

## Consolidated Financial Results for the Nine-Month Period Ended December 31, 2017 (Japanese GAAP) (Unaudited)

Fiscal 2018 (Year ending March 31, 2018)

"Third Quarter" means the nine months from April 1 to December 31.

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.

January 30, 2018

### East Japan Railway Company

Stock Exchange Listing	Tokyo
Securities Code	9020
URL	<a href="http://www.jreast.co.jp/e">http://www.jreast.co.jp/e</a>
Representative	Tetsuro Tomita, President and CEO
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Scheduled Date for Release of a Quarterly Report	February 7, 2018
Scheduled Date of Dividend Payment Commencement	Not applicable
Preparation of Supplementary Explanations of Quarterly Financial Results:	No
Quarterly Financial Results Presentation to Be Held:	No

#### 1. Consolidated Results for the Nine-Month Period Ended December 31, 2017 (April 1, 2017—December 31, 2017)

(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 corresponding period in 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 2018, 3rd Quarter</b>	<b>2,207,016</b>	<b>2.1</b>	<b>437,710</b>	<b>5.3</b>	<b>399,662</b>	<b>8.4</b>	<b>268,842</b>	<b>6.2</b>
Fiscal 2017, 3rd Quarter	2,161,339	0.5	415,630	(4.4)	368,829	(4.4)	253,120	2.0

Note: Comprehensive income – Fiscal 2018, 3rd Quarter: 294,617 million yen (an increase of 8.4%), Fiscal 2017, 3rd Quarter: 271,867 million yen (an increase of 11.4%)

	Earnings per share —Basic	Earnings per share —Diluted
	Yen	Yen
<b>Fiscal 2018, 3rd Quarter</b>	<b>696.64</b>	—
Fiscal 2017, 3rd Quarter	649.96	—

##### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>Fiscal 2018, 3rd Quarter</b>	<b>7,923,614</b>	<b>2,878,767</b>	<b>36.0</b>
Fiscal 2017	7,911,114	2,675,353	33.5

Reference: Shareholders' equity – Fiscal 2018, 3rd Quarter: 2,854,046 million yen, Fiscal 2017: 2,653,419 million yen

#### 2. Dividends (Year Ended March 31, 2017 and Year Ending March 31, 2018)

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	—	65.00	—	65.00	130.00
<b>Fiscal 2018</b>	—	<b>70.00</b>	—	—	—
(Forecast) Fiscal 2018	—	—	—	70.00	140.00

Note: Revisions to the most recently disclosed dividend forecasts: No

### 3. Forecasts for Fiscal 2018 (Year Ending March 31, 2018)

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

	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
Fiscal 2018	<b>2,930,000</b>	<b>1.7</b>	<b>472,000</b>	<b>1.2</b>	<b>424,000</b>	<b>2.8</b>	<b>286,000</b>	<b>2.9</b>	<b>742.86</b>

Note: Revisions to the most recently disclosed earnings forecasts: No

#### Notes

(1) Changes to principal subsidiaries during the period : No

(Indicates whether changes have occurred in specified subsidiaries in accordance with changes in the scope of consolidation)

Newly consolidated — excluded —

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

(3) 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

(4) Number of issued shares (common stock)

- i Issued shares at period-end (including treasury stock) 3rd Quarter, Fiscal 2018 385,655,500 shares Fiscal 2017 389,407,900 shares
- ii Treasury stock at period-end 3rd Quarter, Fiscal 2018 659,441 shares Fiscal 2017 657,657 shares
- iii Average number of shares during period 3rd Quarter, Fiscal 2018 385,915,403 shares 3rd Quarter, Fiscal 2017 389,443,056 shares

**※Quarterly financial results are not subject to the quarterly review.**

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

The forecasts of business results and other forward-looking statements in this document are based on information available as of the date of this document and on certain assumptions that JR East viewed as reasonable as of the date of this document. Actual results may differ from such forward-looking statements for a variety of reasons.

Regarding the forecasts of business results, please refer to “Qualitative Information on Consolidated Performance Outlook” on page 5 in the Attachments. Further, the non-consolidated performance outlook is on the next page.

## (Reference)

### Forecasts of the Non-consolidated Results for Fiscal 2018 (Year Ending March 31, 2018)

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

	Operating revenues		Operating income		Ordinary income		Profit		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2018	<b>2,079,000</b>	<b>0.5</b>	<b>393,000</b>	<b>1.1</b>	<b>351,000</b>	<b>2.7</b>	<b>247,000</b>	<b>1.5</b>	<b>641.01</b>

Note: Revisions to the most recently disclosed earnings forecasts: No

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# 1. Qualitative Information on Quarterly Consolidated Financial Performance

(Unless otherwise stated, all comparisons are between the nine months from April 1, 2017, to December 31, 2017, and the nine months from April 1, 2016, to December 31, 2016.)

## (1) Qualitative Information on Consolidated Operating Results

In the first nine months of the fiscal year ending March 31, 2018 (from April 1, 2017, to December 31, 2017; the third quarter), the Japanese economy improved in such areas as employment and income conditions and continued to recover gradually. Under these conditions, the East Japan Railway Company and its consolidated subsidiaries and equity method affiliates (JR East) steadily executed various initiatives centered on the railway, life-style service, and IT & *Suica* businesses.

As a result, during the third quarter, operating revenues increased 2.1%, to ¥2,207.0 billion, mainly due to growth in JR East's transportation revenues, and operating income increased 5.3%, to ¥437.7 billion. Ordinary income increased 8.4%, to ¥399.6 billion, mainly due to increases in insurance proceeds and dividends and a decrease in interest expense. Furthermore, profit attributable to owners of parent increased 6.2%, to ¥268.8 billion.

To execute its highest priority task of improving the safety and reliability of transportation, JR East is implementing rigorous efforts to prevent the recurrence of incidents that affect transportation, as well as efforts to prevent such accidents and incidents by identifying risks and weaknesses. Specifically, JR East improved the electrical equipment of its conventional lines in the Tokyo metropolitan area and Shinkansen facilities to address their weaknesses. In addition, to deepen each employee's understanding of the nature of their work, JR East utilized such methods as the use of simulators, which it is introducing to operational sites and other locations, and conducted more practical educational and training activities. In conjunction with these efforts, JR East took measures to enhance safety in the Group as a whole, such as conducting joint training with Group companies and other organizations. Further, JR East worked to provide reliable transportation services through such efforts as the implementation of measures related to ground facilities and railcars to prevent service disruptions. Additionally, JR East has treated with the utmost gravity the transportation disruptions following incidents that occurred in or after September 2017, such as a power outage that occurred at Warabi AC substation for electric railways and a breakdown of electric facilities at Higashi-Washinomiya Station on the Utsunomiya Line, and conducted emergency inspections of related facilities and equipment. JR East then made efforts to analyze the circumstances and to rigorously recheck and reinforce rules and procedures with respect to railway related construction and work, in cooperation with Group companies, partner companies, and others. In addition to these efforts, in April 2017 JR East expanded the initiative to make prompt announcements of when operations are expected to resume after disruption. At the same time, JR East proceeded with construction work to lengthen the platforms of certain railway stations on the Takasaki Line with a view to increasing contingency shuttle operations.

With respect to taking on the challenge of enhancing profitability, which has also been positioned as a priority task, JR East formulated the "Life-Style Service Business Growth Vision (NEXT10)" in November 2017. Under this plan, JR East will take on the challenge of "lifestyle creation (town development)" that enhances the appeal of towns and their railway stations through the further improvement of JR East's businesses to date centered on railway stations and through the provision of higher-quality services based on such measures as the use of IT and collaborative efforts with other companies and organizations. Based on this plan, during the next 10 years JR East aims to increase the operating revenues and operating income of the life-style service business by approximately 1.5 times versus their levels in the fiscal year ended March 31, 2017. Specifically, JR East organized the "JR EAST STARTUP PROGRAM" with the aim of creating new businesses and services, received proposals from startups and other organizations, and conducted verification tests with a view to the establishment of businesses at Omiya Station and other locations. Also, with to the aim of "making line-side areas more attractive and convenient," from October 2017 JR East jointly commenced with CENTRAL SECURITY PATROLS CO., LTD., the *mamorail* service for watching over children at respective railway stations on the Yamanote Line and on the Chuo Line between Tokyo Station and Takao Station. Further, as part of the *HAPPY CHILD PROJECT*, JR East is proceeding with development aimed at opening a cumulative total of 130 child-rearing-support facilities inside station buildings and other buildings by April 2020. JR East had a total of 103 facilities as of December 31, 2017. Also, for proposal-based rental housing, JR East proceeded with preparations to allow people to move into *View Lieto Mitaka* (Tokyo), rental housing that supports child rearing, *View Lieto Shin-Kawasaki* (Kanagawa), multigenerational-type rental housing, and *Higashi Koganei Share House* (provisional name), rental housing that targets students from overseas, in spring 2018.

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 aims to develop an internationally attractive exchange hub. JR East is implementing procedures to conduct development in cooperation with the national government, Tokyo Metropolitan Government, relevant wards, and other stakeholders. Further, JR East proceeded with the construction of Shinagawa New Station (provisional name) with a view to its interim opening in spring 2020 and its full opening around 2024, which is scheduled to coincide with the opening of the town.

With respect to strategies for visitors to Japan from overseas, the JR East Group as a whole took measures to increase the number of and improve products and develop capabilities to service such customers. Specifically, in collaboration with Hokkaido Railway Company, JR East launched a new product for the Hakodate area, *HAKODATE BUFFET*; enhanced the product lineup under the *JR East Railway Holiday* brand; and prepared to launch the *JR Tohoku-South Hokkaido Rail Pass*, which may be used for the Hokkaido Shinkansen Line. At the same time, targeting the Tohoku area, JR East

coordinated with airlines in Asia and launched *air and land* Japan visit travel packages that include railway services and flights. In addition to establishing the JR East Sales Office for Southeast Asia in Singapore, JR East opened a prayer room in Tokyo Station and a new *JR EAST Travel Service Center* at Shibuya Station. At the same time, JR East proceeded with the establishment of in-car luggage storage areas for such services as the Tohoku Shinkansen from July 2017. Also, in the Tokyo metropolitan area, JR East made progress in introducing station name signs in four languages and station numbering that displays both station numbers and line numbers.

In light of the “JR East 2020 Project,” which summarizes JR East’s objectives as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games, JR East upgraded railway stations near competition venues with the aim of completing these efforts by spring 2020. Further, JR East proceeded with preparations for the steady installation of security cameras onboard Series E235 commuter railcars operating on the Yamanote Line in spring 2018. Also, placing the promotion of the “TICKET TO TOMORROW” slogan as a priority task, the JR East Group will provide high-quality services with a view to meeting customer expectations in all business areas and to creating a legacy for society beyond 2020.

With respect to regional revitalization, JR East made progress in such initiatives as promotion of tourism, revitalization of local industries, and town development centered on regional core railway stations. Specifically, from May 2017, JR East commenced the operations of the *TRAIN SUITE SHIKI-SHIMA* cruise train, thereby advancing the cultivation of and the distribution of information about the many different attractions of regions. Also, in light of advancements in collaborations with regional producers and processors for the *sextic industrialization* of agriculture, JR East established the “JR East NOMONO Award” and presented commendations to outstanding initiatives. Further, based on the “Partnership Agreement in Relation to the Development of Compact Cities for Regional Revitalization” concluded with Akita Prefecture and Akita City, JR East opened a west exit parking garage building at Akita Station in April 2017 and proceeded with preparations for a sports medicine clinic, which is scheduled for opening in spring 2018, and proceeded with preparations for *JR Akita Gate Arena* (provisional name), which is scheduled for completion in winter 2019, and *Akita Station East Exit Student Apartment*, which is scheduled for completion in spring 2020. In addition, at Tsuchiura Station, in coordination with the Ibaraki Prefectural government and other organizations, JR East made efforts to establish a cycling base and proceeded with preparations for phase 1 of the station building renewal, which will start in March 2018.

With respect to participation in overseas railway projects, subsidiary Japan International Consultants for Transportation Co., Ltd., provided consultation services for the “Follow-up Study for Mumbai-Ahmedabad High Speed Railway Corridor” and the “General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project.” At the same time, the subsidiary received an order from the National High Speed Rail Corporation Limited (NHSRC) in India for the supervision of the construction of a training center. In conjunction with these efforts, JR East took advantage of its experience as a Shinkansen operator to provide technological support. In addition, in August 2017 JR East, Mitsui & Co., Ltd., and Abellio UK (the U.K. subsidiary of Nederlandse Spoorwegen N.V. Group) were collectively selected by the UK Department for Transport as the winning bidder for the West Midlands franchise, a passenger rail franchise in the United Kingdom, and commenced operations in December 2017.

## Segment Information

As of the first quarter, JR East has changed the classification of reportable segments. The year-on-year comparisons below are comparisons with figures of the previous third quarter that have been recalculated based on the new segment classification.

### 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.” With the aim of additional seismic reinforcement based on the scenario of a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area, JR East expanded the target area and increased target facilities and began measures in light of the risk of damage to respective facilities and the effect on line segments and other aspects of operations. Also, JR East proceeded with work to replace rails on the Tohoku Shinkansen Line, which began operations 35 years ago. JR East proceeded with the installation of automatic platform gates based on a policy of introducing them to all railway stations on the Yamanote Line and to all railway stations on the line segment between Omiya Station and Sakuragicho Station on the Keihin-Tohoku and Negishi Lines and began using automatic platform gates at three railway stations, including Ueno Station on the Keihin-Tohoku Line. At the same time, with a view to shortening construction periods and reducing costs, JR East installed of “Smart” automatic platform gates at Machida Station on the Yokohama Line and proceeded with verification aimed at actual use. In addition to taking measures to prevent railway crossing accidents, JR East expanded the implementation of a train approach alarm system that utilizes GPS to improve the safety of personnel who perform maintenance work to more line segments. Further, from December 2017, JR East began to restrict the operation of trains based on the use of Doppler radar as a countermeasure for gusts of wind on certain segments of the Uetsu Main Line and the Rikuu West Line.

With respect 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.” Also, aiming to complete countermeasures by around the summer of 2020, JR East proceeded with construction work on the Tohoku, Joetsu, and Hokuriku Shinkansen lines to eliminate areas in tunnels where mobile phone connection is poor. Further,

concentrating on the Nambu Line, the Yokohama Line, and the Keiyo Line, JR East increased the installation of guidance-use displays for emergencies at railway stations. In addition, regarding the *assistance* campaign in which personnel ask nearby customers whether they require assistance, JR East collaborated with other railway operators and companies to conduct a reinforcement campaign from September 2017.

With respect to marketing and sales activities, aiming to increase inter-regional railway travel, JR East conducted various types of campaign, including *SHINKANSEN YEAR 2017*, the *Shinshu Destination Campaign*, the *Aomori Prefecture and Hakodate Tourism Campaign*, and *Ikuze, Tohoku. SPECIAL Fuyu no Gohobi*. In addition, JR East conducted the *FUN! TOKYO!~Kokoro mo Ugokase! Yamanote Line~* Campaign, which introduced the appeal of surrounding areas and encouraged use of the Yamanote Line. Further, JR East commenced operations of the *Joyful Train, HIGH RAIL 1375*, between Kobuchizawa and Komoro on the Koumi Line in July 2017. Also, JR East launched *Fretemina* hands-on-learning-type tours for children as a new brand and began sales of travel products in May 2017. Additionally, JR East began operations of new-type express Series E353 railcars, which offer customers a safer, more comfortable experience, on the Chuo Line in December 2017.

In *Suica* operations, from April 2017 JR East increased railway stations on the Shinonoi Line, the Chuo Main Line, and the Banetsu West Line at which *Suica* is useable. The number of *Suica* cards issued and outstanding was approximately 68.01 million as of December 31, 2017. Further, for the segment between Tokyo and Nasushiobara on the Tohoku Shinkansen Line and other segments, JR East proceeded with preparations to begin the use of a new service called *Touch de Go! Shinkansen*, which will enable the use of *Suica* for non-reserved seats in ordinary cars of the segment's Shinkansen services in April 2018.

As a result, operating revenues in the Transportation segment increased 1.2%, to ¥1,579.0 billion, mainly due to an increase in JR East's number of passengers for railway operations, and operating income increased 4.3%, to ¥328.3 billion.

To restore line segments on the Pacific coast severely damaged by the Great East Japan Earthquake, JR East worked in close collaboration with the national government and relevant local authorities and made progress in rebuilding of the area as a whole. With a view to opening during the fiscal year ending March 31, 2019, JR East proceeded with restoration work on the line segment between Miyako and Kamaishi on the Yamada Line, operation of which is to be transferred to Sanriku Railway Company. With respect to the Bus Rapid Transit ("BRT") systems on the Kesenuma Line and the Ofunato Line, JR East proceeded with the establishment of new stations and other service improvements.

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 where evacuation orders have been lifted," through the cooperation of the national government and local authorities that are working to decontaminate line-side areas and return residents to their homes. Based on this policy, on the Joban Line JR East resumed operations between Namie and Odaka in April 2017 and between Tatsuta and Tomioka in October 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. JR East proceeded with restoration work with a view to resume operations between Tomioka and Namie on the Joban Line by March 31, 2020.

With respect to the line segment between Aizu-Kawaguchi and Tadami on the Tadami Line, JR East held discussions with local authorities and other organizations aimed at resumption of operations since they were suspended due to a disaster resulting from torrential rain in July 2011. In March 2017, JR East received a written request from the governor of Fukushima Prefecture for the resumption of railway services. Following discussions, in June 2017 an agreement was reached on a framework and other matters for resumption through the scheme of separating ownership of railway facilities and operations, and JR East concluded a "Basic Agreement and Memorandum of Understanding concerning the Resumption of Railway Services on the Tadami Line (between Aizu-Kawaguchi and Tadami)" with Fukushima Prefecture. In light of this, JR East cooperated with local authorities and other organizations and proceeded with preparations toward resumption of railway services.

### **Retail & Services**

In the Retail & Services segment, in August 2017, JR East completely opened *GranSta Marunouchi* (Tokyo) in the Marunouchi underground area of Tokyo Station and a new area of *GranSta* (Tokyo). Further, JR East continued introducing stores with new designs for *NewDays* (convenience stores) and introducing *NewDays KIOSK*, which is a new-type *KIOSK* store. In addition, JR East held the *Minna ga Okuritai. JR East Omiyage Grand Prix*, featuring representative souvenirs from eastern Japan. Also, JR East sold *11 Tokyo Metropolitan Area Railway Operators Madoue (Above-window Advertisement) Dream Network Set*, which enables the simultaneous posting of advertisements above windows inside railcars on all target lines, including those of other railway operators, from October 2017. Also, aiming to strengthen development capabilities for stores in station concourses, JR East proceeded with preparations for a reorganization of subsidiaries JR East Retail Net Co., Ltd., JR East Station Retailing Co., Ltd., and JR East Water Business Co., Ltd., in April 2018.

As a result of these initiatives, as well as factors including the strong sales of stores in Tokyo Station and in other locations, operating revenues of the Retail & Services segment increased 2.7%, to ¥429.9 billion, and operating income

increased 6.9%, to ¥29.5 billion.

### **Real Estate & Hotels**

In the Real Estate & Hotels segment, JR East opened an area that increased the floor space of *S-PAL Sendai East Building* (Miyagi), *Hotel Metropolitan Sendai East* (Miyagi), *JR Saitama-Shintoshin Building* (Saitama), and *Hotel Metropolitan Saitama-Shintoshin* (Saitama) in June 2017 as well as *Hotel Dream Gate Maihama Annex* (Chiba) in December 2017. In addition, JR East proceeded with the increase of floor space for *atré Kawasaki* (Kanagawa), which is scheduled to be completed in February 2018, as well as the construction of *Shapo Funabashi South Annex* (Chiba) and *HOTEL METS Funabashi* (Chiba), which are scheduled to open in February 2018; *JR Urawa Station West Exit Building* (Saitama), which is scheduled to open in March 2018; *PERIE CHIBA* (Chiba), which is scheduled for full opening in or after summer 2018; *HOTEL METS Akihabara* (provisional name), which is scheduled to open in autumn 2019; phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE* (Tokyo), which is scheduled for opening in the fiscal year ending March 31, 2020; and the *Yokohama Station West Exit Station Building* (provisional name), which is scheduled for opening in 2020.

As a result of these initiatives, as well as factors including increased revenues due to occupancy of the office floors of *JR SHINJUKU MIRAINA TOWER* (Tokyo) and the strong sales of LUMINE Co., Ltd., operating revenues of the Real Estate & Hotels segment increased 4.5%, to ¥269.6 billion, and operating income increased 4.1%, to ¥66.3 billion.

### **Others**

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 stores with extensive operating areas. As a result of these measures, *Suica* electronic money was usable at approximately 450,000 stores as of December 31, 2017. In addition, to provide a points service that makes it easier for customers to save and use points, JR East integrated *Suica Point* with the Group's unified *JRE POINT* in December 2017.

As a result of these initiatives, as well as factors including increases in revenues from the "General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project" and the information processing business, operating revenues from Others increased 8.9%, to ¥149.8 billion, and operating income increased 43.4%, to ¥12.7 billion.

Note: 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) Qualitative Information on Consolidated Performance Outlook**

As employment and income conditions continue improving, the Japanese economy is expected to continue recovering gradually, in part due to the effect of various government initiatives. Over the medium to long term, it is expected that the birth rate will continue to decline and the population will continue to age. There are also expectations that a large portion of Japan's population will remain concentrated in the Tokyo metropolitan area. Also, structural changes to the industry are anticipated due to such factors as technological innovations and globalism.

Further, thirty years have passed since the establishment of the JR East Group, and the Group now faces a wide range of issues related to various changes, including changes to rail systems and the rapidly advancing transition to the next generation of employees.

To respond to these changes, in October 2016, JR East adopted "improving the safety and reliability of transportation," "taking on the challenge of enhancing profitability," and "promoting the 'TICKET TO TOMORROW' slogan" as Priority Groupwide Tasks.

After reviewing the operating results for the third quarter ended December 31, 2017, JR East has maintained its consolidated full-term business forecast for the fiscal year ending March 31, 2018, which it announced on April 28, 2017.



## 2. Quarterly Consolidated Financial Statements and Main Notes

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

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018, 3rd Quarter (As of December 31, 2017)
<b>ASSETS</b>		
<b>Current Assets</b> .....	¥ 915,625	¥ 920,735
Cash and time deposits .....	208,295	177,495
Notes and accounts receivable-trade .....	449,434	451,092
Fares receivable .....	39,914	41,139
Short-term loans receivable .....	5,688	5,200
Securities .....	79,000	79,000
Real estate for sale .....	499	487
Inventories .....	50,861	80,349
Deferred tax assets .....	43,025	29,306
Other .....	40,392	58,332
Allowance for doubtful accounts .....	(1,485)	(1,669)
<b>Fixed Assets</b> .....	6,995,384	7,002,721
Property, plant and equipment, net of accumulated depreciation .....	6,342,759	6,345,440
Buildings and fixtures (net) .....	3,260,299	3,271,983
Machinery, rolling stock and vehicles (net) .....	712,003	696,652
Land .....	2,013,899	2,017,661
Construction in progress .....	286,275	291,860
Other (net) .....	70,282	67,283
Intangible assets .....	119,269	107,859
Investments and other assets .....	533,354	549,421
Investments in securities .....	263,322	301,195
Long-term loans receivable .....	1,693	1,948
Long-term deferred tax assets .....	204,593	183,436
Net defined benefit assets .....	161	238
Other .....	64,329	63,371
Allowance for doubtful accounts .....	(745)	(769)
<b>Deferred Assets</b> .....	105	158
<b>Total Assets</b> .....	<u>¥7,911,114</u>	<u>¥7,923,614</u>

Note: Amounts less than one million yen are omitted.

	Millions of Yen	
	Fiscal 2017, (As of March 31, 2017)	Fiscal 2018, 3rd Quarter (As of December 31, 2017)
<b>LIABILITIES</b>		
<b>Current Liabilities</b> .....	¥1,337,390	¥1,194,292
Notes and accounts payable-trade .....	46,834	55,913
Short-term loans and current portion of long-term loans .....	116,830	115,828
Current portion of bonds .....	159,899	164,999
Current portion of long-term liabilities		
incurred for purchase of railway facilities .....	4,290	4,445
Payables .....	459,147	269,840
Accrued consumption taxes .....	19,513	37,990
Accrued income taxes .....	55,638	43,306
Fare deposits received with regard to railway connecting services .....	22,164	19,478
Prepaid railway fares received .....	99,217	108,702
Allowance for bonuses to employees .....	73,155	35,873
Allowance for earthquake-damage losses .....	6,767	3,436
Other .....	273,931	334,476
<b>Long-Term Liabilities</b> .....	3,898,370	3,850,555
Bonds .....	1,680,074	1,615,120
Long-term loans .....	929,541	945,814
Long-term liabilities incurred for purchase of railway facilities .....	336,679	334,336
Long-term deferred tax liabilities .....	3,189	3,571
Provision for large-scale renovation		
of Shinkansen infrastructure .....	24,000	42,000
Allowance for earthquake-damage losses .....	10,293	10,723
Allowance for partial transfer costs of railway operation .....	16,163	18,026
Net defined benefit liabilities .....	641,394	613,945
Other .....	257,033	267,015
<b>Total Liabilities</b> .....	¥5,235,761	¥5,044,847
<b>NET ASSETS</b>		
<b>Shareholders' Equity</b> .....	¥2,590,575	¥2,767,375
Common stock .....	200,000	200,000
Capital surplus .....	96,811	96,843
Retained earnings .....	2,298,925	2,475,983
Treasury stock, at cost .....	(5,161)	(5,452)
<b>Accumulated Other Comprehensive Income</b> .....	62,844	86,671
Net unrealized holding gains (losses) on securities .....	52,940	76,005
Net deferred gains (losses) on derivatives under		
hedge accounting .....	1,846	2,034
Revaluation reserve for land .....	(473)	(473)
Remeasurements of defined benefit plans .....	8,530	9,104
<b>Non-Controlling Interests</b> .....	21,933	24,721
<b>Total Net Assets</b> .....	2,675,353	2,878,767
<b>Total Liabilities and Net Assets</b> .....	¥7,911,114	¥7,923,614

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 2017, 3rd Quarter (Nine months ended December 31, 2016)	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)
<b>Operating Revenues</b> .....	¥2,161,339	¥2,207,016
<b>Operating Expenses</b> .....	1,745,708	1,769,305
Transportation, other services and cost of sales .....	1,340,472	1,355,417
Selling, general and administrative expenses .....	405,235	413,888
<b>Operating Income</b> .....	415,630	437,710
<b>Non-Operating Income</b> .....	9,450	13,823
Interest income .....	38	31
Dividend income .....	3,845	4,929
Insurance proceeds and dividends .....	861	3,479
Equity in net income of affiliated companies .....	1,186	1,603
Other .....	3,518	3,779
<b>Non-Operating Expenses</b> .....	56,252	51,871
Interest expense .....	53,437	48,878
Other .....	2,815	2,992
<b>Ordinary Income</b> .....	368,829	399,662
<b>Extraordinary Gains</b> .....	25,021	11,165
Construction grants received .....	10,368	4,913
Insurance proceeds related to earthquake .....	13,639	4,905
Other .....	1,013	1,346
<b>Extraordinary Losses</b> .....	26,554	18,739
Losses on reduction entry for construction grants .....	10,299	4,679
Intensive seismic reinforcement costs .....	8,770	6,147
Other .....	7,483	7,912
<b>Income before Income Taxes</b> .....	367,296	392,088
<b>Income Taxes</b> .....	112,829	121,317
Current .....	82,988	95,434
Deferred .....	29,840	25,882
<b>Profit</b> .....	254,466	270,770
<b>Profit Attributable to Non-Controlling Interests</b> .....	1,345	1,928
<b>Profit Attributable to Owners of Parent</b> .....	¥ 253,120	¥ 268,842

Note: Amounts less than one million yen are omitted.

## (ii) Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Fiscal 2017, 3rd Quarter (Nine months ended December 31, 2016)	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)
<b>Profit</b> .....	¥254,466	¥270,770
<b>Other Comprehensive Income</b> .....	17,401	23,846
Net unrealized holding gains (losses) on securities .....	14,051	21,661
Net deferred gains (losses) on derivatives under hedge accounting .....	316	398
Remeasurements of defined benefit plans .....	278	(128)
Share of other comprehensive income of associates accounted for using equity method .....	2,755	1,916
<b>Comprehensive Income</b> .....	¥271,867	¥294,617
<b>Comprehensive Income attributable to</b>		
Comprehensive income attributable to owners of the parent .....	¥270,519	¥292,669
Comprehensive income attributable to non-controlling interests .....	¥ 1,348	¥ 1,948

Note: Amounts less than one million yen are omitted.

### (3) Notes to Quarterly Consolidated Financial Statements (Unaudited)

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

None

#### (Segment Information (Unaudited))

(Information related to amounts of operating revenues, income, and loss of each reportable segment)

Fiscal 2017, 3rd Quarter (Nine months ended December 31, 2016)	Millions of Yen						Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	
Operating Revenues							
Outside customers .....	¥1,501,090	¥376,293	¥243,638	¥40,316	¥2,161,339	¥ —	¥2,161,339
Inside group .....	58,598	42,327	14,477	97,286	212,689	(212,689)	—
Total .....	1,559,688	418,620	258,116	137,603	2,374,029	(212,689)	2,161,339
Segment income .....	¥ 314,894	¥ 27,678	¥ 63,791	¥ 8,916	¥ 415,281	¥ 349	¥ 415,630

- Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥349 million adjustment to segment income includes a ¥633 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(285) million elimination for intersegment transactions.
3. Segment income is adjusted to ensure consistency with the operating income set forth in the quarterly consolidated statements of income.

Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Millions of Yen						Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	
Operating Revenues							
Outside customers .....	¥1,518,923	¥383,834	¥254,811	¥ 49,447	¥2,207,016	¥ —	¥2,207,016
Inside group .....	60,160	46,126	14,837	100,356	221,479	(221,479)	—
Total .....	1,579,083	429,961	269,648	149,803	2,428,496	(221,479)	2,207,016
Segment income .....	¥ 328,335	¥ 29,585	¥ 66,389	¥ 12,787	¥ 437,097	¥ 612	¥ 437,710

- Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥612 million adjustment to segment income includes a ¥762 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(108) million elimination for intersegment transactions.
3. Segment income is adjusted to ensure consistency with the operating income set forth in the quarterly consolidated statements of income.

(Information Related to Changes in Reportable Segments, etc.)

From the first quarter, JR East revised its reportable segment classifications to focus on operational headquarters in order to better enforce its management approach based on segments that carry out managerial decision-making. Consequently, the previous reportable segments "Transportation," "Station Space Utilization," "Shopping Centers & Office Buildings," and "Others" have been changed to "Transportation," "Retail & Services," "Real Estate & Hotels," and "Others."

Further, the previous third quarter's information has been prepared and presented based on the new segment classification.

#### (Notes on Significant Changes in the Value of Shareholders' Equity (Unaudited))

Based on a resolution at a meeting of the Board of Directors convened on April 28, 2017, JR East acquired 3,752,400 shares of its common stock at a total cost of ¥39,999 million through open market purchases on the Tokyo Stock Exchange from May 1, 2017, to July 12, 2017, and the shares were designated as treasury stock. Further, based on a resolution at a meeting of the Board of Directors convened on July 19, 2017, JR East retired 3,752,400 shares of treasury stock on July 25, 2017, and with respect to the ¥39,727 million book value of the said shares of treasury stock, JR East reduced capital surplus by ¥0 million and retained earnings by ¥39,727 million.

## (Additional Information Regarding Operating Results)

### Consolidated Principal Indicators

	Fiscal 2017, 3rd Quarter (Nine months ended December 31, 2016)	Fiscal 2017 (Year ended March 31, 2017)	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Increase (Decrease)
	(A)	(B)	(C)	(C)-(A)
Ratio of operating income to average assets (ROA) (%)	5.4	5.9	<b>5.5</b>	0.2
Return on average equity (ROE) (%)	10.0	10.9	<b>9.8</b>	(0.2)

### Numerical Targets for the Fiscal Year Ending March 31, 2020

	Billions of Yen				
	Actual Fiscal 2017	Forecast Fiscal 2018	Fiscal 2020 Targets	Change	
	(A)	(B)	(C)	Increase (Decrease) (C)-(A)	% (C)/(A)x100
<b>Operating Revenues</b>	2,880.8	2,930.0	<b>3,021.0</b>	140.1	104.9
Transportation	1,989.8	2,001.0	<b>2,028.0</b>	38.1	101.9
Retail & Services	502.4	514.0	<b>542.0</b>	39.5	107.9
Real Estate & Hotels	326.3	344.0	<b>362.0</b>	35.6	110.9
Others	62.2	71.0	<b>89.0</b>	26.7	143.0
<b>Operating Income</b>	466.3	472.0	<b>499.0</b>	32.6	107.0
Transportation	334.2	335.0	<b>350.0</b>	15.7	104.7
Retail & Services	36.8	37.0	<b>41.0</b>	4.1	111.3
Real Estate & Hotels	80.3	83.0	<b>89.0</b>	8.6	110.7
Others	16.5	18.0	<b>20.0</b>	3.4	120.6
Elimination and/or corporate	(1.6)	(1.0)	<b>(1.0)</b>	0.6	59.3

- Notes:1. The breakdown of financial results for the fiscal year ended March 31, 2017, has been presented based on the new segment classifications.  
2. The breakdown of operating revenues by business segment shows sales to outside customers.

### Consolidated Capital Expenditures

	Billions of Yen					
	Actual Fiscal 2017, 3rd Quarter (Nine months ended December 31, 2016)	Actual Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Change		Plans for Fiscal 2018	Change
	(A)	(B)	Increase (Decrease) (B)-(A)	% (B)/(A)x100		Increase (Decrease) year on year
<b>Capital expenditures</b>	236.5	<b>271.5</b>	35.0	114.8	<b>560.0</b>	53.2
Transportation	161.6	<b>188.6</b>	26.9	116.7	<b>423.0</b>	35.5
Non-transportation	74.8	<b>82.9</b>	8.0	110.8	<b>137.0</b>	17.6

- Notes:1. The year-on-year change for plans for full-year capital expenditures represents comparisons with the fiscal year ended March 31, 2017, and has been presented based on new segment classifications.  
2. The breakdown of financial results for the third quarter of the fiscal year ended March 31, 2017, has been presented based on the new segment classifications.

### 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 2017, 3rd Quarter (Nine months ended December 31, 2016) (A)	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017) (B)	Change Increase (Decrease) (B)-(A)	(B)/(A)x100	Fiscal 2017, 3rd Quarter (Nine months ended December 31, 2016) (C)	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017) (D)	Change Increase (Decrease) (D)-(C)	(D)/(C)x100
<b>Shinkansen Network</b>								
Commuter Passes .....	1,331	<b>1,355</b>	23	101.8	18.0	<b>18.3</b>	0.3	101.8
Other .....	16,332	<b>16,432</b>	100	100.6	424.7	<b>426.3</b>	1.6	100.4
Total .....	17,664	<b>17,788</b>	123	100.7	442.7	<b>444.7</b>	1.9	100.4
<b>Conventional Lines</b>								
<i>Kanto Area Network</i>								
Commuter Passes .....	53,480	<b>53,987</b>	507	100.9	345.2	<b>348.7</b>	3.5	101.0
Other .....	27,276	<b>27,756</b>	480	101.8	534.8	<b>545.7</b>	10.8	102.0
Total .....	80,757	<b>81,744</b>	987	101.2	880.0	<b>894.4</b>	14.4	101.6
<i>Other Network</i>								
Commuter Passes .....	2,381	<b>2,382</b>	0	100.0	14.1	<b>14.1</b>	0.0	100.0
Other .....	1,966	<b>1,979</b>	13	100.7	38.7	<b>39.2</b>	0.5	101.4
Total .....	4,347	<b>4,362</b>	14	100.3	52.8	<b>53.4</b>	0.5	101.0
<i>Total</i>								
Commuter Passes .....	55,862	<b>56,370</b>	507	100.9	359.3	<b>362.9</b>	3.5	101.0
Other .....	29,242	<b>29,736</b>	493	101.7	573.5	<b>584.9</b>	11.4	102.0
Total .....	85,104	<b>86,106</b>	1,001	101.2	932.9	<b>947.9</b>	14.9	101.6
<b>Total</b>								
Commuter Passes .....	57,193	<b>57,725</b>	531	100.9	377.4	<b>381.3</b>	3.9	101.0
Other .....	45,575	<b>46,169</b>	594	101.3	998.2	<b>1,011.3</b>	13.0	101.3
Total .....	102,769	<b>103,894</b>	1,125	101.1	1,375.6	<b>1,392.6</b>	16.9	101.2

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.