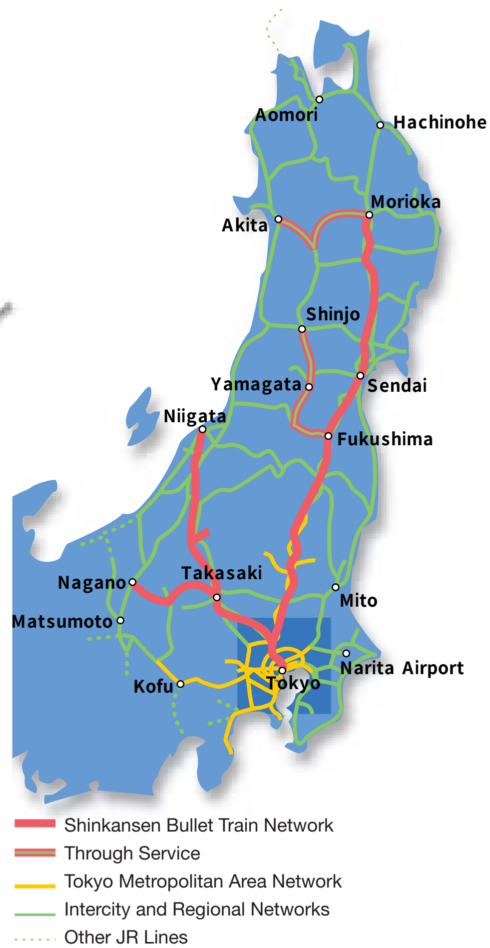
Tokyo and Eastern Honshu...

EAST JAPAN RAILWAY COMPANY

Annual Report 2001

For the Year Ended March 31, 2001

East Japan Railway Company



GROUP POLICIES

The JR East Group will aim to function as a corporate group providing high quality and advanced services with railway businesses at its core, while achieving sound management.

For this purpose, every individual employee of the Group will endeavor to support safe and punctual transportation and supply convenient and high-quality products. Every employee will take on the challenge of improving the standard of services and raising the level of technology in order to further gain the confidence and trust of our customers.

As a "Trusted Life-Style Service Creating Group," we will go forward with our customers to contribute to the achievement of a better living, the cultural development of local communities and the protection of the global environment.

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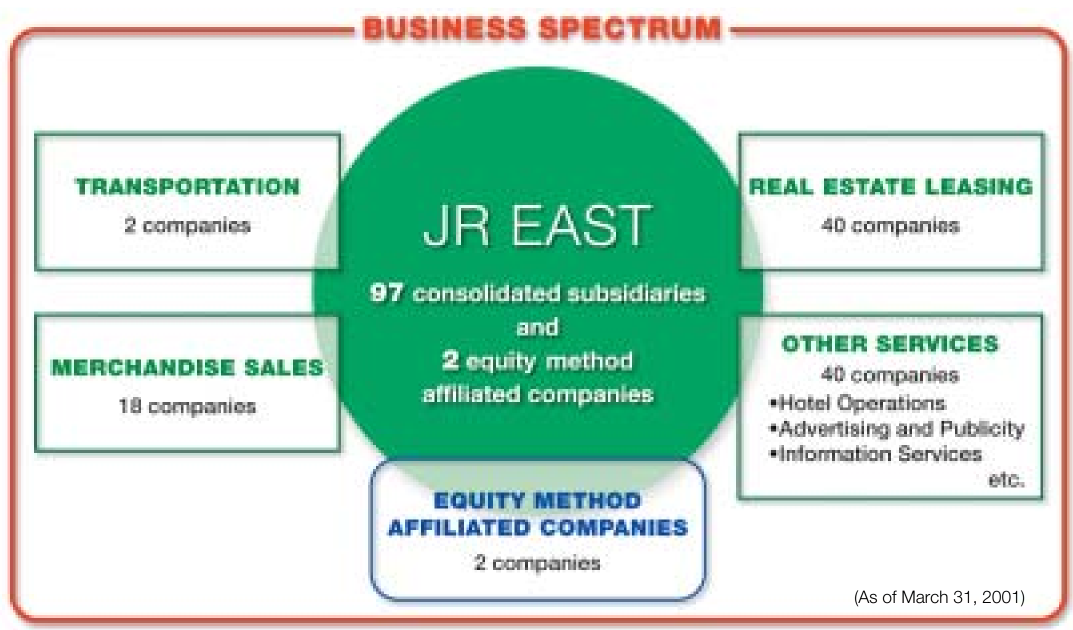
Forward Looking Statements

Statements contained in this report with respect to JR East Group's plans, strategies and beliefs that are not historical facts are forward looking statements about the future performance of JR East Group which are based on management's assumptions and beliefs in light of the information currently available to it. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause JR East Group's actual results, performance or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East Group's ability to successfully maintain or increase current passenger levels on its railway services, (ii) JR East Group's ability to improve the profitability of its railway and other operations, (iii) JR East Group's ability to expand its non-railway operations and (iv) general changes in economic conditions and laws, regulations and government policies in Japan.

PROFILE

East Japan Railway Company (JR East) is one of the seven railway companies created on April 1,1987 upon the division and privatization of the Japanese National Railways (JNR), and is the largest passenger railway company in Japan. JR East has a network of 7,538.1 kilometers covering the eastern half of Japan's main island, Honshu, including Tokyo, which is the center of Japan in all aspects, including politics, business and culture, and is one of the greatest economic powers in the world. JR East serves more than 16 million passengers daily.

Together with subsidiaries and affiliates, utilizing management resources such as stations, the Company is involved not only in railway operations, but also in life-style service businesses where synergy with railway operations can be effected. This includes merchandise sales, shopping centers, hotels and other activities. In this way JR East aims to become a "Trusted Life-Style Service Creating Group" that will make great strides in the 21st century, while remaining centered on its highly reliable railway services.



Notes: 1. The 97 consolidated subsidiaries and two equity method affiliated companies are classified by their principal business activities. There were 97 consolidated subsidiaries and four equity method affiliated companies in the prior fiscal year.
2. Some of these subsidiaries are listed more than once, as they are engaged in multiple business fields.
3. Please refer to "Consolidated Subsidiaries and Equity Method Affiliated Companies" on pages 58, 59 and 60 for additional information.
4. JR East Car Sales Corporation is included in consolidated subsidiaries as this company, which was dissolved in August 2000, is included only in the consolidated statements of income.

HISTORY OF JR EAST

April 1987	JR East was established upon the division and privatization of JNR.
October 1993	The Company's shares were listed on the First Section of the Tokyo Stock Exchange and other exchanges in Japan when the government-owned Japanese National Railways Settlement Corporation (JNRSC) sold 62.5% of the JR East shares that it held.
August 1999	The second public sale of shares held by the Japan Railway Construction Public Corporation (JRCC), a successor of JNRSC, was carried out. Following this sale, the agency holds 12.5% of JR East.
June 2001	The amendment law to exclude JR East, Central Japan Railway Company (JR Central) and West Japan Railway Company (JR West) from the application of the Law concerning Passenger Railway Companies and Japan Freight Railway Company (the JR Law) has been passed and issued. The enforcement of the amendment law is expected to take place within six months, and JR East will be excluded from the application of the JR Law as of this effective date. (The shares of JR East held by JRCC are expected to be sold after the amendment law takes effect, but the precise date has not yet been set.) (see page 27)

Consolidated Financial Highlights

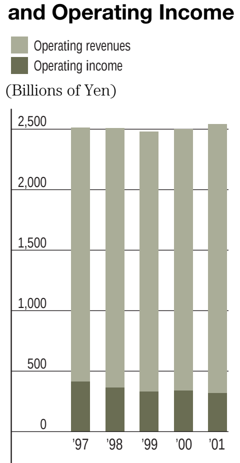
East Japan Railway Company and Subsidiaries
Years ended March 31, 1999, 2000 and 2001

	Millions of Yen (except for per share data)			Percent Change	Millions of U.S. Dollars (except for per share data)
	1999	2000	**2001**	2001/2000	**2001**
For the Year:					
Operating revenues	¥2,483,594	¥2,502,909	¥2,546,041	+1.7%	$20,869
Operating income	334,472	341,957	323,751	–5.3	2,654
Net income	21,929	66,963	69,174	+3.3	567
Depreciation	319,687	329,583	329,651	+0.0	2,702
Amount per share of common stock (yen and U. S. dollars) :					
Net income	5,482	16,741	17,294	+3.3	142
Net income and depreciation	85,404	99,137	99,706	+0.6	817
At Year-End:					
Total assets	¥7,287,033	¥7,308,391	¥7,247,089	–0.8%	$59,402
Long-term debt (including current portion)	2,320,246	2,319,664	2,307,483	–0.5	18,913
Long-term liabilities incurred for purchase of railway facilities* (including current portion)	2,610,966	2,499,023	2,392,241	–4.3	19,608
Total long-term debt	4,931,212	4,818,687	4,699,724	–2.5	38,521
Total shareholders' equity	766,880	856,401	923,568	+7.8	7,570

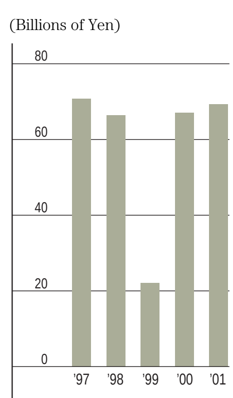
	Percent		
Net income as a percentage of revenues	0.9%	2.7%	2.7%
Return on average equity (ROE)	2.9	8.3	7.8
Ratio of operating income to average assets (ROA)	4.6	4.7	4.4
Equity ratio	10.5	11.7	12.7
Debt-to-equity ratio	846.9	750.4	681.5

Notes: 1. Yen figures have been translated to U.S. dollars at the rate of ¥122 to US$1 as of March 31, 2001, solely as a convenience to readers.
2. There were 81 consolidated subsidiaries in the year ended March 31, 1999 (fiscal 1999), 97 in fiscal 2000, and 97 in fiscal 2001.
3. Tax effect accounting was adopted beginning with fiscal 2000.
4. Accounting for retirement benefits was adopted beginning with fiscal 2001.
* Long-term liabilities incurred for purchase of the Tohoku and Joetsu Shinkansen facilities and the Akita hybrid Shinkansen facilities

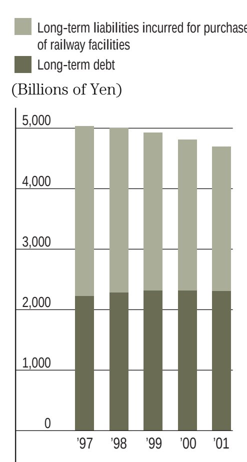
Operating Revenues and Operating Income



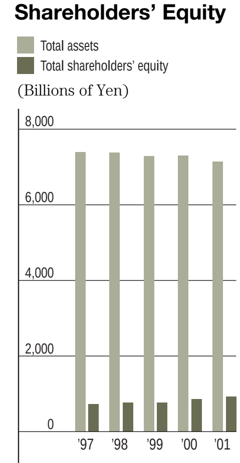
Net Income



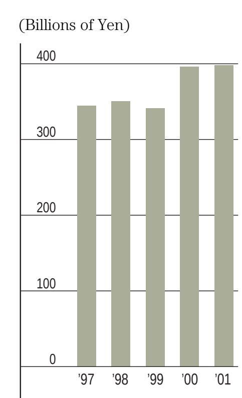
Total Long-Term Debt



Total Assets and Total Shareholders' Equity

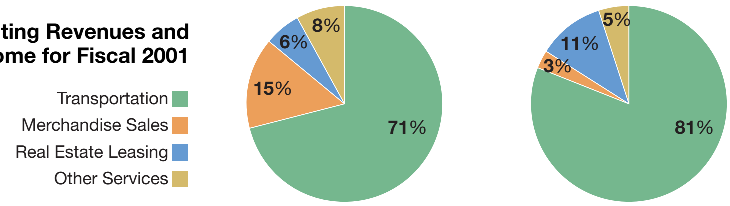


Net Income and Depreciation



Consolidated Business Overview

Consolidated Operating Revenues and Operating Income for Fiscal 2001

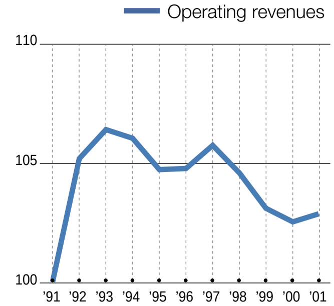


Consolidated Operating Revenues | **Consolidated Operating Income**

Note: Elimination of intersegment transaction is not considered.

TRANSPORTATION

Business Results (1991=100)



JR East's 7,538.1-kilometer rail network covers the eastern half of Honshu, including the Tokyo metropolitan area. The Company operates a transport business whose mainstay is passenger transport by railway through the use of this very profitable network. In the year ended March 31, 2001 (fiscal 2001), transportation operating revenues were ¥1,805.7 billion ($14,801 million). Major components of the transportation segment are as follows:

Shinkansen (Bullet Train) Network
High-speed train services linking Tokyo with major cities

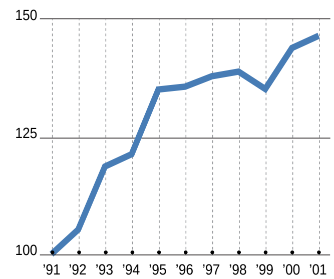
Tokyo Metropolitan Area Network
Trains serving the Tokyo area, the largest market in Japan

Intercity and Regional Networks
Intercity transportation other than the Shinkansen and regional transportation outside of the Tokyo metropolitan area network

Travel Agency Services
View Plaza (travel agency at station) and other outlets selling travel products

Bus Services
Bus services conducted in addition to railway operations

MERCHANDISE SALES



More than 16 million passengers embark at JR East's stations every day. Merchandise sales offer retailing and restaurant services to these customers through outlets at the stations and sales inside the trains. Merchandise sales revenues were ¥386.0 billion ($3,164 million) for fiscal 2001. Major components of the merchandise sales segment are as follows:

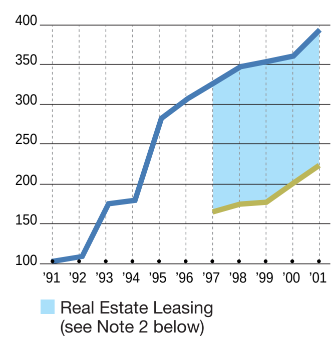
Retailing
Retailing activities such as Kiosk outlets and convenience stores, both at stations, and sales of food, drinks and other goods on trains

Restaurants
Fast food stores and a variety of restaurants operated mainly at or near stations

REAL ESTATE LEASING

Real estate leasing activities include shopping centers, office buildings and so forth and are carried out at stations used by an enormous number of customers. The real estate leasing revenues were ¥152.4 billion ($1,249 million) for fiscal 2001.

OTHER SERVICES



JR East holds a large volume of assets with much potential for future development. Among these are stations and land near stations, particularly in the Tokyo area. The utilization of these assets is mutually beneficial for activities in the other services segment and for railway operations. For fiscal 2001, the other services revenues amounted to ¥201.9 billion ($1,655 million). Major components of this segment are as follows:

Hotel Operations
Chain hotel businesses carried out: *Metropolitan Hotels* and *Hotel Mets*, etc., operated as part of *JR East Hotel Chain*

Advertising and Publicity
Advertising in stations and inside trains and publicity

Card Business
The *View Card*, a credit card that is honored at stations, stores at stations, hotels and shopping centers and at VISA card member merchants

Housing Development and Sales
Primarily the development and sales of housing sites, houses and condominiums at locations along JR East's rail lines

Information Services
Information processing development, operations and support for Internet businesses and related activities

Others
Construction, cleaning services, car rentals and other businesses

Notes: 1. Segment information is only available from fiscal 1991, onwards.
2. Segment information of real estate leasing is only available from fiscal 1997, onwards.
3. There were seven consolidated subsidiaries in fiscal 1991 and 1992, 12 in 1993 and 1994, 69 in 1995, 72 in 1996, 73 in 1997, 80 in 1998, 81 in 1999 and 97 in 2000 and 2001, respectively.

The year ended March 31, 2001 (fiscal 2001) was a new start for JR East. With new faces in the top management team including the President, JR East took some initial steps in line with the start of the new century by announcing "*New Frontier 21,*" the first medium-term plan after the stock listing.

Fiscal 2001 Results

During fiscal 2001, JR East worked to establish a sound and stable management base by improving management efficiency through cost cuts and steps to bolster financial position, while making efforts to generate higher revenues amid a difficult business environment. As a result, operating revenues increased 1.7% to ¥2,546.0 billion ($20,869 million), while operating income decreased 5.3% to ¥323.8 billion ($2,654 million) due to the introduction of the accounting standard for retirement benefits. However, net income increased 3.3% to ¥69.2 billion ($567 million) as a result of a decrease of interest payment due to the reduction of total long-term debt.

By segment, in transportation, operating revenues increased 0.5% to ¥1,873.7 billion ($15,358 million), supported by an increase in non-commuter pass revenues. However, operating expenses increased due to the introduction of the retirement benefits accounting. As a result, operating income decreased 10.5% to ¥264.0 billion ($2,164 million). In merchandise sales, operating revenues and operating income increased 0.2% to ¥449.0 billion ($3,681 million) and 55.3% to ¥9.0 billion ($74 million), respectively, because of further implementation of *Sunflower Plan* which aims to make efficient use of space at or around stations and because of opening stores in association with companies outside the Group. In real estate leasing, operating revenues and operating income rose 5.4% to ¥163.6 billion ($1,341 million) and 8.9% to ¥35.4 billion ($291 million), respectively, by launching shopping centers closely related to daily living and inviting leading tenants. In other services, operating revenues and operating income rose 9.3% to ¥371.2 billion ($3,042 million) and 67.1% to ¥16.0 billion ($131 million), respectively, due to the favorable results of the housing development and sales and the advertising businesses.

Medium-term Business Plan

JR East created a medium-term business plan called "*New Frontier 21*" to be implemented for the period from fiscal 2002 to fiscal 2006, which was announced in November 2000. In this plan the JR East Group clearly presented its vision of the Companies as a "Trusted Life-Style Service Creating Group," that is, a group creating reliable life-style services worthy of trust by customers through corporate activities that are open to the world.

JR East will strengthen the Company's brand image—"Trust"—through the provision of higher quality services and the continuous pursuit of safe and stable transport, using the keywords, "thorough customer orientation." Furthermore, JR East will also carry on with *Station Renaissance* to make full use of the Company's largest management resource, its stations. JR East intends to implement 100% of the potential of its stations, which serve 16 million passengers per day, and show the Group's comprehensive power using its stations as its field of action.

On the operational front, management resources will be concentrated in the areas in which we have competitive advantage and the tie-up with companies outside the Group will be promoted. JR East also will withdraw from unprofitable businesses by taking drastic measures. JR East has opened new stores in alliance with *UNIQLO* and *MUJI* within the stations, while a quick decision of withdrawal was made on unprofitable businesses such as the automobile sales business. JR East will actively continue to take the direction, "selec-

Masatake Matsuda Chairman **Mutsutake Otsuka** President and CEO

tion and concentration" in order to carry out more efficient and effective operations.

By implementing these measures, the following five numerical goals have been adopted as the targets that have to be achieved by the year ending March 31, 2006 in "*New Frontier 21*." The first objective is to aim for consolidated free cash flows of ¥180 billion. The second objective is to improve the consolidated ROE (the ratio of net income to shareholders' equity) to 10.0%. The third objective is to increase the consolidated ROA (the ratio of operating income to total assets) to 5.5%. The other two objectives include the reduction of total long-term debt, which the Company has been tackling as a major management priority, by ¥500 billion on a nonconsolidated basis, and reduction of 10,000 in the number of employees on a nonconsolidated basis.

Full Privatization

In June 2001, the amendment law was legislated to exclude the three JR companies in Honshu from being subject to the JR Law. This is expected to be enforced by the end of 2001. Following the enforcement of this amendment law, the degree of freedom of management will be substantially enhanced, such as more flexible fund raising and asset disposal. While fully understanding that even more independent management will become necessary, JR East will implement steadily and surely the medium-term business plan, and will further strengthen its management base to meet the expectations of shareholders and investors.

Disposal of 500,000 shares of JR East still held by the government is expected to take place after the amendment law takes place in consideration of the equity market condition, but the fixed timing is not yet known.

The outlook on the Japanese economy remains uncertain at present but JR East will try to fulfill the entrustment of the shareholders and investors by the achievement of full privatization, which is now near at hand, and by realizing the various targets listed in "*New Frontier 21*." As in the past, we respectfully ask for your support and cooperation for the management team of JR East.

July 2001

Masatake Matsuda
Chairman

Mutsutake Otsuka
President and CEO

Mutsutake Otsuka, President and CEO, explains about the medium-term business plan, *"New Frontier 21,"* which actualizes JR East's running leap into the 21st century.

Last November JR East announced *"New Frontier 21."* What messages did you seek to convey in this new medium-term business plan?

On my appointment as President in June 2000, I initially identified two goals. The first was to achieve full privatization as quickly as possible. The other was to establish a clear direction and goals for JR East as a corporate group in this new age, with its emphasis on consolidated results. Last summer, executives gathered at a hotel in Tokyo and debated the future of JR East from morning until night. The results of that intense process were reflected in our new medium-term business plan, *"New Frontier 21,"* which we completed at the end of November 2000. The plan was announced on the eve of the 21st century. Its purpose is to set a clear direction for JR East Group in the opening five years of the new century, so that the entire Group can unite and advance together.

The most important aspect of the overall *"New Frontier 21"* process is the total commitment to customers' needs. In the 21st century, markets are led by consumers, and today's consumers judge products and services according to extremely demanding criteria. Unless we are fully committed to customer needs, customers will not choose our services, and we will be unable to increase our earnings. As I often say, when one is unable to decide whether or not to take a particular course of action, one should consider whether or not that action will improve customer convenience. The answer then becomes quite simple. By focusing consistently on customer convenience, we can also enhance shareholders' value.

If we want customers to choose our services, then we also need to focus on our brand image as a corporate group. Since our core activity is railway operations, our brand image is perhaps based primarily on qualities like "steady," "trustworthy" and "reliable." Our brand image is in need of a thorough update. We will develop a progressive and high quality brand image featuring "comfort" and "excitement."

Another priority for us is to develop the Group as a whole. In the past we have focused mainly on the activities of the parent company, but we should also turn our attention to the overall development of the JR East Group. One aim of the medium-term plan is to build awareness of group management among senior executives of the Company and Group companies. Whenever I have had the opportunity, I have discussed this aspect in depth with other senior executives of Group companies. There has also been discussion between the parent company and Group companies at each level of management. *"New Frontier 21"* is distinguished by the clear goals it sets for the entire JR East Group, based on discussions that also involved Group companies.

This is the first time that JR East has published medium-term numerical goals. Please tell us your perspectives in detail.

I believe that plans without numerical goals are meaningless. Unless the goals that we provide are concrete, how can we expect people to work energetically toward them? The business environment today is clouded in uncertainty, and we have moved from the era of continuous growth into a deflationary environment. We included five numerical goals for the year ended March 31, 2006 in *"New Frontier 21"* because we saw a need for clearly defined goals toward which we can all strive.

Our first goal relates to consolidated free cash flows. We see free cash flows as an indicator of true corporate strength. We have made a management commitment to invest extensively in safety-related facilities and equipment, and we intend to achieve our free cash flow goal while maintaining the necessary level of investment.

We selected our second goal indicator, consolidated return on equity (ROE), to signify our commitment to shareholder-focused management. Our equity ratio is still low, and we need to increase it, but increases in equity have a negative effect on ROE. We therefore need to achieve increases in net income in excess of any increases in shareholders' equity.

Our third goal is based on consolidated return on assets (ROA), an indicator of productivity of assets. ROA was chosen because we are using the substantial assets on which our various business activities are based. ROA can be enhanced by disposing of surplus assets and ensuring that all assets are used more effectively.

We have substantial debt. We therefore made the reduction of a substantial amount of debt our fourth goal. We are also determined to achieve continuous improvement in our productivity. That is why we have set the fifth goal calling for a substantial reduction in our work force.

"New Frontier 21" also includes business strategies designed to turn the vision into reality. We also produced specific action programs for each area of activity and Group company. We will monitor progress under these programs closely each year.

I have a clear view of how JR East will evolve in the 21st century upon accomplishment of the five-year plan. That is why I am determined to reach or exceed the numerical goals of this plan as soon as possible.

What specific measures do you plan in order to strengthen group management?

First, as the parent company, we need to provide each Group company with a mission that we expect it to accomplish. We then need to set specific goals for profit and other indicators in consultation with Group companies. Group companies will then be evaluated according to the extent to which they reach those goals. This evaluation will be reflected to reward for the management of those companies. In setting goals for each company, we will take into account that company's area of activity, business format,

Consolidated	Fiscal 2006
Free Cash Flows	¥180.0 billion
ROE (Return on average equity)	10.0%
ROA (Ratio of operating income to average assets)	5.5%
Nonconsolidated	Five years until fiscal 2006
Total Long-Term Debt	Reduction of ¥500.0 billion
Number of Employees	Reduction of 10,000

Free cash flows are the net of Operating Cash Flows and Investing Cash Flows.

Aiming to Enhance Shareholder Value

“New Frontier 21” is distinguished by the clear goals it sets for the entire JR East Group, based on discussions that also involved Group companies. We provide each Group company with a mission that we expect it to accomplish.

region and mission. The goals used and the specific levels set will be optimized according to the specific circumstances of each company. Some companies will have free cash flow goals, while ROA will be an important indicator for companies that use substantial assets in their activities. In the retail sector, some companies use a competitor’s profit ratio as their goals. This approach will help to motivate the Group, since there will be complete disclosure of each company’s goals and its success in attaining those goals, and everyone will be aware of the implications for their reward.

At the same time, we will work to rejuvenate the boards of directors of Group companies. This process began last year and will be taken further in the current year. Our aim is to accelerate the generational change so that we can develop our various business activities from a youthful perspective.

We will also examine the business activities and management methods of each Group company and carefully consider their potential for the future. If necessary, companies will be restructured, or we will withdraw from areas of activity. In October 2001 we will integrate convenience store business which is currently covered by several Group companies. We have established the Chain Headquarters in the head office of JR East to manage our hotel business. The Chain Headquarters is responsible for chain operations and brand management, and also supports joint advertising and procurement. We are also giving specific thought to the restructuring and integration of our shopping centers.

We are also moving out of some areas of activity. Last year we liquidated a company that sold automobiles. We also plan to liquidate a company that operates a resort hotel and ski field in the Tohoku region. We will withdraw from unprofitable areas as quickly as possible so that the wounds do not become deeper than necessary.

What will be your approach to the information society and information technology?

We have established IT business project within the Company so that we can study a variety of potential business activities. One idea that has already been put into effect is IC card *Suica*. We are developing commuter passes based on IC cards, which can incorporate prepaid card function. The results of monitor testing were extremely encouraging, and we plan to introduce the system by the end of this year. There are four million commuter pass holders in Tokyo metropolitan area, and we expect that most of these people will switch to *Suica*. In the year ending March 31, 2003, we will combine our credit card, *View Card*, and *Suica*.

We are also carrying out specific research concerning the future of *Suica*. For example, we could add an electronic money function to *Suica*, and we could link *Suica* to mobile phones so that customers can book and pay for reserved seats or receive ticket inspection without human intervention. We also want to talk with major private railway companies and other JR companies about possible partnerships, since it would be extremely convenient for passengers if they could ride on various transportation systems using the same IC card. Regarding security, that is, in fact, a selling point of IC cards. They are very superior to the magnetic cards used today, but we cannot predict what threats may appear in the future, so we will do our best to always provide safe transactions. I believe that *Suica* will be our “trump card” as we work to develop a variety of business activities in the future.

In April 2001 we launched the *eki-net Travel* website in partnership with Japan Airlines Co., Ltd. and JTB Corp.. This integrated travel site offers exten-

Strengthening Group Management

New Frontier 21

Medium-Term Business Plan of JR East Group

The "*New Frontier 21*" Medium-Term Business Plan

JR East recently announced a medium-term business plan called "*New Frontier 21,*" which will cover the five-year period extending from April 2001 through March 2006. The plan targets a critical point in the JR East Group's development, setting forth a vision and a concrete action plan as the Group enters a new century and stands on the verge of full private-sector ownership. All actions are aimed at withstanding the dramatic changes that are foreseen in the Group's highly competitive operating environment.

Group Vision

In this medium-term business plan, our vision is to become a "Trusted Life-Style Service Creating Group." As we stand at the beginning of the 21st century, we will strengthen our management base and push ahead with reforms to realize this vision. In particular, we will steer our operations to meet the following five criteria:

I. Creating Customer Value and Pursuing Customer Satisfaction

(Building a corporate group for providing customers with "trust," "comfort" and "excitement.")
The starting point for the development of the JR East Group is our customers. Based on this awareness, we will commit ourselves thoroughly to a customer orientation, unite the creation of new customer value and seek to gain a higher level of appreciation from our customers.

II. Innovation of Business through the Creation of Technologies

(Building a corporate group for the integration of advanced technologies.)
The JR East Group will integrate advanced technologies in order to create new added value and thereby refine our railway businesses. Our goal shall be to become the "World's Number One Railway" in terms of safety, convenience, promotion of advanced technologies, comfort and efficiency.

III. Harmony with Society and Coexistence with the Environment

(Building a corporate group which harmonizes with society and gains the respect of the global community.)
While pursuing social missions such as coping with global environmental problems and the rapid aging of society, we will also maintain a fair stance towards global competition. We will enhance management transparency and go forward as a corporate group open to the world.

IV. Creating Motivation and Vitality

(Building a corporate group offering a working motivation and a sense of accomplishment through a free and liberal approach to work.)

V. Raising Shareholder Values

(Building a corporate group meeting shareholder expectations through the improvement of consolidated performance.)
We have set our numerical goals as follows.

Consolidated	Fiscal 2006
Free Cash Flows	¥180.0 billion
ROE (Return on average equity)	10.0%
ROA (Ratio of operating income to average assets)	5.5%
Nonconsolidated	Five years until fiscal 2006
Total Long-Term Debt	Reduction of ¥500.0 billion
Number of Employees	Reduction of 10,000

Strategies to Transform the Vision into Reality

We have formulated a number of business strategies for the purpose of fulfilling our "*New Frontier 21*" vision. First is our *Station Renaissance*, which aims to achieve the best possible allocation of group business activities at railway stations, our greatest asset. Naturally, this requires that we conduct an exhaustive review of the layout of station facilities to open up new space for business activities. Another element of our *Station Renaissance* is large-scale developments at main stations in the Tokyo metropolitan area.

Another strategy is to utilize IT and other new technologies. One example is the creation of a new railway operating system by drawing on a broad range of IT resources. The system will improve the safety and accuracy of our railway operations. Another is the creation of business models that give us a substantial advantage over competitors making the most of our infrastructure, which is ideally suited for IT-oriented businesses. As a central part of this drive, we will use our IC card, *Suica,* which will be introduced in 2001, to offer cashless and ticketless transportation services. Many other new businesses are on the drawing board.

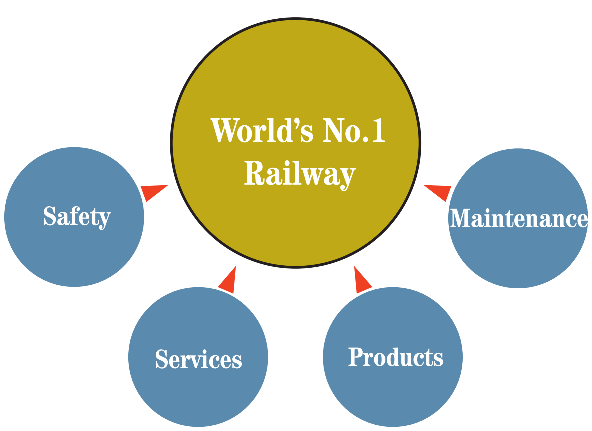
In railway operations, we will concentrate on making more gains in safety and service quality and on improving our operating system, such as by strengthening our service network. In life-style service businesses, we will focus our resources on businesses where we can achieve synergies with our railway operations and where we have competitive superiority. Strategic alliances with partners outside the JR East Group and the realignment of Group companies will be central to this drive.

sive information about not only rail travel products but also a wide range of other travel products. Users can also reserve tickets for the six JR companies or travel products. The site has made a very successful start and already has over 60,000 members. It handles 500 to 600 booking applications daily. We aim to increase membership to one million and annual sales to ¥10 billion over the next three years.

What is your specific approach to the development of the rail business as your base of management?

The railway operations will inevitably remain the core activity of the JR East Group. We believe that the best way to develop our life-style service businesses is to seek synergies with our railway operations. This will require further enhancement of our railway business. We are encouraged when people tell us that our railway services are already the best in the world. However, we are determined to be "World's Number One Railway" in a comprehensive sense, including the hardware and software factors behind such characteristics as passenger comfort, efficiency, leading-edge technology and safety. That is why I say that JR East aims to become the best railway in the world. We have coined the word *e@train* to symbolize the overall system that we aim to build through the intensive application of information technology to our rail operations. We are currently developing a prototype train which will have a LAN throughout each car—armed with IT, so to speak.

Our business strategy calls for marketing based on clearly focused customer targeting, and for the provision of products from the consumer's perspective. We have already developed products targeted toward young working women and products targeted toward housewives who are beyond the child care stage, both of which exceeded our expectations. We are also developing marketing strategies that reflect the growing aged population. The six JR companies jointly operate the *Zipangu Club*, a membership system for senior citizens. Benefits include 20-30% discounts on fares and charges. We aim to increase the number of members in our area from 640,000 at present to one million in the year ending March 31, 2006. We have adopted the name *Otona no Kyujitsu (Holidays for grown-ups)* for package products targeted toward senior citizens, and we are working with various partner companies to enhance the attractiveness of these products. We cannot attract customers simply by keeping prices low. Our approach is to combine our products with accommodation and other products to create an image of high quality with reasonable price. Our products are priced flexibly to encourage customers to travel when trains are not crowded, such as early mornings or in the off-season.



What specific views do you have regarding the development of non-railway businesses as the key to future growth?

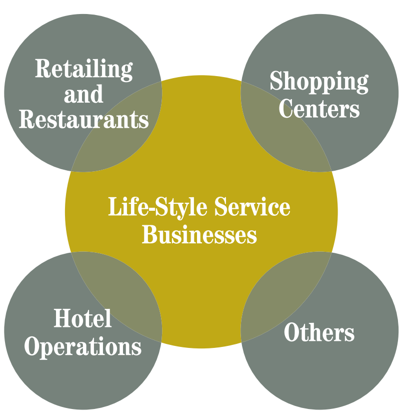
Our most important business resource is our stations, which are used by 16 million people every day. We will totally review our stations and work to create station environments that will attract not only people who use trains, but also those in search of fun or interest. This campaign is already in progress under the name *Station Renaissance*. In the past station development projects focused on the utilization of surplus space. We have changed our basic approach. Future reviews of station development will focus on optimal utilization of stations as a whole. If necessary, we will invest in new facilities. One example of such a project is the attractive station shopping zone that will be completed at Ueno station this year. The sales target for the shopping zone is ¥10 billion per annum. We are also constructing large office buildings at Meguro and Shinagawa. In addition, we are seriously considering redevelopment projects for Tokyo and Shinjuku stations. We are steadily developing life-style service businesses around our railway operations. By the year ended March 31, 2006 we aim to be earning at least one-third of our consolidated operating revenues from these activities.

How do you plan to reduce your massive long-term debt?

The reduction of total long-term debt has been a major priority for JR East ever since its establishment. That is why we have a management policy of keeping capital expenditures within the level of depreciation. We will continue to invest in essential facilities, but we intend to maintain our basic policy of limiting capital expenditures within the level of depreciation through focusing and prioritization. One of the goals in *"New Frontier 21"* is the reduction of nonconsolidated total long-term debt by ¥500 billion. We will work to achieve or surpass this goal.

How do you view full privatization?

After becoming President and CEO last year, I visited many involved persons, including Diet members, to ask for full privatization as soon as possible. I felt a great sense of relief and satisfaction when the JR Law Amendment Bill was passed in June 2001. It took more than 14 years from the establishment of JR East to the passage of the bill. That was a long time. I felt a sense of gratitude to all those who worked toward this goal during that period. When the new law takes effect, which will be within six months from the issuance of the amendment law, JR East will be exempted from the JR Law.



Full privatization has given momentum to *"New Frontier 21."* We expect to contribute to shareholders, investors and customers with a flexible and active management.

The JR Law stipulates a variety of approval requirements, and we must ask the Minister of Land, Infrastructure and Transport for such approvals on our behalf. In some cases, the Minister of Land, Infrastructure and Transport must consult with the Minister of Finance. These procedures are by their content inevitably complex and time-consuming. This problem has not been a specific impediment to our business activities, because we have managed the Company to avoid such problems. However, the approval requirement has meant that we could not manage our activities with the same flexibility as other private-sector companies.

Once we are exempted from the JR Law, the required legal framework will be in place. However, the government still holds 12.5% of our shares, which amounts to 500,000 out of a total of 4 millions shares. This is clearly not a natural situation for a private-sector company. The government announced that it would sell JR East's shares after the effective date of the amendment law, in consideration of the stock market conditions. When the government completes the sale of all shares, the full privatization will have been realized, both in name and reality. We will therefore continue to work toward the eventual release of all shares held by the government.

The amendment law will clearly exempt us from the JR Law by the end of 2001. We will take advantage of this change to add increased impetus to our efforts under *"New Frontier 21."* We will be able to manage our activities with greater speed and flexibility, and I am confident that all of shareholders, investors and customers will benefit from this change.

Speedy and Flexible Management

TRANSPORTATION

SHINKANSEN BULLET TRAIN NETWORK

- JR East will further strengthen its five-route Shinkansen network: the Tohoku, Joetsu and Nagano Shinkansen lines and the Yamagata and Akita hybrid Shinkansen lines. Steps to make the Shinkansen network more competitive in relation to air and automobile travel include enhancing the convenience of railways by increasing the number of high-speed rolling stock to shorten average travel times and by promoting "park & ride" parking facilities.
- The number of Shinkansen commuters continues to grow. JR East is operating more all-double-decker trains, which have more seats, during commuting hours to further improve services for passengers.
- With regard to Seibi Shinkansen lines, a national project, JR East pays usage fees to the owner, Japan Railway Construction Public Corporation. These fees are computed to be within the scope of the corresponding benefits. Three sectors of this project are currently under construction within JR East's service area (see page 29).

TOKYO METROPOLITAN AREA NETWORK

- The densely populated Tokyo metropolitan area generates an immense volume of demand for rail transportation services. Among the many actions taken to improve services in this market are more frequent departures, longer trains, more guaranteed-seat *Commuter Liners* and setting up new operational routes. JR East plans to continue concentrating on taking steps to improve the service level.
- JR East has never raised fares except to reflect the introduction and revision of the consumption tax. By continuing to avoid fare increases, JR East will further enhance price competitiveness in relation to other major private railways and subways.
- JR East will take steps to increase the efficiency of business by enhancing the replacement of rolling stock and roadbeds with equipment that requires little or no maintenance and will continue to provide further stability of transportation by improving the operational control system.
- JR East is preparing to introduce a new automatic fare collecting system using a new type of IC card, *Suica*, at the end of 2001. In addition to using these cards to improve services for passengers and cut costs, JR East will explore opportunities for new types of businesses.

INTERCITY AND REGIONAL NETWORKS

- JR East has concentrated on actions to shorten travel times between major cities in its service area by improving access to Shinkansen and enhancing high-speed networks. By introducing new types of rolling stock for limited express trains, the Company plans to continue raising speeds and comfort levels.
- On the regional network, JR East is boosting efficiency through operational improvement and by systematization.

TRAVEL AGENCY SERVICES

- To best meet customers' needs, JR East carries out detailed product planning based on clear segmentation of customers by age group and travel destinations, and creates products which emphasize the pleasure of rail travel and the attractiveness of travel destinations.
- JR East has an integrated travel site, *eki-net Travel,* in association with an airline company and a travel agency. This site offers travel services, from information collection to booking all on one site, and this has increased the convenience for customers and created new demand.

MERCHANDISE SALES

RETAILING AND RESTAURANTS

- To maximize the commercial potential of stations, JR East intends to implement *Cosmos Plan*, which mainly targets terminal stations with daily passengers in excess of 200,000, and *Sunflower Plan*, which mainly targets stations serving passengers in excess of 30,000 per day.
- Businesses will be conducted with partners outside the JR East Group to improve profitability.
- In the growing field of Internet businesses, *eki-net* electronic mall services will be upgraded. In addition, JR East will launch activities that draw on its strengths. *JC* convenience stores and *Mini-convenience stores* will be the primary bases for these new businesses.

REAL ESTATE LEASING

SHOPPING CENTERS (Leasing space to tenants)

- Prominent tenants will be added and retailing formats will be shifted to match changes in customers' preferences and the distinctive characteristics of each location.
- In addition to major developments at terminal stations, smaller shopping centers that mainly sell groceries, household goods and other items closely tied to daily activities are being constructed at busy suburban stations.
- JR East will develop several types of businesses in shopping centers at stations, taking into consideration the character of the customers and the commercial regions and will promote low-cost operations, centered on major Group companies which we position as flagship companies.

OTHER SERVICES

HOTEL OPERATIONS

- JR East operates the *JR East Hotel Chain*, which mainly consists of *Metropolitan Hotels*, full-service hotels located in city centers, and *HOTEL METS*, small-scale urban hotels, and carries out its hotel business by utilizing JR East's network, which enables a unified sales promotion and operational cost reduction.
- JR East will promote development of more *HOTEL METS*, the investment return of which comes early and advance construction of *Hotel Edmont annex*.

ADVERTISING AND PUBLICITY

- Advertising businesses make the most of highly visible spaces in stations and inside trains, locations that are ideal for advertisements. Existing advertising formats are being reviewed and new media developed.

CARD BUSINESS

- As of July 2001, the number of JR East's *View Card* customers on the basis of applications received exceeded 2 million. In April 2000, all *View Cards* gained a VISA function, and the number of cardholders continues to grow steadily. The customer database will be used to bolster sales capabilities of the entire JR East Group.
- In the year ending March 31, 2003, JR East will strengthen its card capabilities by combining the functions of the *View Card* with its IC card, *Suica*.

HOUSING DEVELOPMENT AND SALES

- Housing development and sales are operated at locations along JR East's rail lines and closely tied to rail operations. An effective use of JR East's own land, including company employee housing sites which became redundant by the increasing number of employee retirements, will be promoted.

INFORMATION SERVICES

- The Cash Management System (CMS) will contribute to efficient funding and a reduction in interest-bearing debt.
- JR East is working on the development and operation of even more reliable data processing systems and the development of new businesses using the Internet.

Transportation

Shinkansen Bullet Train Network

OVERVIEW

JR East operates a five-route Shinkansen network, comprising the Tohoku, Joetsu and Nagano Shinkansen lines and the Yamagata and Akita hybrid Shinkansen lines, with through service to conventional lines (see map).

The 535.3-kilometer Tohoku Shinkansen runs between Tokyo and Morioka. The fastest train on this line covers the distance in 2 hours and 21 minutes. The 303.6-kilometer Joetsu Shinkansen links Omiya and Niigata. Minimum time between Tokyo and Niigata (333.9 kilometers) is 1 hour and 37 minutes. The 117.4-kilometer Nagano Shinkansen extends from Takasaki to Nagano. This service cuts travel time between Tokyo and Nagano to 1 hour and 19 minutes. Yamagata hybrid Shinkansen (through service to conventional lines) covers 421.4 kilometers between Tokyo and Shinjo, and its shortest travel time is 3 hours and 7 minutes. Akita hybrid Shinkansen (through service to conventional lines) covers 662.6 kilometers between Tokyo and Akita, and its shortest travel time is 3 hours and 49 minutes.

JR East tries to make its Shinkansen lines as appealing and accessible as possible to a broad range of passengers. Higher speeds, through service to conventional lines and added capacity within a radius of about 100 kilometers of Tokyo are notable areas of progress.

Revenues from the widened conventional line sectors of hybrid Shinkansen services are credited to intercity and regional networks.

JR East's five-route Shinkansen network

The improved type E2 series trains to be introduced on Tohoku Shinkansen
The operation of Shinkansen is very accurate for the total 88,000 kilometers travelled by 304 trains per day in JR East's operational areas. The average delay per train since the inception of JR East more than 14 years ago is about 0.5 minutes. The maximum speed is 275 kilometers per hour on the fastest train.

OPERATIONAL HIGHLIGHTS

Passenger Number on Yamagata Hybrid Shinkansen Grows

In December 1999, the conventional line sector of the Yamagata hybrid Shinkansen was extended beyond Yamagata to Shinjo, a distance of 61.5 kilometers, and through service between Tokyo and Shinjo began. The average travel time between Tokyo and Shinjo is now 3 hours and 25 minutes, a reduction of roughly 30 minutes. Interest-free loans from an organization backed by local public-sector entities provided all of the funding for the construction costs between Yamagata and Shinjo. In addition, local governments provided large-scale free parking areas ("park & ride" parking facilities) holding a total of about 2,800 cars at five stations. Making this service even more attractive, JR East conducted effective marketing campaigns and offered a variety of promotional tickets. As a result, passengers on the Yamagata-Shinjo sector increased 90% during the new service's first year, compared to the same period prior to the start of this new service.

Providing More Seats

The number of Shinkansen commuters has grown steadily. Since JR East's inception in 1987, Shinkansen commuter-pass revenues have increased by approximately 13 times. To serve the rising number of Shinkansen commuters, JR East has been implementing gradually the introduction of *Max* all-double-decker E4 series trains after the timetable revision in December 2000. Because of this, the number of seats increased during the morning commuting hours by about 150 seats per day on Tohoku Shinkansen and about 460 seats per day on Joetsu Shinkansen, respectively.

Tohoku Shinkansen to be Extended to Hachinohe

JR East is preparing for the extension of Tohoku Shinkansen by 96.6 kilometers between Morioka and Hachinohe with an expected launch at the end of 2002. The travel time between Tokyo and Hachinohe will be shortened by approximately 40 minutes to about 3 hours because of the extension.

JR East will gradually introduce improved E2 series trains from the start of the operation in Hachinohe. Active suspension that restricts horizontal movement of trains will be introduced for this new type of train for the first time in the world on a commercial basis. This will improve the comfort level. LED displays in the trains will show information of the operation of trains by introducing information technology. In parallel with this, JR East plans to utilize information gathered from passengers entering through the automatic fare collecting gate, and provide more relaxation within the trains by simplifying ticket inspection inside the train.

The extended section is being constructed by Japan Railway Construction Public Corporation as part of Seibi Shinkansen lines. JR East has made an agreement with the government to pay usage fees corresponding to benefits arising from the start of operation in this section(see page 29). The precise amount of the usage fees will be decided by negotiation before the start of operation.

Shinjo station of Yamagata hybrid Shinkansen (Below, left)
Shinjo station, which was renovated when the extension between Yamagata and Shinjo was launched, has community space and is very popular among local people as a regional information distribution center and for communication.

***Max* all-double-decker Shinkansen E4 series train** (Below, right)
This 16-car, *Max* with 1,634 seats, boasts the largest capacity in the world for high-speed train services.

Tokyo Metropolitan Area Network

OVERVIEW

This network consists of 1,117.4 operating kilometers that link central Tokyo with surrounding areas. Most of these lines are within a radius of about 100 kilometers from Tokyo station. JR East claims nearly half of the Tokyo metropolitan area rail transportation market, which is both immense and profitable, in terms of both passenger-kilometers and operating revenues.

By increasing frequency, lengthening trains and taking other steps to use existing facilities effectively, JR East has boosted capacity with small capital outlays. The Company has never raised fares since its inception, except to reflect the introduction and revision of the consumption tax. Faced with sizable investments needed to boost capacity, most of the other major private railways have been compelled to raise fares repeatedly on most of their lines during the same period. Thus JR East's relative competitiveness has risen.

Upgrading commuter services is a primary objective in this sector. The Company is taking many steps to increase capacity and relieve congestion, as well as to raise train speeds and operate commuter trains, which provide guaranteed-seat service.

Morning rush hour in a Tokyo metropolitan area station
During peak times, some of JR East's Tokyo metropolitan area network trains run at 120-second intervals.

OPERATIONAL HIGHLIGHTS

Yamanote Line, Keystone of Tokyo's Commuter Network

With a population of about 33 million, the Tokyo metropolitan area generates enormous demand for railway transportation, particularly among commuters. JR East lines extend outward from the Tokyo area in five directions, serving huge numbers of commuters from the suburbs of Tokyo. Every day, over 2.5 million passengers change from suburban commuter trains to Yamanote line encircling central Tokyo.

Increasing High-Tech Trains in the Tokyo Metropolitan Area

Between March 2000 and July 2001, JR East introduced 655 cars of the E231 series commuter trains in the Tokyo metropolitan area. All cars on these trains are computer-controlled. Interior temperatures are automatically adjusted according to outdoor conditions and the number of passengers. This control system also smoothes acceleration and deceleration.

Among other improvements to passenger services is a reduction of passenger conjestion by introducing wide-body cars and easing wheel chair access by minimizing the height difference between cars and platforms. Further, each piece of equipment of the trains is connected to a network, and information from the equipment is shown on the driver's control panel. This has made a substantial improvement in efficiency by halving the previous time of 30 minutes needed for rolling stock inspection before the start of operation. Energy consumed for operation and the maintenance cost for E231 series trains are 47% and 50%, respectively, compared with 103 series trains, and the price of new rolling stock is 30% lower compared to 209 series trains.

New automatic fare collecting system using IC cards
The new IC card fare collecting system has enabled the ticketless and cashless use of the railways.

New operational routes
Through service with Rinkaifukutoshin line
Omiya and Yokohama directions via Shinjuku

E231 series commuter trains
In 852 cars of a new type, which are expected to be introduced on Joban line and Yamanote line, information relating to transport operations will be provided on LCD or LED panels inside the trains.

Preparing to Introduce Automatic Fare Collecting System Using IC Cards

JR East is currently working toward the end of 2001 for introduction of a new automatic fare collecting system using a contactless IC card, *Suica*, (*Super Urban Intelligent Card)* (see page 23). This system enables smooth passage through the gate merely by touching the automatic fare collecting machine lightly with *Suica*, and it will settle fare payment automatically by unifying commuter pass and prepaid card functions. Passengers are therefore able to go through smoothly, without tickets or additional cash for ticket purchase.

For JR East, the IC card system means improvements in station operations and lower expenses. JR East will also shift the sales of commuter passes and long-distance tickets from counters to vending machines by promoting the preparation of easy-to-use equipment for passengers.

New Operational Routes Open

JR East will open new operational routes in order to cope with competition from the subway network and major private railways in the Tokyo metropolitan area where improvements have been made. A through train service linking Omiya and Yokohama directions via Shinjuku will start in the end of 2001 for daytime service and in 2004 for all day service. Mutual through train service on Saikyo line and Rinkaifukutoshin line will start full service in the end of 2002. No major capital investment will be required because existing facilities can be used for both. JR East intends to improve transport service and create new demand to increase the convenience of passengers for a small investment (see map).

Intercity and Regional Networks

OVERVIEW

Made up of 5,464.4 operating kilometers, intercity and regional networks represent over 70% of JR East's total network. They provide non-Shinkansen intercity services and regional services not included in the Tokyo metropolitan area network. The main service of the intercity network are the limited express trains. JR East continues to upgrade services with new rolling stock, more frequent departures and more convenient connections to Shinkansen lines. On the regional network, the Company is striving to raise efficiency. This primarily involves efforts to keep schedules closely in line with demand and the use of railway cars that require only a single operator.

OPERATIONAL HIGHLIGHTS

Introduction of New Types of Limited Express Trains

JR East will introduce new types of trains for limited express services, *Azusa* and *Kaiji* on Chuo line, which connects the Tokyo area and Kofu and Matsumoto, in December 2001. Because Chuo line runs through a section with rigid geographical features, the comfort of this new type of train has been improved by lowering the center of balance and controlling the entire train by computers. Larger windows are fitted for the enjoyment of magnificent landscapes along the lines. In addition, the image has been renewed by making interiors colorful.

Introducing new types of limited express trains
JR East is trying to increase the attractiveness of its railways and strengthen the competitiveness of intercity transport by introducing new types of trains.

Travel Agency Services

OVERVIEW

JR East conducts sales of travel packages mainly in the *View Plaza* chain (travel agency), which has outlets at stations. In particular, JR East will implement customer-friendly measures on the basis of market research and planning of packages attractive to target customers by using its railway network. JR East also distributes information regarding attractive travel packages using railways by utilizing various media such as mass media and the Internet.

OPERATIONAL HIGHLIGHTS

Enhancing Product Planning

JR East started a campaign, *Nombiri Komachi,* or "refreshing tours for young women" in February 2001. In this campaign working women from 25 to 29 years old, whose generation comprises a large segment of the population that is highly inclined to travel, are targeted and travel to relieve everyday stress is proposed. *Megri Hime*, or "touring princess" campaign is targeted at housewives without small children, and the package has been used by more than 290,000 customers as of June 2001 since its launch in January 1999. The product was made on the basis of detailed market research coupled with a successful advertising campaign. Furthermore, as regards the very reasonable travel packages which started to be sold in November 2000, *Odorokidane*, or "What a price!," is trying to tap a new source of demand by combining the trains with low use ratios and hotel accommodation tickets in one set and increase the use ratio of the trains at the same time.

***Nombiri Komachi* campaign**
Refreshing travel is aimed at working women with a basic concept of "Taking a rest from my work and returning to myself through railway travel."

***View Plaza* provides a broad range of travel packages**
JR East operates about 160 *View Plaza* outlets within its service area, selling a variety of domestic and international travel packages.

Merchandise Sales

Retailing and Restaurants

Dining Court (Above, left)
Four restaurants were opened inside Tokyo station, which serves about 750,000 passengers every day, and many customers use them in groups or with their families.

UNIQLO KIOSK (Above, right)
This store of about 250 m² at Shinjuku station, which serves about 1.51 million passengers every day, is very popular among a wide range of customer groups, especially young people.

OVERVIEW

JR East's retailing and restaurants sector targets the over 16 million people who ride JR East trains every day. In addition to the Kiosk, *JC* convenience stores, and *Mini-convenience store* formats at or near stations, JR East operates stores specializing in books, CDs and other types of merchandise, as well as restaurants. The Company will identify the optimal placement of businesses for each of its stations—the most valuable management resource to realize its full potential from the perspective of customers as a part of *Station Renaissance* (see next page).

OPERATIONAL HIGHLIGHTS

A New Space is Created in Tokyo Station

JR East has about 220 stations that serve in excess of 30,000 people each in a single day. Based on a blueprint called *Sunflower Plan*, JR East is proceeding with numerous developments to utilize space at suitable stations opened up by the alteration of station facility layouts for commercial purposes at or around stations.

These projects show how the effective use of relatively small investments can generate returns within a short period of time.

At Tokyo station, JR East opened *Dining Court* in July 2000, and *Media Court* in December 2000, by making effective use of space where construction materials had previously been stored. In *Dining Court*, four restaurants are operating in an area of about 1,000 m² where Japanese, Italian and Chinese foods can be enjoyed. *Media Court*, about the same size, contains an information distribution space, a reception counter, a bookstore and a grocery store.

Store Development by Tie-up

JR East is actively opening stores under new formats in association with other group companies to comply with convenience and the diversified needs of customers who use stations. *Mujirushiryohin COM KIOSK*, which sells products of *MUJI* brands, attracting a wide range of customers in association with Ryohin Keikaku Co., Ltd. inside the stations, has increased the number of stores by 20 as of June 2001 in line with good business results. JR East opened *UNIQLO KIO*SK in October 2000 in Shinjuku station with great success, in association with FAST RETAILING CO., LTD., which operates *UNIQLO*, casual clothing stores. Further, in the Tokyo area, JR East opened *Station Beef Bowl Yoshinoya* within Shibuya and Akabane stations, in association with Yoshinoya D&C Co., Ltd. in March 2001. JR East intends to further vitalize its stations by promoting similar tie-up strategies in the future.

Real Estate Leasing

Shopping Centers (Leasing space to tenants)

OVERVIEW

Stations and nearby land are highly profitable assets of JR East. Shopping centers on station land raise the value of existing assets while offering passengers the convenience of being able to do their shopping at stations. When developing these facilities, JR East is concentrating on creating a composition of tenants that reflects customers' needs, the nature of the site and the characteristics of the local market.

OPERATIONAL HIGHLIGHTS

Tenant Leasing Meeting the Needs of Customers

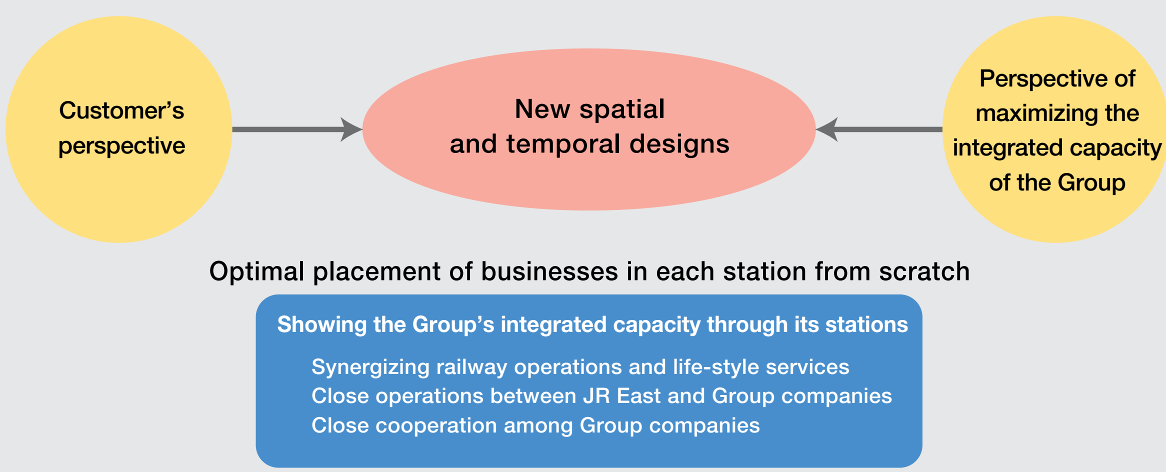
The main revenue source of JR East's real estate leasing business is rent from tenants who open stores at JR East shopping centers. JR East is attracting leading tenants, taking advantage of the outstanding customer traffic at the station locations.

Major replacement of tenants was made in the shopping center *Termina* in Kinshicho in the Tokyo area in April 2000, for example. JR East succeeded in inviting leading tenants such as *Yodobashi Camera*, a major electronic appliance retailer, and *UNIQLO*, a growing casual clothing store, by renovating the existing fashion-based stations and meeting the needs of customers. As a result, sales increased by about five times compared to those before the tenant replacement. Many other shopping centers at stations also had greater sales as a result of securing tenants with significant growth in the restaurant and retailing sectors. JR East intends to create an attractive tenant mix through active invitations and cultivation of tenants suitable for customer needs and the future age.

Zepp Sendai
In August 2000, JR East opened this live-performance hall in Sendai with a capacity of approximately 1,600 people.

Shopping centers of an everyday-living format *Ekist Tsujido*
JR East is focusing on the development of smaller shopping centers mainly at stations in the suburbs of Tokyo. These shopping centers sell groceries, books, general merchandise, fast food and other items closely tied to daily activities. One such shopping center, *Ekist Tsujido*, opened in October 2000.

Development of *Station Renaissance*—Maximizing the Integrated Capacity of the Group



Other Services

Hotel Operations

OVERVIEW

Hotels are a powerful vehicle for generating income from real estate holdings and are mutually beneficial with railway operations and travel agency operations. *Metropolitan Hotels* are full-service hotels located primarily in central Tokyo, prefectural capitals and cities where the Shinkansen stops. *HOTEL METS* are small-scale urban hotels serving mainly business travelers by offering quality accommodation comparable to a full-service urban hotel at lower prices. Occupancy rates have been consistently high. *JR East Hotel Chain*, which is centralizing management of these brands, better enables hotel operations to benefit from JR East's network and generate economies of scale. Among specific actions are stronger chain management, as well as joint advertising and procurement activities.

Hotel Metropolitan
A full-service hotel with 815 rooms, *Hotel Metropolitan* is the flagship of *JR East Hotel Chain*.

HOTEL METS Mizonokuchi
This hotel has 100 rooms, and, in addition to guests, many other customers use the Chinese restaurant and convenience store within the hotel.

OPERATIONAL HIGHLIGHTS

Expansion Continues at *HOTEL METS*

HOTEL METS was created to offer a new concept in hospitality for business travelers: quality accommodation comparable to a full-service urban hotel, at lower prices. In April 2000, another hotel opened in Musashi-Mizonokuchi in the suburbs of Tokyo. This addition increased the *HOTEL METS* network to 11 locations. Popular among many types of guests, *HOTEL METS* achieved an average occupancy rate of 85% during the year ended March 31, 2001.

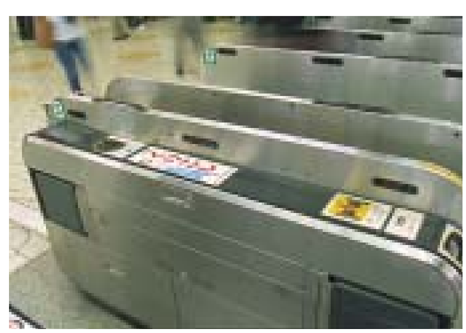
More hotels are planned in the future, chiefly in the Tokyo metropolitan area, including Shibuya and Ofuna.

Advertising and Publicity

OVERVIEW

Spaces in stations and trains of JR East, whose network is used by more than 16 million passengers daily, are ideal for a broad range of advertisements. JR East is promoting advertising services by utilizing such spaces. For example, a single 11-car Yamanote line train has space for more than 1,500 individual ads, all benefitting from high readership. Efforts con-

Stickers on Automatic Fare Collection Gates
JR East has developed new advertising media using the space on automatic fare collection gates at stations in the Tokyo metropolitan area such as for Yamanote line, and advertising revenues have increased because of their outstanding customer appeal.



tinue to target the development of new advertising techniques in a manner that addresses the needs of customers and bolsters advertising revenues.

OPERATIONAL HIGHLIGHTS

New Advertising Media

JR East is developing and increasing new advertising media for use in spaces within stations and trains. Media recently developed include *Stickers on Automatic Fare Collection Gates* as advertising media, *Ad Straps* using straps in trains, *Full-wrap Store Advertisement* enveloping whole stores in stations with advertisements and *Large Signboards on the Roof of Stations* exploiting unused space on the roof of stations.

Full-wrap Store Advertisement
JR East uses entire Kiosk store in stations as advertisement media.

Card Business

OVERVIEW

JR East's credit card, *View Card*, has a growing number of cardholders, mainly people who patronize JR East stations, shopping centers and hotels. Furthermore, in April 2000, *View Card* became honored at VISA member merchants all over the world (approximately 19 million merchants at the end of March 2001), making it substantially more convenient to use. JR East plans to continue the aggressive expansion of its credit card business. Growth will enable the Company to raise the level of service to customers by coping with Japan's rising demand for cashless purchasing, as well as to generate valuable cardholder data on purchasing patterns that can be incorporated in marketing programs.

OPERATIONAL HIGHLIGHTS

Achieving 2 Million *View Card* Membership

JR East has carried out a campaign to attract members to *View Card*, launched in February 1993, and has increased the convenience level and the added value. As a result, the number of *View Card* members reached 2 million in May 2001 on an application basis. JR East intends to substantially increase the benefits to members in the future. Also, JR East will raise the convenience level by combining the contactless IC card *Suica* and credit card by the year ending March 31, 2003. By so doing, JR East expects to increase the number of members even further.

Various *View Cards* of JR East
JR East has issued a variety of *View Cards* in association with shopping centers at stations and hotels, and will continue to make them even more popular as cards that can be used at and around the stations.

Housing Development and Sales

OVERVIEW

Most housing developments are located along JR East railway lines. In addition to selling residential sites, activities focus on the development and sale of houses and condominiums, primarily in the Tokyo metropolitan area. These developments reflect three key themes at JR East. First is linking developments with railway operations. Second is supplying high-quality housing by cooperating with the development plans of local governments and entities. The third theme is creating communities that are pleasant and comfortable places to live and kind to the environment. At the same time, JR East continues to make effective use of assets that it owns.

OPERATIONAL HIGHLIGHTS

More JR East Condominium Projects

JR East condominium development projects are mainly located in the Tokyo metropolitan area. JR East launched sales of units at *View Sight Tower* and *View Park Kitayono* prior to the April 2000 opening of nearby Saitama-Shintoshin (new urban center) station in the suburbs of Tokyo.

Furthermore, *View Park Nakano Uenohara* was put on sale in Nakano located in the Tokyo area. The units at all three locations were completely sold out because their proximity to stations enhances their convenience.

View Sight Tower

View Sight Tower, a condominium high-rise of 31 stories near Saitama-Shintoshin, was completed in March 2001. All condominiums, approximately 260 units, were sold. JR East's real estate leasing business is also carried out on the lower floors (ground floor through third floor), which mainly consists of restaurants and offices.

Information Services

OVERVIEW

JR East operates a wide range of businesses relating to data information, from development and management of railway support systems to management of financial data and funds of the Group companies. In addition, JR East supports the Internet business operated by the Group.

OPERATIONAL HIGHLIGHTS

Operation of Cash Management System

Cash Management System (CMS), which is responsible for management of the combined funds of the Group, started in April 2001. Managing the investment of surplus current assets and financing that used to be separately carried out by Group companies are centralized by a Group subsidiary specializing in financial matters, JR East Management Services Co., Ltd. (JEMS). CMS is expected to enable improvement in efficient funding and reduction in interest bearing debt by approximately ¥90 billion. The Company intends to improve the financial position by introducing additional functions such as Payment Netting where settlement between the Group companies is offset, and Payment Agent where payment by Group companies is centralized under JEMS.

Utilization of IT

Development of *Suica*

An automatic fare collecting system using a contactless IC card, *Suica*, will be introduced in the Tokyo metropolitan area at the end of 2001 (see page 16). JR East is considering extending the use of *Suica* to Shinkansen and conventional railways outside the Tokyo metropolitan area. Also, JR East is considering adapting *Suica* for use in common with other railway companies. Use of *Suica* for shopping centers and stores at stations is under consideration by unification with *View Card*, the credit card of JR East, and electronic money functions. Furthermore, JR East is considering a system whereby seat reservations, fare adjustments and ticket inspections that are now carried out by conductors on the trains will be conducted without manual effort by linking the IC chips of *Suica* and mobile phones.

Promotion of Internet Business, etc.

Operation of the Internet mall *eki-net*, through which merchandise ordered on the Internet can be picked up at stores in stations, started in April 2000. In particular, goods suitable for delivery at stations, such as books and CDs, are handled. An integrated travel site, *eki-net Travel*, was opened in *eki-net* jointly with the largest airline company in Japan, Japan Airlines Co., Ltd. and the largest travel agency in Japan, JTB Corp., in April 2001. This enables everything from obtaining tourism information to booking tickets and accommodation necessary for travel all on one site, increasing the convenience to customers and facilitating the use of the railway.

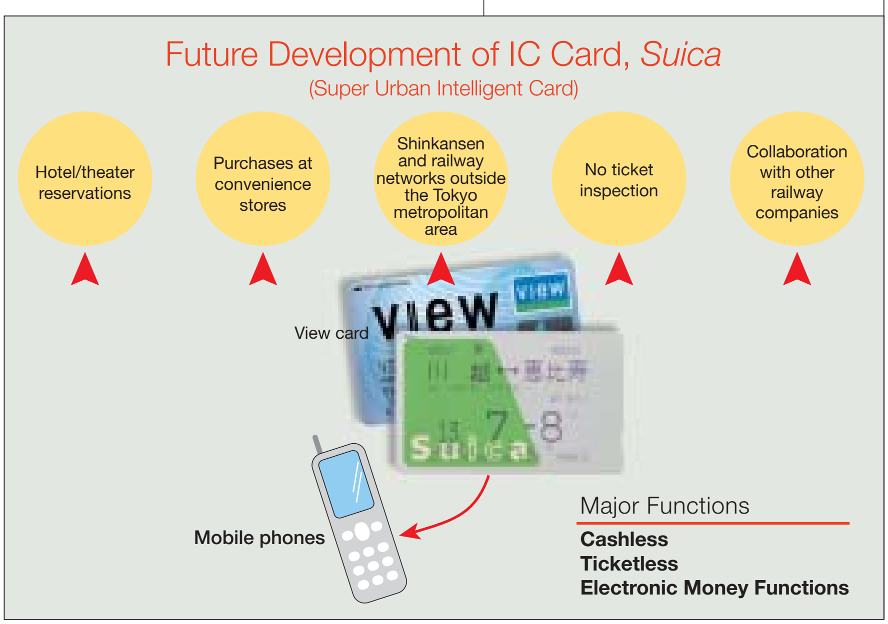
In June 2001, JR East installed multimedia terminals at major stations, and intends to carry out music distribution and image advertisement, etc.

Integrated travel site *eki-net Travel*
Visitors access services, from obtaining tourism information to booking tickets and accommodation, all on one site. (http://www.eki-net.com)

Transport Service Making Full Use of IT

JR East is promoting technical development with the aim of having a new railway system *e@train*, which provides new low cost service, to comply with diversified customer needs by increasing safety and accuracy. 'e' contains various meanings such as enjoy, environment-friendly, entertainment and economy. JR East aims to achieve *e@train* by introducing IT and mobile network technologies into various fields relating to railways such as railway support systems, sales systems and information provision for customers.

JR East also aims to have a system where fast and accurate measures can be taken such as provision of appropriate information to customers at the time of transport trouble by expanding the introduction of *ATOS (Autonomous Decentralized Transport Control System)* in the Tokyo metropolitan area (see page 24). Furthermore, JR East will manufacture prototype *AC Trains (Advanced Commuter Trains)* incorporating transmitters/receivers and LAN systems to prepare an environment within trains necessary for provision of services such as display of transport operational information and data transmission via personal mobile phones.



Safety and Technology

The Relentless Quest for Higher Goals in Safety

JR East has placed emphasis on investments and the development of technologies that target safety. During the year ended March 31, 2001, these efforts have played a major role in reducing train accidents by about 60% compared with the year ended March 31, 1988. In the year ended March 31, 2000, JR East launched *Safety Plan 21*, its third five-year safety plan. Building an even safer railway system is one objective. Another is fostering a culture of safety. Together, these actions will allow JR East to continue to provide safe and stable transportation services.

Furthermore, to secure the safety of customers on the platforms, JR East will expand the installation of train emergency stop buttons and fall-sensing mats, and implement a *Platform Campaign* to inform customers of train emergency stop buttons.

Enhancement of Reliability of Train Operations

JR East is implementing safe transport and improvement in customer services by extending the introduction of *ATOS* (*Autonomous Decentralized Transport Operation Control System*) in the main parts of the Tokyo metropolitan area. JR East plans to introduce *Digital ATC* on Keihin Tohoku line in the year ending March 31, 2004, which enables smooth deceleration and an increase in the number of trains able to operate by transmitting the position of preceding trains by digital signals.

Furthermore, JR East will develop an *ATS-Ps* type automatic train stop system for introduction in the Sendai and Niigata urban areas by the year ending March 31, 2005. The construction cost of this equipment is less than half compared to that of *ATS-P*, which has already been introduced in the Tokyo metropolitan area, and can be used to full effect in regional cities where there is sufficient distance between trains.

Among other measures to prevent operating problems, JR East will increase signal circuits and facilities for turning back to secure stable transport on Chuo line, which is the main artery of the Tokyo metropolitan area. These measures are expected to be completed in the year ending March 31, 2006 by allotting a total of ¥35.0 billion.

ATOS

ATOS enables operational control and automatic routing of conventional trains from a single operation center, eliminating the need to perform these tasks at stations. In addition, *ATOS* upgrades passenger services by automating electronic signs that provide transport information, as well as announcements.

Niitsu Rolling Stock Plant

The *Product Life Cycle* model, constructed by Niitsu Rolling Stock Plant, has contributed to the strengthening of the technologies of JR East and attracts a great deal of attention from other manufacturers.

Technological Innovation in Maintenance

JR East has continued to increase the number of E231 series rolling stock that are superior to previous models in many respects: lighter weight, lower energy consumption and a design that minimizes the need for maintenance.

Additionally, JR East has developed facilities that have an extended service life but require little or no maintenance. One example is a simple, integrated overhead wiring system that reduces maintenance costs by approximately 20%.

Manual labor has been relied on to perform a large share of the inspection and maintenance work on rolling stock and facilities such as tracks, wires and signals. JR East is adopting sophisticated machinery to replace such tasks with procedures that are automated or that rely on a computerized system. By aggressively promoting these techniques, JR East is improving safety, modernizing work practices, and raising the efficiency of maintenance activities.

Achieving Manufacture of 1,000 Cars

The actual number of rolling stock manufactured by Niitsu Rolling Stock Plant of JR East reached 1,000 in November 2000. This corresponds to about one eighth of commuter cars operated by JR East and the proportion of the new cars made in-house has reached 15%. JR East has continued to manufacture rolling stock at its own Niitsu Rolling Stock Plant since 1994 to strengthen technology and cost competitiveness throughout the life cycle of the rolling stock. In the manufacturing process of the latest E231 series rolling stock, digital design data link Niitsu Rolling Stock Plant with external designers and Ohi Plant in charge of maintenance. JR East made the

Product Life Cycle model whereby the development, manufacture, maintenance, disposal and recycling of rolling stock are managed in an integrated system. JR East established a production system whereby 250 cars can be made per annum, that is, one unit per day, in May 2001.

New Research Facilities

JR East will open Research and Development Center of JR East Group in December 2001. The presently separated research and development organizations will be centralized and strengthened with the aim of holding the top comprehensive technologies in the world with respect to the railway sector. Four research organizations, Frontier Service Development Laboratory, Advanced Railway System Development Center, Safety Research Laboratory and Technical Center, will be placed there. Development will be carried out in close association among the four research groups by having horizontally linked projects based on themes to take advantage of the benefit available from centralization of the research organizations in one place.

New Research Facilities
A six-story building for research and a two-story building for experiments will be built on land of approximately 30,000 m^2 owned by JR East in Omiya.

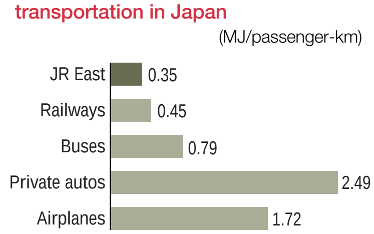
Railways in Harmony with Society and the Environment

OVERVIEW

Railways account for about 30% of passenger transportation in Japan but only 7% of energy consumption. JR East plays an important role in preserving the environment. The Company is constantly striving to develop more ways to minimize its impact on the environment. JR East's three basic management policies are to ensure a quality environment for passengers and communities; to foster progress in ecological technologies; and to heighten awareness of environmental issues among employees. These policies are more than just words: among the concrete goals set in the Company's action plan for the year ending March 31, 2006 is a 15% reduction in energy consumption of train operations per passenger-kilometer compared with the year ended March 31, 1991.

Niitsu Rolling Stock Plant has obtained certification of ISO14001, international standards for environmental management systems, for the first time as a railway enterprise in Japan in February 1999. In addition, JR East has obtained certification of ISO14001 in the areas that place a high burden on the environment such as

Energy consumption volumes in proportion to the unit transportation volume of each means of transportation in Japan



Prepared by JR East based on the Survey on Transportation-Related Energy Consumption (2000 edition) (Results of the year ended March 31, 1999)

Eco Train 2001
JR East conducted this campaign jointly with WWF Japan for the period from March 21, 2001 to April 20, 2001 using Yamanote line. The importance of environmental issues was emphasized to passengers via designs on the car bodies and messages on posters in the trains.

power plants and maintenance facilities. JR East has emphasized its environmental management system by publicly announcing its environmental accounting, etc., in September 2000.**

(For further details, see *Annual Environmental Report* at http://www.jreast.co.jp/eco)

OPERATIONAL HIGHLIGHTS

Measures for Global Environmental Protection

By using energy more efficiently, JR East is reducing the volume of CO_2 emissions resulting from its operations as one of the undertakings to contribute to concrete environmental problems. For example, the 209 and E231 series rolling stock need only 47% of the power used by the older cars they replace. As of April 2001, about 6,200 (59%) of the approximately 10,600 cars running on conventional lines had been replaced with the energy-saving cars. At its power plants, JR East is installing equipment with a higher thermal efficiency. Collectively, measures such as these have slashed CO_2 emissions resulting from JR East's operations in the year ended March 31, 2001 by 12% compared with the level recorded in the year ended March 31, 1991.

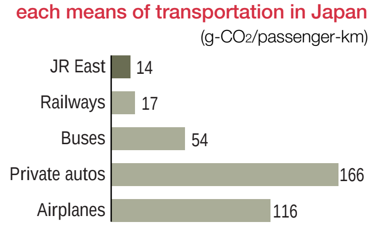
JR East undertakes recycling and promotes the formation of a recycling society. Every year, JR East passengers discard approximately 50,000 tons of trash. Trash is sorted at stations or on trains for recycling. For example, old newspapers are recycled to make copy paper for use at JR East's own offices. Efforts such as this have raised JR East's station and train general waste recycling rate to 35%, much higher than the average of 10% for all general waste in Japan.

Measures for Environmental Conservation of the Areas along Railway Lines and Social Measures

JR East has made efforts to protect the environment, such as reducing noise, vibration and waste generated by the running of trains. For example, JR East has carried out technological development and introduced noise absorbing walls and soundproof pantographs, trying to meet the standards for Shinkansen that are especially high compared to other standards in the world. Furthermore, since 1992 JR East has been carrying out tree planting activities, *Afforestation alongside Railway Tracks*. Further, JR East has *Ecology Campaign* every year to raise awareness of the importance of environmental issues in society. The implementation of *Eco Train 2001* received a very good response.

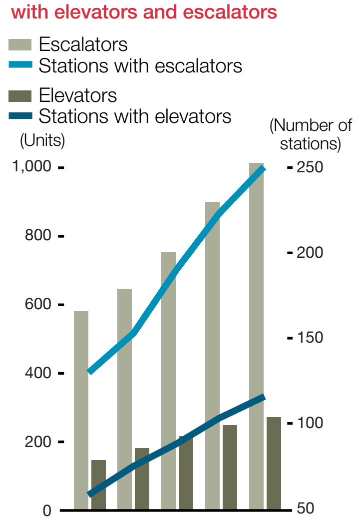
Copy paper recycled from newspapers
JR East recycles newspapers collected at stations to make copy paper, which is used at its own offices.

CO_2 emission volumes in proportion to the unit transportation volume of each means of transportation in Japan



Prepared by JR East based on the Survey on Transportation-Related Energy Consumption, 2000 edition. (Results of the year ended March 31, 1999)

Trend of the number of stations with elevators and escalators



Promotion of Barrier-Free Society

JR East will promote the construction of comfortable railways that can easily be used by not only physically disabled people but passengers that are not accustomed to using railways, in line with the trends of an aging society and international society.

JR East has positioned elevators as one of the basic facilities of barrier-free construction and will install them by 2010, in principle, at all platforms of about 390 stations that serve in excess of 5,000 passengers and which have a difference in elevation of more than five meters. Escalators will be installed, in principle, at all platforms of about 300 stations that serve more than 10,000 passengers and where there is a difference of elevation of more than five meters by 2010 (see graph).

Three-dimensional guide maps of 110 major stations are placed on JR East's Internet site along with easy-to-use information about the locations of fare collection gates and escalators. JR East will improve the design of information signs at the main stations with the use of large letters and pictures.

The Company will continue to install multi-purpose toilets that can easily be used by not only passengers in wheelchairs, but also aged people and passengers with small babies, as well as eliminating the difference between the platform level and the floor level of trains.

Exclusions of the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (the JR Law) and Complete Private-Sector Ownership

JR East has 4 million shares of common stock issued and outstanding. When the Company's shares were listed on domestic stock exchanges in October 1993, 2.5 million shares were sold to the public. Subsequently, 1 million shares were sold to the public in August 1999. The remaining 500 thousand shares are held by the JNR Settlement Headquarters of Japan Railway Construction Public Corporation (JRCC). Based on a Cabinet resolution regarding the Japanese National Railways (JNR) restructuring, it was determined that the shares in the JR passenger and freight railway companies "shall, as the companies establish suitable management bases and meet other conditions, be sold to make these companies entirely private-sector enterprises as quickly as possible."

Presently, the JR Law is still applicable to all of the JR passenger and freight railway companies including the Company. Consequently, approval of the Minister of Land, Infrastructure and Transport is required for a number of actions. Among them are issuing new stock and bonds; taking out loans with a repayment period of more than one year; appointments and dismissals of representative directors and corporate auditors; annual business plans; the transfer of major property; and the appropriation of earnings.

As regards this JR Law, the Law of Part Amendment to the Law concerning Passenger Railway Companies and the Japan Freight Railway Corporation (the amendment law), which excludes the three passenger railway companies in Honshu (JR East, JR Central and JR West) from the JR Law passed on June 15, 2001 at the 151st session of the Ordinary Diet, and issued on June 22, 2001(the Law No. 61 in 2001). This law shall be in force on the date decided by an ordinance within six months from the date on which it is issued.

Following the enforcement of the amendment law, obtaining a permit as regards the matters to be permitted by the Minister of Land, Infrastructure and Transport stated in the above shall not be required. The Company expects that this will enable enhancement of independence of management and more mobile business operation.

The amendment law provides that the Minister of Land, Infrastructure and Transport shall decide guidelines relating to the matters needing consideration for the time being in cases where the three companies in Honshu including the companies which, if any, will be involved in management of the railway business by splitting, etc., (the Three Companies and their successors) carry out business in order to secure passengers' convenience, etc., in consideration of the purpose of the JNR restructuring. The amendment law also provides that the Minister of Land, Infrastructure and Transport may guide and advise the Three Companies and their successors in cases where business operation that takes these guidelines into account is needed to be secured, and warns and directs them further in case where business operation contrary to the guidelines is carried out without any justifiable reason.

Matters provided in the guidelines are as follows:

• Matters relating to security of tie-up and cooperation between the companies such as appropriate set-up of passenger fares and charges between JR companies, smooth use of railway facilities and other factors of the railway businesses.

• Matters relating to appropriate maintenance of the routes currently in operation and security of users' convenience at the time of preparation of the stations and other railway facilities considering change in the trend of transport demand and other factors after the implementation of the JNR restructuring.

• Matters relating to consideration given to small- and medium-sized companies in order to avoid inappropriate interference in business activities of such companies or inappropriate violation of their benefits.

JR East has been taking note of the matters provided in its guidelines while carrying out its business operations and intends to continue to do so as a matter of course in the future. Therefore, JR East does not think the existence of these guidelines will hinder its management.

As regards sale of the shares of the Three Companies held by the JNR Settlement Headquarters of JRCC, the Minister of Land, Infrastructure and Transport, etc., shows in the Diet the policy that these shares should be sold in order in consideration of the equity market condition after the enforcement of the amendment law.

All bonds issued by JR East are covered by general guarantees under the JR Law. This means that bondholders have preferential rights covering payment of principal and interest. After the amendment law takes effect, JR East will be exempted from this provision. However, the general guarantees will remain in effect as a transitional measure with regard to bonds issued before the date on which the amendment law takes effect.

Disposition of Long-Term Liabilities of Former Japanese National Railways (JNR)

When JNR was restructured in April 1987, responsibility for its long-term liabilities was clearly divided between the national government and the JR Companies. The process leading to this division included debate in the Diet. At the time of the restructuring, JNR's liabilities totaled ¥37.1 trillion, including costs that will be incurred in the future. The JR Companies were allocated ¥14.5 trillion of this amount, and Japanese National Railways Settlement Corporation (JNRSC) assumed responsibility for the remaining ¥22.7 trillion. It was decided at this time that JNRSC would repay as much of this amount as possible using funds generated by the sale of land left by JNR and JR Company stock held by JNRSC. Any remaining liabilities were to be assumed and disposed of by the national government.

However, sales of land by JNRSC were temporarily halted by the October 1987 Guidelines for Urgent Measures to Deal with Land that were determined by the Cabinet. Japan's economy subsequently fell into a recession in the early 1990s, further preventing JNRSC from selling land. Furthermore, a delay in the sale of stock in JR companies and other factors meant that liabilities could not be decreased; on the contrary, interest payments caused them to increase.

As of April 1987, liabilities held by JNRSC were ¥25.5 trillion, the combination of the above-mentioned ¥22.7 trillion and ¥2.9 trillion. The ¥2.9 trillion was one portion of the Shinkansen usage fees paid by the three Honshu-based JR passenger railway companies, and was to be used to repay JNRSC's debt. Due to the above factors, these liabilities had grown to ¥28.3 trillion by the dissolution of JNRSC in October 1998.

In October 1998, the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation was passed and enforced. It included the following provisions concerning the disposal of JNRSC's liabilities:

• JNRSC's interest-bearing liabilities would be assumed by the national government's general account and JNRSC would be absolved of its non-interest bearing liabilities to the government.

• The land, JR Company stock and other assets held by JNRSC would be transferred to JRCC, which would pay for pension and other obligations.

• With regard to the amount to be transferred from the Japan Railways Group Mutual Aid Association to the Welfare Pension, a portion of the liabilities legally assigned to JNRSC would become additional obligations of the JR Companies.

Discussing the possibility of imposing further additional liabilities on the JR Companies, the Prime Minister stated during the debate in the Diet prior to passage of this law: "Regarding those debts and pension liabilities of JNRSC that have not been designated for assumption by JR Companies, the Government is of the view that such obligations must not be imposed on JR Companies in the future."

Construction and Operation of Seibi Shinkansen Lines

The Seibi Shinkansen is a network of proposed Shinkansen lines pursuant to the Nationwide Shinkansen Railway Development Law. The basic plan for these new lines was decided in 1973. Currently, work is under way on six sectors of three lines. Within JR East's service area, JRCC is now involved in building full-scale Shinkansen lines on the Hokuriku Shinkansen line's one sector (Nagano–Joetsu) and on the Tohoku Shinkansen line's two sectors (Morioka–Hachinohe and Hachinohe–Shin-Aomori). Service on the Hokuriku Shinkansen line's sector from Takasaki to Nagano already commenced in October 1997 (operationally named Nagano Shinkansen).

Construction on the Morioka–Hachinohe sector of the Tohoku Shinkansen line began in August 1991. JR East has reached the following agreement with the government.

(1) JR East will pay only usage fees after the Company has started operations on the new lines. The usage fees will not exceed the corresponding benefits of the applicable line. JR East will incur no financial burden other than these usage fees.

(2) JR East will separate itself from conventional lines running parallel to the new Shinkansen lines.

JR East agreed to the construction of the two lines mentioned above in its service area based on its judgment that these new lines would not adversely affect the Company's results. The operation of this sector is expected to start at the end of 2002.

In December 1996, the Japanese government and ruling parties agreed that all future decisions regarding the order for starting construction on Seibi Shinkansen lines should be based on the assent of the local governments and relevant JR company in respect of the profitability of each sector of the lines and management separation of the parallel conventional lines, etc., and that the financial burden of each JR company should be limited to usage fees and advance payments that do not exceed the corresponding benefits of the applicable line in each company's service area.

In May 1997, an amendment to the Nationwide Shinkansen Railway Development Law was passed. This amendment clarifies the division of responsibilities for funding new Shinkansen lines between the national and prefectural governments. Under this system, the national government funds two-thirds of construction costs and prefectures fund the remainder. JR East confirmed the basic principles of the Seibi Shinkansen lines in respect of the sectors between Hachinohe and Shin-Aomori of the Tohoku Shinkansen line and between Nagano and Joetsu of the Hokuriku Shinkansen line within the JR East's service area and has agreed to construct them. The construction of these two sectors commenced in March 1998. The construction of these two sectors is estimated to complete 12 years later and a little more than 12 years later, respectively, from the date of amended license of construction dated April 2001.

JR East's Yamagata and Akita hybrid Shinkansen are not covered by the Nationwide Shinkansen Railway Development Law. JR East has constructed these two lines independently, with the cooperation of the national and local governments in the form of interest-free loans and other support.

Deregulation

In December 1996, the Ministry of Transport (predecessor of the Ministry of Land, Infrastructure and Transport) decided on a policy of abolishing most of its restrictions, originally imposed to maintain the supply-demand balance, on the entry of companies in the public transportation sector. After much internal and public debate at the Council for Transport Policy and other organizations, an Amendment Bill to the Railway Business Law was passed in May 1999 and enforced in March 2000.

It includes the following provisions:

• Review of regulations on entry and withdrawal

Previously, railway companies needed a license from the Minister of Transport (predecessor of the Minister of Land, Infrastructure and Transport) to operate. The amended law requires only the Minister's permission. Operators wishing to cease providing a service now need to submit notification one year in advance, without having to seek permission as was previously required.

• Revisions of regulations on fares and charges

The amended law clearly states that approval is required for upper limits on ordinary fares and Shinkansen charges, a level below which companies can set and revise fares on their own after submitting prior notification of such action. Further, the amended law requires prior notification for revisions to limited express charges, which previously required approval for revisions, making revisions the same as those for Green Car (first class car) and Sleeper Car charges.

• Revision of regulations on technology

Procedures for obtaining approval for construction, a process that was extremely complex, have been simplified for railway companies certified by the national government as having a certain level of technical skills.

JR East has adopted the following positions regarding these changes.

Entry and withdrawal: Even though demand and supply restrictions have been lifted, the huge initial investment required by railways and extremely long period needed to recover those investments make it highly unlikely that a new competitor would have any impact on the Company's results.

Regarding withdrawal, JR East welcomes the establishment of a clear withdrawal method to replace the previously vague standards. However, the Company has no concrete plan at this time to cease service on any particular line, and regards this as a matter for future consideration.

Revisions of fares and charges: Regarding the approval of the Minister of Land, Infrastructure and Transport for upper limits on fares and charges, examinations must be conducted to ensure fares and charges do not exceed the sum of reasonable costs and profits following submission of an application for the approval of a fare and charge increase by a railway company. This calculation method is called the total-cost method.

The Company believes that this method has a number of major drawbacks. Among them are (1) higher costs can be translated into higher fares and charges, so there is no incentive for companies to implement effective management practices, and (2) the process of determining applicable expenses entails considerable time and labor expenses; government authorities thus become involved in how railways are managed.

Due to these problems, JR East has strongly urged that the total-cost method be replaced with the price-cap method. Under this method, railway companies would be free to adjust fares by submitting notification within a prescribed range, such as one based on the consumer price index. This method is already being applied to utilities in the United Kingdom, the United States and other countries.

The government will continue to study the price-cap method and other ways to improve the system for determining railway fares. Unfortunately, a plan does not exist at the present time for the immediate adoption of the price-cap method. Unless there is a significant change in the operating environment, JR East intends to retain its policy of avoiding fare increases. That means JR East will not be subjected to the total-cost method system for the time being. On the other hand, the decision of whether or not to adopt the price-cap method will not have an immediate effect on JR East's operations, although JR East will continue to strongly urge adoption of this method in order to establish an independent base for the Company's management.

Technology: For the new system for certifying railway companies, JR East obtained certification in December 2000 for the first time as a railway company.

Changes in Accounting Standards

In Japan, the accounting standards are presently being revised significantly in line with the trend of adoption of the international accounting standards, which enable more accurate understanding and analysis of the operating results and the financial position of the whole corporate group.

Following are the revised matters already applicable from the year ended March 31, 2000.

- Shift in emphasis from nonconsolidated to consolidated financial statements
- Scope of consolidation to be decided on the basis of the effective control and influencing standards
- Presentation of statements of cash flows
- Adoption of tax effect accounting

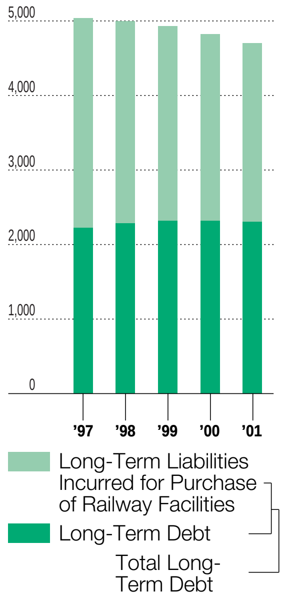
Following are the revised matters applicable from the year ended March 31, 2001.

- Presentation of interim consolidated financial statements (applicable from the interim period ended September 30, 2000).
- Adoption of accounting for retirement benefits (recognition of obligations for severance and retirement benefits, etc.)*
- Adoption of accounting for financial instruments (market values of financial instruments, etc.)*

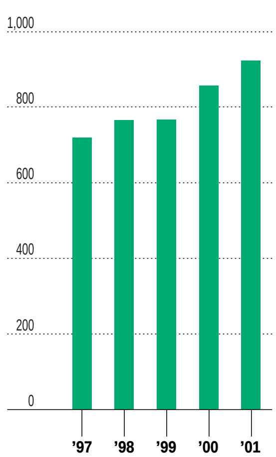
*For further details, see Notes of Financial Section.

CONSOLIDATED FINANCIAL REVIEW

Total Long-Term Debt
(Billions of Yen)



Shareholders' Equity
(Billions of Yen)



Overview and Basic Financial Policy

During the year ended March 31, 2001(fiscal 2001), the Japanese economy experienced a trend of slow improvement with capital investment in the private sector recovering for the background of improvement of corporate profits. However, personal consumption, comprising the majority of private-sector demand remained subdued, without significant improvement in the employment and income environment. Further, the economy started to show signs of weakness again towards the end of the term, with exports and industrial production declining, affected by the overseas economic slowdown.

To overcome such a severe situation, JR East, with its consolidated subsidiaries, made efforts to establish a sound and stable management base by improving the efficiency of business operations by carrying out a scrupulous review of the overall expenses, coupled with reinforced endeavor to expand revenues. As a result, operating revenues increased 1.7% to ¥2,546.0 billion ($20,869 million), while operating income decreased 5.3% to ¥323.8 billion ($2,654 million) due to an increase in operating expenses through the adoption of the new accounting standard for retirement benefits. Due to reduced interest expense because of a decrease in long-term debt, net income increased 3.3% to ¥69.2 billion ($567 million). The shareholders' equity ratio rose to 12.7% at the end of fiscal 2001 from 11.7% at the end of fiscal 2000.

The number of consolidated subsidiaries for fiscal 2001 was unchanged from the last year's figure of 97. This is the result of an increase of three companies due to the additional acquisition of equity shares and a decrease by the same number through a merger and liquidation. The number of equity method affiliated companies decreased from the last year's figure of four companies to two as a result of an increase in the ownership by JR East (elimination of own shares) and a merger.

The basic financial policy is to maximize free cash flows. Reducing total long-term debt remains the most important issue for the time being with the recognition that strengthening financial position is still necessary. To ensure a sufficient level of funds to achieve debt reductions and meet other requirements, capital expenditures will basically continue to be conducted in an efficient manner so as not to exceed depreciation.

During fiscal 2001, total long-term debt was reduced by ¥119.2 billion ($976 million), resulting in total long-term debt of ¥4,699.7 billion ($38,521 million) on March 31, 2001.

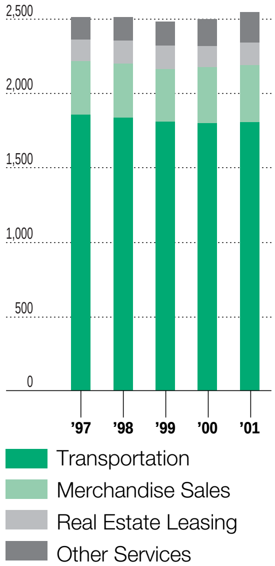
Payments for purchases of fixed assets totaled ¥343.5 billion ($2,816 million) in fiscal 2001. This figure includes expenditures partially funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities. One example is elevated railway lines built to eliminate grade crossings. Capital expenditures funded by the Companies were ¥297.0 billion ($2,434 million). Depreciation was ¥329.7 billion ($2,702 million).

Note: In this discussion, total long-term debt is the aggregate of long-term debt and long-term liabilities incurred for purchase of railway facilities, including the current portion.

Fiscal 2001 Results

Operating revenues increased 1.7% to ¥2,546.0 billion ($20,869 million) and operating income decreased 5.3% to ¥323.8 billion ($2,654 million). The ratio of operating income to operating revenues was 12.7%.

Operating Revenues
(Billions of Yen)



Transportation

In transportation, by using the five-route Shinkansen network, JR East carried out development of products that meet customers' diversified needs and conducted a detailed marketing program. As a result, operating revenues, including intersegment transactions, increased 0.5% to ¥1,873.7 billion ($15,358 million). Operating income decreased 10.5% to ¥264.0 billion ($2,164 million) because of a large increase in operating expenses due to the amortization of the shortfall in obligations for severance and retirement benefits.

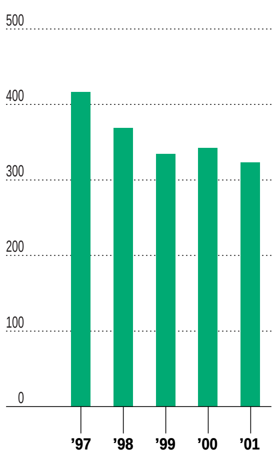
Merchandise Sales

In merchandise sales, the Companies developed new stores and promoted new store formats to strengthen sales through a tie-up with companies outside the Group. As a result, operating revenues, including intersegment transactions, increased 0.2% to ¥449.0 billion ($3,681 million). Operating income increased 55.3% to ¥9.0 billion ($74 million) by scrapping and building stores and raising the efficiency of business operations.

Real Estate Leasing (Shopping Centers)

In real estate leasing, the Companies promoted the development of new shopping centers, which mainly handle foods and general goods for daily use that are closely related to people's lifestyles. As for existing shopping centers, the Companies carried out major renewals and made efforts to introduce leading tenants capable of attracting customers. As a result, operating revenues, including intersegment transactions, increased 5.4% to ¥163.6 billion ($1,341 million). Operating income increased 8.9% to ¥35.4 billion ($291 million) because of effort to raise efficiency of operations.

Operating Income
(Billions of Yen)



Operating Results and Financial Position Summary

	Millions of Yen (except for per share data)				
	1997	1998	1999	2000	2001
For the Year:					
Operating Revenues	¥2,513,790	¥2,514,808	¥2,483,594	¥2,502,909	¥2,546,041
Operating Income	416,402	368,699	334,472	341,957	323,751
Net Income	70,661	66,235	21,929	66,963	69,174
Depreciation	274,133	283,711	319,687	329,583	329,651
Net Income and Depreciation	344,794	349,946	341,616	396,546	398,825
Net Income per Share of Common Stock (yen)	17,665	16,559	5,482	16,741	17,294
Net Income and Depreciation per Share of Common Stock (yen)	86,199	87,487	85,404	99,137	99,706
At Year-End:					
Total Assets	¥7,384,463	¥7,381,794	¥7,287,033	¥7,308,391	¥7,247,089
Long-Term Debt	2,223,163	2,285,063	2,320,246	2,319,664	2,307,483
Long-Term Liabilities Incurred for Purchase of Railway Facilities *	2,812,547	2,713,737	2,610,966	2,499,023	2,392,241
Total Long-Term Debt **	5,035,710	4,998,800	4,931,212	4,818,687	4,699,724
Total Shareholders' Equity	719,510	765,424	766,880	856,401	923,568

Notes: 1. There were 73 consolidated subsidiaries in fiscal 1997, 80 in fiscal 1998, 81 in fiscal 1999, 97 in fiscal 2000 and 97 in fiscal 2001.
2. Net income decreased significantly in fiscal 1999, mainly because "cash charges for additional obligation related to transfer to Welfare Pension" (see page 46) was accounted for in other expenses.
3. Tax effect accounting was adopted beginning with fiscal 2000.
4. Accounting for retirement benefits was adopted beginning with fiscal 2001.
5. Capital expenditures funded by JR East and its consolidated subsidiaries were ¥325,066 million in fiscal 1997, ¥268,425 million in fiscal 1998, ¥258,080 million in fiscal 1999, ¥288,106 million in fiscal 2000 and ¥296,957 million ($2,434 million) in fiscal 2001.

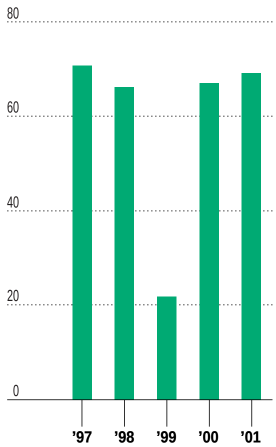
* Long-term liabilities incurred for purchase of the Tohoku and Joetsu Shinkansen facilities and the Akita hybrid Shinkansen facilities

** The weighted average interest rate on total long-term debt was 5.05% at the end of fiscal 1997, 4.79% at the end of fiscal 1998, 4.55% at the end of fiscal 1999, 4.40% at the end of fiscal 2000 and 4.18% at the end of fiscal 2001.

Other Services

Other services consist of hotel operations, advertising and publicity, card business, information processing, cleaning services, and other activities. In hotels, a new hotel was opened and aggressive marketing activities were conducted, such as joint advertising campaigns. In advertising, new formats were developed. In card business, the Companies enhanced convenience for customers. Furthermore, a shopping mall was opened on the Internet as a new business utilizing IT. As a result, operating revenues, including intersegment transactions, increased 9.3% to ¥371.2 billion ($3,042 million) and operating income increased 67.1% to ¥16.0 billion ($131 million).

Net Income
(Billions of Yen)



Other Income (Expenses)

Total interest expense decreased 6.9% to ¥205.2 billion ($1,682 million). The weighted average interest rate on total long-term debt was 4.18% at the end of fiscal 2001 compared with 4.40% at the end of fiscal 2000.

Interest expense on short- and long-term debt, excluding long-term liabilities incurred for purchase of railway facilities, decreased 10.3% to ¥71.6 billion ($587 million) as a result of the ongoing reduction in long-term debt and the refinancing of debt at lower rates, reflecting continued low interest rates in Japan.

Interest expense incurred for purchase of railway facilities decreased 5.0% to ¥133.6 billion ($1,095 million). This decrease was due to the inherent increase in the proportion of each installment amount constituted by principal, since the payment in respect of the purchase price is made in equal semiannual installments, as well as a decrease in the interest proportion of such installments resulting from declining variable interest rates applicable to a substantial portion of long-term liabilities incurred for purchase of railway facilities (see page 51).

Equity in net income of affiliated companies decreased 11.1% to ¥2.6 billion ($21 million). Interest and dividend income increased 54.5% to ¥2.6 billion ($21 million). Other, net was income of ¥0.4 billion ($4 million). In fiscal 2000, this figure was an expense of ¥4.5 billion.

As a result, other expenses decreased 9.5% to ¥199.5 billion ($1,636 million).

Income Before Income Taxes and Net Income

Due to these factors, income before income taxes increased 2.2% to ¥124.2 billion ($1,018 million). Net income increased 3.3% to ¥69.2 billion ($567 million).

Cash Flows

Net cash provided by operating activities decreased by ¥19.2 billion ($158 million) to ¥455.5 billion ($3,733 million) due to an increase in payments of income taxes (decrease in accrued income taxes), and other items.

Net cash used in investing activities was ¥266.3 billion ($2,183 million). This was the result of capital expenditures, which included measures to improve safety and stability, increase capacity, and construct shopping centers, hotels and other structures. Note that the payments for purchases of fixed assets includes purchases made using proceeds from construction grants (see page 32) and the net change in payables involving the purchase of fixed assets.

Net cash used in financing activities was ¥161.1 billion ($1,321 million). This was principally attributable to dividend payments and a net reduction of ¥119.2 billion ($976 million) in total long-term debt.

Due to these factors, cash and cash equivalents at the end of fiscal 2001 increased by ¥28.0 billion ($229 million) to ¥283.8 billion ($2,326 million).

Due to revisions to Regulation for Consolidated Financial Statements, consolidated statements of cash flows must be disclosed in Japan beginning with fiscal 2000. Consolidated statements of cash flows under new Japanese disclosure standards use presentation methods different to those of previous years, which were prepared for inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and not required to be filed for Securities and Exchange Law of Japan purposes (see page 48).

Capital Expenditures

The Companies carefully evaluate the benefits of each proposed capital expenditure to concentrate resources on strategic areas and maximize the benefits of the capital budget. Capital expenditures using the Companies' own funds were ¥297.0 billion ($2,434 million).

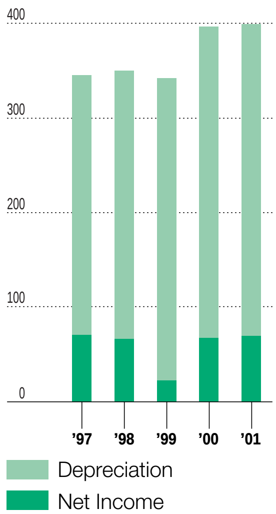
Expenditures for transportation were ¥215.0 billion ($1,762 million), consisting primarily of investments to ensure safety, to enhance customer services and to upgrade transportation services, such as introduction of the Automatic Train Stop-Pattern (ATS-P) devices, improvements at stations and introducing new rolling stock.

Expenditures for merchandise sales were ¥11.1 billion ($91 million), consisting of developments of new stores at or near stations, improvements of existing stores and other items.

Expenditures for real estate leasing (shopping centers) were ¥27.3 billion ($224 million), consisting of construction and renewal of shopping centers and other items.

Expenditures for other services were ¥43.6 billion ($357 million), consisting of construction of new hotels, developments and improvements of information systems and other items.

Net Income and Depreciation
(Billions of Yen)



Bond Issues and Ratings

New issues of bonds and borrowings of long-term loans are required annually to refinance a large amount of maturing total long-term debt.

In September 2000, the Company conducted a ¥30.0 billion ($246 million) bond issue with a 2010 maturity and a 2.00% coupon, and another issue of ¥20.0 billion ($164 million) with a 2020 maturity and a 2.65% coupon. In February 2001, the Company conducted a ¥30.0 billion ($246 million) bond issue with a 2011 maturity and a 1.70% coupon, and another issue of ¥10.0 billion ($82 million) with a 2021 maturity and a 2.30% coupon. All of the four were issued in Japan. These four issues were rated AAA by Rating and Investment Information, Inc., a Japanese rating agency. The terms of JR East's bond issues appropriately reflect the Company's credit ratings, degree of recognition among investors and many other factors. Accordingly, both issues were well received by the investment community. Bond issues in Japan and overseas will continue to be a vital source of funds for the Company.

The Company's long-term ratings from Standard & Poor's and Moody's are AA- and Aa2, respectively, as of July 2001.

CONSOLIDATED BALANCE SHEETS

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
March 31, 2000 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2000	2001	2001
Assets			
Current Assets:			
Cash and cash equivalents (Note 4)	¥ 255,775	¥ 283,817	$ 2,326
Receivables:			
Accounts receivable–trade	116,709	138,492	1,135
Unconsolidated subsidiaries and affiliated companies	5,951	8,477	69
Other	13,395	13,514	112
Allowance for doubtful accounts (Note 2)	(402)	(954)	(8)
	135,653	159,529	1,308
Inventories (Notes 2 and 5)	31,659	25,371	208
Real estate for sale (Notes 2 and 6)	43,968	32,381	265
Deferred income taxes (Note 13)	21,963	28,753	236
Other current assets	34,924	31,928	262
Total current assets	523,942	561,779	4,605
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 7 and 8)	114,500	134,217	1,100
Other (Note 8)	147,432	162,947	1,336
	261,932	297,164	2,436
Property, Plant and Equipment (Note 2):			
Buildings	1,695,158	1,734,697	14,219
Fixtures	4,720,213	4,725,670	38,735
Machinery, rolling stock and vehicles	2,056,648	2,107,491	17,275
Land	2,282,548	2,257,906	18,507
Construction in progress	149,531	106,176	870
Other	123,344	121,861	999
	11,027,442	11,053,801	90,605
Less accumulated depreciation	4,685,796	4,869,958	39,918
Net property, plant and equipment	6,341,646	6,183,843	50,687
Other Assets:			
Long-term deferred income taxes (Note 13)	29,359	64,322	527
Other	151,512	139,981	1,147
	180,871	204,303	1,674
	¥7,308,391	¥7,247,089	$59,402

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2000	2001	2001
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans (Note 10)	¥ 19,792	¥ 14,449	$ 118
Current portion of long-term debt (Note 10)	201,013	238,072	1,951
Current portion of long-term liabilities incurred for purchase of railway facilities (Note 11)	106,851	110,058	902
Prepaid railway fares received	109,101	105,078	861
Payables:			
Accounts payable-trade	57,880	62,666	514
Unconsolidated subsidiaries and affiliated companies	33,701	28,455	233
Other	406,720	367,577	3,013
	498,301	458,698	3,760
Accrued expenses	114,492	110,317	904
Accrued consumption tax (Note 12)	11,465	14,741	121
Accrued income taxes (Note 13)	64,301	56,126	460
Other current liabilities	29,270	43,907	361
Total current liabilities	1,154,586	1,151,446	9,438
Long-Term Debt (Note 10)	2,118,651	2,069,411	16,962
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Note 11)	2,392,172	2,282,183	18,706
Accrued Severance and Retirement Benefits (Notes 2 and 14)	441,937	483,248	3,961
Deposits Received for Guarantees	256,613	245,822	2,015
Long-Term Deferred Tax Liabilities (Note 13)	3,961	2,681	22
Other Long-Term Liabilities	58,153	58,891	483
Consolidation Difference	—	816	7
Minority Interests	25,917	29,023	238
Contingent Liabilities (Note 15)			
Shareholders' Equity (Notes 16 and 20):			
Common stock, ¥50,000 par value:			
Authorized 16,000,000 shares;			
Issued and outstanding 4,000,000 shares	200,000	200,000	1,639
Additional paid-in capital	96,600	96,600	792
Retained earnings	559,801	626,968	5,139
Total shareholders' equity	856,401	923,568	7,570
	¥7,308,391	¥7,247,089	$59,402

CONSOLIDATED STATEMENTS OF INCOME

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 1999, 2000 and 2001

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	1999	2000	2001	2001
Operating Revenues (Note 17)	¥2,483,594	¥2,502,909	¥2,546,041	$20,869
Operating Expenses (Note 17):				
Transportation, other services and cost of sales	1,711,610	1,718,874	1,722,744	14,121
Selling, general and administrative expenses	437,512	442,078	499,546	4,094
	2,149,122	2,160,952	2,222,290	18,215
Operating Income (Note 17)	334,472	341,957	323,751	2,654
Other Income (Expenses):				
Interest expense on short- and long-term debt	(84,169)	(79,806)	(71,585)	(587)
Interest expense incurred for purchase of railway facilities.	(146,718)	(140,615)	(133,570)	(1,095)
Interest and dividend income	2,219	1,680	2,596	21
Equity in net income of affiliated companies	8,481	2,922	2,598	21
Cash charges for additional obligation related to transfer to Welfare Pension (Note 2)	(70,475)	—	—	—
Other, net	9,128	(4,519)	445	4
	(281,534)	(220,338)	(199,516)	(1,636)
Income Before Income Taxes	52,938	121,619	124,235	1,018
Income Taxes (Note 13):				
Current	29,231	79,103	95,446	782
Deferred	—	(25,313)	(42,570)	(349)
Minority Interests in Net Income of Consolidated Subsidiaries	(1,778)	(866)	(2,185)	(18)
Net Income	¥ 21,929	¥ 66,963	¥ 69,174	$ 567

	Yen			U.S. Dollars (Note 2)
Net Income per Share of Common Stock (Note 2)	¥ 5,482	¥ 16,741	¥ 17,294	$ 142

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 1999, 2000 and 2001

	Number of Shares of Common Stock (Thousands)	Millions of Yen		
		Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at March 31, 1998	4,000	¥200,000	¥96,600	¥468,824
Net income				21,929
Cash dividends (¥5,000 per share)				(20,000)
Bonuses to directors and corporate auditors				(473)
Balance at March 31, 1999	4,000	200,000	96,600	470,280
Cumulative effect of adopting tax effect accounting				21,646
Increase due to addition of consolidated subsidiaries				9,180
Increase due to capital increase of an equity method affiliated company				12,580
Net income				66,963
Cash dividends (¥5,000 per share)				(20,000)
Bonuses to directors and corporate auditors				(428)
Decrease due to addition of equity method affiliated companies				(420)
Balance at March 31, 2000	4,000	200,000	96,600	559,801
Effect of changing from an equity method affiliated company to a subsidiary				941
Increase due to capital increase of an equity method affiliated company				18,529
Net income				69,174
Cash dividends (¥5,000 per share)				(20,000)
Bonuses to directors and corporate auditors				(536)
Effect of changing from an equity method affiliated company to a subsidiary				(941)
Balance at March 31, 2001	4,000	¥200,000	¥96,600	¥626,968

	Millions of U.S. Dollars (Note 2)		
	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at March 31, 2000	$1,639	$792	$4,589
Effect of changing from an equity method affiliated company to a subsidiary			8
Increase due to capital increase of an equity method affiliated company			152
Net income			567
Cash dividends ($40.98 per share)			(164)
Bonuses to directors and corporate auditors			(5)
Effect of changing from an equity method affiliated company to a subsidiary			(8)
Balance at March 31, 2001	$1,639	$792	$5,139

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (Note 3)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Year ended March 31, 1999

	Millions of Yen
	1999
Cash Flows From Operating Activities:	
Net income	¥ 21,929
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation (Note 17)	319,687
Provision for severance and retirement benefits	57,454
Undistributed earnings of an affiliated company	(7,781)
Increase in receivables	(2,017)
Increase in inventories	(7,319)
Increase in real estate for sale	(2,047)
Decrease in prepaid railway fares received	(607)
Increase in payables	12,905
Decrease in accrued expenses	(5,630)
Decrease in accrued consumption tax	(10,778)
Decrease in accrued income taxes	(21,220)
Decrease in deposits received for guarantees	(16,828)
Increase in minority interests	1,495
Other	26,053
Net cash provided by operating activities	365,296
Cash Flows From Investing Activities:	
Purchase of property, plant and equipment	(312,526)
Decrease in investments and other assets	30,444
Net cash used in investing activities	(282,082)
Cash Flows From Financing Activities:	
Proceeds from commercial paper	20,000
Payments of short-term bank loans	(4,710)
Proceeds from long-term debt	341,549
Payments of long-term debt	(306,366)
Payments of liabilities incurred for purchase of railway facilities	(102,771)
Cash dividends paid	(20,000)
Net cash used in financing activities	(72,298)
Net Increase in Cash and Cash Equivalents	10,916
Cash and Cash Equivalents at Beginning of Year	226,944
Cash and Cash Equivalents at End of Year	¥237,860
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for:	
Interest	¥244,424
Income taxes	44,932

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Note 3)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2000 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2000	2001	2001
Cash Flows From Operating Activities:			
Income before income taxes	¥121,619	¥124,235	$1,018
Depreciation (Note 17)	329,583	329,651	2,702
Amortization of long-term prepaid expense	21,391	19,566	160
Increase (Decrease) in accrued severance and retirement benefits	(3,013)	43,193	354
Interest and dividend income	(1,680)	(2,596)	(21)
Interest expense	220,421	205,155	1,682
Construction grants received	(56,045)	(119,073)	(976)
Loss from disposition and provision for cost reduction of fixed assets	68,929	142,424	1,167
Decrease (Increase) in major receivables	5,209	(18,456)	(151)
Increase (Decrease) in major payables	(11,253)	18,980	156
Other	17,228	19,936	163
Sub-total	712,389	763,015	6,254
Proceeds from interest and dividends	2,091	3,288	27
Payments of interest	(222,810)	(207,038)	(1,697)
Payments of income taxes	(16,955)	(103,795)	(851)
Net cash provided by operating activities	474,715	455,470	3,733
Cash Flows From Investing Activities:			
Payments for purchases of fixed assets	(353,728)	(343,510)	(2,816)
Proceeds from sales of fixed assets	19,524	19,271	158
Proceeds from construction grants	67,452	68,196	559
Payments for purchases of investments in securities	(31,553)	(23,041)	(189)
Proceeds from(Payments for)shares of companies newly consolidated, net of cash acquired	(3,509)	1,130	9
Other	9,376	11,635	96
Net cash used in investing activities	(292,438)	(266,319)	(2,183)
Cash Flows From Financing Activities:			
Payment for redemption of commercial paper	(20,000)	—	—
Proceeds from long-term loans	144,922	147,945	1,213
Payments of long-term loans	(203,800)	(203,327)	(1,667)
Proceeds from issues of bonds	60,000	90,000	738
Payment for redemption of bonds	(2,022)	(47,010)	(385)
Payments of liabilities incurred for purchase of railway facilities	(111,943)	(106,781)	(875)
Cash dividends paid	(20,000)	(20,000)	(164)
Other	(15,290)	(21,936)	(181)
Net cash used in financing activities	(168,133)	(161,109)	(1,321)
Net Increase in Cash and Cash Equivalents	14,144	28,042	229
Cash and Cash Equivalents at Beginning of Year	237,860	255,775	2,097
Net Increase due to Addition of Consolidated Subsidiaries	3,771	—	—
Cash and Cash Equivalents at End of Year	¥255,775	¥283,817	$2,326

See accompanying notes.

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
March 31, 1999, 2000 and 2001

1. Incorporation of East Japan Railway Company

In accordance with the provisions of the Law for Japanese National Railways Restructuring (the Law), the Japanese National Railways (JNR) was privatized into six passenger railway companies, one freight railway company and several other organizations (JR Companies), on April 1, 1987.

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu in Japan. The Company operates 70 railway lines, 1,709 stations and 7,538 operating kilometers.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Companies, Shinkansen Holding Corporation and JNR Settlement Corporation (JNRSC). Most JNR assets located in eastern Honshu, except for the land and certain railway fixtures used by two Shinkansen lines, were transferred to the Company. Current liabilities and accrued severance and retirement benefits, incurred in connection with railway and other operations in the allotted area, and certain long-term debt were assumed by the Company.

The transfer values were determined by the Evaluation Council, a governmental task force, in accordance with the provisions of the Law. In general, railway assets such as railway property and equipment were valued at net book value of JNR. Nonrailway assets such as investments and other operating property and equipment were valued at prices determined by the Evaluation Council.

The land and railway fixtures of the Tohoku Shinkansen and the Joetsu Shinkansen lines were owned by Shinkansen Holding Corporation until September 30, 1991, and the Company leased such land and railway fixtures at a rent determined by Shinkansen Holding Corporation in accordance with related laws and regulations. On October 1, 1991, the Company purchased such Shinkansen facilities for a total purchase price of ¥3,106,970 million from Shinkansen Holding Corporation. Subsequent to the purchase, Shinkansen Holding Corporation was dissolved. Railway Development Fund succeeded all rights and obligations of Shinkansen Holding Corporation (see Note 11). In October 1997, Railway Development Fund and Maritime Credit Corporation merged to form Corporation for Advanced Transport & Technology.

In accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company, the Company is required to obtain approval from the Minister of Land, Infrastructure and Transport as to significant management decisions, including new issues of stock or bonds, borrowing of long-term loans, election of representative directors and corporate auditors, sale of major properties, amendment of the Articles of Incorporation and distribution of retained earnings.

2. Significant Accounting Policies

Basis of the consolidated financial statements

The Company and its consolidated subsidiaries maintain their books of account in accordance with the Japanese Commercial Code and accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The Company's and certain consolidated subsidiaries' books are also subject to the Law for Railway Business Enterprise and related regulations for a regulated company.

The accompanying consolidated financial statements are translated into English from the consolidated financial statements prepared for Securities and Exchange Law of Japan purposes. Certain modifications and reclassifications, including the presentation of the Consolidated Statements of Shareholders' Equity, have been made for the convenience of readers outside Japan who are not familiar with Japanese accounting principles and practices. Consolidated statements of cash flows are required to be disclosed in Japan beginning with the year ended March 31, 2000 (see Note 3).

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥122 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Consolidation

The consolidated financial statements of the Company include the accounts of all significant subsidiaries (together the "Companies"). Beginning with the year ended March 31, 2000, the effective-control standard was applied due to the revisions to Regulation Concerning Terminology, Forms and Method of Presentation of Consolidated Financial Statements in Japan (Regulation for Consolidated Financial Statements). This change had no material impact on the Companies' operating results or financial position. For the years ended March 31, 2000 and 2001, 97 subsidiaries were consolidated. Three subsidiaries increased in the year ended March 31, 2001 compared with the year ended March 31, 2000 because the Company additionally increased their ownership. Three subsidiaries decreased in the year ended March 31, 2001 compared with the year ended March 31, 2000 because of a merger and liquidation.

All significant intercompany transactions and accounts have been eliminated. Cost in excess of net assets of consolidated subsidiaries purchased is analyzed and allocated to appropriate accounts so long as the reason is clear and the remaining unknown portion is accounted for as consolidation difference. Such consolidation differences are amortized over 5 years on a straight line basis.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

Equity method

For the year ended March 31, 2001, investments in JAPAN TELECOM CO., LTD. and J-Phone East Co., Ltd. were accounted for by the equity method. For the year ended March 31, 2000, four affiliated companies were accounted for by the equity method. The number of equity method affiliated companies decreased because one equity method affiliated company subsequently became a consolidated subsidiary as a result of elimination of repurchased common stock which increased ownership by the Company, and a merger of two equity method affiliated companies. Beginning with the year ended March 31, 2000, the effective-influence standard was applied due to the revisions to Regulation for Consolidated Financial Statements. This change had no material impact on the Companies' operating results or financial position.

Investments in unconsolidated subsidiaries and other affiliated companies are stated mainly at weighted average cost since their equity earnings in the aggregate are not material in relation to the consolidated net income and retained earnings.

Allowance for doubtful accounts

Previously, an allowance for doubtful accounts had been mainly provided at the maximum amount deductible for the Japanese Tax Law. Beginning with the year ended March 31, 2001, the Accounting Standard for Financial Instruments has been operative. In general, the Companies provide the allowance based on the past loan loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually. This change had no material impact on the Companies' operating results or financial position.

Inventories

Inventories are stated at cost as follows:

Merchandise inventories: the retail cost method or first-in, first-out method;
Rails, materials and supplies: the moving average cost method; and
Other: the last purchased cost method

Real estate for sale

Real estate for sale is stated at the identified cost method. Devaluation loss on real estate for sale included in the other, net item of other expenses on the statement of income for the years ended March 31, 2000 and 2001 were ¥7,684 million and ¥6,850 million ($56 million), respectively.

Securities

Beginning with the year ended March 31, 2001, the Companies adopted the new Japanese Accounting Standard for Financial Instruments.

In accordance with the new accounting standard, at April 1, 2000, the Companies examined the intent of holding each security and classified those securities as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. The Companies had no trading securities through the year ended March 31, 2001. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are mainly stated at moving average cost. Available-for-sale securities are mainly stated at moving average cost.

Previously, the securities of the Companies are mainly stated at weighted average cost.

These changes had no material impact on the Companies’ operating result or financial position.

Also, based on the examination of the intent of holding each security upon application of the new accounting standard at April 1, 2000, available-for-sale securities similar to deposits as well as held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments. As a result, at April 1, 2000, securities in current assets decreased by ¥2,331 million ($19 million) and investments increased by the same amount compared with what would have been reported under the previous accounting policy.

For the year ended March 31, 2001, a ¥3,861 million ($32 million) devaluation loss on securities is included in the other, net item of other expenses on the statement of income.

Property, plant and equipment

Property, plant and equipment are stated at cost or the transfer value referred to in Note 1 above. To comply with the regulations, contributions received in connection with construction of certain railway improvements are deducted from the cost of acquired assets. Depreciation is determined primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law.

Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income.

Buildings (excluding related fixtures) acquired from April 1, 1998 onward were depreciated using the straight-line method according to the Japanese Tax Law.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	3 to 20 years

Due to Securities and Exchange Law of Japan and related regulations, consolidated semi-annual financial statements have been required to be disclosed beginning with the interim period ended September 30, 2000. Together with this change, the Companies changed the grouping of property, plant and equipment from former “rolling stock and vehicles” and “machinery and equipment” to “machinery, rolling stock and vehicles” and “other”.

Accounting for the payment for transfer to Welfare Pension

At the merger of mutual aid associations of three public corporations including Japan Railways Group Mutual Aid Association (the Association) to Welfare Pension (national pension) in accordance with the enforcement of revision of the Welfare Pension Law and the related regulations in 1996 (1996 Law No. 82), fund assets of the respective mutual aid associations were transferred to Welfare Pension. The shortage of the assets to be transferred to the Welfare Pension from the Association was shared by JNRSC and JR Companies on the basis that JNRSC would be liable for the period each member of the Association was employed by JNR, and the JR Companies for the period the member of the Association was in their employment.

The portion shared by the Company amounting to ¥77,566 million was paid in a lump sum. This is accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheet and is charged to income for the five years since the year ended March 31, 1998 on a straight-line basis. The balance at March 31, 2001 amounted to ¥15,513 million ($127 million).

Additionally, in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation (1998 Law No. 136) (JNRSC Liabilities Disposition Law), the JR Companies were obligated to assume half of the liabilities with regard to their employees as of April 1, 1987 that are included in JNRSC liabilities to be assumed under the 1996 Law.

The resulting additional obligation of ¥70,475 million, including the interest portion, was paid by the Company in a lump sum on March 3, 1999 and was accounted for as "cash charges for additional obligation related to transfer to Welfare Pension" included in other expenses on the statement of income.

Accounting for retirement benefits

Almost all employees of the Companies are generally entitled to receive lump sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own). The amounts of the severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees. Previously, most of the Companies accrued a liability for such obligation equal to 40% of the amount required if all eligible employees had voluntarily terminated their employment at the balance sheet date.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the year ended March 31, 2001. The Companies accrue liabilities for post-employment benefits at the balance sheet date in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "transition obligation") was ¥500,401 million ($4,102 million). The unrecognized transition obligation amounting to ¥497,914 million ($4,081 million) is charged to income over 10 years from the year ended March 31, 2001 on a straight line basis. And the rest of the transition obligation, amounting to ¥2,487 million ($21 million), was recognized as an expense and was included in other, net item of other expenses on the statement of income.

Actuarial gains and losses are recognized in expenses using the straight line basis over constant years (mainly 10 years) within the average of the estimated remaining service lives commencing with the following year.

As a result of these changes, expenses for the year ended March 31, 2001 increased by ¥50,812 million ($417 million) compared with what would have been under the previous accounting methods, reducing operating income by ¥48,325 million ($396 million) and income before income taxes by ¥50,812 million ($417 million).

Accounting for certain lease transactions

Finance leases which do not transfer titles to lessees are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

Accounting for research and development costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred beginning with the year ended March 31, 2000. Research and development costs included in operating expenses for the years ended March 31, 2000 and 2001 were ¥13,003 million and ¥13,507 million ($111 million), respectively.

Income taxes

Due to a revision in Regulation for Consolidated Financial Statements, the Companies adopted tax effect accounting beginning with the year ended March 31, 2000 (see Note 13).

Income taxes comprise corporation, enterprise and inhabitants taxes.

Net income per share

The computation of net income per share of common stock shown in the consolidated statements of income is based on the number of shares of common stock outstanding during each year.

The diluted net income per share is not shown, since there are no outstanding securities with dilutive effect on net income per share such as convertible bonds.

Derivative transactions

The new Japanese Accounting Standard for Financial Instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

All derivative transactions of the Companies are used for hedging purposes through the year ended March 31, 2001, and are accounted for in the following manner:

Regarding forward exchange contracts and foreign currency swap contracts, the hedged foreign currency receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate, and no gains or losses on the forward exchange contracts or foreign currency swap contracts are recorded.

Regarding interest rate swap contracts, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Foreign currency transaction

Beginning with the year ended March 31, 2001, the Companies adopted the revised Japanese Accounting Standard for Foreign Currency Transaction. This change had no impact on the Companies' operating result or financial position.

3. Changes in Presentation

Due to revision to Regulation for Consolidated Financial Statements, consolidated statements of cash flows are required to be disclosed in Japan beginning with the year ended March 31, 2000. Consolidated statements of cash flows based on the new accounting standards use presentation methods different to those of previous years, which were prepared for inclusion in the consolidated financial statements although such statements were not customarily prepared in Japan and were not required to be filed for Securities and Exchange Law of Japan purposes. The major differences are as follows:

Amortization of long-term prepaid expense is listed under Cash Flows From Operating Activities. Previously, it was included in Cash Flows From Investing Activities.

Payments of interest and income taxes are listed under Cash Flows From Operating Activities. Previously, they were listed under Supplemental Disclosures of Cash Flow Information.

Proceeds from sales of fixed assets and proceeds from construction grants are listed under Cash Flows From Investing Activities. Previously, they were included in Cash Flows From Operating Activities.

4. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities not exceeding three months at the time of purchase.

5. Inventories

Inventories consist of rails, materials, supplies, merchandise and others.

6. Real Estate for Sale

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in Higashiotsuki, which is about 90 kilometers from Tokyo, and other areas.

7. Investments in and Advances to Unconsolidated Subsidiaries and Affiliated Companies

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2000 and 2001, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Unconsolidated subsidiaries:			
Investments	¥ 4,952	¥ 6,072	$ 50
Advances	1,459	1,341	11
	6,411	7,413	61
Affiliated companies:			
Investments (including equity in earnings and capital increase of affiliated companies)	¥107,689	¥126,804	$1,039
Advances	400	—	—
	108,089	126,804	1,039
	¥114,500	¥134,217	$1,100

8. Market Value Information for Securities

The following is a summary of book value, market value and net unrealized gains of quoted securities included in investments at March 31, 2000.

	Millions of Yen
	2000
Book value	¥224,950
Market value	533,690
Net unrealized gains	¥308,740

Net unrealized gains at March 31, 2000 were mainly composed of shares of JAPAN TELECOM CO., LTD., an equity method affiliated company.

As mentioned in Note 2 above, the Companies adopted the new Japanese Accounting Standard for Financial Instruments beginning with the year ended March 31, 2001.

Information concerning available-for-sale securities with fair market values as of March 31, 2001 was as follows;

	Millions of Yen	Millions of U.S. Dollars
	2001	2001
Book value	¥153,701	$1,260
Fair market value	104,100	853
Amount corresponding to net holding losses on securities	(28,581)	(234)
Amount corresponding to applicable income taxes	20,719	170
Amount corresponding to minority interests	200	2

Amount corresponding to net holding losses on securities included the Companies' shares of the amount corresponding to net holding gains of available-for-sale securities owned by equity method affiliated companies.

According to the new standards, available-for-sale securities with fair market values will be stated at fair market value beginning with the year ended March 31, 2002. The unrealized gain or loss will be reported, net of applicable income taxes and minority interests, as a separate component of shareholders' equity.

9. Pledged Assets

At March 31, 2001, buildings and fixtures with net book value of ¥70,260 million ($576 million) and other assets of ¥5,234 million ($43 million) were pledged for as collateral for long-term debt and other liabilities.

10. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are represented by notes maturing generally within one year. The annual interest rates applicable to such loans outstanding at March 31, 2000 and 2001, principally ranged from 0.67% to 1.38% and 0.91% to 1.50%, respectively.

Long-term debt at March 31, 2000 and 2001, is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Guaranteed Bonds issued in 1991 with interest rate of 6.50% due 2001	¥ 47,010	¥ —	$ —
Nonguaranteed Bonds issued in 1992 to 2001 with interest rates ranging from 1.70% to 5.55% due 2004 to 2021	639,870	729,870	5,982
Secured Loans due 2001 to 2016 principally from banks and insurance companies with interest rates mainly ranging from 2.06% to 4.70%	28,958	24,783	203
Unsecured Loans due 2001 to 2021 principally from banks and insurance companies with interest rates mainly ranging from 1.74% to 3.75%	1,515,888	1,464,870	12,007
7.25% Euro U.S. dollar bonds due 2006	87,938	87,960	721
	2,319,664	2,307,483	18,913
Less current portion	201,013	238,072	1,951
	¥2,118,651	¥2,069,411	$16,962

Issue and maturity years above are expressed in calendar years (ending December 31 in the same year).

All debt referred to in the above table as "guaranteed," is guaranteed by the Government of Japan. All of the Company's bonds are general mortgage bonds; that is, the bondholders of the Company have a preferential right to receive payment of principal and interest in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company.

The 7.25% Euro U.S. dollar bonds in the amount of $800 million were issued in October 1996. These bonds have been hedged by a swap contract with a bank.

The annual maturities of long-term debt at March 31, 2001, were as follows:

Year ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥238,072	$1,951
2003	350,426	2,872
2004	314,037	2,574
2005	227,771	1,867
2006	180,563	1,480
2007 and thereafter	996,614	8,169

11. Long-Term Liabilities Incurred for Purchase of Railway Facilities

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million payable in equal semiannual installments through the years ending September 2051. In March 1997, the liability of ¥27,946 million payable in equal semiannual installments through the years ending March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2000 and 2001, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.89% through 2017	¥1,589,156	¥1,502,249	$12,314
Payable semiannually including interest at 6.35% through 2017	524,395	506,536	4,152
Payable semiannually including interest at 6.55% through 2051	360,852	359,950	2,950
	2,474,403	2,368,735	19,416
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.04% through 2022	24,620	23,506	192
	2,499,023	2,392,241	19,608
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	105,735	108,950	893
The Akita hybrid Shinkansen purchase liability	1,116	1,108	9
	106,851	110,058	902
	¥2,392,172	¥2,282,183	$18,706

Maturity years above are expressed in calendar years (ending December 31 in the same year).

The annual payments of long-term liabilities incurred for purchase of railway facilities at March 31, 2001, were as follows:

Year ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 110,058	$ 902
2003	88,342	724
2004	92,925	762
2005	97,756	801
2006	102,851	843
2007 and thereafter	1,900,309	15,576

12. Consumption Tax

The Japanese consumption tax is an indirect tax levied at the rate of 5%. Accrued consumption tax represents the difference between consumption tax collected from customers and consumption tax paid on purchases.

13. Income Taxes

Due to a revision in Regulation for Consolidated Financial Statements, the Companies have adopted tax effect accounting beginning with the year ended March 31, 2000. As a result of this revision, net income was ¥25,313 million and retained earnings at March 31, 2000 was ¥46,959 million more than if the Companies had not adopted tax effect accounting.

The major components of deferred income taxes and deferred tax liabilities at March 31, 2000 and 2001, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Deferred income taxes:			
Accrued severance and retirement benefits	¥ 45,792	¥ 78,119	$ 640
Reserves for bonuses	10,519	15,885	130
Excess depreciation and amortization of fixed assets	2,293	5,513	45
Accrued enterprise tax	5,737	5,034	41
Loss carry forwards for tax purposes	4,717	4,486	37
Other	8,860	15,664	129
	77,918	124,701	1,022
Less valuation allowance	(5,239)	(5,090)	(42)
Less deferred tax liabilities	(21,357)	(26,536)	(217)
	¥ 51,322	¥ 93,075	$ 763
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 14,408	¥18,470	$151
Valuation for assets and liabilities of consolidated subsidiaries	6,221	5,380	44
Other	4,689	5,367	44
	25,318	29,217	239
Less deferred income taxes	(21,357)	(26,536)	(217)
	¥ 3,961	¥ 2,681	$ 22

Income taxes consist of corporation, enterprise and inhabitants taxes. The aggregate standard effective rate of taxes on consolidated income before income taxes was approximately 47% for the year ended March 31, 1999 and approximately 42% for the years ended March 31, 2000 and 2001, due to a reduction in the rates for income taxes applicable from the year ended March 31, 1999. After adopting tax effect accounting, the actual effective income tax rate was approximately 43% for the year ended March 31, 2001.

14. Accrued Severance and Retirement Benefits and Severance and Retirement Benefit Expenses

As mentioned in Note 2 above, beginning with the year ended March 31, 2001, the Companies adopted the new Accounting Standard for Retirement Benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2001 consisted of the following:

	Millions of Yen	Millions of U.S. Dollars
	2001	2001
Projected benefit obligation	¥(937,319)	$(7,683)
Plan assets	7,390	61
Unfunded projected benefit obligation	(929,929)	(7,622)
Unrecognized transition obligation	448,123	3,673
Unrecognized actuarial differences	(1,052)	(9)
Book value (net)	(482,858)	(3,958)
Prepaid pension expense	(390)	(3)
Accrued severance and retirement benefits	¥(483,248)	$(3,961)

Severance and retirement benefit expenses included in the consolidated statement of income for the year ended March 31, 2001 consisted of the following:

	Millions of Yen	Millions of U.S. Dollars
	2001	2001
Service costs	¥ 37,300	$306
Interest cost	27,999	229
Expected return on plan assets	(119)	(1)
Amortization of transition obligation	52,278	429
Severance and retirement benefit expenses	¥117,458	$963

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. The discount rates used by the Companies are 3.0%. The rates of expected return on plan assets used by the Companies are mainly 3.0%.

15. Contingent Liabilities

The Company is contingently liable for (1) the in-substance defeasance of Japanese government guaranteed railway bonds issued by the Company, which were assigned to certain banks under the debt assumption agreements and (2) the original debt in connection with the sale of the 6.625% Euro U.S. dollar bonds for which the Company entered into a long-term cross currency and interest rate swap agreement with a bank. The outstanding amounts contingently liable under such debt assumption agreements and cross currency swap agreement at March 31, 2001 were ¥62,048 million ($509 million) and $600 million, respectively.

16. Shareholders' Equity

Under the Commercial Code of Japan, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the reserve equals to 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors of the Company. The legal reserve is included in the retained earnings.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company and in accordance with the Commercial Code of Japan.

17. Segment Information

The Companies' primary business activities include (1) transportation, (2) merchandise sales, (3) real estate leasing and (4) other services. A summary of operating revenues and costs and expenses were as follows:

	Millions of Yen					
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
1999:						
Operating revenues						
Outside customers	¥1,808,925	¥356,260	¥158,515	¥159,894	¥ —	¥2,483,594
Inside group	48,526	582	6,489	9,902	(65,499)	—
	1,857,451	356,842	165,004	169,796	(65,499)	2,483,594
Costs and expenses	1,563,356	353,253	134,572	163,746	(65,805)	2,149,122
Operating income	¥ 294,095	¥ 3,589	¥ 30,432	¥ 6,050	¥ 306	¥ 334,472
Identifiable assets	¥5,865,040	¥131,055	¥777,496	¥285,755	¥227,687	¥7,287,033
Depreciation	271,250	7,251	26,766	14,420	—	319,687
Capital investments	254,088	15,194	29,336	13,908	—	312,526
2000:						
Operating revenues						
Outside customers	¥1,799,051	¥379,213	¥143,432	¥181,213	¥ —	¥2,502,909
Inside group	64,925	69,050	11,707	158,220	(303,902)	—
	1,863,976	448,263	155,139	339,433	(303,902)	2,502,909
Costs and expenses	1,569,198	442,480	122,590	329,867	(303,183)	2,160,952
Operating income	¥ 294,778	¥ 5,783	¥ 32,549	¥ 9,566	¥ (719)	¥ 341,957
Identifiable assets	¥5,782,101	¥165,416	¥778,740	¥340,606	¥241,528	¥7,308,391
Depreciation	265,451	8,552	27,090	28,490	—	329,583
Capital investments	279,955	19,542	25,435	26,812	—	351,744

	Millions of Yen					
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
2001:						
Operating revenues						
Outside customers	¥1,805,663	¥386,033	¥152,438	¥201,907	¥ —	¥2,546,041
Inside group	68,041	62,998	11,116	169,250	(311,405)	—
	1,873,704	449,031	163,554	371,157	(311,405)	2,546,041
Costs and expenses	1,609,731	440,052	128,110	355,168	(310,771)	2,222,290
Operating income	¥ 263,973	¥ 8,979	¥ 35,444	¥ 15,989	¥ (634)	¥ 323,751
Identifiable assets	¥5,666,824	¥168,151	¥783,973	¥356,862	¥271,279	¥7,247,089
Depreciation	263,763	9,000	28,539	28,349	—	329,651
Capital investments	262,794	11,056	27,271	43,617	—	344,738

	Millions of U.S. Dollars					
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
2001:						
Operating revenues						
Outside customers	$14,801	$3,164	$1,249	$1,655	$ —	$20,869
Inside group	557	517	92	1,387	(2,553)	—
	15,358	3,681	1,341	3,042	(2,553)	20,869
Costs and expenses	13,194	3,607	1,050	2,911	(2,547)	18,215
Operating income	$ 2,164	$ 74	$ 291	$ 131	$ (6)	$ 2,654
Identifiable assets	$46,449	$1,378	$6,426	$2,925	$2,224	$59,402
Depreciation	2,162	74	234	232	—	2,702
Capital investments	2,154	91	224	357	—	2,826

Capital investments include a portion contributed mainly by national and local governments. Assets in the corporate column mainly comprise current and non-current securities of the Company.

Due to an increase in sales of consolidated subsidiaries to external customers, certain transactions that had been eliminated as transactions within the transportation segment in previous years are, beginning with the year ended March 31, 2000, treated as inside group transactions independent of the transportation segment for the purpose of more accurately reflecting the segments to which each consolidated subsidiary belongs.

If segment results for the year ended March 31, 1999 had been reported on this basis, inside group transactions would have been ¥63,881 million for transportation, ¥66,132 million for merchandise sales, ¥9,773 million for real estate leasing and ¥113,692 million for other services. There would have been no change in operating income.

Furthermore, identifiable assets would have been ¥5,855,242 million for transportation, ¥158,376 million for merchandise sales, ¥773,542 million for real estate leasing and ¥313,067 million for other services.

Each of the Companies' business activities consists mainly of the following:

Transportation : Passenger railway, Bus services;
Merchandise sales : Food and drink sales, Wholesale and retail sales;
Real estate leasing : Lease of real estate (mainly shopping centers); and
Other services : Hotel operations, Advertising and publicity, Truck delivery services, Information processing, Cleaning services and Others

As referred to in Note 2, the Accounting Standard for Retirement Benefits in Japan has been operative beginning with the year ended March 31, 2001. As a result, in the transportation segment, costs and expenses were ¥48,120 million ($394 million) more than if the previous accounting methods had been applied, reducing operating income by the same amount. In the merchandise sales segment, costs and expenses decreased by ¥269 million ($2 million) and operating income increased by the same amount. In the real estate leasing segment, costs and expenses increased by ¥226 million ($2 million) and operating income decreased by the same amount. In the other services segment, costs and expenses increased by ¥248 million ($2 million) and operating income decreased by the same amount.

Geographic segment information is not shown since the Company has no overseas consolidated subsidiaries. Information for overseas sales is not shown due to there being no overseas sales.

18. Information Regarding Certain Leases

Finance leases other than those which transfer ownership to lessees are accounted for in the same manner as operating leases. Under such finance leases, lease payments, which are charged to income for the years ended March 31, 2000 and 2001, amounted to ¥15,983 million and ¥14,620 million ($120 million), respectively. Lease income which are credited to income for the years ended March 31, 2000 and 2001 were ¥1,029 million and ¥1,365 million ($11 million), respectively.

Future lease payments and receipts, both inclusive of interest, at March 31, 2001 were ¥54,111 million ($444 million), including due in one year of ¥13,492 million ($111 million) and ¥6,597 million ($54 million), including due in one year of ¥2,088 million ($17 million), respectively.

19. Information for Derivative Transactions

The Companies deal with forward exchange, currency swap and interest rate swap transactions to hedge the risks resulting from future changes in foreign exchange rates and interest rates (market risk) with regard to bonds, loans and other obligations.

The Companies believe there is extremely low risk of default by derivative transaction counterparties as all such transactions are with financial institutions having sound reputations.

Contracts of derivative transactions are executed only after prudent consideration by the finance section of each of the Companies and upon resolution of its Board of Directors or other appropriate internal approval process.

20. Subsequent Event

At the June 2001 annual meeting, the shareholders of the Company approved (1) the payment of a year-end cash dividend of ¥2,500 ($20) per share, aggregating ¥10,000 million ($82 million), and (2) the payment of bonuses to directors and corporate auditors of ¥175 million ($1 million).

ARTHUR ANDERSEN

Asahi & Co

A Member Firm of Arthur Andersen

Report of Independent Public Accountants

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated balance sheets of East Japan Railway Company (a Japanese Corporation) and subsidiaries as of March 31, 2000 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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 East Japan Railway Company and subsidiaries as of March 31, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except as noted in the following paragraph.

As explained in Note 2, East Japan Railway Company and subsidiaries prospectively adopted new Japanese accounting standards for (a) financial instruments, severance and retirement benefits and foreign currency transaction in the year ended March 31, 2001 and (b) consolidation and equity method accounting, income taxes and research and development costs in the year ended March 31, 2000. Also, East Japan Railway Company and subsidiaries changed the method of presenting intersegment transactions, effective April 1, 1999, as referred to in Note 17, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 2.

Asahi & Co.

Tokyo, Japan
June 27, 2001

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position, results of operations and cash flows. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

CONSOLIDATED SUBSIDIARIES AND EQUITY METHOD AFFILIATED COMPANIES
(As of March 31, 2001)

Consolidated Subsidiaries

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
1. JR Bus Kanto Co.,Ltd.	¥4,000	100.0%	Bus services
2. JR Bus Tohoku Co.,Ltd.	2,350	100.0	Bus services
3. Higashinihon Kiosk Co., Ltd.	3,500	90.0	Retail sales
4. JR East Department Store Co., Ltd.	1,000	70.0	Retail sales
5. JR Takasaki Trading Co., Ltd.	490	100.0	Retail sales and wholesale
6. Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
7. JR East Convenience Stores Co., Ltd.	400	100.0	Retail sales
8. Juster Co., Ltd.	400	100.0	Retail sales
9. Shinano Enterprise Co., Ltd.	400	100.0	Retail sales
10. Tokki Co., Ltd.	400	100.0	Retail sales
11. JR Kanagawa Planning & Development Co., Ltd.	370	100.0	Retail sales
12. Keiyo Planning & Development Co., Ltd.	370	100.0	Retail sales
13. Mito Service Development Co., Ltd.	360	100.0	Retail sales
14. JR Kaiji Planning & Development Co., Ltd.	350	100.0	Retail sales
15. JR Utsunomiya Planning & Development Co., Ltd.	320	100.0	Retail sales
16. JR Atlis Co., Ltd.	310	100.0	Retail sales
17. Nippon Restaurant Enterprise Co., Ltd.	730	91.3	Restaurant business and retail sales
18. East Japan Restaurant Co., Ltd. (Note 3)	721	99.9	Restaurant business
19. East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
20. Lumine Co., Ltd.	2,375	85.8	Real estate leasing
21. Shinjuku Station Building Co., Ltd.	1,943	66.0	Real estate leasing
22. JR East Urban Development Corporation	1,450	100.0	Real estate leasing and retail sales
23. Utsunomiya Station Development Co., Ltd.	1,230	98.5	Real estate leasing
24. Kokubunji Terminal Building Co.,Ltd.	1,000	84.5	Real estate leasing
25. Hachioji Terminal Building Co.,Ltd.	1,000	75.0	Real estate leasing
26. Omori Primo Co., Ltd. (Note 4)	1,000	65.0	Real estate leasing
27. Oyama Station Development Co., Ltd.	950	97.1	Real estate leasing
28. Lumine Ogikubo Co., Ltd.	600	80.0	Real estate leasing
29. Kawasaki Station Building Co.,Ltd.	600	76.4	Real estate leasing
30. Tsuchiura Station Development Co., Ltd.	500	75.0	Real estate leasing
31. Mito Station Development Co., Ltd.	500	73.0	Real estate leasing
32. Kameido Station Building Co., Ltd.	500	51.9	Real estate leasing
33. Box Hill Co., Ltd.	450	73.3	Real estate leasing
34. Nagano Station Building Co., Ltd.	450	70.0	Real estate leasing
35. Aomori Station Development Co., Ltd.	400	81.3	Real estate leasing
36. Lumine Chigasaki Co., Ltd.	400	78.8	Real estate leasing
37. Kofu Station Building Co., Ltd.	400	75.0	Real estate leasing
38. Fukushima Station Development Co., Ltd.	350	78.6	Real estate leasing
39. Kumagaya Station Development Co., Ltd.	350	76.9	Real estate leasing
40. Tetsudo Kaikan Co., Ltd.	340	63.1	Real estate leasing
41. The EKIBIRU Development Co. TOKYO	300	100.0	Real estate leasing

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
42. Matsumoto Station Building Co., Ltd.	¥ 300	91.7%	Real estate leasing
43. Koriyama Station Building Co., Ltd.	250	78.0	Real estate leasing
44. Echigo Station Development Co., Ltd.	208	78.8	Real estate leasing
45. Hirosaki Station Building Co., Ltd.	200	72.5	Real estate leasing
46. Hiratsuka Station Building Co., Ltd.	200	51.0	Real estate leasing
47. Yokohama Station Building Co., Ltd.	200	51.0	Real estate leasing
48. Kinshicho Station Building Co., Ltd.	160	56.0	Real estate leasing
49. Sobu Station Development Co., Ltd.	150	84.0	Real estate leasing
50. Chiba Station Building Co., Ltd.	150	62.9	Real estate leasing
51. Kamata Station Building Co., Ltd.	140	85.0	Real estate leasing
52. Kichijoji Lonlon Co., Ltd.	130	80.0	Real estate leasing
53. Tsurumi Station Building Co., Ltd.	100	56.5	Real estate leasing
54. Iwaki Chuo Station Building Co., Ltd.	100	52.0	Real estate leasing
55. Meguro Station Building Co., Ltd.	82	80.0	Real estate leasing
56. Akita Station Department Store Co., Ltd. (Note 2)	80	51.4	Real estate leasing
57. Abound Co., Ltd.	30	65.3	Real estate leasing
58. Ikebukuro Terminal Building Co., Ltd.	6,000	54.0	Hotel operations and real estate leasing
59. Yamagata Terminal Building Co., Ltd.	5,000	96.0	Hotel operations
60. Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
61. Hotel Edmont Co., Ltd.	2,400	63.8	Hotel operations
62. Sendai Terminal Building Co., Ltd.	1,800	71.9	Hotel operations and real estate leasing
63. Tohoku Resort System Co., Ltd.	1,200	80.4	Hotel operations
64. Akita Terminal Building Co., Ltd.	1,000	78.0	Hotel operations
65. Morioka Terminal Building Co., Ltd.	900	75.6	Hotel operations
66. Takasaki Terminal Building Co., Ltd.	780	71.2	Hotel operations
67. Nippon Hotel Co., Ltd.	150	56.6	Hotel operations
68. East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
69. Tokyo Media Services Co., Ltd.	104	100.0	Advertising and publicity
70. JR East Housing Development Co., Ltd.	200	73.8	Real estate sales and management
71. JR East Japan Information Systems Company	500	100.0	Information processing
72. JR East Management Service Co., Ltd.	80	100.0	Information services
73. East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services
74. Railway Servicing Co., Ltd.	38	38.6 (61.4)	Cleaning services
75. Kanto Railway Servicing Co., Ltd.	38	35.6 (64.4)	Cleaning services
76. East Japan Railway Servicing Co., Ltd.	38	29.0 (71.0)	Cleaning services
77. JR Technoservice Sendai Co., Ltd. (Note 5)	25	100.0	Cleaning services
78. Niigata Railway Servicing Co., Ltd.	17	85.2	Cleaning services
79. East Japan Amenitec Co., Ltd. (Note 6)	13	100.0	Cleaning services

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
80. Chiba Railway Servicing Co., Ltd.	¥ 12	25.3% (74.7)	Cleaning services
81. Akita Clean Servicing Co., Ltd. (Note 7)	10	100.0	Cleaning services
82. Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
83. Takasaki Railway Servicing Co., Ltd.	10	45.8 (54.2)	Cleaning services
84. Mito Railway Servicing Co., Ltd.	10	25.3 (74.7)	Cleaning services
85. East Japan Transport Technology Co., Ltd. (Notes 2, 8)	80	51.0	Machinery and rolling stock maintenance
86. Tohoku Kotsu Kikai Co., Ltd. (Note 2)	72	50.7	Machinery and rolling stock maintenance
87. View World Co., Ltd.	450	51.0	Travel agency services
88. JR East Facility Management Co., Ltd.	50	100.0	Building maintenance
89. JR East Logistics Co.,Ltd.	100	100.0	Truck delivery services
90. JR East Rental & Lease Co., Ltd.	165	81.5	Car leasing
91. Union Construction Co., Ltd.	120	60.0	Construction
92. JR East Sports Co., Ltd.	400	100.0	Athletic club operations
93. JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
94. JR East Consultants Company	50	100.0	Consulting
95. JR East Design Corporation	50	100.0	Consulting
96. Gala Yuzawa Co., Ltd.	300	92.7	Ski resort operations

JR East Car Sales Corporation is not shown on this list as it was dissolved on August 21, 2000.

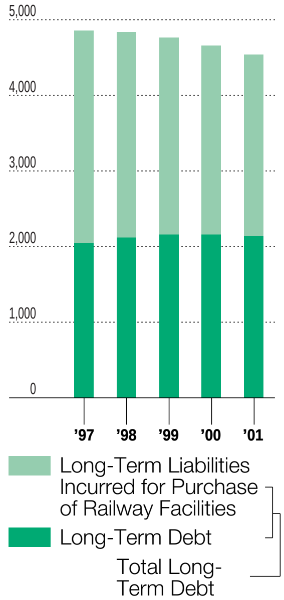
Equity Method Affiliated Companies

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
1. J-Phone East Co., Ltd. (Note 9)	¥178,676	5.7% (22.8)	Telecommunication services
2. Japan Telecom Co., Ltd.	177,251	15.2	Telecommunication services

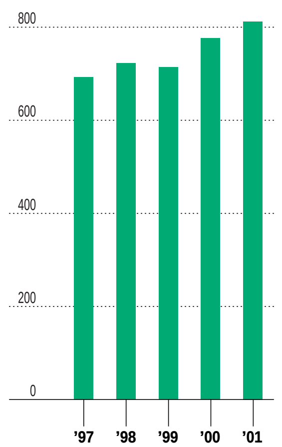
Notes:
1. Percentages in parentheses represent shares held by other parties that vote along with the interests of JR East and do not include the percentage shown immediately above.
2. In the year ended March 31, 2001, these subsidiaries were newly consolidated.
3. East Japan Restaurant Co., Ltd. merged with J.B. Co., Ltd. in April 1, 2001, and changed its name to JR East Food Business Co., Ltd..
4. Omori Primo Co., Ltd. changed its name from Omori Terminal Building Co., Ltd. on August 1, 2000.
5. JR Technoservice Sendai Co., Ltd. changed its name from Tohoku Railway Servicing Co., Ltd. when Tohoku Railway Servicing Co., Ltd., Tohoku Shinkansen Servicing Co., Ltd. and East Japan Comfotec Co., Ltd. were merged on April 1, 2000. Tohoku Shinkansen Servicing Co., Ltd. and East Japan Comfotec Co., Ltd. were dissolved after the merger.
6. East Japan Amenitec Co., Ltd. changed its name from Kenyusha Co., Ltd. on April 1, 2000.
7. Akita Clean Servicing Co., Ltd. changed its name from Akita Railway Servicing Co., Ltd. on April 1, 2000.
8. East Japan Transport Technology Co., Ltd. was an equity method affiliated company newly consolidated in the year ended March 31, 2001. The company changed its name from Japan Transport Machinery Co., Ltd. on September 1, 2000.
9. J-Phone East Co., Ltd. changed its name from J-Phone Tokyo Co., Ltd. when J-Phone Tokyo Co., Ltd. and J-Phone Tohoku Co., Ltd. along with J-Phone Hokkaido Co., Ltd. were merged on October 1, 2000. J-Phone Tohoku Co., Ltd. was dissolved after the merger.

NONCONSOLIDATED FINANCIAL REVIEW

Total Long-Term Debt
(Billions of Yen)



Shareholders' Equity
(Billions of Yen)



Overview

During the year ended March 31, 2001 (fiscal 2001), the Japanese economy experienced a trend of slow improvement with capital investment in the private sector recovering for the background of improvement of corporate profits. However, personal consumption, comprising the majority of private-sector demand remained subdued, without significant improvement in the employment and income environment. Further, the economy started to show signs of weakness again towards the end of the term, with exports and industrial production declining, affected by the overseas economic slowdown.

JR East carried out various countermeasures to increase managerial efficiency by implementing a thorough review of all classes of expenses, as well as making efforts to increase revenues by effective use of the five-route Shinkansen network, in order to overcome such a severe economic situation.

Operating revenues increased 0.7% to ¥1,913.5 billion ($15,684 million), supported by an increase in non-commuter revenues. Operating income decreased 8.7% to ¥288.8 billion ($2,367 million) because of a large increase in operating expenses due to the amortization of a shortfall in obligations for severance and retirement benefits. Net income decreased 6.8% to ¥56.3 billion ($461 million) because operating expenses increased in spite of effort to reduce interest expenses by continuous reduction in total long-term debt. The shareholders' equity ratio rose to 12.5% at the end of fiscal 2001 compared with 11.7% at the end of fiscal 2000.

Fiscal 2001 Results

Operating Revenues

Revenues from railway operations increased 0.5% to ¥1,852.9 billion ($15,188 million), and accounted for 96.8% of total operating revenues.

Shinkansen network revenues increased 1.2% to ¥463.2 billion ($3,796 million). These results benefited mainly from the December 1999 commencement of service on the extension of Yamagata hybrid Shinkansen to Shinjo, growth in commuter pass revenues and the expansion of the number of reserved seats. Revenues from commuter passes increased 4.4% to ¥20.3 billion ($166 million) and non-commuter revenues increased 1.1% to ¥442.9 billion ($3,630 million). The volume of transportation increased 0.8% to 17.7 billion passenger-kilometers.

Tokyo metropolitan area network revenues increased 0.1% to ¥844.0 billion ($6,918 million). Although commuter pass revenues were lower because of a decline in the number of students and other factors, non-commuter revenues from travel within a 100-kilometer radius of the departure station grew. Revenues from commuter passes decreased 0.4% to ¥348.6 billion ($2,858 million). Non-commuter revenues increased 0.4% to ¥495.3 billion ($4,060 million). Passenger-kilometers decreased 0.8% to 76.5 billion.

Intercity and regional networks revenues decreased 0.2% to ¥373.1 billion ($3,058 million) because of a decline of passenger volume. Commuter pass revenues decreased 0.2% to ¥120.2 billion ($985 million) and non-commuter revenues decreased 0.2% to ¥252.9 billion ($2,073 million). Passenger-kilometers decreased 0.7% to 31.2 billion.

Operating Results and Financial Position Summary

	Millions of Yen (except for per share data)				
	1997	1998	1999	2000	2001
For the Year:					
Operating Revenues	¥1,967,935	¥1,945,886	¥1,909,379	¥1,899,905	¥1,913,453
Operating Income	396,222	348,204	312,693	316,371	288,785
Net Income	57,778	50,231	11,886	60,340	56,256
Depreciation	238,103	243,076	277,007	271,298	270,543
Net Income and Depreciation	295,881	293,307	288,893	331,638	326,799
Net Income per Share of Common Stock (yen)	14,445	12,558	2,972	15,085	14,064
Net Income and Depreciation per Share of Common Stock (yen)	73,970	73,327	72,223	82,910	81,700
At Year-End:					
Total Assets	¥6,757,431	¥6,716,093	¥6,634,312	¥6,624,789	¥6,515,098
Long-Term Debt	2,045,490	2,119,481	2,156,673	2,158,659	2,145,276
Long-Term Liabilities Incurred for Purchase of Railway Facilities *	2,812,547	2,713,737	2,610,966	2,499,023	2,392,241
Total Long-Term Debt **	4,858,037	4,833,218	4,767,639	4,657,682	4,537,517
Total Shareholders' Equity	692,527	722,554	714,255	776,114	812,184

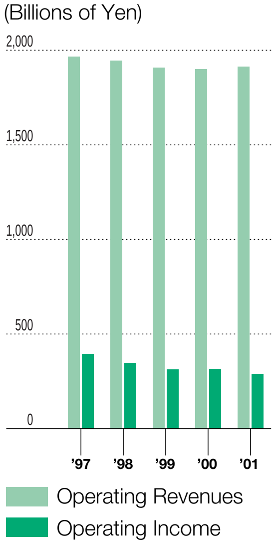
	Percent				
Ratios:					
Net income as a percentage of revenues	2.9%	2.6%	0.6%	3.2%	2.9%
Return on average equity	8.6	7.1	1.7	8.1	7.1
Ratio of operating income to average assets	5.9	5.2	4.7	4.8	4.4
Equity ratio	10.2	10.8	10.8	11.7	12.5
Debt-to-equity ratio	875.8	829.5	828.8	753.6	702.2

Notes:
1. Net Income decreased significantly in fiscal 1999, mainly because "cash charges for additional obligation related to transfer to Welfare Pension" (see page 68) was accounted for in other expenses.
2. Tax effect accounting was adopted beginning with fiscal 2000.
3. Accounting for retirement benefits was adopted beginning with fiscal 2001.
4. Capital Expenditures funded by JR East were ¥277,308 million in fiscal 1997, ¥218,959 million in fiscal 1998, ¥214,697 million in fiscal 1999, ¥223,601 million in fiscal 2000 and ¥222,356 million ($1,823 million) in fiscal 2001.

* Long-term liabilities incurred for purchase of the Tohoku and Joetsu Shinkansen facilities and the Akita hybrid Shinkansen facilities

** The weighted average interest rate on total long-term debt was 5.10% at the end of fiscal 1997, 4.84% at the end of fiscal 1998, 4.62% at the end of fiscal 1999, 4.47% at the end of fiscal 2000 and 4.25% at the end of fiscal 2001.

Operating Revenues and Operating Income
(Billions of Yen)

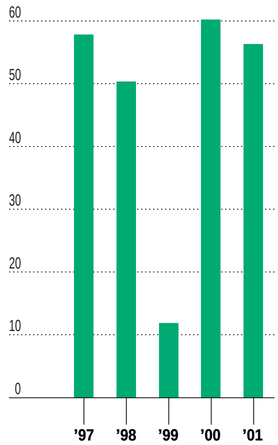


Revenues from other railway business activities are derived from fee-based operations such as advertising, retail businesses within train stations, travel agency services and track access charges paid by Japan Freight Railway Company (JR Freight) for the use of JR East lines. These revenues increased 2.1% to ¥172.7 billion ($1,416 million) because of an increase in fees for travel agency services and other factors.

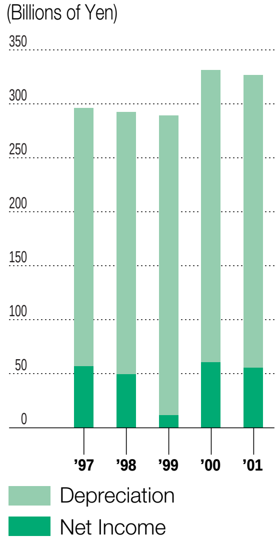
Revenues from other operations are chiefly generated by real estate business, credit cards, and directly managed stores and restaurants. This figure increased 8.2% to ¥60.5 billion ($496 million) and accounted for 3.2% of total operating revenues. The increase was due to revenues from housing development and sales, credit cards and other factors.

As a result of the above factors, total operating revenues increased 0.7% to ¥1,913.5 billion ($15,684 million).

Net Income
(Billions of Yen)



Net Income and Depreciation
(Billions of Yen)



Operating Expenses

Railway operating expenses increased 2.6% to ¥1,590.0 billion ($13,033 million) because personnel expenses increased due to amortization of the shortfall in obligations for severance and retirement benefits. The Nagano Shinkansen usage fees amounted to ¥19.2 billion ($157 million) (see page 29).

Operating expenses in other operations increased 3.9% to ¥34.7 billion ($284 million). This was due primarily to the increase in cost of sales resulting from favorable housing development and sales.

As a result, total operating expenses increased 2.6% to ¥1,624.7 billion ($13,317 million).

Personnel expenses increased 6.3% to ¥661.1 billion ($5,419 million), accounting for 40.7% of operating expenses and 34.5% of operating revenues. This was due to amortizing the shortfall in obligations for severance and retirement benefits.

Operating Income

As a result, operating income decreased 8.7% to ¥288.8 billion ($2,367 million). The ratio of this figure to total operating revenues was 15.1%.

Other Income (Expenses)

Total interest expenses decreased 6.7% to ¥202.1 billion ($1,657 million). The weighted average interest on long-term debt as of March 31, 2001 was 4.25%, compared with 4.47% one year earlier.

Interest expense on short- and long-term debt, excluding long-term liabilities incurred for purchase of railway facilities, decreased 10.0% to ¥68.5 billion ($562 million) as a result of the ongoing reduction in long-term debt and the refinancing of debt at lower rates, reflecting continued low interest rates in Japan.

Interest expense incurred for purchase of railway facilities decreased 5.0% to ¥133.6 billion ($1,095 million). This decrease was due to the inherent increase in the proportion of each installment amount constituted by principal, since the payment in respect of the purchase price is made in equal semiannual installments, as well as a decrease in the interest proportion of such installments resulting from declining variable interest rates applicable to a substantial portion of long-term liabilities incurred for purchase of railway facilities (see page 72).

Interest and dividend income increased 16.6% to ¥2.9 billion ($24 million). The other, net item contributed income of ¥8.0 billion ($66 million), up from income of ¥2.3 billion because of revenue from investment in leases and others.

As a result, other expenses decreased 9.8% to ¥191.2 billion ($1,567 million).

Income before Income Taxes and Net Income

As a result, income before income taxes decreased 6.6% to ¥97.6 billion ($800 million). Net income decreased 6.8% to ¥56.3 billion ($461 million).

NONCONSOLIDATED BALANCE SHEETS

EAST JAPAN RAILWAY COMPANY
March 31, 2000 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2000	2001	2001
Assets			
Current Assets:			
Cash and cash equivalents (Note 3)	¥ 160,162	¥ 162,739	$ 1,334
Receivables:			
Accounts receivable-trade	33,272	37,900	311
Subsidiaries and affiliated companies	12,270	15,299	125
Other	60,889	74,293	609
Allowance for doubtful accounts (Note 2)	(191)	(722)	(6)
	106,240	126,770	1,039
Inventories (Notes 2 and 4)	8,799	9,639	79
Real estate for sale (Notes 2 and 5)	39,437	28,800	236
Deferred income taxes (Note 12)	18,767	23,943	196
Other current assets	16,951	15,625	128
Total current assets	350,356	367,516	3,012
Investments:			
Subsidiaries and affiliated companies (Notes 6 and 7)	152,695	157,328	1,290
Other (Note 7)	138,272	154,407	1,265
	290,967	311,735	2,555
Property, Plant and Equipment (Notes 2 and 8):			
Railway	8,756,086	8,777,936	71,950
Other operations	1,233,171	1,249,742	10,244
Construction in progress	148,293	103,806	851
	10,137,550	10,131,484	83,045
Less accumulated depreciation	4,261,149	4,411,893	36,163
Net property, plant and equipment	5,876,401	5,719,591	46,882
Other Assets:			
Long-term deferred income taxes (Note 12)	25,193	57,932	475
Other	81,872	58,324	478
	107,065	116,256	953
	¥ 6,624,789	¥ 6,515,098	$53,402

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2000	2001	2001
Liabilities and Shareholders' Equity			
Current Liabilities:			
Current portion of long-term debt (Note 9)	¥ 164,373	¥ 201,340	$ 1,650
Current portion of long-term liabilities incurred for purchase of railway facilities (Note 10)	106,851	110,058	902
Prepaid railway fares received	109,077	105,065	861
Payables:			
Subsidiaries and affiliated companies	87,064	79,163	649
Other	337,371	284,604	2,333
	424,435	363,767	2,982
Accrued expenses	98,696	93,618	767
Accrued consumption tax (Note 11)	8,732	11,848	97
Accrued income taxes (Note 12)	56,724	45,828	376
Other current liabilities	13,608	28,191	232
Total current liabilities	982,496	959,715	7,867
Long-Term Debt (Note 9)	1,994,286	1,943,936	15,934
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Note 10)	2,392,172	2,282,183	18,706
Accrued Severance and Retirement Benefits (Note 2)	417,499	457,862	3,753
Other Long-Term Liabilities	62,222	59,218	485
Contingent Liabilities (Note 13)			
Shareholders' Equity (Notes 14 and 17):			
Common stock, ¥50,000 par value:			
Authorized 16,000,000 shares;			
Issued and outstanding 4,000,000 shares	200,000	200,000	1,639
Additional paid-in capital	96,600	96,600	792
Legal reserve	19,138	21,156	173
Retained earnings	460,376	494,428	4,053
Total shareholders' equity	776,114	812,184	6,657
	¥6,624,789	¥6,515,098	$53,402

NONCONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

EAST JAPAN RAILWAY COMPANY
Years ended March 31, 1999, 2000 and 2001

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	1999	2000	2001	2001
Operating Revenues:				
Railway	¥1,852,849	¥1,843,936	¥1,852,913	$15,188
Other operations	56,530	55,969	60,540	496
	1,909,379	1,899,905	1,913,453	15,684
Operating Expenses:				
Railway	1,559,497	1,550,132	1,589,975	13,033
Other operations	37,189	33,402	34,693	284
	1,596,686	1,583,534	1,624,668	13,317
Operating Income	312,693	316,371	288,785	2,367
Other Income (Expenses):				
Interest expense on short- and long-term debt	(79,890)	(76,084)	(68,503)	(562)
Interest expense incurred for purchase of railway facilities	(146,718)	(140,615)	(133,570)	(1,095)
Interest and dividend income	2,772	2,485	2,898	24
Cash charges for additional obligation related to transfer to Welfare Pension (Note 2)	(70,475)	—	—	—
Other, net	13,183	2,265	7,965	66
	(281,128)	(211,949)	(191,210)	(1,567)
Income Before Income Taxes	31,565	104,422	97,575	800
Income Taxes (Note 12)				
Current	19,679	66,431	79,234	649
Deferred	—	(22,349)	(37,915)	(310)
Net Income	11,886	60,340	56,256	461
Retained Earnings at Beginning of Year	410,844	400,527	460,376	3,774
Cumulative Effect of Adopting Tax Effect Accounting	—	21,611	—	—
	422,730	482,478	516,632	4,235
Appropriations:				
Cash dividends ¥5,000 ($40.98) per share	20,000	20,000	20,000	164
Bonuses to directors and corporate auditors	185	93	185	1
Transfer to legal reserve (Note 14)	2,018	2,009	2,019	17
	22,203	22,102	22,204	182
Retained Earnings at End of Year	¥ 400,527	¥ 460,376	¥ 494,428	$ 4,053

	Yen			U.S. Dollars (Note 2)
Net Income per Share of Common Stock (Note 2)	¥ 2,972	¥ 15,085	¥ 14,064	$ 115

See accompanying notes.

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

EAST JAPAN RAILWAY COMPANY
March 31, 1999, 2000 and 2001

1. Incorporation of East Japan Railway Company

In accordance with the provisions of the Law for Japanese National Railways Restructuring (the Law), the Japanese National Railways (JNR) was privatized into six passenger railway companies, one freight railway company and several other organizations (JR Companies), on April 1, 1987.

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu in Japan. The Company operates 70 railway lines, 1,709 stations and 7,538 operating kilometers.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Companies, Shinkansen Holding Corporation and JNR Settlement Corporation (JNRSC). Most JNR assets located in eastern Honshu, except for the land and certain railway fixtures used by two Shinkansen lines, were transferred to the Company. Current liabilities and accrued severance and retirement benefits, incurred in connection with railway and other operations in the allotted area, and certain long-term debts were assumed by the Company.

The transfer values were determined by the Evaluation Council, a governmental task force, in accordance with the provisions of the Law. In general, railway assets such as railway property and equipment were valued at net book value of JNR. Nonrailway assets such as investments and other operating property and equipment were valued at prices determined by the Evaluation Council.

The land and railway fixtures of the Tohoku Shinkansen and the Joetsu Shinkansen lines were owned by Shinkansen Holding Corporation until September 30, 1991, and the Company leased such land and railway fixtures at a rent determined by Shinkansen Holding Corporation in accordance with related laws and regulations. On October 1, 1991, the Company purchased such Shinkansen facilities for a total purchase price of ¥3,106,970 million from Shinkansen Holding Corporation. Subsequent to the purchase, Shinkansen Holding Corporation was dissolved. Railway Development Fund succeeded all rights and obligations of Shinkansen Holding Corporation (see Note 10). In October 1997, Railway Development Fund and Maritime Credit Corporation merged to form Corporation for Advanced Transport & Technology.

In accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company, the Company is required to obtain approval from the Minister of Land, Infrastructure and Transport as to significant management decisions, including new issues of stock or bonds, borrowing of long-term loans, election of representative directors and corporate auditors, sale of major properties, amendment of the Articles of Incorporation and distribution of retained earnings.

2. Significant Accounting Policies

Basis of the financial statements

The Company maintains its books of account in accordance with the Japanese Commercial Code and accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The Company's books are also subject to the Law for Railway Business Enterprise and related regulations for a regulated company.

The accompanying nonconsolidated financial statements are translated into English from the financial statements prepared for Securities and Exchange Law of Japan purposes. Certain modifications and reclassifications have been made for the convenience of readers outside Japan who are not familiar with Japanese accounting principles and practices.

The financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥122 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Allowance for doubtful accounts

Previously, an allowance for doubtful accounts had been provided at the maximum amount deductible for the Japanese Tax Law. Beginning with the year ended March 31, 2001, the Accounting Standard for Financial Instruments has been operative. In general, the Company provides the allowance based on the past loan loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually. This change had no material impact on the Company's operating results or financial position.

Inventories
Inventories are stated at the moving average cost.

Real estate for sale
Real estate for sale is stated at identified cost method. Devaluation loss on real estate for sale included in the other, net item of other expenses on the statement of income and retained earnings for the years ended March 31, 2000 and 2001 were ¥7,601 million and ¥ 6,773 million ($56 million), respectively.

Securities
Beginning with the year ended March 31, 2001, the Company adopted the new Japanese Accounting Standard for Financial Instruments.

In accordance with the new accounting standard, at April 1, 2000, the Company examined the intent of holding each security and classified those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. The Company had no trading securities through the year ended March 31, 2001. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies are stated at moving average cost. Available-for-sale securities are stated at moving average cost.

Previously, the securities of the Company are stated at weighted average cost.

These changes had no material impact on the Company's operating result or financial position.

Also, based on the examination of the intent of holding each security upon application of the new accounting standard at April 1, 2000, available-for-sale securities similar to deposits as well as held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments.

Property, plant and equipment
Property, plant and equipment are stated at cost or the transfer value referred to in Note 1 above. To comply with the regulations, contributions received in connection with construction of certain railway improvements are deducted from the cost of acquired assets. Depreciation is determined primarily by the declining balance method based on the useful lives of the assets as prescribed by the Japanese Tax Law.

Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income.

Buildings (excluding related fixtures) acquired from April 1, 1998 onward were depreciated using the straight-line method according to the Japanese Tax Law.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	3 to 20 years

Accounting for the payment for transfer to Welfare Pension
At the merger of mutual aid associations of three public corporations including Japan Railways Group Mutual Aid Association (the Association) to Welfare Pension (national pension) in accordance with the enforcement of revision of the Welfare Pension Law and the related regulations in 1996 (1996 Law No. 82), fund assets of the respective mutual aid associations were transferred to Welfare Pension.

According to this law, the shortage of the assets to be transferred to Welfare Pension from the Association was shared by JNRSC and JR Companies on the basis that JNRSC would be liable for the period each member of the Association was employed by JNR, and the JR Companies for the period the member of the Association was in their employment.

The portion shared by the Company amounting to ¥77,566 million was accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheets and is charged to income for the five years since the year ended March 31, 1998 on a straight-line basis. The balance at March 31, 2001 amounted to ¥15,513 million ($127 million).

Additionally, in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation (1998 Law No. 136) (JNRSC Liabilities Disposition Law), the JR Companies were obligated to assume half of the liabilities with regard to their employees as of April 1, 1987 that are included in JNRSC liabilities to be assumed under the 1996 Law.

The resulting additional obligation of ¥70,475 million, including the interest portion, was paid by the Company in a lump sum on March 3, 1999 and was accounted for as “cash charges for additional obligation related to transfer to Welfare Pension,” included in other expenses on the statement of income and retained earnings.

Accounting for retirement benefits

All employees of the Company are generally entitled to receive lump sum severance and retirement benefits. The amounts of the severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees. Previously, the Company accrued a liability for such obligation equal to 40% of the amount required if all eligible employees had voluntarily terminated their employment at the balance sheet date.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the year ended March 31, 2001. The Company accrues liabilities for post-employment benefits at the balance sheet date in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

The excess of the projected benefit obligation over the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the “transition obligation”) was ¥483,282 million ($3,961 million). The unrecognized transition obligation is charged to income over 10 years from the year ended March 31, 2001 on a straight line basis.

Actuarial gains and losses are recognized in expenses using the straight line basis over 10 years within the average of the estimated remaining service lives commencing with the following year.

As a result of these change, expenses for the year ended March 31, 2001 increased by ¥48,234 million ($395 million) compared with what would have been under the previous accounting methods, reducing operating income and income before income taxes by the same amount.

The Company makes no contribution to pension assets.

Accounting for certain lease transactions

Finance leases which do not transfer titles to lessees are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

Accounting for research and development costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred beginning with the year ended March 31, 2000. Research and development costs included in operating expenses for the years ended March 31, 2000 and 2001 were ¥12,896 million and ¥13,367 million ($110 million), respectively.

Income taxes

Due to a revision in Regulation Concerning Terminology, Forms and Method of Presentation of Financial Statements, the Company adopted tax effect accounting beginning with the year ended March 31, 2000 (see Note 12).

Income taxes comprise corporation, enterprise and inhabitants taxes.

Net income per share

The computation of net income per share of common stock shown in the nonconsolidated statements of income and retained earnings is based on the number of shares of common stock outstanding during each year.

The diluted net income per share is not shown, since there are no outstanding securities with dilutive effect on net income per share such as convertible bonds.

Derivative transactions

The new Japanese Accounting Standard for Financial Instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

The only derivative transaction of the Company is foreign currency swap contracts used for hedging purposes against foreign currency bonds payable through the year ended March 31, 2001, and the foreign currency bonds are recorded using the contracted swap rate, and no gains or losses on the swap contract are recognized.

Foreign currency transaction

Beginning with the year ended March 31, 2001, the Company adopted the revised Japanese Accounting Standard for Foreign Currency Transaction. This change had no impact on the Company's operating result or financial position.

3. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities not exceeding three months at the time of purchase.

4. Inventories

Inventories consist of rails, materials and supplies.

5. Real Estate for Sale

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in Higashiotsuki, which is about 90 kilometers from Tokyo, and other areas.

6. Investments in and Advances to Subsidiaries and Affiliated Companies

Investments in and advances to subsidiaries and affiliated companies at March 31, 2000 and 2001, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Subsidiaries:			
Investments	¥119,565	¥122,386	$1,003
Advances	1,128	2,525	21
	120,693	124,911	1,024
Affiliated companies:			
Investments	32,002	32,417	266
	¥152,695	¥157,328	$1,290

7. Market Value Information for Securities

As mentioned in Note 2 above, the Company adopted the new Japanese Accounting Standard for Financial Instruments beginning with the year ended March 31, 2001.

Book value and market value of quoted shares of subsidiaries and affiliated companies at March 31, 2001 were ¥12,334 million ($101 million) and ¥192,430 million ($1,577 million), respectively.

Net unrealized gains at March 31, 2001 were mainly composed of shares of JAPAN TELECOM CO., LTD., an affiliated company.

Information concerning available-for-sale securities with fair market values as of March 31, 2001 was as follows;

	Millions of Yen 2001	Millions of U.S. Dollars 2001
Book value	¥148,919	$1,221
Fair market value	98,595	808
Amount corresponding to net holding losses on securities	(29,305)	(240)
Amount corresponding to applicable income taxes	21,019	173

According to the new standards, available-for-sale securities with fair market values will be stated at fair market value beginning with the year ending March 31, 2002. The unrealized gain or loss will be reported, net of applicable income taxes, as a separate component of shareholders' equity.

Market value information for securities as of March 31, 2000 is presented in the notes to consolidated financial statements.

8. Property, Plant and Equipment

Property, plant and equipment at March 31, 2000 and 2001, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Buildings	¥ 1,042,940	¥ 1,071,009	$ 8,779
Fixtures	4,694,983	4,700,382	38,528
Machinery, rolling stock and vehicles	1,943,006	1,973,666	16,178
Land	2,238,579	2,216,593	18,169
Construction in progress	148,293	103,806	851
Other	69,749	66,028	540
	10,137,550	10,131,484	83,045
Less accumulated depreciation	4,261,149	4,411,893	36,163
Net property, plant and equipment	¥ 5,876,401	¥ 5,719,591	$46,882

Depreciation (including that of intangible assets) for the years ended March 31, 2000 and 2001, were ¥271,298 million and ¥270,543 million ($2,218 million), respectively.

Due to Securities and Exchange Law of Japan and related regulations, consolidated semi-annual financial statements have been required to be disclosed beginning with the interim period ended September 30, 2000. Together with this change, in the above table the Company changed the grouping of property, plant and equipment from former "rolling stock" and "machinery and equipment" to "machinery, rolling stock and vehicles" and "other".

9. Long-Term Debt

Long-term debt at March 31, 2000 and 2001, is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Guaranteed Bonds issued in 1991 with interest rate of 6.50% due 2001	¥ 47,010	¥ —	$ —
Nonguaranteed Bonds issued in 1992 to 2001 with interest rates ranging from 1.70% to 5.55% due 2004 to 2021	640,000	730,000	5,983
Unsecured Loans due 2001 to 2021 principally from banks and insurance companies with interest rates mainly ranging from 1.75% to 3.75%	1,383,689	1,327,316	10,880
7.25% Euro U.S. dollar bonds due 2006	87,960	87,960	721
	2,158,659	2,145,276	17,584
Less current portion	164,373	201,340	1,650
	¥1,994,286	¥1,943,936	$15,934

Issue and maturity years above are expressed in calendar years (ending December 31 in the same year).

All debt referred to in the above table as "guaranteed" is guaranteed by the Government of Japan.

All bonds are general mortgage bonds; that is, the bondholders have a preferential right to receive payment of principal and interest in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company.

The 7.25% Euro U.S. dollar bonds in the amount of $800 million were issued in October 1996. These bonds have been hedged by a swap contract with a bank.

The annual maturities of long-term debt at March 31, 2001, were as follows:

Year ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥201,340	$1,650
2003	315,637	2,587
2004	278,169	2,280
2005	204,769	1,678
2006	165,610	1,357
2007 and thereafter	979,751	8,032

10. Long-Term Liabilities Incurred for Purchase of Railway Facilities

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million payable in equal semiannual installments through the years ending September 2051. In March 1997, the liability of ¥27,946 million payable in equal semiannual installments through the years ending March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2000 and 2001, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.89% through 2017	¥1,589,156	¥1,502,249	$12,314
Payable semiannually including interest at 6.35% through 2017	524,395	506,536	4,152
Payable semiannually including interest at 6.55% through 2051	360,852	359,950	2,950
	2,474,403	2,368,735	19,416
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.04% through 2022	24,620	23,506	192
	2,499,023	2,392,241	19,608
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	105,735	108,950	893
The Akita hybrid Shinkansen purchase liability	1,116	1,108	9
	106,851	110,058	902
	¥2,392,172	¥2,282,183	$18,706

Maturity years above are expressed in calendar years (ending December 31 in the same year).

The annual payments of long-term liabilities incurred for purchase of railway facilities at March 31, 2001, were as follows:

Year ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 110,058	$ 902
2003	88,342	724
2004	92,925	762
2005	97,756	801
2006	102,851	843
2007 and thereafter	1,900,309	15,576

11. Consumption Tax

The Japanese consumption tax is an indirect tax levied at the rate of 5%. Accrued consumption tax represents the difference between consumption tax collected from customers and consumption tax paid on purchases.

12. Income Taxes

Due to a revision in Regulation Concerning Terminology, Forms and Method of Presentation of Financial Statements, the Company has adopted tax effect accounting beginning with the year ended March 31, 2000. As a result of this revision, net income for the year ended March 31, 2000 was ¥22,349 million and retained earnings at March 31, 2000 was ¥43,960 million more than if the Company had not adopted tax effect accounting.

The major components of deferred income taxes at March 31, 2000 and 2001, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Deferred income taxes:			
Provision for bonuses not tax-deductible	¥ 9,488	¥ 14,087	$115
Accrued enterprise tax	5,028	4,042	33
Provision for severance and retirement benefits not tax-deductible	38,619	69,864	573
Other	5,974	12,789	105
	59,109	100,782	826
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	(13,645)	(17,308)	(142)
Other	(1,504)	(1,599)	(13)
	(15,149)	(18,907)	(155)
Net deferred income taxes	¥ 43,960	¥ 81,875	$671

Taxes on income consist of corporation, enterprise and inhabitants taxes. The aggregate standard effective rate of taxes on nonconsolidated income before income taxes was approximately 47% for the year ended March 31, 1999 and approximately 42% for the years ended March 31, 2000 and 2001, due to a reduction in the rates for income taxes applicable from the year ended March 31, 1999. After adopting tax effect accounting, the actual effective income tax rate was approximately 42% for the year ended March 31, 2001.

13. Contingent Liabilities

The Company is contingently liable for (1) the in-substance defeasance of Japanese government guaranteed railway bonds issued by the Company, which were assigned to certain banks under the debt assumption agreements and (2) the original debt in connection with the sale of the 6.625% Euro U.S. dollar bonds for which the Company entered into a long-term cross currency and interest rate swap agreement with a bank. The outstanding amounts contingently liable under such debt assumption agreements and cross currency swap agreement at March 31, 2001 were ¥62,048 million ($509 million) and $600 million, respectively.

14. Shareholders' Equity

Under the Commercial Code of Japan, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the reserve equals to 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors of the Company.

15. Information Regarding Certain Leases

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended March 31, 2000 and 2001 were ¥18,332 million and ¥19,424 million ($159 million), respectively. Future lease payments as of March 31, 2001, inclusive of interest, under such leases were ¥85,969 million ($705 million), including ¥19,997 million ($164 million) due within one year.

16. Information for Derivative Transactions

The Company deals with currency swap transactions to hedge the risks of changes in foreign exchanges with respect to monetary receivables and payables denominated in foreign currencies.

Possible exposure of risks from the Company's transactions is immaterial as financial institutions with which the Company conducts derivative transactions are those with high reputations.

The Company conducts derivative transactions in accordance with the relevant internal rules and upon resolution by the Board of Directors for each transaction on the basis of basic principles resolved by the Board of Directors for the purpose of fair execution of transactions and risk management.

17. Subsequent Event

At the June 2001 annual meeting, the shareholders of the Company approved (1) the payment of a year-end cash dividend of ¥2,500 ($20) per share, aggregating ¥10,000 million ($82 million), (2) the payment of bonuses to directors and corporate auditors of ¥175 million ($1 million), and (3) the transfer of ¥1,017 million ($8 million) to legal reserve from retained earnings.

ARTHUR ANDERSEN

Asahi & Co

A Member Firm of Arthur Andersen

Report of Independent Public Accountants

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying non-consolidated balance sheets of East Japan Railway Company (a Japanese Corporation) as of March 31, 2000 and 2001, and the related non-consolidated statements of income and retained earnings for each of the three years in the period ended March 31, 2001, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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 non-consolidated financial statements referred to above present fairly the non-consolidated financial position of East Japan Railway Company as of March, 31, 2000 and 2001, and the non-consolidated results of its operations for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except as noted in the following paragraph.

As explained in Note 2, East Japan Railway Company prospectively adopted new Japanese accounting standards for (a) financial instruments, severance and retirement benefits and foreign currency transaction in the year ended March 31, 2001 and (b) income taxes and research and development costs in the year ended March 31, 2000.

Also, in our opinion, the U.S. dollar amounts in the accompanying non-consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 2.

Asahi & Co.

Tokyo, Japan
June 27, 2001

Statement on Accounting Principles and Auditing Standards

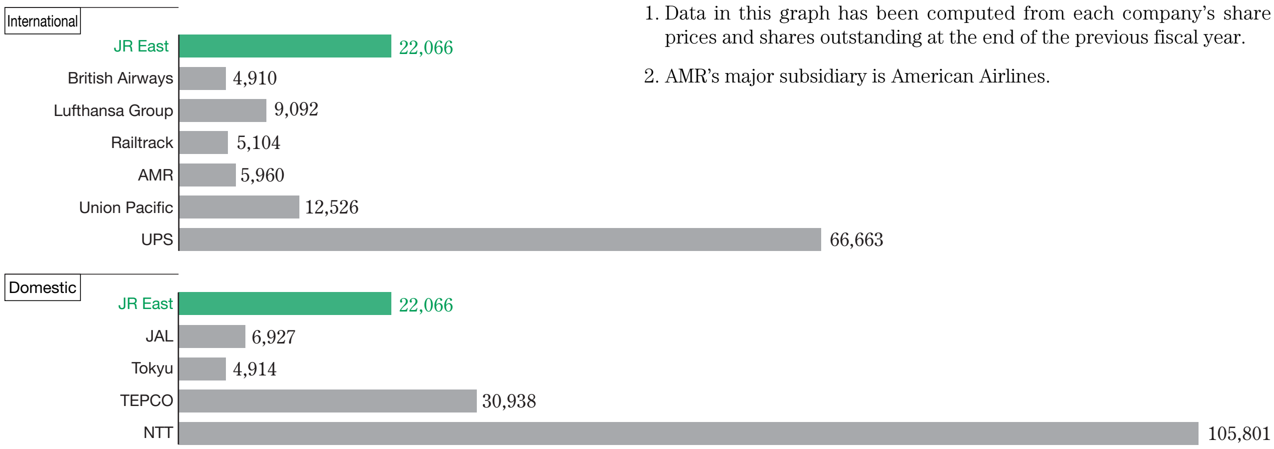
This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

JR East in Perspective

PEER GROUP COMPARISONS

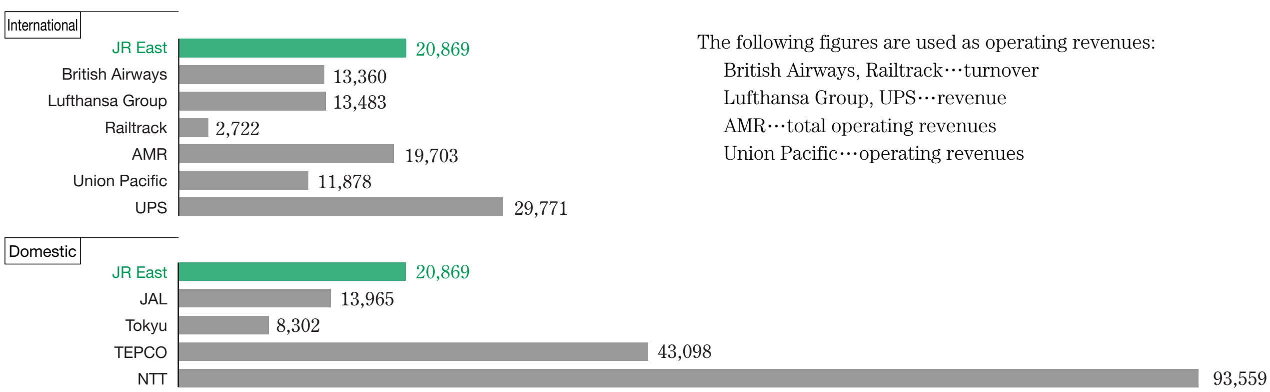
This section lists several key performance indicators with representative peer group members to illustrate how JR East compares with other well-known companies.

Total Stock Market Value (Millions of U.S. Dollars)



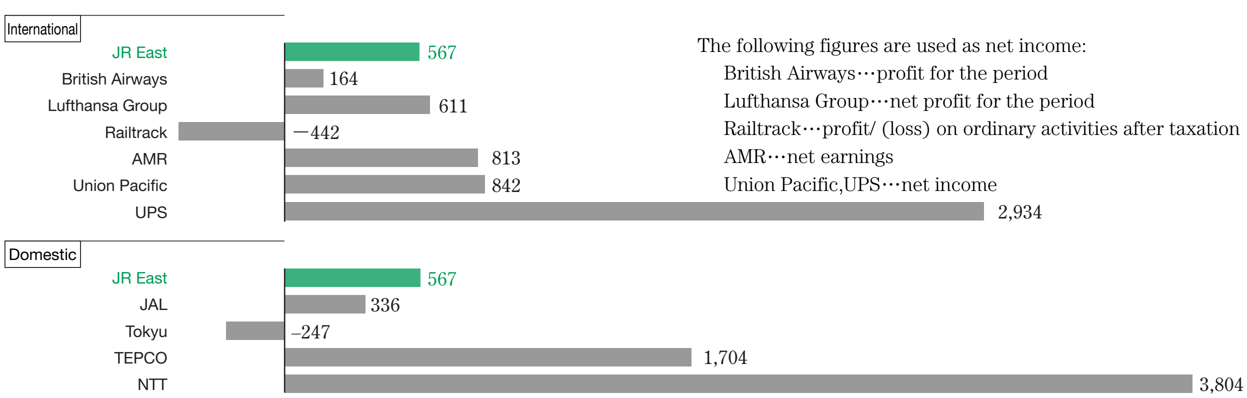
1. Data in this graph has been computed from each company's share prices and shares outstanding at the end of the previous fiscal year.
2. AMR's major subsidiary is American Airlines.

Consolidated Operating Revenues (Millions of U.S. Dollars)



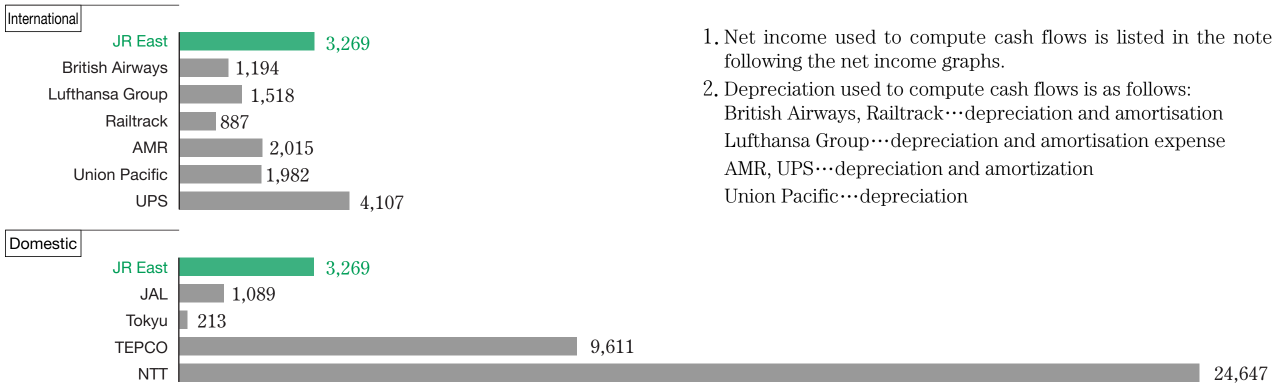
The following figures are used as operating revenues:
British Airways, Railtrack···turnover
Lufthansa Group, UPS···revenue
AMR···total operating revenues
Union Pacific···operating revenues

Consolidated Net Income (Millions of U.S. Dollars)



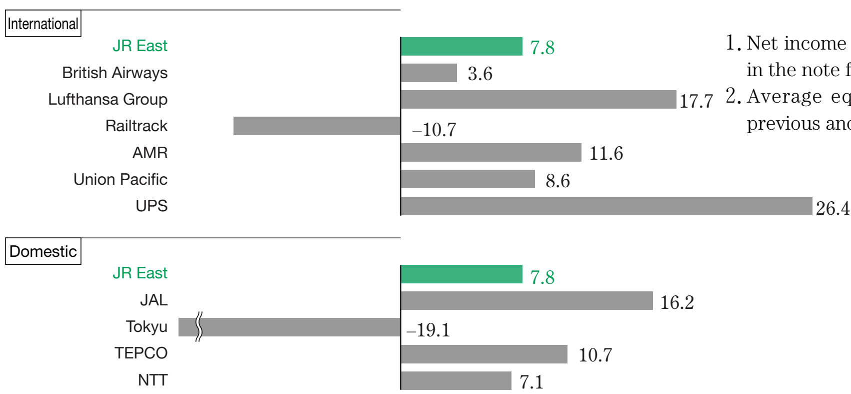
The following figures are used as net income:
British Airways···profit for the period
Lufthansa Group···net profit for the period
Railtrack···profit/ (loss) on ordinary activities after taxation
AMR···net earnings
Union Pacific,UPS···net income

Consolidated Cash Flows (Net Income and Depreciation) (Millions of U.S. Dollars)



1. Net income used to compute cash flows is listed in the note following the net income graphs.
2. Depreciation used to compute cash flows is as follows:
   British Airways, Railtrack…depreciation and amortisation
   Lufthansa Group…depreciation and amortisation expense
   AMR, UPS…depreciation and amortization
   Union Pacific…depreciation

Consolidated Return on Average Equity (ROE)(%)



1. Net income used to compute return on average equity is listed in the note following the net income graphs.
2. Average equity is the average of equity at the end of the previous and applicable fiscal years.

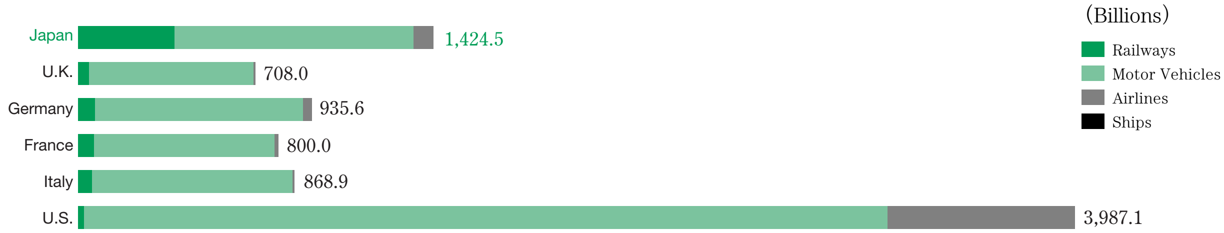
Year ended March 31, 2001(Year ended December 31, 2000 for Lufthansa Group, AMR, Union Pacific and UPS)

1. JAL…Japan Airlines Co., Ltd.
   Tokyu…Tokyu Corporation
   TEPCO…The Tokyo Electric Power Company, Incorporated
   NTT…Nippon Telegraph and Telephone Corporation
2. Data in this section have been based on consolidated figures from each company's annual report or financial press release.
3. The exchange rate used is the rate for March 31, 2001 ($1=¥122, £1=$1.44, 1Euro=$0.887).
4. Share prices at the close of the previous fiscal years listed above and computed using the above exchange rates are $5,516.39 for JR East, $4.54 for British Airways, $23.82 for Lufthansa Group, $9.89 for Railtrack, $39.19 for AMR, $50.75 for Union Pacific, $58.75 for UPS, $3.89 for JAL, $4.48 for Tokyu, $22.87 for TEPCO, and $6,557.38 for NTT.

INTERNATIONAL RAILWAY COMPARISONS

Japan's high reliance on railways due to the size of the economy and its geographic characteristics affords railroad companies an extremely large source of demand especially in urban areas. JR East is Japan's largest railway company, and one of the largest in the world as well.

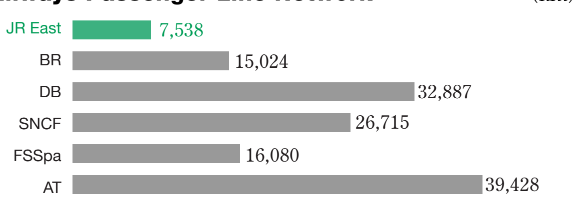
Transportation Market (Passenger-Kilometers)



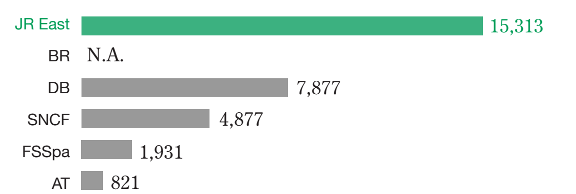
Year ended December 31, 1998	Railways		Motor Vehicles						Airlines		Ships		Total	
			Buses		Cars		Total							
	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%
Japan	385.1	27.0%	88.7	6.2%	866.9	60.9%	955.6	67.1%	79.3	5.6%	4.5	0.3%	1,424.5	100.0%
U.K.	42.0	5.9%	43.0	6.1%	616.0	87.0%	659.0	93.1%	7.0	1.0%	N.A.	N.A.	708.0	100.0%
Germany	66.5	7.1%	75.9	8.1%	755.7	80.8%	831.6	88.9%	37.5	4.0%	N.A.	N.A.	935.6	100.0%
France	64.5	8.1%	N.A.	N.A.	N.A.	N.A.	721.0	90.1%	14.5	1.8%	N.A.	N.A.	800.0	100.0%
Italy	56.0	6.4%	89.2	10.3%	711.1	81.8%	800.2	92.1%	9.0	1.0%	3.8	0.4%	868.9	100.0%
U.S.	22.5	0.6%	48.3	1.2%	3,166.5	79.4%	3,214.8	80.6%	749.8	18.8%	N.A.	N.A.	3,987.1	100.0%

Figures for Japan are for the year ended March 31, 2000, and figures for the U.S. are for the year ended December 31, 1997.
Note: Railway figures for Japan include JR East Passenger-Kilometers (126.0 billion). For details, see pages 80 and 87.
Sources: Japan: Transport White Paper, 2000, Ministry of Transport
U.K.: Annual Abstract of Statistics, 2000
Germany: Verkehr in Zahlen 2000
France: Mémento de statistiques and Synthese, INSS
Italy: Conto Nazionale dei Transporti Anno
U.S.: Railroad Facts, 2000 and Statistical Abstract of the United States 1999

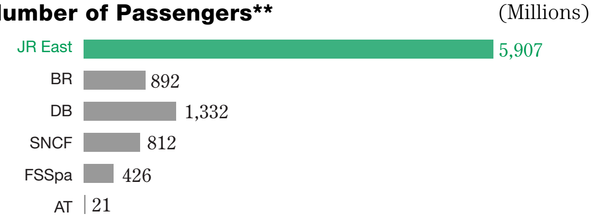
Railways Passenger Line Network* (km)



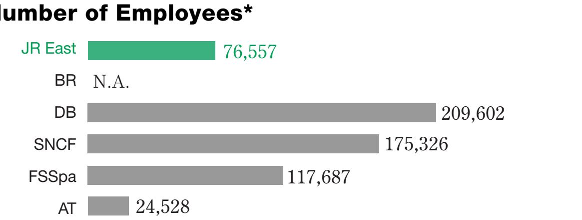
Revenues from Railway Operations** (Millions of U.S. Dollars)



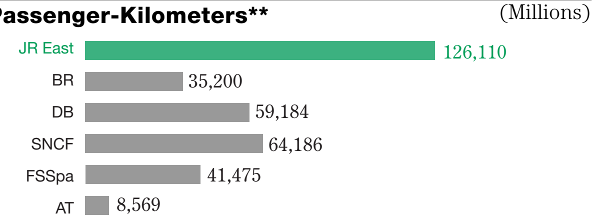
Number of Passengers** (Millions)



Number of Employees*



Passenger-Kilometers** (Millions)



* As of December 31, 1998, except JR East and BR figures as of March 31, 1999
** Year ended December 31, 1998, except JR East and BR figures for the year ended March 31, 1999

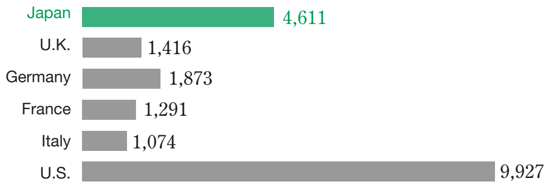
Notes: 1. BR: Passenger Train Operating Companies (TOCs) and Railtrack in U.K., DB : Deutsche Bahn AG(German Railways), SNCF: Société Nationale des Chemins de fer Français (French National Railways), FSSpa : Ferrovie dello Stato S.p.A.(Italian National Railways), AT : Amtrak
2. Figures for Passenger Line Network do not include freight traffic.
3. Revenues from Railway Operations do not include freight and other service revenues.
4. The exchange rate used is the rate for March 31, 1999 ($1=¥121, £1=$1.61, $1=DM1.83, $1=Fr6.12, $1=1,807Lira).

Source: Statistiques Internationale des Chemins de fer 1998, Union Internationale des Chemins de fer

Fundamentals

Gross Domestic Product (2000)

(Billions of U.S. Dollars)

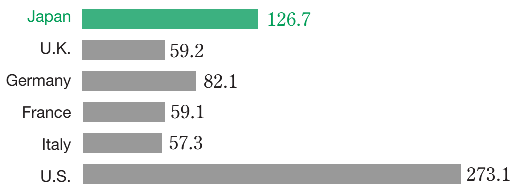


(Billions of U.S. Dollars)	1996	1997	1998	1999	2000
Japan	4,595	4,223	3,797	4,380	4,611
U.K.	1,153	1,278	1,362	1,423	1,416
Germany	2,354	2,115	2,142	2,112	1,873
France	1,537	1,394	1,436	1,434	1,291
Italy	N.A.	N.A.	1,172	1,162	1,074
U.S.	7,388	7,819	8,179	9,190	9,927

Source : Annual OECD National Accounts Publication

Population (1999)

(Millions)

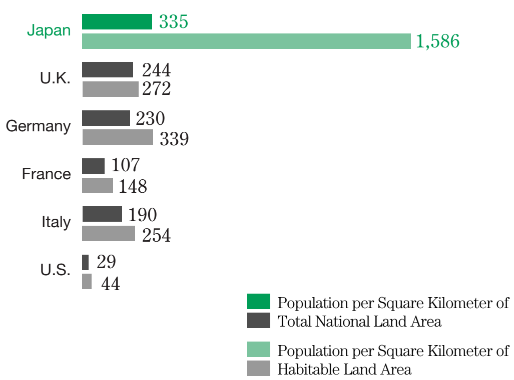


(Millions)	1995	1996	1997	1998	1999
Japan	125.6	125.9	126.2	126.5	126.7
U.K.	58.3	58.8	59.0	58.7	59.2
Germany	81.6	81.9	82.1	82.0	82.1
France	58.2	58.4	58.6	58.9	59.1
Italy	N.A.	57.4	57.5	57.4	57.3
U.S.	263.0	266.6	267.9	270.6	273.1

Sources : United Nations data; Report on the National Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Population Density (1999)

(Per Square Kilometer)



Population per Square Kilometer of Total National Land Area

(Per Square Kilometer)	1995	1996	1997	1998	1999
Japan	332	333	334	335	335
U.K.	238	241	242	241	244
Germany	229	229	230	230	230
France	105	106	106	107	107
Italy	N.A.	191	191	191	190
U.S.	27	28	29	29	29

Sources : United Nations data; Report on the National Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Population per Square Kilometer of Habitable Land Area

(Per Square Kilometer)	1995	1996	1997	1998	1999
Japan	1,562	1,570	1,576	1,579	1,586
U.K.	268	270	271	269	272
Germany	337	338	339	339	339
France	146	146	147	147	148
Italy	N.A.	254	255	254	254
U.S.	42	43	43	44	44

Note: JR East calculated these figures by using following data and definition of each country's square kilometers of habitable land area.

Population : United Nations data; Report on the National Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Square kilometers of habitable land area:

Japan: Land White Paper, National Land Agency

Total Area minus Forests and Woodland, Barren land, Area under inland water bodies and Other

Other Countries: FAO Statistical Database, Land Use

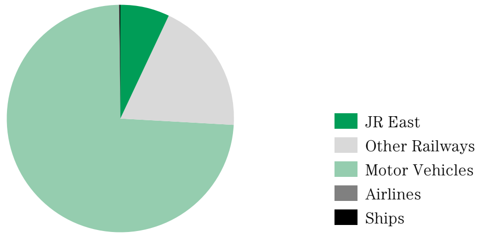
Land Area minus Forests and Woodland

RAILWAY OPERATIONS IN JAPAN

Railways play a vital role in Japan, and JR East alone represents about 30% of all passenger railway transportation.

Share in Domestic Transportation

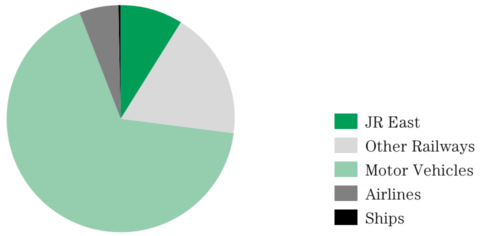
Number of Passengers (2000)



	Railways				Motor Vehicles		Airlines		Ships		Total	
	JR East		Other Railways									
Years ended March 31	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
1996	6,067	7.2%	16,563	19.7%	61,272	72.8%	78	0.1%	149	0.2%	84,129	100.0%
1997	6,073	7.2%	16,520	19.6%	61,543	72.9%	82	0.1%	148	0.2%	84,366	100.0%
1998	5,978	7.1%	16,266	19.2%	62,200	73.5%	86	0.1%	145	0.2%	84,675	100.0%
1999	5,907	7.0%	16,107	19.2%	61,839	73.6%	88	0.1%	127	0.2%	84,068	100.0%
2000	5,893	7.0%	15,857	18.9%	62,047	73.9%	92	0.1%	120	0.1%	84,009	100.0%

Source: Summary of Transport Statistics , Ministry of Land, Infrastructure and Transport

Passenger-Kilometers (2000)

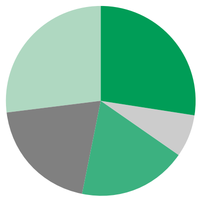


	Railways				Motor Vehicles		Airlines		Ships		Total	
	JR East		Other Railways									
Years ended March 31	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
1996	128,599	9.3%	271,457	19.6%	917,419	66.1%	65,012	4.7%	5,637	0.4%	1,388,124	100.0%
1997	129,657	9.2%	272,499	19.3%	931,721	66.1%	69,049	4.9%	5,634	0.4%	1,408,560	100.0%
1998	127,315	9.0%	267,924	18.9%	944,972	66.6%	73,243	5.2%	5,351	0.4%	1,418,805	100.0%
1999	126,110	8.9%	262,828	18.5%	954,807	67.0%	75,988	5.3%	4,620	0.3%	1,424,353	100.0%
2000	125,998	8.8%	259,103	18.2%	955,564	67.1%	79,348	5.6%	4,479	0.3%	1,424,492	100.0%

Source: Summary of Transport Statistics, Ministry of Land, Infrastructure and Transport

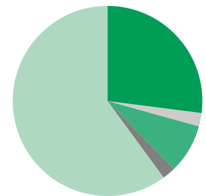
Share in the Domestic Railways

Passenger Line Network



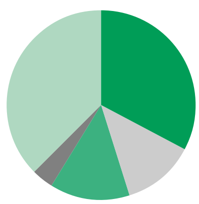
	Passenger Line Network*	
	km	%
JR East	7,538.1	27.4%
JR Central	1,983.5	7.2%
JR West	5,078.4	18.5%
Other JR Companies	5,456.7	19.9%
Other Railways	7,408.4	27.0%
Total	27,465.1	100.0%

Number of Passengers



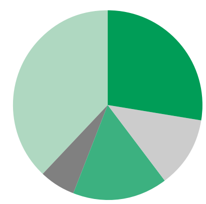
	Number of Passengers**	
	Millions	%
JR East	5,893	27.0%
JR Central	497	2.3%
JR West	1,823	8.4%
Other JR Companies	489	2.2%
Other Railways	13,108	60.1%
Total	21,810	100.0%

Passenger-Kilometers



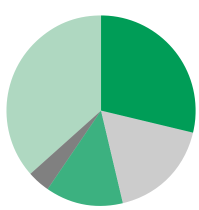
	Passenger-Kilometers**	
	Millions	%
JR East	125,998	32.7%
JR Central	47,892	12.4%
JR West	52,588	13.7%
Other JR Companies	14,316	3.7%
Other Railways	144,304	37.5%
Total	385,099	100.0%

Rolling Stock Kilometers



	Rolling Stock Kilometers**	
	Millions	%
JR East	2,144	27.6%
JR Central	941	12.1%
JR West	1,258	16.2%
Other JR Companies	475	6.1%
Other Railways	2,949	38.0%
Total	7,767	100.0%

Revenues from Passenger Tickets



	Revenues from Passenger Tickets**	
	Billions of Yen	%
JR East	1,675	28.7%
JR Central	1,024	17.6%
JR West	774	13.3%
Other JR Companies	226	3.9%
Other Railways	2,133	36.6%
Total	5,832	100.0%

* As of March 31, 2000
** Year ended March 31, 2000

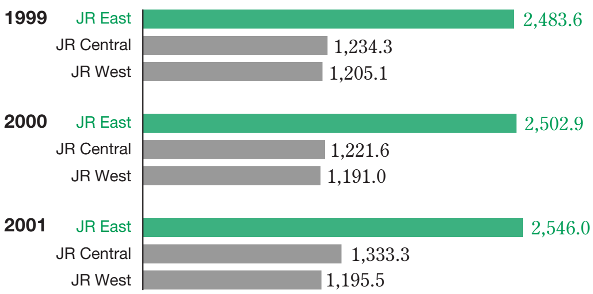
Notes: 1. Figures for Passenger Line Network do not include freight traffic.
2. Figures for Rolling Stock Kilometers do not include locomotives and freight cars.

Source: Statistics of Railways 1999, Ministry of Land, Infrastructure and Transport

FINANCIAL OVERVIEW OF JR PASSENGER RAILWAY COMPANIES

JR East accounts for more than half of the total operating revenues of the three largest JR passenger railway companies. JR East's immense and stable operating base contributes to large and consistent earnings and cash flows.

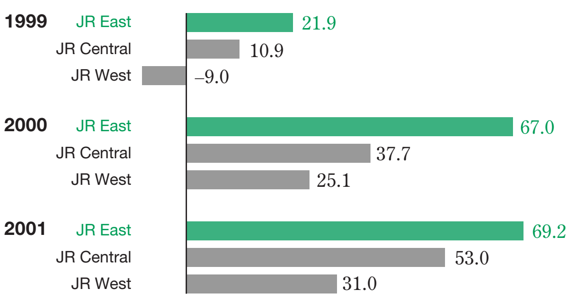
Consolidated Operating Revenues (Billions of Yen)



Consolidated Operating Revenues (Millions of Yen)

Years ended March 31	1999	2000	2001
JR East	2,483,594	2,502,909	2,546,041
JR Central	1,234,264	1,221,629	1,333,294
JR West	1,205,078	1,191,009	1,195,516

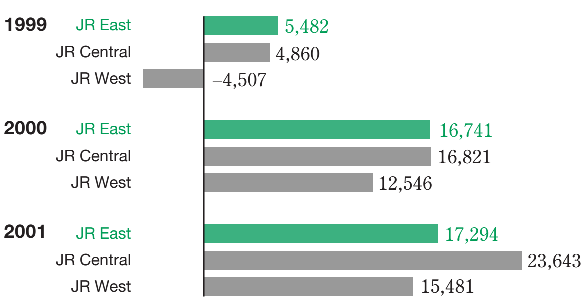
Consolidated Net Income (Billions of Yen)



Consolidated Net Income (Millions of Yen)

Years ended March 31	1999	2000	2001
JR East	21,929	66,963	69,174
JR Central	10,886	37,678	52,960
JR West	−9,014	25,091	30,961

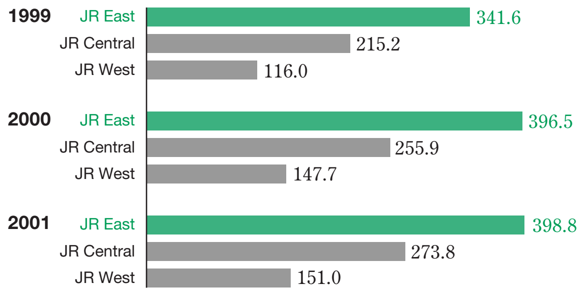
Consolidated Net Income per Share (Yen)



Consolidated Net Income per Share (Yen)

Years ended March 31	1999	2000	2001
JR East	5,482	16,741	17,294
JR Central	4,860	16,821	23,643
JR West	−4,507	12,546	15,481

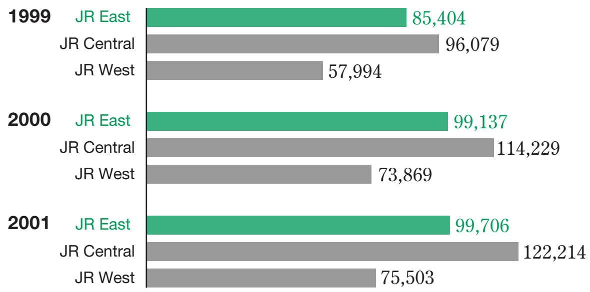
Consolidated Cash Flows (Net Income and Depreciation) (Billions of Yen)



Consolidated Cash Flows (Net Income and Depreciation) (Millions of Yen)

Years ended March 31	1999	2000	2001
JR East	341,616	396,546	398,825
JR Central	215,217	255,874	273,759
JR West	115,988	147,737	151,006

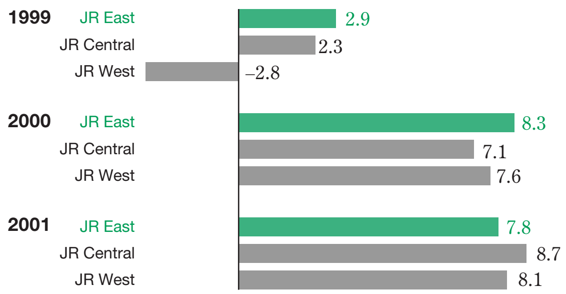
Consolidated Cash Flows per Share (Yen)



Consolidated Cash Flows per Share (Yen)

Years ended March 31	1999	2000	2001
JR East	85,404	99,137	99,706
JR Central	96,079	114,229	122,214
JR West	57,994	73,869	75,503

Consolidated Return on Average Equity (ROE) (%)



Consolidated Return on Average Equity (ROE)

Years ended March 31	1999	2000	2001
JR East	2.9%	8.3%	7.8%
JR Central	2.3%	7.1%	8.7%
JR West	−2.8%	7.6%	8.1%

Note : Average equity is the average of equity at the end of the previous and applicable fiscal years.

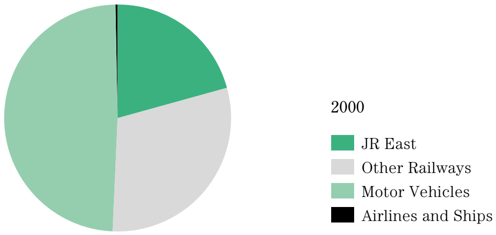
Note : Data in this section have been calculated by JR East based on figures in the JR Central and JR West annual reports to the Minister of Finance according to the Securities and Exchange Law of Japan.

RAILWAY OPERATIONS IN TOKYO

JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo area, where railways account for more than 50% of all transportation. With an immense population, the Tokyo area is sure to generate a large amount of demand for transportation services.

Transportation in the Tokyo Region

Number of Passengers



	JR East		Other Railways		Motor Vehicles		Airlines and Ships		Total	
Years ended March 31	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
1996	5,423	20.5%	7,901	29.9%	13,107	49.5%	33	0.1%	26,464	100.0%
1997	5,431	20.9%	7,886	30.3%	12,669	48.7%	34	0.1%	26,020	100.0%
1998	5,359	20.5%	7,766	29.7%	13,031	49.8%	34	0.1%	26,190	100.0%
1999	5,306	20.3%	7,792	29.9%	12,965	49.7%	35	0.1%	26,098	100.0%
2000	5,302	20.7%	7,715	30.1%	12,561	49.0%	36	0.1%	25,614	100.0%

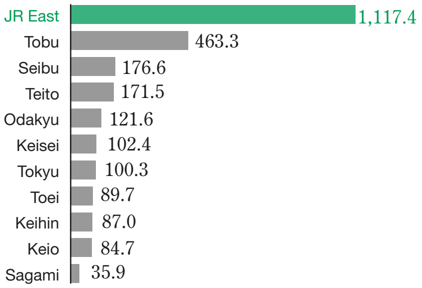
Note: JR East figures include data from the bordering lines of JR Central.
Source: Survey of Regional Passenger Movement, Ministry of Land, Infrastructure and Transport

Major Railways in the Tokyo Region

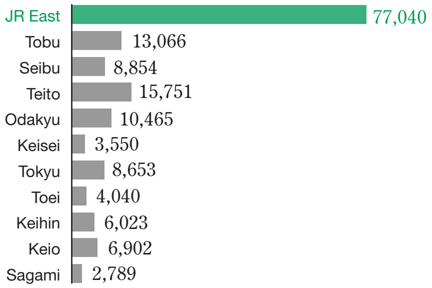
	Passenger Line Network*		Passenger-Kilometers**		Revenues from Passenger Tickets**	
	km	%	Millions	%	Billions of Yen	%
JR East	1,117.4	43.8%	77,040	49.0%	843.3	45.2%
Tobu Railway	463.3	18.2%	13,066	8.3%	144.2	7.7%
Seibu Railway	176.6	6.9%	8,854	5.6%	92.3	5.0%
Teito Rapid Transit Authority	171.5	6.7%	15,751	10.0%	259.6	13.9%
Odakyu Electric Railway	121.6	4.8%	10,465	6.7%	106.9	5.7%
Keisei Electric Railway	102.4	4.0%	3,550	2.3%	48.8	2.6%
Tokyu Corporation	100.3	3.9%	8,653	5.5%	111.1	6.0%
Toei (Tokyo Metropolitan Government)	89.7	3.5%	4,040	2.6%	84.9	4.6%
Keihin Electric Express Railway	87.0	3.4%	6,023	3.8%	68.3	3.7%
Keio Electric Railway	84.7	3.3%	6,902	4.4%	71.6	3.8%
Sagami Railway	35.9	1.4%	2,789	1.8%	33.2	1.8%
Total	2,550.4	100.0%	157,133	100.0%	1,864.2	100.0%

* As of March 31, 2000
** Year ended March 31, 2000
Note: Figures do not include freight lines.
Source: Statistics of Railways 1999, Ministry of Land, Infrastructure and Transport

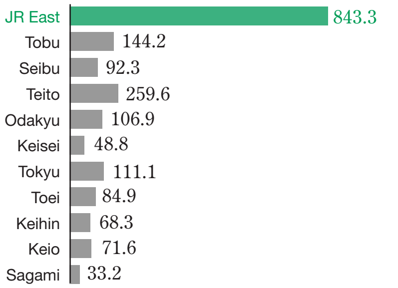
Passenger Line Network (km)



Passenger-Kilometers (Millions)



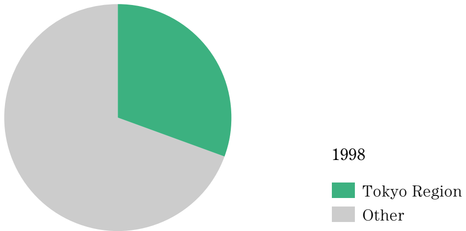
Revenues from Passenger Tickets (Billions of Yen)



Note: Data used for JR East in this section is data from Tokyo Metropolitan Area Network.

Fundamentals

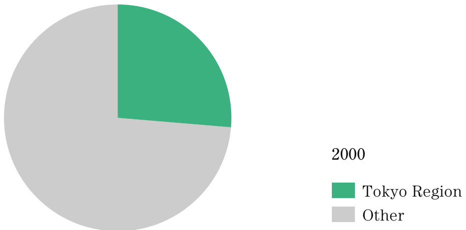
Net Domestic Product (Billions of Yen)



Years ended March 31	1995		1996		1997		1998		1999	
Tokyo Region	117,973	30.8%	119,051	30.6%	121,588	30.3%	120,868	30.6%	117,841	—
Other	264,724	69.2%	270,446	69.4%	279,613	69.7%	274,557	69.4%	N.A.	N.A.
Total	382,697	100.0%	389,497	100.0%	401,201	100.0%	395,425	100.0%	N.A.	N.A.

Source : Annual Report on Prefectural Economies, Cabinet Office

Population (Millions)



Years ended March 31	1996		1997		1998		1999		2000	
Tokyo Region	32.7	26.0%	32.8	26.0%	33.0	26.1%	33.1	26.1%	33.4	26.3%
Other	93.2	74.0%	93.4	74.0%	93.5	73.9%	93.6	73.9%	93.5	73.7%
Total	125.9	100.0%	126.2	100.0%	126.5	100.0%	126.7	100.0%	126.9	100.0%

Source: Report on the National Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Population Density (Per Square Kilometer)

Years ended March 31	1996	1997	1998	1999	2000
Tokyo Region	2,500	2,486	2,485	2,495	2,516
Other	255	256	256	257	256
National Average	333	334	335	335	336

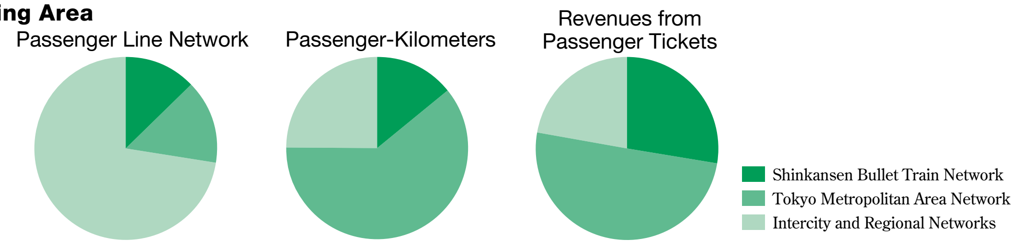
Note: JR East calculated these figures by using data from the following sources.
Report on the National Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications; statistics from the Ministry of Land, Infrastructure and Transport

Note: The statistics on this page are based on governmental boundaries and do not strictly correspond with JR East's operating segments.

》ANALYSIS OF JR EAST OPERATIONS

The Tokyo area is JR East's primary market, and the Tokyo metropolitan area network generates about half of the Company's railway revenues. Commuter-pass travel represents one of the major sources of JR East's revenues.

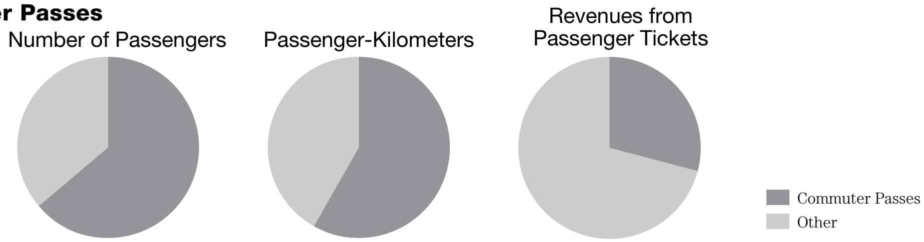
Percentages by Operating Area



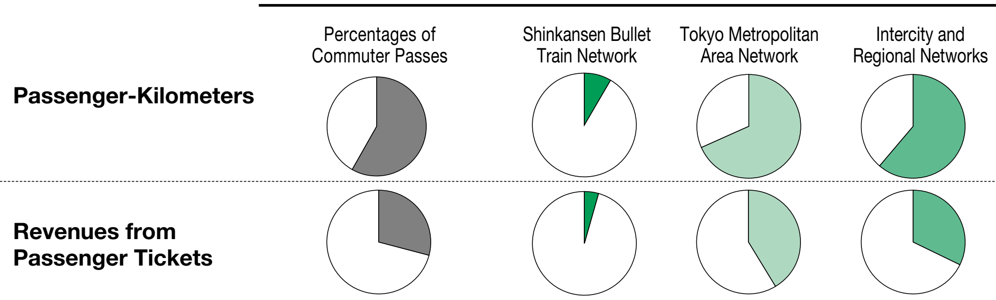
	Passenger Line Network*		Passenger-Kilometers **		Revenues from Passenger Tickets**	
	km	%	Millions	%	Millions of Yen	%
Shinkansen Bullet Train Network	956.3	12.7%	17,679	14.1%	463,158	27.6%
Tokyo Metropolitan Area Network	1,117.4	14.8%	76,457	61.0%	843,953	50.2%
Intercity and Regional Networks	5,464.4	72.5%	31,208	24.9%	373,074	22.2%
Total	7,538.1	100.0%	125,344	100.0%	1,680,185	100.0%

* As of March 31, 2001
** Year ended March 31, 2001

Percentages of Commuter Passes



	Number of Passengers		Passenger-Kilometers		Revenues from Passenger Tickets	
Year ended March 31, 2001	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,740	63.8%	72,939	58.2%	489,115	29.1%
Other	2,122	36.2%	52,405	41.8%	1,191,070	70.9%
Total	5,862	100.0%	125,344	100.0%	1,680,185	100.0%



	Passenger-Kilometers			Revenues from Passenger Tickets		
	Total	Commuter Passes		Total	Commuter Passes	
Year ended March 31, 2001	Millions	Millions	%	Millions of Yen	Millions of Yen	%
Shinkansen Bullet Train Network	17,679	1,479	8.4%	463,158	20,301	4.4%
Tokyo Metropolitan Area Network	76,457	52,186	68.3%	843,953	348,634	41.3%
Intercity and Regional Networks	31,208	19,274	61.8%	373,074	120,180	32.2%
Total	125,344	72,939	58.2%	1,680,185	489,115	29.1%

Note: Percentages represent Passenger-Kilometers and Revenues from Passenger Tickets attributable to commuter passes for each segment.

Passenger-Kilometers

(Millions of Kilometers)

Years ended March 31		1999	2000	2001	2001/2000
Shinkansen Bullet Train Network	Commuter Passes	1,343	1,416	1,479	104.4%
	Other	16,112	16,117	16,200	100.5%
	Total	17,455	17,533	17,679	100.8%
Conventional Lines	Commuter Passes	72,174	71,900	71,460	99.4%
	Other	36,481	36,565	36,205	99.0%
	Total	108,655	108,465	107,665	99.3%
Tokyo Metropolitan Area Network	Commuter Passes	52,716	52,538	52,186	99.3%
	Other	24,192	24,502	24,271	99.1%
	Total	76,908	77,040	76,457	99.2%
Intercity and Regional Networks	Commuter Passes	19,458	19,362	19,274	99.5%
	Other	12,289	12,063	11,934	98.9%
	Total	31,747	31,425	31,208	99.3%
Total	Commuter Passes	73,517	73,316	72,939	99.5%
	Other	52,593	52,682	52,405	99.5%
	Total	126,110	125,998	125,344	99.5%

Revenues from Passenger Tickets

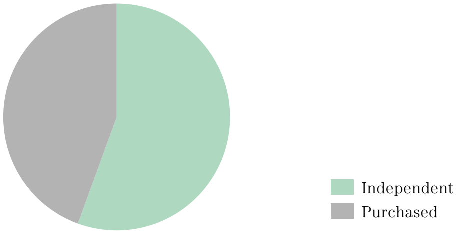
(Millions of Yen)

Years ended March 31		1999	2000	2001	2001/2000
Shinkansen Bullet Train Network	Commuter Passes	18,431	19,439	20,301	104.4%
	Other	442,676	438,179	442,857	101.1%
	Total	461,107	457,618	463,158	101.2%
Conventional Lines	Commuter Passes	475,080	470,342	468,814	99.7%
	Other	747,199	746,823	748,213	100.2%
	Total	1,222,279	1,217,165	1,217,027	100.0%
Tokyo Metropolitan Area Network	Commuter Passes	353,248	349,891	348,634	99.6%
	Other	488,916	493,420	495,319	100.4%
	Total	842,164	843,311	843,953	100.1%
Intercity and Regional Networks	Commuter Passes	121,832	120,451	120,180	99.8%
	Other	258,283	253,403	252,894	99.8%
	Total	380,115	373,854	373,074	99.8%
Total	Commuter Passes	493,511	489,781	489,115	99.9%
	Other	1,189,875	1,185,002	1,191,070	100.5%
	Total	1,683,386	1,674,783	1,680,185	100.3%

Conventional Lines: Total of Tokyo Metropolitan Area Network and Intercity and Regional Networks

Electric Power

JR East generates more than one-half of the electricity it uses.



Year ended March 31, 2001	Millions of Kwh	%
Thermal Generation	2,070	32.0%
Hydroelectric Generation	1,533	23.7%
Independent	3,603	55.8%
Purchased	2,857	44.2%
Total	6,460	100.0%

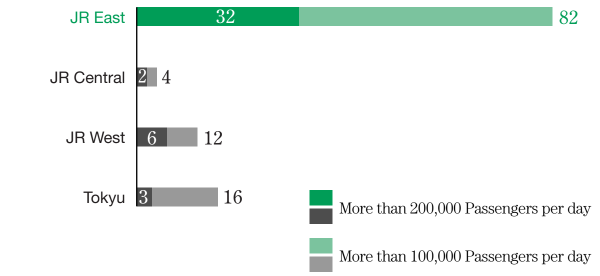
LIFE-STYLE SERVICE BUSINESSES

JR East holds many stations with high potential that are used by numerous customers. The Company is carrying out its life-style service businesses utilizing management resources such as stations, etc.

Number of Busy Stations

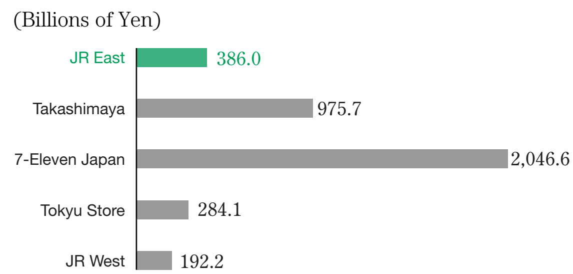
	More than 100,000 Passengers per day	More than 200,000 Passengers per day
JR East	82	32
JR Central	4	2
JR West	12	6
Tokyu Corporation	16	3

Year ended March 31, 2000
Data based on figures from JR Central, JR West and Japan Private Railway Association



Merchandise Sales (Millions of Yen)

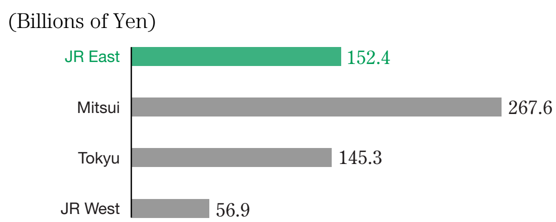
	Operating Revenues
JR East	386,033
Takashimaya	975,655
7-Eleven Japan	2,046,640
Tokyu Store	284,075
JR West	192,231



Takashimaya=Takashimaya Company, Limited
7-Eleven Japan=Seven-Eleven Japan Co., Ltd.
Tokyu Store=TOKYU STORE CHAIN CO., LTD.
Year ended March 31, 2001 (Year ended February 28, 2001 for Takashimaya, 7-Eleven Japan and Tokyu Store)
Data in this section have been based on figures from each company's financial press release.
The following figures are used as operating revenues:
Takashimaya: Department store business, segment revenues from outside customers
7-Eleven Japan: Total store sales (nonconsolidated)
Tokyu Store: Consolidated operating revenues
JR West: Sales of goods, segment revenues from third parties

Real Estate Leasing (Millions of Yen)

	Operating Revenues
JR East	152,438
Mitsui	267,568
Tokyu Corporation	145,347
JR West	56,881

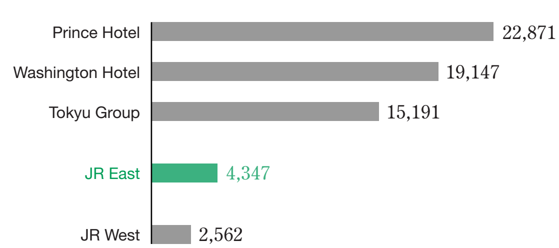


Mitsui=Mitsui Fudosan Co., Ltd.
Year ended March 31, 2001
Data in this section have been based on figures from each company's financial press release.
The following figures are used as operating revenues:
Mitsui: Office and commercial revenues in leasing segment, outside customers
Tokyu Corporation: Real estate segment revenues from external customers
JR West: Real estate business, segment revenues from third parties

Domestic Hotel Chain Ranking by Guest Rooms

	Guest Rooms	Rank
Prince Hotel	22,871	1st
Washington Hotel	19,147	2nd
Tokyu Group	15,191	3rd
JR East	4,347	18th
JR West	2,562	29th

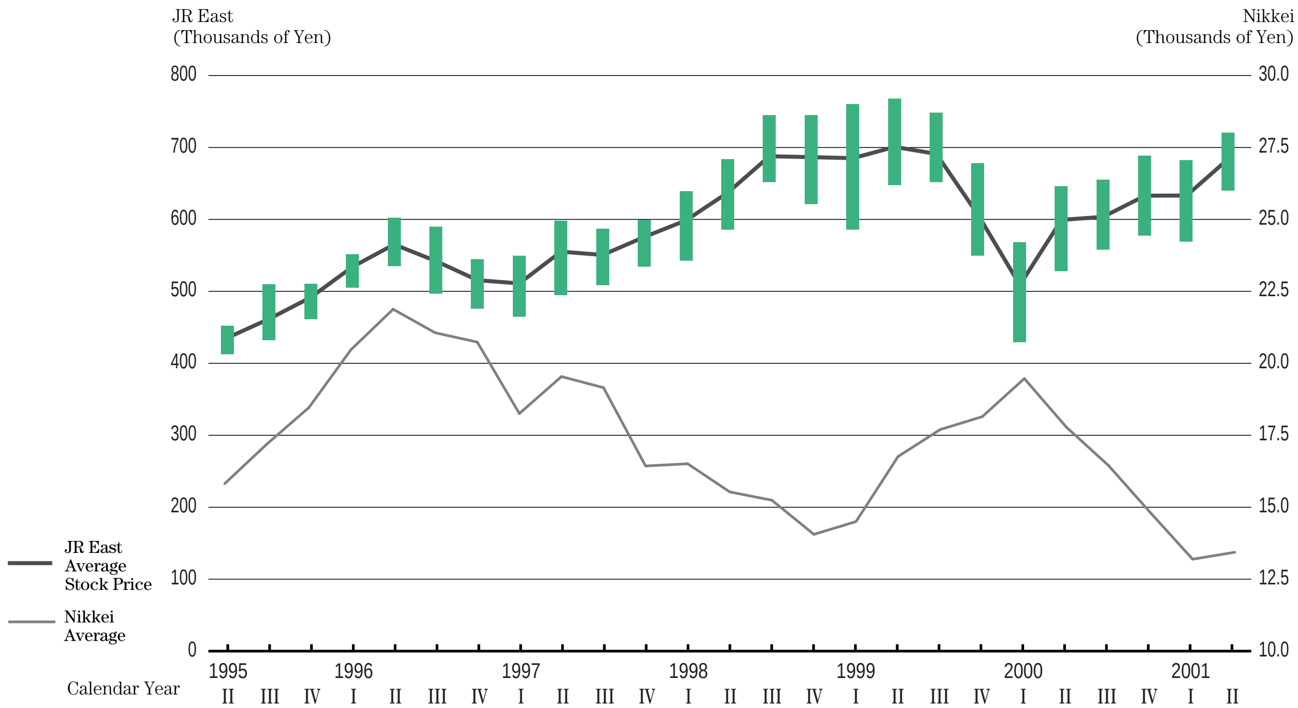
As of February 28, 2001
Data based on Japan Hotel Almanac 2001 by Ohta Publications



STOCK INFORMATION

Stock Code: 9020

Quarterly Summary



Stock Price (Thousands of Yen)	1995 II	1995 III	1995 IV	1996 I	1996 II	1996 III	1996 IV	1997 I	1997 II	1997 III	1997 IV	1998 I	1998 II	1998 III	1998 IV	1999 I	1999 II	1999 III	1999 IV	2000 I	2000 II	2000 III	2000 IV	2001 I	2001 II
High	¥ 450	509	510	550	603	589	545	550	598	586	600	639	683	746	745	760	768	748	678	569	646	655	688	682	720
Low	411	431	461	505	536	497	476	465	495	509	534	543	586	653	622	586	648	653	550	430	528	559	577	568	640
Average	434.8	461.0	491.0	533.4	564.6	541.5	514.9	510.4	554.5	550.0	575.0	598.1	636.7	687.2	685.9	684.5	700.1	690.4	605.6	508.3	598.7	602.9	632.3	632.6	683.6
Average Daily Trading Volume (Shares)	2,342	3,427	2,542	3,622	3,605	2,367	2,900	2,593	2,817	3,195	2,874	3,766	3,330	3,122	3,250	3,332	3,284	7,866	5,099	5,820	5,364	4,500	5,555	8,294	5,729

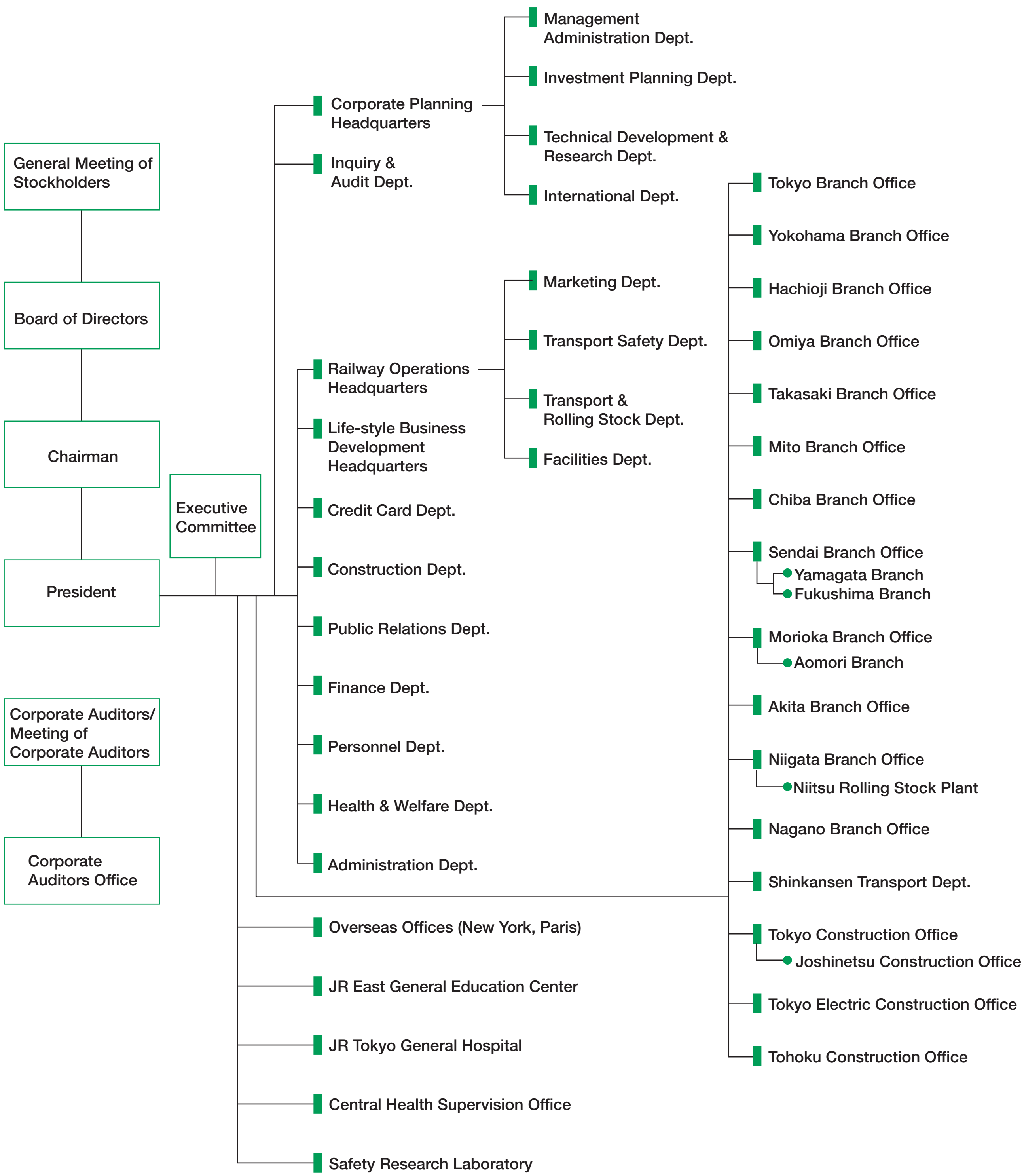
Note : Average stock prices are computed using closing prices.
Source : Tokyo Stock Exchange

Major Shareholders

As of March 31, 2001	Number of Shares Held	Percentage of Total Issued Shares
Japan Railway Construction Public Corporation JNR Settlement Headquarters	500,236	12.51%
The JR East Employees Shareholding Association	126,301	3.16%
Japan Trustee Services Bank Ltd., trust accounts	125,190	3.13%
The Mitsubishi Trust and Banking Corporation	110,002	2.75%
The Fuji Bank, Limited	95,000	2.38%
The Dai-Ichi Kangyo Bank, Limited	95,000	2.38%
The Bank of Tokyo-Mitsubishi, Limited	95,000	2.38%
The Industrial Bank of Japan, Limited	83,334	2.08%
The Mitsubishi Trust and Banking Corporation, trust accounts	75,446	1.89%
The Sanwa Bank, Limited	73,300	1.83%
Total	1,378,809	34.47%

Organization

(As of July 2001)



Note: Stations, maintenance and inspection facilities, and other operating units are not shown.

Board of Directors

(As of July 31, 2001)

Masatake Matsuda
Chairman

Mutsutake Otsuka
President and CEO

Chairman
Masatake Matsuda

President and CEO
Mutsutake Otsuka*

Executive Vice Presidents
Kikuo Kojima*
Corporate Planning Headquarters

Eiji Hosoya*
Life-style Business Development Headquarters

Yoshio Ishida*
Railway Operations Headquarters

Executive Directors
Yukio Suda
Tokyo Branch Office

Jinichiro Imaki
Life-style Business Development Headquarters; Technical Development & Research Department, Corporate Planning Headquarters; Construction Department

Masayuki Saito
Railway Operations Headquarters; Marketing Department, Railway Operations Headquarters; Transport & Rolling Stock Department, Railway Operations Headquarters

Nobuyuki Hashiguchi
Sendai Branch Office

Satoshi Seino
CFO
Public Relations Department; Finance Department; Administration Department

Makoto Natsume
Corporate Planning Headquarters; Inquiry & Audit Department; Personnel Department; Health & Welfare Department

Takeshi Inoue
Railway Operations Headquarters; Transport Safety Department, Railway Operations Headquarters; Facilities Department, Railway Operations Headquarters; Credit Card Department; IT Business Project

Directors
Yasutomo Shirakawa
Transport & Rolling Stock Department, Railway Operations Headquarters

Eiji Ishiyama
Yokohama Branch Office

Yukio Arimori
Technical Development & Research Department, Corporate Planning Headquarters; Safety Research Laboratory

Hiroshi Okawa
Chiba Branch Office

Kunio Aoki
Niigata Branch Office

Hiroshi Ogino
Morioka Branch Office

Makoto Egashira
Hachioji Branch Office

Atsuhiko Kano
Life-style Business Development Headquarters

Nobuyuki Sasaki
Personnel Department

Shinichi Shimizu
Marketing Department, Railway Operations Headquarters

Tetsujiro Tani
Administration Department

Masao Tsukamoto
Akita Branch Office

Tsutomu Sato
Takasaki Branch Office

Tetsuro Tomita
Management Administration Department, Corporate Planning Headquarters

Yoshiaki Arai
Life-style Business Development Headquarters

Takao Kubo
Mito Branch Office

Takao Saito
Nagano Branch Office

Masanori Tanaka
Omiya Branch Office

Toru Sekine
Tokyo Station

Shunji Kono
(Counselor, The Tokio Marine And Fire Insurance Co., Ltd.)

Corporate Auditors
Katsuhiro Harada

Nobumasa Omatsu

Sumio Noda
(Lawyer)

Tetsuo Takeuchi
(Chairman, Board of Trustees, Daito Bunka University)

*Representative Director

Glossary

Automatic Train Control (ATC)
ATC equipment automatically controls braking in accordance with remote speed commands that are transmitted electrically from control equipment to train through the track with instructions for the desired speed, instead of via trackside signals to the driver. Equipment in the train receives speed commands, which are indicated on the driver's panel. This is installed in Joetsu, Tohoku and Nagano Shinkansen trains and busy conventional lines. Further, JR East is making advance preparations to introduce the next generation system, Digital ATC. With this system trains will decelerate gradually after digital signals transmitted from sensors on the ground inform a following train about the position of the preceding train. Introduction of Digital ATC will enable a further shortening of the distance between trains.

Automatic Train Stop (ATS)
The ATS system warns train operators if train speed is not reduced when approaching a stop signal and, if no action is subsequently taken, automatically brings the train to a halt. An advanced version of the ATS safety system, the ATS-P, uses computers to provide more accurate control of train movements. ATS-P compares train speed with the distance to a stop signal and provides automatic braking if the system determines that the train could not stop before the signal is reached. The ATS-P raises capacity by allowing trains to operate safely at closer intervals. JR East has developed ATS-Ps, which has broadly similar functions to ATS-P, but enables lower-cost installation by effective use of existing ATS, and will introduce ATS-Ps in the Sendai and Niigata urban areas.

Commuter pass
A credit card-sized card, normally encoded magnetically, allowing unlimited travel between two points over a period of one, three or six months. The magnetic code enables the cards to be inserted directly into automatic fare collection gates. Generally in Japan, employers traditionally pay for these passes.

Japan Railway Construction Public Corporation (JRCC)
Established in 1964, JRCC is a government-owned corporation whose primary activity is the construction of Seibi Shinkansen (see "Shinkansen") and other national projects. Within JR East's service area, this corporation is presently building Hokuriku Shinkansen and Tohoku Shinkansen extension. JR East rents Nagano Shinkansen, which is one sector of Hokuriku Shinkansen and commenced operations in October 1997, from JRCC. JR East also rents conventional lines such as Musashino line, Keiyo line and three other lines from JRCC. The "Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation" (the "Law") was enforced in October 1998. This resulted in the liquidation of the JNRSC and the transfer of JR East shares held by JNRSC to JRCC's JNR Settlement Headquarters. In August 1999, JRCC sold 1 million of these shares to the public, retaining 500 thousand shares.

Number of passengers
This figure includes both passengers who begin their journey at JR East stations and passengers who transfer to JR East from other railway company lines.

Operating kilometers (passenger line network)
Operating kilometers are units of measurement of the actual length of a railway line between two stations, regardless of the number of tracks along the line. Fare and charge calculations are based on this figure.

Passenger-kilometers
Passenger-kilometers are units used in measuring passenger volume. They are calculated by adding up the numbers each of which are calculated by multiplying the number of passengers that pass between two stations by the distance (in operating kilometers) between the stations.

Rolling stock kilometers
Taking into account the number of railcars on each train, rolling stock kilometers (or railcar kilometers) are precise measures of transportation capacity. They are calculated by adding up the numbers each of which are calculated by multiplying the number of railcars (excluding locomotives) that pass between two stations by the distance (in operating kilometers) between the stations.

Shinkansen
The high-speed rail system in Japan often referred to as "bullet trains." JR East operates Tohoku Shinkansen from Tokyo to Morioka, Joetsu Shinkansen from Omiya to Niigata, and Nagano Shinkansen from Takasaki to Nagano (see page 14). JR Central operates Tokaido Shinkansen. JR West operates Sanyo Shinkansen. Several new Shinkansen lines are now under construction or in advanced planning stages. These lines are collectively called "Seibi Shinkansen" and are covered by the Nationwide Shinkansen Railway Development Law (see page 29). Nagano Shinkansen, which commenced operation in October 1997, is one of these lines.

Shinkansen-conventional line through-service hybrid trains
This service is provided by specially designed trains capable of running on both Shinkansen lines and conventional lines where the track width has been broadened to standard gauge but the original narrow-gauge bridges, tunnels, stations and other facilities are used. Most railway lines in Japan are narrow-gauge, which have a rail width of 1.067 meters. The major exception is the Shinkansen network, which uses 1.435-meter-wide standard-gauge rails. Currently in Japan, through service of Shinkansen is extended to the two conventional lines between Fukushima and Shinjo and between Morioka and Akita of JR East, which are respectively called Yamagata hybrid Shinkansen and Akita hybrid Shinkansen for operational purposes. This through-service is unrelated to Seibi Shinkansen.

Track access charge
Japan Freight Railway Company (JR Freight), which was formed through the April 1987 division and privatization of JNR to conduct nationwide freight operations, does not own railway lines other than freight yards and other facilities used exclusively for freight operations. This company pays track access charge to the JR passenger railway companies, including JR East.

Corporate Data

(As of March 31, 2001)

Number of Employees:	82,285 (61,868 at parent company) * Excluding employees assigned to other companies and employees on temporary leave.
Number of Stations:	1,709
Number of Rolling Stock:	13,390
Average Daily Train Runs:	12,464 (As of December 2, 2000)
Passenger Line Network:	7,538.1 kilometers
Passengers Served Daily:	16.1 million
Number of Shopping Centers:	107
Number of Guest Rooms in JR East Hotel Chain:	4,347
Total Number of Shares Issued:	4,000,000
Paid-in Capital:	¥200,000 million
Number of Shareholders:	352,177
Stock Exchange Listings:	Tokyo, Osaka, Nagoya
Transfer Agent:	The Mitsubishi Trust and Banking Corporation 11-1, Nagatacho 2-chome, Chiyoda-ku Tokyo 100-8212, Japan

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