Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

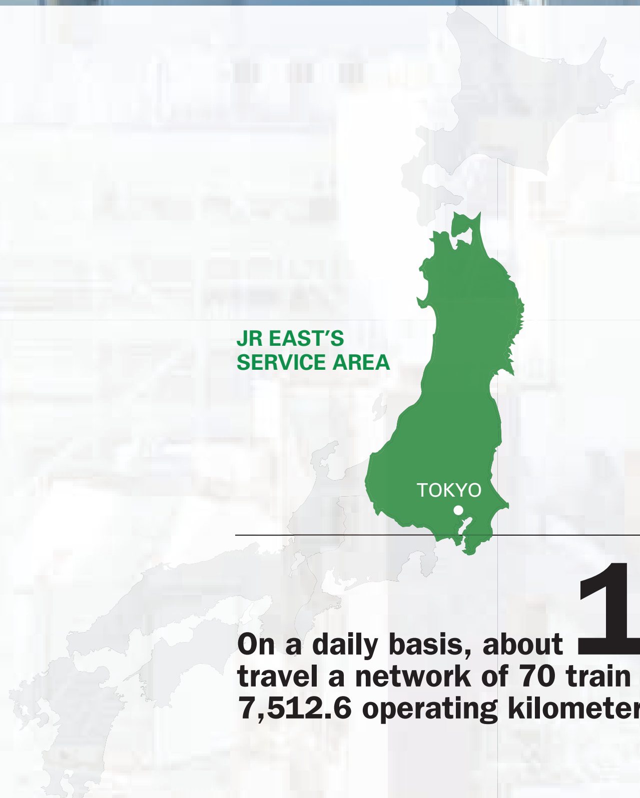
Pursuing Our Unlimited Potential

Annual Report 2012

For the year ended March 31, 2012

JR East's Strengths 1

AN OVERWHELMINGLY SOLID AND ADVANTAGEOUS RAILWAY NETWORK



The railway business of the JR East Group covers the eastern half of Honshu island, which includes the Tokyo metropolitan area. We provide transportation services via our Shinkansen network, which connects Tokyo with regional cities in five directions, Kanto area network, and intercity and regional networks. Our networks combine to cover 7,512.6 kilometers and serve 17 million people daily. We are the largest railway company in Japan and one of the largest in the world.

Being based in the Tokyo metropolitan area is a major source of our strength. Routes originating in the Kanto area (JR East Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, Omiya Branch Office, Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office) account for 68% of transportation revenue. Japan's total population may be declining, but the population of the Tokyo metropolitan area (Tokyo, Kanagawa Prefecture, Saitama Prefecture, and Chiba

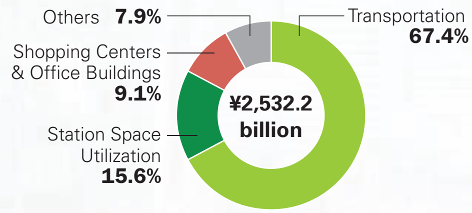
On a daily basis, about 17 million passengers travel a network of 70 train lines stretching 7,512.6 operating kilometers

An Overwhelmingly Solid and Advantageo

Prefecture) continues to rise, meaning our railway networks are supported by an extremely sturdy operating foundation. Going forward, we will continue to enhance Tokyo area rail networks by improving the convenience of the "Tokyo Megaloop," an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines, constructing the Tohoku Through Line, and starting through services with Sagami Railway.

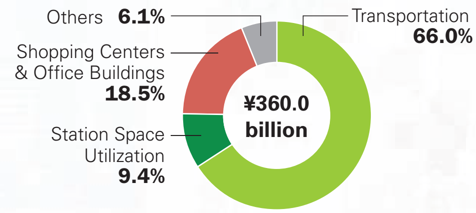
OPERATING REVENUES

For the year ended March 31, 2012

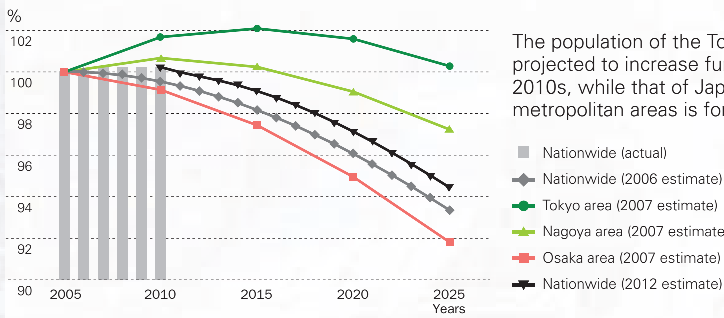


OPERATING INCOME

For the year ended March 31, 2012



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.

ous Railway Network

JR East's Strengths 2

ACCELERATED GROWTH IN THE LIFE-STYLE SERVICES AND *SUICA* BUSINESSES

Life-Style Businesses

Life-style businesses, which consist of in-station retail, station buildings, hotels and other services, are one of the three pillars of the JR East Group, alongside the railway business and *Suica* business, and account for roughly 30% of the Group's operating revenues on a consolidated basis. Our stations see 17 million people pass through every day, making them the JR East Group's largest management resource. We will continue to pursue the potential of station space while creating new, more appealing services from a community-building standpoint.

We also plan to actively conduct development projects that utilize our stations, which excel in drawing in customers, and surrounding areas. *Tokyo Station Hotel* and other facilities are set to open when the historic *Marunouchi Station Building* project at Tokyo Station is completed in October 2012. And in the office business, large- and medium-scale projects that have been underway will be completed. We are also planning to open shopping centers and other new commercial facilities.

***Suica* Business**

Launched in November 2001, *Suica* celebrated its tenth anniversary in November 2011. To date, we have actively promoted services that are mutually compatible with the IC cards of other transportation providers and developed infrastructure that allows *Suica* to be used in major cities throughout Japan. Moving forward, we

Retail stores and restaurants in our stations:

about **2,500**

The number of *Suica* prepaid, rechargeable IC cards issued:

about **38** million

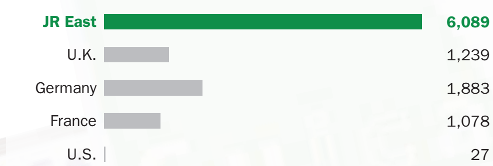
Accelerated Growth in the Life-style Ser

will continue to promote mutual compatibility and establish IC train tickets as the de facto standard. Electronic money, a service started in March 2004, has continued to add partners and extend the range of locations it can be used. As a result our e-money service is now used as many as 2.88 million times a day.

We have three main goals for the business: Make *Suica* the No. 1 e-money service by extending it universally on railway networks; develop new businesses based on *Suica* data that contribute to Group earnings; and transform the *Suica* business into a comprehensive IT business.

NUMBER OF RAILWAY PASSENGERS

Millions

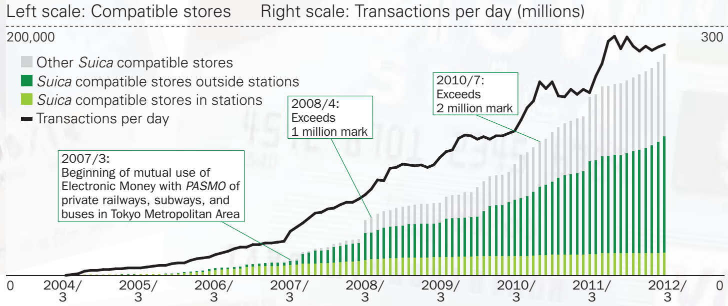


- Figures for JR East, the U.K. and the U.S. are as of March 31, 2010, while the figures for Germany and France are as of December 31, 2009.
- U.K.: Association of Train Operating Companies (Railway tracks are owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: Société Nationale des Chemins de fer Français (SNCF) (Railway tracks are owned by Réseau Ferré de France (RFF)); U.S.: National Railroad Passenger Corporation (Amtrak)
- Figures for JR East do not include Tokyo Monorail.

Source: Statistiques Internationale des Chemins de Fer 2009, Union Internationale des Chemins de Fer

***SUICA* ELECTRONIC MONEY- TRANSACTIONS AND COMPATIBLE STORES**

Left scale: Compatible stores Right scale: Transactions per day (millions)



Suica electronic money is accepted at over 170,000 stores and was used for a one-day record of 2.88 million transactions as of March 31, 2012.

* Figures are as of March 31, 2012
* Figures include results of other affiliated stores

rvices and *Suica* Businesses

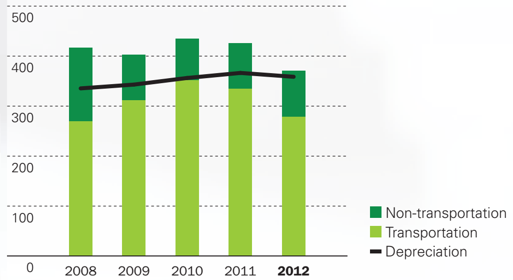
INVESTING FOR GROWTH AND MAINTAINING A STABLE FINANCIAL FOUNDATION

JR East has set a target of generating ¥1.65 trillion in operating cash flow over the three-year period to March 2015. Our approach to using this cash will remain largely the same (capital expenditures, shareholder returns, and debt reduction), but to fully pursue the potential of the JR East Group, we intend to increase investments aimed at further growth, business expansion and operating base reinforcement. Over the three-year period beginning in the fiscal year to March 2013, consolidated capital expenditures are planned to be approximately ¥1.4 trillion. Of this amount, we estimate that growth investments will total roughly ¥500.0 billion.

At the same time, since the company's establishment we have reduced long-term debt by ¥2,980.7 billion as of March 31, 2012 (non-consolidated basis). Our financial

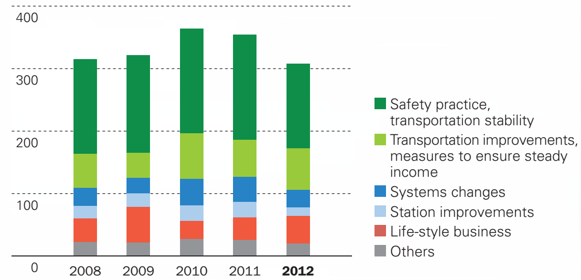
CAPITAL EXPENDITURES (CONSOLIDATED)

Billions of Yen



CAPITAL EXPENDITURES (NON-CONSOLIDATED)

Billions of Yen



Investing for Growth and Maintaining a Stable

foundation continues to improve as a result, with average interest rates (consolidated) declining from 4.09% to 2.85% over the 10-year period since the term ended March 2002 and interest payments decreasing from ¥187.6 billion to ¥101.0 billion. Our equity ratio has increased from 13.3% to 26.5% over the same period. We intend to continue reducing long-term debt and reinforcing our financial foundation. Credit rating agencies have rewarded these efforts with high ratings: AA+ from R&I, AA- from Standard & Poor's Japan, and Aa2 from Moody's Japan.

LONG-TERM DEBT—CREDIT RATINGS

Moody's **Aa2** (Stable)

[Basic Opinion]

- The Transportation business with its strong operating base is expected to continue generating a stable cash flow.
- Risks pertaining to non-transportation businesses are managed appropriately. Moreover, the expansion of these non-transportation businesses has diversified cash flow and contributed to growth of the JR East Group.
- The Company remains conservative in its financial policy and will continue to reduce debt. (September 2011)

S&P **AA–** (Negative)

[Basic Opinion]

- Backed by a strong operating base, the mainstay Transportation business is expected to retain its stable profitability.
- Non-transportation operations also remain highly competitive against a backdrop of various operating advantages.
- The Group's balance of debt to equity is expected to continue improving, as the Company has disclosed its policy to continue reducing debt.
- Influenced by the damages from the March 11 earthquake and downturns in the Japanese economy, JR East's earnings will probably remain subject to downward pressure. In addition, passenger demand is expected to decline as the birthrate falls and the population ages in the medium-to-long term. (May 2011)

R&I **AA+** (Stable)

[Basic Opinion]

- JR East sustained damages across an extensive area as a result of the Great East Japan Earthquake. However, JR East rapidly restored operations in the Kanto Area and Shinkansen networks, and has achieved a steady recovery thereafter. The earthquake demonstrated the strength of JR East's operating base.
- JR East should maintain its ability to generate strong cash flows given that it has a strong business foundation centered on the Tokyo metropolitan area, and it is upgrading and expanding facilities in related businesses centered on railway terminals.
- JR East has made steady progress on upgrading and expanding its operating base by developing and revitalizing train stations and station buildings.
- JR East is anticipated to continue making large capital expenditures in redevelopment and safety measures. However, JR East should be able to maintain a comparatively strong financial position as a railway company.
- The ratings outlook remains stable. (March 2012)

Financial Foundation

JR East Will Pursue Its Unlimited Potential for Self-evolution to Achieve Sustaining Growth at This Major Turning Point in Time

Now that 25 years have passed since JR East was established upon the privatization of JNR, the Company has reached the threshold of moving into the next quarter of a century. More than ever, JR East needs to focus on the missions it must accomplish to evolve further as a Group. This report features a three-part portrayal of how JR East is drawing on its strengths in pursuit of its unlimited potential to innovate, presented in three sections comprising A Message from the Management, An Interview with the President, and Key Challenges Over the Next Three Years.

ON THE COVER

A coupling of the new Akita Shinkansen Series E6 railcars (for service commencement in spring 2013) with the Tohoku Shinkansen Series E5 railcars

CONTENTS

SECTION
1 OVERALL GROWTH STRATEGY

The 'Overall Growth Strategy' section provides commentary on JR East's growth strategies as one of the world's largest railway companies, including an interview with Tetsuro Tomita, the new president and CEO, and a feature article on the Company's 'Key Challenges Over the Next Three Years.'

SECTION
2 AS A CORPORATE CITIZEN

The 'As a Corporate Citizen' section provides a broad introduction to the JR East Group's activities for realizing a sustainable society from the three aspects of safety, the environment and society.

SECTION
3 STATISTICAL PORTRAIT OF JR EAST

The 'Statistical Portrait of JR East' section presents data on the economic environment and geographical characteristics of JR East, and financial information on the Company such as business analysis and the consolidated financial statements and notes.

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.

FINANCIAL HIGHLIGHTS

East Japan Railway Company and Subsidiaries Years ended March 31

	2002	2003	2004	2005	2006
Operating results					
Operating revenues	¥2,543,378	¥2,565,671	¥2,542,297	¥2,537,481	¥2,592,393
Operating expenses	2,227,038	2,222,576	2,190,877	2,178,946	2,196,293
Operating income	316,340	343,095	351,420	358,535	396,100
Net income	47,551	97,986	119,866	111,592	157,575
Comprehensive income (*1)	N/A	N/A	N/A	N/A	N/A
Segment information					
Operating revenues from outside customers:					
Transportation	1,789,599	1,800,434	1,798,132	1,781,776	1,805,406
Station space utilization	368,553	368,961	366,438	369,790	383,904
Shopping centers & office buildings	165,276	170,321	175,180	181,956	190,466
Other services	219,950	225,955	202,547	203,959	212,617
Total	2,543,378	2,565,671	2,542,297	2,537,481	2,592,393
Financial position					
Total assets	7,022,271	6,853,403	6,781,692	6,716,268	6,821,584
Long-term debt (including current portion)	2,060,838	1,942,983	1,940,321	1,940,255	1,960,211
Railway facilities purchase liabilities (including current portion) (*2)	2,318,997	2,174,581	2,034,203	1,892,827	1,743,657
Total long-term debt (sum of two items above)	4,379,835	4,117,564	3,974,524	3,833,082	3,703,867
Shareholders' equity (*3)	930,746	981,856	1,100,176	1,183,546	1,357,359
Cash flows					
Cash flows from operating activities	455,045	433,304	387,061	407,737	447,722
Cash flows from investing activities	(105,645)	(196,422)	(234,591)	(214,948)	(309,489)
Cash flows from financing activities	(433,589)	(310,658)	(196,193)	(209,041)	(141,599)
Reduction in long-term debt	(359,390)	(262,506)	(143,088)	(144,492)	(129,731)
Per share data (*4)					
Earnings	11,888	24,453	29,928	27,868	39,370
Shareholders' equity (*3)	232,687	245,463	275,052	296,106	339,599
Cash dividends (*5)	5,000	8,000	6,000	6,500	8,000
Ratios					
Net income as a percentage of revenues	1.9	3.8	4.7	4.4	6.1
Return on average equity (ROE)	5.1	10.2	11.5	9.8	12.4
Ratio of operating income to average assets (ROA)	4.4	4.9	5.2	5.3	5.9
Equity ratio	13.3	14.3	16.2	17.6	19.9
Total long-term debt to shareholders' equity	4.7	4.2	3.6	3.2	2.7
Interest coverage ratio	2.4	2.5	2.4	2.7	3.2
Interest-bearing debt / net cash provided by operating activities	9.5	9.4	10.1	9.3	8.2
Dividend payout ratio	42.1	32.7	20.0	23.3	20.3
Other data					
Depreciation	321,995	322,564	322,300	317,957	316,038
Capital expenditures (*6)	301,781	307,579	313,911	319,912	361,372
Interest expense	187,601	173,298	160,944	148,431	136,548
Number of consolidated subsidiaries	101	101	98	92	86
Number of employees	80,200	78,760	77,009	74,923	72,802

*1 Accounting Standard for Presentation of Comprehensive Income were adopted beginning with the year ended March 31, 2011.

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

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

*4 JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009. Per share data from fiscal 2009 reflects the stock split.

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

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

*7 Upon the merger of the Japan Railways Group Mutual Aid Association into the Welfare Pension, the Company shared the shortage of the assets to be transferred amounting to ¥77,566 million. This was paid in a lump sum and was accounted for as a long-term

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

Millions of U.S. Dollars(*10) (except for per share data)

2007	2008	2009	2010	2011	2012	2012/2011	2012
¥2,657,346	¥2,703,564	¥2,697,000	¥2,573,724	¥2,537,353	**¥2,532,174**	–0.2%	**$30,880**
2,229,248	2,258,404	2,264,445	2,228,875	2,192,266	**2,172,149**	–0.9%	**26,489**
428,098	445,160	432,555	344,849	345,087	**360,025**	4.3%	**4,391**
175,871	189,673	187,291	120,214	76,224	**108,738**	42.7%	**1,326**
N/A	N/A	N/A	N/A	73,644	**109,304**	48.4%	**1,333**
1,825,387	1,857,756	1,831,933	1,757,994	1,721,922	**1,705,794**	–0.9%	**20,803**
399,998	404,006	415,020	387,104	385,891	**396,168**	2.7%	**4,831**
197,140	205,347	222,628	226,932	223,293	**229,637**	2.8%	**2,800**
234,821	236,455	227,419	201,694	206,247	**200,575**	–2.8%	**2,446**
2,657,346	2,703,564	2,697,000	2,573,724	2,537,353	**2,532,174**	–0.2%	**30,880**
6,968,032	6,942,003	6,965,793	6,995,494	7,042,900	**7,060,409**	0.2%	**86,103**
2,034,558	2,101,439	2,171,860	2,266,077	2,373,553	**2,461,620**	3.7%	**30,020**
1,601,646	1,457,360	1,316,708	1,177,793	1,048,478	**923,853**	–11.9%	**11,266**
3,636,204	3,558,799	3,488,568	3,443,870	3,422,031	**3,385,473**	–1.1%	**41,286**
1,488,554	1,596,398	1,718,587	1,780,584	1,809,355	**1,874,404**	3.6%	**22,859**
541,850	475,601	584,360	479,180	508,846	**558,650**	9.8%	**6,813**
(348,800)	(400,789)	(396,796)	(391,682)	(433,179)	**(370,685)**	14.4%	**(4,521)**
(172,027)	(80,407)	(159,238)	(115,327)	(27,512)	**(152,428)**	–454.0%	**(1,859)**
(69,016)	(77,472)	(70,300)	(45,329)	(26,553)	**(36,625)**	37.9%	**(447)**
44,008	47,464	469	303	193	**275**	42.5%	**3**
372,493	399,483	4,301	4,501	4,574	**4,739**	3.6%	**58**
9,000	10,000	110	110	110	**110**	0.0%	**1**
6.6	7.0	6.9	4.7	3.0	**4.3**		
12.4	12.3	11.3	6.9	4.2	**5.9**		
6.2	6.4	6.2	4.9	4.9	**5.1**		
21.4	23.0	24.7	25.5	25.7	**26.5**		
2.4	2.2	2.0	1.9	1.9	**1.8**		
4.2	3.8	4.8	4.2	4.8	**5.5**		
6.6	7.4	5.9	7.1	6.7	**6.0**		
20.5	21.1	23.5	36.3	57.0	**40.0**		
318,526	335,587	343,101	356,365	366,415	**358,704**	–2.1%	**4,374**
413,310	417,144	402,582	434,754	425,835	**370,199**	–13.1%	**4,515**
131,376	126,047	120,395	112,596	105,918	**101,073**	–4.6%	**1,233**
85	82	82	73	75	**72**		
71,316	72,214	72,550	71,854	71,749	**71,729**		

prepaid expense included in the other item of other assets on the balance sheets and was charged to income from the year ended March 31, 1998, to the year ended March 31, 2002, on a straight-line basis.

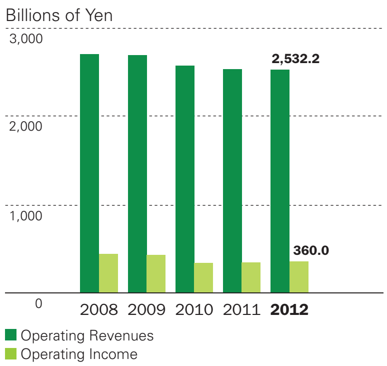
*8 Accounting Standards for Impairment of Fixed Assets were early adopted beginning with the year ended March 31, 2005.

*9 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.

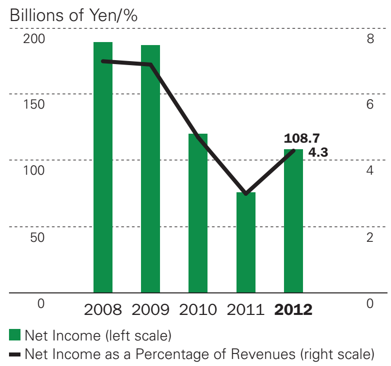
*10 Yen figures have been translated into U.S. dollars at the rate of ¥82 to U.S.$1 as of March 31, 2012, solely for the convenience of readers.

FINANCIAL HIGHLIGHTS

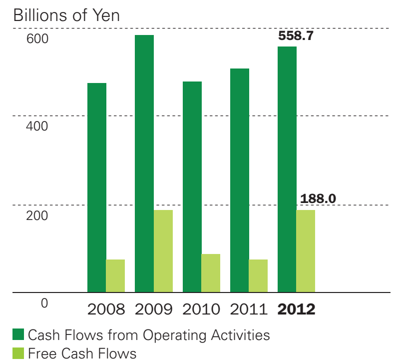
OPERATING REVENUES AND OPERATING INCOME



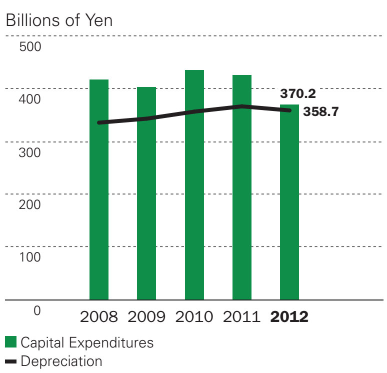
NET INCOME AND NET INCOME AS A PERCENTAGE OF REVENUES



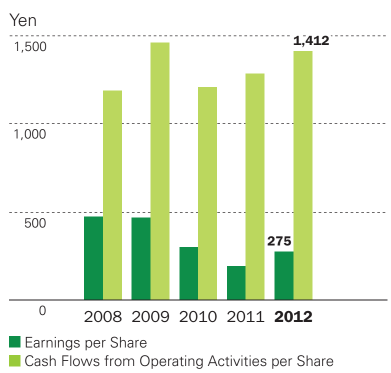
CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOWS



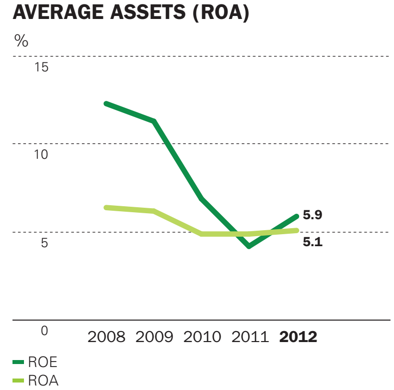
CAPITAL EXPENDITURES AND DEPRECIATION



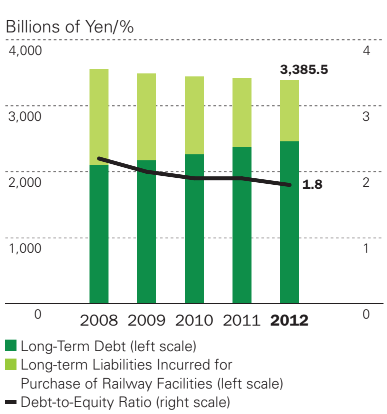
EARNINGS PER SHARE AND CASH FLOWS FROM OPERATING ACTIVITIES PER SHARE*



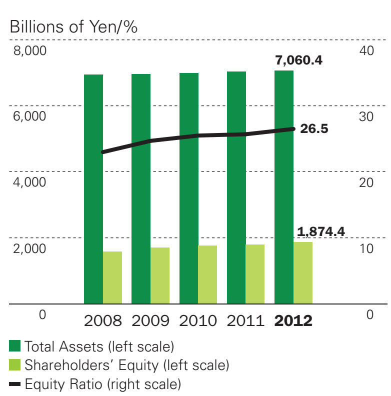
RETURN ON AVERAGE EQUITY (ROE) AND RATIO OF OPERATING INCOME TO AVERAGE ASSETS (ROA)



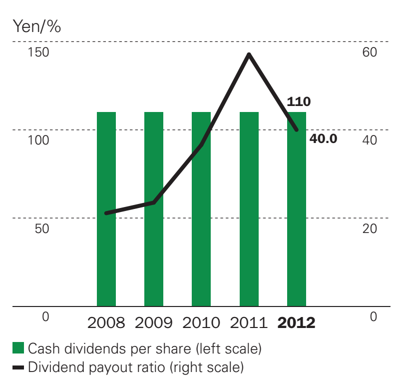
TOTAL LONG-TERM DEBT AND DEBT-TO-EQUITY RATIO



TOTAL ASSETS, SHAREHOLDERS' EQUITY AND EQUITY RATIO



CASH DIVIDENDS PER SHARE* AND DIVIDEND PAYOUT RATIO



* 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. Cash dividends per share and cash flows from operating activities per share for 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

SATOSHI SEINO
Chairman

TETSURO TOMITA
President and CEO

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, 2012 (Fiscal 2012), the Japanese economy was affected by the Great East Japan Earthquake on March 11, 2011, as well as the significant strengthening of the yen, rising oil prices and a financial crisis in Europe. Yet, the economy began to improve modestly in the second half. Amid business conditions that remained challenging and affected by factors such as the earthquake and suspension of tolls on expressways, East Japan Railway Company and its consolidated subsidiaries and equity-method affiliates (JR East) actively worked on initiatives to improve the quality of core transportation, life-style and *Suica* operations, and secure revenues.

As a result, during the fiscal year under review, operating revenues decreased 0.2% year-on-year to ¥2,532.2 billion, primarily reflecting a decline in transportation revenues at JR East due to the effects of the Great East Japan Earthquake. Operating income increased 4.3% to ¥360.0 billion mainly as a result of a decrease in JR East's non-personnel expenses. Net income increased 42.7% to ¥108.7 billion, due to such factors as a significant decrease in provision for allowance for earthquake-damage losses.

Although business conditions, with various lingering impacts from the earthquake, are expected to remain challenging in the year ending March 31, 2013, JR East will relentlessly pursue its unlimited potential, aim to attain sustained growth, and strive to satisfy the great expectations thrust upon it for services vital to society.

In railway operations, JR East will unveil the Tokyo Station *Marunouchi Building* with a grand opening in October 2012, and promote it worldwide as a new landmark for the capital city of Japan. Also, the Group will operate the *Hayabusa* service on the Tohoku Shinkansen Line at a maximum speed of 320 km/h, the fastest in Japan, by the end of Fiscal 2013. Furthermore, the Group will work in collaboration with local communities to generate more tourism. Moreover, as part of an initiative aimed at building railways that are friendly to the global environment, JR East will promote the development of energy-efficient "*ecoste*" model stations.

In life-style service operations, construction of *GranTokyo North Tower Phase II* (Tokyo) in the *Tokyo Station City Project* will reach completion in August 2012 and *The Tokyo Station Hotel* (Tokyo) is scheduled to open in October 2012. The office building business will see the new opening of the *JR South Shinjuku Building* (Tokyo) and *Kanda Manseibashi Building* (provisional name). Moreover, the Group will continue promoting the large-scale development of terminal station buildings, including at Shibuya Station and Chiba Station.

In *Suica* operations, JR East will steadily work towards the establishment by the spring of 2013 of a mutual usage service network that ties together the ten regional transportation-company networks of IC cards currently in use in Japan.

In addition, to meet the challenge of cultivating new markets, JR East will develop an overseas railway consulting business around Japan International Consultants for Transportation Co., Ltd., which was established, in conjunction with other railway companies, in November 2011. In the railcar manufacturing business, JR East will capitalize on synergies between Japan Transport Engineering Company, which joined the Group in April 2012, and the Niitsu Rolling Stock Plant by taking advantage of the capabilities of the former for developing, designing and manufacturing Shinkansen and limited express railcars on conventional lines.

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

July 2012

Satoshi Seino

SATOSHI SEINO, Chairman

Tetsuro Tomita

TETSURO TOMITA, President and CEO

TETSURO TOMITA, *President and CEO*

BRIEF PERSONAL RECORD, POSITION AND BUSINESS IN CHARGE

April	1974	Entered Japanese National Railways
April	1987	Entered the Company
June	2000	Director and General Manager of Management Administration Department, Corporate Planning Headquarters
June	2003	Executive Director and Deputy Director General of Corporate Planning Headquarters
June	2008	Executive Vice President and Representative Director and Director General of Life-Style Business Development Headquarters
June	2009	Executive Vice President and Representative Director and Director General of Corporate Planning Headquarters
April	2012	President and Representative Director (continuing to the present)

Pursuing Our Unlimited Potential

QUESTION 1

You have become the new president at an important turning point. It was 25 years ago that JR East was established and the Great East Japan Earthquake dealt a severe blow to business operations. What are your primary resolutions?

ANSWER 1

With significant social and economic changes currently taking place in Japan, the role and mission of JR East are becoming increasingly important as an enterprise that provides social infrastructure in the form of railways. We are committed to fulfilling three fundamental missions: achieving "extreme safety levels," enacting "service quality reform" and "collaborating with local communities." In addition, I want to pursue in every way possible the unlimited potential of JR East from three perspectives: "technological innovation," "globalization" and "tourism."

Reconstruction of the areas affected in the disaster remains far from complete a year and four months after the Great East Japan Earthquake. Even before the earthquake, an aging and declining population, the hollowing-out of industry, and other issues were posing serious challenges for the Japanese economy. The earthquake has greatly increased the urgency of dealing with the changes taking place in the economy. Consequently, I believe that JR East's role and mission will become still more important as an enterprise that provides social infrastructure in the form of railways.

I became JR East's president at this time of rapid change in Japan and as JR East marks the start of a new quarter century following the Group's establishment 25 years ago following the division and privatization of JNR (Japanese National Railways). Although my responsibilities are enormous, becoming JR East's president is worth the challenge. We need to determine the roles that our group should fulfill and how we should "evolve." This is why I have a strong commitment to doing everything possible to creating a new direction for our group.

Our operating environment has changed as a result of the Great East Japan Earthquake and in various other ways unforeseen when the *JR East 2020 Vision—idomu—*was drawn up in 2008. We are determined to achieve sustaining growth by adapting to changes while meeting society's great expectations for our services. To accomplish these goals, we announced the "Key Challenges Over the Next Three Years (FY2013 Through FY2015)."

The fundamental missions of JR East will never change. First is achieving "extreme safety levels." I believe that we need to build "railways capable of withstanding natural disasters" in order to be prepared for an earthquake occurring directly beneath the Tokyo metropolitan area, which many people believe will occur in the near future. The next mission is "service quality reform" in our railway and life-style services businesses. In all of the services we provide, we must do more than simply preserve the current level of quality. Everyone at our group must use teamwork to create high-quality services. The third mission is "collaborating with local communities." We are entrusted with operating a major component of regional infrastructures. This is why we must use our business activities to contribute to social and economic progress in all regions where we operate.

Based on the premise of fulfilling these three missions, we will draw on the skills and motivation of our employees to relentlessly pursue the "unlimited potential" of our group. Creating a number of "triggers" will be vital to tapping this potential.

The first trigger is "technological innovation." Railway operations can be viewed as a "technology services

Achieving "Extreme Safety Levels"

industry." Railways will have no future without technological progress. In particular, with Japan now facing an electricity shortage following the earthquake, we must concentrate on technological innovation in the energy field. In addition, we need to tackle challenges involving the "evolution of the railway operations," such as by using information and communication technology (ICT) and increasing the speed of Shinkansen.

"Globalization" is the second trigger. By its very nature, I think that railway operations are an internally oriented business. With overseas railway projects currently attracting much attention, this is a time when we too must look to other countries. I want to use Japan's railway technologies and knowledge extensively for not only high-speed railway services but also in assisting Asian countries to construct and operate railways in major cities. In Japan as well, we are looking outside our existing business fields. Rather than relying solely on our in-house capabilities and expertise, we need to aggressively seek opportunities to use the advanced technologies and services of other companies. Everyone at JR East must adopt the mindset of looking outside the Group. I want to use this stance to create a powerful group that is open to ideas and opportunities in Japan and overseas.

"Tourism" is the third trigger. For many years, we have been working on establishing a large tourism industry in Japan. But now, we need to leverage the "power of tourism" to help the Tohoku region recover from the earthquake and revitalize regional economies. This is why we will step up our efforts to contribute to "making tourism a flourishing industry."

The change in our operating environment following the earthquake means that we need to once again determine goals for JR East. This is why we started working on a new management vision that we plan to announce sometime in the fall of 2012. The new vision will reinforce our commitment to actions involving our "Key Challenges Over the Next Three Years" as well as to issues we have been focusing on for years.

"Key Challenges Over the Next Three Years (FY2013 Through FY2015)"
> See page 23

QUESTION 2

Regarding "safe transportation," please explain the new issues that were created for dealing with disasters based on lessons learned from the Great East Japan Earthquake. In addition, what are your plans for ensuring that you have the financial resources needed to cope with a major disaster?

ANSWER 2

We will remain dedicated to achieving "extreme safety levels." This includes "building railways capable of withstanding natural disasters" by using initiatives that build on the effectiveness of aseismatic reinforcement and other earthquake measures in the past. In the fiscal year ending in March 2013, we plan to make capital expenditures of about ¥300 billion for investment needed for the continuous operation of business, including safety-related investments. To be prepared for an earthquake in financial terms, we will continue to hedge risks by combining earthquake insurance with earthquake derivatives.

We have already taken many actions based on lessons learned from major earthquakes such as the Great Hanshin Awaji Earthquake, Sanriku-Minami Earthquake and Niigata Chuetsu Earthquake as well as from other disasters. Viaduct columns, bridge piers, tunnels, stations and other facilities have been reinforced. Other actions include measures to prevent train derailments and the installation of more seismographs. The Great East Japan Earthquake did not severely damage any of our structures and no passengers were killed or injured. Therefore, I believe that these earthquake countermeasures proved their effectiveness to some degree. However, I realize that this was due partly to good fortune. Therefore, we

will never be satisfied with the current level of safety and always aim for even higher levels.

Many actions are under way. One is accelerating and expanding the scope of aseismatic reinforcement of viaduct columns. Other measures include reinforcing embankments, preventing parts of station ceilings and walls from falling during an earthquake, making aseismatic reinforcement to electric poles and other structures, and installing more seismographs to enhance our seismic observation system. I am determined to "build railways capable of withstanding natural disasters." All of these measures will require a total investment of about ¥300 billion. We will place priority on these investments and plan to complete them about five years from now. In prior years, JR East has spent approximately ¥180 billion on aseismatic reinforcement. Consequently, the program we are just starting will raise these expenditures to about ¥480 billion. This is a huge investment. But there is the possibility of an earthquake occurring directly beneath the Tokyo metropolitan area and other disasters in our service area. Therefore, I believe we must make steady progress with these additional measures.

Of course, the premise for our capital expenditures is to avoid making excessive expenditures that would damage our financial soundness. That requires maintaining the proper balance between capital expenditures and management stability. In fiscal 2013, we plan to make capital expenditures of ¥480 billion on a consolidated basis. We will allocate ¥304 billion of these expenditures for investment needed for the continuous operation of business, including safety-related investment and investment to improve reliability of transportation. For investment needed for the continuous operation of business, our basic policy is to hold expenditures to less than depreciation as we steadily continue "building railways capable of withstanding natural disasters" while preserving our financial soundness.

Regarding preparation in financial terms, when the Great East Japan Earthquake occurred, we had earthquake insurance (maximum coverage of ¥71 billion with ¥10 billion deductible) for our railway facilities and other civil engineering structures. We also had an earthquake derivative contract with a maximum receipt of US$260 million (about ¥20 billion). No receipt from the earthquake derivative was exercised because the epicenter of this earthquake did not meet the terms of the contract. However, I believe that we will receive about ¥20 billion during fiscal 2013 from our earthquake insurance. To prevent earthquake damage from causing a sudden decline in our financial position, we will continue to hedge risks associated with earthquakes. We will use earthquake insurance mainly for civil engineering structures, and earthquake derivatives for an earthquake directly beneath the Tokyo metropolitan area.

Countermeasures for large-scale earthquakes such as aseismatic reinforcement > See page 46

Investment in countermeasures for large-scale earthquakes such as aseismatic reinforcement totaling about

¥300 billion over the next five years

QUESTION 3

Next, please tell us about "service quality reform."

ANSWER 3

We will provide more through services with other companies and improve the reliability of transportation in order to improve the quality of our Tokyo metropolitan area railway network. At the same time, I want to make JR East more competitive by expanding the intercity transportation network with new operations of Shinkansen lines.

One illustration of initiatives for service quality reform is our plan to target latent demand by enhancing and expanding our Tokyo metropolitan area railway network. We have already been adding to this network in recent years, such as by starting the Shonan-Shinjuku Line. Upcoming actions include completion of the Tohoku Through Line, which is scheduled for fiscal 2015, and through services with Sagami Railway. I believe these steps will stimulate new sources of demand while making us more competitive. Improving the reliability of transportation is another ongoing priority. Delays caused by accidents resulting in injury or death have a direct influence on a railway company's competitive edge. We are taking many actions: quickly resuming operation after an accident; reinforcing shuttle operations; quickly announcing the expected length of a delay; and installing automatic platform gates on platforms at Yamanote Line stations.

For our Shinkansen services, progress is continuing on expanding the intercity network. Operations are scheduled to begin by the end of fiscal 2015 on the Hokuriku Shinkansen to Kanazawa, and by the end of fiscal 2016 on the Hokkaido Shinkansen between Shin-Aomori and Shin-Hakodate. Approximately 2.6 million people travel between Tokyo and Kanazawa every year. Railways have a market share of about 40% and airlines account for most of the remainder. Extending the Shinkansen to Kanazawa will cut travel time between the two cities to about two and a half hours. This will make railways much more attractive. Furthermore, extending the Shinkansen service to Shin-Hakodate will allow trains to reach the city from Tokyo in four hours. Furthermore, this link will make it possible to create a broad tourism zone covering northern Tohoku and Hakodate. I have high hopes for an increase in tourism to the Tohoku region when the Hokkaido Shinkansen service to Shin-Hakodate starts.

QUESTION 4

How has JR East assisted in recovery and reconstruction activities in areas damaged by the Great East Japan Earthquake?

ANSWER 4

We have resumed operations on some sections of the lines along the northeastern Pacific coast that were damaged in the tsunami, including sections of the Joban and Senseki lines. However, operations are still suspended in sections totaling approximately 260 km. We are coordinating our efforts to restore these lines, with other plans to rebuild the area as a whole and develop towns. Therefore, we will continue to hold discussions with relevant national and local government authorities.

We had to stop operations on about 400 kilometers of the lines along the northeastern Pacific coast that were severely damaged in the tsunami. We are making steady progress with rebuilding these lines as we move in stages while confirming safety. We have resumed operations on the entire Hachinohe Line and sections of the Joban, Senseki and other lines. While operations remain suspended along approximately 260 km of railway lines, JR East has adopted a plan to construct new rails in rebuilding the Senseki Line between Takagimachi and Rikuzen-Ono, the Joban Line between Soma and Watari, and the

Ishinomaki Line between Watanoha and Urashuku, after reaching general agreements following discussions with local governments about safety measures that include relocating lines and increasing the elevation of lines.

The Kesennuma, Yamada and Ofunato Lines were severely damaged. In these sections, we are considering either restoring railway services or using a BRT (Bus Rapid Transit) system as a provisional restoration. Resuming railway operations will require resolving a number of issues. We must ensure the safety of passengers by building tide barriers and elevating railway lines. Rebuilt lines must be consistent with the plans to rebuild the area as a whole and develop towns. Agreements are needed about where and how railway lines cross roads and rivers. Deciding how to divide the cost of restoration is another major issue. We will continue to discuss these subjects with relevant local governments and other organizations. I expect that resolving these issues will take a long time. Furthermore, the reconstruction of communities along damaged lines will probably take place in stages. As a result, we are thinking about using BRT as a provisional restoration. BRT will allow us to provide safe transportation quickly and with the flexibility to match each stage of the reconstruction process.

For the Yanaizu-Kesennuma section of the Kesennuma Line, we submitted a proposal in December 2011 for BRT, which was accepted by the local governments. We began construction in May 2012 to convert certain segments of the line to a road dedicated to buses. The BRT service is scheduled to commence on August 20, 2012, the

beginning of the second semester at schools along the Kesennuma Line. We are working on preparations to start full-scale BRT operations as soon as possible by the end of 2012.

We have proposed BRT services to local governments along the Yamada and Ofunato lines, too. We will continue to negotiate with local governments concerning the restoration of services.

QUESTION 5

Please explain specific activities concerning "technological innovation," which is one of the three challenges.

ANSWER 5

To pursue the "unlimited potential" of JR East, we are taking on the challenge of forging strategies for conserving energy, utilizing ICT and operating Shinkansen trains at faster speeds.

As I mentioned earlier, we will make extensive use of innovative technologies in railway and other businesses of JR East. We will intensively allocate our business resources in this area. Furthermore, we have established the Technology Innovation Development Committee for the purpose of strengthening our R&D activities.

In terms of specific themes, we will develop strategies for conserving energy for JR East. Railways have been said to be an environmentally friendly mode of transportation because they use energy efficiently. However, there has been much progress involving innovative technologies in the automobile industry, such as the development of eco-cars. Railways cannot remain complacent forever with their environmental superiority. We need to identify technologies in the automobile and other industries that can be used in trains and then aggressively utilize these advances. We have already taken many actions. For instance, we introduced energy-conserving railcars, adopted LED lightning, and created an "*ecoste*" model station incorporating technologies for preserving the environment. Now we must use technologies to continue making progress in creating environmentally friendly railway systems.

In light of the prolonged power shortages after the Great East Japan Earthquake, JR East is examining energy issues from a comprehensive standpoint extending from the supply of energy to its consumption. We are upgrading facilities and increasing power generation efficiency at our own power plants; introducing smart grid technology; and developing a viable catenary and battery-powered hybrid railcar system. We will also study a number of actions from a medium to long-term perspective, too, as we examine the trend in electric power supply and consider increasing the output of our power plants and expanding our power network.

ICT is another key component of technological innovation. The world has seen rapid advances in ICT. By applying cutting-edge ICT to train control and systems for providing information to passengers, among various other fields, I believe we can use ICT to achieve significant advances in safety, the quality of services, operating efficiency and other aspects of our operations.

We are continuing to make progress with further increasing the speed of Shinkansen. By the end of fiscal 2013, we are scheduled to start operating trains on the Tohoku Shinkansen Line at 320 km/h, the fastest in Japan. And we are planning to raise the maximum speed to 360 km/h. To operate trains faster, we

will have to solve a number of issues, such as noise and vibrations. We will continue to conduct R&D activities and resolve these issues.

QUESTION 6

Please describe JR East's activities involving "globalization."

ANSWER 6

JR East is becoming more global in order to enter new markets. To participate in railway projects in many countries, we are working primarily through Japan International Consultants for Transportation Co., Ltd. as well as other companies in Japan and overseas. At the same time, we will make efforts to expand business overseas as well as in Japan by further enhancing our comprehensive technological capability in railcar manufacturing and maintenance at Japan Transportation Engineering Company, which recently became a part of JR East.

With many railway projects currently under consideration around the world, there is considerable interest in Japan's railway technologies. We want to extend our activities to other countries so that we do not miss a single opportunity. Overseas railway consulting operations will be conducted mainly by Japan International Consultants for Transportation, which was established in November 2011 by a number of Japanese railway companies including JR East. We want to partner with companies in Japan and other countries to participate in railway projects. We can provide only a limited amount of assistance on our own. But by combining the resources of many Japanese railway companies, I believe that we can use railway technologies to make a big contribution to Japan's infrastructure exports. This is a central element of Japan's strategy for growth.

Raising the speed of trains is not the only benefit of Japan's railway technologies. Japan has many outstanding technologies for reliability, comfort, maintenance and other aspects of operating trains. Backing up all this expertise is Japan's "frontline skills." Over the years since JR East's inception, we have accumulated "frontline skills" at a very high level. Consequently, leveraging these skills on a global scale rather than merely exporting railway systems is a major goal of ours.

For example, Japan Transport Engineering Company, which joined JR East in April 2012, is highly skilled in manufacturing railcars. JR East has considerable railcar maintenance expertise. Combining this know-how will allow the two companies to aim for developing higher quality railcars while cutting the cost. We plan to upgrade comprehensive technological skills for railcar production and maintenance while benefiting from synergies with the operations of JR East's Niitsu Rolling Stock Plant. I want to use these strengths to operate a high-quality railcar production business overseas that is unlike any other in the world.

QUESTION 7

What are your thoughts on "tourism?"

ANSWER 7

JR East will cooperate with local communities to create more tourism destinations in our service area, conduct campaigns and perform other activities. Our objectives are to stimulate tourism in Japan and increase the vitality of regional economies.

We want as many people as possible to visit the Tohoku region for sightseeing. More tourists will be a source of energy for more economic activity and jobs. Japan's tourism industry accounts for a smaller percentage of total employment than in many other countries. That means there is considerable potential for adding jobs in this sector.

Furthermore, tourism requires a very small up-front investment, unlike the large outlays demanded for manufacturing and other activities. Substantial demand for tourism can be generated by using intangible assets like scenery, history, culture, and the festivals and daily lives of the local people. After the Great East Japan Earthquake, we have conducted a series of tourism campaigns along with regions and communities in Tohoku. The *Aomori Destination Campaign* was followed by the *"Ikuze, Tohoku." Campaign* to stimulate the flow of tourism traffic throughout Tohoku and contribute to the recovery of the region, the *Iwate Destination Campaign* from April to June 2012 and other promotions. The *"Ikuze, Tohoku. 2012 Summer" Campaign* is currently underway. This is not a one-time initiative. We will continue to increase tourism in Tohoku by cooperating with communities to uncover new tourism resources and conduct promotional activities.

QUESTION 8

JR East was involved in numerous earthquake recovery and reconstruction projects during the past fiscal year. How did these activities affect operating revenues and earnings?

ANSWER 8

Operating revenues were down for the fourth consecutive year because of the Great East Japan Earthquake. But operating income, ordinary income and net income were all higher because we reexamined expenses and took other actions. Moreover, our earthquake recovery activities gave everyone at JR East a renewed awareness of our strong "bonds with communities" and of the importance of meeting the expectations of society by fulfilling our "mission as a railway company."

The earthquake continued to impact our performance in the fiscal year ended in March 2012. But the recovery in passenger volume on the Tohoku Shinkansen and other lines was faster than expected. So we made much progress even in this difficult environment. Operating revenues were down for the fourth consecutive year as the earthquake caused transportation revenues to drop sharply. In response we cut back on expenses and net income increased for the first time in four years as a result. Consolidated operating income, ordinary income and net income were all higher than the January 2012 forecast, in which we raised our earnings outlook for the fiscal year.

The earthquake impacted our performance in many ways. We suspended train operations and temporarily closed shopping centers. Furthermore, people held back on expenditures after the earthquake and the Fukushima nuclear power station accident made people even more reluctant to travel. Overall, we estimate that the earthquake cut operating revenues by roughly a combined ¥136 billion in the past two fiscal years. In addition, we recorded consolidated extraordinary losses of ¥75 billion for payment for the restoration of damaged railway facilities and other property, removal of damaged or lost fixed assets, and estimates for restoration and other expenses.

Despite the impact of the earthquake on our performance, the past fiscal year was a period of many accomplishments at JR East. Every time we resumed operations on a line that was damaged, we received many messages of appreciation. In particular, people were very happy when we restarted Shinkansen operations. I will never forget these expressions of happiness and appreciation. The earthquake had a severe effect on our performance, mainly due to lower revenues and restoration expenses. However, I believe that our ability to work together to overcome the difficulties created by the earthquake has given JR East a sense of confidence and pride that more than offsets the cost of earthquake damage. The large number of employees who responded to this disaster reaffirmed "the strength of our bonds with the communities we serve." Recovery activities also demonstrated "the magnitude of the expectations that people have for JR East." Everyone at JR East has an even stronger awareness of the importance of our role as a company responsible for providing railway services as social infrastructure. We are moving forward with a renewed commitment to fulfilling the "mission of railways" in order to meet society's great expectations.

For fiscal 2012 financial results > See page 70

QUESTION 9

Please explain your outlook for the fiscal year ending in March 2013 and your goals for the next three years.

ANSWER 9

We are forecasting higher revenues and earnings in all our business segments. Regarding numerical targets for the next three years that we announced in April 2012, everyone at JR East will work together to take the steps needed to reach these targets.

We expect growth in revenues and earnings in all business segments in the fiscal year ending in March 2013. Following last year's cutback in expenses, I anticipate an increase in our use of expenses, chiefly maintenance expenses and other non-personnel expenses. Personnel expenses will rise too because we revised our personnel and wage systems in April 2012. Despite the growth in expenses, we forecast higher earnings because operating revenues are expected to increase more than expenses.

In railway operations, I expect a substantial recovery in transportation revenues following the impact of the Great East Japan Earthquake on revenues in the previous fiscal year. By the end of fiscal 2013, we plan to start operating Tohoku Shinkansen trains at a maximum speed of 320 km/h. Higher speed along with the addition of *GranClass* cars on this line are expected to raise revenues. In October 2012, we will complete restoration and preservation work at *Tokyo Station Marunouchi Building*, which Japan has designated an important cultural property. Following completion, we plan to feature this historic building as the symbol of the Tokyo area in our marketing and other promotional activities in Japan and overseas.

In the life-style services business, we plan to increase revenues by constructing more office buildings, hotels and other facilities. The *JR South Shinjuku Building* was completed in June 2012 and completion of the *JR Kanda Manseibashi Building* is slated for January 2013. Furthermore, *The Tokyo Station Hotel* will open in October 2012. I am confident that these projects will make a contribution to growth in our revenues and earnings.

In April 2012, we announced our numerical targets for the three-year period ending in March 2015. We have established targets for this period for consolidated operating revenues, operating income, net income, cumulative operating cash flows and ROA in each of our business segments. Furthermore, we plan to increase our corporate value by making growth investments. As part of this goal, we established an ROE target from the standpoint of achieving both higher shareholder value and investment efficiency.

Japan's aging and declining population and other challenges in our operating environment will make it difficult to increase revenues. In our railway operations, we plan to secure revenues by enhancing and expanding our Shinkansen and Tokyo area networks and improving the quality of our transportation services. For the life-style services business, we will expand activities to further enrich the business content of *ekinaka*, or spaces within railway stations. We are also making steady progress with the large-scale development of terminal stations and other projects that can generate returns in the future.

Building a lean and agile organization will be vital to sustaining growth in an operating environment that is constantly changing. This is why our entire group is coordinating our efforts to reform cost structure through strategic downsizing. For example, we are streamlining our facilities, such as by removing those where utilization is low, and keeping the capacity of our transportation operations in line with changes in our markets.

QUESTION 10

Has the use of operating cash flows outlined in *JR East 2020 Vision—idomu—*changed in any way?

ANSWER 10

We are prioritizing investments that can add to our ability to sustain growth. At the same time, we are committed to generating returns to shareholders. For the time being, our target for the consolidated dividend payout ratio is 30%. Furthermore, we will continue to reduce total long-term debt in order to strengthen our financial position.

As stated in *JR East 2020 Vision—idomu—*we will use operating cash flows for investments for the future growth and a stronger base of operations, reductions in total long-term debt, and returns to shareholders based on the current target of a 30% consolidated dividend payout ratio.

Our fundamental stance has not changed despite the effects of the Great East Japan Earthquake and other factors that have created an uncertain business climate. JR East will make strategic and aggressive investments with the aim of sustaining growth. We will pursue new opportunities, enact service quality reform, aim for growth in tourism and take other actions. Over the next three years, we plan to make capital expenditures of ¥1,400 billion on

Aim for a consolidated dividend payout rate of

30%

a consolidated basis and ¥1,200 billion on a non-consolidated basis. Safety-related investments are the highest priority. We will also use capital expenditures in growing business sectors. For returns to shareholders, we will continue to aim for a consolidated dividend payout ratio of 30%. For the fiscal year ending in March 2013, we plan to pay a dividend of ¥120 per share, including the interim dividend. We will take wide-ranging measures to generate returns to shareholders, including flexible use of share buybacks, depending on the level of net cash provided by operating activities. Our total long-term debt is still more than ¥3,000 billion. The outlook for the Japanese economy makes the outlook for interest rates uncertain. JR East will continue to reduce this debt in order to lower interest expenses and improve our financial soundness.

For numerical targets over the next three years
> See page 29

QUESTION 11

Please tell us your thoughts on what type of organization JR East should become in the future.

ANSWER 11

I want JR East to foster an open and energetic corporate culture by taking on the challenge of entering new business fields. Every Group employee must rise to the challenge of "innovation" for JR East to "evolve." This process will be vital to increasing our corporate value and enable us to meet the expectations of investors.

As I explained earlier, JR East is a company that operates a vital part of social infrastructure. Above all, we must reliably perform all of the roles that the public expects of us and fulfill our missions. We have three missions that are always the same irrespective of how our operating environment changes: achieving "extreme safety levels," enacting "service quality reform" and "collaborating with local communities." As we fulfill these missions, I also want to draw on the skills and ambition of our employees to pursue the "unlimited potential" of JR East . The triggers for realizing this potential are "technical innovation," "globalization" and "tourism." By seeking opportunities in new business fields, we will create an open and energetic corporate culture. In addition, I want to make JR East a powerful organization that is open to ideas and opportunities in Japan and around the world.

My goal is to drive the "evolution" of JR East by using the collective strength of each and every employee so they can rise to the challenge of "innovation." Accomplishing this goal will require that everyone in our group, including me, continue to move forward as a unified team. I am convinced that adopting this stance will further increase our corporate value and allow us to meet the expectations of investors.

1 Pursuing "extreme safety levels"
Building a railway capable of withstanding natural disasters

3 Strengthening collaboration with local communities
Supporting earthquake recovery, stimulating tourism and revitalizing communities

2 Service quality reform
Enhancing rail transportation network and other measures

Feature:

Key Challenges Over the Next Three Years

The operating environment of JR East has changed drastically as a result of the Great East Japan Earthquake and in various other ways that were unforeseen when the *JR East 2020 Vision—idomu—*was drawn up in 2008.

In light of this, JR East has established a new set of key challenges and numerical targets to be pursued intensively over the next three years. During this period of great change since the earthquake, JR East has been working continually to achieve sustaining growth while meeting society's great expectations for it as an enterprise that provides social infrastructure in the form of railways. To this end, JR East will continue to rigorously pursue its unlimited potential.

5 Globalization
Tackling new markets

4 Technological innovation
Forging strategies for conserving energy, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds

Key Challenges Over the Next Three Years

The mission of JR East will always be to provide safe, high-quality services that customers demand, and to provide safe transportation systems that contribute to the development of communities. The fiscal year ending March 31, 2013 is a milestone year for JR East, marking the start of a new quarter century following the Group's establishment 25 years ago in conjunction with the division and privatization of JNR (Japanese National Railways). JR East will do its best to respond to the great expectations of society as it works to achieve sustaining growth amid the drastic changes the Great East Japan Earthquake brought about. As such, JR East will focus on resolving the following priority issues, of which some came to light following the disaster, as it continues to further examine and speed up the application of concrete solutions to the other important issues it had identified in the past.

1 Pursuing "extreme safety levels"

Building a railway capable of withstanding natural disasters

JR East will endeavor to build a railway capable of withstanding natural disasters. Such efforts will be made by reviewing issues that arose from the Great East Japan Earthquake and by implementing countermeasures both in terms of "physical" and "non-physical" disaster assistance in preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, among other scenarios.

At the same time, JR East will steadily make progress on initiatives based on *2013 Safety Vision*, with the aim of achieving "extreme safety levels."

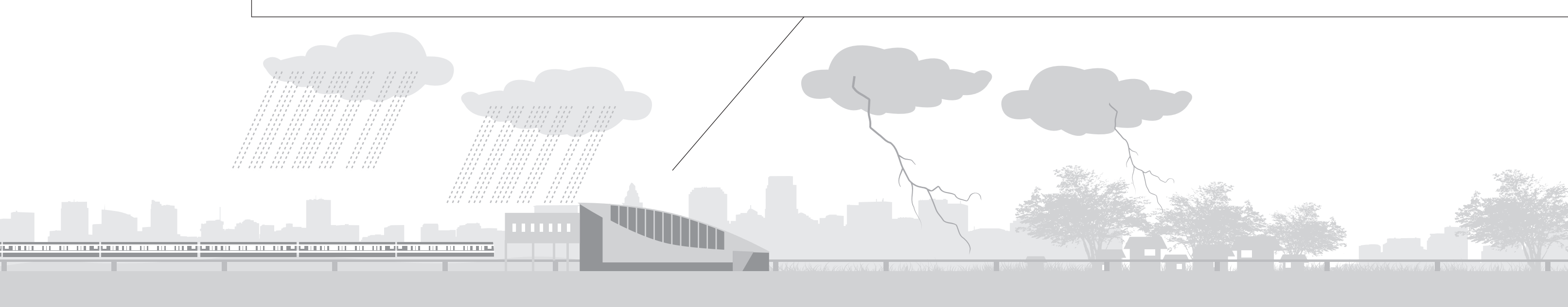
- In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, among other major earthquake scenarios, we will push forward and expand our aseismatic reinforcement plans, while upgrading and expanding the early seismic detection system primarily by installing additional seismographs.

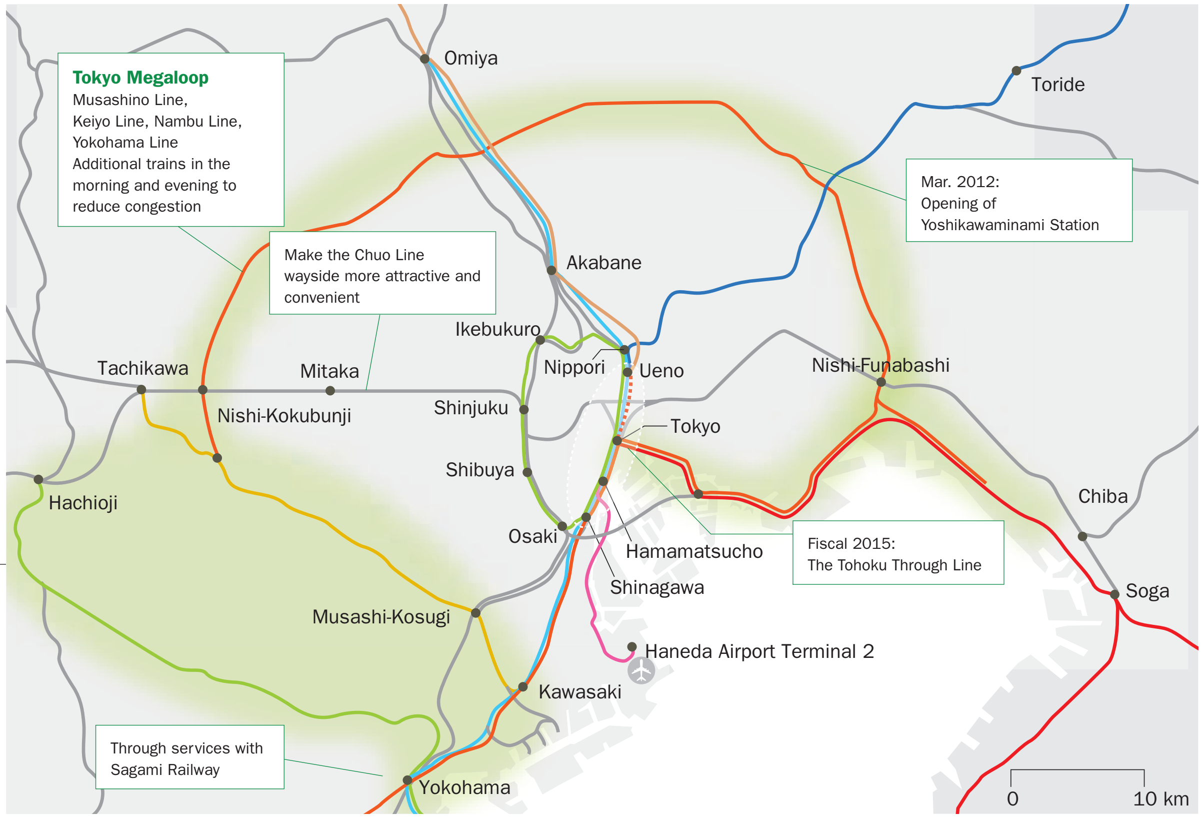
- We will install necessary equipment and provide training to employees, to ensure that rescuing customers and saving lives are our top priority in an earthquake. In addition, we will take steps to assist people who have difficulty returning home, such as by securing temporary shelter within train stations and stockpiling supplies.

- We will steadily make progress on initiatives based on *2013 Safety Vision*, including implementation of measures to prevent train collision and derailment accidents by expanding the installation of automatic train-stop systems (ATS-P, ATS-Ps), along with steps to prevent rail crossing accidents. Such measures will also include platform safety measures in train stations, such as installation of automatic platform gates.

- We will implement measures to prevent accidents caused by extreme weather events, such as torrential rain, wind gusts and lightning.

Aseismatic reinforcement of viaduct columns





2 Service quality reform

Enhancing rail transportation network and other measures

JR East will implement service quality reform by building on teamwork across the entire Group. Furthermore, JR East will endeavor to enhance its transportation network in the Tokyo metropolitan area and Shinkansen network.

- We will steadily promote our Medium-term Vision for Service Quality Reforms by improving transportation quality in terms of reliability and comfort, as well as by striving to provide passengers with more information, with the aim of achieving the railway industry's No. 1 status for customer satisfaction.
- We will improve the quality of our Tokyo metropolitan area railway network. Major plans include the launch of service on the Tohoku Through Line (scheduled for fiscal 2015), through services with Sagami Railway, and improvement of transportation services with limited express and liner trains.
- We will expand the intercity transportation network, with new operations of the Hokuriku Shinkansen to Kanazawa (scheduled for the end of fiscal 2015) and the Hokkaido Shinkansen to Shin-Hakodate (scheduled for the end of fiscal 2016).
- We will continue to improve the usage of regional lines, as well as the operational efficiency of regional services.

3 Strengthening collaboration with local communities

Supporting earthquake recovery, stimulating tourism and revitalizing communities

To support earthquake recovery, JR East will make effort to stimulate tourism, revitalize communities, and take other actions to contribute to local communities as a company responsible for regional infrastructure.

- We will coordinate our efforts to restore conventional lines along the northeastern Pacific coast that were damaged by the tsunami caused by the Great East Japan Earthquake, with other plans to rebuild the area as a whole and develop towns. To this end, we will hold discussions with the national government and consult local municipal authorities. In the interest of achieving rapid restoration of safe transportation services, we will conduct discussions with local municipal authorities and other relevant parties on restoring transportation using BRT (Bus Rapid Transit) systems on a provisional basis.

- We will work closely with local communities to stimulate tourism. Measures include coordinated efforts to enhance tourism development with local communities, extensive promotion of tourism across the Tohoku region, and expansion of tourism by foreign visitors.

- We will achieve further progress in implementing community revitalization measures, including promotion of the *Rediscovering the Region Projects* and provision of assistance to local manufacturing.

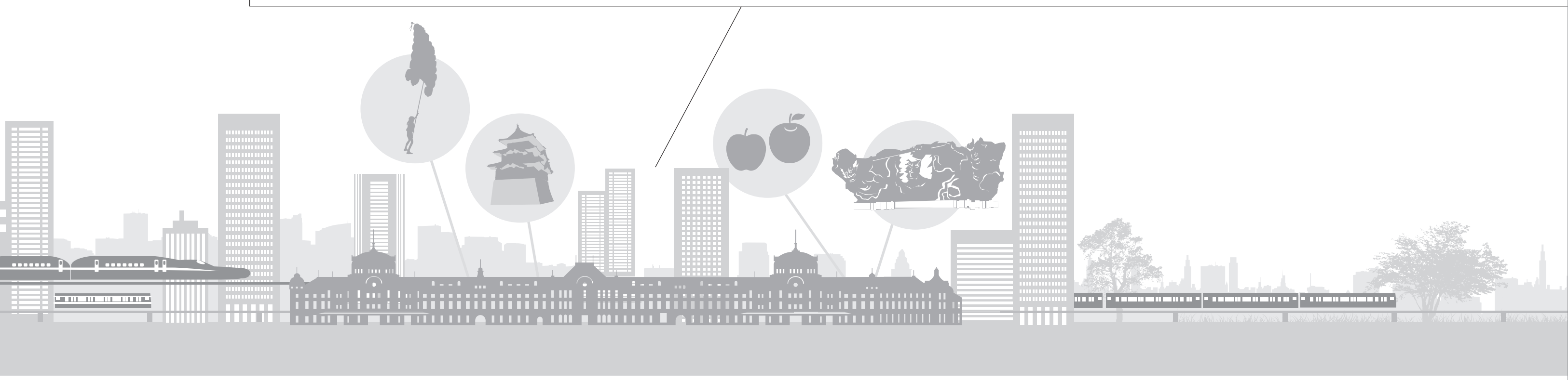
- We will promote the Tokyo Station *Marunouchi Building*, which is under restoration and will be unveiled with a grand opening in October 2012, as a new landmark for the capital city of Japan.

- We will collaborate with local communities to execute large projects, including those at Shinjuku, Chiba, Yokohama, and Shibuya stations, with the aim of developing internationally attractive towns.

- Given Japan's aging society with fewer and fewer children, we will strive to increase the value of areas along railway lines by improving the community amenities available at train stations and the *HAPPY CHILD PROJECT* and through other measures.

Tokyo Station City

Rediscovering the Region Projects

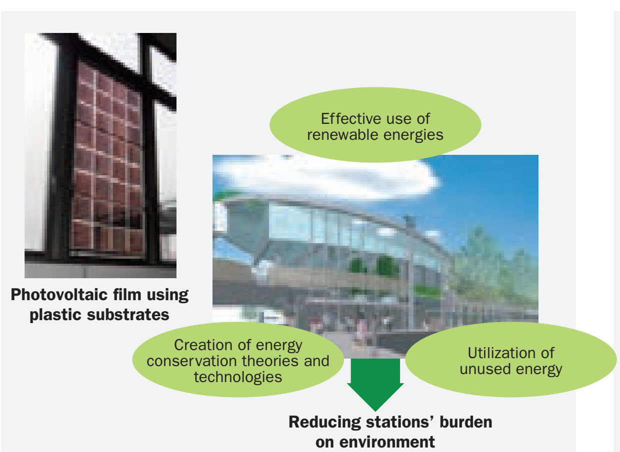


4 Technological innovation

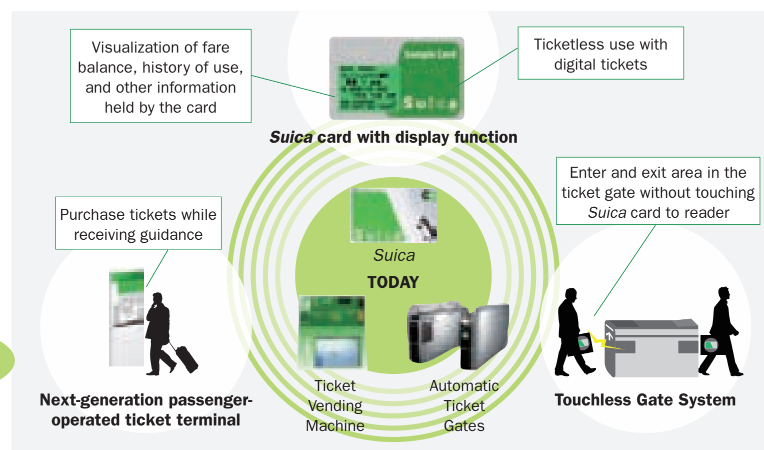
Forging strategies for conserving energy, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds

JR East will pursue various forms of innovation, including technological innovation, in pursuit of its limitless potential.

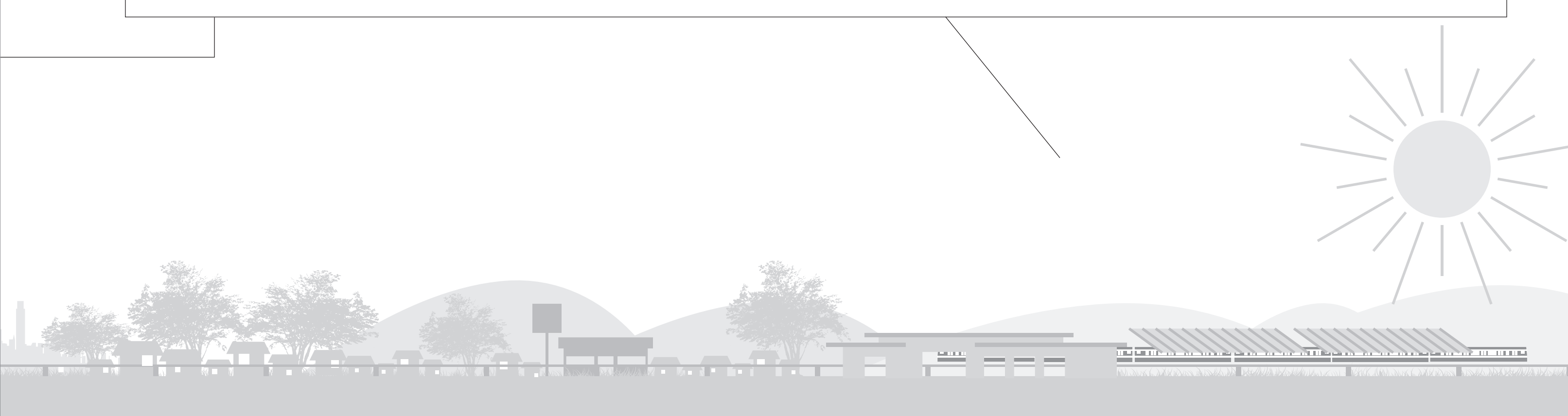
- To promote innovative technology development, we will intensively allocate business resources in this area, while strengthening R&D through the establishment of the Technology Innovation Development Committee and other actions.
- In light of Japan's prolonged power shortage issues, we will develop strategies for conserving energy for JR East. Measures under this strategy will include introduction of smart grid technology, upgrading of facilities and increase in power generation efficiency at our own power plants, as well as development of a viable catenary and battery-powered hybrid railcar system.
- We will continue to develop environmentally friendly railway systems, including by introducing energy-efficient railcars, adopting LED lighting, and creating zero-emission stations utilizing solar power generation, storage battery and other technologies.
- We will seek innovation in railway operations and further enhancement of the convenience of *Suica* by leveraging ICT in various fields.
- We will continue our R&D efforts toward achieving an operational speed of 360 km/h for Shinkansen.



Energy Creation and Conservation Technologies for Stations



Innovation in Ticketing Systems



5 Globalization

Tackling new markets

JR East will achieve added innovation through globalization of JR East by tackling new markets.

- We will strive to develop an overseas railway consulting business, while seeking participation in railway projects around the world in collaboration with other Japanese and overseas companies, working primarily with Japan International Consultants for Transportation Co., Ltd.
- We will capture synergies between Japan Transport Engineering Company, which recently joined JR East, and the our Niitsu Rolling Stock Plant in order to establish railcar manufacturing operations as our fourth business pillar. The Company will also make efforts to expand business overseas as well as in Japan by further enhancing our comprehensive technological capability in railcar manufacturing and maintenance.
- We will also actively work to develop new business and pursue M&A.

Manufacturing plant of Japan Transport Engineering Company*

Side block assembly line*

Wheel axle press fitting machine*

* Railcar manufacturing activity at Japan Transport Engineering Company

Numerical Targets Over the Next Three Years (Fiscal 2013 through Fiscal 2015)

CONSOLIDATED OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2015

	2012	2015
Consolidated Operating Revenues	¥2,532.1 billion	¥2,725.0 billion
Consolidated Operating Income	¥360.0 billion	¥402.0 billion

SEGMENT OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2015

Operating Revenues

	2012	2015
TRANSPORTATION	¥1,705.7 billion	¥1,776.0 billion
STATION SPACE UTILIZATION	¥396.1 billion	¥430.0 billion
SHOPPING CENTERS & OFFICE BUILDINGS	¥229.6 billion	¥261.0 billion
OTHERS	¥200.5 billion	¥258.0 billion

Operating Income

	2012	2015
TRANSPORTATION	¥236.6 billion	¥264.0 billion
STATION SPACE UTILIZATION	¥33.9 billion	¥41.0 billion
SHOPPING CENTERS & OFFICE BUILDINGS	¥66.5 billion	¥71.0 billion
OTHERS	¥21.9 billion	¥27.0 billion

CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES*

2012	2013–2015
¥558.6 billion	¥1,650.0 billion

CONSOLIDATED ROA AT THE END OF FISCAL 2015

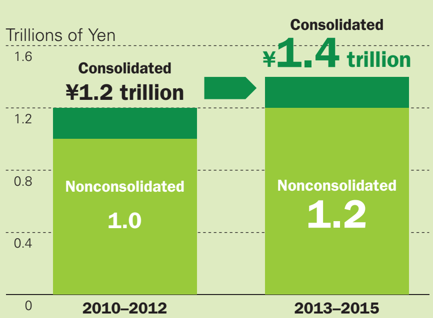
2012	2015
5.1 %	5.5 %

CONSOLIDATED ROE AT THE END OF FISCAL 2015

2012	2015
5.9 %	9.0 %

* The fiscal 2015 target for consolidated cash flows from operating activities represents the aggregate of the estimated cash flows for the three years from fiscal 2013 to fiscal 2015.

CAPITAL EXPENDITURES FOR THE NEXT THREE YEARS



- Consolidated capital expenditures planned for the next three years, from fiscal 2013 to fiscal 2015, are approximately ¥1,400 billion.
- Capital expenditures in safe and stable transportation planned for the next three years, from fiscal 2013 to fiscal 2015, are approximately ¥500 billion.
- Growth investments expected to generate returns, such as those in life-style services businesses planned for the next three years, from fiscal 2013 to fiscal 2015, are approximately ¥500 billion.

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, travel agency services, wholesales, truck delivery services, information processing, cleaning services/station operations, credit card business, and other services.

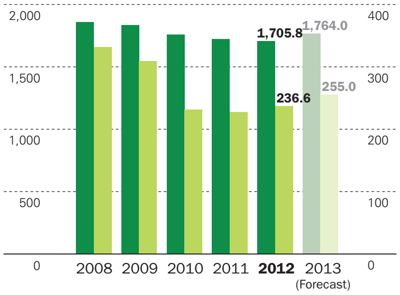
PRINCIPAL BUSINESSES

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

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

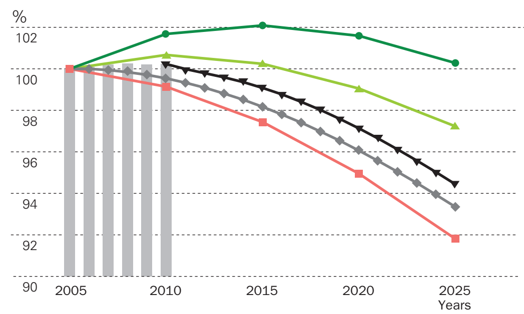
OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



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

TOTAL POPULATION OF JAPAN

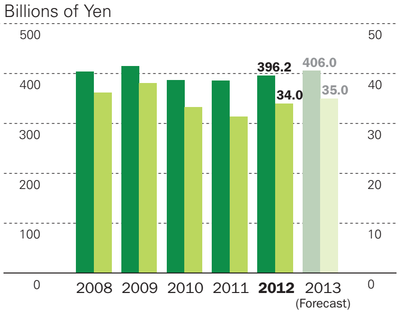


The population of the Tokyo Metropolitan Area is projected to increase further until the middle of the 2010s, while that of Japan as a whole and other metropolitan areas is forecast to continue decreasing.

- Nationwide (actual)
- Nationwide (2006 estimate)
- Tokyo area (2007 estimate)
- Nagoya area (2007 estimate)
- Osaka area (2007 estimate)
- Nationwide (2012 estimate)

OPERATING REVENUES AND OPERATING INCOME

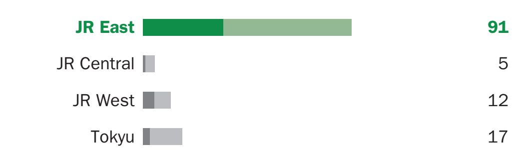
Billions of Yen



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

NUMBER OF BUSY STATIONS

Number of Stations



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

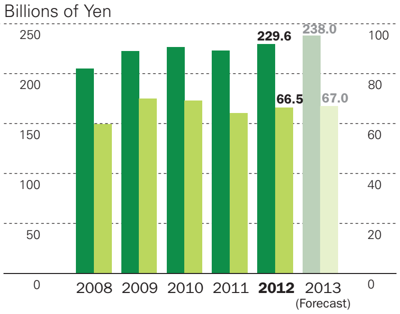
Notes

- Tokyu = Tokyu Corporation
- Year ended March 31, 2011 for JR Central and JR West, year ended March 31, 2012 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

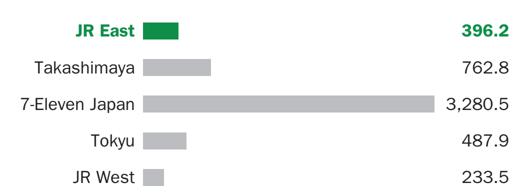
Billions of Yen



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

OPERATING REVENUE COMPARISON OF MAJOR DEPARTMENT STORES, RETAIL SALES, AND CONVENIENCE STORES

Billions of Yen



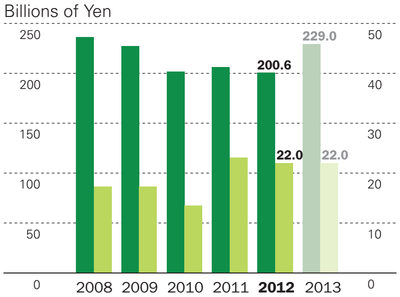
Located close to train stations, JR East's shopping centers boast sales that rival those of major department stores.

Notes

- Takashimaya = Takashimaya Company, Limited; 7-Eleven Japan = Seven-Eleven Japan Co., Ltd.; Tokyu = Tokyu Corporation
- Year ended March 31, 2012 (Year ended February 28, 2012, 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 customers; Takashimaya: Department store business, segment revenues from outside customers; 7-Eleven Japan: Total store sales (nonconsolidated); Tokyu: Retail operating revenues; JR West: Sales of goods and food services business, segment revenues from third parties

OPERATING REVENUES AND OPERATING INCOME

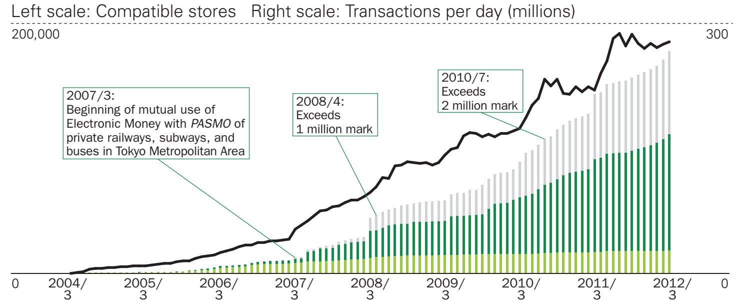
Billions of Yen



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

SUICA ELECTRONIC MONEY- TRANSACTIONS AND COMPATIBLE STORES

Left scale: Compatible stores Right scale: Transactions per day (millions)



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

Suica electronic money is accepted at over 170,000 stores and was used for a one-day record of 2.88 million transactions as of March 31, 2012.

* Figures are as of March 31, 2012
* Figures include results of other affiliated stores

Shinkansen Network

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 2012, traffic volume was 18,424 million passenger kilometers, and revenues from passenger tickets was ¥439.7 billion.

TOPICS

New Series E5 Railcars Added to the Tohoku Shinkansen Line

New Series E5 railcars were put into service on the Tohoku Shinkansen Line in conjunction with timetable revisions in March 2012. Series E5 railcars couple with the *GranClass* first class service for a refined travel experience, while also offering greatly improved environmental performance and comfort as well as higher speeds. The railcars make travel more comfortable than it has ever been. Maximum speed on some trains will be raised to 320 km/h by the end of fiscal 2013, the fastest in Japan. A

Higher Speeds for *Tsubasa* on the Yamagata Shinkansen Line

A portion of the railcars on *Max Yamabiko* trains that are coupled with *Tsubasa* were switched from Series E4 to Series E2 cars when timetables were revised in March 2012. This makes it possible to raise *Tsubasa's* maximum speed from 240 km/h to 275 km/h on nine of 16 roundtrip routes, meaning travel on *Tsubasa* is faster than ever before. The time required to travel from Tokyo to Yamagata on the fastest trains is now two hours and 29 minutes.

OUTLOOK

Construction of the Hokuriku Shinkansen Line Extension

Construction of the Hokuriku Shinkansen Line from Nagano Station to Kanazawa Station is being managed by the Japan Railway Construction, Transport and Technology Agency (JRTT). JR East has been

A New Series E5 railcars

C Series E6 railcars for the Akita Shinkansen Line

B Work to extend the Hokuriku Shinkansen Line

D Merchandise commemorating the 30th anniversary of the Tohoku Shinkansen Line contracted by JRTT to construct new elevated spans, bridges and other infrastructure in sections of the Nagano-Joetsu segment (provisional name) that cross or are adjacent to existing lines and return lines for out-of-service trains.

Work on the project is proceeding to meet the government's goal of putting the line into service in fiscal 2015. When complete the line will improve access to the Hokuriku region from the Tokyo metropolitan area and contribute to adjacent development. B

Series E6 Railcars for Introduction on the Akita Shinkansen Line

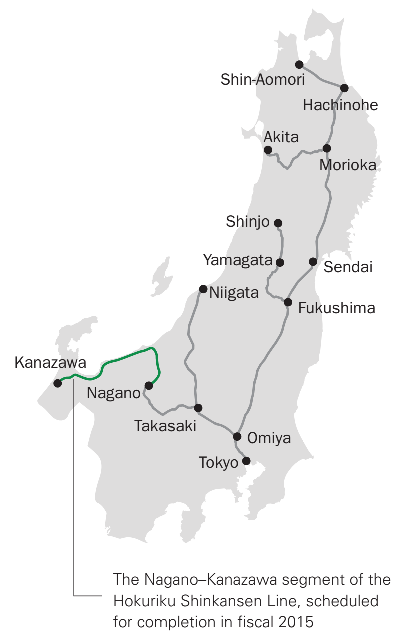
JR East will build 23 sets of Series E6 railcars for seven-car Shinkansen trains, a total of 161 cars, for the Akita Shinkansen. The new railcars will be dedicated starting in November 2012 and all 23 sets are slated for completion by the spring of 2014. They are scheduled to go into service starting in the spring of 2013. C

Shinkansen Year 2012 Campaign

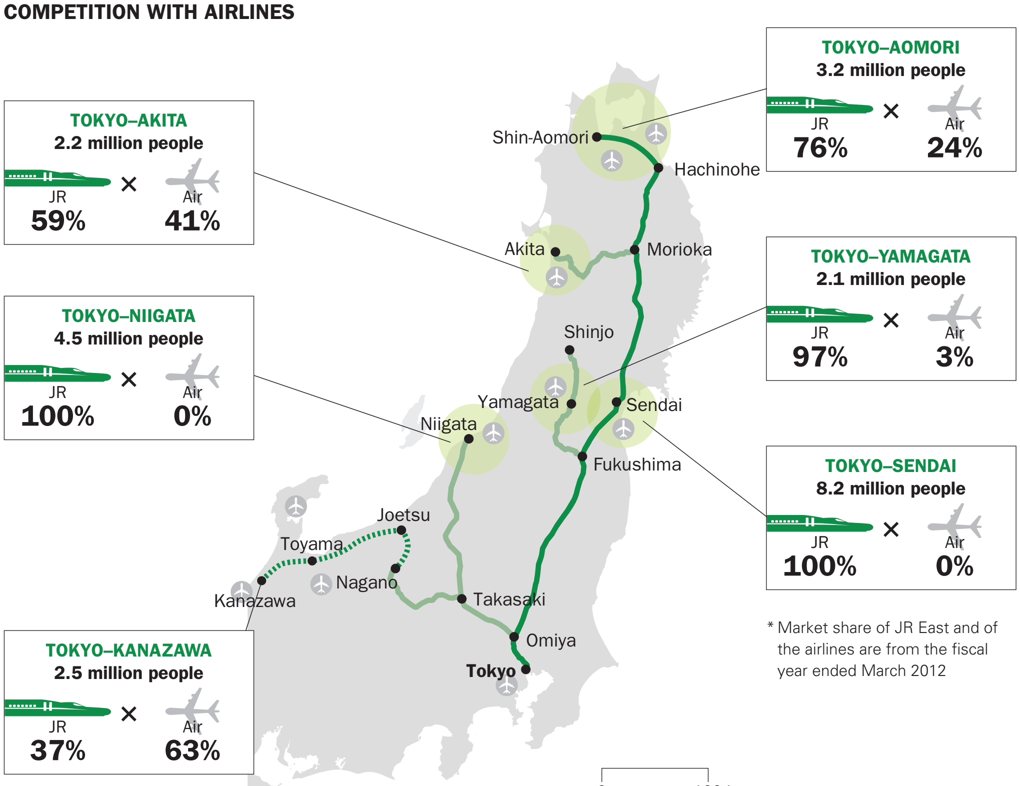
With the 30th anniversary of the Tohoku Shinkansen (Omiya-Morioka segment) on June 23, 2012 and the debut of Series E6 railcars on the Akita Shinkansen Line, it will be a milestone year for JR East's Shinkansen service. We are marking the occasion with the *Shinkansen YEAR2012 Campaign*, which will run from late May 2012 to March 2013.

The campaign will highlight the joy of traveling on the Shinkansen and promote nearby attractions and destinations through various programs and events while also looking back at Shinkansen history together with customers. D

EXPANSION OF JR EAST'S SHINKANSEN NETWORK

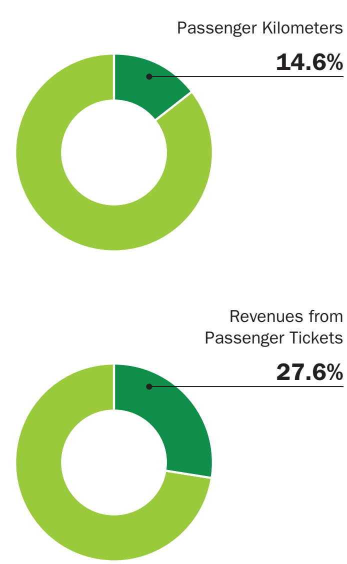


COMPETITION WITH AIRLINES



* Market share of JR East and of the airlines are from the fiscal year ended March 2012

COMPOSITION OF RAILWAY OPERATIONS IN JR EAST
(Shinkansen Network)



REVIEW OF OPERATIONS TRANSPORTATION

Kanto Area Network

OVERVIEW

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

For example, JR East is increasing through services (services that join two existing services to allow passengers to travel further without changing trains) on the Shonan-Shinjuku Line, increasing train services during the morning rush hour, and improving seating services by introducing *Green Cars* on local train services.

The Kanto area network comprises 2,536.2 operating kilometers. In fiscal 2012, it accounted for 100,967 million passenger kilometers and revenues from passenger tickets of ¥1,087.0 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.

Regarding timetable revisions conducted in March 2012, on the Musashino Line, *Shimousa* rapid trains that operated before peak morning hours were shifted to the peak period to alleviate congestion on the morning commute. On the Yokohama Line, trains were added in the evening and night to improve convenience and reduce crowding. On the Nambu Line, also, segments for some trains operating at night were extended to alleviate congestion.

Yoshikawaminami Station Opened

Yoshikawaminami Station on the Musashino Line was opened in March 2012. The new station was established between Yoshikawa Station and Shinmisato Station at the request of the city of Yoshikawa in Saitama Prefecture. It is expected to help facilitate development in the adjacent area. The station is equipped

A Yoshikawaminami Station

B Movable erector

C Series E233 railcars for the Saikyo and Yokohama lines

with turnaround facilities, which provide a number of benefits, including greater transportation stability during emergencies. Overall, the station improves the convenience of the Musashino Line. A

OUTLOOK

The Tohoku Through Line

The Tohoku Through Line project involves building new elevated railway tracks and upgrading existing railway tracks between Tokyo Station and Ueno Station. 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. Through services on the line will also eliminate transfers and shorten travel times 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.

Construction is proceeding on the Tohoku Through Line, which is scheduled to open for fiscal 2015. B

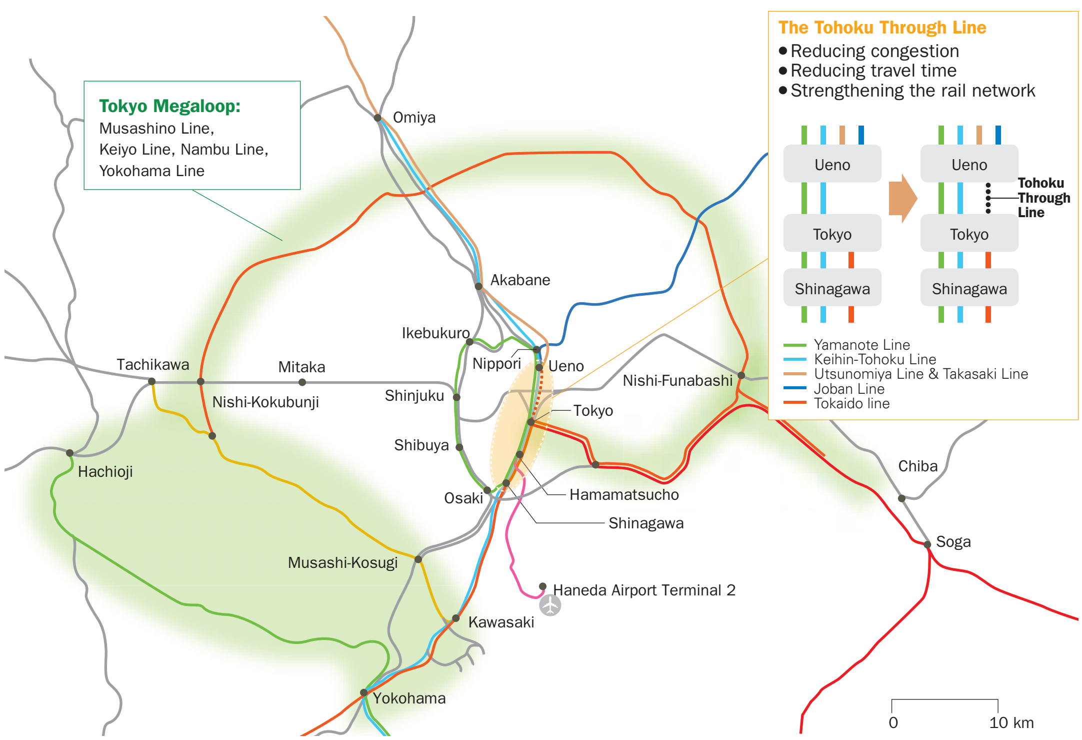
Through Services With Sagami Railway

Through services with Sagami Railway will begin in conjunction with establishment of the Sagami-JR Direct Line under the plan to enhance the convenience of urban railways.

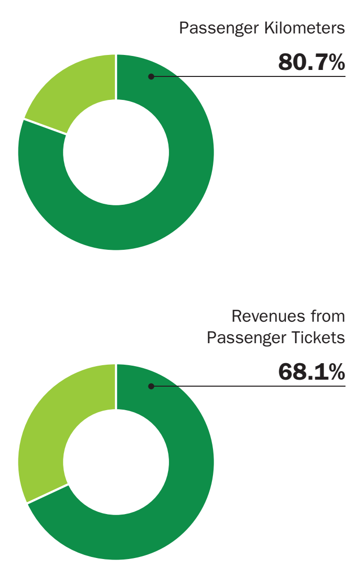
Introduction of Series E233 Commuter Railcars

Series E233 commuter railcars will be introduced on the Saikyo Line and Yokohama Line. The roll-out will begin in fiscal 2014 on the Saikyo Line and fiscal 2015 on the Yokohama Line. The cars feature around 10% greater capacity than conventional Series 205 cars, which will help alleviate crowding, and 100% LED lighting, which will reduce power consumption by some 60% compared to standard fluorescents. C

STRATEGY FOR TRANSPORTATION ON CONVENTIONAL LINES AROUND TOKYO METROPOLITAN AREA NETWORK



COMPOSITION OF RAILWAY OPERATIONS IN JR EAST
(Kanto Area Network)



REVIEW OF OPERATIONS TRANSPORTATION

Intercity and Regional Networks

OVERVIEW

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

Intercity and regional networks comprise 3,841.7 operating kilometers. In fiscal 2012, they accounted for 5,672 million passenger kilometers and revenues from passenger tickets of ¥68.7 billion.

TOPICS AND OUTLOOK

ATACS Goes Online

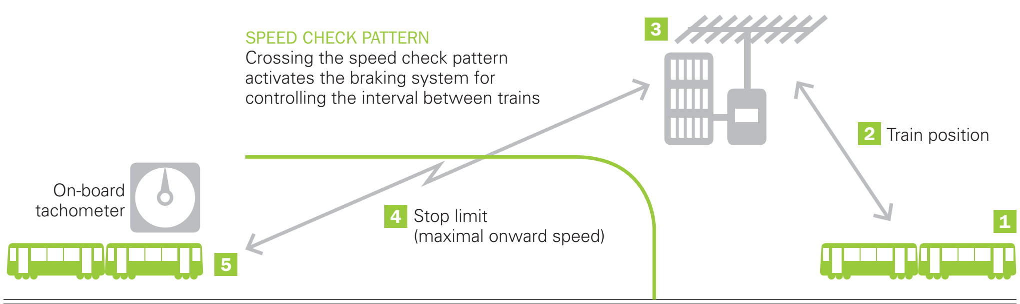
ATACS is a new train control system that uses wireless technology. It has been put into operation on the Senseki Line between Aobadori Station and Higashi-Shiogama Station. Similar systems have been developed and installed in other countries, but as a total system with a multitude of functions, ATACS is the world's first to be put into practical application. A

Introduction of New Limited Express Railcars on the Joban Line

New Series E657 railcars have been put into service in *Super Hitachi* and *Fresh Hitachi* limited express trains on the Joban Line. The new cars provide a comfortable travel experience for business travelers and a wide range of other passengers.

As of the March 2012 timetable revisions, the new railcars will account for around 40% of *Super Hitachi* and *Fresh Hitachi* trains. In addition, with the addition of the new cars, the timetable will be revised and the time between Ueno Station and Iwaki Station will be shortened up to nine minutes on some *Super Hitachi* trains. B

A 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.

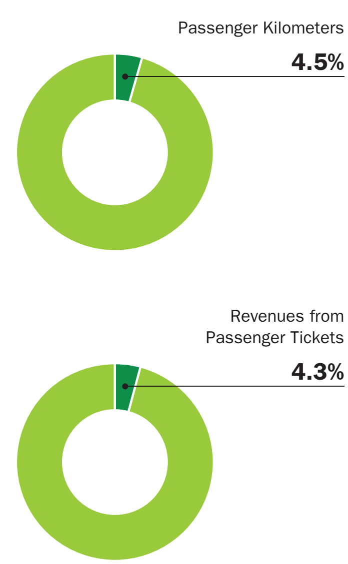
3 The wayside equipment produces a stop limit based on the position data it has of all trains along the track.

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.

B New Series E657 limited express railcars for the Joban Line

COMPOSITION OF RAILWAY OPERATIONS IN JR EAST
(Intercity and Regional Networks)



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 campaigns.

TOPICS AND OUTLOOK

Destination Campaigns

Tourism and local industry in eastern Japan was greatly impacted in the wake of the Great East Japan Earthquake due in part to damaging misinformation and voluntarily reduced consumption. JR East responded by running tourism campaigns, including the *Aomori Destination Campaign* and *Gunma Destination Campaign*, for various destinations in support of the region. The intention was to help reinvigorate Japan through the power of tourism. Promotional copy, such as "Be Strong Japan! Be Strong Tohoku!" and "Linking Japan," emphasized bringing Japan together and cheering on Japan and the Tohoku region. From fiscal 2013 onward, we plan on launching a *Destination Campaign* for Iwate in April to June 2012, Sendai and Miyagi in April to June 2013, Akita in October to December 2013, Niigata in April to June 2014, and Yamagata in June to September 2014. A

WTTC Global Summit

In April 2012 the 12th World Travel and Tourism Council (WTTC) Global Summit was held in Sendai and Tokyo. Over 1,200 people from 53 countries around the world, including Japan, participated in the event, which provided a valuable opportunity for people to directly experience Japan as it recovers from the earthquake. JR East also actively participated in the summit and promoted Japan's appeal to the rest of the world.

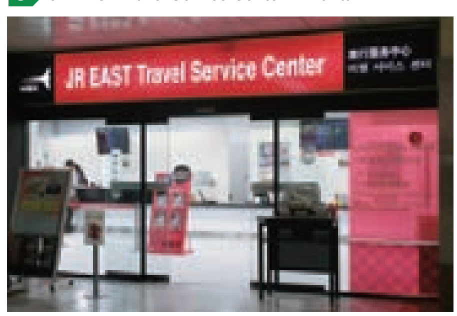
From JR East, Chairman Satoshi Seino took part as a member, Advisor Mutsutake Otsuka and Vice Chairman Masaki Ogata gave speeches, and President Tetsuro Tomita provided introductory remarks. As a member of the host country organizing committee, we operated special dedicated Shinkansen trains and otherwise drew on the Group's collective resources to help host the event. B

REVIEW OF OPERATIONS TRANSPORTATION

Tourism Development

A *Iwate Destination Campaign*

C JR EAST Travel Service Center in Narita



B The 12th WTTC Global Summit and the Summit session

Inbound Strategy: Measures to Attract More Overseas Tourists

JR East is carrying out a number of initiatives to increase tourists to Japan in conjunction with the *Visit Japan campaign*, which is being conducted for this purpose.

Specifically, JR East is exchanging and selling discount rail passes that include *JR EAST PASS* for unlimited travel on the JR East network, *JAPAN RAIL PASS* for unlimited travel on all JR lines, *Suica & N'EX*, which combines a discounted *Narita Express* ticket with a *Suica* card, and *Suica & MONORAIL*, which provides a discount on the Tokyo Monorail from Haneda Airport along with a *Suica* card. The Group has also set up travel offices expressly for visitors to Japan. JR East Travel Service Centers are conveniently located at Narita Airport Station, Narita Airport Terminal 2 Station, and Haneda Airport International Terminal Station. C

OVERVIEW

Every day some 17 million people pass through our railway stations, which make them the largest business resource of the JR East Group. We are currently conducting new initiatives to maximize the value of our stations. New in-station development and new formats are being implemented to raise convenience for customers and enhance profitability. We are also drawing on accumulated expertise to make renovations and update existing retail zones into more appealing spaces.

JR East has many railway stations with high passenger volumes: 91 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, 2012. 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 fully opened *ecute Shinagawa South* within Shinagawa Station and *ecute Akabane* within Akabane Station, among others. The Company was also active in renovating existing stores, including *Dila Nishi-Funabashi* inside Nishi-Funabashi Station and *Dila Asagaya* inside Asagaya Station. A

ecute

We currently operate 8 *ecute* shopping centers within railway stations, including two new facilities we opened inside Akabane Station and Ueno Station last year. The shopping centers, which provide high-quality, market-sensitive products and services, are based on the concept of integrating rail and retail and creating unique stations with an underlying story. B

Next-Generation Vending Machines

In the beverage vending machine business, we are conducting new initiatives using next-generation vending machines launched in August 2010 and a system that connects the vending machines to a network so that sales information can be collected.

REVIEW OF OPERATIONS NON-TRANSPORTATION

Station Space Utilization

TOP 20 STATIONS WITH LARGE DAILY PASSENGER USE

	Station	Number of Passengers per Day
1	Shinjuku	1,468,308
2	Ikebukuro	1,089,524
3	Shibuya	805,532
4	Yokohama	789,800
5	Tokyo	761,994
6	Shinagawa	647,786
7	Shimbashi	487,780
8	Omiya	471,488
9	Akihabara	461,378
10	Takadanobaba	399,482
11	Kita-Senju	388,272
12	Kawasaki	371,302
13	Ueno	349,664
14	Yurakucho	324,504
15	Tachikawa	311,736
16	Hamamatsucho	302,960
17	Tamachi	296,692
18	Kichijoji	275,110
19	Funabashi	267,548
20	Kamata	267,186

A *ecute Shinagawa South*

C Next-generation vending machine

Next-generation vending machines feature 47-inch touch panel displays and sensors that detect customer attributes, which enables them to display recommendations for customers buying products. And the information is collected in a database and utilized in marketing activities. As a recent example, we ran a campaign with a points program that awarded bonus gifts based on purchases made using the *Suica* card.

In addition to data from such campaigns, vending machines are now able to collect sales data that was not possible previously, so a range of customer-oriented marketing information is tested and then utilized in new product development and selection of product lineups.

We have installed 336 next-generation vending machines as of the end of fiscal 2012 and are working to install 500 by around the summer of 2012. C

In Tie-Up With Railway Strategy

The customers of *ekinaka* (in-station) shops are people who travel by rail, so we are actively conducting sales promotions linked to the railway business.

Specifically, the shops create and sell original commemorative boxed lunches and railway merchandise and hold produce fairs tied to our destination campaigns. These efforts have been received very positively by customers.

OUTLOOK

Station Renaissance Program to Evolve Further

Operating revenues from the Station Space Utilization segment in fiscal 2012 increased 2.4% over the previous year to ¥409.7 billion, thanks to increased revenues from new openings and renovations. Operating income increased by 8.3% year on year, to ¥34.0 billion.

In fiscal 2012, we will open *CentralStreet* in the central passageway of the first floor of Tokyo Station inside the ticket gates in conjunction with the grand opening of the Marunouchi Station Building. "Link Japan" is the basic goal of *CentralStreet*, meaning that we want to connect people with people, city with country, Japan with the world. The area will feature a variety of shops selling everything from general merchandise, boxed lunches and sweets to souvenirs and gift items. It will be "Main Street" within the new station, welcoming people from all over Japan and the world.

We will continue actively promoting the *Station Renaissance* program to further raise the appeal of our railway stations. D

B DEVELOPMENT OF *ecute*

	Omiya	Shinagawa	Tachikawa	Nippori	Tokyo	Ueno	Shinagawa South	Akabane
Beginning of operations	Mar. 2005	Oct. 2005	Oct. 2007 (phase I) Oct. 2008 (phase II)	Mar. 2008 Jun. 2009 (floor space increase)	Mar. 2010	Dec. 2010 (phase I) Mar. 2011 (phase II)	Dec. 2010 (phase I) Feb. 2011 (phase II) Apr. 2011 (phase III) May 2011 (phase IV)	Mar. 2011 (phase I) Jul. 2011 (phase II) Aug. 2011 (phase III) Sep. 2011 (phase IV)
Store space	around 2,300 m²	around 1,600 m²	around 4,300 m²	around 380 m²	around 1,300 m²	around 4,800 m²	around 1,800 m²	around 2,000 m²
Number of shops	78	47	91	18	28	79	39	55
FY2012.3 Results (YoY, %)	¥10.0 billion (103.8%)	¥6.1 billion (83.8%)	¥5.8 billion (99.5%)	¥1.8 billion (98.4%)	¥3.5 billion (97.9%)	¥10.3 billion	¥9.8 billion	¥3.8 billion

B *ecute Ueno*

D Conceptual drawing of *CentralStreet*

REVIEW OF OPERATIONS NON-TRANSPORTATION

Shopping Centers & Office Buildings

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 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 develop a large-scale business center involving leading-edge highly functional offices that cater to diverse needs.

As of March 31, 2012, JR East operated 144 shopping centers and 20 office buildings. A

TOPICS

New Shopping Centers

In the fiscal year under review, JR East opened *LUMINE Yurakucho*, *Excel MiNAMi*, and *E'site Takasaki*, among other shopping facilities. Of these, *LUMINE Yurakucho* is home to 107 establishments. In addition to a "fashion floor" brimming with individuality and featuring a number of fashionable boutiques, this new *LUMINE* features stores offering food, cosmetics, variety goods, and all manner of services. The opening of *LUMINE Yurakucho* already has contributed to an increase in outings to the Yurakucho area. B

Remodeling

In fiscal 2012, JR East carried out a number of remodeling projects, an effective means of keeping shopping centers fresh in the eyes of customers.

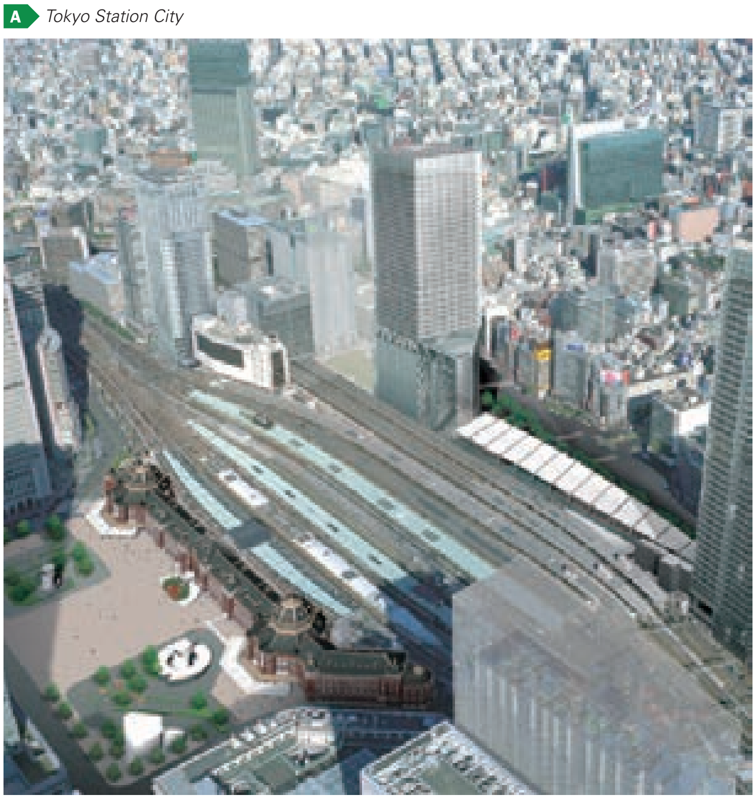
Of these projects, *atré Kameido* has 118 shops in total, of which about half were renewed. The shopping center features a restaurant zone where the design concept evokes a traditional Japanese atmosphere, as well a branch of *JeXer FITNESS CLUB & SPA*. Several other shopping centers have been refurbished with a view to enhancing their appeal, including *Perie Chiba Carnival*, *GRANDUO Tachikawa*, *atré Yotsuya*, and *Hiratsuka Lusca*. C

OUTLOOK

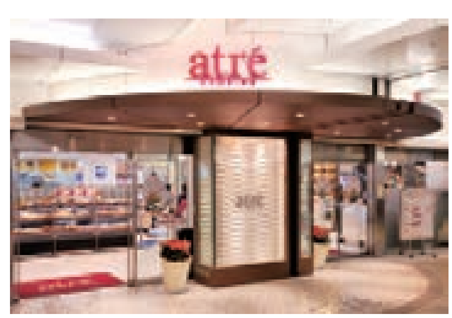
Aggressive Development

Going forward, the Shopping Centers & Office Buildings segment will continue to make proactive use of the formidable customer-drawing power of JR East's railway stations and surrounding locations to develop new shopping centers and office buildings. At *Tokyo Station City*, we are

A *Tokyo Station City*



B *LUMINE Yurakucho*



C *atré Kameido*

currently proceeding with Phase II of the Tokyo Station Yaesu Area construction project. In fiscal 2012, we plan to carry out expansion of the department store space in the *Gran Tokyo North Tower*. This will be followed in fiscal 2013 by the completion of a central pedestrian deck (*Gran Roof*) connecting *Gran Tokyo North Tower* and *Gran Tokyo South Tower*, which will then be populated with stores. New office buildings under construction include the *JR South Shinjuku Building* (open in June 2012) and the *JR Kanda Manseibashi Building* (due to open in winter 2012). In shopping center operations, we will proceed with development of the *atrévie Higashi-Nakano* (scheduled to open in summer 2012) and Tsurumi Station building (*CIAL Tsurumi*; set to open in fall 2012), while in fall 2013 we also plan to launch the *JR Otsuka Station South Exit Building* (provisional name; a combined shopping center and office building complex). D E

Large Projects Currently Under Way

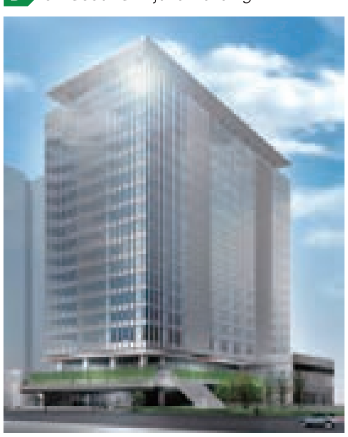
Other large projects are under way which have no scheduled completion date as yet, but have the potential to regenerate stations and their environs.

In conjunction with the Ministry of Land, Infrastructure, Transport and Tourism, JR East is creating a new transportation hub at Shinjuku Station. 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, highway buses, taxis, and private vehicles. Currently, the structure for the upper levels is being built. At the same time, JR East plans to construct a station building at the New South Exit of Shinjuku Station. The building will have two floors below ground, 33 floors above ground, and a total floor space of approximately 110,000 m^2. The groundwork for this project is now being laid, and both the new station building and transportation hub are due for completion in spring 2016.

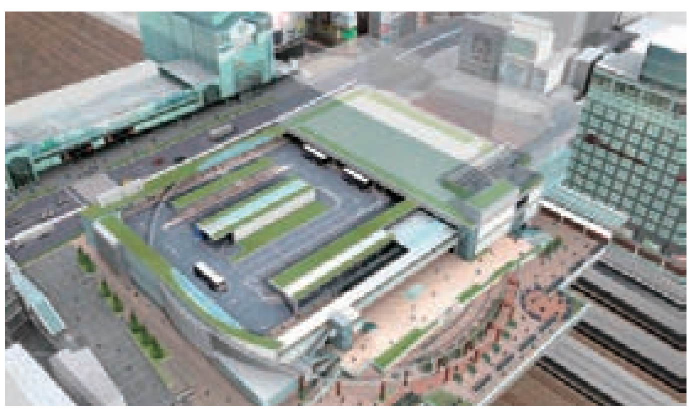
The Company is also rebuilding Chiba Station and the Main Station Building. Specifically, raising the station concourse above the railway tracks on an artificial deck will enable the creation of an airy and readily recognizable station area befitting the gateway to Chiba's prefectural capital with a population of one million. JR East expects that simultaneously rebuilding the station and the antiquated and cramped station building will help invigorate the area around the station by enabling the Group to develop attractive businesses that dovetail with the new station complex. The main construction began in October 2011, and currently the old station building is undergoing demolition and the foundation to the artificial deck is being built. The new station complex will be opened in stages from 2016 through 2018. Combined, the new station and station building will include one underground floor, seven floors above ground, and a total floor space of approximately 70,000 m^2.

Other building projects JR East will develop together with local communities include the redevelopment of Yokohama Station and Shibuya Station. F G

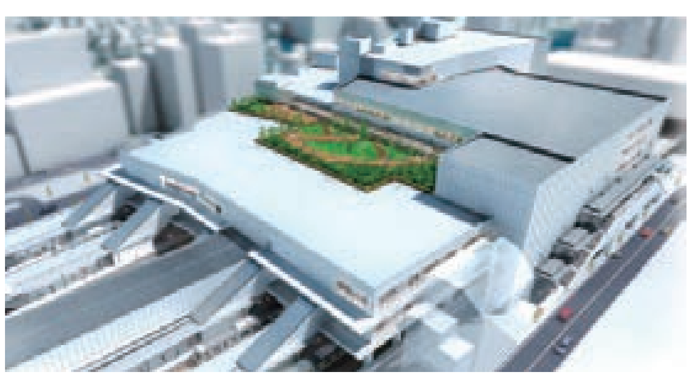
D *JR South Shinjuku Building*



E *Kanda Manseibashi Building*



F The transportation hub and New South Exit building to Shinujuku Station currently under development



G Plan to rebuild Chiba Station and the Main Station Building

Advertising and Publicity

JR East provides transportation advertising in its railway stations and railcars, which approximately 17 million people use each day. Billings for transportation advertising in Japan have declined for four consecutive years owing to economic sluggishness, and were down 2.3% in the 2011 calender year. Provided this background, however, JR East maintains an overwhelmingly strong position in the business of transportation advertising throughout the Tokyo metropolitan area. To offer but one illustration, the approximately ¥48.6 billion in advertising fees JR East received amounted roughly to a 50% share of this market in the year ended March 31, 2012.

Susceptibility to economic fluctuations is a characteristic of advertising, and challenging conditions have persisted in the advertising industry, with numerous companies cutting back on advertising as part of their effort to reduce costs. On the other hand, the development of next-generation technologies and materials is progressing rapidly, and JR East intends to heighten the value of its advertising media for advertisers by building an extensively digitized network.

J-AD Vision is but one example. This advertising medium utilizing large LCD (liquid crystal display) screens enables video broadcasting in stations, and through audiovisual material that varies by time of day and day of the week, provides the capacity to advertise goods and services in a timely manner. JR East tends to install rows of these displays in one location, and the array of 44 displays in the central passage at Shinagawa Station is among the largest in Japan.

Another example is *Train Channel*, which is an advertising medium JR East is introducing that broadcasts video commercials on flat-panel monitors installed inside railcars. Following the installation of this medium in railcars on the Keiyo Line, the *Train Channel* network has grown to 19,000 monitors as of March 31, 2012. A

A *J-AD Vision* in Shinagawa Station

REVIEW OF OPERATIONS NON-TRANSPORTATION

Others

Hotel Operations

OVERVIEW

The JR East Group operates 43 hotels in the JR-EAST HOTELS network with a total of 6,252 guest rooms as of March 31, 2012.

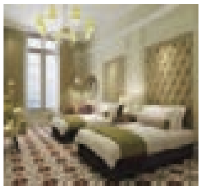
The network's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. In addition to being advantageously located next to railway stations, these hotels provide sophisticated accommodation, dining, and banquet services. Alternately, JR East's *HOTEL METS* business hotels focus on accommodation at reasonable prices, with comfort comparable to a city hotel. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one. In Fiscal 2012, the Group opened *Hotel R-Mets Utsunomiya*, a business hotel linked directly with JR Utsunomiya Station in Tochigi Prefecture.

The Tokyo Station Hotel

The Tokyo Station Hotel, first opened in 1915, was closed in March 2006 while the historic Marunouchi red brick building underwent restoration and preservation. JR East is scheduled to reopen this hotel on October 3, 2012 as a cutting-edge facility like no other, housed in the historically restored splendor of a station building Japan has designated an important cultural property.

All 150 guest rooms of the hotel will be housed in the second through part of the fourth floor to Tokyo Station's restored Marunouchi red brick building. The standard size of a room will be around 40 m^2, which will be on the spacious side for Tokyo. The facilities as a whole, including the guest rooms, will be characterized by a contemporary, European-style interior design, set in an airy architectural space featuring high ceilings of around 3.7 meters and tall windows. (Ceiling height on the fourth floor will be 3 meters and 4 meters.) A B

B *The Tokyo Station Hotel*



A The *Palace Side* guest room in *The Tokyo Station Hotel*

REVIEW OF OPERATIONS NON-TRANSPORTATION

Suica

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. As such, issuance of *Suica* stood at 38.88 million cards as of March 31, 2012. A

TOPICS

Expanded Usage Area of *Suica*

Since the service was introduced to the Tokyo metropolitan area in November 2001, usability of *Suica* has been expanded to the Company's services in the Sendai and Niigata areas. At the same time, JR East has worked to establish an environment enabling the use of *Suica* throughout major cities in Japan. To this end, the Company has spearheaded the promotion of a mutual usage service among IC cards of different transportation companies. 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. As of March 31, 2012, *Suica* was usable at 2,990 stations nationwide. B

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 the stations to convenience stores and shopping centers, as well as mass retailers of electronics and home appliances. In addition, JR East is working to broaden the environment of *Suica*'s usage to the settlement of internet shopping accounts and various other aspects of daily life. Numerous means JR East employs to promote the card's use include *Suica Point Club*, which awards users with points usable for charging *Suica*.

As a result of these efforts, usage of *Suica* electronic money has continually grown to the point where the cards were accepted at approximately 177,630 retail locations and turned over a record 2.88 million transactions a day, approximately, as of March 31, 2012. C

A Ticket gate use

C Vending machine use

C Convenience store use

A *Suica*

A *View Card* with commuter pass function

A Tie-up with financial institutions, airlines and retail chains

Mobile Suica

Mobile Suica is an application which enables mobile phones equipped with a special microchip to host the card. In addition to all of the card's convenient functions, this mobile application 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. In July 2011 the Group launched a smartphone version of its *Mobile Suica* service for Android™ handsets compatible with the *Osaifu-Keitai* service. Membership in this service numbered roughly 2.82 million individuals as of March 31, 2012.

Note: *Suica* and *Mobile Suica* are registered trademarks of East Japan Railway Company, Osaifu-Keitai is a registered trademark of NTT DOCOMO, INC., and Android™ is a trademark of Google Inc.

Other Services

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.

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. By the spring of 2013, JR East will have led an effort to establish a mutual usage service network that ties together ten different IC cards currently in use in Japan. With this network launched, JR East's *Suica* will be 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, as well as *RYUTO*, the IC card servicing the bus lines Niigata Kotsu Co., Ltd. operates in Niigata City.

Raise *Suica*'s Status as the Premier Electronic Money Format, and Nurture It to Help Drive Group Earnings

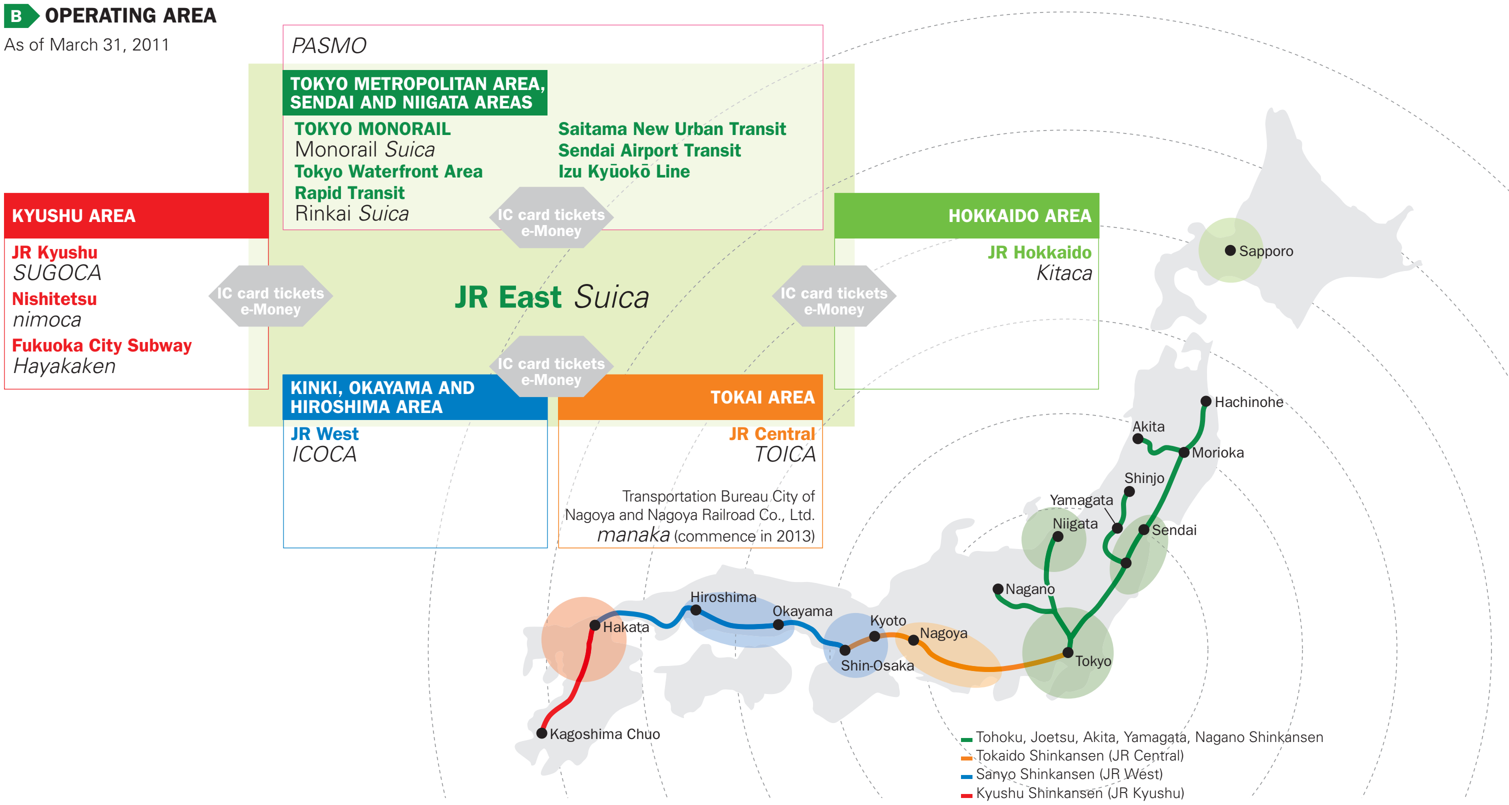
JR East will raise the status of *Suica* as the premier electronic money format in Japan. To this end, the Company will expand *Suica*'s usable locations that are in close contact with the daily lives of users, while working in collaboration with the IC cards of other public transportation companies. At the same time, JR East will promote the card's usage to be in line with the characteristics of participating stores and cardholders.

Upgrade *Suica* Operations to a Comprehensive IT Business Based on Information the Cards Log

Data on the movement and consumption behavior of *Suica* users that JR East accumulates daily will also be applied to developing ancillary operations, such as an IT Business for providing this data as marketing information.

B OPERATING AREA

As of March 31, 2011



SECTION

2 AS A CORPORATE CITIZEN

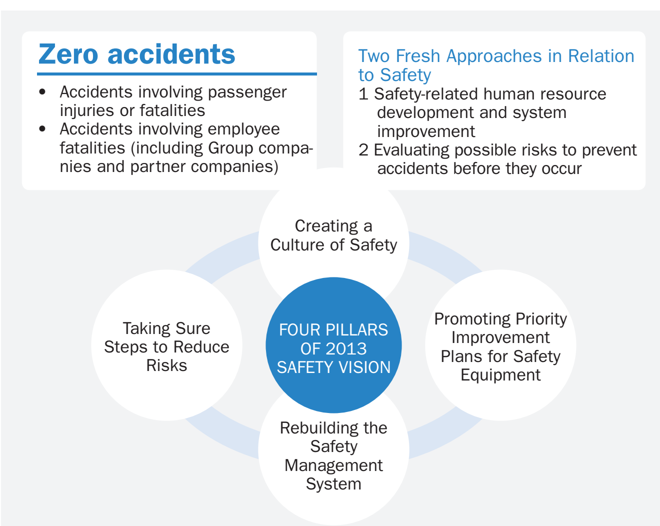
The 'As a Corporate Citizen' section provides a broad introduction to the JR East Group's activities for realizing a sustainable society from the three aspects of safety, the environment and society.

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.



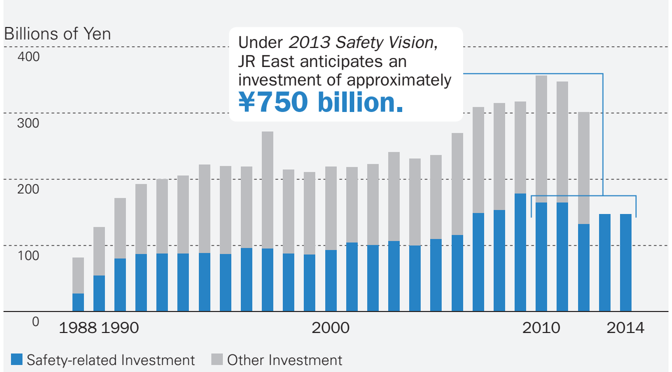
Promoting Priority Improvement Plans for Safety Equipment

JR East has invested approximately ¥2.7 trillion in safety since its founding in 1987 and we are planning to invest about ¥750 billion in safety for five years from fiscal 2010. In fiscal 2012, JR East invested approximately ¥134.9 billion in safety. Major safety initiatives included reconstructing facilities damaged in the Great East Japan Earthquake, installing more ATS (automatic train-stop systems) to prevent train collisions and derailments, and undertaking countermeasures for large-scale earthquakes such as aseismatic reinforcement.

Results to Date

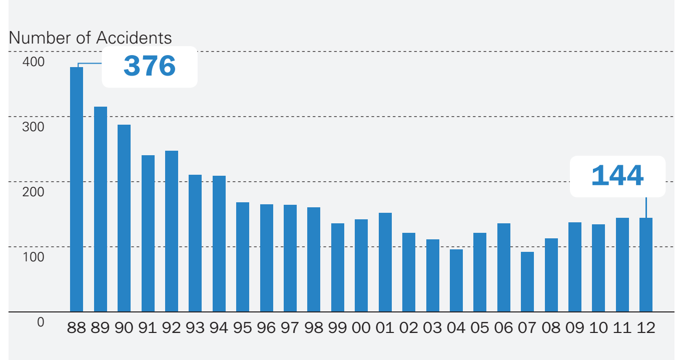
The incidence of railway accidents has decreased markedly since JR East's founding. This has been a result of successive medium-term safety plans designed and implemented with a view to building and improving safety equipment, and enhancing the safety awareness and expertise of each and every employee.

SAFETY-RELATED INVESTMENT (Years ended March 31)



Fiscal 2012: Total investment of ¥307.4 billion, including ¥134.9 billion in safety-related investment

LOOK-BACK ON RAILWAY ACCIDENT FREQUENCY (Years ended March 31)



TOPIC

Further Enhancement of Aseismatic Reinforcement and Other Countermeasures for Earthquakes

In light of major earthquakes in the past, JR East has been aseismatically reinforcing its viaduct columns, bridge piers, tunnels, station buildings and other infrastructure in successive stages. The Group has systematically implemented countermeasures by prioritizing aseismatic reinforcement of the least earthquake-resistant viaduct columns, among other structures.

JR East is presently making progress applying aseismatic reinforcements to viaduct columns and taking other initiatives as part of an expansion in scope since fiscal 2010 of its second aseismatic reinforcement plan. In addition, the Group will implement measures in preparedness of an earthquake directly beneath the Tokyo metropolitan area and expand its countermeasures in view of the Great East Japan Earthquake, among other initiatives.

ASEISMATIC REINFORCEMENT OF VIADUCT COLUMNS AND BRIDGE PIERS

Implementation of planned countermeasures for seismically vulnerable viaduct columns, etc., on a priority basis.

1995
- **Great Hanshin Awaji Earthquake (1995)**

2000
- **Sanriku-Minami Earthquake (2003)**
- **Niigata Chuetsu Earthquake (2004)**

2005
- **Countermeasures for shear failure occurring before yielding of main reinforcement***
  Shinkansen:
  Completed in fiscal 2008
  Conventional lines (South Kanto and Sendai areas):
  Completed in fiscal 2009

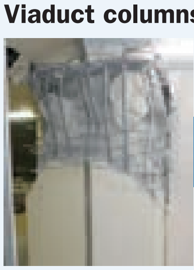
2010
- **Great East Japan Earthquake (2011)**

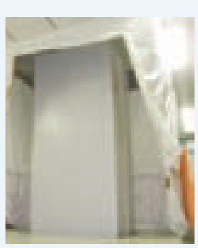
2012

	Shinkansen	Conventional Lines
Fiscal 1996 ~ Viaduct columns, etc.	3,100 columns	7,300 columns
Fiscal 2004~ Viaduct columns and bridge piers, etc.	15,400 columns 2,340 piers	5,300 columns 540 piers
Fiscal 2010~ Viaduct columns, etc.	6,700 columns	5,500 columns
Fiscal 2013~ Countermeasures for earthquake directly beneath the Tokyo metropolitan area (Viaduct columns, embankments and bridges, etc.) Expansion of countermeasures based on experience of Great East Japan Earthquake	8,640 columns 680 piers	6,600 columns 1,910 piers

* Shear failure occurring before the main reinforcement yields: Columns which do not have enough fracture toughness and are subject to abrupt breakages

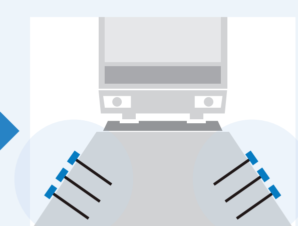
Viaduct columns


Example of damage


Reinforcement image

Embankments


Example of damage


Reinforcement image

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

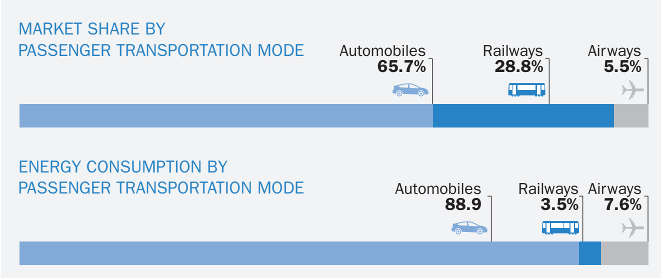
Train travel accounts for around 29% of domestic travel in Japan, yet its share of overall energy consumption is only around 4%. This is a clear indication of railways' advantage over cars and other forms of transport in terms of energy efficiency per unit of transport volume.

Such figures indicate that in comparison with other modes of transport, railways have lower energy consumption 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 2.15 million tons of CO_2 (actual figure for fiscal 2011). Rather than feeling complacent about the environmental advantages of rail transport, JR East will continue making strenuous efforts to tackle environmental issues, and set consistently high goals.

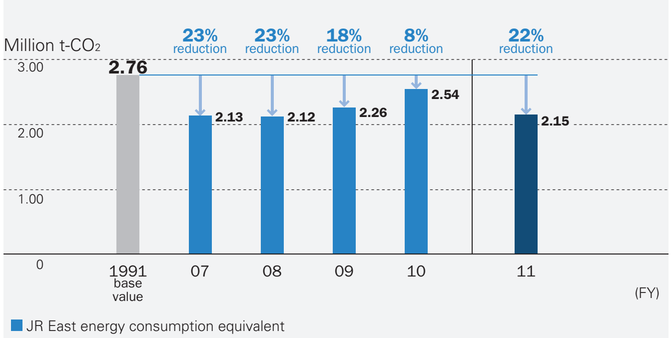
Note: Energy consumption and CO_2 emissions have in principle been calculated on an unconsolidated basis for JR East. Beginning with fiscal 2011, however, energy consumed and CO_2 emitted by companies contracted to operate stations and other transportation-related operations were included in JR East's calculation. On the other hand, the energy consumed and CO_2 emitted by in-station stores and services Group companies operate were excluded from the unconsolidated calculation as of fiscal 2011.
Based on the categorization and boundaries used previously to calculate energy consumption, JR East's CO_2 emissions in fiscal 2011 amounted to 2.26 million t-CO_2.

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

TREND IN THE TOTAL CO_2 EMISSIONS OF JR EAST



Environmental Preservation Initiatives

Measures to Prevent Global Warming

1) Reduction of energy used in train operations

Energy used by its railway operations accounts for approximately 70% of the total energy consumed by JR East. By the end of fiscal 2011, 88% of JR East's total rolling stock, or 10,993 railcars, were energy-efficient railcars.

2) Energy saving at railway stations and offices

JR East is introducing greenery on the rooftop of its railway stations and office buildings in order to mitigate the "heat island" phenomenon and curb the energy it uses for air-conditioning.

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

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

TOPIC 1: *ECOSTE*

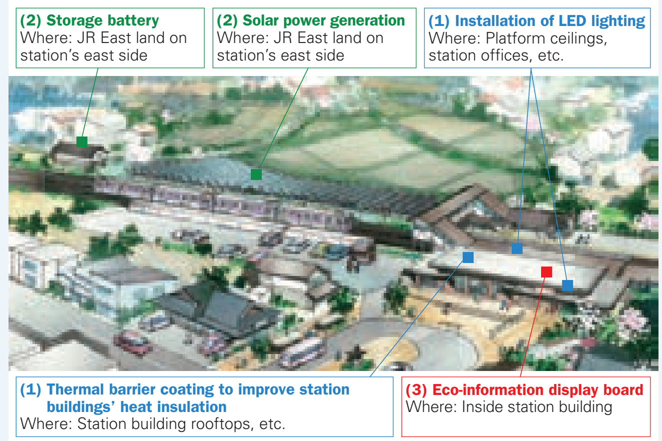
Environment Earth Conscious Station of East Japan Railway

Starting March 2012, JR East began 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—*. Work has also commenced at the Tohoku Line's Hiraizumi Station, and over time other model stations will progressively be introduced.

"*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.

HIRAIZUMI STATION ON THE TOHOKU LINE: AN *ECOSTE* MODEL STATION



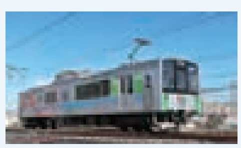
Legend
(1) Energy Conservation: Promoting more advanced energy conservation
(2) Energy Creation: Actively implementing renewable energy
(3) Eco-Awareness: Building facilities that make users eco-aware

*Zero-emission station
The combination of solar power generation and storage batteries will supply all electricity and eliminate CO_2 emissions of a station on sunny days

TOPIC 2: PROGRESS IN DEVELOPMENT OF ENVIRONMENTAL TECHNOLOGIES

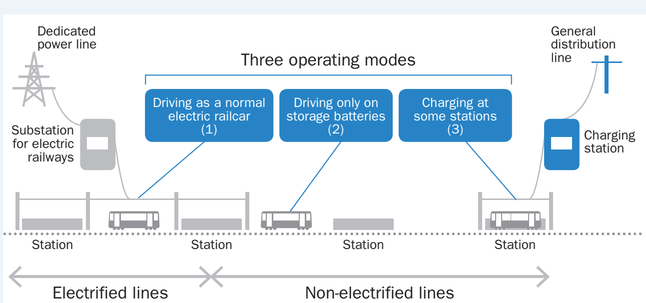
Development of a Storage-Battery Train System

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



Use of Smart Grid Technology to Power Trains

JR East has introduced a number of new technologies in the energy field, renewing in-house power generation systems and experimenting with a storage battery train system. As part of this program, and with a view to achieving more efficient energy consumption, the Company is looking at adopting smart grid technology.

JR East's smart grid technology combines its information and communication technology (ICT) system with power system technology. It allows unused electricity to be stored or distributed to other locations, thereby enabling the Company to use energy more efficiently and effectively. More specifically, JR East is adopting smart grid technology to make effective use of the regenerative electricity released when trains brake and of the solar power equipment that could potentially be installed at many railway-related facilities.

1. **Employing energy storage systems to facilitate effective use of regenerative electricity**
   To make more effective use of the regenerative power produced when trains brake, the Company is installing storage systems that will enable it to save this power, as well as interchange systems that will feed the power to electrical circuits serving other trains.
2. **Harnessing solar power and other natural energy to greater effect**
   JR East sees huge possibilities in the use of trackside land to harness renewable energy. With an eye to full-scale adoption at some point in the future, the Company will continue to explore storage and transmission technologies for effectively using renewable energy.
3. **Plan to conserve energy automatically through equipment such as smart meters**
   As a business entity involved in every step from generating to consuming power, JR East believes it is important to minimize consumption when needed. As a step in that direction, the Company will experiment with the use of smart meters and other technology for conserving energy automatically, starting with the newly operational Chiba Branch Office building in fiscal 2013.

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 come up with ideas. These 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. For instance, in January 2012 the Group opened *NOMONO*, a shop that primarily features locally processed foods and fresh farm products, in Ueno Station as part of this cooperative effort with regional authorities and producers. Other partnerships with local communities include *Sanchoku-Ichi* (farmers' markets), which have been a venue for the Group to cultivate markets for traditional arts and crafts, and help 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.

NOMONO

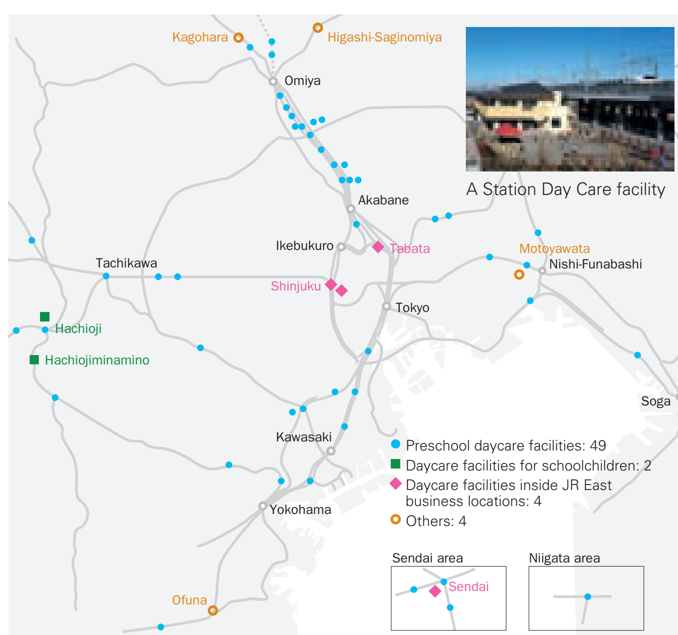
Sanchoku-Ichi (farmers' markets)

Happy Child Project Childcare Business

—CHILDCARE SUPPORT FOR WORKING PARENTS

As part of its initiatives to develop towns in partnership with local communities, JR East supports working parents by developing *Station Day Care* and other childcare facilities, most of which are within five minutes walk of a JR East railway station. Since 1996, JR East has developed 59 daycare facilities, as of April 2012, and aims to expand the franchise to 70 facilities by April 2014. 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 childcare. JR East benefits local communities and makes line-side areas even more attractive and convenient through 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.

JR EAST'S STATION DAY CARE FRANCHISE AS OF APRIL 2012



BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of July 18, 2012

SATOSHI SEINO
Chairman

MASAKI OGATA
Vice Chairman
Technology and Overseas Related Affairs

TETSURO TOMITA*1
President and CEO

TSUGIO SEKIJI*1
Executive Vice President
Assistant to President

YUJI FUKASAWA*1
Executive Vice President
Assistant to President

EXECUTIVE DIRECTORS

YASUO HAYASHI
Deputy Director General of Railway Operations Headquarters; In charge of Reconstruction Planning Department, Corporate Planning Headquarters; In charge of Shinanogawa Power Station Improvement Department, Railway Operations Headquarters; In charge of Construction Department

YOSHITAKA TAURA
Director General of IT & Suica Business Development Headquarters; In charge of Public Relations Department; In charge of Legal Department; In charge of General Affairs Department

NAOMICHI YAGISHITA
Director General of Railway Operations Headquarters

YUJI MORIMOTO
Director General of Life-style Business Development Headquarters; In charge of Personnel Department; In charge of Health & Welfare Department

TSUKASA HARAGUCHI
Deputy Director General of Railway Operations Headquarters; General Manager of Marketing Department, Railway Operations Headquarters; Tourism Promotion

OSAMU KAWANOBE
Deputy Director General of Railway Operations Headquarters; In charge of Transport Safety Department, Railway Operations Headquarters; In charge of Transport & Rolling Stock Department, Railway Operations Headquarters

TOSHIRO ICHINOSE
Director General of Corporate Planning Headquarters; In charge of Inquiry & Audit Department; In charge of Finance Department

TAKASHI SAWAMOTO
Deputy Director General of Railway Operations Headquarters; General Manager of Technology Planning Department, Corporate Planning Headquarters; Director of Research & Development Center of JR East Group; In charge of Information Systems Planning Department, Corporate Planning Headquarters; In charge of Customer Service Quality Reformation Department, Railway Operations Headquarters

HIDEMI DEGUCHI
General Manager of Tokyo Branch Office

DIRECTORS

MASAYUKI SATOMI
General Manager of Sendai Branch Office

YASUYOSHI UMEHARA
Stationmaster of Tokyo Station, Tokyo Branch Office

MAKOTO TAKAHASHI
General Manager of Management Planning Department, Corporate Planning Headquarters

TAKESHI SASAKI*2
TOMOKAZU HAMAGUCHI*2

FULL-TIME CORPORATE AUDITORS

SHIGEO HOSHINO*3
HAJIME HIGASHIKAWA*3

CORPORATE AUDITORS

TOSHIAKI YAMAGUCHI*3
(Certified Public Accountant)

MUTSUO NITTA*3
(Attorney)

YOSHIO ISHIDA

*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 20 directors, including two outside corporate directors as of June 22, 2012. 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.

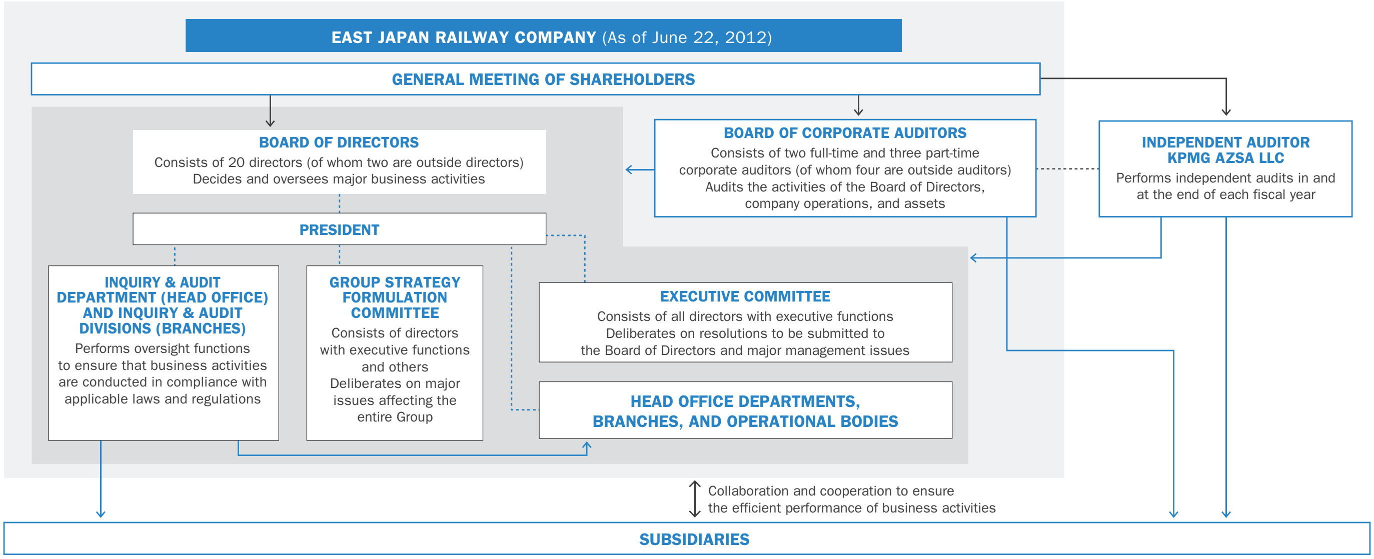
The Board of Corporate Auditors comprises five corporate auditors, including two full-time and three part-time corporate auditors, of whom four are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation 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's 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. Audits of the business execution status of the Head Office, Branch Office, Operational Body and other entities are performed according to an audit plan, and requests are made for the submission of progress updates for items requiring improvement. The audit results are reported to representative directors twice each fiscal year, at the end of the first and second half, 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.

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

certified public accountants	14
other	23

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.

JR East has no standards or policies in particular in regard to the independence of the outside directors and outside corporate auditors it elects. But 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 2012

Title	Name	Principal activities
Outside Director	TAKESHI SASAKI	Attended 15 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 94%) and spoke on the Company's management issues based on his wide experience as an expert.
Outside Director	TOMOKAZU HAMAGUCHI	Attended 14 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 88%) and spoke on the Company's management issues based on his wide experience as a top executive.
Outside Corporate Auditor	SHIGEO HOSHINO	Attended 11 meetings out of all 12 meetings of the Board of Directors held while in office during this fiscal year (attendance rate 92%) and 13 meetings out of all 14 meetings of the Board of Corporate Auditors held while in office during this fiscal year (attendance rate 93%) and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	HAJIME HIGASHIKAWA	Attended all 12 meetings of the Board of Directors held while in office during this fiscal year (attendance rate 100%) and all 14 meetings of the Board of Corporate Auditors held while in office during this fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	TOSHIAKI YAMAGUCHI	Attended all 16 meetings of the Board of Directors during this fiscal year (attendance rate 100%) and all 20 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	MUTSUO NITTA	Attended 14 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 88%) and 18 meetings out of all 20 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 90%) 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 2012)

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 2012)

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 the 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

Position	Total Amount of Remuneration (¥ Million)	Total Amount of Remuneration by Type (¥ Million)		Number of Recipients
		Basic Remuneration	Bonuses	
Directors (not including outside directors)	914	819	95	25
Corporate auditors (not including outside corporate auditors)	9	8	0	1
Outside directors and outside corporate auditors	98	88	9	8
Total	1,022	916	106	34

Notes
1. The amount of remuneration, etc., includes the amount paid to one director and two corporate auditors who retired at the conclusion of the 24th Ordinary General Meeting of Shareholders held on June 23, 2011.
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 ¥18 million were paid to two outside corporate auditors who retired during this fiscal year in addition to the above remuneration.

Total Consolidated Remuneration of JR East's Directors

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

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

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

Number of Directors

JR East's articles of incorporation stipulate that the number of JR East's directors shall be 25 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.

Remuneration for Auditing Services

Remuneration for Independent Auditors

(¥ Million)

Classification	Fiscal 2011		Fiscal 2012	
	Remuneration for auditing services	Remuneration for non-auditing services	Remuneration for auditing services	Remuneration for non-auditing services
JR East	250	9	245	24
Consolidated subsidiaries	446	—	442	9
Total	696	9	687	34

Other Important Remunerations

No items to report.

Non-auditing Services Provided by Independent Auditors, etc.

JR East's remuneration of independent auditors for non-auditing services include services rendered examining financial due diligence, consultation and advisory services with regard to international financial reporting standards, and services rendered writing the comfort letter.

Policy Regarding the Determination of the Amount of Remuneration of Independent Auditors

There are no applicable policies. However, decisions take factors such as the hours spent auditing into consideration.

ORGANIZATION

As of July 2012

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

SECTION

3 STATISTICAL PORTRAIT OF JR EAST

The 'Statistical Portrait of JR East' section presents data on the economic environment and geographical characteristics of JR East, and financial information on the Company such as business analysis and the consolidated financial statements and notes.

JR EAST: DOMESTIC AND INTERNATIONAL PERSPECTIVES

JR EAST: DOMESTIC AND INTERNATIONAL PERSPECTIVES

Peer Group Comparisons

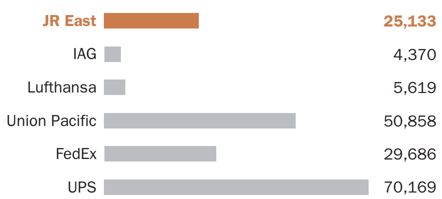
In this section, several key performance indicators illustrate how JR East compares with selected well-known companies.

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.

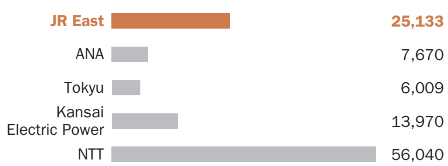
TOTAL STOCK MARKET VALUE

Millions of U.S. Dollars

INTERNATIONAL



DOMESTIC

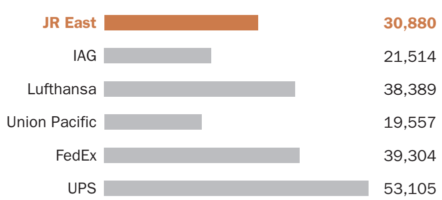


* Data in these graphs have been computed from each company's share price and shares outstanding at the end of the previous fiscal year.

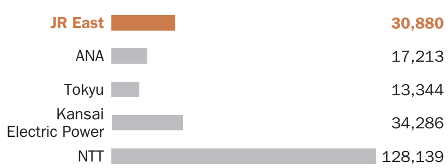
OPERATING REVENUES

Millions of U.S. Dollars

INTERNATIONAL



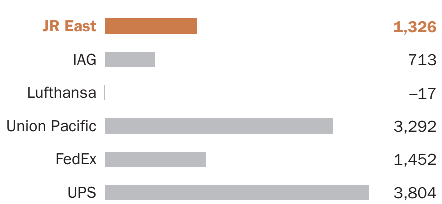
DOMESTIC



NET INCOME (LOSS)

Millions of U.S. Dollars

INTERNATIONAL

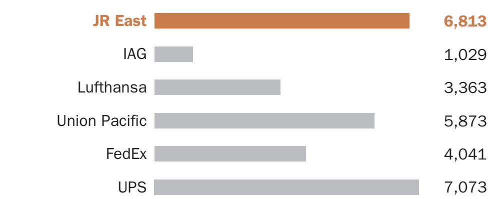


DOMESTIC

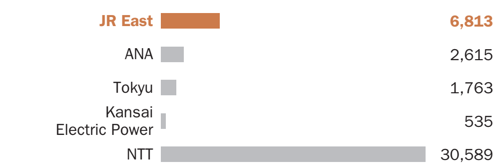
CASH FLOWS FROM OPERATING ACTIVITIES

Millions of U.S. Dollars

INTERNATIONAL



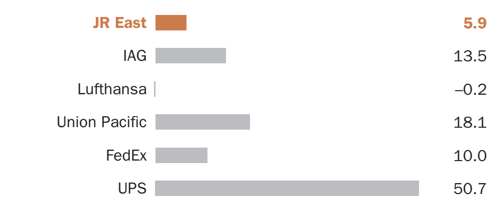
DOMESTIC



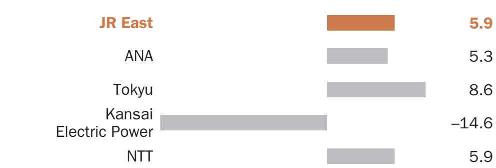
RETURN ON AVERAGE EQUITY (ROE)

%

INTERNATIONAL



DOMESTIC

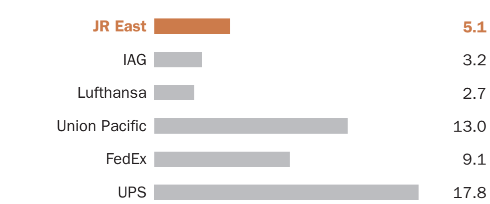


Average equity is the average of equity at the end of the previous and applicable fiscal years.

RATIO OF OPERATING INCOME (LOSS) TO AVERAGE ASSETS (ROA)

%

INTERNATIONAL



DOMESTIC

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

- In January 2011, British Airways and IBERIA underwent management integration to become the IAG (International Airlines Group).
- Year ended March 31, 2012 (Year ended December 31, 2011, for IAG, Lufthansa, Union Pacific, and UPS, year ended May 31, 2011, for FedEx).
- 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, 2012 ($1=¥82, £1=$1.60, €1=$1.34).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $63.54 for JR East, $2.36 for IAG, $12.27 for Lufthansa, $105.94 for Union Pacific, $93.64 for FedEx, $73.19 for UPS, $3.05 for ANA, $4.79 for Tokyu, $15.63 for Kansai Electric Power, and $45.79 for NTT.

International Railway Comparisons

Japan relies on railways for around 30% of its transportation needs, a ratio much higher than in most other countries. This high reliance on railways due to the size of the economy and geographic characteristics affords railway companies an extremely large source of demand, especially in urban areas. In addition to being Japan's top railway company, JR East is one of the largest railway companies in the world.

Transportation Market

RAILWAY LINE NETWORKS

Kilometers

JR East	7,527
U.K.	31,073
Germany	33,714
France	29,903
U.S.	33,650

REVENUES FROM RAILWAY OPERATIONS

Millions of U.S. Dollars

JR East	17,642
U.K.	9,163
Germany	16,298
France	16,625
U.S.	1,814

NUMBER OF PASSENGERS

Millions

JR East	6,089
U.K.	1,239
Germany	1,883
France	1,078
U.S.	27

NUMBER OF EMPLOYEES

JR East	52,259
U.K.	37,153
Germany	239,888
France	156,434
U.S.	19,203

PASSENGER KILOMETERS

Millions

JR East	126,960
U.K.	50,460
Germany	75,579
France	85,697
U.S.	9,476

- Figures for JR East, the U.K. and the U.S. are as of March 31, 2010, while the figures for Germany and France are as of December 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, 2010 ($1=¥93, €=$1.34).

Source: Statistiques Internationale des Chemins de Fer 2009, Union Internationale des Chemins de Fer

Fundamentals

GROSS DOMESTIC PRODUCT

Billions of U.S. Dollars

2011

Japan	4,384
U.K.	2,287
Germany	3,221
France	2,303
U.S.	15,011

POPULATION

Millions

2011

Japan	127.8
U.K.	62.4
Germany	82.2
France	63.1
U.S.	313.1

POPULATION DENSITY

Per Square Kilometer

2011

	Population per Square Kilometer of Total National Land Area	Population per Square Kilometer of Habitable Land Area
Japan	338	1,613
U.K.	257	291
Germany	230	334
France	114	161
U.S.	33	48

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

Population

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

Habitable land area

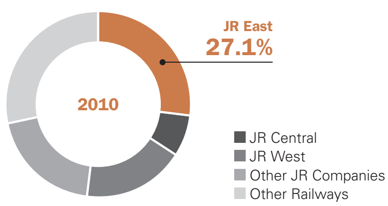
Japan: Land White Paper, Ministry of Land, Infrastructure, Transport and Tourism. Total area minus forests and woodland, barren land, area under inland water bodies, and other; Other countries: Global Forest Resources Assessment 2011, FAO

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.

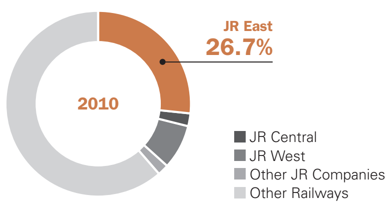
SHARE OF DOMESTIC RAILWAYS

PASSENGER LINE NETWORK



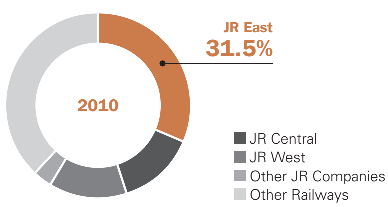
As of March 31, 2010	Km	%
JR East	**7,527**	**27.1%**
JR Central	1,971	7.1%
JR West	5,013	18.0%
Other JR Companies	5,477	19.7%
Other Railways	7,809	28.1%

NUMBER OF PASSENGERS



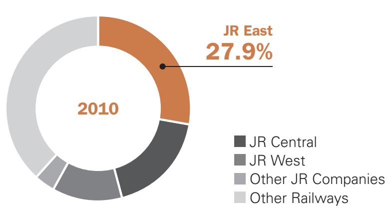
	Millions	%
JR East	**6,089**	**26.7%**
JR Central	511	2.3%
JR West	1,776	7.8%
Other JR Companies	464	2.0%
Other Railways	13,957	61.2%

PASSENGER KILOMETERS



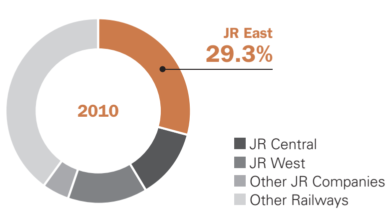
	Millions	%
JR East	**126,960**	**31.5%**
JR Central	55,318	13.7%
JR West	54,443	13.5%
Other JR Companies	13,695	3.4%
Other Railways	152,731	37.9%

REVENUES FROM PASSENGER TICKETS



	Billions of Yen	%
JR East	**1,641**	**27.9%**
JR Central	1,073	18.2%
JR West	720	12.2%
Other JR Companies	207	3.5%
Other Railways	2,253	38.2%

ROLLING STOCK KILOMETERS



	Millions	%
JR East	**2,188**	**29.3%**
JR Central	909	12.2%
JR West	1,040	13.9%
Other JR Companies	342	4.6%
Other Railways	2,986	40.0%

- 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.

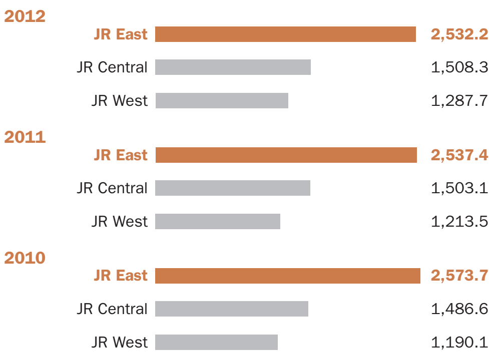
Source: Statistics of Railways 2009, Ministry of Land, Infrastructure, Transport and Tourism

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

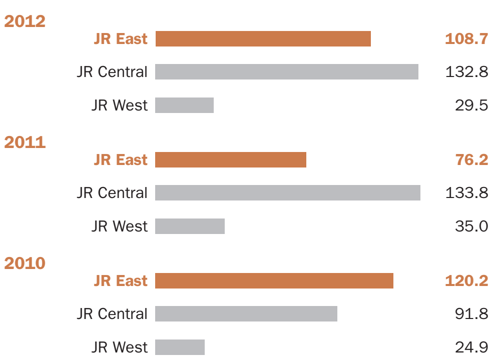


Millions of Yen

Years ended March 31	2010	2011	2012
JR East	**2,573,724**	**2,537,353**	**2,532,174**
JR Central	1,486,632	1,503,083	1,508,328
JR West	1,190,135	1,213,506	1,287,679

NET INCOME

Billions of Yen

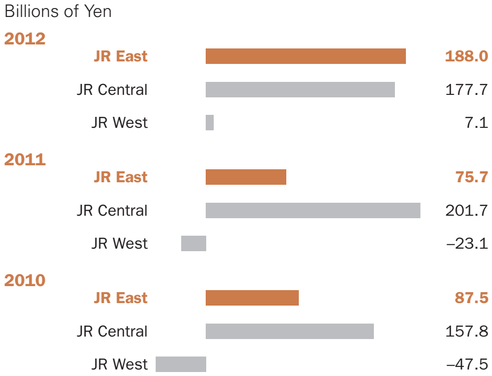


Millions of Yen

Years ended March 31	2010	2011	2012
JR East	**120,214**	**76,224**	**108,738**
JR Central	91,764	133,807	132,781
JR West	24,858	34,983	29,489

FREE CASH FLOWS

Billions of Yen

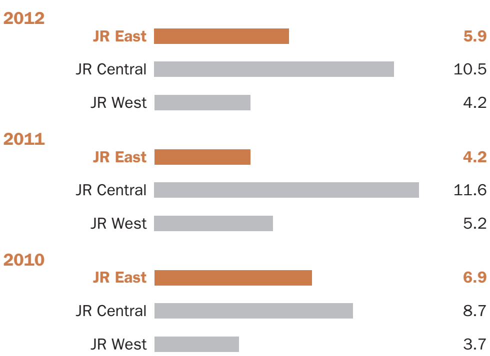


Millions of Yen

Years ended March 31	2010	2011	2012
JR East	**87,498**	**75,667**	**187,965**
JR Central	157,818	201,719	177,720
JR West	(47,473)	(23,072)	7,075

RETURN ON AVERAGE EQUITY (ROE)

%

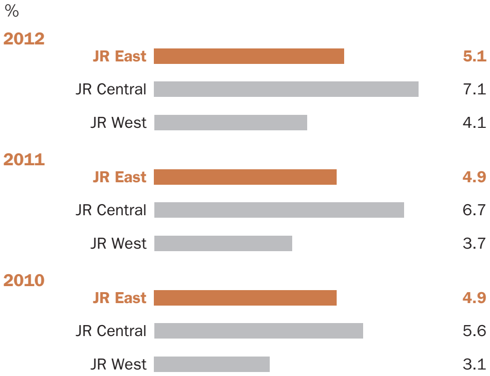


Years ended March 31	2010	2011	2012
JR East	**6.9%**	**4.2%**	**5.9%**
JR Central	8.7%	11.6%	10.5%
JR West	3.7%	5.2%	4.2%

• 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)

%

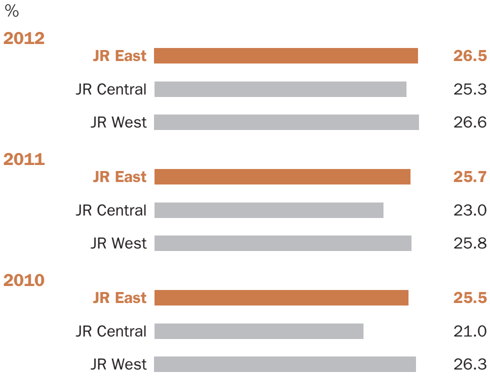


Years ended March 31	2010	2011	2012
JR East	**4.9%**	**4.9%**	**5.1%**
JR Central	5.6%	6.7%	7.1%
JR West	3.1%	3.7%	4.1%

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

EQUITY RATIO

%



Years ended March 31	2010	2011	2012
JR East	**25.5%**	**25.7%**	**26.5%**
JR Central	21.0%	23.0%	25.3%
JR West	26.3%	25.8%	26.6%

• 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

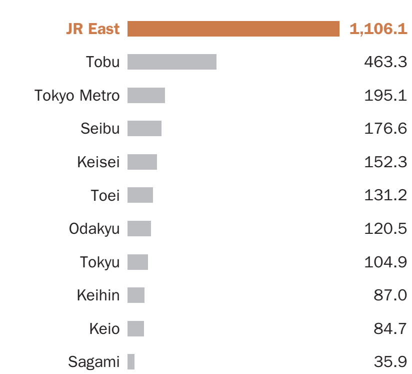
	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Billions of Yen	%
JR East	**1,106.1**	**41.6%**	**78,759**	**47.7%**	**853.8**	**43.0%**
Tobu Railway	463.3	17.4%	12,278	7.4%	139.2	7.0%
Tokyo Metro	195.1	7.3%	18,534	11.2%	293.0	14.8%
Seibu Railway	176.6	6.7%	8,574	5.3%	93.7	4.7%
Keisei Electric Railway	152.3	5.7%	3,627	2.3%	52.3	2.6%
Toei (Tokyo Metropolitan Government)	131.2	4.9%	6,119	3.7%	128.0	6.5%
Odakyu Electric Railway	120.5	4.5%	11,066	6.7%	114.1	5.8%
Tokyu Corporation	104.9	4.0%	10,160	6.1%	127.9	6.4%
Keihin Electric Express Railway	87.0	3.3%	6,174	3.7%	74.1	3.7%
Keio Electric Railway	84.7	3.2%	7,343	4.4%	77.6	3.9%
Sagami Railway Total	35.9	1.4%	2,576	1.5%	31.1	1.6%
Total	2,657.6	100.0%	165,210	100.0%	1,984.9	100.0%

1 As of March 31, 2011
2 For the year ended March 31, 2011
- 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 2009, 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.

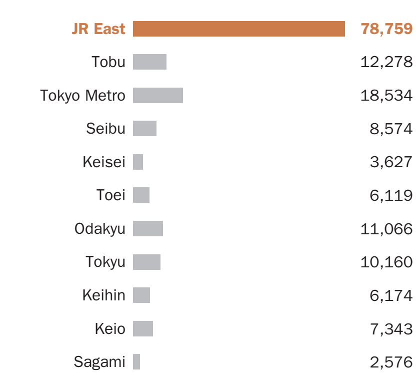
PASSENGER LINE NETWORKS

Kilometers



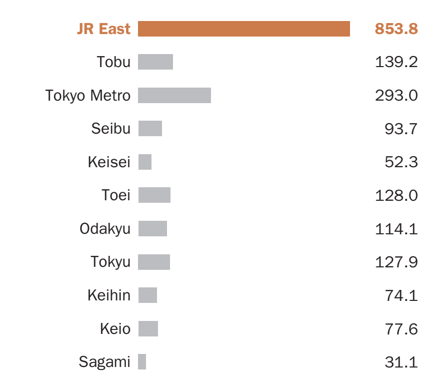
PASSENGER KILOMETERS

Millions



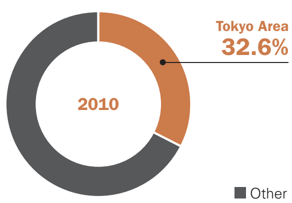
REVENUES FROM PASSENGER TICKETS

Billions of Yen



Fundamentals

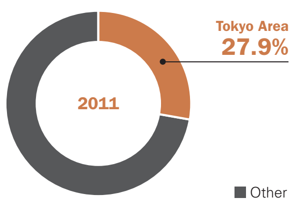
NET DOMESTIC PRODUCT



	2010	
	Billions of Yen	%
Tokyo area	**113,397**	**32.6%**
Other	234,661	67.4%
Total	348,058	100.0%

Year ended March 31
Source: Annual Report on Prefectural Economies, Cabinet Office

POPULATION



	2011	
	Millions	%
Tokyo area	**35.7**	**27.9%**
Other	92.1	72.1%
Total	127.8	100.0%

As of October 1
Source: Current Population Estimates and Census, Ministry of Internal Affairs and Communications

POPULATION DENSITY

	2011
	Per Square Kilometer
Tokyo area	**2,668**
Other	253
Total	338

As of October 1
- 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

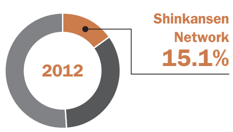
The fact that two-thirds of its transportation revenue comes from Tokyo and the Kanto region where most of the population and economic base in Japan resides, shows the solidness of JR East's management platform.

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.

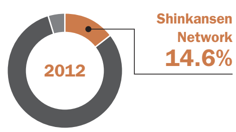
More than half of the electricity JR East consumes is self-generated in the hydro- and thermal-electric power plants it owns.

COMPOSITION BY OPERATING AREA

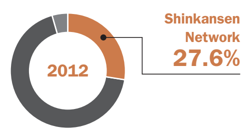
PASSENGER LINE NETWORK



PASSENGER KILOMETERS



REVENUES FROM PASSENGER TICKETS



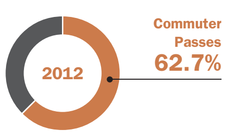
■ Kanto area network
■ Intercity and Regional Networks

	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen network	1,134.7	15.1%	18,424	14.6%	439,673	27.6%
Kanto area network	2,536.2	33.8%	100,967	80.7%	1,086,966	68.1%
Intercity and regional networks	3,841.7	51.1%	5,672	4.5%	68,659	4.3%
Total	7,512.6	100.0%	125,064	100.0%	1,595,299	100.0%

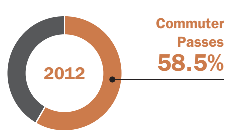
1. As of March 31, 2012
2. Year ended March 31, 2012
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Intercity and Regional Networks.
- Figures do not include Tokyo Monorail.

COMPOSITION OF COMMUTER PASSES—OVERALL

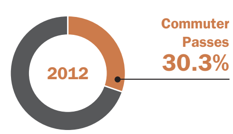
NUMBER OF PASSENGERS



PASSENGER KILOMETERS



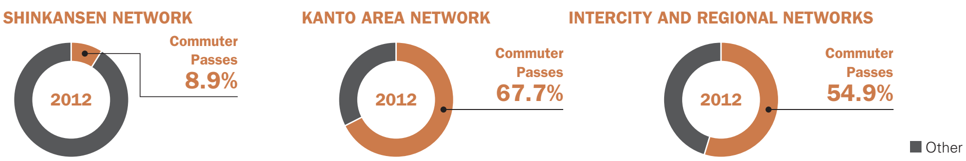
REVENUES FROM PASSENGER TICKETS



■ Other

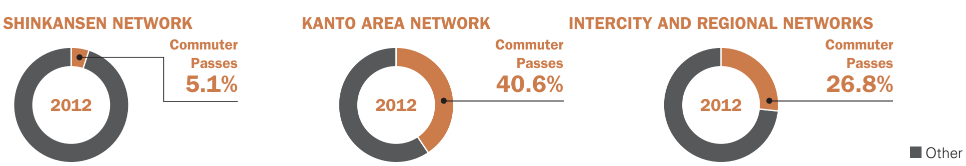
	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,795	62.7%	73,143	58.5%	482,595	30.3%
Other	2,261	37.3%	51,921	41.5%	1,112,704	69.7%
Total	6,056	100.0%	125,064	100.0%	1,595,299	100.0%

COMPOSITION OF COMMUTER PASSES—BY PASSENGER KILOMETERS



	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen network	18,424	1,647	8.9%
Kanto area network	100,967	68,381	67.7%
Intercity and regional networks	5,672	3,113	54.9%
Total	125,064	73,143	58.5%

COMPOSITION OF COMMUTER PASSES—BY REVENUES FROM PASSENGER TICKETS



	Total	Commuter Passes	
	Millions of yen	Millions of yen	%
Shinkansen network	439,673	22,411	5.1%
Kanto area network	1,086,966	441,759	40.6%
Intercity and regional networks	68,659	18,424	26.8%
Total	1,595,299	482,595	30.3%

- 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			2010	2011	2012	2012/2011
Shinkansen network		Commuter Passes	1,665	1,659	**1,647**	99.3%
		Other	16,486	15,991	**16,776**	104.9%
		Total	18,152	17,650	**18,424**	104.4%
Conventional lines	Total	Commuter Passes	72,011	72,078	**71,495**	99.2%
		Other	36,796	35,804	**35,144**	98.2%
		Total	108,807	107,882	**106,639**	98.8%
	Kanto area network	Commuter Passes	68,693	68,782	**68,381**	99.4%
		Other	33,653	32,850	**32,586**	99.2%
		Total	102,346	101,633	**100,967**	99.3%
	Intercity and regional networks	Commuter Passes	3,318	3,295	**3,113**	94.5%
		Other	3,143	2,954	**2,558**	86.6%
		Total	6,461	6,249	**5,672**	90.8%
Total		Commuter Passes	73,677	73,737	**73,143**	99.2%
		Other	53,282	51,795	**51,921**	100.2%
		Total	126,959	125,533	**125,064**	99.6%

REVENUES FROM PASSENGER TICKETS

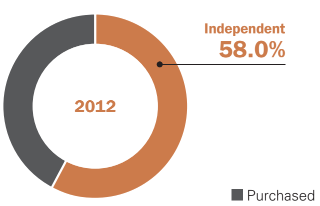
Millions of Yen

Years ended March 31			2010	2011	2012	2012/2011
Shinkansen network		Commuter Passes	22,774	22,730	**22,411**	98.6%
		Other	416,729	408,837	**417,262**	102.1%
		Total	439,504	431,568	**439,673**	101.9%
Conventional lines	Total	Commuter Passes	468,934	468,397	**460,183**	98.2%
		Other	732,222	709,182	**695,442**	98.1%
		Total	1,201,157	1,177,579	**1,155,626**	98.1%
	Kanto area network	Commuter Passes	449,152	448,829	**441,759**	98.4%
		Other	671,522	652,119	**645,207**	98.9%
		Total	1,120,674	1,100,949	**1,086,966**	98.7%
	Intercity and regional networks	Commuter Passes	19,782	19,567	**18,424**	94.2%
		Other	60,699	57,062	**50,235**	88.0%
		Total	80,482	76,630	**68,659**	89.6%
Total		Commuter Passes	491,709	491,127	**482,595**	98.3%
		Other	1,148,951	1,118,019	**1,112,704**	99.5%
		Total	1,640,661	1,609,147	**1,595,299**	99.1%

- 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, 2012	Billions of kWh	%
Thermal generation	2.17	37.5%
Hydroelectric generation	1.18	20.4%
Independent	3.35	58.0%
Purchased	2.43	42.0%
Total	5.78	100.0%



SECTION

3 STATISTICAL PORTRAIT OF JR EAST

The 'Statistical Portrait of JR East' section presents data on the economic environment and geographical characteristics of JR East, and financial information on the Company such as business analysis and the consolidated financial statements and notes.

FINANCIAL SECTION

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, 2012.

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 2012, ended March 31, 2012. 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 year ended March 31, 2012, the Japanese economy was affected by the Great East Japan Earthquake on March 11, 2011, as well as the significant strengthening of the yen, rising oil prices and a financial crisis in Europe. Yet, the economy began to improve modestly in the second half as reconstruction demand since the Great East Japan Earthquake started contributing to a gradual recovery in the domestic market. Amid business conditions that remained challenging, East Japan Railway Company and its consolidated subsidiaries and equity-method affiliates (JR East) actively worked on initiatives to improve the quality of core transportation, life-style and *Suica* card services. These initiatives were also aimed at securing revenues amid business conditions that were challenged by factors such as the suspension of tolls on expressways, in addition to the Great East Japan Earthquake and tsunami.

As a result, during the fiscal year under review, operating revenues decreased 0.2% year-on-year to ¥2,532.2 billion ($30,880 million), primarily reflecting a decline in transportation revenues at JR East due to the effects of the Great East Japan Earthquake. Operating income increased 4.3% to ¥360.0 billion ($4,391 million) mainly as a result of a decrease in JR East's non-personnel expenses. Furthermore, net income increased 42.7% to ¥108.7 billion ($1,326 million), due to such factors as a significant decrease in provision for allowance for earthquake-damage losses.

Recovery from the Great East Japan Earthquake is an issue of utmost priority for JR East in the fiscal year ended March 31, 2012, and various initiatives have been implemented to this end.

Service resumed on a normal time schedule on the Tohoku Shinkansen Line on September 23, 2011 upon completion of restoration work. JR East is coordinating its efforts to restore conventional lines along the northeastern Pacific coast that were severely damaged in the tsunami with other plans to rebuild the area as a whole and develop towns. To this end, the Group engaged in discussions with relevant national and local government authorities. Service also resumed along the entire Hachinohe Line and in sections of the Joban Line, Senseki Line and other lines. JR East has adopted a plan to construct new rails in rebuilding the Senseki Line between Takagimachi and Rikuzen-ono, the Joban Line between Soma and Watari, and the Ishinomaki Line between Watanoha and Urashuku. At the same time, in the interest of achieving an expeditious launch of safe transportation services, JR East has been negotiating a proposal to provisionally restore the Kesennuma Line with a BRT (Bus Rapid Transit) system, while considering various proposals for the Yamada Line and Ofunato Line, including provisional restoration with a BRT system. Meanwhile, in an effort to ensure local access to transportation, the Group has operated bus routes to cover for the lines that remain out of service.

JR East also made every effort to fulfill its social mission as a corporate group that conducts businesses throughout eastern Japan. Various initiatives to date for contributing to recovery include farmers' markets and produce fairs in support of areas affected by the disaster, as well as housing and increased hiring quotas for victims of the disaster. Measures the Group took in the wake of the disaster have also been reviewed. As a result, heavily traveled commuter lines and segments were prioritized for inspection, along with other emergency responses, to ensure the Group's readiness in promptly restoring services in the Tokyo metropolitan area. In addition, the Group designated stations within a 30 kilometer radius of Tokyo Station as temporary shelters for passengers unable to go home, and held talks with relevant municipal authorities on the procedure for evacuating such passengers to these shelters. At the same time, JR East took steps to stock its major railway terminals with drinking water, blankets and other emergency provisions.

Apart from these measures going forward, JR East sought to conserve energy in response to electric power shortages following the disaster. Among the measures the Group implemented to this end was a special train schedule for the summer of 2011 that was designed to address the Power Usage Limitation Order the government issued. For the duration of the special train schedule, the Group sought the understanding of its customers, and turned down or turned off lighting within stations and railcars, among other measures to conserve energy. In view of the ongoing tight balance between power supply and demand, JR East continued to review and implement necessary power conservation measures within stations, railcars and other facilities.

Business results by business segment were as follows.

SEGMENT INFORMATION

Transportation

In the Transportation segment, JR East sought to maintain revenues by introducing measures to encourage the use of its Shinkansen network and Tokyo metropolitan area network. These efforts were mainly directed at the railway operations, with the basic objective of further improving safety and customer satisfaction.

Specifically, with the aim of contributing to the recovery and stimulating tourism in the regions affected by the disaster, JR East implemented the *Aomori Destination Campaign* and the *Gunma Destination Campaign*, based on the theme "Be Strong Japan!," and sold discount train tickets such as *JR EAST PASS*. In an effort to support tourism demand that had fallen after the earthquake in these regions, the Group launched the *"Ikuze, Tohoku." Campaign* to stimulate the flow of tourism traffic throughout Tohoku and contribute to the recovery of the region, in time for the first anniversary of service commencement along the entire Tohoku Shinkansen Line to Shin-Aomori Station, and showcase trains pulled by steam locomotives and other events. Further efforts were made to enhance the attraction of rail travel in response to a reduction in expressway tolls through the sale of special tickets 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 during the year-end to New Year period. With the revision of train schedules in March 2012, JR East rolled out more of the new Series E5 Shinkansen trains in service on the Tohoku Shinkansen Line and began operating a new series of conventional limited express trains on the Joban Line. Meanwhile, measures such as the opening of a new Yoshikawaminami Station on the Musashino Line and an increase in the frequency of trains on the Yokohama Line and Nambu Line were taken to further enhance the convenience of the "Tokyo Megaloop." Moreover, JR East continued to introduce new railcars to local service on the Joban Line and other lines, and commenced operations of its *ATACS* wireless railway car control system in October 2011 along the Aoba-dori and Higashi-Shiogama segment of the Senseki Line. In applying the lessons from the Great East Japan Earthquake, JR East began implementing aseismatic reinforcement measures to prepare for, among other catastrophes, an earthquake triggered by a fault directly beneath the Tokyo metropolitan area, by pushing forward the aseismatic reinforcement of structures such as viaduct columns and reinforcing embankments. In addition, the Group took steps such as the installation of more P-wave seismographs to enhance its seismic observation system. Furthermore, Yotsuya Station was renovated as the first "*ecoste*" model station incorporating technologies for preserving the environment. The upgraded facilities of this station went into operation in March 2012. To mark the tenth anniversary of *Suica* electronic money, in July 2011 the Group launched a smartphone version of its *Mobile Suica* service for Android™ handsets compatible with the *Osaifu-Keitai* service.*

JR East announced in March 2012 that it had decided to abandon restoring the Iwaizumi Line as a railway line, after operations along the entire line were suspended in July 2010 due to a train derailment caused by a landslide in a section of the line between Oshikado and Iwate-Okawa. The decision was reached due to the large costs and long-term work needed to ensure train safety, and the already very small number of passengers on the line that has recently been declining every year. JR East plans to continue using buses instead to fulfill its responsibility to offer transportation services to the region, and has begun talks with relevant parties in the region to ask for their understanding and cooperation.

Amid the continuation of challenging business conditions, efforts were made to ensure that the frequency of Highway Bus services was sufficient to meet passenger demand, as well as strengthen the competitiveness of the Group's bus operations by setting more attractive fares. In monorail operations, a discount round-trip ticket to Haneda Airport and other measures were introduced to further promote the line's usage.

Despite these initiatives, the Transportation segment posted operating revenues of ¥1,756.3 billion ($21,419 million), a year-on-year decrease of 0.9%, due to a decline in traffic volume as a result of suspension in train services and a decreased number of trips taken by consumers following the earthquake, among other factors. Operating income was ¥236.6 billion ($2,886 million), an increase of 4.2%, due mainly to a decrease in JR East's non-personnel expenses.

Note *Osaifu-Keitai* is a registered trademark of NTT DOCOMO, INC., and Android™ is a trademark of Google Inc.

Shinkansen Network

In the Shinkansen network, passenger kilometers increased 4.4% year on year, to 18.4 billion. Use increased mainly as a result of demand linked to the recovery from the Great East Japan Earthquake and full-year contribution from services along the Hachinohe-Shin-Aomori segment of the Tohoku Shinkansen Line starting up. These and other factors offset use that had fallen mainly for the Tohoku Shinkansen as a whole due to the suspension and reduction of services in the wake of the Great East Japan Earthquake. Revenues from passenger tickets increased 1.9%, to ¥439.7 billion ($5,362 million), and revenues from commuter passes decreased 1.4%, to ¥22.4 billion ($273 million). Non-commuter passes revenues increased, 2.1%, to ¥417.3 billion ($5,089 million), owing to demand linked to the Great East Japan Earthquake and full-year contribution from services along the Hachinohe-Shin-Aomori segment of the Tohoku Shinkansen Line starting up.

Kanto Area Network

In the Kanto area network, passenger kilometers decreased 0.7% year on year, to 101.0 billion, due to the suspension and reduction of limited express services in the wake of the Great East Japan Earthquake, among other factors. Revenues from passenger tickets declined 1.3%, to ¥1,087.0 billion ($13,256 million). Specifically, revenues from commuter passes declined 1.6%, to ¥441.8 billion ($5,387 million), and non-commuter passes revenues were down 1.1%, to ¥645.2 billion ($7,869 million).

Other

In the intercity and regional networks, passenger kilometers declined 9.2% year on year, to 5.7 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 10.4%, to ¥68.7 billion ($837 million), as a result of decreases of 5.8% in revenues from commuter passes, to ¥18.4 billion ($225 million) and 12.0% in non-commuter passes revenues, to ¥50.3 billion ($612 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. Specifically, JR East fully opened *ecute Shinagawa South* (Tokyo) and *ecute Akabane* (Tokyo), and renovated its commercial facilities within Nishi-Funabashi Station and Asagaya Station.

The Station Space Utilization segment posted a 2.4% increase in operating revenues to ¥409.7 billion ($4,996 million), as a result of these initiatives and other additional factors, such as the opening of Tokyo Station *NorthCourt (GranSta Dining)* (Tokyo) in the year ended March 31, 2011, that contributed to the increase. Operating income increased 8.3%, to ¥34.0 billion ($414 million).

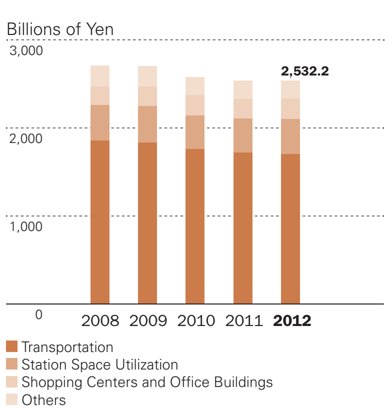
Shopping Centers and Office Buildings

In the Shopping Centers and Office Buildings segment, JR East opened *LUMINE Yurakucho* (Tokyo), the Group's first full-scale shopping facility outside of a railway station, as well as other new facilities such as *excel MiNAMi* (Ibaraki). In addition, the segment renovated existing facilities, including *GRANDUO Tachikawa* (Tokyo) as well as *atré Kameido* (Tokyo) and *atré Yotsuya* (Tokyo), while it continued to reinvigorate existing shopping centers and promote the introduction of tenants with high levels of customer footfall. Furthermore, the segment proceeded with preparations to start the construction of *Shinjuku New South Exit Building*.

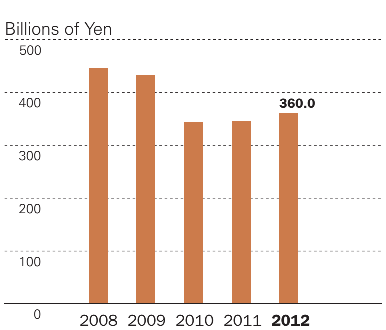
As a result of these initiatives and other additional factors, such as the renewal of *atré Kichijoji* (Tokyo) in the year ended March 31, 2011, the Shopping Centers and Office Buildings segment posted a 2.7% increase in operating revenues to ¥239.0 billion ($2,914 million). Operating income increased 3.5%, to ¥66.5 billion ($811 million).

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

OPERATING REVENUES



OPERATING INCOME



Others

In hotel operations, JR East opened *Hotel R-Mets Utsunomiya* (Tochigi) and launched a new membership organization for *Suica* card holders named *EASTYLE MEMBERS*.

In advertising and publicity services, JR East promoted sales of advertising on *J-AD Vision*, an advertising medium at stations that uses large LCD screens, and *Train Channel*, an advertising medium for showing video commercials in trains. The credit card operations received donations in support of disaster recovery efforts in the form of points accumulated by card members who participated in the *View Thanks Point* program, while implementing campaigns of its own tied to various events. In *Suica* shopping services (electronic money), JR East actively developed affiliated stores in markets beyond railway stations, including through the launch of *Suica* settlement of parcel delivery services at YAMATO TRANSPORT CO., LTD.'s direct sales bases and purchases at BOOKOFF CORPORATION LIMITED stores and SKYLARK GROUP restaurants within the Group's service area. As a result, *Suica* electronic money was accepted at approximately 177,630 stores as of March 31, 2012. In other service operations, JR East opened the *JeXer FITNESS CLUB & SPA Kameido* (Tokyo), among other facilities.

Despite these initiatives, Others posted a 3.6% decrease in operating revenues to ¥516.4 billion ($6,297 million), which mainly reflected a decline in revenues in relation to systems development. Operating income was down 4.7%, to ¥22.0 billion ($268 million).

Note: JR East applies the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, June 30, 2010) 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 0.9%, to ¥2,172.1 billion ($26,489 million). Operating expenses as a percentage of operating revenues was 85.8%, compared with 86.4% in the previous fiscal year.

Transportation, other services and cost of sales decreased 1.4%, to ¥1,710.6 billion ($20,861 million), because of a decrease in personnel expenses.

Selling, general and administrative expenses were up 0.8%, to ¥461.5 billion ($5,628 million), which was due to an increase in the start-up expenses of new commercial facilities.

Operating income rose 4.3%, to ¥360.0 billion ($4,391 million), for the second consecutive fiscal year. Operating income as a percentage of operating revenues was 14.2%, compared with 13.6% in the previous fiscal year.

INCOME BEFORE INCOME TAXES

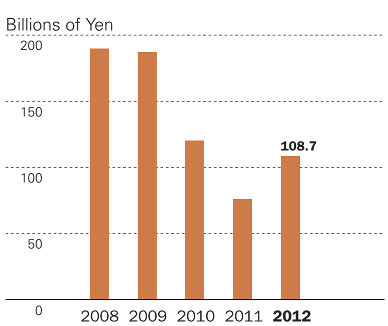
Other income increased 30.3%, to ¥90.1 billion ($1,099 million), due mainly to an increase in the gain on sales of fixed assets.

Other expenses decreased 18.9%, to ¥216.2 billion ($2,638 million), which mainly resulted from a decrease in the provision for allowance for earthquake-damage loses.

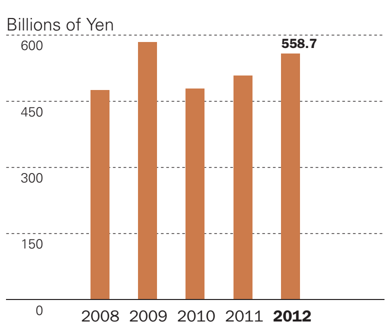
Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥98.1 billion ($1,197 million) expense, an improvement of 4.1%.

Income before income taxes increased 58.7%, to ¥233.9 billion ($2,852 million). Income before income taxes as a percentage of operating revenues was 9.2%, an increase from 5.8%.

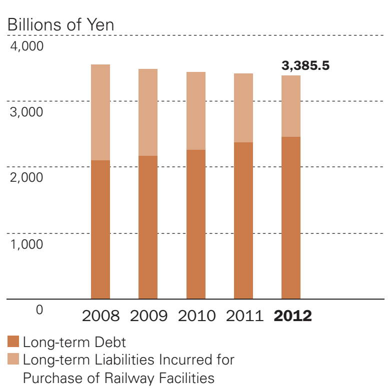
NET INCOME



CASH FLOWS FROM OPERATING ACTIVITIES



TOTAL LONG-TERM DEBT



NET INCOME

Net income increased for the first time in four years, increasing 42.7%, to ¥108.7 billion ($1,326 million), due mainly to an increase in income before income taxes, despite income taxes that rose as a result of a change in the corporate income tax rates. Earnings per share were ¥275 ($3), up from ¥193 per share. Further, net income as a percentage of operating revenues was 4.3%, compared with 3.0% in the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

In the fiscal year ended March 31, 2012, operating activities provided net cash of ¥558.7 billion ($6,813 million), ¥49.8 billion more than in the previous fiscal year. This result was mainly due to an increase in major payables.

Investing activities used net cash of ¥370.7 billion ($4,521 million), ¥62.5 billion less than in the previous fiscal year. This result was mainly due to a decrease 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, in addition to the reconstruction of facilities damaged in the Great East Japan Earthquake. Based on the *Station Renaissance* program, station space utilization operations developed stores at Shinagawa Station, Akabane Station, and other stations.

In shopping centers and office buildings operations, JR East undertook capital expenditures for such initiatives as *LUMINE Yurakucho* and *excel MiNAMi*. At the same time, those operations remodeled *GRANDUO Tachikawa* and other properties. In other services, capital expenditures initiatives included the construction of *Hotel R-Mets Utsunomiya*.

Further, free cash flows increased ¥112.3 billion, to ¥188.0 billion ($2,292 million).

Financing activities used net cash of ¥152.4 billion ($1,859 million), ¥124.9 billion more than in the previous fiscal year. This result was mainly due to a decrease in commercial paper.

Consequently, cash and cash equivalents as of March 31, 2012 were ¥167.5 billion ($2,043 million), an increase of ¥35.6 billion from ¥131.9 billion on March 31, 2011.

FINANCIAL POLICY

Total long-term debt at the end of fiscal 2012 stood at ¥3,385.5 billion ($41,286 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. ¥347.3 billion ($4,235 million) payable at a variable interest rate (annual interest rate in fiscal 2012: 4.08%) through March 31, 2017
b. ¥215.1 billion ($2,623 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017
c. ¥345.0 billion ($4,208 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 ¥11.4 billion ($139 million) for the Akita hybrid Shinkansen facilities and ¥5.0 billion ($61 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 ¥20.4 billion ($249 million) in fiscal 2012.

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, 2012, JR East issued eight unsecured straight bonds, with a total nominal amount of ¥150.0 billion ($1,829 million) and maturities from 2016 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 Aa2, respectively.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($4,024 million). JR East did not have any bank overdrafts on March 31, 2012. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2012. There is no outstanding balance of commercial paper JR East issued as of March 31, 2012.

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, 2012.

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 SURCHARGE

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 DF 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 LINE

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 2012 totaled ¥21.4 billion ($261 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($213 million) and taxes and maintenance fees of ¥3.9 billion ($48 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 2012 totaled ¥9.2 billion ($112 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($96 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. Usage fees for fiscal 2012 totaled ¥8.4 billion ($102 million), comprising the fixed amount of ¥7.0 billion ($85 million) and taxes and maintenance fees of ¥1.4 billion ($17 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, as an initiative in light of the Great East Japan Earthquake, JR East inspected the operating conditions of earthquake detection systems, its evacuation guidance procedures in the event of a tsunami, and the mechanics behind the damage to Shinkansen facilities, and formulated policies for responding to the issues the inspections revealed. In addition, the Group moved up its schedule for seismic reinforcement of viaduct columns and installed more P-wave seismographs to enhance its seismic observation system as part of its seismic reinforcement measures against an anticipated earthquake directly beneath the Tokyo metropolitan area. Also, JR East has continued to introduce ATS-P and ATS-Ps systems to conventional lines to automatically stop trains and prevent train accidents. Further, in light of the derailment that occurred on the Uetsu Line in 2005, JR East introduced a driving restriction method that evaluates the exposure of railcars to wind velocity more appropriately along segments of the Uetsu Line and Keiyo Line. 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 refamiliarize 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 forward with the introduction of automatic platform gates to Osaki Station and Ikebukuro Station on the Yamanote Line, among others. In addition, the Company launched a joint campaign for Zero Platform Accidents with 23 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 16.5 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.

Competition intensifying in the transportation market could variously affect earnings from JR East's transportation operations. Such competition includes the suspension of tolls on expressways and the advancement of large-scale upgrading works by other railway operators in the Tokyo metropolitan area. Also, developments such as the new entry of other companies into markets or the renewal or opening of nearby commercial premises could variously affect earnings from JR East's non-transportation operations.

REDUCTION OF TOTAL LONG-TERM DEBT

At the end of fiscal 2012, total long-term debt was ¥3,385.5 billion ($41,286 million). In addition, interest expense amounted to ¥101.1 billion ($1,233 million) in fiscal 2012, which was equivalent to 28.1% 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.

CONSOLIDATED BALANCE SHEETS

East Japan Railway Company and Subsidiaries
March 31, 2011 and 2012

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2011	2012	2012
Assets			
Current Assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 131,929	¥ 167,525	$ 2,043
Receivables (Note 8) :			
Accounts receivable—trade	288,444	344,808	4,205
Unconsolidated subsidiaries and affiliated companies	5,518	8,928	109
Other	11,425	9,280	113
Allowance for doubtful accounts (Note 2 (4))	(2,632)	(2,335)	(28)
	302,755	360,681	4,399
Inventories (Notes 2 (5) and 5)	44,017	51,937	633
Real estate for sale (Notes 2 (6) and 6)	1,865	1,515	18
Deferred income taxes (Note 20)	41,168	43,023	525
Other current assets	49,578	53,300	650
Total current assets	571,312	677,981	8,268
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 7)	31,883	33,081	403
Other (Notes 2 (7), 8 and 9)	114,038	111,679	1,362
	145,921	144,760	1,765
Property, Plant and Equipment (Notes 2 (8), 10, 11 and 22):			
Buildings	2,187,634	2,214,702	27,009
Fixtures	5,378,260	5,423,325	66,138
Machinery, rolling stock and vehicles	2,479,229	2,517,822	30,705
Land	2,006,184	2,012,107	24,538
Construction in progress	253,730	284,741	3,472
Other	179,382	186,407	2,273
	12,484,419	12,639,104	154,135
Less accumulated depreciation	6,581,133	6,775,034	82,622
Net property, plant and equipment	5,903,286	5,864,070	71,513
Other Assets:			
Long-term deferred income taxes (Note 20)	268,408	241,965	2,951
Other	153,973	131,633	1,606
	422,381	373,598	4,557
	¥ 7,042,900	¥ 7,060,409	$ 86,103

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2011	**2012**	**2012**
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8, 10 and 12)	¥ 234,909	**¥ 223,846**	**$ 2,730**
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	124,382	**129,839**	**1,583**
Prepaid railway fares received	79,566	**84,257**	**1,028**
Payables (Note 8) :			
Accounts payable—trade	34,541	**48,911**	**596**
Unconsolidated subsidiaries and affiliated companies	40,375	**51,972**	**634**
Other	442,251	**467,148**	**5,697**
	517,167	**568,031**	**6,927**
Accrued expenses	102,086	**101,397**	**1,237**
Accrued consumption taxes (Notes 8 and 14)	9,950	**13,554**	**165**
Accrued income taxes (Notes 2 (12), 8 and 20	13,275	**70,571**	**861**
Other current liabilities	147,755	**38,745**	**472**
Total current liabilities	1,229,090	**1,230,240**	**15,003**
Long-Term Debt (Notes 8, 10 and 12)	2,138,644	**2,237,774**	**27,290**
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 8, 10 and 13)	924,096	**794,014**	**9,683**
Employees' Severance and Retirement Benefits (Notes 2 (9) and 19)	658,371	**643,401**	**7,846**
Deposits Received for Guarantees	137,684	**134,231**	**1,637**
Long-Term Deferred Tax Liabilities (Note 20)	3,431	**3,219**	**39**
Other Long-Term Liabilities	117,028	**126,896**	**1,548**
Contingent Liabilities (Note 15)			
Net Assets (Note 16):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2012—400,000,000 shares;			
Outstanding, 2012—395,568,237 shares	200,000	**200,000**	**2,439**
Capital surplus	96,733	**96,732**	**1,180**
Retained earnings	1,534,340	**1,599,683**	**19,508**
Treasury stock, at cost, 4,431,763 shares in 2012	(25,841)	**(25,846)**	**(315)**
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	4,904	**3,909**	**48**
Net deferred losses on derivatives under hedge accounting	(780)	**(74)**	**(1)**
Minority Interests	25,200	**16,230**	**198**
Total net assets	1,834,556	**1,890,634**	**23,057**
	¥7,042,900	**¥7,060,409**	**$86,103**

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

East Japan Railway Company and Subsidiaries
Years ended March 31, 2010, 2011 and 2012

(I) CONSOLIDATED STATEMENTS OF INCOME

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2010	2011	2012	2012
Operating Revenues (Note 23)	¥2,573,724	¥2,537,353	¥2,532,174	$30,880
Operating Expenses (Note 23):				
Transportation, other services and cost of sales	1,720,974	1,734,357	1,710,615	20,861
Selling, general and administrative expenses	507,901	457,909	461,534	5,628
	2,228,875	2,192,266	2,172,149	26,489
Operating Income (Note 23)	344,849	345,087	360,025	4,391
Other Income (Expenses):				
Interest expense on short- and long-term debt	(45,329)	(45,322)	(46,208)	(564)
Interest expense incurred for purchase of railway facilities	(67,267)	(60,596)	(54,865)	(669)
Loss on sales of fixed assets	(2,033)	(2,857)	(1,343)	(16)
Environmental conservation costs	(6,484)	(9,149)	(11,524)	(141)
Impairment losses on fixed assets (Notes 2 (15) and 11)	(5,801)	(13,622)	(9,160)	(112)
Interest and dividend income	2,619	3,558	2,948	36
Equity in net income (loss) of affiliated companies	(5,283)	(438)	860	10
Gain on sales of transferable development air rights	16,891	—	—	—
Gain on sales of fixed assets	2,087	4,917	5,114	62
Earthquake-damage losses (Note 3)	—	(1,771)	—	—
Provision for allowance for earthquake-damage losses (Note 3)	—	(56,937)	(16,179)	(197)
Other, net	(19,375)	(15,439)	4,232	52
	(129,975)	(197,656)	(126,125)	(1,539)
Income before Income Taxes	214,874	147,431	233,900	2,852
Income Taxes (Notes 2 (12) and 20):				
Current	100,191	66,451	98,955	1,207
Deferred	(7,706)	3,406	25,354	309
Income before Minority Interests	—	77,574	109,591	1,336
Minority Interests in Net Income of Consolidated Subsidiaries	(2,175)	(1,350)	(853)	(10)
Net Income	¥ 120,214	¥ 76,224	¥ 108,738	$ 1,326

			Yen	U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2(13))	¥ 303	¥ 193	¥ 275	$ 3

See accompanying notes.

(II) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Note 24)

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2010	2011	2012	2012
Income before Minority Interests	—	¥77,574	¥109,591	$1,336
Other Comprehensive Income	—	(3,930)	(287)	(3)
Net unrealized holding gains (losses) on securities	—	(3,489)	(1,192)	(14)
Net deferred gains (losses) on derivatives under hedge accounting	—	(290)	598	7
Share of other comprehensive income of associates accounted for using equity method	—	(151)	307	4
Comprehensive Income	—	¥73,644	¥109,304	$1,333
Comprehensive Income attributable to				
Comprehensive income attributable to owners of the parent	—	¥72,302	¥108,448	$1,323
Comprehensive income attributable to minority interests	—	1,342	856	10

* Accounting Standard for Presentation of Comprehensive Income were adopted beginning with the year ended March 31, 2011.
See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2010, 2011 and 2012

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, 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
Cash dividends (¥110 per share)	—	—	—	(43,526)	—	—	—	—	(43,526)
Net income	—	—	—	108,738	—	—	—	—	108,738
Increase due to merger	—	—	—	131	—	—	—	—	131
Purchase of treasury stock	—	—	—	—	(6)	—	—	—	(6)
Disposal of treasury stock	—	—	(1)	—	1	—	—	—	0
Other	—	—	—	—	—	(995)	706	(8,970)	(9,259)
Balance at March 31, 2012	400,000,000	¥200,000	¥96,732	¥1,599,683	¥(25,846)	¥ 3,909	¥ (74)	¥16,230	¥1,890,634

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, 2011	400,000,000	$2,439	$1,180	$18,712	$(315)	$60	$(10)	$ 307	$22,373
Cash dividends ($1.34 per share)	—	—	—	(531)	—	—	—	—	(531)
Net income	—	—	—	1,326	—	—	—	—	1,326
Increase due to merger	—	—	—	1	—	—	—	—	1
Purchase of treasury stock	—	—	—	—	(0)	—	—	—	(0)
Disposal of treasury stock	—	—	(0)	—	0	—	—	—	0
Other	—	—	—	—	—	(12)	9	(109)	(112)
Balance at March 31, 2012	400,000,000	$2,439	$1,180	$19,508	$(315)	$48	$ (1)	$ 198	$23,057

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2010, 2011 and 2012

			Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2010	2011	2012	2012
Cash Flows from Operating Activities:				
Income before income taxes	¥ 214,874	¥ 147,431	¥ 233,900	$ 2,852
Depreciation (Note 23)	356,365	366,415	358,704	4,374
Impairment losses on fixed assets	5,801	13,622	9,160	112
Amortization of long-term prepaid expense	6,269	6,460	6,333	77
Net change in employees' severance and retirement benefits	27,112	(14,419)	(14,971)	(183)
Interest and dividend income	(2,619)	(3,558)	(2,948)	(36)
Interest expense	112,596	105,918	101,073	1,233
Construction grants received	(58,125)	(42,303)	(59,528)	(726)
Loss from disposition and provision for cost reduction of fixed assets	83,857	71,436	83,226	1,015
Earthquake-damage losses	—	1,771	—	—
Provision for allowance for earthquake-damage losses	—	56,937	16,179	197
Net change in major receivables	(10,409)	9,546	(54,835)	(669)
Net change in major payables	8,893	(34,009)	53,344	651
Other	(13,838)	13,671	8,132	100
Sub-total	730,776	698,918	737,769	8,997
Proceeds from interest and dividends	2,823	3,763	3,148	38
Payments of interest	(113,429)	(106,577)	(101,271)	(1,235)
Payments of earthquake-damage losses	(418)	(185)	(38,563)	(470)
Payments of income taxes	(140,572)	(87,073)	(42,433)	(517)
Net cash provided by operating activities	479,180	508,846	558,650	6,813
Cash Flows from Investing Activities:				
Payments for purchases of fixed assets	(446,232)	(488,919)	(407,622)	(4,971)
Proceeds from sales of fixed assets	5,834	20,692	8,866	108
Proceeds from construction grants	45,331	50,224	50,696	618
Proceeds from sales of transferable development air rights	13,674	—	—	—
Payments for purchases of investment in securities	(7,000)	(9,645)	(7,015)	(86)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	486	470	321	4
Other	(3,775)	(6,001)	(15,931)	(194)
Net cash used in investing activities	(391,682)	(433,179)	(370,685)	(4,521)
Cash Flows from Financing Activities:				
Net change in commercial paper	—	61,000	(61,000)	(744)
Proceeds from long-term loans	112,300	165,020	174,300	2,126
Payments of long-term loans	(88,714)	(131,878)	(125,870)	(1,535)
Proceeds from issuance of bonds	190,000	130,000	150,000	1,829
Payments for redemption of bonds	(120,000)	(60,380)	(110,430)	(1,347)
Payments of liabilities incurred for purchase of railway facilities	(138,915)	(129,315)	(124,625)	(1,520)
Payments for acquisition of treasury stock	(22,957)	(11)	(5)	(0)
Cash dividends paid	(43,746)	(43,526)	(43,525)	(531)
Other	(3,295)	(18,422)	(11,273)	(137)
Net cash used in financing activities	(115,327)	(27,512)	(152,428)	(1,859)
Net Change in Cash and Cash Equivalents	(27,829)	48,155	35,537	433
Cash and Cash Equivalents at Beginning of Year	110,871	83,756	131,929	1,609
Increase due to Addition of Consolidated Subsidiaries and Other	807	25	59	1
Decrease in Cash and Cash Equivalents due to Corporate Division	(93)	(7)	—	—
Cash and Cash Equivalents at End of Year	¥ 83,756	¥ 131,929	¥ 167,525	$ 2,043

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2010, 2011 and 2012

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, 2012.

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 ($37,890 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, 2012, which was ¥82 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, 2012, 72 subsidiaries were consolidated. During the year ended March 31,2012 one company was newly consolidated, and four companies were excluded from consolidation.

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

Goodwill is amortized using the straight-line method over five years. Negative goodwill is recognized as a profit at the time of occurrence.

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, 2012, 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 : the identified cost (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

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, 2010, 2011 and 2012.
(2) Held-to-maturity debt securities are stated at amortized cost.
(3) Equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method are mainly stated at moving-average cost.
(4) Available-for-sale securities are stated as follows:
   (a) Available-for-sale securities with market value
   According to the Japanese Accounting Standards for Financial Instruments, available-for-sale securities for which market quotations are available are stated at market value as of the balance sheet date. Net deferred gains or losses on these securities are reported as a separate item in net assets at an amount net of applicable income taxes and 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 neither consolidated nor accounted for using the equity method or available-for-sale securities, the securities are stated at market values in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

8) Property, Plant and Equipment

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

Depreciation is 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 that do not transfer ownership to lessees, depreciation is determined by straight-line method based on the lease term and estimated residual is zero.

With regard to finance lease that do not transfer ownership for which the starting date for the transaction is prior to March 31, 2008, they continue to be accounted for by a method used for operating lease.

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, 2010, 2011 and 2012 were ¥16,487 million, ¥16,414 million and ¥15,596 million ($190million), 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.

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 on March 11, 2011.

There had also been further damage to the Companies' railroad and other facilities due to intermittent earthquakes since April 2011. In light of this, the Companies recorded extraordinary losses as "provision for allowance for earthquake-damage losses" for the estimated amount of additional restoration and other expenses in the year ended March 31, 2012.

With respect to the 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, where a decision was made to resume operations at the original location and restoration and other expenses can be reasonably estimated, the Companies recorded extraordinary losses as "provision for allowance for earthquake-damage losses" for the estimated amount of restoration and other expenses in the year ended March 31, 2012.

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, 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 "provision for allowance for earthquake-damage losses." For reference, the net book value of property, plant and equipment (excluding rolling stock, tools, furniture and fixtures) of these affected railway lines was ¥22,002 million and ¥8,146 million ($99 million) as of March 31, 2011 and 2012, respectively.

Furthermore, the Company's railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which were owned by or leased by the Company, were insured against earthquakes for up to ¥71,000 million ($866 million) (¥10,000 million ($122 million) deductible) as of March 11, 2011. This insurance income has not been recorded in the year ended March 31, 2012, as insurance claims are under discussion with insurance companies in light of the ongoing rebuilding efforts.

The related losses reflected in the consolidated statements of income for the year ended March 31, 2011 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	**2012**	**2012**
Earthquake-damage losses	¥ 1,771	**¥ —**	**$ —**
Provision for allowance for earthquake-damage losses	56,937	**16,179**	**197**

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, 2011 and 2012 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2011	**2012**	**2012**
Merchandise and finished goods	¥ 7,496	**¥ 8,173**	**$100**
Work in process	14,684	**18,649**	**227**
Raw materials and supplies	21,837	**25,115**	**306**
	¥44,017	**¥51,937**	**$633**

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, 2011 and 2012 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Unconsolidated subsidiaries:			
Investments	¥ 5,139	¥ 5,208	$ 64
Advances	120	340	4
	5,259	5,548	68
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	26,410	27,354	333
Advances	214	179	2
	¥31,883	¥33,081	$403

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 ($37,890 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, 2011 and 2012, 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	
			2011			2012			2012
	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	¥ 131,929	¥ 131,929	¥ —	¥ 167,525	¥ 167,525	¥ —	$ 2,043	$ 2,043	$ —
b Receivables	305,387	305,387	—	363,016	363,016	—	4,427	4,427	—
c Securities									
Held-to-maturity debt securities	208	208	(0)	209	211	2	3	3	0
Available-for-sale securities	104,053	104,053	—	100,460	100,460	—	1,225	1,225	—
Assets	¥ 541,577	¥ 541,577	¥ (0)	¥ 631,210	¥ 631,212	¥ 2	$ 7,698	$ 7,698	$ 0
a Payables	¥ 517,167	¥ 517,167	¥ —	¥ 568,031	¥ 568,031	¥ —	$ 6,927	$ 6,927	$ —
b Accrued consumption taxes	9,950	9,950	—	13,554	13,554	—	165	165	—
c Accrued income taxes	13,275	13,275	—	70,571	70,571	—	861	861	—
d Long-term debt									
Bonds	1,560,025	1,638,167	78,142	1,599,662	1,717,897	118,235	19,508	20,950	1,442
Long-term loans	813,528	826,249	12,721	861,958	880,365	18,407	10,512	10,736	224
e Long-term liabilities incurred for purchase of railway facilities	1,048,478	1,440,550	392,072	923,853	1,297,655	373,802	11,266	15,825	4,559
Liabilities	¥3,962,423	¥4,445,358	¥482,935	¥4,037,629	¥4,548,073	¥510,444	$49,239	$54,464	$6,225
Derivative transactions*									
a Hedge accounting not applied	¥ 2,662	¥ 2,662	¥ —	¥ 525	¥ 525	¥ —	$ 6	$ 6	$ —
b Hedge accounting applied	(1,645)	(1,645)	—	(583)	(583)	—	(7)	(7)	—

* 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	2011	2012	2012
Unlisted equity securities	¥6,233	¥6,024	$73
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 sheets and fair values related to bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities included, respectively, the current portion of bonds, the current portion of long-term loans, and the current portion of long-term liabilities incurred for purchase of railway facilities.

4. The annual maturities of financial assets and securities with maturities at March 31, 2011 and 2012 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2011				2012				2012			
	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	¥131,929	¥ —	¥—	¥—	¥167,525	¥ —	¥—	¥—	$2,043	$—	$—	$—
Receivables	297,339	8,023	25	—	355,889	7,110	17	—	4,340	87	0	—
Securities												
Held-to-maturity debt securities (Government bonds)	—	200	—	10	50	150	—	10	1	2	—	0
Available-for-sale securities which have maturity (Government bonds)	—	6	—	—	—	6	—	—	—	0	—	—
Total	¥429,268	¥8,229	¥25	¥10	¥523,464	¥7,266	¥17	¥10	$6,384	$89	$ 0	$ 0

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2012 (See Notes 12 and 13)

NOTE 9: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2011 and 2012 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2011			2012			2012		
	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.	¥ 20	¥ 20	¥ 0	¥159	¥161	¥ 2	$2	$2	$0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	188	188	(0)	50	50	—	1	1	—
Total	¥208	¥208	¥(0)	¥209	¥211	¥ 2	$3	$3	$0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2011 and 2012 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2011			2012			2012		
	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	¥37,976	¥ 59,385	¥21,409	¥33,473	¥ 51,788	¥18,315	$ 409	$ 632	$ 223
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	57,436	44,662	(12,774)	60,869	48,666	(12,203)	742	593	(149)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥95,418	¥104,053	¥ 8,635	¥94,348	¥100,460	¥ 6,112	$1,151	$1,225	$ 74

Note: In the year ended March 31, 2011, ¥5,046 million in available-for-sale securities on which there were market values were written off as losses on devaluation of securities. In the year ended March 31, 2012, ¥1,805 million ($22 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

Pledged assets at March 31, 2011 and 2012 were summarized as follows:
Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Buildings and fixtures with net book value	¥25,161	¥24,805	$294
Other assets with net book value	5,465	4,851	59

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Long-term debt and other liabilities totaling	¥4,795	¥3,036	$37

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Buildings and fixtures with net book value	¥52,873	¥53,470	$653
Other assets with net book value	7,020	6,082	74

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥5,819	¥5,005	$61

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 or idle. 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%.

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 reductions were recognized as impairment losses on fixed assets.

Impairment losses on fixed assets at March 31, 2010, 2011 and 2012 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2011	2012	2012
Land	¥—	¥ 6,832	¥—	$—
Buildings and fixtures	—	6,249	—	—
Others	—	541	—	—
Total	¥—	¥13,622	¥—	$—

Detail amounts for the years ended March 31, 2010 and 2012 were omitted because related items were negligible.

NOTE 12: LONG-TERM DEBT

Long-term debt at March 31, 2011 and 2012 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
General Mortgage Bonds issued in 1997 to 2001 with interest rates ranging from 2.30% to 3.30% due in 2017 to 2021	¥ 179,900	¥ 179,900	$ 2,194
Unsecured Bonds issued in 2002 to 2011 with interest rates ranging from 0.45% to 2.55% due in 2012 to 2033	1,141,292	1,180,879	14,401
Secured Loans due in 2012 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.94% to 6.50%	3,963	2,095	26
Unsecured Loans due in 2012 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 1.00% to 4.90%	809,565	859,863	10,486
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,833	238,883	2,913
	2,373,553	2,461,620	30,020
Less current portion	234,909	223,846	2,730
	¥2,138,644	¥2,237,774	$27,290

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, 2012 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2013	¥ 90,000	$ 1,097
2014	80,000	976
2015	75,000	915
2016	55,000	671
2017	80,000	976
2018 and thereafter	1,220,859	14,888

The annual maturities of long-term loans at March 31, 2012 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2013	¥133,848	$1,632
2014	142,956	1,744
2015	124,921	1,524
2016	119,314	1,455
2017	106,708	1,301
2018 and thereafter	234,211	2,856

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 ($37,890 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($25,633 million) and ¥638,506 million ($7,787 million) in principal amounts payable through March 2017; and ¥366,566 million ($4,470 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($341 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 ($448 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2011 and 2012 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
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	¥ 432,690	**¥347,335**	**$ 4,235**
Payable semiannually including interest at 6.35% through 2017	250,596	**215,076**	**2,623**
Payable semiannually including interest at 6.55% through 2051	346,874	**345,041**	**4,208**
	1,030,160	**907,452**	**11,066**
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.58% through 2022	12,499	**11,396**	**139**
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.90% through 2029	5,819	**5,005**	**61**
	1,048,478	**923,853**	**11,266**
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	122,820	**128,279**	**1,564**
The Akita hybrid Shinkansen purchase liability	1,045	**1,058**	**13**
Tokyo Monorail purchase liability	517	**502**	**6**
	124,382	**129,839**	**1,583**
	¥ 924,096	**¥794,014**	**$ 9,683**

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, 2012 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2013	¥129,839	$1,583
2014	126,239	1,540
2015	121,154	1,477
2016	106,927	1,304
2017	97,537	1,189
2018 and thereafter	342,157	4,173

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, 2012 were ¥70,000 million ($854 million) and ¥100,000 million ($1,220 million) 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 2012, the shareholders approved cash dividends amounting to ¥21,763 million ($265 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 17: INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases amounted to ¥43,830 million and ¥41,658 million ($508 million), including those due within one year of ¥2,329 million and ¥2,413 million ($29 million), at March 31, 2011 and 2012.

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	
	2011		2012		2012	
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.	¥21,619	¥21,619	**¥21,356**	**¥21,356**	**$260**	**$260**
Of which more-than-one-year contract amount etc.	21,619	21,619	**—**	**—**	**—**	**—**
Fair value	2,662	2,662	**525**	**525**	**6**	**6**
Gain or loss from valuation	811	811	**(2,137)**	**(2,137)**	**(26)**	**(26)**

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					
		2011			2012		
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	¥(1,896)	**¥ 20,000**	**¥ 20,000**	**¥(908)**
Forward exchange	Accounts payable–trade	6	—	0	**12**	**—**	**0**
Commodity swap	Fuel purchasing	1,889	1,249	251	**1,965**	**1,242**	**325**
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	**239,959**	**239,959**	*1
Interest swap	Long-term loans	315,760	237,240	*1	**237,240**	**164,720**	*1
Total		¥577,614	¥498,448	¥(1,645)	**¥499,176**	**¥425,921**	**¥(583)**

		Millions of U.S. Dollars		
		2012		
Type	Hedged item	Contract amount etc.	Of which more-than-one-year contract amount etc.	Fair value *2
Currency swap	Long-term loans	**$ 244**	**$ 244**	**$(11)**
Forward exchange	Accounts payable–trade	**0**	**—**	**0**
Commodity swap	Fuel purchasing	**24**	**15**	**4**
Currency swap	Foreign currency denominated bonds	**2,927**	**2,927**	*1
Interest swap	Long-term loans	**2,893**	**2,008**	*1
Total		**$6,088**	**$5,194**	**$ (7)**

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

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2011	**2012**	**2012**
Projected benefit obligation	¥(674,769)	**¥(652,225)**	**$(7,954)**
Plan assets	4,866	**5,138**	**63**
Unfunded projected benefit obligation	(669,903)	**(647,087)**	**(7,891)**
Unrecognized actuarial differences	9,055	**9,411**	**115**
Unrecognized prior service costs	2,591	**(5,622)**	**(69)**
Book value (net)	(658,257)	**(643,298)**	**(7,845)**
Prepaid pension expense	114	**103**	**1**
Employees' severance and retirement benefits	¥(658,371)	**¥(643,401)**	**$(7,846)**

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2010, 2011and 2012, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2010	2011	**2012**	**2012**
Service costs	¥29,320	¥30,305	**¥29,758**	**$363**
Interest costs	19,542	13,597	**13,301**	**162**
Expected return on plan assets	(66)	(64)	**(67)**	**(1)**
Amortization of net transition obligation	48,820	—	**—**	**—**
Amortization of actuarial differences	(6,442)	(3,095)	**(3,091)**	**(38)**
Amortization of prior service costs	2,796	2,432	**1,284**	**16**
Employees' severance and retirement benefit expenses	93,970	43,175	**41,185**	**502**
Total	¥93,970	¥43,175	**¥41,185**	**$502**

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.

The discount rates were mainly 2.0% in the years ended March 31, 2010, 2011 and 2012. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2010, 2011 and 2012.

NOTE 20: INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2011 and 2012 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2012	2012
Deferred income taxes:			
Employees' severance and retirement benefits	¥266,533	¥231,663	$2,825
Reserves for bonuses	26,810	24,310	296
Losses on impairment of fixed assets	17,816	16,817	205
Environmental conservation cost	8,323	11,280	138
Unrealized holding gains on fixed assets	10,866	10,595	129
Excess depreciation and amortization of fixed assets	9,038	7,744	94
Loss carry forwards for tax purposes	8,783	7,161	87
Accrued enterprise tax	1,873	5,426	66
Asset retirement obligations	5,901	4,888	60
Devaluation losses on fixed assets	5,243	4,576	56
Other	31,795	31,959	391
	392,981	356,419	4,347
Less valuation allowance	(35,660)	(30,554)	(372)
Less amounts offset against deferred tax liabilities	(47,745)	(40,877)	(499)
Net deferred income taxes	¥309,576	¥284,988	$3,476
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 33,476	¥ 29,311	$ 357
Net unrealized holding gains on securities	8,667	6,491	79
Valuation for assets and liabilities of consolidated subsidiaries	3,423	2,974	36
Reserve for special depreciation	1,858	1,971	24
Other	3,754	3,373	42
	51,178	44,120	538
Less amounts offset against deferred income taxes	(47,745)	(40,877)	(499)
Net deferred tax liabilities	¥ 3,433	¥ 3,243	$ 39

For the years ended March 31, 2011, and 2012, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2011	2012
The aggregate standard effective tax rate	40.5%	40.5%
Adjustments		
Changes in tax rate	—	13.6
Tax credits	(0.7)	(0.5)
Gain on negative goodwill	(0.0)	(0.8)
Other net	7.6	0.3
The actual effective rate after applying tax effect accounting	47.4%	53.1%

On December 2, 2011, Law to Amend Part of the Income Tax Law, etc. to Establish Tax System Corresponding to Structural Changes to Economic Society (Law No. 114 of 2011) and Law on Special Measures for Securing Finance Resources to Implement Measures for Reconstruction from The Great East Japan Earthquake (Law No. 117 of 2011) were promulgated. As a result of these amendments, the statutory income tax rate for the Companies will be reduced for years beginning on or after April 1, 2012. Based on the amendments, the statutory income tax rates utilized as of March 31, 2012 for the measurement of deferred income taxes and deferred tax liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on April 1, 2015 and thereafter are 37.8 % and 35.4%, respectively. Due to these changes in statutory income tax rates, net deferred income taxes decreased by ¥31,590 million ($385 million) as of March 31, 2012 and deferred income tax expenses recognized for the year ended March 31, 2012 increased by ¥31,865 million ($389 million). The effect of this change on net unrealized holding gains (losses) on securities and other items was negligible.

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 2011 and 2012, 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, 2011 and March 31, 2012, the amounts of net income related to rental property were ¥62,367 million and ¥66,629 million ($813 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
2010	Difference	2011	2011	2011	Difference	**2012**	**2012**	**2012**	**2012**
¥514,144	¥(498)	¥513,646	¥1,338,951	¥513,646	¥(13,800)	**¥499,846**	**¥1,304,406**	**$6,096**	**$15,907**

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, 2011, and 2012, were principally attributable to acquisition of real estate and renewal (¥31,270 million and ¥20,162 million/$246 million, respectively), and the decreases were mainly attributable to depreciation expenses (¥21,018 million and ¥20,453 million/$249million, respectively).

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

4. Because fair values are extremely difficult to 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 year ended March 31, 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					
	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 years ended March 31, 2011 and 2012

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 ¥(2,621) million in elimination and/or corporate of operating income for Segment Information by Business Activities in the consolidated year ended March 31, 2010, were ¥(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 ¥(585,969) million in elimination and/or corporate of identifiable assets were ¥(742,385) million of elimination of intersegment claims and obligations and ¥156,416 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

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 downward adjustment to segment income included a ¥(1,753) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥1,016 million elimination for intersegment transactions. Moreover, the ¥661,685 million downward adjustment to segment assets included a ¥(794,846) million elimination of intersegment claims and obligations, offset by ¥133,161million in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

Fiscal 2012 (April 1, 2011 to March 31, 2012)

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
							Millions of Yen
							2012
Operating revenues:							
Outside customers	¥1,705,794	¥396,168	¥229,637	¥200,575	¥2,532,174	¥ —	¥2,532,174
Inside group	50,528	13,531	9,345	315,806	389,210	(389,210)	—
Total	1,756,322	409,699	238,982	516,381	2,921,384	(389,210)	2,532,174
Segment income	¥ 236,633	¥ 33,965	¥ 66,509	¥ 21,991	¥ 359,098	¥ 927	¥ 360,025
Segment Assets	¥5,745,011	¥199,081	¥903,772	¥904,613	¥7,752,477	¥(692,068)	¥7,060,409
Depreciation	273,888	11,822	30,614	42,380	358,704	—	358,704
Increase in fixed assets (Note 5)	310,765	8,135	57,063	26,091	402,054	—	402,054

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
							Millions of U.S. Dollars
							2012
Operating revenues:							
Outside customers	$20,803	$4,831	$ 2,800	$ 2,446	$30,880	$ —	$30,880
Inside group	616	165	114	3,851	4,746	(4,746)	—
Total	21,419	4,996	2,914	6,297	35,626	(4,746)	30,880
Segment income	$ 2,886	$ 414	$ 811	$ 268	$ 4,379	$ 12	$ 4,391
Segment Assets	$70,061	$2,428	$11,022	$11,032	$94,543	$(8,440)	$86,103
Depreciation	3,340	144	373	517	4,374	—	4,374
Increase in fixed assets (Note 5)	3,790	99	696	318	4,903	—	4,903

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 ¥927 million ($12 million) upward adjustment to segment income included a ¥352 million ($4 million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥588 million ($7 million) elimination for intersegment transactions. Moreover, the ¥692,068 million ($8,440 million) downward adjustment to segment assets included a ¥(883,889) million ($(10,779) million) elimination of intersegment claims and obligations, offset by ¥191,821 million ($2,339 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

Fiscal 2011 (Year ended March 31, 2011)

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
					Millions of Yen
Impairment losses on fixed assets	¥8,848	¥667	¥3,512	¥595	¥13,622

Fiscal 2012 (Year ended March 31, 2012)

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
					Millions of Yen					Millions of U.S. Dollars
Impairment losses on fixed assets	¥255	¥4,082	¥4,432	¥391	¥9,160	$3	$50	$54	$5	$112

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 the year ended March 31,2011, the Companies began adopting 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

—For the year ended March 31, 2011

1) Comprehensive Income for the year ended 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 for the year ended 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

—For the year ended March 31, 2012

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

	Millions of Yen	Millions of U.S. Dollars
	2012	2012
Net unrealized holding gains (losses) on securities		
Amount arising during the year	¥(4,621)	$(56)
Reclassification adjustments	2,098	25
Sub-total, before tax	(2,523)	(31)
Tax (expense) or benefit	1,331	17
Sub-total, net of tax	(1,192)	(14)
Net deferred gains (losses) on derivatives under hedge accounting		
Amount arising during the year	1,027	13
Reclassification adjustments	131	1
Acquisition cost adjustments	(96)	(1)
Sub-total, before tax	1,062	13
Tax (expense) or benefit	(464)	(6)
Sub-total, net of tax	598	7
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during the year	172	2
Reclassification adjustments	141	2
Acquisition cost adjustments	(6)	(0)
Sub-total	307	4
Total other comprehensive income	¥ (287)	$ (3)

(Additional information)

Accounting Standard for Presentation of Comprehensive Income were adopted beginning with the year ended March 31, 2011.

KPMG

Independent Auditor's Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated financial statements of East Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income for each of the two years in the period ended March 31, 2012, the consolidated statements of income for the year ended March 31, 2010, and the consolidated statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Japan Railway Company and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

A description of earthquake damage is included in Note 3 to the consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA LLC.

June 22, 2012
Tokyo, Japan

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, 2012

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	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
10	JR Atlis Co., Ltd.	310	100.0	Retail sales
11	Kinokuniya Co., Ltd.	310	100.0	Retail sales
12	Nippon Restaurant Enterprise Co., Ltd. (Note 2)	730	100.0	Restaurant business, retail sales, and hotel operations
13	JR East Food Business Co., Ltd.	721	100.0	Restaurant business
14	LUMINE Co., Ltd.	2,375	95.1	Shopping center operations
15	atre Co., Ltd.	1,630	92.1	Shopping center operations
16	JR East Urban Development Corporation	1,450	100.0	Shopping center operations and retail sales
17	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
18	JR East Department Store Co., Ltd.	1,140	84.6	Shopping center operations
19	JR Tokyo West Development Co., Ltd.	1,000	93.3	Shopping center operations
20	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
21	Station Building MIDORI Co., Ltd. (Note 3)	450	100.0	Shopping center operations
22	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
23	Chiba Station Building Co., Ltd.	200	100.0	Shopping center operations
24	Shonan Station Building Co., Ltd.	200	79.8	Shopping center operations
25	Yokohama Station Building Co., Ltd.	200	83.0	Shopping center operations
26	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
27	JR Chuo Line Mall Co., Ltd.	480	100.0	Shopping center operations
28	JR East Aomori Business-development Co., Ltd. (Note 4)	280	100.0	Shopping center operations
29	JR East Building Co., Ltd.	480	100.0	Leasing of office buildings
30	Viewcard Co., Ltd.	5,000	100.0	Credit card business
31	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
32	Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
33	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
34	Morioka Terminal Building Co., Ltd.	900	100.0	Hotel operations and shopping center operations
35	Takasaki Terminal Building Co., Ltd.	780	100.0	Shopping center operations
36	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
37	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
38	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
39	Shinjuku South Energy Service Co., Ltd.	750	72.7	Supplying thermal energy
40	The Orangepage, Inc.	500	99.7	Publishing
41	JR East View Travel Service Co., Ltd.	450	67.0	Travel agency services
42	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
43	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
44	JR East Japan Information Systems Company	500	100.0	Information processing
45	JR East Net Station Co., Ltd.	460	100.0	Information processing
46	JR East Management Service Co., Ltd.	80	100.0	Information services

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
47	JR East Green Partners Co., Ltd.	100	100.0	Inventory control, issuance and collection operation for uniforms of JR East employees
48	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff sending business
49	East Japan Eco Access Co., Ltd.	120	100.0	Cleaning services / station operations
50	JR Chiba Railway Services Co., Ltd.	12	100.0	Cleaning services / station operations
51	JR Takasaki Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
52	JR Mito Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
53	JR East Transportation Services Co., Ltd.	38	100.0	Cleaning services
54	Tetsudoseibi Co., Ltd.	38	100.0	Cleaning services
55	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
56	Niigata Railway Servicing Co., Ltd.	17	100.0	Cleaning services
57	East Japan Amenitec Co., Ltd.	13	100.0	Cleaning services
58	Akita Clean Servicing Co., Ltd.	10	100.0	Cleaning services
59	Nagano Railway Servicing Co., Ltd.	10	100.0	Cleaning services
60	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
61	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
62	JR East Rental Co., Ltd.	165	89.4	Car leasing
63	Union Construction Co., Ltd.	120	90.0	Construction
64	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
65	Shinnihon Linen Co., Ltd.	100	100.0	Linen supply
66	East Japan Transport Technology Co., Ltd. (Note 5)	80	100.0	Machinery and rolling stock maintenance
67	Tohoku Rolling Stock Machinery Co., Ltd.	72	100.0	Machinery and rolling stock maintenance
68	Niigata Rolling Stock Machinery Co., Ltd. (Note 5)	40	100.0	Machinery and rolling stock maintenance
69	Japan International Consultants for Transportation Co., Ltd. (Note 6)	480	54.2	Consulting
70	JR East Consultants Company	50	100.0	Consulting
71	JR East Design Corporation	50	100.0	Consulting
72	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	25.8	Security business operations
JTB Corp.	2,304	21.9	Travel agency services

1. Voting right percentages represent direct voting right percentages.
2. Nippon Restaurant Enterprise Co., Ltd. merged with Delicious Link Co., Ltd. on October 1, 2011. Delicious Link Co., Ltd. was dissolved after the merger.
3. Station Building MIDORI Co., Ltd. was merged with Shinano Enterprise Co., Ltd. on October 1, 2011. Shinano Enterprise Co., Ltd. was dissolved after the merger.
4. JR East Aomori Business-development Co., Ltd. merged with Hirosaki Station Building Co., Ltd. on April 1, 2011. Hirosaki Station Building Co., Ltd. was dissolved after the merger.
5. East Japan Transport Technology Co., Ltd. was merged with Niigata Rolling Stock Machinery Co., Ltd. on April 1, 2012. Niigata Rolling Stock Machinery Co., Ltd. was dissolved after the merger.
6. Japan International Consultants for Transportation Co., Ltd. is newly included in the scope of consolidation from the fiscal year under the review.

CORPORATE DATA

As of March 31, 2012

BASIC INFORMATION

Number of Employees
71,729* (52,076 at parent company)

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

Number of Stations
1,689

Number of Rolling Stock
13,157

Passenger Line Network
7,512.6 kilometers

Number of Passengers Served Daily
About 17 million (average for the year ended March 31, 2012)

Total Number of Shares Issued
400,000,000

Total Number of Shares Outstanding
395,568,237

Paid-in Capital
¥200,000 million

Number of Shareholders
268,750

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)
Aa2 (Moody's Investors Service)

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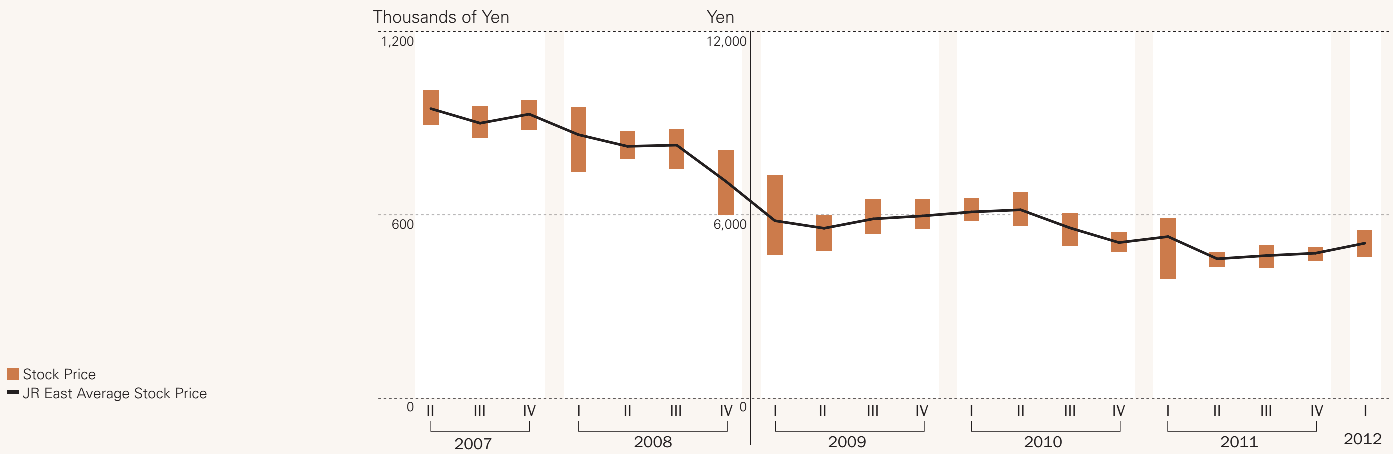
Internet Addresses
JR East: http://www.jreast.co.jp/e/
Environment: http://www.jreast.co.jp/e/environment/
(Sustainability Report)

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, 2012	Number of Shares Held	Voting Right Percentage
Japan Trustee Services Bank, Ltd. (as Trustee)	20,250,900	5.06
The Master Trust Bank of Japan, Ltd. (as Trustee)	16,663,900	4.17
The JR East Employees Shareholding Association	13,179,300	3.29
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.13
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
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	9,285,587	2.32
Nippon Life Insurance Company	8,015,560	2.00
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.00

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

Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

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