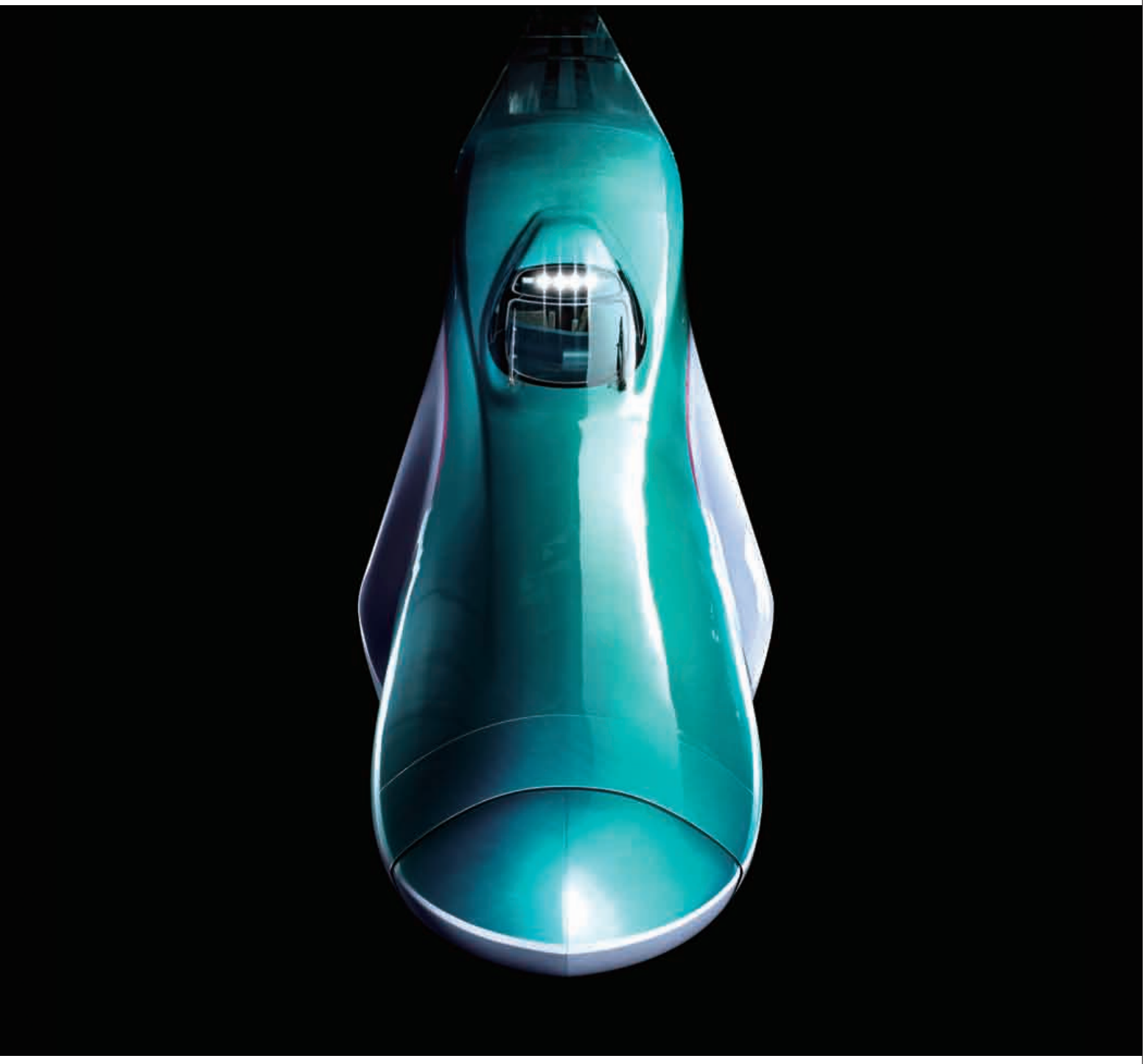
Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

Annual Report 2011

For the year ended March 31, 2011

CREATIVE RECONSTRUCTION



KEY FIGURES TO BETTER UNDERSTAND JR EAST

*Figures are as of March 31, 2011

Consolidated operating revenues,

¥2,537.4 billion

On a daily basis about 17 million passengers travel a network of 70 train lines stretching 7,512.6 operating kilometers

92 stations are used by more than 100,000 passengers a day

Total safety-related investments in the 24 years since JR East's founding,

about ¥2.5 trillion

Open inside cover

The new Hayabusa Series E5 super express railcars on the Tohoku Shinkansen Line will ultimately operate at

a maximal speed of **320** *km/h*

Retail stores and restaurants in the stations,

about **2,500**

The number of Suica prepaid, rechargeable IC cards issued,

about **35** *million*

About **140,000**
stores accept Suica electronic money

East Japan Railway Company (JR East) is the largest passenger railway company in the world, serving about 17 million passengers daily. JR East operates a five-route Shinkansen network between Tokyo and major cities in eastern Honshu (Japan's main island). JR East has the ability to leverage passenger traffic and railway assets to develop non-transportation businesses. JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo metropolitan area.

HISTORY OF JR EAST

April 1987

JR East is established through the division and privatization of the Japanese National Railways (JNR) on April 1.

October 1990

***Future21*, JR East's first medium- to long-term vision, is announced. The goals set forth are to become a leading company in Japan under a framework of sound management.**

July 1992

The Fukushima–Yamagata segment of the Yamagata Hybrid Shinkansen Line opens and the *Tsubasa* super-express begins service, marking the first Shinkansen through service to a conventional line.

October 1993

JR East lists 4 million shares on the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange and the now defunct Niigata Securities Exchange (absorbed by the Tokyo Stock Exchange in 2000).

March 1997

The Morioka–Akita segment of the Akita Hybrid Shinkansen Line opens and the *Komachi* super-express begins a through service on this segment.

October 1997

The Takasaki–Nagano segment of the Nagano Shinkansen Line opens and the *Asama* super-express begins service in advance of the 1998 Winter Olympics in Nagano.

October 2000

The JR East Group announces New Frontier 21, the Company's first medium-term business plan complete with numerical targets, helping to adapt to an era centered on consolidated financial reporting.

November 2001

JR East introduces a fare collection system based on *Suica* noncontact-type IC cards. The *Suica* usage area has since been expanded from the Tokyo metropolitan area to include all of Japan.

December 2001

The Shonan-Shinjuku Line begins operation, providing through service between the Tokaido and Yokosuka lines and the Utsunomiya and Takasaki lines via Shinjuku Station, as a new network that runs north-south through the Tokyo metropolitan area.

June 2002

JR East becomes the first among seven JR companies to be fully privatized when Japan Railway Construction Public Corporation (JRCC) sells 500,000 shares in JR East, pursuant to the partial amendment of the JR Law in December 2001.

February 2002

In conjunction with the redevelopment of Ueno Station. JR East opens *atré Ueno*, its first shopping and restaurant facility in the *Station Renaissance* program for completely renovating and maximizing the appeal of major terminal stations.

December 2002

The Morioka–Hachinohe segment of the Tohoku Shinkansen Line opens and the *Hayate* super-express begins service.

March 2004

JR East begins use of *Suica* as electronic money (shopping service), enabling the cashless settlement of small purchases.

October 2004

JR East introduces *Green Cars* to the Shonan-Shinjuku, Utsunomiya, and Takasaki lines, to provide a new premium seating service on trains in the Tokyo metropolitan area.

January 2005

***New Frontier 2008*, JR East's first medium-term business plan as a fully privatized company, is announced.**

March 2005

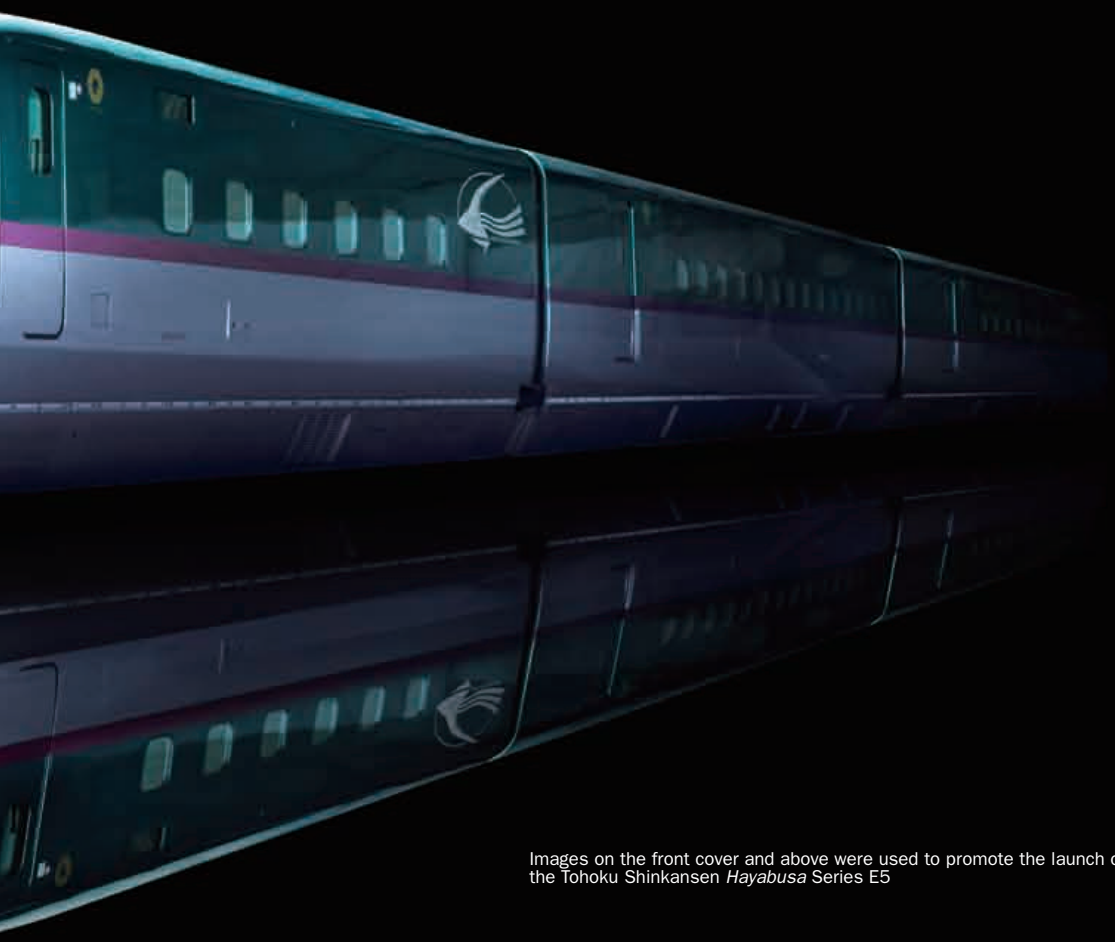
JR East opens *ecute Omiya*, its first food service and sundry retail facility in a new development paradigm for in-station retail spaces, inside the ticket gates of Omiya Station. Creation of this amenity space involves construction of a raised floor above station platforms and new escalators and elevators.

May 2007

JR East begins restoration and preservation of Tokyo Station's historic Marunouchi Station Building. Restoration of the building to its original state is scheduled for completion in 2012.

November 2007

Two office towers 200 meters high, GranTokyo North Tower (Phase I) and GranTokyo South Tower, open in the Yaesu Exit area of Tokyo Station.



Images on the front cover and above were used to promote the launch of the Tohoku Shinkansen *Hayabusa* Series E5

March 2008

JR East unveils *JR East 2020 Vision—Idomu*—announcing ambitious 10-year targets and take on the challenge of long-term commitments to business management and development.

May 2008

JR East begins construction of the Tohoku Through Line to connect the Utsunomiya, Takasaki, and Joban lines with Tokyo Station. The scheduled completion of the through line in the year ending March 2014 will enable uninterrupted service between those lines and the Tokaido Line, and thus reduce travel time and crowding along those lines.

December 2010

The Tohoku Shinkansen Line is extended from Hachinohe to Shin-Aomori, marking its completion and improving access to Aomori and Hokkaido.

March 2011

The *Hayabusa* super-express, reducing travel between Tokyo and Shin-Aomori to 3 hours and 10 minutes, with new railcars traveling at Japan's fastest maximal operational speed of 300 km/h, begins operation on the Tohoku Shinkansen Line. The introduction of the *Hayabusa* railcar also marks the launch of *GranClass*: Japan's first-ever first class service for a Shinkansen.

JR EAST 2020 VISION—OUTLINE

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

Basic Management Policies

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

Unflagging Commitment to "Extreme Safety Levels"

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

Moving Up a Gear in Seven Areas

1 Increasing focus on investment to raise corporate value

2 Opening the way to new business areas

3 Taking a positive and long-term approach to global environmental problems

4 Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient

5 Invigorating regional railway lines and interregional communications

6 Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018

7 Establishing Suica operations as a third pillar of operations

Five Ongoing Efforts

1 Heightening customer satisfaction even further

2 Developing human resources

3 Advancing research and development aggressively

4 Expanding the Shinkansen (bullet train) network and increasing earnings from railway operations

5 Expanding life-style businesses

Forward-Looking Statements:

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

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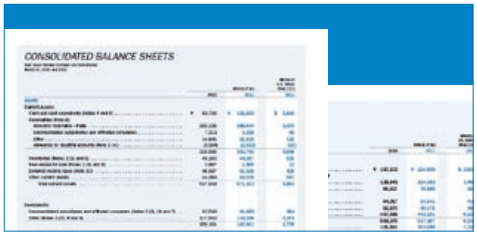
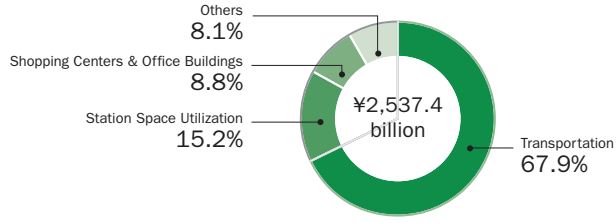


FINANCIAL HIGHLIGHTS

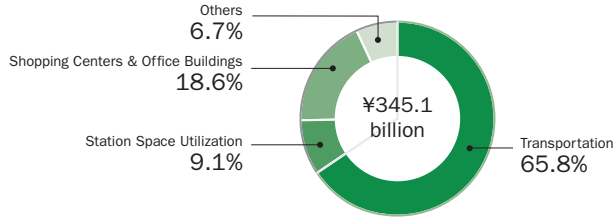
Operating Revenues

For the year ended March 31, 2011



Operating income

For the year ended March 31, 2011



The total does not always equal 100% due to rounding of figures.

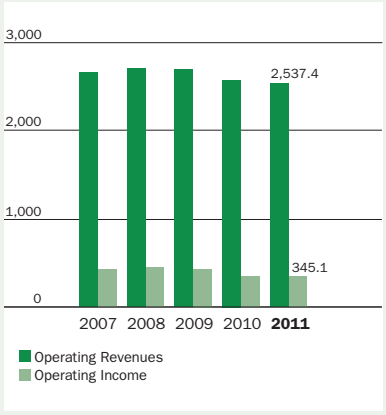
	Millions of Yen (except for per share data)				Millions of U.S. Dollars[1] (except for per share data)
	2009	2010	2011	2011/2010	2011
For the Year					
Operating revenues	¥2,697,000	¥2,573,724	¥2,537,353	–1.4%	$30,571
Operating income	432,555	344,849	345,087	0.1%	4,158
Net income	187,291	120,214	76,224	–36.6%	918
Depreciation	343,101	356,365	366,415	+2.8%	4,415
Capital expenditures[2]	402,582	434,754	425,835	–2.1%	5,131
Cash flows from operating activities	584,360	479,180	508,846	+6.2%	6,131
Free cash flows[3]	187,564	87,498	75,667	–13.5%	912
Amount per share of common stock (yen and U.S. dollars)[4]					
Earnings	¥ 469	¥ 303	¥ 193	–36.3%	$ 2
Cash flows from operating activities	1,462	1,209	1,286	+6.4%	15
At Year-End					
Total assets	¥6,965,793	¥6,995,494	¥7,042,900	+0.7%	$84,854
Long-term debt (including current portion)	2,171,860	2,266,077	2,373,553	+4.7%	28,597
Long-term liabilities incurred for purchase of railway facilities[5] (including current portion)	1,316,708	1,177,793	1,048,478	–11.0%	12,633
Total long-term debt (sum of two items above)	3,488,568	3,443,870	3,422,031	0.6%	41,228
Shareholders' equity[6]	1,718,587	1,780,584	1,809,355	1.6%	21,799

	2009	2010	2011
Financial Ratios			
Net income as a percentage of revenues	6.9%	4.7%	3.0%
Return on average equity (ROE)	11.3	6.9	4.2
Ratio of operating income to average assets (ROA)	6.2	4.9	4.9
Equity ratio	24.7	25.5	25.7
Debt-to-equity ratio[7] (times)	2.0	1.9	1.9

1. Yen figures have been translated into U.S. dollars at the rate of ¥83 to US$1 as of March 31, 2011, solely as a convenience to readers.
2. These figures exclude expenditures funded by third parties, mainly governments and their agencies, that will benefit from the resulting facilities.
3. Net of cash flows from operating activities and cash flows from investing activities
4. JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009. Per share data for fiscal 2009 reflects the stock split.
5. Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities
6. Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007.
7. Ratio of total long-term debt to shareholders' equity

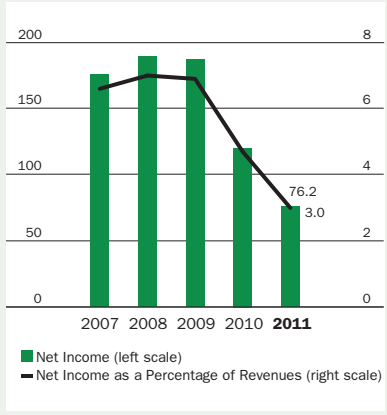
Operating Revenues and Operating Income

Billions of Yen



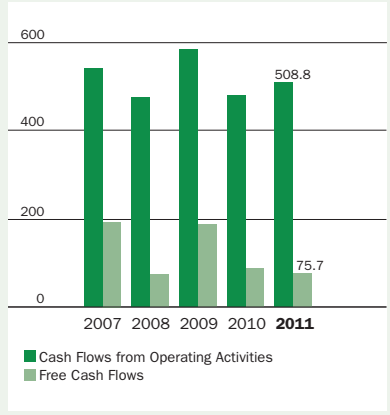
Net Income and Net Income as a Percentage of Revenues

Billions of Yen/%



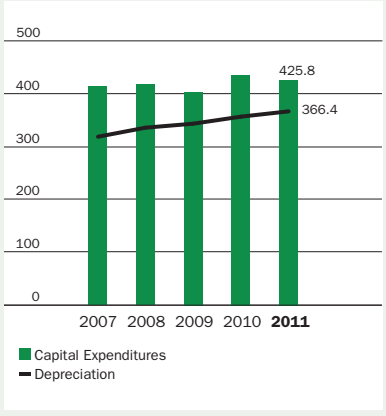
Cash Flows from Operating Activities and Free Cash Flows

Billions of Yen



Capital Expenditures and Depreciation

Billions of Yen

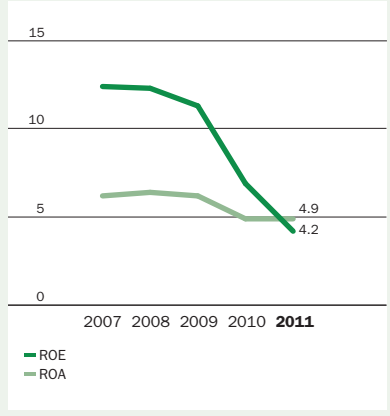


Earnings per Share and Cash Flows from Operating Activities per Share*

Yen

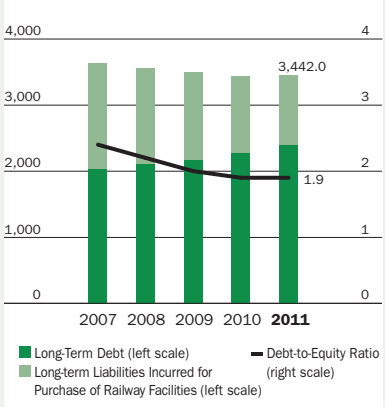
Return on Average Equity (ROE) and Ratio of Operating Income to Average Assets (ROA)

%



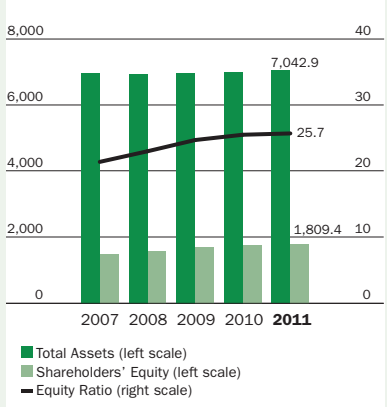
Total Long-Term Debt and Debt-to-Equity Ratio

Billions of Yen/Times



Total Assets, Shareholders' Equity and Equity Ratio

Billions of Yen/%



Rating Information

As of March 31, 2011

Moody's	Aa1	(Stable)
S&P	AA–	(Stable)
R&I	AA+	(Stable)

* JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009. Earnings per share and cash flows from operating activities per share from fiscal 2005 to fiscal 2008 have been calculated based on the supposition that the stock split was implemented at the beginning of each year.

A MESSAGE FROM THE MANAGEMENT

We would like to offer our heartfelt thanks to our shareholders and investors for all the remarkable support they have shown.

In the fiscal year ended March 31, 2011, the Japanese economy failed to achieve a clear recovery. This was despite signs of improvement in corporate earnings and capital investment. Meanwhile, the JR East Group continued to face a challenging business environment. Furthermore, the Great East Japan Earthquake on March 11, 2011 proved to be a disaster of unprecedented proportions, particularly for the Tohoku and Kanto regions that JR East services. Consequently, JR East was forced to suspend operations of the Shinkansen Line and conventional lines 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 disaster.

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, and conventional lines have also resumed operations in stages, except for certain segments. Looking ahead, the 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.

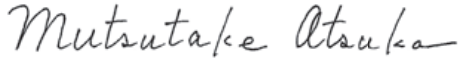
During the fiscal year under review, operating revenues decreased 1.4% year on year to ¥2,537.4 billion, primarily reflecting the large decrease in transportation revenues at East Japan Railway Company due to the impact of the Great East Japan Earthquake. Operating income rose 0.1% to ¥345.1 billion. Net income decreased 36.6% to ¥76.2 billion, as a consequence of the extraordinary losses recorded in connection with the Great East Japan Earthquake.

In the fiscal year ending March 31, 2012, JR East will make every effort to recover from the Great East Japan Earthquake. JR East will also treat this disastrous earthquake as an impetus to adopt a new perspective in its key initiatives, including those related to “extreme safety levels,” “service quality reform,” and “securing revenue and reviewing cost structures.”

First, JR East will further enhance safety by promoting disaster preparedness measures, based on its “2013 Safety Vision,” a five-year safety enhancement plan. Examples include aseismatic reinforcement work on viaduct columns and other structures and the installation of more seismographs. Second, the new fiscal year will be treated as the Company’s “inaugural year in service quality reform.” Examples of reform will include initiatives to prevent disruption and promote the early recovery of transportation and improve the quality of transportation such as by enhancing information delivery, as well as initiatives to build railway environments that passengers can feel secure and comfortable using. Third, JR East will implement measures to effectively achieve sustaining growth in its railway, life-style services and *Suica* services businesses. Such measures will aim to secure revenue for JR East even though the earthquake is expected to lead to economic decline, and the business environment otherwise remains challenging as Japan’s population steadily shrinks. At the same time, JR East will make efforts to reduce its existing property, plant, equipment and facilities and fundamentally reform its cost structure from a strategic perspective.

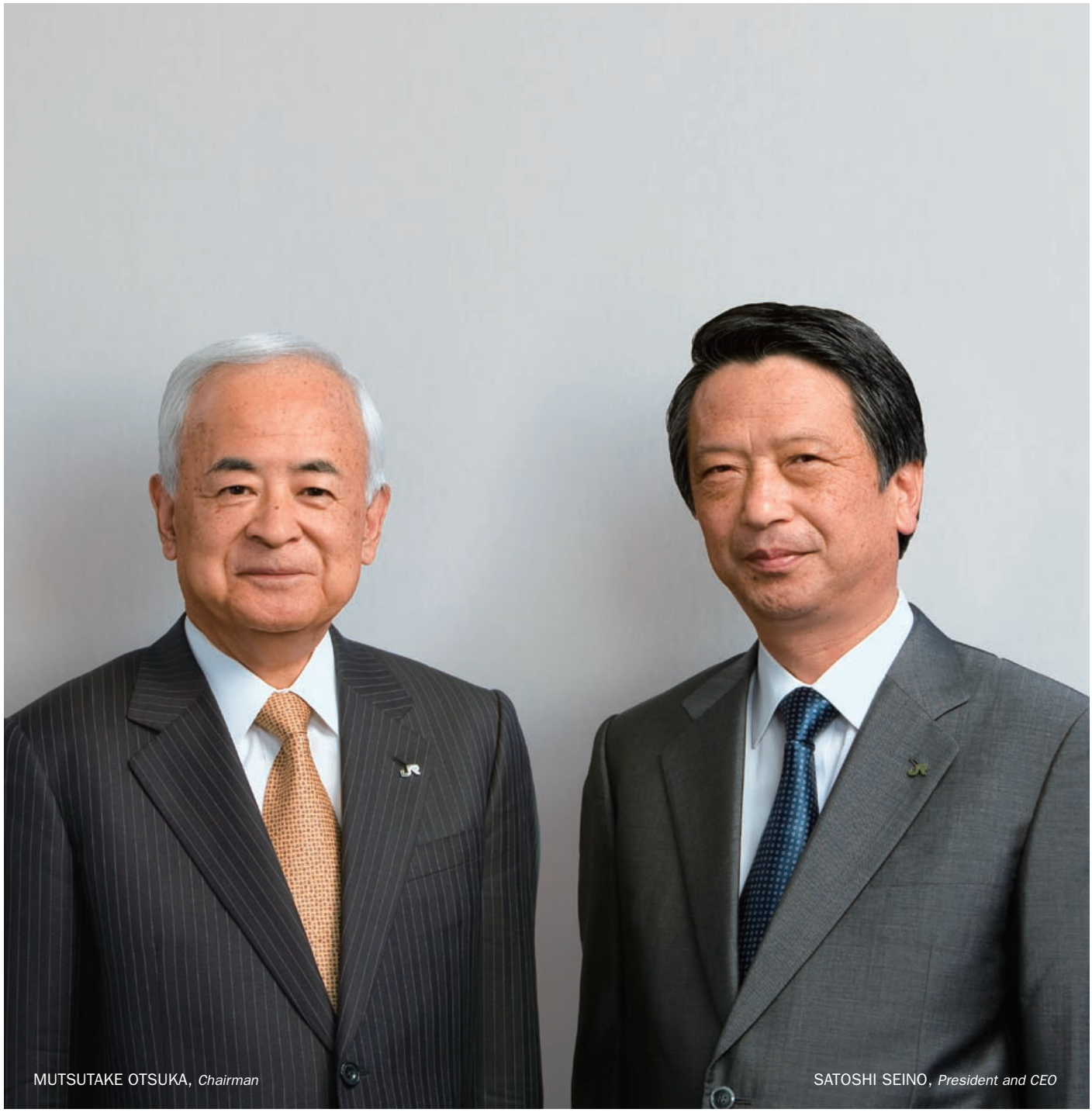
Through such initiatives, we will do our utmost to realize sustaining growth and satisfy our shareholders and other investors in the medium-to-long term. As the JR East Group pursues that management goal, we would like to ask our shareholders and other investors for their continued support and understanding.

July 2011



MUTSUTAKE OTSUKA, Chairman

SATOSHI SEINO, President and CEO



MUTSUTAKE OTSUKA, *Chairman*

SATOSHI SEINO, *President and CEO*

AN INTERVIEW WITH THE PRESIDENT

SATOSHI SEINO, *President and CEO*

Q1.
The Great East Japan Earthquake caused massive damage to JR East's railway lines and facilities. How did this disaster affect your operations?

Q2.
The Great East Japan Earthquake had a significant impact on JR East's financial results. Please provide an overview of results of operations in fiscal 2011, including the effects of the disaster.

Q3.
How well was JR East prepared in financial terms for this disaster?

Q4.
Has JR East been making good progress with restoration work?

Q5.
What are JR East's other initiatives for fiscal 2012 in addition to disaster reconstruction activities?

Q6.
Please tell us more about the key points influencing revenues in fiscal 2012.

Q7.
What are some of the measures for sustaining growth the Company plans to initiate amid a challenging business environment?

Q8.
Are there any revisions to your policy for the use of operating cash flows under JR East 2020 Vision—idomu—?

Q9.
In closing, as the president of JR East, what is your view of the roles the company should play regarding its obligations, following the disaster and reconstruction programs?

Q1.

The Great East Japan Earthquake caused massive damage to JR East's railway lines and facilities. How did this disaster affect your operations?

A1.

Some of our railway facilities were damaged severely, but our various earthquake countermeasures including aseismatic reinforcements had the effect of sparing most of those facilities from fatal breakdown. JR East assigns top management priority to safety and has developed a broad range of measures in this regard, which we think has proved to be remarkably effective.

First, I would like to take this opportunity to extend my condolences and sympathies to the victims struck by this tragedy on March 11, 2011.

The Great East Japan Earthquake was the most powerful earthquake and tsunami ever recorded in Japan and one of the largest in scale recorded in the world. Our service area suffered damage on an unprecedented scale in many regions. The damage to our railway facilities amounted to about 1,200 sites on the Tohoku Shinkansen Line and about 4,400 sites on our conventional lines. That damage was exacerbated in the ensuing aftershocks, and we were forced to suspend operations for a prolonged period on many of those lines. The colossal tsunami formed right after the earthquake severely damaged seven segments of our railway network along the Pacific coast, including parts of the Joban Line and Senseki Line, sweeping away or burying stations, railway tracks and bridge piers. Conditions were particularly severe on the section of the Joban Line near the Fukushima Daiichi Nuclear Power Station. We have been unable to access the line for repairs because of the fallout from the nuclear incident.

FEATURE 1:
Great East Japan Earthquake: How We Managed to Restore the Tohoku Shinkansen Line in Just 49 Days

→ See page 019

Despite the magnitude of the damage to our railway facilities, we were able to prevent viaduct columns from collapsing as they had in the Kobe area during the Great Hanshin-Awaji Earthquake. This was thanks to our longstanding efforts reinforcing infrastructure and taking other actions to make our operations more resistant to earthquakes. I believe that the lower level of damage from this disaster reflected the benefits of those efforts. On our Shinkansen lines, 27 trains were running when the earthquake struck, some of those trains at speeds of around 270 km/h in the Sendai area. Nevertheless, not a single train with passengers derailed and there were no passenger injuries. In our analysis, in addition to the structural reinforcements I just mentioned, seismographs installed along the coastline and elsewhere were effective when combined at slowing down the Shinkansen trains a considerable amount before the major shockwaves reached them. Furthermore, JR East employees who were operating trains on conventional lines along the coast stopped their trains immediately when the tsunami warning was issued. Our crews then assisted in evacuating passengers to locations designated by municipalities or to other safe locations. Not a single passenger on our trains when the earthquake struck was killed or injured. We perform training so that our employees know what to do in the event of a catastrophe. This includes responding to a tsunami warning or the occurrence of a tsunami. The benefits of this training were clearly evident during this disaster.

Restoration work for collapsed electric poles on the Tohoku Shinkansen Line

Since its inception, safety has always been JR East's highest priority. We have used a broad range of activities involving both hardware and software expertise in order to enhance safety. I believe the remarkable effectiveness our various safety enhancement initiatives exhibited in this unprecedented disaster proved that JR East's transport systems are extremely reliable, especially with regard to safety.

Q2.

The Great East Japan Earthquake had a significant impact on JR East's financial results. Please provide an overview of results of operations in fiscal 2011, including the effects of the disaster.

A2.

The disaster affected JR East's financial results for fiscal 2011 by almost ¥120.0 billion in depressed operating revenues and extraordinary losses for restoration. Furthermore, those extraordinary losses do not include the inoperable conventional railway segments along the Pacific coast because a reasonable estimate of their restoration cost still remains difficult.

Fiscal 2011 was an historic year for JR East because the Tohoku Shinkansen Line was completed with the December 2010 start of operations on the segment between Hachinohe and Shin-Aomori. In March 2011, we started Shinkansen service using the series E5 railcars, the *Hayabusa*, with the introduction of *GranClass*, a first class Shinkansen service—the first of its kind in Japan. Our revenues in fiscal 2011 were higher than one year earlier up until the earthquake. We were poised to break free of the downturn precipitated by the Lehman crisis and report higher revenues and earnings for the first time in three years. Then the earthquake hit and changed everything.

FEATURE 2:
A New Shinkansen Network Joining together Tokyo and Shin-Aomori
See page 024

Overall, we estimate the financial effect of the disaster to have depressed operating revenues by about ¥59.0 billion; in addition, we posted extraordinary losses of ¥58.7 billion for restoration and other expenses (see the table below). The disaster brought down our revenues in many ways. We had to suspend railway operations in the areas the disaster hit. We suspended or reduced the frequency of services on some lines because of the enforcement of rolling power outages. The reluctance of people to travel due to the accidents at the Fukushima Daiichi Nuclear Power Station further impacted our revenues. Numerous factors associated with the earthquake cut revenues at our Group companies, too. Operations of shopping centers suspended by damage, including to buildings, shortened operating hours as a result of rolling power outages and the reluctance of people to spend their money all exerted pressure on revenues. Moreover, in terms of extraordinary losses, we have had to record ¥1.7 billion in expenses paid for the restoration and removal of damaged or lost railway facilities and other property, plant and equipment, and made provision for an allowance for an estimated ¥56.9 billion in restoration and other expenses for fiscal 2012 and beyond. Establishing a reasonable estimate for these expenses, however, is impossible for some railway segments along the Pacific coast damaged in the tsunami that are still inoperable. Consequently, the allowance did not include the cost of restoration activities in these locations.

Impact of the Great East Japan Earthquake on Fiscal 2011 Financial Results
¥ Billion

	Consolidated	Non-consolidated	Remarks
[OPERATING REVENUES] (Estimated amount)	–59.0	–44.0	Passenger Revenues –42.0
[EXTRAORDINARY LOSSES]	58.7	55.5	Excluding restoration and other expenses of parts of the lines which run along the Pacific coast
Earthquake-damage losses	1.7	0.8	
Provision for allowance for earthquake-damage losses	56.9	54.7	Based on a reasonable estimate of restoration and other expenses planned for fiscal 2012 and afterward

Q3.

How well was JR East prepared in financial terms for this disaster?

A3.

Since March 2005, we have been subscribed to earthquake insurance that covered a maximum ¥71.0 billion in damage (with ¥10.0 billion deductable) at March 11, 2011 for our railway facilities and other civil engineering structures.

Since March 2005, we have subscribed to earthquake insurance that covered up to ¥71.0 billion in damage (with ¥10.0 billion deductible) at March 11, 2011 for our railway facilities and other civil engineering structures. This insurance covered railway line facilities, power circuit facilities and other facilities and pays for the direct expenses of restoring facilities to their condition prior to damage. We do not currently know how much we will receive from this insurance or when the payments will be made, but will hold negotiations with insurers with the aim of receiving these payments as soon as possible.

Although the terms and stipulations did not apply owing to the location of the epicenter of the Great East Japan Earthquake, we also have an earthquake derivative contract in which we can receive a maximum of US$260 million (about ¥20.0 billion).

Q4.

Has JR East been making good progress with restoration work?

A4.

Service on the entire Tohoku Shinkansen Line was restored on the 50th day following the earthquake. Passenger revenues which fell at one point to 60% of levels predating the earthquake have recovered to be in the 90% range as of June. Service on a timetable predating the earthquake will resume September 23, 2011. This will enable the Hayabusa to operate at up to 300 km/h, which is the maximum speed for a Shinkansen train in Japan at this time.

JR East has placed upmost priority on restoration following the Great East Japan Earthquake in fiscal 2012 and the entire Group is working toward this end.

Although the entire Tohoku Shinkansen Line was shut down after the earthquake, the line was fully restored on April 29, the 50th day following the disaster. Everyone from the JR East Group, other JR companies, to numerous construction and various other companies worked together day and night with a single goal in mind: Reconnecting the rails as quickly as possible. Accomplishing this feat demonstrates the spirit of all the people involved and highlights the support of an even greater array of concerned parties. Many people have told me how impressed they were with the speed of the Tohoku Shinkansen Line repairs in relation to the magnitude of the earthquake and the damage suffered. The service along some segments of the now fully operational Tohoku Shinkansen Line remains at reduced speeds; however, we plan to return to the pre-earthquake Tohoku Shinkansen timetable by September 23, 2011. Then, the *Hayabusa* will once again reach a speed of 300 km/h, which is the maximum speed for a Shinkansen train in Japan at this time. This, hopefully, will help stimulate demand for tourism in the region.

Service on our network of conventional lines in the Tokyo metropolitan area was suspended entirely on the day of the disaster, shortly after the earthquake struck, for facility inspections and restoration work. Those services were resumed in an orderly fashion the following day. We were, however, forced to suspend or trim services along some segments of the network when rolling power outages were instituted from the middle to end of March. After that, we endeavored to restore those services as close to normal as possible. The earthquake caused widespread devastation including collapsed electric poles and damaged platforms along conventional lines in the Tohoku and Shinetsu regions. We made a determined effort to restore operations in stages, and were able to do so with the exception of a number of segments along the Pacific coast the tsunami had destroyed.

The tsunami completely destroyed some coastal communities. Stations, railway tracks, bridges and other railway facilities were swept away or buried. The damage was enormous. In restoring the railways, we prefer to work as one with the affected cities and communities as part of their overall restoration and rebuilding plans. Nevertheless, we went ahead and restored a number of segments along the Joban Line and Senseki Line that were still both repairable and accessible. We are also working on restoration of the Hachinohe Line with the aim of fully restoring it by sometime in the earlier part of fiscal 2013. In the meantime, we are operating bus routes in substitution of the lines that remain out of service. Our policy now with regard to reconstructing these segments is to work in close consultation with the national and local governments. To this end, we have submitted formal requests addressed to the Minister of Land, Infrastructure, Transport and Tourism, asking for assistance and cooperation in securing land and arranging finance.

In addition, in order to contribute toward the earliest possible recovery of the areas affected in the disaster, as well as to revitalize Japan, we have prioritized efforts to get people to interact with one another through tourism. To this end, we began by launching the “Everyone for Japan! Everyone for Tohoku!” Aomori Destination Campaign from April through July. Sales of travel products tied to this campaign easily outperformed the others, despite the difficult economic environment. I sense that this was in part because our commitment to “revitalize Tohoku starting with Aomori” struck a chord with our customers. In addition, in July, we began promoting the Gunma Destination Campaign. From April next year, we will launch another Destination Campaign for Iwate Prefecture, which includes the town of Hiraizumi, where celebrations for its designation as a UNESCO World Heritage Site are underway. Our hope is these initiatives will encourage and restore confidence to the communities the disaster affected, as well as be an impetus for our customers to ride our railways to visit these communities. One step at a time, I would like our endeavors to help with the recovery of the areas the disaster affected and in increasing the volume of tourism.

Japan’s largest tourism campaign in collaboration of the six JR companies throughout Japan with regional governments and local tourism businesses.

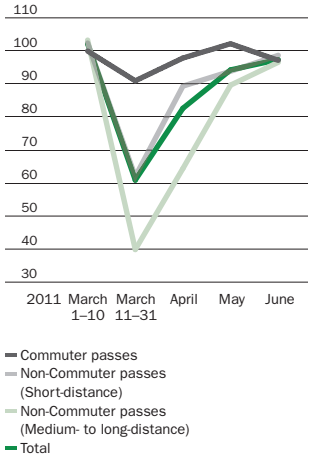
Aomori Destination Campaign poster

Our Group companies that engage in life-style businesses have also been supporting recovery with the *Sanchoku-Ichi*, featuring direct shipments of various specialties and produce from all over eastern Japan. Their initiatives have also concentrated on drumming up demand for tourism in Tohoku and stopping the harmful rumors concerning agricultural and fishery products from the region. There, as well, my wish is for our Group companies to empathize with the disaster victims and help in their recovery.

Shifting attention to our revenue trends since the disaster, I can say that passenger revenues for medium- to long-distance journeys for our railway operations are recovering. Reconstruction in the affected regions has generated demand for business travel, and the JR East Pass we introduced to

Recovery in Passenger Revenues

% change year on year



bolster the decline in tourism has had the desired impact. The areas affected by the disaster are still in recovery mode, and revenues as a consequence are still significantly down. Nevertheless, our efforts to secure revenue will be devoted to the revitalization of tourism. Short-distance passenger revenues have already almost reached pre-earthquake levels, in part because of a recovery in leisure-related activities that involve taking a train (see the graph to the left).

In life-style businesses, we are seeing a recovery in revenues closer to levels predating the earthquake from commercial facilities within railway stations. Although the recovery in demand for weddings and banquets at our hotels and for our advertising operations has been slow, we will promote them rigorously with the aim of securing revenue.

Q5.

What are JR East's other initiatives for fiscal 2012 in addition to disaster reconstruction activities?

A5.

We will strive for "Creative Reconstruction" and adhere to the basic objectives of JR East 2020 Vision–idomu–*, while applying a new perspective in revising the specific contents of this vision, including the numerical targets. We engage in initiatives promoting "extreme safety levels," "service quality reform" and "securing revenue and reviewing cost structures," and the Group expects to achieve an earnings increase on a net income basis.*

I think that the disaster and associated events like the Fukushima Daiichi Nuclear Power Station accident are very likely to bring about structural changes in Japan with respect to its economy and society. Many of those elements for change will probably shroud the business environment, which I expect will remain challenging in fiscal 2012. Be that as it may, the JR East Group will soon reach the 25th anniversary of its inception upon the privatization of JNR. Our objective is to achieve "*Creative Reconstruction*" by adopting the mindset of starting out once again from the very beginning. We will continue to adhere to the basic objectives of *JR East 2020 Vision—idomu—*, which we created as a long-term management vision in 2008. However, we will have to apply a new perspective and make revisions to the specific contents of this vision, including numerical targets. With the disaster as a turning point, we will apply a new approach in our enhancement of extreme safety levels, service quality reform and securing revenue and reviewing cost structures.

Regarding extreme safety levels, JR East is determined to achieve even better safety, including with the knowledge gained from the Great East Japan Earthquake, based on Safety Vision 2013, our five-year safety plan. For instance, to improve disaster preparedness, we will continue the aseismatic reinforcement of viaduct columns and install more seismographs. Activities will also include a review of how we responded to the earthquake immediately after it occurred. Namely, we will reexamine measures for resuming operations promptly, securing temporary shelter for stranded passengers, and providing those stranded with emergency supplies.

Fiscal 2012 is our "inaugural year in service quality reform." Every member of our Group is dedicated to brushing up the quality of our services so that we can serve as many customers as possible in this challenging business climate. This year, we started a five-year plan called the Medium-term Vision for Service Quality Reforms. To upgrade transportation quality, we will make every effort to prevent disruptions to service, quickly resume operations, provide passengers with more information, and take other steps in line with the vision. Our commitment is to maintain an environment for transportation that is safer and more comfortable.

Competing successfully against other modes of transportation is essential to our securing revenue as Japan's population declines. But we must also focus on the so-called "inbound" market by attracting more customers from abroad. Our capability for product development and generating publicity needs to be strengthened if we are to attract more customers from overseas to visit Japan. With that purpose in mind, we revised our organization in July and established a Tourism Strategy Office within our Head Office. This new organization will be tasked with developing tourism initiatives throughout the Company. No longer will tourist destinations be isolated dots on a map. The Tourism Strategy Office will take command leading our efforts in providing the link to those destinations and enhancing the fabric of their appeal.

Business Results Forecasts for Fiscal 2012

¥ Billion

	Fiscal 2011 results		Fiscal 2012 forecasts		Change year on year	
Operating revenues	2,537.4		2,499.0		–38.4	(98.5%)
Operating expenses	2,192.3		2,192.0		–0.3	(100.0%)
Operating income	345.1		307.0		–38.1	(89.0%)
	Operating revenues	Operating income	Operating revenues	Operating income	Reasons behind change	
Transportation	1,721.9	227.2	1,686.0	204.0	Decrease in passenger revenues of JR East	
Station Space Utilization	385.9	31.4	393.0	33.0	New openings, full-term contribution	
Shopping Centers & Office Buildings	223.3	64.2	226.0	61.0	New openings, station building closures, opening expenses	
Others	206.3	23.1	194.0	10.0	Backswing in systems-development-related and IC-related revenues	
Adjustment		–0.8		–1.0		
Net income	76.2		105.0		+28.8	(137.8%)

As for our ongoing efforts to review cost structures, there are many restrictions in our mainstay railway business, including the large volume of fixed costs involved in securing and upholding safety levels, and we cannot cut personnel or maintenance expenses that easily. But we are looking for ways to continue making this structure more efficient. Streamlining operations wherever possible is one way. We can also look for ways to develop innovative maintenance methods capable of cutting costs without sacrificing quality. The earthquake was but one impetus to perform this type of review. We will fundamentally reexamine our current cost structure with a strategic mindset of going back to the starting point for each cost item.

We initially held off announcing fiscal 2012 forecasts because of the effects of the disaster. The forecasts were eventually announced on July 28, 2011; however, in view of our financial results for the three-month period ended June 30, 2011, we were able to determine an outlook for revenues and earnings through this fiscal year to some degree (see the table on page 14).

Q6.

Please tell us more about the key points influencing revenues in fiscal 2012.

A6.

Trends in economic activity and consumer spending, how the accident at the Fukushima Daiichi Nuclear Power Station is resolved and the power shortage problem are the key determinants.

There are three key points that influence the outlook for passenger revenues in the current fiscal year.

First is whether or not we will see an improvement in economic activity and consumer spending in Japan. Ruinous damage in the affected regions is not the only problem caused by the disaster. People in all regions of Japan have become reluctant consumers. This reluctance is in the process of receding, but I think it will leave an imprint on the demand to travel, both for business and for pleasure, for some time to come.

Second is how the accident at the Fukushima Daiichi Nuclear Power Station will be resolved. While I pray for an early resolution, any delay will hinder us from fully repairing and restoring the still-affected segments and services on the Joban Line. Slow progress also risks exacerbating the reluctance of Japanese consumers to get out and travel, as well as prolonging the return of travelers from overseas visiting Japan.

Third is the response to the shortage of electricity. The government issued Power Usage Limitation Orders in July, pursuant to the Electric Business Act. This required all large consumers of electricity, including JR East, to cut their peak consumption by a certain amount. We are engaged in efforts to conserve energy, while seeking the understanding of customers regarding these efforts. Specific measures to this end include a special train schedule, launched in late June that was designed to address the Power Usage Limitation Order. JR East has reduced the number of trains operating during the middle of the day on weekdays, turned down or turned off lighting within stations and railcars, and suspended the operations of a number of ticket vending machines. Only the frequency of local trains during the day was cut. No reductions were made during the morning and evening commuting hours, or for limited express trains or Shinkansen trains. Consequently, electricity use restrictions will probably have only a limited effect on our transportation operating revenue. Then again, I also think that further delays in resolving power shortages will indeed run the risk of increasing the impact on our revenues.

Q7.

What are some of the measures for sustaining growth the Company plans to initiate amid a challenging business environment?

A7.

We will proceed with the enhancement of the through-line network for railway operations, Shinkansen network expansion, technological development and other keynote projects as planned in our Vision from the beginning. In addition, we will endeavor to encourage tourism in Japan and develop overseas railway businesses.

In the railway business, we will further upgrade our direct-service network. Major plans include the completion of the Tohoku Through Line in fiscal 2014 and the start of a direct service with Sagami Railway in fiscal 2016. We have also continued to introduce diesel-hybrid-drive and other railcars with high environmental performance specifications. The energy shortage in wake of the disaster was a wakeup call of sorts, and our plans now are to redouble our research and development for building a railway system high in energy efficiency. For Shinkansen service, following the extension of the Tohoku Shinkansen Line to Shin-Aomori Station in fiscal 2011, we plan to enlarge our network and become more competitive by starting operation of the Hokuriku Shinkansen Line to Kanazawa in fiscal 2015. The *Hayabusa* series E5 will also commence operating at a maximum speed of 320 km/h at the end of fiscal 2013. While this will indeed be a milestone, our plans are to continue researching for ways to further improve speed.

The 12th Global Travel & Tourism Summit of the World Travel and Tourism Council will take place in Japan in April 2012. About 1,000 prominent individuals in the tourism industry from around the world and members of the media will attend this event. It's been decided that Sendai will host an event associated with the summit. This will be a valuable opportunity to show the world the progress Japan is making in recovering from the disaster. We are determined to do all that we can to make this Summit a success.

For our overseas railway business, we are exploring a variety of potential opportunities for using our equipment and expertise. Japan is considering the export of various packaged infrastructures including entire railway systems. But to capture orders for overseas railway projects, I believe all the parties involved in Japan must work as one to improve consulting capabilities. To that end, JR East is currently reviewing the establishment of a consulting company.

In the life-style business, the grand opening of *LUMINE Yurakucho* is scheduled for late October 2011. This takes *LUMINE* into the Yurakucho and Ginza area, which is one of the prime fashion apparel and shopping districts of Japan. My hope is that this new shopping center will help enhance *LUMINE*'s business potential further.

Q8.

Are there any revisions to your policy for the use of operating cash flows under JR East 2020 Vision—idomu—?

Q8.

In the interest of sustaining growth, our policy for the use of operating cash flow under JR East 2020 Vision—idomu—*will basically remain the same. Although capital expenditures will decline in view of our revenue trend, we will prioritize investment for safety, including aseismatic measures on a massive scale, and continue to focus our capital and apply a steady hand in selecting and implementing growth investments. We will not allow our long-term debt to increase and plan on maintaining a constant dividend.*

There are three elements to the operating cash flow policy of *JR East 2020 Vision–idomu–*. Namely:

1. Prioritize investments that contribute to growth in the future, business expansion and to reinforcing JR East's foundation for business operations.
2. Reduce long-term debt, although be it at a slower pace.
3. Target returns to shareholders at a consolidated payout ratio of 30%.

The business climate we face in the wake of the disaster is uncertain. But come what may, we will do our best to secure revenues, reform our cost structure more than ever, and maintain our basic policies with the aim of sustaining growth going forward.

Our capital expenditures plan for fiscal 2012 is ¥366 billion on a consolidated basis and ¥295 billion on a non-consolidated basis, which on a consolidated basis is about ¥60 billion less than the previous fiscal year. Although the plan takes stock of our revenue trend amid what are bound to be challenging business conditions, it nonetheless prioritizes investment for safety, including aseismatic measures in preparedness of a massive earthquake. As for business expansion, we will continue to focus our capital and select the growth investments which also promise capital efficiency.

Our main premise regarding long-term debt is we won't allow it to increase. As we watch our cash flow carefully, we will determine a specific amount for reducing it.

As for returns to shareholders, we will do our best to secure revenue and reduce costs in an effort to overcome the impact this natural disaster is bound to have on our balance of cash flows. Based on that premise, we plan to maintain our dividend at the same level as last fiscal year with interim and year-end dividends totaling ¥110 per share for fiscal 2012.

Uses of Consolidated Cash Flows

		Fiscal 2011 results	Fiscal 2012 forecasts
Capital expenditures [Growth investment]		¥425.8 billion [¥133.3 billion]	¥366.0 billion [¥138.0 billion]
Return to shareholders	Dividends per share	¥110	¥110
	Consolidated dividend payout ratio	57.1%	41.4%
	Share buybacks	–	–
Long-term debt reduction		¥26.5 billion	(undecided)

Q9.

In closing, as the president of JR East, what is your view of the roles the company should play regarding its obligations, following the disaster and reconstruction programs?

A9.

What I rediscovered from this natural disaster was the profound mission JR East is called to perform for society. JR East will do its very best to assist with the recovery of the affected areas, taking on initiatives that include the generation of tourism.

Projects the JR East Group implements to invigorate local communities with the enlistment of their cooperation. These include the development of Tabi-Ichi*, a travel product featuring grass-roots tourism and home-grown hospitality, farmers' markets held in urban railway terminals to publicize the appeal of local communities, and efforts to rediscover and merchandise the traditional arts and crafts of those communities.*

Tabi-Ichi pamphlet

I remind myself on a daily basis that JR East must strive to become a service people take for granted. A service most people can routinely put out of their minds: But a service nonetheless that they can't live without. Metaphorically speaking, we have to be like the air people breathe. Sadly, our customers and various communities throughout our service area were greatly inconvenienced when the earthquake struck as we were forced to suspend many of our railway lines. In retrospect, the disaster was a case in point of the massive social and economic turmoil caused when an essential service taken for granted is suddenly disrupted. What I rediscovered from this experience was the profound mission JR East is called to perform for society. This rediscovery was the underpinning as to why I believed our mandate was to reconnect Tokyo with the affected regions by rail as quickly as possible, and my conviction that this would help revive those regions. The slogan "Linking Japan" became the rallying call in our effort to restore the Tohoku Shinkansen Line and our other damaged lines, and will probably continue to shape our fundamental stance for some time to come.

JR East will also do its very best to assist with the recovery of the affected areas and with other rebuilding efforts so as to fulfill its social mission as a corporate group with businesses based throughout eastern Japan. Challenging economic conditions in the affected areas persist owing to the disaster and the harmful rumors it spawned, as well as a decrease in travel demand. We will do everything we can in support of reviving the affected areas, for example, by uncovering new tourism resources in the affected areas, enhancing our generation of publicity, launching initiatives to help create the turnover in tourism they need, and actively developing *Rediscovering the Region Projects* to encourage tourism.

In the meantime, we will move quickly and decisively to achieve a recovery in revenues from the disaster. Our cost structures will be reviewed and we will secure the cash flow we need to return to sustained growth. In this way, we will continue meeting the expectations of our shareholders and investors.

In order to move forward with our initiatives and objectives, however, all JR East employees must have pride in their work and a determination to fulfill their assigned missions. As president, I have visited the frontlines to talk with employees and hear their thoughts and suggestions as much as possible. Moreover, I will think alongside those employees about what we can do as individuals to apply a strong sense of purpose and positive attitude in our jobs. Every person working for the Group must think about the roles they fulfill and act on them.

The experiences we went through in the Great East Japan Earthquake made me realize once again that our greatest mission as JR East is to steadfastly operate services indispensable for local community members and society at large. We are determined to draw on our past experiences of having overcome numerous challenges, to apply ourselves as a Group in our recovery efforts.

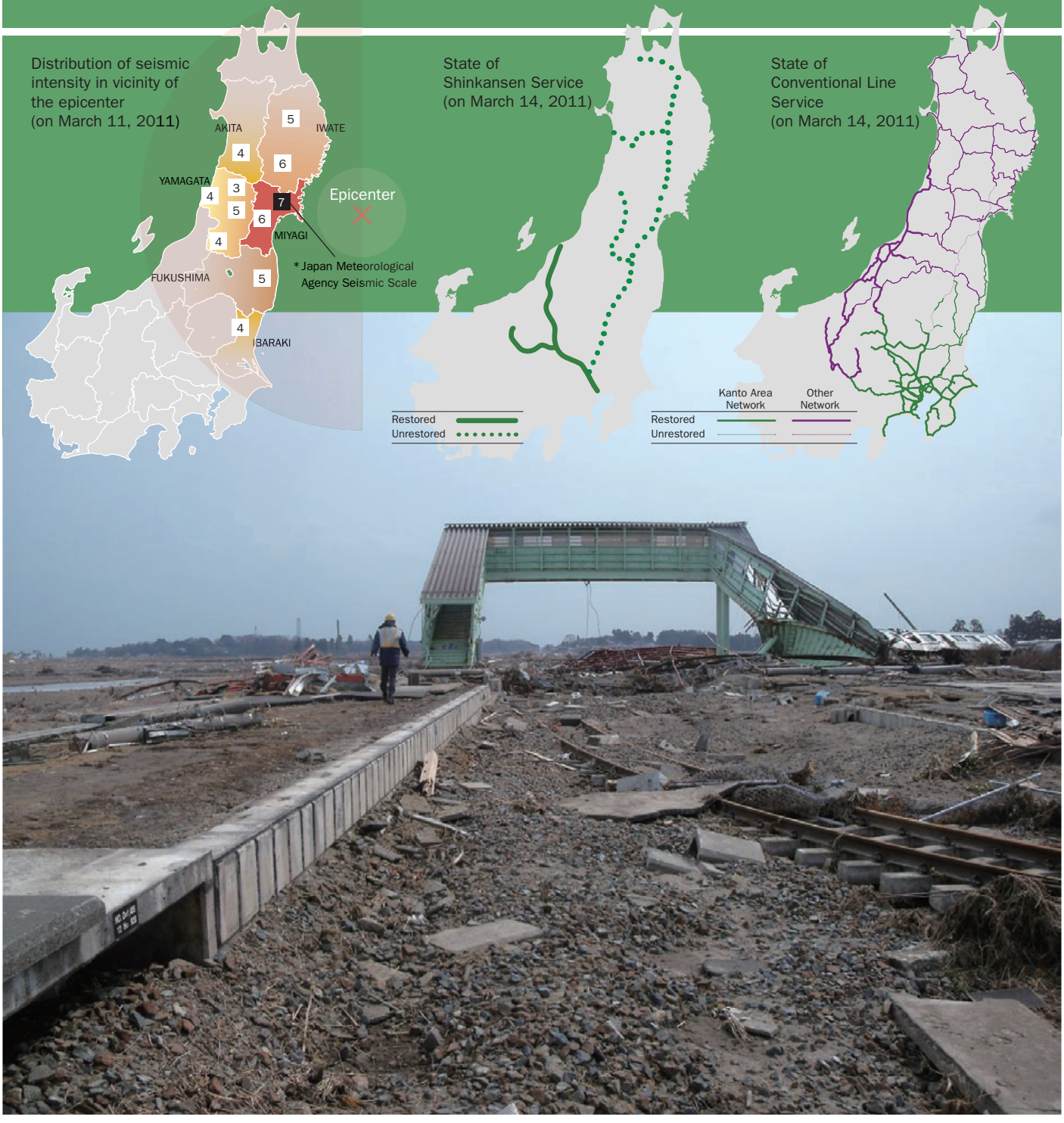
I believe that if we persevere in these efforts, JR East will be in a position to accomplish the goal of gaining recognition as a *Trusted Life-Style Service Creating Group*.

FEATURE 1: GREAT EAST JAPAN EARTHQUAKE: HOW WE MANAGED TO RESTORE THE TOHOKU SHINKANSEN LINE IN JUST 49 DAYS

We suffered severe damage over a wide area in the Great East Japan Earthquake, one of the largest recorded in human history, but are working swiftly and vigorously toward reconstruction.

The time it took to restore the Tohoku Shinkansen Line

just **49** *days*



OVERVIEW OF GREAT EAST JAPAN EARTHQUAKE AND EXTENT OF DAMAGE

The Great East Japan Earthquake struck at 2:46 p.m. on March 11, 2011, with its epicenter off the coast of Miyagi Prefecture's Oshika Peninsula. It was the largest earthquake recorded in Japanese history and also one of the biggest ever recorded in the world, at a magnitude of 9.0 on the Richter scale, and a source region roughly 500 kilometers north to south, off the shore between Iwate Prefecture and Ibaraki Prefecture, and around 200 kilometers east to west. The earthquake triggered a massive tsunami with wave heights in some places exceeding 10 meters and a maximum run-up of 40.5 meters, causing catastrophic damage to the Pacific coastline of the Tohoku and Kanto regions.

State of Damage Resulting From the Great East Japan Earthquake and Aftershocks

	NUMBER OF DAMAGED SITES			MAIN DAMAGE
	Main March 11 earthquake	Aftershocks April 7 onward	Total	
Tohoku Shinkansen Line	1,200	550	1,750	•Collapsed, tilted or cracked electric poles (810 sites) •Snapped overhead wires (670 sites) •Damage to viaduct columns (120 sites)
Other Shinkansen Lines	—	—	—	
Subtotal	1,200	550	1,750	
Conventional Lines (excluding 7 segments damaged by tsunami or segments withheld from inspection)	4,400	850	5,250	•Collapsed, tilted or cracked electric poles (1,240 sites) •Track irregularity (2,820 sites) •Platform collapse (270 sites)
Conventional Lines (7 segments with tsunami damage)	1,730	—	1,730	•Station buildings swept away (23 stations) •Tracks swept away or buried (65 sites, total of some 60 km) •Bridge piers swept away or buried (101 sites)
Conventional Lines (segments withheld from inspection)	Unknown	Unknown	Unknown	
Subtotal	6,130	850	6,980	
Total	7,330	1,400	8,730	

Collapsed electric poles (Tohoku Shinkansen Line, between Furukawa and Kurikoma-Kōgen)

Damaged viaduct columns (Tohoku Shinkansen Line, between Mizusawaesashi and Kitakami)

Track irregularity (Joban Line, between Mito and Katsuta)

Collapsed platform (Senseki Line, Nigatake Station)

Tracks swept away (Joban Line, within Shinchi Station)

Bridge piers swept away (Yamada Line, between Rikuchu-Yamada and Orikasa)

Notes: 1 The number of damaged sites is an approximation
2 Total of the number of damaged sites excludes conventional line segments withheld from inspection

The Tohoku Shinkansen Line sustained damage at approximately 1,200 sites along the 500 km or so stretch between Omiya and Iwate-Numakunai. Examples included collapsed or tilting electric poles, snapped overhead wires, and damage to viaduct columns. Conventional lines were also affected, with damage at roughly 4,400 sites along 36 railway segments in such forms as collapsed or tilting electric poles, track irregularity, and platform collapse. On seven segments along conventional lines suffering damage from the tsunami, 23 station buildings were swept away, and some 60 km of track was either swept away or buried, as were bridge piers at some 101 sites. Intermittent aftershocks from April 7 onward only served to exacerbate the damage.

Immediately after the earthquake struck, JR East stopped all train services. Drivers, conductors, station staff and all other employees did everything within their power to lead the evacuation of passengers in areas where tsunami warnings were issued. As a result, there were no passenger fatalities at stations or on trains in service at the time.

Great East Japan Earthquake Compared to Past Massive Earthquakes

	GREAT EAST JAPAN EARTHQUAKE	NIIGATA CHUETSU EARTHQUAKE	GREAT HANSHIN-AWAJI EARTHQUAKE
Date	March 11, 2011	October 23, 2004	January 17, 1995
Epicenter	Off the Sanriku Coast	Chuetsu region of Niigata Prefecture	Near Awaji Island
Magnitude	9.0	6.8	7.3
Maximum seismic intensity	7	7	7
Prefectures recording a seismic intensity of lower 5 or stronger	17	5	3
Full restoration date of Shinkansen (restoration time)	April 29, 2011 (49 days)	December 28, 2004 (66 days)	April 8, 1995 (81 days)

RESTORATION OF THE TOHOKU SHINKANSEN LINE

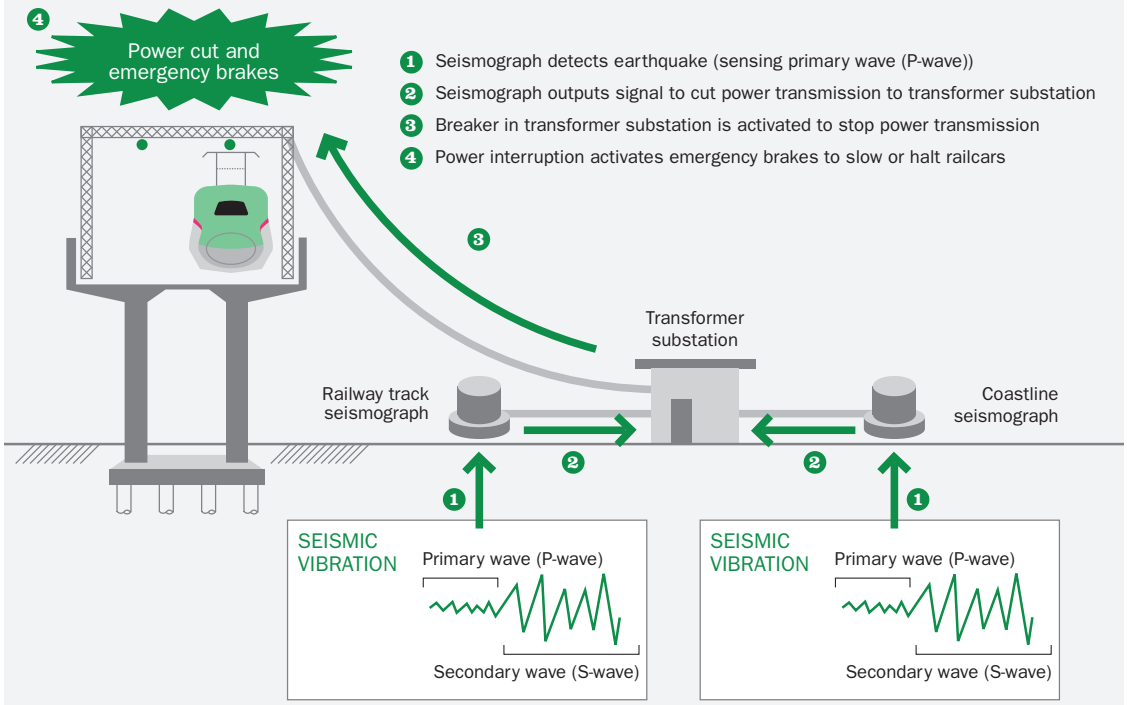
On April 29, 49 days after the earthquake, the Tohoku Shinkansen Line was fully restored to service. It took 81 days to fully restore the Sanyo Shinkansen Line after the Great Hanshin-Awaji Earthquake of January 1995 in Kobe, which caused viaduct columns to collapse, while tunnel damage caused by the Niigata Chuetsu Earthquake of October 2004 caused the Joetsu Shinkansen Line to remain out of service for more than two months. The Tohoku Shinkansen Line was restored quickly by comparison, despite the Great East Japan Earthquake being Japan's largest in recorded history. This can be attributed to a lack of fatal damage despite the earthquake's unprecedented scale, and to a group-wide restoration effort, with human and material support from outside the JR East Group. In particular, the three factors outlined below were crucial in the swift restoration of the Tohoku Shinkansen Line.

Earthquake Early Warning (EW) System for Shinkansen

When the earthquake hit, the coastline seismograph on the coastal island of Kinkasan, Miyagi Prefecture, detected seismic activity 12–15 seconds before tremors strong enough to exceed the threshold for suspending Shinkansen operations reached the city of Sendai and its vicinity. This early detection triggered an alarm, while simultaneously cutting the power to the Tohoku Shinkansen Line and activating the emergency brakes to all affected railcars. As a consequence, there were no derailments among the Shinkansen super express trains in service at the time.

JR East had been installing seismographs along its Shinkansen lines and the Pacific and Sea of Japan coasts, ever since the Tohoku and Joetsu Shinkansen lines began operations in 1982. As of March 31, 2011, the number of seismographs totaled 97, of which 81 are located along railway tracks and 16 are situated on the coastline. The Earthquake Early Warning (EW) System for Shinkansen came into service in 1998, followed in 2006 by the addition of a function for cutting the transmission of power in proportion with seismic magnitude to areas affected in an earthquake.

A Diagram of the Earthquake Early Warning System for Shinkansen



The EW System for Shinkansen functions as follows. First, railway track or coastline seismographs detect the earthquake's primary wave (P wave). Before the arrival of the secondary wave (S wave), the seismographs estimate the epicenter and magnitude of the earthquake, immediately cutting power transmission as required to areas likely to be affected, and causing trains to drop speed or come to a halt.

Aseismatic Reinforcement of Viaduct Columns

Over the years, JR East has striven to improve structures to a level of aseismatic adequacy sufficient to withstand earthquakes on the scale of the Great Hanshin-Awaji Earthquake. The Great East Japan Earthquake was larger still; indeed it was the largest in recorded Japanese history. Yet, although viaduct columns sustained some damage, there was no fatal structural damage. For example, there were no cases of viaduct columns toppling as they did in the Great Hanshin-Awaji Earthquake, or of tunnels collapsing as was observed in the Niigata Chuetsu Earthquake. It would therefore seem that aseismatic reinforcement measures have had the desired effect.

In fiscal 1996, the company commenced emergency aseismatic reinforcement work on viaduct columns susceptible to shear failure, and by fiscal 2001 had completed work in the southern Kanto, Sendai and other areas.

Following the Sanriku-Minami Earthquake, which struck in May 2003, the geographical scope of aseismatic reinforcement measures for viaduct columns was broadened, and after the Niigata Chuetsu Earthquake of October 2004, work also commenced on bridge piers. As a consequence, aseismatic reinforcement for shear-critical viaduct columns and bridge piers was completed a year ahead of schedule for the entire Shinkansen lines of JR East in fiscal 2008, and for the conventional lines in the Southern Kanto region, Sendai and other areas by fiscal 2009.

Since fiscal 2010 we have undertaken a project approximately five years in length for a second round of aseismatic reinforcements with a view to further improving safety when an earthquake strikes. Among viaduct columns of the type susceptible to flexural failure in areas such as southern Kanto and Sendai, we identified those likely to sustain damage in a powerful earthquake, and undertook reinforcement measures to jacket steel plates around the columns.

Aseismatic reinforcement
(Yokosuka Line, between Musashi-Kosugi and Shin-Kawasaki)

Viaduct columns susceptible to shear failure:
These are extremely dangerous in the event of an earthquake, as they can collapse suddenly with no resistance.

Viaduct columns susceptible to flexural failure:
Aseismatic resistance is greater than columns susceptible to shear failure. However, strong vibrations can cause damage to the head and heel of the column.

Exhaustive Restoration Effort

The Great East Japan Earthquake inflicted damage across a wide area and in many forms along the Tohoku Shinkansen Line, including collapsed electric poles, snapped overhead wires, damage to viaduct columns, and track irregularities. As the main shock on March 11 caused damage at roughly 1,200 sites, with the April 7 aftershock generating damage at another 550 locations, restoration took some time.

Not only did electric poles and overhead wires sustain widespread damage that needed to be repaired, but they also required some fine adjustment for alignment with tracks and structures before services could resume.

In total around 8,500 people a day participated in the restoration effort, comprising employees from JR East and its subsidiaries, and also from partner companies. With considerable cooperation from the government and other related parties, restoration work went ahead even in the immediate aftermath of the earthquake when gasoline and light diesel oil were in short supply. Other railway operators also pitched in, providing personnel to assist in on-site inspections and restoration work, as well as material aid in such forms as maintenance vehicles, track inspection cars, inspection equipment, and light diesel oil.

Restoration work continued day and night, as a result of which the Tohoku Shinkansen Line resumed service on all sections just 49 days after the earthquake, on April 29.

LOOKING FORWARD

As a consequence of aseismatic reinforcement work performed on viaduct columns, bridge piers and so forth in the wake of previous major earthquakes such as the Great Hanshin-Awaji Earthquake, augmented by seismographs and the associated installation of the EW System for Shinkansen, JR East's railway facilities avoided crippling damage despite going through the largest quake ever recorded in Japan. Furthermore, there were no derailments of Shinkansen trains in service at the time.

Going forward, JR East will continue taking steps to further improve safety in the event of an earthquake, starting with discussion over additional aseismatic reinforcement measures and steps to enhance seismograph accuracy.

Restoration work on the Joban Line

Aseismatic Reinforcement Measures Undertaken and Underway

		Number of viaduct columns susceptible to shear failure			Number of viaduct columns with low aseismatic adequacy susceptible to flexural failure
		Emergency aseismatic reinforcement measures in response to the Great Hanshin-Awaji Earthquake	Aseismatic reinforcement measures in response to the Sanriku-Minami Earthquake and Niigata Chuetsu Earthquake	Total	Second round of aseismatic reinforcements
Timeframe		Fiscal 1996–fiscal 2001	Fiscal 2004–fiscal 2009	—	Fiscal 2010–fiscal 2014 (scheduled)
Areas covered		Southern Kanto and Sendai area	Shinkansen: Entire lines including the southern Kanto and Sendai area Conventional lines: southern Kanto and Sendai area	—	Southern Kanto, Sendai and areas near active fault lines
Viaduct columns	Shinkansen Lines	3,100	15,400 (areas other than southern Kanto and Sendai)	18,500	6,700
	Conventional Lines	7,300	5,300 (southern Kanto and Sendai area)	12,600	5,500
Bridge piers	Shinkansen Lines	—	2,340	2,340	—
	Conventional Lines	—	540	540	—

* The number of viaduct columns is an approximation

FEATURE 2: A NEW SHINKANSEN NETWORK JOINING TOGETHER TOKYO AND SHIN-AOMORI

Introducing the Hayabusa Series E5 Shinkansen train service to the Tohoku Shinkansen Line. Top speed of 300 km/h. Tokyo to Shin-Aomori in as little as 3 hours and 10 minutes. "GranClass" provides travel in supreme comfort.

Hayabusa Series E5

320 *km/h max. speed**

* For commercial operations, commenced at speed of 300 km/h in March 2011, to be raised to 320 km/h at the end of fiscal year 2013.

Chronology of the Shortest Travel Time Between Tokyo and Aomori

JR EAST

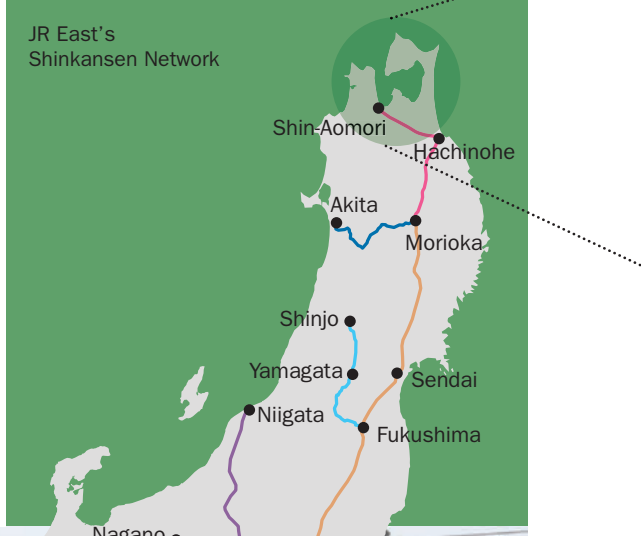
Until Dec 2010	3 hours 59 minutes
Dec 2010 Tohoku Shinkansen's Shin-Aomori leg opens	3 hours 20 minutes
Mar 2011 Upon launch of *Hayabusa* traveling at a peak operating speed of 300 km/h	3 hours 10 minutes
End of FY 2013 Once peak operating speed of *Hayabusa* is raised to 320 km/h	3 hours 5 minutes

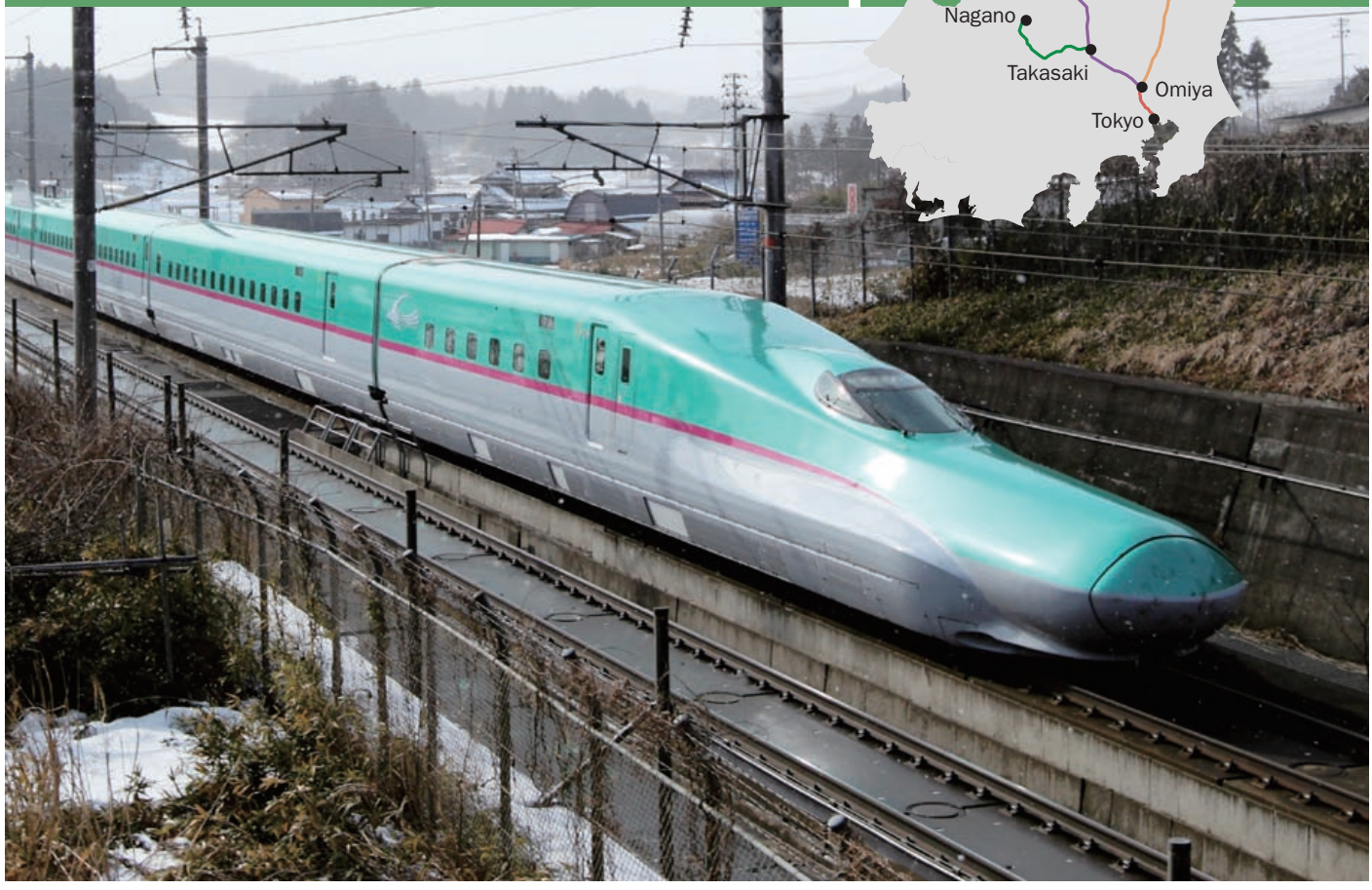
54 minutes shorter

AIR TRAVEL

Total time including local transportation	2 hours 58 minutes

JR East's Shinkansen Network





1 Cherry blossoms at Hirosaki Castle

2 A Nebuta float

3 Komaki Onsen

4 Maguro don (tuna rice bowl) made from Oma Maguro

AOMORI MAP

HAYABUSA LAUNCHED ON THE NEW SHINKANSEN SERVICE TO SHIN-AOMORI STATION

Completion of Tohoku Shinkansen Line to Shin-Aomori

Trains started running on the Hachinohe to Shin-Aomori segment of the Tohoku Shinkansen Line on December 4, 2010. By completing the Tohoku Shinkansen Line with this segment, JR East now has a high-speed network that links all six prefectural capitals in the Tohoku region with Metropolitan Tokyo. The shortest travel time on the direct service between Tokyo and Shin-Aomori was reduced to 3 hours and 20 minutes, from the previous 3 hours and 59 minutes.*

With the Shinkansen service to Shin-Aomori operating, JR East will partner even more with local communities in the Tohoku region on programs to increase demand for Shinkansen tickets, with the goal of invigorating the economies of Aomori Prefecture and the Tohoku region. JR East aims to account for 80% of travel to Aomori compared with the current 70% share against 30% for air travel to this region.

*Note: Information is as of the commencement of service to Shin-Aomori, on December 4, 2010.

Aomori— Home to Many Popular Sightseeing Destinations

Located more than 700 km from Tokyo on the northern tip of Honshu, Aomori prefecture offers visitors opportunities to enjoy nature as well as well-known cultural sites. Hirosaki Castle is famous for its cherry blossoms. Lake Towada and Oirase Stream have spectacular scenery. The *Shirakami-Sanchi* (mountains) is designated as a UNESCO World Heritage Site. Natural beauty that is virtually unchanged from many years ago can be found throughout the prefecture. In the city of Aomori, the exciting *Nebuta* Festival that takes place from August 2 to 7 each year attracts more than 3 million tourists. A *Nebuta* is an enormous wood and paper float, each one meticulously handcrafted with pictures of warriors and other historical people that is illuminated from inside. Looking at a *Nebuta* from close by is an unforgettable experience. Aomori is also famous for its many types of *onsen* (hot springs). Tourists can visit secluded *onsen* deep in the mountains, relax in an *onsen* with apples, a famous Aomori product, and enjoy other *onsen* experiences. Local cuisine is another way to enjoy the unique history and culture of Aomori. Sushi featuring *Oma Maguro* (branded cold-water tuna, caught off the northern tip of Aomori) and other fresh fish is just one of the numerous ways in which visitors can enjoy the distinctive tastes of Aomori.

During the three-month period that started on April 23, 2011, the six JR companies conducted the *Aomori Destination Campaign* in conjunction with tourism associations and municipalities in Aomori Prefecture.

The first train leaves Shin-Aomori Station for Tokyo

HAYABUSA INTERIOR

Ordinary car on the *Hayabusa*

Green Car

GranClass

The Debut of the Tohoku Shinkansen Hayabusa series E5

Hayabusa trains started running between Tokyo and Shin-Aomori on the Tohoku Shinkansen Line on March 5, 2011. These new series E5 high-speed Shinkansen trains are the fastest in Japan with a maximum operational speed of 300 km/h. Travel time between Tokyo and Shin-Aomori is only three hours and 10 minutes.*

Hayabusa is filled with advanced technologies that produce dramatic improvements in environmental performance, operational speed performance, reliability, passenger comfort and other characteristics. To enhance environmental performance and reduce noise pollution, trains feature low-noise pantographs, wheel covers, a long, aerodynamic nose and other innovations. For comfort, *Hayabusa* is Japan's first Shinkansen train with full-active suspension (roll prevention and control system) to give passengers an even more pleasant ride.

For additional comfort, seat pitches are wider and seats in *Green Cars* have motor-adjusted footrests and ordinary seats come with adjustable headrests. With other features, *Hayabusa* cars offer travelers a relaxing and comfortable environment.

JR East plans to raise *Hayabusa's* maximum operational speed to 320 km/h by the end of the fiscal year ending March 31, 2013.

*Note: Information is as of the start of the *Hayabusa* service on March 5, 2011.

Overview of New Technologies on Hayabusa

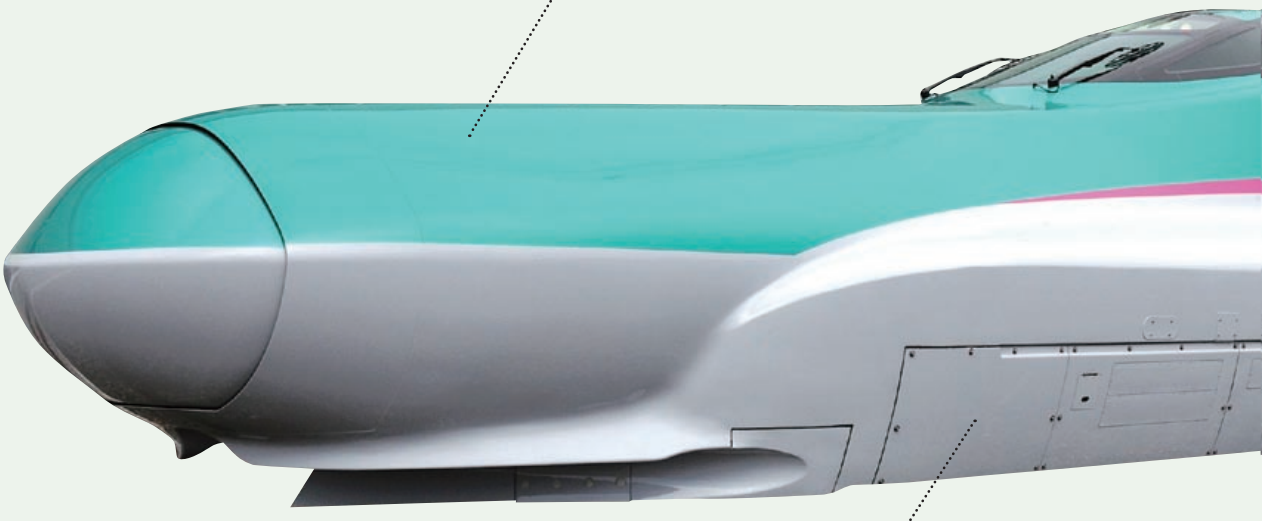
BETTER ENVIRONMENTAL PERFORMANCE

LONG-NOSE IN FRONT—

to reduce tunnel boom

The 15-meter nose of *Hayabusa* gives the train a sleek profile. The aerodynamic nose reduces tunnel boom, or the shockwave and noise at the exit-end when a train enters a tunnel at high speed.

Long-nose



BETTER ENVIRONMENTAL PERFORMANCE

FULL BOGIE COVERS—

New technologies cut noise to the absolute minimum

Completely covering wheels holds down mechanical noise and reduces aerodynamic noise by making the sides of cars smoother. Equipment underneath car floors is insulated with sound-absorbing materials as much as possible to lower the noise level.

Full bogie cover

The Debut of GranClass

JR East introduced a first class service called *GranClass* with the launch of the *Hayabusa*. The first Shinkansen service of this type, *GranClass* is based on the concept of offering passengers a unique and memorable traveling experience. Interiors of *GranClass* cars are designed for elegance and sophistication in order to treat passengers to a trip that is like no other.

The lush interior designs incorporate leather, wool and other high-grade materials. Lighting is equally sophisticated. *GranClass* gives passengers highly personalized and comfortable illumination that use LED fixtures to provide multiple sources of light, both indirect and in close proximity.

Innovative back-shell-type seats never before used on trains give passengers unprecedented comfort. Reclining angles are large and seat pitch is wider. To provide even more space and comfort, there are only three seats in each row. An attendant assigned exclusively to the *GranClass* car handles requests for food, beverages and other services.

The luxurious *GranClass* seat

BETTER ENVIRONMENTAL PERFORMANCE

PANTOGRAPHS—

Low-noise pantograph

Hayabusa uses a low-noise pantograph and other quiet components to reduce the noise level alongside the Shinkansen tracks. Sound blocking panels are placed on both sides of the pantographs to further lower noise.

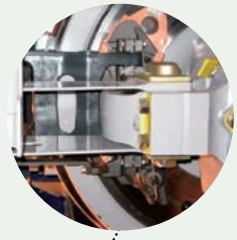
Low-noise pantograph

BETTER CRUISING PERFORMANCE AND IMPROVED RELIABILITY

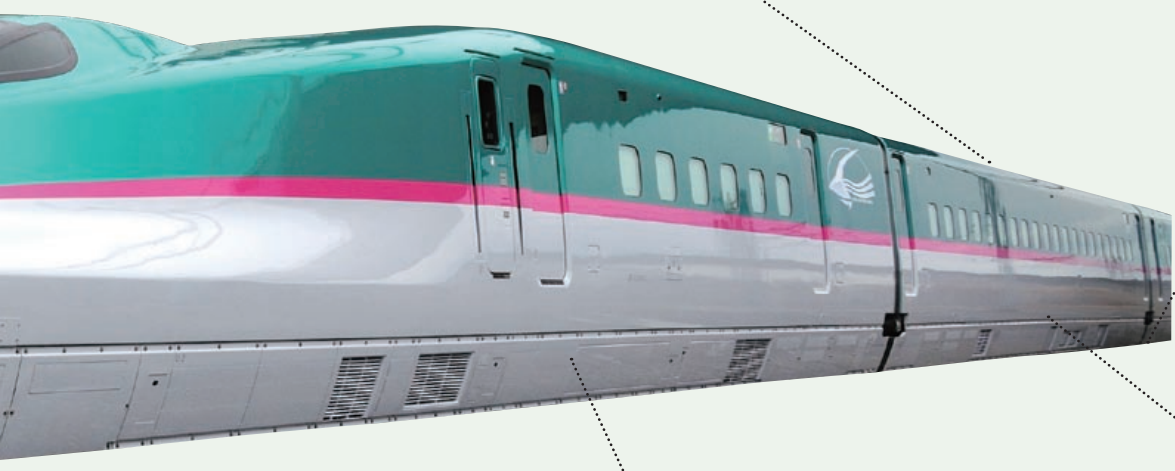
BRAKE SYSTEMS—

for stopping trains traveling at 320 km/h

The brake system has many improvements, including greater wheel-to-rail adhesion. These advances give *Hayabusa* a stopping distance at 320 km/h that is the same as the distance required by a conventional Shinkansen train at 275 km/h.



Brake system

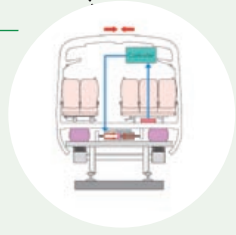


IMPROVED PASSENGER COMFORT

ALL CARS HAVE FULL-ACTIVE SUSPENSION—

More comfort at high speeds

All cars are equipped with full-active suspension that detects rolling and limits side-to-side swing. Passengers can enjoy a comfortable ride even at high speeds.



Full-active suspension

IMPROVED PASSENGER COMFORT

CAR BODY TILTING SYSTEM—

Comfort when traversing curves at high speed

To improve comfort and increase speed at curves, *Hayabusa* uses air springs that tilt train cars as needed for reducing centrifugal force. This technology allows negotiating curves with a radius of 4,000 meters at a speed of 320 km/h.

Car body tilting system

The *Aoike* version train used for *Resort Shirakami*

THE NEW RESORT TRAIN

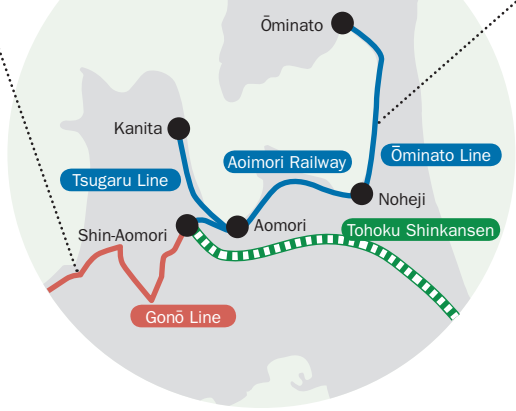
JR East started operating *Resort Asunaro* (series HB-E300), which uses an environmentally friendly hybrid system, at the same time that the Tohoku Shinkansen service to Shin-Aomori began. The new train runs on the Ominato Line and Tsugaru Line in Aomori Prefecture. Cars have monitors to show passengers the view from the front of the train and present sightseeing information. A viewing deck is placed behind where the driver sits. Large side windows give passengers panoramic views of scenery and there are also seats and sofas specifically for people who want to enjoy the scenery in comfort.

At the same time, for its *Resort Shirakami* train, JR East started operating the *Aoike* version (series HB-E300) that has a hybrid system. Passengers can ride this train along the beautiful Gono Line in Akita and Aomori prefectures that passes through the *Shirakami-Sanchi*, a UNESCO World Heritage Site, and many other sightseeing areas.

RESORT SHIRAKAMI

RESORT ASUNARO

SERVICE MAP OF RESORT ASUNARO AND RESORT SHIRAKAMI



Resort Asunaro

The viewing deck of *Resort Asunaro*

NEW SHOPPING FACILITIES PROVIDING LOCAL FOODS AND SPECIALTIES

JR East opened the *Aomori Shunmi-kan* at the Shin-Aomori Station Building as part of renovations at the station to prepare for the start of the Shinkansen service. Shoppers can find numerous local and seasonal products including the tuna and apples Aomori is famous for at this new commercial facility. Merchandise ranges from food products made in Aomori to handicrafts and other items that are made locally. Opening *Aomori Shunmi-kan* makes Shin-Aomori Station a true gateway to Aomori Prefecture by allowing travelers to sample and shop for foodstuffs and souvenirs of Aomori and the prefecture's Tsugaru region.

Along with activities at Shin-Aomori Station, JR East opened a multi-purpose commercial facility called *A-FACTORY* near Aomori Station in the waterfront area of the city. There are two components; *A-FACTORY Studio* makes cider from Aomori apples and other beverages, while *A-FACTORY Market* sells locally produced food products.

Shin-Aomori Station

Aomori Shunmi-kan

A-FACTORY Studio

A-FACTORY Market

REVIEW OF OPERATIONS

AT A GLANCE

TRANSPORTATION

Transportation

PROFILE

JR East's 7,512.6 km rail network (excluding the Tokyo Monorail) covers the eastern half of Honshu (Japan's main island), including the Tokyo metropolitan area.

PRINCIPAL BUSINESSES

SHINKANSEN NETWORK
High-speed train services linking Tokyo with major cities

KANTO AREA NETWORK
Trains serving in and around the Tokyo metropolitan area, the largest market in Japan

INTERCITY AND REGIONAL NETWORKS
Intercity transportation other than the Shinkansen network and regional transportation outside the Kanto area network

TRAVEL AGENCY SERVICES
View Plaza travel agencies and other outlets selling travel products

NON-TRANSPORTATION

Station Space Utilization

PROFILE

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

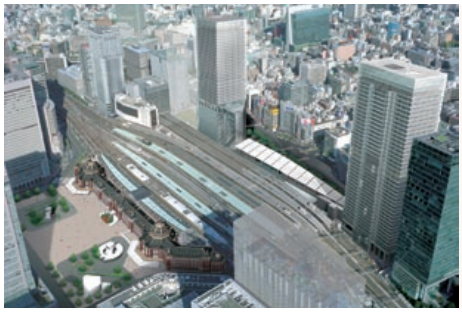
PRINCIPAL BUSINESSES

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

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

NON-TRANSPORTATION

Shopping Centers & Office Buildings



PROFILE

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

PRINCIPAL BUSINESSES

SHOPPING CENTERS
Development and leasing of space to retailers and other tenants in shopping centers at railway stations

OFFICE BUILDINGS
Development and operation of buildings used primarily as office space

NON-TRANSPORTATION

Others

PROFILE

Major businesses in the other services include hotel operations, advertising and publicity, wholesales, truck delivery, information processing, cleaning services/station operations, cleaning, credit card business, and other services.

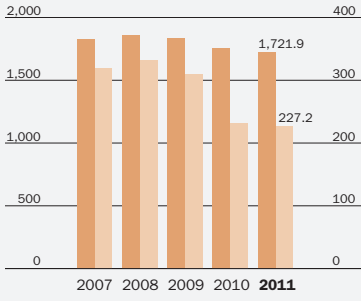
PRINCIPAL BUSINESSES

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

ADVERTISING AND PUBLICITY
Advertising and publicity in railway stations and in and on railcars

Operating Revenues and Operating Income

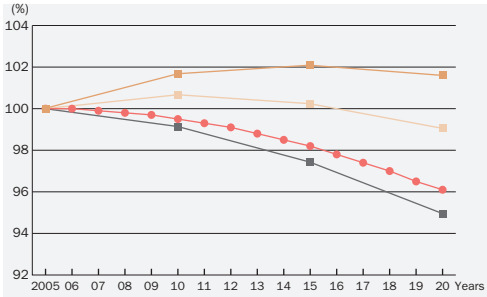
Billions of Yen



Operating Revenues (left scale)
Operating Income (right scale)

Total Population of Japan

The population of the Tokyo Metropolitan Area is projected to increase further until the middle of the 2010s, while that of Japan as a whole and other metropolitan areas is forecast to continue decreasing.



Tokyo Metropolitan Area
Nagoya Metropolitan Area
Osaka Metropolitan Area
Japan

Source:
Population projection for Japan, prefectures by National Institute of Population and Social Security Research, May 2007.

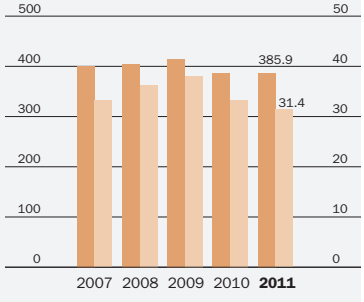
Tokyo Metropolitan Area:
Tokyo Metropolis, Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture

Nagoya Metropolitan Area:
Aichi Prefecture, Gifu Prefecture, Mie Prefecture

Osaka Metropolitan Area:
Osaka Prefecture, Hyogo Prefecture, Kyoto Prefecture, Nara Prefecture

Operating Revenues and Operating Income

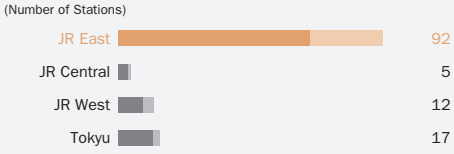
Billions of Yen



Operating Revenues (left scale)
Operating Income (right scale)

Number of Busy Stations

With hundreds of thousands of users a day, stations offer JR East an ideal place for developing life-style businesses.

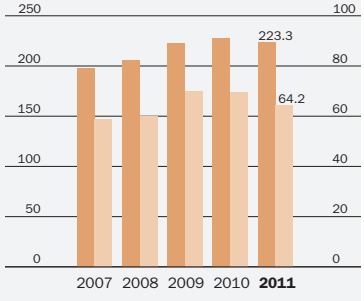


Notes
- Tokyu = Tokyu Corporation
- Year ended March 31, 2010 for JR Central and JR West, year ended March 31, 2011 for JR East and Tokyu
- Data is based on figures from JR Central, JR West, and Tokyu .
- The numbers of station users at stations of JR East, JR Central, and JR West represent twice the number of passengers embarking.

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

Operating Revenues and Operating Income

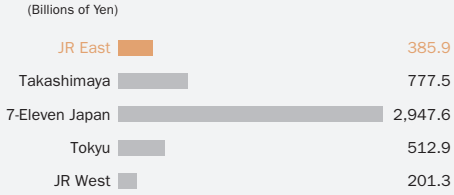
Billions of Yen



Operating Revenues (left scale)
Operating Income (right scale)

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

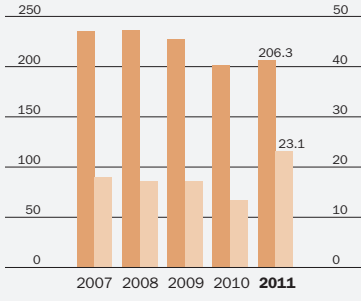
Located close to train stations, JR East's shopping centers boast sales that rival those of major department stores.



Notes
- Takashimaya = Takashimaya Company, Limited; 7-Eleven Japan = Seven-Eleven Japan Co., Ltd.; Tokyu = Tokyu Corporation
- Year ended March 31, 2011 (Year ended February 28, 2011, for Takashimaya and 7-Eleven Japan)
- Data is based on figures from the financial press releases of each company.
- The following figures are used as operating revenues: JR East: Station space utilization, segment revenues from outside customer; Takashimaya: Department store business, segment revenues from outside customer; 7-Eleven Japan: Total store sales (nonconsolidated); Tokyu: Retail operating revenues; JR West: Sales of goods and food services business, segment revenues from third parties

Operating Revenues and Operating Income

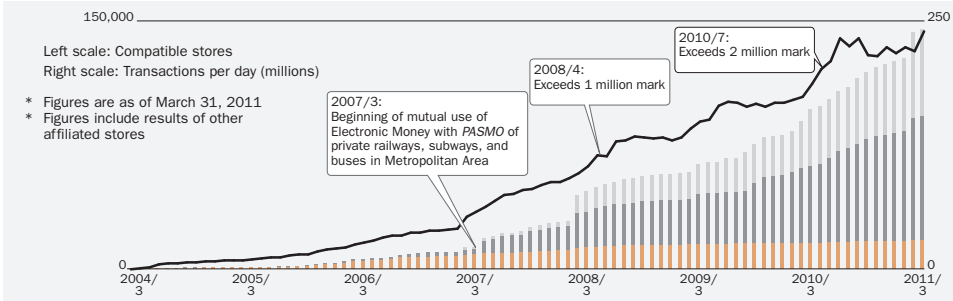
Billions of Yen



Operating Revenues (left scale)
Operating Income (right scale)

Suica Electronic Money- Transactions and Compatible Stores

Suica electronic money is accepted at over 140,000 stores and was used for a one-day record of 2.33 million transactions as of March 31, 2011.



Other *Suica* compatible stores
Suica compatible stores in stations
Suica compatible stores outside stations
Transactions per day

Shinkansen Network

Series E6 mass-production Prototype

Series E6 mass-production Prototype Ordinary Car

Series E6 mass-production Prototype *Green Car*

OVERVIEW

JR East's five-route Shinkansen network linking Tokyo with five regional cities comprises the Tohoku Shinkansen, between Tokyo and Shin-Aomori, accounting for 713.7 operating kilometers; the Joetsu Shinkansen, between Tokyo and Niigata, 333.9 operating kilometers; the Nagano Shinkansen, between Tokyo and Nagano, 222.4 operating kilometers; as well as Shinkansen lines with trains operable on Shinkansen and conventional railway lines: the Yamagata Shinkansen, between Tokyo and Shinjo, 421.4 operating kilometers; and the Akita Shinkansen, between Tokyo and Akita, 662.6 operating kilometers.

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

For fiscal 2011, traffic volume was 17,650 million passenger kilometers, and revenues from passenger tickets was ¥431.5 billion.

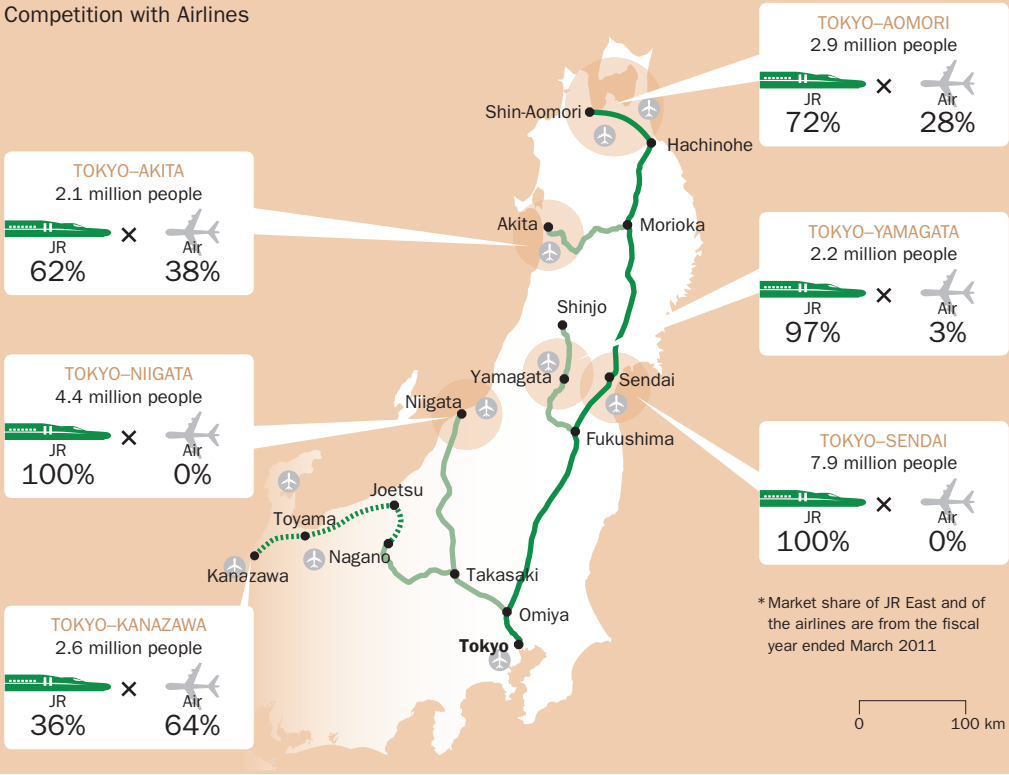
OUTLOOK

PROTOTYPE FOR JR EAST'S SERIES E6 BUILT

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

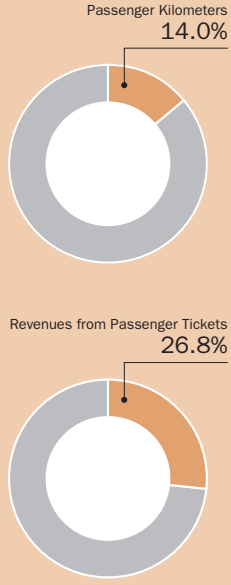
The lead car of the series E6 has a long aerodynamic nose, and the rail cars are all equipped with the highly advanced brake system and full-active suspension that is found in the series E5, providing superior environmental efficiency, drive performance and ride comfort, while operating at a speed of 320 km/h. Developed to be operable on both Shinkansen and conventional lines, the series E6 also features exceptional drive stability when faced with the curves and other impediments on conventional tracks.

Competition with Airlines

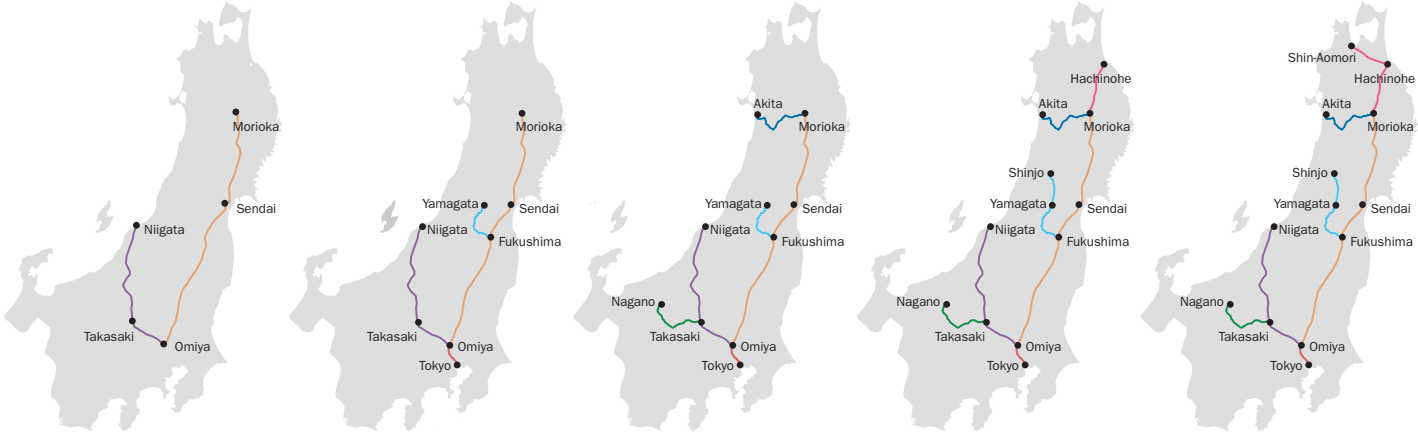


* Market share of JR East and of the airlines are from the fiscal year ended March 2011

Composition of Railway Operations in JR East (Shinkansen Network)



Chronology of Expansion in JR East's Shinkansen Network



Kanto Area Network

Nambu Line: "Tokyo Megaloop"

Concept illustration of Tohoku Through Line

Tokyo Monorail departing from the Haneda Airport Terminal

OVERVIEW

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

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

The Kanto area network comprises 2,536.2 operating kilometers. In fiscal 2011, it accounted for 101,633 million passenger kilometers and revenues from passenger tickets of ¥1,100.9 billion.

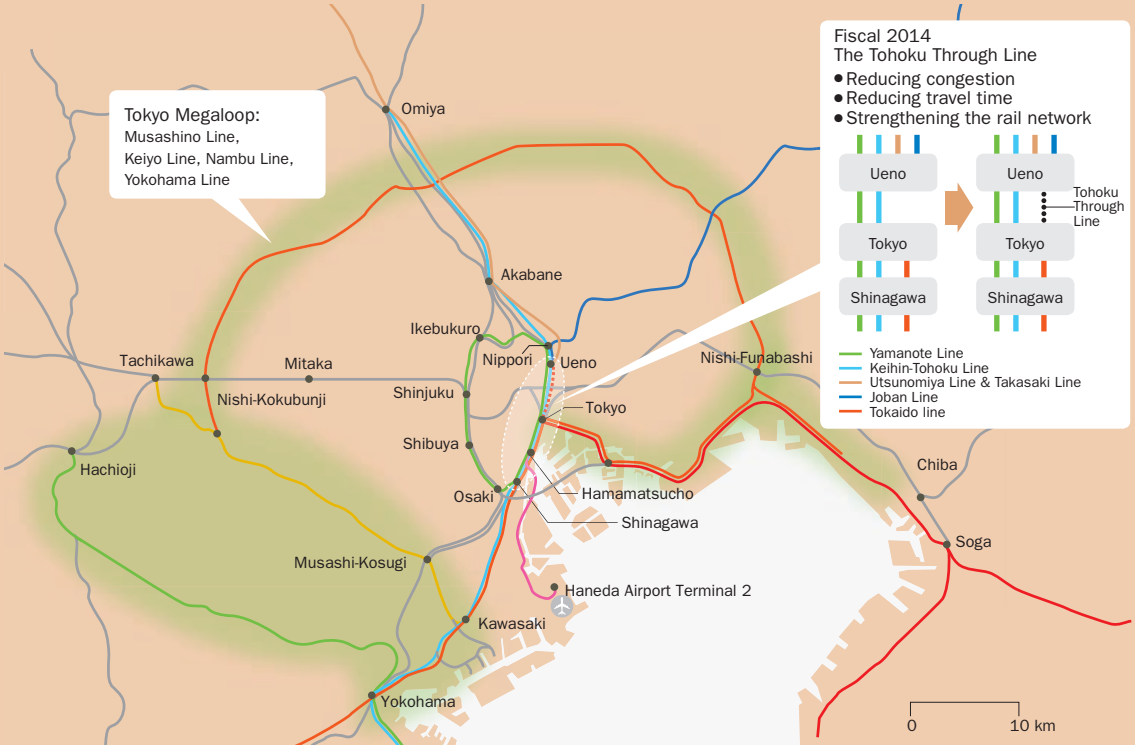
TOPICS

CONVENIENCE ALONG THE TOKYO MEGALOOP ENHANCED

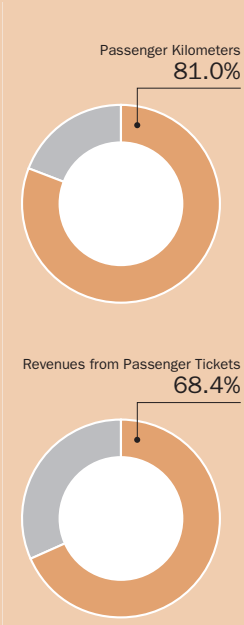
JR East has taken initiatives to enhance train services on its "Tokyo Megaloop," which consists of the Musashino, Keiyo, Nambu and Yokohama lines. These lines, which together form an outer loop around Tokyo, are connected at many points with the lines that other railway companies operate. JR East will improve service convenience along its megaloop as part of an effort to build up a railway network for adjacent residential communities, thereby appealing to people looking for a place to live in Tokyo.

As a case in point, when train schedules were revised in December 2010, JR East introduced the *Shimōsa* and *Musashino* liner trains as new through services for respectively connecting the Musashino Line eastward from Nishi-Funabashi and westward from Hachioji and Fuchu-Honmachi with the Tohoku Line at Omiya Station. This greatly enhanced the convenience and rapidity of the Musashino Line's connections through Omiya.

Strategy for Transportation on Conventional Lines around Tokyo Metropolitan Area Network



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



In addition, JR East finished the construction needed in preparation for upgrading the Nambu Line with rapid trains. Rapid service from Kawasaki to Noborito along this line was launched in April 2011, shortening travel time by around five minutes. Currently the rapid service operates on a day-time schedule of two trains an hour in both directions, between the hours of 10:00 a.m. and 3:00 p.m. from Musashi-Kosugi Station.

TOKYO MONORAIL'S HANEDA AIRPORT INTERNATIONAL TERMINAL STATION OPENED

JR East Group's Tokyo Monorail Co., Ltd. opened its Haneda Airport International Terminal Station in October 2010, to coincide with the opening of a new international passenger terminal at Tokyo's Haneda Airport on October 21, 2010. The new station is situated at the same level as the third-floor departure lobby of the international terminal, and boasts an access time of just one minute on foot from its exits to the departure lobby.

In addition, a new JR East Travel Service Center was opened inside this monorail station as a sales and validation counter of the *Japan Rail Pass* and *JR EAST PASS*. It is also able to offer assistance to visitors from abroad to ensure they have pleasant journeys while in Japan.

OUTLOOK

THE TOHOKU THROUGH LINE DEVELOPMENT

The Tohoku Through Line project involves building new elevated railway tracks and upgrading existing railway tracks between Tokyo Station and Ueno Station. This will be done so that certain services of the Utsunomiya, Takasaki, and Joban lines that now terminate at Ueno Station can instead be linked near Kanda Station to the Tokaido Line bound for Tokyo, Shimbashi and Shinagawa.

Upon completion, the Tohoku Through Line will ease crowding on the Yamanote and Keihin-Tohoku lines during the morning rush hour. The through line will also shorten travel times involving connections from the Utsunomiya, Takasaki and Joban lines to the Tokaido Line. In these ways, the through line will significantly help JR East improve its railway network.

Intercity and Regional Networks

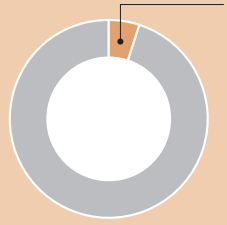
New series E657 railcars

Resort View Furusato

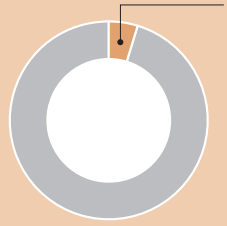
Seating of *Resort View Furusato*

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

Passenger Kilometers
5.0%



Revenues from Passenger Tickets
4.8%



OVERVIEW

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

Intercity and regional networks comprise 3,841.7 operating kilometers. In fiscal 2011, they accounted for 6,249 million passenger kilometers and revenues from passenger tickets of ¥76.7 billion.

TOPICS

INTRODUCTION OF NEW RESORT-TYPE TRAINS

JR East operates resort trains that make train journeys even more enjoyable for tourists by linking directly to resort areas. Those services are very popular with customers throughout the year. With that in mind, JR East introduced the series HB-E300, a new resort-type railcar driven on a hybrid system.

These new resort-type railcars with a hybrid system were introduced in October 2010 to the Oito Line and Iiyama Line, as the *Resort View Furusato* liner trains, in conjunction with the *Shinshu Destination Campaign*. Then on December 4, 2010, they were introduced to the Gono Line, as the *Resort Shirakami (Aoike version)* liner, and to the Ominato Line and Tsugaru Line, as the *Resort Asunaro* liner, in conjunction with the opening of the Tohoku Shinkansen Line's Shin-Aomori Station.

OUTLOOK

INTRODUCTION OF NEW LIMITED EXPRESS RAILCARS ON THE JOBAN LINE

The limited express service along the Joban Line from Ueno Station is scheduled to be phased in with new railcars (Series E657) from spring 2012 onward. These series E657 railcars, enhanced for ride comfort and quietness, will have compartments equipped with WiMAX for broadband accessibility and with universal design features. The basic underlying design concept was to develop a series of railcars with a pleasant and comfortable passenger compartment, responsive to the needs of business travelers and equipped with features offering safety and reassurance for all passengers.

Tourism Development

Tabi-Ichi pamphlet

JR EAST PASS
http://www.jreast.co.jp/e/eastpass/

OVERVIEW

Roughly speaking, the passengers found on JR East's Shinkansen Lines are half traveling for business, and half for tourism. For this reason, creating an extra demand for tourism will lead to an increase in JR East's ridership. And a buildup of the areas that are attractive to tourists within JR East's railway service area is absolutely essential to creating this extra demand. The Tourism Development of JR East is fully engaged with local communities in generating this demand, focused on cultivating attractions, refining them and conducting the related publicity.

TOPICS AND OUTLOOK

REDISCOVERING THE REGION PROJECTS TO STEP UP TOURISM DEVELOPMENT

Rediscovering the Region Projects is an approach by which JR East's railway and lifestyle services work together to generate both interactive synergies and also a flow of people and merchandise back and forth between the Tokyo Metropolitan area and the outlying regions. This project enables the JR East Group and various local communities to collaborate on strategies and ideas for generating this traffic while at the same time clarifying the roles expected of each other. In transforming this traffic into a dynamic loop culminating in Tokyo, JR East can create new markets, particularly as regards cultivating the movement of passengers inbound for Tokyo. The project is thus a means by which the Company aims to stimulate economic activity in its service area and make significant headway in strengthening the Group's businesses.

One embodiment of this approach is *Tabi-Ichi*, a packaged travel product designed for local communities to publicize their lesser known tourist attractions, which the travel agency services of JR East cooperate in recommending to customers.

More specifically, *Tabi-Ichi* is a product centered on the concept of bringing city dwellers in contact with regional attractions, customs, produce, cuisine and hospitality. This travel product is both a springboard for communities to showcase their local character by the season of the year, and also for JR East to market their folk culture and customs as tourist attractions. The aims are for JR East to partner in the development of local communities, and develop new markets from grass roots tourism.

INBOUND STRATEGY: MEASURES TO ATTRACT MORE OVERSEAS TOURISTS

In collaboration with the *Visit Japan Campaign*, a joint private and public sector initiative aimed at increasing the number of travelers from abroad, JR East has launched a variety of promotions to attract more travelers to Japan. In recent years, travelers not only from North America and Europe, but also from China and the other rapidly growing countries of Asia, have been coming to Japan. Working to link these travelers with the *Visit Japan Campaign*, and also encouraging them to consume the goods and services the Group has to offer, are an important part of JR East's strategy for gaining new customers.

At the same time, the Company is not taking it for granted that an increase in the numbers of these tourists will result in an increase in JR East's railway ridership. The Company recognizes that it must continue to work at this, as it has been doing continually by offering tourist-dedicated products, facilities for providing information to tourists, and publicity about destinations, events and attractions available within the JR East service area.

Among the products JR East sells to these travelers from abroad are *JR EAST PASS*, *Japan Rail Pass* and *Suica & N'EX*, which combines a discounted Narita Express ticket from Narita airport into Tokyo with a *Suica* card designed as a memento for their use, and a *Suica & Monorail* ticket that permits combined travel from Haneda Airport into central Tokyo with a similar *Suica* card.

In addition, JR East has launched *JR-EAST Shinkansen Reservation*, an online portal for customers residing abroad to reserve seating and purchase their tickets for Shinkansen and other major limited express railway services of JR East in advance of their travel to Japan.

Station Space Utilization

Top 20 Stations with Large Daily Passenger Use

	Station	Number of Passengers per Day		Station	Number of Passengers per Day
1	Shinjuku	1,473,430	11	Kita-Senju	390,520
2	Ikebukuro	1,088,444	12	Kawasaki	370,600
3	Shibuya	806,554	13	Ueno	344,612
4	Yokohama	796,104	14	Yurakucho	324,890
5	Tokyo	763,408	15	Tachikawa	315,034
6	Shinagawa	643,422	16	Hamamatsucho	307,188
7	Shimbashi	489,832	17	Tamachi	298,954
8	Omiya	470,302	18	Kichijoji	276,840
9	Akihabara	453,292	19	Funabashi	269,410
10	Takadanobaba	404,792	20	Kamata	267,496

NorthCourt GranSta Dining Inside the Tokyo Station

The Tokyo Station's *KeiyoStreet* concourse

Next-generation vending machine

OVERVIEW

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

JR East has many railway stations with high passenger volumes: 92 railway stations are used by more than 100,000 passengers a day, including 35 railway stations used by more than 200,000 passengers a day as of March 31, 2011. Given those volumes, there is considerable scope for the further development of life-style businesses.

TOPICS

STATION RENAISSANCE

JR East is implementing the *Station Renaissance* program to maximize the appeal of its railway stations—JR East's largest management resource. In the year under review, JR East opened *NorthCourt (GranSta Dining)* and *KeiyoStreet* within Tokyo Station and *ecute Ueno* within Ueno Station, and launched the first and second phases of *ecute Shinagawa South* within Shinagawa Station, among others. The Company was also active in renovating existing stores, including *Tokyo Food Bar* inside Akihabara Station and *Dila Nishi-Ogikubo* inside Nishi-Ogikubo Station.

STEADY OPERATIONS OF ecute

Despite having been affected by the earthquake in March, *ecute* performed steadily. Looking at stores sales, *ecute Omiya* posted ¥9.7 billion, a 1% increase year on year; *ecute Shinagawa* ¥7.3 billion, a 2% increase year on year; and *ecute Tachikawa* ¥5.9 billion, a 1% decrease year on year.

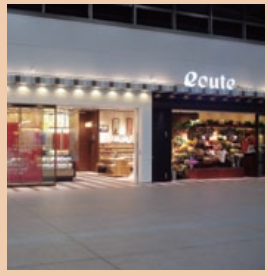
Development of *ecute*

	Omiya	Shinagawa	Tachikawa	Nippori	Tokyo
Beginning of operations	March 2005	October 2005	October 2007 (phase I) October 2008 (phase II)	March 2008 June 2009 (floor space increase)	March 2010
Store space	approx. 2,300 m²	approx. 1,600 m²	approx. 4,300 m²	approx. 380 m²	approx. 1,300 m²
Main business lines	Delicatessen, confectionary, sundry goods, restaurants, services (76 stores)	Delicatessen, confectionary, sundry goods, restaurants, services (46 stores)	Delicatessen, confectionary, sundry goods, cafes, services, nursery school, clinics, etc. (84 stores)	Delicatessen, confectionary, sundry goods, cafes, etc. (17 stores)	Delicatessen, confectionary, sundry goods, cafes, etc. (31 stores)
FY2011.3 Results	Store sales: ¥9.7 billion (101% year on year)	Store sales: ¥7.3 billion (102% year on year)	Store sales: ¥5.9 billion (99% year on year)	Store sales: ¥1.8 billion	Store sales: ¥3.6 billion

ecute Omiya

ecute Shinagawa

ecute Tachikawa



ecute Nippori

ecute Tokyo

NEXT-GENERATION VENDING MACHINES

In the beverage vending machine business, the Company has rolled out "mixed brand" vending machines stocked with the top-selling lines from each beverage maker. As the latest step in a drive to transform the business by making all beverage vending machines *"Suica*-compatible*,"* JR East has also developed a "next-generation vending machine" utilizing the latest technologies. This highly sophisticated vending machine has revolutionized communication between machine and customer. Featuring a 47-inch touch panel display and sensors that allow it to determine the gender, age and other attributes of the customer, the vending machine has a network-integrated marketing program and function that enables it to switch menu displays based on the aforementioned customer attributes as well as the temperature and time of day. The Company installed the first smart vending machines at Shinagawa Station in August 2010, and has now put into service 49 machines in total, mainly in the Tokyo metropolitan area. The new machines generate roughly double the sales of standard versions, and eventually JR East aims to install around 500 units.

IN TIE-UP WITH RAILWAY STRATEGY

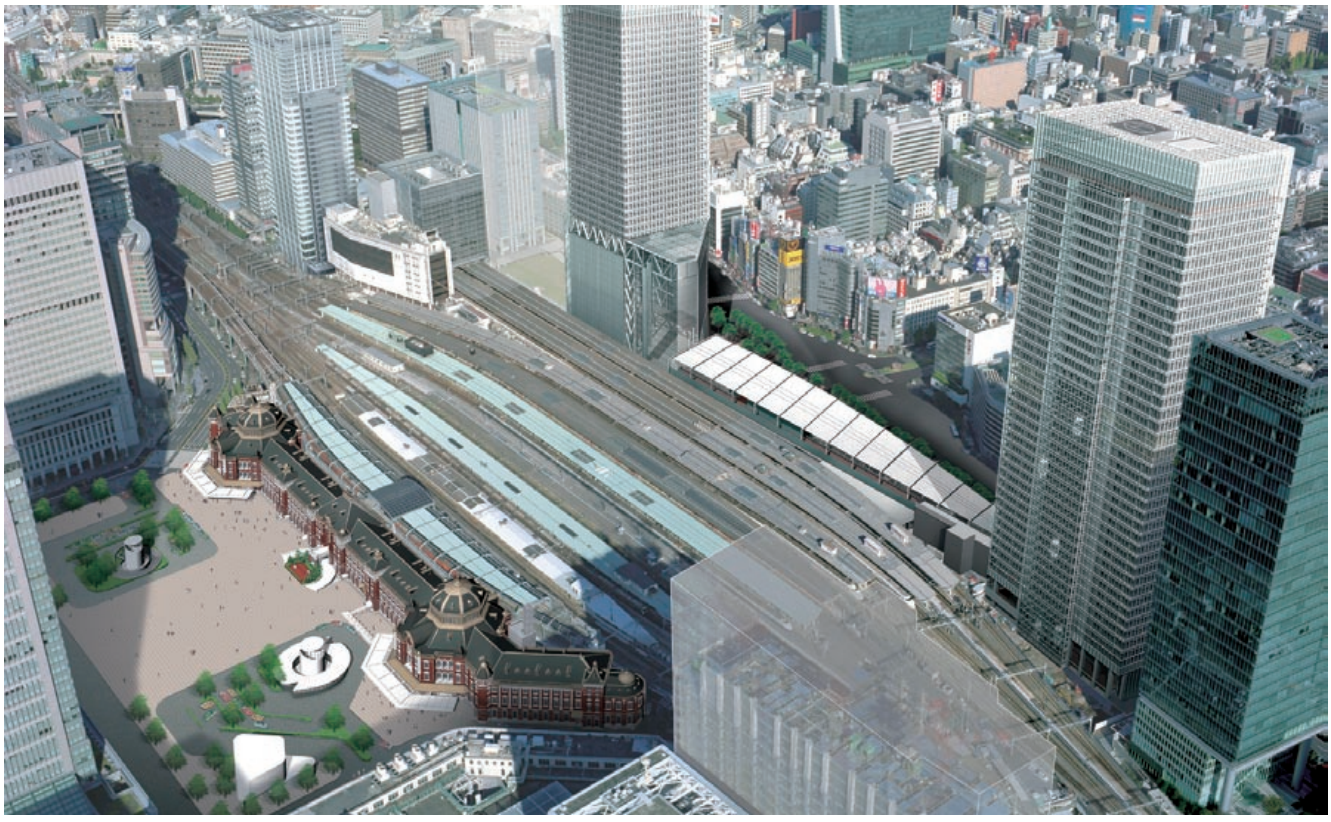
The Station Space Utilization Business is working together with the Railway Business to vigorously promote *ekinaka* ("spaces inside railway stations"), whose users are, after all, the passengers using JR East's rail services. With the opening of the Tohoku Shinkansen Line extension on December 4, 2010, a new *ekinaka* was created at Shin-Aomori Station and the entire Group pitched in to develop and sell original commemorative boxed lunches and railway goods, finding favor with customers.

OUTLOOK

STATION RENAISSANCE PROGRAM TO EVOLVE FURTHER

In the year ended March 31, 2011, the Station Space Utilization segment recorded ¥399.9 billion in operating revenues nearly the same level as that of the year previous, and a 5.9% decline in operating income to ¥31.4 billion. This slightly depressed outcome was due to the rolling power outages and a decline in railway ridership following the Great East Japan Earthquake. Nevertheless, JR East will work continually to enhance the value of the Station Space Utilization business, the attractiveness of its stations, and for earnings expansion in the segment.

Shopping Centers & Office Buildings



Concept illustration of *Tokyo Station City*

OVERVIEW

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

Also, JR East develops and leases office buildings, focusing on those buildings in highly convenient locations that have direct access to its railway stations. With *Tokyo Station City*, in particular, we leveraged its location next to Tokyo Station—a railway station used by approximately 380,000 passengers a day—to give rise to a large-scale business center involving leading-edge highly functional offices that cater to diverse needs.

As of March 31, 2011, JR East operated 138 shopping centers and 20 office buildings.

TOPICS

NEW SHOPPING CENTERS

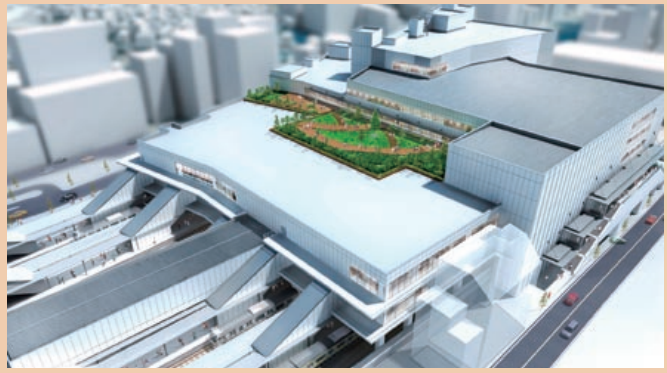
In the fiscal year under review, JR East opened *CELEO Hachioji, atré Akihabara 1, Aomori Shunmi-kan, A-FACTORY, E'Site Kagohara* and *atré Oimachi 2*, among other shopping facilities. Of these, *Aomori Shunmi-kan* and *A-FACTORY* were opened to coincide with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station, as part of JR East's efforts to collaborate with the local community in invigorating the Aomori area (please see our special feature on page 028). *CELEO Hachioji*, meanwhile, allows shoppers to experience an urban sensibility in a space that is also highly in tune with nature and the environment. In addition to stores supporting consumers' everyday lifestyles, *CELEO Hachioji* also features a station-based nursery school and JR East's first station-based after-school facility to look after children.

REMODELING

In the fiscal year under review, JR East carried out a number of remodeling projects, an effective means of keeping shopping centers fresh in the eyes of customers. The newly refreshed *atré Kichijoji* features 218 shops in total, 37 of which opened after the first stage, followed by 181 after the second stage of remodeling.

The New South Exit to Shinjuku Station

Plan to rebuild Chiba Station and the Main Station Building



CELEO Hachioji

atré Kichijoji

Concept illustration of *JR South Shinjuku Building* (provisional name)

Concept illustration of *Kanda Manseibashi Building* (provisional name)

Also, in aiming to strengthen its competitiveness, JR East realigned the business operations of Ikebukuro Terminal Building Co., Ltd. This company's shopping center operations were transferred to LUMINE Co., Ltd. and re-launched as *LUMINE Ikebukuro*. Several other shopping centers—including *Morioka FESAN, S-PAL (YAMAGATA)*, *Kofu ECLAN*, and *TERMINA2 (Kinshicho)*—had their sales floors refurbished.

OUTLOOK

AGGRESSIVE DEVELOPMENT

In fiscal 2011, the Shopping Centers & Office Buildings segment posted a 1.3% year-on-year decrease in operating revenues to ¥232.8 billion, while operating income was down 7.3% to ¥64.2 billion. These declines reflect a widening mood of self-restraint in spending after the Great East Japan Earthquake, in addition to which anticipated problems in power supply during the summer led to measures including the shortening of shopping center operating hours. These problems notwithstanding, JR East still plans to put to full use the formidable customer-drawing power of its railway stations and surrounding areas in its shopping center development. In this vein, the Company plans to open *LUMINE Yurakucho* in fall 2011, while office building operations will move forward with the construction of *JR South Shinjuku Building* (provisional name; due to open in summer 2012) and *Kanda Manseibashi Building* (provisional name; due to come into service in winter 2012).

LARGE PROJECTS CURRENTLY UNDER WAY

Other large projects are under way which have no scheduled completion date as of yet, but have the potential to regenerate stations and their environs. One such project involves the construction of a new transportation hub at Shinjuku Station, including plans to construct a station building at the New South Exit. The Company will create an artificial deck approximately 1.47 hectares in size above the tracks, on which it will then build a multilevel urban infrastructure facility to enable passengers to transfer more smoothly between trains, express buses, taxis, and private vehicles. At the same time, JR East plans to construct a station building at the New South Exit of Shinjuku Station. Scheduled to open in spring 2016, the building will have two floors below ground, 33 floors above ground, and a total floor space of approximately 110,000 m^2.

The Company is also rebuilding Chiba Station and the Main Station Building. Specifically, raising the station concourse three floors above the railway tracks will enable the creation of an open-plan, readily recognizable station area befitting the gateway to Chiba's prefectural capital, which has a population of one million. The Company expects that simultaneously rebuilding the station and station building will help invigorate the area around the station by creating appealing commercial spaces that dovetail with the station. Combined, the station and station building will include one underground floor, seven floors above ground, and a total floor space of approximately 70,000 m^2.

Others—Advertising and Publicity

Multi-screen Digital Signage (Tokyo Station)

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

Kiosk Shutter Advertising

Train Channel

OVERVIEW

JR East provides transportation advertising in railway station concourses and in and on railcars, which approximately 17 million people use a day. JR East maintains an overwhelmingly strong position in the business of transportation advertising throughout the Tokyo metropolitan area. To offer but one illustration, JR East's share of this market in the Tokyo Metropolitan area was roughly 50% of actual 2009 advertising billings among all modes of transportation companies.

Susceptibility to economic fluctuations is a characteristic of advertising, and lingering impacts from the earthquake and tsunami's devastation in March have only clouded the outlook further. On the other hand, the development of next-generation technologies and materials is progressing rapidly, and JR East intends to heighten the value of advertising media for advertisers through further digitization and network incorporation.

TOPICS AND OUTLOOK

J-AD VISION

J-AD Vision is an advertising medium utilizing large LCD (liquid crystal display) screens. This new medium enables video broadcasting, and through the use of material that varies by time of day and day of the week, offers the ability to advertise goods and services in a timely manner.

The Company's practice is to install multiple displays at a single location, and the array of 44 displays in the central passage at Shinagawa Station is among the largest in Japan.

This combination of multiple LCD displays and 3D advertising content is highly effective in conveying product attributes. In one instance, the array of panels and 3D content made it appear as though golf balls were in orbit toward passers-by from the far end of the passage. Going forward, JR East will continue installing *J-AD Vision* with a view of broadcasting imagery that takes full advantage of the technology.

MULTI-SCREEN DIGITAL SIGNAGE

In fiscal 2011, the Company installed a multi-screen digital signage display at the Yaesu Central Exit of Tokyo Station. The display is made up of 18 60-inch LCD monitors in an array that is three down and six across, for a total screen size of over 300 inches. This technology puts a whole new face on advertising, in that a variety of content can be displayed on a single video wall.

TRAIN CHANNEL

The *Train Channel* is an advertising medium that broadcasts video commercials on monitors installed inside railcars. Starting with the Yamanote Line in 2002, JR East has progressively installed the *Train Channel* across its network, mostly recently on the Keiyo Line in July 2010. On the Keiyo Line, the high-speed, large-capacity wireless communication service WiMAX is used to enable content transmission to each railcar.

By upgrading news, weather, and information programming, JR East aims to develop the *Train Channel* into an even more attention-grabbing medium. In the year under review, the Company explored a number of ways to provide information in a timely manner via the *Train Channel*, for example, screening updates from the 2010 FIFA World Cup in South Africa, and showing advertisements in connection with weather forecasts.

DEVELOPING NEW ADVERTISING MEDIA BY THINKING OUTSIDE THE BOX

Alongside the aforementioned digitization initiatives, JR East is working on several other modes of advertising far removed from conventional posters and signboards. Experiments undertaken in fiscal 2011 included advertising on escalator handrails as well as on the shutters of *ekinaka* (in-station) shops outside of operating hours. Another involved the use of beverage makers' advertising jingles as departure melodies on station platforms.

Others—Hotel Operations

Concept illustration of *Tokyo Station Hotel*

The wedding chapel in *Hotel Metropolitan Akita*

HOTEL METS Yokohama Tsurumi

OVERVIEW

JR East operates city, business, and such long-term-stay hotels as *Familio* and *Folkloro*, and has 43 hotels with a total of 6,119 guest rooms as of March 31, 2011.

JR East's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. In addition to being advantageously located next to railway stations, those hotels provide sophisticated accommodation, dining, and banquet services. Alternately, JR East's *HOTEL METS* business hotels focus on accommodation, offering comfort comparable to city hotels at reasonable prices. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one.

TOPICS AND OUTLOOK

THE METROPOLITAN HOTELS

The *Metropolitan Hotels* chain comprises 10 hotels and 3,036 guest rooms as of March 31, 2011. In fiscal 2011, JR East vitalized and strengthened the competitiveness of existing facilities by renovating *Hotel Metropolitan Akita* and *Hotel Metropolitan Sendai*, among others. *Metropolitan Hotels* had an occupancy rate of 78.3% in fiscal 2011.

HOTEL METS

The *HOTEL METS* chain includes 21 hotels and 2,325 guest rooms as of March 31, 2011. As well as targeting businesspeople, JR East hopes local residents will use those hotels as gathering places and to accommodate their guests. Fiscal 2011 saw the launch of *HOTEL METS Yokohama Tsurumi* in Kanagawa Prefecture and the renovation of *Hotel Mets Shibuya* in Tokyo. JR East will continue to develop the *HOTEL METS* chain primarily in the Tokyo metropolitan area. The *HOTEL METS* chain had an occupancy rate of 77.4% in fiscal 2011.

FAMILIO AND FOLKLORO

Familio and *Folkloro* account for nine hotels and 272 guest rooms as of March 31, 2011. As part of the *Rediscovering the Region Projects*, JR East is taking steps to develop *Folkloro Iwate Towa* as a French-style (auberge) hotel that uses produce from its attached vegetable garden, and *Familio Tateyama* as a hotel themed on sports and activities for enjoying exercise in the great outdoors.

HOTEL TAKES SHAPE IN TOKYO STATION

At the Marunouchi Exit on the west side of Tokyo Station, JR East is restoring the historic Marunouchi red brick building and developing the open square that it looks onto. JR East plans to open a hotel befitting Japan's flagship railway station inside this important cultural asset in fiscal 2013.

Suica

Ticket gate use

Vending machine use

Suica

View Card with commuter pass function

Tie-up with financial institutions, airlines and retail chains

Convenience store use

OVERVIEW

JR East introduced *Suica* in November 2001 as a fare collection system based on an IC card for displacing magnetically coded tickets. *Suica* is a reusable debit card that can be charged repeatedly with cash and credit prepayments and enables users to board local trains with a touch of a scanner on automatic ticket gates at either end of the journey.

JR East began *Suica* electronic money services in March 2004. At the same time, JR East has been expanding the usage of *Suica* electronic money to *Suica*-compatible vending machines and stores inside and outside stations. The card has won the support of customers for the convenience it offers, making short journeys on trains and small payments quick and effortless. As such, issuance of *Suica* stood at 35.34 million cards as of March 31, 2011.

TOPICS

EXPANDED USAGE AREA OF Suica

Since introduction in November 2001, JR East has worked to expand the usability of *Suica* on railways within the JR East service area and beyond. Starting with *Suica*'s mutual compatibility with *PASMO* IC cards in March 2007, usability was extended to most other railways and bus services in the Tokyo metropolitan area, besides the JR EAST service area in the Tokyo Metropolitan area, Sendai and Niigata. As of March 31, 2011, *Suica* was usable in almost all of Japan's major cities, including ordinance-designated cities, thanks to mutual compatibility with West Japan Railway Company's *ICOCA*, Central Japan Railway Company's *TOICA*, Hokkaido Railway Company's *Kitaca*, Kyushu Railway Company's *SUGOCA*, Nishi-Nippon Railroad's *nimoca*, and Fukuoka Transportation Bureau's *Hayakaken*.

Suica ELECTRONIC MONEY

Since launching the electronic money service of *Suica* in March 2004, JR East has been expanding business partnerships for the card, with the aim of popularizing its usage in a wide variety of settings. Beyond the stores and vending machines inside railway stations, usability of the card has been extended outside

Suica in Use

Mobile Suica express tickets

Green Car (first class) *Suica* system

INSIDE STATIONS

Drink vending machines

Lockers

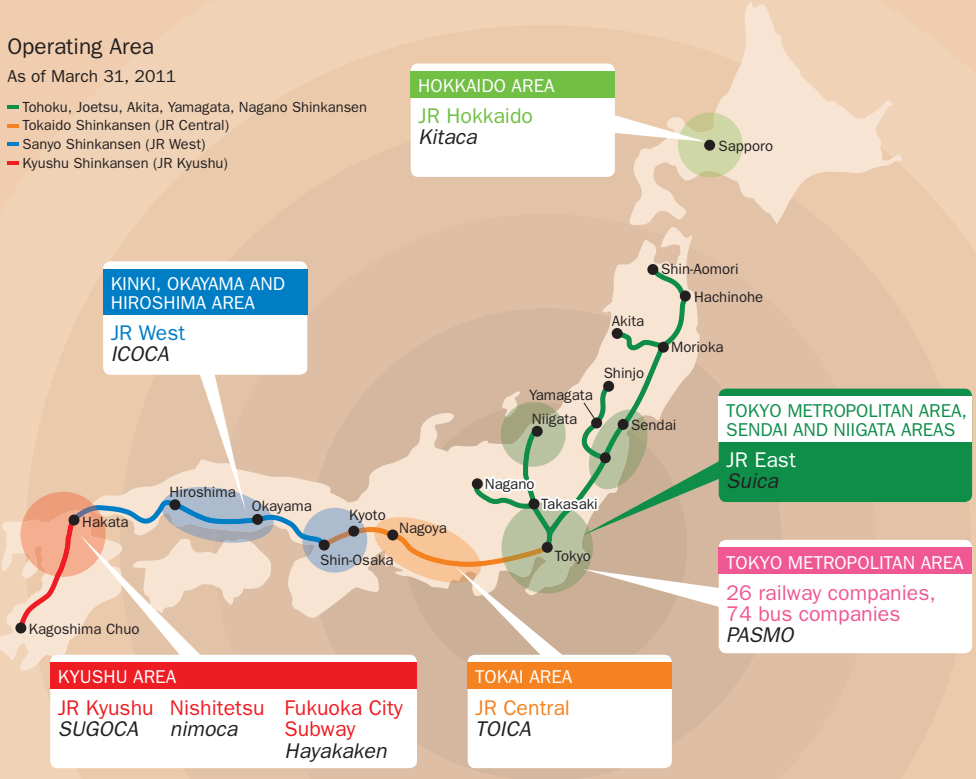
OUTSIDE STATIONS

Convenience stores/ supermarkets

Taxis

Operating Area

As of March 31, 2011



the stations to convenience stores and shopping centers, as well as mass retailers of electronics and home appliances. Also, July 2009 saw the launch of a *Suica* Internet service that expanded the card's usage to the settlement of Internet shopping accounts. JR East is busy at work paving the environment for broadening *Suica*'s usage to all aspects of daily life.

At the same time, JR East has launched a variety of campaigns and programs intended to promote *Suica* usage. One of these is the *Suica Point Club* the Company unveiled in June 2007, which awards users with points usable for charging *Suica.*

As a result of those efforts, usage of *Suica* electronic money has continually grown to the point where the cards were accepted at approximately 143,180 retail locations and turned over a record 2.33 million transactions a day as of March 31, 2011.

MOBILE Suica

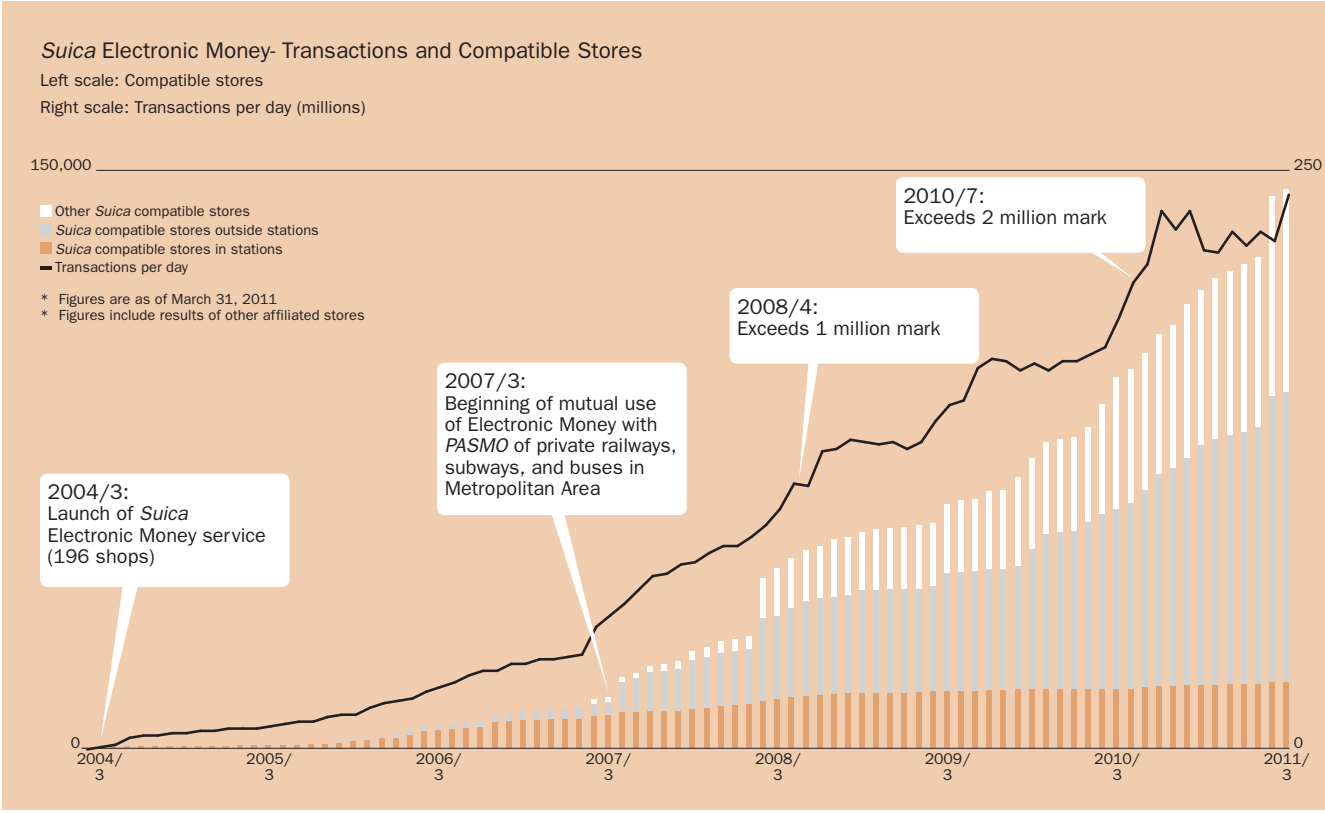
The *Mobile Suica* service, which enables mobile phones equipped with a special microchip to host the card, expands the convenience of *Suica* beyond merely as a debit card. It provides various services using the telecommunications and display functions of mobile phones. For example, the *Mobile Suica Limited Express Ticket* service enables customers to use their mobile phones to book and purchase reserved-seat tickets on the Shinkansen online, and to board the train ticket-free. Membership in this service numbered 2.39 million individuals as of March 31, 2011.

INTEGRATION WITH OTHER CARDS

Furthermore, JR East is developing a lineup of *Suica* services that cater to a wide range of customer needs, such as the *View Card with Suica*, which integrates *Suica* with the credit card functions of the Group's *View Card*, as well as various other multifunctional IC cards integrating *Suica* with company and student identification cards, and cash dispenser cards of financial institutions.

GREEN CAR Suica SYSTEM

Other *Suica* services include the *Green Car Suica System* introduced for usage in first-class ("*Green Car*") carriages on local trains running on the Tokaido Line, Yokosuka Line, Sobu Line (Rapid Service), Shonan-Shinjuku Line, Utsunomiya Line, Takasaki Line and Joban Line. The system tags the seating of users with "*Green Car*" fares charged to their *Suica* cards to eliminate the need for onboard ticket inspections, for their greater ease and comfort in boarding these carriages.



OUTLOOK

BROADENING Suica BEYOND THE CONFINES OF RAILWAY NETWORKS

JR East aims to extend the use of *Suica* to all of its railway lines and expand the mutual compatibility of *Suica* with other IC cards, for the aim of extending the card's acceptance beyond the confines of railway networks.

By the spring of 2013, JR East is planning to make *Suica* mutually compatible with *PiTaPa*, the IC card introduced for various railway and subway lines in the Kansai region, and with *manaca*, the IC card for railways and subways in the Nagoya area. Within the fiscal year ending March 31, 2014, the Company plans to expand this compatibility to *SAPICA*, the IC card for subways, buses and other public transportation servicing the city of Sapporo and its suburbs.

RAISE Suica's STATUS AS THE PREMIER ELECTRONIC MONEY FORMAT, AND NURTURE IT TO HELP DRIVE GROUP EARNINGS

JR East will strive to establish *Suica* as a brand name, by expanding its mutually compatible network for usage as electronic money, and by paving an expansive network for its usage in public transportation in alliance with other groups. Specifically, the Company will work to expand business alliances in all economic subsectors that would benefit from electronic money to spread its usage to a broader range of settings. This will be done for JR East to lead the effort in promoting the mutual compatibility of electronic money cards and terminals, and spread the acceptance of *Suica* electronic money nationwide.

UPGRADE SUICA OPERATIONS TO A COMPREHENSIVE IT BUSINESS, BASED ON INFORMATION THE CARDS LOG

In the process of promoting a shift from payments in cash to *Suica* transactions, JR East will build up a database on consumption behavior for small purchases. From this data, the Company plans to build an IT Business providing analysis of demographic consumption patterns and other behavior useful as marketing data.

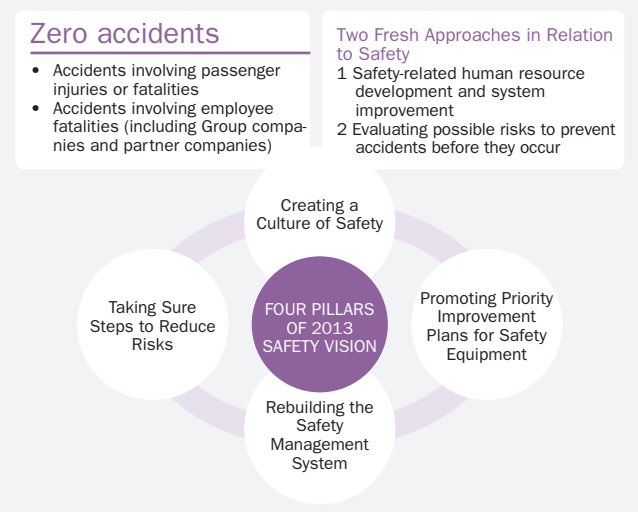
AS A CORPORATE CITIZEN

SAFETY

Since its founding, JR East has worked consistently to improve safety as its most important corporate mission. Also, JR East 2020 Vision—idomu—*calls on JR East to maintain an unflagging commitment to pursuing "extreme safety levels."*

2013 SAFETY VISION

In fiscal 2010, JR East began advancing measures based on its latest five-year safety plan, *2013 Safety Vision*, JR East's fifth such plan since its founding in 1987. Under *2013 Safety Vision*, JR East will make a concerted effort—from the front line to the Head Office—to tackle safety issues under the slogan "think and act for yourself," pursuing a goal of "zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies)." From the two perspectives of safety-related human resource development and system improvement, and not just working to prevent the recurrence of accidents after an accident has already happened, but also evaluating possible risks to prevent accidents before they occur, JR East is taking on the challenge of pursuing "extreme safety levels" supported by four pillars: creating a culture of safety, rebuilding the safety management system, taking sure steps to reduce risks, and promoting priority improvement plans for safety equipment. Under *2013 Safety Vision*, JR East anticipates an investment of approximately ¥750 billion in safety over the five years from fiscal 2010.



PROMOTING PRIORITY IMPROVEMENT PLANS FOR SAFETY EQUIPMENT

JR East has invested approximately ¥2.5 trillion in safety since its founding in 1987. In fiscal 2011, JR East invested approximately ¥168 billion in safety. Major safety initiatives included installing more ATS-P and ATS-Ps (automatic train-stop systems) to prevent train collisions and derailments, undertaking construction and engineering work to reinforce earthquake resistance, and introducing automatic platform gates on the Yamanote Line.

TAKING SURE STEPS TO REDUCE RISKS

JR East has introduced an approach to prevention that evaluates risks and addresses them in the order of highest priority. This approach estimates the maximum damage from accidents and incidents that JR East may have underrated because, while they occur with a certain frequency, they have fortunately not resulted in significant damage to date.

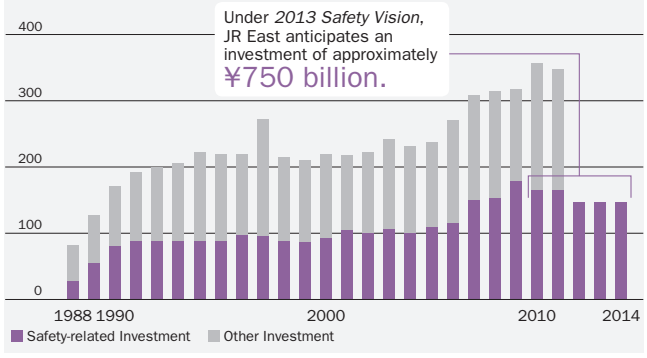
CREATING A CULTURE OF SAFETY / REBUILDING THE SAFETY MANAGEMENT SYSTEM

The standard of conduct for JR East is the "*Three Actualities Principle*" (actual locations, actual objects, actual people). In addition, JR East is revitalizing the *Challenge Safety Campaign*, which enhances safety awareness among all employees.

At each branch office and operational body, JR East is identifying key employees to be fostered as "Safety Professionals" and "Key Safety Leaders." Also, JR East is making a concerted effort to further enhance safety by helping the safety divisions of Group companies improve safety, developing systems to improve facilities and equipment, and fostering related personnel.

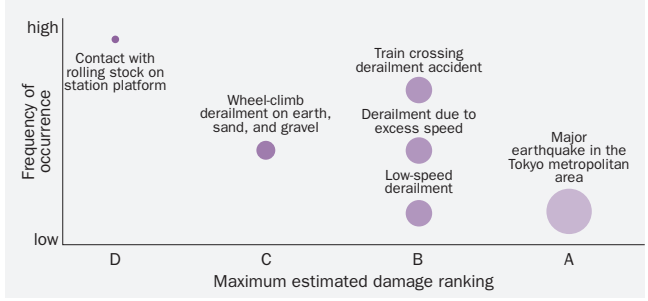
Safety-related Investment (Years ended March 31)

Billions of Yen



Fiscal 2011: Total investment of ¥354.4 billion, including ¥167.9 billion in safety-related investment

Frequency of Occurrence and Maximum Estimated Damage Ranking



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

RESULTS TO DATE AND INITIATIVES FOR THE FUTURE

(1) Decrease in Railway Accidents

The incidence of railway accidents has decreased markedly since JR East's founding. This has been a result of successive medium-term safety plans designed and implemented with a view to building and improving on safety equipment, and enhancing the safety awareness and expertise of each and every employee.

(2) Great East Japan Earthquake

The Great East Japan Earthquake on March 11, 2011 inflicted damage of unprecedented proportions, particularly in the Tohoku and Kanto regions that JR East services. Railway facilities suffered extensive damage over a large area. However, thanks to aseismatic reinforcement work and other projects pursued so far, the collapse of viaduct columns and tunnels and other fatal infrastructure damage was avoided. For more details, please refer to our special feature on the Great East Japan Earthquake.

(3) Initiatives for the Future

Under *2013 Safety Vision*, JR East will maintain an unflagging and concerted commitment to pursuing "extreme safety levels" with the goal of zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies). With regard to plans in the aftermath of the Great East Japan Earthquake, JR East will formulate new targets following careful assessment of the damage.

TOPIC 1: Installation of Automatic Platform Gates

In a bid to prevent passengers from falling from platforms and coming into contact with trains, JR East has begun installing automatic platform gates on the Yamanote Line, where such accidents are especially common. The first such installation was on June 26, 2010, at Ebisu Station, with automatic platform gates also entering service at Meguro Station on August 28, 2010.

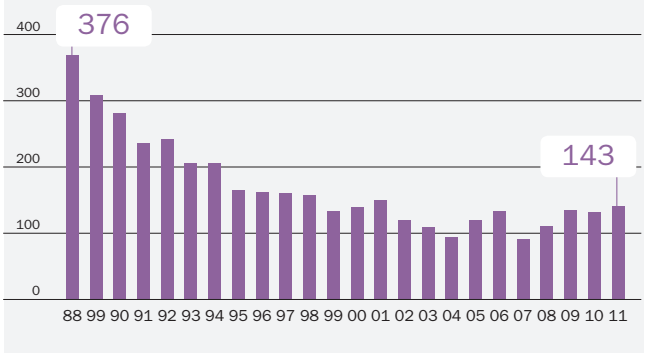
To increase safety, JR East's automatic platform gates are equipped with high-performance sensors and camera-aided monitoring systems. They also feature the Train Automatic Stop Control (TASC) system, which aids in ensuring that the doors on each railway carriage are correctly aligned with the gates on the platform.

Automatic Platform Gates

Characteristics of JR East's Platform Gate System:
- *Partial installation of glass platform gates*
- *Measures against entanglement*
- *Emergency escape hatch*
- *Door squeeze detector*
- *High-performance sensor*

JR East's aim is to use this trial deployment at Ebisu and Meguro Stations to identify technical issues and ascertain the impact on train services. The knowledge thus gained will be reflected in the third station for installation onward. JR East expects to install automatic platform gates at Osaki and Ikebukuro Stations in fiscal 2013 and at Otsuka, Sugamo, Komagome, Shin-Okubo, Mejiro, Takadanobaba and Tamachi Stations in fiscal 2014. By fiscal 2018 it plans to have automatic platform gates installed at all stations on the entire Yamanote Line. But in the meantime JR East will continue to examine the possibility of installing the gates as early as possible.

Look-back on Railway Accident Frequency (Years ended March 31)



Topic 2: ATACS installation

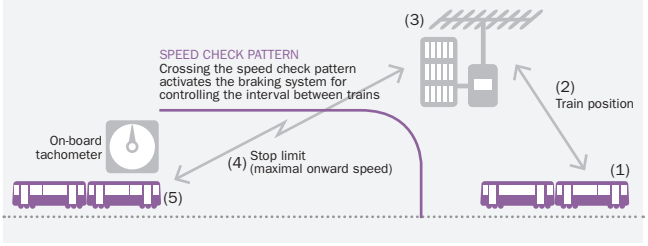
JR East is carrying out work with a view to introducing a new radio train control system *ATACS* (Advanced Train Administration and Communications System) on the Senseki Line section between Aobadori Station and Higashi-Shiogama Station.

Currently, track circuits are employed in monitoring train positions, with wayside signals used to inform the drivers of later trains of the speed at which they should proceed. Under this system, drivers control train speeds by applying the brakes as directed by wayside signals.

ATACS uses digital radio communication to control trains. With *ATACS*, on-board devices communicate regularly with wayside equipment, constantly receiving the latest information on such issues as mandatory stop positions and temporary speed limits. The on-board equipment then processes this information to determine the permissible traveling speed. In this manner, speed (and brakes) can be automatically controlled. The objective of installing *ATACS* is to simplify conventional signaling equipment (wayside signals, ATS systems and the like), thereby lowering costs associated with maintenance and upgrades, and saving manpower.

The first step, to be undertaken in September 2011, will be to equip the Aobadori to Higashi-Shiogama stretch of the Senseki Line with the basic functions necessary for railway operations, such as train interval control. The second step, to be undertaken in 2012 and afterward, will involve progressive installation of additional functions such as level crossing control and the capacity to set temporary speed limits.

Interval Control System of *ATACS*



(1) Train position is calculated based on wayside equipment in fixed intervals along the track and on the tachometer on board trains.

(2) Train positions are transmitted to the wayside equipment using radio equipment.

(3) The wayside equipment produces a stop limit based on the position data it has of all trains along the track.

(4) The stop limits are transmitted to the trains from the wayside equipment using radio equipment.

(5) The trains use this data along with stored information on railcar specification, rail curve and rail grade to produce a speed check pattern that controls the braking system to keep the trains moving at speeds within the pattern.

ENVIRONMENTAL ISSUES

JR East has developed a wide range of environmental initiatives that reflect its basic philosophy of promoting ecological activities—diligently striving to balance environmental protection with business activities.

JR East will continue disclosing environmental information based on feedback from stakeholders, expanding and improving environmental preservation initiatives, and making railways even more environmentally friendly. Moreover, JR East will spare no effort to realize fully the environmental advantages of railways over other forms of transportation by making railways even easier to use.

RAILWAYS' ENVIRONMENTAL ADVANTAGES

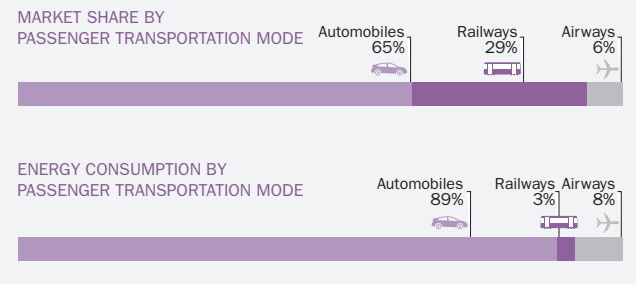
Train travel accounts for around 29% of domestic travel in Japan, yet its share of overall energy consumption is only around 3%. This is a clear indication of railways' advantage over cars and other forms of transport, in terms of energy efficiency per unit of transport volume.

Furthermore, while a car produces 164 grams of carbon dioxide (CO_2) when it transports one person for one kilometer, trains emit only 19 grams of CO_2. JR East trains emit a mere 12 grams of CO_2 (roughly 1/14 of the equivalent figure for cars), as JR East is a frontrunner among Japanese railway operators in terms of transport efficiency and the adoption of energy-saving railcars (actual results for fiscal 2009).

Such figures indicate that in comparison with other modes of transport, railways have lower energy consumption and CO_2 emissions per unit of transport volume. Rail can therefore be described as an environmentally-friendly form of transport, with limited impact on the environment.

However, while railways have a small environmental impact in relative terms, JR East has a large rail network that each year emits some 2.54 million tons of CO_2 (actual figure for fiscal 2010). Rather than feeling complacent about the environmental advantages of rail transport, JR East will continue making strenuous efforts to tackle environmental issues, and setting consistently high goals.

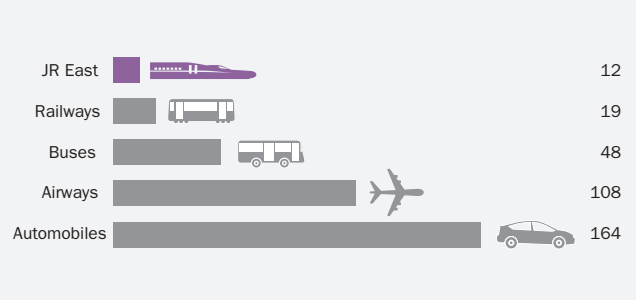
Energy Consumption and Transportation Market Share



Source: Compiled based on data from The Energy Conservation Center, Japan's Handbook of Energy & Economic Statistics in Japan

CO_2 Emitted per Passenger Kilometer by Transportation Mode

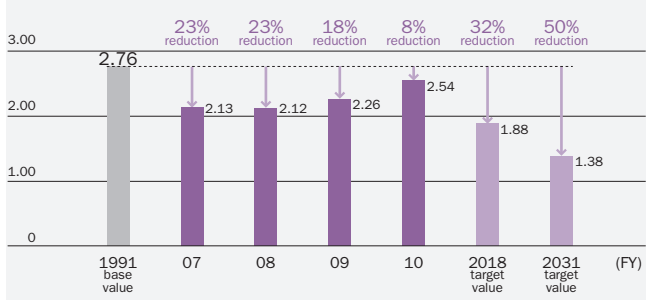
(g-CO_2)



Source: Compiled based on JR East and Ministry of Land, Infrastructure, Transport and Tourism data.

Trend in the Total CO_2 Emissions of JR East

(Million t-CO_2)



ENVIRONMENTAL PRESERVATION INITIATIVES

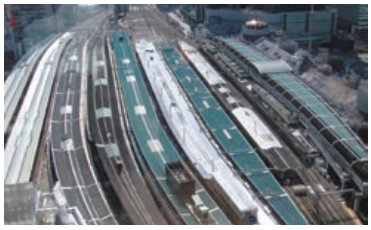
(1) Measures to Prevent Global Warming

1) Reduction of energy that train operations use

Energy used by its railway operations accounts for approximately 70% of the total energy consumed by JR East. By the end of fiscal 2010, 88% of JR East's total rolling stock, or 10,883 railcars, were energy-efficient railcars, and the volume of energy used in railway operations had decreased roughly 1% from the fiscal 2007 level.

2) Energy saving and CO_2 reduction

As part of initiatives to reduce the amount of energy used by its railway stations and offices, JR East began installing environmentally-friendly, flat-screen LED information displays in January 2009, mainly in the Tokyo metropolitan area. Further, in order to mitigate the "heat island" phenomenon and curb the energy it uses for air-conditioning, JR East is introducing plants to the rooftops of its railway stations and office buildings.



Photovoltaic Panels on Tokyo Station's Tokaido Line Platform (Tracks No. 9 and 10)

JR East is also promoting the use of natural energy sources. To this end, it has installed solar panels above the Shinkansen platforms at Tokyo Station and Takasaki Station, and in February 2011, it began using solar panels installed above the platform serving Tokaido Line tracks No. 9 and 10 at Tokyo Station.

(2) Measures to Create a Sound Material Cycle

1) Reducing waste and recycling

JR East generates many kinds of waste through its railway operations, including daily trash removed from trains and stations and industrial waste from our General Rolling Stock Centers. In addition, restaurants and retail stores in our life-style businesses produce garbage and general waste. In order to reduce the various forms of waste produced by its railway operations and life-style businesses, JR East actively supports the approach known as "reduce, reuse, recycle." For recycling in particular, goals are set for each type of waste.

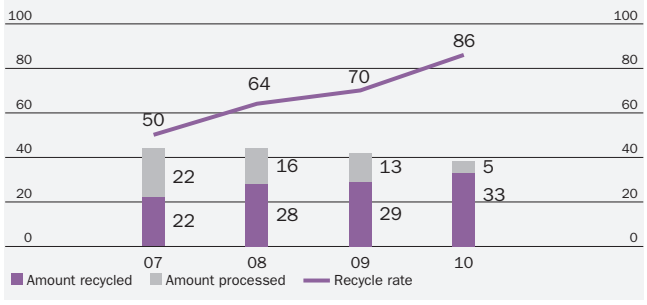
2) Recycling waste collected from stations and trains

In fiscal 2010, waste collected from our stations and trains amounted to 38 thousand tons, of which 86% was recycled. JR East has installed separate refuse bins for different types of waste at stations, and has established its own recycling centers in the Tokyo metropolitan area to ensure thorough sorting of waste after it has been collected. In October 2010, JR East opened the latest such facility, the JR East Tokyo Resource Recycling Center.

JR East Tokyo Resource Recycling Center

Waste from Stations and Trains

Thousand tons/%



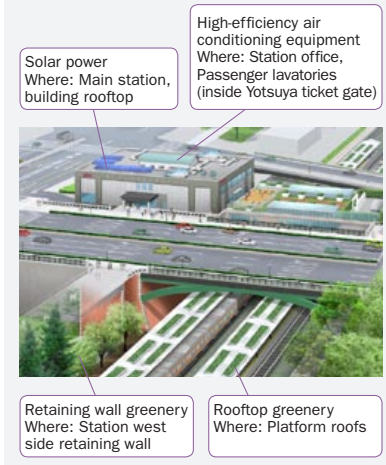
TOPIC 1: *Ecoste*
Environment Earth Conscious Station of East Japan Railway

JR East has begun work on improving the Chuo Line's Yotsuya Station as the first model station under "*ecoste*: Environment Earth Conscious Station of East Japan Railway Company," an initiative to equip railway stations with a variety of "Eco-Menu" environmental conservation technologies (energy conservation, renewable energy, etc.) as called for in *JR East 2020 Vision—idomu—.*

"*ecoste*" will advance eco-friendly initiatives in four pillars.

1) Energy Conservation: Promoting more advanced energy conservation
   Initiatives that contribute directly to a reduction in energy use, such as high-efficiency lighting and air conditioning
2) Energy Creation: Actively implementing renewable energy
   Initiatives to create energy without depending on fossil fuels (e.g., with solar energy)
3) Eco-Awareness: Building facilities that make users eco-aware
   Initiatives that give people eco-awareness, such as natural ventilation systems
4) Environmental Harmonization: Creating vitality by harmonizing people with their environment
   Initiatives that emphasize the relationship between nature and the local area, through green spaces on station buildings, etc.

Yotsuya Station on the Chuo Line, The First *ecoste* Model Station

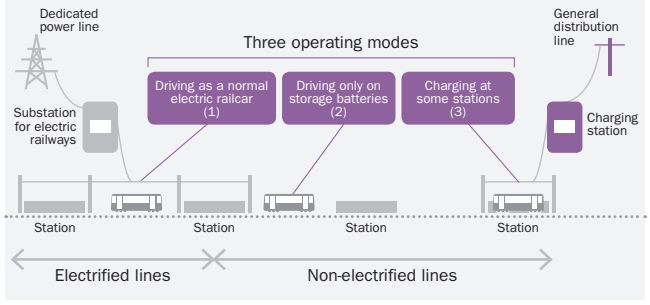


Topic 2: Progress in Technological Development
Development of a Storage-Battery Train System

To reduce environmental impact in non-electrified railway sections, JR East is developing a storage-battery train system. Using the experimental railcar, *NE Train Smart Denchi Kun*, which is equipped with this system, JR East is now running tests for further verification.

NE Train Smart Denchi Kun

Configuration of a Storage-Battery Train System



FOR SOCIETY

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

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

REDISCOVERING THE REGION PROJECTS

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

JR East takes concrete initiatives to activate resources and generate new employment in local communities. Namely, working in partnership with local communities, it hosts *Sanchoku-Ichi* (farmers' markets), cultivates markets for traditional arts and crafts, and helps develop businesses in locally processed agricultural products. Moreover, JR East helps create human interaction, including travel, between Tokyo and the outlying regions by sponsoring events and transmitting regional information.

SUPPORT FOR PARENTS WORKING WHILE REARING CHILDREN

As part of its initiatives to develop towns in partnership with local communities, JR East supports working parents by developing *Station Day Care* facilities, most of which are within five minutes walk of a JR East railway station. Since 1996, JR East has developed 54 day care facilities, as of April 2011, and plans to open even more. JR East's *Station Day Care* facilities allow parents to drop off and pick up their preschool children on the way to and from work. At *Station Day Care* facilities, fathers bringing their children to the facilities is a common sight. In this way, the facilities are helping fathers take part in child rearing. Looking ahead, JR East will benefit local communities and make line-side areas even more attractive and convenient by its active involvement in developing a broader range of support beyond the realm of preschool day care, including daycare facilities for schoolchildren and parent-child community cafes.

THE RAILWAY MUSEUM

In October 2007, JR East opened The Railway Museum as the flagship project commemorating the 20th anniversary of JR East's incorporation. A public interest incorporated foundation, the East Japan Railway Culture Foundation* built the museum on land that JR East owns in Saitama City. In concept, the facility houses three types of museums; First, a "Railway Museum" to systematically research and curate railway artifacts and documents. Second, a "Historical Museum" to document railway history through mainly the exhibit of actual railcars and locomotives. And third, an "Educational Museum" to provide interactive learning on the fundamentals, structure and technology of railways. Since opening, the museum continues to attract many visitors. In the year ended March 31, 2011 alone, roughly 820,000 people visited the museum.

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

Akita *Sanchoku-Ichi* (farmers' markets)

Station Day Care facilities

The Railway Museum

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of July 2011

MUTSUTAKE OTSUKA
Chairman

YOSHIO ISHIDA
Vice Chairman
Technology and Overseas Related Affairs

MASAKI OGATA
Vice Chairman
IT, Service Quality and Overseas Cooperation

SATOSHI SEINO*1
President and CEO

TETSURO TOMITA*1
Executive Vice President
Corporate Planning Headquarters

YOSHIAKI ARAI*1
Executive Vice President
Life-style Business Development Headquarters

TSUGIO SEKIJI*1
Executive Vice President
Railway Operations Headquarters

EXECUTIVE DIRECTORS

YOICHI MINAMI
Tourism Promotion

TORU OWADA
Corporate Planning Headquarters; Inquiry & Audit Department; Finance Department

YUJI FUKASAWA
Public Relations Department; Personnel Department; Health & Welfare Department; Legal Department; General Affairs Department

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

SHIGERU TANABE
Tokyo Branch Office

YOSHITAKA TAURA
IT & Suica Business Development Headquarters; Service Quality Reform Department, Railway Operations Headquarters

NAOMICHI YAGISHITA
Railway Operations Headquarters; Facilities Department, Railway Operations Headquarters; Electrical & Signal Network System Department, Railway Operations Headquarters

NAOTO MIYASHITA
Railway Operations Headquarters; Transport Safety Department, Railway Operations Headquarters; Transport & Rolling Stock Department, Railway Operations Headquarters

YUJI MORIMOTO
Life-style Business Development Headquarters

TSUKASA HARAGUCHI
Railway Operations Headquarters; Marketing Department, Railway Operations Headquarters

DIRECTORS

OSAMU KAWANOBE
General Affairs Department

TOSHIRO ICHINOSE
Personnel Department; JR East General Education Center

MASAYUKI SATOMI
Sendai Branch Office

KIMIO SHIMIZU
Life-style Business Development Headquarters; Life-style Business Development Headquarters (Station Space Utilization and Property Management); Life-style Business Development Headquarters (Management Strategy)

TADAMI TSUCHIYA
Electrical & Signal Network System Department, Railway Operations Headquarters

YASUYOSHI UMEHARA
Tokyo Station, Tokyo Branch Office

MAKOTO TAKAHASHI
Management Planning Department, Corporate Planning Headquarters

TAKESHI SASAKI*2
TOMOKAZU HAMAGUCHI*2

FULL-TIME CORPORATE AUDITORS

SHIGEO HOSHINO*3
HAJIME HIGASHIKAWA*3

CORPORATE AUDITORS

KIYOMI HARAYAMA
TOSHIAKI YAMAGUCHI*3
(Certified Public Accountant)
MUTSUO NITTA*3
(Attorney)

*1 Representative director
*2 Outside corporate director
*3 Outside corporate auditor

CORPORATE GOVERNANCE

JR EAST'S BASIC CORPORATE GOVERNANCE PHILOSOPHY

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

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

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

CURRENT STATUS OF CORPORATE GOVERNANCE SYSTEMS

Reason for Adopting Current Corporate Governance System

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

Overview of Corporate Governance Units

JR East's Board of Directors comprised 26 directors, including two outside corporate directors as of June 23, 2011. Meeting once a month in principle, the Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Created by the Board of Directors, the Executive Committee includes all directors with executive functions. Meeting once a week in principle, the Executive Committee deliberates on matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee, which mainly consists of directors with executive functions, convenes as required and considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

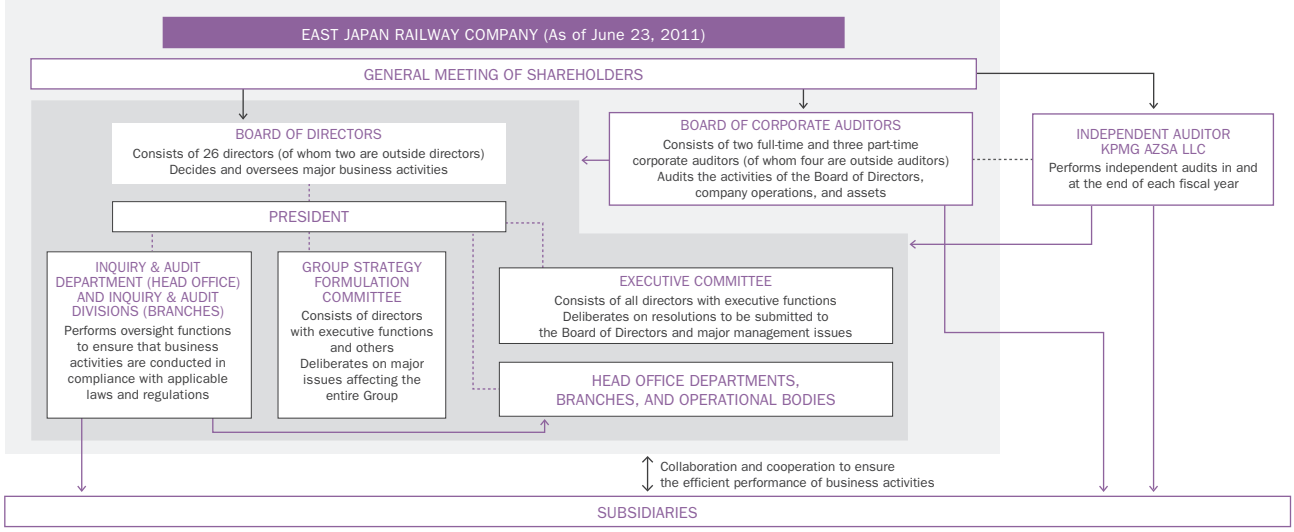
The Board of Corporate Auditors comprises five corporate auditors, including two full-time and three part-time corporate auditors, of whom four are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation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

Basic Internal Control Policy for Financial Reports

JR East basic internal control policy for financial reports is as follows:

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

Conceptual Diagram of Corporate Governance



Current State of Risk Management Systems

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

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

Overview of Limited Liability Agreements

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

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

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

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

Regarding accounting audits, the consolidated accounts of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA LLC, in and at the end of each fiscal year. The following is a breakdown of the certified public accountants (CPAs) who conducted accounting audits in the fiscal year under review as well as their auditing assistants. Effective from July 1, 2010, KPMG AZSA & Co. became KPMG AZSA LLC, due to a change in the category of audit corporation.

- Designated certified public accountants:
  Teruo Suzuki, Teruhiko Tanaka and Kazuhiko Azami
- Breakdown of auditing assistants:

certified public accountants	12
other	25

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

Outside Directors and Outside Corporate Auditors

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

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

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

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

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

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

Principal Activities of Outside Directors and Outside Corporate Auditors in Fiscal 2011

Title	Name	Principal activities
Outside Director	TAKESHI SASAKI	Attended 14 meetings out of all 17 meetings of the Board of Directors during this fiscal year and spoke on the Company's management issues based on his wide experience as an expert.
Outside Director	TOMOKAZU HAMAGUCHI	Attended 12 meetings out of all 13 meetings of the Board of Directors held while in office during this fiscal year and spoke on the Company's management issues based on his wide experience as a top executive.
Outside Corporate Auditor	TOSHIAKI OMORI	Attended all meetings of the Board of Directors and the Board of Corporate Auditors during this fiscal year and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	JIRO BANDO	Attended all meetings of the Board of Directors and the Board of Corporate Auditors during this fiscal year and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	TOSHIAKI YAMAGUCHI	Attended 16 meetings out of all 17 meetings of the Board of Directors and all meetings of the Board of Corporate Auditors held during this fiscal year and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	MUTSUO NITTA	Attended 16 meetings out of all 17 meetings of the Board of Directors and 16 meetings out of all 17 meetings of the Board of Corporate Auditors held during this fiscal year and spoke on the Company's management issues based on his wide experience as an attorney-at-law.

Appointment Status of Outside Directors (as of July 2011)

Name	Positions at other entities	Reasons for election
TAKESHI SASAKI	*Professor, Department of Political Studies, Faculty of Law, Gakushuin University, Outside Director, ORIX Corporation, Outside Director, Toshiba Corporation*	Mr. Sasaki is elected on the basis of his vast experience and expertise as a former Dean of the Faculty of Law, University of Tokyo and a former President of the University of Tokyo.
TOMOKAZU HAMAGUCHI	*Adviser, NTT DATA CORPORATION Outside Director, IHI Corporation*	Mr. Hamaguchi is elected on the basis of his vast experience and expertise as a former President and CEO of NTT DATA CORPORATION.

Appointment Status of Outside Corporate Auditors (as of July 2011)

Name	Positions at other entities	Reasons for election
SHIGEO HOSHINO	—	Mr. Hoshino is elected on the basis of his vast experience and expertise in major posts at Ministry of Land, Infrastructure, Transport and Tourism.
HAJIME HIGASHIKAWA	—	Mr. Higashikawa is elected on the basis of his vast experience and expertise in major posts at the National Police Agency.
TOSHIAKI YAMAGUCHI	*Certified Public Accountant*	Mr. Yamaguchi is elected on the basis of his vast experience and expertise as a certified public accountant.
MUTSUO NITTA	*Attorney, Outside Corporate Auditor, Sumitomo Corporation*	Mr. Nitta is elected on the basis of his vast experience and expertise as a judge and attorney-at-law.

COMPENSATION OF DIRECTORS AND CORPORATE AUDITORS

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

		Total Amount of Remuneration by Type (¥ Million)		
Position	Total Amount of Remuneration (¥ Million)	Basic Remuneration	Bonuses	Number of Recipients
Directors (not including outside directors)	878	788	90	26
Corporate auditors (not including outside corporate auditors)	9	8	0	1
Outside directors and outside corporate auditors	108	97	11	7
Total	996	893	102	34

Notes
1. The amount of remuneration, etc. includes the amount paid to three directors retired at the conclusion of the 23rd Ordinary General Meeting of Shareholders held on June 23, 2010.
2. The Company's retirement benefit scheme for directors and corporate auditors was abolished at the conclusion of the 17th Ordinary General Meeting of Shareholders held on June 23, 2004. It was approved at the meeting that vested retirement benefits would be paid out to each director or corporate auditor who was reappointed or was in the middle of his or her term of office at such meeting, based on the Company's regulations. In accordance with such approval, retirement benefits in the amount of ¥5 million were paid to one outside director who retired during this fiscal year in addition to the above remuneration.

Total Consolidated Remuneration of JR East's Directors

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

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

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

Number of Directors

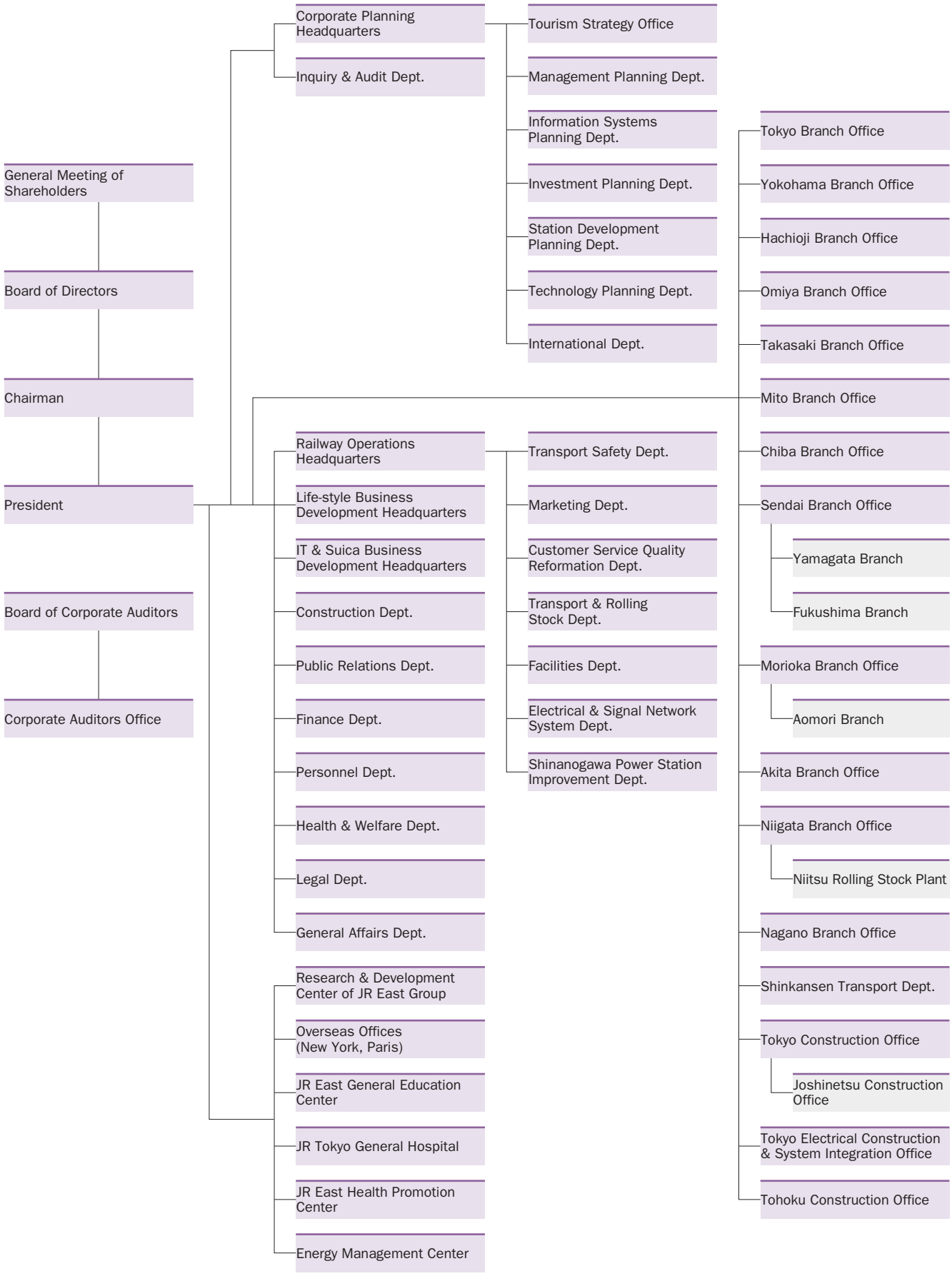
JR East's articles of incorporation stipulate that the number of JR East's directors shall be 30 or less.

Conditions for Determining the Selection of Directors

The conditions stipulated by JR East's articles of incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights. In addition, the articles of incorporation also stipulate that no cumulative voting shall be used for the selection of directors.

ORGANIZATION

As of July 2011



JR EAST: DOMESTIC AND INTERNATIONAL PERSPECTIVES

JR EAST: DOMESTIC AND INTERNATIONAL PERSPECTIVES

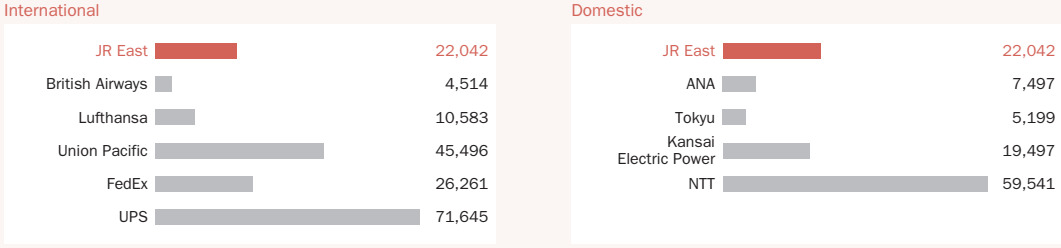
PEER GROUP COMPARISONS

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

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

Total Stock Market Value

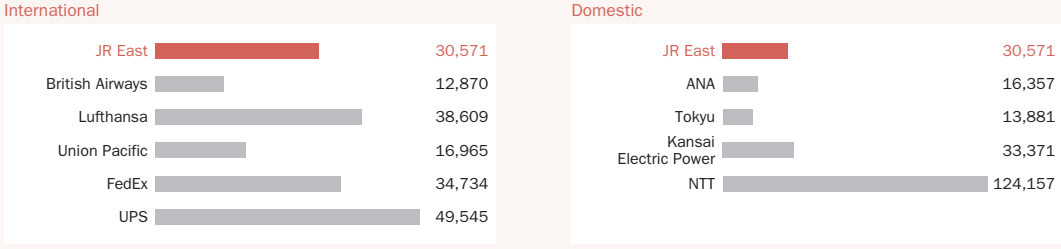
Millions of U.S. Dollars



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

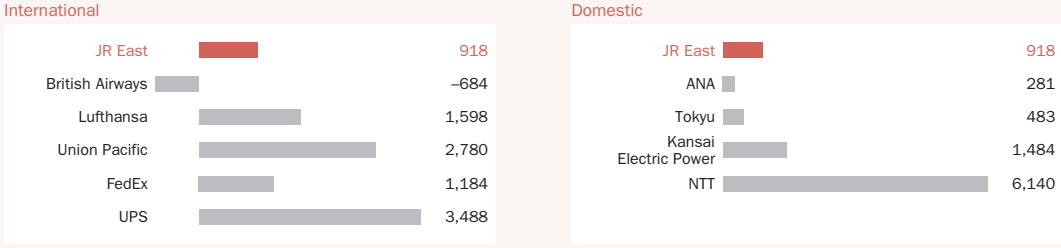
Operating Revenues

Millions of U.S. Dollars



Net Income (Loss)

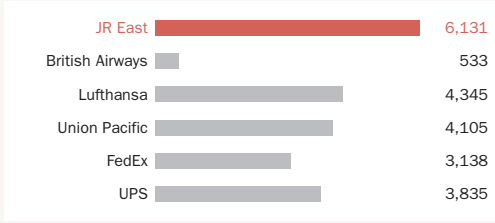
Millions of U.S. Dollars



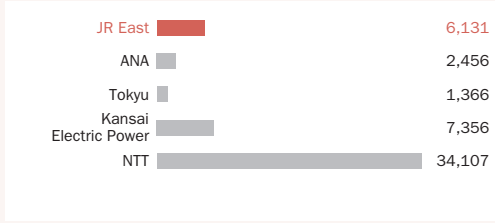
Cash Flows from Operating Activities

Millions of U.S. Dollars

International



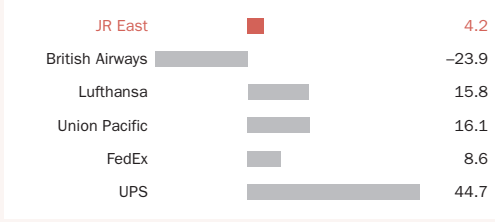
Domestic



Return on Average Equity (ROE)

%

International



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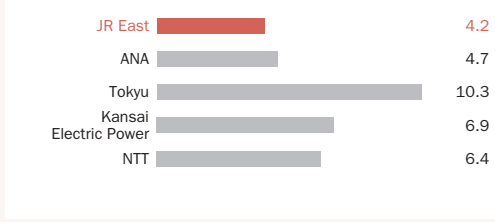
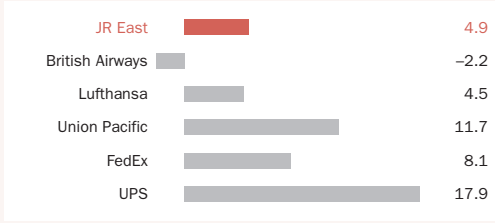


Average equity is the average of equity at the end of the previous and applicable fiscal years.

Ratio of Operating Income to Average Assets (ROA)

%

International



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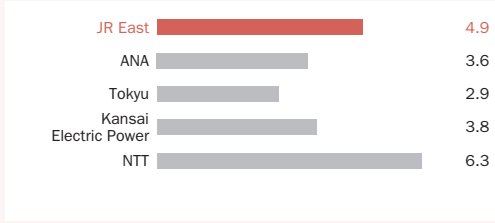


Average assets is the average of assets at the end of the previous and applicable fiscal years.

- Year ended March 31, 2011 (Year ended December 31, 2010, for Lufthansa, Union Pacific, and UPS, year ended May 31, 2010, for FedEx, year ended March 31, 2010, for British Airways)
- ANA: All Nippon Airways Co., Ltd.; Tokyu: Tokyu Corporation; NTT: Nippon Telegraph and Telephone Corporation
- Data in this section are based on consolidated figures from each company's annual report or financial press releases.
- The exchange rate used is the rate on March 31, 2011 ($1=¥83, £1=$1.61, €1=$1.41).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $55.62 for JR East, $3.91 for British Airways, $23.12 for Lufthansa, $92.66 for Union Pacific, $83.49 for FedEx, $72.58 for UPS, $2.98 for ANA, $4.15 for Tokyu, $21.78 for Kansai Electric Power, and $44.92 for NTT.

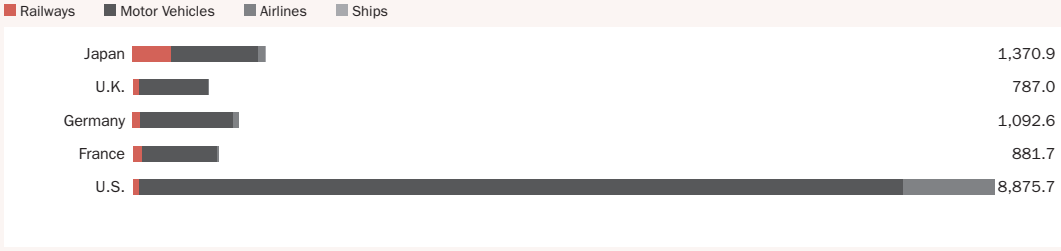
INTERNATIONAL RAILWAY COMPARISONS

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

TRANSPORTATION MARKET

Composition by Type of Transportation

Billions of Passenger Kilometers



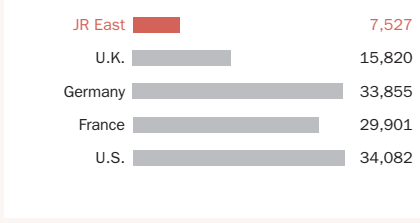
	Railways		Motor Vehicles						Airlines		Ships		Total	
			Buses		Cars		Total							
	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%	Billions	%
Japan	393.9	28.7%	87.4	6.4%	811.3	59.2%	898.7	65.6%	75.2	5.5%	3.1	0.2%	1,370.9	100.0%
U.K.	61.0	7.8%	39.0	5.0%	678.0	86.1%	717.0	91.1%	9.0	1.1%	N.A.	N.A.	787.0	100.0%
Germany	82.5	7.5%	79.7	7.3%	869.6	79.6%	949.3	86.9%	60.8	5.6%	N.A.	N.A.	1,092.6	100.0%
France	99.9	11.3%	48.5	5.5%	720.2	81.7%	768.7	87.2%	13.1	1.5%	N.A.	N.A.	881.7	100.0%
U.S.	61.7	0.7%	274.3	3.1%	7,600.5	85.6%	7,874.8	88.7%	939.1	10.6%	N.A.	N.A.	8,875.7	100.0%

- Respective figures are for the following years: Japan, year ended March 31, 2010; U.K., year ended March 31, 2008; Germany, France and U.S., year ended December 31, 2008.
- Railway figures for Japan include JR East passenger kilometers (127.0 billion, exclusive of Tokyo Monorail).

Sources: Japan: Ministry of Land, Infrastructure, Transport and Tourism; U.K.: Transport Statistics Great Britain 2010; Germany: Verkehr in Zahlen 2009/2010; France: Website of Ministry for Infrastructure, Transport, Housing, Tourism, and the Sea of France; U.S.: National Transportation Statistics 2009.

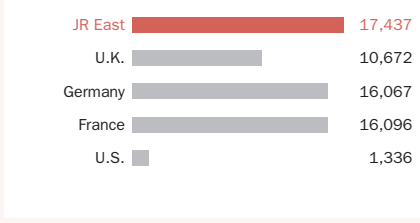
Railway Line Networks

Kilometers



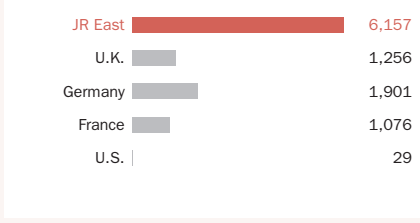
Revenues from Railway Operations

Millions of U.S. Dollars

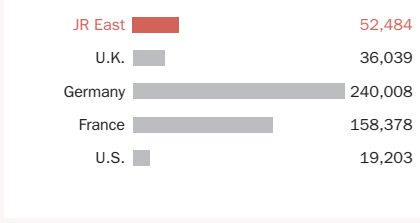


Number of Passengers

Millions

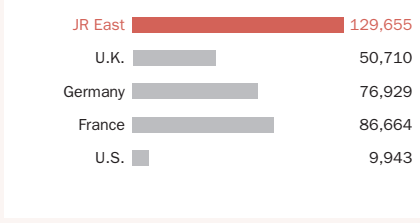


Number of Employees



Passenger Kilometers

Millions



- As of December 31, 2008, except for the following: JR East, as of March 31, 2009
- U.K.: Association of Train Operating Companies (Railway tracks are owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: Société Nationale des Chemins de fer Français (SNCF) (Railway tracks are owned by Réseau Ferré de France (RFF)); U.S.: National Railroad Passenger Corporation (Amtrak)
- Revenues from railway operations do not include freight and other service revenues.
- Figures for JR East do not include Tokyo Monorail.
- The exchange rate used is the rate for March 31, 2009 ($1=¥98, £1=$1.43, €=$1.32).

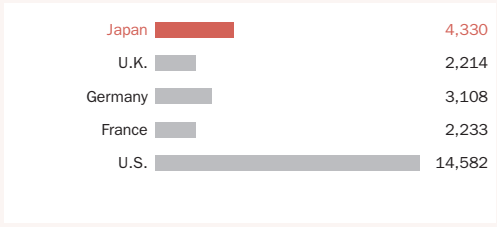
Source: Statistiques Internationale des Chemins de Fer 2008, Union Internationale des Chemins de Fer

FUNDAMENTALS

Gross Domestic Product

Billions of U.S. Dollars

2010



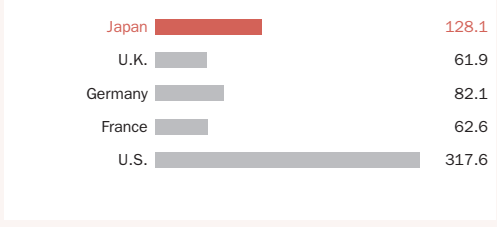
	2006	2007	2008	2009	2010
Japan	4,071	4,290	4,323	4,135	4,330
U.K.	2,119	2,178	2,261	2,173	2,214
Germany	2,777	2,931	3,053	2,975	3,108
France	2,000	2,124	2,196	2,173	2,233
U.S.	13,336	13,995	14,297	14,044	14,582

Source: Annual National Accounts database, OECD

Population

Millions

2010

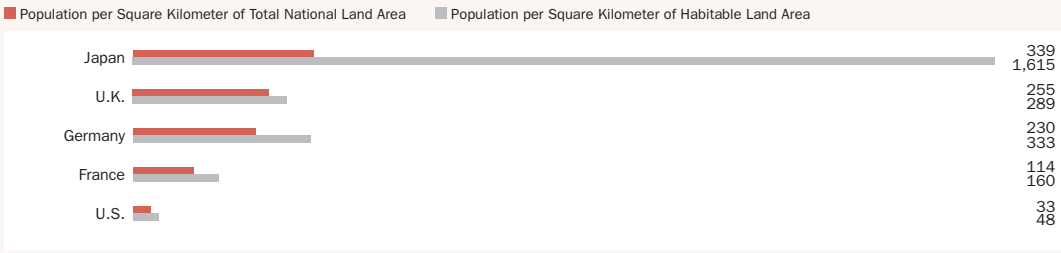


	2006	2007	2008	2009	2010
Japan	127.8	127.8	127.7	127.5	128.1
U.K.	59.8	60.0	61.0	61.6	61.9
Germany	82.7	82.7	82.5	82.2	82.1
France	60.7	60.9	61.9	62.3	62.6
U.S.	301.0	303.9	308.8	314.7	317.6

Sources: Japan: Current Population Estimates and Census, Ministry of Internal Affairs and Communications Statistics Bureau;
Other countries: State of World Population, UNFPA

Population Density

Per Square Kilometer



	2006		2007		2008		2009		2010	
	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area	Total National Land Area	Habitable Land Area
Japan	338	1,610	338	1,607	337	1,606	337	1,605	339	1,615
U.K.	246	274	247	274	254	284	254	287	255	289
Germany	232	342	232	336	230	335	230	334	230	333
France	110	152	110	154	113	156	113	157	114	160
U.S.	31	49	32	46	33	47	33	48	33	48

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

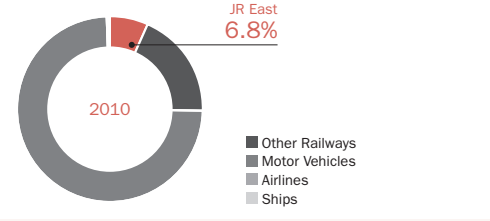
Population
Japan: Current Population Estimates and Census (October 1, 2010), Ministry of Internal Affairs and Communications Statistics Bureau; Other countries: United Nations data
Habitable land area
Japan: Land White Paper, Ministry of Land, Infrastructure, Transport and Tourism. Total area minus forests and woodland, barren land, area under inland water bodies, and other; Other countries: Global Forest Resources Assessment 2010, FAO

RAILWAY OPERATIONS IN JAPAN

Railways play a vital role in Japan, a nation of limited landmass and high population density. Here, railways carry roughly 30% of the passenger volume in all modes of transportation, and JR East accounts for roughly 30% of the passenger volume in railways.

SHARE OF DOMESTIC TRANSPORTATION

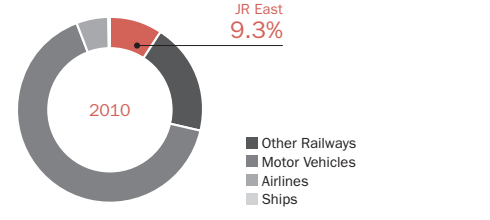
Number of Passengers



Years ended March 31		2006 Millions	2006 %	2007 Millions	2007 %	2008 Millions	2008 %	2009 Millions	2009 %	2010 Millions	2010 %
Railways	JR East	5,911	6.7%	5,991	6.8%	6,170	6.9%	6,157	6.9%	6,089	6.8%
	Other railways	16,043	18.2%	16,253	18.4%	16,671	18.5%	16,819	18.7%	16,636	18.6%
Motor vehicles		65,947	74.9%	65,943	74.6%	66,909	74.4%	66,774	74.2%	66,600	74.4%
Airlines		94	0.1%	97	0.1%	95	0.1%	91	0.1%	84	0.1%
Ships		103	0.1%	99	0.1%	100	0.1%	99	0.1%	92	0.1%
Total		88,098	100.0%	88,383	100.0%	89,945	100.0%	89,940	100.0%	89,500	100.0%

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

Passenger Kilometers



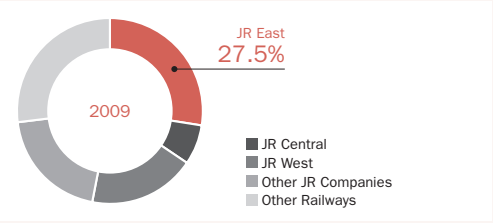
Years ended March 31		2006 Millions	2006 %	2007 Millions	2007 %	2008 Millions	2008 %	2009 Millions	2009 %	2010 Millions	2010 %
Railways	JR East	126,142	8.9%	127,653	9.1%	130,558	9.2%	129,655	9.3%	126,960	9.3%
	Other railways	265,004	18.8%	268,255	19.1%	274,986	19.5%	274,830	19.7%	266,943	19.5%
Motor vehicles		933,006	66.1%	917,938	65.4%	919,062	65.0%	905,907	64.9%	898,721	65.5%
Airlines		83,220	5.9%	85,752	6.1%	84,327	6.0%	80,931	5.8%	75,203	5.5%
Ships		4,025	0.3%	3,773	0.3%	3,834	0.3%	3,510	0.3%	3,073	0.2%
Total		1,411,397	100.0%	1,403,371	100.0%	1,412,767	100.0%	1,394,833	100.0%	1,370,900	100.0%

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

• Figures for JR East on this page do not include Tokyo Monorail

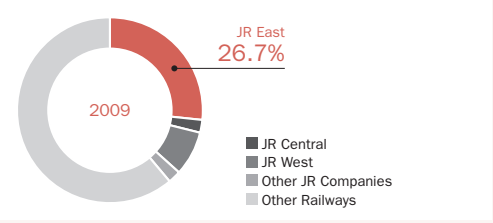
Share of Domestic Railways

Passenger Line Network



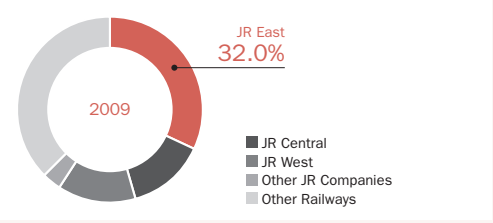
As of March 31, 2009	Km	%
JR East	7,527	27.5%
JR Central	1,971	7.2%
JR West	5,013	18.4%
Other JR Companies	5,477	20.0%
Other Railways	7,351	26.9%

Number of Passengers



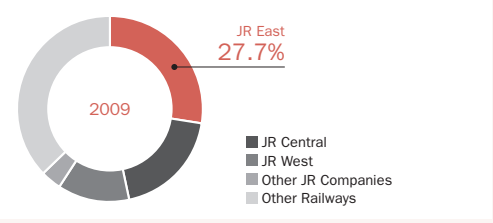
	Millions	%
JR East	6,157	26.7%
JR Central	529	2.3%
JR West	1,826	7.9%
Other JR Companies	472	2.0%
Other Railways	14,088	61.1%

Passenger Kilometers



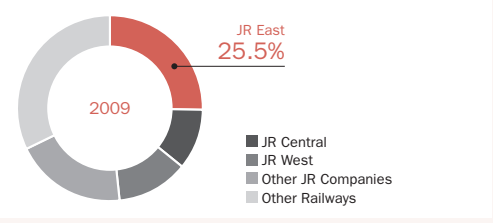
	Millions	%
JR East	129,655	32.0%
JR Central	55,318	13.7%
JR West	54,443	13.5%
Other JR Companies	14,140	3.5%
Other Railways	150,882	37.3%

Revenues from Passenger Tickets



	Billions of Yen	%
JR East	1,709	27.7%
JR Central	1,170	19.0%
JR West	773	12.5%
Other JR Companies	219	3.6%
Other Railways	2,295	37.2%

Rolling Stock Kilometers



	Millions	%
JR East	2,233	25.5%
JR Central	926	10.6%
JR West	1,088	12.4%
Other JR Companies	1,713	19.5%
Other Railways	2,808	32.0%

- Figures for Passenger Line Network do not include freight traffic.
- Figures for Rolling Stock Kilometers do not include locomotives and freight cars.
- Figures for Tokyo Monorail are included in other railways.

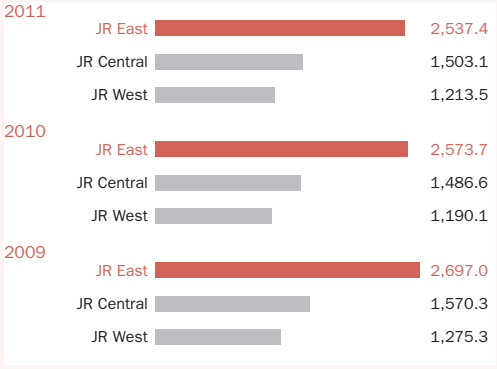
Source: Statistics of Railways 2008, Ministry of Land, Infrastructure, Transport and Tourism

FINANCIAL OVERVIEW OF JR PASSENGER RAILWAY COMPANIES

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

Operating Revenues

Billions of Yen

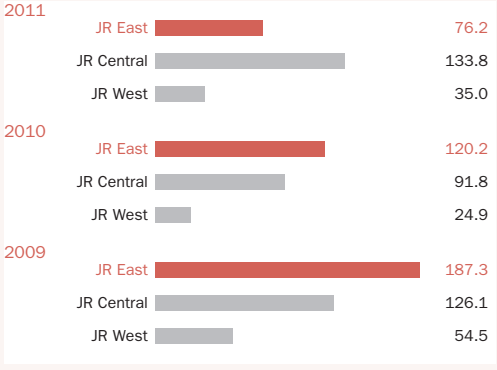


Millions of Yen

Years ended March 31	2009	2010	2011
JR East	2,697,000	2,573,724	2,537,353
JR Central	1,570,253	1,486,632	1,503,083
JR West	1,275,308	1,190,135	1,213,506

Net Income

Billions of Yen

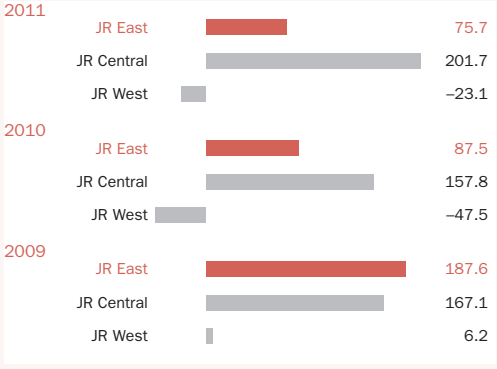


Millions of Yen

Years ended March 31	2009	2010	2011
JR East	187,291	120,214	76,224
JR Central	126,052	91,764	133,807
JR West	54,529	24,858	34,983

Free Cash Flows

Billions of Yen

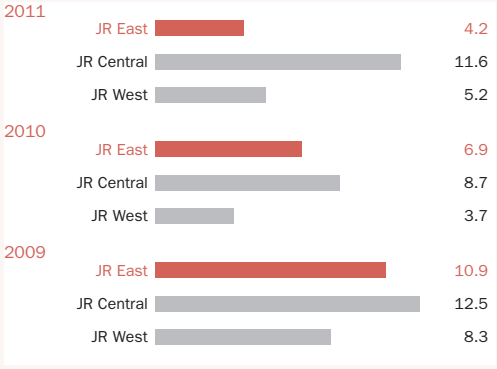


Millions of Yen

Years ended March 31	2009	2010	2011
JR East	187,564	87,498	75,667
JR Central	167,086	157,818	201,719
JR West	6,189	(47,473)	(23,072)

Return on Average Equity (ROE)

%

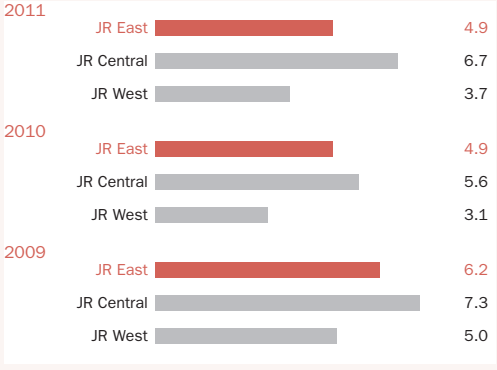


Years ended March 31	2009	2010	2011
JR East	10.9%	6.9%	4.2%
JR Central	12.5%	8.7%	11.6%
JR West	8.3%	3.7%	5.2%

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

Ratio of Operating Income to Average Assets (ROA)

%

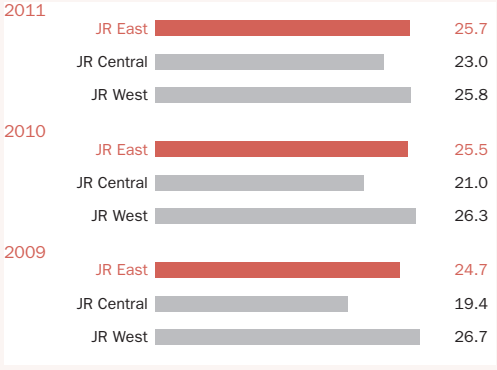


Years ended March 31	2009	2010	2011
JR East	6.2%	4.9%	4.9%
JR Central	7.3%	5.6%	6.7%
JR West	5.0%	3.1%	3.7%

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

Equity Ratio

%



Years ended March 31	2009	2010	2011
JR East	24.7%	25.5%	25.7%
JR Central	19.4%	21.0%	23.0%
JR West	26.7%	26.3%	25.8%

• Equity ratio = shareholders' equity / total assets

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

RAILWAY OPERATIONS IN TOKYO

The Tokyo metropolitan area accounts for roughly 30% of the population and economic base in Japan and has a population density far higher than any other region in the country. JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo metropolitan area, where railways account for roughly 50% of all transportation.

TRANSPORTATION IN THE TOKYO AREA

Major Railways in the Tokyo Area

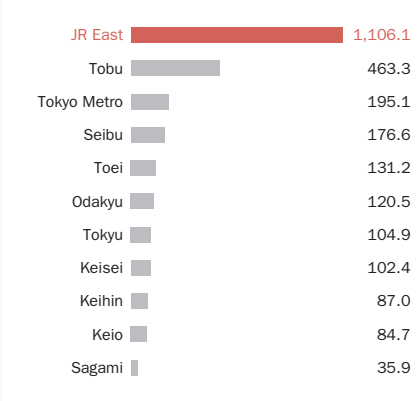
	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Billions of Yen	%
JR East	1,106.1	42.4%	80,058	47.9%	885.5	43.7%
Tobu Railway	463.3	17.8%	12,389	7.4%	140.9	7.0%
Tokyo Metro	195.1	7.5%	18,518	11.1%	295.3	14.6%
Seibu Railway	176.6	6.8%	8,753	5.3%	95.1	4.7%
Toei (Tokyo Metropolitan Government)	131.2	5.0%	6,131	3.7%	128.7	6.4%
Odakyu Electric Railway	120.5	4.6%	11,084	6.6%	115.3	5.7%
Tokyu Corporation	104.9	4.0%	10,202	6.1%	129.1	6.4%
Keisei Electric Railway	102.4	3.9%	3,583	2.2%	49.8	2.5%
Keihin Electric Express Railway	87.0	3.3%	6,223	3.7%	74.5	3.7%
Keio Electric Railway	84.7	3.3%	7,471	4.5%	79.2	3.9%
Sagami Railway	35.9	1.4%	2,586	1.5%	31.4	1.4%
Total	2,607.7	100.0%	166,999	100.0%	2,024.7	100.0%

1 As of March 31, 2010
2 For the year ended March 31, 2010
- Figures do not include freight lines.
- Data used for JR East is that of the Tokyo Metropolitan Area Network and do not include Tokyo Monorail.

Sources:
- Toei (Tokyo Metropolitan Government): Figures from the website of the Transportation Bureau of the Tokyo Metropolitan Government. Passenger kilometers are from Statistics of Railways 2008, Ministry of Land, Infrastructure, Transport and Tourism.
- Other: Website of the Association of Japanese Private Railways. Revenues from passenger tickets are based on figures from the financial press releases of each company.

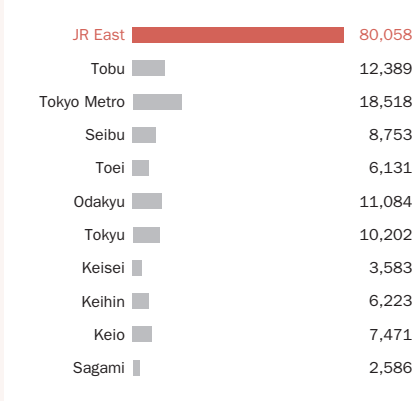
Passenger Line Networks

Kilometers



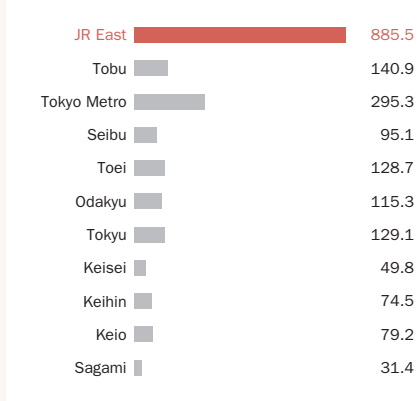
Passenger Kilometers

Millions



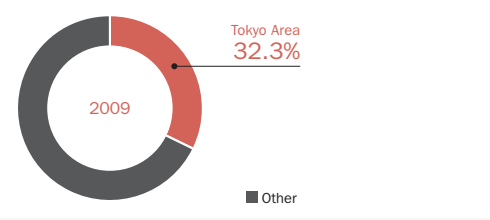
Revenues from Passenger Tickets

Billions of Yen



FUNDAMENTALS

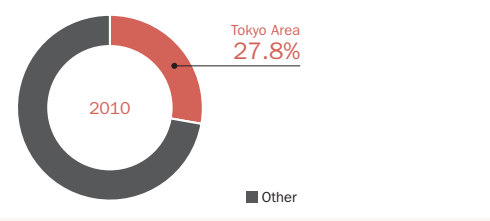
Net Domestic Product



Years ended March 31	2005 Billions of Yen	2005 %	2006 Billions of Yen	2006 %	2007 Billions of Yen	2007 %	2008 Billions of Yen	2008 %	2009 Billions of Yen	2009 %
Tokyo area	117,439	31.7%	120,445	32.0%	120,532	31.9%	120,128	31.9%	116,832	32.3%
Other	253,207	68.3%	256,173	68.0%	257,530	68.1%	256,517	68.1%	245,084	67.7%
Total	370,646	100.0%	376,618	100.0%	378,062	100.0%	376,645	100.0%	361,916	100.0%

Source: Annual Report on Prefectural Economies, Cabinet Office

Population

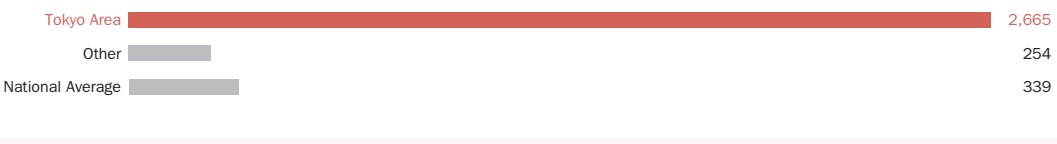


As of October 1	2006 Millions	2006 %	2007 Millions	2007 %	2008 Millions	2008 %	2009 Millions	2009 %	2010 Millions	2010 %
Tokyo area	34.6	27.1%	34.8	27.3%	35.0	27.4%	35.1	27.5%	35.6	27.8%
Other	93.2	72.9%	93.0	72.7%	92.7	72.6%	92.4	72.5%	92.4	72.2%
Total	127.8	100.0%	127.8	100.0%	127.7	100.0%	127.5	100.0%	128.1	100.0%

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

Population Density

Per Square Kilometer



As of October 1	2006	2007	2008	2009	2010
Tokyo area	2,591	2,605	2,617	2,624	2,665
Other	255	255	254	254	254
Total	338	338	338	337	339

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

ANALYSIS OF JR EAST'S RAILWAY OPERATIONS

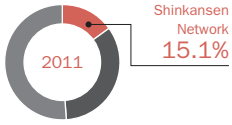
The fact that two-thirds of its transportation revenue comes from Tokyo and the Kanto region where most of the population and economic base in Japan resides, shows the solidness of JR East's management platform.

As another strength, the Company is largely immune to economic fluctuations, as commuter passes account for a third of transportation revenues overall, and 40% of those revenues are from the Kanto region.

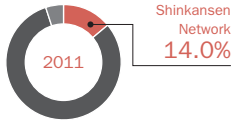
More than half of the electricity JR East consumes is self-generated in the hydro- and thermal-electric power plants it owns.

Composition by Operating Area

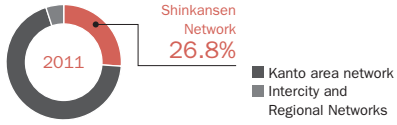
Passenger Line Network



Passenger Kilometers



Revenues from Passenger Tickets

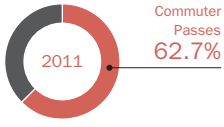


	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen network	1,134.7	15.1%	17,650	14.0%	431,568	26.8%
Kanto area network	2,536.2	33.8%	101,633	81.0%	1,100,949	68.4%
Intercity and regional networks	3,841.7	51.1	6,249	5.0%	76,630	4.8%
Total	7,512.6	100.0%	125,533	100.0%	1,609,147	100.0%

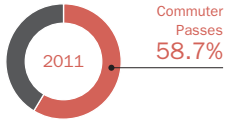
1. As of March 31, 2011
2. Year ended March 31, 2011
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
- Figures do not include Tokyo Monorail.

Composition of Commuter Passes—Overall

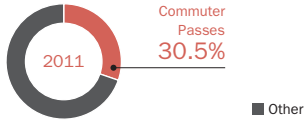
Number of Passengers



Passenger Kilometers



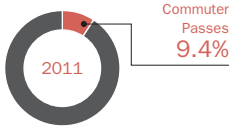
Revenues from Passenger Tickets



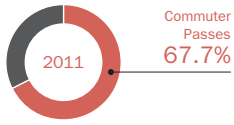
	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,795	62.7%	73,737	58.7%	491,127	30.5%
Other	2,261	37.3%	51,795	41.3%	1,118,019	69.5%
Total	6,056	100.0%	125,533	100.0%	1,609,147	100.0%

Composition of Commuter Passes—By Passenger Kilometers

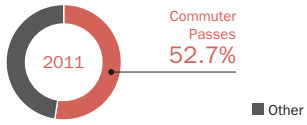
Shinkansen Network



Kanto Area Network



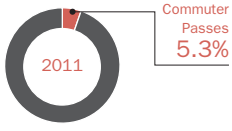
Intercity and Regional Networks



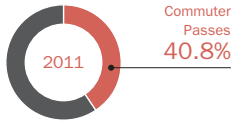
	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen network	17,650	1,659	9.4%
Kanto area network	101,633	68,782	67.7%
Intercity and regional networks	6,249	3,295	52.7%
Total	125,533	73,737	58.7%

Composition of Commuter Passes—By Revenues from Passenger Tickets

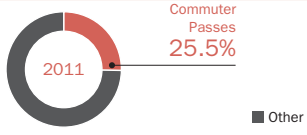
Shinkansen Network



Kanto Area Network



Intercity and Regional Networks



	Total	Commuter Passes	
	Millions of yen	Millions of yen	%
Shinkansen network	431,568	22,730	5.3%
Kanto area network	1,100,949	448,829	40.8%
Intercity and regional networks	76,630	19,567	25.5%
Total	1,609,147	491,127	30.5%

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

Passenger Kilometers

Millions

Years ended March 31			2009	2010	2011	2011/2010
Shinkansen network		Commuter Passes	1,678	1,665	1,659	99.6%
		Other	17,624	16,486	15,991	97.0%
		Total	19,302	18,152	17,650	97.2%
Conventional lines	Total	Commuter Passes	72,418	72,011	72,078	100.1%
		Other	37,935	36,796	35,804	97.3%
		Total	110,353	108,807	107,882	99.2%
	Kanto area network	Commuter Passes	69,081	68,693	68,782	100.1%
		Other	34,619	33,653	32,850	97.6%
		Total	103,700	102,346	101,633	99.3%
	Intercity and regional networks	Commuter Passes	3,337	3,318	3,295	99.3%
		Other	3,316	3,143	2,954	94.0%
		Total	6,653	6,461	6,249	96.7%
Total		Commuter Passes	74,096	73,677	73,737	100.1%
		Other	55,559	53,282	51,795	97.2%
		Total	129,655	126,959	125,533	98.9%

Revenues from Passenger Tickets

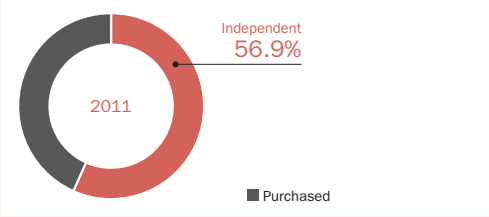
Millions of Yen

Years ended March 31			2009	2010	2011	2011/2010
Shinkansen network		Commuter Passes	22,949	22,774	22,730	99.8%
		Other	451,943	416,729	408,837	98.1%
		Total	474,892	439,504	431,568	98.2%
Conventional lines	Total	Commuter Passes	473,603	468,934	468,397	99.9%
		Other	760,379	732,222	709,182	96.9%
		Total	1,233,982	1,201,157	1,177,579	98.0%
	Kanto area network	Commuter Passes	453,613	449,152	448,829	99.9%
		Other	695,778	671,522	652,119	97.1%
		Total	1,149,391	1,120,674	1,100,949	98.2%
	Intercity and regional networks	Commuter Passes	19,990	19,782	19,567	98.9%
		Other	64,601	60,699	57,062	94.0%
		Total	84,591	80,482	76,630	95.2%
Total		Commuter Passes	496,552	491,709	491,127	99.9%
		Other	1,212,322	1,148,951	1,118,019	97.3%
		Total	1,708,874	1,640,661	1,609,147	98.1%

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

Electric Power

Year ended March 31, 2011	Billions of kWh	%
Thermal generation	2.66	43.6%
Hydroelectric generation	0.81	13.3%
Independent	3.47	56.9%
Purchased	2.63	43.1%
Total	6.10	100.0%



FINANCIAL SECTION

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).

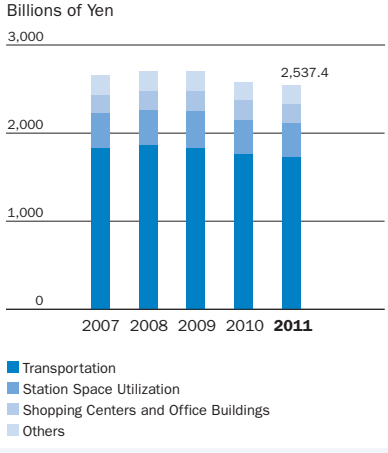
Shopping Centers and Office Buildings

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).

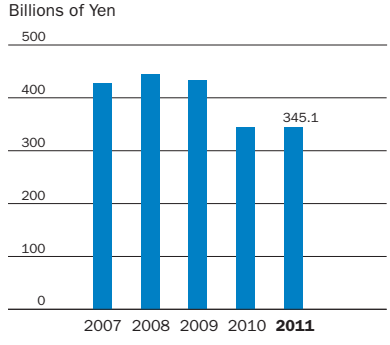
Despite these initiatives, due to the rolling power outages and some damage to buildings and facilities caused by the Great East Japan Earthquake, shopping centers were forced to close temporarily or shorten their operating hours. As a result, the Shopping Centers & Office Buildings segment posted a 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

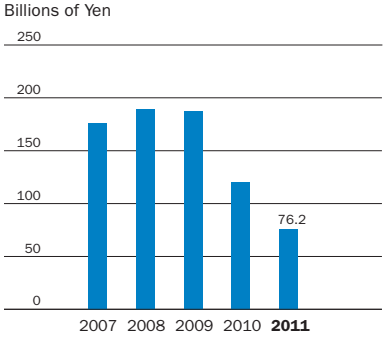
Other income decreased 27.3%, to ¥69.1 billion ($833 million), principally associated with a decrease in gain on sales of transferable development air rights and construction grants received.

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.

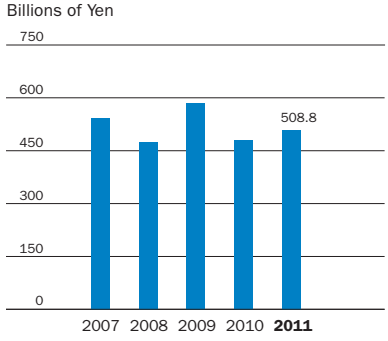
Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥102.4 billion ($1,233 million) expense, an improvement of 6.9%.

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%.

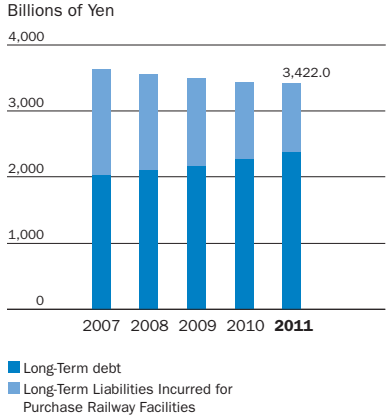
Net Income



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

GLOSSARY

C

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

H

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

J

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

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

JR COMPANIES refers to, collectively, JR East, Hokkaido Railway Company (JR Hokkaido), Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company (JR Shikoku), Kyushu Railway Company (JR Kyushu), and Japan Freight Railway Company (JR Freight).

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

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

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

N

NUMBER OF PASSENGERS comprises both passengers who begin their journey at a JR East station and passengers who transfer to JR East from other railway companies' lines at the station.

O

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

P

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

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

R

ROLLING STOCK KILOMETERS means the number of train kilometers (as defined below) multiplied by the number of railcars comprising the train.

S

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

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

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

T

TOTAL LONG-TERM DEBT refers to the aggregate of long-term debt and long-term liabilities incurred for purchase of railway facilities, including the current portion thereof.

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

CONSOLIDATED SUBSIDIARIES AND EQUITY-METHOD AFFILIATED COMPANIES

As of March 31, 2011

CONSOLIDATED SUBSIDIARIES

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
1	Tokyo Monorail Co., Ltd.	¥3,000	79.0	Railway passenger transport services
2	JR Bus Kanto Co., Ltd.	4,000	100.0	Bus services
3	JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
4	JR East Retail Net Co., Ltd.	3,855	100.0	Retail sales
5	JR East Water Business Co., Ltd.	490	100.0	Retail sales
6	Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
7	JR East Station Retailing Co., Ltd.	480	100.0	Retail sales
8	Juster Co., Ltd.	400	100.0	Retail sales and hotel operations
9	Shinano Enterprise Co., Ltd.	400	100.0	Retail sales
10	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
11	JR Atlis Co., Ltd.	310	100.0	Retail sales
12	Kinokuniya Co., Ltd. (Note2)	310	100.0	Retail sales
13	Nippon Restaurant Enterprise Co., Ltd.	730	100.0	Restaurant business, retail sales, and hotel operations
14	JR East Food Business Co., Ltd.	721	100.0	Restaurant business
15	Delicious Link Co., Ltd.	90	100.0	Restaurant business
16	LUMINE Co., Ltd.	2,375	94.8	Shopping center operations
17	atre Co., Ltd.	1,630	92.1	Shopping center operations
18	JR East Urban Development Corporation	1,450	100.0	Shopping center operations and retail sales
19	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
20	JR East Department Store Co., Ltd.	1,140	84.6	Shopping center operations
21	JR Tokyo West Development Co., Ltd.	1,000	93.3	Shopping center operations
22	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
23	Hirosaki Station Building Co., Ltd. (Note3)	490	100.0	Shopping center operations
24	Station Building MIDORI Co., Ltd.	450	94.6	Shopping center operations
25	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
26	Chiba Station Building Co., Ltd.	200	100.0	Shopping center operations
27	Shonan Station Building Co., Ltd.	200	79.8	Shopping center operations
28	Yokohama Station Building Co., Ltd.	200	83.0	Shopping center operations
29	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
30	Tsurumi Station Building Co., Ltd.	100	100.0	Shopping center operations
31	JR Chuo Line mall Co., Ltd. (Note4)	480	100.0	Shopping center operations
32	JR East Aomori Department Store Co., Ltd. (Note5)	80	100.0	Shopping center operations
33	JR East Building Co., Ltd. (Note6)	480	100.0	Leasing of office buildings
34	Viewcard Co., Ltd.	5,000	100.0	Credit card business
35	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
36	Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
37	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
38	Morioka Terminal Building Co., Ltd.	900	100.0	Hotel operations and shopping center operations
39	Takasaki Terminal Building Co., Ltd.	780	100.0	Shopping center operations
40	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
41	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
42	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
43	Shinjuku South Energy Service Co., Ltd.	750	72.7	Supplying thermal energy
44	The Orangepage, Inc.	500	99.7	Publishing
45	JR East View Travel Service Co., Ltd.	450	67.0	Travel agency services
46	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
47	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
48	JR East Japan Information Systems Company	500	100.0	Information processing
49	JR East Net Station Co., Ltd.	460	100.0	Information processing
50	JR East Management Service Co., Ltd.	80	100.0	Information services
51	JR East Green Partners Co., Ltd.	100	100.0	Inventory control, issuance and collection operation for uniforms of JR East employees
52	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff sending business
53	East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services / station operations
54	JR Chiba Railway Services Co., Ltd.	12	100.0	Cleaning services / station operations
55	JR Takasaki Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
56	JR Mito Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
57	JR East Transportation Services Co., Ltd.	38	100.0	Cleaning services
58	Tetsudoseibi Co., Ltd.	38	100.0	Cleaning services
59	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
60	Niigata Railway Servicing Co., Ltd.	17	100.0	Cleaning services
61	East Japan Amenitec Co., Ltd.	13	100.0	Cleaning services
62	Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
63	Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
64	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
65	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
66	JR East Rental Co., Ltd.	165	89.4	Car leasing
67	Union Construction Co., Ltd.	120	90.0	Construction
68	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
69	Shinnihon Linen Co., Ltd.	100	100.0	Linen supply
70	East Japan Transport Technology Co., Ltd.	80	58.6	Machinery and rolling stock maintenance
71	Tohoku Rolling Stock Machinery Co., Ltd.	72	51.1	Machinery and rolling stock maintenance
72	Niigata Rolling Stock Machinery Co., Ltd. (Note7)	40	40.5	Machinery and rolling stock maintenance
73	JR East Consultants Company	50	100.0	Consulting
74	JR East Design Corporation	50	100.0	Consulting
75	JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

EQUITY METHOD AFFILIATED COMPANIES

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

1. Voting right percentages represent direct voting right percentages.
2. Kinokuniya Co., Ltd. is newly included in the scope of consolidation from the fiscal year under the review.
3. JR East Aomori Department Store Co., Ltd. merged with Hirosaki Station Building Co., Ltd. on April 1,2011. Hirosaki Station Building Co., Ltd. was dissolved after the merger.
4. JR Chuo Line mall Co., Ltd. is newly included in the scope of consolidation from the fiscal year under the review.
5. JR East Aomori Department Store Co., Ltd. is newly included in the scope of consolidation from the fiscal year under the review.
6. JR East Building Co., Ltd. merged with Ikebukuro Terminal Building Company on April 1,2010. Ikebukuro Terminal Building Company was dissolved after the merger.
7. Although JR East own less that 50% of the voting rights of Niigata Rolling Stock Machinery Co., Ltd., JR East has made it a subsidiary because JR East controls the company in practice.

CORPORATE DATA

As of March 31, 2011

BASIC INFORMATION

NUMBER OF EMPLOYEES

71,749* (51,985 at parent company)

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

NUMBER OF STATIONS

1,689

NUMBER OF ROLLING STOCK

13,104

PASSENGER LINE NETWORK

7,512.6 kilometers

NUMBER OF PASSENGERS SERVED DAILY

About 17 million (average for the year ended March 31, 2011)

TOTAL NUMBER OF SHARES ISSUED

400,000,000

TOTAL NUMBER OF SHARES OUTSTANDING

395,569,275

PAID-IN CAPITAL

¥200,000 million

NUMBER OF SHAREHOLDERS

274,253

STOCK EXCHANGE LISTINGS

Tokyo, Osaka, Nagoya

TRANSFER AGENT

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

RATING INFORMATION

AA+ (Rating and Investment Information, Inc.)
AA– (Standard & Poor's)
Aa1 (Moody's Investors Service)

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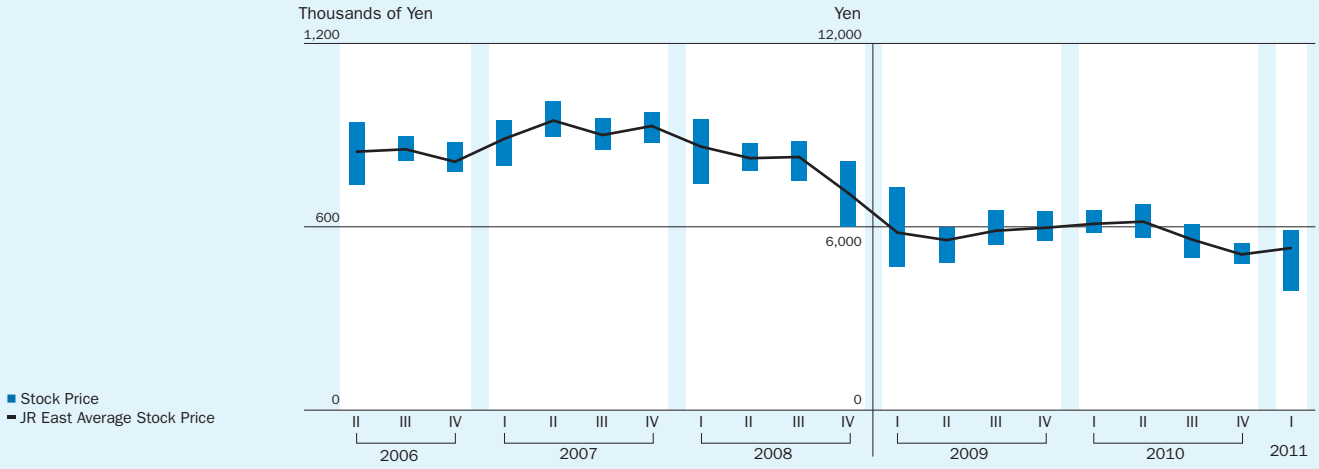
INTERNET ADDRESSES

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

STOCK INFORMATION

Stock Code 9020

STOCK PRICE



Note: Average stock prices are computed using closing prices.
Source: Tokyo Stock Exchange
* JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009.

MAJOR SHAREHOLDERS

As of March 31, 2011	Number of Shares Held	Voting Right Percentage
Japan Trustee Services Bank, Ltd. (as Trustee)	21,356,400	5.34
The Master Trust Bank of Japan, Ltd. (as Trustee)	17,362,600	4.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.13
The JR East Employees Shareholding Association	11,875,600	2.97
Sumitomo Mitsui Banking Corporation	10,530,315	2.63
Mizuho Corporate Bank, Ltd.	10,006,600	2.50
Mizuho Bank, Ltd.	10,006,156	2.50
Nippon Life Insurance Company	8,015,560	2.00
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.00
Japan Trustee Services Bank, Ltd. 9 (as Trustee)	7,504,400	1.88

Note: Japan Trustee Services Bank, Ltd., The Master Trust Bank of Japan, Ltd. and Japan Trustee Services Bank, Ltd. 9 hold all shares as trustee.

Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

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http://www.jreast.co.jp/e/

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