

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As at March 31, 2006 and 2007

	2006 <i>(Millions of yen)</i>	2007	2007 <i>(Thousands of U.S.dollars) (Note 1)</i>
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 61,767	¥ 53,687	\$ 454,784
Time deposits	99	100	850
Marketable securities (Note 3)	408	0	0
Accounts receivables	18,194	20,755	175,814
Inventories (Note 5)	97,631	93,182	789,348
Deferred tax assets (Note 11)	5,927	4,565	38,668
Prepaid expenses and other current assets	8,183	7,377	62,487
Total current assets	<u>192,209</u>	<u>179,666</u>	<u>1,521,951</u>
Investments and long-term loans:			
Investments in:			
Affiliates	832	914	7,740
Other (Note 3)	47,468	43,981	372,565
Long-term loans	2,391	1,982	16,793
Other investments	21,800	20,752	175,789
	<u>72,491</u>	<u>67,629</u>	<u>572,887</u>
Property and equipment (Notes 6 and 7):			
Land	138,407	141,016	1,194,547
Buildings and structures	558,250	568,915	4,819,272
Machinery, equipment and rolling stock	215,407	225,977	1,914,251
Construction in progress	99,246	118,324	1,002,320
	<u>1,011,310</u>	<u>1,054,232</u>	<u>8,930,390</u>
Less accumulated depreciation	<u>439,550</u>	<u>457,879</u>	<u>3,878,691</u>
Property and equipment, at net book value	<u>571,760</u>	<u>596,353</u>	<u>5,051,699</u>
Intangible assets	6,547	8,341	70,651
Deferred tax assets (Note 11)	5,121	7,438	63,010
	<u>¥ 848,128</u>	<u>¥ 859,427</u>	<u>\$ 7,280,198</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term debt (Note 7)	¥ 113,712	¥ 117,286	\$ 993,527
Current portion of long-term debt (Note 7)	51,530	34,854	295,246
Accounts payables	44,952	58,127	492,397
Accrued expenses	10,048	10,243	86,768
Accrued income taxes (Note 11)	9,987	4,590	38,882
Advances received	7,546	7,217	61,139
Deferred tax liabilities (Note 11)	212	206	1,743
Other current liabilities	21,750	22,202	188,068
Total current liabilities	<u>259,737</u>	<u>254,725</u>	<u>2,157,770</u>
Long-term debt (Note 7)	330,769	327,166	2,771,421
Liability for employees' retirement benefits (Note 8)	22,029	13,856	117,375
Liability for directors' and corporate auditors' retirement benefits	0	656	5,556
Long-term advances received	56,860	70,191	594,583
Other long-term liabilities	30,617	30,016	254,268
Deferred tax liabilities (Note 11)	207	201	1,706
Minority interests	4,238	0	0
Contingent liabilities (Note 12)			
Net Assets (Notes 9 and 10):			
Common stock,			
Authorized - 1,800,000 thousand shares			
Issued -			
March 31, 2006: 530,663,046 shares	37,419	—	—
March 31, 2007: 537,413,854 shares	—	39,464	334,301
Capital surplus	35,088	42,014	355,897
Retained earnings	65,165	74,903	634,501
Unrealized gain on available-for-sale securities	12,268	9,711	82,259
Treasury stock, at cost			
March 31, 2006: 13,152,734 shares	(6,269)	—	—
March 31, 2007: 6,135,000 shares	—	(3,880)	(32,866)
	<u>143,671</u>	<u>162,212</u>	<u>1,374,092</u>
Minority interests	—	404	3,427
Total net assets	<u>143,671</u>	<u>162,616</u>	<u>1,377,519</u>
	<u>¥ 848,128</u>	<u>¥ 859,427</u>	<u>¥ 7,280,198</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2006 and 2007

	2006	2007	2007
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. Dollars)</i>
			<i>(Note 1)</i>
Revenue from operations:	¥ 311,961	¥ 325,072	\$ 2,753,679
Cost and expenses of revenue from operations (Note 8)	278,782	289,053	2,448,565
Operating income	33,179	36,019	305,114
Other income (expenses):			
Interest and dividend income	560	616	5,219
Interest expense	(7,306)	(8,000)	(67,769)
Loss on disposal of property and equipment	(1,314)	(2,350)	(19,906)
Gain on sales of investment securities	9,877	331	2,802
Valuation loss on real estate	0	(4,296)	(36,388)
Loss on repurchase of convertible bonds	0	(1,129)	(9,560)
Impairment loss	(7,579)	0	0
Special retirement payments	(5,862)	0	0
Amortization of net retirement obligation at transition and actuarial gain or loss	(295)	0	0
Other, net	(1,802)	1,007	8,529
	<u>(13,721)</u>	<u>(13,821)</u>	<u>(117,073)</u>
Income before income taxes and minority interests	19,458	22,198	188,041
Income taxes (Note 11)			
Current	12,378	9,872	83,629
Deferred	(4,788)	(215)	(1,822)
	7,590	9,657	81,807
Minority interests in earnings of consolidated subsidiaries	238	10	87
Net income	<u>¥ 11,630</u>	<u>¥ 12,531</u>	<u>\$ 106,147</u>

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KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended March 31, 2006 and 2007

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Unrealized gains on available-for- sale securities	Treasury stock	Total	Minority interests	Total net assets
			<i>(Millions of yen)</i>						
Balance as at March 31, 2005	521,872,627	¥ 34,755	¥ 32,423	¥ 56,247	¥ 8,852	¥ (4,979)	¥ 127,298	—	¥ 127,298
Net income for the year				11,630			11,630		11,630
Cash dividends paid				(2,539)			(2,539)		(2,539)
Directors' and corporate auditors' bonuses				(173)			(173)		(173)
Net increase in common stock in treasury			1			(1,290)	(1,289)		(1,289)
Net change during the year in unrealized gain on available-for-sale securities					3,416		3,416		3,416
Conversion of convertible bonds	8,790,419	2,664	2,664				5,328		5,328
Balance as at March 31, 2006	530,663,046	37,419	35,088	65,165	12,268	(6,269)	143,671	—	143,671
Reclassified balance as at March 31, 2006								¥ 4,238	4,238
Net income for the year				12,531			12,531		12,531
Cash dividends				(2,592)			(2,592)		(2,592)
Directors' and corporate auditors' bonuses				(201)			(201)		(201)
Net change during the year in unrealized gain on available-for-sale securities					(2,557)		(2,557)		(2,557)
Purchase of treasury stock						(408)	(408)		(408)
Disposal of treasury stock			4,881			2,797	7,678		7,678
Conversion of convertible bonds	6,750,808	2,045	2,045				4,090		4,090
Net change during the year								(3,834)	(3,834)
Balance as at March 31, 2007	537,413,854	¥ 39,464	¥ 42,014	¥ 74,903	¥ 9,711	¥ (3,880)	¥ 162,212	¥ 404	¥ 162,616

	Common stock	Capital surplus	Retained earnings	Unrealized holding gains on securities	Treasury stock	Total	Minority interests	Total net assets
			<i>(Thousands of U.S. dollars) (Note 1)</i>					
Balance as at March 31, 2006	\$ 316,974	\$ 297,231	\$ 552,011	\$ 103,921	\$ (53,105)	\$ 1,217,032	—	\$ 1,217,032
Reclassified balance as at March 31, 2006							\$ 35,898	35,898
Net income for the year			106,147			106,147		106,147
Cash dividends			(21,954)			(21,954)		(21,954)
Directors' and corporate auditors' bonuses			(1,703)			(1,703)		(1,703)
Net change during the year in unrealized gain on available-for-sale securities				(21,662)		(21,662)		(21,662)
Purchase of treasury stock					(3,454)	(3,454)		(3,454)
Disposal of treasury stock			41,339		23,693	65,032		65,032
Conversion of convertible bonds	17,327	17,327				34,654		34,654
Net change during the year							(32,471)	(32,471)
Balance as at March 31, 2007	\$ 334,301	\$ 355,897	\$ 634,501	\$ 82,259	\$ (32,866)	\$ 1,374,092	\$ 3,427	\$ 1,377,519

The accompanying Notes to Consolidated Financial Statements are integral part of these statements.

KEIHN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2006 and 2007

	2006	2007	2007
	(Millions of yen)		(Thousands of U.S. dollars)(Note)
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 19,458	¥ 22,198	\$ 188,041
Depreciation and amortization	28,305	28,317	239,871
Impairment loss	7,579	—	—
Loss on disposal of property and equipment	1,314	2,350	19,906
Reversal of allowance for doubtful accounts	(2)	(42)	(355)
(Decrease) increase in accrued employees' and directors' bonuses	(387)	273	2,314
Provision for (reversal of) employees' retirement benefits, less paym	2,418	(7,762)	(65,750)
Provision for directors' retirement benefits, less payments	—	519	4,400
Accrued special retirement benefits	5,795	—	—
Payment of accrued special retirement benefits	—	(5,795)	(49,087)
Interest and dividend income	(560)	(616)	(5,219)
Gain on sales of marketable and investment securities	(9,877)	(330)	(2,792)
Valuation loss on real estate	—	4,296	36,388
Loss on repurchase of convertible bonds	—	1,129	9,560
Interest expense	7,306	8,000	67,769
Equity in earnings of affiliates	(74)	(86)	(726)
Gain on contributions for construction	(493)	(601)	(5,090)
Valuation loss on property and equipment	868	—	—
Amotization of net retirement obligation at transition and actuarial gain or loss	295	—	—
Advanced depreciation	493	601	5,090
(Increase) decrease in accounts receivable	3,301	(2,472)	(20,938)
Decrease in inventories	240	3,645	30,875
Increase (decrease) in accounts payable	(2,788)	6,304	53,400
Refund of consumption tax	—	1,081	9,155
(Increase) decrease in accrued consumption taxes	(694)	835	7,071
Increase in advanced receipt	56	1,488	12,604
Other	(2,136)	(4,009)	(33,963)
	60,417	59,323	502,524
Interest and dividend received	600	619	5,242
Interest paid	(7,223)	(8,042)	(68,120)
Income taxes paid	(9,397)	(15,303)	(129,636)
Net cash provided by operating activities	44,397	36,597	310,010
Cash Flows from Investing Activities:			
Decrease in time deposits	35	—	—
Purchases of investment securities	(5,445)	(2,967)	(25,130)
Proceeds from sales and redemption of marketable securities	83	409	3,465
Proceeds from sales of investment securities	11,130	2,386	20,216
Acquisition of property and equipment	(81,694)	(50,940)	(431,515)
Proceeds from sales of property and equipment	396	433	3,665
Increase in intangible assets	(2,370)	(1,370)	(11,607)
Decrease in long-term loans	416	401	3,395
Proceeds from contributions for construction	16,068	21,946	185,907
(Increase) decrease in other investments	2,238	827	7,006
Net cash used in investing activities	(59,143)	(28,875)	(244,598)
Cash Flows from Financing Activities:			
Increase in short-term debt	5,450	3,574	30,275
Proceeds from long-term debt	101,418	37,921	321,228
Repayment or redemption of long-term debt	(48,513)	(51,080)	(432,700)
Cash dividends	(2,539)	(2,592)	(21,954)
Repurchases of convertible bonds	—	(3,629)	(30,737)
Purchases of treasury stock	(1,392)	—	—
Proceeds from sales of treasury stock	5	—	—
Proceeds from exercise of stock options	185	116	981
Other	(119)	(112)	(950)
Net cash provided by (used in) financing activities	54,495	(15,802)	(133,857)
Net increase (decrease) in cash and cash equivalents	39,749	(8,080)	(68,445)
Cash and cash equivalents at beginning of the year	22,018	61,767	523,229
Cash and cash equivalents at end of the year	¥ 61,767	¥ 53,687	\$ 454,784

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