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May 31, 2002

Consolidated Earnings Report for Fiscal 2001

(April 1, 2001 – March 31, 2002)

Company Name:	Tokyu Corporation
Stock Exchange Listing:	Tokyo Stock Exchange
Code Number:	9005
URL:	http://www.tokyu.co.jp/
Head office:	Tokyo
SEC accounting standards:	The company does not apply SEC accounting standards.

1. Consolidated Results of Operations for Fiscal 2001 (April 1, 2001 – March 31, 2002)

(1) Consolidated Business Results *(Figures less than ¥1 million are rounded down)*

	Revenue from Operations		Operating Income		Recurring Income		Net Income	
	¥ mln	%	¥ mln	%	¥ mln	%	¥ mln	%
Fiscal 2001	1,058,156	4.5	52,719	(18.1)	18,293	(22.6)	11,891	-
Fiscal 2000	1,012,890	1.8	64,374	6.6	23,634	(24.4)	(30,163)	-

	Net income per share	Net income per share (diluted)	Return on equity	Recurring income to total capital ratio	Recurring income ratio
	¥	¥	%	%	%
Fiscal 2001	10.66	10.00	8.1	0.7	1.7
Fiscal 2000	(27.50)	-	(19.1)	0.9	2.3

Notes:

(1) Equity in loss of equity-method affiliates:
Fiscal 2001: ¥ (2,678) million; Fiscal 2000: ¥ (8,299) million

(2) Weighted average number of shares (Consolidated): Fiscal 2001: 1,115,195,410, Fiscal 2000: 1,096,958,697

(3) Changes in accounting standards were applicable to the above figures.

(4) The percentage figures accompanying revenue, operating income, recurring income and net income represent year-on-year changes.

(2) Consolidated Financial Position

	Total assets (¥ mln)	Shareholders' equity (¥ mln)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Fiscal 2001	2,497,041	156,143	6.3	139.11
Fiscal 2000	2,499,886	139,066	5.6	126.64

Number of shares outstanding at the end of Fiscal 2001: 1,122,439,190, Fiscal 2000:1,098,085,620

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at End of the Year
	¥ mln	¥ mln	¥ mln	¥ mln
Fiscal 2001	65,559	(70,342)	(30,846)	99,735
Fiscal 2000	89,217	(63,421)	(42,910)	124,328

(4) Scope of Consolidation and Adoption of the Equity Method

Consolidated subsidiaries: 243

Unconsolidated subsidiaries accounted for by the equity method : 1

Affiliates accounted for by the equity method: 41

(5) Changes in Extent of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries:

New 31

Excluded 11

Affiliates accounted for under equity method:

New 1

Excluded 6

2. Consolidated Forecast for Fiscal 2002 (April 1, 2002 – March 31, 2003)

	Revenue from Operations (¥ mln)	Recurring Income (¥ mln)	Net Income (¥ mln)
Interim	600,000	10,300	1,300
Full year	1,400,000	46,800	15,000

Reference: Projected net income per share for the full year: ¥13.36

Note: The forecast results presented above are 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 12 for more details on these forecasts.

1.The Tokyu Group

The Tokyu Group comprises 244 subsidiaries and 42 affiliates. Their business operations are as follows.

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

(1) Transportation (51 companies)

Main businesses	Companies
Railway operations	Tokyu Corp., Izukyu Corp. #1 A, C; Ueda Kotsu Corp. #1
Bus operations	Tokyu Bus Corp. # 1 A, B, C; Abashiri Kotsu,Inc. #1, Jotetsu Corp. #1, Tokyu Shachi Bus Co., Ltd. #1 C, Kusakaru Corp. #1 A, B
Cargo Transportation	Tokyu Air Cargo Co., Ltd. #1, Nihon Kamotsu Kyuso Co., Ltd. #1 A, Tokyu Freight Service Co., Ltd. #1 A, B, Tokyo Tsuun Co., Ltd. #1 A, Sotetsu Transportation Co., Ltd. #2 A
Flight operations	Japan Air System Co., Ltd. #2
	37 other firms

Note: Sotetsu Transportation Co., Ltd. and Tokyu Freight Service Co., Ltd. merged in April 2002 and was subsequently renamed Tokyu Logistic Co., Ltd.

(2) Real Estate (46 companies)

Main businesses	Companies
Real estate sales	Tokyu Corp., Tokyu Land Corp. #2 A, B, C
Real estate leasing	Tokyu Corp., Tokyu YMM Properties Co., Ltd. #1, Shibuya Development Inc. #1 A, Kitami Tokyu Building #1 C
Real estate management	Tokyu Community Corp. #2 A, B, C, Tokyu Service Corp. #1 A, B; Tokyu Building Service Inc. #1 A, B; Yanchep Sun City PTY. LTD. #1 B
Real estate brokerage services	Tokyu Livable Inc. #2 A, B
	36 other firms

(3) Retail (28 companies)

Main businesses	Companies
Department store operations	Tokyu Department Store Co., Ltd. #2 A, C, D
Retail operations	Tokyu Store Chain Co., Ltd. #2 A, D, Sapporo Tokyu Store Chain Co., Ltd. #1, Tokyu Hands Inc. #2 A, D; Toko Shoji #1 A
General trading operations	Kowa #1, Tokyu Geox Co., Ltd. #1 D
	21 other companies

(4) Leisure and Services (72 companies)

Main businesses	Companies
Travel agency	Tokyu Tourist Corp. #1 A
Movie theater operations	Tokyu Recreation Co. Ltd. #2 A
Golf course operations	Tokyu Corp., Three Hundred Club Co., Ltd. #1, Tokyu Herbhill Golf Club. #1
Advertising agency	Tokyu Agency Inc. #2 A, B
CATV operations	its communications Inc. #1 A, B
Rental car operations	Nippon Rent’a Car Tokyu Co., Ltd. #1 A, Nippon Rent’a Car Hokkaido #1
	63 other companies

(5) Hotels (65 companies)

Main business	Companies
Hotels	Tokyu Corp., Tokyu Hotel Chain Co., Ltd. #2 A, Kansai Tokyu Inn and 25 other firms #1 B; Tokyu Canada Corp. #1, Pan Pacific Hotels and Resorts Pte. Ltd. #1, Mauna Lani Resort (Operation) Inc. #1
	34 other companies

(6) Construction (15 companies)

Main business	Companies
Construction	Tokyu Construction Co., Ltd. #1 A, B; Seikitokyu Kogyo Co., Ltd. #2 A
	13 other companies

(7) Other (33 companies)

Main businesses	Companies
Maintenance of rolling stock for railway operations	Tokyu Car Corp. #2 A, B, C, D; Toyoko Industry Co., Ltd. #1 A, B, D
Automotive parts sales	Shiroki Corp. #2
Telecommunications marketing	Toyoko Denko Co., Ltd. #1 B
Research activities	Tokyu Research Institute, Inc. #1 B
Food products manufacturing	Gold Pak Co., Ltd. #1 D
	27 other companies

Notes #1 Subsidiary, #2 Affiliate

1. There is an overlap of the following companies in segmentation by business lines: Tokyu Corp, Tokyu Construction Co., Ltd., Guam Pacific Tokyu Construction, Inc., Tokyu Tourist Corp., Tokyu Kanko Service Tohoku Inc., Tokyu Kanko Service, Inc., Tokyu Kanko Service Nishinippon Inc., Izukyu Corp., Jotetsu Corp., Kusakaru Corp., Tokyu Service Corp., Tokyu Bus Corp., Tokyu Canada Corp. and Mauna Lani Resort (Operation), Inc.
2. Tokyu Corp., Tokyu Tourist Corp., Seikitokyu Kogyo Co., Ltd., Tokyu Store Chain Co., Ltd., Tokyu Community Corp., and Tokyu Livable, Inc. are listed on the 1st Section of Tokyo Stock Exchange. Tokyu Construction Co., Ltd., Tokyu Land Corp. and Tokyu Car Corp. are listed on the 1st Sections of Tokyo Stock Exchange and Osaka Securities Exchange. Tokyu Department Store Co. Ltd. is listed on the 1st Section of Tokyo Stock Exchange and on Sapporo Securities Exchange. Shiroki Corp. is listed on the 1st Sections of Tokyo Stock Exchange and Nagoya Stock Exchange. Izukyu Corp., Tokyu Recreation Co., Ltd., Sotetsu Transportation Co., Ltd (renamed Tokyu Logistic Co., Ltd. in April) are listed on the 2nd Section of Tokyo Stock Exchange. Japan Air System Co., Ltd. is registered on the OTC market.
3. The Company rents facilities to companies marked (A)
4. The Company outsources work to companies marked (B)
5. The Company leases facilities from companies marked (C)
6. The Company procures merchandise from companies marked (D)

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

Transportation

Railway Operations: The Company operates seven railway lines and a streetcar line –Toyoko Line, Meguro Line, Den-en Toshi Line, Oimachi Line, Ikegami Line, Tokyu Tamagawa Line, Kodomonokuni Line and Setagaya Line in southwestern Tokyo and Kanagawa Prefecture. The total track length is 102.1 kilometers. Izukyu Corp., a consolidated subsidiary, operates a 45.7km line between Ito and Izukyu Shimoda in the Izu peninsula. Ueda Kotsu Corp., another consolidated subsidiary, operates an 11.6km long passenger line between Ueda and Bessho Onsen, in Nagano Prefecture.

Bus Operations: Tokyu Bus Corp. operates scheduled bus services in the 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.

Cargo Transportation: Freight transportation services are operated by consolidated subsidiaries Nihon Kamotsu Kyuso Co., Ltd., Tokyo Tsuun Co., Ltd. and Tokyu Freight Service Co., Ltd. , as well as affiliate Sotetsu Transportation Co., Ltd. Most of their operations are centered in metropolitan Tokyo. The light and heavy cargoes carried extend from fresh food and amenity goods to steel and construction materials. The Group also offers a wide range of logistics services, including packaging and warehousing. (Note: Sotetsu Transportation Co., Ltd. and Tokyu Freight Service Co., Ltd. merged in April 2002 and was renamed Tokyu Logistic Co., Ltd.). Tokyu Air Cargo Co., Ltd., a consolidated subsidiary, is engaged in freight forwarding of air and marine cargos. The company provides all required import and export-related services, including customs clearance, collection and delivery, inventory management and logistics processing services.

Flight Operations: Japan Air System Co., Ltd, an affiliate, operates scheduled and non-scheduled flights, mainly on domestic routes.

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 to high-rise condominiums, and resort housing. Tokyu Land is also engaged in joint marketing of built-for-sale houses, a system in which the company works with Tokyu Corporation to build and market family homes 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 consolidated subsidiaries Tokyu Service Corp. and Tokyu Building Service Inc. 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 real estate brokerage and related services.

Retail

Department store operations: Tokyu Department Store Co., Ltd., an affiliate, operates department stores in Shibuya, Kichijoji, Machida and Sapporo.

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

General trading operations: Tokyu Geox Co., Ltd., a consolidated subsidiary, manufactures and markets aggregates, and Kowa, another subsidiary, deals mainly with materials.

Leisure and Services

Travel agency: Consolidated subsidiary Tokyu Tourist Corp. partners with domestic transportation companies, hotels, Japanese inns, and tourist facilities to provide domestic travel services for individuals, groups and educational institutions like schools. Tokyu Tourist Corp. also handles individual and group travel overseas through agreements with international airlines, overseas hotels and local travel agents.

Golf course operations: The Company operates eight golf courses in Japan, including "Five Hundred Club" in Susono City, Shizuoka Prefecture. The Tokyu Group comprises six golf course operators including consolidated subsidiary Three Hundred Club Co., Ltd.

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 along the Company's railway lines in Tokyo, Kawasaki and Yokohama.

Hotel operations: In Japan, the Company operates three hotel brands: Tokyu Inns, Excel Hotel Tokyu and Tokyu Resorts (Total: 34 hotels), which together comprise the "Tokyu Inn Chain." Consolidated subsidiary Tokyu Hotel Chain Co., Ltd. is responsible for running 17 Tokyu Hotels, which comprise the "Tokyu Hotel Chain." Tokyu Hotel Management Co., Ltd. provides hotel reservations services and is also engaged in marketing.

In April 2002, both these hotel chains were integrated into a single chain called "Tokyu Hotels". In April 2003, the Company plans to transfer its hotel business to Tokyu Hotel Chain Co., Ltd.

Overseas, consolidated subsidiary Pan Pacific Hotels and Resorts Pte. Ltd. operates hotels and provides hotel management services. The company manages 15 hotels in 10 countries, most of which are located in the Asia-Pacific region.

Construction

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

Other

Rolling stock manufacturing: Affiliate 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. The company also produces and markets transportation machinery and equipment parts.

Food products manufacturing: Affiliate Gold Pak Co., Ltd. manufactures and markets vegetable and fruit juice drinks and manufacture products for beverage companies on an OEM basis.

2.Management Policy

(1) Basic Management Policy

Tokyu Group's roots began with the establishment of Meguro-Kamata Railway Company in 1922. The Group has now expanded to 415 companies and 9 public 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 make Tokyu the brand of choice.

To sustain growth in the 21st century, Tokyu Group is implementing 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 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. These initiatives will help us to create a new image for the Tokyu Group by March 2003.

(2) Medium- to Long-term Management Strategy and Pressing Tasks

The Tokyu Group has formulated its management strategy around three overarching themes. One is the establishment of Group governance led by the parent company. The second theme is growth through business tie-ups and alliances inside and outside the Group. The third is risk management through compliance. Based on these themes, the Group outlined the following three areas for the implementation of its strategy.

1. Group Realignment: Focusing resources on core businesses

First, we have identified our core businesses as those that add more value and spur greater activity along our railway lines including strategic locations such as Shibuya; and those that make a significant contribution to raising the value of the Tokyu brand. The Group's operations will be reorganized by selecting and focusing resources on such businesses. We have sold certain Group taxi companies, arranged regional bus operations and withdrawn from petroleum sales. In addition, we established Tokyu Hotel Management Co., Ltd. in January 2001 and in July made Tokyu Hotel Chain Co., Ltd. a wholly owned subsidiary, to improve the relation within the group by strengthening the operator business, separate the functions of property holding, hotel business management and hotel operation, as part of our drive to reorganize our hotel business. In April 2002, we integrated our two hotel chains, the Tokyu Hotel Chain and the Tokyu Inn Chain under a single chain named "Tokyu Hotels". We also realigned our brand portfolio for hotel operations, re-branding hotels according to category. In April 2003, the Company's hotel business will be transferred to Tokyu Hotel Chain Co., Ltd.. which will become a holding company for hotel business.

To reform the profit structure of the construction business, in March 2002, we increased capital in consolidated subsidiary Tokyu Construction Co., Ltd. through a private placement of shares. Tokyu Construction had formulated a restructuring plan, called the Profit Plan, to rise above industry upheaval in the construction sector.

In April 2002, we amalgamated the management of three Group freight transportation companies under Sotetsu Transportation Co., Ltd., which was consolidated and subsequently changed its name to Tokyu Logistic Co., Ltd. In addition, we consolidated Tokyu Store Chain Co., Ltd. These actions were aimed at adding value along our railway lines and strengthen group-wide financial health.

To promote the real estate investment trust (REIT) business, which is a key element of our future growth strategy, we will strengthen building management services. Measures include a merger, in July 2002, between Tokyu Service Corp. and Tokyu Building Service Inc. The new company will be named Tokyu Facility Service Co., Ltd. and will be in charge of comprehensive building management services.

In October 2002, Tokyu Car Corp. became a wholly owned subsidiary through a share exchange. We will speed up the restructuring of this company and make effective use of resources. In addition, equity-method affiliate Japan Air System Co., Ltd. concluded a merger agreement with Japan Airlines Co., Ltd., which targets the establishment of a joint holding company in October 2002.

2. Implementing Tokyu Group Management

Second, in order to improve the effectiveness of these management policies, we are enhancing decision-making procedures, performance evaluation of group companies, and brand management

To improve decision-making, we established the Tokyu Group Corporate Executive Committee, chaired by the chairman of the board of Tokyu Corporation, as the ultimate policy and decision-making body for the Tokyu Group. The committee is adapting speedily to changes in our operating environment. This committee is responsible for major business decisions and capital policy for Group companies, evaluation of the performance of Group companies and brand management. Establishing this decision-making committee to systematically define policies that involve the exercise of rights and the fulfillment of obligations under the Commercial Code show our commitment to enhancing management transparency.

In 2001, we introduced the Group Company Management Committee and Monitoring Committee to evaluate business performance. By evaluating the progress each company makes toward meeting goals, we can accurately determine the circumstances of each Group company, and strengthen group governance.

In July 2001, we set up the Compliance Division within Corporate Headquarters and in January 2002, formulated the Tokyu Group Compliance Manual, which will strengthen one of the basic themes of the basic management policy "Risk Management through Compliance".

3. Invigorate Business through the Tokyu Group Growth Strategy

Third, we will breathe new life into our businesses and railway lines by focusing resources on key areas from which our railway lines operate, including Tokyo's popular Shibuya district. Several growth strategies will support this drive including media operations, initiatives to strengthen our customer base, entry into the real estate investment trust (REIT) business, reorganization of station functions, and expanding our in-house venture system for starting new businesses.

As the alliance strategy of the real estate business, Tokyu Corp. established a real estate advisory firm Tokyu Real Estate Investment Management Inc. jointly with Tokyu Land Corp in June 2001. A basic agreement has also been reached between Tokyu Corp., Tokyu Land Corp. and Australian firm Lend Lease Corporation on forming an alliance mainly in the REIT business. The three parties are currently in discussions toward getting the alliance up and running.

In an initiative to expand station functions, we established the “ranKing ranQueen” store chain in the Shibuya Station Complex in July 2001. This all-new theme store uses product ranking information obtained from research firms and Tokyu Group companies to display and sell a diverse range of top-performing brands, as well as provide information on new products. The store has earned an excellent reputation.

In January 2002, we decided to provide a direct link between Toyoko Line and Eidan Line No. 13 and aim to have this new link operational by March 2013. This initiative will strengthen the function of Toyoko Line in the metropolitan area transport network and invigorate Shibuya.

We are confident that the successful implementation of these initiatives will maximize shareholders’ value.

(3) Management Performance Targets

One of the Tokyu Group’s key management performance targets is to reduce the ratio of interest-bearing debt to EBITDA (operating income + depreciation and amortization) to 10 times or less by March 2003. We intend to restore our financial robustness by applying cash flow-based parameters, and taking decisions in light of current financial conditions, our ability to generate earnings through operating activities, and our ability to handle interest-bearing debt. This target will also apply to Group companies that are not consolidated subsidiaries. We will make a concerted effort Group-wide to achieve this goal.

We are currently considering the introduction of growth-oriented performance targets from the fiscal year ending March 2004.

(4) Basic Policy on Distribution of Profits

Railway operations constitute the main business of Tokyu Corp. Given the extremely public nature of these operations, we are able 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 enhance carrying capacity and safety, promote barrier-free access and enhance services. Under its fundamental policy of consistently paying dividends to shareholders, Tokyu Corp has maintained an annual dividend of ¥5 per share since the fiscal year ended March 1983. We will continue to provide stable dividends as we make further efforts to lift per-share earnings levels with a view to enhancing shareholder value.

We have made various capital expenditures to improve our rail services. For example, a combined total of ¥297.9 billion has been used for improvements to the Meguro-Tamagawa stretch of Meguro Line and quadruple-tracking of lines between Tamagawa and Hiyoshi on Toyoko Line. We have also made capital expenditures totaling ¥156.4 billion on improvements to the Oimachi-Futakotamagawa stretch of Oimachi Line, and for quadruple-tracking on Den-en Toshi Line between Futako-tamagawa and Mizunokuchi. These measures have been taken to ease congestion on Toyoko and Den-en Toshi Lines, and to build an efficient transport network that will stimulate greater use of Meguro and Oimachi Lines. We have taken the decision to establish a direct link between Toyoko Line and Eidan Line No. 13 to strengthen the function of Toyoko Line in the metropolitan area transport network and increase the attractiveness of Shibuya, and we expect to use ¥76.0 billion on construction to shift the Daikanyama-Shibuya stretch of Toyoko Line underground. We are determined 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.

3. Review of Operations and Financial Position

I. Review of Operations

(1) Overview of Fiscal 2001

Japanese economy during fiscal 2001 failed to shake off the overall tone of recession. Exports declined due to the global downturn in IT-related industries and capital expenditures declined due mainly to depression of corporate earnings. Furthermore, higher unemployment and falling salaries led to ongoing weakness in consumer spending.

In this economic climate, the Tokyu Group (comprising the parent company, consolidated subsidiaries and affiliates accounted for under the equity method) aggressively pursued business activities across all its operating segments, while working to raise management efficiencies and reduce expenses.

Consolidated revenue from operations increased 4.5% year on year to ¥1,058,156 million, while operating income declined 18.1% to ¥52,719 million and recurring income fell 22.6% to ¥18,293 million. The Group recorded net income of ¥11,891 million compared to a net loss of ¥30,163 million in the prior fiscal year.

Effective from fiscal 2001, we have formed a new operating segment for hotel operations, which were previously part of our leisure and services business. This decision was taken in light of the growing importance of hotels as part of the Group's activities. Furthermore, we determined that Tokyu Bus Corp. plays an important role in businesses peripheral to transportation operations, under which it was previously included. As such, Tokyu Bus Corp. has also been included under real estate operations and leisure and services. Travel agencies and restaurants located within train station complexes and directly operated by Tokyu Corp. were formerly categorized under transportation operations as associated businesses. From fiscal 2001, these businesses have been included under real estate operations. Year-on-year comparisons for segmental operations are restated in line with these changes. Operating results by segment are as follows (Revenue from operations for each segment includes inter-segment internal revenues or transfers.) :

1. Transportation

In railway operations, we invested in safety equipment, emergency training, increasing passenger capacity and development of an efficient railway network, and in improvements on the service side, such as service quality and customer assistance in order to enhance passenger safety, convenience and comfort. Revenue from railway operations of the Company increased over the previous fiscal year, due in part to greater passenger traffic. This was the result of our efforts to improve convenience by operating routes that directly link Meguro Line with Eidan Namboku Line, and Toei Mita Line and the introduction of new timetables following the launch of limited express train services on Toyoko Line. However, passenger traffic at consolidated subsidiaries continued to decline. The number of bus passengers in the Tokyo metropolitan area also fell. In regional bus operations, centered mainly in Hokkaido, the aftereffects of the eruption of Mt. Usu gradually began to wear off as the number of passengers rose, mainly for leased buses. Overall, however, revenues from bus operations decreased due to falling fares. Freight operations continued to face a difficult operating environment due principally to a decline in fares and a reduction in contracted vehicles. Transportation volume fell in domestic automobile freight transportation. In addition, revenues from international freight operations also experienced a decline caused by a fall in the transportation of industrial equipment to Europe.

As a result, revenue from transportation operations declined 1.0% from the previous year to ¥250,867 million and operating income declined 6.4% to ¥33,955 million.

2. Real Estate

The Company engaged in sales of ready-built houses, real estate of detached houses, condominiums and commercial land at the Tama Garden City project. In fiscal 2001, earnings from real estate operations declined, as we sought to increase sales of low-margin properties in line with our priority on recovering real estate investments. Real-estate leasing operations were supported by strong revenues from Cerulean Tower, a mixed-use high-rise building that opened in April 2001 in Shibuya, Tokyo. Occupancy rates remained at high levels. In real estate management, we worked to provide low-cost, high-quality services even as customers called for contract revisions and lower charges in response to the prolonged economic downturn.

As a result, revenue from operations declined 1.8% from the previous fiscal year to ¥150,349 million and operating income fell 19.0% to ¥18,480 million.

3. Retail

In retail operations, consumer sentiment failed to improve, and competition remained fierce as retailers rushed to open new stores following last year's introduction of the Large Retail Store Law. Also exacerbating the situation was a decline in consumer confidence in food products due to the BSE scare. During the period, consolidated Group companies launched new stores and reorganized operations at underperforming stores. In addition, companies made a concerted effort to enhance customer loyalty by improving customer services, ensuring the high quality of products, and delivering a broad lineup of attractive products at reasonable prices.

Revenue from retail operations increased 9.1% year on year to ¥110,682 million. Operating income rose ¥532 million to ¥827 million.

4. Leisure and Services

In travel agency operations, the opening of Universal Studios Japan and Tokyo Disney Sea stimulated strong demand from individual travelers. However, both group and individual bookings for international travel slumped dramatically following the events of September 11. In CATV operations, its communications Inc. (formerly Tokyu Cable Television Co., Ltd.) reported higher revenues due to an increase in the number of subscribers to its communications services, and the growing number of joint subscriptions to both its cable television and communications services. Earnings from CATV operations on the whole declined, however, owing to an increase in costs for wiring and installation to boost the number of condominiums connected to communications terminals.

Overall, revenue from leisure and services operations increased 4.2% to ¥95,292 million, while operating loss widened by ¥2,133 million to ¥5,888 million.

5. Hotels

As part of measures implemented under the Tokyu Group Management Policy, we continued to reorganize the operations of the Tokyu Inn Chain, which is under the direct management of the parent company, and Tokyu Hotel Chain Co., Ltd. In July 2001, we integrated the reservation and sales systems of both chains by establishing the Tokyu Hotel Reservation Center. This move has helped to improve convenience for customers and operational efficiency. Cerulean Tower Tokyu Hotel has recorded strong revenues from its 414 rooms and dining facilities since opening in Tokyo's Shibuya Ward in May 2001. However, occupancy rates at overseas hotels dropped due to impact of the events of September 11.

Tokyu Hotel Chain Co., Ltd. and its 19 subsidiaries consolidated in fiscal 2001, following an exchange of shares. However, the consolidated financial statements of Tokyu Group include only the second-half operating results of Tokyu Hotel Chain, as the share exchange date fell close to the end of the interim period.
As a result of the above, revenue from hotel operations increased 47.1% year on year to ¥91,868 million, while operating loss widened by ¥1,294 million to ¥2,456 million.

6. Construction

An exacting market for capturing orders continued to shape construction operations during the period, as the private sector, particularly manufacturers, further scaled back capital expenditures, mainly intended for production facilities, and governmental financial constraints led to more public spending cutbacks. Revenue from construction operations accordingly decreased 11.5% to ¥364,618 million while operating income dropped 32.7% to ¥9,896 million.

7. Other

Revenues from food processing operations climbed as tea and other non-sugar tea-based beverages maintained their momentum from the previous year. Orders for rolling stock decreased, due to a decrease in interior refurbishing projects.

Effective from fiscal 2001, revenues from Gold Pak Co., Ltd. were included in other businesses. As a result, revenue from operations rose ¥57,465 million to ¥77,109 million, while operating income increased 35.2% to ¥2,032 million.

(2) Outlook

For the fiscal year ending March 31, 2003, Tokyu Corporation forecasts revenue from operations of ¥1,400,000 million (up 32.3% year on year), operating income of ¥73,800 million (up 40.0%), recurring income of ¥46,800 million (up 155.8%) and net income of ¥15,000 million (up 26.1%). These increases mainly reflect the inclusion of the projected results of subsidiaries Tokyu Store Chain Co., Ltd., Tokyu Logistic Co., Ltd. and Tokyu Car Corp. into the forecasts.

The projections for each operating segment are as follows:

	Revenue from Operations (¥ million)		Operating Income (¥ million)	
	Fiscal 2002 (projected)	YoY change	Fiscal 2002 (projected)	YoYchange
Transportation	268,600	17,700	40,000	6,000
Real Estate	162,400	12,000	20,600	2,100
Retail	390,200	279,500	5,800	4,900
Leisure and Services	101,300	6,000	(900)	4,900
Hotels	116,700	24,800	(1,300)	1,100
Construction	360,400	(4,200)	9,100	(700)
Other	113,600	36,400	3,400	1,300
Total	1,513,200	372,400	76,700	19,800
Eliminations/Headquarters	(113,200)	(30,500)	(2,900)	1,200
Consolidated	1,400,000	341,800	73,800	21,000

II Financial Position

Total assets as of March 31, 2002 stood at ¥2,497,041 million, down ¥2,845 million year on year. Total liabilities were ¥2,318,803 million, down ¥28,586 million. Net shareholders' equity stood at ¥156,143 million, up ¥17,076 million.

Consolidated Cash Flows

Net cash provided by operating activities was ¥65,559 million, ¥23,657 million less than the previous year, mainly on account of higher income taxes paid. Other significant components included income before income taxes of ¥23,968 million, depreciation of ¥62,308 million, which were countered by a loss on disposal of property and equipment of ¥14,000 million, contribution for construction received of ¥13,378 million.

Net cash used in investing activities was ¥70,342 million, difference of payment for the purchase of property and equipment to continue capital investment in the Transportation segment for improvements to the railway lines, which was ¥109,505 million, and income from disposal of property and equipment and intake of contribution for construction, etc. This was ¥6,920 million more than the preceding year, partially due to decline in revenue from the sales of subsidiary stocks.

Net cash used in financing activities was ¥30,846 million, ¥12,064 million less than fiscal 2000, reflecting repayment of long-term debt and payment for redemption of bonds.

As a result, cash and cash equivalents at the end of the year stood at ¥99,735 million.

4.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: ¥ mln)

Assets Section			
Item	Fiscal 2001 As of March 31, 2002	Fiscal 2000 As of March 31, 2001	Change
(Assets Section)			
Current Assets	650,865	719,489	(68,624)
Cash and deposits	100,834	125,759	(24,924)
Trade notes & accounts receivable	172,269	178,595	(6,326)
Securities	441	453	(11)
Inventories	333,053	353,161	(20,108)
Deferred tax assets	5,706	5,806	(99)
Other current assets	44,987	61,785	(16,797)
Allowance for doubtful accounts	(6,428)	(6,072)	(355)
Fixed Assets	1,846,175	1,780,396	65,778
Tangible fixed assets	1,504,391	1,453,941	50,449
Buildings & Structures	608,664	551,433	57,230
Rolling stock & machinery	64,819	68,844	(4,025)
Land	443,901	419,698	24,203
Construction in progress	366,841	393,931	(27,090)
Others	20,164	20,033	131
Intangible fixed assets	66,361	46,801	19,560
Consolidation adjusting account	26,060	7,441	18,619
Others	40,300	39,359	940
Investments & Others	275,423	279,654	(4,230)
Investment securities	169,275	179,913	(10,637)
Long-term loans receivable	3,227	3,118	108
Deferred tax assets	33,955	28,353	5,601
Others	83,985	81,989	1,995
Allowance for doubtful accounts	(15,019)	(13,720)	(1,298)
	-		
Total assets	2,497,041	2,499,886	(2,845)

Liabilities, Minority Interests and Shareholders' Equity Sections			
Item	Fiscal 2001 As of March 31, 2002	Fiscal 2000 As of March 31, 2001	Change
（Liabilities Section）			
Current Liabilities	1,131,358	1,158,301	(26,943)
Trade notes & accounts payable	189,142	186,804	2,337
Short-term debt	601,744	572,571	29,173
Current portion of long-term debt	37,640	57,300	(19,660)
Accrued income taxes	8,483	25,473	(16,989)
Reserve for guarantees on completed contracts	590	597	(6)
Reserve for employees' bonuses	11,811	11,946	(135)
Advances received	193,397	202,527	(9,130)
Commercial paper	8,000	-	8,000
Others	80,549	101,081	(20,532)
Long-term Liabilities	1,143,673	1,142,320	1,353
Corporate bonds	336,101	303,741	32,360
Long-term debt	554,238	573,304	(19,065)
Reserve for employees' retirement benefits	79,127	75,747	3,380
Reserve for directors' retirement benefits	3,307	3,554	(247)
Reserve for losses incurred in real estate development projects	-	6,238	(6,238)
Liabilities resulting from application of equity method accounting	3,432	-	3,432
Guarantee deposits	136,829	147,382	(10,552)
Deferred tax liabilities	10,176	10,637	(461)
Deferred tax liabilities from revaluation of land	7,605	7,466	138
Others	12,855	14,247	(1,391)
Special legal reserve	43,771	46,768	(2,997)
Urban Railways Improvement Reserve	43,771	46,768	(2,997)
Total Liabilities	2,318,803	2,347,390	(28,586)
（Minority Interests）			
Minority interests	22,094	13,429	8,664
（Shareholders' Equity Section）			
Common stock	108,819	107,542	1,276
Capital surplus reserve	120,702	106,222	14,479
Revaluation balance	10,871	9,291	1,579
Accumulated deficit	72,983	77,574	(4,591)
Unrealized holding gains (loss) on securities	(743)	6,679	(7,423)
Foreign currency translation adjustment account	(9,980)	(13,036)	3,056
Treasury stock	(182)	(17)	(164)
Parent company stock held by subsidiaries	(360)	(41)	(319)
Total Shareholders' Equity	156,143	139,066	17,076
Total Liabilities, Minority Interests & Shareholders' Equity	2,497,041	2,499,886	(2,845)

(2) Consolidated Statements of Income

(Unit: ¥ mln)

Item	Fiscal 2001 From April 1, 2001 To March 31, 2002	Fiscal 2000 From April 1, 2000 To March 31, 2001	Change	Percentage Change (%)
Revenue from operations	1,058,156	1,012,890	45,266	4.5
Cost of revenue from operations	1,005,437	948,515	56,921	6.0
Operating expenses & cost of sales (Transportation etc.)	886,519	841,922	44,596	5.3
SG&A expenses	118,918	106,593	12,324	11.6
Operating income	52,719	64,374	(11,654)	(18.1)
Non-operating income	9,517	9,635	(118)	(1.2)
Interest & dividends	1,560	2,543	(982)	(38.6)
Other income	7,956	7,092	863	12.2
Non-operating expenses	43,943	50,375	(6,432)	(12.8)
Interest	35,362	38,873	(3,511)	(9.0)
Equity in losses of affiliates	2,678	8,299	(5,621)	(67.7)
Other expenses	5,902	3,202	2,700	84.3
Recurring income	18,293	23,634	(5,341)	(22.6)
Extraordinary gains	31,764	55,863	(24,099)	(43.1)
Extraordinary losses	26,089	104,487	(78,397)	(75.0)
Income (loss) before income taxes	23,968	(24,988)	48,957	-
Income taxes	13,571	29,659	(16,087)	(54.2)
Income tax adjustment	322	(19,530)	19,852	-
Minority interests in losses of consolidated subsidiaries	1,817	4,954	(3,137)	(63.3)
Net income (loss)	11,891	(30,163)	42,055	-

(Note)

	Fiscal 2001 ¥ mln	Fiscal 2000 ¥ mln
Breakdown of extraordinary gains		
Contribution for construction received	13,378	1,354
Gain on sale of property and equipment	7,693	21,370
Reversal of Urban Railways Improvement Reserve	5,307	5,307
Gain on sale of subsidiary stock	151	12,650
Gain on establishment of retirement benefit trust	-	7,040
Breakdown of extraordinary losses		
Deferred loss on reduction in contribution for construction	7,510	1,339
Loss on sale of property and equipment	5,020	3,872
Provision to the Urban Railways Improvement Reserve	2,310	2,239
Valuation loss on real estate for sale	1,787	4,193
Past service costs for retirement benefits	1,513	-
Valuation loss on securities	1,444	6,116
Amortization of difference arising from adoption of retirement benefit accounting	-	69,546

(3) Consolidated Statements of Retained Earnings

(Unit: ¥ mln)

Item	Fiscal 2001 From April 1,2001 To March 31,2002	Fiscal 2000 From April 1,2000 To March 31,2001
Accumulated deficit, beginning of year	77,574	40,012
Decline in accumulated deficit	-	206
Decline in accumulated deficit due to decrease in consolidated subsidiaries	-	206
Increase in accumulated deficit	7,300	7,604
Reversal of revaluation balance	1,468	1,372
Increase in accumulated deficit due to decrease in consolidated subsidiaries	37	-
Increase in accumulated deficit due to increase in consolidated subsidiaries of equity method affiliates	38	582
Dividends	5,555	5,491
Directors' bonus	201	158
Net income (loss)	11,891	(30,163)
Accumulated deficit, end of year	72,983	77,574

(4) Consolidated Statements of Cash Flows

(Unit: ¥ mln)

Item	Fiscal 2001 From April 1, 2001 To March 31, 2002	Fiscal 2000 From April 1, 2000 To March 31, 2001	Change
Ⅰ Cash flows from operating activities			
Income (loss) before income taxes	23,968	(24,988)	48,957
Depreciation	62,308	56,185	6,123
Amortization of consolidation adjusting account	3,634	611	3,022
Decrease in employees' retirement benefit reserve	-	(37,548)	37,548
(Decrease) increase in employees' retirement benefit reserve	(5,837)	75,633	(81,471)
Establishment of employees' retirement benefit trust	-	26,516	(26,516)
Gain on establishment of employees' retirement benefit trust	-	(7,040)	7,040
Decrease in reserve for probable loss on development projects	(6,238)	(2,762)	(3,476)
Increase in liabilities of affiliates accounted for by equity method	3,432	-	3,432
Decrease in Urban Railways Improvement Reserve	(2,997)	(3,067)	70
Contribution for construction received	(13,378)	(1,354)	(12,024)
Reduction in contribution from construction	7,510	1,339	6,170
Gain on sale of subsidiary stock	(149)	(12,620)	12,470
Gain on sale of parent company stock held by subsidiaries	(11)	(287)	275
Loss on revaluation of investment securities	1,444	6,116	(4,672)
Gain on sale of property and equipment	(2,673)	(17,497)	14,824
Loss on disposal of property and equipment	14,000	14,789	(788)
Loss on revaluation of real estate for sale	1,787	4,193	(2,405)
Loss on equity-method investments	2,678	8,299	(5,621)
Gain on change in equity interest	(552)	(2,736)	2,183
Decrease in accounts receivable	9,145	9,349	(204)
Decrease in inventories	26,471	33,079	(6,608)
(Decrease) increase in accounts payable	(1,445)	1,362	(2,807)
Decrease in advances received	(12,503)	(24,385)	11,882
Decrease in guarantee deposits	(11,959)	(9,072)	(2,886)
Interest and dividend income	(1,560)	(2,543)	982
Interest expense	35,362	38,873	(3,511)
Other	(1,709)	2,935	(4,644)
Subtotal	130,726	133,380	(2,654)
Interest and dividends received	2,026	3,102	(1,076)
Interest paid	(36,540)	(38,809)	2,268
Income taxes paid	(30,652)	(8,456)	(22,195)
Net cash provided by operating activities	65,559	89,217	23,657

Ⅱ Cash flows from investing activities			
Payment for purchase of securities	-	(0)	0
Proceeds from sale of securities	196	273	(76)
Payment for purchase of property and equipment	(109,505)	(107,326)	(2,178)
Proceeds from sale of property and equipment	29,620	31,747	(2,126)
Payment for purchase of investment securities	(16,423)	(12,092)	(4,330)
Proceeds from sale of investment securities	5,010	3,040	1,970
Proceeds from sale of subsidiary stock	107	11,949	(11,841)
Payment for purchase of subsidiary stock, resulting in changes in the scope of consolidation	-	(8,063)	8,063
Proceeds for purchase of subsidiary stock, resulting in changes in the scope of consolidation	162	-	162
Proceeds from sale of subsidiary stock, resulting in changes in the scope of consolidation.	0	870	(870)
Proceeds from receipt of contribution for construction	16,297	24,127	(7,830)
Disbursement of loans receivable	(1,210)	(1,358)	147
Collection of loans receivable	1,340	2,219	(879)
Other	4,061	(8,807)	12,868
Net cash used in investing activities	(70,342)	(63,421)	(6,920)
Ⅲ Cash flows from financing activities			
Payment of short-term loans, net	(30,187)	(34,051)	3,863
Proceeds from long-term debt	94,213	111,731	(17,518)
Repayment of long-term debt	(108,008)	(92,644)	(15,364)
Proceeds from issuance of commercial paper	15,000	14,000	1,000
Redemption of commercial paper	(7,000)	(38,000)	31,000
Proceeds from bond issue	68,692	20,616	48,076
Payment for redemption of bonds	(57,300)	(23,500)	(33,800)
Gain on sale of parent company stock held by subsidiaries	22	1,101	(1,078)
Dividends paid by parent company	(5,555)	(5,491)	(63)
Proceeds from issuance of stock to minority shareholders	193	3,388	(3,194)
Dividends paid to minority shareholders	(56)	(64)	7
Other	(858)	3	(862)
Net cash used in financing activities	(30,846)	(42,910)	12,064
Ⅳ Effect of exchange rate changes on cash and cash equivalents	2,587	3,897	(1,310)
Ⅴ Increase (decrease) in cash and cash equivalents	(33,040)	(13,217)	(19,823)
Ⅵ Cash and cash equivalents at beginning of period	124,328	137,589	(13,261)
Ⅶ Decrease in cash and cash equivalents due to exclusion of subsidiary from consolidation	(289)	(44)	(245)
Ⅷ Increase in cash and cash equivalents due to inclusion of subsidiary in consolidation.	8,738	-	8,738
Ⅸ Cash and cash equivalents at end of period	99,735	124,328	(24,592)

(5) Basis of Presentation of Consolidated Financial Statements

1. Scope of Consolidation

The Tokyu Group comprises 243 consolidated subsidiaries, including Tokyu Construction Co., Ltd., Izukyu Corp., and Tokyu Tourist Corp.

The newly established Tokyu Real Estate Investment Management Inc., Tokyu Insurance Consulting Co., Ltd., Capitol Tokyu Hotel Co., Ltd. and four other companies were newly included in the scope of consolidation. Tokyu Hotel Chain Co., Ltd. became a wholly owned subsidiary through an exchange of shares. Subsequently, Tokyu Hotel Chain and its 19 subsidiaries were included in the scope of consolidation. Following the purchase of shares, Toko Shoji and three other companies were also included in the scope of consolidation.

The consolidated financial statements of Tokyu Corporation include the operating results of Tokyu Hotel Chain and its 19 consolidated subsidiaries for the second-half of the fiscal year only, as the share exchange was concluded close to the interim term-end.

Tokyu Kenzai Kogyo Co., Ltd. and Island King Inc. were excluded from consolidation as they merged with other consolidated subsidiaries. Hakodate Bus Kosan and Hokkaido Tokyu Kamotsu Soko and three other companies were liquidated and excluded from consolidation. Hokumon Bus Co., Ltd. and Kusakaru Hire were excluded from consolidation, as Tokyu sold its equity holdings in those companies. Tokyu reduced its equity holdings in Hakodate Bus Corp. through a private placement of shares, making the company a non-consolidated affiliate. Subsequently, Toyo Tire Hakodate Hambai, a subsidiary of Hakodate Bus Corp., was excluded from consolidation as it no longer qualifies as a Tokyu subsidiary.

Additionally, Aizen-en Corp. was excluded from consolidation because it has no material effect on consolidated financial statements due to the small scale of its operations.

2. Application of the Equity Method

Only one non-consolidated subsidiary, Aizen-en Corp. is accounted for by the equity method. Meanwhile, the 41 affiliates accounted for by the equity method include Tokyu Land Corp. and Tokyu Department Store Co., Ltd. The equity method of accounting was also applied to Hakodate Bus Corp., which has become a Tokyu affiliate.

Tokyu Hotel Chain Co., Ltd. and two of its subsidiaries were excluded from the application of equity method accounting, as they became consolidated subsidiaries following an exchange of shares.

Cherry Tourist, FM Atami and MSK Tokyu Machinery Co., Ltd. previously equity method affiliates, have been excluded from treatment under the equity method since Tokyu sold its equity holding in those companies.

3. Fiscal Year End of Consolidated Subsidiaries

Among the consolidated subsidiaries, Tokyu Tourist Corp. and 92 other companies close their books on a full-year basis on either December 31 or February 28. Financial statements as of their respective balance sheet dates were used for the preparation of consolidated financial statements. The consolidated financial statements were adjusted for material transactions between the fiscal year-end of subsidiaries and the Tokyu Group’s balance sheet date.

Among the consolidated subsidiaries, Three Hundred Club Co., Ltd. and seven other companies close their books on a full-year basis on May 31 or June 30. These were adjusted to reflect the financial position and results of operations as of and for years ended March 31, 2001.

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.

Other securities

Securities with market quotations

Securities with market quotations are valued at market on the balance sheet date. (The entire difference between the carrying value and the market value is capitalized. Cost of sales is 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.

(b) Derivatives

Derivatives are stated at market value.

(c) Inventories

Residential land lots and buildings are valued at cost, and the specific identification method, cost being determined by the weighted average (for the region) method. Other inventories are valued at cost, which is determined either by the specific identification method, the weighted average method , the last cost method or the first-in-first-out method.

(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 on building (excluding fixtures) acquired by the Company and its domestic subsidiaries after April 1, 1998 is computed mainly by the straight-line method. Estimated useful life of the buildings is assumed as follows:

Buildings and structures: 2-75 years

(b) Intangible fixed assets

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

(3) Deferred assets

Bond issue expenses are charged as one-time expenses to income as incurred.

(4) Reserves

(a) Reserve 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 uncollectable receivables, based on management’ estimate of collectibility, is provided when appropriate.

(b) Reserve for guarantee on completed contracts

The allowance for guarantee on completed contracts is provided for at rates based on past experience.

(c) Bonus reserve

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

(d) 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 year 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 year) over the average remaining years of service of employees, by the straight-line method. Past service liabilities are calculated by the straight-line method based on the average remaining years of service of employees.

(e) Directors' retirement benefit reserve

The allowance for directors' retirement benefits is provided for on the basis of the Company's internal rules.

(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 dates, and translation gains are accounted for as 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 year and the differences are included in 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) 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.

(8) Hedge accounting standards

(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. Foreign exchange forward contracts and currency swap contracts are allocated specific hedged risks when they meet the criteria for qualification.

(b) Hedging methods and risks hedged

Hedging method: interest rate swaps, currency swaps, foreign exchange forward contracts, interest rate cap

Risks hedged: bonds, loans payable, foreign currency denominated credits and debits, scheduled foreign exchange

(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 from their regular business operations.

(d) Assessing the effectiveness of a hedge

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

(9) Accounting for consumption tax:

The 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 amortized in the year of accrual.

7. Appropriation of retained earnings

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

8. Cash and Cash Equivalents for the Purpose of Consolidated Cash Flow Statements

For the purpose of 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.

(Accounting Changes)

(Statements of Income)

Until the fiscal year ended March 31, 2001, advertising revenues of the Company and Tokyu Bus Corp. were reported in revenue from operations, the net amount obtained after offsetting costs against revenues. Recognizing their growing importance, however, from the fiscal year ending March 31, 2002, these revenues and costs are accounted for together.

In line with this change, both revenue from operations and operating expenses for the period increased ¥4,336 million as compared with the amounts that would have been reported on the method applied in the previous year.

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Unit: ¥ mln)

	Fiscal 2001 As of March 31, 2002	Fiscal 2000 As of March 31, 2001
1. Accumulated depreciation (Tangible fixed assets)	760,439	673,845
2. Contingent liabilities	3,684	2,340
3. Notes discounted and endorsed	1,570	1,661

4. Non-consolidated subsidiaries and affiliates

The following accounts include amounts related to non-consolidated subsidiaries and affiliates as follows:

	Fiscal 2001	Fiscal 2000
Investment securities	78,842	83,573

5. Pledged assets and corresponding liabilities

Pledged assets

	Fiscal 2001	Fiscal 2000
Securities	169 (-)	99 (-)
Buildings and structures	352,723 (224,782)	349,379 (218,184)
Machinery and Autos	47,830 (45,486)	54,391 (50,365)
Land	247,602 (51,388)	276,755 (48,224)
Investment securities	14,854 (-)	14,871 (-)
Other assets	42,266 (5,228)	31,834 (6,349)
Total	705,448 (326,886)	727,332 (323,124)

Collateral-backed liabilities

	Fiscal 2001	Fiscal 2000
Short-term loans payable	88,998 (3,802)	62,179 (-)
Corporate bonds	8,801 (6,201)	9,101 (6,201)
Long-term loans payable	382,890 (246,733)	387,216 (242,455)
Others	11,574 (1,696)	14,077 (5,570)
Total	492,264 (258,434)	472,574 (254,227)

Parentheses: Assets pledged and corresponding liabilities related to borrowings from the Railway Foundation, Railway Track Foundation, Highway Traffic Business Foundation, Tourist Facilities Foundation, and Manufacturing Facilities Foundation.

6. Securities loaned

	Fiscal 2001	Fiscal 2000
Investment securities	417 (136,581thousandThaibaht)	253 (91,691thousands Thai baht)

7. Notes are accounted upon settlement. Since the balance sheet date was a business holiday, the following amount of notes receivable maturing on the balance sheet date are included in the outstanding balance of notes receivable.

	Fiscal 2001 As of March 31, 2002	Fiscal 2000 As of March 31, 2001
Notes receivable	¥1,290mln	¥1,472mln
Notes payable	¥2,258mln	¥ 813mln

8. The allowance (Fiscal 2001: ¥39,325 million, Fiscal 2000: ¥40,243 million) for “Claims in Bankruptcy and Claims in Receivership” included in the “Allowance for Doubtful Receivables” and accounted in the “Others” account in “Investments and Others,” have been deducted directly from the claims.

9. Loan disbursements related to loan commitments for consolidated subsidiaries

(Tokyu Card, INC.)

Total loan commitments	¥6,699 million
Loans extended	¥ 166 million
Remaining commitment	¥6,533 million

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	¥5,500 million
Loans extended	¥ - million
Remaining commitment	¥5,500 million

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

(Tokyu Construction Co., Ltd.)

Total loan commitments	¥2,630 million
Loans extended	¥1,668 million
Remaining commitment	¥ 962 million

Note: The above loan commitment may not be exercised in full, as the Company extends loans within limits set in light of the use of funds and the Company’s financial position.

10. Others

(Land revaluation)

Commercial land owned by Izukyu Corp. and Jotetsu Corp., consolidated subsidiaries, and equity method affiliates Tokyu Land Corp., Izukanko Kaihatsu and Tokyu Recreation Co., Ltd. as well as Nagano Tokyu Department Store Co., Ltd. (Consolidated subsidiary of Tokyu Department Store Co., Ltd., an affiliate treated under the equity method) 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 revaluation difference in proportion to its equity holding in group companies, listed under the shareholders’ equity section on the balance sheet. Method of revaluation, dates of revaluation and the book value before and after revaluation are as follows.

(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: ¥(231) million

(2) Jotetsu 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 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

Book value before revaluation: ¥7,188 million

Book value after revaluation: ¥7,520 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

Book value after revaluation: ¥(1,099) million

(4) Izu Kankokaihatsu

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 3 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998).

Date of revaluation: January 31, 2001

Difference in the value at the end of the period and the book value after revaluation: ¥ - million

(5) Tokyu Recreation Co., Ltd.

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 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 in the value at the end of the period and the book value after revaluation: ¥(113) million

(6) Nagano Tokyu Department Store Co., Ltd.

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 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated March 31, 1998).

Date of revaluation: January 31, 2001

Difference in the value at the end of the period and the book value after revaluation: ¥(1,750) million

(Notes to Consolidated Income Statements)

	Fiscal 2001	Fiscal 2000
Provision to allowance for doubtful accounts reserve	¥2,163mln	¥5,777mln
Provision to allowance for employees' bonuses	¥11,811mln	¥11,793mln
Retirement benefit costs (Provision to reserve for retirement benefit allowance)	¥11,932mln	¥78,677mln
Provision to reserve for directors' retirement allowance	¥495mln	¥467mln

(Notes to Consolidated Cash Flow Statements)

1. Reconciliation of Consolidated Cash Flow Statements

The reconciliation of cash and cash equivalents in the cash and cash equivalents in the consolidated cash flow statements and the consolidated balance sheets are as follows:

	Fiscal 2001	Fiscal 2000
Cash and deposits in banks	¥100,834mln	125,759mln
Term deposits with maturities longer than 3 months	¥(1,167)mln	¥(1,639)mln
Securities included in cash and cash equivalents	¥68mln	¥208mln
Cash and cash equivalents	¥99,735min	¥124,328mln

2. Assets and liabilities of a company which was newly consolidated through an exchange of shares

The following is a breakdown of the assets and liabilities of Tokyu Hotel Chain Co., Ltd. at the time of its conversion into a consolidated subsidiary through an exchange of shares.

Current assets	¥16,171 million
Property and Equipment	¥67,630 million
Current liabilities	¥51,918 million
Long-term liabilities	¥21,410 million
Minority interest in Income of consolidated subsidiaries	¥ 51 million

Note: The acquisition of this subsidiary did not require the use of funds since it was conducted through an exchange of shares.

5.Segment Information

Fiscal 2001 (April 1, 2001 – March 31, 2002)

(Unit: ¥ mln)

	Transportation	Real Estate	Retail	Leisure and Services	Hotels	Construction	Other	Total	Elimination/ Headquarters	Consolidated
Ⅰ Revenues / Operating . income										
Revenue from operations										
(1) Outside customers	248,451	144,208	108,555	93,892	91,647	315,327	56,074	1,058,156	-	1,058,156
(2) Inter-segment Internal revenues or transfers	2,416	6,140	2,127	1,399	221	49,291	21,034	82,631	(82,631)	-
Total	250,867	150,349	110,682	95,292	91,868	364,618	77,109	1,140,788	(82,631)	1,058,156
Operating expenses	216,912	131,868	109,855	101,180	94,324	354,722	75,077	1,083,941	(78,504)	1,005,437
Operating income	33,955	18,480	827	(5,888)	(2,456)	9,896	2,032	56,846	(4,127)	52,719
Ⅱ Assets, depreciation and capital expenditure										
Assets	702,966	768,542	75,933	240,849	187,680	307,173	131,634	2,414,779	82,261	2,497,041
Depreciation	29,636	13,776	1,250	7,086	6,647	955	1,744	61,098	1,210	62,308
Capital expenditure	62,120	24,188	1,974	4,004	12,216	465	3,377	108,347	(2,491)	105,856

Fiscal 2000 (April 1, 2000 – March 31, 2001)

(Unit: ¥ mln)

	Transportation	Real Estate	Retail	Leisure and Services	Const.	Other	Total	Elimination/ Headquarters	Consolidated
Ⅰ Revenues/Operating income									
Revenue from operations									
(1)Outside customers	256,632	145,347	98,708	149,128	348,920	14,152	1,012,890	-	1,012,890
(2)Inter-segment Internal revenues or transfers	3,162	4,723	2,716	1,468	63,274	5,491	80,837	(80,837)	-
Total	259,795	150,071	101,424	150,597	412,195	19,643	1,093,727	(80,837)	1,012,890
Operating expenses	223,040	127,724	101,129	155,540	397,481	18,141	1,023,058	(74,542)	948,515
Operating income	36,754	22,347	294	(4,943)	14,713	1,502	70,669	(6,294)	64,374
Ⅱ Assets, depreciation and capital expenditure									
Assets	703,960	788,993	79,067	320,837	322,512	97,269	2,312,639	187,246	2,499,886
Depreciation	29,047	11,701	1,206	10,686	1,885	433	54,961	1,223	56,185
Capital expenditure	75,773	20,238	1,663	10,135	2,425	877	111,115	(3,798)	107,316

Notes

1. Operating Segments

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

(Business segment changes)

The “Hotels” segment was included as part of “Leisure and Services” until the end of the fiscal year ended March 31, 2001. The decision to create a new segment for hotels was taken in light of the increase in new consolidated subsidiaries and the importance of hotel operations to the Group’s overall business activities.

Until the fiscal year ended March 31, 2001, Tokyu Bus Corp. was included as part of "Transportation." However, given the rising importance of this company's revenue from operations and operating income to businesses peripheral to transportation operations, Tokyu Bus Corp. has also been included under "Real Estate" and "Leisure and Services" from the period under review.

Tokyu Corp.'s travel agencies and restaurants located within train station complexes were formerly categorized under "Transportation" as peripheral businesses. From the period under review, these businesses have been included instead under "Real Estate" due to their operation combined with other assets in line with the realignment of business segments and organizational changes at the parent company.

For reference purposes, segmental results for prior accounting periods utilizing the new categorization of business segments are restated as follows:

Fiscal 2000 (April 1, 2000 - March 31, 2001)

(Unit: ¥ mln)

	Transportation	Real Estate	Retail	Leisure and Services	Hotels	Const.	Other	Total	Elimination / Headquarters	Consolidated
I.Revenues/Operating income										
Revenue from operations										
(1) Outside customers	250,360	148,353	98,708	90,087	62,308	348,920	14,152	1,012,890	-	1,012,890
(2) Inter-segment Internal revenues or transfers	3,162	4,723	2,716	1,348	145	63,274	5,491	80,862	(80,862)	-
Total	253,522	153,077	101,424	91,435	62,453	412,195	19,643	1,093,753	(80,862)	1,012,890
Operating expenses	217,255	130,270	101,129	95,190	63,615	397,481	18,141	1,023,083	(74,568)	948,515
Operating income	36,266	22,807	294	(3,754)	(1,161)	14,713	1,502	70,669	(6,294)	64,374
II. Assets, depreciation and amortization										
Assets	688,593	793,400	79,067	242,600	76,775	322,512	97,269	2,300,219	199,667	2,499,886
Depreciation	28,868	11,863	1,206	7,256	3,446	1,885	433	54,961	1,223	56,185
Capital expenditure	75,451	20,360	1,663	7,031	3,304	2,425	877	111,115	(3,798)	107,316

2. Description of operating segments

- Transportation: railway operations, bus operations and cargo transportation
- Real Estate: real estate sales, real estate leasing and real estate management
- Retail: retail operations and general trading operations
- Leisure and Services: travel agency, golf course operations and CATV operations
- Hotels: hotel operations
- Construction: civil engineering works, buildings and general construction
- Other: maintenance of rolling stock for railway operations and food products manufacturing

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

4. Total assets of the entire Group, including eliminated assets and all items in the previous period and the period under review, were ¥326,433 million and ¥246,878 million respectively. Primary factors were working capital of the parent company, long-term investments and assets concerned with management.
Total assets of the entire Group, including eliminated assets and all items in the previous period calculated based

on the business categories of the period under review is ¥338,854 million.

5. Accounting Changes

As stated in the "Basis of Presenting the Consolidated Financial Statements" and in "Accounting Changes," until the fiscal year ended March 31, 2001, advertising revenues of the Company and Tokyu Bus Corp. were reported in revenue from operations, the net amount obtained after offsetting costs against sales. Recognizing their growing importance, however, from the fiscal year ending March 31, 2002, these revenues and costs are accounted for together. As a result of this change, both revenue from operations and operating expenses for the period increased ¥4,336 million as compared with the amounts that would have been reported if the method applied in the corresponding period of the prior fiscal year had been applied.

(2) Geographical Segment Information

Fiscal 2001 (April 1, 2001 - March 31, 2002), Fiscal 2000 (April 1, 2000 - March 31, 2001):

Geographical segment information is not included since the amount of revenue from domestic operations and domestic assets represents more than 90% of the total amount of revenues and assets for all segments, respectively.

(3) Overseas sales

Fiscal 2002 (April 1, 2001 - March 31, 2002), Fiscal 2001 (April 1, 2000 - March 31, 2001):

Overseas revenue is not disclosed since it represents less than 10% of total consolidated revenue from operations.

6. Leases

(1) Finance lease transactions other than those by which the ownership of leased assets is transferred to lessees. (Lessees).

a. The acquisition cost equivalents, accumulated depreciation equivalents, and balance equivalents of leased assets at the end of period

	Fiscal 2001 Year End			Fiscal 2000 Year End		
	Acquisition cost equivalents	Accumulated depreciation equivalents	Balance equivalents at the end of period	Acquisition cost equivalents	Accumulated depreciation equivalents	Balance equivalents at the end of period
	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln
Machinery & Autos	7,737	5,143	2,593	8,293	5,509	2,784
Others	17,648	9,984	7,663	17,495	9,457	8,037
Total	25,385	15,128	10,257	25,789	14,967	10,821

Note: Since outstanding lease commitments (as of the end of the period), constitute an immaterial portion of tangible fixed assets (as of the end of the term), acquisition cost equivalents are computed by the interest-inclusive method.

	(Fiscal 2001 Year End)	(Fiscal 2000 Year End)
b. Outstanding lease commitment equivalents	¥ mln	¥ mln
Within 1 year	3,669	3,732
More than 1 year	6,588	7,089
Total	10,257	10,821

Note: Since outstanding lease commitments (as of the end of the period), constitute an immaterial portion of tangible fixed assets (as of the end of the period), outstanding lease commitment equivalents are computed by the interest-inclusive method.

	(Fiscal 2001 Year End)	(Fiscal 2000 Year End)
c. Lease rental charge and depreciation equivalents	¥ mln	¥ mln
Lease rental charge	3,939	4,105
Depreciation equivalents	3,939	4,105

d. Method of calculating depreciation equivalents

Depreciation equivalents are calculated assuming the lease period to be the useful life and residual value to be zero.

(2) Operating leases (Lessees)

	(Fiscal 2001 Year End)	(Fiscal 2000 Year End)
Outstanding lease commitment equivalents	¥ mln	¥ mln
Within 1 year	3,071	2,393
More than 1 year	22,905	22,023
Total	25,977	24,417

(3) Finance lease transactions other than those by which the ownership of leased assets is transferred to lessees.

（Lessor）

a. The acquisition cost equivalents, accumulated depreciation equivalents, and balance equivalents of leased assets at the end of period

	Fiscal 2001 Year End			Fiscal 2000 Year End		
	Acquisition cost equivalents	Accumulated depreciation equivalents	Balance equivalents at the end of period	Acquisition cost equivalents	Accumulated depreciation equivalents	Balance equivalents at the end of period
	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln
Machinery & Autos	13	11	1	16	14	1
Others	8,582	4,955	3,626	9,163	4,696	4,467
Total	8,595	4,967	3,628	9,179	4,710	4,468

b. Outstanding lease commitment equivalents	(Fiscal 2001 Year End) ¥ mln	(Fiscal 2000 Year End) ¥ mln
Within 1 year	1,398	1,507
More than 1 year	2,229	2,961
Total	3,628	4,468

Note: Since the total of outstanding lease commitment equivalents (as of the end of the period) and the estimated residual value, constitute an immaterial portion of accounts receivable (as of the end of the period), the outstanding lease commitment equivalents are computed by the interest-inclusive method.

c. Lease rental receivable and depreciation	(Fiscal 2001 Year End) ¥ mln	(Fiscal 2000 Year End) ¥ mln
Lease rental receivable	1,511	1,625
Depreciation	1,511	1,625

(4) Operating Leases（Lessor）

Outstanding lease commitments	(Fiscal 2001 Year End) ¥ mln	(Fiscal 2000 Year End) ¥ mln
Within 1 year	367	297
More than 1 year	843	232
Total	1,210	529

7. *Related Party Transactions*

Fiscal 2001 (April 1, 2001 - March 31, 2002):

Directors and Principal Individual Shareholders

Party	Name	Address	Paid-in Capital	Business Details	Shareholder voting rights (Yes/No) Ratio	Relationship	Transaction Type	Transaction Amount (¥ million)	Category
Director	Yasuhiro Yamaguchi	-	-	Executive Vice President & Representative Director of Tokyu	No Direct 0.0%	-	Construction work	39	-

Note: The above amount excludes consumption tax.

Transaction Conditions: same as general transactions involving construction work.

Fiscal 2000 (April 1, 2000 - March 31, 2001): None

8. *Deferred Tax Accounting*

Significant components of deferred tax assets and liabilities (Unit: ¥ mln)

	Fiscal 2001	Fiscal 2000
Deferred Tax Assets		
Net operating loss carryforwards	56,310	47,329
Retirement and severance benefits	36,612	32,930
Allowance for doubtful accounts	13,832	13,807
Land and residential housing	12,063	13,267
Securities	11,089	13,008
Unrealized intercompany gains	7,472	8,296
Construction inventories	6,974	5,860
Property and equipment	3,398	438
Accrued bonuses to employees	3,198	2,585
Liabilities arising from equity method accounting	1,437	-
Reserve for losses incurred in real estate development projects	-	2,626
Reserve for directors' retirement benefits	1,380	1,487
Accrued business tax deductible in income taxes	1,007	2,421
Others	4,899	3,536
Gross Deferred Tax Assets	159,679	147,595
Less: Valuation allowances	(108,755)	(99,130)
Total Deferred Tax Assets	50,923	48,464
Deferred Tax Liabilities		
Gain from revaluation of land	(9,809)	(9,448)
Advance received	(7,754)	(6,335)
Unrealized holding gains on securities	(210)	(4,657)
Deferral of gain on sales of fixed assets	(73)	(1,164)
Other	(3,596)	(3,338)
Total Deferred Tax Liabilities	(21,443)	(24,944)
Net Deferred Tax Assets	29,479	23,519
Deferred tax liabilities on gain from revaluation of land		
Deferred tax liabilities from revaluation of land	(7,605)	(7,466)
Total Deferred Tax Liabilities	(7,605)	(7,466)

Note: Net deferred tax assets for fiscal 2000 and fiscal 2001 were included in the following balance sheet items.

(¥ mln)

	Fiscal 2001	Fiscal 2000
Current assets – deferred tax assets	¥ 5,706	¥ 5,806
Property and equipment– deferred tax assets	¥33,955	¥28,353
Current liabilities – other	¥ 6	¥ 2
Long-term debt - deferred tax liabilities	¥10,176	¥10,637
Long-term debt – deferred tax liabilities from revaluation of land	¥ 7,605	¥ 7,466

3. The effective tax rate for fiscal 2001 differed from the normal tax rate for the following reasons:

	Fiscal 2001
Computed normal tax rate	42.1%
Entertainment expenses	4.0%
Dividend income deducted from earnings	(2.2)%
Valuation allowances	(8.6)%
Consolidation adjusting account	6.4%
Equity in income of non-consolidated subsidiaries and affiliates	4.7%
Tax differences on unrealized gains and others	10.0%
Resident income taxes	1.6%
Effective tax rate	58.0%

Figures for the fiscal 2000 are not presented since the Company recorded a net loss in that year.

９. Securities

Fiscal 2001（As of March 31, 2002）

（１） Bonds held to maturity (with market quotations) （Unit: ¥ mln）

	Instrument	Book value	Market value	Unrealized gain or loss
Securities with market quotations exceeding their carrying values on consolidated balance sheets	（１）JGB, Municipal bonds	467	487	19
	（２）Corporate bonds	-	-	-
	（３）Others	159	159	0
	Subtotal	626	646	19
Securities with market quotations below their carrying values on consolidated balance sheets	（１）JGB, Municipal bonds	11	10	(1)
	（２）Corporate bonds	100	95	(4)
	（３）Others	18	17	(0)
	Subtotal	129	123	(5)
Total		756	770	13

（２） Other securities (with market quotations) （Unit: ¥ mln）

	Instrument	Acquisition cost	Book value	Unrealized gain or loss
Securities with market quotations exceeding their carrying values on consolidated balance sheets	（１）Equity securities	23,518	30,849	7,331
	（２）Debt securities			
	JGB, Municipal bonds	1,096	1,129	32
	Corporate bonds	34	38	3
	Others	-	-	-
	（３）Other securities	64	65	0
	Subtotal	24,715	32,082	7,367
Securities with market quotations below their carrying values on consolidated balance sheets	（１）Equity securities	31,344	22,737	(8,606)
	（２）Debt securities			
	JGB, Municipal bonds	348	343	(5)
	Corporate bonds	-	-	-
	Others	-	-	-
	（３）Other securities	277	243	(33)
	Subtotal	31,971	23,325	(8,645)
Total		56,686	55,407	(1,278)

Note: The acquisition cost represents book value after write downs. The Company wrote down ¥1,187 million in other securities with market quotations.

(3) Other securities sold in fiscal 2002

(Unit: ¥ mln)

Proceeds from sale	Total gain on sale	Total loss on sale
4,007	688	307

(4) Securities not valued at market

(Unit: ¥ mln)

	Book value
1. Bonds held to maturity	
Matured interest-bearing govt. bonds	10
Privately placed bonds	1
2. Other securities	
Unlisted stock（Excluding OTC stocks）	34,630
Money management fund	68

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

（Unit: ¥ mln）

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 years
1. Bonds				
（1）JGB, municipal bonds	212	1,743	5	1
（2）Corporate bonds	5	133	-	-
（3）Others	113	135	17	-
Total	331	2,012	22	1

2. Fiscal 2000（As of March 31, 2001）

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

(Unit: ¥ mln)

	Instrument	Book value	Market value	Unrealized gain or loss
Securities with market quotations exceeding their carrying values on consolidated balance sheets	（1）JGB, Municipal bonds	673	721	48
	（2）Corporate bonds	22	26	3
	（3）Others	170	173	2
	Subtotal	866	921	54
Securities with market quotations below their carrying values on consolidated balance sheets	（1）JGB, Municipal bonds	11	10	(0)
	（2）Corporate bonds	100	89	(10)
	（3）Others	50	48	(1)
	Subtotal	161	148	(13)
Total		1,028	1,069	41

(2) Other securities (with market quotations)

(Unit: ¥ mln)

	Instrument	Acquisition cost	Book value	Unrealized gain or loss
Securities with market quotations exceeding their carrying values on consolidated balance sheets	（1）Equity securities	33,197	45,939	12,742
	（2）Debt securities			
	JGB, Municipal bonds	995	998	3
	Corporate bonds	14	15	0
	Others	-	-	-
	（3）Other securities	200	202	2
	Subtotal	34,407	47,155	12,748
Securities with market quotations below their carrying values on consolidated balance sheets	（1）Equity securities	18,972	17,177	(1,795)
	（2）Debt securities			
	JGB, Municipal bonds	-	-	-
	Corporate bonds	-	-	-
	Others	-	-	-
	（3）Other securities	110	100	(10)
	Subtotal	19,083	17,277	(1,805)
Total		53,490	64,433	10,942

Note: The acquisition cost represents book value after write downs. The Company wrote down ¥3,794 million in other securities with market quotations.

(3) Other securities sold in fiscal 2001

(Unit: ¥ mln)

Proceeds from sale	Total gain on sale	Total loss on sale
3,513	1,690	310

(4) Securities not valued at market

(Unit: ¥ mln)

	Book value
1．Bonds held to maturity	
Matured interest-bearing govt. bonds	8
2．Other securities	
Unlisted stock（Excluding OTC stocks）	31,113
Commercial paper	100
Money management fund	88
Medium-term JGB fund	20

(5) Projected future redemption of securities with maturities and bonds held to maturity

（Unit: ¥ mln）

	Less than 1 year	1 to 5 years	5 to 10 years	Longer than 10 years
1．Bonds				
（1）JGB, municipal bonds	174	1,512	5	-
（2）Corporate bonds	-	138	-	-
（3）Others	170	150	-	-
2．Other investment trusts	-	48	20	-
Total	344	1,849	25	-

10. Derivative Transactions

(1) Currency related

(Unit: ¥ mln)

Item	Instrument	Fiscal 2001 (As of March 31,2002) Contracted amount	Over 1 year	Market value	Valuation Gain/loss	Fiscal 2000 (As of March 31,2001) Contracted amount	Over 1 year	Market value	Valuation gain/loss
Off-floor transactions	Transactions denominated in:								
	US Dollars	296	-	305	8	-	-	-	-
	Swiss Francs	27	-	28	0	-	-	-	-
	Australian Dollars	32	-	33	0	-	-	-	-
Total		357	-	366	9	-	-	-	-

Note:

Fiscal 2001

(As of March 31, 2002)

1. Market value amounts are based on quotations on the futures market.

2. Derivatives treated under the hedge accounting method are undisclosed. .

Fiscal 2000

(As of March 31, 2001)

1. Market value is calculated on the basis of rates provided by financial institutions with whom the Company has entered into derivative transactions.

2. Derivatives treated under the hedge accounting method are undisclosed.

(2) Interest rate related

(Unit: ¥ mln)

Item	Instrument	Fiscal 2001 (As of March 31,2002) Contracted amount	Over 1 year	Market value	Valuation Gain/loss	Fiscal 2000 (As of March 31,2001) Contracted amount	Over 1 year	Market value	Valuation gain/loss
Off-floor transactions	Interest rate swaps								
	Floating payment/Fixed receipt	1,400	1,400	(100)	(100)	2,000	1,000	67	67
Total		1,400	1,400	(100)	(100)	2,000	1,000	67	67

Note:

Fiscal 2001

(As of March 31, 2002)

1. Market value is calculated on the basis of rates provided by financial institutions with whom the Company has entered into derivative transactions.

2. Derivatives treated under the hedge accounting method are not disclosed.

Fiscal 2000

(As of March 31, 2001)

1. Market value is calculated on the basis of rates provided by financial institutions with whom the Company has entered into derivative transactions.

2. Derivatives treated under the hedge accounting method are not disclosed.

11. Retirement and Severance Benefits

(1) Employees retirement benefit system

The Company and its subsidiaries have defined-benefit pension plans consisting of Welfare Pension Insurance, qualified retirement benefit plans, the Small Enterprise Mutual Aid System for Retirement Fund and severance indemnity plans. 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.

Certain subsidiaries outside Japan have defined contribution pension plans. The Company has also established a retirement benefit trust.

(2) Retirement benefit liabilities

(Unit: ¥ mln)

		Fiscal 2001	Fiscal 2000
a.	Retirement benefit liabilities	(163,550)	(168,319)
b.	Pension fund assets	68,765	80,942
c.	Unfunded retirement benefit liabilities (a + b)	(94,784)	(87,376)
d.	Unrecognized retirement assets	(101)	-
e.	Unamortized difference resulting from changes in accounting standards	-	-
f.	Unrecognized actuarial liabilities	21,262	12,122
g.	Unrecognized prior service liabilities	(5,395)	-
h.	Net carried on consolidated balance sheets (c + d + e + f)	(79,018)	(75,253)
i.	Prepaid pension costs	109	493
j.	Reserve for retirement allowance (g - h)	(79,127)	(75,747)

Notes

Fiscal 2001

1. Certain consolidated subsidiaries use a simplified approach to computing retirement benefits.
2. The above breakdown excludes pension fund assets of ¥578 million in the National Pension Fund. (Two consolidated subsidiaries remain in the Tokyo Trucking National Trucking Fund after one subsidiary withdrew).

Fiscal 2000

1. Certain consolidated subsidiaries use a simplified approach to computing retirement benefits.
2. The above breakdown excludes pension fund assets of ¥1,890 million in the National Pension Fund.
   (Covering three consolidated subsidiaries in the Tokyo Trucking National Trucking Fund).

(3) Retirement benefit expenses

(Unit: ¥ mln)

	Fiscal 2001	Fiscal 2000
a. Service expense	6,635	6,383
b. Interest expense	4,528	4,292
c. Expected returns	(1,555)	(1,544)
d. Amortization of difference arising from change of accounting standards	-	69,546
e. Amortization of difference arising from actuarial valuation.	1,146	-
f. Amortization of past service liability	(336)	-
g. Past service costs	1,513	-
k. Retirement benefit expenses (a + b; c + d + e + f)	11,932	78,677

Notes

Fiscal 2001 (March 31, 2002)

1. Apart from the above retirement benefit expense, the Company paid additional retirement benefits of ¥433 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. Consolidated subsidiaries with accounting periods ending in December entered their first year of application of new accounting standards for retirement benefits. The company has recorded the difference between retirement benefits liabilities calculated from estimates in the preceding fiscal year and those calculated from the number of employees and base retirement benefit liabilities of March 31, 2002, as amortization of past service liability. This amount was charged to income as an extraordinary loss in fiscal 2001.

Fiscal 2000 (March 31, 2001)

1. In addition to the above retirement benefit expense, the Company paid an additional retirement benefits of ¥1,073 million. These were charged to income as an extraordinary loss.
2. Same as above

(4) Basis of presentation of retirement benefit liabilities

Fiscal 2001

a.	Allocation of estimated retirement benefit amounts:	Straight line
b.	Discount rate:	Primarily 3.0%
c.	Expected rate of return:	Primarily 3.0%
d.	Amortization period for past service liabilities:	Primarily 13 years
e.	Amortization period of actuarial differences:	Primarily 15 years
f.	Amortization period of difference arising from changes in accounting standards:	—

Fiscal 2000

a.	Allocation of estimated retirement benefit amounts:	Straight line
b.	Discount rate:	Primarily 3.0%
c.	Expected rate of return:	Primarily 3.0%
d.	Amortization period for past service liabilities:	—
e.	Amortization period of actuarial differences:	Primarily 15 years
f.	Amortization period of difference arising from changes in accounting standards:	1 year

12. Other

I. Issuance of Unsecured Bonds

At the meeting of the Board of Directors on March 4, 2002, the following conditions were set for the issuance of unsecured bonds.

(1) The 52nd Issuance of Unsecured Bonds

a) Total amount of bond issue:	¥20.0 billion
b) Issue price:	¥100 with a par value of ¥100
c) Interest rate	1.20% per annum
d) Payment date:	April 3, 2002
e) Redemption date:	April 5, 2005
f) Use of funds:	Bond redemption and capital investment programs

(2) The 53rd Issuance of Unsecured Bonds

a) Total amount of bond issue:	¥10.0 billion
b) Issue price:	¥100 with a par value of ¥100
c) Interest rate	1.35% per annum
d) Payment date:	April 3, 2002
e) Redemption date:	April 5, 2006
f) Use of funds:	Bond redemption and capital investment programs

(3) Financial Covenants

In the event that the Company confers rights to collateral upon bondholders of unsecured bonds already issued in Japan or to be issued subsequently (including cases where said bondholders are granted collateral rights to the Company's assets or the Company's assets are pledged as collateral to said bondholders) the holders of the Bonds shall be granted equal claims to collateral, as prescribed by the Secured Debenture Trust Law. Moreover the Company will grant collateral rights, or add, replace, or exclude assets pledged as collateral, as deemed necessary by the bond management company.

In the event that the above financial covenants are violated, the Company will forfeit the right to benefit from the use of funds through to maturity.

II. Reduction of the Capital Surplus Reserve and Earned Surplus Reserve

At the meeting held on May 27, 2002, the Board of Directors resolved to reduce capital surplus reserve and earned surplus reserve. The resolution is subject to approval at the general shareholders meeting on June 27, 2002.

(1) Rational for Reducing Capital Surplus Reserve and Earned Surplus Reserve

The reduction of capital surplus reserve and earned surplus reserve will allow the Tokyu Group to execute financial policies with greater flexibility. Tokyu will be able to increase profit available for dividends to shareholders and use a variety of means such as to buyback treasury stock pursuant to Article 289-2 of the Japanese Commercial Code. The Company will transfer funds from the capital surplus account to retained earnings, and funds from earned surplus reserve to unappropriated profits.

(2) Amount of Reduction of the Capital Surplus Reserve and Earned Surplus Reserve

Decrease in capital surplus reserve: ¥90,466,220,502

Decrease in earned surplus reserve: ¥13,002,900,838

The residual values of capital surplus reserve and earned surplus reserve after the reduction, are ¥27,204,962,899 and zero, respectively.

(3) Effective Date of Reduction

Meeting of the Board of Directors: May 27, 2002.

General Shareholders Meeting: June 27, 2002 (planned).

The effective date of the reduction is scheduled for early August, after creditors have had a chance to file motions of opposition.

Note: The reduction in the capital surplus reserve and the earned surplus reserve are subject to approval at the general shareholders meeting on June 27, 2002.

III. Acquisition of Treasury Stock

At the meeting held on May 27, 2002, the Board of Directors resolved to acquire treasury stock in accordance with Article 210 of the Japanese Commercial Code. The resolution is subject to approval at the general shareholders meeting on June 27, 2002.

i. Rational for Acquisition of Treasury Stock

The acquisition of treasury stock pursuant to Article 210 of the Japanese Commercial Code will allow Tokyu to execute financial strategies with greater flexibility.

ii. Details of Acquisition of Treasury Stock

Class of Shares to be Acquired: Tokyu common stock

Number of shares to be acquired: Up to 20 million shares

(This figure represents 1.78% of total number of shares issued and outstanding.)

Total Value of shares to be acquired: Up to ¥10.0 billion

Note: The above is subject to approval at the general shareholders meeting on June 27, 2002.

IV. Transfer of Hotel Business

At the May 27, 2002 meeting of the Board of Directors, the Company resolved to transfer the Company's hotel business to Tokyo Hotel Chain Co., Ltd., a wholly owned subsidiary.

Following the approval of this resolution at the general shareholders' meeting planned for June 27, 2002, the transfer of the hotel business will occur on April 1, 2003.

The company, in the Tokyu Group Management Policy announced in April 2000, positions hotel operations as a core business. This recognition has spurred on a series of actions aimed at realigning Tokyu's domestic hotel operations.

In January 2001, the Tokyu Group established a wholly owned subsidiary Tokyu Hotel Management Co., Ltd. to operate the hotels in Japan. In April 2001, operation of the "Tokyu Inn Chain" was transferred from Tokyu Corporation to the new subsidiary and in July Tokyu Hotel Chain Co., Ltd. became a wholly owned consolidated subsidiary of the Company through an exchange of shares. In addition, on April 1, 2002, the hotel chains, "Tokyu Hotel Chain" and "Tokyu Inn Chain" were integrated into a single chain called "Tokyu Hotels." Currently, the each hotel belonging to the Tokyu Hotels chain is operated by either Tokyu Corporation or Tokyu Hotel Chain Co., Ltd. Tokyu Corporation will transfer its hotel business to Tokyu Hotel Chain Co., Ltd. in order to consolidate hotel management and build an efficient and agile management system based on an integrated strategy.

V. Tokyu Car Corp. Becoming a Wholly Owned Subsidiary through a Share Exchange

At the respective meetings of the Boards of Directors held on April 25, 2002, the Company and equity-method affiliate Tokyu Car Corp. resolved to convert Tokyu Car Corp. into a wholly owned subsidiary through a share exchange and a memorandum of understanding on the share exchange was signed on the same day. The agreement was concluded following the approval at respective meetings of the Board of Directors of both companies on May 25, 2002.

The companies plan to conduct the share exchange on October 1, 2002, subject to approval at general shareholders' meetings of both companies on June 27, 2002,

The Company and Tokyu Car Corp. have decided to pursue this course for the following reasons:

(1) Tokyu Car Corp. must accelerate business restructuring, focusing on its core competencies

(2) The effective use of Tokyu Car's resources will enhance the corporate value of the entire Tokyu Group

(3) Tokyu Car Corp. must be capable of rapid decision making in light of the group-wide business strategies of the Tokyu Group

Following the conversion of Tokyu Car Corp. into a wholly owned subsidiary through a share exchange, the subsidiary will be classified as a designated subsidiary under Cabinet Office Ordinance 19, Article 7, Number 3 Concerning Corporate Disclosure.