

*(This is a translation, for information purposes only, of the original Japanese language Business Report attached to the Notice of the General Meeting of Shareholders, which has been dispatched to shareholders in Japan. The financial statements included in this Business Report have been prepared in accordance with the Business Corporation Law and related laws and regulations of Japan.)*

(Attached Materials for the Notice of the 24th Ordinary General Meeting of Shareholders)

## **BUSINESS REPORT**

For the fiscal year from April 1, 2010 through March 31, 2011

### **I. ITEMS CONCERNING STATUS OF THE GROUP**

#### **1. Business Progress and Results**

##### **(1) Overview**

During this fiscal year, the Japanese economy failed to achieve a clear recovery because of the yen's sharp appreciation and a persistently high unemployment rate. This was despite signs of improvement in corporate earnings and capital investment. Meanwhile, the Group continued to face a challenging business environment and was negatively impacted by reduced expressway tolls in Japan, particularly in its railway operations.

Furthermore, the Great East Japan Earthquake of March 11, 2011 proved to be a disaster of unprecedented proportions, particularly for the Tohoku and Kanto regions that the Group services. Immediately after the earthquake, all of the Group employees collaborated with each other and made every effort to evacuate passengers and customers and above all ensure safety. Seismic reinforcement work and other projects pursued so far have prevented the collapse of elevated track columns and other fatal infrastructure damage. However, railway facilities suffered catastrophic damage over a large area. Consequently, we were forced to suspend operations of the Shinkansen Line and conventional line in the affected region over an extended period. Furthermore, operations were also suspended at certain shopping centers, hotels and other facilities due to damage to buildings and other properties. In addition, railway ridership decreased as consumers increasingly became less willing to spend or, following the Fukushima Daiichi Nuclear Power Station breakdown, less willing to take trips. Also, we were forced to take steps to address rolling power outages in the Tokyo metropolitan area. Measures included, among other things, suspension of railway operations on some segments of certain lines, reduction of the number of trains in service, and reduction of the business hours of shopping centers and other facilities. We extend our apologies to the general public for the concerns and inconveniences we may have caused in the aftermath of the earthquake.

Meanwhile, with the support of various stakeholders, we have made steady progress in restoration work. The entire Tohoku Shinkansen Line has resumed operations on April 29, 2011. Conventional lines have also resumed operations in stages, except for certain segments of these lines. Looking ahead, the Group will continue to work as one and to do its utmost to rebuild the areas affected by the Great East Japan Earthquake.

During this fiscal year, operating revenues decreased 1.4% year on year to ¥2,537.3 billion, primarily reflecting the large decrease in transportation revenues at the Company due to the impact of the Great East Japan Earthquake. Operating income rose 0.1% to ¥345.0 billion mainly resulting from a decrease in personnel expenses. Furthermore, ordinary income increased 8.3% to ¥254.5 billion, due to such factors as a decline in interest expenses. Net income decreased 36.6% to ¥76.2 billion, as a consequence of the extraordinary losses recorded in connection with the Great East Japan Earthquake.

On March 10, 2009, an administrative measure under the River Law was taken against the Company because the Company's water intake at the Shinanogawa power plants exceeded the permissible maximum and for other reasons. Since then, the Company has taken corrective action in response to the administrative measure and has endeavored to strengthen its relations with the affected community while introducing measures to prevent recurrence.

Having received agreements from all concerned river users, on April 2, 2010, the Company applied to the Director-general of the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism for permission to recommence its intake of river water. On June 9, 2010, the Company received permission from the Director-general of the regional bureau and has recommenced river water intake to resume power generation at the Shinanogawa power plants.

To reflect on our misconduct, we will continue to step up compliance management to prevent recurrence of such misconduct, and to make strong efforts to collaborate with local citizens.

## **(2) Summary of Operations by Business Segment**

### **(a) Transportation Services**

As for transportation services, in railway operations, we upgraded our facilities and replaced our rolling stock in order to ensure safety and improve stability. We also worked to secure revenue by promoting use of railway networks and developed customer services so that the customers feel safe to use our services.

On the safety measures side, we continued to strive to boost operational safety based on our "Safety Vision 2013", a 5-year safety plan. To prevent train accidents, we have continued to introduce ATS-P and ATS-Ps systems, which automatically stop trains to prevent collisions and excessive speed particularly on turnouts on conventional lines. In the aftermath of an accident on the Uetsu Line in 2005, we have been installing windbreak fences and completed introduction of a "Strong Wind Warning System" to the entire conventional line service area. With respect to countermeasures for earthquakes, we have continued to strengthen elevated railway tracks and made preparations for the expansion of the use of the P-wave seismometer, which is effective for early detection of earthquakes, for the Tokyo metropolitan and other areas. We also continued to promote installation of obstacle detection devices and other measures to avoid accidents at railway crossings. In the aftermath of an accident at a railway crossing on the Iiyama Line in February 2011, we required employees to review appropriate security guidelines and worked on development of preventative measures. Further, to prevent accidents on platforms, we worked on the first installation of movable platform fences at Ebisu and Meguro stations on the Yamanote Line and promoted

“Platform Accident Zero Campaign” jointly with 21 railway companies in the Tokyo metropolitan area.

On the service quality side, in order to enhance the overall quality of railway services, including through stable transportation, we have renamed the Customer Service Department as the Customer Service Quality Reformation Department after reinforcing its functions, and also established a Service Quality Reformation Office in each of the branch offices. Specifically, in order to decrease the number of transportation disruptions in the Tokyo metropolitan area, we introduced more stable rolling stock to the local trains on the Joban and Keiyo Lines. Moreover, introduction of the “Digital Train Radio System for Conventional Lines” has been completed for the major railway sections in the Tokyo metropolitan area, which enhanced communication systems during transportation disruptions and other situations. Further, we introduced women-only train cars on the Keihin-Tohoku and Negishi Lines in April 2010 and initiated a campaign regarding the use of escalators and baby carriages and an anti-molestation campaign to help customers use the trains safely. In addition, in June 2010 we established “JR East Customer Service Center”, a call center to accept feedback and requests from customers, aiming at providing services further reflecting customers’ feedback. When a disruption to transportation services occurred in January 2011 due to a breakdown of electric facilities at Oyama Station of Tohoku Shinkansen Line, we made efforts to determine the cause of the breakdown and conducted an emergency inspection of similar facilities. When the Shinkansen Line was interrupted by a system failure, also in January, we amended the data input procedures and took steps to review countermeasures such as by revising the systems program.

For Suica, we continued the expansion of mutual use of conventional line IC tickets. We began offering mutually with Tokyu Corporation the “Student (Employee) Identification Card with Suica” and “Student (Employee) Identification Card with Pasma”. Approximately 35.34 million Suica cards were in circulation as of the end of this fiscal year.

In sales and marketing, in December 2010, operations commenced on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, thereby opening the entire Tohoku Shinkansen Line. With the commencement of these operations, we launched travel product initiatives linked to Aomori area attractions that generated publicity. These efforts included conducting the “MY FIRST AOMORI” opening campaign in the Tokyo metropolitan area and introducing new resort-type trains to the Tsugaru Line and the Ominato Line. Furthermore, we introduced the E5 series “Hayabusa” to the Tohoku Shinkansen Line in March 2011. In addition to shortening travel time with a maximum operating speed of 300km/h, the introduction of this rail car marks the launch of “GranClass”, Japan’s first-ever first class service for a Shinkansen. In other initiatives, we worked to generate a greater volume of tourism in our service area by conducting the “Shinkansen Summer 2010” campaign and “Shinshu Destination Campaign” and increasing the number of destinations available for our travel product “Tabi-Ichi”, which offers attractive local programs. Further, in light of the reduction in expressway tolls, we continued to market and promote initiatives to improve the appeal of train travel such as through the issuance of the “Weekend Pass”, the “Three-Day Pass” and the “Furusato-Yuki-no Josha-ken”, which is a round-trip passenger ticket for people visiting their hometowns over the New Year holidays. With respect to “Otona no Kyujitsu Club”, which marks its 5th anniversary since launch, we sought to promote its use by existing members and increase its membership by offering discount tickets and travel products exclusively for the members and through a discount campaign for View travel products. We also promoted the sale of tickets via the Internet by

expanding the service area for the “Eki-Net Tokudane” and “Mobile Suica Limited Express Ticket” exclusively for the club members.

As for train services, we increased the number of trains running and the number of train cars for reserved seats in response to passenger usage over the Golden Week, summer vacation, year-end and New Years holiday seasons, and established special train services for various events. When train schedules were revised in December 2010, we established a new direct train service connecting the Musashino Line to Omiya station and increased the frequency of trains on the Yokohama Line at night to relieve overcrowding and to enhance the convenience of its “Tokyo mega-loop,” in addition to commencing the operations of the Shin-Aomori Terminal on the Tohoku Shinkansen Line.

In research and development, in June 2010 we established the “Smart Station Laboratory”, which simulates an actual station, within the Research & Development Center of JR East Group to promote research and development for stations that must respond to various needs of customers, which include “convenience and comfort” and “environment-friendliness”, in addition to “safety”. We also continued to conduct test runs of “NE Train Smart Denchi-kun”, a prototype train for the “Catenary and Battery-powered Hybrid Railcar” as a research and development project aimed at reducing train’s environmental burdens. Further, using “MUE-Train”, a test train for conventional lines, we conducted research on next-generation train control systems and development of ground equipment status monitors.

As for environmental protection measures, we established the “Environmental Management Office” within the Management Planning Department in July 2010, in order to reinforce response to environmental laws and development of environmental strategies the Group. Specifically, we continued using power-saving rolling stock and promoted power-saving in stations and offices to prevent global warming, and promoted the recycling of trash and waste. We have also promoted the “Shinanogawa Hometown Forestation Program” campaign in Tsunan town in Niigata prefecture in June 2010 as an environmental protection activity, to revitalize the forests by planting trees indigenous to the region, the “Forestation Program along Railway Lines” at each branch office and the “New Railway Forests” campaign, a project to replant trees to prevent disasters and pursue environmental protection.

In bus operations, against the severe ongoing operating environment, which included high levels of competition with low-price bus tours and decreased expressway tolls, we enhanced our competitiveness in highway routes through an increase in the number of services in short distance routes and through flexible price systems. We also pursued management efficiencies, such as by reducing or abolishing unprofitable routes. Further, we implemented safety measures, such as maintenance of safety equipment and enhancement of safety education for employees.

In monorail operations, aiming to increase use, we expanded the sale period for the “Monorail and Yamanote Line Discount Ticket” and operated the “Pokemon” wrapping train. We also launched the “Haneda Airport International Terminal Station” in October 2010 concurrently with the further expansion of the Haneda Airport, and established a new south gate for the “Haneda Airport Terminal 2 Station”.

Nevertheless, because of such factors as the Great East Japan Earthquake and the effect of decreased expressway tolls, for railway operations, the number of passengers was 6.0 billion, down 0.5% from the previous fiscal year, and passenger kilometers were 125.5 billion, down 1.1% from the previous fiscal year. Operating revenues from transportation services decreased by 2.0% from the previous fiscal year, to ¥1,772.4 billion, and operating income decreased by 1.8% from the previous fiscal year, to ¥227.1 billion.

### **(b) Station Space Utilization Services**

We made progress in our Station Renaissance program, which seeks to maximize the value of spaces within railway stations, and strengthened the performance of existing stores. Specifically, we opened NorthCourt “GranSta Dining” (Tokyo), “KeiyoStreet” (Tokyo), and “ecute Ueno” (Tokyo), and launched the first and second phases of “ecute Shinagawa South” (Tokyo), among others. Also, next-generation vending machines equipped with large touch-screen panel displays were installed in Shinagawa Station and other major Tokyo metropolitan area railway stations. Moreover, as part of “Rediscovering the Region Projects”, we held farmers’ markets at Ueno and other stations that highlighted the appeal of a variety of areas such as Aomori and Shinshu. In other initiatives, we acquired control of Kinokuniya Co., Ltd. in April 2010 with the aim of capturing synergies between Kinokuniya and our own businesses.

Despite these initiatives, the Station Space Utilization Services segment recorded operating revenues of ¥399.9 billion, which is nearly at the same level as in the previous fiscal year. This result was mainly due to the rolling power outages and a decline in railway ridership following the Great East Japan Earthquake, which decreased customers’ use of various commercial spaces inside stations. Operating income was down 5.9%, to ¥31.3 billion.

### **(c) Shopping Centers and Office Buildings Services**

In shopping center operations, we opened “Celeo Hachioji” (Tokyo), “atré Akihabara 1” (Tokyo), “atré Oimachi 2” (Tokyo), and “E’site Kagohara” (Saitama) among other shopping facilities. In addition to remodeling “atré Kichijoji” (Tokyo) and other properties, we continued to make strong efforts to reenergize existing stores and attract prominent tenants that can draw in customers. In addition, concurrently with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station, we opened “Aomori Shunmi-kan” (Aomori) and “A-FACTORY” (Aomori) as part of our efforts to collaborate with the local community to invigorate the Aomori area.

In office buildings operations, we prepared for the start of construction of a building at the new south gate of Shinjuku station and continued construction of JR South Shinjuku Building (provisional name) and Kanda Manseibashi Building (provisional name) aiming at opening in the fiscal year ending March 31, 2013.

Also, in aiming to strengthen our competitiveness, we realigned the business operations of Ikebukuro Terminal Building Co., Ltd. in April 2010. This company’s office building and other leasing operations were transferred to JR East Building Co., Ltd., while its shopping center operations were transferred to LUMINE Co., Ltd. and were relaunched as “LUMINE Ikebukuro” (Tokyo).

Despite these initiatives, due to the rolling power outages and some damage to buildings and facilities caused by the Great East Japan Earthquake, shopping centers were forced to close temporarily or shorten their operating hours. As a result, the Shopping Centers and Office Buildings segment posted a 1.3% year-on-year decrease in operating revenues to ¥232.7 billion. Operating income was down 7.3% to ¥64.2 billion.

**(d) Others**

As for others, in hotel operations, “HOTEL METS Yokohama Tsurumi” (Kanagawa) was opened and guest rooms were renovated at “HOTEL METS Shibuya” (Tokyo) and “Hotel Metropolitan Yamagata” (Yamagata). In advertising and publicity operations, we installed “J-AD Vision”, an advertising medium that uses a large LCD screen, at more stations, and continued sales promotions for “Train Channel”, an advertising medium for showing video commercials in trains.

In credit card operations, Viewcard Co., Ltd. has been an integral part of our efforts to expand the membership numbers of various types of View Card, as well as campaigns related to the Tohoku Shinkansen Line’s extension to Shin-Aomori Station and the Shinshu Destination Campaign aiming at expansion of usage, following the February 2010 transfer of our credit card operations to Viewcard Co., Ltd.

In Suica shopping services (electronic money), we actively developed affiliated stores in urban shopping areas beyond railway stations. Suica was adopted by approximately 7,080 “Seven-Eleven” stores and around 2,150 “Circle K Sunkus” stores within our service area, as well as by 11 Takashimaya department stores in the Tokyo metropolitan area. As a result, Suica electronic money was accepted at approximately 143,180 stores as of the end of this fiscal year. We also promoted joint campaigns with member stores inside and outside the Group, such as “NEWDAYS” and major convenience stores to expand usage. Further, the membership of “Suica Point Service” reached 1,220 thousand as of the end of this fiscal year through efforts such as new entry campaigns.

As a result, despite the impact of the Great East Japan Earthquake, others posted a 1.4% year-on-year rise in operating revenues to ¥535.4 billion. Operating income was up 70.8% to ¥23.0 billion.

Note: From the fiscal year ended March 31, 2011, the Group began employing the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, March 21, 2008). The operating income of each segment of the Group corresponds to the segment income under the said Accounting Standard and Guidance.

### (e) Financial results by Segment

Financial results by segment of the Group for this fiscal year are as set forth below.  
(Billions of yen)

	Transportation	Station Space Utilization	Shopping Centers and Office Buildings	Others	Total	Adjustment	Consolidated
Operating revenues							
Outside customers	1,721.9	385.8	223.2	206.2	2,537.3	-	2,537.3
Inside group	50.5	14.0	9.4	329.1	403.2	(403.2)	-
Total	1,772.4	399.9	232.7	535.4	2,940.5	(403.2)	2,537.3
Segment Income	227.1	31.3	64.2	23.0	345.8	(0.7)	345.0

### (3) Challenges

First, we will make group-wide efforts to quickly restore facilities damaged by the Great East Japan Earthquake of March 11, 2011. We will work on the restoration of the lines which run along the Pacific coast and were damaged by the tsunami, as part of the overall restoration and city-rebuilding plans with the local communities. We will also do our very best to contribute to the recovery of the affected areas in a manner that fulfills our social mission as a corporate group with businesses based throughout eastern Japan. In other initiatives, we will reflect on our response to the disaster and identify areas requiring improvement. We will use these lessons learned in future disaster readiness and other measures. In addition, in response to anticipated problems in power supply during the summer, we will help to curb electricity demand by reducing the number of trains in service during the daytime hours when electricity demand peaks, while seeking the understanding of customers for these efforts. Furthermore, we will make group-wide efforts to maximize power conservation by turning off and reducing lighting in stations, trains and other facilities. At the same time, we will strive to increase power supply from our privately operated power generators as much as possible in an effort to cooperate with The Tokyo Electric Power Company, Incorporated to secure supply of electricity.

Second, we will continue to maintain the basic principle in our long-term management vision as set forth in the “JR East 2020 Vision —idomu—” plan we formulated in March 2007. Specific details of the plan, however, will be revised in anticipation of the highly likely structural changes to Japan’s economy and society in the aftermath of the Great East Japan Earthquake and the subsequent accidents at the Fukushima Daiichi Nuclear Power Station. As a start, we will further enhance safety by promoting disaster preparedness measures, based on our “2013 Safety Vision”, a five-year safety enhancement plan. Examples include seismic reinforcement work on elevated tracks and other structures and the installation of more seismometers. The new fiscal year will also be treated as our “inaugural year in service quality reform.” Examples of reform will include initiatives to prevent disruption and promote the early recovery of transportation and improve the quality of transportation such as by enhancing information delivery, as well as initiatives to build a transportation environment passengers can feel secure and comfortable using. Further, we will implement measures to effectively achieve sustainable growth in our railway, life-style services and Suica shopping services businesses. Such measures will aim to secure revenues

for the Company, even as the earthquake is expected to lead to economic decline and the business environment otherwise remains challenging as Japan's population steadily shrinks. At the same time, we will make efforts to reduce our existing property, plant, equipment and facilities and fundamentally reform our cost structure from a strategic perspective.

While this year marks the 25th year since the reform of Japan National Railways, we will advance management innovations with an aim to start from scratch, thereby contribute to shareholders and various stakeholders through our business.

We sincerely appreciate the continued understanding and support of all of our shareholders.

## **2. Capital Investment**

We made capital investments with a focus on safe and stable transportation, establishment of competitive transportation network, promotion of "Station Renaissance", introduction of IT technology, reduction in maintenance cost and increase in profitability.

The total amount of capital investment during this fiscal year was ¥425.8 billion. Major investments are as described below:

### **(1) Major Construction Works Completed**

- (a) Transportation Services
  - Installation of the Automatic Train Stop system (ATS-P and ATS-Ps) (Negishi Line, etc.)
  - Construction to prepare for strong winds (installation of windbreak fences in 1 section)
  - Construction to prepare for large-scale earthquakes (reinforcement of 3,192 pillars of the elevated railway tracks, 8 bridge supports, etc.)
  - Installation of movable platform fences on the Yamanote Line (Ebisu and Meguro stations)
  - Safety measures for escalators (354 escalators)
  - Constructions to prevent accidents from rainfall (Sobu Line, etc.)
  - Installations of elevators and escalators (105 at Suidobashi and 51 other stations)
  - Increasing the speed of the Tohoku Shinkansen (between Utsunomiya and Morioka on the Tohoku Shinkansen)
  - New construction of rolling stock for the Shinkansen (77 cars)
  - New construction of commuter train rolling stock for the Tokyo metropolitan area (328 cars)
  - New construction of rolling stock for the Narita Express (36 cars)
  - New construction of rolling stock for the local lines (10 cars)
  - New construction of electric locomotive (13 cars)
  
- (b) Station Space Utilization Services
  - Store development based on the Station Renaissance program (Tokyo station, Ueno station, etc.)

- (c) Shopping Centers and Office Buildings Services
  - Construction of shopping centers (Celeo Hachioji, atré Akihabara 1, etc.)
  - Remodeling of shopping centers (atré Kichioji, etc.)
- (d) Others
  - Construction of hotels (HOTEL METS Yokohama Tsurumi)
  - Construction of waste disposal facilities (Shinagawa-ku, Tokyo)

## (2) Major Construction Works in Progress

- (a) Transportation Services
  - Restoration of facilities damaged by the Great East Japan Earthquake
  - Installation of the Automatic Train Stop system (ATS-P and ATS-Ps)
  - Construction to prepare for strong winds
  - Construction to prepare for large-scale earthquakes
  - Installation of movable platform fences on the Yamanote Line
  - Safety measures for escalators
  - Digitalization of ATC systems on the Shinkansen (between Takasaki and Nagano on the Hokuriku Shinkansen)
  - Installations of elevators and escalators
  - Preservation and restoration of Tokyo Station Building (Marunouchi side)
  - Preparation of Tohoku Through Line
  - Increasing the speed of the Tohoku Shinkansen
  - New construction of rolling stock for the Shinkansen
  - New construction of rolling stock for limited express
  - New construction of commuter train rolling stock for the Tokyo metropolitan area
- (b) Station Space Utilization Services
  - Store development based on the Station Renaissance program (Shinagawa station, Akabane station, etc.)
- (c) Shopping Centers and Office Buildings Services
  - Tokyo station Yaesu area development (Phase II of GranTokyo North Tower, etc.)
  - Reconstruction of Chiba Station Building
  - Construction of shopping centers (Mito Station South Gate Building, Tsurumi Station Building, etc.)
  - Construction of office buildings (JR South Shinjuku Building (provisional name), Kanda Manseibashi Building (provisional name))

## 3. Fund Raising

We issued bonds and borrowed long-term loans mainly to apply the funds for repayment of long-term liabilities, as detailed below.

	Amount	Details
Bonds	¥130.0 billion	Domestic straight bonds: ¥130.0 billion
Long-term loans	¥165.0 billion	
Total	¥295.0 billion	

#### 4. Changes in Results of Operations and State of Assets

(Billions of yen, except per share amount )

	21st Fiscal Year (April 2007 to March 2008)	22nd Fiscal Year (April 2008 to March 2009)	23rd Fiscal Year (April 2009 to March 2010)	24th Fiscal Year (April 2010 to March 2011)
Operating revenues	2,703.5	2,696.9	2,573.7	2,537.3
Ordinary income	336.5	329.5	235.1	254.5
Net income	189.6	187.2	120.2	76.2
Earnings per share	47,463 yen	468 yen	303 yen	192 yen
Total assets	6,942.0	6,965.7	6,995.4	7,042.8
Net assets	1,622.0	1,744.7	1,807.5	1,834.5

(Note)

We implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009. The earnings per share from the 22nd fiscal year (April 2008 to March 2009) reflect such stock split.

#### 5. Major Businesses (As of March 31, 2011)

The Group is engaged in transportation services, station space utilization services, shopping centers and office buildings services and others.

##### (1) Transportation Services

We are engaged in passenger transportation services with a focus on railway operations. A summary of the railway operations of the Company is set forth below.

Branch office	Number of stations	Operating kilometers (Kilometers)		
		Conventional lines	Shinkansen lines	Total
Tokyo Branch Office	80	178.1	17.8	195.9
Yokohama Branch Office	108	327.9	-	327.9
Hachioji Branch Office	95	287.1	-	287.1
Omiya Branch Office	78	313.0	166.5	479.5
Takasaki Branch Office	89	367.8	165.5	533.3
Mito Branch Office	112	470.1	-	470.1
Chiba Branch Office	158	592.2	-	592.2
Sendai Branch Office	290	1,122.8	223.6	1,346.4
Morioka Branch Office	215	883.6	316.3	1,199.9
Akita Branch Office	142	635.1	-	635.1
Niigata Branch Office	202	816.8	168.0	984.8
Nagano Branch Office	120	383.4	77.0	460.4
Total	1,689	6,377.9	1,134.7	7,512.6

The number of rolling stock is 13,104 (11,934 electric railcars, 148 passenger railcars, 532 diesel railcars, 123 locomotives and 367 other rolling stock).

In relation to transportation services, we also operate bus services and monorail services.

(2) Station Space Utilization Services

We create commercial space in the stations, and develop retail stores, restaurants and convenience stores, etc.

(3) Shopping Centers and Office Buildings Services

We develop the stations and surrounding sites to operate shopping centers and lease office buildings, etc.

(4) Others

We conduct hotel business, advertising and publicity services and credit card business, etc.

**6. Main Business Offices, etc. (As of March 31, 2011)**

(1) The Company

Head Office: 2-2, Yoyogi 2-chome, Shibuya-ku, Tokyo

Organizations affiliated with Head Office:

Research & Development Center of JR East Group (Saitama)  
Overseas Offices (New York, Paris)  
JR East General Education Center (Fukushima)  
JR Tokyo General Hospital  
JR East Health Promotion Center (Tokyo)  
Energy Management Center (Tokyo)

Branch Offices, etc.:

Tokyo Branch Office, Yokohama Branch Office  
Hachioji Branch Office, Omiya Branch Office  
Takasaki Branch Office, Mito Branch Office  
Chiba Branch Office, Sendai Branch Office  
Morioka Branch Office, Akita Branch Office  
Niigata Branch Office, Nagano Branch Office  
Shinkansen Transport Department (Tokyo)  
Tokyo Construction Office  
Tokyo Electrical Construction & System Integration Office  
Tohoku Construction Office (Miyagi)  
Joshinetsu Construction Office (Gunma)  
Yamagata Branch, Fukushima Branch, Aomori Branch  
Niitsu Rolling Stock Plant (Niigata)

(2) Subsidiaries

Viewcard Co., Ltd. (Tokyo)  
JR Bus Kanto Co., Ltd. (Tokyo)  
Nippon Hotel Co., Ltd. (Tokyo)  
JR East Retail Net Co., Ltd. (Tokyo)  
Tokyo Monorail Co., Ltd. (Tokyo)  
LUMINE Co., Ltd. (Tokyo)  
Sendai Terminal Building Co., Ltd. (Miyagi)  
atré Co., Ltd. (Tokyo)  
JR East Urban Development Corporation (Tokyo)  
Nippon Restaurant Enterprise Co., Ltd. (Tokyo)  
JR East Japan Information Systems Company (Tokyo)  
JR East Building Co., Ltd. (Tokyo)  
East Japan Marketing & Communications, Inc. (Tokyo)  
East Japan Eco Access Co., Ltd. (Tokyo)  
JR East Mechatronics Co., Ltd. (Tokyo)  
JR East Facility Management Co., Ltd. (Tokyo)

7. **Employees** (As of March 31, 2011)

Business segment	Number of employees	
Transportation services	53,028	(2,804)
Station space utilization services	4,489	(11,201)
Shopping centers and office buildings services	1,708	(1,021)
Others	12,524	(13,408)
Total	71,749	(28,434)

(Notes)

1. “Number of employees” shows the number of persons at work (excluding those seconded to other companies and including those seconded from other companies for each of the Group companies). The number of temporary employees is shown in parentheses and is not included in “Number of employees”.
2. The number of temporary employees does not include dispatched employees and part-timers working for a short time.
3. “Number of employees” decreased by 105 (temporary employees increased 2,210) compared to as of March 31, 2010.

## 8. Principal Subsidiaries (As of March 31, 2011)

### (1) Principal Subsidiaries

Name of subsidiary	Stated capital (Millions of yen)	Percentage of voting rights held by the Company (%)	Main business
Viewcard Co., Ltd.	5,000	100.0	Credit card services
JR Bus Kanto Co., Ltd.	4,000	100.0	Passenger bus transport services
Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
JR East Retail Net Co., Ltd.	3,855	100.0	Retail sales
Tokyo Monorail Co., Ltd.	3,000	79.0	Monorail transport services
LUMINE Co., Ltd.	2,375	94.8	Real estate leasing
Sendai Terminal Building Co., Ltd.	1,800	99.5 (2.9)	Hotel operations
atré Co., Ltd.	1,630	92.1 (0.6)	Real estate leasing
JR East Urban Development Corporation	1,450	100.0	Real estate leasing
Nippon Restaurant Enterprise Co., Ltd.	730	100.0 (2.2)	Restaurant business and retail sales
JR East Japan Information Systems Company	500	100.0	Information processing
JR East Building Co., Ltd.	480	100.0	Office building lease
East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services/Station operations
JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

(Note)

The percentage of voting rights in parentheses represents shares held indirectly by the Company and is included in the “Percentage of voting rights held by the Company”.

(2) Progress in and Results of Group Activities During this Fiscal Year

The percentage of the Company's voting rights held in LUMINE Co., Ltd. has increased due to the Company's acquisition of additional shares during this fiscal year.

As of March 31, 2011, the Company had 75 consolidated subsidiaries, including 16 principal subsidiaries described in (1) above, and three affiliated companies accounted for by the equity method. During this fiscal year, three companies, JR Chuo Line Mall Co., Ltd., Kinokuniya Co., Ltd. and JR East Aomori Business Development Company Co., Ltd., were newly consolidated, and one company, Ikebukuro Terminal Building Co., Ltd., was excluded from consolidation. There was no change to affiliated companies accounted for by the equity method during this fiscal year.

Consolidated operating revenues for this fiscal year amounted to ¥2,537.3 billion, a decrease of 1.4% compared with the previous fiscal year. Consolidated net income for this fiscal year amounted to ¥76.2 billion, a decrease of 36.6% compared with the previous fiscal year.

**9. Principal Lenders** (As of March 31, 2011)

Name of lender	Borrowings outstanding (Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	95,590
Mizuho Corporate Bank, Ltd.	93,500
Sumitomo Mitsui Banking Corporation	88,259
Development Bank of Japan Inc.	72,333
Nippon Life Insurance Company	28,000
Mitsubishi UFJ Trust and Banking Corporation	26,000
Mizuho Bank, Ltd.	25,000
The Dai-ichi Life Insurance Company, Limited	25,000

**II. ITEMS CONCERNING SHARES** (As of March 31, 2011)

1. Total number of shares authorized to be issued by the Company  
1,600,000,000 shares
2. Total number of issued shares  
400,000,000 shares  
(Note: Total number of issued shares includes 4,313,752 shares of treasury stock.)
3. Total number of shareholders  
274,253 persons

#### 4. Principal shareholders

Name of shareholder	Number of shares held (Shares)	Shareholding percentage (%)
Japan Trustee Services Bank, Ltd. (as Trustee)	21,356,400	5.40
The Master Trust Bank of Japan, Ltd. (as Trustee)	17,362,600	4.39
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.16
The JR East Employees Shareholding Association	11,875,600	3.00
Sumitomo Mitsui Banking Corporation	10,530,315	2.66
Mizuho Corporate Bank, Ltd.	10,006,600	2.53
Mizuho Bank, Ltd.	10,006,156	2.53
Nippon Life Insurance Company	8,015,560	2.03
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.02
Japan Trustee Services Bank, Ltd. 9 (as Trustee)	7,504,400	1.90

(Notes)

1. The shareholding percentage is calculated based on the total number of issued shares excluding 4,313,752 shares of treasury stock.
2. Japan Trustee Services Bank, Ltd., The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. 9 hold all shares as trustee.

### III. ITEMS CONCERNING DIRECTORS AND CORPORATE AUDITORS

#### 1. Directors and Corporate Auditors (As of March 31, 2011)

Position and name	Duty or principal occupation and important concurrent positions, etc. at other entities
Chairman Mutsutake Otsuka	Corporate Auditor of Electric Power Development Co., Ltd.
Vice Chairman Yoshio Ishida	Technology and Overseas Related Affairs
President and CEO (Representative Director) Satoshi Seino	
Executive Vice President (Representative Director) Tetsuro Tomita	Director General of Corporate Planning Headquarters
Executive Vice President (Representative Director) Masaki Ogata	IT, Service Quality and Overseas Related Affairs
Executive Vice President (Representative Director) Yoshiaki Arai	Director General of Life-Style Business Development Headquarters

Executive Vice President (Representative Director)	Tsugio Sekiji	Director General of Railway Operations Headquarters
Executive Director	Yoichi Minami	Deputy Director General of Railway Operations Headquarters; In charge of Marketing Department, Railway Operations Headquarters; In charge of Customer Service Quality Reformation Department, Railway Operations Headquarters
Executive Director	Toru Owada	Deputy Director General of Corporate Planning Headquarters; In charge of Inquiry & Audit Department; In charge of Finance Department
Executive Director	Yuji Fukasawa	In charge of Public Relations Department; In charge of Personnel Department; In charge of Health & Welfare Department; In charge of Legal Department; In charge of General Affairs Department
Executive Director	Yasuo Hayashi	Deputy Director General of Railway Operations Headquarters; In charge of Technology Planning Department, Corporate Planning Headquarters; In charge of Shinanogawa Power Station Improvement Department, Railway Operations Headquarters; In charge of Construction Department; In charge of Research & Development Center of JR East Group
Executive Director	Shigeru Tanabe	General Manager of Tokyo Branch Office
Executive Director	Shinichiro Kamada	Deputy Director General of Life-Style Business Development Headquarters
Executive Director	Yoshitaka Taura	Director General of IT & Suica Business Development Headquarters;
Executive Director	Naomichi Yagishita	Deputy Director General of Railway Operations Headquarters; In charge of Facilities Department, Railway Operations Headquarters; In charge of Electrical & Signal Network System Department, Railway Operations Headquarters
Executive Director	Naoto Miyashita	Deputy Director General of Railway Operations Headquarters; In charge of Transport Safety Department, Railway Operations Headquarters; In charge of

		Transport & Rolling Stock Department, Railway Operations Headquarters
Director	Yuji Morimoto	General Manager of Personnel Department; Director of JR East General Education Center
Director	Osamu Kawanobe	General Manager of General Affairs Department
Director	Toshiro Ichinose	General Manager of Management Planning Department, Corporate Planning Headquarters
Director	Masayuki Satomi	General Manager of Sendai Branch Office
Director	Kimio Shimizu	Deputy Director General of Life-Style Business Development Headquarters; General Manager of Life-Style Business Development Headquarters (Management Strategy)
Director	Tsukasa Haraguchi	General Manager of Marketing Department, Railway Operations Headquarters
Director	Tadami Tsuchiya	General Manager of Electrical & Signal Network System Department, Railway Operations Headquarters
Director	Yasuyoshi Umehara	Stationmaster of Tokyo Station, Tokyo Branch Office
Director	Takeshi Sasaki	Professor of the Gakushuin University, Faculty of Law Director of ORIX Corporation Director of Toshiba Corporation
Director	Tomokazu Hamaguchi	Director of IHI Corporation
Full-time Corporate Auditor	Toshiaki Omori	
Full-time Corporate Auditor	Jiro Bando	
Corporate Auditor	Kiyomi Harayama	
Corporate Auditor	Toshiaki Yamaguchi	Certified public accountant
Corporate Auditor	Mutsuo Nitta	Attorney-at-law Corporate Auditor of Sumitomo Corporation

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(Notes)

1. Messrs. Takeshi Sasaki and Tomokazu Hamaguchi, Directors, are outside directors as prescribed in Article 2, Item 15 of the Business Corporation Law.
2. Messrs. Toshiaki Omori and Jiro Bando, Full-time Corporate Auditors, and Messrs. Toshiaki Yamaguchi and Mutsuo Nitta, Corporate Auditors, are outside corporate auditors as prescribed in Article 2, Item 16 of the Business Corporation Law.
3. Mr. Toshiaki Yamaguchi, Corporate Auditor, is a certified public accountant and has considerable knowledge of finance and accounting.
4. Mr. Takeshi Sasaki, Director, is also an outside director of ORIX Corporation; there is no relationship that is required to be disclosed between Orix Corporation and the Company. Mr. Sasaki is also an outside director of Toshiba Corporation, with which the Company has a transactional relationship related to rolling stock parts, etc.
5. Mr. Tomokazu Hamaguchi, Director, is also an outside director of IHI Corporation; there is no relationship that is required to be disclosed between IHI Corporation and the Company.
6. Mr. Mutsuo Nitta, Corporate Auditor, is also an outside corporate auditor of Sumitomo Corporation, with which the Company has a transactional relationship related to rolling stock parts, etc.
7. The following change in the positions and responsibilities of a Director went into effect on May 1, 2011.

	<u>New position</u>	<u>Previous position</u>
Kimio Shimizu	Deputy Director General of Life-Style Business Development Headquarters; General Manager of Life-Style Business Development Headquarters (Station Space Utilization and Property Management); General Manager of Life-Style Business Development Headquarters (Management Strategy)	Deputy Director General of Life-Style Business Development Headquarters; General Manager of Life-Style Business Development Headquarters (Management Strategy)

## 2. Amount of Remuneration, etc. to Directors and Corporate Auditors

Title	Number of persons	Amount of remuneration, etc.
Directors	29	¥897 million
Corporate Auditors	5	¥98 million
Total	34	¥996 million

(Notes)

1. The amount of remuneration, etc. includes the amount paid to 3 Directors retired at the conclusion of the 23rd Ordinary General Meeting of Shareholders held on June 23, 2010.

2. The amount of remuneration, etc. includes bonuses to Directors and Corporate Auditors to be established pursuant to a resolution adopted at the 24th Ordinary General Meeting of Shareholders (¥102 million in total: ¥92 million to Directors, ¥10 million to Corporate Auditors).

3. The amount of remuneration, etc. includes remuneration, etc. to 7 outside Directors and outside Corporate Auditors (including 1 person retired at the conclusion of the 23rd Ordinary General Meeting of Shareholders held on June 23, 2010) (¥108 million).

4. The maximum amount of remuneration to Directors was established to be ¥77 million per month pursuant to a resolution adopted at the 6th Ordinary General Meeting of Shareholders held on June 29, 1993.

5. The maximum amount of remuneration to Corporate Auditors was established to be ¥11 million per month pursuant to a resolution adopted at the 17th Ordinary General Meeting of Shareholders held on June 23, 2004.

6. The Company's retirement benefit scheme for Directors and Corporate Auditors was abolished at the conclusion of the 17th Ordinary General Meeting of Shareholders held on June 23, 2004. It was approved at the meeting that vested retirement benefits would be paid out to each Director or Corporate Auditor who was reappointed or was in the middle of his or her term of office at such meeting, based on the Company's regulations. In accordance with such approval, retirement benefits in the amount of ¥5 million were paid to 1 outside Director who retired during this fiscal year in addition to the above remuneration.

## 3. Principal Activities of Outside Directors and Outside Corporate Auditors

Title	Name	Principal activities
Outside Director	Takeshi Sasaki	Attended 14 meetings out of all 17 meetings of the Board of Directors during this fiscal year and spoke on the Company's management issues based on his wide

experience as an expert.

Outside Director	Tomokazu Hamaguchi	Attended 12 meetings out of all 13 meetings of the Board of Directors held while in office during this fiscal year and spoke on the Company's management issues based on his wide experience as a top executive.
Title	Name	Principal activities
Outside Corporate Auditor	Toshiaki Omori	Attended all meetings of the Board of Directors and the Board of Corporate Auditors during this fiscal year and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	Jiro Bando	Attended all meetings of the Board of Directors and the Board of Corporate Auditors during this fiscal year and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	Toshiaki Yamaguchi	Attended 16 meetings out of all 17 meetings of the Board of Directors and all meetings of the Board of Corporate Auditors held during this fiscal year and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	Mutsuo Nitta	Attended 16 meetings out of all 17 meetings of the Board of Directors and 16 meetings out of all 17 meetings of the Board of Corporate Auditors held during this fiscal year and spoke on the Company's management issues based on his wide experience as an attorney-at-law.

#### **4. Overview of the Agreement on Limitation of Liability of Outside Directors and Outside Corporate Auditors**

In accordance with the provisions of Article 427, Paragraph 1 of the Business Corporation Law, the Company has executed agreements with outside Directors and outside Corporate Auditors to limit their liability as provided in Article 423, Paragraph 1 of the Business Corporation Law. The maximum amount of such liability under such agreement shall be the amount stipulated by law or regulation.

#### **IV. STATUS OF THE ACCOUNTING AUDITOR**

##### **1. Name of the Accounting Auditor**

KPMG AZSA LLC

(Note)

KPMG AZSA & Co. was renamed KPMG AZSA LLC as of July 1, 2010 due to change to the category of an audit corporation.

##### **2. Amount of Remuneration, etc. to the Accounting Auditor for this Fiscal Year**

- (1) Total amount to be paid by the Company as remuneration, etc. to the accounting auditor: ¥250 million
- (2) Total amount of cash and other monetary benefits to be paid by the Company and subsidiaries: ¥706 million

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(Note)

The amount in (1) above includes remuneration, etc. for audits conducted under the Financial Instruments and Exchange Law, since no classification is provided in the audit agreement between the Company and the accounting auditor with respect to remuneration, etc. for audits conducted under the Business Corporation Law and audits conducted under the Financial Instruments and Exchange Law, and it is practically impossible to separate the two types of payment.

##### **3. Description of Non-Accounting Services**

The Company paid to the accounting auditor compensation for preparation of comfort letters and preliminary research, which are outside the services provided in Article 2, Paragraph 1 of the Certified Public Accountants Law.

##### **4. Policy on Dismissal or Non-Reappointment of Accounting Auditors**

In addition to the dismissal of an accounting auditor by the Board of Corporate Auditors provided in Article 340 of the Business Corporation Law, the Company will, with the approval of or upon request from the Board of Corporate Auditors, propose an agenda to dismiss or not to reappoint an accounting auditor to the General Meeting of Shareholders when it is deemed appropriate, such as when an accounting auditor does not fully perform its duties or its social credibility is significantly impaired.

#### **V. SYSTEMS TO ENSURE THAT DIRECTORS PERFORM THEIR DUTIES IN ACCORDANCE WITH RELEVANT LAWS AND REGULATIONS AS WELL AS WITH THE ARTICLES OF INCORPORATION, AND OTHER INTERNAL CONTROL SYSTEMS**

The Company has the following systems to ensure that Directors perform their duties in accordance with relevant laws and regulations as well as with the Articles of Incorporation, and other internal control systems.

1. Systems to ensure that Directors and employees perform their duties in accordance with relevant laws and regulations as well as with the Articles of Incorporation
  - To promote rigorous legal compliance and high corporate ethics standards, the Company and its consolidated subsidiaries (hereinafter Group companies) have drafted Legal Compliance and Corporate Ethics Guidelines, which serve as corporate action guidelines for the JR East Group, and distributed handbooks that explain conduct standards in concrete terms to each corporate officer and employee.
  - The Company's Legal Department and General Affairs Department handle overall control over horizontally integrated compliance matters throughout the Company.
  - A unit has been established to provide compliance-related advice and receive whistle-blower reports and other reports related to compliance issues.
  - With respect to internal audits, a supervision system has been established to ensure the appropriateness and efficiency of operational execution.
2. Preservation and administration systems for information related to Directors' performance of their duties
  - Documents related to Directors' performance of their duties are appropriately preserved and administered in accordance with relevant laws and internal regulations. Directors and Corporate Auditors can view these documents whenever necessary.
3. Risk management rules and systems
  - The Company has established a Transportation Operation Center that operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster in railway operations. The Company has also established specialized internal committees focused on maintaining safety and on improving reliability.
  - With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal scandals and legal violations in the Group companies, all of the Company's departments undertake risk management activities. In addition, the Company has established a Crisis Management Headquarters as well as crisis management-related internal regulations. In the event of a problem, the Company's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly takes such actions as those to gather relevant information and implement countermeasures.
4. Systems for promoting directors' efficient performance of duties

- To promote efficiency in the Company's operations, internal regulations have been established that allocate authority by clearly defining the authority and roles of each unit.

- To promote the "JR East 2020 Vision — idomu —" which articulates common goals for the entire JR East Group, and to promote the efficient implementation of measures to attain the plan's objectives, action programs have been established for each organizational unit. Progress in action program implementation is periodically evaluated as a means of promoting the efficient implementation of strategic measures.

5. Systems for promoting operational propriety throughout the JR East Group

- The Group companies have drafted Legal Compliance and Corporate Ethics Guidelines, which serve as corporate action guidelines with regard to legal compliance and corporate ethics, and distributed handbooks that explain conduct standards in concrete terms to each corporate officer and employee. In addition, an external compliance consultation and reporting unit has been established to serve the entire JR East Group.

- The Group companies have established risk management units as well as regulations and other provisions related to risk management. In the event of a problem, these regulations call for the immediate establishment of a preliminary task force that rapidly takes such actions as those to gather relevant information, report such information to the parent company when appropriate, and implement countermeasures.

- To promote operational propriety throughout the JR East Group, the Company participates in the management of Group companies by dispatching directors to those companies and by other means. In addition, the Company's Inquiry & Audit Department performs audits of Group companies at regular intervals.

6. Items related to employees who assist Corporate Auditors in the performance of their duties

- Specialized staff are assigned to the Corporate Auditors Office to assist Corporate Auditors in the performance of their duties. This is a system designed to increase the efficiency of audits and enable audits to be performed smoothly.

7. Independence from Directors of employees who assist Corporate Auditors in the performance of their duties

- The staff of the Corporate Auditors Office are to only follow instructions from the Corporate Auditors and are not subject to orders from Directors or other employees.

8. Systems for Directors and employees to report to Corporate Auditors and other systems for reports to Corporate Auditors

- For items that the Regulations of the Board of Directors stipulate are to be decided by the Board of Directors, deliberation standards have been established, and these

standards provide for appropriate deliberations to be conducted at Board of Directors meetings. The nature of important items other than those that the Regulations stipulate are to be decided by the Board of Directors may also be confirmed by Corporate Auditors at meetings of the Board of Directors and of the Executive Committee.

9. Other systems for promoting the effective performance of Corporate Auditors' audits

- The Corporate Auditors hold meetings at regular intervals with the President and the accounting auditor to exchange information and opinions.

\* \* \* \* \*

All yen amounts given in this report are shown by rounding down any amounts less than the units shown.

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2011)

(Millions of yen)

### Assets

#### Current Assets:

Cash and time deposits	¥132,247
Notes and accounts receivable - trade	270,289
Fares receivable	23,543
Short-term loans receivable	11,554
Real estate for sale	1,864
Inventories	44,017
Deferred income taxes	41,168
Other	49,259
Allowance for doubtful accounts	(2,631)
Total current assets	<u>571,312</u>

#### Fixed Assets:

Property, plant and equipment, net of accumulated depreciation	
Buildings and fixtures	2,961,982
Machinery, rolling stock and vehicles	636,413
Land	2,006,184
Construction in progress	253,730
Other	44,974
Total property, plant and equipment, net of accumulated depreciation	<u>5,903,285</u>

Intangible assets	<u>98,064</u>
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#### Investments and other assets:

Investments in securities	143,042
Long-term loans receivable	2,028
Long-term deferred income taxes	268,407
Other	57,654
Allowance for doubtful accounts	(1,112)
Total investment and other assets	<u>470,020</u>
Total fixed assets	<u>6,471,370</u>

Deferred Assets	<u>216</u>
Total Assets	<u>¥7,042,899</u>

<b>Liabilities</b>	<i>(Millions of yen)</i>
<b>Current Liabilities:</b>	
Notes and accounts payable-trade	¥36,006
Short-term loans and current portion of long-term loans	126,584
Current portion of bonds	110,180
Current portion of long-term liabilities incurred for purchase of railway facilities	124,382
Payables	331,646
Accrued consumption tax	9,950
Accrued income taxes	13,275
Fare deposits received with regard to railway connecting services	17,881
Prepaid railway fares received	79,566
Allowance for bonuses to employees	66,074
Allowance for earthquake-damage losses	56,937
Other	256,603
Total current liabilities	1,229,090
<b>Long-term Liabilities:</b>	
Bonds	1,449,845
Long-term loans	688,799
Long-term liabilities incurred for purchase of railway facilities	924,096
Long-term deferred tax liabilities	3,431
Employees' severance and retirement benefits	658,371
Other	254,711
Total long-term liabilities	3,979,254
Total Liabilities	5,208,344
<b>Net Assets</b>	
<b>Shareholders' Equity:</b>	
Common stock	¥200,000
Capital surplus	96,732
Retained earnings	1,534,339
Treasury stock, at cost	(25,841)
Total Shareholders' Equity	1,805,231
<b>Accumulated Other Comprehensive Income:</b>	
Net unrealized holding gains (losses) on securities	4,903
Net deferred gains (losses) on derivatives under hedge accounting	(779)
Total Accumulated Other Comprehensive Income	4,124
Minority Interests	25,199
Total Net Assets	1,834,555
Total Liabilities and Total Net Assets	¥7,042,899

(Note) Amounts less than one million yen are omitted.

## CONSOLIDATED STATEMENT OF INCOME

(Year ended March 31, 2011)

	<i>(Millions of yen)</i>
Operating revenues	¥2,537,353
Operating expenses:	
Transportation, other services and cost of sales	1,734,356
Selling, general and administrative expenses	457,909
Total operating expenses	<u>2,192,266</u>
Operating income	345,086
Non-operating income:	
Interest income	108
Dividend income	3,450
Other	16,127
Total non-operating income	<u>19,686</u>
Non-operating expenses:	
Interest expense	105,918
Equity in net losses of affiliated companies	438
Other	3,851
Total non-operating expenses	<u>110,208</u>
Ordinary income	<u>254,564</u>
Extraordinary gains:	
Gains on sales of fixed assets	4,916
Construction grants received	42,302
Other	2,251
Total extraordinary gains	<u>49,470</u>
Extraordinary losses:	
Losses on reduction entry for construction grants	39,217
Impairment losses on fixed assets	13,622
Earthquake-damage losses	1,770
Provision for allowance for earthquake-damage losses	56,937
Other	45,057
Total extraordinary losses	<u>156,604</u>
Income before income taxes	<u>147,430</u>
Income taxes-current	66,451
Income taxes-deferred	3,405
	<u>69,857</u>
Income before minority interests	77,573
Minority interests in net income of consolidated subsidiaries	1,349
Net income	<u>¥76,224</u>

(Note) Amounts less than one million yen are omitted.

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
(Year ended March 31, 2011)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting	Total accumulated other comprehensive income		
Balance at March 31, 2010	¥200,000	¥96,732	¥1,501,637	¥(25,831)	¥1,772,537	¥8,656	¥(610)	¥8,046	¥26,963	¥1,807,547
Changes of items during this fiscal year										
Dividends			(43,525)		(43,525)					(43,525)
Net income			76,224		76,224					76,224
Increase due to merger			4		4					4
Purchase of treasury stock				(10)	(10)					(10)
Disposal of treasury stock		(0)		1	1					1
Net changes of items other than shareholders' equity						(3,752)	(169)	(3,922)	(1,763)	(5,685)
Total changes of items during this fiscal year	-	(0)	32,702	(9)	32,693	(3,752)	(169)	(3,922)	(1,763)	27,007
Balance at March 31, 2011	¥200,000	¥96,732	¥1,534,339	¥(25,841)	¥1,805,231	¥4,903	¥(779)	¥4,124	¥25,199	¥1,834,555

(Note) Amounts less than one million yen are omitted.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### I. NOTES ON BASIC MATTERS IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Matters regarding the scope of consolidation

Among the subsidiaries, 75 companies including Viewcard Co., Ltd., JR Bus Kanto Co., Ltd., Nippon Hotel Co., Ltd. and JR East Retail Net Co., Ltd. are consolidated.

Newly consolidated subsidiaries for this fiscal year are JR East Aomori Business Development Company Co., Ltd. and JR Chuo Line Mall Co., Ltd., which were newly established, and Kinokuniya Co., Ltd. as a result of a share acquisition by the Company.

On April 1, 2010, Ikebukuro Terminal Building Co., Ltd. was merged with JR East Building Co., Ltd. and dissolved.

Niigata Rolling Stock Machinery Co., Ltd. merged with a non-consolidated subsidiary Rolling Stock Machinery Consultants Co., Ltd.

Non-consolidated subsidiaries include NRE Daimasu Co., Ltd. and Yanrei Co., Ltd. None of the assets, sales, net income and loss, and retained earnings of the non-consolidated subsidiaries corresponding to the Company's equity are significant in amounts compared to those of the Company and its consolidated subsidiaries, and will not affect the reasonable judgment with respect to the Group's financial condition or business results when such subsidiaries are excluded from consolidation.

#### 2. Matters regarding application of the equity method

Among the affiliated companies, the equity method is applied to the investment in UQ Communications Inc., Central Security Patrols Co., Ltd. and JTB Corp.

With respect to investments in non-consolidated subsidiaries and affiliated companies not using the equity method (including Yamagata JR Direct Express Holding Co., Ltd.), none of the net income and loss and retained earnings of such companies corresponding to the Company's equity are significant in amounts compared to those of the Company and its consolidated subsidiaries and equity method affiliated companies, and will not affect the consolidated net income and loss or consolidated retained earnings. Therefore the equity method is not applied.

As for the equity method affiliated company which has a different fiscal year-end date from the consolidated fiscal year-end date, financial statements for the fiscal year of such company are used.

#### 3. Matters regarding fiscal years of the consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end date of The Orangepage, Inc. is February 28. Financial statements of such company as of that date are used to prepare the consolidated financial statements, with necessary adjustments regarding

important transactions occurred between that date and the consolidated fiscal year-end date.

The fiscal year-end date of GALA Yuzawa Co., Ltd. is September 30, and its balance sheet and statement of income have been prepared based on the provisional settlement of accounts as of the consolidated fiscal year-end date.

#### **4. Matters regarding accounting standards**

##### **(1) Basis and method of valuation of important assets**

###### **(a) Basis and method of valuation of securities**

Held-to-maturity debt securities: amortized cost method

Available-for-sale securities:

- Securities with market value: market method based on fair market value as of the balance sheet date (Net unrealized gains or losses on these securities are reported as a separate item in net assets, and the cost of sales is determined mainly by the moving-average cost method.)
- Securities without market value: mainly by the moving-average cost method

###### **(b) Basis and method of valuation of derivatives**

Derivatives are valued according to market method.

###### **(c) Basis and method of valuation of inventories**

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

Inventories for railway operations: moving-average cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

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

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

##### **(2) Method of depreciation and amortization of important depreciable assets**

###### **(a) Property, plant and equipment**

Property, plant and equipment are depreciated using the declining balance method; however, replacement assets included in structures of railway fixed assets are depreciated using the replacement method. Some of the property, plant and equipment of consolidated subsidiaries are depreciated using straight-line method.

Buildings (excluding fixtures) acquired after April 1, 1998 are depreciated using the straight-line method.

Methods to determine the number of years of useful life and residual value are as stipulated in the Japanese Corporation Tax Law.

Regarding the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Group has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero. For finance lease transactions that commenced on or before March 31, 2008 and do not transfer ownership to the lessee, the Group will continue to apply the accounting treatment for normal lease transactions.

(b) Intangible assets

Intangible assets are amortized using the straight-line method. The method to determine the number of years of useful life is as stipulated in the Japanese Corporation Tax Law.

Software designed for internal use is amortized using the straight-line method based on the expected useful life as used in each company (five years).

Regarding the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Group has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero. For finance lease transactions that commenced on or before March 31, 2008 and do not transfer ownership to the lessee, the Group will continue to apply the accounting treatment for normal lease transactions.

(3) Accounting for deferred assets

Expenses for issuance of bonds are charged to income when paid. Business commencement expenses for two consolidated subsidiaries and development expenses for three consolidated subsidiaries are amortized over five years on a straight-line basis.

(4) Accounting for important allowances

(a) Allowance for doubtful accounts

For general receivables, allowance is provided based on past loan loss experience. For receivables from debtors in financial difficulty, allowance is provided for estimated unrecoverable amounts on an individual basis.

(b) Allowance for bonuses to employees

Allowance for bonuses to employees is provided based upon the expected amount to be paid.

(c) Employees' severance and retirement benefits

The Group accrues liabilities for severance and retirement benefits at the end of the balance sheet date in an amount calculated based on the actuarial present value of all severance and retirement benefits attributable to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

The unrecognized prior service costs are amortized by the straight-line method and charged to income over the number of years (mainly 10 years) which does not exceed the average remaining years of employment at the time when the prior service costs were incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over constant years (mainly 10 years) within the average of the estimated remaining service lives of employees at the time when the actuarial gains and losses are incurred in each period, commencing with the following consolidated fiscal year.

(d) Allowance for earthquake-damage losses

The allowance for earthquake-damage losses is established based upon the estimated amount of restoration and other expenses arising from the Great East Japan Earthquake of March 11, 2011.

The Group intends to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, such as the Joban Line and the Senseki Line, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the allowance for earthquake-damage losses.

(5) Method of accounting for important hedge transactions

Hedge transactions are based on deferral hedge accounting. Currency swap transactions and forward exchange contracts that fulfill the requirement of

appropriation accounting are based on appropriation accounting, and interest swap transactions fulfilling special accounting are based on special accounting.

(6) Method and period of amortization of goodwill

Goodwill is amortized over 5 years on a straight-line basis.

(7) Accounting for direct deduction from acquisition cost of fixed assets regarding construction grants

The Group receives construction grants from local public entities, etc., as a part of construction costs for elevation of rail line for serial overpasses and expansion of railway crossing in its railway operations.

These construction grants are recognized by directly deducting the amount equal to such construction grants from the acquisition cost of fixed assets at the time of completion of construction.

In the consolidated statement of income, construction grants are stated in extraordinary gains as “Construction grants received” including the amount received for condemnation, and the amount directly deducted from the acquisition cost of fixed assets are stated in extraordinary loss as “Loss on reduction entry for construction grants” including the reduction for condemnation.

The amount in “Construction grants received” excluding the amount received for condemnation was ¥35,077 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥33,640 million.

(8) Accounting for consumption tax

Consumption tax is accounted for by exclusion from each corresponding transaction.

(Additional information)

From this fiscal year, the Group began preparing its consolidated financial statements based on the Corporate Accounting Regulations amended pursuant to the Ministerial Ordinance to Partially Amend the Corporate Accounting Regulations (Ministerial Ordinance of the Ministry of Justice No. 33 of 2010 promulgated on September 30, 2010).

## **5. Changes in Important Items That Form the Basis for Preparing Consolidated Financial Statements**

### **Application of Accounting Standard for Asset Retirement Obligations**

From this fiscal year, the Group began employing the Accounting Standard for Asset Retirement Obligations (Accounting Standards Board of Japan Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement

Obligations (Accounting Standards Board of Japan Guidance No. 21, March 31, 2008).

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

## II. NOTES TO CONSOLIDATED BALANCE SHEET

### 1. Pledged assets

- (1) According to the provision of Article 7 of the Supplementary Provisions of the Law to Amend Part of the Law for Passenger Railway Companies and Japan Freight Railway Company (Law No. 61 of 2001), the entire assets of the Company are pledged for the bonds of ¥179,900 million and are subject to a general mortgage.

In addition, the entire assets of the Company are also pledged for original debts of the bonds in the amount of ¥170,000 million listed in “4. Contingent liabilities” below.

- (2) Pledged assets are as follows:
- |                         |                 |
|-------------------------|-----------------|
| Buildings and fixtures: | ¥25,161 million |
| Others:                 | ¥5,465 million  |
| Total:                  | ¥30,626 million |

Liabilities corresponding to the above are as follows:

Long-term loans:	¥3,962 million
Others:	¥831 million
Total:	¥4,794 million

- (3) Assets subject to foundation mortgage (railway foundation) are as follows:

Buildings and fixtures:	¥52,873 million
Others:	¥7,020 million
Total:	¥59,893 million

Liabilities corresponding to the above are as follows:

Long-term liabilities incurred for purchase of railway facilities:	¥5,818 million
--	----------------

### 2. Accumulated depreciation of property, plant and equipment

¥6,581,132 million

### 3. Accumulated amount of construction grants

directly deducted from acquisition cost of fixed assets ¥769,807 million

### 4. Contingent liabilities

Original debt under the debt assumption agreements for the bonds:

¥170,000 million

## 5. Inventory

Merchandise products:	¥7,496 million
Work in progress:	¥14,684 million
Materials and goods:	¥21,836 million

## III. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

### 1. Class of shares and total number of shares issued at end of this fiscal year

Common stock: 400,000,000 shares

### 2. Items concerning dividend payment during this fiscal year

(1) Amount of dividends paid

Resolution	Class of stock	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Payment commencement date
Ordinary General Meeting of Shareholders held on June 23, 2010	Common stock	21,762	55	March 31, 2010	June 24, 2010
Meeting of Board of Directors held on October 28, 2010	Common stock	21,762	55	September 30, 2010	December 1, 2010

(2) Dividends having the record date within this fiscal year and the payment commencement date within the next fiscal year

Resolution (scheduled)	Class of stock	Total amount of dividend (million yen)	Dividend source	Dividend per share (yen)	Record date	Payment commencement date
Ordinary General Meeting of Shareholders held on June 23, 2011	Common stock	21,762	Retained earnings	55	March 31, 2011	June 24, 2011

## IV. NOTES TO FINANCIAL INSTRUMENTS

### 1. Items relating to the status of financial instruments

(1) Policy in relation to financial instruments

If surplus funds arise, the Company and its consolidated subsidiaries use only financial assets with high degrees of safety for the management of funds. The Company and its consolidated subsidiaries principally use bond issuances

and bank loans in order to raise funds. Further, the Company and its consolidated subsidiaries use derivatives to reduce risk, as described below, and do not conduct speculative trading.

(2) Details of financial instruments and related risk

Trade receivables—notes and accounts receivable-trade, and fares receivable—are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Company and its consolidated subsidiaries, due dates and balances are managed appropriately for each counterparty.

Securities and investments in securities are exposed to market price fluctuation risk.

Substantially all of trade payables—notes and accounts payable-trade, payables, fare deposits received with regard to railway connecting services, accrued consumption tax, and accrued income taxes—have payment due dates within one year.

Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates).

Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally of (interest-bearing) debts related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,969 million from the Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

(3) Risk management system for financial instruments

The Company and its consolidated subsidiaries use forward exchange contract transactions, currency swap transactions, and interest rate swap

transactions with the aim of avoiding market price fluctuation risk (foreign exchange / interest rates) in relation to, among others, bonds and loans. Further, commodity swap transactions are used with the aim of avoiding product price fluctuation risk related to fuel purchasing, and natural disaster derivatives are used with the aim of avoiding revenue expenditure fluctuation risk due to natural disasters.

Because all of the derivative transaction contracts that the Company and its consolidated subsidiaries enter into are transactions whose counterparties are financial institutions that have high creditworthiness, the Company and its consolidated subsidiaries believe that there is nearly no risk of parties to contracts defaulting on obligations.

Under the basic policy approved by the Board of Directors, with the aim of appropriately executing transactions and risk management, financial departments in the relevant companies process those derivative transactions following approval of the Board of Directors or appropriate internal procedures, based on relevant internal regulations.

- (4) Supplementary explanation of items relating to the fair values of financial instruments

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

## 2. Items relating to the fair values of financial instruments

Amounts recognized for selective items in the consolidated balance sheet as of March 31, 2011, fair values of such items, and the differences between such amounts and values is shown below. Further, items for which fair values are extremely difficult to establish are not included in the following table.

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
1. Cash and time deposits	132,247	132,247	—
2. Notes and accounts receivable-trade	270,289	270,289	—
3. Fares receivable	23,543	23,543	—
4. Short-term loans receivable	11,554	11,554	—
5. Securities and investments in securities			
(i) Held-to-maturity debt securities	208	208	(0)
(ii) Available-for-sale securities	104,053	104,053	—
Assets	541,896	541,895	(0)
1. Notes and accounts payable-trade	36,006	36,006	—
2. Short-term loans	1,856	1,856	—
3. Payables	331,646	331,646	—
4. Accrued consumption tax	9,950	9,950	—
5. Accrued income taxes	13,275	13,275	—
6. Fare deposits received with regard to railway connecting services	17,881	17,881	—
7. Bonds	1,560,025	1,638,166	78,141
8. Long-term loans	813,527	826,249	12,721
9. Long-term liabilities incurred for purchase of railway facilities	1,048,478	1,440,550	392,072
Liabilities	3,832,648	4,315,583	482,935
Derivative transactions (*)			
1. Hedge accounting not applied	2,662	2,662	—
2. Hedge accounting applied	(1,645)	(1,645)	—

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

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

#### Assets

1. Cash and time deposits; 2. Notes and accounts receivable-trade; 3. Fares receivable; and 4. Short-term loans receivable

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

5. Securities and investments in securities

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

#### Liabilities

1. Notes and accounts payable-trade; 2. Short-term loans; 3. Payables; 4. Accrued consumption tax; 5. Accrued income taxes; and 6. Fare deposits received with regard to railway connecting services

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

7. Bonds

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

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

8. Long-term loans

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

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

Because these liabilities are special monetary liabilities that are subject to constraints pursuant to laws and statutory regulations and not based exclusively on free agreement between contracting parties in accordance with market principles, and because repeating fund raising using similar methods would be difficult, as stated in “1. Items relating to the status of financial instruments, (2) Details of financial instruments and related risk”, the fair values of long-term liabilities incurred for purchase of railway facilities are estimated by assuming that future cash flows were raised through bonds, the Company’s basic method of fund raising, and discounting them based on estimated interest rates if similar domestic bonds were newly issued. Further, certain long-term liabilities incurred for purchase of railway facilities with variable interest rates are estimated based on the most recent interest rates, notification of which is provided by the Japan Railway Construction, Transport and Technology Agency.

#### Derivative transactions

The fair values of derivative transactions are based on the prices and so on presented by counterparty financial institutions.

However, certain derivative transactions that meet certain hedging criteria regarding forward exchange contracts, foreign currency swaps, or interest rate swaps are treated in combination with hedged bonds or long-term loans, etc., the fair values of these derivatives are included in the fair values of these hedged bonds or long-term loans, etc..

Note 2: Financial instruments whose fair values are extremely difficult to determine

Classification	Consolidated balance sheet amount (million yen)
Unlisted equity securities	6,233
Preferred equity securities	999

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have market prices and future cash flows cannot be estimated, they are not included in “5. Securities and investments in securities – (ii) Available-for-sale securities.

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

## V. NOTES TO INVESTMENT AND RENTAL PROPERTY

The Company and certain of its consolidated subsidiaries own rental office buildings and rental commercial facilities (hereafter “investment and rental property”) principally within the Company’s service area.

The amounts recognized in the consolidated balance sheet and fair values related to investment and rental property are as follows.

Consolidated balance sheet amount (million yen)	Fair value (million yen)
513,646	1,338,950

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

Note 2: Regarding fair values at the end of this fiscal year, the amount for significant properties is based on real-estate appraisals prepared by external real-estate appraisers, and the amount for other properties is estimated by the Company based on certain appraisal values or indicators that reflect appropriate market prices. If after obtaining a property from a third party or since the most recent appraisal, there has been no material change in the relevant appraisal values or indicators that reflect the appropriate market prices, the amount is based on such appraisal values or indicators.

Note 3: Because fair values are extremely difficult to determine, this table does not include property that is being constructed or developed for future use as investment property.

## VI. NOTES ON THE PER SHARE INFORMATION

Shareholders' equity per share:	¥4,574.05
Earnings per share:	¥192.69

## VII. OTHER NOTES

### Damages from the Great East Japan Earthquake

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

In the Consolidated Statement of Income, operating revenues declined due to suspended operations and other temporary stoppages of the Tohoku Shinkansen Line and certain parts of the conventional lines. The Group also recorded extraordinary losses consisting of "earthquake-damage losses", which represent the restoration expenses already paid and demolition expenses arising from the loss and damage in fixed assets, as well as "provision for allowance for earthquake-damage losses" for the estimated amount of restoration and other expenses.

The Group intends to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, such as the Joban Line and the Senseki Line, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the allowance for earthquake-damage losses. For reference, the book value of property, plant and equipment (excluding rolling stock, tools, furniture and fixtures), after subtraction of accumulated depreciation from the acquisition price of these affected railway lines and facilities along the Pacific coast, was ¥22,001 million as of March 31, 2011.

Furthermore, the Company's railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which are owned by or leased by the Company, are insured against earthquakes for up to ¥71,000 million (¥10,000 million deductible). This insurance income has not been recorded in the Consolidated Financial Statements for this fiscal year, as insurance claims will be determined in light of the ongoing rebuilding efforts.

Operations of the Tohoku Shinkansen Line and certain parts of the conventional lines have remained suspended even after March 31, 2011. There has also been further damage to the Group's railroad and other facilities due to intermittent earthquakes since March 11. In light of this, decreased operating revenues and additional restoration and other expenses are anticipated for the consolidated fiscal year ending March 31, 2012.

**Copy of Audit Report of the Accounting Auditor concerning  
Consolidated Financial Statements**

[English Translation of the Independent Auditors' Report  
Originally Issued in the Japanese Language]

Independent Auditors' Report

May 10, 2011

The Board of Directors  
East Japan Railway Company

KPMG AZSA LLC  
Teruo Suzuki (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Teruhiko Tanaka (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Kazuhiko Azami (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of East Japan Railway Company as of March 31, 2011 and for the year from April 1, 2010 to March 31, 2011 in accordance with Article 444 (4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of East Japan Railway Company and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Additional information:

A description of "Damages from the Great East Japan Earthquake" is included in the Notes to Consolidated Financial Statements.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Copy of Audit Report of the Board of Corporate Auditors concerning

**Consolidated Financial Statements**

[English Translation of the Audit Report of the Board of Corporate Auditors  
Originally Issued in the Japanese Language]

Audit Report concerning Consolidated Financial Statements

Regarding the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes) for the 24th fiscal year from April 1, 2010 to March 31, 2011, the Board of Corporate Auditors hereby submits its audit report as a collective opinion of all Corporate Auditors, which has been prepared through discussions based on the audit reports prepared by the respective Corporate Auditors, as follows:

1. Methods and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined, among other things, the auditing policies for this fiscal year and work responsibilities; received reports regarding the status of execution of audit and its results from each Corporate Auditor; received reports from Directors, other relevant employees and accounting auditors concerning the performance of their duties; and, when necessary, requested them to provide explanations.

In accordance with the Corporate Auditors' auditing standards specified by the Board of Corporate Auditors and in conformity with auditing policies for this fiscal year and work responsibilities, each Corporate Auditor received reports from Directors and other relevant employees regarding the consolidated financial statements; requested them to provide explanations when necessary. In addition, the Corporate Auditors monitored and verified whether the accounting auditors were maintaining their independence and properly performing audits; received reports from the accounting auditors on the performance of their duties; and, when necessary, requested them to provide explanations. The Corporate Auditors also received from the accounting auditors a notice confirming that "the system to ensure proper performance of duties" (matters stipulated in each Item of Article 131 of Corporate Accounting Regulations) was properly implemented according to the "Standards on Quality Control for Audit" (October 28, 2005, Business Accounting Council) and other relevant standards, and, when necessary, requested them to provide explanations. Based on the aforementioned methods, the Corporate Auditors examined the consolidated financial statements for this fiscal year.

2. Audit Results

In our opinion, the methods and results employed and rendered by the accounting auditors, KPMG AZSA LLC, are fair and reasonable.

May 17, 2011

Board of Corporate Auditors  
East Japan Railway Company

Full-time Corporate Auditor	Toshiaki Omori [seal]
Full-time Corporate Auditor	Jiro Bando [seal]
Corporate Auditor	Kiyomi Harayama [seal]
Corporate Auditor	Toshiaki Yamaguchi [seal]
Corporate Auditor	Mutsuo Nitta [seal]

(Note) Messrs. Toshiaki Omori, Jiro Bando, Toshiaki Yamaguchi and Mutsuo Nitta, Corporate Auditors, are outside corporate auditors as prescribed in Article 2, Item 16 of the Business Corporation Law.

## NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2011)

(Millions of yen)

### Assets

#### Current Assets:

Cash and time deposits	¥58,925
Fares receivable	134,857
Accounts receivable-trade	64,050
Short-term loans receivable	88,816
Real estate for sale	1,716
Inventories	15,901
Prepaid expenses	5,410
Deferred income taxes	32,417
Other	15,015
Allowance for doubtful accounts	(2,198)
Total current assets	<u>414,912</u>

#### Fixed Assets:

Fixed assets for railway operations	4,507,647
Fixed assets for other operations	446,600
Fixed assets relating to both operations	292,028
Construction in progress	250,002
Investments and other assets:	
Investments in securities	107,986
Stocks of subsidiaries and affiliated companies	190,584
Long-term loans receivable	87,871
Long-term prepaid expenses	18,698
Long-term deferred income taxes	241,628
Other	17,657
Allowance for doubtful accounts	(357)
Total investment and other assets	<u>664,069</u>
Total fixed assets	<u>6,160,348</u>
Total Assets	<u>¥6,575,260</u>

<b>Liabilities</b>	<i>(Millions of yen)</i>
<b>Current Liabilities:</b>	
Short-term loans	¥89,000
Current portion of bonds	110,000
Current portion of long-term loans	123,600
Current portion of long-term liabilities incurred for purchase of railway facilities	123,865
Lease obligation	5,254
Payables	320,755
Accrued expenses	29,328
Accrued consumption tax	7,433
Accrued income taxes	693
Fare deposits received with regard to railway connecting services	18,263
Deposits received	19,510
Prepaid railway fares received	79,138
Advances received	66,961
Allowance for bonuses to employees	54,965
Allowance for bonuses to directors and corporate auditors	102
Allowance for earthquake-damage losses	54,722
Asset retirement obligations	1,755
Other	66,846
Total current liabilities	1,172,197
<b>Long-term Liabilities:</b>	
Bonds	1,449,695
Long-term loans	720,818
Long-term liabilities incurred for purchase of railway facilities	918,794
Lease obligation	16,251
Employees' severance and retirement benefits	618,788
Asset retirement obligations	8,184
Other	91,013
Total long-term liabilities	3,823,546
Total Liabilities	¥4,995,743
<b>Net Assets</b>	
<b>Shareholders' Equity:</b>	
Common Stock	¥200,000
<b>Capital Surplus:</b>	
Additional paid-in capital	96,600
Other capital surplus	13
Total capital surplus	96,613
<b>Retained Earnings:</b>	
Legal reserve	22,173
<b>Other retained earnings:</b>	
Reserve for special depreciation	2,733
Reserve for deferred gain of fixed assets	46,674
General reserve	990,000
Retained earnings carried forward	242,937

Total other retained earnings	<u>1,282,344</u>
Total retained earnings	1,304,518
Treasury Stock, at Cost	<u>(24,920)</u>
Total Shareholders' Equity	<u>1,576,210</u>
Valuation and Translation Adjustments:	
Net unrealized holding gains (losses) on securities	4,285
Net deferred gains (losses) on derivatives under hedge accounting	<u>(979)</u>
Total Valuation and Translation Adjustments	<u>3,306</u>
Total Net Assets	<u>1,579,517</u>
Total Liabilities and Total Net Assets	<u>¥6,575,260</u>

(Note) Amounts less than one million yen are omitted.

## NON-CONSOLIDATED STATEMENT OF INCOME

(Year ended March 31, 2011)

(Millions of yen)

Railway operations:	
Operating revenues	¥1,766,594
Operating expenses	1,521,491
Operating income	245,103
Other operations:	
Operating revenues	63,694
Operating expenses	27,760
Operating income	35,934
Total operating income	281,037
Non-operating income:	
Interest income	2,209
Dividend income	7,120
Other	14,534
Total non-operating income	23,865
Non-operating expenses:	
Interest expense	76,390
Interest on bonds	30,442
Other	3,063
Total non-operating expenses	109,896
Ordinary income	195,005
Extraordinary gains:	
Gain on sales of fixed assets	4,844
Construction grants received	42,211
Other	187
Total extraordinary gains	47,243
Extraordinary losses:	
Loss on reduction entry for construction grants	39,126
Impairment losses on fixed assets	13,893
Earthquake-damage losses	873
Provision for allowance for earthquake-damage losses	54,722
Other	28,199
Total extraordinary losses	136,815
Income before income taxes	105,433
Income taxes-current	43,106
Income taxes-deferred	2,891
	45,998
Net income	¥59,434

(Note) Amounts less than one million yen are omitted.

**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
(Year ended March 31, 2011)

(Millions of yen)

	Shareholders' equity											Valuation and translation adjustments			Total net assets	
	Common stock	Capital surplus			Legal reserve	Retained earnings					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
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings				Total retained earnings						
						Reserve for special depreciation	Reserve for deferred gain of fixed assets	General reserve	Retained earnings carried forward							
Balance at March 31, 2010	¥200,000	¥96,600	¥13	¥96,613	¥22,173	¥2,269	¥47,119	¥930,000	¥287,046	¥1,288,609	¥(24,911)	¥1,560,311	¥7,294	¥(690)	¥6,604	¥1,566,915
Changes of items during this fiscal year																
Provision of reserve for special depreciation						860			(860)	-		-				-
Disposal of reserve for special depreciation						(396)			396	-		-				-
Provision of reserve for deferred gain of fixed assets							981		(981)	-		-				-
Disposal of reserve for deferred gain of fixed assets							(1,426)		1,426	-		-				-
Provision of reserve for general reserve								60,000	(60,000)	-		-				-
Dividends									(43,525)	(43,525)		(43,525)				(43,525)
Net income									59,434	59,434		59,434				59,434
Purchase of treasury stock											(10)	(10)				(10)
Disposal of treasury stock			(0)	(0)							1	1				1
Net changes of items other than shareholders' equity													(3,008)	(289)	(3,297)	(3,297)
Total changes of items during this fiscal year	-	-	(0)	(0)	-	463	(445)	60,000	(44,109)	15,909	(9)	15,899	(3,008)	(289)	(3,297)	12,601
Balance at March 31, 2011	¥200,000	¥96,600	¥13	¥96,613	¥22,173	¥2,733	¥46,674	¥990,000	¥242,937	¥1,304,518	¥(24,920)	¥1,576,210	¥4,285	¥(979)	¥3,306	¥1,579,517

(Note) Amounts less than one million yen are omitted.

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

### I. NOTES ON ITEMS CONCERNING SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis and method of valuation of securities

Held-to-maturity debt securities: amortized cost method

Equity securities issued by subsidiaries and affiliated companies:  
moving-average cost method

Available-for-sale securities:

- Securities with market value: market method based on fair market value as of the balance sheet date (Net unrealized gains or losses on these securities are reported as a separate item in net assets, and the cost of sales is determined by the moving-average cost method.)
- Securities without market value: moving-average cost method

#### 2. Basis and method of valuation of derivatives

Derivatives are valued according to market method.

#### 3. Basis and method of valuation of inventories

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

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

#### 4. Method of depreciation and amortization of fixed assets

##### (1) Property, plant and equipment

Property, plant and equipment are depreciated using the declining balance method; however, replacement assets included in structures of railway fixed assets are depreciated using the replacement method.

Buildings (excluding fixtures) acquired after April 1, 1998 are depreciated using the straight-line method.

Methods to determine the number of years of useful life and residual value are as stipulated in the Japanese Corporation Tax Law.

However, regarding the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Company has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero. For finance lease transactions that commenced on or before March 31, 2008 and

do not transfer ownership to the lessee, the Company will continue to apply the accounting treatment for normal lease transactions.

(2) Intangible assets

Intangible assets are amortized using the straight-line method. The method to determine the number of years of useful life is as stipulated in the Japanese Corporation Tax Law.

Software designed for internal use is amortized using the straight-line method based on the expected useful life as used in the Company (five years).

However, regarding the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Company has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero. For finance lease transactions that commenced on or before March 31, 2008 and do not transfer ownership to the lessee, the Company will continue to apply the accounting treatment for normal lease transactions.

**5. Accounting for deferred assets**

Expenses for issuance of bonds: Charged to income when paid.

**6. Accounting for important allowances**

(1) Allowance for doubtful accounts

For general receivables, allowance is provided based on past loan loss experience. For receivables from debtors in financial difficulty, allowance is provided for estimated unrecoverable amounts on an individual basis.

(2) Allowance for bonuses to employees

Allowance for bonuses to employees is provided based upon the expected amount to be paid.

(3) Allowance for bonuses to directors and corporate auditors

Allowance for bonuses to directors and corporate auditors is provided based upon the expected amount to be paid.

(4) Employees' severance and retirement benefits

The Company accrues liabilities for severance and retirement benefits at the end of the balance sheet date in an amount calculated based on the actuarial present value of all severance and retirement benefits attributable to employee services rendered prior to the balance sheet date.

The unrecognized prior service costs are amortized by the straight-line method and charged to income over the number of years (10 years) which does not exceed the average remaining years of employment at the time when the prior service costs incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over constant years (10 years) within the average of the estimated remaining service lives of employees at the time when the actuarial gains and losses are incurred in each period, commencing with the following fiscal year.

(5) Allowance for earthquake-damage losses

The allowance for earthquake-damage losses is established based upon the estimated amount of restoration and other expenses arising from the Great East Japan Earthquake of March 11, 2011.

The Company intends to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, such as the Joban Line and the Senseki Line, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the allowance for earthquake-damage losses.

**7. Method of accounting for hedge transactions**

Hedge transactions are based on deferral hedge accounting. Currency swap transaction fulfilling the requirement of appropriation accounting is based on appropriation accounting, and interest swap transaction fulfilling special accounting is based on special accounting.

**8. Accounting for direct deduction from acquisition cost of fixed assets regarding construction grants**

The Company receives construction grants from local public entities, etc., as a part of construction costs for elevation of rail line for serial overpasses and expansion of railway crossing in its railway operations.

These construction grants are recognized by directly deducting the amount equal to such construction grants from the acquisition cost of fixed assets at the time of completion of construction.

In the statement of income, construction grants are stated in extraordinary gains as “Construction grants received” including the amount received for condemnation, and the amount directly deducted from the acquisition cost of fixed assets are stated in extraordinary loss as “Loss on reduction entry for construction grants” including the reduction for condemnation.

The amount in “Construction grants received” excluding the amount received for condemnation was ¥35,077 million, and the amount in “Loss on reduction entry for construction grants” excluding the reduction for condemnation was ¥33,640 million.

## 9. Accounting for consumption tax

Consumption tax is accounted for by exclusion from each corresponding transaction.

## 10. Changes in Important Items That Form the Basis for Preparing Non-Consolidated Financial Statements

### Application of Accounting Standard for Asset Retirement Obligations

From this fiscal year, the Company began employing the Accounting Standard for Asset Retirement Obligations (Accounting Standards Board of Japan Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Accounting Standards Board of Japan Guidance No. 21, March 31, 2008).

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

An allowance for environmental conservation costs was established in the amount equal to the estimated amount required to treat the buildings and other facilities that have been sprayed with asbestos, which must be eliminated in accordance with the Rules for Asbestos Disorder Prevention. Such amount has been transferred as a part of the asset retirement obligations.

## II. NOTES TO NON-CONSOLIDATED BALANCE SHEET

1. According to the provision of Article 7 of the Supplementary Provisions of the Law to Amend Part of the Law for Passenger Railway Companies and Japan Freight Railway Company (Law No. 61 of 2001), the entire assets of the Company are pledged for the bonds of ¥180,000 million and are subject to a general mortgage.

In addition, the entire assets of the Company are also pledged for original debts of the bonds in the amount of ¥170,000 million listed in “5. Contingent liabilities” below.

### 2. Accumulated depreciation of property, plant and equipment

¥5,910,703 million

### 3. Fixed assets for business operation

Property, plant and equipment:	¥5,214,100 million
Land: ¥1,959,970 million	Buildings: ¥620,072 million
Structures: ¥1,999,423 million	Rolling stock: ¥407,485 million
Others: ¥227,148 million	

Intangible assets: ¥32,175 million

### 4. Accumulated amount of construction grants directly deducted from acquisition cost of fixed assets

¥769,807 million

## 5. **Contingent liabilities**

Original debt under the debt assumption agreements for the bonds issued by the Company: ¥170,000 million

## 6. **Monetary receivables from and payables to subsidiaries and affiliated companies**

Short-term monetary receivables from subsidiaries and affiliated companies: ¥220,915 million

Long-term monetary receivables from subsidiaries and affiliated companies: ¥87,503 million

Short-term monetary payables to subsidiaries and affiliated companies: ¥202,840 million

Long-term monetary payables to subsidiaries and affiliated companies: ¥54,057 million

## III. **NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME**

1. **Operating revenues** ¥1,830,289 million

2. **Operating expenses** ¥1,549,251 million

Transportation cost and sales cost: ¥960,268 million

Selling, general and administrative expenses: ¥218,998 million

Taxes: ¥81,137 million

Depreciation cost: ¥288,847 million

## 3. **Transactions with subsidiaries and affiliated companies**

Operating transactions:

Operating revenues: ¥134,860 million

Operating expenses: ¥334,268 million

Non-operating transactions: ¥87,394 million

## IV. **NOTES TO NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

Class and number of treasury stock as of the end of this fiscal year

Common stock: 4,313,752 shares

## V. **NOTES ON THE TAX EFFECT ACCOUNTING**

Principal factors of the deferred tax assets are employees' severance and retirement benefits and allowance for bonuses to employees, and principal factors of the deferred tax liabilities are reserve for deferred gain of fixed assets and net unrealized holding gains on securities.

## VI. NOTES ON THE FIXED ASSETS USED BY LEASING

In addition to the fixed assets presented in the balance sheet, some of the machines and equipment are used under the finance lease agreements without transfer of ownership.

## VII. NOTES ON THE TRANSACTION BETWEEN RELATED PARTIES

Subsidiary:

Category	Corporate name	Percentage of voting rights held by the Company	Relationship with the related party	Detail of the transaction	Transaction amount (million yen)	Item	Balance at the end of fiscal year (million yen)
Subsidiary	Viewcard Co., Ltd.	Wholly-owned directly	Interlocking officers Franchising agreement	Transfer of credit card receivables, etc.	878,642	Fares receivable	112,053

The transaction amount and balance at the end of fiscal year do not include consumption taxes.

Transaction terms and principles for determination of the transaction terms

Determination with respect to the transfer of credit card receivables, etc. is based on general transaction terms.

## VIII. NOTES ON THE PER SHARE INFORMATION

Net assets per share:	¥3,991.84
Earnings per share:	¥150.21

## IX. OTHER NOTES

### Damages from the Great East Japan Earthquake

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

In the Non-Consolidated Statement of Income, operating revenues declined due to suspended operations and other temporary stoppages of the Tohoku Shinkansen Line and certain parts of the conventional lines. The Company also recorded extraordinary losses consisting of "earthquake-damage losses", which represent the restoration expenses already paid and demolition expenses arising from the loss and damage in fixed assets, as well as "provision for allowance for earthquake-damage losses" for the estimated amount of restoration and other expenses.

The Company intends to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, such as the Joban Line and the Senseki Line, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and

other expenses at this time, such expenses are not included in the allowance for earthquake-damage losses. For reference, the book value of property, plant and equipment (excluding rolling stock, tools, furniture and fixtures), after subtraction of accumulated depreciation from the acquisition price of these affected railway lines and facilities along the Pacific coast, was ¥22,001 million as of March 31, 2011.

Furthermore, the Company's railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which are owned by or leased by the Company, are insured against earthquakes for up to ¥71,000 million (¥10,000 million deductible). This insurance income has not been recorded in the Non-Consolidated Financial Statements for this fiscal year, as insurance claims will be determined in light of the ongoing rebuilding efforts.

Operations of the Tohoku Shinkansen Line and certain parts of the conventional lines have remained suspended even after March 31, 2011. There has also been further damage to the Company's railroad and other facilities due to intermittent earthquakes since March 11. In light of this, decreased operating revenues and additional restoration and other expenses are anticipated for the fiscal year ending March 31, 2012.

**Copy of Audit Report of the Accounting Auditor concerning  
Non-Consolidated Financial Statements**

[English Translation of the Independent Auditors' Report  
Originally Issued in the Japanese Language]

Independent Auditors' Report

May 10, 2011

The Board of Directors  
East Japan Railway Company

KPMG AZSA LLC  
Teruo Suzuki (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Teruhiko Tanaka (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant  
Kazuhiko Azami (Seal)  
Designated Limited Liability Partner  
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of East Japan Railway Company as of March 31, 2011 and for the 24th business year from April 1, 2010 to March 31, 2011 in accordance with Article 436(2)(i) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of East Japan Railway Company for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

**Additional information:**

A description of "Damages from the Great East Japan Earthquake" is included in the Notes to Non-Consolidated Financial Statements.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

## **Copy of Audit Report of the Board of Corporate Auditors concerning**

### **Business Report and Non-Consolidated Financial Statements**

[English Translation of the Audit Report of the Board of Corporate Auditors  
Originally Issued in the Japanese Language]

#### Audit Report

Regarding the performance of duties by Directors for the 24th fiscal year from April 1, 2010 to March 31, 2011, the Board of Corporate Auditors hereby submits its audit report as a collective opinion of all Corporate Auditors, which has been prepared through discussions based on the audit reports prepared by the respective Corporate Auditors, as follows:

#### 1. Methods and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined, among other things, the auditing policies for this fiscal year and work responsibilities; received reports regarding the status of execution of audit and its results from each Corporate Auditor; received reports from Directors, other relevant employees and accounting auditors concerning the performance of their duties; and, when necessary, requested them to provide explanations.

In accordance with the Corporate Auditors' auditing standards specified by the Board of Corporate Auditors and in conformity with auditing policies for this fiscal year and work responsibilities, each Corporate Auditor ensured to communicate effectively with Directors, employees in the internal audit division and other relevant employees; made efforts to collect necessary information and improve auditing environment; attended the meetings of the Board of Directors and other important meetings; received reports from Directors, employees in the internal audit division and other relevant employees regarding the performance of their duties; requested them to provide explanations when necessary; examined important approval documents and associated information; and studied the operations and financial conditions at the head office as well as other principal offices. Moreover, the Corporate Auditors monitored and verified the contents of resolutions of the Board of Directors regarding the implementation of systems required to be implemented to ensure the proper operations of corporations under Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Business Corporation Law including a system to ensure that the performance of duties by Directors is in compliance with the laws, regulations and the Articles of Incorporation, and the status of the system (internal control system) implemented according to such resolutions. As for the subsidiaries, the Corporate Auditors ensured to communicate effectively with Directors, Corporate Auditors and other personnel of subsidiaries and to exchange information therewith, and, when necessary, received reports from the subsidiaries regarding their business. Based on the above methods, the Corporate Auditors examined the business report and supporting schedules for this business year. In addition, the Corporate Auditors monitored and verified whether the accounting auditors were maintaining their independence and properly performing audits; received reports from the accounting auditors on the performance of their duties; and, when necessary, requested them to provide explanations. The Corporate Auditors also received from the accounting auditors a notice confirming that "the system to ensure proper performance of duties"

(matters stipulated in each Item of Article 131 of Corporate Accounting Regulations) was properly implemented according to the “Standards on Quality Control for Audit” (October 28, 2005, Business Accounting Council) and other relevant standards, and, when necessary, requested them to provide explanations. Based on the aforementioned methods, the Corporate Auditors examined the financial statements (balance sheet, the statement of income, the statement of changes in net assets and the related notes) and their supporting schedules for this fiscal year.

## 2. Audit Results

### (1) Audit results concerning business report, etc.

a. In our opinion, the business report and supporting schedules fairly represent the Company’s condition in accordance with the related laws and regulations, and the Articles of Incorporation.

b. With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of the Articles of Incorporation.

c. In our opinion, resolutions of the meetings of the Board of Directors regarding the internal control system are fair and reasonable. Furthermore, we have found no matters to remark regarding the performance of duties by Directors in relation to the internal control system.

### (2) Audit results concerning financial statements and supporting schedules

In our opinion, the methods and results employed and rendered by the accounting auditors, KPMG AZSA LLC, are fair and reasonable.

May 17, 2011

Board of Corporate Auditors  
East Japan Railway Company

Full-time Corporate Auditor	Toshiaki Omori [seal]
Full-time Corporate Auditor	Jiro Bando [seal]
Corporate Auditor	Kiyomi Harayama [seal]
Corporate Auditor	Toshiaki Yamaguchi [seal]
Corporate Auditor	Mutsuo Nitta [seal]

(Note) Messrs. Toshiaki Omori, Jiro Bando, Toshiaki Yamaguchi and Mutsuo Nitta, Corporate Auditors, are outside corporate auditors as prescribed in Article 2, Item 16 of the Business Corporation Law.