



Nonconsolidated Semi-Annual Balance Sheets

EAST JAPAN RAILWAY COMPANY

September 30, 1998 and 1999

Assets

Current Assets:

Cash and cash equivalents

Receivables:

Accounts receivable – trade

Allowance for doubtful accounts (Note 2)

Inventories and real estate for sale

Deferred income taxes

Other current assets

Total current assets

Investments:

Subsidiaries and affiliated companies (Note 5)

Other securities (Note 5)

Property, Plant and Equipment:

Railway

Other operations

Construction in progress

Less accumulated depreciation

Net property, plant and equipment

Other Assets:

Long-term deferred income taxes

Other

Liabilities and Shareholders' Equity

Current Liabilities:

Commercial paper

Current portion of long-term debt

Current portion of long-term liabilities incurred for purchase of

Prepaid railway fares received

Other payables

Accrued income taxes

Accrued and other current liabilities

Total current liabilities

Long-Term Debt

Long-Term Liabilities Incurred for Purchase of Railway Facilities

Accrued Severance and Retirement Benefits

Other Long-Term Liabilities

Contingent Liabilities (Note 4)

Shareholders' Equity:

Common stock, ¥50,000 par value:

Authorized – 16,000,000 shares; issued and outstanding –

Additional paid-in capital

Legal reserve

Retained earnings

Total shareholders' equity

See accompanying notes.

(Unaudited)

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	1998	1999	1999
.....	¥ 100,037	¥ 139,833	\$ 1,307
.....	110,265	103,784	970
.....	(312)	(8,587)	(80)
.....	109,953	95,197	890
.....	61,303	66,145	618
.....	—	15,648	146
.....	22,404	15,837	148
.....	293,697	332,660	3,109
.....	131,148	144,658	1,352
.....	124,248	121,992	1,140
.....	255,396	266,650	2,492
.....	8,563,403	8,627,149	80,628
.....	1,196,269	1,239,237	11,582
.....	195,451	200,865	1,877
.....	9,955,123	10,067,251	94,087
.....	4,009,340	4,190,848	39,167
.....	5,945,783	5,876,403	54,920
.....	—	18,899	177
.....	113,560	91,376	853
.....	113,560	110,275	1,030
.....	¥6,608,436	¥ 6,585,988	\$61,551
.....	¥ 30,000	¥ —	\$ —
.....	111,373	202,433	1,892
railway facilities . . .	104,604	113,935	1,065
.....	120,968	120,862	1,130
.....	242,492	268,153	2,506
.....	41,688	43,642	408
.....	201,772	150,210	1,403
.....	852,897	899,235	8,404
.....	1,924,194	1,930,897	18,046
.....	2,572,093	2,458,414	22,976
.....	428,854	422,278	3,947
.....	93,705	105,708	987
4,000,000 shares . .	200,000	200,000	1,869
.....	96,600	96,600	903
.....	16,128	18,138	169
.....	423,965	454,718	4,250
.....	736,693	769,456	7,191
.....	¥6,608,436	¥ 6,585,988	\$61,551

Nonconsolidated Semi-Annual Statements of

EAST JAPAN RAILWAY COMPANY

Six months ended September 30, 1997, 1998 and 1999

Operating Revenues	.....
Operating Expenses	.....
Operating Income	.....
Other Income (Expense):	
Interest expense	.....
Interest and dividend income	.....
Other, net	.....
Income Before Income Taxes	.....
Income Taxes:	
Current	.....
Deferred	.....
Net Income	.....
Retained Earnings at Beginning of the Period	.....
Cumulative Effect of Adopting Tax Effect Accounting	.....
Reversal of Reserve for Cost Reduction of Fixed Assets due to Adoption of Tax Effect Accounting	.....
Appropriations:	
Cash dividends paid (¥2,500 per share)	.....
Bonuses to directors and corporate auditors	.....
Transfer to legal reserve	.....
Retained Earnings at End of the Period	.....
Net Income per Share of Common Stock (Note 3)	.....

See accompanying notes.

Notes to Nonconsolidated Semi-Annual Finan

1. Significant Accounting Policies

Basis of presentation of financial statements – The accompanying nonconsolidated semi-annual financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report of EAST JAPAN RAILWAY COMPANY (the “Company”) for the year ended March 31, 1999.

The Company, a Japanese Corporation, maintains its accounting records in Japanese yen. The accompanying nonconsolidated financial statements in English are prepared in accordance with accounting principles generally accepted in Japan and Railway Business Accounting Regulations, and are based on the financial statements prepared in Japanese yen and for Securities and Exchange Law of Japan purposes, which are different from the accounting and disclosure requirements of International Accounting Standards.

The 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 the reader, using the prevailing exchange rate at September 30, 1999, which was ¥107 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Income and Retained Earnings (Unaudited)

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	1997	1998	1999	1999
.....	¥ 974,371	¥ 962,977	¥ 949,586	\$ 8,875
.....	783,338	787,511	769,630	7,193
.....	191,033	175,466	179,956	1,682
.....	(119,250)	(115,852)	(109,634)	(1,025)
.....	2,064	1,957	1,679	16
.....	(5,282)	5,202	3,065	29
.....	(122,468)	(108,693)	(104,890)	(980)
.....	68,565	66,773	75,066	702
.....	36,308	42,448	44,320	415
.....	—	—	(12,936)	(121)
.....	32,257	24,325	43,682	408
.....	382,837	410,844	390,590	3,650
.....	—	—	21,611	202
.....	—	—	9,937	93
.....	(10,000)	(10,000)	(10,000)	(93)
.....	(204)	(185)	(93)	(1)
.....	(1,020)	(1,019)	(1,009)	(9)
.....	¥ 403,870	¥ 423,965	¥ 454,718	\$ 4,250
.....				
		Yen		U.S. Dollars (Note 1)
.....	¥8,064.26	¥6,081.13	¥10,920.60	\$102.06

Financial Statements (Unaudited)

Property, plant and equipment – Property, plant and equipment are substantially stated at cost. 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.

Depreciation for structures related to Shinkansen (bullet express trains) railway fixtures, excluding assets subject to the replacement method noted below, is determined by the declining balance method beginning with the fiscal year ended March 31, 1999. The straight-line method was applied until the year ended March 31, 1998. This revision was made due to changes in the economic and functional conditions of these structures caused by the increase in the number of Shinkansen trains and the operation of these trains at higher speeds. As a result of this revision, depreciation for the interim period ended September 30, 1998 was ¥17,685 million more than if the previous depreciation method had been applied, reducing operating income and income before income taxes by the same amount.

Regarding the replacement method for certain railway fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income.

In accordance with amendments to the Japanese Tax Law, the estimated useful life of buildings for the purpose of calculating depreciation was shortened beginning with the year ended March 31, 1999. As a result of this change, building depreciation for the interim period ended September 30, 1998 increased operating expenses by ¥1,808 million more than if the previous estimated useful life had been applied, reducing operating income and income before income taxes by the same amount.

The range of useful lives is mainly as follows:

	Six months ended September 30	
	1997	1998 and 1999
Buildings	3 to 65 years	3 to 50 years
Railway fixtures	3 to 60 years	3 to 60 years
Rolling stock	3 to 20 years	3 to 20 years
Machinery and equipment	3 to 20 years	3 to 20 years

Maintenance Expenses – In previous semi-annual periods, half of estimates of total maintenance expenses likely to occur during the fiscal year have been allocated to the first half of the fiscal year. Under this method, expenses that were not paid prior to the first half of the fiscal year for which they were allocated were recorded as accrued expenses. For the works that extend beyond September 30, 1999, the Company allocated maintenance expenses based on the ratio of the work period within the semi-annual period to the contract work period. As a result of this revision, accrued expenses included in accrued and other current liabilities for the interim period were ¥9,249 million (\$86 million) less than if the previous method had been applied, increasing operating income and income before income taxes by the same amount.

Reserve for accrued severance and retirement benefits – All employees of the Company are generally entitled to receive lump-sum severance and retirement benefits under an unfunded plan. The amounts of the severance and retirement benefits are generally determined by the length of service and basic salary at the time of severance or retirement of the employees. The Company accrues a liability for such benefits equal to 40% of the amount required if eligible employees voluntarily severed employment at the balance sheet date. No severance or retirement benefits have been funded.

Because of amendments to the Japanese Tax Law that apply beginning with the fiscal year ended March 31, 1999, methods for tax accounting for accrued retirement allowances have been revised. Companies are allowed to accrue a liability of up to 20% of the voluntary retirement obligations mentioned above, half of the previous 40% limit. This reduction, however, is implemented in stages beginning with a 37% limit in the year ended on March 31, 1999 and a 33% limit in 2000.

Payment for transfer to Welfare Pension (national pension) – In accordance with the enforcement of revision of the Welfare Pension Law and the related regulations in 1996 (1996 Law No. 82), a shortage of the assets to be transferred to the Welfare Pension from Japan Railways Group Mutual Aid Association was shared by Japanese National Railways Settlement Corporation (JNRSC) and JR Group Companies. The portion shared by JR East amounting to ¥77,566 million was paid in a lump sum. This is accounted for as a long-term prepaid expense included in other assets and is charged to income for the five years from the year ended March 31, 1998 on a straight-line basis. The balance of long-term prepaid expense at September 30, 1999 amounted to ¥38,783 million (\$362 million).

Tax effect accounting – Due to a revision in Regulations concerning Terminology, Forms and Method of Presentation of Semi-Annual Financial Statements, the Company has used tax effect accounting beginning with the interim period ended September 30, 1999. As a result of this revision, net income was ¥12,936 million (\$121 million) and retained earnings at the end of the interim period was ¥44,484 million (\$416 million) more than if the Company had not adopted tax effect accounting.

2. Allowance for Doubtful Accounts

Joh-Shin-Etsu Highlands Development Co., Ltd., a consolidated subsidiary, was to be dissolved no later than the end of December 1999. The Company expected to recognize losses due to advances to this subsidiary of ¥8,400 million (\$79 million) and investments in securities of ¥777 million (\$7 million) involving this subsidiary.

3. Net Income per Share of Common Stock

Net income per share of common stock has been computed based on the average number of shares of common stock issued and outstanding during each fiscal period.

4. Contingent Liabilities

a) On April 1, 1987, Japanese National Railways (JNR) was privatized into the JR Group Companies. JNR Bonds issued by JNR were assumed separately by four (including the Company) of the JR Group Companies, Shinkansen Holding Corporation and JNRSC. Each of those companies was liable jointly and severally with the others for the total JNR Bonds assumed. The amount of such joint and several liability of the Company was ¥101,300 million at September 30, 1998. However, the Company's responsibility for the above joint and several liability was terminated on October 22, 1998 in accordance with the enactment of the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation (1998 Law No. 136).

b) The outstanding amounts contingently liable under debt assumption agreements and cross currency swap agreement at September 30, 1999 were ¥142,792 million (\$1,335 million) and \$600 million, respectively.

5. Market Value Information for Securities

Book value, market value and net unrealized gains (losses) of quoted securities at September 30, 1998 and 1999 were as follows:

	Millions of Yen		Millions of
	1998	1999	U.S. Dollars
			1999
Non-current:			
Book value	¥126,241	¥126,903	\$1,186
Market value	112,302	320,234	2,993
Net unrealized gains (losses)	¥ (13,939)	¥193,331	\$1,807

At September 30, 1998 and 1999, there were no quoted securities belonging to the current assets.

6. Subsequent Events

See Message From the Management.