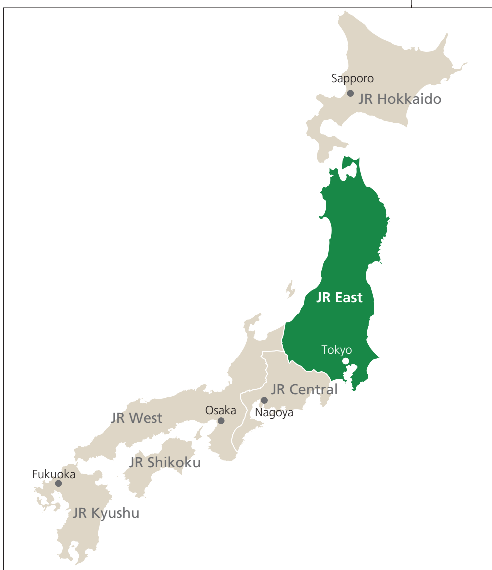
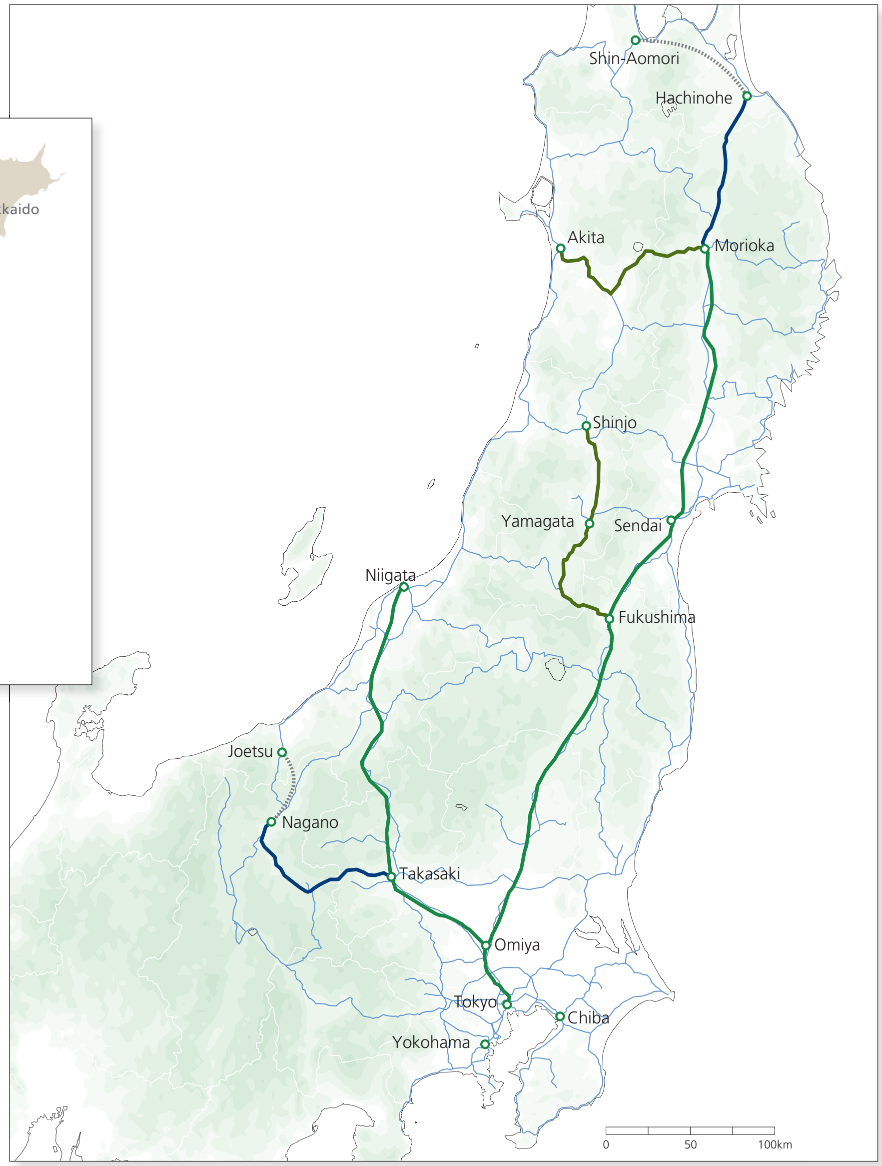
Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

ANNUAL REPORT 2008

For the year ended March 31, 2008

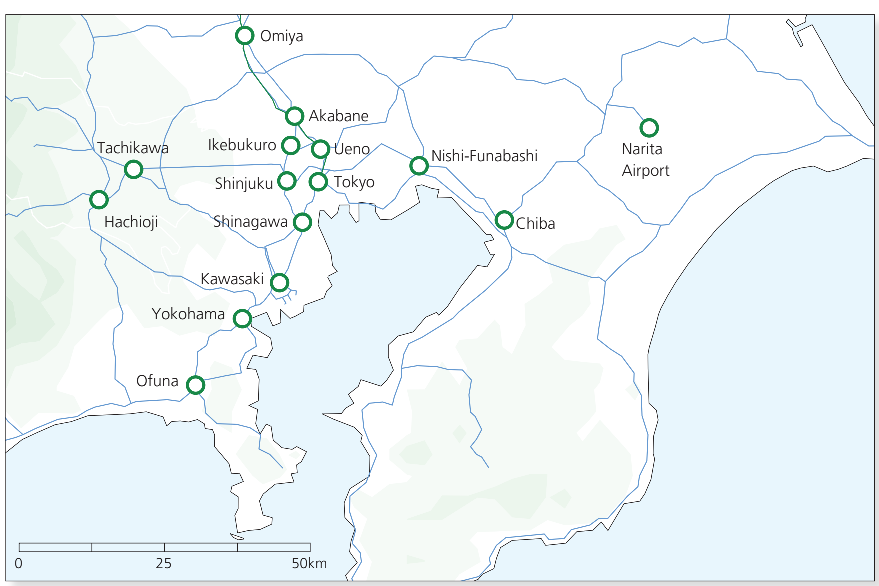
OPERATING AREA





- Shinkansen
- Hybrid Shinkansen
- Conveintional Lines
- Additional Shinkansen
- Additional Shinkansen (Under Construction)

JR EAST RAILWAY NETWORK AROUND TOKYO

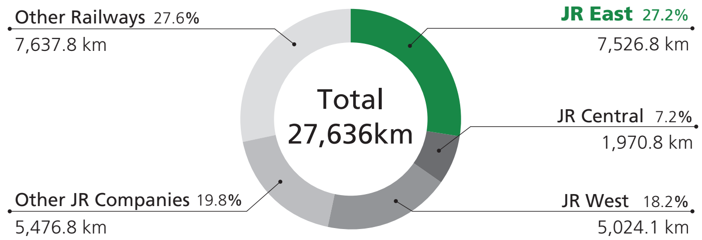


Railway Network

JR East has a passenger line network covering 7,526.8 kilo-meters, accounting for **27%** of Japan's railway network.

Share of Passenger Line Network

As of March 31, 2006



Shinkansen

JR East operates **5 high-speed Shinkansen routes** linking Tokyo and major cities in the eastern portion of Japan's main island of Honshu.

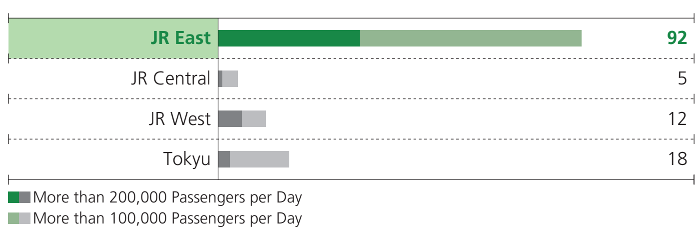
Competition with Airlines

Destination	Time Required	Frequency
Aomori	**3:59**	**15**
by Aircraft	2:58	6
Akita	**3:49**	**15**
by Aircraft	2:53	7
Yamagata	**2:30**	**16**
by Aircraft	3:08	1

Tokyo

In the operating area of JR East, there are **92 stations** used by more than 100,000 passengers daily.

Number of Busy Stations

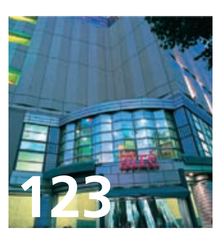


Data: Year ended March 31, 2008 for JR East, JR Central, and Tokyu; year ended March 31, 2007 for JR West

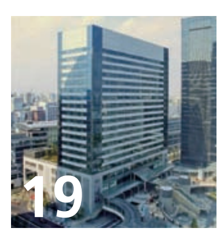
Synergies

JR East serves about **17 million** passengers daily and is leverag-ing this passenger flow to realize synergies with non-transportation businesses.

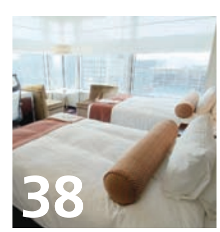
JR East's Non-Transportation Operations



Shopping Centers



Office Buildings



Hotels

Suica

The number of subscribers to *Suica* has surpassed **25 million*** and is continuing to grow.

*As of June 30, 2008

Recent *Suica* Topics

January 2006	*Mobile Suica* service launched
October 2006	Automatic charging service for *View Cards* with *Suica* functions implemented
March 2007	*Suica / PASMO* mutual-use service started in Tokyo metropolitan area
March 2008	*Mobile Suica Limited Express Ticket* service started

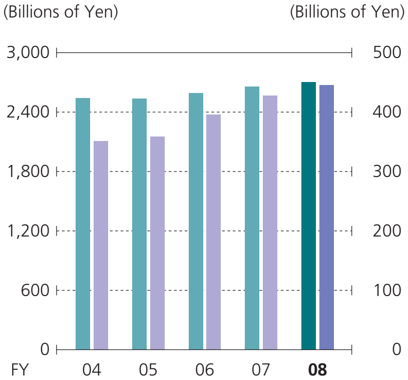
East Japan Railway Company and Subsidiaries
Years ended March 31, 2006, 2007 and 2008

	Millions of Yen (except for per share data)			Percent Change	Millions of U.S. Dollars*1 (except for per share data)
	2006	2007	**2008**	**2008**/2007	**2008**
For the Year					
Operating revenues	¥2,592,393	¥2,657,346	**¥2,703,564**	+1.7%	**$27,036**
Operating income	396,100	428,098	**445,160**	+4.0%	**4,452**
Net income	157,575	175,871	**189,673**	+7.8%	**1,897**
Depreciation	316,038	318,526	**335,587**	+5.4%	**3,356**
Capital expenditures*2	361,372	413,310	**417,144**	+0.9%	**4,171**
Cash flows from operating activities	447,722	541,850	**475,601**	–12.2%	**4,756**
Free cash flows*3	138,233	193,050	**74,812**	–61.2%	**748**
Amount per share of common stock (yen and U.S. dollars):					
Earnings	¥ 39,370	¥ 44,008	**¥ 47,464**	+7.9%	**$ 475**
Cash flows from operating activities	112,035	135,586	**119,014**	–12.2%	**1,190**
At Year-End					
Total assets	¥6,821,584	¥6,968,032	**¥6,942,003**	–0.4%	**$69,420**
Long-term debt (including current portion)	1,960,211	2,034,558	**2,101,439**	+3.3%	**21,014**
Long-term liabilities incurred for purchase of railway facilities*4 (including current portion)	1,743,657	1,601,646	**1,457,360**	–9.0%	**14,574**
Total long-term debt (sum of two items above)	3,703,868	3,636,204	**3,558,799**	–2.1%	**35,588**
Shareholders' equity*5	1,357,359	1,488,554	**1,596,398**	+7.2%	**15,964**

	Percent (except for debt-to-equity ratio)		
Financial Ratios			
Net income as a percentage of revenues	6.1%	6.6%	**7.0%**
Return on average equity (ROE)	12.4	12.4	**12.3**
Ratio of operating income to average assets (ROA)	5.9	6.2	**6.4**
Equity ratio	19.9	21.4	**23.0**
Debt-to-equity ratio*6	2.7	2.4	**2.2**

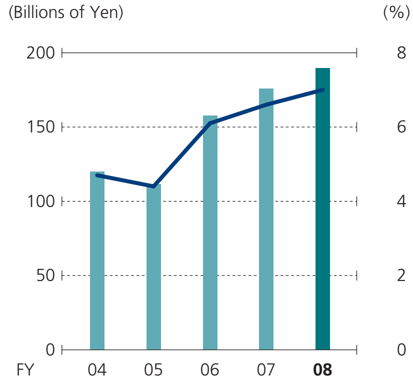
*1 Yen figures have been translated into U.S. dollars at the rate of ¥100 to US$1 as of March 31, 2008, solely as a convenience to readers.
*2 These figures exclude expenditures funded by third parties, mainly governments and their agencies, that will benefit from the resulting facilities.
*3 Net of cash flows from operating activities and cash flows from investing activities
*4 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities
*5 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007.
*6 Ratio of total long-term debt to shareholders' equity

Operating Revenues and Operating Income



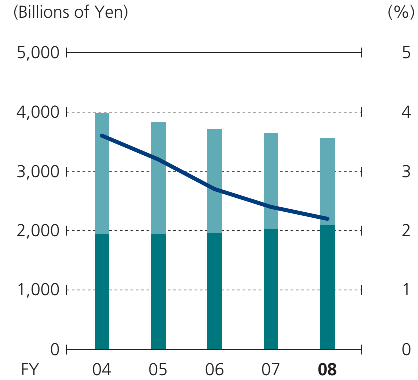
Operating revenues (left)
Operating income (right)

Net Income and Net Income as a Percentage of Revenues



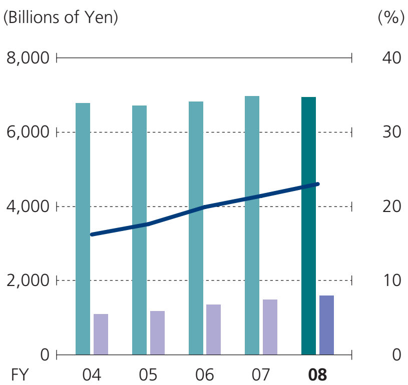
Net income (left)
Net income as a percentage of revenues (right)

Total Long-Term Debt and Debt-to-Equity Ratio



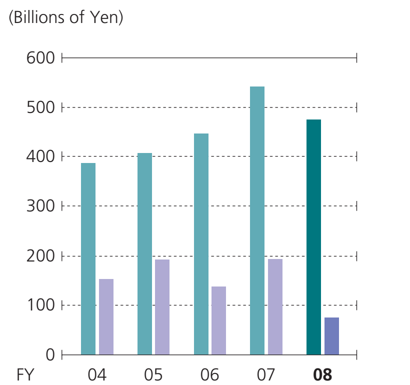
Long-term debt (left)
Long-term liabilities incurred for purchase of railway facilities (left)
Debt-to-equity ratio (right)

Total Assets, Shareholders' Equity and Equity Ratio



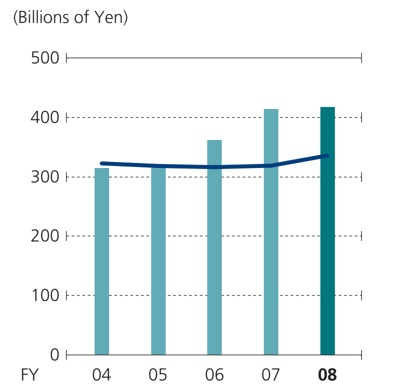
Total assets (left)
Shareholders' equity (left)
Equity ratio (right)

Cash Flows from Operating Activities and Free Cash Flows



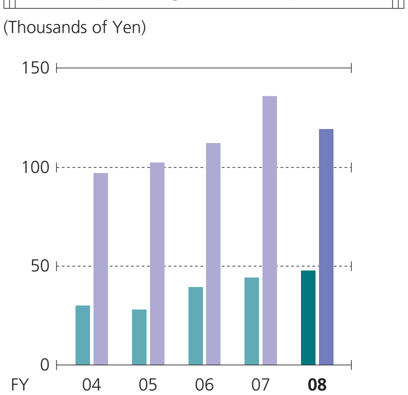
Cash flows from operating activities
Free cash flows

Capital Expenditures and Depreciation



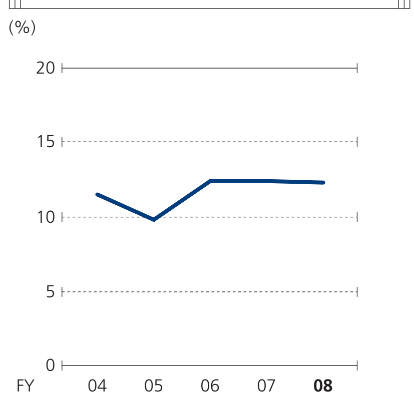
Capital expenditures
Depreciation

Earnings per Share and Cash Flows From Operating Activities per Share

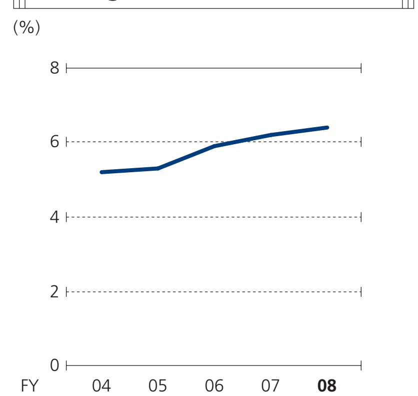


Earnings per share
Cash flows from operating activities per share

Return on Average Equity (ROE)



Ratio of Operating Income to Average Assets (ROA)



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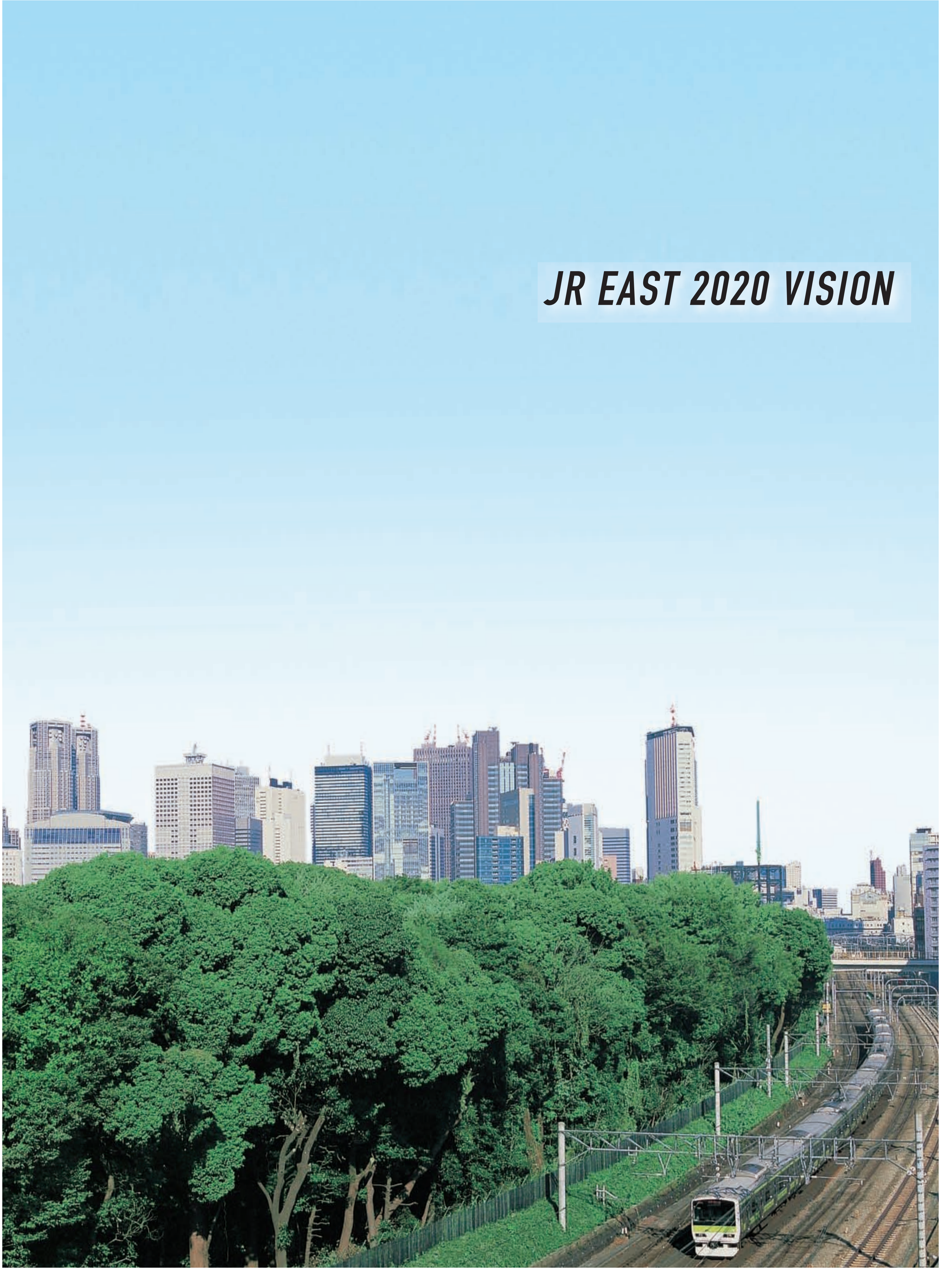

JR EAST 2020 VISION

BACKGROUND TO PREPARATION OF THE VISION

LONG-TERM VISION

For fiscal 2009, the year ending March 31, 2009, the achievement of most of the numerical targets set out in the *New Frontier 2008* medium-term management plan (from fiscal 2006) had come within sight.

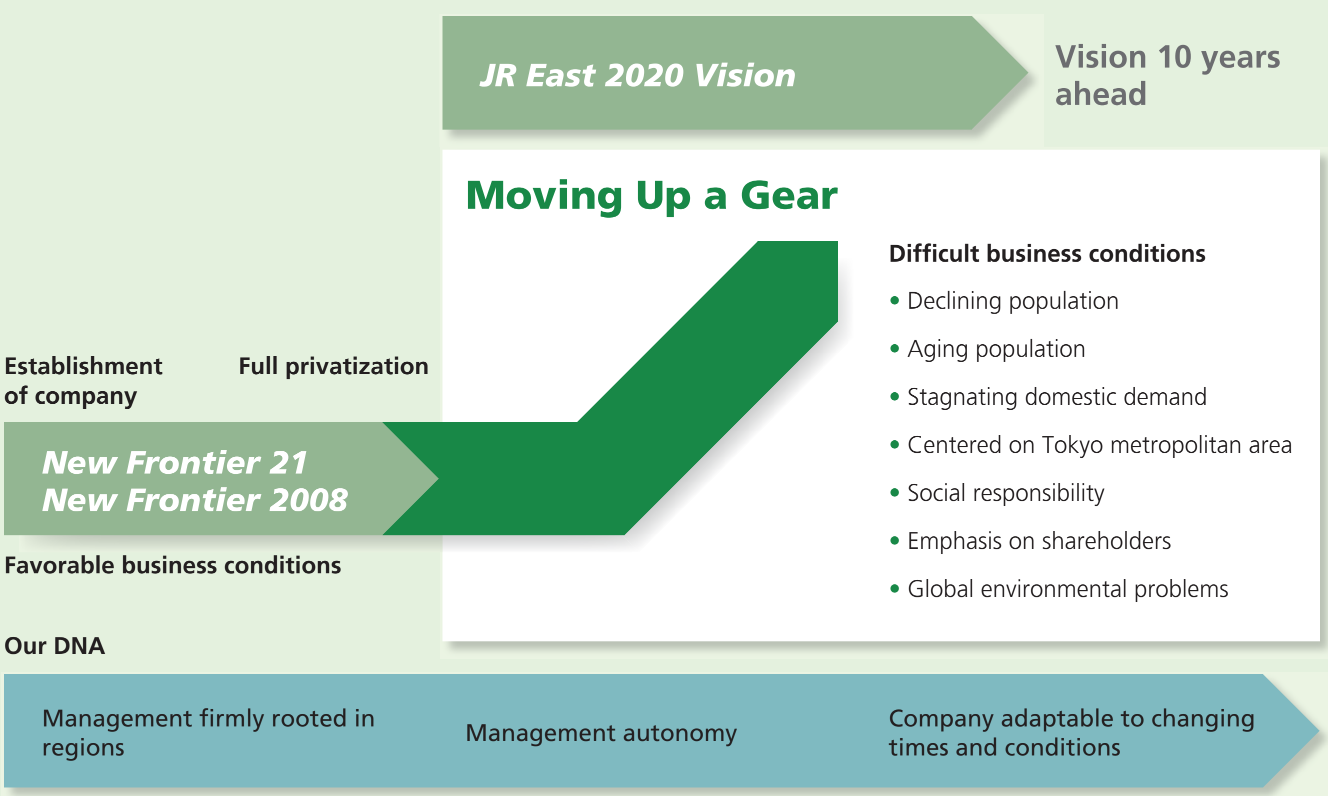
With more than 20 years having passed since the restructuring of the Japanese National Railways and having accomplished the initial goal of full privatization, it was necessary to depict a new long-term vision.

Due to the railway-centered nature of JR East's business and the resulting length of time required for projects, JR East prepared a management plan based on a long-term perspective that looks 10 or 15 years ahead.

MOVING UP A GEAR

The need to steadily advance preparations in response to long-term changes in business conditions (aging society, advances in broadcasting / communications technology, growing concern with environmental preservation, etc.)

Given the limitations of simply continuing previous measures, JR East clarified "things that must change" and "things that must not change" and set out even more ambitious goals.



BASIC MANAGEMENT POLICIES

- Pursuing safety and customer satisfaction rigorously
  —giving customers "a feeling of ease and peace of mind based on assured safety"
- Sustaining growth and pursuing initiatives for the next era
- Meeting corporate social responsibilities
- Building organizational strength and developing human resources

UNFLAGGING COMMITMENT TO "EXTREME SAFETY LEVELS"

- We will continue implementing our priority improvement plan for safety equipment, reinforce safety weak points, and reduce risks
- We will expand and improve education and training on safety and prevent accidents by correctly understanding and analyzing previous accidents and incidents

MOVING UP A GEAR IN SEVEN AREAS

1. Increasing focus on investment to raise corporate value
2. Opening the way to new business areas
3. Taking a positive and long-term approach to global environmental problems
4. Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient
5. Invigorating regional railway lines and interregional communications
6. Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018
7. Establishing *Suica* operations as a third pillar of operations

ONGOING EFFORTS

1. Heightening customer satisfaction even further
2. Developing human resources
3. Advancing research and development aggressively
4. Expanding the Shinkansen (bullet train) network and increasing earnings from railway operations
5. Expanding life-style businesses

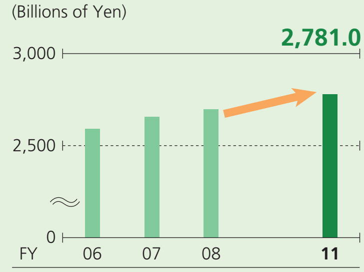
FISCAL 2011 TARGETS

Consolidated Operating Revenues, Consolidated Operating Income

We aim for consolidated operating revenues of ¥2,781 billion and consolidated operating income of ¥518 billion in fiscal 2011.

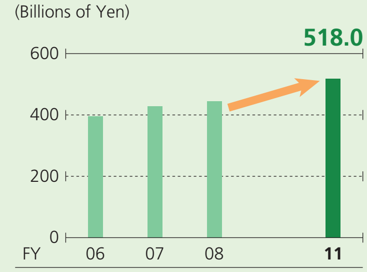
Consolidated Operating Revenues

(Billions of Yen)



Consolidated Operating Income

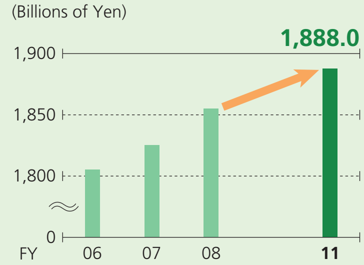
(Billions of Yen)



Transportation

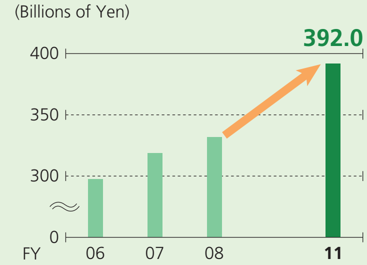
Consolidated Operating Revenues

(Billions of Yen)



Consolidated Operating Income

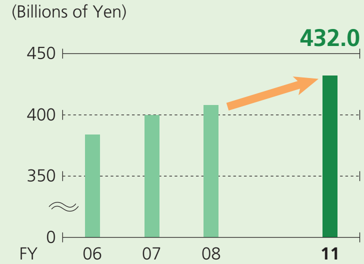
(Billions of Yen)



Station Space Utilization

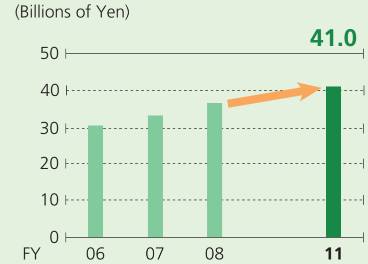
Consolidated Operating Revenues

(Billions of Yen)



Consolidated Operating Income

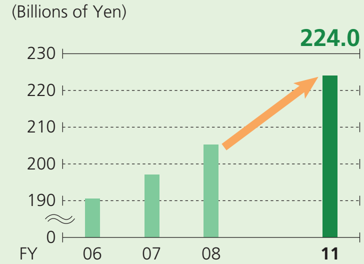
(Billions of Yen)



Shopping Centers & Office Buildings

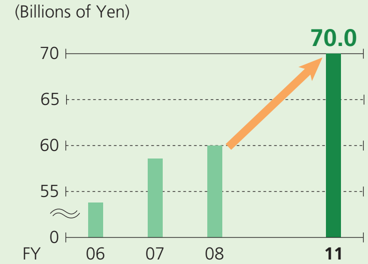
Consolidated Operating Revenues

(Billions of Yen)



Consolidated Operating Income

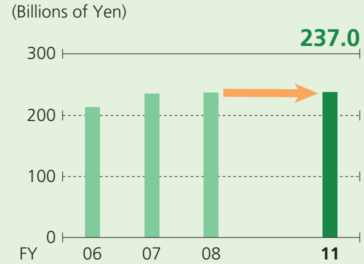
(Billions of Yen)



Other Services

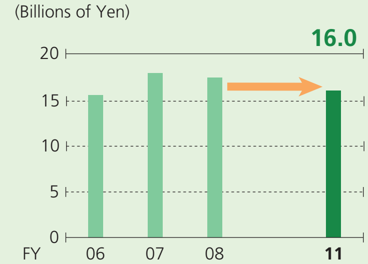
Consolidated Operating Revenues

(Billions of Yen)



Consolidated Operating Income

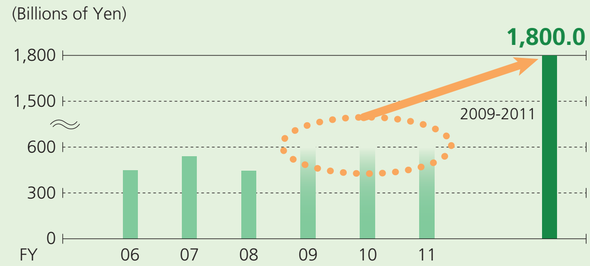
(Billions of Yen)



Consolidated Cash Flows from Operating Activities

We aim to achieve total consolidated cash flows from operating activities of ¥1,800 billion over a three-year period.

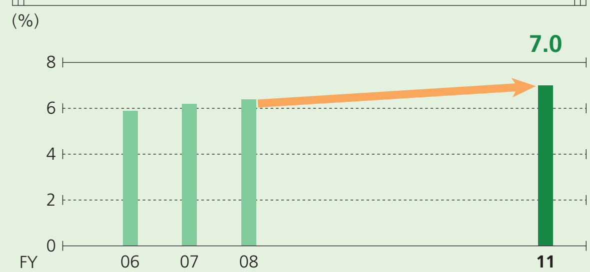
Consolidated Cash Flows from Operating Activities



Consolidated ROA

We aim for a 7% consolidated ROA.

Consolidated ROA

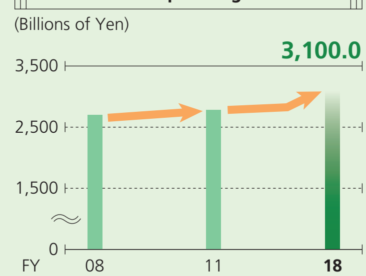


ACHIEVEMENTS ENVISIONED BY FISCAL 2018

Consolidated Operating Revenues

We aim to achieve consolidated operating revenues of ¥3,100 billion in fiscal 2018.

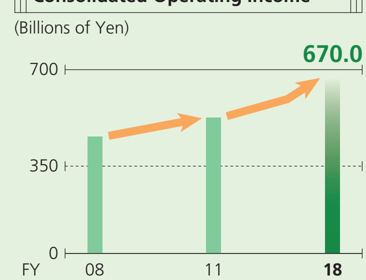
Consolidated Operating Revenues



Consolidated Operating Income

We aim to achieve consolidated operating income of ¥670 billion in fiscal 2018.

Consolidated Operating Income



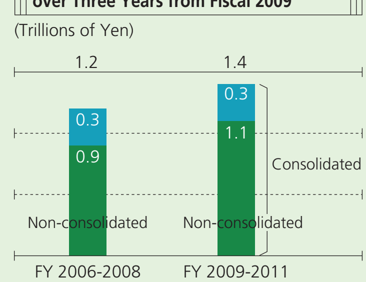
(REFERENCE) EXPECTED CAPITAL EXPENDITURE OVER THREE YEARS FROM FISCAL 2009

We expect consolidated capital expenditure over the three years from fiscal 2009 to total approximately ¥1.4 trillion.

We expect expenditure on transportation safety and reliability over the three years from fiscal 2009 to be approximately ¥450 billion.

We expect growth expenditure for which a return is likely—such as expenditure on life-style businesses—over the three years from fiscal 2009 will total approximately ¥450 billion.

(reference) Expected Capital Expenditure over Three Years from Fiscal 2009



JR East has prepared *JR East 2020 Vision—idomu—*which sets out an ambitious corporate profile for JR East to realize over the next 10 years.

Mutsutake Otsuka
Chairman

Satoshi Seino
President and CEO

Viewing the third year of the medium-term management plan *New Frontier 2008* as a year for producing substantive results, we sought to meet numerical management targets ahead of schedule. As a result, in fiscal 2008, ended March 31, 2008, JR East achieved higher revenues and earnings for the third consecutive year and record net income. JR East posted year-on-year increases of 1.7%, or ¥46.2 billion, in operating revenues, to ¥2,703.6 billion; 4.0%, or ¥17.1 billion, in operating income, to ¥445.2 billion; and 7.8%, or ¥13.8 billion, in net income, to ¥189.7 billion. Those business results were due to steady performances in transportation operations by Shinkansen services and conventional line services throughout the year and the beginning of operations at *Tokyo Station City* last fall. Particularly impressive were JR East's revenues from passenger tickets, which were second only to the fiscal 1993 high-water mark.

JR East's solid business results reflected steady contributions from a range of initiatives, which brought us within sight of achieving the numerical targets of *New Frontier 2008*. Consequently, rather than wait for the plan's final year, we decided to advance measures under a new plan. Faced with business conditions likely to change dramatically due to the aging of society and fiercer competition in the transportation market, JR East cannot simply extend existing initiatives. We must set ourselves challenging targets and work toward them with a sense of urgency. Railway operations require decision making based on long-term perspectives. Accordingly, JR East has prepared *JR East 2020 Vision—idomu*—which sets out the kind of company we want to be in 10 years time.

Safety is the JR East Group's most important management issue. JR East will heighten customer satisfaction by providing reliable transportation services and other high-quality services. To give customers a feeling of ease and peace of mind based on assured safety, JR East will tirelessly pursue multifaceted efforts. In addition, we will steadily implement *JR East 2020 Vision—idomu*—to further improve business results and increase the return of profits to shareholders and other investors. In conjunction with those efforts, we will meet the expectations of shareholders and other investors by realizing corporate management that benefits all stakeholders.

Fiscal 2009, ending March 31, 2009, is the first year of *JR East 2020 Vision—idomu—*. While positioning safety as its first priority, JR East will step up initiatives to achieve sustainable growth. Specifically, in transportation operations, JR East will continue to promote the creation of railway station ticket counters that do not keep customers waiting, increase convenience and comfort by introducing new-type railcars, and increase seating services. In life-style business, JR East will implement its *Station Renaissance* program and steadily advance such large-scale projects as *Tokyo Station City*. Further, to establish *Suica* operations as a third pillar alongside railway operations and life-style business, JR East will increase the convenience and scope of *Suica* services.

We intend to do our utmost to satisfy our shareholders and other investors in the medium-to-long term by realizing sustainable growth. As the JR East Group pursues such management initiatives, we would like to ask our shareholders and other investors for their continued support and understanding.

June 2008

Mutsutake Otsuka

Mutsutake Otsuka, Chairman

Satoshi Seino

Satoshi Seino, President and CEO

To achieve sustainable growth even amid the challenging business conditions, we prepared *JR East 2020 Vision—idomu*—in order to establish and pursue ambitious goals, which address "how railways, and how we as a railway operators, should evolve over the coming 10 years."

Satoshi Seino
President and CEO

Q At the end of fiscal 2008, JR East announced *JR East 2020 Vision—idomu*. Why did you conclude the *New Frontier 2008* medium-term management plan one year ahead of schedule and announce a long-term corporate management vision?

A **Although our corporate management has made steady progress since JNR was restructured, we cannot predict the future. Under fierce and volatile business conditions, I felt we had to set and take on the challenge of new targets rather than feel satisfied with past successes.**

More than 20 years have passed since the restructuring of JNR. During that period, thanks to a wide variety of support from our customers, shareholders, other investors, local communities, and individuals, our achievements have surpassed most predictions. We have reached the ultimate goal of full privatization. Also, in recent years JR East has performed solidly and realized higher revenues and earnings. Further, we have come close to achieving the numerical targets of our medium-term management plan *New Frontier 2008*, which ends in March 2009.

Looking ahead, however, business conditions are getting tougher and more volatile as society ages, the population falls, competition in the transportation market intensifies, and customer needs become ever-more exacting and varied. Given that operating environment, we must not rest on our laurels or slacken reform efforts. Therefore, we decided to begin preparing our next plan as soon as possible and taking on new challenges.

New Frontier 2008 Numerical Targets

	Fiscal 2008	Fiscal 2009 (Targets)
Consolidated Operating Cash Flow (4-year total)	¥1,465.2 Billion	¥2,000.0 Billion
Total Long-term Debt / Shareholders' Equity	2.2 Times	Approx. 2 Times
Consolidated Ratio of Operating Income to Average Assets (ROA)	6.4%	6.0%

Q Why did you announce a long-term corporate management vision, something that is rarely seen these days?

A We prepared a corporate management vision setting out the kind of company we want to be in 10 years time so that we could incorporate a long-term perspective, which enabled us to advance measures toward more-ambitious targets.

A characteristic of railway operations, the JR East Group's core business, is that it does not suddenly change today or tomorrow, but after 10 years it may undergo a transformation. A decade ago, *Suica*, the Shonan-Shinjuku Line, and the buildings at the Yaesu exit of Tokyo Station did not exist. We achieved those successes by developing ambitious concepts and steadily advancing long-term measures toward their realization.

Then, to achieve sustainable growth even amid the challenging business conditions, we prepared *JR East 2020 Vision—idomu—*in order to establish and pursue ambitious goals, which address "how railways, and how we as a railway operators, should evolve over the coming 10 years."

Q What are the features of JR East's new vision?

A One feature of the vision is its emphasis on the "*idomu*," mindset of pursuing fresh challenges and ambitious goals, another feature of the vision is a call to go beyond the frameworks of previous initiatives and achieve self reform by "Moving Up a Gear" in corporate management.

Our vision's characteristics are encapsulated by "*idomu*," which means challenge in Japanese, and "Moving Up a Gear."

The vision's "*idomu*" subtitle represents a mindset that all Group employees should share and that will drive all of the vision's initiatives. If we fall into the trap of thinking the methods that have brought us this far and enabled us to achieve full privatization will work in the future, we may, on the contrary, find it difficult to maintain even our present standing. We must revisit our origins and recapture the strong sense of crisis with which we tackled the restructuring of JNR. With that same urgency, JR East has to take on the challenge of developing a new corporate profile over the next decade. Mindful of this, we chose "*idomu*" as a key theme.

Under the theme of "Moving Up a Gear," we have identified specific initiatives in seven areas. We will tackle such initiatives as "Increasing focus on investment to raise corporate value" and "Opening the way to new business areas" using methods that depart from previous approaches. Taking cars as an analogy, we will move initiatives that are still in second gear up to third gear and beyond so that we can step up their pace. Also, we will adopt new methods and ways of thinking.

For more details about *JR East 2020 Vision—idomu—*, please refer to the brochure.

Q The *JR East 2020 Vision*—*idomu*—identifies "things that must change" and "things that must not change." "Things that must change" covers "Moving Up a Gear" initiatives, what are the "things that must not change"?

A "Things that must not change" include the "JNR reform" mindset that is a part of our DNA and our earnest pursuit of "safety" as the highest priority of corporate management.

While there are aspects of JR East that have to change in response to changing business conditions, there are aspects that JR East must protect. Aspects we need to uphold are the "JNR reform" mindset and our earnest pursuit of "safety."

In restructuring JNR, the three fundamental goals were to achieve "autonomous corporate management," "corporate management rooted in local communities," and "companies that respond appropriately, flexibly, and promptly to changing times and conditions." In order to avoid repeating the failures of JNR, we must never forget the "JNR reform" mindset. We have to pass it on as part of JR East's DNA.

Further, safety is our highest priority. Accordingly, our vision sets out an "unflagging commitment to extreme safety levels." For safety, there are never "full marks," but we will work tirelessly to get as close as possible to a perfect score.

Q You mentioned "extreme safety levels," what kind of challenges is JR East taking on in this respect?

A By always concentrating on safety through the areas of safety infrastructure and safety awareness, we want to firmly place safety at the heart of our organizational culture.

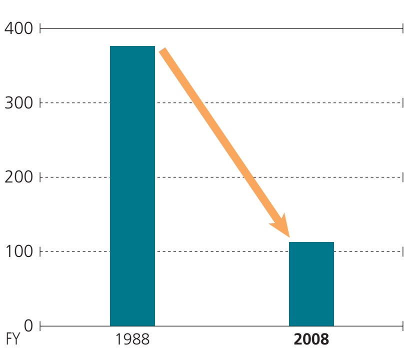
JR East has reduced operational railway accidents to approximately one-fourth of their level at the time of its establishment. In recent years, however, major accidents have occurred, such as the accident on the Uetsu Line in 2005 in which five passengers lost their lives. Continuing to pursue the goal of eliminating accidents that result in the death or injury of customers and the death of employees, including the employees of Group companies and partner companies, we will implement measures that improve safety infrastructure and safety awareness.

For safety infrastructure, JR East will continue to advance its "Priority Improvement Plan for Safety Equipment." We will eradicate accidents that can be avoided by upgrading systems for railway operations and maintenance. Since the train collision at Higashi-Nakano Station in 1988, JR East has invested more than 40% of non-consolidated total capital expenditures on safety. I want to continue taking a wide variety of safety measures. For example, we will continue installing safety equipment, such as ATS-P automatic train stop devices that prevent derailments and collisions. Also, we plan to introduce automatic platform gates on the Yamanote Line.

For safety awareness, we will continue educational and training initiatives for each employee who is responsible for safety. By encouraging frontline employees to discuss frankly hidden potential causes of accidents and safety weak points to prevent accidents based on the *Challenge Safety* program, we aim to heighten the capabilities of the individual employees that are responsible for ensuring future safety and strengthen the organization.

JR East's ceaseless efforts to further improve safety not only focus on railway operations, in which customers entrust us with their lives, but on its life-style businesses, which many customers use regularly. Measures to prevent accidents never end.

Number of Railway Accidents



Q **On the other hand, "Moving Up a Gear in Seven Areas" gives the impression of a strong determination to change. Is the first initiative under that heading, "Increasing focus on investment to raise corporate value," a good example of JR East's efforts to shift into a higher gear?**

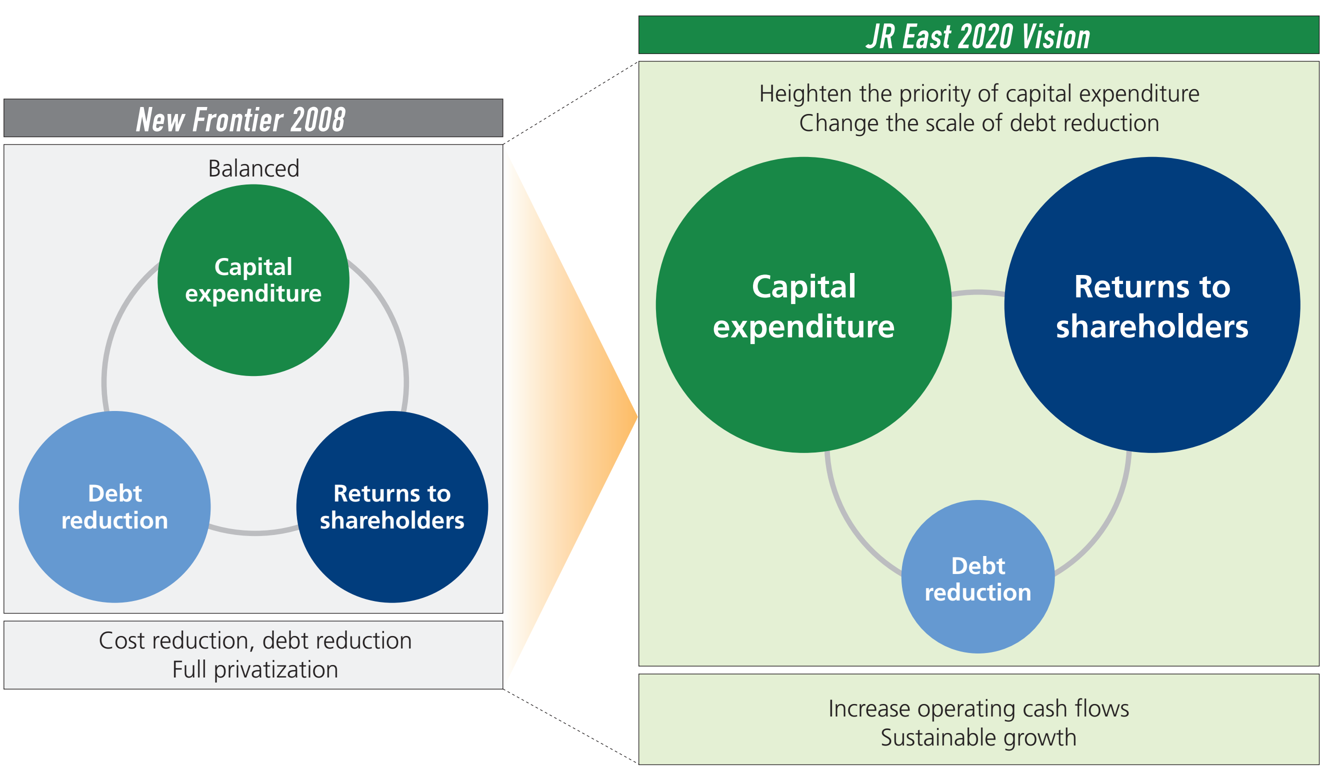
A **Until now, we have reduced total long-term debt to strengthen management foundations. However, we have raised the priority of forward-looking investment in growth and will increase such investment accordingly. At the same time, we will heighten the priority of returns to shareholders.**

Because JR East started with a massive debt and high interest payments, for some time after its establishment reducing total long-term debt to strengthen its financial position was the uppermost corporate management consideration. Therefore, in principle, we kept capital expenditures within the scope of depreciation. But under *New Frontier 2008*, we stepped up investment to achieve a balance among the reduction of total long-term debt, capital expenditure, and returns to shareholders.

Under *JR East 2020 Vision—idomu—*, we have changed our way of thinking about the ordering of three priorities and decided to give priority to capital expenditure and returns to shareholders. Therefore, we aim to increase operating cash flow by adopting a more aggressive stance that steps up capital expenditure in order to achieve growth in future, expand operations, and strengthen operational foundations.

JR East will further heighten returns to shareholders and aims to increase the consolidated dividend payout ratio to 30% in stages. In addition, we will take wide-ranging measures that include the flexible acquisition of treasury stock.
Of course, we will continue reducing total long-term debt, but we will revise the size of reductions.

Investing Aggressively to Raise Corporate Value



Q Would it be correct to say that the first change of gear links to your second aim of "Opening the way to new business areas"?

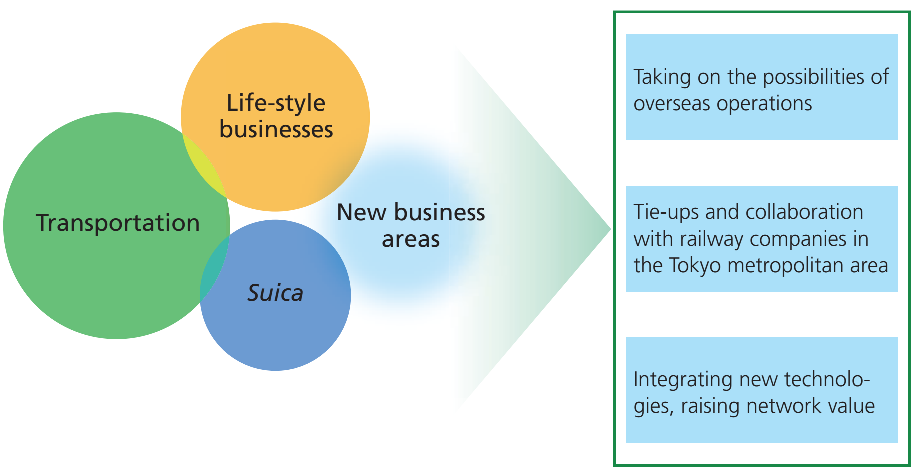
A **We will look for new operations to establish alongside transportation operations, life-style businesses, and *Suica* operations, such as overseas operations and *WiMAX* operations.**

We are considering the possibility of taking on overseas operations as one of our new business areas. While many countries are achieving remarkable economic development, against a backdrop of worsening global environmental problems, recent years have seen the emergence of a new attitude to railways as mass transportation systems with environmental advantages. Exploiting our technology and expertise, I want to spread Japanese railway technology overseas to contribute to the development of railways worldwide. I envision us involved in overall coordination based on the collective efforts of experts in the fields of railcars, signals, and civil engineering. To that end, we have already begun developing in-house systems.

Another potential new business area is high-speed large-capacity broadband communication services that use *WiMAX* next-generation high-speed wireless technology. As well as potentially enabling us to provide information to passengers and carry advertisements through digital hanging posters in railcars, *WiMAX* technology could dramatically improve our internal operations.

Until now, when talking about the pillars of our business we have referred to transportation operations as the first, life-style businesses as the second, and *Suica* operations as the third. Looking ahead, I want to find operations that have the potential to become the fourth pillar of our business.

Opening the Way to New Business Areas



Q Can you outline plans for the third initiative, which is related to global environmental problems?

A We will meet society's expectations by increasing railway usage and thereby reducing society's overall CO_2 emissions, and further lessening the environmental burden of railway operations. To that end, we aim to halve CO_2 emissions and intensify technology development efforts.

I think we have reached a point where concrete action is needed to solve global environmental problems. Also, I believe that the role of railways as an environment-friendly mode of transportation is likely to grow. Per person over the same travel distance, trains produce only one-tenth of the CO_2 emissions of automobiles and one-sixth of those of aircraft.

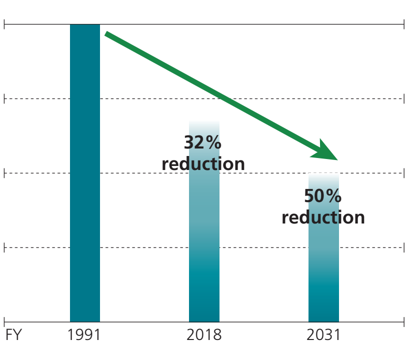
Keeping abreast of the latest technological advances, JR East has reduced CO_2 emissions through such efforts as the introduction of energy-saving railcars and diesel hybrid railcars. In fiscal 2008, JR East's CO_2 emissions were down 23% compared with fiscal 1991 levels. By fiscal 2018, we hope to have reduced emissions by 32% compared with fiscal 1991 levels. Further, we aim to halve emissions compared with fiscal 1991 levels by fiscal 2031.

Although we are setting the bar very high, I think we can reach those targets if we advance existing measures more vigorously while concentrating efforts on developing and introducing new technologies to remain in the vanguard of environmental railway technology. With that in mind, JR East's initiatives include the establishment of the Environmental Technology Research Center, which is energetically tackling global environmental problems with a long-term perspective. Just one example of the center's projects is the development of fuel-cell hybrid railcars.

As part of environmental management efforts, we will begin building *eco stations* that will serve as models for a range of measures to reduce the environmental burden within railway stations, such as solar power generation, LED lighting, and greening. Our ideal is to generate all of the electricity used by those stations ourselves.

Also, in efforts to reduce society's overall CO_2 emissions, we are collaborating with local governments and operators of other transportation systems to realize trouble-free connections and other measures that will create a public transport network rivaling the convenience of private cars and encourage more customers to choose to leave their cars at home.

Total CO_2 Emissions of Railway Operations



Tackling Global Environmental Problems

Reducing total CO_2 emissions of railway operations
Reduce 50% by fiscal 2031 (Government recommendation: 50% reduction worldwide by 2050)
Reducing environmental burden
Introducing reusable energy Energy-saving railway stations: *"eco stations"* Energy-saving railcars, hybrid railcars Regenerating railway trees
Public transportation network providing convenience rivaling private cars
Collaboration with other railway, bus, and taxi companies

Q What does the fourth initiative, "Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient," entail?

A JR East will strengthen the Tokyo metropolitan area network, the JR East's largest source of earnings, and encourage a shift from cars to trains by collaborating and coordinating with operators of other railways and transportation systems. Also, we intend to create attractive railway lines that make people want to live alongside JR East railway lines.

Japan has an ageing population with a declining birthrate. However, according to national statistics, the population of the Tokyo metropolitan area is forecast to increase until 2015. I think this is one of JR East's advantages. Amid those conditions, in order to further heighten competitiveness, from now we will strengthen the Tokyo metropolitan area network as our earnings mainstay to actualize potential demand and add momentum to the shift from car usage to train usage. Further, we will link those efforts with initiatives to make line-side areas more attractive and convenient.

In efforts to strengthen the Tokyo metropolitan area network through collaboration with other railway operators, we began limited express through services based on cooperation with Tobu Railway Co., Ltd., in March 2006. Also, we are moving forward with preparations for the commencement of mutual through services with Sagami Railway Co., Ltd. (commonly known as Sotetsu), slated for fiscal 2015. An in-house project will extend the services of the Utsunomiya Line, the Takasaki Line, and the Joban Line to Tokyo Station by constructing the Tohoku Through Line. The resulting through services will increase convenience, ease crowding, and shorten journey times.

Further, for the "Tokyo mega loop" lines encircling the Tokyo metropolitan area, the Musashino Line, the Keiyo Line, the Nambu Line, and the Yokohama Line, we will further improve the convenience and comfort of line-side areas with respect to transportation services and life-style services.

Among other projects, the completion of a continuous series of level-crossing overpasses on the Chuo Line between Mitaka and Tachikawa will open up a new area under the elevated railway tracks stretching through western Tokyo. As well as completing the introduction of new-type railcars to the Chuo Line, we will make its line-side areas more attractive and convenient by developing that new area under the elevated railway tracks from the perspective of town development, rather than simply developing railway stations themselves within the area.

In conjunction with those initiatives, to support the advancement of women in society and the diversification of lifestyles, we are increasing the number of station-based nursery schools. Through such initiatives targeting transportation services and life-style services, we hope to create attractive railway lines that make people want to live alongside JR East railway lines.

1 Through Operations with Tobu Railway Co., Ltd.
2 Through Operations with Sagami Railway Co., Ltd.
3 Tohoku Through Line
4 Tokyo Mega Loop
5 Chuo Line

Q How will JR East realize its fifth goal of "Invigorating regional railway lines and interregional communications"?

A **We will promote the charms of regions in the JR East service area and create travel demand by collaborating with local governments to develop tourism. For regional railway lines, we will reevaluate line segments in accordance with medium-to-long-term outlooks for usage while rejuvenating facilities and railcars. At the same time, the JR East Group will continue to fulfil its responsibility toward regional networks.**

Regions face increasingly tough economic conditions due to declining populations and the ageing of society. In response, while building collaborative relationships with local communities, we will step up measures to address those problems through our operations.

A key initiative is generating travel demand by helping to develop tourism. The JR East service area has tourism resources that are not as well known as they should be. Using the opportunities presented by the extension of Shinkansen lines—the planned commencement of services to Shin-Aomori on the Tohoku Shinkansen Line in fiscal 2011 and to Kanazawa on the Hokuriku Shinkansen Line in fiscal 2015—and we will work closely with local communities to highlight the appeal of tourist destinations in eastern Japan.

Meanwhile, revision of regional railway lines based on the medium-to-long-term outlooks for usage will become necessary.

For intercity networks, we will rejuvenate facilities and railcars. At the same time, to ensure the continuation of railway lines, we will reassess and improve complex, large facilities and equipment to reflect conditions resulting from extensions and improvements to the road network.

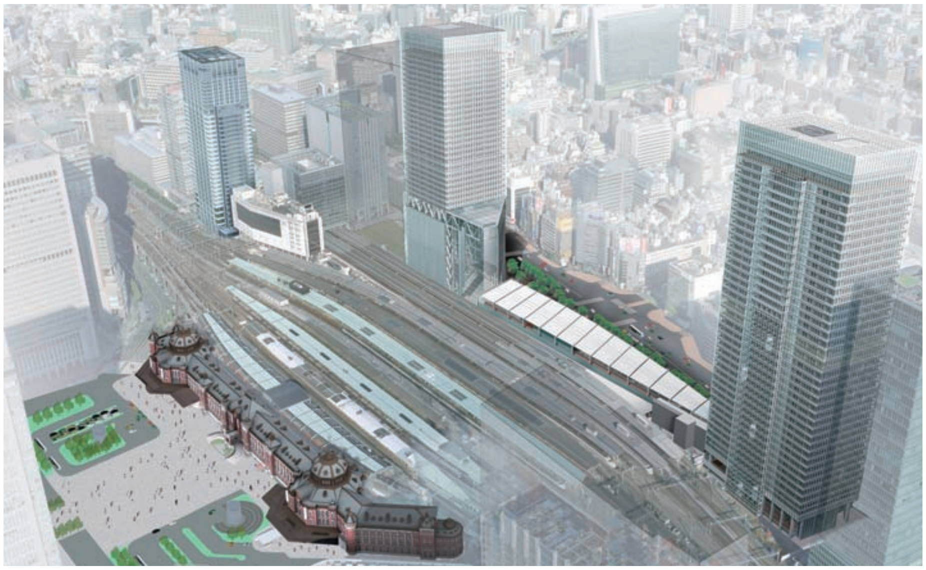
Regarding regional networks, we will continue efforts aimed at increasing their usage and rigorously improving the efficiency of operational management. If full examinations of usage conclude that, even with such efforts, for certain line segments it will be extremely difficult to maintain railways as a mode of transportation, JR East will change over to and operate non-railway transportation in order to maintain and improve service levels.

Q Can you explain JR East's sixth stepped-up initiative of "Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018"?

A As a source of future growth, we will accelerate efforts to develop life-style businesses by advancing the *Station Renaissance* program and the large-scale development of terminal railway stations.

JR East has developed life-style businesses that create synergistic benefits with railway operations by developing *ekinaka*, or spaces within railway stations, and constructing and remodeling buildings in or near railway stations. However, we will expand such initiatives.

Our *Station Renaissance* program has driven those efforts, and we intend to expand and strengthen the program with a focus on downtown railway stations. In addition to developing railway stations themselves, we will begin making line-side areas of railway lines more attractive and convenient and developing areas. A good example of making line-side areas more attractive and convenient is the *Chuo Line Mall* (provisional name) concept for developing areas under elevated railway tracks as we complete a continuous series of level-crossing overpasses on the Chuo Line.



Also, we will steadily undertake large-scale development of terminal railway stations. Plans call for the development of office buildings at the new south exit of Shinjuku Station and at Chiba Station, at west and east exits of Yokohama Station, and at Shibuya Station. In addition, we will free up a large area of developable land near Shinagawa Station by consolidating and transferring a rail yard and changing the position of railway tracks.

At the time of JR East's establishment, non-transportation operating revenues accounted for roughly 20% of total operating revenues. Twenty years on, we have lifted that figure to about 30%. By fiscal 2018, I want to raise it to 40%. Adding another 10% in half the time, in 10 years, is ambitious given the large share of total operating revenues that railway operations currently account for, but I think we can do it through accelerating progress by "Moving Up a Gear."

Q In the seventh area, what are your plans for "Establishing *Suica* operations as a third pillar of operations"?

A We will spread *Suica* throughout railway networks in Japan as the nation's de facto IC passenger ticket. Also, we will establish *Suica* as the number one electronic money and develop *Suica* businesses into operations that make an even larger contribution to Group earnings.

Since we launched *Suica* in November 2001, customer convenience has risen dramatically thanks to our efforts to realize seamless services through the introduction of electronic money, *Mobile Suica*, and mutual use with *PASMO*. Ten years ago, I think, none of us imagined tickets would become IC cards or mobile phones would become commuter passes and usable as electronic money for shopping. The next 10 or 20 years may bring further unimagined, radical change.

In addition to the areas where we have already established mutual use, we plan to begin *Suica* mutual use in the Sapporo and Fukuoka areas. Our goal is to spread *Suica* throughout railway networks in Japan as the nation's de facto IC passenger ticket.

As for electronic money, we aim to increase the scope and frequency of its usage. Currently, *Suica* electronic money accounts for one million transactions daily at the most. We are targeting eight million transactions daily by the end of fiscal 2011. We will reach that target by further rolling out *Suica* in city shopping streets to make it the number one electronic money for shopping beyond railway stations. At the same time, we will transform *Suica* electronic money into a payment method on an equal footing with cash or credit cards. In the future, although it may require joint efforts with other providers of electronic money, I want to create a world where if you have *Suica*, you will not need cash.

Q In addition to fresh approaches under the "Moving Up a Gear" initiatives, the new vision includes initiatives under the heading of "Ongoing Efforts."

A **For such initiatives as "Heightening customer satisfaction even further" and "Developing Human Resources" we will not change our policies, but we will continue seeking even higher levels of achievement. Since, those initiatives are as important as "Moving Up a Gear in Seven Areas," we will continue pursuing them.**

For "Ongoing Efforts," we will not change our policies, but we will continue seeking even higher levels of achievement. "Heightening customer satisfaction even further," "Developing human resources," and "Advancing research and development aggressively" and other initiatives in "Ongoing Efforts" are another main plank of the corporate management vision, and there is no difference in the importance of initiatives of "Moving Up a Gear in Seven Areas" and "Ongoing Efforts." I believe that effective corporate management should combine initiatives that call for a pioneering spirit and those that require conviction and unfailing effort.

For example, we intend to realize "Heightening customer satisfaction even further" by advancing existing efforts to further improve the stability of transportation and realize railway stations that customers can use comfortably and confidently. Accordingly, we have set ourselves very challenging targets. For the average over the three-year period from fiscal 2009 to fiscal 2011, we aim to reduce the total duration of delays caused by ground equipment failure in the greater Tokyo area 50% compared with those in fiscal 2006, and we aim to reduce railcar failures in the greater Tokyo area in fiscal 2011 to two-thirds of those in fiscal 2006.

Similarly, regarding "Developing human resources," we are aware that handing down skills to the next generation is a very pressing issue for us. Therefore, we conduct mass training at training centers and encourage employees to fully pass on their expertise day-to-day at workplaces through on-the-job training.

"Advancing research and development aggressively," "Expanding the Shinkansen network and increasing earnings from railway operations," and "Expanding life-style businesses" are also initiatives that we will continue tackling. Among such efforts, we will conclude the *Tokyo Station City* project, which covers a 10-year period, in fiscal 2014, after completing restoration of the Tokyo Station Marunouchi redbrick building in fiscal 2012 and beginning operations at the *Tokyo Station Hotel* (provisional name) in fiscal 2013.

Q What kind of corporate profile do you want to develop for JR East?

A JR East should continue as a *Trusted Life-style Service Creating Group* that gives customers peace of mind. Based on *JR East 2020 Vision—idomu—*, I want to take on the challenge of leading the Group toward realization of its ideal corporate profile.

The JR East Group's overriding goal is to remain a *Trusted Life-style Service Creating Group*. I want JR East to be a Group that gives customers peace of mind when they hear our name. To explain further, by routinely providing safety, accurate service schedules, and comfort, I want us to be an entity that people do not normally think about but one that they need for everyday life, like oxygen.

Also, I want shareholders and other investors to feel sure that JR East will continue to grow steadily. Our goal is to have local communities trust us because they feel JR East contributes to their community. In addition, I want each employee to enjoy working based on a sense of assurance that JR East is a company in which they can work hard and achieve their ambitions. That is my ideal company.

We do not have a specific milestone that will mark the end of efforts to develop our corporate profile. Rather, I want us to develop into an organization that can boldly continue taking on ambitious targets and overcome the array of issues that we will encounter.

As we move forward, the recently announced *JR East 2020 Vision—idomu—*will be our guide. In the process of realizing JR East's ideal corporate profile, my most important mission is to provide the Group with leadership and continue taking on challenges.

AT A GLANCE

Principal Businesses

TRANSPORTATION

Transportation

Shinkansen Network
High-speed train services linking Tokyo with major cities

Kanto Area Network
Trains serving around the Tokyo metropolitan area, the largest market in Japan

Intercity and Regional Networks
Intercity transportation other than the Shinkansen network and regional transportation outside the Kanto area network

Travel Agency Services
View Plaza travel agencies and other outlets selling travel products

Bus Services
Bus services conducted in addition to railway operations

NON-TRANSPORTATION

Station Space Utilization

Retailing
Retailing activities, such as kiosk outlets, convenience stores, and *ecute* shopping complex at stations and sales of snacks, drinks, and other goods inside trains

Restaurants
Fast-food restaurants and a variety of other restaurants operated mainly at or near stations

NON-TRANSPORTATION

Shopping Centers & Office Buildings

Shopping Centers
Development and leasing of space to retailers and other tenants in shopping centers at stations

Office Buildings
Development and operation of buildings used primarily as office space

NON-TRANSPORTATION

Other Services

Advertising and Publicity
Advertising and publicity in stations and inside trains

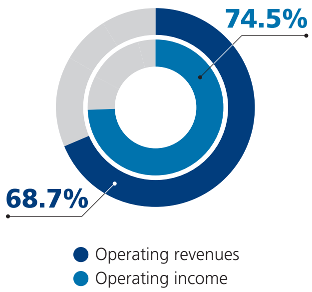
Hotel Operations
Chain hotel businesses, including *Metropolitan Hotels* and *HOTEL METS* operated as part of the *JR East Hotel Chain*

Information Services
Information processing, development, operations, and support for Internet businesses and related activities

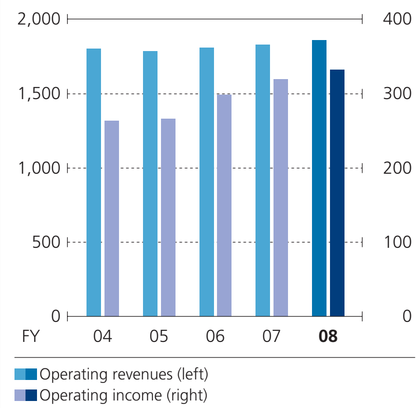
Credit Card Business
The *View Card*, a credit card that is honored at stations, stores at stations, hotels, shopping centers, and VISA, JCB, or MasterCard card member merchants

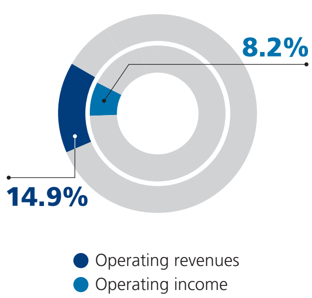
Others
Wholesale, truck delivery, cleaning, and other businesses

Business Composition by Segment	Profile and Topics	Business Results (Billions of Yen)

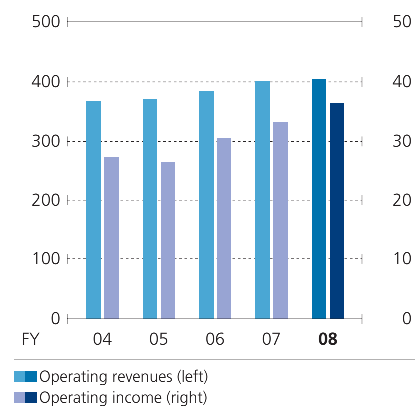


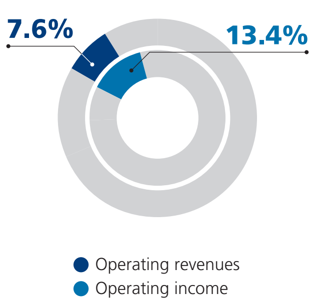
JR East's 7,526.8km rail network (excluding the Tokyo Monorail) covers the eastern half of Honshu, including the Tokyo metropolitan area. JR East operates a transportation business whose mainstay service is passenger railway transportation through the use of this very profitable network. In fiscal 2008, transportation operating revenues were ¥1,857.8 billion ($18,578 million) and operating income was ¥331.8 billion ($3,318 million).



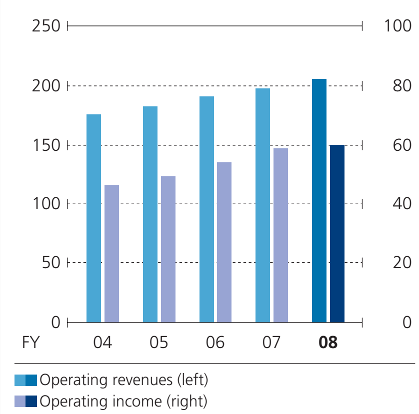


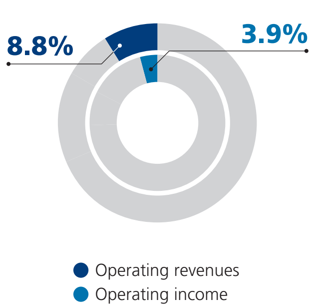
About 17 million passengers use JR East's stations every day. Station space utilization offers retailing and restaurant services to these customers through outlets at stations and sales inside trains. Station space utilization operating revenues were ¥404.0 billion ($4,040 million) and operating income was ¥36.3 billion ($363 million) in fiscal 2008.



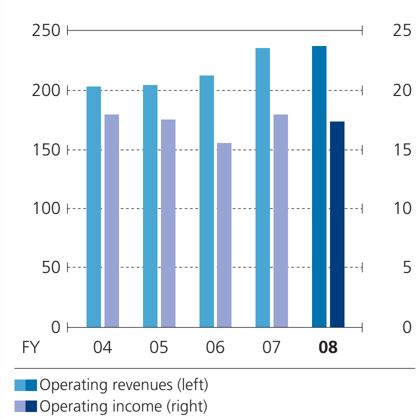


JR East leases space to retailers and other tenants in shopping centers and office buildings developed on property already owned by JR East within or near station premises throughout its service area. Shopping centers & office buildings operating revenues were ¥205.4 billion ($2,054 million) and operating income was ¥59.8 billion ($598 million) in fiscal 2008.

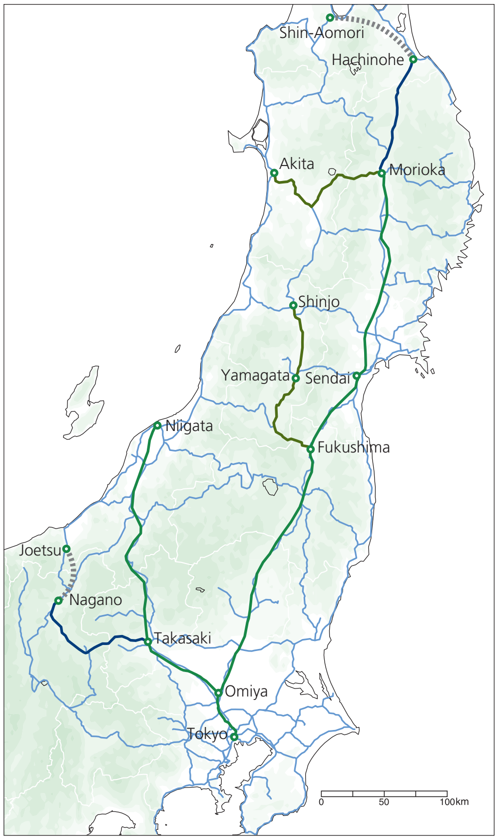




JR East conducts a number of other business activities, most of which are aimed at leveraging the customer base at railway stations and other facilities of its core passenger railway transportation business. Major businesses in the other services segment include advertising and publicity, hotel operations, information services, credit card business, and others. Additional activities include construction and car rentals. In fiscal 2008, other services operating revenues were ¥236.4 billion ($2,364 million) and operating income was ¥17.3 billion ($173 million).



Shinkansen Network

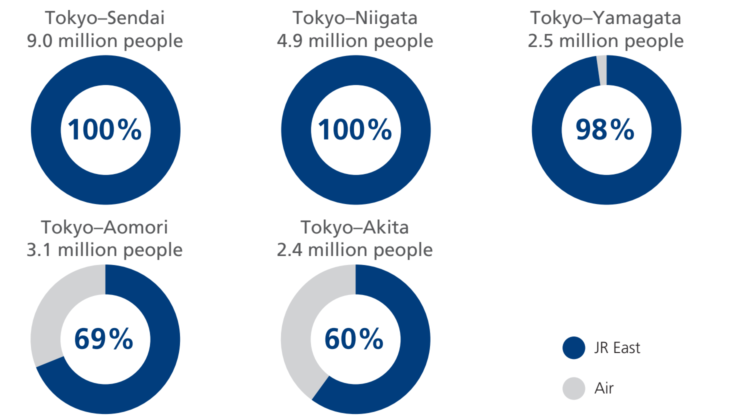


Competition with Airlines

Destination	Time Required	Frequency
Aomori	**3:59**	**15**
by Aircraft	2:58	6
Akita	**3:49**	**15**
by Aircraft	2:53	7
Yamagata	**2:30**	**16**
by Aircraft	3:08	1

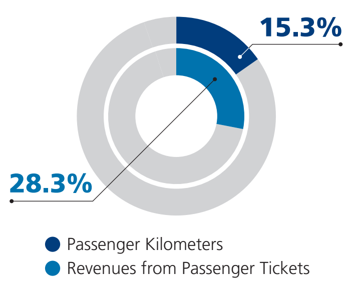
Note:
This information is from the May 2008 JR timetable. "Time Required" is based on the time it takes for a regular train operating at maximum speed to reach the given destination.
Aircraft times include the 53 minutes it takes to travel from Tokyo Station to Haneda Airport using JR lines and the Tokyo Monorail as well as the time it takes upon arrival for airport buses to reach their destinations.
Number of flight and train is based on daily operation.

Share of Passengers



OVERVIEW

Composition of Railway Operations in JR East



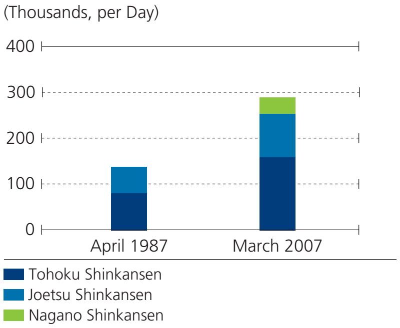
Shinkansen trains

For JR East, its Shinkansen services rank alongside its transportation services in the Kanto area as a mainstay business. JR East operates a five-route Shinkansen network that links Tokyo with five regions: Tohoku, Joetsu, Nagano, Yamagata, and Akita. Specially designed hybrid Shinkansen trains, capable of running on Shinkansen and conventional railway lines, serve the Yamagata and Akita regions. Approximately 250,000 passengers use JR East's Shinkansen network daily. In Japan, rail travel has an advantage over air travel for medium-to-long-distance transportation, in other words overland journeys that are within 750 kilometers. Because the distances from Tokyo to the main cities within JR East's service area are within that distance, JR East has a competitive advantage over domestic airlines. As a result of measures to increase revenues, including such regional tourism campaigns as the *North Tohoku Destination Campaign,* in fiscal 2008 revenues from passenger tickets increased 2.4% year on year, to ¥491.0 billion, accounting for 28.3% of overall revenues from passenger tickets.

Further, JR East has consistently done and continues to do its utmost to ensure safe, reliable transportation services for customers. The average schedule delay per train on the Shinkansen network since JR East's establishment is 26 seconds.

TOPICS

Number of Shinkansen Seats



New electronic schedule board installed at Tokyo Station to augment capabilities for flexibly responding to the addition of Shinkansen trains

Increasing Train Services to Reflect Seasonal Demand Fluctuations

The passenger volumes of JR East's Shinkansen services change markedly during such periods as the Golden Week (spring holiday) period, the *Bon* Festival (the August holiday period), around the New Year, three-day weekends, and weekends. During such busy periods, passenger volumes increase between 40% and 80% above capacity. One of the missions of Shinkansen services is to provide as many train services as possible during those busy periods and ensure that as many passengers as possible are seated.

Shortening Journey Times between Tokyo and Morioka

Automatic train control (ATC) systems are some of the most important systems that underpin the safety of Shinkansen services. When Shinkansen services began, ATC systems for Shinkansen trains used analog signals. However, as those ATC systems age, JR East is replacing them with newly developed DS-ATC (Digital communication & control for Shinkansen-ATC) systems. On the Tohoku Shinkansen Line, JR East had completed the introduction of DS-ATC on all line segments by the end of March 2008. The resulting reduction of traveling times and train waiting times has shortened average journey times by three to four minutes between Tokyo and Sendai and by four to six minutes between Tokyo and Morioka.

OUTLOOK

FASTECH 360Z & *360S* prototype high-speed test railcars

Image of *Super Green Car*

Expanding the Shinkansen Network*, Strengthening Profitability

To accompany the launch of operations on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line slated for fiscal 2011, JR East will introduce new-type railcars (E5 series), based on results from the *FASTECH 360* high-speed test railcar, that will achieve an operational speed of 300 km/h. Consequently, JR East plans to shorten the journey time between Tokyo and Shin-Aomori to a minimum of approximately 3 hours and 10 minutes. After this, in fiscal 2013, based on consideration of environmental conditions, we will begin the fastest operations in Japan at 320 km/h, which will link Tokyo and Shin-Aomori in approximately as little as 3 hours and 5 minutes.

Also, JR East has slated fiscal 2015 for the commencement of services on the Nagano–Kanazawa segment of the Hokuriku Shinkansen and fiscal 2016 for the commencement of services on the Shin-Aomori–Shin-Hakodate segment of the Hokkaido Shinkansen.

* Those expansions are planned by the Japan Railway Construction, Transport and Technology Agency (JRTT).

Introducing World-Class *Super Green Cars* (high-grade first-class cars)

To coincide with the introduction of new-type railcars (E5 series) with higher operational speeds, JR East will introduce *Super Green Cars* (provisional name) featuring an interior design, quietness, lighting, and seating that reflect painstaking attention to detail and commitment to providing premium-quality services.

Kanto Area Network

Enhanced Services on Conventional Lines in the Tokyo Metropolitan Area

Through Services

1. Shonan-Shinjuku Line
2. Through Operations with Tobu Railway Co., Ltd.
3. Tohoku Through Line (Plan)
4. Through Operations with Sagami Railway Co., Ltd. (Plan)

Seating Services

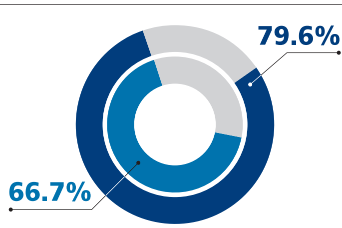
5. *Green Cars* on Utsunomiya / Takasaki and Shonan-Shinjuku Lines
6. *Green Cars* on Joban Line

Tokyo Mega Loop

Stations under Construction

OVERVIEW

Composition of Railway Operations in JR East



The Kanto area network comprises railway lines in central Tokyo and railway lines connecting Tokyo with nearby suburban cities and represents 2,536 operating kilometers. JR East accounts for almost half of the Kanto area's huge, highly profitable rail transportation market in terms of passenger kilometers and operating revenues (see page 94 for details). Further, revenues from passenger tickets in the Kanto area were up 1.6% year on year, to ¥1,155.4 billion, representing 66.7% of overall revenues from passenger tickets.

Also, JR East has heightened capacity by increasing through services on the Shonan-Shinjuku Line and other railway lines, increasing train services, and increasing the number of railcars comprising individual trains. In the 20 years since its establishment, JR East has increased its capacity by an amount roughly three times the average capacity of major competitors. In these ways, JR East has competed favorably with the developing subway network in the Tokyo metropolitan area and other railway operators without raising fares or undertaking large-scale construction of new railway lines.

TOPICS

Inside *Green Cars*

Catering to Customer Seating Preferences by Increasing *Green Cars*

JR East is catering to customer seating preferences. From fiscal 2005, JR East introduced *Green Cars* (first-class cars), which provide seating services, to local train services on the Shonan-Shinjuku Line, the Utsunomiya Line, and the Takasaki Line. In 2007, JR East also began providing such services on the Joban Line. JR East estimates that initiative resulted in a ¥3.3 billion year-on-year increase in revenues in fiscal 2008.

E233 series railcars

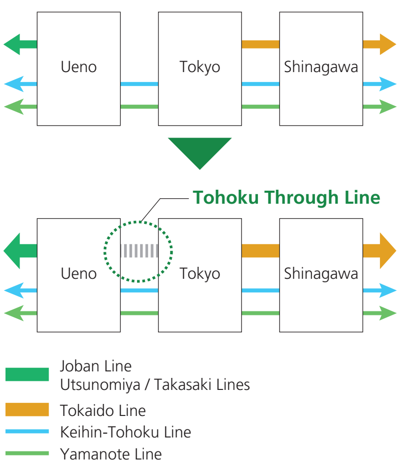
Introducing New-Type Railcars

JR East's development concept seeks accident prevention, passenger friendliness, and improvement of information for passengers and railcar functionality. JR East has realized that concept by steadily introducing wider-body railcars that ease crowding to the Chuo, Ome, Itsukaichi, and Keihin-Tohoku and Negishi lines since December 2006. Those new-type railcars feature backups for the main railcar systems to reduce service disruptions. Further, their design accommodates the needs of seniors, women, and the physically challenged. Also, displays above each door provide passengers with updates on the train's progress, news, and other information.

In addition, JR East plans to introduce the new-type railcars to the Joban Local Line in the summer of 2009.

OUTLOOK

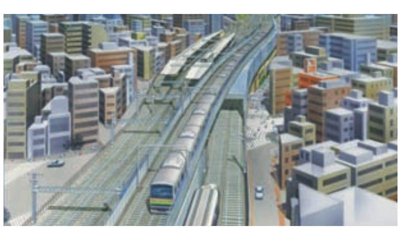
Concept of the Tohoku Through Line



Expanding the Through-Service Network in the Tokyo Metropolitan Area

JR East is steadily catering to demand from customers who want direct services to their destinations through initiatives that exploit existing lines, such as the Shonan-Shinjuku Line. Development of the Shonan-Shinjuku Line resulted in an approximately ¥5.3 billion rise in revenues in fiscal 2008 compared with the period before operations began in December 2001.

Besides this, JR East is presently carrying out a plan to realize through services by laying additional tracks between Ueno Station, the terminus of medium-distance trains arriving from the north, and Tokyo Station, the terminus of medium-distance trains arriving from the south. JR East aims to begin operations in fiscal 2014, and the project is expected to cost about ¥40 billion. In addition, fiscal 2015 will see JR East begin mutual through services with Sagami Railway Co., Ltd., (commonly known as Sotetsu) based in Kanagawa Prefecture, to realize faster, seamless services. That initiative will strengthen JR East's railway network, increase revenues, and tap latent demand.



Concept illustration of the Tohoku Through Line

Creating Attractive Railway Lines

JR East will focus on improving the convenience and comfort of transportation services and on improving railway station facilities and the life-style services of lines that loop the Tokyo metropolitan area (the Musashino Line, the Keiyo Line, the Nambu Line, and the Yokohama Line). Sometimes called the "Tokyo mega loop," these lines include many hub railway stations shared with other railway companies and will likely see increasing usage.

Also, JR East will enhance the line-side area of the Chuo Line by completing the construction of a continuous series of level-crossing overpasses between Mitaka and Tachikawa, completing the introduction of new railcars for rapid-service, and implementing development plans for the entire area under elevated railway tracks.

Image of New E259 Narita Express railcar

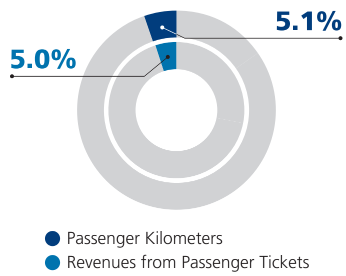
Introducing New-Type Railcars to the Narita Express

The Narita Express is a limited express that provides rapid direct services linking Narita Airport with major stations in the Tokyo metropolitan area. From fiscal 2010, JR East will introduce to those services new-type railcars that feature better overall comfort thanks to improved riding comfort and interior facilities.

Intercity and Regional Networks

OVERVIEW

Composition of Railway Operations in JR East



Intercity and regional networks cover approximately 4,000 kilometers, accounting for more than 50% of JR East's total network. Those networks provide non-Shinkansen intercity services and regional services not covered by the Kanto area network. For intercity networks, which mainly comprises limited express services, JR East will continue to increase revenues through the introduction of new-type railcars, the improvement of service schedules, and other measures. For regional networks, JR East will increase efficiency by establishing service schedules that reflect customer trends, introducing trains operable by one crew member, reducing maintenance costs, and increasing the number of energy-saving railcars.

TOPICS

Hybrid railcars

Adapting to a Car-Oriented Society

Particularly in rural areas, the advantages of automobiles are increasing due to new highway construction and improvements in local road networks. JR East is adapting to this changing environment, coexisting with automobiles, and creating new earning opportunities by offering services that include park and ride, bus, and rent-a-car services.

Operating the World's First Commercial Hybrid Railcars

From July 2007, the world's first hybrid railcars, powered by diesel engines and storage batteries, began operating on the Koumi Line. As well as being more fuel efficient and quieter than diesel railcars currently in service, the new hybrid railcars are expected to curb emissions of such particulate matter as nitrogen oxide and graphite by approximately 60%.

OUTLOOK

Tourist trains near the scenic Shirakami-Sanchi mountain region

Reassessing Regional Networks, Heightening Efficiency

JR East will renew facilities and railcars on intercity networks. At the same time, JR East will reassess and improve complex, large facilities and equipment—established before extensions and improvements to the road network—to reflect current conditions and to enable the continuation of railway lines.

Further, JR East will continue efforts aimed at increasing the usage of regional networks and improving rigorously the efficiency of operational management. After full examinations of usage have concluded that for certain line segments it will be extremely difficult to maintain railways as a mode of transportation, JR East will change over to and operate non-railway transportation in order to maintain and improve service levels.

Travel Agency Services

OVERVIEW


View Plaza travel counter

For travel agency services, JR East increases usage of its railway network and invigorates regional economies by identifying regional tourism assets and promoting them through travel packages. JR East capitalizes on its unique travel agency business model to differentiate mainstay *View Travel Products* travel packages from those of other travel agencies. In fiscal 2008, revenues of *View Travel Products* were up 12.7% year on year, to ¥64.2 billion, as a result of increasing sales through other travel agencies and the Internet, which supplemented sales through *View Plaza* travel agencies in JR East railway stations.

TOPICS AND OUTLOOK


Otona no Kyujitsu Club poster

Targeting Seniors through *Otona no Kyujitsu Club*

As an aged society approaches, JR East aims to earn the early endorsement of seniors in a broad sense that includes the baby boomer generation and encourage higher usage of railways. To those ends, JR East launched *Otona no Kyujitsu Club: Zipangu,* targeting men aged 65 and above and women aged 60 and above, and *Otona no Kyujitsu Club: Middle,* targeting the baby boomer generation, those aged 50 and above. JR East stimulates railway usage within its service area by offering discounts and undertaking a wide variety of sales promotions through club magazines and other media. At the end of March 2008, the two clubs had approximately 820,000 members. By the end of March 2011, JR East aims to increase membership to 1.3 million.

Originally designed *Suica* IC Card for *Suica & N'EX*

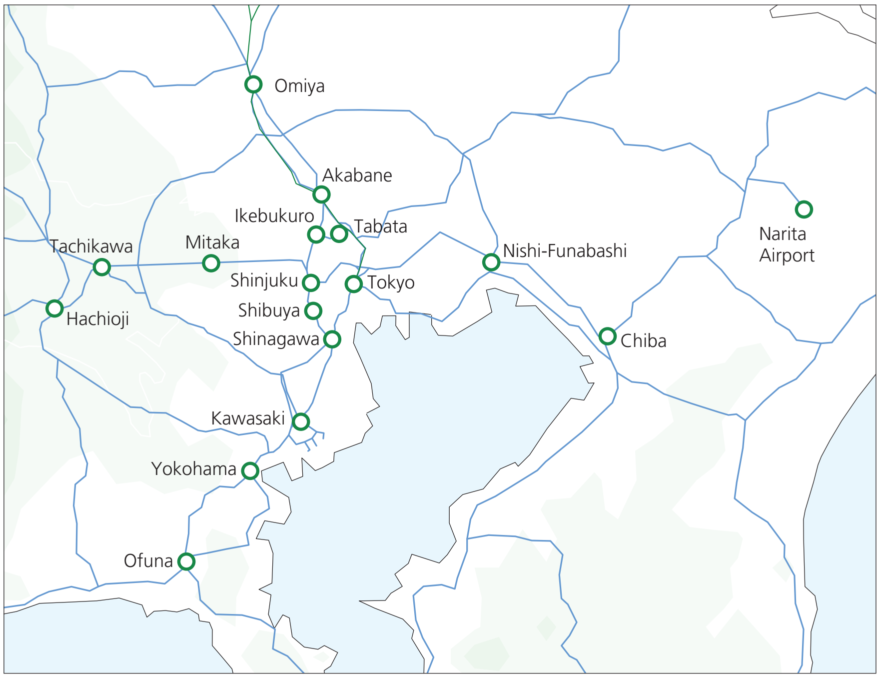
Creating and Selling Travel Packages that Draw on Tourism Assets

JR East's service area has an abundance of tourism assets related to history, culture, townscapes, and festivals, including the Shirakami-Sanchi mountain range and the shrines and temples of Nikko, which are designated UNESCO World Heritage Sites. JR East spurs tourist demand by working in partnership with local communities to develop tourism areas and by creating and marketing *View Travel Products*. In fiscal 2008, over 3 million customers used *View Travel Products,* up 14.9% year on year.

Promoting Usage by Customers from Overseas

Increasing every year, visitors to Japan from overseas reached more than 8.3 million in 2007. JR East continues to generate overseas tourist demand for its services through initiatives that included the marketing of such passenger tickets as *JR EAST PASS* and *Suica & N'EX* and launching a service enabling customers to reserve seats from overseas through the Internet from March 2008. Further, JR East will continue promotional activities in collaboration with the Visit Japan Campaign.

Station Space Utilization



Top 20 Stations with Large Daily Passengers Use

	Station	Number of Passengers per Day
1	Shinjuku	1,571,602
2	Ikebukuro	1,179,674
3	Shibuya	891,460
4	Yokohama	806,788
5	Tokyo	792,304
6	Shinagawa	648,506
7	Shimbashi	499,214
8	Omiya	478,222
9	Akihabara	434,474
10	Takadanobaba	424,572
11	Kita-Senju	382,030
12	Kawasaki	367,154
13	Ueno	362,198
14	Yurakucho	333,090
15	Tachikawa	312,286
16	Tamachi	309,500
17	Hamamatsucho	306,992
18	Kichijoji	287,864
19	Ebisu	275,652
20	Kamata	272,420


ecute Shinagawa

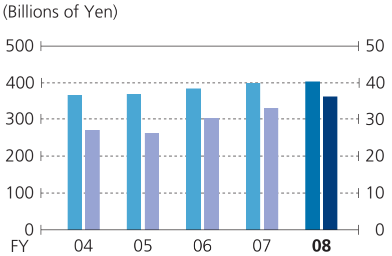
ecute Tachikawa

ecute Omiya

OVERVIEW

Business Results

(Billions of Yen)



Operating revenues (left)
Operating income (right)

Used by around 17 million passengers a day, the railway stations that JR East operates are its most significant management resource. In those railway stations, JR East operates a wide variety of businesses, including retail outlets and restaurants, that provide customers with convenient, comfortable services and increase earnings.

JR East has many railway stations with high passenger volumes: 92 railway stations are used by more than 100,000 passengers a day, including 36 railway stations used by more than 200,000 passengers a day as of March 31, 2008. Given those volumes, the scope for further development of non-transportation services is considerable.

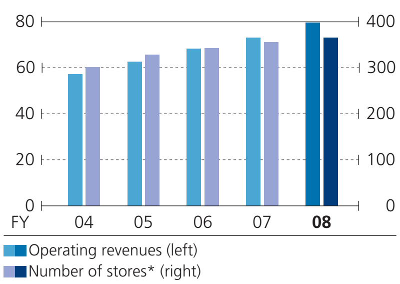
TOPICS

GranSta in Tokyo Station

NEWDAYS

***NEWDAYS*—Business Results**

(Billions of Yen)



* Stores operated by JR East Retail Net Co., Ltd.

Creating New Commercial Spaces

As part of the *Station Renaissance* program (see page 99 for details) to fully realize the appeal of railway stations, JR East's most significant management resource, JR East unveiled the first phase of *ecute Tachikawa* in October 2007. Together with the popular *ecute Omiya* and *ecute Shinagawa,* this brought the number of *ecute* commercial spaces to three. Other *Station Renaissance* program included the openings of *GranSta* in Tokyo Station, used by approximately 790,000 passengers a day, in October 2007 and the first and second phases of *Dila Mitaka* in Mitaka Station, used by approximately 180,000 passengers a day, in December 2007 and March 2008. Among those initiatives, *GranSta* won particularly high acclaim from a broad base of customers, achieving sales far above initial targets.

Fiscal 2008 store sales included ¥3.0 billion from *ecute Tachikawa;* ¥4.7 billion from *GranSta;* ¥10.0 billion from *ecute Omiya,* up 8.0% year on year; and ¥7.2 billion from *ecute Shinagawa,* up 9.0% year on year.

Further, such *Station Renaissance* program as *ecute* and *Dila* developed between fiscal 2002 and fiscal 2008 contributed operating revenues of roughly ¥121.0 billion in fiscal 2008.

Revitalizing Existing Stores

JR East will revitalize existing stores by heightening customer convenience through the introduction of *Suica* electronic money services and remodeling that includes conversions to new business types and formats. In retail operations, JR East will develop its network of *NEWDAYS* convenience stores, which continue to grow revenues, aiming to reach 500 stores*. As well as reflecting point-of-sales data in lineups to strengthen marketing power, JR East will continue remodeling existing stores to further increase customer convenience. In restaurant operations, JR East will increase restaurants and strengthen business formats, focusing on such fast-food business formats as the *Ajisai Chaya* noodle restaurant and *BECK'S* coffee shop.

* The *NEWDAYS* convenience store network comprised 411 stores as of March 31, 2008.

OUTLOOK

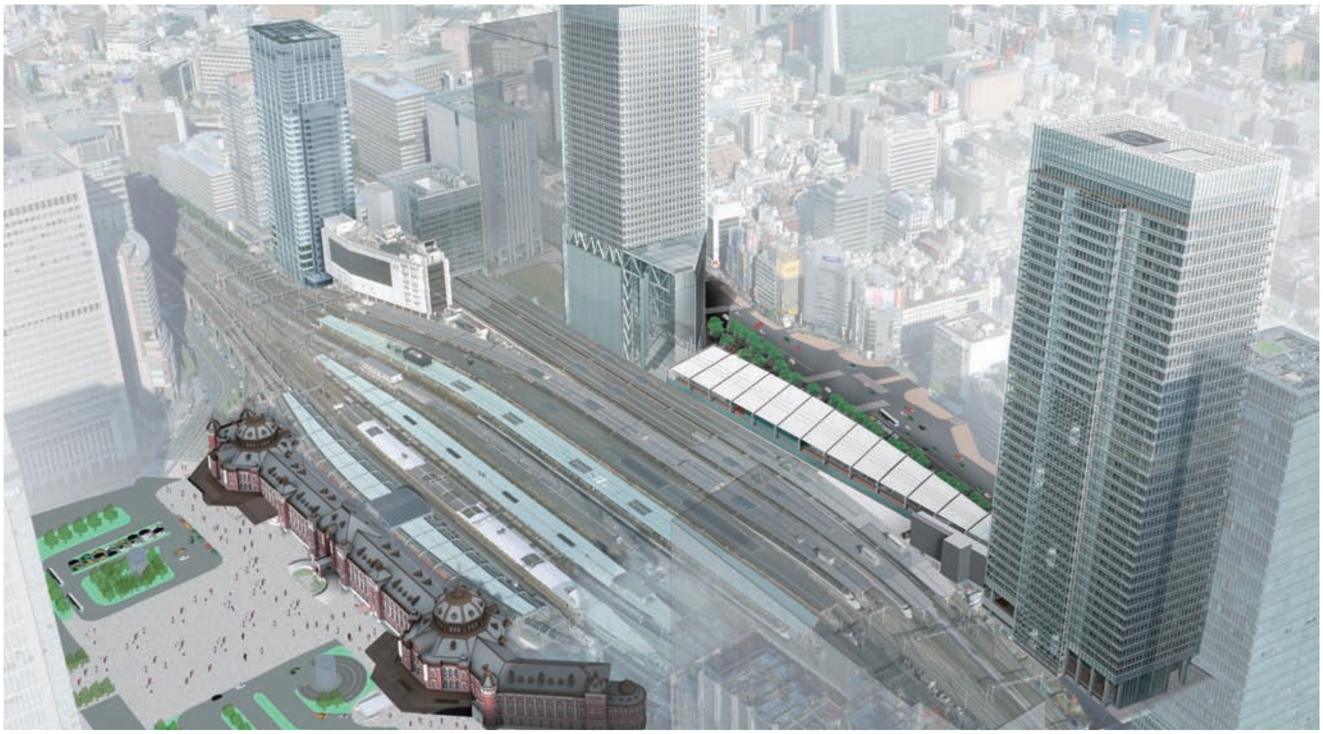
Concept illustration of Tabata Station

Evolving the *Station Renaissance* Program

Based on its new management vision, JR East will actively develop non-transportation services. As part of those efforts, JR East will promote its *Station Renaissance* program by concentrating on downtown railway stations that it has not yet developed and other railway stations with growing commercial potential due to the vitalization of their surrounding areas. JR East will actively advance marketing and merchandising and develop businesses such as *ecute* and *Dila* shopping facilities. Further, JR East will open the second phase of *ecute Tachikawa* and advance the *Station Renaissance* program in Tabata Station in fiscal 2009.

Also, JR East will optimally develop the value of *ekinaka* (spaces inside railway stations) by undertaking bold renewals of existing shopping areas that have become obsolete and revitalizing them as shopping areas that attract customers.

Shopping Centers & Office Buildings

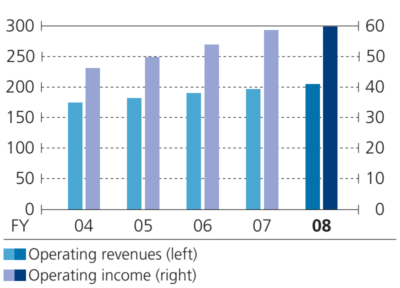


Concept illustration of *Tokyo Station City*

OVERVIEW

Business Results

(Billions of Yen)



Concentrating on such railway station buildings as *LUMINE* and *atré* and department-store formats such as *Granduo*, JR East fully exploits the formidable customer-drawing power of its stations and locations nearby them to develop a wide variety of shopping centers tailored to the characteristics of each area.

Similarly, JR East develops and leases office buildings, focusing on those in highly convenient locations that have direct access to its railway stations. In particular, JR East operates a large business complex that leverages a location next to Tokyo Station, used by approximately 790,000 passengers a day, and provides leading-edge highly functional offices that can cater to diverse needs.

As of March 31, 2008, JR East operated 123 shopping centers and 19 office buildings.

TOPICS

Tokyo Station Conference in the *Sapia Tower*

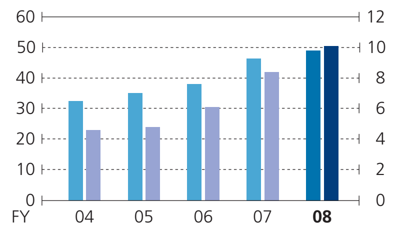
Celebrating the Completion of the First Phase of *GranTokyo North Tower* and *GranTokyo South Tower*

Following on from the start of operations at *Sapia Tower* in March 2007, under its *Tokyo Station City* project to develop the area around Tokyo Station, JR East completed twin high-rise towers approximately 200 meters high, the first phase of *GranTokyo North Tower and GranTokyo South Tower,* in October 2007. The office and commercial sections of the towers have earned praise.

LUMINE Shinjuku

***LUMINE*—Business Results**

(Billions of Yen)



JR East will complete restoration of the Tokyo Station Marunouchi redbrick building in fiscal 2012 and begin operations at the *Tokyo Station Hotel* (provisional name) in fiscal 2013. The fiscal 2014 development of the *GranRoof* and an open square at the Yaesu exit of Tokyo Station will conclude the *Tokyo Station City* project.

Further, *Tokyo Station City—Sapia Tower, GranTokyo North Tower,* and *GranTokyo South Tower*—contributed operating revenues of ¥12.0 billion and operating income of ¥3.5 billion in fiscal 2008. However, in fiscal 2009, the complex's first full fiscal year, JR East expects *Tokyo Station City* will post operating revenues of ¥25.0 billion and operating income of ¥11.0 billion.

Remodeling Shopping Centers

JR East remodeled such shopping centers as *LUMINE* and *atré* and continuously replaced stores to maintain and improve the appeal of sales areas and ensure they hold customer interest.

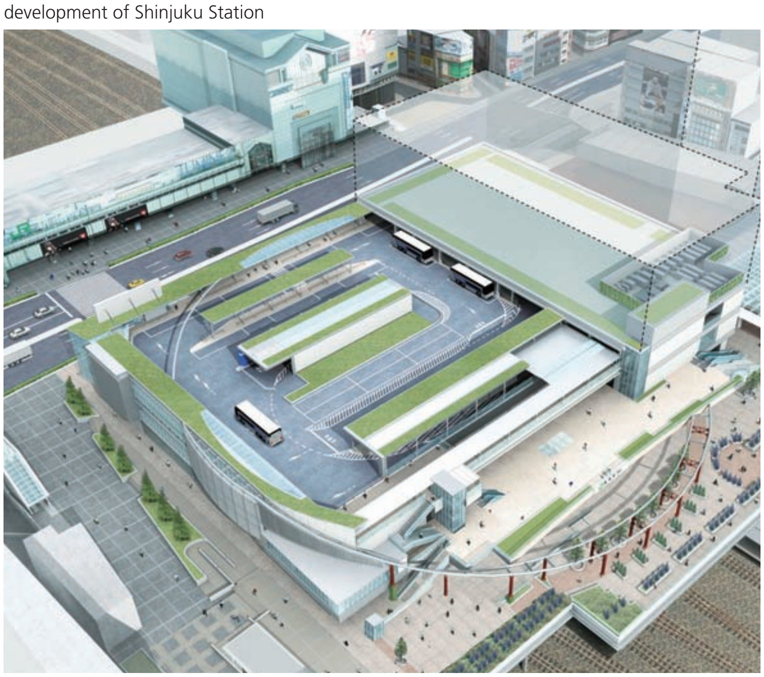
In addition, thanks to favorable tenant revenues on the back of those initiatives, LUMINE Co., Ltd., which operates mainstay railway station buildings, achieved in fiscal 2008 year-on-year increases of 6.0% in operating revenues, to ¥49.0 billion, and 20.0% in operating income, to ¥10.1 billion.

OUTLOOK

Developing Attractive Towns Centered on Railway Stations

Further, JR East will begin making line-side areas of railway lines more attractive and convenient and developing areas from the perspective of town development. Following clear development concepts that reflect regional characteristics, JR East will make line-side areas and railway-station-centered towns that are more attractive and convenient and that are endorsed by customers and local communities. An example of such initiatives is JR East's development of areas under elevated railway tracks to realize the *Chuo Line Mall* (provisional name) concept and thereby enhance the attractiveness and convenience of line-side areas.

Concept illustration of the future business development of Shinjuku Station



Developing Large-Scale Terminus Stations

JR East will implement development plans for the building development at the new south exit of Shinjuku Station (2 basement floors, approximately 33 floors above ground, and floor space of approximately 110,000 square meters) and carry out plans for the development of buildings—including the rebuilding of existing station buildings—near Chiba Station, the west and east exits of Yokohama Station, and Shibuya Station.

In addition, JR East will create a large developable area near Shinagawa Station by integrating and transferring a train depot and changing the position of railway lines. Through consultation and collaboration with related local authorities, JR East is moving forward with development of the area.

Other Services—Advertising and Publicity

OVERVIEW

SuiPo, new transportation advertising medium

JR East's advertising and publicity operations principally comprise transportation facilities advertising in railway station concourses and railcars. In Japan, transportation is a major advertising medium, ranking higher than radio and next after television, newspapers, and magazines in terms of revenues. Transportation advertising accounted for 3.7%, or ¥259.1 billion, of the ¥7,019.1 billion that Japanese companies spent on advertising in 2007. JR East dominates the transportation advertising business. In the Tokyo metropolitan area, the mainstay market for transportation advertising, JR East's fiscal 2007 advertising revenues of ¥57.6 billion represented roughly half of the total revenues for transportation advertising.

As well as selling conventional poster and billboard space in station concourses, JR East is growing revenues by marketing such advertising spaces as automatic ticket gates and floors.

TOPICS AND OUTLOOK


Train Channel on the Yamanote Line


Station Channel

Distributing Information through Visual Media

Debuting on the Yamanote Line in April 2002, the new-type E231 series railcars feature two 15-inch displays above each door, one providing updates on the train's progress while the other shows commercials. New-type railcars introduced to the Chuo Line from fiscal 2008 include the same type of onboard video advertising. Also, plans call for the steady introduction of such railcars to the Keihin-Tohoku Line and the Joban Line. Fiscal 2008 saw onboard video advertising sales increase 57.2% year on year.

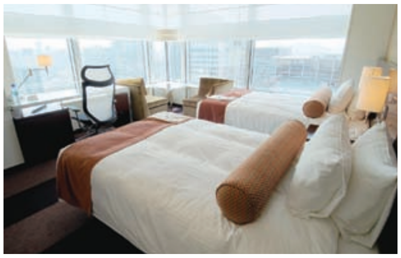
From July 2007, JR East began selling advertising carried by its *Station Channel* visual medium for railway stations. Based on large monitors that are installed near the ceilings of station concourses in Shinjuku Station and other stations, *Station Channel* uses Internet connectivity to carry videos and information. JR East is raising the value of the new medium by integrating it with other networks and linking its content with that of *Train Channel*.

Developing Media for the Future

By incorporating advertising media into overall plans, development of commercial spaces inside railway stations under the *Station Renaissance* program will grow advertising operations. As part of those initiatives, JR East will use the next-generation high-speed wireless technology *WiMAX* to provide high-speed large-capacity broadband communication services to customers in railway stations and trains. Furthermore, JR East will raise the asset value of railway stations and trains by taking advantage of such new technology as *WiMAX* video communication and organic EL (electroluminescence) to develop advertising media.

Other Services—Hotel Operations

OVERVIEW



Executive twin room in *Hotel Metropolitan Marunouchi*

JR East operates city, business, and long-term-stay hotels and had 38 hotels and approximately 5,300 guest rooms as of March 31, 2008. JR East's mainstay *Metropolitan Hotels* chain consists of 10 city hotels in the Tokyo metropolitan area and near the terminuses of major railway stations in regional cities. In addition to being advantageously located next to railway stations, those hotels provide sophisticated accommodation, dining, and banquet services. Further, JR East's *HOTEL METS* business hotels focus on accommodation, offering comfortable, reasonably priced rooms comparable with those of city hotels. Most of the *HOTEL METS* hotels have direct access to a railway station or are close to one.

In fiscal 2008, hotel operations posted year-on-year increases of 7.3% in sales, to ¥44.7 billion, and 36.3% in operating income, to ¥2.5 billion.

TOPICS AND OUTLOOK

Leveraging the *Metropolitan Hotels* Chain

In May 2007, JR East opened *Hotel Metropolitan Marunouchi* on the upper floors of *Sapia Tower*. The new hotel has 343 single, twin, and double guest rooms. Located in Japan's famous Marunouchi business district, *Hotel Metropolitan Marunouchi* focuses on accommodation and providing first-class comfort. Also, the hotel takes advantage of being directly connected to Tokyo Station to cater to a wide variety of business needs.

In fiscal 2008, the 10 *Metropolitan Hotels* had an average occupancy rate of 80%.

Twin room in *HOTEL METS Akabane*

Developing the *HOTEL METS* Chain

JR East operated 18 *HOTEL METS* hotels, including franchises, as of March 31, 2008. As well as targeting businesspeople, JR East hopes local residents will use those hotels as gathering places and to accommodate their guests. JR East will continue developing the *HOTEL METS* hotel chain in the Tokyo metropolitan area, with *HOTEL METS Tachikawa* opening for business in fall 2008 and an expansion of *HOTEL METS KamakuraOfuna* slated for winter of the same year.

In fiscal 2008, the 18 *HOTEL METS* hotels had an average occupancy rate of 85%.

Concept illustration of *Tokyo Station Hotel*

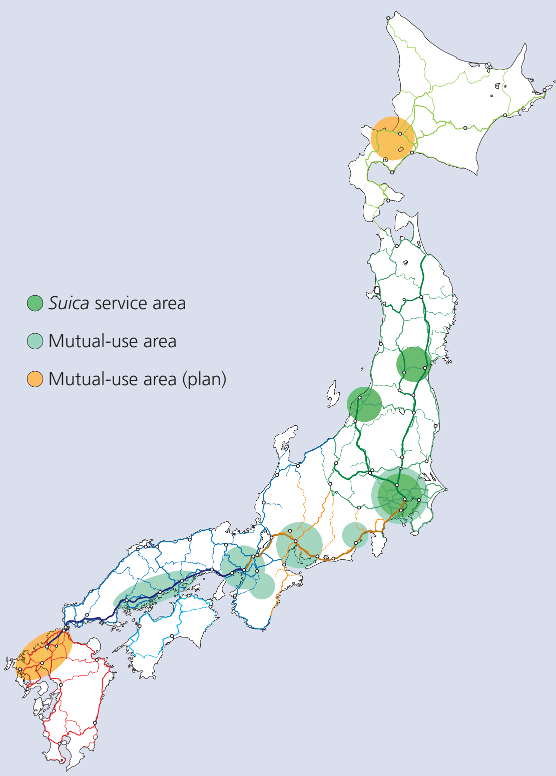
Constructing a Hotel in Tokyo Station

At the Marunouchi exit (west side) of Tokyo Station, JR East is restoring the historic Marunouchi redbrick building and developing the open square that it looks onto. With restoration work due for completion by March 2012, JR East plans to open a hotel befitting Japan's flagship railway station inside this important cultural asset.

Suica

In light of the wide-ranging development potential of IC cards, JR East has examined the possibilities of IC cards and developed applications for them in railway operations since its establishment in 1987. On November 18, 2001, JR East introduced *Suica* as a next-generation fare collection system based on IC cards. To capitalize on the significant potential of *Suica,* JR East expanded the IC card's functions from passenger tickets to shopping by beginning *Suica* electronic money services on March 22, 2004. Usage of *Suica* electronic money has risen dramatically because of the convenience it affords—enabling customers to ride trains, shop in stations or affiliated stores, and buy items from automatic vending machines.

Topics



Increasing Mutual Use with Various Modes of Transportation

Since launching *Suica* in November 2001, JR East has extended the usability of the IC card within the JR East service area and established mutual use with West Japan Railway Company's *ICOCA* IC card and the IC cards of other transportation companies. From March 18, 2007, JR East began mutual use between *Suica* and *PASMO,* which is an IC card issued by other railway operators and bus service operators in the Tokyo metropolitan area. Subsequently, on March 29, 2008, the start of mutual use with Central Japan Railway Company's *TOICA* added the Tokai area to existing mutual use in the Kinki region, the Okayama area, and Hiroshima area. Plans call for the start of mutual use with Hokkaido Railway Company's *Kitaca* in spring 2009 and with Kyushu Railway Company's *SUGOCA,* Nishi-Nippon Railroad's *nimoca,* and Fukuoka Transportation Bureau's *HAYAKAKEN* in spring 2010. Those initiatives will give JR East mutual use tie-ups with transportation operators in all of Japan's major cities.

Developing *Suica* Electronic Money

Since the launch of *Suica* electronic money services in March 2004, the range of stores in which customers can use *Suica* for shopping has extended beyond stores in railway stations to include convenience stores, shopping centers, and consumer electronics retail stores. Electronic money mutual use began with *PASMO* from March 18, 2007, and with *ICOCA* from March 18, 2008. Moreover, JR East plans to begin electronic money mutual use with *Kitaca* in spring 2009 and with *SUGOCA, nimoca*, and *HAYAKAKEN* in spring 2010. *Suica* was usable at approximately 44,200 stores as of March 31, 2008.

Further, in order to spread the use of *Suica* in a variety of situations, JR East developed and introduced electronic money terminals that are compatible with several electronic money formats and *Suica* handy terminals. Also, from June 1, 2007, JR East began the *Suica Point Club* to encourage use of *Suica* electronic money.

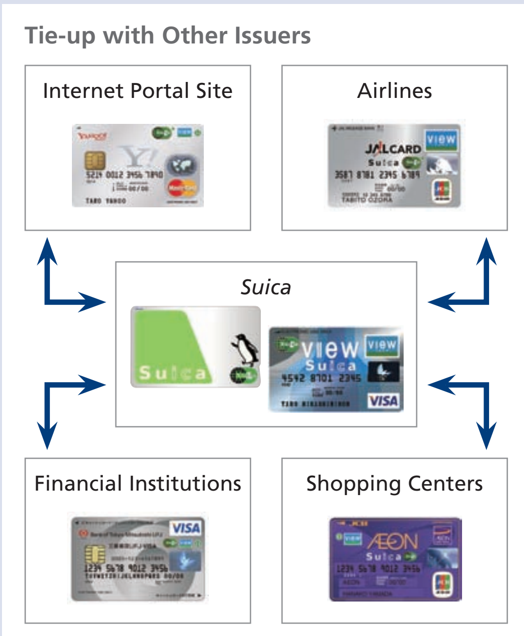
As a result of those efforts, usage of *Suica* electronic money has increased unrelentingly since JR East began the service, with usage of *Suica* and *PASMO* accounting for more than 1 million transactions daily as of April 23, 2008.

Mobile Suica

Advancing *Mobile Suica*

Mobile Suica services are based on mobile phones that incorporate *Suica* functions. Launched on January 28, 2006, those new services add the convenience of *Suica* to the convenience mobile phones' communication and display functions afford. From March 15, 2008, a *Mobile Suica Limited Express Ticket* service began enabling "ticketless" usage of JR East's Shinkansen services. Furthermore, passengers can use *Mobile Suica* services to board the Shinkansen services of the Tokaido Shinkansen Line by joining the *Express Reservation* of Central Japan Railway Company and using its *EX-IC* service, launched on March 29, 2008.

Outlook



Expanding *Suica* throughout the Railway Network

JR East will expand the *Suica* mutual-use network by beginning mutual use in the Sapporo and Fukuoka areas by fiscal 2010.

In conjunction with those initiatives, JR East will use the latest information technology and thorough information control to build systems that realize the highest levels of reliability and security.

Making *Suica* the No.1 Electronic Money, Developing Operations that Contribute to Group Earnings

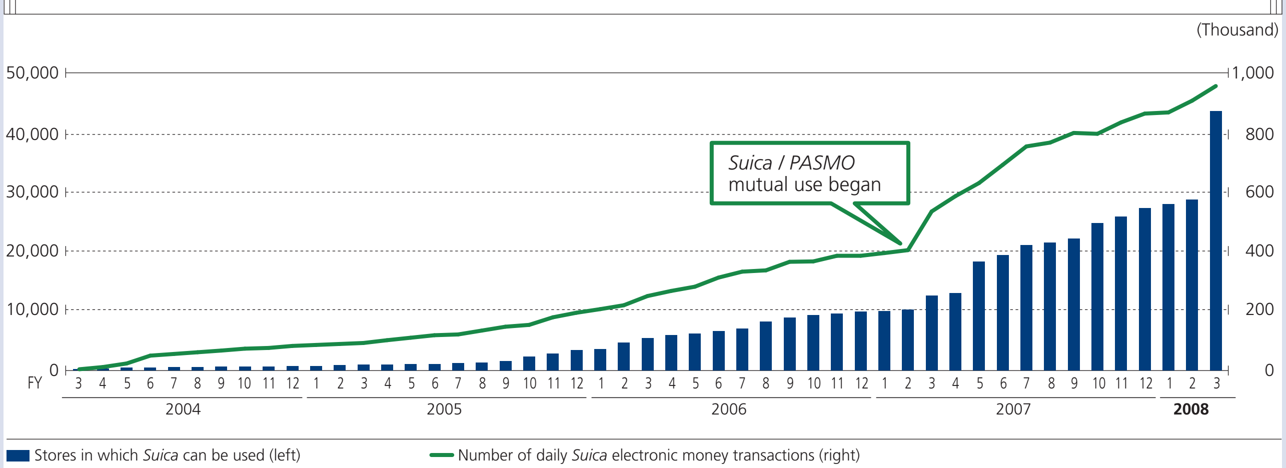
JR East will further expand the mutual-use network for *Suica* electronic money, improve and expand the usage environment for *Suica* electronic money through tie-ups with other issuers of transportation-related electronic money, and establish the *Suica* brand. Also, JR East will spread *Suica* electronic money nationwide by increasing its tie-up partners in areas where the use of electronic money is commonplace while extending and diversifying the areas in which electronic money is used.

By rolling out those measures, JR East aims to increase the usage area and the usage frequency of *Suica* electronic money and achieve 8 million transactions daily in fiscal 2011.

Taking On the Challenge of New Businesses Based on *Suica* Information, Elevating *Suica* Operations to General IT Operations

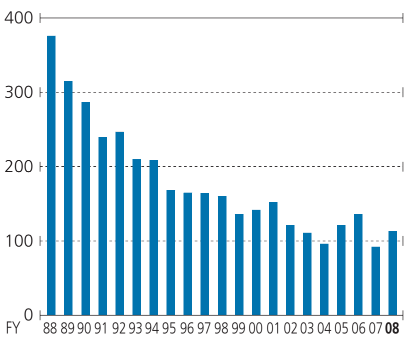
By shifting cash settlements to *Suica,* we will compile consumption data on small-sum settlements, which JR East will use in information businesses that, for example, provide marketing data showing the consumption patterns of customer categories. JR East will build systems that enable the offering to customers of sales promotional information that reflects their consumption preferences and behavior patterns based on their purchasing histories, and JR East will consider ways to add further value to data.

Number of Daily *Suica* Electronic Money Transactions and *Suica* Acceptable Stores



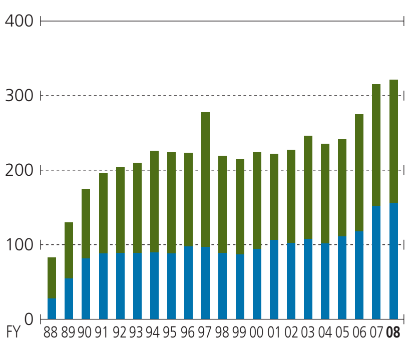
Since its founding, JR East has positioned safety as the top priority of corporate management and continuously furthered safety initiatives. In a concerted effort, the JR East Group is building safety advancement systems that will realize the world's safest railway operations. In accordance with the unwavering commitment to "extreme safety levels" set out in *JR East 2020 Vision—idomu*—JR East will continue initiatives that further improve safety in terms of infrastructure and awareness.

Trends in Railway Accidents



Safety-Related Investment (Non-consolidated)

(Billions of Yen)



Safety-related investment
Other investment

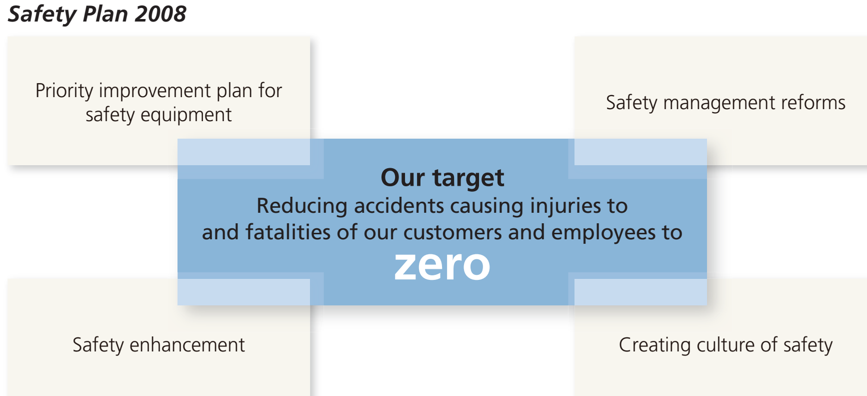
Safety Plan 2008

Aiming to achieve ever-higher levels of safety, JR East has continuously prepared and implemented safety plans since its incorporation. As a result of raising the safety awareness of each employee, JR East has reduced operational railway accidents to approximately one-fourth of their level at the time of its establishment. Further, over the 21 years since its establishment JR East has invested approximately ¥2 trillion in safety, representing more than 40% of the parent company's total capital expenditures during this period. Since fiscal 2005, JR East has implemented its *Safety Plan 2008* with the aim of eliminating accidents that result in the death or injury of customers and the death of employees. In those efforts, JR East rechecks safety fundamentals and rebuilds safety systems.

Safety Management

To heighten safety, it is necessary to understand the causes and potential causes of accidents correctly and take countermeasures. Mindful of that, JR East has built management systems to facilitate that process. JR East's systems for safety advancement include the Railway Safety Promotion Committee, chaired by a vice president and located at Head Office and Regional Safety Promotion Committees, established at branch offices, and Shinkansen transport department. In addition, the Transportation Reliability/Stability Improvement Committee is tasked with building even higher quality railway systems. Also, the JR East Group is further developing its *JES-Net25* system, which covers the operations of 25 Group companies engaged in construction work or other operations that directly affect railway operations.

Safety Plan 2008



Railcar testing device

Safety Research System

Another facet of JR East's efforts to further improve safety is the Company's research and development initiatives, which encompass a variety of safety technologies and systems. Research & Development Center of JR East Group researches the human factors involved in railway safety, clarifies derailment mechanisms for Shinkansen and other types of railcars and devises countermeasures, and develops engineering methods to reinforce the earthquakes resistance of elevated railway track supports. Moreover, in response to the 2005 derailment accident on the Uetsu Line, JR East established a Disaster Prevention Research Laboratory within Research & Development Center of JR East Group. With a mission to prevent railway disasters caused by natural phenomena, this laboratory researches such natural phenomena as strong winds and earthquakes as well as researching countermeasures.

Safety Education

The JR East General Education Center and the training centers of each branch office regularly implement educational programs about safety systems and safety rules and accident-prevention training that uses simulators. Further, to foster a corporate culture rooted in learning from past accidents and heightening the safety awareness of each employee, JR East has established the Accident History Exhibition Hall in the JR East General Education Center.

Simulator for training operators

Safety Culture Creation

Encouraging each employee to think about safety and take the initiative in safety matters, JR East organizes the *Challenge Safety* program. In that program, frontline employees discuss safety issues that arise in everyday operations and how to resolve them. Another initiative, the *Head Office Safety* campaign, enables direct discussions between senior management and frontline employees. In addition, JR East holds the annual *Railway Safety Symposium* to lend impetus to a varied range of safety initiatives. Also, because the cooperation of customers and local communities is an indispensable part of ensuring safety, JR East implements *Platform Safety campaigns* to promote safety on railway platforms and other areas of railway stations as well as *Railway Crossing Accident Prevention campaigns* to call on drivers and pedestrians to use railway level crossings safely.

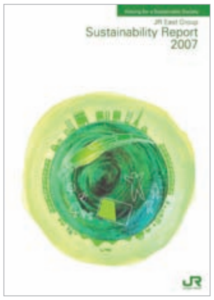
Automatic platform gates

Upgrading of Safety Equipment

Over its five-year period, *Safety Plan 2008* earmarks ¥400 billion for investment to prevent major accidents. Through that investment, JR East is steadily upgrading priority safety equipment. For example, JR East is implementing earthquake countermeasures that reflect the lessons of the Niigata Chuetsu Earthquake and bringing forward the installation of ATS-P type and ATS-Ps type automatic train stop devices that prevent train collisions. In fiscal 2009, JR East plans to invest ¥168.0 billion in safety initiatives. Further, in response to society's growing expectations with regard to platform safety, JR East plans to introduce automatic platform gates to the Yamanote Line. Specifically, plans call for the installation of automatic platform gates at Ebisu Station and Meguro Station in fiscal 2011. JR East plans to introduce the gates at all 29 Yamanote Line railway stations based upon consideration of the effect on train operations.

The JR East Group's core railway operations have extremely strong ties with society at large and local communities. The shared history of railway construction and social progress in Japan testifies to the strength of that relationship. Consequently, as the JR East Group has developed its operations it has also fostered a corporate culture that meets its responsibilities as a good corporate citizen by benefiting society through its various business activities.

JR East's Group Philosophy sets out a social mission calling on the Group to grow continuously and advance in harmony with customers by generating earnings while meeting social responsibilities as a *Trusted Life-style Service Creating Group*. Accordingly, the JR East Group will continue to meet the expectations of society and justify the trust of its stakeholders.



Sustainability Report 2007

FOR SOCIETY

Railway Stations as Part of Local Communities

The JR East Group contributes to local communities by developing its railway stations in a variety of ways to best integrate them with the town development efforts of local governments. Those initiatives include establishing new railway stations, developing the areas around railway stations such as squares fronting railway stations and access walkways, elevating railway tracks to remove divisions within towns, and building community centers and libraries next to railway stations.


Station Day Care facility near Minami-Yono Station

Day Care and Nursing Care Facilities near Railway Stations

Aiming to support the social advancement of women and the diversification of lifestyles, the JR East Group works closely with local governments to establish and operate *Station Day Care* facilities for children near railway stations. JR East had a network of 21 *Station Day Care* facilities as of April 2008.


JR East Vice Chairman Yoshio Ishida is a member of the executive board of the UIC and the management committee of the Asia Regional Assembly.

Cooperation with Overseas Railway Operators

In order to cooperate and exchange information with railway operators worldwide under a wide range of themes that include technology, management, and the environment, the JR East Group is affiliated with the Union Internationale des Chemins de Fer (UIC), the International Association of Public Transport (UITP), and the Community of European Railway and Infrastructure Companies (CER), and participates in related initiatives and conferences.

Further, the JR East Group contributes internationally by accepting vistors and trainees from overseas. In fiscal 2008, the JR East Group welcomed 617 visitors and trainees from 45 countries. Those trainees included participants in training exchange programs held annually with railway operators in Germany, South Korea, and other countries as well as participants in training programs of the Japan International Cooperation Agency (JICA) and other Japanese governmental organizations.


Inside The Railway Museum

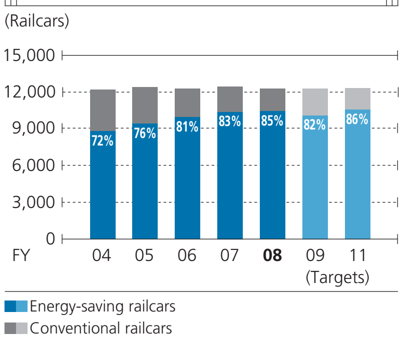
The Railway Museum

In October 2007, the JR East Group cut the tape on The Railway Museum as the flagship project commemorating the 20th anniversary of JR East's incorporation. The East Japan Railway Culture Foundation* built the museum on land that JR East owns in Saitama City. Of the ¥12.4 billion total project costs, the JR East Group received ¥2.6 billion from Saitama City's municipal government and other project sponsors. The museum systematically preserves and displays artifacts and documents relating to the railway heritage of Japan and other countries and JR East and the restructuring of Japan National Railways (JNR). Less than six months after its opening, the museum welcomed its 1 millionth visitor.

* In 1992, JR East established the East Japan Railway Culture Foundation to realize programs that contribute to society continuously. The foundation promotes regional culture, conducts railway-related surveys and research, and organizes international cultural exchanges.

FOR THE ENVIRONMENT

Trends in Energy-Saving Railcars




E233 series railcars


Showbreak trees along Yamagata Hybrid Shinkansen Line


Forestation

Energy Efficiency Improvement and CO_2 Emissions Reduction

Energy used by its railway operations accounts for 70% of the total energy consumed by JR East. By the end of fiscal 2008, 85% of JR East's total rolling stock, or 10,428 railcars, were energy-saving railcars, and energy consumption per unit of transportation volume had decreased 14%* from fiscal 1991 levels. Further, to reduce the overall CO_2 produced by transportation in general, JR East encourages the use of railways as a highly energy efficient mode of transportation that places little burden on the environment through initiatives such as promoting use of its park-and-ride and rent-a-car services.

* Based on the calculation method pursuant to the Law Concerning the Promotion of Measures to Cope with Global Warming

Resource Recycling

JR East's recycling initiatives come under three headings: reduce, reuse, and recycle. In fiscal 2008, JR East produced 650,000 tons of waste, of which 79% was reused or recycled. Further, the *Suica* IC card passenger ticket helps to conserve natural resources significantly because, unlike traditional passenger tickets, passengers can use the *Suica* IC card repeatedly.

Preservation of Environments alongside Railway Lines

In areas alongside railway lines, JR East advances a range of initiatives to reduce noise, conserve landscapes, prevent pollution, and preserve natural environments. For example, JR East has completed measures to reduce noise from Shinkansen lines to 75 decibels or less in residential areas by installing soundproof walls and using sound absorbent materials. Moreover, JR East uses low-noise equipment for maintenance work. In addition, JR East preserves approximately 4,200 hectares of railway forest, comprising 6 million trees, which protect railway lines from natural disasters.

Systems for the Advancement of Environmental Management

The Group's Advancement System

JR East established the Committee on Ecology to steadily implement surveys of the environmental impact of JR East's operations, set environmental targets, undertake environmental preservation activities, check progress toward targets, and conduct senior-management-level monitoring. In order to confirm the Group's overall environmental policies, since fiscal 2004, JR East has regularly convened the JR East Group Environmental Management Advancement Conference, which representatives of all Group companies attend.

Forestation

Railway Line Forestation programs undertaken in partnership with local communities had planted approximately 260,000 trees and accounted for 38,000 participants over the 15 year-period ended March 2008.

ISO 14001 Acquisitions

At operational bases that place a comparatively heavy burden on the environment, JR East has been acquiring ISO 14001 certification, which recognizes compliance with international standards for environmental management systems. All of JR East's Rolling Stock Centers, which maintain railcars, have acquired ISO 14001 certification.

Please see the JR East Group's Sustainability Report 2007 for further information about initiatives related to corporate social responsibility and the environment.

http://www.jreast.co.jp/e/environment/index.html

JR EAST'S BASIC CORPORATE GOVERNANCE PHILOSOPHY

To continue to be a company trusted by its shareholders and all other groups of stakeholders, JR East has made the strengthening of its corporate governance a top-priority management task.

Specifically, with a view to augmenting the soundness and transparency of management, JR East is creating appropriate systems for management decision making, operational execution and auditing, Group management, information disclosure, and other important matters while also implementing the various measures required in connection with those systems.

Because of the special characteristics of JR East's mainstay railway transportation operations, JR East emphasizes the making of management decisions based on a long-term perspective. Accordingly, JR East believes the most appropriate course is to enhance corporate governance based on its current auditor system of governance.

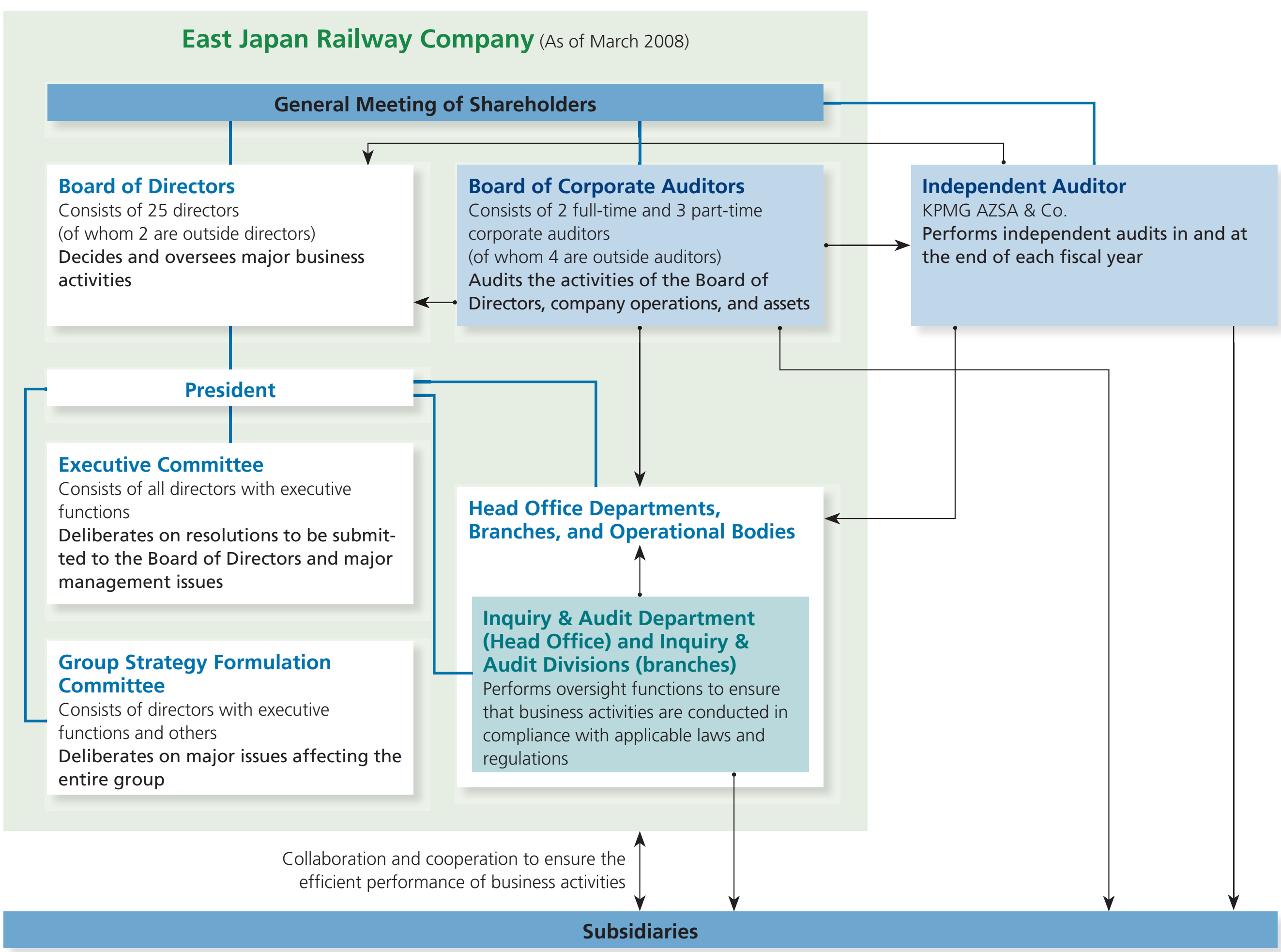
CURRENT STATUS OF CORPORATE GOVERNANCE UNITS AND INTERNAL CONTROL SYSTEMS

Overview of Corporate Governance Units

JR East's Board of Directors comprised 25 directors, including 2 outside corporate directors as of March 31, 2008. Meeting once a month in principle, the Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Created by the Board of Directors, the Executive Committee includes all directors with executive functions. Meeting once a week in principle, the Executive Committee deliberates matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee, which mainly consists of directors with executive functions, convenes as required and considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

The Board of Corporate Auditors comprises 5 corporate auditors, including 2 full-time and 3 part-time corporate auditors of whom 4 are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other committees and by making inquiries regarding JR East's operations and assets.

Corporate Governance System



Overview of Internal Control Systems

JR East's basic policy regarding internal control systems and its progress toward enhancing such systems are as follows.

1) Systems for ensuring that corporate officers and employees perform their duties in accord with relevant laws and regulations as well as with the articles of incorporation

a. JR East and its consolidated subsidiaries (hereinafter "Group companies") have drafted the Legal Compliance and Corporate Ethics Guidelines, which serves as corporate action guidelines for the JR East Group, and distributed handbooks that explain code of conduct standards in concrete terms to each corporate officer and employee in order to promote legal compliance and high corporate ethical standards.
b. JR East's Legal Department and Administration Department together handle overall control over horizontally integrated compliance matters throughout the Company.
c. A unit has been established to provide compliance-related advice and receive whistle-blower reports and other reports related to compliance issues.
d. A supervision system has been established in relation to the execution of internal audits to ensure the appropriateness and efficiency of operational execution.

2) Systems for preserving and administering information related to the performance of directors

Documents related to directors' performance of their duties are appropriately preserved and administered in accordance with relevant laws and internal regulations. Directors and auditors can view these documents whenever necessary.

3) Risk management rules and systems

a. JR East has established the Transportation Operations Center, which operates 24 hours a day, with the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established specialized internal committees focused on maintaining safety and improving reliability.
b. All JR East departments undertake risk management to manage the risks of significant adverse influences on corporate operations due to such incidents as external criminal offenses or internal scandals and legal violations. In addition, JR East has established Crisis Management Headquarters as well as implemented crisis management related internal regulations. In the event of a major problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly undertakes such actions necessary to gather the relevant information and implement countermeasures.

4) Systems for promoting the efficient performance of directors

a. Internal regulations have been established that allocate authority by clearly defining the authority and roles of each organizational unit to promote efficiency throughout JR East's operations.
b. Action programs have been established for each organizational unit to increase the transparency of the implementation of *JR East 2020 Vision—idomu*—which articulates common goals for the entire JR East Group, and to promote the efficient implementation of measures to realize the vision's objectives. Progress in action program implementation is periodically evaluated as a means of promoting the efficient implementation of strategic measures.

5) Systems for promoting operational propriety throughout the JR East Group

a. The Group companies have drafted the Legal Compliance and Corporate Ethics Guidelines, which serves as corporate action guidelines with regard to legal compliance and corporate ethics, and distributed handbooks that explain code of conduct standards in concrete terms to each corporate officer and employee. In addition, an external compliance consultation and reporting unit has been established to serve the entire JR East Group.
b. The Group companies have established risk management units as well as regulations and other provisions related to risk management. In the event of a problem, these regulations call for the immediate establishment of a preliminary task force that rapidly takes such actions as necessary to gather relevant information, report such information to the parent Company when appropriate, and implement countermeasures.
c. JR East participates in the management of Group companies by dispatching directors to those companies and by other means to promote operational propriety throughout the JR East Group. In addition, JR East's Inquiry & Audit Department performs audits of Group companies at regular intervals.

6) Items related to employees who assist corporate auditors in the performance of their duties

Specialized staff are assigned to the Corporate Auditors Office to assist corporate auditors in the performance of their duties in order to increase the efficiency of audits and enable audits to be performed smoothly.

7) Independence from directors of employees who assist corporate auditors in the performance of their duties

The staff of the Corporate Auditors Office are to only follow instructions from the corporate auditors and are not subject to orders from directors or other employees.

8) Systems for enabling directors and employees to report to corporate auditors and other systems for reporting to corporate auditors

For items that the Board of Directors' regulations stipulate are to be decided by the Board, deliberation standards have been established, and these standards provide for appropriate deliberations to be conducted at Board meetings. Further, the content of important items other than those that the regulations stipulate are to be decided by the Board may also be confirmed by corporate auditors at meetings of the Board and of the Executive Committee.

9) Other systems for promoting the effective performance of corporate auditors' audits

The corporate auditors hold meetings at regular intervals with the president and the independent auditor to exchange information and opinions.

Basic Internal Control Policy for Financial Reports

The Company's basic internal control policy for financial reports is as follows.

1) The Company will establish and operate systems required to ensure the appropriateness of documents relating to the financial statements and other information.
2) Regarding the establishment and operation of the systems indicated in the previous item, the Company will adhere to generally accepted standards for the evaluation of internal controls in relation to financial reports and evaluate internal controls each fiscal year.

Current State of Internal Audits, Corporate Audits, and Accounting Audits (Systems for Internal Audits, Corporate Audits, and Accounting Audits)

Regarding internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at Head Office and Inquiry & Audit divisions at branch offices, and together they work to ensure that corporate operations are executed lawfully and efficiently. Internal audits are implemented based on plans prepared at the beginning of each fiscal year, requests are made for the submission of progress updates for items requiring improvement, and the audit results are reported to representative directors at the end of the fiscal years and at other times deemed necessary. In addition, the Inquiry & Audit Department audits Group companies.

Regarding corporate audits, corporate auditors exchange information at monthly meetings of the Board of Corporate Auditors, and they also exchange auditing information with corporate auditors of Group companies at liaison meetings held at regular intervals. The audits of corporate auditors are supported by approximately 10 specialized staff. The system for the oversight of the implementation of operations by directors, carried out in accordance with the rules established by the Board of Corporate Auditors, centers on full-time corporate auditors who attend meetings of the Board of Directors, the Executive Committee, and other important in-house meetings and also investigate financial situations and other items.

Regarding accounting audits, the consolidated accounts of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA & Co., in and at the end of each fiscal year. The following is a breakdown of the certified public accountants (CPAs) who conducted accounting audits in the fiscal year under review as well as their auditing assistants.

- Designated certified public accountants:
  Masanori Sato, Toshio Ikeda, and Mamoru Takamura
- Breakdown of auditing assistants:
  Certified public accountants, 8; other, 21

JR East facilitates coordination and information sharing to promote efficient and effective auditing. For example, full-time corporate auditors and the director responsible for internal auditing units hold monthly liaison meetings, and full-time corporate auditors receive regular updates on audit implementation from the accounting auditor 5 times a year and at any other time deemed necessary.

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.

Main Activities and Significant Additional Posts of Outside Corporate Directors and Outside Corporate Auditors

Title	Name	Main activities	Companies in which additional posts held, details of posts
Outside Corporate Director	Takeshi Inoo	Attended all meetings of the Board of Directors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience as a manger	
	Takeshi Sasaki	Attended 13 of 17 meetings of the Board of Directors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience as an expert	Outside director, ORIX Corporation Outside director, Toshiba Corporation
Outside Corporate Auditor	Toshiaki Omori	Attended all meetings of the Board of Directors and the Board of Corporate Auditors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience relating to government	
	Jiro Bando	Attended all meetings of the Board of Directors and the Board of Corporate Auditors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience relating to government	
	Kiyoshi Uetani	Attended all meetings of the Board of Directors and the Board of Corporate Auditors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience as a judge and lawyer	
	Tsutoo Matsumoto	Attended all meetings of the Board of Directors and the Board of Corporate Auditors convened in the fiscal year under review, makes statements about JR East's management issues based on extensive experience as a certified public accountant	Outside auditor, Shinagawa Refractories Co., Ltd. Outside auditor, Japan Securities Clearing Corporation Outside auditor, Mitsubishi Pencil Co., Ltd.

CURRENT STATE OF RISK MANAGEMENT SYSTEMS

JR East has established the Transportation Operations Center, which operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established specialized internal committees focused on maintaining and improving safety—the Safety Promotion Committee and the Transportation Reliability/Stability Improvement Committee.

With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external criminal offenses or internal scandals and legal violations, all JR East departments undertake risk management activities. In addition, JR East has established the Crisis Management Headquarters as well as implemented crisis management related internal regulations. In the event of problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly undertakes such actions as those to gather the relevant information and implement countermeasures.

COMPENSATION OF DIRECTORS AND CORPORATE AUDITORS

In fiscal 2008, JR East paid the following compensation to directors and corporate auditors.

(Number of recipients)

Directors (25)	:	¥952 million
Corporate auditors (5)	:	¥114 million
Total (30)	:	¥1,066 million

Notes: 1. The above total sum was paid to all those occupying the position of director or corporate auditor on and subsequent to the day following the 20th Regular General Meeting of Shareholders, held on June 22, 2007.
2. The compensation amount for directors and corporate auditors determined at the 21st Regular General Meeting of Shareholders, held on June 24, 2008, was ¥247 million (including ¥224 million for directors and ¥23 million for corporate auditors).
3. The above total sum includes ¥129 million in compensation for 6 outside directors.

COMPENSATION OF INDEPENDENT AUDITOR

For fiscal 2008, JR East paid compensation of ¥147 million ($1,470 thousand) to KPMG AZSA & Co. for services provided pursuant to article 2, paragraph 1, of the Certified Public Accountant Law (1948, Law No. 103). Further, JR East paid compensation of ¥53 million ($530 thousand) for other services in fiscal 2008.

NUMBER OF DIRECTORS

JR East's articles of incorporation stipulate that the number of JR East's directors shall be 30 or less.

CONDITIONS FOR DETERMINING THE SELECTION OF DIRECTORS

The conditions stipulated by JR East's articles of incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights.

RESOLUTIONS TO BE DECIDED BY THE GENERAL SHAREHOLDERS' MEETING THAT MAY BE DECIDED BY THE BOARD OF DIRECTORS

Acquisition of Treasury Stock

In accordance with article 165, paragraph 2, of the Company Law, JR East's articles of incorporation provide for the acquisition of treasury stock through market transactions and other means based on a resolution of the Board of Directors. This is designed to enable the execution of flexible capital policies that respond to current and future changes in the operating environment.

Interim Dividends

JR East's articles of incorporation stipulate that interim dividends based on article 454, paragraph 5, of the Company Law may be paid to shareholders of record as of the end of September 30 of each year as well as holders of fractional shares that are registered or recorded in the final fractional share register and registered pledgees as of the end of September 30 of each year in accordance with resolutions of the Board of Directors. This is designed to enable the flexible execution of measures to distribute profit to shareholders.

CONDITIONS FOR SPECIAL RESOLUTIONS OF THE GENERAL SHAREHOLDERS' MEETING

The conditions stipulated by JR East's articles of incorporation for resolutions based on article 309, paragraph 2, of the Company Law are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more those voting rights. These conditions are designed to promote the smooth and efficient functioning of the general shareholders' meetings.

OTHER

With regard to information disclosure, JR East is proactively engaged in public relations and investor relations programs. By making use of its website and other media, JR East is striving to increase the volume of information disclosed, ensure that information disclosure is timely, and otherwise improve its information disclosure.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of July 2008)

CHAIRMAN

Mutsutake Otsuka

VICE CHAIRMAN

Yoshio Ishida

Technology and Overseas Related Affairs

PRESIDENT AND CEO

Satoshi Seino[*1]

EXECUTIVE VICE PRESIDENTS

Tetsujiro Tani[*1]

Corporate Planning Headquarters

Tetsuro Tomita[*1]

Life-style Business Development Headquarters

Masaki Ogata[*1]

Railway Operations Headquarters; IT & Suica Business Development Headquarters

EXECUTIVE DIRECTORS

Yoshiaki Arai

Life-style Business Development Headquarters

Yoichi Minami

Railway Operations Headquarters;
Marketing Department, Railway Operations Headquarters;
Customer Service Department, Railway Operations Headquarters

Hiroyuki Nakamura

Tokyo Branch Office

Tsugio Sekiji

Railway Operations Headquarters;
Transport Safety Department, Railway Operations Headquarters;
Transport & Rolling Stock Department, Railway Operations Headquarters

Toru Owada

Corporate Planning Headquarters;
Inquiry & Audit Department; Finance Department

Seiichiro Oi

Railway Operations Headquarters; Technology Planning Department, Corporate Planning Headquarters; Facilities Department, Railway Operations Headquarters; Electrical & Signal Network System Department, Railway Operations Headquarters; Construction Department; Research & Development Center of JR East Group

Yuji Fukasawa

Public Relations Department; Personnel Department; Health & Welfare Department; Legal Department; Administration Department

DIRECTORS

Katsumi Asai
Life-style Business Development Headquarters

Osamu Kawanobe
Transport & Rolling Stock Department, Railway Operations Headquarters

Yoshitaka Taura
Sendai Branch Office

Naomichi Yagishita
Facilities Department, Railway Operations Headquarters

Isao Iwasaki
Tokyo Station

Toshiro Ichinose
Management Planning Department, Corporate Planning Headquarters

Yasuo Hayashi
Construction Department

Masayuki Satomi
Administration Department

Shigeru Tanabe
Marketing Department, Railway Operations Headquarters

Takeshi Inoo[*2]

Yuji Morimoto
Personnel Department; JR East General Education Center

Takeshi Sasaki[*2]

FULL-TIME CORPORATE AUDITORS

Toshiaki Omori[*3]

Jiro Bando[*3]

CORPORATE AUDITORS

Kiyoshi Uetani[*3] **(Attorney)**

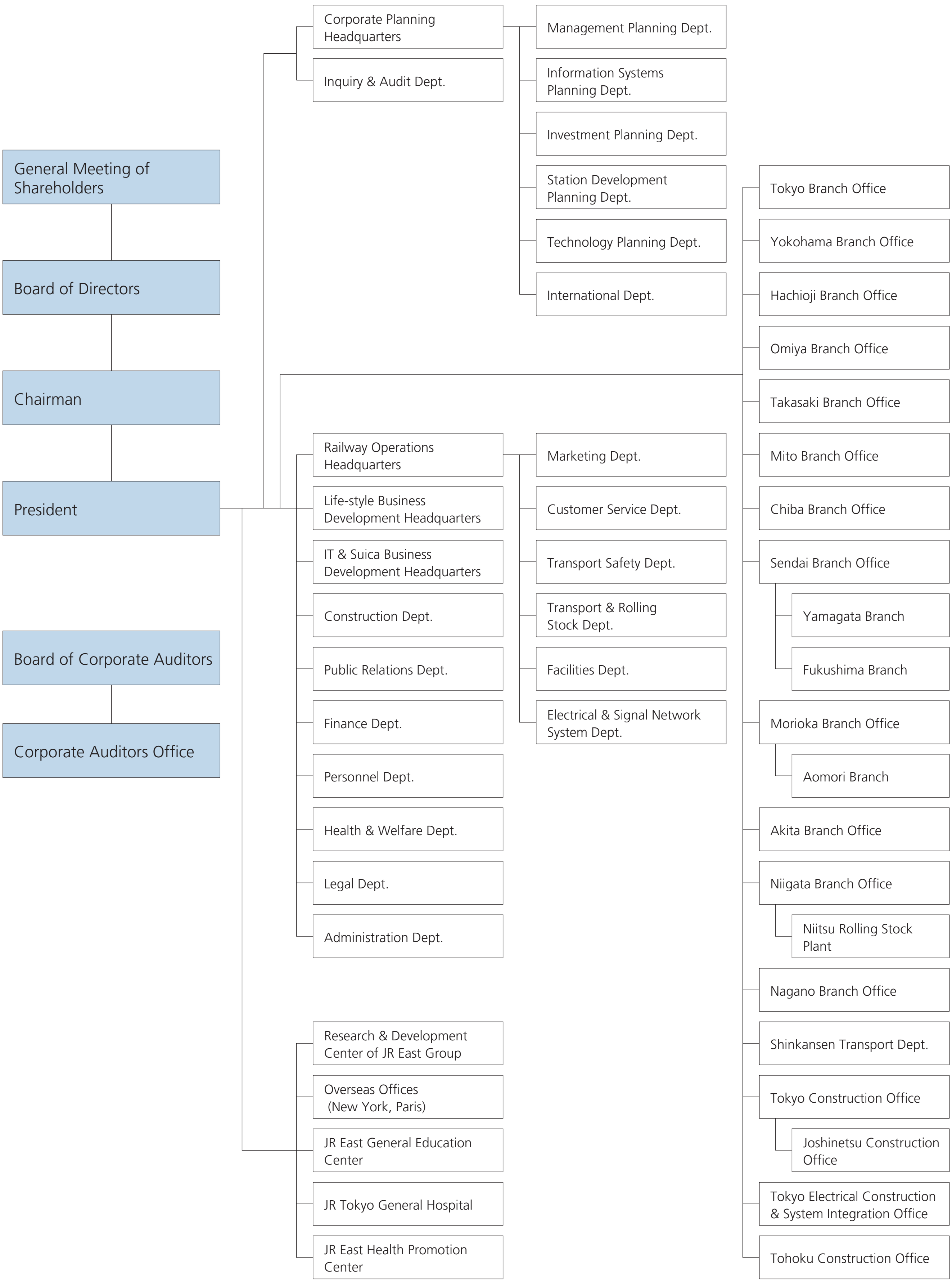
Kiyomi Harayama

Tsutoo Matsumoto[*3] **(Certified Public Accountant)**

*1 Representative director
*2 Outside corporate director
*3 Outside corporate auditor

ORGANIZATION

(As of July 2008)



FINANCIAL SECTION

CONTENTS

East Japan Railway Company and Subsidiaries
Years ended March 31

	1998	1999	2000	2001
Operating results				
Operating revenues	2,514,808	2,483,594	2,502,909	2,546,041
Operating expenses	2,146,109	2,149,122	2,160,952	2,222,290
Operating income	368,699	334,472	341,957	323,751
Net income	66,235	21,929	66,963	69,174
Segment information*1				
Operating revenues from outside customers:				
Transportation	N/A	N/A	N/A	1,801,370
Station space utilization	N/A	N/A	N/A	348,994
Shopping centers & office buildings	N/A	N/A	N/A	165,818
Other services	N/A	N/A	N/A	229,859
Total	N/A	N/A	N/A	2,546,041
Segment information				
Operating revenues from outside customers:				
Transportation	1,836,237	1,808,925	1,799,051	1,805,663
Merchandise sales	365,964	356,260	379,213	386,033
Real estate leasing	154,905	158,515	143,432	152,438
Other services	157,702	159,894	181,213	201,907
Total	2,514,808	2,483,594	2,502,909	2,546,041
Financial position				
Total assets	7,381,794	7,287,033	7,308,391	7,247,089
Long-term debt (including current portion)	2,285,063	2,320,246	2,319,664	2,307,483
Railway facilities purchase liabilities (including current portion)*2	2,713,737	2,610,966	2,499,023	2,392,241
Total long-term debt (sum of two items above)	4,998,800	4,931,212	4,818,687	4,699,724
Shareholders' equity*3	765,424	766,880	856,401	923,568
Cash flows*4				
Cash flows from operating activities	410,662	365,296	474,715	455,470
Cash flows from investing activities	(379,156)	(282,082)	(292,438)	(266,319)
Cash flows from financing activities	(52,674)	(72,298)	(168,133)	(161,109)
Per share data				
Earnings	16,559	5,482	16,741	17,294
Shareholders' equity*3	191,356	191,720	214,100	230,892
Cash dividends*5	5,000	5,000	5,000	5,000
Ratios				
Net income as a percentage of revenues	2.6	0.9	2.7	2.7
Return on average equity (ROE)	8.9	2.9	8.3	7.8
Ratio of operating income to average assets (ROA)	5.0	4.6	4.7	4.4
Equity ratio	10.4	10.5	11.7	12.7
Total long-term debt to shareholders' equity	6.5	6.4	5.6	5.1
Other data				
Depreciation	283,711	319,687	329,583	329,651
Capital expenditures*6	268,425	258,080	288,106	296,957
Interest expense	243,017	230,887	220,421	205,155
Number of consolidated subsidiaries (As of March 31)	80	81	96	96
Number of employees*7	89,008	87,880	82,747	82,285

*1 The business segmentation was changed to four new segments beginning with the year ended March 31, 2002. The information for the year ended March 31, 2001, has been reclassified according to the new business segmentation.
*2 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities.
*3 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007 (as in the balance sheets; see Notes 2 (1), 2 (16), and 2 (17) to consolidated financial statements).
*4 Due to a change in accounting standards, statements of cash flows after the year ended March 31, 2000, use presentation methods different to those of previous years.
*5 The total amount of dividends for the year ended March 31 comprises interim dividends for the interim period ended September 30 and year-end dividends for the year ended March 31, which were decided at the shareholders' annual meeting in June.
*6 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.
*7 Beginning with the year ended March 31, 2000, "Number of employees" excludes employees assigned to other companies and employees on temporary leave.
*8 Upon the merger of the Japan Railways Group Mutual Aid Association 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.

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

2002	2003	2004	2005	2006	2007	2008
2,543,378	2,565,671	2,542,297	2,537,481	2,592,393	2,657,346	**2,703,564**
2,227,038	2,222,576	2,190,877	2,178,946	2,196,293	2,229,248	**2,258,404**
316,340	343,095	351,420	358,535	396,100	428,098	**445,160**
47,551	97,986	119,866	111,592	157,575	175,871	**189,673**
1,789,599	1,800,434	1,798,132	1,781,776	1,805,406	1,825,387	**1,857,756**
368,553	368,961	366,438	369,790	383,904	399,998	**404,006**
165,276	170,321	175,180	181,956	190,466	197,140	**205,347**
219,950	225,955	202,547	203,959	212,617	234,821	**236,455**
2,543,378	2,565,671	2,542,297	2,537,481	2,592,393	2,657,346	**2,703,564**
N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
7,022,271	6,853,403	6,781,692	6,716,268	6,821,584	6,968,032	**6,942,003**
2,060,838	1,942,983	1,940,321	1,940,255	1,960,211	2,034,558	**2,101,439**
2,318,997	2,174,581	2,034,203	1,892,827	1,743,657	1,601,646	**1,457,360**
4,379,835	4,117,564	3,974,524	3,833,082	3,703,868	3,636,204	**3,558,799**
930,746	981,856	1,100,176	1,183,546	1,357,359	1,488,554	**1,596,398**
455,045	433,304	387,061	407,737	447,722	541,850	**475,601**
(105,645)	(196,422)	(234,591)	(214,948)	(309,489)	(348,800)	**(400,789)**
(433,589)	(310,658)	(196,193)	(209,041)	(141,599)	(172,027)	**(80,407)**
11,888	24,453	29,928	27,868	39,370	44,008	**47,464**
232,687	245,463	275,052	296,106	339,599	372,493	**399,483**
5,000	8,000	6,000	6,500	8,000	9,000	**10,000**
1.9	3.8	4.7	4.4	6.1	6.6	**7.0**
5.1	10.2	11.5	9.8	12.4	12.4	**12.3**
4.4	4.9	5.2	5.3	5.9	6.2	**6.4**
13.3	14.3	16.2	17.6	19.9	21.4	**23.0**
4.7	4.2	3.6	3.2	2.7	2.4	**2.2**
321,995	322,564	322,300	317,957	316,038	318,526	**335,587**
301,781	307,579	313,911	319,912	361,372	413,310	**417,144**
187,601	173,298	160,944	148,431	136,548	131,376	**126,047**
101	101	98	92	86	85	**82**
80,200	78,760	77,009	74,923	72,802	71,316	**72,214**

*9 Net income decreased significantly in the year ended March 31, 1999, mainly because "Cash charges for additional obligation related to transfer to Welfare Pension" was accounted for in other expenses. This additional obligation of ¥70,475 million, including the interest portion, was paid in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation.

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

*11 Accounting Standards for Financial Instruments were adopted beginning with the year ended March 31, 2001.

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

*13 Accounting Standards for Retirement Benefits were adopted beginning with the year ended March 31, 2001. (See Notes 2 (9) and 14 to consolidated financial statements)

*14 Accounting Standards for Impairment of Fixed Assets were early adopted beginning with the year ended March 31, 2005. (See Notes 2 (15) and 9 to consolidated financial statements)

*15 Pursuant to an amendment of the Japanese Tax Law, from the fiscal year ended March 31, 2008, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation. (see Note 2 (8))

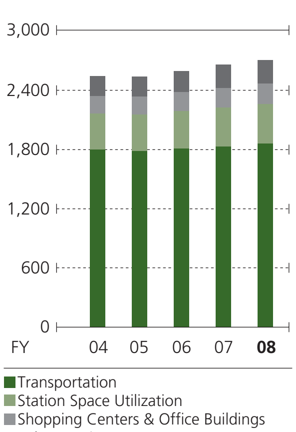
Forward-looking statements in the following discussion and analysis are judgments of the JR East Group as of March 31, 2008.

KEY ACCOUNTING POLICIES AND ESTIMATES

JR East prepares financial statements in accordance with accounting principles generally accepted in Japan. Forward-looking estimates included in those financial statements are based on a variety of factors that, in light of JR East's past performance and current circumstances, can be reasonably assumed to have affected results for assets and liabilities on the consolidated settlement date and consolidated revenues and expenses in fiscal 2008, ended March 31, 2008. JR East continuously assesses those factors. Actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

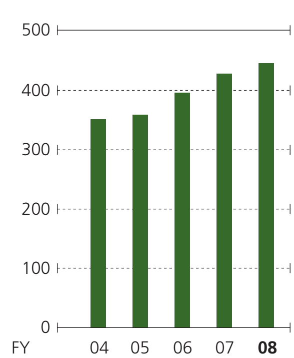
Operating Revenues

(Billions of Yen)



Operating Income

(Billions of Yen)



PERFORMANCE ANALYSIS

Overview

During fiscal 2008, ended March 31, 2008, Japan's economy entered a temporary lull as weakening second-half corporate earnings due to a slowdown in the U.S. economy and crude oil price hikes offset steady first-half trends due to brisk exports. Amid those economic conditions, JR East and its consolidated subsidiaries and equity-method affiliated companies worked to increase earnings by further upgrading transportation services and developing life-style business centered on railway stations. At the same time, in operations based on *Suica*, JR East expanded usage areas and further improved services.

As a result, all business segments increased operating revenues year on year. Consequently, JR East recorded year-on-year increases of 1.7% in total operating revenues, to ¥2,703.6 billion ($27,036 million), and 4.0% in operating income, to ¥445.2 billion ($4,452 million). Further, net income was up 7.8%, to ¥189.7 billion ($1,897 million) due to decrease in losses for redemption of bonds and other factors.

Business results by business segment were as follows.

Segment Information

■ Transportation

JR East further improved safety, focusing on its railway operations. At the same time, JR East encouraged use of its Shinkansen network, its Tokyo metropolitan area network, and other networks and increased revenues from those networks.

Specifically, JR East created tourist flows within its service area through campaigns promoting seasonal travel to various regional destinations, such as the *North Tohoku Destination Campaign* and the *Sendai / Miyagi DC Pre Campaign*. In addition, JR East improved *Otona no Kyujitsu Club* member services and increased member numbers. In other initiatives, JR East encouraged use of local train service *Green Cars* (first-class cars), increased train services during the Golden Week (spring holiday) period and the summer vacation period, and revised service schedules, mainly for Shinkansen services and the Tokyo metropolitan area, in March 2008. In *Suica* initiatives, JR East began a *Mobile Suica Limited Express Ticket* service enabling "ticketless" use of Shinkansen services within JR East's service area. Further, JR East launched mutual use between *Suica* and Central Japan Railway Company's *TOICA* as well as realizing mutual use between *Suica* and IC passenger tickets on the conventional lines of three companies, including *ICOCA* of West Japan Railway Company. Bus

Financial Section

operations continued to face tough business conditions, however JR East strengthened the foundations of those operations by introducing new routes and streamlining unprofitable routes. In monorail operations, JR East encouraged passengers to use its services between Hamamatsu-cho and Haneda Airport Terminal 1 by increasing *Haneda Express* nonstop services and promoting the convenience of these services.

As a result of such initiatives, railway network transportation volumes increased year on year, and operating revenues rose 1.8% year on year, to ¥1,916.7 billion ($19,167 million), which included a 1.8% increase in operating revenues from outside customers, to ¥1,857.8 billion ($18,578 million). Operating income rose 4.0% year on year, to ¥331.8 billion ($3,318 million).

Higher revenues were due to a 1.7% increase in revenues from passenger tickets in railway operations, to ¥1,732.6 billion ($17,326 million), which was attributable to increases in revenues from commuter passes and non-commuter passes revenues from Shinkansen services and conventional line services.

■ Shinkansen Network

In the Shinkansen network, passenger kilometers were up 2.8%, to 19.9 billion, due to favorable performances by long-distance Shinkansen line segments of the Tohoku Shinkansen Line, the Joetsu Shinkansen Line, and other Shinkansen lines, and favorable usage of Shinkansen line segments in the Tokyo metropolitan area, such as Tokyo–Utsunomiya on the Tohoku Shinkansen Line and Tokyo–Takasaki on the Joetsu Shinkansen Line. Revenues from passenger tickets rose 2.4% year on year, to ¥491.0 billion ($4,910 million), which included a 0.5% year-on-year increase in revenues from commuter passes, to ¥22.8 billion ($228 million), thanks to favorable usage of commuter passes. Moreover, non-commuter passes revenues were up 2.5%, to ¥468.2 billion ($4,682 million), as a result of solid performances by long-distance Shinkansen line segments, including Tokyo–Sendai/Morioka/Hachinohe on the Tohoku Shinkansen Line and Tokyo–Niigata on the Joetsu Shinkansen Line, and strong performances by Shinkansen line segments in the Tokyo metropolitan area, such as Tokyo–Utsunomiya on the Tohoku Shinkansen Line and Tokyo–Takasaki on the Joetsu Shinkansen Line.

■ Kanto Area Network

In the Kanto area network, passenger kilometers rose 2.4% year on year, to 103.9 billion, which were primarily related to higher commuter usage stemming from an improved job market, increased usage during the Golden Week and a three-day weekend in November, and a rebound from a decrease in usage in the previous fiscal year caused by unusually heavy rain. Revenues from passenger tickets increased 1.6% year on year, to ¥1,155.4 billion ($11,554 million). Those revenues comprised a 1.3% year-on-year increase in revenues from commuter passes, to ¥451.2 billion ($4,512 million), mainly due to higher commuter usage stemming from an improved job market, and a 1.9% year-on-year increase in non-commuter passes revenues, to ¥704.2 billion ($7,042 million), which largely resulted from the introduction of *Green Cars* to local train services of the Joban Line and an increase in *Green Cars* for local train services of the Utsunomiya Line, Takasaki Line, and other lines; higher usage due to the opening of new commercial facilities in areas alongside railway lines; a rise in usage during the Golden Week and the three-day weekend in November; and a rebound from the decrease in usage in the previous fiscal year caused by heavy rain.

■ Other

In the intercity and regional networks, passenger kilometers declined 1.0% year on year, to 6.7 billion, due to the effect of the Niigataken Chuetsu-oki Earthquake. Revenues from passenger tickets edged down 0.7% year on year, to ¥86.0 billion ($860 million), because of year-on-year declines of 0.3% in revenues from commuter passes, to ¥19.7 billion ($197 million), and 0.9% in non-commuter passes revenues, to ¥66.3 billion ($663 million).

■ Station Space Utilization

In station space utilization operations, JR East advanced its *Station Renaissance* program, which is creating new railway station environments befitting the 21st century. Specifically, in Tokyo JR East began operations at the first phase of *ecute Tachikawa*, *GranSta*, and the first and second phases of *Dila Mitaka*. Further, JR East expanded its network of *NEWDAYS* convenience stores while remodeling and revitalizing existing convenience stores. Also, JR East developed and marketed its *From AQUA* mineral water, which uses natural water from the Tanigawa mountain range.

Those efforts and a strong performance by *ecute Shinagawa* in Tokyo resulted in a 1.5% increase year on year in operating revenues, to ¥420.6 billion ($4,206 million), which included a 1.0% rise in operating revenues from outside customers, to ¥404.0 billion ($4,040 million). Operating income was up 9.2% year on year, to ¥36.3 billion ($363 million).

■ Shopping Centers & Office Buildings

In shopping centers & office buildings operations, shopping centers operations opened *Beans Nishi-Kawaguchi* in Saitama and *GranAge* inside *Tokyo Station City*. Further, JR East remodeled *atré Kameido* in Tokyo and introduced major tenants with the ability to attract customers. In efforts to strengthen sales capabilities and financial foundations by reorganizing Group companies, JR East undertook two mergers involving four shopping center management companies: The EKIBIRU Development Co. TOKYO merged with Kichijoji Lonlon Co., Ltd., and JR East Department Store Co., Ltd., merged with Kamata Station Building Co., Ltd. In office buildings operations, JR East developed *Tokyo Station City*. Specifically, *Tokyo Station Conference* began operations inside *Sapia Tower* in Tokyo, while the first phase of *GranTokyo North Tower* and *GranTokyo South Tower* opened for business.

Those initiatives and the favorable business results of LUMINE Co., Ltd., resulted in a 4.0% year-on-year increase in operating revenues, to ¥214.1 billion ($2,141 million), which included a 4.2% rise in operating revenues from outside customers, to ¥205.4 billion ($2,054 million). Operating income was up 2.0% year on year, to ¥59.8 billion ($598 million).

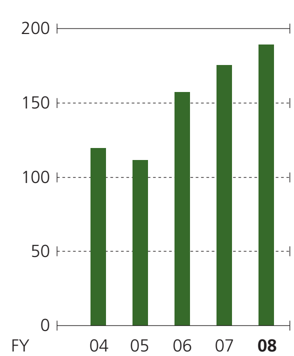
■ Other Services

In other services operations, hotel operations opened *Hotel Metropolitan Marunouchi* inside *Sapia Tower* in Tokyo. Further, JR East continued to strengthen the competitiveness of those operations by remodeling guest rooms and banquet halls. In advertising and publicity operations, JR East promoted sales of advertising within railcars through such initiatives as the *Train Channel*. In other services, JR East remodeled *Jexer Fitness Club Oimachi* in Tokyo. Further, in credit card operations, JR East worked to increase members of its various types of *View Card*, such as the *Otona no Kyujitsu Club Zipangu Card* and the *Otona no Kyujitsu Club Middle Card*. Moreover, JR East began issuing various types of affiliated credit cards with Toyota Finance Corporation Co., Ltd., and other companies. For *Suica* shopping services, or electronic money, JR East continued developing its network of affiliated stores. Thanks to those efforts, there were approximately 44,200 *Suica* compatible stores as of the end of the fiscal 2008. In addition, JR East introduced a *Suica Point Club*, which enables customer to accumulate points by using *Suica* electronic money for shopping. Further, JR East began a service enabling the exchange of those points with the "miles" of the ANA Mileage Club of All Nippon Airways Co., Ltd.

As a result, operating revenues increased 2.9%, to ¥541.7 billion ($5,417 million), which included a 0.7% increase in operating revenues from outside customers, to ¥236.4 billion ($2,364 million). Operating income decreased 3.5%, to ¥17.3 billion ($173 million), mainly due to an increased allowance for the points system of credit card operations.

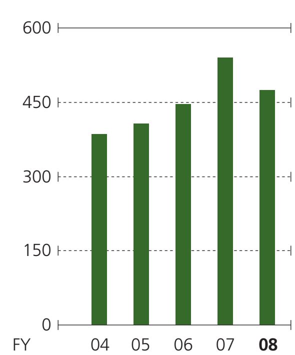
Net Income

(Billions of Yen)



Cash Flows from Operating Activities

(Billions of Yen)



Operating Income

Operating expenses rose 1.3% year on year, to ¥2,258.4 billion ($22,584 million). Operating expenses as a percentage of operating revenues was 83.5%, an improvement on 83.9% in the previous fiscal year. Transportation, other services and cost of sales increased 1.7% year on year, to ¥1,748.3 billion ($17,483 million), because an increase in property expenses such as repair expenses and an increase in depreciation due to a revision of the Japanese Tax Law offset a decrease in personnel expenses.

Selling, general and administrative expenses edged down 0.1% year on year, to ¥510.1 billion ($5,101 million), which was due to a decrease in property expenses.

Operating income rose 4.0% year on year, to ¥445.2 billion ($4,452 million). Operating income as a percentage of operating revenues was 16.5%, up from 16.1% in the previous fiscal year.

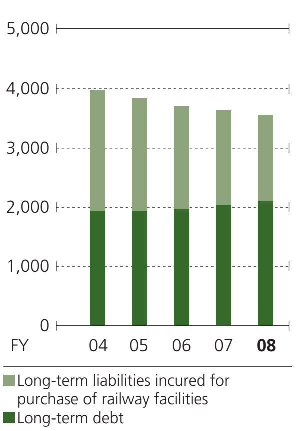
Income before Income Taxes

Other income declined 2.9% year on year, to ¥139.9 billion ($1,399 million), principally associated with decreases in gain on investment in anonymous association and gain on sales of fixed assets, offsetting an increase in construction grants received.

Other expenses decreased 3.2% year on year, to ¥257.0 billion ($2,570 million), which mainly resulted from a decrease in losses for redemption of bonds based on debt assumption agreements and lower interest payments due to a decline in interest-bearing debt, offsetting an increase in losses on reduction entry for construction grants and an increase in impairment losses on fixed assets.

Total Long-Term Debt

(Billions of Yen)



Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥123.0 billion ($1,230 million) expense, an improvement of 5.0% from the previous fiscal year.

Income before income taxes increased 7.0% year on year, to ¥328.1 billion ($3,281 million). Income before income taxes as a percentage of operating revenues was 12.1%, up from 11.5% in the previous fiscal year.

Net Income

Net income rose 7.8% year on year, to a record ¥189.7 billion ($1,897 million). Earnings per share were ¥47,464 ($475), up from ¥44,008 in the previous fiscal year. Further, net income as a percentage of operating revenues was 7.0%, compared with 6.6% in the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was down ¥66.3 billion year on year, to ¥475.6 billion ($4,756 million), mainly resulting from an increase in payments of income taxes and a decrease in major payables, which counteracted an increase in income before income taxes.

Net cash used in investing activities increased ¥52.0 billion year on year, ¥400.8 billion ($4,008 million), which was due to such factors as increased payments for purchase of fixed assets.

Capital expenditures were as follows. In transportation operations, JR East implemented capital expenditure to maintain and renew transportation facilities with an emphasis on safety measures, develop transportation capabilities, and improve passenger services. Station space utilization operations advanced the *Station Renaissance* program through capital expenditures for the construction of the first phase of *ecute Tachikawa and GranSta* in Tokyo. Shopping centers & office buildings operations undertook capital expenditures for the construction of *GranTokyo North Tower* and *GranTokyo South Tower* as part of construction projects on the Yaesu side of Tokyo Station as well as capital expenditures for the remodeling of existing shopping centers. In other services, capital expenditures focused on the construction of *HOTEL METS Tachikawa* in Tokyo and the strengthening of functions through the development of systems.

Further, free cash flows decreased ¥118.3 billion year on year, to ¥74.8 billion ($748 million).

Net cash used in financing activities was down ¥91.6 billion year on year, to ¥80.4 billion ($804 million), primarily due to the absence of a reduction in commercial paper, which compensated for a reduction in total long-term debt that was larger than in the previous fiscal year.

Cash and cash equivalents at the end of fiscal 2008, which was ¥87.0 billion ($870 million) at the end of the previous fiscal year, declined ¥4.9 billion, to ¥82.1 billion ($821 million).

Financial Policy

Total long-term debt at the end of fiscal 2008 stood at ¥3,558.8 billion ($35,588 million). That debt consists of long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities and other facilities, bonds, and long-term loans.

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities are paid in equal semi-annual installments, consisting of principal and interest payments, and are divided into the following three tranches:

a. ¥734.8 billion ($7,348 million) payable at a variable interest rate (annual interest rate in fiscal 2008: 4.28%) through March 31, 2017
b. ¥344.8 billion ($3,448 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017
c. ¥351.7 billion ($3,517 million) payable at a fixed annual interest rate of 6.55% through September 30, 2051

In addition, at fiscal year-end, JR East had long-term liabilities incurred for the purchase of railway facilities of ¥15.8 billion ($158 million) for the Akita hybrid Shinkansen and ¥10.3 billion ($103 million) for Tokyo Monorail.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for the purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities based on an agreement with the Japan Railway Construction, Transport and Technology Agency (JRCC). JR East made early repayments of ¥43.4 billion ($434 million) in fiscal 2008.

In fiscal 2002, JR East introduced a cash management system that integrated the management of the Group's cash and funding, which previously was carried out separately by subsidiaries, with the aim of reducing JR East's total long-term debt. Also, JR East is enhancing capital management methods that include offsetting internal settlements among subsidiaries and consolidating payments by subsidiaries.

In the year ended March 31, 2008, JR East issued four unsecured straight bonds, with a total nominal amount of ¥80.0 billion ($800 million) and maturities from 2017 through 2027. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Overseas, JR East issued euro–pounds sterling bonds with a total nominal amount of £250.0 million (¥58.8 billion/$588 million) and maturity in 2033. JR East's ratings for those bonds from Standard & Poor's and Moody's were AA– and Aa2, respectively.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥300.0 billion ($3,000 million). R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2008. Further, JR East had bank overdrafts of ¥36.0 billion ($360 million) on March 31, 2008. JR East had no outstanding commercial paper on March 31, 2008.

JR East does not maintain committed bank credit lines (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions).

The following are issues related to operational and accounting procedures that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of JR East as of March 31, 2008.

LEGAL ISSUES RELATING TO OPERATIONS

As a railway operator, JR East manages its railway operations pursuant to the stipulations of the Railway Business Law. JR East is generally excluded from the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law").

However, JR East is required to manage its railway operations in accordance with guidelines relating to matters that should be considered for the foreseeable future, which are stipulated in a supplementary provision of the amended JR Law. Details of relevant laws are as follows.

The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Minister of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Operators receive approval from the MLIT for the upper limit of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges"). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits (article 16). Operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (article 28, items 1 and 2).

The JR Law (1986, Law No. 88)

Aim of the Establishment of the JR Law

Prior to its amendment, the JR Law regulated the investments and the establishment of JR East, Hokkaido Railway Company, Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company, Kyushu Railway Company, and Japan Freight Railway Company (JR Freight) and included provisions on the operational purposes and scopes of those companies (hereinafter the "JR Companies"). In addition to the provisions of the Railway Business Law, the JR Companies are subject to provisions of the JR Law that require the approval of the MLIT with respect to significant management decisions. Also, under the JR Law, preferential measures were applied to the JR Companies, such as those entitling holders of the bonds of the JR Companies to preferential rights over the claims of unsecured creditors (general mortgage).

Amendment of the JR Law

(a) A partial amendment of the JR Law (hereinafter the "amended JR Law") enacted on December 1, 2001 (2001, Law No. 61), excluded JR East, JR Central, and JR West (the three JR passenger railway companies operating on Japan's main island, hereinafter the "new companies") from the provisions of the JR Law that had been applicable to them until then.

(b) Further, the amended JR Law enables the MLIT to issue guidelines relating to matters that should be considered for the foreseeable future with respect to the management of the railway operations of the new companies, including any additional companies that may become involved in the management of all or a part of those railway operations as a result of assignations, mergers, divisions, or successions as designated by the MLIT on or after the date of enactment of the amended JR Law (supplementary provision, article 2, item 1). Those guidelines were issued on November 7, 2001, and applied on December 1, 2001.

(c) The guidelines stipulate items relating to the following three areas:
- Items relating to ensuring alliances and cooperation among companies (among the new companies or among the new companies and JR Companies) with respect to the establishment of appropriate passenger fares and surcharges, the unhindered utilization of railway facilities, and other factors relating to railway operations
- Items relating to the appropriate maintenance of railway routes currently in operation reflecting trends in transportation demand and other changes in circumstances following the restructuring of the Japanese National Railways (JNR) and items relating to ensuring the convenience of users through the development of stations and other railway facilities
- Items stating that the new companies should give consideration to the avoidance of actions which inappropriately obstruct business activities or infringe upon the interests of small and medium-sized companies

operating businesses within the operational areas of the new companies that are similar to the businesses of the new companies

(d) The MLIT may advise and issue instructions to the new companies to secure operations that are in accordance with those guidelines (supplementary provision, article 3). Moreover, the amended JR Law enables the MLIT to issue warnings and directives in the event that operational management runs counter to the guidelines without any justifiable reason (supplementary provision, article 4).

(e) With respect to the provisions of those guidelines, JR East has always given, and of course will continue to give, adequate consideration to such items in the management of its railway operations. Therefore, JR East does not anticipate that those provisions will have a significant impact on its management.

(f) In addition, the amended JR Law includes required transitional measures, such as the stipulation that all bonds issued by the new companies prior to the amended JR Law's enactment date are and will continue to be general mortgage bonds as determined in article 4 of the JR Law (supplementary provision, article 7).

ESTABLISHMENT OF AND CHANGES TO FARES AND SURCHARGES

The required procedures when JR East sets or changes fares and surcharges for its railway operations are stipulated in the Railway Business Law. Changes to those procedures or the inability to flexibly change fares and surcharges based on those procedures for whatever reason could affect JR East's earnings. Details of those procedures are as follows.

System for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limit for fares and surcharges (Railway Business Law, article 16, item 1). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, including limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

Although JR passenger railway companies can revise fares independently, a system was created among those companies when JNR was restructured to ensure the convenience of users. At present, contracts among those companies enable the realization of total fares and surcharges for passengers or packages requiring services that span two or more such companies. In addition, the JR passenger railway companies have established a system in which the fares and surcharges decrease relatively as distance traveled increases.

JR East's Stance

(a) JR East has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revision (April 1997).

Through efficiently securing revenues and reducing expenses, JR East has worked to create a management base that is not dependent on raising fares. However, if JR East was unable to secure appropriate profit levels as a result of such factors as changes in the operating environment, it would view the timely implementation of fare revisions as necessary to secure appropriate profit levels.

(b) With the efficient management of operations as a precondition, JR East believes securing a profit level that enables capital expenditure for the future and the strengthening of its financial position—in addition to the distribution of profits to shareholders—to be essential.

(c) JR East primarily undertakes capital expenditure, which has a significant impact on the capital usage of railway operations, with a view to establishing a robust management base through ensuring safe and stable transportation, offering high-quality services, and implementing other measures. Further, JR East appreciates the need to independently conduct capital expenditure based upon clearly defined management responsibility.

Stance of the Ministry of Land, Infrastructure, Transport and Tourism

With respect to the implementation of fare revisions by JR East, the position of the MLIT is as follows.

(a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including from JR East, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and profits, based on the efficient management of those companies (total-cost) (Railway Business Law, article 16, item 2). In addition, a three-year period is stipulated for the calculation of costs.

(b) Even if the railway operator has non-railway businesses, the calculation of total-cost—which comprises reasonable costs and reasonable profits, including required dividend payments to shareholders—is based only on the operator's railway operations.

Further, operators are required to submit their capital expenditure plans for increasing transportation services to ease crowding of commuter services and for other improvements in passenger services. The capital usage necessary for such enhancements is recognized in the calculation of total-cost.

(c) Total-cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, in relation to the capital invested in the said railway operations.

The calculation of total-cost is as follows:

- total-cost = operating cost[1] + operational return
- operational return = assets utilized in railway business operations (rate base) x operational return rate
- assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital[2]
- operational return rate = equity ratio[3] x return rate on equity[4] + borrowed capital ratio[3] x return rate on borrowed capital[4]

Notes: 1. With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.
2. Working capital = operating costs and certain inventories
3. Equity ratio, 30%; borrowed capital ratio, 70%
4. Return rate on equity is based on the average of yields on public and corporate bonds and the overall industrial average return on equity and dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

(d) Subject to the prior notification of the MLIT, railway operators can set or change fares and surcharges within the upper limits approved along with other charges. However, the MLIT can issue directives requiring changes in fares and surcharges by specified terms if the fares and surcharges submitted are deemed to fall within the following categories (Railway Business Law, article 16, item 5):

- The changes would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the changes would give rise to unfair competition with other railway transportation operators.

PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

Construction Plans for New Shinkansen Lines

New Shinkansen lines are those lines indicated in the plan for the Shinkansen line network that was decided pursuant to the Nationwide Shinkansen Railway Development Law (1970, Law No. 71). Finalized in 1973, that plan called for the development of the Tohoku Shinkansen Line (Morioka–Aomori), the Hokuriku Shinkansen Line (Tokyo–Nagano–Toyama–Osaka), the Kyushu Shinkansen Line (Fukuoka–Kagoshima), and other Shinkansen lines. Following the division and privatization of JNR, JR East was selected as the operator of the Takasaki–Joetsu segment of the Hokuriku Shinkansen Line and the Morioka–Aomori segment of the Tohoku Shinkansen Line. JR East started operation of the Hokuriku Shinkansen Line between Takasaki and Nagano on October 1, 1997, and the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002.

Within JR East's service area, the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line are currently being constructed by the JRTT. Based on a proposal by the three ruling political parties, the national government and ruling parties agreed in December 1996 that both of those Shinkansen line segments would be standard gauge lines. In January 1998, the joint national government and ruling parties' examination committee for the development of new Shinkansen lines decided to begin the construction of those Shinkansen line segments during fiscal 1998, upon the completion of approval procedures. Based on that decision, the former JRCC (currently, the JRTT) began construction in March 1998, after obtaining approval from the Minister of Transport pursuant to article 9 of the Nationwide Shinkansen Railway Development Law.

Further, in December 2004, the national government and ruling parties agreed on the schedule for the completion of new Shinkansen lines. For new Shinkansen lines under the jurisdiction of JR East, it was decided to aim to complete the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line by the end of fiscal 2011 and the Nagano–Hakusan general rail yard segment of the Hokuriku Shinkansen Line by the end of fiscal 2015 (JR East has jurisdiction of the Nagano–Joetsu segment of the Hokuriku Shinkansen Line).

Also, new Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Shin-Hakodate segment of the Hokkaido Shinkansen Line, the Joetsu–Hakusan general rail yard segment and the Fukui Station portion of the Hokuriku Shinkansen Line, and the Hakata–Shin-Yatsushiro segment of the Kyushu Shinkansen Line.

Cost Burden of the Development of New Shinkansen Lines

(a) The national government, local governments, and the JR Companies assume the cost of new Shinkansen lines constructed by the JRTT. Amounts to be funded by the JR Companies are to be paid out of the following.
   1) Usage fees and other surcharges paid by the JR company as the operator of the line
   2) Funds made available from the JRTT, to which JR East, JR Central, and JR West make payments of amounts due on their Shinkansen purchase liabilities

(b) In October 1997, the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line was accompanied by new standards for the amount of usage fees paid by the JR Companies as the operator of the line. Those usage fees are now regulated under the Japan Railway Construction, Transport and Technology Agency Law (enforcement ordinance, article 6). That enforcement ordinance stipulates that the JRTT will determine the amount of usage fees based on the benefit received as the operator of the said Shinkansen line after opening and the sum of taxes and maintenance fees paid by the JRTT for railway facilities leased. Of those, the benefits received as the operator are calculated by comparing the estimated revenues and expenses generated by the new segment of the Shinkansen line and related line segments after opening with the revenues and expenses that would likely be generated by parallel conventional lines and related line segments if the new segment of the Shinkansen line was not opened. The expected benefits are the difference between the amount that the operator of the new Shinkansen line should receive as a result of operation and the amount that would be received if the new Shinkansen lines did not commence services. Specifically, the expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services. In addition, the taxes and maintenance fees are included in calculations of the corresponding benefits as an expense of the operator of the Shinkansen line after opening. Therefore, the burden of the operator is kept within the limits of the corresponding benefits.

With respect to the usage fee amount for the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, which opened in October 1997, JR East decided that the usage fees calculated by the former JRCC (currently, the JRTT) were within the limits of the corresponding benefits to result from the opening of that line and concluded an agreement with the JRCC in September 1997. Also, the JRCC received approval for those usage fees from the Minister of Transport in September 1997. Usage fees for fiscal 2008 totaled ¥19.4 billion ($194 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($175 million) and taxes and maintenance fees of ¥1.9 billion ($19 million).

In November 2002, JR East also concluded an agreement with the JRCC regarding the usage fees amount for the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, which opened in December 2002. The JRCC received approval for those usage fees from the MLIT in November 2002. Usage fees for fiscal 2008 totaled ¥9.0 billion ($90 million), comprising the fixed amount calculated based on the corresponding benefits of ¥8.0 billion ($80 million) and taxes and maintenance fees of ¥1.0 billion ($10 million).

(c) As well as being responsible for the construction of new Shinkansen lines, the JRTT procures construction costs and owns the facilities that it has constructed. JR East leases those facilities from the JRTT after completion and pays the usage fees mentioned in (b) above upon the commencement of the service. During the construction period, JR East is not required to directly assume the JRTT's construction costs. Compared with periods when there is no construction of new Shinkansen lines, costs related to new Shinkansen lines, such as depreciation of railcars and other costs, can have an impact on JR East's single-year revenues and expenses in the initial period after opening. However, given the nature of usage fees mentioned in (b) above, JR East believes that such factors will not have an impact on revenues and expenses over the 30-year period.

The JR Companies are required to assume the costs of "usage fees and other charges" as mentioned in (a) above. "Other charges" refers exclusively to the payment of usage fees directly before the commencement of services. However, such prior payment is required to be based upon agreements concluded following consultations between JR East and the JRTT. Accordingly, it is assumed that JR East's position will be adequately reflected in such arrangements.

Treatment of Conventional Lines Running Parallel to New Shinkansen Lines

In October 1997, at the time of the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, the Yokokawa–Karuizawa segment was eliminated and the management of the Karuizawa–Shinonoi segment of the Shinetsu Line was separated from JR East. Further, in December 2002, at the time of the opening of the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, the management of that segment on the Tohoku Line was separated from JR East.

Also, an agreement reached between the national government and ruling parties in December 1996 stipulates that the management of conventional line segments which run parallel to a new Shinkansen line should be separated from the JR Companies when the new Shinkansen line commences operations. Pursuant to that agreement, when construction began on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line in March 1998, JR East requested and received the agreement of local communities with regard to the separation of the management of conventional lines that run parallel to those Shinkansen lines upon commencement of operations: the Hachinohe–Aomori segment of the Tohoku Line and the Nagano–Naoetsu segment of the Shinetsu Line.

Further, in December 2000, the national government and ruling parties agreed that when JR Freight uses the conventional lines whose management has been separated from the JR Companies, line usage fees will be charged commensurate with the amount of usage. With regard to the resulting loss for JR Freight, it was decided to implement an adjustment by allocating a part of the revenues from usage fees on the parallel Shinkansen line segment to JR Freight as required.

Accordingly, the Nationwide Shinkansen Railway Development Law enforcement ordinance was amended in October 2002. As a result, it became possible to appropriate usage fees paid by the JR Companies for amounts required by the JR Freight adjustment mechanism. Previously, as a general principle, usage fees had only been appropriated to cover the construction cost of Shinkansen lines.

JR East's Stance on the Construction of New Shinkansen Lines

JR East's stance on the construction of new Shinkansen lines is as follows.

(1) As the operator of new Shinkansen lines, JR East will only assume the burden of the aforementioned usage fees and other charges that are within the limit of corresponding benefits as a result of commencing Shinkansen line operations. JR East will not assume any financial burden other than usage fees and other charges.

(2) The confirmation of agreements with local communities is required in regard to the management separation from JR East of conventional lines parallel to new Shinkansen line segments.

Based on strict adherence to the aforementioned conditions, which JR East has always viewed and will continue to view as essential, JR East will continue to fulfill its responsibility as the operator.

An agreement of the national government and ruling parties reconfirmed those conditions in December 1996, and they continued to be firmly maintained at the time of opening the Takasaki–Nagano segment of the Hokuriku Shinkansen Line and the Morioka–Hachinohe segment of the Tohoku Shinkansen Line. Also in December 1996, the national government and ruling parties agreed that, based on consultations and an agreement between the JR Companies and the JRTT, prior payment of usage fees would be implemented. Consequently, the construction of the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line began in March 1998. Given the aforementioned reasons, JR East has estimated that those new Shinkansen line segments will not adversely affect the maintenance of its sound management base.

However, a change to the conditions and arrangements related to the construction of new Shinkansen lines could adversely affect JR East's financial position and business performance.

In addition, in December 2007 deliberations began regarding "securing financial resources to begin construction of Shinkansen line segments not yet constructed" in connection with "agreement items of the national government and ruling parties' examination committee for the development of new Shinkansen lines." A working group of the national government and ruling parties concerned with the construction of new Shinkansen lines decided to "concentrate the utmost efforts on reaching a conclusion, upon establishing a schedule for measures to stably secure financial resources by the end of the current fiscal year." In response, the MLIT issued a request regarding the prior calculation of usage fees for Shinkansen line segments in which services have not yet commenced with a view to securing financial resources for the construction of new Shinkansen lines. In the view of JR East, the calculation of usage fees is not possible at this stage because service schedules and charge structures upon commencement of Shinkansen services have not yet been decided and the conditions relating to competing transportation operators directly prior to the commencement of Shinkansen services should be reflected. Accordingly, JR East issued a response to the effect that usage fees should be decided through discussion between the management team and related parties based on a variety of information and actual management conditions directly prior to the commencement of Shinkansen services on the said Shinkansen line segments.

SAFETY MEASURES

Railway operations can potentially suffer significant damage resulting from natural disasters, human error, crime, terrorism, or other factors.

JR East regards ensuring safety as a major issue that fundamentally underpins its operations. Based on its five-year *Safety Plan 2008*, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues.

Specifically, JR East's safety-related efforts involve replacing and upgrading railcars and facilities and installing Automatic Train Stop devices (ATS-P and ATS-Ps) that prevent train collisions as well as excessive speeds on the curved sections of tracks and other such areas. Further, based on lessons learned from such temblors as the 2004 Niigata Chuetsu Earthquake, JR East has accelerated earthquake countermeasures, such as the implementation of projects to reinforce tunnels and elevated railway tracks. JR East has also begun implementing derailment countermeasures, including those to upgrade railcars and ground equipment and otherwise minimize the damage resulting from derailments. In light of the derailment that occurred on the Uetsu Line on December 25, 2005, JR East is continuing research to clarify the causes of the accident. At the same time, JR East proceeded with the installation of wind speed measurement equipment and windbreak fences and undertook trials of operational regulations that use real-time meteorological information. In addition, JR East is upgrading equipment and conducting accident awareness campaigns to prevent accidents at railway crossings. Further, in order to increase the reliability of transportation services, JR East is strengthening ground equipment and railcars and working to prevent rain-related damage, with particular attention to the Tokyo metropolitan area.

PLAN FOR THE DEVELOPMENT OF TOKYO STATION'S YAESU EXIT

Plan Overview

(a) Twin high-rise buildings, *GranTokyo North Tower* and *GranTokyo South Tower*, are to be constructed on the north and south sides of the open square in front of the Yaesu exit of Tokyo Station. The two towers will be connected by *GranRoof*, a ground-level, central pedestrian deck with a large roof.

(b) Total floor space will be roughly 352,000m^2, and the total-cost of the joint project will be approximately ¥140 billion ($1,400 million), with JR East's share being approximately ¥84 billion ($840 million). Adding the cost of independent projects, JR East will shoulder a total project cost of approximately ¥129 billion ($1,290 million). Further, in October 2007, JR East completed the *GranTokyo South Tower* and the first phase of the *GranTokyo North Tower*, which have a combined total floor space of approximately 312,000m^2.

(c) Schedule

September 2004: begin construction of Phase I of the *GranTokyo North Tower*; begin construction of the *GranTokyo South Tower*

October 2007: complete construction of Phase I of the *GranTokyo North Tower*; complete construction of the *GranTokyo South Tower*

Latter half of fiscal 2009: begin construction of Phase II of the *GranTokyo North Tower*; begin construction of the central area, including *GranRoof*

Summer 2012: complete construction of Phase II of the *GranTokyo North Tower*

Spring 2013: complete construction of the central area, including *GranRoof* (also, complete the redevelopment of the open square in front of the Yaesu exit of Tokyo Station during fiscal 2014)

JR East's Approach

The project is part of integrated efforts to redevelop the open square in front of the Yaesu exit of Tokyo Station and to recreate the image of Japan's capital city. In addition, JR East believes that this project will add significant value to the Yaesu exit area of Tokyo Station and contribute to both JR East's transportation and non-transportation operations. However, while it is expected that, based on full consideration, this project will be profitable, JR East's financial position and business performance could be affected in the event that the project does not proceed according to plan due to a variety of environmental changes.

INFORMATION SYSTEMS AND PROTECTION OF PERSONAL DATA

JR East uses many computer systems in a variety of transportation and non-transportation operations. Further, computer systems play an important role among travel agencies, Railway Information Systems Co., Ltd., and other companies with which JR East has close business relationships. If the functions of those computer systems were seriously damaged as a result of natural disasters or human errors, this could have an impact on the operations of JR East. Moreover, in the event that personal data stored in those computer systems was leaked to unrelated third parties due to computer systems becoming infected by viruses or unauthorized manipulation, it could affect JR East's financial position and business performance.

JR East takes measures to prevent damage, such as continuously upgrading the functions of in-house systems and training the related personnel. In the unlikely event of a system failure, JR East would minimize the impact by taking measures through an initial action framework that would be promptly set up and coordinated across operational divisions. Further, JR East is doing its utmost to ensure the strict management and protection of personal data through the establishment of in-house regulations that include stipulations for the appropriate treatment of personal data, restricted authorization for access to personal data, control of access authority, and the construction of a system of in-house checks.

DEVELOPMENT OF NON-TRANSPORTATION OPERATIONS

JR East regards non-transportation operations as of equal importance to transportation operations in its management. In non-transportation operations, JR East is developing station space utilization, shopping centers and office buildings, and other services (hotel operations, advertising and publicity, and other services).

In non-transportation operations, JR East faces the risk of a downturn in consumption associated with an economic recession or unseasonable weather, which could lead to lower revenues from its shopping centers, stores in stations, hotels, and other operations. Such eventualities could also adversely affect sales of advertisement services and cause an increase in demands from tenants for rent reductions. Further, a fault in retail products or manufactured products, such as an outbreak of food poisoning or a similar incident, could reduce sales, damage trust in JR East, or result in the failure of tenants or business partners. The occurrence of any of those contingencies could have an impact on JR East's financial position and business performance. JR East's stations are used by roughly 17 million people every day (average daily number of passengers). JR East will fully leverage those stations as its largest management resource to develop operations. At the same time, JR East will enhance earnings and secure customer trust by implementing stringent hygiene management and credit controls.

COMPETITION

JR East's transportation operations compete with the operations of airlines, automobiles, bus transportation, and other railway companies. Furthermore, JR East's non-transportation operations compete with existing and newly established businesses. The competition of JR East's transportation and non-transportation operations with such rival operators could have an impact on JR East's financial position and business performance. In particular, intensified competition in the transportation market could affect earnings from JR East's transportation operations. Such competition includes the opening of the Tokyo Metro Fukutoshin Line subway; the advancement of large-scale upgrading works by other railway operators; the commencement of services of the Narita New Rapid Line; and an increase in flight services as a result of the enlargement of Tokyo International Airport (Haneda Airport). Also, in station space utilization operations and shopping centers and office buildings businesses, JR East's competitiveness could lessen as a result of intensified competition created by the new entry of other companies into markets or the renewal or opening of nearby commercial premises. In addition, the earnings of JR East's hotel operations could be affected by increasingly fierce competition from foreign-affiliated luxury hotels as well as economy business hotels and dedicated wedding reception facilities operated by domestic companies.

REDUCTION OF TOTAL LONG-TERM DEBT

At the end of fiscal 2008, total long-term debt was ¥3,558.8 billion ($35,588 million). In addition, interest expense amounted to ¥126.0 billion ($1,260 million) in fiscal 2008, which was equivalent to 28.3% of operating income. JR East will continue to reduce total long-term debt and refinance to obtain lower interest rates. However, a reduction in free cash flows due to unforeseen circumstances or a change in borrowing rates due to fluctuation in interest rates could affect JR East's financial position and business performance.

East Japan Railway Company and Subsidiaries
March 31, 2007 and 2008

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2007	2008	2008
Assets			
Current Assets:			
Cash and cash equivalents (Note 3)	¥ 86,980	¥ 82,058	$ 821
Receivables:			
Accounts receivable–trade	265,219	274,030	2,740
Unconsolidated subsidiaries and affiliated companies	10,733	6,495	65
Other	18,891	19,285	193
Allowance for doubtful accounts (Note 2 (4))	(2,411)	(2,495)	(25)
	292,432	297,315	2,973
Inventories (Notes 2 (5) and 4)	36,793	35,004	350
Real estate for sale (Notes 2 (6) and 5)	6,528	5,509	55
Deferred income taxes (Note 13)	59,809	54,328	543
Other current assets	30,572	33,744	338
Total current assets	513,114	507,958	5,080
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2) and 6)	32,727	34,325	343
Other (Notes 2 (7) and 7)	205,628	143,876	1,439
	238,355	178,201	1,782
Property, Plant and Equipment (Notes 2 (8), 8 and 9):			
Buildings	1,957,141	2,030,431	20,304
Fixtures	5,080,350	5,161,059	51,611
Machinery, rolling stock and vehicles	2,285,963	2,306,162	23,062
Land	2,012,665	2,012,448	20,124
Construction in progress	222,965	176,956	1,770
Other	161,585	169,827	1,698
	11,720,669	11,856,883	118,569
Less accumulated depreciation	5,888,162	6,018,868	60,189
Net property, plant and equipment	5,832,507	5,838,015	58,380
Other Assets:			
Long-term deferred income taxes (Note 13)	210,463	235,416	2,354
Other	173,593	182,413	1,824
	384,056	417,829	4,178
	¥ 6,968,032	¥ 6,942,003	$ 69,420

See accompanying notes.

Financial Section

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2007	**2008**	**2008**
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8 and 10)	¥ 241,772	**¥ 234,446**	**$ 2,344**
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8 and 11)	144,129	**139,699**	**1,397**
Prepaid railway fares received	90,865	**89,401**	**894**
Payables:			
Accounts payable–trade	64,413	**45,958**	**460**
Unconsolidated subsidiaries and affiliated companies	49,719	**46,979**	**470**
Other	487,368	**452,232**	**4,522**
	601,500	**545,169**	**5,452**
Accrued expenses	109,310	**109,370**	**1,094**
Accrued consumption tax (Note 12)	15,709	**4,617**	**46**
Accrued income taxes (Note 13)	81,572	**59,992**	**600**
Other current liabilities	53,069	**77,799**	**778**
Total current liabilities	1,337,926	**1,260,493**	**12,605**
Long-Term Debt (Notes 8 and 10)	1,792,786	**1,866,993**	**18,670**
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 8 and 11)	1,457,517	**1,317,661**	**13,177**
Employees' Severance and Retirement Benefits (Notes 2 (9) and 14)	600,229	**617,086**	**6,171**
Deposits Received for Guarantees	164,927	**159,210**	**1,592**
Long-Term Deferred Tax Liabilities (Note 13)	2,680	**2,010**	**20**
Other Long-Term Liabilities	98,862	**96,544**	**965**
Contingent Liabilities (Note 15)			
Net Assets (Notes 2 (1), 2 (16) and 16):			
Common stock:			
Authorized 16,000,000 shares;			
Issued, 2008—4,000,000 shares;			
Outstanding, 2008—3,996,163 shares	200,000	**200,000**	**2,000**
Capital surplus	96,721	**96,728**	**967**
Retained earnings	1,127,234	**1,278,942**	**12,789**
Treasury stock, at cost, 3,837 shares in 2008	(2,595)	**(2,631)**	**(26)**
Net unrealized holding gains on securities	66,969	**24,373**	**244**
Net deferred gains (losses) on derivatives under hedge accounting	225	**(1,014)**	**(10)**
Minority interests	24,551	**25,608**	**256**
Total net assets	1,513,105	**1,622,006**	**16,220**
	¥6,968,032	**¥6,942,003**	**$69,420**

CONSOLIDATED STATEMENTS OF INCOME

East Japan Railway Company and Subsidiaries
Years ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 2 (1))
	2006	2007	2008	2008
Operating Revenues (Note 17)	¥2,592,393	¥2,657,346	**¥2,703,564**	**$27,036**
Operating Expenses (Note 17):				
Transportation, other services and cost of sales	1,701,620	1,718,576	**1,748,293**	**17,483**
Selling, general and administrative expenses	494,673	510,672	**510,111**	**5,101**
	2,196,293	2,229,248	**2,258,404**	**22,584**
Operating Income (Note 17)	396,100	428,098	**445,160**	**4,452**
Other Income (Expenses):				
Interest expense on short- and long-term debt	(40,882)	(42,512)	**(44,412)**	**(444)**
Interest expense incurred for purchase of railway facilities	(95,666)	(88,864)	**(81,635)**	**(816)**
Losses for redemption of bonds (Note 10)	(3,409)	(20,557)	**—**	**—**
Loss on sales of fixed assets	(3,982)	(650)	**(2,820)**	**(28)**
Environmental conservation costs	(13,956)	(13,884)	**(1,577)**	**(16)**
Impairment losses on fixed assets (Notes 2 (15), 9 and 17)	(1,841)	(3,507)	**(11,712)**	**(117)**
Interest and dividend income	1,814	1,954	**3,069**	**31**
Equity in net income (loss) of affiliated companies	707	(1,978)	**91**	**1**
Gain on sales of investment in securities	858	—	**—**	**—**
Gain on sales of transferable development air rights	—	10,456	**—**	**—**
Gain on sales of fixed assets	23,279	35,489	**10,448**	**104**
Other, net	6,613	2,635	**11,500**	**114**
	(126,465)	(121,418)	**(117,048)**	**(1,171)**
Income before Income Taxes	269,635	306,680	**328,112**	**3,281**
Income Taxes (Note 13):				
Current	125,330	140,556	**127,224**	**1,272**
Deferred	(15,682)	(12,135)	**9,374**	**94**
Minority Interests in Net Income of Consolidated Subsidiaries	(2,412)	(2,388)	**(1,841)**	**(18)**
Net Income	¥ 157,575	¥ 175,871	**¥ 189,673**	**$ 1,897**
	Yen			U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (13))	¥39,370	¥44,008	**¥47,464**	**$475**

See accompanying notes.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (NOTE 2 (17))

East Japan Railway Company and Subsidiaries
Year ended March 31, 2006

	Number of Issued Shares of Common Stock	Millions of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Holding Gains on Securities	Treasury Stock
Balance at March 31, 2005	4,000,000	¥200,000	¥96,600	¥856,664	¥32,552	¥(2,270)
Gain on disposal of treasury stock	—	—	0	—	—	—
Increase due to addition of consolidated subsidiary and other	—	—	—	484	—	—
Net income	—	—	—	157,575	—	—
Cash dividends (¥8,000 per share)	—	—	—	(29,978)	—	—
Bonuses to directors and corporate auditors	—	—	—	(220)	—	—
Purchase of treasury stock, net	—	—	—	—	—	(39)
Net unrealized holding gains on securities	—	—	—	—	45,991	—
Balance at March 31, 2006	4,000,000	¥200,000	¥96,600	¥984,525	¥78,543	¥(2,309)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (NOTE 2 (17))

East Japan Railway Company and Subsidiaries
Years ended March 31, 2007 and 2008

	Number of Issued Shares of Common Stock	Millions of Yen							
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Minority Interests	Total
Balance at March 31, 2006	4,000,000	¥200,000	¥96,600	¥ 984,525	¥(2,309)	¥ 78,543	¥ —	¥ —	¥1,357,359
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet as of April 1, 2006	—	—	—	—	—	—	—	25,022	25,022
Net assets at April 1, 2006	4,000,000	¥200,000	¥96,600	¥ 984,525	¥(2,309)	¥ 78,543	¥ —	¥25,022	¥1,382,381
Cash dividends (¥9,000 per share)	—	—	—	(33,974)	—	—	—	—	(33,974)
Bonuses to directors and corporate auditors	—	—	—	(243)	—	—	—	—	(243)
Net income	—	—	—	175,871	—	—	—	—	175,871
Increase due to addition of consolidated subsidiaries and other	—	—	—	1,055	—	—	—	—	1,055
Purchase of treasury stock	—	—	—	—	(741)	—	—	—	(741)
Disposal of treasury stock	—	—	121	—	455	—	—	—	576
Other	—	—	—	—	—	(11,574)	225	(471)	(11,820)
Balance at March 31, 2007	4,000,000	¥200,000	¥96,721	¥1,127,234	¥(2,595)	¥ 66,969	¥ 225	¥24,551	¥1,513,105
Cash dividends (¥10,000 per share)	**—**	**—**	**—**	**(37,971)**	**—**	**—**	**—**	**—**	**(37,971)**
Net income	**—**	**—**	**—**	**189,673**	**—**	**—**	**—**	**—**	**189,673**
Increase due to addition of consolidated subsidiaries and other	**—**	**—**	**—**	**6**	**—**	**—**	**—**	**—**	**6**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(52)**	**—**	**—**	**—**	**(52)**
Disposal of treasury stock	**—**	**—**	**7**	**—**	**16**	**—**	**—**	**—**	**23**
Other	**—**	**—**	**—**	**—**	**—**	**(42,596)**	**(1,239)**	**1,057**	**(42,778)**
Balance at March 31, 2008	**4,000,000**	**¥200,000**	**¥96,728**	**¥1,278,942**	**¥(2,631)**	**¥ 24,373**	**¥(1,014)**	**¥25,608**	**¥1,622,006**

	Number of Issued Shares of Common Stock	Millions of U.S. Dollars (Note 2 (1))							
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Minority Interests	Total
Balance at March 31, 2007	4,000,000	$2,000	$967	$11,272	$(26)	$ 670	$ 2	$246	$15,131
Cash dividends ($100 per share)	**—**	**—**	**—**	**(380)**	**—**	**—**	**—**	**—**	**(380)**
Net income	**—**	**—**	**—**	**1,897**	**—**	**—**	**—**	**—**	**1,897**
Increase due to addition of consolidated subsidiaries and other	**—**	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**0**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(0)**	**—**	**—**	**—**	**(0)**
Disposal of treasury stock	**—**	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**0**
Other	**—**	**—**	**—**	**—**	**—**	**(426)**	**(12)**	**10**	**(428)**
Balance at March 31, 2008	**4,000,000**	**$2,000**	**$967**	**$12,789**	**$(26)**	**$ 244**	**$(10)**	**$256**	**$16,220**

See accompanying notes.

East Japan Railway Company and Subsidiaries
Years ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 2 (1))
	2006	2007	**2008**	**2008**
Cash Flows from Operating Activities:				
Income before income taxes	¥ 269,635	¥ 306,680	**¥ 328,112**	**$ 3,281**
Depreciation (Note 17)	316,038	318,526	**335,587**	**3,356**
Impairment losses on fixed assets	1,841	3,507	**11,712**	**117**
Amortization of long-term prepaid expense	4,942	5,079	**5,377**	**54**
Net change in employees' severance and retirement benefits	(532)	2,051	**15,665**	**157**
Interest and dividend income	(1,814)	(1,954)	**(3,069)**	**(31)**
Interest expense	136,548	131,376	**126,047**	**1,260**
Construction grants received	(54,146)	(65,452)	**(97,556)**	**(976)**
Gain on sales of investment in securities	(858)	—	**—**	**—**
Loss from disposition and provision for cost reduction of fixed assets	76,331	93,655	**111,765**	**1,118**
Net change in major receivables	(24,009)	(52,546)	**(26,289)**	**(263)**
Net change in major payables	36,348	68,643	**(41,825)**	**(418)**
Other	(14,904)	(14,655)	**(16,872)**	**(168)**
Subtotal	745,420	794,910	**748,654**	**7,487**
Proceeds from interest and dividends	1,969	2,159	**3,282**	**33**
Payments of interest	(138,712)	(130,114)	**(124,887)**	**(1,249)**
Payments of earthquake-damage losses	(26,568)	(6,291)	**(2,849)**	**(29)**
Payments of income taxes	(134,387)	(118,814)	**(148,599)**	**(1,486)**
Net cash provided by operating activities	447,722	541,850	**475,601**	**4,756**
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(390,439)	(458,097)	**(488,211)**	**(4,882)**
Proceeds from sales of fixed assets	33,315	39,667	**16,290**	**163**
Proceeds from construction grants	63,849	69,834	**67,985**	**680**
Proceeds from sales of transferable development air rights	—	5,228	**13,343**	**133**
Payments for purchases of investment in securities	(17,634)	(12,238)	**(17,070)**	**(171)**
Proceeds from sales of investment in securities	2,627	—	**—**	**—**
Cash decrease due to purchases of shares of a company newly consolidated, net of cash acquired	(487)	—	**—**	**—**
Other	(720)	6,806	**6,874**	**69**
Net cash used in investing activities	(309,489)	(348,800)	**(400,789)**	**(4,008)**
Cash Flows from Financing Activities:				
Net increase (decrease) in commercial paper	35,000	(40,000)	**—**	**—**
Proceeds from long-term loans	105,739	109,162	**170,500**	**1,705**
Payments of long-term loans	(158,453)	(116,247)	**(202,001)**	**(2,020)**
Proceeds from issuance of bonds	160,113	180,081	**138,314**	**1,383**
Payments for redemption of bonds	(87,960)	(100,000)	**(40,000)**	**(400)**
Payments of liabilities incurred for purchase of railway facilities	(149,170)	(142,012)	**(144,285)**	**(1,443)**
Payments for acquisition of treasury stock	(48)	(40)	**(52)**	**(1)**
Cash dividends paid	(29,978)	(33,974)	**(37,971)**	**(380)**
Other	(16,842)	(28,997)	**35,088**	**352**
Net cash used in financing activities	(141,599)	(172,027)	**(80,407)**	**(804)**
Net Increase (Decrease) in Cash and Cash Equivalents	(3,366)	21,023	**(5,595)**	**(56)**
Cash and Cash Equivalents at Beginning of Year	66,781	64,373	**86,980**	**870**
Increase due to Addition of Consolidated Subsidiaries and Other	958	1,584	**673**	**7**
Cash and Cash Equivalents at End of Year	¥ 64,373	¥ 86,980	**¥ 82,058**	**$ 821**

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 (Japan's main island). The Company operates 70 railway lines, 1,703 stations and 7,526.8 operating kilometers as of March 31, 2008.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Group Companies, the 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 employees' 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 the 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 the Shinkansen Holding Corporation (see Note 11). Subsequent to the purchase, the Shinkansen Holding Corporation was dissolved. The Railway Development Fund succeeded to all rights and obligations of the Shinkansen Holding Corporation. In October 1997, the Railway Development Fund and Maritime Credit Corporation merged to form the Corporation for Advanced Transport & Technology. In October 2003, Japan Railway Construction Public Corporation and the Corporation for Advanced Transport & Technology merged to form the Japan Railway Construction, Transport and Technology Agency.

Prior to December 1, 2001, in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (JR Law), the Company was required to obtain approval from the Minister of Land, Infrastructure, Transport and Tourism 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 10).

2 SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation of Financial Statements

The Company and its consolidated subsidiaries maintain their books of account in accordance with the Japanese Corporate Law and accounting principles generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards in certain respects as to application and disclosure requirements. 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.

As discussed in Note 2 (17), the consolidated statements of changes in net assets for the years ended March 31, 2007 and 2008 have been prepared in accordance with the new accounting standard. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006 was voluntarily prepared for the purpose of inclusion in the consolidated financial statements.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements prepared for Financial Instruments and Exchange Act of Japan purposes. Certain modifications and reclassifications, including the presentation of the Consolidated Statement of Shareholders' Equity for the year ended March 31, 2006, 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, 2008, which was ¥100 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2) 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, 2008, 82 subsidiaries were consolidated. Three subsidiaries were deconsolidated in the year ended March 31, 2008 because of their merger with other consolidated subsidiaries.

All significant intercompany transactions and accounts have been eliminated. Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over five years.

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.

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2008, two affiliated companies were accounted for by the equity method, and there was no change in those companies during that year.

Investments in unconsolidated subsidiaries and other affiliated companies are stated mainly at moving-average cost since their equity earnings in the aggregate are not material in relation to consolidated net income and retained earnings.

4) Allowance for Doubtful Accounts

According to the Japanese Accounting Standards for Financial Instruments, the Companies provide an 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.

5) Inventories

Inventories are stated at cost as follows:

Merchandise inventories: the retail cost method or first-in, first-out method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability);

Rails, materials and supplies: the moving-average cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability); and

Other: the last purchased cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability)

6) Real Estate for Sale

For the years ended March 31, 2006 and 2007, 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 consolidated statements of income for the years ended March 31, 2006 and 2007 were ¥654 million and ¥1,563 million, respectively. From the year ended March 31, 2008, carrying amounts in the balance sheet are calculated with consideration of write-down due to decreased profitability. The said written down amount is included in operating expenses. However, for the year ended March 31, 2008, it was insignificant.

7) Securities

Securities are classified and stated as follows:

(1) Trading securities are stated at market value. The Companies had no trading securities through the years ended March 31, 2006, 2007 and 2008.

(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 are stated as follows:

(a) Available-for-sale securities with market value
According to the Japanese Accounting Standards for Financial Instruments, available-for-sale securities for which market quotations are available are stated at market value as of the balance sheet date. Net deferred gains or losses on these securities are reported as a separate item in shareholders' equity in 2006 and net assets in 2007 and 2008 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.

(b) Available-for-sale securities without market value
Available-for-sale securities for which market quotations are not available are mainly stated at moving-average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies which are not consolidated nor accounted for using the equity method or available-for-sale securities, the said securities are stated at market values in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

8) Property, Plant and Equipment

Property, plant and equipment are generally stated at cost or the transfer value referred to in Note 1. 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 are depreciated using the straight-line method. Buildings (excluding related fixtures) acquired from April 1, 1998 onward are depreciated using the straight-line method according to the Japanese Tax Law.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	3 to 20 years

Pursuant to an amendment of the Japanese Tax Law, from the fiscal year ended March 31, 2008, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. As a result, operating income and income before income taxes both decreased ¥3,383 million ($34 million). Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation. As a result, compared to the previous method, operating income and income before income taxes both decreased ¥11,492 million ($115 million).

9) Accounting for Employees' 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 in addition to those severance and retirement benefits). The amounts of the employees' severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees. Previously, most of the Companies accrued a liability for such obligation equal to 40% of the amount required if all eligible employees had voluntarily terminated their employment at the balance sheet date.

The Japanese Accounting Standards for Retirement Benefits became effective beginning with the year ended March 31, 2001. The Companies accrue liabilities for post-employment benefits at the balance sheet date in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

The excess of the projected benefit obligations over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") is being charged to income over 10 years from the year ended March 31, 2001 on a straight-line basis. The balance of unrecognized net transition obligation as of March 31, 2008 was ¥97,637 million ($976 million).

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

10) 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.

11) Accounting for Research and Development Costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they incur. Research and development costs included in operating expenses for the years ended March 31, 2006, 2007 and 2008 were ¥16,886 million, ¥17,095 million and ¥15,649 million ($156 million), respectively.

12) 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.

13) Earnings per Share

Earnings per share shown in the consolidated statements of income are computed by dividing income available to common shareholders by the weighted average number of common stock outstanding during the year. Diluted earnings per share are not shown, since there are no outstanding securities with dilutive effect on earnings per share such as convertible bonds.

14) Derivative Transactions

Derivative transactions that do not meet requirements for hedge accounting are stated at fair value and the gains or losses resulting from change in fair value of those transactions are recognized as income or expense in the period. Derivative transactions that meet requirements for hedge accounting are stated at fair value and the gains and losses resulting from changes in fair value of those transactions are deferred until the losses and gains of the hedged items are recognized on the Consolidated Statements of Income.
Of those, certain derivative transactions of the Companies that meet certain hedging criteria are accounted 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.

15) Impairment of Fixed Assets

Accounting Standards for Impairment of Fixed Assets require that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of an asset or asset group may not be recoverable.

The impairment losses are recognized when the book value of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continuing use and eventual disposition of the asset or asset group.

The impairment losses are measured as the amount by which the book value of the asset exceeds its recoverable amounts, which is the higher of the discounted cash flows from the continuing use and eventual disposition of the asset or the net selling price.

Restoration of previously recognized impairment losses is prohibited. For cumulative impairment losses, the Companies deducted directly from respective asset amounts based on the revised regulation on the consolidated financial statements.

16) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheets as of March 31, 2007 and 2008 prepared in accordance with the New Accounting Standards comprise three sections, which are assets, liabilities and net assets sections.

Under the New Accounting Standards, the net assets section includes deferred gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, deferred gains (losses) on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests are included in the net assets section. Under the previous presentation rules, companies were required to present minority interests between the non-current liabilities and the shareholders' equity sections.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007 and 2008.

17) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the Accounting Standard for Statement of Changes in Net Assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, "the Additional New Accounting Standards").

The Company prepared the accompanying consolidated statements of changes in net assets for the years ended March 31, 2007 and 2008 in accordance with the Additional New Accounting Standards. The accompanying consolidated statement of shareholders' equity for the year ended March 31, 2006, which was voluntarily prepared for inclusion in the consolidated financial statements, has not been adapted to the new presentation rules of 2007.

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 of land acquired and related land improvements in connection with residential home site developments in eastern Honshu. Further, until the fiscal year ended March 31, 2007, significant decreases in price were reflected in balance sheet values. From the fiscal year ended March 31, 2008, carrying amounts in the balance sheet are calculated with consideration of write-down due to decreased profitability.

6 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Unconsolidated subsidiaries:			
Investments	¥ 4,520	**¥ 4,507**	**$ 45**
Advances	483	**593**	**6**
	5,003	**5,100**	**51**
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	27,724	**29,225**	**292**
	¥32,727	**¥34,325**	**$343**

7 SECURITIES

For held-to-maturity debt securities with market value, amount on balance sheets and market value at March 31, 2007 and 2008 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2007			**2008**			**2008**		
	Amount on Balance Sheet	Market Value	Difference	Amount on Balance Sheet	Market Value	Difference	Amount on Balance Sheet	Market Value	Difference
Of which market value exceeds the amount on balance sheet:									
Government, municipal bonds, etc.	¥ 40	¥ 40	¥ 0	**¥148**	**¥148**	**¥0**	**$2**	**$2**	**$0**
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	275	273	(2)	**20**	**20**	**0**	**0**	**0**	**0**
Total	¥315	¥313	¥(2)	**¥168**	**¥168**	**¥0**	**$2**	**$2**	**$0**

For available-for-sale securities with market value, acquisition cost and amount on balance sheets at March 31, 2007 and 2008 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2007			**2008**			**2008**		
	Acquisition Cost	Amount on Balance Sheet	Difference	Acquisition Cost	Amount on Balance Sheet	Difference	Acquisition Cost	Amount on Balance Sheet	Difference
Of which amount on balance sheet exceeds the acquisition cost:									
Equity shares	¥72,834	¥184,783	¥111,949	**¥51,295**	**¥ 97,428**	**¥46,133**	**$513**	**$ 974**	**$461**
Debt securities	154	164	10	**48**	**56**	**8**	**1**	**1**	**0**
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	3,647	3,079	(568)	**38,184**	**32,376**	**(5,808)**	**382**	**324**	**(58)**
Debt securities	247	245	(2)	**241**	**240**	**(1)**	**2**	**2**	**(0)**
Total	¥76,882	¥188,271	¥111,389	**¥89,768**	**¥130,100**	**¥40,332**	**$898**	**$1,301**	**$403**

In the years ended March 31, 2007 and 2008, gains and losses on the sale of available-for-sale securities were immaterial.
The major components of available-for-sale securities without market value at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Available-for-sale securities without market value:			
Unlisted equity securities	¥10,945	**¥11,019**	**$110**
Investments in special-purpose company	3,560	**—**	**—**
Preferred equity securities	1,000	**1,000**	**10**

Annual maturities of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2008 were as follows:

	Millions of Yen				Millions of U.S. Dollars			
	2008				2008			
	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years
Debt securities	**¥90**	**¥360**	**¥6**	**¥10**	**$1**	**$4**	**$0**	**$0**
Total	**¥90**	**¥360**	**¥6**	**¥10**	**$1**	**$4**	**$0**	**$0**

8 PLEDGED ASSETS

At March 31, 2007 and 2008, buildings and fixtures with net book value of ¥31,770 million and ¥29,736 million ($297 million), respectively and other assets with net book value of ¥478 million and ¥245 million ($2 million), respectively, were pledged as collateral for long-term debt and other liabilities totaling ¥5,145 million and ¥4,075 million ($41 million), at the respective dates.

In addition, at March 31, 2007 and 2008, buildings and fixtures with net book value of ¥54,021 million and ¥51,850 million ($519 million), respectively and other assets with net book value of ¥8,504 million and ¥7,923 million ($79 million), respectively, were pledged as collateral for long-term liabilities incurred for purchase of the Tokyo Monorail facilities amounting to ¥11,486 million and ¥10,339 million ($103 million) at March 31, 2007 and 2008, respectively (see Note 11).

9 IMPAIRMENT LOSSES ON FIXED ASSETS

In adherence with management accounting classifications, the Companies generally categorize assets according to operations or properties. For railway business assets, the Companies treat railway lines as a single asset group because the railway network generates cash flow as a whole. Also, the Companies separately categorize assets that are slated to be disposed of (such as employee housing) or idle.

As of fiscal 2008, for fixed assets such as shopping centers for which profitability has decreased markedly due to such factors as the likelihood that fixed assets will be disposed of earlier than initially anticipated, the book values were reduced to the recoverable amounts and the said reductions were recognized as impairment losses on fixed assets (¥11,712 million).

Asset status	Asset type	Area
Shopping centers	Buildings and fixtures	Takasaki, Gunma Prefecture, etc.
Loaned land and others	Land, buildings and fixtures	Omiya-ku, Saitama, Saitama Prefecture, etc.

* Breakdown of impairment loss:
Buildings and fixtures: ¥8,077 million; Land: ¥3,035 million; Other: ¥600 million; Total: ¥11,712 million

The Companies determine recoverable amounts for the above asset groups by measuring the net selling prices or values in use.

Measurements of recoverable amounts made using the net selling prices are calculated based on real estate appraisals, etc. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 6.0%. Further, presentation has been omitted for the year ended March 31, 2006 and 2007, because related items were insignificant.

10 LONG-TERM DEBT

Long-term debt at March 31, 2007 and 2008 is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
General mortgage bonds issued in 1997 to 2001 with interest rates ranging from 1.70% to 3.30% due in 2009 to 2021	¥ 459,900	**¥ 459,900**	**$ 4,599**
Unsecured bonds issued in 2002 to 2007 with interest rates ranging from 0.71% to 2.55% due in 2011 to 2033	605,827	**645,821**	**6,458**
Secured loans due in 2008 to 2016 principally from banks and insurance companies with interest rates mainly ranging from 2.60% to 6.50%	3,738	**3,286**	**33**
Unsecured loans due in 2008 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.961% to 7.50%	784,796	**753,748**	**7,537**
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	180,297	**238,684**	**2,387**
	2,034,558	**2,101,439**	**21,014**
Less current portion	241,772	**234,446**	**2,344**
	¥1,792,786	**¥1,866,993**	**$18,670**

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 250 million pound 4.875% bonds, amounting to ¥52,550 million ($526 million), were issued in June 2006. The 350 million pound 4.75% bonds, amounting to ¥78,299 million ($783 million), were issued in December 2006. The 250 million pound 5.25% bonds, amounting to ¥58,750 million ($588 million), were issued in April 2007. These bonds have been hedged by a foreign currency swap contract with a bank.

Seeking to mitigate future interest burden, the Company concluded debt assumption agreements on January 24, 2007. Details of affected bonds are (1) Issue: Straight bonds, third issue, East Japan Railway Company; (2) Issue date: March 11, 1996; (3) Coupon: 3.95%; (4) Maturity date: February 25, 2016; and (5) Nominal amounts; ¥100,000 million ($1,000 million).

In fiscal 2007, the Company recorded losses of ¥20,557 million ($206 million) for redemption of bonds. The annual maturities of long-term debt at March 31, 2008 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥ 234,446	$ 2,344
2010	208,917	2,089
2011	189,760	1,898
2012	234,081	2,341
2013	223,771	2,238
2014 and thereafter	1,012,017	10,120

11 LONG-TERM LIABILITIES INCURRED FOR PURCHASE OF RAILWAY FACILITIES

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from the 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 consolidated balance sheet as of March 31, 2002 includes liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.28% through 2017	¥ 847,755	**¥ 734,784**	**$ 7,348**
Payable semiannually including interest at 6.35% through 2017	372,419	**344,757**	**3,448**
Payable semiannually including interest at 6.55% through 2051	353,129	**351,713**	**3,517**
	1,573,303	**1,431,254**	**14,313**
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.94% through 2022	16,857	**15,767**	**158**
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.92% through 2029	11,486	**10,339**	**103**
	1,601,646	**1,457,360**	**14,574**
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	142,328	**137,961**	**1,380**
The Akita hybrid Shinkansen purchase liability	1,089	**1,042**	**10**
Tokyo Monorail purchase liability	712	**696**	**7**
	144,129	**139,699**	**1,397**
	¥1,457,517	**¥1,317,661**	**$13,177**

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, 2008 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥139,699	$1,397
2010	137,935	1,379
2011	128,875	1,289
2012	124,565	1,246
2013	129,989	1,300
2014 and thereafter	796,297	7,963

12 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.

13 INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Deferred income taxes:			
Employees' severance and retirement benefits	¥242,713	**¥249,556**	**$2,496**
Reserves for bonuses	30,359	**29,976**	**300**
Losses on impairment of fixed assets	13,785	**17,218**	**172**
Excess depreciation and amortization of fixed assets	11,220	**10,522**	**105**
Environmental conservation cost	10,858	**8,203**	**82**
Devaluation losses on real estate for sale	6,242	**—**	**—**
Devaluation losses on fixed assets	5,421	**5,419**	**54**
Accrued enterprise tax	6,639	**5,130**	**51**
Other	40,508	**43,844**	**439**
	367,745	**369,868**	**3,699**
Less valuation allowance	(21,952)	**(24,707)**	**(248)**
Less amounts offset against deferred tax liabilities	(75,521)	**(55,416)**	**(554)**
Net deferred income taxes	¥270,272	**¥289,745**	**$2,897**
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 28,213	**¥ 33,006**	**$ 330**
Net unrealized holding gains on securities	45,318	**18,665**	**187**
Valuation for assets and liabilities of consolidated subsidiaries	3,459	**3,458**	**35**
Other	1,211	**2,299**	**22**
	78,201	**57,428**	**574**
Less amounts offset against deferred income taxes	(75,521)	**(55,416)**	**(554)**
Net deferred tax liabilities	¥ 2,680	**¥ 2,012**	**$ 20**

For the years ended March 31, 2006, 2007, and 2008, the difference between the actual effective income tax rate after applying tax effect accounting and the aggregate standard effective tax rate was less than 5% of the aggregate standard effective tax rate. In view of its insignificant size, the difference is not discussed here.

14 EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As mentioned in Note 2 (9), beginning with the year ended March 31, 2001, the Companies adopted the Japanese Accounting Standards for Retirement Benefits, under which the liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Projected benefit obligation	¥(716,002)	**¥(689,485)**	**$(6,895)**
Plan assets	5,010	**4,736**	**48**
Unfunded projected benefit obligation	(710,992)	**(684,749)**	**(6,847)**
Unrecognized net transition obligation	146,278	**97,637**	**976**
Unrecognized actuarial differences	(47,279)	**(39,357)**	**(394)**
Unrecognized prior service costs	11,964	**9,581**	**96**
Book value (net)	(600,029)	**(616,888)**	**(6,169)**
Prepaid pension expense	200	**198**	**2**
Employees' severance and retirement benefits	¥(600,229)	**¥(617,086)**	**$(6,171)**

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Service costs	¥ 37,202	¥ 31,141	**¥29,551**	**$296**
Interest costs	23,214	22,120	**20,930**	**209**
Expected return on plan assets	(65)	(82)	**(88)**	**(1)**
Amortization of net transition obligation	48,971	48,952	**48,820**	**488**
Amortization of actuarial differences	(7,258)	(5,092)	**(6,592)**	**(66)**
Amortization of prior service costs	2,106	2,401	**1,063**	**11**
Employees' severance and retirement benefit expenses	104,170	99,440	**93,684**	**937**
Losses related to retirement of a large number of employees from a consolidated subsidiary	—	9,603	**—**	**—**
Total	¥104,170	¥109,043	**¥93,684**	**$937**

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 were mainly 2.0% in the years ended March 31, 2006, 2007 and 2008.

15 CONTINGENT LIABILITIES

The Company is contingently liable for the in-substance defeasance of general mortgage bonds issued by the Company, which were assigned to certain banks under debt assumption agreements. The outstanding amounts contingently liable under such debt assumption agreements at March 31, 2008 were ¥70,000 million ($700 million) and ¥100,000 million ($1,000 million) by general bonds.

16 NET ASSETS

The Japanese Corporate Law became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Japanese Corporate Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Japanese Corporate Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Japanese Corporate Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held in June 2008, the shareholders approved cash dividends amounting to ¥19,985 million ($200 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

17 SEGMENT INFORMATION

The Companies' primary business activities include (1) Transportation, (2) Station space utilization, (3) Shopping centers & office buildings and (4) Other services.

	Millions of Yen					
	2006					
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
Operating revenues:						
Outside customers	¥1,805,406	¥383,904	¥190,466	¥212,617	¥ —	¥2,592,393
Inside group	56,380	11,803	7,761	277,435	(353,379)	—
	1,861,786	395,707	198,227	490,052	(353,379)	2,592,393
Costs and expenses	1,564,057	365,268	144,374	474,533	(351,939)	2,196,293
Operating income	¥ 297,729	¥ 30,439	¥ 53,853	¥ 15,519	¥ (1,440)	¥ 396,100
Identifiable assets	¥5,513,144	¥166,956	¥744,389	¥653,322	¥(256,227)	¥6,821,584
Depreciation	238,686	8,959	26,573	41,820	—	316,038
Capital investments	310,177	12,772	36,206	59,033	—	418,188

	2007					
Operating revenues:						
Outside customers	¥1,825,387	¥399,998	¥197,140	¥234,821	¥ —	¥2,657,346
Inside group	57,562	14,320	8,785	291,495	(372,162)	—
	1,882,949	414,318	205,925	526,316	(372,162)	2,657,346
Costs and expenses	1,563,906	381,099	147,280	508,383	(371,420)	2,229,248
Operating income	¥ 319,043	¥ 33,219	¥ 58,645	¥ 17,933	¥ (742)	¥ 428,098
Identifiable assets	¥5,597,031	¥185,956	¥778,709	¥751,939	¥(345,603)	¥6,968,032
Depreciation	236,887	9,122	27,703	44,814	—	318,526
Capital investments	343,825	9,166	52,608	69,118	—	474,717

	2008					
Operating revenues:						
Outside customers	**¥1,857,756**	**¥404,006**	**¥205,347**	**¥236,455**	**¥ —**	**¥2,703,564**
Inside group	**58,912**	**16,583**	**8,714**	**305,312**	**(389,521)**	**—**
	1,916,668	**420,589**	**214,061**	**541,767**	**(389,521)**	**2,703,564**
Costs and expenses	**1,584,850**	**384,322**	**154,240**	**524,453**	**(389,461)**	**2,258,404**
Operating income	**¥ 331,818**	**¥ 36,267**	**¥ 59,821**	**¥ 17,314**	**¥ (60)**	**¥ 445,160**
Identifiable assets	**¥5,555,426**	**¥180,589**	**¥813,835**	**¥789,504**	**¥(397,351)**	**¥6,942,003**
Depreciation	**249,713**	**9,706**	**29,081**	**47,087**	**—**	**335,587**
Impairment losses on fixed assets	**2,573**	**556**	**6,870**	**1,713**	**—**	**11,712**
Capital investments	**325,349**	**16,149**	**64,869**	**66,560**	**—**	**472,927**

	Millions of U.S. Dollars					
	2008					
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
Operating revenues:						
Outside customers	**$18,578**	**$4,040**	**$2,054**	**$2,364**	**$ —**	**$27,036**
Inside group	**589**	**166**	**87**	**3,053**	**(3,895)**	**—**
	19,167	**4,206**	**2,141**	**5,417**	**(3,895)**	**27,036**
Costs and expenses	**15,849**	**3,843**	**1,543**	**5,244**	**(3,895)**	**22,584**
Operating income	**$ 3,318**	**$ 363**	**$ 598**	**$ 173**	**$ (0)**	**$ 4,452**
Identifiable assets	**$55,554**	**$1,806**	**$8,138**	**$7,895**	**$(3,973)**	**$69,420**
Depreciation	**2,497**	**97**	**291**	**471**	**—**	**3,356**
Impairment losses on fixed assets	**26**	**6**	**69**	**16**	**—**	**117**
Capital investments	**3,253**	**161**	**649**	**666**	**—**	**4,729**

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 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, wholesale, truck delivery, cleaning, information processing, 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 noncurrent securities held by the Company.

Pursuant to an amendment of the Japanese Tax Law, from the fiscal year under review, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation. As a result, compared with the previous method, in the fiscal year under review the Company recorded increases in operating expenses of ¥12,363 million ($124 million) for transportation, ¥454 million ($5 million) for station space utilization, ¥1,616 million ($16 million) for shopping centers & office buildings, and ¥442 million ($4 million) for other services, and the respective operating incomes of these segments decreased by the same amounts.

Geographic segment information is not shown since the Company has no overseas consolidated subsidiaries. Information for overseas sales is not shown as there is no overseas sales.

18 INFORMATION REGARDING CERTAIN LEASES

Finance leases other than those which transfer ownership to lessees are accounted for in the same manner as operating leases. Under such finance leases, lease payments, which were charged to income for the years ended March 31, 2007 and 2008, amounted to ¥12,692 million and ¥12,039 million ($120 million), respectively. Lease income which was credited to income for the years ended March 31, 2007 and 2008 was ¥4,764 million and ¥4,995 million ($50 million), respectively.

Future lease payments inclusive of interest were ¥31,724 million and ¥28,796 million ($288 million), including due in one year of ¥11,060 million and ¥11,211 million ($112 million), and future lease receipts inclusive of interest were ¥16,062 million and ¥16,456 million ($165 million), including due in one year of ¥4,809 million and ¥4,545 million ($45 million), at March 31, 2007 and 2008, respectively.

Future lease receipts for operating leases amounted to ¥18,401 million ($184 million), including those due within one year of ¥2,386 million ($24 million), at March 31, 2008.

19 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances

The Company and its consolidated subsidiaries use foreign exchange contracts transactions, currency swap transactions, and interest swap transactions with the aim of avoiding risk (market risk) related to fluctuation of future market prices (foreign exchange/interest) in relation to bonds, loans, and so on. Further, commodity swap transactions are used with the aim of avoiding product price fluctuation risk related to fuel purchasing, and natural disaster derivatives are used with the aim of avoiding revenue and expenditure fluctuation risk due to natural disasters.

Because all of the derivative transaction contracts that the Company and its consolidated subsidiaries enter into are the transaction whose counterparties are financial institutions that have high creditworthiness, the Company believes that there is almost no risk of parties to contracts defaulting on obligations.

Under the basic policy approved by the Board of Directors, with the aim of appropriate implementation of transactions and risk management, financial departments in respective companies process those derivative transactions following appropriate internal precedures or approval of the Board of Directors, based on relevant internal regulations.

2) Items Regarding the Fair Value of Transactions, etc.

	Millions of Yen		Millions of U.S. Dollars	
	2008		2008	
Classification	Transactions other than market transactions	Total	Transactions other than market transactions	Total
Type	Natural disaster derivatives transactions bought		Natural disaster derivatives transactions bought	
Contract amount etc.	**¥26,052**	**¥26,052**	**$260**	**$260**
Of which more-than-one-year contract amount, etc.	**26,052**	**26,052**	**260**	**260**
Fair value	**2,992**	**2,992**	**30**	**30**
Gain or loss from valuation	**(1,153)**	**(1,153)**	**(12)**	**(12)**

*1. In the year ended March 31, 2006 and 2007, hedge accounting was applied to all derivative transactions. Therefore, items relating to the fair value of transactions have been omitted.
*2. Contract amount, etc. is the maximum amount receivable.
*3. Fair value is calculated based on the current value presented by financial institutions, etc. with which transactions are conducted.
*4. Derivative transactions for which hedge accounting is applied are not subject to inclusion and are therefore omitted.

20 SUBSEQUENT EVENTS

1) Issuance of Bonds

On April 22, 2008, the Company issued a 1.62% coupon unsecured bond due on April 20, 2018, with an aggregate nominal principal amount of ¥30,000 million ($300 million), and a 2.35% coupon unsecured bond due on April 21, 2028, with an aggregate nominal principal amount of ¥20,000 million ($200 million).

2) Stock Split and Adoption of the Trading Lot System

With enactment of the "Law Amending the Partial Revision of the Commercial Code Concerning Transfer of Bonds for Rationalization of Settlements Related to Trade such as Shares (Law No. 88 of 2004, hereafter referred to as the Settlement Rationalization Law)," which is scheduled to take effect in January 2009, a transition will be made to the stock transfer system (the electronic share certificate system).

Based on the approval of a meeting of the Board of Directors on April 28, 2008, and a resolution of the 21st Regular General Meeting of Shareholders, convened on June 24, 2008, approving an amendment to the Articles of Incorporation, in order to clear up odd lot shares not covered by the stock transfer system the Company will implement a stock split, at a ratio of 100 shares for each share of common stock, and adopt a trading lot system, establishing a trading lot of 100 shares, with an effective date one day before the date on which the Settlement Rationalization Law takes effect.

If the said stock split had been implemented at the beginning of the previous period or if it had been implemented at the beginning of the period under review, respective per share information for fiscal 2007 and fiscal 2008 would be as follows.

Fiscal 2007
Net assets per share: ¥3,725
Earnings per share–basic: ¥440
Earnings per share–diluted: Not shown because there are no residual securities

Fiscal 2008
Net assets per share: ¥3,995
Earnings per share–basic: ¥475
Earnings per share–diluted: Not shown because there are no residual securities

KPMG

Independent Auditors' Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated balance sheets of East Japan Railway Company and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income for each of the three years in the period ended March 31, 2008, the consolidated statements of changes in net assets for each of the two years in the period ended March 31, 2008, the consolidated statement of shareholders' equity for the year ended March 31, 2006 and the consolidated statements of cash flows for each of the three years in the period ended March 31, 2008, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Japan Railway Company and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
Implementation of a stock split and adoption of a trading lot system are discussed in Note 20(2) to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 24, 2008

CORPORATE INFORMATION

CONTENTS

Peer Group Comparisons

In this section, several key performance indicators illustrate how JR East compares with selected well-known companies.

Total Stock Market Value

(Millions of U.S. Dollars)

International

JR East	**33,128**
British Airways	5,396
Lufthansa	13,150
Union Pacific	16,375
FedEx	34,609
UPS	74,316

Data in this graph have been computed from each company's share price and shares outstanding at the end of the previous fiscal year.

Domestic

JR East	**33,128**
JAL	7,069
Tokyu	6,185
TEPCO	35,954
NTT	58,647

Data in this graph have been computed from each company's share price and shares outstanding at the end of the previous fiscal year.

Operating Revenues

(Millions of U.S. Dollars)

International

JR East	**27,036**
British Airways	17,487
Lufthansa	35,393
Union Pacific	16,283
FedEx	35,214
UPS	49,692

Domestic

JR East	**27,036**
JAL	22,304
Tokyu	13,730
TEPCO	54,794
NTT	106,809

Net Income (Loss)

(Millions of U.S. Dollars)

International

JR East	**1,897**
British Airways	1,386
Lufthansa	2,613
Union Pacific	1,855
FedEx	2,016
UPS	382

Domestic

JR East	**1,897**
JAL	169
Tokyu	460
TEPCO	–1,501
NTT	6,352

Cash Flows from Operating Activities

(Millions of U.S. Dollars)

International

JR East	**4,756**
British Airways	605
Lufthansa	4,518
Union Pacific	3,277
FedEx	3,563
UPS	1,123

Domestic

JR East	**4,756**
JAL	1,573
Tokyu	1,191
TEPCO	5,099
NTT	30,908

Return on Average Equity (ROE)

(%)

International

JR East	**12.3**
British Airways	24.6
Lufthansa	28.0
Union Pacific	12.0
FedEx	16.7
UPS	2.8

Average equity is the average of equity at the end of the previous and applicable fiscal years.

Domestic

JR East	**12.3**
JAL	4.4
Tokyu	13.4
TEPCO	–5.3
NTT	8.7

Average equity is the average of equity at the end of the previous and applicable fiscal years.

Ratio of Operating Income to Average Assets (ROA)

(%)

International

JR East	**6.4**
British Airways	7.8
Lufthansa	7.6
Union Pacific	9.1
FedEx	14.0
UPS	1.6

Average assets is the average of assets at the end of the previous and applicable fiscal years.

Domestic

JR East	**6.4**
JAL	4.3
Tokyu	4.5
TEPCO	1.0
NTT	7.1

Average assets is the average of assets at the end of the previous and applicable fiscal years.

Year ended March 31, 2008 (Year ended December 31, 2007, for Lufthansa, Union Pacific, and UPS and year ended May 31, 2007, for FedEx)

Notes: 1. JAL...Japan Airlines Corporation Tokyu...Tokyu Corporation
TEPCO...The Tokyo Electric Power Company, Incorporated NTT...Nippon Telegraph and Telephone Corporation
2. Data in this section are based on consolidated figures from each company's annual report or financial press releases.
3. The exchange rate used is the rate for March 31, 2008 ($1=¥100, £1=$2.00, €1=$1.58).
4. Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $8,290.00 for JR East, $4.68 for British Airways, $28.72 for Lufthansa, $62.81 for Union Pacific, $111.62 for FedEx, $70.72 for UPS, $2.59 for JAL, $5.08 for Tokyu, $26.65 for TEPCO, and $4,300.00 for NTT.

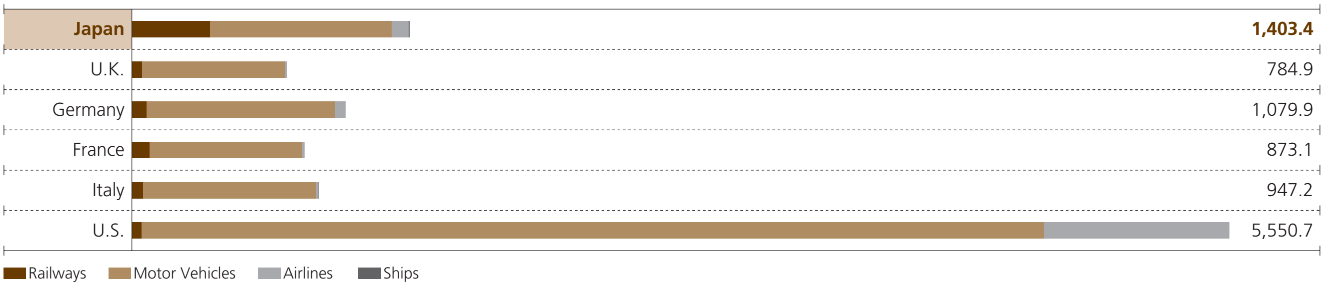
International Railway Comparisons

Japan's high reliance on railways due to the size of the economy and geographic characteristics affords railway companies an extremely large source of demand, especially in urban areas. In addition to being Japan's top railway company, JR East is the largest railway company in the world.

TRANSPORTATION MARKET

Composition by Type of Transportation

(Billions of Passenger Kilometers)



	Railways		Motor Vehicles						Airlines		Ships		Total	
			Buses		Cars		Total							
	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%
Japan	**395.9**	**28.2%**	**88.7**	**6.3%**	**829.2**	**59.1%**	**917.9**	**65.4%**	**85.8**	**6.1%**	**3.8**	**0.3%**	**1,403.4**	**100.0%**
U.K.	52.0	6.6%	49.0	6.2%	674.0	85.9%	723.0	92.1%	9.9	1.3%	N/A	N/A	784.9	100.0%
Germany	74.9	6.9%	82.7	7.7%	869.7	80.5%	952.4	88.2%	52.6	4.9%	N/A	N/A	1,079.9	100.0%
France	88.9	10.2%	43.9	5.0%	727.4	83.3%	771.3	88.3%	12.9	1.5%	N/A	N/A	873.1	100.0%
Italy	56.0	5.9%	98.9	10.4%	776.2	82.0%	875.1	92.4%	12.2	1.3%	3.9	0.4%	947.2	100.0%
U.S.	49.8	0.9%	262.3	4.7%	4,298.9	77.5%	4,561.2	82.2%	939.7	16.9%	N/A	N/A	5,550.7	100.0%

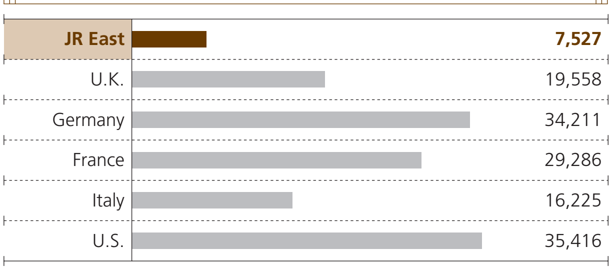
Respective figures are for the following years: Japan, year ended March 31, 2007; U.K., year ended March 31, 2006; Italy, year ended December 31, 2004; U.S., year ended December 31, 2005; France and Germany, year ended December 31, 2005.

Note: Railway figures for Japan include JR East passenger kilometers (127.7 billion, exclusive of the Tokyo Monorail). For details, see page 97.

Sources: Japan: Ministry of Land, Infrastructure, Transport and Tourism; U.K.: Transport Statistics Great Britain 2007; Germany: Verkehr in Zahlen 2006/2007; France: Website of Ministry for Infrastructure, Transport, Housing, Tourism, and the Sea of France; Italy: Conto Nazionale dei Trasporti Anno 2003; U.S.: Statistical Abstract of the United States 2005.

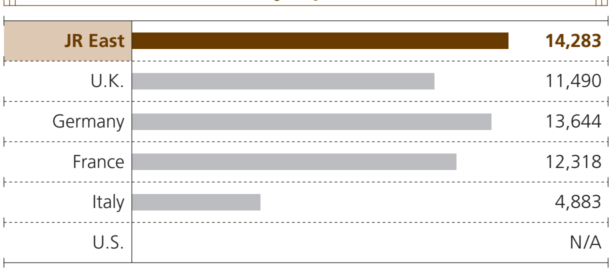
Railway Line Networks

(Kilometers)



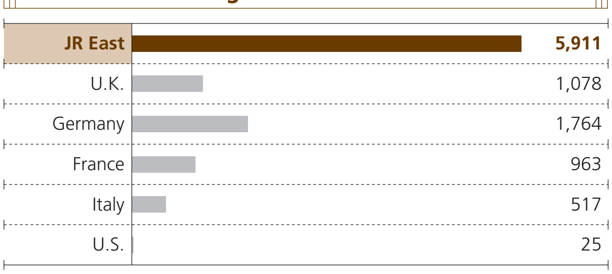
Revenues from Railway Operations

(Millions of U.S. Dollars)

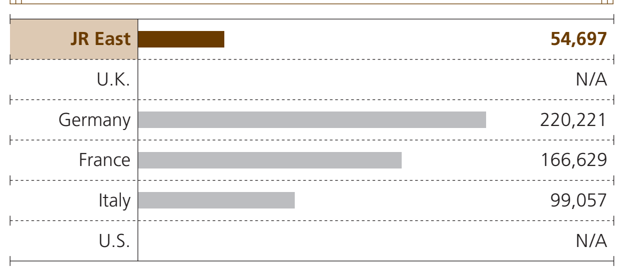


Number of Passengers

(Millions)

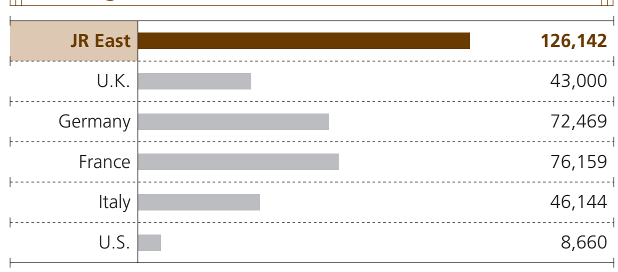


Number of Employees



Passenger Kilometers

(Millions)



As of December 31, 2005, except for JR East and U.K. figures, which are as of March 31, 2006

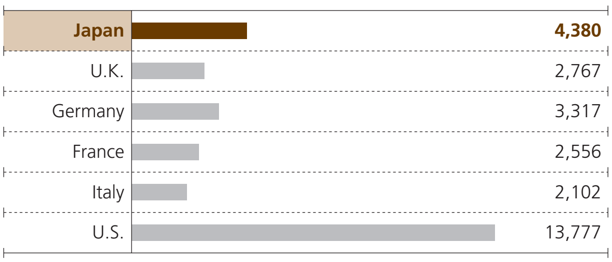
Notes: 1. U.K.: Association of Train Operating Companies (Railway tracks are owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: Société Nationale des Chemins de fer Français (SNCF) (Railway tracks are owned by Réseau Ferré de France (RFF)); Italy: Ferrovie dello Stato S.p.A.; U.S.: National Railroad Passenger Corporation (Amtrak)
2. Revenues from railway operations do not include freight and other service revenues.
3. Figures for JR East do not include the Tokyo Monorail.
4. The exchange rate used is the rate for March 31, 2006 ($1=¥117, £1=$1.75, €1=$1.22).

Source: Statistiques Internationales des Chemins de Fer 2005, Union Internationale des Chemins de Fer

FUNDAMENTALS

Gross Domestic Product (Billions of U.S. Dollars)

2007

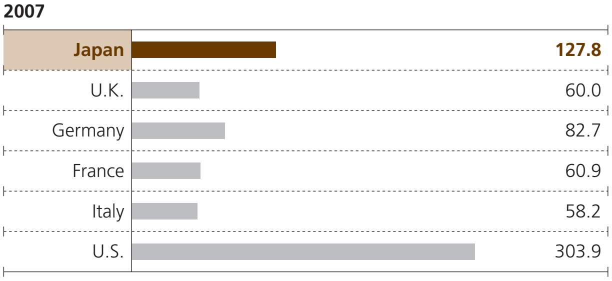


	2003	2004	2005	2006	2007
Japan	**4,291**	**4,665**	**4,644**	**4,367**	**4,380**
U.K.	1,775	2,115	2,199	2,371	2,767
Germany	2,386	2,687	2,793	2,894	3,317
France	1,732	1,997	2,107	2,231	2,556
Italy	1,455	1,671	1,763	1,851	2,102
U.S.	10,857	11,665	12,429	13,185	13,777

Source: Annual OECD National Accounts publications

Population (Millions)

2007

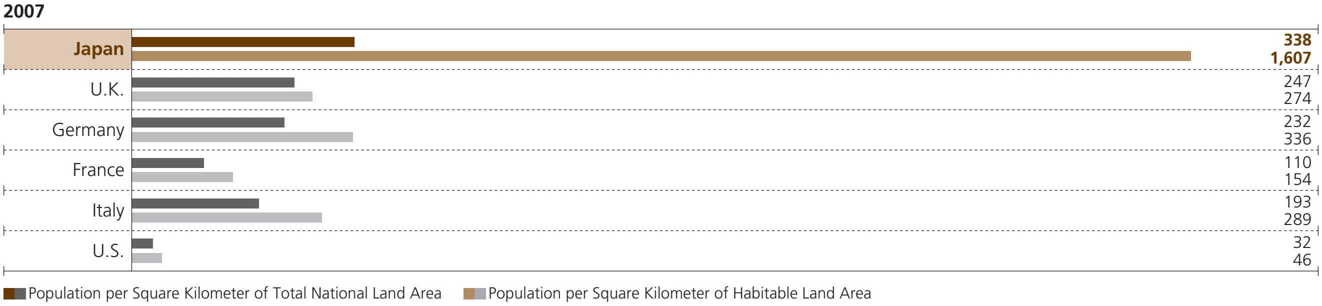


	2003	2004	2005	2006	2007
Japan	**127.6**	**127.7**	**127.8**	**127.8**	**127.8**
U.K.	59.3	59.4	59.7	59.8	60.0
Germany	82.5	82.5	82.7	82.7	82.7
France	60.1	60.4	60.5	60.7	60.9
Italy	57.4	57.3	58.1	58.1	58.2
U.S.	294.0	297.0	298.2	301.0	303.9

Sources: Japan: Current Population Estimates, Ministry of Internal Affairs and Communications
Other countries: United Nations data

Population Density (Per Square Kilometer)

2007



	2003		2004		2005		2006		2007	
	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area
Japan	**338**	**1,605**	**338**	**1,606**	**338**	**1,610**	**338**	**1,610**	**338**	**1,607**
U.K.	244	273	244	274	246	274	246	274	247	274
Germany	231	341	231	341	232	342	232	342	232	336
France	109	150	109	151	110	151	110	152	110	154
Italy	191	254	190	254	193	257	193	257	193	289
U.S.	31	47	31	48	31	48	31	49	32	46

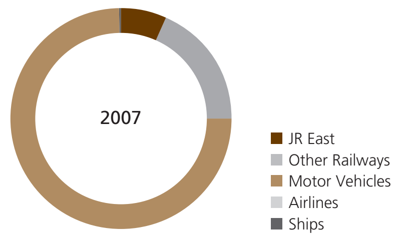
Note: JR East calculated these figures by using the following data and definition of each country's habitable land area.
Population — Japan: Current Population Estimates, Ministry of Internal Affairs and Communications
Other countries: United Nations data
Habitable land area — Japan: Land White Paper, Ministry of Land, Infrastructure, Transport and Tourism
Total area minus forests and woodland, barren land, area under inland water bodies, and other
U.K.: The FAOSTAT Database Land Use
Land area (2005) minus forests and woodland (1994)
Other countries: Prepared using "world statistics" 2004 of Statistics Bureau, Ministry of Internal Affairs and Communications

Railway Operations in Japan

Railways play a vital role in Japan, and JR East alone represents about 30% of all passenger railway transportation.

SHARE OF DOMESTIC TRANSPORTATION

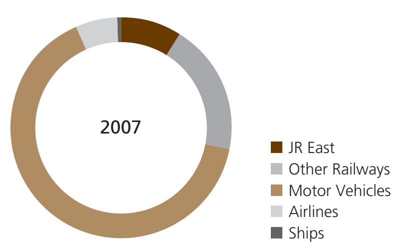
Number of Passengers



Years ended March 31		2003		2004		2005		2006		2007	
		Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Railways	**JR East**	**5,850**	**6.7%**	**5,886**	**6.7%**	**5,862**	**6.7%**	**5,911**	**6.7%**	**5,991**	**6.8%**
	Other Railways	15,711	18.0%	15,872	18.1%	15,824	18.0%	16,043	18.2%	16,253	18.4%
Motor Vehicles		65,481	75.1%	65,933	75.0%	65,991	75.1%	65,947	74.9%	65,943	74.6%
Airlines		96	0.1%	96	0.1%	94	0.1%	94	0.1%	97	0.1%
Ships		109	0.1%	107	0.1%	101	0.1%	103	0.1%	99	0.1%
Total		87,247	100.0%	87,894	100.0%	87,872	100.0%	88,098	100.0%	88,383	100.0%

Source: Summary of Transport Statistics, Ministry of Land, Infrastructure, Transport and Tourism

Passenger Kilometers



Years ended March 31		2003		2004		2005		2006		2007	
		Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Railways	**JR East**	**125,176**	**8.8%**	**125,752**	**8.8%**	**125,172**	**8.8%**	**126,142**	**8.9%**	**127,653**	**9.1%**
	Other Railways	257,060	18.0%	259,206	18.2%	259,991	18.3%	265,004	18.8%	268,255	19.1%
Motor Vehicles		955,413	67.0%	954,186	66.9%	947,563	66.8%	933,006	66.1%	917,938	65.4%
Airlines		83,949	5.9%	83,311	5.8%	81,786	5.8%	83,220	5.9%	85,752	6.1%
Ships		3,893	0.3%	4,024	0.3%	3,869	0.3%	4,205	0.3%	3,773	0.3%
Total		1,425,491	100.0%	1,426,479	100.0%	1,418,381	100.0%	1,411,397	100.0%	1,403,371	100.0%

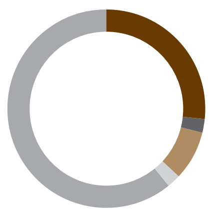
Source: Summary of Transport Statistics, Ministry of Land, Infrastructure, Transport and Tourism
Note: Figures for JR East on this page do not include the Tokyo Monorail.

Share of Domestic Railways

Passenger Line Network

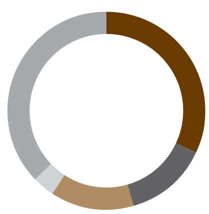
As of March 31, 2006	km	%
JR East	**7,526.8**	**27.2%**
JR Central	1,970.8	7.2%
JR West	5,024.1	18.2%
Other JR Companies	5,476.8	19.8%
Other Railways	7,637.8	27.6%
Total	27,636.3	100.0%

Number of Passengers



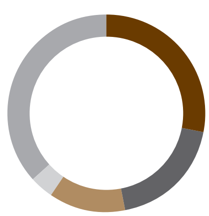
Year ended March 31, 2006	Millions	%
JR East	**5,911**	**26.8%**
JR Central	514	2.3%
JR West	1,792	8.1%
Other JR Companies	467	2.1%
Other Railways	13,358	60.7%
Total	22,042	100.0%

Passenger Kilometers



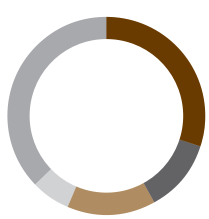
Year ended March 31, 2006	Millions	%
JR East	**126,142**	**32.2%**
JR Central	52,880	13.5%
JR West	52,828	13.5%
Other JR Companies	14,105	3.6%
Other Railways	145,260	37.2%
Total	391,215	100.0%

Revenues from Passenger Tickets



Year ended March 31, 2006	Billions of Yen	%
JR East	**1,678**	**28.1%**
JR Central	1,136	19.0%
JR West	756	12.6%
Other JR Companies	219	3.7%
Other Railways	2,192	36.6%
Total	5,981	100.0%

Rolling Stock Kilometers



Year ended March 31, 2006	Millions	%
JR East	**2,218**	**30.1%**
JR Central	887	12.0%
JR West	1,064	14.4%
Other JR Companies	477	6.5%
Other Railways	2,733	37.0%
Total	7,379	100.0%

■ JR East ■ JR Central ■ JR West ■ Other JR Companies ■ Other Railways

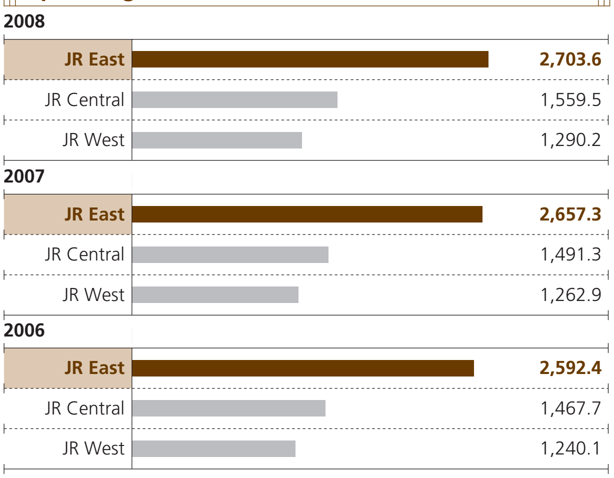
Notes: 1. Figures for Passenger Line Network do not include freight traffic.
2. Figures for Rolling Stock Kilometers do not include locomotives and freight cars.
3. Figures for the Tokyo Monorail are included in Other Railways.
Source: Statistics of Railways 2005, Ministry of Land, Infrastructure, Transport and Tourism

Financial Overview of JR Passenger Railway Companies

JR East accounts for about 50% of the total operating revenues of the three largest JR passenger railway companies. JR East's immense and stable operating base contributes to large and consistent earnings and cash flows.

Operating Revenues

(Billions of Yen)

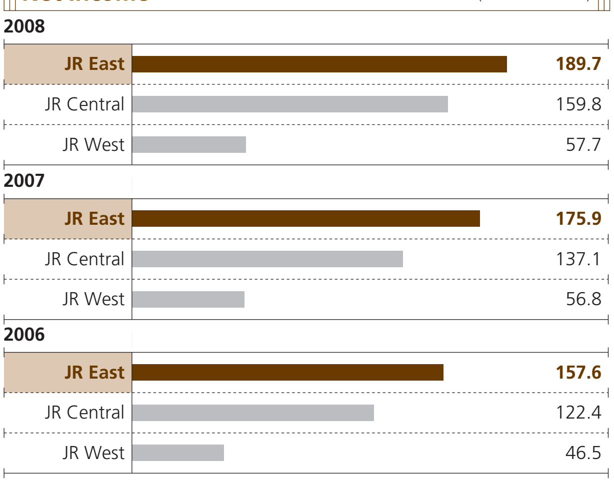


(Millions of Yen)

Years ended March 31,	2006	2007	2008
JR East	**2,592,393**	**2,657,346**	**2,703,564**
JR Central	1,467,650	1,491,269	1,559,467
JR West	1,240,098	1,262,935	1,290,190

Net Income

(Billions of Yen)

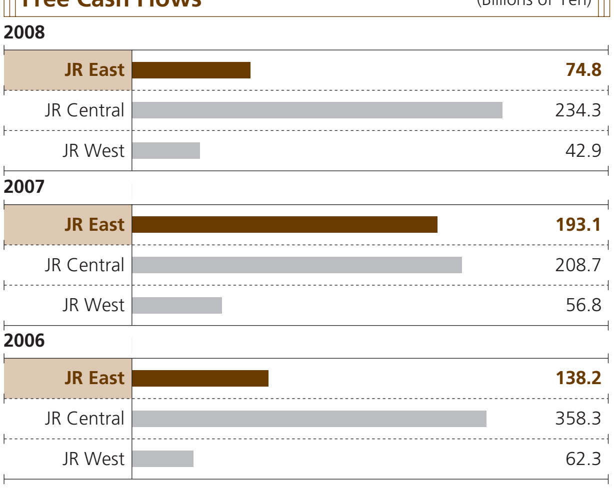


(Millions of Yen)

Years ended March 31,	2006	2007	2008
JR East	**157,575**	**175,871**	**189,673**
JR Central	122,437	137,144	159,774
JR West	46,525	56,791	57,707

Free Cash Flows

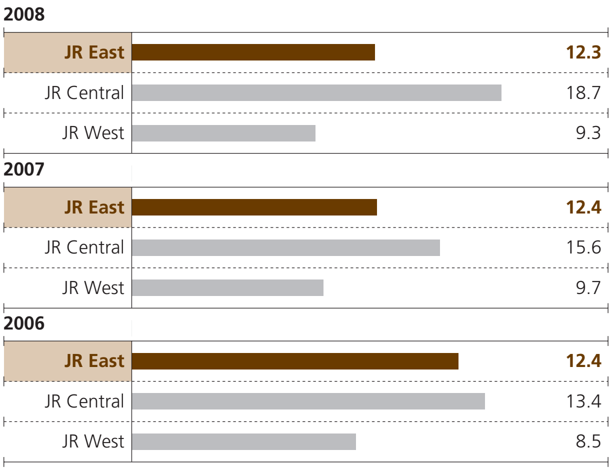
(Billions of Yen)



(Millions of Yen)

Years ended March 31,	2006	2007	2008
JR East	**138,233**	**193,050**	**74,812**
JR Central	358,260	208,667	234,322
JR West	62,315	56,842	42,902

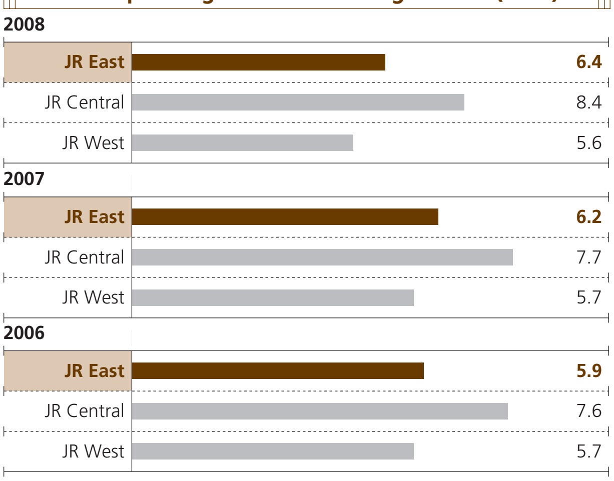
Return on Average Equity (ROE) (%)



Years ended March 31,	2006	2007	2008
JR East	**12.4%**	**12.4%**	**12.3%**
JR Central	13.4%	15.6%	18.7%
JR West	8.5%	9.7%	9.3%

Note: Average equity is the average of equity at the end of the previous and applicable fiscal years.

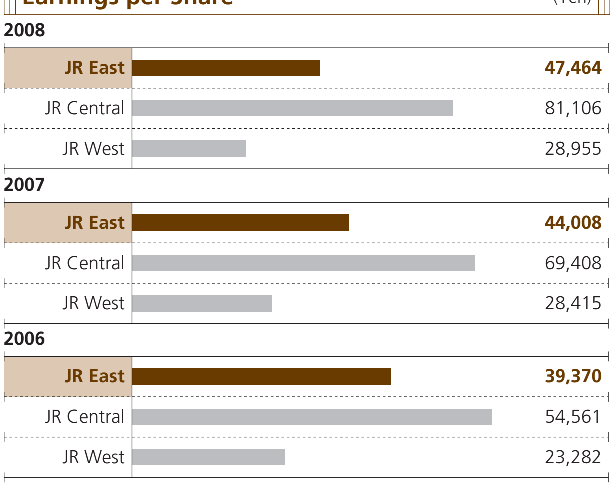
Ratio of Operating Income to Average Assets (ROA) (%)



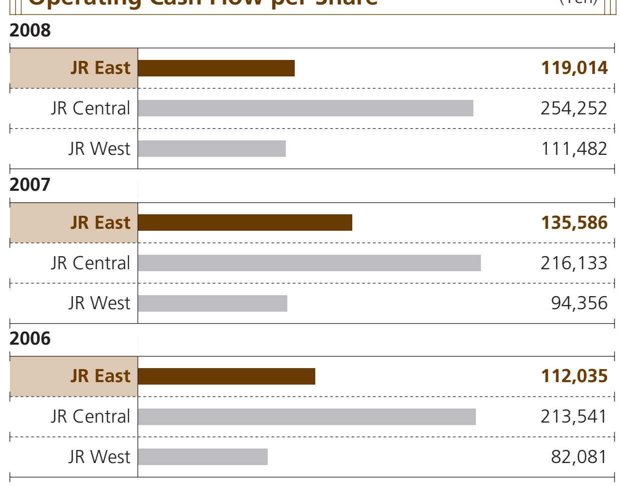
Years ended March 31,	2006	2007	2008
JR East	**5.9%**	**6.2%**	**6.4%**
JR Central	7.6%	7.7%	8.4%
JR West	5.7%	5.7%	5.6%

Note: Average assets is the average of assets at the end of the previous and applicable fiscal years.

Earnings per Share (Yen)



Operating Cash Flow per Share (Yen)



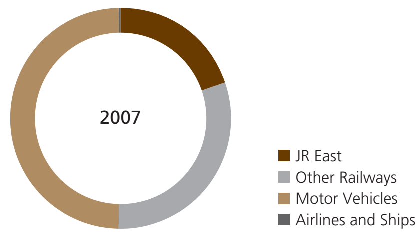
Note: Data in this section have been calculated by JR East based on figures in JR Central's and JR West's financial press releases.

Railway Operations in Tokyo

JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo metropolitan area, where railways account for 50% of all transportation. With an immense population, the Tokyo metropolitan area is sure to generate a large amount of demand for transportation services.

TRANSPORTATION IN THE TOKYO AREA

Number of Passengers



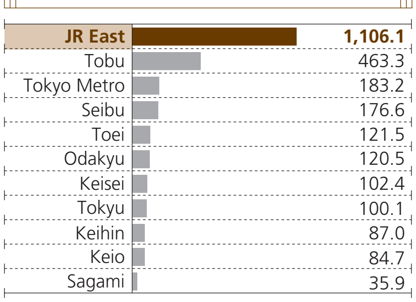
Years ended March 31		2003		2004		2005		2006		2007	
		Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Railways	**JR East**	**5,297**	**19.9%**	**5,339**	**20.2%**	**5,322**	**20.1%**	**5,373**	**19.9%**	**5,459**	**19.9%**
	Other Railways	7,955	29.9%	8,075	30.5%	8,093	30.5%	8,230	30.4%	8,400	30.6%
Motor Vehicles		13,287	50.0%	12,986	49.1%	13,081	49.3%	13,396	49.6%	13,559	49.4%
Airlines and Ships		37	0.2%	39	0.2%	39	0.1%	38	0.1%	39	0.1%
Total		26,576	100.0%	26,439	100.0%	26,535	100.0%	27,037	100.0%	27,457	100.0%

Notes: 1. JR East figures include data from the bordering lines of JR Central and do not include the Tokyo Monorail.
2. Statistics are based on surveys that used borders that do not strictly correspond with JR East's Tokyo Metropolitan Area Network.
Source: Survey of Regional Passenger Movement, Ministry of Land, Infrastructure, Transport and Tourism

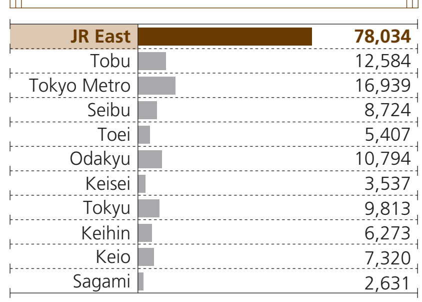
Major Railways in the Tokyo Area

	Passenger Line Network*		Passenger Kilometers**		Revenues from Passenger Tickets**	
	km	%	Millions	%	Billions of Yen	%
JR East	**1,106.1**	**42.8%**	**78,034**	**48.1%**	**871.8**	**44.0%**
Tobu Railway	463.3	17.9%	12,584	7.8%	143.8	7.3%
Tokyo Metro	183.2	7.1%	16,939	10.4%	281.2	14.2%
Seibu Railway	176.6	6.8%	8,724	5.4%	95.0	4.8%
Toei (Tokyo Metropolitan Government)	121.5	4.7%	5,407	3.3%	117.7	5.9%
Odakyu Electric Railway	120.5	4.7%	10,794	6.7%	111.0	5.6%
Keisei Electric Railway	102.4	4.0%	3,537	2.2%	50.2	2.5%
Tokyu Corporation	100.1	3.9%	9,813	6.1%	125.1	6.3%
Keihin Electric Express Railway	87.0	3.4%	6,273	3.9%	75.0	3.8%
Keio Electric Railway	84.7	3.3%	7,320	4.5%	78.2	4.0%
Sagami Railway	35.9	1.4%	2,631	1.6%	31.9	1.6%
Total	2,581.3	100.0%	162,056	100.0%	1,980.9	100.0%

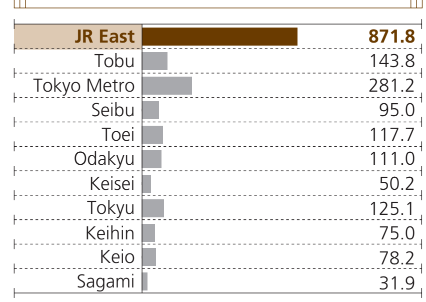
Passenger Line Network* (Kilometers)



Passenger Kilometers** (Millions)



Revenues from Passenger Tickets** (Billions of Yen)

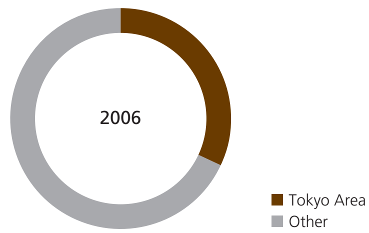


* As of March 31, 2007
** For the year ended March 31, 2007
Notes: 1. Figures do not include freight lines.
2. Data used for JR East are data of the Tokyo Metropolitan Area Network and do not include the Tokyo Monorail.

Sources: 1. Toei (Tokyo Metropolitan Government): Figures from the website of the Transportation Bureau of the Tokyo Metropolitan Government. Passenger kilometers are from Statistics of Railways 2005, Ministry of Land, Infrastructure, Transport and Tourism.
2. Other: Website of the Association of Japanese Private Railways. Revenues from passenger tickets are based on figures from the financial press releases of each company.

FUNDAMENTALS

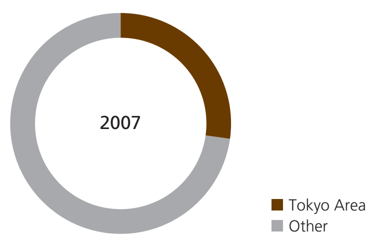
Net Domestic Product



Years ended March 31	2002		2003		2004		2005		2006	
	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%
Tokyo Area	**118,504**	**31.7%**	**117,498**	**31.6%**	**117,449**	**31.7%**	**117,439**	**31.7%**	**120,445**	**32.0%**
Other	255,654	68.3%	254,350	68.4%	253,455	68.3%	253,207	68.3%	256,173	68.0%
Total	374,158	100.0%	371,848	100.0%	370,904	100.0%	370,646	100.0%	376,618	100.0%

Source: Annual Report on Prefectural Economies, Cabinet Office

Population



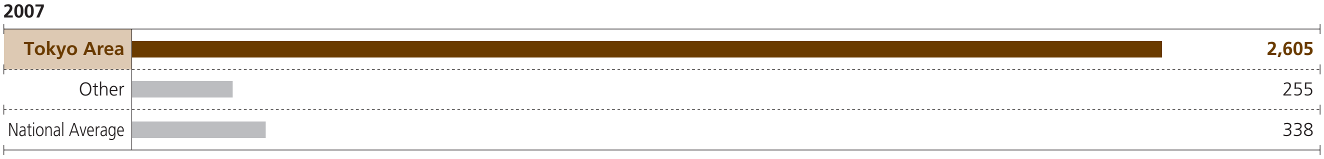
As of October 1	2003		2004		2005		2006		2007	
	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Tokyo Area	**34.1**	**26.7%**	**34.2**	**26.8%**	**34.5**	**27.0%**	**34.6**	**27.1%**	**34.8**	**27.3%**
Other	93.5	73.3%	93.5	73.2%	93.3	73.0%	93.2	72.9%	93.0	72.7%
Total	127.6	100.0%	127.7	100.0%	127.8	100.0%	127.8	100.0%	127.8	100.0%

Source: Current Population Estimates, Ministry of Internal Affairs and Communications

Population Density

(Per Square Kilometer)

2007



As of October 1	2003	2004	2005	2006	2007
Tokyo Area	**2,564**	**2,575**	**2,595**	**2,591**	**2,605**
Other	257	256	256	255	255
National Average	338	338	338	338	338

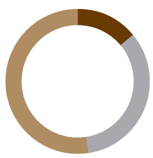
Notes: 1. JR East calculated these figures by using data from the following sources:
Current Population Estimates, Ministry of Internal Affairs and Communications; statistics from Geographical Survey Institute
2. The statistics on this page are based on governmental boundaries and do not strictly correspond with JR East’s operating area segments.

Analysis of JR East's Railway Operations

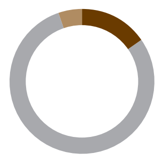
The Kanto Area Network generates about two-thirds of the Company's railway revenues.
Commuter-pass travel accounts for about one-third of JR East's revenues.

Composition by Operating Area

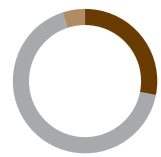
Passenger Line Network



Passenger Kilometers



Revenues from Passenger Tickets



■ Shinkansen Network
■ Kanto Area Network
■ Intercity and Regional Networks

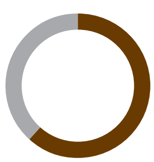
	Passenger Line Network*		Passenger Kilometers**		Revenues from Passenger Tickets**	
	km	%	Millions	%	Millions of Yen	%
Shinkansen Network	1,052.9	14.0%	19,925	15.3%	490,958	28.3%
Kanto Area Network	2,536.2	33.7%	103,901	79.6%	1,155,361	66.7%
Intercity and Regional Networks	3,937.7	52.3%	6,733	5.1%	86,030	5.0%
Total	7,526.8	100.0%	130,558	100.0%	1,732,349	100.0%

* As of March 31, 2008 ** Year ended March 31, 2008

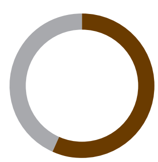
Notes: 1. Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
2. Figures do not include the Tokyo Monorail.

Composition of Commuter Passes—Overall

Number of Passengers



Passenger Kilometers



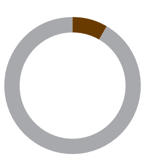
Revenues from Passenger Tickets

■ Commuter Passes
■ Other

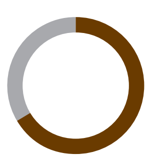
	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,806	61.7%	74,093	56.8%	493,759	28.5%
Other	2,364	38.3%	56,466	43.2%	1,238,590	71.5%
Total	6,170	100.0%	130,558	100.0%	1,732,349	100.0%

Composition of Commuter Passes—By Passenger Kilometers

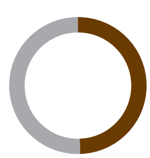
Shinkansen Network



Kanto Area Network



Intercity and Regional Networks

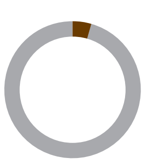


■ Commuter Passes ■ Other

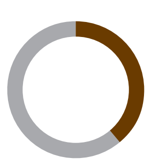
	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen Network	19,925	1,671	8.4%
Kanto Area Network	103,901	69,093	66.5%
Intercity and Regional Networks	6,733	3,329	49.5%
Total	130,558	74,093	56.8%

Composition of Commuter Passes—By Revenues from Passenger Tickets

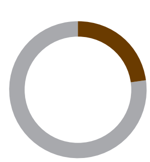
Shinkansen Network



Kanto Area Network



Intercity and Regional Networks



■ Commuter Passes ■ Other

	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen Network	490,958	22,775	4.6%
Kanto Area Network	1,155,361	451,226	39.1%
Intercity and Regional Networks	86,030	19,758	23.0%
Total	1,732,349	493,759	28.5%

Notes: 1. Percentages represent passenger kilometers and revenues from passenger tickets attributable to commuter passes for each segment.
2. Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
3. Figures do not include the Tokyo Monorail.

Passenger Kilometers (Millions)

Years ended March 31			2006	2007	2008	2008/2007
Shinkansen Network		Commuter Passes	1,627	1,656	1,671	100.8%
		Other	17,247	17,718	18,254	103.0%
		Total	18,874	19,374	19,925	102.8%
Conventional Lines		Commuter Passes	70,794	71,202	72,422	101.7%
		Other	36,474	37,077	38,212	103.1%
		Total	107,268	108,279	110,634	102.2%
	Kanto Area Network	Commuter Passes	67,407	67,861	69,093	101.8%
		Other	32,994	33,616	34,808	103.5%
		Total	100,401	101,477	103,901	102.4%
	Intercity and Regional Networks	Commuter Passes	3,387	3,341	3,329	99.6%
		Other	3,480	3,461	3,404	98.3%
		Total	6,867	6,802	6,733	99.0%
Total		Commuter Passes	72,421	72,858	74,093	101.7%
		Other	53,721	54,795	56,466	103.0%
		Total	126,142	127,653	130,558	102.3%

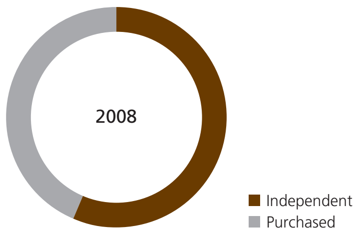
Revenues from Passenger Tickets (Millions of Yen)

Years ended March 31			2006	2007	2008	2008/2007
Shinkansen Network		Commuter Passes	22,331	22,672	22,775	100.5%
		Other	449,846	456,697	468,183	102.5%
		Total	472,177	479,369	490,958	102.4%
Conventional Lines		Commuter Passes	461,870	465,171	470,984	101.2%
		Other	743,811	758,139	770,407	101.6%
		Total	1,205,681	1,223,310	1,241,391	101.5%
	Kanto Area Network	Commuter Passes	441,863	445,356	451,226	101.3%
		Other	676,982	691,295	704,135	101.9%
		Total	1,118,845	1,136,651	1,155,361	101.6%
	Intercity and Regional Networks	Commuter Passes	20,007	19,815	19,758	99.7%
		Other	66,829	66,844	66,272	99.1%
		Total	86,836	86,659	86,030	99.3%
Total		Commuter Passes	484,201	487,843	493,759	101.2%
		Other	1,193,657	1,214,836	1,238,590	102.0%
		Total	1,677,858	1,702,679	1,732,349	101.7%

Notes: 1. Passenger kilometers and revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
2. Conventional Lines: Total of Kanto Area Network and Intercity and Regional Networks
3. Figures do not include the Tokyo Monorail.
4. The Kanto Area Network encompasses the area encompassed under the previous classification of the Tokyo Metropolitan Area Network (Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, and Omiya Branch Office) and the areas covered by Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office.

Electric Power

JR East generates more than one-half of the electricity it uses.



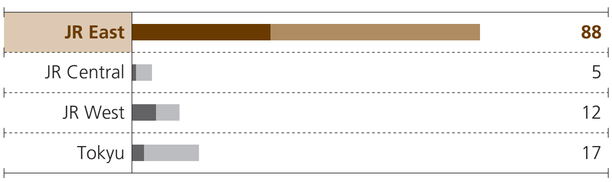
Year ended March 31, 2008	Billions of kWh	%
Thermal Generation	2.10	33.7%
Hydroelectric Generation	1.43	22.9%
Independent	3.53	56.6%
Purchased	2.71	43.4%
Total	6.24	100.0%

Non-Transportation Businesses

JR East owns many stations with high potential that are used by numerous customers. JR East is carrying out its non-transportation businesses utilizing these stations to enhance customer convenience and comfort and to raise profitability.

Number of Busy Stations

(Number of Stations)



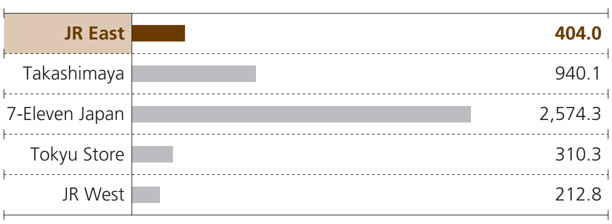
More than 200,000 passengers per day
More than 100,000 passengers per day

	More than 100,000 Passengers per Day	More than 200,000 Passengers per Day
JR East	**88**	**35**
JR Central	5	1
JR West	12	6
Tokyu	17	3

Year ended March 31, 2007
Data are based on figures from JR Central, JR West, and Tokyu Corporation.
Note: The number of station users at stations of JR East, JR Central, and JR West represent twice the number of passengers embarking.

Composition of Major Department Stores, Retail Sales, and Convenience Stores

(Billions of Yen)



(Millions of Yen)

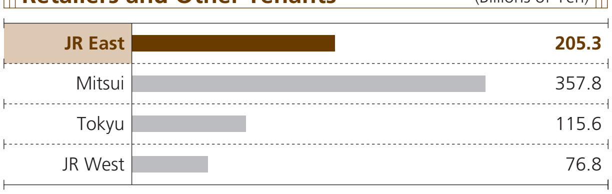
	Operating Revenues
JR East	**404,006**
Takashimaya	940,086
7-Eleven Japan	2,574,306
Tokyu Store	310,253
JR West	212,803

Takashimaya = Takashimaya Company, Limited
7-Eleven Japan = Seven-Eleven Japan Co., Ltd.
Tokyu Store = Tokyu Store Chain Co., Ltd.
Year ended March 31, 2008 (Year ended February 29, 2008, for Takashimaya, 7-Eleven Japan, and Tokyu Store)
Data are based on figures from the financial press releases of each company.

The following figures are used as operating revenues:
JR East: Station space utilization, segment revenues from outside customers
Takashimaya: Department store business, segment revenues from outside customers
7-Eleven Japan: Total store sales (nonconsolidated)
Tokyu Store: Consolidated operating revenues
JR West: Sales of goods and food services business, segment revenues from third parties

Comparison of Real Estate Leasing to Retailers and Other Tenants

(Billions of Yen)



(Millions of Yen)

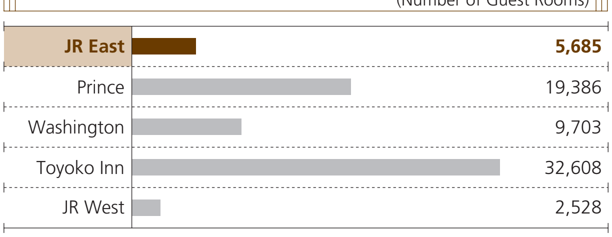
	Operating Revenues
JR East	**205,347**
Mitsui	357,811
Tokyu	115,633
JR West	76,757

Mitsui = Mitsui Fudosan Co., Ltd.
Tokyu = Tokyu Corporation
Year ended March 31, 2008
Data are based on figures from the financial press releases of each company.

The following figures are used as operating revenues:
JR East: Shopping centers & office buildings, segment revenues from outside customers
Mitsui: Office buildings and commercial facilities revenues in leasing segment, outside customers
Tokyu: Real estate business, segment revenue from outside customers
JR West: Real estate business, segment revenues from third parties

Domestic Hotel Chain Ranking by Guest Rooms

(Number of Guest Rooms)



	Guest Rooms
JR East Hotel Chain	**5,685**
Prince Hotels	19,386
Washington Group Hotels	9,703
Toyoko Inn Hotel Chain	32,608
JR West Hotels	2,528

As of December 31, 2007, for Prince, Washington, Toyoko Inn, and JR West (As of March 31, 2008, for JR East)
Data are based on "HOTERES" by Ohta Publications.

Commuter Pass
"Commuter pass" refers to a credit card sized pass that is either magnetically encoded or contains an integrated circuit (IC) chip to allow travel between two stations during a period of one, three, or six months. *Mobile Suica*, a service based on cell phones embedded with such IC chips, was introduced in January 2006.

Hybrid Shinkansen
"Hybrid Shinkansen" refers to intercity rail systems that provide through service to certain destinations that are not part of a regular Shinkansen network, using specially designed trains capable of running on both Shinkansen lines and conventional lines that have been widened to a standard gauge. Hybrid Shinkansen lines are not covered by the Nationwide Shinkansen Railway Development Law.

JNR
"JNR" stands for the Japanese National Railways, the Government-owned public entity that was restructured into JNRSC (as defined below) on April 1, 1987. The railway operations and certain related businesses of JNR, along with certain necessary assets and associated liabilities, were succeeded to by the JR Companies (as defined below), the Shinkansen Holding Corporation (currently, JRTT (as defined below)), Railway Telecommunication Co., Ltd. (a predecessor of SOFTBANK TELECOM Corp.), Railway Information Systems Co., Ltd., and the Railway Technical Research Institute, and all of its other assets and liabilities became assets and liabilities of JNRSC.

JNRSC
"JNRSC" stands for JNR Settlement Corporation. JNRSC was dissolved on October 22, 1998, and all of its assets (including the 1,500,000 shares of JR East's common stock it beneficially owned at the time of such transfer) and a portion of its liabilities were transferred to JRCC.

JR Companies
"JR Companies" refers to, collectively, JR East, Hokkaido Railway Company (JR Hokkaido), Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company (JR Shikoku), Kyushu Railway Company (JR Kyushu), and Japan Freight Railway Company (JR Freight).

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

JR Law
"JR Law" means the Law for Passenger Railway Companies and Japan Freight Railway Company of 1986, as amended, which created the framework for the establishment of the JR Companies.

JRTT
"JRTT" stands for the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency established in October 2003 upon the merger of the Japan Railway Construction Public Corporation (JRCC) and the Corporation for Advanced Transport & Technology. Its primary activities include the construction of Shinkansen lines under the Nationwide Shinkansen Railway Development Law (see "Shinkansen") and other national projects. Within JR East's service area, JRTT is presently building Hokuriku Shinkansen and Tohoku Shinkansen extensions. JR East rents the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, operationally named Nagano Shinkansen, and the Morioka–Hachinohe segment of the Tohoku Shinkansen Line from JRTT. JR East also rents some conventional lines from JRTT.

Number of Passengers
"Number of passengers" comprises both passengers who begin their journey at a JR East station and passengers who transfer to JR East from other railway companies' lines at the station.

Operating Kilometers
"Operating kilometers" means the actual length of a railway line between two stations, regardless of the number of tracks along the line. Fare and charge calculations are based on this figure.

PASMO
"PASMO" refers to IC cards with transportation ticket functions, sold by Tokyo-area private railways, subways, and bus companies. Ever since their March 18, 2007, launch, *PASMO* cards have been interchangeable with *Suica*. Besides Tokyo-area private railways, subways, and bus companies, the *PASMO* card system has spread to cover some transportation companies in Shizuoka Prefecture.
The *PASMO* name is a registered trademark of Pasmo K.K.

Passenger Kilometers
"Passenger kilometers" means the number of passengers moving from one station to another multiplied by the distance (in operating kilometers) between such stations.

Rolling Stock Kilometers
"Rolling stock kilometers" means the number of train kilometers (as defined below) multiplied by the number of railcars comprising the train.

Shinkansen
"Shinkansen" refers to Japan's high-speed intercity rail systems operated by JR East, JR Central, JR West, and JR Kyushu. Several new Shinkansen lines are now under construction or in advanced planning stages under the Nationwide Shinkansen Railway Development Law.

Station Renaissance
"*Station Renaissance*" refers to a program aimed at proactively developing the potential of JR East stations, which are used by about 17 million people daily and are considered to be the JR East Group's largest management asset. Based on thorough consideration of customers' perspectives and the goal of increasing Group value in line with the increased emphasis now being placed on Group management, JR East is fundamentally reevaluating station layouts and comprehensively leveraging the Group's diverse capabilities to undertake zero-base redevelopment projects that optimize the facilities at each station. In these ways, JR East is working to create new 21st century station environments that offer increased appeal to customers as well as greater profitability.

Suica
"*Suica*" refers to a prepaid IC card that can be used at nearly all of JR East's stations in the Tokyo metropolitan area, the Sendai area, and the Niigata area, permitting smooth, contactless passage through ticket gates. There are two types of cards: a high-tech commuter pass (*Suica Commuter Pass*) and a stored-fare railway ticket (*Suica* card). Also, an electronic money function makes it possible to use them to purchase goods at stores in train station concourses and in downtown stores.

Total Long-Term Debt
"Total long-term debt" refers to the aggregate of long-term debt and long-term liabilities incurred for purchase of railway facilities, including the current portion thereof.

Train Kilometers
"Train kilometers" means the number of kilometers traveled by a train on operational routes, excluding movement within stations and rail yards.

(As of March 31, 2008)

CONSOLIDATED SUBSIDIARIES

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 1)	Main Business Activities
1	Tokyo Monorail Co., Ltd.	¥3,000	70.0%	Railway passenger transport services
2	JR Bus Kanto Co., Ltd.	4,000	100.0	Bus services
3	JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
4	JR East Retail Net Co., Ltd. (Note 2)	3,855	100.0	Retail sales
5	JR EAST WATER BUSINESS Co., Ltd.	490	100.0	Retail sales
6	JR Takasaki Trading Co., Ltd.	490	100.0	Retail sales
7	Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
8	Juster Co., Ltd.	400	100.0	Retail sales and hotel operations
9	Shinano Enterprise Co., Ltd.	400	100.0	Retail sales
10	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
11	JR Kanagawa Planning & Development Co., Ltd.	370	100.0	Retail sales
12	Keiyo Planning & Development Co., Ltd.	370	100.0	Retail sales and hotel operations
13	Mito Service Development Co., Ltd.	360	100.0	Retail sales and hotel operations
14	JR Kaiji Planning & Development Co., Ltd.	350	100.0	Retail sales
15	JR Atlis Co., Ltd.	310	100.0	Retail sales
16	JR Utsunomiya Planning & Development Co., Ltd.	200	100.0	Retail sales
17	JR Tokyo Planning & Development Co., Ltd.	120	100.0	Retail sales
18	Nippon Restaurant Enterprise Co., Ltd.	731	91.3	Restaurant business, retail sales, and hotel operations
19	JR East Food Business Co., Ltd.	721	99.9	Restaurant business
20	Delicious Link Co., Ltd.	90	100.0	Restaurnat business
21	JR East Station Retailing Co., Ltd.	480	100.0	Retail sales
22	LUMINE Co., Ltd.	2,375	91.8	Shopping center operations
23	Ikebukuro Terminal Building Company	2,000	95.0	Shopping center operations and real estate leasing
24	The EKIBIRU Development Co. TOKYO (Note 3)	1,630	90.2	Shopping center operations
25	JR East Urban Development Corporation	1,450	100.0	Shopping center operations and retail sales
26	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
27	Boxhill Co., Ltd.	1,050	88.6	Shopping center operations
28	JR Tokyo West Development Co., Ltd. (Note 4)	1,000	93.3	Shopping center operations
29	JR East Department Store Co., Ltd. (Note 5)	1,140	84.6	Shopping center operations
30	Kawasaki Station Building Co., Ltd.	600	99.2	Shopping center operations
31	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
32	Hirosaki Station Building Co., Ltd.	490	88.8	Shopping center operations
33	Station Building MIDORI Co., Ltd.	450	94.6	Shopping center operations
34	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
35	Chiba Station Building Co., Ltd.	200	96.0	Shopping center operations
36	Shonan Station Building Co., Ltd.	200	76.5	Shopping center operations
37	Yokohama Station Building Co., Ltd.	200	70.8	Shopping center operations
38	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
39	Tsurumi Station Building Co., Ltd.	100	98.7	Shopping center operations
40	Iwaki Chuo Station Building Co., Ltd.	100	57.0	Shopping center operations
41	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
42	Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
43	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
44	Morioka Terminal Building Co., Ltd.	900	82.8	Hotel operations and shopping center operations
45	Takasaki Terminal Building Co., Ltd.	780	76.7	Hotel operations and shopping center operations
46	Akita Station Building Co., Ltd.	450	77.6	Hotel operations and shopping center operations
47	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
48	Tokyo Media Service Co., Ltd.	105	100.0	Advertising and publicity
49	The Orangepage, Inc.	500	99.7	Publishing
50	JR EAST VIEW Travel Service Co., Ltd.	450	67.0	Travel agency services
51	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 1)	Main Business Activities
52	JR East Logistics Co., Ltd. (Note 6)	¥100	100.0%	Truck delivery services
53	JR East Japan Information Systems Company	500	100.0	Information processing
54	JR East Net Station Co., Ltd.	460	100.0	Information processing
55	JR East Management Service Co., Ltd.	80	100.0	Information services
56	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff dispatch businesses
57	East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services
58	Shinkansen Cleaning Service Co., Ltd.	38	38.6 (61.4)	Cleaning services
59	Kanto Railway Servicing Co., Ltd.	38	35.6 (64.4)	Cleaning services
60	East Japan Railway Servicing Co., Ltd.	39	29.0 (71.0)	Cleaning services
61	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
62	Niigata Railway Servicing Co., Ltd.	17	88.2	Cleaning services
63	East Japan Amenitec Co., Ltd.	13	100.0	Cleaning services
64	Chiba Railway Servicing Co., Ltd.	12	25.3 (74.7)	Cleaning services
65	Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
66	Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
67	Takasaki Railway Servicing Co., Ltd.	10	45.8 (54.2)	Cleaning services
68	Mito Railway Servicing Co., Ltd.	10	25.3 (74.7)	Cleaning services
69	JR East Housing Development & Realty Co., Ltd.	200	100.0	Housing development and sales
70	JR East Rental Co., Ltd.	165	89.4	Car leasing
71	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
72	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
73	JR East Facility Management Co., Ltd.	50	100.0	Building maintenance
74	Union Construction Co., Ltd.	120	90.0	Construction
75	JR East Consultants Company	50	100.0	Consulting
76	JR East Design Corporation	50	100.0	Consulting
77	East Japan Transport Technology Co., Ltd.	80	58.6	Machinery and rolling stock maintenance
78	Tohoku Rolling Stock Machinery Co., Ltd.	72	51.1	Machinery and rolling stock maintenance
79	Niigata Rolling Stock Machinery Co., Ltd.	40	40.5	Machinery and rolling stock maintenance
80	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
81	JR East Building Co., Ltd.	480	100.0	Office building management
82	Shinnihon Linen Co., Ltd.	100	100.0	Linen supply

EQUITY METHOD AFFILIATED COMPANIES

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 1)	Main Business Activities
Central Security Patrols Co., Ltd. (Note 7)	¥2,924	25.7%	Security business operations
JTB Corp.	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. East Japan Kiosk Co., Ltd., changed its name to JR East Retail Net Co., Ltd., on July 1, 2007.
3. The EKIBIRU Development Co. TOKYO merged with Kichijoji Lonlon Co., Ltd., on April 1, 2007. Kichijoji Lonlon Co., Ltd., was dissolved after the merger.
4. Hachioji Terminal Building Co., Ltd., changed its name to JR Tokyo West Development Co., Ltd. on July 1, 2007.
5. JR East Department Store Co., Ltd., merged with Kamata Station Building Co., Ltd., on April 1, 2007. Kamata Station Building Co., Ltd., was dissolved after the merger.
6. JR East Logistics Co., Ltd., merged with JR East Logistics Platform Co., Ltd., on April 1, 2007. JR East Logistics Platform Co., Ltd., was dissolved after the merger.
7. Company that prepares securities reports (Yuka Shoken Hokoku-sho)

(As of March 31, 2008)

BASIC INFORMATION

Number of Employees	72,214* (52,604 at parent company) * Excluding employees assigned to other companies and employees on temporary leave
Number of Stations	1,703
Number of Rolling Stock	13,008
Passenger Line Network	7,526.8 kilometers
Number of Passengers Served Daily	About 17 million (average for the year ended March 31, 2008)
Total Number of Shares Issued	4,000,000
Total Number of Shares Outstanding	3,996,163
Paid-in Capital	¥200,000 million
Number of Shareholders	274,442
Stock Exchange Listings	Tokyo, Osaka, Nagoya
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Rating Information	AA+ (Rating and Investment Information, Inc.) AA– (Standard & Poor's) Aa2 (Moody's Investors Service)

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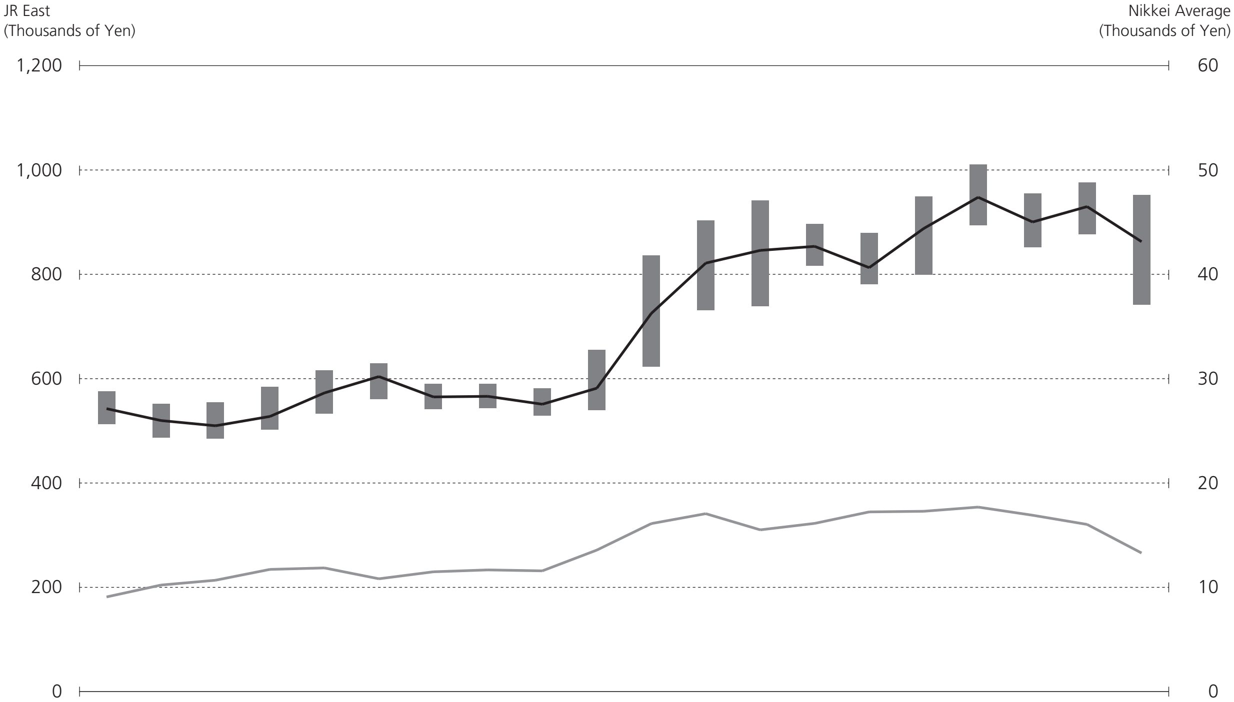
Internet Addresses	JR East: http://www.jreast.co.jp/e/ Environment: http://www.jreast.co.jp/e/environment/ (*Sustainability Report*)

Stock Code: 9020

STOCK PRICE



	2003			2004				2005				2006				2007				2008
	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
High	¥ 576	¥ 552	¥ 554	¥ 584	¥ 616	¥ 629	¥ 590	¥ 590	¥ 581	¥ 655	¥ 836	¥ 903	¥ 942	¥ 897	¥ 879	¥ 949	¥ 1,010	¥ 955	¥ 976	¥ 952
Low	513	487	485	502	533	561	542	544	529	540	623	731	739	817	781	799	894	852	877	742
Average	542.5	519.7	509.7	527.6	572.7	604.0	565.0	566.1	551.0	581.7	725.1	821.5	845.9	853.6	812.8	887.8	947.7	900.3	929.8	862.6
Average Daily Trading Volume (Shares)	8,878	12,240	9,794	11,373	10,709	7,809	8,306	9,836	9,256	11,128	14,552	14,988	15,602	11,197	15,329	16,516	17,210	14,763	13,937	18,258

Stock Price — JR East Average Stock Price — Nikkei Average

Note: Average stock prices are computed using closing prices.

Source: Tokyo Stock Exchange

MAJOR SHAREHOLDERS

As of March 31, 2008	Number of Shares Held	Voting Right Percentage
The Master Trust Bank of Japan, Ltd. (as Trustee)	245,784.00	6.14%
Japan Trustee Services Bank, Ltd. (as Trustee)	244,074.00	6.10%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	125,203.15	3.13%
Sumitomo Mitsui Banking Corporation	105,303.15	2.63%
Mizuho Corporate Bank, Ltd.	100,066.00	2.50%
Mizuho Bank, Ltd.	100,061.56	2.50%
The JR East Employees, Shareholding Association	91,507.00	2.29%
Nippon Life Insurance Company	80,155.60	2.00%
State Street Bank and Trust Company 505103	76,486.00	1.91%
The Dai-ichi Mutual Life Insurance Company	71,000.00	1.78%

Tokyo and Eastern Honshu...
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http://www.jreast.co.jp/e/

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