

## > MESSAGE FROM THE MANAGEMENT

The East Japan Railway Company (JR East) Group provides high-quality and advanced services based on sound management, with railway operations as its core, to fulfill its obligations to shareholders. 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 customers. As a "Trusted Life-Style Service Creating Group," we will go forward with our customers to contribute to the achievement of better living standards, the cultural development of local communities and the protection of the global environment.

### > FISCAL 2002 RESULTS

During the year ended March 31, 2002 (fiscal 2002), the Japanese economy reentered a period of weakness due to stagnation of production activities, exacerbated by reduction of exports due to the slowdown of the economy overseas. In addition, in September 2001 terrorist attacks occurred in the USA, which increased future uncertainties even further. Although exports and production appeared to stop declining towards the end of the fiscal year, the economy remained in the doldrums in general with weak personal consumption due to continuing severe employment condi-



Masatake Matsuda *Chairman*

Mutsutake Otsuka *President and CEO*

tions and lower capital expenditures. JR East with its consolidated subsidiaries continued to make efforts to expand revenues by maximizing the use of operational resources such as railway networks of the Shinkansen lines and stations in order to overcome such severe situations and implemented measures to increase the efficiency of business operations by carrying out a comprehensive review of overall expenses.

As a result, operating revenues decreased 0.1% to ¥2,543.4 billion (\$19,123 million), while operating income decreased 2.3% to ¥316.3 billion (\$2,378 million). Net income decreased 31.3% to ¥47.6 billion (\$358 million), affected by an increase in other expenses due to revaluation of part of securities held and loss on sales of fixed assets, despite lower interest expenses and gain on sales of investment in securities as a result of sales of some of its Japan Telecom shares.

### > ATTAINMENT OF FULL PRIVATIZATION

Since its inception, JR East has continued to make efforts to implement the principle of the Japanese National Railways (JNR) restructuring to establish its independent management assuming sole responsibility for its own actions. The Law of Part Amendment to the Law concerning Passenger Railway Companies and the Japan Freight Railway Company (Law No. 61 in 2001) took effect on December 1, 2001, under which the regulations that had restricted JR East were abolished. In June 2002, full privatization, which had been the purpose of the JNR restructuring and the greatest management issue of JR East, was finally achieved through the disposal of the 500,000 shares of JR East owned by Japan Railway Construction Public Corporation.

Full privatization will allow greater management flexibility and maneuverability. At the same time, it will also raise the expectations of

shareholders, customers and communities. In addition, we anticipate that the management environment surrounding JR East will present greater challenges due to uncertainties of future economic conditions, as well as a continuing decline in the birthrate and a rapidly aging population, and increased competition with other means of transportation. JR East will carry out the Group's medium-term business plan, *New Frontier 21*, speedily and surely in order to become a corporate group which is appreciated by all the people surrounding JR East in a true sense by dealing with these environmental changes appropriately.

#### > MEDIUM-TERM BUSINESS PLAN

JR East announced on November 29, 2000 the Group's medium-term business plan, which it calls *New Frontier 21*, for the period from fiscal 2002 to fiscal 2006. Based on this plan, JR East Group aims to create life-style services trusted by its customers via corporate activities open to the world to become what it calls a "Trusted Life-Style Service Creating Group."

Specifically, management will be carried out with five visions: "creating customer value and pursuing customer satisfaction," "innovation of business through the creation of technologies," "harmony with society and coexistence with the environment," "creating motivation and vitality," and "raising shareholder value."

We set five numerical goals to be achieved by or in fiscal 2006. In November 2001, adjust-

ments were made with regard to consolidated free cash flows and the reduction of nonconsolidated total long-term debt. The objective for consolidated free cash flows, which was initially set at ¥180 billion in fiscal 2006 was revised to ¥200 billion. The objective for the reduction of nonconsolidated total long-term debt was initially set at ¥500 billion by fiscal 2006, and was revised to ¥750 billion. The other three objectives include improvement of the consolidated ROE (return on average equity) to 10.0%, increase of the consolidated ROA (the ratio of operating income to average assets) to 5.5%, and the reduction of 10,000 in the number of employees of the parent company.

#### > CORPORATE GOVERNANCE

To facilitate adequate and timely decision-making by the board of directors based on sufficient discussions, JR East is working on upgrading its corporate governance procedures. This includes incorporating the opinions of directors from outside JR East and corporate auditors. Furthermore, JR East is strengthening ties between the parent company corporate auditors and the auditors at each Group company. The objective is to ensure the soundness of the management of each Group company, with recognition that a company is evaluated on the performance of its entire group.

Regarding the disclosure of information, JR East is strengthening its public information activities to ensure the public is better informed about JR East Group. JR East is also

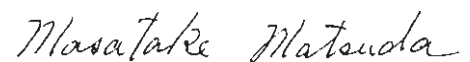
actively implementing investor relations activities, including information meetings for analysts and investors.

#### > ESTABLISHMENT OF A SOUND MANAGEMENT BASE

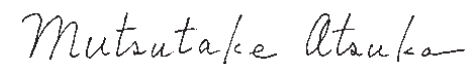
As an entirely private-sector enterprise, JR East intends to earn even greater trust by increasing customer satisfaction by offering safe and stable transportation and higher-quality services under customer-oriented management. JR East will also implement a management style balancing assertiveness and defensiveness and increase profits level by placing massive management resources into areas that are located in a superior competitive position and creating a basis for future growth.

By implementing these measures, JR East will endeavor to fulfill the entrustment of the shareholders and investors. As in the past, we respectfully ask for your support and cooperation for the management team of JR East.

July 2002



Masatake Matsuda  
Chairman



Mutsutake Otsuka  
President and CEO