

**NOTICE TO SHAREHOLDERS RESIDENT IN THE UNITED STATES:**

This press release relates to a proposed business combination which involves the securities of a foreign company. It is subject to disclosure requirements of a foreign country that are different from those in the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. It may be difficult for any U.S. shareholder to enforce his rights and any claim he may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. Such U.S. shareholder may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

September 27, 2004

To Whom It May Concern:

Company Name: **TOKYU CORPORATION**  
Name of Representative Director: Kiyofumi Kamijo,  
President & Representative Director  
(Code No.9005, Tokyo Stock Exchange, First Section)

Company Name: **TOKYU DEPARTMENT STORE**  
Name of Representative Director: Hirokazu Mizuta,  
President & Representative Director  
(Code No.8232, Tokyo Stock Exchange, First Section)

**Notice of Tokyu Department Store becoming  
A Wholly-owned Subsidiary through Share Exchange and Tender Offer  
for shares in Tokyu Department Store by Tokyu Corporation**

The Boards of Directors of Tokyu Corporation (hereinafter "Tokyu") and Tokyu Department Store Co.,Ltd. (hereinafter "TDS") resolved in meetings both held on September 27, 2004 to make TDS a wholly-owned subsidiary of Tokyu through a share exchange and executed a Memorandum of Understanding for such purpose. In addition, today's meeting of the Board of Directors of Tokyu resolved to commence a tender offer for shares in TDS and today's meeting of the Board of Directors of TDS resolved to support the tender offer.

Following the conclusion of the Tender Offer for TDS shares by Tokyu, the parties plan to execute a Share Exchange Agreement on November 15, 2004 and, subject to approval at an extraordinary shareholders' meeting planned to be held in the latter part of January 2005, the share exchange is planned to take effect on April 1, 2005.

## Transaction details

### **1. Purpose of making TDS a wholly-owned subsidiary**

In April 2000, Tokyu formulated the Tokyu Group Management Policy and initiated a thorough review of the management system of the Group with the aim of maximizing shareholder value. Through reform of the Group's management system, and business restructuring under a policy of selection and concentration the Group has pursued a growth strategy focusing on business development in the areas along and around its railway lines. In March 2003, the Group formulated the Tokyu Corporation Two Year Business Plan with the aims of steadily implementing the group's management policy and shifting to a consolidated group management system. The plan has achieved results with respect to financial issues such as the early application of asset impairment accounting and the further reduction of interest-bearing debt while also strengthening the Group through focusing on its geographical domain, the areas along its railway lines and business domains and the railway and urban lifestyle businesses.

TDS is reforming the structure of its core department store business and pursuing a radical improvement of its consolidated profitability based on its Business Revolution Plan formulated in January 2000. In operational terms it has established Tokyu Department Store MD, which is its merchandising strategy, with the aim of achieving management based on customer satisfaction and has established the basis for a revitalization of its core business through implementing measures such as the remodeling of each its stores. It is also steadily increasing the number of holders of its "Club-Q Point Top Card" (point card with a function of a credit card), the core of its customer strategy. Further, despite the continued sluggish consumer spending, TDS has reformed its business structure and achieved a major improvement in operating profit levels through drastic reform of its personnel system and thorough cost reductions. Additionally, with respect to its financial structure and with the aim of focusing its resources on its core business, TDS has reviewed its asset holdings, strengthened its group management system, reorganized its subsidiaries and affiliates, and implemented its targets for the reduction of interest-bearing debt ahead of schedule.

In consideration of the following:

- ( 1 ) Based on Tokyu group management policy and in order to promote the strengthening of the group's retail business in the areas around its railway lines, Tokyu plans to position the retail business as Tokyu Group's third core business after the transportation and real estate businesses. In pursuit of growth in this business, the role of TDS is important and Tokyu and TDS believe that they can significantly raise operational efficiency through combining their business resources.
- ( 2 ) When direct mutual services between the Toyoko Line and Subway Line No. 13 commence, the Toyoko Line Shibuya station will be relocated underground and redevelopment of the area around Shibuya station is planned to coincide with this move. In this respect, Tokyu needs to take the lead in the rapid decision-making necessary to mobilize the overall strengths of the group.

Tokyu has decided to make TDS a wholly-owned subsidiary and both companies have agreed that joining together to form a single unified management system is the most appropriate course of action.

Looking ahead, based on the Tokyu group's management policy, the parties plan to focus business resources on the group's core businesses and reinforce the group's business model which aims to promote growth of its retail business while seeking synergies with the group's transportation business. Accordingly, the group seeks to increase the added value in its operational domain and increase the corporate value of the Tokyu group.

## **2. Information regarding the execution of the tender offer**

### **1. Tender offer by Tokyu for the shares of TDS**

At a meeting of its Board of Directors held on September 27, 2004 Tokyu decided to execute a tender offer for the shares of TDS as follows:

#### **(1) Outline of tender offer**

- (i) Outline of target company: Please see '4. Summary of parties involved in the share exchange'.
- (ii) Class of Shares, etc. to be Purchased: Common Shares of TDS
- (iii) Tender offer period: The 38 days from Tuesday, September 28, 2004 to Thursday, November. 4, 2004.

- (iv) Tender offer price: ¥175 per share.
- (v) Basis of calculation of tender offer price:  
The price was determined by taking into consideration various factors including changes in the market price of TDS shares and the results of the calculation of the share exchange ratio.
- (vi) Number of share certificates to be purchased : 117,100,000 shares

Notes:

1. If the total number of the shares tendered does not exceed the number of shares offered to be purchased by Tokyu, Tokyu will purchase all such shares tendered.
2. If the total number of the shares tendered exceeds the number of shares offered to be purchased by Tokyu, Tokyu will not purchase all or part of such excess tendered shares, but will purchase, deliver and make other settlements regarding the purchase of such excess shares in accordance with the pro rata method provided in Article 27-13, Paragraph 5 of the SEL.

- (vii) Change in number of shares owned as a result of the tender offer  
Number of shares owned prior to tender offer:  
67,483,580 (24.37% of total)  
Number of shares to be owned after tender offer  
184,583,580 (66.67% of total)

Note: Number of share certificates to be owned after the tender offer is the number of share certificates Tokyu will own, assuming it purchases the 117,100,000 shares that it plans to purchase. As of September 27, 2004 the total number of TDS shares in issue is 276,859,147.

- (viii) Date of public notice of commencement of tender offer:  
Tuesday, September 28, 2004.
- (ix) Tender offer agent: Nomura Securities Co., Ltd.
- (x) Funds required for tender offer: ¥20,770 million

## (2) Support for the tender offer by TDS

The Board of Directors of TDS has resolved that the Board supports the Tender Offer.

## 2. Notice regarding TDS's support for the tender offer

At a meeting of its Board of Directors held on September 27, 2004 resolved to support the tender offer for its shares by Tokyu as follows:

(1) TDS has decided to support to the tender offer for TDS shares by Tokyu in the interests of the further development of the business of TDS.

TDS believes strongly that the increase in the percentage shareholding through which TDS will become a wholly-owned subsidiary of Tokyu, will significantly strengthen the cooperation between Tokyu and TDS, will allow stabilization of the operations of TDS, and will contribute to the expansion of the business and improvement of the business results of TDS.

(2) Outline of the tender offeror

Please see '4.Summary of parties involved in the share exchange.'

### 3. Information regarding the execution of the share exchange

#### 1. Schedule for share exchange

September 27, 2004	Approval of the Memorandum of Understanding for the Share Exchange by the board of directors of both companies
September 27, 2004	Execution of the Memorandum of Understanding for the Share Exchange
November 15, 2004 (plan)	Approval of the Share Exchange Agreement by the board of directors of both companies
November 15, 2004 (plan)	Execution of the Share Exchange Agreement
Late January 2005 (plan)	Extraordinary shareholders' meetings to approve the Share Exchange Agreement
April 1, 2005	Date of execution of the share exchange

#### 2. Share exchange ratio

Name of company	TOKYU ( Wholly-owning parent company )	TDS (Wholly-owned subsidiary)
Share exchange ratio	1	0.32

Notes:

1. Allotment ratio of shares:

0.32 shares of Tokyu common share will be exchanged for each one share of TDS common share. (However, no allotment will take place with respect to Tokyu's holding of 67,483,580 TDS common shares or to common shares in TDS that Tokyu purchases in the tender offer).

2. Basis of calculation of share exchange ratio:

The share exchange ratio has been calculated by Deloitte Tohmatsu Corporate Finance Co., Ltd. for Tokyu and by KPMG FAS Co.,Ltd. for TDS. Taking the results of those calculations into consideration, Tokyu and TDS determined and agreed upon the above ratio.

3. Results, methods, and bases of calculation by third parties:

Deloitte Tohmatsu Corporate Finance Co., Ltd. calculated the share exchange ratio by using a composite of the market value method, the comparable trading multiples method and the DCF (discounted cash flow) method. KPMG FAS Co., Ltd. calculated the assumed value of the shareholders' equity of each company by using a composite of the market value method, DCF method, the adjusted present value method and the adjusted book value method, and computed the share exchange ratio accordingly.

4. Number of new shares to be issued pursuant to share exchange:

The number of new shares to be issued pursuant to the share exchange has yet to be decided.

5. Possibilities for simplified share exchange :

As a result of Tokyu Corporation's tender offer for TDS shares, if approval of the Share Exchange Agreement by the board of directors is not necessitated in accordance with the provisions of Article 358 (Simplified Share Exchange) of the Commercial Code of Japan, Tokyu will not hold an extraordinary shareholders' meeting.

#### 4. Summary of parties involved in the share exchange

(Data for Tokyu as of March 31, 2004; for TDS as of July 31, 2004)

Trade name	<b>Tokyu Corporation</b> Tender offeror (Wholly-owning parent company)	<b>Tokyu Department Store (TDS)</b> Target company (Wholly-owned subsidiary)
Line of business	Railway business Real estate business	Department store business
Date of incorporation	September 2, 1922	March 7, 1919
Headquarters location (registered office)	5-6 Nampeidai-cho, Shibuya-ku, Tokyo, Japan	24-1 Dougenzaka 2-chome, Shibuya-ku, Tokyo, Japan
Representative	Kiyofumi Kamijo President and Representative Director	Hirokazu Mizuta President and Representative Director
Capital	108,820 million yen	37,707 million yen
Total number of Issued and outstanding shares	1,140,974 thousand shares	276,859 thousand shares
Shareholders' equity	222,955 million yen	17,811 million yen
Total assets	1,511,775 million yen	169,251 million yen
Fiscal year end	March 31	January 31
Number of employees	3,477	2,860
Names and shareholding of major shareholders	The Dai-Ichi Mutual Life Insurance Company 7.24% Nippon Life Insurance Company 6.89% Japan Trustee Services Bank, Ltd. (Trust account) 4.39% The Chuo Mitsui Trust and Banking Co., Ltd. 3.31% The Master Trust Bank of Japan, Ltd. (Trust account) 3.06%	Tokyu Corporation 24.37%  Japan Trustee Services Bank, Ltd. (Trust account) 3.76% The Master Trust Bank of Japan, Ltd. (Trust account) 3.58% The Dai-Ichi Mutual Life Insurance Company 2.70% Tokyu Department Store Stock Mate (Vendors' Stock Ownership Association) 2.59%
Correspondent banks	The Bank of Tokyo-Mitsubishi, Ltd., The Chuo Mitsui Trust and Banking Co., Ltd. and others	The Chuo Mitsui Trust and Banking Co., Ltd., The Bank of Tokyo-Mitsubishi, Ltd. and others
Capital Relationships between parties	Tokyu holds 24.37% of all issued and outstanding TDS shares.	

On October 1, 2004 Tokyu plans to conduct a share exchange to make Izukyu Corporation a wholly-owned subsidiary and intends to issue 4,073,079 new shares.

## 5. Business performance for the last three fiscal years

(Millions of Yen)

Fiscal term	Tokyu Corporation Tender offeror (Wholly-owning parent company)			Tokyu Department Store (TDS) Target company (Wholly-owned subsidiary)		
	FY ended March 2002	FY ended March 2003	FY ended March 2004	FY ended January 2002	FY ended January 2003	FY ended January 2004
Revenue from operations	301,959	297,845	240,208	250,466	241,015	222,215
Operating income	42,196	49,749	33,174	4,802	5,328	8,103
Recurring income	17,473	30,544	25,267	1,167	1,625	4,528
Net income	7,656	6,950	(63,106)	(11,085)	4,835	(10,625)
Net income per share (yen)	6.86	6.07	(55.57)	(40.04)	17.47	(38.41)
Annual dividend per share (yen)	5.00	5.00	5.00	---	---	---
Shareholders' equity per share (yen)	229.19	239.64	196.02	97.99	98.31	62.48

## 6. Post-share exchange outlook

- (1) Trade name, line of business, headquarters location, and corporate representative

There will be no change in the trade name, line of business, headquarters location, or corporate representative of both companies from the corresponding entries found in '4 Summary of parties involved in the share exchange'.

- (2) Amount of capital of Tokyu

Tokyu's increase of capital and capital reserve has not been determined yet.

## 7. Effects on business performance

TDS is currently an affiliate of Tokyu to which the equity method is applicable. However, as a result of Tokyu's tender offer for TDS shares, TDS may become a consolidated subsidiary in the fiscal year ending in March 2005 and, following the share exchange, it will become a consolidated subsidiary of Tokyu, in the fiscal year ending March 2006 and later. Accordingly, at such time, TDS's operating revenues and operating income and others will be reflected in the consolidated business performance of Tokyu.



We believe that TDS's transition to become a wholly-owned subsidiary of Tokyu will further improve TDS's business results. In addition, it will reinforce Tokyu's retail operations as its third core business after transportation and real estate operations, and we expect it to rapidly facilitate concentrated and effective use of business resources and enhance the consolidated business performance of Tokyu.