Tokyu Corporation

Consolidated Financial Statements

Fiscal 2005

(April 1, 2005 – March 31, 2006)

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
For the Fiscal year Ended March 31, 2006

Tokyu Corporation **May 15, 2006**

Stock Code:	9005	Listed exchanges:	Tokyo
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U.S. GAAP: Not adopted * Amounts less than ¥1 million have been ignored.

1. Consolidated Financial Results for Fiscal Year Ended March 31, 2006

1) Consolidated Operating Results

Millions of yen

	FY ended March 31, 2006		FY ended March 31, 2005	
		Change (%)		Change (%)
Operating revenue	1,388,554	31.5	1,055,564	(13.7)
Operating profit	85,654	11.2	77,014	32.5
Recurring profit	74,052	10.5	67,034	26.6
Net income	41,962	18.4	35,432	--
Net income per share (¥)	¥35.64		¥31.11	
Net income per share (diluted) (¥)	¥33.34		¥29.00	
Return on equity (%)	18.9%		20.5%	
Recurring profit to capital ratio (%)	3.6%		3.3%	
Recurring profit to revenue ratio (%)	5.3%		6.4%	

Notes:
(1) Equity in income (losses) of equity-method affiliates: FY ended March 31, 2006: ¥(3,251) million; FY ended March 31, 2005: ¥1,079 million
(2) Average number of shares outstanding (consolidated) during the period: FY ended March 31, 2006: 1,175,313,320 shares
FY ended March 31, 2005: 1,134,244,907 shares
(3) Changes to accounting principles: Yes
(4) Percentages for operating revenue, operating profit, recurring profit and net income represent changes from the previous fiscal year.

2) Consolidated Financial Position

Millions of yen

	As of March 31, 2006	As of March 31, 2005
Total assets	2,021,268	2,113,208
Shareholders' equity	258,728	185,058
Equity ratio (%)	12.8%	8.8%
Shareholders' equity per share (¥)	¥218.53	¥162.21

Note: Outstanding shares (consolidated) at: March 31, 2006: 1,183,612,753 shares; March 31, 2005: 1,139,933,695 shares

3) Consolidated Cash Flows

Millions of yen

	FY ended March 31, 2006	FY ended March 31, 2005
Operating activities	160,852	129,590
Investing activities	(49,158)	9,557
Financing activities	(128,439)	(116,796)
Cash and cash equivalents at end of year	49,032	65,510

4) Scope of consolidation and adoption of the equity method:

Number of consolidated subsidiaries 196
Number of non-consolidated subsidiaries accounted for by the equity method 2
Number of affiliates accounted for by the equity method 20

5) Changes in the scope of consolidation and companies accounted for by the equity method:

Consolidated subsidiaries	Newly included:	4	Excluded:	14
Affiliates accounted for by the equity method	Newly included:	1	Excluded:	3

2. Consolidated Forecast for the Fiscal Year Ending March 31, 2007 (April 1, 2006 to March 31, 2007)

Millions of yen

	Interim	Full year
Operating revenue	667,000	1,375,000
Recurring profit	31,000	72,000
Net income	21,000	40,000

Reference: Net income per share forecast for the fiscal year ending March 31, 2007(consolidated): ¥33.79

Note: The forecast results presented above are based on information available on the date of this earnings release. Actual results may differ substantially from forecasts depending on a number of factors. Please refer to page 11 for more details on these forecasts.

1. The Tokyu Group

The Tokyu Group comprises 199 subsidiaries and 24 affiliates. Their main business operations are as follows.

Note: Until the end of the previous fiscal year, the department store, retail, and general trading operations were included in the Retail segment. However, from fiscal 2005, the first year of Tokyu's three-year medium term management plan, the retail businesses have been newly positioned as a core business. Along with this change and to reflect accurately the nature of these businesses from fiscal 2005 the composition of the retail segment has changed and now includes the following: Department store business, chain store business, SC (shopping center) business, and other retail businesses. The shopping center business was formerly included in the Real Estate segment and part of the retail business was formerly included in the Leisure and Services segment business. The general trading operations that were formerly included in the Retail segment are now included in the Other segment.

Grouping by business types is identical to the breakdown by operating segments.

Description of Principal Business Lines as of the End of the Fiscal Year:

Transportation

Railway Operations: The Company operates seven railway lines–the Toyoko Line, Meguro Line, Den-en toshi Line, Oimachi Line, Ikegami Line, Tokyu Tamagawa Line, Kodomonokuni Line and a streetcar line, the Setagaya Line, in southwestern Tokyo and Kanagawa Prefecture. The total track length is 100.1km. Izukyu Corp., a consolidated subsidiary, operates a 45.7km line between Ito and Izukyu Shimoda in the Izu peninsula. Ueda Dentetsu Corp., another consolidated subsidiary, operates an 11.6km long passenger line between Ueda and Bessho Onsen, in Nagano Prefecture.

As a result of a corporate separated by Ueda Kotsu Corp. on October 1, 2005, its railway operations are now managed by Ueda Dentetsu Corp.

Bus Operations: Tokyu Bus Corp., a consolidated subsidiary, operates scheduled bus services in southwestern Tokyo and Kanagawa Prefecture. In Hokkaido, consolidated subsidiary Jotetsu Corp. operates scheduled bus services, and also leases buses throughout Hokkaido. Consolidated subsidiary Tokyu Shachi Bus Co., Ltd. operates a chartered bus service in Aichi Prefecture.

Real Estate

Real estate sales: The Company's principal operations include land development, primarily at Tama Garden City, housing construction and marketing, and real estate consulting. Affiliate Tokyu Land Corp. operates in metropolitan Tokyo, the Kinki region and major urban centers in regional Japan. The company is engaged in residential land development and marketing, and the construction and marketing of detached houses, medium-rise condominiums, and resort housing. Tokyu Land Corp. is also engaged in joint marketing of detached houses, a system in which Tokyu Land Corp. works with Tokyu Corporation to build and market detached houses on residential land developed by Tokyu Corporation.

Real estate leasing: Real estate leasing operations primarily focus on renting office buildings along the railway lines we operate in Tokyo and Kanagawa prefecture. Tokyu Land Corp., an affiliate, is also engaged in the real estate leasing business, mainly office building leasing, and operates primarily in the Tokyo metropolitan area, the Kinki region and in major regional cities.

Real estate management: Tokyu Community Corp., an affiliate, and a consolidated subsidiary Tokyu Facility Service Co., Ltd. are engaged in comprehensive building management services (management of building facilities, cleaning and security services), and condominium management services (including administration and facilities management).

Real estate brokerage services: Tokyu Livable, Inc., an affiliate, has an extensive network closely linked to local communities in principal cities in the Kanto region and surrounding areas, where it offers residential property brokerage and related services.

Retail

Department store operations: Tokyu Department Store Co., Ltd., a consolidated subsidiary, operates department stores in Tokyo, Kanagawa Prefecture and Sapporo City in Hokkaido. In addition, a consolidated subsidiary, Nagano Tokyu Department Store Co., Ltd. has a similar operation in Nagano Prefecture.

Chain store operations: Tokyu Store Chain Co., Ltd., a consolidated subsidiary, operates chain stores, handling foods, apparel, and household necessities, principally in the Tokyo metropolitan region. Sapporo Tokyu Store Chain Co., Ltd. operates a similar chain, with most of its stores in Sapporo City in Hokkaido.

Shopping center operations: TMD Corp. a consolidated subsidiary, operates city-oriented fashion malls, mainly in the Shibuya district of Tokyo. Another consolidated subsidiary, Tokyu Merchandising and Management Co., Ltd, operates commercial facilities mainly in the area around Tokyu's railway lines.

On April 1, 2006 TMD Corp. merged with Tokyu Merchandising and Management Co., Ltd, and has since become Tokyu Malls Development Inc.

Leisure and Services

Golf course operations: The Tokyu Group comprises 11 golf course operators including consolidated subsidiaries such as Three Hundred Club Co., Ltd., Tokyu Seven Hundred Club Co., Ltd., etc.

CATV operations: its communications Inc., a consolidated subsidiary, offers CATV and ISP services through a fiber-optics network and a co-axial cable network, primarily in the area around Tokyu's railway lines in Tokyo, Kawasaki and Yokohama.

Advertising operations: Tokyu Agency Inc., a consolidated subsidiary, offers a wide variety of advertising agency services.

Hotel

In Japan, consolidated subsidiary Tokyu Hotels Co., Ltd. (formerly Tokyu Hotel Management Co., Ltd.) operates four hotel brands: Tokyu Hotel, Excel Hotel Tokyu, Tokyu Inn, and Tokyu Resorts (Total: 47 directly managed hotels as of the end of March 2006), which together comprise the "Tokyu Hotels" chain.

On April 1, 2005, Tokyu Hotel Chain Co., Ltd. reorganized several divisions concerned with the hotel business to Tokyu Hotels Co., Ltd., which changed its name to the current name on the same day.

Overseas, consolidated subsidiary Pan Pacific Hotels and Resorts Pte. Ltd. operates hotels and provides hotel management services and manages 14 hotels in 10 countries, most of which are located in the Asia-Pacific region.

Other

Construction business: Affiliate Tokyu Construction Co., Ltd. is responsible for construction of housing, office buildings and government buildings, as well as civil engineering projects for highways and railways and land development. Affiliate Seikitokyu Kogyo Co., Ltd., focuses on civil engineering, road pavement, water works, and other general construction.

Rolling stock manufacturing: Consolidated subsidiary Tokyu Car Corp. specializes in the manufacture of rolling stock for railway operations, specialty vehicles and elevated parking systems. Toyoko Industry Co., Ltd., a consolidated subsidiary, is responsible for the design, manufacture, maintenance and scheduled inspection of equipment for rolling stock for railway operations, and also designs and installs railroad-related electrical equipment.

Automotive parts: Affiliate Shiroki Corp. manufactures and markets major automobile parts, such as door sashes, directly to leading automakers. This company also produces and markets transportation machinery and equipment parts.

General trading operations: Tokyu Geox Co., Ltd., a consolidated subsidiary, manufactures and markets aggregates.

Grouping by business types is as follows:

Customers and Business Partners

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Tokyu Corporation, 199 subsidiaries and 24 affiliated companies

Tokyu Corporation

- Railway operations
- Real estate sales
- Real estate leasing

Transportation (26 companies)
(Leasing of facilities and Consignment of operations, etc.)

Main companies

Railway operations
- Izukyu Corp. #1
- Ueda Dentetsu Corp. #1 *1

Bus operations
- Tokyu Bus Corp. #1
- Jotetsu Corp. #1

Real Estate (33 companies)
(Leasing of facilities and Consignment of operations, etc.)

Main companies

Real estate sales
- Tokyu Land Corp. #2

Real estate leasing
- Shibuya Development, Inc. #1 *2

Real estate management
- Tokyu Community Corp. #2
- Tokyu Facility Service Co., Ltd. #1

Real estate brokerage services
- Tokyu Livable, Inc. #2

Retail (31 companies)
(Leasing of retail premises, Procurement of goods, etc.)

Main companies

Department store operations
- Tokyu Department Store Co., Ltd. #1
- Nagano Tokyu Department Store Co., Ltd

Chainstore operations
- Tokyu Store Chain Co., Ltd. #1
- Sapporo Tokyu Store Chain Co., Ltd. #1

Shopping center operations
- TMD Corporation #1 *3

Credit card operations
- Tokyu Card, Inc. #1

Leisure and Services (49 companies)
(Leasing of facilities and Consignment of operations, etc.)

Main companies

Movie theatre operations
- Tokyu Recreation Co., Ltd. #2

Golf course operations
- Three Hundred Club Co., Ltd. #1

Advertising
- Tokyu Agency Inc. #1

CATV operations
- iTS Communications Inc. #1

Hotels (61 companies)
(Leasing of hotel facilities, etc.)

Main companies

Hotel operations
- Tokyu Hotels Co., Ltd. #1
- Mauna Lani Resort (Operation) Inc. #1
- Pan Pacific Hotels and Resorts Pte. Ltd. #1

Other (42 companies)
(Procurement of goods and Consignment of operations, etc.)

Main companies

Construction
- Tokyu Construction Co., Ltd. #2
- Seikitokyu Kogyo Co., Ltd. #2

Maintenance of
- Tokyu Car Corp. #1
- Toyoko Industry Co., Ltd. #1

Automotive parts
- Shiroki Corp. #2

General Trading Operations
- Tokyu Geox Co., Ltd. #1

Notes: #1 represents a subsidiary, #2 represents an affiliate

*1. Operator of the railway business operations following its corporate separation from Ueda Kotsu Corp. on October 1, 2005.

*2 Merged with Tokyu Corp. on April 1, 2006.

*3 Name changed to Tokyu Malls Development Corporation on April 1, 2006.

1. There is an overlap of the following companies in segmentation by business lines: Tokyu Corp, TC Properties Co., Ltd, Life Systems Co., Ltd., Izukyu Land Corp., Jotetsu Corp., Tokyu Bus Corp., Tokyu Facility Service Co., Ltd., Mauna Lani Resort (Operation), Inc., Abashiri Kotsu, Inc.

2. The companies below are listed on the following stock exchanges:

Tokyo Stock Exchange	1st Section	Tokyu Corp., Tokyu Store Chain Co., Ltd., Tokyu Land Corp., Tokyu Construction Co., Ltd., Seikitokyu Kogyo Co., Ltd., Tokyu Community Corp., Tokyu Livable, Inc., Shiroki Corp.
	2nd Section	Tokyu Recreation Co., Ltd.
1st Section of the Osaka Securities Exchange		Tokyu Land Corp.
1st Section of the Nagoya Stock Exchange		Shiroki Corp.
JASDAQ Securities Exchange		Nagano Tokyu Department Store Co., Ltd.

∗ Affiliate GOLD-PAK CO., LTD. Listed on the JASDAQ Securities exchange on April 18, 2006.

2. Management Policy

(1) Our Fundamental Operating Policy

Tokyu Group's roots began with the establishment of Meguro-Kamata Railway Company in 1922 and as of the end of March 2006, the Group is composed of 290 companies and 9 non-profit corporations, with Tokyu Corporation as the nucleus. The Group's core operations focus on urban development centered on railway operations. Over the years, the group has diversified to provide a wide range of services related to the daily lives of the people in the communities it serves. The Group is also actively involved in social programs and environmental activities through foundations, social activities, and Tokyu Association programs.

The Group seeks to fulfill its social responsibilities by building a business deeply rooted in local communities. In 1997, the Group spelled out its core management policy: "Work independently and in collaboration to raise Group synergy and establish a trusted and beloved brand." Toward this goal, the Group adopted the slogan "Toward a Beautiful Age, "and has been working toward "Creating a Beautiful Living Environment" to meet varying consumer needs and to establish Tokyu as a loved and trusted brand.

To sustain growth in the 21st century, Tokyu Group laid out the measures outlined in the Tokyu Group Management Policy of April 2000. The management plan emphasizes the Company's position as the major shareholder of the companies comprising the Tokyu Group and as the owner of the Tokyu brand. The Tokyu Group Basic Management Policy sets forth a new approach to management of the entire group and broadly outlines a plan of action that adheres to this approach.

Based upon this management policy, the company has established a medium-term management plan for the three years beginning April 2005. The basic strategy of this three-year plan is to reform our profit structure and realize sustainable growth through collaboration between our operations in the areas served by Tokyu's railway lines. By exploiting the synergies between our core operations in these areas we will focus on the pursuit of a growth strategy

(2) Management indicators and objectives

For the fiscal year to March 2008 our three-year medium-term management plan adopts as consolidated targets Tokyu EBITDA[1] of at least ¥153 billion, interest-bearing debt of ¥1,120 billion or less, and an equity ratio of at least 13.2 per cent.

(3) Our medium- to long-term goals

To ensure that the areas served by Tokyu railway lines continue to be seen as desirable locations, we intend to promote a growth strategy, and in a distinctive Tokyu style of business development, raise the value of the area around our railway lines by leveraging our business fundamentals of 'railways' and 'community-building' to the maximum through a focused area strategy and collaboration between our core businesses. Specifically, we aim to establish retail-related operations (department stores, chain stores, shopping centers, and other retail and service enterprises) as our third core area of business after transportation and real estate. We also intend to promote cash flow based real estate business and reorganize our portfolio of assets and businesses, while maintaining financial soundness and reforming our profit structure to achieve sustained growth.

In order to promote collaboration among our three core businesses -Transportation, Real estate and Retail-related – in areas along Tokyu railway lines, realize synergies between them and promote them as the drivers of the Tokyu Group's growth we have three specific strategies:

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[1] Tokyu EBITDA = Operating profit + Depreciation and Amortization cost+ Amortization of the consolidation adjustment account + Fixed asset disposal expenses.

(i) A more focused area strategy

The region served by Tokyu rail lines has been divided into four areas: Shibuya/Yamanote (uptown areas), Denen-toshi, Toyoko, and Ikegami/Tamagawa. We are pursuing detailed analysis in order to grasp the specific characteristics of the residents, railroad passengers, business and commerce in each of these areas and have also established an Area Strategy Promotion Committee composed of members from each segment. Based on the results of our analysis we are enhancing our framework for the formulation and promotion of operational strategy.

(ii) Development of focal points in Tokyu areas

Currently we are pursuing focused development around major stations and other areas including the promotion of the plan to develop the area around Tama Plaza station, and we are also participating in the Urban Area Redevelopment Union of Futako-tamagawa East District. Through developing businesses and facilities that link such developments and leveraging the synergies between them we aim to attract and retain residents and consumption and further grow demand for off-peak daytime and 'reverse-rush' (against the rush-hour flow) rail transport. In addition, the area around Shibuya station has now been designated as a Special area for urban renaissance and we are actively preparing a development plan for this area.

(iii) Promotion of retail-related operations

Retail-related businesses in the areas around Tokyu railway lines is our third core area of business and we have established a Retail-related Business Committee comprising members from Tokyu and group companies and formulated the Retail Business Refine Plan as the basic strategy of our initiatives to promote the optimal strategic location of commercial facilities from an overall Group perspective. In addition on April 1, 2006 we commenced a Group-wide points card service under the brand name TOP &. Looking ahead, we aim to collaborate with the IC card passenger ticket business PASMO and also to link with a diverse range of companies to improve customer convenience and support the growth of retail-related businesses.

By pursuing these three distinct growth strategies we aim to create a more robust profit structure for Tokyu and our group companies and achieve sustained growth.

Looking ahead, Tokyu aims to maximize shareholder value through steadily furthering the growth strategies outlined in this three-year medium-term management plan.

(4) Policy and Considerations with regard to a reduction in the investment unit

For Tokyu's shares to achieve an appropriate price on the stock market, it is important that there is share liquidity and the participation of a large number of investors, and we believe that reducing the minimum share-trading unit is one way to achieve these aims. We believe however that our shares are currently highly liquid and that reducing the minimum share trading unit will increase administration costs and other expenses, and we cannot confirm at this current point in time that there is agreement that this will be of mutual benefit to our shareholders. Consequently, we will continue to examine reducing the minimum share trading unit, all the while taking into consideration our stock price, liquidity of the stock market and the number of shareholders.

(5) Dividend Policy

Railway operations constitute the main business of Tokyu Corp and given the extremely public nature of these operations, we need to sustain stable business results over long periods. While working to further strengthen our operating base, we have carried out on-going capital expenditure programs to increase carrying capacity and safety, promote barrier-free access and enhance services.

We have made various capital expenditures to improve our railway services. For example, a combined total of ¥297.9 billion has been used for improvements to the Meguro-Tamagawa stretch of the Meguro Line and quadruple tracking of lines between Tamagawa and Hiyoshi on the Toyoko Line. We have also made capital expenditures totaling ¥156.4 billion on improvements to the Oimachi-Futakotamagawa stretch of the Oimachi Line and for quadruple tracking on the Den-en toshi Line between Futakotamagawa and Mizonokuchi. These measures have been taken to ease congestion, and to build an efficient transport network that will stimulate greater use of the Meguro and Oimachi Lines. We also plan to strengthen the function of the Toyoko Line in the metropolitan area transport network and increase the attractiveness of Shibuya by establishing a mutual direct train service between the Toyoko Line and Subway Line No. 13. In addition we intend to introduce 10-car (currently 8-car) operation for limited express, commuter express and express trains on the Toyoko Line in order to ease congestion and improve convenience and in total we plan to spend ¥159.3 billion on improvements to the Toyoko Line between Shibuya and Yokohama. We thus intend to retain earnings as much as possible to provide a reliable source of funds for large-scale capital expenditures over the long term. We are dedicated to strengthening our operating base so as to fulfill our social responsibilities as a provider of public transport.

The Tokyu Corporation has consistently paid a ¥5 per share dividend since fiscal 1982 in line with our policy of paying stable, sustainable dividends. In consideration of our policy of sustainable stable dividends, while also considering our payout ratio, we intend to pay a final dividend of ¥5.00 per share (Interim ¥2.50, full-year ¥2.50) in respect of fiscal 2005 and are forecasting a dividend of ¥5.50 per share in respect of fiscal 2006 (Interim ¥2.50, full-year ¥3.00) In the future our aim is to raise shareholder value by increasing our income per share and we will also consider our profit distribution in the light of the strengthening of our capital and our dividend payout ratio.

The commercial code has changed with regards to the number of dividend payments allowable per year. We have no plans to change the frequency of our dividend payments per year in this regard.

3. Review of Operations and Financial position

1. Review of Operations

(1) Overview of Fiscal 2005

During fiscal 2005, the recovery trend in the Japanese economy strengthened as recovering corporate profits led to increased capital expenditure and private consumption gradually expanded, driven by improvements in employment and personal incomes.

Against this backdrop, in the first year of its three-year medium-term management plan our group (Tokyu Corporation, its consolidated subsidiaries and equity accounted affiliates) pursued aggressive marketing in each business, promoted increased operating efficiency and worked to improve our business results.

With regard to our results for fiscal 2005 the consolidation of Tokyu Department Store Co., Ltd., which became a subsidiary from the end of last fiscal year, and of Tokyu Agency Inc., contributed to operating revenue of ¥1,388.554 billion (an increase of 31.5% compared to fiscal 2004) and increased profits from our real estate business led to operating profit of ¥85.654 billion (an increase of 11.2% compared to fiscal 2004). As a result of the application of asset impairment accounting to affiliates, investment losses from the equity method of ¥3.251 billion were recorded but, as a result of the increase in operating profit, recurring profit increased by 10.5% to ¥74.052 billion, and net income increased by 18.4% to ¥41.962 billion.

Operating results on a segmental basis are as follows and include inter-segment internal revenues or transfers where applicable.

Note: Changes to business segments have been made with effect from fiscal 2005 and the segmental figures for the fiscal 2004 have been restated to reflect the new segmental classification.

Transportation

In our railway operations, we continued our company-wide focus on maintaining safety and to enhance the security and safety of stations we installed security alert buttons on platforms, concourses and in restrooms and also increased the number of security cameras. In addition we implemented antiseismic reinforcement of viaducts, etc., and we also initiated works on the tunnel section of the Den-en toshi Line that is shared with the metropolitan expressway. As regards services, we worked to improve passenger convenience and in June 2005 we implemented timetable revisions to increase the frequency of daytime services and reduce waiting times when changing trains for services on the Ooimachi Line, Ikegami Line, Tokyu Tamagawa Line and Setagaya Line. Also, in March 2006, we increased the frequency of commuter express services during morning and evening rush hour periods on the Toyoko Line and increased the frequency of early morning and evening services on the Den-en toshi Line while also improving connections by increasing services on the Kodomo no kuni Line. In addition we introduced women-only passenger cars on trains running on the Den-en toshi Line in May 2005, and the Toyoko Line in July 2005.

As a result of an increase in the population living near our railways and of network benefits, the number of passengers carried on our lines increase by 1.1% overall compared to last fiscal year reflecting a 1.1% increase in commuter pass custom and a 1.2% increase from non-commuter pass custom, and passenger revenue was up by 1.8%. There was also an increase in the number of passengers carried on Izukyu Corp. lines.

The number of passengers carried on our buses rose due to several factors, including actions by Tokyu Bus Corp in the Tokyo metropolitan region to increase the number of buses running during rush hour and late at night and a revision of the timetable for summer months. In our regional bus operations, demand for bus services in Nagoya increased due to the holding of Expo 2005 Aichi Japan, with a large increase in the number of passengers on chartered buses.

For the transport operations overall, Tokyu Air Cargo Co., Ltd. and Tokyu Logistics Co., Ltd. are no longer subject to consolidation as a result of share transfers, and in consequence operating revenue from transport operations declined by 26.9% compared to last fiscal year to ¥192.927 billion, while operating profit decreased by 1.3% to ¥38.929 billion yen.

Real Estate

In our real estate sales business, we were actively involved in the allotment and sale of detached houses and condominiums, primarily in the Tama Garden City development project.

In real estate leasing, in order to maintain a high occupancy rate in our rental properties we engaged in focused marketing and steadily implemented renovations as we sought to enhance the power of our brand.

Our real estate management business, Tokyu Facility Service Co., Ltd., continued to be affected by a difficult operating environment characterized by intensifying price competition for tenders and relocation by tenants.

Operating revenue for our real estate business overall declined 10.9% compared to last fiscal year to ¥141.725 billion as in the real estate sales business sales to companies declined compared to fiscal 2004, but strong sales of built-for-sale housing and condominiums, mainly in Tama Garden City, led to an increase in operating profit of 6.2% to, ¥21.808 billion.

Retail

In our department store business, in order to maintain its solid customer base, Tokyu Department Store Co. Ltd. has worked to completely revise its ladies fashion brand line up in each store and actively implemented store refurbishments.

In our chain store business, Tokyu Store Chain Co., Ltd. was active in opening new branches and revitalizing the operations of existing branches, particularly large-scale outlets. In terms of sales, Tokyu Store Co., Ltd. improved its lineup of high-quality products matched to local market characteristics, and at stores with extended opening hours reviewed operations and actively sought to expand business opportunities.

As a result of the consolidation of Tokyu Department Store Co., Ltd. operating revenue for retail operations overall increased by 85.5%, to reach ¥678.239 billion, and operating profit rose 57.1% to ¥14.422 billion.

Leisure and Services

Our CATV operation (its communications Inc.) saw increases in subscribers to both its broadcast and communications services as a result of efforts to win new customers and reduce the cancellation rate, and at the end of the fiscal year there were 522,896 connected households, 39,084 more than at the end of fiscal 2004.

As a result of the consolidation of Tokyu Agency Inc., overall operating revenue from our leisure and services operations increased by 247.0% compared to fiscal 2004, to reach ¥189.512 billion, and operating profit rose 65.3% to ¥2.835 billion.

Hotel

In our hotel business we actively planned and marketed a diverse range of lodging packages, wedding plans and events and also implemented renewals of each facility, and to strengthen competitiveness we worked to attract to our hotels retail tenants with appealing stores that bring in customers. As a result the room occupancy rate for hotels directly managed by Tokyu Hotels Co., Ltd. was 80.2%, an increase of 0.6 percentage points compared to fiscal 2004.

Our overseas hotels in Asia and North America broadly enjoyed favorable business.

As a result, operating revenue from our hotel operations rose 0.5% to ¥103.382 billion despite offsetting factors such as disposal of some hotels. Operating profit rose 42.2% to ¥3.906 billion.

Other businesses

In our rolling stock business Tokyu Car Corp., declines in shipments to JR companies and private railway companies along with other factors such as an absence of export shipments of rolling stock, led to declines in sales and profits.

As a result, overall operating revenue from 'Other' businesses declined by 3.5% to ¥154.245 billion and operating profit decreased by 12.7% to ¥2.404 billion.

(2) Outlook for Fiscal 2006

In regard to results forecasts for fiscal 2006, operating profit is forecast to decline as a result of asset write-off expenses at our railway operations and other factors, but income from equity-accounted affiliates is expected to improve. As a result, for fiscal 2006 we forecast operating revenue of ¥1,375.0 billion (down 1.0% compared to fiscal 2005), operating profit of ¥79.0 billion (down 7.8 %), recurring profit of ¥72.0 billion (down 2.8%) and net income of ¥40.0 billion (down 4.7%).

The forecasts for each operating segment are as follows:

Billions of yen

	Operating revenue		Operating profit	
	Fiscal 2006	YoY change	Fiscal 2006	YoY change
Transportation	190.8	(2.1)	34.2	(4.7)
Real Estate	146.8	5.0	18.9	(2.9)
Retail	670.5	(7.7)	15.5	1.0
Leisure and Services	189.2	(0.3)	2.8	(0.0)
Hotel	98.2	(5.1)	4.1	0.1
Other	153.5	(0.7)	2.9	0.4
Total	1,449.0	(11.0)	78.4	(5.9)
Eliminations	(74.0)	(2.5)	0.6	(0.7)
Consolidated	1,375.0	(13.5)	79.0	(6.6)

2. Financial Position

Total assets as of March 31, 2006 were ¥2,021.268 billion, a decline of ¥91.939 billion compared to the end of March 2005. Total liabilities were ¥1,716.419, down ¥134.575 billion, and shareholders' equity was ¥258.728 billion, up ¥73.669 billion.

Net cash generated by operating activities in the fiscal 2005 was ¥160.852 billion, an increase of ¥31.262 billion compared to fiscal 2004, resulting from the consolidation of Tokyu Department Store Co., Ltd. and other significant factors included net income before income taxes and other adjustments for fiscal 2005 of ¥66.834 billion, depreciation expenses of ¥56.381 billion and asset impairment losses of ¥10.35 billion.

As regards net cash flows from investment activities, we continued aggressive forward looking capital expenditure related to work on the multiple tracking of lines resulting in payment for purchase of property and equipment of ¥123.851 billion. There was also income from subsidies received for construction of ¥21.336 billion and from the sale shares in subsidiaries. As a result, the net cash outflow from investment activities was ¥49.158 billion, which was ¥58.715 billion greater than the inflow recorded in fiscal 2004, mainly because of lower inflows from the sale of fixed assets.

Net cash used in financing activities, mainly for the repayment of borrowings and the redemption of bonds was ¥128.439 billion, an increase in outflow of ¥11.643 billion compared to fiscal 2004.

As a result, cash and cash equivalents at the end of fiscal 2005 stood at ¥49.032 billion, ¥16.477 billion lower than at the end of fiscal 2004.

Consolidated cash flow-related indicator trends were as follows:

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Equity ratio (%)	6.0	8.0	8.8	12.8
Market price based equity ratio (%)	15.9	37.0	30.3	46.6
Debt service coverage ratio (years)	14.1	11.8	9.6	6.9
Interest coverage ratio (times)	3.2	4.0	6.1	7.7

Equity ratio = shareholders equity/total assets

Market price based equity ratio = market capitalization/total assets

Debt service coverage ratio = interest bearing debt/operating cash flow

Interest coverage ratio = operating cash flow/total interest paid

Notes:

1. Each ratio is calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying the share price at the end of the period by the total number of shares outstanding at the end of the period.
3. Operating cash flow figures are obtained from the consolidated cash flow statements.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Assets			
Item			*Millions of yen*
Assets	As of March 31, 2006	As of March 31, 2005	Change
Current Assets	373,988	418,354	(44,365)
Cash and deposits	48,482	63,285	(14,802)
Trade notes & accounts receivable	125,448	139,249	(13,801)
Securities	22	108	(86)
Inventories	148,050	164,067	(16,016)
Deferred tax assets	22,987	23,008	(21)
Others	30,284	29,739	544
Allowance for doubtful accounts	(1,287)	(1,105)	(181)
Fixed Assets	1,647,279	1,694,853	(47,573)
Tangible fixed assets	1,268,369	1,289,042	(20,672)
Buildings & Structures	527,009	563,190	(36,181)
Rolling stock & machinery	52,803	56,546	(3,743)
Land	503,455	519,257	(15,802)
Construction in progress	163,857	128,740	35,116
Others	21,244	21,305	(61)
Intangible fixed assets	52,890	38,352	14,537
Consolidation adjustment account	14,843	4,396	10,447
Others	38,046	33,955	4,090
Investments & Others	326,019	367,458	(41,439)
Investment securities	170,600	161,883	8,716
Long-term loans receivable	809	1,407	(598)
Deferred tax assets	14,638	48,867	(34,229)
Others	159,305	174,056	(14,750)
Allowance for doubtful accounts	(19,333)	(18,756)	(576)
Total Assets	2,021,268	2,113,208	(91,939)

Liabilities, Minority Interests and Shareholders' Equity			
Item			*Millions of yen*
Liabilities	As of March 31, 2006	As of March 31, 2005	Change
Current Liabilities	677,862	696,482	(18,619)
Trade notes & accounts payable	134,825	131,835	2,990
Short-term debt	277,490	314,181	(36,690)
Current portion of corporate bonds	65,500	64,700	800
Accrued income taxes	6,821	4,365	2,456
Reserve for employees' bonuses.	12,595	12,259	335
Advances received	86,235	74,784	11,451
Others	94,394	94,356	37
Long-term Liabilities	1,008,418	1,119,578	(111,159)
Corporate bonds	242,729	311,998	(69,269)
Long-term debt	521,205	552,598	(31,392)
Reserve for employees' retirement benefits	43,688	50,436	(6,747)
Reserve for directors' and corporate auditors' retirement benefits	1,993	3,265	(1,271)
Deposits from tenants and club members	127,382	128,950	(1,568)
Deferred tax liabilities	28,741	26,676	2,064
Deferred tax liabilities from revaluation	11,504	10,185	1,318
Others	31,174	35,468	(4,293)
Special legal reserves	30,137	34,933	(4,795)
Urban Railways Improvement Reserve	30,137	34,933	(4,795)
Total Liabilities	1,716,419	1,850,994	(134,575)
Minority Interests			
Minority interests	46,121	77,155	(31,033)
Shareholders' Equity			
Common stock	110,608	108,820	1,787
Capital surplus reserve	106,011	85,523	20,488
Profit reserve	11,326	(20,240)	31,567
Land revaluation reserve	8,817	5,269	3,547
Unrealized holding gains on investment securities, net of taxes	27,673	17,359	10,313
Foreign currency translation adjustment account	(3,752)	(9,047)	5,294
Treasury stock	(1,957)	(2,627)	670
Total Shareholder's Equity	258,728	185,058	73,669
Total Liabilities, Minority Interests & Shareholders' Equity	2,021,268	2,113,208	(91,939)

(2) Consolidated Statements of Income

Item	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005	Change	Percentage Change
	Millions of yen			
Operating revenue	1,388,554	1,055,564	332,989	31.5
Cost of operating revenue	1,302,899	978,549	324,349	33.1
Operating expenses & cost of sales (Transportation etc.)	1,056,071	830,643	225,427	27.1
SG&A expenses	246,827	147,906	98,921	66.9
Operating profit	85,654	77,014	8,639	11.2
Non-operating profit	15,784	15,268	515	3.4
Interest & dividends	1,851	1,432	419	29.3
Investment gains from equity method	---	1,079	(1,079)	(100.0)
Other income	13,932	12,757	1,175	9.2
Non-operating expenses	27,387	25,249	2,137	8.5
Interest	20,477	20,738	(261)	(1.3)
Investment losses from equity method	3,251	---	3,251	---
Other expenses	3,658	4,510	(852)	(18.9)
Recurring profit	74,052	67,034	7,017	10.5
Extraordinary gains	42,296	58,655	(16,358)	(27.9)
Extraordinary losses	49,514	72,601	(23,086)	(31.8)
Income before income taxes and minority interests	66,834	53,088	13,745	25.9
Income taxes	6,161	4,159	2,001	48.1
Income tax adjustment	32,114	10,678	21,435	200.7
Minority interests	(13,403)	2,817	(16,221)	---
Net income	41,962	35,432	6,529	18.4

Notes	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005
	Millions of yen	
Breakdown of extraordinary gains		
Gain on sale of investment securities	19,560	8,813
Gain on reversal of Urban Railways Improvement Reserve.	7,200	5,307
Subsidies received for construction	6,554	11,187
Gain on sale of fixed assets	5,270	10,818
Gain on retirement benefit trust establishment	---	16,831
Breakdown of extraordinary losses		
Impairment loss	10,350	3,324
Appraisal loss on real estate for sale	8,030	18,099
Extraordinary depreciation of hotel buildings and facilities	5,844	---
Loss on sale of fixed assets	4,342	19,651
Loss on change of retirement benefit scheme	---	13,071

(3) Consolidated Statements of Surplus

Item	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005
		Millions of yen
Capital surplus reserve		
Capital surplus reserve at beginning of period	85,523	128,066
Increase in capital surplus reserve	20,488	2,613
Increase from share exchange	18,299	2,552
Increase from conversion of convertible bonds	1,781	---
Profit on disposal of treasury stock	355	60
Increase resulting from reduction of consolidated subsidiaries	51	---
Decrease in capital surplus reserve	---	45,156
Reversal of capital surplus reserve	---	39,471
Cash dividends	---	5,684
Capital surplus reserve at end of period	106,011	85,523
Profit reserve		
Profit reserve at beginning of period	(20,240)	(95,287)
Increase in profit reserve	42,027	77,993
Net income	41,962	35,432
Increase resulting from reduction of consolidated subsidiaries	65	---
Reversal of capital surplus reserve	---	39,471
Reversal of land revaluation reserve	---	3,089
Decrease in profit reserve	10,460	2,947
Cash dividends	5,797	2,842
Reversal of land revaluation reserve	4,530	---
Directors' and corporate auditors' bonuses	133	105
Profit reserve at end of period	11,326	(20,240)

(4) Consolidated Statements of Cash Flow

Millions of yen

Item	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005	Change
I. Cash flows from operating activities			
Income before income taxes	66,834	53,088	13,745
Depreciation and amortization	56,381	54,854	1,527
Amortization of consolidation adjusting account	1,621	(3,992)	5,614
Impairment loss	10,350	3,324	7,025
(Decrease) in employees' retirement benefit reserve	(3,166)	(22,355)	19,188
Retirement benefit trust establishment amount	--	17,120	(17,120)
Gain on retirement benefit trust establishment	--	(16,831)	16,831
Loss on change of retirement benefit scheme	--	13,071	(13,071)
(Decrease) in Urban Railways Improvement Reserve	(4,795)	(2,941)	(1,853)
Subsidies received for construction	(6,554)	(11,187)	4,633
Reduction in subsidies received for construction	3,440	6,444	(3,004)
Loss (gain) on sale of subsidiaries' shares	1,608	(2,615)	4,224
Loss (gain) on sale of fixed assets	(927)	8,833	(9,760)
Loss on disposal of fixed assets	10,332	9,636	696
Extraordinary depreciation of hotel buildings and facilities.	5,844	--	5,844
Appraisal losses on real estate for sale	8,030	18,099	(10,068)
Investment gain (loss) from the equity method	3,251	(1,079)	4,330
Loss (gain) on sale of investment securities	(18,053)	(8,761)	(9,291)
Decrease (increase) in accounts receivable	8,060	(9,211)	17,271
Decrease (increase) in inventories	9,412	35,426	(26,014)
(Decrease) increase in trade payables	5,866	1,710	4,155
(Decrease) in deposits from tenants and club members	(734)	(1,680)	945
Interest and dividend income	(1,851)	(1,432)	(419)
Interest payable	20,477	20,738	(261)
Others	7,707	(7,963)	15,670
Subtotal	183,134	152,295	30,839
Interest and dividends received	2,622	1,965	657
Interest paid	(20,814)	(21,213)	399
Income taxes paid	(4,089)	(3,456)	(633)
Net cash provided by operating activities	**160,852**	**129,590**	**31,262**
II. Cash flows from investing activities			
Payments for purchases of fixed assets	(123,851)	(98,298)	(25,553)
Proceeds from sale of fixed assets	19,520	69,806	(50,286)
Payments for acquisition of investment securities	(10,024)	(1,981)	(8,042)
Proceeds from sale of investment securities	35,684	30,624	5,060
Payments for acquisition of subsidiaries' shares	(790)	(2,825)	2,035
Payments for acquisition of subsidiaries' shares resulting from change in scope of consolidation	--	(11,223)	11,223
Proceeds from sale of subsidiaries' shares resulting in changes in the scope of consolidation	8,285	3,493	4,791
Proceeds from subsidies received for construction	21,336	19,398	1,938
Payments for disbursement of loans receivable	(577)	(1,370)	792
Proceeds from collection of loans receivable	1,544	1,897	(352)
Others	(286)	36	(322)
Net cash used in investing activities	**(49,158)**	**9,557**	**(58,715)**

(4) Consolidated Statements of Cash Flow (continued)

Millions of yen

Item	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005	Change
III. Cash flows from financing activities			
(Decrease) in short-term debt, net	(34,778)	(70,326)	35,547
Proceeds from long-term debt	78,502	78,493	9
Repayment of long-term debt	(103,810)	(107,162)	3,351
Proceeds from issuance of commercial paper	---	22,000	(22,000)
Payments for redemption of commercial paper	---	(22,000)	22,000
Proceeds from bond issue	---	39,751	(39,751)
Payments for redemption of bonds	(63,500)	(48,201)	(15,299)
Dividends paid by parent company	(5,797)	(8,526)	2,729
Dividends paid to minority shareholders	(543)	(596)	53
Others	1,486	(228)	1,714
Net cash used in financing activities	**(128,439)**	**(116,796)**	**(11,643)**
IV. Effect of exchange rate changes on cash and cash equivalents	331	40	291
V. Increase (decrease) in cash and cash equivalents	(16,413)	22,391	(38,804)
VI. Cash and cash equivalents at beginning of period	65,510	42,676	22,834
VII. Decrease due to exclusion from consolidation	(64)	(456)	391
VIII. Increase due to inclusion in consolidation	---	898	(898)
IX. Cash and cash equivalents at end of period	49,032	65,510	(16,477)

(5) Basis of Presentation of Consolidated Financial Statements

1. Scope of Consolidation

The Group comprises 196 consolidated subsidiaries, including Izukyu Corp., Tokyu Department Store Co., Ltd., Tokyu Store Chain Co., Ltd., and Tokyu Hotels Co., Ltd. Following its separation from Ueda Kotsu Corp., Ueda Dentetsu Corp. was included in the scope of consolidation from fiscal 2005, along with three newly established companies. As a result of the disposal of shares Tokyu Logistic Co., Ltd., Nihon Kamotsu Kyuso Co., Ltd., and seven other companies are no longer subsidiaries and have been excluded from consolidation, and Guam Pacific Tokyu Construction, Inc. and four other companies have been dissolved and have also been excluded. Aizen-en Corp. and two others were excluded from consolidation because they have no material effect on the consolidated financial statements due to the small scale of their operations.

In respect of Tokyu Department Store Co., Ltd., and nine of its subsidiaries as well as Tokyu Agency Inc. and seven of its subsidiaries, the date of acquisition of control was as of the end of fiscal 2004 and so their profits and losses have been consolidated from this fiscal period.

2. Application of the Equity Method

Non-consolidated subsidiary Aizen-en Corp. and one other are accounted for by the equity method. Meanwhile, the 20 affiliates accounted for by the equity method include Tokyu Land Corp. and Tokyu Construction Co., Ltd. Newly established company Demand-i Co., Ltd. has been included as an affiliate to which the equity method is applied. The equity method is no longer applied to Seri Pacific Corporation SDN.BHD and one other company following the sale of shares, nor to Melissa Corporation following its dissolution.

The affiliate TMS Co., Ltd. and three other companies have been treated as affiliates to which the equity method is not applied as their effect on the consolidated financial statements would be immaterial.

3. Fiscal Year End of Consolidated Subsidiaries

Among the consolidated subsidiaries, Tokyu Geox Co., Ltd. and 43 other companies close their books on an annual basis on December 31 or February 28, etc. Apart from Kyushu Tokyu Hotel Chain Co., Ltd., financial statements as of their respective balance sheet dates were used to prepare the consolidated financial statements. The consolidated financial statements were adjusted for material transactions between the period end of these subsidiaries and that of the Tokyu Group.

Among the consolidated subsidiaries, Tokyu Architects and Engineers Inc. and two other companies, and also Kyushu Tokyu Hotel Chain Co., Ltd., close their books on an annual basis on September 30, etc. For these companies, financial statements based on a provisional statement of accounts as of the consolidated balance sheet date were used.

Moreover, as the fiscal year-end of QFRONT Co., Ltd. has changed from December 31 to March 31, the 15 month period from January 1, 2005 to March 31, 2006 has been consolidated and as the fiscal year-end of TMD Corp. has changed from January 31 to March 31, the 14 month period from February 1, 2005 to March 31, 2006 has been consolidated. Further, as Shibuya Development INC. with a January 31 fiscal year end merged with Tokyu Corp. on April 1, 2006, it has been consolidated for a 14 month period from February 1, 2005 to March 31, 2006. The effect of these changes is minor.

4. Summary of Significant Accounting Policies

(1) Valuation Standards and Accounting Treatment for Important Assets

(a) Securities

Bonds held to maturity:

Bonds are valued using the cost amortization method. (Straight-line method)

Other securities:

Securities with market quotations:

Securities with market quotations are valued at market on the balance sheet date using the market price method.

(The entire difference between the carrying value and the market value is recognized in capital using the direct recognition method. ” Cost of sales is mainly computed by the moving average method.)

Securities without market quotations:

Securities without market quotations are valued at cost, which is determined by the moving average method.

In respect of investments in SPCs (‘Other securities’) the equivalent attributable amounts of the SPC profits and losses are recorded as non-operating profit and expenses and the ‘Investment securities’ account is adjusted accordingly.

(b) Derivatives

Derivatives are stated at market value.

(c) Inventories

Residential land lots and buildings are mainly valued at cost, using the weighted average (for the region) method or the specific-identification method. According to the type of business other inventories are valued at cost, which is determined by the specific-identification method, the weighted-average method at cost or the lower of cost and market method, the last cost method at cost, the first-in first-out method at cost, the retail method at cost or the moving-average method at cost, or the lower of cost or market.

(2) Method for Depreciating Important Assets

(a) Tangible fixed assets

Depreciation is computed mainly by the declining-balance method. Depreciation of certain leased facilities of the Company and tangible fixed assets of certain consolidated subsidiaries is computed in combination with the straight-line method. Depreciation of buildings (excluding equipment attached to buildings) acquired by the Company and its domestic subsidiaries after April 1, 1998 is computed by the straight-line method. Estimated useful life of tangible fixed assets is assumed as follows:

Buildings and structures: 3-75 years

(b) Intangible fixed assets

Depreciation is computed by the straight-line method. Depreciation of software for in-house use is computed by the straight-line method, assuming a useful life of 5 years.

(3) Deferred assets

Bond and new share issue expenses are charged in full as one-time expenses to income as incurred.

(4) Important Reserves

(a) Allowance for doubtful accounts

The allowance for doubtful receivables is provided for at rates based on past collection experience. In addition, the amount deemed necessary to cover individual uncollectible receivables, based on management's estimate of the collectability of each, is provided when appropriate.

(b) Reserve for employees' bonus

Accrued bonus liabilities (employees and employee directors of the company) are based on estimated amounts to be paid in subsequent periods.

(c) Retirement benefit reserve

Accrued employee retirement benefits are provided for on the basis of the retirement and severance benefit obligations at the end of the period and the estimated fair value of pension fund assets as of the balance sheet date. Differences in the actuarially computed value of benefits are charged to income (from the following fiscal period) over a period (15 years) that is less than the average remaining years of service of employees, by the straight-line method. Past service liabilities, mainly based on a period (15 years) that is less than the average remaining years of service of eligible employees at the time they arise and are accounted for by the straight-line method.

(d) Directors' retirement benefit reserve

In order to provide for the payment of directors' retirement benefits, of the retirement allowances for directors decided by resolution at the general meeting of shareholders the amount forecast to be payable in the futureis provided for in the accounts. However, in respect of certain domestic consolidated subsidiaries an amount based on internal rules is provided.

Additional information:

Historically, the allowance for directors' retirement benefits was provided for on the basis of internal rules of the Company. However, as the total of payments for retirement allowance payments at the time of retirement have already been decided at the regular general meeting of shareholders in respect of the previous fiscal term, the amount of directors' retirement benefits expected to be payable in the future is provided for.

(5) Translation of material foreign currency denominated assets and liabilities into Japanese yen

All foreign currency denominated credits and debts are translated into yen amounts at the rates of exchange in effect at the balance sheet date, and translation gains and losses are accounted for as a profit or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the balance sheet date. Revenue and expenses are translated into yen amounts at the average exchange rate for the fiscal period and the differences are included in minority interests or the foreign currency translation adjustment account in the shareholders' equity section.

(6) Special legal reserves (Urban Railways Improvement Reserve)

A reserve is provided for specific construction projects, in compliance with the provisions of Article 8 of the Law for the Urban Railways Improvement.

(7) Accounting for subsidies received for construction in Railways Operations

Subsidies received by the Company and consolidated subsidiaries Izukyu Corporation and Ueda Dentetsu Corp. relating to construction projects are accounted for by deducting the total amount of subsidy for the said construction project directly from the acquisition cost of fixed assets once the project is completed.

In the consolidated statements of income, subsidies the Company has received for its construction projects are booked as an extraordinary profit while the amount deducted directly from the acquisition cost of fixed assets is accounted for as “reduction in subsidies received for construction”, as an extraordinary loss resulting from subsidies received for construction projects.

(8) Accounting treatment of significant leases

Finance leases, other than those that transfer ownership of the leased assets to the lessee, are treated in the same way as ordinary operating leases for accounting purposes.

(9) Significant hedge accounting methods

(a) Hedge accounting

Deferred hedge accounting is used in principle. Special hedge accounting is applied for interest rate swaps that meet criteria for qualification for special hedge accounting.

(b) Hedging methods and risks hedged

Hedging methods: interest rate swaps, forward foreign exchange contracts.

Risks hedged: corporate bonds, loans payable, foreign currency denominated monetary liabilities.

(c) Hedging policy

Rules regarding authority to enter into derivative transactions are defined in the Company’s Operations Manual. Exposure to interest rate risk and currency risk is hedged in conformity with these regulations. Consolidated subsidiaries engage in derivatives transactions in conformity with their own internal rules, as a means to reduce exposure to interest rate risk and currency risk arising mainly from their regular business operations.

(d) Assessing the effectiveness of a hedge

Rate of changes in the cash flows from hedging instruments methods and the risks hedged over their respective lapsed periods are mainly used as the yardsticks for measuring the effectiveness of the hedge.

(10) Accounting for consumption tax:

The consumption tax exclusion method is applied.

5. Assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are valued at market.

6. Consolidation adjustment account

The consolidation adjustment account is amortized in equal installments over five years. Small amounts are written off in the year of accrual.

7. Appropriation of retained earnings

The appropriation of retained earnings reflected in the accompanying consolidated statements of surplus represent appropriations that were approved and disposed of during that consolidated accounting period by consolidated companies.

8. The Scope of Cash and Cash Equivalents for the Consolidated Cash Flow Statements

For the purpose of the consolidated cash flow statements, the company considers the following as cash and cash equivalents: cash on hand and in banks, and highly liquid short-term investments with original maturities of 3-months or less and without significant risk of change in value.

Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

Millions of yen

	As of March 31, 2006	As of March 31, 2005
1. Accumulated depreciation of tangible fixed assets……………..	756,561	755,558
2. Contingent liabilities………………………………………………..	470	489
3. Notes discounted and endorsed…………………………………..	223	1,108
4. Notes related to non-consolidated subsidiaries and affiliates. In the items below the main items related to non-consolidated subsidiaries and affiliates are:		
Investment securities…………………………………….	55,487	55,469
5. Pledged assets and secured liabilities		
Pledged assets		
Securities………………………………………………………	---	9
	[---]	[---]
Inventory assets……………………………………………….	---	4,872
	[---]	[8]
Buildings and structures……………………………………….	302,052	334,011
	[232,675]	[239,793]
Rolling stock and machinery………………………………….	35,850	37,160
	[35,631]	[36,941]
Land…………………………………………………………….	124,325	150,440
	[49,467]	[51,184]
Investment securities………………………………………….	505	1,455
	[---]	[---]
Other assets………………………………………………….	13,396	30,767
	[10,251]	[9,615]
Total……………………………………………………….	**476,129**	**558,717**
	[328,026]	**[337,543]**
Secured liabilities		
Short-term loans payable……………………………………….	33,155	25,253
	[2,910]	[2,410]
Corporate bonds………………………………………………	---	1,400
	[---]	[---]
Long-term loans payable………………………………………	332,324	368,874
	[241,048]	[248,856]
Others………………………………………………………….	11,819	8,143
	[---]	[80]
Total……………………………………………………….	**377,300**	**403,672**
	[243,958]	**[251,347]**

[Parentheses]: Assets pledged and secured liabilities relate to borrowings from the Railway Foundation, Railway Track Foundation, Bus Foundation, Tourist Facilities Foundation, and Manufacturing Facilities Foundation.

6. Lending of securities		
Investment securities	1,303	---

7. The allowance (End March 2006: ¥25,508 million; End March 2005: ¥26,107 million,) for “Claims in Bankruptcy and Claims in Receivership” included in the “Allowance for Doubtful Receivables” and accounted for in the “Others” account in “Investments and Others,” has been deducted directly from the claims.

8. Loan disbursements related to loan commitments for consolidated subsidiaries (*Millions of yen*)

	As of March 31, 2006	As of March 31, 2005
Total loan commitments	82,565	95,448
Loans extended	3,522	3,366
Remaining commitment	79,042	92,081

Note: The above loan commitment is to cover cash withdrawals using credit cards. Accordingly, the total amount may not necessarily need to be extended.

(Tokyu Finance and Accounting Co., Ltd.)

Total loan commitments	24,000	24,000
Loans extended	2,201	3,862
Remaining commitment	21,798	20,137

Note: The above loan commitment is extended to cover the cash management system offered to each member of the Group. Accordingly, the total amount may not necessarily need to be extended.

9. Total amount of subsidies received for construction directly deducted from purchase cost of fixed assets:

	133,701	132,575

10. Others

(Land revaluation)

Land held for business purposes owned by Izukyu Corp. and Jotetsu Corp., consolidated subsidiaries, and equity method affiliates Tokyu Land Corp., Tokyu Recreation Co., Ltd. was revalued pursuant to the Law Concerning Land Revaluation (Law No. 34, promulgated March 31, 1998) and the revised Law Concerning Land Revaluation (Revised Law No. 19, promulgated March 31, 2001). The Company books a land revaluation difference in proportion to its equity holding in group companies under the shareholders' equity section on the balance sheet.

	Fiscal 2005 (March 31, 2006)	Fiscal 2004 (March 31, 2005)

(1) Izukyu Corporation

Method of revaluation: The value of land is determined based on the price provided by the real estate appraiser, which is described in Article 2, Item 5 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998). The value of certain sections of land is determined based on Item 3 of the same ordinance and article.

Date of revaluation: March 31, 2000

Difference between the market value at fiscal year end and book value after revaluation:	¥(69) million	¥(501) million

(2) Jotetsu Corporation

Method of revaluation: The value of land is determined based on the value registered on the official taxable ledger, which is described in Article 2, Item 3 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998) for adjustments to the valuation amounts of taxable fixed assets.

Date of revaluation: March 31, 2002

Difference between the market value at fiscal year end and book value after revaluation:	¥(1,086) million	¥(1,146) million

(3) Tokyu Land Corporation

Method of revaluation: The value of land is determined based on the price provided by the real estate appraiser, which is described in Article 2, Item 5 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998). The value of certain sections of the land is determined based on Items 2, 3, and 4 of the same ordinance and article.

Date of revaluation: March 31, 2000

Date of revaluation (revaluation due to merger of subsidiary): March 31, 2001

Difference between the market value at fiscal year end and book value after revaluation:	¥(6,398) million	¥(14,158) million

(4) Tokyu Recreation Co., Ltd.

Method of revaluation: The value of land is determined based on the value registered on the official taxable ledger, which is described in Article 2, Item 3 of the Ordinance Implementing the Law Concerning Land.

Revaluation (Government Ordinance No. 119, promulgated March 31, 1998).

Date of revaluation: December 31, 2000

Difference between the market value at fiscal year end and book value after revaluation:	¥(442) million	¥(377) million

(Notes to Consolidated Statements of Income)

1. Additions to reserves were as follows:

		Millions of yen
	Fiscal 2005	Fiscal 2004
Addition to allowance for doubtful accounts reserve	2,184	1,017
Addition to allowance for employees' bonuses.	12,625	11,881
Retirement benefit costs (Addition to reserve for retirement benefit allowance)	10,402	21,833
Addition to reserve for directors' retirement allowance	115	269

2. Impairment losses

Calculations of impairment losses were conducted by grouping assets in the smallest cash flow generating unit that was largely independent of other assets or asset groups. As a result, in fiscal 2005, for 53 cases of fixed asset groups where the market value was significantly below book value in line with the continued fall in land prices, and fixed asset groups that continued to generate losses, book value was written down to recoverable levels, and that write-down reported as an impairment loss resulting in an extraordinary loss of ¥10,350 million yen.

Region	Main cases	Type	Segment	Impairment loss
Tokyo metropolitan	Mainly stores, etc. Total 28 cases	Land & Buildings, etc.	Real Estate Retail Leisure and Services	¥3,418 million
Chubu and Hokuriku	Mainly hotel facilities, etc. Total 3 cases	Buildings and Construction in Progress, etc.	Transportation Real Estate	¥181 million
Kinki	Golf course and unused land Total 2 cases	Land	Leisure and Services Other	¥938 million
Others	Mainly stores, etc. Total 20 cases	Land & Buildings, etc.	Real Estate Retail Leisure and Services Hotels Other	¥5,813 million

Break down of impairment losses on a region-by-region basis.

- Tokyo metropolitan area ¥3,418 million yen (Land=¥1,861 million, Buildings and structures=¥1,223 million, Others ¥333 million)
- Chubu and Hokuriku area ¥181 million (Land=¥ 21 million, Buildings and structures=¥ 86 million, Others ¥72 million)
- Kinki area ¥938 million (Land=¥938 million, Buildings and structures=¥ -- million, Others ¥ -- million)
- Others ¥5,813 million (Land=¥781 million, Buildings and structures=¥4,489 million, Others ¥542 million)

The recoverable value of this asset group was calculated by the net sale value method, or utility value. Calculations of recoverable value using the net disposal value method were assessed in line with land values or the capitalization method. Calculations of recoverable value using utility value were calculated by discounting future cash flows at 2.1% - 5.0%.

(Notes to Consolidated Cash Flow Statements)

1. The reconciliation of period end cash and cash equivalents and amounts recorded in the consolidated balance sheets are as follows:

Millions of yen

	As of March 31, 2006	As of March 31, 2005
Cash and deposits	48,482	63,285
Term deposits with maturities longer than 3 months	(1,674)	(1,686)
Securities included in cash equivalents	22	49
Short-term loans included in cash equivalents	2,201	3,862
Cash and cash equivalents	49,032	65,510

2. Breakdown of assets and liabilities of companies that through the disposal of shares are no longer considered consolidated subsidiaries.

Tokyu Logistic Co., Ltd. and its consolidated subsidiaries are no longer consolidated following a disposal of shares. At the time of exclusion from consolidation the assets and liabilities of Tokyu Logistic Co., Ltd. were as follows:

Millions of yen

Current assets	6,366
Fixed assets	32,328
Current liabilities	7,077
Long-term liabilities	9,588
Minority shareholders' interest	262

An amount of ¥8,285 million, representing the increase in cash and cash equivalents arising from the disposal of shares minus the amount of cash and cash equivalents included in current assets above, has been recorded as 'Proceeds from the disposal of subsidiaries' shares resulting in a change in scope of consolidation'.

3. Important non-cash items

In fiscal 2005 consolidated subsidiary Tokyu Department Store Co., Ltd. became a wholly owned subsidiary as a result of a share exchange. As a result the capital surplus reserve increased by ¥18,299 million.

5. Segment Information

(1) Segment information by business

April 1, 2005 – March 31, 2006

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotel	Other	Total	Elimination/ Headquarters	Consolidated
I. Operating revenue/ Operating profit Operating revenue									
(1) Outside customers	191,743	119,125	675,846	168,763	102,792	130,280	1,388,554	---	1,388,554
(2) Inter-segment internal revenues or transfers	1,183	22,599	2,392	20,748	589	23,964	71,478	(71,478)	--
Total	192,927	141,725	678,239	189,512	103,382	154,245	1,460,032	(71,478)	1,388,554
Operating expenses	153,998	119,916	663,817	186,676	99,475	151,840	1,375,725	(72,826)	1,302,899
Operating profit	38,929	21,808	14,422	2,835	3,906	2,404	84,306	1,348	85,654
II. Assets, depreciation, impairment losses and capital expenditure									
Assets	656,085	361,514	410,702	142,268	88,036	175,172	1,833,779	187,489	2,021,268
Depreciation	28,012	7,167	11,433	3,899	4,091	2,135	56,740	(358)	56,381
Impairment losses	26	899	6,267	1,477	875	804	10,350	--	10,350
Capital expenditure	70,635	20,166	15,986	3,676	8,387	8,830	127,682	(345)	127,336

April 1, 2004 – March 31, 2005

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotel	Other	Total	Elimination/ Headquarters	Consolidated
I. Operating revenue/ Operating profit Operating revenue									
(1) Outside customers	259,055	164,872	382,755	58,450	102,555	87,875	1,055,564	---	1,055,564
(2) Inter-segment internal revenues or transfers	4,842	16,717	1,696	1,549	318	25,281	50,405	(50,405)	---
Total	263,897	181,589	384,452	60,000	102,873	113,157	1,105,970	(50,405)	1,055,564
Operating expenses	224,437	158,246	378,222	57,966	100,126	110,588	1,029,588	(51,038)	978,549
Operating profit	39,460	23,343	6,229	2,033	2,747	2,568	76,381	632	77,014
II. Assets, depreciation, impairment losses and capital expenditure									
Assets	629,370	470,795	371,592	149,958	97,064	205,490	1,924,271	188,936	2,113,208
Depreciation	30,260	9,714	4,908	4,041	4,478	1,961	55,364	(509)	54,854
Impairment losses	147	208	2,943	24	--	--	3,324	--	3,324
Capital expenditure	60,722	20,188	4,874	2,365	6,541	4,699	99,391	864	100,255

Notes

1. Operating Segments

Operating segments are based on Standard Industrial Classifications in Japan and are designed to reflect the diversified nature of the Company's business accurately.

(Changes to operating segments)

Until the previous fiscal year, the department store, retail, and general trading operations were included in the Retail segment. However, from fiscal 2005, the first year of Tokyu's three-year medium-term management plan, the retail businesses have been newly positioned as a core business. Along with this change and to reflect accurately the nature of these businesses, from fiscal 2005 the composition of the retail segment has changed and now includes the following: Department store business, chain store business, SC (shopping center) business, and other retail businesses. The shopping center business was formerly included in the Real Estate segment and part of the retail business was formerly included in the Leisure and Services segment business. The general trading operations that were formerly included in the Retail segment are now included in the Other segment.

Please note that the Japanese name of the Retail segment has also changed (English segment name unchanged).

In addition, up until fiscal 2004, shares of affiliates were allocated to each operating segment based on the segmental classification of the affiliate. From fiscal 2005, as part of our strategy for sustained growth outlined in our three-year medium-term management plan, the results of affiliates have been allocated to the Headquarters segment and recorded in non-operating profit as investment gains/losses from equity method affiliates in order to reflect more appropriately the sales, operating profit and assets of each segment and the disclosure of actual operations.

If the new segmental classifications had been applied for fiscal 2004, the fiscal 2004 segmental figures would have been as follows:

April 1, 2004 – March 31, 2005 (restated)

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotel	Other	Total	Elimination/ Headquarters	Consolidated
I. Operating revenue/ Operating profit Operating revenue									
(1) Outside customers	259,055	141,870	364,645	53,058	102,555	134,378	1,055,564	---	1,055,564
(2) Inter-segment internal revenues or transfers	4,842	17,280	930	1,549	318	25,386	50,308	(50,308)	---
Total	263,897	159,151	365,576	54,608	102,873	159,765	1,105,873	(50,308)	1,055,564
Operating expenses	224,437	138,625	356,398	52,893	100,126	157,010	1,029,491	(50,941)	978,549
Operating profit	39,460	20,526	9,177	1,715	2,747	2,755	76,381	632	77,014
II. Assets, depreciation, impairment losses and capital expenditure									
Assets	629,338	393,633	407,498	142,411	92,194	211,918	1,876,995	236,213	2,113,208
Depreciation	30,260	7,429	7,155	3,951	4,478	2,088	55,364	(509)	54,854
Impairment losses	147	208	2,776	24	--	167	3,324	--	3,324
Capital expenditure	60,722	19,863	5,195	2,299	6,541	4,769	99,391	864	100,255

2. Description of operating segments
   - Transportation: railway operations and bus operations
   - Real Estate: real estate sales, real estate leasing and real estate management
   - Retail: department store operations, chain store operations and shopping center operations
   - Leisure and Services: advertising operations, golf course operations and CATV operations
   - Hotel: hotel operations
   - Other: maintenance of rolling stock for railway operations and general trading operations

3. No unallocated operating expenses were included in Elimination/Headquarters.

4. Assets of the entire Group included under Elimination/Headquarters for fiscal 2005 and fiscal 2004 were ¥268,825 million and ¥263,378 million respectively. The main components were working capital (cash) of the parent company, long-term investments (investment securities) and assets of the administration department.

5. Tokyu Department Store Co., Ltd. and its nine subsidiaries, and Tokyu Agency Inc. and its seven subsidiaries, were recognized as acquired at the end of fiscal 2004 so their profits and losses have been consolidated from fiscal 2005.

(2) Geographical Segment Information

Fiscal 2005: April 1, 2005 – March 31, 2006; Fiscal 2004: April 1, 2004 – March 31, 2005

Geographical segment information is not disclosed since the amount of domestic operating revenue and assets of domestic operations each represents more than 90% of the respective total amounts for all segments.

(3) Overseas sales

Fiscal 2005: April 1, 2005 – March 31, 2006; Fiscal 2004: April 1, 2004 – March 31, 2005
Overseas revenue is not disclosed since it represents less than 10% of total consolidated revenue from operations.

6. Leases

As the Group is disclosing this information by EDINET, information on leases has been omitted from this document.

7. Related Party Transactions

Fiscal 2005 (April 1, 2005 - March 31, 2006):

(1) Directors and Principal Individual Shareholders

Party	Name	Address	Paid-in Capital (¥ million)	Business Details	Shareholder voting rights (hold/held) Ratio	Relationship		Transaction Type	Transaction Amount (¥ million)	Type	Year end balance (¥ million)
						Directors in common	Business relationship				
Director	Toshiaki Koshimura	---	---	President of Tokyu Corp.	Held Direct 0.0%	---	---	Sale of facilities usage rights	2	Guarantee deposits	1
Director	Yoshizumii Nezu	---	---	Director of Tokyu Corp. President of Tobu Railway Co., Ltd.	Held Direct 0.0%	---	---	Income from use of company transport, etc. Railway car usage fees, etc.	1,080 1,088	Accrued revenue Accrued fares Accrued expenses Guarantee money paid Connection fare deposits	209 44 205 7 40
Director	Kunie Okamoto	---	---	Corporate Auditor of Tokyu Corp. President of Nippon Life Insurance Company	Held Direct ---	---	---	Facilities usage, etc. Interest paid Insurance premium payments Insurance payments received Dividends received	41 492 5 3 3	Guarantee deposits Long term loans Accrued expenses	250 33,478 56

(2) Subsidiaries etc.

Party	Name	Address	Paid-in Capital (¥ million)	Business Details	Shareholder voting rights (hold/held) Ratio	Relationship		Transaction Type	Transaction Amount (¥ million)	Type	Year end balance (¥ million)
						Directors in common	Business relationship				
Affiliate	Tokyu Construction Co., Ltd.	Shibuya-ku, Tokyo	28,401	Construction business	Hold Direct 16.2% Indirect 0.8%	2	Construction business agency	Construction fees	27,775	Accounts payable	838

Notes:
1. The above amounts exclude consumption tax.
2. Transaction Conditions: same as ordinary business transactions
3. The transactions with Tobu Railway Co., Ltd. and Nippon Life Insurance Company are designated as transactions on behalf of third parties.
4. Kunie Okamoto was appointed as a corporate auditor of Tokyu Corp. on June 29, 2005.
5. Tokyu Corporation's ownership of Tokyu Construction Co., Ltd. is less than 20%, but due to the substantial influence it has, Tokyu Construction Co., Ltd. has been treated as an affiliate.
6. Apart from the ownership of voting rights of Tokyu Construction Co., Ltd. as recorded above, 75,000 thousand shares (representing 8.0% of voting rights) have been contributed to the retirement allowance trust established by Tokyu Corp.

Fiscal 2004 (April 1, 2004 - March 31, 2005):

Subsidiaries etc.

Party	Name	Address	Paid-in Capital (¥ million)	Business Details	Shareholder voting rights (Yes/No) Ratio	Relationship		Transaction Type	Transaction Amount (¥ million)	Type	Year end balance (¥ million)
						Directors in common	Business relationship				
Affiliate	Tokyu Construction Co., Ltd.	Shibuya-ku, Tokyo	28,401	Construction business	Yes Direct 16.2% Indirect 0.9%	2	Construction business agency	Construction fees	21,486	Accounts payable	28

Notes:
1. The above amounts exclude consumption tax.
2. Transaction Conditions: same as ordinary business transactions
3. Tokyu Corporation's ownership of Tokyu Construction Co., Ltd. is less than 20% but as it exerts influence on the company it has been treated as an affiliate.
4. Apart from the ownership of voting rights of Tokyu Construction Co., Ltd. as recorded above, 75,000 thousand shares (representing 8.0% of voting rights) have been contributed to the retirement allowance trust established by Tokyu Corp.

8. Deferred Tax Accounting

1. Significant components of deferred tax assets and liabilities

Millions of yen

	As of March 31, 2006	As of March 31, 2005
Deferred Tax Assets		
Net operating loss carry forwards	100,298	106,346
Reserve for employees' retirement benefits	32,209	32,288
Impairment loss	24,127	33,559
Real estate for sale	13,650	15,338
Unrealized inter-company gains	10,354	11,050
Securities	9,983	32,607
Fixed assets	9,521	10,115
Allowance for doubtful accounts	7,500	9,691
Transfer to defined benefit pension scheme	5,895	7,286
Accrued bonuses to employees	5,123	5,581
Difference arising on separation of affiliate	5,100	--
Depreciation and amortization	3,518	1,263
Accrued expenses	2,711	2,626
Accrued business taxes	1,465	1,127
Others	8,229	7,674
Gross Deferred Tax Assets	239,690	276,556
Less: Valuation allowances	(141,956)	(149,319)
Total Deferred Tax Assets	97,734	127,236
Deferred Tax Liabilities		
Gain from land revaluation	(29,326)	(33,251)
Difference arising on separation of affiliate	(20,433)	(15,409)
Unrealized holding gains on securities	(19,945)	(13,151)
Gain on establishment of retirement benefit scheme	(18,819)	(18,888)
Deferral of gain on sales of fixed assets	(948)	(561)
Others	(164)	(779)
Total Deferred Tax Liabilities	(89,636)	(82,042)
Net Deferred Tax Assets	8,097	45,194
Deferred tax liabilities on gain from land revaluation		
Deferred tax liabilities on gain from revaluation	(11,504)	(10,185)
Total deferred tax liabilities	(11,504)	(10,185)

Notes: Net deferred tax assets for fiscal 2005 and fiscal 2004 were included in the following consolidated balance sheet items.

Millions of yen

	As of March 31, 2006	As of March 31, 2005
Current assets – deferred tax assets	22,987	23,008
Fixed assets – deferred tax assets	14,638	48,867
Current liabilities – others	785	5
Long-term liabilities – deferred tax liabilities	28,741	26,676
Long-term liabilities – deferred tax liabilities from revaluation	11,504	10,185

2. **The main reasons for the difference between the legal tax rate and the corporate and other tax rates after application of tax benefit accounting are:**

	Fiscal 2005 Year to March 31, 2006	Fiscal 2004 Year to March 31, 2005
	%	%
Computed normal tax rate		
(Adjustments)	40.7	40.7
Entertainment expenses from earnings etc.	0.9	0.9
Dividend income deducted from earnings etc.	(1.4)	(1.5)
Resident's tax equalization etc.	0.9	0.8
Increase/decrease of valuation allowances	12.0	(4.5)
Amortization of consolidation adjustment account	1.0	(3.1)
Investment gain/ loss from equity method	2.0	(0.8)
Tax differences on unrealized gains and others	(1.1)	(1.8)
Gain/losses on sales of affiliates' shares	2.2	3.3
Gain on establishment retirement benefit scheme	--	(5.6)
Others	0.1	(0.4)
Effective tax rate	57.3	28.0

9. Securities

1. Fiscal 2005 (As of March 31, 2006)

(1) Bonds held to maturity (with market quotations)

Millions of yen

	Instrument	Book value	Market value	Unrealized gain or loss
Securities with market quotations exceeding book value	(1) JGB, Municipal bonds	--	--	--
	(2) Corporate bonds	--	--	--
	(3) Others	0	0	0
	Subtotal	0	0	0
Securities with market quotations not exceeding book value	(1) JGB, Municipal bonds	40	39	(1)
	(2) Corporate bonds	--	--	--
	(3) Others	--	--	--
	Subtotal	40	39	(1)
Total		41	40	(1)

(2) Other securities (with market quotations)

Millions of yen

	Instrument	Acquisition cost	Book value	Unrealized gain or loss
Securities with book value exceeding acquisition cost	(1) Equity securities	34,550	81,333	46,783
	(2) Debt securities			
	JGB, Municipal bonds	--	--	--
	Corporate bonds	--	--	--
	Others	--	--	--
	(3) Other securities	3,119	5,487	2,368
	Subtotal	37,669	86,821	49,151
Securities with book value not exceeding acquisition cost	(1) Equity securities	531	471	(59)
	(2) Debt securities			
	JGB, Municipal bonds	--	--	--
	Corporate bonds	--	--	--
	Others	--	--	--
	(3) Other securities	--	--	--
	Subtotal	531	471	(59)
Total		38,201	87,293	49,091

Notes: The acquisition cost represents book value after write-downs. There were no write-downs of other securities with market quotations.

(3) Other securities sold in fiscal 2005

Millions of yen

Proceeds from sale	Total gain on sale	Total loss on sale
16,677	5,701	22

(4) Securities not valued at market

Millions of yen

	Book value
Other securities	
Unlisted stock	19,840
Investments in SPCs (*tokumei kumiai)*	7,936
Free Financial Fund	22

(5) Projected future redemption of securities with maturities and debt securities held to maturity (in Other Securities Account)

Millions of yen

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 years
1. Bonds				
(1) JGB, municipal bonds	--	40	0	--
(2) Corporate bonds	--	--	--	--
(3) Others	0	--	--	--
2. Others Investment trusts	--	--	--	--
Total	0	40	0	--

2. Fiscal 2004 (As of March 31, 2005)

(1) Bonds held to maturity (with market quotations)

Millions of yen

	Instrument	Book value	Market value	Unrealized gain or loss
Securities with market quotations exceeding book value	(1) JGBs, Municipal bonds	50	50	0
	(2) Corporate bonds	--	--	--
	(3) Others	9	9	0
	Subtotal	59	60	0
Securities with market quotations not exceeding book value	(1) JGB, Municipal bonds	--	--	--
	(2) Corporate bonds	--	--	--
	(3) Others	0	0	--
	Subtotal	0	0	--
Total		60	60	0

(2) Other securities (with market quotations)

Millions of yen

	Instrument	Acquisition cost	Book value	Unrealized gain or loss
Securities with book value exceeding acquisition cost	(1) Equity securities	39,132	70,645	31,512
	(2) Debt securities			
	JGB, Municipal bonds	--	--	--
	Corporate bonds	40	42	2
	Others	--	--	--
	(3) Other securities	3,132	4,199	1,066
	Subtotal	42,305	74,887	32,581
Securities with book value not exceeding acquisition cost	(1) Equity securities	1,138	993	(144)
	(2) Debt securities			
	JGB, Municipal bonds	--	--	--
	Corporate bonds	10	9	(0)
	Others	--	--	--
	(3) Other securities	6	5	(1)
	Subtotal	1,154	1,008	(145)
Total		43,460	75,896	32,435

Notes: The acquisition cost represents book value after write-downs. The Company wrote down ¥180 million in other securities with market quotations.

(3) Other securities sold in fiscal 2004

Millions of yen

Proceeds from sale	Total gain on sale	Total loss on sale
25,821	7,424	39

(4) Securities not valued at market

Millions of yen

	Book value
Other securities	
Unlisted stock	25,248
Investments in SPCs (*tokumei kumiai*)	5,267
Medium-term JGBs	26
Free Financial Fund	22

(5) Projected future redemption of securities with maturities and debt securities held to maturity (in Other Securities Account)

Millions of yen

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than10 years
1. Bonds				
(1) JGB, municipal bonds	9	40	0	--
(2) Corporate bonds	40	12	--	--
(3) Others	9	0	--	--
2. Other				
Investment trusts	--	20	--	--
Total	59	73	0	--

10. Derivative Transactions

As the Group is disclosing this information by EDINET, information on derivatives has been omitted from this document.

11. Retirement and Severance Benefits

(1) Outline of employees retirement benefit system

The Company and its domestic subsidiaries have established defined benefit pension plans such as lump sum retirement payment plans, defined benefit pension plans, Welfare Pension Insurance, qualified retirement benefit plans, and the Small Enterprise Mutual Aid System for Retirement Fund. In addition the Company and some of its domestic subsidiaries have introduced defined contribution pension plans.

In addition, on retirement, in certain cases employees are entitled to additional retirement payments that are not treated as actuarially computed retirement benefit liabilities determined in accordance with Japanese accounting standards for retirement benefits. Tokyu and Tokyu Store Chain Co., Ltd. have established retirement allowance trusts.

(2) Retirement benefit liabilities

Millions of yen

	As of March 31, 2006	As of March 31, 2005
a. Retirement benefit liabilities	(134,853)	(139,984)
b. Pension fund assets	134,863	103,682
c. Unfunded retirement benefit liabilities (a + b)	9	(36,301)
d. Unrecognized actuarial differences	13,933	46,529
e. Unrecognized prior service liabilities	(7,524)	(8,096)
f. Net carried on consolidated balance sheets (c + d + e)	6,419	2,131
g. Prepaid pension costs	50,107	52,567
h. Reserve for employees' retirement benefits (f - g)	(43,688)	(50,436)

Notes:

Fiscal 2005 (March 31, 2006)

1. Certain consolidated subsidiaries use the simple method in calculating their retirement allowance liabilities.
2. The above breakdown excludes pension fund assets totaling ¥1,608 million of the Kanto Department Store Welfare Pension Insurance (used by two consolidated subsidiaries).
3. In connection with the change to a defined contribution pension plan for Tokyu employees and certain loan employees ¥19,625 million is expected to be transferred over eight years. The amount of ¥14,398 million, which had yet to be transferred at the end of fiscal 2005, is recorded in current liabilities and long-term liabilities under 'Other'. Furthermore, in connection with the change to a defined contribution pension plan for Tokyu Store Chain Co., Ltd. ¥3,975 million has been transferred over four years.

Fiscal 2004 (March 31, 2005)

1. Certain consolidated subsidiaries use the simple method in calculating their retirement allowance liabilities.
2. The above breakdown excludes pension fund assets (equivalent to total compensation of ¥1,001 million) in the jointly established National Pension Fund, the Tokyo Trucking National Trucking Fund (two consolidated subsidiaries are members), and pension fund assets totaling ¥1,595 million of the Kanto Department Store Welfare Pension Insurance (used by two consolidated subsidiaries).
3. In respect of employees of the company and certain loan employees, the effect of the shift of a part of the company's lump sum retirement payment scheme to a defined contribution pension plans is as follows:

	Millions of Yen
Decrease in retirement benefit liabilities	19,291
Unrecognized actuarial differences	(15,273)
Unrecognized prior service liabilities	2,535
Decrease in reserve for retirement allowance	6,554

4. In connection with the change to a defined contribution pension plan for Tokyu employees and certain loan employees ¥19,625 million is expected to be transferred over eight years. The amount of ¥17,026 million, which had yet to be transferred at the end of fiscal 2004, is recorded in current liabilities and long-term liabilities under 'Other'. Furthermore, in connection with the change to a defined contribution pension plan for Tokyu Store Chain Co. Ltd. ¥3,975 million is expected to be transferred over four years. The amount of ¥830 million, which had yet to be transferred at the end of fiscal 2004, is recorded in current liabilities under 'Other'.

(3) Retirement benefit expenses

Millions of yen

	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005
a. Service expense	4,782	4,910
b. Interest expense	2,679	2,732
c. Expected returns	(1,159)	(1,282)
d. Amortization actuarial differences	3,723	2,330
e. Amortization of past service liability	(839)	(542)
f. Premium paid on transfer to defined contribution plan	1,216	613
g. Loss on transfer to defined contribution plan	--	13,071
h. Retirement benefit expenses (a + b + c + d + e + f + g)	10,402	21,833

Fiscal 2005 (March 31, 2006)

Notes:

1. Apart from the above retirement benefit expense, the Company and certain subsidiaries paid additional retirement benefits of ¥259 million. These were charged to income as an extraordinary loss.

2. The retirement benefit expenses of certain consolidated subsidiaries that use a simplified approach to computing retirement benefits are included in service expense (a).

Fiscal 2004 (March 31, 2005)

1. Apart from the above retirement benefit expense, the Company paid additional retirement benefits of ¥682 million. These were charged to income as an extraordinary loss.

2. The retirement benefit expenses of certain consolidated subsidiaries that use a simplified approach to computing retirement benefits are included in service expense (a).

3. Costs arising from company employees and some loan workers' transfer from a lump sum retirement payment scheme to a defined contribution pension plan has been recorded as 'g. loss on transfer to defined contribution plan.'

(4) Basis of presentation of retirement benefit liabilities

	(Fiscal 2005) April 1, 2005 – March 31, 2006	(Fiscal 2004) April 1, 2004 – March 31, 2005
a. Allocation method for estimated retirement benefit amounts	Fixed installment method	Fixed installment method
b. Discount rate	Primarily 2.0%	Primarily 2.0%
c. Expected rate of return	Primarily 1.5%	Primarily 3.0%
d. Amortization period for past service liabilities	Primarily 15 years	Primarily 15 years
e. Amortization period of actuarial differences	Primarily 15 years	Primarily 15 years

* In fiscal 2005 Tokyu Corp. changed the expected rate of return and as a result the expected rate of return is primarily 1.5%.

* Differences arising from changes in accounting methods are charged as expenses at the time they arise.

12. Per Share Information

April 1, 2005 – March 31, 2006		April 1, 2004 – March 31, 2005	
Net assets per share	¥218.53	Net assets per share	¥162.21
Net income per share	¥35.64	Net income per share	¥31.11
Net income per share(diluted)	¥33.34	Net income per share(diluted)	¥29.00

Note: The basis for the calculation of net income per share and the net income per share (diluted) is as follows:

	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005
Net income per share:		
Net income (¥ million)	41,962	35,432
Amount not attributable to common shareholders (¥ million)	72	147
[Of which, bonuses paid to executive officers as part of the appropriation of surplus]	[72]	[147]
Net income attributable to common shares (¥ million)	41,890	35,284
Average number of outstanding common shares during the period (1,000 shares)	1,175,313	1,134,244
Net income per share (diluted)		
Net income adjustment (¥ million)	33	35
[Of which, interest paid (after deducting tax equivalent)	[33]	[35]
Increase in the number of common shares (1,000 shares)	82,289	83,639
[Of which, convertible bonds]	[82,289]	[83,639]
Residual securities not included in the calculation of the diluted net income due to the fact that these securities had no dilutive effect.	--------------------	--------------------

APPENDIX – Tokyu Corporation
1. Summary of Financial results (Consolidated)

Segment	April 1, 2005 to March 31, 2006	April 1, 2004 to March 31, 2005	Change	
	Millions of yen			%
Operating revenue				
Transportation	192,927	263,897	(70,969)	(26.9)
Real estate	141,725	159,151	(17,425)	(10.9)
Retail	678,239	365,576	312,663	85.5
Leisure and Services	189,512	54,608	134,903	247.0
Hotels	103,382	102,873	508	0.5
Other	154,245	159,765	(5,520)	(3.5)
Total	1,460,032	1,105,873	354,159	32.0
Elimination/Headquarters	(71,478)	(50,308)	(21,169)	42.1
Consolidated	1,388,554	1,055,564	332,989	31.5
Operating profit				
Transportation	38,929	39,460	(530)	(1.3)
Real estate	21,808	20,526	1,282	6.2
Retail	14,422	9,177	5,244	57.1
Leisure and Services	2,835	1,715	1,120	65.3
Hotels	3,906	2,747	1,158	42.2
Other	2,404	2,755	(350)	(12.7)
Total	84,306	76,381	7,924	10.4
Elimination/Headquarters	1,348	632	715	113.0
Consolidated	85,654	77,014	8,639	11.2
Equity method profit (loss)	(3,251)	1,079	(4,330)	--
Recurring profit	74,052	67,034	7,017	10.5
Net income	41,962	35,432	6,529	18.4

2. Summary of Forecasts (Full-year)

Consolidated

Segment	April 1, 2006 to March 31, 2007 *Forecast*	April 1, 2005 to March 31, 2006	Change	
	Millions of yen			%
Operating revenue				
Transportation	190,800	192,927	(2,127)	(1.1)
Real estate	146,800	141,725	5,074	3.6
Retail	670,500	678,239	(7,739)	(1.1)
Leisure and Services	189,200	189,512	(312)	(0.2)
Hotels	98,200	103,382	(5,182)	(5.0)
Other	153,500	154,245	(745)	(0.5)
Total	1,449,000	1,460,032	(11,032)	(0.8)
Elimination/Headquarters	(74,000)	(71,478)	(2,521)	3.5
Consolidated	1,375,000	1,388,554	(13,554)	(1.0)
Operating profit				
Transportation	34,200	38,929	(4,729)	(12.1)
Real estate	18,900	21,808	(2,908)	(13.3)
Retail	15,500	14,422	1,077	7.5
Leisure and Services	2,800	2,835	(35)	(1.3)
Hotels	4,100	3,906	193	5.0
Other	2,900	2,404	495	20.6
Total	78,400	84,306	(5,906)	(7.0)
Elimination/Headquarters	600	1,348	(748)	(55.5)
Consolidated	79,000	85,654	(6,654)	(7.8)
Equity method profit (loss)	5,100	(3,251)	8,351	--
Recurring profit	72,000	74,052	(2,052)	(2.8)
Net income	40,000	41,962	(1,962)	(4.7)

Note: From fiscal 2005, along with the change in the Japanese name of the Retail segment (English segment name unchanged), the composition of the retail segment has changed and now includes the following: Department store business, chain store business, SC (shopping center) business (transferred from the Real Estate business), and other retail businesses. The figures above for fiscal 2004 have been adjusted to reflect this change in segmental classification.