359	- 110	- 30.7%	Impairment loss: -146; Loss on disposal of fixed assets: -33; Reduction of subsidies received for construction: +98	194	+ 55	+ 28.4%	Impairment loss: +14; Recall expense: +12; Loss on disposal of fixed assets: +7	
Net income	320	460	- 140	- 30.4%		390	- 70	- 17.9%		

## Comparison with forecast in May

**Operating revenue** A fall of ¥18 bn in anticipation of smaller sales in the retail business, a drop in sales in advertising operations in the leisure and services business, and a drop in sales in the real estate sales business of the Company.

**Operating profit** A rise of ¥1 bn due to the review and reduction of expenses in each business, despite the fall in operating revenue.

**Recurring profit** A fall of ¥1.8 bn due to a decline in investment gains from equity method, despite the increase in operating profit.

**Net income** A decline of ¥7 bn from the forecast in May based on the expectation of a fall in recurring profit and an increase in extraordinary losses such as impairment losses, loss on disposal of fixed assets, and recall expenses.

## Breakdown of extraordinary gains

(100 million yen)

	2009/3		Change
	Forecast as of Nov. 13	Forecast as of May 15	
Transfer to urban railways improvement reserve	26	26	0
Reduction of fixed assets	122	108	14
Loss on sale of fixed assets	3		3
Loss on disposal of fixed assets	32	25	7
Impairment losses	14		14
Loss on revaluation of inventories	12	8	4
Loss on revaluation of securities	1		1
Recall expenses	13		13
Others	26	27	-1
<b>Total</b>	<b>249</b>	<b>194</b>	<b>55</b>

# Full-Year Results Forecast for FY2008 (by Segment)



(100 million yen)

Full-Year Results Forecast		2009/3		2009/3		
		Forecast as of Nov. 13	Remarks	Forecast as of May 15	Change	Remarks
Transportation	Operating revenue	2,003	Railway operations of the Company: 1,486; Tokyu Bus: 275 (Revenue from fares: +1.0%, Passengers carried: +1.1%)	2,020	- 17	Railway operations of the Company: -5; Tokyu Bus: -6 (Revenue from fares: -0.8%, Passengers carried: -0.5%)
	Operating profit	246	Railway operations of the Company: 243; Tokyu Bus: 2 (Depreciation: 329, Disposal cost: 69)	238	+ 8	Railway operations of the Company: +11; Tokyu Bus: -2 (Depreciation: +14, Disposal cost: -14)
Real Estate	Operating revenue	1,487	Real estate sales: 667; Real estate leasing: 369	1,529	- 42	Real estate sales: -29; Real estate leasing: +2
	Operating profit	255	Real estate sales: 157; Real estate leasing: 88	243	+ 12	Real estate sales: +5; Real estate leasing: +10
Retail	Operating revenue	6,329	Tokyu Department Store: 2,819; Tokyu Store Chain: 3,086; Shopping center operations: 234	6,389	- 60	Tokyu Department Store: -73; Tokyu Store Chain: +2; Shopping center operations: -1
	Operating profit	129	Tokyu Department Store: 71; Tokyu Store Chain: 61; Shopping center operations: 46; Goodwill: -58	125	+ 4	Tokyu Department Store: -13; Tokyu Store Chain: -2; Shopping center operations: +4
Leisure and Services	Operating revenue	1,819	Tokyu Agency: 1,132; its communications: 160	1,860	- 41	Tokyu Agency: -56; its communications: -2
	Operating profit	30	Tokyu Agency: 3; its communications: 10	34	- 4	Tokyu Agency: -4; its communications: +0
Hotels	Operating revenue	1,001	Tokyu Hotels: 850	1,018	- 17	Tokyu Hotels: -10
	Operating profit	22	Tokyu Hotels: 10	26	- 4	Tokyu Hotels: +0; Mauna Lani Resort: -5
Other	Operating revenue	1,667	Tokyu Car Corporation: 656	1,652	+ 15	Tokyu Car Corporation: +6
	Operating profit	38	Tokyu Car Corporation: 11	42	- 4	Tokyu Car Corporation: -2
Elimination	Operating revenue	- 846		- 828	- 18	
	Operating profit	0		2	- 2	
Total	Operating revenue	13,460		13,640	- 180	
	Operating profit	720		710	+ 10	

## Comparison with forecast in May

### Transportation

A rise in profit due to revisions in expenses, although a decline in revenue is expected as the number of passengers in the second half is revised in light of the trend in the first half.

### Real Estate

A rise in profit due to the review of sales areas and expenses in leasing operations, although a fall in revenue is expected in sales operations of the Company and other Group companies.

### Retail

An increase in profit thanks to higher income in Tokyu Card and the solid performance of shopping centers, while revenue is expected to decline mainly in department stores in light of the trend in the first half.

### Leisure and services

A fall in orders is anticipated in advertising operations focused on mass media.

### Hotels

A fall in both revenue and profit in Japan and overseas in light of the trend in the first half.

### Other

A decline in profit due to an increase in expenses, despite a rise in orders for rolling stock, etc.

## **II . First Half Results in Main Business**

# First Half Results (Transportation Segment)



(100 million yen)

Transportation	2008/9		2007/9		Remarks	2008/9		Remarks
	Results	Change	Results	Rate of change		Forecast as of May 15	Change	
Operating revenue	1,000	+ 12	988	+ 1.3%		1,008	- 7	- 0.7%
Railway operations of the Company	742	+ 11	731	+ 1.5%	Revenue from fares: +5 (+0.8%) Passengers carried: (+1.0%)[+2.4% in real terms]	745	- 2	- 0.4%
Tokyu Bus	140	+ 0	139	+ 0.2%	Revenue from fares: +0 (+0.4%) Passengers carried: (+0.7%)	143	- 3	- 2.4%
Operating profit	146	- 82	229	- 36.2%		144	+ 2	+ 1.7%
Railway operations of the Company	136	- 77	213	-	Depreciation: +31; Disposal costs: +24 (see below); Sharing of retirement benefits, etc.: +11; Renewal of uniforms: +8; Outsourcing costs: +7; Power costs: +4; PASMO-related: +3; Personnel expenses: +3	136	+ 0	-
Tokyu Bus	7	- 2	9	-		5	+ 1	-
Depreciation	182	+ 31	150	-	Renewal of rolling stock, extension of the Meguro Line (June), operation of express service on the Oimachi Line (March)			
Disposal cost of fixed assets	33	+ 24	8	-	Extension of the Meguro Line: 19			
Amortization of goodwill	3	+ 0	3	-				
Tokyu EBITDA	365	- 26	391	-				

## Main topics in the first half of the fiscal year ending March 2009

- March 2008: Operation of express services commenced in the Oimachi Line.
- March 2008: The Yokohama Municipal Subway Green Line opened.
- June 2008: The Meguro Line was extended to Hiyoshi.
- June 2008: The Tokyo Metro Fukutoshin Line opened.

## Number of passengers and revenue from fares

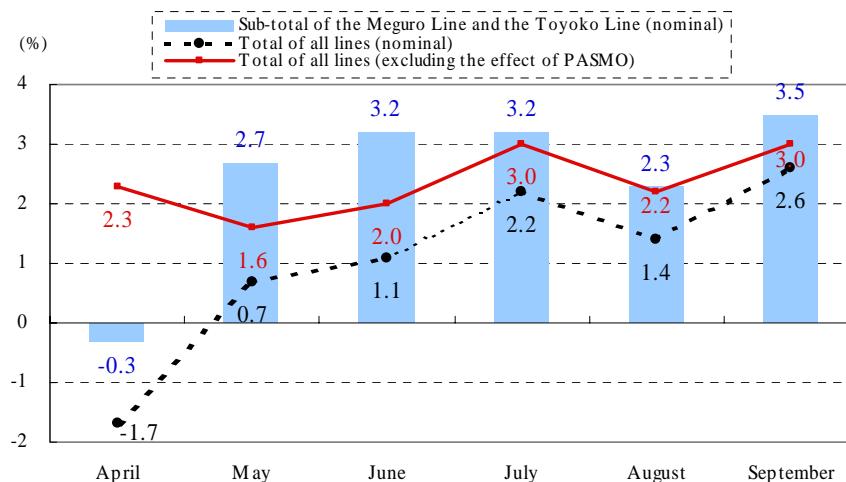
(Passengers)

A rise of 1.0% year on year, due in part to the effect of the extension of the Meguro Line  
(Up 2.4% in real terms excluding the effect of PASMO in the previous year)  
A fall of 0.1% from plan due to weather in the first half and other factors

(Revenue)

The rise in revenue was 0.2 points lower than the increase in passenger numbers, due in part to the shift of the route from the Den-en-toshi Line (Azamino) to the Meguro Line (Hiyoshi).

## Effect of the extension of the Meguro Line on the number of passengers





# First Half Results (Real Estate Segment)



(100 million yen)

Real Estate	2008/9	2007/9			Remarks	2008/9	Change	Rate of change	Remarks
	Results	Results	Change	Rate of change		Forecast as of May 15			
Operating revenue	569	583	- 14	- 2.5%	[Other than the below] Sales in Western Australia: -3	617	- 47	- 7.8%	[Other than the below] Sales in Western Australia: -7
Real estate sales	180	184	- 3	- 1.7%	<Sales> Company-owned land: -16 Revolving fund-type: +14	211	- 30	- 14.3%	<Sales> Company-owned land: +13 Revolving fund-type: -42
Real estate leasing	179	182	- 2	- 1.5%		177	+ 2	+ 1.2%	
Operating profit	85	92	- 6	- 7.2%	[Other than the below] Sales in Western Australia: -2 KI Reality: -2	77	+ 8	+ 11.1%	
Real estate sales	33	26	+ 6	-	<Sales margin> Company-owned land: +11 Revolving fund-type: +2	32	+ 1	-	<Sales margin> Company-owned land: +7 Revolving fund-type: -7
Real estate leasing	49	56	- 7	-	Remodeling of Machida Terminal Plaza: -3	45	+ 3	-	
Depreciation	31	31	+ 0	-					
Disposal cost of fixed assets	3	2	+ 1	-					
Tokyu EBITDA	120	126	- 6	-					

## Main topics in the first half of the fiscal year ending March 2009

### Real estate sales

In comparison with the previous year, a fall in revenue and a rise in profit because of a fall in sales of single family homes in Tama Den-en-toshi and a rise in sales of condominiums (Dresser Tama-Plaza and others) and sales for corporations.

In comparison with the plan, solid progress in sales of condominiums constructed on the Company-owned land in Tama Den-en-toshi and sales of single family homes, but a fall in revolving fund acquisition sales, mainly in areas other than those along the railway lines.

### Real estate leasing

In comparison with the previous year, a fall in revenue and profit due to an increase in repair expenses at the time of replacing tenants in the Machida Terminal Plaza.

In comparison with the plan, favorable results in sales and profit, such as progress in rent revisions at the time of contract renewals that was almost in line with plan.



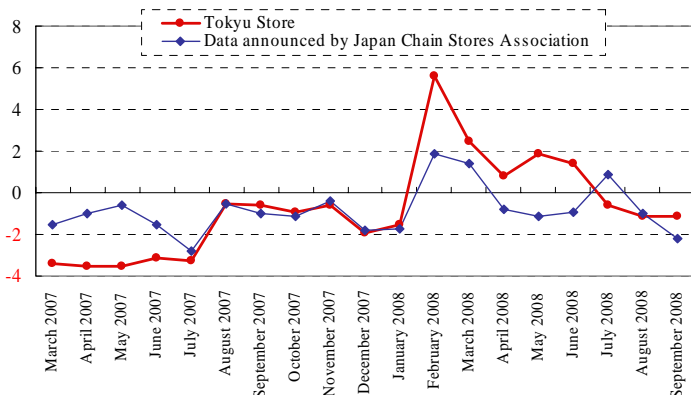
# First Half Results (Retail Segment)

(100 million yen)

Retail	2008/9	2007/9	Change	Rate of change	Remarks	2008/9			
	Results	Results				Forecast as of May 15	Change	Rate of change	Remarks
Operating revenue	3,105	3,252	- 147	- 4.5%		3,146	- 40	- 1.3%	
Tokyu Department Store	1,366	1,506	- 139	- 9.3%	Effect of leasing Machida Store: -85 Closure of Kitami: -29	1,406	- 39	- 2.8%	Fall in sales of clothing
Tokyu Store Chain	1,526	1,539	- 12	- 0.8%	<Sales> -1.1% (existing stores: +0.8%) Reduction of area of Gotanda Store	1,549	- 22	- 1.5%	
Shopping center operations	114	106	+ 8	+ 8.0%	Partial opening of Tama-Plaza Terrace Opening of Shizuoka 109	114	+ 0	+ 0.7%	
Operating profit	61	78	- 16	- 21.7%		58	+ 3	+ 5.6%	
Tokyu Department Store	29	49	- 20	-	Fall in sales margin, rise in expenses Clearance sale of Machida in the previous year	36	- 6	-	Decline in sales margin
Tokyu Store Chain	27	28	- 1	-		30	- 2	-	
Shopping center operations	27	27	+ 0	-		18	+ 9	-	Cost reductions, etc.
Depreciation	57	55	+ 1	-					
Amortization of goodwill	27	28	+ 0	-					
Tokyu EBITDA	147	162	- 15	-					

## Main topics in the first half of the fiscal year ending March 2009

**Tokyu Store: Rate of change in sales at existing stores**



**Tokyu Department Store: Rate of change in revenue**

Sales by Store

	Rate of year-on-year change	Revised for leasing
Home store of Tokyu (home store, Toyoko store)	-2.8	-2.3
Kichijoji store	-2.8	-2.4
Tama-plaza store	2.2	2.2
Sapporo store	-7.3	-5.8
Others (Machida, Kohoku, Hiyoshi)	-52.8	-4.3
Total	-8.8	-2.3

Sales by Merchandise (excluding Machida store)

	Rate of year-on-year change	Share
Menswear/furnishings	-5.3	4%
Womenswear/furnishings	-5.2	21%
Other clothing items	-3.1	5%
Personal items	-2.3	8%
Miscellaneous goods	-4.4	13%
Household articles	-5.3	4%
Food	1.7	39%
Others	-14.6	4%
Total	-2.6	100%

## Tokyu Department Store

A significant decline in revenue due to the sluggish economy, the special factor of closing Kitami Tokyu Department Store, and the leasing of the Machida store to tenants, which commenced in the previous fiscal year. A fall in profit primarily due to a decline in gross profit associated with the weak economy.

## Tokyu Store

A fall in revenue and profit due to the closure of four stores associated with the construction underneath the elevated railway tracks, despite efforts to increase revenue such as the remodeling of the Gotanda store and the construction of two new stores, including the Nishikoyama store.

## Shopping centers

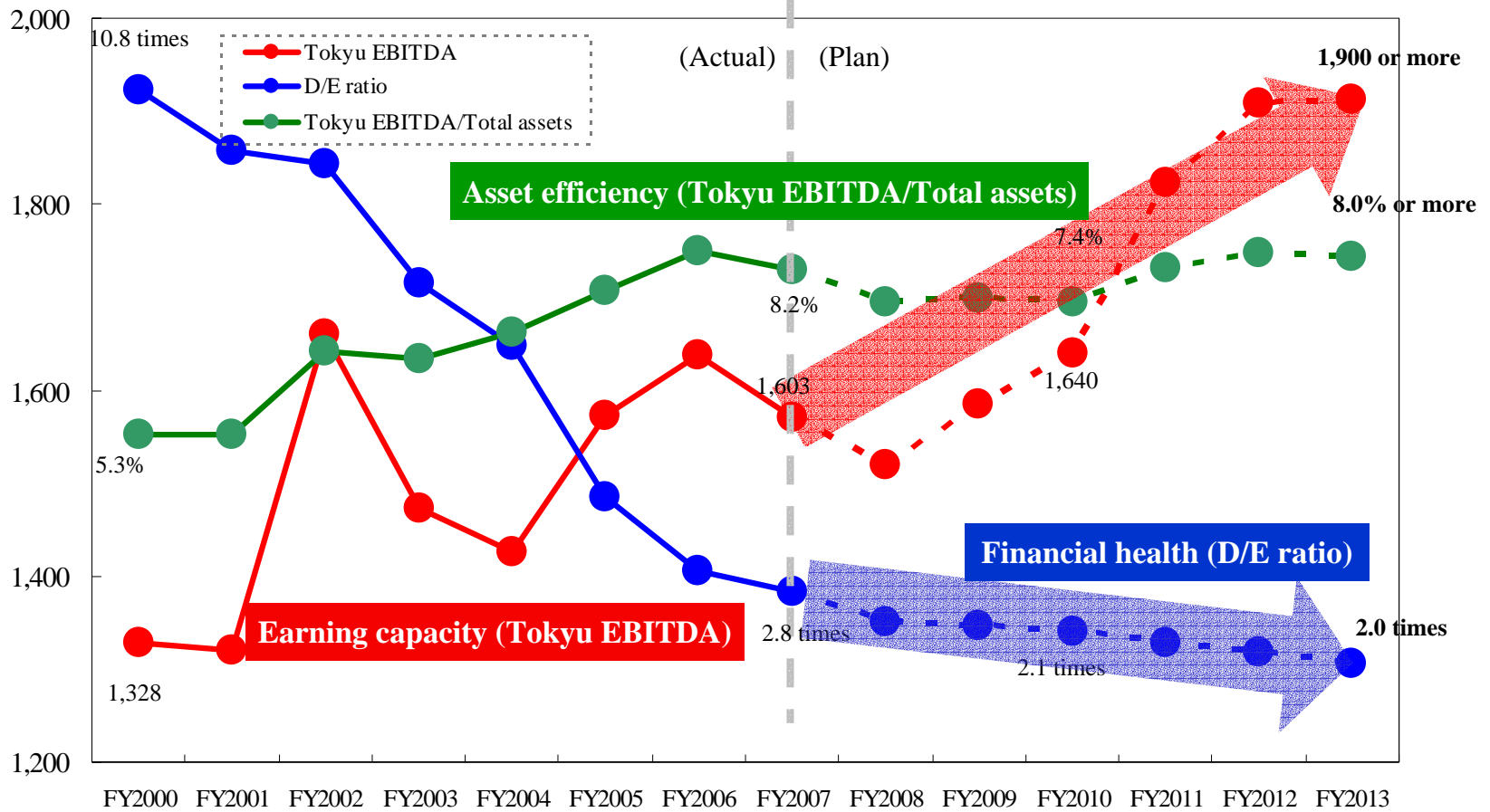
A rise in revenue thanks to an increase in sales due to the opening of Remy Gotanda and the strong performance of SHIBUYA109, but operating profit was in line with the level in the previous year due to the pre-opening expenses for Remy Gotanda.

# **III . Progress with the Business Plan**

# Solid Sustainable Growth in the Medium and Long Term



(100 million yen)





# Measures to Increase Shareholder Value

(Up to now)

(From now on)

- More focused businesses
- Reducing Interest bearing debt
- Accumulating equity

Recovered financial health

Steered management in a different direction

Active capital expenditure – an average of about ¥200 billion each year (FY2008 – FY2010)

Investing in safe and comfortable living environments

Capital policy

Looking to achieve a flexible return for shareholders through dividends increases and share buybacks, targeting an ROE of 10%, a DOE of 2%, and an equity ratio of 20%

Sustained business growth

Compounded Average annual growth rate in six years

Tokyu EBITDA: 3.0%  
Operating profit: 2.6%

- Maintaining and improving sustained and certain Cash Flows / ROE
- Proportion profits division

Utilize Financial Leverage

Improving shareholder value

# Progress in Town Blocks of Shibuya Station and Vacant Lot on Toyoko Line



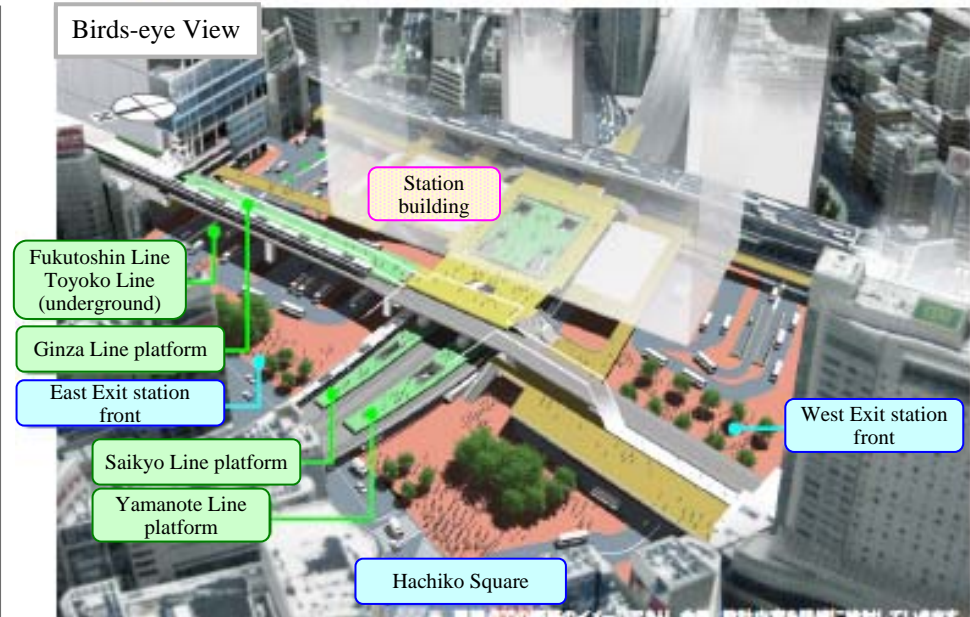
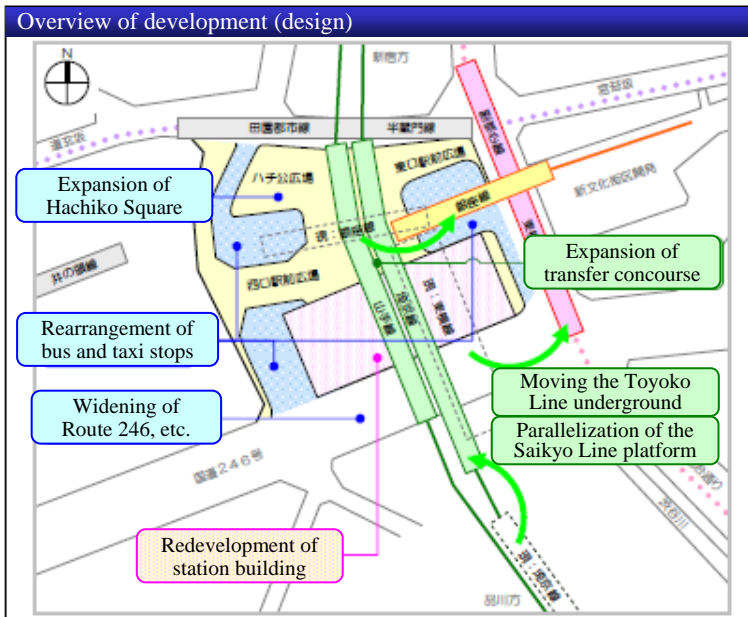
## Orientation of the town blocks of the station and the vacant lot on the Toyoko Line

- December 2005: Designated as an emergency development area for urban renaissance
- September 2007: Shibuya Station Central District Redevelopment Guideline 2007 formulated
- June 2008: Shibuya Station Infrastructure Development Policy announced
- FY2012: Mutual direct train service between the Toyoko Line and the Tokyo Metro Fukutoshin Line to be commenced
- After FY2012: Development of the town blocks of the station and the vacant lot on the Toyoko Line to begin

## Shibuya Station Infrastructure Development Policy

Formulation of the development policy of urban infrastructure such as station fronts, roads, railways, rivers, sewage systems and pedestrian network

### Future view (development plan) \*



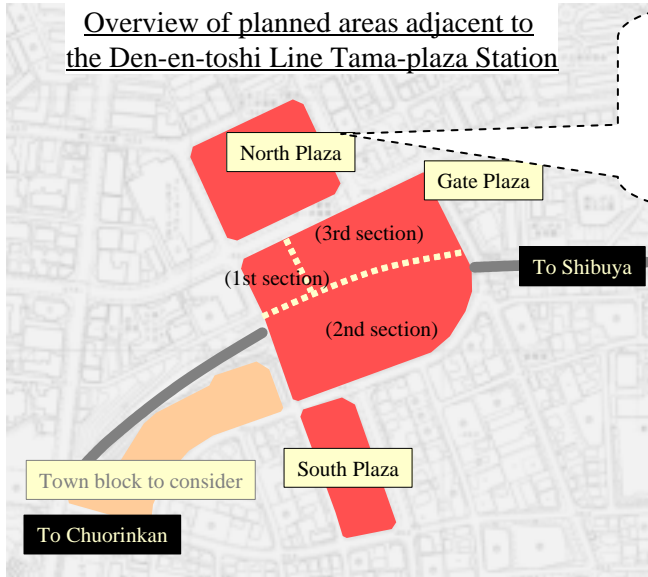
\* Extract from Shibuya Station Infrastructure Development Policy

\* This is a rough image. The design, etc., may change in the future.

# Progress in Development of Areas Adjacent to Tama-Plaza Station



## Overview of planned areas adjacent to the Den-en-toshi Line Tama-plaza Station



### Renewal of the existing SC

The entire building (approx. 30,000m<sup>2</sup>) is to be operated by the department store.  
Increase department store customer purchases through scale-up.

- November 2005: Construction commenced
- January 2007: South Plaza opened
- October 2007: First section of Gate Plaza opened
- 2009: Second section of Gate Plaza to be opened
- 2010: Entire Gate Plaza to be opened  
Renewal of the third section of Gate Plaza and North Plaza

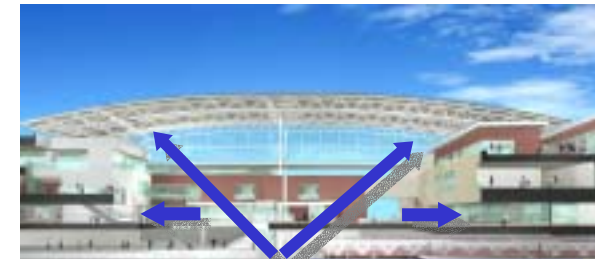
### Exterior image of Tama-Plaza Terrace



### Partial change of plan

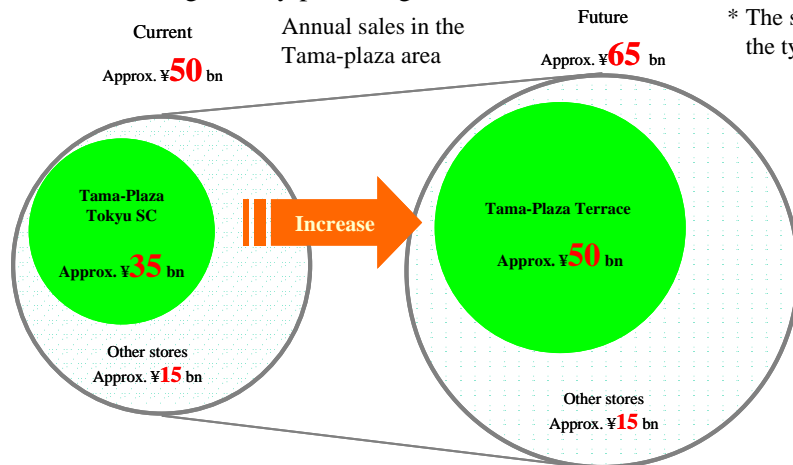
Create a unified space in the upper section of the station by constructing a large roof

Increase the value and attractiveness of the commercial facility

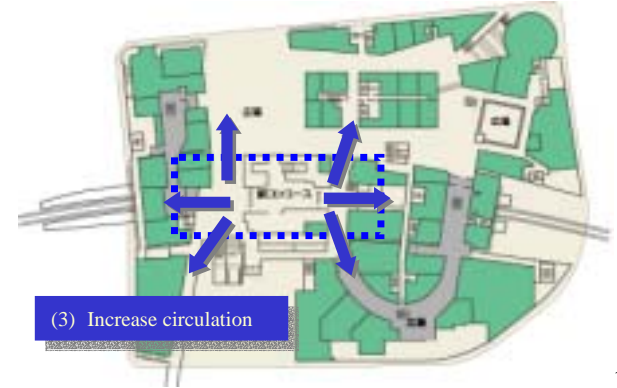


- (1) Increase visibility of store area
- (2) Secure flow line to prevent rain entering

### Turning the secondary trading area into the primary trading area by providing new value



\* The size of sales may change depending on the types of businesses and operations.



(Reference) Annual expenditure in the 5km trading area around Tama-Plaza: Approx. ¥550 bn

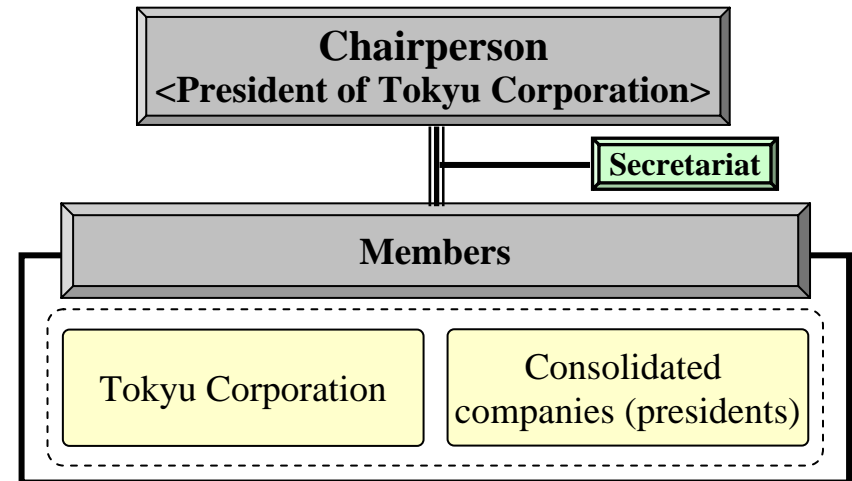


# Progress in the Asset Portfolio Committee

- Objectives**
- \* Planning and policy decision for the most effective use of assets along the railway lines owned by the Company and its consolidated companies from the perspective of total optimization on a consolidated basis
  - \* Stabilize profit by diversifying assets and expanding the real estate leasing business

## Current efforts

- \* Unification of asset information in the Company and Group companies
- \* Formulating an outline for the use of individual projects by establishing a sub-committee in the railway and development divisions
- \* Promoting the rental housing business (Planned to make a start in three projects during fiscal 2008)

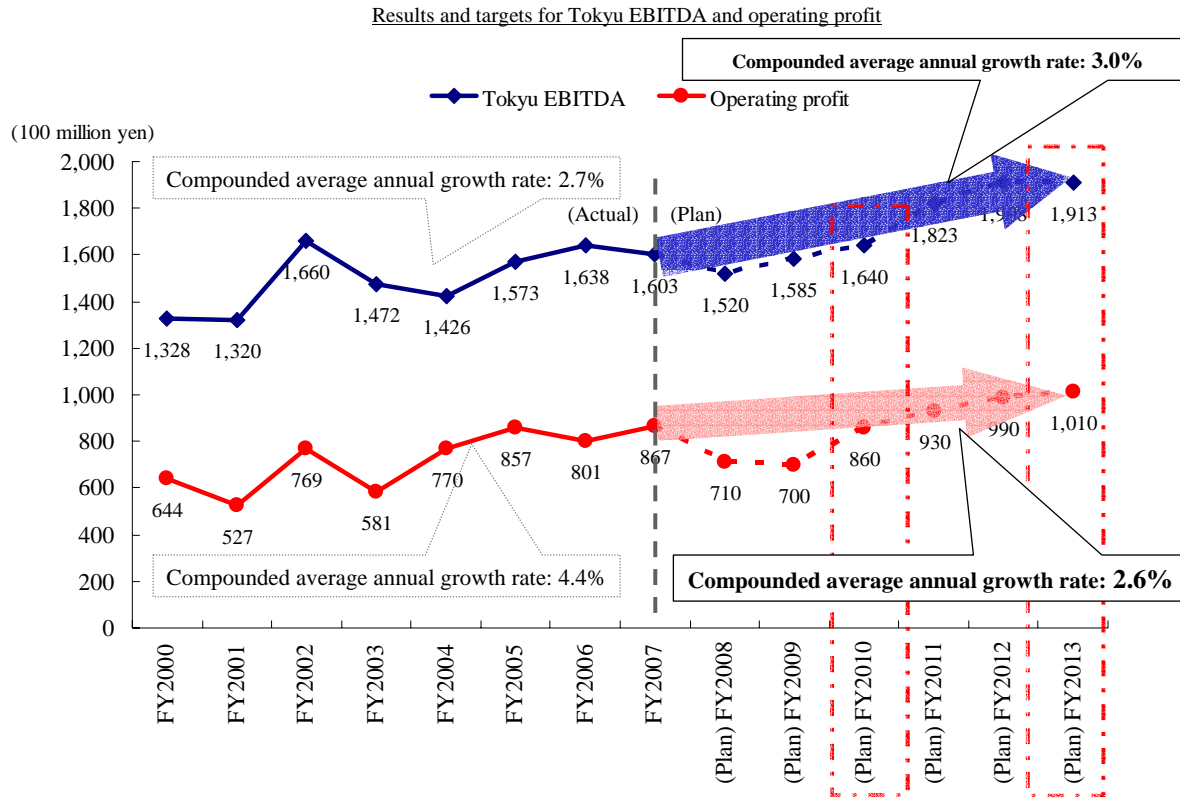


## Future orientation

- \* Promote the effective use of assets in line with the direction of business strategies and the structural switch of the Company and consolidated companies
- \* Increase stable profits by reviewing the portfolio (application) balance in the real estate leasing business with a focus on area strategies through the acquisition, development and sale of assets



# Progress toward Full-year Results for FY2008



- Tokyu EBITDA      ¥152 bn (not revised)
- Annual dividend per share      ¥6 (forecast)

## Forward-looking statements

All statements contained in this document other than historical facts are forward-looking statements that reflect the judgments of the management of Tokyu Corporation based on information currently available. Actual results may differ materially from the statements.