

## Fiscal 2004 Consolidated Financial Results (Unaudited)

Fiscal 2004 (Year ended March 31, 2004)

All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

"JR East" refers to East Japan Railway Company on a consolidated basis, or if the context so requires, on a nonconsolidated basis.

English translation from the original Japanese-language document

May 12, 2004

### East Japan Railway Company

Stock Exchange Listings	Tokyo, Osaka, and Nagoya
Securities Code	9020
Location of the Head Office	Tokyo, Japan
URL	<a href="http://www.jreast.co.jp/e">http://www.jreast.co.jp/e</a>
Representative	Mutsutake Otsuka, President and CEO
Contact Person	Susumu Inoue, General Manager, Public Relations Department (Tel. +81-3-5334-1300)
Date of the Meeting of the Board of Directors for Fiscal 2004 Consolidated Financial Results	May 12, 2004
U.S. GAAP	Not used

#### 1. Results of Fiscal 2004 (Year ended March 31, 2004)

(1) Consolidated financial results (Amounts less than one million yen, except for per share amounts, are omitted.)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2004</b>	<b>2,542,297</b>	<b>-0.9</b>	<b>351,419</b>	<b>2.4</b>	<b>225,365</b>	<b>11.2</b>
Fiscal 2003	2,565,670	0.9	343,095	8.5	202,609	49.2

	Net income		Earnings per share—basic	Earnings per share—diluted	Return on average equity	Ratio of ordinary income to average assets	Ratio of ordinary income to operating revenues
	Millions of yen	%	Yen	Yen	%	%	%
<b>Fiscal 2004</b>	<b>119,866</b>	<b>22.3</b>	<b>29,928.14</b>	—	<b>11.5</b>	<b>3.3</b>	<b>8.9</b>
Fiscal 2003	97,986	106.1	24,453.48	—	10.2	2.9	7.9

Notes: 1. Equity in net income of affiliated companies: Fiscal 2004 351 million yen, Fiscal 2003 323 million yen

2. Average number of shares outstanding in each year (consolidated): Fiscal 2004 3,999,235 shares, Fiscal 2003 3,999,235 shares

3. Changes in accounting methods: No

4. Percentages for operating revenues, operating income, ordinary income, and net income represent changes compared with the previous year.

(2) Consolidated financial position (Amounts less than one million yen, except for per share amounts, are omitted.)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
<b>Fiscal 2004</b>	<b>6,781,692</b>	<b>1,100,175</b>	<b>16.2</b>	<b>275,052.28</b>
Fiscal 2003	6,853,403	981,855	14.3	245,463.20

Note: Number of shares outstanding at the end of each year (consolidated): Fiscal 2004 3,999,235 shares, Fiscal 2003 3,999,235 shares

(3) Consolidated cash flows (Amounts less than one million yen are omitted.)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Fiscal 2004</b>	<b>387,060</b>	<b>(234,591)</b>	<b>(196,192)</b>	<b>82,935</b>
Fiscal 2003	433,304	(196,421)	(310,658)	126,478

*(4) Scope of consolidation and equity method*

Number of consolidated subsidiaries	98 companies
Number of equity method nonconsolidated subsidiaries	—
Number of equity method affiliated companies	2 companies

*(5) Changes in scope of consolidation and equity method*

Consolidated subsidiaries	
Newly included:	1 company
Excluded:	4 companies
Equity method companies	
Newly included:	—
Excluded:	—

**2. Forecast for Fiscal 2005 (Year ending March 31, 2005)**

	Operating revenues	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending September 30, 2004	1,268,000	127,000	72,000
Fiscal 2005	2,561,000	234,000	126,000

Reference: Earnings per share: 31,506.03 yen

**Forward Looking Statements**

Statements contained in this report with respect to JR East's plans, strategies and beliefs that are not historical facts are forward looking statements about the future performance of JR East which are based on management's assumptions and beliefs in light of the information currently available to it. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause JR East's actual results, performance or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East's ability to successfully maintain or increase current passenger levels on its railway services, (ii) JR East's ability to improve the profitability of its railway and other operations, (iii) JR East's ability to expand its non-railway operations, and (iv) general changes in economic conditions and laws, regulations and government policies in Japan.

## Management Policies and Results of Operations

### Management Policies

#### (1) Basic Policy

JR East strives to fulfill its obligations to shareholders by providing high-quality, advanced services based on sound management practices, with railway operations as its core field of business. To that end, every employee of JR East endeavors to provide safe, punctual transportation; to supply convenient, high-quality products; and to take on the challenge of improving the standard of services and raising the level of technology in order to further gain the confidence and trust of customers. As a "Trusted Life-Style Service Creating Group," JR East will go forward with customers to contribute to the achievement of better living standards, the cultural development of local communities and the protection of the global environment.

#### (2) Strategies and Management Issues

##### Medium-Term Business Plan

On November 29, 2000, JR East announced its medium-term business plan, "New Frontier 21," which covers the period from fiscal 2002 to fiscal 2006. In this plan, JR East aims to be a corporate group that strives to create life-style services trusted by its customers through corporate activities open to the global market, i.e., a "Trusted Life-Style Service Creating Group."

In more detail, management will be guided by five visions: "creating customer value and pursuing customer satisfaction," "innovation of business through the creation of technologies," "harmony with society and coexistence with the environment," "creating motivation and vitality," and "raising shareholder value."

JR East has set five numerical goals.

<b>Numerical Goals</b>	(Reference) Fiscal 2004 Actual	Fiscal 2006 Target
Consolidated free cash flows . . . . .	¥152.4 billion	<b>¥200.0 billion</b>
Consolidated ROE (return on average equity) . . . . .	11.5%	<b>10.0%</b>
Consolidated ROA (ratio of operating income to average assets) . . . . .	5.2%	<b>5.5%</b>
Reduction of nonconsolidated total long-term debt . . . . .	Reduction of ¥632.4 billion in 3 years	<b>Reduction of ¥750.0 billion over 5 years (¥500.0 billion reduction in 3 years)</b>
Reduction of employees of parent company . . . . .	Reduction of 6,518 in 3 years	<b>Reduction of 10,000 over 5 years</b>

### Realizing the Group Vision

The most fundamental goal of the Japanese National Railways restructuring process was to create autonomous and independent companies capable of taking responsibility for their own management decisions. With this in mind, JR East is now working with all of its group companies to build a “Trusted Life-Style Service Creating Group” by promoting rapid management. JR East is working to enhance the safety and reliability of its railway operations and to develop non-transportation business (Station space utilization segment, Shopping centers & office building segment, and Other services segment) that offer synergies with the railway business, so that all who come into contact with JR East will recognize its true value. Our ultimate aim is to improve management quality and maximize the value of JR East.

### Establishment of a Sound Management Base

JR East intends to enhance the transparency of its management by further strengthening its disclosure activities and, through the measures discussed above, fulfill its obligations to shareholders by establishing a sound management base capable of maintaining stable dividend payments.

In fiscal 2004, the significant train delays caused by track switchover work accompanying the Chuo line overpass project and other incidents severely damaged trust in JR East. These incidents caused serious inconvenience for the passengers. With a renewed emphasis on our “customer first” philosophy, we will make every possible effort to reestablish that trust by working to ensure the safety and reliability of transportation services.

### (3) Way of Thinking and Policy Regarding Reduction in the Investment Unit

JR East recognizes that reducing the investment unit to enable buying and selling of shares by a wide range of investors is a useful measure for the establishment of an active equity market.

The share price of JR East exceeded the investment unit of 500,000 yen, which was regarded as the appropriate unit price by the Tokyo Stock Exchange, as of the end of March 2004. However, JR East thinks that its shares are held by many shareholders and that trading on the stock market has been active. Accordingly, JR East is not thinking of reducing the investment unit at this time. In future, JR East will review this decision, when necessary, in consideration of the trends in the share price and the number of shareholders.

### (4) Basic Thinking and Policy Action in Relation to Corporate Governance

#### Basic Thinking Regarding Corporate Governance

To maintain its status as a corporate group trusted by all stakeholders, including shareholders, JR East has positioned the improvement of corporate governance as one of its most important management issues.

Specifically, to improve soundness, efficiency, and transparency of management, JR East has established appropriate structures and instituted required measures for management decision-making, operational action and supervision, group control, and information disclosure.

#### Corporate Governance System, Including Management Control Organization Relating to Management Decision-Making, Policy Implementation and Supervision

##### (a) Current State of Corporate Institutions

JR East has a board of 27 directors, including two outside corporate directors, as of March 31, 2004. They make decisions about important operational matters, including legal requirements, and supervise the performance of JR East's operations. Under the Board there is an Executive Committee made up of the all directors with executive functions. Its task is to deliberate on important management issues, including matters to be decided by the full Board of Directors, in accordance with policies determined by the Board of Directors. There is also a Group Strategy Formulation Committee, the membership of which includes directors with executive functions. Its role is to discuss important aspects of group management, including management strategies for each area of business.

In order to facilitate more active discussions at meetings of the Board of Directors and to enhance the flexibility and speed of decision-making, plans call for the number of directors to be reduced again, following the reduction at the shareholders' annual meeting held in June 2003. Plans call for the number of directors to be reduced from 27 as of March 31, 2004, to 23 at the shareholders' annual meeting in June 2004.

The Board of Corporate Auditors consists of two full-time corporate auditors and three corporate auditors, for a total of five. Four of them are outside corporate auditors. In accordance with policies determined by the Board of Corporate Auditors, the auditors audit the performance of directors' duties through attendance at various meetings, including meetings of the Board of Directors and the Executive Committee, and through surveys of operations and assets. They also hold regular meetings with the auditors of group companies in order to share audit-related information. Full-time employees are assigned to assist and support the corporate auditors.

Given the special characteristics of railway operations, which are the core activity of JR East, management believes that the most appropriate course is to strengthen corporate governance under the present audit structure.

In addition, plans call for the directors' retirement bonus system to be discontinued at the end of the shareholders' annual meeting in June 2004.

#### (b) Current State of Internal Control System

The internal control system has the framework necessary to make full use of checks from an external viewpoint.

To ensure management transparency and bolster supervision, outside directors and outside corporate auditors with extensive external experience and knowledge have been elected.

The accounts of JR East are audited under contract with an audit corporation, AZSA & Co. Audits are carried out during and at the end of each fiscal year.

Regarding internal audits, the Inquiry & Audit Department at the head office and the Inquiry & Audit divisions at branch offices have established an auditing system to ensure that all activities are performed efficiently and in accordance with laws. The Inquiry & Audit Department also audits group companies.

In compliance, centered on the Legal Department, potential legal problems within the company are detected as early as possible and advice from compliance experts, including attorneys at law, is obtained as necessary. JR East works to ensure that corporate operations are carried out in a legal manner. Regular training programs are provided for the legal administrative and legal staff of group companies as part of JR East's ongoing efforts to improve awareness of compliance and to develop human resources. In addition, basic standards for business are a part of work regulations, and guidelines regarding the establishment of proper conduct have been formulated to pay additional attention to ensure proper conduct on the part of all employees.

#### (c) Current State of Risk Management System

In railway operations, through such steps as the strengthening of facilities and the training of employees, JR East employs a range of risk management measures, such as those for accident prevention, disaster prevention, and early detection and restoration of transportation interruptions. In particular, in the event of an accident or disaster, JR East can respond rapidly and appropriately, with the Transportation Operation Center operating 24 hours a day. JR East has a wealth of experience and is working to accumulate further risk management know-how. In March 2004, the Transportation Reliability Improvement Committee was formed to support the establishment of a highly reliable transportation system for the increasingly complex train operation system.

In regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses, scandals, and legal violations, all JR East departments will work in close cooperation with the Crisis Manage-

ment Headquarters, which was established in January 2001. In the event of a problem, with the participation of top management, a preliminary task force will be rapidly established. In this way, a delayed response caused by chaotic information and inconsistent communication will be avoided.

(d) Others

*Disclosure*

JR East discloses information actively through its public relations and investor relations activities. It is using web sites and other resources to enhance the content of its disclosure and to disclose important corporate information on a timely basis.

*Overview of Relationships between the Company and Outside Corporate Directors and Auditors, Including Personnel, Capital and Other Business Relationships*

The outside corporate directors and the outside corporate auditors have no business relationship with JR East.

*Initiatives to Improve Corporate Governance over the Past Year*

In order to further activate discussions at meetings of the Board of Directors and to enhance the flexibility and speed of decision-making, the number of directors has been reduced. At the shareholders' annual meeting in June 2003, JR East reduced the number of directors from 31 to 27.

## Operating Results and Financial Position

### (1) Summary

#### Overview

During the fiscal year ended March 31, 2004, the Japanese economy continued to improve, with support from favorable exports and capital investment as well as a turn toward increased production in the second half of the fiscal year. Although the employment situation continued to be difficult, with unemployment remaining at a high level, consumer spending was steady and corporate profitability improved, and business conditions gradually began to pick up by the end of the fiscal year. In this economic environment, JR East worked to maximize revenues by making optimal use of its management resources, including the Shinkansen and other railway networks as well as stations. At the same time, JR East took steps to increase its operational efficiency, including thorough overall expense reviews and asset streamlining measures.

As a result, operating revenues decreased by 0.9% to 2,542.2 billion yen, due to a decline in revenues from the Station space utilization segment and to the restructuring of the Other services segment. However, operating income rose 2.4% to 351.4 billion yen, as a result of reduced personnel expenses and other factors. Ordinary income increased 11.2% to 225.3 billion yen, due to a decline in interest expense stemming from a reduction in interest-bearing debt, and net income was up 22.3% to 119.8 billion yen, as a result of a decline in loss on sales of fixed assets and other factors.

#### Cash Flows

Net cash provided by operating activities decreased by 46.2 billion yen, to 387.0 billion yen, as an increase in income before income taxes was offset by a rise in payment of income taxes.

Net cash used in investment activities increased by 38.1 billion yen to 234.5 billion yen, due to an increase in capital expenditures for measures to ensure safe and stable transportation and a decrease in proceeds from sales of fixed assets, for improvement of transportation capacity, and for shopping centers, hotels and other facilities.

Net cash used in financing activities decreased by 114.4 billion yen to 196.1 billion yen. Although cash dividends paid increased because of an increased ordinary dividend, the reduction of total long-term debt was 143.0 billion yen, which was less than in fiscal 2003.

As a result, the balance of cash and cash equivalents decreased by 43.5 billion yen from the end of fiscal 2003, to 82.9 billion yen at the end of March 2004.

The balance of total long-term debt as of March 31, 2004 was 3,974.5 billion yen.

#### Trends in Cash Flow Indicators

	Fiscal 2002	Fiscal 2003	Fiscal 2004
Equity ratio (%)	13.3	14.3	<b>16.2</b>
Equity ratio by market value basis (%)	31.3	30.2	<b>32.3</b>
Years to debt redemption (years)	9.5	9.4	<b>10.1</b>
Interest coverage ratio	2.4	2.5	<b>2.4</b>

Notes: Equity ratio: Shareholders' equity/total assets

Equity ratio by market value basis: Aggregate market value of shares/total assets

Years to debt redemption: Interest-bearing debt/Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/payments of interest

1. Each indicator is based on consolidated financial statistics.

2. The aggregate market value of shares was calculated by multiplying the closing price at the end of fiscal year by the total number of shares outstanding at the end of fiscal year.

## Segment Information

### *Transportation*

JR East worked to encourage rail travel and to generate revenues by enhancing the Shinkansen network and the conventional rail network in the Tokyo metropolitan area.

Specifically, JR East promoted the “Attaka Kita-Tohoku (Heartwarming northern Tohoku)—Hayate 1st Anniversary” campaign and worked together with the communities in the northern area of Tohoku to expand tourism demand to the region. In addition, JR East endeavored to boost tourism from Tohoku and Shinetsu district to Tokyo and worked to raise sales of ski products through the “JR SKI” campaign.

A number of steps were taken to improve the Shinkansen network. On the Joetsu Shinkansen, the Honjo-Waseda station was opened and the maximum speed of the Joetsu Shinkansen “Toki,” which connects to the limited express “Hakutaka,” was set at 240 km/h, shortening the time to the Hokuriku district. The operating speed of the Tohoku Shinkansen was also increased. In the Tokyo metropolitan area, JR East increased train frequency in the morning peak hour on the Keihin-Tohoku line and Yokohama line, thereby alleviating overcrowding.

In IT-based services, JR East initiated “Suica,” a large-scale IC card automatic fare collecting system, in the Sendai area and began the “Suica FREX Commuter Pass” service, which adds “Suica” features to Shinkansen commuter passes.

As a result, the number of passengers increased from fiscal 2003 due to steady growth on the Shinkansen network and the conventional rail network in the Tokyo metropolitan area, as well as to the effect of the leap year.

However, operating revenues decreased by 0.1%, to 1,850.6 billion yen. Although revenues from passenger tickets increased, revenues from railroad track usage fees were down and revenues from Tokyo Monorail declined as transportation volume decreased. Operating expenses declined 0.4%, to 1,587.9 billion yen, due to reduced personnel expenses following workforce reductions. Operating income increased by 2.3%, to 262.7 billion yen.

### *Station Space Utilization*

JR East continued to implement its “Station Renaissance” program, the aim of which is to create new station environments for the 21st century. This program includes large-scale development projects, principally targeting terminal stations in the Tokyo metropolitan area. In addition to opening two such projects in Tokyo, “Dila Asagaya” and “Dila Nishi-Ogikubo,” JR East renovated existing stores and conducted detailed store development at such stations as Sendai, Ikebukuro, Fukushima, and Kawagoe. In addition, JR East Station Retailing Co., Ltd. was established to conduct commercial development that creates new station environments and takes maximum advantage of the potential of stations.

However, as a result of sluggish sales at existing station outlets, operating revenues decreased by 0.8%, to 376.0 billion yen, and, due to a 0.6% decline in operating expenses, to 348.8 billion yen, operating income declined by 3.5% to 27.1 billion yen.

### *Shopping Centers and Office Buildings*

In Tokyo, JR East opened the large-scale “JR Shinagawa East Building,” which combines office and commercial space, and in the commercial zone of that building opened “atre Shinagawa,” a shopping center. JR East opened “Arcade Akabane” in Tokyo, a shopping center that effectively uses the space under an overpass, and opened shopping centers featuring outlets that are closely linked to lifestyles, such as eating and drinking establishments and stores for food and general merchandise. One example for such shopping center is “Lumine Kawagoe” in Saitama, which was also opened during the year. In addition, a number of existing shopping centers were renovated, such as “Shapo Motoyawata” and “Perie Inage” in Chiba, “Kokubunji L” in Tokyo, and “FES’AN” in Iwate. At the same time, JR East worked to bring in major retailers as tenants that have the ability to draw customers.



Measures to restructure group companies in this business segment included four mergers involving eight shopping center management companies. LUMINE Co., Ltd. merged with Lumine Ogikubo Co., Ltd.; Sendai Terminal Building Co., Ltd. with Fukushima Station Development Co., Ltd.; Mito Station Development Co., Ltd. with Tsuchiura Station Development Co., Ltd.; and Nagano Station Building Co., Ltd. (presently, Station Building MIDORI Co., Ltd.) with Matsumoto Station Building Co., Ltd. These mergers were designed to strengthen marketing capacities and financial structures.

As a result, operating revenues increased by 2.6% to 182.4 billion yen. JR East promoted thorough low-cost operations, but operating expenses rose 1.4%, to 136.1 billion yen, due to the opening of new shopping centers and other factors. Operating income rose by 6.3% to 46.2 billion yen.

### ***Other Services***

In hotels, JR East opened HOTEL METS Mejiro, in Tokyo, and Hotel Dreamgate Maihama, which was built under a railway overpass using a new construction method in Chiba.

In advertising, JR East reviewed its product structure and charges for advertising on trains and at stations to boost the attractiveness of transportation advertising. At the same time, JR East introduced train car body advertising on more lines and promoted sales of in-train video advertising. JR East also continued to establish and improve station advertising media and to target increased sales as part of the “Station Renaissance” program.

In housing development and sales, JR East conducted sales of housing properties such as “Makuhari Bay Town Marine Fort” in Chiba and “View Verger Annaka Haruna” in Gunma, and commenced sales of “Makuhari Bay Town Cities Fort” in Chiba.

In credit card business, JR East commenced services based on the “View Suica” card, which combines the functions of the “View Card” and the “Suica IO Card.” In addition, JR East expanded its lineup with the issuance of cards with the JCB and MasterCard brands, in addition to the VISA card that was already available. In March 2004, a “Suica” based shopping service (electronic money) started on a full-fledged basis.

However, operating revenues decreased by 8.2% to 476.3 billion yen, in part because of a withdrawal from the construction materials business by East Japan Railway Trading Co., Ltd. Operating expenses declined by 8.6%, to 458.4 billion yen. Operating income increased by 2.8% to 17.9 billion yen, because of an increase in operating income from advertising, publicity, sport and leisure services, and other areas.

### ***Dividend Policy***

JR East’s basic policy regarding the appropriation of earnings is to maintain a stable dividend for shareholders while increasing retained earnings, as necessary, to ensure a sound operating base for the future development of business centered around railway services.

In line with this policy, plans call for a year-end dividend of 3,000 yen per share (an increase of 500 yen per share in the ordinary dividend). In conjunction with the interim dividend of 3,000 yen per share, the total dividend for the year will be 6,000 yen per share.

Retained earnings for the fiscal year ended March 31, 2004 will be used to reduce total long-term debt and improve JR East’s financial position.

JR East will continue striving to improve its business performance and to establish a strong operating base that can support stable dividend payments.

## (2) Outlook for the Year Ending March 31, 2005

JR East is determined to meet the expectations of shareholders, customers and regional communities through increased management efforts. The year ending March 2005 will be the fourth year of the medium-term business plan, "New Frontier 21." To the greatest extent possible, JR East will strive to achieve the plan's goals ahead of schedule and will formulate a new medium-term management plan that will start from fiscal 2006.

JR East's operating environment continues to be difficult, with challenges including intensifying competition in the transportation market and declines in the working age population. In this setting, JR East must thoroughly pursue customer satisfaction and increase revenues.

In rail transportation, to enhance the Tokyo metropolitan area network, JR East will increase frequency on the Shonan-Shinjuku line and introduce green car (first class) service on the Utsunomiya and Takasaki lines. At the same time, JR East will proceed with preparations for extending the Utsunomiya and Takasaki lines to Tokyo station. Also, JR East will enhance its Shinkansen sales efforts by boosting product attractiveness and emphasizing the strengthened Shinkansen network. In non-transportation business, JR East will move actively to develop its operations by drawing on its biggest resource, its stations, and at the same time JR East will move ahead with new large-scale projects that contribute to urban revitalization, such as a Tokyo Station district development plan. For "Suica," JR East will take steps to increase convenience and enhance services, such as expanding the stores at which "Suica" can be used for shopping.

Current forecasts for business performance are as follows.

### Fiscal 2005 forecasts

Operating revenues:	¥2,561.0 billion	(0.7% year-on-year increase)
Ordinary income:	¥234.0 billion	(3.8% year-on-year increase)
Net income:	¥126.0 billion	(5.1% year-on-year increase)

### Six months ending September 30, 2004, forecasts

Operating revenues:	¥1,268.0 billion	(0.9% increase relative to previous interim result)
Ordinary income:	¥127.0 billion	(5.6% increase relative to previous interim result)
Net income:	¥72.0 billion	(18.6% increase relative to previous interim result)

JR East plans to pay ordinary cash dividends of 6,000 yen per share for the year ending March 2005, including an interim cash dividend of 3,000 yen per share.

### Forward Looking Statements

Statements contained in this report with respect to JR East's plans, strategies and beliefs that are not historical facts are forward looking statements about the future performance of JR East which are based on management's assumptions and beliefs in light of the information currently available to it. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause JR East's actual results, performance or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East's ability to successfully maintain or increase current passenger levels on its railway services, (ii) JR East's ability to improve the profitability of its railway and other operations, (iii) JR East's ability to expand its non-railway operations and (iv) general changes in economic conditions and laws, regulations and government policies in Japan.

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## Consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES  
March 31, 2003 and 2004

	Millions of Yen		
	2003	2004	Increase (Decrease)
<b>ASSETS</b>			
<b>Current Assets</b>	¥ 438,996	¥ 389,101	¥ (49,895)
Cash and time deposits	127,315	83,142	(44,173)
Notes and accounts receivable-trade	132,147	120,789	(11,357)
Fares receivable	33,200	35,016	1,816
Short-term loans receivable	21,660	22,130	470
Securities	306	31	(275)
Real estate for sale	16,709	12,005	(4,704)
Inventories	27,372	39,068	11,696
Deferred income taxes	50,585	55,270	4,684
Other	31,221	23,365	(7,856)
Allowance for doubtful accounts	(1,523)	(1,719)	(196)
<b>Fixed Assets</b>	6,414,126	6,392,390	(21,736)
Property, plant and equipment, net of accumulated depreciation	6,014,066	5,938,724	(75,342)
Buildings and fixtures	3,070,152	3,018,769	(51,382)
Machinery, rolling stock and vehicles	624,640	618,992	(5,647)
Land	2,133,208	2,117,483	(15,724)
Construction in progress	144,665	140,068	(4,597)
Other	41,399	43,410	2,010
Intangible assets	91,173	96,935	5,761
Intangibles	87,095	93,594	6,499
Consolidation difference	4,078	3,340	(737)
Investments and other assets	308,886	356,730	47,843
Investments in securities	114,344	147,381	33,036
Long-term loans receivable	5,554	4,009	(1,545)
Long-term deferred income taxes	140,212	159,701	19,489
Other	50,110	47,451	(2,658)
Allowance for doubtful accounts	(1,335)	(1,813)	(478)
<b>Deferred Assets</b>	280	200	(79)
<b>Total Assets</b>	¥6,853,403	¥6,781,692	¥ (71,711)

Note: Amounts less than one million yen are omitted.

## Consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES  
March 31, 2003 and 2004

	Millions of Yen		
	2003	2004	Increase (Decrease)
<b>LIABILITIES</b>			
<b>Current Liabilities</b> .....	¥1,295,896	<b>¥1,069,746</b>	<b>¥ (226,150)</b>
Notes and accounts payable—trade .....	62,545	<b>50,988</b>	<b>(11,556)</b>
Short-term loans and current portion of long-term loans .....	303,108	<b>124,516</b>	<b>(178,591)</b>
Current portion of long-term liabilities incurred for purchase of railway facilities .....	134,948	<b>143,178</b>	<b>8,230</b>
Payable .....	292,110	<b>288,368</b>	<b>(3,742)</b>
Accrued consumption tax .....	15,604	<b>13,397</b>	<b>(2,206)</b>
Accrued income taxes .....	97,029	<b>68,479</b>	<b>(28,550)</b>
Fare deposits received with regard to railway connecting services . . .	15,260	<b>14,999</b>	<b>(260)</b>
Prepaid railway fares received .....	114,682	<b>104,909</b>	<b>(9,772)</b>
Allowance of bonuses to employees .....	82,087	<b>80,398</b>	<b>(1,689)</b>
Other .....	178,521	<b>180,510</b>	<b>1,989</b>
<b>Long-term Liabilities</b> .....	4,542,668	<b>4,582,283</b>	<b>39,615</b>
Bonds .....	893,860	<b>1,033,860</b>	<b>140,000</b>
Long-term loans .....	751,882	<b>782,094</b>	<b>30,211</b>
Long-term liabilities incurred for purchase of railway facilities .....	2,039,632	<b>1,891,024</b>	<b>(148,607)</b>
Long-term deferred tax liabilities .....	5,198	<b>3,781</b>	<b>(1,417)</b>
Accrued severance and retirement benefits .....	578,175	<b>595,568</b>	<b>17,392</b>
Other .....	273,919	<b>275,954</b>	<b>2,035</b>
<b>Total Liabilities</b> .....	5,838,565	<b>5,652,029</b>	<b>(186,535)</b>
<b>MINORITY INTERESTS</b> .....	32,982	<b>29,486</b>	<b>(3,495)</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Common Stock</b> .....	200,000	<b>200,000</b>	—
<b>Capital Surplus</b> .....	96,600	<b>96,600</b>	—
<b>Retained Earnings</b> .....	679,195	<b>771,232</b>	<b>92,036</b>
<b>Net Unrealized Holding Gains on Securities</b> .....	6,511	<b>32,794</b>	<b>26,282</b>
<b>Treasury Stock, at Cost</b> .....	(451)	<b>(451)</b>	—
<b>Total Shareholders' Equity</b> .....	981,855	<b>1,100,175</b>	<b>118,319</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b> .....	¥6,853,403	<b>¥6,781,692</b>	<b>¥ (71,711)</b>

Note: Amounts less than one million yen are omitted.

## Consolidated Statements of Income (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES  
Years ended March 31, 2003 and 2004

	Millions of Yen		
	2003	2004	Increase (Decrease)
<b>Operating Revenues</b> .....	¥2,565,670	<b>¥2,542,297</b>	<b>¥(23,373)</b>
<b>Operating Expenses</b> .....	2,222,575	<b>2,190,877</b>	<b>(31,698)</b>
Transportation, other services and cost of sales .....	1,712,628	<b>1,695,025</b>	<b>(17,603)</b>
Selling, general and administrative expenses .....	509,946	<b>495,851</b>	<b>(14,094)</b>
<b>Operating Income</b> .....	343,095	<b>351,419</b>	<b>8,324</b>
<b>Non-Operating Income</b> .....	37,533	<b>38,706</b>	<b>1,172</b>
Interest and dividend income .....	1,788	<b>2,210</b>	<b>422</b>
Equity in net income of affiliated companies .....	323	<b>351</b>	<b>28</b>
Other .....	35,420	<b>36,143</b>	<b>722</b>
<b>Non-Operating Expenses</b> .....	178,018	<b>164,760</b>	<b>(13,258)</b>
Interest expense .....	173,297	<b>160,943</b>	<b>(12,354)</b>
Other .....	4,721	<b>3,816</b>	<b>(904)</b>
<b>Ordinary Income</b> .....	202,609	<b>225,365</b>	<b>22,755</b>
<b>Extraordinary Gains</b> .....	126,536	<b>112,960</b>	<b>(13,575)</b>
Construction grants received .....	65,382	<b>79,708</b>	<b>14,326</b>
Gain on sales of fixed assets .....	42,205	<b>18,177</b>	<b>(24,028)</b>
Gain on sales of investment in securities .....	17,134	<b>12,816</b>	<b>(4,317)</b>
Other .....	1,814	<b>2,259</b>	<b>444</b>
<b>Extraordinary Losses</b> .....	135,738	<b>115,461</b>	<b>(20,276)</b>
Losses on reduction entry for construction grants .....	54,151	<b>73,188</b>	<b>19,037</b>
Loss on sales of fixed assets .....	28,868	<b>10,673</b>	<b>(18,195)</b>
Devaluation losses on investment in securities .....	17,029	—	<b>(17,029)</b>
Devaluation losses on fixed assets .....	14,808	—	<b>(14,808)</b>
Social insurance charges .....	—	<b>9,696</b>	<b>9,696</b>
Other .....	20,880	<b>21,903</b>	<b>1,022</b>
<b>Income before Income Taxes</b> .....	193,408	<b>222,864</b>	<b>29,456</b>
<b>Income Taxes</b>			
Current .....	150,113	<b>142,900</b>	<b>(7,213)</b>
Deferred .....	(57,607)	<b>(42,969)</b>	<b>14,637</b>
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b> .....	2,915	<b>3,067</b>	<b>152</b>
<b>Net Income</b> .....	¥ 97,986	<b>¥ 119,866</b>	<b>¥ 21,880</b>

Note: Amounts less than one million yen are omitted.

## Consolidated Statements of Capital Surplus and Retained Earnings (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES  
Years ended March 31, 2003 and 2004

	Millions of Yen		Increase (Decrease)
	2003	2004	
<b>CAPITAL SURPLUS</b>			
Capital Surplus at Beginning of Year	¥96,600	¥96,600	¥ —
Capital Surplus at End of Year	¥96,600	¥96,600	¥ —
<b>RETAINED EARNINGS</b>			
Retained Earnings at Beginning of Year	¥607,375	¥679,195	¥71,819
Increase in Retained Earnings	97,995	120,227	22,231
Net income	97,986	119,866	21,880
Increase due to addition of consolidated subsidiaries, and other	9	176	166
Increase due to change in accounting period of consolidated subsidiaries	—	184	184
Decrease in Retained Earnings	26,175	28,190	2,014
Cash dividends	26,000	28,000	2,000
Bonuses to directors and corporate auditors	175	190	14
<i>Of which bonuses for corporate auditors</i>	[16]	[22]	[6]
Retained Earnings at End of Year	¥679,195	¥771,232	¥92,036

Note: Amounts less than one million yen are omitted.

## Consolidated Statements of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES  
Years ended March 31, 2003 and 2004

	Millions of Yen	
	2003	2004
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥ 193,408	¥ 222,864
Depreciation	322,563	322,300
Amortization of long-term prepaid expense	4,532	5,202
Increase in accrued severance and retirement benefits	43,426	17,397
Interest and dividend income	(1,788)	(2,210)
Interest expense	173,297	160,943
Construction grants received	(65,382)	(79,708)
Devaluation losses on investments in securities	17,029	—
Gain on sales of investments in securities	(17,134)	(12,816)
Loss from disposition and provision for cost reduction of fixed assets	86,233	106,572
Increase in major receivables	(2,887)	2,242
Increase (Decrease) in major payables	(15,233)	(5,496)
Other	(16,095)	(19,182)
Sub-total	721,969	718,107
Proceeds from interest and dividends	1,923	2,367
Payments of interest	(173,805)	(162,567)
Payments of income taxes	(116,783)	(170,846)
<b>Net cash provided by operating activities</b>	<b>433,304</b>	<b>387,060</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of fixed assets	(352,962)	(374,642)
Proceeds from sales of fixed assets	81,343	34,683
Proceeds from construction grants	60,842	76,764
Payments for purchases of investments in securities	(12,408)	(6,637)
Proceeds from sales of investments in securities	19,398	23,056
Other	7,364	12,183
<b>Net cash used in investing activities</b>	<b>(196,421)</b>	<b>(234,591)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term loans	123,670	155,000
Proceeds from issuance of bonds	115,982	139,914
Payments of long-term debt and long-term liabilities incurred for purchase of railway facilities	(502,158)	(438,002)
Cash dividends paid	(26,000)	(28,000)
Other	(22,152)	(25,104)
<b>Net cash used in financing activities</b>	<b>(310,658)</b>	<b>(196,192)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(73,775)</b>	<b>(43,722)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>200,021</b>	<b>126,478</b>
<b>Increase due to Addition of Consolidated Subsidiaries, and Other</b>	<b>232</b>	<b>189</b>
<b>Decrease due to Change in Accounting Period of Consolidated Subsidiaries</b>	<b>—</b>	<b>(9)</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥ 126,478</b>	<b>¥ 82,935</b>

Note: Amounts less than one million yen are omitted.

## Segment Information (Unaudited)

### Segment Information by Business Activities

Fiscal 2003 (Year ended March 31, 2003)	Millions of Yen						Consolidated
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Total	Elimination and/or corporate	
Operating revenues							
Outside customers	¥1,800,433	¥368,960	¥170,321	¥225,955	¥2,565,670	¥ —	¥2,565,670
Inside group	51,183	10,148	7,463	292,866	361,661	(361,661)	—
Total	1,851,617	379,108	177,784	518,822	2,927,332	(361,661)	2,565,670
Costs and expenses	1,594,874	350,973	134,265	501,363	2,581,477	(358,901)	2,222,575
Operating income	¥ 256,743	¥ 28,134	¥ 43,518	¥ 17,458	¥ 345,854	¥ (2,759)	¥ 343,095
Identifiable assets	¥5,668,361	¥148,091	¥733,800	¥566,973	¥7,117,227	¥(263,823)	¥6,853,403
Depreciation	253,958	8,100	25,806	34,698	322,563	—	322,563
Capital Investments	296,051	9,111	22,347	41,149	368,660	—	368,660

Fiscal 2004 (Year ended March 31, 2004)	Millions of Yen						Consolidated
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Total	Elimination and/or corporate	
Operating revenues							
Outside customers	¥1,798,132	¥366,437	¥175,180	¥202,547	¥2,542,297	¥ —	¥2,542,297
Inside group	52,552	9,605	7,234	273,805	343,197	(343,197)	—
Total	1,850,684	376,043	182,414	476,352	2,885,494	(343,197)	2,542,297
Costs and expenses	1,587,913	348,892	136,142	458,411	2,531,360	(340,482)	2,190,877
Operating income	¥ 262,770	¥ 27,150	¥ 46,272	¥ 17,940	¥ 354,133	¥ (2,714)	¥ 351,419
Identifiable assets	¥5,602,009	¥152,036	¥731,077	¥591,825	¥7,076,949	¥(295,256)	¥6,781,692
Depreciation	250,719	8,416	25,213	37,951	322,300	—	322,300
Capital Investments	292,706	12,789	33,374	44,501	383,371	—	383,371

Notes: 1. Amounts less than one million yen are omitted.

2. Classification of business

JR East's businesses are classified by the segmentation used for management purpose so that the actual situation of JR East's business diversification is clearly and appropriately disclosed.

3. 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.

4. Major items of corporate assets

Identifiable assets in the elimination and/or corporate column mainly comprise non-current securities held by JR East.

Fiscal 2003: ¥88,537 million

Fiscal 2004: ¥126,478 million

5. Capital investments include a portion contributed mainly by national and local governments.

Geographic segment information is not shown since JR East has no overseas consolidated subsidiaries. Information for overseas sales is not shown due to there being no overseas sales.

### Subsequent Events

On April 30, 2004, JR East issued 1.58% coupon unsecured bond due March 19, 2014, with an aggregate nominal principal amount of ¥20,000 million, and 2.26% coupon unsecured bond due March 19, 2024, with an aggregate nominal principal amount of ¥10,000 million.



## [REFERENCE]

### Consolidated Principal Indicators

	Fiscal 2003 (A)	Fiscal 2004 (B)	Increase (Decrease) (B)-(A)	Fiscal 2006 Goals in medium-term business plan (New Frontier 21)
Free cash flows (FCF) [Billions of yen]	236.8	<b>152.4</b>	<b>(84.4)</b>	200.0
Return on equity <sup>1</sup> (ROE) [%]	10.2	<b>11.5</b>	<b>1.3</b>	10.0
Return on assets <sup>2</sup> (ROA) [%]	4.9	<b>5.2</b>	<b>0.2</b>	5.5
Equity ratio [%]	14.3	<b>16.2</b>	<b>1.9</b>	
Earnings per share [Yen]	24,453.48	<b>29,928.14</b>	<b>5,474.66</b>	
Shareholders' equity per share [Yen]	245,463.20	<b>275,052.28</b>	<b>29,589.08</b>	
Total long-term debt [Billions of yen]	4,117.5	<b>3,974.5</b>	<b>(143.0)</b>	
Average interest rates [%]	4.02	<b>3.83</b>	<b>(0.19)</b>	
Net interest expense [Billions of yen]	(171.5)	<b>(158.7)</b>	<b>12.7</b>	
Capital expenditures [Billions of yen]	307.5	<b>313.9</b>	<b>6.3</b>	

Notes 1. ROE = net income/average equity

2. ROA = operating income/average assets

### Consolidated Business Forecast for Fiscal 2005

	Billions of Yen			%	
	Fiscal 2004 (Actual)	Fiscal 2005 (Forecast)	Change		
	(A)	(B)	Increase (decrease) (B)-(A)	(B)/(A)x100	
Operating revenues	<b>2,542.2</b>	[1,268.0]	2,561.0	<b>18.7</b>	<b>100.7</b>
Operating income	<b>351.4</b>	[202.0]	365.0	<b>13.5</b>	<b>103.9</b>
Ordinary income	<b>225.3</b>	[127.0]	234.0	<b>8.6</b>	<b>103.8</b>
Net income	<b>119.8</b>	[72.0]	126.0	<b>6.1</b>	<b>105.1</b>

(Reference) Earnings per share for fiscal 2005: ¥31,506.03

Notes 1. Figures in [ ] are performance forecast for interim period ending September 30, 2004.

2. Amounts less than 100 million yen are omitted.

## Passenger Kilometers and Passenger Revenues of Parent Company

	Passenger Kilometers				Revenues from Passenger Tickets			
	Millions		%		Billions of yen		%	
	Fiscal 2003	Fiscal 2004	Change		Fiscal 2003	Fiscal 2004	Change	
	(A)	(B)	Increase (Decrease) (B)-(A)	(B)/(A)x100	(C)	(D)	Increase (Decrease) (D)-(C)	(D)/(C)x100
<b>Shinkansen Bullet Train Network</b>								
Commuter Passes .....	1,543	<b>1,567</b>	<b>23</b>	101.5	21.2	<b>21.4</b>	<b>0.2</b>	101.1
Other .....	16,732	<b>17,179</b>	<b>447</b>	102.7	436.1	<b>444.5</b>	<b>8.4</b>	101.9
Total .....	18,276	<b>18,747</b>	<b>470</b>	102.6	457.3	<b>466.0</b>	<b>8.6</b>	101.9
<b>Conventional Lines</b>								
Commuter Passes .....	70,522	<b>70,576</b>	<b>54</b>	100.1	462.8	<b>461.2</b>	<b>(1.6)</b>	99.6
Other .....	36,376	<b>36,428</b>	<b>51</b>	100.1	744.3	<b>739.1</b>	<b>(5.1)</b>	99.3
Total .....	106,899	<b>107,004</b>	<b>105</b>	100.1	1,207.1	<b>1,200.3</b>	<b>(6.7)</b>	99.4
<b>Total</b>								
Commuter Passes .....	72,066	<b>72,144</b>	<b>77</b>	100.1	484.1	<b>482.7</b>	<b>(1.3)</b>	99.7
Other .....	53,109	<b>53,608</b>	<b>498</b>	100.9	1,180.4	<b>1,183.7</b>	<b>3.2</b>	100.3
Total .....	125,176	<b>125,752</b>	<b>576</b>	100.5	1,664.5	<b>1,666.4</b>	<b>1.8</b>	100.1

Note: Amounts less than one million passenger kilometers and 100 million yen are omitted.

### Forward Looking Statements

Statements contained in this report with respect to JR East's plans, strategies and beliefs that are not historical facts are forward looking statements about the future performance of JR East which are based on management's assumptions and beliefs in light of the information currently available to it. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause JR East's actual results, performance or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East's ability to successfully maintain or increase current passenger levels on its railway services, (ii) JR East's ability to improve the profitability of its railway and other operations, (iii) JR East's ability to expand its non-railway operations, and (iv) general changes in economic conditions and laws, regulations and government policies in Japan.