



MASATAKE MATSUDA
Chairman



MUTSUTAKE OTSUKA
President and CEO

During fiscal 2005, ended March 31, 2005, we sought to raise revenues by enhancing our railway network and developing non-transportation operations centered on stations. In conjunction with those efforts, we targeted sustained growth by aggressively developing new businesses. Operating revenues edged down 0.2%, to ¥2,537.5 billion (\$23,715 million), due to a decline in revenues from transportation operations affected by the Niigata Chuetsu Earthquake in October 2004. However, operating income increased 2.0%, to ¥358.5 billion (\$3,351 million), thanks to reductions in personnel expenses and other factors. Although we posted gain on sales of investment in securities, such as Vodafone K.K. shares, this was counteracted by the recording of impairment losses on fixed assets related to the early adoption of accounting standards for impairment of fixed assets and losses associated with damage caused by the Niigata Chuetsu Earthquake. Consequently, net income decreased 6.9%, to ¥111.6 billion (\$1,043 million).

Given that the current fiscal year, ending March 31, 2006, is the first year of a new medium-term management plan, *New Frontier 2008*, this is an important period for establishing the foundations of long-term growth. Competition in the transportation market is becoming increasingly fierce due to such factors as Japan's aging society and the emergence of the Tsukuba Express, a new railway route. Against that backdrop, we will take on the challenge of realizing products and services that reflect customers' expectations and work to increase revenues. In the Tokyo metropolitan area, specific measures to enhance our transportation network will include increasing the number of *Green Cars* (first class cars) on the Utsunomiya and Takasaki lines and continuing to roll out new railcars on the Yamanote and Tokaido lines. Also, we will raise the competitiveness of

Shinkansen services by raising operating speeds and expanding special train services while enhancing seating services by expanding the number of seats available for reservation. In non-transportation operations, we will hone competitiveness by promoting *Station Renaissance*, reengineering business formats, and reorganizing our corporate group. In conjunction with those initiatives, we will steadily advance new large-scale projects, such as a Tokyo Station area development plan. In addition, we plan to cultivate *Suica* operations as the third pillar of our business, alongside railway and non-transportation operations. To that end, we will take steps to enhance the lineup and convenience of *Suica* services by commencing the issuance of *View Suica Commuter Pass*, launching the *Mobile Suica* service, and affiliating more stores with our electronic money services.

Our mission is to be a vital company that fulfills our obligations to shareholders by providing high-quality, advanced services centered on station and railway operations. In that respect, the four years of *New Frontier 21* were satisfactory. Now, we will continue striving to create further value over the four years of *New Frontier 2008*.

June 2005

Masatake Matsuda
Masatake Matsuda, Chairman

Mutsutake Otsuka
Mutsutake Otsuka, President and CEO