Financial Highlights

East Japan Railway Company and Subsidiaries
Years ended March 31

(except for Per share data, Ratios,

	2008	2009	2010	2011	2012
Operating results					
Operating revenues	¥2,703,564	¥2,697,000	¥2,573,724	¥2,537,353	¥2,532,174
Operating expenses	2,258,404	2,264,445	2,228,875	2,192,266	2,172,149
Operating income	445,160	432,555	344,849	345,087	360,025
Profit attributable to owners of parent	189,673	187,291	120,214	76,224	108,738
Comprehensive income*1	N/A	N/A	N/A	73,644	109,304
Segment information*2					
Operating revenues from outside customers:					
Transportation	1,857,756	1,831,933	1,757,994	1,721,922	1,705,794
Retail & Services	404,006	415,020	387,104	385,891	396,168
Real Estate & Hotels	205,347	222,628	226,932	223,293	229,637
Others	236,455	227,419	201,694	206,247	200,575
Total	2,703,564	2,697,000	2,573,724	2,537,353	2,532,174
Financial position					
Total assets	6,942,003	6,965,793	6,995,494	7,042,900	7,060,409
Interest-bearing debt	3,535,343	3,429,871	3,394,970	3,433,010	3,340,233
Shareholders' equity	1,596,398	1,718,587	1,780,584	1,809,355	1,874,404
Cash flows					
Cash flows from operating activities	475,601	584,360	479,180	508,846	558,650
Cash flows from investing activities	(400,789)	(396,796)	(391,682)	(433,179)	(370,685)
Cash flows from financing activities	(80,407)	(159,238)	(115,327)	(27,512)	(152,428)
Per share data*3					
Earnings	47,464	469	303	193	275
Shareholders' equity	399,483	4,301	4,501	4,574	4,739
Cash dividends*4	10,000	110	110	110	110
Ratios					
Profit attributable to owners of parent as a percentage of revenues	7.0	6.9	4.7	3.0	4.3
Return on average equity (ROE)	12.3	11.3	6.9	4.2	5.9
Ratio of operating income to average assets (ROA)	6.4	6.2	4.9	4.9	5.1
Equity ratio	23.0	24.7	25.5	25.7	26.5
Interest-bearing debt to shareholders' equity	2.2	2.0	1.9	1.9	1.8
Interest coverage ratio	3.8	4.8	4.2	4.8	5.5
Interest-bearing debt / Net cash provided by operating activities	7.4	5.9	7.1	6.7	6.0
Total return ratio	—	—	—	—	—
Other data					
Depreciation	335,587	343,101	356,365	366,415	358,704
Capital expenditures*5	417,144	402,582	434,754	425,835	370,199
Interest expense	126,047	120,395	112,596	105,918	101,073
Number of consolidated subsidiaries (As of March 31)	82	82	73	75	72
Number of employees	72,214	72,550	71,854	71,749	71,729
Personnel expenses	766,684	763,760	755,733	707,951	692,663
Percentage of operating revenues from non-transportation operations	31.3	32.1	31.7	32.1	32.6

*1 Accounting Standard for Presentation of Comprehensive Income was adopted beginning the year ended March 31, 2011.
*2 From the year ended March 31, 2018, JR East has changed its reportable segments from Transportation, Station Space Utilization, Shopping Centers & Office Buildings, and Others to Transportation, Retail & Services, Real Estate & Hotels, and Others. Segment information for the year ended March 31, 2017, has been prepared and presented based on the new segment classification.
*3 JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009. Per share data for the year ended March 31, 2009, reflects the stock split.

					Millions of Yen (Number of consolidated subsidiaries, Number of employees, and Percentage of operating revenues from non-transportation operations)	YoY Change %	Millions of U.S. Dollars*6 (except for Per share data)
2013	2014	2015	2016	2017	**2018**	**2018 / 2017**	**2018**
¥2,671,823	¥2,702,917	¥2,756,165	¥2,867,200	¥2,880,802	**¥2,950,157**	**2.4%**	**$27,832**
2,274,260	2,296,123	2,328,643	2,379,379	2,414,492	**2,468,861**	**2.3%**	**23,291**
397,563	406,794	427,522	487,821	466,310	**481,296**	**3.2%**	**4,541**
175,385	199,940	180,398	245,310	277,925	**288,957**	**4.0%**	**2,726**
197,740	214,632	229,293	217,419	293,471	**300,647**	**2.4%**	**2,836**
1,809,554	1,827,467	1,852,040	1,954,588	1,989,839	**2,017,877**	**1.4%**	**19,037**
404,207	400,948	396,368	399,960	502,414	**514,963**	**2.5%**	**4,858**
238,945	251,070	254,997	255,979	326,312	**340,144**	**4.2%**	**3,209**
219,117	223,432	252,760	256,673	62,237	**77,173**	**24.0%**	**728**
2,671,823	2,702,917	2,756,165	2,867,200	2,880,802	**2,950,157**	**2.4%**	**27,832**
7,223,205	7,428,304	7,605,690	7,789,762	7,911,115	**8,147,676**	**3.0%**	**76,865**
3,307,483	3,288,401	3,275,523	3,241,979	3,211,074	**3,179,660**	**–3.2%**	**29,997**
2,030,666	2,180,633	2,285,658	2,442,129	2,653,419	**2,859,330**	**7.8%**	**26,975**
588,529	562,764	622,762	673,110	652,907	**704,194**	**7.9%**	**6,644**
(465,952)	(474,698)	(476,844)	(499,575)	(557,539)	**(541,857)**	**–2.8%**	**(5,112)**
(101,151)	(91,367)	(86,636)	(110,266)	(116,280)	**(135,100)**	**16.2%**	**(1,275)**
444	507	459	626	714	**749**	**4.9%**	**7**
5,136	5,529	5,818	6,232	6,826	**7,427**	**8.8%**	**70**
120	120	120	130	130	**140**	**7.7%**	**1**
6.6	7.4	6.5	8.6	9.6	**9.8**		
9.0	9.5	8.1	10.4	10.9	**10.5**		
5.6	5.6	5.7	6.3	5.9	**6.0**		
28.1	29.4	30.1	31.4	33.5	**35.1**		
1.6	1.5	1.4	1.3	1.2	**1.1**		
6.2	6.3	7.6	8.8	9.2	**10.9**		
5.6	5.8	5.3	4.8	4.9	**4.5**		
31.8	29.3	32.3	33.0	32.6	**18.7**		
346,808	348,042	353,251	359,515	364,129	**367,998**	**1.1%**	**3,472**
480,717	525,708	522,127	541,949	506,727	**550,478**	**8.6%**	**5,193**
95,312	88,279	81,962	76,332	70,258	**64,733**	**–7.9%**	**611**
72	73	72	67	67	**69**		
73,017	73,551	73,329	73,053	73,063	**73,193**		
716,700	728,000	721,676	728,296	722,279	**725,320**	**0.4%**	**6,843**
32.3	32.4	32.8	31.8	32.0	**31.6**		

*4 The total amount of dividends for the year ended March 31 comprises interim dividends for the interim period ended September 30 and year-end dividends for the year ended March 31, which were decided at the annual shareholders' meetings in June.

*5 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.

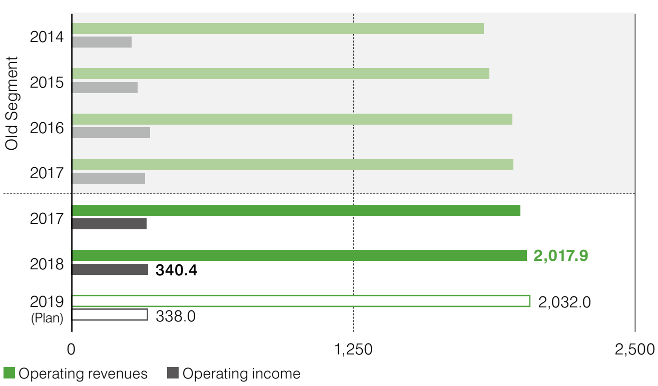
*6 Yen figures have been translated into U.S. dollars, solely for the convenience of readers, at the rate of ¥106 to U.S.$1, the prevailing exchange rate at March 31, 2018.

At a Glance

Transportation

Operating Revenues and Operating Income by Segment

Billions of Yen



Numbers

Conventional network
(Kanto area)
Operating kilometers

2,535.0 kilometers

(as of March 31, 2018)

Fiscal 2018
Conventional revenues (Kanto area)
from passenger tickets

¥1,179.2 billion

Conventional network
(Outside Kanto area)
Operating kilometers

3,728.1 kilometers

(as of March 31, 2018)

Fiscal 2018
Conventional revenues
(Outside Kanto area) from
passenger tickets

¥69.2 billion

Shinkansen network
operating kilometers

1,194.2 kilometers

(as of March 31, 2018)

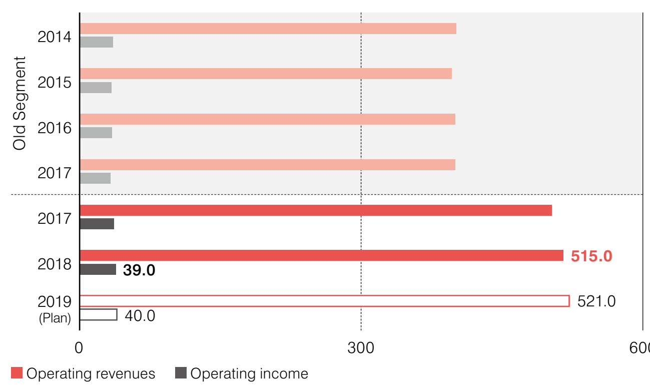
Fiscal 2018
Shinkansen revenues
from passenger tickets

¥588.1 billion

Retail & Services

Operating Revenues and Operating Income by Segment

Billions of Yen



Numbers

Railway stations used by more than
100,000 passengers per day*

97

(as of March 31, 2018)

Railway stations used by more than
200,000 passengers per day*

41

(as of March 31, 2018)

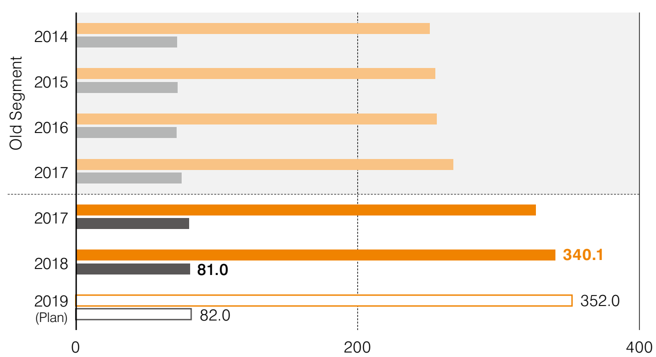
* The number of station users represents twice the number of passengers embarking.

For details about fiscal 2018 initiatives, please see pages **42** to **45**.

Real Estate & Hotels

Operating Revenues and Operating Income by Segment

Billions of Yen



Numbers

JR East's shopping centers

186

(as of March 31, 2018)

Shopping centers–
Total floor space

2,370,000 m²

(as of March 31, 2018)

Office buildings–
Leased floor space

350,000 m²

(as of March 31, 2018)

Hotels–Total guest rooms

7,216

(as of March 31, 2018)

Metropolitan Hotels

Hotels	Guest rooms
12	3,471

Occupancy

81.5%

(as of March 31, 2018)

HOTEL METS

Hotels	Guest rooms
24	2,851

Occupancy

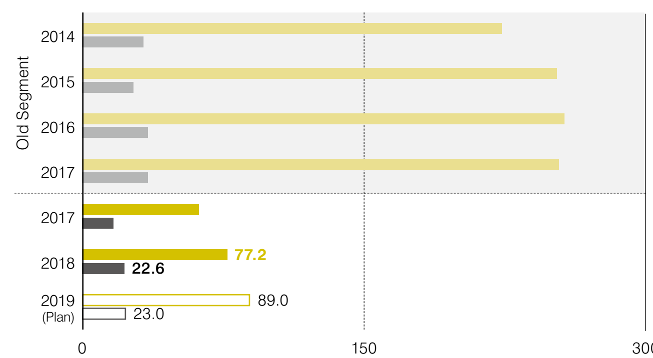
88.1%

(as of March 31, 2018)

Others

Operating Revenues and Operating Income by Segment

Billions of Yen



Numbers

Suica cards issued

69.4 million

(as of March 31, 2018)

Public transportation electronic money, record daily transactions

6.6 million (Highest ever)

(as of March 31, 2018)

Public transportation electronic money, compatible stores

476,300

(as of March 31, 2018)

Fiscal 2018 Initiatives by Segment

Transportation

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

With respect to transportation, JR East increased the frequency of trains on the Ueno-Tokyo line that merge and continue to travel on the Joban Line and took steps to improve the convenience of *Hitachi* and *Tokiwa* express trains on the Joban Line in October 2017.

With respect to marketing and sales activities, aiming to increase inter-regional railway travel, JR East conducted various campaigns, including the *SHINKANSEN YEAR 2017* Campaign, the *Shinshu Destination Campaign,* the *Aomori Prefecture and Hakodate Tourism Campaign*, and the *Ikuze, Tohoku. SPECIAL Fuyu no Gohobi* Campaign. In addition, JR East conducted the *FUN! TOKYO!~ Kokoro mo Ugokase! Yamanote Line*~Campaign, which introduced the appeal of surrounding areas and encouraged use of the Yamanote Line.

Moreover, from May 2017 JR East commenced operations of the *TRAIN SUITE SHIKI-SHIMA* cruise train, thereby advancing the cultivation and distribution of information about the many different attractions of regions.

TRAIN SUITE SHIKI-SHIMA

Retail & Services

In the Retail & Services segment, in August 2017 JR East completely opened *GranSta Marunouchi* (Tokyo) in the Marunouchi underground area of Tokyo Station and a new area of *GranSta* (Tokyo). In addition, JR East actively promoted renewals to existing stores, including *ecute Shinagawa* (Tokyo) and *ecute Omiya* (Saitama). Further, JR East continued introducing stores with new designs for *NewDays* (convenience stores) and introducing *NewDays KIOSK*, which is a new type of *KIOSK* store. In addition, JR East held the *Minna ga Okuritai. JR East Omiyage Grand Prix*, featuring representative souvenirs from eastern Japan. JR East also sold the *11 Tokyo Metropolitan Area Railway Operators Madoue Dream Network Set*, which enables the simultaneous posting of advertisements above windows inside railcars on all target lines, including those of other railway operators, from October 2017. As well, aiming to strengthen development capabilities for stores in station concourses, in April 2018 subsidiary JR East Retail Net Co., Ltd., proceeded with preparations to carry out an absorption-type merger of subsidiary JR East Station Retailing Co., Ltd., as well as to make JR East Water Business Co., Ltd., a wholly owned subsidiary.

GranSta

Real Estate & Hotels

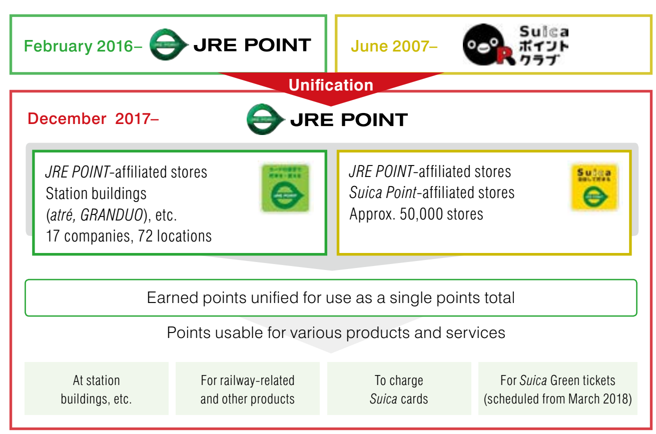
In the Real Estate & Hotels segment, JR East opened an area that increased the floor space of *S-PAL Sendai East Building* (Miyagi) and opened *Hotel Metropolitan Sendai East* (Miyagi), *JR Saitama-Shintoshin Building* (Saitama), and *Hotel Metropolitan Saitama-Shintoshin* (Saitama) in June 2017, as well as *Hotel Dream Gate Maihama Annex* (Chiba) in December 2017. Further, in February 2018 JR East proceeded with the increase of floor space for *atré Kawasaki* (Kanagawa) as well as the opening of *Shapo Funabashi South Annex* (Chiba) and *HOTEL METS Funabashi* (Chiba). In March 2018, JR East opened the *JR Urawa Station West Exit Building* (Saitama). JR East also moved forward with the construction of *PERIE CHIBA* (Chiba), which is scheduled for full opening in June 2018; *HOTEL METS Akihabara* (provisional name), which is scheduled to open in autumn 2019; phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE* (Tokyo), which is scheduled for opening in fiscal 2020; the *Yokohama Station West Exit Station Building* (provisional name), which is scheduled for opening in 2020; the *Gotanda East Exit Building* (provisional name), which is scheduled to open in spring 2020; the *Takeshiba Waterfront Development Project*, which is slated for completion in phases starting in spring 2020; and the *World Trade Center South Hall* (Tokyo), which is slated to open in 2021.

Hotel Metropolitan Sendai East

Others

In *Suica* shopping services (electronic money), JR East continued to develop the network of participating stores and business establishments actively through efforts that included introduction of *Suica* electronic money to chain stores with extensive operating areas. As a result of these measures, *Suica* electronic money was usable at approximately 470,000 stores as of March 31, 2018. In addition, to provide a points service that makes it easier for customers to save and use points, JR East integrated *Suica Point* with the Group's unified *JRE POINT* in December 2017, and has moved forward with preparations to integrate this point system with *View Thanks Point* in June 2018.

Also, subsidiary Japan International Consultants for Transportation Co., Ltd., provided consultation services for the "Follow-up Study for the Mumbai-Ahmedabad High-Speed Railway Corridor" and the "General Consultancy of the Mumbai-Ahmedabad High-Speed Railway Project." At the same time, the subsidiary proceeded with supervision of the construction of a training center under a project which it received from the National High Speed Rail Corporation Limited (NHSRCL) in India. In conjunction with these efforts, JR East took advantage of its experience as a Shinkansen operator to provide technological support.



Unification of *Suica Point* with *JRE POINT*

Fiscal 2018 Initiatives Based on Six Basic Policies

Pursuing “extreme safety levels”

Automatic platform gates

Strengthen structure for reducing and managing safety-related risks

- Prevent incidents through the thorough implementation of prevention measures formulated to date and the unearthing of weak points of physical and intangible infrastructure
- Implement more practical educational activities and training to deepen employee understanding of the “essence” of their duties
- Thoroughly understand and rigorously enforce rules and processes for construction work related to railways in collaboration with Group and partner companies
- Prioritize the strengthening of electrical facilities in the Tokyo metropolitan area as well as facilities and railcars used for Shinkansen lines

Create stronger railways

- Proceed with earthquake-mitigation measures that cover more areas and a greater number of facilities
- Steadily renovate aging facilities

Service quality reforms

Comprehensive recovery training

Reinforce measures to prevent transportation disruptions and enhance response capabilities should such disruptions occur

- Prevent the occurrence of transportation disruptions through measures to respond to large-scale natural disasters and other means
- Prevent the impact of transportation disruptions from spreading should they occur and promptly restart train operations and respond to customers

Promote safety measures aimed at train platforms and train crossings

- Move forward with the installation of platform gates and color psychology (CP) lines in the Tokyo metropolitan area
- Promote measures to prevent obstacles and accidents at railway crossings
- Continue to promote “Assistance Campaign and Support” together with related companies

Strengthening collaboration with local communities

Shinagawa New Station (provisional name)

Improve convenience and establish brands at terminal stations

- Proceed with the construction of Shinagawa New Station (provisional name), which is slated to open in 2020, and advance urban development plans to create a new hub for international exchanges centered on the new station and Shinagawa Station

Enhance line-side value

- Create and further develop line-side value centered on the Tokyo metropolitan area
- Provide support for improving lifestyles and workstyles

Promote regional revitalization

- Encourage tourism
- Invigorate regional industries and promote passenger traffic to regions
- Carry out urban development focused on establishing train stations as centers of local communities

Technological innovation

Doppler radar

Realize technological innovation

- Promote technological innovation in the fields of safety and security, service and marketing, operation and maintenance, and energy and environment
- Establish cloud system platforms
- Realize innovation ecosystems through the "Mobility Revolution Consortium" and other means

Tackling new business areas

West Midlands Franchise in the United Kingdom

Take on the challenge of overseas railway projects

- Proceed with the high-speed railway project in India
- Advance efforts to obtain rights for the West Midlands Project, a U.K. franchise

Developing employees and creating a corporate culture that maximizes human potential

Overseas experience program

Develop employees and create a corporate culture that maximizes human potential

- Improve employee level of professionalism and productivity in all business fields through reforms to workstyles, the promotion of diversity, and technological innovation, among other means
- Further expand the fields in which employees are active
- Promote "internal globalization" through the creation of various opportunities for interaction between employees both inside and outside the Company

JR East: International and Domestic Perspectives

Peer Group Comparisons

In this section, several key performance indicators illustrate how JR East compares with selected well-known companies.

In scale and profitability, JR East is not to be outdone by any of the world's renowned transportation companies. It is a benchmark among public utilities in Japan—including the power and telecommunications companies—of an overwhelming scale and earnings performance above all of the other domestic airline and private railway operators.

INTERNATIONAL

Total Stock Market Value*1

Millions of U.S. Dollars

JR East	**35,165**
IAG	19,340
Lufthansa	17,792
Union Pacific	104,505
FedEx	52,010
UPS	102,661

Operating Revenues

Millions of U.S. Dollars

JR East	**27,832**
IAG	28,233
Lufthansa	43,727
Union Pacific	21,240
FedEx	60,319
UPS	65,872

Profit Attributable to Owners of Parent

Millions of U.S. Dollars

JR East	**2,726**
IAG	2,459
Lufthansa	2,905
Union Pacific	10,712
FedEx	2,997
UPS	4,910

Cash Flows from Operating Activities

Millions of U.S. Dollars

JR East	**6,644**
IAG	4,317
Lufthansa	6,188
Union Pacific	7,230
FedEx	4,930
UPS	1,479

Return on Average Equity (ROE)*2

%

JR East	**10.5**
IAG	32.2
Lufthansa	28.6
Union Pacific	47.8
FedEx	20.1
UPS	698.9

Ratio of Operating Income to Average Assets (ROA)*3

%

JR East	**6.0**
IAG	10.0
Lufthansa	8.9
Union Pacific	14.2
FedEx	10.7
UPS	17.6

DOMESTIC

Total Stock Market Value*1

Millions of U.S. Dollars

JR East	**35,165**
ANA	13,000
Tokyu	9,503
Kansai Electric Power	11,521
NTT	91,116

Operating Revenues

Millions of U.S. Dollars

JR East	**27,832**
ANA	18,602
Tokyu	10,742
Kansai Electric Power	29,563
NTT	111,317

Profit Attributable to Owners of Parent

Millions of U.S. Dollars

JR East	**2,726**
ANA	1,357
Tokyu	661
Kansai Electric Power	1,433
NTT	8,582

Cash Flows from Operating Activities

Millions of U.S. Dollars

JR East	**6,644**
ANA	2,981
Tokyu	1,439
Kansai Electric Power	5,880
NTT	24,883

Return on Average Equity (ROE)*2

%

JR East	**10.5**
ANA	15.1
Tokyu	10.6
Kansai Electric Power	10.9
NTT	9.8

Ratio of Operating Income to Average Assets (ROA)*3

%

JR East	**6.0**
ANA	6.7
Tokyu	3.8
Kansai Electric Power	3.3
NTT	7.7

*1 Data in these graphs has been computed from each company's share price and shares outstanding at the end of the previous fiscal year.
*2 Average equity is the average of equity at the end of the previous and applicable fiscal years.
*3 Average assets is the average of assets at the end of the previous and applicable fiscal years.
- In January 2011, British Airways and IBERIA underwent management integration to become IAG (International Airlines Group).
- Year ended March 31, 2018 (Year ended December 31, 2017, for IAG, Lufthansa, Union Pacific, and UPS and year ended May 31, 2017, for FedEx).
- ANA: ANA HOLDINGS INC.; Tokyu: Tokyu Corporation; NTT: Nippon Telegraph and Telephone Corporation
- Data in this section is based on consolidated figures from each company's annual report or financial press releases.
- The exchange rate used is the prevailing rate at March 31, 2018 (U.S.$1=¥106, £1=$1.40, and €1=$1.23).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $91.34 for JR East, $9.12 for IAG, $37.75 for Lufthansa, $134.10 for Union Pacific, $193.88 for FedEx, $119.15 for UPS, $38.85 for ANA, $15.64 for Tokyu, $12.90 for Kansai Electric Power, and $46.23 for NTT.

International Railway Comparisons

Japan's high reliance on railways due to the size of the economy and geographic characteristics affords railway companies an extremely large source of demand, especially in urban areas. In addition to being Japan's top railway company, JR East is one of the largest railway companies in the world.

TRANSPORTATION MARKET

Railway Line Networks

Kilometers

JR East	**7,457**
U.K.	15,799
Germany	33,332
France	29,921
U.S.	34,439

Revenues from Railway Operations

Millions of U.S. Dollars

JR East	**17,327**
U.K.	13,255
Germany	21,162
France	16,662
U.S.	2,544

Number of Passengers

Millions

JR East	**6,488**
U.K.	1,640
Germany	2,007
France	1,201
U.S.	30

Number of Employees

JR East	**47,575**
U.K.	36,828
Germany	297,170
France	147,417
U.S.	20,388

Passenger Kilometers

Millions

JR East	**136,486**
U.K.	62,297
Germany	79,257
France	70,790
U.S.	10,519

- Figures are for the years ended March 2018 for JR East, March 2015 and March 2014 for the U.K. (Network Rail Ltd. and Association of Train Operating Companies, respectively), December 2015 for Germany, December 2015 and December 2013 for France (Societe Nationale des Chemins de fer Francais (SNCF) and Reseau Ferre de France (RFF), respectively), and September 2017 for the U.S. (U.S. figures for number of passengers and passenger kilometers are for the year ended September 2015.).
- U.K.: Association of Train Operating Companies (railway tracks owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: SNCF (railway tracks owned by RFF); U.S.: National Railroad Passenger Corporation (Amtrak)
- Revenues from railway operations do not include freight and other service revenues.
- Figures for JR East do not include Tokyo Monorail.
- The exchange rate used is U.S.$1=¥106 and €1=U.S.$1.23 as of March 2018.

Source: International Railway Statistics 2015 and Amtrak National Facts.

FUNDAMENTALS

Gross Domestic Product

Billions of U.S. Dollars

2017	
Japan	**5,527**
U.K.	2,897
Germany	4,194
France	2,866
U.S.	19,391

Population

Millions

2017	
Japan	**126.7**
U.K.	65.0
Germany	82.1
France	66.2
U.S.	324.5

Population Density

Per Square Kilometer

2017	Population per square kilometer of total national land area	Population per square kilometer of habitable land area
Japan	335	1,621
U.K.	268	308
Germany	230	338
France	120	173
U.S.	33	48

- JR East calculated these figures by using the following data and definition of each country's habitable land area.

Population

Japan: Current Population Estimates, Ministry of Internal Affairs and Communications Statistics Bureau

Other countries: United Nations data

Habitable land area

Japan: Land White Paper, Ministry of Land, Infrastructure, Transport and Tourism. Total area minus forests and woodland, barren land, area under inland water bodies, and other

Other countries: Global Forest Resources Assessment 2015, FAO

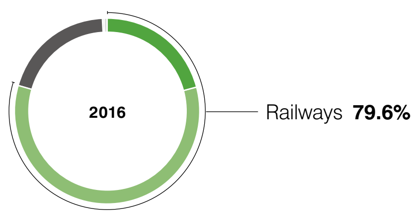
JR East: International and Domestic Perspectives

Railway Operations in Japan

In Japan, demand for railway transportation is significant due to geographical characteristics and the scale of railway networks. Reliance on railways is particularly high in cities.

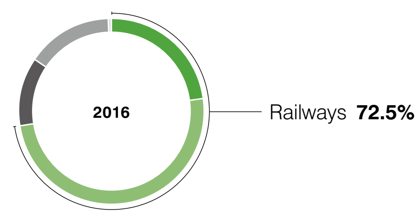
SHARE OF DOMESTIC TRANSPORTATION

Number of Passengers



Years ended March 31		2015 Millions	2015 %
Railways	**JR East**	**6,365**	**20.9**
	Other railways	17,925	58.7
	Motor vehicles*	6,031	19.8
	Airlines	96	0.3
	Ships	88	0.3
	Total	30,505	100.0

Passenger Kilometers



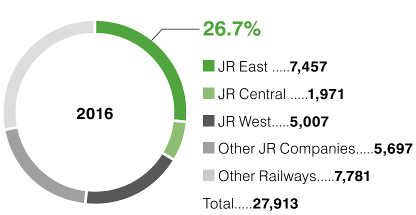
Years ended March 31		2015 Millions	2015 %
Railways	**JR East**	**134,428**	**22.8**
	Other railways	293,058	49.7
	Motor vehicles*	71,443	12.1
	Airlines	88,216	14.9
	Ships	3,139	0.5
	Total	590,284	100.0

As of March 31, 2016
* "Motor vehicles" only includes commercial vehicles. It does not include private passenger cars and light cars.
- Figures for Tokyo Monorail are not included in JR East.
Source: Summary of Transport Statistics, Ministry of Land, Infrastructure, Transport and Tourism

SHARE OF DOMESTIC RAILWAYS

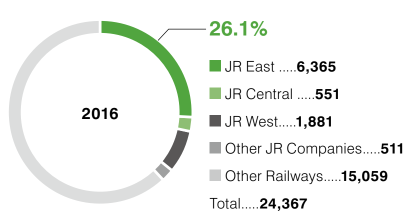
Passenger Line Network

Kilometers



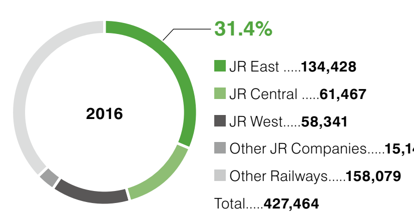
Number of Passengers

Millions



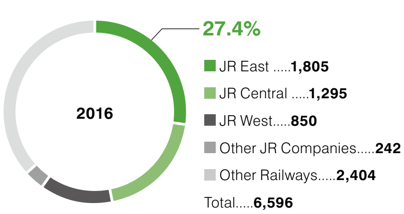
Passenger Kilometers

Millions



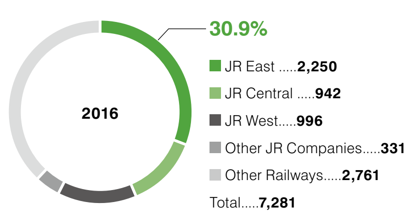
Revenues from Passenger Tickets

Billions of Yen



Rolling Stock Kilometers

Millions



As of March 31, 2016
- Figures for Passenger Line Network do not include freight traffic.
- Figures for Rolling Stock Kilometers do not include locomotives and freight cars.
- Figures for Tokyo Monorail are included in other railways.
Source: Statistics of Railways 2015, Ministry of Land, Infrastructure, Transport and Tourism

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

Forward-looking statements in the following discussion and analysis are judgments of the JR East Group as of March 31, 2018.

Key Accounting Policies and Estimates

JR East prepares consolidated financial statements in accordance with accounting principles generally accepted in Japan. Forward-looking estimates included in those financial statements are based on a variety of factors that, in light of JR East's past performance and current circumstances, can be reasonably assumed to have affected results for assets and liabilities on the consolidated settlement date and consolidated revenues and expenses in fiscal 2018, ended March 31, 2018. JR East continuously assesses those factors. However, actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

Performance Analysis

Overview

In fiscal 2018, the Japanese economy improved in such areas as employment and income conditions and continued to recover gradually. Under these conditions, the Group (consisting of JR East, its consolidated subsidiaries, and affiliated companies that were accounted for by the equity method) steadily executed various initiatives centered on the railway, life-style service, and IT & *Suica* businesses.

As a result of these initiatives, during the fiscal year under review, operating revenues increased 2.4% year on year, to ¥2,950.2 billion ($27,832 million), with operating income rising 3.2%, to ¥481.3 billion ($4,541 million). These increases were largely due to growth in JR East's transportation revenues. Profit attributable to owners of parent increased 4.0%, to ¥289.0 billion ($2,726 million).

Further, at the end of fiscal 2018 total assets amounted to ¥8,147.7 billion ($76,865 million), an increase of ¥236.6 billion ($2,232 million) from the previous fiscal year-end; total liabilities amounted to ¥5,263.1 billion ($49,652 million), an increase of ¥27.4 billion ($258 million); and total net assets amounted to ¥2,884.6 billion ($27,213 million), an increase of ¥209.2 billion ($1,974 million).

To pursue its priority task of improving the safety and reliability of transportation, JR East is making rigorous efforts to prevent the recurrence of incidents that affect transportation as well as efforts to prevent the occurrence of such incidents by identifying risks and weaknesses. Specifically, JR East improved the electrical equipment of its conventional lines in the Tokyo metropolitan area and Shinkansen facilities to address their weaknesses. In addition, to deepen each employee's understanding of the nature of their work, JR East utilized such methods as the use of simulators, which it is introducing to operational sites and other locations, and life-sized railcar equipment and conducted more practical educational and training activities. In conjunction with these efforts, JR East took measures to enhance safety in the Group as a whole, such as conducting joint training with Group companies and other organizations. Further, JR East worked to provide reliable transportation services through such efforts as the implementation of measures related to ground facilities and railcars to prevent service disruptions. Additionally, JR East has treated with the utmost gravity the transportation disruptions following incidents that occurred in or after September 2017, which have inconvenienced a large number of customers. These incidents included a power outage that occurred at the Warabi AC substation for electric railways, the breakdown of electric facilities at Higashi-Washinomiya Station on the Utsunomiya Line, and the breakage of overhead wires on the Kawasaki–Tsurumi segment of the Keihin-Tohoku Line. In response, JR East conducted emergency inspections of related facilities and equipment. JR East then made efforts to analyze the circumstances and to rigorously recheck and reinforce rules and procedures with respect to railway-related construction and work, in cooperation with Group companies, partner companies, and others. Further, in light of the long time during which a train was stranded between stations on the Shinetsu Main Line in January 2018 due to heavy snow, JR East made efforts to clarify the chain of command and centralize information at times when transportation is disrupted. In addition to these efforts, JR East expanded the initiative to make prompt announcements of when operations are expected to resume after disruption. At the same time, JR East completed construction work to lengthen the platforms of certain railway stations on the Takasaki Line with a view to increasing contingency shuttle operations.

With respect to another priority task of taking on the challenge of enhancing profitability, JR East will pursue "lifestyle creation (town development)" that enhances the appeal of towns and their railway stations, in addition to promoting its businesses centered on railway stations, based on the "Life-Style Service Business Growth Vision (NEXT10)" announced in November 2017. In doing so, during the next 10 years JR East aims to increase the operating revenues and operating income of the life-style service business by approximately 1.5 times versus their levels in fiscal 2017. Specifically, in March 2018 JR East created *JRE Mall*, a shopping website that allows visitors to order items online and pick them up within JR East train stations. In addition, JR East organized the "JR EAST STARTUP PROGRAM" with the aim of creating new businesses and services, received proposals from startups and other organizations, and conducted verification tests with a view to the establishment of businesses at Omiya Station and other locations. At the same time, JR East established JR East Start UP Co., Ltd., in February 2018. Also, with the aim of "making line-side areas more attractive and convenient," JR East jointly commenced with CENTRAL SECURITY PATROLS CO., LTD., the *mamorail* service for watching over children in October 2017. JR East began to undertake preparations for expanding this service to cover 244 stations on 15 lines within the Tokyo metropolitan area in April 2018. Further, as part of the *HAPPY CHILD PROJECT*, JR East is proceeding with development aimed at opening a cumulative total of 130 child-rearing support facilities inside station buildings and other buildings by April 2020. JR East had a total of 110 facilities as of March 31, 2018. Also, for proposal-based rental housing, JR East proceeded with preparations and allowed people to move into *View Lieto Mitaka* (Tokyo), rental housing that supports child-rearing; *View Lieto Shin-Kawasaki* (Kanagawa), multigenerational-type rental housing; and *Higashi Koganei Share Lieto S* (Tokyo), rental housing that targets students from overseas, in March 2018.

With respect to the area surrounding Shinagawa Station and Tamachi Station, JR East aims to develop an internationally attractive exchange hub, as some of the land used for the Shinagawa Depot railway yard will become available for other uses. JR East is continuing the process of pursuing urban development in cooperation with the Japanese government, the Tokyo metropolitan government, relevant wards, and other stakeholders. Further, JR East began the construction of Shinagawa New Station (provisional name) with a view to its interim opening in spring 2020 and its full opening around 2024, which is scheduled to coincide with the opening of the town.

With respect to strategies for visitors to Japan from overseas, the JR East Group as a whole took measures to increase the number of and improve products and develop capabilities to service such customers. Specifically, in collaboration with Hokkaido Railway Company, JR East launched a new product for the Hakodate area, *HAKODATE BUFFET*; enhanced the product lineup under the *JR East Railway Holiday* brand; and launched the *JR Tohoku-South Hokkaido Rail Pass*, which may be used for the Hokkaido Shinkansen Line. At the same time, targeting the Tohoku area, JR East coordinated with airlines in Asia and launched *air and land* Japan visit travel packages that include railway services and flights and established the JR EAST Sales Office for Southeast Asia in Singapore. Further, JR East opened a prayer room in Tokyo Station and a new *JR EAST Travel Service Center* at Shibuya Station and Ueno Station, and proceeded with the establishment of in-car luggage storage areas for such services as the Tohoku Shinkansen E5 series. Also, in the Tokyo metropolitan area, JR East made progress in introducing station numbering that displays both station numbers and line numbers, with 206 stations now using such numbering.

In light of the "JR East 2020 Project," which summarizes JR East's objectives as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games, JR East upgraded railway stations near competition venues with the aim of completing these efforts by spring 2020. Also, JR East commenced *TOKYO SPORTS STATION*, a collaborative project with Tokyo Metro Co., Ltd., which works to build momentum for the commencement of the Tokyo 2020 Olympic and Paralympic Games in such ways as showing videos introducing each competition on trains. Also, placing the promotion of the "TICKET TO TOMORROW" slogan as a priority task, the JR East Group will provide high-quality services with a view to meeting customer expectations in all business areas and to creating a legacy for society beyond 2020.

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

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

Results by business segment were as follows. As of the fiscal year under review, JR East has changed the classification of reportable segments. The year-on-year comparisons below are comparisons with figures of the previous fiscal year that have been recalculated based on the new segment classification.

Segment Information

TRANSPORTATION

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

With respect to safety, JR East steadily implemented measures based on its sixth five-year safety plan, "Group Safety Plan 2018." With the aim of additional seismic reinforcement based on the scenario of a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area, JR East expanded the target area and increased target facilities and began measures in light of the risk of damage to respective facilities and the effect on line segments and other aspects of operations. Also, JR East proceeded with work to replace rails on the Tohoku Shinkansen Line, which began operations 35 years ago. JR East moved forward with the installation of automatic platform gates based on a policy of introducing them to 330 major railway stations in the Tokyo metropolitan area by the end of fiscal 2033. JR East began using automatic platform gates at five railway stations, including Ueno Station on the Keihin-Tohoku Line. At the same time, with the aim of shortening construction periods and reducing costs, JR East installed "Smart" automatic platform gates at Machida Station on the Yokohama Line and proceeded with verification aimed at actual use. As part of its efforts to prevent railway crossing accidents, JR East installed whistling signs at railway crossings not equipped with crossing alarms and crossing gates. Further, JR East expanded the implementation of a train approach alarm system that utilizes GPS to improve the safety of personnel who perform maintenance to more line segments.

With respect to service quality, the Group promoted measures aimed at becoming "No. 1 for customer satisfaction in the Japanese railway industry" based on the "Medium-term Vision for Service Quality Reforms 2017." Also, aiming to complete countermeasures by around the summer of 2020, JR East proceeded with construction work on the Tohoku, Joetsu, and Hokuriku Shinkansen lines to eliminate areas in tunnels where mobile phone connection is poor. Further, concentrating on the Nambu, Yokohama, and Keiyo lines, JR East increased the installation of guidance-use displays for emergencies at railway stations. In addition, regarding the *assistance* campaign in which personnel ask nearby customers whether they require assistance, JR East collaborated with other railway operators and companies to conduct a reinforcement campaign. Also, with the aim of further accelerating the initiatives it has implemented to improve service quality, JR East has formulated the new "Medium-term Vision for Service Quality Reforms 2020," which is a three-year plan that began in fiscal 2019.

With respect to transportation, JR East increased the frequency of trains on the Ueno-Tokyo Line that merge and continue to travel on the Joban Line and took steps to improve the convenience of *Hitachi* and *Tokiwa* express trains on the Joban Line in October 2017. JR East also revised timetables with a focus primarily on easing congestion during commuting hours. In addition, within the timetable revisions carried out in March 2018, JR East improved convenience for passengers by increasing the frequency of *Hayabusa* services on the Tohoku Shinkansen Line and *Asama* services on the Hokuriku Shinkansen Line. As well, JR East worked to improve comfort levels for passengers through such means as converting railcars on the *Super Azusa* limited express service of the Chuo Line to the new E353 series.

With respect to marketing and sales activities, aiming to increase inter-regional railway travel, JR East conducted various types of campaigns, including the *SHINKANSEN YEAR 2017* Campaign, the *Shinshu Destination Campaign*, the *Aomori Prefecture and Hakodate Tourism Campaign*, and the *Ikuze, Tohoku. SPECIAL Fuyu no Gohobi* Campaign. In addition, JR East conducted the *FUN! TOKYO!~Kokoro mo Ugokase! Yamanote Line~* Campaign, which introduced the appeal of surrounding areas and encouraged use of the Yamanote Line. Moreover, JR East proceeded with preparations to begin the *Honmono no Deai Tochigi* Destination Campaign in April 2018. Further, JR East commenced operations of the *Joyful Train*, *HIGH RAIL 1375*, between Kobuchizawa and Komoro on the Koumi Line in July 2017. JR East also launched *Fretemina* hands-on-learning-type tours for children as a new brand and began sales of travel products in May 2017.

In *Suica* operations, from April 2017 JR East increased railway stations on the Shinonoi, Chuo Main, and Banetsu West lines at which *Suica* is usable. The number of *Suica* cards issued and outstanding was approximately 69.42 million as of March 31, 2018. Further, for the segment between Tokyo and Nasushiobara on the Tohoku Shinkansen Line and other segments, JR East proceeded with preparations to begin the use of a new service called *Touch de Go! Shinkansen*, which will enable the use of *Suica* for non-reserved seats in ordinary cars of the segment's Shinkansen services in April 2018.

As a result of these initiatives, JR East's number of passengers for railway operations exceeded that of the previous fiscal year, and operating revenues in the Transportation segment increased 1.6% year on year, to ¥2,103.5 billion ($19,845 million). Similarly, operating income rose 1.9% year on year, to ¥340.4 billion ($3,211 million).

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

JR East's policy for areas within a 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station is to prepare to resume operations in the areas designated as "areas where evacuation orders have been lifted," through the cooperation of the national government and local authorities that are working to decontaminate line-side areas and return residents to their homes. Based on this policy, on the Joban Line JR East resumed operations between Namie and Odaka in April 2017 and between Tatsuta and Tomioka in October 2017. Further, in the areas designated as "areas where it is expected that the residents will have difficulties in returning for a long time," JR East aims to open lines after the restoration of damaged facilities, the completion of decontamination work required for opening lines, and the implementation of measures to ensure the safety of users in emergencies, with the support and cooperation of the national government and local authorities. JR East proceeded with restoration work with a view to resume operations between Tomioka and Namie on the Joban Line by March 31, 2020.

With respect to the line segment between Aizu-Kawaguchi and Tadami on the Tadami Line, JR East held discussions with local authorities and other organizations aimed at resumption of operations since they were suspended due to a disaster resulting from torrential rain in July 2011. In March 2017, JR East received a written request from the governor of Fukushima Prefecture for the resumption of railway services. Following discussions, in June 2017 an agreement was reached on a framework and other matters for resumption through the scheme of separating ownership of railway facilities and operations, and JR East concluded a "Basic Agreement and Memorandum of Understanding concerning the Resumption of Railway Services on the Tadami Line (between Aizu-Kawaguchi and Tadami)" with Fukushima Prefecture. In light of this, JR East cooperated with local authorities and other organizations and proceeded with preparations toward construction work for the resumption of railway services, which is slated to commence during 2018.

SHINKANSEN NETWORK

In the Shinkansen network, passenger kilometers increased 0.8% year on year, to 23.4 billion, mainly due to an increase in visitors to Japan among passengers and a favorable performance during the Golden Week spring vacation. Revenues from passenger tickets increased 0.6% year on year, to ¥588.1 billion ($5,548 million). Included in this figure, Shinkansen commuter pass revenues increased 1.6% year on year, to ¥24.3 billion ($229 million), and non-commuter pass revenues rose 0.6%, to ¥563.9 billion ($5,320 million).

CONVENTIONAL LINES (KANTO AREA NETWORK)

For conventional lines in the Kanto area network, passenger kilometers increased 1.1% year on year, to 107.5 billion. Revenues from passenger tickets increased 1.4%, to ¥1,179.3 billion ($11,125 million). Included in this figure, commuter pass revenues increased 0.9%, to ¥460.3 billion ($4,342 million), while non-commuter pass revenues increased 1.7%, to ¥719.0 billion ($6,783 million).

CONVENTIONAL LINES (OTHER NETWORK)

In the conventional lines other than the Kanto area network, passenger kilometers increased 0.2% year on year, to 5.6 billion. Revenues from passenger tickets increased 0.7%, to ¥69.3 billion ($654 million). Included in this figure, commuter pass revenues decreased 0.1%, to ¥18.5 billion ($175 million), while non-commuter pass revenues increased 1.0%, to ¥50.8 billion ($479 million).

RETAIL & SERVICES

In the Retail & Services segment, in August 2017 JR East completely opened *GranSta Marunouchi* (Tokyo) in the Marunouchi underground area of Tokyo Station and a new area of *GranSta* (Tokyo). In addition, JR East actively promoted renewals to existing stores, including *ecute Shinagawa* (Tokyo) and

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

ecute Omiya (Saitama). Further, JR East continued introducing stores with new designs for *NewDays* (convenience stores) and introducing *NewDays KIOSK*, which is a new-type *KIOSK* store. In addition, JR East held the *Minna ga Okuritai*. *JR East Omiyage Grand Prix*, featuring representative souvenirs from eastern Japan. Also, JR East sold *11 Tokyo Metropolitan Area Railway Operators Madoue (Above-window Advertisement) Dream Network Set*, which enables the simultaneous posting of advertisements above windows inside railcars on all target lines, including those of other railway operators, from October 2017. In addition, aiming to strengthen development capabilities for stores in station concourses, in April 2018 JR East subsidiary JR East Retail Net Co., Ltd., proceeded with preparations to carry out an absorption-type merger of subsidiary JR East Station Retailing Co., Ltd., as well as to make JR East Water Business Co., Ltd., a 100% subsidiary.

As a result of these initiatives, as well as favorable sales at stores in Tokyo Station and other stations, operating revenues of the Retail & Services segment increased 3.1%, to ¥583.4 billion ($5,504 million), and operating income rose 5.9%, to ¥39.0 billion ($368 million).

REAL ESTATE & HOTELS

In the Real Estate & Hotels segment, JR East opened an area that increased the floor space of *S-PAL Sendai East Building* (Miyagi), *Hotel Metropolitan Sendai East* (Miyagi), *JR Saitama-Shintoshin Building* (Saitama), and *Hotel Metropolitan Saitama-Shintoshin* (Saitama) in June 2017 as well as *Hotel Dream Gate Maihama Annex* (Chiba) in December 2017. Further, in February 2018 JR East proceeded with the increase of floor space for *atré Kawasaki* (Kanagawa) as well as the opening of *Shapo Funabashi South Annex* (Chiba) and *HOTEL METS Funabashi* (Chiba). In March 2018, JR East opened the *JR Urawa Station West Exit Building* (Saitama). JR East also moved forward with the construction of *PERIE CHIBA* (Chiba), scheduled for full opening in June 2018; *HOTEL METS Akihabara* (provisional name), scheduled to open in autumn 2019; phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE* (Tokyo), scheduled for opening in fiscal 2020; the *Yokohama Station West Exit Station Building* (provisional name), scheduled for opening in 2020; the *Gotanda East Exit Building* (provisional name), scheduled to open in spring 2020; the *Takeshiba Waterfront Development Project*, slated for completion in phases starting in spring 2020; and the *World Trade Center South Hall* (Tokyo), slated to open in 2021.

As a result of these initiatives, as well as factors including the earnings contributions from the start of move-ins for office space in the *JR SHINJUKU MIRAINA TOWER* (Tokyo) and the favorable revenues of Lumine Co., Ltd., operating revenues of the Real Estate & Hotels segment increased 4.2%, to ¥360.0 billion ($3,396 million). Similarly, operating income increased 0.8%, to ¥81.0 billion ($764 million).

OTHERS

In *Suica* shopping services (electronic money), JR East continued to develop the network of participating stores and business establishments actively through efforts that included introduction of *Suica* electronic money to chain stores with extensive operating areas. As a result of these measures, *Suica* electronic money was usable at approximately 470,000 stores as of March 31, 2018. In addition, to provide a points service that makes it easier for customers to save and use points, JR East integrated *Suica Point* with the Group's unified *JRE POINT* in December 2017, and has moved forward with preparations to integrate this point system with *View Thanks Point* in June 2018.

As a result of these initiatives, as well as increased revenues from the "General Consultancy of the Mumbai-Ahmedabad High-Speed Railway Project" and information processing operations, operating revenues from Others increased 9.1% year on year, to ¥230.2 billion ($2,172 million), and operating income rose 36.3%, to ¥22.6 billion ($213 million).

Notes:
1. JR East applies the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan (ASBJ) Statement No. 17, June 30, 2010) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008). The operating income of each segment of JR East corresponds to the segment income under the said Accounting Standard and Guidance.
2. From the fiscal year under review, JR East revised its reportable segment classifications to focus on operational headquarters in order to better enforce its management approach based on segments that carry out managerial decision-making. As a result, JR East has changed its reportable segments from Transportation, Station Space Utilization, Shopping Centers & Office Buildings, and Others to Transportation, Retail & Services, Real Estate & Hotels, and Others.

Operating Income

Operating expenses increased 2.3% year on year, to ¥2,468.9 billion ($23,291 million). Operating expenses as a percentage of operating revenues were 83.7%, compared with 83.8% in the previous fiscal year.

Transportation, other services and cost of sales increased 2.1%, to ¥1,891.9 billion ($17,848 million), because of an increase in cost of equipment.

Selling, general and administrative expenses increased 2.6%, to ¥577.0 billion ($5,443 million), which was due to an increase in cost of equipment.

Operating income increased 3.2%, to ¥481.3 billion ($4,541 million), which was ¥9.2 billion above the business results forecast. Operating income as a percentage of operating revenues was 16.3%, compared with 16.2% in the previous fiscal year.

Income before Income Taxes

Other income decreased 21.8%, to ¥58.7 billion ($554 million), due mainly to a decrease in intensive seismic reinforcement costs.

Other expenses decreased 13.6%, to ¥118.4 billion ($1,117 million), mainly as a result of a decrease in provision for allowance for earthquake damage losses.

Interest and dividend income and other financial income, net of interest and other financial expenses, amounted to a ¥59.7 billion ($564 million) expense, which was 10.0% lower than the expense recorded in the previous fiscal year.

Income before income taxes increased 4.3%, to ¥421.6 billion ($3,977 million). Income before income taxes as a percentage of operating revenues was 14.3%, compared with 14.0% in the previous fiscal year.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased 4.0%, to ¥289.0 billion ($2,726 million), mainly due to higher income before income taxes. Moreover, profit attributable to owners of parent reached a new record high. Earnings per share were ¥749.20 ($7), up from ¥713.96 per share. Further, profit attributable to owners of parent as a percentage of operating revenues was 9.8%, compared with 9.6% in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2018, net cash provided by operating activities totaled ¥704.2 billion ($6,644 million), ¥51.3 billion more than in the previous fiscal year. This result was mainly due to a decrease in payments of income taxes.

Net cash used in investing activities amounted to ¥541.9 billion ($5,112 million), ¥15.7 billion less than in the previous fiscal year. This result was mainly due to lower payments for purchases of investment in securities.

Capital expenditures were as follows.

In the Transportation segment, JR East implemented capital expenditures to further measures for ensuring transportation safety and reliability, institute countermeasures for large-scale earthquakes, install automatic platform gates, and produce new trains. In the Retail & Services segment, JR East opened new stores and conducted renovation work at existing stores. These efforts included *GranSta Marunouchi* (Tokyo) and a new area of *GranSta* (Tokyo) in the Marunouchi underground area of Tokyo Station. In the Real Estate & Hotels segment, capital expenditures included those for *JR Urawa Station West Exit Building* (Saitama), *JR Saitama-Shintoshin Building* (Saitama), and *Hotel Metropolitan Sendai East* (Miyagi). In the Others segment, capital expenditures included those for systems development.

Further, free cash flows increased ¥67.0 billion, to a positive ¥162.3 billion ($1,531 million).

Net cash used in financing activities came to ¥135.1 billion ($1,275 million), ¥18.8 billion more than in the previous fiscal year. This result was mainly due to an increase in payments of acquisition of treasury stock.

Consequently, cash and cash equivalents as of March 31, 2018, were ¥314.9 billion ($2,971 million), an increase of ¥27.8 billion from ¥287.1 billion on March 31, 2017.

Financial Policy

Interest-bearing debt at March 31, 2018, stood at ¥3,179.7 billion ($29,997 million).

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities stood at ¥331.2 billion ($3,124 million), payable at a fixed annual interest rate of 6.55% through September 30, 2051. These liabilities are paid in equal semi-annual installments, consisting of principal and interest payments.

In addition, at the fiscal year-end JR East had long-term liabilities incurred for purchase of railway facilities of ¥4.4 billion ($42 million) for the Akita hybrid Shinkansen facilities and ¥1.0 billion ($9 million) for Tokyo Monorail Co., Ltd.

JR East operates a cash management system that integrates the management of the surplus funds and the fund-raising of companies participating in the cash management system, with the aim of reducing its total interest-bearing debt. Also, JR East employs such capital management methods as the offsetting of internal settlements among subsidiaries and the operation of a payment agency system that consolidates payment operations within the Group.

In fiscal 2018, JR East issued seven unsecured straight bonds in Japan, with a total nominal amount of ¥90.0 billion ($849 million) and maturities from 2027 through 2058. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East received long-term debt ratings from S&P Global Ratings Japan Inc. and Moody's Japan K.K. of AA– and Aa3, respectively. In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($3,113 million). R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2018. As of March 31, 2018, JR East did not have any outstanding balance of commercial paper issued by it and did not have any bank overdrafts.

In April 2015, JR East established a committed bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥60.0 billion ($566 million).

Operational and Other Risk Information

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

Forward-looking statements in the following section are based on the assessments of the JR East Group as of March 31, 2018.

Legal Issues Relating to Operations

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

Railway Business Act (Act No. 92 of 1986)

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

JR Law (Act No. 88 of 1986)

AIM OF THE ESTABLISHMENT OF THE JR LAW

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

AMENDED JR LAW

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

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

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

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

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

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

Establishment of and Changes to Fares and Surcharges

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

Currently, fares and surcharges for passengers and freight spanning the use of two or more JR companies are allowed to be added cumulatively based on agreements among the JR companies, with fares adjusted according to the tapering distance rate. This measure was intended to ensure user convenience, etc., when implementing the JNR reforms, and does not prevent the JR Companies from independently setting fares.

JR East's Stance

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

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

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

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

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

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

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

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

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

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

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

- Total cost = operating cost*1 + operational return
- Operational return = assets utilized in railway business operations (rate base) × operational return rate
- Assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital*2
- Operational return rate = equity ratio*3 × return rate on equity*4 + borrowed capital ratio*3 × return rate on borrowed capital*4

*1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are released at the end of every fiscal year and form the basis for the calculation of costs.

*2 Working capital = operating costs and certain inventories

*3 Equity ratio = 30%, Borrowed capital ratio = 70%

*4 Return rate on equity is based on the average of yields on public and corporate bonds and the overall industrial average return on equity and dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

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

(a) The changes would lead to unjustifiable discrimination in the treatment of certain passengers.

(b) There is concern that the changes would give rise to unfair competition with other railway transportation operators.

Operational and Other Risk Information

Plan for the Development of New Shinkansen Lines

New Shinkansen Line Segment Openings

Following the division and privatization of JNR, JR East was selected as the operator of the Takasaki–Joetsu segment of the Hokuriku Shinkansen Line and the Morioka–Aomori segment of the Tohoku Shinkansen Line. JR East started operation of the Hokuriku Shinkansen Line between Takasaki and Nagano on October 1, 1997; the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002, and between Hachinohe and Shin-Aomori on December 4, 2010; and then on the Hokuriku Shinkansen Line between Nagano and Joetsumyoko on March 14, 2015.

Usage Fees for New Shinkansen Lines

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

(b) That enforcement ordinance stipulates that the Japan Railway Construction, Transport and Technology Agency (hereinafter the "JRTT") will determine the amount of usage fees based on the benefit received as the operator of the said Shinkansen line after opening and the sum of taxes and maintenance fees paid by the JRTT for railway facilities leased. Of those, the expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services.

Note:
The amount to be paid on top of the usage fee amount for the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, which has been on loan from the JRTT since December 2010, as a result of the March 2016 opening of the Shin-Aomori–Shin-Hakodate Hokuto segment of the Hokkaido Shinkansen Line will be fixed for the 25-year period leading up to 2040.

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

End of Loan Period

The treatment of railway facilities along the Takasaki–Joetsumyoko segment of the Hokuriku Shinkansen Line and the Morioka–Shin-Aomori segment of the Tohoku Shinkansen Line will be discussed and re-determined 30 years after the commence date of the loaning. The new Shinkansen line segments on loan from the JRTT and the end years of their loan periods are as follows.

(a) Takasaki–Nagano segment of the Hokuriku Shinkansen Line; 2027
(b) Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line; 2044
(c) Morioka–Hachinohe segment of the Tohoku Shinkansen Line; 2032
(d) Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line; 2040

Safety Measures

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

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

Specifically, with the aim of additional seismic reinforcement in preparation for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area, JR East expanded the target area and increased target facilities and began measures in light of the risk of damage to respective facilities and the effect on line segments and other aspects of operations. JR East also moved forward with the installation of automatic platform gates based on a policy of introducing them to 330 major railway stations in the Tokyo metropolitan area by the end of fiscal 2033. JR East began using automatic platform gates at five railway stations, including Ueno Station on the Keihin-Tohoku Line. At the same time, with the aim of shortening construction periods and reducing costs, JR East installed "Smart" automatic platform gates at Machida Station on the Yokohama Line and proceeded with verification aimed at actual use. As part of its efforts to prevent railway crossing accidents, JR East installed whistling signs at railway crossings not equipped with crossing alarms and crossing gates, eliminated and consolidated railway crossings, installed crossing alarms and crossing gates, installed more obstruction warning devices and obstacle detection devices for railway crossings, and improved the visibility of obstruction warning device push buttons. In addition, to improve the safety of personnel that perform maintenance work, JR East expanded the range of lines on which it will introduce the train approach alarm system that utilizes GPS. Additionally, on certain segments of the Uetsu Main Line and the Rikuu West Line, since December 2017 JR East has been using Doppler radars to regulate train operations in relation to strong winds.

Information Systems and Protection of Personal Data

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

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

Development of the Life-Style Service Business

The JR East Group has positioned the life-style service business as a central pillar of management and is developing the Retail & Services and the Real Estate & Hotels segments.

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

Competition

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

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

Total Interest-Bearing Debt

On March 31, 2018, total interest-bearing debt stood at ¥3,179.7 billion ($29,997 million). In addition, interest expense in fiscal 2018 amounted to ¥64.7 billion ($611 million), which was equivalent to 13.4% of operating income.

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

Compliance

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

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

International Operations

Overseas, the JR East Group is using the technology and expertise that it has accumulated to establish international operations as a new mainstay business for future growth. At the same time, the JR East Group is absorbing overseas expertise and knowledge about services that it cannot acquire in Japan. Through this process of taking on the challenge of international operations, the JR East Group aims to develop globally competent personnel and reform its corporate culture.

International operations include a variety of risk factors, such as changes in political systems or social factors; changes in local laws and regulations for investment, tax, or the environment; differences in business practices; differences in awareness in relation to the performance of contracts and compliance with rules as well as delays in construction work due to such factors; economic trends; and fluctuations in exchange rates. Further, large-scale projects can require long periods to realize return on investment and can require large amounts of capital, and increases in expenses accompanying investment could surpass increases in revenues.

With respect to these various risk factors, the JR East Group conducts analysis of risks in light of advice from lawyers, consultants, and other experts and in some cases takes measures while obtaining the cooperation of the Japanese government. However, unexpected changes in situations could affect the JR East Group's financial condition and business performance.

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2017	2018	2018
Assets			
Current Assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 287,126	¥ 314,934	$ 2,971
Receivables (Note 7):			
Accounts receivable–trade	479,729	510,682	4,818
Unconsolidated subsidiaries and affiliated companies	10,370	13,412	127
Other	4,938	4,332	40
Allowance for doubtful accounts (Note 2 (4))	(1,486)	(1,522)	(14)
	493,551	526,904	4,971
Inventories (Notes 2 (5) and 4)	50,862	62,062	585
Real estate for sale (Notes 2 (6) and 5)	500	451	4
Deferred tax assets (Note 19)	43,025	51,478	486
Other current assets	40,561	47,547	449
Total current assets	915,625	1,003,376	9,466
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 6)	57,324	63,856	602
Other (Notes 2 (7), 7 and 8)	208,679	226,795	2,140
	266,003	290,651	2,742
Property, Plant and Equipment (Notes 2 (8), 2 (12), 2 (17), 9, 10 and 20):			
Buildings	2,611,797	2,718,360	25,645
Fixtures	5,955,928	6,066,664	57,233
Machinery, rolling stock and vehicles	2,768,599	2,824,004	26,642
Land	2,013,900	2,020,742	19,064
Construction in progress	286,275	319,903	3,018
Other	246,065	258,138	2,434
	13,882,564	14,207,811	134,036
Less accumulated depreciation	7,539,804	7,707,065	72,708
Net property, plant and equipment	6,342,760	6,500,746	61,328
Other Assets:			
Long-term deferred tax assets (Note 19)	204,594	176,609	1,666
Other	182,133	176,294	1,663
	386,727	352,903	3,329
	¥ 7,911,115	¥ 8,147,676	$ 76,865

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2017	2018	2018
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 7, 9 and 11)	¥ 276,731	¥ 284,707	$ 2,686
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 7, 9 and 12)	4,290	4,257	40
Prepaid railway fares received	99,217	100,523	948
Payables (Note 7):			
Accounts payable–trade	44,825	56,857	536
Unconsolidated subsidiaries and affiliated companies	105,361	107,912	1,018
Other	568,280	620,563	5,855
	718,466	785,332	7,409
Accrued expenses	109,904	114,970	1,085
Accrued consumption taxes (Notes 7 and 13)	19,513	22,317	211
Accrued income taxes (Notes 2 (14), 7 and 19)	55,639	64,713	611
Allowance for partial transfer costs of railway operation (Note 2 (10))	—	10,333	97
Other current liabilities	53,631	47,205	445
Total current liabilities	1,337,391	1,434,357	13,532
Long-Term Debt (Notes 7, 9 and 11)	2,609,616	2,569,273	24,238
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 7, 9 and 12)	336,679	332,288	3,135
Net Defined Benefit Liability (Notes 2 (9) and 18)	641,394	601,163	5,671
Deposits Received for Guarantees	139,764	141,427	1,334
Long-Term Deferred Tax Liabilities (Note 19)	3,190	3,026	29
Allowance for partial transfer costs of railway operation (Note 2 (10))	16,164	2,689	25
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (11))	24,000	48,000	453
Other Long-Term Liabilities	127,564	130,901	1,235
Contingent Liabilities (Note 14)			
Net Assets (Note 15):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2018—385,655,500 shares;			
Outstanding, 2018—384,995,585 shares	200,000	200,000	1,887
Capital surplus	96,812	96,730	913
Retained earnings	2,298,925	2,496,075	23,548
Treasury stock, at cost, 659,915 shares in 2018	(5,162)	(5,457)	(52)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	52,940	63,339	598
Net deferred gains (losses) on derivatives under hedge accounting	1,847	730	7
Revaluation reserve for land (Note 2 (18))	(474)	(474)	(5)
Remeasurements of defined benefit plans	8,531	8,387	79
Non-Controlling Interests	21,934	25,222	238
Total net assets	2,675,353	2,884,552	27,213
	¥7,911,115	¥8,147,676	$76,865

Consolidated Statements of Income and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2017 and 2018

(I) CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2017	2018	2018
Operating Revenues (Note 21)	¥2,880,802	¥2,950,157	$27,832
Operating Expenses:			
Transportation, other services and cost of sales	1,852,221	1,891,897	17,848
Selling, general and administrative expenses	562,271	576,964	5,443
	2,414,492	2,468,861	23,291
Operating Income (Note 21)	466,310	481,296	4,541
Other Income (Expenses):			
Interest expense on short- and long-term debt	(44,957)	(42,829)	(404)
Interest expense incurred for purchase of railway facilities	(25,301)	(21,904)	(207)
Loss on sales of fixed assets	(723)	(192)	(2)
Impairment losses on fixed assets (Notes 2 (17), 10 and 21)	(6,605)	(4,177)	(39)
Interest and dividend income	3,943	5,019	47
Equity in net income (loss) of affiliated companies	2,057	5,142	49
Gain on sales of fixed assets	11,834	442	4
Other, net	(2,292)	(1,203)	(12)
	(62,044)	(59,702)	(564)
Income before Income Taxes	404,266	421,594	3,977
Income Taxes (Notes 2 (14) and 19):			
Current	111,481	114,455	1,080
Deferred	13,350	15,649	147
Profit	279,435	291,490	2,750
Profit Attributable to Non-Controlling Interests	(1,510)	(2,533)	(24)
Profit Attributable to Owners of Parent	¥ 277,925	¥ 288,957	$ 2,726

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (15))	¥ 714	¥ 749	$ 7
Cash Dividends Applicable to the Year (Note 2 (15))	130	140	1

See accompanying notes.

(II) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Note 22)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2017	2018	2018
Profit	¥279,435	¥291,490	$2,750
Other Comprehensive Income:	14,036	9,157	86
Net unrealized holding gains (losses) on securities	9,117	9,227	87
Net deferred gains (losses) on derivatives under hedge accounting	20	(232)	(2)
Remeasurements of defined benefit plans	2,210	(827)	(8)
Share of other comprehensive income of associates accounted for using equity method	2,689	989	9
Comprehensive Income	¥293,471	¥300,647	$2,836
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥291,968	¥298,096	$2,812
Comprehensive income attributable to non-controlling interests	1,503	2,551	24

See accompanying notes.

Consolidated Statements of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2017 and 2018

	Shares	Millions of Yen									
	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Non-Controlling Interests	Total
Balance at March 31, 2016	392,500,000	¥200,000	¥96,812	¥2,101,845	¥ (5,295)	¥ 43,771	¥ 473	¥(473)	¥ 4,996	¥20,408	¥2,462,537
Cash dividends (¥130 per share)	—	—	—	(50,782)	—	—	—	—	—	—	(50,782)
Profit attributable to owners of parent	—	—	—	277,925	—	—	—	—	—	—	277,925
Increase due to merger	—	—	—	86	—	—	—	—	—	—	86
Purchase of treasury stock	—	—	—	—	(30,018)	—	—	—	—	—	(30,018)
Disposal of treasury stock	—	—	—	(0)	1	—	—	—	—	—	1
Retirement of treasury stock	(3,092,100)	—	—	(30,150)	30,150	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Increase by corporate division in consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	1	—	—	—	—	—	—	1
Other	—	—	—	—	—	9,169	1,374	(1)	3,535	1,526	15,603
Balance at March 31,2017	389,407,900	¥200,000	¥96,812	¥2,298,925	¥ (5,162)	¥ 52,940	¥ 1,847	¥(474)	¥ 8,531	¥21,934	¥2,675,353
Cash dividends (¥140 per share)	—	—	—	(52,263)	—	—	—	—	—	—	(52,263)
Profit attributable to owners of parent	—	—	—	288,957	—	—	—	—	—	—	288,957
Increase due to merger	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(40,024)	—	—	—	—	—	(40,024)
Disposal of treasury stock	—	—	0	—	1	—	—	—	—	—	1
Retirement of treasury stock	(3,752,400)	—	(0)	(39,728)	39,728	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	172	—	—	—	—	—	—	172
Purchase of shares of consolidated subsidiaries	—	—	(82)	—	—	—	—	—	—	—	(82)
Increase by corporate division in consolidated subsidiaries	—	—	—	12	—	—	—	—	—	—	12
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	10,399	(1,117)	—	(144)	3,288	12,426
Balance at March 31,2018	385,655,500	¥200,000	¥96,730	¥2,496,075	¥ (5,457)	¥63,339	¥ 730	¥(474)	¥8,387	¥25,222	¥2,884,552

	Shares	Millions of U.S. Dollars (Note 2 (1))									
	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Non-Controlling Interests	Total
Balance at March 31, 2017	389,407,900	$1,887	$914	$21,688	$ (49)	$500	$ 17	$(5)	$80	$207	$25,239
Cash dividends ($1 per share)	—	—	—	(493)	—	—	—	—	—	—	(493)
Profit attributable to owners of parent	—	—	—	2,726	—	—	—	—	—	—	2,726
Increase due to merger	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(378)	—	—	—	—	—	(378)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Retirement of treasury stock	(3,752,400)	—	(0)	(375)	375	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	2	—	—	—	—	—	—	2
Purchase of shares of consolidated subsidiaries	—	—	(1)	—	—	—	—	—	—	—	(1)
Increase by corporate division in consolidated subsidiaries	—	—	—	0	—	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	98	(10)	—	(1)	31	118
Balance at March 31,2018	385,655,500	$1,887	$913	$23,548	$ (52)	$598	$ 7	$(5)	$79	$238	$27,213

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2017	2018	2018
Cash Flows from Operating Activities:			
Income before income taxes	¥ 404,266	¥ 421,594	$ 3,977
Depreciation	364,129	367,998	3,472
Impairment losses on fixed assets	6,605	4,177	39
Amortization of long-term prepaid expense	7,923	8,337	79
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	226
Net change in net defined benefit liability	(31,255)	(41,222)	(389)
Interest and dividend income	(3,943)	(5,019)	(47)
Interest expense	70,258	64,733	611
Construction grants received	(27,541)	(23,815)	(225)
Insurance proceeds related to earthquake	(13,640)	(4,905)	(46)
Loss from disposition and provision for cost reduction of fixed assets	67,361	60,163	568
Net change in major receivables	(11,105)	(38,309)	(361)
Net change in major payables	11,309	66,067	623
Other	(19,604)	(19,278)	(182)
Sub-total	848,763	884,521	8,345
Proceeds from interest and dividends	4,500	5,607	53
Payments of interest	(70,721)	(64,787)	(611)
Insurance proceeds related to earthquake	19,065	—	—
Payments of earthquake-damage losses	(4,353)	(10,504)	(99)
Payments of partial transfer costs of railway operation	(1,296)	(7,590)	(72)
Payments of income taxes	(143,051)	(103,053)	(972)
Net cash provided by operating activities	652,907	704,194	6,644
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(581,672)	(578,157)	(5,454)
Proceeds from sales of fixed assets	14,334	1,987	19
Proceeds from construction grants	54,363	49,076	463
Payments for purchases of investment in securities	(35,561)	(6,851)	(65)
Proceeds from sales of investment in securities	1,053	2,226	21
Other	(10,056)	(10,138)	(96)
Net cash used in investing activities	(557,539)	(541,857)	(5,112)
Cash Flows from Financing Activities:			
Proceeds from long-term loans	137,950	154,500	1,458
Payments of long-term loans	(107,108)	(117,767)	(1,111)
Proceeds from issuance of bonds	110,000	90,000	849
Payments for redemption of bonds	(80,000)	(159,900)	(1,508)
Payments of liabilities incurred for purchase of railway facilities	(97,356)	(4,424)	(42)
Payments of acquisition of treasury stock	(30,018)	(40,024)	(378)
Cash dividends paid	(50,782)	(52,263)	(493)
Other	1,034	(5,222)	(50)
Net cash used in financing activities	(116,280)	(135,100)	(1,275)
Net Change in Cash and Cash Equivalents	(20,912)	27,237	257
Cash and Cash Equivalents at Beginning of Year	307,809	287,126	2,709
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	—	568	5
Increase in Cash and Cash Equivalents due to Merger	229	—	—
Increase in Cash and Cash Equivalents Resulting from Absorption-Type Demerger	—	3	0
Cash and Cash Equivalents at End of Year	¥ 287,126	¥ 314,934	$ 2,971

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2017 and 2018

1 INCORPORATION OF EAST JAPAN RAILWAY COMPANY

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

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu (Japan's main island). The Company operates 69 railway lines, 1,666 railway stations and 7,457.3 operating kilometers as of March 31, 2018.

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

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

The land and railway fixtures of the Tohoku and Joetsu Shinkansen lines were owned by the Shinkansen Holding Corporation until September 30, 1991, and the Company leased such land and railway fixtures at a rent determined by Shinkansen Holding Corporation in accordance with related laws and regulations. On October 1, 1991, the Company purchased such Shinkansen facilities for a total purchase price of ¥3,106,970 million ($29,311 million) from the Shinkansen Holding Corporation (see Note 12). Subsequent to the purchase, the Shinkansen Holding Corporation was dissolved. The Railway Development Fund succeeded to all rights and obligations of the Shinkansen Holding Corporation. In October 1997, the Railway Development Fund and Maritime Credit Corporation merged to form the Corporation for Advanced Transport & Technology. In October 2003, Japan Railway Construction Public Corporation and the Corporation for Advanced Transport & Technology merged to form the Japan Railway Construction, Transport and Technology Agency.

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

The amendment to the JR Law took effect on December 1, 2001 (2001 Law No. 61) and the Company is no longer subject generally to the JR Law, as amended (see Note 11).

2 SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation of Financial Statements

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

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

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2018, which was ¥106 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2) Consolidation

The consolidated financial statements of the Company include the accounts of all significant subsidiaries (together, the Companies).The effective-control standard is applied according to Regulations concerning Terminology, Forms and Method of Presentation of Consolidated Financial Statements in Japan (Regulations for Consolidated Financial Statements). For the year ended March 31, 2018, 69 subsidiaries were consolidated.

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

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

Notes to Consolidated Financial Statements

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2018, five affiliated companies were accounted for by the equity method, and there was no change in those companies during the year.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

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

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

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

6) Real Estate for Sale

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

7) Securities

Securities are classified and stated as follows:

(1) Trading securities are stated at market value. The Companies had no trading securities through the year ended March 31, 2018.

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

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

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

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

(b) Available-for-sale securities without market value
Available-for-sale securities for which market quotations are not available are mainly stated at moving-average cost.

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

8) Property, Plant and Equipment

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

Depreciation is calculated primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law. Buildings (excluding related fixtures) acquired from April 1, 1998 onward, facilities attached to buildings and structures acquired on or after April 1, 2016 and some of the property, plant and equipment of consolidated subsidiaries are depreciated using the straight-line method according to the Japanese Tax Law. Replacement assets included in structures of railway fixed assets are depreciated using the replacement method. Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income.

The range of useful lives is mainly as follows:

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

9) Accounting for Employees' Retirement Benefits

Almost all employees of the Companies are generally entitled to receive lump-sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own in addition to those severance and retirement benefits). Furthermore, some consolidated subsidiaries have established retirement benefit trusts.

For the calculation of projected benefit obligations, the Companies adopted the benefit formula basis as the method for attributing expected benefits to periods.

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

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

10) Allowance for Partial Transfer Costs of Railway Operation

The Company provides an allowance based on the estimated cost of restoration to the original state and other activities aimed at the transfer of management of the section between Miyako and Kamaishi on the Yamada Line from the Company to Sanriku Railway Company.

Also, the allowance for partial transfer costs of railway operation is established based upon the estimated costs of restoration to the original state and other activities related to the disposition for free of railway facilities for the section between Aizu-Kawaguchi and Tadami on the Tadami Line from the Company to Fukushima Prefecture.

11) Provision for Large-Scale Renovation of Shinkansen Infrastructure

The provision for large-scale renovation of Shinkansen infrastructure has been recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970).

On March 29, 2016, the Company received approval for a Plan for Provision for Large-Scale Renovation of Shinkansen Infrastructure from the Minister of Land, Infrastructure, Transport and Tourism based on Article 16, Paragraph 1 of the Nationwide Shinkansen Railway Development Act. As a result, from the year ending March 31, 2017 until the year ending March 31, 2031 a provision of ¥24,000 million (total: ¥360,000 million) will be recognized each fiscal year, and from the year ending March 31, 2032 until the year ending March 31, 2041 a reversal of ¥36,000 million (total: ¥360,000 million) will be recognized each year.

12) Accounting for Certain Lease Transactions

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

13) Accounting for Research and Development Costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred. Research and development costs included in operating expenses for the years ended March 31, 2017 and 2018 were ¥17,914 million and ¥18,158 million ($171 million), respectively.

14) Income Taxes

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

15) Per Share Data

(1) Earnings per share

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

(2) Cash dividends per share

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

16) Derivative Transactions

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

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

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

(1) Regarding forward exchange contracts and foreign currency swap contracts, the hedged foreign currency receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate, and no gains or losses on the forward exchange contracts or foreign currency swap contracts are recorded.

(2) Regarding interest rate swap contracts, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Notes to Consolidated Financial Statements

17) Impairment of Fixed Assets

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

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

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

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

18) Revaluation of Land

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

(1) Revaluation method
Rational adjustment based on roadside land value and other standards pursuant to the Order for Enforcement of the Law on Revaluation of Land (Cabinet Order No. 119 of 1998) Article 2-4

(2) Revaluation date
March 31, 2002

(3) Difference between book value after revaluation and market value on March 31, 2018
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

19) Standard and Guidance Not yet Adopted

The following standard and guidance were issued but not yet adopted.
Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

(1) Summary
It is a comprehensive accounting standard for revenue recognition.
Revenue is recognized through the application of the following five steps.
Step 1: Identify contracts with clients
Step 2: Identify contractual performance obligations
Step 3: Calculate transaction prices
Step 4: Allocate transaction prices to contractual performance obligations
Step 5: Recognize revenue when performance obligations are satisfied or as they are satisfied

(2) Effective date
The effective date has not been decided.

(3) Effect of the application of the said accounting standard, etc.
The effect is under evaluation as of the time of preparation of these consolidated financial statements.

3 CASH AND CASH EQUIVALENTS

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

4 INVENTORIES

Inventories at March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Merchandise and finished goods	¥ 8,997	¥ 9,909	$ 93
Work in process	14,956	23,142	218
Raw materials and supplies	26,909	29,011	274
	¥50,862	¥62,062	$585

5 REAL ESTATE FOR SALE

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

6 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Unconsolidated subsidiaries:			
Investments	¥ 5,963	¥ 6,728	$ 63
Advances	310	350	3
	6,273	7,078	66
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥51,051	¥56,778	$536
Advances	—	—	—
	51,051	56,778	536
	¥57,324	¥63,856	$602

7 FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($29,311 million) from Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of a decrease in free cash flow for unforeseen reasons. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

c) Risk management system for financial instruments

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

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

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

2) Items Relating to the Fair Values of Financial Instruments

Amounts recognized for selective items in the consolidated balance sheets as of March 31, 2017 and 2018, fair values of such items, and the differences between such amounts and values are shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a. Cash and cash equivalents	¥ 287,126	¥ 287,126	¥ —	¥ 314,934	¥ 314,934	¥ —	$ 2,971	$ 2,971	$ —
b. Receivables	495,037	495,037	—	528,426	528,426	—	4,985	4,985	—
c. Securities:									
Held-to-maturity debt securities	157	161	4	157	161	4	1	1	0
Available-for-sale securities	194,337	194,337	—	210,248	210,248	—	1,983	1,983	—
Assets	¥ 976,657	¥ 976,661	¥ 4	¥1,053,765	¥1,053,769	¥ 4	$ 9,940	$ 9,940	$ 0
a. Payables	¥ 718,466	¥ 718,466	¥ —	¥ 785,332	¥ 785,332	¥ —	$ 7,409	$ 7,409	$ —
b. Accrued consumption taxes	19,513	19,513	—	22,317	22,317	—	211	211	—
c. Accrued income taxes	55,639	55,639	—	64,713	64,713	—	611	611	—
d. Long-term debt:									
Bonds	1,839,975	2,058,593	218,618	1,770,134	1,984,280	214,146	16,699	18,719	2,020
Long-term loans	1,046,372	1,108,612	62,240	1,083,846	1,144,496	60,650	10,225	10,797	572
e. Long-term liabilities incurred for purchase of railway facilities	340,969	727,697	386,728	336,545	724,373	387,828	3,175	6,833	3,658
Liabilities	¥4,020,934	¥4,688,520	¥667,586	¥4,062,887	¥4,725,511	¥662,624	$38,330	$44,580	$6,250
Derivative transactions*[1]:									
Hedge accounting applied	¥ 1,767	¥ 1,767	¥ —	¥ 1,433	¥ 1,433	¥ —	$ 14	$ 14	$ —

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

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

Assets

a. Cash and cash equivalents

b. Receivables

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

c. Securities

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

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

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

d. Long-term debt

Bonds

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

Long-term loans

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

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

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

Derivative Transactions (See Note 17)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2017	2018	2018
Unlisted equity securities	¥6,826	¥7,228	$68
Unlisted corporate bonds	360	360	3
Capital contributions to limited liability companies	—	400	4
Investment in anonymous associations (*tokumei kumiai*)	3,629	4,390	41
Preferred equity securities	1,000	1,256	12
Natural disaster derivative transactions	1,153	1,351	13

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

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

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

Notes to Consolidated Financial Statements

4. The annual maturities of financial assets and securities with maturities at March 31, 2017 and 2018 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2017				2018				2018			
	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years	1 year or less	5 years or less but more than 1 year	10 years or less but more than 5 years	More than 10 years
Cash and cash equivalents	¥287,126	¥ —	¥ —	¥—	¥314,934	¥ —	¥ —	¥—	$2,971	$—	$—	$—
Receivables	488,040	6,554	396	47	521,354	6,739	330	3	4,918	64	3	0
Securities:												
Held-to-maturity debt securities (Government bonds)	—	150	10	—	—	150	10	—	—	2	0	—
Available-for-sale securities which have maturity (Government bonds)	—	—	6	—	—	—	6	—	—	—	0	—
Total	¥775,166	¥6,704	¥412	¥47	¥836,288	¥6,889	¥346	¥ 3	$7,889	$66	$ 3	$ 0

5. The annual maturities of bonds, long-term loans and long-term liabilities incurred for purchase of railway facilities at March 31, 2018 (See Notes 11 and 12)

8 SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2017 and 2018 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Amount on balance sheet	Market value	Difference	Amount on balance sheet	Market value	Difference	Amount on balance sheet	Market value	Difference
Of which market value exceeds the amount on balance sheet:									
Government, municipal bonds, etc.	¥157	¥161	¥4	¥157	¥161	¥4	$1	$1	$0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Total	¥157	¥161	¥4	¥157	¥161	¥4	$1	$1	$0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2017 and 2018 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Acquisition cost	Amount on balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference
Of which amount on balance sheet exceeds the acquisition cost:									
Equity shares	¥ 92,713	¥166,259	¥73,546	¥ 99,277	¥185,410	¥86,133	$ 937	$1,749	$812
Debt securities	6	6	0	6	6	0	0	0	0
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	30,973	28,072	(2,901)	26,964	24,832	(2,132)	254	234	(20)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥123,692	¥194,337	¥70,645	¥126,247	¥210,248	¥84,001	$1,191	$1,983	$792

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

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

9 PLEDGED ASSETS

Pledged assets at March 31, 2017 and 2018 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Buildings and fixtures with net book value	¥ 51	¥ 46	$ 0
Other assets with net book value	967	1,382	13

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Long-term debt and other liabilities	¥1,086	¥844	$8

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Buildings and fixtures with net book value	¥48,150	¥47,115	$444
Other assets with net book value	13,284	14,197	134

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Long-term liabilities incurred for purchase of railway facilities	¥1,477	¥974	$9

10 IMPAIRMENT LOSSES ON FIXED ASSETS

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

For assets with fair value in sharp decline compared with book value or with profitability in sharp decline, the book values were reduced to the recoverable amounts and the reductions were recognized as impairment losses on fixed assets.

Impairment losses on fixed assets were ¥6,605 million and ¥4,177 million ($39 million) in the years ended March 31, 2017 and 2018, respectively.

11 LONG-TERM DEBT

Long-term debt at March 31, 2017 and 2018 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
General mortgage bonds issued in 1999 to 2001 with interest rates ranging from 2.30% to 2.97% due in 2019 to 2021	¥ 139,900	¥ 80,000	$ 755
Unsecured bonds issued in 2002 to 2018 with interest rates ranging from 0.06% to 2.55% due in 2018 to 2058	1,460,943	1,450,953	13,688
Secured loans due in 2018 from banks with interest rates 1.95%	29	10	0
Unsecured loans due in 2018 to 2048 principally from banks and insurance companies with interest rates mainly ranging from 0.10% to 2.80%	1,046,343	1,083,835	10,225
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	239,132	239,182	2,256
	2,886,347	2,853,980	26,924
Less current portion	276,731	284,707	2,686
	¥2,609,616	¥2,569,273	$24,238

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

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

The annual maturities of bonds at March 31, 2018 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2019	¥ 165,000	$ 1,557
2020	125,000	1,179
2021	120,000	1,132
2022	90,000	849
2023	111,000	1,047
2024 and thereafter	1,159,959	10,943

The annual maturities of long-term loans at March 31, 2018 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2019	¥119,707	$1,129
2020	110,453	1,042
2021	115,293	1,088
2022	133,320	1,258
2023	141,530	1,335
2024 and thereafter	463,543	4,373

12 LONG-TERM LIABILITIES INCURRED FOR PURCHASE OF RAILWAY FACILITIES

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million ($29,311 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($19,829 million) and ¥638,506 million ($6,024 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,458 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($264 million) payable in equal semiannual installments through March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities. In February 2002, the Company acquired a majority interest in Tokyo Monorail Co., Ltd. As a result, the consolidated balance sheets as of March 31, 2002 included liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million ($346 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.09% through 2017	¥ —	¥ —	$ —
Payable semiannually including interest at 6.35% through 2017	—	—	—
Payable semiannually including interest at 6.55% through 2051	333,879	331,181	3,124
	333,879	331,181	3,124
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.10% through 2022	5,613	4,390	42
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 1.93% through 2029	1,477	974	9
	340,969	336,545	3,175
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	2,697	2,877	27
The Akita hybrid Shinkansen purchase liability	1,090	1,079	10
Tokyo Monorail purchase liability	503	301	3
	4,290	4,257	40
	¥336,679	¥332,288	$3,135

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

The annual payments of long-term liabilities incurred for purchase of railway facilities at March 31, 2018 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2019	¥ 4,257	$ 40
2020	4,250	40
2021	4,466	42
2022	4,697	44
2023	3,793	36
2024 and thereafter	315,082	2,973

13 CONSUMPTION TAXES

Japanese consumption tax is an indirect tax levied at the rate of 8%. Accrued consumption tax represents the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

14 CONTINGENT LIABILITIES

(1) The Company has extended contingent liabilities of ¥11,544 million ($109 million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd. This contract guarantee is a joint guarantee by three companies including the Company.

(2) The Company has concluded a contract that promises to provide capital of up to ¥3,276 million ($31 million) if the financial ratio of West Midlands Limited, which is an operating company of a railway business in the United Kingdom, is below an agreed-upon fixed figure.

Notes to Consolidated Financial Statements

15 NET ASSETS

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

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

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

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

At the general meeting of shareholders held in June 2018, the shareholders approved cash dividends amounting to ¥26,973 million ($254 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2018. Such appropriations are recognized in the period in which they are approved by the shareholders.

16 INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2017 and 2018 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2017		2018		2018	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥4,451	¥44,717	**¥4,822**	**¥41,243**	**$45**	**$389**

17 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 7)

2) Derivative Transactions Applied to Hedge Accounting

		Millions of Yen					
		2017			2018		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥2,235	**¥ 20,000**	**¥ 20,000**	**¥1,584**
Forward exchange	Accounts payable–trade	16	—	(0)	**—**	**—**	**—**
Commodity swap	Fuel purchasing	1,402	776	(468)	**776**	**326**	**(151)**
Currency swap	Foreign currency-denominated bonds	239,959	239,959	*1	**239,959**	**239,959**	***1**
Interest swap	Long-term loans	65,400	65,400	*1	**65,400**	**65,400**	***1**
Total		¥326,777	¥326,135	¥1,767	**¥326,135**	**¥325,685**	**¥1,433**

		Millions of U.S. Dollars		
		2018		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	**$ 189**	**$ 189**	**$15**
Forward exchange	Accounts payable–trade	**—**	**—**	**—**
Commodity swap	Fuel purchasing	**7**	**3**	**(1)**
Currency swap	Foreign currency-denominated bonds	**2,264**	**2,264**	***1**
Interest swap	Long-term loans	**617**	**617**	***1**
Total		**$3,077**	**$3,073**	**$14**

Notes: 1. Derivative transactions that meet certain hedging criteria, regarding foreign currency swaps or interest rate swaps, are treated in combination with bonds or long-term loans, and the fair values of these derivatives are included in the fair values of these bonds or long-term loans (See Note 7).

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

18 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheets as of March 31, 2017 and 2018 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the fiscal year	¥684,526	¥650,775	$6,139
Service costs	27,489	27,133	256
Interest costs	4,063	3,866	36
Actuarial losses (gains)	(2,270)	180	2
Benefits paid	(62,966)	(71,752)	(677)
Past service costs	(69)	48	1
Other	2	361	3
Balance at the end of the fiscal year	¥650,775	¥610,611	$5,760

2) Movements in Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the fiscal year	¥8,855	¥9,542	$90
Expected return on plan assets	97	103	1
Actuarial losses (gains)	224	(372)	(3)
Contributions paid by the employer	768	767	7
Benefits paid	(402)	(420)	(4)
Balance at the end of the fiscal year	¥9,542	¥9,620	$91

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Funded retirement benefit obligations	¥ 10,931	¥ 11,610	$ 109
Plan assets	(9,542)	(9,620)	(91)
	1,389	1,990	18
Unfunded retirement benefit obligations	639,844	599,001	5,651
Total net liability (asset) for retirement benefits at March 31	641,233	600,991	5,669
Liability for retirement benefits	641,394	601,163	5,671
Asset for retirement benefits	(161)	(172)	(2)
Total net liability (asset) for retirement benefits at March 31	¥641,233	¥600,991	$5,669

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2017 and 2018 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Service costs	¥27,489	¥27,133	$256
Interest costs	4,063	3,866	36
Expected return on plan assets	(97)	(103)	(1)
Net actuarial loss amortization	1,276	481	4
Past service costs amortization	(688)	(683)	(6)
Other	214	398	4
Total retirement benefit costs for the year ended March 31	¥32,257	¥31,092	$293

5) Adjustments for Retirement Benefit Costs

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Past service costs that are yet to be recognized	¥ (619)	¥(731)	$(7)
Actuarial gains and losses that are yet to be recognized	3,770	(71)	(1)
Total balance at March 31	¥3,151	¥(802)	$(8)

6) Accumulated Adjustments for Retirement Benefit

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Past service costs that are yet to be recognized	¥ 3,506	¥ 2,775	$ 26
Actuarial gains and losses that are yet to be recognized	13,384	13,313	126
Total balance at March 31	¥16,890	¥16,088	$152

7) Plan Assets

	2017	2018
Bonds	7%	7%
Equity securities	30%	26%
Cash and time deposits	—	—
General account of life insurers	52%	51%
Other	11%	16%

The discount rates are mainly 0.6% in the years ended March 31, 2017 and 2018. The rates of expected return on pension assets used by the Companies are mainly 1.5% in the years ended March 31, 2017 and 2018.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥900 million and ¥888 million ($8 million) in the years ended March 31, 2017 and 2018, respectively.

Notes to Consolidated Financial Statements

19 INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Deferred tax assets:			
Net defined benefit liability	¥196,033	¥183,704	$1,733
Reserves for bonuses	22,672	23,556	222
Losses on impairment of fixed assets	21,409	20,195	191
Unrealized holding gains on fixed assets	13,989	15,003	142
Allowance for partial transfer costs of railway operation	6,013	6,387	60
Excess depreciation and amortization of fixed assets	5,233	5,036	48
Asset retirement obligations	4,780	4,834	46
Accrued enterprise tax	3,497	4,385	41
Loss carry forwards for tax purposes	4,193	4,161	39
Social insurance premiums for bonuses to employees and allowance for bonuses to employees	3,402	3,572	34
Advances received of insurance proceeds related to earthquake	5,030	3,534	33
Other	40,745	37,730	355
	326,996	312,097	2,944
Less valuation allowance	(25,279)	(26,971)	(254)
Less amounts offset against deferred tax liabilities	(54,098)	(57,039)	(538)
Net deferred tax assets	247,619	228,087	2,152
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	27,504	26,785	253
Net unrealized holding gains on securities	21,927	25,700	242
Valuation for assets and liabilities of consolidated subsidiaries	2,315	2,336	22
Other	5,567	5,272	50
	57,313	60,093	567
Less amounts offset against deferred tax assets	(54,098)	(57,039)	(538)
Net deferred tax liabilities	¥ 3,215	¥ 3,054	$ 29

The differences between the aggregate standard effective tax rate and the actual effective rate after applying tax effect accounting were omitted for the years ended March 31, 2017 and 2018, as the variance between them was less than 5%.

20 INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereinafter "investment and rental property") principally within the Company's service area. In the years ended March 31, 2017 and 2018, the amounts of net income related to rental property were ¥73,829 million and ¥77,682 million ($733 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses), respectively. The amounts recognized in the consolidated balance sheets and fair values related to investment and rental property were as follows.

Millions of Yen				Millions of U.S. Dollars	
Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount	Fair value
2017	Difference	2018	2018	2018	2018
¥622,404	¥26,001	¥648,405	¥2,013,059	$6,117	$18,991

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

2. Regarding difference in the above table, the increases in the year ended March 31, 2018 were principally attributable to acquisition of real estate and renewal (¥48,352 million / $456 million), and the decreases were mainly attributable to depreciation expenses (¥24,470 million / $231 million).

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

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

21 SEGMENT INFORMATION

1) General Information about Reportable Segments

Transportation, Retail & Services and Real Estate & Hotels comprise JR East's three reportable segments. Each reportable segment is in turn comprised of business units within the Group with respect to which separate financial information is obtainable. These reportable segments are reviewed periodically by JR East's Board of Directors and form the basis on which to evaluate business performance and decide on how to allocate management resources of the Company.

The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations and railcar maintenance operations. The Retail & Services segment consists of the part of JR East's life-style service business that includes retail sales and restaurant operations, a wholesale business, a truck transportation business, and advertising and publicity. The Real Estate & Hotels segment consists of the part of JR East's life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.

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

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

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

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

Fiscal 2017 (April 1, 2016 to March 31, 2017)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,989,839	¥502,414	¥ 326,312	¥ 62,237	¥2,880,802	¥ —	¥2,880,802
Inside group	80,760	63,585	19,107	148,693	312,145	(312,145)	—
Total	2,070,599	565,999	345,419	210,930	3,192,947	(312,145)	2,880,802
Segment income	¥ 334,215	¥ 36,842	¥ 80,362	¥ 16,578	¥ 467,997	¥ (1,687)	¥ 466,310
Segment assets	¥6,389,043	¥325,653	¥1,224,721	¥965,495	¥8,904,912	¥(993,797)	¥7,911,115
Depreciation	279,024	14,395	40,004	30,706	364,129	—	364,129
Increase in fixed assets (Note 5)	418,892	20,990	79,690	18,644	538,216	—	538,216

Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥(1,687) million downward adjustment to segment income included a ¥(1,300) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(387) million elimination for intersegment transactions. Moreover, the ¥(993,797) million downward adjustment to segment assets included a ¥(1,315,315) million elimination of intersegment claims and obligations, offset by ¥321,518 million in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

Fiscal 2018 (April 1, 2017 to March 31, 2018)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥2,017,877	¥514,963	¥ 340,144	¥ 77,173	¥2,950,157	¥ —	¥2,950,157
Inside group	85,664	68,485	19,806	153,053	327,008	(327,008)	—
Total	2,103,541	583,448	359,950	230,226	3,277,165	(327,008)	2,950,157
Segment income	¥ 340,413	¥ 38,998	¥ 80,986	¥ 22,589	¥ 482,986	¥ (1,690)	¥ 481,296
Segment assets	¥6,501,621	¥351,810	¥1,318,453	¥1,019,599	¥9,191,483	¥(1,043,807)	¥8,147,676
Depreciation	280,811	15,297	41,300	30,590	367,998	—	367,998
Increase in fixed assets (Note 5)	454,493	19,277	88,936	17,802	580,508	—	580,508

Millions of U.S. Dollars

Notes to Consolidated Financial Statements

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	$19,037	$4,858	$ 3,209	$ 728	$27,832	$ —	$27,832
Inside group	808	646	187	1,444	3,085	(3,085)	—
Total	19,845	5,504	3,396	2,172	30,917	(3,085)	27,832
Segment income	$ 3,211	$ 368	$ 764	$ 213	$ 4,556	$ (15)	$ 4,541
Segment assets	$61,336	$3,319	$12,438	$9,619	$86,712	$(9,847)	$76,865
Depreciation	2,649	144	390	289	3,472	—	3,472
Increase in fixed assets (Note 5)	4,287	182	839	168	5,476	—	5,476

Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.

2. The ¥(1,690) million ($(15) million) downward adjustment to segment income included a ¥(1,257) million ($(12) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(393) million ($(4) million) elimination for intersegment transactions. Moreover, the ¥(1,043,807) million ($(9,847) million) downward adjustment to segment assets included a ¥(1,367,041) million ($(12,896) million) elimination of intersegment claims and obligations, offset by ¥323,234 million ($3,049 million) in corporate assets not allocated to each reportable segment.

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

4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.

5. Increase in fixed assets included a portion contributed mainly by national and local governments.

3) Relevant Information

i. Information about products and services

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

ii. Information about geographic areas

a. Operating revenues

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

b. Property, plant and equipment

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

iii. Information about major customers

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

4) Information about Impairment Losses on Fixed Assets in the Reportable Segments

Fiscal 2017 (Year ended March 31, 2017)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥397	¥960	¥5,248	¥0	¥6,605

Fiscal 2018 (Year ended March 31, 2018)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥341	¥2,724	¥1,112	¥0	¥4,177

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	$3	$26	$10	$0	$39

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

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

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

6) Information about Gain on Negative Goodwill by Reportable Segment

Information about gain on negative goodwill by reportable segment was omitted as there was no relevant information.

22 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2017 and 2018

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥13,954	¥13,796	$130
Reclassification adjustments	(645)	(623)	(6)
Sub-total, before tax	13,309	13,173	124
Tax (expense) benefit	(4,192)	(3,946)	(37)
Sub-total, net of tax	9,117	9,227	87
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	(148)	(348)	(3)
Reclassification adjustments	(134)	(159)	(2)
Acquisition cost adjustments	311	173	2
Sub-total, before tax	29	(334)	(3)
Tax (expense) benefit	(9)	102	1
Sub-total, net of tax	20	(232)	(2)
Remeasurements of defined benefit plans:			
Amount arising during the year	2,563	(600)	(6)
Acquisition cost adjustments	588	(202)	(2)
Sub-total, before tax	3,151	(802)	(8)
Tax (expense) benefit	(941)	(25)	(0)
Sub-total, net of tax	2,210	(827)	(8)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	1,707	84	1
Reclassification adjustments	982	905	8
Sub-total	2,689	989	9
Total other comprehensive income	¥14,036	¥ 9,157	$ 86

23 SUBSEQUENT EVENTS

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on April 27, 2018 matters concerning the Company's repurchase of its common stock pursuant to Article 156 of the Business Corporation Law as applied pursuant to Article 165, Paragraph 3 thereof, as detailed below.

(1) Reason for share repurchase: To enhance returns to shareholders
(2) Class of shares to be repurchased: Common stock
(3) Total number of shares that may be repurchased:
4,600,000 shares (maximum) (1.19% of issued shares (excluding treasury stock))
(4) Aggregate repurchase price: ¥41,000 million (maximum)
(5) Period of repurchase: From May 1, 2018 to July 31, 2018

During May 2018, repurchase of shares of the Company's common stock was as follows:

(1) Class of shares to be repurchased: Common stock
(2) Total number of shares repurchased: 2,260,000 shares
(3) Aggregate repurchase price: ¥24,167 million ($228 million)
(4) Period of repurchase: From May 1, 2018 to May 31, 2018
(5) Method of repurchase: Placement of purchase orders on the Tokyo Stock Exchange

Note: Period of repurchase is on a trade date basis. Total number of shares repurchased and aggregate repurchase price are on a delivery date basis.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated financial statements of East Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Japan Railway Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2018
Tokyo, Japan

Corporate Data

As of March 31, 2018

Basic Information

Number of Employees

73,193* (47,575 at parent company)

* Excluding employees assigned to other companies and employees on temporary leave

Number of Stations

1,666

Number of Rolling Stock

12,979

Passenger Line Network

7,457.3 kilometers

Number of Passengers Served Daily

About 18 million (average for the year ended March 31, 2018)

Total Number of Shares Issued

385,655,500

Total Number of Shares Outstanding

384,995,585

Paid-in Capital

¥200,000 million

Number of Shareholders

208,490

Stock Exchange Listing

Tokyo

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Rating Information

AA+ (Rating and Investment Information, Inc.)
AA– (S&P Global Ratings Japan Inc.)
Aa3 (Moody's Japan K.K.)

For Inquiries

Head Office

2-2, Yoyogi 2-chome, Shibuya-ku,
Tokyo 151-8578, Japan
Phone: +81 (3) 5334-1310
Facsimile: +81 (3) 5334-1320
E-mail: bond@jreast.co.jp
ir@jreast.co.jp

New York Office

Empire State Building,
Suite 4220, 350 Fifth Avenue,
New York, NY 10118, U.S.A.
Phone, Facsimile:
+1 (212) 332-8686

Paris Office

3, rue de Faubourg St. Honoré,
75008 Paris, France
Phone: +33 (1) 45-22-60-48
Facsimile: +33 (1) 43-87-82-87

London Office

4th Floor, 30-31 Furnival Street,
London EC4A 1JQ, United Kingdom
Phone: +44 (0) 20-7786-9900

Singapore Branch

4 Shenton Way, #18-04 SGX Centre, Singapore 068807
Phone: +65-6536-1357
Facsimile: +65-6536-1297

Internet Addresses

JR East: http://www.jreast.co.jp/e/
Environment: http://www.jreast.co.jp/e/environment/
(CSR Report)