

## Consolidated Semi-Annual Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES September 30, 2000 and 2001	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	2001	2001
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents (Note 2) . . . . .	¥ 231,951	¥ 229,859	\$ 1,932
Receivables:			
Accounts receivable – trade and other receivables . . . . .	133,800	139,263	1,170
Allowance for doubtful accounts . . . . .	(778)	(962)	(8)
	133,022	138,301	1,162
Inventories . . . . .	38,096	41,881	352
Real estate for sale (Note 3) . . . . .	33,574	24,180	203
Deferred income taxes . . . . .	31,804	40,525	341
Other current assets . . . . .	34,204	36,322	305
Total current assets . . . . .	502,651	511,068	4,295
Investments:			
Unconsolidated subsidiaries and affiliated companies . . . . .	133,073	139,012	1,168
Other . . . . .	153,393	93,502	786
	286,466	232,514	1,954
Property, Plant and Equipment:			
Buildings and fixtures . . . . .	6,420,499	6,479,613	54,451
Machinery, rolling stock and vehicles . . . . .	2,074,545	2,110,037	17,731
Land . . . . .	2,275,796	2,258,204	18,977
Construction in progress . . . . .	118,070	117,625	988
Other . . . . .	128,360	124,715	1,048
	11,017,270	11,090,194	93,195
Less accumulated depreciation . . . . .	4,799,387	4,974,376	41,802
Net property, plant and equipment . . . . .	6,217,883	6,115,818	51,393
Other Assets:			
Long-term deferred income taxes . . . . .	47,406	94,287	792
Other . . . . .	147,140	134,591	1,131
	194,546	228,878	1,923
	¥ 7,201,546	¥ 7,088,278	\$59,565

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	2001	2001
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Short-term bank loans . . . . .	¥ 12,720	¥ 1,186	\$ 10
Current portion of long-term debt . . . . .	225,004	200,339	1,684
Current portion of long-term liabilities incurred			
for purchase of railway facilities . . . . .	108,643	111,858	940
Prepaid railway fares received . . . . .	116,588	113,895	957
Payables . . . . .	377,353	366,760	3,082
Accrued income taxes . . . . .	56,474	50,137	421
Accrued expenses and other current liabilities . . . . .	173,335	190,479	1,601
Total current liabilities . . . . .	1,070,117	1,034,654	8,695
Long-Term Debt . . . . .	2,058,212	2,023,047	17,000
Long-Term Liabilities Incurred for Purchase			
of Railway Facilities . . . . .	2,350,078	2,238,260	18,809
Accrued Severance and Retirement Benefits . . . . .	465,250	511,874	4,301
Deposits Received for Guarantees . . . . .	253,054	237,667	1,997
Long-Term Deferred Tax Liabilities . . . . .	3,499	3,275	28
Other Long-Term Liabilities . . . . .	72,640	83,586	702
Consolidation Difference . . . . .	441	757	6
Minority Interests . . . . .	26,188	29,209	246
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	1,681
Additional paid-in capital . . . . .	96,600	96,600	812
Retained earnings . . . . .	605,467	646,389	5,432
Net unrealized holding losses on securities . . . . .	—	(17,040)	(144)
Total shareholders' equity . . . . .	902,067	925,949	7,781
	¥7,201,546	¥7,088,278	\$59,565

**Consolidated Semi-Annual Statements of Income (Unaudited)**

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES Six months ended September 30, 2000 and 2001	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	2001	2001
	Operating Revenues	¥1,260,174	¥1,261,555
Operating Expenses	1,085,703	1,083,036	9,101
Operating Income	174,471	178,519	1,500
Other Income (Expenses):			
Interest expense	(104,561)	(95,959)	(806)
Interest and dividend income	1,598	1,031	9
Other, net (Notes 1 and 3)	(4,087)	(31,800)	(268)
	(107,050)	(126,728)	(1,065)
Income Before Income Taxes	67,421	51,791	435
Income Taxes:			
Current	56,964	50,080	421
Deferred	(28,140)	(28,549)	(240)
Minority Interests in Net Income of Consolidated Subsidiaries	924	848	7
Net Income	¥ 37,673	¥ 29,412	\$ 247
	Yen		U.S. Dollars (Note 1)
Net Income per Share of Common Stock (Note 4)	¥ 9,418	¥ 7,353	\$ 62

See accompanying notes.

**Consolidated Semi-Annual Statements of Shareholders' Equity (Unaudited)**

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

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES Six months ended September 30, 2001	Number of Shares of Common Stock (Thousands)	Millions of Yen			
		Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Losses on Securities
Balance at March 31, 2001	4,000	¥200,000	¥96,600	¥626,968	¥ —
Increase due to addition of an equity method affiliated company				268	
Net income				29,412	
Cash dividends (¥2,500 per share)				(10,000)	
Bonuses to directors and corporate auditors				(176)	
Decrease due to addition of consolidated subsidiaries, and other				(83)	
Adoption of new accounting standard for financial instruments (Note 1)					(17,040)
Balance at September 30, 2001	4,000	¥200,000	¥96,600	¥646,389	¥(17,040)

	Millions of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Holding Losses on Securities
Balance at March 31, 2001	\$1,681	\$812	\$5,269	\$ —
Increase due to addition of an equity method affiliated company			2	
Net income			247	
Cash dividends (\$21.01 per share)			(84)	
Bonuses to directors and corporate auditors			(1)	
Decrease due to addition of consolidated subsidiaries, and other			(1)	
Adoption of new accounting standard for financial instruments (Note 1)				(144)
Balance at September 30, 2001	\$1,681	\$812	\$5,432	\$(144)

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	(Note 1)
EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES Six months ended September 30, 2000 and 2001			
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 67,421	¥ 51,791	\$ 435
Depreciation	160,733	157,691	1,325
Amortization of long-term prepaid expense	9,711	9,761	82
Increase in accrued severance and retirement benefits	22,946	28,602	240
Interest and dividend income	(1,598)	(1,031)	(9)
Interest expense	104,561	95,959	806
Construction grants received	(59,043)	(6,789)	(57)
Devaluation loss on investment securities	—	38,640	325
Loss from disposition and provision for cost reduction of fixed assets	65,084	13,805	116
Decrease in major receivables	7,007	25,218	212
Decrease in major payables	(1,034)	(23,159)	(195)
Other	10,058	(5,117)	(42)
Sub-total	385,846	385,371	3,238
Proceeds from interest and dividends	1,998	1,448	12
Payments of interest	(102,580)	(93,505)	(785)
Payments of income taxes	(64,798)	(56,140)	(472)
Net cash provided by operating activities	220,466	237,174	1,993
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of fixed assets	(176,681)	(166,423)	(1,399)
Proceeds from sales of fixed assets	5,586	2,190	18
Proceeds from construction grants	25,742	36,724	309
Payments for purchases of investments in securities	(5,254)	(2,405)	(20)
Other	8,375	2,308	20
Net cash used in investing activities	(142,232)	(127,606)	(1,072)
<b>Cash Flows from Financing Activities:</b>			
Proceeds from long-term loans	57,000	35,538	299
Payments of long-term loans	(96,438)	(121,461)	(1,021)
Proceeds from issues of bonds	50,000	—	—
Payments for redemption of bonds	(47,010)	—	—
Payments of liabilities incurred for purchase of railway facilities	(40,302)	(42,123)	(354)
Cash dividends paid	(10,000)	(10,000)	(84)
Other	(15,308)	(25,781)	(217)
Net cash used in financing activities	(102,058)	(163,827)	(1,377)
Net Decrease in Cash and Cash Equivalents	(23,824)	(54,259)	(456)
Cash and Cash Equivalents at Beginning of the Period	255,775	283,817	2,385
Increase due to Addition of Consolidated Subsidiaries, and Other	—	301	3
Cash and Cash Equivalents at End of the Period	¥231,951	¥229,859	\$1,932

See accompanying notes.

**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, 2001.

The Company, a Japanese Corporation, and its consolidated subsidiaries maintain their 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 convenience of readers, using the prevailing exchange rate at September 30, 2001, which was ¥119 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.

**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, 2001, 98 subsidiaries were consolidated. For the year ended March 31, 2001, 97 subsidiaries were consolidated. Two subsidiaries increased in the period ended September 30, 2001 because of investment and split-off. On the other hand, one subsidiary decreased because of liquidation.

Investments in Japan Telecom Co., Ltd., J-Phone East Co., Ltd. and Central Security Patrols Co., Ltd. are accounted for by the equity method. The Company started to apply the equity method to the investment in Central Security Patrols Co., Ltd. from this interim period due to its increased significance in the aggregate.

**Securities**

Beginning with the year ended March 31, 2001, the Companies adopted the new Japanese Accounting Standard for Financial Instruments.

(1) Trading securities are stated at fair market value. The Companies had no trading securities through the interim periods ended September 30, 2000 and 2001.

- (2) Held-to-maturity debt securities are stated at amortized cost.
- (3) Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are mainly stated at moving average cost.
- (4) Available-for-sale securities were mainly stated at moving average cost in the year ended March 31, 2001. Beginning with the interim period ended September 30, 2001, available-for-sale securities are stated as follows:

- ① Available-for-sale securities with market value Available-for-sale securities for which market quotations are available are stated at fair market value as of September 30, 2001. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at an amount net of applicable income taxes and minority interests. The cost of sales of such securities is determined mainly by the moving average method.
- As a result, the balances of securities decreased by ¥29,677 million (\$249 million), deferred income taxes increased by ¥12,881 million (\$108 million) and minority interest increased by ¥245 million (\$2 million) as well as unrealized holding losses on securities of ¥17,040 million (\$144 million) were recorded in shareholders' equity.
- ② Available-for-sale securities without market value Available-for-sale securities for which market quotations are not available are mainly stated at moving average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method or available-for-sale securities, the market values of said securities are shown in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. Losses in the interim period ended September 30, 2001 amounted to ¥38,640 million (\$325 million).

**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 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
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	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 the Company 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 five years from the year ended March 31, 1998 on a straight-line basis. The balance of long-term prepaid expense at September 30, 2001 amounted to ¥7,757 million (\$65 million).

#### Allowance for doubtful accounts

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.

#### Accounting for retirement benefits

Almost all employees of the Companies are generally entitled to receive lump-sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own). The amounts of the severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the year ended March 31, 2001. 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 the year-end date, and plan assets at that date.

The unrecognized transition obligation is mainly 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 September 30, 2001 is ¥423,212 million (\$3,556 million).

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

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.

#### Derivative transactions

The Japanese Accounting Standard for Financial Instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

All derivative transactions of the Companies are used for hedging purposes through the interim periods ended September 30, 2000 and 2001, and are accounted for in the following manner:

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.

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.

#### 2. 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.

#### 3. Real Estate for Sale

Devaluation loss on real estate for sale included in the other, net item of other expenses on the statements of income for the interim periods ended Septembers 30, 2000 and 2001 were ¥6,725 million and ¥4,284 million (\$36 million), respectively.

#### 4. Net Income per Share of Common Stock

Net income per share of common stock shown in the consolidated statements of income is 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 a cross currency swap agreement at September 30, 2001 was \$600 million.

#### 6. Market Value Information for Securities

According to the Japanese Accounting Standard for Financial Instruments, available-for-sale securities with market value are stated at fair market value beginning with the interim period ended September 30, 2001. The

unrealized gain or loss is reported, net of applicable income taxes and minority interests, as a separate component of shareholders' equity.

For available-for-sale securities with market value, the amount stated on the balance sheet and market value as of September 30, 2000 were ¥144,966 million and ¥109,270 million, respectively.

Acquisition cost and market value of available-for-sale securities with market value at September 30, 2001 were as follows:

#### Available-for-sale securities with market value

September 30, 2001	Millions of Yen			Millions of U.S. Dollars		
	Acquisition cost	Amount on balance sheets	Difference	Acquisition cost	Amount on balance sheets	Difference
(1) Equity shares	¥112,698	¥81,958	¥(30,740)	\$947	\$689	\$(258)
(2) Debt securities						
① Government, Municipal bonds, etc.	298	335	37	3	3	0
② Other	2,416	2,301	(115)	20	19	(1)
(3) Other	398	376	(22)	3	3	(0)
Total	¥115,810	¥84,970	¥(30,840)	\$973	\$714	\$(259)

#### 7. Segment Information

The Companies' primary business activities include (1) Transportation, (2) Station space utilization, (3) Shopping centers & office buildings and (4) Other services. A summary of operating revenues and costs and expenses for the interim periods ended September 30, 2000 and 2001 are shown in the table on page 12.

#### Change in business segmentation

The Company used to classify businesses of the Companies in four business segments, i.e., Transportation, Merchandise sales, Real estate leasing and Other services in order to disclose actual operational diversification concretely and appropriately in accordance with the Japanese standard industrial clas-

sification. However, from the interim period ended September 30, 2001, the segmentation was changed to the new four segments, i.e., Transportation, Station space utilization, Shopping centers & office buildings and Other services.

This change was made in order to reflect more appropriately the changes in positioning and actual situation of the Companies' businesses as a whole, at the occasion of a review of the operational management units based on the medium-term business plan which aimed mainly at effective use of management resources of the Companies. The following is segment information by the business segments for the previous consolidated interim period reclassified according to the new business segmentation.

EAST JAPAN RAILWAY COMPANY  
AND SUBSIDIARIES  
Six months ended September 30,  
2000 and 2001

	Millions of Yen					
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
<b>2000:</b>						
Operating revenues:						
Outside customers	¥902,471	¥173,622	¥81,598	¥102,483	¥ —	¥1,260,174
Inside group	24,616	5,089	3,632	117,104	(150,441)	—
	927,087	178,711	85,230	219,587	(150,441)	1,260,174
Costs and expenses	788,724	165,188	68,514	213,316	(150,039)	1,085,703
Operating income	¥138,363	¥13,523	¥16,716	¥ 6,271	¥ (402)	¥ 174,471

**2001:**

Operating revenues:						
Outside customers	¥898,091	¥183,428	¥81,461	¥ 98,575	¥ —	¥1,261,555
Inside group	25,647	5,515	3,752	124,837	(159,751)	—
	923,738	188,943	85,213	223,412	(159,751)	1,261,555
Costs and expenses	782,904	175,022	66,341	218,288	(159,519)	1,083,036
Operating income	¥140,834	¥ 13,921	¥18,872	¥ 5,124	¥ (232)	¥ 178,519

	Millions of U.S.Dollars					
	Transportation	Station space utilization	Shopping centers & office buildings	Other services	Elimination and/or corporate	Consolidated
<b>2001:</b>						
Operating revenues:						
Outside customers	\$7,547	\$1,541	\$685	\$ 828	\$ —	\$10,601
Inside group	216	47	31	1,049	(1,343)	—
	7,763	1,588	716	1,877	(1,343)	10,601
Costs and expenses	6,580	1,471	557	1,834	(1,341)	9,101
Operating income	\$1,183	\$ 117	\$159	\$ 43	\$ (2)	\$ 1,500

Main businesses of each business segment are as follows:

Transportation:	Passenger transportation mainly by passenger railway;	Shopping centers & office buildings:	Operation of shopping centers other than Station space utilization business, and leasing of office buildings, etc.; and
Station space utilization:	Retail sales, food and convenience stores, etc., which utilize space at the stations;	Other services:	Advertising and publicity, hotel operations, wholesales, truck delivery, cleaning, information processing, travel agency, housing development and sales, credit card business and other services.

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**

(Interim dividend)

In November 2001, the board of directors of the Company resolved the payment of an interim cash dividend of ¥2,500 (\$21) per share, aggregating ¥10,000 million (\$84 million).

(Sale of shares held in an affiliated company)

The Companies transferred part of the shares held in an affiliated company by applying for public sale carried out by Vodafone International Holdings BV, details of which are as follows:

- (1) The date on which this event occurred
  - October 17, 2001 Received the notice of purchase, etc., by the public sale
  - October 26, 2001 Settlement of the purchase
- (2) Details of this event
  - ① The name of the shares in affiliated companies to be transferred  
Common shares of Japan Telecom Co., Ltd.
  - ② The number of shares transferred  
278,405 shares (8.7% of the total number of shares issued)
  - ③ The transfer price  
¥125,282 million (\$1,053 million) (¥450,000 (\$3,782) per share)
  - ④ The number of shares held before the transfer  
485,918 shares (15.2% of the total number of shares issued)
  - ⑤ The number of shares held after the transfer  
207,513 shares (6.5% of the total number of shares issued)
  - ⑥ The transferee  
Vodafone International Holdings BV
  - ⑦ The reason for the transfer  
To strengthen the financial position
- (3) The effect of this event on the gain or loss  
¥76,156 million (\$640 million) is expected to be accounted in the other, net item of other income as a gain due to transfer of securities for the year ending March 31, 2002. Due to the sales of investment described above, it is expected in the year ending

March 31, 2002 that Japan Telecom Co., Ltd. and J-Phone East Co., Ltd. will not be accounted for as equity method affiliated companies as well as that decrease in retained earnings due to exclusion of equity method affiliated companies of ¥51,080 million (\$429 million) will be recorded in the consolidated statement of shareholders' equity for the year ending March 31, 2002.

(Debt assumption agreement)

The Company entered into a debt assumption agreement in respect of the following corporate bond to alleviate its future interest burden.

- (1) The date of the conclusion of the debt assumption agreement  
December 7, 2001
- (2) Details of the bond
  - ① Name  
Straight bond No.1 of East Japan Railway Company
  - ② Date of the issue  
October 5, 1992
  - ③ The interest rate  
5.55% p.a.
  - ④ Redemption date  
August 25, 2004
  - ⑤ Nominal amount  
¥100,000 million (\$840 million)
- (3) Counterparties of the agreement  
The Dai-ichi Kangyo Bank, Ltd.  
The Fuji Bank, Ltd.  
The Industrial Bank of Japan, Ltd.
- (4) The effect of this event on the profit or loss  
The Company estimates that the effect of this debt assumption on its profit or loss for the year ending March 31, 2002 will be a loss of the corporate bond redemption amounting to ¥14,704 million (\$124 million) and a decrease in interest expense amounting to ¥1,622 million (\$14 million).

## Nonconsolidated Semi-Annual Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY September 30, 2000 and 2001	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	2001	2001
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents (Note 2) . . . . .	¥ 126,431	¥ 172,065	\$ 1,446
Receivables:			
Accounts receivable – trade and other receivables	103,888	110,131	925
Allowance for doubtful accounts . . . . .	(650)	(832)	(7)
	103,238	109,299	918
Inventories . . . . .	17,221	19,790	166
Real estate for sale (Note 3) . . . . .	30,687	20,068	169
Deferred income taxes . . . . .	27,314	34,548	290
Other current assets . . . . .	17,749	20,459	173
Total current assets . . . . .	322,640	376,229	3,162
Investments:			
Subsidiaries and affiliated companies (Note 6) . . . . .	152,976	170,611	1,434
Other . . . . .	142,479	84,927	713
	295,455	255,538	2,147
Property, Plant and Equipment:			
Railway . . . . .	8,716,826	8,791,709	73,880
Other operations . . . . .	1,272,108	1,247,373	10,482
Construction in progress . . . . .	114,596	115,836	973
	10,103,530	10,154,918	85,335
Less accumulated depreciation . . . . .	4,354,756	4,502,763	37,838
Net property, plant and equipment . . . . .	5,748,774	5,652,155	47,497
Other Assets:			
Long-term deferred income taxes . . . . .	41,716	87,232	733
Other . . . . .	70,561	49,162	413
	112,277	136,394	1,146
	¥ 6,479,146	¥ 6,420,316	\$53,952

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2000	2001	2001
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities:			
Current portion of long-term debt . . . . .	¥ 189,811	¥ 165,833	\$ 1,394
Current portion of long-term liabilities incurred			
for purchase of railway facilities . . . . .	108,643	111,858	940
Prepaid railway fares received . . . . .	116,539	113,845	957
Payables . . . . .	285,104	270,572	2,274
Accrued income taxes . . . . .	47,746	41,980	353
Accrued expenses and other current liabilities . . . . .	136,745	190,745	1,602
Total current liabilities . . . . .	884,588	894,833	7,520
Long-Term Debt . . . . .	1,932,751	1,913,417	16,079
Long-Term Liabilities Incurred for Purchase			
of Railway Facilities . . . . .	2,350,078	2,238,260	18,809
Accrued Severance and Retirement Benefits . . . . .	439,187	484,807	4,074
Other Long-Term Liabilities . . . . .	73,889	83,315	700
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	1,681
Additional paid-in capital . . . . .	96,600	96,600	812
Legal reserve . . . . .	20,156	22,174	186
Retained earnings . . . . .	481,897	505,360	4,247
Net unrealized holding losses on securities . . . . .	—	(18,450)	(156)
Total shareholders' equity . . . . .	798,653	805,684	6,770
	¥6,479,146	¥6,420,316	\$53,952

EAST JAPAN RAILWAY COMPANY Six months ended September 30, 1999, 2000 and 2001	Millions of Yen			Millions of U.S. Dollars (Note 1)
	1999	2000	2001	2001
Operating Revenues	¥949,586	¥953,529	¥954,112	\$8,018
Operating Expenses	769,630	794,621	790,997	6,647
Operating Income	179,956	158,908	163,115	1,371
Other Income (Expenses):				
Interest expense	(109,634)	(102,979)	(94,681)	(796)
Interest and dividend income	1,679	1,936	1,964	17
Other, net (Notes 1 and 3)	3,065	(1,802)	(32,648)	(275)
	(104,890)	(102,845)	(125,365)	(1,054)
Income Before Income Taxes	75,066	56,063	37,750	317
Income Taxes:				
Current	44,320	48,409	42,298	355
Deferred	(12,936)	(25,070)	(26,671)	(224)
Net Income	43,682	32,724	22,123	186
Retained Earnings at Beginning of the Period	400,527	460,376	494,428	4,155
Cumulative Effect of Adopting Tax Effect				
Accounting	21,611	—	—	—
Appropriations:				
Cash dividends (¥2,500 per share)	(10,000)	(10,000)	(10,000)	(84)
Bonuses to directors and corporate auditors	(93)	(185)	(173)	(1)
Transfer to legal reserve	(1,009)	(1,018)	(1,018)	(9)
Retained Earnings at End of the Period	¥454,718	¥481,897	¥505,360	\$4,247
		Yen		U.S. Dollars (Note 1)
Net Income per Share of Common Stock (Note 4)	¥ 10,921	¥ 8,181	¥ 5,531	\$ 46

See accompanying notes.

## 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, 2001.

The Company, a Japanese Corporation, maintains its accounting records in Japanese yen. The accompanying nonconsolidated 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 convenience of readers, using the prevailing exchange rate at September 30, 2001, which was ¥119 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.

### Securities

Beginning with the year ended March 31, 2001, the Company adopted the new Japanese Accounting Standard for Financial Instruments.

- (1) Trading securities are stated at fair market value. The Company had no trading securities through the interim periods ended September 30, 2000 and 2001.
- (2) Held-to-maturity debt securities are stated at amortized cost.
- (3) Equity securities issued by subsidiaries and affiliated companies are stated at moving average cost.
- (4) Available-for-sale securities were stated at moving average cost in the year ended March 31, 2001. Beginning with the interim period ended September 30, 2001, available-for-sale securities are stated as follows:

- ① Available-for-sale securities with market value Available-for-sale securities for which market quotations are available are stated at fair market value as of September 30, 2001. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at an amount net of applicable income taxes. The cost of sales of such securities is determined by the moving average method.

As a result, investment securities included in the other item of investments on the balance sheets decreased by ¥31,683 million (\$267 mil-

lion) and long-term deferred taxes increased by ¥13,233 million (\$111 million) as well as unrealized holding losses on securities of ¥18,450 million (\$156 million) were recorded in shareholders' equity.

- ② Available-for-sale securities without market value Available-for-sale securities for which market quotations are not available are 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 or available-for-sale securities, the market values of said securities are shown in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. Losses in the interim period ended September 30, 2001 amounted to ¥38,385 million (\$323 million).

### 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 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
Fixtures	3 to 60 years
Rolling stock and vehicles	3 to 20 years
Machinery	3 to 20 years

### Maintenance 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 trans-

ferred 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 the Company 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 five years from the year ended March 31, 1998 on a straight-line basis. The balance of long-term prepaid expense at September 30, 2001 amounted to ¥7,757 million (\$65 million).

#### Allowance for doubtful accounts

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.

#### Accounting for 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 determined by the length of service and basic salary at the time of severance or retirement of the employees.

The new Japanese Accounting Standard for Retirement Benefits has been operative beginning with the year ended March 31, 2001. The Company accrues 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 the year-end date.

The unrecognized transition obligation is 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 September 30, 2001 is ¥410,790 million (\$3,452 million).

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

Actuarial gains and losses are recognized in expenses using the straight-line basis over constant years (10 years) within the average of the estimated remaining service lives commencing with the following year.

#### Derivative transactions

The Japanese Accounting Standard for Financial Instruments requires companies to state derivative

financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

The only derivative transaction of the Company is foreign currency swap contracts used for hedging purposes against foreign currency bonds payable through the interim periods ended September 30, 2000 and 2001, and the foreign currency bonds are recorded using the contracted swap rate, and no gains or losses on the swap contract are recognized.

#### 2. 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.

#### 3. Real Estate for Sale

Devaluation loss on real estate for sale included in the other, net item of other expenses on the statements of income and retained earnings for the interim periods ended September 30, 2000 and 2001 were ¥6,725 million and ¥4,284 million (\$36 million), respectively.

#### 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 is 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 a cross currency swap agreement at September 30, 2001 was \$600 million.

#### 6. Market Value Information for Securities

Book value and market value for quoted shares of subsidiaries and affiliated companies at September 30, 2000 and 2001 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2000	2001	2001
Amount on balance sheets . . .	¥ 11,553	¥ 12,334	\$ 104
Market value . . . . .	266,502	160,238	1,347

Net unrealized gains at September 30, 2000 and 2001 were 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

(Interim dividend)

In November 2001, the board of directors of the Company resolved the payment of an interim cash dividend of ¥2,500 (\$21) per share, aggregating ¥10,000 million (\$84 million).

(Sale of shares held in an affiliated company)

The Company transferred part of the shares held in an affiliated company by applying for public sale carried out by Vodafone International Holdings BV, details of which are as follows:

- (1) The date on which this event occurred
  - October 17, 2001 Received the notice of purchase, etc., by the public sale
  - October 26, 2001 Settlement of the purchase
- (2) Details of this event
  - ① The name of the shares in affiliated companies to be transferred  
Common shares of Japan Telecom Co., Ltd.
  - ② The number of shares transferred  
260,454 shares (8.1% of the total number of shares issued)
  - ③ The transfer price  
¥117,204 million (\$985 million) (¥450,000 (\$3,782) per share)
  - ④ The number of shares held before the transfer  
425,118 shares (13.3% of the total number of shares issued)
  - ⑤ The number of shares held after the transfer  
164,664 shares (5.2% of the total number of shares issued)
  - ⑥ The transferee  
Vodafone International Holdings BV
  - ⑦ The reason for the transfer  
To strengthen the financial position
- (3) The effect of this event on the gain or loss  
¥110,922 million (\$932 million) is expected to be accounted in the other, net item of other income as a gain due to transfer of securities for the year ending March 31, 2002.

(Debt assumption agreement)

The Company entered into a debt assumption agreement in respect of the following corporate bond to alleviate its future interest burden.

- (1) The date of the conclusion of the debt assumption agreement  
December 7, 2001
- (2) Details of the bond
  - ① Name  
Straight bond No.1 of East Japan Railway Company
  - ② Date of the issue  
October 5, 1992
  - ③ The interest rate  
5.55% p.a.
  - ④ Redemption date  
August 25, 2004
  - ⑤ Nominal amount  
¥100,000 million (\$840 million)
- (3) Counterparties of the agreement  
The Dai-Ichi Kangyo Bank, Ltd.  
The Fuji Bank, Ltd.  
The Industrial Bank of Japan, Ltd.
- (4) The effect of this event on the profit or loss  
The Company estimates that the effect of this debt assumption on its profit or loss for the year ending March 31, 2002 will be a loss of the corporate bond redemption amounting to ¥14,708 million (\$124 million) and a decrease in interest expense amounting to ¥1,622 million (\$14 million).