KEIO

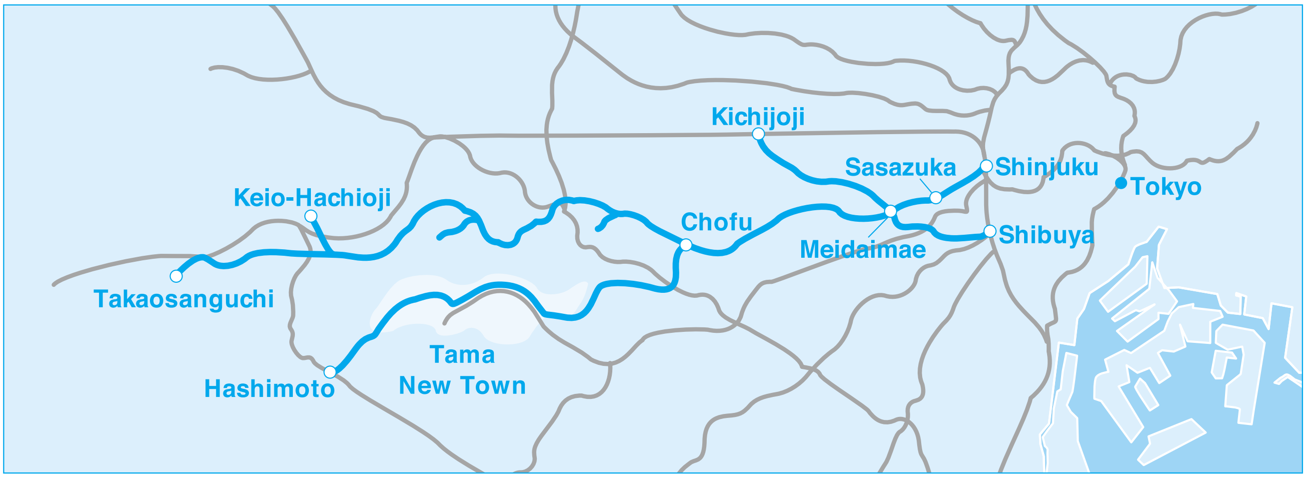
ANNUAL REPORT 2003 KEIO ELECTRIC RAILWAY CO., LTD.

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 39 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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FINANCIAL HIGHLIGHTS

Consolidated Data

Keio Electric Railway Co., Ltd. and Consolidated Subsidiaries

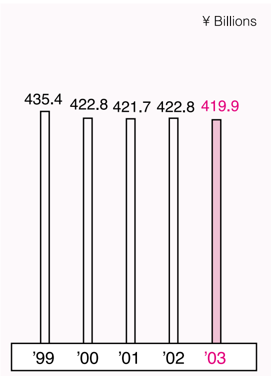
Years ended 31st March	Millions of Yen 2001	Millions of Yen 2002	Millions of Yen 2003	Thousands of U.S. Dollars 2003
For the year:				
Operating revenues	¥421,653	¥422,835	¥419,920	$3,493,511
Operating income	29,445	33,213	35,826	298,053
Net income	3,649	9,289	14,785	123,003
Per share data (in yen and U.S. dollars):				
Net income—basic	¥ 5.68	¥ 14.45	¥ 22.96	$ 0.191
Net income—diluted	—	14.43	22.92	$ 0.191
Cash dividends	5.50	5.50	6.00	0.050
At year-end:				
Total assets	¥587,765	¥562,531	¥530,799	$4,415,965
Total shareholders' equity	170,966	167,064	167,724	1,395,374

Non-Consolidated Data

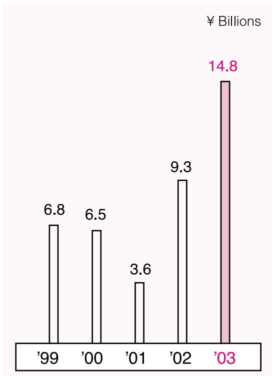
Keio Electric Railway Co., Ltd.

Years ended 31st March	Millions of Yen 2001	Millions of Yen 2002	Millions of Yen 2003	Thousands of U.S. Dollars 2003
For the year:				
Operating revenues	¥119,841	¥122,634	¥113,390	$ 943,344
Operating income	22,329	26,187	26,718	222,280
Net income	6,130	7,629	9,898	82,346
Per share data (in yen and U.S. dollars):				
Net income—basic	¥ 9.54	¥ 11.87	¥ 15.33	$ 0.128
Net income—diluted	9.53	11.86	15.31	0.127
Cash dividends	5.50	5.50	6.00	0.050
At year-end:				
Total assets	¥480,240	¥461,147	¥444,991	$3,702,088
Total shareholders' equity	143,479	138,130	134,133	1,115,915

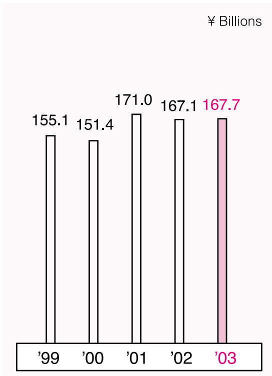
Note: The accompanying U.S. dollar amounts have been translated from Japanese yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥120.20 to U.S.$1.



Consolidated Operating Revenues



Consolidated Net Income



Consolidated Shareholders' Equity

TO OUR SHAREHOLDERS

The Keio Group Aims to Bolster Corporate Value by Earning the Trust of Customers and the Local Communities

Record Consolidated Net Income of ¥14.8 Billion
Annual Dividend per Share Totals ¥6

The Keio Group achieved a record year, thanks to the continuing patronage and support of all its stakeholders. During fiscal 2002, ended March 31, 2003, the Keio Group continued measures to maintain and improve earnings capability. Faced with a challenging economic climate, the Group sought to develop stable, efficient business operations built around Keio Electric Railway Co., Ltd., the Group's core company. As a result, the Group recorded consolidated net income of ¥14.8 billion, while Keio Electric Railway Co., Ltd. posted net income of ¥9.9 billion.

In recognition of the unwavering daily support of its shareholders, and in consideration of its operating results for the fiscal year, the Group declared a cash dividend applicable to the year of ¥6.00 per share. The dividend consisted of an interim dividend of ¥2.50 per share, and a year-end dividend of ¥3.50 per share comprised of an ordinary dividend of ¥2.50 per share and a special dividend of ¥1.00 per share, ¥0.50 per share larger than in the previous term. During the next fiscal term, and over the coming years, the Keio Group will devote its energies to achieving a stable earnings base that will enable the Group to maintain the annual dividend at a level of ¥6.00, including the interim dividend.

Creation of a New Medium-Term Business Plan
Aimed at Bolstering the Group's Collective Strength and Competitive Edge, and Attaining Consolidated Net Income of ¥20.0 Billion in Fiscal 2005

On January 1, 2003, the Keio Group enacted the "Keio Group Management Vision." This term clearly expresses the significance of the Keio Group's existence for all stakeholders including shareholders, customers, suppliers and employees, and creates a shared appreciation of the Group's set of values and orientation aimed at increasing the value of the Group. Utilizing enactment of this vision as a new step, in the future the Keio Group will win larger popularity for the Keio Brand and work to bolster the Group's collective strength, through development of trusted, sound business operations.

Over the past year, the Keio Group took several actions to improve its financial position by increasing the profitability of each Group business. This included spinning off vehicle-related operations from Keio Electric Railway Co., Ltd. and establishing Keio Dentetsu Bus Co., Ltd., as a measure to further reinforce management systems. In addition, in the consolidated Medium-Term Business Plan the Keio Group implemented from April 1, 2003, we have adopted measures putting priority on strengthening the Group's competitive edge, demonstrating the Group's collective strength, and maintaining and enhancing the Group's management systems as the foundation for the future.

Masayuki Saigusa
Chairman

Kan Kato
President

Based on this plan, the Keio Group will endeavor to work to generate consolidated operating revenues of ¥450.0 billion, consolidated net income of ¥20.0 billion and a 10% return on equity (ROE) in fiscal 2005, the final fiscal year of the plan.

Nurturing Lifestyle-Related Businesses to Supplement Railway Operations and Provide Additional Growth for the Keio Group

To achieve additional growth, the Keio Group is nurturing lifestyle-related business to supplement its core railway operations. Management is also undertaking further structural reform to create profit-generating operations in each business, and emphasizing operations that will enable the Keio Group to increase consolidated operating revenues while closely monitoring each activity's profitability.

As a business trusted by its customers, the Keio Group is committed to improving the profitability of railway operations. While undertaking continual efforts to first and foremost improve the safety of operations and working to increase value along the Keio Line, the Group is taking steps to strengthen its competitive edge against other railway companies, execute aggressive measures to attract passengers and improve the efficiency of operations. The Group also seeks to improve asset efficiency, by emphatically investing in businesses whose cash flow is expected to grow in the future, continuously investigating acquisition and development of high-quality rental assets and achieving effective use of company-owned land along the Keio Line.

Looking ahead, the Keio Group will offer high-quality, people-friendly products and services that are easy on the environment, actively address measures to instill the highest sense of corporate ethics and compliance with all laws and ordinances, and devote its energies to attaining customer and local community trust and improving the value of the Keio Group, while enhancing consolidated management.

At the Board of Directors meeting held following the Regular General Meeting of the Shareholders for the 82nd Business Period on June 27, 2003, Masayuki Saigusa and Kan Kato were elected as Chairman of the Board and President, respectively, and assumed their new posts. As it moves forward, the Keio Group will devote its resources to developing the Keio Group by further strengthening and expanding its management base and responding to the challenges of a tough business environment, based on its new business organization.

The Keio Group looks forward to continuing to receive the support of its customers and shareholders.

June 2003

Masayuki Saigusa

Masayuki Saigusa
Chairman

Kan Kato

Kan Kato
President

MEDIUM-TERM BUSINESS PLAN

Basis for Creation of the Keio Group's Medium-Term Business Plan

The Keio Group's core railway business continues to achieve steady results, and maintains a healthy financial position compared with other companies in the same industry. The growth potential of this core business is expected to lessen in the future, however, as the number of passengers decreases along with Japan's declining birthrate. To ensure that the Keio Group is capable of achieving sustainable growth even in such a tough business environment, and to clarify its management vision to prepare the groundwork for future operations, the Keio Group has drafted a Medium-Term Business Plan covering fiscal 2003 ending March 31, 2004 through fiscal 2005 ending March 31, 2006.

Keio Group Management Vision

To achieve additional growth, the Keio Group will focus on nurturing lifestyle-related businesses as profitable and growing, independent operations to complement core railway operations, offering high-quality, people-friendly products and services that are easy on the environment, and earning customer and local community trust and improving the value of the Keio Group.

Positioning of the New Medium-Term Business Plan

2000.4-2003.3 Further strengthen management systems

2003.4-2006.3 Create foundation for future growth

2006.4-2009.3 Further develop business operations

The Keio Group has positioned its Medium-Term Business Plan for the three-year period from fiscal 2003 through fiscal 2005 as the "period to create the foundation for future growth" through actions such as preparing the Group's management and control systems and completing future-oriented investments.

Under its new Consolidated Medium-Term Business Plan, the Keio Group will strive to nurture lifestyle-related business as profitable and growing, independent operations to complement core railway operations, and emphasize operations that will enable the Keio Group to increase consolidated operating revenues while closely monitoring each activity's profitability, in order to provide for the growth of the entire Keio Group. At the same time, by promoting further structural improvement the Group will seek to ensure the profitability of each business even under the tough business environment anticipated in the future.

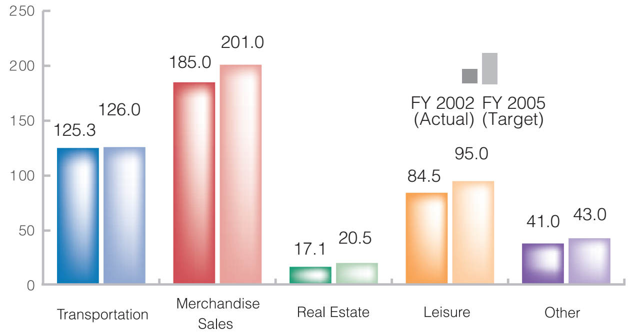
Numerical Objectives for Fiscal 2005

Management has established four numerical objectives for consolidated operating revenues, consolidated net income, consolidated ROA and consolidated ROE as targets for the entire Keio Group.

	Fiscal 2002 (Actual)	Fiscal 2005 (Target)
Consolidated operating revenues	¥419.9 billion	¥450.0 billion
Consolidated net income	¥ 14.8 billion	¥ 20.0 billion
Consolidated ROA*	6.6%	7.0%
Consolidated ROE	9.2%	10.0%

*ROA=(Ordinary Income + Interest Expense) / Average Total Assets x 100
Ordinary income is operating income plus nonoperating income from interest and dividends received and other items less nonoperating expenses, such as interest.

Operating Revenues by Business Segment (¥ billion)



Consolidated Medium-Term Business Plan Priority Measures

The Keio Group has established the following three items as priority measures it will execute to achieve its objective mentioned above.

1 Strengthen the Group's competitive edge

2 Demonstrate the Group's collective strength

3 Upgrade the Group's management systems

1. Strengthen the Group's competitive edge

- Promote large-scale improvement works, including the Chofu Tunnel and Underground Station Project, and aim at being the "top brand in trust" in the railway business by further improving safety and service levels.
- Promote business expansions, such as Keio Store Co., Ltd., PRESSO INN and "Curry Shop C&C," and seek to nurture lifestyle-related businesses centered on the merchandise sales segment.
- Complete construction of the Keio Shinagawa Building and investigate acquisitions of superior lease property assets.

2. Demonstrate the Group's collective strength

- Focus on attaining one million "Keio Passport Card" members.
- Provide a broadband environment along the Keio Line and expand its business area.
- Pursue ideal station formats corresponding to unique characteristics of each station, and investigate business development to utilize the railway's strong points to their best advantage.

3. Upgrade the Group's management systems

- Strengthen support systems by segment for all Group companies, and focus on establishing Group headquarters functions.
- Focus on upgrading the Group's IT network and unifying Group management information for rapid decision-making use.
- Focus on cost reductions through increased specialization and process standardization at the accounting, personnel and information systems operations subsidiaries.
- Investigate introduction of performance-based evaluation system that also considers the level of each company's contribution to the Group.

Strengthen Financial Position

The Keio Group is planning total investments of ¥146.0 billion over the next three years (fiscal 2003 to fiscal 2005). The Group also plans to limit its interest-bearing liabilities to the amount outstanding in fiscal 2002, and forecasts that it will provide for almost all new investment from cash flow generated in each fiscal year. As a result, the Group has stated its objective to reduce the ratio of interest-bearing liabilities to EBITDA from 3.5 times at present to 3.2 times in fiscal 2005.

In the future, the Keio Group will continue seeking to expand the business content of the entire Group and strengthen earnings capability, while emphasizing asset efficiency.

Planned Investment by Segment (¥ billion)

	Three-year total (fiscal 2003 – fiscal 2005)
Transportation	¥ 57.0
Merchandise Sales	¥ 27.0
Real Estate	¥ 28.0
Leisure	¥ 31.0
Other	¥ 3.0
Total	¥ 146.0

(¥ billion)

	Fiscal 2002 (Actual)	Fiscal 2005 (Target)
Interest-bearing liabilities/EBITDA	3.5 times	3.2 times
Interest-bearing liabilities	¥219.9	¥220.0
Earnings before interest, taxes and depreciation (EBITDA)	¥ 63.4	¥ 68.0

Improve the EBITDA ratio while investing ¥146.0 billion over the next three years

REVIEW OF OPERATIONS

THE KEIO GROUP

(As of 31st March, 2003)

TRANSPORTATION GROUP

- Keio Electric Railway Co., Ltd. (Railway)
- 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 Electric Railway Co., Ltd. (Shopping Center)
- 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

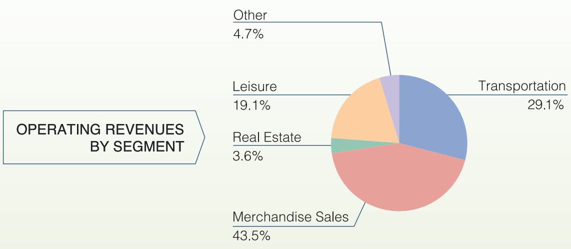
- Keio Plaza Hotel Co., Ltd.
- Keio Plaza Hotel Sapporo Co., Ltd.
- Keio Presso Inn Co., Ltd.
- Keio Travel Agency Co., Ltd. (Travel, Insurance)
- Keio Agency, Inc.
- Keio Recreation Co., Ltd.
- Restaurant Keio Co., Ltd.
- Keio Costume Co., Ltd.

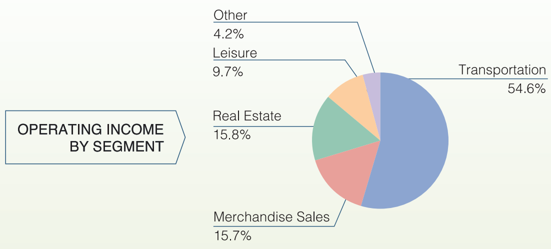
OTHER GROUPS

- Keio Electric Railway Co., Ltd. (Other)
- 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.
- Keio Information Systems 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





TRANSPORTATION GROUP

Promoting Improved Customer Convenience, Safety Measures and Enhanced Barrier-Free Access

Concourse of Shinjuku Station

In its railway operations, Keio Electric Railway Co., Ltd. completed large-scale improvement works at the Keio Line Shinjuku Station in April 2002. Project improvements initiated to increase convenience included relocation of ticket vending machines to ease congestion, renewal of destination information boards, and installation of easy-to-understand ticket gate directions utilizing color-coded areas around ticket gates. The Company also introduced 13 new cars.

To improve safety on platforms, the Company completed installation of emergency buttons to notify car operators and station staff of an emergency at all 69 stations, and also moved forward with construction to expand evacuation spaces located beneath the platforms.

The Company also continued its efforts to enhance barrier-free access. This included installing five elevators at three stations and equipping four stations with easy-to-use, multifunctional restrooms for physically challenged individuals. On the Keio Line, the Company installed electric bulletin boards and door chime devices signaling door openings and closings on 66 vehicles.

To increase passenger convenience, the Company added a number of late-night express and rapid-transit trains on weekdays. In March 2003, Keio Electric Railway began selling commuter passes at all 69 stations on the Keio Line, after installing new ticket vending machines that can also issue commuter passes. The Company also took measures to improve passenger services, such as providing waiting rooms on train platforms at 11 stations.

From a marketing perspective, the Company sought to attract passengers by aggressively advertising the schedule for J League soccer games at locations along the Keio Line, and from January through March 2003 implemented a "Takaosan Winter Soba Noodle Campaign."

Improving Passenger Services by Creating and Enhancing a Transportation Operation System That Meets Passengers' Needs

On August 1, 2002, Keio Electric Railway transferred all of its vehicle-related business operations to Keio Dentetsu Bus Co., Ltd. This step was taken to achieve revenue and expenditures self-sufficiency and sharpen the competitive edge of the business, to assure its survival under deregulation.

Keio Dentetsu Bus, Keio Bus Co., Ltd. and Minami-Osawa Keio Bus Co., Ltd. opened several new routes. The three companies sought to maintain and enhance a transportation operation system that meets regular bus passengers' demands, taking initiatives such as extending routes and increasing operating frequency during both day and late-night hours.

Keio Dentetsu Bus also took over the operation of the Koganei community bus system, and Kokubunji's local bus system in suburban Tokyo.

In its highway bus service operations, Keio Dentetsu Bus established three new routes, began operating a route between the Tama area and Tokyo International Airport (Haneda) together with Tama Bus Co., and established some new routes for late-night express bus service. Finally, Keio Dentetsu Bus sought to cultivate new demand and increase operating routes through measures such as expanding the number of buses on the route.

From a sales and service perspective, Keio Dentetsu Bus began a "100 Yen from the Station, 100 Yen to the Station" service offering a 100 yen one-way fare for rides within a one-

Our highway bus on the Shinjuku-Nagoya route

kilometer radius from some main stations. The Company also launched a number of new discount fare systems, including an "Environmental Commuter Pass," a "One-day Urban Free Pass" and a "Children's 50 Yen Campaign."

Nishi Tokyo Bus Co., Ltd. and Tama Bus Co., Ltd. also began a "100 Yen from the Station, 100 Yen to the Station" fare policy at JR Hachioji Station. Both companies also aimed at stimulating customer demand with measures such as the start of operations at a community bus service in Hachioji.

As an environmental measure, Keio Electric Railway opened a service station for natural gas vehicles, on the premises of the Company's Eifukucho garage. Finally, at all five bus service firms, the Company continued to install devices to reduce the volume of particulate substances contained in exhaust gas, and by June 2003 completed installation on all vehicles subject to regulation.

MERCHANDISE SALES GROUP

Renewing Existing Stores, Opening New Stores and Promoting Aggressive Business Measures

In conjunction with Keio Electric Railway's large-scale improvement works at Shinjuku Station, Keio Department Store Co., Ltd. refurbished the underground food concourse at its Shinjuku Store. The Merchandise Sales Group also took steps to promote aggressive marketing measures and strengthen the earnings capability at the Seiseki-Sakuragaoka Store, which celebrated its 17th anniversary, including remodeling and reopening the first-floor food concourse as "Keio Food Arena."

In cooperation with Keio Electric Railway, Keio Store Co., Ltd. remodeled its Sakurajosui Store and in October 2002 opened Kitchen Court Sakurajosui Store, a new-format supermarket servicing customers with better products of higher prices. Keio Store also sought to expand the scale of its business by opening a second facility, called Kitchen Court Kagurazaka Store, in May 2003. This store is located in central Tokyo, outside the area serviced by the Keio Line.

The Company also pursued an aggressive business strategy at other enterprises in the Merchandise Sales Group. Keio ĀTMAN Co., Ltd., Keibundo Shoten (an outlet of Keio Shoseki Hanbai Co., Ltd.), and the "Bakery Shop Le Repas" outlets operated by Keio Shokuhin Co., Ltd., for example, actively remodeled sales spaces and opened new stores.

Kitchen Court Kagurazaka Store

With the goal of increasing customer convenience and creating greater brand loyalty to the Keio Group among customers living in areas along the Keio Line, in October 2002 the Company launched its "Keio Group Shared Point Service." This program combines "point service" programs separately managed by several Keio Group companies into a single "Keio Passport Card," enabling customers to accumulate points towards discounts by using a single card accepted at Keio Group firms. By the spring of 2003, the Keio Group had expanded the number of participating Group firms to 23 companies.

REAL ESTATE GROUP

Expanding Rental Assets and Enhancing the Earning Power of Existing Properties


"Keio Four Seasons Town" in Hachioji-Minamino City

In its real estate operations, Keio Electric Railway completed and began renting a number of properties, including the Shinjuku Bunka Quint Building, Benesse Home Kurara Keio Higashi-Fuchu, a "user-pays" home for the elderly, the Keio Higashi-Fuchu Minami Building, and Frente Sengawa, a shopping complex.

The Company also took steps to broaden the number of properties under management. For example, the Real Estate Group vigorously pursued construction of an office building adjacent to the East Gate at JR Shinagawa Station, with a target completion date in February 2004 as the Keio Shinagawa Building. The Company also began construction work on the Keio Sasazuka West Building.

In an effort to strengthen the earning power of existing rental assets, the Company renovated several properties.

In March 2003, the Real Estate Group was selected as a participating entity in metropolitan Tokyo's Tama Regional Youth Plaza (tentative name) Creation Businesses, which will move Keio Group into the private finance initiative (PFI) business (public facilities maintenance business utilizing a private capital initiative format).

At Keio Realty and Development Co., Ltd., the Company continued its marketing effort from the prior fiscal year and sold all of the subdivisions at Building No. 16 in Hachioji-Minamino City. The Real Estate Group also began leasing storage at "Keio Closet Hatagaya," a rental storage space facility.

At Keio Chika Chushajou Co., Ltd., in charge of underground parking facilities, we reopened Keio Mall beneath the Keio Line Shinjuku Station after remodeling.

LEISURE GROUP

Expanding Business Opportunities to Areas Not Serviced by the Keio Line with Development of PRESSO INN, a Hotel Chain Specializing in Accommodations

PRESSO INN Higashi-Ginza has achieved a strong positive response among its customers because of its reasonable prices. Following its success, Keio Electric Railway and Keio PRESSO INN completed construction of PRESSO INN Kanda, which opened for business in June 2003 as the second hotel in the chain's development. The two firms also began construction work on a third hotel next to the east exit at Ikebukuro Station, with a planned opening in the spring of 2004.

The Company also enhanced its high-speed Internet connection service at the Keio Plaza Hotel (Shinjuku), which provides free, 24-hour Internet service to all guest rooms, increasing the connection speed from the conventional 3 Mbps to l00 Mbps.

The Leisure Group also worked to expand its business by aggressively establishing new "Curry Shop C&C" outlets managed by Restaurant Keio Co., Ltd., and opening new Doutor coffee shops, which the Company manages as a franchisee. The new stores are located in areas serviced by the Keio Line, as well as in other areas.


PRESSO INN Kanda

OTHER GROUPS

Aggressively Developing New Businesses, from Kifujin Curry Buns to Wireless LAN Club

Keio Electric Railway opened Kifujin Curry Buns (*kifujin* means noble lady), a new high-quality curry bun specialty shop. The Company plans to develop the business as a chain operation and will pursue multiple store expansion in the future.

The Company also installed a large-scale graphics screen at Shinjuku Station, as a new experiment utilizing IT. In addition to beginning telecasts of animated advertising images, the Company is aggressively developing new businesses, such as its wireless local area network (LAN) service using the station as its base, in cooperation with Keihin Electric Express Railway Co., Ltd. and NTT Broadband Platform, Inc. Other activities included the establishment of Keio Information System Co., Ltd. in June 2002 to consolidate and boost the efficiency of the information system-related operations at Keio Group companies.

Kifujin Curry Buns Meidaimae Store

CONSOLIDATED FINANCIAL REVIEW

Operational Results

During the fiscal year under review, the Keio Group maintained steady and aggressive development of business operations with Keio Electric Railway Co., Ltd. as its core company, and continued to maintain and improve profitability.

Consolidated operating revenues for the term were ¥419,920 million, down 0.7% from the previous term. This result reflected the severe economic environment and a decrease in sales to outside customers.

Operating income grew 7.9% year on year, to ¥35,826 million, because of improved profit margins in each business and efforts to achieve low-cost operations. Consolidated ROA* improved 0.6 percentage point, to 6.6%.

Consolidated net income for the term jumped 59.2%, to ¥14,785 million. This increase reflected the fact that although the Group incurred a larger loss on revaluation of investments in securities, and again had a special retirement payment related to the spin-off of bus operations, the extraordinary loss was smaller than in the previous term because Group did not book a loss on revaluation of property and equipment. The improvement in net income boosted the consolidated ROE by 3.2 percentage points, to 9.2%.

*ROA=(Ordinary Income + Interest Expense) / Average Total Assets x 100
Ordinary income is operating income plus nonoperating income from interest and dividends received and other items less nonoperating expenses, such as interest.

Review by Business Segment

Change in Business Segment Classifications

During the fiscal year under review, the Group changed its segment (business) classification for business assets. Previously the Group classified all business assets owned by Keio Electric Railway as part of its real estate group. Beginning in the fiscal year under review, the Group changed the asset classification for assets leased to consolidated subsidiaries to the segment in which such assets are actually used, corresponding to the purpose for which the assets are owned. This change was made to achieve a better understanding of asset efficiency by segment in line with actual asset conditions, to promote management emphasis on efficient utilization of assets. Values for the fiscal year under review are the values after the change in business segment classification.

TRANSPORTATION GROUP

The number of passengers in the railway business continued to be influenced by Japan's prolonged economic weakness and the trend toward fewer children. Although ridership was boosted by residential development and the results from commercial facilities along the Keio Line and steady growth in through-passengers centered on intervals that compete with JR lines, the number of passengers remained almost unchanged compared to the previous term.

On the other hand, operating revenue fell in the taxi business, affected by conditions such as lower demand caused by weak economic conditions. As a result, this segment posted operating revenue of ¥125,298 million, down 0.3% from the previous term. Operating income rose 6.6%, however, to ¥19,759 million, because of reduced costs.

In August 2002, Keio Electric Railway Bus Co., Ltd. began operations, and the Group completed the spin-off of its bus service business.

MERCHANDISE SALES GROUP

Confronted by continued weakness in consumer spending and a difficult operating environment, operating revenue in the department store business declined. Operating revenue for this segment as a whole, however, rose 0.1% from the previous term to ¥185,012 million, reflecting the change in business classification of lease revenue from outside tenants renting space at shopping centers from the real estate group to the merchandise sales group. Operating income was ¥5,698 million, up 183.0% from the previous term, following a reduction in costs such as leasing deposits and a decrease in the leasing fee burden as a result of the change in business classification.

The change in business classification increased operating revenue by ¥3,991 million, and increased operating income by ¥2,942 million.

REAL ESTATE GROUP

Although leasing revenues were boosted by the start of full-year business operations at lease properties completed in the previous term, such as Keio Hatsudai Station Building (September 2001) and Keio Hachioji Myojincho Building (January 2002), this segment was sharply affected by a large drop in leasing revenue received from other business segments as a result of the change in business classification. As a result, operating revenue was ¥17,051 million, 48.0% lower than in the previous term, and operating income was ¥5,722 million, down 40.5%.

The change in business classification decreased operating revenue by ¥16,601 million, and decreased operating income by ¥4,513 million.

LEISURE GROUP

The advertising agency business and the restaurant business achieved higher operating revenues, but the travel agency business experienced lower operating revenues as it continued to be affected by weak economic conditions and the move by airline carriers to direct ticket sales of domestic airlines. These circumstances resulted in operating revenue of ¥84,458 million, down 0.1%. Because of expenditure reduction efforts and a lower leasing fee burden from the change in business classification, however, operating income soared 141.7% to ¥3,505 million.

The change in business classification decreased operating revenue by ¥22 million, and increased operating income by ¥1,544 million.

OTHER GROUPS

In the civil and construction business, operating revenue declined with the decrease in completed works. On the strength of aggressive sales activities in the building cleaning and maintenance business and in the vehicle maintenance business, operating revenue for the segment as a whole rose 4.0% to ¥40,966 million. Operating income fell 22.2% to ¥1,510 million, however, because of higher costs related to new businesses.

Cash Flows

Net cash provided by operating activities fell ¥21,639 million from the previous term to ¥29,776 million. This was mainly because of a decrease in liabilities such as notes and accounts payable, retirement benefit payments accompanying the spin-off of bus operations and an increase in income taxes paid.

Net cash used in investing activities was ¥31,986 million, basically unchanged from the previous term level.

Net cash used in financing activities increased by ¥2,327 million from the previous term level, to ¥19,568 million. Most of the net cash was used for repayment of debt and purchases of treasury stock.

As a result of the above, the balance of cash and cash equivalents at the fiscal year-end decreased ¥21,780 million from the end of previous term, to ¥24,515 million. The closing balance of interest-bearing liabilities such as debts, bonds, and accounts payable to Japan Railway Construction Public Corporation (JRCC) declined ¥12,065 million from the previous term, to ¥219,864 million.

Keio Electric Railway Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of 31st March, 2002 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	2002	2003	2003
Current Assets:			
Cash and bank deposits (Note 4)	¥ 47,397	¥ 25,904	$ 215,507
Short-term investments (Note 5)	237	987	8,211
Notes and accounts receivable, trade	25,106	25,128	209,052
Allowances for doubtful accounts	(401)	(250)	(2,080)
Inventories	29,058	26,808	223,028
Deferred tax assets (Note 8)	3,955	3,660	30,449
Other current assets	2,830	2,660	22,131
Total current assets	108,182	84,897	706,298
Investments and Advances:			
Investments in securities (Note 5)	50,903	30,732	255,674
Investments in affiliates and unconsolidated subsidiaries	1,322	1,379	11,472
	52,225	32,111	267,146
Property and Equipment, at Book Value (Notes 6 and 7):			
Land	86,243	88,350	735,025
Buildings and structures	241,081	238,224	1,981,897
Machinery, rolling stock and equipment	34,401	33,359	277,529
Tools, furniture and fixtures	8,554	8,270	68,802
Construction-in-progress	11,954	20,778	172,862
	382,233	388,981	3,236,115
Intangible Fixed Assets	3,486	4,060	33,777
Deferred Tax Assets (Note 8)	8,516	10,944	91,048
Other Assets	7,889	9,806	81,581
	¥562,531	¥530,799	$4,415,965

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2003
Current Liabilities:			
Short-term bank borrowings (Note 7)	¥ 42,107	¥ 41,570	$ 345,840
Current portion of long-term debt (Note 7)	14,543	13,366	111,198
Notes and accounts payable, trade	21,385	20,398	169,700
Consumption tax payable	2,027	1,852	15,408
Income taxes payable	7,715	4,433	36,880
Reserve for employees' bonuses	3,413	3,102	25,807
Advances received	7,709	7,955	66,181
Other current liabilities	44,271	39,241	326,465
Total current liabilities	143,170	131,917	1,097,479
Long-Term Debt (Note 7)	175,384	165,026	1,372,928
Reserve for Retirement Benefits (Note 9)	42,224	33,660	280,033
Reserve for Retirement Benefits to Directors and Corporate Auditors (Note 9)	845	874	7,271
Special Reserve for Expansion of Railway Transport Capacity (Note 10)	14,077	11,731	97,596
Other Non-Current Liabilities	19,322	19,391	161,324
Total liabilities	395,022	362,599	3,016,631
Minority Shareholders' Equity in Consolidated Subsidiaries	445	476	3,960
Shareholders' Equity (Note 11):			
Common stock:			
Authorized 1,580,230,000 shares			
Issued 642,754,152 shares	59,024	59,024	491,048
Additional paid-in capital	42,019	42,019	349,576
Retained earnings	55,423	66,579	553,902
Unrealized gains on other securities, net of tax	10,658	4,125	34,317
Treasury stock, at cost			
2002: 92,540 shares	(60)	—	—
2003: 6,050,178 shares	—	(4,023)	(33,469)
Total shareholders' equity	167,064	167,724	1,395,374
Contingent Liabilities (Note 13)			
	¥562,531	¥530,799	$4,415,965

Consolidated Statements of Income and Retained Earnings

For the years ended 31st March, 2001, 2002 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2002	2003	2003
Operating Revenues	¥421,653	¥422,835	¥419,920	$3,493,511
Operating Costs and Expenses:				
Operating costs	346,324	344,173	338,644	2,817,338
Selling, general and administrative expenses	45,884	45,449	45,450	378,120
	392,208	389,622	384,094	3,195,458
Operating income	29,445	33,213	35,826	298,053
Non-Operating Income (Expenses):				
Interest and dividend income	867	572	540	4,493
Interest expense	(7,382)	(6,714)	(6,132)	(51,015)
Loss on disposal of property and equipment	(1,341)	(1,310)	(1,200)	(9,983)
Subsidy received from Tokyo Metropolitan Government ,etc.	3,895	—	1,238	10,300
Advance depreciation of fixed assets	(3,895)	—	(1,465)	(12,188)
Equity in earnings of affiliates and unconsolidated subsidiaries	98	57	62	516
Gain on sale of investments in securities	65	—	(426)	(3,544)
Loss on revaluation of investments in securities	(854)	(1,292)	(1,876)	(15,607)
Reversal of special reserve for expansion of railway transport capacity	2,346	2,346	2,346	19,517
Amortization of transition amount related to retirement benefits	(17,067)	—	—	—
Special retirement payments	(1,057)	(2,507)	(1,848)	(15,374)
Loss on revaluation of real estate inventories for sale	—	(514)	—	—
Loss on revaluation of property and equipment	—	(6,575)	—	—
Other, net	666	(673)	(518)	(4,311)
	(23,659)	(16,610)	(9,279)	(77,196)
Income before income taxes and minority interest in income (loss) of consolidated subsidiaries	5,786	16,603	26,547	220,857
Income Taxes (Note 8):				
Current	8,776	11,316	8,956	74,509
Deferred	(6,275)	(4,037)	2,770	23,045
	2,501	7,279	11,726	97,554
Income before minority interest in income (loss) of consolidated subsidiaries	3,285	9,324	14,821	123,303
Minority Interest in Income (Loss) of Consolidated Subsidiaries	(364)	35	36	300
Net income	3,649	9,289	14,785	123,003
Retained Earnings:				
Balance at beginning of year	50,235	49,764	55,423	461,090
Appropriations:				
Cash dividends	(3,539)	(3,535)	(3,534)	(29,401)
Directors' bonuses	(95)	(95)	(95)	(790)
Transfer to additional paid-in capital	(486)	—	—	—
Balance at end of year	¥ 49,764	¥ 55,423	¥ 66,579	$ 553,902

	Yen			U.S. Dollars (Note 3)
Net Income per Share:				
Basic	¥ 5.68	¥ 14.45	¥ 22.96	$ 0.191
Diluted	—	14.43	22.92	0.191
Weighted Average Number of Shares Outstanding (in thousands)	642,751	642,719	639,702	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended 31st March, 2001, 2002 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2002	2003	2003
Cash Flows from Operating Activities:				
Income before income taxes and minority interest in income (loss) of consolidated subsidiaries	¥ 5,786	¥16,603	¥26,547	$220,857
Adjustments for:				
Depreciation and amortization	30,172	28,396	27,816	231,414
(Decrease) increase in reserve for retirement benefits	13,241	(3,521)	(8,627)	(71,772)
Decrease in special reserve for expansion of railway transport capacity	(2,346)	(2,346)	(2,346)	(19,517)
Loss on revaluation of property and equipment	—	6,575	—	—
Loss on revaluation of real estate inventories for sale	218	514	411	3,419
Loss on revaluation of investments in securities	854	1,292	1,876	15,607
Loss on disposal of property and equipment	1,231	1,373	1,564	13,012
Advance depreciation of fixed assets	4,746	471	1,464	12,180
Interest and dividend income	(867)	(572)	(540)	(4,493)
Interest expense	7,382	6,714	6,132	51,015
Subsidy received from Tokyo Metropolitan Government, etc.	(4,462)	(452)	(1,238)	(10,300)
Decrease (increase) in notes and accounts receivable	(2,035)	2,273	(34)	(283)
Decrease in inventories	2,444	115	(110)	(915)
Increase in notes and accounts payable	1,441	3,605	(5,854)	(48,702)
Other, net	(459)	5,095	569	4,734
Subtotal	57,346	66,135	47,630	396,256
Interest and dividends received	903	580	556	4,626
Interest paid	(6,719)	(6,735)	(6,171)	(51,339)
Income taxes paid	(10,317)	(8,565)	(12,239)	(101,823)
Net cash provided by operating activities	41,213	51,415	29,776	247,720
Cash Flows from Investing Activities:				
Payments for purchase of property and equipment	(39,965)	(34,548)	(35,490)	(295,257)
Proceeds from sale of property and equipment	296	509	157	1,306
Payments for purchase of short-term investments	(301)	(1)	(0)	(3)
Proceeds from sale of short-term investments	341	2	46	383
Payments for purchase of securities and other investments	(134)	(1,170)	(4,002)	(33,294)
Proceeds from sale of securities and other investments	241	177	9,612	79,968
Subsidy received from Tokyo Metropolitan Government, etc.	2,002	577	1,474	12,263
Other, net	(1,512)	1,803	(3,783)	(31,472)
Net cash used in investing activities	(39,032)	(32,651)	(31,986)	(266,106)
Cash Flows from Financing Activities:				
Decrease in short-term bank borrowings	(334)	(717)	(537)	(4,468)
Increase in long-term debt	3,600	4,200	6,640	55,241
Repayment of long-term debt	(16,736)	(17,130)	(18,175)	(151,206)
Purchase of treasury stock to offset additional paid-in capital	(592)	—	—	—
Purchase of treasury stock	—	—	(3,961)	(32,953)
Cash dividends paid	(3,539)	(3,535)	(3,535)	(29,409)
Other, net	1	(59)	—	—
Net cash used in financing activities	(17,600)	(17,241)	(19,568)	(162,795)
Exchange Gain on Cash and Cash Equivalents	12	14	(2)	(17)
Cash and Cash Equivalents Increase Due to Consolidation of Subsidiaries	—	376	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	(15,407)	1,913	(21,780)	(181,198)
Cash and Cash Equivalents at Beginning of Year	59,789	44,382	46,295	385,150
Cash and Cash Equivalents at End of Year (Note 4)	¥44,382	¥46,295	¥24,515	$203,952

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. and its 31 significant subsidiaries as of 31st March 2003. 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 2003 .

(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.

(5) Financial Instruments

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.

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.

(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 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, 2002 and 2003 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 which arise in the Company are amortized on a declining-balance basis and they which arise in subsidiaries are amortized on a straight-line basis over a period of principally 15 years from the year following that in which they arise, and unrecognized prior service cost is amortized on a straight-line basis over a period of principally 15years from the year in which it arises.

Effective 1st April 2002, the Company changed its accounting method for amortization of unrecognized actuarial differences from the straight-line basis to the declining-balance basis, considering a large amount of actuarial differences due to worse of pension asset managements should be recognized earlier. The effect of this change was to increase "Operating cost", decrease "Operating income" and "Income before income taxes and minority interest in income (loss) of consolidated subsidiaries" by ¥706 million ($ 5,874 thousand) respectively, as compared with the amount, which would have been reported if the previous method 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.

Effective from the year ended 31st March 2003, the Company adopted the new Japanese accounting standard for computation of net income per share. Prior to adopting the new standard, the computation of basic net income per share and diluted net income per share were based on the net income shown on the Consolidated Statement of Income and Retained Earnings. However the new standard requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in Consolidated Statement of Income and Retained Earnings. If this new method had been applied, basic net income per share and diluted net income per share for the year ended 31st March 2002 would have been ¥14.31 and ¥14.29, respectively.

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 per cent, 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 ¥120.20=U.S.$1, the approximate current rate at 31st March 2003, 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 is as Follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	*2003*	*2003*
Cash and bank deposits	¥47,397	¥25,904	$215,507
Marketable securities	237	987	8,211
Purchase contracts for securities with a sell-back clause included in short-term loans	40	–	–
Time deposits with deposit term of over 3 months	(1,142)	(1,389)	(11,555)
Government and corporate bonds due after 3 months	(237)	(987)	(8,211)
Cash and cash equivalents	¥46,295	¥24,515	$203,952

5. Marketable Securities and Investments in Securities

Marketable securities included in "Short-term investments" and "Investments in securities" at 31st March 2002 and 2003 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Marketable securities (Current portfolio):			
Government and corporate bonds	¥ 237	¥ 987	$ 8,211
	¥ 237	¥ 987	$ 8,211
Investments in securities (Non-current portfolio):			
Listed corporate shares	¥39,325	¥25,085	$208,694
Government and corporate bonds and unlisted corporate shares	11,578	5,647	46,980
	¥50,903	¥30,732	$255,674

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 2002 and 2003 are summarized as follows:

Other securities:

	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

	2003			
	Millions of Yen			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Listed shares	¥18,103	¥25,085	¥10,337	¥3,355
Bonds	3,850	3,870	21	1
Others	187	187	0	0
	¥22,140	¥29,142	¥10,358	¥3,356

	2003			
	Thousands of U.S. Dollars			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Listed shares	$150,607	$208,694	$85,998	$27,912
Bonds	32,030	32,196	175	8
Others	1,556	1,556	0	0
	$184,193	$242,446	$86,173	$27,920

The carrying amount of securities for which a fair value is not available at 31st March 2002 and 2003 is summarized as follows:

Other securities:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Unlisted shares	¥1,678	¥2,576	$21,431
Others	1	1	8
	¥1,679	¥2,577	$21,439

6. Accumulated Depreciation

Accumulated depreciation, deducted from the cost of property and equipment in the accompanying consolidated balance sheets, amounted to ¥388,220 million and ¥394,898 million ($3,285,341 thousand) at 31st March 2002 and 2003, 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 cent per annum for the years ended 31st March 2002 and 2003.

"Long-term debt" at 31st March 2002 and 2003 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
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	¥125,920	¥118,667	$ 987,246
2.0% convertible debentures due March 2003 (Series No. 15)	1,421	—	
3.075% yen bonds due April 2012 (Series No. 18)	20,000	20,000	166,388
2.7% yen bonds due April 2007 (Series No. 19)	10,000	10,000	83,195
2.7% yen bonds due August 2013 (Series No. 20)	10,000	10,000	83,195
2.175% yen bonds due August 2008 (Series No. 21)	10,000	10,000	83,195
Long-term accounts payable	12,586	9,725	80,907
	189,927	178,392	1,484,126
Less: current portion (amount due within one year)	(14,543)	(13,366)	(111,198)
	¥175,384	¥165,026	$1,372,928

The 2.0 per cent convertible debentures were issued in December 1987 at a principal amount of ¥20,000 million. At 31st March 2002, 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" is due March 2016, and are interests bearing.

The Companies' assets pledged as collateral for long-term debt (including the current portion of long-term debt) at 31st March 2002 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	*2003*	*2003*
At net book value			
Property and equipment	¥219,347	¥200,457	$1,667,695
Other	1,138	1,138	9,468
	¥220,485	¥201,595	$1,677,163

The aggregate annual maturities of long-term loans from banks and other financial institutions in the 5 years following 31st March 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending 31st March,		
2004	¥13,642	$113,494
2005	12,675	105,449
2006	18,504	153,944
2007	12,058	100,316
	¥56,879	$473,203

8. Income Taxes

The statutory tax rate used for calculating deferred tax assets as of 31st March, 2002 and 2003 was 42.05%.

At 31st March, 2002 and 2003, significant components of deferred tax assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	*2003*	*2003*
Deferred tax assets:			
Reserve for employees' bonuses	¥ 942	¥ 1,124	$ 9,351
Enterprise tax payable	703	395	3,286
Special retirement payments	863	134	1,115
Reserve for retirement benefits	10,751	8,629	71,788
Reserve for directors' retirement benefits	356	356	2,962
Loss carryforwards	80	731	6,082
Loss on revaluation of property and equipment	2,531	2,261	18,810
Unrealized profit on sale of property and equipment	1,508	1,631	13,569
Loss on revaluation of golf club membership	—	254	2,113
Accruals for reward card	—	252	2,097
Other	2,492	1,699	14,134
Total deferred tax assets	¥20,226	¥17,466	$145,307
Deferred tax liabilities:			
Unrealized gains on other securities	(7,755)	(2,862)	(23,810)
Total deferred tax liabilities	(7,755)	(2,862)	(23,810)
Net deferred tax assets	¥12,471	¥14,604	$121,497

For the year ended 31st March 2003, the reconciliation of statutory tax and the effective income tax rate is as follows:

	2003
Statutory tax rate	42.05
(Adjustment)	
Non-deductible expense for tax purpose	0.92
Equalization local tax	(0.03)
Effect of tax rate change	0.44
Effect of tax rate change	1.03
Other	(0.24)
Effective income tax rate	44.17%

In accordance with the revised municipal tax law published on 31st March 2003, assessment by estimation on the basis of the size of business is to be introduced and income tax is to be changed. Accordingly statutory tax rate for calculation of deferred tax assets and deferred tax liabilities for the year ended 31st March 2002 is 42.05%, those of 31st March 2003 are 42.05% (current) and 40.69% (non-current).

The effect of this change was to decrease “Deferred tax assets” by ¥178 million ($ 1,481 thousand), increase “Income tax deferred” by ¥273 million ($ 2,271 thousand), as compared with the amount, which would have been reported if the same tax rate had been applied consistently.

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 per cent 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 2002 and 2003 can be analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	*2003*	*2003*
Projected benefit obligations	¥(101,236)	¥(95,555)	$(794,967)
Plan assets	56,341	51,481	428,295
	(44,895)	(44,074)	(366,672)
Unrecognized actuarial differences	11,659	21,509	178,943
Unrecognized prior service cost	(7,831)	(9,240)	(76,872)
	(41,067)	(31,805)	(264,601)
Prepaid pension cost	1,157	1,855	15,432
	¥ (42,224)	¥ (33,660)	$(280,033)

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 and 2003, respectively.

The net pension expense for the year ended 31st March 2001, 2002 and 2003 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2001	*2002*	*2003*	*2003*
Service cost	¥ 4,233	¥4,352	¥3,370	$28,037
Interest cost	3,136	3,114	2,794	$23,245
Expected return on plan assets	(1,671)	(1,535)	(361)	(3,003)
Amortization of transition amount	17,067	—	—	—
Amortization of unrecognized actuarial difference	—	547	1,600	13,311
Amortization of prior service cost	—	(286)	(679)	(5,650)
Net pension expense	¥22,765	¥6,192	¥6,724	$55,940

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

	As of March 31, 2002	As of March 31, 2003
Discount rate	Principally 3.0%	Principally 2.5%
Expected rate of return on plan assets	Principally 3.0%	Principally 0.5%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Amortization of unrecognized actuarial differences	Principally 15 years	Principally 15 years
Amortization of prior service cost	Principally 15 years	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 per cent of passenger fares, but this was changed to 6 per cent 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 2001, 2002 and 2003, 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, 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
Balance at 31st March, 2003	642,754	¥ 59,024	¥ 42,019

	Thousands of U.S. Dollars	
	Common stock	Additional paid-in capital
Balance at 31st March, 2002	$491,048	$349,576
Balance at 31st March, 2003	$491,048	$349,576

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 inappropriate 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 2001, 2002 and 2003 were ¥655 million, ¥686 million and ¥764 million ($6,356 thousand), respectively.

The scheduled maturities of future lease rental payments under such finance lease contracts at 31st March 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 735	$ 6,115
Due after one year	1,364	11,348
Total	¥2,099	$17,463

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

The acquisition cost, accumulated depreciation, net book value at March 31 2002 and 2003, and depreciation expense for the years ended 31st March 2002 and 2003, that would have been applicable if such leased assets had been capitalized, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	*2003*	*2003*
Acquisition cost	¥3,996	¥4,017	$33,420
Accumulated depreciation	(1,958)	(1,918)	(15,957)
Net book value	¥2,038	¥2,099	$17,463
Depreciation	¥ 686	¥ 764	$ 6,356

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

13. Contingent Liabilities

At 31st March 2003 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	¥2,895	$24,085
Other	1,367	11,373
	¥4,262	$35,458

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 2003, 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	¥ 40	$ 333
	¥ 40	$ 333

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 ¥63,907 million at 31st March 2002 and ¥44,972 million ($374,143thousand) at 31st March 2003.

Effective 1st April 2002, the Company changed its accounting method for amortization of unrecognized actuarial differences from the straight-line basis to the declining-balance basis. The effect of this change as compared with the amount, which would have been reported if the previous method had been applied consistently is as follows:

	Millions of Yen					
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Total
Increase in "Operating expense"	¥616	¥35	¥25	¥19	¥11	¥706
"Operating income" under the previous method	¥20,375	¥5,732	¥5,748	¥3,523	¥1,522	¥36,900

	Thousands of U.S. Dollars					
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Total
Increase in "Operating expense"	$5,125	$291	$208	$158	$92	$5,874
"Operating income" under the previous method	$169,509	$47,687	$47,820	$29,309	$12,663	$309,988

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 segments as of 31st March, 2001, 2002 and 2003 and for the years then ended is summarized as follows:

	Millions of Yen							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2001:								
Operating revenues:								
Customers	¥121,440	¥178,598	¥ 16,818	¥82,977	¥21,820	¥421,653	¥ —	¥421,653
Intersegment	3,191	2,435	13,912	4,173	15,382	39,093	(39,093)	—
Total	124,631	181,033	30,730	87,150	37,202	460,746	(39,093)	421,653
Operating costs and expenses	108,198	179,231	23,486	85,449	35,488	431,852	(39,644)	392,208
Operating income	¥ 16,433	¥ 1,802	¥ 7,244	¥ 1,701	¥ 1,714	¥ 28,894	¥ 551	¥ 29,445
Assets (at year-end)	¥249,377	¥ 46,859	¥166,708	¥30,851	¥33,109	¥526,904	¥60,861	¥587,765
Depreciation	18,206	1,397	9,142	1,048	212	30,005	(64)	29,941
Capital expenditure	15,150	1,583	24,219	1,049	188	42,189	(38)	42,151

	Millions of Yen							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2002:								
Operating revenues:								
Customers	¥122,436	¥182,037	¥ 18,645	¥80,078	¥19,639	¥422,835	¥ —	¥422,835
Intersegment	3,178	2,761	14,117	4,443	19,750	44,249	(44,249)	—
Total	125,614	184,798	32,762	84,521	39,389	467,084	(44,249)	422,835
Operating costs and expenses	107,084	182,784	23,144	83,071	37,448	433,531	(43,909)	389,622
Operating income	¥ 18,530	¥ 2,014	¥ 9,618	¥ 1,450	¥ 1,941	¥ 33,553	¥ (340)	¥ 33,213
Assets (at year-end)	¥249,298	¥ 52,921	¥164,866	¥31,668	¥40,301	¥539,054	¥23,477	¥562,531
Depreciation	17,033	1,384	8,600	790	236	28,043	(61)	27,982
Capital expenditure	14,457	1,702	13,997	1,041	332	31,529	(194)	31,335

	Millions of Yen							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	¥122,058	¥182,680	¥15,315	¥80,271	¥19,596	¥419,920	¥ —	¥419,920
Intersegment	3,240	2,332	1,736	4,187	21,370	32,865	(32,865)	—
Total	125,298	185,012	17,051	84,458	40,966	452,785	(32,865)	419,920
Operating costs and expenses	105,539	179,314	11,329	80,953	39,456	416,591	(32,497)	384,094
Operating income	¥ 19,759	¥ 5,698	¥ 5,722	¥ 3,505	¥ 1,510	¥ 36,194	¥ (368)	¥ 35,826
Assets (at year-end)	¥246,353	¥ 77,341	¥93,663	¥83,706	¥54,979	¥556,042	¥(25,243)	¥530,799
Depreciation	16,608	3,441	3,266	3,857	424	27,596	(55)	27,541
Capital expenditure	14,872	5,858	8,522	4,629	788	34,669	(56)	34,613

	Thousands of U.S. Dollars							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	$1,015,458	$1,519,800	$127,413	$667,812	$163,028	$3,493,511	$ —	$3,493,511
Intersegment	26,955	19,401	14,443	34,834	177,786	273,419	(273,419)	—
Total	1,042,413	1,539,201	141,856	702,646	340,814	3,766,930	(273,419)	3,493,511
Operating costs and expenses	878,028	1,491,797	94,251	673,486	328,253	3,465,815	(270,357)	3,195,458
Operating income	$ 164,385	$ 47,404	$ 47,605	$ 29,160	$ 12,561	$ 301,115	$ (3,062)	$ 298,053
Assets (at year-end)	$2,049,526	$ 643,436	$779,226	$696,389	$457,396	$4,625,973	$(210,008)	$4,415,965
Depreciation	138,170	28,627	27,171	32,088	3,528	229,584	(458)	229,126
Capital expenditure	123,727	48,735	70,899	38,511	6,556	288,428	(466)	287,962

(Change of industry segment)

Prior to the year ended 31st March 2003, all properties owned by development division of the Company were classified into the “Real Estate” segment.

For the year ended 31st March 2003, the property rented to the consolidated subsidiary has been moved from the “Real Estate” segment to the other segments which actually use those property.

The objective of this change is to assist the Companies to promote operation focused on efficient asset management by providing an analysis of the segment’s performance in asset management.

The following table is based on the former business classification.

	Millions of Yen							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	¥122,058	¥178,826	¥ 19,265	¥80,175	¥19,596	¥ 419,920	¥ —	¥419,920
Intersegment	3,235	2,195	14,387	4,305	21,370	45,492	(45,492)	—
Total	125,293	181,021	33,652	84,480	40,966	465,412	(45,492)	419,920
Operating costs and expenses	105,625	178,265	23,417	82,519	39,456	429,282	(45,188)	384,094
Operating income	¥ 19,668	¥ 2,756	¥ 10,235	¥ 1,961	¥ 1,510	¥ 36,130	¥ (304)	¥ 35,826
Assets (at year-end)	¥245,665	¥ 49,724	¥173,254	¥32,257	¥54,979	¥ 555,879	¥ (25,080)	¥530,799
Depreciation	16,550	1,405	8,413	809	424	27,601	(60)	27,541
Capital expenditure	14,700	1,870	16,501	810	788	34,669	(56)	34,613

	Thousands of U.S. Dollars							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	$1,015,458	$1,487,737	$ 160,275	$667,013	$163,028	$3,493,511	$ —	$3,493,511
Intersegment	26,913	18,261	119,692	35,816	177,786	378,468	(378,468)	—
Total	1,042,371	1,505,998	279,967	702,829	340,814	3,871,979	(378,468)	3,493,511
Operating costs and expenses	878,744	1,483,071	194,817	686,514	328,253	3,571,399	(375,941)	3,195,458
Operating income	$ 163,627	$ 22,927	$ 85,150	$ 16,315	$ 12,561	$ 300,580	$ (2,527)	$ 298,053
Assets (at year-end)	$2,043,802	$ 413,677	$1,441,381	$268,361	$457,396	$4,624,617	$(208,652)	$4,415,965
Depreciation	137,687	11,689	69,992	6,730	3,528	229,626	(500)	229,126
Capital expenditure	122,296	15,557	137,280	6,739	6,556	288,428	(466)	287,962

The impact of this change is as follows:

	Millions of Yen							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	¥ 0	¥ 3,854	¥ (3,950)	¥ 96	¥ —	¥ —	¥ —	¥ —
Intersegment	5	137	(12,651)	(118)	—	(12,627)	12,627	—
Total	5	3,991	(16,601)	(22)	—	(12,627)	12,627	—
Operating costs and expenses	(86)	1,049	(12,088)	(1,566)	—	(12,691)	12,691	—
Operating income	¥ 91	¥ 2,942	¥ (4,513)	¥ 1,544	¥ —	¥ 64	¥ (64)	¥ —

	Thousands of U.S. Dollars							
	Transportation	Merchandise Sales	Real Estate	Leisure	Other	Subtotal	Elimination or Corporate	Consolidated
2003:								
Operating revenues:								
Customers	$ 0	$ 32,063	$ (32,862)	$ 799	$ —	$ —	$ —	$ —
Intersegment	42	1,140	(105,249)	(982)	—	(105,049)	105,049	—
Total	42	33,203	(138,111)	(183)	—	(105,049)	105,049	—
Operating costs and expenses	(716)	8,726	(100,566)	(13,028)	—	(105,584)	105,584	—
Operating income	$ 758	$ 24,477	$ (37,545)	$ 12,845	$ —	$ 535	$ (535)	$ —

15. Subsequent Events

Appropriation of the Company's retained earnings applicable to the year ended 31st March 2003 proposed by the Board of Directors and approved at the shareholders' meeting held on 27th June 2003, is summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Retained earnings at 31st March, 2003	¥25,257	$210,125
Appropriated:		
Cash dividends (¥3.50 per share)	2,228	18,536
Directors' bonuses	95	790
Retained earnings to be carried forward to next year	¥22,934	$190,799

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 2002 or the consolidated statements of income and retained earnings or cash flows for the years ended 31st March 2001 and 2002. Such reclassifications would have had no effect on net assets or net income if they had been made.

Report of Independent Accountants

To the Board of Directors and Shareholders of
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 2002 and 2003, 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 2003, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keio Electric Railway Co., Ltd. and its consolidated subsidiaries as of 31st March 2002 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March 2003, in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

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.

As described in Note 14, effective for the year ended 31st March 2003, Keio Electric Railway Co., Ltd. and its subsidiaries changed their accounting policy of segment for the allocation of properties which the real estate development division of the Company owns.

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 2003

BOARD OF DIRECTORS AND AUDITORS

(As of 27th June, 2003)

Chairman
Masayuki Saigusa

President
Kan Kato

Managing Directors
Hirohisa Saigo
Koichi Suzuki
Toyoaki Suzuki

Directors
Kenkichi Matsuki
Shuichi Shimakura
Shigeo Tanaka
Hiroshi Hayasaki
Mitsuhiro Ishibashi
Shinichi Murayama
Yutaka Otagiri
Yoichi Miyata
Hiromasa Tsubochi
Akira Horii
Yoshio Murakami
Ryota Shimomura
Shigeki Tamura

Corporate Auditors
Konjiro Nakano
Kenichi Saichi
Rikio Nagahama
Chikao Tsuchiya

CORPORATE DATA

(As of 31st March, 2003)

Head Office:	9-1, Sekido 1-chome, Tama, Tokyo 206-8502, Japan Phone: 042-337-3106 http://www.keio.co.jp
Date of Founding:	21st 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:	37,106
Number of Employees:	2,255 (Consolidated basis: 12,910)
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	45,339	7.05
The Dai-ichi Mutual Life Insurance Company	35,278	5.49
Taiyo Mutual Life Insurance Company	29,310	4.56
The Master Trust Bank of Japan, Ltd.	24,245	3.77
Mizuho Corporate Bank, Ltd.	24,138	3.76
The Sumitomo Trust and Banking Company, Limited	18,240	2.84
Japan Trustee Services Bank, Ltd.	17,778	2.77
Trustee of general trust: Japan Trustee Services Bank, Ltd. (Truster: The Chuo Mitsui Trust and Banking Company, Limited)	17,585	2.74
The Bank of Tokyo-Mitsubishi, Limited	10,557	1.64
Fukoku Mutual Life Insurance Company	9,590	1.49

KEIO ELECTRIC RAILWAY CO., LTD. 9-1, Sekido 1-Chome, Tama, Tokyo 206-8502, Japan Phone: 042-337-3106 www.keio.co.jp

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