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ELEVEN-YEAR SUMMARY

East Japan Railway Company and Subsidiaries
Years ended March 31

	2001	2002	2003	2004
Operating results				
Operating revenues	¥2,546,041	¥2,543,378	¥2,565,671	¥2,542,297
Operating expenses	2,222,290	2,227,038	2,222,576	2,190,877
Operating income	323,751	316,340	343,095	351,420
Net income	69,174	47,551	97,986	119,866
Comprehensive income *1	N/A	N/A	N/A	N/A
Segment information*2				
Operating revenues from outside customers:				
Transportation	1,801,370	1,789,599	1,800,434	1,798,132
Station space utilization	348,994	368,553	368,961	366,438
Shopping centers & office buildings	165,818	165,276	170,321	175,180
Other services	229,859	219,950	225,955	202,547
Total	2,546,041	2,543,378	2,565,671	2,542,297
Segment information				
Operating revenues from outside customers:				
Transportation	1,805,663	N/A	N/A	N/A
Merchandise sales	386,033	N/A	N/A	N/A
Real estate leasing	152,438	N/A	N/A	N/A
Other services	201,907	N/A	N/A	N/A
Total	2,546,041	N/A	N/A	N/A
Financial position				
Total assets	7,247,089	7,022,271	6,853,403	6,781,692
Long-term debt (including current portion)	2,307,483	2,060,838	1,942,983	1,940,321
Railway facilities purchase liabilities (including current portion)*3	2,392,241	2,318,997	2,174,581	2,034,203
Total long-term debt (sum of two items above)	4,699,724	4,379,835	4,117,564	3,974,524
Shareholders' equity*4	923,568	930,746	981,856	1,100,176
Cash flows				
Cash flows from operating activities	455,470	455,045	433,304	387,061
Cash flows from investing activities	(266,319)	(105,645)	(196,422)	(234,591)
Cash flows from financing activities	(161,109)	(433,589)	(310,658)	(196,193)
Reduction in long-term debt	(119,173)	(359,390)	(262,506)	(143,088)
Per share data*5				
Earnings	17,294	11,888	24,453	29,928
Shareholders' equity*4	230,892	232,687	245,463	275,052
Cash dividends*6	5,000	5,000	8,000	6,000
Ratios				
Net income as a percentage of revenues	2.7	1.9	3.8	4.7
Return on average equity (ROE)	7.8	5.1	10.2	11.5
Ratio of operating income to average assets (ROA)	4.4	4.4	4.9	5.2
Equity ratio	12.7	13.3	14.3	16.2
Total long-term debt to shareholders' equity	5.1	4.7	4.2	3.6
Interest coverage ratio	2.2	2.4	2.5	2.4
Interest-bearing debt/net cash provided by operating activities	10.2	9.5	9.4	10.1
Other data				
Depreciation	329,651	321,995	322,564	322,300
Capital expenditures*7	296,957	301,781	307,579	313,911
Interest expense	205,155	187,601	173,298	160,944
Number of consolidated subsidiaries (As of March 31)	96	101	101	98
Number of employees	82,285	80,200	78,760	77,009

*1 From this fiscal year, JR East began employing the *Accounting Standard for Presentation of Comprehensive Income* (Accounting Standards Board of Japan Statement No. 25, June 30, 2010).

*2 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.

*3 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities.

*4 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007 (as in the balance sheets).

*5 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.

*6 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.

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

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

2005	2006	2007	2008	2009	2010	2011
¥2,537,481	¥2,592,393	¥2,657,346	¥2,703,564	¥2,697,000	¥2,573,724	¥2,537,353
2,178,946	2,196,293	2,229,248	2,258,404	2,264,445	2,228,875	2,192,266
358,535	396,100	428,098	445,160	432,555	344,849	345,087
111,592	157,575	175,871	189,673	187,291	120,214	76,224
N/A	N/A	N/A	N/A	N/A	N/A	73,644
1,781,776	1,805,406	1,825,387	1,857,756	1,831,933	1,757,994	1,721,922
369,790	383,904	399,998	404,006	415,020	387,104	385,891
181,956	190,466	197,140	205,347	222,628	226,932	223,293
203,959	212,617	234,821	236,455	227,419	201,694	206,247
2,537,481	2,592,393	2,657,346	2,703,564	2,697,000	2,573,724	2,537,353
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
6,716,268	6,821,584	6,968,032	6,942,003	6,965,793	6,995,494	7,042,900
1,940,255	1,960,211	2,034,558	2,101,439	2,171,860	2,266,077	2,373,553
1,892,827	1,743,657	1,601,646	1,457,360	1,316,708	1,177,793	1,048,478
3,833,082	3,703,867	3,636,204	3,558,799	3,488,568	3,443,870	3,422,031
1,183,546	1,357,359	1,488,554	1,596,398	1,718,587	1,780,584	1,809,355
407,737	447,722	541,850	475,601	584,360	479,180	508,846
(214,948)	(309,489)	(348,800)	(400,789)	(396,796)	(391,682)	(433,179)
(209,041)	(141,599)	(172,027)	(80,407)	(159,238)	(115,327)	(27,512)
(144,492)	(129,731)	(69,016)	(77,472)	(70,300)	(45,329)	(26,553)
27,868	39,370	44,008	47,464	469	303	193
296,106	339,599	372,493	399,483	4,301	4,501	4,574
6,500	8,000	9,000	10,000	110	110	110
4.4	6.1	6.6	7.0	6.9	4.7	3.0
9.8	12.4	12.4	12.3	11.3	6.9	4.2
5.3	5.9	6.2	6.4	6.2	4.9	4.9
17.6	19.9	21.4	23.0	24.7	25.5	25.7
3.2	2.7	2.4	2.2	2.0	1.9	1.9
2.7	3.2	4.2	3.8	4.8	4.2	4.8
9.3	8.2	6.6	7.4	5.9	7.1	6.7
317,957	316,038	318,526	335,587	343,101	356,365	366,415
319,912	361,372	413,310	417,144	402,582	434,754	425,835
148,431	136,548	131,376	126,047	120,395	112,596	105,918
92	86	85	82	82	73	75
74,923	72,802	71,316	72,214	72,550	71,854	71,749

*8 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.

*9 Accounting Standards for Impairment of Fixed Assets were early adopted beginning with the year ended March 31, 2005.

*10 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.

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, 2011.

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 2011, ended March 31, 2011. 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 ended March 31, 2011, the Japanese economy failed to achieve a clear recovery because of the yen's sharp appreciation and a persistently high unemployment rate. This was despite signs of improvement in corporate earnings and capital investment. Meanwhile, East Japan Railway Company and its consolidated subsidiaries and equity-method affiliates (JR East) continued to face a challenging business environment. JR East was negatively impacted by reduced expressway tolls in Japan, particularly in its railway operations.

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

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

During the fiscal year under review, operating revenues decreased 1.4% year on year to ¥2,537.4 billion ($30,571 million), primarily reflecting the large decrease in transportation revenues at East Japan Railway Company due to the impact of the Great East Japan Earthquake. Operating income rose 0.1% to ¥345.1 billion ($4,158 million) mainly resulting from a decrease in personnel expenses. Net income decreased 36.6% to ¥76.2 billion ($918 million), as a consequence of the other expenses recorded in connection with the Great East Japan Earthquake.

On March 10, 2009, JR East's Shinanogawa power plants received an administrative sanction in accordance with Japan's River Act for having exceeded the permissible maximum in water intake. Since receiving this sanction, JR East has taken corrective action in response to the sanction and has endeavored to strengthen its relations with the affected community while introducing measures to prevent recurrence.

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

Going forward, JR East will promote management compliant with laws and regulations to prevent a recurrence. And in introspection, sincerity and good faith the Company will strive to coexist in mutual benefit with the communities the incident affected.

Business results by business segment were as follows.

SEGMENT INFORMATION

Transportation

In the Transportation segment, with railway operations as its core operations and aiming to further improve safety and customer satisfaction, JR East sought to maintain revenues by introducing measures to encourage the use of its Shinkansen network and Tokyo metropolitan area railway network.

In December 2010, operations commenced on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, thereby opening the entire Tohoku Shinkansen Line. With the commencement of these operations, JR East launched travel product initiatives linked to Aomori area attractions that generated publicity. These efforts included conducting the *MY FIRST AOMORI* opening campaign in the Tokyo metropolitan area and introducing new resort-type trains to the Tsugaru Line and the Ominato Line. Furthermore, JR East introduced the E5 series *Hayabusa* to the Tohoku Shinkansen Line in March 2011. In addition to shortening travel time with a maximum operating speed of 300 km/h, the introduction of this rail car marks the launch of *GranClass*, Japan's first-ever first class service for a Shinkansen. In other initiatives, JR East worked to generate a greater volume of tourism in its service area by conducting the *Shinshu Destination Campaign*; increasing the number of destinations available for its travel product *Tabi-Ichi*, which offers attractive local programs; and establishing travel products targeting members of the *Otona no Kyujitsu Club*. Further, in light of the reduction in expressway tolls, JR East continued to market and promote initiatives to improve the appeal of train travel such as the *Weekend Pass*, the *Three-Day Pass* and the *Furusato-Yuki-no Josha-ken*, which is a round-trip passenger ticket for people visiting their hometowns over the New Year holidays. When train schedules were revised last December, JR East established a new direct train service connecting the Musashino Line to Omiya Station and increased the frequency of trains on the Yokohama Line at night to relieve overcrowding and to enhance the convenience of its "Tokyo mega-loop," in addition to commencing the operations of the Shin-Aomori Terminal on the Tohoku Shinkansen Line. Furthermore, JR East established train services in response to passenger usage over the year-end and New Year holiday season and introduced new, highly reliable railcars to the Keiyo Line. JR East also took initiatives in response to a railway crossing accident on the Iiyama Line in February 2011 to thoroughly re-familiarize employees with the correct procedures for securing safety, and began examining measures to prevent the accident from reoccurring. When a disruption to transportation services occurred in January 2011 due to a breakdown of electric facilities at Oyama Station of the Tohoku Shinkansen Line, JR East made efforts to determine the cause of the breakdown and conducted an emergency inspection of similar facilities. When its Shinkansen Lines were interrupted by system failure, also in January, JR East amended the data input procedures and took steps to review countermeasures such as by revising the systems program. In monorail operations, concurrently with the Haneda Airport (Tokyo International Airport) expansion project, JR East began operations at the Haneda Airport International Terminal Station in October 2010.

Despite these initiatives, the Transportation segment posted operating revenues of ¥1,772.5 billion ($21,355 million), a year-on-year decrease of 2.0%, as a consequence of the impact of reduced expressway tolls and other factors, in addition to the damage caused by the Great East Japan Earthquake. Operating income was ¥227.2 billion ($2,736 million), a decrease of 1.8%.

Shinkansen Network

In the Shinkansen network, passenger kilometers decreased 2.8% year on year, to 17.7 billion. A major contributory factor was the impact of the Great East Japan Earthquake, and its overshadowing of the commencement of operations on the Hachinohe-Shin-Aomori segment of the Tohoku Shinkansen Line in December, 2010. Use fell as operations on segments of certain lines were suspended, and the number of trains in service was reduced, with the Tohoku Shinkansen Line particularly hard hit. Revenues from passenger tickets declined 1.8%, to ¥431.5 billion ($5,200 million), and revenues from commuter passes decreased 0.2%, to ¥22.7 billion ($274 million). Non-commuter passes revenues also decreased, 1.9%, to ¥408.8 billion ($4,926 million).

Kanto Area Network

In the Kanto area network, passenger kilometers decreased 0.7% year on year, to 101.6 billion, due to the suspension and reduction of limited expresses services in the wake of the Great East Japan Earthquake, among other factors. Revenues from passenger tickets declined 1.8%, to ¥1,100.9 billion ($13,264 million). Specifically, revenues from commuter passes declined 0.1%, to ¥448.8 billion ($5,408 million), and non-commuter passes revenues were down 2.9%, to ¥652.1 billion ($7,857 million).

Other

In the intercity and regional networks, passenger kilometers declined 3.3% year on year, to 6.2 billion, due to the suspension and reduction of services along some lines affected by the Great East Japan Earthquake, among other reasons. Revenues from passenger tickets were down 4.8%, to ¥76.7 billion ($923 million), as a result of decreases of 1.1% in revenues from commuter passes, to ¥19.6 billion ($236 million) and 6.0% in non commuter passes revenues, to ¥57.1 billion ($687 million).

Station Space Utilization

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

Despite these initiatives, the Station Space Utilization segment recorded operating revenues of ¥399.9 billion ($4,819 million), which is nearly at the same level as in the previous fiscal year. This result was mainly due to the rolling power outages and a decline in railway ridership following the Great East Japan Earthquake, which decreased customers' use of various commercial spaces inside stations. Operating income was down 5.9%, to ¥31.4 billion ($379 million).

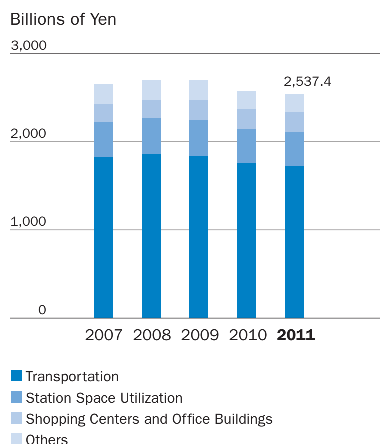
Shopping Centers and Office Buildings

In the Shopping Centers & Office Buildings segment, JR East opened *Celeo Hachioji* (Tokyo), *atré Akihabara 1* (Tokyo), *atré Oimachi 2* (Tokyo), and *E'Site Kagohara* (Saitama) among other shopping facilities. In addition to remodeling *atré Kichijoji* (Tokyo) and other properties, JR East continued to make strong efforts to reenergize existing stores and attract prominent tenants that can draw in customers. In addition, concurrently with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station, JR East opened *Aomori Shunmi-kan* (Aomori) and *A-FACTORY* (Aomori) as part of its efforts to collaborate with the local community to invigorate the Aomori area. Also, in aiming to strengthen its competitiveness, JR East realigned the business operations of Ikebukuro Terminal Building Company in April 2010. This company's office building and other leasing operations were transferred to JR East Building Co., Ltd., while its shopping center operations were transferred to LUMINE Co., Ltd. and were relaunched as *LUMINE Ikebukuro* (Tokyo).

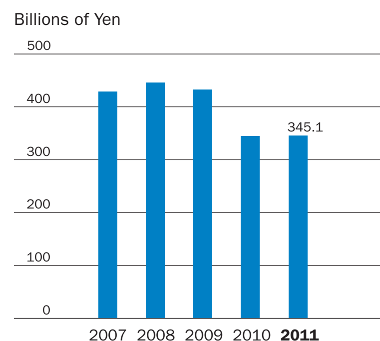
Despite these initiatives, due to the rolling power outages and some damage to buildings and facilities caused by the Great East Japan Earthquake, shopping centers were forced to close temporarily or shorten their operating hours. As a result, the Shopping Centers & Office Buildings segment posted a 1.3% year-on-year decrease in operating revenues to ¥232.8 billion ($2,804 million). Operating income was down 7.3% to ¥64.2 billion ($774 million).

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

Operating Revenues



Operating Income



Others

In Others, JR East continued to enhance its competitiveness in hotel operations. *HOTEL METS Yokohama Tsurumi* (Kanagawa) was opened and guest rooms were renovated at *HOTEL METS Shibuya* (Tokyo) and *Hotel Metropolitan Yamagata* (Yamagata). In advertising and publicity operations, JR East installed *J-AD Vision*, an advertising medium that uses a large LCD screen, at more stations, and continued sales promotions for *Train Channel*, an advertising medium for showing video commercials in trains, and for other services. In credit card operations, Viewcard Co., Ltd. has been an integral part of JR East's efforts to expand the membership numbers of various types of *View Card*, as well as campaigns related to the Tohoku Shinkansen Line's extension to Shin-Aomori Station and the *Shinshu Destination Campaign*, following the February 2010 transfer of JR East's credit card operations to Viewcard Co., Ltd. In *Suica* shopping services (electronic money), JR East actively developed affiliated stores in urban shopping areas beyond railway stations. *Suica* was adopted by approximately 7,080 Seven-Eleven stores and around 2,150 Circle K and Sunkus stores within JR East's service area, as well as by 11 Takashimaya department stores in the Tokyo metropolitan area. As a result, *Suica* electronic money was accepted at approximately 143,180 stores as of the end of the fiscal year.

As a result, despite the impact of the Great East Japan Earthquake, increased revenues related to system development meant that Others posted a 1.4% year-on-year rise in operating revenues to ¥535.4 billion ($6,451 million). Operating income was up 70.8% to ¥23.1 billion ($278 million).

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

OPERATING INCOME

Operating expenses decreased 1.6%, to ¥2,192.3 billion ($26,413 million). Operating expenses as a percentage of operating revenues was 86.4%, compared with 86.6% in the previous fiscal year. Transportation, other services and cost of sales increased 0.8%, to ¥1,734.4 billion ($20,896 million), because an increase in depreciation.

Selling, general and administrative expenses were down 9.8%, to ¥457.9 billion ($5,517 million), which was due to a decrease in personnel expenses accompanying a decline in employees' severance and retirement benefits – paid.

Operating income rose 0.1%, to ¥345.1 billion ($4,158 million), for the first time in three fiscal years. Operating income as a percentage of operating revenues was 13.6%, compared with 13.4% in the previous fiscal year.

INCOME BEFORE INCOME TAXES

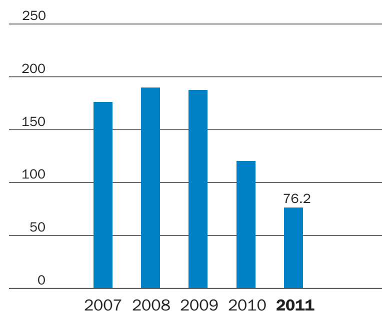
Other income decreased 27.3%, to ¥69.1 billion ($833 million), principally associated with a decrease in gain on sales of transferable development air rights and construction grants received.

Other expenses increased 18.5%, to ¥266.8 billion ($3,215 million), which mainly resulted from the earthquake-damage losses and provision for allowance for earthquake-damage losses posted as a result of the Great East Japan Earthquake.

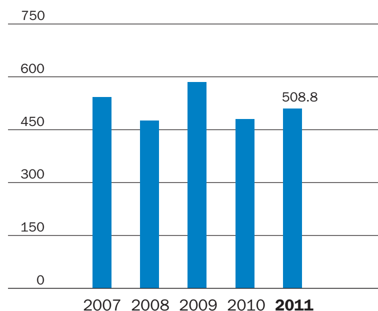
Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥102.4 billion ($1,233 million) expense, an improvement of 6.9%.

Income before income taxes decreased 31.4%, to ¥147.4 billion ($1,776 million). Income before income taxes as a percentage of operating revenues was 5.8%, a decline from 8.3%.

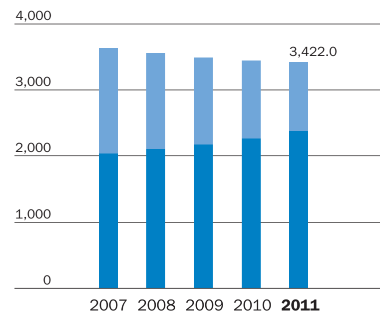
Net Income



Cash Flows from Operating Activities



Total Long-Term Debt



NET INCOME

Net income decreased for the third consecutive year, declining 36.6%, to ¥76.2 billion ($918 million). Earnings per share were ¥193 ($2), down from ¥303 per share. Further, net income as a percentage of operating revenues was 3.0%, compared with 4.7% in the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

In the fiscal year ended March 31, 2011, operating activities provided net cash of ¥508.8 billion ($6,131 million), ¥29.7 billion more than in the previous fiscal year. This result was mainly due to a decline in the payments of income taxes.

Investing activities used net cash of ¥433.2 billion ($5,219 million), ¥41.5 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases 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 Tokyo Station, Ueno Station, and other stations. In shopping centers and office buildings operations, JR East undertook capital expenditures for such initiatives as *Celeo Hachioji* and *atré Akihabara 1* in Tokyo. At the same time, those operations remodeled *atré Kichijoji* in Tokyo and other properties. In other services, capital expenditures initiatives included the construction of *HOTEL METS Yokohama Tsurumi* in Kanagawa.

Further, free cash flows decreased ¥11.8 billion, to ¥75.7 billion ($912 million).

Financing activities used net cash of ¥27.5 billion ($331 million), ¥87.8 billion less than in the previous fiscal year. This result was mainly due to an increase in commercial paper.

Consequently, cash and cash equivalents as of March 31, 2011 were ¥131.9 billion ($1,590 million), an increase of ¥48.1 billion from ¥83.8 billion on March 31, 2010.

FINANCIAL POLICY

Total long-term debt at the end of fiscal 2011 stood at ¥3,422.0 billion ($41,230 million). That debt consists of long-term liabilities incurred for 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. ¥432.7 billion ($5,213 million) payable at a variable interest rate (annual interest rate in fiscal 2011: 4.08%) through March 31, 2017
b. ¥250.6 billion ($3,020 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017
c. ¥346.9 billion ($4,179 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 purchase of railway facilities of ¥12.5 billion ($151 million) for the Akita hybrid Shinkansen Line and ¥5.8 billion ($70 million) for the Tokyo Monorail.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for 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 ¥25.9 billion ($312 million) in fiscal 2011.

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, 2011, JR East issued eight unsecured straight bonds, with a total nominal amount of ¥130.0 billion ($1,566 million) and maturities from 2015 through 2031. 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 ($3,614 million). JR East did not have any bank overdrafts on March 31, 2011. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2011. The outstanding balance of commercial paper JR East issued was ¥61.0 billion ($735 million) as of March 31, 2011.

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

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, 2011.

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 Lines between Morioka and Hachinohe on December 1, 2002 and between Hachinohe and Shin-Aomori on December 4, 2010.

Within JR East's service area, the Nagano–Joetsu (provisional name) segment of the Hokuriku Shinkansen Line is 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 the Shinkansen line segment would be standard gauge line. 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 Nagano–Hakusan general rail yard (provisional name) 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 (provisional name) segment of the Hokuriku Shinkansen Line).

Also, new Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Shin-Hakodate (provisional name) segment of the Hokkaido Shinkansen Line, the Joetsu (provisional name)–Hakusan general rail yard (provisional name) segment of the Hokuriku Shinkansen Line, and the Takeo-Onsen–Isahaya segment 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 2011 totaled ¥21.6 billion ($261 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($211 million) and taxes and maintenance fees of ¥4.1 billion ($50 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 2011 totaled ¥9.2 billion ($111 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($95 million) and taxes and maintenance fees of ¥1.3 billion ($16 million).

In December 2010, JR East also concluded an agreement with the JRTT regarding the usage fees amount for the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, which opened in December 2010. The JRTT received approval for those usage fees from the MLIT in December 2010. Total usage fees for each fiscal year for the segment are the sum of the fixed amount calculated based on the corresponding benefits of ¥7.0 billion ($84 million) and the taxes and maintenance fees. However, as the segment opened partway through the fiscal year, the prorated usage fees for fiscal 2011 totaled ¥2.3 billion ($28 million), comprising the fixed amount of ¥2.3 billion ($27 million) and taxes and maintenance fees of ¥0 billion ($1 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, at the time of the openings of the Morioka–Hachinohe segment in December 2002 and the Hachinohe-Aomori segment in December 2010 of the Tohoku Shinkansen Line, the management of those segments on the Tohoku Line were 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 Nagano–Joetsu (provisional name) 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 the conventional line that runs parallel to the Shinkansen line upon commencement of operation: 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 Nagano–Joetsu (provisional name) 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, accidents at nuclear power plants and the large-scale spread of infectious diseases, or other factors.

The JR East Group 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 to conventional lines, which automatically stop trains to prevent train collisions and excessive speeds entering railroad switch points and other mechanical installations along tracks. Further, in light of the derailment that occurred on the Uetsu Line in 2005, JR East moved forward with the introduction of windbreak fences and completed the installation of gale warning systems along all conventional lines. With respect to countermeasures for earthquakes, JR East continued to reinforce elevated railway tracks and began preparations for expanding the installation of primary-wave (P-wave) seismometers to metropolitan Tokyo and other areas. Such seismometers are effective in early earthquake detection. As a measure to prevent accidents at railway crossings, JR East installed equipment for detecting obstacles. Also taken were initiatives, in response to a railway crossing accident on the Iiyama Line in February 2011, to thoroughly re-familiarize employees with the correct procedures for securing safety, and to begin examining measures set up to prevent the accident from reoccurring. Aiming to prevent accidents on railway station platforms, JR East moved ahead with the advance introduction of automatic platform gates to Ebisu Station and Meguro Station on the Yamanote Line. In addition, the Company launched a joint campaign for Zero Platform Accidents with 20 other railway operators in the Tokyo metropolitan area.

INFORMATION SYSTEMS AND PROTECTION OF PERSONAL DATA

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

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

DEVELOPMENT OF NON-TRANSPORTATION OPERATIONS

The JR East Group 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 others (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 the JR East Group, or result in the failure of tenants or business partners. The occurrence of any of those contingencies could have an impact on the JR East Group's financial position and business performance. JR East's stations are used by roughly 17 million people every day (average daily number of passengers). The JR East Group will fully leverage those railway stations as its largest management resource to develop operations. At the same time, the JR East Group will enhance earnings and secure customer trust by implementing stringent hygiene management and credit controls.

COMPETITION

The JR East Group's transportation operations compete with the operations of airlines, automobiles, bus transportation, and other railway companies. Furthermore, the JR East Group's non-transportation operations compete with existing and newly established businesses. The competition of the JR East Group's transportation and non-transportation operations with such rival operators could have an impact on the JR East Group'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. 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 2011, total long-term debt was ¥3,422.0 billion ($41,230 million). In addition, interest expense amounted to ¥105.9 billion ($1,276 million) in fiscal 2011, which was equivalent to 30.7% 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, non-transportation operations and *Suica* operations 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.

WAIVER OF EXPRESSWAY TOLLS

In response to the Great East Japan Earthquake on March 11, 2011, the government decided to postpone plans to introduce a new expressway toll cap of ¥2,000 for ordinary automobiles on weekdays. It also discontinued an upper limit of ¥1,000 on that toll on weekends and national holidays and temporarily suspended social experiments in some regions of Japan with toll-free expressway segments. Yet, starting June 20, 2011, the government waived expressway tolls on vehicles arriving and departing the Tohoku region for victims of the natural disaster and evacuees displaced by accidents at the nuclear power plants in Fukushima, as well as for trucks and buses involved in the relief and reconstruction effort. Moreover, the government has started to consider making expressways free throughout the affected Tohoku region for all vehicles. Such trends toward toll-free expressways could affect the JR East Group's financial condition and financial results.

CONSOLIDATED BALANCE SHEETS

East Japan Railway Company and Subsidiaries
March 31, 2010 and 2011

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2010	2011	2011
Assets			
Current Assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 83,756	¥ 131,929	$ 1,590
Receivables (Note 8):			
Accounts receivable—trade	295,335	288,444	3,475
Unconsolidated subsidiaries and affiliated companies	7,213	5,518	66
Other	14,841	11,425	139
Allowance for doubtful accounts (Note 2 (4))	(2,294)	(2,632)	(32)
	315,095	302,755	3,648
Inventories (Notes 2 (5) and 5)	45,100	44,017	530
Real estate for sale (Notes 2 (6) and 6)	2,667	1,865	22
Deferred income taxes (Note 20)	46,567	41,168	496
Other current assets	44,469	49,578	597
Total current assets	537,654	571,312	6,883
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 7)	32,549	31,883	384
Other (Notes 2 (7), 8 and 9)	117,552	114,038	1,374
	150,101	145,921	1,758
Property, Plant and Equipment (Notes 2 (8), 10, 11 and 22):			
Buildings	2,124,800	2,187,634	26,357
Fixtures	5,334,651	5,378,260	64,798
Machinery, rolling stock and vehicles	2,417,163	2,479,229	29,870
Land	2,008,435	2,006,184	24,171
Construction in progress	221,988	253,730	3,057
Other	170,607	179,382	2,162
	12,277,644	12,484,419	150,415
Less accumulated depreciation	6,399,377	6,581,133	79,291
Net property, plant and equipment	5,878,267	5,903,286	71,124
Other Assets:			
Long-term deferred income taxes (Note 20)	263,207	268,408	3,234
Other	166,265	153,973	1,855
	429,472	422,381	5,089
	¥ 6,995,494	¥ 7,042,900	$ 84,854

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2010	2011	2011
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8, 10 and 12)	¥ 190,102	¥ 234,909	$ 2,830
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	128,842	124,382	1,499
Prepaid railway fares received	86,637	79,566	959
Payables (Note 8):			
Accounts payable—trade	44,017	34,541	416
Unconsolidated subsidiaries and affiliated companies	56,870	40,375	486
Other	467,488	442,251	5,328
	568,375	517,167	6,230
Accrued expenses	101,831	102,086	1,230
Accrued consumption taxes (Notes 8 and 14)	4,658	9,950	120
Accrued income taxes (Notes 2 (12), 8 and 20)	35,057	13,275	160
Other current liabilities	40,363	147,755	1,780
Total current liabilities	1,155,865	1,229,090	14,808
Long-Term Debt (Notes 8, 10 and 12)	2,075,975	2,138,644	25,767
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 8, 10 and 13)	1,048,951	924,096	11,134
Employees' Severance and Retirement Benefits (Notes 2 (9) and 19)	671,512	658,371	7,932
Deposits Received for Guarantees	145,243	137,684	1,659
Long-Term Deferred Tax Liabilities (Note 20)	1,864	3,431	41
Other Long-Term Liabilities	88,537	117,028	1,410
Contingent Liabilities (Note 15)			
Net Assets (Note 16):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2011—400,000,000 shares;			
Outstanding, 2011—395,569,275 shares	200,000	200,000	2,410
Capital surplus	96,733	96,733	1,165
Retained earnings	1,501,637	1,534,340	18,486
Treasury stock, at cost, 4,430,725 shares in 2011	(25,832)	(25,841)	(311)
Accumulated other comprehensive income			
Net unrealized holding gains on securities	8,656	4,904	59
Net deferred losses on derivatives under hedge accounting	(610)	(780)	(9)
Minority Interests	26,963	25,200	303
Total net assets	1,807,547	1,834,556	22,103
	¥6,995,494	¥7,042,900	$84,854

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

East Japan Railway Company and Subsidiaries
Years ended March 31, 2009, 2010 and 2011

(I) CONSOLIDATED STATEMENTS OF INCOME

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2009	2010	2011	2011
Operating Revenues (Note 23)	¥2,697,000	¥2,573,724	¥2,537,353	$30,571
Operating Expenses (Note 23):				
Transportation, other services and cost of sales	1,749,262	1,720,974	1,734,357	20,896
Selling, general and administrative expenses	515,183	507,901	457,909	5,517
	2,264,445	2,228,875	2,192,266	26,413
Operating Income (Note 23)	432,555	344,849	345,087	4,158
Other Income (Expenses):				
Interest expense on short- and long-term debt	(46,409)	(45,329)	(45,322)	(546)
Interest expense incurred for purchase of railway facilities	(73,986)	(67,267)	(60,596)	(730)
Loss on sales of fixed assets	(3,418)	(2,033)	(2,857)	(35)
Environmental conservation costs	(3,697)	(6,484)	(9,149)	(110)
Impairment losses on fixed assets (Notes 2 (15) and 11)	(946)	(5,801)	(13,622)	(164)
Losses on devaluation of investment in securities (Note 2 (7))	(10,795)	—	—	—
Interest and dividend income	3,767	2,619	3,558	43
Equity in net income (loss) of affiliated companies	344	(5,283)	(438)	(5)
Gain on sales of transferable development air rights	—	16,891	—	—
Gain on sales of fixed assets	16,908	2,087	4,917	59
Earthquake-damage losses (Note 3)	—	—	(1,771)	(21)
Provision for allowance for earthquake-damage losses (Note 3)	—	—	(56,937)	(686)
Other, net	8,161	(19,375)	(15,439)	(187)
	(110,071)	(129,975)	(197,656)	(2,382)
Income before Income Taxes	322,484	214,874	147,431	1,776
Income Taxes (Notes 2 (12) and 20):				
Current	134,638	100,191	66,451	801
Deferred	(1,508)	(7,706)	3,406	41
Income before Minority Interests	—	—	77,574	934
Minority Interests in Net Income of Consolidated Subsidiaries	(2,063)	(2,175)	(1,350)	(16)
Net Income	¥ 187,291	¥ 120,214	¥ 76,224	$ 918

			Yen	U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (13))	¥469	¥303	¥193	$2

See accompanying notes.

(II) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2009	2010 (Note 24)	2011	2011
Income before Minority Interests	—	—	¥77,574	$934
Other Comprehensive Income	—	—	(3,930)	(47)
Net unrealized holding gains (losses) on securities	—	—	(3,489)	(42)
Net deferred gains (losses) on derivatives under hedge accounting	—	—	(290)	(3)
Share of other comprehensive income of associates accounted for using equity method	—	—	(151)	(2)
Comprehensive Income	—	—	¥73,644	$887
Comprehensive Income attributable to				
Comprehensive income attributable to owners of the parent	—	—	¥72,302	$871
Comprehensive income attributable to minority interests	—	—	1,342	16

From this fiscal year, JR East began employing the *Accounting Standard for Presentation of Comprehensive Income* (Accounting Standards Board of Japan Statement No. 25, June 30, 2010).

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2009, 2010 and 2011

		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, 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
Cash dividends (¥110 per share)	—	—	—	(43,525)	—	—	—	—	(43,525)
Net income	—	—	—	76,224	—	—	—	—	76,224
Increase due to merger	—	—	—	4	—	—	—	—	4
Purchase of treasury stock	—	—	—	—	(10)	—	—	—	(10)
Disposal of treasury stock	—	—	(0)	—	1	—	—	—	1
Other	—	—	—	—	—	(3,752)	(170)	(1,763)	(5,685)
Balance at March 31, 2011	400,000,000	¥200,000	¥96,733	¥1,534,340	¥(25,841)	¥ 4,904	¥ (780)	¥25,200	¥1,834,556

		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, 2010	400,000,000	$2,410	$1,165	$18,092	$(311)	$104	$(7)	$325	$21,778
Cash dividends ($1.33 per share)	—	—	—	(524)	—	—	—	—	(524)
Net income	—	—	—	918	—	—	—	—	918
Increase due to merger	—	—	—	0	—	—	—	—	0
Purchase of treasury stock	—	—	—	—	(0)	—	—	—	(0)
Disposal of treasury stock	—	—	(0)	—	0	—	—	—	0
Other	—	—	—	—	—	(45)	(2)	(22)	(69)
Balance at March 31, 2011	400,000,000	$2,410	$1,165	$18,486	$(311)	$ 59	$(9)	$303	$22,103

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of Yen			Millions of U.S. Dollars (Note 2 (1))
	2009	2010	2011	2011
Cash Flows from Operating Activities:				
Income before income taxes	¥ 322,484	¥ 214,874	¥ 147,431	$ 1,776
Depreciation (Note 23)	343,101	356,365	366,415	4,415
Impairment losses on fixed assets	946	5,801	13,622	164
Amortization of long-term prepaid expense	5,614	6,269	6,460	78
Net change in employees' severance and retirement benefits	27,378	27,112	(14,419)	(174)
Interest and dividend income	(3,767)	(2,619)	(3,558)	(43)
Interest expense	120,395	112,596	105,918	1,276
Construction grants received	(60,042)	(58,125)	(42,303)	(510)
Loss from disposition and provision for cost reduction of fixed assets	80,249	83,857	71,436	861
Earthquake-damage losses	—	—	1,771	21
Provision for allowance for earthquake-damage losses	—	—	56,937	686
Net change in major receivables	(10,673)	(10,409)	9,546	115
Net change in major payables	(8,111)	8,893	(34,009)	(410)
Other	5,210	(13,838)	13,671	166
Sub-total	822,784	730,776	698,918	8,421
Proceeds from interest and dividends	3,969	2,823	3,763	45
Payments of interest	(120,978)	(113,429)	(106,577)	(1,284)
Payments of earthquake-damage losses	(1,471)	(418)	(185)	(2)
Payments of income taxes	(119,944)	(140,572)	(87,073)	(1,049)
Net cash provided by operating activities	584,360	479,180	508,846	6,131
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(460,504)	(446,232)	(488,919)	(5,891)
Proceeds from sales of fixed assets	27,221	5,834	20,692	249
Proceeds from construction grants	55,382	45,331	50,224	605
Proceeds from sales of transferable development air rights	—	13,674	—	—
Payments for purchases of investment in securities	(15,452)	(7,000)	(9,645)	(116)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	486	470	6
Other	(3,443)	(3,775)	(6,001)	(72)
Net cash used in investing activities	(396,796)	(391,682)	(433,179)	(5,219)
Cash Flows from Financing Activities:				
Net change in commercial paper	—	—	61,000	735
Proceeds from long-term loans	130,000	112,300	165,020	1,988
Payments of long-term loans	(134,630)	(88,714)	(131,878)	(1,589)
Proceeds from issuance of bonds	174,982	190,000	130,000	1,566
Payments for redemption of bonds	(100,000)	(120,000)	(60,380)	(727)
Payments of liabilities incurred for purchase of railway facilities	(140,652)	(138,915)	(129,315)	(1,558)
Payments for acquisition of treasury stock	(57)	(22,957)	(11)	(0)
Cash dividends paid	(41,968)	(43,746)	(43,526)	(524)
Other	(46,913)	(3,295)	(18,422)	(222)
Net cash used in financing activities	(159,238)	(115,327)	(27,512)	(331)
Net Change in Cash and Cash Equivalents	28,326	(27,829)	48,155	581
Cash and Cash Equivalents at Beginning of Year	82,058	110,871	83,756	1,009
Increase due to Addition of Consolidated Subsidiaries and Other	487	807	25	0
Decrease in Cash and Cash Equivalents due to Corporate Division	—	(93)	(7)	(0)
Cash and Cash Equivalents at End of Year	¥ 110,871	¥ 83,756	¥ 131,929	$ 1,590

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2009, 2010 and 2011

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, 1,689 railway stations and 7,512.6 operating kilometers as of March 31, 2011.

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 13). 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 12).

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 regulated companies.

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

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, 2011, which was ¥83 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, 2011, 75 subsidiaries were consolidated. During this fiscal year, three companies were newly consolidated, and one company was 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 event it arises, negative goodwill is accrued as a profit in the consolidated statements of income for the fiscal year in which it arose.

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. For the year ended March 31, 2011, three affiliated companies were accounted for by the equity method, and there was no change in those companies during the year.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

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

6) Real Estate for Sale

Real estate for sale is stated at 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, 2009, 2010 and 2011, 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, 2009, 2010 and 2011.
(2) Held-to-maturity debt securities are stated at amortized cost.
(3) Equity securities issued by subsidiaries and affiliated companies that 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

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 the year ended March 31, 2010.

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 Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred. Research and development costs included in operating expenses for the years ended March 31, 2009, 2010 and 2011 were ¥16,403 million, ¥16,487 million and ¥16,414 million ($198 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 amounts, which is the higher of the discounted cash flows from the continuing use and eventual disposition of the asset or the net selling price.

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

NOTE 3: EARTHQUAKE DAMAGE

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

In the Consolidated Statements of Income for the year ended March 31, 2011, operating revenues declined due to suspended operations and other temporary stoppages of the Tohoku Shinkansen Line and certain parts of the conventional lines. The Companies also recorded extraordinary losses consisting of "earthquake-damage losses," which represent the restoration expenses already paid and demolition expenses arising from the loss and damage in fixed assets, as well as "provision for allowance for earthquake-damage losses" for the estimated amount of restoration and other expenses.

The Companies intend to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, such as the Joban Line and the Senseki Line, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the allowance for earthquake-damage losses. For reference, the book value of property, plant and equipment (excluding rolling stock, tools, furniture and fixtures), after subtraction of accumulated depreciation from the acquisition price of these affected railway lines and facilities along the Pacific coast, was ¥22,002 million ($265 million) as of March 31, 2011.

Furthermore, the Companies' railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which are owned by or leased by the Company, are insured against earthquakes for up to ¥71,000 million ($855 million) (¥10,000 million ($120 million) deductible). This insurance income has not been recorded in the Consolidated Financial Statements for the year ended March 31, 2011, as insurance claims will be determined in light of the ongoing rebuilding efforts.

Operations of the Tohoku Shinkansen Line, which had been suspended in certain segments, were resumed for the entire line on April 29, 2011. However, operations of certain segments of conventional lines remain suspended. Moreover, intermittent earthquakes since April 1, 2011, have caused further damage to the Companies' railway and other facilities. In light of this, decreased operating revenues and additional restoration and other expenses are anticipated for the consolidated fiscal year ending March 31, 2012.

The related losses reflected in the consolidated statements of income for the year ended March 31, 2011, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2011	2011
Earthquake-damage losses	¥ 1,771	$ 21
Provision for allowance for earthquake-damage losses	56,937	686

NOTE 4: 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 5: INVENTORIES

Inventories at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
Merchandise and finished goods	¥ 7,278	¥ 7,496	$ 90
Work in process	15,496	14,684	177
Raw materials and supplies	22,326	21,837	263
	¥45,100	¥44,017	$530

NOTE 6: 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 7: INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
Unconsolidated subsidiaries:			
Investments	¥ 4,659	¥ 5,139	$ 62
Advances	385	120	1
	5,044	5,259	63
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	27,505	26,410	318
Advances	—	214	3
	¥32,549	¥31,883	$384

NOTE 8: FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange/interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally 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 sheets as of March 31, 2010 and 2011, fair values of such items, and the differences between such amounts and values were shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

	Millions of Yen						Millions of U.S. Dollars		
	2010			2011			2011		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Cash and cash equivalents	¥ 83,756	¥ 83,756	¥ —	¥ 131,929	¥ 131,929	¥ —	$ 1,590	$ 1,590	$ —
b Receivables	317,389	317,389	—	305,387	305,387	—	3,680	3,680	—
c Securities									
Held-to-maturity debt securities	160	160	0	208	208	(0)	2	2	(0)
Available-for-sale securities	107,972	107,972	—	104,053	104,053	—	1,254	1,254	—
Assets	¥ 509,277	¥ 509,277	¥ 0	¥ 541,577	¥ 541,577	¥ (0)	$ 6,526	$ 6,526	$ (0)
a Payables	¥ 568,375	¥ 568,375	¥ —	¥ 517,167	¥ 517,167	¥ —	$ 6,230	$ 6,230	$ —
b Accrued consumption taxes	4,658	4,658	—	9,950	9,950	—	120	120	—
c Accrued income taxes	35,057	35,057	—	13,275	13,275	—	160	160	—
d Long-term debt									
Bonds	1,489,525	1,558,196	68,671	1,560,025	1,638,167	78,142	18,796	19,737	941
Long-term loans	776,552	788,612	12,060	813,528	826,249	12,721	9,801	9,955	154
e Long-term liabilities incurred for purchase of railway facilities	1,177,793	1,593,612	415,819	1,048,478	1,440,550	392,072	12,633	17,356	4,723
Liabilities	¥4,051,960	¥4,548,510	¥496,550	¥3,962,423	¥4,445,358	¥482,935	$47,740	$53,558	$5,818
Derivative transactions*									
a Hedge accounting not applied	¥ 1,851	¥ 1,851	¥ —	¥ 2,662	¥ 2,662	¥ —	$ 32	$ 32	$ —
b Hedge accounting applied	(1,159)	(1,159)	—	(1,645)	(1,645)	—	(19)	(19)	—

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

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

Assets

a. Cash and cash equivalents

b. Receivables

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

c. Securities

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

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

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

d. Long-term debt

Bonds

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

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

Long-term loans

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

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

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

Derivative Transactions (See Note 18)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2010	2011	2011
Unlisted equity securities	¥6,336	¥6,233	$75
Preferred equity securities	1,000	1,000	12

Because the fair values of these financial instruments were extremely difficult to determine, given that they did not have market prices and future cash flows couldn't be estimated, they were 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 included, respectively, the current portion of bonds, the current portion of long-term loans, and the current portion of long-term liabilities incurred for purchase of railway facilities.

4. The annual maturities of financial assets and securities with maturities at March 31, 2010 and 2011 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2010				2011				2011			
	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years
Cash and cash equivalents	¥ 83,756	¥ —	¥—	¥—	¥131,929	¥ —	¥—	¥—	$1,590	$—	$—	$—
Receivables	308,643	8,731	15	—	297,339	8,023	25	—	3,583	97	0	—
Securities												
Held-to-maturity debt securities (Government bonds)	140	10	—	10	—	200	—	10	—	2	—	0
Available-for-sale securities which have maturity (Government bonds)	—	—	6	—	—	6	—	—	—	0	—	—
Total	¥392,539	¥8,741	¥21	¥10	¥429,268	¥8,229	¥25	¥10	$5,173	$99	$ 0	$ 0

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2011 (See Note 12 and 13)

NOTE 9: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2010 and 2011 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2010			2011			2011		
	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.	¥150	¥150	¥0	¥ 20	¥ 20	¥ 0	$0	$0	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	10	10	(0)	188	188	(0)	2	2	(0)
Total	¥160	¥160	¥0	¥208	¥208	¥(0)	$2	$2	$(0)

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2010 and 2011 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2010			2011			2011		
	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	¥45,209	¥ 70,629	¥ 25,420	¥37,976	¥ 59,385	¥ 21,409	$ 458	$ 716	$ 258
Debt securities	6	6	0	6	6	0	0	0	0
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	48,264	37,337	(10,927)	57,436	44,662	(12,774)	692	538	(154)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥93,479	¥107,972	¥ 14,493	¥95,418	¥104,053	¥ 8,635	$1,150	$1,254	$ 104

Note: In the fiscal year ended March 31, 2010, ¥186 million in available-for-sale securities on which there were market values were written off as losses on devaluation of securities. In the fiscal year ended March 31, 2011, ¥5,046 million ($61 million) in available-for-sale securities on which there were market values were written off as losses on devaluation of securities.

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.

NOTE 10: PLEDGED ASSETS

At March 31, 2010 and 2011, buildings and fixtures with net book value of ¥26,616 million and ¥25,161 million ($303 million), respectively, and other assets with net book value of ¥1,021 million and ¥5,465 million ($66 million), respectively, were pledged as collateral for long-term debt and other liabilities totaling ¥3,260 million and ¥4,795 million ($58 million), at the respective dates.

In addition, at March 31, 2010 and 2011, buildings and fixtures with net book value of ¥47,403 million and ¥52,873 million ($637 million), respectively, and other assets with net book value of ¥7,099 million and ¥7,020 million ($85 million), respectively, were pledged as collateral for long-term liabilities incurred for purchase of the Tokyo Monorail facilities amounting to ¥6,896 million and ¥5,819 million ($70 million) at March 31, 2010 and 2011, respectively (see Note 13)

NOTE 11: 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 2011, for assets with fair value in sharp decline compared to book value or with profitability in sharp decline, the book values were reduced to the recoverable amounts and the said reductions were recognized as impairment losses on fixed assets (¥13,622 million ($164 million)).

Asset status	Asset type	Area
Assets that are slated to be disposed, etc.	Land, buildings and fixtures, etc.	Aomori, Aomori Prefecture, etc.
Shopping centers, etc.	Land, buildings and fixtures, etc.	Kumagaya, Saitama Prefecture, etc.

* Breakdown of impairment loss
Land: ¥6,832 million ($82 million); Buildings and fixtures: ¥6,249 million ($75 million); Others: ¥541 million ($7 million); Total: ¥13,622 million ($164 million)

The Companies determine recoverable amounts for the above asset groups by measuring the net selling prices or values in use. In cases the Companies determine recoverable amounts for the above asset groups by measuring the net selling prices, the prices and other amounts are adjusted rationally applying the tax-appraised value of fixed assets. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 4.0%. Further, presentation has been omitted for the years ended March 31, 2009 and 2010, because related items were negligible.

NOTE 12: LONG-TERM DEBT

Long-term debt at March 31, 2010 and 2011 was summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
General Mortgage Bonds issued in 1997 to 2001 with interest rates ranging from 2.30% to 3.30% due in 2017 to 2021	¥ 239,900	¥ 179,900	$ 2,167
Unsecured Bonds issued in 2002 to 2011 with interest rates ranging from 0.45% to 2.55% due in 2011 to 2033	1,010,842	1,141,292	13,751
Secured Loans due in 2011 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 1.55% to 6.50%	2,719	3,963	47
Unsecured Loans due in 2011 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 1.00% to 4.90%	773,833	809,565	9,754
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,783	238,833	2,878
	2,266,077	2,373,553	28,597
Less current portion	190,102	234,909	2,830
	¥2,075,975	¥2,138,644	$25,767

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, 2011 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2012	¥ 110,180	$ 1,327
2013	90,060	1,085
2014	80,060	965
2015	75,060	904
2016	55,070	663
2017 and thereafter	1,150,859	13,866

The annual maturities of long-term loans at March 31, 2011 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2012	¥124,729	$1,503
2013	134,420	1,620
2014	143,321	1,727
2015	123,678	1,490
2016	119,267	1,437
2017 and thereafter	168,113	2,025

NOTE 13: 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 sheets as of March 31, 2002 included 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, 2010 and 2011 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.08% through 2017	¥ 524,749	¥ 432,690	$ 5,213
Payable semiannually including interest at 6.35% through 2017	283,965	250,596	3,020
Payable semiannually including interest at 6.55% through 2051	348,592	346,874	4,179
	1,157,306	1,030,160	12,412
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.48% through 2022	13,591	12,499	151
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.94% through 2029	6,896	5,819	70
	1,177,793	1,048,478	12,633
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	127,248	122,820	1,480
The Akita hybrid Shinkansen purchase liability	1,041	1,045	13
Tokyo Monorail purchase liability	553	517	6
	128,842	124,382	1,499
	¥1,048,951	¥ 924,096	$11,134

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, 2011 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2012	¥124,382	$1,499
2013	129,896	1,565
2014	126,259	1,521
2015	121,263	1,461
2016	106,975	1,289
2017 and thereafter	439,703	5,298

NOTE 14: CONSUMPTION TAXES

The Japanese consumption taxes are indirect taxes levied at the rate of 5%. Accrued consumption taxes represent the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

NOTE 15: 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, 2011 were ¥70,000 million ($843 million) and ¥100,000 million ($1,205million) by general bonds.

NOTE 16: NET ASSETS

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

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

In addition, under the Corporate Law, by a resolution of 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 2011, the shareholders approved cash dividends amounting to ¥21,763 million ($262million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 17: 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, 2010 and 2011 were negligible.

The amounts of lease payments, lease income, future lease payments inclusive of interest, future lease receipts inclusive of interest and future lease receipts for operating leases at March 31, 2009, 2010 and 2011 were negligible, so presentation has been omitted.

Future lease payments for non-cancellable operating leases amount to ¥43,830 million ($528 million), including those due within one year of ¥2,329 million ($28 million), at March 31, 2011.

NOTE 18: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 8)

2) Derivative Transactions not Applied to Hedge Accounting

	Millions of Yen				Millions of U.S. Dollars	
	2010		2011		2011	
Classification	Transactions other than market transactions		Transactions other than market transactions		Transactions other than market transactions	
Type	Natural disaster derivatives transactions bought	Total	Natural disaster derivatives transactions bought	Total	Natural disaster derivatives transactions bought	Total
Contract amount etc.	¥24,190	¥24,190	¥21,619	¥21,619	$260	$260
Of which more-than-one-year contract amount etc.	24,190	24,190	21,619	21,619	260	260
Fair value	1,851	1,851	2,662	2,662	32	32
Gain or loss from valuation	(1,909)	(1,909)	811	811	10	10

Notes: 1. Contract amount etc. is the maximum amount receivable, and converted to yen in accordance with a market exchange rate that prevailed on the closing date of accounts.
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			2011		
Type	Hedged item	Contract amount etc.	Of which more-than-one-year contract amount etc.	Fair value*2	Contract amount etc.	Of which more-than-one-year contract amount etc.	Fair value*2
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥ (1,105)	¥ 20,000	¥ 20,000	¥(1,896)
Forward exchange	Accounts payable–trade	27	—	0	6	—	0
Commodity swap	Fuel purchasing	1,681	1,195	(54)	1,889	1,249	251
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	239,959	239,959	*1
Interest swap	Long-term loans	360,700	315,700	*1	315,760	237,240	*1
Total		¥622,367	¥576,854	¥ (1,159)	¥577,614	¥498,448	¥ (1,645)

		Millions of U.S. Dollars		
		2011		
Type	Hedged item	Contract amount etc.	Of which more-than-one-year contract amount etc.	Fair value*2
Currency swap	Long-term loans	$ 241	$ 241	$(22)
Forward exchange	Accounts payable—trade	0	—	0
Commodity swap	Fuel purchasing	23	15	3
Currency swap	Foreign currency denominated bonds	2,891	2,891	*1
Interest swap	Long-term loans	3,804	2,858	*1
Total		$6,959	$6,005	$(19)

*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 8)
*2 Fair value is calculated based on the current value presented by financial institutions, etc. with which transactions are conducted.

NOTE 19: 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, 2010 and 2011 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
Projected benefit obligation	¥(688,506)	¥(674,769)	$(8,130)
Plan assets	4,835	4,866	59
Unfunded projected benefit obligation	(683,671)	(669,903)	(8,071)
Unrecognized actuarial differences	7,509	9,055	109
Unrecognized prior service costs	4,782	2,591	31
Book value (net)	(671,380)	(658,257)	(7,931)
Prepaid pension expense	132	114	1
Employees' severance and retirement benefits	¥(671,512)	¥(658,371)	$(7,932)

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2009, 2010 and 2011, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2010	2011	2011
Service costs	¥28,160	¥29,320	¥30,305	$365
Interest costs	20,051	19,542	13,597	164
Expected return on plan assets	(80)	(66)	(64)	(1)
Amortization of net transition obligation	48,821	48,820	—	—
Amortization of actuarial differences	(6,476)	(6,442)	(3,095)	(37)
Amortization of prior service costs	2,404	2,796	2,432	29
Employees' severance and retirement benefit expenses	92,880	93,970	43,175	520
Total	¥92,880	¥93,970	¥43,175	$520

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.

Until the year ended March 31, 2009, the discount rates used by the Companies were mainly 3.0%. However from the year ended March 31, 2010 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, 2009, 2010 and 2011.

NOTE 20: INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2010 and 2011 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2011	2011
Deferred income taxes:			
Employees' severance and retirement benefits	¥271,854	¥266,533	$3,211
Reserves for bonuses	27,300	26,810	323
Losses on impairment of fixed assets	15,137	17,816	215
Unrealized holding gains on fixed assets	9,762	10,866	131
Excess depreciation and amortization of fixed assets	8,850	9,038	109
Loss carry forwards for tax purposes	6,035	8,783	106
Environmental conservation cost	8,441	8,323	100
Asset retirement obligations	—	5,901	71
Other	36,978	38,911	469
	384,357	392,981	4,735
Less valuation allowance	(25,406)	(35,660)	(430)
Less amounts offset against deferred tax liabilities	(49,177)	(47,745)	(575)
Net deferred income taxes	¥309,774	¥309,576	$3,730
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 33,801	¥ 33,476	$ 403
Net unrealized holding gains on securities	10,288	8,667	105
Valuation for assets and liabilities of consolidated subsidiaries	3,404	3,423	41
Reserve for special depreciation	—	1,858	22
Other	3,560	3,754	45
	51,053	51,178	616
Less amounts offset against deferred income taxes	(49,177)	(47,745)	(575)
Net deferred tax liabilities	¥ 1,876	¥ 3,433	$ 41

For the years ended March 31, 2010, and 2011, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2010	2011
The aggregate standard effective tax rate	40.5%	40.5%
Adjustments		
Non-deductible expenses for tax purposes	0.5	1.0
Per capita inhabitants tax	0.5	0.9
Tax credits	(0.5)	(0.7)
Increase in valuation allowance	—	6.0
Equity on net loss of affiliated companies	1.0	—
Other net	1.0	(0.3)
The actual effective rate after applying tax effect accounting	43.0%	47.4%

For the year ended March 31, 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.

NOTE 21: 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 2009 and 2011, there were no significant business combinations.

NOTE 22: 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 the years ended March 31, 2010 and March 31, 2011, the amounts of net income related to rental property were ¥63,449 million and ¥62,367 million ($751 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses.)

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

Millions of Yen								Millions of U.S. Dollars	
Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount	Fair value
2009	Difference	2010	2010	2010	Difference	2011	2011	2011	2011
¥517,648	¥(3,504)	¥514,144	¥1,396,133	¥514,144	¥(498)	¥513,646	¥1,338,951	$6,189	$16,132

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

2. Regarding difference above the table, the increases in the year ended March 31, 2010, and 2011, were principally attributable to acquisition of real estate and renewal (¥23,747 million and ¥31,270 million/$377 million, respectively), and the decreases were mainly attributable to depreciation expenses (¥21,000 million and ¥21,018 million/$253million, respectively).

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 Company based on certain appraisal values or indicators that reflect appropriate market prices. If after obtaining a property from a third party or since the most recent appraisal, there has been no material change in the relevant appraisal values or indicators that reflect the appropriate market prices, the amount is based on such appraisal values or indicators.

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

NOTE 23: SEGMENT INFORMATION

—For the years ended March 31, 2009, and 2010

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

Millions of Yen

2009	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
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

Millions of Yen

2010	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Other Services	Elimination and/or Corporate	Consolidated
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

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.

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.

—For the year ended March 31, 2011

Segment Information

1) General information about reportable segments

Transportation, Station Space Utilization, and Shopping Centers & Office Buildings comprise the Company's three reportable segments. Each reportable segment is in turn comprised of business units within the Group with respect to which separate financial information is obtainable. These reportable segments are reviewed periodically by the Company's Board of Directors and form the basis on which to evaluate business performance and decide on how to allocate management resources of the Company.

Transportation segment is primarily engaged in passenger transportation mainly on passenger railway. Station Space Utilization segment creates commercial spaces in railway stations and develops various types of businesses, including retail sales, food and convenience stores, targeting customers that use railway stations. Shopping Centers & Office Buildings segment develops railway stations and land near railway stations, operates shopping centers, and leases office buildings, etc., targeting customers in and around railway stations.

2) *Basis of measurement about reported segment operating revenues, segment income or loss, segment assets, and other material items*

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

3) *Information about reported segment operating revenues, segment income or loss, segment assets, and other material items*

Fiscal 2010 (April 1, 2009 to March 31, 2010)

Segment information based on past segment classifications was omitted from the Consolidated Financial Statements, as such information was already presented in compliance with the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, March 21, 2008)

Included in the ¥(2,622) million in elimination and/or corporate of operating income for Segment Information by Business Activities in the consolidated fiscal year ended March 31, 2010, are ¥(3,339) million in elimination of unrealized holding gains (losses) on fixed assets and inventory assets, and ¥720 million in elimination for intersegment transactions. Moreover, included in ¥(585,968) million in elimination and/or corporate of identifiable assets are ¥(742,385) million of elimination of intersegment claims and obligations and ¥156,417 million in corporate assets not allocated to each segment.

Fiscal 2011 (April 1, 2010 to March 31, 2011)

Millions of Yen

	2011						
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,721,922	¥385,891	¥223,293	¥206,247	¥2,537,353	¥ —	¥2,537,353
Inside group	50,572	14,011	9,473	329,186	403,242	(403,242)	—
Total	1,772,494	399,902	232,766	535,433	2,940,595	(403,242)	2,537,353
Segment income	¥ 227,151	¥ 31,359	¥ 64,240	¥ 23,072	¥ 345,822	¥ (735)	¥ 345,087
Segment Assets	¥5,782,741	¥187,136	¥876,454	¥858,254	¥7,704,585	¥(661,685)	¥7,042,900
Depreciation	276,918	11,597	30,870	47,030	366,415	—	366,415
Increase in fixed assets (Note 5)	378,565	13,867	50,243	26,944	469,619	—	469,619

Millions of U.S. Dollars

	2011						
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	$20,746	$4,650	$ 2,690	$ 2,485	$30,571	$ —	$30,571
Inside group	609	169	114	3,966	4,858	(4,858)	—
Total	21,355	4,819	2,804	6,451	35,429	(4,858)	30,571
Segment income	$ 2,736	$ 379	$ 774	$ 278	$ 4,167	$ (9)	$ 4,158
Segment Assets	$69,672	$2,255	$10,560	$10,340	$92,827	$(7,973)	$84,854
Depreciation	3,336	140	372	567	4,415	—	4,415
Increase in fixed assets (Note 5)	4,561	167	605	325	5,658	—	5,658

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.
2. The ¥735 million ($9 million) downward adjustment to segment income includes a ¥(1,753) million ($(21) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥1,016 million ($12 million) elimination for intersegment transactions. Moreover, the ¥(661,685) million ($(7,973) million) downward adjustment to segment assets includes a ¥(794,846) million ($(9,577) million) elimination of intersegment claims and obligations, offset by ¥133,161 million ($1,604 million) in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

4) Relevant Information

i. Information about products and services

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

ii. Information about geographic areas

a Operating Revenues

Information about geographic areas was omitted as operating revenues attributable to outside customers in Japan exceed 90% of the operating revenues reported in the Consolidated Statements of Income.

b Property, plant and equipment

Information about geographic areas was omitted as property, plant and equipment in Japan exceed 90% of the property, plant and equipment reported in the Consolidated Balance Sheets.

iii. Information about major customers

Information about major customers was omitted as no single outside customer contributes 10% or more to operating revenues in the Consolidated Statements of Income.

5) Information about impairment loss on fixed assets in reportable segments

	Millions of Yen					Millions of U.S. Dollars				
Fiscal 2011 (Year ended March 31, 2011)	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	¥8,848	¥667	¥3,512	¥595	¥13,622	$107	$8	$42	$7	$164

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

6) Information about amortized amount of goodwill and unamortized balance of goodwill by reportable segments

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

7) Information about gain on negative goodwill by reportable segments

Information about gain on negative goodwill by reportable segments was omitted as the amount was negligible.

(Additional Information)

From this fiscal year, the Companies began employing the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, March 21, 2008).

NOTE 24: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1) Comprehensive Income in the Previous Fiscal Year (April 1, 2009 to March 31, 2010)

Comprehensive income attributable to owners of the parent	¥128,268 million
Comprehensive income attributable to minority interests	¥ 2,181 million
Total	¥130,449 million

2) Other Comprehensive Income in the Previous Fiscal Year (April 1, 2009 to March 31, 2010)

Net unrealized holding gains (losses) on securities	¥ 8,123 million
Net deferred gains (losses) on derivatives under hedge accounting	¥ (437) million
Share of other comprehensive income of associates accounted for using equity method	¥ 374 million
Total	¥ 8,060 million

(Additional information)

From this fiscal year, the Companies began employing the Accounting Standard for Presentation of Comprehensive Income (Accounting Standards Board of Japan Statement No. 25, June 30, 2010).

INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010, and the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statements of income for each of the two years in the period ended March 31, 2010, and statements of changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
A description of earthquake damage is included in Note 3 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 23, 2011