

May 27, 2003

TOKYU CORPORATION
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Notice Regarding Separation of a Subsidiary

Tokyu Construction Co., Ltd., our consolidated subsidiary, after approval by the board of directors today (May 27, 2003), signed the separation agreement with its successor, TC Holdings Co., Ltd. (the corporate name is to be changed to “Tokyu Construction Co., Ltd.” on the day of the separation and hereinafter referred to as “(New) Tokyu Construction”) and finalized the details of the spin-off of its construction business that was announced on March 26, 2003, as follows:

1. Objectives of the Corporate Separation

The company has worked out a medium-term project called ‘Profit Plan’ formulated in February 2002 and has achieved some success in maintaining profitability. However, the environment surrounding the construction industry has considerably worsened. Under continuing asset deflation as well as declined investment in construction, for example, the introduction of asset-impairment accounting has led to strict corporate evaluation. In order to adapt the changes in the business environment and to revive itself to be a sound self-dependent company, the company decided that it was absolutely imperative to drastically reduce interest-bearing debt, as well as implement fundamental reforms of business structure by separation of its construction and real estate businesses. It, therefore, formulated a new medium-term project plan called ‘New Profit Plan’ in March of this year. On the basis of this plan, the construction company will further promote profit structure reform to aim at improving the corporate value and becoming a continuing listed company and the real estate company will focus on the real estate business responding swiftly to asset-impairment accounting and urging sales of properties. The company will undergo major restructuring by establishing a prompt and effective management through the integration of each business and developing a management structure utilizing the strength of each business, to aim to maximize the shareholder value.

2. Outline of the Corporate Separation

(1) Schedule of the Corporate Separation (tentative)

Approval of the separation agreement by board of directors	May 27, 2003	The company and (New) Tokyu Construction
Signature of the separation agreement	May 27, 2003	The company and (New) Tokyu Construction
Shareholders meeting for approval of the separation agreement	June 24, 2003	(New) Tokyu Construction

Shareholders meeting for approval of the separation agreement	June 25, 2003	The company
Separation date	October 1, 2003	The company and (New) Tokyu Construction
Registration of the separation	October 1, 2003	The company and (New) Tokyu Construction

(2) Method of Separation

a. Method of separation

The company is a separated party and (New) Tokyu Construction is a succeeding party. New shares issued by the succeeding party will be allocated to shareholders of the separated party by the assimilation and shareholder allotment method.

b. Reasons for using this method

(New) Tokyu Construction that has no capital relationship with the company will succeed the separated construction business, using the assimilation and shareholder allotment method. It is considered that through this procedure, two businesses, i.e. construction and real estate, with inherent different risks can be separated, and the shareholder value of the company would increase by the allocation of new shares issued by (New) Tokyu Construction that will aim at early profit structure reforms.

(3) Share Allotment

a. Share allotment ratio

The 196,250,000 shares that (New) Tokyu Construction will issue following the separation will be allocated to the shareholders (including actual shareholders) listed in the shareholder list (including actual shareholder list) of September 30, 2003. Each common share that the shareholders own will be exchanged for 0.25 issuing shares of (New) Tokyu Construction.

However, there will be no allocation to the shareholders that own outstanding deferred shares and preferred shares that will be issued before the separation date.

Also, (New) Tokyu Construction will use a trading unit of 100 shares to ensure the voting right of existing shareholders of the company and to promote liquidity of shares.

b. Basis of calculation of share allotment

From the view point of ensuring fairness and validity, the company had the share allotment ratio calculated by KPMG Corporate Finance K.K. (hereinafter referred to as "KPMG"), and (New) Tokyu Construction by Nomura Securities, Co., Ltd. (hereinafter referred to as "Nomura Securities"). Taking the results of those calculations into consideration, both companies discussed together and determined the above share allotment ratio.

c. Methods of calculation by third parties

KPMG calculated the range of allotment ratio integrating the results computed using the adjusted present value method, the DCF (discounted cash flow) method, and the share price ratio method. Nomura Securities calculated it integrating the results computed using the adjusted present value method, the DCF method, and the comparable company method.

(4) Amount of Capital Reduced by the Separation

Since the amount of capital reduced by the separation is equivalent to the succeeded net asset, capital and capital reserves will not decrease.

(5) Subsidies for Separation

There will be no subsidies for the separation.

(6) Rights and Obligations Succeeded by the Successor

(New) Tokyu Construction will succeed the operation of the company's construction business on the separation date as well as the related assets, debts, and the position in the agreement.

(7) Prospect of Fulfillment of Obligations

The company and (New) Tokyu Construction consider that it is possible to fulfill the obligations that will mature after the separation.

(8) Management Structure of (New) Tokyu Construction after the Separation

*Toyohiko Yamada, President & Representative Director

(Former Managing Director & Executive Officer of the company, current President and Representative Director of TC Holdings Co., Ltd.)

*Taishiro Nanbu, Director

(Current Senior Managing Director and Representative Director of the company)

*Yasuharu Watanabe, Director

(Current Senior Managing Director and Representative Director of the company)

*Kazuhiko Miyauchi, Director

(Current Managing Director & Executive Officer of the company)

*Kiyoshi Saeki, Director

(Current Managing Director & Executive Officer of the company)

*Keiji Yamagata, Director

(Current Managing Director & Executive Officer of the company)

*Toshio Kano, Director

(Current Managing Director & Executive Officer of the company)

*Yasuhiko Yonemoto, Director

(Current Director & Executive Officer of the company)

*Seijiro Motomura, Director

(Current Director & Executive Officer of the company)

*Tsutomu Yoneda, Director

(Current Director & Executive Officer of the company)

Akinobu Ogawa, Director

(Former Director & Executive Officer of the company, current Director of TC Holdings Co., Ltd.)

*Takao Iina, Director

(Current Director & Executive Officer of the company)

Yasushi Ando, Director

(Current CEO & Representative Director of Phoenix Capital, current Director of TC Holdings Co., Ltd.)

*Sadayasu Nishimoto, Director

(Current Senior Managing Director of Tokyu)

*Takakuni Happo, Director

(Current Managing Director of Tokyu)

*Kuniaki Nakamura, Statutory Auditor

(Current full-time Auditor of the company)

Seitaro Saito, Statutory Auditor

(Lawyer, current President of Saito & Date Law Firm, current Auditor of TC Holdings Co., Ltd.)

*Shigetada Miyazaki, Statutory Auditor
(Current Auditor of the company, current full-time Auditor of TOKYU)

*Yoshikazu Nonomura, Statutory Auditor
(Current full-time Auditor of Tokyu Bus Corporation)

Note: *Scheduled to be assigned on October 1, 2003.

3. Outline of the Subsidiary and the Successor, Outline of the Separation, and Situation after the Separation

Please refer to the “notice regarding spin-off of construction division” announced by Tokyu Construction on May 27, 2003.

4. Future Prospect

Tokyu Construction, the separated company, will continue to be our consolidated subsidiary, and (New) Tokyu Construction, the succeeding company, will be an equity method affiliate. The following is the consolidated performance forecast for the fiscal year ending March 2004:

(Millions of yen)

Fiscal year end	March 2003 (reference)	March 2004
Operating revenue	1,385,438	1,210,000
Operating profit	76,928	52,900
Recurring profit	51,921	33,300
Current net income	3,416	(15,000)