



# FY2014.3 Financial Results Presentation

May 1, 2014  
East Japan Railway Company

長野が動き出す。



3.15 E7 debut!

## ***I. JR East Group Management Vision V - Ever Onward - Current Situation and Foresight***

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# **I. JR East Group Management Vision V - Ever Onward - Current Situation and Foresight**

## *JR East Group Management Vision V*

**- Ever Onward -**

(Announced on Oct. 30, 2012)

### **Eternal Mission**

### **Pursuing Unlimited Potential**

Extreme safety levels

Technological innovation

Service quality reforms

Tackling new business areas

Strengthening collaboration with local communities

Creating a corporate culture that maximizes human potential

**Sustained Growth**



Local Communities and Society

**The JR East Group**

Employees

Customers

Shareholders and Investors

**“ Thriving with Communities, Growing Globally ”**

## Pursuing “extreme safety levels” – Building a railway capable of withstanding natural disasters

### ■ Launched “JR East Group Safety Plan 2018”

Rising to the challenge of “extreme safety levels” as a whole group

### ■ Implement seismic reinforcements and other countermeasures

Approx. ¥300.0 billion total in seismic reinforcement countermeasures

Complete approx. 80% of the plan by end of FY2017.3



Seismic reinforcement of viaduct columns



Seismic reinforcement of embankments

### ■ Build a railway capable of withstanding natural disasters

Strengthen snow disruption prevention capability

- Install electric snow melters
- Develop turnaround facilities

Install windbreak fences



### ■ Formulate phase-2 plan for installing automatic platform gates

Examine gate installation by station and by line

Reduce installation costs (by approx. 20% compared to on the Yamanote Line)

## Service quality reforms – Enhancing rail transportation network and other measures

### ■ Improving the quality of the Tokyo Metropolitan area railway network

Start of the Ueno Tokyo Line (end of FY2015.3)



Improve service on the Chuo Line and *Tokyo Megaloop*

Expand and enhance seating services

Examine access improvements to Haneda Airport

### ■ Expanding the intercity transportation network

Start of Hokuriku Shinkansen to Kanazawa (end of FY2015.3)

Promote development of destination-driven tourism

Develop wide-ranging sightseeing routes

Enhancing services for seniors



Began Tokyo-Nagano operation of Series E7 Shinkansen (from Mar. 2014)

## Strengthening collaboration with local communities

– Supporting earthquake recovery, stimulating tourism and revitalizing communities

### Large-scale development of terminal railway stations

Promote construction of Shinjuku, Shibuya, Yokohama, Chiba and Sendai stations

Formulate and promote the Shinagawa Development Project



Shinjuku New South Exit Building



Shibuya Station



Sendai Station



Yokohama Station

### Promoting Japan as a tourism-oriented nation

Hold *Destination Campaigns*

FY2015.3	Niigata(spring), Yamagata(summer)
FY2016.3	Fukushima(spring), Hokuriku(autumn)
FY2017.3	Aomori and Southern Hokkaido(summer)

Inbound tourism initiatives

- Bolster sales in Hong Kong, Taiwan and elsewhere (of *JR East Railway Holiday* and other inbound travel brands)

Create trains people seek to board for the “ride” itself



Cruise train



TOHOKU EMOTION



SL Ginga

## Technological innovation

– Forging strategies for conserving energy and the environment, utilizing ICT and operating railways at faster speed

### Energy and environmental strategies

**Catenary and battery-powered hybrid railcar**



Began operation of ACCUM railcars on the Karasuyama Line (from Mar. 2014)

**Develop northern Tohoku as a renewable energy base**



Solar power



Wind power



Geothermal power



Woody biomass

**Renewal of No. 4 Kawasaki Power Station**

### Utilize ICT

**Wireless railway car control systems**

- ATACS: The Saikyo Line (autumn 2017)
- CBTC : Local service on the Joban Line (around 2020)

**Train track facility monitoring equipment**

- Test runs on the Keihin Tohoku Line (May 2013 - Mar. 2015)



**Introduction of tablet computers**





## Tackling new business areas – Globalization

### Overseas railway projects

#### Purple Line in Bangkok, Thailand

- Joint investment in a new maintenance company
- Supply of railcars from J-TREC



(Conceptual image)

#### Technological support and railcar transfer to Indonesia

#### Business development in the U.K.

- London office opened
- Consulting for the High Speed 2 (HS2) high-speed railway plan

### Railcar manufacturing operations

Consolidation of Japan Transport Engineering Company (J-TREC) and the Niitsu Rolling Stock Plant (JR East)



(Apr. 2014)

J-TREC's *sustina* stainless-steel railcars

### Nurturing global human resources

Send employees abroad on overseas assignment and training

**2020 Tokyo Olympic and Paralympic Games**

# FY2017.3 Numerical Targets

(¥ billion,%)	2014.3 Results	2015.3 Plan	2017.3 Target	2017.3/2014.3	
				Increase / decrease	(%)
<b>Operating revenues</b>	2,702.9	2,741.0	2,791.0	+88.0	103.3
Transportation	1,827.4	1,841.0	1,873.0	+45.5	102.5
Station Space Utilization	400.9	400.0	403.0	+2.0	100.5
Shopping Centers & Office Buildings	251.0	254.0	281.0	+29.9	111.9
Others	223.4	246.0	234.0	+10.5	104.7
<b>Operating income</b>	406.7	407.0	412.0	+5.2	101.3
Transportation	267.3	272.0	272.0	+4.6	101.7
Station Space Utilization	36.0	34.0	34.0	-2.0	94.3
Shopping Centers & Office Buildings	72.0	73.0	78.0	+5.9	108.2
Others	32.6	29.0	29.0	-3.6	88.7
Adjustment	-1.3	-1.0	-1.0		

## ■ Main assumptions

(For the three years ending FY2017.3)

- Real GDP growth rate  
approx. +1.0% per year
- Basic growth rate for passenger revenues per year  
Commuter passes:  
approx. +0.0% per year  
Non-commuter passes:  
approx. +0.8% per year

\* The impact by the New Shinkansen Lines which are under construction is not included.

**Consolidated ROA (at the end of FY2017.3)**  
(rate of operating income on total assets )

**5.4%**

**Consolidated ROE (at the end of FY2017.3)**  
(rate of net income on equity )

**8.9%**

The three-year targets will be reviewed annually, and will be revised to new targets for the next three years starting from the following fiscal year.

# Uses of Consolidated Cash Flows

	Targets	FY2015.3
<b>Consolidated operating cash flow</b>	Approx. <b>¥1.8</b> trillion (Three-year total to FY2017.3)	
<b>Capital expenditures</b>	Approx. <b>¥1.6</b> trillion (Three-year total to FY2017.3)	<b>¥525.0</b> billion*
Investment needed for the continuous operation of business (Safety practice and transportation stability)	Approx. <b>¥1,000.0</b> billion (Approx. ¥650.0 billion)	<b>¥329.0</b> billion
Growth investment	Approx. <b>¥600.0</b> billion	<b>¥196.0</b> billion
<b>Shareholder returns</b>	[Medium- to long-term target] <b>33%</b> total return ratio (to net income)	<b>¥120</b> /share dividend Share buybacks**
<b>Debt reduction</b>	(During the 2020s) <b>¥3,000.0</b> billion interest-bearing debt balance	Reduce interest-bearing debt Around <b>¥10.0</b> billion

\* In addition, priority budget allocation max. ¥30.0 billion from the deposit balance on Mar. 31, 2014 (capital expenditures of approx. ¥555.0 billion in total)

\*\* Share buybacks of max. 1.5 million shares or ¥15.0 billion (for May 2014 execution)

## **II. FY2014.3 Financial Results and FY2015.3 Plan**

\*From FY2014.3, Japan Transport Engineering Company was reclassified as part of the Transportation segment from the Others segment.

\*Figures have been restated and presented based on the new reporting segment classification in segment information for FY2013.3.

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# FY2014.3 Financial Results and FY2015.3 Plan (non-consolidated)

(¥ billion)	2013.3	2014.3		2014.3/2013.3		2015.3	2015.3/2014.3	
	<i>Results</i>	Results	[Oct. plan]	Increase / decrease	(%)	Plan	Increase / decrease	(%)
<b>Operating revenues</b>	1,910.8	1,932.5	[1,938.0]	+21.7	101.1	1,955.0	+22.4	101.2
Passenger revenues	1,681.5	1,696.5		+14.9	100.9	1,720.0	+23.4	101.4
Others	229.2	236.0		+6.8	103.0	235.0	-1.0	99.5
<b>Operating expenses</b>	1,587.9	1,604.7		+16.7	101.1	1,624.0	+19.2	101.2
Personnel expenses	483.5	486.0		+2.5	100.5	478.0	-8.0	98.3
Non-personnel expenses	657.1	674.3		+17.1	102.6	692.0	+17.6	102.6
Energy	67.6	71.1		+3.5	105.2	72.0	+0.8	101.1
Maintenance	240.5	243.9		+3.3	101.4	249.0	+5.0	102.1
Other	349.0	359.2		+10.2	102.9	371.0	+11.7	103.3
Usage fees to JR TT, etc.	83.1	74.7		-8.3	89.9	74.0	-0.7	98.9
Taxes	82.6	84.5		+1.9	102.3	85.0	+0.4	100.5
Depreciation	281.4	284.9		+3.5	101.3	295.0	+10.0	103.5
<b>Operating income</b>	322.8	327.8	[325.0]	+4.9	101.5	331.0	+3.1	101.0
<b>Ordinary income</b>	243.0	263.9	[258.0]	+20.9	108.6	277.0	+13.0	105.0
<b>Net income</b>	138.8	169.8	[162.0]	+31.0	122.4	174.0	+4.1	102.4

# Passenger Revenues – FY2014.3 Results

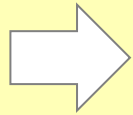
(YoY, ¥ billion, %)	Total		(YoY, ¥ billion)	Positive and Negative Factors	Increase / decrease
	Increase / decrease	(%)			
<b>Passenger revenues</b>	<b>+14.9</b>	<b>100.9</b>	<b>Shinkansen (+15.0)</b>	"Otona no Kyujitsu Club" *, etc.	+2.5
<b>Commuter passes (Seasonal tickets)</b>	<b>-6.5</b>	<b>98.7</b>		Operation of Shinkansen at higher speeds, etc.	+2.0
<b>Non-commuter passes (Ordinary tickets)</b>	<b>+21.4</b>	<b>101.8</b>		Inbound tourism	+2.0
<b>Shinkansen Network</b>	<b>+15.0</b>	<b>103.2</b>		Advance purchases in anticipation of consumption tax hike	+0.5
<b>Kanto Area Network of Conventional lines</b>	<b>+4.7</b>	<b>100.7</b>		Travel during consecutive holidays, Obon festival, year-end to New Year, etc.	+4.0
				Typhoon, heavy snow, etc.	-2.0
				Basic Trend	+6.0
			<b>Conventional Lines (+6.4)</b>	Travel during consecutive holidays, Obon festival, year-end to New Year, etc.	+4.0
				Strong usage in Sendai area	+1.5
				Advance purchases in anticipation of consumption tax hike	+0.5
				Interconnection of Tokyo Metro Fukutoshin Line and Tokyu Toyoko Line at Shibuya Station	-2.0
				Typhoon, heavy snow, etc.	-4.0
				Basic Trend	+6.0
			<b>Non-commuter passes revenues</b>		<b>+21.4</b>
			<b>Commuter passes revenues</b>	Change in estimation method, etc.	<b>-6.5</b>
			<b>Passenger revenues</b>		<b>+14.9</b>

\* "Otona no Kyujitsu Club" :  
Membership club for elderly people

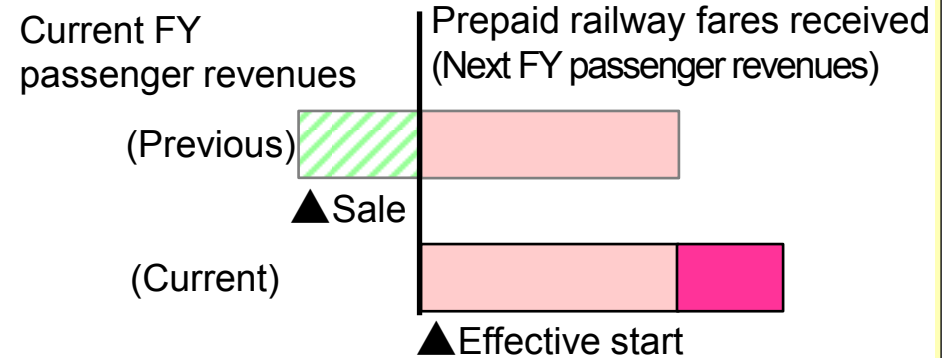
# Change in Estimation Method for Commuter Passes

## Change in estimation method of prepaid railway fares received

Calculated based on date of sale

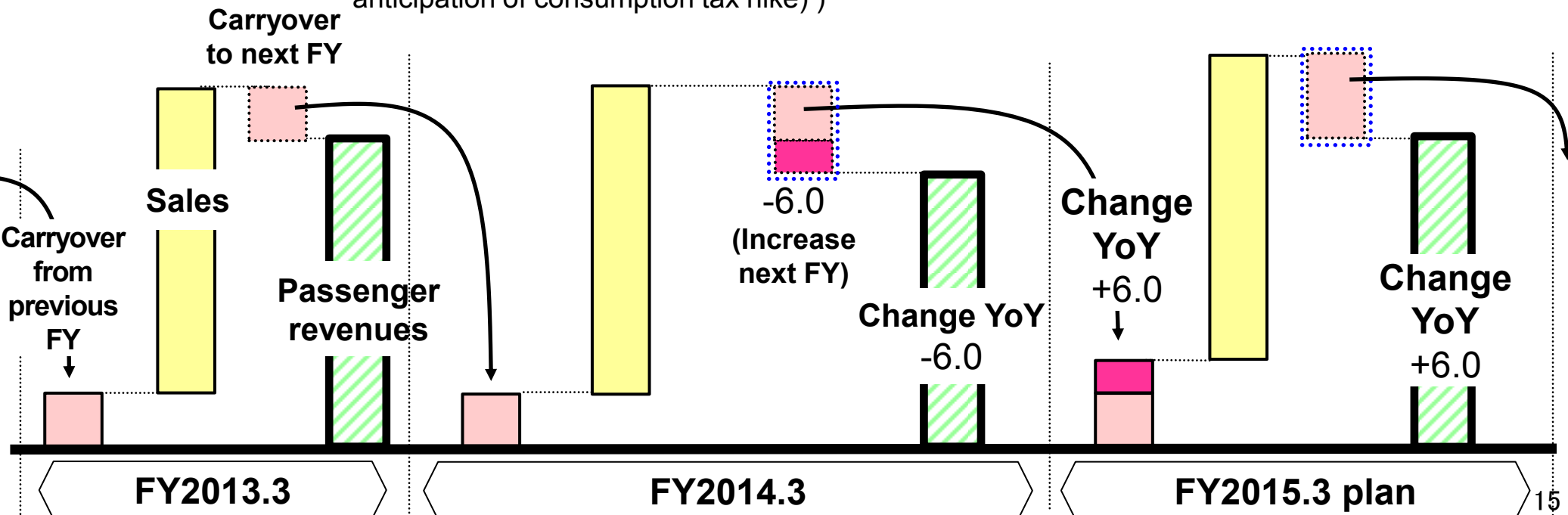


Calculated based on effective start date



## Impact of change: -¥6.0 billion YoY in FY2014.3

(Difference from previous estimation method: -¥10.2 billion (includes advance purchases in anticipation of consumption tax hike))



# Passenger Revenues – FY2015.3 Plan

(YoY, ¥ billion,%)	Total		Main factors behind change	Trend
	1st half	2nd half		
Passenger revenues +23.4 billion	101.4%			100.8%
	100.7%	102.1%		
Commuter passes (Seasonal tickets) +4.6 billion	101.0%		<ul style="list-style-type: none"> <li>•Change in estimation method: +6.0</li> <li>•Increase in 6-month commuter passes: -1.0</li> </ul>	100.0%
	99.5%	102.5%		
Non-commuter passes (Ordinary tickets) +18.8 billion	101.6%			101.2%
	101.1%	102.0%		
Shinkansen Network +10.7 billion	102.2%		<ul style="list-style-type: none"> <li>•Operation of Shinkansen at higher speeds, etc.: +2.5</li> <li>•Inbound tourism: +1.5</li> <li>•Absence of typhoon, heavy snow, etc.: +0.5</li> <li>•Absence of advance purchases in anticipation of consumption tax hike : -1.0</li> </ul>	101.7%
	101.6%	102.8%		
Kanto Area Network of Conventional lines +8.5 billion	101.3%		<ul style="list-style-type: none"> <li>•Absence of typhoon, heavy snow, etc.: +3.0</li> <li>•Absence of advance purchases in anticipation of consumption tax hike: -1.0</li> </ul>	100.8%
	101.0%	101.6%		



# Operating Expenses (non-consolidated) – FY2014.3 Results

(¥ billion)	2013.3	2014.3	2014.3/2013.3		Main factors behind change
	Results	Results	Increase / decrease	(%)	
Operating expenses	1,587.9	1,604.7	+16.7	101.1	
Personnel expenses	483.5	486.0	+2.5	100.5	<ul style="list-style-type: none"> <li>• Bonus-related: +1.7</li> <li>• Overtime payment (snow disruption, etc.): +1.6</li> <li>• Decrease due to difference in unit costs, etc.</li> </ul>
Non-personnel expenses	657.1	674.3	+17.1	102.6	
Energy	67.6	71.1	+3.5	105.2	<ul style="list-style-type: none"> <li>• Rise in fuel costs of thermal power plants, etc.</li> <li>• Rise in electricity rates</li> </ul>
Maintenance	240.5	243.9	+3.3	101.4	<ul style="list-style-type: none"> <li>• General maintenance expenses: +0.9</li> <li>• Railcar maintenance expenses: +2.4</li> </ul>
Other	349.0	359.2	+10.2	102.9	<ul style="list-style-type: none"> <li>• Outsourcing expenses: +8.5</li> <li>• Sales commissions: +2.4</li> <li>• Losses from disposition of fixed assets: -5.0</li> </ul>
Usage fees to JR TT, etc.	83.1	74.7	-8.3	89.9	• Decrease due to end of leasing of some railway facilities
Taxes	82.6	84.5	+1.9	102.3	<ul style="list-style-type: none"> <li>• Registration and license tax: +0.9</li> <li>• Property taxes, etc.: +0.7</li> </ul>
Depreciation	281.4	284.9	+3.5	101.3	• Increase due to capital expenditures

# Operating Expenses (non-consolidated) – FY2015.3 Plan

(¥ billion)	2014.3	2015.3	2015.3/2014.3		Main factors behind change
	Results	Plan	Increase / decrease	(%)	
Operating expenses	1,604.7	1,624.0	+19.2	101.2	
Personnel expenses	486.0	478.0	-8.0	98.3	<ul style="list-style-type: none"> <li>•Employees' severance and retirement benefit expenses: -6.2</li> <li>•Absence of overtime payment (snow disruption, etc.)</li> <li>•Difference in unit costs, etc.</li> </ul>
Non-personnel expenses	674.3	692.0	+17.6	102.6	
Energy	71.1	72.0	+0.8	101.1	•Rise in electricity rates
Maintenance	243.9	249.0	+5.0	102.1	<ul style="list-style-type: none"> <li>•General maintenance expenses: +3.3</li> <li>•Railcar maintenance expenses: +1.7</li> </ul>
Other	359.2	371.0	+11.7	103.3	<ul style="list-style-type: none"> <li>•Outsourcing expenses: +5.5</li> <li>•Systems usage expenses: +2.0</li> <li>•Sales commissions: +1.5</li> </ul>
Usage fees to JR TT, etc.	74.7	74.0	-0.7	98.9	
Taxes	84.5	85.0	+0.4	100.5	
Depreciation	284.9	295.0	+10.0	103.5	•Increase due to capital expenditures

# FY2014.3 Financial Results and FY2015.3 Plan (consolidated)



(¥ billion)	2013.3	2014.3		2014.3/2013.3		2015.3	2015.3/2014.3	
	<i>Results</i>	Results	[Oct. plan]	Increase / decrease	(%)	Plan	Increase / decrease	(%)
Operating revenues	2,671.8	2,702.9	[2,703.0]	+31.0	101.2	2,741.0	+38.0	101.4
Transportation	1,809.5	1,827.4		+17.9	101.0	1,841.0	+13.5	100.7
Station Space Utilization	404.2	400.9		-3.2	99.2	400.0	-0.9	99.8
Shopping Centers & Office Buildings	238.9	251.0		+12.1	105.1	254.0	+2.9	101.2
Others	219.1	223.4		+4.3	102.0	246.0	+22.5	110.1
Operating income	397.5	406.7	[401.0]	+9.2	102.3	407.0	+0.2	100.1
Transportation	264.3	267.3		+3.0	101.1	272.0	+4.6	101.7
Station Space Utilization	37.5	36.0		-1.5	96.0	34.0	-2.0	94.3
Shopping Centers & Office Buildings	68.1	72.0		+3.8	105.7	73.0	+0.9	101.3
Others	29.0	32.6		+3.6	112.5	29.0	-3.6	88.7
Adjustment	-1.5	-1.3		+0.2	85.6	-1.0	+0.3	74.2
Ordinary income	317.4	332.5	[323.0]	+15.0	104.7	341.0	+8.4	102.6
Net income	175.3	199.9	[192.0]	+24.5	114.0	204.0	+4.0	102.0

# Transportation - Results and Plan

(¥ billion)	2013.3	2014.3	2014.3/2013.3	2015.3 Plan	2015.3/2014.3
Operating revenues	1,809.5	1,827.4	+17.9 101.0%	1,841.0	+13.5 100.7%
Operating income	264.3	267.3	+3.0 101.1%	272.0	+4.6 101.7%

## Operating revenues

- main positive and negative factors (FY2014.3) (¥ billion)

JR East	+16.9	Increase in passenger revenues
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## FY2015.3 Topics

- *Niigata Destination Campaign* (Apr. to Jun. 2014)
- *Yamagata Destination Campaign* (Jun. to Sep. 2014)
- Introduce more Series E7 to Nagano Shinkansen (11 units)
- Open Hokuriku Shinkansen to Kanazawa (end of FY2015.3)
- Open Ueno Tokyo Line (end of FY2015.3)



Series E7 Shinkansen

[Notes] Operating revenues: operating revenues from outside customers

Operating income: operating revenues from outside customers + operating revenues inside group - purchases from outside suppliers - purchases inside group

# Station Space Utilization - Results and Plan

(¥ billion)	2013.3	2014.3	2014.3/2013.3	2015.3 Plan	2015.3/2014.3
Operating revenues	404.2	400.9	-3.2 99.2%	400.0	-0.9 99.8%
Operating income	37.5	36.0	-1.5 96.0%	34.0	-2.0 94.3%

## Operating revenues

- main positive and negative factors (FY2014.3) (¥ billion)

JR East Retail Net (J-Retail)	-9.2	Corporate reorganization, decrease of sales at existing stores
NRE	-2.0	Corporate reorganization, closing of unprofitable stores
Tetsudo Kaikan	+3.0	Opening of <i>CentralStreet</i>
JR East Tohoku Sogo Service	+4.4	Corporate reorganization

[Reference] Monthly trends (comparison with same month of previous year, %)

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	2nd-half total	Full year
Retails & Restaurant Total	97.0	98.4	99.3	99.4	99.4	101.6	99.2	99.3
J-Retail (existing stores)	98.8	98.4	99.4	100.0	100.2	102.3	99.9	98.7
NRE (existing stores)*	96.5	99.4	100.9	100.2	98.1	103.7	99.6	98.7

\* For NRE, hotel operations revenues not included

[Notes] Operating revenues: operating revenues from outside customers

Operating income: operating revenues from outside customers + operating revenues inside group - purchases from outside suppliers - purchases inside group

# Shopping Centers & Office Buildings - Results and Plan

(¥ billion)	2013.3	2014.3	2014.3/2013.3	2015.3 Plan	2015.3/2014.3
Operating revenues	238.9	251.0	+12.1 105.1%	254.0	+2.9 101.2%
Operating income	68.1	72.0	+3.8 105.7%	73.0	+0.9 101.3%

## Operating revenues - main positive and negative factors (FY2014.3) (¥ billion)

Tetsudo Kaikan	+2.9	Opening of <i>KITTE GRANCHÉ</i>
JR East Building	+2.7	Opening of <i>JR Minami Shinjuku Building</i>
LUMINE	+2.5	Buoyant existing stores
JR Tokyo West Development	+1.3	Renewal of <i>CELEO Hachioji North Wing</i>
atré	+0.7	Opening of <i>atrévie Otsuka</i>

## FY2015.3 Topics (FY2014.3 openings are in italics)

- *GranRoof* (Completed in Sep. 2013)
- *JR Otsuka Minamiguchi Building* (Opened in Sep. 2013)
- *CIAL Sakuragicho* (Summer 2014)
- New Nagano Station building (by end of FY2015.3)

## [Reference] Monthly trends (comparison with same month of previous year, %)

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	2nd-half total	Full year
Shopping Centers Total	99.5	101.4	102.2	102.9	100.9	111.9	103.6	104.5
LUMINE (existing stores)	98.8	103.6	102.4	104.7	101.4	113.7	104.5	103.4
atré (existing stores)	94.2	96.2	100.6	100.2	98.9	105.4	99.7	99.2

[Notes] Operating revenues: operating revenues from outside customers

Operating income: operating revenues from outside customers + operating revenues inside group - purchases from outside suppliers - purchases inside group

# Others - Results and Plan

(¥ billion)	2013.3	2014.3	2014.3/2013.3	2015.3 Plan	2015.3/2014.3
Operating revenues	219.1	223.4	+4.3 102.0%	246.0	+22.5 110.1%
Operating income	29.0	32.6	+3.6 112.5%	29.0	-3.6 88.7%

## Operating revenues - main positive and negative factors (FY2014.3) (¥ billion)

Nippon Hotel	+2.9	Opening of <i>The Tokyo Station Hotel</i>
East Japan Marketing & Communications	+2.8	Buoyant advertising revenues
JR East Mechatronics	+2.4	Increased revenues from terminal sales
Viewcard	+1.2	Increased billings
JR East Sports	+0.6	New store openings
JR East Japan Information Systems	-8.0	Decline in systems contracts

## FY2014.3 Hotel operating results

Operating revenues: ¥48.6 billion (107.1%)  
(including revenues inside group)  
Operating income: ¥3.2 billion (136.2%)

## [Reference] Monthly trends (comparison with same month of previous year, %)

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	2nd-half total	Full year
Hotel	102.4	105.9	101.4	104.3	99.7	101.8	102.7	107.1

[Notes] Operating revenues: operating revenues from outside customers

Operating income: operating revenues from outside customers + operating revenues inside group - purchases from outside suppliers - purchases inside group

# Summary of Non-operating Income / Expenses and Extraordinary Gains / Losses (consolidated)

(¥ billion)	2013.3	2014.3	Increase/ decrease
<b>Operating income</b>	397.5	406.7	+9.2
<b>Non-operating income</b>	19.1	18.9	-0.1
Interest income	0.2	0.1	-0.0
Dividend income	2.3	2.8	+0.4
Equity in net income of affiliated companies	3.7	1.2	-2.5
Other	12.7	14.8	+2.0
<b>Non-operating expenses</b>	99.1	93.2	-5.9
Interest expense	95.3	88.2	-7.0
Other	3.8	4.9	+1.1
<b>Ordinary income</b>	317.4	332.5	+15.0
<b>Extraordinary gains</b>	70.4	54.8	-15.6
Construction grants received	41.5	41.7	+0.2
Insurance proceeds related to earthquake	24.2	9.6	-14.6
Other	4.7	3.4	-1.2
<b>Extraordinary losses</b>	83.6	62.7	-20.8
Losses on reduction entry for construction grants	36.9	38.4	+1.5
Impairment losses on fixed assets	30.0	6.4	-23.5
Other	16.6	17.8	+1.1
<b>Income before income taxes</b>	304.3	324.6	+20.2

Gain on negative goodwill in the previous fiscal year, etc.

Interest expense: 55.7 (-7.5)  
Bond interest: 32.5 (+0.5)



# Summary of Cash Flows (consolidated)

(¥ billion)	2013.3	2014.3	Increase/ decrease
			Increase in payments of income taxes: -31.4
<b>Cash Flows from Operating Activities (I)</b>	588.5	562.7	-25.7
<b>Cash Flows from Investing Activities (II)</b>	-465.9	-474.6	-8.7
<b><i>Free Cash Flows (I) + (II)</i></b>	122.5	88.0	-34.5
<b>Cash Flows from Financing Activities (III)</b>	-101.1	-91.3	+9.7
<b>Net Change in Cash and Cash Equivalents (I) + (II) + (III)</b>	21.4	-3.3	-24.7
<b>Cash and Cash Equivalents at Beginning of the Period</b>	167.5	189.2	+21.7
<b>Cash and Cash Equivalents at End of the Period</b>	189.2	186.0	-3.2

# Change in Capital Expenditures (consolidated)

(¥ billion)		2011.3 (Results)	2012.3 (Results)	2013.3 (Results)	2014.3 (Results)	2015.3 (Plan)
Transportation	Growth investment	47.9	45.1	58.9	85.9	69.0
	Investment needed for the continuous operation of business	286.9	233.8	316.2	325.9	343.0
	<b>Total</b>	<b>334.7</b>	<b>278.9</b>	<b>375.1</b>	<b>411.9</b>	<b>412.0</b>
Non-transportation	Growth investment	85.4	85.0	99.4	107.6	127.0
	Investment needed for the continuous operation of business	5.6	6.2	6.1	6.1	16.0
	<b>Total</b>	<b>91.0</b>	<b>91.2</b>	<b>105.5</b>	<b>113.7</b>	<b>143.0</b>
	Growth investment	133.3	130.1	158.4	193.6	196.0
	Investment needed for the continuous operation of business	292.5	240.0	322.3	332.0	359.0
	(Depreciation)	366.4	358.7	346.8	348.0	360.0
	<b>Total</b>	<b>425.8</b>	<b>370.1</b>	<b>480.7</b>	<b>525.7*</b>	<b>555.0*</b>

\* Includes priority budget allocation (¥14.7 billion resulted in FY2014.3)  
(¥30.0 billion planned in FY2015.3)

# Main Capital Expenditures in FY2015.3

**Consolidated ¥525.0 billion**

**Non-consolidated ¥425.0 billion**

**Subsidiaries  
¥100.0 billion**

**Safety practice, transportation stability**

**Large-scale earthquake countermeasures  
Approx. ¥59.0 billion**

**Replacement of aging ground facilities**

- Installation of automatic platform gates on the Yamanote Line, etc.

**Rolling stock investment  
Approx. ¥100.0 billion**

-Series E7  
-Yokohama Line Series E233  
-Nambu Line Series E233, etc.

**Life-style business  
Approx. ¥52.0 billion**

-Main building and facilities of Chiba Station  
-Shinjuku New South Exit Building  
-Sendai Station East Exit Development

**Ueno Tokyo Line  
Approx. ¥17.0 billion**

-Develop elevators and other facilities  
-Remodel Shimbashi Station  
-Remodel Kanda Station  
-Remodel Ochanomizu Station  
-Remodel Shibuya Station, etc.

FY2015.3  
Operating cash flow



FY2014.3  
Deposit balance



**Priority budget allocation: ¥30.0 billion**

Service quality reforms, tourism and regional revitalization, technological innovation, global business development (including investments, M&As)

# Change in Consolidated Interest-bearing Debt Balance

(¥ billion)	2010.3 (Results)	2011.3 (Results)	2012.3 (Results)	2013.3 (Results)	2014.3 (Results)
Bonds	1,489.5 (2.02%)	1,560.0 (1.98%)	1,599.6 (1.97%)	1,659.7 (1.94%)	1,719.7 (1.90%)
Long-term loans	719.3 (2.05%)	761.6 (1.92%)	815.9 (1.75%)	853.7 (1.57%)	899.8 (1.43%)
Long-term liabilities incurred for purchase of railway facilities	1,177.7 (5.35%)	1,048.4 (5.40%)	923.8 (5.49%)	793.2 (5.63%)	666.4 (5.78%)
Other interest-bearing debt	8.3 (1.10%)	62.8 (0.16%)	0.7 (0.82%)	0.8 (0.76%)	2.3 (1.27%)
Total	3,394.9 (3.18%)	3,433.0 (2.98%)	3,340.2 (2.89%)	3,307.4 (2.73%)	3,288.4 (2.56%)

Top : Balance  
Bottom: Average interest rate

## **III. Reference Materials**

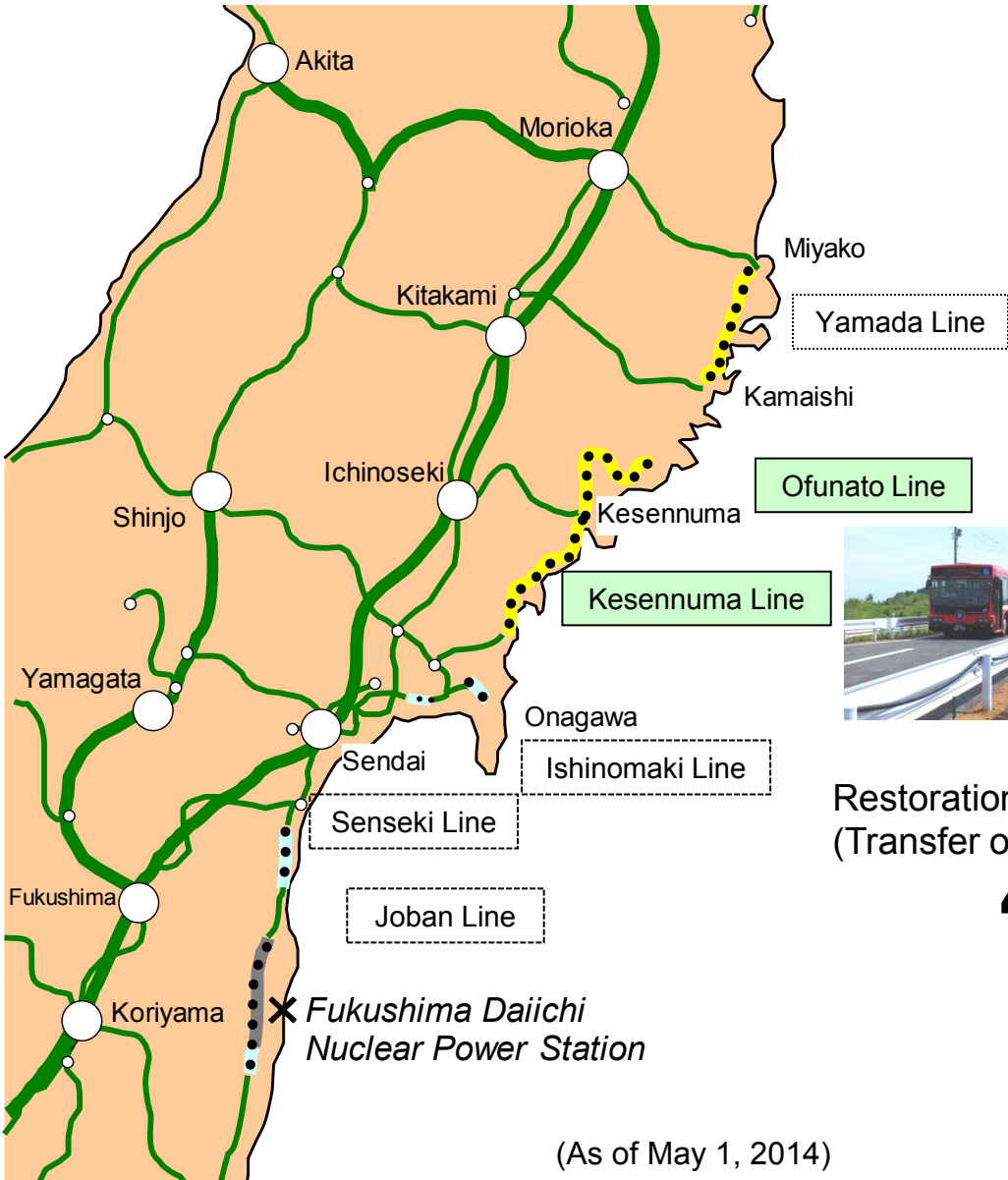
# FY2015.3 Traffic Volume and Passenger Revenues - Plan

Commuter Passes: Seasonal Tickets Non-commuter Passes: Ordinary Tickets		Traffic Volume (million passenger kilometers)				Passenger Revenues (¥ billion)				
		2014.3 Results	2015.3 Plan	Increase / decrease	(%)	2014.3 Results	2015.3 Plan	Increase / decrease	(%)	
Shinkansen	Commuter Passes	1,731	1,697	-33	98.0	22.8	23.1	+0.3	101.4	
	Non-commuter Passes	19,131	19,325	+194	101.0	484.3	495.1	+10.7	102.2	
	Total	20,863	21,023	+160	100.8	507.1	518.2	+11.0	102.2	
Conventional Lines	Kanto Area Network	Commuter Passes	69,670	68,325	-1,344	98.1	439.2	443.4	+4.1	100.9
		Non-commuter Passes	34,554	34,890	+335	101.0	676.0	684.5	+8.5	101.3
		Total	104,225	103,216	-1,009	99.0	1,115.3	1,128.0	+12.7	101.1
	Other Network	Commuter Passes	3,225	3,143	-81	97.5	18.6	18.7	+0.1	100.8
		Non-commuter Passes	2,796	2,763	-33	98.8	55.2	54.8	-0.4	99.1
		Total	6,022	5,907	-114	98.1	73.9	73.6	-0.3	99.6
	Total	Commuter Passes	72,896	71,469	-1,426	98.0	457.9	462.2	+4.3	100.9
		Non-commuter Passes	37,351	37,653	+302	100.8	731.3	739.3	+8.0	101.1
		Total	110,247	109,123	-1,124	99.0	1,189.2	1,201.6	+12.3	101.0
Total	Commuter Passes	74,628	73,167	-1,460	98.0	480.7	485.4	+4.6	101.0	
	Non-commuter Passes	56,482	56,979	+496	100.9	1,215.6	1,234.5	+18.8	101.6	
	Total	131,110	130,147	-963	99.3	1,696.4	1,719.9	+23.4	101.4	

[Note] A change in estimation method had the impact of enlarging the year-on-year decline in traffic volume from commuter passes.

# Operation Suspended Lines and Segments Damaged by Tsunami during Great East Japan Earthquake

■ Current number of suspended railway segments: 6 segments, 245.7 km



Restoration scheduled  
(Transfer of certain routes, etc.)

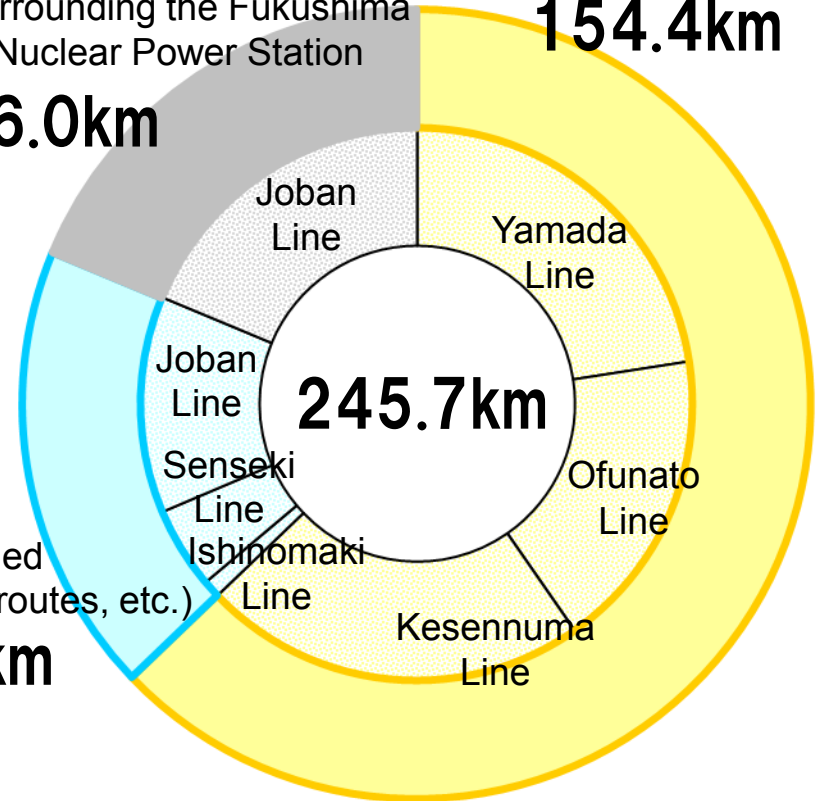
**45.3km**

Area surrounding the Fukushima Daiichi Nuclear Power Station

**46.0km**

Discuss in conjunction with  
community development plans

**154.4km**

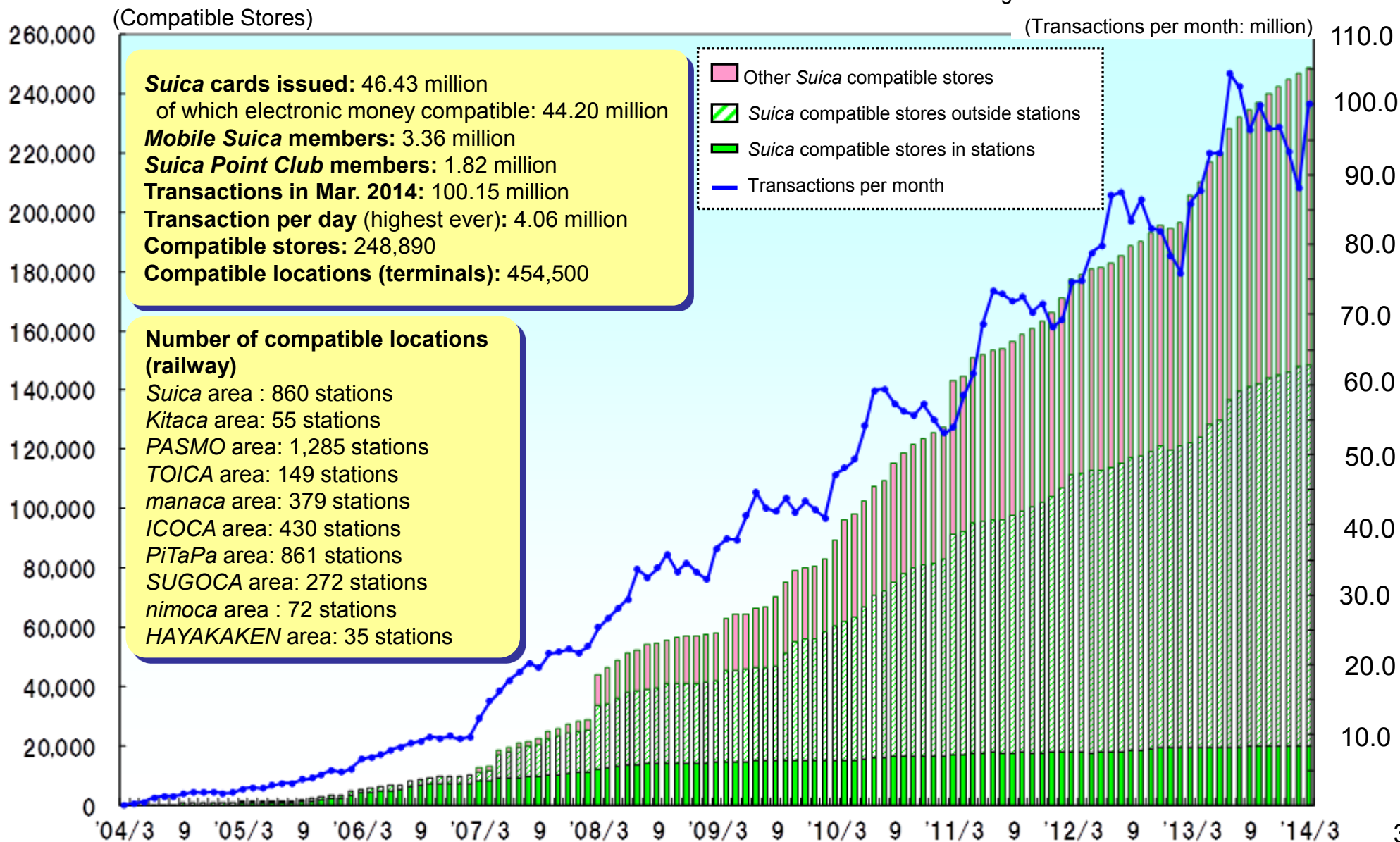


(As of May 1, 2014)

## ■ Suica Electronic Money - Transactions and Compatible Stores

\* Figures are as of Mar. 31, 2014.

\* Figures include results of other affiliated stores.





# Development of **ecute**

	Omiya	Shinagawa	Tachikawa	Nippori	Tokyo	Ueno	Shinagawa South	Akabane
Beginning of operations	Mar. 2005	Oct. 2005	Oct. 2007 (phase I) Oct. 2008 (phase II)	Mar. 2008 Jun. 2009 (floor space increase)	Mar. 2010	Dec. 2010 (phase I) Mar. 2011 (phase II)	Dec. 2010 (phase I) Feb. 2011 (phase II) Apr. 2011 (phase III) May 2011 (phase IV)	Mar. 2011 (phase I) Jul. 2011 (phase II) Aug. 2011 (phase III) Sep. 2011 (phase IV)
Store space	Approx. 2,300 m <sup>2</sup>	Approx. 1,600 m <sup>2</sup>	Approx. 4,300 m <sup>2</sup>	Approx. 380 m <sup>2</sup>	Approx. 730 m <sup>2</sup>	Approx. 4,800 m <sup>2</sup>	Approx. 1,800 m <sup>2</sup>	Approx. 1,600 m <sup>2</sup>
Number of shops	78	52	92	18	32	76	39	53
FY2014.3 Results (YoY, %)	¥ 9.9billion (98.9%)	¥ 6.3 billion (105.3%)	¥ 5.9 billion (101.8%)	¥ 1.8 billion (101.8%)	¥ 4.3 billion (108.6%)	¥ 11.2 billion (101.5%)	¥ 10.6 billion (104.4%)	¥ 5.1 billion (101.7%)

# Hotel Operations - Overview

## ■ *Metropolitan Hotels* (10 hotels, 3,035 guest rooms)

*Hotel Metropolitan (Ikebukuro), Edmont (Iidabashi), Takasaki, Nagano, Sendai, Morioka, Morioka New Wing, Akita, Yamagata and Marunouchi*

Operating revenues\* : ¥ 33.5 billion (FY2014.3)      Occupancy rate: 83.5%

## ■ *HOTEL METS* chain (23 hotels, 2,683 guest rooms)

*Kumegawa, Musashisakai, Kokubunji, Urawa, Mito, Kawasaki, Tsudanuma, Kitakami, Nagaoka, Mizonokuchi (Musashi-Mizonokuchi), Shibuya, Tabata, Kamakura Ofuna (Ofuna), Hachinohe, Mejiro, Akabane, Fukushima, Koenji, Tachikawa, Komagome, Yokohama Tsurumi (Tsurumi), Niigata and Hotel R-Mets Utsunomiya*

Operating revenues\* : ¥ 8.4 billion (FY2014.3)      Occupancy rate: 81.7%

## ■ *The Tokyo Station Hotel* (150 guest rooms)

## ■ *Familio, Folkloro* (8 hotels, 249 guest rooms)

## ■ *Hotel Dream Gate Maihama* (80 guest rooms)

## ■ *Seaside Hotel Shiba Yayoi* (155 guest rooms)

## ■ *Hotel New Grand* (249 guest rooms)

(As of Mar. 31, 2014)

\* Simple sum of operating revenues from each hotel.

# Major Subsidiaries - Results and Plan

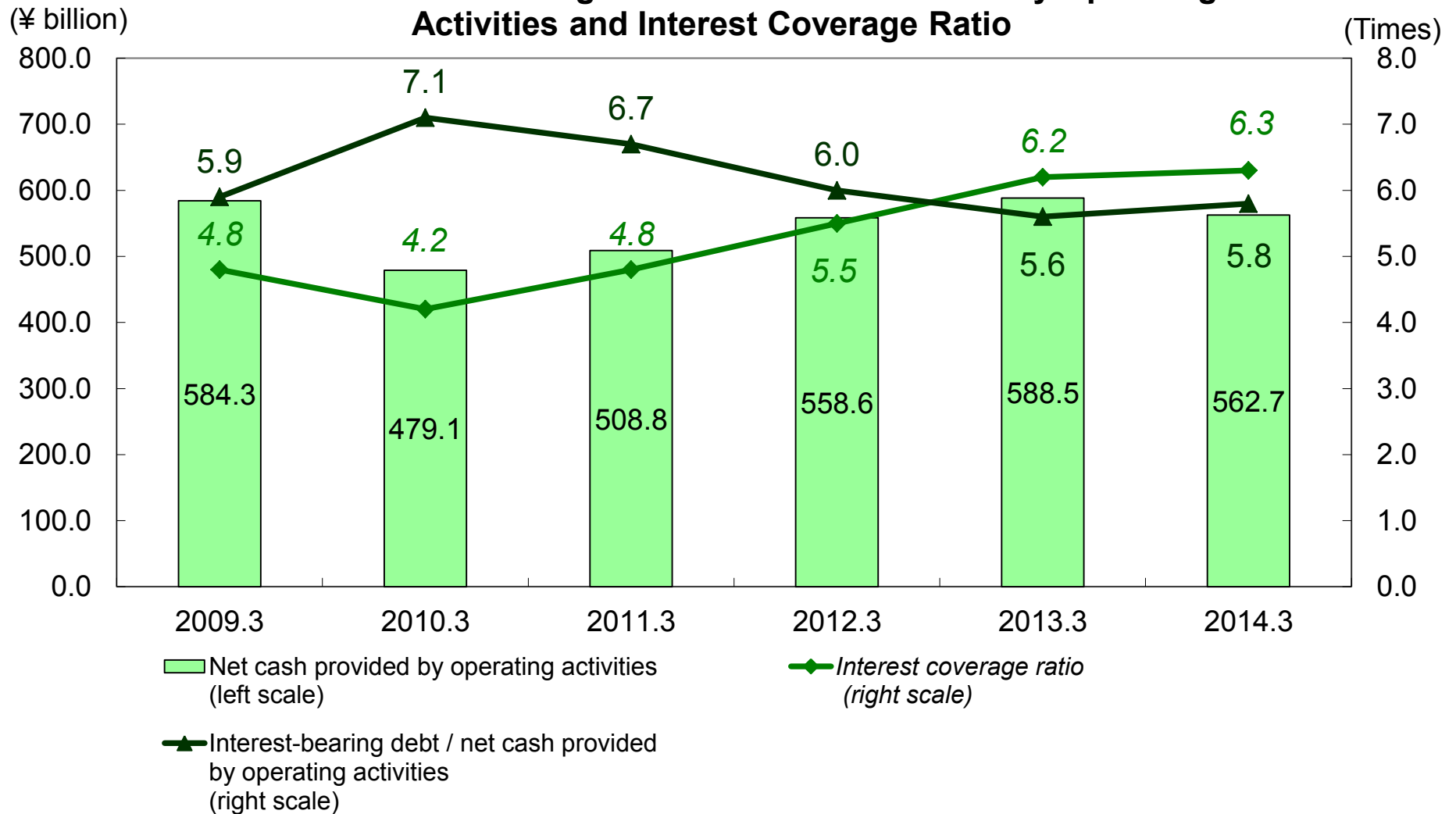
(¥ billion)		2013.3 Results	2014.3 Results	2014.3/ 2013.3	2015.3 Plan	2015.3/ 2014.3
JR East Retail Net (J-Retail)	Operating revenues	206.6	202.2	97.8%	198.4	98.1%
	Operating income	6.3	4.3	68.5%	2.7	63.5%
Nippon Restaurant Enterprise (NRE)	Operating revenues	63.2	61.3	96.9%	61.0	99.6%
	Operating income	1.0	1.3	130.1%	1.4	103.4%
LUMINE	Operating revenues	63.1	65.6	104.0%	67.0	102.1%
	Operating income	10.7	12.5	116.6%	13.2	105.2%
East Japan Marketing & Communications	Operating revenues	99.3	102.0	102.7%	103.3	101.3%
	Operating income	2.3	3.0	127.7%	2.2	75.5%

\* Non-consolidated operating revenues / operating income

# Major Projects of the Life-style Business Going Forward

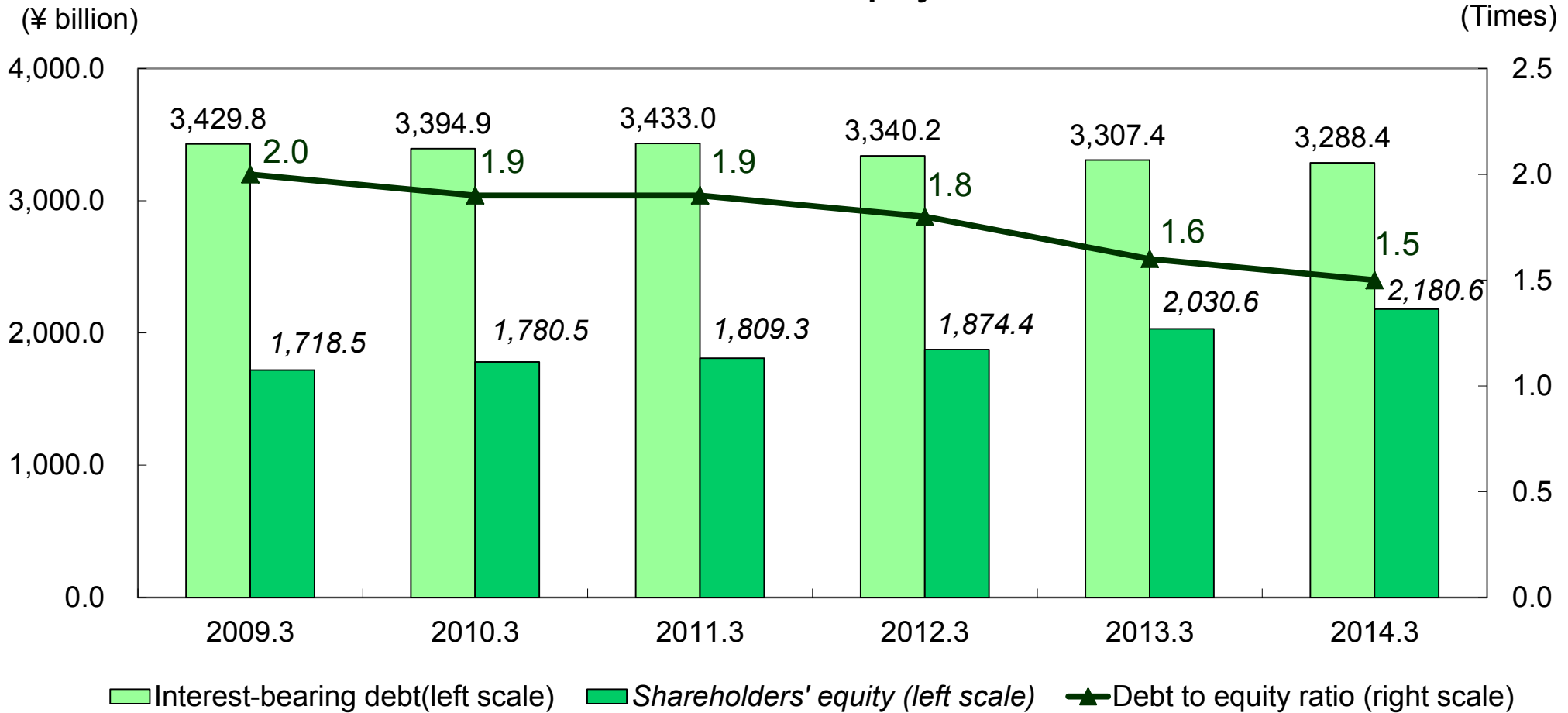
	Opening	Total floor space (m <sup>2</sup> )			
		Office (m <sup>2</sup> )	Commercial (m <sup>2</sup> )	Hotel (rooms)	
Shinjuku New South Exit Building	Spring 2016	Approx. 111,000	Approx. 77,200	Approx. 9,400	-
Main building and facilities of Chiba Station	Spring 2018 (full opening)	Approx. 70,000	-	Approx. 54,000	-
Sendai Station East Exit Development	Spring 2016	Approx. 43,000	-	Approx. 41,000	-
	Spring 2017	Approx. 14,000	-	-	Approx. 280
Shibuya Station Development (Co-development)	(East Tower) 2020 (Central & West Tower) 2027	Approx. 270,000	Approx. 70,000 (Leased floor)	Approx. 70,000 (Store space)	-
Yokohama Station West Exit Building Plan	2020	Approx. 118,000	Approx. 28,000	Approx. 66,000	-
Shinagawa Development Project	In planning				

## Trend in Interest-bearing Debt / Net Cash Provided by Operating Activities and Interest Coverage Ratio



Note: Interest coverage ratio = Net cash provided by operating activities / payments of interest

## Trend in Debt to Equity Ratio



# Breakdown of Interest-bearing Debt

Additional information for bond investors

## Breakdown of consolidated interest-bearing debt (As of Mar. 31, 2014)

	Balance (¥ billion)	Breakdown	Average interest rate	Average maturity	(Reference) Consolidated long-term debt (¥ billion)
Bonds	1,719.7	52.3%	1.90%	10.16 years	1,719.7
Long-term loans *	899.8	27.4%	1.43%	6.84 years	933.6
Long-term liabilities incurred for purchase of railway facilities	666.4	20.3%	5.78%	14.00 years	666.4
Other interest-bearing debt	2.3	0.0%	1.27%	0.14 years	-
<b>Total</b>	<b>3,288.4</b>	<b>100.0%</b>	<b>2.56%</b>	<b>10.02 years</b>	<b>3,319.8</b>

\* "Long-term loans" under "Consolidated long-term debt" includes non-interest-bearing loans (balance of ¥33.7 billion as of Mar. 31, 2014).

## Breakdown of long-term liabilities incurred for purchase of railway facilities

Category of liabilities	Principal (¥ billion)	Balance (¥ billion)	Interest		Payment	Period	Use of proceeds by recipient **
			Variable /fixed	Rate			
Number 1*	2,101.8	176.3	Variable	4.12%	Principal and interest equal repayment	1991.10~2017.3	Fund for repayment of debt borne by JR TT
Number 2*	638.5	137.0	Fixed	6.35%	Principal and interest equal repayment	1991.10~2017.3	Construction of conventional lines, etc.
Number 3*	366.5	341.0	Fixed	6.55%	Principal and interest equal repayment	1991.10~2051.9	Construction of Shinkansen lines
Sub-total	3,106.9	654.3		5.85%			
Akita Shinkansen	27.9	9.1	Variable	1.68%	Principal and interest equal repayment	1997.3~2022.3	
Tokyo Monorail	36.7	2.9	Variable	2.84%	Principal and interest equal repayment	(2002.3)~ 2029.11	
<b>Total</b>		<b>666.4</b>		<b>5.78%</b>			

\* The names of the liabilities are commonly known as Number 1 through 3 in accordance with the definition under law.

\*\* Japan Railway Construction, Transport and Technology Agency (JR TT)

## ■ Long-term Funding

- Constraining the risks of rising interest rates by raising long-term fund at fixed interest rates and smoothing redemption ladder

### Long-term credit ratings

Rating agency	Rating
Moody's	Aa2 (Stable)
Standard & Poor's (S&P)	AA- (Stable) *
Rating and Investment Information (R&I)	AA+ (Stable)

\*Standard & Poor's (S&P) revised upwards its Outlook on JR East's debt servicing from NEGATIVE to STABLE in Nov. 2013.

## ■ Liquidity

- Daily cash revenues from railway operations (Passenger revenues were approx. ¥ 5.0 billion/day in FY2014.3)
- CP issuance facility: ¥ 150.0 billion

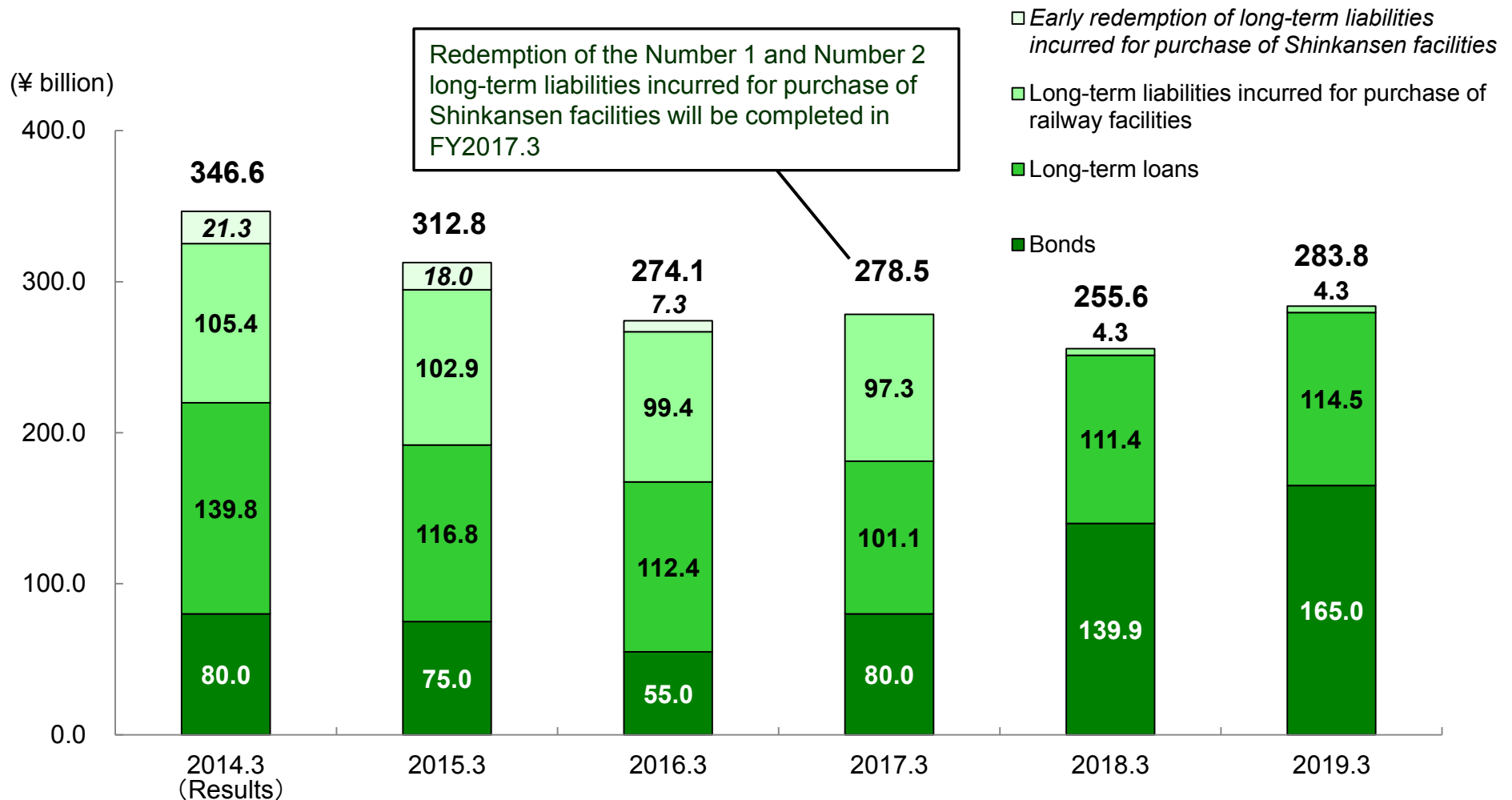
### Short-term credit ratings

Rating agency	Rating
Moody's	P-1
Rating and Investment Information (R&I)	a-1+

- Bank overdraft facility: ¥ 330.0 billion



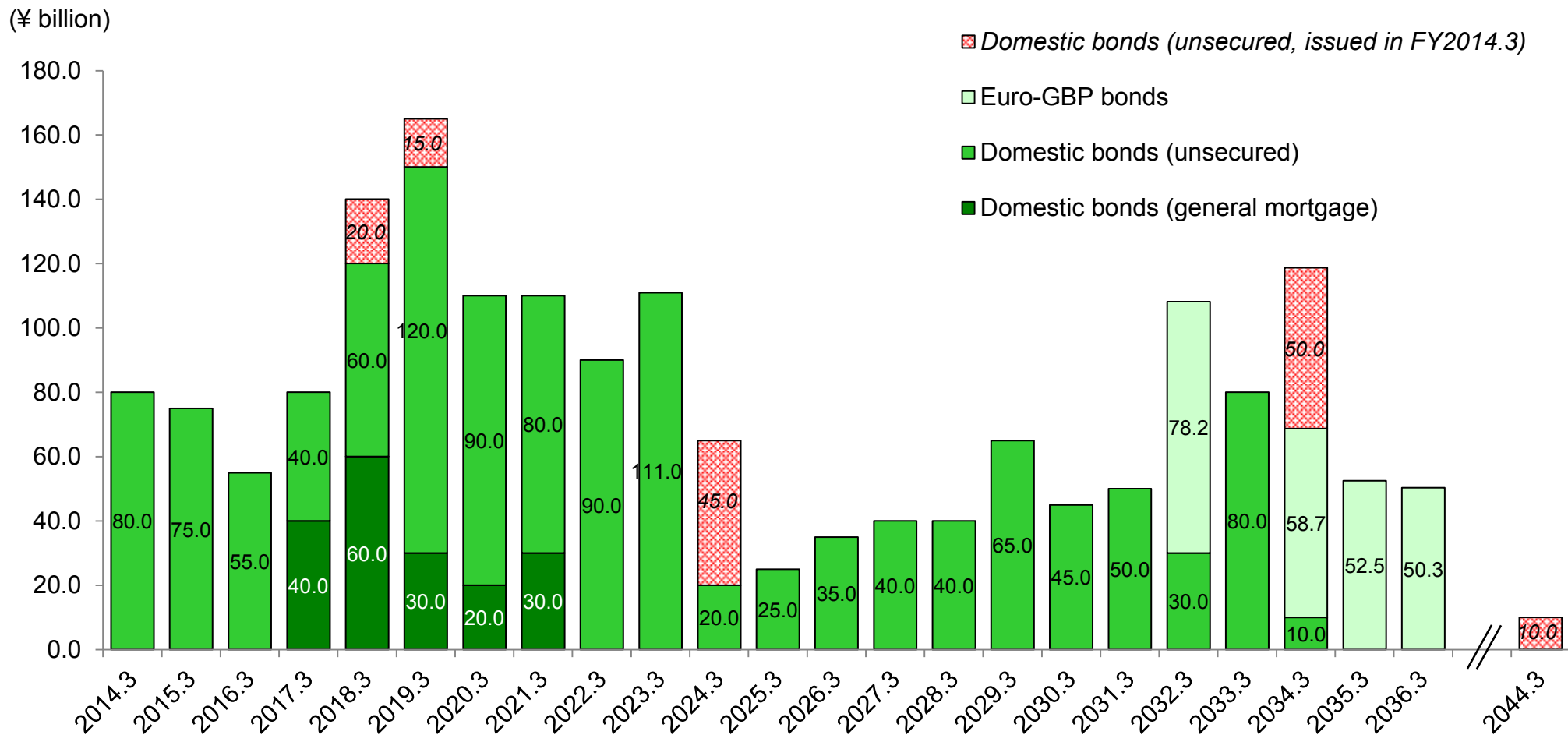
## Redemption ladder of interest-bearing debt (consolidated, excluding short-term debt)



[Notes]

- 1) Outlook as of Mar. 31, 2014.
- 2) Early redemption of long-term liabilities incurred for purchase of Shinkansen facilities is a planned amount.
- 3) Bond redemptions are at face value.

## Redemption ladder of bonds (non-consolidated)



[Notes]

1) Outlook as of Mar. 31, 2014.

2) Redemptions are at face value.

# Bond Issuance in FY2014.3

Additional information for bond investors



Bonds totaling ¥140.0 billion issued

Series	Tenor	Total amount of issue	Coupon	Issue price	Reoffer yield	JGB spread	Issue date	Maturity date
92	5	¥ 15.0 billion	0.392%	¥ 100	0.392%	+7bp	2013.7.30	2018.7.30
93	10	¥ 15.0 billion	0.923%	¥ 100	0.923%	+7bp	2013.7.30	2023.7.28
94	20	¥ 20.0 billion	1.807%	¥ 100	1.807%	+9bp	2013.7.30	2033.7.29
95	10	¥ 20.0 billion	0.748%	¥ 100	0.748%	+8bp	2013.10.28	2023.10.27
96	20	¥ 20.0 billion	1.634%	¥ 100	1.634%	+10bp	2013.10.28	2033.10.28
97	4	¥ 20.0 billion	0.208%	¥ 100	0.208%	+6bp	2014.1.30	2018.1.30
98	10	¥ 10.0 billion	0.757%	¥ 100	0.757%	+9bp	2014.1.30	2024.1.30
99	20	¥ 10.0 billion	1.623%	¥ 100	1.623%	+9bp	2014.1.30	2034.1.30
100	30	¥ 10.0 billion	1.981%	¥ 100	1.981%	+29bp	2014.1.30	2044.1.29

These materials and the video of the presentation can be viewed  
at the JR East's web site.

JR East Web site, IR (Investor Relations)  
<http://www.jreast.co.jp/e/investor/index.html>

### **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.