FINANCIAL SECTION

CONTENTS

11-YEAR SUMMARY

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31

	1993	1994	1995	1996
Operating results				
Operating revenues	2,338,772	2,343,346	2,447,955	2,473,200
Operating expenses	1,875,306	1,902,465	2,034,546	2,059,384
Operating income	463,466	440,881	413,409	413,816
Net income	56,776	56,688	65,545	68,431
Segment information (*1)				
Operating revenues from outside customers				
Transportation	N/A	N/A	N/A	N/A
Station space utilization	N/A	N/A	N/A	N/A
Shopping centers & office buildings	N/A	N/A	N/A	N/A
Other services	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A
Segment information (*2)				
Operating revenues from outside customers				
Transportation	1,868,001	1,861,786	1,837,806	1,839,095
Merchandise sales	312,954	319,862	355,958	357,598
Real estate leasing Other services	157,817	161,698	254,191	276,507
Total	2,338,772	2,343,346	2,447,955	2,473,200
Financial Position				
Total assets	7,032,943	7,054,909	7,291,152	7,345,760
Long-term debt (including current portion)	2,295,382	2,232,203	2,255,471	2,247,931
Railway facilities purchase liabilities (including current portion) (*3)	3,021,739	2,969,802	2,912,176	2,851,373
Total long-term debt (sum of two items above)	5,317,121	5,202,005	5,167,647	5,099,304
Total shareholders' equity	550,389	586,714	621,292	669,291
Cash flows (*4)				
Cash flows from operating activities	532,940	474,146	419,935	504,761
Cash flows from investing activities	(331,195)	(314,868)	(351,321)	(342,507)
Cash flows from financing activities	(169,002)	(142,502)	(54,251)	(99,288)
Per share data				
Earnings	14,194	14,172	16,386	17,108
Shareholders' equity	137,597	146,679	155,323	167,323
Cash dividends (*5)	5,000	5,000	5,000	5,000
Ratios				
Net income as a percentage of revenues	2.4%	2.4%	2.7%	2.8%
Return on average equity (ROE)	10.7%	10.0%	10.9%	10.6%
Ratio of operating income to average assets (ROA)	6.6%	6.3%	5.8%	5.7%
Equity ratio	7.8%	8.3%	8.5%	9.1%
Debt-to-equity ratio	1,176.3%	1,100.9%	1,070.3%	994.6%
Other data				
Depreciation	280,889	269,777	288,138	275,589
Capital expenditures (*6)	N/A	N/A	N/A	261,582
Interest expense	335,577	314,903	291,266	279,783
Number of consolidated subsidiaries (As of March 31)	12	12	69	72
Number of employees (*7)	N/A	N/A	91,520	90,405

*1 The segmentation was changed to four new segments beginning with the year ended March 31, 2002.
The information for the year ended March 31,2001 has been reclassified according to the new business segmentation. (See note 17 to consolidated financial statements)
*2 Real estate leasing was separated from other services beginning with the year ended March 31, 1998.
*3 Long-term liabilities incurred for purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities and the Tokyo Monorail facilities.
*4 Owing to a change in accounting standards, statements of cash flows after the year ended March 31, 2000 use presentation methods different to those of previous years.
*5 The total amount of dividends for the year ended March 31, includes interim dividends for the interim period ended September 30, and the year-end dividends for the year ended March 31, which was decided at the shareholders' annual meeting in June.
*6 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.
*7 Beginning with the year ended March 31, 2000, number of employees excludes employees assigned to other companies and temporary employees.
*8 Upon the merger of Japan Railways Group Mutual Aid Associations into the Welfare Pension, the Company shared the shortage of the assets to be transferred amounting to ¥77,566 million. This was paid in a lump sum and was accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheets and was charged to income from the year ended March 31, 1998 to the year ended March 31, 2002 on a straight-line basis. (See note 2 to consolidated financial statements)

Millions of Yen (except for Per share data, Ratios, Number of consolidated subsidiaries and Number of employees)

1997	1998	1999	2000	2001	2002	2003
2,513,790	2,514,808	2,483,594	2,502,909	2,546,041	2,543,378	**2,565,671**
2,097,388	2,146,109	2,149,122	2,160,952	2,222,290	2,227,038	**2,222,576**
416,402	368,699	334,472	341,957	323,751	316,340	**343,095**
70,661	66,235	21,929	66,963	69,174	47,551	**97,986**
N/A	N/A	N/A	N/A	1,801,370	1,789,599	**1,800,434**
N/A	N/A	N/A	N/A	348,994	368,553	**368,961**
N/A	N/A	N/A	N/A	165,818	165,276	**170,321**
N/A	N/A	N/A	N/A	229,859	219,950	**225,955**
N/A	N/A	N/A	N/A	2,546,041	2,543,378	**2,565,671**
1,855,994	1,836,237	1,808,925	1,799,051	1,805,663	N/A	**N/A**
363,403	365,964	356,260	379,213	386,033	N/A	**N/A**
144,927	154,905	158,515	143,432	152,438	N/A	**N/A**
149,466	157,702	159,894	181,213	201,907	N/A	**N/A**
2,513,790	2,514,808	2,483,594	2,502,909	2,546,041	N/A	**N/A**
7,384,463	7,381,794	7,287,033	7,308,391	7,247,089	7,022,271	**6,853,403**
2,223,163	2,285,063	2,320,246	2,319,664	2,307,483	2,060,838	**1,942,983**
2,812,547	2,713,737	2,610,966	2,499,023	2,392,241	2,318,997	**2,174,581**
5,035,710	4,998,800	4,931,212	4,818,687	4,699,724	4,379,835	**4,117,564**
719,510	765,424	766,880	856,401	923,568	930,746	**981,856**
497,242	410,662	365,296	474,715	455,470	455,045	**433,304**
(419,923)	(379,156)	(282,082)	(292,438)	(266,319)	(105,645)	**(196,422)**
(77,240)	(52,674)	(72,298)	(168,133)	(161,109)	(433,589)	**(310,658)**
17,665	16,559	5,482	16,741	17,294	11,888	**24,453**
179,878	191,356	191,720	214,100	230,892	232,687	**245,463**
5,000	5,000	5,000	5,000	5,000	5,000	**8,000**
2.8%	2.6%	0.9%	2.7%	2.7%	1.9%	**3.8%**
10.2%	8.9%	2.9%	8.3%	7.8%	5.1%	**10.2%**
5.7%	5.0%	4.6%	4.7%	4.4%	4.4%	**4.9%**
9.7%	10.4%	10.5%	11.7%	12.7%	13.3%	**14.3%**
923.4%	861.3%	846.9%	750.4%	681.5%	650.7%	**594.6%**
274,133	283,711	319,687	329,583	329,651	321,995	**322,564**
325,066	268,425	258,080	288,106	296,957	301,781	**307,579**
256,063	243,017	230,887	220,421	205,155	187,601	**173,298**
73	80	81	96	96	101	**101**
89,593	89,008	87,880	82,747	82,285	80,200	**78,760**

*9 Net income decreased significantly in the year ended March 31, 1999, mainly because "cash charges for additional obligation related to transfer to Welfare Pension" was accounted for in other expenses. This additional obligation of ¥70,475 million, including the interest portion, was paid in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railway Settlement Corporation. (See "Facts about Key Issues—Disposition of Long-Term Liabilities of Former JNR")

*10 Beginning with the year ended March 31,1999, the declining balance method has generally been applied with respect to depreciation for structures related to Shinkansen railway fixtures. The straight-line method had been applied prior to the year ended March 31, 1999.

*11 Accounting Standards for Financial Instruments were adopted beginning with the year ended March 31, 2001. (See note 2 and 7 to consolidated financial statements)

*12 Tax effect accounting was adopted beginning with the year ended March 31, 2000.

*13 Accounting Standards for Retirement Benefits were adopted beginning with the year ended March 31, 2001. (See note 2 and 13 to consolidated financial statements)

Overview and Basic Financial Policy

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

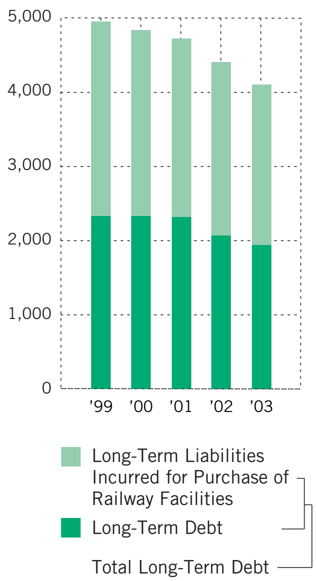
For fiscal 2003, 101 subsidiaries were consolidated in the consolidated statement of income. Two newly established subsidiaries were added in fiscal 2003. Furthermore, two subsidiaries were deconsolidated in fiscal 2003, because of a merger with another subsidiary and liquidation. As a result, the number of subsidiaries included in the consolidated balance sheet as of March 31, 2003 was 101.

For fiscal 2003, there was no change in the number of equity method affiliated companies, and the number of equity method affiliated companies included in the consolidated balance sheet as of March 31, 2003 was two.

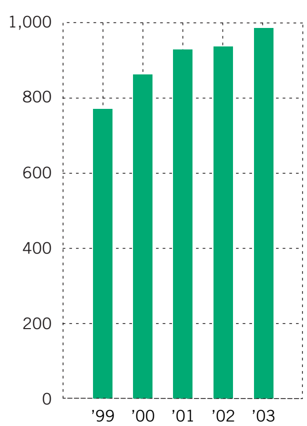
The basic financial policy is to maximize free cash flows. Reducing total long-term debt remains the most important issue for the time being, with the recognition that strengthening financial position is still necessary. Capital expenditure has in principle been limited to the level of depreciation, in order to release resources for the reduction of total long-term debt. In fiscal 1997, capital expenditure exceeded depreciation because of the acquisition of ground facilities in preparation for the opening of the Akita hybrid Shinkansen service in March 1997.

Depending on the development situation of non-transportation businesses, it is possible that capital expenditure will not be kept strictly within the limits of depreciation. However, depreciation will not be exceeded by a substantial margin, since the Cash

Total Long-Term Debt
(Billions of Yen)

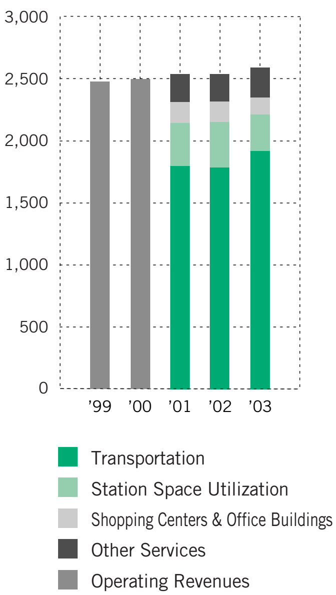


Shareholders' Equity
(Billions of Yen)

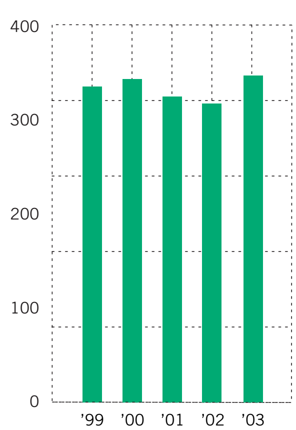


Note: In this discussion, total long-term debt is the aggregate of long-term debt and long-term liabilities incurred for purchase of railway facilities, including the current portion.

Operating Revenues
(Billions of Yen)



Operating Income
(Billions of Yen)



Management System has already centralized all the group companies' finance under the integrated control of the parent company, which is committed to the reduction of debt.

Total long-term debt on the balance sheet at year end was reduced by ¥262.3 billion, resulting in total long-term debt of ¥4,117.6 billion ($34,313 million) on March 31, 2003.

Fiscal 2003 Results

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

Transportation

Operating income from transportation increased 9.0% to ¥256.7 billion ($2,140 million). The increase arose primarily from a new consolidation of Tokyo Monorail Co., Ltd. Operating revenues from outside customers increased 0.6% due to an increase in revenues from railway passenger ticket sales. Operating expenses decreased 0.7% due to the reduction of personnel expenses.

Revenues from railway passenger tickets, exclusive of Tokyo Monorail, which constituted 92.5% of revenues from transportation from outside customers in fiscal 2003, reflect sales of ordinary tickets and commuter passes. Revenues from railway passenger tickets decreased 0.2% to ¥1,664.6 billion ($13,871 million) due primarily to a decrease in commuter pass revenues and offset in part by an increase in ordinary ticket revenues on conventional lines.

Passenger kilometers recorded for Shinkansen network increased 3.0%. Shinkansen revenues decreased 0.2% to ¥457.4 billion ($3,811 million) despite the increase in passenger kilometers, due primarily to an increased proportion of passenger kilometers attributable to discount travel packages. Revenues from Shinkansen commuter passes decreased 0.4% to ¥21.2 billion ($177 million), and ordinary Shinkansen ticket revenues decreased 0.2% to ¥436.1 billion ($3,634 million).

In fiscal 2003, passenger kilometers for the Tokyo metropolitan area network increased 0.1%. Revenues from the Tokyo metropolitan area network increased 0.4% to ¥844.7 billion ($7,039 million). Revenues from commuter passes decreased 0.6% to ¥344.1 billion ($2,867 million). Ordinary ticket revenues increased 1.0% to ¥500.6 billion ($4,172 million).

Passenger kilometers for intercity and regional networks decreased 1.1 %. Revenues from intercity and regional networks decreased 1.4% to ¥362.5 billion ($3,021 million).

Operating Results and Financial Position Summary

	Millions of Yen (except for per share data)				
	1999	2000	2001	2002	**2003**
For the Year:					
Operating Revenues	¥2,483,594	¥2,502,909	¥2,546,041	¥2,543,378	**¥2,565,671**
Operating Income	334,472	341,957	323,751	316,340	**343,095**
Net Income	21,929	66,963	69,174	47,551	**97,986**
Depreciation	319,687	329,583	329,651	321,995	**322,564**
Cash Flows from Operating Activities	365,296	474,715	455,470	455,045	**433,304**
Earnings Per Share (yen)	5,482	16,741	17,294	11,888	**24,453**
Cash Flows from Operating Activities Per Share (yen)	91,324	118,679	113,868	113,761	**108,347**
At Year-End:					
Total Assets	¥7,287,033	¥7,308,391	¥7,247,089	¥7,022,271	**¥6,853,403**
Long-Term Debt	2,320,246	2,319,664	2,307,483	2,060,838	**1,942,983**
Long-Term Liabilities Incurred for Purchase of Railway Facilities *	2,610,966	2,499,023	2,392,241	2,318,997	**2,174,581**
Total Long-Term Debt **	4,931,212	4,818,687	4,699,724	4,379,835	**4,117,564**
Total Shareholders' Equity	766,880	856,401	923,568	930,746	**981,856**

Notes: 1. There were 81 consolidated subsidiaries as of March 31, 1999, 96 in 2000, 96 in 2001, 101 in 2002 and 101 in 2003.
2. Net income decreased significantly in fiscal 1999, mainly because "cash charges for additional obligation related to transfer to Welfare Pension" was accounted for in other expenses. This additional obligation of ¥70,475 million, including the interest portion, was paid in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railway Settlement Corporation. (See page 46)
3. Tax effect accounting was adopted beginning with fiscal 2000.
4. Accounting Standards for Retirement Benefits were adopted beginning with fiscal 2001.
5. Capital expenditures funded by JR East were ¥258,080 million in fiscal 1999, ¥288,106 million in fiscal 2000, ¥296,957 million in fiscal 2001 ¥301,781 million in fiscal 2002 and ¥307,579 million ($2,563 million) in fiscal 2003.

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

** The weighted average interest rate on total long-term debt was 4.55% at the end of fiscal 1999, 4.40% at the end of fiscal 2000, 4.18% at the end of fiscal 2001, 4.09% at the end of fiscal 2002 and 4.02% at the end of fiscal 2003.

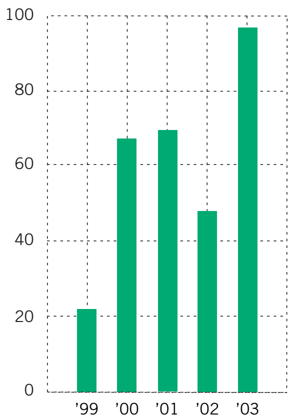
Commuter pass revenues decreased 0.9% to ¥118.8 billion ($990 million). Revenues from ordinary tickets decreased 1.6% to ¥243.7 billion ($2,031 million).

Passenger kilometers and revenues from the conventional line segments of hybrid Shinkansen services are credited to intercity and regional networks.

Station Space Utilization

Operating income from station space utilization increased 4.9% to ¥28.1 billion ($234 million). Operating revenues from outside customers increased 0.1% due primarily to additional revenues from outlets and restaurants opened through the implementation of the *Cosmos* and *Sunflower Plans*. Additionally, operating expenses decreased 0.3% due to the results of endeavoring to improve efficiency and initiatives to enhance profitability.

Net Income
(Billions of Yen)



Shopping Centers & Office Buildings

Operating income from shopping centers & office buildings increased 13.1% to ¥43.5 billion ($363 million). Operating revenues from outside customers increased 3.1% due mainly to increases in revenues from the newly opened *JR Tokyu Meguro Building*, a large-scale office building, and the *atré Meguro* shopping center in the same building. Upgrades of several shopping centers also contributed to the increase in operating revenues. On the other hand, operating expenses decreased 0.2% due to the development of thorough low-cost operations and other measures.

Other Services

Operating income from other services for fiscal 2003 increased 8.5% to ¥17.5 billion ($145 million). Operating revenues from outside customers increased by 2.7% due in part to the inclusion of operating revenues from The Orangepage, Inc., management rights for which were acquired in fiscal 2002. Operating expenses increased 3.8% due to increases in outside order expenses and personnel expenses.

Other Income (Expenses)

Total interest expenses decreased 7.6% to ¥173.3 billion ($1,444 million). The weighted average interest rate on total long-term debt was 4.02% at the end of fiscal 2003, compared with 4.09% at the end of fiscal 2002. Interest expense on short- and long-term debt, excluding long-term liabilities incurred for purchase of railway facilities, decreased 11.3% to ¥54.3 billion ($453 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 5.8% to ¥119.0 billion ($991 million) due to the inherent increase in the proportion of principal within each installment amount, since the payment in respect of the purchase price is made in equal semiannual installments, as well as a further decrease in the proportion of interest within such installments resulting from declining variable interest rates applicable to a substantial portion of long-term liabilities incurred for purchase of railway facilities. (See note 10 to consolidated financial statements.)

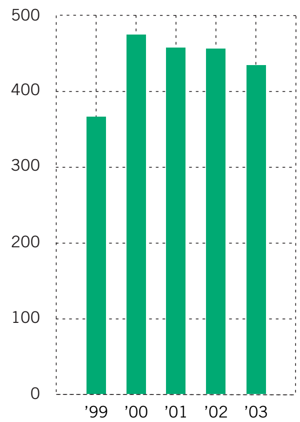
Devaluation losses on investment in securities of ¥17.0 billion ($143 million) were incurred as a result of decreases in market value of a number of financial institution stocks owned. In addition, loss on sales of fixed assets of ¥28.9 billion ($241 million) was incurred, related primarily to the sale of real estate used for employee housing. These were offset in part by a gain on sales of fixed assets of ¥42.2 billion ($352 million) mainly related to the sale of land.

Other, net was income of ¥22.9 billion ($190 million) compared with expense of ¥9.5 billion in fiscal 2002. The increase was due mainly to an increase in construction grants received to ¥65.4 billion ($545 million).

Income Before Income Taxes and Net Income

Due to these factors, income before income taxes increased 66.1% to ¥193.4 billion ($1,612 million). Net income increased 106.1% to ¥98.0 billion ($817 million).

Cash Flows from Operating Activities
(Billions of Yen)



Cash Flows

Net cash provided by operating activities decreased by ¥21.7 billion to ¥433.3 billion ($3,611 million), despite an increase in net income before income taxes, due to a decrease in devaluation losses on investment in securities and a reduction in payables.

Net cash used in investment activities increased by ¥90.8 billion to ¥196.4 billion ($1,637 million). Contributing factors include capital expenditures for measures to ensure safe and stable transportation, improvement of transportation capacity and development of shopping centers and hotels. Another factor was a reduction in proceeds from the sale of shares in Japan Telecom (currently Japan Telecom Holdings).

Net cash used in financing activities decreased by ¥122.9 billion to ¥310.7 billion ($2,589 million). Although interim cash dividend payments increased because of a special dividend to commemorate the completion of full privatization, the reduction of total long-term debt was ¥262.5 billion, which was less than fiscal 2002.

As a result, the balance of cash and cash equivalents decreased by ¥73.5 billion to ¥126.5 billion ($1,054 million) after inclusion of an increase of ¥0.2 billion ($2 million) due to the merger with unconsolidated subsidiaries.

The balance of the total long-term debt at the end of fiscal 2003 amounted to ¥4,117.6 billion ($34,313 million).

Capital Expenditures

JR East carefully evaluate the benefits of each proposed capital expenditure to concentrate resources on strategic areas and maximize the benefits of the capital budget. Payments for purchases of fixed assets totaled ¥353.0 billion ($2,941 million) in fiscal 2003. 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 JR East were ¥307.6 billion ($2,563 million). Depreciation was ¥322.6 billion ($2,688 million).

Expenditures for transportation were ¥235.0 billion ($1,958 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 station space utilization were ¥9.1 billion ($76 million), consisting of developments of new stores at or near stations, improvements of existing stores and other items.

Expenditures for shopping centers & office buildings were ¥22.3 billion ($186 million), consisting of construction and renewal of shopping centers and other items.

Expenditures for other services were ¥41.1 billion ($343 million), consisting of construction of new hotels, developments and improvements of information systems and other items.

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. JR East issued five straight bonds in the year ended March 31, 2003 as follows:

Issue date	20 Sep. 2002	20 Sep. 2002	16 Oct. 2002	17 Dec. 2002	17 Dec. 2002
Maturity date	20 Sep. 2012	20 Sep. 2022	20 May. 2032	20 Dec. 2012	20 Sep. 2022
Amount	¥30 billion ($250 million)	¥20 billion ($167 million)	¥20 billion ($167 million)	¥30 billion ($250 million)	¥16 billion ($133 million)
Coupon	1.36%	2.02%	2.34%	1.07%	1.71%

These bonds were rated AA+ by R&I, a Japanese rating agency. The terms of JR East's bond issues appropriately reflect the JR East's credit ratings, degree of recognition among investors and many other factors. Accordingly, all issues were well received by the investment community. Bond issues in Japan and overseas will continue to be a vital source of funds for JR East.

JR East's long-term ratings from Standard & Poor's and Moody's are AA- and Aa2, respectively, as of June 2003.

CONSOLIDATED BALANCE SHEETS

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
March 31, 2002 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2002	2003	2003
Assets			
Current Assets:			
Cash and cash equivalents (Note 3)	¥ 200,022	¥ 126,478	$ 1,054
Receivables:			
Accounts receivable–trade	148,353	160,967	1,341
Unconsolidated subsidiaries and affiliated companies	8,344	5,202	43
Other	20,418	20,838	175
Allowance for doubtful accounts (Note 2)	(1,220)	(1,523)	(13)
	175,895	185,484	1,546
Inventories (Notes 2 and 4)	28,815	27,373	228
Real estate for sale (Notes 2 and 5)	18,578	16,710	139
Deferred income taxes (Note 12)	38,213	50,586	422
Other current assets	31,813	32,365	269
Total current assets	493,336	438,996	3,658
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 and 6)	40,003	38,768	323
Other (Notes 2 and 7)	126,160	81,218	677
	166,163	119,986	1,000
Property, Plant and Equipment (Note 2):			
Buildings	1,785,366	1,816,634	15,139
Fixtures	4,820,087	4,836,471	40,304
Machinery, rolling stock and vehicles	2,129,183	2,149,851	17,915
Land	2,203,233	2,133,209	17,777
Construction in progress	140,962	144,666	1,206
Other	132,382	139,566	1,162
	11,211,213	11,220,397	93,503
Less accumulated depreciation	5,070,961	5,206,330	43,386
Net property, plant and equipment	6,140,252	6,014,067	50,117
Other Assets:			
Long-term deferred income taxes (Note 12)	83,507	140,212	1,168
Consolidation difference (Note 2)	5,218	4,078	34
Other	133,795	136,064	1,135
	222,520	280,354	2,337
	¥7,022,271	¥6,853,403	$57,112

See accompanying notes.

	Millions of Yen 2002	Millions of Yen 2003	Millions of U.S. Dollars (Note 2) 2003
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans (Note 9)	¥ 10,089	¥ 4,418	$ 37
Current portion of long-term debt (Note 9)	330,747	297,241	2,477
Current portion of long-term liabilities incurred for purchase of railway facilities (Note 10)	131,675	134,948	1,125
Prepaid railway fares received	108,231	114,682	956
Payables:			
Accounts payable–trade	67,755	59,794	498
Unconsolidated subsidiaries and affiliated companies	40,326	40,596	338
Other	369,981	383,513	3,197
	478,062	483,903	4,033
Accrued expenses	108,434	112,750	940
Accrued consumption tax (Note 11)	20,859	15,604	130
Accrued income taxes (Note 12)	64,069	97,029	809
Other current liabilities	44,877	35,322	292
Total current liabilities	1,297,043	1,295,897	10,799
Long-Term Debt (Note 9)	1,730,091	1,645,742	13,715
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Note 10)	2,187,322	2,039,633	16,996
Accrued Severance and Retirement Benefits (Notes 2 and 13)	534,745	578,176	4,818
Deposits Received for Guarantees	229,909	214,817	1,790
Long-Term Deferred Tax Liabilities (Note 12)	8,435	5,198	43
Other Long-Term Liabilities	69,214	59,102	494
Minority Interests	34,766	32,982	275
Contingent Liabilities (Note 14)			
Shareholders' Equity (Notes 15, 16 and 20):			
Common stock:			
Authorized 16,000,000 shares; Issued, 2002 and 2003—4,000,000 shares; Outstanding, 2002—4,000,000 shares and 2003—3,999,235 shares	200,000	200,000	1,667
Capital Surplus:			
Additional paid-in capital	96,600	96,600	805
Total capital surplus	96,600	96,600	805
Retained earnings	607,376	679,196	5,660
Net unrealized holding gains on securities	26,770	6,511	54
Treasury stock, at cost, 765 shares in 2003	—	(451)	(4)
Total shareholders' equity	930,746	981,856	8,182
	¥7,022,271	¥6,853,403	$57,112

CONSOLIDATED STATEMENTS OF INCOME

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2001, 2002 and 2003

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2001	2002	**2003**	**2003**
Operating Revenues (Note 17)	¥2,546,041	¥2,543,378	**¥2,565,671**	**$21,381**
Operating Expenses (Note 17):				
Transportation, other services and cost of sales	1,722,744	1,712,324	**1,712,629**	**14,272**
Selling, general and administrative expenses	499,546	514,714	**509,947**	**4,250**
	2,222,290	2,227,038	**2,222,576**	**18,522**
Operating Income (Note 17)	323,751	316,340	**343,095**	**2,859**
Other Income (Expenses):				
Interest expense on short- and long-term debt	(71,585)	(61,272)	**(54,331)**	**(453)**
Interest expense incurred for purchase of railway facilities	(133,570)	(126,329)	**(118,967)**	**(991)**
Devaluation losses on investment in securities	(3,861)	(89,218)	**(17,029)**	**(142)**
Loss on sales of fixed assets	(2,693)	(33,365)	**(28,869)**	**(241)**
Interest and dividend income	2,596	1,518	**1,789**	**15**
Equity in net income of affiliated companies	2,598	2,816	**324**	**3**
Gain on sales of investment in securities	1,066	104,330	**17,134**	**143**
Gain on sales of fixed assets	5,835	11,087	**42,205**	**352**
Devaluation losses on fixed assets	—	—	**(14,809)**	**123**
Other, net	98	(9,462)	**22,866**	**190**
	(199,516)	(199,895)	**(149,687)**	**(1,247)**
Income Before Income Taxes	124,235	116,445	**193,408**	**1,612**
Income Taxes (Note 12):				
Current	95,446	108,403	**150,114**	**1,251**
Deferred	(42,570)	(41,989)	**(57,607)**	**(480)**
Minority Interests in Net Income of Consolidated Subsidiaries	(2,185)	(2,480)	**(2,915)**	**(24)**
Net Income	¥ 69,174	¥ 47,551	**¥ 97,986**	**$ 817**

	Yen			U.S. Dollars (Note 2)
Earnings per Share (Note 2)	¥ 17,294	¥ 11,888	**¥ 24,453**	**$ 204**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2001, 2002 and 2003

	Number of Issued Shares of Common Stock	Millions of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Holding Gains on Securities	Treasury Stock
Balance at March 31, 2000	4,000,000	¥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	4,000,000	200,000	96,600	626,968	—	—
Increase due to addition of consolidated subsidiaries, and other	—	—	—	10	—	—
Increase due to addition of equity method affiliated companies	—	—	—	4,103	—	—
Net income	—	—	—	47,551	—	—
Cash dividends (¥5,000 per share)	—	—	—	(20,000)	—	—
Bonuses to directors and corporate auditors	—	—	—	(176)	—	—
Decrease due to removal of equity method affiliated companies	—	—	—	(51,080)	—	—
Adoption of new accounting standard for financial instruments (Note 2)	—	—	—	—	26,770	—
Balance at March 31, 2002	4,000,000	200,000	96,600	607,376	26,770	—
Increase due to addition of consolidated subsidiaries, and other	—	—	—	10	—	—
Net income	—	—	—	97,986	—	—
Cash dividends (¥6,500 per share)	—	—	—	(26,000)	—	—
Bonuses to directors and corporate auditors	—	—	—	(176)	—	—
Net unrealized holding losses on securities	—	—	—	—	(20,259)	—
Adoption of new accounting standard for treasury stock (Note 15)	—	—	—	—	—	(451)
Balance at March 31, 2003	**4,000,000**	**¥200,000**	**¥ 96,600**	**¥679,196**	**¥ 6,511**	**¥(451)**

	Millions of U.S. Dollars (Note 2)				
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Holding Gains on Securities	Treasury Stock
Balance at March 31, 2002	$1,667	$805	$5,061	$223	$ —
Increase due to addition of consolidated subsidiaries, and other	—	—	0	—	—
Net income	—	—	817	—	—
Cash dividends ($54 per share)	—	—	(217)	—	—
Bonuses to directors and corporate auditors	—	—	(1)	—	—
Net unrealized holding losses on securities	—	—	—	(169)	—
Adoption of new accounting standard for treasury stock (Note 15)	—	—	—	—	(4)
Balance at March 31, 2003	**$1,667**	**$805**	**$5,660**	**$ 54**	**$ (4)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2001, 2002 and 2003

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2001	2002	**2003**	**2003**
Cash Flows from Operating Activities:				
Income before income taxes	¥124,235	¥116,445	**¥193,408**	**$1,612**
Depreciation (Note 17)	329,651	321,995	**322,564**	**2,688**
Amortization of long-term prepaid expense	19,566	19,941	**4,533**	**38**
Increase (Decrease) in accrued severance and retirement benefits	43,193	48,630	**43,427**	**362**
Interest and dividend income	(2,596)	(1,518)	**(1,789)**	**(15)**
Interest expense	205,155	187,601	**173,298**	**1,444**
Construction grants received	(119,073)	(51,914)	**(65,382)**	**(545)**
Devaluation losses on investments in securities	3,861	89,218	**17,029**	**142**
Gain on sales of investments in securities	(1,066)	(104,330)	**(17,134)**	**(143)**
Loss from disposition and provision for cost reduction of fixed assets	142,424	78,421	**86,233**	**719**
Decrease (Increase) in major receivables	(18,456)	(11,990)	**(2,888)**	**(24)**
Increase (Decrease) in major payables	18,980	10,427	**(15,234)**	**(127)**
Other	17,141	40,867	**(16,096)**	**(135)**
Sub-total	763,015	743,793	**721,969**	**6,016**
Proceeds from interest and dividends	3,288	1,957	**1,924**	**16**
Payments of interest	(207,038)	(189,574)	**(173,806)**	**(1,448)**
Payments of income taxes	(103,795)	(101,131)	**(116,783)**	**(973)**
Net cash provided by operating activities	455,470	455,045	**433,304**	**3,611**
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(343,510)	(342,352)	**(352,962)**	**(2,941)**
Proceeds from sales of fixed assets	19,271	25,431	**81,344**	**678**
Proceeds from construction grants	68,196	61,074	**60,843**	**507**
Payments for purchases of investments in securities	(23,041)	(6,677)	**(12,408)**	**(103)**
Proceeds from sales of investments in securities	4,513	156,664	**19,398**	**162**
Cash increased (decreased) due to purchases of shares of companies newly consolidated, net of cash acquired	1,130	(12,085)	**—**	**—**
Other	7,122	12,300	**7,363**	**60**
Net cash used in investing activities	(266,319)	(105,645)	**(196,422)**	**(1,637)**
Cash Flows from Financing Activities:				
Proceeds from long-term loans	147,945	87,438	**123,670**	**1,031**
Payments of long-term loans	(203,327)	(296,888)	**(357,743)**	**(2,981)**
Proceeds from issuance of bonds	90,000	60,000	**115,983**	**967**
Payment for redemption of bonds	(47,010)	(99,970)	**—**	**—**
Payments of liabilities incurred for purchase of railway facilities	(106,781)	(109,970)	**(144,416)**	**(1,203)**
Cash dividends paid	(20,000)	(20,000)	**(26,000)**	**(217)**
Other	(21,936)	(54,199)	**(22,152)**	**(186)**
Net cash used in financing activities	(161,109)	(433,589)	**(310,658)**	**(2,589)**
Net Increase (Decrease) in Cash and Cash Equivalents	28,042	(84,189)	**(73,776)**	**(615)**
Cash and Cash Equivalents at Beginning of Year	255,775	283,817	**200,022**	**1,667**
Increase due to Addition of Consolidated Subsidiaries, and Other	—	394	**232**	**2**
Cash and Cash Equivalents at End of Year	¥283,817	¥200,022	**¥126,478**	**$1,054**

See accompanying notes.

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 Group Companies), on April 1, 1987.

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu (mainland Japan) in Japan. The Company operates 70 railway lines, 1,695 stations and 7,526.8 operating kilometers as of March 31, 2003.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Group 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 the Tohoku and Joetsu 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 and 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. (See note 10.) Subsequent to the purchase, Shinkansen Holding Corporation was dissolved. Railway Development Fund succeeded to all rights and obligations of Shinkansen Holding Corporation. In October 1997, Railway Development Fund and Maritime Credit Corporation merged to form Corporation for Advanced Transport & Technology.

Prior to December 1, 2001, in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (the JR Law), the Company was 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.

The amendment to the JR Law took effect on December 1, 2001 (2001 Law No. 61) and the Company is no longer subject generally to the JR Law, as amended. (See note 9.)

2. Significant Accounting Policies

Basis of presentation of 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 ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices. 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.

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, 2003, which was ¥120 to U.S.$1. 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"). The effective-control standard is applied according to Regulations Concerning Terminology, Forms and Method of Presentation of Consolidated Financial Statements in Japan (Regulations for Consolidated Financial Statements). For the year ended March 31, 2003, 101 subsidiaries were consolidated in the consolidated statement of income. Two subsidiaries were established and newly consolidated in the year ended March 31, 2003, and liquidation of one subsidiary was completed. Furthermore, one subsidiary was deconsolidated in the year ended March 31, 2003 because of its merger with another subsidiary. As a result, the number of subsidiaries included in the consolidated balance sheet as of March 31, 2003 was 101.

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

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2003, two affiliated companies were accounted for by the equity method. There were no change of them through the year.

Investments in unconsolidated subsidiaries and other affiliated companies are stated mainly at moving 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

According to the Japanese Accounting Standards for Financial Instruments, the Companies provide the allowance based on the past loan loss experience for a certain reference period in general. Furthermore, for receivables from debtors with financial difficulty which could affect their ability to perform in accordance with their obligations, the allowance is provided for estimated unrecoverable amounts on an individual basis.

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 , which is reduced for significant decline in value. Devaluation losses on real estate for sale included in the other, net item of other expenses on the statements of income for the years ended March 31, 2001, 2002 and 2003 were ¥6,850 million, ¥9,043 million and ¥347 million ($3 million), respectively.

Securities

According to the Japanese Accounting Standards for Financial Instruments, which became effective on April 1, 2000, securities are classified and stated as follows:

(1) Trading securities are stated at fair market value. The Companies had no trading securities through the years ended March 31, 2001, 2002 and 2003.
(2) Held-to-maturity debt securities are stated at amortized cost.
(3) Equity securities issued by subsidiaries and affiliated companies which are not consolidated nor accounted for using the equity method are mainly stated at moving average cost.
(4) Available-for-sale securities were mainly stated at moving average cost in the year ended March 31, 2001. According to the Japanese Accounting Standards for Financial Instruments, beginning with the year ended March 31, 2002, available-for-sale securities are stated as follows:
(a) Available-for-sale securities with market value
Available-for-sale securities for which market quotations are available are stated at fair market

value as of the balance sheet date. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at an amount net of applicable income taxes and minority interests. The cost of sales of such securities is determined mainly by the moving average method.

As a result, the balances of securities as of March 31, 2002 increased by ¥48,711 million, deferred income taxes decreased by ¥19,819 million, minority interest increased by ¥2,122 million and unrealized holding gains on securities of ¥26,770 million were recorded in shareholders' equity.

(b) Available-for-sale securities without market value

Available-for-sale securities for which market quotations are not available are mainly stated at moving average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies which are not consolidated nor accounted for using the equity method or available-for-sale securities, the said securities are stated at market values in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. The Company's policy for such write-offs stipulates that if the market value as of the year end has declined by 50% or more of the acquisition cost of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account. Such losses amounted to ¥3,861 million, ¥89,218 million and ¥17,029 million ($142 million) in the years ended March 31, 2001, 2002 and 2003, respectively.

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. Certain property, plant and equipment of the consolidated subsidiaries were depreciated using the straight-line method. Buildings (excluding related fixtures) acquired from April 1, 1998 onward are 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

Devaluation losses on fixed assets recorded in the consolidated statements of income for the year ended March 31, 2003 mainly consist of losses on land of the Company that has not been used for any operation and is unlikely to be used practically in the future.

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 the 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 the Welfare Pension. The shortage of the assets to be transferred to the Welfare Pension from the Association was shared by JNRSC and JR Group Companies on the basis that JNRSC would be liable for the period during which each member of the Association was employed by JNR, and the JR Group Companies for the period during which 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 was accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheet and was charged to income from the year ended March 31, 1998 to the year ended March 31, 2002 on a straight-line basis. As a result, amortization was completed in the year ended March 31, 2002.

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 Japanese Accounting Standards for Retirement Benefits became effective 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 obligations over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") was ¥500,401 million. The unrecognized net transition obligation amounting to ¥497,914 million is being charged to income over 10 years from the year ended March 31, 2001 on a straight-line basis. And the rest of the net transition obligation, amounting to ¥2,487 million, was recognized as an expense and was included in other, net item of other expenses on the statement of income for the year ended March 31, 2001. The balance of unrecognized net transition obligation as of March 31, 2003 is ¥348,464 million ($2,904 million).

The unrecognized prior service costs are amortized by the straight-line method and charged to income over the number of years (10 years) which does not exceed the average remaining service years of employees at the time when the prior service costs incurred.

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 compared with what would have been expensed under the previous accounting methods, reducing operating income by ¥48,325 million and income before income taxes by ¥50,812 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 Japanese GAAP.

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 incur. Research and development costs included in operating expenses for the years ended March 31, 2001, 2002 and 2003 were ¥13,507 million, ¥13,548 million and ¥15,310 million ($128 million), respectively.

Income taxes
Income taxes comprise corporation, enterprise and inhabitants taxes. Deferred income taxes are recognized for temporary differences between the financial statement basis and the tax basis of assets and liabilities.

Earnings per share
Effective April 1, 2002, the Companies adopted the new accounting standard for earnings per share (Accounting Standards Board Statement No. 2). The effect on earnings per share of the adoption of the new accounting standard was immaterial.

Earnings per share shown in the consolidated statements of income for the year ended March 31, 2003 is computed by dividing income available to common shareholders by the weighted average number of common stock outstanding during the year according to the new accounting standards. Diluted earnings per share is not shown, since there are no outstanding securities with dilutive effect on earnings per share such as convertible bonds. If computed under this accounting standard and the related application guideline, earnings per share for the year ended March 31, 2002 would have amounted to ¥11,846.

Derivative transactions

All derivative transactions of the Companies are used for hedging purposes and are accounted for in the following manner:

(1) 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.

(2) 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.

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, supplies, merchandise and others.

5. Real Estate for Sale

Real estate for sale represents the cost, as adjusted for significant decline in value, of land acquired and related land improvements in connection with residential home site developments in eastern Honshu.

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

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2002 and 2003, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2002	2003	2003
Unconsolidated subsidiaries:			
Investments	¥ 6,078	¥ 5,927	$ 49
Advances	2,735	2,524	21
	8,813	8,451	70
Affiliated companies:			
Investments (including equity in earnings and capital increase of affiliated companies)	29,707	28,938	241
Advances	1,483	1,379	12
	31,190	30,317	253
	¥ 40,003	¥ 38,768	$ 323

7. Securities

For held-to-maturity debt securities with market value, amount on balance sheets and market value at March 31, 2002 and 2003 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2002			2003			2003		
	Amount on Balance Sheets	Market Value	Difference	Amount on Balance Sheets	Market Value	Difference	Amount on Balance Sheets	Market Value	Difference
Of which market value exceeds the amount on balance sheet:									
Government, Municipal bonds, etc	¥219	¥220	¥ 1	¥185	¥186	¥ 1	$ 2	$ 2	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, Municipal bonds, etc	—	—	—	150	150	(0)	1	1	(0)
Total	¥219	¥220	¥ 1	¥335	¥336	¥ 1	$ 3	$ 3	$ 0

For available-for-sale securities with market value, acquisition cost and amount on balance sheets at March 31, 2002 and 2003 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2002			2003			2003		
	Acquisition Cost	Amount on Balance Sheets	Difference	Acquisition Cost	Amount on Balance Sheets	Difference	Acquisition Cost	Amount on Balance Sheets	Difference
Of which amount on balance sheet exceeds the acquisition cost:									
Equity shares	¥10,185	¥59,927	¥49,742	¥7,568	¥30,484	¥22,916	$ 63	$254	$191
Debt securities	2,262	2,329	67	1,980	2,039	59	17	17	0
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	57,970	55,526	(2,444)	42,459	31,268	(11,191)	354	261	(93)
Debt securities	151	140	(11)	31	29	(2)	0	0	(0)
Other	35	35	—	34	29	(5)	0	0	(0)
Total	¥70,603	¥117,957	¥47,354	¥52,072	¥63,849	¥11,777	$434	$532	$ 98

Available-for-sale securities sold during the years ended March 31, 2002 and 2003 amounted to ¥31,230 million and ¥18,640 million ($155 million), respectively. Within other income (expenses) on the statement of income for the years ended March 31, 2002 and 2003, gains on sales of available-for-sale securities amounted to ¥28,161 million and ¥17,099 million ($142 million), respectively, and were included in the gain on sales of investment in securities, and losses on sales of available-for-sale securities amounted to ¥128 million and ¥249 million ($2 million), respectively, and were included in other, net.

The major components of available-for-sale securities without market value at March 31, 2002 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2002	2003	2003
Available-for-sale securities without market value:			
Unlisted equity securities	¥ 6,573	¥ 14,532	$ 121
Beneficiary certificate of bond investment trust	28	—	—
Preferred equity securities	—	1,000	8

Annual maturities of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2003 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2003			2003		
	1 Year or Less	5 Years or Less But More than 1 Year	10 Years or Less But More than 5 Years	1 Year or Less	5 Years or Less But More than 1 Year	10 Years or Less But More than 5 Years
Debt securities	¥257	¥2,008	¥ 60	$ 2	$ 17	$ 1
Other	28	2	—	0	0	—
Total	¥285	¥2,010	¥ 60	$ 2	$ 17	$ 1

8. Pledged Assets

At March 31, 2002 and 2003, buildings and fixtures with net book value of ¥54,907 million and ¥41,679 million ($347 million) and other assets with net book value of ¥3,112 million and ¥2,880 million ($24 million), respectively, were pledged as collateral for long-term debt and other liabilities totaling ¥14,844 million and ¥8,628 million ($72 million), at the respective dates.

In addition, buildings and fixtures with net book value of ¥51,344 million ($428 million) and other assets with net book value of ¥8,711 million ($73 million) were pledged as collateral for long-term liabilities incurred for purchase of the Tokyo Monorail facilities amounting to ¥22,335 million ($186 million) at March 31, 2003. (See note 10.)

9. 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, 2002 and 2003, principally ranged from 0.39% to 1.38% and 0.43% to 1.88%, respectively.

Long-term debt at March 31, 2002 and 2003, is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2002	**2003**	**2003**
General Mortgage Bonds issued in 1995 to 2001 with interest rates ranging from 1.70% to 4.90% due 2009 to 2021	¥ 629,900	**¥ 629,900**	**$ 5,249**
Unsecured Bonds issued in 2002 with interest rates ranging from 1.07% to 2.36% due 2012 to 2032	60,000	**176,000**	**1,467**
Secured Loans due 2003 to 2016 principally from banks and insurance companies with interest rates mainly ranging from 1.39% to 5.80%	12,863	**8,139**	**68**
Unsecured Loans due 2003 to 2021 principally from banks and insurance companies with interest rates mainly ranging from 1.04% to 4.50%	1,270,115	**1,040,984**	**8,675**
7.25% Euro U.S. dollar bonds due 2006	87,960	**87,960**	**733**
	2,060,838	**1,942,983**	**16,192**
Less current portion	330,747	**297,241**	**2,477**
	¥1,730,091	**¥1,645,742**	**$13,715**

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

Although the Company is no longer subject generally to the JR Law, as amended, all bonds issued by the Company prior to December 1, 2001, the effective date of the amendment to the JR Law, are and will continue to be general mortgage bonds as required under the JR Law which are entitled to a statutory preferential right over the claims of unsecured creditors of the Company. Any bonds issued on or after December 1, 2001 are unsecured bonds without general mortgage preferential rights.

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 foreign currency swap contract with a bank.

The annual maturities of long-term debt at March 31, 2003, were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2004	¥ 297,241	$ 2,477
2005	124,569	1,038
2006	158,609	1,322
2007	203,559	1,696
2008	154,397	1,287
2009 and thereafter	1,004,608	8,372

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 consisting of principal and interest payments in three tranches: ¥2,101,898 million and ¥638,506 million in principal amounts payable through March 2017; and ¥366,566 million payable through September 2051. In March 1997, the liability of ¥27,946 million payable in equal semiannual installments through March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities. In February 2002, the Company acquired a majority interest in Tokyo Monorail Co., Ltd. As a result, the accompanying consolidated balance sheet as of March 31, 2002 includes liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million payable to Japan Railway Construction Public Corporation in equal semiannual installments through September 2022.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2002 and 2003, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2002	**2003**	**2003**
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.68% through 2017	¥1,413,360	**¥1,305,700**	**$10,881**
Payable semiannually including interest at 6.35% through 2017	487,526	**467,289**	**3,894**
Payable semiannually including interest at 6.55% through 2051	358,989	**357,963**	**2,983**
	2,259,875	**2,130,952**	**17,758**
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.16% through 2022	22,396	**21,294**	**177**
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 4.53% through 2022	36,726	**22,335**	**186**
	2,318,997	**2,174,581**	**18,121**
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	129,130	**132,828**	**1,107**
The Akita hybrid Shinkansen purchase liability	1,084	**1,086**	**9**
The Tokyo Monorail purchase liability	1,461	**1,034**	**9**
	131,675	**134,948**	**1,125**
	¥2,187,322	**¥2,039,633**	**$16,996**

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, 2003, were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2004	¥ 134,948	$ 1,125
2005	144,015	1,200
2006	147,146	1,226
2007	140,604	1,172
2008	99,320	828
2009 and thereafter	1,508,548	12,570

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

The major components of deferred income taxes and deferred tax liabilities at March 31, 2002 and 2003, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2002	**2003**	**2003**
Deferred income taxes:			
Accrued severance and retirement benefits	¥112,335	**¥ 159,941**	**$1,333**
Reserves for bonuses	21,678	**28,628**	**239**
Accrued enterprise tax	5,668	**8,645**	**72**
Devaluation losses on fixed assets	—	**6,020**	**50**
Excess depreciation and amortization of fixed assets	6,384	**5,555**	**46**
Net unrealized holding losses on securities	—	**4,538**	**38**
Loss carry forwards for tax purposes	4,133	**3,019**	**25**
Other	20,987	**22,155**	**185**
	171,185	**238,501**	**1,988**
Less valuation allowance	(4,648)	**(9,731)**	**(82)**
Less amounts offset against deferred tax liabilities	(44,817)	**(37,972)**	**(316)**
Net deferred income taxes	¥121,720	**¥190,798**	**$1,590**
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 22,028	**¥ 23,843**	**$ 199**
Net unrealized holding gains on securities	20,843	**9,342**	**78**
Valuation for assets and liabilities of consolidated subsidiaries	5,395	**4,625**	**39**
Other	4,998	**5,382**	**44**
	53,264	**43,192**	**360**
Less amounts offset against deferred income taxes	(44,817)	**(37,972)**	**(316)**
Net deferred tax liabilities	¥ 8,447	**¥ 5,220**	**$ 44**

Income taxes consist of corporation, enterprise and inhabitants taxes. The aggregate standard effective rate of taxes on consolidated income before income taxes was approximately 41.8% for the years ended March 31, 2001, 2002 and 2003. After applying tax effect accounting, the actual effective income tax rate was approximately 42.6%, 57.0% and 47.8% for the years ended March 31, 2001, 2002 and 2003, respectively.

For the years ended March 31, 2002 and 2003, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2002	**2003**
The aggregate standard effective tax rate	41.8%	**41.8%**
Adjustments:		
Non-deductible expenses for tax purposes	1.1	**0.6**
Non-taxable incomes	(0.9)	**(0.5)**
Per capita inhabitant tax	0.9	**0.5**
Equity on net income of affiliated companies	(1.0)	**—**
Difference due to tax rate change	—	**1.9**
Devaluation losses on fixed assets	—	**3.1**
Adjustment of gain on sale of investment in equity method affiliated company	15.1	**—**
Other, net	0.0	**0.4**
The actual effective rate after applying tax effect accounting	57.0%	**47.8%**

Effective for the years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income taxes, and deferred tax liabilities, the Companies used the revised aggregate standard effective tax rates for the year ended March 31, 2003.

As the result of the change in the aggregate standard effective tax rates, deferred income taxes decreased by ¥3,447 million ($29 million) and provision for deferred income taxes increased by ¥3,590 million ($30 million) and net income decreased by ¥3,613 million ($30 million) compared with what would have been recorded under the previous local tax law. The impact on items relating to investment securities is immaterial.

13. 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 Accounting Standards 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 sheets as of March 31, 2002 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2002	**2003**	**2003**
Projected benefit obligation	¥(953,538)	**¥(932,919)**	**$(7,774)**
Plan assets	8,621	**8,196**	**68**
Unfunded projected benefit obligation	(944,917)	**(924,723)**	**(7,706)**
Unrecognized net transition obligation	398,318	**348,464**	**2,904**
Unrecognized actuarial differences	1,411	**(11,734)**	**(98)**
Unrecognized prior service costs	10,771	**9,911**	**83**
Book value (net)	(534,417)	**(578,082)**	**(4,817)**
Prepaid pension expense	(328)	**(94)**	**(1)**
Accrued severance and retirement benefits	¥(534,745)	**¥(578,176)**	**$(4,818)**

Severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2001, 2002 and 2003 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2001	2002	**2003**	**2003**
Service costs	¥ 37,300	¥ 37,696	**¥ 36,569**	**$ 305**
Interest costs	27,999	28,099	**28,076**	**234**
Expected return on plan assets	(119)	(141)	**(190)**	**(2)**
Amortization of net transition obligation	52,278	49,823	**49,854**	**416**
Amortization of actuarial differences	—	(66)	**344**	**3**
Amortization of prior service costs	—	1,197	**1,234**	**10**
Severance and retirement benefit expenses	¥117,458	¥116,608	**¥115,887**	**$ 966**

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 mainly 3.0%. The rates of expected return on pension assets used by the Companies are mainly 3.0%.

14. Contingent Liabilities

The Company is contingently liable for (1) the in-substance defeasance of general mortgage bonds issued by the Company, which were assigned to certain banks under 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 swap agreement with a bank. The outstanding amounts contingently liable under such debt assumption agreements and cross currency swap agreement at March 31, 2003 were ¥99,970 million ($833 million) and $600 million, respectively.

15. Treasury Stock

Effective on April 1, 2002, the Companies adopted the new accounting standards for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1). As a result, the shares issued by the Company and held by the equity-method affiliated companies are reported as a treasury stock, a deduction item of shareholders' equity on the consolidated balance sheets for the year ended March 31, 2003.

In fiscal 2003, 765 shares, valued at ¥451 million ($4 million), are recorded as treasury stock in the consolidated balance sheets.

16. Shareholders' Equity

Effective on October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve or additional paid-in capital may be used to reduce a deficit by a resolution of the shareholders' meeting, may be capitalized by a resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated 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) Station space utilization, (3) Shopping centers & office buildings and (4) Other services.

Change in business segmentation

The Company previously classified businesses of the Companies into four business segments, i.e., Transportation, Merchandise sales, Real estate leasing and Other services, in order to disclose its actual operational diversification concretely and appropriately in accordance with the Japanese standard industrial classification. However, from the year ended March 31, 2002, the segmentation was changed to four new segments, i.e., Transportation, Station space utilization, Shopping centers & office buildings and Other services.

This change was made in order to reflect more appropriately the changes in positioning and actual situation of the Companies' businesses as a whole, following a review of the operational management units based on the medium-term business plan which aimed mainly at effective use of management resources of the Companies.

A summary of operating revenues and costs and expenses is shown in the following tables. The information for the year ended March 31, 2001 has been reclassified according to the new business segmentation.

	Millions of Yen					
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
2001:						
Operating revenues						
Outside customers	¥1,801,370	¥348,994	¥165,818	¥229,859	¥ —	¥2,546,041
Inside group	50,257	10,337	7,349	251,424	(319,367)	—
	1,851,627	359,331	173,167	481,283	(319,367)	2,546,041
Costs and expenses	1,606,996	332,227	138,548	463,191	(318,672)	2,222,290
Operating income	¥ 244,631	¥ 27,104	¥ 34,619	¥ 18,092	¥ (695)	¥ 323,751
Identifiable assets	¥5,651,318	¥130,516	¥738,737	¥461,045	¥ 265,473	¥7,247,089
Depreciation	262,621	6,717	27,853	32,460	—	329,651
Capital investments	262,794	9,054	25,929	46,961	—	344,738

	Millions of Yen					
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
2002:						
Operating revenues						
Outside customers	¥1,789,599	¥368,553	¥165,276	¥219,950	¥ —	¥2,543,378
Inside group	51,417	10,161	7,709	278,942	(348,229)	—
	1,841,016	378,714	172,985	498,892	(348,229)	2,543,378
Costs and expenses	1,605,431	351,904	134,491	482,808	(347,596)	2,227,038
Operating income	¥ 235,585	¥ 26,810	¥ 38,494	¥ 16,084	¥ (633)	¥ 316,340
Identifiable assets	¥5,713,944	¥142,815	¥750,135	¥547,150	¥(131,773)	¥7,022,271
Depreciation	256,116	7,043	25,193	33,643	—	321,995
Capital investments	267,178	11,890	24,176	49,641	—	352,885
2003:						
Operating revenues						
Outside customers	**¥1,800,434**	**¥368,961**	**¥170,321**	**¥225,955**	**¥ —**	**¥2,565,671**
Inside group	**51,183**	**10,148**	**7,463**	**292,867**	**(361,661)**	**—**
	1,851,617	**379,109**	**177,784**	**518,822**	**(361,661)**	**2,565,671**
Costs and expenses	**1,594,874**	**350,974**	**134,265**	**501,364**	**(358,901)**	**2,222,576**
Operating income	**¥ 256,743**	**¥ 28,135**	**¥ 43,519**	**¥ 17,458**	**¥ (2,760)**	**¥ 343,095**
Identifiable assets	**¥5,668,361**	**¥148,092**	**¥733,801**	**¥566,974**	**¥(263,825)**	**¥6,853,403**
Depreciation	**253,959**	**8,100**	**25,807**	**34,698**	**—**	**322,564**
Capital investments	**296,052**	**9,111**	**22,348**	**41,149**	**—**	**368,660**

	Millions of U.S. Dollars					
	Transportation	Station Space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
2003:						
Operating revenues						
Outside customers	**$15,004**	**$3,075**	**$1,419**	**$1,883**	**$ —**	**$21,381**
Inside group	**426**	**84**	**63**	**2,441**	**(3,014)**	**—**
	15,430	**3,159**	**1,482**	**4,324**	**(3,014)**	**21,381**
Costs and expenses	**13,290**	**2,925**	**1,119**	**4,179**	**(2,991)**	**18,522**
Operating income	**$ 2,140**	**$ 234**	**$ 363**	**$ 145**	**$ (23)**	**$ 2,859**
Identifiable assets	**$47,236**	**$1,234**	**$6,115**	**$4,725**	**$(2,198)**	**$57,112**
Depreciation	**2,116**	**68**	**215**	**289**	**—**	**2,688**
Capital investments	**2,467**	**76**	**186**	**343**	**—**	**3,072**

The main activities of each business segment are as follows:

Transportation	: Passenger transportation mainly by passenger railway;
Station space utilization	: Retail sales, food and convenience stores, etc., which utilize space at the stations;
Shopping centers & office buildings	: Operation of shopping centers other than Station space utilization business, and leasing of office buildings, etc.; and
Other services	: Advertising and publicity, hotel operations, wholesales, truck delivery, cleaning, information processing, housing development and sales, credit card business and other services.

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

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 were charged to income for the years ended March 31, 2002 and 2003, amounted to ¥14,499 million and ¥16,554 million ($138 million), respectively. Lease income which was credited to income for the years ended March 31, 2002 and 2003 was ¥2,024 million and ¥3,644 million ($30 million), respectively.

Future lease payments inclusive of interest were ¥47,565 million ($396 million), including due in one year of ¥14,877 million ($124 million), and future lease receipts inclusive of interest were ¥13,934 million ($116 million), including due in one year of ¥4,338 million ($36 million) at March 31, 2003.

Future lease payments for operating leases amount to ¥2,051 million ($17 million), including those due within one year of ¥827 million ($7 million) at March 31, 2003.

19. Information for Derivative Transactions

The Companies deal with forward exchange, foreign 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 for 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 2003 annual meeting, the shareholders of the Company approved (1) the payment of a year-end cash divided of ¥4,000 ($33) per share, aggregating ¥16,000 million ($133 million), including a special dividend of ¥1,500 ($13) per share, aggregating ¥6,000 million ($50 million), to commemorate the completion of the full privatization, and (2) the payment of bonuses to directors and corporate auditors of ¥191 million ($2 million).

On April 21, 2003, the Company issued a 0.79% coupon unsecured bond due March 19, 2013, with an aggregate nominal principal amount of ¥30,000 million ($250 million), and a 1.19% coupon unsecured bond due December 20, 2022, with an aggregate nominal principal amount of ¥10,000 million ($83 million).

Asahi & Co

Independent Auditors' Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated balance sheets of East Japan Railway Company and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Japan Railway Company and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan as described in Note 2 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2000, East Japan Railway Company and subsidiaries prospectively adopted the new Japanese accounting standards for financial instruments and employees' retirement benefits.
(2) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2001, East Japan Railway Company and subsidiaries prospectively adopted the new Japanese accounting standards for market valuation for available-for-sale securities.
(3) As discussed in Note 17 to the consolidated financial statements, effective April 1, 2001, East Japan Railway Company and subsidiaries changed their business segmentation.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 2 to the consolidated financial statements.

Asahi & Co.

Tokyo, Japan
June 25, 2003

(As of March 31, 2003)

Consolidated Subsidiaries

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 1)	Main Business Activities
1. Tokyo Monorail Co., Ltd.	¥3,000	70.0%	Railway passenger transport services
2. JR Bus Kanto Co., Ltd.	4,000	100.0	Bus services
3. JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
4. East Japan Kiosk Co., Ltd.	3,855	90.9	Retail sales
5. JR Takasaki Trading Co., Ltd.	490	100.0	Retail sales
6. Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
7. Juster Co., Ltd.	400	100.0	Retail sales and Hotel operations
8. Shinano Enterprise Co., Ltd.	400	100.0	Retail sales
9. Tokky Co., Ltd.	400	100.0	Retail sales and Hotel operations
10. JR Kanagawa Planning & Development Co., Ltd.	370	100.0	Retail sales
11. Keiyo Planning & Development Co., Ltd.	370	100.0	Retail sales
12. Mito Service Development Co., Ltd.	360	100.0	Retail sales and Hotel operations
13. JR Kaiji Planning & Development Co., Ltd.	350	100.0	Retail sales
14. JR Atlis Co., Ltd.	310	100.0	Retail sales
15. JR Utsunomiya Planning & Development Co., Ltd.	200	100.0	Retail sales
16. JR Tokyo Planning & Development Co., Ltd.	120	100.0	Retail sales
17. Nippon Restaurant Enterprise Co., Ltd.	730	91.3	Restaurant business, Retail sales and Hotel operations
18. JR East Food Business Co., Ltd.	721	99.9	Restaurant business
19. LUMINE Co., Ltd. (Note 2)	2,375	86.6	Shopping center operations
20. Shinjuku Station Building Co., Ltd.	1,943	80.8	Shopping center operations
21. JR East Urban Development Corporation	1,450	100.0	Shopping center operations, Retail sales and Hotel operations
22. Utsunomiya Station Development Co., Ltd.	1,230	98.5	Shopping center operations
23. Boxhill Co., Ltd.	1,050	88.6	Shopping center operations
24. Kokubunji Terminal Building Co., Ltd.	1,000	84.5	Shopping center operations and Hotel operations
25. Omori Primo Co., Ltd.	1,000	81.0	Shopping center operations
26. Hachioji Terminal Building Co., Ltd.	1,000	78.5	Shopping center operations
27. JR East Department Store Co., Ltd.	1,000	70.0	Shopping center operations
28. Oyama Station Development Co., Ltd.	950	97.1	Shopping center operations
29. Lumine Ogikubo Co., Ltd. (Note 2)	600	100.0	Shopping center operations
30. Kawasaki Station Building Co., Ltd.	600	99.2	Shopping center operations
31. Kameido Station Building Co., Ltd.	500	100.0	Shopping center operations
32. Tsuchiura Station Development Co., Ltd. (Note 3)	500	100.0	Shopping center operations
33. Mito Station Development Co., Ltd. (Note 3)	500	96.0	Shopping center operations
34. Koriyama Station Building Co., Ltd.	450	100.0	Shopping center operations
35. Nagano Station Building Co., Ltd. (Note 4)	450	94.4	Shopping center operations
36. Lumine Chigasaki Co., Ltd.	400	82.8	Shopping center operations
37. Aomori Station Development Co., Ltd.	400	81.3	Shopping center operations
38. Kofu Station Building Co., Ltd.	400	75.0	Shopping center operations
39. Akihabara Co., Ltd.	362	60.0	Shopping center operations
40. Fukushima Station Development Co., Ltd. (Note 5)	350	100.0	Shopping center operations

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
41. Kumagaya Station Development Co., Ltd.	¥ 350	76.9%	Shopping center operations
42. Tetsudo Kaikan Co., Ltd.	340	66.6	Shopping center operations
43. The EKIBIRU Development Co. TOKYO	300	100.0	Shopping center operations and Real estate leasing
44. Matsumoto Station Building Co., Ltd. (Note 4)	300	96.7	Shopping center operations
45. Echigo Station Development Co., Ltd.	208	78.8	Shopping center operations
46. Chiba Station Building Co., Ltd. (Note 6)	200	89.2	Shopping center operations
47. Hirosaki Station Building Co., Ltd.	200	72.5	Shopping center operations
48. Hiratsuka Station Building Co., Ltd.	200	56.0	Shopping center operations
49. Yokohama Station Building Co., Ltd.	200	51.0	Shopping center operations
50. Kinshicho Station Building Co., Ltd.	160	56.0	Shopping center operations
51. Kamata Station Building Co., Ltd.	140	85.0	Shopping center operations
52. Kichijoji Lonlon Co., Ltd.	130	80.0	Shopping center operations
53. Tsurumi Station Building Co., Ltd.	100	58.1	Shopping center operations
54. Iwaki Chuo Station Building Co., Ltd.	100	52.0	Shopping center operations
55. Meguro Station Building Co., Ltd.	82	80.0	Shopping center operations
56. Akita Station Department Store Co., Ltd.	80	51.4	Shopping center operations
57. Abonde Co., Ltd.	30	65.3	Shopping center operations
58. Ikebukuro Terminal Building Co., Ltd.	6,000	55.6	Hotel operations, Shopping center operations and Real estate leasing
59. Yamagata Terminal Building Co., Ltd.	5,000	96.0	Hotel operations and Shopping center operations
60. Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
61. Hotel Edmont Co., Ltd.	2,400	88.3	Hotel operations
62. Sendai Terminal Building Co., Ltd. (Note 5)	1,800	93.3	Hotel operations and Shopping center operations
63. Akita Terminal Building Co., Ltd.	1,500	87.7	Hotel operations and Shopping center operations
64. Morioka Terminal Building Co., Ltd.	900	79.4	Hotel operations and Shopping center operations
65. Takasaki Terminal Building Co., Ltd.	780	71.2	Hotel operations and Shopping center operations
66. Nippon Hotel Co., Ltd.	150	81.9	Hotel operations
67. East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
68. Tokyo Media Services Co., Ltd.	104	100.0	Advertising and publicity
69. The Orangepage, Inc.	500	98.7	Publishing
70. View World Co., Ltd.	450	51.0	Travel agency services
71. East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
72. JR East Japan Logistics Co., Ltd.	100	100.0	Truck delivery services
73. JR East Logistics Platform Co., Ltd. (Note 7)	100	100.0	Supply Chain Management
74. JR East Japan Information Systems Company	500	100.0	Information processing
75. JR East Netstation Company	460	100.0	Information processing
76. JR East Management Service Co., Ltd.	80	100.0	Information services
77. JR East Personnel Services Co., Ltd. (Note 7)	100	100.0	Seminar and staff sending business
78. East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services
79. Shikansen Cleaning Service Co., Ltd.	38	38.6 (61.4)	Cleaning services
80. Kanto Railway Servicing Co., Ltd.	38	35.6 (64.4)	Cleaning services
81. East Japan Railway Servicing Co., Ltd.	38	29.0 (71.0)	Cleaning services
82. JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
83. Niigata Railway Servicing Co., Ltd.	¥ 17	88.2%	Cleaning services
84. East Japan Amenitec Co., Ltd.	13	100.0	Cleaning services
85. Chiba Railway Servicing Co., Ltd.	12	25.3 (74.7)	Cleaning services
86. Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
87. Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
88. Takasaki Railway Servicing Co., Ltd.	10	45.8 (54.2)	Cleaning services
89. Mito Railway Servicing Co., Ltd.	10	25.3 (74.7)	Cleaning services
90. JR East Housing Development & Realty Co., Ltd.	200	73.8	Built-for-sale housing operations
91. JR East Rental Co., Ltd.	165	89.4	Car leasing
92. JR East Sports Co., Ltd.	400	100.0	Athletic club operations
93. Gala Yuzawa Co., Ltd.	300	92.7	Ski resort operations
94. JR East Facility Management Co., Ltd.	50	100.0	Building maintenance
95. Union Construction Co., Ltd.	120	60.0	Construction
96. JR East Consultants Company	50	100.0	Consulting
97. JR East Design Corporation	50	100.0	Consulting
98. East Japan Transport Technology Co., Ltd.	80	58.6	Machinery and rolling stock maintenance
99. Tohoku Kotsu Kikai Co., Ltd.	72	50.7	Machinery and rolling stock maintenance
100. Niigata Rolling Stock Machinery Co., Ltd.	40	40.5	Machinery and rolling stock maintenance
101. JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services

Equity Method Affiliated Companies

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
1. Central Security Patrols Co., Ltd.	¥2,924	25.7%	Security business operations
2. JTB Corporation	2,304	21.9	Travel agency services

Notes: 1. Voting right percentages outside of parentheses represent direct voting right percentages, and percentages in parentheses represent shares held by other parties that vote along with the interests of JR East and do not include the percentage outside of parentheses.
2. LUMINE Co., Ltd. merged with Lumine Ogikubo Co., Ltd. on April 1, 2003. Lumine Ogikubo Co., Ltd. was dissolved after the merger.
3. Mito Station Development Co., Ltd. merged with Tsuchiura Station Development Co., Ltd. on April 1, 2003. Tsuchiura Station Development Co., Ltd. was dissolved after the merger.
4. Nagano Station Building Co., Ltd. merged with Matsumoto Station Building Co., Ltd. on April 1, 2003 and changed its name to Station Building MIDORI Co., Ltd. Matsumoto Station Building Co., Ltd. was dissolved after the merger.
5. Sendai Terminal Building Co., Ltd. merged with Fukushima Station Development Co., Ltd. on April 1, 2003. Fukushima Station Development Co., Ltd. was dissolved after the merger.
6. Chiba Station Building Co., Ltd. merged with Sobu Station Development Co., Ltd. on July 1, 2002. Sobu Station Development Co., Ltd. was dissolved after the merger.
7. In the year ended March 31, 2003, these subsidiaries were newly consolidated.
8. The liquidation of Tohoku Resort System Co., Ltd. was completed on June 5, 2002.