Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking statements in the following discussion and analysis are judgments of the JR East Group as of March 31, 2015.

Key Accounting Policies and Estimates

JR East prepares consolidated financial statements in accordance with accounting principles generally accepted in Japan. Forward-looking estimates included in those financial statements are based on a variety of factors that, in light of JR East's past performance and current circumstances, can be reasonably assumed to have affected results for assets and liabilities on the consolidated settlement date and consolidated revenues and expenses in fiscal 2015, ended March 31, 2015. JR East continuously assesses those factors. Actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

Performance Analysis

Overview

In fiscal 2015, the Japanese economy continued to recover gradually, supported in part by improvements in employment conditions, even though demand declined at the beginning of the fiscal year as a rebound from the demand rush that preceded the tax consumption hike. Under these conditions, and guided by "JR East Group Management Vision V—Ever Onward," the Group (consisting of the Company, its consolidated subsidiaries, and affiliated companies that were accounted for by the equity method) steadily advanced various initiatives centered on the railway and life-style service businesses and *Suica* operations.

As a result, operating revenues for fiscal 2015 increased 2.0% year on year, to ¥2,756.2 billion ($22,968 million), mainly due to growth in the Company's transportation revenues, with a large amount of this growth stemming from non-commuter pass revenues. Operating income increased 5.1%, to ¥427.5 billion ($3,563 million). Net income decreased 9.8%, to ¥180.4 billion ($1,503 million), due to factors including the recognition of extraordinary losses associated with the transfer of management of the Miyako–Kamaishi segment of the Yamada Line and an increase in income taxes-deferred resulting from a reversal of deferred income taxes that accompanied an amendment of Japan's Corporation Tax Act.

Business results by business segment were as follows.

Segment Information

TRANSPORTATION

In the Transportation segment, with railway operations as its core operations, the Company, aiming to ensure safe and reliable transportation and improve customer satisfaction, sought to secure revenues by steadily introducing measures to encourage the use of its Shinkansen network and conventional lines network.

With respect to safety, JR East steadily implemented measures based on its sixth five-year safety plan, "JR East Group Safety Plan 2018," with the goal of achieving "extreme safety levels." For example, in response to a derailment accident in February 2014 inside of Kawasaki Station on the Keihin-Tohoku Line, the Group has been implementing measures to enhance safety as part of efforts to prevent the reoccurrence of such accidents. Measures included a review of procedures for allowing the entry of road-rail vehicles and heavy construction machinery into restricted construction areas, the clarification of the chain of command among contractors performing construction within closed railway lines, and the reinforcement of measures for stopping trains. Also, JR East steadily implemented seismic reinforcement and other countermeasures in preparation for a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. JR East has earmarked a total of ¥300.0 billion for investment in such measures to be conducted over a five-year period continuing through fiscal 2017 designed for intensive implementation of measures. Specific measures included seismic reinforcement work, which was conducted on embankments near the Chuo Line's Ochanomizu Station as well as on viaducts, bridge piers, and electrical poles. Approximately 50% of the work that is currently planned was completed as of March 31, 2015. Also, to reinforce its seismic observation system, the Company instituted measures to allow for the high-speed transmission of seismographic observations in certain areas on an accelerated schedule and proceeded with preparations for the reception of submarine seismograph data. Furthermore, as part of its measures for preventing railway crossing accidents, JR East continued converting type-4 railway crossings to type-1 railway crossings, eliminating and consolidating railway crossings, and installing additional obstruction warning devices and obstacle detection devices at railway crossings. Also, the Company began the operation of automatic platform gates at seven stations on the Yamanote Line, including Gotanda Station and Tabata Station. This brought the number of stations equipped with such gates to 18 stations as of March 31, 2015. Other initiatives included the trial introduction of vertical-motion automatic platform gates at Haijima Station on the Hachiko Line.

Regarding service quality, the Group advanced measures with the aim of becoming No. 1 for customer satisfaction in the Japanese railway industry. In an effort to improve the quality of transportation, the Group began employing windbreaks on the Keiyo Line, Sobu Line, Joban Line, and other lines. In addition, JR East implemented snow countermeasures, such as the enhancement of systems and facilities, for conventional lines in the Tokyo metropolitan area and for Shinkansen lines. The countermeasures were in response to a large-scale disruption to transportation services caused by heavy snowfall in February 2014. Furthermore, aiming to provide individual customers with timely information, in March 2015 we launched an English version of the *JR EAST APP* for smartphones, which was made available in Japanese in March 2014. The number of application downloads reached approximately 1.1 million on a cumulative basis as of March 31, 2015. In addition, the Company expanded the scope of lines covered by *doko-train*, a service providing information on the operational status of trains, with regions outside of the Tokyo metropolitan area designated as the primary target of this expansion. JR East also continued the "Service Quality Improvement Projects" conducted on the Musashino Line. These projects included installing new platform benches and waiting rooms as well as distributing information related to service quality improvement initiatives. Elsewhere, we collaborated with other railway operators to institute the *Let's Hang On to the Handrail* campaign, which is designed to promote safe escalator usage. At the same time, we held the *Safe Use of Baby Stroller Class in Teppaku* (the Railway Museum) program as part of the safety campaigns promoted by the Ministry of Land, Infrastructure, Transport and Tourism.

In regard to transportation, having revised its timetables in March 2015, JR East opened the Hokuriku Shinkansen Line to Kanazawa and began operating Shinkansen services, such as *Kagayaki*, the fastest service, and *Hakutaka*, a service that stops at most stations between Tokyo and Kanazawa. The fastest travel time between Tokyo and Kanazawa is now two hours 28 minutes. Moreover, in a joint initiative with Echigo TOKImeki Railway Company, JR East began operating the *Shirayuki* limited express service between Niigata Station and Joetsumyoko Station to provide an option for access to the Hokuriku Shinkansen Line. This initiative and others were implemented to expand railway networks and thereby foster greater inter-regional mobility. In addition, the Company opened the Ueno-Tokyo Line and began the operation of direct services that connect the Utsunomiya Line and the Takasaki Line to the Tokaido Line in both directions. We also commenced the operation of direct services that connect from the Joban Line and travel as far as Shinagawa Station. Another measure was to enhance the convenience of the *Tokyo Megaloop* through such efforts as increasing the frequency of trains on the Musashino and Keiyo lines.

In sales and marketing, JR East conducted *Niigata Destination Campaign, Yamagata Destination Campaign*, and the *Ikuze, Tohoku. Campaign* to encourage tourism and revitalize communities. Efforts were also made to encourage greater use of the *Hayabusa* and *Komachi* Shinkansen services, for which the maximum operation speed for all trains was set at 320 km/h in March 2014. In regard to trains that cater to people seeking to board for the "ride" itself, we commenced, among other services, the *Toreiyu Tsubasa* service equipped with a footbath compartment on the Yamagata Shinkansen Line and the *Koshino Shu*Kura* service on the Shinetsu and Iiyama lines. In addition, we moved ahead with preparations for the commencement of the *FruitTea Fukushima* service on the Banetsu West Line and the *Oykot* service on the Iiyama Line, which were started in April 2015. Moreover, in conjunction with the opening of the Hokuriku Shinkansen Line to Kanazawa, JR East worked to develop inter-regional sightseeing excursion routes in the Shinetsu and Hokuriku regions. These efforts included beginning operation of the *Tenku no Hida Kairo View Bus* (Hida Mountains Excursion Bus) as well as conducting the *Japanese Beauty Hokuriku* campaign. Also, to capture the strong demand for inbound travel to Japan, we participated in the management of a travel company in Taiwan through a Group company. We also promoted such sales of holiday products as *JR East Railway Holiday* for Taiwan and Hong Kong and *Tokyo Rail Days* for the Southeast Asia market. Furthermore, JR East enhanced its readiness to welcome customers from overseas through efforts that included the new establishment of the JR EAST Travel Service Center in Shinjuku Station.

In *Suica* operations, JR East worked to further improve customer convenience. For example, JR East expanded the *Suica* usage area to 36 stations on 13 line segments, including Yamagata Station on the Ou Line, Kashiwazaki Station on the Shinetsu Line, and Matsumoto Station on the Shinonoi Line, as well as to the Fujikyuko Line, the BRT (Bus Rapid Transit) Kesennuma Line, and the BRT Ofunato Line. Furthermore, we made it possible for customers to charge their *Suica* cards with an iPhone in October 2014. The total number of *Suica* cards issued was approximately 50.7 million cards as of March 31, 2015.

Suica cards commemorating Tokyo Station's centennial anniversary were launched in December 2014. However, the Company was forced to discontinue sale of these cards on the day of their launch to ensure customers' safety due to the large number of customers that visited Tokyo Station on this day with the aim of purchasing a card. Subsequently, JR East decided to print additional cards and sell them to all customers wishing to purchase them.

With respect to JR East's participation in overseas railway projects, we proceeded with preparations to supply railcars and provide ground facility maintenance services for the Purple Line, an urban mass transit system in Bangkok, Thailand, scheduled to enter service in 2016. Meanwhile, we worked to publicize JR East's technology through efforts including an exhibit in September 2014 at InnoTrans 2014, one of the world's largest railway trade fairs, in Berlin, Germany. In addition, we advanced the "Global Human Resource Development Program—Ever Onward" to develop human resources that can contribute to global business development. This included the continued expansion of overseas studies programs and on-the-job trainee programs in the overseas railway consulting business.

As a result of the above, although JR East's railway traffic volume was below that of the previous fiscal year, operating revenues in the Transportation segment increased 1.3% to ¥1,907.3 billion ($15,894 million), and operating income increased 10.2% to ¥294.6 billion ($2,455 million).

To recover from severe damage caused to line segments on the Pacific coast by the Great East Japan Earthquake, JR East is working together with the national government and relevant local authorities to formulate and advance plans for rebuilding the area as a whole and developing individual towns. Notably, the Company made a proposal to relevant local authorities and other parties about integrating the operation of the Miyako–Kamaishi segment of the Yamada Line with the North and South Rias Lines, with both managed by Sanriku Railway Company. In December 2014, a basic agreement was reached, and a letter of intent and memorandum of understanding were signed in February 2015. Further, with respect to the Ishinomaki Line, JR East proceeded with restoration work between Urashuku and Onagawa and resumed operations on all sections on March 21, 2015. In addition, JR East advanced restoration work between Takagimachi and Rikuzen-Ono on the Senseki Line with the aim of resuming operations on all sections on May 30, 2015. At the same time, we moved forward with preparations for opening the Senseki-Tohoku Line, which connects the Senseki Line and the Tohoku Main Line and commenced operation on the same day. In regard to the Joban Line, in June 2014 service between Hirono and Tatsuta was resumed, including sections within a 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station. Furthermore, JR East began operating bus service, in lieu of train service, between Tatsuta and Haranomachi on the Joban Line in January 2015. We also pushed forward with restoration work between Soma and Hamayoshida, aiming to resume operations in spring 2017. JR East's policy going forward for areas within the 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station will be to prepare to resume operations in the areas designated as "areas to which evacuation orders are ready to be lifted." In areas where steps need to be taken to decontaminate line-side areas and return residents to their homes, we will advance preparations while gaining the cooperation of the national government and local authorities. At the same time, in the locations designated as "areas where it is expected that the residents will have difficulties in returning for a long time," JR East aims to open lines after the completion of decontamination work required for opening lines and implementation of measures to ensure the safety of users in emergencies. These efforts will be advanced with the support and cooperation of the national government and local authorities. In addition, for services with a provisional BRT system, JR East sought to make transferring to conventional railway lines more convenient by establishing a stop inside Kesennuma Station for the BRT Kesennuma Line in April 2014 and a stop inside the station for the BRT Ofunato Line in March 2015.

As for the Iwaizumi Line, a local bus company began operating the Iwaizumi-Moichi Line as a bus service on April 1, 2014, after the railway service was terminated on March 31, 2014. JR East is providing the necessary support to operate the bus service.

SHINKANSEN NETWORK

In the Shinkansen network, passenger kilometers increased 0.2% year on year, to 20.9 billion, mainly due to the opening of the Hokuriku Shinkansen Line to Kanazawa and an increase in inbound foreign travelers boarding as passengers. Revenues from passenger tickets increased 2.8% year on year to ¥521.2 billion ($4,344 million). Included in this figure, Shinkansen commuter pass revenues increased 1.6% year on year to ¥23.2 billion ($194 million), and non-commuter pass revenues rose 2.8% to ¥498.0 billion ($4,150 million).

CONVENTIONAL LINES (KANTO AREA NETWORK)

For conventional lines in the Kanto area network, passenger kilometers decreased 0.9% year on year to 103.3 billion. Revenues from passenger tickets increased 1.5% to ¥1,131.7 billion ($9,431 million). Included in this figure, commuter pass revenues increased 2.0% to ¥448.3 billion ($3,736 million), due mainly to changes in estimation methods for prepaid railway fares received that were instituted in fiscal 2014, while non-commuter pass revenues increased 1.1% to ¥683.4 billion ($5,695 million).

CONVENTIONAL LINES (OTHER NETWORK)

In the conventional lines other than the Kanto area network, passenger kilometers decreased 3.0% year on year to 5.8 billion. Revenues from passenger tickets decreased 1.3% to ¥73.0 billion ($608 million). Included in this figure, commuter pass revenues increased 0.5% to ¥18.8 billion ($156 million), due mainly to changes in estimation methods for prepaid railway fares received that were instituted in fiscal 2014, while non-commuter pass revenues decreased 1.9% to ¥54.2 billion ($452 million).

STATION SPACE UTILIZATION

In the Station Space Utilization segment, taking advantage of the centennial anniversary of the opening of Tokyo Station in December 2014, JR East implemented initiatives to provide information and draw customer activity to raise the value of the station and the surrounding areas. In regard to *NEWDAYS* convenience stores, newly designed stores were opened in Shinjuku Station and other locations, and the Group responded to diversifying customer needs with measures that included launching freshly brewed coffee *EKI na CAFE* and enhancing the product lineup. Moreover, as a part of its *Rediscovering the Regions Project*, JR East set up *Sanchoku-Ichi* farmers' markets representing various regions at Ueno Station and other stations as a form of advertising local goods and promoting tourism. In addition, the Group began manufacturing and marketing sweets made from rice flour at *Tokamachi Sukoyaka Factory* (Niigata) in an initiative directed at developing the agriculture, fishing, and forestry industry into a sextic industry.

Complementing these efforts, the favorable performance of *ecute Tokyo* (Tokyo) contributed to revenue increases. Regardless though, operating revenues for the Station Space Utilization segment decreased 0.9% to ¥412.0 billion ($3,433 million), mainly due to the closure of stores that were impeding construction, and operating income declined 4.2% to ¥34.5 billion ($288 million).

SHOPPING CENTERS & OFFICE BUILDINGS

In the Shopping Centers & Office Buildings segment, JR East opened *CIAL Sakuragicho* (Kanagawa), phase 1 of *nonowa Musashikoganei* (Tokyo), and *MIDORI Nagano* (Nagano). Also, we created an integrated excursion space with the opening of *nonomichi* (Tokyo), a new shopping promenade in the space underneath a railway viaduct from Musashi-Sakai Station to Higashi-Koganei Station on the Chuo Line. In addition, we renovated *CELEO Kofu* (Yamanashi) and other shopping centers and implemented measures to invigorate existing stores and continue attracting tenants that generate customer traffic. Meanwhile, the Group proceeded with the construction of phase 1 of *nonowa Kunitachi* (Tokyo), which opened on April 18, 2015; the *Shinjuku New South Exit Building* (provisional name), scheduled for completion in the spring of 2016; and the *Sendai Station East Exit Development*. Also, the Group began construction of the *Atami Station Building* (provisional name), scheduled to open in fiscal 2017; the *JR Funabashi Station South Exit Building* (provisional name), scheduled to open in fiscal 2018; and phase 1 of the *Shibuya Station Area Development Plan* (East Bldg.), a joint project with Tokyu Corporation and Tokyo Metro Co., Ltd., scheduled for completion in fiscal 2020.

As a result of these initiatives, as well as increases in revenues due to strong sales at LUMINE Co., Ltd., and the opening of *JR Otsuka Minamiguchi Building* (Tokyo) in the previous fiscal year, operating revenues of the Shopping Centers & Office Buildings segment increased 1.8% to ¥266.6 billion ($2,221 million), and operating income increased 0.4% to ¥72.3 billion ($602 million).

OTHERS

In hotel operations, aiming to encourage tourism in the Sanriku coast area, JR East opened *Hotel Folkloro Sanriku Kamaishi* (Iwate) in March 2015. Furthermore, the Company renovated *Hotel Metropolitan Nagano* (Nagano) to coincide with the opening of the Hokuriku Shinkansen Line to Kanazawa and Zenkoji Temple's Gokaicho period. At the same time, the Group proceeded with the renovation of guestrooms and facilities for weddings at *Hotel Metropolitan* (Tokyo) and implemented other initiatives to upgrade the competitiveness of existing hotels. In advertising and publicity operations, JR East introduced *J-AD Vision*, an advertising medium at stations that uses large LCD screens, at Nagano Station, and strove to promote sales of *Train Channel*, an advertising medium used to show video commercials on trains.

In credit card operations, JR East promoted card usage and worked to increase cardholder numbers through campaigns tied to various events, such as *Destination Campaigns* and the 25th anniversary of GALA Yuzawa. In *Suica* shopping services (electronic money), the Company implemented measures to expand and encourage the use of *Suica* electronic money. For example, JR East introduced settlement services using *Suica* for a handheld gaming device manufactured by Nintendo Co., Ltd. Settlement services for in-flight shopping on the domestic routes of All Nippon Airways Co., Ltd., were also launched. As a result of these measures, *Suica* electronic money was usable at approximately 290,000 stores and other business establishments as of March 31, 2015.

In the sports business, JR East opened its second exercise and daycare center, *JeXer Platina Gym Musashisakai* (Tokyo), in July 2014. In addition, we opened the *Akabane COTONIOR* (Tokyo) multipurpose care facility for children and senior citizens in April 2015.

As a result of these initiatives, as well as increases in revenues from information processing and advertising and publicity services, operating revenues from the Others segment increased 6.7% to ¥614.2 billion ($5,118 million). However, operating income decreased 15.9% to ¥27.5 billion ($229 million), mainly due to higher expenses related to credit card operations.

Notes: 1. The Group applies the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, June 30, 2010) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, March 21, 2008). The operating income of each segment of the Group corresponds to the segment income under the above Accounting Standard and Guidance.
2. The name "iPhone" is a registered trademark of Apple Inc. in the United States and other countries.

Operating Income

Operating expenses increased 1.4% year on year to ¥2,328.6 billion ($19,405 million). Operating expenses as a percentage of operating revenues were 84.5%, compared with 84.9% in the previous fiscal year.

Transportation, other services and cost of sales increased 0.7%, to ¥1,806.2 billion ($15,051 million), because of an increase in cost of equipment.

Selling, general and administrative expenses increased 4.2%, to ¥522.4 billion ($4,354 million), which was due to an increase in cost of equipment.

Operating income rose 5.1%, to ¥427.5 billion ($3,563 million), increasing for the fifth consecutive fiscal year. Operating income as a percentage of operating revenues was 15.5%, compared with 15.1% in the previous fiscal year.

Income before Income Taxes

Other income increased 18.6%, to ¥87.6 billion ($730 million), due mainly to a rise in construction grants received.

Other expenses increased 28.0%, to ¥199.8 billion ($1,665 million), mainly as a result of the extraordinary losses associated with transfer of management of the Miyako–Kamaishi segment of the Yamada Line and higher losses on reduction entry for construction grants.

Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥78.2 billion ($652 million) expense, an improvement of 8.3%.

Income before income taxes decreased 2.9%, to ¥315.3 billion ($2,628 million). Income before income taxes as a percentage of operating revenues was 11.4%, compared with 12.0% in the previous fiscal year.

Net Income

Net income decreased 9.8% to ¥180.4 billion ($1,503 million), declining for the first time in four years due to an increase in income taxes-deferred that resulted from a reversal of deferred income taxes accompanying an amendment of Japan's Corporation Tax Act. Earnings per share were ¥459 ($4), down from ¥507 per share. Further, net income as a percentage of operating revenues was 6.5%, compared with 7.4% in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2015, operating activities provided net cash of ¥622.8 billion ($5,190 million), ¥60.0 billion more than in the previous fiscal year. This result was mainly due to a decrease in payments of income taxes.

Investing activities used net cash of ¥476.8 billion ($3,974 million), ¥2.1 billion more than in the previous fiscal year. This result was mainly due to a decrease in proceeds from construction grants.

Capital expenditures were as follows.

In transportation operations, JR East implemented capital expenditures to further measures for ensuring transportation safety and reliability as well as to build a highly competitive transportation network. In station space utilization operations, we developed spaces inside Musashi-Urawa Station and conducted renovation work at existing stores. In shopping centers and office buildings operations, JR East made capital expenditures related to *CIAL Sakuragicho*, phase 1 of *nonowa Musashikoganei*, and *MIDORI Nagano*. We also renovated *CELEO Kofu*. In the Others segment, capital expenditures included those for systems development and functional enhancements as well as for the construction of *Hotel Folkloro Sanriku Kamaishi* and the renovation of existing hotels.

Further, free cash flows increased ¥57.9 billion, to a positive ¥145.9 billion ($1,216 million).

Financing activities used net cash of ¥86.6 billion ($722 million), ¥4.7 billion less than in the previous fiscal year. This result was mainly due to a decrease in the repayment of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2015, were ¥245.2 billion ($2,043 million), an increase of ¥59.2 billion from ¥186.0 billion on March 31, 2014.

Financial Policy

Interest-bearing debt at March 31, 2015, stood at ¥3,275.5 billion ($27,296 million).

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

a. ¥101.8 billion ($848 million) payable at a variable interest rate (annual interest rate in fiscal 2015: 4.13%) through March 31, 2017;
b. ¥94.2 billion ($785 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017; and
c. ¥338.8 billion ($2,823 million) payable at a fixed annual interest rate of 6.55% through September 30, 2051.

In addition, at the fiscal year-end, JR East had long-term liabilities incurred for purchase of railway facilities of ¥8.0 billion ($67 million) for the Akita hybrid Shinkansen facilities and ¥2.4 billion ($20 million) for Tokyo Monorail Co., Ltd.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for the purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities based on an agreement with the Japan Railway Construction, Transport and Technology Agency (JRTT). JR East made early repayments of ¥17.9 billion ($150 million) in fiscal 2015.

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

In fiscal 2015, JR East issued seven unsecured straight bonds in Japan, with a total nominal amount of ¥120.0 billion ($1,000 million) and maturities from 2017 through 2045. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East received long-term debt ratings from Standard & Poor's Ratings Japan K.K. and Moody's Japan K.K. of AA– and Aa3, respectively.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($2,750 million). JR East did not have any bank overdrafts on March 31, 2015. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2015. There was no outstanding balance of commercial paper issued by JR East as of March 31, 2015.

In April 2015, JR East established a committed bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥60.0 billion ($500 million).

Operational and Other Risk Information

The following are issues related to the operational and accounting procedures that may have a significant bearing on the decisions of investors.

Forward-looking statements in the following section are based on the assessments of the JR East Group as of March 31, 2015.

Legal Issues Relating to Operations

As a railway operator, JR East manages its railway operations pursuant to the stipulations of the Railway Business Act. JR East is generally excluded from the provisions of the Act on Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law"). However, JR East is required to manage its railway operations in accordance with guidelines relating to matters that should be considered for the foreseeable future, which are stipulated in a supplementary provision of a partial amendment of the JR Law (hereinafter the "amended JR Law"). Details of relevant laws are as follows.

Railway Business Act (Act No. 92 of 1986)

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

JR Law (Act No. 88 of 1986)

AIM OF THE ESTABLISHMENT OF THE JR LAW

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

AMENDED JR LAW

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

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

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

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

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

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

Establishment of and Changes to Fares and Surcharges

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

Systems and Procedures for Approval of Fares and Surcharges

The Railway Business Act stipulates that railway operators are required to obtain the approval of the Minister when setting or changing the upper limit for fares and surcharges (Railway Business Act, Article 16, paragraph 1).

Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, including limited express surcharges on conventional lines and other charges (Railway Business Act, Article 16, paragraphs 3 and 4).

JR East's Stance

(a) JR East has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revisions (April 1997 and April 2014).

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

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

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

Stance of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT")

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

(a) The Minister will approve applications for the revision of the upper limits of fares from railway operators, including from JR East, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and profits that can be expected to be incurred through the efficient management of those companies (hereinafter "total cost") (Railway Business Act, Article 16, paragraph 2).

In addition, a three-year period is stipulated for the calculation of costs.

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

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

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

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

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

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

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

Plan for the Development of New Shinkansen Lines

Construction Plans for New Shinkansen Lines

New Shinkansen lines are those lines indicated in the plan for the Shinkansen line network that was decided pursuant to the Nationwide Shinkansen Railway Development Law (Act No. 71 of 1970). Finalized in 1973, that plan called for the development of the Tohoku Shinkansen Line (Morioka–Aomori), the Hokuriku Shinkansen Line (Tokyo–Nagano–Toyama–Osaka), the Kyushu Shinkansen Line (Fukuoka–Kagoshima), and other Shinkansen lines. Following the division and privatization of JNR, JR East was selected as the operator of the Takasaki–Joetsu segment of the Hokuriku Shinkansen Line and the Morioka–Aomori segment of the Tohoku Shinkansen Line. JR East started operation of the Hokuriku Shinkansen Line between Takasaki and Nagano on October 1, 1997; the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002, and between Hachinohe and Shin-Aomori on December 4, 2010; and then on the Hokuriku Shinkansen Line between Nagano and Joetsumyoko on March 14, 2015.

New Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Sapporo segment of the Hokkaido Shinkansen Line, the Kanazawa–Tsuruga segment of the Hokuriku Shinkansen Line, and the Takeo-Onsen–Nagasaki segment of the Kyushu Shinkansen Line.

Cost Burden of the Development of New Shinkansen Lines

(a) The national government, local governments, and the JR Companies assume the cost of new Shinkansen lines constructed by the Japan Railway Construction, Transportation and Technology Agency (JRTT). Amounts to be funded by the JR Companies are to be paid out of the following:

1) Usage fees and other charges paid by the JR Companies as the operator of the line,
2) Funds made available from the JRTT, to which JR East, JR Central, and JR West make payments of amounts due on their Shinkansen purchase liabilities.

(b) In October 1997, the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line was accompanied by new standards for the amount of usage fees paid by the JR Companies as the operator of the line. Those usage fees are now regulated under the Japan Railway Construction, Transport and Technology Agency Law (enforcement ordinance, Article 6).

That enforcement ordinance stipulates that the JRTT will determine the amount of usage fees based on the benefit received as the operator of the said Shinkansen line after opening and the sum of taxes and maintenance fees paid by the JRTT for railway facilities leased. Of those, the benefits received as the operator are calculated by comparing the estimated revenues and expenses generated by the new segment of the Shinkansen line and related line segments after opening with the revenues and expenses that would likely be generated by parallel conventional lines and related line segments if the new segment of the Shinkansen line was not opened. The expected benefits are the difference between the amount that the operator of the new Shinkansen line should receive as a result of operation and the amount that would be received if the new Shinkansen lines did not commence service. Specifically, the expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services. In addition, the taxes and maintenance fees are included in calculations of the corresponding benefits as an expense of the operator of the Shinkansen line after opening. Therefore, the burden of the operator is kept within the limits of the corresponding benefits.

With respect to the usage fee amount for the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, which opened in October 1997, JR East decided that the usage fees calculated by the former Japan Railway Construction Public Corporation (JRCC) (currently, the JRTT) were within the limits of the corresponding benefits to result from the opening of that line and concluded an agreement with the JRCC in September 1997. Also, the JRCC received approval for those usage fees from the Minister of Transport in September 1997. Usage fees for fiscal 2015 totaled ¥20.8 billion ($174 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($146 million) and taxes and maintenance fees of ¥3.3 billion ($28 million).

In November 2002, JR East also concluded an agreement with the JRCC regarding the usage fees amount for the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, which opened in December 2002. The JRCC received approval for those usage fees from the Minister in November 2002. Usage fees for fiscal 2015 totaled ¥10.5 billion ($87 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($66 million) and taxes and maintenance fees of ¥2.6 billion ($21 million).

In December 2010, JR East also concluded an agreement with the JRTT regarding the usage fees amount for the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, which opened in December 2010. The JRTT received approval for those usage fees from the Minister in December 2010. Usage fees for fiscal 2015 totaled ¥8.2 billion ($69 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.0 billion ($59 million) and taxes and maintenance fees of ¥1.2 billion ($10 million).

In March 2015, JR East concluded an agreement with the JRTT regarding the usage fees amount for the Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line, which opened in March 2015. The JRTT received approval for those usage fees from the Minister in March 2015. The usage fee amount to be paid by JR East in each fiscal year is defined as comprising the fixed amount calculated based on the corresponding benefits of ¥16.5 billion and the taxes and maintenance fees from the respective fiscal year. Usage fees for fiscal 2015 were calculated per diem as the line segment opened partway through the fiscal year. These usage fees totaled ¥0.8 billion ($7 million), comprising the fixed amount calculated based on the corresponding benefits of ¥0.8 billion ($7 million) and taxes and maintenance fees of ¥0.0 billion ($0 million).

(c) Compared with periods when there is no construction of new Shinkansen lines, costs related to new Shinkansen lines, such as depreciation of railcars and other costs, can have an impact on JR East's single-year revenues and expenses in the initial period after opening. However, given the nature of usage fees mentioned in (b) above, JR East believes that such factors will not have an impact on revenues and expenses over the 30-year period.

Treatment of Conventional Lines Running Parallel to New Shinkansen Lines

In October 1997, at the time of the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, the Yokokawa–Karuizawa segment was eliminated and the management of the Karuizawa–Shinonoi segment of the Shinetsu Line was separated from JR East. In addition, at the time of the openings of the Morioka–Hachinohe segment in December 2002 and the Hachinohe–Aomori segment in December 2010 of the Tohoku Shinkansen Line, the management of those segments on the Tohoku Line were separated from JR East. Furthermore, at the time of the opening of the Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line in March 2015, the management of the Nagano–Naoetsu segment of the Shinetsu Line was separated from JR East.

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

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

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

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

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

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

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

Changes in relation to the two aforementioned conditions for the construction of new Shinkansen lines could affect the JR East Group's financial condition and business performance.

Safety Measures

Railway operations can potentially suffer significant damage resulting from accidents due to natural disasters, human error, crime, or terrorism; accidents at nuclear power plants; the large-scale spread of infectious diseases; or other factors.

The JR East Group regards ensuring safety as a top management priority. Accordingly, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues, and it is steadily advancing the measures described in the sixth five-year safety plan, "JR East Group Safety Plan 2018."

Specifically, in response to a derailment accident in February 2014 within Kawasaki Station on the Keihin-Tohoku Line, the Group has been implementing measures to enhance safety as part of efforts to prevent the reoccurrence of such accidents. Such measures included a review of procedures for allowing entry of road-rail vehicles and heavy construction machinery into restricted construction areas. Also, JR East steadily implemented seismic reinforcement and other countermeasures in preparation for a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. JR East has earmarked a total of ¥300.0 billion for investment in such measures to be conducted over a five-year period continuing through fiscal 2017 designed for intensive implementation of measures. Approximately 50% of the work that is currently planned was completed as of March 31, 2015. Also, in order to reinforce its seismic observation system, the Company examined specifications for technologies for the high-speed transmission of seismographic observations and proceeded with discussions on how to utilize submarine seismograph data. Meanwhile, in order to accommodate people unable to return home in the event of a major disruption to public transportation, JR East is sequentially forming plans for upgrading the emergency power supplies at 30 major terminal stations to have a 24-hour capacity, and it is progressively advancing related installations. Furthermore, as part of its ongoing efforts to prevent accidents at railway crossings, JR East continued installing additional obstruction warning devices and obstacle detection devices at railway crossings. Also, the Company began the operation of automatic platform gates at seven stations on the Yamanote Line, including Gotanda Station and Tabata Station, and introduced new vertical-motion automatic platform gates in Haijima Station on the Hachiko Line on a trial basis.

In response to a serious train track obstruction incident that resulted from the collapse of an electrical pole on the Kanda–Akihabara segment of the Yamanote Line in April 2015, we conducted emergency inspections of all electrical poles in JR East's areas of operation. Moreover, in order to prevent the reoccurrence of such incidents, we established a review committee chaired by the Director General of Railway Operations Headquarters within the Company's Railway Safety Promotion Committee. After conducting fact-finding investigations and determining the cause of the incident, including background factors, we began implementing the necessary preventative measures. Furthermore, we are implementing top-priority, comprehensive safety inspections at all JR East operating sites and are instituting companywide efforts to identify and eliminate any shortcomings in terms of safety. Going forward, we will work to our fullest to recover the trust lost due to this incident.

Information Systems and Protection of Personal Data

The JR East Group currently uses many information systems in its various railway and life-style service businesses, and *Suica* operations. Furthermore, information systems play an important role for travel agencies as well as Railway Information Systems Co., Ltd., and other companies with which the JR East Group has close business relationships. If the functions of those information systems were seriously damaged as a result of natural disasters or human error, this could have an impact on the operations of JR East. Moreover, in the event that personal data stored in those information systems was leaked to unrelated third parties or altered due to information systems becoming infected by viruses or unauthorized manipulation, it could affect JR East's financial condition and business performance.

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

Development of the Life-Style Service Business

The JR East Group has positioned the life-style service business as a central pillar of management. In the life-style service business, JR East is developing station space utilization, shopping centers and office buildings, and other operations (hotel operations, advertising and publicity, and other services).

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

Competition

The JR East Group's railway business competes with transportation sources including airlines, automobiles, buses, and other railway companies. Furthermore, the JR East Group's life-style service business compete with existing and newly established businesses. The competition of the JR East Group's railway and life-style service businesses with such rivals could have an impact on the JR East Group's financial condition and business performance.

Intensified competition in the transportation market could adversely affect earnings from JR East's railway business. Such competition includes the expansion of low-cost carrier (LCC) routes, toll discounts and other sales promotion measures on expressways, and the advancement of large-scale upgrading works by other railway operators in the Tokyo metropolitan area. Also, developments such as the new entry of other companies into markets or the renovation or reopening of existing commercial facilities could result in increased competition, and thereby adversely affect earnings from JR East's life-style service business.

Reduction of Total Interest-Bearing Debt

On March 31, 2015, total interest-bearing debt stood at ¥3,275.5 billion ($27,296 million). In addition, interest expense amounted to ¥82.0 billion ($683 million), which was equivalent to 19.2% of operating income.

JR East will continue to reduce interest-bearing debt and refinance to obtain lower interest rates. However, a reduction in free cash flows due to unforeseen circumstances or a change in borrowing rates due to fluctuation in interest rates could affect JR East's financial condition and business performance.

Compliance

The JR East Group conducts operations in a variety of areas, including the railway and life-style service businesses, and *Suica* operations. These operations are advanced in a manner pursuant to the stipulations of related statutory laws and regulations, such as the Railway Business Act, and in adherence to corporate ethics. However, becoming subject to administrative measures or losing public confidence due to a breach of those statutory laws and regulations or corporate ethics could affect the JR East Group's financial condition and business performance.

The JR East Group, in addition to establishing the Legal Compliance and Corporate Ethics Guidelines, works to ensure legal compliance through such initiatives as enhancing employee education about legal compliance and checking the status of compliance with statutory laws and regulations that relate to all the areas of its operations.

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2014 and 2015

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Assets			
Current Assets:			
Cash and cash equivalents (Notes 5 and 9)	¥ 186,058	**¥ 245,171**	**$ 2,043**
Receivables (Note 9):			
Accounts receivable–trade	437,524	**453,620**	**3,780**
Unconsolidated subsidiaries and affiliated companies	8,795	**9,313**	**78**
Other	7,851	**6,030**	**50**
Allowance for doubtful accounts (Note 2 (4))	(2,169)	**(1,667)**	**(14)**
	452,001	**467,296**	**3,894**
Inventories (Notes 2 (5) and 6)	67,393	**52,856**	**440**
Real estate for sale (Notes 2 (6) and 7)	1,200	**1,099**	**9**
Deferred tax assets (Note 21)	48,404	**43,635**	**364**
Other current assets	49,832	**45,728**	**382**
Total current assets	804,888	**855,785**	**7,132**
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 8)	44,640	**52,707**	**439**
Other (Notes 2 (7), 9 and 10)	159,109	**197,660**	**1,647**
	203,749	**250,367**	**2,086**
Property, Plant and Equipment (Notes 2 (8), 11, 12 and 22):			
Buildings	2,381,867	**2,415,148**	**20,126**
Fixtures	5,600,232	**5,706,075**	**47,551**
Machinery, rolling stock and vehicles	2,653,869	**2,692,386**	**22,437**
Land	1,987,541	**1,991,792**	**16,598**
Construction in progress	279,626	**254,959**	**2,125**
Other	220,116	**228,212**	**1,901**
	13,123,251	**13,288,572**	**110,738**
Less accumulated depreciation	7,097,413	**7,199,572**	**59,996**
Net property, plant and equipment	6,025,838	**6,089,000**	**50,742**
Other Assets:			
Long-term deferred tax assets (Note 21)	222,416	**218,974**	**1,825**
Other	171,413	**191,564**	**1,596**
	393,829	**410,538**	**3,421**
	¥ 7,428,304	**¥ 7,605,690**	**$ 63,381**

See accompanying notes.

	Millions of Yen 2014	Millions of Yen 2015	Millions of U.S. Dollars (Note 2 (1)) 2015
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 9, 11 and 13)	¥ 197,921	**¥ 173,220**	**$ 1,444**
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	120,999	**106,731**	**889**
Prepaid railway fares received	135,879	**103,439**	**862**
Payables (Note 9):			
Accounts payable–trade	47,225	**47,063**	**392**
Unconsolidated subsidiaries and affiliated companies	94,047	**113,529**	**946**
Other	513,627	**553,704**	**4,614**
	654,899	**714,296**	**5,952**
Accrued expenses	112,035	**110,061**	**917**
Accrued consumption taxes (Notes 9 and 15)	5,799	**41,837**	**349**
Accrued income taxes (Notes 2 (13), 8 and 21)	57,549	**51,772**	**431**
Other current liabilities	40,884	**38,722**	**323**
Total current liabilities	1,325,965	**1,340,078**	**11,167**
Long-Term Debt (Notes 9, 11 and 13)	2,455,520	**2,584,776**	**21,540**
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 9, 11 and 14)	545,417	**438,476**	**3,654**
Net Defined Benefit Liability (Notes 2 (9) and 20)	644,809	**701,731**	**5,848**
Deposits Received for Guarantees	132,652	**132,782**	**1,107**
Long-Term Deferred Tax Liabilities (Note 21)	4,069	**4,073**	**34**
Allowance for partial transfer costs of railway operation (Note 2 (10))	—	**16,547**	**138**
Other Long-Term Liabilities	120,514	**82,251**	**685**
Contingent Liabilities (Note 16)			
Net Assets (Note 17):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2015—393,500,000 shares;			
Outstanding, 2015—392,847,028 shares	200,000	**200,000**	**1,667**
Capital surplus	96,791	**96,833**	**807**
Retained earnings	1,858,008	**1,915,383**	**15,961**
Treasury stock, at cost, 652,972 shares in 2015	(4,327)	**(4,421)**	**(37)**
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	36,857	**68,415**	**570**
Net deferred gains (losses) on derivatives under hedge accounting	1,650	**2,533**	**21**
Revaluation reserve for land (Note 2 (17))	(504)	**(484)**	**(4)**
Remeasurements of defined benefit plans	(7,842)	**7,399**	**62**
Minority interests	18,725	**19,318**	**161**
Total net assets	2,199,358	**2,304,976**	**19,208**
	¥7,428,304	**¥7,605,690**	**$63,381**

Consolidated Statements of Income and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

(I) CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	**2015**	**2015**
Operating Revenues (Note 23)	¥2,702,917	**¥2,756,165**	**$22,968**
Operating Expenses:			
Transportation, other services and cost of sales	1,794,501	**1,806,181**	**15,051**
Selling, general and administrative expenses	501,622	**522,462**	**4,354**
	2,296,123	**2,328,643**	**19,405**
Operating Income (Note 23)	406,794	**427,522**	**3,563**
Other Income (Expenses):			
Interest expense on short- and long-term debt	(45,614)	**(45,310)**	**(378)**
Interest expense incurred for purchase of railway facilities	(42,665)	**(36,652)**	**(305)**
Loss on sales of fixed assets	(474)	**(2,088)**	**(17)**
Impairment losses on fixed assets (Notes 2 (16), 12 and 23)	(6,468)	**(12,738)**	**(106)**
Interest and dividend income	2,966	**3,756**	**31**
Equity in net income (loss) of affiliated companies	1,211	**3,134**	**26**
Gain on sales of fixed assets	2,248	**1,212**	**10**
Insurance proceeds related to earthquake (Note 3)	9,624	**—**	**—**
Provision for allowance for partial transfer costs of railway operation (Note 4)	—	**(16,616)**	**(138)**
Other, net	(3,020)	**(6,919)**	**(58)**
	(82,192)	**(112,221)**	**(935)**
Income before Income Taxes	324,602	**315,301**	**2,628**
Income Taxes (Notes 2 (13) and 21):			
Current	119,621	**107,540**	**896**
Deferred	3,960	**26,203**	**219**
Income before Minority Interests	201,021	**181,558**	**1,513**
Minority Interests in Net Income of Consolidated Subsidiaries	(1,081)	**(1,160)**	**(10)**
Net Income	¥ 199,940	**¥ 180,398**	**$ 1,503**

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (14))	¥ 507	**¥ 459**	**$ 4**
Cash Dividends Applicable to the Year (Note 2 (14))	120	**120**	**1**

See accompanying notes.

(II) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Note 24)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	**2015**	**2015**
Income before Minority Interests	¥201,021	**¥181,558**	**$1,513**
Other Comprehensive Income:	13,611	**47,735**	**398**
Net unrealized holding gains (losses) on securities	13,310	**29,310**	**244**
Net deferred gains (losses) on derivatives under hedge accounting	275	**1,319**	**11**
Remeasurements of defined benefit plans	—	**13,033**	**109**
Share of other comprehensive income of associates accounted for using equity method	26	**4,073**	**34**
Comprehensive Income	¥214,632	**¥229,293**	**$1,911**
Comprehensive Income Attributable to			
Comprehensive income attributable to owners of the parent	¥213,549	**¥228,100**	**$1,901**
Comprehensive income attributable to minority interests	1,083	**1,193**	**10**

See accompanying notes.

Consolidated Statements of Change in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

Millions of Yen

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Minority Interests	Total
Balance at March 31, 2013	396,000,000	¥200,000	¥96,791	¥1,713,026	¥ (3,545)	¥22,997	¥1,901	¥(504)	¥ —	¥17,527	¥2,048,193
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Restated balance	396,000,000	200,000	96,791	1,713,026	(3,545)	22,997	1,901	(504)	—	17,527	2,048,193
Cash dividends (¥120 per share)	—	—	—	(47,422)	—	—	—	—	—	—	(47,422)
Net income	—	—	—	199,940	—	—	—	—	—	—	199,940
Increase due to merger	—	—	—	215	—	—	—	—	—	—	215
Purchase of treasury stock	—	—	—	—	(8,444)	—	—	—	—	—	(8,444)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Retirement of treasury stock	(1,000,000)	—	(0)	(7,751)	7,751	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(89)	—	—	—	—	—	(89)
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	13,860	(251)	—	(7,842)	1,198	6,965
Balance at March 31, 2014	395,000,000	¥200,000	¥96,791	¥1,858,008	¥ (4,327)	¥36,857	¥1,650	¥(504)	¥ (7,842)	¥18,725	¥2,199,358
Cumulative effects of changes in accounting policies	—	—	—	(64,882)	—	—	—	—	—	(82)	(64,964)
Restated balance	395,000,000	200,000	96,791	1,793,126	(4,327)	36,857	1,650	(504)	(7,842)	18,643	2,134,394
Cash dividends (¥120 per share)	—	—	—	(47,272)	—	—	—	—	—	—	(47,272)
Net income	—	—	—	180,398	—	—	—	—	—	—	180,398
Increase due to merger	—	—	—	493	—	—	—	—	—	—	493
Purchase of treasury stock	—	—	—	—	(11,386)	—	—	—	—	—	(11,386)
Disposal of treasury stock	—	—	0	—	1	—	—	—	—	—	1
Retirement of treasury stock	(1,500,000)	—	(0)	(11,361)	11,361	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(70)	—	—	—	—	—	(70)
Change of scope of consolidation	—	—	—	(1)	—	—	—	—	—	—	(1)
Capital increase of consolidated subsidiaries	—	—	15	—	—	—	—	—	—	—	15
Purchase of shares of consolidated subsidiaries	—	—	27	—	—	—	—	—	—	—	27
Other	—	—	—	—	—	31,558	883	20	15,241	675	48,377
Balance at March 31, 2015	393,500,000	¥200,000	¥96,833	¥1,915,383	¥ (4,421)	¥68,415	¥2,533	¥(484)	¥ 7,399	¥19,318	¥2,304,976

Millions of U.S. Dollars (Note 2 (1))

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Minority Interests	Total
Balance at March 31, 2014	395,000,000	$1,667	$807	$15,483	$(36)	$307	$13	$(4)	$ (65)	$156	$18,328
Cumulative effects of changes in accounting policies	—	—	—	(540)	—	—	—	—	—	(1)	(541)
Restated balance	395,000,000	1,667	807	14,943	(36)	307	13	(4)	(65)	155	17,787
Cash dividends ($1 per share)	—	—	—	(394)	—	—	—	—	—	—	(394)
Net income	—	—	—	1,503	—	—	—	—	—	—	1,503
Increase due to merger	—	—	—	4	—	—	—	—	—	—	4
Purchase of treasury stock	—	—	—	—	(95)	—	—	—	—	—	(95)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Retirement of treasury stock	(1,500,000)	—	(0)	(95)	95	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(1)	—	—	—	—	—	(1)
Change of scope of consolidation	—	—	—	(0)	—	—	—	—	—	—	(0)
Capital increase of consolidated subsidiaries	—	—	0	—	—	—	—	—	—	—	0
Purchase of shares of consolidated subsidiaries	—	—	0	—	—	—	—	—	—	—	0
Other	—	—	—	—	—	263	8	0	127	6	404
Balance at March 31, 2015	393,500,000	$1,667	$807	$15,961	$(37)	$570	$21	$(4)	$ 62	$161	$19,208

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Cash Flows from Operating Activities:			
Income before income taxes	¥ 324,602	**¥ 315,301**	**$ 2,628**
Depreciation (Note 23)	348,042	**353,251**	**2,944**
Impairment losses on fixed assets	6,468	**12,738**	**106**
Amortization of long-term prepaid expense	7,542	**8,244**	**69**
Net change in net defined benefit liability	(6,951)	**(24,100)**	**(201)**
Interest and dividend income	(2,966)	**(3,422)**	**(29)**
Interest expense	88,279	**81,962**	**683**
Construction grants received	(41,789)	**(59,206)**	**(493)**
Insurance proceeds related to earthquake	(9,624)	**(3,362)**	**(28)**
Loss from disposition and provision for cost reduction of fixed assets	71,812	**91,856**	**765**
Provision for allowance for partial transfer costs of railway operation	—	**16,616**	**138**
Net change in major receivables	(66,583)	**(3,898)**	**(32)**
Net change in major payables	86,730	**(28,181)**	**(235)**
Other	(12,509)	**56,068**	**467**
Sub-total	793,053	**813,867**	**6,782**
Proceeds from interest and dividends	3,348	**4,160**	**35**
Payments of interest	(88,698)	**(82,205)**	**(685)**
Insurance proceeds related to earthquake	9,624	**3,362**	**28**
Payments of earthquake-damage losses	(6,026)	**(3,060)**	**(25)**
Payments of income taxes	(148,537)	**(113,362)**	**(945)**
Net cash provided by operating activities	562,764	**622,762**	**5,190**
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(514,529)	**(503,747)**	**(4,198)**
Proceeds from sales of fixed assets	5,535	**1,039**	**9**
Proceeds from construction grants	47,327	**33,750**	**281**
Payments for purchases of investment in securities	(2,537)	**(4,158)**	**(35)**
Proceeds from sales of investment in securities	—	**4,729**	**39**
Other	(10,494)	**(8,457)**	**(70)**
Net cash used in investing activities	(474,698)	**(476,844)**	**(3,974)**
Cash Flows from Financing Activities:			
Proceeds from long-term loans	186,000	**182,500**	**1,521**
Payments of long-term loans	(145,944)	**(123,006)**	**(1,025)**
Proceeds from issuance of bonds	140,000	**120,000**	**1,000**
Payments for redemption of bonds	(80,000)	**(75,000)**	**(625)**
Payments of liabilities incurred for purchase of railway facilities	(126,814)	**(121,209)**	**(1,010)**
Payments of acquisition of treasury stock	(8,444)	**(11,320)**	**(94)**
Cash dividends paid	(47,422)	**(47,272)**	**(394)**
Other	(8,743)	**(11,329)**	**(95)**
Net cash used in financing activities	(91,367)	**(86,636)**	**(722)**
Net Change in Cash and Cash Equivalents	(3,301)	**59,282**	**494**
Cash and Cash Equivalents at Beginning of Year	189,262	**186,058**	**1,550**
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	**(598)**	**(5)**
Increase in Cash and Cash Equivalents due to Merger	97	**429**	**4**
Cash and Cash Equivalents at End of Year	¥ 186,058	**¥ 245,171**	**$ 2,043**

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

NOTE 1: INCORPORATION OF EAST JAPAN RAILWAY COMPANY

In accordance with the provisions of the Law for Japanese National Railways Restructuring (the Law), the Japanese National Railways (JNR) was privatized into six passenger railway companies, one freight railway company and several other organizations (JR Group Companies) on April 1, 1987.

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu (Japan's main island). The Company operates 69 railway lines, 1,665 railway stations and 7,458.2 operating kilometers as of March 31, 2015.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Group Companies, the Shinkansen Holding Corporation and JNR Settlement Corporation (JNRSC). Most JNR assets located in eastern Honshu, except for the land and certain railway fixtures used by the Tohoku and Joetsu Shinkansen lines, were transferred to the Company. Current liabilities and employees' severance and retirement benefits, incurred in connection with railway and other operations in the allotted area, and certain long-term debt were assumed by the Company.

The transfer values were determined by the Evaluation Council, a governmental task force, in accordance with the provisions of the Law. In general, railway assets such as railway property and equipment were valued at the net book value of JNR. Nonrailway assets such as investments and other operating property and equipment were valued at prices determined by the Evaluation Council.

The land and railway fixtures of the Tohoku and Joetsu Shinkansen lines were owned by the Shinkansen Holding Corporation until September 30, 1991, and the Company leased such land and railway fixtures at a rent determined by Shinkansen Holding Corporation in accordance with related laws and regulations. On October 1, 1991, the Company purchased such Shinkansen facilities for a total purchase price of ¥3,106,970 million ($25,891 million) from the Shinkansen Holding Corporation (see Note 14). Subsequent to the purchase, the Shinkansen Holding Corporation was dissolved. The Railway Development Fund succeeded to all rights and obligations of the Shinkansen Holding Corporation. In October 1997, the Railway Development Fund and Maritime Credit Corporation merged to form the Corporation for Advanced Transport & Technology. In October 2003, Japan Railway Construction Public Corporation and the Corporation for Advanced Transport & Technology merged to form the Japan Railway Construction, Transport and Technology Agency.

Prior to December 1, 2001, in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (JR Law), the Company was required to obtain approval from the Minister of Land, Infrastructure, Transport and Tourism as to significant management decisions, including new issues of stock or bonds, borrowing of long-term loans, election of representative directors and corporate auditors, sale of major properties, amendment of the Articles of Incorporation and distribution of retained earnings.

The amendment to the JR Law took effect on December 1, 2001 (2001 Law No. 61) and the Company is no longer subject generally to the JR Law, as amended (see Note 13).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation of Financial Statements

The Company and its consolidated subsidiaries maintain their books of account in accordance with the Japanese Corporate Law and accounting principles generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards in certain respects as to application and disclosure requirements. The Company's and certain consolidated subsidiaries' books are also subject to the Law for Railway Business Enterprise and related regulations for regulated companies.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements prepared for Financial Instruments and Exchange Act of Japan purposes. Certain modifications and reclassifications have been made for the convenience of readers outside Japan.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2015, which was ¥120 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2) Consolidation

The consolidated financial statements of the Company include the accounts of all significant subsidiaries (together, the "Companies"). The effective-control standard is applied according to Regulations concerning Terminology, Forms and Method of Presentation of Consolidated Financial Statements in Japan (Regulations for Consolidated Financial Statements). For the year ended March 31, 2015, 72 subsidiaries were consolidated. During the year ended March 31, 2015, one company was deconsolidated due to decreased significance according to the Group's business reconstructuring.

All significant intercompany transactions and accounts have been eliminated. Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries are recorded as goodwill or negative goodwill.

Goodwill is amortized using the straight-line method over five years. Negative goodwill is recognized as a profit at the time of occurrence.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2015, five affiliated companies were accounted for by the equity method, and there was no change in those companies during the year.

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

4) Allowance for Doubtful Accounts

According to the Japanese Accounting Standards for Financial Instruments, the Companies provide an allowance based on the past loan loss experience for a certain reference period in general.

Furthermore, for receivables from debtors with financial difficulty, which could affect their ability to perform in accordance with their obligations, the allowance is provided for estimated unrecoverable amounts on an individual basis.

5) Inventories

Inventories are stated at cost as follows:

Merchandise and finished goods: mainly retail cost method or gross average cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

Work in process: mainly identified cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

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

6) Real Estate for Sale

Real estate for sale: the identified cost (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

7) Securities

Securities are classified and stated as follows:

(1) Trading securities are stated at market value. The Companies had no trading securities through the years ended March 31, 2014 and 2015.

(2) Held-to-maturity debt securities are stated at amortized cost.

(3) Equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method are mainly stated at moving-average cost.

(4) Available-for-sale securities are stated as follows:

(a) Available-for-sale securities with market value

According to the Japanese Accounting Standards for Financial Instruments, available-for-sale securities for which market quotations are available are stated at market value as of the balance sheet date. Net deferred gains or losses on these securities are reported as a separate item in net assets at an amount net of applicable income taxes and minority interests. The cost of sales of such securities is calculated mainly by the moving-average method.

(b) Available-for-sale securities without market value

Available-for-sale securities for which market quotations are not available are mainly stated at moving-average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method or available-for-sale securities, the securities are stated at market values in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

8) Property, Plant and Equipment

Property, plant and equipment are generally stated at cost or the transfer value referred to in Note 1. To comply with the regulations, contributions received in connection with construction of certain railway improvements are deducted from the cost of acquired assets.

Depreciation is calculated primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law. Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income. Certain property, plant and equipment of the consolidated subsidiaries are depreciated using the straight-line method. Buildings (excluding related fixtures) acquired from April 1, 1998 onward are depreciated using the straight-line method according to the Japanese Tax Law.

The range of useful lives is mainly as follows:

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

9) Accounting for Employees' Retirement Benefits

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

The past service costs that are yet to be recognized are amortized by the straight-line method and charged to income over the number of years (mainly 10 years), which does not exceed the average remaining service years of employees at the time when the past service costs were incurred.

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

(Changes in accounting policies)

From the fiscal year ended March 31, 2014, the Company has adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") (excluding, however, the stipulations set forth in the body text of article 35 of the Retirement Benefits Accounting Standard and the body text of article 67 of the Retirement Benefits Guidance).

Under these accounting standards, the Company has adopted the method of recording the amount of retirement benefit obligations less pension assets as a net defined benefit liability (or as a net defined benefit asset if the amount of pension assets exceeds the retirement benefit obligations). The Company has recorded actuarial gains and losses and past service costs that are yet to be recognized as a net defined benefit asset and a net defined benefit liability. With regard to the adoption of the retirement benefit accounting standards, the Company has followed the transitional treatment in article 37 of the Retirement Benefits Accounting Standard. Accordingly, in the fiscal year ended March 31, 2014, the amounts that correspond to the effect of the change in Retirement Benefit Accounting Standards were included in remeasurements of defined benefit plans in accumulated other comprehensive income.

Due to these changes in accounting policies, accumulated other comprehensive income decreased by ¥7,842 million and net assets per share decreased by ¥19.88 as of March 31, 2014.

From the fiscal year ended March 31, 2015, with regard to Retirement Benefits Accounting Standard and Retirement Benefits Guidance, the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance.

The calculation of projected benefit obligations and service costs was revised and the method for attributing expected benefits to periods was changed from the straight-line basis to the benefit formula basis. At the same time, the method for determining the discount rate was changed to apply a single weighted average discount rate reflecting the estimated timing and amount of benefit payments. The effect of these revisions was recognized as an adjustment to the opening balance of retained earnings in the fiscal year ended March 31, 2015, in accordance with the transitional treatment as set forth in Article 37 of the Retirement Benefits Accounting Standard.

Consequently, in the fiscal year ended March 31, 2015 the opening balance of net defined benefit liability increased ¥100,090 million ($834 million), while retained earnings declined ¥64,881 million ($541 million), among other changes. As a result, net assets per share decreased ¥165.16 ($1.38) as of March 31, 2015. The effect of this change on the consolidated statements of income was negligible.

10) Allowance for Partial Transfer Costs of Railway Operation

The Company provides an allowance based on the estimated cost of restoration to the original state and other activities aimed at the transfer of management of the section between Miyako and Kamaishi on the Yamada Line from the Company to Sanriku Railway Company. Costs that are difficult to reasonably estimate at this time are not included.

11) Accounting for Certain Lease Transactions

With respect to finance leases that do not transfer ownership to lessees, depreciation is calculated by the straight-line method based on the lease term and estimated residual is zero.

With regard to finance leases that do not transfer ownership for which the starting date for the transaction is prior to March 31, 2008, they continue to be accounted for by a method used for operating lease.

12) Accounting for Research and Development Costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred. Research and development costs included in operating expenses for the years ended March 31, 2014 and 2015 were ¥17,039 million and ¥16,424 million ($137 million), respectively.

13) Income Taxes

Income taxes comprise corporation, enterprise and inhabitants' taxes. Deferred tax assets are recognized for temporary differences between the financial statement basis and the tax basis of assets and liabilities.

14) Per Share Data

(1) Earnings per share

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

(2) Cash dividends per share

Cash dividends per share comprises interim dividends for the interim period ended September 30 and year-end dividends for the year ended March 31, which were decided at the annual shareholders' meeting in June.

15) Derivative Transactions

Derivative transactions that do not meet requirements for hedge accounting are stated at fair value, and the gains or losses resulting from change in the fair value of those transactions are recognized as income or expense in the period.

Derivative transactions that meet requirements for hedge accounting are stated at fair value, and the gains and losses resulting from changes in the fair value of those transactions are deferred until the losses and gains of the hedged items are recognized on the consolidated statements of income.

Of those, certain derivative transactions of the Companies that meet certain hedging criteria are accounted in the following manner:

(1) Regarding forward exchange contracts and foreign currency swap contracts, the hedged foreign currency receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate, and no gains or losses on the forward exchange contracts or foreign currency swap contracts are recorded.
(2) Regarding interest rate swap contracts, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

16) Impairment of Fixed Assets

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

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

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

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

17) Revaluation of Land

JTB Corp., an equity-method affiliate of the Company, absorbed JTB Estate Corp. by merger on April 1, 2012. Prior to this absorption merger, JTB Estate Corp. had been revaluating its land for business use pursuant to the Law on Revaluation of Land (Law No. 34 of 1998) and Law for Partial Revision of the Law on Revaluation of Land (Law No. 19 of 2001). Consequently, the Company's equity-method portion of "Revaluation reserve for land" recorded on JTB Corp.'s balance sheets was recorded in the Company's consolidated balance sheets as "Revaluation reserve for land" under net assets, Accumulated other comprehensive income.

(1) Revaluation method
Rational adjustment based on roadside land value and other standards pursuant to the Order for Enforcement of the Law on Revaluation of Land (Cabinet Order No. 119 of 1998) Article 2-4
(2) Revaluation date
March 31, 2002
(3) Difference between book value after revaluation and market value on March 31, 2015
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

18) Changes in Accounting Estimates

From the fiscal year ended March 31, 2014, the Company records prepaid railway fares received under current liabilities by estimating the monetary amount based on certain assumptions. Of this amount, the estimated monetary amount with respect to commuter passes was previously calculated based on the date of sale. However, the Company has now adopted a calculation method based on the effective start date of the commuter passes. Sales of commuter passes prior to their effective start date were expected to increase significantly ahead of the increase in the consumption tax rate. Taking this into consideration, this change was made because using a calculation method based on the effective start date would allow the Company to post a more reasonable estimate of prepaid railway fares received.

Compared to the previous method, this change had the effect of reducing operating revenues by ¥10,212 million, and reducing operating income, ordinary income and income before income taxes by the same amount.

19) Changes in Presentation Method

(Consolidated statements of income)

"Insurance proceeds related to earthquake," which was classified separately in the previous fiscal year, has been presented and included in "other, net" in other income in the fiscal year under review because the monetary significance was negligible.

(Consolidated statements of cash flows)

Due to rising monetary significance, "Proceeds from sales of investment in securities" that was included in Other in the consolidated statements of cash flows in the previous fiscal year was reclassified as "Proceeds from sales of investment in securities" from the year ended March 31, 2015.

20) Business Combinations

(Changes in accounting policies)

Effective from the fiscal year beginning on or after April 1, 2014, "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Business Combination Accounting Standard")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Consolidated Financial Statements Accounting Standard")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Business Divestiture Accounting Standard")) (together, the "Business Combination Accounting Standards"), are permitted to be applied. The Company and its domestic subsidiaries adopted these accounting standards from this current fiscal year, except for article 39 of Consolidated Financial Statements Accounting Standard and, as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries, over which the Company continues control; and to record the acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Business Combination Accounting Standard, article 44-5 (4) of Consolidated Financial Statements Accounting Standard and article 57-4 (4) of Business Divestiture Accounting Standard with application from the beginning of the current fiscal year into the future.

In the consolidated statement of cash flows of the current fiscal year, cash flows from acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs of the shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

The effect of this change on the consolidated financial statements was negligible.

NOTE 3: EARTHQUAKE DAMAGE

The Company's Tohoku Shinkansen Line and conventional lines and various other facilities were damaged severely in the Great East Japan Earthquake on March 11, 2011.

There had also been further damage to the Company's railroad and other facilities due to intermittent earthquakes since April 2011.

For the damages caused by the Great East Japan Earthquake on March 11, 2011, the Companies recorded allowance for earthquake-damage losses as "Other current liabilities" and "Other Long-Term Liabilities" on the consolidated balance sheets for the estimated amount of restoration and other expenses in the fiscal year.

The Companies intend to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the consolidated balance sheets.

Furthermore, the Company's railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which were owned by or leased by the Company, were insured against earthquakes for up to ¥71,000 million ($592 million) (¥10,000 million deductible) as of March 11, 2011. As calculation of damages of some of the facilities was completed by insurance companies during this fiscal year, the Group recorded extraordinary gains of ¥3,361 million ($28 million) and ¥9,624 million as "Other" in the fiscal years ended March 31, 2015 and 2014, respectively.

The aggregate amount of insurance proceeds received for such insurance was ¥37,246 million ($310 million) as of March 31, 2015.

NOTE 4: TRANSFER OF MANAGEMENT OF THE SECTION BETWEEN MIYAKO AND KAMAISHI ON THE YAMADA LINE

The section between Miyako and Kamaishi on the Yamada Line was severely damaged by the Great East Japan Earthquake. In response, the Company had made a proposal to local governments to integrate it with the North and South Rias Lines for operation by Sanriku Railway Company. This proposal was made to encourage greater railway usage through operations closely tied to the region and provide compact, highly sustainable regional transportation. On December 26, 2014, the local governments reported to the Company their acceptance of the proposal. The Company and the local governments reached a basic agreement to transfer management of the section between Miyako and Kamaishi from the Company to Sanriku Railway Company, based on the following: (1) the Company shall transfer the relevant railway facilities and sites between Miyako and Kamaishi free of charge to the local governments, after restoring them to their original state, among other activities, and (2) the Company shall make a payment toward a transfer support fund as a cost of supporting the sustainable management of the Miyako-Kamaishi section. On February 6, 2015, local governments, Sanriku Railway Company, and the Company concluded a letter of intent and a memorandum of understanding concerning railway restoration on the section between Miyako and Kamaishi on the Yamada Line.

In accordance with the above, the Company has recorded under extraordinary losses the estimated cost of restoration to the original state and other activities aimed at the transfer of management as a "Provision for allowance for partial transfer costs of railway operation" of ¥16,616 million ($138 million). The Company has also recorded in "Other" under extraordinary losses its payment toward transfer cooperation of ¥3,000 million ($25 million), and in "Impairment losses on fixed assets" under extraordinary losses its payment toward impairment losses on fixed assets related to the Miyako-Kamaishi section of ¥1,297 million ($11 million). With respect to the cost of restoration to the original state and other activities, costs that are difficult to reasonably estimate at this time are not included in the allowance for partial transfer costs of railway operation.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and highly liquid investments with maturities not exceeding three months at the time of purchase.

NOTE 6: INVENTORIES

Inventories at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Merchandise and finished goods	¥ 9,678	¥ 8,772	$ 73
Work in process	30,335	16,820	140
Raw materials and supplies	27,380	27,264	227
	¥67,393	¥52,856	$440

NOTE 7: REAL ESTATE FOR SALE

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in eastern Honshu.

NOTE 8: INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Unconsolidated subsidiaries:			
Investments	¥ 5,017	¥ 4,989	$ 42
Advances	450	500	4
	5,467	5,489	46
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥39,066	¥47,147	$393
Advances	107	71	0
	39,173	47,218	393
	¥44,640	¥52,707	$439

NOTE 9: FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

If surplus funds arise, the Companies use only financial assets with high degrees of safety for the management of funds. The Companies principally use bond issuances and bank loans in order to raise funds. Further, the Companies use derivatives to reduce risk, as described below, and do not conduct speculative trading.

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($25,891 million) from the Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of a decrease in free cash flow for unforeseen reasons. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

c) Risk management system for financial instruments

The Companies use forward exchange contract transactions, currency swap transactions, and interest rate swap transactions with the aim of avoiding risk (market risk) related to fluctuation in future market prices (foreign exchange / interest rates) in relation to, among others, bonds and loans. Further, commodity swap transactions are used with the aim of avoiding product price fluctuation risk related to fuel purchasing, and natural disaster derivatives are used with the aim of avoiding revenue expenditure fluctuation risk due to natural disasters. Because all of the derivative transaction contracts that the Companies enter into are transactions whose counterparties are financial institutions that have high creditworthiness, the Companies believe that there is nearly no risk of parties to contracts defaulting on obligations. Under the basic policy approved by the Board of Directors, with the aim of appropriately executing transactions and risk management, financial departments in the relevant companies process those derivative transactions following appropriate internal procedures or approval of the Board of Directors, based on relevant internal regulations.

d) Supplementary explanation of items relating to the fair values of financial instruments

The fair values of financial instruments include market prices or reasonably estimated values if there are no market prices. Because estimation of fair values incorporates variable factors, adopting different assumptions can change the values.

2) Items Relating to the Fair Values of Financial Instruments

Amounts recognized for selective items in the consolidated balance sheets as of March 31, 2014 and 2015, fair values of such items, and the differences between such amounts and values are shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Cash and cash equivalents	¥ 186,058	¥ 186,058	¥ —	¥ 245,171	¥ 245,171	¥ —	$ 2,043	$ 2,043	$ —
b Receivables	454,170	454,170	—	468,963	468,963	—	3,908	3,908	—
c Securities									
Held-to-maturity debt securities	160	161	1	158	160	2	1	1	0
Available-for-sale securities	147,165	147,165	—	186,250	186,250	—	1,552	1,552	—
Assets	¥ 787,553	¥ 787,554	¥ 1	¥ 900,542	¥ 900,544	¥ 2	$ 7,504	$ 7,504	$ 0
a Payables	¥ 654,899	¥ 654,899	¥ —	¥ 714,296	¥ 714,296	¥ —	$ 5,952	$ 5,952	$ —
b Accrued consumption taxes	5,799	5,799	—	41,837	41,837	—	349	349	—
c Accrued income taxes	57,549	57,549	—	51,772	51,772	—	431	431	—
d Long-term debt									
Bonds	1,719,793	1,881,859	162,066	1,764,854	1,963,353	198,499	14,707	16,361	1,654
Long-term loans	933,648	963,249	29,601	993,142	1,035,055	41,913	8,277	8,625	348
e Long-term liabilities incurred for purchase of railway facilities	666,416	1,009,709	343,293	545,207	902,312	357,105	4,543	7,519	2,976
Liabilities	¥4,038,104	¥4,573,064	¥534,960	¥4,111,108	¥4,708,625	¥597,517	$34,259	$39,237	$4,978
Derivative transactions*1									
Hedge accounting applied	¥ 1,517	¥ 1,517	¥ —	¥ 3,386	¥ 3,386	¥ —	$ 28	$ 28	$ —

*1 Net receivables/payables arising from derivatives are shown. Items that are net payables are shown in parenthesis.

Notes: 1. Items relating to securities, derivatives transactions, and method of estimating the fair values of financial instruments

Assets

a. Cash and cash equivalents

b. Receivables

Because these assets are settled over short terms, fair values and book values are nearly equivalent. Therefore, relevant book values are used.

c. Securities

The fair values of these securities are based mainly on market prices.

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

Because these liabilities are settled over short terms, fair values and book values are nearly equivalent. Therefore, relevant book values are used.

d. Long-term debt

Bonds

The fair values of domestic bonds are based on market prices.

The fair values of foreign currency denominated bonds, which are subject to treatment using foreign currency swaps, are estimated by discounting the foreign currency swaps and future cash flows treated in combination with them based on estimated interest rates if similar domestic bonds were newly issued.

Long-term loans

The fair values of long-term loans are principally estimated by discounting future cash flows based on estimated interest rates if similar new loans were implemented. Further, the fair values of certain long-term loans, which are subject to treatment using foreign currency swaps or interest rate swaps, are estimated by discounting the foreign currency swaps or interest rate swaps and future cash flows treated in combination with them based on estimated interest rates if similar new loans were implemented.

e. Long-term liabilities incurred for purchase of railway facilities

Because these liabilities are special monetary liabilities that are subject to constraints pursuant to laws and statutory regulations and not based exclusively on free agreement between contracting parties in accordance with market principles, and because repeating fund-raising using similar methods would be difficult, as stated in "1) Items relating to the status of financial instruments, b. Details of financial instruments and related risk," the fair values of long-term liabilities incurred for purchase of railway facilities are estimated by assuming that future cash flows were raised through bonds, the Company's basic method of fund-raising, and discounting them based on estimated interest rates if similar domestic bonds were newly issued. Further, certain long-term liabilities incurred for purchase of railway facilities with variable interest rates are estimated based on the most recent interest rates, notification of which is provided by the Japan Railway Construction, Transport and Technology Agency.

Derivative Transactions (See Note 19)

2. Financial instruments whose fair values were extremely difficult to establish

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2014	2015	2015
Unlisted equity securities	¥6,478	¥6,647	$55
Unlisted corporate bonds	360	360	3
Preferred equity securities	1,000	1,000	8
Natural disaster derivative transactions	1,250	1,261	11

*1 Because the fair values of these financial instruments were extremely difficult to establish, given that they did not have market prices and future cash flows could not be estimated, they were not included in "c Securities–Available-for-sale securities."

*2 The fair value of natural disaster derivative transactions was not measured because it is extremely difficult to establish a fair value.

3. The amounts recognized in the consolidated balance sheets and fair values related to bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities included, respectively, the current portion of bonds, the current portion of long-term loans, and the current portion of long-term liabilities incurred for purchase of railway facilities.

4. The annual maturities of financial assets and securities with maturities at March 31, 2014 and 2015 were as follows:

	Millions of Yen								Millions of U.S. Dollars			
	2014				2015				2015			
	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years
Cash and cash equivalents	¥186,058	¥ —	¥—	¥—	**¥245,171**	**¥ —**	**¥ —**	**¥—**	**$2,043**	**$—**	**$—**	**$—**
Receivables	447,033	7,124	13	—	**462,476**	**6,472**	**15**	**—**	**3,854**	**54**	**0**	**—**
Securities												
Held-to-maturity debt securities (Government bonds)	150	—	—	10	**—**	**10**	**140**	**10**	**—**	**0**	**1**	**0**
Available-for-sale securities which have maturity (Government bonds)	—	6	—	—	**6**	**—**	**—**	**—**	**0**	**—**	**—**	**—**
Total	¥633,241	¥7,130	¥13	¥10	**¥707,653**	**¥6,482**	**¥155**	**¥10**	**$5,897**	**$54**	**$ 1**	**$ 0**

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2015 (see Notes 13 and 14).

NOTE 10: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2014 and 2015 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Amount on balance sheet	Market value	Difference	Amount on balance sheet	Market value	Difference	Amount on balance sheet	Market value	Difference
Of which market value exceeds the amount on balance sheet:									
Government, municipal bonds, etc.	¥160	¥161	¥1	**¥148**	**¥150**	**¥ 2**	**$1**	**$1**	**$ 0**
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	**10**	**10**	**(0)**	**0**	**0**	**(0)**
Total	¥160	¥161	¥1	**¥158**	**¥160**	**¥ 2**	**$1**	**$1**	**$ 0**

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2014 and 2015 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	Acquisition cost	Amount on balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference
Of which amount on balance sheet exceeds the acquisition cost:									
Equity shares	¥72,668	¥129,498	¥56,830	**¥87,498**	**¥182,681**	**¥95,183**	**$729**	**$1,522**	**$793**
Debt securities	6	6	0	**6**	**6**	**0**	**0**	**0**	**0**
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	21,121	17,661	(3,460)	**4,984**	**3,563**	**(1,421)**	**42**	**30**	**(12)**
Debt securities	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥93,795	¥147,165	¥53,370	**¥92,488**	**¥186,250**	**¥93,762**	**$771**	**$1,552**	**$781**

Note: In the previous fiscal year and the fiscal year under review, treatment for impairment has not been implemented for other securities with market value.

The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

NOTE 11: PLEDGED ASSETS

Pledged assets at March 31, 2014 and 2015 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Buildings and fixtures with net book value	¥21,588	**¥20,538**	**$171**
Other assets with net book value	978	**978**	**8**

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term debt and other liabilities	¥1,789	**¥1,484**	**$12**

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Buildings and fixtures with net book value	¥51,046	**¥50,721**	**$423**
Other assets with net book value	7,489	**11,838**	**99**

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term liabilities incurred for purchase of railway facilities	¥2,935	**¥2,443**	**$20**

NOTE 12: IMPAIRMENT LOSSES ON FIXED ASSETS

In adherence with management accounting classifications, the Companies generally categorize assets according to operations or properties. For railway business assets, the Companies treat railway lines as a single asset group because the railway network generates cash flow as a whole. Also, the Companies separately categorize assets that are slated to be disposed of or idle. The Companies determine recoverable amounts for the above asset groups by measuring the net selling prices or values in use. In cases when the Companies determine recoverable amounts for the above asset groups by measuring the net selling prices, the prices and other amounts are adjusted rationally applying the tax-appraised value of fixed assets. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 4.0%. For assets with fair value in sharp decline compared with book value or with profitability in sharp decline, the book values were reduced to the recoverable amounts and the reductions were recognized as impairment losses on fixed assets.

Impairment losses on fixed assets at March 31, 2014 and 2015 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Land	¥—	**¥ 1,180**	**$ 9**
Buildings and fixtures	—	**4,390**	**37**
Others	—	**7,168**	**60**
Total	¥—	**¥12,738**	**$106**

Detailed amounts for the year ended March 31, 2014 were omitted because related items were negligible.

NOTE 13: LONG-TERM DEBT

Long-term debt at March 31, 2014 and 2015 was summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
General Mortgage Bonds issued in 1997 to 2001 with interest rates ranging from 2.30% to 3.30% due in 2017 to 2021	¥ 179,900	**¥ 179,900**	**$ 1,499**
Unsecured Bonds issued in 2002 to 2015 with interest rates ranging from 0.13% to 2.55% due in 2015 to 2045	1,300,910	**1,345,921**	**11,216**
Secured Loans due in 2016 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.95% to 6.50%	1,033	**633**	**6**
Unsecured Loans due in 2015 to 2045 principally from banks and insurance companies with interest rates mainly ranging from 0.31% to 4.90%	932,615	**992,509**	**8,271**
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,983	**239,033**	**1,992**
	2,653,441	**2,757,996**	**22,984**
Less current portion	197,921	**173,220**	**1,444**
	¥2,455,520	**¥2,584,776**	**$21,540**

Issue and maturity years above are expressed in calendar years (ending December 31 in the same year).

Although the Company is no longer subject generally to the JR Law, as amended, all bonds issued by the Company prior to December 1, 2001, the effective date of the amendment to the JR Law, are and will continue to be general mortgage bonds as required under the JR Law, which are entitled to a statutory preferential right over the claims of unsecured creditors of the Company. Any bonds issued on or after December 1, 2001 are unsecured bonds without general mortgage preferential rights.

The annual maturities of bonds at March 31, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	**¥ 55,000**	**$ 458**
2017	**80,000**	**667**
2018	**159,900**	**1,332**
2019	**165,000**	**1,375**
2020	**125,000**	**1,042**
2021 and thereafter	**1,180,959**	**9,841**

The annual maturities of long-term loans at March 31, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	**¥118,220**	**$ 985**
2017	**107,111**	**893**
2018	**116,820**	**973**
2019	**119,665**	**997**
2020	**110,423**	**920**
2021 and thereafter	**420,903**	**3,508**

NOTE 14: LONG-TERM LIABILITIES INCURRED FOR PURCHASE OF RAILWAY FACILITIES

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from the Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million ($25,891 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($17,516 million) and ¥638,506 million ($5,321 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,055 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($233 million) payable in equal semiannual installments through March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities. In February 2002, the Company acquired a majority interest in Tokyo Monorail Co., Ltd. As a result, the consolidated balance sheets as of March 31, 2002 included liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million ($306 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.13% through 2017	¥176,321	**¥101,829**	**$ 848**
Payable semiannually including interest at 6.35% through 2017	137,013	**94,166**	**785**
Payable semiannually including interest at 6.55% through 2051	341,003	**338,779**	**2,823**
	654,337	**534,774**	**4,456**
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.67% through 2022	9,144	**7,990**	**67**
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.59% through 2029	2,935	**2,443**	**20**
	666,416	**545,207**	**4,543**
Less current portion:			
Tohoku and Joetsu Shinkansen purchase liability	119,459	**105,170**	**876**
Akita hybrid Shinkansen purchase liability	1,077	**1,085**	**9**
Tokyo Monorail purchase liability	463	**476**	**4**
	120,999	**106,731**	**889**
	¥545,417	**¥438,476**	**$3,654**

Maturity years above are expressed in calendar years (ending December 31 in the same year).

The annual payments of long-term liabilities incurred for purchase of railway facilities at March 31, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	**¥106,731**	**$ 889**
2017	**97,317**	**811**
2018	**4,320**	**36**
2019	**4,318**	**36**
2020	**4,317**	**36**
2021 and thereafter	**328,204**	**2,735**

NOTE 15: CONSUMPTION TAXES

The Japanese consumption tax is an indirect tax levied at the rate of 8% effective from April 1, 2014 on the sale of goods and services in Japan. Its rate for prior years was 5%. Accrued consumption tax represents the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

NOTE 16: CONTINGENT LIABILITIES

The Company is contingently liable for the in-substance defeasance of general mortgage bonds issued by the Company, which were assigned to certain banks under debt assumption agreements. The outstanding amounts contingently liable under such debt assumption agreements at March 31, 2015 were ¥100,000 million ($833 million) by general bonds.

The Company has extended contingent liabilities of ¥12,194 million ($102 million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd.

NOTE 17: NET ASSETS

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

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

In addition, under the Corporate Law, by a resolution of the shareholders' meeting, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

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

At the annual shareholders' meeting held in June 2015, the shareholders approved cash dividends amounting to ¥23,591 million ($197 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 18: INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2014 and 2015 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2014		2015		2015	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥2,424	¥36,945	**¥2,421**	**¥34,613**	**$20**	**$288**

NOTE 19: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 9)

2) Derivative Transactions Applied to Hedge Accounting

		Millions of Yen					
		2014			2015		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥ 989	**¥ 20,000**	**¥ 20,000**	**¥3,756**
Forward exchange	Accounts payable–trade	13	—	0	**617**	**—**	**15**
Commodity swap	Fuel purchasing	2,123	1,385	528	**2,315**	**1,517**	**(385)**
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	**239,959**	**239,959**	***1**
Interest swap	Long-term loans	62,700	—	*1	**55,400**	**55,400**	***1**
Total		¥324,795	¥261,344	¥1,517	**¥318,291**	**¥316,876**	**¥3,386**

		Millions of U.S. Dollars		
		2015		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	**$ 167**	**$ 167**	**$31**
Forward exchange	Accounts payable–trade	**5**	**—**	**0**
Commodity swap	Fuel purchasing	**19**	**13**	**(3)**
Currency swap	Foreign currency denominated bonds	**1,999**	**1,999**	***1**
Interest swap	Long-term loans	**462**	**462**	***1**
Total		**$2,652**	**$2,641**	**$28**

Notes: 1. Derivative transactions that meet certain hedging criteria, regarding foreign currency swaps, or interest rate swaps, are treated in combination with bonds or long-term loans, the fair values of these derivatives are included in the fair values of these bonds or long-term loans (See Note 9).

2. Fair value is calculated based on the current value presented by financial institutions, etc., with which transactions are conducted.

NOTE 20: NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheets as of March 31, 2014 and 2015 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the fiscal year	¥658,529	¥651,783	$5,432
Cumulative effects of changes in accounting policies	—	100,144	834
Restated balance	658,529	751,927	6,266
Service costs	28,207	28,976	241
Interest costs	12,894	4,623	39
Actuarial losses (gains)	(2,717)	(20,530)	(171)
Benefits paid	(44,942)	(55,704)	(464)
Past service costs	(199)	180	1
Other	11	127	1
Balance at the end of the fiscal year	¥651,783	¥709,599	$5,913

2) Movements in Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the year	¥7,128	¥7,356	$61
Expected return on plan assets	75	88	1
Actuarial losses (gains)	(152)	569	5
Contributions paid by the employer	704	713	6
Benefits paid	(399)	(447)	(4)
Balance at the end of the year	¥7,356	¥8,279	$69

3) Reconciliation from Retirement Benefit Obligations and Plan Assets to Liability (Asset) for Retirement Benefits

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Funded retirement benefit obligations	¥ 8,563	¥ 9,650	$ 80
Plan assets	(7,356)	(8,279)	(69)
	1,207	1,371	11
Unfunded retirement benefit obligations	643,220	699,949	5,833
Total net liability (asset) for retirement benefits at March 31	644,427	701,320	5,844
Liability for retirement benefits	644,809	701,731	5,848
Asset for retirement benefits	(382)	(411)	(4)
Total net liability (asset) for retirement benefits at March 31	¥644,427	¥701,320	$5,844

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2014 and 2015 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Service costs	¥28,207	¥28,976	$241
Interest costs	12,894	4,623	39
Expected return on plan assets	(75)	(88)	(1)
Net actuarial loss amortization	(2,395)	(1,543)	(13)
Past service costs amortization	(615)	(433)	(4)
Other	311	562	5
Total retirement benefit costs for the fiscal year ended March 31	¥38,327	¥32,097	$267

5) Adjustments for Retirement Benefit Costs

Adjustments for retirement benefit costs (before adjustments in tax effect accounting) are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Past service costs that are yet to be recognized	¥—	¥ (613)	$ (5)
Actuarial gains and losses that are yet to be recognized	—	19,556	163
Total balance at March 31	¥—	¥18,943	$158

6) Accumulated Adjustments for Retirement Benefit

Accumulated adjustments for retirement benefit (before adjustments in tax effect accounting) are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Past service costs that are yet to be recognized	¥ 5,316	¥ 4,703	$ 39
Actuarial gains and losses that are yet to be recognized	(8,695)	10,861	91
Total balance at March 31	¥(3,379)	¥15,564	$130

7) Plan Assets

	2014	2015
Bonds	12%	7%
Equity securities	35%	32%
Cash and time deposits	0%	9%
General account of life insurers	50%	48%
Other	3%	4%

The discount rates were mainly 2.0% and 0.6% in the years ended March 31, 2014 and 2015. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2014 and 2015.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥792 million and ¥750 million ($6 million) in the years ended March 31, 2014 and 2015.

NOTE 21: INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability	¥228,316	¥225,848	$1,882
Reserves for bonuses	25,523	23,527	196
Losses on impairment of fixed assets	22,314	22,283	186
Unrealized holding gains on fixed assets	11,955	12,184	102
Environmental conservation cost	10,435	8,621	72
Excess depreciation and amortization of fixed assets	7,737	6,119	51
Allowance for partial transfer costs of railway operation	—	5,334	44
Loss carryforwards for tax purposes	7,325	5,292	44
Asset retirement obligations	4,986	4,221	35
Accrued enterprise tax	4,394	4,215	35
Other	38,700	33,777	282
	361,685	351,421	2,929
Less valuation allowance	(37,626)	(28,396)	(237)
Less amounts offset against deferred tax liabilities	(53,239)	(60,416)	(503)
Net deferred tax assets	270,820	262,609	2,189
Deferred tax liabilities:			
Net unrealized holding gains on securities	19,391	29,705	248
Tax deferment for gain on transfers of certain fixed assets	29,496	26,811	223
Valuation for assets and liabilities of consolidated subsidiaries	2,861	2,609	22
Other	5,781	5,570	46
	57,529	64,695	539
Less amounts offset against deferred tax assets	(53,239)	(60,416)	(503)
Net deferred tax liabilities	¥ 4,290	¥ 4,279	$ 36

For the years ended March 31, 2015, the actual effective income tax rate differed from the effective tax rate for the following reasons:

	2015
Effective tax rate	35.4%
Adjustments	
Effect of tax rate change	8.7
Increase in valuation allowance	(1.7)
Other, net	(0.0)
Actual effective rate after applying tax effect accounting	42.4%

Note: The differences between the effective tax rate and the actual effective rate after applying tax effect accounting were omitted for the year ended March 31, 2014, as the variance between them was less than 5%.

Corrections in the amounts posted as deferred tax assets and deferred tax liabilities due to change in the income tax rate

In conjunction with the promulgation of the Act for Partial Revision to the Income Tax Act (Act No. 10 of 2014) on March 31, 2014, the Special Reconstruction Corporation Tax will no longer be applied to JR East from April 1, 2014. As a result, the effective tax rate for computing deferred tax assets and deferred tax liabilities was revised from 37.8% to 35.4%, mainly for temporary differences expected to be reversed from April 1, 2014 to March 31, 2015.

The effect of this change on the consolidated financial statements was negligible.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the effective tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.4% for the fiscal year ended March 31, 2015 to 32.8% and 32.1%, respectively, as of March 31, 2015.

Due to these changes in effective tax rates, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥23,841 million ($199 million) as of March 31, 2015 and deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥27,544 million ($230 million).

The effect of this change on net unrealized holding gains on securities and remeasurements of defined benefit plans were negligible.

NOTE 22: INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereafter "investment and rental property") principally within the Company's service area. In the years ended March 31, 2014 and March 31, 2015, the amounts of net income related to rental property were ¥70,882 million and ¥71,866 million ($599 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses). The amounts recognized in the consolidated balance sheets and fair values related to investment and rental property were as follows.

Millions of Yen				Millions of U.S. Dollars	
Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount	Fair value
2014	Difference	2015	2015	2015	2015
¥553,341	¥(10,560)	¥542,781	¥1,563,515	$4,523	$13,029

Notes: 1. The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.

2. Regarding difference in the above table, the increases in the years ended March 31, 2014 and 2015, were principally attributable to acquisition of real estate and renewal (¥22,663 million/$189 million), and the decreases were mainly attributable to depreciation expenses (¥21,589 million/$180 million).

3. Regarding fair values at the end of the fiscal year, the amount for significant properties is based on real-estate appraisals prepared by external real-estate appraisers, and the amount for other properties is estimated by the Company based on certain appraisal values or indicators that reflect appropriate market prices. If after obtaining a property from a third party or since the most recent appraisal there has been no material change in the relevant appraisal values or indicators that reflect the appropriate market prices, the amount is based on such appraisal values or indicators.

4. Because fair values are extremely difficult to establish, this table does not include property that is being constructed or developed for future use as investment property.

NOTE 23: SEGMENT INFORMATION

1) General Information about Reportable Segments

Transportation, Station Space Utilization, and Shopping Centers & Office Buildings comprise the Company's three reportable segments. Each reportable segment is in turn comprised of business units within the Group with respect to which separate financial information is obtainable. These reportable segments are reviewed periodically by the Company's Board of Directors and form the basis on which to evaluate business performance and decide on how to allocate management resources of the Company.

The Transportation segment is primarily engaged in passenger transportation services centered on railway operations, and railcar manufacturing operations. The Station Space Utilization segment creates commercial spaces in railway stations and develops various types of businesses, including retail sales and restaurant operations. The Shopping Centers & Office Buildings segment develops railway stations and land near railway stations, operates shopping centers, and leases office buildings, etc.

2) Basis of Measurement about Reported Segment Operating Revenues, Segment Income or Loss, Segment Assets, and Other Material Items

The accounting treatment for each reportable segment is largely the same as that set forth in the "Significant accounting policies (Note 2)." Moreover, intersegment transactions are between consolidated subsidiaries and based on market prices and other fair values.

Fiscal 2014 (April 1, 2013 to March 31, 2014)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,827,467	¥400,948	¥251,070	¥ 223,432	¥2,702,917	¥ —	¥2,702,917
Inside group	56,045	14,880	10,736	352,205	433,866	(433,866)	—
Total	1,883,512	415,828	261,806	575,637	3,136,783	(433,866)	2,702,917
Segment income	¥ 267,336	¥ 36,062	¥ 72,058	¥ 32,686	¥ 408,142	¥ (1,348)	¥ 406,794
Segment assets	¥5,964,807	¥195,058	¥952,606	¥1,093,841	¥8,206,312	¥(778,008)	¥7,428,304
Depreciation	271,726	10,552	31,104	34,660	348,042	—	348,042
Increase in fixed assets (Note 5)	442,669	10,000	43,098	60,680	556,447	—	556,447

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operations, and advertising and publicity services.
2. The ¥(1,348) million downward adjustment to segment income included a ¥(1,650) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥303 million elimination for intersegment transactions. Moreover, the ¥(778,008) million downward adjustment to segment assets included a ¥(1,061,335) million elimination of intersegment claims and obligations, offset by ¥283,328 million in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

Fiscal 2015 (April 1, 2014 to March 31, 2015)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	**¥1,852,040**	**¥396,368**	**¥254,997**	**¥ 252,760**	**¥2,756,165**	**¥ —**	**¥2,756,165**
Inside group	**55,223**	**15,630**	**11,560**	**361,435**	**443,848**	**(443,848)**	**—**
Total	**1,907,263**	**411,998**	**266,557**	**614,195**	**3,200,013**	**(443,848)**	**2,756,165**
Segment income	**¥ 294,607**	**¥ 34,539**	**¥ 72,324**	**¥ 27,490**	**¥ 428,960**	**¥ (1,438)**	**¥ 427,522**
Segment assets	**¥6,027,312**	**¥203,513**	**¥976,232**	**¥1,133,507**	**¥8,340,564**	**¥(734,874)**	**¥7,605,690**
Depreciation	**273,441**	**10,361**	**31,743**	**37,706**	**353,251**	**—**	**353,251**
Increase in fixed assets (Note 5)	**432,877**	**11,442**	**45,958**	**62,894**	**553,171**	**—**	**553,171**

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
							Millions of U.S. Dollars
Operating revenues:							
Outside customers	**$15,434**	**$3,303**	**$2,125**	**$2,106**	**$22,968**	**$ —**	**$22,968**
Inside group	**460**	**130**	**96**	**3,012**	**3,698**	**(3,698)**	**—**
Total	**15,894**	**3,433**	**2,221**	**5,118**	**26,666**	**(3,698)**	**22,968**
Segment income	**$ 2,455**	**$ 288**	**$ 602**	**$ 229**	**$ 3,574**	**$ (11)**	**$ 3,563**
Segment assets	**$50,228**	**$1,696**	**$8,135**	**$9,446**	**$69,505**	**$(6,124)**	**$63,381**
Depreciation	**2,279**	**86**	**265**	**314**	**2,944**	**—**	**2,944**
Increase in fixed assets (Note 5)	**3,607**	**95**	**383**	**524**	**4,609**	**—**	**4,609**

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.
2. The ¥(1,438) million ($(11) million) downward adjustment to segment income included a ¥(1,798) million ($(15) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥317 million ($3 million) elimination for intersegment transactions. Moreover, the ¥(734,874) million ($(6,124) million) downward adjustment to segment assets included a ¥(1,133,269) million ($(9,444) million) elimination of intersegment claims and obligations, offset by ¥398,395 million ($3,320 million) in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

3) Relevant Information

i. Information about products and services

Information about products and services was omitted as the Company classifies such segments in the same way as it does its reportable segments.

ii. Information about geographic areas

a. Operating revenues

Information about geographic areas was omitted as operating revenues attributable to outside customers in Japan exceed 90% of the operating revenues reported in the consolidated statements of income.

b. Property, plant and equipment

Information about geographic areas was omitted as property, plant and equipment in Japan exceed 90% of the property, plant and equipment reported in the consolidated balance sheets.

iii. Information about major customers

Information about major customers was omitted as no single outside customer contributes 10% or more to operating revenues in the consolidated statements of income.

4) Information about Impairment Loss on Fixed Assets in Reportable Segments

Fiscal 2014 (Year ended March 31, 2014)

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
					Millions of Yen
Impairment losses on fixed assets	¥575	¥580	¥5,244	¥69	¥6,468

Fiscal 2015 (Year ended March 31, 2015)

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
					Millions of Yen
Impairment losses on fixed assets	**¥8,439**	**¥1,056**	**¥2,471**	**¥772**	**¥12,738**

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
					Millions of U.S. Dollars
Impairment losses on fixed assets	**$70**	**$9**	**$21**	**$6**	**$106**

Note: The amount of Others is the amount in connection with business segments and other operations excluded from the reportable segments.

5) Information about Amortized Amount of Goodwill and Unamortized Balance of Goodwill by Reportable Segments

Information about amortized amount of goodwill and unamortized balance of goodwill by reportable segments was omitted as the amount was negligible.

6) Information about Gain on Negative Goodwill by Reportable Segments

Information about gain on negative goodwill by reportable segments was omitted as the amount was negligible.

NOTE 24: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2014 and 2015

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	**2015**	**2015**
Net unrealized holding gains (losses) on securities			
Amount arising during the year	¥20,310	**¥ 41,660**	**$347**
Reclassification adjustments	(76)	**(1,268)**	**(11)**
Sub-total, before tax	20,234	**40,392**	**336**
Tax (expense) or benefit	(6,924)	**(11,082)**	**(92)**
Sub-total, net of tax	13,310	**29,310**	**244**
Net deferred gains (losses) on derivatives under hedge accounting			
Amount arising during the year	765	**2,135**	**18**
Reclassification adjustments	(49)	**(136)**	**(1)**
Acquisition cost adjustments	(296)	**(130)**	**(1)**
Sub-total, before tax	420	**1,869**	**16**
Tax (expense) or benefit	(145)	**(550)**	**(5)**
Sub-total, net of tax	275	**1,319**	**11**
Remeasurements of defined benefit plans			
Amount arising during the year	—	**21,122**	**176**
Acquisition cost adjustments	—	**(2,179)**	**(18)**
Sub-total, before tax	—	**18,943**	**158**
Tax (expense) or benefit	—	**(5,910)**	**(49)**
Sub-total, net of tax	—	**13,033**	**109**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	8	**3,495**	**29**
Reclassification adjustments	18	**578**	**5**
Sub-total	26	**4,073**	**34**
Total other comprehensive income	¥13,611	**¥ 47,735**	**$398**

NOTE 25: SUBSEQUENT EVENT

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on April 28, 2015 matters concerning the Company's repurchase of its common stock pursuant to Article 156 of the Business Corporation Law as applied pursuant to Article 165, Paragraph 3 thereof, as detailed below.

(1) Reason for share repurchase: To enhance returns to shareholders
(2) Class of shares to be repurchased: Common stock
(3) Total number of shares that may be repurchased: 1,000,000 shares (maximum) (0.25% of issued shares (excluding treasury stock))
(4) Aggregate repurchase price: ¥12,000 million (maximum)
(5) Period of repurchase: From April 30, 2015 to May 29, 2015

The repurchase of the Company's common stock based on this resolution was completed after market purchases on the Tokyo Stock Exchange from April 30, 2015 to May 29, 2015. The total repurchased was 1,000,000 shares of common stock at an aggregate repurchase price of ¥11,053 million ($92 million).

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated financial statements of East Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Japan Railway Company and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA LLC

June 23, 2015
Tokyo, Japan