

■ OPERATING HIGHLIGHTS

In the fiscal year under review, ended March 31, 2005, there were signs of a recovery in the Japanese economy, such as continued improvement in capital expenditures and corporate profitability. However, consumer spending, which had been following a moderate increasing trend, was sluggish in the second half of the fiscal year, and economic conditions fell short of a full-fledged recovery.

In this setting, the Keikyu Group aggressively stepped up business activities in each of its operating areas and continued working to improve management efficiency. As a result, the Group's revenue from operations rose 1.3% from the previous year, to ¥316.7 billion, and net income edged up 0.1%, to ¥10.9 billion-the fourth consecutive year that the Company has posted record net income.

[➔ Operating Review](#)

■ MANAGEMENT POLICY

Centered on its core rail and road transportation operations, the Company is working in conjunction with its Group companies in real estate, tourism and leisure, and distribution to achieve further development and to fulfill its management philosophy of contributing to society by creating new value through business activities that support urban lifestyles. Through these operations, Keikyu is seeking to advance its operations and maximize its corporate value as a Group with close links to regional communities and lifestyles.

Given that our core operations involve providing public services such as rail and road transportation, we are working to sustain stable management over the long term, and our basic strategy is to maintain stable dividend payments. Looking ahead, the Company will continue to allocate retained earnings to capital expenditures and the repayment of interest-bearing debt and work to bolster its financial position. At the same time, we will maintain a flexible stance on the acquisition of treasury stock with the aim of enhancing shareholder value.

In the future, the Company intends to continue dynamically reviewing the Group's operations and organization and to promote the efficient use of human resources in response to changes in the operating environment. To strengthen the Group, we will increase operational efficiency by such methods as outsourcing and spinning off operations. In addition, we will give priority to cash flow and asset efficiency to bolster our business platform and financial position. Keikyu will also work to further enhance value along its railway lines by stepping up business expansion centered on those areas. Furthermore, we will actively take measures to tackle such social issues as preservation of the environment and the creation of a barrier-free society.

Keikyu is committed to enhancing its corporate governance. We emphasize strict observance of laws and regulations and work to ensure transparent, open management practices and timely, appropriate decision-making. In response to rapid changes in our management environment, we will implement rapid, flexible business execution.

In regard to its compliance system, the Group has always striven to realize highly equitable and transparent operations. We have issued the Keikyu Group Compliance Guidelines and established a telephone help line in collaboration with a firm of corporate lawyers. To fulfill our commitment to strict observance of laws and regulations on a Groupwide basis, we are working to establish a rigorous compliance system.

In line with the full-fledged implementation of a law regulating the handling of personal information in Japan, we have taken steps to establish an appropriate management system. We have formulated the Keikyu Group Privacy Policy and established related regulations for

all Group companies.

To continue to meet our corporate social responsibilities, we intend to further bolster our corporate governance, compliance, and risk management systems by reevaluating control systems and regulations as needed and implementing education and training.

Moreover, the Group will continue to take steps to ensure the transparency of its operations, such as implementing aggressive investor relations activities and further improving information disclosure through our web site and other means.

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A message from the president

■ OUTLOOK FOR THE CURRENT YEAR

In the current fiscal year, ending March 31, 2007, there are signs of improvement in the employment situation, and the domestic economy is expected to follow a course of recovery. However, in addition to intensified competition stemming from deregulation, we anticipated continued challenging conditions marked by higher interest rates and rising fuel prices. In this setting, we will continue striving to improve operational efficiency, provide high-quality services, and make full use of corporate resources to aggressively develop our businesses. We expect an increase in net income for the current fiscal year, and we will strive to achieve continued increases in revenue and profits in the years ahead.



Tsuneo Ishiwata

June 29, 2006

Tsuneo Ishiwata

President and Representative Director

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