

# Tokyu Corporation

## Interim Consolidated Financial Statements

**(April 1, 2006 – September 30, 2006)**

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.

## SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the interim period ended September 30, 2006

### Tokyu Corporation

Stock Code:	9005	Listed exchanges:	Tokyo
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President	Toshiaki Koshimura		Accounting, Group Strategy & IR Division
Date of the meeting of the board of directors:	Nov. 15, 2006	Telephone:	81-3-3477-6168
U.S. GAAP:	Not adopted		<i>* Amounts less than ¥1 million have been ignored.</i>

November 15, 2006

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2006

#### 1) Consolidated Operating Results

*Millions of yen*

	April 1, 2006 to September 30, 2006		April 1, 2005 to September 30, 2005		April 1, 2005 to March 31, 2006
		Change (%)		Change (%)	
Operating revenue .....	673,886	(1.1)	681,314	32.7	1,388,554
Operating profit .....	37,900	(18.9)	46,760	1.0	85,654
Recurring profit.....	36,867	7.7	34,219	(17.8)	74,052
Net income .....	28,877	220.1	9,022	(48.5)	41,962
Net income per share (¥) .....	¥24.40		¥7.71		¥35.64
Net income per share (diluted) (¥) .....	¥22.91		¥7.21		¥33.34

Notes: (1) Equity in income (losses) of equity-method affiliates and unconsolidated subsidiaries: April 1, 2006 to Sept. 30, 2006: ¥2,565 million; April 1, 2005 to Sept. 30, 2005: ¥(8,937) million; April 1, 2005 to March 31, 2006: ¥(3,251) million

(2) Average number of shares outstanding (consolidated) during the period: April 1, 2006 to Sept. 30, 2006: 1,183,602,569 shares; April 1, 2005 to Sept. 30, 2005: 1,171,025,600 shares; April 1, 2005 to March 31, 2006: 1,175,313,320 shares.

(3) Changes to accounting principles: No

(4) Percentages for operating revenue, operating profit, recurring profit and net income represent changes from the previous interim period.

#### 2) Consolidated Financial Position

*Millions of yen*

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Total assets.....	1,892,160	2,019,534	2,021,268
Net assets .....	304,259	218,495	258,728
Equity ratio (%).....	14.6%	10.8%	12.8%
Net Assets per share (¥) .....	¥233.38	¥185.77	¥218.53

Notes: (1) Outstanding shares (consolidated) at:

September 30, 2006: 1,183,538,503 shares    September 30, 2005: 1,176,177,706 shares    March 31, 2006: 1,183,612,753 shares

(2) Prior to the change in accounting standards net assets as of September 30, 2006 were ¥276,220 million. (Please refer to p.19 of the appendix)

#### 3) Consolidated Cash Flows

*Millions of yen*

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	April 1, 2005 to March 31, 2006
Operating activities.....	72,320	72,653	160,852
Investing activities .....	(15,547)	(6,546)	(49,158)
Financing activities.....	(68,100)	(82,488)	(128,439)
Cash and cash equivalents at end of period.....	26,025	49,176	49,032

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

Number of consolidated subsidiaries .....	187
Number of non-consolidated subsidiaries accounted for by the equity method .....	8
Number of affiliates accounted for by the equity method .....	19

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

Consolidated subsidiaries	Newly included:	1	Excluded:	10
Affiliates accounted for by the equity method	Newly included:	6	Excluded:	1

### 2. Consolidated Forecast for the Fiscal Year Ending March 31, 2007

*Millions of yen*

	April 1, 2006 to March 31, 2007
Operating revenue .....	1,380,000
Recurring profit.....	76,000
Net income .....	43,000

Reference: Net income per share forecast for the fiscal year ending March 31, 2007 (consolidated): ¥36.33

Note: The forecast results presented above are based on information available on the date of this earnings release and assumptions regarding a number of uncertain factors that may affect future results. Actual results may differ substantially from forecasts depending on a number of factors. Please refer to page 10 for more details on these forecasts.

# 1. The Tokyu Group

The Tokyu Group comprises 196 subsidiaries and 23 affiliates. Their main business operations are as follows.

## Description of Principal Business Lines as of the End of the Interim Period:

### Transportation

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

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

### Real Estate

**Real estate sales:** Tokyu Corporation'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. Tokyu Land Corp. is engaged in residential land development and marketing, and the construction and marketing of detached houses, medium-rise condominiums, and resort housing. Tokyu Land Corp. is also engaged in joint marketing of detached houses, a system in which Tokyu Land Corp. works with Tokyu Corporation to build and market detached houses on residential land developed by Tokyu Corporation.

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

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

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

### Retail

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

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

**Shopping center operations:** Tokyu Malls Development Inc., a consolidated subsidiary, operates city-oriented fashion malls mainly in the Shibuya district of Tokyo, and also operates commercial facilities mainly in the area around Tokyu's railway lines.

## **Leisure and Services**

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

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

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

## **Hotels**

In Japan, consolidated subsidiary Tokyu Hotels Co., Ltd. operates four hotel brands: Tokyu Hotel, Excel Hotel Tokyu, Tokyu Inn, and Tokyu Resorts (Total: 45 directly managed hotels as of the end of September 2006), which together comprise the "Tokyu Hotels" chain.

Overseas, consolidated subsidiary Pan Pacific Hotels and Resorts Pte. Ltd. operates hotels and provides hotel management services and manages 12 hotels in 10 countries, most of which are located in the Asia-Pacific region.

## **Other**

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

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

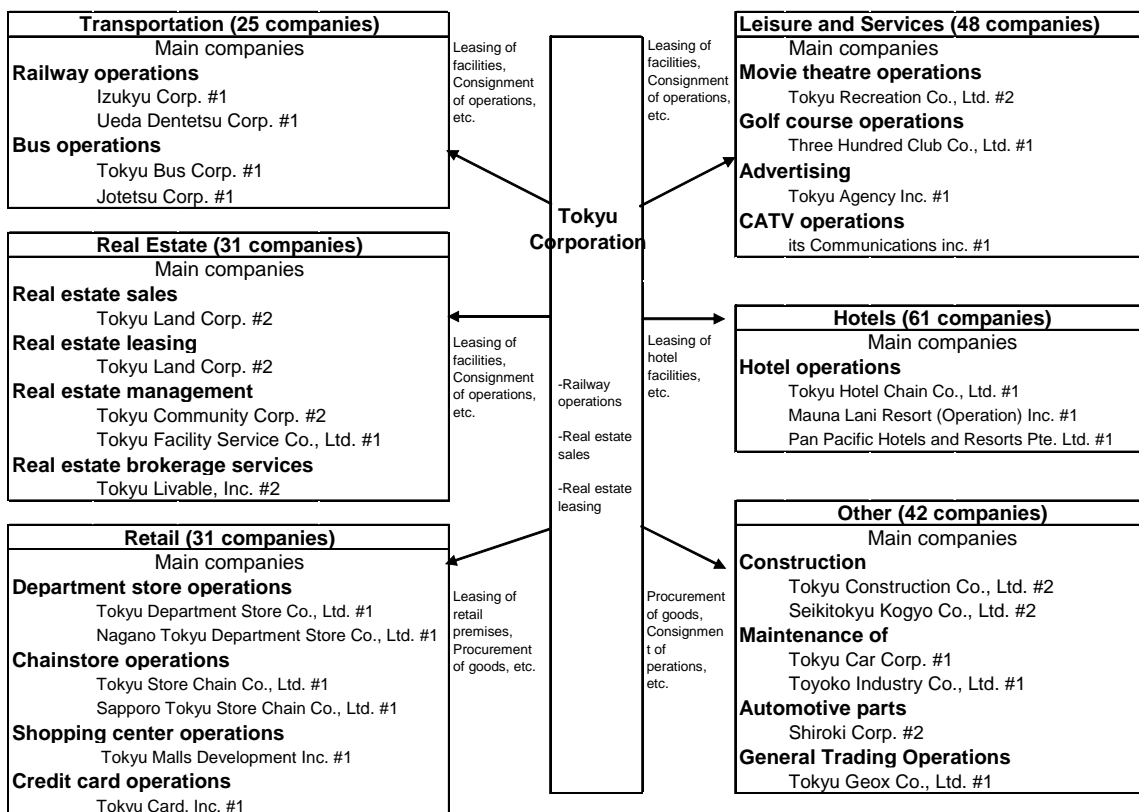
**Automotive parts:** Affiliate Shiroki Corp. manufactures and markets major automobile parts, such as door sashes, directly to leading automakers. This company also produces and markets transportation machinery and equipment parts.

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

Grouping by business types is as follows:

**Customers and Business Partners**

**Tokyu Corporation, 196 subsidiaries and 23 affiliated companies**



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

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

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

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

## 2. Management Policy

### (1) Our Fundamental Operating Policy

Tokyu Group's roots began with the establishment of Meguro-Kamata Railway Company in 1922 and as of the end of September 2006, the Group is composed of 292 companies and 9 non-profit corporations, with Tokyu Corporation as the nucleus. The Group's core operations focus on urban development centered on railway operations. Over the years, the group has diversified to provide a wide range of services related to the daily lives of the people in the communities it serves. The Group is also actively involved in social programs and environmental activities through foundations, social activities, and Tokyu Association programs.

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

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

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

### (2) Management indicators and objectives

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

### (3) Our medium- to long-term goals

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

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

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<sup>1</sup> Tokyu EBITDA = Operating profit + Depreciation and Amortization cost+ Amortization of Goodwill (consolidation adjustment account) + Disposal cost of fixed assets

#### **(i) A more focused area strategy**

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

#### **(ii) Development of focal points in Tokyu areas**

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

#### **(iii) Promotion of retail-related operations**

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

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

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

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

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

## **(5) Dividend Policy**

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

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

The Tokyu Corporation has consistently paid a ¥5 per share dividend since fiscal 1982 in line with our policy of paying stable, sustainable dividends. In consideration of our policy of sustainable stable dividends, while also considering our payout ratio, we intend to pay a dividend of ¥6.00 per share (Interim ¥3.00, full-year ¥3.00) in respect of fiscal 2006. In the future our aim is to raise shareholder value by increasing our income per share and we will also consider our profit distribution in the light of the strengthening of our capital and our dividend payout ratio.



### **3. Review of Operations and Financial position**

#### **1. Review of Operations**

##### **(1) Overview of interim period**

With regard to our interim results for fiscal 2006, as a result of a reduction in revenue from Sapporo Tokyu Store Chain Co., Ltd. following the change in its fiscal term (from a March to a February year-end), the exclusion of revenues of Nihon Kamotsu Kyuso Co., Ltd. and others following the sale of shares last fiscal year, as well as an increase in fixed asset disposal costs due to ongoing construction in the Company's railway operations, operating revenue was ¥673.886 billion (a decrease of 1.1% compared to the first half of fiscal 2005), and operating profit was ¥37.9 billion (a decrease of 18.9%). Recurring profit was ¥36.867 billion (an increase of 7.7%) as an investment gain from equity-method affiliates was recorded compared to the investment losses recorded last fiscal year due to the application of asset impairment accounting to affiliates. Net income for the interim period was ¥28.877 billion (an increase of 220.1%).

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

#### **Transportation**

In our railway operations, safety remains our top priority for all operations. A wide variety of measures were implemented to ensure safety in all aspects of our business including a review of operating procedures and new investment in facilities to ensure safety. In July of this year the Meguro Line between Fudomae and Senzoku was switched to underground operation, and in September construction work was implemented to elevate the Toyoko line between Musashikosugi and Hiyoshi.

As regards services, in September 2006 we implemented timetable revisions and introduced new express services on the Meguro Line and as a result reduced minimum journey times on the Meguro Line and daytime journey times on commuter express and express trains on the Toyoko line. Additionally, the number of daytime trains running on weekends and holidays has been increased on the Setagaya line.

As part of our passenger and environment-friendly train concept we have introduced the latest 5000 series rolling stock, and on Denentoshi Line trains including 6-door passenger carriages with foldaway seats have been introduced in an effort to reduce the sense of congestion and the number of delays of morning rush hour trains.

As a result of an increase in the population living near our railways and of network benefits, the number of passengers carried on our lines increase by 1.9% overall compared to the interim period of last fiscal year reflecting a 2.1% increase in commuter pass custom and a 1.7% increase in non-commuter pass custom, and passenger revenue was up by 2.0%.

The number of passengers carried on our buses rose due to several factors, including continued actions by Tokyu Bus Corp in the Tokyo metropolitan region to increase the number of buses running during rush hour and late at night, increased sales of commuter passes as a result of a rise in population living near our routes and a strong performance by medium-distance bus lines (airport lines). The number of passengers carried on regional buses decreased as a result of a reaction to the increase in demand seen last year in the Nagoya area due to Expo 2005 Aichi Japan.

Overall operating revenue from transport operations declined by 2.3% compared to the interim period of last fiscal year to ¥96.265 billion due to the exclusion of revenues of Nihon Kamotsu Kyuso Co., Ltd. following the sale of shares last fiscal year, and other factors. Operating profit decreased 53.9% to ¥11.597 billion yen as a result of increased fixed asset disposal costs due to ongoing construction in the Company's railway operations.

## **Real Estate**

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

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

Our real estate management business, Tokyu Facility Service Co., Ltd., continued to be affected by a difficult operating environment characterized by the effects of intensive competition for tenders and price reductions, despite an increase in renewal work driven by higher capital investment by client companies.

Operating revenue for our real estate business overall increased 6.0% compared to the interim period of last fiscal year to ¥65.815 billion due to continued strong sales from Tama Garden City, and operating profit increased 28.7% to ¥12.133 billion.

## **Retail**

In our department store business, to promote enhanced sales, Tokyu Department Store Co. Ltd. has undertaken business reforms including a complete revision of our in-store sales operations. We have also actively pursued sales activities, including the holding of large-scale events, to increase visits by new and existing customers.

In our chain store business, Tokyu Store Chain Co., Ltd. was active in opening new branches and revitalizing the operations of existing branches, particularly large-scale outlets. We have undertaken various efforts to enhance our sales, including the adaptation of outlets and product lineups to the differing needs of customers visiting at different times of day.

As a result of the change of fiscal year-end of Sapporo Tokyu Store Chain Co., Ltd. (from a March to a February year-end), only five months of its operations are reflected in this interim period, and operating revenue for retail operations overall decreased by 2.5%, to ¥326.186 billion, but operating profit rose 16.5% to ¥7.898 billion.

## **Leisure and Services**

Our CATV operation (its communications Inc.) saw increases in subscribers to both its broadcast and communications services as a result of efforts to win new customers, and at the end of the interim period there were 536,959 connected households, 14,063 more than at the end of fiscal 2005.

As a result of the reduced revenues from the mass media division of Tokyu Agency Inc., overall operating revenue from our leisure and services operations decreased by 4.7% compared to the first half of fiscal 2005, to reach ¥91.483 billion, and operating profit decreased 6.8% to ¥1.748 billion.

## **Hotels**

In our hotel business the room occupancy rate for hotels directly managed by Tokyu Hotels Co., Ltd. was 81.3%--the same as in the interim period of fiscal 2005. However, due to the closure of Osaka Tokyu Hotel at the end of March 2006 and Maebashi Tokyu Inn at the end of July, overall operating revenue for the hotel business decreased 2.4% compared to the previous interim period to ¥50.469 billion, while operating profit increased 17.3% to ¥3.109 billion.

## Other

In our rolling stock business Tokyu Car Corp., sales of rolling stock to private railway companies were strong and sales and profits each increased.

As a result, overall operating revenue from Other businesses increased by 10.2% to ¥77.836 billion, while operating profit was ¥1.585 billion, an improvement of ¥1.821 billion.

## (2) Outlook for Fiscal 2006

In regard to results forecasts for the full year, operating profit is forecast to decline as a result of increased fixed asset disposal costs at our railway operations, but recurring profit is expected to increase due to higher income from equity-method affiliates. For fiscal 2006 we forecast operating revenue of ¥1,380.0 billion (down 0.6% compared to fiscal 2005), operating profit of ¥79.4 billion (down 7.3 %), recurring profit of ¥76.0 billion (up 2.6%), and net income of ¥43.0 billion (up 2.5%).

The forecasts for each operating segment are as follows:

Billions of yen

	Operating revenue		Operating profit	
	Fiscal 2006	YoY change	Fiscal 2006	YoY change
Transportation	191.3	(1.6)	28.4	(10.5)
Real Estate	151.3	9.5	24.3	2.4
Retail	665.8	(12.4)	16.1	1.6
Leisure and Services	184.0	(5.5)	2.7	(0.1)
Hotels	98.8	(4.5)	4.1	0.1
Other	160.7	6.4	3.8	1.3
Total	1,451.9	(8.1)	79.4	(4.9)
Eliminations	(71.9)	(0.4)	--	(1.3)
Consolidated	1,380.0	(8.5)	79.4	(6.2)

## 2. Financial Position

Total assets as of September 30, 2006 were ¥1,892.160 billion, a decline of ¥129.108 billion compared to the end of March 2006. Total liabilities were ¥1,587.901, down ¥128.517 billion, and total net assets were ¥304.259 (total minority interests and share holders' equity as of the end of March 2006 were ¥304.849 billion).

Net cash generated by operating activities in the interim period of fiscal 2006 was ¥72.320 billion, resulting from interim net income before income taxes of ¥50.256 billion and, depreciation and amortization of ¥26.625 billion, losses on disposal of fixed assets of ¥15.875 billion, and other factors.

As regards net cash flows from investing activities, we continued aggressive forward looking capital expenditure related to work on the multiple tracking of lines resulting in payment for purchase of property and equipment of ¥43.905 billion. In addition there were inflows from subsidies received for construction of ¥6.120 billion and from the redemption of preferred shares in affiliates. As a result, the net cash outflow from investing activities was ¥15.547 billion, which was ¥9.01 billion greater than the outflow recorded in the interim period of fiscal 2005, mainly because of the increase of outflow from the acquisition of property and equipment.

Net cash used in financing activities, mainly for the repayment of borrowings and the redemption of bonds, was ¥68.100 billion, a reduction in outflow of ¥14.387 billion compared to the interim period of fiscal 2005.

The former consolidated subsidiary TC Properties Co., Ltd, became an equity method non-consolidated company as of the beginning of the interim period resulting in the exclusion of cash and cash equivalents of ¥11.688 billion.

As a result, cash and cash equivalents as of September 30, 2006 stood at ¥26.025 billion, ¥23.007 billion lower than at the end of fiscal 2005.

Consolidated cash flow-related indicator trends were as follows:

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Interim 2005	Interim 2006
Equity ratio (%)	8.0	8.8	12.8	10.8	14.6
Market price based equity ratio (%)	37.0	30.3	46.6	35.2	50.9
Debt service coverage ratio (years)	11.8	9.6	6.9	--	--
Interest coverage ratio (times)	4.0	6.1	7.7	6.9	8.0

Equity ratio = shareholders equity/total assets

Market price based equity ratio = market capitalization/total assets

Debt service coverage ratio = interest bearing debt/operating cash flow (not shown for the interim period)

Interest coverage ratio = operating cash flow/total interest paid

Notes:

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

## 4. Interim Consolidated Financial Statements

### (1) Interim Consolidated Balance Sheets

Item	<i>Millions of yen</i>			
	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
<b>Assets</b>				
<b>Current Assets</b> .....	331,796	373,988	(42,192)	386,767
Cash and deposits.....	25,484	48,482	(22,997)	44,683
Trade notes & accounts receivable.....	126,020	125,448	572	127,388
Securities.....	22	22	(0)	36
Inventories.....	133,936	148,050	(14,114)	164,285
Deferred tax assets.....	18,132	22,987	(4,854)	21,106
Others.....	29,514	30,284	(769)	30,396
Allowance for doubtful accounts.....	(1,315)	(1,287)	(27)	(1,129)
<b>Fixed Assets</b> .....	1,560,364	1,647,279	(86,915)	1,632,766
Tangible fixed assets.....	1,206,509	1,268,369	(61,860)	1,246,274
Buildings & Structures.....	522,703	527,009	(4,305)	530,036
Rolling stock & machinery.....	49,762	52,803	(3,040)	54,475
Land.....	491,817	503,455	(11,637)	499,798
Construction in progress.....	121,932	163,857	(41,924)	142,125
Others.....	20,293	21,244	(951)	19,838
Intangible fixed assets.....	48,968	52,890	(3,921)	50,634
Consolidation adjustment account.....	—	14,843	(14,843)	15,933
Goodwill.....	14,923	—	14,923	—
Others.....	34,045	38,046	(4,001)	34,700
Investments & Others.....	304,886	326,019	(21,133)	335,857
Investment securities.....	152,611	170,600	(17,989)	157,603
Long-term loans receivable.....	819	809	10	1,141
Deferred tax assets.....	13,457	14,638	(1,180)	29,598
Others.....	140,139	159,305	(19,165)	166,110
Allowance for doubtful accounts.....	(2,141)	(19,333)	17,191	(18,596)
<b>Total Assets</b> .....	1,892,160	2,021,268	(129,108)	2,019,534

Item	Millions of yen			
	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
<b>Liabilities</b>				
<b>Current Liabilities</b> .....	604,772	677,862	(73,089)	652,692
Trade notes & accounts payable .....	123,531	134,825	(11,294)	123,775
Short-term debt .....	240,941	277,490	(36,548)	267,655
Current portion of corporate bonds.....	62,500	65,500	(3,000)	60,000
Accrued income taxes .....	15,470	6,821	8,649	5,432
Reserve for employees' bonuses .....	12,067	12,595	(528)	12,082
Reserve for directors' and corporate auditors' bonuses.....	40	—	40	—
Advances received .....	48,210	86,235	(38,025)	87,082
Others.....	102,012	94,394	7,617	96,662
<b>Long-term Liabilities</b> .....	955,355	1,008,418	(53,063)	1,065,006
Corporate bonds.....	229,724	242,729	(13,005)	275,797
Long-term debt .....	507,030	521,205	(14,175)	552,164
Reserve for employees' retirement benefits .....	43,275	43,688	(412)	44,391
Reserve for directors' and corporate auditors' retirement benefits.....	1,886	1,993	(107)	2,251
Deposits from tenants and club members .....	120,106	127,382	(7,275)	126,445
Deferred tax liabilities .....	24,394	28,741	(4,346)	19,783
Deferred tax liabilities from revaluation.....	11,486	11,504	(17)	10,463
Others.....	17,451	31,174	(13,722)	33,710
<b>Special legal reserves</b> .....	27,772	30,137	(2,364)	32,544
Urban Railways Improvement Reserve .....	27,772	30,137	(2,364)	32,544
<b>Total Liabilities</b> .....	1,587,901	1,716,419	(128,517)	1,750,242
<b>Minority Interests</b>				
Minority interests .....	—	46,121	—	50,795
<b>Shareholders' Equity</b>				
Common stock .....	—	110,608	—	108,821
Capital surplus.....	—	106,011	—	103,945
Retained income .....	—	11,326	—	(18,869)
Land revaluation reserve .....	—	8,817	—	9,661
Unrealized holding gains (losses) on investment securities, net of taxes.....	—	27,673	—	23,229
Foreign currency translation adjustment account .....	—	(3,752)	—	(5,712)
Treasury stock.....	—	(1,957)	—	(2,580)
<b>Total Shareholders' Equity</b> .....	—	258,728	—	218,495
<b>Total Liabilities, Minority Interests &amp; Shareholders' Equity</b> .....	—	2,021,268	—	2,019,534
<b>Net Assets</b>				
<b>Shareholders' Equity</b> .....	251,801	—	—	—
Common Stock .....	110,610	—	—	—
Capital surplus.....	160,034	—	—	—
Retained income .....	37,192	—	—	—
Treasury stock.....	(2,036)	—	—	—
<b>Valuation, translation and other</b> .....	24,411	—	—	—
Net unrealized gains (losses) on investment securities, net of taxes.....	19,687	—	—	—
Net unrealized gains (losses) on hedging instruments, net of taxes .....	(7)	—	—	—
Land revaluation reserve .....	8,793	—	—	—
Foreign currency translation adjustment account .....	(4,061)	—	—	—
<b>Minority interests</b> .....	28,046	—	—	—
<b>Total Net assets</b> .....	304,259	—	—	—
<b>Total Liabilities and Net Assets</b> .....	1,892,160	—	—	—

**(2) Interim Consolidated Statements of Income**

Item	Millions of yen			
	April 1, 2006 to Sept. 30, 2006	April 1, 2005 to Sept. 30, 2005	Change	April 1, 2005 to March 31, 2006
<b>Operating revenue</b> .....	673,886	681,314	(7,428)	1,388,554
Cost of operating revenue .....	635,985	634,554	1,431	1,302,899
Operating expenses & cost of sales (Transportation etc.) .....	516,494	513,108	3,386	1,056,071
SG&A expenses .....	119,491	121,446	(1,955)	246,827
<b>Operating profit</b> .....	37,900	46,760	(8,859)	85,654
Non-operating profit .....	10,253	8,295	1,957	15,784
Interest & dividends .....	1,020	1,389	(368)	1,851
Investment gains from equity method .....	2,565	—	2,565	—
Other income .....	6,667	6,906	(239)	13,932
Non-operating expenses .....	11,286	20,836	(9,550)	27,387
Interest .....	9,349	10,628	(1,279)	20,477
Investment losses from equity method .....	—	8,937	(8,937)	3,251
Other expenses .....	1,936	1,271	665	3,658
<b>Recurring profit</b> .....	36,867	34,219	2,648	74,052
Extraordinary gains .....	57,712	7,462	50,249	42,296
Extraordinary losses .....	44,323	24,282	20,041	49,514
<b>Income before income taxes and minority interests</b> .....	50,256	17,399	32,857	66,834
Income taxes .....	14,482	4,116	10,365	6,161
Income tax adjustment .....	7,052	12,550	(5,497)	32,114
Minority interests .....	(155)	(8,290)	8,134	(13,403)
<b>Net income</b> .....	28,877	9,022	19,855	41,962

Notes	Millions of yen		
	Six months to Sept. 30, 2006	Six months to Sept. 30, 2005	April 1, 2005 to March 31, 2006
Breakdown of extraordinary gains			
Subsidies received for construction .....	47,009	107	6,554
Gain on reversal of Urban Railways Improvement Reserve .....	3,600	3,600	7,200
Gain on sale of fixed assets .....	3,057	1,249	5,270
Gain on sale of investment securities .....	732	606	19,560
Breakdown of extraordinary losses			
Loss on reduction of subsidies received for construction .....	35,744	96	3,440
Loss on sale of fixed assets .....	2,560	1,562	4,342
Impairment loss .....	2,245	7,223	10,350
Extraordinary depreciation of hotel buildings and facilities .....	—	5,844	5,844

### (3) Interim Consolidated Statements of Changes in Net Assets

(April 1 to September 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained income	Treasury stock	Total Shareholders' equity
Balance at March 31, 2006	110,608	106,011	11,326	(1,957)	225,989
Changes during the interim period					
Conversions of convertible bonds	2	2			4
Dividends*			(2,963)		(2,963)
Directors' and corporate auditors' bonuses*			(72)		(72)
Interim net income			28,877		28,877
Liquidation of land revaluation reserve			22		22
Purchases of treasury stock				(152)	(152)
Sale of treasury stock		20		70	91
Other			1	1	2
Changes other than those to shareholders' equity (net)					
Total changes during the interim period	2	22	25,865	(79)	25,812
Balance at September 30, 2006	110,610	106,034	37,192	(2,036)	251,801

	Valuation, translation and other					Minority interests	Total net assets
	Valuation differences on other investment securities	Unrealized gains (losses) on hedging instruments	Land revaluation reserve	Foreign exchange translation adjustment account	Total valuation, translation and others		
Balance at March 31, 2006	27,673	—	8,817	(3,752)	32,739	46,121	304,849
Changes during the interim period							
Conversions of convertible bonds							4
Dividends*							(2,963)
Directors' and corporate auditors' bonuses*							(72)
Interim net income							28,877
Liquidation of land revaluation reserve							22
Purchases of treasury stock							(152)
Sale of treasury stock							91
Other							2
Changes other than those to shareholders' equity	(7,986)	(7)	(24)	(309)	(8,327)	(18,074)	(26,402)
Total change during the interim period	(7,986)	(7)	(24)	(309)	(8,327)	(18,074)	(590)
Balance at September 30, 2006	19,687	(7)	8,793	(4,061)	24,411	28,046	304,259

\* Profit distribution items at the June 2006 Annual General meeting of Shareholders.



**(4) Interim Consolidated Statements of Surplus**

Item	Millions of yen	
	April 1, 2005 to Sept. 30, 2005	April 1, 2005 to March 31, 2006
Capital surplus reserve		
Capital surplus reserve at beginning of period .....	85,523	85,523
Increase in capital surplus reserve .....	18,422	20,488
Increase from share exchange.....	18,299	18,299
Profit on disposal of own stock.....	70	355
Increase resulting from reduction of consolidated subsidiaries .....	51	51
Increase from conversion of convertible bonds .....	0	1,781
Capital surplus reserve at end of period .....	103,945	106,011
Profit reserve		
Profit reserve at beginning of period.....	(20,240)	(20,240)
Increase in profit reserve .....	9,088	42,027
Interim net income.....	9,022	41,962
Increase resulting from reduction of consolidated subsidiaries .....	65	65
Decrease in profit reserve.....	7,717	10,460
Reversal of land revaluation reserve.....	4,730	4,530
Cash dividends.....	2,853	5,797
Directors' and corporate auditors' bonuses .....	133	133
Profit reserve at end of period	(18,869)	11,326

### (5) Interim Consolidated Statements of Cash Flow

Item	Millions of yen			
	April 1, 2006 to Sept. 30, 2006	April 1, 2005 to Sept. 30, 2005	Change	April 1, 2005 to March 31, 2006
<b>I. Cash flows from operating activities</b>				
Income before income taxes .....	50,256	17,399	32,857	66,834
Depreciation and amortization.....	26,625	27,658	(1,033)	56,381
Amortization of consolidation adjustment account.....	—	616	(616)	1,621
Amortization of goodwill .....	625	—	625	—
Impairment loss .....	2,245	7,223	(4,978)	10,350
(Decrease) in employees' retirement benefit reserve...	(236)	(2,565)	2,328	(3,166)
(Decrease) in Urban Railways Improvement Reserve..	(2,364)	(2,389)	24	(4,795)
Subsidies received for construction.....	(47,009)	(107)	(46,901)	(6,554)
Reduction in subsidies received for construction.....	35,744	96	35,648	3,440
Loss (gain) on sale of subsidiaries' shares.....	3	1,778	(1,775)	1,608
Loss on sale of fixed assets .....	(497)	313	(811)	(927)
Loss on disposal of fixed assets.....	15,875	1,798	14,077	10,332
Extraordinary depreciation of hotel buildings and facilities .....	—	5,844	(5,844)	5,844
Appraisal losses on real estate for sale.....	15	4,283	(4,267)	8,030
Loss (gain) on disposal of investment securities .....	(728)	(574)	(154)	(18,053)
Investment (gains) losses from equity method investments .....	(2,565)	8,937	(11,502)	3,251
Decrease (increase) in trade receivables .....	(816)	6,890	(7,706)	8,060
Decrease (increase) in inventories .....	3,215	(4,278)	7,493	9,412
(Decrease) increase in trade payables.....	(11,353)	(6,042)	(5,310)	5,866
(Decrease) increase in advances received .....	2,893	2,608	285	52
(Decrease) in deposits from tenants and club members .....	1,374	(1,671)	3,045	(734)
Interest and dividend income .....	(1,020)	(1,389)	368	(1,851)
Interest payable.....	9,349	10,628	(1,279)	20,477
Others .....	4,204	6,489	(2,285)	7,654
Subtotal	85,837	83,549	2,288	183,134
Interest and dividends received.....	1,248	1,987	(739)	2,622
Interest paid .....	(9,023)	(10,534)	1,510	(20,814)
Income taxes paid .....	(5,742)	(2,348)	(3,393)	(4,089)
<b>Net cash provided by operating activities .....</b>	<b>72,320</b>	<b>72,653</b>	<b>(333)</b>	<b>160,852</b>
<b>II. Cash flows from investing activities</b>				
Payments for purchases of fixed assets .....	(43,905)	(35,921)	(7,984)	(123,851)
Proceeds from sale of fixed assets.....	14,239	5,997	8,241	19,520
Payments for investment securities.....	(122)	(816)	693	(10,024)
Proceeds from sale of investment securities .....	2,820	6,455	(3,634)	35,684
Proceeds from sale of subsidiaries' shares resulting from changes in the scope of consolidation.....	—	8,285	(8,285)	8,285
Proceeds from the redemption of preferred shares of affiliate companies .....	5,350	—	5,350	—
Proceeds from subsidies received for construction .....	6,120	10,014	(3,894)	21,336
Others .....	(49)	(561)	512	(109)
<b>Net cash used in investing activities.....</b>	<b>(15,547)</b>	<b>(6,546)</b>	<b>(9,001)</b>	<b>(49,158)</b>

**(4) Interim Consolidated Statements of Cash Flow (continued)**

Item	Millions of yen			
	April 1, 2006 to Sept. 30, 2006	April 1, 2005 to Sept. 30, 2005	Change	April 1, 2005 to March 31, 2006
<b>III. Cash flows from financing activities</b>				
(Decrease) in short-term debt, net.....	(33,159)	(30,827)	(2,331)	(34,778)
Proceeds from long-term debt.....	18,296	48,159	(29,863)	78,502
Repayment of long-term debt.....	(33,723)	(57,190)	23,467	(103,810)
Proceeds from bond issue.....	19,873	—	19,873	—
Payments for redemption of bonds.....	(36,000)	(39,500)	3,499	(63,500)
Dividends paid by parent company .....	(2,963)	(2,853)	(110)	(5,797)
Others .....	(423)	(275)	(147)	943
<b>Net cash used in financing activities.....</b>	<b>(68,100)</b>	<b>(82,488)</b>	<b>14,387</b>	<b>(128,439)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>8</b>	<b>110</b>	<b>(102)</b>	<b>331</b>
<b>V. Increase (decrease) in cash and cash equivalents ..</b>	<b>(11,318)</b>	<b>(16,269)</b>	<b>4,950</b>	<b>(16,413)</b>
<b>VI. Cash and cash equivalents at beginning of period .....</b>	<b>49,032</b>	<b>65,510</b>	<b>(16,477)</b>	<b>65,510</b>
<b>VII. Decrease due to exclusion from consolidation.....</b>	<b>(11,688)</b>	<b>(64)</b>	<b>(11,624)</b>	<b>(64)</b>
<b>IX. Cash and cash equivalents at end of period.....</b>	<b>26,025</b>	<b>49,176</b>	<b>(23,151)</b>	<b>49,032</b>

## **(6) Basis of Presentation of Interim Consolidated Financial Statements**

### **1. Scope of Consolidation**

The Group comprises 187 consolidated subsidiaries, including Izukyu Corp., Tokyu Department Store Co., Ltd., Tokyu Store Chain Co., Ltd., and Tokyu Hotels Co., Ltd. Companies removed from the scope of consolidation were Shibuya Development Inc. and one other company due to merger, and Kyushu Tokyu Hotel Chain Co., Ltd. and one other company were liquidated. One newly established company was included in the scope of consolidation.

As of the interim period ending September 30, 2006, TC Properties Co., Ltd. and five of its subsidiaries have been excluded from the scope of consolidation as their effect on the interim financial statements has become immaterial. Aizen-en Corp. and 2 other companies are also excluded from the scope of consolidation.

### **2. Application of the Equity Method**

Non-consolidated subsidiary TC Properties Co., Ltd. and seven other companies are accounted for by the equity method. Meanwhile, the 19 affiliates accounted for by the equity method include Tokyu Land Corp. and Tokyu Construction Co., Ltd. Following a sale of shares, Osaka Kaikan Co., Ltd. has been removed from the scope of companies to which the equity method is applied.

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

### **3. Interim Period End of Consolidated Subsidiaries**

Among the consolidated subsidiaries, Tokyu Geox Co., Ltd. and 44 other companies close their books on an interim basis on June 30 or August 31, etc. Their interim financial statements as of their respective balance sheet dates were used to prepare the consolidated interim financial statements. The consolidated interim financial statements were adjusted for material transactions between the period end of these subsidiaries and the consolidated balance sheet date.

Among the consolidated subsidiaries, Tokyu Architects and Engineers Inc. and two other companies, close their books on an interim basis on March 31, etc. For these companies, interim financial statements based on a provisional statement of accounts as of the consolidated balance sheet date were used.

### **4. Summary of Significant Accounting Policies**

#### **(1) Valuation Standards and Accounting Treatment for Important Assets**

##### **(a) Securities**

Bonds held to maturity:

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

Other securities:

Securities with market quotations:

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

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

Securities without market quotations:

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

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

#### **(b) Derivatives**

Derivatives are stated at market value.

#### **(c) Inventories**

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

### **(2) Method for Depreciating Important Assets**

#### **(a) Tangible fixed assets**

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

Buildings and structures: 3-75 years

#### **(b) Intangible fixed assets**

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

### **(3) Deferred assets**

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

### **(4) Important Reserves**

#### **(a) Allowance for doubtful accounts**

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

#### **(b) Reserve for employees' bonus**

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

### **(c) Reserve for directors' and corporate auditors' bonuses**

To provide for the expense of board members' bonuses, the forecast expense for the interim period is recorded as a liability for the interim period.

(Change to accounting policy)

As of this interim period, the "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4 (November 29 2005)) has been applied. As a result, operating profit, recurring profit, and interim income before income taxes are each ¥40 million lower. The effect on segment information is immaterial.

### **(d) Reserve for employees' retirement benefits**

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

### **(e) Reserve for directors' and corporate auditors' retirement benefits**

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

### **(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 interim balance sheet date, and translation gains and losses are accounted for as a profit or loss. Assets and liabilities of overseas subsidiaries are translated into yen amounts at the rates of exchange in effect at the interim balance sheet date. Revenue and expenses are translated into yen amounts at the average exchange rate for the fiscal period and the differences are included in minority interests or the foreign currency translation adjustment account in the net assets section.

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

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

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

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

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

## **(8) Accounting treatment of significant leases**

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

## **(9) Significant hedge accounting methods**

### **(a) Hedge accounting**

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

### **(b) Hedging methods and risks hedged**

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

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

### **(c) Hedging policy**

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

### **(d) Assessing the effectiveness of a hedge**

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

## **(10) Accounting for consumption tax**

The consumption tax exclusion method is applied.

## **5. The Scope of Cash and Cash Equivalents for the Consolidated Cash Flow Statements**

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

(Change in significant accounting policies)

As of this interim period, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5(December 9, 2005)) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Implementation Guidance No. 8 (December 9, 2005)) have been applied.

Net assets under the previous presentation method amounted to ¥276,220 million.

## Notes to Interim Consolidated Financial Statements

(Notes to Interim Consolidated Balance Sheets)

Millions of yen

	As of September 30, 2006	As of March 31, 2006	As of September 30, 2006
1. Accumulated depreciation of tangible fixed assets.....	760,037	756,561	751,795
2. Contingent liabilities.....	415	470	467
3. Notes discounted and endorsed.....	116	223	235
4. Pledged assets and Secured liabilities			
<b>Pledged assets</b>			
Securities.....	—	—	14
	[—]	[—]	[—]
Inventory assets.....	736	—	377
	[—]	[—]	[377]
Buildings and structures.....	306,404	302,052	321,995
	[238,442]	[232,675]	[236,852]
Rolling stock and machinery.....	32,773	35,850	38,227
	[32,501]	[35,631]	[37,997]
Land.....	121,876	124,325	139,501
	[48,981]	[49,467]	[51,167]
Investment securities.....	344	505	1,139
	[—]	[—]	[—]
Other assets.....	11,183	13,396	30,055
	[10,155]	[10,251]	[9,158]
<b>Total.....</b>	<b>473,318</b>	<b>476,129</b>	<b>531,311</b>
	<b>[330,081]</b>	<b>[328,026]</b>	<b>[335,553]</b>
<b>Secured liabilities</b>			
Short-term loans payable.....	35,548	33,155	30,950
	[3,410]	[2,910]	[3,060]
Long-term loans payable.....	314,111	332,324	342,494
	[229,156]	[241,048]	[239,982]
Others.....	12,814	11,819	7,999
	[—]	[—]	[40]
<b>Total.....</b>	<b>362,473</b>	<b>377,300</b>	<b>381,443</b>
	<b>[232,566]</b>	<b>[243,958]</b>	<b>[243,083]</b>

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

### 5. Lending of securities

Investment securities	1,271	1,303	1,082
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6. The allowance (End March 2006: ¥25,508 million; End September 2005: ¥25,720 million,) for “Claims in Bankruptcy and Claims in Receivership” included in the “Allowance for Doubtful Receivables” and accounted for in the “Others” account in “Investments and Others,” has been deducted directly from the claims. As of September 30, 2006, there are no such amounts.



7. Loan disbursements related to loan commitments for consolidated subsidiaries  
(Tokyu Card Co., Ltd)

(Millions of yen)

	As of September 30, 2006	As of March 31, 2006	As of September 30, 2005
Total loan commitments	81,858	82,565	110,251
Loans extended	3,550	3,522	3,477
Remaining commitment	78,308	79,042	106,774

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	26,000	24,000	24,000
Loans extended	1,893	2,201	6,276
Remaining commitment	24,106	21,798	17,723

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

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

169,409                      133,701                      132,613

(Notes to interim consolidated statements of income)

Impairment losses

Calculations of impairment losses were conducted by grouping assets in the smallest cash flow generating unit that was largely independent of other assets or asset groups. As a result, in the interim period for fiscal 2006, for 14 cases of fixed asset groups where the market value was significantly below book value in line with the continued fall in land prices, and fixed asset groups that continued to generate losses, book value was written down to recoverable levels, and that write-down reported as an impairment loss resulting in an extraordinary loss of ¥2,245 million yen.

Region	Main cases	Type	Segment	Impairment loss
Tokyo metropolitan	Stores and leased premises Total 2 cases	Buildings, etc.	Real Estate Retail	¥454 million
Chubu and Hokuriku	Stores and idle land Total 8 cases	Land & Buildings, etc.	Retail Other	¥59 million
Others	Stores and idle land Total 4 cases	Land & Buildings, etc.	Real Estate Retail	¥1,730 million

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

- Tokyo metropolitan area ¥454 million yen (Land=¥ -- million, Buildings and structures=¥131 million, Others ¥322 million)
- Chubu and Hokuriku area ¥59 million (Land=¥19 million, Buildings and structures=¥ 32 million, Others ¥8 million)
- Others ¥1,730 million (Land=¥787 million, Buildings and structures=¥943 million, Others ¥ -- million)

The recoverable value of this asset group was calculated by the net sale value method, or utility value. Calculations of recoverable value using the net disposal value method were assessed in line with land values or the capitalization method. Calculations of recoverable value using utility value were calculated by discounting future cash flows at 3.0% - 5.0%.

## (Note to Consolidated Statement of Changes in Net Assets)

## 1. Number and type of common shares issued and treasury stock (thousand shares)

	Number of shares as of March 31, 2006	Increase of shares during interim period	Decrease of shares during interim period	Number of shares as of September 30, 2006
Shares issued				
Common shares (note 1)	1,187,111	8	--	1,187,119
Total	1,187,111	8	--	1,187,119
Treasury stock				
Common shares (note 2)	3,498	202	119	3,580
Total	3,498	202	119	3,580

## Notes:

1. The increase of 8,000 common shares issued was due to the conversion of convertible bonds.

(1) The increase of 202,000 treasury shares was due to:

(i) Increase due to purchase of odd lot shares: 202,000 shares.

(2) The decrease of 119,000 treasury shares was due to:

(i) Decrease resulting from sale of odd lot shares: 117,000 shares.

(ii) Decrease resulting from changes in the scope of consolidation or application of the equity method: 2,000 shares.

## 2. Dividends

## (1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividend per share	Dividend record date	Effective date
June 29, 2006 Shareholders' meeting	Common shares	¥2,964 million	¥2.5	March 31, 2006	June 29, 2006

(2) Dividends where the record day is in the interim period and the effective date is after the end of the interim period

Date confirmed	Type of stock	Total dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
October 27, 2006 Board of directors' meeting	Common shares	¥3,556 million	Retained income	¥3.0	September 30, 2006	December 7, 2006

## (Notes to Consolidated Cash Flow Statements)

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

	<i>Millions of yen</i>		
	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Cash and deposits	25,484	44,683	48,482
Term deposits with maturities longer than 3 months	(1,375)	(1,806)	(1,674)
Securities included in cash equivalents	22	22	22
Short-term loans included in cash equivalents	1,893	6,276	2,201
Cash and cash equivalents	26,025	49,176	49,032

## 5. Segment Information

### (1) Segment information by business

April 1, 2006 – September 30, 2006

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotels	Other	Total	Elimination/Headquarters	Consolidated
I. Operating revenue/ Operating profit									
Operating revenue									
(1) Outside customers	95,572	54,199	324,979	81,895	49,899	67,248	673,886	--	673,886
(2) Inter-segment internal revenues or transfers	692	11,615	1,206	9,497	570	10,588	34,170	(34,170)	--
Total	96,265	65,815	326,186	91,483	50,469	77,836	708,056	(34,170)	673,886
Operating expenses	84,667	53,681	318,287	89,735	47,360	76,251	669,984	(33,998)	635,985
Operating profit	11,597	12,133	7,898	1,748	3,109	1,585	38,072	(171)	37,900

April 1, 2005 – September 30, 2005

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotels	Other	Total	Elimination/Headquarters	Consolidated
I. Operating revenue/ Operating profit									
Operating revenue									
(1) Outside customers	98,193	50,623	333,513	86,365	51,356	61,261	681,314	--	681,314
(2) Inter-segment internal revenues or transfers	368	11,441	1,048	9,600	336	9,395	32,191	(32,191)	--
Total	98,561	62,065	334,562	95,966	51,693	70,657	713,506	(32,191)	681,314
Operating expenses	73,403	52,640	327,780	94,089	49,043	70,894	667,852	(33,297)	634,554
Operating profit	25,158	9,425	6,781	1,876	2,649	(236)	45,654	1,106	46,760

## (1) Segment information by business (continued)

April 1, 2005 – March 31, 2006

Millions of yen

	Transportation	Real Estate	Retail	Leisure and Services	Hotels	Other	Total	Elimination/Headquarters	Consolidated
I. Operating revenue/ Operating profit									
Operating revenue									
(1) Outside customers	191,743	119,125	675,846	168,763	102,792	130,280	1,388,554	--	1,388,554
(2) Inter-segment internal revenues or transfers	1,183	22,599	2,392	20,748	589	23,964	71,478	(71,478)	--
Total	192,927	141,725	678,239	189,512	103,382	154,245	1,460,032	(71,478)	1,388,554
Operating expenses	153,998	119,916	663,817	186,676	99,475	151,840	1,375,725	(72,826)	1,302,899
Operating profit	38,929	21,808	14,422	2,835	3,906	2,404	84,306	1,348	85,654

### Notes

#### 1. Operating Segments

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

#### 2. Description of operating segments

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

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

## (2) Geographical Segment Information

Interim period: April 1, 2006 – September 30, 2006; Previous interim period: April 1, 2005 – September 30, 2005, Previous fiscal year: April 1, 2005 – March 31, 2006

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

## (3) Overseas sales

Interim period: April 1, 2006 – September 30, 2006; Previous interim period: April 1, 2005 – September 30, 2005, Previous fiscal year: April 1, 2005 – March 31, 2006

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

## 6. Leases

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

## 7. Securities

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

Millions of yen

	Current interim period			Previous fiscal year			Previous interim period		
	As of September 30, 2006			As of March 31, 2006			As of September 30, 2005		
	Book value	Market value	Unrealized gain or loss	Book value	Market value	Unrealized gain or loss	Book value	Market value	Unrealized gain or loss
(1) JGB, Municipal bonds	40	39	(1)	40	39	(1)	50	49	(0)
(2) Corporate bonds	--	--	--	--	--	--	--	--	--
(3) Others	--	--	--	0	0	0	3	3	0
Total	40	39	(1)	41	40	(1)	54	53	(0)

### (2) Other securities (with market quotations)

Millions of yen

	Current interim period			Previous fiscal year			Previous interim period		
	As of September 30, 2006			As of March 31, 2006			As of September 30, 2005		
	Acquisition cost	Book value	Unrealized gain or loss	Book value	Market value	Unrealized gains and loss	Book value	Market value	Unrealized gains and loss
(1) Equity securities	33,599	66,802	33,302	35,081	81,805	46,723	39,721	80,009	40,288
(2) Debt securities									
JGB, Municipal bonds,	--	--	--	--	--	--	--	--	--
Corporate bonds,	--	--	--	--	--	--	--	--	--
Others	--	--	--	--	--	--	--	--	--
(3) Others	3,119	5,351	2,232	3,119	5,487	2,368	3,119	4,556	1,436
Total	36,719	72,154	35,435	38,201	87,293	49,091	42,840	84,565	41,724

### (3) Securities not valued at market (excluding (1) above)

Millions of yen

	Current interim period		Previous fiscal year		Previous interim period	
	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
	Book value		Book value		Book value	
Other securities						
Unlisted stock		19,648		19,840		19,989
Investments in SPCs, ( <i>tokumei kumiai</i> )		8,359		7,936		6,937
Free Financial Fund		22		22		22

## 8. Derivative Transactions

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

## 9. Per Share Information

April 1, 2006 – September 30, 2006		April 1, 2005 – September 30, 2005		April 1, 2005 – March 31, 2006	
Net assets per share	¥233.38	Net assets per share	¥185.77	Net assets per share	¥218.53
Net income per share	¥24.40	Net income per share	¥7.71	Net income per share	¥35.64
Net income per share (diluted)	¥22.91	Net income per share (diluted)	¥7.21	Net income per share (diluted)	¥33.34

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

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	April 1, 2005 to March 30, 2006
Net income per share:			
Net income (¥ million)	28,877	9,022	41,962
Amount not attributable to common shareholders (¥ million)	--	--	72
(Of which, bonuses paid to executive officers as part of the appropriation of surplus)	--	--	(72)
Net income attributable to common shares (¥ million)	28,877	9,022	41,890
Average number of outstanding common shares during the period (1,000 shares)	1,183,602	1,171,025	1,175,313
Net income per share (diluted)			
Net income adjustment (¥ million)	15	17	33
(Of which, interest paid (after deducting tax equivalent))	[15]	[17]	[33]
Increase in the number of common shares (1,000 shares)	77,738	83,638	82,289
(Of which, convertible bonds)	[77,738]	[83,638]	[82,289]
Residual securities not included in the calculation of the diluted net income due to the fact that these securities had no dilutive effect.	-----	-----	-----

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

Segment	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Change	
	<i>Millions of yen</i>			%
<b>Operating revenue</b>				
Transportation .....	96,265	98,561	(2,296)	(2.3)
Real estate .....	65,815	62,065	3,749	6.0
Retail .....	326,186	334,562	(8,375)	(2.5)
Leisure and Services .....	91,483	95,966	(4,482)	(4.7)
Hotels .....	50,469	51,693	(1,223)	(2.4)
Other .....	77,836	70,657	7,179	10.2
Total .....	708,056	713,506	(5,449)	(0.8)
Elimination/Headquarters .....	(34,170)	(32,191)	(1,979)	6.1
Consolidated .....	673,886	681,314	(7,428)	(1.1)
<b>Operating profit</b>				
Transportation .....	11,597	25,158	(13,560)	(53.9)
Real estate .....	12,133	9,425	2,708	28.7
Retail .....	7,898	6,781	1,117	16.5
Leisure and Services .....	1,748	1,876	(127)	(6.8)
Hotels .....	3,109	2,649	459	17.3
Other .....	1,585	(236)	1,821	--
Total .....	38,702	45,654	(7,581)	(16.6)
Elimination/Headquarters .....	(171)	1,106	(1,278)	(115.5)
Consolidated .....	37,900	46,760	(8,859)	(18.9)
Equity method profit (loss) .....	2,565	(8,937)	11,502	--
Recurring profit .....	36,867	34,219	2,648	7.7
Net income .....	28,877	9,022	19,855	220.1

## 2. Summary of Forecasts (Full-year)

Consolidated

Segment	April 1, 2006 to March 31, 2007 <i>Forecast</i>	April 1, 2005 to March 31, 2006	Change	
	<i>Millions of yen</i>			%
<b>Operating revenue</b>				
Transportation .....	191,300	192,927	(1,627)	(0.8)
Real estate .....	151,300	141,725	9,574	6.8
Retail .....	665,800	678,239	(12,439)	(1.8)
Leisure and Services .....	184,000	189,512	(5,512)	(2.9)
Hotels .....	98,800	103,382	(4,582)	(4.4)
Other .....	160,700	154,245	6,454	4.2
Total .....	1,451,900	1,460,032	(8,132)	(0.6)
Elimination/Headquarters .....	(71,900)	(71,478)	(421)	0.6
Consolidated .....	1,380,000	1,388,554	(8,554)	(0.6)
<b>Operating profit</b>				
Transportation .....	28,400	38,929	(10,529)	(27.0)
Real estate .....	24,300	21,808	2,491	11.4
Retail .....	16,100	14,422	1,677	11.6
Leisure and Services .....	2,700	2,835	(135)	(4.8)
Hotels .....	4,100	3,906	193	5.0
Other .....	3,800	2,404	1,395	58.0
Total .....	79,400	84,306	(4,906)	(5.8)
Elimination/Headquarters .....	--	1,348	(1,348)	(100.0)
Consolidated .....	79,400	85,654	(6,254)	(7.3)
Equity method profit (loss) .....	7,400	(3,251)	10,651	--
Recurring profit .....	76,000	74,052	1,947	2.6
Net income .....	43,000	41,962	1,037	2.5