

2000

Semi-Annual Report

For the six months ended
September 30, 2000

EAST JAPAN RAILWAY COMPANY

Group Policies

The JR East Group shall aim to function as a corporate group providing high quality and advanced services with railway businesses at its core, while achieving sound management.

For this purpose, every individual employee of the group will endeavor to support safe and punctual transportation and supply convenient and high quality products.

Every employee will take on the challenge of improving the standard of services and raising the level of technology in order to further gain the confidence and trust of our customers.

As a "trusted life-style services creating group," we will go forward with our customers to contribute to the achievement of a better living, the cultural development of local communities and the protection of the global environment.



Consolidated Financial Highlights

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Six months ended September 30

	Millions of Yen (except for per share data)	
	1999	2000
For the period:		
Operating revenues	¥1,245,824	¥1,260,174
Operating income	190,599	174,471
Net income	51,357	37,673
Net income per share of common stock (yen)	12,839	9,418
At the end of the period:		
Total assets	7,273,233	7,201,546
Total shareholders' equity	852,160	902,067
Ratios:		
Net income as a percentage of operating revenues (%)	4.1	3.0
Equity ratio (%)	11.7	12.5

Operating Revenues (Billions of Yen)



Operating Income (Billions of Yen)



Net Income (Billions of Yen)



*Due to Securities and Exchange Law of Japan and related regulations, consolidated semi-annual financial statements have been required to be disclosed beginning with the interim period ended September 30, 2000. Although the disclosure of consolidated semi-annual financial statements was not mandatory for the interim period ended September 30, 1999, East Japan Railway Company released this information in a summary format.

Comparisons of consolidated financial figures are based on the summary consolidated data for the first half of the previous fiscal year mentioned above.

Message From the Management

■ Overview of Operating Results

While there was a slight improvement in Japan's economy during the interim period ended September 30, 2000, there were few signs of a sustainable recovery in consumer spending. The East Japan Railway Company (JR East) Group took numerous measures to generate higher revenues in this difficult environment. Due to the group's efforts, consolidated operating revenues increased 1.2% to ¥1,260.2 billion (\$1,668 million) compared with the same period a year earlier. However, operating income declined 8.5% to ¥174.5 billion (\$1,615 million), as an expense for severance and retirement benefits increased ¥28.1 billion (\$260 million) due to the adoption in the first half of the current fiscal year of a new accounting standard for these benefits. This expense was also responsible for bringing down net income by 26.6% to ¥37.7 billion (\$349 million).

In transportation, although commuter pass revenues declined because of a decrease in Japan's student and working populations, non-commuter revenues increased due to extension of the Yamagata hybrid Shinkansen to Shinjo in December 1999 and signs of a slight recovery in Japan's economy. Segment revenues, including inter-segment transactions, increased 0.5% to ¥938.2 billion (\$8,687 million) and operating income decreased 12.6% to ¥148.1 billion (\$1,371 million).

In merchandise sales, results benefited from the development of new retail facilities and the creation of new retailing formats in line with alliances with companies outside the JR East Group. As a result, segment revenues, including intersegment transactions, increased 1.3% to ¥221.1 billion (\$2,047 million) and operating income was up 79.4% to ¥4.3 billion (\$40 million).

In real estate leasing (shopping centers), growth was driven by newly completed station buildings and concerted efforts to attract higher profile tenants to existing facilities. The result was a 5.7% increase in segment revenues, including intersegment transactions, to ¥81.0 billion (\$750 million) and a 7.4% increase in operating income to ¥17.2 billion (\$160 million).

In other services, newly opened hotels, the development of new advertising formats and steps to make the *View Card* still easier to use, such as adding a VISA function, all contributed to a strong performance. Segment revenues, including intersegment transactions, rose 10.3% to ¥166.2 billion (\$1,538 million) and operating income was up 104.4% to ¥5.3 billion (\$48 million).

Net cash provided by operating activities decreased 2.4% compared with the first half of the previous fiscal year to ¥220.5 billion (\$2,042 million). The JR East Group began amortizing the shortfall in obligations for severance and retirement benefits in this fiscal year, but payments of income taxes increased. Net cash used in investing activities decreased 1.6% to ¥142.2 billion (\$1,317 million). This included capital expenditures for transportation services to improve safety and stability and increase capacity, and for station buildings, hotels and other facilities. Net cash used in financing activities increased 3.8% to ¥102.1 billion (\$945 million). The primary uses of cash were payments for cash dividends and a net reduction of ¥76.7 billion (\$711 million) in total long-term debt. Due to these factors, cash and cash equivalents decreased by ¥23.8 billion (\$220 million) compared with the beginning of the period to ¥232.0 billion (\$2,148 million).

As of September 30, 2000, the JR East Group's total long-term debt amounted to ¥4,741.9 billion (\$43,907 million).

On a nonconsolidated basis, operating revenues increased 0.4% to ¥953.5 billion (\$8,829 million), operating income decreased 11.7% to ¥158.9 billion (\$1,471 million) and net income fell 25.1% to ¥32.7 billion (\$303 million).

Interim cash dividends per share applicable to the interim period were maintained at ¥2,500 (\$23.15).

■ **The New Frontier 21 Medium Term Business Plan**

JR East recently announced a medium term business plan called *New Frontier 21*, which will cover the five-year period extending from April 2001 through March 2006. The plan targets a critical point in JR East Group's development, setting forth a vision and a concrete action plan as the group enters a new century and stands on the verge of full private-sector ownership. All actions are aimed at withstanding the dramatic changes that are foreseen in the group's highly competitive operating environment.

■ **Group Vision**

In this medium term business plan, our vision is to become "a trusted life-style services creating group." As we stand at the beginning of the 21st century, we will strengthen our management base and push ahead with reforms to realize this vision. In particular, we will steer our operations to meet the following five criteria:

1. Creating Customer Value and Pursuing Customer Satisfaction

(Building a corporate group for providing customers with "trust," "comfort" and "excitement.")

The starting point for the development of the JR East Group is the customer. Based on this awareness, we will commit ourselves thoroughly to a customer orientation, unite in the creation of new customer value and seek to gain a higher level of appreciation from our customers.

Before all else, we will endeavor to develop the service-oriented mentality of taking the initiative to share our joy with our customers. We will further burnish the JR East Group brand to project the image of an organization that is "steady," "trustworthy" and "reliable." We will fundamentally revise our view of the "station" from the perspective of the customer and create a concept, *Station Renaissance* to develop a new type of stations for the 21st century. Through these efforts, we will develop a progressive and high quality brand image featuring "comfort" and "excitement," and will strive to be the first choice of the customer.

2. Innovation of Business through the Creation of Technologies

(Building a corporate group for the integration of advanced technologies.)

The JR East Group will integrate advanced technologies in order to create new added value and thereby refine our railway businesses. Our goal shall be to become the "world's number one railway" in terms of safety, convenience, promotion of advanced technologies, comfort and efficiency.

3. Harmony with Society and Coexistence with the Environment

(Building a corporate group which harmonizes with society and gains the respect of global community.)

While pursuing social missions such as coping with global environmental problems and the rapid aging of society, we will also maintain a fair stance towards global competition. We will enhance management transparency and go forward as a corporate group open to the world.

4. Creating Motivation and Vitality

(Building a corporate group offering a working motivation and a sense of accomplishment through a free and liberal approach to work.)

5. Raising Shareholder Values

(Building a corporate group meeting shareholder expectations through the improvement of consolidated performance.)

To maximize group value and to improve group performance, the JR East Group will not only work to increase free cash flows and improve ROE and ROA, but also reduce the amount of total long-term debt and the number of employees.

■ Strategies to Transform the Vision into Reality

We have formulated a number of business strategies for the purpose of fulfilling our *New Frontier 21* vision. First is our *Station Renaissance*, which aims to achieve the best possible allocation of group business activities at railway stations, our greatest asset. Naturally, this requires that we conduct an exhaustive review of the layout of station facilities to open up new space for business activities. We also plan to construct decks above existing tracks and take other steps to create the necessary space. Another element of our *Station Renaissance* is large-scale developments at main stations in the Tokyo metropolitan area.

Another strategy is to utilize IT and other new technologies. One example is the creation of a new railway operating system by drawing on a broad range of IT resources. The system will improve the safety and accuracy of our railway operations. Another is the creation of business models that give us a substantial advantage over competitors making the most of our infrastructure, which is ideally suited for IT-oriented businesses. As a central part of this drive, we will use our *Suica* IC card, which we will begin introducing in 2001, to offer cashless and ticketless transportation services. Many other new businesses are on the drawing board.

In railway operations, we will concentrate on making more gains in safety and service quality and on improving our operating system, such as by strengthening our service network. In life-style businesses, we will focus our resources on businesses where we can achieve synergies with our railway operations and where we have competitive superiority. Strategic alliances with partners outside the JR East Group and the realignment of group companies will be central to this drive.

By pursuing this vision through the strategies outlined above, the JR East Group will bring about continuous change to maximize value across the entire group and create greater value for shareholders. We ask for your continued support and understanding as we take on the challenges of *New Frontier 21*.

December 2000



Mutsutake Otsuka
President and CEO

■ Effective Use of the Shinkansen Network

JR East is effectively operating an expansive network of five Shinkansen routes connecting Tokyo and major cities in its operating area: the Tohoku, Joetsu and Nagano Shinkansen lines and the Yamagata and Akita hybrid Shinkansen services. In December 1999, the Yamagata hybrid Shinkansen Line was extended from Yamagata to Shinjo, enabling through service between Tokyo and Shinjo. Due to this extension, the number of passengers carried on the Yamagata-Shinjo sector from its commencement date through the end of September 2000 was about 90% higher than in the same period prior to the start of this new service.

To accommodate growth in Shinkansen commuters, JR East increased the number of all-double-decker series E4 *Max* trains operating on the Tohoku Shinkansen Line during the morning rush-hour period from December 2000. In the spring of 2001, these trains are to enter service on the Joetsu Shinkansen Line as well. This will result in an overall increase of eight of these eight-car units.

■ Giving a New Vitality to Stations

JR East's stations serve more than 16 million passengers every day. Stations are thus an invaluable resource holding great potential for commercial developments. Under its *Sunflower Plan*, JR East is altering station facility layouts to open up more commercial space for stores offering a diverse range of products and services.

Among recent accomplishments are the opening of the *Dining Court* restaurant mall and *Media Court* interactive information center at Tokyo Station and the opening of a *UNIQLO* store at Shinjuku Station through an agreement with this highly successful apparel retailer. JR East will continue to develop stores that address the needs of customers through large-scale developments at main stations in the Tokyo metropolitan area, the use of IT and more alliances with partners outside the JR East Group.

■ IT Businesses Grow at JR East

The *ehi-net* electronic mall opened its cyber doors in April 2000. The e-mall's most distinguishing feature is a service allowing customers to pick up merchandise at stores conveniently located at stations.

Also on its railway services, visitors to the company's Web site can make seat reservations, view information about hotels and package tours, which can also be booked online, view information on train operations, and access other information. Thus far, the site has attracted an average of 40,000 daily visitors for information and is selling a large number of reserved tickets every day.

JR East is planning to use its IT infrastructure to add still more services and businesses. This IT infrastructure includes an IC card called *Suica* that is slated for introduction during 2001, fiber-optic networks, station LANs, *View Cards* and other elements.

Consolidated Semi-Annual Balance Sheet (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
September 30, 2000

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2000	2000
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	¥ 231,951	\$ 2,148
Receivables:		
Accounts receivable – trade and other receivables	133,800	1,239
Allowance for doubtful accounts	(778)	(7)
	133,022	1,232
Inventories	38,096	353
Real estate for sale (Note 3)	33,574	311
Deferred income taxes	31,804	294
Other current assets	34,204	316
Total current assets	502,651	4,654
Investments:		
Unconsolidated subsidiaries and affiliated companies	133,073	1,232
Other	153,393	1,420
	286,466	2,652
Property, Plant and Equipment:		
Buildings and fixtures	6,420,499	59,449
Machinery, rolling stock and vehicles	2,074,545	19,209
Land	2,275,796	21,072
Construction in progress	118,070	1,093
Other	128,360	1,189
	11,017,270	102,012
Less accumulated depreciation	4,799,387	44,439
Net property, plant and equipment	6,217,883	57,573
Other Assets:		
Long-term deferred income taxes	47,406	439
Other	147,140	1,363
	194,546	1,802
	¥ 7,201,546	\$ 66,681

See accompanying notes.

Consolidated Semi-Annual Balance Sheet (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
September 30, 2000

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2000	2000
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term bank loans	¥ 12,720	\$ 118
Current portion of long-term debt	225,004	2,083
Current portion of long-term liabilities incurred for purchase of railway facilities	108,643	1,006
Prepaid railway fares received	116,588	1,080
Payables	377,353	3,494
Accrued income taxes	56,474	523
Accrued expenses and other current liabilities	173,335	1,604
Total current liabilities	1,070,117	9,908
Long-Term Debt	2,058,212	19,058
Long-Term Liabilities Incurred for Purchase of Railway Facilities	2,350,078	21,760
Accrued Severance and Retirement Benefits	465,250	4,308
Deposits Received for Guarantees	253,054	2,343
Long-Term Deferred Tax Liabilities	3,499	32
Other Long-Term Liabilities	72,640	674
Consolidation Difference	441	4
Minority Interests	26,188	242
Contingent Liabilities (Note 5)		
Shareholders' Equity:		
Common stock, ¥50,000 par value:		
Authorized – 16,000,000 shares;		
Issued and outstanding – 4,000,000 shares	200,000	1,852
Additional paid-in capital	96,600	894
Retained earnings	605,467	5,606
Total shareholders' equity	902,067	8,352
	¥ 7,201,546	\$ 66,681

See accompanying notes.

Consolidated Semi-Annual Statement of Income (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Six months ended September 30, 2000

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2000	2000
Operating Revenues	¥1,260,174	\$11,668
Operating Expenses	1,085,703	10,053
Operating Income	174,471	1,615
Other Income (Expenses):		
Interest expense	(104,561)	(968)
Interest and dividend income	1,598	15
Other, net (Note 3)	(4,087)	(38)
	(107,050)	(991)
Income Before Income Taxes	67,421	624
Income Taxes:		
Current	56,964	527
Deferred	(28,140)	(261)
Minority Interests in Net Income of Consolidated Subsidiaries	924	9
Net Income	¥ 37,673	\$ 349
	Yen	U.S. Dollars (Note 1)
Net Income per Share of Common Stock (Note 4)	¥ 9,418	\$ 87

See accompanying notes.

Consolidated Semi-Annual Statement of Shareholders' Equity (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Six months ended September 30, 2000

	Numbers of Shares of Common Stock (Thousands)	Millions of Yen		
		Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at March 31, 2000	4,000	¥200,000	¥96,600	¥559,801
Effect of changing from an equity method affiliated company to a subsidiary				941
Increase due to capital increase of an equity method affiliated company				18,529
Net income				37,673
Cash dividends (¥2,500 per share)				(10,000)
Bonuses to directors and corporate auditors				(536)
Effect of changing from an equity method affiliated company to a subsidiary				(941)
Balance at September 30, 2000	4,000	¥200,000	¥96,600	¥605,467
		Millions of U.S. Dollars (Note 1)		
		Common Stock	Additional Paid-in Capital	Retained Earnings
Balance at March 31, 2000		\$1,852	\$894	\$5,183
Effect of changing from an equity method affiliated company to a subsidiary				9
Increase due to capital increase of an equity method affiliated company				172
Net income				349
Cash dividends (\$23.15 per share)				(93)
Bonuses to directors and corporate auditors				(5)
Effect of changing from an equity method affiliated company to a subsidiary				(9)
Balance at September 30, 2000		\$1,852	\$894	\$5,606

See accompanying notes.

Consolidated Semi-Annual Statement of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Six months ended September 30, 2000

Millions of
U.S. Dollars
(Note 1)

	Millions of Yen	
	2000	2000
Cash Flows From Operating Activities:		
Income before income taxes	¥ 67,421	\$ 624
Depreciation	160,733	1,488
Amortization of long-term prepaid expense	9,711	90
Increase in accrued severance and retirement benefits	22,946	212
Interest and dividend income	(1,598)	(15)
Interest expense	104,561	968
Construction grants received	(59,043)	(547)
Loss from disposition and provision for cost reduction of fixed assets	65,084	603
Decrease in major receivables	7,007	65
Decrease in major payables	(1,034)	(10)
Other	10,058	95
Sub-total	385,846	3,573
Proceeds from interest and dividends	1,998	19
Payments of interest	(102,580)	(950)
Payments of income taxes	(64,798)	(600)
Net cash provided by operating activities	220,466	2,042
Cash Flows From Investing Activities:		
Payments for purchases of fixed assets	(176,681)	(1,636)
Proceeds from sales of fixed assets	5,586	52
Proceeds from construction grants	25,742	238
Payments for purchases of investments in securities	(5,254)	(49)
Other	8,375	78
Net cash used in investing activities	(142,232)	(1,317)
Cash Flows From Financing Activities:		
Proceeds from long-term loans	57,000	528
Payments of long-term loans	(96,438)	(893)
Proceeds from issues of bonds	50,000	463
Payment for redemption of bonds	(47,010)	(435)
Payments of liabilities incurred for purchase of railway facilities	(40,302)	(373)
Cash dividends paid	(10,000)	(93)
Other	(15,308)	(142)
Net cash used in financing activities	(102,058)	(945)
Net Decrease in Cash and Cash Equivalents	(23,824)	(220)
Cash and Cash Equivalents at Beginning of the Period	255,775	2,368
Cash and Cash Equivalents at End of the Period	¥ 231,951	\$ 2,148

See accompanying notes.

Notes to Consolidated Semi-Annual Financial Statements (Unaudited)

1. Significant Accounting Policies

Basis of presentation of financial statements – The accompanying consolidated 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, 2000.

The Company, a Japanese Corporation, maintains its accounting records in Japanese yen. The accompanying consolidated financial statements 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 29, 2000, which was ¥108 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.

Due to Securities and Exchange Law of Japan and related regulations, consolidated semi-annual financial statements have been required to be disclosed beginning with the interim period ended September 30, 2000.

Consolidated subsidiaries and equity method affiliated companies – The consolidated financial statements of the Company include the accounts of all significant subsidiaries (together the “Companies”).

For the interim period ended September 30, 2000, 95 subsidiaries were consolidated. For the year ended March 31, 2000, 97 subsidiaries were consolidated. The number of consolidated subsidiaries decreased because of merger and dissolution.

Investments in JAPAN TELECOM CO., LTD. and two other affiliated companies are accounted for by the equity method. East Japan Transport Technology Co., Ltd. (formerly Japan Transport Machinery Co., Ltd.) had been accounted for by the equity method. This company subsequently became a consolidated subsidiary because its repurchase of common stock increased ownership of the Company.

Securities – The Accounting Standard for Financial Instruments in Japan has been operative beginning with the interim period ended September 30, 2000.

Beginning with the interim period ended September 30, 2000, securities are stated as follows:

Market value is used for held-for-trading securities. The Companies had no held-for-trading securities at September 30, 2000. Held-to-maturity bonds are stated at amortized cost method.

Shares of unconsolidated subsidiaries and affiliated companies are stated at moving average cost method, not by the equity method. Securities other than held-for-trading securities, held-to-maturity bonds and shares of unconsolidated subsidiaries and affiliated companies (hereafter “available-for-sale securities”) are mainly stated at moving average cost method.

Previously, securities were mainly stated at weighted average cost.

These changes had no material impact on the Companies’ operating results or financial position.

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.

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.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Railway fixtures	3 to 60 years
Rolling stock	3 to 20 years
Machinery and equipment	3 to 20 years

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 and JR 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 the other item of other assets on the balance sheet 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, 2000 amounted to ¥23,270 million (\$215 million).

Allowance for doubtful accounts – Previously, an allowance for doubtful accounts had been mainly provided at the maximum amount deductible for the Japanese Tax Law. Beginning with the interim period ended September 30, 2000, the Accounting Standard for Financial Instruments has been operative. In general, the Companies provide the allowance based on the past loan loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors’ ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually. This change had no material impact on the Companies’ operating results or financial position.

Accrued severance and retirement benefits – Almost all employees of the Companies are generally entitled to receive lump-sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own). The amounts of the severance and retirement benefits are generally 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 voluntary terminated their employment at the balance sheet date.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the interim period ended September 30, 2000. The Companies accrue liabilities for post-employment benefits as of the end of the interim period in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to March 31, 2001, the year-end date, and plan assets at that date.

The transition obligation resulting from the adoption of the new accounting standard as of April 1, 2000 was ¥500,401 million (\$4,633 million). The unrecognized transition obligation amounting to ¥498,065 million (\$4,612 million) is charged to income over 10 years from the current interim period on a straight-line basis. As a result of these changes, expenses for the interim period ended

September 30, 2000 increased by ¥28,110 million (\$260 million) compared with what would have been under the previous accounting methods, reducing operating income by ¥25,691 million (\$238 million) and income before income taxes by ¥28,110 million (\$260 million).

2. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

3. Real Estate for Sale

For the interim period ended September 30, 2000, a ¥6,725 million (\$62 million) devaluation loss on real estate for sale is included in the other, net item of other expenses on the statement of income.

4. Net Income per Share of Common Stock

Net income per share of common stock shown in the consolidated statement of income has been computed based on the number of shares of common stock outstanding during the interim period.

5. Contingent Liabilities

The outstanding amounts for which the Company was contingently liable under debt assumption agreements and a cross currency swap agreement at September 30, 2000 were ¥109,384 million (\$1,013 million) and \$600 million, respectively.

6. Market Value Information for Securities

Book value and market value of quoted held-to-maturity bonds at September 30, 2000 were ¥303 million (\$3 million) and ¥303 million (\$3 million), respectively.

Book value and market value of quoted available-for-sale securities at September 30, 2000 were ¥144,966 million (\$1,342 million) and ¥109,270 million (\$1,012 million), respectively.

7. Segment Information

The Companies' primary business activities include transportation, merchandise sales, real estate leasing and other services. A summary of operating revenues and costs and expenses for the interim period ended September 30, 2000 were as follows:

Millions of Yen						
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
Operating revenues:						
Outside customers	¥904,641	¥190,142	¥75,476	¥ 89,915	¥ -	¥1,260,174
Inside group	33,532	30,909	5,515	76,270	(146,226)	-
	938,173	221,051	80,991	166,185	(146,226)	1,260,174
Costs and expenses	790,111	216,752	63,764	160,915	(145,839)	1,085,703
Operating income	¥148,062	¥ 4,299	¥17,227	¥ 5,270	¥ (387)	¥ 174,471
Millions of U.S. Dollars						
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	Consolidated
Operating revenues:						
Outside customers	\$8,376	\$1,761	\$699	\$ 832	\$ -	\$11,668
Inside group	311	286	51	706	(1,354)	-
	8,687	2,047	750	1,538	(1,354)	11,668
Costs and expenses	7,316	2,007	590	1,490	(1,350)	10,053
Operating income	\$1,371	\$ 40	\$160	\$ 48	\$ (4)	\$ 1,615

Each of the Companies' business activities consists mainly of the following:

- Transportation: Passenger railway, Bus services;
- Merchandise sales: Food and drink sales, Wholesale and retail sales;
- Real estate leasing: Lease of real estate (mainly shopping centers); and
- Other services: Hotel operations, Advertising and publicity, Truck delivery services, Information processing, Cleaning services and Others

As referred to in Note 1, the Accounting Standard for Retirement Benefits in Japan has been operative beginning with the interim period ended September 30, 2000. As a result, in the transportation segment, costs and expenses were ¥25,627 million (\$237 million) more than if the previous accounting methods

had been applied, reducing operating income by the same amount. In the merchandise sales segment, costs and expenses decreased by ¥206 million (\$2 million) and operating income increased by the same amount. In the real estate leasing segment, costs and expenses increased by ¥128 million (\$1 million) and operating income decreased by the same amount. In the other services segment, costs and expenses increased by ¥142 million (\$1 million) and operating income decreased by the same amount.

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

8. Subsequent Events

In November 2000, the Board of Directors of the Company resolved the payment of a interim cash dividend of ¥2,500 (\$23.15) per share, aggregating ¥10,000 million (\$93 million).

Supplementary Information

Due to Securities and Exchange Law of Japan and related regulations, consolidated semi-annual financial statements have been required to be disclosed beginning with the interim period ended September 30, 2000. Although the disclosure of consolidated semi-annual financial

statements was not mandatory for the interim period ended September 30, 1999, East Japan Railway Company (the Company) released this information in a summary format.

Consolidated Semi-Annual Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES September 30, 1999 and 2000	Millions of Yen	
	1999	2000
Assets		
Current Assets	¥ 501,186	¥ 502,651
Investments	244,903	286,466
Property, Plant and Equipment	6,345,899	6,217,883
Other Assets	181,245	194,546
	<u>¥7,273,233</u>	<u>¥7,201,546</u>
Liabilities and Shareholders' Equity		
Current Liabilities	¥1,050,887	¥1,070,117
Long-Term Liabilities	5,344,578	5,203,174
Total Liabilities	6,395,465	6,273,291
Minority Interests	25,608	26,188
Shareholders' Equity	852,160	902,067
	<u>¥7,273,233</u>	<u>¥7,201,546</u>

Note: Total long-term debt including current portion at September 30, 1999 and 2000 was ¥4,870,719 million and ¥4,741,937 million.

Consolidated Semi-Annual Statements of Income (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES Six months ended September 30, 1999 and 2000	Millions of Yen	
	1999	2000
Operating Revenues	¥1,245,824	¥1,260,174
Operating Expenses	1,055,225	1,085,703
Operating Income	190,599	174,471
Other Expenses	(98,012)	(107,050)
Income Before Income Taxes	92,587	67,421
Income Taxes:		
Current	50,821	56,964
Deferred	(10,333)	(28,140)
Minority Interests in Net Income of Consolidated Subsidiaries	742	924
Net Income	<u>¥ 51,357</u>	<u>¥ 37,673</u>

Segment Information (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES
Six months ended September 30, 1999 and 2000

	Millions of Yen					Consolidated
	Transportation	Merchandise sales	Real estate leasing	Other services	Elimination and/or corporate	
1999:						
Operating revenues:						
Outside customers	¥901,339	¥191,030	¥71,213	¥ 82,242	¥ -	¥1,245,824
Inside group	31,739	27,262	5,441	68,467	(132,909)	-
	<u>933,078</u>	<u>218,292</u>	<u>76,654</u>	<u>150,709</u>	<u>(132,909)</u>	<u>1,245,824</u>
Costs and expenses	763,646	215,896	60,616	148,131	(133,064)	1,055,225
Operating income	<u>¥169,432</u>	<u>¥ 2,396</u>	<u>¥16,038</u>	<u>¥ 2,578</u>	<u>¥ 155</u>	<u>¥ 190,599</u>
2000:						
Operating revenues:						
Outside customers	¥904,641	¥190,142	¥75,476	¥ 89,915	¥ -	¥1,260,174
Inside group	33,532	30,909	5,515	76,270	(146,226)	-
	<u>938,173</u>	<u>221,051</u>	<u>80,991</u>	<u>166,185</u>	<u>(146,226)</u>	<u>1,260,174</u>
Costs and expenses	790,111	216,752	63,764	160,915	(145,839)	1,085,703
Operating income	<u>¥148,062</u>	<u>¥ 4,299</u>	<u>¥17,227</u>	<u>¥ 5,270</u>	<u>¥ (387)</u>	<u>¥ 174,471</u>

Each of business activities consists mainly of the following:

- Transportation: Passenger railway, Bus services;
- Merchandise sales: Food and drink sales, Wholesale and retail sales;
- Real estate leasing: Lease of real estate (mainly shopping centers); and
- Other services: Hotel operations, Advertising and publicity, Truck delivery services, Information processing, Cleaning services and Others

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

Consolidated Semi-Annual Statements of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES Six months ended September 30, 1999 and 2000	Millions of Yen	
	1999	2000
Cash Flows From Operating Activities	¥ 225,989	¥ 220,466
Cash Flows From Investing Activities:		
Payments for purchases of fixed assets	(167,599)	(176,681)
Proceeds from construction grants	26,852	25,742
Other	(3,745)	8,707
Net cash used in investing activities	(144,492)	(142,232)
Cash Flows From Financing Activities:		
Proceeds from long-term loans and issues of bonds	39,718	107,000
Payments of long-term debt and liabilities incurred for purchase of railway facilities	(100,312)	(183,750)
Cash dividends paid	(10,000)	(10,000)
Other	(27,748)	(15,308)
Net cash used in financing activities	(98,342)	(102,058)
Net Decrease in Cash and Cash Equivalents	(16,845)	(23,824)
Cash and Cash Equivalents at Beginning of the Period	237,860	255,775
Net Increase due to Addition of Consolidated Subsidiaries	3,771	-
Cash and Cash Equivalents at End of the Period	<u>¥ 224,786</u>	<u>¥ 231,951</u>

Note: Capital expenditures funded by the Company and its consolidated subsidiaries were ¥101,730 million for the interim period ended September 30, 2000.

Nonconsolidated Semi-Annual Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY
September 30, 1999 and 2000

Millions of
U.S. Dollars
(Note 1)

	Millions of Yen		2000
	1999	2000	
Assets			
Current Assets:			
Cash and cash equivalents (Note 2)	¥ 139,833	¥ 126,431	\$ 1,171
Receivables:			
Accounts receivable – trade and other receivables	103,784	103,888	962
Allowance for doubtful accounts	(8,587)	(650)	(6)
	95,197	103,238	956
Inventories	18,205	17,221	159
Real estate for sale (Note 3)	47,940	30,687	284
Deferred income taxes	15,648	27,314	253
Other current assets	15,837	17,749	164
Total current assets	332,660	322,640	2,987
Investments:			
Subsidiaries and affiliated companies (Note 6)	144,658	152,976	1,416
Other	121,992	142,479	1,320
	266,650	295,455	2,736
Property, Plant and Equipment:			
Railway	8,627,149	8,716,826	80,711
Other operations	1,239,237	1,272,108	11,779
Construction in progress	200,865	114,596	1,061
	10,067,251	10,103,530	93,551
Less accumulated depreciation	4,190,848	4,354,756	40,322
Net property, plant and equipment	5,876,403	5,748,774	53,229
Other Assets:			
Long-term deferred income taxes	18,899	41,716	386
Other	91,376	70,561	654
	110,275	112,277	1,040
	¥ 6,585,988	¥ 6,479,146	\$59,992
Liabilities and Shareholders' Equity			
Current Liabilities:			
Current portion of long-term debt	¥ 202,433	¥ 189,811	\$ 1,758
Current portion of long-term liabilities incurred for purchase of railway facilities	113,935	108,643	1,006
Prepaid railway fares received	120,862	116,539	1,079
Payables	268,153	285,104	2,640
Accrued income taxes	43,642	47,746	442
Accrued expenses and other current liabilities	150,210	136,745	1,266
Total current liabilities	899,235	884,588	8,191
Long-Term Debt	1,930,897	1,932,751	17,896
Long-Term Liabilities Incurred for Purchase of Railway Facilities	2,458,414	2,350,078	21,760
Accrued Severance and Retirement Benefits	422,278	439,187	4,067
Other Long-Term Liabilities	105,708	73,889	683
Contingent Liabilities (Note 5)			
Shareholders' Equity:			
Common stock, ¥50,000 par value:			
Authorized – 16,000,000 shares; issued and outstanding – 4,000,000 shares	200,000	200,000	1,852
Additional paid-in capital	96,600	96,600	894
Legal reserve	18,138	20,156	187
Retained earnings	454,718	481,897	4,462
Total shareholders' equity	769,456	798,653	7,395
	¥ 6,585,988	¥ 6,479,146	\$59,992

See accompanying notes.

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.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Railway fixtures	3 to 60 years
Rolling stock	3 to 20 years
Machinery and equipment	3 to 20 years

Maintenance expenses – Until the interim period ended September 30, 1998, half of estimates of total maintenance expenses likely to occur during the fiscal year were 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. In the interim period ended September 30, 1999, with respect to the works that extended beyond September 30, the Company allocated maintenance expenses based on the ratio of the work period within the semi-annual period to the contract work period.

Due to a revision in Accounting Standard for Semi-Annual Financial Statements, maintenance expenses have been charged to income on the actual basis of accounting beginning with the interim period ended September 30, 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 and JR 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 the other item of other assets on the balance sheets 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, 2000 amounted to ¥23,270 million (\$215 million).

Allowance for doubtful accounts – Previously, an allowance for doubtful accounts had been provided at the maximum amount deductible for the Japanese Tax Law. Beginning with the interim period ended September 30, 2000, the Accounting Standard for Financial Instruments has been operative. In general, the Company provides the allowance based on the past loan loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually. This change had no material impact on the Company's operating results or financial position.

Joh-Shin-Etsu Highlands Development Co., Ltd., a consolidated subsidiary, was dissolved in December 1999. The Company recognized estimated losses due to advances to this subsidiary of ¥8,400 million and investments in securities of ¥777 million involving this subsidiary for the interim period ended September 30, 1999.

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. Previously, the Company 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 new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the interim period ended September 30, 2000. The Company accrues a liability for post-employment benefits as of the end of the interim period in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to March 31, 2001, the year-end date.

The transition obligation resulting from the adoption of the new accounting standard as of April 1, 2000 was ¥483,282 million (\$4,475 million). The unrecognized transition obligation is charged to income over 10 years from the current interim period on a straight-line basis. As a result of these changes, expenses for the interim period ended September 30, 2000 increased by ¥25,664 million (\$238 million) compared with what would have been under the previous accounting method, reducing operating income and income before income taxes by the same amount.

No severance or retirement benefits have been funded.

Tax effect accounting – Due to a revision in Regulations concerning Terminology, Forms and Method of Presentation of Semi-Annual Financial Statements, the Company used tax effect accounting beginning with the interim period ended September 30, 1999. As a result of this revision, net income for the interim period ended September 30, 1999 was ¥12,936 million and retained earnings at September 30, 1999 was ¥34,547 million more than if the Company had not adopted tax effect accounting.

2. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

3. Real Estate for Sale

For the interim period ended September 30, 2000, a ¥6,725 million (\$62 million) devaluation loss on real estate for sale is included in the other, net item of other expenses on the statements of income and retained earnings.

4. Net Income per Share of Common Stock

Net income per share of common stock shown in the nonconsolidated statements of income and retained earnings has been computed based on the number of shares of common stock outstanding during each interim period.

5. Contingent Liabilities

The outstanding amounts for which the Company was contingently liable under debt assumption agreements and a cross currency swap agreement at September 30, 2000 were ¥109,384 million (\$1,013 million) and \$600 million, respectively.

6. Market Value Information for Securities

Book value and market value for quoted shares of subsidiaries and affiliated companies at September 30, 2000 were ¥11,553 million (\$107 million) and ¥266,502 million (\$2,468 million), respectively.

The difference between book value and market value at September 30, 2000 was mainly composed of shares of JAPAN TELECOM CO., LTD., an affiliated company.

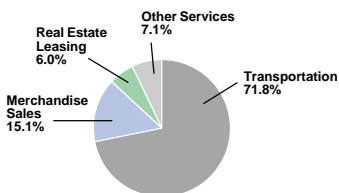
Market value information for securities other than the securities mentioned above is presented in the notes to consolidated financial statements.

7. Subsequent Events

In November 2000, the Board of Directors of the Company resolved the payment of a interim cash dividend of ¥2,500 (\$23.15) per share, aggregating ¥10,000 million (\$93 million).

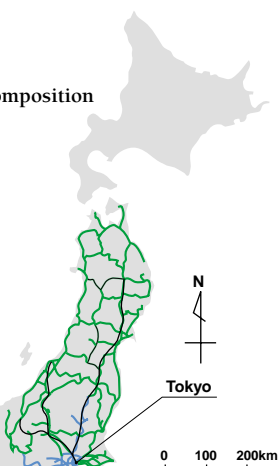
Corporate Data

Consolidated Operating Revenue Composition



(Six months ended September 30, 2000)

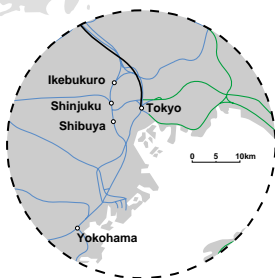
- Shinkansen bullet train network
- Through service
- Tokyo metropolitan area network
- Intercity and regional networks



Five Busiest JR East Stations (avg. embarking passengers daily)

1. Shinjuku	756,772
2. Ikebukuro	574,243
3. Shibuya	423,336
4. Yokohama	391,196
5. Tokyo	376,960

(Year ended March 31, 2000)



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<http://www.jreast.co.jp>

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- **Number of Employees:** 83,313 (63,167 at parent company)
*Excluding employees assigned to other companies and employees on temporary leave
- **Number of Stations:** 1,709
- **Number of Rolling Stock:** 13,392
- **Average Daily Train Runs:** 12,000 (approx.)
- **Passenger Line Network:** 7,538.1 kilometers
- **Passengers Served Daily:** 16.3 million
- **Number of Shopping Centers:** 107 (As of December 31, 2000)
- **Number of Guest Rooms in JR East Hotel Chain:** 4,347
(As of December 31, 2000)
- **Population of Operating Area:** 59 million
- **Total Number of Shares Issued:** 4,000,000
- **Paid-in Capital:** ¥200,000 million
- **Number of Shareholders:** 407,477
- **Stock Exchange Listings:** Tokyo, Osaka, Nagoya
- **Transfer Agent:** The Mitsubishi Trust and Banking Corporation
11-1, Nagatacho 2-chome, Chiyoda-ku
Tokyo 100-8212, Japan

(As of September 30, 2000)

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