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

FISCAL 2003 RESULTS

During the year ended March 31, 2003 (fiscal 2003), the Japanese economy staged a temporary rally on the strength of production growth driven by buoyant exports. However, the recovery trend began to weaken toward the end of fiscal 2003. Personal consumption, which had previously remained firm, also weakened in response to continuing negative signs on the employment front, including the highest level of unemployment on record. After bottoming out and shifting to an upward trend, capital expenditure was subsequently affected by increasing uncertainty about future trends, including signs of instability in the international situation. As a result of these and other factors, economic performance remained generally sluggish throughout fiscal 2003.

JR East worked to maximize revenues in this business environment by making optimal use of their management resources, including the Shinkansen and other railway networks and the stations. These efforts were paralleled by efficiency-related initiatives, including thorough overall expense reviews and asset streamlining measures.

As a result, operating revenues increased by 0.9% to ¥2,565.7 billion ($21,381 million), while operating income increased by 8.5% to ¥343.1 billion ($2,859 million). JR East took steps to reduce interest payments through the reduction of interest-bearing debt, which was caused by the expansion of the Cash Management System (CMS) introduced in fiscal 2002 to integrate cash management for all group companies. As a result, net income increased by 106.1% to ¥98.0 billion ($817 million), though the increase was in part a reaction to the devaluation losses on investment in securities recorded in fiscal 2002.

ACHIEVEMENT OF FULL PRIVATIZATION

On June 21, 2002, 500 thousand JR East shares that had been held by the JNR Settlement Headquarters of Japan Railway Construction Public Corporation (JRCC) were sold. This sale marked the final realization of full privatization, which was the goal of the Japanese National Railways restructuring. The management of JR East would like to take this opportunity to express its sincere appreciation to all who have supported us through this process. Full privatization will allow greater management flexibility and maneuverability. At the same time, it will also raise the expectations of shareholders, investors, customers and communities. Aiming to be a *Trusted Life-Style Service Creating Group*, JR East will achieve rapid, sustained progress toward the implementation of the various measures set down in its medium-term business plan, as defined in *New Frontier 21*.

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 *New Frontier 21* speedily and surely in order to become a corporate group that is appreciated by all the people surrounding JR East in a true sense by dealing with these environmental changes appropriately.

MEDIUM-TERM BUSINESS PLAN

New Frontier 21, for the period from fiscal 2002 to fiscal 2006, was announced on November 29, 2000. In this plan, JR East aims to be a corporate group that strives to create life-style services trusted by its customers via corporate activities open to the world, i.e., a *Trusted Life-Style Service Creating Group.*

Note: Yen figures have been translated to U.S. dollars at the rate of ¥120 to US$1 as of March 31, 2003, solely as a convenience to readers.

In more detail, 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."

JR East has set five numerical goals and is endeavoring to achieve these goals ahead of the target deadline at the end of fiscal 2006.

Free cash flows were ¥236.9 billion ($1,974 million) in fiscal 2003, against the target of ¥200.0 billion for fiscal 2006. ROE (return on average equity) was 10.2% in fiscal 2003, against the target of 10.0% for fiscal 2006. ROA (ratio of operating income to average assets) was 4.9% in fiscal 2003, against the target of 5.5% for fiscal 2006. Reduction of nonconsolidated total long-term debt reached ¥530.8 billion in the first two years, against the target reduction of ¥750.0 billion for fiscal 2006. Reduction of parent company employees reached 4,194 in the first two years, against a target reduction of 10,000 for fiscal 2006.

CORPORATE GOVERNANCE

JR East is determined to maintain its status as a corporate group trusted by all stakeholders, including shareholders. This commitment is reflected in the continuing emphasis placed on the improvement of corporate governance, which remains one of JR East's most important management issues.

Specific measures to ensure sound management and improve efficiency and transparency include the establishment of appropriate structures accompanied by the required measures in relation to management decision-making, operational action and supervision, group control, and information disclosure.

JR East has a board of 27 directors, including two outside corporate directors. They make decisions about important operational matters, including statutory requirements and supervise the performance of the company's operations. Since its establishment, JR East has always appointed outside corporate directors to ensure transparent management and to strengthen supervision. Outside corporate directors also bring with them a wide range of knowledge and experience.

After the shareholders' annual meeting in June 2003, JR East reduced the number of directors by 4, from 31 to 27, in order to further activate discussion and enhance flexible and speedy decision-making.

The Board of Corporate Auditors consists of five corporate auditors, including two full-time corporate auditors. Four of them are outside corporate auditors.

JR East's management believes that the most appropriate course is to strengthen corporate governance under the present audit structure.

JR East discloses information positively through its public relations and investor relations activities. It is using Internet pages and other resources to provide timely disclosure of an expanding range of important corporate data.

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 profit levels 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.

June 2003

Masatake Matsuda

Masatake Matsuda, *Chairman*

Mutsutake Otsuka

Mutsutake Otsuka, *President and CEO*