

# CONSOLIDATED BALANCE SHEETS

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES

As at March 31, 2007 and 2008

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2007	2008	2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash on hand and at banks (Note 3) .....	¥53,787	¥51,145	\$510,484
Accounts receivable .....	20,755	14,435	144,077
Inventories (Note 6) .....	93,182	89,821	896,501
Deferred tax assets (Note 13) .....	4,565	5,008	49,990
Prepaid expenses and other current assets .....	7,377	6,563	65,505
Total current assets .....	179,666	166,972	1,666,557
<b>Investments and long-term loans:</b>			
Investments in:			
Affiliates .....	914	958	9,567
Other (Note 4) .....	43,981	38,603	385,294
Long-term loans .....	1,982	1,843	18,391
Other investments .....	20,752	21,493	214,520
	67,629	62,897	627,772
<b>Property and equipment (Notes 7 and 8):</b>			
Land .....	141,016	140,807	1,405,402
Buildings and structures .....	568,915	582,123	5,810,188
Machinery, equipment and rolling stock .....	225,977	227,344	2,269,126
Construction in progress .....	118,324	158,589	1,582,884
	1,054,232	1,108,863	11,067,600
Less accumulated depreciation .....	457,879	477,541	4,766,349
<b>Property and equipment, at net book value</b> .....	596,353	631,322	6,301,251
<b>Intangible assets</b> .....	8,341	7,935	79,194
<b>Deferred tax assets (Note 13)</b> .....	7,438	10,247	102,276
<b>Total assets</b> .....	¥859,427	¥879,373	\$8,777,050

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

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2007	2008	2008
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 8) .....	¥117,286	¥116,245	\$1,160,245
Current portion of long-term debt (Note 8) .....	34,854	81,353	811,990
Accounts payables .....	58,127	56,459	563,516
Accrued expenses .....	10,243	10,279	102,592
Accrued income taxes (Note 13) .....	4,590	7,728	77,137
Reserve for unused amount of bus cards .....	–	748	7,465
Advances received .....	7,217	6,132	61,201
Deferred tax liabilities (Note 13) .....	206	206	2,052
Other current liabilities .....	22,202	18,605	185,705
Total current liabilities .....	254,725	297,755	2,971,903
<b>Long-term debt</b> (Note 8) .....	327,166	294,234	2,936,759
<b>Liability for employees' retirement benefits</b> (Note 9) .....	13,856	8,913	88,958
<b>Liability for directors' and corporate auditors' retirement benefits</b> .....	656	588	5,869
<b>Long-term advances received</b> .....	70,191	90,012	898,410
<b>Other long-term liabilities</b> .....	30,016	30,172	301,145
<b>Deferred tax liabilities</b> (Note 13) .....	201	191	1,910
Total liabilities .....	696,811	721,865	7,204,954
<b>Contingent liabilities</b> (Note 14)			
<b>Net Assets</b> (Notes 10 and 16):			
Common stock,			
Authorized-1,800,000 thousand shares			
Issued-			
March 31, 2007: 537,413,854 shares .....	39,464	–	
March 31, 2008: 537,413,854 shares .....	–	39,464	393,894
Capital surplus .....	42,014	42,009	419,295
Retained earnings .....	74,903	85,134	849,727
Treasury stock, at cost			
March 31, 2007: 6,135,260 shares .....	(3,880)	–	
March 31, 2008: 19,219,452 shares .....	–	(13,755)	(137,295)
Total shareholders' equity .....	152,501	152,852	1,525,621
<b>Unrealized gain on available-for-sale securities</b> .....	9,711	4,217	42,094
<b>Minority interests</b> .....	404	439	4,381
Total net assets .....	162,616	157,508	1,572,096
<b>Total liabilities and net assets</b> .....	¥859,427	¥879,373	\$8,777,050

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# CONSOLIDATED STATEMENTS OF INCOME

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES

Years ended March 31, 2007 and 2008

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2007	2008	2008
<b>Revenue from operations</b>	¥325,072	<b>¥314,336</b>	<b>\$3,137,397</b>
Cost and expenses of revenue from operations (Notes 9 and 11) .....	289,053	<b>282,184</b>	<b>2,816,485</b>
Operating income	36,019	<b>32,152</b>	<b>320,912</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	616	<b>577</b>	<b>5,755</b>
Interest expense .....	(8,000)	<b>(8,284)</b>	<b>(82,678)</b>
Gain on establishment of retirement benefit trust .....	-	<b>1,014</b>	<b>10,118</b>
Loss on disposal of property and equipment .....	(2,350)	<b>(507)</b>	<b>(5,057)</b>
Gain on sales of investment securities .....	331	<b>184</b>	<b>1,841</b>
Provision for reserve for unused amounts of bus cards .....	-	<b>(837)</b>	<b>(8,355)</b>
Valuation loss on investment securities .....	-	<b>(541)</b>	<b>(5,406)</b>
Valuation loss on real estate .....	(4,296)	-	-
Loss on repurchase of convertible bonds .....	(1,129)	-	-
Impairment loss .....	-	<b>(148)</b>	<b>(1,477)</b>
Other, net .....	1,007	<b>200</b>	<b>1,996</b>
	(13,821)	<b>(8,342)</b>	<b>(83,263)</b>
Income before income taxes and minority interests .....	22,198	<b>23,810</b>	<b>237,649</b>
<b>Income taxes</b> (Note 13)			
Current .....	9,872	<b>9,693</b>	<b>96,747</b>
Deferred .....	(215)	<b>674</b>	<b>6,724</b>
	9,657	<b>10,367</b>	<b>103,471</b>
<b>Minority interests</b> .....	10	<b>34</b>	<b>343</b>
Net income .....	¥12,531	<b>¥13,409</b>	<b>\$133,835</b>

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

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES

Years ended March 31, 2007 and 2008

	(Millions of yen)								
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share- holders' equity	Unrealized gain on available- for-sale securities	Minority interests	Total net assets
<b>Balance as at March 31, 2006</b> .....	530,663,046	¥37,419	¥35,088	¥65,165	(¥6,269)	¥131,403	¥12,268		¥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)		(34)	(2,626)
Directors' and corporate auditors' bonuses .....				(201)		(201)		(10)	(211)
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 of items other than shareholders' equity during the year ....							(2,557)	(3,790)	(6,347)
<b>Balance as at March 31, 2007</b> .....	537,413,854	¥39,464	¥42,014	¥74,903	(¥3,880)	¥152,501	¥9,711	¥404	¥162,616
Net income for the year .....				13,409		13,409			13,409
Cash dividends .....				(3,172)		(3,172)			(3,172)
Purchase of treasury stock .....					(10,031)	(10,031)			(10,031)
Disposal of treasury stock .....			(5)		156	151			151
Decrease resulting from a decrease in affiliates applied by the equity method ...				(6)		(6)			(6)
Net change of items other than shareholders' equity during the year ....							(5,494)	35	(5,459)
<b>Balance as at March 31, 2008</b> .....	537,413,854	¥39,464	¥42,009	¥85,134	(¥13,755)	¥152,852	¥4,217	¥439	¥157,508

(Thousands of U.S. dollars) (Note 1)

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share- holders' equity	Unrealized gain on available- for-sale securities	Minority interests	Total net assets
<b>Balance as at March 31, 2007</b> .....	537,413,854	\$393,894	\$419,339	\$747,608	(\$38,725)	\$1,522,116	\$96,923	\$4,038	\$1,623,077
Net income for the year .....				133,835		133,835			133,835
Cash dividends .....				(31,655)		(31,655)			(31,655)
Purchase of treasury stock .....					(100,128)	(100,128)			(100,128)
Disposal of treasury stock .....			(44)		1,558	1,514			1,514
Decrease resulting from a decrease in affiliates applied by the equity method ...				(61)		(61)			(61)
Net change of items other than shareholders' equity during the year ....							(54,829)	343	(54,486)
<b>Balance as at March 31, 2008</b> .....	537,413,854	\$393,894	\$419,295	\$849,727	(\$137,295)	\$1,525,621	\$42,094	\$4,381	\$1,572,096

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# CONSOLIDATED STATEMENTS OF CASH FLOWS

KEIHIN ELECTRIC EXPRESS RAILWAY CO., LTD. AND SUBSIDIARIES

Years ended March 31, 2007 and 2008

(Thousands of  
U.S. dollars)  
(Note 1)

	(Millions of yen)		
	2007	2008	2008
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥22,198	¥23,810	\$237,649
Depreciation and amortization .....	28,317	30,313	302,551
Impairment loss .....	0	148	1,477
Loss on disposal of property and equipment .....	2,350	2,161	21,569
Reversal of allowance for doubtful accounts .....	(42)	(25)	(255)
Increase in accrued employees' and directors' bonuses .....	273	85	849
Provision for (reversal of) employees' retirement benefits, less payments ...	(7,762)	241	2,403
Provision for (reversal of) directors' retirement benefits, less payments .....	519	(68)	(677)
Provision for reserve for unused bus cards .....	0	748	7,465
Payment of accrued special retirement benefits .....	(5,795)	0	0
Interest and dividend income .....	(616)	(577)	(5,755)
Gain on sales of marketable and investment securities .....	(330)	(184)	(1,841)
Valuation loss in investment securities .....	0	542	5,406
Valuation loss on real estate .....	4,296	0	0
Loss on repurchase of convertible bonds .....	1,129	0	0
Interest expense .....	8,000	8,284	82,678
Equity in earnings of affiliates .....	(86)	(74)	(742)
Gain on establishment of retirement benefit trust .....	0	(1,014)	(10,118)
Gain on contributions for construction .....	(601)	(1,143)	(11,407)
Deferred gain on contribution for construction .....	601	1,143	11,407
(Increase) decrease in accounts receivable .....	(2,472)	6,532	65,198
Decrease in inventories .....	3,645	3,362	33,556
Increase (decrease) in accounts payable .....	6,304	(6,699)	(66,858)
Refund of consumption tax .....	1,081	0	0
(Increase) decrease in accrued consumption taxes .....	835	(2,807)	(28,013)
Increase (decrease) in advanced receipt .....	1,488	(558)	(5,569)
Other .....	(4,009)	62	623
	59,323	64,282	641,596
Interest and dividend received .....	619	579	5,778
Interest paid .....	(8,042)	(8,301)	(82,849)
Income taxes paid .....	(15,303)	(5,457)	(54,468)
Net cash provided by operating activities .....	36,597	51,103	510,057
<b>Cash Flows from Investing Activities:</b>			
Decrease in time deposits .....	0	13	130
Purchases of investment securities .....	(2,967)	(9,869)	(98,500)
Proceeds from sales and redemption of marketable securities .....	409	14	144
Proceeds from sales of investment securities .....	2,386	1,194	11,919
Acquisition of property and equipment .....	(50,940)	(66,029)	(659,033)
Proceeds from sales of property and equipment .....	433	402	4,008
Increase in intangible assets .....	(1,370)	(1,330)	(13,276)
Decrease in long-term loans .....	401	179	1,786
Proceeds from contributions for construction .....	21,946	23,127	230,827
(Increase) decrease in other investments .....	827	(746)	(7,450)
Net cash used in investing activities .....	(28,875)	(53,045)	(529,445)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term debt .....	3,574	(1,041)	(10,390)
Proceeds from long-term debt .....	37,921	18,541	185,058
Repayment or redemption of long-term debt .....	(51,080)	(34,884)	(348,176)
Cash dividends .....	(2,592)	(3,172)	(31,655)
Proceeds from issuance of bonds .....	0	29,829	297,722
Repurchases of convertible bonds .....	(3,629)	0	0
Purchases of treasury stock .....	0	(9,951)	(99,318)
Proceeds from exercise of stock options .....	116	0	0
Other .....	(112)	(19)	(195)
Net cash used in financing activities .....	(15,802)	(697)	(6,954)
<b>Net decrease in cash and cash equivalents .....</b>	<b>(8,080)</b>	<b>(2,639)</b>	<b>(26,342)</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>61,767</b>	<b>53,687</b>	<b>535,854</b>
<b>Cash and cash equivalents at end of the year (Note 3) .....</b>	<b>¥53,687</b>	<b>¥51,048</b>	<b>\$509,512</b>

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