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OFFERING CIRCULAR

EAST JAPAN RAILWAY COMPANY

(Incorporated with limited liability under the Commercial Code of Japan)

GBP250,000,000
4.5 per cent. Bonds due 2036

ISSUE PRICE 99.61 PER CENT.

*The GBP250,000,000 4.5 per cent. Bonds due 2036 (the "**Bonds**") of East Japan Railway Company (the "**Company**"), which will be in bearer form in the denomination of GBP50,000 each, will rank as direct, unsecured and unconditional obligations of the Company.*

Payments of principal of and interest on the Bonds will be made without deduction for or on account of Japanese taxes to the extent set out herein. See "Japanese Taxation". Interest on the Bonds will accrue from 25 January 2006 at the rate of 4.5 per cent. per annum and will be payable annually in arrear on 25 January, as described in "Terms and Conditions of the Bonds – Interest".

The Bonds will mature on 25 January 2036 but may be redeemed earlier in whole but not in part at their principal amount together with accrued interest at the option of the Company at any time in the event of certain Japanese taxes being imposed on payments in respect of the Bonds. See "Terms and Conditions of the Bonds – Redemption and Purchase".

*Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Euro MTF market (the "**Euro MTF**") of the Luxembourg Stock Exchange.*

*The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Bonds are being offered outside the United States by the Managers (as defined in "**Subscription and Sale**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.*

*The Bonds will initially be represented on issue by a Temporary Global Bond, without interest coupons, which will be deposited with a common depositary for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") on 25 January 2006. The Temporary Global Bond will be exchangeable for interests in a Permanent Global Bond, without interest coupons, on or after a date which is expected to be 7 March 2006 upon certification as to non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable for definitive Bonds with coupons attached in the limited circumstances set out in it. See "Summary of Provisions relating to the Bonds while in Global Form".*

*The Bonds have been rated Aa2 by Moody's Investors Service, Inc. ("**Moody's**") and AA- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.*

Lead Managers

BNP PARIBAS **MIZUHO INTERNATIONAL PLC**

Sole Bookrunner

BNP PARIBAS

Managers

BARCLAYS CAPITAL
MERRILL LYNCH INTERNATIONAL
MITSUBISHI UFJ SECURITIES INTERNATIONAL PLC
UBS INVESTMENT BANK

The date of this Offering Circular is 20 January 2006.

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The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

*The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Company and its subsidiaries and affiliates taken as a whole (the "**Group**") and the Bonds which is material in the context of the issue and offering of the Bonds, the statements contained in it relating to the Company and to the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.*

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers, to subscribe for or purchase, any of the Bonds and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Bonds come are required by the Company and each of the Managers to inform themselves about, and to observe, any such restrictions. In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons.

*The Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "**Securities and Exchange Law**"). The Bonds may not be offered or sold in Japan or to residents of Japan, except pursuant to an exemption from, or otherwise in compliance with, the Securities and Exchange Law. Interest payments on the Bonds generally will be subject to Japanese withholding tax in accordance with the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the "**Special Taxation Measures Law**") unless the holder establishes that such Bonds are held by or for the account of a holder that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes or is a designated Japanese financial institution described in Article 6 of the Special Taxation Measures Law. For a description of certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale" below.*

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this Offering Circular or that there has been no adverse change in the financial position of the Company or the Group since the date of this Offering Circular.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "euro", "Euro" and "€", are to the lawful currency of those members of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union, references to "pounds sterling" and "GBP" are to United Kingdom pounds sterling, references to "U.S. dollars" and "U.S.$" are to United States dollars and references to "yen" and "¥" are to Japanese yen.

Unless otherwise indicated herein or the context otherwise requires, the description of the business of the Company in this Offering Circular is made on a consolidated basis.

*In connection with this issue, BNP Paribas (the "**Stabilising Manager**") or any person acting for it may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds.*

Forward-Looking Statements

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "may", "might", "will", "expect", "intend", "plan", "estimate", "anticipate", "project", "believe" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include the factors discussed in "Investment Considerations", "East Japan Railway Company – Recent Business", "East Japan Railway Company – Operations" and "East Japan Railway Company – Capital Expenditure", as well as other matters not yet known to the Company or not currently considered material by the Company. The Company does not undertake to revise forward-looking statements to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

Documents Incorporated by Reference

This Offering Circular should be read and construed in conjunction with the audited consolidated annual financial statements of the Company for the years ended 31 March 2004 and 2005, together in each case with the audit report thereon, and the unaudited consolidated semi-annual financial statements of the Company for the six months ended 30 September 2004 and 2005. Such documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of all documents incorporated by reference herein will be available without charge from the specified office of the listing agent in Luxembourg. References to "this Offering Circular" shall mean this document and all of the documents incorporated by reference herein.

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INVESTMENT CONSIDERATIONS

In addition to the information set forth elsewhere in this Offering Circular, prospective investors should carefully evaluate the considerations described below before purchasing the Bonds.

Considerations Relating to the Company and its Business

A weak economic environment in Japan may adversely affect the Company's business

Throughout the 1990s and early 2000s, Japan's economy experienced prolonged weakness. In recent years, there have been signs that Japan's economy is improving. However, the outlook for the Japanese economy remains uncertain.

The Company's business, including its passenger railway operations and its non-transportation businesses, is directly affected by overall economic conditions in its service area and throughout Japan. Examples include the following:

- leisure travel is affected by the amount of disposable income available to families and individuals
- sales of commuter passes are affected by employment conditions and the ability of employers to pay all or a portion of the cost of such passes
- long-distance business travel by train, including the class of service used, and the occupancy rate of business hotels are directly affected by the overall business environment
- retail sales in the Company's stations and shopping centres are affected by changes in consumer spending
- rents and occupancy rates for office space are affected by changes in demand for space and
- revenues from advertising and publicity may be affected by cost reduction efforts of businesses.

Accordingly, the Company expects that opportunities to increase revenues from its operations in the future will be limited if the Japanese economy is weak, and revenues may decrease in the future.

Demographic trends in Japan are expected to have an adverse effect on the Company's ability to increase or maintain revenues

Life expectancy in Japan is the highest of the developed countries. At the same time, Japan's total fertility rate as of calendar year 2004 was 1.29, significantly lower than the replacement rate of 2.08. As a result, Japan's population is expected to begin declining after 2006 and its demographic makeup is already aging considerably, although the population of Tokyo is projected to increase until around 2015. As of October 2004, it was estimated that 19.5 per cent. of Japan's population was aged 65 or over, and this percentage is expected to reach 25 per cent. in 2014. Demographic trends indicate that the number of persons between the ages of 15 and 64 has already peaked in the Tokyo area and for Japan as a whole. Senior citizens typically do not commute regularly for work or study, may have less disposable income and may experience greater physical difficulty in travelling, particularly using means of mass transit. Accordingly, Japan's demographic trend is expected to have a long-term adverse effect upon the ability of the Company to increase or maintain the operating revenues of its railway operations. Although the Company is taking various steps to increase the attractiveness of its railway services to senior citizens, such as improving accessibility by increasing the number of escalators and elevators in its stations and offering special discount fares, there can be no assurance that such steps will be successful in increasing train usage by senior citizens.

Competition related to the Company's passenger railway operations may adversely affect the Company's business

In its passenger railway operations, the Company is subject to competition from other passenger railway companies and from other modes of passenger transport.

- In the Tokyo metropolitan area, the Company's principal competitors are other railway companies, including an extensive subway network, private automobiles, buses and taxis. Competition from other railway companies has increased recently due to the opening of new railway lines, including subway lines, and may increase further in the future with the opening of new lines currently under construction, extensions of existing lines and the offering of new through-service lines over tracks of more than one company and other alliances between competitors. The principal factors influencing competition are price, punctuality, speed, comfort, safety and frequency.

- Shinkansen and intercity services compete principally with intercity bus services, private automobiles and domestic air carriers. Competition with buses and automobiles has increased in recent years with the construction of new expressways and could continue to increase in the future as a result of the opening of new highways. The main factors of competition are price, travel time, line connections and accessibility of service. In addition to direct competition in domestic long-distance travel from other modes of passenger transportation, the Company is subject to competition in the form of demand for leisure travel to foreign countries.

Increase in such or other competition may adversely affect the Company's business.

The Company could be adversely affected in the event of an accident or incident involving its railway system

An accident or incident involving the Company's railway operations, including a terrorist attack or natural disaster, such as an earthquake, could involve repair or replacement of damaged tracks and railcars and their consequential temporary or permanent loss from service, temporary or permanent discontinuation of railway services and loss of revenues and significant potential claims by injured passengers and others. Although the Company maintains liability insurance in amounts and of the type generally consistent with industry practice, such coverage may not cover all claims and the amount of such coverage may not be adequate. As a result, the Company may be forced to bear substantial losses from an accident. Substantial claims resulting from an accident or incident not covered by the Company's insurance would harm the Company's business and financial results. Moreover, any railroad accident or incident, even if fully insured, could cause a public perception that the Company is less safe than other railway companies or alternative means of transportation, which would harm the Company's business and reputation.

Changes in regulation may adversely affect the Company's railway business

The operation of passenger railway networks in Japan is subject to extensive regulation and supervision by the Ministry of Land, Infrastructure and Transport (the "**MLIT**"). The Company operates its railway business pursuant to the permission of the MLIT under the Railway Business Law of 1986 (the "**Railway Business Law**"), to which all railway operators are subject. The Company needs the approval of the MLIT when setting its maximum fares and must give prior notification for revisions to fares below such maximum level. The Company must also give prior notification to the MLIT to terminate services and must obtain the approval of the MLIT to construct new lines. In addition to the Railway Business Law, the Company was subject to regulation under the Law Concerning the Passenger Railway Companies and the Japan Freight Railway Company of 1986 (the "**JR Law**"), which applies only to the JR Companies (as defined in "East Japan Railway Company – General"). Since December 2001, the Company, Central Japan Railway Company and West Japan Railway Company became generally excluded from the application of the JR Law. However, under the authority of the amendments to the JR Law, the MLIT has issued guidelines to the three companies relating to certain matters, including cooperation between JR Companies, fares for travel between the operating areas of different JR Passenger Companies (as defined in "East Japan Railway Company – General"), appropriate maintenance of routes currently in operation and the conduct of operations that may adversely affect the interests of small and medium-sized businesses. The MLIT may also issue recommendations and orders when any of the three companies operate contrary to the guidelines without justifiable reason. In a meeting of the House of Representatives' Committee on Land, Infrastructure and Transport in May 2001, a high-level MLIT official stated, in connection with the proposed amendments to the JR Law, that its ability to issue the guidelines was established so that the MLIT's influence over the three companies will be minimal and that the MLIT will fully respect the individual management decisions made by the companies when interpreting and applying the guidelines. While the Company does not believe that the guidelines will hinder its management, there can be no assurance that future changes in laws, regulations or MLIT's policy affecting the Company's business and those of its competitors will not adversely affect the Company's financial condition or results of operations.

The Company regards passenger and employee safety as one of its highest priorities. Because of the importance it places on safety, the Company invests significant resources in the safety of its operations and all of its facilities, including tracks, stations and rolling stock. Prompted by safety concerns following a derailment during an earthquake in Niigata, Japan in 2004 of the *Joetsu* Shinkansen and an April 2005 derailment accident that disrupted the services of another railway operator, the Company has made a thorough review of its safety measures and is enhancing its efforts to ensure passenger and employee safety. The Government may also tighten or expand the safety regulations applicable to railway services in Japan. If such regulations require the level of safety which significantly exceeds the level that the Company regards appropriate, the Company may incur significant additional costs and expenditures for taking new safety measures.

Some sections of the Personal Information Protection Law, which impose obligations as to holding personal data, came into effect on 1 April 2005. Although the Company has implemented measures to strictly manage and protect personal information in accordance with this law, an intentional or unintentional disclosure of personal information in possession by the Company could subject the Company to penalties, civil liabilities and adverse publicity.

The Company relies heavily on computer and telecommunications systems to operate its business and any failure of these systems could harm its business

The Company relies heavily on computers for coordination of scheduling and other aspects of its railway operations as well as accounting and numerous other functions and also relies on its telecommunications network. The Company's hardware and software may be damaged by human error, natural disasters, power loss, terrorism, sabotage, computer viruses and other events. The operations of the Company may also be vulnerable to system failures of other companies with whom such operations are closely linked, such as other railway operators, utility providers, telecommunication service providers and financial institutions. Problems which may occur as a result of system failures include:

- incorrect recognition of train schedule or route control data, which could disable railway operations
- system failures in ticketing, reservations and sales functions, which could cause significant confusion and inconvenience to passengers and
- misrecognition of revenue, cost and other accounting data, which could result in significant interruptions in the processing of the Company's financial information.

System failures could also reduce the attractiveness of the Company's services and could cause its customers to choose alternative means of transportation. Such system-related problems could lead to increased expenses, decreased revenues or may otherwise harm the Company's business.

There is no assurance that the Company will be able to continue increasing operating revenues from its non-transportation businesses, which are important to its revenue growth overall

In recent years the Company's transportation business has not shown signs of growth, and the importance to the Company of operating revenues generated by its non-transportation business segments has been growing. The Company expects this trend to continue and is seeking to increase revenues from its non-transportation businesses. Although the Company's non-transportation businesses generally involve utilisation of the Company's railway assets, they involve a wide range of activities and competitive challenges that the Company does not face in its core transportation business. The Company faces significant competition from a wide variety of companies operating in the same or related businesses, such as hotel operators, advertising service providers, retailers, shopping centre operators and credit card companies. Factors that may affect the future performance of its non-transportation businesses include the Company's ability to:

- generate increased revenues from its station retail outlets and restaurants commensurate with the Company's investments in related station renovations
- successfully manage the development of new shopping centres and office buildings, particularly large projects such as its planned redevelopment of Tokyo station and its adjacent area which involve significant capital expenditures and
- successfully compete in its non-transportation businesses with companies that now or in the future operate in the same or related businesses, including increased competition in the hotel industry which could cause a decline in the Company's hotel occupancy rates or room charges.

The Company could encounter difficulties in servicing and reducing its substantial total long-term debt

The Company has substantial long-term debt and long-term liabilities incurred for purchase of railway facilities (together, including the current portions thereof, "***total long-term debt***"), the debt service on which requires a substantial portion of the Company's operating cash flow. In connection with its establishment in 1987, the Company assumed long-term debt (including the current portion) of the Japanese National Railways (the "**JNR**") in the amount of ¥3,298.7 billion as of 1 April 1987. In addition, in 1991 the Company purchased Shinkansen facilities for ¥3,107.0 billion and agreed to pay such purchase price in instalments. Although during the 18 years since its inception, the Company has reduced its non-consolidated total long-term debt by ¥2,620.3 billion, its total long-term debt remains substantial, totalling ¥3,785.4 billion on a non-consolidated basis and ¥3,833.1 billion on a consolidated basis at 31 March 2005. The Company believes that it has sufficient capital resources to continue to reduce its total long-term debt. However, if the Company's operating cash flow declines, or if it is unable to raise financing in amounts required, it may have insufficient funds to service its substantial total long-term debt and to provide for its other capital requirements.

Increases in market interest rates could adversely affect the Company's results of operations

The Company's interest expense is significant, totalling ¥148.4 billion in the year ended 31 March 2005, almost all of which accrued on its total long-term debt. The Company's interest expense has decreased over time due to both the reduction of the amount of its total long-term debt and a generally steady reduction in the average rate of interest paid on such debt. Furthermore, while most of the Company's long-term debt has fixed rates of interest, the Company regularly refinances a significant portion of its long-term debt as it matures, and therefore increases in market interest rates may increase its interest expense with respect to such refinancing. Adverse economic conditions in Japan in recent years have been accompanied by unusually low market rates of interest, but market rates will not necessarily be maintained at such low levels in the future, and such possible increases in interest rates could adversely affect the Company's results of operations. However, the Company believes that changes in market interest rates would have only a limited effect on the Company's interest expenses payable on its variable rate liabilities incurred for the purchase of Shinkansen facilities because the interest rates on such liabilities are linked to the funding costs of the Japan Railway Construction, Transport and Technology Agency ("**JRTT**") which are generally based on long-term borrowings with fixed interest rates.

There is no guarantee that liabilities of JRTT will not be imposed on the Company in the future

In the past, the Company has been required to assume certain liabilities inherited by Japanese National Railways Settlement Corporation ("**JNR Settlement Corporation**"), one of the predecessors of JRTT, in connection with the restructuring of JNR in 1987. In connection with the 1 April 1997 merger of the Japan Railway Group Mutual Aid Association (the "**JR Mutual Aid Association**") with the national welfare pension pursuant to the Law Partially Amending the Law Relating to the Welfare Pension Insurance, etc. enacted in June 1996, JNR Settlement Corporation and the entities which succeeded to JNR's railway and other operations on 1 April 1987 including, among others, the JR Companies ("**JNR Successor Entities**") assumed additional pension liabilities reflecting shortfalls of ¥937.7 billion in pension reserves of the JR Mutual Aid Association of which ¥765.0 billion (the "**JNRSC Pension Merger Shortfall Liability**") was assumed by JNR Settlement Corporation. The Company paid its share of the remaining ¥172.7 billion in the amount of ¥77.6 billion in a lump-sum payment in the year ended 31 March 1998 to be amortised evenly over a five-year period. During 1997 the Government considered possible ways of disposing of JNR Settlement Corporation's long-term liabilities, including their portion of the additional pension liabilities related to the shortfall. These discussions resulted in the Law for Disposal of Debts and Liabilities of the Japanese National Railways Settlement Corporation which came into effect on 22 October 1998. Pursuant to this law, JNR Settlement Corporation was dissolved and the JNR Successor Entities were required to assume half of the portion of the JNRSC Pension Merger Shortfall Liability attributable to JNR employees who had become employees of the JNR Successor Entities (approximately ¥180 billion). In March 1999, the Company paid its portion of such liabilities in the amount of ¥69.9 billion plus accrued interest, in a lump-sum payment and charged ¥70.5 billion to income for the year ended 31 March 1999.

On 31 August 1998, then-Prime Minister Obuchi stated at a meeting of the House of Representatives' Special Committee on the Disposition of JNR Settlement Corporation Liabilities and Reform of National Forest Businesses that "because an unambiguous decision will be made with respect to those debts and pension liabilities of JNR Settlement Corporation that have not been designated for assumption by JR companies – that such obligations will be conclusively assumed by the nation or by the Japan Railway Construction Public Corporation ("**JRCC**"), one of the predecessors of JRTT, and will not, therefore, be imposed upon JR companies – the Government is of the view that such obligations must not be imposed on JR companies in the future". The Company believes it will not be required to assume any additional obligations in respect of the liabilities of JNR Settlement Corporation that were assumed by the nation or by JRCC and subsequently by JRTT. However, there can be no guarantee that such obligations will not be imposed upon the Company in the future.

Current and future leases for Shinkansen facilities could impose substantial financial burdens on the Company

While the Company owns the greater part of its Shinkansen network, a portion is leased from JRTT, and the Company expects that it will lease additional Shinkansen facilities in the future. Such leases could impose substantial additional financial burdens on the Company.

Japan's Shinkansen network continues to be expanded pursuant to the Nationwide Shinkansen Railway Development Law of 1970 (the "**Shinkansen Development Law**") and subsequent Government measures to implement the Shinkansen Development Law. In October 1997, the Company commenced operation of one new

Shinkansen line constructed pursuant to the Shinkansen Development Law, the 117.4 kilometre *Nagano* Shinkansen (a portion of the *Hokuriku* Shinkansen) between Takasaki and Nagano. In December 2002, the Company commenced operation of the 96.6 kilometre extension of the *Tohoku* Shinkansen line from Morioka to Hachinohe. In addition, extensions of the *Tohoku* and *Nagano* Shinkansen lines are currently under construction pursuant to the Shinkansen Development Law and will be operated by the Company upon their completion. In December 1996, the Government and the ruling political party and its non-cabinet allies at the time reached an agreement on their policy with respect to the construction and operation of future Shinkansen lines. Under this policy agreement, operators of future Shinkansen lines, including the Company, would not incur any obligations other than to pay usage fees over the term of the arrangement, generally 30 years, and would cease to be the operator of existing parallel non-Shinkansen lines. In addition, usage fees for new Shinkansen lines are to be determined based upon the expected benefits to be received by the operator as the result of opening such lines and are expected to be fixed amounts not subject generally to adjustment.

Based on the foregoing principles, the Company entered into a 30-year lease, with then-JRCC which subsequently merged into JRTT, of the facilities for the *Nagano* Shinkansen commencing in the second half of the year ended 31 March 1998 which requires the Company to pay an annual usage fee of ¥17.5 billion, to reimburse JRCC for fixed asset taxes in respect of the leased facilities, and to pay JRCC an administration fee that is not material in amount. The Company also entered into a 30-year lease with JRCC of the facilities for the extended portion between Morioka and Hachinohe of the *Tohoku* Shinkansen line commencing in the second half of the year ended 31 March 2003 which requires the Company to pay an annual usage fee of ¥7.9 billion and an administration fee that is not material in amount. The usage fees were negotiated between the Company and JRCC taking into account, among other factors, long-term demand forecasts based on demographic trends, economic outlook and expected developments in alternate modes of transportation. If passenger usage of these lines is significantly lower than forecasted demand, there can be no assurance that the Company will be able to operate such lines on a profitable basis over the 30-year period.

The Company does not intend to enter into any additional operating arrangement, including for extensions of the *Tohoku* and *Nagano* Shinkansen lines currently under construction, unless it believes at the time that the amount of the usage fee it agrees to pay will enable it to earn a profit from the operation of the line over the term of the arrangement. There can be no assurance, however, that the Company's revenues from operating leased Shinkansen lines will be sufficient to generate such profits.

Considerations Relating to the Bonds

The ratings of the Bonds could be lowered

The Bonds have received a rating of Aa2 from Moody's and AA- from Standard & Poor's. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the Bonds and adversely affect the price and liquidity of the Bonds. A rating is based upon information furnished by the Company or obtained by the rating agency from its own sources and is not a recommendation to buy, sell or hold securities, and is subject to revision, suspension or withdrawal by the rating agency at any time. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant.

An active trading market for the Bonds may not develop and the Bonds may have limited liquidity

Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Euro MTF. There can be no assurance that a secondary market in the Bonds will develop or, if it does develop, that it will provide Bondholders with liquidity of investment or that such market or any liquidity of investment which may exist or develop will continue for the life of the Bonds. In addition, the market value of the Bonds may fluctuate. Consequently, any sale of Bonds by Bondholders in any secondary market which may develop may be at discount from the original purchase price of such Bonds.

Exchange rate risks and exchange controls

The Company will pay principal and interest on the Bonds in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Bonds, there is no assurance that this would not adversely affect investors in the Bonds. It is possible that prior to the maturity of the Bonds the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Bonds may become payable in Euro, and (ii) the law may allow or require such Notes to be re-denominated into Euro and additional measures to be taken in respect of such Bonds. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Terms and Conditions of the Bonds

The following terms and conditions, subject to completion and amendment, will be endorsed on the Bonds in definitive form.

The issue of GBP250,000,000 4.5 per cent. Bonds due 2036 (the "**Bonds**") of East Japan Railway Company (the "**Company**") was authorised by a resolution of the Board of Directors of the Company on 16 November 2005 and the Bonds are issued pursuant to a fiscal agency agreement dated 25 January 2006 (the "**Fiscal Agency Agreement**"), made between the Company, The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch as fiscal agent and principal paying agent (in such capacity as fiscal agent and principal paying agent, the "**Fiscal Agent**", which expression includes any successor as fiscal and principal paying agent) and BNP Paribas Securities Services, Luxembourg Branch as paying agent. In these Conditions, the expression "**Paying Agents**" means the paying agents in respect of the Bonds appointed in accordance with the Fiscal Agency Agreement and includes the Fiscal Agent. The Fiscal Agency Agreement includes the form of the Bonds and the coupons relating to them (the "**Coupons**"). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Fiscal Agent, being at the date hereof at 12-15 Finsbury Circus, London EC2M 7BT, and at the specified office of each of the Paying Agents referred to below. The holders of the Bonds (the "**Bondholders**") and the holders of the Coupons whether or not attached to them (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Fiscal Agency Agreement.

1. Form, Denomination and Title

(a) **Form and denomination**: The Bonds are serially numbered and in bearer form in the denomination of GBP50,000 each with Coupons attached on issue.

(b) **Title**: Title to the Bonds and Coupons passes by delivery. The Company, the Fiscal Agent and the Paying Agents may deem and treat the holder of any Bond or Coupon as the absolute owner thereof (notwithstanding any notice to the contrary and whether or not such Bond or Coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment thereof or on account thereof and for all other purposes.

2. Status of the Bonds

The Bonds and Coupons constitute (subject to Condition 3) direct, unsecured and unconditional obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds and Coupons shall, save for such exceptions as may be provided by applicable legislation (including, but not limited to, statutory preferential rights over the whole property of the Company granted under the Law Concerning the Passenger Railway Companies and the Japan Freight Railway Company (Law No. 88 of 1986) (as amended) to the holder of the Company's general mortgage bonds which were issued by the Company prior to 1 December 2001) and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Fiscal Agency Agreement), the Company will not create or permit to be outstanding (or to subsist) any pledge, mortgage, charge, lien or other encumbrance or security interest, other than the statutory preferential rights referred to in Condition 2, for the benefit of the holder of any Securities (as defined below) upon the whole or any part of the property, assets or revenue, present or future, of the Company to secure (a) any payment due in respect of any Securities or (b) any payment under any guarantee of Securities or indemnity relating to Securities, without in any such case at the same time according to the Bonds the same security as is granted to or is outstanding in respect of such Securities or such guarantee or indemnity or such other security or guarantee as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

"**Securities**" means bonds, debentures, notes, loan stock or other similar securities of any person with a stated maturity of more than one year from the creation thereof which (i) either are by their terms payable, or confer a right to receive any payment, in any currency (other than yen) or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside

Japan by or with the authorisation of the Company and (ii) are for the time of being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar market outside Japan.

4. Interest

The Bonds bear interest from 25 January 2006 at the rate of 4.5 per cent. per annum, payable annually in arrear on 25 January in each year (each an "**Interest Payment Date**"). Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is shorter than an Interest Period the day-count fraction used will be the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on and including 25 January 2006 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

5. Redemption and Purchase

(a) **Final redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 25 January 2036. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition.

(b) **Redemption for taxation reasons**: The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 13 (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Company has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 January 2006, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

(c) **Notice of redemption**: All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(d) **Purchase**: The Company and any of its Subsidiaries (as defined in the Fiscal Agency Agreement) may at any time purchase Bonds in the open market or otherwise at any price. Such Bonds may, at the option of the Company or, as the case may be, the relevant Subsidiary, be held, resold or surrendered (or, in the case of the relevant Subsidiary, delivered to the Company for surrender) to any Paying Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

(e) **Cancellation**: All Bonds so redeemed or purchased and surrendered and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold. If any Bond is purchased by the Company or any of the Subsidiaries and cancelled without all unmatured Coupons appertaining thereto, the Company shall make payment in respect of any such missing unmatured Coupons in accordance with Condition 4 as if the relevant Bond had remained outstanding for the period to which such Coupon relates.

6. Payments

(a) **Method of payment**: Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Bonds or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by a cheque in pounds sterling drawn on, or by transfer to, a pounds sterling account maintained by the payee with, a bank in London. Payments of interest due in respect of any Bond other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

(b) **Payments subject to laws**: All payments are subject in all cases to any applicable fiscal or other laws and regulations, directives and administrative practices applicable to the Company and any Paying Agent, including the requirements applicable under Japanese tax laws, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(c) **Surrender of unmatured Coupons**: Each Bond should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within the prescription period relating thereto under Condition 9.

(d) **Payments on business days**: If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or any other sum in respect of such postponed payment. In this Condition 6, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of presentation of the Bonds or the appropriate Coupons (as the case may be), London and Tokyo.

(e) **Paying Agents**: The initial Paying Agents and their initial specified offices are listed below. The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Fiscal Agent, (ii) a Paying Agent having a specified office in at least one major European city (which shall be Luxembourg, so long as the Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange) and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

7. Taxation

All payments of principal and interest by or on behalf of the Company in respect of the Bonds and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Japan or any authority therein or thereof having power to tax ("**Taxes**"), unless such withholding or deduction is required by law. In that event the Company shall pay such additional amounts as will result in receipt by the Bondholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond or Coupon presented for payment:

(a) by or on behalf of a Bondholder or Couponholder who is a non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Bond or Coupon by reason of its having some connection with Japan other than the mere holding of the Bond or Coupon or

(b) by or on behalf of a Bondholder or Couponholder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Exemption Information (as defined below) or to submit a Claim for Exemption (as defined below) to the Paying Agent to whom the relevant Bond or Coupon is presented, or whose Exemption Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organisation to such Paying Agent or

(c) by or on behalf of a Bondholder or Couponholder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution (as defined below) who complies with the requirement to provide Exemption Information or to submit a Claim for Exemption and (ii) a resident of Japan or a Japanese corporation who duly notifies (directly or through the Participant or otherwise) the relevant Paying Agent of its status as exempt from Taxes to be withheld or deducted by the Company by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Bond through a payment handling agent in Japan appointed by it or

(d) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond or Coupon for payment on the last day of such period of 30 days or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or

(f) by or on behalf of a Bondholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union or

(g) where such withholding or deduction could be (or could have been) avoided by a Bondholder or Couponholder making a declaration of non-residence or other similar claim for exemption to the relevant authority.

"**Relevant Date**" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

Where a Bond or Coupon is held through a certain participant of an international clearing organisation or a certain financial intermediary (each, a "**Participant**"), in order to receive payments free of withholding or deduction by the Company for, or on account of, Taxes, if the relevant Bondholder or Couponholder is (i) a non-resident of Japan or a non-Japanese corporation or (ii) a Japanese financial institution falling under certain categories prescribed by the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) and the Cabinet Order (No. 43) of 31 March 1957 thereunder, as amended (together with the ministerial ordinance and other regulation thereunder, the "**Law**") (a "**Designated Financial Institution**"), all in accordance with the Law, such Bondholder or Couponholder shall, at the time of entrusting a Participant with the custody of the relevant Bond or Coupon, provide certain information prescribed by the Law to enable the Participant to establish that such Bondholder or Couponholder is exempted from the requirement for Taxes to be withheld or deducted (the "**Exemption Information**") and advise the Participant if the Bondholder or Couponholder ceases to be so exempted.

Where a Bond or Coupon is not held by a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of, Taxes, if the relevant Bondholder or Couponholder is (i) a non-resident of Japan or a non-Japanese corporation or (ii) a Designated Financial Institution, all in accordance with the Law, such Bondholder or Couponholder shall on or prior to each time on which it receives interest, submit to the relevant Paying Agent a claim for exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a "**Claim for Exemption**") in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the Bondholder or Couponholder, the title of the Bonds, the relevant interest payment date, the amount of interest and the fact that the Bondholder or

Couponholder is qualified to submit the Claim for Exemption, together with documentary evidence regarding its identity and residence.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

8. Events of Default

If any of the following events occurs:

(a) **Non-payment**: the Company fails to pay the principal of or any interest on any of the Bonds when due and such failure continues for a period of 14 days or

(b) **Breach of other obligations**: the Company does not perform or comply with any one or more of its other obligations in the Bonds which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Bondholder or

(c) **Cross-default**: (i) any other present or future indebtedness of the Company for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates) or

(d) **Enforcement proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Company and is not discharged or stayed within 60 days or

(e) **Insolvency**: a final decree or order is made or issued by a court of competent jurisdiction adjudging the Company to be bankrupt or insolvent, or approving a petition seeking with respect to the Company a decree or commencement of reorganisation procedures or adjustment under the Bankruptcy Law, the Corporate Reorganisation Law, the Civil Rehabilitation Law, the Commercial Code or any other similar applicable law of Japan or

(f) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company, or the Company ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) upon which the continuing corporation or the corporation formed as a result of such reconstruction, amalgamation, reorganisation, merger or consolidation effectively assumes the entire obligations of the Company under the Bonds and the Coupons or (ii) on terms approved by an Extraordinary Resolution of the Bondholders or

(g) **Cessation of business**: the Company stops payment (within the meaning of Japanese bankruptcy law) or ceases, or through an official action of the Board of Directors of the Company threatens to cease, to carry on business (otherwise than in connection with or in pursuance of such reconstruction, amalgamation, reorganisation, merger or consolidation as is referred to in (f) above)

then any Bond may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and 5 years in the case of interest from the appropriate Relevant Date.

10. Replacement of Bonds and Coupons

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Replacement Agent (as defined in the Fiscal Agency Agreement) subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

11. Meetings of Bondholders and Modification

(a) **Meetings of Bondholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or the Coupons, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) **Modification of Fiscal Agency Agreement**: The Company shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders or Couponholders.

12. Further Issues

The Company may from time to time without the consent of the Bondholders or Couponholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Company may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

13. Notices

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and (so long as the Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of that stock exchange so require) published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

14. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

15. Governing Law

(a) **Governing law**: The Fiscal Agency Agreement, the Bonds and the Coupons are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Coupons ("**Proceedings**") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and Couponholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Agent for service of process**: The Company irrevocably appoints The Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch of 12-15 Finsbury Circus, London EC2M 7BT as its agent in England to receive service of process in any Proceedings in England based on any of the Bonds or the Coupons. If for any reason the Company does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

Summary of Provisions relating to the Bonds while in Global Form

The Global Bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain of those provisions:

1. **Exchange:** The Global Bond is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the definitive Bonds described below (the "**Definitive Bonds**") only (i) if the Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (ii) if principal in respect of any Bonds is not paid when due and payable or (iii) if the Company would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by an authorised officer of the Company is delivered to the Fiscal Agent for display to Bondholders. Thereupon (in the case of (i) and (ii) above) the holder may give notice to the Fiscal Agent, and (in the case of (iii) above) the Company may give notice to the Fiscal Agent and the Bondholders, of its intention to exchange the Global Bond for Definitive Bonds on or after the Exchange Date (as defined below) specified in the notice.

   If principal in respect of any Bond is not paid when due and payable the holder of the Global Bond may by notice to the Fiscal Agent (which may but need not be the default notice referred to in "Default" below) require the exchange of a specified principal amount of the Global Bond (which may be equal to or (provided that, if the Global Bond is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Bonds represented thereby) for Definitive Bonds on or after the Exchange Date specified in such notice.

   On or after any Exchange Date the holder of the Global Bond may surrender the Global Bond or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Global Bond, or on endorsement in respect of the part thereof to be exchanged, the Company will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange in full of the Global Bond, the Company will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Bonds.

   "**Exchange Date**" means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

2. **Payments:** Payments of principal and interest in respect of Bonds represented by the Global Bond will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, surrender of the Global Bond to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bonds. Condition 6(e)(iii) and Condition 7(e) will apply to the Definitive Bonds only.

3. **Notices:** So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of a clearing system, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as the Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, and the rules of that stock exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*).

4. **Prescription:** Claims against the Company in respect of principal and interest on the Bonds while the Bonds are represented by the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

5. **Meetings:** The holder of the Global Bond will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond for which the Global Bond may be exchanged.

6. **Purchase and Cancellation:** Cancellation of any Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Bond.

7. **Default:** The Global Bond provides that the holder may cause the Global Bond or a portion of it to become due and payable in the circumstances described in Condition 8 by stating in the notice to the Fiscal Agent the principal amount of Bonds which is being declared due and payable. If principal in respect of any Bond is not paid when due and payable, the holder of the Global Bond may elect that the Global Bond becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against the Company under further provisions of the Global Bond executed by the Company as a deed.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds (net of expenses relating to the issue and offering of the Bonds), expected to amount to approximately GBP248 million, will be used for repayment of the Company's long-term debt.

Capitalisation and Indebtedness

The following table sets forth the unaudited consolidated capitalisation and indebtedness of the Company as at 30 September 2005 as adjusted for the Bonds being issued:

	As at 30 September 2005
	(millions of yen)
Short-term debt:	
Short-term borrowings	¥2,295
Commercial paper	95,000
Current portion of long-term debt	158,410
Current portion of long-term liabilities incurred for purchase of railway facilities	148,189
Total short-term debt	403,894
Long-term debt and long-term liabilities incurred for purchase of railway facilities:	
General mortgage bonds issued in 1996 to 2001 with interest rates ranging from 1.70% to 3.95% due in 2009 to 2021	559,900
Unsecured bonds issued in 2002 to 2005 with interest rates ranging from 0.39% to 2.53% due in 2008 to 2033	476,000
Secured loans falling due in the period 2006 to 2016 principally from banks with interest rates mainly ranging from 4.70% to 5.80%	4,491
Unsecured loans falling due in the period 2005 to 2021 principally from banks and insurance companies with interest rates mainly ranging from 1.05% to 3.15%	815,808
Long-term liabilities incurred for purchase of railway facilities	1,842,449
Bonds now being issued	50,360
Less current portion of long-term debt and long-term liabilities incurred for purchase of railway facilities	(306,599)
Total long-term debt and long-term liabilities incurred for purchase of railway facilities, less current portion	3,442,409
Shareholders' equity:	
Common stock without par value:	
Authorised – 16,000,000 shares	200,000
Issued – 4,000,000 shares; outstanding – 3,996,267 shares	
Additional paid-in capital	96,600
Retained earnings	942,657
Net unrealised holding gains on securities	55,434
Treasury stock, at cost, 3,733 shares	(2,283)
Total shareholders' equity	1,292,408
Total capitalisation and indebtedness	¥5,138,711

Notes:

(1) As at 30 September 2005, ¥4,491 million of the Company's long-term debt was secured. As at that date, ¥150 million of the Company's long-term debt was guaranteed and none of the Company's short-term debt was guaranteed.

(2) As at 30 September 2005, the Company had ¥160,568 million of contingent liabilities.

(3) The Company issued (i) on 20 October 2005, ¥25,000 million 1.04% domestic unsecured bonds due 2011, ¥20,000 million 1.56% domestic unsecured bonds due 2015 and ¥20,000 million 2.11% domestic unsecured bonds due 2025, and (ii) on 12 December 2005, ¥15,000 million 1.86% domestic unsecured bonds due 2020.

(4) The principal amount of the Bonds now being issued has been translated into yen at the exchange rate of GBP1=¥201.44, for convenience.

(5) On 28 October 2005, the Board of Directors of the Company approved the payment of an interim cash dividend of ¥4,000 per share (in aggregate ¥15,988 million) payable from 1 December 2005.

(6) Save as described above, there has been no material change in the Company's capitalisation and indebtedness or in the amount of any contingent liabilities or guarantees, since 30 September 2005.

East Japan Railway Company

General

The Company is the largest passenger railway company in Japan and the world's largest passenger railway company in terms of revenue and number of passengers. It serves the eastern part of Honshu, the main island of Japan, including Tokyo and adjacent areas, an area of more than 124 thousand square kilometres with a population size of approximately 44 per cent. of Japan's total population of approximately 128 million people.

The Company was incorporated as a joint stock corporation (*kabushiki kaisha*) under the laws of Japan on 1 April 1987 as one of several successors to the railway operations of JNR.

Japan's national passenger and freight railway network was reorganised in 1949 after World War II and JNR was established as a state entity to own and operate the nationwide railway network. In 1986, legislation was passed to restructure and privatise JNR and create six regional passenger railway companies (one of which is the Company) (the "**JR Passenger Companies**") and one freight railway company (together, the "**JR Companies**") to assume the railway operations of JNR as well as (among others) the Shinkansen Holding Corporation (to own and lease the Shinkansen facilities). Initially, all issued shares of each of the JR Companies, including the Company, were owned by JNR Settlement Corporation.

On 26 October 1993, the Company's shares were listed on the Tokyo, Osaka and Nagoya stock exchanges in conjunction with the sale by JNR Settlement Corporation of 2,500,000 shares to the public. The remaining 1,500,000 shares of the Company were sold through public offerings in August 1999 and June 2002.

The Company's registered head office is located at 2-2, Yoyogi 2-chome, Shibuya-ku, Tokyo 151-8578, Japan.

Summary Financial Information

The following table presents summary consolidated financial information of the Company. This information should be read in conjunction with the consolidated financial statements and the related notes of the Company as of and for the year ended 31 March 2004 and 2005 (audited) and as of and for the six months ended 30 September 2004 and 2005 (unaudited).

	As at/Year ended 31 March		As at/Six months ended 30 September	
	2004	**2005**	**2004**	**2005**
	(millions of yen)			
Balance Sheet Data:				
Current assets	¥389,101	¥397,650	¥420,401	¥386,327
Net property, plant and equipment	5,938,725	5,800,708	5,843,507	5,745,154
Total assets	6,781,692	6,716,268	6,729,109	6,693,357
Current liabilities	1,069,746	1,116,368	976,155	1,091,903
Long-term debt (excluding current portion)	1,815,954	1,781,802	1,838,359	1,697,789
Long-term liabilities incurred for purchase of railway facilities (excluding current portion)	1,891,024	1,745,215	1,841,287	1,694,260
Total liabilities	5,652,029	5,506,480	5,543,570	5,373,453
Minority interests	29,487	26,242	29,927	27,496
Total shareholders' equity	1,100,176	1,183,546	1,155,612	1,292,408
Statements of Income Data:				
Operating revenues	¥2,542,297	¥2,537,481	¥1,269,550	¥1,290,984
Operating expenses	2,190,877	2,178,946	1,047,573	1,054,650
Operating income	351,420	358,535	221,977	236,334
Income before income taxes	222,865	200,201	147,276	170,514
Income taxes:				
Current	142,901	137,409	92,373	78,753
Deferred	(42,970)	(51,046)	(28,633)	(9,980)
Minority interests in net income of consolidated subsidiaries	(3,068)	(2,246)	(1,172)	(1,343)
Net income	119,866	111,592	82,364	100,398

Recent Business

Year Ended 31 March 2005 Compared to Year Ended 31 March 2004

In the year ended 31 March 2005, the consolidated operating revenues of the Company decreased by 0.2 per cent. from the previous year, to ¥2,537,481 million, due mainly to a decline in revenues from its transportation businesses caused primarily by the Niigata Chuetsu Earthquake experienced in the Company's operating area in October 2004. Consolidated operating income, however, increased by 2.0 per cent. from the previous year to ¥358,535 million in the year ended 31 March 2005, due mainly to reductions in personnel expenses and other factors. Income before income taxes decreased to ¥200,201 million, a 10.2 per cent. decline compared to the previous year, due to a loss on redemption of bonds, impairment losses on fixed assets and losses associated with the damage caused by the Niigata Chuetsu Earthquake, partially offset by increases in gains on sales of fixed assets, investments in securities and space usage rights. As a result, consolidated net income decreased by 6.9 per cent. from the previous year to ¥111,592 million for the year ended 31 March 2005.

Six Months Ended 30 September 2005 Compared to Six Months Ended 30 September 2004 (unaudited)

In the six months ended 30 September 2005, the consolidated operating revenues of the Company increased by 1.7 per cent. from the six months ended 30 September 2004, to ¥1,290,984 million, due mainly to an increase in revenues from its transportation businesses in the Tokyo metropolitan area and increases in revenues from its non-transportation business generally. Operating expenses increased by 0.7 per cent. to ¥1,054,650 million due mainly to the increased cost of operations including maintenance expenses despite a decrease in personnel expenses. Consequently, consolidated operating income increased by 6.5 per cent. to ¥236,334 million in the six months ended 30 September 2005 compared to the six months ended 30 September 2004. Income before income taxes increased to ¥170,514 million, a 15.8 per cent. increase compared to the six months ended 30 September 2004, due mainly to a decrease in interest expenses on total long-term debt. As a result, consolidated net income increased by 21.9 per cent. from the six months ended 30 September 2004 to ¥100,398 million for the six months ended 30 September 2005.

Operations

The Company divides its operations into two primary segments: (i) transportation businesses and (ii) non-transportation businesses. The following table shows a breakdown of the Company's consolidated total operating revenues for the two years ended 31 March 2005 and the six months ended 30 September 2004 and 2005:

	Year ended 31 March		Six months ended 30 September	
	2004	**2005**	**2004**	**2005**
	(millions of yen)/(per cent.)			
Transportation	¥1,798,132 (70.7%)	¥1,781,776 (70.2%)	¥900,427 (70.9%)	¥907,484 (70.3%)
Non-Transportation				
Station space utilisation	366,438 (14.4%)	369,790 (14.6%)	185,453 (14.6%)	190,937 (14.8%)
Shopping centres and office buildings	175,180 (6.9%)	181,956 (7.2%)	89,412 (7.0%)	93,041 (7.2%)
Other services	202,547 (8.0%)	203,959 (8.0%)	94,258 (7.5%)	99,522 (7.7%)
Total	¥2,542,297 (100.0%)	¥2,537,481 (100.0%)	¥1,269,550 (100.0%)	¥1,290,984 (100.0%)

Transportation Businesses

Railway Operations

The Company's passenger railway operations serve the eastern half of the island of Honshu, an area which encompasses all or part of 17 of Japan's 47 prefectures, including Tokyo and its environs. The Company's railway network covers a service area of over 124 thousand square kilometres and encompasses a total population of approximately 56 million people (approximately 44 per cent. of Japan's total 128 million people). This network consists of 70 railway lines with an aggregate of 7,526.8 kilometres of track (of which 514.7 kilometres are leased by the Company from third parties, including the Japan Railway Construction, Transport and Technology Agency) and 1,699 stations, approximately 88 of which serve more than 100,000 passengers daily. The Company administers this network from its head office in Tokyo and 12 branch offices throughout its service area.

The Company's passenger railway operations accounted for 92.8 per cent. and 93.5 per cent. of total operating revenues from transportation businesses and 65.1 per cent. and 65.8 per cent. of total operating revenues for the year ended 31 March 2005 and the six months ended 30 September 2005, respectively. The Company's passenger railway operations are generally divided into two categories:

- Shinkansen services, which accounted for 27.9 per cent. and 28.1 per cent. of passenger revenues for the year ended 31 March 2005 and the six months ended 30 September 2005, respectively; and
- Conventional railway services, which accounted for 72.1 per cent. and 71.9 per cent. of passenger revenues for the year ended 31 March 2005 and the six months ended 30 September 2005, respectively, and which include:
- the Tokyo metropolitan area network, serving most of the Tokyo area and its environs and a population of over 34 million; and
- intercity and other networks, including the Yamagata and Akita hybrid Shinkansen lines, other intercity lines and regional commuter lines.

Shinkansen is Japan's high-speed intercity rail system which is operated by the Company and three other JR Companies. The Company's Shinkansen network consists of the *Tohoku*, *Joetsu* and *Nagano* Shinkansen as well as the *Yamagata* and *Akita* hybrid Shinkansen, linking Tokyo to various cities in Northern Japan and the Japan Sea coast.

Commuter pass revenues accounted for 29.2 per cent. and 29.0 per cent. of passenger revenues for the year ended 31 March 2005 and the six months ended 30 September 2005, respectively. Such passes are long-term tickets purchased by regular passengers, usually workers or students, which allow travel between two stations for a period of one, three or six months. Commuter pass revenues from the Tokyo metropolitan area network accounted for 71.0 per cent. and 71.0 per cent. of total commuter pass revenues from the Company's railway services for the year ended 31 March 2005 and the six months ended 30 September 2005, respectively. In Japan, it is common practice for employers to purchase commuter passes for their employees, due in part to the favourable tax treatment accorded such expenses. The Company views commuter pass revenues as a substantial and comparatively stable revenue source, although such revenues may be affected by general economic conditions and long-term demographic trends. Demographic trends indicate that the population of persons between the ages of 15 and 64, which constitute the bulk of the commuting student and worker population, has already peaked in the Tokyo area and in Japan as a whole.

The following tables set forth operating and revenue data for the Company's passenger railway operations for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2004	2005	2004	2005
	(millions)			
Number of Passengers:				
Commuter passes	3,683	3,675	1,884	1,891
Ordinary tickets	2,203	2,187	1,098	1,115
Total	5,886	5,862	2,982	3,006
Passenger kilometres:				
Shinkansen services:				
Commuter passes	1,567	1,610	826	835
Ordinary tickets	17,180	16,781	8,724	8,763
Total	18,747	18,391	9,550	9,598
Conventional railway services:				
Tokyo metropolitan area:				
Commuter passes	51,602	51,615	26,367	26,556
Ordinary tickets	25,122	25,080	12,676	12,851
Intercity and other(1):				
Commuter passes	18,975	18,968	9,830	9,841
Ordinary tickets	11,306	11,118	5,691	5,664
Total	107,005	106,781	54,564	54,912
Total passenger kilometres:				
Total commuter pass passenger kilometres	72,144	72,193	37,023	37,232
Total ordinary ticket passenger kilometres	53,608	52,979	27,091	27,278
Total	125,752	125,172	64,114	64,510

	Year ended 31 March		Six months ended 30 September	
	2004	2005	2004	2005
	(millions of yen)			
Revenues from railway passenger tickets:				
Shinkansen services:				
Commuter passes	¥21,481	¥22,083	¥11,237	¥11,369
Ordinary tickets	444,571	438,460	226,938	227,588
Total	466,052	460,543	238,175	238,957
Conventional railway services:				
Tokyo metropolitan area:				
Commuter passes	343,253	342,810	173,663	174,656
Ordinary tickets	504,392	502,549	252,497	258,580
Intercity and other(1):				
Commuter passes	117,971	117,689	59,990	60,067
Ordinary tickets	234,774	229,384	117,111	116,626
Total	1,200,390	1,192,432	603,261	609,929
Total passenger revenues:				
Total commuter pass revenues	482,705	482,582	244,890	246,092
Total ordinary ticket revenues	1,183,737	1,170,393	596,546	602,794
Total	¥1,666,442	¥1,652,975	¥841,436	848,886

Note:

(1) Includes the *Yamagata* hybrid Shinkansen services between Fukushima and Shinjo and the *Akita* hybrid Shinkansen services between Morioka and Akita.

Other

The Company's other principal transportation businesses include the following:

- *Monorail Services.* The Company has operated a monorail line since its acquisition of a majority of the shares of Tokyo Monorail Co., Ltd. in February 2002, providing access from central Tokyo to Haneda airport, currently Tokyo's main airport for domestic flights. The monorail line runs 17.8 kilometres from Hamamatsu-cho station on the Company's Yamanote and Keihin Tohoku lines to Haneda Airport.

- *Bus Services.* The Company operates long distance express bus services connecting the major cities in eastern Japan, mainly in the Tokyo and Sendai areas. The Company also operates an extensive network of buses that connect to its railway stations and buses that connect major cities to tourist destinations.

Non-Transportation Businesses

Non-transportation businesses accounted for 29.8 per cent. and 29.7 per cent. respectively of the Company's consolidated total operating revenues for the year ended 31 March 2005 and for the six months ended 30 September 2005. Non-transportation businesses are organised into three segments:

- station space utilisation, which includes the operation of retail outlets and restaurants utilising space in railway stations

- shopping centres and office buildings, which includes the leasing of space to retailers and other tenants in shopping centres and office buildings

- other services, which include other non-transportation services such as advertising and publicity in stations and inside trains, hotel operations, housing development and sales, credit card operations and other services.

The Company's non-transportation businesses are generally related to or complement and enhance, and are in turn complemented and enhanced by, the Company's railway operations. The Company regards its stations and other real property as important assets and seeks to engage in related businesses and other non-transportation businesses which create synergies with the Company's railway operations.

Regulations

The MLIT is the principal regulator of the railway industry in Japan. The Railway Business Law is the principal statute governing the railway industry in Japan. The Railway Business Law subjects all railway companies in Japan, both passenger and freight, including the Company, to comprehensive regulation by the MLIT; in particular, the construction of new lines or the establishment of or changes to any upper limit on basic railway fares are subject to the approval of the MLIT, and the suspending or discontinuing of any portion of railway operations requires advance notice to the MLIT. For a limited but unspecified period of time, the Company is also subject to the guidelines of the MLIT which cover matters such as (i) securing cooperation and coordination between the JR Companies, including the appropriate setting of railway fares and flexible use of railway facilities, (ii) the maintenance of railway lines and stations for passenger convenience, and (iii) non-interference with the business activities of small- and middle-sized enterprises engaged, in the area where the Company operates, in business activities similar to those of the Company. The Company may be subject to legal sanctions if it fails to comply with the requirements of the Railway Business Law without justification. The MLIT may also make a public announcement and impose certain penalties if the Company fails to comply with the guidelines without justification.

Property, Plant and Equipment

The following table sets forth the book value of property and equipment of the Group owned and employed in its various operations as at 31 March 2004 and 2005 and 30 September 2005:

	As at 31 March		As at 30 September
	2004	2005	2005
		(billions of yen)	
Buildings	¥1,855.4	¥1,878.8	¥1,885.8
Fixtures	4,885.1	4,943.8	4,949.6
Machinery, rolling stock and vehicles	2,174.3	2,207.2	2,227.4
Land	2,117.5	2,026.9	2,025.6
Construction in progress	140.1	151.7	161.2
Other	148.7	153.2	156.6
Total property, plant and equipment	11,321.1	11,361.6	11,406.2
Less accumulated depreciation	(5,382.4)	(5,560.9)	(5,661.0)
Net property, plant and equipment	¥5,938.7	¥5,800.7	¥5,745.2

Note:

(1) The Company has adopted accounting standards for impairment of fixed assets from and including the year ended 31 March 2005.

Capital Expenditure

The following table shows details of the Group's capital expenditure, which consists of the Group's capital investments less expenditure funded through grants and certain other items, during the two years ended 31 March 2005:

Year ended 31 March	(billions of yen)
2004	¥313.9
2005	¥319.9

The Group's capital expenditure during the two years ended 31 March 2005 was principally incurred in its transportation business, and was directed primarily at investments to ensure safety, to enhance customer services and to upgrade transportation services, such as the introduction of automatic train stop-pattern devices, improvements at stations and introduction of new rolling stock.

MANAGEMENT

The Board of Directors has the ultimate responsibility for the administration of the Company. The Company's Articles of Incorporation provide for a Board of Directors consisting of not more than 40 members. Directors are elected at general meetings of shareholders and the normal term of office is two years; however, Directors may serve any number of consecutive terms. The Board of Directors may elect, from among its members, a Chairman, a Vice Chairman, a President and one or more Executive Vice Presidents, Senior Executive Directors and Executive Directors. The President is a Representative Director, and one or more additional Representative Directors may be elected by the Directors from among their number. Each of the Representative Directors has the authority to represent the Company in the conduct of its affairs.

The Articles of Incorporation of the Company provide for not more than five Corporate Auditors. Corporate Auditors are elected at general meetings of shareholders, and the term of office is four years, although they may serve any number of consecutive terms. Corporate Auditors elect from among themselves one or more full-time Corporate Auditors. Corporate Auditors are not required to be certified public accountants, but the Commercial Code of Japan of 1899, as amended (the "**Commercial Code**") and other related laws provide that they may not be current employees or Directors of the Company or its subsidiaries and require that at least one of them is a person who was not a Director or employee of the Company or its subsidiaries during the five-year period prior to such Corporate Auditor's election. After the close of the ordinary general meeting of shareholders to be held for the year ending 31 March 2006, at least half of the Company's Corporate Auditors must be persons who have not been employees or Directors of the Company or its subsidiaries.

Pursuant to the requirements of the Commercial Code and other related laws, the Company has a Board of Corporate Auditors which is charged with overseeing the affairs of the Company. It is the duty of each Corporate Auditor to examine the administration by the Directors of the Company's affairs as well as the financial statements and business reports submitted by the Board of Directors to the general meeting of shareholders and to report to the Board of Corporate Auditors his or her opinion on the results of such examinations. The Board of Corporate Auditors then reports to the Board of Directors its opinion on the results of such examinations. The Corporate Auditors are required to attend meetings of the Board of Directors and, if necessary, to express opinions at such meetings, but they are not entitled to vote on matters decided by the Board of Directors.

The Company must appoint independent certified public accountants in addition to the Corporate Auditors. Such independent accountants have statutorily mandated duties with respect to the examination of the financial statements proposed to be submitted by the Board of Directors to general meetings of shareholders. The Company's independent accountants must also report on these financial statements to the Board of Corporate Auditors, the Directors and shareholders. KPMG AZSA & Co. is the Company's independent certified public accountants.

The Directors of the Company are as follows:

Name	Title
Masatake Matsuda	Chairman
Yoshio Ishida	Vice Chairman
Mutsutake Otsuka(1)	President and Chief Executive Officer
Satoshi Seino(1)	Executive Vice President
Nobuyuki Hashiguchi(1)	Executive Vice President
Nobuyuki Sasaki(1)	Executive Vice President
Tetsujiro Tani	Executive Director
Yoshiaki Arai	Executive Director
Tetsuro Tomita	Executive Director
Masanori Tanaka	Executive Director
Masaki Ogata	Executive Director
Masahiko Ogura	Executive Director
Kazuyuki Kogure	Executive Director
Toru Sekine	Director
Shunichi Suzuki	Director
Yoichi Minami	Director
Katsumi Asai	Director
Koichi Sasaki	Director

Name	Title
Tsugio Sekiji	Director
Hiroshi Sawada	Director
Hiroyuki Nakamura	Director
Toru Owada	Director
Shoichiro Yoshida(2)	Director
Takeshi Inoo(2)	Director

Notes:

(1) Representative Director.

(2) Outside Director.

All of the above-listed Directors are engaged in the business of the Company on a full-time basis, with the exception of Mr. Shoichiro Yoshida and Mr. Takeshi Inoo.

The business address of the above-listed Directors is 2-2, Yoyogi 2-chome, Shibuya-ku, Tokyo 151-8578, Japan.

The Corporate Auditors of the Company are as follows:

Name	Title
Toshiaki Omori(1)	Full-time Corporate Auditor
Jiro Bando(1)	Full-time Corporate Auditor
Kiyoshi Uetani(1)	Corporate Auditor
Tsutoo Matsumoto(1)	Corporate Auditor
Shinobu Hasegawa	Corporate Auditor

Note:

(1) Outside Corporate Auditor.

Subsidiaries and Affiliates

As at 30 September 2005, the Company had 172 subsidiaries, of which 85 were consolidated, and 37 affiliates, 2 of which were accounted for by the equity method.

The following table sets out certain information relating to the Company's significant consolidated subsidiaries as at 30 September 2005:

Name	Paid-up capital	Percentage owned directly or indirectly by the Company	Principal business
	(millions of yen)	(per cent.)	
JR Bus Kanto Co., Ltd.	¥4,000	100.0%	Bus services
Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
East Japan Kiosk Co., Ltd.	3,855	90.9	Retail sales
Tokyo Monorail Co., Ltd.	3,000	70.0	Railway passenger transport services
LUMINE Co., Ltd.	2,375	89.5	Shopping centre operations
JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel and shopping centre operations
The EKIBIRU Development Co. TOKYO	1,500	99.9	Shopping centre operations and real estate leasing
JR East Urban Development Corporation	1,450	100.0	Shopping centre operations, retail sales, and hotel operations
Nippon Restaurant Enterprise Co., Ltd.	731	91.3	Restaurant business, retail sales and hotel operations
East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
JR East Japan Information Systems Company	500	100.0	Information processing
East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services
JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

Japanese Taxation

The following statements are not intended to constitute a complete analysis of all tax consequences relating to the purchase, ownership and disposition of the Bonds. Prospective purchasers should consult their own tax advisers concerning the tax consequences of their particular situations.

Interest payments on the Bonds issued by the Company to an individual resident of Japan or a Japanese corporation (except for a designated Japanese financial institution which has complied with the requirements under Article 6 of the Special Taxation Measures Law) will be subject to deduction in respect of Japanese income tax at a rate of 15 per cent. of the amount specified in sub-paragraph (i) or (ii) below, as applicable:

(i) if interest is paid to an individual resident of Japan or to a Japanese corporation (except as provided in sub-paragraph (ii) below), the amount of such interest; or

(ii) if interest is paid to a public corporation, a financial institution or a securities company (which has complied with the Japanese tax exemption requirements) through its payment handling agent in Japan as provided in Article 3-3 paragraph (6) of the Special Taxation Measures Law, the amount of such interest minus the amount provided in the cabinet order relating to said paragraph (6).

Under the Special Taxation Measures Law (including the cabinet orders and ministerial ordinances thereunder) payment of interest on the Bonds outside Japan by the Company or any Paying Agent to a beneficial owner that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes (a "**non-resident holder**") will not be subject to Japanese withholding tax, provided that the beneficial owner complies with procedures for establishing its status as a non-resident holder in accordance with the requirements of the Special Taxation Measures Law.

Under current Japanese practice, the Company and the Paying Agents may determine their withholding obligations in respect of Bonds held through a qualified clearing organisation in reliance on certifications received from such an organisation, and need not obtain certifications from the ultimate beneficial owners of such Bonds. As part of the procedures under which such certifications are given, a beneficial owner may be required to establish that it is a non-resident holder to the person or entity through which it holds the Bonds. A non-resident holder that holds Bonds otherwise than through a qualified clearing organisation may be required to deliver a duly completed claim for exemption from Japanese withholding tax, and to provide documentation concerning its identity and residence, to a Paying Agent in order to receive interest from the Paying Agent free of Japanese withholding tax. The Company and the Paying Agents may adopt modified or supplemental certification procedures to the extent necessary to comply with changes in, or as otherwise permitted under, Japanese law or administrative practice.

The above exemption from the withholding tax on the interest payments of the Bonds is also applied to designated Japanese financial institutions described in Article 6 of the Special Taxation Measures Law.

Payment of interest on the Bonds will be exempt from Japanese withholding tax if the non-resident holder thereof has complied with the requirements as provided above. However, such payment will be subject to Japanese income or corporation taxes payable otherwise than by way of withholding if such holder has a permanent establishment in Japan and payment of such interest is attributable to the business of such holder carried on in Japan through such permanent establishment.

Gains derived by a non-resident of Japan or a non-Japanese corporation from the sale outside Japan of Bonds, or from the sale of Bonds within Japan by a non-resident of Japan or non-Japanese corporation not having a permanent establishment in Japan, are in general not subject to Japanese income taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Bonds as a legatee, heir or donee. No stamp, issue, registration or similar taxes or duties will be payable in Japan by holders of Bonds in connection with the issue of Bonds, nor will such taxes be payable by holders of Bonds in connection with their transfer if such transfer takes place outside Japan.

Subscription and Sale

Subscription Agreement

BNP Paribas and Mizuho International plc (the "**Lead Managers**") and Barclays Bank PLC, Merrill Lynch International, Mitsubishi UFJ Securities International plc and UBS Limited (together with the Lead Managers, the "**Managers**") have, pursuant to a Subscription Agreement dated 20 January 2005 (the "**Subscription Agreement**"), agreed jointly and severally with the Company, subject to the satisfaction of certain conditions, to subscribe for the Bonds at a price equal to 99.61per cent. of the principal amount of the Bonds. A selling concession and combined management and underwriting commission of 0.40 per cent. of the principal amount of Bonds will be payable by the Company with respect thereto. In addition, the Company has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Managers to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Company. The Company has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds.

Selling Restrictions

General

No action has been or will be taken in any jurisdiction by the Managers or the Company that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Each Manager and the Company will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular (in proof or final form) or any such other material relating to the Bonds at its own expense. Each Manager will also ensure that no obligations are imposed on the Company or any other Manager in any such jurisdiction as a result of any of the foregoing actions. The Company and the other Managers will have no responsibility for, and each Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Manager is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in this Offering Circular (in final form) or any amendment or supplement to it.

United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Japan

The Bonds have not been and will not be registered under the Securities and Exchange Law and interest payments on the Bonds are generally subject to Japanese withholding tax in accordance with the Special Taxation Measures Law. Accordingly, each Manager has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Bonds in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law; and (ii) it has not, directly or indirectly, offered or sold and will not, (a) as part of its distribution at any time and (b) otherwise until 40 days after the closing date, directly or indirectly offer or sell Bonds to any person other than a Gross Recipient. A "Gross Recipient" for this purpose is (x) a beneficial owner that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes, (y) a Japanese financial institution, designated in Article 3-2 paragraph (19) of the Cabinet Order (the "**Cabinet Order**") relating to the Special Taxation Measures Law that will hold Bonds for its own proprietary account or (z) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Bonds will be made through a payment handling agent in Japan as defined in Article 2-2 paragraph (2) of the Cabinet Order.

United Kingdom

Each Manager has represented and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Republic of France

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell, directly or indirectly, the Bonds to the public in the Republic of France and (ii) offers and sales of Bonds will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) as defined and in accordance with Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

In addition, each Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Offering Circular or any other offering material relating to the Bonds other than to investors to whom offers and sales of Bonds in the Republic of France may be made as described above.

This Offering Circular has not been submitted to the clearance procedures of the *Autorité des marches financiers*.

Federal Republic of Germany

The Bonds have not been and will not be publicly offered in Germany and, accordingly, no securities prospectus (*Wertpapierprospekt*) for a public offering of the Bonds in Germany in accordance with the Securities Prospectus Act of 22 June 2005, implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (*Wertpapierprospektgesetz*, the "**Securities Prospectus Act**"), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has represented and agreed that it has only offered and sold and will only offer and sell the Bonds in the Federal Republic of Germany in accordance with the provisions of the Securities Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Bonds in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

General Information

(1) The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code of the Bonds is 024126544 and the International Security Identification Number allocated to the Bonds is XS0241265445.

(2) The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Company passed on 16 November 2005.

(3) Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Euro MTF.

(4) Save as disclosed herein, there has been no significant change in the financial or trading position of the Company and the Company and its subsidiaries, taken as a whole, nor any material adverse change in the financial position or prospects, of the Company and the Company and its subsidiaries, taken as a whole, since 31 March 2005, being the date to which the most recent audited consolidated financial statements of the Company have been published.

(5) Neither the Company nor any of its subsidiaries is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the Company and its subsidiaries, taken as a whole.

(6) The accounts of the Company for the years ended 31 March 2004 and 2005 were audited without qualification by KPMG AZSA & Co., independent certified public accountants of the Company.

(7) The Bonds and the Coupons will bear the following legend:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS. UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

INTEREST PAYMENTS ON THE BONDS WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS THE HOLDER ESTABLISHES THAT BONDS ARE HELD BY OR FOR THE ACCOUNT OF A HOLDER THAT IS NOT AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION FOR JAPANESE TAX PURPOSES OR IS A DESIGNATED JAPANESE FINANCIAL INSTITUTION DESCRIBED IN ARTICLE 6 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN.

INTEREST PAYMENTS ON THE BONDS TO AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION (EXCEPT FOR A DESIGNATED JAPANESE FINANCIAL INSTITUTION WHICH HAS COMPLIED WITH THE REQUIREMENTS UNDER ARTICLE 6 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN) WILL BE SUBJECT TO DEDUCTION IN RESPECT OF JAPANESE INCOME TAX AT A RATE OF 15 PER CENT. OF THE AMOUNT SPECIFIED IN SUB-PARAGRAPH (A) OR (B) BELOW, AS APPLICABLE:

(A) IF INTEREST IS PAID TO AN INDIVIDUAL RESIDENT OF JAPAN OR TO A JAPANESE CORPORATION (EXCEPT AS PROVIDED IN SUB-PARAGRAPH (B) BELOW), THE AMOUNT OF SUCH INTEREST; OR

(B) IF INTEREST IS PAID TO A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A SECURITIES COMPANY (WHICH HAS COMPLIED WITH THE JAPANESE TAX EXEMPTION REQUIREMENTS) THROUGH ITS PAYMENT HANDLING AGENT IN JAPAN AS PROVIDED IN ARTICLE 3-3 PARAGRAPH (6) OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN, THE AMOUNT OF SUCH INTEREST MINUS THE AMOUNT PROVIDED IN THE CABINET ORDER RELATING TO SAID PARAGRAPH (6)."

(8) So long as the Bonds remain outstanding, copies (and certified English translations where the documents in question are not in English) of the following documents may be inspected (and in the case of (a) and

(b) below, copies may be obtained) at the registered office of the Company and at the offices of the Fiscal Agent, and, so long as the Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, at the specified offices of the listing agent in Luxembourg, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

(a) the Articles of Incorporation and Regulations of the Board of Directors of the Company;

(b) the annual reports of the Company for the years ended 31 March 2004 and 2005 and the semi-annual reports of the Company for the six months ended 30 September 2004 and 2005 and copies of the most recent published annual reports and semi-annual reports of the Company;

(c) the audit report of KPMG AZSA & Co. for the years ended 31 March 2004 and 2005;

(d) the Subscription Agreement referred to above; and

(e) the Fiscal Agency Agreement.

(9) The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

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