

Operating Review

Transportation

In railway operations, thanks to improved convenience, including the timetable review we undertook in July 2003, and aggressive sales activities, the number of passengers using Haneda Airport Station continued to rise steadily during the year under review, with the number of passengers who had used the station since its opening surpassing 100 million as of February 2004. In addition, we worked to bolster passenger services and boost revenues and undertook improvement work to relieve station congestion and enhance convenience.

The opening of a new station on the Tokaido Shinkansen, or "bullet train," Line at Shinagawa Station, the Company's main terminus station, and the redevelopment of the surrounding area has increased passenger numbers by an average of 3,400 per day.

Further, in response to intensified competition resulting from deregulation of scheduled bus services and to promote fundamental operational improvements in this business, we established Keihin Kyuko Bus Co., Ltd., in April 2003. We spun off bus operations completely to this company in October 2003.

As a result, the Transportation Group's operating revenues edged up 0.2%, to ¥117.0 billion, while operating income was down 1.3%, to ¥16.3 billion.



Haneda Airport Station: In 1998, Keikyu established a station at Tokyo International Airport (Haneda Airport), thereby realizing a direct rail link between Haneda Airport and New Tokyo International Airport (Narita Airport). At present, Haneda Airport mostly handles domestic flights. However, with plans calling for the upgrading and expansion of runway facilities and an increase in the number of international flights at Haneda, the number of passengers is expected to rise.

Real Estate

During the year under review, in conjunction with Group companies, we concentrated on the construction and sale of high-quality residential properties and condominiums along Keikyu railway lines. In addition, at the Yokosuka Research Park, a site established to facilitate mobile telecommunications research, Keikyu sold lots for research laboratories, constructed buildings for lease, and worked to attract blue-chip tenants. As a result of these efforts, the Real Estate Group registered a 5.4% increase in operating revenues, to ¥36.1 billion, and a 14.5% decrease in operating income, to ¥6.9 billion.



Tourism and Leisure

At Keikyu's flagship city hotel, Le Meridien Grand Pacific Tokyo, we moved forward with aggressive sales activities, including a range of accommodation plans we offered in a campaign to mark the fifth anniversary of the hotel's opening. Thanks to those efforts, total room revenues and room occupancy rate both reached their highest monthly levels in the hotel's history in August 2003. We also marketed accommodation and dinner

plans at Le Meridien Pacific Tokyo in conjunction with the redevelopment of the surrounding area. As a result, the Tourism and Leisure Group's operating revenues edged up 0.2%, to ¥53.2 billion, while operating income climbed 90.4%, to ¥1.1 billion.



Distribution

During the fiscal year under review Keikyu Department Store Co., Ltd., increased tenant floor space, refurbished facilities, and opened a sports department in the adjacent building. Thanks to these efforts, it had achieved year-on-year increases in monthly consolidated net sales for 78 consecutive months as of April 2004. Furthermore, Keikyu Shopping Center Co., Ltd., which operates shopping centers along Keikyu railway lines, continued to win increasing numbers of customers through refurbishment of stores in the Shinagawa area.



As a consequence of those initiatives, the Distribution Group recorded a 3.7% decrease in operating revenues, to ¥99.6 billion, while operating income grew 15.3%, to ¥2.0 billion.

Others

In the year under review, Keikyu Construction Co., Ltd., acquired ISO 14001 certification, the internationally recognized standard for environmental management systems. Keikyu Service Co., Ltd., aggressively carried out sales activities to acquire new customers, and consequently, orders increased in all sectors. As a result, operating revenues in other operations were up 2.6%, to ¥53.8 billion, while operating income rose 28.6%, to ¥2.5 billion.