FINANCIAL SECTION

> CONTENTS

> 10-YEAR SUMMARY

East Japan Railway Company and subsidiaries

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

*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 is reclassified according to the new business segmentation. (see note 16 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 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.
*6 Beginning with the year ended March 31, 2000, number of employees excludes employees assigned to other companies and temporary employees.
*7 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)

1996	1997	1998	1999	2000	2001	2002
2,473,200	2,513,790	2,514,808	2,483,594	2,502,909	2,546,041	2,543,378
2,059,384	2,097,388	2,146,109	2,149,122	2,160,952	2,222,290	2,227,038
413,816	416,402	368,699	334,472	341,957	323,751	316,340
68,431	70,661	66,235	21,929	66,963	69,174	47,551
N/A	N/A	N/A	N/A	N/A	1,801,370	1,789,599
N/A	N/A	N/A	N/A	N/A	348,994	368,553
N/A	N/A	N/A	N/A	N/A	165,818	165,276
N/A	N/A	N/A	N/A	N/A	229,859	219,950
N/A	N/A	N/A	N/A	N/A	2,546,041	2,543,378
1,839,095	1,855,994	1,836,237	1,808,925	1,799,051	1,805,663	N/A
357,598	363,403	365,964	356,260	379,213	386,033	N/A
276,507	144,927	154,905	158,515	143,432	152,438	N/A
	149,466	157,702	159,894	181,213	201,907	N/A
2,473,200	2,513,790	2,514,808	2,483,594	2,502,909	2,546,041	N/A
7,345,760	7,384,463	7,381,794	7,287,033	7,308,391	7,247,089	7,022,271
2,247,931	2,223,163	2,285,063	2,320,246	2,319,664	2,307,483	2,060,838
2,851,373	2,812,547	2,713,737	2,610,966	2,499,023	2,392,241	2,318,997
5,099,304	5,035,710	4,998,800	4,931,212	4,818,687	4,699,724	4,379,835
669,291	719,510	765,424	766,880	856,401	923,568	930,746
504,761	497,242	410,662	365,296	474,715	455,470	455,045
(342,507)	(419,923)	(379,156)	(282,082)	(292,438)	(266,319)	(105,645)
(99,288)	(77,240)	(52,674)	(72,298)	(168,133)	(161,109)	(433,589)
17,108	17,665	16,559	5,482	16,741	17,294	11,888
167,323	179,878	191,356	191,720	214,100	230,892	232,687
5,000	5,000	5,000	5,000	5,000	5,000	5,000
2.8%	2.8%	2.6%	0.9%	2.7%	2.7%	1.9%
10.6%	10.2%	8.9%	2.9%	8.3%	7.8%	5.1%
5.7%	5.7%	5.0%	4.6%	4.7%	4.4%	4.4%
9.1%	9.7%	10.4%	10.5%	11.7%	12.7%	13.3%
994.6%	923.4%	861.3%	846.9%	750.4%	681.5%	650.7%
275,589	274,133	283,711	319,687	329,583	329,651	321,995
261,582	325,066	268,425	258,080	288,106	296,957	301,781
279,783	256,063	243,017	230,887	220,421	205,155	187,601
72	73	80	81	96	96	101
90,405	89,593	89,008	87,880	82,747	82,285	80,200

*8 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 Japanese National Railways")

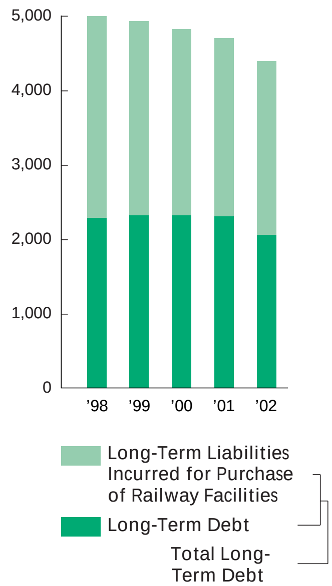
*9 Beginning with the year ended March 31,1999, the declining balance method has generally been applied with respect to depreciation for structures related to Shinkansen railway fixtures. The straight-line method had been applied prior to the year ended March 31,1999.

*10 Accounting Standards for Financial Instruments were adopted beginning with the year ended March 31, 2000. (see notes 2 and 7 to consolidated financial statements)

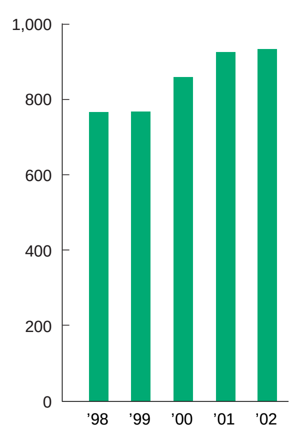
*11 Tax effect accounting was adopted beginning with the year ended March 31,2000. (see notes 2 and 12 to consolidated financial statements)

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

Total Long-Term Debt
(Billions of Yen)



Shareholders' Equity
(Billions of Yen)



Overview and Basic Financial Policy

During the year ended March 31, 2002 (fiscal 2002), the Japanese economy reentered a period of weakness due to stagnation of production activities, exacerbated by reduction of exports due to the slowdown of the economy overseas. In addition, in September 2001 terrorist attacks occurred in the USA, which increased future uncertainties even further. Although exports and production appeared to stop declining towards the end of the fiscal year, the economy remained in the doldrums in general with weak personal consumption due to continuing severe employment conditions and lower capital expenditures.

JR East with its consolidated subsidiaries continued to make efforts to expand revenues by maximizing the use of operational resources such as railway networks of the Shinkansen lines and stations in order to overcome such severe situations and implemented measures to increase the efficiency of business operations by carrying out a comprehensive review of overall expenses. As a result, operating revenues decreased 0.1% to ¥2,543.4 billion ($19,123 million), while operating income decreased 2.3% to ¥316.3 billion ($2,378 million). Net income decreased 31.3% to ¥47.6 billion ($358 million), affected by the increase in other expenses due to revaluation of part of securities held and loss on sales of fixed assets, despite lower interest expenses and gain on sales of investment in securities as a result of a partial sale of its Japan Telecom shares. The shareholders' equity ratio rose to 13.3% at the end of fiscal 2002 from 12.7% at the end of fiscal 2001.

For fiscal 2002, 102 subsidiaries were consolidated in the consolidated statement of income. Six subsidiaries were newly consolidated in fiscal 2002, because of investments and split-off. Liquidation of a subsidiary was completed in fiscal 2001. Furthermore, one subsidiary was deconsolidated in fiscal 2002, because of its merger with another subsidiary. As a result, the number of subsidiaries included in the consolidated balance sheet as of March 31, 2002 was 101.

For fiscal 2002, four affiliated companies were accounted for by the equity method. One affiliated company was newly accounted for by the equity method in fiscal 2002, and a second affiliated company was newly included in the consolidated balance sheet as of March 31, 2002, due to their increased significance in the aggregate. Two other affiliated companies were accounted for by the equity method until the interim period ended September 30, 2001, but ceased to be accounted for by the equity method because of sales of shares by JR East. As a result, the number of equity method affiliated companies included in the consolidated balance sheet as of March 31, 2002 was two.

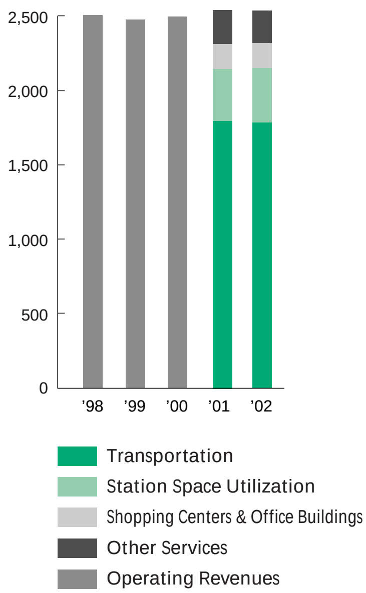
The basic financial policy is to maximize free cash flows. Reducing total long-term debt remains the most important issue for the time being, with the recognition that strengthening financial position is still necessary. To ensure a suffi-

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.

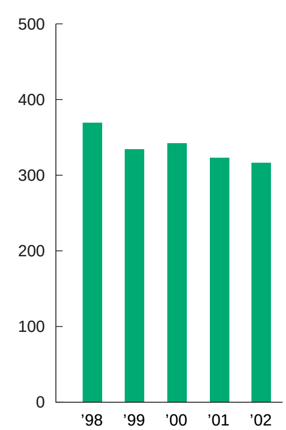
cient level of funds to achieve debt reductions and meet other requirements, capital expenditures will basically continue to be conducted in an efficient manner so as not to exceed depreciation.

Total long-term debt at year end was reduced by ¥319.9 billion, resulting in total long-term debt of ¥4,379.8 billion ($32,931 million) on March 31, 2002.

Operating Revenues
(Billions of Yen)



Operating Income
(Billions of Yen)



Fiscal 2002 Results

Operating revenues decreased 0.1% to ¥2,543.4 billion ($19,123 million) and operating income decreased 2.3% to ¥316.3 billion ($2,378 million). The ratio of operating income to operating revenues was 12.4%.

Transportation

Operating income from transportation decreased 3.7% to ¥235.6 billion ($1,771 million). The decrease arose primarily from a 0.7% decline in transportation operating revenues from outside customers due to a decrease in revenues from railway passenger ticket sales. Transportation operating expenses decreased only 0.1%.

Revenues from railway passenger tickets, which constituted 93.2% of revenues from transportation from outside customers in fiscal 2002, reflect sales of ordinary tickets and commuter passes. Revenues from railway passenger tickets decreased 0.8% to ¥1,667.6 billion ($12,538 million) due primarily to decreases in ordinary ticket revenues from ordinary railway lines and Shinkansen lines offset in part by an increase in revenues from Shinkansen commuter passes.

Passenger kilometers recorded for Shinkansen network increased 0.4%. Shinkansen revenues decreased 1.0% to ¥458.4 billion ($3,447 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 increased 5.1% to ¥21.3 billion ($161 million), and ordinary Shinkansen ticket revenues decreased 1.3% to ¥437.1 billion ($3,286 million).

In fiscal 2002, passenger kilometers for the Tokyo metropolitan area network decreased 0.3%. Revenues from the Tokyo metropolitan area network remained generally unchanged, decreasing 0.3% to ¥841.5 billion ($6,327 million). Revenues from commuter passes decreased 0.7% to ¥346.1 billion ($2,602 million). Ordinary ticket revenues remained generally unchanged at ¥495.5 billion ($3,725 million).

Passenger kilometers for intercity and regional networks decreased 0.7 %. Revenues from intercity and regional networks decreased 1.5% to ¥367.6 billion ($2,764 million). Commuter pass revenues decreased 0.2% to ¥119.9 billion ($901 million). Revenues from ordinary tickets decreased 2.0% to ¥247.7 billion ($1,863 million).

Operating Results and Financial Position Summary

	Millions of Yen (except for per share data)				
	1998	1999	2000	2001	2002
For the Year:					
Operating Revenues	¥2,514,808	¥2,483,594	¥2,502,909	¥2,546,041	¥2,543,378
Operating Income	368,699	334,472	341,957	323,751	316,340
Net Income	66,235	21,929	66,963	69,174	47,551
Depreciation	283,711	319,687	329,583	329,651	321,995
Net Income and Depreciation	349,946	341,616	396,546	398,825	369,546
Net Income per Share of Common Stock (yen)	16,559	5,482	16,741	17,294	11,888
Net Income and Depreciation per Share of Common Stock (yen)	87,487	85,404	99,137	99,706	92,387
At Year-End:					
Total Assets	¥7,381,794	¥7,287,033	¥7,308,391	¥7,247,089	¥7,022,271
Long-Term Debt	2,285,063	2,320,246	2,319,664	2,307,483	2,060,838
Long-Term Liabilities Incurred for Purchase of Railway Facilities *	2,713,737	2,610,966	2,499,023	2,392,241	2,318,997
Total Long-Term Debt **	4,998,800	4,931,212	4,818,687	4,699,724	4,379,835
Total Shareholders' Equity	765,424	766,880	856,401	923,568	930,746

Notes: 1. There were 80 consolidated subsidiaries as of March 31, 1998, 81 in 1999, 96 in 2000, 96 in 2001, and 101 in 2002.
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 39)
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 ¥268,425 million in fiscal 1998, ¥258,080 million in fiscal 1999, ¥288,106 million in fiscal 2000, ¥296,957 million in fiscal 2001 and ¥301,781 million ($2,269 million) in fiscal 2002.

* 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 4.79% at the end of fiscal 1998, 4.55% at the end of fiscal 1999, 4.40% at the end of fiscal 2000, 4.18% at the end of fiscal 2001 and 4.09% at the end of fiscal 2002.

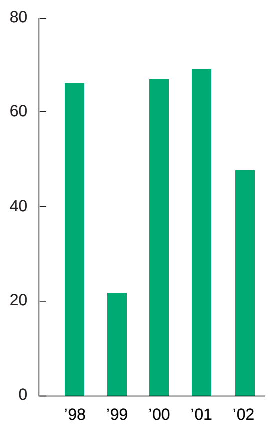
Station Space Utilization

Operating income from station space utilization decreased 1.1% to ¥26.8 billion ($202 million). Station space utilization revenues from outside customers increased 5.6% due primarily to additional revenues arising from the effective transfer to JR East of the operation of 148 retail outlets and restaurants in the Omiya area, which were previously operated by a third-party lessee, and additional revenues from outlets and restaurants opened through the implementation of the *Cosmos* and *Sunflower Plans*. However, operating expenses increased 5.9% due to increased cost of sales in retail outlets related to improvements in the quality of meals sold, the less efficient cost structure of the retail outlets and restaurants in the Omiya area and start-up costs related to certain new restaurants.

Shopping Centers & Office Buildings

Operating income from shopping centers & office buildings increased 11.2% to ¥38.5 billion ($289 million). The increase was due mainly to increases in revenues from the variable portions of retail tenant leases. These increases were offset by a reduction in operating revenues arising from a change in the contract terms of certain station building tenant leases as a result of which JR East ceased to record the gross revenues of the tenant as lease revenue. This reduction had no negative effect on operating income because of corresponding reductions in operating expenses. As a result primarily of the foregoing factors, operating expenses in this segment decreased ¥4.1 billion, while operating revenues from outside customers decreased only ¥0.5 billion.

Net Income
(Billions of Yen)



Other Services

Operating income from other services for fiscal 2002 decreased 11.1% to ¥16.1 billion ($121 million). The decrease was due mainly to small declines in operating income from JR East's housing development and sales, and advertising and publicity operations offset in part by an increase in credit card operations. Operating income from hotel operations was substantially unchanged.

Other Income (Expenses)

Total interest expenses decreased 8.6% to ¥187.6 billion ($1,411 million). The weighted average interest rate on total long-term debt was 4.09% at the end of fiscal 2002, compared with 4.18% at the end of fiscal 2001. Interest expense on short-and long-term debt, excluding long-term liabilities incurred for purchase of railway facilities, decreased 14.4% to ¥61.3 billion ($461 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 5.4% to ¥126.3 billion ($950 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 page 64).

Devaluation losses on investment in securities of ¥89.2 billion ($671 million) were incurred as a result of decreases in market value of a number of financial institution stocks owned by JR East. In addition, JR East incurred ¥33.4 billion ($251 million) in loss on sales of fixed assets related primarily to the sale of real estate used for employee housing. These increases in other expenses were offset in part by a gain on sales of investment in securities of ¥104.3 billion ($784 million) related to the sale of Japan Telecom shares.

Other, net was income of ¥1.6 billion ($15 million) compared with income of ¥5.9 billion in fiscal 2001. The decrease was due mainly to an increase in devaluation losses on real estate for sale to ¥9.0 billion ($68 million).

Income Before Income Taxes and Net Income

Due to these factors, income before income taxes decreased 6.3% to ¥116.4 billion ($876 million). Net income decreased 31.3% to ¥47.6 billion ($358 million).

Cash Flows

Net cash provided by operating activities decreased by ¥0.4 billion to ¥455.0 billion ($3,421 million), affected by a decline of income before income taxes, despite a decrease of payments of interest.

Net cash used in investing activities decreased by ¥160.7 billion to ¥105.6 billion ($794 million), helped by part sale of the Japan Telecom shares, despite capital expenditures for measures to ensure safe and stable transportation, improvement in transportation capacity and development of shopping centers and hotels. Note that the payments for purchases of fixed assets includes purchases made using proceeds from construction grants (see Capital Expenditures below) and the net change in payables involving the purchase of fixed assets.

Net cash used in financing activities increased by ¥272.5 billion to ¥433.6 billion ($3,260 million) due to a reduction of ¥359.4 billion in total long-term debt and dividend payments.

As a result, the balance of cash and cash equivalents decreased by ¥84.2 billion. After inclusion of an increase of ¥0.4 billion ($3 million) due to the addition of newly consolidated subsidiaries, cash and cash equivalents at the end of fiscal 2002 amounted to ¥200.0 billion ($1,504 million).

The balance of the total long-term debt at the end of fiscal 2002 amounted to ¥4,379.8 billion ($32,931 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 ¥342.4 billion ($2,574 million) in fiscal 2002. 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 ¥301.8 billion ($2,269 million). Depreciation was ¥322.0 billion ($2,421 million).

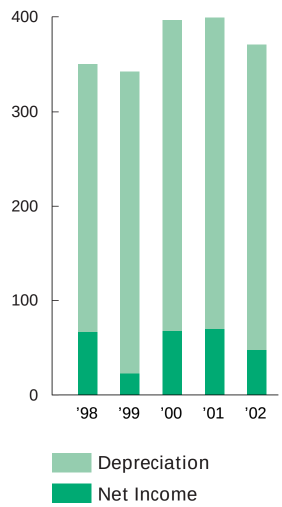
Expenditures for transportation were ¥216.1 billion ($1,625 million), consisting primarily of investments to ensure safety, to enhance customer services and to upgrade transportation services, such as introduction of the Automatic Train Stop-Pattern (ATS-P) devices, improvements at stations and introducing new rolling stock.

Expenditures for station space utilization were ¥11.9 billion ($89 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 ¥24.2 billion ($182 million), consisting of construction and renewal of shopping centers and other items.

Expenditures for other services were ¥49.6 billion ($373 million), consisting of construction of new hotels, developments and improvements of information systems and other items.

Net Income and Depreciation
(Billions of Yen)



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.

In March 2002, JR East conducted a ¥40.0 billion ($301 million) bond issue with a 2012 maturity and a 1.71% coupon, and another issue of ¥20.0 billion ($150 million) with a 2022 maturity and a 2.36% coupon. These two were issued in Japan and were rated AAA by the Rating Investment Information Center, Inc., a Japanese rating agency. As of June 2002, credit monitoring is carried out. 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, both 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 2002.

> CONSOLIDATED BALANCE SHEETS

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

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2001	2002	2002
Assets			
Current Assets:			
Cash and cash equivalents (Note 3)	¥ 283,817	¥ 200,022	$ 1,504
Receivables:			
Accounts receivable–trade	138,492	148,353	1,115
Unconsolidated subsidiaries and affiliated companies	8,477	8,344	63
Other	13,514	20,418	154
Allowance for doubtful accounts (Note 2)	(954)	(1,220)	(9)
	159,529	175,895	1,323
Inventories (Notes 2 and 4)	25,371	28,815	217
Real estate for sale (Notes 2 and 5)	32,381	18,578	140
Deferred income taxes (Note 12)	28,753	38,213	287
Other current assets	31,928	31,813	238
Total current assets	561,779	493,336	3,709
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 and 6)	134,217	40,003	301
Other (Notes 2 and 7)	162,947	126,160	948
	297,164	166,163	1,249
Property, Plant and Equipment (Note 2):			
Buildings	1,734,697	1,785,366	13,424
Fixtures	4,725,670	4,820,087	36,241
Machinery, rolling stock and vehicles	2,107,491	2,129,183	16,009
Land	2,257,906	2,203,233	16,566
Construction in progress	106,176	140,962	1,060
Other	121,861	132,382	995
	11,053,801	11,211,213	84,295
Less accumulated depreciation	4,869,958	5,070,961	38,128
Net property, plant and equipment	6,183,843	6,140,252	46,167
Other Assets:			
Long-term deferred income taxes (Note 12)	64,322	83,507	628
Consolidation difference (Note 2)	—	5,218	39
Other	139,981	133,795	1,007
	204,303	222,520	1,674
	¥7,247,089	¥7,022,271	$ 52,799

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2001	2002	2002
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans (Note 9)	¥ 14,449	¥ 10,089	$ 76
Current portion of long-term debt (Note 9)	238,072	330,747	2,487
Current portion of long-term liabilities incurred for purchase of railway facilities (Note 10)	110,058	131,675	990
Prepaid railway fares received	105,078	108,231	814
Payables:			
Accounts payable–trade	62,666	67,755	509
Unconsolidated subsidiaries and affiliated companies	28,455	40,326	303
Other	367,577	369,981	2,782
	458,698	478,062	3,594
Accrued expenses	110,317	108,434	815
Accrued consumption tax (Note 11)	14,741	20,859	157
Accrued income taxes (Note 12)	56,126	64,069	482
Other current liabilities	43,907	44,877	337
Total current liabilities	1,151,446	1,297,043	9,752
Long-Term Debt (Note 9)	2,069,411	1,730,091	13,008
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Note 10)	2,282,183	2,187,322	16,446
Accrued Severance and Retirement Benefits (Notes 2 and 13)	483,248	534,745	4,021
Deposits Received for Guarantees	245,822	229,909	1,729
Long-Term Deferred Tax Liabilities (Note 12)	2,681	8,435	63
Other Long-Term Liabilities	58,891	69,214	521
Consolidation Difference (Note 2)	816	—	—
Minority Interests	29,023	34,766	261
Contingent Liabilities (Note 14)			
Shareholders' Equity (Notes 15 and 19):			
Common stock:			
Authorized 16,000,000 shares;			
Issued and outstanding 4,000,000 shares	200,000	200,000	1,504
Additional paid-in capital	96,600	96,600	726
Retained earnings	626,968	607,376	4,567
Net unrealized holding gains on securities	—	26,770	201
Total shareholders' equity	923,568	930,746	6,998
	¥7,247,089	¥7,022,271	$52,799

> CONSOLIDATED STATEMENTS OF INCOME

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2000, 2001 and 2002

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2000	2001	2002	2002
Operating Revenues (Note 16)	¥2,502,909	¥2,546,041	¥2,543,378	$19,123
Operating Expenses (Note 16):				
Transportation, other services and cost of sales	1,718,874	1,722,744	1,712,324	12,875
Selling, general and administrative expenses	442,078	499,546	514,714	3,870
	2,160,952	2,222,290	2,227,038	16,745
Operating Income (Note 16)	341,957	323,751	316,340	2,378
Other Income (Expenses):				
Interest expense on short- and long-term debt	(79,806)	(71,585)	(61,272)	(461)
Interest expense incurred for purchase of railway facilities	(140,615)	(133,570)	(126,329)	(950)
Devaluation losses on investment in securities	(631)	(3,861)	(89,218)	(671)
Loss on sales of fixed assets	(2,514)	(2,693)	(33,365)	(251)
Interest and dividend income	1,680	2,596	1,518	11
Equity in net income of affiliated companies	2,922	2,598	2,816	21
Gain on sales of investment in securities	1,227	1,066	104,330	784
Other, net	(2,601)	5,933	1,625	15
	(220,338)	(199,516)	(199,895)	(1,502)
Income Before Income Taxes	121,619	124,235	116,445	876
Income Taxes (Note 12):				
Current	79,103	95,446	108,403	815
Deferred	(25,313)	(42,570)	(41,989)	(316)
Minority Interests in Net Income of Consolidated Subsidiaries	(866)	(2,185)	(2,480)	(19)
Net Income	¥ 66,963	¥ 69,174	¥ 47,551	$ 358

	Yen			U.S. Dollars (Note 2)
Net Income per Share of Common Stock (Note 2)	¥ 16,741	¥ 17,294	¥ 11,888	$ 89

See accompanying notes.

> CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2000, 2001 and 2002

	Thousands	Millions of Yen			
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Gains on Securities
Balance at March 31, 1999	4,000	¥200,000	¥96,600	¥470,280	¥ —
Cumulative effect of adopting tax effect accounting	—	—	—	21,646	—
Increase due to addition of consolidated subsidiaries	—	—	—	9,180	—
Increase due to capital increase of an equity method affiliated company	—	—	—	12,580	—
Net income	—	—	—	66,963	—
Cash dividends (¥5,000 per share)	—	—	—	(20,000)	—
Bonuses to directors and corporate auditors	—	—	—	(428)	—
Decrease due to addition of equity method affiliated companies	—	—	—	(420)	—
Balance at March 31, 2000	4,000	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	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	¥200,000	¥ 96,600	¥607,376	¥26,770

	Millions of U.S. Dollars (Note 2)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Gains on Securities
Balance at March 31, 2001	$1,504	$726	$4,714	$ —
Increase due to addition of consolidated subsidiaries, and other	—	—	0	—
Increase due to addition of equity method affiliated companies	—	—	31	—
Net income	—	—	358	—
Cash dividends ($37.59 per share)	—	—	(150)	—
Bonuses to directors and corporate auditors	—	—	(2)	—
Decrease due to removal of equity method affiliated companies	—	—	(384)	—
Adoption of new accounting standard for financial instruments (Note 2)	—	—	—	201
Balance at March 31, 2002	$1,504	$726	$4,567	$201

See accompanying notes.

> CONSOLIDATED STATEMENTS OF CASH FLOWS

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Years ended March 31, 2000, 2001 and 2002

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2000	2001	2002	2002
Cash Flows from Operating Activities:				
Income before income taxes	¥121,619	¥124,235	¥116,445	$ 876
Depreciation (Note 16)	329,583	329,651	321,995	2,421
Amortization of long-term prepaid expense	21,391	19,566	19,941	150
Increase (Decrease) in accrued severance and retirement benefits	(3,013)	43,193	48,630	366
Interest and dividend income	(1,680)	(2,596)	(1,518)	(11)
Interest expense	220,421	205,155	187,601	1,411
Construction grants received	(56,045)	(119,073)	(51,914)	(390)
Devaluation losses on investments in securities	631	3,861	89,218	671
Gain on sales of investments in securities	(1,227)	(1,066)	(104,330)	(784)
Loss from disposition and provision for cost reduction of fixed assets	68,929	142,424	78,421	590
Decrease (Increase) in major receivables	5,209	(18,456)	(11,990)	(90)
Increase (Decrease) in major payables	(11,253)	18,980	10,427	78
Other	17,824	17,141	40,867	304
Sub-total	712,389	763,015	743,793	5,592
Proceeds from interest and dividends	2,091	3,288	1,957	15
Payments of interest	(222,810)	(207,038)	(189,574)	(1,425)
Payments of income taxes	(16,955)	(103,795)	(101,131)	(761)
Net cash provided by operating activities	474,715	455,470	455,045	3,421
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(353,728)	(343,510)	(342,352)	(2,574)
Proceeds from sales of fixed assets	19,524	19,271	25,431	191
Proceeds from construction grants	67,452	68,196	61,074	459
Payments for purchases of investments in securities	(31,553)	(23,041)	(6,677)	(50)
Proceeds from sales of investments in securities	6,599	4,513	156,664	1,178
Cash increased (decreased) due to purchases of shares of companies newly consolidated, net of cash acquired	(3,509)	1,130	(12,085)	(91)
Other	2,777	7,122	12,300	93
Net cash used in investing activities	(292,438)	(266,319)	(105,645)	(794)
Cash Flows from Financing Activities:				
Payment for redemption of commercial paper	(20,000)	—	—	—
Proceeds from long-term loans	144,922	147,945	87,438	657
Payments of long-term loans	(203,800)	(203,327)	(296,888)	(2,232)
Proceeds from issuance of bonds	60,000	90,000	60,000	451
Payment for redemption of bonds	(2,022)	(47,010)	(99,970)	(752)
Payments of liabilities incurred for purchase of railway facilities	(111,943)	(106,781)	(109,970)	(827)
Cash dividends paid	(20,000)	(20,000)	(20,000)	(150)
Other	(15,290)	(21,936)	(54,199)	(407)
Net cash used in financing activities	(168,133)	(161,109)	(433,589)	(3,260)
Net Increase (Decrease) in Cash and Cash Equivalents	14,144	28,042	(84,189)	(633)
Cash and Cash Equivalents at Beginning of Year	237,860	255,775	283,817	2,134
Increase due to Addition of Consolidated Subsidiaries, and Other	3,771	—	394	3
Cash and Cash Equivalents at End of Year	¥255,775	¥283,817	¥200,022	$1,504

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, 1,712 stations and 7,538 operating kilometers.

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, 2002, which was ¥133 to U.S.$1.00. 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, 2002, 102 subsidiaries were consolidated in the consolidated statement of income. Six subsidiaries were newly consolidated in the year ended March 31, 2002 because of investment and split-off. Liquidation of a subsidiary was completed in the year ended March 31, 2001. Furthermore, one subsidiary was deconsolidated in the year ended March 31, 2002 because of its merger with another subsidiary. As a result, the number of subsidiaries included in the consolidated balance sheet as of March 31, 2002 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, 2002, four affiliated companies were accounted for by the equity method. One affiliated company was newly accounted for by the equity method in the year ended March 31, 2002, and a second affiliated company was newly included in the consolidated balance sheet as of March 31, 2002, due to their increased significance in the aggregate. Two other affiliated companies were accounted for by the equity method until the interim period ended September 30, 2001, but ceased to be accounted for by the equity method because of sales of shares by the Companies. As a result, the number of equity method affiliated companies included in the consolidated balance sheet as of March 31, 2002 was two.

Investments in unconsolidated subsidiaries and other affiliated companies are stated mainly at weighted 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, 2000, 2001 and 2002 were ¥7,684 million, ¥6,850 million and ¥9,043 million ($68 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 and 2002.

(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:

① **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 March 31, 2002. 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 increased by ¥48,711 million ($366 million), deferred income taxes decreased by ¥19,819 million ($149 million), minority interest increased by ¥2,122 million ($16 million) and unrealized holding gains on securities of ¥26,770 million ($201 million) were recorded in shareholders' equity.

② **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. Such losses in the year ended March 31, 2002 amounted to ¥89,218 million ($671 million).

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 were 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

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, there was no balance at 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 fiscal-year end 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 "transition obligation") was ¥500,401 million. The unrecognized 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 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, 2002 is ¥398,318 million ($2,995 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 are incurred. Research and development costs included in operating expenses for the years ended March 31, 2000, 2001 and 2002 were ¥13,003 million, ¥13,507 million and ¥13,548 million ($102 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.

Net income per share

The computation of net income per share of common stock shown in the consolidated statements of income is based on the number of shares of common stock outstanding during each year.

The diluted net income per share is not shown, since there are no outstanding securities with dilutive effect on net income per share such as convertible bonds.

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.

Change in presentation

Within other income (expenses) in consolidated statements of income, devaluation losses on investment in securities, loss on sales of fixed assets and gain on sales of investment in securities are stated beginning with the year ended March 31, 2002. Previously, they were included in other, net. The information for the years ended March 31, 2000 and 2001 is restated on the same basis.

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, 2001 and 2002, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
Unconsolidated subsidiaries:			
Investments	¥ 6,072	¥ 6,078	$ 46
Advances	1,341	2,735	20
	7,413	8,813	66
Affiliated companies:			
Investments (including equity in earnings and capital increase of affiliated companies)	¥126,804	¥29,707	$ 224
Advances	—	1,483	11
	126,804	31,190	235
	¥134,217	¥ 40,003	$ 301

7. Securities

For held-to-maturity debt securities with market value, amount on balance sheets and market value at March 31, 2001 and 2002 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2001			2002			2002		
	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...	¥235	¥238	¥ 3	¥219	¥220	¥ 1	$ 2	$ 2	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, Municipal bonds, etc...	15	15	(0)	—	—	—	—	—	—
Total	¥250	¥253	¥ 3	¥219	¥220	¥ 1	$ 2	$ 2	$ 0

According to the Japanese Accounting Standards for Financial Instruments, available-for-sale securities with market value are stated at fair market value beginning with the year ended March 31, 2002. The unrealized gain or loss is reported, net of applicable income taxes and minority interests, as a separate component of shareholders' equity.

For available-for-sale securities with market value, the amount stated on the balance sheet and market value as of March 31, 2001 were ¥153,701 million and ¥104,100 million, respectively.

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

	Millions of Yen			Millions of U.S. Dollars		
March 31, 2002	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	$ 77	$451	$374
Debt securities	2,262	2,329	67	17	18	1
Of which amount on balance sheet does not exceed the acquisition cost:						
Equity shares	57,970	55,526	(2,444)	436	417	(19)
Debt securities	151	140	(11)	1	1	(0)
Other	35	35	—	0	0	—
Total	¥70,603	¥117,957	¥47,354	$531	$887	$356

Available-for-sale securities sold during the year ended March 31, 2002 amounted to ¥31,230 million ($235 million). Within other income (expenses) on the statement of income for the year ended March 31, 2002, gains on sales of available-for-sale securities amounted to ¥28,161 million ($212 million) 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 ($1 million) and were included in other, net.

For the year ended March 31, 2001, gain and loss on sales of available-for-sale securities were immaterial.

The major components of available-for-sale securities without market value at March 31, 2001 and 2002 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
Available-for-sale securities without market value:			
Unlisted equity securities	¥ 4,973	¥ 6,573	$ 49
Beneficiary certificate of bond investment trust	72,348	28	0

The Companies sold stock issued by Japan Telecom Co., Ltd., which in turn owned stock issued by J-Phone East Co., Ltd., in the year ended March 31, 2002. As a result, the remaining stocks issued by Japan Telecom Co., Ltd. and J-Phone East Co., Ltd. (currently known as J-Phone Co., Ltd.), which were formerly accounted for using the equity method, are classified as available-for-sale securities at March 31, 2002. The excess of market value over the acquisition cost of the shares in Japan Telecom Co., Ltd. held at March 31, 2002, which amounted to ¥48,117 million ($362 million), is included in other of investments on the balance sheet.

Annual maturities of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2001 and 2002 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2001			2002			2002		
	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	1 Year or Less	5 Year or Less But More than 1 Year	10 Years or Less But More than 5 Years
Debt securities	¥150	¥3,023	¥165	¥673	¥1,887	¥177	$ 5	$ 14	$ 1
Other	—	393	—	—	169	—	—	1	—
Total	¥150	¥3,416	¥165	¥673	¥2,056	¥177	$ 5	$ 15	$ 1

8. Pledged Assets

At March 31, 2001 and 2002, buildings and fixtures with net book value of ¥70,260 million and ¥54,907 million ($413 million) and other assets with net book value of ¥5,234 million and ¥3,112 million ($23 million), respectively, were pledged as collateral for long-term debt and other liabilities totaling ¥26,746 million and ¥14,844 million ($112 million), at the respective dates.

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, 2001 and 2002, principally ranged from 0.91% to 1.50% and 0.39% to 1.38%, respectively.

Long-term debt at March 31, 2001 and 2002, is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
General Mortgage Bonds issued in 1995 to 2001 with interest rates ranging from 1.70% to 4.90% due 2004 to 2021	¥ 729,870	¥ 629,900	$ 4,736
Unsecured Bonds issued in 2002 with interest rates ranging from 1.71% to 2.36% due 2012 to 2022	—	60,000	451
Secured Loans due 2002 to 2016 principally from banks and insurance companies with interest rates mainly ranging from 1.88% to 5.80%	24,783	12,863	97
Unsecured Loans due 2002 to 2021 principally from banks and insurance companies with interest rates mainly ranging from 1.33% to 3.75%	1,464,870	1,270,115	9,550
7.25% Euro U.S. dollar bonds due 2006	87,960	87,960	661
	2,307,483	2,060,838	15,495
Less current portion	238,072	330,747	2,487
	¥2,069,411	¥1,730,091	$13,008

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, 2002, were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2003	¥ 330,747	$ 2,487
2004	298,805	2,247
2005	126,468	951
2006	174,122	1,309
2007	133,724	1,005
2008 and thereafter	996,972	7,496

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 ($276 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, 2001 and 2002, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.80% through 2017	¥1,502,249	¥1,413,360	$10,627
Payable semiannually including interest at 6.35% through 2017	506,536	487,526	3,666
Payable semiannually including interest at 6.55% through 2051	359,950	358,989	2,699
	2,368,735	2,259,875	16,992
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.08% through 2022	23,506	22,396	168
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 4.54% through 2022	—	36,726	276
	2,392,241	2,318,997	17,436
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	108,950	129,130	971
The Akita hybrid Shinkansen purchase liability	1,108	1,084	8
The Tokyo Monorail purchase liability	—	1,461	11
	110,058	131,675	990
	¥2,282,183	¥2,187,322	$16,446

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, 2002, were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2003	¥ 131,675	$ 990
2004	134,811	1,014
2005	144,428	1,086
2006	147,653	1,110
2007	141,212	1,062
2008 and thereafter	1,619,218	12,174

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, 2001 and 2002, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
Deferred income taxes:			
Accrued severance and retirement benefits	¥ 78,119	¥ 112,335	$ 845
Reserves for bonuses	15,885	21,678	163
Excess depreciation and amortization of fixed assets	5,513	6,384	48
Accrued enterprise tax	5,034	5,668	43
Loss carry forwards for tax purposes	4,486	4,133	31
Other	15,664	20,987	157
	124,701	171,185	1,287
Less valuation allowance	(5,090)	(4,648)	(35)
Less amounts offset against deferred tax liabilities	(26,536)	(44,817)	(337)
Net deferred income taxes	¥ 93,075	¥ 121,720	$ 915
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 18,470	¥ 22,028	$ 166
Net unrealized holding gains on securities	—	20,843	157
Valuation for assets and liabilities of consolidated subsidiaries	5,380	5,395	41
Other	5,367	4,998	37
	29,217	53,264	401
Less amounts offset against deferred income taxes	(26,536)	(44,817)	(337)
Net deferred tax liabilities	¥ 2,681	¥ 8,447	$ 64

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, 2000, 2001 and 2002. After applying tax effect accounting, the actual effective income tax rate was approximately 44.2%, 42.6% and 57.0% for the years ended March 31, 2000, 2001 and 2002, respectively.

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

The aggregate standard effective rate	41.8%
Adjustments:	
Non-deductible expenses for tax purposes	1.1
Non-taxable incomes	(0.9)
Per capita inhabitant tax	0.9
Equity on net income of affiliated companies	(1.0)
Adjustment of gain on sale of investment in equity method affiliated company	15.1
Other, net	0.0
The actual effective rate after applying tax effect accounting	57.0%

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, 2001 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
Projected benefit obligation	¥(937,319)	¥(953,538)	$(7,170)
Plan assets	7,390	8,621	65
Unfunded projected benefit obligation	(929,929)	(944,917)	(7,105)
Unrecognized transition obligation	448,123	398,318	2,995
Unrecognized actuarial differences	(1,052)	1,411	11
Unrecognized prior service costs	—	10,771	81
Book value (net)	(482,858)	(534,417)	(4,018)
Prepaid pension expense	(390)	(328)	(3)
Accrued severance and retirement benefits	¥(483,248)	¥(534,745)	$(4,021)

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

	Millions of Yen		Millions of U.S. Dollars
	2001	2002	2002
Service costs	¥ 37,300	¥ 37,696	$ 283
Interest cost	27,999	28,099	211
Expected return on plan assets	(119)	(141)	(1)
Amortization of transition obligation	52,278	49,823	375
Amortization of actuarial differences	—	(66)	(0)
Amortization of prior service costs	—	1,197	9
Severance and retirement benefit expenses	¥117,458	¥116,608	$ 877

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, 2002 were ¥99,970 million ($752 million) and $600 million, respectively.

15. Shareholders' Equity

Under the Commercial Code of Japan, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the total of legal reserve and additional paid-in capital equals 25% of common stock. The legal 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 of the Company or may be reduced until the total of the legal reserve and additional paid-in capital equals 25% of common stock by a resolution of the shareholders' meeting. The legal 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 nonconsolidated financial statements of the Company and in accordance with the Commercial Code of Japan.

16. 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 segment information by the business segments for the year ended March 31, 2000 is shown based on the previous business segmentation. The information for the year ended March 31, 2001 is reclassified according to the new business segmentation, and the information for the year ended March 31, 2002 is shown based on the new business segmentation.

	Millions of Yen					
	Transportation	Merchandise Sales	Real Estate Leasing	Other Services	Elimination and/or Corporate	Consolidated
2000:						
Operating revenues						
Outside customers	¥1,799,051	¥379,213	¥143,432	¥181,213	¥ —	¥2,502,909
Inside group	64,925	69,050	11,707	158,220	(303,902)	—
	1,863,976	448,263	155,139	339,433	(303,902)	2,502,909
Costs and expenses	1,569,198	442,480	122,590	329,867	(303,183)	2,160,952
Operating income	¥ 294,778	¥ 5,783	¥ 32,549	¥ 9,566	¥ (719)	¥ 341,957
Identifiable assets	¥5,782,101	¥165,416	¥778,740	¥340,606	¥241,528	¥7,308,391
Depreciation	265,451	8,552	27,090	28,490	—	329,583
Capital investments	279,955	19,542	25,435	26,812	—	351,744

The main activities of each business segment are as follows:

- Transportation : Passenger railway, bus services;
- Merchandise sales : Food and drink sales, wholesale and retail sales;
- Real estate leasing: Lease of real estate (mainly shopping centers); and
- Other services : Hotel operations, advertising and publicity, truck delivery services, information processing, cleaning services and others

	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
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

	Millions of U.S. Dollars					
	Transportation	Station Space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
2002:						
Operating revenues						
Outside customers	$13,456	$2,771	$1,243	$1,653	$ —	$19,123
Inside group	386	76	58	2,098	(2,618)	—
	13,842	2,847	1,301	3,751	(2,618)	19,123
Costs and expenses	12,071	2,645	1,012	3,630	(2,613)	16,745
Operating income	$ 1,771	$ 202	$ 289	$ 121	$ (5)	$ 2,378
Identifiable assets	$42,962	$1,074	$5,640	$4,114	$ (991)	$52,799
Depreciation	1,926	53	189	253	—	2,421
Capital investments	2,009	89	182	373	—	2,653

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.

Following is the segment information for the year ended March 31, 2001, based on the previous business segmentation.

	Millions of Yen					
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
2001:						
Operating revenues						
Outside customers	¥1,805,663	¥386,033	¥152,438	¥201,907	¥ —	¥2,546,041
Inside group	68,041	62,998	11,116	169,250	(311,405)	—
	1,873,704	449,031	163,554	371,157	(311,405)	2,546,041
Costs and expenses	1,609,731	440,052	128,110	355,168	(310,771)	2,222,290
Operating income	¥ 263,973	¥ 8,979	¥ 35,444	¥ 15,989	¥ (634)	¥ 323,751
Identifiable assets	¥5,666,824	¥168,151	¥783,973	¥356,862	¥271,279	¥7,247,089
Depreciation	263,763	9,000	28,539	28,349	—	329,651
Capital investments	262,794	11,056	27,271	43,617	—	344,738

As referred to in Note 2, the Accounting Standards for Retirement Benefits in Japan has been operative beginning with the year ended March 31, 2001. As a result, in the transportation segment, costs and expenses were ¥48,120 million more than if the previous accounting methods had been applied, reducing operating income by the same amount. In the merchandise sales segment, costs and expenses decreased by ¥269 million and operating income increased by the same amount. In the real estate leasing segment, costs and expenses increased by ¥226 million and operating income decreased by the same amount. In the other services segment, costs and expenses increased by ¥248 million and operating income decreased by the same amount.

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.

17. 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, 2001 and 2002, amounted to ¥14,620 million and ¥14,499 million ($109 million), respectively. Lease income which was credited to income for the years ended March 31, 2001 and 2002 was ¥1,365 million and ¥2,024 million ($15 million), respectively.

Future lease payments inclusive of interest were ¥52,188 million ($392 million), including due in one year of ¥14,618 million ($110 million), and future lease receipts inclusive of interest were ¥13,180 million ($99 million), including due in one year of ¥3,803 million ($29 million) at March 31, 2002.

18. 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.

19. Subsequent Event

At the June 2002 annual meeting, the shareholders of the Company approved (1) the payment of a year-end cash divided of ¥2,500 ($19) per share, aggregating ¥10,000 million ($75 million), and (2) the payment of bonuses to directors and corporate auditors of ¥166 million ($1 million).

Asahi & Co

Report of Independent Public Accountants

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated balance sheets of East Japan Railway Company (a Japanese corporation) and subsidiaries as of March 31, 2001 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, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of East Japan Railway Company and subsidiaries as of March 31, 2001 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, 2002 in conformity with accounting principles generally accepted in Japan (Note 2) consistently applied during the periods, except as noted in the following paragraph.

As explained in Note 2, East Japan Railway Company and subsidiaries adopted, on a prospective basis in all cases, new Japanese accounting standards for (a) market valuation for available-for-sale securities in the year ended March 31,2002 and (b) financial instruments and severance and retirement benefits in the year ended March 31, 2001. Also, East Japan Railway Company and subsidiaries changed their business segmentation, effective April 1, 2001, as referred to in Note 16, with which we concur.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 2.

Asahi & Co.

Tokyo, Japan
June 26, 2002

> CONSOLIDATED SUBSIDIARIES AND EQUITY METHOD AFFILIATED COMPANIES

(As of March 31, 2002)

Consolidated Subsidiaries

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
1. Tokyo Monorail Co., Ltd. (Note 2)	¥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. (Note 3)	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. Tokki 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. (Note 2)	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. (Note 4)	721	99.9	Restaurant business
19. Lumine Co., Ltd.	2,375	85.8	Shopping center operation
20. Shinjuku Station Building Co., Ltd.	1,943	74.2	Shopping center operation
21. JR East Urban Development Corporation	1,450	100.0	Shopping center operation, Retail sales and Hotel operations
22. Utsunomiya Station Development Co., Ltd.	1,230	98.5	Shopping center operation
23. Boxhill Co., Ltd.	1,050	88.6	Shopping center operation
24. Kokubunji Terminal Building Co., Ltd.	1,000	84.5	Shopping center operation and Hotel operations
25. Omori Primo Co., Ltd.	1,000	77.5	Shopping center operation
26. Hachioji Terminal Building Co., Ltd.	1,000	75.0	Shopping center operation
27. JR East Department Store Co., Ltd.	1,000	70.0	Shopping center operation
28. Oyama Station Development Co., Ltd.	950	97.1	Shopping center operation
29. Lumine Ogikubo Co., Ltd.	600	80.0	Shopping center operation
30. Kawasaki Station Building Co., Ltd.	600	76.4	Shopping center operation
31. Kameido Station Building Co., Ltd.	500	90.0	Shopping center operation
32. Tsuchiura Station Development Co., Ltd.	500	75.0	Shopping center operation
33. Mito Station Development Co., Ltd.	500	73.0	Shopping center operation
34. Nagano Station Building Co., Ltd.	450	70.0	Shopping center operation
35. Aomori Station Development Co., Ltd.	400	81.3	Shopping center operation
36. Lumine Chigasaki Co., Ltd.	400	78.8	Shopping center operation
37. Kofu Station Building Co., Ltd.	400	75.0	Shopping center operation
38. Akihabara Co., Ltd. (Note 2)	362	60.0	Shopping center operation
39. Fukushima Station Development Co., Ltd.	350	78.6	Shopping center operation
40. Kumagaya Station Development Co., Ltd.	350	76.9	Shopping center operation
41. Tetsudo Kaikan Co., Ltd.	340	63.9	Shopping center operation

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
42. The EKIBIRU Development Co. TOKYO	¥ 300	100.0%	Shopping center operation and Real estate leasing
43. Matsumoto Station Building Co., Ltd.	300	91.7	Shopping center operation
44. Koriyama Station Building Co., Ltd.	250	78.0	Shopping center operation
45. Echigo Station Development Co., Ltd.	208	78.8	Shopping center operation
46. Hirosaki Station Building Co., Ltd.	200	72.5	Shopping center operation
47. Hiratsuka Station Building Co., Ltd.	200	51.0	Shopping center operation
48. Yokohama Station Building Co., Ltd.	200	51.0	Shopping center operation
49. Kinshicho Station Building Co., Ltd.	160	56.0	Shopping center operation
50. Sobu Station Development Co., Ltd.	150	86.0	Shopping center operation
51. Chiba Station Building Co., Ltd.	150	85.4	Shopping center operation
52. Kamata Station Building Co., Ltd.	140	85.0	Shopping center operation
53. Kichijoji Lonlon Co., Ltd.	130	80.0	Shopping center operation
54. Tsurumi Station Building Co., Ltd.	100	56.5	Shopping center operation
55. Iwaki Chuo Station Building Co., Ltd.	100	52.0	Shopping center operation
56. Meguro Station Building Co., Ltd.	82	80.0	Shopping center operation
57. Akita Station Department Store Co., Ltd.	80	51.4	Shopping center operation
58. Abonde Co., Ltd.	30	65.3	Shopping center operation
59. Ikebukuro Terminal Building Co., Ltd.	6,000	54.3	Hotel operations, Shopping center operation and Real estate leasing
60. Yamagata Terminal Building Co., Ltd.	5,000	96.0	Hotel operations and Shopping center operation
61. Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
62. Hotel Edmont Co., Ltd.	2,400	87.9	Hotel operations
63. Sendai Terminal Building Co., Ltd.	1,800	71.9	Hotel operations and Shopping center operation
64. Akita Terminal Building Co., Ltd.	1,000	78.0	Hotel operations and Shopping center operation
65. Morioka Terminal Building Co., Ltd.	900	79.4	Hotel operations and Shopping center operation
66. Takasaki Terminal Building Co., Ltd.	780	71.2	Hotel operations and Shopping center operation
67. Nippon Hotel Co., Ltd.	150	56.8	Hotel operations
68. East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
69. Tokyo Media Services Co., Ltd.	104	100.0	Advertising and publicity
70. The Orangepage, Inc. (Note 2)	500	98.6	Publishing
71. View World Co., Ltd.	450	51.0	Travel agency services
72. East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
73. JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
74. JR East Japan Information Systems Company	500	100.0	Information processing
75. JR East Netstation Company (Note 2)	460	100.0	Information processing
76. JR East Management Service Co., Ltd.	80	100.0	Information services
77. East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services
78. Railway Servicing Co., Ltd.	38	38.6 (61.4)	Cleaning services
79. Kanto Railway Servicing Co., Ltd.	38	35.6 (64.4)	Cleaning services
80. East Japan Railway Servicing Co., Ltd.	38	29.0 (71.0)	Cleaning services
81. JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
82. Niigata Railway Servicing Co., Ltd.	17	88.2	Cleaning services

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage	Main Business Activities
83. East Japan Amenitec Co., Ltd.	¥ 13	100.0%	Cleaning services
84. Chiba Railway Servicing Co., Ltd.	12	25.3 (74.7)	Cleaning services
85. Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
86. Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
87. Takasaki Railway Servicing Co., Ltd.	10	45.8 (54.2)	Cleaning services
88. Mito Railway Servicing Co., Ltd.	10	25.3 (74.7)	Cleaning services
89. JR East Housing Development & Realty Co., Ltd.	200	73.8	Built-for-Sale Housing Operation
90. JR East Rental & Lease Co., Ltd.	165	89.4	Car leasing
91. JR East Sports Co., Ltd.	400	100.0	Athletic club operations
92. Tohoku Resort System Co., Ltd. (Note 5)	1,200	83.3	Ski resort 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. (Note 2)	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. (Note 6)	¥2,924	25.0%	Security business operation
2. JTB Corporation (Note 6)	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. In the year ended March 31, 2002, these subsidiaries were newly consolidated.
3. Higashinihon Kiosk Co., Ltd. merged with JR East Convenience Stores Co., Ltd. on October 1, 2001 and changed its name to East Japan Kiosk Co., Ltd. JR East Convenience Stores Co., Ltd. was dissolved after the merger.
4. East Japan Restaurant Co., Ltd. merged with J.B. Co., Ltd. on April 1, 2001, and changed its name to JR East Food Business Co., Ltd..
5. The liquidation of Tohoku Resort System Co., Ltd. was completed on June 5, 2002.
6. In the year ended March 31, 2002, these affiliated companies were newly accounted for by the equity method.
7. The Companies sold stock issued by Japan Telecom Co., Ltd., which in turn owned stock issued by J-Phone East Co., Ltd. (currently known as J-Phone Co., Ltd.), on October 26, 2001. As a result, they ceased to be accounted for as affiliated companies.