



A Message from the Management



MUTSUTAKE OTSUKA
Chairman

SATOSHI SEINO
President and CEO

On April 1, 2006, we adjusted our executive team—with Mutsutake Otsuka becoming chairman and Satoshi Seino becoming president and CEO—and the new team is committed to cooperating closely with other staff and to leading the JR East Group along a path of dynamic development into a Group that provides still greater peace of mind in various forms. By energetically implementing the *New Frontier 2008* medium-term management plan, we are endeavoring to generate sustained corporate growth and thereby realize the expectations of shareholders and investors over the medium and long term.

Before reporting on JR East's performance, we would like to touch upon the accident that occurred on the Uetsu Line on December 25, 2005, and caused deaths and injuries among the passengers. We at JR East would like to convey our deepest regrets and offer heartfelt apologies to the bereaved families of the victims as well as the survivors and their families. Our hopes and prayers are with them. A thorough investigation of the accident is being conducted by the Aircraft and Railway Accidents Investigation Commission of the Ministry of Land, Infrastructure and Transport (MLIT). Seeking to fulfill its responsibility as a railway operator, JR East has established an internal unit—the *Commission for Ascertaining the Cause and Examining Measures Related to the Uetsu Line Accident*—that is cooperating closely with the MLIT commission and other entities as it works to thoroughly investigate the cause of the accident and implement all possible countermeasures.

In fiscal 2006, the year ended March 31, 2006, we were able to see the benefits generated by the strategic measures we have been taking in terms of performance figures. Operating revenues advanced 2.2%, or ¥54.9 billion, to ¥2,592.4 billion, due to growth in revenues from the transportation and station

space utilization businesses, and operating income increased 10.5%, or ¥37.6 billion, to ¥396.1 billion. The improvements—along with a drop in interest expense due to our reduction of total long-term debt, a fall in impairment losses on fixed assets, and other factors—supported a surge of 41.2%, or ¥46.0 billion, in net income, which amounted to ¥157.6 billion. The figures for operating income and net income were the highest recorded since JR East began preparing consolidated accounts in fiscal 1991.

In fiscal 2007, while we are not expecting any events that will have a major impact on our revenues or profitability, we believe it will be an important year for creating the foundation of businesses slated to become important elements of our profit base in the future. Specifically, regarding the transportation business, we are moving forward with efforts to strengthen and augment the Tokyo metropolitan area network while also expanding the range of seating services and taking other measures to enhance passengers' comfort and convenience and thereby boost revenues. In other business fields, we are pushing ahead with the development of various sites around Tokyo Station—including the *Sapia Tower*, which is scheduled to open in March 2007—and we are continuing to implement similar projects in line with our *Station Renaissance* program for creating new station environments suitable for the 21st century. Regarding *Suica*, we have progressively worked to increase its convenience by increasing its compatibility with other transportation systems, expanding the scope of its use, adding new *Suica* services and increasing collaboration with other companies in relation to these services, and increasing the functions of *Mobile Suica* services.

We are making unrelenting efforts to attain the numerical targets of *New Frontier 2008*, which got off to a smooth start in fiscal 2006, and we believe it is crucial to make considerable progress toward the targets during the current year. As we mentioned at the start of this message, we are doing our utmost to generate sustained corporate growth and thereby realize the expectations of shareholders and investors over the medium and long term. We hope for your continued understanding and support.

June 2006


Mutsutake Otsuka, Chairman


Satoshi Seino, President and CEO