

# Fiscal 2016 Financial Results (Japanese GAAP) (Unaudited)

Fiscal 2016 (Year ended March 31, 2016)

All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

"JR East" refers to East Japan Railway Company on a consolidated basis, or if the context so requires, on a non-consolidated basis.

English translation from the original Japanese-language document.

April 27, 2016

## East Japan Railway Company

Stock Exchange Listing

Securities Code

URL

Representative

Contact Person

Tokyo

9020

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

Tetsuro Tomita, President and CEO

Akira Yakushi, General Manager,

Public Relations Department

(Tel. +81-3-5334-1300)

Scheduled Date of Ordinary General Meeting of Shareholders

June 23, 2016

Scheduled Date of Dividend Payment Commencement

June 24, 2016

Scheduled Date for Release of Annual Securities Report

June 23, 2016

Preparation of Supplementary Explanations of Financial Results:

No

Financial Results Presentation to Be Held:

Yes

### 1. Consolidated Results for Fiscal 2016 (Year Ended March 31, 2016)

(Amounts less than one million yen, except for per share amounts, are omitted.)

#### (1) Consolidated financial results

(Percentages represent percentage changes as compared with the previous fiscal year.)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2016</b>	<b>2,867,199</b>	<b>4.0</b>	<b>487,821</b>	<b>14.1</b>	<b>428,902</b>	<b>18.5</b>	<b>245,309</b>	<b>36.0</b>
Fiscal 2015	2,756,165	2.0	427,521	5.1	361,977	8.9	180,397	(9.8)

Note: Comprehensive income – Fiscal 2016: 217,419 million yen (a decrease of 5.2%), Fiscal 2015: 229,292 million yen (an increase of 6.8%)

	Earnings per share— Basic	Earnings per share— Diluted	Return on average equity	Ratio of ordinary income to average assets	Ratio of operating income to operating revenues
	Yen	Yen	%	%	%
<b>Fiscal 2016</b>	<b>625.82</b>	—	<b>10.4</b>	<b>5.6</b>	<b>17.0</b>
Fiscal 2015	458.95	—	8.1	4.8	15.5

Reference: Equity in net income (losses) of affiliated companies – Fiscal 2016: 2,565 million yen, Fiscal 2015: 3,134 million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
<b>Fiscal 2016</b>	<b>7,789,762</b>	<b>2,462,537</b>	<b>31.4</b>	<b>6,232.40</b>
Fiscal 2015	7,605,690	2,304,976	30.1	5,818.19

Reference: Shareholders' equity – Fiscal 2016: 2,442,128 million yen, Fiscal 2015: 2,285,658 million yen

#### (3) Consolidated cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Fiscal 2016</b>	<b>673,109</b>	<b>(499,575)</b>	<b>(110,265)</b>	<b>307,809</b>
Fiscal 2015	622,762	(476,844)	(86,636)	245,170

## 2. Dividends (Year Ended March 31, 2015 and 2016 and Year Ending March 31, 2017)

(Record date)	Dividends per share					Total dividends (annual)	Dividend ratio (consolidated)	Ratio of dividends to shareholders' equity (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total annual			
Fiscal 2015	Yen —	Yen 60.00	Yen —	Yen 60.00	Yen 120.00	Millions of yen 47,181	% 26.1	% 2.1
<b>Fiscal 2016</b>	—	<b>65.00</b>	—	<b>65.00</b>	<b>130.00</b>	<b>50,983</b>	<b>20.8</b>	<b>2.2</b>
(Forecast) Fiscal 2017	—	65.00	—	65.00	130.00	—	19.2	—

## 3. Forecasts for Fiscal 2017 (Year Ending March 31, 2017)

(Percentages represent percentage changes as compared with the previous corresponding fiscal period or fiscal year, as applicable.)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2016	<b>1,432,000</b>	<b>0.8</b>	<b>272,000</b>	<b>(7.0)</b>	<b>238,000</b>	<b>(7.6)</b>	<b>158,000</b>	<b>(5.6)</b>	<b>403.22</b>
Fiscal 2017	<b>2,878,000</b>	<b>0.4</b>	<b>450,000</b>	<b>(7.8)</b>	<b>393,000</b>	<b>(8.4)</b>	<b>266,000</b>	<b>8.4</b>	<b>678.84</b>

### ※ Notes

(1) Changes to principal subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): No

Newly consolidated — excluded —

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- i Changes in accounting policies with revision of accounting standards : No
- ii Changes in accounting policies other than the above : No
- iii Changes in accounting estimates : No
- iv Restatement of revisions : No

(3) Number of issued shares (common stock)

- i Issued shares at period-end (including treasury stock)
 

Fiscal 2016	392,500,000 shares	Fiscal 2015	393,500,000 shares
-------------	--------------------	-------------	--------------------
- ii Treasury stock at period-end
 

Fiscal 2016	655,903 shares	Fiscal 2015	652,972 shares
-------------	----------------	-------------	----------------
- iii Average number of shares during period
 

Fiscal 2016	391,979,983 shares	Fiscal 2015	393,066,943 shares
-------------	--------------------	-------------	--------------------

## (Reference) Overview of the Non-consolidated Financial Results

### 1. Non-consolidated Results for Fiscal 2016 (Year Ended March 31, 2016)

(Amounts less than one million yen, except for per share amounts, are omitted.)

#### (1) Non-consolidated financial results

(Percentages represent percentage changes as compared with the previous fiscal year.)

	Operating revenues		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Fiscal 2016</b>	<b>2,057,342</b>	<b>4.6</b>	<b>409,994</b>	<b>16.3</b>	<b>359,483</b>	<b>19.2</b>	<b>209,031</b>	<b>33.0</b>
Fiscal 2015	1,966,042	1.7	352,677	7.6	301,571	14.3	157,126	(7.5)

	Earnings per share—Basic	Earnings per share—Diluted
	Yen	Yen
<b>Fiscal 2016</b>	<b>532.82</b>	<b>—</b>
Fiscal 2015	399.42	—

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
<b>Fiscal 2016</b>	<b>7,270,274</b>	<b>2,027,645</b>	<b>27.9</b>	<b>5,170.23</b>
Fiscal 2015	7,100,479	1,903,633	26.8	4,841.64

Reference: Shareholders' equity – Fiscal 2016: 2,027,645 million yen, Fiscal 2015: 1,903,633 million yen

### 2. Forecasts for Fiscal 2017 (Year Ending March 31, 2017)

(Percentages represent percentage changes as compared with the previous corresponding fiscal period or fiscal year, as applicable.)

	Operating revenues		Operating income		Ordinary income		Profit		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2016	<b>1,039,000</b>	<b>0.1</b>	<b>238,000</b>	<b>(7.3)</b>	<b>214,000</b>	<b>(7.9)</b>	<b>148,000</b>	<b>(6.4)</b>	<b>377.38</b>
Fiscal 2017	<b>2,060,000</b>	<b>0.1</b>	<b>373,000</b>	<b>(9.0)</b>	<b>323,000</b>	<b>(10.1)</b>	<b>229,000</b>	<b>9.6</b>	<b>583.92</b>

#### Applicability of audit requirements and completion of audit procedure

These financial results are not subject to audit requirements as provided in the Financial Instruments and Exchange Law. The audit procedures of financial statements as provided in the Financial Instruments and Exchange Law have yet to be completed as of the issue date of this report on financial results for the year ended March 31, 2016.

#### Explanation of appropriate use of forecasts of business results; other important items

The forecasts of business results and other forward-looking statements in this report are based on information available as of the date of this report and on certain assumptions that JR East viewed as reasonable as of the date of this report. Actual results may differ from such forward-looking statements for a variety of reasons. Regarding the forecasts of business results, please refer to "Outlook for the Year Ending March 31, 2017" on page 8 of this document.

JR East is scheduled to hold an analysts' meeting on April 28, 2016, to present its operating results for Fiscal 2016. JR East plans to upload the presentation materials distributed at such meeting to its website as soon as the meeting is over.

## Contents of Attachments

1. Operating Results and Financial Position.....	5
(1) Analysis of Operating Results .....	5
(2) Analysis of Financial Position.....	8
(3) Basic Dividend Policy and Dividends for Fiscal 2016 and Fiscal 2017.....	9
2. Status of the Group .....	10
3. Management Policies .....	12
(1) Basic Management Policies .....	12
(2) Medium- to Long-Term Management Strategies and Issues to be Addressed .....	12
(3) Progress in Management Framework and Management Benchmarks.....	15
4. Basic Policy for Selection of Accounting Standards .....	16
5. Consolidated Financial Statements.....	17
(1) Consolidated Balance Sheets .....	17
(2) Consolidated Statements of Income and Comprehensive Income .....	19
(3) Consolidated Statements of Changes in Net Assets .....	21
(4) Consolidated Statements of Cash Flows .....	23
(5) Notes to Consolidated Financial Statements .....	24
(Notes on Going Concern Assumption) .....	24
(Segment Information) .....	24
(Per Share Information) .....	26
(Subsequent Events) .....	26
(Additional Information) .....	26
6. Non-consolidated Financial Statements.....	27
(1) Non-consolidated Balance Sheets .....	27
(2) Non-consolidated Statements of Income .....	30
(3) Non-consolidated Statements of Changes in Net Assets .....	32
(Additional Information Regarding Operating Results) .....	36

# 1. Operating Results and Financial Position

(Unless otherwise stated, all comparisons are between the fiscal year under review and the previous fiscal year.)

## (1) Analysis of Operating Results

### (i) Summary of the Fiscal Year Ended March 31, 2016

#### Overview

In the year ended March 31, 2016, the Japanese economy improved in such areas as employment and income conditions and continued to recover gradually. Under these conditions, and guided by “JR East Group Management Vision V - Ever Onward,” the East Japan Railway Company and its consolidated subsidiaries and equity method affiliates (JR East) steadily executed various initiatives centered around the railway and life-style service businesses, as well as *Suica* operations.

As a result, during the fiscal year under review, operating revenues increased 4.0%, to ¥2,867.1 billion, and operating income increased 14.1%, to ¥487.8 billion, mainly due to growth in JR East’s transportation revenues primarily from Shinkansen revenues. Further, mainly due to a decrease in interest expense, ordinary income increased 18.5%, to ¥428.9 billion, and profit attributable to owners of parent increased 36.0%, to ¥245.3 billion.

In light of a serious incident in April 2015 in which an electrical pole collapsed and obstructed a train track on the Kanda-Akihabara segment of the Yamanote Line, JR East sought to prevent this type of incident from recurring. We established within the Railway Safety Promotion Committee an exploratory committee, with the Director General of Railway Operations Headquarters as chief investigator, that conducted investigations and an analysis of background factors to determine the cause. As a result, we are taking countermeasures that include the establishment of an Electric Power Technology Management Center and review of safety education and training to focus on what is needed in practice, to strengthen risk management and technical support for design and construction. In addition, following such serious incidents as the interruptions to transportation services in April 2015 and thereafter, including severing of overhead wires on the Tohoku Shinkansen Line and the Negishi Line and a breakdown of electric facilities occurred on the Takasaki Line, JR East implemented preventive measures and also took measures to enable it to resume operations earlier and to respond to customers’ needs rapidly when transportation services are interrupted. We are working to improve the safety and reliability of transportation through initiatives that include the October 2015 establishment of the Railway-Related Risk Mitigation Committee, which is tasked with the rigorous efforts to prevent the recurrence of accidents and incidents that affect transportation and with the efforts to prevent such accidents and incidents by identifying risks and weaknesses.

As part of strategies aimed at capturing demand from non-Japanese tourists visiting Japan, which has continued to increase in recent years, the JR East Group as a whole took measures to increase and improve products and develop capabilities to service such customers. Specifically, in July 2015, a JR East subsidiary entered into comprehensive operational alliances with two travel companies that are strong in Thailand, Indonesia, and China. In November 2015, JR East launched the *JR TOKYO Wide Pass*, a “free pass” that covers popular tourism areas and snow resorts. Furthermore, JR East prepared toward the April 2016 launch of the *Tokyo–Osaka Hokuriku Arch Pass*, which also enables use of the Hokuriku Shinkansen Line and *JR East-South Hokkaido Rail Pass*, which also enables use of the Hokkaido Shinkansen Line. JR East also extended the provision of a free public wireless LAN service to all stations within the Yamanote Line and established tax-free counters in station concourses and station buildings. In February 2016, JR East expanded the *JR EAST Travel Service Center* at Haneda Airport and introduced multilingual, online Internet reservation services for non-Japanese customers overseas.

With respect to regional revitalization, the JR East Group advanced such initiatives as promotion of tourism, revitalization of local industries, and town development centered on regional core railway stations. Specifically, JR East advanced initiatives to create attractive trains that service customers who seek the ride experience itself. For example, JR East proceeded with preparations for the commencement of operations of an art-cafe Shinkansen in April 2016, the *GENBI SHINKANSEN*, which enables customers to enjoy the Niigata area. Also, planning to begin operations in spring 2017, JR East publicly announced such details as the route of the *TRAIN SUITE SHIKI-SHIMA* cruise train. Further, JR East implemented measures for the sextic industrialization of agriculture, fishing, and forestry. As part of such efforts, in January 2016, JR East established JR Niigata Farm Co., Ltd. in Niigata City, which is a National Strategic Special Zone. The new company will produce rice suitable for use as a basic ingredient of sake. As part of initiatives to transform the northern Tohoku area into a renewable energy base by taking advantage of the region’s rich natural environment, in April 2015, we established JR EAST Energy Development Co., Ltd., which is mainly engaged in wind power generation businesses. In addition, in September 2015, Akita Prefecture, Akita City and JR East concluded a “Partnership Agreement in Relation to the Development of Compact Cities for Regional Revitalization.”

With respect to the area surrounding Shinagawa Station and Tamachi Station, as some of the land used for the Shinagawa Depot railway yard will become available for other uses, JR East is endeavoring to develop an internationally attractive exchange hub by implementing plans for urban development in cooperation with the Government of Japan, Tokyo Metropolitan Government, relevant wards, and other stakeholders. In April 2016, the urban plan that was prepared received approval from the prime minister as a zone plan of a National Strategic Special Zone.

To enable the JR East Group to make a concerted effort to improve service quality and efficiency, in July 2015, JR East reorganized subsidiaries in the Tokyo metropolitan and Tohoku areas that are responsible for railway station management, railway station concourse and other businesses.

## Segment Information

### Transportation

In the Transportation segment, with railway operations as its core operations, JR East promoted the use of its railway networks to secure revenues while ensuring safe and reliable transportation and enhancing customer satisfaction.

With respect to safety, JR East steadily implemented measures based on its sixth five-year safety plan, "Group Safety Plan 2018." JR East steadily implemented measures 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 billion for investment in such measures for a five-year intensive implementation period ending March 31, 2017. Approximately 70% of the work that is currently planned was completed by the end of the fiscal year under review. JR East also commenced the operation of automatic platform gates at five railway stations on the Yamanote Line, including Nippori Station. The new gates increased the total number of stations with such gates to 23 stations as of March 31, 2016. As for lines other than the Yamanote Line, JR East prepared for the introduction of automatic platform gates to such railway stations as Shin-Koiwa Station on the Sobu Line Rapid Service based on review of line segment conditions, usage, and other factors. As measures for preventing railway crossing accidents, JR East continued converting to type-1 railway crossings, eliminating and consolidating railway crossings, and installing more obstruction warning devices and obstacle detection devices for railway crossings. In addition, to improve the safety of personnel who perform maintenance work, we developed a train approach alarm system that utilizes GPS and began using it on the Hachiko Line and the Iiyama Line in April 2016.

In relation to service quality, the Group promoted measures aimed at becoming "No. 1 for customer satisfaction in the Japanese railway industry" based on the "Medium-term Vision for Service Quality Reforms 2017," which was implemented in April 2015. Given the expansion of the direct service network, such as the opening of the Ueno-Tokyo Line, JR East worked to improve the quality of transportation by expanding contingency shuttle operations when transportation services are disrupted. JR East extended the service area for the *JR EAST APP* for smartphones, which provides individual customers with timely information, to the Ueno-Tokyo Line, and the number of application downloads reached approximately 1.79 million on a cumulative basis as of March 31, 2016. JR East jointly held a "Let's Stop Viewing Smartphones while Walking" campaign with related companies and other organizations and conducted an assistance campaign in which personnel ask nearby customers whether they require assistance.

With respect to transportation, after revising its timetables in March 2016 for the opening of the Hokkaido Shinkansen Line, JR East began direct operation of trains to the Tohoku Shinkansen Line and the Hokkaido Shinkansen Line. As a result, the shortest journey between Tokyo and Shin-Hakodate Hokuto takes 4 hours and 2 minutes, and the shortest journey between Sendai and Shin-Hakodate Hokuto takes 2 hours and 30 minutes. Further, in light of observed usage following the opening of the Hokuriku Shinkansen Line and the Ueno-Tokyo Line, JR East sought to improve the transportation network through such initiatives as reviewing the connections and strengthening transportation capabilities during rush hours.

With respect to marketing and sales activities, JR East conducted such campaigns as the *Fukushima Destination Campaign* and the *Ikuze, Tohoku*. Campaign to increase passenger traffic. Further, JR East proceeded with preparations for the *Aomori Prefecture and Hakodate Destination Campaign*, which JR East plans to hold in July 2016. In connection with the opening of the Hokuriku Shinkansen Line to Kanazawa, JR East promoted usage of Shinkansen services such as *Kagayaki*, the fastest service, and *Hakutaka*, a service that stops at most stations between Tokyo and Kanazawa and took measures to use the expanded railway network to grow inter-regional railway travel. In addition, JR East used the *Hokuriku Destination Campaign* as an opportunity to increase wide-ranging inter-regional sightseeing that encompasses Hokuriku and Shinshu, for example through the promotion of products that take advantage of the *Tenku no Hida Kairo View Bus* (Hida Mountains Excursion Bus). In November 2015, JR East commenced the sale of the *JR East Dynamic Rail Pack*, a travel product that allows a customer to purchase a combined train-accommodation product based on his or her choice. In January 2016, JR East enabled the purchase of the product via smartphones.

In *Suica* operations, JR East began mutual usage of *Suica* with the Sendai City Transportation Bureau's *icsca* card in the Sendai area in March 2016. JR East has also conducted a 10th anniversary of *Mobile Suica* campaign since January 2016 to further increase usage of *Suica*. The number of *Suica* cards issued and outstanding was approximately 59.23 million as of March 31, 2016.

With respect to participation in overseas railway projects, JR East proceeded with preparations to begin maintenance operations for the *Purple Line* (Bangkok, Thailand), an urban mass transit system scheduled to enter service in August 2016. At the same time, JR East's subsidiary, Japan Transport Engineering Company (J-TREC), manufactured *sustina* stainless-steel railcars and delivered them to a railway yard in Thailand. JR East jointly held the "9th UIC World Congress on High Speed Rail" with the International Union of Railways (UIC) in July 2015 and strengthened its relationships with those involved in high speed rail and governments outside Japan. JR East promoted its "Global Human Resource Development Program – Ever Onward" to nurture personnel who can take on global business development. This included continuation of overseas studies programs and on-the-job trainee programs in the overseas railway consulting business, among other assignments.

As a result of the above, the number of passengers for railway operations increased year on year; operating revenues in the Transportation segment increased 5.3%, to ¥2,007.9 billion; and operating income increased 18.3%, to ¥348.5 billion.

To restore line segments on the Pacific coast severely damaged by the Great East Japan Earthquake, JR East is working in close collaboration with the national government and relevant local authorities to formulate and advance plans for developing towns and rebuilding the area as a whole. JR East resumed operations on all segments of the Senseki Line and began operations of the Senseki-Tohoku Line, a direct service connecting to the Tohoku Line in May 2015. Further, JR East began restoration work on the line segment between Miyako and Kamaishi on the Yamada Line to integrate operation of the line



segment with that of the North and South Rias Lines by Sanriku Railway Company. With respect to the provisional Bus Rapid Transit (“BRT”) systems on the Kesenuma Line and the Ofunato Line, agreement was reached with the heads of all municipal authorities of the line-side areas to undertake full-scale restoration through the use of BRT systems. In addition, JR East conducted restoration work with a view to resuming operations between Soma and Hamayoshida on the Joban Line by the end of December 2016. JR East’s policy for areas within a 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station is to prepare to resume operations in the areas designated as “areas to which evacuation orders are ready to be lifted,” through the cooperation of the national government and local authorities that are working to decontaminate line-side areas and returning residents to their homes. Based on this policy, JR East conducted restoration work and took other measures with a view to resuming operations between Odaka and Haranomachi on the Joban Line by the spring of 2016, between Namie and Odaka by the spring of 2017, and between Tatsuta and Tomioka by the end of 2017. Further, in the areas 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 restoration of damaged facilities, the completion of decontamination work required for opening lines, and the implementation of measures to ensure the safety of users in emergencies, with the support and cooperation of the national government and local authorities. To this end, JR East began implementing trial decontamination work between Yonomori and Futaba on the Joban Line in August 2015. In addition, with respect to the disposal of and other measures relating to waste material and soil arising from decontamination and restoration work, in light of developments, including the fact that a more definite outlook for the resolution of such issues has been established, in March 2016 JR East began restoration work with a view to resuming operations between Tomioka and Namie on the Joban Line by March 31, 2020.

### **Station Space Utilization**

In the Station Space Utilization segment, JR East introduced stores with new designs for *NewDays* (convenience stores) and introduced *NewDays KIOSK*, which includes such features as renewed product mixes and store layouts for station kiosks. With the aim of revitalizing regions with restaurants offering regional gourmet cuisines, JR East opened *B-1 Grand Prix Shokudo* (Tokyo) in July 2015 under a railway viaduct between Akihabara and Okachimachi stations. Further, JR East proceeded with preparations for the opening phase 2 of *NEWoMan* (Tokyo) at the JR Shinjuku Station New South Exit. In addition, in January 2016, JR East began improvement work between the central passage and the north passage of Tokyo Station to develop new stores in conjunction with the establishment of more barrier-free routes. Other initiatives included commencement of work for the opening of certain stores in the Chiba Station’s concourse in fall 2016.

As a result of these initiatives, as well as factors including the favorable sales of stores in Tokyo Station’s concourse, operating revenues of the Station Space Utilization segment increased 1.0%, to ¥416.0 billion, and operating income increased 1.6%, to ¥35.0 billion.

### **Shopping Centers & Office Buildings**

In the Shopping Centers & Office Buildings segment, in April 2015, JR East placed under the control of subsidiary *atré Co., Ltd.*, three subsidiaries responsible for managing station buildings in the northern Kanto area in order to strengthen store development capabilities and other capabilities for the implementation of a management style that is rooted in regions. Further, JR East launched *JRE POINT* as a common Group-wide service in February 2016. Also, following its opening of *atré URAWA* (Saitama) in November 2015 and *tekute Nagamachi* (Miyagi) in December 2015, JR East opened the *JR SHINJUKU MIRAINA TOWER* (Tokyo), phase 1 of *NEWoMan* (Tokyo), and *S-PAL Sendai East Building* (Miyagi) in March 2016. In addition, JR East opened phase 1 of *nonowa Kunitachi* (Tokyo) in April 2015 and opened *nonowa Musashikoganei WEST* (Tokyo) in December 2015. At the same time, JR East proceeded with preparations to open *nonowa Kunitachi WEST* (Tokyo) and *atré Ebisu west building* (Tokyo) in April 2016. In addition, JR East proceeded with the construction of *JEBL Akihabara Square* (Tokyo), which is scheduled for completion in August 2016; phase 1 of the *Shibuya Station Area Development Plan* (East Bldg.), which is scheduled for completion in the fiscal year ending March 31, 2020; and the *Yokohama Station West Exit Station Building Plan* (provisional name), which is scheduled to open in 2020.

As a result of these initiatives, as well as factors including favorable sales of LUMINE Co., Ltd., and an increase in revenues accompanying the opening of *MIDORI NAGANO* (Nagano), operating revenues of the Shopping Centers & Office Buildings segment increased 0.4% year on year, to ¥267.5 billion. However, due to factors including the recognition of costs arising from the opening of *JR SHINJUKU MIRAINA TOWER* (Tokyo), operating income declined 1.0%, to ¥71.6 billion.

### **Others**

In hotel operations, JR East renewed *HOTEL METS Musashisakai* (Tokyo), *HOTEL METS Nagaoka* (Niigata), *HOTEL METS Mizonokuchi* (Kanagawa), and *HOTEL METS Urawa* (Saitama) to increase the competitiveness of existing hotels. In advertising and publicity services, JR East made efforts to promote advertising sales for *J-AD Vision*, an advertising medium at stations that uses large LCD screens, and *Train Channel*, an advertising medium shows video commercials on trains.

In credit card operations, JR East increased convenience for customers who use the JR East Group’s services frequently by beginning the *View Gold Plus Card* service in April 2015 and opening the *View Gold Lounge* in Tokyo Station in December 2015. In *Suica* shopping services (electronic money), JR East continued to develop the network of participating stores and business establishments actively through efforts that included introduction of *Suica* electronic money to chain restaurants and chain stores and other business establishments with wide operating areas. As a result of these measures, *Suica* electronic money was usable at approximately 340,000 stores as of March 31, 2016.

In other initiatives, as part of the *HAPPY CHILD PROJECT*, JR East opened a multi-purpose child-rearing-support and senior-citizen-care facility, *COTONIOR Akabane* (Tokyo), in April 2015. Also, JR East prepared for the opening of *COTONIOR Nishi-Funabashi* (Chiba) in April 2016. Further, JR East proceeded with the development of childcare support facilities inside station buildings and other buildings, giving it a total of 82 facilities as of March 31, 2016.

As a result of these initiatives, as well as factors including an increase in sales accompanying work related to the Hokkaido Shinkansen Line and favorable performances by advertising and publicity services and hotel operations, operating revenues from Others increased 3.2% year on year, to ¥633.9 billion, and operating income increased 27.4%, to ¥35.0 billion.

Notes:

1. JR East 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 JR East corresponds to the segment income under the said Accounting Standard and Guidance.
2. *icsca* is a registered trademark of Sendai City.

## (ii) Outlook for the Year Ending March 31, 2017

As employment and income conditions continue to improve, economic conditions in Japan are expected to move toward gradual recovery, in part due to the effect of various government initiatives. Amid these conditions, JR East will contribute to local communities through the provision of safe and high-quality services and continue to fulfil its “Eternal Mission” while focusing on the advancement of technological innovation, globalization, and the provision of more opportunities for motivated employees and “Pursuing Unlimited Potential” in accordance with the “JR East Group Management Vision V.” Through action and teamwork on the part of each of its employees that transcends workplaces and organizational divisions, the Group aims to realize its commitment to “Thriving with Communities, Growing Globally.”

JR East’s consolidated performance outlook for the fiscal year ending March 31, 2017, as of the publication date of this document is as follows.

### Fiscal 2017 Performance Forecasts

#### Full fiscal year

Operating Revenues: ¥2,878.0 billion (0.4% year-on-year increase)  
 Operating Income: ¥450.0 billion (7.8% year-on-year decrease)  
 Ordinary Income: ¥393.0 billion (8.4% year-on-year decrease)  
 Profit Attributable to Owners of Parent: ¥266.0 billion (8.4% year-on-year increase)

#### Six-month period ending September 30, 2016

Operating Revenues: ¥1,432.0 billion (0.8% year-on-year increase)  
 Operating Income: ¥272.0 billion (7.0% year-on-year decrease)  
 Ordinary Income: ¥238.0 billion (7.6% year-on-year decrease)  
 Profit Attributable to Owners of Parent: ¥158.0 billion (5.6% year-on-year decrease)

## (2) Analysis of Financial Position

In the fiscal year ended March 31, 2016, operating activities provided net cash of ¥673.1 billion, ¥50.3 billion more than in the previous fiscal year. This result was mainly due to an increase in profit attributable to owners of parent.

Investing activities used net cash of ¥499.5 billion, ¥22.7 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of fixed assets.

Financing activities used net cash of ¥110.2 billion, ¥23.6 billion more than in the previous fiscal year. This result was mainly due to a decrease in proceeds from interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2016 were ¥307.8 billion, an increase of ¥62.6 billion from March 31, 2015.

In addition, the balance of consolidated interest-bearing debt was ¥3,241.9 billion as of March 31, 2016.

Cash flow indicators of JR East are presented in the table below:

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Equity ratio (%)	29.4	30.1	31.4
Equity ratio on market-value basis (%)	40.4	49.8	48.9
Interest-bearing debt / net cash provided by operating activities (times)	5.8	5.3	4.8
Interest coverage ratio (times)	6.3	7.6	8.8

Notes: Equity ratio: Shareholders’ equity / Total assets

Equity ratio on market-value basis: Market capitalization / Total assets

Interest coverage ratio: Net cash provided by operating activities / Payments of interest

1. Indicators are derived from the consolidated financial statements.

2. Market capitalization is calculated by multiplying the closing share price at the fiscal year-end by the total number of shares issued (less treasury shares).



### (3) Basic Dividend Policy and Dividends for Fiscal 2016 and Fiscal 2017

JR East's basic policy for the appropriation of earnings is to steadily increase returns to shareholders in light of performance while securing adequate retained earnings to maintain robust operational foundations for the future development of its business activities, which are centered on railway stations and railway services.

JR East targets a total return ratio target of 33%. To reach this target, JR East will continue working to maintain stable dividends while flexibly conducting share repurchases. As a basic policy, the repurchased shares will be canceled.

(Reference) Calculation of total return ratio

$$\text{Total return ratio in a FY (\%)} = \frac{\text{(total amount of dividend paid in such FY)} + \text{(total repurchase price of repurchased shares in the next FY)}}{\text{profit attributable to owners of parent in such FY}} \times 100$$

Based on this policy, JR East plans to pay (payment scheduled to begin on June 24, 2016) year-end cash dividends of ¥65 per share, which are in addition to the interim cash dividends of ¥65 per share, for full-year cash dividends of ¥130 per share.

Based on its policy of maintaining stable dividends, JR East plans to pay cash dividends of ¥130 per share, including interim dividends of ¥65 per share, for the fiscal year ending March 31, 2017.

Further, JR East does not plan to pay dividends other than with respect to the record date as of the end of the second quarter and the record date at the end of the fiscal year.

In addition to enhancing returns to shareholders, JR East will actively use funds for necessary capital expenditures such as investments in sustainable growth and for a stronger operation base. At the same time, JR East will use a portion of funds for the redemption and steady reduction of debt, thereby strengthening its financial position. To this end, JR East plans to reduce its balance of consolidated interest-bearing debt to ¥3,000 billion sometime during the 2020s. Going forward, JR East will strive to strengthen its business foundation and enhance its corporate value further by continually working to improve earnings and promoting management with an emphasis on increasing operating cash flow.

## 2. Status of the Group

The JR East Group consists of East Japan Railway Company, 67 consolidated subsidiaries, and 5 equity-method affiliated companies (as of March 31, 2016). The JR East Group has four business segments: Transportation, Station Space Utilization, Shopping Centers & Office Buildings, and Others. The relationship of East Japan Railway Company and other related companies to each business segment are as shown below.

The classification below is the same as the business segment classification presented in “5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Segment Information)”.

### (i) Transportation

This segment conducts passenger transportation operations centered on railway operations and railcar manufacturing operations. With a service area mainly covering Tokyo and the combined 16 prefectures of the Kanto and Tohoku regions, JR East's railway operations comprise 1,665 railway stations, 6,263.1 operating kilometers of conventional lines, and 1,194.2 kilometers of Shinkansen lines, spanning a total of 7,457.3 kilometers.

Main related companies: East Japan Railway Company  
JR Bus Kanto Co., Ltd.\*  
Japan Transport Engineering Company\*  
Tokyo Monorail Co., Ltd.\*

### (ii) Station Space Utilization

This segment creates commercial spaces in railway stations by developing various types of business, including retail stores and restaurants.

Main related companies: East Japan Railway Company (creation of new commercial spaces within railway stations)  
JR East Retail Net Co., Ltd.\*  
Nippon Restaurant Enterprise Co., Ltd.\*

### (iii) Shopping Centers & Office Buildings

This segment develops properties within or near railway stations, manages shopping centers and leases office buildings and other properties.

Main related companies: East Japan Railway Company (development of shopping centers and office buildings)  
LUMINE Co., Ltd.\*  
atré Co., Ltd.\*  
JR East Urban Development Corporation\*  
JR East Building Co., Ltd.\*

### (iv) Others

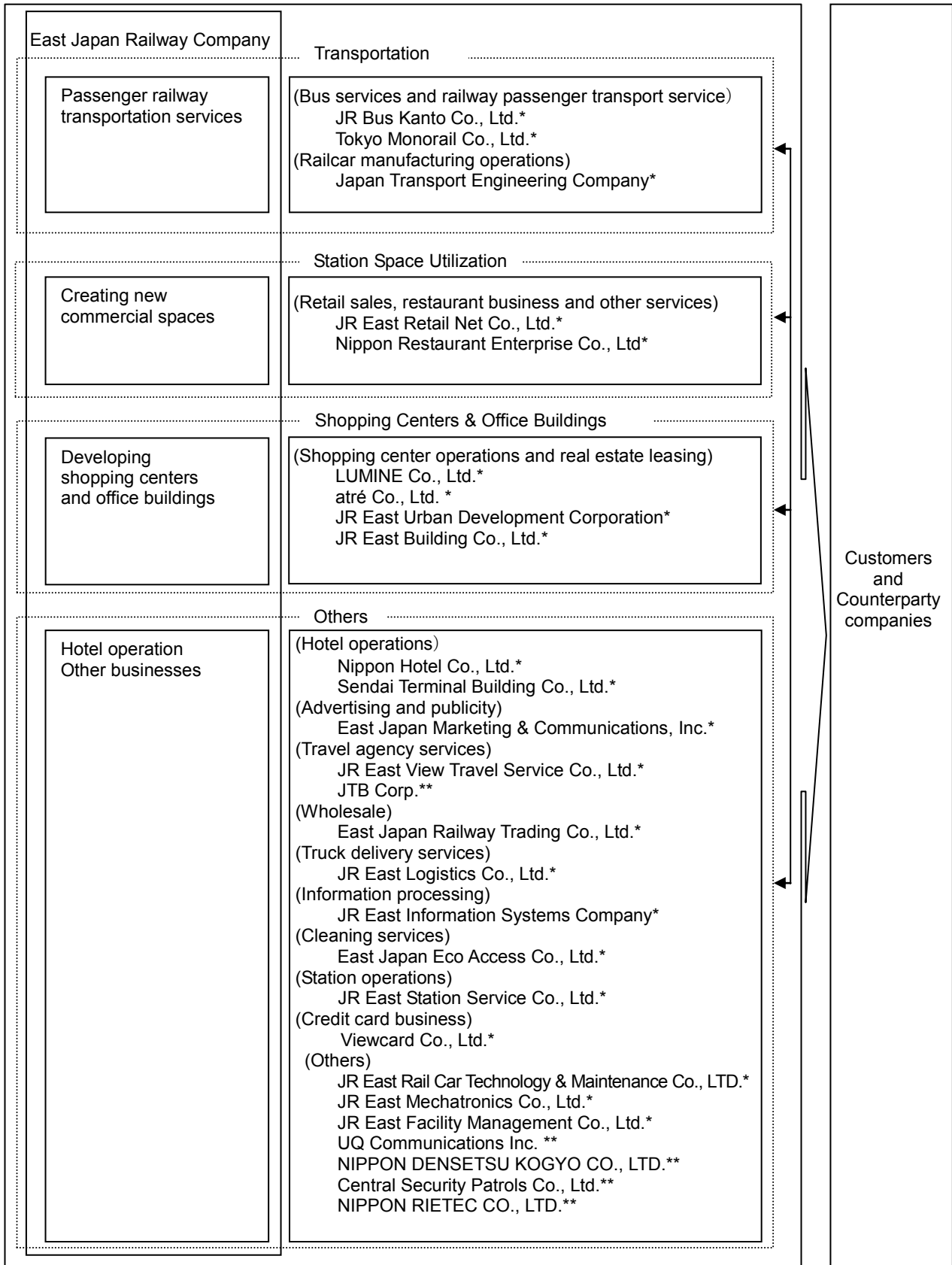
In addition to the above, JR East conducts businesses related to hotel operations, advertising and publicity, and credit card operations, among others.

Main related companies: (Hotel operations)  
East Japan Railway Company Nippon Hotel Co., Ltd.\* Sendai Terminal Building Co., Ltd.\*  
(Advertising and publicity)  
East Japan Marketing & Communications, Inc.\*  
(Travel agency services)  
JR East View Travel Service Co., Ltd.\* JTB Corp.\*\*  
(Wholesale)  
East Japan Railway Trading Co., Ltd.\*  
(Truck delivery services)  
JR East Logistics Co., Ltd.\*  
(Information processing)  
JR East Information Systems Company\*  
(Cleaning services)  
East Japan Eco Access Co., Ltd.\*  
(Station operations)  
JR East Station Service Co., Ltd.\*  
(Credit card business)  
Viewcard Co., Ltd.\*  
(Others)  
East Japan Railway Company JR East Rail Car Technology & Maintenance Co., LTD.\*  
JR East Mechatronics Co., Ltd.\*  
JR East Facility Management Co., Ltd.\* UQ Communications Inc.\*\*  
NIPPON DENSETSU KOGYO CO., LTD.\*\*  
Central Security Patrols Co., Ltd.\*\*  
NIPPON RIETEC CO.,LTD\*\*

Notes: 1. \* indicates a consolidated subsidiary, \*\* indicates an equity-method affiliated company.

2. Subsidiaries with operations in more than one segment are listed in the segment in which they are mainly involved.

The following is a schematic of JR East's business network.



Notes: 1. \* indicates a consolidated subsidiary, \*\* indicates an equity-method affiliated company.  
 Notes: 2. Subsidiaries with operations in more than one segment are listed in the segment in which they are mainly involved.  
 Notes: 3. Arrows show the flow of main transactions and offering of services.

### 3. Management Policies

#### (1) Basic Management Policies

- The JR East Group aims to contribute to the growth and prosperity of the East Japan area by providing quality leading-edge services, with train station and railway businesses at its core, to customers and communities.
- We will continue to embrace the challenge of pursuing “extreme safety levels” and service quality reforms. Through technological innovation and globalization, we will strive to attain goals such as nurturing personnel with an expansive perspective, spurring the advancement of railways, and making line-side areas more attractive and convenient. To this end, JR East will continue to rigorously pursue its unlimited potential.
- We aim to grow continuously while meeting our social responsibilities as a Trusted Life-Style Service Creating Group.

#### (2) Medium- to Long-Term Management Strategies and Issues to be Addressed

As employment and income conditions continue improving, the Japanese economy is expected to trend toward gradual recovery, in part due to the effect of various government initiatives. Medium-to-long-term projections include further decreases in population and further aging of society, concentration of population on the Tokyo metropolitan area, technological innovation, advances in globalization, and a rise in demand from tourists visiting Japan.

Amid these economic conditions, as it approaches the 30th anniversary of its establishment, the JR East Group faces a range of different “change points,” such as the transition to the next generation of employees, the increasingly flat division of work with respect to which the JR East Group and partner companies share responsibilities and roles, and the operation of trains at higher speeds and the introduction of the direct-through operation of trains accompanying changes in systems.

To respond appropriately to these changes, in October 2012, the JR East Group formulated a management vision entitled “JR East Group Management Vision V — Ever Onward” and set forth a management policy for “Thriving With Communities, Growing Globally.” Based on this, the Group has made efforts to meet the expectations of customers and local communities by fulfilling its “Eternal Mission” and taking on the ongoing challenge of pursuing its “Unlimited Potential.” Every year, JR East has reviewed the progress under “Priority Initiatives Going Forward” and updated its initiatives. These are initiatives that JR East will work particularly hard to advance in future with a view to accelerating the realization of “JR East Group Management Vision V.” This year, JR East will focus on improving the safety and reliability of transportation.

##### (i) Medium- to Long-Term Management Strategies “JR East Group Management Vision V — Ever Onward”

With continued fulfillment of its “Eternal Mission,” including the safety and reliability transportation, and sustaining growth by “Pursuing Unlimited Potential” positioned as the two important management pillars of the Group, JR East has set out the six basic policies below.

[Eternal Mission]

- A. Pursuing “extreme safety levels” — Building a railway capable of withstanding natural disasters
- B. Service quality reforms — Enhancing railway transportation network and other measures
- C. Strengthening collaboration with local communities — Supporting earthquake recovery, stimulating tourism and revitalizing communities

[Pursuing Unlimited Potential]

- A. Technological innovation — Forging energy and environmental strategies, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds
- B. Tackling new business areas — Globalization
- C. Developing employees and creating a corporate culture that maximizes human potential

##### (ii) Formulation of “Priority Initiatives Going Forward” for “JR East Group Management Vision V—Ever Onward”

###### ◆ Eternal Mission

###### A. *KIWAMERU* (Excel): Pursuing “extreme safety levels”

- Advance “Group Safety Plan 2018” steadily
- Advance concrete measures that reflect the basic approach of “Group Safety Plan 2018”
- Advance measures aimed at “overcoming safety weaknesses” in response to such incidents as the collapse of an electrical pole on the Yamanote Line
- Implement rigorous accident prevention measures (tangible and intangible) reflecting the lessons from the derailment accident in Kawasaki Station

- Build a railway capable of withstanding natural disasters

- Expect to complete approximately 80% of the planned seismic reinforcements by the end of fiscal 2017
- Properly renew aging facilities such as structures, track equipment, and station buildings

#### B. *MIGAKU* (Improve): Service quality reforms

- Advance the “Medium-term Vision for Service Quality Reforms 2017”

- Prevent transportation service disruptions including through the advancement of countermeasures for natural disasters and enhancement of security
- Minimize the impact of transportation service disruptions, respond to customers rapidly, and resume operations as soon as possible following disruptions
- Enhance information provision and support that use ICT and other technologies through such measures as increasing the number of lines covered by services providing information on the operational status of trains

- Promote usage of the Hokuriku Shinkansen Line and the Hokkaido Shinkansen Line

- Promote usage of the Hokuriku Shinkansen Line and the Hokkaido Shinkansen Line by advancing the development of destination-driven tourism and establishing inter-regional sightseeing routes
- Review business schemes including through the development of a specific plan for a Haneda Airport Access Line

#### C. *TOMO NI IKIRU* (Together): Strengthening collaboration with local communities

- Steadily promote the three approaches to town development

- Establish the brand power of and improve the convenience of Shinagawa and other large-scale stations
- Promote the line-side brand appeal of railway lines including through promotion of the *Chuo Line Mall Project* and the *HAPPY CHILD PROJECT*
- Develop towns around Akita and other core train stations in regional areas in collaboration with local municipal authorities and other bodies

- Revitalize local industries

- Expand sales of local product in Greater Tokyo and improve trend-setting capabilities
- Promote the *sexitic industrialization* of agriculture, fishing and forestry including through the *NOMONO 1-2-3 Project*

- Promote Japan as a tourism-oriented nation

- Create appealing trains that are ridden for the ride experience itself
- Prepare for introduction of the *TRAIN SUITE SHIKI-SHIMA* cruise train

#### ◆ Pursuing Unlimited Potential

##### A. *HIRAKU* (Pioneer): Technological innovation

- Promote energy and environmental strategies

- Introduce catenary and battery-powered hybrid railcars to alternating current (AC) segments
- Transform the northern Tohoku region into a renewable energy base (solar power, wind power, geothermal power, biomass)

- Utilize ICT to innovate operations

- Innovate maintenance operations including through the introduction of monitoring devices to model line segments
- Build new sales systems through such initiatives as the establishment of capabilities for selling View travel products online
- Innovate the transportation system through the introduction of wireless train control systems

- Advance technological innovation

##### B. *NOBIRU* (Grow): Tackling new business areas

- Take on the challenge of overseas projects

- Advance operations for the *Purple Line* urban mass transit railway system in Bangkok, Thailand
- Expand technological support provided to and other measures for railway operators in Indonesia and Myanmar
- Advance initiatives aimed at participation in overseas high speed rail projects
- Market *sustina* stainless-steel railcars proactively and win orders for railway projects
- Develop the life-style services business overseas



- Incorporate outstanding technologies and services from outside the company

C. *HABATAKU* (Empower): Developing employees and creating a corporate culture that maximizes human potential

- Provide further growth opportunities to motivate employees
  - Enhance open-application programs for personnel transfer and training
  - Strengthen the development of global human resources through the continued development of a diverse overseas assignment program
  - Promote diversity
- Promote cohesive Group management
  - Establish “Group Stretch Targets”
  - Expand and improve *JRE POINT* as a common service throughout the JR East Group
- Reform the work style and streamline organizational management
- ◆ Initiatives in preparation for the 2020 Tokyo Summer Olympic and Paralympic Games
  - Enhance stations and other facilities near game venues and, during events, reinforce transportation capacity
  - Promote barrier-free environments through such measures as installing more lifts and multi-functional restrooms
- ◆ Advance strategies for visitors to Japan
  - Increase the profile of the Tohoku area through collaboration with Tohoku Tourism Promotion Organization and other organizations
  - Capture demand from non-Japanese tourists on a Group basis by increasing and improving stores that offer duty-free shopping services
  - Establish an environment that accommodates the needs of visitors to Japan and increase convenience through such measures as increasing the number of and improving tourism centers for visitors to Japan

### (3) Progress in Management Framework and Management Benchmarks

In accordance with "JR East Group Management Vision V - Ever Onward" announced in October 2012, JR East establishes numerical targets that it seeks to achieve over a three-year period. JR East reviews these three-year targets annually to reflect as appropriate any changes in the management environment or other developments, and update them each year to cover the next three-year period.

Base on such policy, numerical targets for the fiscal year ending March 31, 2019, have been formulated as follows.

#### Numerical Targets for the Fiscal Year Ending March 31, 2019

	Targets for the fiscal year ending March 31, 2019	(Reference) Result for the fiscal year ended March 31, 2016
Consolidated operating revenues	¥2,967.0 billion	¥2,867.1 billion
Transportation	¥1,979.0 billion	¥1,954.5 billion
Station Space Utilization	¥427.0 billion	¥399.9 billion
Shopping Centers & Office Buildings	¥296.0 billion	¥255.9 billion
Others	¥265.0 billion	¥256.6 billion
Consolidated operating income	¥498.0 billion	¥487.8 billion
Transportation	¥342.0 billion	¥348.5 billion
Station Space Utilization	¥37.0 billion	¥35.0 billion
Shopping Centers & Office Buildings	¥84.0 billion	¥71.6 billion
Others	¥36.0 billion	¥35.0 billion
Adjustment	¥(1.0) billion	¥(2.4) billion
Consolidated cash flows from operating activities	(Total over three years*) ¥2,000.0 billion	¥673.1 billion
Consolidated ROA	Around 6%	6.3%
Consolidated ROE	Around 10%	10.4%

Note: \*Total amount covering three years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019.

#### Planned Consolidated Capital Expenditures

	Total over three years*	(Reference) Results for the fiscal year ended March 31, 2016
Capital expenditures	¥1,600.0 billion	¥541.9 billion
Investments for maintenance and upgrade (of which for safety)	¥1,000.0 billion (¥600.0 billion)	¥358.5 billion (¥238.4 billion)
Growth investments	¥600.0 billion	¥183.4 billion

Note: \*Total amount covering three years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019.

#### **4. Basic Policy for Selection of Accounting Standards**

As of now, the JR East Group's plan is to continue using Japanese GAAP. However, in light of developments in the Group's overseas businesses and general trends in Japan and overseas in the selection of accounting standards, it will consider the adoption of International Financial Reporting Standards (IFRS).

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>ASSETS</b>		
<b>Current Assets</b> .....	¥ 855,785	¥ 934,518
Cash and time deposits .....	76,341	239,477
Notes and accounts receivable-trade .....	422,432	439,443
Fares receivable .....	40,014	38,489
Short-term loans receivable .....	6,515	6,427
Securities .....	169,000	68,500
Real estate for sale .....	1,099	903
Inventories .....	52,856	47,834
Deferred tax assets .....	43,635	49,188
Other .....	45,557	45,826
Allowance for doubtful accounts .....	(1,666)	(1,572)
<b>Fixed Assets</b> .....	6,749,903	6,855,243
Property, plant and equipment, net of accumulated depreciation	6,089,000	6,233,542
Buildings and fixtures (net) .....	3,043,240	3,128,743
Machinery, rolling stock and vehicles (net) .....	736,600	726,591
Land .....	1,991,792	2,002,529
Construction in progress .....	254,958	306,398
Other (net) .....	62,407	69,279
Intangible assets .....	126,085	127,859
Investments and other assets .....	534,817	493,841
Investments in securities .....	246,551	210,377
Long-term loans receivable .....	2,992	2,833
Long-term deferred tax assets .....	218,974	217,256
Net defined benefit asset .....	410	112
Other .....	66,615	63,976
Allowance for doubtful accounts .....	(726)	(713)
<b>Deferred Assets</b> .....	1	—
Deferred development expenses .....	1	—
<b>Total Assets</b> .....	¥7,605,690	¥7,789,762

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>LIABILITIES</b>		
<b>Current Liabilities</b> .....	¥1,340,078	¥1,404,960
Notes and accounts payable-trade .....	49,850	48,803
Short-term loans and current portion of long-term loans .....	118,220	107,107
Current portion of bonds .....	55,000	79,999
Current portion of long-term liabilities		
incurred for purchase of railway facilities .....	106,730	97,251
Payables .....	458,979	494,778
Accrued consumption taxes .....	41,836	23,955
Accrued income taxes .....	51,772	83,238
Fare deposits received with regard to railway connecting services .....	20,694	20,848
Prepaid railway fares received .....	103,438	102,493
Allowance for bonuses to employees .....	71,226	73,092
Allowance for earthquake-damage losses .....	3,522	11,587
Other .....	258,805	261,804
<b>Long-Term Liabilities</b> .....	3,960,636	3,922,264
Bonds .....	1,709,853	1,729,914
Long-term loans .....	874,921	908,422
Long-term liabilities incurred for purchase of railway facilities .....	438,475	341,074
Long-term deferred tax liabilities .....	4,073	3,361
Allowance for earthquake-damage losses .....	1,236	14,672
Allowance for partial transfer costs of railway operation .....	16,547	19,087
Net defined benefit liability .....	701,730	675,783
Other .....	213,796	229,948
<b>Total Liabilities</b> .....	¥5,300,714	¥5,327,225
<b>NET ASSETS</b>		
<b>Shareholders' Equity</b> .....	¥2,207,795	¥2,393,361
Common stock .....	200,000	200,000
Capital surplus .....	96,833	96,811
Retained earnings .....	1,915,382	2,101,844
Treasury stock, at cost .....	(4,420)	(5,295)
<b>Accumulated Other Comprehensive Income</b> .....	77,862	48,767
Net unrealized holding gains (losses) on securities .....	68,415	43,771
Net deferred gains (losses) on derivatives under		
hedge accounting .....	2,532	473
Revaluation reserve for land .....	(483)	(473)
Remeasurements of defined benefit plans .....	7,398	4,996
<b>Non-Controlling Interests</b> .....	19,317	20,408
<b>Total Net Assets</b> .....	2,304,976	2,462,537
<b>Total Liabilities and Net Assets</b> .....	¥7,605,690	¥7,789,762

Note: Amounts less than one million yen are omitted.



## (2) Consolidated Statements of Income and Comprehensive Income (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

### (i) Consolidated Statements of Income

	Millions of Yen	
	Fiscal 2015	Fiscal 2016
<b>Operating Revenues</b> .....	¥2,756,165	<b>¥2,867,199</b>
<b>Operating Expenses</b> .....	2,328,643	<b>2,379,378</b>
Transportation, other services and cost of sales .....	1,806,181	<b>1,841,025</b>
Selling, general and administrative expenses .....	522,462	<b>538,352</b>
<b>Operating Income</b> .....	427,521	<b>487,821</b>
<b>Non-Operating Income</b> .....	20,858	<b>21,616</b>
Interest income .....	152	<b>214</b>
Dividend income .....	3,602	<b>3,703</b>
Gains on sales of equipment .....	1,438	<b>998</b>
Insurance proceeds and dividends .....	8,203	<b>10,067</b>
Equity in net income of affiliated companies .....	3,134	<b>2,565</b>
Other .....	4,326	<b>4,067</b>
<b>Non-Operating Expenses</b> .....	86,403	<b>80,535</b>
Interest expense .....	81,961	<b>76,332</b>
Losses on sales of equipment .....	350	<b>294</b>
Other .....	4,090	<b>3,908</b>
<b>Ordinary Income</b> .....	361,977	<b>428,902</b>
<b>Extraordinary Gains</b> .....	66,703	<b>36,721</b>
Gains on sales of fixed assets .....	1,211	<b>838</b>
Construction grants received .....	59,205	<b>24,487</b>
Gain on sales of investments in securities .....	1,269	<b>4,473</b>
Other .....	5,016	<b>6,921</b>
<b>Extraordinary Losses</b> .....	113,379	<b>80,763</b>
Losses on sales of fixed assets .....	2,088	<b>1,102</b>
Losses from disposition of fixed assets .....	3,957	<b>5,105</b>
Losses on reduction entry for construction grants .....	54,253	<b>18,346</b>
Impairment losses on fixed assets .....	12,738	<b>12,297</b>
Intensive seismic reinforcement costs .....	8,906	<b>10,288</b>
Provision for allowance for earthquake-damage losses .....	1,306	<b>25,085</b>
Other .....	30,128	<b>8,537</b>
<b>Income before Income Taxes</b> .....	315,300	<b>384,860</b>
<b>Income Taxes</b> .....	133,742	<b>138,298</b>
Current .....	107,540	<b>128,972</b>
Deferred .....	26,202	<b>9,326</b>
<b>Profit</b> .....	181,558	<b>246,561</b>
<b>Profit Attributable to Non-Controlling Interests</b> .....	1,160	<b>1,251</b>
<b>Profit Attributable to Owners of Parent</b> .....	¥ 180,397	<b>¥ 245,309</b>

Note: Amounts less than one million yen are omitted.

**(ii) Consolidated Statements of Comprehensive Income**

	Millions of Yen	
	Fiscal 2015	Fiscal 2016
<b>Profit</b> .....	¥ 181,558	¥ 246,561
<b>Other Comprehensive Income</b> .....	47,734	(29,142)
Net unrealized holding gains (losses) on securities .....	29,310	(24,069)
Net deferred gains (losses) on derivatives under hedge accounting .....	1,319	(1,091)
Remeasurements of defined benefit plans .....	13,032	(906)
Share of other comprehensive income of associates accounted for using equity method .....	4,072	(3,075)
<b>Comprehensive Income</b> .....	¥ 229,292	¥ 217,419
<b>Comprehensive Income attributable to</b>		
Comprehensive income attributable to owners of the parent .....	¥ 228,099	¥ 216,214
Comprehensive income attributable to non-controlling interests .....	¥ 1,193	¥ 1,204

Note: Amounts less than one million yen are omitted.

### (3) Consolidated Statements of Changes in Net Assets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Fiscal 2015

Millions of Yen

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at the fiscal year start	200,000	96,790	1,858,007	(4,327)	2,150,471
Cumulative effects of changes in accounting policies			(64,881)		(64,881)
Restated balance	200,000	96,790	1,793,126	(4,327)	2,085,589
Changes of items during the fiscal year					
Cash dividends			(47,271)		(47,271)
Profit attributable to owners of parent			180,397		180,397
Increase due to merger			493		493
Purchase of treasury stock				(11,385)	(11,385)
Disposal of treasury stock		0		0	0
Retirement of treasury stock		(0)	(11,361)	11,361	—
Change in equity in affiliates accounted for by equity method-treasury stock				(69)	(69)
Change of scope of consolidation			(1)		(1)
Capital increase of consolidated subsidiaries		15			15
Purchase of shares of consolidated subsidiaries		26			26
Increase by corporate division in consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	42	122,256	(93)	122,205
Balance at the fiscal year end	200,000	96,833	1,915,382	(4,420)	2,207,795

	Accumulated Other Comprehensive Income					Non-Controlling Interests	Total net assets
	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	Total Accumulated Other Comprehensive Income		
Balance at the fiscal year start	36,856	1,650	(503)	(7,841)	30,161	18,725	2,199,357
Cumulative effects of changes in accounting policies						(82)	(64,963)
Restated balance	36,856	1,650	(503)	(7,841)	30,161	18,643	2,134,394
Changes of items during the fiscal year							
Cash dividends							(47,271)
Profit attributable to owners of parent							180,397
Increase due to merger							493
Purchase of treasury stock							(11,385)
Disposal of treasury stock							0
Retirement of treasury stock							—
Change in equity in affiliates accounted for by equity method-treasury stock							(69)
Change of scope of consolidation							(1)
Capital increase of consolidated subsidiaries							15
Purchase of shares of consolidated subsidiaries							26
Increase by corporate division in consolidated subsidiaries							—
Net changes of items other than shareholders' equity	31,558	882	20	15,240	47,701	674	48,376
Total changes of items during the fiscal year	31,558	882	20	15,240	47,701	674	170,582
Balance at the fiscal year end	68,415	2,532	(483)	7,398	77,862	19,317	2,304,976

**Fiscal 2016**

Millions of Yen

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at the fiscal year start	200,000	96,833	1,915,382	(4,420)	2,207,795
Cumulative effects of changes in accounting policies					—
Restated balance	200,000	96,833	1,915,382	(4,420)	2,207,795
Changes of items during the fiscal year					
Cash dividends			(49,082)		(49,082)
Profit attributable to owners of parent			245,309		245,309
Increase due to merger					—
Purchase of treasury stock				(11,085)	(11,085)
Disposal of treasury stock					—
Retirement of treasury stock			(10,211)	10,211	—
Change in equity in affiliates accounted for by equity method-treasury stock					—
Change of scope of consolidation			423		423
Capital increase of consolidated subsidiaries					—
Purchase of shares of consolidated subsidiaries		0			0
Increase by corporate division in consolidated subsidiaries		(21)	21		0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(21)	186,461	(874)	185,565
Balance at the fiscal year end	200,000	96,811	2,101,844	(5,295)	2,393,361

	Accumulated Other Comprehensive Income					Non-Controlling Interests	Total net assets
	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	Total Accumulated Other Comprehensive Income		
Balance at the fiscal year start	68,415	2,532	(483)	7,398	77,862	19,317	2,304,976
Cumulative effects of changes in accounting policies							—
Restated balance	68,415	2,532	(483)	7,398	77,862	19,317	2,304,976
Changes of items during the fiscal year							
Cash dividends							(49,082)
Profit attributable to owners of parent							245,309
Increase due to merger							—
Purchase of treasury stock							(11,085)
Disposal of treasury stock							—
Retirement of treasury stock							—
Change in equity in affiliates accounted for by equity method-treasury stock							—
Change of scope of consolidation							423
Capital increase of consolidated subsidiaries							—
Purchase of shares of consolidated subsidiaries							0
Increase by corporate division in consolidated subsidiaries							0
Net changes of items other than shareholders' equity	(24,643)	(2,059)	10	(2,402)	(29,095)	1,090	(28,004)
Total changes of items during the fiscal year	(24,643)	(2,059)	10	(2,402)	(29,095)	1,090	157,561
Balance at the fiscal year end	43,771	473	(473)	4,996	48,767	20,408	2,462,537

#### (4) Consolidated Statements of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>Cash Flows from Operating Activities</b>		
Income before income taxes .....	¥315,300	¥384,860
Depreciation .....	353,250	359,515
Impairment losses on fixed assets .....	12,738	12,297
Amortization of long-term prepaid expense .....	8,243	8,719
Net change in net defined benefit liability .....	(24,100)	(27,648)
Interest and dividend income .....	(3,421)	(3,917)
Interest expense .....	81,961	76,332
Construction grants received .....	(59,205)	(24,487)
Losses from disposition of fixed assets .....	37,602	36,725
Losses from provision for cost reduction of fixed assets .....	54,253	18,346
Provision for allowance for earthquake-damage losses .....	1,306	25,085
Net change in major receivables .....	(3,898)	(27,637)
Net change in major payables .....	(28,181)	13,688
Other .....	68,015	(19,618)
Sub-total .....	813,867	832,259
Proceeds from interest and dividends .....	4,160	4,407
Payments of interest .....	(82,204)	(76,487)
Insurance proceeds related to earthquake .....	3,361	14,688
Payments of earthquake-damage losses .....	(3,060)	(1,338)
Payments of partial transfer costs of railway operation .....	—	(452)
Payments of income taxes .....	(113,362)	(99,968)
<b>Net cash provided by operating activities</b> .....	<b>622,762</b>	<b>673,109</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of fixed assets .....	(503,746)	(538,244)
Proceeds from sales of fixed assets .....	1,039	11,531
Proceeds from construction grants .....	33,749	32,123
Payments for purchases of investments in securities .....	(4,158)	(713)
Proceeds from sales of investments in securities .....	4,729	4,664
Other .....	(8,457)	(8,935)
<b>Net cash used in investing activities</b> .....	<b>(476,844)</b>	<b>(499,575)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term loans .....	182,500	140,600
Payments of long-term loans .....	(123,006)	(118,212)
Proceeds from issuance of bonds .....	120,000	100,000
Payments for redemption of bonds .....	(75,000)	(55,000)
Payments of liabilities incurred for purchase of railway facilities .....	(121,209)	(106,880)
Payments for acquisition of treasury stock .....	(11,319)	(11,085)
Cash dividends paid .....	(47,271)	(49,082)
Other .....	(11,329)	(10,604)
<b>Net cash used in financing activities</b> .....	<b>(86,636)</b>	<b>(110,265)</b>
<b>Net Change in Cash and Cash Equivalents</b> .....	<b>59,281</b>	<b>63,268</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b> .....	<b>186,057</b>	<b>245,170</b>
<b>Decrease in Cash and Cash Equivalents Resulting from Exclusion of</b>		
<b>Subsidiaries from Consolidation</b> .....	(597)	(630)
<b>Increase in Cash and Cash Equivalents due to Merger</b> .....	429	—
<b>Cash and Cash Equivalents at End of the Year</b> .....	<b>¥245,170</b>	<b>¥307,809</b>

Note: Amounts less than one million yen are omitted.



## (5) Notes to Consolidated Financial Statements (Unaudited)

### (Notes on Going Concern Assumption(Unaudited))

None

### (Segment Information(Unaudited))

#### (i) Segment Information

##### i) General information about reportable segments

Transportation, Station Space Utilization, and Shopping Centers & Office Buildings comprise JR East'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 JR East'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.

##### ii) Basis of measurement about reportable 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 "Important Items that Form the Basis for Preparing Consolidated Financial Statements" in the recent Annual Securities Report released on June 23, 2015. Moreover, intersegment transactions are between consolidated subsidiaries and based on market prices and other fair values.

##### iii) Information about reportable segment operating revenues, segment income or loss, segment assets, and other material items

Millions of Yen

Fiscal 2015 (Year ended March 31, 2015)	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 2)	Total	Adjustment (Note 3)	Consolidated (Note 4)
Operating Revenues							
Outside customers	¥1,852,039	¥396,368	¥254,997	¥ 252,759	¥2,756,165	¥ —	¥2,756,165
Inside group	55,223	15,629	11,559	361,435	443,848	(443,848)	—
Total	1,907,263	411,998	266,556	614,195	3,200,013	(443,848)	2,756,165
Segment Income	¥ 294,606	¥ 34,539	¥ 72,324	¥ 27,490	¥ 428,960	¥ (1,439)	¥ 427,521
Segment Assets	¥6,027,312	¥203,512	¥976,231	¥1,133,506	¥8,340,563	¥(734,872)	¥7,605,690
Depreciation	273,441	10,361	31,743	37,704	353,250	—	353,250
Increase in fixed assets (Note 6)	432,876	11,442	45,957	62,894	553,171	—	553,171

Notes: 1. Amounts less than one million yen are omitted.

2. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.

3. The ¥(1,439) million downward adjustment to segment income includes a ¥(1,798) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥317 million elimination for intersegment transactions. Moreover, the ¥(734,872) million downward adjustment to segment assets includes a ¥(1,133,268) million elimination of intersegment claims and obligations, offset by ¥398,395 million in corporate assets not allocated to each reporting segment.

4. Segment income is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.

5. 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.

6. Increase in fixed assets includes a portion contributed mainly by national and local governments.

Fiscal 2016 (Year ended March 31, 2016)	Millions of Yen						Consolidated (Note 4)
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 2)	Total	Adjustment (Note 3)	
Operating Revenues							
Outside customers	¥1,954,587	¥399,960	¥ 255,978	¥ 256,673	¥2,867,199	¥ —	¥2,867,199
Inside group	53,411	16,089	11,613	377,284	458,399	(458,399)	—
Total	2,007,999	416,050	267,592	633,957	3,325,599	(458,399)	2,867,199
Segment Income	¥ 348,576	¥ 35,099	¥ 71,610	¥ 35,025	¥ 490,312	¥ (2,490)	¥ 487,821
Segment Assets	¥6,282,910	¥207,258	¥1,060,236	¥1,169,089	¥8,719,494	¥(929,732)	¥7,789,762
Depreciation	277,895	10,301	31,885	39,433	359,515	—	359,515
Increase in fixed assets (Note 6)	420,577	15,337	96,924	37,467	570,306	—	570,306

- Notes: 1. Amounts less than one million yen are omitted.  
2. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.  
3. The ¥(2,490) million downward adjustment to segment income includes a ¥(2,680) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥195 million elimination for intersegment transactions. Moreover, the ¥(929,732) million downward adjustment to segment assets includes a ¥(1,190,930) million elimination of intersegment claims and obligations, offset by ¥261,198 million in corporate assets not allocated to each reporting segment.  
4. Segment income is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.  
5. 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.  
6. Increase in fixed assets includes a portion contributed mainly by national and local governments.

## (ii) Relevant Information

### i) Information about products and services

Information about products and services is omitted as JR East 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 is 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 is 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 is omitted as no single outside customer contributes 10% or more to operating revenues in the Consolidated Statements of Income.

## (iii) Information about impairment loss on fixed assets in reportable segments

Fiscal 2015 (Year ended March 31, 2015)	Millions of Yen				
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	8,438	1,056	2,470	772	12,738

Note: The amount under "Others" represents amounts from business segments and other units excluded from the reportable segments

Fiscal 2016 (Year ended March 31, 2016)	Millions of Yen				
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	3,104	1,642	5,910	1,639	12,297

Note: The amount under "Others" represents amounts from business segments and other units excluded from the reportable segments

## (iv) 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 is omitted as the amount was insignificant.

## (v) Information about gain on negative goodwill by reportable segments

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

## (Per Share Information (Unaudited))

	Fiscal 2015	Fiscal 2016
Shareholders' equity per share	¥5,818.19	¥6,232.40
Earnings per share—basic	¥458.95	¥625.82
Earnings per share—diluted	Not shown because there are no convertible securities	Not shown because there are no convertible securities

Note: The basis of calculation of earnings per share is as shown below.

	Fiscal 2015	Fiscal 2016
Profit attributable to owners of parent	¥180,397 million	¥245,309 million
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent related to common stock	¥180,397 million	¥245,309 million
Average number of common shares	393,066,943	391,979,983

## (Subsequent Events (Unaudited))

### (i) Share Repurchase

The Board of Directors of East Japan Railway Company (“JR East”) resolved at its meeting held on April 27, 2016 matters concerning JR East’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.

i) **Reason for share repurchase:** To enhance returns to shareholders

ii) **Class of shares to be repurchased:** Common stock

iii) **Total number of shares that may be repurchased:** 3,300,000 shares (maximum)

(0.84% of issued shares (excluding treasury stock))

iv) **Aggregate repurchase price:** ¥30,000 million (maximum)

v) **Period of repurchase:** From April 28, 2016 to July 29, 2016

## (Additional Information (Unaudited))

### (i) Adoption of the provisions of Article 39 of the “Accounting Standard for Consolidated Financial Statements”

The Company has adopted the provisions of Article 39 of the “Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan (ASBJ) Statement No. 22, September 13, 2013) and changed the presentation of Net Income, etc., and changed presentation from Minority Interests to Non-Controlling Interests. To reflect the said changes in presentation, the Company has reclassified the consolidated financial statements of the previous fiscal year.

### (ii) Approval of the Allowance Reserve Plan of the Major Improvement Works of Shinkansen Railways

With respect to the Tokyo-Morioka section of the Tohoku Shinkansen Line and the Omiya-Niigata section of the Joetsu Shinkansen Line owned by JR East, the need for large-scale renovation to ensure reliable transportation going forward was recognized, and on March 29, 2016, the Allowance Reserve Plan of the Major Improvement Works of Shinkansen Railways was approved by the Minister of Land, Infrastructure, Transport and Tourism based on Article 16, Paragraph 1 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970).

Consequently, for each of the fiscal years starting with the fiscal year ending March 31, 2017 and ending with the fiscal year ending March 31, 2031, there will be additional operating expenses of ¥24.0 billion resulting from the provision to such allowance compared to the operating expenses of the fiscal year ended March 31, 2016. The total of the allowance will amount to ¥360.0 billion. Subsequently, for each of the fiscal years starting with the fiscal year ending March 31, 2032 and ending with the fiscal year ending March 31, 2041, there will be a reversal of such allowance and resulting reduction of operating expenses of ¥36.0 billion compared to the operating expenses of the fiscal year ended March 31, 2016.

## 6. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>ASSETS</b>		
<b>Current Assets</b>	¥ 687,893	¥ 758,598
Cash and time deposits	39,356	210,414
Fares receivable	212,021	222,487
Accounts receivable-trade	99,132	86,243
Short-term loans receivable	600	700
Short-term loans to affiliated companies receivable	100,568	97,758
Securities	169,000	68,500
Real estate for sale	1,088	895
Inventories	17,607	19,381
Prepaid expenses	4,683	4,501
Deferred tax assets	33,382	39,232
Other	10,576	8,606
Allowance for doubtful accounts	(124)	(121)
<b>Fixed Assets</b>	6,412,585	6,511,675
Fixed assets for railway operations	4,637,627	4,670,660
Property, plant and equipment	10,407,084	10,576,446
Accumulated depreciation	(5,801,346)	(5,940,590)
Intangible assets	31,890	34,805
Fixed assets for other operations	499,504	561,404
Property, plant and equipment	654,980	728,372
Accumulated depreciation	(155,899)	(167,966)
Intangible assets	424	998
Fixed assets relating to both operations	295,253	292,424
Property, plant and equipment	792,100	799,741
Accumulated depreciation	(501,289)	(511,863)
Intangible assets	4,443	4,547
Construction in progress	243,820	291,282
Railway operations	208,189	264,637
Other operations	27,620	14,936
Relating to both operations	8,010	11,708
Investments and other assets	736,379	695,903
Investments in securities	183,435	147,579
Stocks of subsidiaries and affiliated companies	205,430	202,508
Long-term loans to affiliated companies receivable	108,857	114,974
Long-term prepaid expenses	34,797	32,995
Long-term deferred tax assets	194,360	190,179
Other investment and other assets	11,143	9,409
Allowance for doubtful accounts	(1,645)	(1,743)
<b>Total Assets</b>	<b>¥7,100,479</b>	<b>¥7,270,274</b>

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>LIABILITIES</b>		
<b>Current Liabilities</b>	¥1,352,554	¥1,430,748
Short-term loans from affiliated companies	217,270	225,010
Current portion of bonds	55,000	79,999
Current portion of long-term loans	117,716	106,869
Current portion of long-term liabilities incurred for purchase of railway facilities	106,254	96,760
Lease obligation	9,837	11,844
Payables	437,354	454,967
Accrued expenses	32,618	30,574
Accrued consumption taxes	26,395	20,502
Accrued income taxes	37,531	68,793
Fare deposits received with regard to railway connecting services	20,838	20,897
Deposits received	25,405	27,306
Prepaid railway fares received	102,976	102,036
Advances received	75,441	95,974
Prepaid contribution for construction	16,907	7,999
Allowance for bonuses to employees	57,516	58,651
Allowance for bonuses to directors and corporate auditors	208	189
Allowance for earthquake-damage losses	3,504	11,587
Allowance for environmental conservation costs	502	919
Asset retirement obligations	2,436	2,397
Other	6,839	7,464
<b>Long-Term Liabilities</b>	3,844,290	3,811,880
Bonds	1,709,953	1,730,014
Long-term loans	874,606	908,336
Long-term loans from affiliated companies	47,345	49,000
Long-term liabilities incurred for purchase of railway facilities	436,508	339,597
Lease obligation	28,064	33,586
Long-term deferred contribution for construction	15,495	32,841
Employees' severance and retirement benefits	669,087	640,156
Allowance for earthquake-damage losses	1,236	14,672
Allowance for environmental conservation costs	8,385	7,684
Allowance for partial transfer costs of railway operation	16,547	19,087
Asset retirement obligations	5,964	7,610
Other	31,095	29,292
<b>Total Liabilities</b>	¥5,196,845	¥5,242,629

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2015	Fiscal 2016
<b>NET ASSETS</b>		
<b>Shareholders' Equity</b> .....	¥1,841,610	¥1,990,474
Common stock.....	200,000	200,000
Capital surplus.....	96,600	96,600
Additional paid-in capital.....	96,600	96,600
Retained earnings.....	1,547,436	1,697,174
Legal reserve.....	22,173	22,173
Other retained earnings		
Reserve for special depreciation.....	1,461	923
Reserve for investment losses on developing new business.....	—	5
Reserve for deferred gain of fixed assets.....	53,485	55,200
General reserve.....	1,270,000	1,330,000
Retained earnings carried forward.....	200,315	288,870
Treasury stock, at cost.....	(2,425)	(3,300)
<b>Valuation and Translation Adjustment</b> .....	62,023	37,171
Net unrealized holding gains (losses) on securities.....	59,724	35,962
Net deferred gains (losses) on derivatives under hedge accounting.....	2,299	1,208
<b>Total Net Assets</b> .....	1,903,633	2,027,645
<b>Total Liabilities and Net Assets</b> .....	¥7,100,479	¥7,270,274

Note: Amounts less than one million yen are omitted.

## (2) Non-consolidated Statements of Income (Unaudited)

EAST JAPAN RAILWAY COMPANY

	Millions of Yen	
	Fiscal 2015	Fiscal 2016
<b>Railway Operations</b>		
<b>Operating Revenues</b> .....	¥1,895,313	¥1,983,431
Passenger transportation .....	1,725,974	1,805,005
Trackage revenue .....	6,743	6,481
Miscellaneous income of transportation .....	162,595	171,945
<b>Operating Expenses</b> .....	1,577,065	1,611,220
Transportation expenses .....	1,002,410	1,019,609
General and administrative expenses .....	222,085	228,850
Taxes .....	77,424	82,132
Depreciation .....	275,144	280,627
<b>Operating Income from Railway Operations</b> .....	318,248	372,211
<b>Other Operations</b>		
<b>Operating Revenues</b> .....	70,729	73,911
Revenue from real estate lease .....	64,225	65,517
Miscellaneous revenue .....	6,503	8,393
<b>Operating Expenses</b> .....	36,299	36,127
Cost of sales .....	1,007	1,273
Selling, general and administrative expenses .....	11,129	13,162
Taxes .....	8,657	8,464
Depreciation .....	15,505	13,227
<b>Operating Income from Other Operations</b> .....	34,429	37,783
<b>Total Operating Income</b> .....	352,677	409,994
<b>Non-Operating Income</b> .....	35,502	30,596
Interest income .....	1,386	1,314
Dividend income .....	21,997	15,695
Gains on sales of equipment .....	1,372	947
Insurance proceeds and dividends .....	7,988	9,851
Other .....	2,757	2,787
<b>Non-Operating Expenses</b> .....	86,608	81,106
Interest expense .....	50,957	44,977
Interest on bonds .....	32,525	32,942
Cost of issuance of bonds .....	464	461
Losses on sales of equipment .....	309	276
Other .....	2,351	2,448
<b>Ordinary Income</b> .....	301,571	359,483

Note: Amounts less than one million yen are omitted.



	Millions of Yen	
	Fiscal 2015	Fiscal 2016
<b>Extraordinary Gains</b> .....	65,419	<b>30,132</b>
Gains on sales of fixed assets .....	986	<b>532</b>
Construction grants received .....	59,048	<b>23,534</b>
Insurance proceeds related to earthquake .....	3,361	<b>3,624</b>
Other .....	2,022	<b>2,440</b>
 <b>Extraordinary Losses</b> .....	 101,793	 <b>65,834</b>
Losses on sales of fixed assets .....	2,048	<b>571</b>
Losses on reduction entry for construction grants .....	54,014	<b>17,383</b>
Impairment losses on fixed assets .....	8,541	<b>8,448</b>
Intensive seismic reinforcement costs .....	8,906	<b>10,288</b>
Environmental conservation costs .....	1,912	<b>855</b>
Provision for allowance for earthquake-damage losses .....	1,306	<b>25,085</b>
Provision for allowance for partial transfer costs of railway operation .....	16,616	<b>3,097</b>
Other .....	8,448	<b>104</b>
<b>Income before Income Taxes</b> .....	265,196	<b>323,781</b>
 <b>Income Taxes</b> .....	 108,070	 <b>114,749</b>
Current .....	80,239	<b>103,740</b>
Deferred .....	27,831	<b>11,009</b>
 <b>Profit</b> .....	 ¥ 157,126	 <b>¥ 209,031</b>

Note: Amounts less than one million yen are omitted.

### (3) Non-consolidated Statements of Changes in Net Assets (Unaudited)

Fiscal 2015

Millions of Yen

	Shareholders' Equity			
	Common Stock	Capital Surplus		
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus
Balance at the fiscal year start	200,000	96,600	—	96,600
Cumulative effects of changes in accounting policies				
Restated balance	200,000	96,600	—	96,600
Changes of items during the fiscal year				
Provision of reserve for special depreciation				
Disposal of reserve for special depreciation				
Provision of reserve for investment losses on developing new business				
Provision of reserve for deferred gain of fixed assets				
Disposal of reserve for deferred gain of fixed assets				
Provision of reserve for general reserve				
Dividends				
Profit				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Retirement of treasury stock			(0)	(0)
Decrease by corporate division				
Net changes of items other than shareholders' equity				
Total changes of items during the fiscal year	—	—	—	—
Balance at the fiscal year end	200,000	96,600	—	96,600

	Shareholders' Equity						
	Retained Earnings						Total Retained Earnings
	Legal Reserve	Other Retained Earnings				Retained Earnings Carried Forward	
	Reserve for Special Depreciation	Reserve for investment losses on developing new business	Reserve for Deferred Gain of Fixed Assets	General Reserve			
Balance at the fiscal year start	22,173	2,014	—	50,716	1,150,000	298,189	1,523,093
Cumulative effects of changes in accounting policies						(64,627)	(64,627)
Restated balance	22,173	2,014	—	50,716	1,150,000	233,561	1,458,466
Changes of items during the fiscal year							
Provision of reserve for special depreciation		65				(65)	—
Disposal of reserve for special depreciation		(617)				617	—
Provision of reserve for investment losses on developing new business							
Provision of reserve for deferred gain of fixed assets				4,227		(4,227)	—
Disposal of reserve for deferred gain of fixed assets				(1,459)		1,459	—
Provision of reserve for general reserve					120,000	(120,000)	—
Dividends						(47,271)	(47,271)
Profit						157,126	157,126
Purchase of treasury stock							
Disposal of treasury stock							
Retirement of treasury stock						(11,361)	(11,361)
Decrease by corporate division						(9,523)	(9,523)
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	(552)	—	2,768	120,000	(33,246)	88,969
Balance at the fiscal year end	22,173	1,461	—	53,485	1,270,000	200,315	1,547,436

	Shareholders' Equity		Valuation and Translation Adjustments			Total net assets
	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Total Valuation and Translation Adjustments	
Balance at the fiscal year start	(2,467)	1,817,225	32,061	979	33,041	1,850,266
Cumulative effects of changes in accounting policies		(64,627)				(64,627)
Restated balance	(2,467)	1,752,598	32,061	979	33,041	1,785,639
Changes of items during the fiscal year						
Provision of reserve for special depreciation		—				—
Disposal of reserve for special depreciation		—				—
Provision of reserve for investment losses on developing new business		—				—
Provision of reserve for deferred gain of fixed assets		—				—
Disposal of reserve for deferred gain of fixed assets		—				—
Provision of reserve for general reserve		—				—
Dividends		(47,271)				(47,271)
Profit		157,126				157,126
Purchase of treasury stock	(11,319)	(11,319)				(11,319)
Disposal of treasury stock	0	0				0
Retirement of treasury stock	11,361	—				—
Decrease by corporate division		(9,523)				(9,523)
Net changes of items other than shareholders' equity			27,662	1,319	28,981	28,981
Total changes of items during the fiscal year	42	89,012	27,662	1,319	28,981	117,994
Balance at the fiscal year end	(2,425)	1,841,610	59,724	2,299	62,023	1,903,633

**Fiscal 2016**

Millions of Yen

	Shareholders' Equity			
	Common Stock	Capital Surplus		
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus
Balance at the fiscal year start	200,000	96,600	—	96,600
Cumulative effects of changes in accounting policies				
Restated balance	200,000	96,600	—	96,600
Changes of items during the fiscal year				
Provision of reserve for special depreciation				
Disposal of reserve for special depreciation				
Provision of reserve for investment losses on developing new business				
Provision of reserve for deferred gain of fixed assets				
Disposal of reserve for deferred gain of fixed assets				
Provision of reserve for general reserve				
Dividends				
Profit				
Purchase of treasury stock				
Disposal of treasury stock				
Retirement of treasury stock				
Decrease by corporate division				
Net changes of items other than shareholders' equity				
Total changes of items during the fiscal year	—	—	—	—
Balance at the fiscal year end	200,000	96,600	—	96,600

	Shareholders' Equity						
	Retained Earnings						
	Legal Reserve	Other Retained Earnings					Total Retained Earnings
	Reserve for Special Depreciation	Reserve for investment losses on developing new business	Reserve for Deferred Gain of Fixed Assets	General Reserve	Retained Earnings Carried Forward		
Balance at the fiscal year start	22,173	1,461	—	53,485	1,270,000	200,315	1,547,436
Cumulative effects of changes in accounting policies							
Restated balance	22,173	1,461	—	53,485	1,270,000	200,315	1,547,436
Changes of items during the fiscal year							
Provision of reserve for special depreciation		18				(18)	—
Disposal of reserve for special depreciation		(557)				557	—
Provision of reserve for investment losses on developing new business			5			(5)	—
Provision of reserve for deferred gain of fixed assets				3,227		(3,227)	—
Disposal of reserve for deferred gain of fixed assets				(1,512)		1,512	—
Provision of reserve for general reserve					60,000	(60,000)	—
Dividends						(49,082)	(49,082)
Profit						209,031	209,031
Purchase of treasury stock							
Disposal of treasury stock							
Retirement of treasury stock						(10,211)	(10,211)
Decrease by corporate division							
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	(538)	5	1,715	60,000	88,555	149,738
Balance at the fiscal year end	22,173	923	5	55,200	1,330,000	288,870	1,697,174

	Shareholders' Equity		Valuation and Translation Adjustments			Total net assets
	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Total Valuation and Translation Adjustments	
Balance at the fiscal year start	(2,425)	1,841,610	59,724	2,299	62,023	1,903,633
Cumulative effects of changes in accounting policies		—				—
Restated balance	(2,425)	1,841,610	59,724	2,299	62,023	1,903,633
Changes of items during the fiscal year						
Provision of reserve for special depreciation		—				—
Disposal of reserve for special depreciation		—				—
Provision of reserve for investment losses on developing new business		—				—
Provision of reserve for deferred gain of fixed assets		—				—
Disposal of reserve for deferred gain of fixed assets		—				—
Provision of reserve for general reserve		—				—
Dividends		(49,082)				(49,082)
Profit		209,031				209,031
Purchase of treasury stock	(11,085)	(11,085)				(11,085)
Disposal of treasury stock		—				—
Retirement of treasury stock	10,211	—				—
Decrease by corporate division		—				—
Net changes of items other than shareholders' equity			(23,761)	(1,090)	(24,852)	(24,852)
Total changes of items during the fiscal year	(874)	148,863	(23,761)	(1,090)	(24,852)	124,011
Balance at the fiscal year end	(3,300)	1,990,474	35,952	1,208	37,171	2,027,645

## (Additional Information Regarding Operating Results)

### Consolidated Principal Indicators

	Fiscal 2015 (A)	Fiscal 2016 (B)	Increase (Decrease) (B)-(A)
Cash flows from operating activities (billions of yen)	622.7	<b>673.1</b>	50.3
Ratio of operating income to average assets (ROA) (%)	5.7	<b>6.3</b>	0.7
Return on average equity (ROE) (%)	8.1	<b>10.4</b>	2.3
Capital expenditures (billions of yen)	522.1	<b>541.9</b>	19.8
Transportation	401.8	<b>392.2</b>	(9.6)
Non-transportation	120.2	<b>149.7</b>	29.4

	Fiscal 2015 (A)	Fiscal 2016 (B)	Increase (Decrease) (B)-(A)
Total interest-bearing debt (billions of yen)	3,275.5	<b>3,241.9</b>	(33.5)
Average interest rates (%)	2.37	<b>2.23</b>	(0.14)

### Numerical Targets for the Fiscal Year Ending March 31, 2019

	Billions of Yen				
	Actual Fiscal 2016	Forecast Fiscal 2017	Fiscal 2019 Targets	Change	
	(A)	(B)	(C)	Increase (Decrease) (C)-(A)	% (C)/(A)x100
<b>Operating Revenues</b>	2,867.1	2,878.0	<b>2,967.0</b>	99.8	103.5
Transportation	1,954.5	1,951.0	<b>1,979.0</b>	24.4	101.2
Station Space Utilization	399.9	402.0	<b>427.0</b>	27.0	106.8
Shopping Centers & Office Buildings	255.9	274.0	<b>296.0</b>	40.0	115.6
Others	256.6	251.0	<b>265.0</b>	8.3	103.2
<b>Operating Income</b>	487.8	450.0	<b>498.0</b>	10.1	102.1
Transportation	348.5	308.0	<b>342.0</b>	(6.5)	98.1
Station Space Utilization	35.0	33.0	<b>37.0</b>	1.9	105.4
Shopping Centers & Office Buildings	71.6	75.0	<b>84.0</b>	12.3	117.3
Others	35.0	35.0	<b>36.0</b>	0.9	102.8
Elimination and/or corporate	(2.4)	(1.0)	<b>(1.0)</b>	1.4	40.1

Note: The breakdown of operating revenues by business segment show sales to outside customers.

### Consolidated Capital Expenditures

	Billions of Yen					
	Actual Fiscal 2015	Actual Fiscal 2016	Change		Plans for Fiscal 2017	Change
	(A)	(B)	Increase (Decrease) (B)-(A)	% (B)/(A)x100	(C)	Increase (Decrease) (C)-(B)
<b>Capital expenditures</b>	522.1	<b>541.9</b>	19.8	103.8	<b>550.0</b>	8.0
Transportation	401.8	<b>392.2</b>	(9.6)	97.6	<b>393.0</b>	0.7
Non-transportation	120.2	<b>149.7</b>	29.4	124.5	<b>157.0</b>	7.2

### Forward-Looking Statements

Statements contained in this report with respect to JR East's plans, strategies, and beliefs that are not historical facts are forward-looking statements about the future performance of JR East, which are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause JR East's actual results, performance, or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East's ability to successfully maintain or increase current passenger levels on railway services, (ii) JR East's ability to improve the profitability of railway and other operations, (iii) JR East's ability to expand non-transportation operations, and (iv) general changes in economic conditions and laws, regulations, and government policies in Japan.

## Passenger Kilometers and Passenger Revenues of Parent Company

	Passenger Kilometers				Revenues from Passenger Tickets			
	Millions		%		Billions of yen		%	
	Fiscal 2015	Fiscal 2016	Change		Fiscal 2015	Fiscal 2016	Change	
(A)	(B)	Increase (Decrease) (B)-(A)	(B)/(A)x100	(C)	(D)	Increase (Decrease) (D)-(C)	(D)/(C)x100	
<b>Shinkansen Network</b>								
Commuter Passes	1,675	<b>1,740</b>	64	103.9	23.2	<b>23.6</b>	0.3	101.7
Other	19,238	<b>21,108</b>	1,869	109.7	497.9	<b>554.5</b>	56.5	111.4
Total	20,914	<b>22,848</b>	1,934	109.2	521.2	<b>578.2</b>	56.9	110.9
<b>Conventional Lines</b>								
<i>Kanto Area Network</i>								
Commuter Passes	68,375	<b>69,908</b>	1,533	102.2	448.2	<b>452.3</b>	4.0	100.9
Other	34,935	<b>35,966</b>	1,031	103.0	683.4	<b>703.8</b>	20.4	103.0
Total	103,310	<b>105,875</b>	2,564	102.5	1,131.7	<b>1,156.1</b>	24.4	102.2
<i>Other Network</i>								
Commuter Passes	3,068	<b>3,083</b>	14	100.5	18.7	<b>18.4</b>	(0.2)	98.7
Other	2,775	<b>2,621</b>	(154)	94.4	54.2	<b>52.0</b>	(2.1)	96.0
Total	5,844	<b>5,704</b>	(139)	97.6	72.9	<b>70.5</b>	(2.4)	96.7
<i>Total</i>								
Commuter Passes	71,444	<b>72,992</b>	1,547	102.2	466.9	<b>470.8</b>	3.8	100.8
Other	37,710	<b>38,587</b>	877	102.3	737.6	<b>755.8</b>	18.2	102.5
Total	109,154	<b>111,579</b>	2,424	102.2	1,204.6	<b>1,226.7</b>	22.0	101.8
<b>Total</b>								
Commuter Passes	73,119	<b>74,732</b>	1,612	102.2	490.2	<b>494.4</b>	4.2	100.9
Other	56,949	<b>59,695</b>	2,746	104.8	1,235.6	<b>1,310.4</b>	74.8	106.1
Total	130,068	<b>134,428</b>	4,359	103.4	1,725.9	<b>1,804.9</b>	79.0	104.6

Notes:1. Amounts less than one million passenger kilometers and 100 million yen are omitted.

2. The Kanto Area Network includes the areas covered by Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, Omiya Branch Office, Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office.