

1. Basis of Presentation

The accompanying consolidated financial statements of Keihin Electric Express Railway Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law (formerly, the Securities and Exchange Law) of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

For the convenience of readers outside Japan, the accompanying consolidated financial statements as at and for the year ended March 31, 2008 have been presented in U.S. dollars by translating Japanese yen amounts at ¥100.19=US\$1.00, the exchange rate prevailing as at March 31, 2008.

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 (76 in 2008 and 77 in 2007) controlled directly or indirectly by the Group, and all associated companies (3 in 2008 and 4 in 2007) over which the Group exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements by the equity method.

Certain consolidated subsidiaries have different fiscal closing dates (December 31, January 31 or the last day of February), but those financial statements at respective closing dates are used in consolidation as they are, while significant transactions during the period between each closing date and March 31 are adjusted as necessary.

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

Significant differences (goodwill or negative goodwill) 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 subsidiaries consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(c) Securities

In general, securities are classified into three categories: trading, held-to-maturity or other securities.

Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss,

net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost.

Cost of securities sold is determined by the moving average method.

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

The allowance for bad debts on receivables is provided at 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

Real estate under construction—the identified cost method

Other—principally retail 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 Kamioooka 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.

Effective the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic consolidated subsidiaries have depreciated property and equipment acquired on or after April 1, 2007 in

accordance with the method stipulated in the amended Corporate Tax Law. The effect of this change on the consolidated results was immaterial. In addition, the salvage values (5% of the acquisition cost) of the property and equipment acquired on or before March 31, 2007 which had been fully depreciated to the limit based on the Corporate Tax Law before the amendment are depreciated equally over five years starting from the year ended March 31, 2008. The effect of this change on the consolidated results was immaterial.

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) Accrued bonuses for employees and directors and corporate auditors

Accrued bonuses for employees and directors and corporate auditors are provided on an accrual basis based on the estimated amounts to be paid subsequent to the balance sheet date. These accounts are included in accrued expenses in the accompanying consolidated balance sheets.

(i) Reserve for unused amounts of bus cards

Reserve for unused amounts of bus cards is recorded at an amount estimated to be used in future out of the unused amounts of bus cards which were recognized as income when issued.

Bus cards, which are issued by certain consolidated subsidiaries, have been recognized as income when issued as well as the coupon tickets. However, considering that PASMO, an IC-card based ticket, whose revenue is recognized when used, was introduced, and following the announcement of "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (the Japanese Institute of Certified Public Accountants (JICPA) Audit and Assurance Practice Committee Report No. 42 of April 13, 2007), the Company has recorded a reserve based on the amount expected to be used in future out of the unused amounts of bus cards which were recognized as income when issued, effective the year ended March 31, 2008. As a result, operating income increased by ¥89 million (\$890 thousand) and income before

income taxes and minority interests decreased by ¥748 million (\$7,465 thousand) for the year ended March 31, 2008.

(j) Liability for employees' retirement benefits

The liabilities for employees' retirement benefits are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized net retirement obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost. The net retirement benefit obligation at transition with respect to the subsidiaries is being amortized over a period of 15 years by the straight-line method. 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. Past service cost is amortized as incurred by the straight-line method over a period of average remaining service years of employees at the time of occurrence.

(k) Liability for directors' and corporate auditors' retirement benefits

The Company and certain consolidated subsidiaries provide an accrual for retirement benefits to directors and corporate auditors based on the internal rule at an estimate of the amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date.

(l) 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.

(m) Leases

Non-cancelable 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.

(n) Appropriation of retained earnings

Under the Corporation Law of Japan (the "Law"), 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.

(o) Treatment of railway business contributions for the construction

The Company receives a portion of the construction costs applicable to work undertaken to elevate railway lines and crossings, and for the improvement of grade crossings in the form of contributions for the construction provided by national and municipal governments. An amount equivalent to the contributions for the construction is recorded as a

deduction from the acquisition costs of property and equipment purchased on completion of construction. In addition, the contributions for the construction amount received are recorded as an extraordinary gain in the consolidated statement of income. At the same time, the amount recorded as a deduction from the acquisition costs of property and equipment purchased is posted as an extraordinary loss on deduction of property and equipment.

3. Cash and Cash Equivalents

Cash on hand and at banks of consolidated balance sheets are reconciled to cash and cash equivalents of consolidated statements of cash flows as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Cash on hand and at banks	¥53,787	¥51,145	\$510,484
Time deposits maturing over 3 months	(100)	(97)	(972)
Cash and cash equivalents	¥53,687	¥51,048	\$509,512

Noncash transactions:

Significant noncash transactions which do not have a direct impact on cash flows during the year ended March 31, 2008 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Year ended March 31, 2008	
Treasury stock converted from convertible bonds	¥90	\$898
Decrease in convertible bonds due to conversion	¥90	\$898

4. Securities

Information regarding marketable securities classified as held-to-maturity debt securities and other securities as at March 31, 2007 and 2008 is as follows:

Marketable held-to-maturity debt securities

	(Millions of yen)			(Thousands of U.S. dollars)		
	As at March 31, 2007			As at March 31, 2008		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value:						
Government bonds	¥15	¥15	¥(0)	\$150	\$150	\$(0)
Total	¥15	¥15	¥(0)	\$150	\$150	\$(0)

Marketable other securities

	(Millions of yen)		
	As at March 31, 2007		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Stock	¥13,962	¥30,936	¥16,974
Government bonds	55	55	0
Subtotal	14,017	30,991	16,974
Securities whose carrying value exceeds their fair value			
Stock	2,464	2,038	(426)
Government bonds	74	72	(2)
Subtotal	2,538	2,110	(428)
Total	¥16,555	¥33,101	¥16,546

	(Millions of yen)			(Thousands of U.S. dollars)		
	As at March 31, 2008					
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Stock	¥11,194	¥19,069	¥7,875	\$111,730	\$190,334	\$78,604
Government bonds	92	94	2	922	941	19
Subtotal	11,286	19,163	7,877	112,652	191,275	78,623
Securities whose carrying value exceeds their fair value						
Stock	3,883	3,127	(756)	38,761	31,214	(7,547)
Government bonds	37	37	(0)	365	362	(3)
Subtotal	3,920	3,164	(756)	39,126	31,576	(7,550)
Total	¥15,206	¥22,327	¥7,121	\$151,778	\$222,851	\$71,073

Sales of securities classified as other securities with aggregate gain and loss are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31,		
	2007	2008	2008
Sales proceeds	¥2,385	¥201	\$2,002
Aggregate gain	331	184	1,841
Aggregate loss	(1)	(7)	(75)

Major securities whose fair value is not readily determinable at March 31, 2007 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Unlisted domestic corporate bonds (held-to-maturity debt securities)	¥ 10	¥ 14	\$ 140
Unlisted stock (Other securities)	10,879	16,283	162,522
Total	¥10,889	¥16,297	\$162,662

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

	(Millions of yen)				(Thousands of U.S. dollars)			
	March 31, 2007				March 31, 2008			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years and thereafter	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years and thereafter
Government bonds	¥–	¥35	¥75	¥35	\$150	\$599	\$349	\$349
Corporate bonds	5	5	–	–	30	20	–	–
Total	¥5	¥40	¥75	¥35	\$180	\$619	\$349	\$349

5. Derivative Transactions

The Company has entered into derivative financial instruments in order to manage certain risks arising from adverse fluctuations in interest rates. As at March 31, 2007 and 2008, the disclosure of fair value information of interest-rate derivative transactions has been omitted since all derivatives have been accounted for as hedges.

6. Inventories

Inventories are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Real estate	¥85,051	¥80,458	\$803,053
Real estate under construction	5,065	6,313	63,007
Other	3,066	3,050	30,441
	¥93,182	¥89,821	\$896,501

7. 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, 2007 and 2008, the Company deducted contributions for the construction of

railway facilities of ¥506 million and ¥1,083 million (\$10,807 thousand), respectively, from the acquisition costs of railway structures. The accumulated deductions from the costs of existing property and equipment amounted to ¥122,172 million and ¥123,300 million (\$1,230,660 thousand) as at March 31, 2007 and 2008, respectively.

8. Short-Term Debt and Long-Term Debt

As at March 31, 2007 and 2008, short-term debt consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Bank loans	¥ 82,286	¥ 86,245	\$ 860,814
Commercial paper	35,000	30,000	299,431
	¥117,286	¥116,245	\$1,160,245

Short-term bank loans represented notes or overdrafts. The annual interest rates applicable to the short-term bank loans outstanding as at March 31, 2007 and 2008 ranged from 0.79545% to 1.17545% and from 1.10917% to 1.35917%, respectively.

Commercial paper is unsecured and matures generally within three months. The interest rates applicable as at March 31, 2007 and 2008 ranged principally from 0.13561% to 0.16699% and from 0.65092% to 0.67684%, respectively.

Long-term debt as at March 31, 2007 and 2008 is summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
1.15% convertible bonds due 2009	¥ 22,036	¥ 21,946	\$ 219,044
0.72% bonds due 2008	30,000	30,000	299,431
0.73% bonds due 2010	30,000	30,000	299,431
1.98% bonds due 2016	20,000	20,000	199,621
1.77% bonds due 2014	–	10,000	99,810
2.05% bonds due 2017	–	20,000	199,621
Loans from banks and insurance companies at interest rates ranging from:			
2007 – 0.6% to 6.7%			
2008 – 0.6% to 6.7%			
Secured	122,594	121,064	1,208,343
Unsecured	137,390	122,577	1,223,448
	362,020	375,587	3,748,749
Less current portion	34,854	81,353	811,990
	¥327,166	¥294,234	\$2,936,759

The aggregate annual maturities of long-term debt outstanding subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥ 81,353	\$ 811,990
2010	26,996	269,447
2011	56,717	566,091
2012	23,860	238,148
2013	21,373	213,323
2014 and thereafter	165,288	1,649,750
	¥375,587	\$3,748,749

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, 2008, the number of shares which would be issuable upon conversion of the outstanding convertible bonds at current conversion prices was approximately 36,214 thousand shares.

	(Yen)
	Conversion price per share
1.15% convertible bonds due 2009	¥606.0

The assets pledged as collateral for long-term debt amounting to ¥122,594 million and ¥121,064 million (\$1,208,343 thousand) as at March 31, 2007 and 2008, respectively, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Property and equipment, at net book value			
Railway property	¥239,321	¥237,993	\$2,375,170
Other property	11,996	11,863	118,656
Others	190	190	1,895
	¥251,507	¥250,046	\$2,495,721

9. Employees' Retirement Benefits

The Company and 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, 2007 and 2008 for the Company's and subsidiaries' defined benefit plans:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Retirement benefit obligation	¥(64,194)	¥(61,601)	\$(614,838)
Plan assets at fair value	65,820	57,312	572,034
Unfunded retirement benefit obligation	1,626	(4,289)	(42,804)
Unrecognized plan assets	-	-	-
Unrecognized net retirement benefit obligation at transition	2,619	2,292	22,872
Unrecognized actuarial gain or loss	(16,456)	(5,044)	(50,349)
Unrecognized past service costs	(1,312)	(1,170)	(11,673)
Net retirement obligation	(13,523)	(8,211)	(81,954)
Prepaid pension cost	333	702	7,004
Employees' retirement benefits	¥(13,856)	¥ (8,913)	\$ (88,958)

Components of retirement benefit expenses for the years ended March 31, 2007 and 2008 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31,		
	2007	2008	2008
Service cost	¥2,903	¥2,335	\$23,313
Interest cost	1,472	1,236	12,336
Expected return on plan assets	(414)	(444)	(4,433)
Amortization of net retirement obligation at transition	322	327	3,265
Amortization of actuarial gain or loss	(1,019)	(890)	(8,886)
Amortization of past service cost	(142)	(142)	(1,416)
Total	¥3,122	¥2,422	\$24,179

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

	As at March 31,	
	2007	2008
	Method of amortization	Straight-line method
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 1.0%	Mainly 1.0%
Period of recognition of amortization of past service cost.....	Mainly 15 years	Mainly 15 years
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

10. Net Assets

On and after May 1, 2006, Japanese companies are subject to a new corporation law of Japan (the "Law"), which replaced the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring on and after May 1 2006, and for the fiscal year ending after that date.

Under the Law, companies can pay dividends at any time during the year in addition to the year-end dividend upon resolution at the shareholders' meeting.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve, which is included in retained earnings or additional paid-in capital, which is included capital surplus depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Law, the total amount of additional paid-in capital and legal

reserve may be reversed without limitation. The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders. The Company's legal reserve amounted to ¥6,666 million (\$66,529 thousand) as at March 31, 2007 and 2008. The Company' additional paid-in capital amounted to ¥13,587 million and ¥13,587 million (\$135,608 thousand) as at March 31, 2007 and 2008, respectively.

The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥3.5 (\$0.03) per share, aggregating ¥1,814 million (\$18,102 thousand) which was subsequently approved by the shareholders on June 27, 2008 as an appropriation of retained earnings in respect of the year ended March 31, 2008.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses included in "Cost and expenses of revenue from operations" for the years ended March 31, 2007 and 2008 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31,		
	2007	2008	2008
Personnel expenses	¥14,291	¥14,244	\$142,168
Miscellaneous taxes	1,798	1,678	16,752
Depreciation	2,175	2,400	23,953
Amortization of goodwill	268	543	5,416
Other operating expenses	10,450	10,247	102,278
Total	¥28,982	¥29,112	\$290,567

12. Impairment of Property and Equipment

In accordance with the accounting standard for impairment of fixed assets, the Group recorded a loss on impairment in connection with the properties for rent located at Kawasaki city, Kanagawa Pref. for the year ended March 31, 2008 as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Year ended March 31, 2008	
Buildings and structures	¥ 75	\$ 751
Land	73	726
	¥148	\$1,477

The Company and subsidiaries periodically review their fixed assets for impairment by grouping the assets in income generating units by business segment for management accounting purpose or by properties or stores whenever there is any indication of a significant decline in the fair value against its book value. Since above assets cannot expect

revenues expected initially, the Group writes down the book value to the recoverable value and records a loss on impairment. In computing the recoverable value of these assets, the recoverable value is measured at net realizable value based on the appraisal by the independent real estate appraiser.

13. Income Taxes

Income taxes applicable to the Company and subsidiaries comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rate of 40.69% for 2007 and 2008.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007 and 2008 differ from the statutory tax rates for the following reasons:

	2007	2008
Statutory tax rate	40.69%	40.69%
Effect of:		
Expenses permanently not deductible for income tax purposes	1.16	1.25
Inhabitant's per capita taxes	0.21	0.19
Change in valuation allowance	(1.21)	-
Unrealized profit (loss) not subject to tax effect accounting	2.04	1.56
Other, net	0.62	(0.15)
Effective tax rate	43.51%	43.54%

The significant components of deferred tax assets and liabilities as at March 31, 2007 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Deferred tax assets:			
Accrued bonuses	¥ 547	¥ 542	\$ 5,406
Accrued enterprise tax	458	668	6,673
Employees' retirement benefits	8,570	7,678	76,634
Tax loss carryforwards of consolidated subsidiaries	1,647	1,220	12,178
Depreciation	1,115	1,068	10,664
Impairment loss	2,970	2,847	28,415
Unrealized gain on intercompany transactions	837	1,035	10,327
Valuation loss of real estate	2,476	2,407	24,027
Valuation loss of investment in an affiliate	4,123	3,769	37,622
Other	2,583	3,034	30,281
Valuation allowance	(6,472)	(6,081)	(60,696)
Total deferred tax assets	18,854	18,187	181,531
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law	205	205	2,049
Goodwill	210	210	2,094
Unrealized holding gains on securities	6,843	2,914	29,085
Total deferred tax liabilities	7,258	3,329	33,228
Net deferred tax assets	¥11,596	¥14,858	\$148,303

14. Contingent Liabilities

As at March 31, 2007 and 2008, the Company and subsidiaries were contingently liable as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Guarantees of indebtedness of:			
Affiliates	¥ 34	¥ -	\$ -
Customers	134	75	751
Employees	2	-	-
Others	10	10	100
	¥180	¥85	\$851

15. Leases

a) As a lessee:

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as at March 31, 2007 and 2008, and the related depreciation and interest expense for the years ended March 31, 2007 and 2008, 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:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Acquisition costs:			
Machinery and rolling stock	¥108	¥ 81	\$ 808
Other equipment	895	441	4,399
	1,003	522	5,207
Less accumulated depreciation:			
Machinery and rolling stock	78	64	634
Other equipment	595	203	2,028
	673	267	2,662
Net book value:			
Machinery and rolling stock	30	17	174
Other equipment	300	238	2,371
	¥330	¥255	\$2,545
			(Thousands of U.S. dollars)
	(Millions of yen)		
	Year ended March 31,		
	2007	2008	2008
Depreciation	¥69	¥93	\$926
Interest expense	2	3	32

Lease expenses relating to finance lease transactions accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥74 million and ¥96 million (\$960 thousand) for the years ended March 31, 2007 and 2008, respectively.

The present value of future rental expenses under finance lease transactions accounted for as operating leases outstanding as at March 31, 2007 and 2008 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Within 1 year	¥ 90	¥ 80	\$ 795
Over 1 year	243	177	1,771
	¥333	¥257	\$2,566

Future rental expenses under operating leases outstanding as at March 31, 2007 and 2008 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Within 1 year	¥ 6	¥ 6	\$ 60
Over 1 year	22	17	168
	¥28	¥23	\$228

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

b) As a lessor:

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as at March 31, 2007 and 2008, and the related depreciation and interest revenue for the years ended March 31, 2007 and 2008, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Acquisition costs:			
Buildings and structures	¥2,408	¥2,408	\$24,034
Land	551	551	5,498
	2,959	2,959	29,532
Less accumulated depreciation:			
Buildings and structures	359	440	4,389
	359	440	4,389
Net book value:			
Buildings and structures	2,049	1,968	19,645
Land	551	551	5,498
	¥2,600	¥2,519	\$25,143
	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended March 31,		
	2007	2008	2008
Depreciation	¥ 80	¥ 80	\$ 801
Interest income	247	246	2,452

Lease revenues relating to finance lease transactions accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥272 million and ¥273 million (\$2,723 thousand) for the years ended March 31, 2007 and 2008, respectively.

The present value of future rental revenues under finance lease transactions accounted for as operating leases as at March 31, 2007 and 2008 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As at March 31,		
	2007	2008	2008
Within 1 year	¥ 27	¥ 31	\$ 316
Over 1 year	2,833	2,802	27,963
	¥2,860	¥2,833	\$28,279

16. 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)
	March 31,		
	2007	2008	2008
Net income:			
Basic	¥24.02	¥25.55	\$0.255
Diluted	22.36	24.18	0.241
Net assets	305.32	303.11	3.0254
Cash dividends applicable to the year	6.00	6.00	0.060

Above information is computed using the following data:

	(Millions of yen or shares)		(Thousands of U.S. dollars)
	March 31,		
	2007	2008	2008
Basic net income per share:			
Net income	¥ 12,530	¥ 13,409	\$ 133,835
Net income attributable to common stock	¥ 12,530	¥ 13,409	\$ 133,835
Weighted average number of outstanding shares	521,578,675 shares	524,734,874 shares	
Diluted net income per share:			
Adjustments to net income	¥ 186	¥ 153	\$ 1,529
(of which, interest expenses, etc. (net of taxes))	¥ (186)	¥ (153)	\$ (1,529)
Increase in number of common stock	47,172,979 shares	36,245,130 shares	
(of which, convertible bonds)	(47,131,557 shares)	(36,245,130 shares)	
(of which, new share subscription rights)	(41,422 shares)	(0 share)	
Net assets per share:			
Total net assets per consolidated balance sheets	¥162,616	¥157,508	\$1,572,096
Total net assets attributable to common stock	¥162,211	¥157,069	\$1,567,715
Components of above difference (Minority interests)	¥ 404	¥ 439	\$ 4,381
Outstanding shares of common stock issued	537,413,854 shares	537,413,854 shares	
Treasury common stock	6,135,260 shares	19,219,452 shares	
Number of common stock used in computing net assets per share	531,278,594 shares	518,194,402 shares	

17. Segment Information

Business segment information is summarized as follows:

As at or for the year ended March 31, 2007	Millions of yen							Elimination/ Corporate	Consolidated
	Transportation	Real estate	Tourism and Leisure	Distribution	Other	Total			
Revenues:									
Outside customers ...	¥114,651	¥ 41,650	¥ 47,492	¥93,089	¥28,190	¥325,072	¥ -	¥325,072	
Intersegments	2,208	6,366	4,324	3,238	40,386	56,522	(56,522)	0	
	116,859	48,016	51,816	96,327	68,576	381,594	(56,522)	325,072	
Cost and expenses	97,332	39,658	49,815	94,956	64,009	345,770	(56,717)	289,053	
Operating income	¥ 19,527	¥ 8,358	¥ 2,001	¥ 1,371	¥ 4,567	¥ 35,824	¥ 195	¥ 36,019	
Assets	¥405,977	¥192,908	¥123,486	¥36,985	¥40,569	¥799,925	¥59,502	¥859,427	
Depreciation	¥ 17,927	¥ 3,549	¥ 4,932	¥ 1,267	¥ 642	¥ 28,317	¥ 0	¥ 23,817	
Capital expenditures	¥ 55,436	¥ 3,051	¥ 3,310	¥ 2,389	¥ 654	¥ 64,750	¥ 0	¥ 64,750	

As at or for the year ended March 31, 2008	Millions of yen							Elimination/ Corporate	Consolidated
	Transportation	Real estate	Tourism and Leisure	Distribution	Other	Total			
Revenues:									
Outside customers	¥115,978	¥ 35,738	¥ 47,391	¥92,189	¥23,040	¥314,336	¥ -	¥314,336	
Intersegments	2,230	6,322	4,227	2,718	40,337	55,834	(55,834)	0	
	118,208	42,060	51,618	94,907	63,377	370,170	(55,834)	314,336	
Cost and expenses	100,909	35,531	49,930	93,140	58,860	338,371	(56,188)	282,183	
Operating income	¥ 17,299	¥ 6,528	¥ 1,688	¥ 1,767	¥ 4,517	¥ 31,799	¥ 354	¥ 32,153	
Assets	¥440,797	¥188,699	¥122,217	¥33,940	¥36,440	¥822,093	¥57,280	¥879,373	
Depreciation	¥ 19,684	¥ 3,636	¥ 4,931	¥ 1,406	¥ 656	¥ 30,313	¥ 0	¥ 30,313	
Impairment loss	0	148	0	0	0	148	¥ 0	¥ 148	
Capital expenditures	¥ 57,926	¥ 7,236	¥ 3,753	¥ 1,048	¥ 380	¥ 70,343	¥ 0	¥ 70,343	

As at or for the year ended March 31, 2008	Thousands of U.S. dollar							Elimination/ Corporate	Consolidated
	Transportation	Real estate	Tourism and Leisure	Distribution	Other	Total			
Revenues:									
Outside customers	\$1,157,580	\$ 356,707	\$ 473,007	\$920,140	\$229,963	\$3,137,397	\$ -	\$3,137,397	
Intersegments	22,259	63,092	42,196	27,134	402,604	557,285	(557,285)	0	
	1,179,839	419,799	515,203	947,274	632,567	3,694,682	(557,285)	3,137,397	
Cost and expenses	1,007,176	354,643	498,356	929,638	587,484	3,377,297	(560,813)	2,816,484	
Operating income	\$ 172,663	\$ 65,156	\$ 16,847	\$ 17,636	\$ 45,083	\$ 317,385	\$ 3,528	\$ 320,913	
Assets	\$4,399,609	\$1,883,416	\$1,219,852	\$338,754	\$363,710	\$8,205,341	\$571,709	\$8,777,050	
Depreciation	\$ 196,465	\$ 36,297	\$ 49,213	\$ 14,032	\$ 6,544	\$ 302,551	\$ 0	\$ 302,551	
Impairment loss	\$ 0	\$ 1,477	\$ 0	\$ 0	\$ 0	\$ 1,477	\$ 0	\$ 1,477	
Capital expenditures	\$ 578,164	\$ 72,223	\$ 37,458	\$ 10,457	\$ 3,789	\$ 702,091	\$ 0	\$ 702,091	

Notes:

1. Segmentation method:

Business segments are classified based on Standard Industrial Classifications in Japan to disclose the diversified nature of the Company's business in an appropriate manner.

2. Major business of each business segment:

a. Transportation: Railway, bus, taxi operations and etc.

b. Real estate: Sales and leasing of land and buildings

c. Tourism and Leisure: Hotels, leisure facilities, golf course operations, restaurants, aquarium, etc.

d. Distribution: Sales of merchandises at department stores and other stores

e. Other: Construction, maintenance of equipments, repair of transportation equipment, building management and operations of driving schools

3. Assets included in "Elimination/Corporate" amounted to ¥83,312 million and ¥79,705 million (\$795,543 thousand) for the years ended March 31, 2007 and 2008, respectively. Major components of such assets were cash and cash equivalents and investment securities of the Company.

4. As described in Note 2. (i), effective the year ended March 31, 2008, reserve for unused amounts of bus cards has been recorded at an amount estimated to be used in future out of the unused amounts of bus cards which were recognized as income when issued. As a result, revenues and operating income of "Transportation" for the year ended March 31, 2008 increased by ¥89 million (\$890 thousand) increased, respectively.