

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD .  
AND CONSOLIDATED SUBSIDIARIES  
Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of Keihin Electric Express Railway Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

For the convenience of the reader, the accompanying consolidated financial statements as at and for the year ended March 31, 2002 have been presented in U.S. dollars by translating Japanese yen amounts at ¥133.25= US \$1.00, the exchange rate prevailing as at March 29, 2002.

2. Summary of Significant Accounting Policies

*(a) Principles of consolidation and accounting for investments in affiliates*

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries controlled directly or indirectly by the Group, and companies over which the Group exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

Significant differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at the dates of acquisition are amortized over a period of five years.

*(b) Cash equivalents*

For the purposes of the consolidated balance sheets and statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*(c) Marketable securities and investment securities*

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value, held-to-maturity securities are carried at amortized cost and other securities are carried at cost. Also, the new standard requires that marketable securities classified as other securities be carried at fair value with changes in unrealized gain or loss, net of the applicable income taxes, included directly in shareholders' equity for the year ended March 31, 2002. Cost of securities sold is determined by the moving average method.

As at April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their investments securities and classified their investments as "held-to-maturity securities" or "other securities" and accounted for the securities as at March 31, 2001 in accordance with the new standard referred to above. As a result, marketable securities presented as current assets of ¥22,921 million were reclassified to investment securities as at April 1, 2000. However, the adoption of this new standard had no material effect on the consolidated statement of income for the year ended March 31, 2001.

*(d) Allowance for doubtful accounts (directly deducted from accounts receivables and long-term loans)*

The allowance for bad debts on receivables is provided at an estimated unrecoverable amounts. The allowance for other receivables is provided based on the historical rate of losses on receivables.

*(e) Inventories*

Inventories are stated at cost determined by the following methods:

Real estate for sale	- the identified cost method
Merchandise	- principally, the retail method
Other	- principally, the moving average cost method

*(f) Property and equipment*

Property and equipment is carried at cost. Depreciation of certain railway structures is determined by the replacement cost method and depreciation of other property and equipment is determined mainly by the declining-balance method, except for the Kamiooka Keikyu building and other buildings acquired subsequent to March 31, 1998 on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets, ranging from 3 to 65 years for buildings and structures and from 3 to 20 years for machinery, equipment and rolling stock.

Where property and equipment have been retired or otherwise disposed of, the cost and related depreciation are reversed from the respective accounts and the net difference, less any amounts realized on disposal, is reflected in income.

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

*(g) Intangible assets*

Intangible assets having a limited useful life are amortized by the straight-line method over their estimated useful lives.

*(h) Deferred charges*

Pre-operating and start-up costs are deferred and amortized over five years in accordance with the Commercial Code of Japan by the straight-line method.

*(i) Employees' bonuses (included in accrued expenses)*

Employees' bonuses are provided on an accrual basis based on the estimated amounts to be paid subsequent to the balance sheet date.

*(j) Employees' retirement benefits*

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, the liability for employees' retirement benefits as at March 31, 2001 and 2002 are provided mainly at an amount calculated based on the retirement benefit obligations and fair value of plan assets as at March 31, 2001 and 2002 as adjusted for unrecognized net retirement obligation at transition, unrecognized actuarial gain or loss and unrecognized past service costs. The net retirement benefit obligation at transition with respect to the consolidated subsidiaries is being amortized over a period of 15 years by the straight-line method. The net retirement benefit obligation at transition with respect to the Company was fully charged to income for the year ended March 31, 2001. One consolidated subsidiary applied the new accounting standard for retirement benefits effective the year ended March 31, 2002, and charged the net retirement benefit obligation at transition to income for that year and established a retirement benefits trust by contributing a part of shares owned. Actuarial gain and loss are amortized mainly by the straight-line method over a period of average remaining service years of employees at the time of occurrence from the following year of occurrence.

The effect of the adoption of the new standard for retirement benefits was to increase income before income taxes and minority interest by ¥55 million for the year ended March 31, 2001.

(k) *Income taxes*

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) *Leases*

Noncancelable lease transactions are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(m) *Appropriation of retained earnings*

Under the Commercial Code of Japan, dividends and other appropriations of retained earnings with respect to a given fiscal year are made by resolution of the shareholders at a general meeting held subsequent to the end of such fiscal year. The accompanying consolidated financial statements do not, therefore, reflect such appropriations.

### 3. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as at March 31, 2001 is as follows:

#### Marketable held-to-maturity debt securities

	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized gain(loss)</u>
	<i>(Millions of yen)</i>		
Securities whose fair value exceeds their carrying value:			
Government bonds	¥1,749	¥1,765	¥16
Corporate bonds	700	717	17
Subtotal	<u>2,449</u>	<u>2,482</u>	<u>33</u>
Securities whose carrying value exceeds their fair value:			
Government bonds	0	0	0
Corporate bonds	65	65	0
Subtotal	<u>65</u>	<u>65</u>	<u>0</u>
Total	<u>¥2,514</u>	<u>¥2,547</u>	<u>¥33</u>

#### Marketable other securities

	<u>March 31,2001</u>
	<i>(Millions of yen)</i>
Carrying value	¥16,932
Fair value	28,527
Unrealized gain equivalent	6,703
Deffered tax liabilities equivalent	4,861
Minority interest equivalent	31

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as at March 31, 2001 is summarized as follows:

	<u>Millions of yen</u>	
	<u>Due in one year or less</u>	<u>Due after one year through five years</u>
Government bonds	¥126	¥1,733
Corporate bonds	<u>464</u>	<u>1,456</u>
Total	<u>¥590</u>	<u>¥3,189</u>

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as at March 31, 2002 is as follows:

Marketable held-to-maturity debt securities

	<u>March 31, 2002</u>					
	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized gain(loss)</u>	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized gain(loss)</u>
	<i>(Millions of yen)</i>			<i>(Thousands of U.S.dollars)</i>		
Securities whose fair value exceeds their carrying value:						
Government bonds	¥1,833	¥1,842	¥9	\$13,756	\$13,825	\$69
Corporate bonds	<u>450</u>	<u>457</u>	<u>7</u>	<u>3,380</u>	<u>3,428</u>	<u>48</u>
Subtotal	<u>2,283</u>	<u>2,299</u>	<u>16</u>	<u>17,136</u>	<u>17,253</u>	<u>117</u>
Securities whose carrying value exceeds their fair value:						
Government bonds	112	111	(1)	836	835	(1)
Corporate bonds	<u>100</u>	<u>93</u>	<u>(7)</u>	<u>750</u>	<u>694</u>	<u>(56)</u>
Subtotal	<u>212</u>	<u>204</u>	<u>(8)</u>	<u>1,586</u>	<u>1,529</u>	<u>(57)</u>
Total	<u>¥2,495</u>	<u>¥2,503</u>	<u>¥8</u>	<u>\$18,722</u>	<u>\$18,782</u>	<u>\$60</u>

### Marketable other securities

	Acquisition cost	Estimated fair value	Unrealized gain(loss)	Acquisition cost	Estimated fair value	Unrealized gain(loss)
	<i>(Millions of yen)</i>			<i>(Thousands of U.S.dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥6,299	¥10,301	¥4,002	\$47,274	\$77,308	\$30,034
Government bonds	114	115	1	857	869	12
Corporate bonds	286	298	12	2,141	2,233	92
Subtotal	<u>6,699</u>	<u>10,714</u>	<u>4,015</u>	<u>50,272</u>	<u>80,410</u>	<u>30,138</u>
Securities whose acquisition cost exceeds their carrying value:						
Stock	8,070	7,638	(432)	60,563	57,322	(3,241)
Corporate bonds	692	683	(9)	5,192	5,123	(69)
Subtotal	<u>8,762</u>	<u>8,321</u>	<u>(441)</u>	<u>65,755</u>	<u>62,445</u>	<u>(3,310)</u>
Total	<u>¥15,461</u>	<u>¥19,035</u>	<u>¥3,574</u>	<u>\$116,027</u>	<u>\$142,855</u>	<u>\$26,828</u>

Sales of securities classified as other securities amounted to ¥1,057 million (\$7,935 thousand) with aggregate gain and loss of ¥188 million (\$1,410 thousand) and ¥328 million (\$ 2,463 thousand), respectively, for the year ended March 31, 2002.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt is summarized as follows:

	March 31,2002					
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
	<i>(Millions of yen)</i>			<i>(Thousands of U.S.dollars)</i>		
Government bonds	¥1,453	¥597	¥10	\$10,906	\$4,478	\$76
Corporate bonds	971	595	0	7,287	4,469	0
Total	<u>¥2,424</u>	<u>¥1,192</u>	<u>¥10</u>	<u>\$18,193</u>	<u>\$8,947</u>	<u>\$76</u>

### 4. Derivative Transactions

The consolidated subsidiary has entered into derivative financial instruments in order to manage certain risks arising from adverse fluctuations in interest rates. As at March 31, 2001 and 2002, the disclosure of fair value information of interest-rate derivative transactions has been omitted since all derivatives have been accounted for as hedges.

## 5. Inventories

Inventories are summarized as follows:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Real estate	¥ 91,986	¥ 84,904	\$ 637,177
Merchandise	2,782	2,516	18,885
Other	4,240	7,012	52,624
	<u>¥ 99,008</u>	<u>¥ 94,432</u>	<u>\$ 708,686</u>

## 6. Property and Equipment

Contributions for the construction of railway facilities granted by national and municipal governments are permitted to be deducted directly from the acquisition costs of the related property and equipment in accordance with the Corporation Tax Law. For the years ended March 31, 2001 and 2002, the Company deducted contributions for the construction of railway facilities of ¥ 3,564 million and ¥ 1,025 million (\$ 7,692 thousand), respectively, from the acquisition costs of railway structures. The accumulated deductions from the costs of existing property and equipment amounted to ¥ 109,710 million and ¥ 110,701 million (\$ 830,778 thousand) as at March 31, 2001 and 2002, respectively.

## 7. Short-Term Debt and Long-Term Debt

As at March 31, 2001 and 2002, short-term debt consisted of the following:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Bank loans	¥69,524	¥81,889	\$614,554
Commercial paper	25,000	29,000	217,636
	<u>¥94,524</u>	<u>¥110,889</u>	<u>\$832,190</u>

Short-term bank loans represented notes or overdrafts. The annual interest rates applicable to the short-term bank loans outstanding as at March 31, 2001 and 2002 ranged from 0.38 per cent. to 1.95 per cent. and from 0.28 per cent. to 1.95 per cent., respectively.

Commercial paper is unsecured and matures generally within three months. The interest rates applicable as at March 31, 2001 and 2002 ranged principally from 0.097 per cent. to 0.1093 per cent. and from 0.02766 per cent. to 0.39575 per cent., respectively.

Long-term debt is summarized as follows:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
1.5 per cent. convertible bonds due 2002	¥ 29,974	¥ -	\$ -
2.2 per cent. convertible bonds due 2004	14,048	14,048	105,426
1.15 per cent. convertible bonds due 2009	39,995	39,995	300,150
2.1 per cent. bonds due 2003	30,000	30,000	225,141
2.575 per cent. bonds due 2005	15,000	15,000	112,570
1.85 per cent. bonds due 2005	15,000	15,000	112,570
1.7 per cent. bonds due 2004	15,000	15,000	112,570
2.14 per cent. bonds due 2006	15,000	15,000	112,570
Loans from banks and insurance companies at interest rates ranging from: 2001 - 0.7 per cent. to 6.9 per cent. 2002 - 0.7 per cent. to 6.9 per cent.			
Secured	132,409	128,315	958,121
Unsecured	99,911	103,248	779,686
	<u>406,337</u>	<u>375,606</u>	<u>2,818,804</u>
Less current portion	53,198	54,297	407,483
	<u>¥ 353,139</u>	<u>¥ 321,309</u>	<u>\$ 2,411,321</u>

The aggregate annual maturities of long-term debt outstanding subsequent to March 31, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 54,297	\$ 407,483
2004	38,553	289,327
2005	53,883	404,375
2006	35,936	269,687
2007	33,701	252,915
2008 and thereafter	159,236	1,195,017
	<u>¥ 375,606</u>	<u>\$ 2,818,804</u>

Convertible bonds are convertible into common stock of the Company at the option of the holders at the conversion prices per share listed below, subject to adjustment in certain circumstances including the issuance of common stock at prices below fair market value. As at March 31, 2002, the number of shares which would be issuable upon conversion of the outstanding convertible bonds at current conversion prices was approximately 75,747 thousand shares.

Conversion price per share  
(Yen)

2.2 per cent. convertible bonds due 2004	¥ 1,440.90
1.15 per cent. convertible bonds due 2009	606.00

The assets pledged as collateral for short-term bank loans amounting to ¥ 417 million and ¥ 452 million (\$ 3,392 thousand) and long-term debt amounting to ¥133,408 million and ¥ 128,314 million (\$ 962,961 thousand) as at March 31, 2001 and 2002, respectively, were as follows:

<u>As at March 31,</u>	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2001</u>	<u>2002</u>	<u>U.S. dollars</u>
			<u>2002</u>
Property and equipment, at net book value:			
Railway	¥ 248,187	¥ 243,574	\$ 1,827,952
Other	23,102	21,709	162,915
	<u>¥ 271,289</u>	<u>¥ 265,283</u>	<u>\$ 1,990,867</u>

#### 8. Employees' Retirement Benefits

The company and its consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as at March 31, 2001 and 2002 for the Company's and consolidated subsidiaries' defined benefit plans:

<u>As at March 31,</u>	<u>(Millions of yen)</u>		<u>(Thousands of</u>
	<u>2001</u>	<u>2002</u>	<u>U.S.dollars)</u>
			<u>2002</u>
Retirement benefit obligation	¥ (78,643)	¥ (81,449)	\$ (611,253)
Plan assets at fair value	55,495	47,461	356,179
Unfunded retirement benefit obligation	(23,148)	(33,988)	(255,074)
Unrecognized plan assets	(4,047)	0	0
Unrecognized net retirement benefit obligation at transition	5,675	5,112	38,365
Unrecognized actuarial gain or loss	3,371	13,036	97,831
Unrecognized past service costs	0	0	0
Net retirement obligation	<u>(18,149)</u>	<u>(15,840)</u>	<u>(118,878)</u>
Prepaid pension cost	242	1,302	9,771
Employees' retirement benefits	<u>¥ (18,391)</u>	<u>¥ (17,142)</u>	<u>\$ (128,649)</u>

Components of retirement benefit expenses for the years ended March 31, 2001 and 2002 are outlined as follows:

As at March 31,	<i>(Millions of yen)</i>		<i>(Thousands of U.S.dollars)</i>
	2001	2002	2002
Service cost	¥ 4,073	¥ 3,213	\$ 24,112
Interest cost	2,276	2,211	16,596
Expected return on plan assets	(507)	(844)	(6,335)
Amortization of net retirement obligation at transition	28,915	992	7,444
Amortization of actuarial gain or loss	0	219	1,641
Amortization of past service cost	0	0	0
<b>Total</b>	<b>¥ 34,757</b>	<b>¥ 5,791</b>	<b>\$ 43,458</b>

The assumptions used in the accounting for the above plans are as follows:

	As at March 31,	
	2001	2002
Method of amortization	Straight-line method	Straight-line method
Discount rate	Mainly 3.0%	2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Period of recognition of actuarial gain or loss (which are amortized by the straight-line method over a period of average remaining service years of employees at the time of occurrence from the following year of occurrence.)	Mainly 15 years	Mainly 15 years
Period of recognition of net retirement benefit obligation at transition	15 years	15 years

## 9. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no

par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

As at March 31, 2001 and 2002, 6,347 thousand shares of common stock of the Company were held by the consolidated subsidiaries.

### 10. Income Taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rate of 42.05% for 2001 and 2002.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2001 and 2002 differ from the statutory tax rates for the following reasons:

	<u>2001</u>	<u>2002</u>
Statutory tax rates	42.05%	42.05%
Effect of:		
Expenses permanently not deductible for income tax purposes	4.16	2.52
Dividend income deductible for income tax purposes	(2.68)	(2.17)
Inhabitants' per capita taxes	1.17	0.75
Tax loss carry forwards of consolidated subsidiaries	10.52	5.60
Unrealized profit not subject to tax effect accounting	(0.85)	1.50
Change in valuation allowance	(5.45)	(4.97)
Valuation loss of investments in consolidated subsidiaries		(6.12)
Other, net	<u>(1.51)</u>	<u>1.25</u>
Effective tax rates	<u>47.41%</u>	<u>40.41%</u>

The significant components of deferred tax assets and liabilities as at March 31, 2001 and 2002 were as follows:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Accrued bonuses	¥447	¥535	¥4,011
Accrued enterprise tax	197	285	2,136
Employees' retirement benefits	2,207	2,739	20,553
Tax loss carryforwards of consolidated subsidiaries	6,995	6,255	46,940
Depreciation	1,577	1,497	11,237
Unrealized gain on intercompany sales of fixed assets	936	806	6,049
Unrealized holding losses on securities		9	70
Other	2,441	2,849	21,383
Valuation allowance	(8,183)	(7,790)	(58,462)
Total deferred tax assets	6,617	7,185	53,917
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	218	218	1,639
Difference between the cost of investments and their underlying net equity at fair value	666	231	1,727
Unrealized holding gains on securities		1,529	11,473
Total deferred tax liabilities	884	1,978	14,839
Net deferred tax assets	¥5,733	¥5,207	\$39,078

#### 11. Contingent Liabilities

As at March 31, 2001 and 2002, the Company and its consolidated subsidiaries were contingently liable as follows:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Notes endorsed in the ordinary course of business	¥ 1,702	¥ 1,367	\$10,258
Guarantees of indebtedness of:			
Affiliates	¥ 420	¥ 370	\$ 2,774
Customers	463	346	2,597
Employees	40	25	191
Others	67	53	397
	¥ 990	¥ 794	\$ 5,959

## 12. Leases

### a) As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as at March 31, 2001 and 2002, and the related depreciation and interest expense for the years ended March 31, 2001 and 2002, which would have been reflected in the consolidated balance sheet, and the related statements of income if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	As at March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs:			
Machinery and rolling stock	¥ 375	¥ 285	\$ 2,142
Other equipment	2,301	2,274	17,062
	<u>2,676</u>	<u>2,559</u>	<u>19,204</u>
Accumulated depreciation:			
Machinery and rolling stock	289	235	1,761
Other equipment	1,373	1,646	12,355
	<u>1,662</u>	<u>1,881</u>	<u>14,116</u>
Net book value:			
Machinery and rolling stock	86	51	381
Other equipment	928	627	4,707
	<u>¥ 1,014</u>	<u>¥ 678</u>	<u>\$ 5,088</u>

Lease expenses relating to finance lease transactions accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥514 million and ¥ 475 million (\$3,567 thousand) for the years ended March 31, 2001 and 2002, respectively.

	Year ended March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Depreciation expense	¥476	¥436	\$3,269
Interest expense	¥ 36	¥ 27	\$ 200

The present value of future rental expenses under finance lease transactions accounted for as operating leases outstanding as at March 31, 2001 and 2002 is as follows:

	Year ended March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Within 1 year	¥ 439	¥ 295	\$ 2,214
Over 1 year	628	416	3,120
Total	<u>¥ 1,067</u>	<u>¥ 711</u>	<u>\$ 5,334</u>

Future rental expenses under operating leases outstanding as at March 31, 2001 and 2002 are as follows:

	Year ended March 31,		
	2001	2002	2002
	(Millions of yen)		(Thousands of U.S. dollars)
Within 1 year	¥ 4,550	¥ 4,050	\$ 30,394
Over 1 year	35,779	39,229	294,402
Total	<u>¥ 40,329</u>	<u>¥ 43,279</u>	<u>\$ 324,796</u>

b) As lessor

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as at March 31, 2001 and 2002, and the related depreciation and interest revenue for the years ended March 31, 2001 and 2002, which would have been reflected in the consolidated balance sheets and the related statements of income if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Year ended March 31,	
	2002	2002
	(Millions of yen)	(Thousands of U.S. dollars)
Acquisition costs:		
Buildings and structures	¥ 1,082	\$ 8,123
Land	485	3,636
	<u>1,567</u>	<u>11,759</u>
Accumulated depreciation:		
Buildings and structures	6	45
Land	0	0
	<u>6</u>	<u>45</u>
Net book value:		
Buildings and structures	1,076	8,077
Land	485	3,636
	<u>¥ 1,561</u>	<u>\$ 11,713</u>

	Year ended March 31,	
	2002	2002
	(Millions of yen)	(Thousands of U.S. dollars)
Depreciation expense	¥6	\$45
Interest income	¥ 14	\$ 103

Lease revenues relating to finance lease transactions accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥ 16 million (\$118 thousand) for the year ended March 31, 2002.

The present value of future rental revenues under finance lease transactions accounted for as operating leases as at March 31, 2002 was as follows:

	<u>2002</u>	<u>2002</u>
	(Millions of yen)	(Thousands of U.S. dollars)
Within 1 year	¥ 12	\$ 91
Over 1 year	1,553	11,653
Total	<u>¥ 1,565</u>	<u>\$ 11,744</u>

Leases whose fees have not yet been determined have been excluded from the above table.

### 13. Amounts Per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the conversion of convertible bonds and the exercise of warrants.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at each balance sheet date.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years, together with the interim cash dividends paid.

	( Yen )		(U.S.dollars)
	<u>2001</u>	<u>2002</u>	<u>2002</u>
Net income:			
Basic	¥8.90	¥13.94	\$0.105
Diluted	8.14	12.34	0.093
Net assets	180.78	192.79	1.447
Cash dividends applicable to the year	5.00	5.00	0.038

### 14. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements, were approved at a meeting of the shareholders of the Company held on June 27, 2002:

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
Cash dividends - ¥ 2.50 (\$ 0.019 ) per share	¥1,280	\$9,610
Directors' and statutory auditors' bonuses	85	638

## 15. Segment Information

Business segment information is summarized as follows:

As at or for the year ended March 31,2001	Millions of yen						Elimination/Headquarters	Consolidated
	Transportation	Real estate	Tourism and leisure	Distribution	Other	Total		
Revenues:								
Outside customers	¥ 113,406	¥ 29,193	¥ 52,940	¥ 101,709	¥ 21,233	¥ 318,481		¥ 318,481
Intersegments	1,529	5,320	4,408	3,821	23,060	38,138	¥ (38,138)	0
	114,935	34,513	57,348	105,530	44,293	356,619	(38,138)	318,481
Cost and expenses	99,448	28,003	58,100	105,842	42,829	334,222	(38,425)	295,797
Operating income (loss)	¥ 15,487	¥ 6,510	¥ (752)	¥ (312)	¥ 1,464	¥ 22,397	¥ 287	¥ 22,684
Assets	¥ 325,984	¥ 197,238	¥ 119,438	¥ 41,375	¥ 28,139	¥ 712,174	¥ 29,822	¥ 741,996
Depreciation	¥ 17,831	¥ 3,409	¥ 5,571	¥ 1,584	¥ 438	¥ 28,833	¥ 0	¥ 28,833
Capital expenditures	¥ 26,410	¥ 1,637	¥ 1,522	¥ 1,370	¥ 506	¥ 31,445	¥ 0	¥ 31,445

As at or for the year ended March 31,2002	Millions of yen						Elimination/Headquarters	Consolidated
	Transportation	Real estate	Tourism and leisure	Distribution	Other	Total		
Revenues:								
Outside customers	¥ 114,239	¥ 29,886	¥ 51,297	¥ 94,737	¥ 25,216	¥ 315,375		¥ 315,375
Intersegments	1,925	5,320	4,276	5,150	24,127	40,798	¥ (40,798)	0
	116,164	35,206	55,573	99,887	49,343	356,173	(40,798)	315,375
Cost and expenses	98,215	27,957	55,396	98,736	47,766	328,070	(41,008)	287,062
Operating income	¥ 17,949	¥ 7,249	¥ 177	¥ 1,151	¥ 1,577	28,103	¥ 210	¥ 28,313
Assets	¥ 331,445	¥ 188,336	¥ 116,575	¥ 34,850	¥ 32,247	¥ 703,453	¥ 38,251	¥ 741,704
Depreciation	¥ 18,105	¥ 3,289	¥ 4,959	¥ 1,507	¥ 539	¥ 28,399	¥ 0	¥ 28,399
Capital expenditures	¥ 26,024	¥ 6,885	¥ 6,402	¥ 662	¥ 2,068	¥ 42,041	¥ 0	¥ 42,041

As at or for the year ended March 31,2002	Thousand of U.S.dollar						Elimination/Headquarters	Consolidated
	Transportation	Real estate	Tourism and leisure	Distribution	Other	Total		
Revenues:								
Outside customers	\$ 857,327	\$ 224,288	\$ 384,968	\$ 710,971	\$ 189,234	\$ 2,366,788		\$ 2,366,788
Intersegments	14,447	39,926	32,090	38,651	181,064	306,178	\$(306,178)	0
	871,774	264,214	417,058	749,622	370,298	2,672,966	(306,178)	2,366,788
Cost and expenses	737,071	209,805	415,728	740,984	358,468	2,462,056	(307,746)	2,154,310
Operating income	\$ 134,703	\$ 54,409	\$ 1,330	\$ 8,638	\$ 11,830	\$ 210,910	\$ 1,568	\$ 212,478
Assets	\$ 2,487,389	\$ 1,413,407	\$ 874,858	\$ 261,537	\$ 242,005	\$ 5,279,196	\$ 287,060	\$ 5,566,256
Depreciation	\$ 135,876	\$ 24,680	\$ 37,219	\$ 11,307	\$ 4,047	\$ 213,129	\$ 0	\$ 213,129
Capital expenditures	\$ 195,305	\$ 51,668	\$ 48,046	\$ 4,965	\$ 15,518	\$ 315,502	\$ 0	\$ 315,502

In accordance with a new accounting standard for retirement benefits as explained in Note 2, operating expenses for "Transportation", "Real estate" and "Other" decreased by ¥181 million, ¥306 million, and ¥8 million, and "Tourism and leisure" and "Distribution" increased by ¥196 million, and ¥245 million, respectively, and operating income for "Transportation", "Real estate" and "Other" increased by the same respective amounts, and "Tourism and leisure" and "Distribution" decreased by the same respective amounts for the year ended March 31, 2001 as compared with the corresponding amounts for the previous year.