ANNUAL REPORT 2002

KEIO

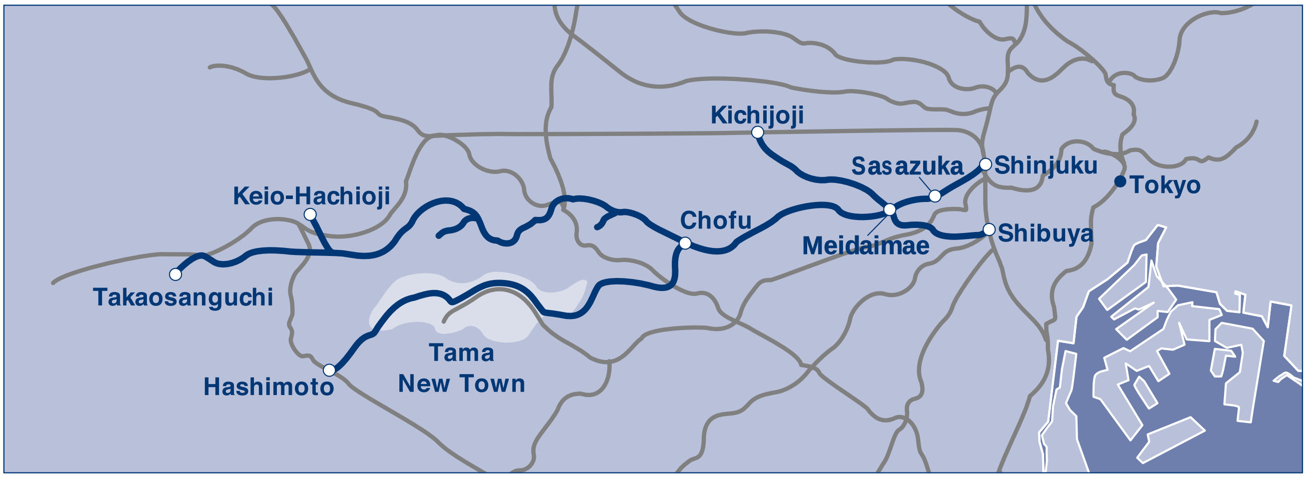
KEIO ELECTRIC RAILWAY CO., LTD.

PROFILE

The Company was founded in 1910 as the Keio Denki Kido Co., Ltd. and began operations in 1913. Since then, for nearly a century, our railway and bus services have been major arteries for the greater Tokyo area, providing transportation for significant numbers of passengers. Since the latter half of the 1950s, the Company has been engaged in developing land along the routes it services, and has enjoyed steady growth by creating prosperous communities in these areas.

Centered around Keio Electric Railway Co., Ltd., the Keio Group comprises 38 companies engaged in transportation, merchandise sales, real estate, leisure services, and construction and other businesses. These businesses focus on areas served by the Keio Line, which extends from Shinjuku to Tokyo's southwestern suburbs of Hachioji and Tama. Shinjuku, a major business center in Japan, gained even more importance in 1991, when the Tokyo Metropolitan Government moved its offices there. Hachioji and Tama have seen an influx of universities and corporations in recent years, resulting in the growth of "New Town" developments in those areas.

As we enter the 21st century, the Keio Group is striving to provide superior services by deploying the consolidated strength of its group companies, to meet the needs of the people it serves and aim for continued growth.



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Consolidated Data

Keio Electric Railway Co., Ltd. and Consolidated Subsidiaries

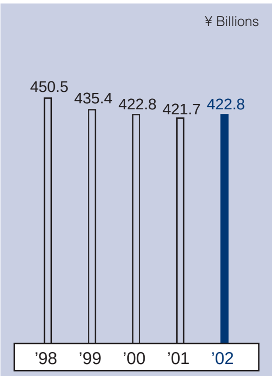
Years ended 31st March	Millions of Yen			Thousands of U.S. Dollars
	2000	*2001*	*2002*	*2002*
For the year:				
Operating revenues	¥422,828	¥421,653	¥422,835	$3,173,246
Operating income	24,676	29,445	33,213	249,253
Net income	6,485	3,649	9,289	69,711
Per share data (in yen and U.S. dollars):				
Net income—basic	¥ 9.87	¥ 5.68	¥ 14.45	$ 0.108
Net income—diluted	9.86	—	14.43	$ 0.108
Cash dividends	5.50	5.50	5.50	0.041
At year-end:				
Total assets	¥562,015	¥587,765	¥562,531	$4,221,621
Total shareholders' equity	151,381	170,966	167,064	1,253,764

Non-Consolidated Data

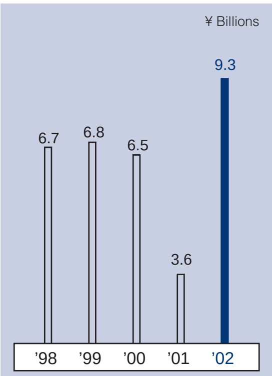
Keio Electric Railway Co., Ltd.

Years ended 31st March	Millions of Yen			Thousands of U.S. Dollars
	2000	*2001*	*2002*	*2002*
For the year:				
Operating revenues	¥115,523	¥119,841	¥122,634	$ 920,330
Operating income	18,782	22,329	26,187	196,525
Net income	5,802	6,130	7,629	57,253
Per share data (in yen and U.S. dollars):				
Net income—basic	¥ 8.83	¥ 9.54	¥ 11.87	$ 0.089
Net income—diluted	8.83	9.53	11.86	0.089
Cash dividends	5.50	5.50	5.50	0.041
At year-end:				
Total assets	¥447,861	¥480,240	¥461,147	$3,460,765
Total shareholders' equity	121,518	143,479	138,130	1,036,623

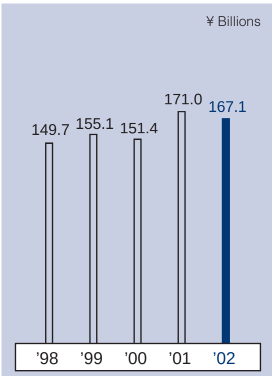
Note: The accompanying U.S. dollar amounts have been translated from Japanese yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥133.25 to U.S.$1.



Consolidated Operating Revenues



Consolidated Net Income



Consolidated Shareholders' Equity

TO OUR SHAREHOLDERS

The Keio Group Aims to Bolster Its Corporate Value by Building Up Its Collective Strength

Efforts to Improve Profitability Result in Consolidated Net Income of ¥9.3 Billion

During fiscal 2001, ended 31st March 2002, the Keio Group, and its core company, Keio Electric Railway Co., Ltd., continued to engage in steady and efficient business operations to maintain and improve profitability. The Group also took action to improve its financial position, such as by posting a loss on revaluation of property and equipment. As a result, the Group recorded consolidated net income of ¥9,289 million, while Keio Railway Co., Ltd. posted net income of ¥7,629 million for the term.

In view of its business results, the Company declared the cash dividend applicable to the year at ¥5.50 per share, comprising an interim dividend of ¥2.50 per share and a year-end dividend of ¥3.00 per share, with the year-end dividend consisting of an ordinary dividend of ¥2.50 per share and a special dividend of ¥0.50 per share, as in the prior term.

Improving the Group's Profitability and Increasing the Penetration of the "Keio Brand"

The Keio Group has focused on strengthening its earnings capacity and competitive edge for the Group's sustainable growth and efficiently reinvested the cash flow the Group generated, so that the Group can aggressively expand its portfolio of real estate rental assets and nurture new business—in areas not only along the Keio Line, but also outside it.

As part of rental asset business, the construction of a rental office building was started in April 2002 in the B-4 area adjacent to the East Gate of Japan Railway (JR) Shinagawa Station. The building is due to be completed by March 2004. PRESSO INN Higashi-Ginza, the first of our chain hotels specializing in lodging, was opened in February 2002. To our delight, the hotel has enjoyed great popularity. The Group is pushing ahead with a program for further development of the chain hotels, which includes acquiring a lot in Kanda for the second hotel of this line. The Group will continue to promote acquisition and development of high-quality rental assets to strengthen its earnings capacity. While proceeding aggressively with new business, the Group will also invigorate and expand the existing business to increase the penetration of the "Keio Brand."

Hiroichi Nishiyama
Chairman

Masayuki Saigusa
President

Boosting Value as a Group under a Consolidated Management System

The Keio Group has been pressing ahead with structural improvement plans, including review of business with the aim of increasing the Group's value.

As part of such improvements, the bus service business of the Company will be assigned to Keio Dentetsu Bus Co., Ltd., established in February 2002, so that the business can achieve self-sufficiency by gaining a competitive edge over the other companies in the same line. The new system is scheduled to start from August 2002.

As a way of reinforcing the consolidated management system, a new company, Keio Information System Co., Ltd., was set up in June 2002 to centralize and rearrange the information-system related operations of the Group companies. The new company will start operations in July 2002.

To improve asset efficiency, the Group will continue to place importance on indexes used for determining asset efficiency, such as consolidated return on equity (ROE) and return on assets (ROA). As such, the Group will strive to increase its consolidated income and to improve the value of the Group by creating an organizational structure that enables each business of the Group to generate a greater profit.

In the 21st century, the Keio Group aims to contribute to the prosperity of local communities and help enrich people's lives, making full use of collective strength of the Group. The Group also will seek to increase the value of living along the Keio Line by creating a cozy ambience in those areas, which in turn leads people to think "I'm glad I live along the Keio Line" or "I'd love to live along the Keio Line."

The Keio Group respectfully seeks continued support from its customers and shareholders.

June 2002

Hiroichi Nishiyama
Chairman

Masayuki Saigusa
President

REVIEW OF OPERATIONS

THE KEIO GROUP

(As of 31st March, 2002)

TRANSPORTATION GROUP

- Keio Electric Railway Co., Ltd. (Railway, Bus)
- Keio Dentetsu Bus Co., Ltd.
- Keio Bus Co., Ltd.
- Minami-Osawa Keio Bus Co., Ltd.
- Nishi Tokyo Bus Co., Ltd.
- Tama Bus Co., Ltd.
- Keio Jidousha Co., Ltd.
- Keio Unyu Co., Ltd.
- Mitake Tozan Tetsudou Co., Ltd.

MERCHANDISE SALES GROUP

- Keio Department Store Co., Ltd.
- Keio Store Co., Ltd.
- Keio Travel Agency Co., Ltd. (Sales)
- Keio ĀTMAN Co., Ltd.
- Keio Shoseki Hanbai Co., Ltd.
- Keio Shokuhin Co., Ltd.
- Keio Passport Club Co., Ltd.
- Keio Green Service Co., Ltd.
- Keio Tomonokai Co., Ltd.
- Eliet Co., Ltd.
- Keio Shouji Co., Ltd.

REAL ESTATE GROUP

- Keio Electric Railway Co., Ltd. (Development)
- Keio Realty and Development Co., Ltd.
- Keio Chika Chushajou Co., Ltd.

LEISURE GROUP

- Keio Plaza Hotel Co., Ltd.
- Keio Plaza Hotel Sapporo Co., Ltd.
- Keio Presso Inn Co., Ltd.
- Keio Travel Agency Co., Ltd. (Travel, Insurance)
- Keio Agency, Inc.
- Keio Recreation Co., Ltd.
- Restaurant Keio Co., Ltd.
- Keio Costume Co., Ltd.

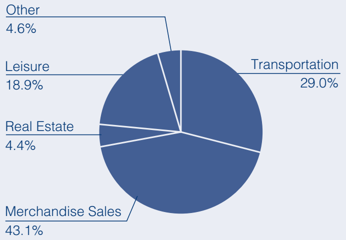
OTHER GROUP

- Keio Kensetsu Co., Ltd.
- Keio Setsubi Service Co., Ltd.
- Keio Juuki Seibi Co., Ltd.
- Tokyo Special Coach Manufacture Co., Ltd.
- Keio Network Communications Co., Ltd.
- Keio Accounting Co., Ltd.
- Keio Business Support Co., Ltd.
- Shin Tokyo Elite Co., Ltd.
- Keio Banquet Service Co., Ltd.

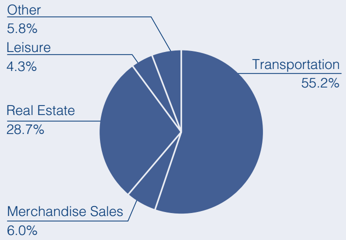
Note: Because of the scope of their respective operations, Keio Electric Railway Co., Ltd. and Keio Travel Agency Co., Ltd. appear in more than one business group.

Operating Revenues and Operating Income by Segment

OPERATING REVENUES BY SEGMENT



OPERATING INCOME BY SEGMENT



TRANSPORTATION GROUP

Keio Electric Railway Promotes Safety Measures and Passenger Services

Keio Electric Railway's new-model cars (9000 Series), winners of the Good Design Award

In the railway operations during the term, Keio Electric Railway Co., Ltd. put into service 24 new-model cars (9000 Series), winners of the Good Design Award. In April 2002, the Company completed large-scale improvement works at Shinjuku Station that began during the term to facilitate the movement of passengers in the station. To improve safety on platforms, installation of "under-platform" steps was completed. Furthermore, additional evacuation space was provided at Shimotakaido Station and Chofu Station. Moreover, emergency buttons that notify both car operators and station staff of an emergency were installed in 32 stations. Electric bulletin boards indicating various types of information such as announcement of the next stop and chime devices signaling door openings and closings were installed in 104 cars of the 8000 Series. To enhance barrier-free access, a total of 11 sets of elevators were completed in six stations including Shinjuku Station, and automatic ticket gates with a wider passage for a wheelchair were installed in 11 stations.

To improve passenger services, a waiting room was installed on a platform of four stations including Kamikitazawa Station. To facilitate easy access to railway information, "Keio Navi," an Internet web site searchable via cellular phone (i-mode), was established, providing car-transfer information and timetables for each station. Moreover, electric bulletin boards installed at ticket gates of all stations and in some cars have been arranged in such a way that passengers are informed of operation services at the time of emergency. With regard to the "Pass Net" card, a convenient common fare card, automatic ticket-checking machines were modified so that a card which falls short of the fare for the first ride can be used together with another card.

To attract more passengers, the new timetable for the services on the Keio Line and Inokashira Line revised in March 2001 was advertised aggressively to promote the improved convenience. In addition, various events such as hiking and walking along the Keio Line were arranged. In an on-going effort to deal with environmental problems, recycled polyethylene terephthalate (PET) bottles were used as part of the making and installing of bulletin boards etc., in all stations.

In vehicle-related operations, the transportation operation system was improved to meet passengers' needs. For example, late-night bus services have been increased and the departure times of the last departing buses have been set at a later time on the Nakano Station/Nakanosakaue/Shibuya Station route and the Nakano Station/Hatashiro/Shibuya Station route. Measures for boosting revenue were also implemented, such as increasing the number of advertisements on bus exteriors. In addition, "Bus Navi.com," a home page devoted solely to bus services that allows travelers to search the fare, time and route of bus service, was launched to improve passenger convenience. During the term, the Company put 36 new-model buses into service featuring low boarding steps ("non-step") and a "no idling" device that stops an engine while a bus is not moving. To cope with environmental problems, a device to reduce the amount of particle sub-stances contained in exhaust gas was attached to the 58 existing buses, and use of low-sulfur diesel fuel was begun by all buses including those for highways.

During the term, the operation of two routes was commissioned by the Company to Keio Bus Co., Ltd.

In the highway bus service operations, five new-model buses were put into service and the frequency of operations was increased for the Nagano, Ina-Iida, and Hida-Takayama routes to increase revenues.

To build up the vehicle-related business, measures for fundamental structural improvement were examined from the standpoint of spinning off the business and revising labor conditions. As a result, Minami-Osawa Keio Bus Co., Ltd. was founded in December 2001 and started operations in April 2002. Furthermore, in line with the same policy, Keio Dentetsu Bus Co., Ltd. was founded in February 2002. At the same time, the wage system for employees engaging in vehicle-related business was changed in January 2002.

Enhancing the Business Base, Including Strengthening the Service of Airport Buses

Keio Bus Co., Ltd. expanded its business base by establishing two new routes to Haneda Airport: one from Kokubunji Station to Fuchu Station and the other from Nakano Station, and by starting the Hakuba route for a highway bus and a regular bus route between Hachimanyama Station and Kibogaoka-danchi.

Nishi Tokyo Bus Co., Ltd. strove to bolster profitability by transferring part of routes operated by its Ongata office to Tama Bus Co., Ltd. The company sought to provide fine-tuned operational services, and for that purpose it held round-table meetings with residents along the bus lines to improve communication.

Keio Bus expanded bus routes including the Hakuba route for a highway bus.

MERCHANDISE SALES GROUP

All Group Companies Push Ahead with Aggressive Business Plans to Expand Their Business Scale

Keio Department Store Co., Ltd. adopted a new point-of-sales (POS) system to collect more accurate information on business and merchandise and thereby enhance its selling power. The company also implemented active marketing measures, such as remodeling of the food floor, for better profitability.

Keibundo Shoten (an outlet of Keio Shoseki Hanbai Co., Ltd.) boosted its business scale by establishing a large-scale store in Shibuya and new stores in the areas outside the Keio Line.

Aggressive business strategies, such as remodeling or opening of shops, were also put into action by Keio Store Co., Ltd., Keio ĀTMAN Co., Ltd. and “Bakery Shop Le Repas” of Keio Shokuhin Co., Ltd.

Keio Store’s Hashimoto Store

REAL ESTATE GROUP

Increasing Highly Profitable Rental Assets

In the real estate and rental business, Keio Electric Railway started renting out the Keio Shinjuku Oiwake Building, Keio Hatsudai Station Building, and Keio Hachioji Myojincho Building, the construction of which was completed during the term. The Company also opened Keio Crown Town Hashimoto by combining the newly constructed stores under the elevated railway tracks of Hashimoto Station and the existing shops. Efforts to expand the company’s portfolio of rental assets also included the ongoing construction of the Shinjuku Bunka Quint Building and a rental office building in the B-4 area adjacent to the East Gate of JR Shinagawa Station as well as the start of construction of a station building in front of Keio Sengawa Station. In addition, the renting out of nursery centers newly constructed in front of Tsutsujigaoka Station and Fuchu Station is under way and a user-pays home for the elderly in Higashi Fuchu is under construction.

The Keio Hachioji Myojincho Building

Keio Realty and Development Co., Ltd. marketed and sold all of its subdivisions for the sixth stage of development of “Keio Four Seasons Town” in Hachioji-Minamino City, as it did for the fifth stage in the preceding term. The lease of “Keio Closet Horinouchi,” a shop of rental storage space, also started during the term.

LEISURE GROUP

Implementing Measures to Attract New Customers through the Opening of PRESSO INN Higashi-Ginza

Keio Plaza Hotel (Shinjuku) started a service that enables all guestrooms to obtain a free high-speed Internet connection around the clock and also installed antennas that make possible the use of cellular phones in the existing facilities. As such, the hotel has pressed ahead with strategic plans to position itself as a leading urban hotel fully equipped with information technology that enjoys a high level of customer satisfaction.

In February 2002, Keio Presso Inn Co., Ltd. opened PRESSO INN Higashi-Ginza, the first of a new type of hotels specializing in lodging.

Restaurant Keio Co., Ltd. sought to expand its stabilized earnings base by opening new "Curry Shop C&C" restaurants as well as "Doutor" coffee shops for which the company is the franchisee, in both areas serviced and not serviced by the Keio Line.

PRESSO INN Higashi-Ginza

OTHER GROUPS

Establishing New Companies to Strengthen Our Group Management System

The Keio Group established Keio Network Communications Co., Ltd. in April 2001 to provide leased lines of extremely high speed, using optical fiber cables laid along the Keio Line and commenced operations in September 2001. In June 2001, the Group also set up Keio Business Support Co., Ltd., which is entrusted by the Group companies with routine work or assistant operations related to certain fields including personnel, labor and welfare, and started operations in July 2001.

With the aim of promoting customer satisfaction and gaining a competitive edge, Keio Setsubi Service Co., Ltd. obtained certification for ISO9001 (2000 version), the international standard for quality control, in September 2001.

CONSOLIDATED FINANCIAL REVIEW

OPERATIONAL RESULTS

During the fiscal year under review, the Keio Group—with Keio Electric Railway Co., Ltd. as its core company—continued to engage in steady and efficient business operation to maintain and improve profitability.

As a result, operating revenues for the term rose 0.3% from the preceding term, to ¥422,835 million, supported by the increase in revenue in all segments except the leisure segment.

Operating income grew 12.8% year-on-year, to ¥33,213 million, due to all-out efforts to keep operating costs low while performing aggressive business activities. Consolidated ROA improved by 0.5 percentage point, to 6.0%.

Net income for the term rose 154.6%, to ¥9,289 million. This impressive growth is due to the fact that although a loss on revaluation of property and equipment was posted for the term to bolster our financial position, the extraordinary loss decreased compared with the amount recorded in the preceding term, which included a lump-sum amortization of a difference due to a change in accounting standards for retirement benefits. The growth in net income improved consolidated ROE by 3.6 percentage points, to 6.0%.

REVIEW BY BUSINESS SEGMENT

Transportation Segment

The number of passengers in the railway business grew 1.2% from the preceding term due to the effect of the opening of Tokyo Stadium (March 2001) and the transport of passengers into major terminal stations such as Shinjuku and Shibuya. In fact, the number of passengers has continued to increase for four consecutive fiscal years from fiscal 1998. As a result, the segment posted operating revenue of ¥125,614 million, up 0.8% from the preceding term, and operating income of ¥18,530 million, up 12.8%.

In the bus business, Minami-Osawa Keio Bus Co., Ltd. was established in December 2001 and started operations from April 2002. Keio Dentetsu Bus Co., Ltd. was established in February 2002, and its operations are scheduled to start in August 2002.

Merchandise Sales Segment

In spite of the severe operating environment due to the prolonged stagnation in consumer spending, department stores pushed ahead with an aggressive policy including arrangement of various events to attract customers, while our other stores and bookselling businesses under this segment sought to expand their business bases by opening new outlets. As a result, the segment posted operating revenue of ¥184,798 million, up 2.1% from the preceding term, and operating income of ¥2,014 million, up 11.7%.

Real Estate Segment

Supported by the favorable business start of new rental properties including Keio Shinjuku Oiwake Building (opened in April 2001), Keio Crown Town Hashimoto (June 2001), Keio Hatsudai Station Building (September 2001), and Keio Hachioji Myojincho Building (January 2002) as well as the sound performance of the existing rental assets, the segment posted operating revenue of ¥32,762 million, up 6.6% from the preceding term, and operating income of ¥9,618 million, up 32.8%.

To expand rental assets in the Tokyo metropolitan area, the segment participated in development business in the B-4 area adjacent to the East Gate of JR Shinagawa Station. Construction started in April 2002, and the building will be completed in March 2004 as the largest-scale rental office building ever handled by the Keio Group.

Leisure Segment

Although the advertising agency business and restaurant business recorded sound growth, the revenue of the travel agency business and hotel business declined due to the aftermath of the September 11 terrorist attacks in the United States. Travel agents were also affected by direct ticket sales of airlines. Consequently, the segment recorded operating revenue of ¥84,521 million, down 3.0% from the preceding term, and operating income of ¥1,450 million, down 14.7%.

PRESSO INN Higashi-Ginza, opened in February 2002 as the first of a new type of hotel specializing in lodging, performed soundly. The second chain hotel is scheduled for opening in the spring of 2003 near JR Kanda Station.

Other Segment

Supported by an increase in orders for works related to building cleaning and maintenance business and a rise in orders from Keio Electric Railway Co., Ltd. for works in the civil and construction business (intra-group transactions), the segment recorded operating revenue of ¥39,389 million, up 5.9% from the preceding term, and operating income of ¥1,941 million, up 13.2%.

As a new business, Keio Network Communications Co., Ltd. began providing leased lines of an extremely high speed from September 2001, using optical fiber cables laid along the Keio Line. As part of the second round of the policy to centralize indirect departments in the Group companies, Keio Business Support Co., Ltd. was launched in June 2001 and has performed personnel-related operations commissioned by the Group companies. As part of the third round of centralized management, Keio Information System Co., Ltd. is scheduled to be founded in June 2002.

Note: Discussion of the operational results above includes intersegment revenues.

CASH FLOWS

Net cash provided by operating activities rose ¥10,202 million from the preceding term, to ¥51,415 million. This was mainly due to an increase in income before income taxes and minority interest in income (loss) of consolidated subsidiaries of ¥10,817 million.

Net cash used in investing activities declined ¥6,381 million from the preceding term, to ¥32,651 million. This drop was primarily because of a reduction in capital expenditures.

Net cash used in financing activities was ¥17,241 million, a level almost the same as that of the preceding term. Most of the net cash was used for repayment of debt and payment of dividends.

As a result of the above, the balance of cash and cash equivalents at the fiscal year-end grew ¥1,913 million from the preceding term, to ¥46,295 million. The closing balance of debts, bonds, and accounts payable to Japan Railway Construction Public Corporation (JRCC) (interest-bearing liabilities) declined ¥13,641 million from the preceding term, to ¥231,929 million.

Consolidated Balance Sheets

As of 31st March, 2001 and 2002

ASSETS	Millions of Yen 2001	Millions of Yen 2002	Thousands of U.S. Dollars (Note 3) 2002
Current Assets:			
Cash and bank deposits (Note 4)	¥ 26,380	¥ 47,397	$ 355,700
Short-term investments (Note 5)	16,618	237	1,779
Notes and accounts receivable, trade	27,204	25,106	188,413
Allowances for doubtful accounts	(305)	(401)	(3,009)
Inventories	29,386	29,058	218,071
Deferred tax assets (Note 8)	2,481	3,955	29,681
Other current assets	6,211	2,830	21,238
Total current assets	107,975	108,182	811,873
Investments and Advances:			
Investments in securities (Note 5)	68,882	50,903	382,011
Investments in affiliates and unconsolidated subsidiaries	1,719	1,322	9,921
	70,601	52,225	391,932
Property and Equipment, at Book Value (Notes 6 and 7):			
Land	86,620	86,243	647,227
Buildings and structures	244,984	241,081	1,809,238
Machinery, rolling stock and equipment	34,675	34,401	258,169
Tools, furniture and fixtures	9,406	8,554	64,195
Construction-in-progress	12,085	11,954	89,711
	387,770	382,233	2,868,540
Intangible Fixed Assets	3,180	3,486	26,161
Deferred Tax Assets (Note 8)	7,507	8,516	63,910
Other Assets	10,732	7,889	59,205
	¥587,765	¥562,531	$4,221,621

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2002	Thousands of U.S. Dollars (Note 3) 2002
Current Liabilities:			
Short-term bank borrowings (Note 7)	¥ 42,823	¥ 42,107	$ 316,000
Current portion of long-term debt (Note 7)	14,089	14,543	109,141
Notes and accounts payable, trade	20,008	21,385	160,488
Consumption tax payable	1,446	2,027	15,212
Income taxes payable	4,921	7,715	57,899
Reserve for employees' bonuses	3,477	3,413	25,614
Advances received	7,510	7,709	57,854
Other current liabilities	40,026	44,271	332,239
Total current liabilities	134,300	143,170	1,074,447
Long-Term Debt (Note 7)	191,609	175,384	1,316,203
Deferred Tax Liabilities	8,488	—	—
Reserve for Retirement Benefits (Note 9)	45,745	42,224	316,878
Reserve for Retirement Benefits to Directors and Corporate Auditors (Note 9)	805	845	6,341
Special Reserve for Expansion of Railway Transport Capacity (Note 10)	16,423	14,077	105,643
Other Non-Current Liabilities	18,216	19,322	145,005
Total liabilities	415,586	395,022	2,964,517
Minority Shareholders' Equity in Consolidated Subsidiaries	1,213	445	3,340
Shareholders' Equity (Note 11):			
Common stock:			
Authorized 1,580,230,000 shares			
Issued 642,754,152 shares	59,024	59,024	442,957
Additional paid-in capital	42,019	42,019	315,340
Retained earnings	49,764	55,423	415,932
Unrealized gains on other securities, net of tax	20,160	10,658	79,985
Treasury stock, at cost			
2001: 1,349 shares	(1)	—	—
2002: 92,540 shares	—	(60)	(450)
Total shareholders' equity	170,966	167,064	1,253,764
Contingent Liabilities (Note 13)			
	¥587,765	¥562,531	$4,221,621

Consolidated Statements of Income and Retained Earnings

For the years ended 31st March, 2000, 2001 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2000	2001	2002	2002
Operating Revenues	¥422,828	¥421,653	¥422,835	$3,173,246
Operating Costs and Expenses:				
Operating costs	355,123	346,324	344,173	2,582,912
Selling, general and administrative expenses	43,029	45,884	45,449	341,081
	398,152	392,208	389,622	2,923,993
Operating income	24,676	29,445	33,213	249,253
Non-Operating Income (Expenses):				
Interest and dividend income	887	867	572	4,293
Interest expense	(7,856)	(7,382)	(6,714)	(50,386)
Loss on disposal of property and equipment	(723)	(1,341)	(1,310)	(9,831)
Subsidy received from Tokyo Metropolitan Government ,etc.	—	3,895	—	—
Advance depreciation of fixed assets	—	(3,895)	—	—
Equity in earnings of affiliates and unconsolidated subsidiaries	93	98	57	428
Gain on sale of investments in securities	—	65	—	—
Loss on revaluation of investments in securities	—	(854)	(1,292)	(9,696)
Reversal of special reserve for expansion of railway transport capacity	2,346	2,346	2,346	17,606
Cumulative effect of change in accounting for retirement benefits	(4,692)	—	—	—
Amortization of transition amount related to retirement benefits	—	(17,067)	—	—
Special retirement payments	(2,635)	(1,057)	(2,507)	(18,814)
Provision for reserve for retirement benefits	(1,036)	—	—	—
Loss on revaluation of real estate inventories for sale	(832)	—	(514)	(3,857)
Loss on revaluation of property and equipment	—	—	(6,575)	(49,344)
Other, net	590	666	(673)	(5,052)
	(13,858)	(23,659)	(16,610)	(124,653)
Income before income taxes and minority interest in income (loss) of consolidated subsidiaries	10,818	5,786	16,603	124,600
Income Taxes (Note 8):				
Current	9,573	8,776	11,316	84,923
Deferred	(5,098)	(6,275)	(4,037)	(30,297)
	4,475	2,501	7,279	54,626
Income before minority interest in income (loss) of consolidated subsidiaries	6,343	3,285	9,324	69,974
Minority Interest in Income (Loss) of Consolidated Subsidiaries	(142)	(364)	35	263
Net income	6,485	3,649	9,289	69,711
Retained Earnings:				
Balance at beginning of year	47,493	50,235	49,764	373,463
Appropriations:				
Cash dividends	(3,645)	(3,539)	(3,535)	(26,529)
Directors' bonuses	(98)	(95)	(95)	(713)
Transfer to additional paid-in capital	—	(486)	—	—
Balance at end of year	¥ 50,235	¥ 49,764	¥ 55,423	$ 415,932

	Yen			U.S. Dollars (Note 3)
Net Income per Share:				
Basic	¥ 9.87	¥ 5.68	¥ 14.45	$ 0.108
Diluted	9.86	—	14.43	0.108
Weighted Average Number of Shares Outstanding (in Thousands)	657,339	642,751	642,719	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended 31st March, 2000, 2001 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2000	2001	2002	2002
Cash Flows from Operating Activities:				
Income before income taxes and minority interest in income (loss) of consolidated subsidiaries	¥10,818	¥ 5,786	¥16,603	$124,600
Adjustments for:				
Depreciation and amortization	27,091	30,172	28,396	213,103
(Decrease) increase in reserve for retirement benefits	(1,814)	13,241	(3,521)	(26,424)
Decrease in special reserve for expansion of railway transport capacity	(2,346)	(2,346)	(2,346)	(17,606)
Cumulative effect of change in accounting for retirement benefits	4,692	—	—	—
Loss on revaluation of property and equipment	—	—	6,575	49,344
Loss on revaluation of real estate inventories for sale	832	218	514	3,857
Loss on revaluation of investments in securities	—	854	1,292	9,696
Loss on disposal of property and equipment	723	1,231	1,373	10,304
Advance depreciation of fixed assets	—	4,746	471	3,535
Interest and dividend income	(887)	(867)	(572)	(4,293)
Interest expense	7,856	7,382	6,714	50,386
Subsidy received from Tokyo Metropolitan Government, etc.	(549)	(4,462)	(452)	(3,392)
Decrease (increase) in notes and accounts receivable	704	(2,035)	2,273	17,058
Decrease in inventories	724	2,444	115	863
Increase in notes and accounts payable	4,713	1,441	3,605	27,055
Other, net	(1,780)	(459)	5,095	38,237
Subtotal	50,777	57,346	66,135	496,323
Interest and dividends received	891	903	580	4,353
Interest paid	(7,921)	(6,719)	(6,735)	(50,544)
Income taxes paid	(8,946)	(10,317)	(8,565)	(64,278)
Net cash provided by operating activities	34,801	41,213	51,415	385,854
Cash Flows from Investing Activities:				
Payments for purchase of property and equipment	(26,120)	(39,965)	(34,548)	(259,272)
Proceeds from sale of property and equipment	499	296	509	3,820
Payments for purchase of short-term investments	(613)	(301)	(1)	(8)
Proceeds from sale of short-term investments	741	341	2	15
Payments for purchase of securities and other investments	(172)	(134)	(1,170)	(8,780)
Proceeds from sale of securities and other investments	97	241	177	1,328
Subsidy received from Tokyo Metropolitan Government, etc.	1,735	2,002	577	4,330
Other, net	(1,287)	(1,512)	1,803	13,531
Net cash used in investing activities	(25,120)	(39,032)	(32,651)	(245,036)
Cash Flows from Financing Activities:				
Decrease in short-term bank borrowings	(4,045)	(334)	(717)	(5,381)
Increase in long-term debt	14,235	3,600	4,200	31,520
Repayment of long-term debt	(19,417)	(16,736)	(17,130)	(128,555)
Purchase of treasury stock to offset additional paid-in capital	(6,480)	(592)	—	—
Cash dividends paid	(3,645)	(3,539)	(3,535)	(26,529)
Other, net	(1)	1	(59)	(443)
Net cash used in financing activities	(19,353)	(17,600)	(17,241)	(129,388)
Exchange Gain on Cash and Cash Equivalents	7	12	14	105
Cash and Cash Equivalents Increase Due to Consolidation of Subsidiaries	300	—	376	2,822
Net Increase (Decrease) in Cash and Cash Equivalents	(9,365)	(15,407)	1,913	14,357
Cash and Cash Equivalents at Beginning of Year	69,154	59,789	44,382	333,073
Cash and Cash Equivalents at End of Year (Note 4)	¥59,789	¥44,382	¥46,295	$347,430

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Keio Electric Railway Co., Ltd. (the "Company") and its subsidiaries (the company and its subsidiaries are hereinafter collectively referred to as the "Companies") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The 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.

2. Summary of Significant Accounting Policies

(1) Basis of Consolidation and Accounting for Investments in Affiliates

The consolidated financial statements include the accounts of Keio Electric Railway Co., Ltd. (the "Company") and its 30 significant subsidiaries as of 31st March, 2002. The Company has adopted the equity method of accounting for investments in 6 unconsolidated subsidiaries and one affiliate which have significant impact on the financial status of the Companies as of 31st March, 2002.

(2) Elimination and Consolidation

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions and account balances among the companies have been eliminated.

The full fair value method has been adopted to value the assets and liabilities of consolidated subsidiaries.

(3) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less which represent a minor risk of fluctuations in value.

(4) Inventories

Real estate inventories for sale are stated at the lower of cost or market value, cost being determined by the identified cost method. Merchandise inventories are principally stated at the lower of cost or market value, cost being determined using the retail cost method.

Effective 1st April, 2000, the Companies changed their accounting method for inventory valuation from the cost method to the lower of cost or market value method, cost being determined by the identified cost method. This change was made to adopt a more conservative method of inventory valuation, considering the current trends of downward pressure on real estate prices which is likely to continue. The effect of this change was to decrease "Operating income" and "Income before income taxes and minority interest in income (loss) of consolidated subsidiaries" by ¥218 million, as compared with the amount which would have been reported if the previous method had been applied consistently.

(5) Financial Instruments

Until the year ended 31st March, 2000, both listed and non-listed marketable securities included in "Short-term investments" (current portfolio) and "Investments in securities" (non-current portfolio), were principally valued at cost, cost being determined by the moving average method.

Effective from the year ended 31st March, 2001, the Companies adopted the new Japanese Accounting Standard for Financial Instruments, effective for periods beginning on or after 1st April, 2000.

i. Securities

Under the new standard, securities held by the Companies are classified as follows:

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in "Shareholders' Equity" at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written-down to fair value and the resulting losses are included in net profit or loss for the period.

Under the new standard, debt securities due within one year are presented as "current" and all other securities are presented as "non-current". The securities held by the Companies have been reclassified as of 1st April, 2000 (the beginning of the year). As a result of this reclassification, the securities in the current portfolio decreased by ¥3,052 million and the securities in the non-current portfolio increased by the same amount.

(6) Property and Equipment

Property and equipment is stated at cost.

Depreciation of property and equipment is principally computed on the following depreciation methods at rates based on the estimated useful lives of the assets as prescribed by Japanese tax law.

Declining-balance method, except for buildings (excluding facilities attached to buildings) acquired after 1st April, 1998, to which the straight-line method is applied.

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

(7) Leases

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan. Fees related to such lease contracts are charged to income when incurred.

(8) Amortization

Amortization of intangible fixed assets, other than software for internal use, is computed using the straight-line method, at rates based on the estimated useful lives of the assets as prescribed by Japanese tax law.

Amortization of software for internal use is computed using the straight-line method, at rates based on the estimated useful life of the software (principally 3 years).

(9) Income Taxes

Income taxes of the Company and its subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(10) Accounting for Reserves

i. Reserve for employees' bonuses

A "Reserve for employees' bonuses" is provided for based on the service rendered by employees for the calculation period.

ii. Reserve for retirement benefits

Effective 1st April, 1999, the Company changed its recognition of the past service liability from periodically amortizing the remaining past service liability of the pension plan, to providing the entire portion of the unamortized past service liability at the balance sheet date. Considering the change in the actuarial assumptions currently applied to the Company's retirement benefit pension plan, the Company changed its method of accounting for retirement benefits to reflect the current status of retirement benefit obligations based on actuarial computations.

The cumulative effect of this change was charged to income for the year ended 31st March, 2000. As a result of this change, “Non-operating expenses” for the year ended 31st March, 2000 increased by ¥4,692 million and “Income before income taxes and minority interest in income (loss) of consolidated subsidiaries” decreased by the same amount, as compared with the amount which would have been reported if the previous method had been applied consistently.

Effective from the year ended 31st March, 2001, the Companies adopted the new Japanese Accounting Standard for Retirement Benefits, effective for periods beginning on or after 1st April, 2000. In accordance with the new standard, the “Reserve for retirement benefits” as of 31st March, 2001 and 2002 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, unrecognized actuarial differences are amortized on a straight-line basis over a period of principally 15 years from the year following that in which they arise, and prior service cost is amortized on a straight-line basis over a period of principally 15 years from the year in which it arises.

The transition amount arising from adopting the new standard of ¥17,067 million at 1st April, 2000 (the beginning of the year) was charged to income for the year ended 31st March, 2001. As a result of adopting the new standard, the net pension expense for the year ended 31st March, 2001 increased by ¥15,757 million and “Income before income taxes and minority interest in income (loss) of consolidated subsidiaries” decreased by ¥15,757 million as compared with the amounts which would have been reported if the previous standard had been applied consistently.

iii. Reserve for retirement benefits to directors and corporate auditors

The Company and certain consolidated subsidiaries provide an accrual for 100% of the lump-sum retirement benefits payable to directors and corporate auditors upon retirement.

(11) Net Income per Share

Basic income per share of common stock is computed based on the weighted average number of common shares outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock, plus the number of shares which would have been outstanding assuming full conversion of all convertible debentures of the Company, after considering the related reduction in interest expenses.

Diluted net income per share was not applicable for the year ended 31st March, 2001 because there was no dilution.

(12) Accounting for Consumption Tax

Consumption tax is levied in Japan on domestic purchases and sales of goods and services at a flat rate of 5%, in general. Consumption tax imposed on revenues and purchases is excluded from revenues, costs and expenses in the accompanying consolidated statements of income and retained earnings. Such consumption tax is instead recorded as an asset or liability, and the net balance is shown on the consolidated balance sheets.

Consumption tax paid, which is not deducted from consumption tax imposed, is charged to income.

3. United States Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the readers of the financial statements. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars.

As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the rate of ¥133.25 = U.S.$1, the approximate current rate at 29th March, 2002, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

4. A Reconciliation of "Cash and Cash Equivalents" in the Consolidated Statements of Cash Flows and the Account Balances on the Consolidated Balance Sheets

A reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and the account balances on the consolidated balance sheets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Cash and bank deposits	¥26,380	¥47,397	$355,700
Marketable securities	16,618	237	1,779
Purchase contracts for securities with a sell-back clause included in short-term loans	3,600	40	300
Time deposits with deposit term of over 3 months	(1,998)	(1,142)	(8,570)
Government and corporate bonds due after 3 months	(218)	(237)	(1,779)
Cash and cash equivalents	¥44,382	¥46,295	$347,430

5. Marketable Securities and Investments in Securities

Marketable securities included in "Short-term investments" and "Investments in securities" at 31st March, 2001 and 2002 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Marketable securities (Current portfolio):			
Government and corporate bonds	¥16,618	¥ 237	$ 1,779
	¥16,618	¥ 237	$ 1,779
Investments in securities (Non-current portfolio):			
Listed corporate shares	¥56,213	¥39,325	$295,122
Government and corporate bonds and unlisted corporate shares	12,669	11,578	86,889
	¥68,882	¥50,903	$382,011

The Companies reclassified purchase contracts for securities with a sell-back clause, with a book value of ¥3,600 million, from marketable securities to short-term loans and reclassified negotiable certificates of deposit with a book value of ¥16,400 million from "Cash and bank deposits" to marketable securities, during the year ended 31st March, 2001.

The acquisition cost, carrying amount, gross unrealized holding gains and gross unrealized holding losses for securities with fair value by security type at 31st March, 2001 and 2002 are summarized as follows:

Other securities:

	2001			
	Millions of Yen			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Listed shares	¥21,394	¥56,213	¥35,566	¥747
Bonds	10,035	10,060	88	63
Others	16,586	16,588	2	—
	¥48,015	¥82,861	¥35,656	¥810

	2002			
	Millions of Yen			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Listed shares	¥20,860	¥39,325	¥18,726	¥261
Bonds	9,974	9,948	79	105
Others	186	188	2	—
	¥31,020	¥49,461	¥18,807	¥366

	2002			
	Thousands of U.S. Dollars			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Listed shares	$156,550	$295,122	$140,531	$1,959
Bonds	74,852	74,658	593	787
Others	1,396	1,407	11	—
	$232,798	$371,187	$141,135	$2,746

The carrying amount of securities for which a fair value is not available at 31st March, 2001 and 2002 is summarized as follows:

Other securities:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Unlisted shares	¥2,634	¥1,678	$12,595
Others	5	1	8
	¥2,639	¥1,679	$12,603

6. Accumulated Depreciation

Accumulated depreciation, deducted from the cost of property and equipment in the accompanying consolidated balance sheets, amounted to ¥364,588 million and ¥388,220 million ($2,913,467 thousand) at 31st March, 2001 and 2002, respectively.

7. Short-term Bank Borrowings and Long-term Debt

"Short-term bank borrowings" generally represent bank overdrafts. The weighted average interest rate applicable to such borrowings was 0.6% per annum for the years ended 31st March, 2001 and 2002.

"Long-term debt" at 31st March, 2001 and 2002 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Long-term loans from banks and other financial institutions secured primarily by collateral, due from 2002 to 2020 at the weighted average rate of 3.3% per annum	¥135,891	¥125,920	$ 944,991
2.0% convertible debentures due March 2003 (Series No. 15)	1,421	1,421	10,664
3.075% yen bonds due April 2012 (Series No. 18)	20,000	20,000	150,094
2.7% yen bonds due April 2007 (Series No. 19)	10,000	10,000	75,047
2.7% yen bonds due August 2013 (Series No. 20)	10,000	10,000	75,047
2.175% yen bonds due August 2008 (Series No. 21)	10,000	10,000	75,047
Long-term accounts payable	18,386	12,586	94,454
	205,698	189,927	1,425,344
Less: current portion (amount due within one year)	(14,089)	(14,543)	(109,141)
	¥191,609	¥175,384	$1,316,203

The 2.0% convertible debentures were issued in December 1987 at a principal amount of ¥20,000 million. At 31st March, 2000 and 2001, respectively, 2,313 thousand shares of the Company's common stock were issuable at the conversion price of ¥757.9 per share on full conversion of the convertible debentures.

The "Long-term accounts payable" are due March 2016, and are interest bearing.

The Companies' assets pledged as collateral for long-term debt (including the current portion of long-term debt) at 31st March, 2001 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
At net book value			
Property and equipment	¥224,388	¥219,347	$1,646,132
Other	1,138	1,138	8,539
	¥225,526	¥220,485	$1,654,671

The aggregate annual maturities of long-term loans from banks and other financial institutions in the 5 years following 31st March, 2002 are as follows:

Year ending 31st March,	Millions of Yen	Thousands of U.S. Dollars
2003	¥13,602	$102,075
2004	12,901	96,823
2005	11,881	89,162
2006	17,659	132,524
	¥56,043	$420,584

8. Income Taxes

The statutory tax rate used for calculating deferred tax assets as of 31st March, 2001 and 2002 was 42.1%.

At 31st March, 2001 and 2002, significant components of deferred tax assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Deferred tax assets:			
Reserve for employees' bonuses	¥ 691	¥ 942	$ 7,067
Enterprise tax payable	444	703	5,274
Special retirement payments	—	863	6,478
Reserve for retirement benefits	11,642	11,107	83,358
Loss carryforwards	268	80	600
Loss on revaluation of property and equipment	—	2,531	18,995
Unrealized profit on sale of property and equipment	1,449	1,508	11,318
Other	1,659	2,492	18,693
Total deferred tax assets	¥16,153	¥20,226	$151,783
Deferred tax liabilities:			
Unrealized gains on other securities	(14,653)	(7,755)	(58,192)
Total deferred tax liabilities	(14,653)	(7,755)	(58,192)
Net deferred tax assets	¥ 1,500	¥12,471	$ 93,591

9. Retirement Plan

Employees (excluding directors and corporate auditors) of the Company with more than three years service are generally entitled to lump-sum retirement payments determined by reference to their average rate of pay, length of service and conditions under which termination occurs. The Company has adopted a funded non-contributory pension plan to cover such retirement benefits. The pension plan of the Company provides for 90% of the retirement benefits payable to retiring employees at the age of 55 or older with 15 years of service or more (amended on 1st October, 2001) with the Company. Employees retiring at the age of 54 or younger or with service of less than 15 years are entitled to lump-sum payments to be made by the Company.

Certain consolidated subsidiaries have funded non-contributory pension plans in addition to an unfunded retirement plan.

The "Reserve for retirement benefits" as of 31st March, 2001 and 2002 can be analysed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Projected benefit obligations	¥(106,697)	¥(101,236)	$(759,743)
Plan assets	54,580	56,341	422,821
	(52,117)	(44,895)	(336,922)
Unrecognized actuarial differences	6,745	11,659	87,500
Unrecognized prior service cost	—	(7,831)	(58,775)
	(45,372)	(41,067)	(308,197)
Prepaid pension cost	373	1,157	8,681
	¥ (45,745)	¥ (42,224)	$(316,878)

The "Prior service cost" arose as the Company and certain consolidated subsidiaries partly changed their funded non-contributory pension plans for the year ended 31st March, 2002.

The net pension expense for the year ended 31st March, 2001 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2002	2002
Service cost	¥ 4,233	¥4,352	$32,661
Interest cost	3,136	3,114	23,368
Expected return on plan assets	(1,671)	(1,535)	(11,518)
Amortization of transition amount	17,067	—	—
Amortization of unrecognized actuarial difference	—	547	4,109
Amortization of prior service cost	—	(286)	(2,147)
Net pension expense	¥22,765	¥6,192	$46,473

The assumptions used in calculation of the above information were as follows:

	As of March 31, 2001	As of March 31, 2002
Discount rate	Principally 3.0%	Principally 3.0%
Expected rate of return on plan assets	Principally 3.0%	Principally 3.0%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Amortization of transition amount	1 year	—
Amortization of unrecognized actuarial differences	Principally 15 years	Principally 15 years
Amortization of prior service cost	—	Principally 15 years

The Company and certain consolidated subsidiaries also provide a "Reserve for retirement benefits to directors and corporate auditors". The retirement benefits payable to directors and corporate auditors upon retirement are determined by reference to the above Companies' internal rules.

10. Special Reserve for Expansion of Railway Transport Capacity

Under the Law for Special Measures for Expansion of Railway Transport Capacity in Designated Cities enacted in April 1986, the Company is required to provide a reserve for the cost of specific construction projects, aimed at strengthening the railway transport capacity. Until 31st August, 1995 the reserve was provided at a rate of 3% of passenger fares, but this was changed to 6% following the fare increase on 1st September, 1995. As the specific construction projects to which the special reserve relates were completed in 1998, it started to be reversed to income, over a period of 10 years, from fiscal 1999.

11. Shareholders' Equity

During the years ended 31st March, 2000, 2001 and 2002, the following transactions affected the "Common stock" account and "Additional paid-in capital" account of the Company:

	Number of shares of common stock (thousands)	Millions of Yen	
		Common stock	Additional paid-in capital
Balance at 31st March, 1999	662,524	¥59,024	¥48,605
Purchase of treasury stock to offset additional paid-in capital	(18,257)	—	(6,480)
Balance at 31st March, 2000	644,267	59,024	42,125
Purchase of treasury stock to offset additional paid-in capital	(1,513)	—	(592)
Addition due to merger	—	—	486
Balance at 31st March, 2001	642,754	59,024	42,019
Balance at 31st March, 2002	642,754	¥59,024	¥42,019

	Thousands of U.S. Dollars	
	Common stock	Additional paid-in capital
Balance at 31st March, 2001	$442,957	$315,340
Balance at 31st March, 2002	$442,957	$315,340

The "Capital reserve" of the Company (included in "Additional paid-in capital") consists primarily of proceeds on the issuance of shares of common stock of the Company that were not recorded as "Common stock". (Under the Japanese Commercial Code, the Company is allowed to record an amount not exceeding one-half of the issue price of new shares as "Capital reserve".) This "Capital reserve" may be transferred to "Other additional paid-in capital" to the extent that the sum of the "Capital reserve" and the "Earned reserve" (collectively, the "Legal reserve") does not fall below 25% of the stated capital. However, the "Capital reserve" may not be transferred to retained earnings.

The Japanese Commercial Code requires all the Companies to appropriate as an "Earned reserve" (included in "Retained earnings" on the consolidated balance sheets) an amount equivalent to at least 10% of cash appropriations of retained earnings until the "Legal reserve" equals 25% of the stated capital. The "Earned reserve" may be transferred to unappropriated retained earnings to the extent that the "Legal reserve" does not fall below 25% of the stated capital.

Legal reserves may be transferred to stated capital through suitable directors' actions or offset against a deficit through suitable shareholders' actions.

12. Lease Transactions

Lease rental expenses paid by the Companies under finance lease contracts without transfer of ownership for the years ended 31st March, 2000, 2001 and 2002 were ¥707 million, ¥655 million and ¥686 million ($5,150 thousand), respectively.

The scheduled maturities of future lease rental payments under such finance lease contracts at 31st March, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 675	$ 5,066
Due after one year	1,363	10,230
Total	¥2,038	$15,296

The above lease rental payments include the imputed interest expense portion.

The acquisition cost, accumulated depreciation, net book value at 31st March, 2001 and 2002, and depreciation expense for the years ended 31st March, 2001 and 2002, that would have been applicable if such leased assets had been capitalized, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	*2002*	*2002*
Acquisition cost	¥3,965	¥3,996	$29,993
Accumulated depreciation	(2,504)	(1,958)	(14,697)
Net book value	¥1,461	¥2,038	$15,296
Depreciation	¥ 655	¥ 686	$ 5,150

Depreciation is calculated based on the straight-line method over the lease term of the leased assets.

13. Contingent Liabilities

At 31st March, 2002 the Companies were contingently liable under guarantees for borrowings from financial institutions as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans borrowed by:		
Employees for housing	¥3,915	$29,382
Other	719	5,392
	¥4,634	$34,774

Under the Company's debt assumption agreements with banks, the Company transferred its liabilities to the banks and eliminated the balance of the liabilities from the balance sheet. At 31st March, 2002, the Company was contingently liable for such liabilities under debt assumption agreements as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt:		
Due within one year	¥290	$2,176
Due after one year	40	300
	¥330	$2,476

14. Segment Information

The Companies primarily engage in transportation, merchandise sales, real estate, leisure and other services.

Major corporate assets not attributable to industry segments, which are included in the "Elimination or Corporate" column in the information provided below, are "Cash and bank deposits", "Short-term investments" and "Investments in securities" held by the Company, plus other assets held in its Administration Department. Such assets amounted to ¥82,539 million at 31st March, 2001 and ¥63,907 million ($479,599 thousand) at 31st March, 2002.

The result of adoption of the new Japanese Accounting Standard for Retirement Benefits, explained in Note 2 (10) ii of the Notes to Consolidated Financial Statements, at 31st March, 2001 was as follows:

	Millions of Yen					
	Trans-portation	Merchandise Sales	Real Estate	Leisure	Other	Total
Increase (decrease) in "Operating income"	¥315	¥539	¥(3)	¥258	¥202	¥1,311

Geographic segment information by location is not shown since the Company has no overseas consolidated subsidiaries. Information for overseas sales is not shown as it is immaterial.

Information by industry segment as of 31st March, 2001 and 2002 and for the years then ended is summarized as follows:

	Transportation	Merchandise Sales	Real Estate
2001:			
Operating revenues:			
Customers	¥121,440	¥178,598	¥ 16,818
Intersegment	3,191	2,435	13,912
Total	124,631	181,033	30,730
Operating costs and expenses	108,198	179,231	23,486
Operating income	¥ 16,433	¥ 1,802	¥ 7,244
Assets (at year-end)	¥249,377	¥ 46,859	¥166,708
Depreciation	18,206	1,397	9,142
Capital expenditure	15,150	1,583	24,219

	Transportation	Merchandise Sales	Real Estate
2002:			
Operating revenues:			
Customers	¥122,436	¥182,037	¥ 18,645
Intersegment	3,178	2,761	14,117
Total	125,614	184,798	32,762
Operating costs and expenses	107,084	182,784	23,144
Operating income	¥ 18,530	¥ 2,014	¥ 9,618
Assets (at year-end)	¥249,298	¥ 52,921	¥164,866
Depreciation	17,033	1,384	8,600
Capital expenditure	14,457	1,702	13,997

	Transportation	Merchandise Sales	Real Estate
2002:			
Operating revenues:			
Customers	$ 918,844	$1,366,131	$ 139,925
Intersegment	23,850	20,720	105,944
Total	942,694	1,386,851	245,869
Operating costs and expenses	803,632	1,371,737	173,689
Operating income	$ 139,062	$ 15,114	$ 72,180
Assets (at year-end)	$1,870,904	$ 397,156	$1,237,268
Depreciation	127,827	10,386	64,540
Capital expenditure	108,495	12,773	105,043

Millions of Yen				
Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
¥82,977	¥21,820	¥421,653	¥ —	¥421,653
4,173	15,382	39,093	(39,093)	—
87,150	37,202	460,746	(39,093)	421,653
85,449	35,488	431,852	(39,644)	392,208
¥ 1,701	¥ 1,714	¥ 28,894	¥ 551	¥ 29,445
¥30,851	¥33,109	¥526,904	¥60,861	¥587,765
1,048	212	30,005	(64)	29,941
1,049	188	42,189	(38)	42,151

Millions of Yen				
Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
¥80,078	¥19,639	¥422,835	¥ —	¥422,835
4,443	19,750	44,249	(44,249)	—
84,521	39,389	467,084	(44,249)	422,835
83,071	37,448	433,531	(43,909)	389,622
¥ 1,450	¥ 1,941	¥ 33,553	¥ (340)	¥ 33,213
¥31,668	¥40,301	¥539,054	¥23,477	¥562,531
790	236	28,043	(61)	27,982
1,041	332	31,529	(194)	31,335

Thousands of U.S. Dollars				
Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
$600,961	$147,385	$3,173,246	$ —	$3,173,246
33,343	148,218	332,075	(332,075)	—
634,304	295,603	3,505,321	(332,075)	3,173,246
623,422	281,036	3,253,516	(329,523)	2,923,993
$ 10,882	$ 14,567	$ 251,805	$ (2,552)	$ 249,253
$237,659	$302,446	$4,045,433	$176,188	$4,221,621
5,929	1,771	210,453	(457)	209,996
7,812	2,492	236,615	(1,456)	235,159

15. Subsequent Events

Appropriation of the Company's retained earnings applicable to the year ended 31st March, 2002 proposed by the Board of Directors and approved at the shareholders' meeting held on 27th June, 2002, is summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Retained earnings at 31st March, 2002	¥18,988	$142,497
Appropriated:		
Cash dividends (¥3.00 per share)	1,928	14,469
Directors' bonuses	95	713
Retained earnings to be carried forward to next year	¥16,965	$127,315

16. Reclassification

Reclassifications of certain previously reported amounts to conform to the current year presentation have not been made to the consolidated balance sheets at 31st March, 2001 or the consolidated statements of income and retained earnings or cash flows for the years ended 31st March, 2000 and 2001. Such reclassifications would have had no effect on net assets or net income if they had been made.

Report of Independent Accountants

The Board of Directors
Keio Electric Railway Co., Ltd.

We have audited the accompanying consolidated balance sheets of Keio Electric Railway Co., Ltd. and its consolidated subsidiaries as of 31st March, 2001 and 2002, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended 31st March, 2002, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Keio Electric Railway Co., Ltd. and its consolidated subsidiaries as of 31st March, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March, 2002, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis, except for the change made as of 1st April, 1999, with which we concur, in the accounting for retirement benefits as described in Note 2 (10) to the accompanying consolidated financial statements.

As described in Note 2, Keio Electric Railway Co., Ltd. and its consolidated subsidiaries have adopted the new Japanese accounting standards for financial instruments and retirement benefits, effective for the year ended 31st March, 2001.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
27th June, 2002

BOARD OF DIRECTORS AND AUDITORS

(As of 27th June, 2002)

Chairman
Hiroichi Nishiyama

President
Masayuki Saigusa

Vice President
Kan Kato

Managing Directors
Hirohisa Saigo
Hiromasa Tsubochi
Koichi Suzuki
Toyoaki Suzuki

Directors
Kenkichi Matsuki
Shuichi Shimakura
Shigeo Tanaka
Nobuyuki Adachi
Hiroshi Hayasaki
Shinichi Murayama
Yutaka Otagiri
Yoichi Miyata
Akira Horii
Yoshio Murakami
Ryota Shimomura
Shigeki Tamura
Etsuji Maeda

Corporate Auditors
Konjiro Nakano
Toshiharu Hanafusa
Rikio Nagahama
Takao Nakagawa

CORPORATE DATA

(As of 31st March, 2002)

Head Office:	9-1, Sekido 1-chome, Tama, Tokyo 206-8502, Japan Phone: 042-337-3106 http://www.keio.co.jp
Date of Founding:	21th September, 1910
Paid-in Capital:	¥59,024 million
Authorized Shares:	1,580,230,000 shares
Issued Shares:	642,754,152 shares
Number of Shareholders Holding Shares of Unit Stock or More:	37,647
Number of Employees:	3,495 (Consolidated basis: 13,343)
Stock Exchange Listing:	Tokyo Stock Exchange
Transfer Agent:	The Sumitomo Trust and Banking Company, Limited Stock Transfer Agency Division 1-10, Nikko-cho, Fuchu, Tokyo 183-8701, Japan Phone: 0120-176-417

Principal Shareholders:

Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
Nippon Life Insurance Company	46,083	7.17
The Dai-ichi Mutual Life Insurance Company	35,278	5.49
Taiyo Mutual Life Insurance Company	29,310	4.56
The Sumitomo Trust and Banking Company, Limited	24,241	3.77
Japan Trustee Services Bank, Ltd.	17,630	2.74
Trustee of general trust: The Mitsui Asset Trust and Banking Company, Limited (Truster: The Chuo Mitsui Trust and Banking Company, Limited)	17,585	2.74
The Industrial Bank of Japan, Limited	14,757	2.29
The Bank of Tokyo-Mitsubishi, Limited	11,546	1.80
The Dai-Ichi Kangyo Bank, Ltd.	11,147	1.73
The Sumitomo Mutual Life Insurance Company	10,000	1.56

Printed in Japan

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