

Economic

経済

A company cannot exist in a sustainable manner unless society values its products and services offered through its business activities.

It must therefore build good relationships with many stakeholders involved with its products and services, while continually making various efforts on its own initiative. Stations and railways are the core of the JR East Group's business activities, with the railway business, lifestyle business, and *Suica* business forming the three pillars.

Our business activities have a broad and profound impact on society. Because we have relations with a wide range of stakeholders, we are committed to tracking our economic relations with all stakeholders involved in our business activities. Unlike our annual financial reports, our *Sustainability Report* communicates information on the economic aspects of the JR East Group from the viewpoint of our economic relations with various stakeholders.

How is the economic performance of the JR East Group?

The JR East Group aims for sustainable growth as a corporate group by continuously creating and developing businesses that can meet the needs and expectations of our customers and other stakeholders, while actively contributing to society.

Financial results for fiscal 2005

Transportation, including railway operations, is the core business of the JR East Group, which accounted for about 70% of our consolidated operating revenue for fiscal 2005. The remaining 30% was earned primarily from our lifestyle business such as the operation of shopping centers in station buildings, hotels, and retail shops.

Both of our consolidated operating revenue and net income for fiscal 2005 increased, with a rise in the latter by 45.9 billion yen year-on-year to 157.5 billion yen. It was due to the sharp rebound from the revenue loss that followed the Niigata-Chuetsu Earthquake, increased revenues from local train services, and the increased profit in all of our segments.

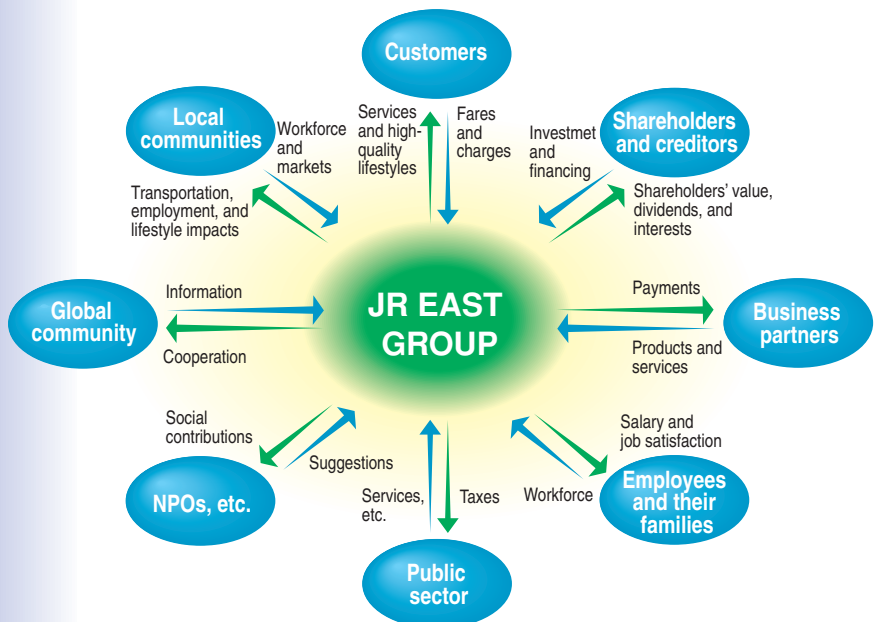
Economic relations with stakeholders

The business activities of the JR East Group create economic relations with a variety of stakeholders. This section presents our expenses by stakeholder and other data, in order to show the economic relations between our business activities and our stakeholders in an easy-to-understand manner.

To maintain objectivity, we use our consolidated financial statements as a source of calculation.

Our stakeholders covered here include shareholders, business partners, employees, creditors, and the public sector (governments).

Relations with stakeholders



► Consolidated financial statements and breakdown of expenses and others by stakeholder

Consolidated statement of income and loss		(Billion yen)	
Operating revenues		2,592.3	
Transportation, other services, and cost of sales		1,701.6	(1)
Selling, general, and administrative expenses	Personnel expenses	258.0	(2)
	Taxes	18.6	(3)
	Other	218.0	(4)
	Subtotal	494.6	
Operating income		396.0	
Other income		103.0	
Other expenses	Interest expense	136.5	(5)
	Other expenses	93.0	
	Subtotal	229.5	
Income before income taxes		269.6	
Income taxes-current		125.3	(6)
Income taxes-deferred		(15.6)	(7)
Minority interests in net income of consolidated subsidiaries		2.4	(8)
Net income		157.5	(9)

Breakdown of expenses and others by stakeholder	(Billion yen)	
Business partners	1,482.7	(1) - ★ + (4)
Employees	694.9	(2) + ★
Creditors	136.5	(5)
Shareholders	159.9	(8) + (9)
Public sector	128.2	(3) + (6) + (7)

★... Personnel expenses recorded in transportation operating expenses in the non-consolidated statement of income and loss: 436.9

Method of calculating "breakdown of expenses and others by stakeholder"

Note: Since personnel expenses in the transportation business are recorded in "transportation, other services and cost of sales" in the consolidated statement of income and loss, personnel expenses are calculated by adding "personnel expenses in the transportation operating expenses" in the non-consolidated statement of income and loss to obtain a more accurate figure.

Business partners: The figure is the sum of (A) "transportation, other services and cost of sales" minus "personnel expenses" in the transportation operating expenses in the non-consolidated statement of income and loss, and (B) "selling, general, and administrative expenses" minus "personnel expenses" and "taxes".

Employees: The figure is the sum of (A) "personnel expenses" in selling, general, and administrative expenses, and (B) "personnel expenses" in the transportation operating expenses in the non-consolidated statement of income and loss.

Creditors: The figure is "interest expense" in non-operating expenses.

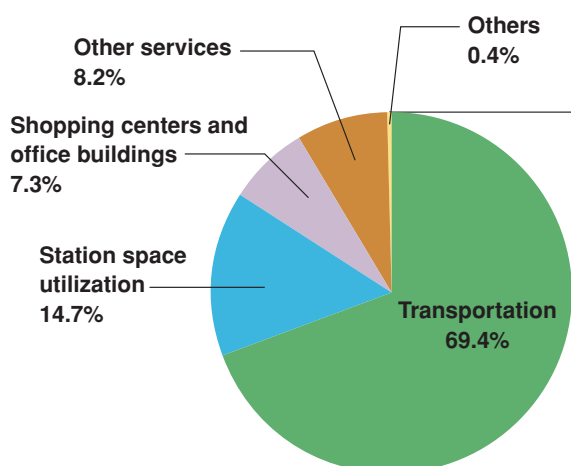
Shareholders: The figure is the total of (A) "net income," and (B) "minority interests in net income of consolidated subsidiaries."

Public sector: The figure is the sum of (A) "taxes" in selling, general, and administrative expenses, (B) "income taxes-current," and (C) "income taxes-deferred."

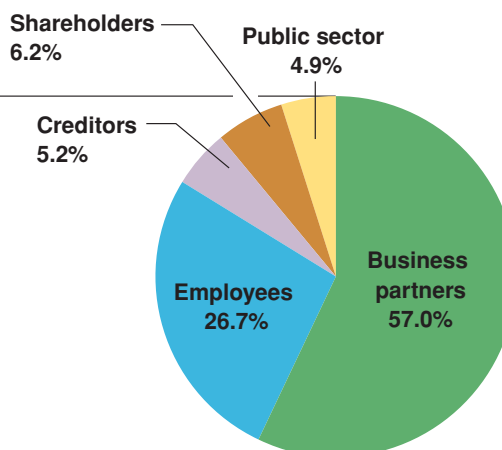
*Figures may not add up to totals due to rounding.

*For figures that require modifications, rounded figures in the Financial Statement are used.

► Breakdown of JR East Group's revenues



► Breakdown of expenses, etc., by segment



* "Others" in the breakdown of JR East Group's revenues is calculated by subtracting (A) non-operating expenses and extraordinary losses excluding interest expenses from (B) non-operating income and extraordinary income.