Tokyo and Eastern Honshu...

EAST JAPAN RAILWAY COMPANY

MOVING FORWARD ON TRACK

Annual Report 2010

For the year ended March 31, 2010

Contents

Group Strategy

001 Profile
004 Financial Highlights
006 A Message from the Management
008 An Interview with the President
014 *JR East 2020 Vision*—Outline
015 Special Feature: MOVING FORWARD ON TRACK

Review of Operations

022 At a Glance
024 Transportation
030 Non-Transportation
036 *Suica*

As a Corporate Citizen

038 Safety
040 Environmental Issues
043 For Society
044 Compliance
045 Board of Directors and Corporate Auditors
046 Corporate Governance
052 Organization

Financial Section

054 Eleven-Year Summary
056 Management's Discussion and Analysis of Financial Condition and Results of Operations
060 Operational and Other Risk Information
066 Consolidated Financial Statements
071 Notes to Consolidated Financial Statements
086 Independent Auditors' Report

Corporate Information

088 JR East: Domestic and International Perspectives
101 Glossary
102 Consolidated Subsidiaries and Equity-Method Affiliated Companies
104 Corporate Data
105 Stock Information

On the cover: Prototype for E5 series Shinkansen

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

Profile

7,526.8

17 million

31 million

Key figures
to better
understand
JR East

JR East operates a 7,526.8 km passenger line network

- Shinkansen Network
- Kanto Area Network
- Intercity and Regional Networks
- Travel Agency Services
- Bus Services

Within its service area, JR East operates a five-route Shinkansen network. To afford even greater convenience, JR East is readying for service extension to Shin-Aomori, the launch of new-type railcars, and the beginning of even faster operational speeds of up to 320 km/h.

JR East serves 17 million passengers daily

- Restaurants
- Shopping Centers at Railway Stations
- Office Buildings
- Advertising and Publicity
- Hotels

Used by approximately 17 million passengers daily, railway stations are JR East's largest management asset. Aiming to provide convenience and comfort to passengers using those railway stations, JR East operates a broad spectrum of retail stores, restaurants, and other outlets.

JR East has issued 31 million *Suica* cards

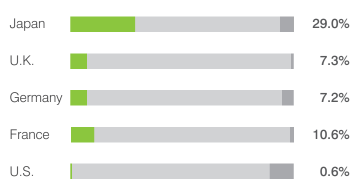
- IC Railway Card System
- Mobile Phone Service with *Suica* Function
- Automatic Charging Service
- Building Entry and Exit with *Suica*
- *Suica* e-Money
- *Suica* with Credit Card Function

On the cusp of becoming the de facto standard IC card, *Suica* is revealing a wide vista of new possibilities. More than 31 million* *Suica* cards have been issued, and *Suica* mutual-use networks for transportation and electronic money are expanding unceasingly.

*As of March 31, 2010

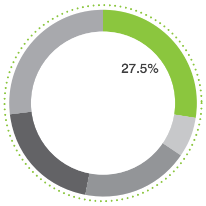
Composition by Type of Transportation
%

- Railways
- Motor Vehicles
- Airlines
- Ships

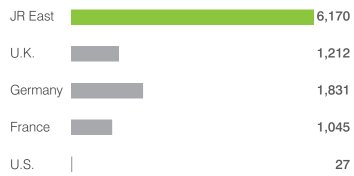


Share of Domestic Railways
Passenger Line Network

- JR East
- JR Central
- JR West
- Other JR Companies
- Other Railways

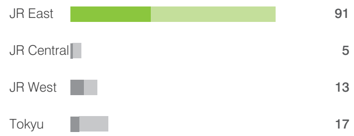


Number of Passengers
Millions



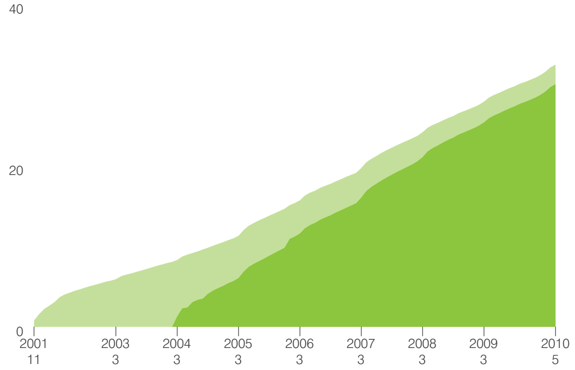
Number of Busy Stations
Number of Stations

- More than 200,000 Passengers per Day
- More than 100,000 Passengers per Day



Number of *Suica* Cards Issued
Millions

- Total Cards Issued
- Cards with an Electric Money Function

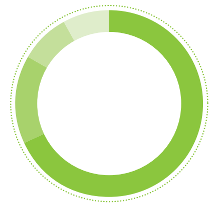


Financial Highlights

Operating Revenue

As of March 31, 2010

¥2,573.7 billion



Transportation	68.3%
Station Space Utilization	15.1%
Shopping Centers & Office Buildings	8.8%
Other Services	7.8%

East Japan Railway Company and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

	Millions of Yen (except for per share data)				Millions of U.S. Dollars[1] (except for per share data)
	2008	2009	2010	2010/2009	2010
For the Year					
Operating revenues	¥2,703,564	¥2,697,000	¥2,573,724	–4.6%	$27,674
Operating income	445,160	432,555	344,849	–20.3%	3,708
Net income	189,673	187,291	120,214	–35.8%	1,293
Depreciation	335,587	343,101	356,365	+3.9%	3,832
Capital expenditures[2]	417,144	402,582	434,754	+8.0%	4,675
Cash flows from operating activities	475,601	584,360	479,180	–18.0%	5,153
Free cash flows[3]	74,812	187,564	87,498	–53.4%	941
Amount per share of common stock (yen and U.S. dollars)[4]					
Earnings	¥ 47,464	¥ 469	¥ 303	—	$ 3
Cash flows from operating activities	119,014	1,462	1,209	—	13
At Year-End					
Total assets	¥6,942,003	¥6,965,793	¥6,995,494	+0.4%	$75,220
Long-term debt (including current portion)	2,101,439	2,171,860	2,266,077	+4.3%	24,366
Long-term liabilities incurred for purchase of railway facilities[5] (including current portion)	1,457,360	1,316,708	1,177,793	–10.6%	12,664
Total long-term debt (sum of two items above)	3,558,799	3,488,568	3,443,870	–1.3%	37,030
Shareholders' equity[6]	1,596,398	1,718,587	1,780,584	+3.6%	19,146

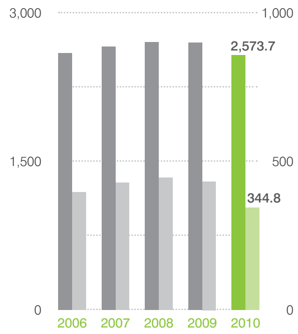
	Percent (except for debt-to-equity ratio)		
Financial Ratios			
Net income as a percentage of revenues	7.0%	6.9%	4.7%
Return on average equity (ROE)	12.3	11.3	6.9
Ratio of operating income to average assets (ROA)	6.4	6.2	4.9
Equity ratio	23.0	24.7	25.5
Debt-to-equity ratio[7] (times)	2.2	2.0	1.9

1 Yen figures have been translated into U.S. dollars at the rate of ¥93 to US$1 as of March 31, 2010, solely as a convenience to readers.
2 These figures exclude expenditures funded by third parties, mainly governments and their agencies, that will benefit from the resulting facilities.
3 Net of cash flows from operating activities and cash flows from investing activities
4 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 fiscal 2009 reflects the stock split.
5 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities
6 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007.
7 Ratio of total long-term debt to shareholders' equity

Operating Revenues and Operating Income

Billions of Yen

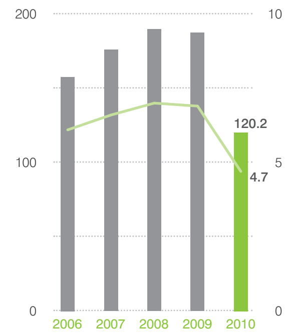
Operating Revenues
Operating Income



Net Income and Net Income as a Percentage of Revenues

Billions of Yen/%

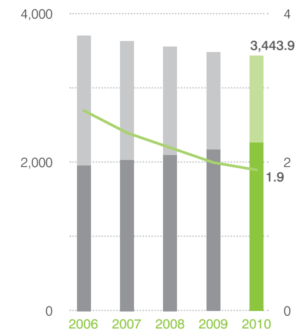
Net Income
Net Income as a Percentage of Revenues



Total Long-Term Debt and Debt-to-Equity Ratio

Billions of Yen/Times

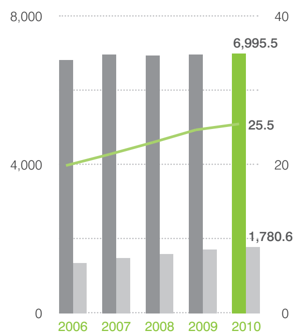
Long-term Debt
Debt-to-equity Ratio
Long-term Liabilities Incurred for Purchase of Railway Facilities



Total Assets, Shareholders' Equity and Equity Ratio

Billions of Yen/%

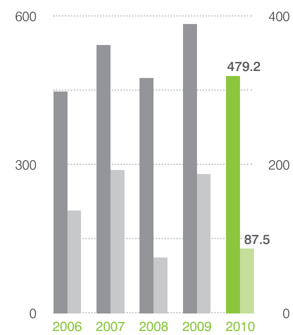
Total Assets
Shareholders' Equity
Equity Ratio



Cash Flows from Operating Activities and Free Cash Flows

Billions of Yen

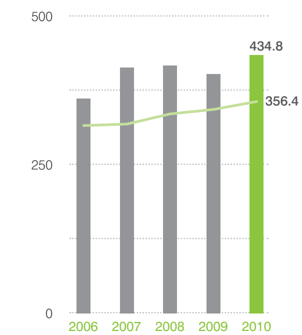
Cash Flows from Operating Activities
Free Cash Flows



Capital Expenditures and Depreciation

Billions of Yen

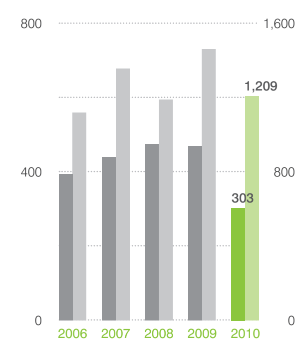
Capital Expenditures
Depreciation



Earnings per Share and Cash Flows from Operating Activities per Share*

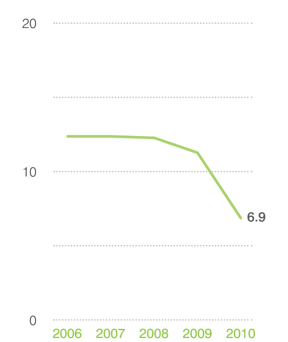
Yen

Earnings per Share
Cash Flows from Operating Activities per Share



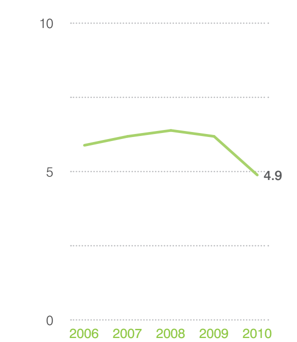
Return on Average Equity (ROE)

%



Ratio of Operating Income to Average Assets (ROA)

%



* 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. Earnings per share and cash flows from operating activities per share from fiscal 2005 to fiscal 2008 have been calculated based on the supposition that the stock split was implemented at the beginning of each year.

A Message from the Management

Mutsutake Otsuka (left) and Satoshi Seino

In fiscal 2010, ended March 31, 2010, tough conditions continued to characterize Japan's economy. Although increased exports to Asia and the benefits of the economic stimulus package implemented by the Japanese Government spurred a recovery, it was not self-sustaining, and unemployment remained high. Further, railway network transportation volumes decreased due to the March 2009 cut in the maximum expressway toll to ¥1,000 on weekends and national holidays. Amid those business conditions, JR East worked to secure revenues by further improving services in railway operations and developing life-style businesses centered on railway stations. At the same time, JR East actively developed businesses that capitalize on *Suica*.

Despite those efforts, in fiscal 2010 JR East recorded year-on-year declines of 4.6% in operating revenues, to ¥2,573.7 billion; 20.3% in operating income, to ¥344.8 billion; and 35.8% in net income, to ¥120.2 billion. Those results were attributable to significantly lower revenues from transportation operations, which reflected the recession, the cut in the maximum expressway toll to ¥1,000 on weekends and national holidays, and the spread of a new influenza virus.

In the fiscal year ending March 31, 2011, the third year of *JR East 2020 Vision—idomu—*, JR East will not be content with balanced contraction. Rather, despite the challenging business conditions, JR East will continue to take steps toward achieving sustainable growth. Moreover, by placing safety as its highest management goal and pursuing customer satisfaction, JR East aims to be a corporate group that gives customers "peace of mind based on assured safety." Taking these adverse conditions as opportunities, JR East will seek a fundamental review of its cost structures and the steady implementation of measures that will bear fruit in the future.

Specifically, in railway operations, JR East will use the beginning of services to Shin-Aomori Station on the Tohoku Shinkansen Line in December 2010 as an opportunity to create new demand. Further, as an initiative to promote railway usage, JR East intends to strengthen Internet-based ticket sales. Also, JR East will continue introducing new-type railcars to the Tokyo metropolitan area network in order to provide quality transportation services.

In life-style businesses, JR East intends to continue advancing the *Station Renaissance* program while moving forward with large-scale projects at *Tokyo Station City* and major terminal stations such as Shinjuku Station and Chiba Station.

Also, in order to establish *Suica* operations as a third pillar alongside railway operations and life-style businesses, JR East will expand the *Suica* network for railway usage and increase the number of stores affiliated with *Suica* electronic money.

Through such initiatives, we will do our utmost to realize sustainable growth and satisfy our shareholders and other investors in the medium-to-long term. As the JR East Group pursues that management goal, we would like to ask our shareholders and other investors for their continued support and understanding.

June 2010

Mutsutake Otsuka, Chairman

Mutsutake Otsuka

Satoshi Seino, President and CEO

Satoshi Seino

* *"idomu"* is Japanese for "challenge."

An Interview with the President

Satoshi Seino, President and CEO

Q: In fiscal 2010, Japanese companies faced tough business conditions. What kind of year was it for JR East?

A: Fiscal 2010 was the second year of *JR East 2020 Vision—idomu—*, and as such we viewed it as an important year for consolidating our foundations in preparation for growth in the coming period. Conditions remained tough in Japan's economy. Although there were signs of recovery in some sectors, the employment market remained unfavorable, while a slight deflationary trend emerged. As well as the effect of the recession, the government introduced an upper limit of ¥1,000 for expressway tolls on weekends and public holidays, and there was concern over a new influenza virus. As a result, revenues from passenger tickets declined year on year for 17 consecutive months through March 2010, falling to the level of 20 years ago on a full-year basis. JR East recorded decreases in revenues and earnings for the second consecutive fiscal year as well as the biggest year-on-year decreases in revenues and earnings in its history. Further, business demand remained lackluster. Also, because people tended to make fewer excursions, we posted unfavorable performances not only for busy periods such as the Golden Week spring holiday, the *Bon* Festival summer vacation period, and the New Year period but also for three-day weekends in summer, fall, and at the beginning of the year. Meanwhile in life-style businesses, the downturn in consumer spending hit existing store sales particularly hard. In a word, the year was tough.

Fiscal 2010 Results

	Billions of Yen
Operating revenues	¥2,573.7
Transportation	1,758.0
Station Space Utilization	387.1
Shopping Centers & Office Buildings	226.9
Other Services	201.7
Operating income	¥344.8
Transportation	231.3
Station Space Utilization	33.3
Shopping Centers & Office Buildings	69.3
Other Services	13.5

Q: Faced with such difficult business conditions, what concrete measures did you take, including additional measures not initially planned, and what results did they produce?

A: Because we have a revenue and expenditure structure in which there is a close correlation between revenue and such outside conditions as economic and population trends, and given that railway operation is a labor-intensive industry that requires large amounts of facilities and equipment, long-term measures are both numerous and important. Also, the majority of our expenses are fixed costs. So, lower revenue basically leads to a decrease in earnings.

Accordingly, in response to the current major recession, in fiscal 2010 we took measures based on the following two strategies. First, we focused strongly on revenue, and took emergency measures to increase revenues accordingly. Second, mindful of the commitment we made to shareholders and other investors to meet earnings targets, we took a range of steps to revise and reduce costs. As a result, we outperformed the revised earnings targets released in January for revenues from passenger tickets as well as consolidated operating income, ordinary income, and net income, with operating income and ordinary income both surpassing the targets by more than ¥10 billion.

In railway operations, as well as measures that we had planned from the outset, such as launching *Destination Campaigns* for Niigata and Yokohama in order to increase tourist numbers and stepping up online ticket sales, we took concerted emergency measures involving all employees and as a result produced positive results. Specifically, aiming to stimulate travel demand and respond to the lowering of expressway tolls, we launched such promotional passenger tickets as the *Two-Day Pass* and the *Weekend Day Trip Pass* as well as created and marketed affordable products combining rent-a-car services and railway services. In another initiative, we responded to the tendency for people to travel more on weekends due to the introduction of an upper limit of ¥1,000 for expressway tolls on weekends and public holidays by establishing weekday discount products to stimulate travel demand for train services during the week.

By rescheduling maintenance work that has little effect on safety and rigorously reducing operating expenses throughout the Company, we increased earnings.

Meanwhile in life-style businesses, in addition to measures based on the *Station Renaissance* program, the Group united in a variety of efforts to increase revenues. For example, railway stations and Group companies worked together to promote sales. Even though existing stores faced an uphill battle, *GranSta* at Tokyo Station posted a year-on-year increase in sales thanks to remodeling and the planning and launch of products exclusive for *GranSta*. Also, while downtown department stores saw revenues plummet, existing stores in railway station buildings performed comparatively well.

Even in these tough business conditions, however, our long-term business management stance and *idomu* mindset, or our appetite for challenges, were unwavering. In line with initial plans, we implemented our largest ever capital expenditures: more than ¥430 billion on a consolidated basis and more than ¥360 billion on a nonconsolidated basis. In railway operations, we opened Musashi-Kosugi Station on the Yokosuka Line / Shonan-Shinjuku Line, introduced new-type railcars to the Narita Express, and took steps toward increasing the operational speed of Tohoku Shinkansen services. At the same time, life-style businesses advanced the *Station Renaissance* program and opened new stores and railway station buildings.

We oppose the introduction of an upper limit for expressway tolls and toll-free expressways for three reasons. First, the serious effect on the business management of railways, ferries, buses, and other public transportation systems could significantly upset the balance of Japan's overall transportation system. Second, although the benefits of the new system are limited to users of expressways, it is the Japanese public that shoulders its cost. This is unfair because it runs counter to

Fiscal 2010: Tough Business Conditions

- Recession
  - Unfavorable Business Demand Trends
  - Tendency to Make Fewer Excursions
  - Downturn in Consumer Spending
- Upper Limit of ¥1,000 for Expressway Tolls on Weekends and Public Holidays
- New Influenza Virus

Measures Responding to the Tough Business Conditions

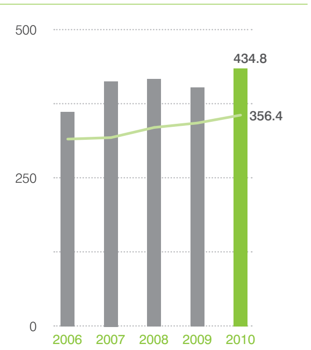
- Stimulating Travel Demand
- Responding to the Lowering of Expressway Tolls
  - Promotional Passenger Tickets: *Two-Day Pass*, *Weekend Day Trip Pass*, etc.
  - Affordable Products Combining Rent-a-Car Services and Railway Services
  - Weekday Discount Travel Products by Train

the principle of beneficiaries shouldering the burden. Third, the new system is incompatible with environmental policies that set out very ambitious targets for reducing CO_2 emissions and call for further modal shift. Seven JR Companies including JR East have expressed their opposition to the Ministry of Land, Infrastructure, Transport and Tourism and requested postponement of the system. We estimate the introduction of an upper limit of ¥1,000 for expressway tolls on weekends and public holidays resulted in around ¥9 billion decrease in revenue in fiscal 2010.

Q: Fiscal 2011 is the third year of *JR East 2020 Vision—idomu—*, what kind of business conditions do you expect, and what management strategies and measures will you implement?

A: I feel the decline in revenues from railway operations is likely to bottom out. Year-on-year revenue decreases began shrinking from November 2009. By April 2010, revenue was almost unchanged year on year. Promising signs in this regard are appearing. As for multiple-trip tickets for Shinkansen line segments, which we use as an indicator for business demand trends, sales were down about 20% year on year during fiscal 2010. By March and April 2010, however, sales had recovered to around the level of the previous fiscal year. On the other hand, there are many uncertainties in the economic situation as a whole, and competition is becoming fiercer. Viewing such adversity as an opportunity, the Group will work in unison to take on the challenge of securing revenue and revising its cost structure drastically through strategic downsizing. Of course in those efforts, ensuring safety and increasing customer satisfaction will be overriding imperatives.

Capital Expenditures and Depreciation
Billions of Yen
Capital Expenditures
Depreciation



In railway operations, *2013 Safety Vision,* which we began from fiscal 2010, calls on JR East to maintain an unflagging commitment to pursuing "extreme safety levels." Guided by that vision, we will adhere rigorously to the "three actualities principle," which require us to grasp situations correctly and respond to them correctly by addressing "actual location," "actual object," and "actual people." Our investment in safety will focus on such areas as preventing train collisions and preventing excessive train speeds through ATS-P and ATS-Ps systems as well as increasing and improving facilities for coping with natural disasters, including windbreak fences and gale warning systems.

The extension of the Tohoku Shinkansen Line to Shin-Aomori Station on December 4, 2010, will be a historic event marking the completion of all segments of the Tohoku Shinkansen Line. We plan to leverage that extension through a range of initiatives. To begin with, the journey from Tokyo Station to Shin-Aomori Station will take about 3 hours and 20 minutes, roughly 40 minutes less than it does now. However, the March 2011 introduction of the E5 series railcars, or *Hayabusa*, will enable operational speeds of 300 km/h and shorten the journey to about 3 hours and 10 minutes. We will then increase operational speeds in stages in order to reach 320 km/h by the end of fiscal 2014, shortening the journey to Shin-Aomori Station by about a further 5 minutes. Increasing the speed of Shinkansen services in this way will enable us to claim an even larger share of the market for travel between Tokyo and Aomori in relation to airline services. At the moment, we account for roughly 70% of that market.

In a related initiative, we will introduce first class to Shinkansen services, named *GranClass*, for the E5 series *Hayabusa*. By focusing on comfort and quietness, we will provide a travel environment with a high-end, relaxing atmosphere and services previously unseen in Japanese railway services.

Aiming to increase tourist numbers, we will work in partnership with local communities to develop tourism and encourage more customers to travel to Aomori and Shinshu, for which we will implement a *Destination Campaign*. Also, to coincide with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station, we will introduce new-type resort trains. Further, under our new *Tabi-Ichi* brand we will develop appealing travel products based on local people's ideas.

In life-style businesses, we will advance the *Station Renaissance* program at Tokyo Station while developing the Hachioji Station South Exit Building (provisional name) and the Akihabara Denkigai-guchi Building (provisional name). Further, we will move forward with the large-scale development of terminal stations, including *Tokyo Station City* at Tokyo Station, Shinjuku Station, and Chiba Station.

Another focus of efforts will be advertising operations. We intend to exploit such new technologies as WiMAX to develop digital signage, thereby boosting the appeal of transportation advertising media. An example of our ground-breaking advertising media is *J-AD Vision*, which is a single large LCD display that can switch among multiple advertisement videos. We are currently installing *J-AD Vision* in the station concourses of Tokyo Station, Yokohama Station, and Shinagawa Station, and we plan to install it in an increasing number of railway stations going forward.

Regarding the development of railway systems overseas, the adoption of Japan's famous advanced Shinkansen technology in the United States and other countries would benefit Japanese industry in general. With that in mind, against a backdrop of increased public and private sector collaboration to promote such development, we intend to work with railway-related manufacturers to tackle projects relating to the United States, Vietnam, and other countries proactively.

Our efforts to drastically reform our cost structure through strategic downsizing will not only involve streamlining existing facilities but also revising specifications and performance levels when implementing capital expenditures, revising maintenance methods for equipment and railcars, reducing costs by encouraging competition when making orders and concluding contracts, and revising work methods in order to reduce maintenance and construction work costs.

Q: How do you expect fiscal 2011 business results will reflect the cumulative effect of such measures?

A: Through those initiatives, for fiscal 2011 we are targeting higher earnings and revenues for the first time in three fiscal years. We aim to record operating revenues of ¥2,585 billion and operating income of ¥352 billion.

In transportation operations, although we will likely see the effect of the new toll system for expressways, we anticipate revenues from passenger tickets will edge up slightly year on year due to such factors as a pickup in business demand. In addition, operating income is likely to rise thanks to a significant ¥48.4 billion reduction in personnel expenses accompanying the completion of the amortization of differences arising from a change of accounting standards for retirement benefit obligations.

In both station space utilization operations and shopping centers & office buildings operations, we expect to see higher revenues and lower earnings due to an increase in depreciation associated with large-scale investments in systems as well as expenses stemming from the remodeling of railway station buildings. Overall, these figures may seem a little conservative, but store closures during the rebuilding of railway station buildings will also affect results. However, if we reach the fiscal 2013 numerical targets, released when we announced our business results for the fiscal year under review, all business segments will see increases in revenues and earnings in fiscal 2013. The benefits of new business launches will likely underpin that improvement.

Taking those positive and negative factors into account, we will implement a range of measures to increase revenues and reduce costs in order to ensure that we reach the targets for the current fiscal year.

Fiscal 2011 Targets

	Billions of Yen
Operating revenues	¥2,585.0
Transportation	1,757.0
Station Space Utilization	399.0
Shopping Centers & Office Buildings	228.0
Other Services	201.0
Operating income	¥352.0
Transportation	240.0
Station Space Utilization	32.0
Shopping Centers & Office Buildings	66.0
Other Services	15.0

Regarding investment plans, despite the ongoing severity of business conditions, based on *JR East 2020 Vision—idomu—*, we have earmarked ¥380 billion on a nonconsolidated basis and ¥472 billion on a consolidated basis for investment—both record highs. It is sometimes pointed out that JR East does not generate enough revenues and earnings for such investment amounts. However, many of JR East's capital expenditure projects require long construction periods before completion. If we take a long-term perspective, such investments will contribute to revenues and earnings. Through the accumulation of these projects, by fiscal 2018 non-transportation operations will account for approximately 40% of consolidated operating revenues, up from about 30% at present.

* In Japan, the introduction of a new toll system for expressways is planned, including the setting of an upper limit of ¥2,000 and the establishment of toll-free expressways in certain areas. Based on an analysis by the Institute of Transportation Economics using its transportation volume analysis model, the effect of that new system on JR East in fiscal 2011 will be approximately ¥9 billion. Forecasts of our business results consequently reflect that figure.

* JR East is currently in the midst of making calculations and holding discussions with related parties regarding the incurrence of new usage fees due to higher demand resulting from the extension of the Tohoku Shinkansen Line to Shin-Aomori Station. Consequently, forecasts of business results do not reflect such factors.

Q: Can you please explain what led you to set out the numerical targets for the coming three years that you announced?

A: Given the volatility of economic conditions, I think that it will be very difficult to reach the numerical targets we set out for fiscal 2011 as the final year of the three-year targets, announced at the same time as *JR East 2020 Vision—idomu—*. Given that signs of economic recovery are appearing at last and enabling us to look several years ahead, we decided to establish new three-year targets at this juncture. Assuming GDP growth, and allowing for a variety of factors that will contribute to higher earnings, such as new development projects in life-style businesses and cost reduction measures, for fiscal 2013 we are targeting consolidated operating revenues of ¥2,697 billion, operating income of ¥410 billion, and ROA of 6%. → See page 20

However, there will be no change to the emphasis on increasing operating cash flows stated in *JR East 2020 Vision—idomu—*. Over the three-year period from the current fiscal year, we aim to generate consolidated operating cash flows of ¥1,700 billion. As for the use of operating cash flows, we have heightened the priority of investments for future growth, business expansion, and the strengthening of operational foundations. Accordingly, we will deploy ¥1,400 billion to these areas over the next three years. Regarding dividends, we are aiming for a consolidated dividend payout ratio of 30% as an immediate target. Meanwhile, we will continue reducing total long-term debt. However, we will review the scale of that reduction going forward.

Further, *JR East 2020 Vision—idomu—* is a medium-to-long-term plan that looks 10 years ahead. Following its basic strategies, we will continue tirelessly pursuing fiscal 2018 numerical targets—operating revenues of ¥3,100 billion and operating income of ¥670 billion—as ambitious goals befitting the *idomu* mindset.

Q: One year has passed since the cancellation of the water usage rights of the Shinano River power plants. What has been the situation since then, and has it affected business results?

A: On March 10, 2009, JR East became subject to administrative measures under the River Law that cancelled its permit to possess running water for its Shinano River power plants because water intake at the plants had exceeded the maximum permitted. Since then, we have taken corrective action in adherence with the administrative measures, established measures to prevent a recurrence, and worked to realize close collaboration with local communities.

Based on the agreement of all related parties, on April 2, 2010, we filed an application for a permit to possess running water with the Director General of the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. As a result, we received a permit on June 9, 2010.

The hydroelectric power plants have already resumed operations. We intend to manage river flow volumes and water intake volumes in stringent adherence with statutory laws and regulations as a matter of course. Furthermore, we want to make wholehearted efforts to operate in harmony with the river environment of the Shinano River and coexist with local communities.

As for the impact on fiscal 2010 business results, I cannot give exact figures because the flow volume of the river varies greatly from year to year, making it difficult to verify how much hydroelectric power we would have generated if we had not been subject to administrative measures that cancelled our permit to possess running water. Further, because when we were preparing targets it was not clear when we could resume hydroelectric power generation, we have set our fiscal 2011 target for energy expenses at the same level as that of fiscal 2010.

Q: In closing, what kind of company do you want JR East to become?

A: JR East's philosophy is to become a *Trusted Life-style Service Creating Group*. In order to realize that philosophy, we have to think about what JR East should mean to customers, regions, and employees.

For customers that use railway services everyday to commute to work or school, JR East's services are indispensable in their daily lives as well as something they take for granted. By providing safety and comfort as a matter of course and enabling customers to use our services with peace of mind, I want us to be an entity like oxygen—a necessity in our daily lives but not something that we are consciously aware of. At the same time, I want us to be the natural choice of customers when they are selecting a means of transportation.

In addition, I want JR East, as a corporate group rooted in regions, to play an even more active role in stimulating exchanges between the Tokyo metropolitan area and regional areas through its business activities. JR East's service area comprises a diversity of regions such as the Kanto area, the Tohoku region, and the Joshinetsu region, each of which has outstanding attractions. Some of those attractions remain relatively unknown. By unearthing and advertising them, we aim to give customers a real sense of the appeal of JR East's service area and ensure they are fully satisfied with their trips. In this way, we will help invigorate regions. That is the kind of role I want JR East to play.

With respect to shareholders, I want us to be trusted, and I want us to be a corporate group that is always taking on challenges, that is not content with balanced contraction even though the population is declining, and that aims for sustainable growth.

For employees, I want JR East to give a great deal of professional fulfillment. At the same time, I want them to feel proud of JR East as a company that is an indispensable part of society.

That is the kind of company I want us to become.

JR East 2020 Vision—Outline

To achieve sustainable growth even amid challenging business conditions, we prepared *JR East 2020 Vision—idomu*—in order to establish and pursue ambitious goals that address "how railways, and how we as a railway operator, should evolve over the coming 10 years."

Basic Management Policies

- Pursuing safety and customer satisfaction rigorously—giving customers "a feeling of ease and peace of mind based on assured safety"
- Sustaining growth and pursuing initiatives for the next era
- Meeting corporate social responsibilities
- Building organizational strength and developing human resources

Unflagging Commitment to "Extreme Safety Levels"

- We will continue implementing our priority improvement plan for safety equipment, reinforce safety weak points, and reduce risks
- We will expand and improve education and training on safety and prevent accidents by correctly understanding and analyzing previous accidents and incidents

Moving Up a Gear in Seven Areas

1 Increasing focus on investment to raise corporate value
2 Opening the way to new business areas
3 Taking a positive and long-term approach to global environmental problems
4 Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient
5 Invigorating regional railway lines and interregional communications
6 Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018
7 Establishing *Suica* operations as a third pillar of operations

Ongoing Efforts

1 Heightening customer satisfaction even further
2 Developing human resources
3 Advancing research and development aggressively
4 Expanding the Shinkansen (bullet train) network and increasing earnings from railway operations
5 Expanding life-style businesses

Prototype for E5 series → P18

Concept illustration of *Tokyo Station City* → P19

J-AD Vision → P34

Special Feature

MOVING FORWARD ON TRACK

Taking on the Challenge of Raising Corporate Value Further—*idomu*

Taking on the Challenge of Raising Corporate Value Further—*idomu*

JR East's Approach to Investment

Prepared in March 2008, *JR East 2020 Vision—idomu*—sets out an ambitious vision of the kind of company JR East wants to be in 10 years time and calls on JR East to take on the challenge of realizing this vision.

In accordance with the JR East's Group Philosophy of aiming to be a *Trusted Life-style Service Creating Group*, JR East will not stagnate or lose the drive to continue pursuing new goals. Specifically, JR East's Basic Management Policies are:

– Pursuing safety and customer satisfaction rigorously,
– Sustaining growth and pursuing initiatives for the next era,
– Meeting corporate social responsibilities,
– Building organizational strength and developing human resources.

Through those polices, JR East aims to increase corporate value from a long-term viewpoint.

To that end, *JR East 2020 Vision—idomu*—emphasizes pursuing initiatives that depart from previous approaches by Moving Up a Gear in Seven Areas. At the head of that list of initiatives is Increasing focus on investment to raise corporate value.

After its establishment, JR East sought to reduce total long-term debt as its highest-priority task. However, the *New Frontier 2008* medium-term management plan signaled a change toward the well-balanced allocation of operating cash flows among capital expenditure, debt reduction, and returns to shareholders.

JR East 2020 Vision—idomu—shifted the priority for the use of operating cash flows onto capital expenditure aimed at future growth, business expansion, and the strengthening of business foundations.

Positioning the *idomu* mindset, or appetite for challenges, at the core of business management, JR East will further increase corporate value through capital expenditure based on the following three investment strategies.

Investment for future growth or business expansion
– Assess using DCF method

Investment related to the environment or the introduction of new technology, investment to vitalize regions
– Implement strategically and aggressively

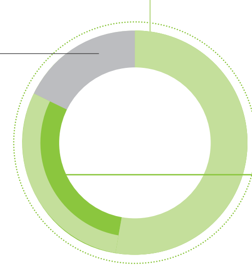
Investment needed for the continuance of railway operations, including the investment in safety and investment to increase the stability of transportation
– Implement within the scope of depreciation

Uses of Consolidated Cash Flows

Total of FY2011–2013

Cash flows from operating activities

¥1.7 trillion



Returns to shareholders (Cash dividends, purchase of treasury stock, etc.)
– Targeting consolidated dividend payout ratio of 30%

Debt reduction
– Respond in light of cash flows

¥0.3 trillion

Capital expenditures
– Keep investment needed for continuing business operation within scope of depreciation
– Decide growth investment using DCF method

¥1.4 trillion

including Growth investment

¥0.5 trillion

Fiscal 2011 Capital Expenditure Plan

Although revenue trends in fiscal 2011 are challenging, JR East will secure cash flows by implementing various cost reductions in the operation of businesses. Accordingly, JR East has earmarked ¥380 billion for capital expenditure on a nonconsolidated basis and ¥472 billion on a consolidated basis.

The principal investment projects are as follows.

Moving up a gear in 7 areas

1 Increasing focus on investment to raise corporate value
2 Opening the way to new business areas
   – Develop WiMAX infrastructure
3 Taking a positive and long-term approach to global environmental problems
   – Change over to highly efficient devices
   – Introduce panels for solar power generation at Tokyo Station
   – Build new waste treatment facility (scheduled to begin operations fall 2010)
4 Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient
   – Introduce new E233 series railcar to the Keiyo Line
   – Develop facilities to support child rearing
   – Establish the Tohoku Through Line
   – Develop facilities that enable train services to return from Shinagawa Station
5 Invigorating regional railway lines and interregional communications
   – Introduce resort trains that incorporate hybrid systems
   – Restore C61 type steam locomotive
   – Develop area around Niigata Station
6 Developing life-style businesses aggressively
   – Advance the *Station Renaissance* program (Kichijoji, Nippori, and other railway stations)
   – Undertake large-scale development of terminal stations (Shinjuku, Chiba, and other railway stations)
7 Establishing *Suica* operations as a third pillar of operations
   – Diversify the ways and situations in which people use *Suica*

5 ongoing efforts

1 Heightening customer satisfaction even further
   – Upgrade signal equipment on the Shonan-Shinjuku Line, etc.
   – Renew obsolete Shinkansen equipment
   – Renew signal equipment, renew power generation facilities within 100 km of Tokyo
   – Develop Autonomous decentralized Transport Operation control System (ATOS) in Tokyo metropolitan area
   – Introduce E259 series to the Narita Express
   – Develop elevator facilities, develop multifunctional restrooms
2 Developing human resources
   – Develop educational / training facilities
3 Advancing research and development aggressively
   – Introduce Advanced Train Administration and Communication System (ATACS) to the Senseki Line
4 Expanding the Shinkansen (bullet train) network
   – Extend the Tohoku Shinkansen Line to Shin-Aomori Station (December 2010)
   – Increase operational speed of the Tohoku Shinkansen
   – Build new mass production prototypes for E5 series and E6 series railcars
5 Expanding life-style businesses
   – Develop railway station buildings (Akihabara, Hachioji (scheduled to begin operations in fiscal 2011))
   – Develop JR East Southern Shinjuku Building (provisional name)
   – Continue developing *Tokyo Station City*

Transportation
Reaching Destinations Near and Far

Expanding the Shinkansen Network

Extending the Tohoku Shinkansen Line to Shin-Aomori Station

The commencement of operations on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line on December 4, 2010, will expand JR East's Shinkansen network, realize through services between the Tokyo metropolitan area and Shin-Aomori, and significantly reduce journey times. As a result of the project, JR East expects to incur construction costs of ¥11 billion, arising from the building of E2 series Shinkansen railcars, which the current Tohoku Shinkansen *Hayate* service uses, the provision of operational equipment at new railway stations (Shichinohe-Towada Station and Shin-Aomori Station), the construction of stores within station concourses, and the founding of a maintenance workplace, in preparation for expansion of the Shinkansen network. After the launch of operations to Shin-Aomori Station, JR East will continue efforts to strengthen coordination with local communities, increase tourist numbers, and steadily attract greater numbers of business travelers.

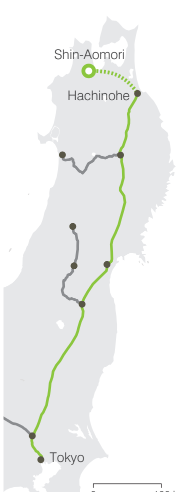
Creating Faster Shinkansen 1: Unveiling E5 Series Railcars

In preparation for the December 2010 beginning of operations to Shin-Aomori Station, JR East is moving forward with efforts to increase the operational speed of its Shinkansen services. Accordingly, it has earmarked ¥26 billion for capital expenditure related to raising the operational speed of Tohoku Shinkansen services in fiscal 2011. Specifically, 30 railcars are due for completion in fiscal 2011. And, from March 2011, JR East will introduce the new high-speed E5 series railcars to Tohoku Shinkansen services between Tokyo and Shin-Aomori stations as *Hayabusa*, heralding the beginning of Japan's fastest operational speed of 300 km/h. Moreover, plans call for the commencement of a 320 km/h operational speed from the end of fiscal 2013. As a result, the fastest service between Tokyo and Shin-Aomori stations is expected to take 3 hours and 5 minutes—about 50 minutes less than the 3 hours and 59 minutes journey time of the current service between these stations.

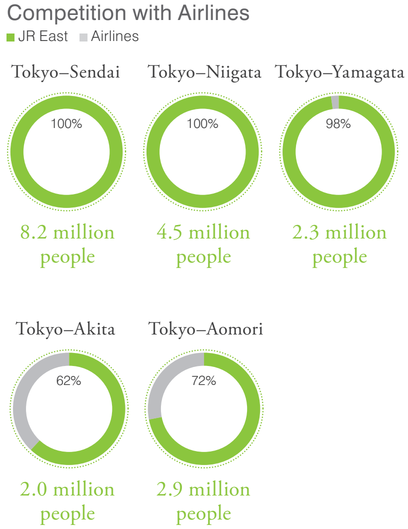
Creating Faster Shinkansen 2: Building a Prototype for E6 Series Railcars

For the Akita Shinkansen, JR East will build new E6 series railcars, which will couple with the Tohoku Shinkansen Line's new high-speed E5 series railcars and have a maximum operational speed of 320 km/h. In July 2010, JR East will complete a seven-car mass production prototype for the new E6 series. Using that prototype, JR East will conduct performance and durability trials required for commercial operations, decide specifications, and reflect these specifications in mass production railcars going forward. The cost of building the mass production prototype railcars is expected to reach around ¥4.5 billion. Initially, from the end of fiscal 2013, the new E6 series will have a maximum operational speed of 300 km/h. Subsequently, one year later, it will begin commercial operations with a maximum operational speed of 320 km/h.

Extending Line

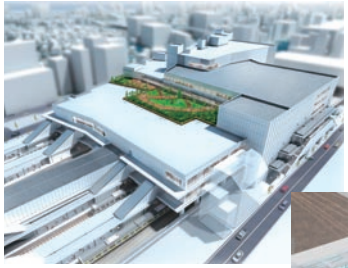


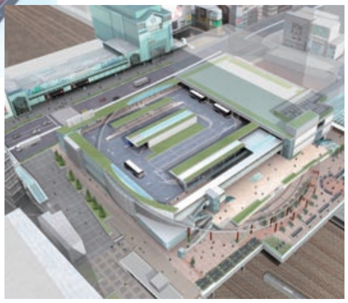
Competition with Airlines



Prototype for E5 series

Life-Style Businesses
Making Railway Stations More Convenient and Attractive





Concept illustration of *Tokyo Station City* (left)
Concept illustration of the future business development of Chiba Station (above)
Concept illustration of the future business development of Shinjuku Station (right)

Completion of *Tokyo Station City*

The Yaesu exit of Tokyo Station is about to become Tokyo's "new face." At the north and south of the square at the Yaesu exit side (east side) of Tokyo Station, twin high-rise towers have been open since November 2007. Also, construction of additional floor space for *GranTokyo North Tower* will finish in summer 2012. Other plans call for the building of a ground-level pedestrian deck, with a large roof, connecting those twin towers. Moreover, as an integrated part of that plan JR East will develop the Yaesu exit square. Scheduled for completion in fiscal 2014, those initiatives will combine to create a new symbolic face for the nation's capital. In a further project that is part of efforts to develop Tokyo Station and its surrounding area, JR East will complete its restoration and preservation of the historic Tokyo Station Marunouchi redbrick building in fiscal 2011. → See page 32

Shinjuku Station Project / Building Development at New South Exit of Shinjuku Station

Elevating Shinjuku Station above the railway tracks will create approximately 1.47 hectares of artificial ground. JR East will then build a multilevel transportation facility in order to enable passengers to transfer more smoothly between trains, express busses, taxis, and private vehicles.

At the same time, JR East plans to construct a station building at the New South Exit of Shinjuku Station. Scheduled to open in spring 2016, the building will have two floors below ground, 32 floors above ground, and a total floor space of approximately 110,000 square meters.

Rebuilding of Chiba Station and the Main Station Building (*Perie 1*)

Chiba Station and the station building are set to change beyond recognition. Specifically, raising the station concourse three floors above the railway tracks will enable the creation of an open-plan, readily recognizable station area befitting the gateway to Chiba's prefectural capital, which has a population of 1 million. Rebuilding the station and the station building, JR East will help invigorate the area around the station by creating appealing commercial spaces that dovetail with the station. Combined, the station and the station building will include one underground floor, seven floors above ground, and a total floor space of approximately 70,000 square meters. Aiming to open the station concourse in fiscal 2016 and the railway station building in fiscal 2017 or fiscal 2018, JR East has begun preparatory work to remove obstructions from the site.

Other Development Projects

As well as the above projects, JR East is proceeding with building development plans that include the rebuilding of existing station buildings at the west and east exits of Yokohama Station and in the vicinity of Shibuya Station. Also, on a large developable area near Shinagawa Station, JR East will "develop a new town" through consultation and collaboration with related local authorities. JR East will create that area by integrating and transferring a train depot and changing the position of the railway lines.

Fiscal 2013 Numerical Targets

Fiscal 2013 Numerical Targets

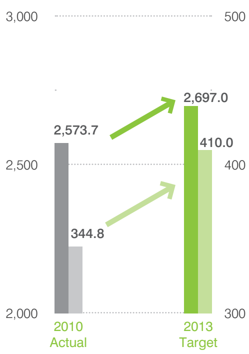
Years ended March 31

Consolidated Operating Revenues / Consolidated Operating Income

Billions of Yen

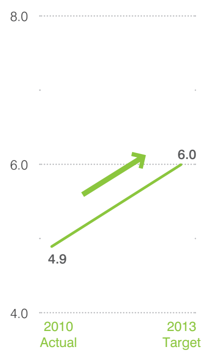
Operating Revenues

Operating Income



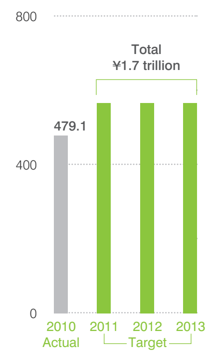
Consolidated ROA

%



Consolidated Cash Flows from Operating Activities

Billions of Yen



Fiscal 2013 Numerical Targets by Segment

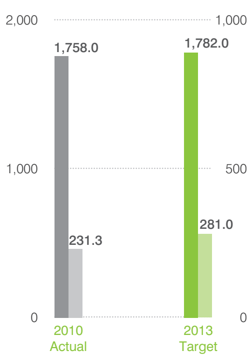
Years ended March 31

Operating Revenues / Operating Income

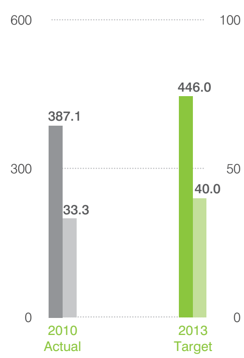
Billions of Yen

Operating Revenues Operating Income

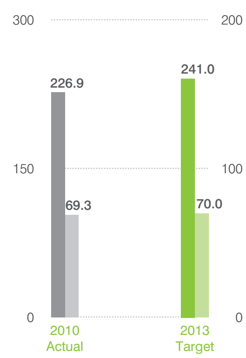
Transportation



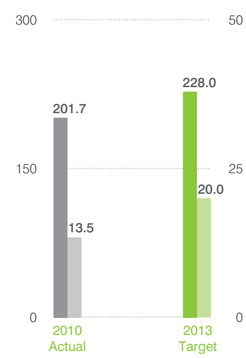
Station Space Utilization



Shopping Centers & Office Buildings



Other Services



(Reference) Fiscal 2018 Numerical Targets by Segment

Years ended March 31

	Billions of Yen		Billions of Yen
Operating revenues	¥3,100.0	Operating income	¥670.0
Transportation	1,930.0	Transportation	480.0
Station Space Utilization	540.0	Station Space Utilization	50.0
Shopping Centers & Office Buildings	320.0	Shopping Centers & Office Buildings	100.0
Other Services	310.0	Other Services	40.0

Review of Operations

022 At a Glance
024 Transportation
030 Non-Transportation
036 *Suica*

At a Glance

TRANSPORTATION

Transportation

JR East's 7,526.8 km rail network (excluding the Tokyo Monorail) covers the eastern half of Honshu (Japan's main island), including the Tokyo metropolitan area. JR East operates a transportation business whose mainstay service is passenger railway transportation through the use of its very profitable network.

NON-TRANSPORTATION

Station Space Utilization

About 17 million passengers use JR East's railway stations every day. Station space utilization offers retailing and restaurant services to these customers through outlets at railway stations and sales inside trains.

NON-TRANSPORTATION

Shopping Centers & Office Buildings

JR East leases space to retailers and other tenants in shopping centers and office buildings developed on property already owned by JR East within or near railway station premises throughout its service area.

NON-TRANSPORTATION

Other Services

JR East conducts a number of other business activities, most of which are aimed at leveraging the customer base at railway stations and other facilities of its core passenger railway transportation business. Major businesses in the other services segment include hotel operations, advertising and publicity, information services, credit card business, and others. Additional activities include construction and car rentals.

Shinkansen Network
High-speed train services linking Tokyo with major cities

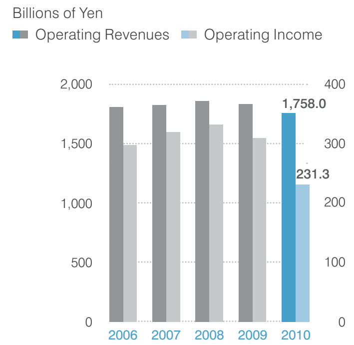
Kanto Area Network
Trains serving in and around the Tokyo metropolitan area, the largest market in Japan

Intercity and Regional Networks
Intercity transportation other than the Shinkansen network and regional transportation outside the Kanto area network

Travel Agency Services
View Plaza travel agencies and other outlets selling travel products

Bus Services
Bus services conducted in addition to railway operations

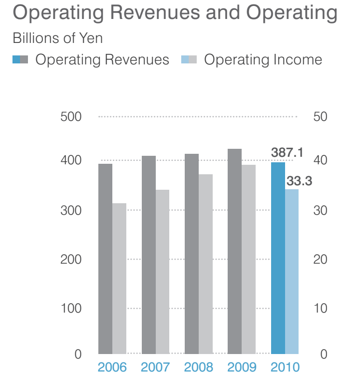
Operating Revenues and Operating Income



Retailing
Retailing activities, such as kiosk outlets, convenience stores, and *ecute* shopping centers at railway stations and sales of snacks, drinks, and other goods inside trains

Restaurants
Fast-food restaurants and a variety of other restaurants operated mainly at or near railway stations

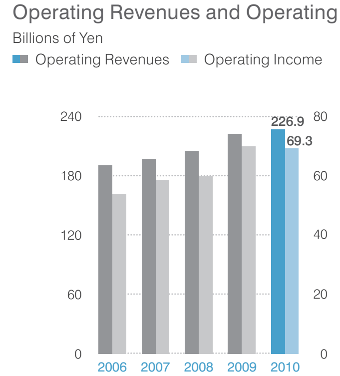
Operating Revenues and Operating Income



Shopping Centers
Development and leasing of space to retailers and other tenants in shopping centers at railway stations

Office Buildings
Development and operation of buildings used primarily as office space

Operating Revenues and Operating Income



Hotel Operations
Chain hotel businesses, including *Metropolitan Hotels* and *HOTEL METS,* operated as part of the JR East Hotel Chain

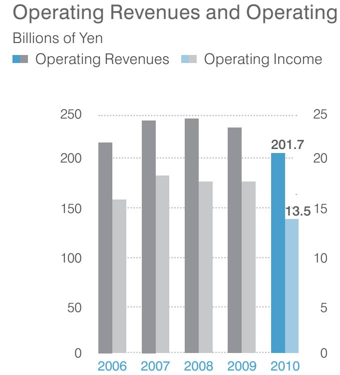
Advertising and Publicity
Advertising and publicity in railway stations and in and on railcars

Information Services
Information processing, development, operations, and support for Internet businesses and related activities

Credit Card Business
The *View Card*, a credit card that is honored at railway stations, stores at railway stations, hotels, shopping centers, and VISA, JCB, or MasterCard card member merchants

Others
Wholesale, truck delivery, cleaning services/station operations, cleaning, and other services

Operating Revenues and Operating Income



TRANSPORTATION

Shinkansen Network

OVERVIEW

JR East's five-route Shinkansen network linking Tokyo with five regional cities comprises the Tohoku Shinkansen, between Tokyo and Hachinohe, accounting for 631.9 operating kilometers; the Joetsu Shinkansen, between Tokyo and Niigata, 333.9 operating kilometers; the Nagano Shinkansen, between Tokyo and Nagano, 222.4 operating kilometers; as well as Shinkansen lines with trains operable on Shinkansen and conventional railway lines: the Yamagata Shinkansen, between Tokyo and Shinjo, 421.4 operating kilometers; and the Akita Shinkansen, between Tokyo and Akita, 662.6 operating kilometers.

JR East is taking steps to increase the convenience of its Shinkansen services further. Those efforts include implementing plans to introduce new-type railcars and increasing train services during such busy periods as the Golden Week spring holiday, summer vacation period, and the year-end and New Year period.

For fiscal 2010, traffic volume was 18,152 million passenger kilometers, and revenues from passenger tickets was ¥439.5 billion.

TOPICS

Shinkansen Network to Expand

JR East will commence operations on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line on December 4, 2010, thereby expanding the Shinkansen network. Extending the line will enable direct services between Tokyo and Shin-Aomori stations that will greatly reduce the journey time: from 3 hours and 59 minutes to 3 hours and 20 minutes. Shortly after cutting the tape for that new service, in March 2011, JR East will introduce new high-speed E5 series railcars for services between Tokyo and Shin-Aomori stations. Those new railcars, named *Hayabusa*, will realize an operational speed of 300 km/h, the fastest in Japan. JR East intends to take advantage of the extension to Shin-Aomori Station and the higher operational speed to continue deepening collaboration with local communities, increase tourist numbers, and steadily encourage use of the new service by business travelers.

New Railcar to Make a Fast Start

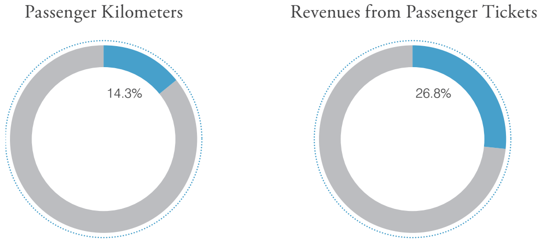
The March 2011 debut of new high-speed E5 series railcars for Tohoku Shinkansen Line services between Tokyo and Shin-Aomori stations, beginning December 2010, will launch a Shinkansen service boasting the highest operational speed in the country—300 km/h. Raising the bar further, JR East plans to increase that service's operational speed to 320 km/h from the end of fiscal 2013.

The railcar's design reduces noise, and the long 15-meter "nose" shape of the lead railcar also contributes to improved environmental performance. Further, even when running at 320 km/h, the railcar will achieve ride comfort superior to that of its predecessors thanks to full active suspension in all railcars and a car body tilt control system that improves ride comfort on curves.

Spacious and relaxing, the interiors feature wider seat pitches, electric legrests in *Green Cars*, and seats with movable headrests in ordinary cars.

Concept illustration of *GranClass* interior

Composition of Railway Operations in JR East (Shinkansen Network)



Prototype for E5 series

GranClass to Set a New Standard

In conjunction with the beginning of operations of the new high-speed E5 series railcar, JR East will unveil Japan's only first class, or *GranClass*, Shinkansen railcars. *GranClass* will feature a travel environment with a restful, elegant atmosphere and level of service unprecedented in Japanese railway travel. Premium-quality materials and pleasant lighting will create a sophisticated ambience, while wider seat pitches afford passengers additional comfort and ample space. Also, a dedicated attendant will provide meals, beverages, and other onboard services.

OUTLOOK

JR East to Build Prototype for E6 Series

JR East aims to build a new E6 series railcar for the Akita Shinkansen, which will be coupled with the new high-speed E5 series railcar for the Tohoku Shinkansen Line and be capable of an operational speed of 320 km/h. To that end, JR East intends to complete a mass production prototype for the E6 series railcar in July 2010. The E6 series railcar will come into service at the end of fiscal 2013 with a maximum operational speed of 300 km/h that will increase to 320 km/h at the end of fiscal 2014.

Because JR East is developing it as a railcar that is operable on Shinkansen and conventional railway lines for the Akita Shinkansen and that is capable of operating at 320 km/h on Shinkansen line segments, the E6 series will incorporate the new technologies introduced to the E5 series railcar, including environmental performance enhancements such as the long "nose" shape of the lead railcar, running performance enhancements such as advanced brake equipment, and comfort enhancements such as full active suspension. Further, the E6 series railcar will have running performance that can cope with the tight curves of conventional line segments.

• Those expansions are planned by the Japan Railway Construction, Transport and Technology Agency (JRTT).

TRANSPORTATION

Kanto Area Network

OVERVIEW

As well as being the area that best exploits the distinctive features of railways, the Kanto area network represents a large earnings base for JR East. By concentrating on strengthening the network by increasing through services as well as implementing measures to ease crowding, JR East is further improving service levels.

For example, JR East is increasing through services (services that join two existing services to allow passengers to travel further without changing trains) on the Shonan-Shinjuku Line, increasing train services during the morning rush hour, and improving seating services by introducing *Green Cars* on local train services. In March 2010, JR East opened Musashi-Kosugi Station on the Yokosuka Line and increased the convenience of the Narita Express and the Shonan-Shinjuku Line.

The Kanto area network comprises 2,536.2 operating kilometers. In fiscal 2010, it accounted for 102,347 million passenger kilometers and revenues from passenger tickets of ¥1,120.7 billion.

TOPICS

New Railcar Rolls Out 1: Narita Express

Providing access to Narita International Airport from Yokohama, Shinjuku, Omiya, and Hachioji, the Narita Express will replace all railcars with new-type E259 series railcars in summer 2010. October 2009 saw a partial introduction of those new railcars.

Universal design and upgraded comfort and security will give customers peace of mind and amenity.

New Railcar Rolls Out 2: Keiyo Line and Joban Local Line

Following completion of its introduction to the Chuo Line and the Keihin-Tohoku and Negishi lines, the E233 series railcar will debut on the Joban Local Line. Also, JR East will begin introducing that new railcar to the Keiyo Line.

The new railcar includes backups for such important railcar systems as electronic equipment and safety equipment, thereby further improving transportation stability. Also, JR East has upgraded equipment inside the railcar in order to improve services. For example, the railcar provides passengers with train schedule and transport information through guidance-information devices.

OUTLOOK

Tokyo Metropolitan Area Network to Expand 1: Tohoku Through Line Development

Targeting operational start-up in fiscal 2014, JR East is continuing to build the Tohoku Through Line.

The Tohoku Through Line project involves building new elevated railway tracks and upgrading existing railway tracks between Tokyo Station and Ueno Station so that certain services of the Utsunomiya, Takasaki, and Joban lines can become through services to Tokyo Station, Shimbashi Station, and Shinagawa Station. Underway since May 2008, that construction project is expected to cost approximately ¥40 billion.

Upon completion, the Tohoku Through Line will ease crowding on the Keihin-Tohoku and Yamanote lines during the morning rush hour and shorten journey times by enabling through services.

Tokyo Metropolitan Area Network to Expand 2: Facilities to Return Trains from Shinagawa Station

In an initiative related to the Tohoku Through Line project, JR East has begun developing new facilities that will enable trains to return from Shinagawa Station.

Currently at Shinagawa Station, Tokaido Line trains arriving from the direction of Tokyo Station cannot return toward Tokyo Station. Therefore, JR East is developing facilities at Shinagawa Station that will allow the return of trains from the Utsunomiya, Takasaki, and Joban lines—which will reach Shinagawa Station with the opening of the Tohoku Through Line.

Concept illustration of Tohoku Through Line

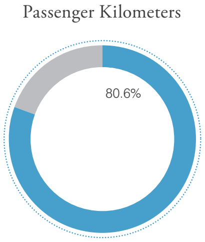
Through Services
1 Shonan-Shinjuku Line
2 Tohoku Through Line (plan)

New Railcars
3 Joban Local Line
4 Keiyo Line

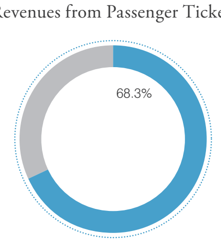
E233 series railcar (right)
New-type E259 Narita Express railcar (far right)

Composition of Railway Operations in JR East (Kanto Area Network)

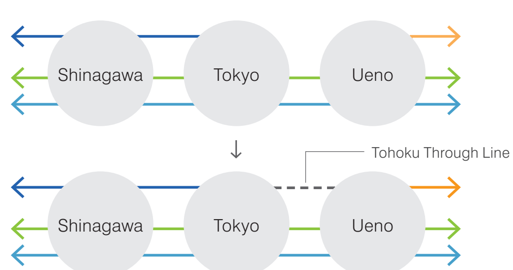
Passenger Kilometers



Revenues from Passenger Tickets



Concept of the Tohoku Through Line



- Joban Line, Utsunomiya / Takasaki Lines
- Tokaido Line
- Yamanote Line
- Keihin-Tohoku Line

TRANSPORTATION

Intercity and Regional Networks

OVERVIEW

Intercity networks comprise limited express services linking major cities. Based on regional conditions, JR East is further integrating those services with its Shinkansen services as well as increasing and speeding up limited express services. Further, JR East is shortening journey times by eliminating the need to change trains through the operation of the Yamagata Shinkansen and the Akita Shinkansen services, which can run on Shinkansen lines and conventional lines. Meanwhile, in regional networks JR East is providing transportation services that closely reflect local needs while improving efficiency.

Intercity and regional networks comprise 3,937.7 operating kilometers. In fiscal 2010, they accounted for 6,461 million passenger kilometers and revenues from passenger tickets of ¥80.5 billion.

TOPICS

Hybrid Resort Trains to Further Vitalize Regions and Regional Railway Lines

At present, JR East operates resort trains that make train journeys even more enjoyable for tourists by linking directly to resort areas. Those services are very popular with customers throughout the year. With that in mind, JR East will introduce new-type resort trains incorporating hybrid systems to the Tsugaru and Ominato lines and the Gono Line in December 2010, in order to coincide with the launch of operations on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, as well as to the Oito Line and the Iiyama Line to coincide with the fall 2010 *Shinshu Destination Campaign*.

Further, the new resort trains will incorporate hybrid systems similar to those used by the world's first commercial hybrid railcars, which JR East introduced to the Koumi Line in summer 2007.

OUTLOOK

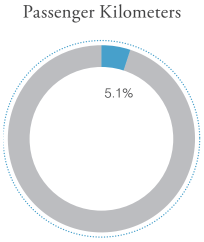
Steam Locomotive to Boost Regions and Regional Railway Lines

JR East has one C57 series and one D51 series steam locomotive. Operating as *SL Banetsu Monogatari*, *SL Okutone*, and *SL Usui*, the steam locomotives are popular with customers. With a view to enabling more customers to experience a steam locomotive journey and to preserve steam locomotives for future generations as a valuable part of Japan's industrial heritage, JR East is restoring one C61 series steam locomotive. This steam locomotive will enter service from spring 2011.

After restoration, the C61 series steam locomotive will mainly operate in the Takasaki area, between Takasaki and Minakami and between Takasaki and Yokokawa. Together the C61 series and the D51 series steam locomotives will operate for approximately 110 days per year during weekends and other busy periods. At the same time, JR East will recreate seven old-type railcars for use in travel packages and at events in various regions.

Composition of Railway Operations in JR East
(Intercity and Regional Networks)

Passenger Kilometers



Revenues from Passenger Tickets

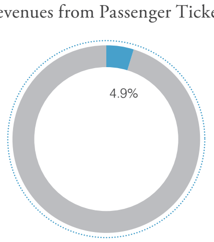


Image of new-type resort train (above)
C61 series steam locomotive (right)

TRANSPORTATION

Travel Agency Services

OVERVIEW

Travel package sales mainly consist of JR East's unique *View Travel Products* for individuals, which take advantage of its railway network and regional tourism development. By selling *View Travel Products*, JR East promotes the use of its railway network and invigorates regional economies by increasing tourism.

Also, JR East is enhancing services for customers by improving sales systems through such initiatives as developing new *View Plaza* travel agencies in the Tokyo metropolitan area as well as increasing Internet sales through *eki-net* and mail-order sales through the *View Reservation Center*.

TOPICS AND OUTLOOK

Rediscovering the Region Projects to Step Up Tourism Development

JR East creates demand for journeys by railway through the development of secondary transportation from stations or the introduction of resort trains while furthering the development of tourism in regions by collaborating with local communities in *Destination Campaign* initiatives.

Aiming to activate regional economies ever further, JR East will take full advantage of its extensive management resources in *Rediscovering the Region Projects*. In those projects, JR East will work with regions to unearth a range of tourism resources, thereby heightening each region's appeal. Another facet of the projects will involve exploiting JR East's sales channels in the Tokyo metropolitan area to market regional products.

Also, JR East will establish *Tabi-Ichi* as a travel product brand themed on coexistence with local communities. Launched in July 2009, the new brand features travel packages based on local residents' ideas and direct involvement.

Measures to Attract More Overseas Tourists

In collaboration with the *Visit Japan Campaign*, a joint private and public sector initiative aimed at increasing the number of visitors to Japan, JR East is taking a variety of steps to attract more tourists from overseas.

As well as selling discount tickets for individual travelers, such as *JR EAST PASS* and *Japan Rail Pass*, JR East offers *Suica & N'EX*, which combines *Suica* with a discount Narita Express ticket and features a distinctive design. Also, JR East began an online seat reservation service for customers overseas, *JR-EAST Shinkansen Reservation*, from March 2008.

In addition, given the planned expansion of international flight services to Haneda Airport (Tokyo International Airport) at the end of October 2010, JR East will work with Group companies Tokyo Monorail Co., Ltd., and JR EAST VIEW Travel Service Co., Ltd., to examine further upgrading of related services.

JR EAST PASS
Tabi-Ichi pamphlet (right)

NON-TRANSPORTATION

Station Space Utilization

OVERVIEW

Used by around 17 million passengers a day, the railway stations that JR East operates are its most significant management resource. In those railway stations, JR East operates a wide variety of businesses, including retail outlets and restaurants that provide customers with convenient, comfortable services and increase its earnings.

JR East has many railway stations with high passenger volumes: 91 railway stations are used by more than 100,000 passengers a day, including 36 railway stations used by more than 200,000 passengers a day as of March 2010. Given those volumes, there is considerable scope for the further development of non-transportation services.

TOPICS

Station Renaissance Program Produces Solid Results

JR East is implementing the *Station Renaissance* program to maximize the appeal of its railway stations—JR East's largest management resource. A particular highlight of that program in fiscal 2010 was *ecute* commercial spaces, at Nippori Station JR East increased *ecute* floor space. Also, JR East remodeled a Tokyo Station shopping mall in order to launch *ecute Tokyo* as a new *ekinaka* ("spaces inside railway stations"). Furthermore, despite the recession, *ecute* performed steadily. Looking at stores sales, *ecute Omiya* posted ¥9.6 billion, a 6% decline year on year; *ecute Shinagawa* ¥7.2 billion, a 3% decrease year on year; and *ecute Tachikawa* ¥5.9 billion, a 9% increase year on year reflecting the opening of its second phase.

In addition to *ecute* initiatives, JR East opened new stores at Oimachi Station on the Rinkai Line, Gotanda Station, *Dila Mitaka*, and *Dila Ofuna*. Also, *GranSta*, which opened in fiscal 2008, overcame tough business conditions to record a 3.9% year-on-year increase in store sales, to ¥10.4 billion.

Other efforts in fiscal 2010 included developing Echigo-Yuzawa Station's "gateway" for tourists as one of JR East's *Rediscovering the Region Projects*. Working closely with the local community, JR East opened *CoCoLo Yuzawa Gangi Dori*, a commercial space bringing out regional characteristics fully, and developed a visitors center in Echigo-Yuzawa Station.

JR East Acquires Kinokuniya Co., Ltd.

JR East acquired all of the shares of Kinokuniya Co., Ltd., which operates a chain of high-end supermarkets, to make it a consolidated subsidiary in April 2010. Having opened Japan's first supermarket, Kinokuniya is a long-established company that recently celebrated its 100th anniversary. Combining JR East's railway network with Kinokuniya's integrated distribution (its producer networks, purchasing power, and so on) will further enable railway-station-centered town development based on the development of *ekinaka* and railway station buildings as well as the creation of new businesses that will help increase tourism and invigorate regions.

OUTLOOK

Station Renaissance Program to Evolve Further

In accordance with *JR East 2020 Vision—idomu—*, JR East aims to develop non-transportation operations further. To that end, JR East will expand the *Station Renaissance* program by concentrating on railway stations in downtown Tokyo that it has not yet developed as well as other railway stations with growing commercial potential due to the vitalization of their surrounding areas. In those efforts, JR East intends to step up marketing and merchandising while developing *ecute* and *Dila* shopping facilities. Specifically, Oimachi Station, Nippori Station, and Kawasaki Station.

At the same time, JR East will maximize the value of *ekinaka* by undertaking bold renewals of aging shopping areas in order to revitalize them by creating appealing shopping areas. JR East plans to remodel Tokyo Station in fiscal 2011.

ecute Nippori

GranSta

CoCoLo Yuzawa Gangi Dori

Top 20 Stations with Large Daily Passenger Use

	Station	Number of Passengers per Day
1	Shinjuku	1,497,044
2	Ikebukuro	1,096,498
3	Shibuya	824,482
4	Yokohama	799,266
5	Tokyo	768,048
6	Shinagawa	643,478
7	Shimbashi	496,096
8	Omiya	472,848
9	Akihabara	449,216
10	Takadanobaba	409,054
11	Kita-Senju	387,952
12	Kawasaki	374,294
13	Ueno	356,826
14	Yurakucho	332,504
15	Tachikawa	316,136
16	Hamamatsucho	310,290
17	Tamachi	307,964
18	Kichijoji	282,628
19	Funabashi	271,120
20	Kamata	267,516

Development of *ecute*

	Beginning of Operations	Store Space	Main Business Lines	Fiscal 2010 Store Sales
Omiya	March 2005	approx. 2,300 m²	Delicatessen, confectionary, sundry goods, restaurants, services (73 stores)	¥9.6 billion (94% year on year)
Shinagawa	October 2005	approx. 1,600 m²	Delicatessen, confectionary, sundry goods, restaurants, services (46 stores)	¥7.2 billion (97% year on year)
Tachikawa	October 2007 (phase I) October 2008 (phase II)	approx. 4,300 m²	Delicatessen, confectionary, sundry goods, cafes, services, nursery school, clinics, etc. (92 stores)	¥5.9 billion (109% year on year)
Nippori	March 2008 June 2009 (floor space increase)	approx. 380 m²	Delicatessen, confectionary, sundry goods, cafes (17 stores)	¥1.5 billion
Tokyo	March 2010	approx. 1,300 m²	Delicatessen, confectionary, sundry goods, cafes (31 stores)	— (Opened March 28, 2010)

ecute Shinagawa (above)
ecute Tachikawa (above right)
ecute Omiya (right)
ecute Tokyo (far right)

NON-TRANSPORTATION

Shopping Centers & Office Buildings

OVERVIEW

Concentrating on such railway station buildings as *LUMINE* and *atré*, JR East's shopping centers operations fully exploit the formidable customer-drawing power of JR East's railway stations and the locations nearby them to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

Also, JR East develops and leases office buildings, focusing on those buildings in highly convenient locations that have direct access to its railway stations. In particular, JR East operates a large commercial complex that leverages its location next to Tokyo Station—a railway station used by approximately 770,000 passengers a day—and provides leading-edge highly functional offices that cater to diverse commercial needs. As of March 31, 2010, JR East operates 133 shopping centers and 20 office buildings.

TOPICS

Tokyo Station City Shows Stable Earning Power

Although business conditions in fiscal 2010 were tough, *Tokyo Station City*, comprising *Sapia Tower*, *GranTokyo North Tower*, and *GranTokyo South Tower*, matched its results of the previous fiscal year, achieving operating revenues of ¥25.0 billion and operating income of ¥12.0 billion. Moreover, the *Tokyo Station City* project will finish restoring the Tokyo Station Marunouchi redbrick building in spring 2012 and begin operations at the *Tokyo Station Hotel* (provisional name) and at the Daimaru extension of the second phase of *GranTokyo North Tower* in fiscal 2013. The project's finishing touches will be the fiscal 2014 development of *Gran-Roof* at the Yaesu exit of Tokyo Station.

New Railway Station Buildings Open, Existing Shopping Centers Remodeled

As well as unveiling *LUMINE MAN SHIBUYA* in Tokyo, JR East began operations at Iwaki Station Building in Fukushima, Musashi-Koganei Station Building in Tokyo, *CIAL PLAT Higashi-Kanagawa* in Kanagawa, *E'site Ageo* in Saitama, and *atrévie Sugamo* in Tokyo in fiscal 2010.

Further, JR East maintained and improved the appeal of existing stores through remodeling. In fiscal 2010, JR East remodeled *Kawasaki BE* in Kanagawa, *Perie* in Chiba, and *Tópico* in Akita and introduced major tenants that enjoy strong customer endorsement.

OUTLOOK

Plans Call for Aggressive Development

In shopping centers operations, although Japan's demographic structure is changing, economic conditions are lackluster, and Internet shopping and other factors are intensifying competition, JR East will cater to the resulting changes in markets and customer needs by launching new initiatives. For example, fiscal 2011 will see the beginning of operations at Hachioji Station South Exit Building (provisional name) and Akihabara Denkigai-guchi Building (provisional name) as well as the remodeling of a railway station building at Kichijoji Station.

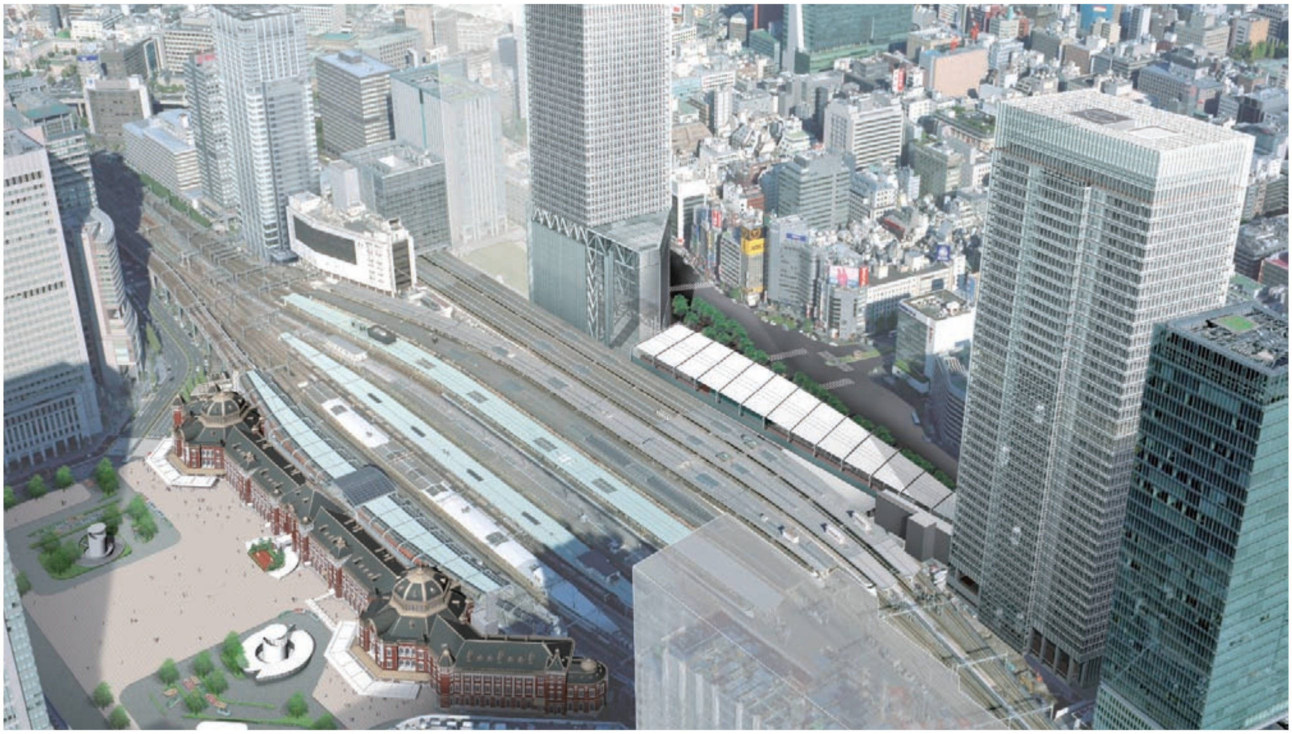
In addition, office buildings operations will move forward with the construction of JR South Shinjuku Building (provisional name) and Kanda Manseibashi Building (provisional name), which are scheduled to begin operations in 2012.

Further, as part of *Rediscovering the Region Projects*, and with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station in mind, JR East plans to develop a "craft center" and "market" complex at the Shin-Aomori waterfront area in keeping with Shin-Aomori's town development concept.

GranTokyo South Tower

LUMINE MAN SHIBUYA

CIAL PLAT Higashi-Kanagawa



Concept illustration of *Tokyo Station City*

Development of *Tokyo Station City*

	Sapia Tower	*GranTokyo North Tower*	*GranTokyo South Tower*
Beginning of operations	March 2007 Conference facilities, hotel: May 2007	November 2007 (Phase I)	November 2007
Rentable area / sales floor area	Office: approx. 30,600 m^2 Conference facilities: approx. 1,800 m^2 Hotel: 343 rooms	approx. 15,300 m^2 (Offices owned by JR East)	approx. 49,400 m^2 (Offices owned by JR East)
Cost	¥27.4 billion	¥129.0 billion (Amount shouldered by JR East)	
Fiscal 2010 actual results	Operating revenues: ¥25.0 billion Operating income: ¥12.0 billion		
Initial estimate	Operating revenues: ¥7.6 billion Operating income: ¥2.8 billion	Operating revenues: ¥19.0 billion Operating income: ¥8.0 billion (When Phase II completed)	
Notes		Phase II scheduled to begin operations in spring 2013	

Concept illustration of Akihabara Denkigai-guchi Building (provisional name)
Concept illustration of JR South Shinjuku Building (provisional name)(far right)

NON-TRANSPORTATION

Other Services: Advertising and Publicity

OVERVIEW

JR East provides transportation advertising in railway station concourses and in and on railcars, which approximately 17 million people use a day. In fiscal 2010, transportation advertising in Japan was down 11.5%, to ¥5,922.2 billion. Against that backdrop, transportation advertising declined for the second consecutive year, decreasing 18.0%, to ¥204.5 billion. Nevertheless, JR East has a very strong position in the transportation advertising business. In the Tokyo metropolitan area—the mainstay market for transportation advertising—JR East's fiscal 2010 advertising revenues of approximately ¥48.1 billion represented roughly half of the total advertising revenues of ¥97.2 billion for transportation advertising.

Susceptibility to economic fluctuations is a characteristic of advertising, and these operations are facing challenging conditions. On the other hand, the development of next-generation technologies and materials is progressing rapidly, and JR East intends to heighten the value of advertising media for advertisers through further digitization and network incorporation.

TOPICS AND OUTLOOK

J-AD Vision Exploits Large-Capacity Wireless Service

JR East is installing *J-AD Vision*, formerly referred to as digital posters, an advertising medium that uses large LCD (liquid crystal display) screens, at major railway stations, including the central passage of Tokyo Station and free passages of Shinagawa Station as well as at Yokohama Station, Omiya Station, and Sendai Station. The large-capacity—high-speed wireless technology WiMAX enables *J-AD Vision* to display content, mainly videos, to suit the day or time of day. Going forward, JR East will install *J-AD Vision* at other major railway stations and develop the medium with a view to incorporating networks.

Train Channel Expands

The *Train Channel* is an advertising medium that broadcasts video commercials within railcars on screens above the doors. JR East has introduced the *Train Channel* to the Yamanote Line, the Chuo Line, the Ome Line, the Itsukaichi Line, and the Keihin-Tohoku and Negishi lines. In October 2009, JR East introduced the *Train Channel* to the new Narita Express, making it the first limited express to have the *Train Channel*. By upgrading news, weather, and entertainment information, JR East will develop the *Train Channel* into an even more attention-getting medium.

"Ad stands and Ad shops" Evolve

"Ad stands and Ad shops" refers to the deployment of advertising that matches store sales promotions. For example, a food manufacturer promoting an instant noodle product not only used wrapping advertisement inside and outside of a store in Shibuya Station but also offered samples of the product for tasting in the store. In another example, a kimono-wearing class in Tokyo Station offered a "kimono rental and powder room" service in conjunction with advertisements inside and outside the class.

Shinagawa Station's central passage (*J-AD Vision*)

The *Train Channel* on the new Narita Express

Ad shop at Tokyo Station

NON-TRANSPORTATION

Other Services: Hotel Operations

OVERVIEW

JR East operates city, business, and such long-term-stay hotels as *Familio* and *Folkloro*, and it has 42 hotels with a total of 6,005 guest rooms as of March 31, 2010. JR East's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. In addition to being advantageously located next to railway stations, those hotels provide sophisticated accommodation, dining, and banquet services. Further, JR East's *HOTEL METS* business hotels focus on accommodation, offering comfort comparable to city hotels at reasonable prices. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one. That advantage maintains occupancy rates at approximately 80% even amid unfavorable business conditions.

TOPICS AND OUTLOOK

The *Metropolitan Hotels* Chain Upgrades

The *Metropolitan Hotels* chain comprises 10 hotels and 3,036 guest rooms as of March 31, 2010. In fiscal 2010, JR East vitalized and strengthened the competitiveness of existing facilities by remodeling the guest rooms and banquet halls of *Hotel Metropolitan Nagano*, *Hotel Metropolitan Takasaki*, and *Hotel Metropolitan Akita*. *Metropolitan Hotels* had an occupancy rate of 77.6% in fiscal 2010. Further, *Hotel Metropolitan Marunouchi* in Tokyo performed well. Opening on the upper floors of *Sapia Tower* in May 2007, that hotel focuses on providing sophisticated accommodation and first-class comfort while taking advantage of an outstanding location directly connected to Tokyo Station.

HOTEL METS Develops

The *HOTEL METS* chain includes 20 hotels and 2,211 guest rooms as of March 31, 2010. As well as targeting businesspeople, JR East hopes local residents will use those hotels as gathering places and to accommodate their guests. Fiscal 2010 saw the launch of *HOTEL METS Komagome* in Tokyo. In line with plans to continue developing the *HOTEL METS* chain in the Tokyo metropolitan area, JR East will begin operations at *HOTEL METS Yokohama Tsurumi* from fall 2010. Further, the fiscal 2010 occupancy rate was 80.1%.

Familio and *Folkloro* Evolve

Familio and *Folkloro* account for nine hotels and 272 guest rooms as of March 31, 2010. As part of the *Rediscovering the Region Projects*, JR East is taking steps to develop *Folkloro Iwate Towa* as a French-style (auberge) hotel; that uses produce from its attached vegetable garden and *Familio Tateyama* as a hotel themed on enjoying sports and activities.

Hotel Takes Shape in Tokyo Station

At the Marunouchi exit side (west side) of Tokyo Station, JR East is restoring the historic Marunouchi redbrick building and developing the open square that it looks onto. With restoration work due to finish in fiscal 2011, JR East plans to open a hotel befitting Japan's flagship railway station inside this important cultural asset in fiscal 2013.

The remodeled *Hotel Metropolitan Akita*

HOTEL METS Komagome

Concept illustration of *Tokyo Station Hotel*

Suica

The Functions and Convenience of *Suica* Evolve Rapidly

JR East introduced *Suica* as a next-generation fare collection system based on IC cards on November 18, 2001. Further, in order to capitalize on the potential of *Suica* as a means of settling transactions for small sums, JR East began *Suica* electronic money services from March 22, 2004.

In addition to the usability of *Suica* on railways within the JR East service area—the Tokyo metropolitan area, Sendai, and Niigata—the beginning of mutual use with *PASMO* in 2007 made *Suica* usable on most railways and bus services in the Tokyo metropolitan area. Moreover, as of March 31, 2010, *Suica* is usable in all of Japan's major cities thanks to mutual use with West Japan Railway Company's *ICOCA*, Central Japan Railway Company's *TOICA*, Hokkaido Railway Company's *Kitaca*, Kyushu Railway Company's *SUGOCA*, Nishi-Nippon Railroad's *nimoca*, and Fukuoka Transportation Bureau's *HAYAKAKEN*. Further, JR East is planning mutual use with *manaca*, which Nagoya Transportation Bureau, Nagoya Railroad, and so on plan to introduce. JR East intends to continue increasing the areas in which customers can use IC passenger tickets.

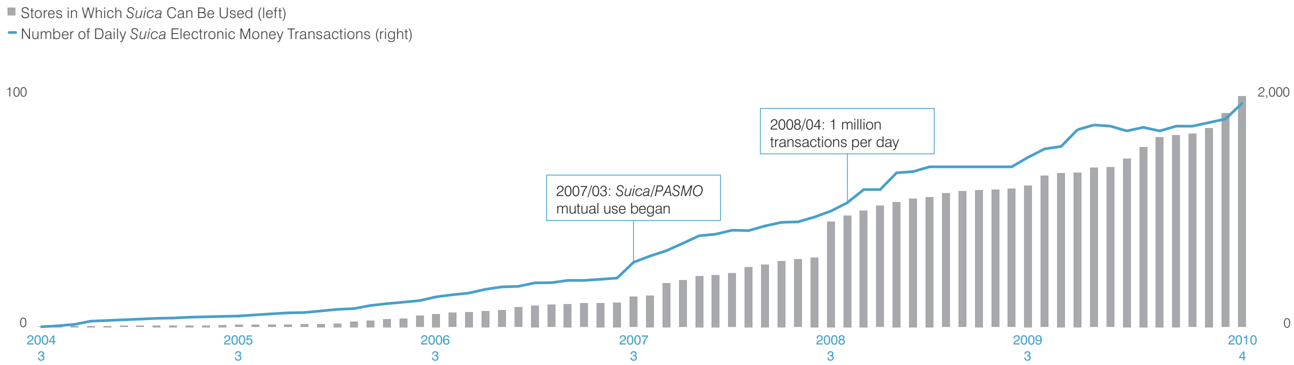
At the same time, JR East has been expanding the usage area for *Suica* electronic money by extending the usability of *Suica* beyond stores in railway stations to encompass convenience stores and shopping centers. Also, in the same way that it has done with railways, JR East has been steadily extending the mutual use of *Suica* as electronic money. As a result of those efforts, *Suica* electronic money is usable at approximately 89,350 locations and accounts for approximately 1.74 million transactions daily as of March 31, 2010.

Also, JR East provides the *Mobile Suica* service, which enables customers to use IC-enabled mobile phones compatible with *Suica* not only to charge *Suica* but also to purchase and use commuter passes and Shinkansen limited express tickets. Further, JR East is developing a lineup of *Suica* services that cater to a wide range of customer needs, such as the *View Card with Suica*, which integrates *Suica* and *View Card* functions, and multifunctional *Suica* IC cards, which incorporate *Suica*, cash cards, and other functions. In addition, JR East expanded an automatic charging service previously only available for *View Card with Suica*—which automatically charges *Suica* if the charge balance is below a certain amount when a customer passes the IC card over an automatic ticket gate—to include other types of *Suica*, such as *Mobile Suica*, *My Suica* (registered type *Suica*), and *Suica Commuter Pass*.

Similarly, JR East increased the types of *Suica* included in the *Suica Point Club*, which awards users with points usable for charging *Suica* when they use electronic money at designated stores. Also, July 2009 saw the launch of a *Suica* Internet service that allows the charging and settlement of *Suica* via personal computers.

Going forward, JR East will take on the challenge of new businesses based on *Suica* information and elevate *Suica* business to general information technology business.

Number of Daily *Suica* Electronic Money Transactions and *Suica* Compatible Stores
Thousands



As a Corporate Citizen

038 Safety
040 Environmental Issues
043 For Society
044 Compliance
045 Board of Directors and Corporate Auditors
046 Corporate Governance
052 Organization

Safety

Since its founding, JR East has consistently advanced initiatives for safety—the highest priority of its corporate management. Also, *JR East 2020 Vision—idomu*—calls on JR East to maintain an unflagging commitment to pursuing "extreme safety levels."

2013 SAFETY VISION

In fiscal 2010, JR East began advancing measures based on its latest 5-year safety plan, *2013 Safety Vision*, JR East's fifth such plan since its founding in 1987. As a result, JR East's safety record has improved steadily, with a considerable decrease in accidents over the past 23 years.

JR East will make a concerted effort—from the front line to Head Office—to tackle safety issues under the slogan "think and act for yourself." Pursuing its goal of "zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies)," JR East will continue working tirelessly to improve safety.

CREATING A CULTURE OF SAFETY

In order to improve safety, its highest priority, JR East must build and inculcate a strong safety culture within its organization. That culture should be based on mutual trust and putting into action lessons learned from past accidents and accident-related information.

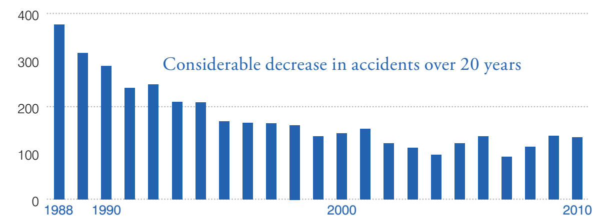
Further, JR East tackles safety problems based on the "three actualities principle" of correctly understanding and responding to situations by dealing with "actual location," "actual object," and "actual people."

In addition, JR East is revitalizing the *Challenge Safety Campaign*, which encourages all employees to think about safety, debate safety, act to increase safety, and feel a sense of achievement about safety, thereby enhancing safety awareness.

Trends in Railway Accidents

Years ended March 31

Number of Accidents



Targeting Further Improvement

Two Fresh Approaches in Relation to Safety

1 Safety-related human resource development and system improvement

2 Evaluating possible risks to prevent accidents before they occur

+

The Four Pillars of *2013 Safety Vision*

1 Creating a Culture of Safety

2 Rebuilding the Safety Management System

3 Taking Sure Steps to Reduce Risks

4 Promoting Priority Improvement Plans for Safety Equipment

zero accidents

- Accidents involving passenger injuries or fatalities
- Accidents involving employee fatalities (including Group companies and partner companies)

Five Cultures

- The culture of proper reporting: Proper reporting makes it possible to correctly analyze accidents and incidents.
- The culture of noticing: Noticing accidents at incipient stages is the basis for prevention.
- The culture of direct confrontation and debate: Directly and thoroughly confronting each other's views is necessary for determining causes.
- The culture of learning: Making use of lessons learned is the basis for preventing the recurrence of accidents.
- The culture of action: Taking action is what makes it possible to maintain safety.

REBUILDING THE SAFETY MANAGEMENT SYSTEM

Employees represent the front line of JR East's safety efforts. Therefore, fostering key employees with safety knowledge, teaching skills, and technical skills at operational bodies and branch offices is important.

Also, JR East is making a concerted effort to further enhance safety by helping the safety divisions of Group companies improve safety, developing systems to improve facilities and equipment, and fostering related personnel.

TAKING SURE STEPS TO REDUCE RISKS

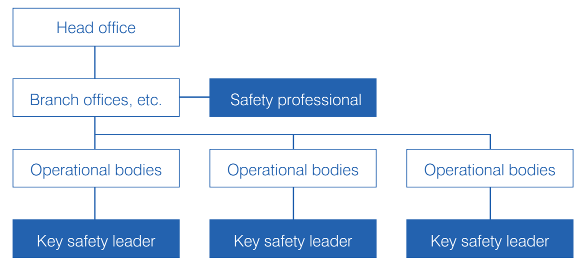
Previously, JR East's countermeasures in relation to major accidents primarily reflected major accidents that had occurred. In addition to that approach, JR East has introduced an approach to prevention that evaluates risks and addresses them in the order of highest priority. This approach estimates the maximum damage from accidents and incidents that JR East may have underrated because, while they occur with a certain frequency, they have, happily, not resulted in significant damage to date.

Further, JR East will continue steadily implementing countermeasures in relation to major accidents that have occurred in recent years.

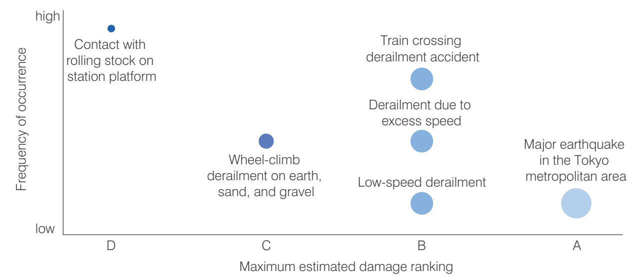
PROMOTING PRIORITY IMPROVEMENT PLANS FOR SAFETY EQUIPMENT

JR East has invested approximately ¥2.4 trillion in safety over 20 years since its founding in 1987. Under *2013 Safety Vision*, JR East anticipates an investment of approximately ¥750 billion over the 5 years from fiscal 2010. In fiscal 2010, JR East invested approximately ¥168 billion in safety. Major safety initiatives include preparing more ATS-P and ATS-Ps (automatic train-stop systems) to prevent train collisions and derailments, undertaking construction and engineering work to reinforce earthquake resistance, introducing automatic platform gates on the Yamanote Line, and examining measures to prevent secondary damage in railway crossing accidents.

Key Safety Leaders and Safety Professionals



Frequency of Occurrence and Maximum Estimated Damage Ranking

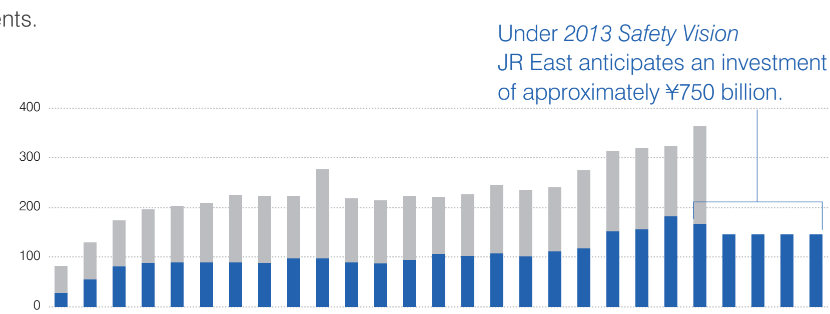


A: Great Hanshin-Awaji Earthquake, major earthquake (envisioned) in the Tokyo metropolitan area, etc.
B: Tsurumi, Mikawajima, Fukuchiyama Line derailment accidents, etc.
C: Shigaraki Highlands Railway accident, etc.
D: Contact with rolling stock on station platform, etc.

Image of automatic platform gates

Safety-related Investment
Years ended March 31
Billions of Yen

■ Safety-related Investment
■ Other Investment



Environmental Issues

JR East has developed a wide range of environmental initiatives that reflect its basic philosophy of promoting ecological activities—diligently striving to balance environmental protection with business activities. JR East will continue disclosing environmental information based on feedback from stakeholders, expanding and improving environmental preservation initiatives, and making railways even more environmentally friendly. Moreover, JR East will spare no effort to realize fully the environmental advantages of railways over other forms of transportation by making railways even easier to use.

ENVIRONMENTAL PRESERVATION INITIATIVES

Reduction of Energy that Train Operations Use

Energy used by its railway operations accounts for approximately 70% of the total energy consumed by JR East. By the end of fiscal 2009, 86% of JR East's total rolling stock, or 10,529 railcars, were energy-efficient railcars, and energy consumption per unit of transportation volume had decreased 15%* from fiscal 1991 levels.

* Based on the calculation method pursuant to the Law Concerning the Promotion of Measures to Cope with Global Warming

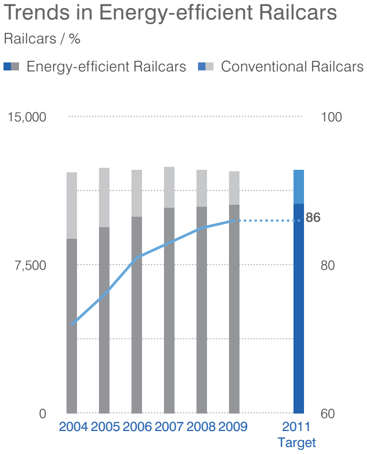
Energy Saving and CO_2 Reduction

As part of initiatives to save energy by reducing the amount of energy that its railway stations and offices uses, JR East installed roughly 1,800 information displays that use LEDs at approximately 120 railway stations mainly in the Tokyo metropolitan area, such as at Mejiro Station on the Yamanote Line and at Ichigaya Station on the Chuo Line, from January 2009. Further, in order to mitigate the "heat island" phenomenon and curb the energy it uses for air-conditioning, JR East is introducing plants to the rooftops of its railway station buildings and office buildings. As a result, JR East has greened approximately 8,900 square meters in 30 projects as of the end of May 2009.

Also, JR East promotes the use of solar power generation and wind power generation. Accordingly, it has installed solar panels at Tokyo Station, Takasaki Station, the JR East General Education Center, and the Research & Development Center of JR East Group. Moreover, it doubled the number of solar panels at Takasaki Station in March 2004. Further, JR East aims to install and begin using solar panels at the Tokaido Line platform of Tokyo Station, tracks No. 9 and No. 10, in fiscal 2011.

In addition, JR East promotes park-and-ride and rent-a-car services in order to encourage the use of railways as a highly energy efficient environment-friendly means of transportation and thereby reduce the CO_2 that transportation produces overall.

Trends in Energy-efficient Railcars



Concept illustration of panels for solar power generation installed on the roof of a Tokyo Station platform

Resource Recycling

JR East's recycling initiatives come under three headings: reduce, reuse, and recycle. In fiscal 2009, JR East produced approximately 600,000 tons of waste, of which 82% was reused or recycled. Further, the *Suica* IC card passenger ticket helps to conserve natural resources significantly because, unlike traditional passenger tickets, passengers can use the *Suica* IC card repeatedly.

Preservation of the Environments alongside Railway Lines

In areas alongside railway lines, JR East advances a range of initiatives to reduce noise, conserve landscapes, prevent pollution, and preserve natural environments. For example, JR East has completed measures to reduce noise from Shinkansen lines to 75 dB or less in residential areas by installing soundproof walls and using sound absorbent materials. Moreover, JR East uses low-noise equipment for maintenance work. In addition, JR East preserves approximately 4,200 hectares of railway forest, comprising 6 million trees, which protect railway lines from natural disasters.

SYSTEMS FOR THE ADVANCEMENT OF ENVIRONMENTAL MANAGEMENT

The Group's Advancement System

JR East established the Committee on Ecology to steadily implement surveys of the environmental impact of JR East's operations, set environmental targets, undertake environmental preservation activities, check progress toward targets, and conduct senior-management-level monitoring. To confirm the Group's environmental policies, since fiscal 2004, JR East has regularly convened the JR East Group Environmental Management Advancement Conference, which representatives of all Group companies attend.

Railway Line Forestation

Railway line forestation programs undertaken in partnership with local communities had planted approximately 280,000 trees and included 40,000 participants over the 16-year-period ended March 2009.

Acquisition of ISO 14001 Certification

At operational bases that place a comparatively heavy burden on the environment, JR East has been acquiring ISO 14001 certification, which recognizes compliance with international standards for environmental management systems. All of JR East's Rolling Stock Centers, which maintain railcars, have acquired ISO 14001 certification.

A railway forest beside the Yamagata Shinkansen Line

Adatara hometown forestation program

ENVIRONMENTAL RESEARCH AND DEVELOPMENT

Environmental Technology Research Center

JR East 2020 Vision—idomu—, which was announced in March 2008, sets out challenging numerical targets in relation to the environment. To reach those targets, as well as honing existing technologies, JR East must actively and strategically pursue research and development that will enable the introduction of new environmental technologies to JR East's operations. Accordingly, on April 1, 2009, JR East established the Environmental Technology Research Center so that JR East can grow sustainably while fulfilling its social responsibility to protect the environment.

Operating the World's First Diesel Hybrid Railcars

The *kiha* E200 type railcars, which entered service in July 2007, are the world's first diesel-powered, electric motor-driven hybrid railcars to be used operationally. Currently operating on the Koumi Line, these diesel hybrid railcars have fuel efficiency that is approximately 10% better than that of a standard diesel railcar. Further, these diesel hybrid railcars are approximately 30 dB quieter when idling at stations and have about 60% less hazardous substances in their exhaust gases.

Recognizing JR East's development and introduction of the new hybrid railcars, the Ministry of the Environment presented JR East with the 2007 Environment Minister's Award for Global Warming Prevention Activities in the technology development and commercialization category.

Development of Catenary and Battery-powered Hybrid Railcar System

JR East is currently developing a railcar that incorporates large-capacity storage batteries, which it uses as a power source on non-electrified railway line segments. Moreover—not wasting the energy that braking creates—the railcar uses it to charge the storage batteries. Running trials are already underway on railway lines.

Environmental Targets

JR East 2020 Vision—idomu—, which was launched in March 2008, calls on JR East to take *a positive and long-term approach to global environmental problems*. Accordingly, JR East set out its numerical targets for fiscal 2010 and is striving to achieve them.

→ Please see JR East's Sustainability Report 2009 for further information about initiatives related to corporate social responsibility and the environment.
http://www.jreast.co.jp/e/environment/index.html

A catenary and battery-powered hybrid railcar

Environmental Targets

Task	Fiscal 2011 Target
Total CO_2 emissions of railway business activities	50% reduction by fiscal 2031 (compared with fiscal 1991) 32% reduction by fiscal 2018 (compared with fiscal 1991)
Energy-efficient railcars utilization rate	86%
Electricity used for train operation	2% reduction (compared with fiscal 2007)
Train electricity used per unit transport volume	2% reduction (compared with fiscal 2007)
Energy saving at stations and offices	4.5% reduction (compared with fiscal 2007)
Recycling rate for waste generated at stations and on trains	70%
Recycling rate for waste generated at General Rolling Stock Centers, etc.	95%
Recycling rate for waste generated in construction projects	92%

For Society

JR East's core railway operations have extremely strong ties with society at large as well as with local communities. Consequently, in tandem with the development of its operations, JR East has fostered a corporate culture of meeting social responsibilities and benefiting society through its business activities.

JR East's Group Philosophy includes a social mission that requires it to "grow continuously and advance in harmony with customers by generating earnings while meeting social responsibilities as a *Trusted Life-style Service Creating Group*." Accordingly, JR East will continue to meet the expectations of society and justify the trust of its stakeholders.

INVOLVEMENT WITH LOCAL COMMUNITIES

Rediscovering the Region Projects

JR East will invigorate regions through a strategy of strengthening collaboration with local communities in order to facilitate joint efforts to think hard and come up with ideas. Those efforts will entail bringing to light local products and such tourism resources as traditional culture and festivals while leveraging the unique characteristics of railways and the advantages of sales channels in the Tokyo metropolitan area.

Support for Parents Working while Rearing Children

As part of its initiatives to develop towns in partnership with local communities, JR East supports working parents by developing *Station Day Care* facilities, most of which are within five minutes walk of a JR East railway station. Since 1996, JR East has developed 34 day care facilities, as of April 2010, and plans to open even more. JR East's *Station Day Care* facilities allow parents to drop off and pick up their children on the way to and from work. At *Station Day Care* facilities, fathers bringing their children to the facilities is a common sight. In this way, the facilities are helping fathers take part in child rearing. Looking ahead, JR East will benefit local communities and make line-side areas even more attractive and convenient by developing services catering to a variety of child-rearing needs.

Children playing at a *Station Day Care* facility on the roof of a railway station building

The Railway Museum

In October 2007, JR East cut the tape on The Railway Museum as the flagship project commemorating the 20th anniversary of JR East's incorporation. A public interest incorporated foundation, the East Japan Railway Culture Foundation* built the museum on land that JR East owns in Saitama City. The museum systematically preserves and displays artifacts and documents relating to the railway heritage of Japan and other countries as well as JR East and the restructuring of Japan National Railways (JNR). Less than six months after its opening, the museum welcomed its 1 millionth visitor. And, 3,380,000 people had visited the museum by the end of March 2010.

* In 1992, JR East established the East Japan Railway Culture Foundation to realize programs that contribute continuously to society. The foundation promotes regional culture, conducts railway-related surveys and research, and organizes international cultural exchanges. The East Japan Railway Culture Foundation became a public interest incorporated foundation on April 1, 2010.

INVOLVEMENT WITH INTERNATIONAL COMMUNITIES

Cooperation with Overseas Railway Operators

In order to better cooperate and exchange information with railway operators worldwide under a wide range of themes that include technology, management, and the environment, JR East is affiliated with the Union Internationale des Chemins de Fer (UIC), the International Association of Public Transport (UITP), and the Community of European Railway and Infrastructure Companies (CER), and participates in related initiatives and conferences. Also, JR East Vice Chairman Yoshio Ishida became the Chairman of the UIC in April 2009. Further, JR East contributes internationally by accepting visitors and trainees from overseas. In fiscal 2010, JR East welcomed 478 visitors and trainees from 47 countries.

Compliance

JR East established the Legal Compliance and Corporate Ethics Guidelines (the Guidelines) as corporate conduct guidelines in 2005. Further, JR East has taken compliance-related measures including the establishment of compliance consultation desks inside and outside the Company as contact points for whistle-blowers.

Also, the JR East Group is making a concerted effort to further promote compliance-based business management. As part of that effort, in 2009, JR East educated all Group employees in order to raise compliance awareness and conducted a comprehensive check of the legal compliance of overall operations.

COMPLIANCE-RELATED MEASURES

Establishment and Revision of Compliance Action Plan

Aiming to heighten the effectiveness of the Guidelines it established in 2005, JR East prepared its first Compliance Action Plan, summarizing desirable conduct for all JR East Group employees, and distributed it to all employees. Subsequently, in 2009, JR East prepared and distributed a revised Compliance Action Plan, which dealt with awareness of legal issues and the checking of report content.

Comprehensive Check of Legal Matters and Continuous Review of Overall Operations

JR East comprehensively checked the legal compliance of the overall operations of the Group, including Group companies. Using those checks as a starting point, JR East continuously reviews and revises overall operations in light of statutory laws and regulations, in-house rules, and social norms. Going forward, JR East will scrutinize check items while continuing to check, review, and revise operations.

Strengthening of Compliance Education

Although JR East has conducted compliance education continuously, it is stepping up those efforts. Specifically, with a view to raising compliance awareness, JR East educated all Group employees based on the revised Compliance Action Plan in 2009. From 2010, JR East will continue education that directly reflects conditions in each workplace.

In addition, in 2010, JR East will conduct a compliance questionnaire targeting its employees and work to raise employees' compliance awareness.

Compliance action plan handbook

Board of Directors and Corporate Auditors

As of July 2010

Mutsutake Otsuka
Chairman

Yoshio Ishida
Vice Chairman
Technology and Overseas Related Affairs

Satoshi Seino[1]
President and CEO

Tetsuro Tomita[1]
Executive Vice President
Corporate Planning Headquarters

Masaki Ogata[1]
Executive Vice President
IT, Service Quality and Overseas Related Affairs

Yoshiaki Arai[1]
Executive Vice President
Life-style Business Development Headquarters

Tsugio Sekiji[1]
Executive Vice President
Railway Operations Headquarters

Executive Directors

Yoichi Minami
Railway Operations Headquarters; Marketing Department, Railway Operations Headquarters; Customer Service Quality Reformation Department, Railway Operations Headquarters

Toru Owada
Corporate Planning Headquarters; Inquiry & Audit Department; Finance Department

Yuji Fukasawa
Public Relations Department; Personnel Department; Health & Welfare Department; Legal Department; General Affairs Department

Yasuo Hayashi
Railway Operations Headquarters; Technology Planning Department, Corporate Planning Headquarters; Shinanogawa Power Station Improvement Department, Railway Operations Headquarters; Construction Department; Research & Development Center of JR East Group

Shigeru Tanabe
Tokyo Branch Office

Shinichiro Kamada
Life-style Business Development Headquarters

Yoshitaka Taura
IT & Suica Business Development Headquarters

Naomichi Yagishita
Railway Operations Headquarters; Facilities Department, Railway Operations Headquarters; Electrical & Signal Network System Department, Railway Operations Headquarters

Naoto Miyashita
Railway Operations Headquarters; Transport Safety Department, Railway Operations Headquarters; Transport & Rolling Stock Department, Railway Operations Headquarters

Directors

Yuji Morimoto
Personnel Department; JR East General Education Center

Osamu Kawanobe
General Affairs Department

Toshiro Ichinose
Management Planning Department, Corporate Planning Headquarters

Masayuki Satomi
Sendai Branch Office

Kimio Shimizu
Life-style Business Development Headquarters

Tsukasa Haraguchi
Marketing Department, Railway Operations Headquarters

Tadami Tsuchiya
Electrical & Signal Network System Department, Railway Operations Headquarters

Yasuyoshi Umehara
Tokyo Station, Tokyo Branch Office

Takeshi Sasaki[2]

Tomokazu Hamaguchi[2]

Full-time Corporate Auditors

Toshiaki Omori[3]

Jiro Bando[3]

Corporate Auditors

Kiyomi Harayama

Toshiaki Yamaguchi[3]
(Certified Public Accountant)

Mutsuo Nitta[3]
(Attorney)

1 Representative director
2 Outside corporate director
3 Outside corporate auditor

Corporate Governance

JR EAST'S BASIC CORPORATE GOVERNANCE PHILOSOPHY

To continue to be a company trusted by its shareholders and all other groups of stakeholders, JR East has made the strengthening of its corporate governance a top-priority management task.

Specifically, with a view to augmenting the soundness and transparency of management, JR East is creating appropriate systems for management decision making, operational execution and auditing, Group management, information disclosure, and other important matters while also implementing the various measures required in connection with those systems.

Because of the special characteristics of JR East's mainstay railway transportation operations, JR East emphasizes the making of management decisions based on a long-term perspective. Accordingly, JR East believes the most appropriate course is to enhance corporate governance based on its current auditor system of governance.

CURRENT STATUS OF CORPORATE GOVERNANCE SYSTEMS

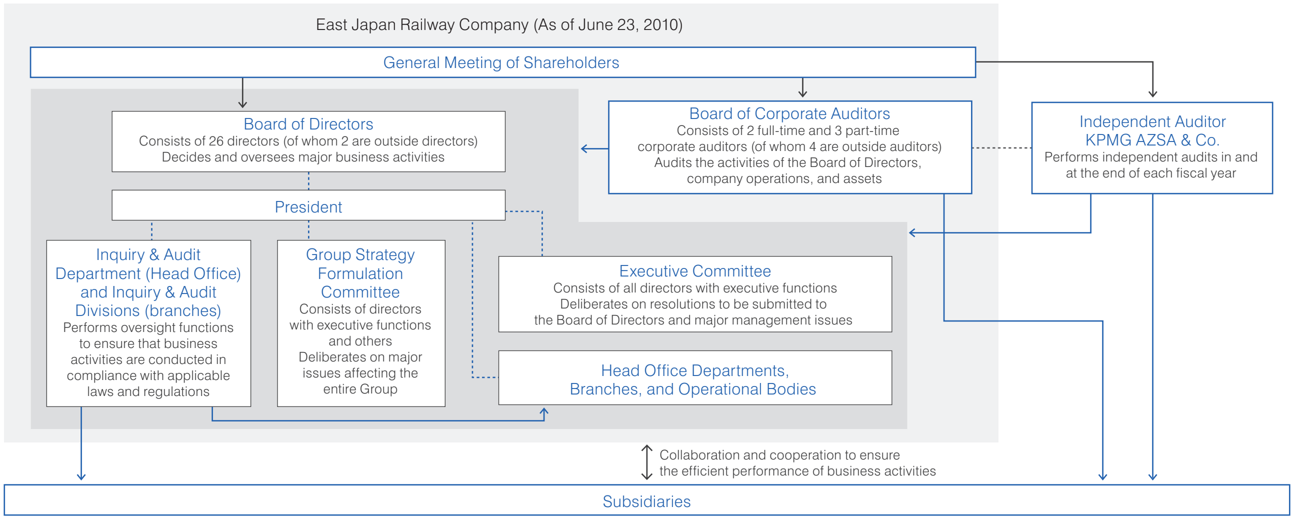
Reason for Adopting Current Corporate Governance System

Railway operations, JR East's principal business, require judgments that are based on a range of knowledge and experience about safety and other areas as well as decision making that reflects long-term perspectives. Accordingly, decisions on important management matters are reached through consultation among multiple directors. Further, JR East adopts a system in which corporate auditors that are independent from the Board of Directors and have terms of service of four years conduct audits.

Overview of Corporate Governance Units

JR East's Board of Directors comprised 26 directors, including 2 outside corporate directors as of June 23, 2010. Meeting once a month in principle, the Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Created by the Board of Directors, the Executive Committee includes all directors with executive functions. Meeting once a week in principle, the Executive Committee deliberates on matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee, which mainly consists of directors with executive functions, convenes as required and considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

The Board of Corporate Auditors comprises 5 corporate auditors, including 2 full-time and 3 part-time corporate auditors of whom 4 are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other committees as well as by making inquiries regarding JR East's operations and assets.



Overview of Internal Control Systems

JR East's basic policy regarding internal control systems and its progress toward enhancing such systems are as follows.

1) Systems for ensuring that corporate officers and employees perform their duties in accord with relevant laws and regulations as well as with the articles of incorporation

a. JR East and its consolidated subsidiaries (hereinafter "Group companies") have drafted the Legal Compliance and Corporate Ethics Guidelines, which serves as corporate action guidelines for the JR East Group, and distributed handbooks that explain code of conduct standards in concrete terms to each corporate officer and employee in order to promote legal compliance and high corporate ethical standards.

b. JR East's Legal Department and General Affairs Department together handle overall control over horizontally integrated compliance matters throughout the Company.

c. A unit has been established to provide compliance-related advice and receive whistle-blower reports and other reports related to compliance issues.

d. A supervision system has been established in relation to the execution of internal audits to ensure the appropriateness and efficiency of operational execution.

2) Systems for preserving and administering information related to the performance of directors

Documents related to directors' performance of their duties are appropriately preserved and administered in accordance with relevant laws and internal regulations. Directors and auditors can view these documents whenever necessary.

3) Risk management rules and systems

a. JR East has established the Transportation Operations Center, which operates 24 hours a day, with the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established specialized internal committees focused on maintaining safety and improving reliability.

b. All JR East departments undertake risk management to manage the risks of significant adverse influences on corporate operations due to such incidents as external criminal offenses or internal scandals and legal violations. In addition, JR East has established risk management units as well as implemented crisis management related internal regulations. In the event of a major problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly undertakes such actions as necessary to gather the relevant information and implement countermeasures.

4) Systems for promoting the efficient performance of directors

a. Internal regulations have been established that allocate authority by clearly defining the authority and roles of each organizational unit to promote efficiency throughout JR East's operations.

b. Action programs have been established for each organizational unit to increase the transparency of the implementation of *JR East 2020 Vision—idomu—*which articulates common goals for the entire JR East Group, and to promote the efficient implementation of measures to realize the vision's objectives. Progress in action program implementation is periodically evaluated as a means of promoting the efficient implementation of strategic measures.

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

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

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

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

6) Items related to employees who assist corporate auditors in the performance of their duties

Specialized staff are assigned to the Corporate Auditors Office to assist corporate auditors in the performance of their duties in order to increase the efficiency of audits and enable audits to be performed smoothly.

7) Independence from directors of employees who assist corporate auditors in the performance of their duties
The staff of the Corporate Auditors Office are to only follow instructions from the corporate auditors and are not subject to orders from directors or other employees.

8) Systems for enabling directors and employees to report to corporate auditors and other systems for reporting to corporate auditors
For items that the Board of Directors' regulations stipulate are to be decided by the Board, deliberation standards have been established, and these standards provide for appropriate deliberations to be conducted at Board meetings. Further, the content of important items other than those that the regulations stipulate are to be decided by the Board may also be confirmed by corporate auditors at meetings of the Board and of the Executive Committee.

9) Other systems for promoting the effective performance of corporate auditors' audits
The corporate auditors hold meetings at regular intervals with the president and the independent auditor to exchange information and opinions.

Basic Internal Control Policy for Financial Reports

The Company's basic internal control policy for financial reports is as follows.

1) The Company will establish and operate systems required to ensure the appropriateness of documents relating to the financial statements and other information.
2) Regarding the establishment and operation of the systems indicated in the previous item, the Company will adhere to generally accepted standards for the evaluation of internal controls in relation to financial reports and evaluate internal controls each fiscal year.

CURRENT STATE OF RISK MANAGEMENT SYSTEMS

JR East has established the Transportation Operations Center, which operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established specialized internal committees focused on maintaining safety and on improving reliability.

With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal scandals and legal violations in the Group companies, all JR East departments undertake risk management activities. In addition, JR East has established the Crisis Management Headquarters as well as implemented crisis management related internal regulations. In the event of a problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly undertakes such actions as those to gather the relevant information and implement countermeasures.

OVERVIEW OF LIMITED LIABILITY AGREEMENTS

Pursuant to article 427, paragraph 1 of the Company Law, JR East concludes agreements limiting liability as stated in article 423, paragraph 1 of the Company Law with outside directors and outside corporate auditors as of June 23, 2010. The liability limit amount based on the said agreements is pursuant to the Company Law.

Current State of Internal Audits, Corporate Audits, and Accounting Audits (Systems for Internal Audits, Corporate Audits, and Accounting Audits)

Regarding internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at Head Office and Inquiry & Audit divisions at branch offices, and together they work to ensure that corporate operations are executed lawfully and efficiently. Internal audits are implemented based on plans prepared at the beginning of each fiscal year, requests are made for the submission of progress updates for items requiring improvement, and the audit results are reported to representative directors at the end of each fiscal year and at other times deemed necessary. In addition, the Inquiry & Audit Department audits Group companies.

Regarding corporate audits, corporate auditors exchange information at monthly meetings of the Board of Corporate Auditors, and they also exchange auditing information with corporate auditors of Group companies at liaison meetings held at regular intervals. The audits of corporate auditors are supported by approximately 10 specialized staff. The system for the oversight of the implementation of operations by directors, carried out in accordance with the rules established by the Board of Corporate Auditors, centers on full-time corporate auditors who attend meetings of the Board of Directors, the Executive Committee, and other important in-house meetings as well as investigate financial situations and other items. Further, corporate auditor Toshiaki Yamaguchi is a certified public accountant and has extensive expertise with regard to finance and accounting.

Regarding accounting audits, the consolidated accounts of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA & Co., in and at the end of each fiscal year. The following is a breakdown of the certified public accountants (CPAs) who conducted accounting audits in the fiscal year under review as well as their auditing assistants.

- Designated certified public accountants:
  Masanori Sato, Teruhiko Tanaka, and Mamoru Takamura
- Breakdown of auditing assistants:
  certified public accountants 16
  other 24

JR East facilitates coordination and information sharing to promote efficient and effective auditing. For example, full-time corporate auditors and the director responsible for internal auditing units hold monthly liaison meetings, and full-time corporate auditors receive regular updates on audit implementation from the accounting auditor 5 times a year and at any other time deemed necessary.

Outside Directors and Outside Corporate Auditors

JR East has two outside directors. Also, JR East has four outside corporate auditors.

Outside directors and outside corporate auditors do not have any business relationship with JR East.

JR East elects outside directors in order to take advantage of extensive knowledge and experience garnered outside JR East in its management and with a view to strengthening corporate governance systems through oversight of business management from independent standpoints.

JR East elects outside corporate auditors in order to take advantage of extensive knowledge and experience garnered outside JR East in audit operations and with a view to strengthening corporate governance systems through auditing of directors' implementation of duties from independent standpoints.

In addition, because JR East's outside directors and outside corporate auditors do not originate from principal business partners of JR East, JR East is of the view that they are sufficiently independent and that there is no concern over possible conflict of interests with general shareholders.

Furthermore, two of JR East's outside corporate auditors perform duties as full-time corporate auditors. Coordination between outside corporate auditors and audit divisions and departments is as stated in "Current State of Internal Audits, Corporate Audits, and Accounting Audits (Systems for Internal Audits, Corporate Audits, and Accounting Audits)."

COMPENSATION OF DIRECTORS AND CORPORATE AUDITORS

JR East's Total Remuneration of Directors and Corporate Auditors by Classification, Total Remuneration by Type, and Number of Directors and Corporate Auditors Receiving Remuneration

Position	Total amount of Remuneration (¥ Million)	Total Amount of Remuneration by Type (¥ Million)		Number of Recipients
		Basic Remuneration	Bonuses	
Directors (not including outside directors)	861	728	133	26
Corporate auditors (not including outside corporate auditors)	10	8	2	1
Outside directors and outside corporate auditors	125	100	25	8
Total	996	836	160	35

1. The amount of remuneration, etc. includes the amount paid to three directors and two corporate auditors retired at the conclusion of the 22nd Ordinary General Meeting of Shareholders held on June 23, 2009.
2. The Company's retirement benefit scheme for directors and corporate auditors was abolished at the conclusion of the 17th Ordinary General Meeting of Shareholders held on June 23, 2004. It was approved at the meeting that vested retirement benefits would be paid out to each director or corporate auditor who was reappointed or was in the middle of his or her term of office at such meeting, based on the Company's regulations. In accordance with such approval, retirement benefits in the amount of ¥45 million were paid to two directors (not including outside directors) who retired during this fiscal year and retirement benefits in the amount of ¥11 million were paid to two outside directors and outside corporate auditors who retired during this fiscal year in addition to the above remuneration.

TOTAL CONSOLIDATED REMUNERATION OF JR EAST'S DIRECTORS

Not included because no individual receives total consolidated remuneration of ¥100 million or more.

Policy Regarding the Determination of the Amount and Calculation Method of Remuneration of Directors and Corporate Auditors

JR East remunerates directors and corporate auditors within the scope of the remuneration system approved by the Ordinary General Meeting of Shareholders and in light of evaluation of performance of routine duties and consideration of position and work record. Further, JR East pays bonuses to directors and corporate auditors in light of consideration of its business results, cash dividends paid to shareholders, and the performances of respective directors and corporate auditors.

OVERVIEW OF SHAREHOLDINGS

a. Investment shares held for purposes other than pure investment

Number of issues: 60 issues

Total recognized on balance sheet: ¥109,998 million

b. Investment shares held for purposes other than pure investment for which the amount recognized on the balance sheet for the fiscal year under review was more than one hundredth of common stock

Issue	Number of Shares	Balance Sheet Amount (¥ million)	Purposes of Ownership
Mizuho Financial Group, Inc.	62,615,000	11,584	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsubishi Electric Corporation	9,650,000	8,289	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsubishi UFJ Financial Group, Inc.	15,810,540	7,747	To maintain and strengthen a stable business relationship and a close cooperative relationship
Sumitomo Mitsui Financial Group, Inc.	1,723,100	5,324	To maintain and strengthen a stable business relationship and a close cooperative relationship
Nippon Densetsu Kogyo Co., Ltd.	6,791,000	4,971	To maintain and strengthen a stable business relationship and a close cooperative relationship
Nippon Steel Corporation	12,662,000	4,647	To maintain and strengthen a stable business relationship and a close cooperative relationship
JFE Holdings, Inc.	1,208,900	4,552	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsubishi Heavy Industries, Ltd.	11,585,000	4,483	To maintain and strengthen a stable business relationship and a close cooperative relationship
Tokio Marine Holdings, Inc.	1,597,500	4,206	To maintain and strengthen a stable business relationship and a close cooperative relationship
Kawasaki Heavy Industries, Ltd.	15,344,000	3,959	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsui Sumitomo Insurance Group Holdings, Inc.	1,488,042	3,861	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsubishi Estate Co., Ltd.	2,415,000	3,695	To maintain and strengthen a stable business relationship and a close cooperative relationship
NIPPON OIL CORPORATION	6,283,000	2,959	To maintain and strengthen a stable business relationship and a close cooperative relationship
TOKYO GAS Co., Ltd.	7,142,000	2,943	To maintain and strengthen a stable business relationship and a close cooperative relationship
The Tokyo Electric Power Company, Incorporated	1,160,500	2,892	To maintain and strengthen a stable business relationship and a close cooperative relationship
The Bank of Yokohama, Ltd.	6,047,000	2,770	To maintain and strengthen a stable business relationship and a close cooperative relationship
Tohoku Electric Power Co., Inc.	1,265,200	2,500	To maintain and strengthen a stable business relationship and a close cooperative relationship
Hitachi, Ltd.	6,535,000	2,281	To maintain and strengthen a stable business relationship and a close cooperative relationship
Electric Power Development Co., Ltd.	723,000	2,227	To maintain and strengthen a stable business relationship and a close cooperative relationship
All Nippon Airways Co., Ltd.	8,098,000	2,162	To maintain and strengthen a stable business relationship and a close cooperative relationship
Mitsui Fudosan Co., Ltd.	1,336,000	2,120	To maintain and strengthen a stable business relationship and a close cooperative relationship

1. Mitsui Sumitomo Insurance Group Holdings, Inc., undertook management integration with Aioi Insurance Co., Ltd., and Nissay Dowa General Insurance Co., Ltd., on April 1, 2010, and established MS&AD Insurance Group Holdings, Inc.
2. NIPPON OIL CORPORATION established with NIPPON MINING HOLDINGS, INC., the holding company JX Holdings, Inc., through a joint transfer of shares on April 1, 2010, and became a wholly owned subsidiary of the said holding company.

NUMBER OF DIRECTORS

JR East's articles of incorporation stipulate that the number of JR East's directors shall be 30 or less.

CONDITIONS FOR DETERMINING THE SELECTION OF DIRECTORS

The conditions stipulated by JR East's articles of incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights.

RESOLUTIONS TO BE DECIDED BY THE GENERAL SHAREHOLDERS' MEETING THAT MAY BE DECIDED BY THE BOARD OF DIRECTORS

Acquisition of Treasury Stock

In accordance with article 165, item 2, of the Company Law, JR East's articles of incorporation provide for the acquisition of treasury stock through market transactions and other means based on a resolution of the Board of Directors. This is designed to enable the execution of flexible capital policies that respond to current and future changes in the operating environment.

Interim Dividends

JR East's articles of incorporation stipulate that interim dividends based on article 454, item 5, of the Company Law may be paid to shareholders that are registered or recorded or registered pledges as of the end of September 30 of each year. This is designed to enable the flexible execution of measures to distribute profit to shareholders.

CONDITIONS FOR SPECIAL RESOLUTIONS OF THE GENERAL SHAREHOLDERS' MEETING

The conditions stipulated for resolutions based on article 309, item 2, of the Company Law are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the general shareholders' meetings.

OTHER

With regard to information disclosure, JR East is proactively engaged in public relations and investor relations programs. By making use of its website and other media, JR East is striving to increase the volume of information disclosed, ensure that information disclosure is timely, and otherwise improve its information disclosure.

COMPENSATION OF CERTIFIED PUBLIC ACCOUNTANTS THAT CONDUCT ACCOUNTING AUDITS

Millions of Yen

Previous Fiscal Year	Filing Company (JR East)	Consolidated Subsidiaries	Total
Compensation for auditing and attestation	¥260	¥437	¥697
Compensation for non-auditing	5	8	13
Fiscal year under review			
Compensation for auditing and attestation	¥255	¥428	¥683
Compensation for non-auditing	4	5	9

OTHER IMPORTANT COMPENSATION DETAILS

No applicable items.

DETAILS OF NON-AUDITING SERVICES FOR JR EAST PROVIDED BY CERTIFIED PUBLIC ACCOUNTANTS THAT CONDUCT ACCOUNTING AUDITS

Non-auditing services for which JR East pays compensation to certified public accountants that conduct accounting audits are agreed procedures and the preparation of comfort letters.

POLICY FOR DECIDING AUDITOR COMPENSATION

No applicable items.

Organization

As of July 2010

- General Meeting of Shareholders
  - Board of Directors
    - Chairman
      - President
        - Corporate Planning Headquarters
          - Management Planning Dept.
          - Information Systems Planning Dept.
          - Investment Planning Dept.
          - Station Development Planning Dept.
          - Technology Planning Dept.
          - International Dept.
        - Inquiry & Audit Dept.
        - Railway Operations Headquarters
          - Transport Safety Dept.
          - Marketing Dept.
          - Customer Service Quality Reformation Dept.
          - Transport & Rolling Stock Dept.
          - Facilities Dept.
          - Electrical & Signal Network System Dept.
          - Shinanogawa Power Station Improvement Dept.
        - Life-style Business Development Headquarters
        - IT & Suica Business Development Headquarters
        - Construction Dept.
        - Public Relations Dept.
        - Finance Dept.
        - Personnel Dept.
        - Health & Welfare Dept.
        - Legal Dept.
        - General Affairs Dept.
        - Tokyo Branch Office
        - Yokohama Branch Office
        - Hachioji Branch Office
        - Omiya Branch Office
        - Takasaki Branch Office
        - Mito Branch Office
        - Chiba Branch Office
        - Sendai Branch Office
          - Yamagata Branch
          - Fukushima Branch
        - Morioka Branch Office
          - Aomori Branch
        - Akita Branch Office
        - Niigata Branch Office
          - Niitsu Rolling Stock Plant
        - Nagano Branch Office
        - Shinkansen Transport Dept.
        - Tokyo Construction Office
          - Joshinetsu Construction Office
        - Tokyo Electrical Construction & System Integration Office
        - Tohoku Construction Office
        - Research & Development Center of JR East Group
        - Overseas Offices (New York, Paris)
        - JR East General Education Center
        - JR Tokyo General Hospital
        - JR East Health Promotion Center
        - Energy Management Center
- Board of Corporate Auditors
  - Corporate Auditors Office

Financial Section

054 Eleven-Year Summary
056 Management's Discussion and Analysis of Financial Condition and Results of Operations
060 Operational and Other Risk Information
066 Consolidated Financial Statements
071 Notes to Consolidated Financial Statements
086 Independent Auditors' Report

Eleven-year Summary

East Japan Railway Company and Subsidiaries
Years ended March 31

	2000	2001	2002	2003
Operating Results				
Operating revenues	2,502,909	2,546,041	2,543,378	2,565,671
Operating expenses	2,160,952	2,222,290	2,227,038	2,222,576
Operating income	341,957	323,751	316,340	343,095
Net income	66,963	69,174	47,551	97,986
Segment Information[1]				
Operating Revenues from Outside Customers:				
Transportation	N/A	1,801,370	1,789,599	1,800,434
Station space utilization	N/A	348,994	368,553	368,961
Shopping centers & office buildings	N/A	165,818	165,276	170,321
Other services	N/A	229,859	219,950	225,955
Total	N/A	2,546,041	2,543,378	2,565,671
Segment Information				
Operating Revenues from Outside Customers:				
Transportation	1,799,051	1,805,663	N/A	N/A
Merchandise sales	379,213	386,033	N/A	N/A
Real estate leasing	143,432	152,438	N/A	N/A
Other services	181,213	201,907	N/A	N/A
Total	2,502,909	2,546,041	N/A	N/A
Financial Position				
Total assets	7,308,391	7,247,089	7,022,271	6,853,403
Long-term debt (including current portion)	2,319,664	2,307,483	2,060,838	1,942,983
Railway facilities purchase liabilities (including current portion)[2]	2,499,023	2,392,241	2,318,997	2,174,581
Total long-term debt (sum of two items above)	4,818,687	4,699,724	4,379,835	4,117,564
Shareholders' equity[3]	856,401	923,568	930,746	981,856
Cash Flows				
Cash flows from operating activities	474,715	455,470	455,045	433,304
Cash flows from investing activities	(292,438)	(266,319)	(105,645)	(196,422)
Cash flows from financing activities	(168,133)	(161,109)	(433,589)	(310,658)
Per Share Data[4]				
Earnings	16,741	17,294	11,888	24,453
Shareholders' equity[3]	214,100	230,892	232,687	245,463
Cash dividends[5]	5,000	5,000	5,000	8,000
Ratios				
Net income as a percentage of revenues	2.7	2.7	1.9	3.8
Return on average equity (ROE)	8.3	7.8	5.1	10.2
Ratio of operating income to average assets (ROA)	4.7	4.4	4.4	4.9
Equity ratio	11.7	12.7	13.3	14.3
Total long-term debt to shareholders' equity	5.6	5.1	4.7	4.2
Other Data				
Depreciation	329,583	329,651	321,995	322,564
Capital expenditures[6]	288,106	296,957	301,781	307,579
Interest expense	220,421	205,155	187,601	173,298
Number of consolidated subsidiaries (As of March 31)	96	96	101	101
Number of employees	82,747	82,285	80,200	78,760

1 The business segmentation was changed to four new segments beginning with the year ended March 31, 2002. The information for the year ended March 31, 2001, has been reclassified according to the new business segmentation.
2 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities.
3 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007 (as in the balance sheets).
4 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 Fiscal 2009 reflects the stock split.
5 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' meeting in June.
6 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.
7 Upon the merger of the Japan Railways Group Mutual Aid Association into the Welfare Pension, the Company shared the shortage of the assets to be transferred amounting to ¥77,566 million. This was paid in a lump sum and was accounted for as a long-term prepaid expense included in the other item of other assets on the balance sheets and was charged to income from the year ended March 31, 1998, to the year ended March 31, 2002, on a straight-line basis.
8 Accounting Standards for Financial Instruments were adopted beginning with the year ended March 31, 2001.
9 Accounting Standards for Retirement Benefits were adopted beginning with the year ended March 31, 2001. (See Notes 2 (9) and 18 to consolidated financial statements)

Millions of Yen (except for Per share data, Ratios, Number of consolidated subsidiaries, and Number of employees)

2004	2005	2006	2007	2008	2009	2010
2,542,297	2,537,481	2,592,393	2,657,346	2,703,564	2,697,000	2,573,724
2,190,877	2,178,946	2,196,293	2,229,248	2,258,404	2,264,445	2,228,875
351,420	358,535	396,100	428,098	445,160	432,555	344,849
119,866	111,592	157,575	175,871	189,673	187,291	120,214
1,798,132	1,781,776	1,805,406	1,825,387	1,857,756	1,831,933	1,757,994
366,438	369,790	383,904	399,998	404,006	415,020	387,104
175,180	181,956	190,466	197,140	205,347	222,628	226,932
202,547	203,959	212,617	234,821	236,455	227,419	201,694
2,542,297	2,537,481	2,592,393	2,657,346	2,703,564	2,697,000	2,573,724
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
6,781,692	6,716,268	6,821,584	6,968,032	6,942,003	6,965,793	6,995,494
1,940,321	1,940,255	1,960,211	2,034,558	2,101,439	2,171,860	2,266,077
2,034,203	1,892,827	1,743,657	1,601,646	1,457,360	1,316,708	1,177,793
3,974,524	3,833,082	3,703,867	3,636,204	3,558,799	3,488,568	3,443,870
1,100,176	1,183,546	1,357,359	1,488,554	1,596,398	1,718,587	1,780,584
387,061	407,737	447,722	541,850	475,601	584,360	479,180
(234,591)	(214,948)	(309,489)	(348,800)	(400,789)	(396,796)	(391,682)
(196,193)	(209,041)	(141,599)	(172,027)	(80,407)	(159,238)	(115,327)
29,928	27,868	39,370	44,008	47,464	469	303
275,052	296,106	339,599	372,493	399,483	4,301	4,501
6,000	6,500	8,000	9,000	10,000	110	110
4.7	4.4	6.1	6.6	7.0	6.9	4.7
11.5	9.8	12.4	12.4	12.3	11.3	6.9
5.2	5.3	5.9	6.2	6.4	6.2	4.9
16.2	17.6	19.9	21.4	23.0	24.7	25.5
3.6	3.2	2.7	2.4	2.2	2.0	1.9
322,300	317,957	316,038	318,526	335,587	343,101	356,365
313,911	319,912	361,372	413,310	417,144	402,582	434,754
160,944	148,431	136,548	131,376	126,047	120,395	112,596
98	92	86	85	82	82	73
77,009	74,923	72,802	71,316	72,214	72,550	71,854

10 Accounting Standards for Impairment of Fixed Assets were early adopted beginning with the year ended March 31, 2005. (See Notes 2 (5) and 10 to consolidated financial statements)

11 Pursuant to an amendment of the Japanese Tax Law, from the fiscal year ended March 31, 2008, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation. (see Note 2 (8))

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, 2010.

KEY ACCOUNTING POLICIES AND ESTIMATES

JR East prepares 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 2010, ended March 31, 2010. JR East continuously assesses those factors. Actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

PERFORMANCE ANALYSIS

Overview*

In the fiscal year under review, ended March 31, 2010, Japan's economy initially faced extremely uncertain conditions as the dramatic recession that began in the previous fiscal year continued. Although increased exports to Asia and benefits of the economic stimulus package implemented by the Japanese Government spurred a recovery during Fiscal 2010, the recovery was not self-sustaining; the conditions remained challenging, characterized by high levels of unemployment. In addition, railway network transportation volumes decreased due to the March 2009 cut in the maximum expressway toll to ¥1,000 on weekends and national holidays. Amid this business environment, East Japan Railway Company, its consolidated subsidiaries, and equity-method affiliated companies (JR East) worked to continue generating revenues by further improving services in railway operations and developing life-style businesses focused on railway stations. JR East also actively developed businesses that capitalize on *Suica*.

As a result, in the fiscal year, operating revenues decreased by 4.6%, to ¥2,573.7 billion ($27,674 million), due to significantly lower operating revenues from JR East's Transportation segment, and operating income decreased by 20.3 %, to ¥344.8 billion ($3,708 million), due to an increase of depreciation expenses and other factors. Net income was down 35.8%, to ¥120.2 billion ($1,293 million).

Business results by business segment were as follows.

Segment Information

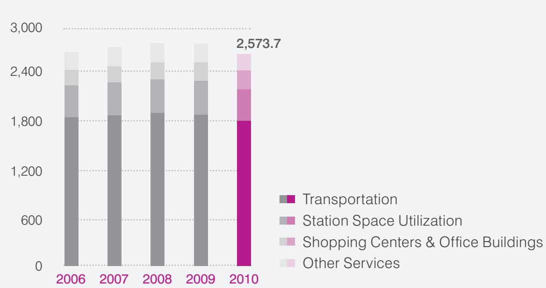
Transportation

In the Transportation segment, with railway operations as its core operations, JR East sought to further improve safety and stability while securing revenues by encouraging use of its Shinkansen network and the Tokyo metropolitan area network.

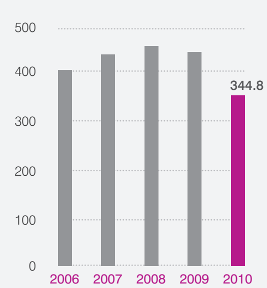
Specifically, JR East increased the number of train services and railcars with seats available for reservations to meet passenger demand. In addition, JR East worked to generate a greater volume of tourism in its service area by implementing tourism campaigns such as the *Yokohama Destination Campaign* and the *Niigata Destination Campaign* and launching a new travel product, *Tabi-Ichi*, which offers exciting local programs. Further, as countermeasures in response to decreased expressway tolls, JR East promoted railway usage by launching a *Two-Day Pass*, a *Weekend Day Trip Pass*, and *Furusato-Yuki-no Josha-ken* and implementing a campaign that combines train services and inexpensive rent-a-car services. For the *Otona no Kyujitsu Club*, JR East worked to expand and improve services for members and increase membership by launching tickets and travel products exclusively for members. Also, JR East improved comfort and convenience for passengers by introducing new type railcars

*Unless otherwise stated, all comparisons are between the fiscal year and the previous fiscal year.

Operating Revenues
Billions of Yen



Operating Income
Billions of Yen



to Joban Line local train services and other lines, revising service schedules in March 2010, opening Musashi-Kosugi Station on the Yokosuka Line, and increasing the number of Narita Express trains. For *Suica*, JR East began mutual use of conventional line IC tickets with Kyushu Railway Company's *SUGOCA*, Nishi-Nippon Railroad's *nimoca*, and Fukuoka City Transportation Bureau's *HAYAKAKEN* in March 2010. In bus operations, JR East worked to increase the competitiveness of express routes by expanding services on short-distance routes and setting fares flexibly. In monorail operations, JR East worked to promote usage through such efforts as selling the *Monorail and Yamanote Line Discount Ticket* for holiday use.

However, railway network transportation volumes decreased due to the effect of economic stagnation and decreased expressway tolls. As a result, the Transportation segment recorded a decrease of 4.3% in operating revenues, to ¥1,808.7 billion ($19,448 million), and a decrease of 25.2% in operating income, to ¥231.3 billion ($2,487 million).

Shinkansen Network

In the Shinkansen network, passenger kilometers decreased 6.0%, to 18.2 billion, because the recession resulted in decreases in usage of long-distance Shinkansen line segments on the Tohoku Shinkansen Line and the Joetsu Shinkansen Line and Shinkansen line segments in the Tokyo metropolitan area, such as Tokyo–Utsunomiya on the Tohoku Shinkansen Line and Tokyo–Takasaki on the Joetsu Shinkansen Line. Revenues from passenger tickets declined 7.5%, to ¥439.5 billion ($4,726 million), revenues from commuter passes decreased 0.8%, to ¥22.8 billion ($245 million). Non-commuter passes revenues also decreased 7.8%, to ¥416.7 billion ($4,481 million), due to the effects of the recession and decreased expressway tolls; a reduction in usage of long-distance Shinkansen line segments, including Tokyo–Sendai on the Tohoku Shinkansen Line and Tokyo–Niigata on the Joetsu Shinkansen Line; and a reduction in usage of Shinkansen line segments in the Tokyo metropolitan area, such as Tokyo–Utsunomiya on the Tohoku Shinkansen Line and Tokyo–Takasaki on the Joetsu Shinkansen Line.

Kanto Area Network

In the Kanto area network, passenger kilometers decreased 1.3%, to 102.3 billion, because reduced use of limited express services and the effects of typhoons, earthquakes, and decreased expressway tolls offset increased usage arising from the opening of new commercial facilities in areas alongside railway lines. Revenues from passenger tickets declined 2.5%, to ¥1,120.7 billion ($12,051 million), due to decreases in revenues from commuter passes and non-commuter passes revenues. Specifically, revenues from commuter passes declined 1.0%, to ¥449.2 billion ($4,830 million), reflecting an unfavorable employment market. Further, non-commuter passes revenues were down 3.5%, to ¥671.5 billion ($7,220 million), due to reduced use of limited express services and *Green Cars* on local train services and the effects of typhoons and earthquakes.

Other

In the intercity and regional networks, passenger kilometers declined 2.9%, to 6.5 billion, due to reduced use of limited express services. Revenues from passenger tickets were down 4.9%, to ¥80.5 billion ($866 million), as a result of decreases of 1.0% in revenues from commuter passes, to ¥19.8 billion ($213 million) and 6.0% in non commuter passes revenues, to ¥60.7 billion ($653 million).

Station Space Utilization

In the Station Space Utilization segment, JR East promoted its *Station Renaissance* program, which maximizes the value of spaces within railway stations. Specifically, JR East opened the fifth phase of *Dila Ofuna* (Kanagawa) and *ecute Tokyo* (Tokyo). Further, collaborating with the local community, JR East remodeled Echigo-Yuzawa Station to establish stores that highlight regional characteristics and opened *CoCoLo Yuzawa Gangi Dori* (Niigata).

Nevertheless, due to the effect of economic stagnation and transfer of certain operations to the Shopping Centers and Office Buildings segment pursuant to a reorganization of the Group companies, the Station Space Utilization segment recorded a decrease of 7.7% in operating revenues, to ¥400.0 billion ($4,300 million), and a decrease of 12.7% in operating income, to ¥33.3 billion ($358 million).

Shopping Centers and Office Buildings

In the Shopping Centers and Office Buildings segment, JR East began operations at *LUMINE MAN SHIBUYA* (Tokyo), *E'site Ageo* (Saitama), *atrévie Sugamo* (Tokyo), and so on. Also, with AEON Mall Co., Ltd., JR East jointly remodeled *Tsuchiura Station Building*, which resumed operations as *perch Tsuchiura* (Ibaraki).

As a result of these initiatives and transfer of certain operations from the Station Space Utilization segment pursuant to a reorganization of the Group companies, the Shopping Centers and Office Buildings segment recorded an increase of 1.8% in operating revenues to ¥235.8 billion ($2,536 million). However, due to the effect of economic stagnation, the Shopping

Centers and Office Buildings segment posted a decrease of 1.0% in operating income, to ¥69.3 billion ($745 million).

Other Services

In the Other Services segment, JR East continued to strengthen its competitiveness by opening *HOTEL METS Komagome* (Tokyo) and remodeling *Hotel Metropolitan Akita* (Akita). Further, as part of *Rediscovering the Region Projects*, JR East remodeled *Folkloro Iwate Towa* (Iwate) and other facilities. Advertising and publicity operations included promotion of advertisement sales in railway stations, such as *Digital Posters*. In other services operations, JR East began operations at the *Jexer Fitness Club Higashi-Kanagawa* (Kanagawa). Aiming to further strengthen credit card operations, in September 2009 JR East established Viewcard Co., Ltd., and spun off JR East's credit card operations to Viewcard in February 2010. With respect to its *Suica* shopping services (electronic money), JR East continued aggressively developing affiliated stores in urban shopping areas beyond railway stations and began mutual use of electronic money with *SUGOCA*, *nimoca*, *HAYAKAKEN*, and Central Japan Railway Company's *TOICA* from March 2010. As of the end of the fiscal year, *Suica* electronic money was usable at approximately 89,350 stores.

Nevertheless, due to lower revenues of advertising and publicity operations and lower sales of IC-compatible equipment, the Other Services segment recorded a decrease of 3.1% in operating revenues, to ¥528.1 billion ($5,679 million), and a decrease of 21.8% in operating income, to ¥13.5 billion ($145 million).

Operating Income

Operating expenses decreased 1.6%, to ¥2,228.9 billion ($23,966 million). Operating expenses as a percentage of operating revenues was 86.6%, compared with 84.0% in the previous fiscal year. Transportation, other services and cost of sales decreased 1.6%, to ¥1,721.0 billion ($18,505 million), because a decrease in property expenses resulting from lower cost of sales, which accompanied a decline in the sales of consolidated subsidiaries, counteracted an increase in depreciation.

Selling, general and administrative expenses were down 1.4%, to ¥507.9 billion ($5,461 million), which was due to a decrease in personnel expenses.

Operating income was down 20.3%, to ¥344.8 billion ($3,708 million). Operating income as a percentage of operating revenues was 13.4%, compared with 16.0% in the previous fiscal year.

Income before Income Taxes

Other income declined 24.7%, to ¥15.9 billion ($171 million), principally associated with a decrease in dividend income.

Other expenses increased 1.2%, to ¥125.6 billion ($1,351 million), which mainly resulted from an increase in equity in net losses of affiliated companies.

Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥110.0 billion ($1,183 million) expense, an improvement of 5.7%.

Income before income taxes decreased 33.4%, to ¥214.9 billion ($2,310 million). Income before income taxes as a percentage of operating revenues was 8.3%, a decline from 12.0%.

Net Income

Net income decreased for the second consecutive year, declining 35.8%, to ¥120.2 billion ($1,293 million). Earnings per share were ¥303.35, down from ¥468.68 per share. Further, net income as a percentage of operating revenues was 4.7%, compared with 6.9% in the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was down ¥105.2 billion, to ¥479.2 billion ($5,153 million), mainly resulting from a decrease in income before income taxes.

Net cash used in investing activities decreased ¥5.1 billion, to ¥391.7 billion ($4,212 million), which was due to such factors as decreased payments for purchase of fixed assets.

Capital expenditures were as follows. In transportation operations, JR East implemented capital expenditures to further measures for transportation safety and reliability as well as build a highly competitive transportation network. Based on the *Station Renaissance* program, station space utilization operations developed stores at Gotanda Station, Tokyo Station, and other stations. In shopping centers and office buildings operations, JR East undertook capital expenditures for such initiatives as *CIAL PLAT Higashi-Kanagawa* in Kanagawa. At the same time, those operations continued constructing the second phase of *GranTokyo North Tower* in Tokyo as part of construction projects on the Yaesu side of Tokyo Station. In other services, capital expenditures initiatives included the construction of *HOTEL METS Komagome* in Tokyo.

Further, free cash flows decreased ¥100.1 billion, to ¥87.5 billion ($941 million).

Net cash used in financing activities was down ¥43.9 billion, to ¥115.3 billion ($1,240 million), primarily due to a decrease in payments of long-term loans.

Cash and cash equivalents at the end of fiscal 2010, which was ¥110.9 billion at the end of the previous fiscal year, was down ¥27.1 billion, to ¥83.8 billion ($901 million).

Financial Policy

Total long-term debt at the end of fiscal 2010 stood at ¥3,443.9 billion ($37,030 million). That debt consists of long-term liabilities incurred for the purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities and other facilities, bonds, and long-term loans.

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities are paid in equal semi-annual installments, consisting of principal and interest payments, and are divided into the following three tranches:

a. ¥524.7 billion ($5,643 million) payable at a variable interest rate (annual interest rate in fiscal 2010: 4.15%) through March 31, 2017
b. ¥284.0 billion ($3,053 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017
c. ¥348.6 billion ($3,748 million) payable at a fixed annual interest rate of 6.55% through September 30, 2051

In addition, at fiscal year-end, JR East had long-term liabilities incurred for the purchase of railway facilities of ¥13.6 billion ($146 million) for the Akita hybrid Shinkansen Line and ¥6.9 billion ($74 million) for the Tokyo Monorail.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for the purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities based on an agreement with the Japan Railway Construction, Transport and Technology Agency (JRTT). JR East made early repayments of ¥35.4 billion ($382 million) in fiscal 2010.

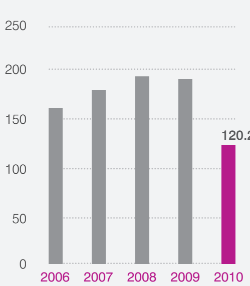
In fiscal 2002, JR East introduced a cash management system that integrated the management of the Group's cash and funding, which previously was carried out separately by subsidiaries, with the aim of reducing JR East's total long-term debt. Also, JR East is enhancing capital management methods that include offsetting internal settlements among subsidiaries and consolidating payments by subsidiaries.

In the year ended March 31, 2010, JR East issued nine unsecured straight bonds, with a total nominal amount of ¥190.0 billion ($2,043 million) and maturities from 2013 through 2030. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East received long-term debt ratings from Standard & Poor's and Moody's of AA– and Aa1, respectively.

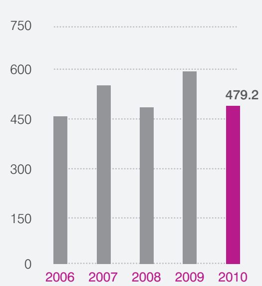
In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥300.0 billion ($3,226 million). JR East did not have any bank overdrafts on March 31, 2010. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2010. JR East did not have any outstanding commercial paper on March 31, 2010.

JR East does not maintain committed bank credit lines (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions).

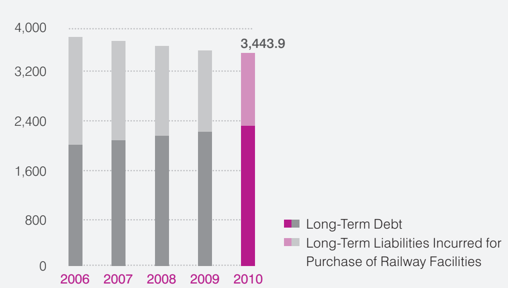
Net Income
Billions of Yen



Cash Flows from Operating Activities
Billions of Yen



Total Long-Term Debt
Billions of Yen



Operational and Other Risk Information

The following are issues related to 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 JR East as of March 31, 2010.

LEGAL ISSUES RELATING TO OPERATIONS

As a railway operator, JR East manages its railway operations pursuant to the stipulations of the Railway Business Law. JR East is generally excluded from the provisions of the Law for 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.

The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Minister of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Operators receive approval from the MLIT 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 MLIT 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, items 1 and 2).

The JR Law (1986, Law No. 88)

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, Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company, Kyushu Railway Company, 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 Law, the JR Companies are subject to provisions of the JR Law that require the approval of the MLIT 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).

Amendment of the JR Law

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

(b) Further, the amended JR Law enables the MLIT 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 MLIT on or after the date of enactment of the amended JR Law (supplementary provision, article 2, item 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 three new companies or among the three 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 the 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 three 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 three new companies

(d) The MLIT 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 MLIT 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 new 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 Law. 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. Details of those procedures are as follows.

System for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limit for fares and surcharges (Railway Business Law, article 16, item 1). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, including limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

Although JR passenger railway companies can revise fares independently, a system was created among those companies when JNR was restructured to ensure the convenience of users. At present, contracts among those companies enable the realization of total fares and surcharges for passengers or packages requiring services that span two or more such companies. In addition, the JR passenger railway companies have established a system in which the fares and surcharges decrease relatively as distance traveled increases.

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 revision (April 1997).

Through efficiently 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 expenditure 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 expenditure, 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 stable transportation, offering high-quality services, and implementing other measures. Further, JR East appreciates the need to independently conduct capital expenditure based upon clearly defined management responsibility.

Stance of the Ministry of Land, Infrastructure, Transport and Tourism

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

(a) The MLIT 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 profits, based on the efficient management of those companies (hereinafter "total cost") (Railway Business Law, article 16, item 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) x 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] x return rate on equity[4] + borrowed capital ratio[3] x 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 issued at the end of every business 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 MLIT, railway operators can set or change fares and surcharges within the upper limits approved along with other charges. However, the MLIT 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 categories (Railway Business Law, article 16, item 5):
- The changes would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the changes would give rise to unfair competition with other railway transportation operators.

PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

Construction Plans for New Shinkansen Lines

New Shinkansen lines are those lines indicated in the plan for the Shinkansen line network that was decided pursuant to the Nationwide Shinkansen Railway Development Law (1970, Law No. 71). Finalized in 1973, that plan called for the development of the Tohoku Shinkansen Line (Morioka–Aomori), the Hokuriku Shinkansen Line (Tokyo–Nagano–Toyama–Osaka), the Kyushu Shinkansen Line (Fukuoka–Kagoshima), and other Shinkansen lines. 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, and the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002.

Within JR East's service area, the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line are currently being constructed by the JRTT. Based on a proposal by the three ruling political parties, the national government and ruling parties agreed in December 1996 that both of those Shinkansen line segments would be standard gauge lines. In January 1998, the joint national government and ruling parties' examination committee for the development of new Shinkansen lines decided to begin the construction of those Shinkansen line segments during fiscal 1998, upon the completion of approval procedures. Based on that decision, the former JRCC (currently, the JRTT) began construction in March 1998, after obtaining approval from the Minister of Transport pursuant to article 9 of the Nationwide Shinkansen Railway Development Law.

Further, in December 2004, the national government and ruling parties agreed on the schedule for the completion of new Shinkansen lines. For new Shinkansen lines under the jurisdiction of JR East, it was decided to aim to complete the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line by the end of fiscal 2011 and the Nagano–Hakusan general rail yard segment of the Hokuriku Shinkansen Line by the end of fiscal 2015 and to strive for completion as early as possible (JR East has jurisdiction of the Nagano–Joetsu segment of the Hokuriku Shinkansen Line). Furthermore, JR East announced in May 2010 that it aims to begin operations on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line on December 4, 2010.

Also, new Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Shin-Hakodate segment of the Hokkaido Shinkansen Line, the Joetsu–Hakusan general rail yard segment of the Hokuriku Shinkansen Line, and the Hakata–Shin-Yatsushiro and Takeo-Onsen–Isahaya segments of the Kyushu Shinkansen Line.

Cost Burden of the Development of New Shinkansen Lines

(a) The national government, local governments, and the JR Companies assume the cost of new Shinkansen lines constructed by the JRTT. Amounts to be funded by the JR Companies are to be paid out of the following.
1) Usage fees and other charges paid by the JR Companies as the operator of the line
2) Funds made available from the JRTT, to which JR East, JR Central, and JR West make payments of amounts due on their Shinkansen purchase liabilities

(b) 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). That enforcement ordinance stipulates that 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 benefits received as the operator are calculated by comparing the estimated revenues and expenses generated by the new segment of the Shinkansen line and related line segments after opening with the revenues and expenses that would likely be generated by parallel conventional lines and related line segments if the new segment of the Shinkansen line was not opened. The expected benefits are the difference between the amount that the operator of the new Shinkansen line should receive as a result of operation and the amount that would be received if the new Shinkansen lines did not commence service. Specifically, 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. In addition, the taxes and maintenance fees are included in calculations of the corresponding benefits as an expense of the operator of the Shinkansen line after opening. Therefore, the burden of the operator is kept within the limits of the corresponding benefits.

With respect to the usage fee amount for the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, which opened in October 1997, JR East decided that the usage fees calculated by the former JRCC (currently, the JRTT) were within the limits of the corresponding benefits to result from the opening of that line and concluded an agreement with the JRCC in September 1997. Also, the JRCC received approval for those usage fees from the Minister of Transport in September 1997. Usage fees for fiscal 2010 totaled ¥21.8 billion ($235 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($188 million) and taxes and maintenance fees of ¥4.3 billion ($46 million).

In November 2002, JR East also concluded an agreement with the JRCC regarding the usage fees amount for the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, which opened in December 2002. The JRCC received approval for those usage fees from the MLIT in November 2002. Usage fees for fiscal 2010 totaled ¥9.3 billion ($100 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($85 million) and taxes and maintenance fees of ¥1.4 billion ($15 million).

(c) As well as being responsible for the construction of new Shinkansen lines, the JRTT procures construction costs and owns the facilities that it has constructed. JR East leases those facilities from the JRTT after completion and pays the usage fees mentioned in (b) above upon the commencement of the service. During the construction period, JR East is not required to directly assume the JRTT's construction costs. 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.

The JR Companies are required to assume the costs of "usage fees and other charges" as mentioned in (a) above. "Other charges" refers exclusively to the payment of usage fees directly before the commencement of services. However, such prior payment is required to be based upon agreements concluded following consultations between JR East and the JRTT. Accordingly, it is assumed that JR East's position will be adequately reflected in such arrangements.

Treatment of Conventional Lines Running Parallel to New Shinkansen Lines

In October 1997, at the time of the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, the Yokokawa–Karuizawa segment was eliminated and the management of the Karuizawa–Shinonoi segment of the Shinetsu Line was separated from JR East. Further, in December 2002, at the time of the opening of the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, the management of that segment on the Tohoku Line was separated from JR East.

Also, an agreement reached between the national government and ruling parties in December 1996 stipulates that the management of conventional line segments which run parallel to a new Shinkansen line should be separated from the JR Companies when the new Shinkansen line commences operations. Pursuant to that agreement, when construction began on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line in March 1998, JR East requested and received the agreement of local communities with regard to the separation of the management of conventional lines that run parallel to those Shinkansen lines upon commencement of operations: the Hachinohe–Aomori segment of the Tohoku Line and the Nagano–Naoetsu segment of the Shinetsu Line.

Further, in December 2000, the national government and ruling parties agreed that when JR Freight uses the conventional lines whose management has been separated from the

JR Companies, line usage fees will be charged commensurate with the amount of usage. With regard to the resulting loss for JR Freight, it was decided to implement an adjustment by allocating a part of the revenues from usage fees on the parallel Shinkansen line segment to JR Freight as required.

Accordingly, the Nationwide Shinkansen Railway Development Law enforcement ordinance was amended in October 2002. As a result, it became possible to appropriate usage fees paid by the JR Companies for amounts required by the JR Freight adjustment mechanism. Previously, as a general principle, usage fees had only been appropriated to cover the construction cost of Shinkansen lines.

JR East's Stance on the Construction of New Shinkansen Lines

JR East's stance on the construction of new Shinkansen lines is as follows.

(1) As the operator of new Shinkansen lines, JR East will only assume the burden of the aforementioned usage fees and other charges that are within the limit of corresponding benefits as a result of commencing Shinkansen line operations. JR East will not assume any financial burden other than usage fees and other charges.

(2) The confirmation of agreements with local communities is required in regard to the management separation from JR East of conventional lines parallel to new Shinkansen line segments.

Based on strict adherence to the aforementioned conditions, which JR East has always viewed and will continue to view as essential, JR East will continue to fulfill its responsibility as the operator.

Regarding the development of the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line and the Nagano–Joetsu segment of the Hokuriku Shinkansen Line currently underway, upon confirming that the two aforementioned conditions had been met, in January 1998 JR East agreed to construction.

Changes in relation to the two aforementioned conditions for the construction of new Shinkansen lines could affect the JR East Group's financial condition and business performance.

SAFETY MEASURES

Railway operations can potentially suffer significant damage resulting from natural disasters, human error, crime, terrorism, the large-scale spread of infectious diseases, or other factors.

JR East regards ensuring safety as a major issue that fundamentally underpins its operations. Based on a 5-year safety plan covering the period through fiscal 2014, *2013 Safety Vision*, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues.

Specifically, to prevent train accidents, JR East has continued to introduce ATS-P and ATS-Ps systems, which automatically stop trains to prevent collisions and excessive speed, particularly on curved track sections on conventional lines. In particular, in light of the derailment that occurred on the Uetsu Line in 2005, JR East continued to increase the installation of wind speed measurement equipment and moved forward with the introduction of windbreak fences and gale warning systems. With respect to countermeasures for earthquakes, JR East continued to reinforce elevated railway tracks and extended the coverage of the Early Earthquake Alert System for conventional lines, which makes it possible to stop trains more quickly in the event of a major earthquake, from the Tokyo metropolitan area to include all line segments within JR East's service area. Also, as a measure to prevent accidents at railway crossings, JR East installed equipment for detecting obstacles. In addition, aiming to prevent accidents on railway station platforms, JR East moved forward with construction for the advance introduction of automatic platform gates to Ebisu Station and Meguro Station on the Yamanote Line.

INFORMATION SYSTEMS AND PROTECTION OF PERSONAL DATA

JR East uses many computer systems in a variety of transportation and non-transportation operations. Further, computer systems play an important role among travel agencies, Railway Information Systems Co., Ltd., and other companies with which JR East has close business relationships. If the functions of those computer systems were seriously damaged as a result of 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 computer systems was leaked to unrelated third parties due to computer systems becoming infected by viruses or unauthorized manipulation, it could affect JR East's financial condition and business performance.

JR East takes measures to prevent damage, such as continuously upgrading the functions of in-house systems and training related personnel. In the unlikely event of a system failure, 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 NON-TRANSPORTATION OPERATIONS

JR East regards non-transportation operations as of equal importance to transportation operations in its management. In non-transportation operations, JR East is developing station space utilization, shopping centers and office buildings, and other services (hotel operations, advertising and publicity, and other services).

In non-transportation operations, 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 fault in retail products or manufactured products, such as an outbreak of food poisoning or a similar incident, could reduce sales, damage trust in JR East, or result in the failure of tenants or business partners. The occurrence of any of those contingencies could have an impact on JR East's financial position and business performance. JR East's stations are used by roughly 17 million people every day (average daily number of passengers). JR East will fully leverage those railway stations as its largest management resource to develop operations. At the same time, JR East will enhance earnings and secure customer trust by implementing stringent hygiene management and credit controls.

COMPETITION

JR East's transportation operations compete with the operations of airlines, automobiles, bus transportation, and other railway companies. Furthermore, JR East's non-transportation operations compete with existing and newly established businesses. The competition of JR East's transportation and non-transportation operations with such rival operators could have an impact on JR East's financial condition and business performance.

In railway operations, intensified competition in the transportation market could affect earnings from JR East's transportation operations. Such competition includes the advancement of large-scale upgrading works by other railway operators, the commencement of services on the Narita New Rapid Line, an increase in flight services as a result of the enlargement of Tokyo International Airport (Haneda Airport). Also, in station space utilization operations and shopping centers and office buildings businesses, JR East's competitiveness could lessen as a result of intensified competition created by the new entry of other companies into markets or the renewal or opening of nearby commercial premises. In addition, the earnings of JR East's hotel operations could be affected by increasingly fierce competition from foreign-affiliated luxury hotels as well as economy business hotels and dedicated wedding reception facilities operated by domestic companies.

REDUCTION OF TOTAL LONG-TERM DEBT

At the end of fiscal 2010, total long-term debt was ¥3,443.9 billion ($37,030 million). In addition, interest expense amounted to ¥112.6 billion ($1,211 million) in fiscal 2010, which was equivalent to 32.7% of operating income. JR East will continue to reduce total long-term 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 that include railway operations, life-style businesses, and businesses based on the use of *Suica* pursuant to the stipulations of related statutory laws and regulations such as the Railway Business Law and conducts operations 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 strengthening employee education about legal compliance and checking the status of compliance with statutory laws and regulations that relate to the overall operations.

REDUCTION OF EXPRESSWAY TOLLS

An upper limit of ¥1,000 for expressway tolls on weekends and national holidays, which the Japanese Government introduced from March 2009 as part of economic measures, is significantly affecting the JR East Group and its earnings from railway operations. In addition, with a view to introducing toll-free expressways, the government's plans call for the removal of tolls on 50 expressway segments of 37 routes nationwide on a trial basis from June 2010. Further, the government plans to introduce a new toll system that will set upper limits on tolls of ¥2,000 for ordinary automobiles and ¥5,000 for large vehicles. Such reductions in expressway tolls could affect the JR East Group's financial condition and financial results.

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2009 and 2010

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2009	2010	2010
Assets			
Current Assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 110,871	¥ 83,756	$ 901
Receivables (Note 7):			
Accounts receivable–trade	286,328	295,335	3,176
Unconsolidated subsidiaries and affiliated companies	7,384	7,213	78
Other	18,194	14,841	159
Allowance for doubtful accounts (Note 2 (4))	(2,819)	(2,294)	(25)
	309,087	315,095	3,388
Inventories (Notes 2 (5) and 4)	36,494	45,100	485
Real estate for sale (Notes 2 (6) and 5)	3,756	2,667	29
Deferred income taxes (Note 19)	50,114	46,567	501
Other current assets	48,505	44,469	477
Total current assets	558,827	537,654	5,781
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 6)	34,472	32,549	350
Other (Notes 2 (7), 7 and 8)	106,462	117,552	1,264
	140,934	150,101	1,614
Property, Plant and Equipment (Notes 2 (8), 9, 10 and 21):			
Buildings	2,077,712	2,124,800	22,847
Fixtures	5,239,973	5,334,651	57,362
Machinery, rolling stock and vehicles	2,340,701	2,417,163	25,991
Land	2,007,490	2,008,435	21,596
Construction in progress	195,979	221,988	2,387
Other	158,688	170,607	1,835
	12,020,543	12,277,644	132,018
Less accumulated depreciation	6,182,346	6,399,377	68,811
Net property, plant and equipment	5,838,197	5,878,267	63,207
Other Assets:			
Long-term deferred income taxes (Note 19)	256,756	263,207	2,830
Other	171,079	166,265	1,788
	427,835	429,472	4,618
	¥ 6,965,793	¥ 6,995,494	$ 75,220

See accompanying notes.

		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2009	2010	2010
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 7, 9 and 11)	¥ 208,198	¥ 190,102	$ 2,044
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 7, 9 and 12)	137,926	128,842	1,385
Prepaid railway fares received	87,649	86,637	932
Payables (Note 7):			
Accounts payable–trade	43,311	44,017	473
Unconsolidated subsidiaries and affiliated companies	47,503	56,870	612
Other	432,848	467,488	5,027
	523,662	568,375	6,112
Accrued expenses	105,475	101,831	1,095
Accrued consumption tax (Notes 7 and 13)	13,524	4,658	50
Accrued income taxes (Notes 2 (12), 7 and 19)	74,717	35,057	377
Other current liabilities	30,057	40,363	434
Total current liabilities	1,181,208	1,155,865	12,429
Long-Term Debt (Notes 7, 9 and 11)	1,963,662	2,075,975	22,322
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 7, 9 and 12)	1,178,782	1,048,951	11,279
Employees' Severance and Retirement Benefits (Notes 2 (9) and 18)	644,468	671,512	7,220
Deposits Received for Guarantees	153,506	145,243	1,562
Long-Term Deferred Tax Liabilities (Note 19)	1,642	1,864	20
Other Long-Term Liabilities	97,819	88,537	952
Contingent Liabilities (Note 14)			
Net Assets (Note 15):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2010—400,000,000 shares;			
Outstanding, 2010—395,570,947 shares	200,000	200,000	2,151
Capital surplus	96,733	96,733	1,040
Retained earnings	1,424,739	1,501,637	16,147
Treasury stock, at cost, 4,429,053 shares in 2010	(2,878)	(25,832)	(278)
Net unrealized holding gains on securities	63	8,656	93
Net deferred losses on derivatives under hedge accounting	(70)	(610)	(7)
Minority interests	26,119	26,963	290
Total net assets	1,744,706	1,807,547	19,436
	¥6,965,793	¥6,995,494	$75,220

Consolidated Statements of Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2008	2009	2010	2010
Operating Revenues (Note 22)	¥2,703,564	¥2,697,000	¥2,573,724	$27,674
Operating Expenses (Note 22):				
Transportation, other services and cost of sales	1,748,293	1,749,262	1,720,974	18,505
Selling, general and administrative expenses	510,111	515,183	507,901	5,461
	2,258,404	2,264,445	2,228,875	23,966
Operating Income (Note 22)	445,160	432,555	344,849	3,708
Other Income (Expenses):				
Interest expense on short- and long-term debt	(44,412)	(46,409)	(45,329)	(487)
Interest expense incurred for purchase of railway facilities	(81,635)	(73,986)	(67,267)	(723)
Loss on sales of fixed assets	(2,820)	(3,418)	(2,033)	(22)
Environmental conservation costs	(1,577)	(3,697)	(6,484)	(70)
Impairment losses on fixed assets (Notes 2 (15) and 10)	(11,712)	(946)	(5,801)	(62)
Losses on devaluation of investment in securities (Note 2 (7))	—	(10,795)	—	—
Interest and dividend income	3,069	3,767	2,619	28
Equity in net income (loss) of affiliated companies	91	344	(5,283)	(57)
Gain on sales of transferable development air rights	—	—	16,891	182
Gain on sales of fixed assets	10,448	16,908	2,087	22
Other, net	11,500	8,161	(19,375)	(209)
	(117,048)	(110,071)	(129,975)	(1,398)
Income before Income Taxes	328,112	322,484	214,874	2,310
Income Taxes (Notes 2 (12) and 19):				
Current	127,224	134,638	100,191	1,077
Deferred	9,374	(1,508)	(7,706)	(83)
Minority Interests in Net Income of Consolidated Subsidiaries	(1,841)	(2,063)	(2,175)	(23)
Net Income	¥ 189,673	¥ 187,291	¥ 120,214	$ 1,293

			Yen	U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (13))	¥47,464	¥469	¥303	$3

See accompanying notes.

Consolidated Statements of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

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	Minority Interests	Total
Balance at March 31, 2007	4,000,000	¥200,000	¥96,721	¥1,127,234	¥ (2,595)	¥ 66,969	¥ 225	¥24,551	¥1,513,105
Cash dividends (¥9,500 per share)	—	—	—	(37,971)	—	—	—	—	(37,971)
Net income	—	—	—	189,673	—	—	—	—	189,673
Increase due to addition of consolidated subsidiaries and other	—	—	—	6	—	—	—	—	6
Purchase of treasury stock	—	—	—	—	(52)	—	—	—	(52)
Disposal of treasury stock	—	—	7	—	16	—	—	—	23
Other	—	—	—	—	—	(42,596)	(1,239)	1,057	(42,778)
Balance at March 31, 2008	4,000,000	¥200,000	¥96,728	¥1,278,942	¥ (2,631)	¥ 24,373	¥(1,014)	¥25,608	¥1,622,006
Cash dividends (¥105 per share)	—	—	—	(41,968)	—	—	—	—	(41,968)
Net income	—	—	—	187,291	—	—	—	—	187,291
Increase due to addition of consolidated subsidiaries and other	—	—	—	474	—	—	—	—	474
Purchase of treasury stock	—	—	—	—	(276)	—	—	—	(276)
Disposal of treasury stock	—	—	5	—	29	—	—	—	34
Other	—	—	—	—	—	(24,310)	944	511	(22,855)
Increase due to stock split	396,000,000	—	—	—	—	—	—	—	—
Balance at March 31, 2009	400,000,000	¥200,000	¥96,733	¥1,424,739	¥ (2,878)	¥ 63	¥ (70)	¥26,119	¥1,744,706
Cash dividends (¥110 per share)	—	—	—	(43,746)	—	—	—	—	(43,746)
Net income	—	—	—	120,214	—	—	—	—	120,214
Increase due to merger	—	—	—	738	—	—	—	—	738
Change of scope of consolidation	—	—	—	654	—	—	—	—	654
Change of scope of equity method	—	—	—	(962)	—	—	—	—	(962)
Purchase of treasury stock	—	—	—	—	(22,957)	—	—	—	(22,957)
Disposal of treasury stock	—	—	(0)	—	3	—	—	—	3
Other	—	—	—	—	—	8,593	(540)	844	8,897
Balance at March 31, 2010	400,000,000	¥200,000	¥96,733	¥1,501,637	¥(25,832)	¥ 8,656	¥ (610)	¥26,963	¥1,807,547

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	Minority Interests	Total
Balance at March 31, 2009	4,000,000,000	$2,151	$1,040	$15,319	$ (31)	$ 1	$(1)	$281	$18,760
Cash dividends ($1.18 per share)	—	—	—	(470)	—	—	—	—	(470)
Net income	—	—	—	1,293	—	—	—	—	1,293
Increase due to merger	—	—	—	8	—	—	—	—	8
Change of scope of consolidation	—	—	—	7	—	—	—	—	7
Change of scope of equity method	—	—	—	(10)	—	—	—	—	(10)
Purchase of treasury stock	—	—	—	—	(247)	—	—	—	(247)
Disposal of treasury stock	—	—	(0)	—	0	—	—	—	0
Other	—	—	—	—	—	92	(6)	9	95
Balance at March 31, 2010	400,000,000	$2,151	$1,040	$16,147	$(278)	$93	$(7)	$290	$19,436

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2008	2009	2010	2010
Cash Flows from Operating Activities:				
Income before income taxes	¥ 328,112	¥ 322,484	¥ 214,874	$ 2,310
Depreciation (Note 22)	335,587	343,101	356,365	3,832
Impairment losses on fixed assets	11,712	946	5,801	62
Amortization of long-term prepaid expense	5,377	5,614	6,269	67
Net change in employees' severance and retirement benefits	15,665	27,378	27,112	292
Interest and dividend income	(3,069)	(3,767)	(2,619)	(28)
Interest expense	126,047	120,395	112,596	1,211
Construction grants received	(97,556)	(60,042)	(58,125)	(625)
Loss from disposition and provision for cost reduction of fixed assets	111,765	80,249	83,857	902
Net change in major receivables	(26,289)	(10,673)	(10,409)	(112)
Net change in major payables	(41,825)	(8,111)	8,893	96
Other	(16,872)	5,210	(13,838)	(149)
Subtotal	748,654	822,784	730,776	7,858
Proceeds from interest and dividends	3,282	3,969	2,823	30
Payments of interest	(124,887)	(120,978)	(113,429)	(1,220)
Payments of earthquake-damage losses	(2,849)	(1,471)	(418)	(4)
Payments of income taxes	(148,599)	(119,944)	(140,572)	(1,511)
Net cash provided by operating activities	475,601	584,360	479,180	5,153
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(488,211)	(460,504)	(446,232)	(4,798)
Proceeds from sales of fixed assets	16,290	27,221	5,834	63
Proceeds from construction grants	67,985	55,382	45,331	487
Proceeds from sales of transferable development air rights	13,343	—	13,674	147
Payments for purchases of investment in securities	(17,070)	(15,452)	(7,000)	(75)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	—	486	5
Other	6,874	(3,443)	(3,775)	(41)
Net cash used in investing activities	(400,789)	(396,796)	(391,682)	(4,212)
Cash Flows from Financing Activities:				
Proceeds from long-term loans	170,500	130,000	112,300	1,208
Payments of long-term loans	(202,001)	(134,630)	(88,714)	(954)
Proceeds from issuance of bonds	138,314	174,982	190,000	2,043
Payments for redemption of bonds	(40,000)	(100,000)	(120,000)	(1,290)
Payments of liabilities incurred for purchase of railway facilities	(144,285)	(140,652)	(138,915)	(1,494)
Payments for acquisition of treasury stock	(52)	(57)	(22,957)	(247)
Cash dividends paid	(37,971)	(41,968)	(43,746)	(470)
Other	35,088	(46,913)	(3,295)	(36)
Net cash used in financing activities	(80,407)	(159,238)	(115,327)	(1,240)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,595)	28,326	(27,829)	(299)
Cash and Cash Equivalents at Beginning of Year	86,980	82,058	110,871	1,192
Increase due to Addition of Consolidated Subsidiaries and Other	673	487	807	9
Decrease in Cash and Cash Equivalents due to Corporate Division	—	—	(93)	(1)
Cash and Cash Equivalents at End of Year	¥ 82,058	¥ 110,871	¥ 83,756	$ 901

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

NOTE 1: INCORPORATION OF EAST JAPAN RAILWAY COMPANY

In accordance with the provisions of the Law for Japanese National Railways Restructuring (the Law), the Japanese National Railways (JNR) was privatized into six passenger railway companies, one freight railway company and several other organizations (JR Group 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 70 railway lines, 1,705 railway stations and 7,526.8 operating kilometers as of March 31, 2010.

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. Nonrailway 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 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).

NOTE 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 a regulated company.

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.

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, 2010, which was ¥93 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, 2010, 73 subsidiaries were consolidated. During this fiscal year, two companies were newly consolidated, and eleven companies were excluded from consolidation.

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 in the consolidated balance sheets and amortized using the straight-line method over five years.

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

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. During this fiscal year, UQ Communications Inc. was added as an affiliated company accounted for by the equity method due to its increased significance, and there were three affiliated companies accounted for by the equity method.

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 inventories: the retail cost method or first-in, first-out method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability);
Rails, materials and supplies: the moving-average cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability); and
Other: the last purchased cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability)

6) Real Estate for Sale

Real estate for sale is stated at identified cost (carrying amount in the balance sheet is calculated with consideration of write- downs due to decreased profitability of inventories). The said write-down amount is included in operating expenses. However, for the years ended March 31, 2008, 2009 and 2010, these were insignificant.

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 years ended March 31, 2008, 2009 and 2010.
(2) Held-to-maturity debt securities are stated at amortized cost.
(3) Equity securities issued by subsidiaries and affiliated companies which are not 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 minority interests. The cost of sales of such securities is determined mainly by the moving-average 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 not consolidated nor accounted for using the equity method or available-for-sale securities, the said 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 determined primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law. 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. Certain property, plant and equipment of the consolidated subsidiaries are depreciated using the straight-line method. Buildings (excluding related fixtures) acquired from April 1, 1998 onward are depreciated using the straight-line method according to the Japanese Tax Law.

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

Pursuant to an amendment of the Japanese Tax Law, from the fiscal year ended March 31, 2008, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation.

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). The amounts of the employees' severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees. Previously, most of the Companies accrued a liability for such obligation equal to 40% of the amount required if all eligible employees had voluntarily terminated their employment at the balance sheet date.

The Japanese Accounting Standards for Retirement Benefits became effective beginning with the year ended March 31, 2001. The Companies accrue liabilities for post-employment benefits at the balance sheet date in an amount calculated based on the actuarial present value of all post-employment benefits attributed to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

The excess of the projected benefit obligations over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") is being charged to income over 10 years from the year ended March 31, 2001 on a straight-line basis. Such treatment was completed during this fiscal year.

The unrecognized prior service costs are amortized by the straight-line method and charged to income over the number of years (mainly 10 years), which does not exceed the average remaining service years of employees at the time when the prior 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 average of the estimated remaining service lives commencing with the following year.

10) Accounting for Certain Lease Transactions

With respect to finance lease transactions that do not transfer ownership, previously the Companies used accounting methods in accordance with those for normal lease transactions. However, from the year ended March 31, 2009, the Companies adopted Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Statement No. 13, revised March 30, 2007) and Guidance on Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Guidance No. 16, revised March 30, 2007) and implemented accounting treatments in adherence with those for normal sales transactions. In addition, for finance lease transactions that do not transfer ownership to the lessee with lease transaction commencement dates on or before March 31, 2008, the Companies will continue to use accounting treatments in adherence with those for normal lease transactions. The effect of those changes is negligible.

11) Accounting for Research and Development Costs

According to the Accounting Standard 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, 2008, 2009 and 2010 were ¥15,649 million, ¥16,403 million and ¥16,487 million ($177 million), respectively.

12) Income Taxes

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

13) 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.

Pursuant to the resolutions at the meetings of the Board of Directors held on April 28, 2008 and December 17, 2008, and approval of amendments to the Articles of Incorporation at the 21st annual shareholders' meeting held on June 24, 2008, the Company implemented a stock split of 100 shares for 1 share of common stock and adopted a unit share system under which 1 trading unit comprises 100 shares with an effective date of January 4, 2009, and the number of issued shares increased 396,000,000 shares, to 400,000,000 shares.

14) 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 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.

15) 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.

The 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.

The impairment losses are measured as the amount by which the book value of the asset exceeds its recoverable amount, 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.

NOTE 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.

NOTE 4: INVENTORIES

Inventories at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Merchandise and finished goods	¥ 7,937	¥ 7,278	$ 78
Work in process	6,076	15,496	167
Raw materials and supplies	22,481	22,326	240
	¥36,494	¥45,100	$485

NOTE 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.

NOTE 6: INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Unconsolidated subsidiaries:			
Investments	¥ 4,229	¥ 4,659	$ 50
Advances	502	385	4
	4,731	5,044	54
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	29,741	27,505	296
	¥34,472	¥32,549	$350

NOTE 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 tax, and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally of (interest-bearing) debts related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million from the Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of 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 sheet as of March 31, 2010, fair values of such items, and the differences between such amounts and values are shown below. Further, items for which fair values are extremely difficult to establish are not included in the following table.

	Millions of Yen			Millions of U.S. Dollars		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Cash and cash equivalents	¥ 83,756	¥ 83,756	—	$ 901	$ 901	—
b Receivables	317,389	317,389	—	3,413	3,413	—
c Securities						
Held-to-maturity debt securities	160	160	0	2	2	0
Available-for-sale securities	107,972	107,972	—	1,161	1,161	—
Assets	¥ 509,277	¥ 509,277	¥ 0	$ 5,477	$ 5,477	$ 0
a Payables	568,375	568,375	—	6,112	6,112	—
b Accrued consumption tax	4,658	4,658	—	50	50	—
c Accrued income taxes	35,057	35,057	—	377	377	—
d Long-term debt						
Bonds	1,489,525	1,558,196	68,671	16,016	16,755	739
Long-term loans	776,552	788,612	12,060	8,350	8,480	130
e Long-term liabilities incurred for purchase of railway facilities	1,177,793	1,593,612	415,819	12,664	17,135	4,471
Liabilities	¥4,051,960	¥4,548,510	¥496,550	$43,569	$48,909	$5,340
Derivative transactions*						
a Hedge accounting not applied	1,851	1,851	—	20	20	—
b Hedge accounting applied	(1,159)	(1,159)	—	(12)	(12)	—

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

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 tax

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 are extremely difficult to determine

	Consolidated balance sheet amount	
Classification	Millions of Yen	Millions of U.S. Dollars
Unlisted equity securities	¥6,336	$68
Preferred equity securities	1,000	11

Because the fair values of these financial instruments are extremely difficult to determine, given that they do not have market prices and future cash flows cannot be estimated, they are not included in "c Securities—Available-for-sale securities."

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

4 The redemption schedule for monetary claims and held-to-maturity debt securities after the consolidated balance sheet date

	Millions of Yen				Millions of U.S. Dollars			
	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	¥ 83,756	¥ —	¥—	¥—	$ 901	$—	$—	$—
Receivables	308,643	8,731	15	—	3,319	94	0	—
Securities								
Held-to-maturity debt securities (Government bonds)	140	10	—	10	2	0	—	0
Available-for-sale securities which have maturity (Government bonds)	—	—	6	—	—	—	0	—
Total	¥392,539	¥8,741	¥21	¥10	$4,222	$94	$ 0	$ 0

5 The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2010 (See Note 11 and 12).

(Additional information)
From this fiscal year, the Companies adopted Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No.10) (March 10, 2008) and Guidance on Disclosures about Fair Value of Financial Instruments (Accounting Standards Board of Japan Guidance No.19) (March 10, 2008).

NOTE 8: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2009 and 2010 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2009			2010			2010		
	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.	¥159	¥160	¥ 1	¥150	¥150	¥ 0	$2	$2	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	10	10	(0)	0	0	(0)
Total	¥159	¥160	¥ 1	¥160	¥160	¥ 0	$2	$2	$(0)

Note: From this fiscal year held-to-maturity debt securities include not only securities with market value but also securities without market value.

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2009 and 2010 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2009			2010			2010		
	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	¥24,636	¥40,554	¥ 15,918	¥45,209	¥ 70,629	¥ 25,420	$ 486	$ 759	$ 273
Debt securities	206	206	0	6	6	0	0	0	0
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	72,191	57,119	(15,072)	48,264	37,337	(10,927)	519	402	(117)
Debt securities	11	10	(1)	—	—	—	—	—	—
Total	¥97,044	¥97,889	¥ 845	¥93,479	¥107,972	¥ 14,493	$1,005	$1,161	$ 156

Note: From this fiscal year available-for-sale securities include not only securities with market value but also securities without market value.

NOTE 9: PLEDGED ASSETS

At March 31, 2009 and 2010, buildings and fixtures with net book value of ¥27,554 million and ¥26,616 million ($286 million), respectively, and other assets with net book value of ¥245 million and ¥1,021 million ($11 million), respectively, were pledged as collateral for long-term debt and other liabilities totaling ¥3,398 million and ¥3,260 million ($35 million), at the respective dates.

In addition, at March 31, 2009 and 2010, buildings and fixtures with net book value of ¥49,480 million and ¥47,403 million ($510 million), respectively, and other assets with net book value of ¥7,397 million and ¥7,099 million ($76 million), respectively, were pledged as collateral for long-term liabilities incurred for purchase of the Tokyo Monorail facilities amounting to ¥8,566 million and ¥6,896 million ($74 million) at March 31, 2009 and 2010, respectively (see Note 12).

NOTE 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 (such as employee housing) or idle.

As of fiscal 2008, for fixed assets such as shopping centers for which profitability has decreased markedly due to such factors as the likelihood that fixed assets will be disposed of earlier than initially anticipated, the book values were reduced to the recoverable amounts and the said reductions were recognized as impairment losses on fixed assets (¥11,712 million).

Asset status	Asset type	Area
Shopping centers	Buildings and fixtures	Takasaki, Gunma Prefecture, etc.
Loaned land and others	Land, buildings and fixtures	Omiya-ku, Saitama, Saitama Prefecture, etc.

* Breakdown of impairment loss:
Buildings and fixtures: ¥8,077 million; Land: ¥3,035 million; Other: ¥600 million; Total: ¥11,712 million

The Companies determine recoverable amounts for the above asset groups by measuring the net selling prices or values in use.

Measurements of recoverable amounts made using the net selling prices are calculated based on real estate appraisals, etc. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 6.0%. Further, presentation has been omitted for the years ended March 31, 2009 and 2010, because related items were insignificant.

NOTE 11: LONG-TERM DEBT

Long-term debt at March 31, 2009 and 2010 is summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
General mortgage bonds issued in 1997 to 2001 with interest rates ranging from 1.70% to 3.30% due in 2010 to 2021	¥ 359,900	¥ 239,900	$ 2,580
Unsecured bonds issued in 2002 to 2010 with interest rates ranging from 0.54% to 2.55% due in 2011 to 2033	820,822	1,010,842	10,869
Secured loans due in 2010 to 2016 principally from banks and insurance companies with interest rates mainly ranging from 2.80% to 6.50%	2,877	2,719	29
Unsecured loans due in 2010 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 1.00% to 6.00%	749,527	773,833	8,321
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,734	238,783	2,567
	2,171,860	2,266,077	24,366
Less current portion	208,198	190,102	2,044
	¥1,963,662	¥2,075,975	$22,322

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, 2010 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2011	¥ 60,000	$ 645
2012	110,000	1,183
2013	90,000	968
2014	80,000	860
2015	75,000	807
2016 and thereafter	1,075,859	11,568

The annual maturities of long-term loans at March 31, 2010 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2011	¥130,102	$1,399
2012	124,112	1,335
2013	133,979	1,441
2014	128,909	1,386
2015	123,460	1,327
2016 and thereafter	135,990	1,462

NOTE 12: LONG-TERM LIABILITIES INCURRED FOR PURCHASE OF RAILWAY FACILITIES

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from the Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million and ¥638,506 million in principal amounts payable through March 2017; and ¥366,566 million payable through September 2051. In March 1997, the liability of ¥27,946 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 sheet as of March 31, 2002 includes liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.15% through 2017	¥ 627,950	¥ 524,729	$ 5,643
Payable semiannually including interest at 6.35% through 2017	315,310	283,965	3,053
Payable semiannually including interest at 6.55% through 2051	350,203	348,592	3,748
	1,293,463	1,157,306	12,444
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.32% through 2022	14,679	13,591	146
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.90% through 2029	8,566	6,896	74
	1,316,708	1,177,793	12,664
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	136,257	127,248	1,368
The Akita hybrid Shinkansen purchase liability	1,040	1,041	11
Tokyo Monorail purchase liability	629	553	6
	137,926	128,842	1,385
	¥1,178,782	¥1,048,951	$11,279

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, 2010 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2011	¥128,842	$1,385
2012	124,589	1,340
2013	129,920	1,397
2014	126,276	1,358
2015	121,274	1,304
2016 and thereafter	546,892	5,880

NOTE 13: CONSUMPTION TAX

The Japanese consumption tax is an indirect tax levied at the rate of 5%. Accrued consumption tax represents the difference between consumption tax collected from customers and consumption tax paid on purchases.

NOTE 14: CONTINGENT LIABILITIES

The Company is contingently liable for the in-substance defeasance of general mortgage bonds issued by the Company, which were assigned to certain banks under debt assumption agreements. The outstanding amounts contingently liable under such debt assumption agreements at March 31, 2010 were ¥70,000 million ($753 million) and ¥100,000 million ($1,075 million) by general bonds.

NOTE 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 resolution of shareholders' meeting, 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 annual shareholders' meeting held in June 2010, the shareholders approved cash dividends amounting to ¥21,763 million ($234 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 16: INFORMATION REGARDING CERTAIN LEASES

As mentioned in Note 2 (10), for finance lease transactions that do not transfer ownership from fiscal years beginning on or after April 1, 2008, the Companies adopted the accounting standard and implemented accounting treatments in adherence with those for normal sales transactions.

The amounts of finance lease obligations at March 31, 2009 and 2010 were negligible.

In addition, for finance lease transactions that do not transfer ownership on or before March 31, 2008, the Companies will continue to use accounting treatments in adherence with those for normal lease transactions.

Under such finance leases, lease payments, which were charged to income for the year ended March 31, 2008, amounted to ¥12,039 million. Lease income which was credited to income for the year ended March 31, 2008 was ¥4,995 million.

Future lease payments inclusive of interest were ¥28,796 million, including due in one year of ¥11,211 million, and future lease receipts inclusive of interest were ¥16,456 million, including due in one year of ¥4,545 million, at March 31, 2008.

The amounts of lease payments, lease income, future lease payments inclusive of interest and future lease receipts inclusive of interest at March 31, 2009 and 2010 were negligible, so presentation has been omitted.

Future lease receipts for operating leases amounted to ¥18,401 million, including those due within one year of ¥2,386 million, at March 31, 2008.

The amounts of operating leases at March 31, 2009 and 2010 were negligible, so presentation has been omitted.

NOTE 17: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 7)

2) Derivative Transactions not Applied to Hedge Accounting

	Millions of Yen				Millions of U.S. Dollars	
	2009		2010		2010	
Classification / Type	Transactions other than market transactions / Natural disaster derivatives transactions bought	Total	Transactions other than market transactions / Natural disaster derivatives transactions bought	Total	Transactions other than market transactions / Natural disaster derivatives transactions bought	Total
Contract amount, etc.	¥25,548	¥25,548	¥24,190	¥24,190	$260	$260
Of which more-than-one-year contract amount, etc.	25,548	25,548	24,190	24,190	260	260
Fair value	3,761	3,761	1,851	1,851	20	20
Gain or loss from valuation	769	769	(1,909)	(1,909)	(21)	(21)

Notes:
1 Contract amount, etc. is the maximum amount receivable.
2 Fair value is calculated based on the current value presented by financial institutions, etc. with which transactions are conducted.

3) Derivative Transactions Applied to Hedge Accounting

				Millions of Yen
				2010
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥(1,105)
Forward exchange	Accounts payable–trade	27	—	0
Commodity swap	Fuel purchasing	1,681	1,195	(54)
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1
Interest swap	Long-term loans	360,700	315,700	*1
	Total	¥622,367	¥576,854	¥(1,159)

				Millions of U.S. Dollars
				2010
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	$ 215	$ 215	$(12)
Forward exchange	Accounts payable–trade	0	—	0
Commodity swap	Fuel purchasing	18	13	(0)
Currency swap	Foreign currency denominated bonds	2,580	2,580	*1
Interest swap	Long-term loans	3,879	3,395	*1
	Total	$6,692	$6,203	$(12)

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, 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.

NOTE 18: EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As mentioned in Note 2 (9), beginning with the year ended March 31, 2001, the Companies adopted the Japanese Accounting Standards for Retirement Benefits, under which the liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Projected benefit obligation	¥(672,205)	¥(688,506)	$(7,403)
Plan assets	4,295	4,835	52
Unfunded projected benefit obligation	(667,910)	(683,671)	(7,351)
Unrecognized net transition obligation	48,816	0	0
Unrecognized actuarial differences	(32,396)	7,509	81
Unrecognized prior service costs	7,177	4,782	51
Book value (net)	(644,313)	(671,380)	(7,219)
Prepaid pension expense	155	132	1
Employees' severance and retirement benefits	¥(644,468)	¥(671,512)	$(7,220)

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Service costs	¥29,551	¥28,160	¥29,320	$ 315
Interest costs	20,930	20,051	19,542	210
Expected return on plan assets	(88)	(80)	(66)	(1)
Amortization of net transition obligation	48,820	48,821	48,820	525
Amortization of actuarial differences	(6,592)	(6,476)	(6,442)	(69)
Amortization of prior service costs	1,063	2,404	2,796	30
Employees' severance and retirement benefit expenses	93,684	92,880	93,970	1,010
Total	¥93,684	¥92,880	¥93,970	$1,010

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

Previously, the discount rates used by the Companies were mainly 3.0%. However, from this fiscal year the discount rates are mainly 2.0%. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2008, 2009 and 2010.

NOTE 19: INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Deferred income taxes:			
Employees' severance and retirement benefits	¥260,658	¥271,854	$2,923
Reserves for bonuses	28,684	27,300	294
Losses on impairment of fixed assets	14,824	15,137	163
Unrealized holding gains on fixed assets	8,542	9,762	105
Excess depreciation and amortization of fixed assets	8,779	8,850	95
Environmental conservation cost	7,467	8,441	91
Loss carry forwards for tax purposes	6,200	6,035	65
Accrued enterprise tax	6,109	—	—
Net unrealized holding losses on securities	6,093	—	—
Other	33,169	36,978	397
	380,525	384,357	4,133
Less valuation allowance	(26,275)	(25,406)	(273)
Less amounts offset against deferred tax liabilities	(47,380)	(49,177)	(529)
Net deferred income taxes	¥306,870	¥309,774	$3,331
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 35,187	¥33,801	$363
Net unrealized holding gains on securities	6,439	10,288	111
Valuation for assets and liabilities of consolidated subsidiaries	3,403	3,404	37
Other	3,993	3,560	38
	49,022	51,053	549
Less amounts offset against deferred income taxes	(47,380)	(49,177)	(529)
Net deferred tax liabilities	¥ 1,642	¥ 1,876	$ 20

For the year ended March 31, 2010, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2010
The aggregate standard effective tax rate	40.5 %
Adjustments	
Non-deductible expenses for tax purposes	0.5 %
Per capita inhabitants tax	0.5 %
Tax credits	(0.5)%
Equity on net loss of affiliated companies	1.0 %
Other net	1.0 %
The actual effective rate after applying tax effect accounting	43.0 %

For the years ended March 31, 2008 and 2009, the difference between the actual effective income tax rate after applying tax effect accounting and the aggregate standard effective tax rate was less than 5% of the aggregate standard effective tax rate. In view of its insignificant size, the difference is not discussed here.

Notes to Consolidated Financial Statements

NOTE 20. BUSINESS COMBINATIONS

Business combinations (for the year ended March 31, 2010) were as follows;

1) Summary of the target business, legal form of the business combination, corporate name after the combination and summary of the transaction, including transaction purposes

(a) Summary of the target business: Credit card business of the Company

(b) Legal form of the business combination: Absorption-type corporate division (split-type) effected by the Company pursuant to which Viewcard Co., Ltd. (a wholly-owned subsidiary of the Company) became the successor company

(c) Corporate name after the combination: Viewcard Co., Ltd. (a consolidated subsidiary of the Company)

(d) Summary of the transaction, including transaction purposes: Reinforcement of the Company's credit card business, pursuant to an absorption-type corporate division agreement effective as of February 1, 2010; the Company's credit card business was succeeded by Viewcard Co., Ltd.

2) Summary of the accounting treatment

In accordance with the Accounting Standard for Business Combinations (October 31, 2003, Business Accounting Council) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Guideline No.10, published on November 15, 2007), it is treated as a transaction between parties under common control.

In the years ended March 31, 2008 and 2009, there were no significant business combinations.

NOTE 21. INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereafter "investment and rental property") principally within the Company's service area. In this fiscal year, the amounts of net income related to rental property was ¥63,449 million ($682 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses.) The amounts recognized in the consolidated balance sheet and fair values related to investment and rental property are as follows.

			Millions of Yen	Millions of U.S. Dollars	
Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount	Fair value
2009	Difference	2010	2010	2010	2010
¥517,648	¥(3,504)	¥514,144	¥1,396,133	$5,528	$15,012

1 The consolidated balance sheet amount is the amount after accumulated depreciation on fixed assets has been deducted from acquisition cost.
2 Regarding difference above the table, the increase was principally attributable to acquisition of real estate and renewal (¥23,747 million, $255 million), and the decrease was mainly attributable to depreciation expenses (¥21,000 million, $226 million).
3 Regarding fair values at the end of this fiscal year, the amount for significant properties is based on real-estate appraisals prepared by external real-estate appraisers, and the amount for other properties is estimated by the Companies based on indicators that reflect certain appraisal values or appropriate market prices.
4 Because fair values are extremely difficult to determine, this table does not include property that is being constructed or developed for future use as investment property.

(Additional information)
From this fiscal year, the Companies adopted Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Accounting Standards Board of Japan Statement No.20) (November 28, 2008) and Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property (Accounting Standards Board of Japan Guidance No.23) (November 28, 2008).

NOTE 22: SEGMENT INFORMATION

The Companies' primary business activities include (1) Transportation, (2) Station space utilization, (3) Shopping centers & office buildings and (4) Other services.

						Millions of Yen
						2008
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
Operating revenues:						
Outside customers	¥1,857,756	¥404,006	¥205,347	¥236,455	¥ —	¥2,703,564
Inside group	58,912	16,583	8,714	305,312	(389,521)	—
	1,916,668	420,589	214,061	541,767	(389,521)	2,703,564
Costs and expenses	1,584,850	384,322	154,240	524,453	(389,461)	2,258,404
Operating income	¥ 331,818	¥ 36,267	¥ 59,821	¥ 17,314	¥ (60)	¥ 445,160
Identifiable assets	¥5,555,426	¥180,589	¥813,835	¥789,504	¥(397,351)	¥6,942,003
Depreciation	249,713	9,706	29,081	47,087	—	335,587
Impairment losses on fixed assets	2,573	556	6,870	1,713	—	11,712
Capital investments	325,349	16,149	64,869	66,560	—	472,927

						2009
Operating revenues:						
Outside customers	¥1,831,933	¥415,020	¥222,628	¥227,419	¥ —	¥2,697,000
Inside group	57,095	18,075	8,993	317,681	(401,844)	—
	1,889,028	433,095	231,621	545,100	(401,844)	2,697,000
Costs and expenses	1,579,809	394,936	161,583	527,839	(399,722)	2,264,445
Operating income	¥ 309,219	¥ 38,159	¥ 70,038	¥ 17,261	¥ (2,122)	¥ 432,555
Identifiable assets	¥5,580,551	¥181,511	¥826,778	¥815,578	¥(438,625)	¥6,965,793
Depreciation	254,320	10,139	30,922	47,720	—	343,101
Capital investments	359,175	10,995	41,267	38,595	—	450,032

						2010
Operating revenues:						
Outside customers	¥1,757,994	¥387,104	¥226,932	¥201,694	¥ —	¥2,573,724
Inside group	50,711	12,854	8,915	326,438	(398,918)	—
	1,808,705	399,958	235,847	528,132	(398,918)	2,573,724
Costs and expenses	1,577,379	366,628	166,539	514,626	(396,297)	2,228,875
Operating income	¥ 231,326	¥ 33,330	¥ 69,308	¥ 13,506	¥ (2,621)	¥ 344,849
Identifiable assets	¥5,717,136	¥178,574	¥858,828	¥826,925	¥(585,969)	¥6,995,494
Depreciation	267,109	10,542	30,549	48,165	—	356,365
Capital investments	396,360	14,865	38,795	29,146	—	479,166

						Millions of U.S. Dollars
						2010
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
Operating revenues:						
Outside customers	$18,903	$4,162	$2,440	$2,169	$ —	$27,674
Inside group	545	138	96	3,510	(4,289)	—
	19,448	4,300	2,536	5,679	(4,289)	27,674
Costs and expenses	16,961	3,942	1,791	5,534	(4,262)	23,966
Operating income	$ 2,487	$ 358	$ 745	$ 145	$ (27)	$ 3,708
Identifiable assets	$61,475	$1,920	$9,235	$8,892	$(6,302)	$75,220
Depreciation	2,872	113	329	518	—	3,832
Capital investments	4,262	160	417	313	—	5,152

The main activities of each business segment are as follows:

Transportation:

Passenger transportation mainly by passenger railway;

Station space utilization:

Retail sales, food and convenience stores, etc., which utilize space at stations;

Shopping centers & office buildings:

Operation of shopping centers other than station space utilization business and leasing of office buildings, etc.; and

Other services:

Hotel operations, advertising and publicity, wholesales, truck delivery, information processing, cleaning services / station operations, cleaning, credit card business, and other services.

Capital investments include a portion contributed mainly by national and local governments. Identifiable assets in the corporate column mainly comprise current and noncurrent securities held by the Company.

Pursuant to an amendment of the Japanese Tax Law, from the fiscal year ended March 31, 2008, a depreciation method based on the amended Japanese Tax Law has been used for property, plant and equipment acquired on or after April 1, 2007. Further, for property, plant and equipment acquired on or before March 31, 2007, from the fiscal year following the fiscal year in which assets reach 5% of acquisition cost through the application of a depreciation method based on the Japanese Tax Law prior to amendment, the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value (residual value under the amended Japanese Tax Law) is depreciated evenly over a five-year period and recognized in depreciation.

Geographic segment information is not shown since the Company has no overseas consolidated subsidiaries. Information for overseas sales is not shown as there is no overseas sales.

Independent Auditors' Report

KPMG

Independent Auditors' Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated balance sheets of East Japan Railway Company and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Japan Railway Company and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 & Co.

Tokyo, Japan
June 23, 2010

Corporate Information

088 JR East: Domestic and International Perspectives
101 Glossary
102 Consolidated Subsidiaries and Equity-Method Affiliated Companies
104 Corporate Data
105 Stock Information

JR East: Domestic and International Perspectives

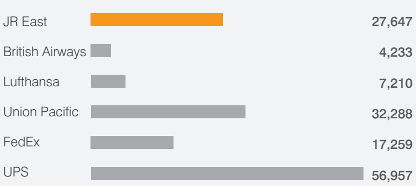
PEER GROUP COMPARISONS

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

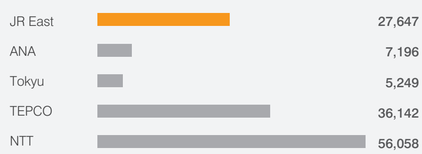
Total Stock Market Value

Millions of U.S. Dollars

International



Domestic

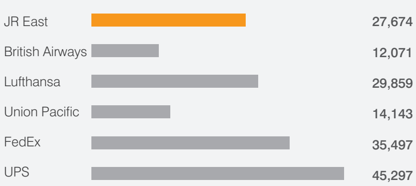


• Data in these graphs have been computed from each company's share price and shares outstanding at the end of the previous fiscal year.

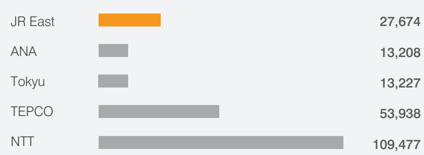
Operating Revenues

Millions of U.S. Dollars

International



Domestic

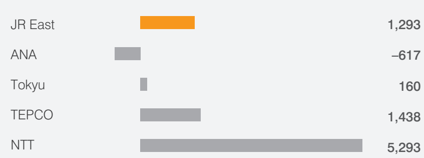


Net Income (Loss)

Millions of U.S. Dollars

International

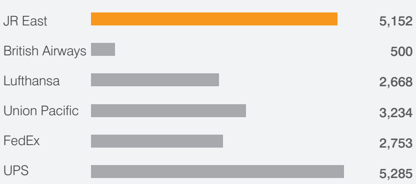
Domestic



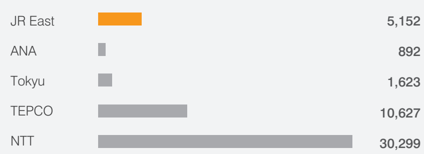
Cash Flows from Operating Activities

Millions of U.S. Dollars

International



Domestic

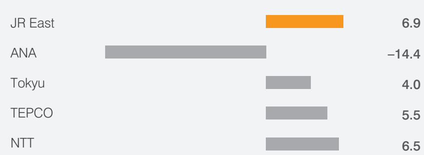


Return on Average Equity (ROE)

%

International

Domestic



Average equity is the average of equity at the end of the previous and applicable fiscal years.

Ratio of Operating Income to Average Assets (ROA)

%

International

Domestic

Average assets is the average of assets at the end of the previous and applicable fiscal years.

- Year ended March 31, 2010 (Year ended December 31, 2009, for Lufthansa, Union Pacific, and UPS and year ended May 31, 2009, for FedEx)
- ANA: All Nippon Airways Co., Ltd.; Tokyu: Tokyu Corporation; TEPCO: The Tokyo Electric Power Company, Incorporated; NTT: Nippon Telegraph and Telephone Corporation
- Data in this section are based on consolidated figures from each company's annual report or financial press releases.
- The exchange rate used is the rate for March 31, 2010 ($1=¥93, £1=$1.51, €1=$1.34).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $69.89 for JR East, $3.67 for British Airways, $15.75 for Lufthansa, $63.90 for Union Pacific, $55.43 for FedEx, $57.37 for UPS, $2.87 for ANA, $4.20 for Tokyu, $26.80 for TEPCO, and $42.37 for NTT.

JR East: Domestic and International Perspectives

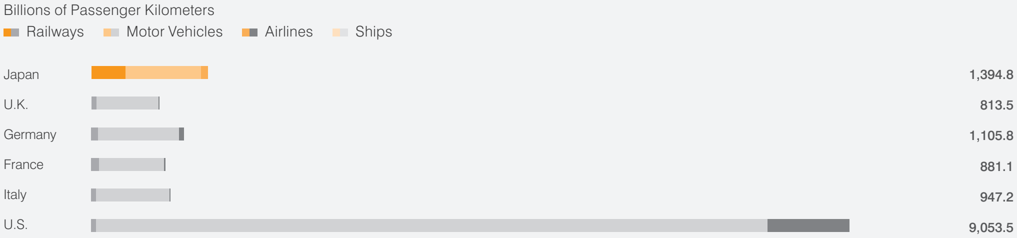
INTERNATIONAL RAILWAY COMPARISONS

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 the largest railway company in the world.

Transportation Market

Composition by Type of Transportation

Billions of Passenger Kilometers



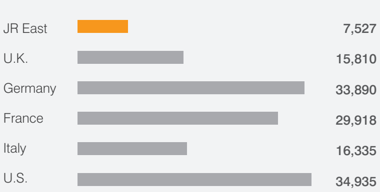
	Railways		Motor Vehicles: Buses		Motor Vehicles: Cars		Motor Vehicles: Total		Airlines		Ships		Total	
	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%
Japan	404.6	29.0%	89.9	6.4%	815.9	58.5%	905.8	64.9%	80.9	5.8%	3.5	0.3%	1,394.8	100.0%
U.K.	59.0	7.3%	60.0	7.3%	685.0	84.2%	745.0	91.5%	9.5	1.2%	N/A	N/A	813.5	100.0%
Germany	79.4	7.2%	82.2	7.4%	885.4	80.1%	967.6	87.5%	58.8	5.3%	N/A	N/A	1,105.8	100.0%
France	92.9	10.6%	47.1	5.3%	727.8	82.6%	774.9	87.9%	13.3	1.5%	N/A	N/A	881.1	100.0%
Italy	56.0	5.9%	98.9	10.4%	776.2	82.0%	875.1	92.4%	12.2	1.3%	3.9	0.4%	947.2	100.0%
U.S.	57.1	0.6%	273.7	3.0%	7,745.1	85.6%	8,018.8	88.6%	977.6	10.8%	N/A	N/A	9,053.5	100.0%

- Respective figures are for the following years: Japan, year ended March 31, 2009; U.K., year ended March 31, 2007; Italy, year ended December 31, 2004; U.S., year ended December 31, 2007; France and Germany, year ended December 31, 2007.
- Railway figures for Japan include JR East passenger kilometers (129.7 billion, exclusive of Tokyo Monorail). For details, see page 99.

Sources: Japan: Ministry of Land, Infrastructure, Transport and Tourism; U.K.: Transport Statistics Great Britain 2009; Germany: Verkehr in Zahlen 2008/2009; France: Website of Ministry for Infrastructure, Transport, Housing, Tourism, and the Sea of France; Italy: Conto Nazionale dei Trasporti Anno 2003; U.S.: National Transportation Statistics 2008.

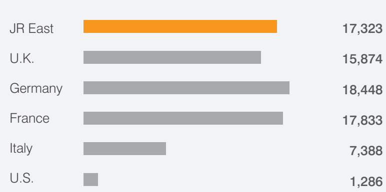
Railway Line Networks

Kilometers



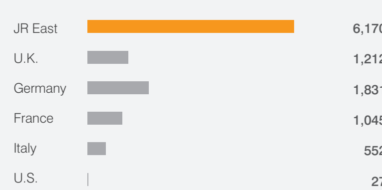
Revenues from Railway Operations

Millions of U.S. Dollars

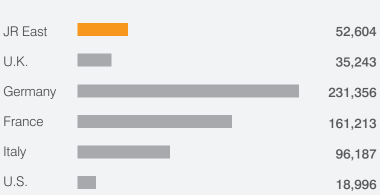


Number of Passengers

Millions

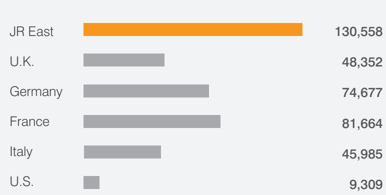


Number of Employees



Passenger Kilometers

Millions



- As of December 31, 2007, except for the following: JR East, as of March 31, 2008
- U.K.: Association of Train Operating Companies (Railway tracks are owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: Société Nationale des Chemins de fer Français (SNCF) (Railway tracks are owned by Réseau Ferré de France (RFF)); Italy: Ferrovie dello Stato S.p.A.; 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 the rate for March 31, 2008 ($1=¥100, £1=$2.00, €1=$1.58).

Source: Statistiques Internationale des Chemins de Fer 2007, Union Internationale des Chemins de Fer

Fundamentals

Gross Domestic Product

Billions of U.S. Dollars

	2005	2006	2007	2008	2009
Japan	4,644	4,367	4,380	4,358	4,144
U.K.	2,199	2,371	2,767	2,187	2,111
Germany	2,793	2,894	3,317	2,910	2,816
France	2,107	2,231	2,556	2,122	2,096
Italy	1,763	1,851	2,102	1,867	1,790
U.S.	12,429	13,185	13,777	14,369	14,185

Source: Annual OECD National Accounts database

Population

Millions

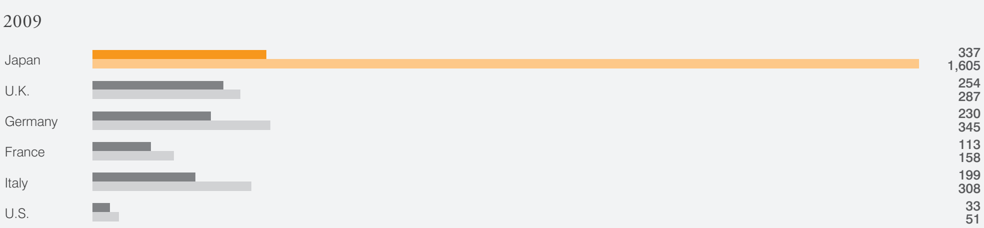
	2005	2006	2007	2008	2009
Japan	127.8	127.8	127.8	127.7	127.5
U.K.	59.7	59.8	60.0	61.0	61.6
Germany	82.7	82.7	82.7	82.5	82.2
France	60.5	60.7	60.9	61.9	62.3
Italy	58.1	58.1	58.2	58.9	59.9
U.S.	298.2	301.0	303.9	308.8	314.7

Sources: Japan: Current Population Estimates, Ministry of Internal Affairs and Communications; Other countries: United Nations data

Population Density

Per Square Kilometer

Population per Square Kilometer of Total National Land Area   Population per Square Kilometer of Habitable Land Area



	2005		2006		2007		2008		2009	
	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area
Japan	338	1,610	338	1,610	338	1,607	338	1,606	337	1,605
U.K.	246	274	246	274	247	274	251	284	254	287
Germany	232	342	232	342	232	336	231	335	230	345
France	110	151	110	152	110	154	112	156	113	158
Italy	193	257	193	257	193	289	195	292	199	308
U.S.	31	48	31	49	32	46	32	47	33	51

- 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; 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: Prepared using FAO "State of the World's Forests 2009"

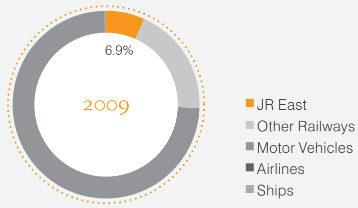
JR East: Domestic and International Perspectives

RAILWAY OPERATIONS IN JAPAN

Railways play a vital role in Japan, and JR East alone represents about 30% of all passenger railway transportation.

Share of Domestic Transportation

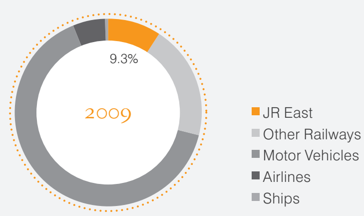
Number of Passengers



		2005		2006		2007		2008		2009	
Years ended March 31		Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Railways	JR East	5,862	6.7%	5,911	6.7%	5,991	6.8%	6,170	6.9%	6,157	6.9%
	Other railways	15,824	18.0%	16,043	18.2%	16,253	18.4%	16,671	18.5%	16,819	18.7%
Motor vehicles		65,991	75.1%	65,947	74.9%	65,943	74.6%	66,909	74.4%	66,774	74.2%
Airlines		94	0.1%	94	0.1%	97	0.1%	95	0.1%	91	0.1%
Ships		101	0.1%	103	0.1%	99	0.1%	100	0.1%	99	0.1%
Total		87,872	100.0%	88,098	100.0%	88,383	100.0%	89,945	100.0%	89,940	100.0%

Source: Summary of Transport Statistics, Ministry of Land, Infrastructure, Transport and Tourism

Passenger Kilometers

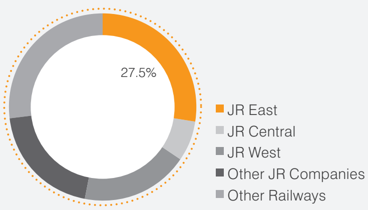


		2005		2006		2007		2008		2009	
Years ended March 31		Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Railways	JR East	125,172	8.8%	126,142	8.9%	127,653	9.1%	130,558	9.2%	129,655	9.3%
	Other railways	259,991	18.3%	265,004	18.8%	268,255	19.1%	274,986	19.5%	274,830	19.7%
Motor vehicles		947,563	66.8%	933,006	66.1%	917,938	65.4%	919,062	65.0%	905,907	64.9%
Airlines		81,786	5.8%	83,220	5.9%	85,752	6.1%	84,327	6.0%	80,931	5.8%
Ships		3,869	0.3%	4,205	0.3%	3,773	0.3%	3,834	0.3%	3,510	0.3%
Total		1,418,381	100.0%	1,411,397	100.0%	1,403,371	100.0%	1,412,767	100.0%	1,394,833	100.0%

Source: Summary of Transport Statistics, Ministry of Land, Infrastructure, Transport and Tourism
• Figures for JR East on this page do not include Tokyo Monorail.

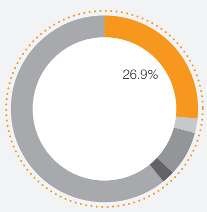
Share of Domestic Railways

Passenger Line Network



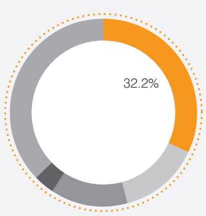
As of March 31, 2008	km	%
JR East	7,527	27.5%
JR Central	1,971	7.2%
JR West	5,024	18.4%
Other JR companies	5,477	20.1%
Other railways	7,335	26.8%
Total	27,334	100.0%

Number of Passengers



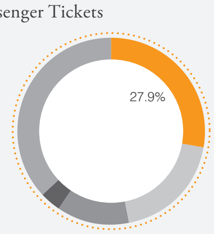
Year ended March 31, 2008	Millions	%
JR East	6,170	26.9%
JR Central	528	2.3%
JR West	1,819	7.9%
Other JR companies	471	2.1%
Other railways	13,934	60.8%
Total	22,922	100.0%

Passenger Kilometers



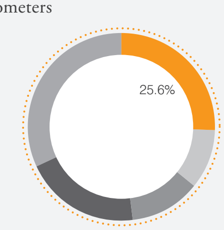
Year ended March 31, 2008	Millions	%
JR East	130,558	32.2%
JR Central	55,811	13.8%
JR West	54,585	13.4%
Other JR companies	14,248	3.5%
Other railways	150,410	37.1%
Total	405,612	100.0%

Revenues from Passenger Tickets



Year ended March 31, 2008	Billions of Yen	%
JR East	1,733	27.9%
JR Central	1,192	19.2%
JR West	781	12.6%
Other JR companies	221	3.6%
Other railways	2,277	36.7%
Total	6,204	100.0%

Rolling Stock Kilometers



Year ended March 31, 2008	Millions	%
JR East	2,242	25.6%
JR Central	902	10.3%
JR West	1,088	12.4%
Other JR companies	1,746	19.9%
Other railways	2,781	31.8%
Total	8,759	100.0%

- 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 2007, Ministry of Land, Infrastructure, Transport and Tourism

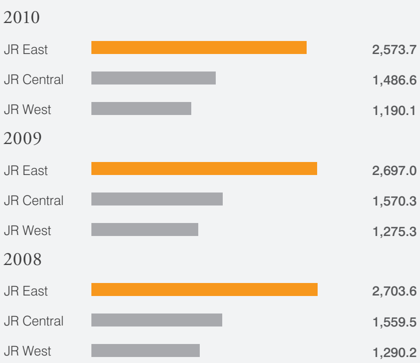
JR East: Domestic and International Perspectives

FINANCIAL OVERVIEW OF JR PASSENGER RAILWAY COMPANIES

JR East accounts for about 50% of the total operating revenues of the three largest JR passenger railway companies. JR East's immense and stable operating base contributes to large and consistent earnings and cash flows.

Operating Revenues

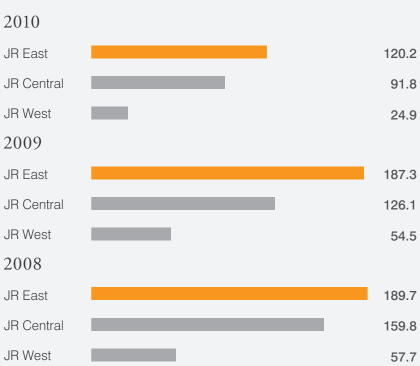
Billions of Yen



			Millions of Yen
Years ended March 31	2008	2009	2010
JR East	2,703,564	2,697,000	2,573,724
JR Central	1,559,467	1,570,253	1,486,632
JR West	1,290,190	1,275,308	1,190,135

Net Income

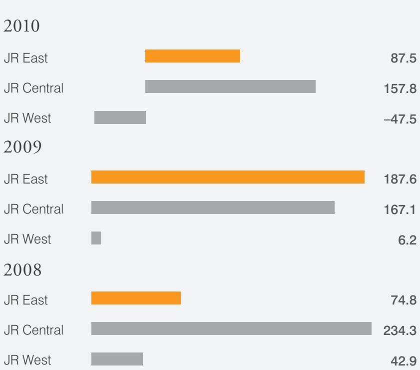
Billions of Yen



			Millions of Yen
Years ended March 31	2008	2009	2010
JR East	189,673	187,291	120,214
JR Central	159,774	126,052	91,764
JR West	57,707	54,529	24,858

Free Cash Flows

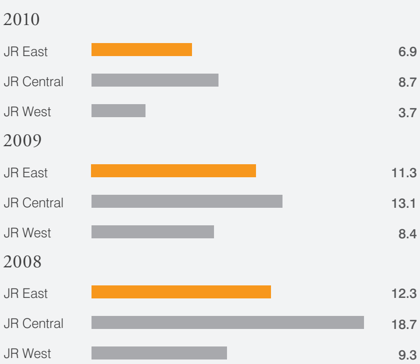
Billions of Yen



			Millions of Yen
Years ended March 31	2008	2009	2010
JR East	74,812	187,564	87,498
JR Central	234,322	167,086	157,818
JR West	42,902	6,189	(47,473)

Return on Average Equity (ROE)

%

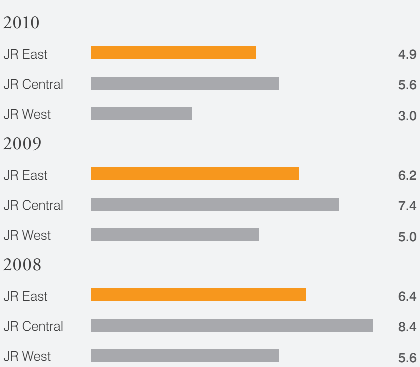


Years ended March 31	2008	2009	2010
JR East	12.3%	11.3%	6.9%
JR Central	18.7%	13.1%	8.7%
JR West	9.3%	8.4%	3.7%

• Average equity is the average of equity at the end of the previous and applicable fiscal years.

Ratio of Operating Income to Average Assets (ROA)

%

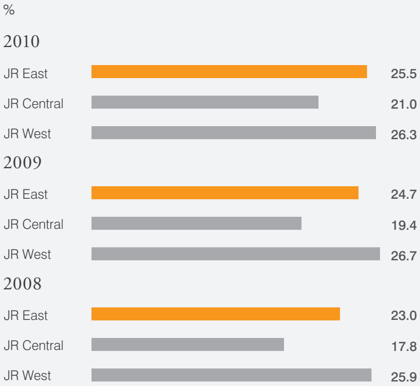


Years ended March 31	2008	2009	2010
JR East	6.4%	6.2%	4.9%
JR Central	8.4%	7.4%	5.6%
JR West	5.6%	5.0%	3.0%

• Average assets is the average of assets at the end of the previous and applicable fiscal years.

Equity Ratio

%



Years ended March 31	2008	2009	2010
JR East	23.0%	24.7%	25.5%
JR Central	17.8%	19.4%	21.0%
JR West	25.9%	26.7%	26.3%

• Equity ratio = shareholders' equity / total assets

• Data in this section have been calculated by JR East based on figures in JR Central's and JR West's financial press releases.

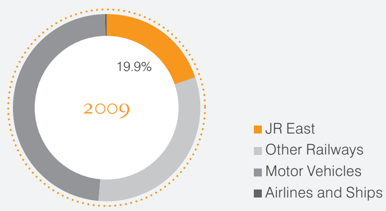
JR East: Domestic and International Perspectives

RAILWAY OPERATIONS IN TOKYO

JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo metropolitan area, where railways account for 50% of all transportation. With an immense population, the Tokyo metropolitan area is sure to generate a large amount of demand for transportation services.

Transportation in the Tokyo Area

Number of Passengers



Years ended March 31		2005 Millions	2005 %	2006 Millions	2006 %	2007 Millions	2007 %	2008 Millions	2008 %	2009 Millions	2009 %
Railways	JR East	5,322	20.1%	5,373	19.9%	5,459	19.9%	5,633	19.8%	5,625	19.9%
	Other railways	8,093	30.5%	8,230	30.4%	8,400	30.6%	8,783	30.8%	8,928	31.6%
Motor vehicles		13,081	49.3%	13,396	49.6%	13,559	49.4%	14,023	49.2%	13,628	48.3%
Airlines and ships		39	0.1%	38	0.1%	39	0.1%	40	0.2%	39	0.2%
Total		26,535	100.0%	27,037	100.0%	27,457	100.0%	28,479	100.0%	28,220	100.0%

- JR East figures include data from the bordering lines of JR Central and do not include Tokyo Monorail.
- Statistics are based on surveys that used borders that do not strictly correspond with JR East's Tokyo Metropolitan Area Network.

Source: Survey of Regional Passenger Movement, Ministry of Land, Infrastructure, Transport and Tourism

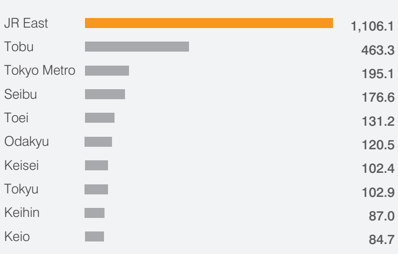
Major Railways in the Tokyo Area

	Passenger Line Network[1] km	Passenger Line Network[1] %	Passenger Kilometers[2] Millions	Passenger Kilometers[2] %	Revenues from Passenger Tickets[2] Billions of Yen	Revenues from Passenger Tickets[2] %
JR East	1,106.1	42.5%	80,058	47.8%	885.5	43.5%
Tobu Railway	463.3	17.8%	12,665	7.6%	144.5	7.1%
Tokyo Metro	195.1	7.5%	18,423	11.0%	297.6	14.6%
Seibu Railway	176.6	6.8%	8,851	5.3%	96.3	4.7%
Toei (Tokyo Metropolitan Government)	131.2	5.0%	5,948	3.5%	129.5	6.4%
Odakyu Electric Railway	120.5	4.6%	11,160	6.7%	113.3	5.6%
Keisei Electric Railway	102.4	3.9%	3,603	2.1%	50.4	2.5%
Tokyu Corporation	102.9	3.9%	10,158	6.1%	129.2	6.4%
Keihin Electric Express Railway	87.0	3.3%	6,323	3.8%	75.8	3.7%
Keio Electric Railway	84.7	3.3%	7,534	4.5%	80.1	3.9%
Sagami Railway	35.9	1.4%	2,628	1.6%	31.9	1.6%
Total	2,605.7	100.0%	167,351	100.0%	2,034.1	100.0%

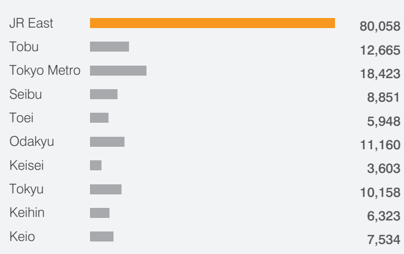
1 As of March 31, 2009
2 For the year ended March 31, 2009
- Figures do not include freight lines.
- Data used for JR East are data of the Tokyo Metropolitan Area Network and do not include Tokyo Monorail.

Sources:
- Toei (Tokyo Metropolitan Government): Figures from the website of the Transportation Bureau of the Tokyo Metropolitan Government. Passenger kilometers are from Statistics of Railways 2007, Ministry of Land, Infrastructure, Transport and Tourism.
- Other: Website of the Association of Japanese Private Railways. Revenues from passenger tickets are based on figures from the financial press releases of each company.

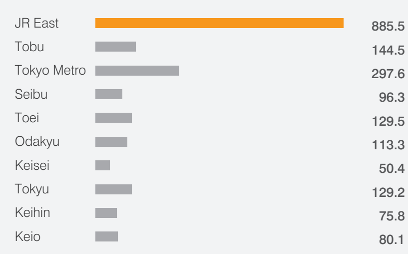
Passenger Line Network[1]
Kilometers



Passenger Kilometers[2]
Millions

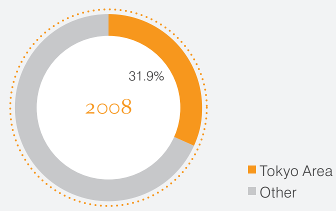


Revenues from Passenger Tickets[2]
Billions of Yen



Fundamentals

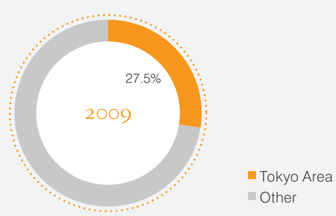
Net Domestic Product



Years ended March 31	2004		2005		2006		2007		2008	
	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%	Billions of Yen	%
Tokyo area	117,449	31.7%	117,439	31.7%	120,445	32.0%	120,532	31.9%	120,128	31.9%
Other	253,455	68.3%	253,207	68.3%	256,173	68.0%	257,530	68.1%	256,517	68.1%
Total	370,904	100.0%	370,646	100.0%	376,618	100.0%	378,062	100.0%	376,645	100.0%

Source: Annual Report on Prefectural Economies, Cabinet Office

Population



As of October 1	2005		2006		2007		2008		2009	
	Millions	%	Millions	%	Millions	%	Millions	%	Millions	%
Tokyo area	34.5	27.0%	34.6	27.1%	34.8	27.3%	35.0	27.4%	35.1	27.5%
Other	93.3	73.0%	93.2	72.9%	93.0	72.7%	92.7	72.6%	92.4	72.5%
Total	127.8	100.0%	127.8	100.0%	127.8	100.0%	127.7	100.0%	127.5	100.0%

Source: Current Population Estimates, Ministry of Internal Affairs and Communications

Population Density

Per Square Kilometer

As of October 1	2005	2006	2007	2008	2009
Tokyo area	2,595	2,591	2,605	2,617	2,624
Other	256	255	255	254	254
National average	338	338	338	338	337

- JR East calculated these figures by using data from the following sources: Current Population Estimates, Ministry of Internal Affairs and Communications; statistics from Geographical Survey Institute
- The statistics on this page are based on governmental boundaries and do not strictly correspond with JR East's operating area segments.

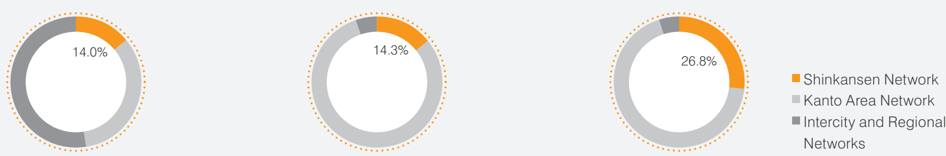
JR East: Domestic and International Perspectives

ANALYSIS OF JR EAST'S RAILWAY OPERATIONS

The Kanto Area Network generates about two-thirds of the Company's railway revenues.
Commuter-pass travel accounts for about one-third of JR East's revenues.

Composition by Operating Area

Passenger Line Network | Passenger Kilometers | Revenues from Passenger Tickets

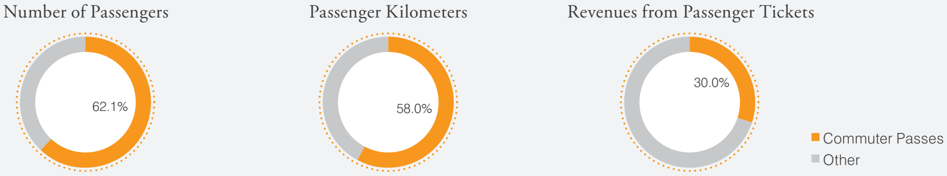


	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen network	1,052.9	14.0%	18,152	14.3%	439,504	26.8%
Kanto area network	2,536.2	33.7%	102,347	80.6%	1,120,675	68.3%
Intercity and regional networks	3,937.7	52.3%	6,461	5.1%	80,482	4.9%
Total	7,526.8	100.0%	126,960	100.0%	1,640,661	100.0%

1. As of March 31, 2010
2. Year ended March 31, 2010
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
- Figures do not include Tokyo Monorail.

Composition of Commuter Passes—Overall

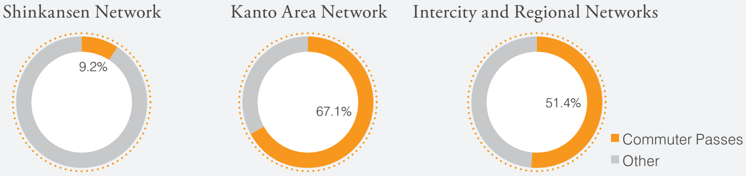
Number of Passengers | Passenger Kilometers | Revenues from Passenger Tickets



	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter passes	3,783	62.1%	73,678	58.0%	491,710	30.0%
Other	2,306	37.9%	53,282	42.0%	1,148,951	70.0%
Total	6,089	100.0%	126,960	100.0%	1,640,661	100.0%

Composition of Commuter Passes—By Passenger Kilometers

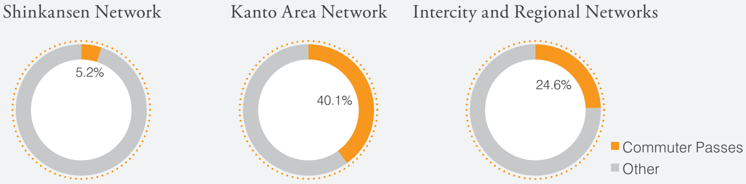
Shinkansen Network | Kanto Area Network | Intercity and Regional Networks



	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen network	18,152	1,666	9.2%
Kanto area network	102,347	68,694	67.1%
Intercity and regional networks	6,461	3,318	51.4%
Total	126,960	73,678	58.0%

Composition of Commuter Passes—By Revenues from Passenger Tickets

Shinkansen Network | Kanto Area Network | Intercity and Regional Networks



	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen network	439,504	22,775	5.2%
Kanto area network	1,120,675	449,153	40.1%
Intercity and regional networks	80,482	19,782	24.6%
Total	1,640,661	491,710	30.0%

- Percentages represent passenger kilometers and revenues from passenger tickets attributable to commuter passes for each segment.
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
- Figures do not include Tokyo Monorail.

Passenger Kilometers

Millions

Years ended March 31			2008	2009	2010	2010/2009
Shinkansen network		Commuter passes	1,671	1,678	1,666	99.2%
		Other	18,254	17,624	16,486	93.5%
		Total	19,925	19,302	18,152	94.0%
Conventional lines	Total	Commuter passes	72,422	72,418	72,012	99.4%
		Other	38,212	37,935	36,796	97.0%
		Total	110,634	110,353	108,808	98.6%
	Kanto area network	Commuter passes	69,093	69,081	68,694	99.4%
		Other	34,808	34,619	33,653	97.2%
		Total	103,901	103,700	102,347	98.7%
	Intercity and regional networks	Commuter passes	3,329	3,337	3,318	99.4%
		Other	3,404	3,316	3,143	94.8%
		Total	6,733	6,653	6,461	97.1%
Total		Commuter passes	74,093	74,096	73,678	99.4%
		Other	56,466	55,559	53,282	95.9%
		Total	130,558	129,655	126,960	97.9%

Revenues from Passenger Tickets

Millions of Yen

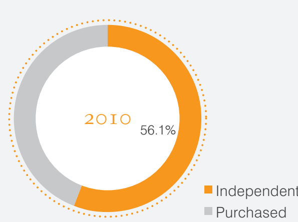
Years ended March 31			2008	2009	2010	2010/2009
Shinkansen network		Commuter passes	22,775	22,949	22,775	99.2%
		Other	468,183	451,943	416,729	92.2%
		Total	490,958	474,892	439,504	92.5%
Conventional lines	Total	Commuter passes	470,984	473,603	468,935	99.0%
		Other	770,407	760,379	732,222	96.3%
		Total	1,241,391	1,233,982	1,201,157	97.3%
	Kanto area network	Commuter passes	451,226	453,613	449,153	99.0%
		Other	704,135	695,778	671,522	96.5%
		Total	1,155,361	1,149,391	1,120,675	97.5%
	Intercity and regional networks	Commuter passes	19,758	19,990	19,782	99.0%
		Other	66,272	64,601	60,700	94.0%
		Total	86,030	84,591	80,482	95.1%
Total		Commuter passes	493,759	496,552	491,710	99.0%
		Other	1,238,590	1,212,322	1,148,951	94.8%
		Total	1,732,349	1,708,874	1,640,661	96.0%

- Passenger kilometers and revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
- Conventional Lines: Total of Kanto Area Network and Intercity and Regional Networks
- Figures do not include Tokyo Monorail.
- The Kanto Area Network encompasses the area encompassed under the previous classification of the Tokyo Metropolitan Area Network (Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, and Omiya Branch Office) and the areas covered by Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office.

Electric Power

JR East generates more than one-half of the electricity it uses.

Year ended March 31, 2010	Billions of kWh	%
Thermal generation	3.30	53.8%
Hydroelectric generation	0.14	2.3%
Independent	3.44	56.1%
Purchased	2.69	43.9%
Total	6.13	100.0%



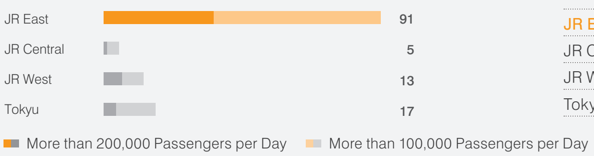
JR East: Domestic and International Perspectives

NON-TRANSPORTATION BUSINESSES

JR East owns many stations with high potential that are used by numerous customers. JR East is carrying out its non-transportation businesses utilizing these stations to enhance customer convenience and comfort and to raise profitability.

Number of Busy Stations

Number of Stations

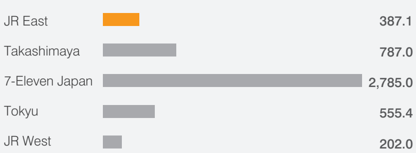


	More than 100,000 Passengers per Day	More than 200,000 Passengers per Day
JR East	91	36
JR Central	5	1
JR West	13	6
Tokyu	17	4

- Year ended March 31, 2009 for JR Central and JR West, year ended March 31, 2010 for JR East and Tokyu
- Data are based on figures from JR Central, JR West, and Tokyu Corporation.
- The numbers of station users at stations of JR East, JR Central, and JR West represent twice the number of passengers embarking.

Comparison of Major Department Stores, Retail Sales, and Convenience Stores

Billions of Yen



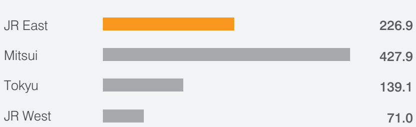
	Millions of Yen
	Operating Revenues
JR East	387,104
Takashimaya	786,987
7-Eleven Japan	2,784,997
Tokyu	555,436
JR West	201,995

- Takashimaya = Takashimaya Company, Limited
  7-Eleven Japan = Seven-Eleven Japan Co., Ltd.
  Tokyu = Tokyu Corporation
- Year ended March 31, 2010 (Year ended February 28, 2010, for Takashimaya and 7-Eleven Japan)
- Data are based on figures from the financial press releases of each company.

- The following figures are used as operating revenues:
  JR East: Station space utilization, segment revenues from outside customers
  Takashimaya: Department store business, segment revenues from outside customers
  7-Eleven Japan: Total store sales (nonconsolidated)
  Tokyu: Retail operating revenues
  JR West: Sales of goods and food services business, segment revenues from third parties

Comparison of Real Estate Leasing to Retailers and Other Tenants

Billions of Yen



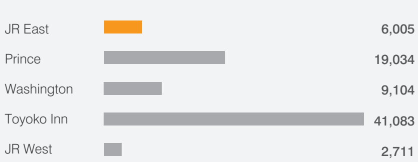
	Millions of Yen
	Operating Revenues
JR East	226,932
Mitsui	427,925
Tokyu	139,095
JR West	70,953

- Mitsui = Mitsui Fudosan Co., Ltd.
  Tokyu = Tokyu Corporation
- Year ended March 31, 2010
- Data are based on figures from the financial press releases of each company.

- The following figures are used as operating revenues:
  JR East: Shopping centers & office buildings, segment revenues from outside customers
  Mitsui: Office buildings and commercial facilities revenues in leasing segment, outside customers
  Tokyu: Real estate business, segment revenues from outside customers
  JR West: Real estate business, segment revenues from third parties

Domestic Hotel Chain Ranking by Guest Rooms

Number of Guest Rooms



	Guest Rooms
JR East Hotel Chain	6,005
Prince Hotels	19,034
Washington Group Hotels	9,104
Toyoko Inn Hotel Chain	41,083
JR West Hotels	2,711

- As of January 1, 2010, for Prince, Washington, Toyoko Inn, and JR West (As of March 31, 2010, for JR East)
- Data are based on “HOTERES” by Ohta Publications.

Glossary

Commuter Pass refers to a credit card sized pass that is either magnetically encoded or contains an integrated circuit (IC) chip to allow travel between two stations during a period of one, three, or six months. Mobile Suica, a service based on cell phones embedded with such IC chips, was introduced in January 2006.

Hybrid Shinkansen refers to intercity rail systems that provide through service to certain destinations that are not part of a regular Shinkansen network, using specially designed trains capable of running on both Shinkansen lines and conventional lines that have been widened to a standard gauge. Hybrid Shinkansen lines are not covered by the Nationwide Shinkansen Railway Development Law.

JNR stands for the Japanese National Railways, the Government-owned public entity that was restructured into JNRSC (as defined below) on April 1, 1987. The railway operations and certain related businesses of JNR, along with certain necessary assets and associated liabilities, were succeeded to by the JR Companies (as defined below), the Shinkansen Holding Corporation (currently, JRTT (as defined below)), Railway Telecommunication Co., Ltd. (a predecessor of SOFTBANK TELECOM Corp.), Railway Information Systems Co., Ltd., and the Railway Technical Research Institute, and all of its other assets and liabilities became assets and liabilities of JNRSC.

JNRSC stands for JNR Settlement Corporation. JNRSC was dissolved on October 22, 1998, and all of its assets (including the 1,500,000 shares of JR East's common stock it beneficially owned at the time of such transfer) and a portion of its liabilities were transferred to JRCC.

JR Companies refers to, collectively, 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).

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

JR Law means the Law for Passenger Railway Companies and Japan Freight Railway Company of 1986, as amended, which created the framework for the establishment of the JR Companies.

JRTT stands for the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency established in October 2003 upon the merger of the Japan Railway Construction Public Corporation (JRCC) and the Corporation for Advanced Transport & Technology. Its primary activities include the construction of Shinkansen lines under the Nationwide Shinkansen Railway Development Law (see "Shinkansen") and other national projects. Within JR East's service area, JRTT is presently building Hokuriku Shinkansen and Tohoku Shinkansen extensions. JR East rents the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, operationally named Nagano Shinkansen, and the Morioka–Hachinohe segment of the Tohoku Shinkansen Line from JRTT. JR East also rents some conventional lines from JRTT.

Number of Passengers comprises both passengers who begin their journey at a JR East station and passengers who transfer to JR East from other railway companies' lines at the station.

Operating Kilometers means the actual length of a railway line between two stations, regardless of the number of tracks along the line. Fare and charge calculations are based on this figure.

PASMO refers to IC cards with transportation ticket functions, sold by Tokyo-area private railways, subways, and bus companies. Ever since their March 18, 2007, launch, PASMO cards have been interchangeable with Suica. Besides Tokyo-area private railways, subways, and bus companies, the PASMO card system has spread to cover some transportation companies in Shizuoka Prefecture. The PASMO name is a registered trademark of Pasmo K.K.

Passenger Kilometers means the number of passengers moving from one station to another multiplied by the distance (in operating kilometers) between such stations.

Rolling Stock Kilometers means the number of train kilometers (as defined below) multiplied by the number of railcars comprising the train.

Shinkansen refers to Japan's high-speed intercity rail systems operated by JR East, JR Central, JR West, and JR Kyushu. Several new Shinkansen lines are now under construction or in advanced planning stages under the Nationwide Shinkansen Railway Development Law.

Station Renaissance refers to a program aimed at proactively developing the potential of JR East stations, which are used by about 17 million people daily and are considered to be the JR East Group's largest management asset. Based on thorough consideration of customers' perspectives and the goal of increasing Group value in line with the increased emphasis now being placed on Group management, JR East is fundamentally reevaluating station layouts and comprehensively leveraging the Group's diverse capabilities to undertake zero-base redevelopment projects that optimize the facilities at each station. In these ways, JR East is working to create new 21st century station environments that offer increased appeal to customers as well as greater profitability.

Suica refers to a prepaid IC card that can be used at nearly all of JR East's stations in the Tokyo metropolitan area, the Sendai area, and the Niigata area, permitting smooth, contactless passage through ticket gates. There are two types of cards: a high-tech commuter pass (Suica Commuter Pass) and a stored-fare railway ticket (Suica card). Also, an electronic money function makes it possible to use them to purchase goods at stores in train station concourses and in downtown stores.

Total Long-Term Debt refers to the aggregate of long-term debt and long-term liabilities incurred for purchase of railway facilities, including the current portion thereof.

Train Kilometers means the number of kilometers traveled by a train on operational routes, excluding movement within stations and rail yards.

Consolidated Subsidiaries and Equity-Method Affiliated Companies

As of March 31, 2010

Consolidated Subsidiaries

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage[1]	Main Business Activities
1	Tokyo Monorail Co., Ltd.	¥3,000	79.0%	Railway passenger transport services
2	JR Bus Kanto Co., Ltd.	4,000	100.0	Bus services
3	JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
4	JR East Retail Net Co., Ltd.	3,855	100.0	Retail sales
5	JR East Water Business Co., Ltd.	490	100.0	Retail sales
6	Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
7	JR East Station Retailing Co., Ltd.	480	100.0	Retail sales
8	Juster Co., Ltd.	400	100.0	Retail sales and hotel operations
9	Shinano Enterprise Co., Ltd.	400	100.0	Retail sales
10	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
11	JR Atlis Co., Ltd.	310	100.0	Retail sales
12	Nippon Restaurant Enterprise Co., Ltd.	730	100.0	Restaurant business, retail sales, and hotel operations
13	JR East Food Business Co., Ltd.	721	100.0	Restaurant business
14	Delicious Link Co., Ltd.	90	100.0	Restaurant business
15	LUMINE Co., Ltd.	2,375	91.8	Shopping center operations
16	Ikebukuro Terminal Building Company (Note2)	2,000	100.0	Shopping center operations and leasing of office buildings
17	atre Co., Ltd. (Note3)	1,630	92.1	Shopping center operations
18	JR East Urban Development Corporation (Note4)	1,450	100.0	Shopping center operations and retail sales
19	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
20	JR East Department Store Co., Ltd.	1,140	84.6	Shopping center operations
21	JR Tokyo West Development Co., Ltd.	1,000	93.3	Shopping center operations
22	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
23	Hirosaki Station Building Co., Ltd.	490	88.8	Shopping center operations
24	Station Building MIDORI Co., Ltd.	450	94.6	Shopping center operations
25	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
26	Chiba Station Building Co., Ltd.	200	100.0	Shopping center operations
27	Shonan Station Building Co., Ltd.	200	77.5	Shopping center operations
28	Yokohama Station Building Co., Ltd.	200	70.8	Shopping center operations
29	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
30	Tsurumi Station Building Co., Ltd.	100	100.0	Shopping center operations
31	JR East Building Co., Ltd.	480	100.0	Leasing of office buildings
32	Viewcard Co., Ltd. (Note5)	5,000	100.0	Credit card business
33	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
34	Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
35	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
36	Morioka Terminal Building Co., Ltd.	900	82.8	Hotel operations and shopping center operations
37	Takasaki Terminal Building Co., Ltd.	780	100.0	Shopping center operations
38	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
39	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
40	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
41	Shinjuku South Energy Service Co., Ltd. (Note6)	750	72.7	Supplying thermal energy
42	The Orangepage, Inc.	500	99.7	Publishing
43	JR East View Travel Service Co., Ltd.	450	67.0	Travel agency services
44	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
45	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
46	JR East Japan Information Systems Company	500	100.0	Information processing
47	JR East Net Station Co., Ltd.	460	100.0	Information processing

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage[1]	Main Business Activities
48	JR East Management Service Co., Ltd.	¥ 80	100.0%	Information services
49	JR East Green Partners Co., Ltd.	100	100.0	Inventory control, issuance and collection operation for uniforms of JR East employees
50	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff sending business
51	East Japan Eco Access Co., Ltd. (Note7)	120	100.0	Cleaning services / station operations
52	JR Chiba Railway Services Co., Ltd. (Note8)	12	100.0	Cleaning services / station operations
53	JR Takasaki Railway Services Co., Ltd. (Note9)	10	100.0	Cleaning services / station operations
54	JR Mito Railway Services Co., Ltd. (Note10)	10	100.0	Cleaning services / station operations
55	JR East Transportaion Services Co., Ltd. (Note11)	38	100.0	Cleaning services
56	Tetsudoseibi Co., Ltd.	38	100.0	Cleaning services
57	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
58	Niigata Railway Servicing Co., Ltd.	17	100.0	Cleaning services
59	East Japan Amenitec Co., Ltd.	13	100.0	Cleaning services
60	Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
61	Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
62	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
63	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
64	JR East Rental Co., Ltd.	165	89.4	Car leasing
65	Union Construction Co., Ltd.	120	90.0	Construction
66	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
67	Shinnihon Linen Co., Ltd.	100	100.0	Linen supply
68	East Japan Transport Technology Co., Ltd.	80	58.6	Machinery and rolling stock maintenance
69	Tohoku Rolling Stock Machinery Co., Ltd.	72	51.1	Machinery and rolling stock maintenance
70	Niigata Rolling Stock Machinery Co., Ltd. (Note12)	40	40.5	Machinery and rolling stock maintenance
71	JR East Consultants Company	50	100.0	Consulting
72	JR East Design Corporation	50	100.0	Consulting
73	JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

Equity Method Affiliated Companies

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage[1]	Main Business Activities
UQ Communications Co., Ltd. (Note 13)	¥23,925	17.6%	Internet connect service
Central Security Patrols Co., Ltd.	2,924	25.7	Security business operations
JTB Corp.	2,304	21.9	Travel agency services

1 Voting right percentages represent direct voting right percentages.
2 JR East Building Co., Ltd. merged with Ikebukuro Terminal Building Company on April 1, 2010. Ikebukuro Terminal Building Company was dissolved after the merger.
3 The EKIBIRU Development Co. TOKYO changed its name to atre Co., Ltd. on April 1, 2009. atre Co., Ltd. merged with Boxhill Co., Ltd. and Kawasaki Station Building Co., Ltd. on October 1, 2009. Boxhill Co., Ltd. and Kawasaki Station Building Co., Ltd. were dissolved after the merger.
4 JR East Urban Development Corporation merged with JR East Housing Development & Realty Co., Ltd. on July 1, 2009. JR East Housing Development & Realty Co., Ltd. was dissolved after the merger.
5 Viewcard Co., Ltd. is newly included in the scope of consolidation from the fiscal year under the review.
6 Shinjuku South Energy Service Co., Ltd. is newly included in the scope of the consolidation from the fiscal year under the review.
7 East Japan Eco Access Co., Ltd. merged with JR Kanagawa planning & Development Co., Ltd., JR Kaiji Plannig & Development Co., Ltd., JR Utsunomiya Planning & Development and JR Tokyo Planning & Development Co., Ltd. on April 1, 2009. JR Kanagawa planning & Development Co., Ltd., JR Kaiji Plannig & Development Co., Ltd., JR Utsunomiya Planning & Development and JR Tokyo Planning & Development Co., Ltd. were dissolved after the merger.
8 Chiba Railway Servicing Co., Ltd. merged with Keiyo Planning & Development Co., Ltd. and changed its name to JR Chiba Railway Services Co., Ltd. on April 1, 2009. Keiyo Planning & Development Co., Ltd. was dissolved after the merger.
9 Takasaki Railway Servicing Co., Ltd. merged with JR Takasaki Trading Co., Ltd. and changed its name to JR Takasaki Railway Services Co., Ltd. on April 1, 2009. JR Takasaki Trading Co., Ltd. was dissolved after the merger.
10 Mito Railway Servicing Co., Ltd. merged with Mito Service Development Co., Ltd. and changed its name to JR Mito Railway Services Co., Ltd. on April 1, 2010. Mito Service Development Co., Ltd. was dissolved after the merger.
11 Kanto Railway Servicing Co., Ltd. merged with East Japan Railway Servicing Co., Ltd. and changed its name to JR East Transportaion Services Co., Ltd. on April 1, 2009. East Japan Railway Servicing Co., Ltd. was dissolved after the merger.
12 Although JR East own less that 50% of the voting rights of Niigata Rolling Stock Machinery Co., Ltd., JR East has made it a subsidiary because JR East controls the company in practice.
13 UQ Communications Co., Ltd. is newly included in the scope of equity method affiliation from the fiscal year under review.

Corporate Data

As of March 31, 2010

Basic Information

Number of Employees
71,854* (52,259 at parent company)

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

Number of Stations
1,705

Number of Rolling Stock
13,173

Passenger Line Network
7,526.8 kilometers

Number of Passengers Served Daily
About 17 million (average for the year ended March 31, 2010)

Total Number of Shares Issued
400,000,000

Total Number of Shares Outstanding
395,570,947

Paid-in Capital
¥200,000 million

Number of Shareholders
272,722

Stock Exchange Listings
Tokyo, Osaka, Nagoya

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– (Standard & Poor's)
Aa1 (Moody's Investors Service)

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Internet Addresses
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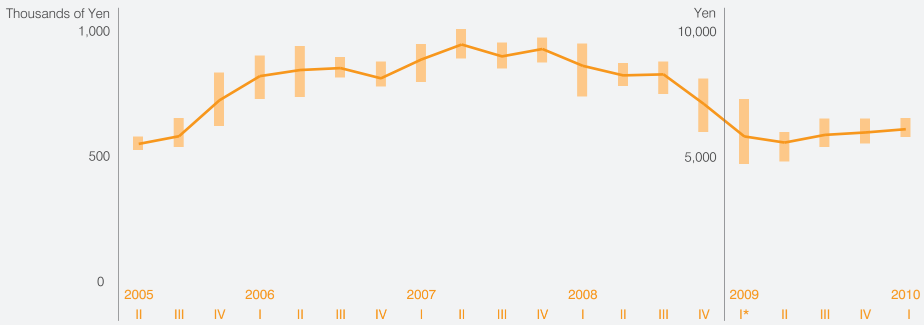
Environment: http://www.jreast.co.jp/e/environment/
(Sustainability Report)

Stock Information

Stock Code: 9020

Stock Price



■ Stock Price – JR East Average Stock Price

Note: Average stock prices are computed using closing prices.

Source: Tokyo Stock Exchange

* 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.

Major Shareholders

As of March 31, 2010	Number of Shares Held	Voting Right Percentage
Japan Trustee Services Bank, Ltd. (as Trustee)	26,163,100	6.54
The Master Trust Bank of Japan, Ltd. (as Trustee)	20,597,200	5.15
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.13
The JR East Employees Shareholding Association	10,932,000	2.73
Sumitomo Mitsui Banking Corporation	10,530,315	2.63
Mizuho Corporate Bank, Ltd.	10,006,600	2.50
Mizuho Bank, Ltd.	10,006,156	2.50
Japan Trustee Services Bank, Ltd. 9 (as Trustee)	8,568,100	2.14
Nippon Life Insurance Company	8,015,560	2.00
The Dai-ichi Mutual Life Insurance Company	7,100,000	1.78

Notes: 1 Japan Trustee Services Bank, Ltd., The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. 9 hold all shares as trustee.
2 The Dai-ichi Mutual Life Insurance Company was reorganized into The Dai-ichi Life Insurance Company, Limited as of April 1, 2010.

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