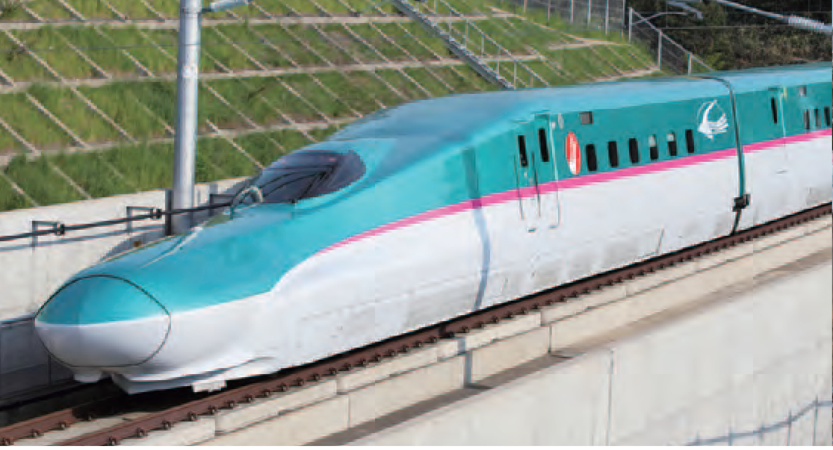
Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

FAITH IN THE POSSIBILITIES

Annual Report 2014
For the year ended March 31, 2014



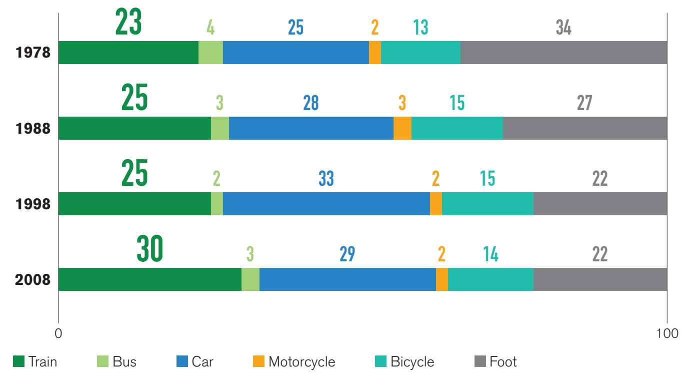
INTERCONNECTED Value
Our Businesses

AN OVERWHELMINGLY SOLID AND ADVANTAGEOUS RAILWAY NETWORK

The railway business of the JR East Group covers the eastern half of Honshu island (Japan's main island), which includes the Tokyo metropolitan area. We provide transportation services via our Shinkansen network, which connects Tokyo with regional cities in five directions, as well as conventional lines in the Kanto area and other networks. Our networks combine to cover 7,474.2 kilometers and serve 17 million people daily. We are the largest railway company in Japan and one of the largest in the world.

The Tokyo metropolitan area, where we are based, has seen a dramatic increase in railway convenience in recent years. Consequently the share of railways in the transportation mix is rising even higher. In fiscal 2015, JR East will spare no effort in preparing for the opening of the Hokuriku Shinkansen Line to Kanazawa and the Ueno–Tokyo Line. The added convenience from the lines opening will then be leveraged to the hilt by JR East to maximize railway usage.

PROPORTION OF TRANSPORT CARRIED BY DIFFERENT MEANS OF TRANSPORT IN TOKYO URBAN AREA



• The 5th Tokyo urban area person trip survey, Tokyo urban area traffic plan meeting, Nov. 2009.
Note: Tokyo Urban Area: Tokyo Metropolis, Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture, and the southern part of Ibaraki Prefecture.

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

LIFE-STYLE SERVICE BUSINESS

The Life-style Service business, which consists of in-station retail facilities, station buildings, hotels and other services, is one of the three pillars of the JR East Group, alongside the railway business and *Suica* business, and accounts for roughly 30% of the Group's operating revenues on a consolidated basis. Our stations see 17 million people pass through them 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.

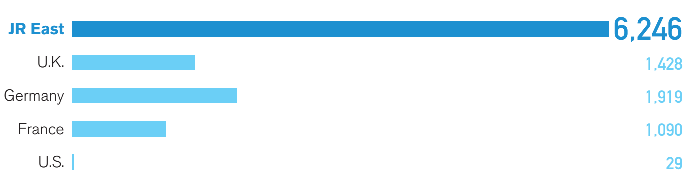
In addition to Tokyo Station, we are also promoting development projects focusing on large-scale terminal stations, such as Shinjuku, Shibuya, Yokohama, Chiba and Sendai, with a view to improving the value of those stations and the areas surrounding them.

SUICA BUSINESS

More than 46 million *Suica* cards have been issued since the service was launched in November 2001. Our efforts to develop environments for using *Suica* on public transportation in major Japanese cities came to fruition in March 2013 with the birth of a network that allows mutual use of IC cards issued by 10 transportation companies all across Japan. Electronic money, another function of *Suica* that started in March 2004, has continued to add partners and extend the scope of settings and locations in which it can be used. In part thanks to the mutual usage, e-money services by transportation companies are now used up to 4 million times a day, and we are determined to continue expanding compatible stores to promote their use.

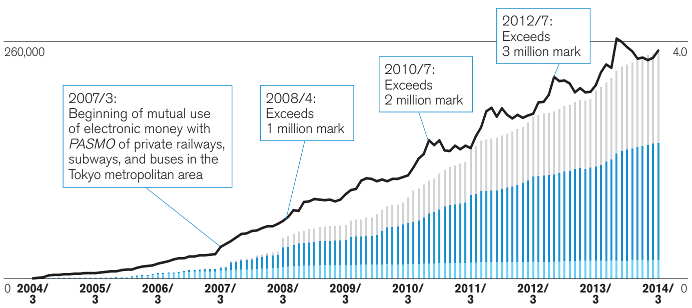
NUMBER OF PASSENGERS

Millions



• Figures are as of March 2014 for JR East, March 2012 for the U.K., December 2011 for France and Germany, and September 2010 for the U.S.

SUICA ELECTRONIC MONEY-TRANSACTIONS AND COMPATIBLE STORES



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

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

* Figures are as of March 31, 2014
* Figures include results of other affiliated stores

FIRST STARTING POINT

APRIL 1987
Founding of JR East

East Japan Railway Company (JR East) was established on April 1, 1987 following the division and privatization of Japanese National Railways (JNR). The reform of JNR marked the first starting point for JR East.

JULY 1992
Launch of the Yamagata Shinkansen *Tsubasa* service

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

MARCH 1997
Debut of the Akita Shinkansen *Komachi* service

The Morioka–Akita segment of the Akita Hybrid Shinkansen Line opened and the *Komachi* super-express began a through service.

FEBRUARY 2002
Launch of the *Station Renaissance* program with the opening of *atré Ueno* (Tokyo)

atré Ueno (Tokyo) opened when Ueno Station was redeveloped as the first project in the *Station Renaissance* program for major terminal stations.

MARCH 2004
Start of use of *Suica* as electronic money

The electronic money (shopping service) operations of *Suica* began, realizing cashless settlement of small purchases.

MARCH 2005
Opening of *ecute Omiya* (Saitama)

JR East opened *ecute Omiya* as the first shopping zone to its new business model of developing in-station retail spaces. Spacious and comfortable retail space was created.

INTERCONNECTED Value
Photographic Chronology of Value Creation a

SECOND STARTING POINT

MARCH 2011
The Great East Japan Earthquake

The Great East Japan Earthquake wreaked unprecedented havoc on the Tohoku and Kanto regions in which JR East operates. This tragic day on March 11, 2011 was positioned as a second starting point for JR East to reflect on its roles and objectives in its evolution as a provider of railway social infrastructure.

OCTOBER 2012
Grand re-opening of the Tokyo Station *Marunouchi Building*

A project to preserve and restore Tokyo Station's historically valuable *Marunouchi Building* to its original state was completed.

MARCH 2013
Nationwide mutual usage of transportation company IC cards

Passenger convenience improved substantially when JR East united with nine other transportation companies to launch a mutual usage service for their IC cards.

NOVEMBER 2001
Launch of *Suica*

Suica was introduced as a fare collection system based on an IC card. Usage area of *Suica* then expanded from the Tokyo metropolitan area to throughout Japan.

DECEMBER 2001
Commencement of operations on the Shonan–Shinjuku Line

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

NOVEMBER 2007
Opening of *GranTokyo North Tower (phase I)* and *GranTokyo South Tower* (Tokyo)

Two super high-rise offices towering 200 meters in height were opened adjacent to the Yaesu Exit area of Tokyo Station.

DECEMBER 2010
Opening of the Tohoku Shinkansen Line to Shin-Aomori

The Tohoku Shinkansen Line was extended from Hachinohe Station to Shin-Aomori Station. This significantly improved passenger access to Aomori Prefecture and Hokkaido.

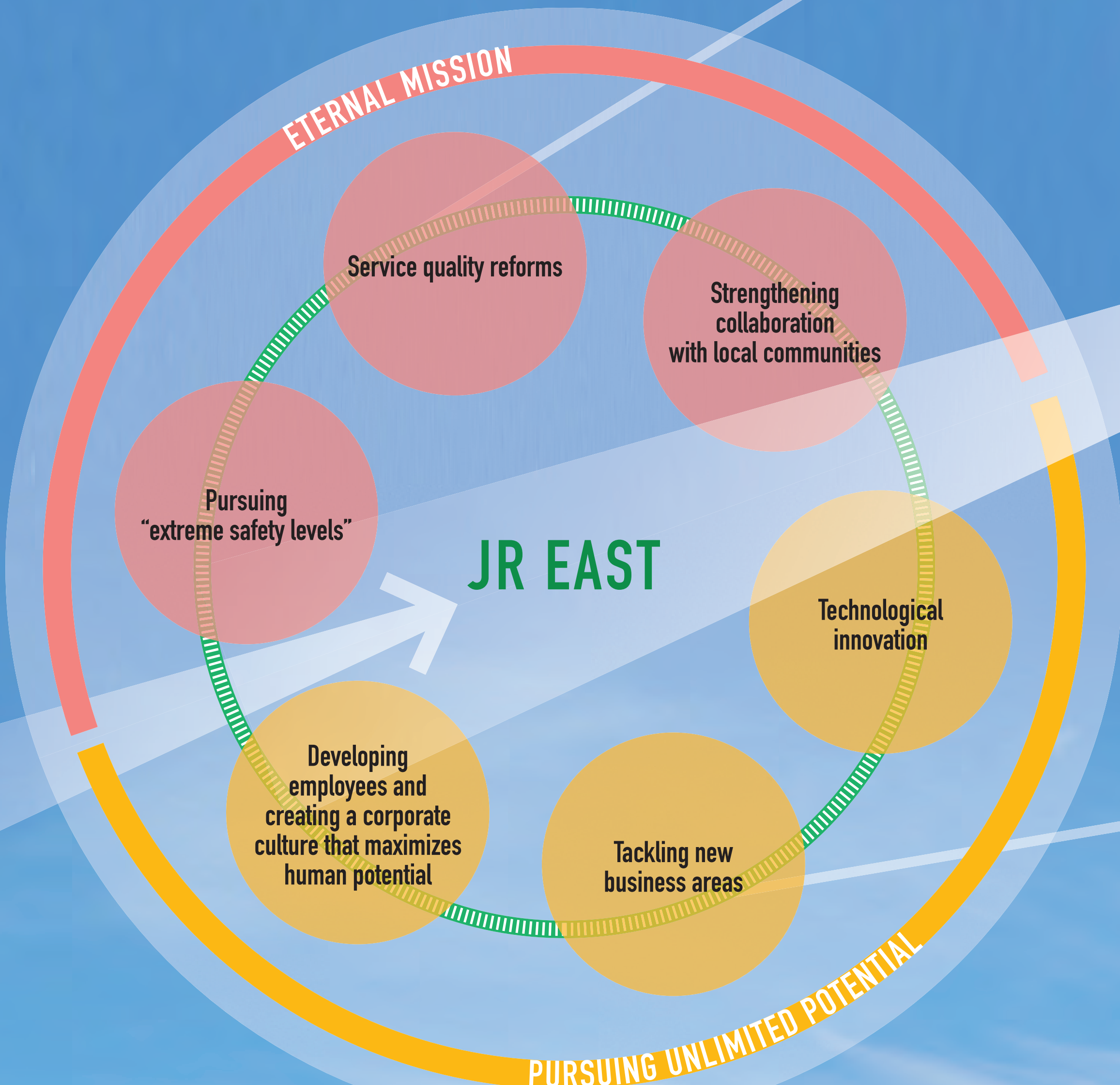
at JR East

MARCH 2015 (PLANNED)
Opening of the Hokuriku Shinkansen Line to Kanazawa

Upon the scheduled opening of the Hokuriku Shinkansen Line from Nagano to Kanazawa, JR East expects to provide travel from Tokyo to Kanazawa in approximately two and a half hours.

MARCH 2015 (PLANNED)
Opening of the Ueno–Tokyo Line

The scheduled opening of this line for extending services on the Utsunomiya, Takasaki and Joban lines, currently terminating at Ueno Station, to Tokyo Station and beyond, will ease overcrowding and enhance rapidity for passengers.



INTERCONNECTED Value

Our Calling

"THRIVING WITH COMMUNITIES, GROWING GLOBALLY"

The Great East Japan Earthquake poignantly reminded us of the fact that companies cannot thrive without sound and vibrant communities. The East Japan area, our home ground, and Japan as a whole currently face a host of issues. As a corporate citizen, we are determined to fulfill our mission and execute businesses unique to the JR East Group in an effort to help solve those issues. The goal is to draw a blueprint for the future together with members of the community as we do our part to build vibrant communities. This is what we mean by "thriving with communities."

However, taking root in communities does not mean becoming complacent by turning inward. To continue to fulfill our mission, we must constantly transform ourselves and achieve growth. We must look outward and step out into the world, while actively seeking knowledge and technology externally. We believe that doing so will provide fertile ground for capturing new growth opportunities. To unlock our full potential, we must boldly step out into the world. That is what we mean by "growing globally."

Accordingly, we have adopted "Thriving with Communities, Growing Globally" as the JR East Group's new key phrase, in order to develop a shared understanding among all Group employees and achieve cohesive Group-wide management.

THRIVING WITH COMMUNITIES, GROWING GLOBALLY

TWO IMPORTANT PILLARS AND SIX BASIC COURSES OF ACTION FOR THE GROUP: ETERNAL MISSION AND PURSUING UNLIMITED POTENTIAL

ETERNAL MISSION

Even amid major upheaval following the Great East Japan Earthquake, the fundamental mission of JR East will never change. However, the content and quality of services that customers and communities expect of the JR East Group will change in step with shifting social conditions. Our mission is to provide safe and high-quality services that customers expect of the JR East Group and conduct railway and life-style service businesses, with the aim of contributing to the growth and prosperity of communities. We have once again positioned this mission as a key tenet of management. At the same time, we will make relentless efforts to ensure that the content and quality of our services properly answer the expectations of society.

1. Pursuing "extreme safety levels"
—Building a railway capable of withstanding natural disasters
2. Service quality reforms
—Enhancing railway transportation network and other measures
3. Strengthening collaboration with local communities
—Supporting earthquake recovery, stimulating tourism and revitalizing communities

PURSUING UNLIMITED POTENTIAL

The JR East Group must achieve sustainable growth in order to continue to fulfill its three-part eternal mission in the years ahead. In a fast-changing environment, maintaining the status quo will only mean falling behind. Unless we constantly take on the challenge of reaching new goals, we will be unable to achieve growth. The JR East Group and every Group employee have the unlimited potential needed to achieve further growth. We have technologies underpinning business operations such as railways, markets for our business activities, and people supporting these two elements. From these three perspectives, we will pursue the JR East Group's unlimited potential.

1. Technological innovation
—Forging strategies for conserving energy and the environment, utilizing ICT and operating Shinkansen at faster speeds
2. Tackling new business areas
—Globalization
3. Developing employees and creating a corporate culture that maximizes human potential

FINANCIAL HIGHLIGHTS

East Japan Railway Company and Subsidiaries
Years ended March 31

	2004	2005	2006	2007	2008
Operating results					
Operating revenues	¥2,542,297	¥2,537,481	¥2,592,393	¥2,657,346	¥2,703,564
Operating expenses	2,190,877	2,178,946	2,196,293	2,229,248	2,258,404
Operating income	351,420	358,535	396,100	428,098	445,160
Net income	119,866	111,592	157,575	175,871	189,673
Comprehensive income (*1)	N/A	N/A	N/A	N/A	N/A
Segment information					
Operating revenues from outside customers:					
Transportation	1,798,132	1,781,776	1,805,406	1,825,387	1,857,756
Station space utilization	366,438	369,790	383,904	399,998	404,006
Shopping centers & office buildings	175,180	181,956	190,466	197,140	205,347
Other services	202,547	203,959	212,617	234,821	236,455
Total	2,542,297	2,537,481	2,592,393	2,657,346	2,703,564
Financial position					
Total assets	6,781,692	6,716,268	6,821,584	6,968,032	6,942,003
Interest-bearing debt	3,909,625	3,774,004	3,681,192	3,574,822	3,535,343
Shareholders' equity (*3)	1,100,176	1,183,546	1,357,359	1,488,554	1,596,398
Cash flows					
Cash flows from operating activities	387,061	407,737	447,722	541,850	475,601
Cash flows from investing activities	(234,591)	(214,948)	(309,489)	(348,800)	(400,789)
Cash flows from financing activities	(196,193)	(209,041)	(141,599)	(172,027)	(80,407)
Per share data (*4)					
Earnings	29,928	27,868	39,370	44,008	47,464
Shareholders' equity (*3)	275,052	296,106	339,599	372,493	399,483
Cash dividends (*5)	6,000	6,500	8,000	9,000	10,000
Ratios					
Net income as a percentage of revenues	4.7	4.4	6.1	6.6	7.0
Return on average equity (ROE)	11.5	9.8	12.4	12.4	12.3
Ratio of operating income to average assets (ROA)	5.2	5.3	5.9	6.2	6.4
Equity ratio	16.2	17.6	19.9	21.4	23.0
Interest-bearing debt to shareholders' equity	3.6	3.2	2.7	2.4	2.2
Interest coverage ratio	2.4	2.7	3.2	4.2	3.8
Interest-bearing debt / net cash provided by operating activities	10.1	9.3	8.2	6.6	7.4
Dividend payout ratio	20.0	23.3	20.3	20.5	21.1
Other data					
Depreciation	322,300	317,957	316,038	318,526	335,587
Capital expenditures (*6)	313,911	319,912	361,372	413,310	417,144
Interest expense	160,944	148,431	136,548	131,376	126,047
Number of consolidated subsidiaries (As of March 31)	98	92	86	85	82
Number of employees	77,009	74,923	72,802	71,316	72,214

*1 Accounting Standard for Presentation of Comprehensive Income was adopted beginning 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 the year ended March 31, 2007 (as in the balance sheets).

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

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

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

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

					Millions of Yen (except for Per share data, Ratios, Number of consolidated subsidiaries, and Number of employees)	YoY Change %	Millions of U.S. Dollars[*9] (except for Per share data)
2009	2010	2011	2012	2013	**2014**	2014/2013	**2014**
¥2,697,000	¥2,573,724	¥2,537,353	¥2,532,174	¥2,671,823	**¥2,702,917**	1.2%	**$26,242**
2,264,445	2,228,875	2,192,266	2,172,149	2,274,260	**2,296,123**	1.0%	**22,293**
432,555	344,849	345,087	360,025	397,563	**406,794**	2.3%	**3,949**
187,291	120,214	76,224	108,738	175,385	**199,940**	14.0%	**1,941**
N/A	N/A	73,644	109,304	197,740	**214,632**	8.5%	**2,084**
1,831,933	1,757,994	1,721,922	1,705,794	1,809,554	**1,827,467**	1.0%	**17,743**
415,020	387,104	385,891	396,168	404,207	**400,948**	−0.8%	**3,893**
222,628	226,932	223,293	229,637	238,945	**251,070**	5.1%	**2,437**
227,419	201,694	206,247	200,575	219,117	**223,432**	2.0%	**2,169**
2,697,000	2,573,724	2,537,353	2,532,174	2,671,823	**2,702,917**	1.2%	**26,242**
6,965,793	6,995,494	7,042,900	7,060,409	7,223,205	**7,428,304**	2.8%	**72,119**
3,429,871	3,394,970	3,433,010	3,340,233	3,307,483	**3,288,401**	−0.6%	**31,926**
1,718,587	1,780,584	1,809,355	1,874,404	2,030,666	**2,180,633**	7.4%	**21,171**
584,360	479,180	508,846	558,650	588,529	**562,764**	−4.4%	**5,464**
(396,796)	(391,682)	(433,179)	(370,685)	(465,952)	**(474,698)**	−1.9%	**(4,609)**
(159,238)	(115,327)	(27,512)	(152,428)	(101,151)	**(91,367)**	9.7%	**(887)**
469	303	193	275	444	**507**	14.2%	**5**
4,301	4,501	4,574	4,739	5,136	**5,529**	7.7%	**54**
110	110	110	110	120	**120**	0.0%	**1**
6.9	4.7	3.0	4.3	6.6	**7.4**		
11.3	6.9	4.2	5.9	9.0	**9.5**		
6.2	4.9	4.9	5.1	5.6	**5.6**		
24.7	25.5	25.7	26.5	28.1	**29.4**		
2.0	1.9	1.9	1.8	1.6	**1.5**		
4.8	4.2	4.8	5.5	6.2	**6.3**		
5.9	7.1	6.7	6.0	5.6	**5.8**		
23.5	36.3	57.1	40.0	27.0	**23.7**		
343,101	356,365	366,415	358,704	346,808	**324,602**	−6.4%	**3,151**
402,582	434,754	425,835	370,199	480,717	**525,708**	9.4%	**5,104**
120,395	112,596	105,918	101,073	95,312	**88,279**	−7.4%	**857**
82	73	75	72	72	**73**		
72,550	71,854	71,749	71,729	73,017	**73,551**		

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

[*9] Yen figures have been translated into U.S. dollars at the rate of ¥103 to U.S. $1 as of March 31, 2014, solely for the convenience of readers.

OVERVIEW OF JR EAST

GROUP PHILOSOPHY

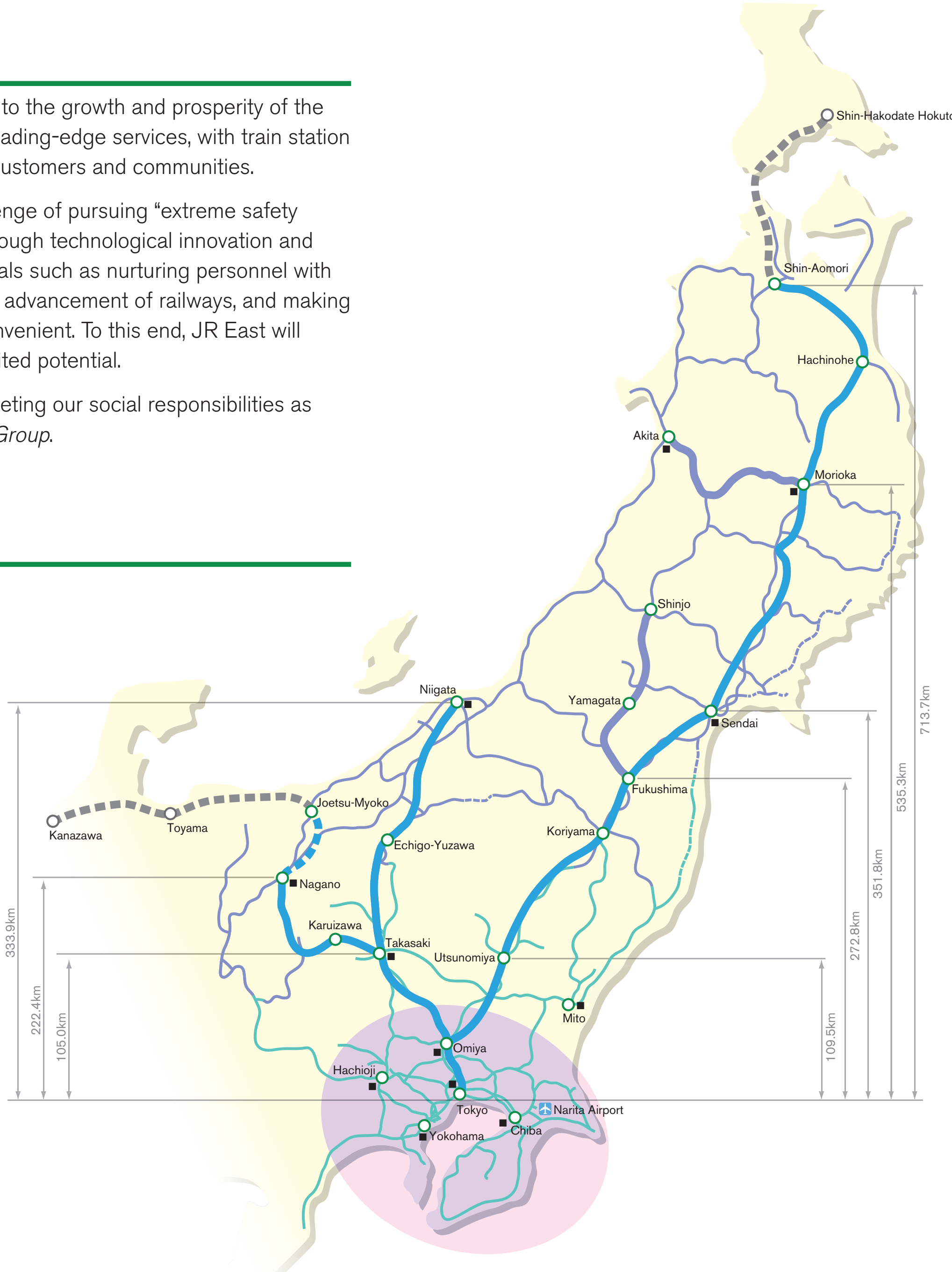
The JR East Group aims to contribute to the growth and prosperity of the East Japan area by providing quality leading-edge services, with train station and railway businesses at its core, to customers and communities.

We will continue to embrace the challenge of pursuing "extreme safety levels" and service quality reforms. Through technological innovation and globalization, we will strive to attain goals such as nurturing personnel with an expansive perspective, spurring the advancement of railways, and making line-side areas more attractive and convenient. To this end, JR East will continue to rigorously pursue its unlimited potential.

We aim to grow continuously while meeting our social responsibilities as a *Trusted Life-Style Service Creating Group*.

RAILWAY MAP (As of Jun. 2014)

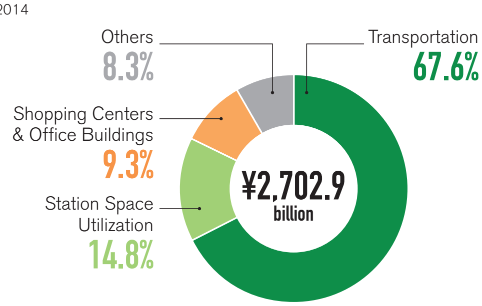
Shinkansen
Shinkansen (Under Construction)
Conventional Lines (Kanto Area Network)
Conventional Lines (Other Network)
Branch Offices



SEGMENT INFORMATION

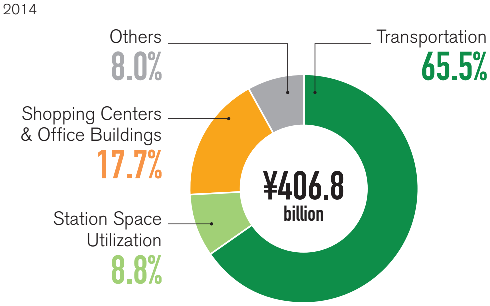
OPERATING REVENUES

For the year ended March 31, 2014



OPERATING INCOME

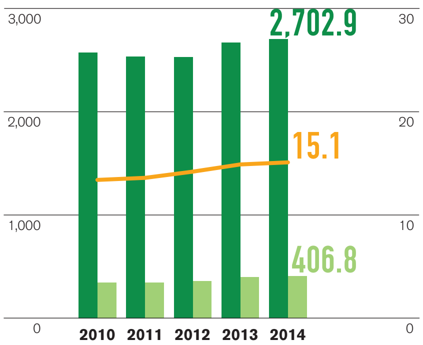
For the year ended March 31, 2014



SELECTED FINANCIAL DATA

OPERATING REVENUES, OPERATING INCOME AND RATIO OF OPERATING INCOME TO OPERATING REVENUES

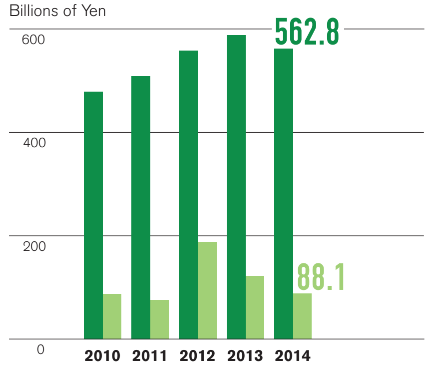
Billions of Yen/%



Operating Revenues (left scale)
Operating Income (left scale)
Ratio of Operating Income to Operating Revenues (right scale)

CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOWS

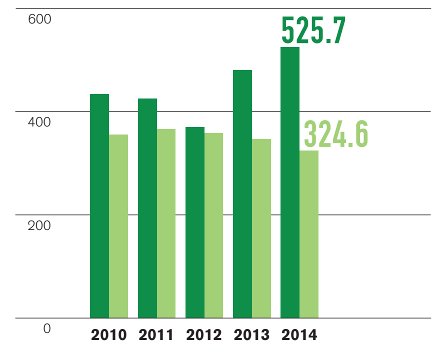
Billions of Yen



Cash Flows from Operating Activities
Free Cash Flows

CAPITAL EXPENDITURES AND DEPRECIATION

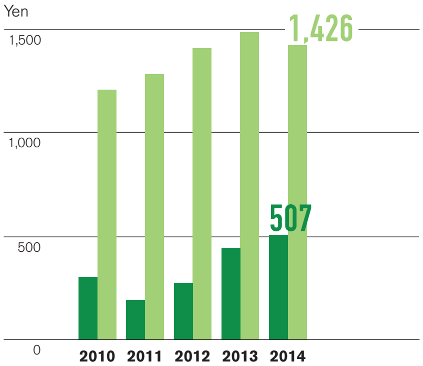
Billions of Yen



Capital Expenditures
Depreciation

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

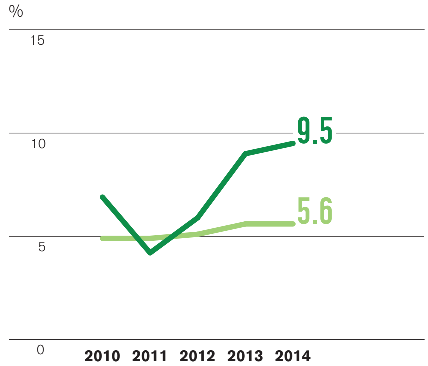
Yen



Earnings per Share
Cash Flows from Operating Activities per Share

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

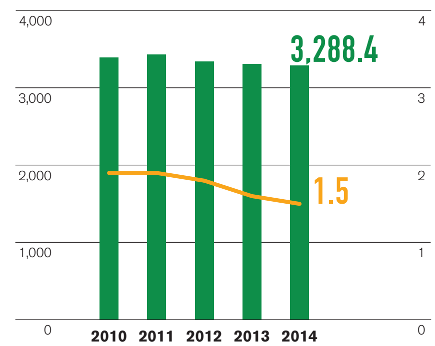
%



ROE
ROA

INTEREST-BEARING DEBT AND INTEREST-BEARING DEBT TO SHAREHOLDERS' EQUITY

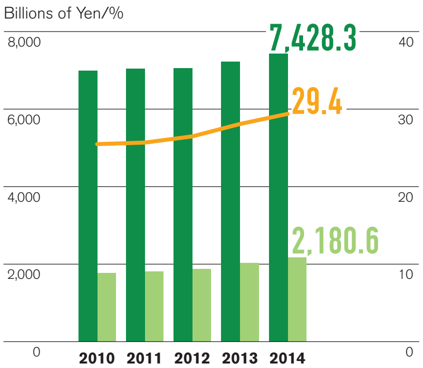
Billions of Yen/%



Interest-Bearing Debt (left scale)
Interest-Bearing Debt to Shareholders' Equity (right scale)

TOTAL ASSETS, SHAREHOLDERS' EQUITY AND EQUITY RATIO

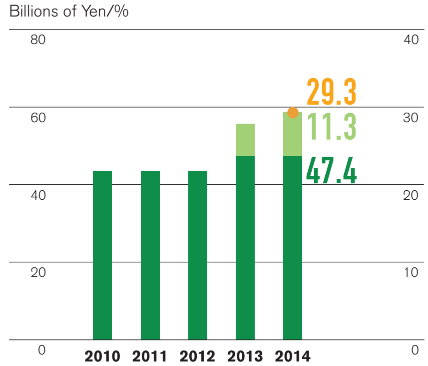
Billions of Yen/%



Total Assets (left scale)
Shareholders' Equity (left scale)
Equity Ratio (right scale)

CASH DIVIDEND, SHARE BUYBACKS AND TOTAL RETURN RATIO

Billions of Yen/%



Cash Dividend (left scale)
Share Buybacks (left scale)
Total Return Ratio (right scale)

LONG-TERM CREDIT RATINGS

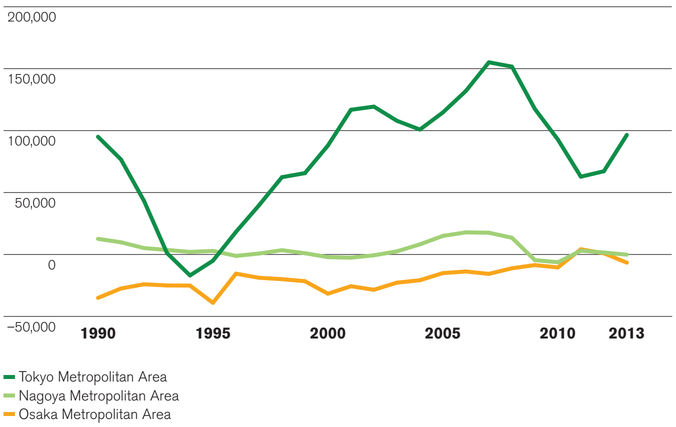
Rating agency	Rating
Moody's	Aa2 [Stable]
Standard & Poor's (S&P)	AA– [Stable]*
Rating & Investment Information (R&I)	AA+ [Stable]

* Standard & Poor's (S&P) revised upwards its Outlook on JR East's debt servicing from negative to stable in Nov. 2013.

* 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.

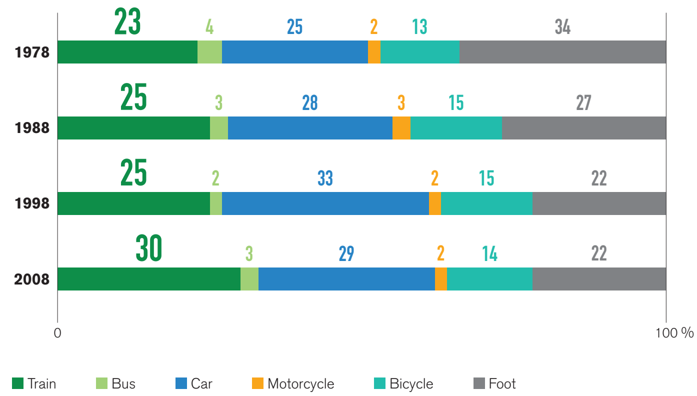
BUSINESS ENVIRONMENT INDICATORS FOR THE TOKYO METROPOLITAN AREA

NET MIGRATION IN THE THREE MAJOR METROPOLITAN AREAS



• Report on Internal Migration in Japan, Ministry of Internal Affairs and Communications, Apr. 2014.

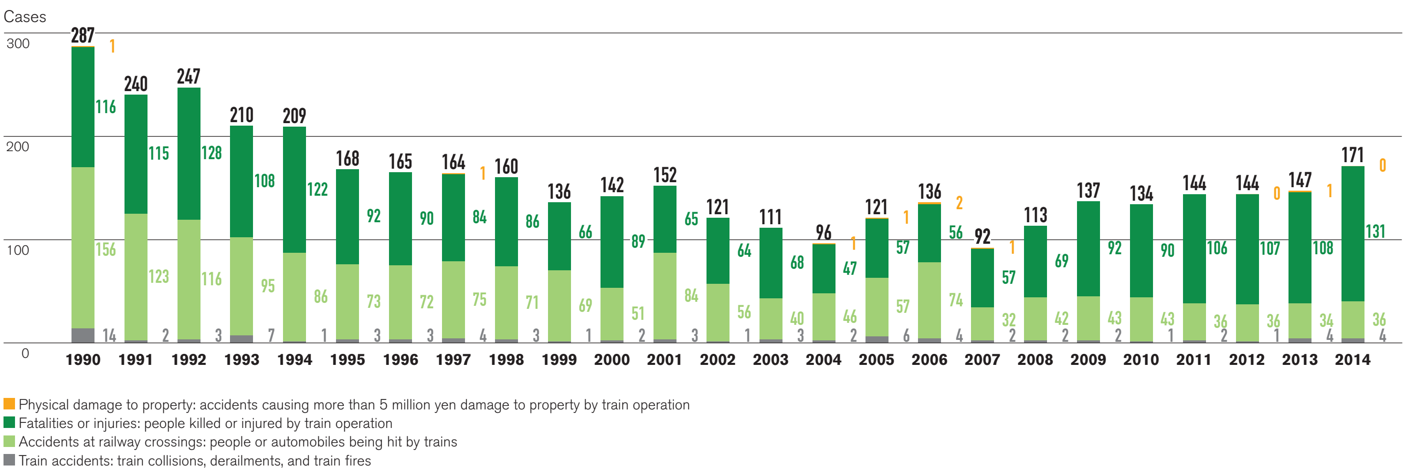
PROPORTION OF TRANSPORT CARRIED BY DIFFERENT MEANS OF TRANSPORT IN TOKYO URBAN AREA



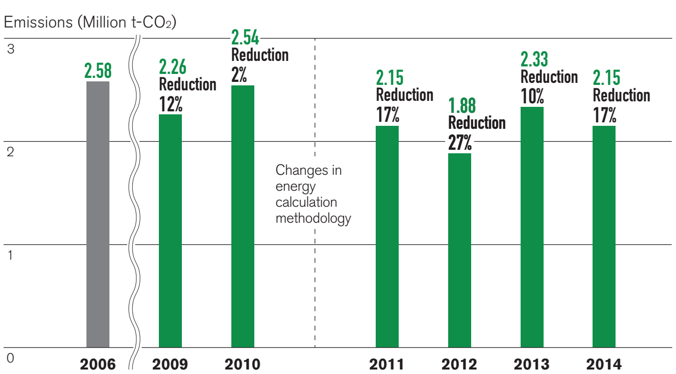
• The 5th Tokyo urban area person trip survey, Tokyo urban area traffic plan meeting, Nov. 2009.
Note: Tokyo Urban Area: Tokyo Metropolis, Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture, and the southern part of Ibaraki Prefecture.

SAFETY, ENVIRONMENTAL AND SOCIAL INDICATORS

TRENDS IN RAILWAY ACCIDENTS

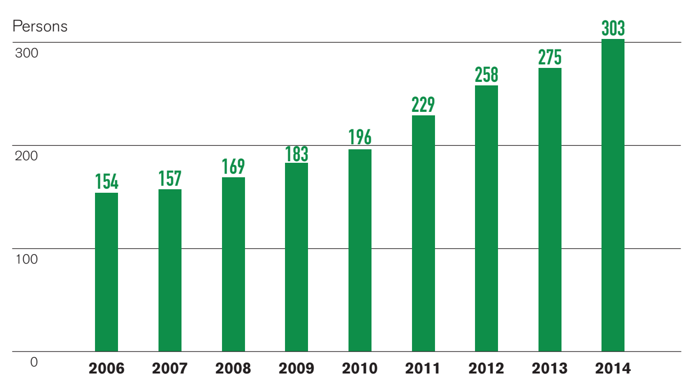


TRENDS IN JR EAST'S TOTAL CO_2 EMISSIONS



* Total CO_2 emissions in FY2014, when calculated with the same calculation methodology (category and boundary) as that used until FY2010, are 2.43 million tons of CO_2.

CHANGES IN THE NUMBER OF FEMALE MANAGERS



* Including deputy managers in clerical work, assistant chiefs infield work, chief nurses in medical work, etc.

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 president and CEO, and a feature article on the Company's 'Measures Perpetuating JR East's Unlimited Growth Potential.'

SECTION 2
AS A CORPORATE CITIZEN

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

For details about CSR, please refer to CSR REPORT and the following Web site:
http://www.jreast.co.jp/e/environment/index.html

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 GROUP MANAGEMENT VISION V—

Two important pillars and six basic courses of action for the Group

ETERNAL MISSION AND PURSUING UNLIMITED POTENTIAL

Under "*JR East Group Management Vision V—Ever Onward*," JR East has positioned "Eternal Mission" and "Pursuing Unlimited Potential" as two important pillars and has established six basic courses of action for the Group.

ETERNAL MISSION

Pursuing "extreme safety levels"

—Building a railway capable of withstanding natural disasters

Seismic reinforcement of viaduct columns

- **Launched "*JR East Group Safety Plan 2018*"**

  Rising to the challenge of "extreme safety levels" as a whole Group

- **Implement seismic reinforcements and other countermeasures**

  Approx. ¥300.0 billion total in seismic reinforcement countermeasures
  - Seismic reinforcement of viaduct columns
  - Seismic reinforcement of embankments

  Complete approx. 80% of the plan by the end of FY2017

- **Build a railway capable of withstanding natural disasters**

  Strengthen snow disruption prevention capability
  - Install electric snow melters
  - Develop turnaround facilities

  Install windbreak fences

See p. 029 for more information

Service quality reforms

—Enhancing railway transportation network and other measures

Ueno-Tokyo Line to begin operation (FY2015)

- **Improving the quality of the Tokyo metropolitan area railway network**

  Start of the Ueno-Tokyo Line

  Improve service on the Chuo Line and *Tokyo Megaloop*

  Expand and enhance seating services

  Examine access improvements to Haneda Airport

- **Expanding the intercity transportation network**

  Start of Hokuriku Shinkansen to Kanazawa

  Promote development of destination-driven tourism

  Develop wide-ranging sightseeing routes

  Enhancing services for seniors

See p. 020 for more information

Strengthening collaboration with local communities

—Supporting earthquake recovery, stimulating tourism and revitalizing communities

Destination Campaigns

- **Large-scale development of terminal railway stations**

  Promote construction of Shinjuku, Shibuya, Yokohama, Chiba and Sendai stations

  Formulate and promote the Shinagawa Development Project

- **Promoting Japan as a tourism-oriented nation**

  Hold *Destination Campaigns*

  Promote inbound tourism initiatives

  Create trains people seek to board for the "ride" itself
  - Cruise train/*TOHOKU EMOTION*/*SL Ginga*

See p. 020 for more information

—EVER ONWARD

For details, please refer to the following website.
http://www.jreast.co.jp/e/investor/everonward/index.html

PURSUING UNLIMITED POTENTIAL

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

ACCUM catenary and battery-powered hybrid railcar

Energy and environmental strategies

Catenary and battery-powered hybrid railcars

- Began operation of *ACCUM* railcars on the Karasuyama Line (from Mar. 2014)

Develop northern Tohoku as a renewable energy base

- Solar power/Wind power/Geothermal power/Woody biomass

Renewal of No. 4 Kawasaki Power Station

Utilize ICT

Wireless railway car control systems

Train track facility monitoring equipment

- Test runs on the Keihin-Tohoku Line (May 2013–Mar. 2015)

Introduction of tablet computers

See p. 032 for more information

Tackling new business areas—Globalization

Railcar assembly line in the J-TREC factory

Overseas railway projects

Purple Line in Bangkok, Thailand

- Joint investment in a new maintenance company
- Supply of railcars from J-TREC

Technological support and railcar transfer to Indonesia

Business development in the U.K.

- London office opened
- Consulting for the High Speed 2 (HS2) high-speed railway plan

Railcar manufacturing operations

Consolidation of Japan Transport Engineering Company (J-TREC) and the Niitsu Rolling Stock Plant (JR East) (Apr. 2014)

Nurturing global human resources

Send employees abroad on overseas assignment and training

See p. 019 for more information

Developing employees and creating a corporate culture that maximizes human potential

Initiatives in View of the 2020 Summer Olympic and Paralympic Games in Tokyo

- Provide safe, smooth and comfortable transportation services
- Revitalize the flow of tourism in the Tokyo metropolitan area and attract tourists to the regions
- Upgrade the attractiveness of Tokyo by promoting the development of terminal stations

Provide further growth opportunities to motivated employees

Utilize e-learning and strengthen the development of global human resources

Promote cohesive Group management

Examine the scheme of group point (JR East's point rebate systems)

Establish a lean, muscular and agile management structure

- Capital expenditures: Invest in sustainable growth and a stronger base of operations
- Returns to shareholders: Establish a new total return ratio target of 33%
- Debt reduction: Reduce interest-bearing debt to ¥3,000 billion sometime during the 2020s

See p. 028 for more information

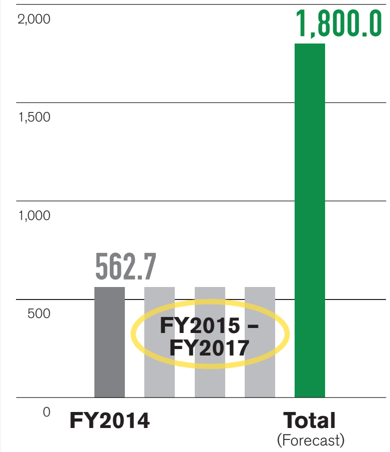
For Fiscal 2017 (Year ending March 31, 2017)

Guided by "*JR East Group Management Vision—Ever Onward*," JR East will establish numerical targets that it will seek to achieve over the next three years. Those three-year targets will be reviewed annually, and will be revised to new targets for the next three years starting from the following fiscal year.

We will announce new numerical targets together with business results every fiscal year.

CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES*

Billions of Yen

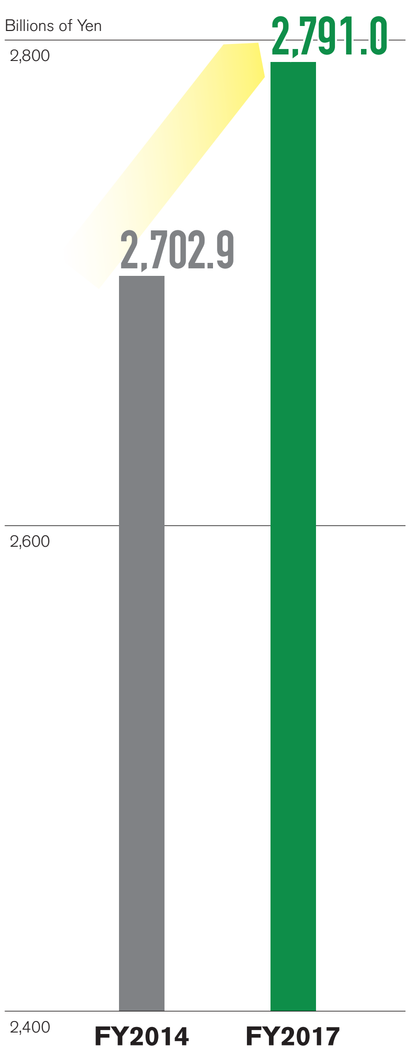


* The target for consolidated cash flows from operating activities represents the aggregate of the estimated cash flows for the three years from FY2015 to FY2017.

CONSOLIDATED OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2017

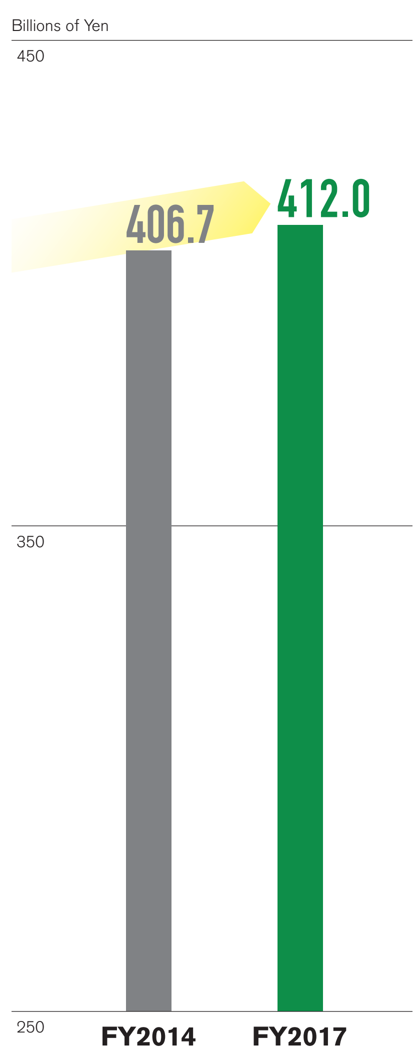
CONSOLIDATED OPERATING REVENUES

Billions of Yen



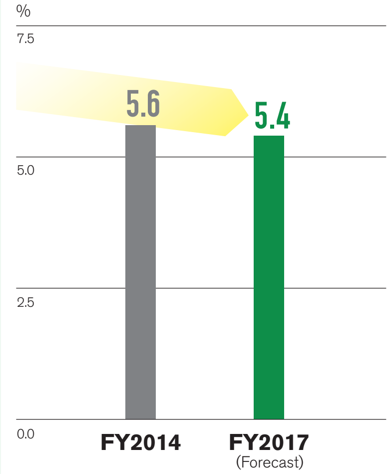
CONSOLIDATED OPERATING INCOME

Billions of Yen



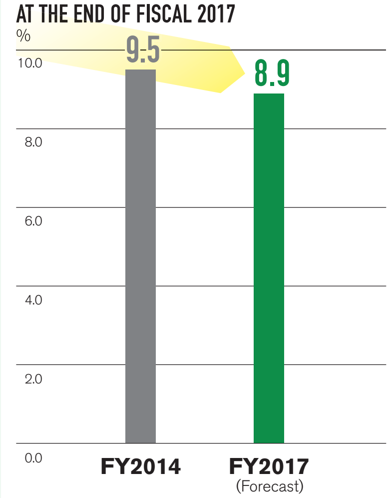
CONSOLIDATED ROA AT THE END OF FISCAL 2017

%



CONSOLIDATED ROE AT THE END OF FISCAL 2017

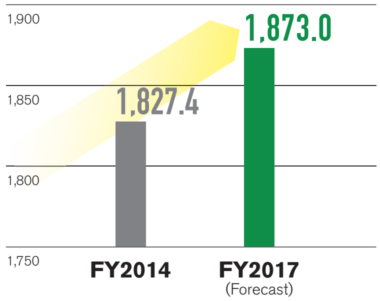
%



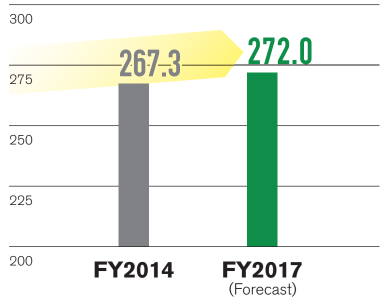
SEGMENT OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2017

TRANSPORTATION

OPERATING REVENUES
Billions of Yen

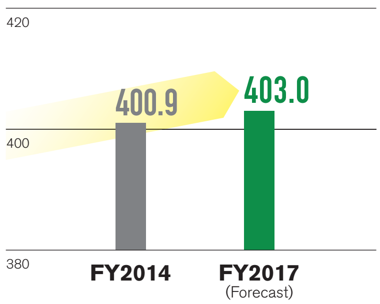


OPERATING INCOME
Billions of Yen

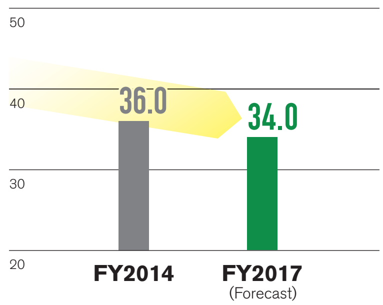


STATION SPACE UTILIZATION

OPERATING REVENUES
Billions of Yen

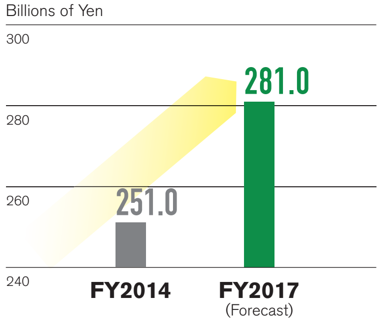


OPERATING INCOME
Billions of Yen

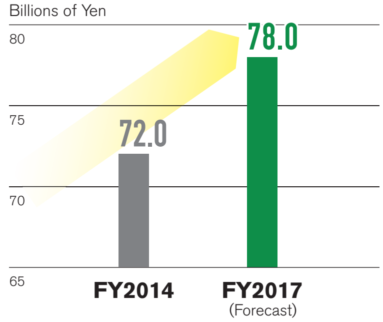


SHOPPING CENTERS & OFFICE BUILDINGS

OPERATING REVENUES
Billions of Yen

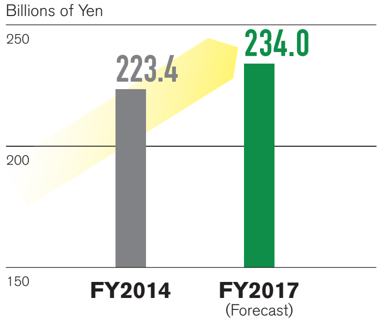


OPERATING INCOME
Billions of Yen

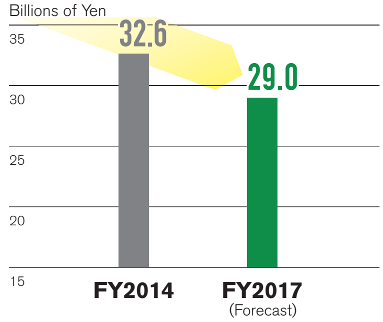


OTHERS

OPERATING REVENUES
Billions of Yen

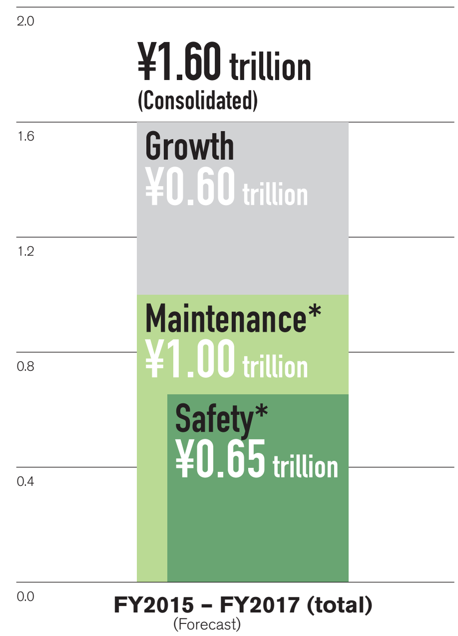


OPERATING INCOME
Billions of Yen



CAPITAL EXPENDITURES FOR THE THREE YEARS FROM FY2015 TO FY2017

Trillions of Yen



* Maintenance: Investment needed for the continuous operation of business
Safety: Investment in safe and stable transportation

- Planned consolidated capital expenditures for the three years from FY2015 to FY2017 are approximately ¥1.60 trillion.
- Planned capital expenditures in safe and stable transportation for the three years from FY2015 to FY2017 are approximately ¥650 billion.
- Planned growth investments expected to generate returns, such as those in the life-style service business, for the three years from FY2015 to FY2017 are approximately ¥600 billion.

EVER ONWARD

JR East will make all efforts to achieve concrete business results and make steady progress in pursuing its two management priorities, "Eternal Mission" and "Pursuing Unlimited Potential," in accordance with the "*JR East Group Management Vision V—Ever Onward*."

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 year ended March 31, 2014 (fiscal 2014), the Japanese economy continued to recover gradually, with improvements in consumer spending and corporate earnings. Under these conditions, and guided by "*JR East Group Management Vision V—Ever Onward*," the East Japan Railway Company and its consolidated subsidiaries and equity method affiliates (JR East) made efforts to implement service quality reforms and generate revenues through steady execution of various initiatives centered around the railway and life-style service businesses, as well as *Suica* operations.

As a result, during the fiscal year under review, operating revenues increased 1.2% year-on-year to ¥2,702.9 billion, mainly due to growth in JR East's transportation revenues. Operating income increased 2.3% to ¥406.7 billion. Furthermore, ordinary income increased 4.7% to ¥332.5 billion, mainly due to a decline in interest expenses. Net income increased 14.0% to ¥199.9 billion.

Going forward, Japan must overcome factors that contribute to economic instability, such as weakening consumption as a result of the tax increase, and solidify its economic recovery to achieve growth in the real economy.

JR East can also contribute to growth by achieving concrete business results and steady progress in pursuing its two management priorities, "Eternal Mission" ("extreme safety levels," service quality reforms and strengthening collaboration with local communities) and "Pursuing Unlimited Potential" (technological innovation, globalization, and corporate culture reforms) in accordance with the "*JR East Group Management Vision V*."

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.

August 2014

SATOSHI SEINO, Chairman

TETSURO TOMITA, President and CEO

AN INTERVIEW WITH THE PRESIDENT

We will put our full faith in the new possibilities of railways as we seek to take railway transportation to an even higher level. To this end, all employees of JR East will pursue the Group's "Unlimited Potential" and continue to move "*Ever Onward.*"

TETSURO TOMITA
President and CEO

QUESTION 1

In retrospect, what were your impressions on management of the past fiscal year?

ANSWER 1

- **Fiscal 2014 was a year of steady progress for JR East on the whole. We delivered higher revenues and earnings thanks to steady growth in traffic volume on mid- to long-distance and other services as the Japanese economy continued to recover modestly.**
- **Meanwhile, there were lessons to be gleaned from a derailment accident within Kawasaki Station. Looking ahead, we are determined to step up our initiatives for ensuring safe and reliable transportation with a renewed sense of urgency.**

Looking back at fiscal 2014, our businesses overall grew steadily as the Japanese economy continued to recover modestly. We saw both tourist and business ridership pick up on our Shinkansen and other mid- to long- distance services. Meanwhile commuter pass revenues began increasing incrementally after bottoming out in fiscal 2013. In my view, this turnaround was due not only to the *Abenomics* policies of the government for initiating economic recovery, but also to the growing opportunities for women seeking social advancement and seniors seeking employment in Japan.

Typhoons, rainstorms, heavy snow and other natural disasters left their mark, but we succeeded overall in ensuring safe and reliable transportation, except for a derailment accident within Kawasaki Station on the Keihin-Tohoku Line in February 2014. No passengers were hurt because the accident took place after the last train and involved empty railcars that were out of service. In response to this accident, we tried to come to grips with the incident by questioning whether carelessness had crept into our stance on work, and we were reminded of the need to redouble our safety initiatives with a renewed sense of urgency.

In brief, at long last, our railway operation ushered in its high-speed railway system envisioned for the Tohoku Shinkansen Line to completion last fiscal year, with the operation of all *Hayabusa* and *Komachi* services at speeds up to 320 km/h on the line that began in March 2014 as the crowning touch. The new Series E7 railcars we introduced to the Nagano Shinkansen Line were also popular with our customers. Looking ahead, we will continue taking the initiative in strengthening our Tokyo metropolitan area railway network by means that include improving service convenience on the *Tokyo Megaloop*.

Business conditions were mostly firm for our life-style service business, with revenues on the rise from commercial facilities such as *CentralStreet* inside Tokyo Station, the opening of *atrévie Otsuka* and other new facilities, and from advertising.

As a result, we delivered higher revenues and earnings on both a consolidated and non-consolidated basis in the year ended March 2014. Operating revenues grew for the second consecutive year, and net income rose to our highest ever after increasing three fiscal years in a row.

These steady business conditions, however, will not distract us in fiscal 2015 from rigorously ensuring the safety and reliability of our transportation services in light of last fiscal year's derailment accident within Kawasaki Station. At the same time, we will put our full weight behind the initiatives we unfurled in "*JR East Group Management Vision V—Ever Onward*" to give our employees the opportunity to spearhead the future of railways and JR East.

See pp. 071–075 for a more detailed account of fiscal 2014.

QUESTION 2

Please describe the various measures for realizing *JR East Group Management Vision V–Ever Onward*, particularly in terms of achieving business development overseas.

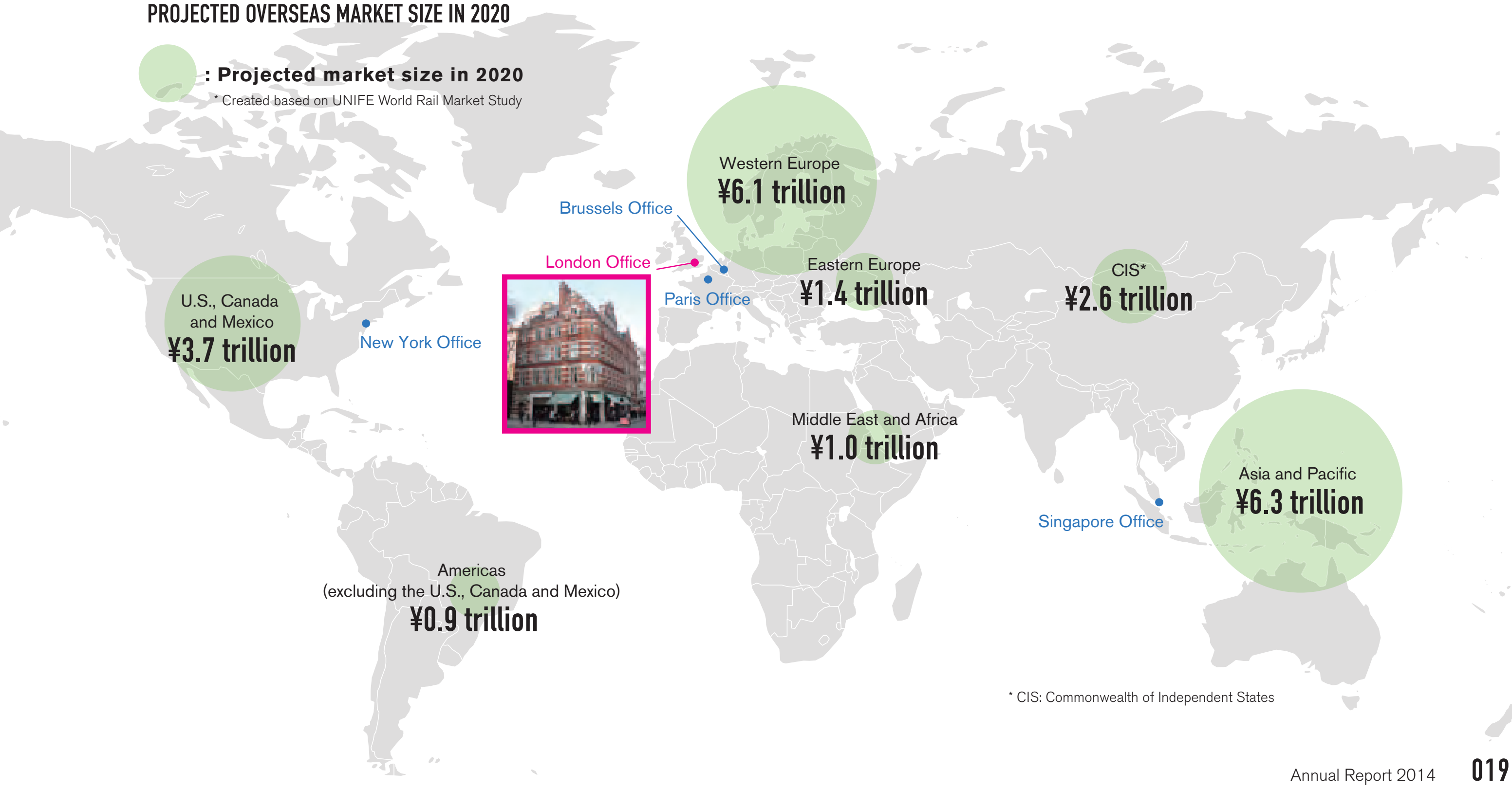
ANSWER 2

- **JR East began participating in maintenance operations on the Purple Line in Bangkok, Thailand, for which Japan Transport Engineering Company (J-TREC) will supply the railcars.**
- **Apart from that, we carried out railcar transfer and technological support to Indonesia, opened a new London office, and concluded a consulting contract for the U.K.'s high-speed rail plan.**
- **Going forward, JR East will leverage its collective capabilities as a railway operator to package railway hardware, technology and services for export.**

JR East began preparing to participate in a 10-year railcar and ground facilities maintenance service agreement with the Purple Line, an urban mass transit railway in Bangkok, Thailand, which is scheduled to enter service around 2016. This is the first time for JR East to participate in an overseas maintenance project. Subsequently, we pooled investments with Toshiba Corporation and Marubeni Corporation to establish a new joint venture locally, named Japan Transportation Technology (Thailand) Co., Ltd. (JTT), in preparing to start the project. In addition, Japan Transport Engineering Company (J-TREC), our subsidiary, was chosen to supply to this line 63 of the "*sustina*" stainless steel railcars it manufactures. This packaging of railway hardware, technology and services for export is the likely model we will follow in developing business overseas, and our mandate in Thailand will indeed be a groundbreaking pilot project for JR East.

Furthermore, we completed a contract at the end of March 2014 to transfer 180 of the Series 205 commuter railcars that had been used on the Saikyo Line to KA Commuter Jabodetabek, or the commuter railway company for the Jakarta metropolitan area in Indonesia. Concurrently we dispatched technicians on short-term assignment to Indonesia who provided the technological support for learning how to maintain and service the railcars. In May 2014 we also opened a new office in London to strengthen our ability to gather information on railway businesses in Europe and other capabilities. Looking ahead, the five overseas offices we now have in New York, Paris, Brussels, London and Singapore will serve as our bridgeheads for

PROJECTED OVERSEAS MARKET SIZE IN 2020



* CIS: Commonwealth of Independent States

developing business overseas. In the meantime another of our subsidiaries, Japan International Consultants for Transportation Co., Ltd. (JIC), received a consulting contract from High Speed Two Ltd.; the main proponent of the High Speed Two (HS2) railway plan in the U.K. Accordingly, our subsidiary has been providing consulting on technologies for environmental measures and railcar and facilities maintenance of high-speed railway systems since January 2014.

From now on, developing business overseas will not only entail exporting hardware such as railcars and signal equipment, but also involve proposing packages that include operation and maintenance of the hardware after delivery. This is where JR East's safe transportation management intertwining our skilled employees with our operation and maintenance capabilities comes into play as the Group's strongest advantage. We have only just begun but have already taken the fledgling step of gleaning results in our development of business overseas. Looking ahead, the Group will apply its comprehensive technological capabilities to the fullest extent in taking on the challenge of participating in various railway projects around the world.

QUESTION 3

How will the enhancement and expansion of JR East's domestic railway network in fiscal 2015 be put to use?

ANSWER 3

- **The Hokuriku Shinkansen Line to Kanazawa and the Ueno-Tokyo Line in the Tokyo metropolitan area are scheduled to open in March 2015. We will take advantage of the enhancement and expansion of our network to improve the convenience of our services and spur more people to use railway travel.**
- **We will also contribute to revitalizing regional economies by expanding interaction of the population through tourism.**

Issues mounting in Japanese society now include the stagnation of regional economies and the dynamism of society itself declining due to the falling birth rate and aging population. As a provider of social infrastructure in the form of railway services, we think we can contribute to revitalizing regional economies, because transportation services with higher added value can increase population mobility and provide a solution to many of the problems Japan is facing. We believe that two of the important solutions lie in enhancing and expanding our railway network and stimulating tourism.

As for our Tokyo metropolitan area network, when the Ueno-Tokyo Line opens at the end of fiscal 2015, certain services on the Utsunomiya, Takasaki, and Joban lines that currently terminate at Ueno Station will instead be linked to Tokyo Station, and from there a transfer-free ride on the Tokaido Line. We project that this will have the beneficial impact of reducing travel time by more than 10 minutes and most of all significantly ease overcrowding for passengers between Tokyo and Ueno.

As for our intercity transportation network, when the Hokuriku Shinkansen Line to Kanazawa opens, also at the end of fiscal 2015, we plan on enabling passengers to travel between Tokyo and Kanazawa as quickly as around 2 hours and 30 minutes. This will match the Tokaido Shinkansen Line between Tokyo and Shin-Osaka in rapidity, and have the potential of substantially expanding interaction of

"We will also contribute to revitalizing regional economies by expanding interaction of the population through tourism."

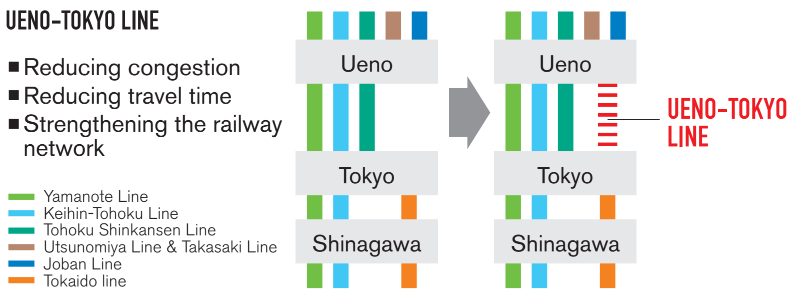
the population through inter-regional mobility. The radical reduction in travel time should increase passenger volume between the two opposite destinations, which will fulfill our crucial role revitalizing regional economies.

Harnessing the power of tourism to create new flows of the population in order to revitalize regional economies is also an important role we play. Tourism is an industry that has a very far reaching impact in terms of both employment and productive output (GDP). And we want to use tourism as a trigger to make all of Japan bright and dynamic. The *Destination Campaign* we initiated for Aomori Prefecture in the spring of 2011 to assist people recovering from the Great East Japan Earthquake will have been held as planned in all six prefectures of the Tohoku region, after holding one for Fukushima Prefecture in the spring of 2015. In combination with our various other tourism campaigns, we will collaborate closely with local communities to attract as many travelers as we possibly can, including travelers from abroad, to the Tohoku region.

Another initiative we have launched to stimulate tourism is the attractive trains that we are developing in which people seek the "ride" itself. Many passengers have been enthused by the trains we have developed so far. These include the *Tohoku Emotion* restaurant train, and the *SL Ginga* steam locomotive train. Starting in July 2014, we will have introduced the *TOREIYU* Shinkansen resort train equipped with a footbath lounge compartment to our Shinkansen service, mainly for people touring the Yamagata area. A cruise train with sleeper compartments is now being developed to go into operation by around the spring of 2017. By launching such initiatives in unbroken succession and effectively publicizing attractive information about destinations, we will encourage more passengers to use railway travel, create new flows of tourism, and revitalize regional economies.

UENO-TOKYO LINE

- Reducing congestion
- Reducing travel time
- Strengthening the railway network



QUESTION 4

What is your outlook for the development of large-scale terminal stations?

ANSWER 4

- **We will revitalize towns and raise the value of cities by pushing forward the large-scale development of our terminal stations in Shinjuku, Shibuya, Yokohama, Chiba and Sendai.**
- **Along with a plan to build a new station, we are examining the basic provisions to an internationally attractive urban development plan for an area neighboring Shinagawa Station.**

The large-scale development of terminal stations is a source of new economic growth for cities, and one of the important roles JR East is called to fulfill. Restoration of Tokyo Station's *Marunouchi Building* to its mint state of 100 years ago, which we completed in October 2012, was critically acclaimed and drew many visitors. This building's restoration not only transformed Tokyo Station as a tourist attraction but also revitalized the surrounding area. We are now looking to expand this ripple effect on urban development to other locations. We will raise the value of our stations and create new urban economic activity by pushing forward the large-scale development of terminal stations in Shinjuku, Shibuya, Yokohama, Chiba and Sendai. At the same time, this implies we will be asked to effectively communicate the attraction of our cities to travelers from abroad. JR East will concentrate on the development of large-scale terminal stations to help build Tokyo into an attractive metropolis internationally that is second to none in the world.

A case in point is our Shinagawa Depot, a railway yard that we are downsizing to free up a large plot of land of approximately 130,000 m^2 for large-scale development in an area between Shinagawa Station and Tamachi Station that has grown important as an urban hub connecting Tokyo with the rest of Japan and the world. Consequently, JR East has decided to build a new station between Shinagawa and Tamachi as a core component to this urban development. The opening of the new station is provisionally scheduled to coincide with the 2020 Tokyo Summer Olympic and Paralympic Games. Right now, we are refining a development plan together with the Tokyo Metropolitan Government and other stakeholders, and hope to have a rough proposal we can show the public in about a year's time. It may take longer to build up this area as a whole, but we will initiate the development with this station as we apply innovative ideas to construct an internationally attractive hub in Tokyo where people can gather and interact with one another.

THE LARGE-SCALE DEVELOPMENT OF TERMINAL STATIONS

FY2017.3

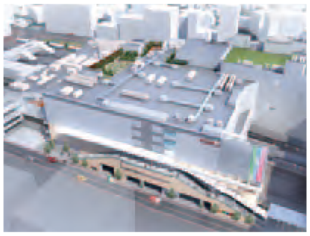
Shinjuku New South Exit Bldg.

(provisional name)

■ Spring 2016
Offices, commercial facilities, etc.
33 floors, 2 basement floors

Main building and facilities of Chiba Station

■ Station, Ekinaka, station bldg.
Summer 2016 to Spring 2018
7 floors, 1 basement floor



Sendai Station East Exit Development

■ Commercial facilities
Spring 2016
6 floors, 1 basement floor

■ Hotel
Spring 2017
Number of rooms: 280

FY2019.3 and after

Shibuya Station Development

(Joint development with Tokyu Corporation and Tokyo Metro)

■ 2020 (East Bldg.), 2027 (Center, West Bldg.)
46 floors, 7 basement floors (East Bldg.)
Offices, commercial facilities, etc.

Yokohama Station West Exit Bldg.

(provisional name)

■ 2020 (Station-front Tower, Tsuruya-cho Tower)
Offices, commercial facilities, etc.
26 floors, 3 basement floors (Station-front Tower)

Image of the new station between Shinagawa and Tamachi

QUESTION 5

What was your reaction to news of the 2020 Tokyo Summer Olympic and Paralympic Games amid this push for urban development?

ANSWER 5

- **The Olympics and Paralympics in Tokyo is a dynamic opportunity for advancement that JR East will leverage to identify measures for improving passenger convenience and comfort.**
- **This will entail examining ways for improving access to Haneda Airport.**

The decision for Tokyo to host the Summer Olympic and Paralympic Games is a dynamic opportunity for furthering the advancement of both Japan and JR East. We will seize the opportunity to examine the bottlenecks we need to break in helping to host the Games, and identify measures for improving passenger convenience and comfort, and for contributing to the development of local communities, long after the Games.

Obviously, JR East must become an active part of the initiative providing hospitality for enjoying this marvelous event as the eyes of the world look to Japan and Tokyo. One important point, in particular, that we will need to concentrate on is improving convenient access between the international airports and the heart of Tokyo. In consideration of the fact that the passengers using Haneda Airport are projected to increase going forward, the Group has already begun examining new routes linking Tokyo with the airport from many directions with the aim of bolstering transportation capacity. One of the alternatives we are now considering is the reactivation of the furloughed Tokaido Freight Line. We want to make Tokyo more attractive by improving the access to Haneda Airport, and the Tokyo Olympic and Paralympic Games will give us a chance to do this. Ideally, improvements utilizing this so-called Haneda Airport Access Line would be made in time for the Tokyo Olympic and Paralympic Games, provided that the project does not fall prey to considerable time constraints. We will do our best to ready the line as soon as possible, in time for the Games. But in any event, we are determined to see this project through as a measure indispensable for the future of Japan and the advancement of Tokyo.

In the meantime, we are looking forward to the many travelers from abroad who will be using our railway services in getting to the numerous Olympic and Paralympic venues and facilities that will be developed in the vicinity of our stations. JR East must certainly concentrate on making improvements to stations, especially those nearby the venues, to ensure safe and reliable transportation during the Games. Preparing for the Games will also entail the provision of services and facilities of an exceptionally higher quality than before to enable transportation access for passengers with disabilities. This will include barrier-free facilities, an organization for offering assistance and information services we provide.

At the same time, the Tokyo Olympic and Paralympic Games are foreseen as an impetus that will drive an increase in the number of travelers from abroad. The Group will also be hard at work formulating proposals for a "Golden Route for Travel in East Japan" to welcome as many passengers as possible to the Tohoku and Shinetsu regions we service.

JR East will need to address many issues as 2020 approaches. But the 2020 Tokyo Summer Olympic and Paralympic Games are an unparalleled opportunity for Japan, as well as our Group, and we will work in close cooperation with the parties involved in making every conceivable preparation for the Games.

"The Olympics and Paralympics in Tokyo is a dynamic opportunity for advancement that JR East will leverage to identify measures for improving passenger convenience and comfort."

QUESTION 6

Safety-related investments have been increasing recently. Will you continue to increase these investments going forward?

ANSWER 6

- **Safety is our top management priority, and safe and reliable transportation is the fundamental premise for a range of bold initiatives.**
- **We will steadily implement seismic reinforcement measures, measures that can withstand natural disasters, and safety measures for station platforms.**
- **We will invest approximately ¥1 trillion over the next five years. We stand to benefit from building a railway capable of withstanding natural disasters, in anticipation of foreseeable risks.**

Since its founding, JR East has consistently positioned safety as its top management priority. While working on a range of bold initiatives such as globalization, technological innovation and urban development, we recognize that all of these initiatives are fundamentally premised on ensuring safe and reliable rail transportation. In fiscal 2015, we launched "*Group Safety Plan 2018*," a new five-year safety plan. Under this plan, we are earmarking approximately ¥1 trillion for safety-related investments over the next five years. Over the past 27 years since its founding, JR East has made safety-related investments of over ¥3 trillion. In this context, some people have questioned whether such a large amount of investment is necessary. When the Great East Japan Earthquake struck on March 11, 2011, there were no derailments of trains in service at the time, and there was no structural failure of viaducts and other infrastructure. We are proud that steadfast safety efforts and steady investments to address the foreseeable risks over the years have enabled us to build a railway capable of withstanding natural disasters.

In regard to countermeasures for large-scale earthquakes, JR East has positioned the five years from fiscal 2013 to fiscal 2017 as an intensive implementation period. We are currently executing seismic reinforcement measures at a total cost of approximately ¥300 billion. Approximately 30% of the work in planning was completed by March 31, 2014. By March 31, 2017, we plan to raise the completion rate to around 80%. Moreover, natural disasters caused by wind gusts, torrential rain and heavy snow have been occurring more frequently on an unprecedented scale. We will ensure that adequate safeguards are put in place to mitigate these types of events. Another crucial theme is safety measures for station platforms. By March 31, 2016, we will install automatic platform gates at 23 stations on the Yamanote Line, excluding stations where large improvements works are scheduled. Furthermore, we will steadily install automatic platform gates on routes other than the Yamanote Line, stations used frequently by visually challenged customers and other locations.

As I said earlier, JR East is earmarking a considerable safety-related investment of approximately ¥1 trillion over the next five years. We must remember that safe and reliable transportation is fundamental to a railway. I believe that it is the responsibility of management to steadily execute investments that are vital to ensuring safe and reliable transportation, and to reduce foreseeable risks. I am convinced that JR East stands to benefit significantly from these safety-related investments, and I therefore ask for the understanding of investors in this regard.

"Safety is our top management priority, and safe and reliable transportation is the fundamental premise for a range of bold initiatives."

QUESTION 7

What are your numerical targets for the next three years through fiscal 2017? And what is your approach to using cash?

ANSWER 7

- **In fiscal 2017, we are projecting higher revenues and earnings. Although consolidated ROA and consolidated ROE are expected to decline slightly, we are aiming to outperform our targets by streamlining assets, increasing revenues and cutting costs.**
- **We plan to generate operating cash flow totaling ¥1,800 billion over the next three years. Of this amount, we have earmarked ¥1,600 billion for capital expenditures. We will also provide shareholder returns emphasizing the total return ratio, even as we work to reduce debt.**

In terms of our numerical targets for the next three years through fiscal 2017, we are targeting higher revenues and earnings. Consolidated operating revenues are projected to reach a record high of nearly ¥2,800 billion. However, we expect consolidated ROA and consolidated ROE to decline slightly from the current level, as assets and shareholders' equity are projected to grow faster than earnings. However, because there are technical factors at play with regard to the opening of the Hokuriku Shinkansen to Kanazawa in March 2015, we have not reflected revenues projected to be generated after the launch of this service in our targets in light of negotiations on usage fees, but we have incorporated assets, such as rolling stock, and depreciation expenses into the targets. For this reason, we expect the actual consolidated ROA and consolidated ROE figures to be slightly better than the numerical targets. In any case, we will proactively cancel treasury shares, streamline unneeded assets and take other actions as we strive to increase revenues. At the same time, the JR East Group must work in unison to expand earnings over the next three years by reducing costs, such as maintenance expenses, business outsourcing expenses, and energy costs.

In regard to the use of cash flows, we expect to generate operating cash flow totaling approximately ¥1,800 billion over the next three years. Of this amount, we have earmarked ¥1,600 billion for capital expenditures. We are planning to execute safety-related investments of ¥650 billion and growth investments of ¥600 billion. We believe that these investments are essential to further improving safety and driving future growth. As for shareholder returns, JR East will strive to maintain stable dividends while flexibly conducting share repurchases, based on its total return ratio target of 33%. We will decide on increasing dividends only after we can expect to maintain the higher dividend level looking into future. In regard to share repurchases, in fiscal 2015 we bought back 1.5 million shares. Going forward, we will continue to enhance shareholder returns by flexibly repurchasing shares according to our earnings level. In regard to reducing debt, JR East currently has consolidated interest-bearing debt of nearly ¥3,300 billion. We will strive to strengthen our financial position by continuing to steadily reduce consolidated interest-bearing debt. To this end, we aim to reduce our balance of consolidated interest-bearing debt to ¥3,000 billion sometime during the 2020s.

FY2017.3 NUMERICAL TARGETS BY SEGMENT

(¥ billion)	2014.3 Results	2016.3 Plan	2017.3 Target	Increase/ decrease	2017.3/ 2014.3
Operating revenues	2,702.9	2,741.0	2,791.0	+88.0	103.3%
Transportation	1,827.4	1,841.0	1,873.0	+45.5	102.5%
Station Space Utilization	400.9	400.0	403.0	+2.0	100.5%
Shopping Centers & Office Buildings	251.0	254.0	281.0	+29.9	111.9%
Others	223.4	246.0	234.0	+10.5	104.7%
Operating income	406.7	407.0	412.0	+5.2	101.3%
Transportation	267.3	272.0	272.0	+4.6	101.7%
Station Space Utilization	36.0	34.0	34.0	−2.0	94.3%
Shopping Centers & Office Buildings	72.0	73.0	78.0	+5.9	108.2%
Others	32.6	29.0	29.0	−3.6	88.7%
Adjustment	−1.3	−1.0	−1.0		

Consolidated ROA
(rate of operating income on total assets)
(at the end of FY2017)
5.4%

Consolidated ROE
(rate of net income on equity)
(at the end of FY2017)
8.9%

OPERATING CASH FLOW USAGE PLAN

	Targets	FY2015.3
Consolidated operating cash flow	**Approx. ¥1,800 billion** (FY2015.3 to FY2017.3)	
Capital expenditures of which	**Approx. ¥1,600 billion** (FY2015.3 to FY2017.3)	**Approx. ¥525 billion***
Investment needed for the continuous operation of business (Safety practice and transportation stability)	**Approx. ¥1,000 billion** (Approx. ¥650 billion)	**Approx. ¥329 billion**
Growth investment	**Approx. ¥600 billion**	**Approx. ¥196 billion**
Shareholder returns	[Medium- to long-term target] **33% total return ratio (to net income)**	**¥120/share dividend** Share buybacks**
Debt reduction	(During the 2020s) **¥3,000 billion Interest-bearing debt balance**	**Reduce interest-bearing debt Around ¥10 billion**

* In addition, priority budget allocation max. ¥30 billion from the deposit balance on March 31, 2014 deposit balance (capital expenditures of approx. ¥555 billion in total)
** Share buyback of ¥11.3 billion executed in May 2014

QUESTION 8

Please explain your cost reductions in more detail. Can technological innovation help to reduce costs?

ANSWER 8

- **We will work to reduce maintenance expenses, business outsourcing expenses, energy costs and capital expenditures.**
- **We will develop disaster-resilient, low-cost railways mainly by developing catenary-free and track circuit-free railways.**

Capital expenditures have been increasing, in addition to rising maintenance expenses, business outsourcing expenses and energy costs, in response to rising wages and material prices. This makes it imperative for us to strive to reduce these costs. We will take a fresh look at how we can improve our work efficiency and productivity across the entire JR East Group, and we will do our utmost to cut costs by revising our approaches to work and advancing further systemization, automation and other measures. Meanwhile, we believe that it is critical to conduct capital expenditures effectively and efficiently through such means as downsizing facilities, implementing measures to extend the useful operating life of facilities, and harnessing new technologies.

Technological innovation will not only open up new possibilities for railways, but also harbors the potential to reduce costs. For example, catenaries, which are overhead lines that transmit power to trains, are vulnerable during natural disasters and costly to maintain. Therefore, costs can be reduced by developing a catenary-free railway. In March 2014, *ACCUM* catenary and battery-powered hybrid railcars entered service on the Karasuyama Line. Going forward, we will develop catenary and battery-powered hybrid railcars for through service with alternating current railway segments. On a separate note, it should also be possible for the railway industry to develop a catenary-free railway powered by fuel cells in the not-so-distant future. Putting our faith in these sorts of new possibilities for railways, we aspire to develop innovative railcars in the future.

We are also pushing ahead with initiatives to develop track circuit-free railways. A track circuit is a device that detects the position of a train by sending a current through rails. To date, these devices have played a significant role in ensuring safe railway operations. In the future, however, we will be able to operate trains without a track circuit by using radio technology to control trains. This will help to reduce maintenance expenses. First, we will expand Japan's proprietary *ATACS* (Advanced Train Administration and Communications System) wireless train control system in operation on the Senseki Line to railway segments in the Tokyo metropolitan area, with the aim of introducing *ATACS* on the Saikyo Line in fall 2017. In addition, we concluded a design contract with Thales of France in April 2014 based on plans to implement communication-based train control (CBTC), a similar train control system used widely in overseas urban railways, on the Joban Local Line around 2020. Through these initiatives, we will work to take safe and reliable transportation to an even higher level, as we endeavor to reduce maintenance expenses.

QUESTION 9

Finally, could you please share your perspectives on how you will nurture the human resources who will implement these initiatives?

ANSWER 9

- **We will nurture highly motivated employees who are able to rise up to the challenge of developing new business domains, along with fostering an open-minded corporate culture.**

I believe that the abilities of our employees are JR East's greatest asset. Whenever I have the chance to speak directly with employees on the frontlines, I am reminded that JR East is blessed with a large pool of highly talented and motivated employees. As I have often said, I believe that one of the important tasks of management is to provide these sorts of talented employees with the opportunities to succeed and grow that they deserve. JR East is pushing ahead with bold initiatives in a range of fields such as technological innovation, globalization, stimulating tourism, and the creation of new tourism channels. We are introducing personnel systems that enable employees to step forward for these fields by calling upon those who are strongly determined to put their talent to work and shape the future. For example, in terms of nurturing global human resources, we are sending around 600 employees overseas each year, or about 1% of all employees, on overseas studies, overseas OJT trainee internships, and other programs. We have seen an extremely high level of enthusiasm for these programs among our younger employees. In a new short-term overseas studies program we set up in fiscal 2014, we received applications from around 1,000 employees for the program's initial slot of around 50 positions. We quickly increased the slot to 100 positions. Looking ahead, we will continue to respond to the enthusiasm of our highly motivated employees and work to develop an environment where they can demonstrate their abilities freely to the fullest extent.

Left alone, the railway industry has a tendency to turn inward and build barriers between itself and the world on the outside. I personally believe that companies that shut themselves out from the world will not have a promising future. It is crucial to push ahead with fostering an open-minded corporate culture that is transparent to the outside world, and to spare no effort in nurturing employees. By fostering a corporate culture that is open both at home and abroad, we aim to create a positive cycle where we increase the Company's capabilities and achieve growth, and in turn expand opportunities for employees to succeed.

Even as Japanese society continues to experience a sharp decline in population, we will put our full faith in the new possibilities of railways as we seek to take railway transportation to an even higher level. To this end, all employees of JR East will pursue the Group's "Unlimited Potential" and continue to move "*Ever Onward*." I hope that you will share my excitement for the future of JR East and Japan's railway industry as a whole.

"We will nurture highly motivated employees who are able to rise up to the challenge of developing new business domains, along with fostering an open-minded corporate culture."

FEATURE
SAFETY AND TECHNOLOGY

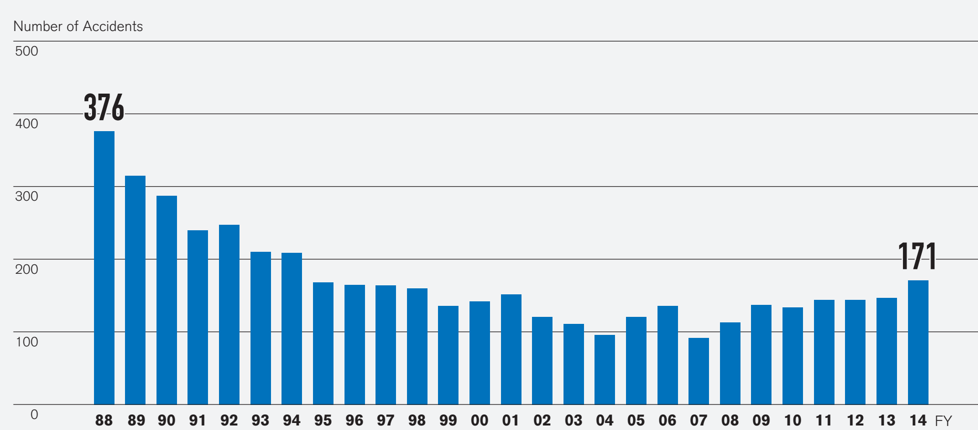
JR EAST GROUP SAFETY PLAN 2018

JR East Group places safety as its top business priority and has formulated and implemented five five-year safety plans as of fiscal 2014. The result has been a substantial decrease in railway accidents. However, there are still more than 100 railway accidents that occur within the Group each year.

Our new, sixth five-year safety plan, “*JR East Group Safety Plan 2018–Safety through Individual Development and Teamwork*,” (Fiscal 2015 to Fiscal 2019) was formulated out of our grave concern for the situation as it stands. This new plan will pick up from where the previous plans left off, as well as take into consideration recent changes in the Group’s environment, to steadfastly rise to the challenge of achieving “extreme safety levels.” Under the new plan, JR East will promote a systematic approach to safety, pass down the prioritization of safety to the next generation, share the burden of enhancing safety further with Group companies and business partners, and protect safety standards against the increasing outbreak of natural disasters, among other calls to safety.

See |A|

|A| LOOK-BACK ON RAILWAY ACCIDENT FREQUENCY



1 MAIN FEATURES OF “JR EAST GROUP SAFETY PLAN 2018”

A Plan Strongly Emphasizing “the Group”

Safety for us is a collective underpinning by each employee engaged in railway work at JR East, our Group and our business partners. This is why the new plan was formulated with a strong emphasis on “the Group.”

Clarifying Direction of Safety Measures

In continuation of the previous “*Safety Vision 2013*” plan, the goals for the *JR East Group Safety Plan 2018* include ‘zero passenger fatalities and injuries’ and ‘zero employee fatalities’ (including employees from Group and partner companies). To achieve these goals, we have clarified the following three directions, and have laid out specific initiatives for everyone to implement.

1 Completely eliminate “accidents due to internal causes”

We will work to eliminate all accidents resulting from passing stop signals recklessly, exceeding the speed limit, improper track-closure procedures and other causes that can be attributed to the Group by raising the level of our railway operation and maintenance.

2 Systematically reduce risk of "accidents due to external factors"

We will systematically upgrade our facilities to limit damage from natural disasters and other calamities to a minimum, and thereby reduce the risk of accidents posed by external factors.

3 Cooperating with communities at large to develop comprehensive countermeasures to "accidents closely related to society"

To preventing railway crossing accidents, people falling off train platforms, and the like, we will not only provide the main impetus for implementing steady countermeasures but will also cooperate with customers and communities to develop measures, such as reorganizing or eliminating level crossings, and carefully communicating hidden dangers of railways to the public.

2 CONCRETE INITIATIVES

Figure B provides an overall image of "*JR East Group Safety Plan 2018*." We are implementing specific efforts based on the four pillars to achieve our goals and directions.

See B

Pillar 1 Establish safety culture

By assigning all the safety approaches developed so far to our 'safety cultures as a foundation to build on,' we shall establish safety as 'part of the DNA' of each employee.

1 Five Cultures

JR East Group promotes a culture where employees take serious note of accidents that have happened and signs of potential accidents—a culture where employees discuss, learn from, and act on the issues based on information.

See C

A train protection drill at JR East general training center

2 Three principles of actualities

Actual location
Go to the actual location to understand the circumstances

Actual objects
Examine the actual objects (rolling stock, equipment, machine, tool, etc.) to understand their condition

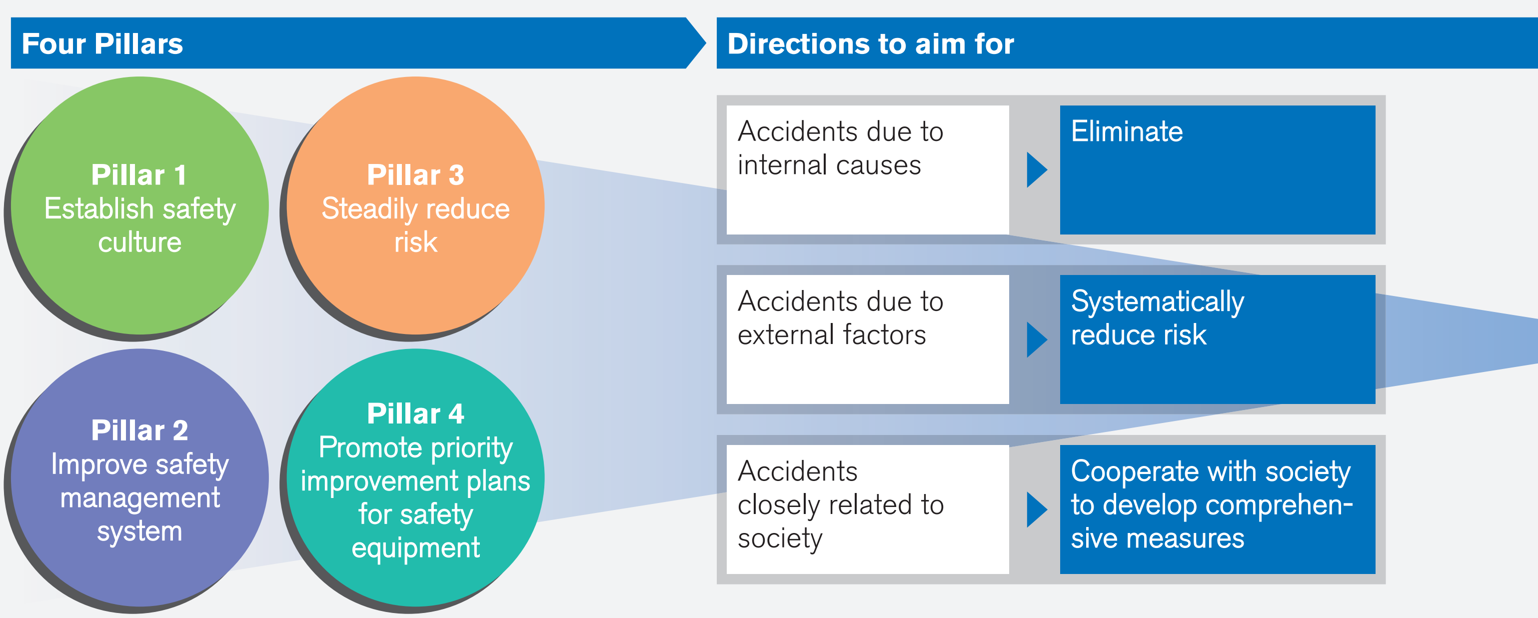
Actual people
Meet face-to-face with the people actually involved to understand their situation

Safety problems always occur at actual locations, and solutions are also always at actual locations. Consequently, the Group pursues 'three principles of actualities' (actual location, actual objects, and actual people) that involve actually going to locations to see, hear, experience, and think about what has happened in order to see the reality as well as unearth the problems in the process of producing true solutions.

Pillar 2 Improve safety management system

Amidst the rapid loss of skilled veterans retiring, the importance of nurturing younger employees who will be at the core of safety-related knowledge, technology, and leadership is growing greater. To meet this challenge, we will improve our management system in the area of safety based on personnel training and passing-on technical expertise.

B OVERALL IMAGE OF *JR EAST GROUP SAFETY PLAN 2018*



| C | FIVE CULTURES

1 Culture of proper reporting	Swiftly and correctly report accidents and incidents to prevent further occurrences.
2 Culture of noticing	Be aware of potential accidents and incidents before they happen, and share information to prevent them happening.
3 Culture of direct confrontation and debate	When looking for causes, work through various opinions and engage in debate to pinpoint background factors to help develop truly effective countermeasures.
4 Culture of learning	Imagine an accident had happened to someone else not in your job and learn from it to help develop specific responses.
5 Culture of action	Finally, turn conclusions into specific actions to really ensure safety. Think and act yourself - these are the virtues that underpin safety.

Pillar 3 Steadily reduce risk

Objectives and initiatives for steadily reducing safety risks will be formulated according to a framework that sorts accidents into the three categories:
1) accidents due to internal causes,
2) accidents due to external factors, and
3) accidents closely related to society.

Even if certain issues are not presently seen as risks, JR East will continue to stay one step ahead by unearthing and counteracting potential risks that are emerging with the changing circumstances in the railway sector.

Pillar 4 Promote priority improvement plans for safety equipment

JR East has made safety-related investments of over ¥3,000 billion over the past 27 years since the Company was established. This effort will be continued by earmarking another ¥1,000 billion or so in safety investments over the five-year course of *JR East Group Safety Plan 2018*. The specifics will involve the continued enactment of countermeasures in preparation for a major earthquake, the installation of even more reliable safety equipment, and stepping up measures for preventing railway crossing accidents. In addition, we will complete the installation of automatic platform gates at 23 stations on the Yamanote Line while implementing plans in stages for expanding their use on other line segments. See | D |

As was mentioned, *JR East Group Safety Plan 2018* is a five-year plan that seeks to improve safety at JR East both in terms of tangible and intangible measures. Particularly in retrospect of an accidental derailment at Kawasaki Station on the Keihin-Tohoku Line, all employees of the Group are determined to never repeat serious accidents, and will continue making efforts to achieve "extreme safety levels."

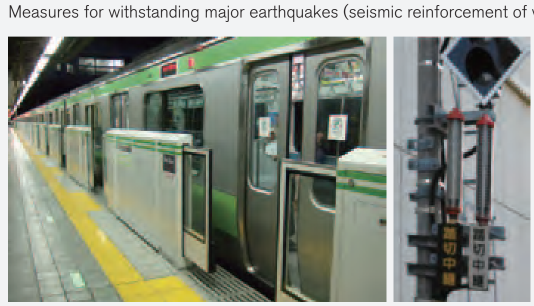
Goal

0 Passenger fatalities/injuries
Employee fatalities*

*Also reduce injury-causing accidents

| D |

Measures for withstanding major earthquakes (seismic reinforcement of viaduct columns and embankments)



Automatic platform gates and obstruction warning devices for railway crossings

TECHNOLOGICAL INNOVATION FOR THE ADVANCEMENT OF RAILWAYS

JR East will rise to the challenge of achieving technological innovations in various fields as we pursue the Group's "Unlimited Potential." In the process, our R&D will not only be directed inward, but will also incorporate an Open Innovation concept for making the best of development capabilities and intellectual properties from outside sources. Steps have been taken to establish a Technology Innovation Development Committee, which is setting ambitious targets and clarifying issues and policies, while prioritizing R&D investments and propelling the Group's technological innovations forward. Particular emphasis has been placed on developing an energy and environmental strategy, using ICT in developing railway systems that are completely free from conventional thinking, and realizing the operation of Shinkansen at speeds of up to 360 km/h.

1 ESTABLISHING ENERGY AND ENVIRONMENTAL STRATEGIES

JR East has for many years engaged in a variety of environmental conservation initiatives, but partly because of concerns over long-term power shortages caused by the Great East Japan Earthquake, further innovation in environmental technology has become imperative. Toward the establishment of energy and environmental strategies, we are currently working on technological innovation in three key areas: utilization of renewable energies, promotion of energy conservation and establishment of smart grid technology for train power systems.

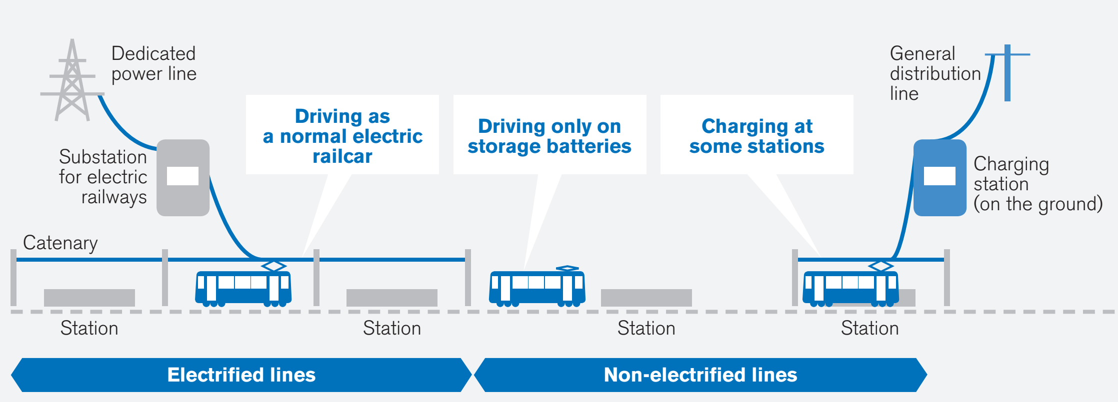
Catenary and Battery-Powered Hybrid Railcar Train System

JR East has been developing a Catenary and Battery-powered Hybrid Railcar Train System as a new means of reducing the burden on the environment in non-electrified sections, and confirming its commercial viability by running tests. These trains are equipped with large-capacity storage batteries. Electrical power is taken from overhead lines, as with ordinary trains, and is stored in batteries, which provide the power needed when the train is travelling through non-electrified regions. The batteries are charged at special charging facilities located at turnback stations. This train system eliminates emissions from diesel engines and also reduces CO_2 emissions and noise. Eventually, we will set out to eliminate the overhead power lines (transformer facilities and catenary lines) altogether. This can be expected to provide a range of benefits including improved transportation stability and lower maintenance costs.

The first of these railcars, named *ACCUM*, went into operation on the Karasuyama Line in March 2014.

See | A |

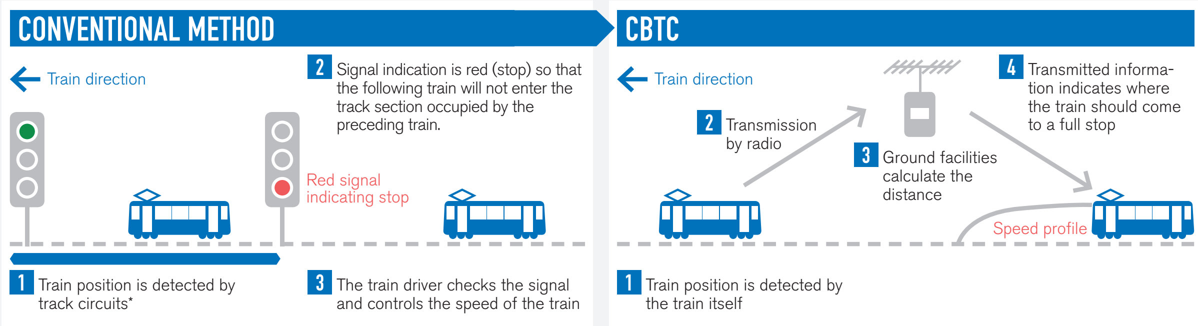
| A | WORKING DIAGRAM OF THE CATENARY AND BATTERY-POWERED HYBRID RAILCAR TRAIN SYSTEM



| B | EXAMPLES OF FUNCTIONS PROVIDED BY CBTC ON RAILWAYS WORLDWIDE

No track circuits are required and fewer cables are needed

Train positions are detected without using track circuits and transmitted by radio.



* A "track circuit" detects train positions electrically by sending electric current through the rails. (This method is used on many conventional railways.)

2 UTILIZING ICT

The ICT field has been undergoing rapid change, typified by the rapid popularization of smartphones and tablets. JR East is working to actively incorporate such widely used ICT into rail operations to further improve the quality of customer service. We are also actively applying ICT in transportation systems to move technological innovation forward.

Transportation System Innovation–CBTC and *ATACS*

JR East is aiming to drastically change and improve our Tokyo metropolitan area transport system through innovations that incorporate a conceptual breakthrough and are completely free from conventional ways of thinking. Our final objective is to achieve innovations in technology (such as elimination of the need for track circuits and reduction in the number of cables), and operational innovations (such as bi-directional same-track operation). With these objectives, we have been moving forward to consider the introduction of the CBTC system on our Joban Local Line (a local line that runs between Ayase and Toride). We concluded a contract with Thales to commission the design work for CBTC introduction in May 2014. The design work is expected to take about one year. If we determine that our requirements for the CBTC system would be achievable based on the outcome of the design work, we are planning to ask the manufacturer to undertake the manufacturing and construction work for introduction of the CBTC system. If all goes well, we plan to introduce CBTC to the Joban Local Line by around 2020.

In addition the *ATACS* introduced to the Senseki Line has now been in stable operation for around two years. As a result, we now plan to introduce *ATACS* to the Saikyo Line as well in the fall of 2017.

See | B |

3 OPERATING SHINKANSEN AT FASTER SPEEDS

We will continue to pursue R&D toward achieving an operational speed of 360 km/h for Shinkansen, while focusing on improving stability during high-speed operation and reducing the environmental impact to areas along Shinkansen lines. Also, we will feed back research achievements into operation of Shinkansen at 320 km/h, in order to upgrade safety and reliability, along with expanding segments where Shinkansen is operated at 320 km/h. To this end, we have enlarged our fleet of Series E5 and E6 Shinkansen railcars, and when the train schedules were revised in March 2014, we began operating all couplings of the *Hayabusa* and *Komachi* services at speeds of up to 320 km/h.

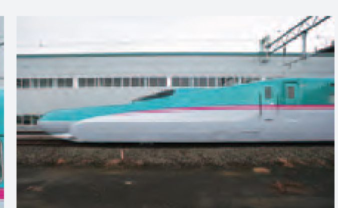
See | C |

| C | EXAMPLES OF TECHNOLOGY FOR ACHIEVING OPERATING SPEEDS OF 320 KM/H


1


2


3



To hold down the noise from operating at high speeds, the pantographs of JR East's latest Shinkansen railcars are fitted with sound blocking panels 1 on both sides. In addition to this, the equipment underneath the railcar floors is covered with sound-absorbing panels, and the gaps between railcars have canopies completely sealing them 2 3.

The lead railcar is designed with a long aerodynamic nose to reduce tunnel boom—the sonic shockwaves generated when high speed trains enter tunnels. For the lead railcar of Series E5, this aerodynamic nose is 15 meters long.

AT A GLANCE

TRANSPORTATION
TRANSPORTATION

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

* 7,474.2 km as of April 1, 2014, following the abolishment of the Iwaizumi Line

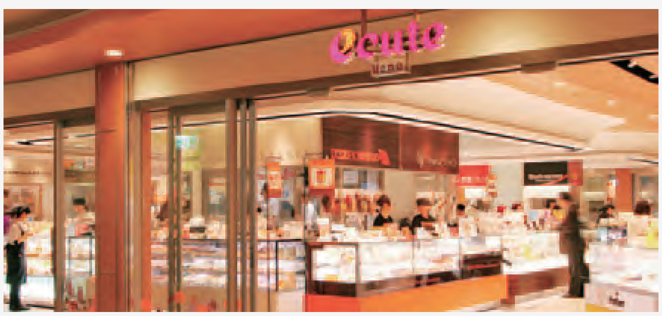
See pp. 036–039 for more information

Principal Businesses
Tokyo Metropolitan Area Network
Trains serving in the Tokyo metropolitan area, the largest market in Japan

Intercity Network Centered on Shinkansen
High-speed train services linking Tokyo with major cities and other intercity transportation

Railcar Manufacturing Operations
From the fiscal year ended March 31, 2014, reclassified into the Transportation reporting segment from Others

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.

See pp. 040–041 for more information

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.

See pp. 042–043 for more information

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 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.

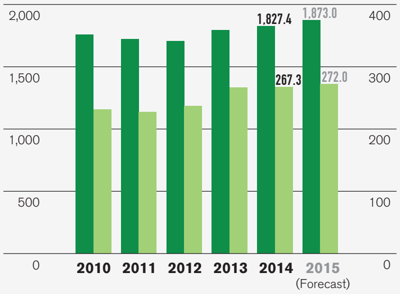
See pp. 044–046 for more information

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

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

OPERATING REVENUES AND OPERATING INCOME

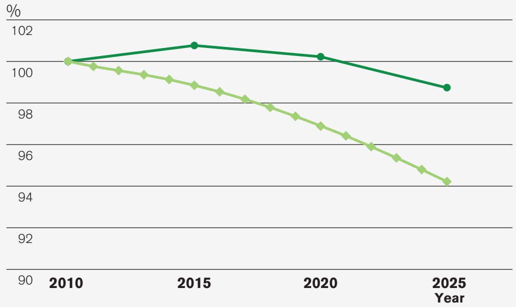
Billions of Yen



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

TOTAL POPULATION OF JAPAN

%

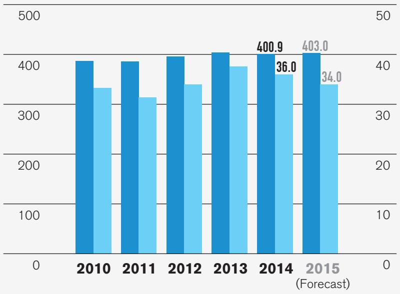


Nationwide (2012 estimate)
Tokyo metropolitan area (2013 estimate)

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 is forecast to continue decreasing.

OPERATING REVENUES AND OPERATING INCOME

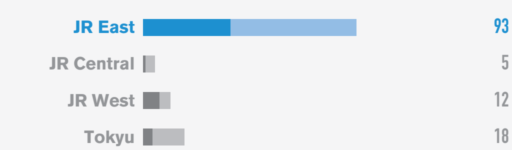
Billions of Yen



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

NUMBER OF BUSY STATIONS

Number of Stations



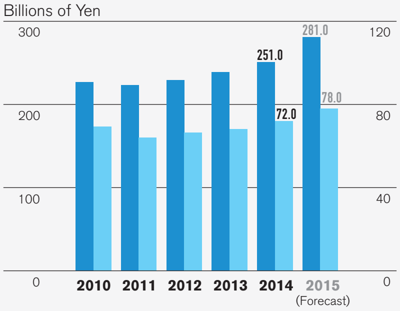
More than 200,000 Passengers per Day
More than 100,000 Passengers per Day

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

Notes
- Tokyu = Tokyu Corporation
- Year ended March 31, 2013 for JR Central and JR West, year ended March 31, 2014 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.

OPERATING REVENUES AND OPERATING INCOME

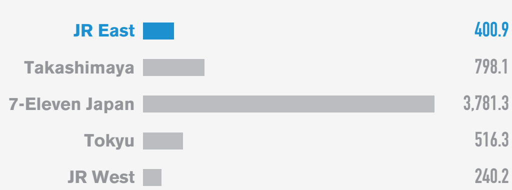
Billions of Yen



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

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

Billions of Yen

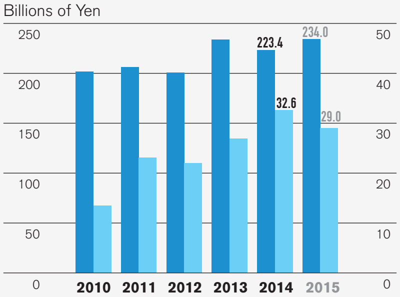


Located close to train stations, JR East's shopping facilities boast sales that rival those of major department stores.

Notes
- Takashimaya = Takashimaya Company, Limited; 7-Eleven Japan = Seven-Eleven Japan Co., Ltd.; Tokyu = Tokyu Corporation
- Year ended March 31, 2014 (year ended February 28, 2014, 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; and JR West: Sales of goods and food services business, segment revenues from third parties.

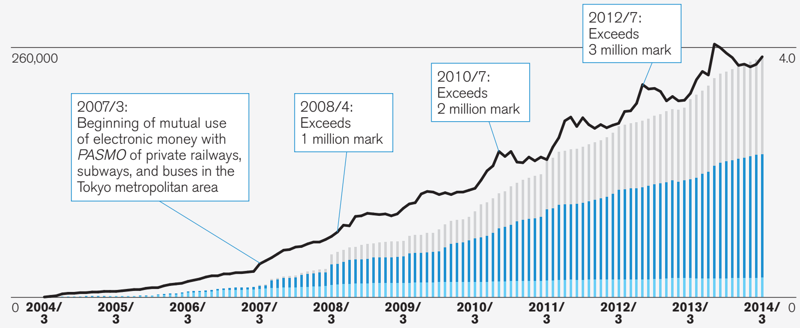
OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



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

SUICA ELECTRONIC MONEY-TRANSACTIONS AND COMPATIBLE STORES



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

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

***Suica* electronic money is accepted at over 240,000 stores and was used for a one-day record of 4.0 million transactions as of March 31, 2014.**

* Figures are as of March 31, 2014
* Figures include results of other affiliated stores

TRANSPORTATION

B Ueno-Tokyo Line to begin operation (FY2015)

TOKYO METROPOLITAN AREA NETWORK

OVERVIEW

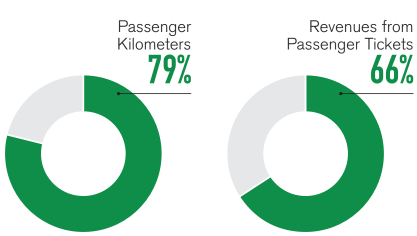
With approximately 36 million people, about 30% of Japan's population is concentrated in the Tokyo area (comprised of the Tokyo Metropolis, Kanagawa, Saitama and Chiba Prefectures). Moreover, this population is projected to be supplemented for the foreseeable future with people continuing to move into the Tokyo area, even though the population of Japan as a whole has begun to decline. Furthermore, the Tokyo area also accounts for about 30% of Japan's economic activity. JR East's strongest business advantage is that the entire Tokyo area is one of its major operating territories. Illustrating this, the Tokyo area alone accounts for almost 70% of JR East's passenger revenues. Moreover, the Group's network of conventional lines in the Kanto area network stretches out for 2,536.2 operating kilometers.

To date, JR East has continuously endeavored to enhance its Kanto area transportation services. Efforts have focused on increasing the frequency of trains during the morning rush hour to ease crowding, increasing direct services (eliminating transfers for passengers) on the Shonan-Shinjuku and other lines, and improving seating services by introducing *Green Cars* on local trains.

In fiscal 2014, JR East's Kanto area network accounted for 104,225 million passenger kilometers and revenues from passenger tickets of ¥1,115.3 billion.

COMPOSITION OF RAILWAY OPERATIONS IN JR EAST

(Conventional Lines in the Kanto area network)



TOPICS AND OUTLOOK

Transportation Service Improvement

In the Tokyo metropolitan area, JR East is working to improve transportation services on each railway line. Specifically, in view of the demographic changes along each of the network's line-side areas, the Group is improving services by shifting emphasis from ramping up transportation capacity during peak hours, to improving convenience during daytime hours. This will be done while enhancing the seating availability, as well as direct services with other railway lines.

North-South Corridor: The Ueno-Tokyo Line will begin operating at the end of fiscal 2015. As a result, passengers will be able to take a transfer-free ride on the Joban, Utsunomiya and Takasaki lines to Tokyo Station and areas served by the Tokaido Line.

East-West Corridor: JR East aims to steadily improve services on routes such as the Chuo Line, where there are strong needs for rapid service and seating services.

Tokyo Megaloop (an outer loop formed by the Musashino, Keiyo, Nambu and Yokohama lines): The Group is implementing measures such as enhancing direct services to other railway lines and improving convenience during daytime hours.

This includes the preparations underway for starting direct service to Sagami Railway. |A|

Ueno-Tokyo Line

The Ueno-Tokyo Line, which will begin operating at the end of fiscal 2015, involves constructing a multi-level viaduct near Kanda Station and building new railway tracks between Tokyo and Ueno Stations. This is being done so that certain services on the Utsunomiya, Takasaki, and Joban lines that currently terminate at Ueno Station can instead be linked to Tokyo Station and the Tokaido Line bound for Shimbashi and Shinagawa.

Upon completion, the Ueno-Tokyo Line will ease overcrowding on the Yamanote and Keihin-Tohoku lines during the morning rush hour. Furthermore, direct service via this new line will also eliminate transfers at both Ueno and Tokyo Stations, thus shortening travel times on the Utsunomiya, Takasaki, and Joban lines to the Tokaido Line.

Moreover, in view of the expected changes in passenger flow once the Ueno-Tokyo Line opens, construction has also begun on renovation work at Tokyo, Shimbashi, Nippori, Shinagawa and other stations the new line will affect. |B|

Transportation Quality Improvement

JR East aims to reduce the number of service disruptions caused by railcar and equipment malfunctions attributable to JR East within a 100 km radius of Tokyo to one-third of the current level (number of service disruptions per 1 million rolling stock kilometers in fiscal 2012: 0.06). The Group is also strengthening measures to quickly resume operations, and stop the impact of service disruptions from spreading further, as well as provide passengers with more information, in the event of a service disruption.

To this end, all train conductors and drivers began using tablet computers in fiscal 2014. This was done in order to respond quickly to transportation disruptions and to improve guidance and other services.

|C| Series E233 commuter railcars for the Nambu Line

|D| Automatic platform gates on the Yamanote Line

New Stations from a Strategic Perspective

JR East will seek to explore the commercial feasibility of establishing new stations from many strategic angles, and to bring such plans to fruition in cooperation with local governments. The goal is to increase points of contact among railways, towns and customers, while further improving convenience and increasing railway usage by customers.

Introduction of Series E233 Commuter Railcars

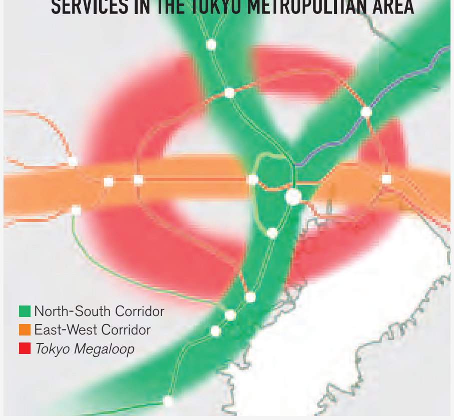
Series E233 commuter railcars will be introduced in stages for operation on the Nambu Line in fiscal 2015. The cars feature around 10% greater capacity than the conventional Series 205 cars, which will help alleviate crowding. They also feature 100% LED lighting, which will reduce power consumption by some 60% compared to standard fluorescents. |C|

Automatic Platform Gate Installation on the Yamanote Line

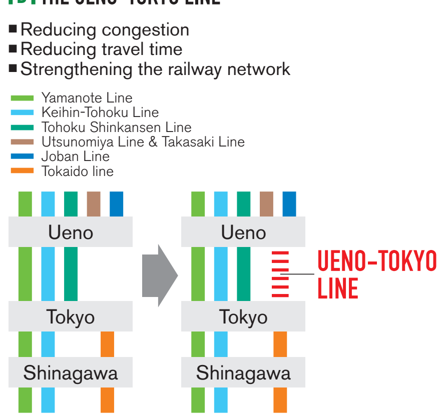
JR East will continue installing automatic platform gates on the Yamanote Line. The goal is to have these gates operational at 23 stations on the line by fiscal 2016, with the exception of the stations scheduled to undergo major construction work. The Group had automatic gates in use at 11 stations as of March 31, 2014, and installation is planned for seven more stations in fiscal 2015.

Apart from the Yamanote Line, the Group will formulate plans to install the automatic gates by individual station, such as those frequented by vision-impaired passengers, and by line segment. |D|

|A| PRIORITY LINES TO IMPROVE TRANSPORTATION SERVICES IN THE TOKYO METROPOLITAN AREA



|B| THE UENO-TOKYO LINE



Examining Introduction of a CBTC System

JR East is aiming to dramatically change and improve its Tokyo metropolitan area transport system with technological and operational innovations applying unconventional ways of thinking. With this in mind, the Group is examining the introduction of a CBTC system to the local service between Ayase Station and Toride Station on the Joban Line. CBTC, or communication-based train control, is a wireless train control system that is rapidly coming into use on metropolitan railways and other transport systems worldwide.

TRANSPORTATION

[A] New Series E7 railcars for the Hokuriku Shinkansen Line

INTERCITY NETWORK CENTERED ON SHINKANSEN

OVERVIEW

Shinkansen lines from Tokyo to five destinations comprise the backbone to JR East's intercity network. These lines are the Tohoku Shinkansen to Shin-Aomori, Joetsu Shinkansen to Niigata, and the Nagano Shinkansen to Nagano, as well as the Yamagata Shinkansen to Shinjo and the Akita Shinkansen to Akita with trains operable on Shinkansen and conventional railway lines. Together, the Shinkansen lines stretch out for 1,134.7 operating kilometers.

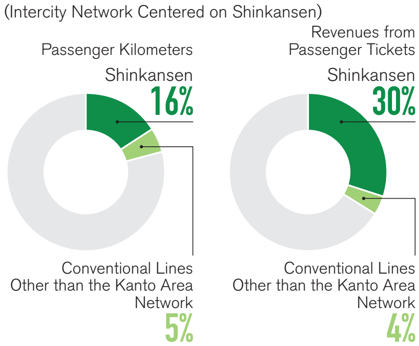
JR East is taking steps to further increase the convenience of its Shinkansen services. Those efforts include implementing plans to introduce new types of railcars and increasing train services during such busy periods as the *Golden Week* spring holidays, summer vacation period, and the year-end and New Year period. Moreover, these lines will help maintain JR East's advantage over air travel. To illustrate, it takes less than four hours to get from Tokyo to Akita, on the longest stretch on JR East's Shinkansen network.

In fiscal 2014, traffic volume on the Shinkansen lines was 20,863 million passenger kilometers, and revenues from passenger tickets were ¥507.1 billion.

In addition, JR East also boasts a network of limited express services linking major cities along its conventional lines. These conventional lines outside the Kanto area network stretch out for 3,841.7 operating kilometers.

Based on regional conditions, JR East is further integrating its network of limited express services with its Shinkansen services, as well as increasing the frequency and speed of the trains. Furthermore, JR East is shortening travel times by eliminating the need to change trains through the operation of the Yamagata Shinkansen and the Akita Shinkansen trains, which operate on both Shinkansen and conventional lines.

COMPOSITION OF RAILWAY OPERATIONS IN JR EAST
(Intercity Network Centered on Shinkansen)



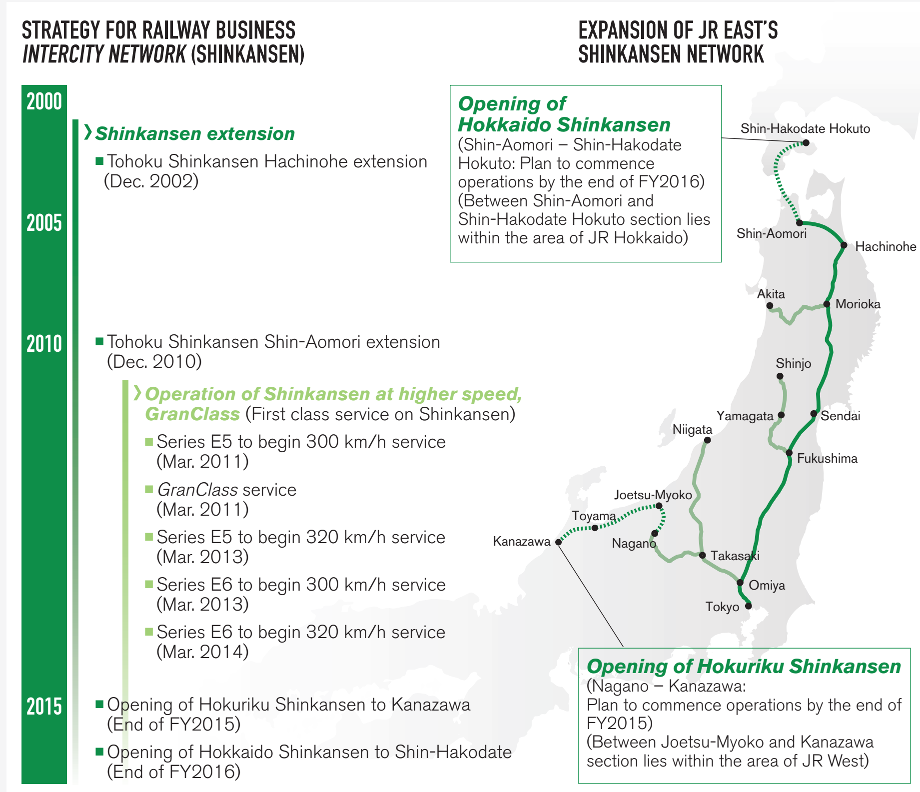
[B] New Series E6 railcars

In fiscal 2014, JR East's network of conventional lines outside the Kanto area accounted for 6,022 million passenger kilometers and revenues from passenger tickets of ¥73.9 billion.

TOPICS

Operation of Akita Shinkansen Series E6 Railcars at 320 km/h, and Debut of the Nagano Shinkansen Series E7 Railcars

When the train schedules were revised in March 2014, JR East commenced the operation of Series E6 railcars as the Akita Shinkansen's *Komachi* service at a maximum speed of 320 km/h between Utsunomiya Station and Morioka Station. As a result, Akita can now be reached from Tokyo in as short as 3 hours and 37 minutes. At the same time, JR East's new Series E7 railcars made their debut between Tokyo Station and Nagano Station ahead of the scheduled opening of the Hokuriku Shinkansen to Kanazawa in spring 2015. |A||B|



OUTLOOK

Commencement of the Hokuriku Shinkansen to Kanazawa and Hokkaido Shinkansen to Shin-Hakodate (provisional name)

JR East is aiming to change the landscape of inter-regional tourism when it opens the Hokuriku Shinkansen from Nagano to Kanazawa at the end of fiscal 2015, and the Hokkaido Shinkansen from Shin-Aomori to Shin-Hakodate (provisional name) at the end of fiscal 2016. Once these lines open, JR East sees an opportunity to encourage large numbers of people to travel to these areas, and will take full advantage of the enhanced Shinkansen network to establish attractive travel routes.

JR East is making steady progress on preparations for opening the Hokuriku Shinkansen Line to Kanazawa at the end of fiscal 2015. As a sales base for leveraging the line when it opens to encourage the flow of passengers between Tokyo and the Hokuriku region, JR East opened the Hokuriku Marketing Center in Kanazawa in fiscal 2014.

Promoting Japan as a Tourism-oriented Nation

The six JR passenger railway companies in Japan are co-promoting *Destination Campaigns (DCs)*, or large-scale tourism campaigns for revitalizing local communities in cooperation with municipal authorities. In fiscal 2015, JR East will stimulate tourism in eastern Japan with the *Niigata DC* from April through June 2014, the *Yamagata DC* from June through September 2014, and the *"Ikuze, Tohoku." Campaign*.

Examining Access Improvements to Haneda Airport

Further functional enhancements, including capacity expansion of international flights, are expected for Haneda Airport going forward. The government has also propagated a target to raise the number of overseas travelers visiting Japan to over 30 million people by 2030 (20 million people in 2020). The use of this airport, including by such inbound travelers and others, is expected to increase over time.

Under these circumstances, JR East will broadly examine measures for leveraging its transportation network to improve access to Haneda Airport.

Trains People Seek for the "Ride" Itself

JR East is developing attractive trains that are more than just a mode of transportation—that position the pleasure of riding certain trains for the ride itself as a reason for traveling—as one of its initiatives in pioneering a new future for railways. Starting in fiscal 2015, the Group will launch the *TOREIYU* service as such a train on the Shinkansen for the first time. As a design concept, this service will enable passengers to enjoy railway travel as spontaneously as a strolling through a hot spring resort to discover the foods, hot springs, cultural heritage and natural beauty of eastern Japan. |C|

|C| *TOREIYU*

NON-TRANSPORTATION

|A| *mAAch ecute Kanda Manseibashi*

|B| *ecute SouthCourt* in Tokyo Station

|C| *Perie KaihinMakuhari*

STATION SPACE UTILIZATION

OVERVIEW

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

JR East has many railway stations with high passenger volumes: 93 railway stations are used by more than 100,000 passengers a day, including 38 railway stations used by more than 200,000 passengers a day as of March 31, 2014. Given those volumes, there is considerable scope for the further development of the Group's life-style service business.

TOPICS

Station Renaissance

JR East is implementing the *Station Renaissance* program to maximize the appeal of railway stations as the largest business resource at its disposal. In fiscal 2014, JR East opened *Perie KaihinMakuhari* at Kaihinmakuhari Station, and made use of the structural remains of the defunct Manseibashi Station between Kanda Station and Ochanomizu Station to open *mAAch ecute Kanda Manseibashi*. At the same time, in-station retail facilities such as *ecute Tokyo* and *ecute Tachikawa* were renewed to enhance their competitiveness. |A||B||C|

Integration of *ecute* Retail Facilities with Stations

The name of JR East's in-station retail facilities *ecute*, is an acronym the Group coined to express its goal of redesigning spaces within stations (*eki*, in Japanese) as a *center* of *universal* appeal for all people to come *together* and *enjoy*. These *ecute* facilities developed inside Omiya, Shinagawa, Tachikawa, Nippori, Tokyo, Ueno and Akabane stations are characterized by the high-quality and highly attractive products and services they provide. The financial trend of these *ecute* facilities is summarized in the following table. |D|

Store Variations that Address Customer Needs

JR East's *NEWDAYS* convenience stores inside stations have become a fixture in the lifestyles of passengers. The Group will enhance the product and service lineup of these stores to maximize the advantage of their in-station environment, and pursue various store formats in addressing the diverse needs of customers using the stations. |E|

***Matsuri* Featuring Boxed Lunches from Stations Throughout Japan**

Boxed lunches sold at stations add flavor to a memorable railway journey by featuring seasonal "recommended foods" staple dishes and foods that are unique to a region. The *Matsuri* boxed lunch emporium in Tokyo Station has a

D 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	2,300 m²	1,600 m²	4,300 m²	380 m²	730 m²	4,800 m²	1,800 m²	1,600 m²
Number of shops	78	52	92	18	32	76	39	53
FY2014.3 Results (YoY, %)	¥9.9 billion (98.9%)	¥6.3 billion (105.3%)	¥5.9 billion (101.8%)	¥1.8 billion (101.8%)	¥4.3 billion (108.6%)	¥11.2 billion (101.5%)	¥10.6 billion (104.4%)	¥5.1 billion (101.7%)

lineup of approximately 170 varieties of these boxed lunches sold in stations throughout Japan. The emporium has also garnered popularity for its two demonstration booths where cooks prepare and sell fresh boxed lunches from scratch.

Beck's Coffee Shop In-station Cafes

Beck's Coffee Shop is JR East's in-station café that provides customers the hospitality of a freshly brewed cup of coffee along with an extensive offering of other beverages and foods. Apart from these cups brewed fresh from select, high-quality coffee beans, the food menu has been enhanced with made-to-order items such as breakfast sets and club sandwiches. In this way, *Beck's Coffee Shop* addresses various needs customers may have for a cafe inside a station, providing them a place to take a short break, have a snack, or enjoy a meal.

Rediscovering the Region Projects

Rediscovering the Region Projects are a vital component of JR East's strategy for breathing life into the local communities the Group serves. JR East invigorates regions through a strategy of strengthening collaboration with local communities to facilitate joint efforts in coming up with new ideas. These efforts entail raising the profile of local products and such tourism resources as traditional culture and festivals. At the same time, they leverage the unique characteristics of railways, and the advantages of JR East's sales channels in the Tokyo metropolitan area.

Visible initiatives include hosting *Sanchoku-Ichi* (farmers' markets) in collaboration with local communities in the Tokyo metropolitan area, the rediscovery of traditional arts and crafts, and the development of processed agricultural products. In fiscal 2014, JR East used the *Sanchoku-Ichi* held in Ueno and Omiya, among other stations, to showcase the appeal of various regions in eastern Japan.

Since fiscal 2014, JR East has been engaged in the *NOMONO 1-2-3* project. This project integrates the primary (1), secondary (2) and tertiary (3) sectors of the economy by promoting new approaches to nurturing the appeal of local agricultural, fishery and forestry products in combination with the accomplished capability of local communities for processing such products and the Group's customer-oriented product development and marketing capabilities.

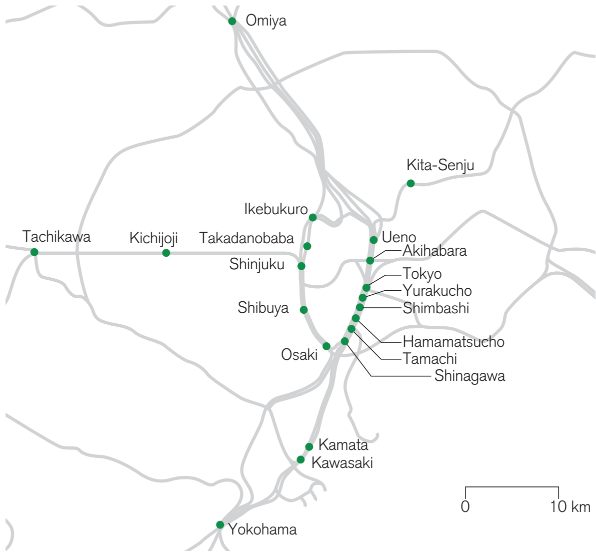
E *NEWDAYS*

OUTLOOK

Further Enhancement of In-station Value

Looking ahead, JR East will continue to promote its *Station Renaissance* program, which seeks to maximize the value of spaces inside railway stations for development as businesses that expand earnings and enhance its competitiveness. At the same time, the Group will engage in the sextic industrialization of the agriculture, fishing and forestry sector and hold more *Sanchoku-Ichi* activities to promote the appeal of local communities and expand sales channels for the products they produce.

TOP 20 STATIONS WITH LARGE DAILY PASSENGER USE



Station		Number of Passengers per Day
1	Shinjuku	1,502,036
2	Ikebukuro	1,100,700
3	Tokyo	831,816
4	Yokohama	813,188
5	Shibuya	757,078
6	Shinagawa	671,322
7	Shimbashi	509,890
8	Omiya	490,958
9	Akihabara	480,654
10	Kita-Senju	406,856
11	Takadanobaba	403,026
12	Kawasaki	394,020
13	Ueno	363,760
14	Yurakucho	334,730
15	Tachikawa	320,822
16	Hamamatsucho	311,568
17	Tamachi	288,866
18	Osaki	286,794
19	Kamata	279,456
20	Kichijoji	278,564

|A| The *GranRoof* walkway at Tokyo Station

|B| *nonowa Musashisakai*


|C| *JR Otsuka Minamiguchi Building*

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 its railway stations and the locations nearby to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

In developing and leasing office buildings, the Group also makes the most of its advantages, such as the exceptional convenience of properties with direct access to railway stations, and high-grade office facility specifications to achieve occupancy rates and rent levels that are higher than the industry average. With *Tokyo Station City*, in particular, the Shopping Centers & Office Buildings segment leveraged the development's location next to Tokyo Station—a railway station used by approximately 400,000 passengers a day—to develop a large-scale business center with cutting-edge, high-performance office facilities to meet diverse tenant needs.

As of March 31, 2014, JR East operated 152 shopping centers and 24 office buildings.

TOPICS

New Shopping Centers

JR East is actively opening new shopping facilities to keep pace with a changing external business environment and intensifying competition. One example of this is the September 2013 opening of the *GranRoof* covered walkway above the Yaesu entrances to Tokyo Station, which connects the two office towers to the north and south of the station. There are 15 commercial retail facilities JR East developed for operation in *GranRoof* from the basement floor to the third floor above ground. Apart from that, the Shopping Centers & Office Buildings segment opened *atrévie Otsuka* in addition to the openings of *nonowa Musashisakai* and *nonowa Higashikoganei* as part of the Group's *Chuo Line Mall* vision for property development on the Chuo Line.

Among the office buildings the segment opened in the past fiscal year were *JR Otsuka Minamiguchi Building*. Looking ahead, JR East will continue developing office buildings from the viewpoint of prospective tenants. To flexibly address their needs, the Group will develop buildings designed to withstand earthquakes, provide emergency power, and accommodate people if they have difficulty getting home in the event of a disaster. Such buildings satisfying business continuity plan (BCP) requirements have risen rapidly in demand in recent years. Environmental issues will be addressed, primarily by reducing CO_2 emissions of the buildings, and by fitting them with energy-saving facilities and equipment. |A||B||C|

Remodeling

Remodeling is an effective means of keeping shopping centers fresh in the eyes of customers. In fiscal 2014, JR East carried out numerous remodeling projects, including for *LUMINE Yurakucho*, *atré Kichijoji* and *S-PAL Koriyama*, to reenergize existing stores and attract prominent tenants that can draw in customers.

OUTLOOK

Aggressive Development

It is JR East's policy to continue taking advantage of the exceptional capability of its stations and the locations around those stations to draw in customers in developing shopping centers and office buildings going forward. Specifically, the segment plans to promote the construction of *CIAL Sakuragicho* (scheduled to open in summer 2014) and a new building for Nagano Station's Zenkoji Exit (scheduled to open by the end of fiscal 2015). |D||E|

Large Projects Currently Under Way

There are also other large projects under way that have no scheduled completion dates 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 Group 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. At the same time, JR East plans to construct the *Shinjuku New South Exit Building* (provisional name) on the adjacent land. This building will be used to provide office space and commercial facilities, as well as a multi-purpose hall among other civic attractions. Both the new station building and transportation hub are due for completion in spring 2016.

Together with TOKYU CORPORATION and Tokyo Metro Co., Ltd., JR East is also pressing ahead with the redevelopment of Shibuya Station. The buildings planned include both the largest office building and commercial facility complex in the vicinity of Shibuya Station. The East Tower is scheduled to open in 2020, while the West and Central Tower are scheduled to open in 2027.

At Yokohama Station, JR East has formulated a *Yokohama Station West Exit Station Building Plan* (provisional name). This plan calls for the construction of a commercial facility and office building complex, with convenient direct access to the station, scheduled to open in 2020.

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

|F| New transportation hub at Shinjuku Station and *Shinjuku New South Exit Building* (provisional name)

|D| *CIAL Sakuragicho*

|E| Nagano Station's Zenkoji Exit

|G| Conceptual image of the redeveloped Shibuya Station

MAJOR PROJECTS GOING FORWARD

	Shinjuku New South Exit Building (provisional name)	Main building and facilities of Chiba Station	Sendai Station East Exit development		Shibuya Station development (Joint-development)	*Yokohama Station West Exit Building* (provisional name)	
			Commercial	Hotel		(Station-front tower)	(Tsuruya-cho tower)
Opening	Spring 2016	Spring 2018 (full opening)	Spring 2016	Spring 2017	(East Bldg.) 2020 (Center, West Bldg.) 2027	2020	
Total floor space (m²)	Approx. 111,000	Approx. 73,800	Approx. 43,000	Approx. 14,000	Approx. 270,000	94,000	24,000
Office (m²)	Approx. 77,200	–	–	–	Approx. 70,000 (Leased floor)	Approx. 28,000	–
Commercial (m²)	Approx. 9,400	Approx. 57,400	Approx. 41,000		Approx. 70,000 (Store space)	Approx. 66,000	–
Hotel (rooms)	–	–	–	Approx. 280	–	–	–

OTHERS

HOTEL OPERATIONS

The JR East Group operates 44 hotels in the JR-EAST HOTELS network with a total of 6,352 guest rooms as of March 31, 2014.

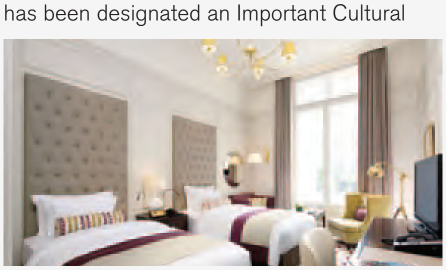
Operating income of JR East's hotel business increased 7.3% year on year to ¥47.7 billion in fiscal 2014, performing strongly in step with a recovery in the Japanese economy and an increase in demand from inbound travelers.

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 (10 hotels with 3,035 guestrooms at an occupancy averaging 83.5%).

Meanwhile, 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 (23 hotels with 2,683 guestrooms at an occupancy averaging 81.7%).

The Tokyo Station Hotel

The Tokyo Station Hotel, which first opened in 1915, was closed in March 2006 while Tokyo Station *Marunouchi Building* underwent restoration and preservation. JR East reopened this hotel on October 2012 as a cutting-edge facility like no other, housed in the historically restored splendor of the station building which has been designated an Important Cultural Property of Japan. The hotel occupies 20,800 m^2 of total floor space from the second floor underground on up through the fourth floor above ground of this building. The hotel has 150 guestrooms in all. |A|



|A| A guestroom in *The Tokyo Station Hotel*

New Openings

Fiscal 2014 saw the opening of *HOTEL METS Niigata*, with direct access to Niigata Station, as the 23rd hotel in the *HOTEL METS* franchise. This hotel with nine floors above ground was built to provide 197 guest rooms with spaciousness comparable to a city hotel. In addition, a restaurant serving dishes created with local ingredients for local consumption and shops providing local produce and products of Niigata were developed at the lower floors of this hotel. |B|

|B| *HOTEL METS Niigata*

ADVERTISING AND PUBLICITY

Advertising on transit promotional media in Japan grew 3.9% in fiscal 2013 for the first time in five years, and another buoyant 1.9% on the back of economic recovery in fiscal 2014 (Source: DENTSU INC., "Advertising Expenditures in Japan").

The stations and railcars that serve approximately 17 million people each day are JR East's most precious business assets. The Group generates sizeable ancillary revenues utilizing those assets as advertising media. Advertising and publicity is a business quintessentially affected by ups and downs in the economy. Consequently, JR East has looked to the following initiatives to improve the value of its transit promotional media and secure revenues.

Advertising Media Development Integral to Grand Design

In JR East's advertising and publicity business, advertising proposals are a proactive and integral part of station improvement and construction work from the start. Advertising is part of the grand design from the planning stage, and this ensures that the spaces within stations lead to an expansion in the Group's advertising and publicity business. During the past fiscal year, *J-AD Vision* was installed in Kaihinmakuhari Station and Kichijoji Station in September. |C|

|C| Kichijoji Station

Digitization

The JR East Group's advertising media has been digitized using *J-AD Vision* large-size LCD displays, which have been installed in major stations throughout Tokyo. As of March 31, 2014, 334 of these screens were installed in 44 stations. Another way in which JR East has digitized advertising is *Train Channel*, an advertising medium installed above the doorways of its new commuter railcars. Used for broadcasting advertising content on-board, *Train Channel* has been deployed in commuter trains on the Yamanote, Chuo, Keihin-Tohoku, Keiyo, Saikyo and Yokohama lines and the *Narita Express*.

The Group is also making WiMAX (worldwide interoperability of microwave access) available to customers for telecommunications access in stations and railcars. |D|

|D| *Train Channel* (Yokohama Line)

AVERAGE HOTEL OCCUPANCY IN JAPAN

	Fiscal 2013												Fiscal 2014											
Guest room occupancy (%)	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Nationwide	71.4	71.9	72.7	73.3	81.9	79.7	80.3	79.7	73.9	65.5	77.4	80.9	79.6	78.5	77.7	80.1	87.1	81.5	84.2	82.0	72.9	66.2	75.6	79.6
Tokyo	84.9	81.8	82.8	82.4	83.5	81.9	84.2	81.9	80.2	71.8	84.0	87.0	87.0	83.3	84.0	83.0	85.6	82.6	89.9	92.9	84.5	76.6	88.4	89.2

Source: HOTERES WEB, http://www.hoteresweb.com/ (website in Japanese only)

|A| Ticket gate use

|B| Convenience store use

|C| Vending machine use

SUICA

OVERVIEW

JR East introduced *Suica* in November 2001 as a fare collection system based on an IC card for replacing magnetically coded tickets. *Suica* is a reusable debit card that can be charged repeatedly with cash and credit pre-payments 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 46.43 million cards as of March 31, 2014. |A|

TOPICS

Usage Area of *Suica*

Since the service was introduced to the Tokyo metropolitan area in November 2001, usability of *Suica* has been extended 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 Group has spearheaded the promotion of a mutual usage service among IC cards of different transportation companies. These efforts to improve customer convenience culminated in the launch of a nationwide mutual service network linking 10 different IC cards in March 2013. To make this network possible, transportation companies abandoned bilateral agreements on mutual usage in favor of a blanket approach. Travelers can now use *Suica* or any one of the IC transportation cards they own to ride most trains, buses or some other mode of public transportation in almost any major city in Japan. As of March 31, 2014, *Suica* was usable at 4,403 stations and on approximately 23,445 buses nationwide.

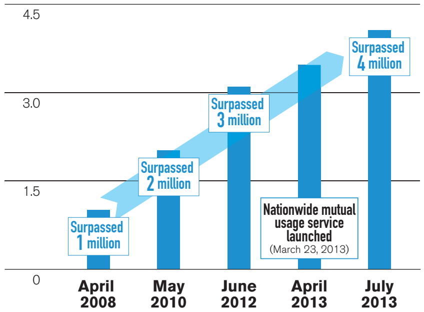
Suica Electronic Money

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 online shopping 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 248,890 retail locations and electronic money cards issued by public transportation companies turned over a record 4.06 million transactions a day as of July 2013. |B||C|

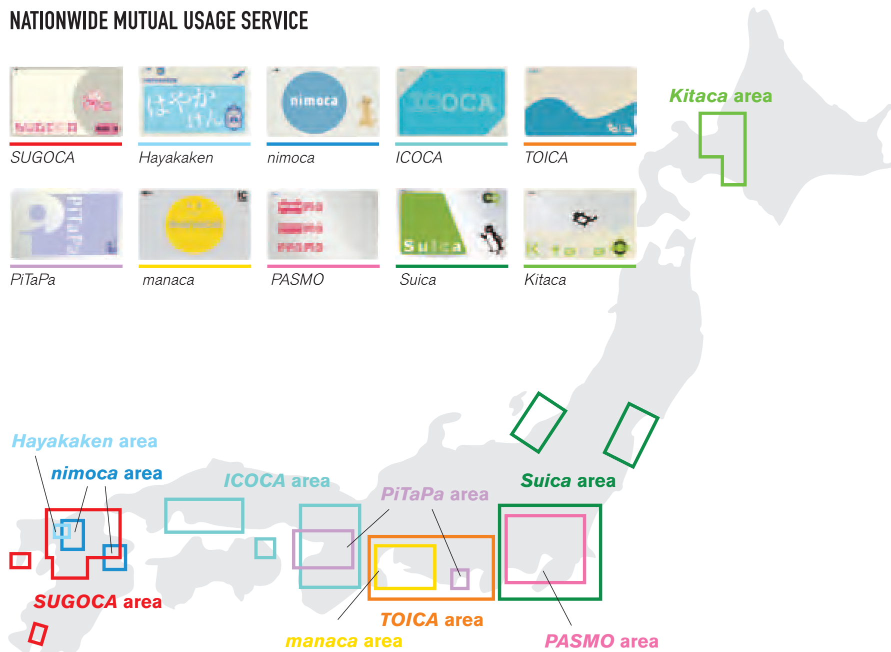
RECORD DAILY TRANSACTION VOLUME OF PUBLIC TRANSPORTATION ELECTRONIC MONEY CARDS*1

Million transactions



*1. Set comprising *Kitaca, PASMO, Suica, manaca, TOICA, ICOCA, Hayakaken, nimoca* and *SUGOCA*

NATIONWIDE MUTUAL USAGE SERVICE



- As a basic rule, IC cards cannot be used for continuous travel from an area served by one IC card to another. However, as an exception to this rule, IC cards can be used on direct service between lines served by the *Suica* and *PASMO* cards in the Tokyo metropolitan area, and certain direct service segments served by the *SUGOCA* and *Hayakaken* cards in Kyushu.
- Some transportation companies do not accept IC cards.

Comparison with Other Electronic Money Businesses

Total settlement amount by electronic money in Japan, comprising pre-paid electronic money cards, such as *Suica*, issued by public transportation companies and those issued by the retail distribution sector is estimated to have surpassed ¥3 trillion in 2013*2. Of note, as of December 31, 2013, electronic money cards issued by public transportation companies accounted for the largest share of these settlements in terms of transaction volume.

*2. Set comprising *Suica, PASMO, ICOCA, WAON, nanaco* and *Edy* (Source: The Nikkei newspaper, morning edition January 22, 2014)

STATUS OF ELECTRONIC MONEY

(As of December 31, 2013)

	Transaction Volume in Dec. 2013 (in thousands)	Cumulative cards issued (in thousands)	Usable locations
WAON	87,000	37,800	173,000
Nanaco	93,500	26,950	141,700
Edy	32,000	80,000	370,000
Public transportation e-money cards	96,770	87,500	242,000

Source: Nikkei Marketing Journal, morning edition January 27, 2014

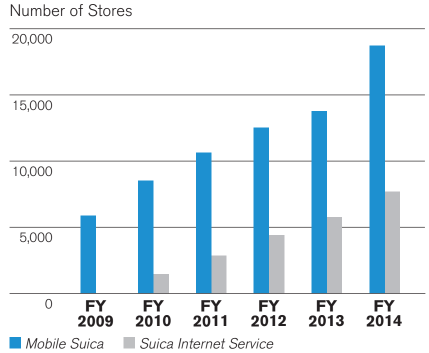
Online Transactions with *Suica*

Online settlement with *Suica* began when JR East launched the *Mobile Suica* in October 2006. This online capability was expanded in July 2009 when the *Suica Internet Service* was introduced to enable customers to use their home PCs for charging prepayments to their *Suica* cards and to settle e-commerce payments with *Suica*.

Online transactions with *Suica* began on JR East's *eki-net Shopping* e-commerce site and has since expanded steadily to include major online malls, such as *amazon.co.jp* and *Yahoo! Japan Shopping*. There are now over 10,000 retailers accepting payment online with *Suica*, including outlets for e-books, online games and other digital content.

NUMBER OF STORES ACCEPTING ONLINE SETTLEMENT WITH *SUICA*

Number of Stores



OUTLOOK

Enhance *Suica*'s Convenience as an IC Railway Ticket

Aiming to expand *Suica* services throughout the railway network, JR East will strive to expand the usable domain of *Suica* to include mutual usage with IC railway tickets in the Sendai area.

Further Growth in the Electronic Money Business

JR East will also apply a strategic approach to large chain stores and other retail venues, and link its development of tourism centered on regional destinations, and work to expand its network of affiliated stores to promote further use of electronic money. This will entail strengthening the Group's cooperation with other public transportation companies in the electronic money business and reducing the cost of introducing electronic money through the use of thin clients*3 and other means.

*3. A device that enables the concentration of all primary functions related to settlement on a central server. Thin clients enable retail establishments to reduce the cost of introducing electronic money services.

SECTION 2

AS A CORPORATE CITIZEN

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

SAFETY

Since the establishment of JR East, safety has been our top management priority, and we have worked relentlessly to heighten our levels of safety. Its earnest efforts to learn from unfortunate accidents in the past have enabled JR East to further the prevention of future accidents with continued developments both in physical and operational terms.

Pursuit of safety measures can never end. JR East will continue to work tirelessly to improve safety by 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)."

In *Group Management Vision V—Ever Onward*, JR East sets its eternal mission to pursue "extreme safety levels," and build a railway capable of withstanding natural disasters. In order to achieve this, we will continue our ceaseless efforts to increase the safety of our railways.

When the Great East Japan Earthquake occurred, the earthquake countermeasures that JR East had already been steadily implementing proved effective to a great extent. However, the earthquake also revealed issues that the Group must address to ensure a higher level of safety. Based on this experience, JR East has worked to implement earthquake countermeasures in preparation for events that are conceivable, such as an earthquake directly beneath the Tokyo metropolitan area, focusing on both tangible and intangible aspects. In these ways, the Group is working to build a railway capable of withstanding natural disasters.

JR East is also further promoting initiatives to prevent train collisions, derailments and road crossing accidents. At the same time, the Group is installing automatic platform gates for the Yamanote Line and exploring the possibility of installation for other lines. In these and other ways, the Group continues to promote the development of railways that passenger can utilize reliably. Starting from fiscal 2015, JR East will step up activities for achieving "extreme safety levels," based on its newly formulated *JR East Group Safety Plan 2018.*

JR EAST GROUP SAFETY PLAN 2018, JR EAST'S SIXTH FIVE-YEAR SAFETY PLAN

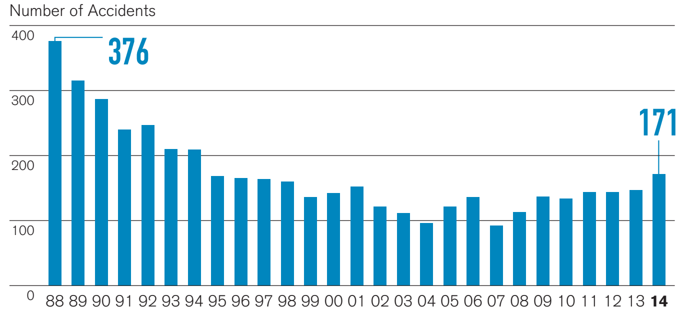
Since its establishment, JR East has continued to create and implement medium-term safety plans. With the installation and further development of our safety equipment, along with companywide advancements in safety awareness and skill, we have succeeded in reducing the frequency of railway accidents drastically from levels at the time of the company's establishment.

For fiscal 2015, JR East formulated "*JR East Group Safety Plan 2018—safety through individual development and teamwork*," its sixth five-year safety plan. Each employee involved in railway operations will strive to improve individual safety and band together as the JR East Group to ensure "extreme safety levels."

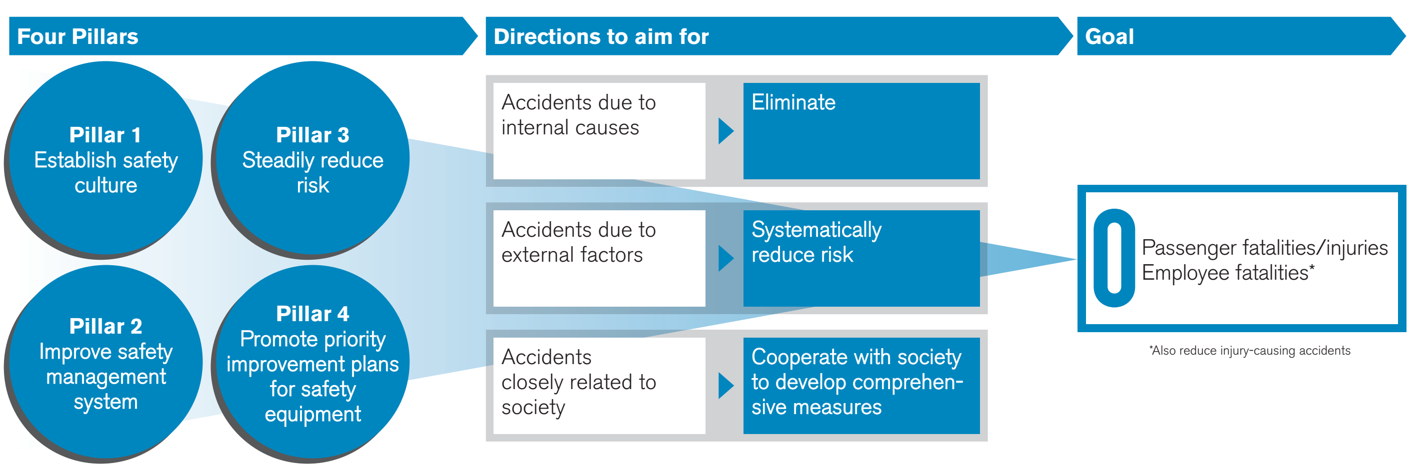
Under *JR East Group Safety Plan 2018*, JR East develops concrete safety initiatives based on objectives such as "Eliminate accidents due to internal causes" clarified in the plan. The Group also aims to improve the Group's safety management system by promoting training of personnel responsible for safety including succession of skills and efforts to learn the serious consequence of accidents.

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

Number of Accidents



OVERALL IMAGE OF *JR EAST GROUP SAFETY PLAN 2018*



INVESTMENT IN SAFETY EQUIPMENT FOR "EXTREME SAFETY LEVELS""

To achieve a more assured level of safety in railway operations, weak points in the current systems must be identified and reviewed from a safety standpoint. Furthermore, safety equipment must undergo intensive and effective assessments in order to prevent the occurrence of accidents in the future. JR East analyses and evaluates all potential areas of risk and takes appropriate measures to ensure that these risks do not become reality, placing priority on facility investments in order to avert any major damage in the case of a major earthquake in the Tokyo metropolitan area.

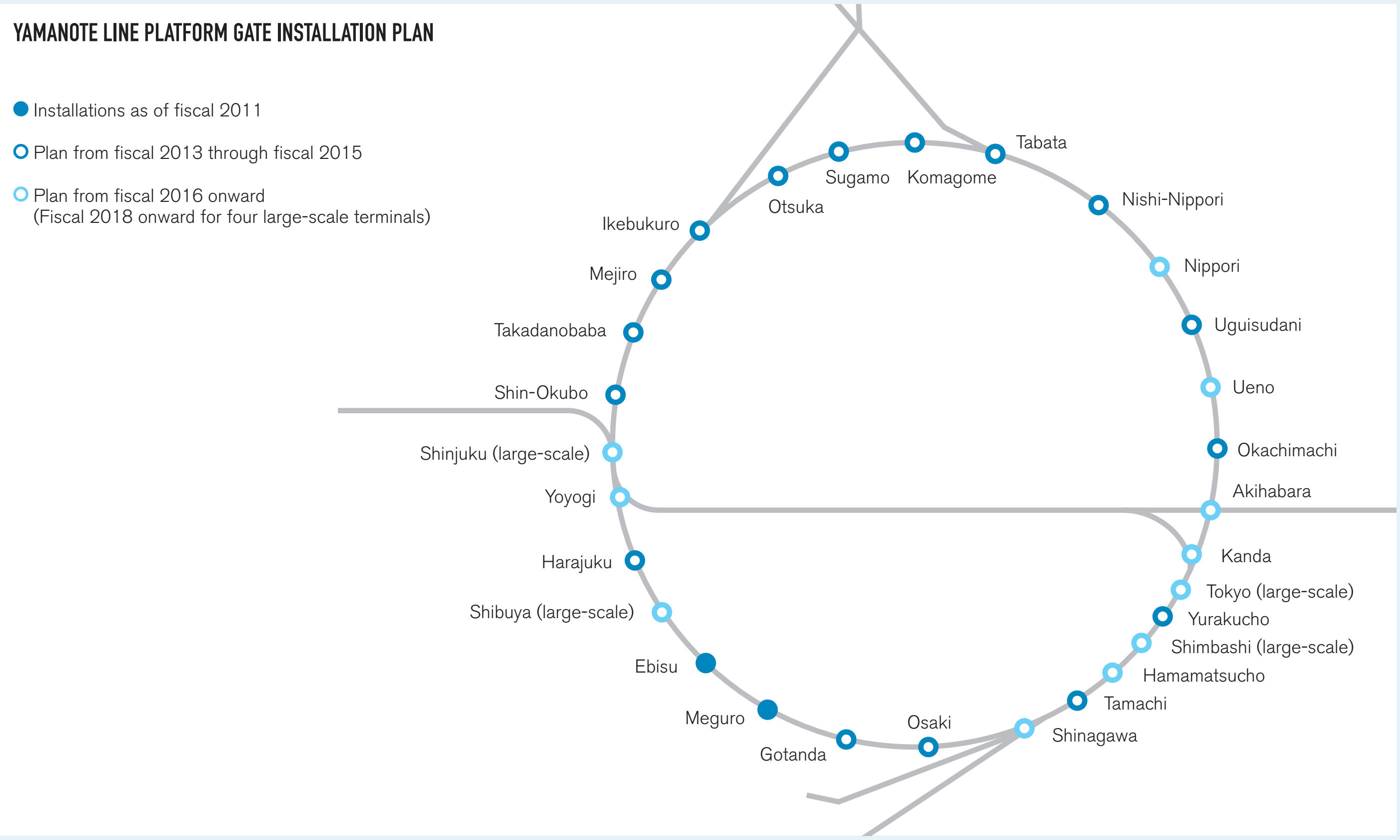
For improvements to safety equipment, under its five previous five-year safety plans leading up to fiscal 2014, JR East invested more than ¥3,000 billion during those 27 years following the Group's establishment. In *JR East Group Safety Plan 2018*, JR East has planned to invest approximately ¥1,000 billion on safety measures during the five years from April 2014 to March 2019.

TOPIC INSTALLATION OF AUTOMATIC PLATFORM GATES

As a major measure to prevent accidents to customers on platforms, JR East is introducing automatic platform gates on the Yamanote Line. In fiscal 2014, we started the use of these gates at Otsuka, Sugamo, Komagome, Shin-Okubo, Mejiro, Takadanobaba and Tamachi stations. In fiscal 2015, we plan to install these gates at Okachimachi, Uguisudani, Tabata, Yurakucho, Harajuku, Gotanda, and Nishi-Nippori stations. With the exception of six stations, Shinagawa, Hamamatsucho, Shimbashi, Shibuya, Shinjuku, and Tokyo stations, which require large-scale improvement work, we plan to complete installations at all stations on the line by fiscal 2016. For routes other than the Yamanote Line, we plan to install automatic platform gates mainly at stations used frequently by visually challenged customers, while discussing these matters with the relevant organizations.

Automatic platform gates on the Yamanote Line

YAMANOTE LINE PLATFORM GATE INSTALLATION PLAN



ENVIRONMENTAL ISSUES

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

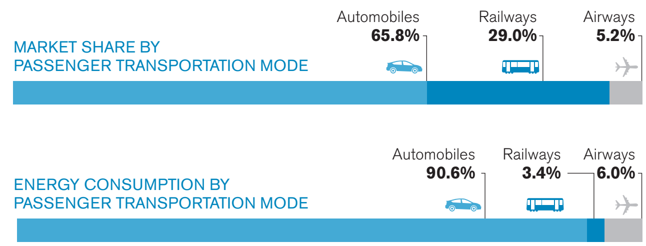
In addition, in its "*JR East Group Management Vision V*," JR East will establish energy and environmental strategies and promote various measures from the perspectives of energy creation and energy conservation. These actions will be taken in light of Japan's prolonged power shortage issues after the Great East Japan Earthquake and other factors.

ENVIRONMENTAL ADVANTAGES OF RAILWAYS

Train travel accounts for around 29% of domestic travel in Japan, yet its share of overall energy consumption is only around 3.4%. This is a clear indication of the advantage of railways over automobiles and other forms of transport in terms of energy efficiency per unit of traffic volume.

ENERGY CONSUMPTION AND TRANSPORTATION MARKET SHARE

(FY2012 results)



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

PROGRESS WITH ONGOING TARGETS AND THE INITIATION OF NEW TARGETS FOR THE ENVIRONMENT

JR East has set tangible targets since 1996 in promoting ecological activities. The following new environmental targets to be met by fiscal 2017 were initiated for continuation of the targets established in fiscal 2012, which expired on March 31, 2014, and in view of the fiscal 2021 objectives in the Group's management vision.

New Environmental Targets

Targets for the JR East Group

Category of environmental conservation activities	Performance indicators	Targets to be met by FY2021
Measures to prevent global warming	Energy consumption from railway business activities [Ongoing]	8% reduction (MJ: relative to FY2011 level) (52.7 billion MJ → 48.5 billion MJ)
	CO_2 emissions per unit of electricity generated at JR East's own power plants [Ongoing]	30% improvement (kg-CO_2/kWh: relative to FY1991 level) (0.457 kg-CO_2/kWh → 0.320 kg-CO_2/kWh)

Category of environmental conservation activities	Performance indicators	Targets to be met by FY2017
Measures to prevent global warming	Electricity used for railway operations per unit of transport volume on Shinkansen and conventional lines (kWh/car-km: relative to FY2011 level)	5.9% reduction each on Shinkansen and conventional lines Shinkansen lines: 2.71 kWh/railcar km → 2.55 kWh/railcar km Conventional lines: 1.65 kWh/railcar km → 1.55 kWh/railcar km
	Energy consumption per unit of floor area at branch offices, etc. (kL-crude oil equivalent/m^2: relative to FY2011 level)	15% reduction 0.0467 kL-crude oil equivalent/m^2 → 0.0397 kL-crude oil equivalent/m^2
	Construction of "*ecoste*" model stations	8 stations in total
	LED lighting on platforms (to be met within FY2015 to FY2017)	Over 50% at 60 stations
	High-efficiency upgrade of large air conditioning systems	5 installations (47 million MJ reduction)
	Energy reduction target by all Group companies	An average of 1% per year
Measures for resource circulation	Recycling rate for waste generated at stations and on trains	94%
	Recycling rate for waste generated at General Rolling Stock Centers, etc.	96%
	Recycling rate for waste generated in construction projects	96%
	Waste recycling target by all Group companies	100%
Environmental activities along railway lines	Measures to reduce noise to 75 dB or less along the Tohoku and Joetsu Shinkansen Lines* (for areas subject to noise limitation measures)	100% [Targets to be met by FY2016]
Environmental management	Setting of numeric targets by all Group companies	Targets to be revised continually

* Measures to reduce noise to 75 dB or less have been completed in the designated areas in accordance with government guidance. Currently, improvement work is being carried out step by step in other areas, to be completed by fiscal 2016.

JR EAST GROUP'S ENVIRONMENTAL IMPACT

INPUT

JR East's business operations		JR East Group companies' business operations
● Electricity 5.06 billion kWh*1 ● Other fuels 88 thousand kL (crude oil equivalent)*2	Energy use	● Electricity 0.77 billion kWh ● Other fuels 73 thousand kL (crude oil equivalent)
11.48 million m³	Water use	9.44 million m³
1,733 t (of which 95% is recycled paper)	Office paper use	1,124 t (of which 82% is recycled paper)

Operating revenue 1,932.5 billion yen

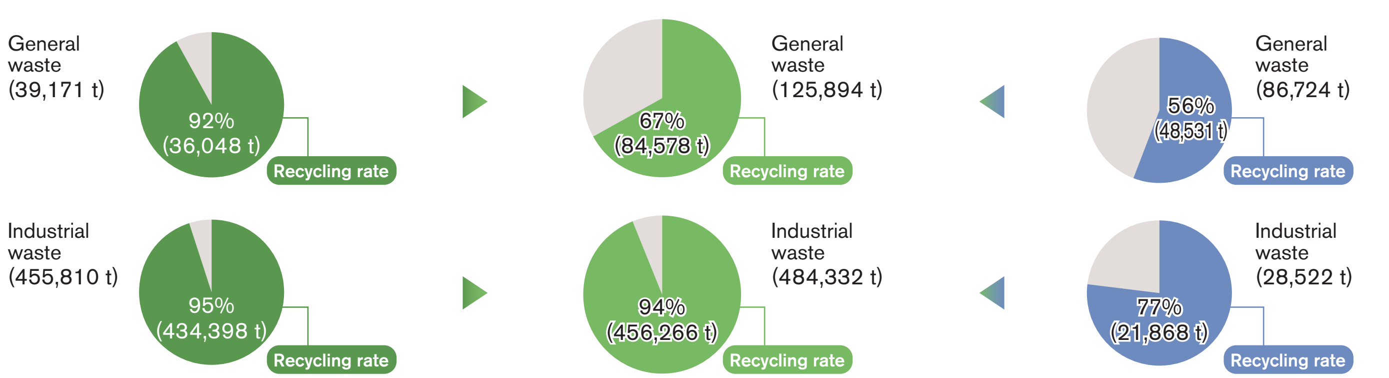
Operating revenue 770.3 billion yen

OUTPUT

JR East's business operations		JR East Group companies' business operations
2.15 million t-CO_2*3	CO_2 emissions	0.50 million t-CO_2
● Offices 2,621 t ● Stations and trains 34,281 t ● General Rolling Stock Centers, etc. 742 t ● Tickets 345 t ● Other field offices*4 934 t ● Power plants 248 t Total 39,171 t	General waste discharged	86,724 t
● Construction projects*5 425,372 t ● General Rolling Stock Centers, etc. 28,302 t ● Medical waste 161 t ● Other field offices*4 832 t ● Power plants 1,143 t Total 455,810 t	Industrial waste discharged	28,522 t

*1 Electricity: Both electricity generated in JR East's power plants and used internally and electricity purchased from electric companies are included.
*2 Other fuels: Fuel used for generating electricity in JR East's thermal power plants is not included.
*3 CO_2 emissions: CO_2 emitted by electricity purchased from the outside is calculated based on adjusted emission coefficients.
*4 Other field offices: Technical centers engaged in the maintenance of equipment and conductor's depots.
*5 Construction projects: Waste generated by our construction projects, but for which contractors legally become the waste-discharging entities, is included in industrial waste.

JR East's recycling rate　　Entire JR East Group's recycling rate　　Group companies' recycling rate



Waste disposal
• Waste includes salable waste.
• Recycling includes thermal recycling* where general and industrial waste are incinerated with heat recovery.
* Thermal recycling: A recycling method in which the heat arising from the incineration of waste is used to create steam and warm water, which in turn are used to generate electricity and to produce hot water.

The JR East Group is based on railway businesses that are involved in a broad range of our customers' lives and that are vital to society and local communities. With such a public responsibility, the Group is committed to meeting its social responsibilities by carrying out business activities in a way that will ensure railway safety and reliable transportation services.

In terms of social mission, the JR East Group Philosophy states: "We aim to grow continuously while meeting our social responsibilities as a *Trusted Life-style Service Creating Group*." JR East is determined to remain a corporate group capable of meeting social expectations and maintaining stakeholders' trust by pursuing business activities in line with that philosophy.

RELATIONSHIP WITH SOCIETY

As a member of the local community, JR East continues to take an interest in its future and works to enhance its reputation through the medium of its lineside areas, which have evolved through the *Station Renaissance* program.

The work to restore the Tokyo Station *Marunouchi Building* on the Marunouchi side of the terminal to its original form was completed in October 2012. On the Yaesu side, the *GranRoof* covered pedestrian deck opened in September 2013, in addition to the *GranTokyo North and South Towers*. A station-front plaza to the Yaesu entrances is scheduled for completion in the fall of 2014. Together with the in-station commercial zone, *GranSta*, these developments are called *Tokyo Station City* and form part of the concept of developing Tokyo Station into a complete city. The Group's goal is to create a station that will serve as a center to disseminate information on new cultures, while also serving as a spectacular gateway to Metropolitan Tokyo.

The Group is also cooperating with local governments in the creation of new stations, in line with their city planning, and the improvement of existing station buildings with free passages and other facilities, based on requests from local authorities. In fiscal 2012, JR East opened a new station, Yoshikawa-Minami, on the Musashino Line, and improved Gosannen Station on the Ou Line by building a community space (local government facility) in fiscal 2013. Since its establishment in 1987, JR East has introduced local government facilities into a total of 84 stations (as of March 31, 2013). In fiscal 2014, Sashiogi Station on the Kawagoe Line and Hakusan Station on the Echigo Line were also improved by construction of free passages.

GranRoof and station-front plaza to the Yaesu entrances

Free passage at Hakusan Station on the Echigo Line

TOPIC CHILDCARE SUPPORT SERVICES *HAPPY CHILD PROJECT*

The JR East Group is striving to develop communities along its railway lines in which people can live in comfort and can benefit from adequate childcare support, as envisaged by the *HAPPY CHILD PROJECT*. More specifically, these communities will benefit from elements of social infrastructure, such as nursery schools near stations for supporting childcare, and community cafés for parents and children. It is hoped that these may contribute to the development of local communities and be used as venues for various events that both parents and children can enjoy.

The Group will respond actively to various needs associated with childcare, contribute to the local community and upgrade the value of areas adjacent to the railway lines.

Childcare Support Facilities–Support for working parents

JR East has opened childcare support facilities such as "nursery schools near stations" located in easily accessible areas that are usually within a five-minute walk from the station, to support the combination of childcare and easy commuting to work. A total of 79 childcare support facilities were opened from 1996 through April 2014, and JR East is continuing to increase the number of these facilities. These nursery schools near stations have the advantage that parents can drop and pick up their children easily on their way to and from work. As evidenced by many children who are brought to the nursery by their fathers, our childcare support encourages men's participation in childcare as well.

Nursery school near station

Children playing on station rooftop

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 24, 2014

SATOSHI SEINO
Chairman

MASAKI OGATA
Vice Chairman
Technology and Overseas Related Affairs

TETSURO TOMITA*1
President and CEO

YUJI FUKASAWA*1
Executive Vice President
Assistant to President

NAOMICHI YAGISHITA*1
Executive Vice President
Assistant to President

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

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

OSAMU KAWANOBE
Director General of Railway Operations Headquarters

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

TAKASHI SAWAMOTO
Deputy Director General of Railway Operations Headquarters; In charge of Information Systems Planning Department, Corporate Planning Headquarters; In charge of Technology Planning Department, Corporate Planning Headquarters; In charge of Customer Service Quality Reformation Department, Railway Operations Headquarters

MASAHIKO NAKAI
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

YASUYOSHI UMEHARA
General Manager of Tokyo Branch Office

MAKOTO TAKAHASHI
Director General of IT & Suica Business Development Headquarters; In charge of Public Relations Department; In charge of Legal Department; In charge of Administration Department; In charge of Olympics and Paralympics

YASUSHI FUKUDA
Deputy Director General of Railway Operations Headquarters; In charge of Facilities Department, Railway Operations Headquarters; In charge of Electrical & Signal Network System Department, Railway Operations Headquarters

TAKAO NISHIYAMA
In charge of Overseas Related Affairs

DIRECTORS

TAKASHI ETO
Stationmaster of Tokyo Station, Tokyo Branch Office

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

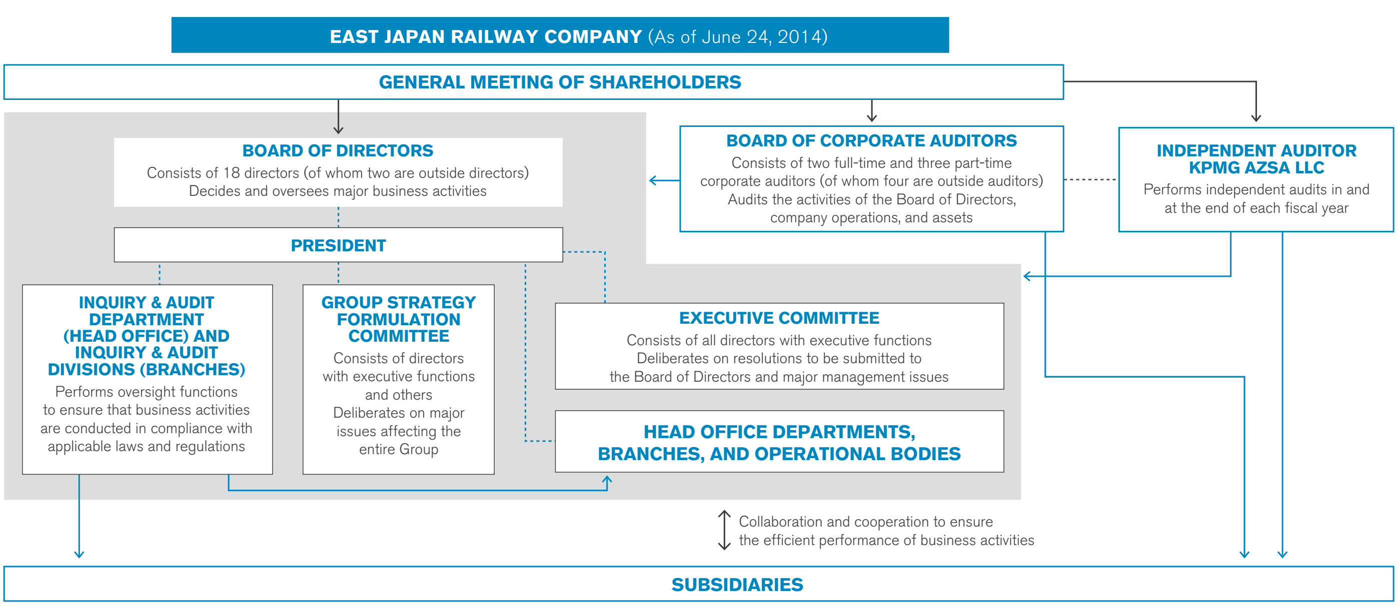
Reason for Adopting Current Corporate Governance System

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 18 directors, including two outside corporate directors as of June 24, 2014. 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.

CONCEPTUAL DIAGRAM OF CORPORATE GOVERNANCE



Meeting once a month in principle, 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.

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. The former stresses the prompt review, effective formulation, and promotion of measures for preventing railway operation accidents and accidents involving injury and death. The latter focuses on the effective formulation and promotion of measures for preventing the malfunction of railway cars, facilities and equipment, and improving the response to service disruptions once a transportation malfunction occurs, with the aim of enhancing transportation service quality.

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 its 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.

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 at the end of each accounting period, 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:
  Shozo Tokuda, Teruhiko Tanaka and Kazuhiko Azami
- Breakdown of auditing assistants:
  certified public accountants 18
  other 20

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. There is no conflict of interest between these outside directors, outside corporate auditors and JR East with regard to personal relationships, capital relationships, business relationships and other potentially conflicting interests JR East is obliged to disclose.

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. Moreover, JR East elects outside corporate auditors in order to take advantage of extensive knowledge and experience garnered outside JR East in its auditing operations and with a view to strengthening corporate governance systems through audit of directors and the business duties they execute from independent standpoints.

Principal Activities of Outside Directors and Outside Corporate Auditors in Fiscal 2014

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 all 16 meetings of the Board of Directors held during this fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held 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	HAJIME HIGASHIKAWA	Attended all 16 meetings of the Board of Directors held during this fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held 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 15 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 94%) and 13 meetings out of all 15 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 87%), and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	MUTSUO NITTA	Attended 15 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 94%) and all 15 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 an attorney-at-law.

Appointment Status of Outside Directors (as of July 2014)

Name	Positions at other entities	Reasons for election
TAKESHI SASAKI	*Outside Director, ORIX Corporation*	JR East deems Mr. Sasaki to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company supervision and advice on management on the basis of his experience as a former Dean of the Faculty of Law, University of Tokyo and a former President of the University of Tokyo.
TOMOKAZU HAMAGUCHI	*Outside Director, IHI Corporation and KURARAY CO., LTD.*	JR East deems Mr. Hamaguchi to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company supervision and advice on management on the basis of his experience as a former President and CEO of NTT DATA Corporation.

Appointment Status of Outside Corporate Auditors (as of July 2014)

Name	Positions at other entities	Reasons for election
SHIGEO HOSHINO	–	JR East deems Mr. Hoshino to be appropriate for the appointment and equipped with audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his experience in major posts at the Ministry of Land, Infrastructure, Transport and Tourism.
HAJIME HIGASHIKAWA	–	JR East deems Mr. Higashikawa to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his experience in major posts at the National Police Agency.
TOSHIAKI YAMAGUCHI	*Certified Public Accountant*	JR East deems Mr. Yamaguchi to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his vast experience as a certified public accountant.
MUTSUO NITTA	*Attorney, Outside Corporate Auditor, Sumitomo Corporation*	JR East deems Mr. Nitta to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his vast judiciary experience 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)	770	606	163	18
Corporate auditors (not including outside corporate auditors)	10	8	2	1
Outside directors and outside corporate auditors	105	84	21	6
Total	886	699	186	25

Note: The amount of remuneration, etc., includes the amount paid to two directors who resigned at the conclusion of the 26th Ordinary General Meeting of Shareholders held on June 21, 2013.

Total Remuneration of Individual JR East Directors

Not recorded because no individual received total consolidated remuneration of ¥100 million or more.

REMUNERATION FOR AUDITING SERVICES

Remuneration for Independent Auditors

(¥ Million)

Classification	Fiscal 2013		Fiscal 2014	
	Remuneration for Auditing Services	Remuneration for Non-auditing Services	Remuneration for Auditing Services	Remuneration for Non-auditing Services
JR East	245	5	245	6
Consolidated subsidiaries	468	2	480	2
Total	713	7	725	9

COMPLIANCE

JR East has adopted the *Policy on Legal and Regulatory Compliance and Corporate Ethics* as the Group's corporate activity guidelines. Concomitantly, it has established Compliance Hotlines, both inside and outside the Company, for internal reporting, and has promoted efforts on compliance.

JR East has an ongoing initiative in which all employees are educated on a yearly basis to increase their awareness of compliance.

Apart from this, JR East is making concerted efforts to further promote compliance. The Group started reviewing legal aspects throughout its business activities and established the *Basic Matter Confirmation Support Sheet* designed for the regular checking of important matters by individual departments to ensure proper business conduct.

Formulation and Revision of the Compliance Action Plan

In order to enhance the effectiveness of the *Policy on Legal and Regulatory Compliance and Corporate Ethics* adopted in 2005, the Group developed the *Compliance Action Plan Handbook* that summarized the desirable conduct for all employees. Subsequently, the handbook was distributed to all JR East employees.

In 2013, with the formulation of *JR East Group Management Vision V*, the Group revised the 2005 policy together with the *Compliance Action Plan Handbook*, taking into consideration the social changes surrounding the Company. The Group will continue to ensure that all employees of JR East completely understand and follow the handbook and will review it according to ongoing environmental and societal changes.

Education of All Employees

Since 2009, all employees of the Group have received compliance education which has been specifically designed to further increase their awareness. In fiscal 2014, JR East held compliance education programs with case study exercises involving tangible examples to enforce rigorous adherence of employees to the standards of conduct inscribed in the revised *Compliance Action Plan Handbook*.

In fiscal 2015, with aims to ensure that all employees act with compliance awareness, JR East will focus on case studies and topics matching the realities of the social fabric and workplace to educate employees. Going forward, the Group will continue to improve the content of its education programs based on societal and environmental changes.

In fiscal 2014, JR East conducted a questionnaire of all employees as part of the Group-wide compliance education program, as well as a *Group Company Compliance Questionnaire* targeting Group company corporate planning and administrative division personnel, to survey compliance awareness.

Looking ahead, JR East will continue a compliance education program that takes into account social responsibilities expected of the Group and changes in employee awareness.

Compliance Training (Fiscal 2014)

Title	Number of Sessions	Participants	Contents and Objectives	Number of Participants
All Employee Training	1	JR East and Group company employees	Compliance awareness	All employees
New Recruit Training	1	JR East new recruits	Compliance awareness	All new recruits
Basic Legal Training	1	Group company legal affairs personnel	Acquisition of basic legal knowledge	47
Legal Skills Training	1	Head Office and branch office legal affairs personnel	Personnel enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	15
Compliance Seminar	2	Head Office executives, general managers, etc.	Compliance management awareness	180

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

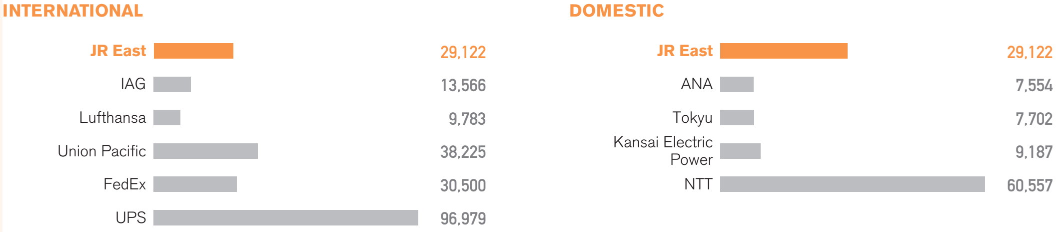
PEER GROUP COMPARISONS

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

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

TOTAL STOCK MARKET VALUE

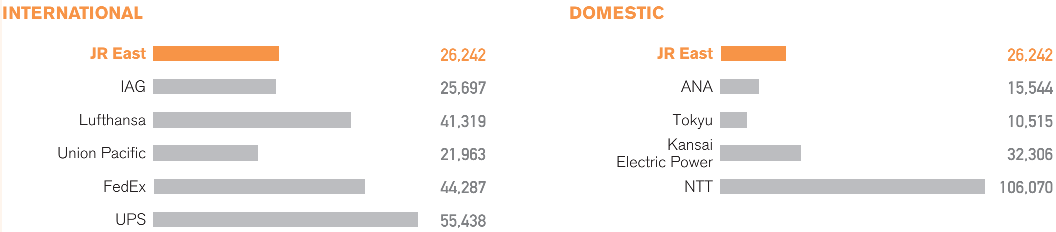
Millions of U.S. Dollars



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

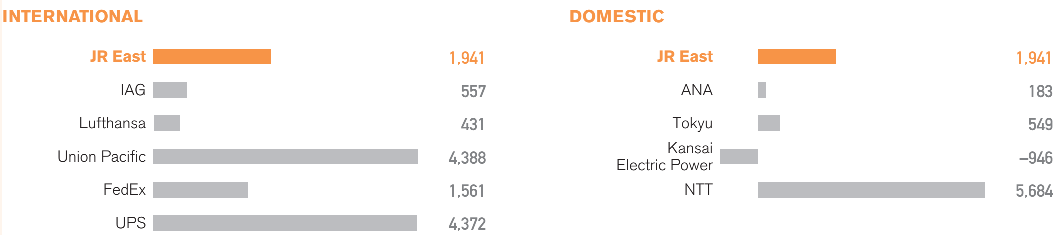
OPERATING REVENUES

Millions of U.S. Dollars



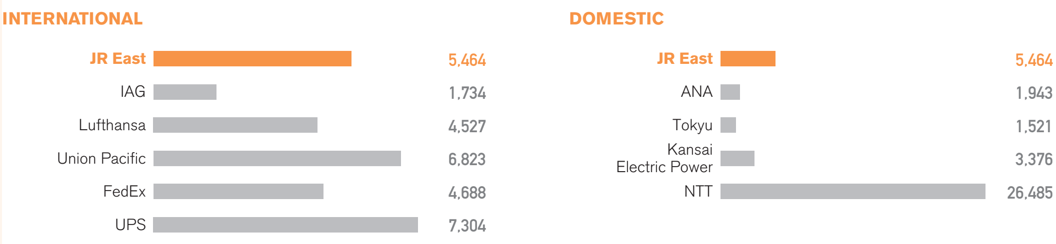
NET INCOME (LOSS)

Millions of U.S. Dollars



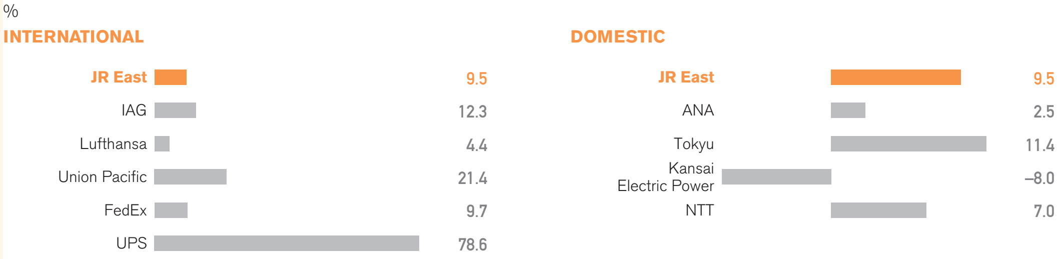
CASH FLOWS FROM OPERATING ACTIVITIES

Millions of U.S. Dollars



RETURN ON AVERAGE EQUITY (ROE)

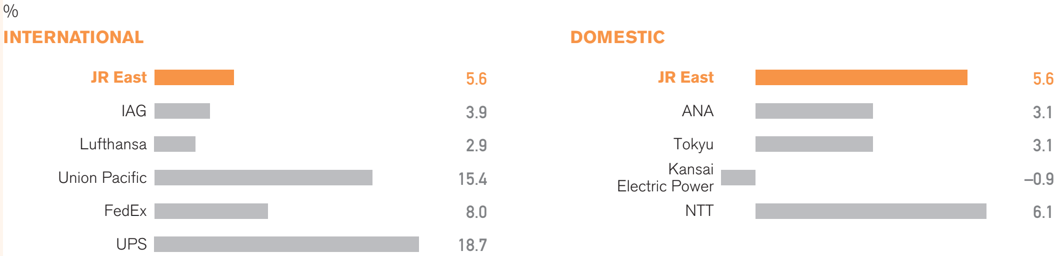
%



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)

%



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, 2014 (Year ended December 31, 2013 for IAG, Lufthansa, Union Pacific, and UPS and year ended May 31, 2013 for FedEx).
- ANA: ANA HOLDINGS INC.; 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, 2014 ($1=¥103, £1=$1.66, €1=$1.38).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $73.84 for JR East, $6.68 for IAG, $21.22 for Lufthansa, $84.00 for Union Pacific, $96.34 for FedEx, $105.08 for UPS, $2.17 for ANA, $6.13 for Tokyu, $10.28 for Kansai Electric Power, and $54.55 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.

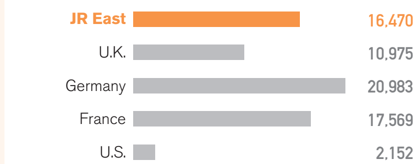
TRANSPORTATION MARKET

RAILWAY LINE NETWORKS

Kilometers

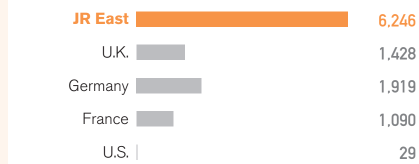
REVENUES FROM RAILWAY OPERATIONS

Millions of U.S. Dollars

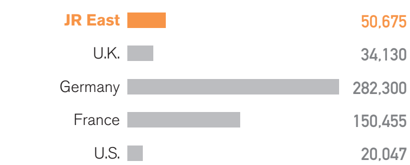


NUMBER OF PASSENGERS

Millions



NUMBER OF EMPLOYEES



PASSENGER KILOMETERS

Millions

- Figures are as of March 2014 for JR East, March 2012 for the U.K., December 2011 for France and Germany, and September 2010 for the U.S.
- 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)); and 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 \$1=¥103 as of March 2014 for JR East and €1=\$1.34 as of March 2012 for the others.

Source: International Railway Statistics 2011, Statistics Centre of the International Union of Railway, Sep. 2013.

FUNDAMENTALS

GROSS DOMESTIC PRODUCT

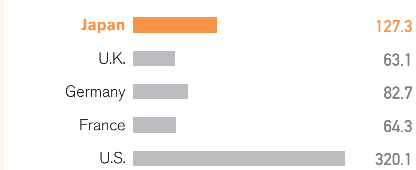
Billions of U.S. Dollars

2013

POPULATION

Millions

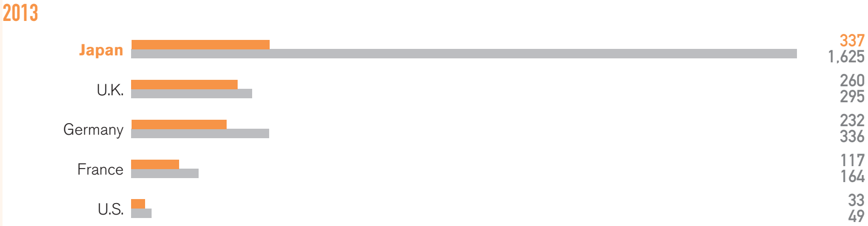
2013



POPULATION DENSITY

Per Square Kilometer

2013



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

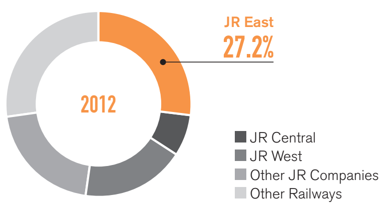
- JR East calculated these figures by using the following data and definition of each country's habitable land area.
  Population
  Japan: Current Population Estimates, Ministry of Internal Affairs and Communications Statistics Bureau; Other countries: United Nations data.
  Habitable land area
  Japan: 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 2010, FAO.

RAILWAY OPERATIONS IN JAPAN

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

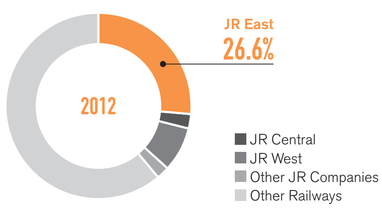
SHARE OF DOMESTIC RAILWAYS

PASSENGER LINE NETWORK



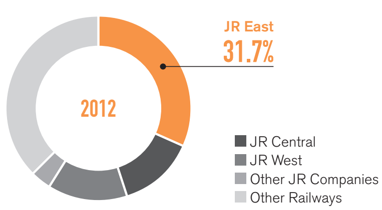
	Km	%
JR East	**7,513**	**27.2%**
JR Central	1,971	7.1%
JR West	5,013	18.1%
Other JR Companies	5,628	20.4%
Other Railways	7,519	27.2%

NUMBER OF PASSENGERS



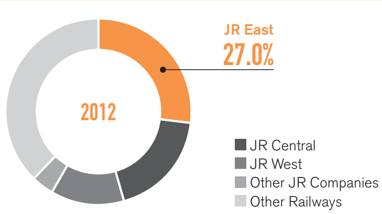
	Millions	%
JR East	**6,039**	**26.6%**
JR Central	516	2.3%
JR West	1,799	7.9%
Other JR Companies	484	2.1%
Other Railways	13,869	61.1%

PASSENGER KILOMETERS



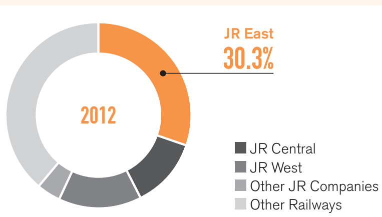
	Millions	%
JR East	**125,065**	**31.7%**
JR Central	53,225	13.5%
JR West	54,118	13.7%
Other JR Companies	14,504	3.7%
Other Railways	147,886	37.4%

REVENUES FROM PASSENGER TICKETS



	Billions of Yen	%
JR East	**1,595**	**27.0%**
JR Central	1,108	18.7%
JR West	759	12.8%
Other JR Companies	232	3.9%
Other Railways	2,229	37.6%

ROLLING STOCK KILOMETERS



	Millions	%
JR East	**2,144**	**30.3%**
JR Central	871	12.3%
JR West	1,017	14.4%
Other JR Companies	296	4.2%
Other Railways	2,745	38.8%

As of March 31, 2012
- 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.

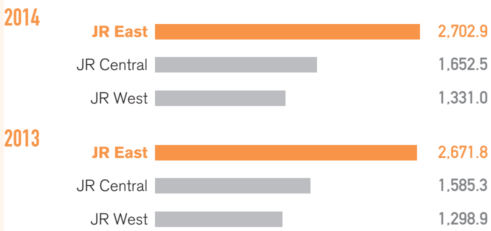
Source: Statistics of Railways 2011, Ministry of Land, Infrastructure, Transport and Tourism.

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

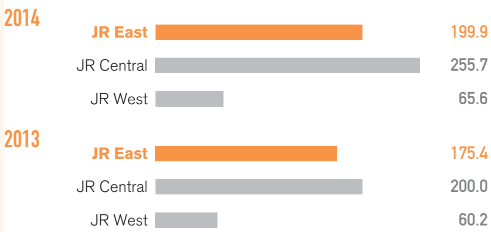


Millions of Yen

Years ended March 31	2013	2014
JR East	**2,671,823**	**2,702,917**
JR Central	1,585,319	1,652,547
JR West	1,298,913	1,331,019

NET INCOME

Billions of Yen

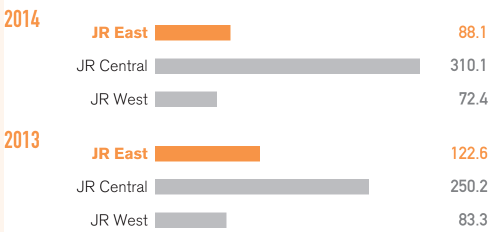


Millions of Yen

Years ended March 31	2013	2014
JR East	**175,385**	**199,940**
JR Central	199,971	255,686
JR West	60,198	65,640

FREE CASH FLOWS

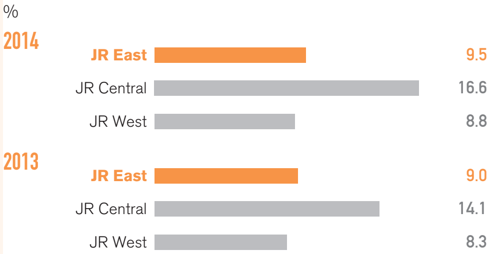
Billions of Yen



Millions of Yen

Years ended March 31	2013	2014
JR East	**122,577**	**88,066**
JR Central	250,210	310,103
JR West	83,269	72,377

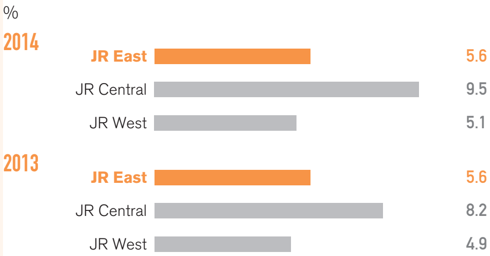
RETURN ON AVERAGE EQUITY (ROE)



Years ended March 31	2013	2014
JR East	**9.0%**	**9.5%**
JR Central	14.1%	16.6%
JR West	8.3%	8.8%

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

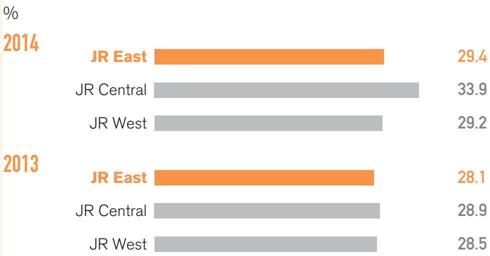
RATIO OF OPERATING INCOME TO AVERAGE ASSETS (ROA)



Years ended March 31	2013	2014
JR East	**5.6%**	**5.6%**
JR Central	8.2%	9.5%
JR West	4.9%	5.1%

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

EQUITY RATIO



Years ended March 31	2013	2014
JR East	**28.1%**	**29.4%**
JR Central	28.9%	33.9%
JR West	28.5%	29.2%

- 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%**	**79,681**	**47.7%**	**870.9**	**43.0%**
Tobu Railway	463.3	17.4%	12,471	7.5%	141.8	7.0%
Tokyo Metro	195.1	7.3%	18,905	11.3%	298.7	14.8%
Seibu Railway	176.6	6.7%	8,561	5.1%	94.1	4.7%
Keisei Electric Railway	152.3	5.7%	3,693	2.2%	54.8	2.7%
Toei (Tokyo Metropolitan Government)	131.2	4.9%	6,060	3.6%	136.4	6.7%
Odakyu Electric Railway	120.5	4.5%	11,246	6.7%	116.2	5.7%
Tokyu Corporation	104.9	4.0%	10,417	6.3%	131.0	6.5%
Keikyu Corporation	87.0	3.3%	6,116	3.7%	73.7	3.6%
Keio Electric Railway	84.7	3.2%	7,328	4.4%	77.7	3.8%
Sagami Railway	35.9	1.4%	2,535	1.5%	30.7	1.5%
Total	2,657.6	100.0%	167,013	100.0%	2,026.1	100.0%

1 As of March 31, 2013.
2 For the year ended March 31, 2013.

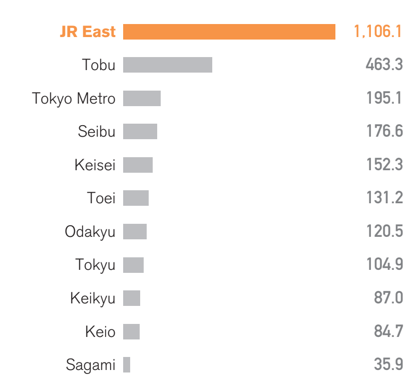
- Figures do not include freight lines.
- Data used for JR East is that of the Tokyo Metropolitan Area Network and do not include Tokyo Monorail.

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 2013, 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.

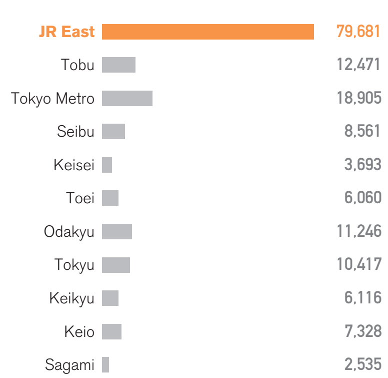
PASSENGER LINE NETWORKS

Kilometers



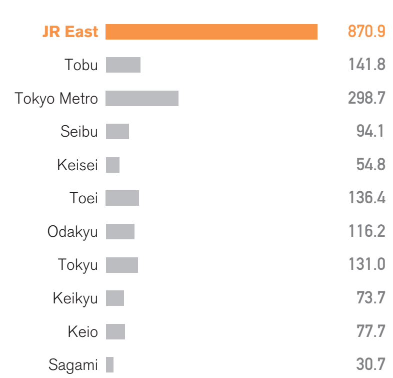
PASSENGER KILOMETERS

Millions



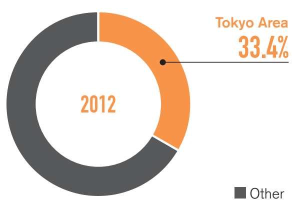
REVENUES FROM PASSENGER TICKETS

Billions of Yen



FUNDAMENTALS

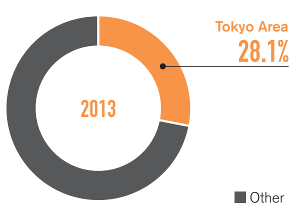
NET DOMESTIC PRODUCT



	2012	
	Billions of Yen	%
Tokyo Area	**120,868**	**33.4%**
Other	241,130	66.6%
Total	361,998	100.0%

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

POPULATION



	2013	
	Millions	%
Tokyo Area	**35.8**	**28.1%**
Other	91.5	71.9%
Total	127.3	100.0%

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

POPULATION DENSITY

	2013
	Per Square Kilometer
Tokyo Area	**2,677**
Other	251
National Average	337

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 the Geographical Survey Institute.
- The statistics on this page are based on governmental boundaries and do not strictly correspond with JR East's operating area segments.

ANALYSIS OF JR EAST'S RAILWAY OPERATIONS

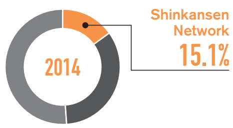
The fact that two-thirds of its transportation revenue comes from Tokyo and the Kanto region where most of the population and economic base in Japan resides, shows the solidness of JR East's management platform.

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

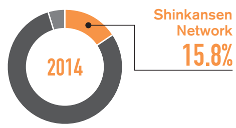
More than half of the electricity JR East consumes is self-generated in the hydro- and thermal-electric power plants it owns.

COMPOSITION BY OPERATING AREA

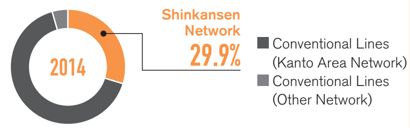
PASSENGER LINE NETWORK



PASSENGER KILOMETERS



REVENUES FROM PASSENGER TICKETS

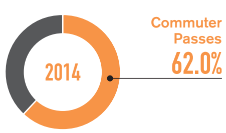


	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen Network	1,134.7	15.1%	20,863	15.8%	507,189	29.9%
Conventional Lines (Kanto Area Network)	2,536.2	33.8%	104,225	79.5%	1,115,325	65.7%
Conventional Lines (Other Network)	3,841.7	51.1%	6,022	4.6%	73,934	4.4%
Total	7,512.6	100.0%	131,110	100.0%	1,696,449	100.0%

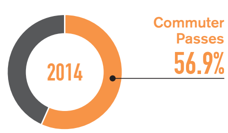
1. As of March 31, 2014.
2. Year ended March 31, 2014.
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.

COMPOSITION OF COMMUTER PASSES—OVERALL

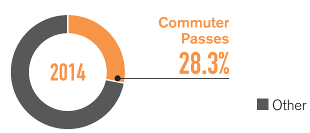
NUMBER OF PASSENGERS



PASSENGER KILOMETERS

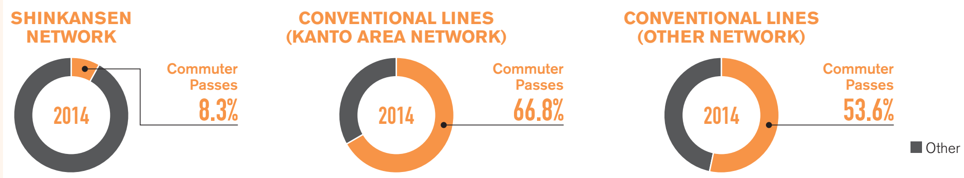


REVENUES FROM PASSENGER TICKETS



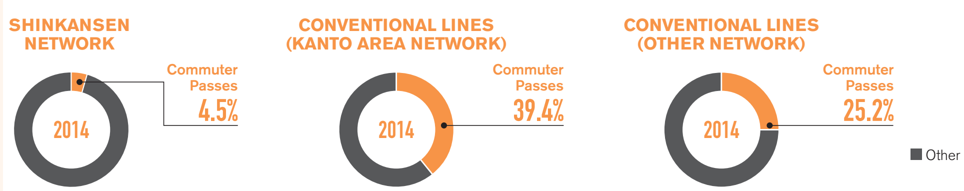
	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,875	62.0%	74,628	56.9%	480,787	28.3%
Other	2,372	38.0%	56,482	43.1%	1,215,661	71.7%
Total	6,247	100.0%	131,110	100.0%	1,696,449	100.0%

COMPOSITION OF COMMUTER PASSES—BY PASSENGER KILOMETERS



	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen Network	20,863	1,731	8.3%
Conventional Lines (Kanto Area Network)	104,225	69,670	66.8%
Conventional Lines (Other Network)	6,022	3,225	53.6%
Total	131,110	74,628	56.9%

COMPOSITION OF COMMUTER PASSES—BY REVENUES FROM PASSENGER TICKETS



	Total	Commuter Passes	
	Millions of yen	Millions of yen	%
Shinkansen Network	507,189	22,857	4.5%
Conventional Lines (Kanto Area Network)	1,115,325	439,289	39.4%
Conventional Lines (Other Network)	73,934	18,639	25.2%
Total	1,696,449	480,787	28.3%

- 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 Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.

PASSENGER KILOMETERS

Millions

Years ended March 31			2013	2014	2014/2013
Shinkansen Network		Commuter Passes	1,670	**1,731**	103.7%
		Other	18,448	**19,131**	103.7%
		Total	20,118	**20,863**	103.7%
Conventional Lines	Total	Commuter Passes	71,657	**72,896**	101.7%
		Other	36,618	**37,351**	102.0%
		Total	108,275	**110,247**	101.8%
	Kanto Area Network	Commuter Passes	68,513	**69,670**	101.7%
		Other	33,907	**34,554**	101.9%
		Total	102,420	**104,225**	101.8%
	Other Network	Commuter Passes	3,143	**3,225**	102.6%
		Other	2,710	**2,796**	103.2%
		Total	5,854	**6,022**	102.9%
Total		Commuter Passes	73,327	**74,628**	101.8%
		Other	55,066	**56,482**	102.6%
		Total	128,394	**131,110**	102.1%

REVENUES FROM PASSENGER TICKETS

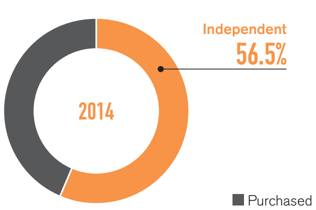
Millions of Yen

Years ended March 31			2013	2014	2014/2013
Shinkansen Network		Commuter Passes	22,731	**22,857**	100.6%
		Other	469,302	**484,331**	103.2%
		Total	492,034	**507,189**	103.1%
Conventional Lines	Total	Commuter Passes	464,600	**457,929**	98.6%
		Other	724,861	**731,329**	100.9%
		Total	1,189,462	**1,189,259**	100.0%
	Kanto Area Network	Commuter Passes	445,786	**439,289**	98.5%
		Other	671,292	**676,035**	100.7%
		Total	1,117,079	**1,115,325**	99.8%
	Other Network	Commuter Passes	18,813	**18,639**	99.1%
		Other	53,569	**55,294**	103.2%
		Total	72,383	**73,934**	102.1%
Total		Commuter Passes	487,332	**480,787**	98.7%
		Other	1,194,164	**1,215,661**	101.8%
		Total	1,681,496	**1,696,449**	100.9%

- Passenger kilometers and revenues from the conventional line segments of hybrid Shinkansen services are credited to Conventional Lines (Other Network).
- 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, 2014	Billions of kWh	%
Thermal Generation	20.9	35.7%
Hydroelectric Generation	12.2	20.8%
Independent	33.1	56.5%
Purchased	25.5	43.5%
Total	58.6	100.0%



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, 2014.

KEY ACCOUNTING POLICIES AND ESTIMATES

JR East prepares consolidated financial statements in accordance with accounting principles generally accepted in Japan. Forward-looking estimates included in those financial statements are based on a variety of factors that, in light of JR East's past performance and current circumstances, can be reasonably assumed to have affected results for assets and liabilities on the consolidated settlement date and consolidated revenues and expenses in fiscal 2014, ended March 31, 2014. 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, 2014, the Japanese economy continued to recover gradually, with improvements in consumer spending and corporate earnings. Under these conditions, and guided by *JR East Group Management Vision V—Ever Onward*, the Group made efforts to implement service quality reforms and generate revenues through steady execution of various initiatives centered around the railway and life-style service businesses, as well as *Suica* operations.

As a result, during the fiscal year under review, operating revenues increased 1.2% year-on-year to ¥2,702.9 billion ($26,242 million), mainly due to growth in the Company's transportation revenues. Operating income increased 2.3% to ¥406.7 billion ($3,949 million). Net income increased 14.0% to ¥199.9 billion ($1,941 million).

As of the first quarter of the fiscal year ended March 31, 2014, Japan Transport Engineering Company, which mainly manufactures railcars, was reclassified into the Transportation reporting segment from Others. This change reflects the plans that the Company commenced during the fiscal year under review to deepen cooperation in railway manufacturing operations between Japan Transport Engineering Company and the Company's Niitsu Rolling Stock Plant, based on *JR East Group Management Vision V*.

As a result of this change, in the Segment Information below, figures for the previous fiscal year ended March 31, 2013 have been restated to reflect the new reporting segment classification, and comparisons between this fiscal year under review and the previous fiscal year are based on restated figures.

Business results by business segment were as follows.

SEGMENT INFORMATION

Transportation

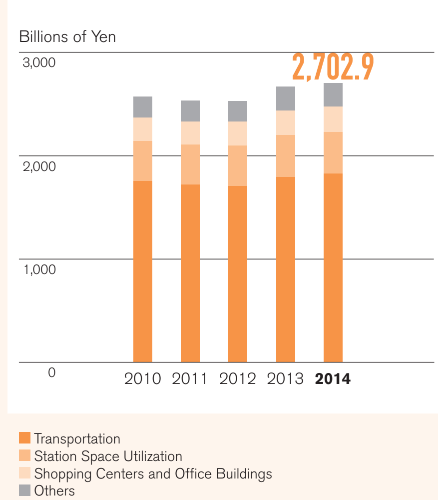
In the Transportation segment, with railway operations as its core operations, the Company, aiming to further improve reliable transportation and customer satisfaction, sought to secure revenues by steadily introducing measures to encourage the use of its Shinkansen network and conventional lines network.

With respect to safety measures, aiming for "extreme safety levels," JR East steadily continued the implementation of a seismic reinforcement plan as one of the countermeasures in the event of a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. Specifically, these countermeasures included seismic reinforcement work, such as work on embankments near the Chuo Line's Ochanomizu Station, and work on viaducts and bridge piers. Approximately 30% of the work that is currently being planned was completed by the end of the fiscal year under review. Meanwhile, in order to accommodate people unable to return home in the event of a major disruption to public transportation, JR East completed the process of stocking approximately 200 stations within a 30 kilometer radius of Tokyo with emergency supplies, and continued talks with relevant municipalities on how to direct disaster evacuations. Further, in addition to the Group's ongoing efforts to prevent accidents at railway crossings, the total number of stations with automatic platform gates on the Yamanote Line increased to 11 as of March 31, 2014, after those gates began operating at seven stations including Shin-Okubo Station and Tamachi Station. In response to a derailment accident of *Komachi* railcars on the Ou Line in March 2013, JR East studied the findings and reviews of an internal committee established to investigate the cause, and installed snow fences and improved snow removal activities to prevent such an accident from reoccurring. Furthermore, JR East's sixth five-year safety plan, *Group Safety Plan 2018*, was designed in February 2014 as a roadmap for the entire Group in making further efforts to achieve "extreme safety levels." In response to a derailment accident within Kawasaki Station on the Keihin-Tohoku Line in February 2014, the Group has been making efforts to prevent the reoccurrence of a similar accident. Such efforts included clarification of the chain of command among contractors performing construction within closed railway lines, a review of the procedures for allowing entry of road-rail vehicles and heavy construction machinery in restricted construction areas, and enhanced on-site supervision of construction contractors by the Company's employees. JR East will continue to work on such initiatives aimed at further safety enhancements.

In an effort to improve safety and reliability of transportation, the Group made progress with measures that included introduction of new railcars to the Saikyo, Yokohama and other

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

OPERATING REVENUES



lines, installation of windbreaks and countermeasures against railroad switch malfunctions caused by snowfall. In introspection of a major transportation disruption caused by heavy snowfall in February 2014, JR East made progress in research on measures to improve capabilities for responding to snowfall. In March 2014, *JR EAST APP* for smartphones was launched to enhance the information the Group provides to the public, including on the operational status of its trains. Moreover, “Service Quality Improvement Projects” were developed for the Musashino, Saikyo and Yokohama lines to strengthen the management of its services tailored to the needs of each line. JR East also continued to implement campaigns urging safety precautions for passengers using baby carriages and escalators in collaboration with other railway operators as part of the Group’s efforts to make railways more reliable and convenient.

In sales and marketing, JR East conducted holiday campaigns such as the *Sendai-Miyagi Destination Campaign* and the *Akita Destination Campaign* to encourage tourism and leverage these campaigns to help the Tohoku region recover from the March 2011 earthquake. In addition, the Group used trains that cater to people seeking to board for the “ride” itself, such as the *Tohoku Emotion* restaurant train on the Hachinohe Line, to stimulate tourism demand from the Tokyo metropolitan area to the Tohoku region. The additional measures JR East developed to increase railway usage included promotions for riding trains such as the Series E6 *Komachi* on the Akita Shinkansen Line, discount tickets and other travel products bound for the World Heritage Site Mt. Fuji, and the *JR SKI SKI* campaign. With respect to train services, JR East revised train schedules in March 2014 and raised the maximum operating speed of the entire *Hayabusa* and *Komachi* services to 320 km/h. The Group also introduced new Series E7 railcars to the Nagano Shinkansen Line. Service enhancements to improve convenience and comfort on conventional lines included introduction of a new *Swallow* seating service for commuters to the *Akagi* limited express on the Takasaki Line, and increased frequency of trains and extended segment for rapid service on the Nambu Line as part of the Group’s efforts to enhance service on the *Tokyo Megaloop*. Moreover, initiatives for increasing the number of travelers from abroad included the development of *JR East Railway Holiday* as a new product brand for inbound travel, as well as the establishment of various discount tickets and other promotions. Furthermore, the Hokuriku Marketing Center was established in April 2013 in advance of the opening of the Hokuriku Shinkansen Line to Kanazawa scheduled in March 2015. In addition, the overall operating framework and names of train services on this line were finalized in October 2013. In addition, the Group upgraded its ICT systems and made passenger guidance easier to understand, and made other preparations in advance of the revision to train fares and other charges in conjunction with the April 2014 increase in Japan’s consumption tax rate. With respect to *Suica* cards, JR East made efforts to further improve the convenience of this prepaid e-money card by expanding its mutual usage network to the service area for the Sapporo City Transportation Bureau’s *SAPICA* card in June 2013. Initiatives for promoting energy and environmental conservation strategies included the operational launch of a mega-solar electricity plant at the Keiyo Rolling Stock Center, and the introduction of *ACCUM* storage battery-driven railcars to the Karasuyama Line.

With respect to JR East’s participation in overseas railway projects, it was decided that the Group will participate in the railcar and ground facility maintenance services for the Purple Line, an urban mass transit railway system in Bangkok, Thailand, scheduled to enter into service around 2016. Subsequently, the Group began the preparatory work for providing this service. In railcar manufacturing operations, after concluding an agreement to supply the Purple Line with railcars, the Group made further efforts to win new projects and increase the number of orders worldwide by working to enhance its *sustina* stainless-steel railcars as a brand. Furthermore, progress was made with the Group’s *Global Human Resource Development Program—Ever Onward* aimed at nurturing personnel for taking on global business development. Progress involved the establishment of a new, short-term overseas studies program. At the same time, approximately 600 employees were dispatched overseas in the fiscal year under review on assignments that included working as on-the-job trainees in the overseas railway consulting business.

As a result of the above, JR East’s railway traffic volume increased from the previous fiscal year. Operating revenues from the Transportation segment increased by 1.1% to ¥1,883.5 billion ($18,287 million). Operating income increased 1.1% to ¥267.3 billion ($2,596 million).

JR East is coordinating its efforts with plans of other parties to restore train lines along the northeastern Pacific coast that were damaged by the tsunami caused by the Great East Japan Earthquake, to rebuild the area as a whole and develop individual towns. To this end, the Group is conducting discussions with the national government, local governments and other parties. With respect to the railway segments for which restoration of railway service has been approved, the Group proceeded with restoration work between Takagimachi and Rikuzen-Ono on the Senseki Line and Hirono and Tatsuta on the Joban Line, and began preparing for restoration work in the spring of 2014 between Soma and Hamayoshida on the Joban Line and Urashuku and Onagawa on the Ishinomaki Line. With respect to services with a provisional BRT (Bus Rapid Transit) system, JR East made efforts to further enhance passenger convenience, mainly by extending BRT roads on the Kesennuma Line and Ofunato Line in April and September 2013 and introducing *odeca* IC cards for boarding the BRT in August 2013. As for the Yamada Line, in January 2014 the Group proposed to relevant local governments that it be integrated with the North and South Rias lines for operation by Sanriku Railway Company. This proposal was made from the standpoint of promoting the line’s usage by localizing its management and providing a compact and sustainable mode of transportation to the local community. Other initiatives for supporting recovery along the affected lines included construction work on the Senseki-Tohoku Connecting Line to improve passenger convenience by shortening the travel time between Sendai and Ishinomaki.

In March 2012, JR East announced that it had decided to forego restoring the Iwaizumi Line as a railway line, and declared its policy of providing transportation for the region with buses. The Group had been negotiating and seeking mutual understanding with the affected municipalities and other related parties. As a result, JR East reached an agreement with the related parties on the alternative transportation and other terms for abolishing the Iwaizumi Line. Accordingly, JR East filed a notice concerning termination of operations on this line with the Minister of Land, Infrastructure, Transport and Tourism in November 2013. After completing procedures for accelerating the termination date, the Iwaizumi Line was abolished in April 2014, and a local bus company began operating buses as an alternative mode of transportation. The Group is prepared to provide the support needed in operating this alternative bus transportation.

Shinkansen Network

In the Shinkansen network, passenger kilometers increased 3.7% year on year, to 20.8 billion, mainly due to the Japanese economy recovering and an increase in inbound foreign travelers boarding as passengers. Revenues from passenger tickets increased 3.1% year on year to ¥507.1 billion ($4,923 million). In particular, Shinkansen commuter pass revenues increased 0.6% year on year to ¥22.8 billion ($221 million). Non-commuter pass revenues rose 3.2% to ¥484.3 billion ($4,702 million).

Conventional Lines (Kanto Area Network)

In the conventional lines in the Kanto area network, passenger kilometers increased 1.8% year on year to 104.2 billion, due to increased usage during three-day national holiday weekends and the Year-end and New Year holiday season. Revenues from passenger tickets decreased 0.2% to ¥1,115.3 billion ($10,828 million). In particular, commuter pass revenues declined 1.5% to ¥439.2 billion ($4,264 million), due mainly to changes in estimation methods for prepaid railway fares received, while non-commuter pass revenues increased 0.7% to ¥676.0 billion ($6,563 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers increased 2.9% year on year to 6.0 billion. This increase was mainly attributable to an increase in traffic volume in the Sendai area triggered by the *Sendai-Miyagi Destination Campaign*. Revenues from passenger tickets increased 2.1% to ¥73.9 billion ($717 million). In particular, commuter pass revenues decreased 0.9% to ¥18.6 billion ($181 million), due mainly to changes in estimation methods for prepaid railway fares received, while non-commuter pass revenues increased 3.2% to ¥55.2 billion ($536 million).

Station Space Utilization

In the Station Space Utilization segment, JR East opened *Perie KaihinMakuhari* (Chiba) and *mAAch ecute Kanda Manseibashi* (Tokyo). In addition, the Group made efforts to strengthen its competitiveness by developing attractive stores and continuing the renovation of station space commercial facilities centered in the Tokyo metropolitan area, such as those inside Tokyo and Tachikawa stations. Moreover, as part of the *Rediscovering the Region Projects*, the Group held *Sanchoku-Ichi* (farmers' markets) at Ueno, Omiya and other stations in an effort to highlight the appeal of various areas in Eastern Japan.

Despite these initiatives, and an increase in revenues such as from Tokyo Station's *CentralStreet* (Tokyo) that opened in the last fiscal year, operating revenues for the Station Space Utilization segment decreased by 0.6% to ¥415.8 billion ($4,037 million) mainly due to the closure of stores associated with construction work and weak performance of some of the existing stores, and operating income declined 4.0% to ¥36.0 billion ($350 million).

Shopping Centers and Office Buildings

In the Shopping Centers and Office Buildings segment, JR East opened *atrévie Otsuka* (Tokyo), *nonowa Higashikoganei* (Tokyo) and other facilities. Following the completion of the preservation and restoration of the Tokyo Station *Marunouchi Building* in October 2012, in September 2013 the Group completed the *GranRoof* (Tokyo) covered walkway above the Yaesu entrances to Tokyo Station connecting the two office towers to the north and south of the station. Further, JR East renovated *atré Kichijoji* (Tokyo), *LUMINE Yurakucho* (Tokyo), *S-PAL Koriyama* (Fukushima), and other facilities while continuing to reinvigorate existing stores and attract tenants that can generate customer traffic. In addition, the Group opened the *JR Ōtsuka Minamiguchi Building* (Tokyo) in August 2013 and continued construction of a new building at Nagano Station, scheduled to open at the end of fiscal 2015, and the *Shinjuku New South Exit Building* (provisional name), scheduled for completion in the spring of 2016.

As a result of these initiatives, as well as an increase in revenues from the opening of *KITTE GRANCHÉ* (Tokyo) in the JP Tower in the fiscal year ended March 31, 2013, and other additional positive factors, operating revenues of the Shopping Centers & Office Buildings segment increased by 5.1% to ¥261.8 billion ($2,541 million) and operating income increased 5.7% to ¥72.0 billion ($700 million).

Others

In hotel operations, JR East worked to improve its competitive strength further by opening *HOTEL METS Niigata* (Niigata) in April 2013 and through other measures including renovation of guest rooms and banquet halls at existing hotels. In advertising and publicity operations, the Group made efforts to promote advertising sales for *J-AD Vision*, an advertising medium at stations that uses large LCD screens, and *Train Channel*, an advertising medium used to show video commercials in trains. In addition, JR East joined other advertising agencies to invest in establishing a limited liability partnership in March 2014, with the aim of launching a digital signage business in Malaysia.

In credit card operations, JR East unrolled the *Commuter Pass Bill Cash Back Campaign*, among other campaigns tied to various events, in promoting increased card usage and membership. The *Suica* shopping services (electronic money) reached its 10th anniversary from when it was launched in March 2004. The Group worked actively to expand *Suica's* affiliated store network in markets other than railway stations. These efforts included the phased introduction of card settlements to taxis in the Tokyo metropolitan area, along with their expanded introduction to drugstores and restaurant chains. As a result of these efforts, *Suica* electronic money was usable at approximately 248,890 stores as of March 31, 2014.

Meanwhile, in the overseas railway business, JR East continued to develop a consulting business in connection with the construction plans for urban railway networks and high-speed railways in Asia, the U.K. and elsewhere. In the sports business, the Group opened *JeXer FITNESS & SPA Otsuka* (Tokyo) in September 2013, followed by the October 2013 opening of *JEXER Platina Gym Minami Urawa* (Saitama), the first gym dedicated to preventative care service. JR East also opened a second permanent *NOMONO* shop that sells local produce in Akihabara Station in March 2014, to revitalize industries in local communities through the sextic industrialization of agriculture, fishing and forestry.

As a result of these initiatives, as well as a revenue increase from the opening of *The Tokyo Station Hotel* (Tokyo) in the fiscal year ended March 31, 2013, and other additional positive factors, operating revenues from Others segment increased by 3.0% to ¥575.6 billion ($5,589 million). Operating income increased 12.5% to ¥32.6 billion ($318 million).

Note: The Group 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 the Group corresponds to the segment income under the said Accounting Standard and Guidance.

OPERATING INCOME

Operating expenses increased 1.0% year on year to ¥2,296.1 billion ($22,293 million). Operating expenses as a percentage of operating revenues were 84.9%, compared with 85.1% in the previous fiscal year.

Transportation, other services and cost of sales increased 0.2%, to ¥1,794.5 billion ($17,423 million), because of an increase in JR East's personnel expenses.

Selling, general and administrative expenses increased 3.9%, to ¥501.6 billion ($4,870 million), which was due to an increase in personnel expenses.

Operating income rose 2.3%, to ¥406.7 billion ($3,949 million) for the fourth consecutive fiscal year. Operating income as a percentage of operating revenues was 15.1% compared with 14.9% in the previous fiscal year.

INCOME BEFORE INCOME TAXES

Other income decreased 0.6%, to ¥18.9 billion ($183 million), due mainly to a decrease in equity in net income of affiliated companies.

Other expenses decreased 6.0%, to ¥93.2 billion ($905 million), mainly as a result of a decrease in interest expense.

Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥85.3 billion ($828 million) expense, an improvement of 8.0%.

Income before income taxes increased 6.6%, to ¥324.6 billion ($3,151 million). Income before income taxes as a percentage of operating revenues was 12.0%, an increase from 11.4% the previous consolidated fiscal year.

NET INCOME

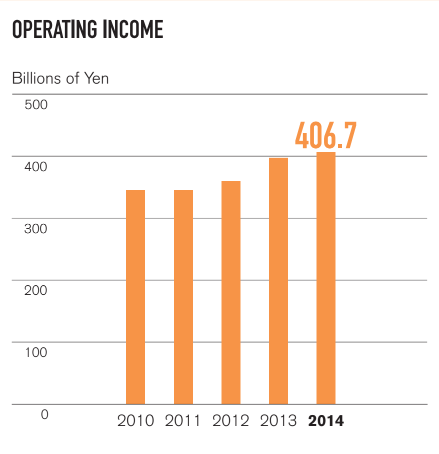
Net income increased 14.0% to a record ¥199.9 billion ($1,941 million), growing for a third consecutive year, due mainly to an increase in income before income taxes. Earnings per share were ¥506.77 ($5), up from ¥443.70 per share. Further, net income as a percentage of operating revenues was 7.4%, compared with 6.6% in the previous fiscal year.

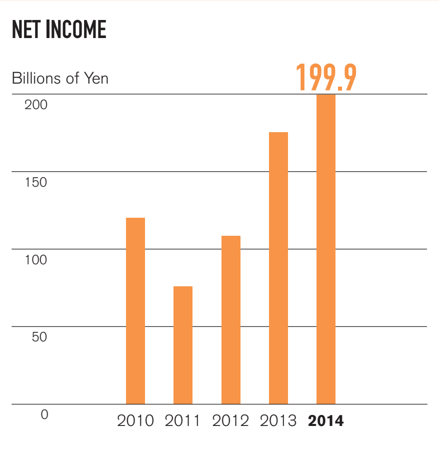
LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

In the fiscal year ended March 31, 2014, operating activities provided net cash of ¥562.7 billion ($5,464 million), ¥25.7 billion less than in the previous fiscal year. This result was mainly due to an increase in payments of income taxes.

Investing activities used net cash of ¥474.6 billion ($4,609 million), ¥8.7 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of fixed assets.





Capital expenditures were as follows.

In transportation operations, JR East implemented capital expenditures to further measures for transportation safety and reliability as well as to build a highly competitive transportation network. The station space utilization operations developed stores in *mAAch ecute Kanda Manseibashi* and *Perie KaihinMakuhari*. In shopping centers and office buildings operations, JR East undertook capital expenditures for such initiatives as *GranRoof*, *atrévie Otsuka* and *nonowa Higashi-koganei*. At the same time, those operations remodeled *atré Kichijoji* and other properties. In other services, capital expenditures initiatives included systems development and functional enhancements as well as the construction of *HOTEL METS Niigata*.

Further, free cash flows decreased ¥34.5 billion, to ¥88.0 billion ($854 million).

Financing activities used net cash of ¥91.3 billion ($887 million), ¥9.7 billion less than in the previous fiscal year. This result was mainly due to a decrease in the repayment of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2014 were ¥186.0 billion ($1,806 million), a decrease of ¥3.2 billion from ¥189.2 billion on March 31, 2013.

FINANCIAL POLICY

Interest-bearing debt at the end of fiscal 2014 stood at ¥3,288.4 billion ($31,926 million).

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. ¥176.3 billion ($1,712 million) payable at a variable interest rate (annual interest rate in fiscal 2014: 4.12%) through March 31, 2017;
b. ¥137.0 billion ($1,330 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017; and
c. ¥341.0 billion ($3,311 million) payable at a fixed annual interest rate of 6.55% through September 30, 2051

In addition, at the fiscal year-end, JR East had long-term liabilities incurred for purchase of railway facilities of ¥9.1 billion ($88 million) for the Akita hybrid Shinkansen facilities and ¥2.9 billion ($28 million) for 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 ¥21.3 billion ($207 million) in fiscal 2014.

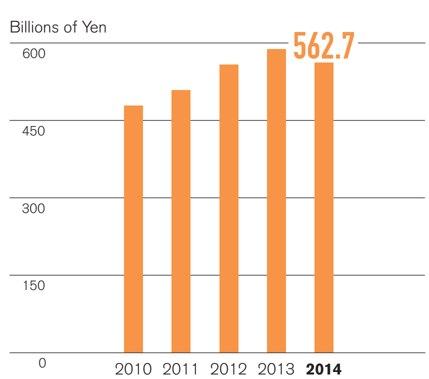
In fiscal 2002, JR East introduced a cash management system that integrated the management of the Group's cash and funding, which previously was carried out separately by subsidiaries, with the aim of reducing JR East's total interest-bearing debt. Also, JR East is enhancing capital management methods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

In the year ended March 31, 2014, JR East issued nine unsecured straight bonds, with a total nominal amount of ¥140.0 billion ($1,359 million) and maturities from 2018 through 2044. 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.

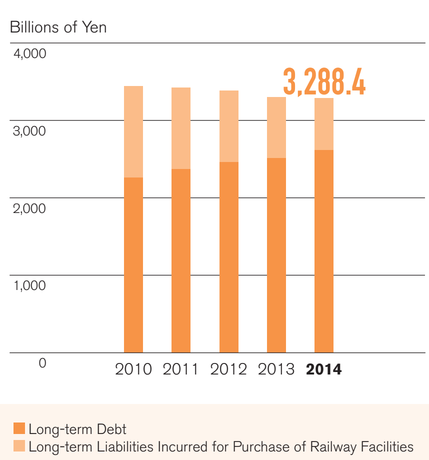
In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($3,204 million). JR East did not have any bank overdrafts on March 31, 2014. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2014. There is no outstanding balance of commercial paper JR East issued as of March 31, 2014.

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

CASH FLOWS FROM OPERATING ACTIVITIES



INTEREST-BEARING DEBT



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

Forward-looking statements in the following section are based on the assessments of the JR East Group as of March 31, 2014.

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 Honshu, hereinafter the "three new companies") from the provisions of the JR Law that had been applicable to them until then.

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

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

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

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

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

ESTABLISHMENT OF AND CHANGES TO FARES AND SURCHARGES

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

SYSTEM AND PROCEDURES FOR APPROVAL OF FARES AND SURCHARGES

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limit for fares and surcharges (Railway Business Law, article 16, item 1).

Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, including limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4).

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

JR EAST'S STANCE

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

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

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

(c) JR East primarily undertakes capital expenditure, which has a significant impact on the capital usage of railway operations, with a view to establishing a robust management base through ensuring safe and stable transportation, offering high-quality services, and implementing other measures. Further, JR East appreciates the need to independently conduct capital expenditure based upon clearly defined management responsibility.

STANCE OF THE MINISTRY OF LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM

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

(a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including from JR East, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and profits, based on the efficient management of those companies (hereinafter "total cost") (Railway Business Law, article 16, item 2).

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

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

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

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

- total cost = operating cost[1] + operational return
- operational return = assets utilized in railway business operations (rate base) x operational return rate
- assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital[2]
- operational return rate = equity ratio[3] x return rate on equity[4] + borrowed capital ratio[3] x return rate on borrowed capital[4]

1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.
2 Working capital = operating costs and certain inventories
3 Equity ratio, 30%; borrowed capital ratio, 70%.
4 Return rate on equity is based on the average of yields on public and corporate bonds and the overall industrial average return on equity and dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

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

- The changes would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the changes would give rise to unfair competition with other railway transportation operators.

PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

CONSTRUCTION PLANS FOR NEW SHINKANSEN LINES

New Shinkansen lines are those lines indicated in the plan for the Shinkansen line network that was decided pursuant to the Nationwide Shinkansen Railway Development Law (1970, Law No. 71). Finalized in 1973, that plan called for the development of the Tohoku Shinkansen Line (Morioka–Aomori), the Hokuriku Shinkansen Line (Tokyo–Nagano–Toyama–Osaka), the Kyushu Shinkansen Line (Fukuoka–Kagoshima), and other Shinkansen lines. Following the division and privatization of JNR, JR East was selected as the operator of the Takasaki–Joetsu segment of the Hokuriku Shinkansen Line and the Morioka–Aomori segment of the Tohoku Shinkansen Line. JR East started operation of the Hokuriku Shinkansen Line between Takasaki and Nagano on October 1, 1997, and the Tohoku Shinkansen Lines between Morioka and Hachinohe on December 1, 2002, and between Hachinohe and Shin-Aomori on December 4, 2010.

Within JR East's service area, the Nagano–Joetsu Myoko 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 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 Myoko segment of the Hokuriku Shinkansen Line).

Also, new Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Sapporo segment of the Hokkaido Shinkansen Line, the Joetsu Myoko–Tsuruga segment of the Hokuriku Shinkansen Line, and the Takeo-Onsen–Nagasaki 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 2014 totaled ¥21.0 billion ($204 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($170 million) and taxes and maintenance fees of ¥3.5 billion ($34 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 2014 totaled ¥10.6 billion ($103 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($77 million) and taxes and maintenance fees of ¥2.7 billion ($26 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 2013 totaled ¥8.3 billion ($80 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.0 billion ($68 million) and taxes and maintenance fees of ¥1.3 billion ($12 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 Myoko 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 Myoko 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. Accordingly, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues.

Specifically, in preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, among other major earthquake scenarios, JR East formulated plans to promote seismic reinforcement and other countermeasures at a total cost of ¥300 billion focused on the five fiscal years ending March 31, 2017. Specifically, these countermeasures included seismic reinforcement work, such as work on embankments near the Chuo Line's Ochanomizu Station, and work on viaducts, bridge piers and electrical poles. Approximately 30% of the work that is currently being planned was completed by the end of the fiscal year under review. Also in order to reinforce a seismic observation system, JR East made progress in research on high-speed transmission of seismographic observation and utilization of submarine seismograph information. Meanwhile, in order to accommodate people unable to return home in the event of a major disruption to public transportation, the Group completed the process of stocking approximately 200 stations within a 30 kilometer radius of Tokyo with emergency supplies, and continued talks with relevant municipalities on how to direct disaster evacuations. Further, as part of its ongoing efforts to prevent accidents at railway crossings, JR East converted type-4 crossings to type-1 crossings, eliminated and consolidated railway crossings and promoted installation of alarm devices that detect malfunctions and obstacles at crossings. Meanwhile, the total number of stations with automatic platform gates on the Yamanote Line increased to 11 as of March 31, 2014, after those gates began operating at seven stations including Shin-Okubo Station and Tamachi Station. In response to a derailment accident of *Komachi* railcars on the Ou Line in March 2013, JR East studied the findings and reviews of an internal committee established to investigate the cause, and installed snow fences and strengthened snow removal activities to prevent such an accident from reoccurring. Furthermore, our sixth five-year safety plan, *Group Safety Plan 2018*, was designed in February 2014 as a roadmap for individual employees who are engaged in railway operations and for the entire Group in making further efforts to achieve "extreme safety levels."

In response to a derailment accident within Kawasaki Station on the Keihin-Tohoku Line in February 2014, JR East has been making efforts to prevent the reoccurrence of a similar accident. Such efforts included clarification of the chain of command among contractors performing construction within closed railway lines, a review of the procedures for allowing entry of road-rail vehicles and heavy construction machinery in restricted construction areas, and enhanced on-site supervision of construction contractors by the Company's employees. JR East will continue to work on such initiatives aimed at further safety enhancements.

INFORMATION SYSTEMS AND PROTECTION OF PERSONAL DATA

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

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

DEVELOPMENT OF NON-TRANSPORTATION OPERATIONS

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

In non-transportation operations, JR East faces the risk of a downturn in consumption associated with an economic recession or unseasonable weather, which could lead to lower revenues from its shopping centers, office buildings, restaurants and stores in railway stations, hotels, and other operations. Such eventualities could also adversely affect sales of advertisement services and cause an increase in demands from tenants for rent reductions. Further, a fault in retail products or manufactured products, such as an outbreak of food poisoning or a similar incident, could reduce sales, damage trust in the JR East Group, or result in the failure of tenants or business partners. The occurrence of any of those contingencies could have an impact on the JR East Group's financial position and business performance. JR East's stations are used by roughly 17.1 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 expansion of Low Cost Carrier (LCC) routes, toll discounts and other sales promotion measures on expressways and the advancement of large-scale upgrading works by other railway operators in the Tokyo metropolitan area. Also, developments such as the new entry of other companies into markets or the renewal or reopening of existing commercial premises could variously affect earnings from JR East's non-transportation operations.

REDUCTION OF TOTAL INTEREST-BEARING DEBT

At the end of fiscal 2014, total interest-bearing debt was ¥3,288.4 billion ($31,926 million). In addition, interest expense amounted to ¥88.3 billion ($856 million), which was equivalent to 21.7% of operating income.

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

COMPLIANCE

The JR East Group conducts operations in a variety of areas 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, 2013 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2013	2014	2014
Assets			
Current Assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 189,262	¥ 186,058	$ 1,806
Receivables (Note 8):			
Accounts receivable—trade	368,147	437,524	4,248
Unconsolidated subsidiaries and affiliated companies	10,863	8,795	85
Other	8,117	7,851	76
Allowance for doubtful accounts (Note 2 (4))	(2,327)	(2,169)	(21)
	384,800	452,001	4,388
Inventories (Notes 2 (5) and 5)	62,933	67,393	654
Real estate for sale (Notes 2 (6) and 6)	1,330	1,200	12
Deferred income taxes (Note 20)	49,928	48,404	470
Other current assets	49,906	49,832	484
Total current assets	738,159	804,888	7,814
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 7)	48,248	44,640	433
Other (Notes 2 (7), 8 and 9)	138,367	159,109	1,545
	186,615	203,749	1,978
Property, Plant and Equipment (Notes 2 (8), 10, 11 and 21):			
Buildings	2,325,409	2,381,867	23,125
Fixtures	5,496,806	5,600,232	54,371
Machinery, rolling stock and vehicles	2,611,384	2,653,869	25,766
Land	1,986,873	1,987,541	19,297
Construction in progress	276,371	279,626	2,715
Other	204,275	220,116	2,136
	12,901,118	13,123,251	127,410
Less accumulated depreciation	6,974,896	7,097,413	68,907
Net property, plant and equipment	5,926,222	6,025,838	58,503
Other Assets:			
Long-term deferred income taxes (Note 20)	231,067	222,416	2,159
Other	141,142	171,413	1,665
	372,209	393,829	3,824
	¥ 7,223,205	¥ 7,428,304	$ 72,119

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2013	2014	2014
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8, 10 and 12)	¥ 222,937	¥ 197,921	$ 1,922
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	126,119	120,999	1,175
Prepaid railway fares received	88,580	135,879	1,319
Payables (Note 8):			
Accounts payable—trade	57,418	47,225	458
Unconsolidated subsidiaries and affiliated companies	90,680	94,047	913
Other	440,966	513,627	4,987
	589,064	654,899	6,358
Accrued expenses	110,569	112,035	1,088
Accrued consumption taxes (Notes 8 and 14)	12,244	5,799	56
Accrued income taxes (Notes 2 (12), 8 and 20)	86,917	57,549	559
Other current liabilities	37,734	40,884	396
Total current liabilities	1,274,164	1,325,965	12,873
Long-Term Debt (Notes 8, 10 and 12)	2,330,385	2,455,520	23,840
Long-Term Liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	667,111	545,417	5,295
Employees' Severance and Retirement Benefits (Notes 2 (9) and 19)	648,381	–	–
Net defined benefit liability (Notes 2 (9) and 19)	–	644,809	6,260
Deposits Received for Guarantees	134,785	132,652	1,288
Long-Term Deferred Tax Liabilities (Note 20)	4,424	4,069	40
Other Long-Term Liabilities	115,762	120,514	1,170
Contingent Liabilities (Note 15)			
Net Assets (Note 16):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2014—395,000,000 shares;			
Outstanding, 2014—394,370,706 shares	200,000	200,000	1,942
Capital surplus	96,791	96,791	939
Retained earnings	1,713,026	1,858,008	18,039
Treasury stock, at cost, 629,294 shares in 2014	(3,545)	(4,327)	(42)
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	22,997	36,857	358
Net deferred gains (losses) on derivatives under hedge accounting	1,901	1,650	16
Revaluation reserve for land (Note 2 (16))	(504)	(504)	(5)
Remeasurements of defined benefit plans	–	(7,842)	(76)
Minority Interests	17,527	18,725	182
Total net assets	2,048,193	2,199,358	21,353
	¥7,223,205	¥7,428,304	$72,119

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

East Japan Railway Company and Subsidiaries
Years ended March 31, 2013 and 2014

(I) CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2013	2014	2014
Operating Revenues (Note 22)	¥2,671,823	¥2,702,917	$26,242
Operating Expenses:			
Transportation, other services and cost of sales	1,791,691	1,794,501	17,423
Selling, general and administrative expenses	482,569	501,622	4,870
	2,274,260	2,296,123	22,293
Operating Income (Note 22)	397,563	406,794	3,949
Other Income (Expenses):			
Interest expense on short- and long-term debt	(46,163)	(45,614)	(443)
Interest expense incurred for purchase of railway facilities	(49,149)	(42,665)	(414)
Loss on sales of fixed assets	(527)	(474)	(5)
Impairment losses on fixed assets (Notes 2 (15), 11 and 22)	(30,029)	(6,468)	(63)
Interest and dividend income	2,574	2,966	29
Equity in net income (loss) of affiliated companies	3,768	1,211	12
Gain on sales of fixed assets	3,800	2,248	22
Insurance proceeds related to earthquake (Note 3)	24,261	9,624	93
Other, net	(1,720)	(3,020)	(29)
	(93,185)	(82,192)	(798)
Income before Income Taxes	304,378	324,602	3,151
Income Taxes (Notes 2 (12) and 20):			
Current	133,178	119,621	1,161
Deferred	(5,462)	3,960	38
Income before Minority Interests	176,662	201,021	1,952
Minority Interests in Net Income of Consolidated Subsidiaries	(1,277)	(1,081)	(11)
Net Income	¥ 175,385	¥ 199,940	$ 1,941

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (13))	¥ 444	¥ 507	$ 5
Cash dividends applicable to the year (Note 2 (13))	120	120	1

See accompanying notes.

(II) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Note 23)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2013	2014	2014
Income before Minority Interests	¥176,662	¥201,021	$1,952
Other Comprehensive Income	21,078	13,611	132
Net unrealized holding gains (losses) on securities	17,729	13,310	129
Net deferred gains (losses) on derivatives under hedge accounting	1,086	275	3
Share of other comprehensive income of associates accounted for using equity method	2,263	26	0
Comprehensive Income	¥197,740	¥214,632	$2,084
Comprehensive Income attributable to			
Comprehensive income attributable to owners of the parent	¥196,456	¥213,549	$2,073
Comprehensive income attributable to minority interests	1,284	1,083	11

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2013 and 2014

Millions of Yen

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Minority Interests	Total
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
Cash dividends (¥120 per share)	–	–	–	(45,492)	–	–	–	–	–	–	(45,492)
Net income	–	–	–	175,385	–	–	–	–	–	–	175,385
Increase due to merger	–	–	–	434	–	–	–	–	–	–	434
Purchase of treasury stock	–	–	–	–	(9)	–	–	–	–	–	(9)
Disposal of treasury stock	–	–	72	–	1,042	–	–	–	–	–	1,114
Retirement of treasury stock	(4,000,000)	–	(13)	(23,093)	23,106	–	–	–	–	–	–
Change in equity in consolidated subsidiaries—treasury stock	–	–	–	–	(1,042)	–	–	–	–	–	(1,042)
Change in equity in affiliates accounted for by equity method—treasury stock	–	–	–	–	(796)	–	–	–	–	–	(796)
Change of scope of equity method	–	–	–	6,109	–	–	–	–	–	–	6,109
Other	–	–	–	–	–	19,088	1,975	(504)	–	1,297	21,856
Balance at March 31, 2013	396,000,000	¥200,000	¥96,791	¥1,713,026	¥ (3,545)	¥22,997	¥1,901	¥(504)	–	¥17,527	¥2,048,193
Cash dividends (¥120 per share)	–	–	–	(47,422)	–	–	–	–	–	–	(47,422)
Net income	–	–	–	199,940	–	–	–	–	–	–	199,940
Increase due to merger	–	–	–	215	–	–	–	–	–	–	215
Purchase of treasury stock	–	–	–	–	(8,444)	–	–	–	–	–	(8,444)
Disposal of treasury stock	–	–	0	–	0	–	–	–	–	–	0
Retirement of treasury stock	(1,000,000)	–	(0)	(7,751)	7,751	–	–	–	–	–	–
Change in equity in consolidated subsidiaries—treasury stock	–	–	–	–	–	–	–	–	–	–	–
Change in equity in affiliates accounted for by equity method—treasury stock	–	–	–	–	(89)	–	–	–	–	–	(89)
Change of scope of equity method	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	13,860	(251)	–	(7,842)	1,198	6,965
Balance at March 31, 2014	395,000,000	¥200,000	¥96,791	¥1,858,008	¥ (4,327)	¥36,857	¥1,650	¥(504)	¥(7,842)	¥18,725	¥2,199,358

Millions of U.S. Dollars (Note 2 (1))

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Minority Interests	Total
Balance at March 31, 2013	396,000,000	$1,942	$939	$16,631	$(34)	$223	$18	$(5)	–	$170	$19,884
Cash dividends ($1.17 per share)	–	–	–	(460)	–	–	–	–	–	–	(460)
Net income	–	–	–	1,941	–	–	–	–	–	–	1,941
Increase due to merger	–	–	–	2	–	–	–	–	–	–	2
Purchase of treasury stock	–	–	–	–	(82)	–	–	–	–	–	(82)
Disposal of treasury stock	–	–	0	–	0	–	–	–	–	–	0
Retirement of treasury stock	(1,000,000)	–	(0)	(75)	75	–	–	–	–	–	–
Change in equity in consolidated subsidiaries—treasury stock	–	–	–	–	–	–	–	–	–	–	–
Change in equity in affiliates accounted for by equity method—treasury stock	–	–	–	–	(1)	–	–	–	–	–	(1)
Change of scope of equity method	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	135	(2)	–	(76)	12	69
Balance at March 31, 2014	395,000,000	$1,942	$939	$18,039	$(42)	$358	$16	$(5)	$(76)	$182	$21,353

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2013	2014	2014
Cash Flows from Operating Activities:			
Income before income taxes	¥ 304,378	¥ 324,602	$ 3,151
Depreciation (Note 22)	346,808	348,042	3,379
Impairment losses on fixed assets	30,029	6,468	63
Amortization of long-term prepaid expense	6,250	7,542	73
Net change in employees' severance and retirement benefits	3,307	–	–
Net change in net defined benefit liability	–	(6,951)	(67)
Interest and dividend income	(2,574)	(2,966)	(29)
Interest expense	95,312	88,279	857
Construction grants received	(41,519)	(41,789)	(406)
Insurance proceeds related to earthquake	(24,261)	(9,624)	(93)
Loss from disposition and provision for cost reduction of fixed assets	71,498	71,812	697
Net change in major receivables	(17,486)	(66,583)	(646)
Net change in major payables	17,802	86,730	842
Other	5,469	(12,509)	(121)
Sub-total	795,013	793,053	7,700
Proceeds from interest and dividends	2,989	3,348	33
Payments of interest	(95,386)	(88,698)	(861)
Insurance proceeds related to earthquake	24,261	9,624	93
Payments of earthquake-damage losses	(21,230)	(6,026)	(59)
Payments of income taxes	(117,118)	(148,537)	(1,442)
Net cash provided by operating activities	588,529	562,764	5,464
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(494,567)	(514,529)	(4,995)
Proceeds from sales of fixed assets	5,390	5,535	54
Proceeds from construction grants	36,283	47,327	459
Proceeds from sales of transferable development air rights	8,446	–	–
Payments for purchases of investment in securities	(6,175)	(2,537)	(25)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,794)	–	–
Other	(12,535)	(10,494)	(102)
Net cash used in investing activities	(465,952)	(474,698)	(4,609)
Cash Flows from Financing Activities:			
Proceeds from long-term loans	165,500	186,000	1,806
Payments of long-term loans	(133,866)	(145,944)	(1,417)
Proceeds from issuance of bonds	150,000	140,000	1,359
Payments for redemption of bonds	(90,000)	(80,000)	(777)
Payments of liabilities incurred for purchase of railway facilities	(130,622)	(126,814)	(1,231)
Payments of acquisition of treasury stock	(8)	(8,444)	(82)
Cash dividends paid	(45,492)	(47,422)	(460)
Other	(16,663)	(8,743)	(85)
Net cash used in financing activities	(101,151)	(91,367)	(887)
Net Change in Cash and Cash Equivalents	21,426	(3,301)	(32)
Cash and Cash Equivalents at Beginning of Year	167,525	189,262	1,837
Increase due to Addition of Consolidated Subsidiaries and Other	339	97	1
Decrease in Cash and Cash Equivalents due to Corporate Division	(28)	–	–
Cash and Cash Equivalents at End of Year	¥ 189,262	¥ 186,058	$ 1,806

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2013 and 2014

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, 1,686 railway stations and 7,512.6 operating kilometers as of March 31, 2014.

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 ($30,165 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, 2014, which was ¥103 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, 2014, 73 subsidiaries were consolidated. During the year ended March 31, 2014 one company was newly consolidated.

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

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, 2014, five affiliated companies were accounted for by the equity method, and there was no change in those companies during the year.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

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

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

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

6) Real Estate for Sale

Real estate for sale: 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, 2013 and 2014.

(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 calculated 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 calculated 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

(Change in depreciation method)

Following the revision of the Corporation Tax Law, from the year ended March 31, 2013, the Companies began applying a depreciation method based on the revised Corporation Tax Law to property, plant and equipment acquired since April 1, 2012. The impact on consolidated statement as a result of this change is minimal.

9) Accounting for Employees' Retirement Benefits

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

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.

(Changes in accounting policies)

From the fiscal year ended March 31, 2014, the Company has adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefits Guidance") (excluding, however, the stipulations set forth in the body text of article 35 of the Retirement Benefits Accounting Standard and the body text of article 67 of the Retirement Benefits Guidance).

Under these accounting standards, the Company has adopted the method of recording the amount of retirement benefit obligations less pension assets as a net defined benefit liability (or as a net defined benefit asset if the amount of pension assets exceeds the retirement benefit obligations). The Company has recorded unrecognized actuarial differences and unrecognized prior service costs as a net defined benefit asset and a net defined benefit liability.

With regard to the adoption of the retirement benefit accounting standards, the Company has followed the transitional treatment in Article 37 of the Retirement Benefits Accounting Standard. Accordingly, in the fiscal year ended March 31, 2014, the amounts that correspond to the effect of the change in retirement benefit accounting standards were added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income.

Due to these changes in accounting policies, accumulated other comprehensive income decreased by ¥7,842 million ($76 million) and net assets per share decreased by ¥19.88 as of March 31, 2014.

10) Accounting for Certain Lease Transactions

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

With regard to finance leases 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 leases.

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, 2013 and 2014 were ¥16,137 million and ¥17,039 million ($165 million), respectively.

12) Income Taxes

Income taxes comprises 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) Per Share Data

(1) Earnings per share

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

(2) Cash dividends per share

Cash dividends per share comprise 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.

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.

16) Revaluation of Land

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

(1) Revaluation method

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

(2) Revaluation date

March 31, 2002

(3) Difference between book value after revaluation and market value on March 31, 2014

The difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

17) Changes in Accounting Estimates

The Company records prepaid railway fares received under current liabilities by estimating the monetary amount based on certain assumptions. Of this amount, the estimated monetary amount with respect to commuter passes was previously calculated based on the date of sale. However, the Company has now adopted a calculation method based on the effective start date of the commuter passes.

Sales of commuter passes prior to their effective start date were expected to increase significantly ahead of the increase in the consumption tax rate. Taking this into consideration, this change was made because using a calculation method based on the effective start date would allow the Company to post a more reasonable estimate of prepaid railway fares received.

Compared to the previous method, this change had the effect of reducing operating revenues by ¥10,212 million ($99 million), and reducing operating income, ordinary income and income before income taxes by the same amount.

18) New Accounting Standards Not Yet Applied

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

The method for recording actuarial differences and prior service costs was revised so as to recognize them in the Net Assets section of the balance sheets after tax effect adjustments, and to post them as a liability or asset indicating the amount of reserve accumulation. Moreover, the benefit formula method has become applicable in addition to the straight-line method as a method of attributing estimated retirement benefits to accounting periods, while the method for calculating the discount rate has also been revised.

(2) Planned adoption date

Revisions to the methods for attributing estimated retirement benefits to accounting periods and for calculating the discount rate are scheduled to take effect at the start of the next consolidated fiscal year.

(3) Impact of applying these accounting standards, etc.

Retained earnings at the start of the next consolidated fiscal year are estimated to decrease by approximately ¥65,000 million ($631 million) as a consequence of these accounting standards taking effect.

19) Changes in Presentation Method

(Consolidated statements of cash flows)

Due to rising monetary significance, Purchase of treasury stock that was included in Other in the consolidated statements of cash flows from the previous fiscal year was reclassified for posting as Purchase of treasury stock from the year ended March 31, 2014. Consequently, a cash outflow of ¥8 million that was included in Other in the consolidated statements of cash flows from the previous fiscal year was restated as Purchase of treasury stock under Cash Flows from Financing Activities in the statements herein.

NOTE 3: EARTHQUAKE DAMAGE

The Company's 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 Company's railroad and other facilities due to intermittent earthquakes since April 2011.

For the damages caused by the Great East Japan Earthquake on March 11, 2011, the Companies recorded allowance for earthquake-damage losses as "Other current liabilities" and "Other Long-Term Liabilities" on the consolidated balance sheets for the estimated amount of restoration and other expenses in this fiscal year.

The Companies intends 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 consolidated balance sheets.

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 ($689 million) (¥10,000 million deductible) as of March 11, 2011. As calculation of damages of some of the facilities was completed by insurance companies during this fiscal year, the Group recorded extraordinary gains of ¥9,624 million ($93 million) and ¥24,261 million as "insurance proceeds related to earthquake" in the fiscal years ended March 31, 2014 and 2013, respectively.

The aggregate amount of insurance proceeds received for such insurance was ¥33,884 million ($328 million) as of March 31, 2014.

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, 2013 and 2014 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Merchandise and finished goods	¥ 8,359	¥ 9,678	$ 93
Work in process	28,439	30,335	295
Raw materials and supplies	26,135	27,380	266
	¥62,933	¥67,393	$654

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, 2013 and 2014 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Unconsolidated subsidiaries:			
Investments	¥ 4,971	¥ 5,017	$ 49
Advances	590	450	4
	5,561	5,467	53
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥42,544	¥39,066	$379
Advances	143	107	1
	42,687	39,173	380
	¥48,248	¥44,640	$433

NOTE 8: FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

(1) 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.

(2) 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 ($30,165 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).

(3) 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.

(4) 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, 2013 and 2014, fair values of such items, and the differences between such amounts and values are shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

					Millions of Yen			Millions of U.S. Dollars	
			2013			2014			2014
	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	¥ 189,262	¥ 189,262	¥ –	¥ 186,058	¥ 186,058	¥ –	$ 1,806	$ 1,806	$ –
b Receivables	387,127	387,127	–	454,170	454,170	–	4,409	4,409	–
c Securities									
Held-to-maturity debt securities	160	162	2	160	161	1	2	2	0
Available-for-sale securities	126,971	126,971	–	238,165	238,165	–	1,429	1,429	–
Assets	¥ 703,520	¥ 703,522	¥ 2	¥ 878,553	¥ 878,554	¥ 1	$ 7,646	$ 7,646	$ 0
a Payables	¥ 589,064	¥ 589,064	¥ –	¥ 654,899	¥ 654,899	¥ –	$ 6,358	$ 6,358	$ –
b Accrued consumption taxes	12,244	12,244	–	5,799	5,799	–	56	56	–
c Accrued income taxes	86,917	86,917	–	57,549	57,549	–	559	559	–
d Long-term debt									
Bonds	1,659,730	1,839,985	180,255	1,719,793	1,881,859	162,066	16,697	18,270	1,573
Long-term loans	893,592	926,999	33,407	933,648	963,249	29,601	9,065	9,352	287
e Long-term liabilities incurred for purchase of railway facilities	793,230	1,184,041	390,811	666,416	1,009,709	343,293	6,470	9,803	3,333
Liabilities	¥4,034,777	¥4,639,250	¥604,473	¥4,038,104	¥4,573,064	¥534,960	$39,205	$44,398	$5,193
Derivative transactions*1									
Hedge accounting applied	¥ 1,097	¥ 1,097	¥ –	¥ 1,517	¥ 1,517	¥ –	$ 15	$ 15	$ –

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

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

Assets

a. Cash and cash equivalents

b. Receivables

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

c. Securities

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

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

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

d. Long-term debt

Bonds

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

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

Long-term loans

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

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

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

Derivative Transactions (See Note 18)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2013	2014	2014
Unlisted equity securities	¥6,508	¥6,478	$63
Unlisted corporate bonds	72	360	3
Preferred equity securities	1,000	1,000	10
Natural disaster derivative transactions.	1,224	1,250	12

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

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

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

4. The annual maturities of financial assets and securities with maturities at March 31, 2013 and 2014 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2013				2014				2014			
	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	¥189,262	¥ —	¥ —	¥ —	¥186,058	¥ —	¥ —	¥ —	$1,806	$ —	$ —	$ —
Receivables	380,346	6,771	10	—	447,033	7,124	13	—	4,340	69	0	—
Securities												
Held-to-maturity debt securities (Government bonds)	—	150	—	10	150	—	—	10	2	—	—	0
Available-for-sale securities which have maturity (Government bonds)	—	6	—	—	—	6	—	—	—	0	—	—
Total	¥569,608	¥6,927	¥10	¥10	¥633,241	¥7,130	¥13	¥10	$6,148	$69	$0	$0

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2014 (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, 2013 and 2014 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2013			2014			2014		
	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.	¥160	¥162	¥2	¥160	¥161	¥1	$2	$2	$0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Total	¥160	¥162	¥2	¥160	¥161	¥1	$2	$2	$0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2013 and 2014 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2013			2014			2014		
	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	¥59,230	¥ 97,444	¥38,214	¥72,668	¥129,498	¥56,830	$706	$1,257	$551
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	34,598	29,521	(5,077)	21,121	17,661	(3,460)	205	172	(33)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥93,834	¥126,971	¥33,137	¥93,795	¥147,165	¥53,370	$911	$1,429	$518

Note: In the year ended March 31, 2013, ¥2,825 million in available-for-sale securities of which there were market values were written off as losses on devaluation of securities. No such write-offs were posted for available-for-sale securities of which there were market values in the year ended March 31, 2014.

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, 2013 and 2014 were summarized as follows:
Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Buildings and fixtures with net book value	¥22,847	**¥21,588**	**$210**
Other assets with net book value	4,844	**978**	**9**

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Long-term debt and other liabilities totaling	¥2,544	**¥1,789**	**$17**

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Buildings and fixtures with net book value	¥52,111	**¥51,046**	**$496**
Other assets with net book value	6,764	**7,489**	**73**

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥3,932	¥2,935	$28

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, 2013 and 2014 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Land	¥27,964	**¥–**	**$–**
Buildings and fixtures	1,839	**–**	**–**
Others	226	**–**	**–**
Total	¥30,029	**¥–**	**$–**

Detail amounts for the year ended March 31, 2014 were omitted because related items were negligible.

NOTE 12: LONG-TERM DEBT

Long-term debt at March 31, 2013 and 2014 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
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	$ 1,747
Unsecured Bonds issued in 2002 to 2014 with interest rates ranging from 0.21% to 2.55% due in 2014 to 2044	1,240,897	1,300,910	12,630
Secured Loans due in 2014 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.95% to 6.50%	1,630	1,033	10
Unsecured Loans due in 2014 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.63% to 4.90%	891,962	932,615	9,055
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,933	238,983	2,320
	2,553,322	2,653,441	25,762
Less current portion	222,937	197,921	1,922
	¥2,330,385	¥2,455,520	$23,840

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, 2014 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2015	¥ 75,000	$ 728
2016	55,000	534
2017	80,000	777
2018	139,900	1,358
2019	165,000	1,602
2020 and thereafter	1,205,959	11,708

The annual maturities of long-term loans at March 31, 2014 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2015	¥122,921	$1,193
2016	118,305	1,149
2017	106,711	1,036
2018	116,820	1,134
2019	119,665	1,162
2020 and thereafter	349,226	3,391

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 ($30,165 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($20,407 million) and ¥638,506 million ($6,199 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,559 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($271 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 ($357 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2013 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.12% through 2017	¥258,668	¥176,321	$1,712
Payable semiannually including interest at 6.35% through 2017	177,264	137,013	1,330
Payable semiannually including interest at 6.55% through 2051	343,087	341,003	3,311
	779,019	654,337	6,353
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.68% through 2022	10,279	9,144	89
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.84% through 2029	3,932	2,935	28
	793,230	666,416	6,470
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	124,568	119,459	1,160
The Akita hybrid Shinkansen purchase liability	1,068	1,077	11
Tokyo Monorail purchase liability	483	463	4
	126,119	120,999	1,175
	¥667,111	¥545,417	$5,295

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, 2014 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2015	¥120,999	$1,175
2016	106,779	1,037
2017	97,395	945
2018	4,334	42
2019	4,331	42
2020 and thereafter	332,578	3,229

NOTE 14: CONSUMPTION TAXES

The Japanese consumption tax system is indirect taxes levied at the rate of 5%. Accrued consumption taxes represents the difference between consumption taxes collected from customers and deductible taxes 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, 2014 were ¥70,000 million ($680 million) and ¥100,000 million ($971 million) by general bonds.

JR East has extended contingent liabilities of ¥11,141 million ($108 million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd.

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 2014, the shareholders approved cash dividends amounting to ¥23,681 million ($230 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014. 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, including those due within one year, at March 31, 2013 and 2014 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2013		2014		2014	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥2,413	¥39,244	**¥2,424**	**¥36,945**	**$24**	**$359**

NOTE 18: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 8)

2) Derivative Transactions Applied to Hedge Accounting

		Millions of Yen					
		2013			2014		
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	¥ 638	**¥ 20,000**	**¥ 20,000**	**¥ 989**
Forward exchange	Accounts payable—trade	23	–	(0)	**13**	**–**	**0**
Commodity swap	Fuel purchasing	1,999	1,281	459	**2,123**	**1,385**	**528**
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	**239,959**	**239,959**	***1**
Interest swap	Long-term loans	164,720	62,700	*1	**62,700**	**–**	***1**
Total		¥426,701	¥323,940	¥1,097	**¥324,795**	**¥261,344**	**¥1,517**

		Millions of U.S. Dollars		
		2014		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	**$ 194**	**$ 194**	**$10**
Forward exchange	accounts payable—trade	**0**	**–**	**0**
Commodity swap	Fuel purchasing	**20**	**13**	**5**
Currency swap	Foreign currency denominated bonds	**2,330**	**2,330**	***1**
Interest swap	Long-term loans	**609**	**–**	***1**
Total		**$3,153**	**$2,537**	**$15**

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, 2013 consisted of the following:

	Millions of Yen 2013
Projected benefit obligation	¥(658,529)
Plan assets	7,128
Unfunded projected benefit obligation	(651,401)
Unrecognized actuarial differences	8,865
Unrecognized prior service costs	(5,731)
Book value (net)	(648,267)
Prepaid pension expense	114
Employees' severance and retirement benefits	¥(648,381)

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2013 consisted of the following:

	Millions of Yen 2013
Service costs	¥30,117
Interest costs	12,923
Expected return on plan assets	(59)
Amortization of actuarial differences	(3,015)
Amortization of prior service costs	661
Employees' severance and retirement benefit expenses	40,627
Total	¥40,627

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 are mainly 2.0% in the year ended March 31, 2013. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the year ended March 31, 2013.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2014 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen 2014	Millions of U.S. Dollars 2014
Balance at April 1, 2013	¥658,529	$6,393
Service costs	28,207	274
Interest costs	12,894	125
Actuarial losses (gains)	(2,717)	(26)
Benefits paid	(44,942)	(436)
Past service costs	(199)	(2)
Other	11	0
Balance at March 31, 2014	¥651,783	$6,328

2) Movements in Plan Assets

	Millions of Yen 2014	Millions of U.S. Dollars 2014
Balance at April 1, 2013	¥7,128	$69
Expected return on plan assets	75	1
Actuarial losses (gains)	(152)	(1)
Contributions paid by the employer	704	7
Benefits paid	(399)	(5)
Balance at March 31, 2014	¥7,356	$71

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

	Millions of Yen 2014	Millions of U.S. Dollars 2014
Funded retirement benefit obligations	¥ 8,563	$ 83
Plan assets	(7,356)	(71)
	1,207	12
Unfunded retirement benefit obligations	643,220	6,245
Total Net liability (asset) for retirement benefits at March 31, 2014	644,427	6,257
Liability for retirement benefits	644,809	6,260
Asset for retirement benefits	(382)	(3)
Total Net liability (asset) for retirement benefits at March 31, 2014	644,427	6,257

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the year ended March 31, 2014 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen 2014	Millions of U.S. Dollars 2014
Service costs	¥28,207	$274
Interest costs	12,894	125
Expected return on plan assets	(75)	(1)
Net actuarial loss amortization	(2,395)	(23)
Past service costs amortization	(615)	(6)
Other	311	3
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥38,327	$372

5) Accumulated Adjustments for Retirement Benefits

	Millions of Yen	Millions of U.S. Dollars
	2014	2014
Past service costs that are yet to be recognized	¥ 5,316	$ 51
Actuarial gains and losses that are yet to be recognized	(8,695)	(84)
Total balance at March 31, 2014	¥(3,379)	$(33)

6) Plan Assets

	2014
Bonds	12%
Equity securities	35%
General account of life insurers	50%
Other	3%

The discount rates are mainly 2.0% in the years ended March 31, 2013 and 2014. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2013 and 2014.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥792 million.

NOTE 20: INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2013 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2014	2014
Deferred income taxes:			
Employees' severance and retirement benefits	¥232,049	¥ –	$ –
Net defined benefit liability	–	228,316	2,217
Reserves for bonuses	27,299	25,523	248
Losses on impairment of fixed assets	26,559	22,314	217
Unrealized holding gains on fixed assets	11,371	11,955	116
Environmental conservation cost	10,883	10,435	101
Excess depreciation and amortization of fixed assets	8,264	7,737	75
Loss carry forwards for tax purposes	7,660	7,325	71
Asset retirement obligations	4,595	4,986	48
Devaluation losses on fixed assets	4,554	4,497	44
Accrued enterprise tax	7,204	4,394	43
Other	30,417	34,203	332
	370,855	361,685	3,512
Less valuation allowance	(42,604)	(37,626)	(365)
Less amounts offset against deferred tax liabilities	(47,256)	(53,239)	(518)
Net deferred income taxes	¥280,995	¥270,820	$2,629
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 29,726	¥ 29,496	$ 286
Net unrealized holding gains on securities	13,041	19,391	188
Valuation for assets and liabilities of consolidated subsidiaries	2,974	2,861	28
Reserve for special depreciation	1,613	1,197	12
Other	4,561	4,584	45
	51,915	57,529	559
Less amounts offset against deferred income taxes	(47,256)	(53,239)	(517)
Net deferred tax liabilities	¥ 4,659	¥ 4,290	$ 42

For the year ended March 31, 2013, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2013
The aggregate standard effective tax rate	37.8%
Adjustments	
Increase in valuation allowance	3.8
Other net	0.4
The actual effective rate after applying tax effect accounting	42.0%

Note: The differences between the aggregate standard effective tax rate and the actual effective rate after applying tax effect accounting were omitted for the year ended March 31, 2014, as the variance between them was less than 5%.

Revisions in the amounts posted as deferred income taxes and deferred tax liabilities due to change in the income tax rate

In conjunction with the promulgation of the Act for Partial Revision to the Income Tax Act (Act No. 10 of 2014) on March 31, 2014, the Special Reconstruction Corporation Tax will no longer be applied to JR East from April 1, 2014. As a result, the aggregate standard effective tax rate for computing deferred income taxes and deferred tax liabilities was revised from 37.8% to 35.4%, mainly for temporary differences expected to be reversed from April 1, 2014 to March 31, 2015.

The effect of this change on the consolidated financial statements was negligible.

NOTE 21: INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereafter "investment and rental property") principally within the Company's service area. In the years ended March 31, 2013 and 2014, the amounts of net income related to rental property were ¥68,737 million and ¥70,882 million ($688 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
2013	Difference	2014	2014	2014	2014
¥540,265	¥13,076	¥553,341	¥1,472,687	$5,372	$14,298

Notes: 1. The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.
2. Regarding difference in the above table, the increases in the years ended March 31, 2013, and 2014, were principally attributable to acquisition of real estate and renewal (¥43,023 million, $418 million), and the decreases were mainly attributable to depreciation expenses (¥20,910 million, $203 million).
3. Regarding fair values at the end of the fiscal year, the amount for significant properties is based on real-estate appraisals prepared by external real-estate appraisers, and the amount for other properties is estimated by the Company based on certain appraisal values or indicators that reflect appropriate market prices. If after obtaining a property from a third party or since the most recent appraisal, there has been no material change in the relevant appraisal values or indicators that reflect the appropriate market prices, the amount is based on such appraisal values or indicators.
4. Because fair values are extremely difficult to establish, this table does not include property that is being constructed or developed for future use as investment property.

NOTE 22: SEGMENT INFORMATION

1) General Information about Reportable Segments

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

The Transportation segment is primarily engaged in passenger transportation services centered on railway operations, and railcar manufacturing operations. The Station Space Utilization segment creates commercial spaces in railway stations and develops various types of businesses, including retail sales and restaurant operations. The Shopping Centers & Office Buildings segment develops railway stations and land near railway stations, operates shopping centers, and leases office buildings, etc.

(Matters concerning changes in reportable segments, etc.)

As of the first quarter of the fiscal year ended March 31, 2014, Japan Transport Engineering Company, which mainly manufactures railcars, was reclassified into the Transportation reporting segment from Others. This change reflects the plans that the Company commenced during the fiscal year under review to deepen cooperation in railway manufacturing operations between Japan Transport Engineering Company and the Company's Niitsu Rolling Stock Plant, based on "JR East Group Management Vision V."

Segment information for the fiscal year ended March 31, 2013 has been prepared based on the revised reportable segment classification.

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.

(Changes in estimation method for prepaid railway fares received)

The Company records prepaid railway fares received under current liabilities by estimating the monetary amount based on certain assumptions. Of this amount, the estimated monetary amount with respect to commuter passes was previously calculated based on the date of sale. However, the Company has now adopted a calculation method based on the effective start date of the commuter passes.

Sales of commuter passes prior to their effective start date were expected to increase significantly ahead of the increase in the consumption tax rate. Taking this into consideration, this change was made because using a calculation method based on the effective start date would allow the Company to post a more reasonable estimate of prepaid railway fares received.

Compared to the previous method, this change had the effect of reducing operating revenues of the Transportation segment by ¥10,212 million ($99 million), and reducing segment income by the same amount.

Fiscal 2013 (April 1, 2012 to March 31, 2013)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,809,554	¥404,207	¥238,945	¥ 219,117	¥2,671,823	¥ –	¥2,671,823
Inside group	53,526	14,228	10,261	339,533	417,548	(417,548)	–
Total	1,863,080	418,435	249,206	558,650	3,089,371	(417,548)	2,671,823
Segment income	¥ 264,324	¥ 37,575	¥ 68,198	¥ 29,042	¥ 399,139	¥ (1,576)	¥ 397,563
Segment Assets	¥5,809,693	¥205,629	¥939,996	¥1,003,190	¥7,958,508	¥(735,303)	¥7,223,205
Depreciation	268,659	10,794	31,084	36,271	346,808	–	346,808
Increase in fixed assets (Note 5)	402,374	8,078	63,107	34,340	507,899	–	507,899

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 ¥(1,576) million downward adjustment to segment income included a ¥(2,133) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥552 million elimination for intersegment transactions. Moreover, the ¥(735,303) million downward adjustment to segment assets included a ¥(996,327) million elimination of intersegment claims and obligations, offset by ¥261,024 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 the 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 2014 (April 1, 2013 to March 31, 2014)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,827,467	¥400,948	¥251,070	¥ 223,432	¥2,702,917	¥ –	¥2,702,917
Inside group	56,045	14,880	10,736	352,205	433,866	(433,866)	–
Total	1,883,512	415,828	261,806	575,637	3,136,783	(433,866)	2,702,917
Segment income	¥ 267,336	¥ 36,062	¥ 72,058	¥ 32,686	¥ 408,142	¥ (1,348)	¥ 406,794
Segment Assets	¥5,964,807	¥195,058	¥952,606	¥1,093,841	¥8,206,312	¥(778,008)	¥7,428,304
Depreciation	271,726	10,552	31,104	34,660	348,042	–	348,042
Increase in fixed assets (Note 5)	442,669	10,000	43,098	60,680	556,447	–	556,447

							Millions of U.S. Dollars
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	$17,743	$3,893	$2,437	$ 2,169	$26,242	$ —	$26,242
Inside group	544	144	104	3,420	4,212	(4,212)	—
Total	18,287	4,037	2,541	5,589	30,454	(4,212)	26,242
Segment income	$ 2,596	$ 350	$ 700	$ 318	$ 3,964	$ (15)	$ 3,949
Segment Assets	$57,911	$1,894	$9,249	$10,620	$79,674	$(7,555)	$72,119
Depreciation	2,638	102	302	337	3,379	—	3,379
Increase in fixed assets (Note 5)	4,298	97	418	589	5,402	—	5,402

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 ¥(1,348) million ($(15) million) downward adjustment to segment income included a ¥(1,650) million ($(16) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥303 million ($3 million) elimination for intersegment transactions. Moreover, the ¥(778,008) million ($(7,555) million) downward adjustment to segment assets included a ¥(1,061,335) million ($(10,304) million) elimination of intersegment claims and obligations, offset by ¥283,328 million ($2,751 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 the record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

3) Relevant Information

i. Information about products and services

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

ii. Information about geographic areas

a. Operating Revenues

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

b. Property, plant and equipment

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

iii. Information about major customers

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

4) Information about Impairment Loss on Fixed Assets in Reportable Segments

Fiscal 2013 (Year ended March 31, 2013)

					Millions of Yen
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	¥28,919	¥558	¥213	¥339	¥30,029

Fiscal 2014 (Year ended March 31, 2014)

					Millions of Yen
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	¥575	¥580	¥5,244	¥69	¥6,468

					Millions of U.S. Dollars
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	$6	$6	$51	$0	$63

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

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

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

6) 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.

NOTE 23: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended March 31, 2013 and 2014

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
	2013	2014	2014
Net unrealized holding gains (losses) on securities			
Amount arising during the year	¥23,878	¥20,310	$197
Reclassification adjustments	2,825	(76)	(1)
Sub-total, before tax	26,703	20,234	196
Tax (expense) or benefit	(8,974)	(6,924)	(67)
Sub-total, net of tax	17,729	13,310	129
Net deferred gains (losses) on derivatives under hedge accounting			
Amount arising during the year	1,756	765	7
Reclassification adjustments	62	(49)	0
Acquisition cost adjustments	(138)	(296)	(3)
Sub-total, before tax	1,680	420	4
Tax (expense) or benefit	(594)	(145)	(1)
Sub-total, net of tax	1,086	275	3
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	2,140	8	0
Reclassification adjustments	123	18	0
Acquisition cost adjustments	—	—	—
Sub-total	2,263	26	0
Total other comprehensive income	¥21,078	¥13,611	$132

NOTE 24: SUBSEQUENT EVENTS

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on April 30, 2014, matters concerning the Company's repurchase of its common stock pursuant to article 156 of the Business Corporation Law as applied pursuant to article 165, Paragraph 3 thereof, as detailed below.

(1) Reason for share repurchase: To further enhance returns to shareholders

(2) Class of shares to be repurchased: Common stock

(3) Total number of shares that may be repurchased: 1,500,000 shares (maximum) (0.38% of issued shares (excluding treasury stock))

(4) Aggregate repurchase price: ¥15,000 million (maximum)

(5) Period of repurchase: From May 1, 2014 to May 30, 2014

Repurchase of the Company's common stock based on this resolution was completed after market purchases on the Tokyo Stock Exchange from May 1, 2014 to May 30, 2014. The total repurchased was 1,500,000 shares of common stock at an aggregate repurchase price of ¥11,304 million ($110 million).

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, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, 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, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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 24, 2014
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 railway systems that provide direct services 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 extension. JR East rents the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, operationally named Nagano Shinkansen, and the Morioka–Shin-Aomori 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 and Yamanashi prefectures. 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

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, 2014

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	Japan Transport Engineering Company (Note 2)	3,100	100.0	Railcar manufacturing operations
5	JR East Retail Net Co., Ltd.	3,855	100.0	Retail sales
6	JR East Water Business Co., Ltd.	490	100.0	Retail sales
7	Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
8	JR East Station Retailing Co., Ltd.	480	100.0	Retail sales
9	Jaster Co., Ltd.	400	100.0	Retail sales and hotel operations
10	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
11	JR Atlis Co., Ltd.	310	100.0	Retail sales
12	Kinokuniya Co., Ltd.	310	100.0	Retail sales
13	Nippon Restaurant Enterprise Co., Ltd.	730	100.0	Restaurant business, retail sales, and hotel operations
14	JR East Food Business Co., Ltd.	721	100.0	Restaurant business
15	LUMINE Co., Ltd.	2,375	95.1	Shopping center operations
16	atre Co., Ltd.	1,630	92.1	Shopping center operations
17	JR East Urban Development Corporation	1,450	100.0	Shopping center operations and retail sales
18	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
19	JR East Department Store Co., Ltd.	1,140	84.6	Shopping center operations
20	JR Tokyo West Development Co., Ltd.	1,000	93.3	Shopping center operations
21	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
22	Station Building MIDORI Co., Ltd.	450	100.0	Shopping center operations
23	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
24	Chiba Station Building Co., Ltd.	200	100.0	Shopping center operations
25	Shonan Station Building Co., Ltd.	200	84.3	Shopping center operations
26	Yokohama Station Building Co., Ltd.	200	90.0	Shopping center operations
27	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
28	JR Chuo Line Mall Co., Ltd.	480	100.0	Shopping center operations
29	JR East Aomori Business-development Co., Ltd.	280	100.0	Shopping center operations
30	JR East Building Co., Ltd.	480	100.0	Leasing of office buildings
31	Viewcard Co., Ltd.	5,000	100.0	Credit card business
32	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
33	Hotel Metropolitan Nagano Co., Ltd. (Note 3)	30	100.0	Hotel operations
34	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
35	Morioka Terminal Building Co., Ltd.	900	100.0	Hotel operations and shopping center operations
36	Takasaki Terminal Building Co., Ltd.	780	100.0	Shopping center operations
37	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
38	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
39	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
40	Shinjuku South Energy Service Co., Ltd.	750	57.6	Supplying thermal energy
41	The Orangepage, Inc.	500	99.7	Publishing
42	JR East View Travel Service Co., Ltd.	450	67.0	Travel agency services
43	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
44	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
45	JR East Japan Information Systems Company	500	100.0	Information processing
46	JR East Net Station Co., Ltd.	460	100.0	Information processing
47	JR East Management Service Co., Ltd.	80	100.0	Information services

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
48	JR East Green Partners Co., Ltd.	100	100.0	Inventory control, issuance and collection operation for uniforms of JR East employees
49	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff sending business
50	JR East Station Service Co., Ltd. (Note 4)	50	100.0	Station operations
51	East Japan Eco Access Co., Ltd. (Note 5)	120	100.0	Cleaning services
52	JR Chiba Railway Services Co., Ltd.	12	100.0	Cleaning services / station operations
53	JR Takasaki Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
54	JR Mito Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
55	JR East Transportation Services Co., Ltd.	38	100.0	Cleaning services
56	JR East TESSEI Co., Ltd.	38	100.0	Cleaning services
57	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
58	JR Niigata Railway Services Co., Ltd.	17	100.0	Cleaning services
59	Morioka Railway Servicing Co., Ltd.	13	100.0	Cleaning services
60	JR Akita Railway Services Co., Ltd.	10	100.0	Cleaning services
61	JR Nagano Railway Services Co., Ltd.	10	100.0	Cleaning services
62	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
63	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
64	JR East Rental Co., Ltd.	165	89.4	Car leasing
65	Union Construction Co., Ltd.	120	90.0	Construction
66	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
67	JR Higashinihon Linen Co., Ltd. (Note 6)	100	100.0	Linen supply
68	East Japan Transport Technology Co., Ltd.	80	100.0	Machinery and rolling stock maintenance
69	Tohoku Rolling Stock Machinery Co., Ltd.	72	100.0	Machinery and rolling stock maintenance
70	Japan International Consultants for Transportation Co., Ltd.	495	52.5	Consulting
71	JR East Consultants Company	50	100.0	Consulting
72	JR East Design Corporation	50	100.0	Consulting
73	JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

EQUITY METHOD AFFILIATED COMPANIES

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
UQ Communications Inc. (Note 7)	¥71,425	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
NIPPON DENSETSU KOGYO CO., LTD. (Note 7)	8,494	17.9	Construction
NIPPON RIETEC CO., LTD. (Note 7)	1,430	16.0	Construction

1. Voting right percentages represent direct voting right percentages.
2. On April 1, 2014, as a result of a company split, Japan Transport Engineering Company assumed the rights and obligations to the railcar manufacturing operations of East Japan Railway Company's Niitsu Rolling Stock Plant.
3. On April 1, 2014, Hotel Metropolitan Nagano Co., Ltd. was made a wholly-owned subsidiary of Nippon Hotel Co., Ltd. through an exchange of shares.
4. JR East Station Service Co., Ltd. is newly included in the scope of consolidation from the fiscal year under review.
5. On April 1, 2013, the station operations segment of East Japan Eco Access Co., Ltd. was split to establish JR East Station Service Co., Ltd. On the same day, JR East Station Service Co. Ltd. was made a wholly-owned subsidiary upon East Japan Eco Access Co., Ltd. transferring all shares in the company to East Japan Railway Company.
6. On March 14, 2014, JR Higashinihon Linen Co., Ltd. was renamed Shinnihon Linen Co., Ltd.
7. Although East Japan Railway Company owns less than 20% of the voting rights of UQ Communications Inc., NIPPON DENSETSU KOGYO CO., LTD. and NIPPON RIETEC CO., LTD., they were made affiliated companies because East Japan Railway Company effectively controls them.

CORPORATE DATA

As of March 31, 2014

BASIC INFORMATION

NUMBER OF EMPLOYEES
73,551* (50,675 at parent company)

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

NUMBER OF STATIONS
1,686

NUMBER OF ROLLING STOCK
13,348

PASSENGER LINE NETWORK
7,512.6 kilometers

NUMBER OF PASSENGERS SERVED DAILY
About 17 million (average for the year ended March 31, 2014)

TOTAL NUMBER OF SHARES ISSUED
395,000,000

TOTAL NUMBER OF SHARES OUTSTANDING
394,370,706

PAID-IN CAPITAL
¥200,000 million

NUMBER OF SHAREHOLDERS
241,907

STOCK EXCHANGE LISTINGS
Tokyo, 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)

FOR INQUIRIES

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

ORGANIZATION

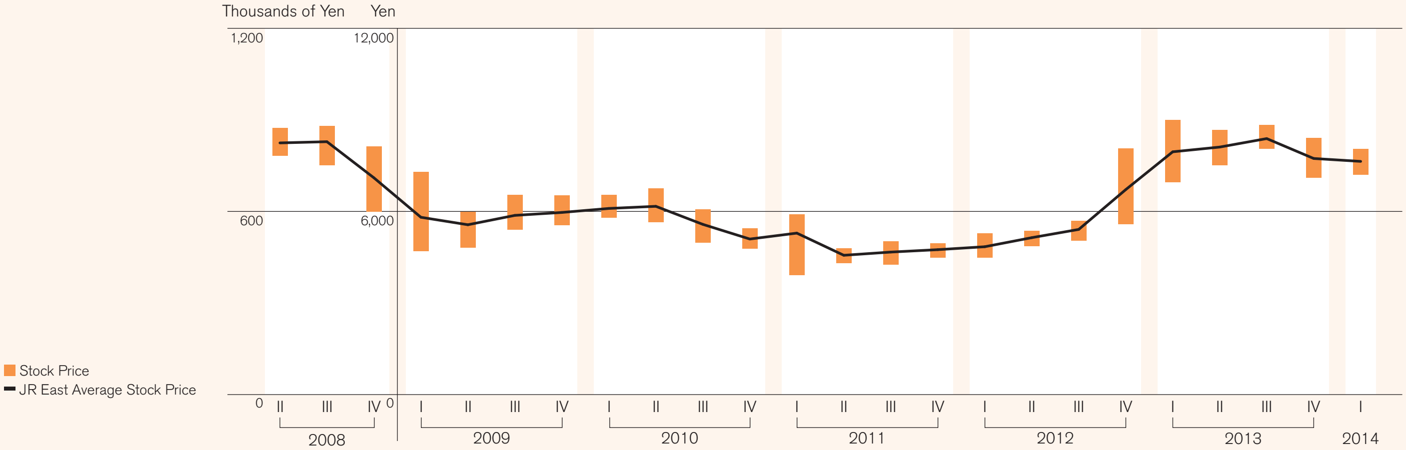
As of July 2014

- General Meeting of Shareholders
  - Board of Directors
    - Chairman
      - President
        - External Relations Office
        - Corporate Planning Headquarters
          - Reconstruction Planning Dept.
          - Shinagawa and Large-scale Developments Dept.
          - Tourism Strategy Office
          - Management Planning Dept.
          - Information Systems Planning Dept.
          - Investment Planning Dept.
          - Technology Planning Dept.
          - International Dept.
        - Inquiry & Audit Dept.
        - 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, Brussels, London and Singapore)
        - JR East General Education Center
        - JR Tokyo General Hospital
        - JR East Health Promotion Center
        - Energy Management Center
        - Structural Engineering Center
        - 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
        - Nagano Branch Office
        - Shinkansen Transport Dept.
        - Tokyo Construction Office
          - Joshinetsu Construction Office
        - Tokyo Electrical Construction & System Integration Office
        - Tohoku Construction Office
- Board of Corporate Auditors
  - Corporate Auditors Office

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, 2014	Number of Shares Held	Voting Right Percentage
Mizuho Bank, Ltd.	19,720,000	4.99
Japan Trustee Services Bank, Ltd. (as Trustee)	15,584,500	3.95
The Master Trust Bank of Japan, Ltd. (as Trustee)	14,530,100	3.68
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.17
The JR East Employees Shareholding Association	11,524,100	2.92
Sumitomo Mitsui Banking Corporation	10,530,315	2.67
Nippon Life Insurance Company	8,015,560	2.03
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.03
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	5,853,885	1.48
Mitsubishi UFJ Trust and Banking Corporation	5,000,000	1.27

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

FURTHER INFORMATION ABOUT EAST JAPAN RAILWAY COMPANY

WEBSITE (Japanese, English, Chinese and Korean)

JR East's website offers a variety of information including investor relations (IR) information, company data, and an overview of the Company's businesses. The website can be viewed in Japanese, English, Chinese and Korean. The Annual Report and various other reports can also be downloaded from the website. The website also contains a wealth of tourism information about Japan and related information.

Home Page
http://www.jreast.co.jp/e/index.html

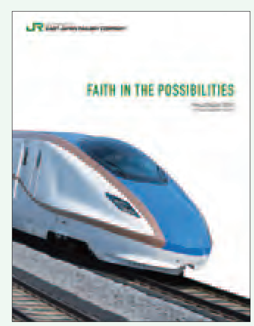
Investor Relations
http://www.jreast.co.jp/e/investor/index.html

PUBLICATIONS

ANNUAL REPORT (English)

JR East's Annual Report includes an interview with the president describing the Company's business strategies, a review of operations, special features, and the consolidated financial statements.

http://www.jreast.co.jp/e/investor/ar/index.html



Annual Report 2014

FACT SHEETS (Bilingual: Japanese/English)

JR East's Fact Sheets provide a clear explanation of various aspects of the Company, including an outline and strategy of the railway business and the development of the life-style business, as well as important topics such as safety, globalization and environmental activities using quantitative data and graphs.

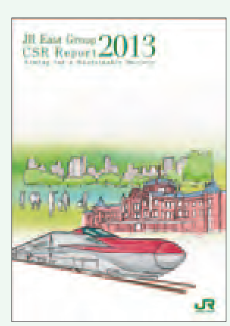
http://www.jreast.co.jp/e/investor/factsheet/index.html

2014 Fact Sheets

CSR REPORT (Japanese and English versions)

The CSR Report is published annually in Japanese and English. The report states JR East's basic policies on CSR, and includes examples of the Company's CSR activities.

http://www.jreast.co.jp/e/environment/index.html



CSR Report 2013

Tokyo and Eastern Honshu...
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