Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

Thriving with Communities, Growing Globally

Annual Report 2015

For the year ended March 31, 2015

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.

Further Information about JR East

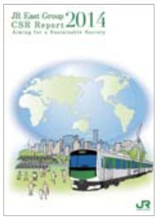
Websites

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

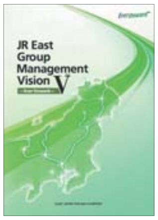
Investor Relations
http://www.jreast.co.jp/e/investor/index.html

Publications

Fact Sheets
(Bilingual: Japanese/English)
http://www.jreast.co.jp/e/investor/factsheet/index.html



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

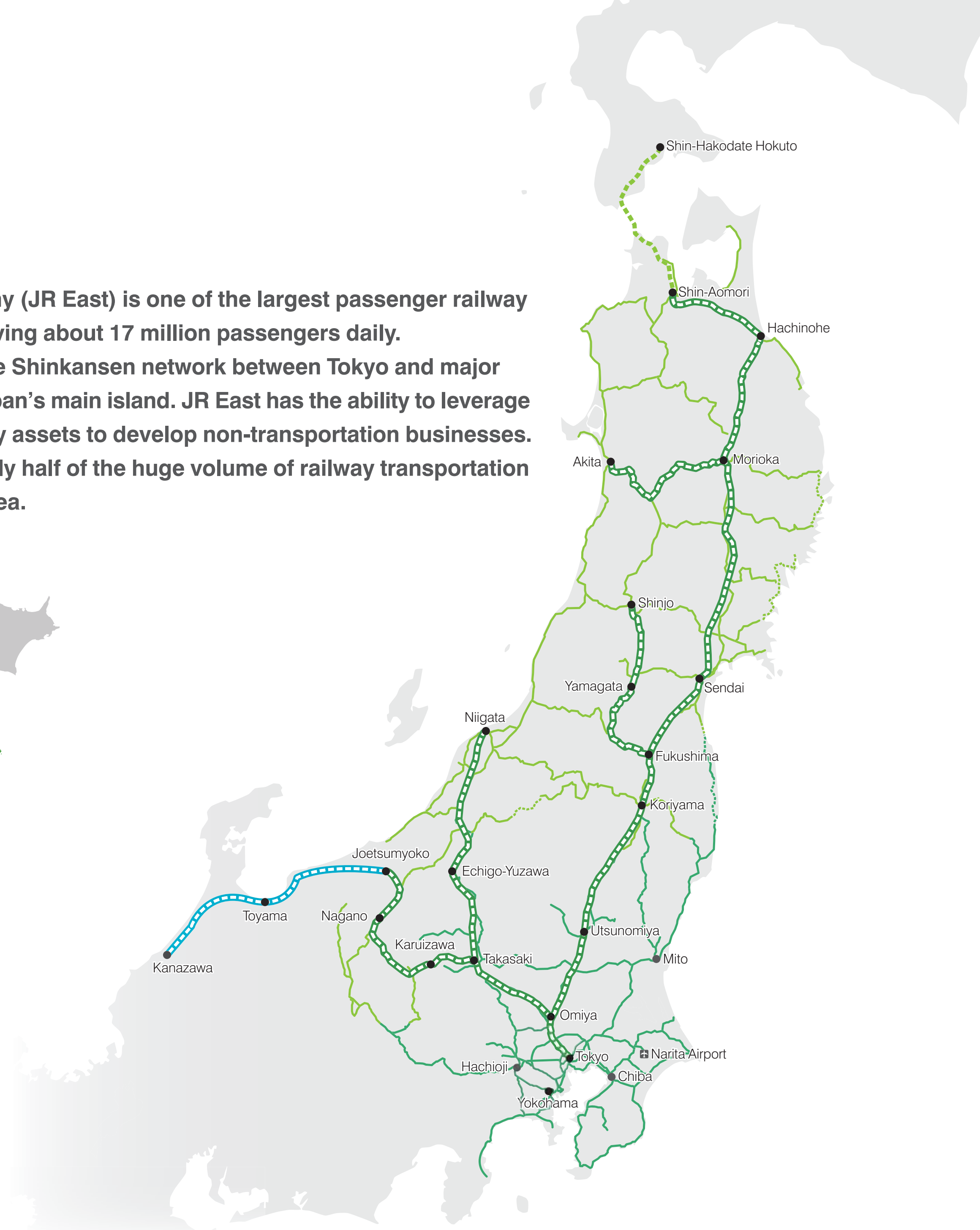


JR East Group Management Vision V—Ever Onward
http://www.jreast.co.jp/e/investor/everonward/index.html

Contents

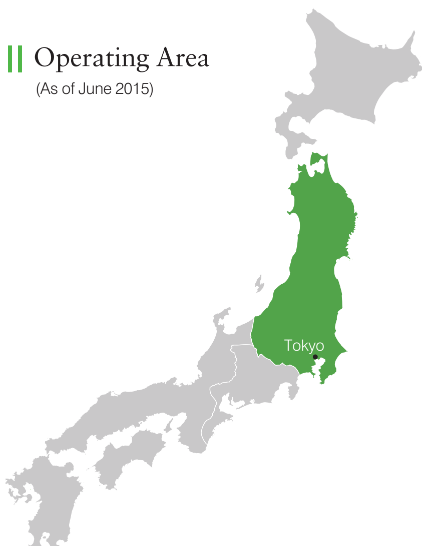
Profile

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



Operating Area

(As of June 2015)



- Shinkansen (JR East)
- Shinkansen (JR West)
- Shinkansen (Under construction)
- Conventional Lines (Kanto Area Network)
- Conventional Lines (Other Network)

TRANSPORTATION MARKET

Railway Line Networks

Kilometers

JR East	**7,458**
U.K.	15,734
Germany	33,506
France	30,013
U.S.	34,082

Passenger Kilometers

Millions

JR East	**130,068**
U.K.	58,299
Germany	80,210
France	85,634
U.S.	10,331

Number of Passengers

Millions

JR East	**6,218**
U.K.	1,507
Germany	1,966
France	1,114
U.S.	29

- Figures are as of March 2015 for JR East, March 2013 for the U.K., December 2012 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).
- Figures for JR East do not include Tokyo Monorail.

Source: *International Railway Statistics 2012*, Statistics Centre of the International Union of Railway, Sep. 2014.

History

April 1987

East Japan Railway Company (JR East) is established, assumes operations from Japanese National Railways (JNR), and begins passenger railway operations, bus transportation operations, and other operations.

October 1993

The Japanese National Railways Settlement Corporation (currently Japan Railway Construction, Transport and Technology Agency) sells 2.5 million shares of JR East.

JR East lists on the first sections of the Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange and on the Niigata Stock Exchange.

August 1999

Japan Railway Construction Public Corporation (JRCC) sells 1 million shares of JR East.

December 2001

The enforcement of a partial amendment of the Law for Passenger Railway Companies and Japan Freight Railway Company (the JR Law) means JR East is no longer subject to the JR Law.

June 2002

JR East becomes fully privatized because JRCC sells 0.5 million shares of JR East.

Our Businesses

Railway Transportation

- Railway Business, Bus Services, Railcar Manufacturing Operations

Station Space Utilization

- Retailing, Restaurants in Stations

Shopping Centers & Office Buildings

- Shopping Center Operation, Office Leasing

Others

- Advertising, Hotel Operations, Credit Card Business, etc.

Thriving with Communities, Growing Globally

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.

Pursuing Unlimited Potential

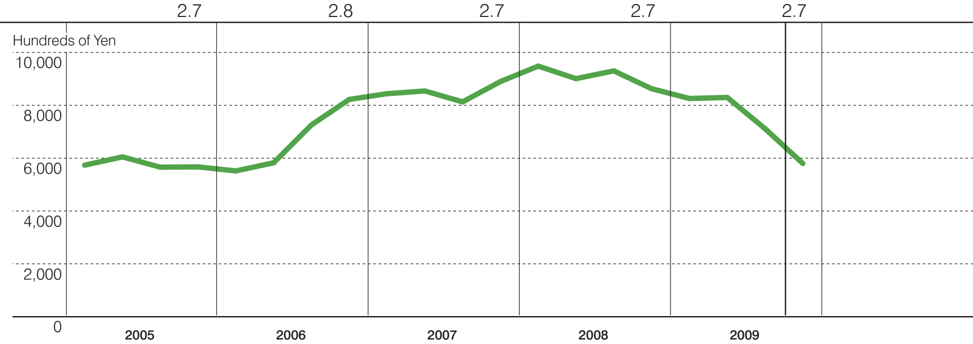
The JR East Group must achieve sustainable growth in order to continue to fulfill its three-part eternal mission in the years ahead. In a fast-changing environment, maintaining the status quo will only mean falling behind. Unless we constantly take on the challenge of reaching new goals, we will be unable 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.

Financial Highlights

East Japan Railway Company and Subsidiaries
Years ended March 31

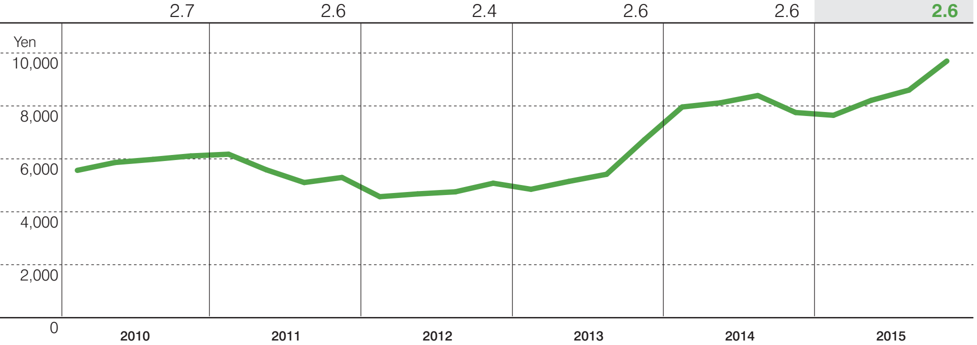
	2005	2006	2007	2008	2009
Operating results					
Operating revenues	¥2,537,481	¥2,592,393	¥2,657,346	¥2,703,564	¥2,697,000
Operating expenses	2,178,946	2,196,293	2,229,248	2,258,404	2,264,445
Operating income	358,535	396,100	428,098	445,160	432,555
Net income	111,592	157,575	175,871	189,673	187,291
Comprehensive income (*1)	N/A	N/A	N/A	N/A	N/A
Segment information					
Operating revenues from outside customers:					
Transportation	1,781,776	1,805,406	1,825,387	1,857,756	1,831,933
Station space utilization	369,790	383,904	399,998	404,006	415,020
Shopping centers & office buildings	181,956	190,466	197,140	205,347	222,628
Other services	203,959	212,617	234,821	236,455	227,419
Total	2,537,481	2,592,393	2,657,346	2,703,564	2,697,000
Financial position					
Total assets	6,716,268	6,821,584	6,968,032	6,942,003	6,965,793
Interest-bearing debt	3,774,004	3,681,192	3,574,822	3,535,343	3,429,871
Shareholders' equity (*2)	1,183,546	1,357,359	1,488,554	1,596,398	1,718,587
Cash flows					
Cash flows from operating activities	407,737	447,722	541,850	475,601	584,360
Cash flows from investing activities	(214,948)	(309,489)	(348,800)	(400,789)	(396,796)
Cash flows from financing activities	(209,041)	(141,599)	(172,027)	(80,407)	(159,238)
Per share data (*3)					
Earnings	27,868	39,370	44,008	47,464	469
Shareholders' equity (*2)	296,106	339,599	372,493	399,483	4,301
Cash dividends (*4)	6,500	8,000	9,000	10,000	110
Ratios					
Net income as a percentage of revenues	4.4	6.1	6.6	7.0	6.9
Return on average equity (ROE)	9.8	12.4	12.4	12.3	11.3
Ratio of operating income to average assets (ROA)	5.3	5.9	6.2	6.4	6.2
Equity ratio	17.6	19.9	21.4	23.0	24.7
Interest-bearing debt to shareholders' equity	3.2	2.7	2.4	2.2	2.0
Interest coverage ratio	2.7	3.2	4.2	3.8	4.8
Interest-bearing debt / net cash provided by operating activities	9.3	8.2	6.6	7.4	5.9
Dividend payout ratio	23.3	20.3	20.5	21.1	23.5
Other data					
Depreciation	317,957	316,038	318,526	335,587	343,101
Capital expenditures (*5)	319,912	361,372	413,310	417,144	402,582
Interest expense	148,431	136,548	131,376	126,047	120,395
Number of consolidated subsidiaries (As of March 31)	92	86	85	82	82
Number of employees	74,923	72,802	71,316	72,214	72,550
Electric power: Independent (Billions of kWh)	3.5	3.5	3.4	3.5	3.5
Electric power: Purchased (Billions of kWh)	2.7	2.8	2.7	2.7	2.7

Average Stock Price*3
(Calculated quarterly using closing prices)



*1 Accounting Standard for Presentation of Comprehensive Income was adopted beginning the year ended March 31, 2011.
*2 Shareholders' equity equals total net assets less minority interests beginning with the year ended March 31, 2007 (as in the balance sheets).
*3 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.
*4 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.
*5 These figures exclude expenditures funded by third parties, mainly governments and their agencies, which will benefit from the resulting facilities.
*6 Yen figures have been translated into U.S. dollars at the rate of ¥120 to U.S.$1 as of March 31, 2015, solely for the convenience of readers.

	Millions of Yen (except for Per share data, Ratios, Number of consolidated subsidiaries, and Number of employees)					YoY Change %	Millions of U.S. Dollars (*6) (except for Per share data)
2010	2011	2012	2013	2014	**2015**	**2015 / 2014**	**2015**
¥2,573,724	¥2,537,353	¥2,532,174	¥2,671,823	¥2,702,917	**¥2,756,165**	**2.0%**	**$22,968**
2,228,875	2,192,266	2,172,149	2,274,260	2,296,123	**2,328,643**	**1.4%**	**19,405**
344,849	345,087	360,025	397,563	406,794	**427,522**	**5.1%**	**3,563**
120,214	76,224	108,738	175,385	199,940	**180,398**	**–9.8%**	**1,503**
N/A	73,644	109,304	197,740	214,632	**229,293**	**6.8%**	**1,911**
1,757,994	1,721,922	1,705,794	1,809,554	1,827,467	**1,852,040**	**1.3%**	**15,434**
387,104	385,891	396,168	404,207	400,948	**396,368**	**–1.1%**	**3,303**
226,932	223,293	229,637	238,945	251,070	**254,997**	**1.6%**	**2,125**
201,694	206,247	200,575	219,117	223,432	**252,760**	**13.1%**	**2,106**
2,573,724	2,537,353	2,532,174	2,671,823	2,702,917	**2,756,165**	**2.0%**	**22,968**
6,995,494	7,042,900	7,060,409	7,223,205	7,428,304	**7,605,690**	**2.4%**	**63,381**
3,394,970	3,433,010	3,340,233	3,307,483	3,288,401	**3,275,523**	**–0.4%**	**27,296**
1,780,584	1,809,355	1,874,404	2,030,666	2,180,633	**2,285,658**	**4.8%**	**19,047**
479,180	508,846	558,650	588,529	562,764	**622,762**	**10.7%**	**5,190**
(391,682)	(433,179)	(370,685)	(465,952)	(474,698)	**(476,844)**	**–0.5%**	**(3,974)**
(115,327)	(27,512)	(152,428)	(101,151)	(91,367)	**(86,636)**	**5.2%**	**(722)**
303	193	275	444	507	**459**	**–9.5%**	**4**
4,501	4,574	4,739	5,136	5,529	**5,818**	**5.2%**	**48**
110	110	110	120	120	**120**	**0.0%**	**1**
4.7	3.0	4.3	6.6	7.4	**6.5**		
6.9	4.2	5.9	9.0	9.5	**8.1**		
4.9	4.9	5.1	5.6	5.6	**5.7**		
25.5	25.7	26.5	28.1	29.4	**30.1**		
1.9	1.9	1.8	1.6	1.5	**1.4**		
4.2	4.8	5.5	6.2	6.3	**7.6**		
7.1	6.7	6.0	5.6	5.8	**5.3**		
36.3	57.1	40.0	27.0	23.7	**26.1**		
356,365	366,415	358,704	346,808	348,042	**353,251**	**1.5%**	**2,944**
434,754	425,835	370,199	480,717	525,708	**522,127**	**–0.7%**	**4,351**
112,596	105,918	101,073	95,312	88,279	**81,962**	**–7.2%**	**683**
73	75	72	72	73	**72**		
71,854	71,749	71,729	73,017	73,551	**73,329**		
3.4	3.5	3.4	3.3	3.3	**3.3**		
2.7	2.6	2.4	2.6	2.6	**2.6**		



Long-term Credit Rating

Rating agency	Rating
Moody's	Aa3 [Stable]*9
Standard & Poor's (S&P)	AA– [Stable]
Rating & Investment Information (R&I)	AA+ [Stable]

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

*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.

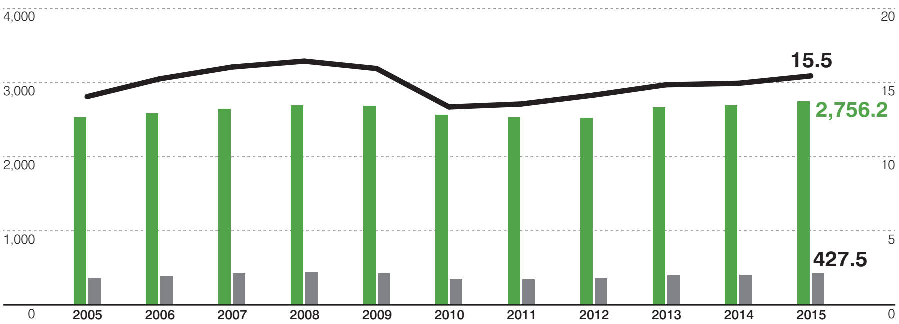
*9 Moody's downgraded rating from Aa2 to Aa3 on December 3, 2014.

Selected Financial Data

East Japan Railway Company and Subsidiaries
Years ended March 31

Operating Revenues, Operating Income, and Ratio of Operating Income to Operating Revenues

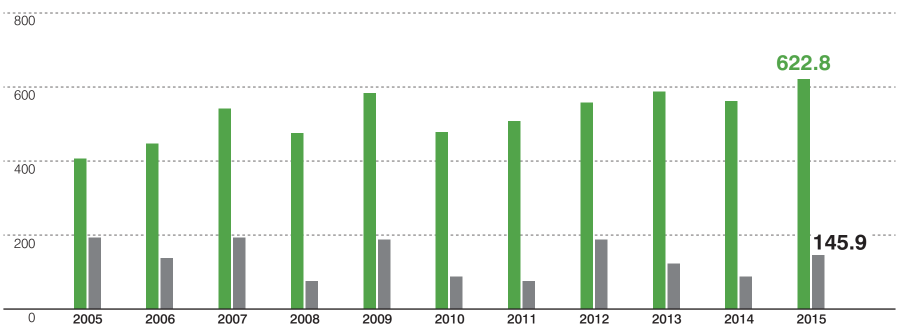
Billions of Yen



■ Operating revenues (left) ■ Operating income (left)
━ Ratio of operating income to operating revenues (right)

Cash Flows from Operating Activities and Free Cash Flows

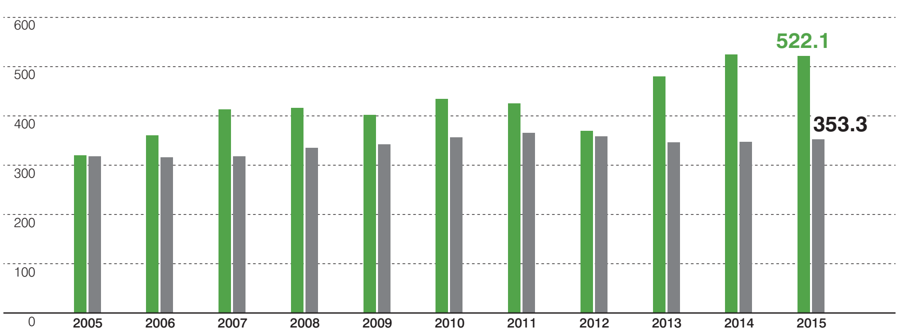
Billions of Yen



■ Cash flows from operating activities
■ Free cash flows

Capital Expenditures and Depreciation

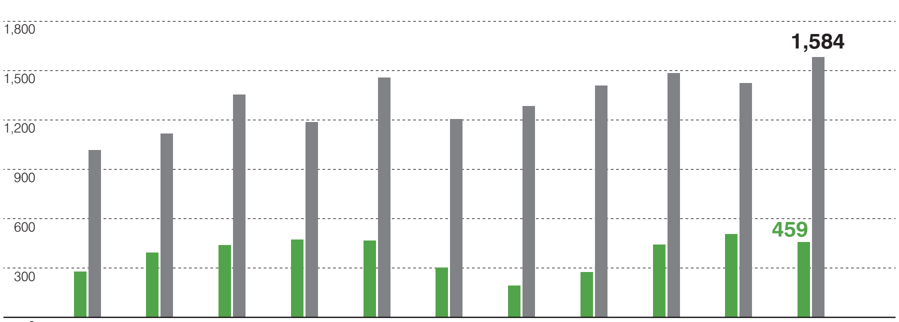
Billions of Yen



■ Capital expenditures
■ Depreciation

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

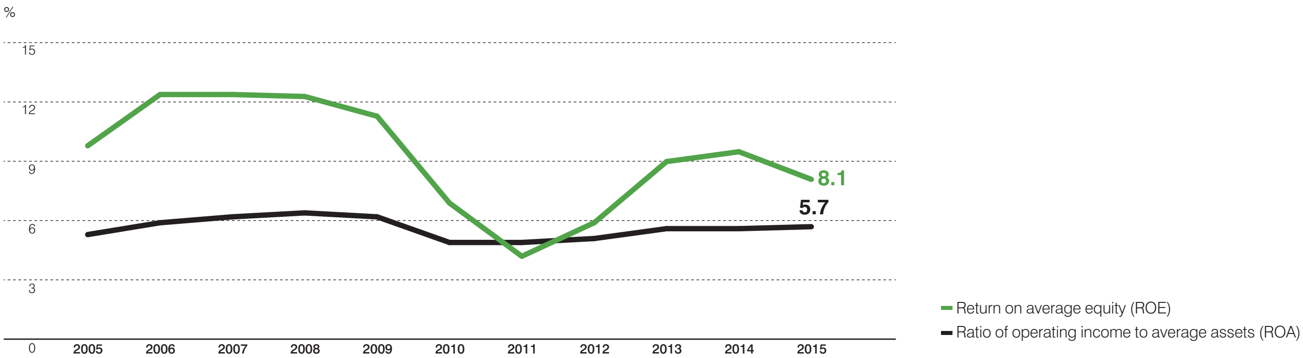
Yen



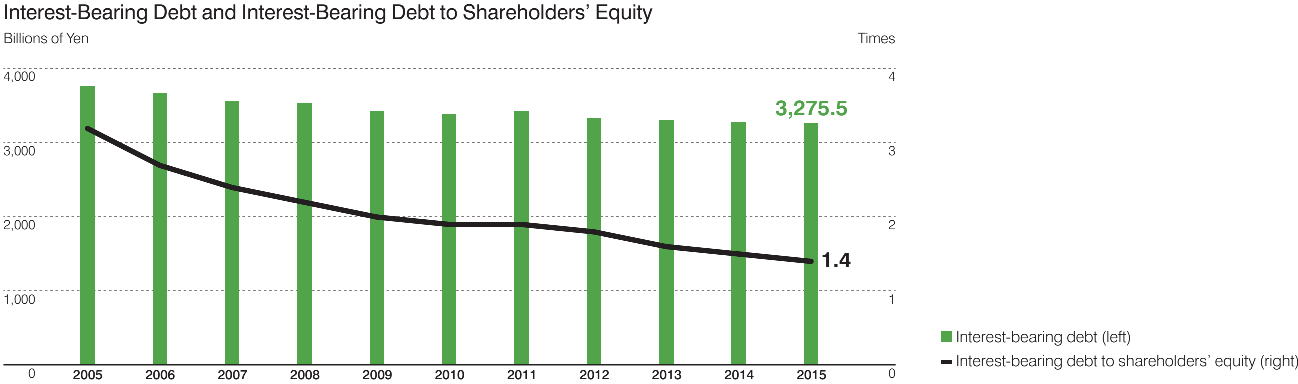
■ Earnings per share
■ Cash flows from operating activities per share

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

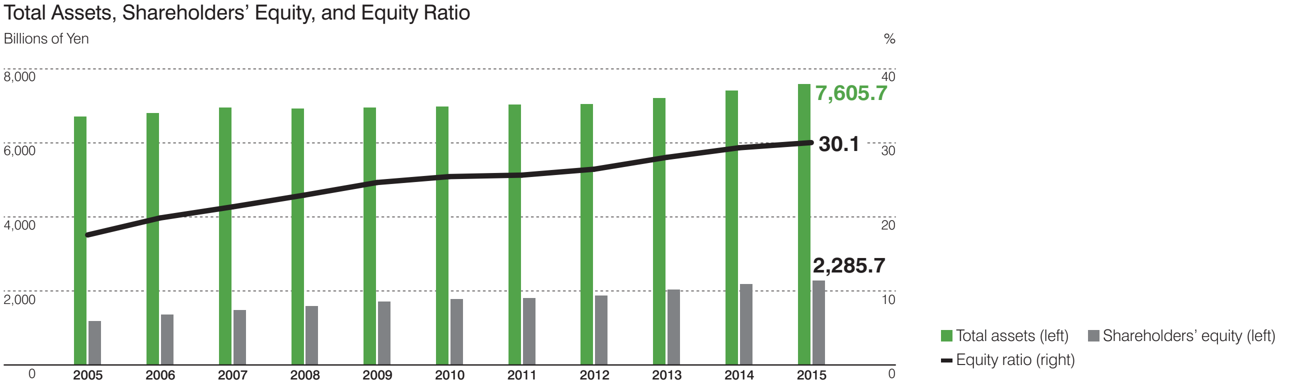
Return on Average Equity (ROE) and Ratio of Operating Income to Average Assets (ROA)



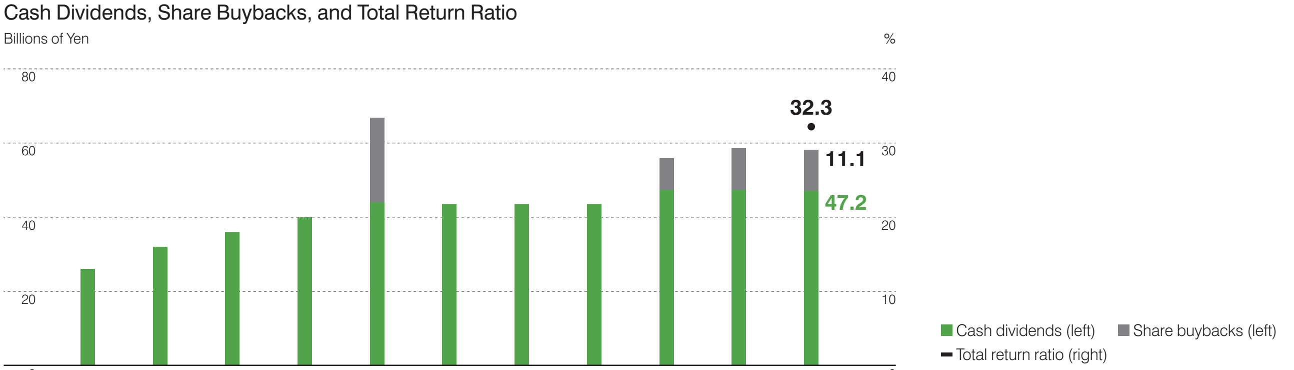
Interest-Bearing Debt and Interest-Bearing Debt to Shareholders' Equity



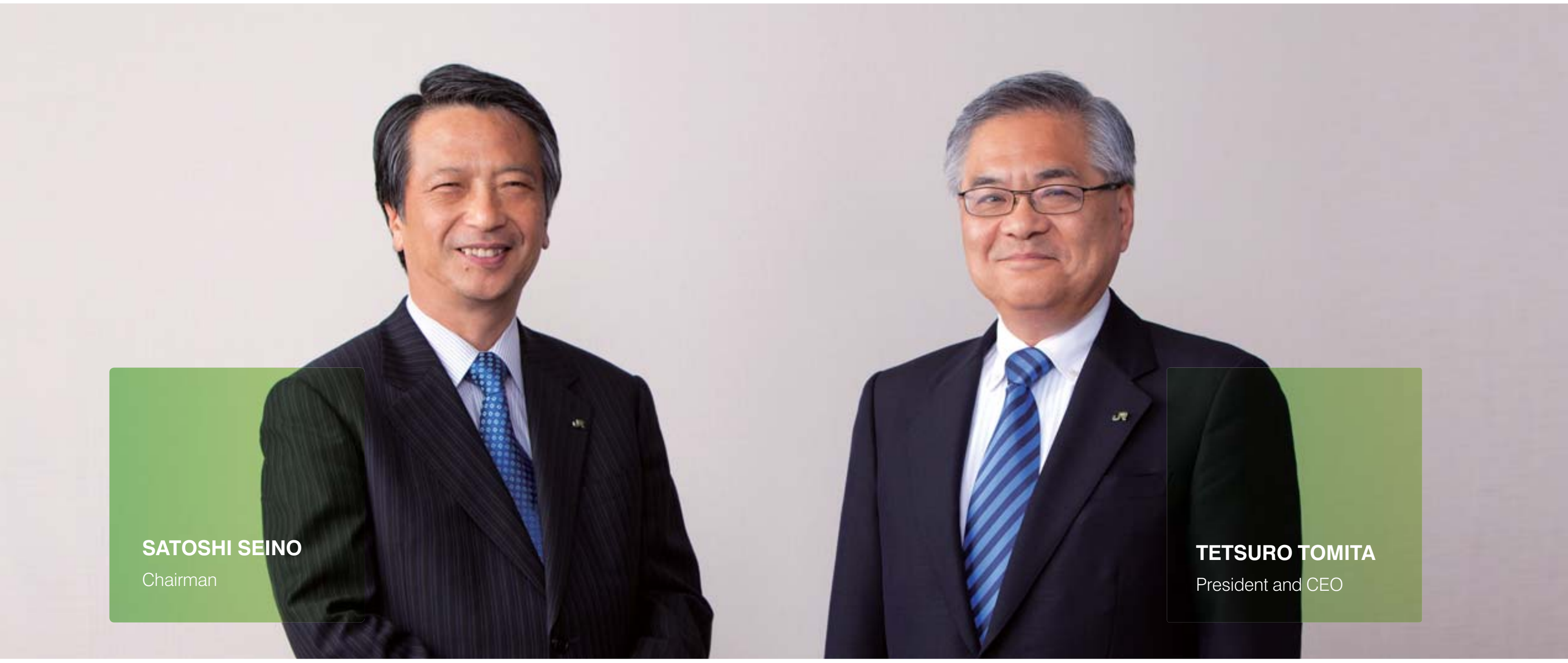
Total Assets, Shareholders' Equity, and Equity Ratio



Cash Dividends, Share Buybacks, and Total Return Ratio



A Message from the Management



We would like to thank our shareholders and other investors sincerely for their remarkable support.

In fiscal 2015, the year ended March 31, 2015, the Japanese economy continued to recover gradually. This was partly because a recovery in the employment market counteracted a dip in demand at the beginning of the year, which resulted from the absence of the previous fiscal year's rush demand prior to a consumption tax rate increase. 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) steadily executed various initiatives centered on the railway and life-style service businesses and *Suica* operations.

As a result, during the fiscal year under review, operating revenues increased 2.0% year on year, to ¥2,756.2 billion, mainly due to growth in JR East's transportation revenues centered on non-commuter pass revenues. Operating income increased 5.1%, to ¥427.5 billion. Furthermore, ordinary income rose 8.9%, to ¥362.0 billion, mainly due to a decline in interest expenses. Net income decreased 9.8%, to ¥180.4 billion, due to factors including the recognition of extraordinary losses associated with transfer of management of the section between Miyako and Kamaishi on the Yamada Line and an increase in "income taxes, deferred," resulting from a reversal of "deferred tax assets" that accompanied an amendment of Japan's Corporation Tax Act and other rules.

With the exception of residual weakness in some segments, economic conditions in Japan are expected to recover gradually as the employment market and personal income continue to improve, in part due to various government initiatives. Amid these conditions, in accordance with "JR East Group Management Vision V," we will achieve tangible business results through concerted, companywide efforts based on the two pillars of our business management—"Eternal Mission" and "Pursuing Unlimited Potential."

In railway operations, reflecting "JR East Group Safety Plan 2018," JR East aims to realize "extreme safety levels" by developing the capabilities of each employee through the rigorous inculcation of safety awareness and the encouragement of safety in day-to-day behavior while mobilizing these capabilities through teamwork that transcends workplaces and organizational divisions. Also, based on its "Medium-term Vision for Service Quality Reforms 2017," which began in 2015, JR East will promote a range of measures aimed at improving transportation quality and pursuing customer-friendly services. These measures will include enhancing information provided during transportation disruptions and identifying the needs of line-side areas. Through such measures, JR East aims to be "No. 1 for customer satisfaction in the Japanese railway industry" and thereby remain a company customers choose.

In the life-style service business, JR East will make steady progress in developing Shinjuku Station, Shibuya Station, Yokohama Station, and other large-scale stations. At the same time, the Group will implement measures to develop desirable line-side-area brands, including the *Chuo Line Mall Project*. In addition, JR East will collaborate with Group companies to take on the challenge of overseas development.

In *Suica* operations, preparations are under way to expand the mutual usage of *Suica* to include the Sendai City Transportation Bureau's *icsca* card in the spring of 2016. Moreover, JR East will continue increasing the number of participating stores and business establishments to enhance convenience and grow the number of settlements using *Suica*.

In railcar manufacturing operations, our fourth business pillar, we will fully leverage the April 2014 integration of Japan Transport Engineering Company with Niitsu Rolling Stock Plant to enhance the competitiveness of these operations. Further, JR East aims to win orders for projects in Japan and overseas by actively promoting its *sustina* stainless-steel railcars.

We will do our utmost to realize sustainable growth and satisfy our shareholders and other investors in the medium-to-long term. As we pursue this management goal, we would like to ask our shareholders and other investors for their continued support and understanding.

August 2015

Satoshi Seino
Chairman

Tetsuro Tomita
President and CEO

Interview with the President

We will achieve tangible results by continuing concerted efforts focused on two important pillars: realizing our "Eternal Mission" and "Pursuing Unlimited Potential" in accordance with the "JR East Group Management Vision V."

Also, through the concrete action of each employee as well as teamwork, we aim to realize our commitment to "Thriving with Communities, Growing Globally."

TETSURO TOMITA
President and CEO

QUESTION 1

To begin, could you please give an overview of fiscal 2015 and explain JR East's basic policy in fiscal 2016?

ANSWER 1

- **In fiscal 2015, JR East performed solidly overall, growing passenger revenues centered on the Shinkansen network and conventional lines in the Tokyo metropolitan area.**
- **In fiscal 2016, JR East will achieve tangible results by continuing concerted efforts aimed at realizing its "Eternal Mission" and "Pursuing Unlimited Potential" in accordance with the "JR East Group Management Vision V." I want it to be a year in which we consolidate foundations and implement each measure steadily.**

In fiscal 2015 (the year ended March 31, 2015), Japan's economy continued recovering gradually due to a pickup in the employment market, which counteracted the absence of rush demand prior to a consumption tax increase at the beginning of the fiscal year. In these conditions, JR East performed solidly overall. Based on safe and reliable transportation, the Company achieved steady growth in revenues from passenger tickets, centered on the Shinkansen network and conventional lines in the Tokyo metropolitan area.

For example, revenues from commuter passes rose year on year partly due to higher numbers of commuter pass holders, reflecting the increased participation of women and seniors in the workforce. Furthermore, non-commuter pass revenues were also up thanks to firm growth in revenues from short-distance and medium-to-long-distance services, reflecting rises in tourists visiting Japan and the use of Shinkansen services' *GranClass*. Generally, Japan's declining population is seen as unfavorable for the transportation industry. However, I think our performance in fiscal 2015 proved that, even in an era of population decline, we can grow revenues by steadily implementing various measures.

As a result, in fiscal 2015 higher revenues from passenger tickets boosted operating revenues, which grew on a consolidated and non-consolidated basis for the third consecutive fiscal year. Moreover, we posted new records for consolidated operating revenues and consolidated and non-consolidated ordinary income. Despite these improvements, net income decreased due to temporary factors, including the recognition of extraordinary losses associated with the transfer of management of the section between Miyako and Kamaishi on the Yamada Line and a reversal of deferred tax assets resulting from a change in the income tax rate.

In fiscal 2016, JR East will achieve tangible results by continuing concerted efforts focused on two important pillars: realizing its "Eternal Mission" and "Pursuing Unlimited Potential" in accordance with the "JR East Group Management Vision V." Also, through the concrete action of each employee as well as teamwork, we aim to realize our commitment to "Thriving with Communities, Growing Globally." Up until this point of the current fiscal year, business results have been steady. However, it is precisely at such times that we should consolidate foundations. Ensuring safe and reliable transportation is the most important way of increasing earnings. Therefore, I want to steadily and surely implement each measure in the current fiscal year. By expanding and improving the railway network and providing transportation that is safe, reliable, and comfortable, our goal is to entrench the upward trend in customer usage, centered on the Shinkansen network and conventional lines in the Tokyo metropolitan area.

QUESTION 2

Could you explain the JR East Group's way of thinking about safety?

ANSWER 2

- **For the JR East Group, safety is the top priority of business management.**
- **A railway track obstruction resulted from the collapse of an electrical pole on the Kanda–Akihabara segment of the Yamanote Line in April 2015. In response to this serious incident, we have embarked upon a Groupwide effort to identify and address safety-related vulnerabilities. We will continue unstinting efforts to restore trust.**
- **While continuing to advance the "JR East Group Safety Plan 2018" resolutely, we will step up seismic reinforcement measures, the renewal of aging facilities, and the installation of automatic platform gates.**

For the JR East Group, safety is the top priority of business management. Since its establishment 28 years ago, JR East has invested more than ¥3,300 billion in safety—approximately 40% of capital investment.

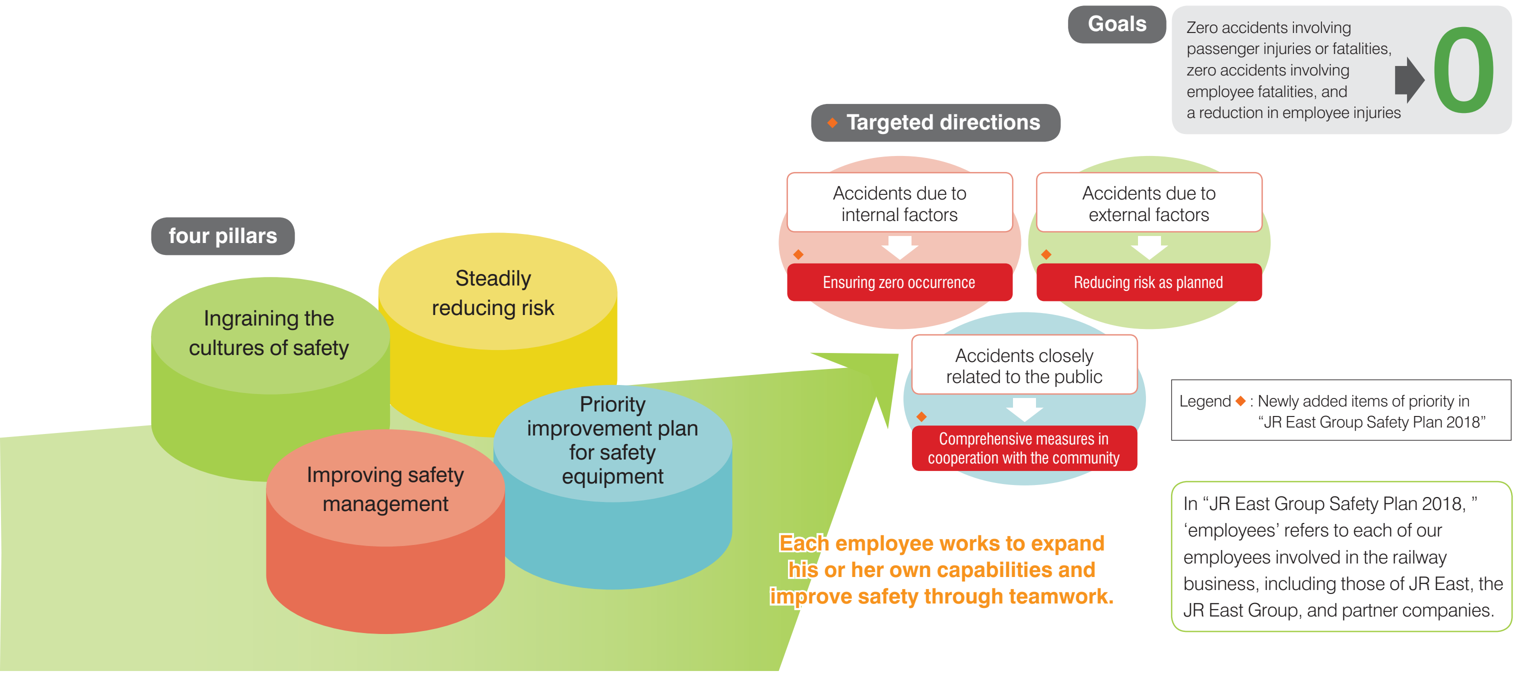
We will continue to firmly advance our sixth five-year safety plan, "JR East Group Safety Plan 2018." We have earmarked ¥1,000 billion for investment in safety during the five fiscal years beginning from fiscal 2015.

Safety is not something that exists naturally of its own accord. Therefore, each JR East Group employee will create rigorous safety through day-to-day operational procedures. In the current fiscal year, a particular task is reducing recurring incidents with a view to ultimate elimination. In April 2015, however, a railway track obstruction resulted from the collapse of an electrical pole on the Kanda–Akihabara segment of the Yamanote Line. This serious incident caused considerable inconvenience and concern. To prevent this type of incident from recurring, we have established an exploratory committee, which is conducting factual investigations and an analysis of background factors to determine the cause, with the Director General of Railway Operations Headquarters acting as chief investigator. Based on the committee's findings, we are taking countermeasures. Furthermore, in a Groupwide effort to identify and address safety-related vulnerabilities, we are conducting emergency general safety inspections of all field offices. We will continue unstinting efforts to restore trust.

Further, in pursuing "extreme safety levels," considering how to heighten each employee's safety awareness and technological capabilities is important. We will create well-grounded safety through various discussions on safety measures, including roundtable discussions conducted by operational sites' key safety leaders and branch offices' safety professionals. In the pursuit of "extreme safety levels," there are still areas on which we need to focus efforts. With humility and a focus on actual conditions, we will advance each measure through the combined efforts of all employees—from members of the senior management team through to those in frontline operations. In other words, we will move "Ever Onward" in adherence to the "JR East Group Management Vision V."

At the same time, we will step up seismic reinforcement measures, the renewal of aging facilities, and the installation of automatic platform gates. We are steadily implementing seismic reinforcement measures in anticipation of an earthquake directly beneath the Tokyo metropolitan area as part of a five-year program from fiscal 2013 through fiscal 2017, during which we plan to invest a total of ¥300 billion. By the end of fiscal 2015, we had completed roughly 50% of the work that is currently planned, and we aim to complete about 80% of it by the end of fiscal 2017. Also, we maintain railway facilities and equipment diligently. Every year, we invest in the appropriate renewal of aging structures, railway track equipment, and railway stations. We spend between ¥200 billion and ¥250 billion on maintenance and use between ¥300 billion and ¥350 billion for investment needed for the continuous operation of business. Also, in the current fiscal year plans call for the installation of automatic platform gates at five railway stations on the Yamanote Line, meaning 23 of the line's 29 railway stations will have automatic platform gates. Furthermore, we will consider installing automatic platform gates at railway stations beyond the Yamanote Line.

Overview of "JR East Group Safety Plan 2018"



QUESTION 3

Has the recent significant revision of the timetable produced benefits? Also, how does JR East plan to develop the railway network?

ANSWER 3

- **We realized two major projects: the openings of the Hokuriku Shinkansen Line to Kanazawa and the Ueno-Tokyo Line. These projects gave us a fresh sense of railways' potential. By expanding and improving the railway network, we can increase overall passenger flows significantly.**
- **To remain customers' first choice, JR East aims to make concerted efforts to enhance transportation quality and become "No. 1 for customer satisfaction in the Japanese railway industry."**

In an era of population decline, encouraging customer usage by improving the quality of railway transportation services is vital. In this regard, the realization of two major projects with the openings of the Hokuriku Shinkansen Line to Kanazawa and the Ueno-Tokyo Line, following the March 2015 timetable revision, gave us a fresh sense of railways' potential.

The numerous customers using the Hokuriku Shinkansen Line are increasing total passenger flows between the Tokyo metropolitan area and the Hokuriku region significantly. Consequently, we anticipate these increasing passenger flows will lead to a ¥29.5 billion rise in revenues in fiscal 2016. By opening Shinkansen lines, we have sought to not only capture passengers from other modes of transportation, such as aircraft, but also vitalize regions and enrich local economies by increasing overall passenger flows. I feel we have taken a firm first step toward this goal. In addition, I think it is important to increase passenger flows in all line-side regions by developing wide-ranging sightseeing routes not just in the Hokuriku region but in Niigata, Nagano, and Gifu prefectures. March 2016 will mark the opening of the Hokkaido Shinkansen Line to Shin-Hakodate Hokuto. By continuing to create a new high-speed railway network focused on tourism, we will grow interregional railway travel and help energize local communities.

Meanwhile, the opening of the Ueno-Tokyo Line has improved the conventional line network in the Tokyo metropolitan area. The new line has shortened travel times by eliminating the need to change trains at Tokyo and Ueno stations and lessened congestion on the Yamanote and Keihin-Tohoku lines, which run parallel to it. For example, data shows that one month after the line's opening congestion on the Yamanote and Keihin-Tohoku lines between Ueno and Okachimachi stations was down about 30%. A further benefit is that total passenger flows have risen, which is expected to generate approximately ¥2 billion in additional revenues. I think this is very significant because the new line has shown us one strategy to increase the number of passengers using conventional lines. If we enhance convenience by introducing direct services and seating services, conventional lines have the potential to raise passenger numbers. To realize this potential, we need to exploit opportunities arising from major emerging trends, such as the increasing number of working women and seniors. With this in mind, we intend to expand passenger usage by enhancing the quality of transportation services through such initiatives as the introduction of *Green Car* services to the Chuo Line Rapid Service in fiscal 2021.

Regarding transportation quality, we will reduce travel times, through such initiatives as the Ueno-Tokyo Line, and enhance comfort, through the introduction of *Green Car* services and other measures. Moreover, as a measure to heighten transportation reliability, we plan to enable rapid resumption of transportation services following disruptions by increasing contingency shuttle operations. We have taken countermeasures based on a range of scenarios with the intention of minimizing customers' loss of valuable time. To remain customers' choice, JR East aims to make concerted efforts to enhance transportation quality and become "No. 1 for customer satisfaction in the Japanese railway industry."

QUESTION 4

Are there further projects that will open the way to future?

ANSWER 4

- **By steadily developing large terminal stations in Tokyo, Shinjuku, Shibuya, Yokohama, Chiba, Sendai, and other locations, we will increase their appeal as towns and generate significant passenger flows.**
- **The Shinagawa development project is scheduled for completion around 2023 or 2024. Our ambition is to realize an internationally appealing town that becomes Japan's gateway.**
- **We are planning the Haneda Airport Access Line, which will improve access to Haneda Airport from across the Tokyo metropolitan area by connecting the airport directly with Tokyo, Shinjuku, Shibuya, Ikebukuro, and other railway stations.**

Large-Scale Development of Terminal Stations

Opening time

FY2017

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.
  Fall 2016 to sometime after summer 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 and after

Shibuya Station Development
(Joint development with Tokyu Corporation and Tokyo Metro)

- FY2020 (East Tower),
  FY2028 (Central Tower and West Tower)
  47 floors, 7 basement floors (East Tower)
  Offices, commercial facilities, etc.

Yokohama Station West Exit Bldg.
(provisional name)

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

Railway operations are JR East's mainstay. We can gain synergistic benefits by invigorating line-side towns, which vitalize customers and enlarge passenger flows. Therefore, we want to continue focusing efforts on "town development" not only in the Tokyo metropolitan area but in regions. Currently, approximately one-third of JR East's earnings are from businesses other than railway operations. Through "town development," JR East will acquire further growth potential. In particular, with our sights set on the 2020 Tokyo Summer Olympic and Paralympic Games, we plan to develop a new railway station between Tamachi and Shinagawa railway stations and, centered on the new railway station, develop a town on the former site of the Shinagawa Depot railway yard. Other initiatives include completing the *Shinjuku New South Exit Building* (provisional name) and the *Sendai Station East Exit Building* in spring 2016. By continuing the steady development of large terminal stations in Tokyo, Shinjuku, Shibuya, Yokohama, Chiba, Sendai, and other locations, we will increase their appeal as towns and generate significant passenger flows.

In the large-scale development project at Shinagawa, we have scheduled the provisional opening of the new railway station between Tamachi and Shinagawa stations for 2020, and we plan to unveil the town around 2023 or 2024. One of the largest development initiatives in Japan, the project has a site that covers about 130,000 square meters, and it will create around 1,000,000 square meters of floor space. We are passionate about developing a new type of town that symbolizes Japan's openness to the world. The investment will be around ¥500 billion, and new construction will include hotels, commercial facilities, and cultural facilities but mainly comprise offices and condominiums. At present, we are holding discussions with relevant authorities with a view to deciding on a town plan by the end of fiscal 2016. Taking advantage of various special zone systems, our ambition is to realize an internationally appealing town that becomes Japan's gateway.

The Haneda Airport Access Line is an important initiative from the perspective of developing and boosting the international competitiveness of Japan's capital. This plan entails linking a line from the direction of Tokyo to a currently unused freight line near Tamachi Station as well as creating a new line underground from the Tokyo Freight Terminal, near Oi Futo, to directly beneath Haneda Airport. Further, we are considering using the Rinkai Line for a route that connects from the Shinjuku direction to the Tokyo Freight Terminal and a route that connects from Shin-Kiba to the Tokyo Freight Terminal, bringing the total to three routes. This project is expected to require an investment of more than ¥300 billion. We are currently in talks with related parties about a specific operational scheme and the cost burden. In light of the effect on business management, we will shoulder a reasonable amount of the cost burden and proceed with the project. Given Tokyo's prominence on the world stage, I think this project is extremely significant. As well as directly linking Tokyo, Shinjuku, Shibuya, Ikebukuro, and other railway stations with Haneda Airport, the new line will improve the airport's accessibility from across the Tokyo metropolitan area via JR East's railway network. The project is expected to take around 10 years to complete. I want to tackle this initiative while gaining generous cooperation from related parties and working energetically to shorten construction and procedural lead times.

Shinagawa Development Project

Haneda Airport Access Line Design (Under examination)

QUESTION 5

What type of collaborative measures is JR East taking with local communities?

ANSWER 5

- **Our collaboration with local communities focuses on three areas: promotion of tourism, revitalization of local industry, and town development. As a company providing an important component of each local community's infrastructure, we will meet our responsibility to enrich the lives of local residents and energize their communities.**
- **As we proceed through the planned stages of restoration work related to the Great East Japan Earthquake, we are consulting with local communities. In May 2015, operations resumed on all segments of the Senseki Line for the first time in four years. At the same time, operations began on the new Senseki-Tohoku Line connecting to the Tohoku Line.**

Our collaboration with local communities focuses on three areas: tourism promotion, local industry revitalization, and town development.

To begin with tourism, the number of overseas tourists visiting Japan is increasing rapidly at present. However, only about 1% or 2% of them visit the Tohoku region, which is part of JR East's service area. If we can raise the number of visitors, it will give the region a very significant boost. We want to leverage tourism to increase inter-regional passenger flows and vitalize the region. This is a major task that we should tackle with local communities. By fiscal 2018, we aim to grow revenues from overseas tourists 1.5 times compared with those of fiscal 2015. With this target in mind, we will offer travel products for overseas tourists, enhance our ability to accommodate their needs, and establish sales systems overseas. A host of local communities are eager to boost their regions through tourism. Many of them would like the six JR passenger railway companies in Japan to jointly hold and promote a *Destination Campaign* for their prefecture, to the point where narrowing down candidate regions is a struggle. Further, seniors are very active at the moment: the membership of our *Otona no Kyujitsu Club* is approaching two million. Targeting active seniors who are inquisitive and have a certain amount of free time, we want to increase passenger flows.

Secondly, we want to revitalize local industry with a focus on agriculture, fishing, and forestry. Considering how to do this is an important task. Annually, JR East holds more than 3,000 *Sanchoku-Ichi* (farmers' markets), selling regional specialties at railway stations in the Tokyo metropolitan area. Continuing such initiatives unearths regional specialties, creates new industries, and advances the sextic industrialization of agriculture, fishing, and forestry. We will continue processing local produce to create new offerings. For example, a Group company uses Aomori apples to make cider, while our *Tokamachi Sukoyaka Factory* makes sweets from rice flour.

Lastly, we will contribute to town development. Given society's aging, regions need station-centered "compact cities," which concentrate essential everyday services. We should not restrict ourselves to medical and nursing care services when considering what type of services seniors need. Rather, we should include services that active seniors want, such as cultural and exercise facilities. By combining these with stores, hotels, offices, and other typical facilities, we will create one-stop "compact cities" centered on railway stations. For example, we are helping surround railway stations with lively and bustling areas. To coincide with the opening of the Hokuriku Shinkansen Line to Kanazawa, we created a highly

appealing, popular area by rebuilding Nagano Station and renovating its station building and hotel. Invigorating towns in partnership with local communities in this way will be a crucial facet of initiatives to increase regions' vitality. Therefore, I want us to tackle similar initiatives in other towns.

As for restoration work related to the Great East Japan Earthquake, JR East still has more than 200 kilometers of closed line segments. We are using bus rapid transit (BRT) services to restore transportation services provisionally on the Kesennuma Line and Ofunato Line. However, on certain line segments, such as those of the Joban Line, restoration is not progressing as hoped due to the effect of the nuclear power station accident. We are proceeding with restoration work on these line segments in planned stages. In conjunction with this work, we are holding dialogues with local communities. Further, we are monitoring decontamination levels and other factors. In May 2015, operations resumed on all segments of the Senseki Line for the first time in four years. At the same time, operations began on the new Senseki-Tohoku Line connecting to the Tohoku Line. Further, with a view to opening the line segment in two years, JR East is conducting a large-scale restoration project between Soma and Hamayoshida on the Joban Line that is transferring railway tracks to an area alongside hills. Also, JR East submitted a proposal to relevant local authorities and other parties about the integration of the Miyako–Kamaishi segment of the Yamada Line with the North and South Rias Lines for operation by Sanriku Railway Company. In December 2014, we reached a basic agreement, and we concluded a letter of intent and memorandum of understanding in February 2015. Local residents are eager to have railway services restored. However, some line segments face issues related to passenger safety, high restoration costs, or ensuring passenger volumes. Therefore, we want to continue discussing each region's optimal mode of transportation with local residents.

A railway company is not just obliged to transport passengers. As the provider of an important component of each local community's infrastructure, it should enrich the lives of local residents and energize their communities. Moreover, a situation in which Tokyo prospers in isolation will not generate passenger flows. Therefore, I think finding ways to stimulate regions is a major task that we must tackle.


The reopened Senseki Line

QUESTION 6

In "Pursuing Unlimited Potential," what type of initiatives are you advancing?

ANSWER 6

- **We will take on a range of creative initiatives, including the use of ICT to innovate maintenance operations and the exploitation of renewable energy.**
- **As a global strategy, we will capitalize on our personnel's expertise and knowledge in the railway maintenance and operations area, which is one of our strengths.**
- **JR East will continue concerted efforts with Group companies to raise efficiency. Also, we aim to undertake integrated management of outsourced operations to curb total outsourcing and personnel expenses.**

It goes without saying that innovation grows companies and advances society in any age. In the world of railways, the advents of Shinkansen and *Suica* were epoch-making.

One of our current initiatives is the utilization of ICT. We are taking advantage of tablet computer terminals to expedite responses to transportation service disruptions and improve our ability to provide customers with information about such disruptions. Further, in the Series E235 mass-production lead railcars, scheduled to begin operating on the Yamanote Line from fall 2015, we will install monitoring equipment that will allow highly frequent assessment of the status of railway tracks and catenaries as well as real-time monitoring of railcar devices' data. These innovations will enable us to optimize maintenance timing to match equipment degradation. Furthermore, for railcar control, eliminating signal circuits by replacing them with wireless systems promises to reduce maintenance costs.

As part of an energy and environmental strategy to reduce CO_2 emissions and stimulate local economies, we are generating renewable energy mainly by capitalizing on northern Tohoku's rich natural environment. Our initiatives include participation in the strategic management of a biomass energy generation company in Hachinohe, Aomori Prefecture; start-up of operations at a solar power generation facility in Katagami, Akita Prefecture; and establishment of JR East Energy Development Co., Ltd., which develops wind power generation businesses primarily in the Tohoku region. Also, a future task is the use of hydrogen energy for railways. For example, I want to research using hydrogen energy for thermal power generation and running railcars on hydrogen energy by incorporating fuel cells into them in the way that this has been done for automobiles. And, we will continue taking on the challenge of realizing the operation of Shinkansen at 360 km/h by continuing to increase the operating speeds of Shinkansen while resolving such problems as vibration and noise.

Under our global strategy, in preparation for the 2016 opening of the Purple Line urban mass transit railway system in Bangkok, Thailand, we will formulate plans for maintenance operations and conduct rigorous training while carefully undertaking progress management for railcar supply. Meanwhile, we have transferred railcars from the Saikyo and Yokohama lines to an urban railway system in Jakarta, Indonesia, and our personnel are helping with maintenance skills and supporting operations. Unlike manufacturers or trading companies, our strength lies in maintenance and operations. Because providing personnel and technical support is important for urban railway systems and high-speed railways, I want to capitalize on the expertise and knowledge of our personnel to realize this strength fully.

Further, in the context of a declining population controlling expenses is an important business management theme. The key will be whether we can provide the same products and services more efficiently. With this in mind, we will introduce various systems and revise the content of services. Also, JR East will launch a concerted effort with Group companies to heighten overall efficiency by introducing outsourcing. Furthermore, we aim to undertake integrated management of outsourced operations to curb total outsourcing and personnel expenses.

QUESTION 7

What are JR East's management strategies for growth?

ANSWER 7

- **Fiscal 2018 projections show higher revenues and earnings and improved ROA and ROE.**
- **Our goal over the coming three years is to generate cash flows from operating activities of ¥1,900 billion, of which we will invest ¥600 billion for growth.**
- **We are mindful of a total return ratio target of 33% based on stable cash dividends and a flexible policy on share buybacks. We will advance steadily toward our goal of reducing consolidated interest-bearing debt to ¥3,000 billion during the 2020s.**

We announced numerical targets for the coming three years when we released the fiscal 2015 financial results. Fiscal 2018 projections show higher revenues and earnings and improved ROA and ROE. To enable us to reach these targets, we will consolidate foundations. Safety, service quality, collaboration with local communities, technological innovation, and globalization cannot be realized at a stroke. Therefore, by progressing incrementally in each area over the coming three fiscal years we intend to realize the fiscal 2018 numerical targets.

For railway operations, I think the fiscal 2018 numerical targets are reachable given our steady progress in opening Shinkansen lines and strengthening the Tokyo metropolitan area network. As for the life-style service business, the earnings of the Station Space Utilization segment have dipped because we are developing main railway stations in the Tokyo metropolitan area. However, as this segment picks up, its fiscal 2018 earnings are likely to surpass those of fiscal 2015. Meanwhile, the Shopping Centers & Office Buildings segment plans to open projects in Shinjuku, Sendai, and Chiba stations, which will contribute to earnings.

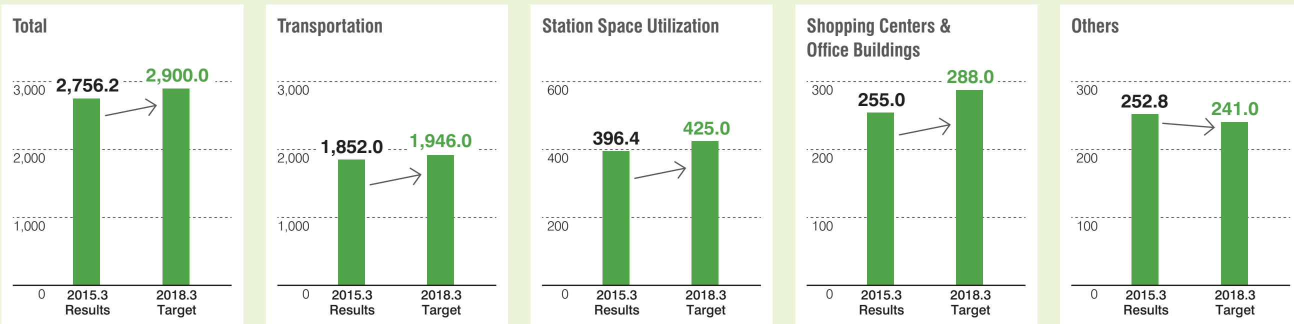
Further, our goal over the coming three years is to generate operating cash flows of ¥1,900 billion, of which we will use ¥1,600 billion for capital investment. This capital investment will comprise maintenance and renewal investment of ¥1,000 billion and growth investment of ¥600 billion. Devoting a significant amount of cash to capital investment will heighten safety, reliability, and comfort and thereby ensure future growth.

In addition, we are mindful of a total return ratio target of 33% based on stable cash dividends and a flexible policy on share buybacks. We will decide on increases in cash dividends at junctures when we expect to be able to maintain cash dividend levels following raises. Also, we will execute share buybacks flexibly in response to earnings levels. Further, for fiscal 2016 we plan to pay cash dividends of ¥130.00 per share, an increase of ¥10.00.

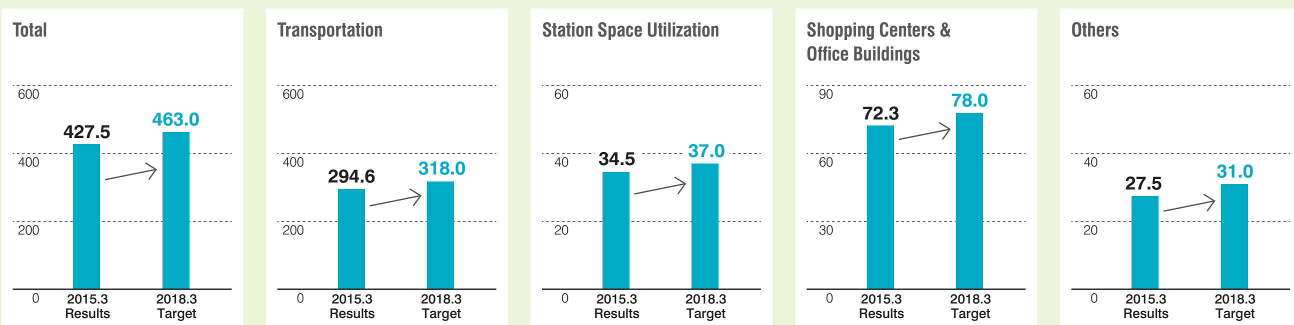
Lastly, we will advance unflaggingly toward our goal of reducing consolidated interest-bearing debt to ¥3,000 billion during the 2020s.

As I have often stressed, we will move forward with unwavering adherence to a basic policy founded on three pillars: implementing capital investment needed for future growth and safe and reliable transportation; providing returns to investors; and reducing debt in preparation for the future. I believe realizing a balance among these three pillars as we advance steadily will, ultimately, reward investors' trust.

Consolidated Operating Revenues Billions of Yen



Consolidated Operating Income Billions of Yen



Consolidated ROA (Ratio of operating income to average assets)

2015.3 Results → At the end of FY2018

5.7% → **Around 6%**

Consolidated ROE (Return on average equity)

2015.3 Results → At the end of FY2018

8.1% → **Around 10%**

Uses of Consolidated Cash Flows

	Targets	FY2016
Consolidated operating cash flows	Approx. ¥1.9 trillion (Three-year total to FY2018)	
Capital expenditures	Approx. ¥1.6 trillion (Three-year total to FY2018)	¥525.0 billion*1
Investment needed for the continuous operation of business (Safety practice and transportation stability)	Approx. ¥1,000.0 billion (Approx. ¥600.0 billion)	¥321.0 billion
Growth investment	Approx. ¥600.0 billion	¥204.0 billion
Shareholder returns	[Medium- to long-term target] 33% total return ratio (to net income)	¥130/share dividend Share buybacks*2
Debt reduction	(During the 2020s) ¥3,000.0 billion interest-bearing debt balance	Reduce interest-bearing debt Around ¥20.0 billion

*1 In addition, priority budget allocation maximum of ¥30.0 billion from the deposit balance on March 31, 2015 (capital expenditures of approximately ¥555.0 billion in total)

*2 Share buybacks of ¥11.1 billion (1 million shares) executed between April 30 and May 29, 2015

JR East Group Management Vision V—Ever Onward

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

Eternal Mission

Pursuing "extreme safety levels"

Build a railway capable of withstanding natural disasters

- Invest a total ¥300.0 billion in seismic reinforcements (Expect to complete approximately 80% by the end of fiscal 2017)
- Appropriately renew aging facilities such as structures, track equipment, and station buildings

Formulate a phase 2 plan for installing automatic platform gates

- Expand the installation of automatic platform gates to outside of the Yamanote Line
- Reduce costs through methods such as the trial introduction of new types of automatic platform gates

Steadily push ahead with "JR East Group Safety Plan 2018"

Service quality reforms

Further enhance transportation service quality

- Promote snow countermeasures
- Strengthen contingency shuttle and alternative line operations
- Increase the number of lines covered in services providing information on the operational status of trains

Improve the quality of the Tokyo metropolitan area railway network

- Develop an operating framework for the Ueno-Tokyo Line
- Move ahead with specific plans for the development of the Haneda Airport Access Line

Promote use of the Hokuriku Shinkansen and prepare for opening of the Hokkaido Shinkansen

- Develop an operating framework and enhance services provided along with the opening of the Hokuriku Shinkansen to Kanazawa
- Develop wide-ranging sightseeing routes and promote destination-driven tourism in conjunction with the opening to Kanazawa
- Make steady preparations for the opening of the Hokkaido Shinkansen to Shin-Hakodate Hokuto

Improve the convenience of ticketing services utilizing ICT

Strengthening collaboration with local communities

Steadily promote three approaches to town development

- Enhance the attraction and convenience of Shinagawa Station and other large-scale stations
- Promote the line-side brand appeal of railway lines including through promotion of the *Chuo Line Mall Project*
- Develop towns around core regional train stations

Revitalize local economies with *NOMONO* shops and *Sanchoku-Ichi* (farmers' markets)

- Promote the sextic industrialization of agriculture, fishing, and forestry

Promote Japan as a tourism-oriented nation

- Advance *Destination Campaigns*
  Fiscal 2016: Fukushima, Hokuriku;
  Fiscal 2017: Aomori Prefecture-Hakodate
- Capture strong inbound demand including from management participation in a travel company in Taiwan
- Launch a *Golden Route for Travel in East Japan*
- Prepare for introduction of the *TRAIN SUITE SHIKI-SHIMA* cruise train

Pursuing Unlimited Potential

Technological innovation

Promote energy and environmental strategies

- Prepare for the introduction of catenary and battery-powered hybrid railcars to alternating current (AC) line segments
- Transform the northern Tohoku region into a renewable energy base (solar, wind, geothermal, biomass)

Utilize ICT to innovate operations

- Innovate maintenance operations through the introduction of monitoring devices for railcar equipment, railway track equipment, and electric power equipment to model line segments, among others
- Introduce wireless train control systems (*ATACS*: Saikyo Line (fall 2017), *CBTC*: Joban Line local services (around 2020))

Technological innovation by employees on the front lines

Tackling new business areas

Take on the challenge of overseas projects

- Make steady progress with supplying the railcars and the maintenance operations for opening the Purple Line urban mass transit railway system in Bangkok, Thailand
- Provide technological support to railway operators in Indonesia

Take on new business areas in life-style services

Incorporate outstanding technologies and services from outside the Company

Establish railcar manufacturing as a fourth business pillar

- Ambitiously develop *sustina* stainless-steel railcars

Developing employees and creating a corporate culture that maximizes human potential

Provide further growth opportunities to motivate employees

- Strengthen the development of global human resources and promote diversity

Promote cohesive Group management

Reform work styles and streamline organizational management

- Pursue a compact and highly efficient business execution framework
- Improve the efficiency and productivity of outsourcing as a Group base

Initiatives in view of hosting the 2020 Tokyo Summer Olympic and Paralympic Games

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

Feature

Launching "Medium-term Vision for Service Quality Reforms 2017"

In 2011, JR East prepared the "Medium-term Vision for Service Quality Reforms." Guided by this five-year plan, we have worked as a team to enhance service quality with customer feedback as our starting point.

Furthermore, the "JR East Group Management Vision V," launched in 2012, calls on us to improve transportation quality and focus on pursuing customer-friendly railway services as part of our "Eternal Mission." Accordingly, JR East has improved transportation service quality while creating railway services customers can use confidently.

Thanks to these efforts, customer satisfaction has risen steadily. Further, JR East's business conditions are changing dramatically, and the type of services customers seek is diversifying. With this in mind, we have prepared a new three-year plan, the "Medium-term Vision for Service Quality Reforms 2017," beginning in fiscal 2016.

Looking Back at Service Quality Reforms

Establishing 2011 as "the founding year" of service quality reforms, we prepared the "Medium-term Vision for Service Quality Reforms," which set out goals as "No. 1 for customer satisfaction in the Japanese railway industry" and achieving a "customer satisfaction level of at least 80%." In accordance with this vision, we have taken customer feedback as a starting point from which to reform service quality through teamwork that transcends divisions and systems.

IMPROVING TRANSPORTATION QUALITY

As a result of focusing on efforts to improve transportation quality and enhance information provision since 2011, the number of large-scale disruptions of transportation services is down significantly.

Main initiatives

Advancement of gale countermeasures

Windbreak fences

Advancement of snow countermeasures in the Tokyo metropolitan area

Installation of additional electric snow melters

PURSUING CUSTOMER-FRIENDLY RAILWAY SERVICES

We have advanced infrastructural and organizational initiatives to establish comfortable environments that customers can use with peace of mind.

Main initiatives

Promotion of assistance campaign

An assistance campaign poster

Provision of free public wireless LAN service for visitors to Japan

Wireless LAN service symbol

Enhancement of information provision during transportation service disruptions

A display that provides information in times of service disruptions

Creation of environment convenient for people using baby strollers and those around them

A baby stroller symbol

RAPIDLY CHANGING ENVIRONMENT

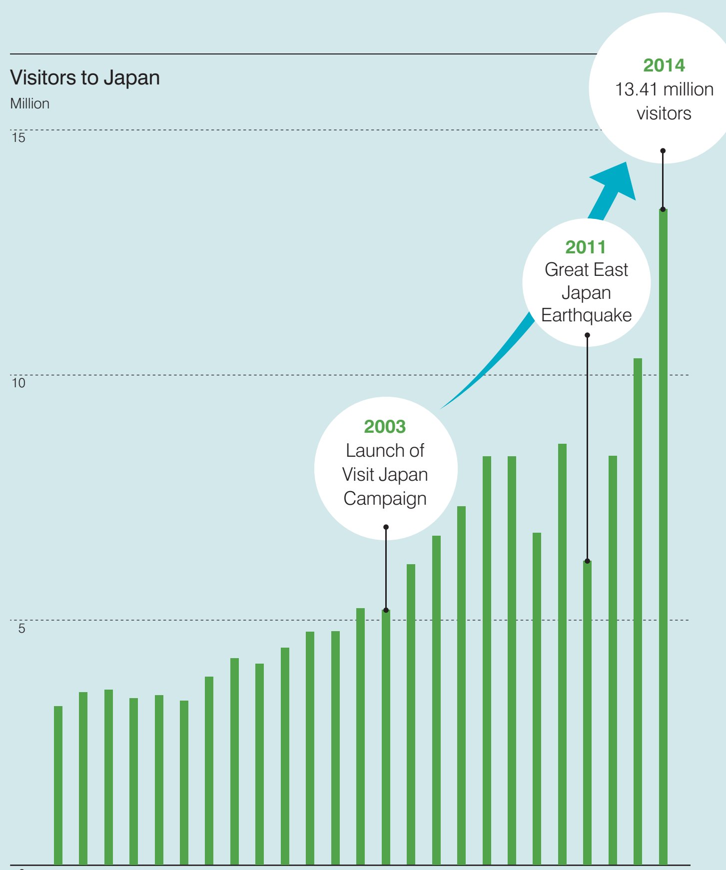
JR East's environment continues to change due to such factors as the recent threats of abnormal weather and major earthquakes, an increase in direct services, advances in ICT, rising numbers of visitors from overseas, and the holding of the 2020 Tokyo Summer Olympic and Paralympic Games. We must respond flexibly to such changes. Also, the need for cohesive management of the Group is more important than ever.

More than
13 million visitors
to Japan in 2014

Target of
20 million visitors
to Japan in 2020

2020
Tokyo Summer Olympic and Paralympic Games

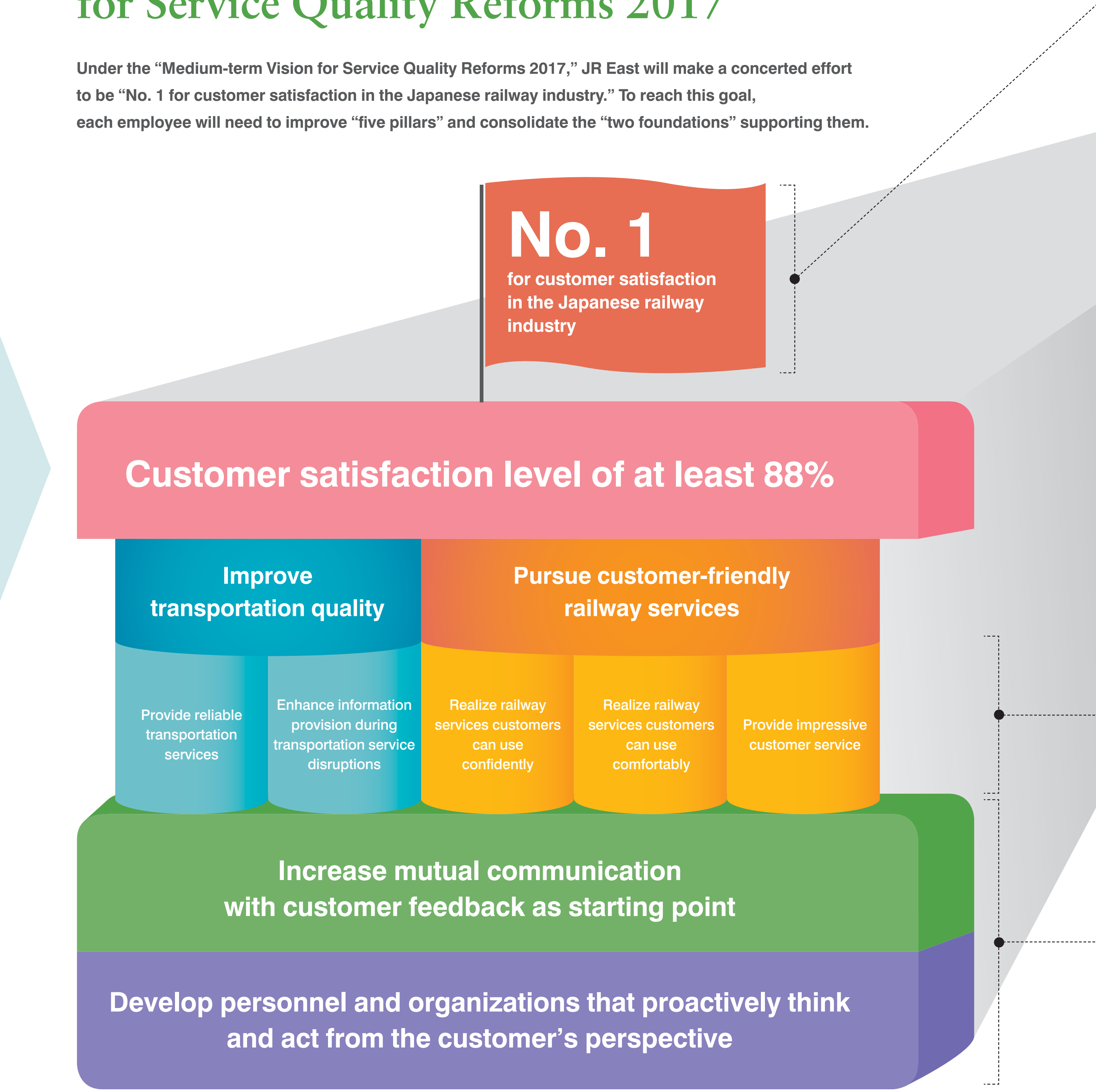
Expectations of
further increase
in visitors to Japan



Source: "Trends in Non-Japanese Visitors to Japan," Japan National Tourist Organization

Medium-term Vision for Service Quality Reforms 2017

Under the "Medium-term Vision for Service Quality Reforms 2017," JR East will make a concerted effort to be "No. 1 for customer satisfaction in the Japanese railway industry." To reach this goal, each employee will need to improve "five pillars" and consolidate the "two foundations" supporting them.



Goal

No. 1 for customer satisfaction in the Japanese railway industry

Customer satisfaction level of at least 88%

Five Pillars

Improve transportation quality

I. Provide reliable transportation services

- Implement preventive measures for transportation disruptions based on level of incidence in each area
- Implement measures in response to expansion of direct-service network to prevent disruptions from having wider effect on transportation services

II. Enhance information provision during transportation service disruptions

- Enhance quality of announcements within railway stations and railcars
- Use tablet computers to share information about on-site situation

Pursue customer-friendly railway services

III. Realize railway services customers can use confidently

- Increase transportation services' multilingual compatibility in preparation for 2020 Tokyo Summer Olympic and Paralympic Games
- Develop equipment and facilities to reflect opinions of disabled and senior customers and provide help that gives them peace of mind

IV. Realize railway services customers can use comfortably

- Provide clean, attractive railway stations and railcars that customers find comfortable
- Use apps and other ICT to provide information

JR-EAST Train Info

V. Provide impressive customer service

- Ensure language, behavior, and appearance are rigorously appropriate to a customer service professional
- Increase knowledge and respond flexibly to each customer's needs

Two Foundations

I. Develop personnel and organizations that proactively think and act from the customer's perspective

- Develop organizations that grow by valuing employees' initiative
- Share good examples laterally to grow whole Group

II. Increase mutual communication with customer feedback as starting point

- Identify line-side needs and create line-side "fans"
- Use social media and other green information system components rigorously

JR East at a Glance

TRANSPORTATION

JR East's 7,458.2 km railway network, excluding the Tokyo Monorail, covers the eastern half of Honshu (Japan's main island), including the Tokyo metropolitan area.

Tokyo Metropolitan Area Network

Transportation services in the Tokyo metropolitan area, Japan's largest market with approximately 30% of the country's population

Intercity Network Centered on Shinkansen

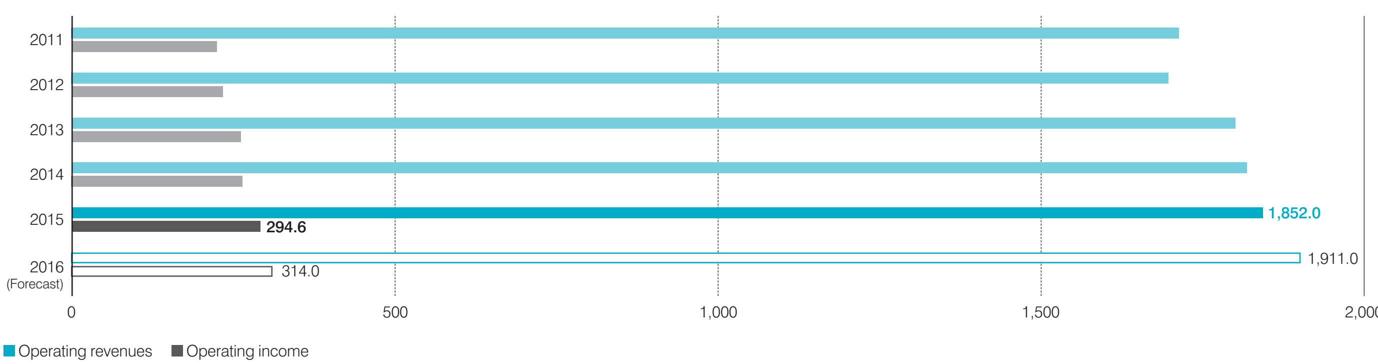
High-speed train services linking Tokyo with major cities, mainly comprising Shinkansen lines to five destinations; and other intercity transportation

Railcar Manufacturing Operations

Manufacturing high-quality, low-cost railcars and developing businesses in Japan and overseas

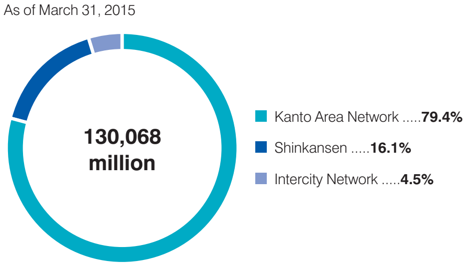
Operating Revenues and Operating Income

Billions of Yen



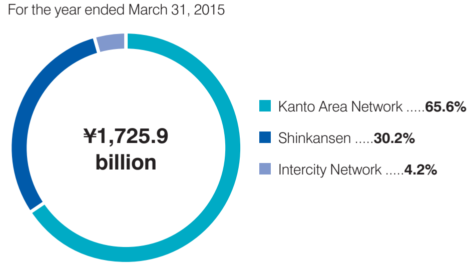
Passenger Kilometers

As of March 31, 2015



Revenues from Passenger Tickets

For the year ended March 31, 2015



Note: The Kanto Area Network includes the areas covered by the Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, Omiya Branch Office, Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office.

¥2,756.2 billion

¥427.5 billion (For the year ended March 31, 2015)

Transportation　Station Space Utilization　Shopping Centers & Office Buildings　Others

NON-TRANSPORTATION

Station Space Utilization

Station space utilization offers retailing and restaurant services to customers through outlets at railway stations and sales inside trains.

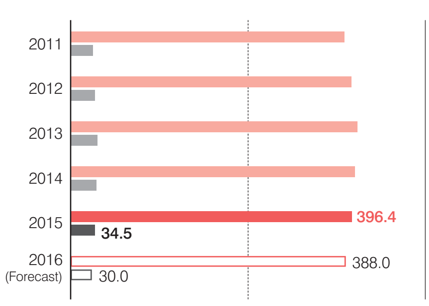
Principal Businesses

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

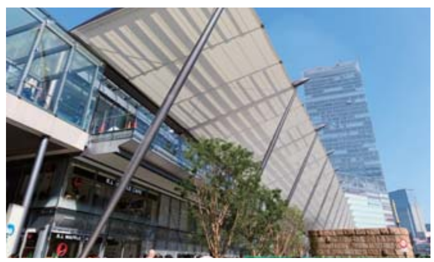
Restaurants:
Fast-food restaurants and a variety of other restaurants operated mainly at or near railway stations

Operating Revenues and Operating Income

Billions of Yen



Shopping Centers & Office Buildings



JR East leases space to retailers and other tenants in shopping centers and office buildings, within or near railway station premises, throughout its service area.

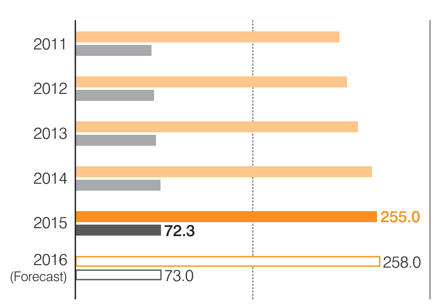
Principal Businesses

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

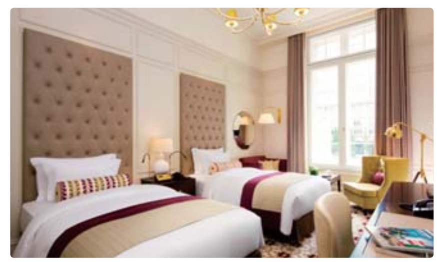
Office Buildings:
Development and operation of buildings used primarily as office space

Operating Revenues and Operating Income

Billions of Yen



Others



Major businesses in other services include hotel operations, advertising and publicity, *Suica*, and other services.

Principal Businesses

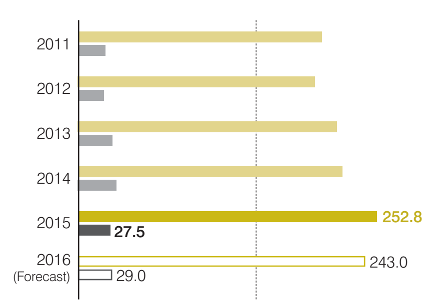
***Suica*:**
Electronic money that enables rapid payment inside and outside railway stations

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



Transportation > Tokyo Metropolitan Area Network

Overview

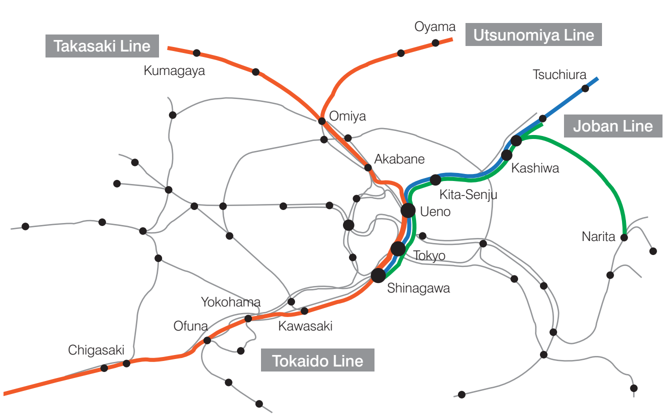
JR East's greatest strength is having a service area that includes the Tokyo metropolitan area, which accounts for about one-third of Japan's population. Almost 70% of JR East's passenger revenues come from the Tokyo metropolitan area.

Opening of the Ueno-Tokyo Line

The March 2015 opening of the Ueno-Tokyo Line established a main artery linking Tokyo Station, located in an area that is a political and economic hub, with Ueno Station, located in an area known for art and culture. Building new railway tracks between Tokyo and Ueno stations has enabled certain services on the Utsunomiya, Takasaki, and Joban lines, which terminated at Ueno Station, to connect to the Tokaido Line. The elimination of transfers has reduced travel times and congestion and increased convenience dramatically. Moreover, the Tokyo metropolitan area's enhanced north-south corridor will encourage north-south exchanges and help revitalize regions.

Expansion of *Green Car* Services

JR East will steadily improve services on the Chuo Line, where demand for seating services is strong. With a view to beginning operations in fiscal 2021, we will replace 10-car trains with 12-car trains that include two double-decker *Green Cars*. As a result, *Green Car* services will be available from the Tokyo metropolitan area to five main destinations.



Operating framework of the Ueno-Tokyo Line

Chuo Line Rapid Service *Green Car*

Numbers

Tokyo area population:

Approximately 36 million

(Comprising the Tokyo metropolis and Kanagawa, Saitama, and Chiba prefectures)

Operating kilometers:

2,535.9 kilometers

(Kanto area) (as of March 31, 2015)

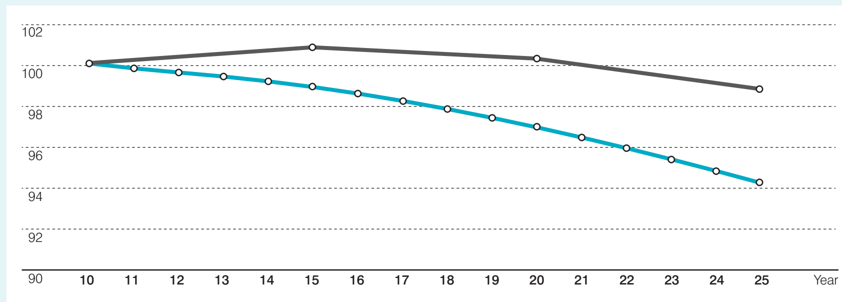
Fiscal 2015 revenues from passenger tickets:

¥1,131.7 billion

(Kanto area)

Environment

Total Population of Japan



(Comparison scale: Year 2010=100)

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

Priority Initiatives

- **Expand and improve Tokyo metropolitan area network**
- **Improve transportation quality**

New Railway Station between Shinagawa and Tamachi

We plan to establish a new railway station between Shinagawa and Tamachi stations on a 13-hectare plot of land, which the downsizing of a railway yard will free up for large-scale development. Furthermore, we are refining a development plan for a major urban hub on this site. In collaboration with local communities, we will create a mold-breaking internationally attractive hub for gathering and socializing. The first phase of the plan will entail opening the new railway station to coincide with the 2020 Tokyo Summer Olympic and Paralympic Games.

Image of new station between Shinagawa and Tamachi

Improvement of Access to Haneda Airport

Strengthening the capabilities of Haneda Airport is expected to be possible through such measures as increasing its capacity for international flights. Moreover, the government aims to attract more than 20 million visitors to Japan by 2020 and more than 30 million by 2030.

Therefore, the airport's passenger numbers are expected to grow. With this in mind, we aim to develop a specific plan for the Haneda Airport Access Line by reviewing facility plans and business schemes in greater depth and coordinating with stakeholders.

Haneda Airport Access Line Design (Under examination)

Transportation > Intercity Network Centered on Shinkansen

Overview

Shinkansen lines from Tokyo to five destinations are the backbone of JR East's intercity network. The Shinkansen network comprises the Tohoku Shinkansen, Joetsu Shinkansen, and Hokuriku Shinkansen lines as well as the Yamagata Shinkansen and Akita Shinkansen lines, which have trains operable on Shinkansen and conventional railway lines.

Opening of the Hokuriku Shinkansen

In March 2015, the Nagano–Kanazawa segment of the Hokuriku Shinkansen Line opened. This has shortened travel time between Tokyo and Kanazawa stations immensely, from three hours and 51 minutes to as little as two hours and 28 minutes. Around 2.5 million people, including aircraft passengers, travel between Tokyo and Kanazawa every year. Thanks to the introduction of faster services, inter-regional railway travel promises to increase significantly. Furthermore, railway services are expected to claim a larger market share, as passengers switch from aircraft to railway services.

On all direct services between Tokyo and Kanazawa on the Hokuriku Shinkansen Line, we operate new Series E7 and Series W7 railcars. This enables us to offer the additional privacy and premium services of first-class Shinkansen cabins, known as *GranClass*.

Opening of the Hokkaido Shinkansen

JR East will use the opening of the Hokkaido Shinkansen Line from Shin-Aomori to Shin-Hakodate Hokuto at the end of fiscal 2016 as an opportunity to attract customers to Aomori and Hakodate as a single tourist area.We hope to boost the number of passengers traveling from the Tokyo metropolitan area as well as between Tohoku and Hokkaido.

GranClass cabin

Series E5 railcars

Numbers

JR East's Shinkansen network operating kilometers:

1,194.2 **kilometers**

(as of March 31, 2015)

Fiscal 2015 Shinkansen revenues from passenger tickets:

¥521.2 **billion**

Priority Initiatives

- **Expand and improve Shinkansen network**
- **Stimulate tourism**

Expansion of JR East's Shinkansen Network

2000
Shinkansen extension
Tohoku Shinkansen Hachinohe extension (Dec. 2002)

2005

2010
Tohoku Shinkansen Shin-Aomori extension (Dec. 2010)

2015
Opening of Hokuriku Shinkansen to Kanazawa (Mar. 2015)

Opening of Hokkaido Shinkansen to Shin-Hakodate Hokuto (End of FY2016)

Revitalization of Communities and Stimulation of Tourism

Japan's six JR passenger railway companies work closely with local communities in conducting large-scale tourism campaigns called *Destination Campaigns* and creating attractive areas. We encourage tourism in eastern Japan through various tourism campaigns such as the *Fukushima Destination Campaign*, from April to June 2015, and the *Ikuze, Tohoku. Campaign*, which is held throughout the entire year.

Trains People Seek for the "Ride" Itself

Plans call for developing a new cruise train, the *TRAIN SUITE SHIKI-SHIMA*, with a view to beginning operations from spring 2017. Featuring design and technology befitting a new flagship and high-quality, sophisticated services and hospitality, the cruise train will provide an exciting, out-of-the-ordinary experience unlike any other train journey.

An *Ikuze, Tohoku. Campaign* poster

Image of the *TRAIN SUITE SHIKI-SHIMA* dining car

Transportation > Railcar Manufacturing Operations

Overview

In railcar manufacturing operations, we aim to win orders for projects both in Japan and overseas by actively promoting our *sustina* stainless-steel railcars.

Priority Initiative

- **Establish railcar manufacturing operations as a fourth business pillar**

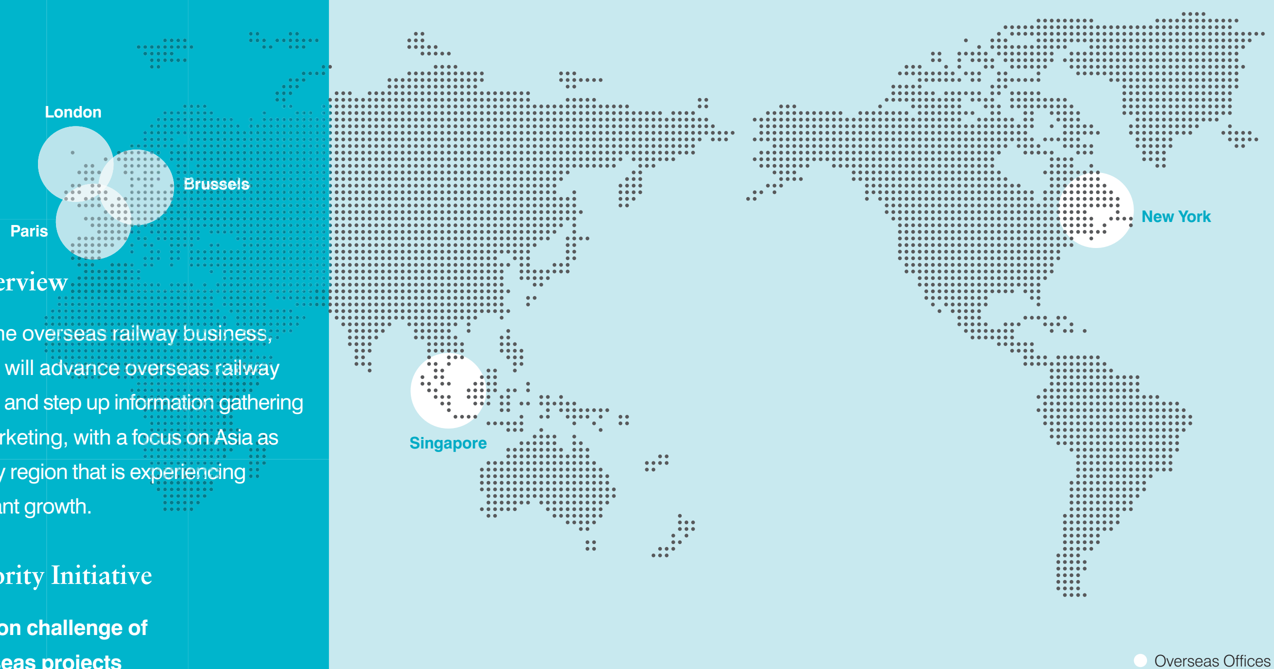
Internationally Competitive Railcar Manufacturing

We are focusing efforts on railcar manufacturing operations to establish them as a fourth business pillar alongside railway operations, the life-style service business, and *Suica* business. In addition to manufacturing technology for stainless-steel railcars, we have advanced capabilities for development and design and for manufacturing express railcars. By taking advantage of economies of scale, we are establishing foundations for developing operations not only in Japan but also overseas. Accordingly, JR East is currently working to win more orders for projects in Japan and overseas through the active promotion of its *sustina* stainless-steel railcars.

Apr. 2012	Acquired the railcar manufacturing operations of Tokyu Car Corp. (Company name changed to Japan Transport Engineering Company (J-TREC))
Nov. 2013	J-TREC received an order to supply rolling stock for the Purple Line, in Bangkok
Apr. 2014	J-TREC inherited and integrated JR East railcar manufacturing operations

Sustina stainless-steel railcars

Assembling a railcar body structure



Overview

As for the overseas railway business, JR East will advance overseas railway projects and step up information gathering and marketing, with a focus on Asia as a priority region that is experiencing significant growth.

Priority Initiative

- **Take on challenge of overseas projects**

Participation in a Mass Transit Project in Thailand

In partnership with Marubeni Corporation and Toshiba Corporation, JR East is participating in a project to provide comprehensive maintenance for rolling stock and various types of ground structures along the Purple Line, an urban mass transit system under construction in Bangkok, Thailand. This is the first time a Japanese railway company has participated in a railway maintenance operations consortium overseas.

Approximately 23 kilometers long with 16 stations, the Purple Line will link the district of Bang Sue, in northern Bangkok, with Bang Yai, in the northwestern suburbs. Through joint investment with Marubeni and Toshiba, JR East established Japan Transport Technology (Thailand) Co., Ltd. (JTT), in Bangkok, in December 2013. For ten years, JTT will provide maintenance for rolling stock, railway signals, railway tracks, electric supplies, automatic platform gates, automatic fare collection systems, and equipment and facilities for railway yards. Currently, we are preparing maintenance plans and methods toward the line's opening in 2016.

Furthermore, Bangkok Metro Public Company Limited has contracted Marubeni and Toshiba to provide railway systems for the Purple Line. As part of the agreement, Group company Japan Transport Engineering Company will manufacture and supply 21 trains, each comprising three stainless-steel railcars.

Image of a railcar for the Purple Line

Non-Transportation > Station Space Utilization

Overview

Every day, around 17 million people pass through JR East's railway stations, making them the JR East Group's largest business resource. We are maximizing the value of railway stations by accurately identifying ever more diverse customer needs and taking advantage of accumulated expertise to create appealing commercial spaces and develop new store formats and original products.

Commercial Spaces Integrated with Railway Stations: *ecute*

We are advancing the *Station Renaissance* program to maximize the appeal of railway stations, our largest business resource.

The name of the JR East Group'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*. Quality, highly attractive products and services characterize *ecute* facilities, which operate in seven railway stations.

Convenience Stores inside Railway Stations: *NewDays* (510 stores as of March 31, 2015)

The JR East Group will address the diverse needs of customers using railway stations by taking the fullest advantage of *NewDays* stores' in-station locations when enhancing product and service lineups and developing store formats. For example, we are introducing self-checkout machines so customers can shop more quickly and conveniently. In other efforts to cater to diversifying customer needs, we opened newly designed stores and rolled out freshly brewed coffee *EKI na CAFE* to bolster the product lineup in fiscal 2015.

ecute Ueno

NewDays

Numbers

Railway stations used by more than 100,000 passengers per day:

92 (Fiscal 2015)

Railway stations used by more than 200,000 passengers per day:

38 (Fiscal 2015)

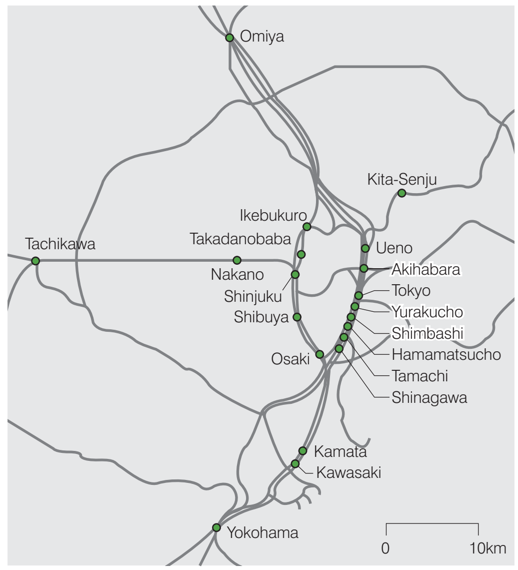
* The number of station users represents twice the number of passengers embarking.

Priority Initiatives

- **Maximize the value of railway stations by creating appealing commercial spaces**
- **Revitalize regional industries**

Environment

Top 20 Stations with Large Daily Passenger Use



	Station	Number of Passengers per Day
1	Shinjuku	1,496,314
2	Ikebukuro	1,099,006
3	Tokyo	836,368
4	Yokohama	807,810
5	Shibuya	743,578
6	Shinagawa	684,950
7	Shimbashi	507,748
8	Omiya	489,112
9	Akihabara	482,126
10	Kawasaki	408,306
11	Kita-Senju	404,830
12	Takadanobaba	400,390
13	Ueno	364,936
14	Yurakucho	330,900
15	Tachikawa	320,694
16	Hamamatsucho	305,822
17	Osaki	291,344
18	Tamachi	287,052
19	Nakano	281,174
20	Kamata	280,580

Next-Generation Vending Machines

The JR East Group has begun installing next-generation vending machines featuring advanced marketing functions and touch-panel displays. These machines include dedicated, linked content for those belonging to the *acure* members club, enabling us to deepen communication with customers. We plan to exploit the vending machines' potential as a new sales tool for not only beverages but also a broad range of products.

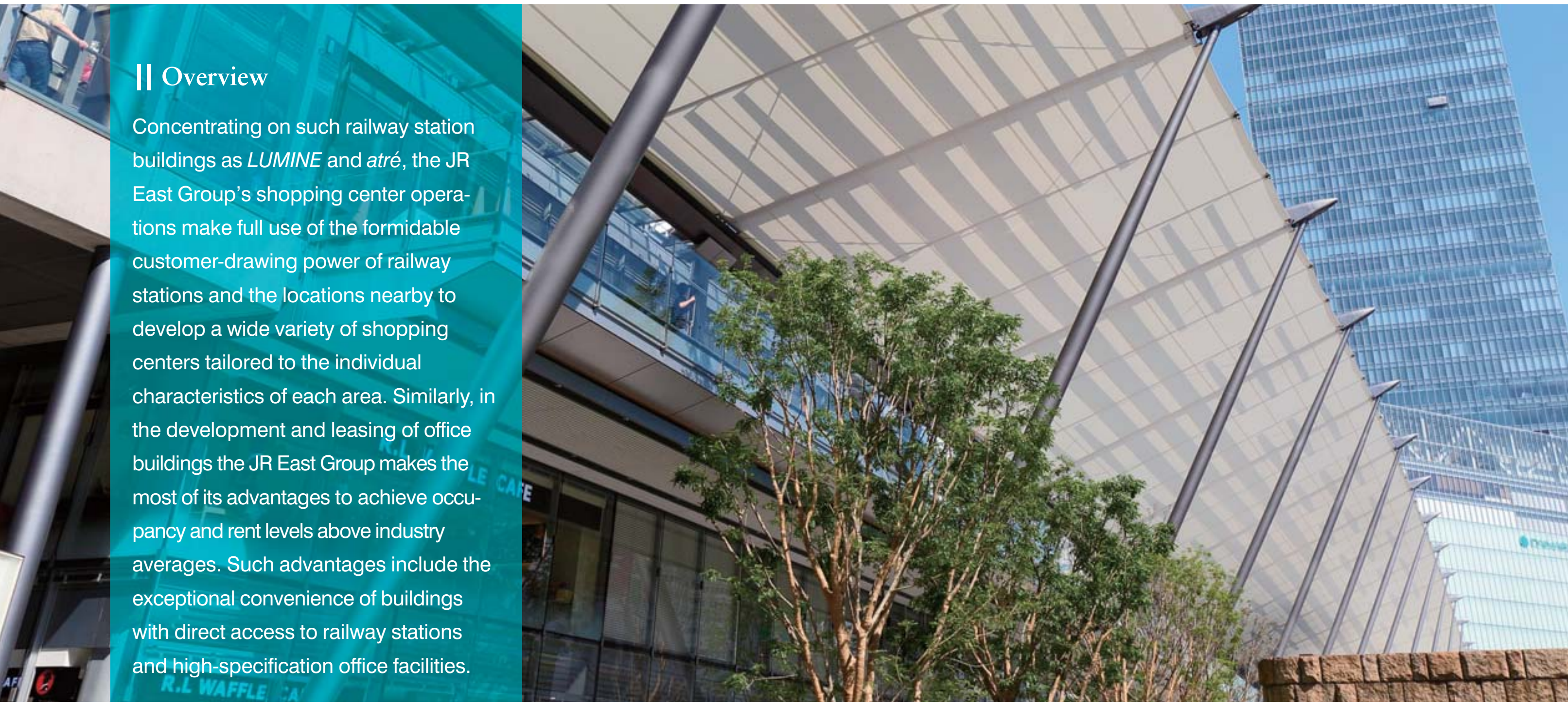
Rediscovering the Regions Project

The *Rediscovering the Regions Project* is a JR East Group initiative to revitalize local communities. Specific measures include holding farmers' markets in partnership with regions, commercializing traditional craftwork, and developing processed agricultural products. In fiscal 2015, we held *Sanchoku-Ichi* (farmers' markets) at Ueno Station and other railway stations. Also, in an initiative aimed at the sextic industrialization of agriculture, fishing, and forestry, the JR East Group marketed sweets made from rice flour at *Tokamachi Sukoyaka Factory*.

A next-generation vending machine

Sanchoku-Ichi in Ueno Station

Non-Transportation > Shopping Centers & Office Buildings



Overview

Concentrating on such railway station buildings as *LUMINE* and *atré*, the JR East Group's shopping center operations make full use of the formidable customer-drawing power of railway stations and the locations nearby to develop a wide variety of shopping centers tailored to the individual characteristics of each area. Similarly, in the development and leasing of office buildings the JR East Group makes the most of its advantages to achieve occupancy and rent levels above industry averages. Such advantages include the exceptional convenience of buildings with direct access to railway stations and high-specification office facilities.

New Shopping Centers

The JR East Group is actively opening new shopping centers in response to changing business conditions and intensifying competition. For example, the Group created an integrated shopping promenade, *nonomichi*, by exploiting space underneath a railway viaduct between Musashi-Sakai and Higashi-Koganei stations on the Chuo Line. Other new shopping centers include *MIDORI Nagano and CIAL Sakuragicho*.

Remodeling

Remodeling is an effective way of keeping shopping centers fresh in the eyes of customers. In fiscal 2015, the JR East Group continued to reenergize existing stores and attract prominent tenants that draw in customers by remodeling *Perie Inage COM SQUARE, LUSCA Hiratsuka*, and *CELEO Kofu*.

Tokyo Station City

We have exploited a location next to Tokyo Station to develop *Tokyo Station City*, a large business center with leading-edge, high-performance office facilities that meet the needs of a range of different tenants.

MIDORI Nagano

An external view of *Tokyo Station City*

Numbers

JR East's shopping centers:

154

(as of March 31, 2015)

Shopping centers
Total floor space:

2,030,000 m²

(as of March 31, 2015)

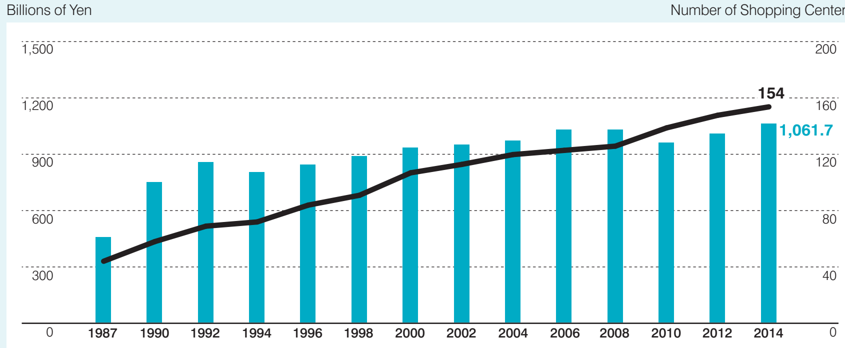
Office buildings
Leased floor space:

280,000 m²

(as of March 31, 2015)

Environment

JR East Group's Sales from and Number of Shopping Centers



Priority Initiatives

- **Develop large-scale terminal stations**
- **Create desirable line-side-area brands**

Major Projects Going Forward

	Opening Date	Total Floor Space (m²)	Offices (m²)	Commercial facilities (m²)	Hotel (Number of rooms)
Shinjuku New South Exit Bldg. (Provisional name)	Spring 2016	111,000	77,200	9,400	—
Main building and facilities of Chiba Station	Fall 2016 to sometime after summer 2018	73,800	—	57,400	—
Sendai Station East Exit Development	Spring 2016	43,000	—	41,000	—
	Spring 2017	14,000	—	—	280
Shibuya Station Development (Joint development with Tokyu Corporation and Tokyo Metro)	FY2020 (East Tower) FY2028 (Central Tower and West Tower)	276,000	73,000 (Leased floor space)	70,000 (Store floor space)	—
Yokohama Station West Exit Bldg. (Provisional name)	2020	(Station-front Bldg.) 94,000	28,000	66,000	—
		(Tsuruya-cho Bldg.) 24,000	—	—	—

Shinjuku New South Exit Bldg. (Provisional name)

Others > *Suica*

Overview

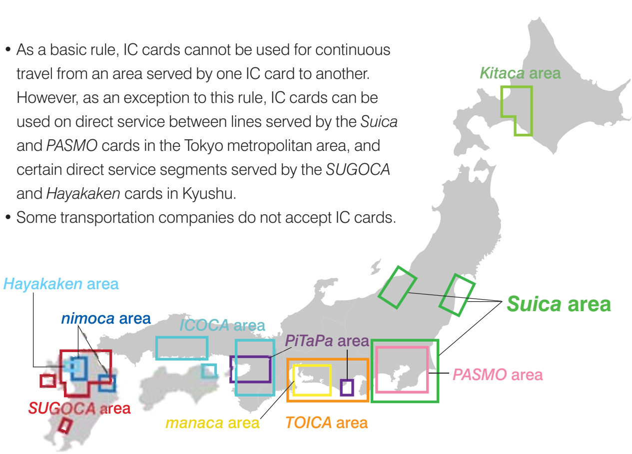
JR East introduced *Suica* as a prepaid fare collection system based on IC cards in November 2001. We launched *Suica* electronic money services in March 2004. The *Suica* card's convenience has earned it strong customer support. Customers can use the card to make purchases from beverage vending machines and at stores inside and outside railway stations.

Suica Usage Area

Regarding the *Suica* usage area, efforts to improve customer convenience culminated in the launch of a nationwide mutual service network linking 10 public transportation IC cards*1 in March 2013. To make this network possible, transportation companies abandoned bilateral agreements on mutual usage in favor of a blanket approach. Today, travelers can use *Suica*, or any one of the IC public transportation cards, for most train and bus services—and some other modes of public transportation—in almost every major city in Japan. *Suica* was usable at approximately 4,400 railway stations and for approximately 24,000 bus services nationwide as of March 31, 2015.

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

- 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.



Nationwide mutual usage service

Suica Electronic Money

Since launching *Suica* electronic money 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. We have extended the card's usability beyond in-station stores and vending machines to include convenience stores, shopping centers, and mass retailers of electronics and home appliances outside railway stations. In addition, JR East is broadening *Suica*'s usage environment to include various other aspects of daily life, such as online shopping, domestic in-flight shopping, and home video game consoles.

As a result of these efforts, usage of *Suica* electronic money has grown continually. *Suica* was usable at approximately 290,000 stores, and record daily transactions for public transportation electronic money reached approximately 4.64 million as of March 31, 2015. Targets for record daily transactions for public transportation electronic money are five million transactions by fiscal 2016 and eight million transactions by fiscal 2021.

Convenience store use

Numbers

***Suica* cards issued:**

50.7 million

(as of March 31, 2015)

Public transportation electronic money, record daily transactions:

4.64 million (Highest ever)

(as of March 31, 2015)

Public transportation electronic money, compatible stores:

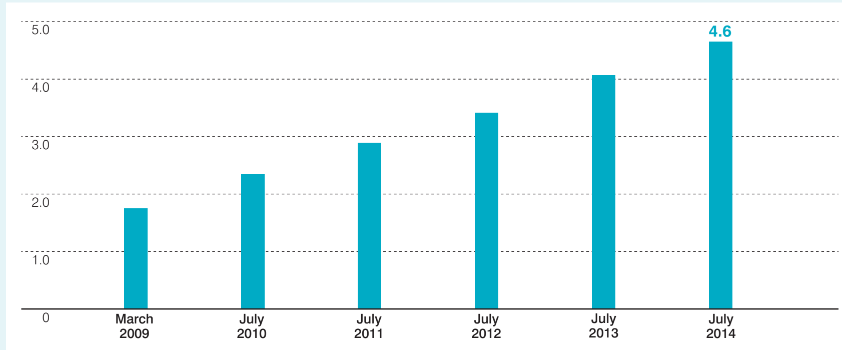
290,000

(as of March 31, 2015)

Environment

Record Daily Transaction Volume of Public Transportation Electronic Money Cards*1

Million Transactions



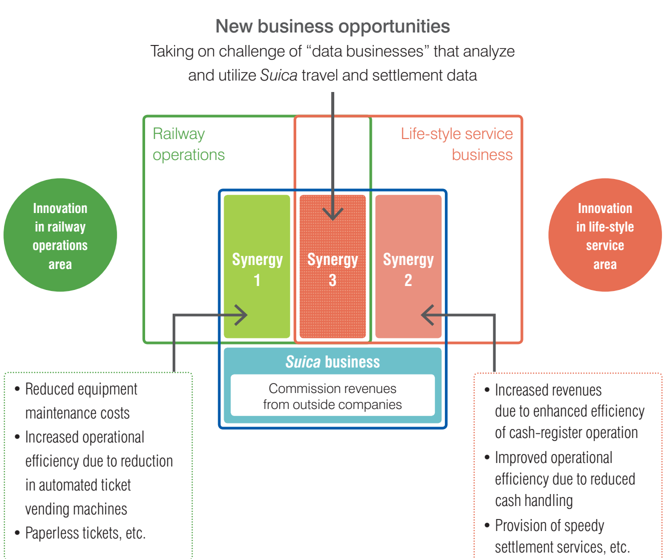
*1. Comprising *Kitaca, PASMO, Suica, manaca, TOICA, ICOCA, Hayakaken, nimoca, and SUGOCA*

Priority Initiatives

- **Enhance convenience as IC railway ticket**
- **Promote further growth in electronic money business**

Synergies between *Suica* and Non-*Suica* Businesses

In addition to functioning as an IC railway ticket and as electronic money, *Suica* has a variety of other functions. This convenience leads to synergy benefits for JR East's non-*Suica* businesses. For example, increasing use of IC railway tickets is allowing us to remove more automated ticket vending machines, freeing up space in station concourses. Group companies use these spaces to build restaurants or stores or to install in-station *VIEW ALTTE ATMs*, thereby creating new business opportunities.



Synergies between *Suica* and non-*Suica* businesses

Comparison with Other Electronic Money Businesses

In Japan, prepaid electronic money settlements, comprising public transportation electronic money, such as *Suica*, and retail sector electronic money, surpassed ¥4 trillion in 2013.*2 Moreover, public transportation electronic money accounted for the largest number of settlements as of December 31, 2013.*3

*2. Source: *Nihon Keizai Shimbun*, morning edition, December 31, 2014

Status of Electronic Money

(As of December 31, 2013)

	Transaction volume in Dec. 2013 (thousands)	Cumulative cards issued (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

*3. Source: "Status of Electronic Money," *Nikkei Marketing Journal*, morning edition, January 27, 2014

Others > Hotel Operations

Overview

Exploiting its network, the JR East Group operates various hotels, ranging from city hotels near railway stations through to relaxing hotels surrounded by nature.

Numbers

Hotels: 45

Guest rooms: 6,690

(as of March 31, 2015)

***Metropolitan Hotels* occupancy:**

82.2% (as of March 31, 2015)

***HOTEL METS* occupancy:**

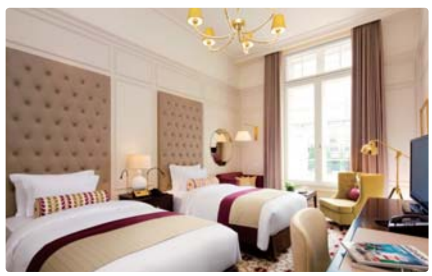
83.5% (as of March 31, 2015)

The Tokyo Station Hotel

First opened in 1915, *The Tokyo Station Hotel* suspended operations in March 2006 while *Tokyo Station Marunouchi Building* underwent restoration. The hotel reopened in October 2012 as a unique leading-edge facility housed in the historically restored splendor of the station building, designated as an Important Cultural Property of Japan.

HOTEL METS

Near railway stations and used mainly for accommodation, *HOTEL METS* hotels are ideal bases for business or tourism. These new-type business hotels have become popular by offering comfortable, reasonably priced rooms with facilities comparable with those of city hotels.



A guestroom in *The Tokyo Station Hotel*

HOTEL METS Niigata

Others > Advertising and Publicity

Overview

The JR East Group uses the railway stations and railcars that serve approximately 17 million people each day as advertising media. We are taking various steps to secure revenues by enhancing the value of these advertising media.

Digitization

The JR East Group is digitizing its advertising media. Mainly in high-foot-traffic areas of major railway stations in the Tokyo metropolitan area, we are installing large, portrait-style *J-AD Vision* LCD displays. At the same time, we are introducing large, landscape-style *J-Spot Vision* LCD displays primarily in gathering areas of regional railway stations. The JR East Group had 429 displays in 53 railway stations as of March 31, 2015. Further, on nine commuter lines the *Train Channel* broadcasts commercials via LCD displays installed above the doorways of new railcars. Also, we provide WiMAX (worldwide interoperability of microwave access) to customers for telecommunications access in railway stations and railcars.

Advertisements on train platform doors

J-AD Vision LCD displays

Train Channel

TO ACHIEVE SUSTAINABLE GROWTH

Safety

Our Concept of 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. Our earnest efforts to learn from harrowing accidents in the past have enabled JR East to further the prevention of future accidents with our continued developments both in physical and operational terms.

The pursuit of safety measures can never end. We 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)."

Safety Initiatives in Our Medium-Term Management Plan

In "JR East 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 we needed to address to ensure a higher level of safety. Based on this experience, we have worked to implement earthquake countermeasures in preparation for events that are conceivable, such as an earthquake directly beneath the Tokyo metropolitan area, and we are focusing on both tangible and intangible aspects. In these ways, we are working to build a railway capable of withstanding natural disasters.

We are also further promoting initiatives to prevent train collisions, derailments and rail crossing accidents. At the same time, we are installing automatic platform gates on the Yamanote Line and exploring the possibility of installation on other lines. In these and other ways, we continue to promote the development of railways that passengers can use reliably. From fiscal 2015, we will also bolster activities aimed at achieving "extreme safety levels" based on our newly formulated "JR East Group Safety Plan 2018."

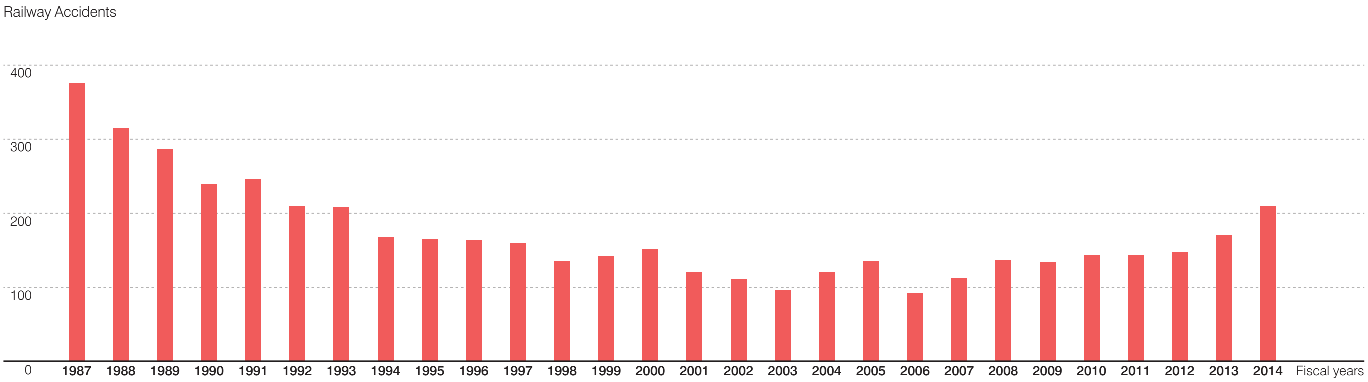
"JR East Group Safety Plan 2018": Our Sixth Five-Year Safety Plan

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. In fiscal 2015, we launched our sixth five-year safety plan, "JR East Group Safety Plan 2018," aimed at expanding the individual capabilities of each employee in order to realize top levels of safety through teamwork. Each of us involved in the railway business remains committed to improving safety and our Groupwide challenge to achieve "extreme safety levels."

In "JR East Group Safety Plan 2018," together with redefining the direction we are taking as a company, we outline specific measures aimed at preventing accidents resulting from internal factors. Additionally, through our ongoing efforts to pass on technologies and promote measures to comprehensively understand the severity of accidents, we aim to further enhance safety management through the fostering of safety-conscious personnel.

Overview of "JR East Group Safety Plan 2018"

Trends in Railway Accidents



Ingraining the Cultures of Safety

JR East will further strengthen, deepen, and broaden the cultures of safety, which comprise five safety cultures, that it has been fostering as the foundation of its safety efforts.

Five Cultures of Safety

A culture of proper reporting	A culture of noticing	A culture of direct meeting and discussion	A culture of learning	A culture of action
The prompt and proper reporting of accidents and incidents, and the prevention of the recurrence of accidents.	The recognition and sharing of information regarding the potential sources of accidents in order to prevent accidents and incidents.	The open and honest discussion and exchange of opinion in investigating the causes of accidents and incidents in order to identify the causes of accidents and to take truly effective countermeasures against their recurrence.	The continuous awareness of others, learning from accidents and incidents that occur in all places of work, not just in one's own workplace, and the implementation of appropriate countermeasures.	Safety can be ensured only by taking safe actions. Think and act by yourself. This is at the core of our safety.

"If You See Danger, Stop the Train!"

"Safety" means protecting people's lives. "Reliability" means operating trains precisely. Both elements are important for railway operations. Performing safety checks carelessly due to excessive concern about delaying the train undermines safety.

The JR East Group has made the slogan "If You See Danger, Stop the Train!" part of its Companywide code of conduct.

A train protection drill at one of JR East's general training centers

Further Promoting the Sangen Principle: Three Actualities Principle

Accidents and incidents always occur at the *Genba*.* This means that the sources of accident prevention can also be found at the *Genba*. JR East continues its search for answers that cannot be found in desktop theories, based on the Three Actualities Principle as its standard for action: actual locations, actual objects, and actual people.

* *Genba*: *Genba* means a field or workplace where employees actually do their physical work in construction, production, maintenance, operation, etc., as distinguished from management, or office work or in industrial sectors, such as construction and manufacturing.

The *Three Actualities Principle*

***Genchi* (Actual location):**
Go to the actual location to comprehend the circumstances

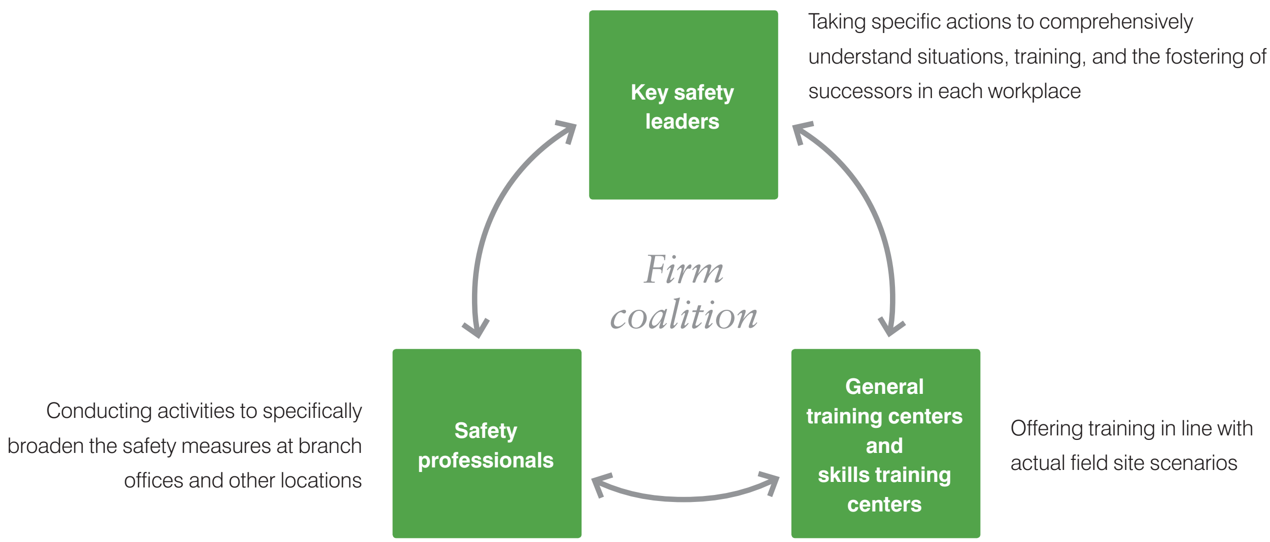
***Genbutsu* (Actual object):**
Examine the actual object (rolling stock, equipment, machine, or tool) to comprehend its condition

***Genjin* (Actual people):**
Meet face-to-face with the people actually involved to comprehend the situation

Enhancing Safety Management

Through the fostering of key safety leaders and safety professionals, JR East aims to pass on its safety technologies and knowledge to the next generations of workers. Furthermore, we endeavor to pursue measures which allow us to deeply comprehend the gravity of accidents and to minimize human error.

Safety Management



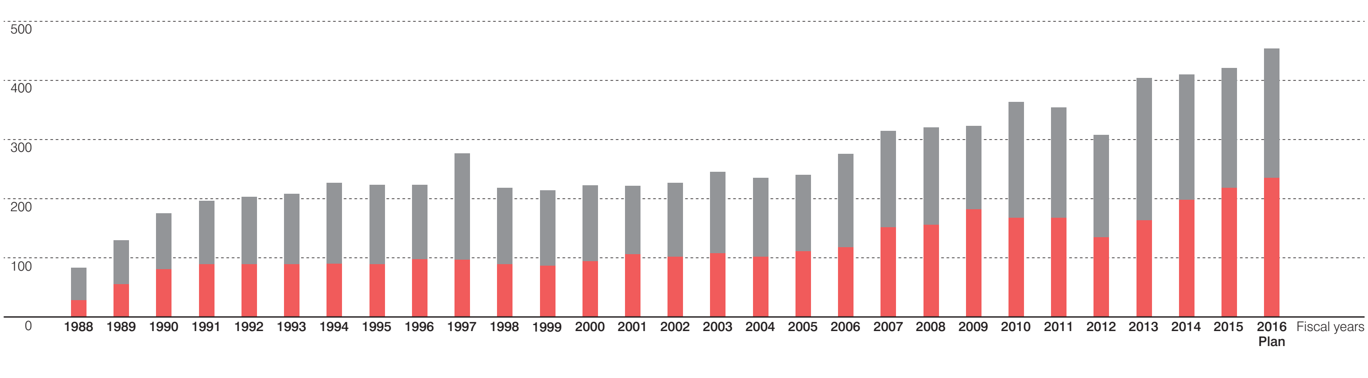
Promoting the Priority Improvement Plan for Safety Equipment

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 our five previous five-year safety plans leading up to fiscal 2014, JR East invested more than ¥3,000 billion during the 27 years following the Company's establishment. In "JR East Group Safety Plan 2018," JR East's sixth five-year safety plan that began in fiscal 2015, JR East has planned to invest approximately ¥1,000 billion in safety measures during the five years from fiscal 2015 to fiscal 2019.

Trends in Safety Investment

Billions of Yen



Community > Environment

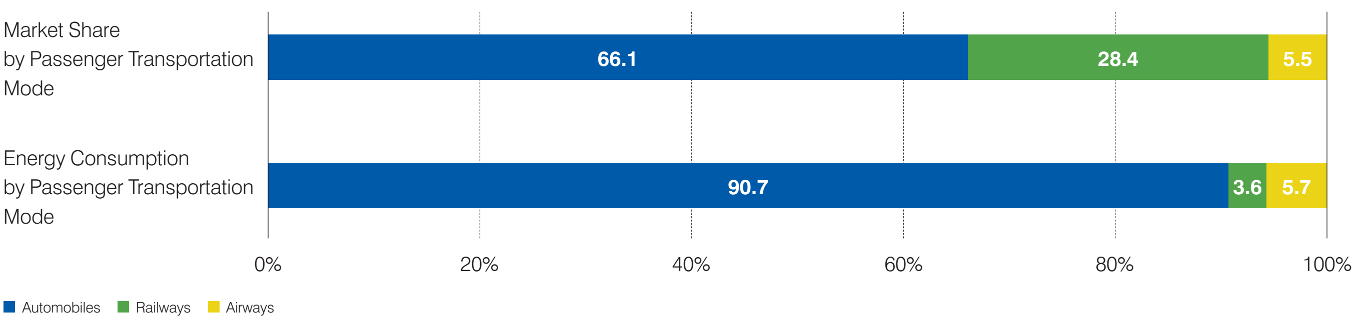
Our basic philosophy for promoting ecological activities states: "The entire JR East Group, as a member of society, will diligently strive to balance global environmental protection with business activities." Reflecting this philosophy, we have undertaken a wide variety of environmental initiatives.

In addition to these initiatives, in light of concern about the possible prolongation of power shortage problems that have arisen since the Great East Japan Earthquake, "JR East Group Management Vision V—Ever Onward" calls for "establishing energy and environmental strategies with an emphasis on energy creation and energy conservation."

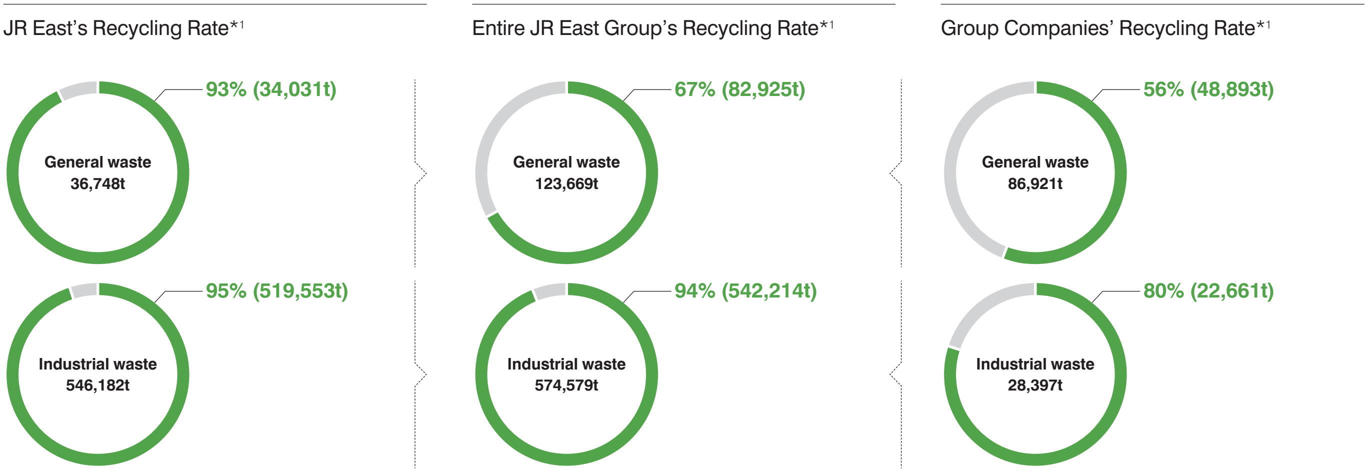
Environmental Superiority of Railways

Regarding passenger traffic in Japan, railways provide 28.4% of transportation, while accounting for 3.6% of energy consumption. These figures show clearly that railways have better energy efficiency per unit of transportation volume than automobiles and other modes of transportation.

Energy Consumption Volume and Transportation Market Share (Fiscal 2013 result)



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



Waste disposal:
- Waste includes salable waste.
- Recycling includes thermal recycling*2, where general and industrial wastes are incinerated with heat recovery.

*1. External assurance on environmental performance and environmental accounting data: KPMG AZSA Sustainability Co., Ltd., has been engaged to provide external assurance on a set of selected environmental performance and environmental accounting indicators so that the reliability of the data is ensured. The particular indicators that are assured are marked with "*1" for clarity.
*2. Thermal recycling is a recycling method in which the heat arising from the incineration of waste is used to create steam and hot water, which in turn are used to generate electricity and to produce heat.

Environmental Activities: Utilizing Renewable Energy

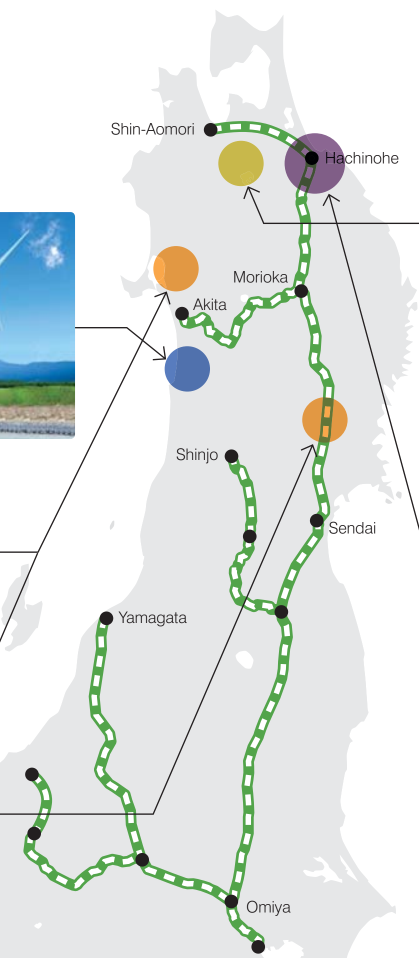
In adherence with “JR East Group Management Vision V—Ever Onward,” we are introducing renewable energy. Moreover, we are taking various steps to transform northern Tohoku into a renewable energy base. By taking advantage of the region’s rich natural environment to establish solar, wind, geothermal, and biomass power generation, we will create environment-friendly energy and benefit local communities diligently.

Introducing Renewable Energy—Progress

Taking advantage of a rich natural environment to transform northern Tohoku into a renewable energy base

By introducing renewable energy, we aim to
1. **Create environment-friendly energy**
2. **Benefit local communities**

Thriving with communities



Wind

Rich wind power resources of coasts

● **JR-EAST Energy Development Co., Ltd.**

Established April 2015
Planning, developing, and managing of wind power generation businesses

● **Akita-Shimohama wind power plant**
(Akita, Akita Prefecture)

Power generation output: Approx. 2.0MW
Operations scheduled to begin fall 2016

Solar

● **Akita-Oiwake solar power plant**
(Katagami, Akita Prefecture)

Power generation output: Approx. 1.3MW
Operations began March 2015

● **Akita-Tenno solar power plant**
(Katagami, Akita Prefecture)

Power generation output: Approx. 1.8MW
Operations began March 2015

● **Hanamaki-Atago solar power plant**
(Hanamaki, Iwate Prefecture)

Power generation output: Approx. 0.3MW
Operations began February 2015

Geothermal

Rich geothermal resources of Tohoku region’s volcanic areas

● **Northwestern Hakkoda geothermal resource development survey**
(Aomori, Aomori Prefecture)

Currently selecting JOGMEC* projects and conducting ground surveys
* Japan Oil, Gas and Metals National Corporation

Biomass

Rich forestry resources and railway forests of Tohoku region

● **Hachinohe Biomass Electric Power Co., Ltd.**
(Hachinohe, Aomori Prefecture)

Established October 2014
Power generation output: Approx. 12.0MW
Operations scheduled to begin December 2017

Solar Tokyo metropolitan area solar farms

● **Keiyo Rolling Stock Center**
(Chiba and Narashino, Chiba Prefecture)

Power generation output:
Approx. 1.0MW
Operations began February 2014

● **Uchihara Dai-ichi solar power plant**
(Kasama and Mito, Ibaraki Prefecture)

Power generation output:
Approx. 2.0MW
Operations began February 2015

● **Uchihara Dai-ni solar power plant**
(Kasama, Ibaraki Prefecture)

Power generation output:
Approx. 1.3MW
Operations began February 2015

Community > Local Communities

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

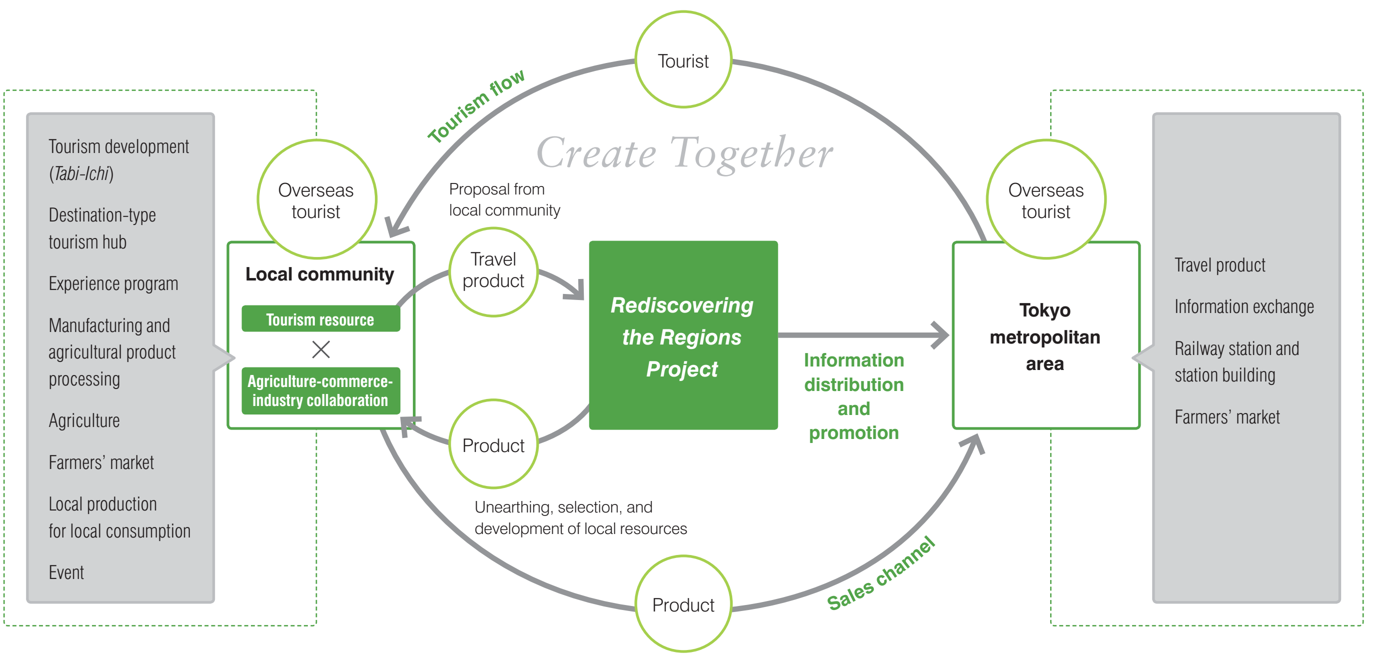
In terms of our social mission, our Group Philosophy states: "We aim to grow continuously while meeting our social responsibilities as a Trusted Life-style Service Creating Group." We are determined to remain a corporate group capable of meeting social expectations and maintaining stakeholders' trust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

Rediscovering the Regions Project

Under the "Create Together" strategy, which specifies enhanced cooperation between JR East and local communities, we are promoting the *Rediscovering the Regions Project*. The aim is to create new potential markets that bring increased circulation between the Tokyo metropolitan area and other regions and also attract overseas visitors to Japan. The JR East Group has railway networks that link Japan's various regions, stations that serve as centers of local communities, business know-how, sales channels, and advertising power that all radiate out from the Tokyo metropolitan area, along with employees who continuously make social contributions as members of local communities. The strategy utilizes JR East's unique abilities to make full use of traditional cultures, festivals, local produce, and other tangible and intangible tourist resources, expand sales channels, and promote the interactive exchange of information between the Tokyo metropolitan area and local communities.

We will revitalize local industry even further by holding more *Sanchoku-Ichi* (farmers' markets) and other markets and promoting the sextic industrialization of agriculture, fishing, and forestry.*

* The expansion of agriculture, forestry, and fisheries to include food processing, logistics, and marketing



Allergy-Friendly Confectioneries

In fall 2014, we opened the *Tokamachi Sukoyaka Factory* in Tokamachi, Niigata Prefecture. Made from local rice flour, the factory's cakes and confectioneries do not contain eggs, milk, or wheat flour, enabling people with any of these three common food allergies to eat them. Blessed with natural conditions ideal for growing rice, Tokamachi is known as the home of the premium rice brand Uonuma Koshihikari. Our factory makes carefully grown, delicious rice into tasty cakes and confectioneries for individuals with food allergies.


Left: *Tokamachi Sukoyaka Factory*
Right: A cake suitable for those with egg, milk, or wheat flour allergies

In accordance with "JR East Group Management Vision V—Ever Onward," we are stepping up initiatives to achieve "extreme safety levels by building a railway capable of withstanding natural disasters and developing railways that passengers can use without anxiety." In addition, we are advancing technological innovation in various areas with an emphasis on "establishing energy and environmental strategies," "utilizing information and communications technology (ICT)," and "operating Shinkansen at faster speeds." The Research & Development Center of the JR East Group is leading these R&D initiatives.

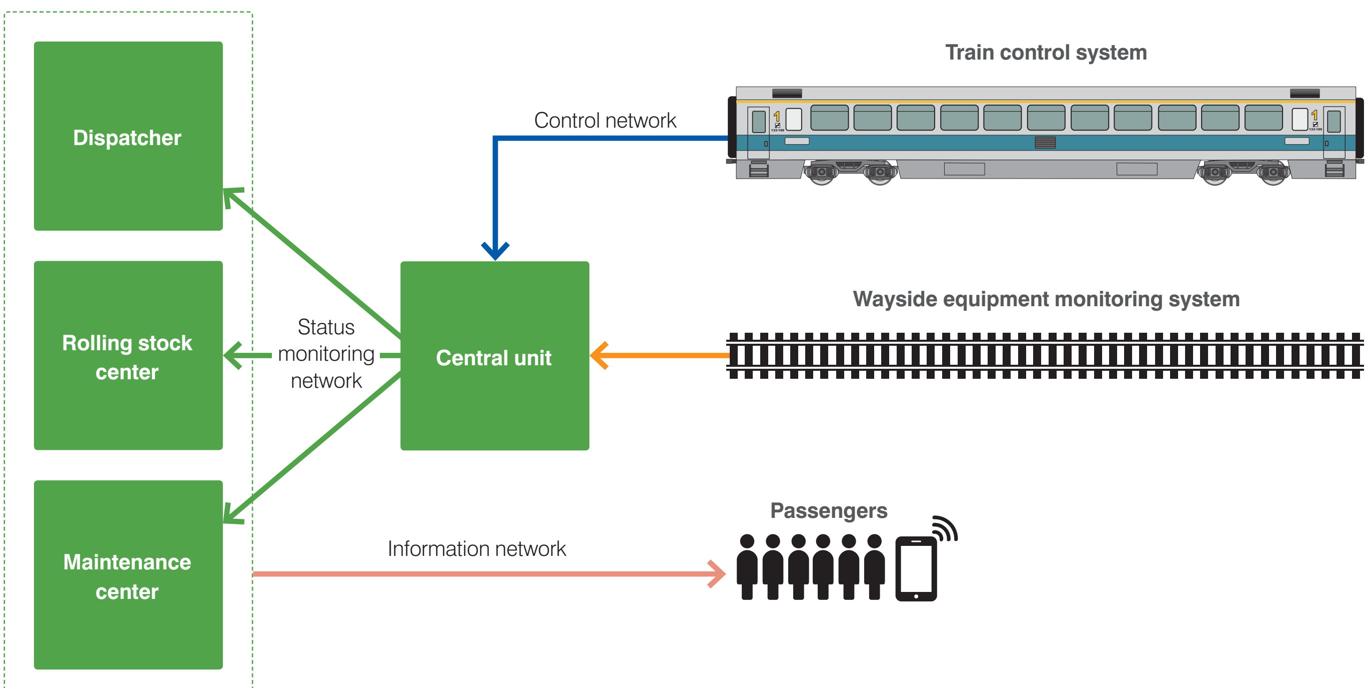
Establishing Energy and Environmental Strategies

The JR East Group has taken a range of environmental preservation measures. However, we need to innovate environmental technology even further, partly due to concern about the possible prolongation of power shortage problems that have arisen since the Great East Japan Earthquake. Therefore, with the aim of establishing energy and environmental strategies we are advancing R&D in three key areas: utilizing renewable energy, promoting energy conservation, and establishing smart grid technologies for railways.

Utilizing ICT

Taking advantage of rapid ICT advances in recent years, we are conducting R&D focused on tailoring information to each customer's needs. Other R&D initiatives aim to use ICT to transform transportation systems and innovate maintenance work. For example, setting our sights on transforming the Tokyo metropolitan area transportation system, we are researching and developing INTEROS (INtegrated Train control/communication networks for Evolvable Railway Operation System). As for maintenance work, we are conducting R&D to realize smart maintenance. This requires the adoption of a new approach that views equipment and facilities as assets and maximizes asset performance.

INTEROS



Operating Shinkansen at Faster Speeds

To achieve an operational speed of 360 km/h for Shinkansen, we are pursuing R&D focused on improving stability during high-speed operation and reducing the environmental impact on areas along Shinkansen lines. Moreover, we will use the results of this R&D to enhance safety and reliability even further for the operation of Shinkansen at 320 km/h and to increase the line segments in which Shinkansen operate at 320 km/h.

Innovation > Employees

Demonstrating the Power of Human Resources

JR East continues to work to provide an environment in which all employees can enjoy their jobs while constantly striving to attain even higher goals. To that end, we are determined to face the challenge of creating a company where people grow through their work from the perspectives of how to respond to the motivation of each employee to meet challenges, how to ensure a suitable work-life balance, and how to make full use of the diversity of our human resources.

Promotion of Diversity

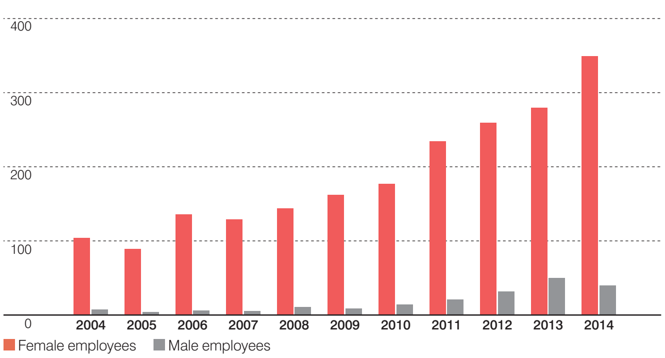
JR East believes that employees who derive satisfaction from doing challenging work and who can maximize their skills are able to enhance the Company's competitiveness. We have initiated a *Work-Life Program* to encourage all employees, both male and female, to participate independently.

Measures to Support the Achievement of Work and Childcare / Nursing

- Extended childcare leave availability by one year, until the child reaches three years of age (from April 2010)
- Introduced a system for reduced daily working hours and increased holiday entitlement (from April 2010)
- Established workplace nursery schools (two in Tokyo and one in Sendai) and a hospital nursery school (in JR Tokyo General Hospital)

Changes in Employees Taking Childcare Leave

Persons



Expansion of Workplace Opportunities for Female Employees

The number of workplaces, both field and office, in which female employees can work is growing every year. For example, about 40% of train crew members on the Yamanote Line are female employees. The number of female managers is also increasing every year, with female employees taking important positions such as Head Office and Branch Office managers, chiefs of field offices (stationmasters), and Board members of Group companies.

Promoting the roles of female employees

Skills Training Centers: Developing Engineers for Future Railway Transportation

Integral to our efforts to ensure that experienced employees pass on their technologies and skills to the next generation of technical staff, who will carry the responsibilities for railways in the future, is our establishment of skills training centers designed to support the continuity of railway-specific technologies and skills in individual workplaces. We have established 104 centers by also making use of existing training facilities.

Skills training centers

Improve Employee Culture to Create a New Culture

To advance the diversity of our workplaces, we conduct training for managers and hold forums and seminars. Furthermore, in each workplace we implement Work-Life Network activities, and network members organize seminars and other activities. Also, centered on the Head Office, we hold Family Day events in which members of employees' families visit workplaces.

A general meeting of Work-Life Network members

Employees' families visiting a workplace on Family Day

Inclusion in Diversity Management Selection 100

JR East became the first railway operator included in the Ministry of Economy, Trade and Industry's Diversity Management Selection 100. This ranking recognizes companies that are innovating and enhancing productivity by employing diverse personnel, such as women, non-Japanese people, the elderly, and people with disabilities.

Main Reasons for Inclusion

- Development of the *Work-Life Program* targeting all employees from a program that previously focused on encouraging the promotion of female employees to motivate them to continue working
- First railway operator to introduce a system allowing shift workers, such as railway station personnel and train crews, to work shorter hours or fewer days
- Introduction of an equal-opportunity multiple-track personnel system and career development support
- Creation of a system enabling personnel with physical disabilities to work in their local communities
- Combination of business and corporate social responsibility through the development of nursery schools near railway stations under the *HAPPY CHILD PROJECT*

DIVERSITY MANAGEMENT SELECTION 100 2015

Nursery school near station

Board of Directors and Corporate Auditors

As of June 23, 2015

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; In charge of Corporate Planning Headquarters;
In charge of Life-style Business Development Headquarters

Naomichi Yagishita[*1]

Executive Vice President
Assistant to President; In charge of Railway Operations Headquarters;
In charge of IT & Suica Business Development Headquarters

Executive Directors

Yuji Morimoto

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

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

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]

Motoshige Itoh[*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 making 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

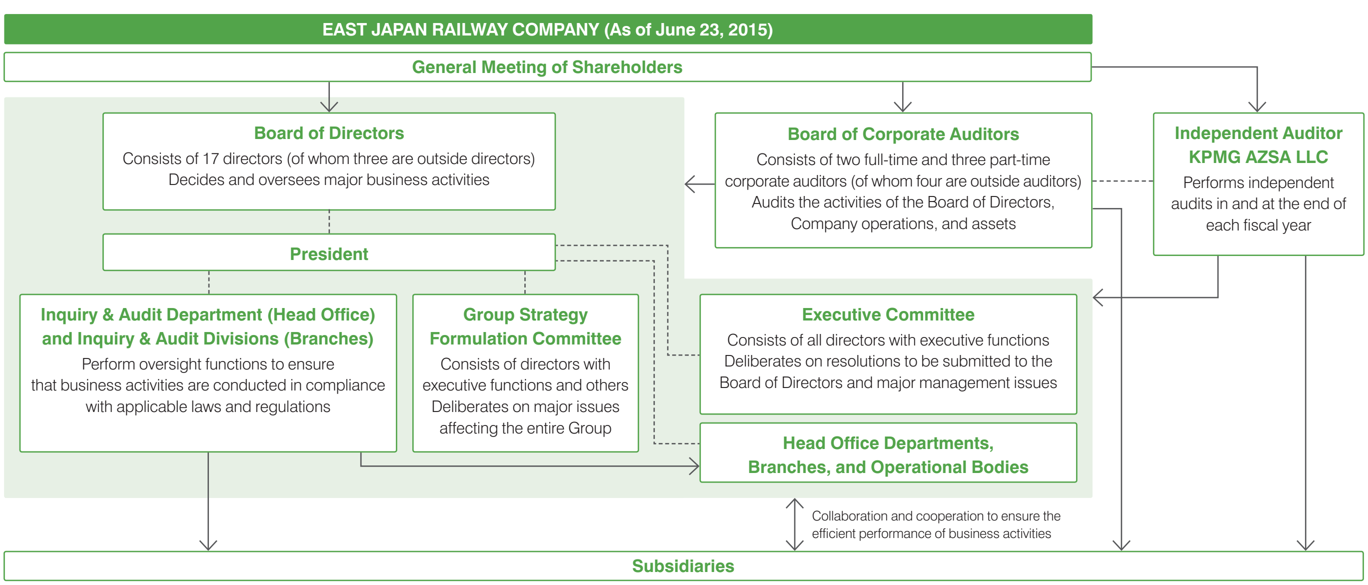
Reason for Adopting Current Corporate Governance System

Railway operations, JR East's principal business, require judgments that are based on a range of knowledge and experience regarding 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 has adopted 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 17 directors, including three outside corporate directors as of June 23, 2015. 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 Customer Comments Committee. 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 by JR East or 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	16
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 three 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, or 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 auditing of directors and the business duties they execute from independent standpoints.

Principal Activities of Outside Directors and Outside Corporate Auditors in Fiscal 2015

Title	Name	Principal activities
Outside Director	Takeshi Sasaki	Attended 14 meetings out of all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 88%) and spoke on the Company's management issues based on his wide experience as an expert.
Outside Director	Tomokazu Hamaguchi	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) 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 the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	Hajime Higashikawa	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	Toshiaki Yamaguchi	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	Mutsuo Nitta	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the 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 2015)

Name	Positions at other entities	Reasons for election
Takeshi Sasaki	—	JR East deems Mr. Sasaki to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company with 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, KURARAY CO., LTD., and Director, FPT CORPORATION	JR East deems Mr. Hamaguchi to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company with supervision and advice on management on the basis of his experience as a former president and CEO of NTT DATA Corporation.
Motoshige Itoh	Professor of the University of Tokyo, Graduate School of Economics	JR East deems Mr. Itoh 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 Graduate School of Economics and the Faculty of Economics of the University of Tokyo and as a Professor of the Graduate School of Economics of the University of Tokyo.

Appointment Status of Outside Corporate Auditors (As of July 2015)

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): Basic Remuneration	Total Amount of Remuneration by Type (¥ Million): Bonuses	Number of Recipients
Directors (not including outside directors)	785	616	168	19
Corporate auditors (not including outside corporate auditors)	10	8	2	1
Outside directors and outside corporate auditors	105	84	21	6
Total	900	709	191	26

Note: The amount of remuneration, etc., includes the amount paid to two directors who resigned at the conclusion of the 27th Ordinary General Meeting of Shareholders held on June 24, 2014.

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 2014		Fiscal 2015	
	Remuneration for Auditing Services	Remuneration for Non-auditing Services	Remuneration for Auditing Services	Remuneration for Non-auditing Services
JR East	245	6	245	8
Consolidated subsidiaries	480	2	478	3
Total	725	9	723	11

Compliance

Basic Concept of Compliance

To guide corporate activities, JR East has adopted as its guidelines the "Policy on Legal and Regulatory Compliance and Corporate Ethics." For internal reporting, it has established compliance hotlines inside and outside the Company. In addition, we advance compliance initiatives; for example, to raise compliance awareness we train all employees annually.

Also, JR East is making concerted efforts to promote rigorous compliance-based business management. As part of such efforts, we ensure proper operational conduct through the "Basic Matter Confirmation Support Sheet," which lists important basic matters that leaders of each operational department should check regularly.

The "Policy on Legal and Regulatory Compliance and Corporate Ethics" and the "Compliance Action Plan"

JR East informs all employees about the need for rigorous compliance in business management. In June 2005, JR East announced the "Policy on Legal and Regulatory Compliance and Corporate Ethics." At the same time, to heighten the policy's effectiveness and explain desirable employee conduct, we prepared the "Compliance Action Plan" and distributed a handbook based on it to all employees.

In April 2013, JR East revised the policy and the action plan to reflect the "JR East Group Management Vision V—Ever Onward," prepared in October 2012. This revision added items related to globalization, information management, and the separation of private and public matters. Furthermore, because we are stepping up overseas business development, we prepared and announced our "Basic Policy Aimed at Preventing Bribery in Relation to Non-Japanese Civil Servants" in June 2014.

Education of All Employees

Aiming to further each employee's understanding of compliance's importance, the guidelines, and the action plan, JR East has conducted an annual compliance education program that targets all Group employees since fiscal 2010. Initially, the program mainly involved lectures using DVDs as educational material. In recent years, however, because employees' compliance awareness has reached a certain level, the program educates by encouraging employees to consider and discuss issues. In this format, department leaders conduct study groups for each workplace using materials the Head Office has prepared. The groups focus on case studies taken from operations that are familiar to each set of employees. JR East Group will continue inculcating compliance awareness through education that reflects society's expectations regarding corporate social responsibility and its employees' awareness.

Main Compliance Seminars in Fiscal 2015

Title	Number of Sessions	Participants	Contents and Objectives	Number of Participants
All Employee Compliance Training	1	JR East and Group company employees	Rigorous compliance awareness	All employees
New Recruit Training	1	JR East new recruits	Rigorous compliance awareness	All new recruits
Basic Legal Training	1	Group company legal affairs personnel	Acquisition of basic legal knowledge	31
Legal Skills Training	1	Head Office and branch office legal affairs personnel	Enhancement of practical legal knowledge, legal reasoning, and decision-making and problem-solving skills	14
Legal Seminar	4	JR East and Group company executives and employees	Explanation of new and amended laws and advancement of legal compliance awareness	600
Compliance Seminar	2	Head Office executives, general managers, etc.	Rigorous awareness of compliance-based business management	190
Group Company Compliance Seminar	1	Group company executives and employees	Rigorous awareness of compliance-based business management	80

Organization

As of July 2015

- 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 and System Integration Office
        - Tohoku Construction Office
- Corporate Auditors
  - Corporate Auditors Office

FACTS & FIGURES

JR East: Domestic and International Perspectives

Peer Group Comparisons

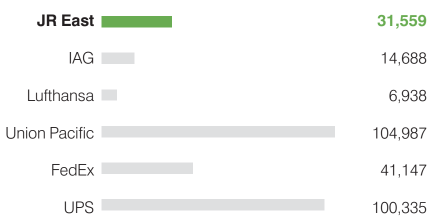
In this section, several key performance indicators illustrate how JR East compares with selected well-known companies.

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.

INTERNATIONAL

Total Stock Market Value

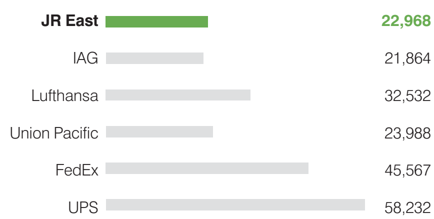
Millions of U.S. Dollars



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

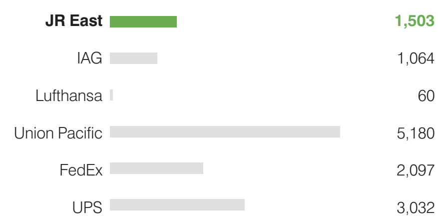
Operating Revenues

Millions of U.S. Dollars



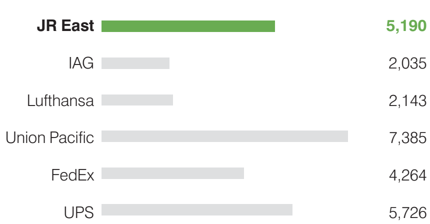
Net Income (Loss)

Millions of U.S. Dollars



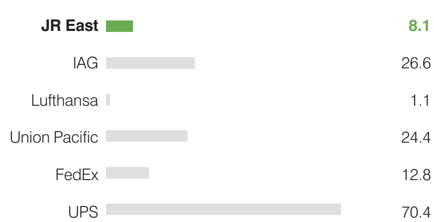
Cash Flows from Operating Activities

Millions of U.S. Dollars



Return on Average Equity (ROE)

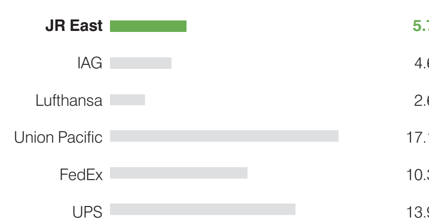
%



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.

DOMESTIC

Total Stock Market Value
Millions of U.S. Dollars

JR East	**31,559**
ANA	9,371
Tokyu	7,719
Kansai Electric Power	8,537
NTT	65,254

* 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

JR East	**22,968**
ANA	14,279
Tokyu	8,892
Kansai Electric Power	28,384
NTT	92,461

Net Income (Loss)
Millions of U.S. Dollars

JR East	**1,503**
ANA	327
Tokyu	342
Kansai Electric Power	–1,236
NTT	4,317

Cash Flows from Operating Activities
Millions of U.S. Dollars

JR East	**5,190**
ANA	1,724
Tokyu	1,366
Kansai Electric Power	3,731
NTT	19,932

Return on Average Equity (ROE)
%

JR East	**8.1**
ANA	5.1
Tokyu	7.7
Kansai Electric Power	–13.3
NTT	6.0

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)
%

JR East	**5.7**
ANA	4.1
Tokyu	3.6
Kansai Electric Power	–1.0
NTT	5.3

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 IAG (International Airlines Group).
- Year ended March 31, 2015 (Year ended December 31, 2014, for IAG, Lufthansa, Union Pacific, and UPS and year ended May 31, 2014, 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, 2015 (U.S.$1=¥120, £1=$1.48, €1=$1.08).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $80.33 for JR East, $7.20 for IAG, $14.99 for Lufthansa, $119.13 for Union Pacific, $144.16 for FedEx, $111.17 for UPS, $2.68 for ANA, $6.20 for Tokyu, $9.55 for Kansai Electric Power, and $61.64 for NTT.

International Railway Comparisons

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

TRANSPORTATION MARKET

Railway Line Networks
Kilometers

JR East	**7,458**
U.K.	15,734
Germany	33,506
France	30,013
U.S.	34,082

Revenues from Railway Operations
Millions of U.S. Dollars

JR East	**14,383**
U.K.	12,161
Germany	21,134
France	17,134
U.S.	2,269

Number of Passengers
Millions

JR East	**6,218**
U.K.	1,507
Germany	1,966
France	1,114
U.S.	29

Number of Employees

JR East	**49,558**
U.K.	33,989
Germany	286,237
France	150,653
U.S.	20,047

Passenger Kilometers
Millions

JR East	**130,068**
U.K.	58,299
Germany	80,210
France	85,634
U.S.	10,331

- Figures are as of March 2015 for JR East, March 2013 for the U.K., December 2012 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 U.S.\$1=¥120 as of March 2015 for JR East and €1=U.S.\$1.28 as of March 2013 for the others.

Source: International Railway Statistics 2012, Statistics Centre of the International Union of Railway, Sep. 2014.

FUNDAMENTALS

Gross Domestic Product
Billions of U.S. Dollars

2014	
Japan	**4,636**
U.K.	2,530
Germany	3,690
France	2,572
U.S.	17,419

Population
Millions

2014	
Japan	**127.1**
U.K.	63.5
Germany	82.7
France	64.6
U.S.	322.6

Population Density
Per Square Kilometer

2014	Population per square kilometer of total national land area	Population per square kilometer of habitable land area
Japan	336	1,624
U.K.	262	297
Germany	232	336
France	117	165
U.S.	33	47

- 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.

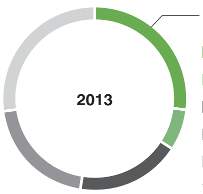
Railway Operations in Japan

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



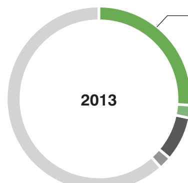
27.2%

- JR East 7,513
- JR Central 1,971
- JR West.....5,016
- Other JR Companies.....5,628
- Other Railways.....7,480

Total.....27,607

Number of Passengers

Millions



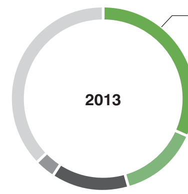
26.3%

- JR East 6,135
- JR Central 524
- JR West.....1,814
- Other JR Companies.....490
- Other Railways.....14,366

Total.....23,329

Passenger Kilometers

Millions



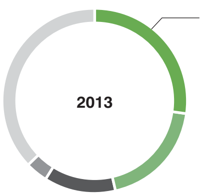
31.8%

- JR East 128,394
- JR Central 55,968
- JR West.....54,770
- Other JR Companies.....14,659
- Other Railways.....150,609

Total.....404,400

Revenues from Passenger Tickets

Billions of Yen



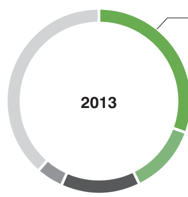
27.4%

- JR East 1,681
- JR Central 1,169
- JR West.....769
- Other JR Companies.....233
- Other Railways.....2,281

Total.....6,133

Rolling Stock Kilometers

Millions



30.6%

- JR East 2,194
- JR Central 877
- JR West.....1,004
- Other JR Companies.....335
- Other Railways.....2,765

Total.....7,175

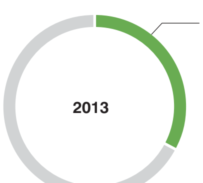
As of March 31, 2013
- Figures for Passenger Line Network do not include freight traffic.
- Figures for Rolling Stock Kilometers do not include locomotives and freight cars.
- Figures for Tokyo Monorail are included in other railways.

Source: Statistics of Railways 2012, Ministry of Land, Infrastructure, Transport and Tourism.

FUNDAMENTALS

Net Domestic Product

Billions of Yen



32.9%

- Tokyo Area.....120,690
- Other.....246,071

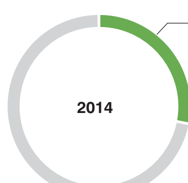
Total.....366,760

Year ended March 31, 2013

Source: Annual Report on Prefectural Economies, Cabinet Office.

Population

Millions



28.3%

- Tokyo Area.....35.9
- Other.....91.2

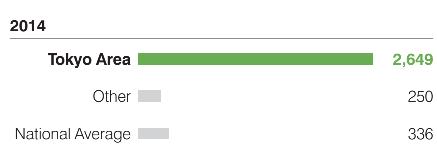
Total.....127.1

As of October 1, 2014

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

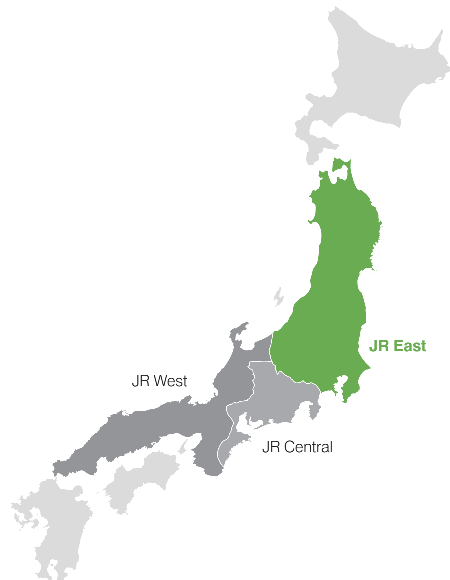
Population Density

Per Square Kilometer



As of October 1, 2014
- 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.

JR East: Domestic and International Perspectives

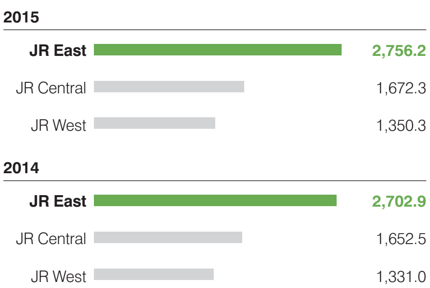


Financial Overview of JR Passenger Railway Companies

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

Operating Revenues

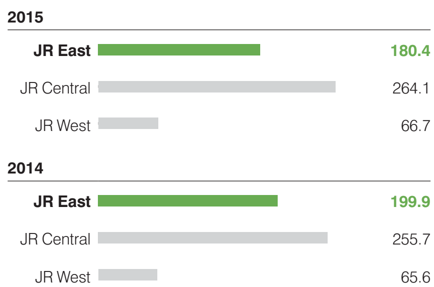
Billions of Yen



Years ended March 31	2014	2015
	Millions of Yen	
JR East	2,702,917	**2,756,165**
JR Central	1,652,547	**1,672,295**
JR West	1,331,019	**1,350,336**

Net Income

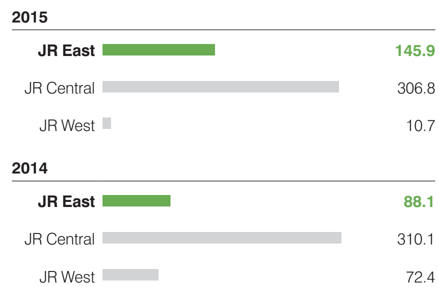
Billions of Yen



Years ended March 31	2014	2015
	Millions of Yen	
JR East	199,940	**180,398**
JR Central	255,686	**264,134**
JR West	65,640	**66,712**

Free Cash Flows

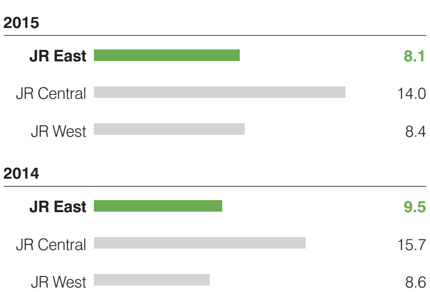
Billions of Yen



Years ended March 31	2014	2015
	Millions of Yen	
JR East	88,066	**145,918**
JR Central	310,103	**306,836**
JR West	72,377	**10,701**

Return on Average Equity (ROE)

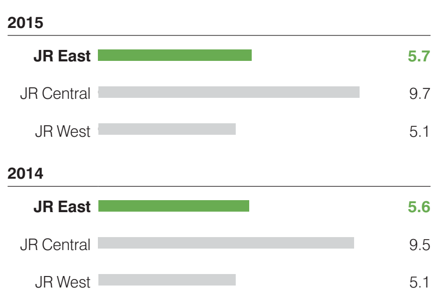
%



Years ended March 31	2014	2015
	%	
JR East	9.5	**8.1**
JR Central	15.7	**14.0**
JR West	8.6	**8.4**

Ratio of Operating Income to Average Assets (ROA)

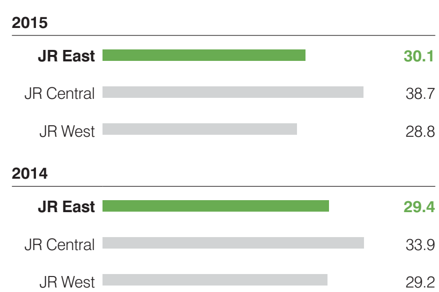
%



Years ended March 31	2014	2015
	%	
JR East	5.6	**5.7**
JR Central	9.5	**9.7**
JR West	5.1	**5.1**

Equity Ratio

%



Years ended March 31	2014	2015
	%	
JR East	29.4	**30.1**
JR Central	33.9	**38.7**
JR West	29.2	**28.8**

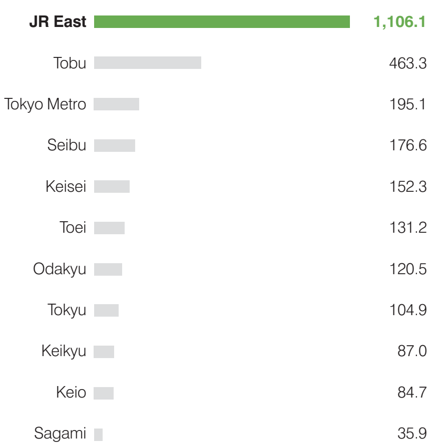
- Data in this section has been calculated by JR East based on figures in JR Central's and JR West's financial press releases.

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.

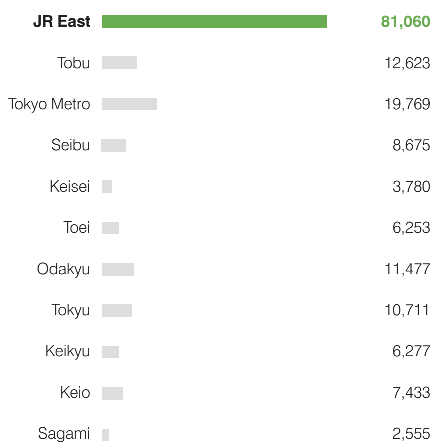
Passenger Line Networks

Kilometers



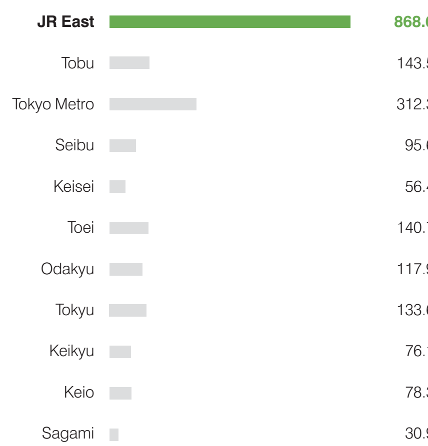
Passenger Kilometers

Millions



Revenues from Passenger Tickets

Billions of Yen



	Passenger Line Networks[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Billions of Yen	%
JR East	**1,106.1**	**41.6**	**81,060**	**47.5**	**868.6**	**42.3**
Tobu Railway	463.3	17.4	12,623	7.4	143.5	7.0
Tokyo Metro	195.1	7.3	19,769	11.6	312.3	15.2
Seibu Railway	176.6	6.7	8,675	5.1	95.6	4.7
Keisei Electric Railway	152.3	5.7	3,780	2.2	56.4	2.7
Toei (Tokyo Metropolitan Government)	131.2	4.9	6,253	3.7	140.7	6.9
Odakyu Electric Railway	120.5	4.5	11,477	6.7	117.9	5.7
Tokyu Corporation	104.9	4.0	10,711	6.3	133.6	6.5
Keikyu Corporation	87.0	3.3	6,277	3.7	76.1	3.7
Keio Electric Railway	84.7	3.2	7,433	4.3	78.3	3.8
Sagami Railway	35.9	1.4	2,555	1.5	30.9	1.5
Total	2,657.6	100.0	170,613	100.0	2,053.8	100.0

1 As of March 31, 2014.
2 For the year ended March 31, 2014.
- Figures do not include freight lines.
- Data used for JR East is that of the Tokyo Metropolitan Area Network and does not include Tokyo Monorail.

Sources:
- Toei (Tokyo Metropolitan Government): Figures are from the website of the Transportation Bureau of the Tokyo Metropolitan Government. Passenger kilometers are from Statistics of Railways 2014, 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.

Analysis of JR East's Railway Operations

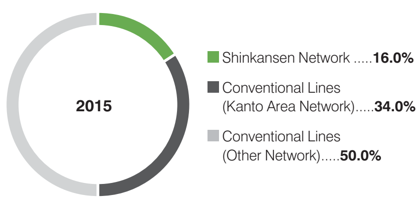
The fact that two-thirds of its transportation revenues come from Tokyo and the Kanto region, where most of the population and economic base in Japan resides, shows the solidness of JR East's management platform.

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.

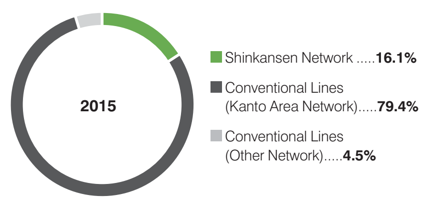
More than half of the electricity JR East consumes is self-generated in the hydro- and thermal-electric power plants it owns.

COMPOSITION BY OPERATING AREA

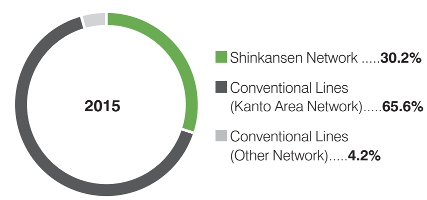
Passenger Line Network



Passenger Kilometers



Revenues from Passenger Tickets

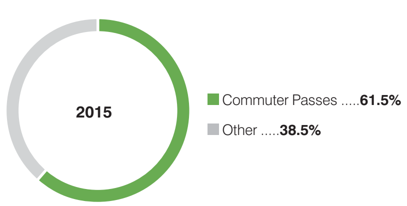


	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen Network	1,194.2	16.0	20,914	16.1	521,229	30.2
Conventional Lines (Kanto Area Network)	2,535.9	34.0	103,310	79.4	1,131,705	65.6
Conventional Lines (Other Network)	3,728.1	50.0	5,844	4.5	72,967	4.2
Total	7,458.2	100.0	130,068	100.0	1,725,902	100.0

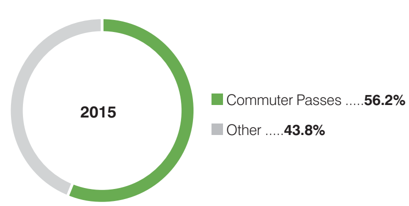
1. As of March 31, 2015
2. Year ended March 31, 2015
- Revenues from the conventional line segments of hybrid Shinkansen services are included in Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.

COMPOSITION OF COMMUTER PASSES

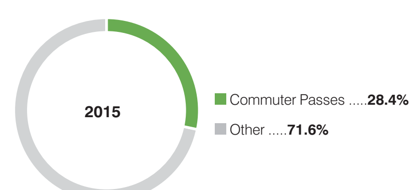
Number of Passengers



Passenger Kilometers



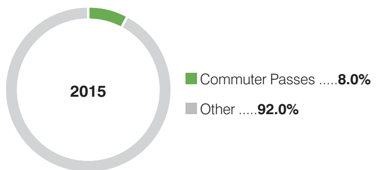
Revenues from Passenger Tickets



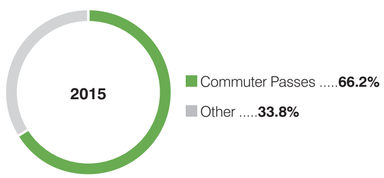
	Number of Passengers		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,827	61.5	73,119	56.2	490,217	28.4
Other	2,392	38.5	56,949	43.8	1,235,685	71.6
Total	6,219	100.0	130,068	100.0	1,725,902	100.0

PASSENGER KILOMETERS

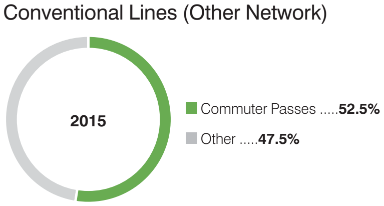
Shinkansen Network



Conventional Lines (Kanto Area Network)



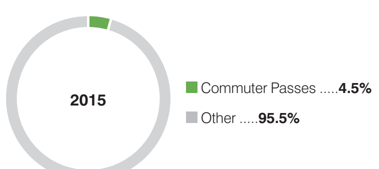
Conventional Lines (Other Network)



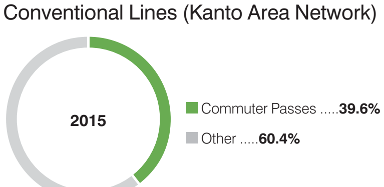
			Millions		%
			2014	2015	2015 / 2014
Shinkansen Network		Commuter Passes	1,731	1,675	96.7
		Other	19,131	19,238	100.6
		Total	20,863	20,914	100.2
Conventional Lines	Total	Commuter Passes	72,896	71,444	98.0
		Other	37,351	37,710	101.0
		Total	110,247	109,154	99.0
	Kanto Area Network	Commuter Passes	69,670	68,375	98.1
		Other	34,554	34,935	101.1
		Total	104,225	103,310	99.1
	Other Network	Commuter Passes	3,225	3,068	95.1
		Other	2,796	2,775	99.2
		Total	6,022	5,844	97.0
Total		Commuter Passes	74,628	73,119	98.0
		Other	56,482	56,949	100.8
		Total	131,110	130,068	99.2

REVENUES FROM PASSENGER TICKETS

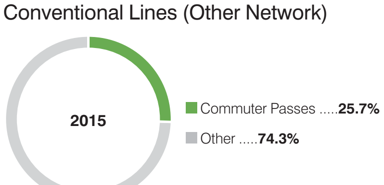
Shinkansen Network



Conventional Lines (Kanto Area Network)



Conventional Lines (Other Network)



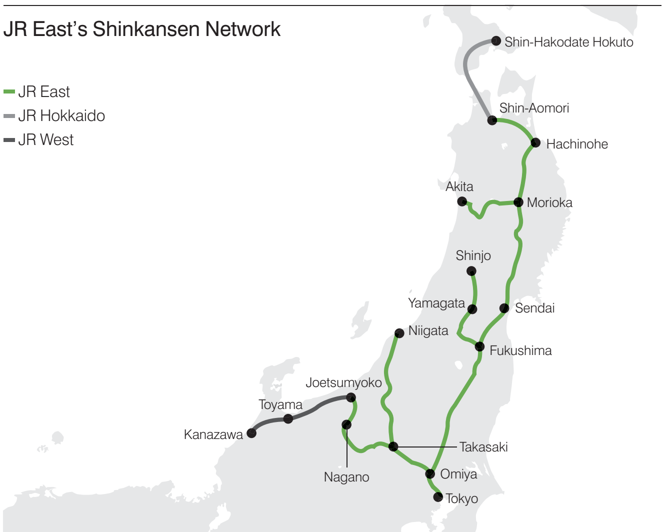
			Millions of Yen		%
			2014	2015	2015 / 2014
Shinkansen Network		Commuter Passes	22,857	23,232	101.6
		Other	484,331	497,997	102.8
		Total	507,189	521,229	102.8
Conventional Lines	Total	Commuter Passes	457,929	466,985	102.0
		Other	731,329	737,687	100.9
		Total	1,189,259	1,204,672	101.3
	Kanto Area Network	Commuter Passes	439,289	448,259	102.0
		Other	676,035	683,445	101.1
		Total	1,115,325	1,131,705	101.5
	Other Network	Commuter Passes	18,639	18,725	100.5
		Other	55,294	54,241	98.1
		Total	73,934	72,967	98.7
Total		Commuter Passes	480,787	490,217	102.0
		Other	1,215,661	1,235,685	101.6
		Total	1,696,449	1,725,902	101.7

- Percentages represent 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).
- 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.

Other Data

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

JR East's Shinkansen Network



Competition with Airlines

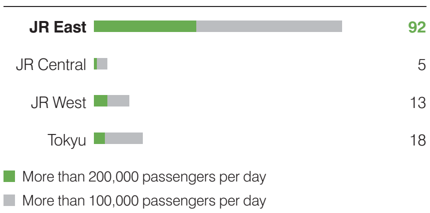
	Distance from Tokyo km	Time Required	JR Share %
Aomori	713.7	2:59	79
Akita	662.6	3:37	60
Morioka	535.3	2:11	100
Sendai	351.8	1:31	100
Yamagata	359.9	2:26	97
Niigata	333.9	1:37	100
Kanazawa	450.5	2:28	42

Note: Data shown here is as of March 31, 2015. Information concerning required time is according to the JR Time Table, June 2015 issue. Market shares of trains and flights are calculated based on the number of flight departures and arrivals at Haneda Airport. Approximate time required for trains is indicated using the maximum speed of a regularly-operated train from Tokyo. Opening of Hokuriku Shinkansen between Nagano and Kanazawa in March 2015 (Data for share is for fiscal 2015).

Number of Busy Stations

Stations

2015



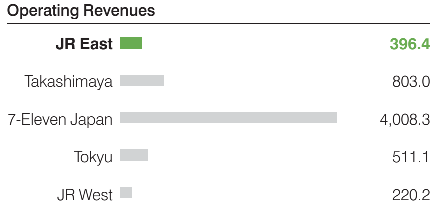
	More than 200,000 passengers per day	More than 100,000 passengers per day
JR East	**38**	**92**
JR Central	1	5
JR West	5	13
Tokyu	4	18

Notes:
- Tokyu = Tokyu Corporation
- Year ended March 31, 2014, for JR Central and JR West, year ended March 31, 2015, for JR East and Tokyu.
- Data is based on figures from JR Central, JR West, and Tokyu.
- The number of station users at stations of JR East, JR Central, and JR West represents twice the number of passengers embarking.

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

Billions of Yen

Operating Revenues



Millions of Yen

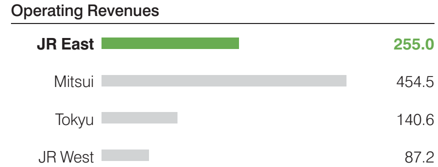
JR East	**396,368**
Takashimaya	802,956
7-Eleven Japan	4,008,261
Tokyu	511,106
JR West	220,180

Notes:
- Takashimaya = Takashimaya Company, Limited; 7-Eleven Japan = Seven-Eleven Japan Co., Ltd.; Tokyu = Tokyu Corporation
- Year ended March 31, 2015 (year ended February 28, 2015, 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.

Comparison of Real Estate Leasing to Retailers and Other Tenants

Billions of Yen

Operating Revenues



Millions of Yen

JR East	**254,997**
Mitsui	454,511
Tokyu	140,617
JR West	87,207

Notes:
- Mitsui = Mitsui Fudosan Co., Ltd. Tokyu = Tokyu Corporation
- Year ended March 31, 2015
- Data is based on figures from the financial press releases of each company.
- The following figures are used as operating revenues: JR East: Shopping centers & office buildings, segment revenues from outside customers
  Mitsui: Office buildings and commercial facilities revenues in leasing segment, outside customers
  Tokyu: Real estate business, segment revenues from outside customers
  JR West: Real estate business, segment revenues from third parties

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, 2015.

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 2015, ended March 31, 2015. 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 fiscal 2015, the Japanese economy continued to recover gradually, supported in part by improvements in employment conditions, even though demand declined at the beginning of the fiscal year as a rebound from the demand rush that preceded the tax consumption hike. Under these conditions, and guided by "JR East Group Management Vision V—Ever Onward," the Group (consisting of the Company, its consolidated subsidiaries, and affiliated companies that were accounted for by the equity method) steadily advanced various initiatives centered on the railway and life-style service businesses and *Suica* operations.

As a result, operating revenues for fiscal 2015 increased 2.0% year on year, to ¥2,756.2 billion ($22,968 million), mainly due to growth in the Company's transportation revenues, with a large amount of this growth stemming from non-commuter pass revenues. Operating income increased 5.1%, to ¥427.5 billion ($3,563 million). Net income decreased 9.8%, to ¥180.4 billion ($1,503 million), due to factors including the recognition of extraordinary losses associated with the transfer of management of the Miyako–Kamaishi segment of the Yamada Line and an increase in income taxes-deferred resulting from a reversal of deferred income taxes that accompanied an amendment of Japan's Corporation Tax Act.

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 ensure safe and reliable transportation and improve 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, JR East steadily implemented measures based on its sixth five-year safety plan, "JR East Group Safety Plan 2018," with the goal of achieving "extreme safety levels." For example, in response to a derailment accident in February 2014 inside of Kawasaki Station on the Keihin-Tohoku Line, the Group has been implementing measures to enhance safety as part of efforts to prevent the reoccurrence of such accidents. Measures included a review of procedures for allowing the entry of road-rail vehicles and heavy construction machinery into restricted construction areas, the clarification of the chain of command among contractors performing construction within closed railway lines, and the reinforcement of measures for stopping trains. Also, JR East steadily implemented seismic reinforcement and other countermeasures in preparation for a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. JR East has earmarked a total of ¥300.0 billion for investment in such measures to be conducted over a five-year period continuing through fiscal 2017 designed for intensive implementation of measures. Specific measures included seismic reinforcement work, which was conducted on embankments near the Chuo Line's Ochanomizu Station as well as on viaducts, bridge piers, and electrical poles. Approximately 50% of the work that is currently planned was completed as of March 31, 2015. Also, to reinforce its seismic observation system, the Company instituted measures to allow for the high-speed transmission of seismographic observations in certain areas on an accelerated schedule and proceeded with preparations for the reception of submarine seismograph data. Furthermore, as part of its measures for preventing railway crossing accidents, JR East continued converting type-4 railway crossings to type-1 railway crossings, eliminating and consolidating railway crossings, and installing additional obstruction warning devices and obstacle detection devices at railway crossings. Also, the Company began the operation of automatic platform gates at seven stations on the Yamanote Line, including Gotanda Station and Tabata Station. This brought the number of stations equipped with such gates to 18 stations as of March 31, 2015. Other initiatives included the trial introduction of vertical-motion automatic platform gates at Haijima Station on the Hachiko Line.

Regarding service quality, the Group advanced measures with the aim of becoming No. 1 for customer satisfaction in the Japanese railway industry. In an effort to improve the quality of transportation, the Group began employing windbreaks on the Keiyo Line, Sobu Line, Joban Line, and other lines. In addition, JR East implemented snow countermeasures, such as the enhancement of systems and facilities, for conventional lines in the Tokyo metropolitan area and for Shinkansen lines. The countermeasures were in response to a large-scale disruption to transportation services caused by heavy snowfall in February 2014. Furthermore, aiming to provide individual customers with timely information, in March 2015 we launched an English version of the *JR EAST APP* for smartphones, which was made available in Japanese in March 2014. The number of application downloads reached approximately 1.1 million on a cumulative basis as of March 31, 2015. In addition, the Company expanded the scope of lines covered by *doko-train*, a service providing information on the operational status of trains, with regions outside of the Tokyo metropolitan area designated as the primary target of this expansion. JR East also continued the "Service Quality Improvement Projects" conducted on the Musashino Line. These projects included installing new platform benches and waiting rooms as well as distributing information related to service quality improvement initiatives. Elsewhere, we collaborated with other railway operators to institute the *Let's Hang On to the Handrail* campaign, which is designed to promote safe escalator usage. At the same time, we held the *Safe Use of Baby Stroller Class in Teppaku* (the Railway Museum) program as part of the safety campaigns promoted by the Ministry of Land, Infrastructure, Transport and Tourism.

In regard to transportation, having revised its timetables in March 2015, JR East opened the Hokuriku Shinkansen Line to Kanazawa and began operating Shinkansen services, such as *Kagayaki*, the fastest service, and *Hakutaka*, a service that stops at most stations between Tokyo and Kanazawa. The fastest travel time between Tokyo and Kanazawa is now two hours 28 minutes. Moreover, in a joint initiative with Echigo TOKImeki Railway Company, JR East began operating the *Shirayuki* limited express service between Niigata Station and Joetsumyoko Station to provide an option for access to the Hokuriku Shinkansen Line. This initiative and others were implemented to expand railway networks and thereby foster greater inter-regional mobility. In addition, the Company opened the Ueno-Tokyo Line and began the operation of direct services that connect the Utsunomiya Line and the Takasaki Line to the Tokaido Line in both directions. We also commenced the operation of direct services that connect from the Joban Line and travel as far as Shinagawa Station. Another measure was to enhance the convenience of the *Tokyo Megaloop* through such efforts as increasing the frequency of trains on the Musashino and Keiyo lines.

In sales and marketing, JR East conducted *Niigata Destination Campaign, Yamagata Destination Campaign*, and the *Ikuze, Tohoku*. *Campaign* to encourage tourism and revitalize communities. Efforts were also made to encourage greater use of the *Hayabusa* and *Komachi* Shinkansen services, for which the maximum operation speed for all trains was set at 320 km/h in March 2014. In regard to trains that cater to people seeking to board for the "ride" itself, we commenced, among other services, the *Toreiyu Tsubasa* service equipped with a footbath compartment on the Yamagata Shinkansen Line and the *Koshino Shu*Kura* service on the Shinetsu and Iiyama lines. In addition, we moved ahead with preparations for the commencement of the *FruitTea Fukushima* service on the Banetsu West Line and the *Oykot* service on the Iiyama Line, which were started in April 2015. Moreover, in conjunction with the opening of the Hokuriku Shinkansen Line to Kanazawa, JR East worked to develop inter-regional sightseeing excursion routes in the Shinetsu and Hokuriku regions. These efforts included beginning operation of the *Tenku no Hida Kairo View Bus* (Hida Mountains Excursion Bus) as well as conducting the *Japanese Beauty Hokuriku* campaign. Also, to capture the strong demand for inbound travel to Japan, we participated in the management of a travel company in Taiwan through a Group company. We also promoted such sales of holiday products as *JR East Railway Holiday* for Taiwan and Hong Kong and *Tokyo Rail Days* for the Southeast Asia market. Furthermore, JR East enhanced its readiness to welcome customers from overseas through efforts that included the new establishment of the JR EAST Travel Service Center in Shinjuku Station.

In *Suica* operations, JR East worked to further improve customer convenience. For example, JR East expanded the *Suica* usage area to 36 stations on 13 line segments, including Yamagata Station on the Ou Line, Kashiwazaki Station on the Shinetsu Line, and Matsumoto Station on the Shinonoi Line, as well as to the Fujikyuko Line, the BRT (Bus Rapid Transit) Kesennuma Line, and the BRT Ofunato Line. Furthermore, we made it possible for customers to charge their *Suica* cards with an iPhone in October 2014. The total number of *Suica* cards issued was approximately 50.7 million cards as of March 31, 2015.

Suica cards commemorating Tokyo Station's centennial anniversary were launched in December 2014. However, the Company was forced to discontinue sale of these cards on the day of their launch to ensure customers' safety due to the large number of customers that visited Tokyo Station on this day with the aim of purchasing a card. Subsequently, JR East decided to print additional cards and sell them to all customers wishing to purchase them.

With respect to JR East's participation in overseas railway projects, we proceeded with preparations to supply railcars and provide ground facility maintenance services for the Purple Line, an urban mass transit system in Bangkok, Thailand, scheduled to enter service in 2016. Meanwhile, we worked to publicize JR East's technology through efforts including an exhibit in September 2014 at InnoTrans 2014, one of the world's largest railway trade fairs, in Berlin, Germany. In addition, we advanced the "Global Human Resource Development Program—Ever Onward" to develop human resources that can contribute to global business development. This included the continued expansion of overseas studies programs and on-the-job trainee programs in the overseas railway consulting business.

As a result of the above, although JR East's railway traffic volume was below that of the previous fiscal year, operating revenues in the Transportation segment increased 1.3% to ¥1,907.3 billion ($15,894 million), and operating income increased 10.2% to ¥294.6 billion ($2,455 million).

To recover from severe damage caused to line segments on the Pacific coast by the Great East Japan Earthquake, JR East is working together with the national government and relevant local authorities to formulate and advance plans for rebuilding the area as a whole and developing individual towns. Notably, the Company made a proposal to relevant local authorities and other parties about integrating the operation of the Miyako–Kamaishi segment of the Yamada Line with the North and South Rias Lines, with both managed by Sanriku Railway Company. In December 2014, a basic agreement was reached, and a letter of intent and memorandum of understanding were signed in February 2015. Further, with respect to the Ishinomaki Line, JR East proceeded with restoration work between Urashuku and Onagawa and resumed operations on all sections on March 21, 2015. In addition, JR East advanced restoration work between Takagimachi and Rikuzen-Ono on the Senseki Line with the aim of resuming operations on all sections on May 30, 2015. At the same time, we moved forward with preparations for opening the Senseki-Tohoku Line, which connects the Senseki Line and the Tohoku Main Line and commenced operation on the same day. In regard to the Joban Line, in June 2014 service between Hirono and Tatsuta was resumed, including sections within a 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station. Furthermore, JR East began operating bus service, in lieu of train service, between Tatsuta and Haranomachi on the Joban Line in January 2015. We also pushed forward with restoration work between Soma and Hamayoshida, aiming to resume operations in spring 2017. JR East's policy going forward for areas within the 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station will be to prepare to resume operations in the areas designated as "areas to which evacuation orders are ready to be lifted." In areas where steps need to be taken to decontaminate line-side areas and return residents to their homes, we will advance preparations while gaining the cooperation of the national government and local authorities. At the same time, in the locations designated as "areas where it is expected that the residents will have difficulties in returning for a long time," JR East aims to open lines after the completion of decontamination work required for opening lines and implementation of measures to ensure the safety of users in emergencies. These efforts will be advanced with the support and cooperation of the national government and local authorities. In addition, for services with a provisional BRT system, JR East sought to make transferring to conventional railway lines more convenient by establishing a stop inside Kesennuma Station for the BRT Kesennuma Line in April 2014 and a stop inside the station for the BRT Ofunato Line in March 2015.

As for the Iwaizumi Line, a local bus company began operating the Iwaizumi-Moichi Line as a bus service on April 1, 2014, after the railway service was terminated on March 31, 2014. JR East is providing the necessary support to operate the bus service.

SHINKANSEN NETWORK

In the Shinkansen network, passenger kilometers increased 0.2% year on year, to 20.9 billion, mainly due to the opening of the Hokuriku Shinkansen Line to Kanazawa and an increase in inbound foreign travelers boarding as passengers. Revenues from passenger tickets increased 2.8% year on year to ¥521.2 billion ($4,344 million). Included in this figure, Shinkansen commuter pass revenues increased 1.6% year on year to ¥23.2 billion ($194 million), and non-commuter pass revenues rose 2.8% to ¥498.0 billion ($4,150 million).

CONVENTIONAL LINES (KANTO AREA NETWORK)

For conventional lines in the Kanto area network, passenger kilometers decreased 0.9% year on year to 103.3 billion. Revenues from passenger tickets increased 1.5% to ¥1,131.7 billion ($9,431 million). Included in this figure, commuter pass revenues increased 2.0% to ¥448.3 billion ($3,736 million), due mainly to changes in estimation methods for prepaid railway fares received that were instituted in fiscal 2014, while non-commuter pass revenues increased 1.1% to ¥683.4 billion ($5,695 million).

CONVENTIONAL LINES (OTHER NETWORK)

In the conventional lines other than the Kanto area network, passenger kilometers decreased 3.0% year on year to 5.8 billion. Revenues from passenger tickets decreased 1.3% to ¥73.0 billion ($608 million). Included in this figure, commuter pass revenues increased 0.5% to ¥18.8 billion ($156 million), due mainly to changes in estimation methods for prepaid railway fares received that were instituted in fiscal 2014, while non-commuter pass revenues decreased 1.9% to ¥54.2 billion ($452 million).

STATION SPACE UTILIZATION

In the Station Space Utilization segment, taking advantage of the centennial anniversary of the opening of Tokyo Station in December 2014, JR East implemented initiatives to provide information and draw customer activity to raise the value of the station and the surrounding areas. In regard to *NEWDAYS* convenience stores, newly designed stores were opened in Shinjuku Station and other locations, and the Group responded to diversifying customer needs with measures that included launching freshly brewed coffee *EKI na CAFE* and enhancing the product lineup. Moreover, as a part of its *Rediscovering the Regions Project*, JR East set up *Sanchoku-Ichi* farmers' markets representing various regions at Ueno Station and other stations as a form of advertising local goods and promoting tourism. In addition, the Group began manufacturing and marketing sweets made from rice flour at *Tokamachi Sukoyaka Factory* (Niigata) in an initiative directed at developing the agriculture, fishing, and forestry industry into a sextic industry.

Complementing these efforts, the favorable performance of *ecute Tokyo* (Tokyo) contributed to revenue increases. Regardless though, operating revenues for the Station Space Utilization segment decreased 0.9% to ¥412.0 billion ($3,433 million), mainly due to the closure of stores that were impeding construction, and operating income declined 4.2% to ¥34.5 billion ($288 million).

SHOPPING CENTERS & OFFICE BUILDINGS

In the Shopping Centers & Office Buildings segment, JR East opened *CIAL Sakuragicho* (Kanagawa), phase 1 of *nonowa Musashikoganei* (Tokyo), and *MIDORI Nagano* (Nagano). Also, we created an integrated excursion space with the opening of *nonomichi* (Tokyo), a new shopping promenade in the space underneath a railway viaduct from Musashi-Sakai Station to Higashi-Koganei Station on the Chuo Line. In addition, we renovated *CELEO Kofu* (Yamanashi) and other shopping centers and implemented measures to invigorate existing stores and continue attracting tenants that generate customer traffic. Meanwhile, the Group proceeded with the construction of phase 1 of *nonowa Kunitachi* (Tokyo), which opened on April 18, 2015; the *Shinjuku New South Exit Building* (provisional name), scheduled for completion in the spring of 2016; and the *Sendai Station East Exit Development*. Also, the Group began construction of the *Atami Station Building* (provisional name), scheduled to open in fiscal 2017; the *JR Funabashi Station South Exit Building* (provisional name), scheduled to open in fiscal 2018; and phase 1 of the *Shibuya Station Area Development Plan* (East Bldg.), a joint project with Tokyu Corporation and Tokyo Metro Co., Ltd., scheduled for completion in fiscal 2020.

As a result of these initiatives, as well as increases in revenues due to strong sales at LUMINE Co., Ltd., and the opening of *JR Otsuka Minamiguchi Building* (Tokyo) in the previous fiscal year, operating revenues of the Shopping Centers & Office Buildings segment increased 1.8% to ¥266.6 billion ($2,221 million), and operating income increased 0.4% to ¥72.3 billion ($602 million).

OTHERS

In hotel operations, aiming to encourage tourism in the Sanriku coast area, JR East opened *Hotel Folkloro Sanriku Kamaishi* (Iwate) in March 2015. Furthermore, the Company renovated *Hotel Metropolitan Nagano* (Nagano) to coincide with the opening of the Hokuriku Shinkansen Line to Kanazawa and Zenkoji Temple's Gokaicho period. At the same time, the Group proceeded with the renovation of guestrooms and facilities for weddings at *Hotel Metropolitan* (Tokyo) and implemented other initiatives to upgrade the competitiveness of existing hotels. In advertising and publicity operations, JR East introduced *J-AD Vision*, an advertising medium at stations that uses large LCD screens, at Nagano Station, and strove to promote sales of *Train Channel*, an advertising medium used to show video commercials on trains.

In credit card operations, JR East promoted card usage and worked to increase cardholder numbers through campaigns tied to various events, such as *Destination Campaigns* and the 25th anniversary of GALA Yuzawa. In *Suica* shopping services (electronic money), the Company implemented measures to expand and encourage the use of *Suica* electronic money. For example, JR East introduced settlement services using *Suica* for a handheld gaming device manufactured by Nintendo Co., Ltd. Settlement services for in-flight shopping on the domestic routes of All Nippon Airways Co., Ltd., were also launched. As a result of these measures, *Suica* electronic money was usable at approximately 290,000 stores and other business establishments as of March 31, 2015.

In the sports business, JR East opened its second exercise and daycare center, *JeXer Platina Gym Musashisakai* (Tokyo), in July 2014. In addition, we opened the *Akabane COTONIOR* (Tokyo) multipurpose care facility for children and senior citizens in April 2015.

As a result of these initiatives, as well as increases in revenues from information processing and advertising and publicity services, operating revenues from the Others segment increased 6.7% to ¥614.2 billion ($5,118 million). However, operating income decreased 15.9% to ¥27.5 billion ($229 million), mainly due to higher expenses related to credit card operations.

Notes: 1. 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 above Accounting Standard and Guidance.
2. The name "iPhone" is a registered trademark of Apple Inc. in the United States and other countries.

Operating Income

Operating expenses increased 1.4% year on year to ¥2,328.6 billion ($19,405 million). Operating expenses as a percentage of operating revenues were 84.5%, compared with 84.9% in the previous fiscal year.

Transportation, other services and cost of sales increased 0.7%, to ¥1,806.2 billion ($15,051 million), because of an increase in cost of equipment.

Selling, general and administrative expenses increased 4.2%, to ¥522.4 billion ($4,354 million), which was due to an increase in cost of equipment.

Operating income rose 5.1%, to ¥427.5 billion ($3,563 million), increasing for the fifth consecutive fiscal year. Operating income as a percentage of operating revenues was 15.5%, compared with 15.1% in the previous fiscal year.

Income before Income Taxes

Other income increased 18.6%, to ¥87.6 billion ($730 million), due mainly to a rise in construction grants received.

Other expenses increased 28.0%, to ¥199.8 billion ($1,665 million), mainly as a result of the extraordinary losses associated with transfer of management of the Miyako–Kamaishi segment of the Yamada Line and higher losses on reduction entry for construction grants.

Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥78.2 billion ($652 million) expense, an improvement of 8.3%.

Income before income taxes decreased 2.9%, to ¥315.3 billion ($2,628 million). Income before income taxes as a percentage of operating revenues was 11.4%, compared with 12.0% in the previous fiscal year.

Net Income

Net income decreased 9.8% to ¥180.4 billion ($1,503 million), declining for the first time in four years due to an increase in income taxes-deferred that resulted from a reversal of deferred income taxes accompanying an amendment of Japan's Corporation Tax Act. Earnings per share were ¥459 ($4), down from ¥507 per share. Further, net income as a percentage of operating revenues was 6.5%, compared with 7.4% in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2015, operating activities provided net cash of ¥622.8 billion ($5,190 million), ¥60.0 billion more than in the previous fiscal year. This result was mainly due to a decrease in payments of income taxes.

Investing activities used net cash of ¥476.8 billion ($3,974 million), ¥2.1 billion more than in the previous fiscal year. This result was mainly due to a decrease in proceeds from construction grants.

Capital expenditures were as follows.

In transportation operations, JR East implemented capital expenditures to further measures for ensuring transportation safety and reliability as well as to build a highly competitive transportation network. In station space utilization operations, we developed spaces inside Musashi-Urawa Station and conducted renovation work at existing stores. In shopping centers and office buildings operations, JR East made capital expenditures related to *CIAL Sakuragicho*, phase 1 of *nonowa Musashikoganei*, and *MIDORI Nagano*. We also renovated *CELEO Kofu*. In the Others segment, capital expenditures included those for systems development and functional enhancements as well as for the construction of *Hotel Folkloro Sanriku Kamaishi* and the renovation of existing hotels.

Further, free cash flows increased ¥57.9 billion, to a positive ¥145.9 billion ($1,216 million).

Financing activities used net cash of ¥86.6 billion ($722 million), ¥4.7 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, 2015, were ¥245.2 billion ($2,043 million), an increase of ¥59.2 billion from ¥186.0 billion on March 31, 2014.

Financial Policy

Interest-bearing debt at March 31, 2015, stood at ¥3,275.5 billion ($27,296 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. ¥101.8 billion ($848 million) payable at a variable interest rate (annual interest rate in fiscal 2015: 4.13%) through March 31, 2017;
b. ¥94.2 billion ($785 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017; and
c. ¥338.8 billion ($2,823 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 ¥8.0 billion ($67 million) for the Akita hybrid Shinkansen facilities and ¥2.4 billion ($20 million) for Tokyo Monorail Co., Ltd.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for the purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities based on an agreement with the Japan Railway Construction, Transport and Technology Agency (JRTT). JR East made early repayments of ¥17.9 billion ($150 million) in fiscal 2015.

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 the Company's total interest-bearing debt. Also, JR East is enhancing capital management methods, including offsetting internal settlements among subsidiaries and consolidating payments by subsidiaries.

In fiscal 2015, JR East issued seven unsecured straight bonds in Japan, with a total nominal amount of ¥120.0 billion ($1,000 million) and maturities from 2017 through 2045. 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 Ratings Japan K.K. and Moody's Japan K.K. of AA– and Aa3, respectively.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($2,750 million). JR East did not have any bank overdrafts on March 31, 2015. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2015. There was no outstanding balance of commercial paper issued by JR East as of March 31, 2015.

In April 2015, JR East established a committed bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥60.0 billion ($500 million).

Operational and Other Risk Information

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, 2015.

Legal Issues Relating to Operations

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

Railway Business Act (Act No. 92 of 1986)

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

JR Law (Act No. 88 of 1986)

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 Act, the JR Companies are subject to provisions of the JR Law that require the approval of the Minister 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).

AMENDED JR LAW

(a) The amended JR Law enacted on December 1, 2001 (Act No. 61 of 2001), excluded JR East, JR Central, and JR West (the three JR passenger railway companies operating on Japan's main island of 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 Minister 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 Minister on or after the date of enactment of the amended JR Law (supplementary provision, Article 2, paragraph 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 Minister 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 Minister 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 Act. 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.

Systems and Procedures for Approval of Fares and Surcharges

The Railway Business Act stipulates that railway operators are required to obtain the approval of the Minister when setting or changing the upper limit for fares and surcharges (Railway Business Act, Article 16, paragraph 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 Act, Article 16, paragraphs 3 and 4).

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 efficient business operation realized by 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 proactively conduct capital expenditure while clearly defining the responsibilities of management in business operation.

Stance of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT")

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

(a) The Minister 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 that can be expected to be incurred through the efficient management of those companies (hereinafter "total cost") (Railway Business Act, Article 16, paragraph 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 released at the end of every fiscal 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 Minister, railway operators can set or change fares and surcharges within the upper limits approved along with other charges. However, the Minister 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 Act, Article 16, paragraph 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 (Act No. 71 of 1970). 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; the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002, and between Hachinohe and Shin-Aomori on December 4, 2010; and then on the Hokuriku Shinkansen Line between Nagano and Joetsumyoko on March 14, 2015.

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 Kanazawa–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 Japan Railway Construction, Transportation and Technology Agency (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 Japan Railway Construction Public Corporation (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 2015 totaled ¥20.8 billion ($174 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($146 million) and taxes and maintenance fees of ¥3.3 billion ($28 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 Minister in November 2002. Usage fees for fiscal 2015 totaled ¥10.5 billion ($87 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($66 million) and taxes and maintenance fees of ¥2.6 billion ($21 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 Minister in December 2010. Usage fees for fiscal 2015 totaled ¥8.2 billion ($69 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.0 billion ($59 million) and taxes and maintenance fees of ¥1.2 billion ($10 million).

In March 2015, JR East concluded an agreement with the JRTT regarding the usage fees amount for the Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line, which opened in March 2015. The JRTT received approval for those usage fees from the Minister in March 2015. The usage fee amount to be paid by JR East in each fiscal year is defined as comprising the fixed amount calculated based on the corresponding benefits of ¥16.5 billion and the taxes and maintenance fees from the respective fiscal year. Usage fees for fiscal 2015 were calculated per diem as the line segment opened partway through the fiscal year. These usage fees totaled ¥0.8 billion ($7 million), comprising the fixed amount calculated based on the corresponding benefits of ¥0.8 billion ($7 million) and taxes and maintenance fees of ¥0.0 billion ($0 million).

(c) 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.

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. In addition, 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. Furthermore, at the time of the opening of the Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line in March 2015, the management of the Nagano–Naoetsu segment of the Shinetsu Line was separated from JR East.

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.

(a) 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 to result from commencing Shinkansen line operations. JR East will not assume any financial burden other than usage fees and other charges.

(b) 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.

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 accidents due to natural disasters, human error, crime, or terrorism; accidents at nuclear power plants; the large-scale spread of infectious diseases; or other factors.

The JR East Group regards ensuring safety as a top management priority. Accordingly, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues, and it is steadily advancing the measures described in the sixth five-year safety plan, "JR East Group Safety Plan 2018."

Specifically, in response to a derailment accident in February 2014 within Kawasaki Station on the Keihin-Tohoku Line, the Group has been implementing measures to enhance safety as part of efforts to prevent the reoccurrence of such accidents. Such measures included a review of procedures for allowing entry of road-rail vehicles and heavy construction machinery into restricted construction areas. Also, JR East steadily implemented seismic reinforcement and other countermeasures in preparation for a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. JR East has earmarked a total of ¥300.0 billion for investment in such measures to be conducted over a five-year period continuing through fiscal 2017 designed for intensive implementation of measures. Approximately 50% of the work that is currently planned was completed as of March 31, 2015. Also, in order to reinforce its seismic observation system, the Company examined specifications for technologies for the high-speed transmission of seismographic observations and proceeded with discussions on how to utilize submarine seismograph data. Meanwhile, in order to accommodate people unable to return home in the event of a major disruption to public transportation, JR East is sequentially forming plans for upgrading the emergency power supplies at 30 major terminal stations to have a 24-hour capacity, and it is progressively advancing related installations. Furthermore, as part of its ongoing efforts to prevent accidents at railway crossings, JR East continued installing additional obstruction warning devices and obstacle detection devices at railway crossings. Also, the Company began the operation of automatic platform gates at seven stations on the Yamanote Line, including Gotanda Station and Tabata Station, and introduced new vertical-motion automatic platform gates in Haijima Station on the Hachiko Line on a trial basis.

In response to a serious train track obstruction incident that resulted from the collapse of an electrical pole on the Kanda–Akihabara segment of the Yamanote Line in April 2015, we conducted emergency inspections of all electrical poles in JR East's areas of operation. Moreover, in order to prevent the reoccurrence of such incidents, we established a review committee chaired by the Director General of Railway Operations Headquarters within the Company's Railway Safety Promotion Committee. After conducting fact-finding investigations and determining the cause of the incident, including background factors, we began implementing the necessary preventative measures. Furthermore, we are implementing top-priority, comprehensive safety inspections at all JR East operating sites and are instituting companywide efforts to identify and eliminate any shortcomings in terms of safety. Going forward, we will work to our fullest to recover the trust lost due to this incident.

Information Systems and Protection of Personal Data

The JR East Group currently uses many information systems in its various railway and life-style service businesses, and *Suica* operations. Furthermore, information systems play an important role for travel agencies as well as 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 or altered 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. Furthermore, 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 the Life-Style Service Business

The JR East Group has positioned the life-style service business as a central pillar of management. In the life-style service business, JR East is developing station space utilization, shopping centers and office buildings, and other operations (hotel operations, advertising and publicity, and other services).

In the life-style service business, 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. Furthermore, a defect in manufactured products or sold 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 bankruptcy 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. The Group's stations are used by roughly 17 million people every day (average daily number of passengers). The JR East Group will fully leverage those railway stations as its largest management resource to develop operations. At the same time, the JR East Group will enhance earnings and secure customer trust by implementing stringent management of hygiene and information on business partners.

Competition

The JR East Group's railway business competes with transportation sources including airlines, automobiles, buses, and other railway companies. Furthermore, the JR East Group's life-style service business compete with existing and newly established businesses. The competition of the JR East Group's railway and life-style service businesses with such rivals could have an impact on the JR East Group's financial condition and business performance.

Intensified competition in the transportation market could adversely affect earnings from JR East's railway business. 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 renovation or reopening of existing commercial facilities could result in increased competition, and thereby adversely affect earnings from JR East's life-style service business.

Reduction of Total Interest-Bearing Debt

On March 31, 2015, total interest-bearing debt stood at ¥3,275.5 billion ($27,296 million). In addition, interest expense amounted to ¥82.0 billion ($683 million), which was equivalent to 19.2% 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, including the railway and life-style service businesses, and *Suica* operations. These operations are advanced in a manner pursuant to the stipulations of related statutory laws and regulations, such as the Railway Business Act, and 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 enhancing employee education about legal compliance and checking the status of compliance with statutory laws and regulations that relate to all the areas of its operations.

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2014 and 2015

		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Assets			
Current Assets:			
Cash and cash equivalents (Notes 5 and 9)	¥ 186,058	¥ **245,171**	$ **2,043**
Receivables (Note 9):			
Accounts receivable–trade	437,524	**453,620**	**3,780**
Unconsolidated subsidiaries and affiliated companies	8,795	**9,313**	**78**
Other	7,851	**6,030**	**50**
Allowance for doubtful accounts (Note 2 (4))	(2,169)	**(1,667)**	**(14)**
	452,001	**467,296**	**3,894**
Inventories (Notes 2 (5) and 6)	67,393	**52,856**	**440**
Real estate for sale (Notes 2 (6) and 7)	1,200	**1,099**	**9**
Deferred tax assets (Note 21)	48,404	**43,635**	**364**
Other current assets	49,832	**45,728**	**382**
Total current assets	804,888	**855,785**	**7,132**
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 8)	44,640	**52,707**	**439**
Other (Notes 2 (7), 9 and 10)	159,109	**197,660**	**1,647**
	203,749	**250,367**	**2,086**
Property, Plant and Equipment (Notes 2 (8), 11, 12 and 22):			
Buildings	2,381,867	**2,415,148**	**20,126**
Fixtures	5,600,232	**5,706,075**	**47,551**
Machinery, rolling stock and vehicles	2,653,869	**2,692,386**	**22,437**
Land	1,987,541	**1,991,792**	**16,598**
Construction in progress	279,626	**254,959**	**2,125**
Other	220,116	**228,212**	**1,901**
	13,123,251	**13,288,572**	**110,738**
Less accumulated depreciation	7,097,413	**7,199,572**	**59,996**
Net property, plant and equipment	6,025,838	**6,089,000**	**50,742**
Other Assets:			
Long-term deferred tax assets (Note 21)	222,416	**218,974**	**1,825**
Other	171,413	**191,564**	**1,596**
	393,829	**410,538**	**3,421**
	¥ 7,428,304	¥ **7,605,690**	$ **63,381**

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 9, 11 and 13)	¥ 197,921	¥ 173,220	$ 1,444
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	120,999	106,731	889
Prepaid railway fares received	135,879	103,439	862
Payables (Note 9):			
Accounts payable–trade	47,225	47,063	392
Unconsolidated subsidiaries and affiliated companies	94,047	113,529	946
Other	513,627	553,704	4,614
	654,899	714,296	5,952
Accrued expenses	112,035	110,061	917
Accrued consumption taxes (Notes 9 and 15)	5,799	41,837	349
Accrued income taxes (Notes 2 (13), 8 and 21)	57,549	51,772	431
Other current liabilities	40,884	38,722	323
Total current liabilities	1,325,965	1,340,078	11,167
Long-Term Debt (Notes 9, 11 and 13)	2,455,520	2,584,776	21,540
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 9, 11 and 14)	545,417	438,476	3,654
Net Defined Benefit Liability (Notes 2 (9) and 20)	644,809	701,731	5,848
Deposits Received for Guarantees	132,652	132,782	1,107
Long-Term Deferred Tax Liabilities (Note 21)	4,069	4,073	34
Allowance for partial transfer costs of railway operation (Note 2 (10))	—	16,547	138
Other Long-Term Liabilities	120,514	82,251	685
Contingent Liabilities (Note 16)			
Net Assets (Note 17):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2015—393,500,000 shares;			
Outstanding, 2015—392,847,028 shares	200,000	200,000	1,667
Capital surplus	96,791	96,833	807
Retained earnings	1,858,008	1,915,383	15,961
Treasury stock, at cost, 652,972 shares in 2015	(4,327)	(4,421)	(37)
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	36,857	68,415	570
Net deferred gains (losses) on derivatives under hedge accounting	1,650	2,533	21
Revaluation reserve for land (Note 2 (17))	(504)	(484)	(4)
Remeasurements of defined benefit plans	(7,842)	7,399	62
Minority interests	18,725	19,318	161
Total net assets	2,199,358	2,304,976	19,208
	¥7,428,304	¥7,605,690	$63,381

Consolidated Statements of Income and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

(I) CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Operating Revenues (Note 23)	¥2,702,917	¥2,756,165	$22,968
Operating Expenses:			
Transportation, other services and cost of sales	1,794,501	1,806,181	15,051
Selling, general and administrative expenses	501,622	522,462	4,354
	2,296,123	2,328,643	19,405
Operating Income (Note 23)	406,794	427,522	3,563
Other Income (Expenses):			
Interest expense on short- and long-term debt	(45,614)	(45,310)	(378)
Interest expense incurred for purchase of railway facilities	(42,665)	(36,652)	(305)
Loss on sales of fixed assets	(474)	(2,088)	(17)
Impairment losses on fixed assets (Notes 2 (16), 12 and 23)	(6,468)	(12,738)	(106)
Interest and dividend income	2,966	3,756	31
Equity in net income (loss) of affiliated companies	1,211	3,134	26
Gain on sales of fixed assets	2,248	1,212	10
Insurance proceeds related to earthquake (Note 3)	9,624	—	—
Provision for allowance for partial transfer costs of railway operation (Note 4)	—	(16,616)	(138)
Other, net	(3,020)	(6,919)	(58)
	(82,192)	(112,221)	(935)
Income before Income Taxes	324,602	315,301	2,628
Income Taxes (Notes 2 (13) and 21):			
Current	119,621	107,540	896
Deferred	3,960	26,203	219
Income before Minority Interests	201,021	181,558	1,513
Minority Interests in Net Income of Consolidated Subsidiaries	(1,081)	(1,160)	(10)
Net Income	¥ 199,940	¥ 180,398	$ 1,503

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (14))	¥ 507	¥ 459	$ 4
Cash Dividends Applicable to the Year (Note 2 (14))	120	120	1

See accompanying notes.

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

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Income before Minority Interests	¥201,021	¥181,558	$1,513
Other Comprehensive Income:	13,611	47,735	398
Net unrealized holding gains (losses) on securities	13,310	29,310	244
Net deferred gains (losses) on derivatives under hedge accounting	275	1,319	11
Remeasurements of defined benefit plans	—	13,033	109
Share of other comprehensive income of associates accounted for using equity method	26	4,073	34
Comprehensive Income	¥214,632	¥229,293	$1,911
Comprehensive Income Attributable to			
Comprehensive income attributable to owners of the parent	¥213,549	¥228,100	$1,901
Comprehensive income attributable to minority interests	1,083	1,193	10

See accompanying notes.

Consolidated Statements of Change in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

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	Remeasurements of Defined Benefit Plans	Minority Interests	Total
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
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Restated balance	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 affiliates accounted for by equity method-treasury stock	—	—	—	—	(89)	—	—	—	—	—	(89)
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—
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
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**(64,882)**	**—**	**—**	**—**	**—**	**—**	**(82)**	**(64,964)**
Restated balance	**395,000,000**	**200,000**	**96,791**	**1,793,126**	**(4,327)**	**36,857**	**1,650**	**(504)**	**(7,842)**	**18,643**	**2,134,394**
Cash dividends (¥120 per share)	**—**	**—**	**—**	**(47,272)**	**—**	**—**	**—**	**—**	**—**	**—**	**(47,272)**
Net income	**—**	**—**	**—**	**180,398**	**—**	**—**	**—**	**—**	**—**	**—**	**180,398**
Increase due to merger	**—**	**—**	**—**	**493**	**—**	**—**	**—**	**—**	**—**	**—**	**493**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(11,386)**	**—**	**—**	**—**	**—**	**—**	**(11,386)**
Disposal of treasury stock	**—**	**—**	**0**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Retirement of treasury stock	**(1,500,000)**	**—**	**(0)**	**(11,361)**	**11,361**	**—**	**—**	**—**	**—**	**—**	**—**
Change in equity in affiliates accounted for by equity method-treasury stock	**—**	**—**	**—**	**—**	**(70)**	**—**	**—**	**—**	**—**	**—**	**(70)**
Change of scope of consolidation	**—**	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**
Capital increase of consolidated subsidiaries	**—**	**—**	**15**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**15**
Purchase of shares of consolidated subsidiaries	**—**	**—**	**27**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**27**
Other	**—**	**—**	**—**	**—**	**—**	**31,558**	**883**	**20**	**15,241**	**675**	**48,377**
Balance at March 31, 2015	**393,500,000**	**¥200,000**	**¥96,833**	**¥1,915,383**	**¥ (4,421)**	**¥68,415**	**¥2,533**	**¥(484)**	**¥ 7,399**	**¥19,318**	**¥2,304,976**

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	Remeasurements of Defined Benefit Plans	Minority Interests	Total
Balance at March 31, 2014	395,000,000	$1,667	$807	$15,483	$(36)	$307	$13	$(4)	$ (65)	$156	$18,328
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**(540)**	**—**	**—**	**—**	**—**	**—**	**(1)**	**(541)**
Restated balance	**395,000,000**	**1,667**	**807**	**14,943**	**(36)**	**307**	**13**	**(4)**	**(65)**	**155**	**17,787**
Cash dividends ($1 per share)	**—**	**—**	**—**	**(394)**	**—**	**—**	**—**	**—**	**—**	**—**	**(394)**
Net income	**—**	**—**	**—**	**1,503**	**—**	**—**	**—**	**—**	**—**	**—**	**1,503**
Increase due to merger	**—**	**—**	**—**	**4**	**—**	**—**	**—**	**—**	**—**	**—**	**4**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(95)**	**—**	**—**	**—**	**—**	**—**	**(95)**
Disposal of treasury stock	**—**	**—**	**0**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**0**
Retirement of treasury stock	**(1,500,000)**	**—**	**(0)**	**(95)**	**95**	**—**	**—**	**—**	**—**	**—**	**—**
Change in equity in affiliates accounted for by equity method-treasury stock	**—**	**—**	**—**	**—**	**(1)**	**—**	**—**	**—**	**—**	**—**	**(1)**
Change of scope of consolidation	**—**	**—**	**—**	**(0)**	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**
Capital increase of consolidated subsidiaries	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Purchase of shares of consolidated subsidiaries	**—**	**—**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Other	**—**	**—**	**—**	**—**	**—**	**263**	**8**	**0**	**127**	**6**	**404**
Balance at March 31, 2015	**393,500,000**	**$1,667**	**$807**	**$15,961**	**$(37)**	**$570**	**$21**	**$(4)**	**$ 62**	**$161**	**$19,208**

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2014	2015	2015
Cash Flows from Operating Activities:			
Income before income taxes	¥ 324,602	**¥ 315,301**	**$ 2,628**
Depreciation (Note 23)	348,042	**353,251**	**2,944**
Impairment losses on fixed assets	6,468	**12,738**	**106**
Amortization of long-term prepaid expense	7,542	**8,244**	**69**
Net change in net defined benefit liability	(6,951)	**(24,100)**	**(201)**
Interest and dividend income	(2,966)	**(3,422)**	**(29)**
Interest expense	88,279	**81,962**	**683**
Construction grants received	(41,789)	**(59,206)**	**(493)**
Insurance proceeds related to earthquake	(9,624)	**(3,362)**	**(28)**
Loss from disposition and provision for cost reduction of fixed assets	71,812	**91,856**	**765**
Provision for allowance for partial transfer costs of railway operation	—	**16,616**	**138**
Net change in major receivables	(66,583)	**(3,898)**	**(32)**
Net change in major payables	86,730	**(28,181)**	**(235)**
Other	(12,509)	**56,068**	**467**
Sub-total	793,053	**813,867**	**6,782**
Proceeds from interest and dividends	3,348	**4,160**	**35**
Payments of interest	(88,698)	**(82,205)**	**(685)**
Insurance proceeds related to earthquake	9,624	**3,362**	**28**
Payments of earthquake-damage losses	(6,026)	**(3,060)**	**(25)**
Payments of income taxes	(148,537)	**(113,362)**	**(945)**
Net cash provided by operating activities	562,764	**622,762**	**5,190**
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(514,529)	**(503,747)**	**(4,198)**
Proceeds from sales of fixed assets	5,535	**1,039**	**9**
Proceeds from construction grants	47,327	**33,750**	**281**
Payments for purchases of investment in securities	(2,537)	**(4,158)**	**(35)**
Proceeds from sales of investment in securities	—	**4,729**	**39**
Other	(10,494)	**(8,457)**	**(70)**
Net cash used in investing activities	(474,698)	**(476,844)**	**(3,974)**
Cash Flows from Financing Activities:			
Proceeds from long-term loans	186,000	**182,500**	**1,521**
Payments of long-term loans	(145,944)	**(123,006)**	**(1,025)**
Proceeds from issuance of bonds	140,000	**120,000**	**1,000**
Payments for redemption of bonds	(80,000)	**(75,000)**	**(625)**
Payments of liabilities incurred for purchase of railway facilities	(126,814)	**(121,209)**	**(1,010)**
Payments of acquisition of treasury stock	(8,444)	**(11,320)**	**(94)**
Cash dividends paid	(47,422)	**(47,272)**	**(394)**
Other	(8,743)	**(11,329)**	**(95)**
Net cash used in financing activities	(91,367)	**(86,636)**	**(722)**
Net Change in Cash and Cash Equivalents	(3,301)	**59,282**	**494**
Cash and Cash Equivalents at Beginning of Year	189,262	**186,058**	**1,550**
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	**(598)**	**(5)**
Increase in Cash and Cash Equivalents due to Merger	97	**429**	**4**
Cash and Cash Equivalents at End of Year	¥ 186,058	**¥ 245,171**	**$ 2,043**

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2014 and 2015

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 69 railway lines, 1,665 railway stations and 7,458.2 operating kilometers as of March 31, 2015.

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 ($25,891 million) from the Shinkansen Holding Corporation (see Note 14). 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 13).

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, 2015, which was ¥120 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, 2015, 72 subsidiaries were consolidated. During the year ended March 31, 2015, one company was deconsolidated due to decreased significance according to the Group's business reconstructuring.

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, 2015, 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 process: 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, 2014 and 2015.

(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

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 past service costs that are yet to be recognized 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 past 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 expected average remaining working 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 actuarial gains and losses and past service costs that are yet to be recognized 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 included in 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 and net assets per share decreased by ¥19.88 as of March 31, 2014.

From the fiscal year ended March 31, 2015, with regard to Retirement Benefits Accounting Standard and Retirement Benefits Guidance, the Company has adopted the provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance.

The calculation of projected benefit obligations and service costs was revised and the method for attributing expected benefits to periods was changed from the straight-line basis to the benefit formula basis. At the same time, the method for determining the discount rate was changed to apply a single weighted average discount rate reflecting the estimated timing and amount of benefit payments. The effect of these revisions was recognized as an adjustment to the opening balance of retained earnings in the fiscal year ended March 31, 2015, in accordance with the transitional treatment as set forth in Article 37 of the Retirement Benefits Accounting Standard.

Consequently, in the fiscal year ended March 31, 2015 the opening balance of net defined benefit liability increased ¥100,090 million ($834 million), while retained earnings declined ¥64,881 million ($541 million), among other changes. As a result, net assets per share decreased ¥165.16 ($1.38) as of March 31, 2015. The effect of this change on the consolidated statements of income was negligible.

10) Allowance for Partial Transfer Costs of Railway Operation

The Company provides an allowance based on the estimated cost of restoration to the original state and other activities aimed at the transfer of management of the section between Miyako and Kamaishi on the Yamada Line from the Company to Sanriku Railway Company. Costs that are difficult to reasonably estimate at this time are not included.

11) 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 lease.

12) 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, 2014 and 2015 were ¥17,039 million and ¥16,424 million ($137 million), respectively.

13) Income Taxes

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

14) 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 comprises interim dividends for the interim period ended September 30 and year-end dividends for the year ended March 31, which were decided at the annual shareholders' meeting in June.

15) 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 the 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 the 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.

16) Impairment of Fixed Assets

The 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.

17) 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, 2015
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

18) Changes in Accounting Estimates

From the fiscal year ended March 31, 2014, 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, and reducing operating income, ordinary income and income before income taxes by the same amount.

19) Changes in Presentation Method

(Consolidated statements of income)

"Insurance proceeds related to earthquake," which was classified separately in the previous fiscal year, has been presented and included in "other, net" in other income in the fiscal year under review because the monetary significance was negligible.

(Consolidated statements of cash flows)

Due to rising monetary significance, "Proceeds from sales of investment in securities" that was included in Other in the consolidated statements of cash flows in the previous fiscal year was reclassified as "Proceeds from sales of investment in securities" from the year ended March 31, 2015.

20) Business Combinations

(Changes in accounting policies)

Effective from the fiscal year beginning on or after April 1, 2014, "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Business Combination Accounting Standard")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Consolidated Financial Statements Accounting Standard")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Business Divestiture Accounting Standard")) (together, the "Business Combination Accounting Standards"), are permitted to be applied. The Company and its domestic subsidiaries adopted these accounting standards from this current fiscal year, except for article 39 of Consolidated Financial Statements Accounting Standard and, as a result, changed the accounting policies: to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries, over which the Company continues control; and to record the acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed the accounting policies for the reallocation of acquisition costs due to the completion of provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Business Combination Accounting Standard, article 44-5 (4) of Consolidated Financial Statements Accounting Standard and article 57-4 (4) of Business Divestiture Accounting Standard with application from the beginning of the current fiscal year into the future.

In the consolidated statement of cash flows of the current fiscal year, cash flows from acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs of the shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

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

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 the fiscal year.

The Companies intend to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in the 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 ($592 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 ¥3,361 million ($28 million) and ¥9,624 million as "Other" in the fiscal years ended March 31, 2015 and 2014, respectively.

The aggregate amount of insurance proceeds received for such insurance was ¥37,246 million ($310 million) as of March 31, 2015.

NOTE 4: TRANSFER OF MANAGEMENT OF THE SECTION BETWEEN MIYAKO AND KAMAISHI ON THE YAMADA LINE

The section between Miyako and Kamaishi on the Yamada Line was severely damaged by the Great East Japan Earthquake. In response, the Company had made a proposal to local governments to integrate it with the North and South Rias Lines for operation by Sanriku Railway Company. This proposal was made to encourage greater railway usage through operations closely tied to the region and provide compact, highly sustainable regional transportation. On December 26, 2014, the local governments reported to the Company their acceptance of the proposal. The Company and the local governments reached a basic agreement to transfer management of the section between Miyako and Kamaishi from the Company to Sanriku Railway Company, based on the following: (1) the Company shall transfer the relevant railway facilities and sites between Miyako and Kamaishi free of charge to the local governments, after restoring them to their original state, among other activities, and (2) the Company shall make a payment toward a transfer support fund as a cost of supporting the sustainable management of the Miyako-Kamaishi section. On February 6, 2015, local governments, Sanriku Railway Company, and the Company concluded a letter of intent and a memorandum of understanding concerning railway restoration on the section between Miyako and Kamaishi on the Yamada Line.

In accordance with the above, the Company has recorded under extraordinary losses the estimated cost of restoration to the original state and other activities aimed at the transfer of management as a "Provision for allowance for partial transfer costs of railway operation" of ¥16,616 million ($138 million). The Company has also recorded in "Other" under extraordinary losses its payment toward transfer cooperation of ¥3,000 million ($25 million), and in "Impairment losses on fixed assets" under extraordinary losses its payment toward impairment losses on fixed assets related to the Miyako-Kamaishi section of ¥1,297 million ($11 million). With respect to the cost of restoration to the original state and other activities, costs that are difficult to reasonably estimate at this time are not included in the allowance for partial transfer costs of railway operation.

NOTE 5: 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 6: INVENTORIES

Inventories at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Merchandise and finished goods	¥ 9,678	**¥ 8,772**	**$ 73**
Work in process	30,335	**16,820**	**140**
Raw materials and supplies	27,380	**27,264**	**227**
	¥67,393	**¥52,856**	**$440**

NOTE 7: 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 8: INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2014 and 2015 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Unconsolidated subsidiaries:			
Investments	¥ 5,017	**¥ 4,989**	**$ 42**
Advances	450	**500**	**4**
	5,467	**5,489**	**46**
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥39,066	**¥47,147**	**$393**
Advances	107	**71**	**0**
	39,173	**47,218**	**393**
	¥44,640	**¥52,707**	**$439**

NOTE 9: FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($25,891 million) from the Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of a decrease in free cash flow for unforeseen reasons. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

c) Risk management system for financial instruments

The Companies use forward exchange contract transactions, currency swap transactions, and interest rate swap transactions with the aim of avoiding risk (market risk) related to fluctuation in future market prices (foreign exchange / interest rates) in relation to, among others, bonds and loans. Further, commodity swap transactions are used with the aim of avoiding product price fluctuation risk related to fuel purchasing, and natural disaster derivatives are used with the aim of avoiding revenue expenditure fluctuation risk due to natural disasters. Because all of the derivative transaction contracts that the Companies enter into are transactions whose counterparties are financial institutions that have high creditworthiness, the Companies believe that there is nearly no risk of parties to contracts defaulting on obligations. Under the basic policy approved by the Board of Directors, with the aim of appropriately executing transactions and risk management, financial departments in the relevant companies process those derivative transactions following appropriate internal procedures or approval of the Board of Directors, based on relevant internal regulations.

d) Supplementary explanation of items relating to the fair values of financial instruments

The fair values of financial instruments include market prices or reasonably estimated values if there are no market prices. Because estimation of fair values incorporates variable factors, adopting different assumptions can change the values.

2) Items Relating to the Fair Values of Financial Instruments

Amounts recognized for selective items in the consolidated balance sheets as of March 31, 2014 and 2015, 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		
	2014			2015			2015		
	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	¥ 186,058	¥ 186,058	¥ —	¥ 245,171	¥ 245,171	¥ —	$ 2,043	$ 2,043	$ —
b Receivables	454,170	454,170	—	468,963	468,963	—	3,908	3,908	—
c Securities									
Held-to-maturity debt securities	160	161	1	158	160	2	1	1	0
Available-for-sale securities	147,165	147,165	—	186,250	186,250	—	1,552	1,552	—
Assets	¥ 787,553	¥ 787,554	¥ 1	¥ 900,542	¥ 900,544	¥ 2	$ 7,504	$ 7,504	$ 0
a Payables	¥ 654,899	¥ 654,899	¥ —	¥ 714,296	¥ 714,296	¥ —	$ 5,952	$ 5,952	$ —
b Accrued consumption taxes	5,799	5,799	—	41,837	41,837	—	349	349	—
c Accrued income taxes	57,549	57,549	—	51,772	51,772	—	431	431	—
d Long-term debt									
Bonds	1,719,793	1,881,859	162,066	1,764,854	1,963,353	198,499	14,707	16,361	1,654
Long-term loans	933,648	963,249	29,601	993,142	1,035,055	41,913	8,277	8,625	348
e Long-term liabilities incurred for purchase of railway facilities	666,416	1,009,709	343,293	545,207	902,312	357,105	4,543	7,519	2,976
Liabilities	¥4,038,104	¥4,573,064	¥534,960	¥4,111,108	¥4,708,625	¥597,517	$34,259	$39,237	$4,978
Derivative transactions*1									
Hedge accounting applied	¥ 1,517	¥ 1,517	¥ —	¥ 3,386	¥ 3,386	¥ —	$ 28	$ 28	$ —

*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 19)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2014	2015	2015
Unlisted equity securities	¥6,478	¥6,647	$55
Unlisted corporate bonds	360	360	3
Preferred equity securities	1,000	1,000	8
Natural disaster derivative transactions	1,250	1,261	11

*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 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, 2014 and 2015 were as follows:

	Millions of Yen								Millions of U.S. Dollars			
	2014				2015				2015			
	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	¥186,058	¥ —	¥—	¥—	¥245,171	¥ —	¥ —	¥—	$2,043	$—	$—	$—
Receivables	447,033	7,124	13	—	462,476	6,472	15	—	3,854	54	0	—
Securities												
Held-to-maturity debt securities (Government bonds)	150	—	—	10	—	10	140	10	—	0	1	0
Available-for-sale securities which have maturity (Government bonds)	—	6	—	—	6	—	—	—	0	—	—	—
Total	¥633,241	¥7,130	¥13	¥10	¥707,653	¥6,482	¥155	¥10	$5,897	$54	$ 1	$ 0

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2015 (see Notes 13 and 14).

NOTE 10: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2014 and 2015 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	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	¥161	¥1	¥148	¥150	¥ 2	$1	$1	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	10	10	(0)	0	0	(0)
Total	¥160	¥161	¥1	¥158	¥160	¥ 2	$1	$1	$ 0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2014 and 2015 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2014			2015			2015		
	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	¥72,668	¥129,498	¥56,830	¥87,498	¥182,681	¥95,183	$729	$1,522	$793
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	21,121	17,661	(3,460)	4,984	3,563	(1,421)	42	30	(12)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥93,795	¥147,165	¥53,370	¥92,488	¥186,250	¥93,762	$771	$1,552	$781

Note: In the previous fiscal year and the fiscal year under review, treatment for impairment has not been implemented for other securities with market value.

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 11: PLEDGED ASSETS

Pledged assets at March 31, 2014 and 2015 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Buildings and fixtures with net book value	¥21,588	¥20,538	$171
Other assets with net book value	978	978	8

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term debt and other liabilities	¥1,789	¥1,484	$12

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Buildings and fixtures with net book value	¥51,046	¥50,721	$423
Other assets with net book value	7,489	11,838	99

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term liabilities incurred for purchase of railway facilities	¥2,935	¥2,443	$20

NOTE 12: 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 when 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 with 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, 2014 and 2015 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Land	¥—	¥ 1,180	$ 9
Buildings and fixtures	—	4,390	37
Others	—	7,168	60
Total	¥—	¥12,738	$106

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

NOTE 13: LONG-TERM DEBT

Long-term debt at March 31, 2014 and 2015 was summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
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	$ 1,499
Unsecured Bonds issued in 2002 to 2015 with interest rates ranging from 0.13% to 2.55% due in 2015 to 2045	1,300,910	1,345,921	11,216
Secured Loans due in 2016 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.95% to 6.50%	1,033	633	6
Unsecured Loans due in 2015 to 2045 principally from banks and insurance companies with interest rates mainly ranging from 0.31% to 4.90%	932,615	992,509	8,271
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,983	239,033	1,992
	2,653,441	2,757,996	22,984
Less current portion	197,921	173,220	1,444
	¥2,455,520	¥2,584,776	$21,540

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, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	¥ 55,000	$ 458
2017	80,000	667
2018	159,900	1,332
2019	165,000	1,375
2020	125,000	1,042
2021 and thereafter	1,180,959	9,841

The annual maturities of long-term loans at March 31, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	¥118,220	$ 985
2017	107,111	893
2018	116,820	973
2019	119,665	997
2020	110,423	920
2021 and thereafter	420,903	3,508

NOTE 14: 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 ($25,891 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($17,516 million) and ¥638,506 million ($5,321 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,055 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($233 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 ($306 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.13% through 2017	¥176,321	**¥101,829**	**$ 848**
Payable semiannually including interest at 6.35% through 2017	137,013	**94,166**	**785**
Payable semiannually including interest at 6.55% through 2051	341,003	**338,779**	**2,823**
	654,337	**534,774**	**4,456**
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.67% through 2022	9,144	**7,990**	**67**
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.59% through 2029	2,935	**2,443**	**20**
	666,416	**545,207**	**4,543**
Less current portion:			
Tohoku and Joetsu Shinkansen purchase liability	119,459	**105,170**	**876**
Akita hybrid Shinkansen purchase liability	1,077	**1,085**	**9**
Tokyo Monorail purchase liability	463	**476**	**4**
	120,999	**106,731**	**889**
	¥545,417	**¥438,476**	**$3,654**

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, 2015 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2016	**¥106,731**	**$ 889**
2017	**97,317**	**811**
2018	**4,320**	**36**
2019	**4,318**	**36**
2020	**4,317**	**36**
2021 and thereafter	**328,204**	**2,735**

NOTE 15: CONSUMPTION TAXES

The Japanese consumption tax is an indirect tax levied at the rate of 8% effective from April 1, 2014 on the sale of goods and services in Japan. Its rate for prior years was 5%. Accrued consumption tax represents the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

NOTE 16: 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, 2015 were ¥100,000 million ($833 million) by general bonds.

The Company has extended contingent liabilities of ¥12,194 million ($102 million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd.

NOTE 17: 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 the 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 nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held in June 2015, the shareholders approved cash dividends amounting to ¥23,591 million ($197 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the shareholders.

NOTE 18: INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2014 and 2015 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2014		2015		2015	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥2,424	¥36,945	**¥2,421**	**¥34,613**	**$20**	**$288**

NOTE 19: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 9)

2) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

		2014			2015		
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	¥ 989	**¥ 20,000**	**¥ 20,000**	**¥3,756**
Forward exchange	Accounts payable–trade	13	—	0	**617**	**—**	**15**
Commodity swap	Fuel purchasing	2,123	1,385	528	**2,315**	**1,517**	**(385)**
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	**239,959**	**239,959**	***1**
Interest swap	Long-term loans	62,700	—	*1	**55,400**	**55,400**	***1**
Total		¥324,795	¥261,344	¥1,517	**¥318,291**	**¥316,876**	**¥3,386**

Millions of U.S. Dollars

		2015		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value*2
Currency swap	Long-term loans	**$ 167**	**$ 167**	**$31**
Forward exchange	Accounts payable–trade	**5**	**—**	**0**
Commodity swap	Fuel purchasing	**19**	**13**	**(3)**
Currency swap	Foreign currency denominated bonds	**1,999**	**1,999**	***1**
Interest swap	Long-term loans	**462**	**462**	***1**
Total		**$2,652**	**$2,641**	**$28**

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 9).

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

NOTE 20: NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheets as of March 31, 2014 and 2015 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the fiscal year	¥658,529	¥651,783	$5,432
Cumulative effects of changes in accounting policies	—	100,144	834
Restated balance	658,529	751,927	6,266
Service costs	28,207	28,976	241
Interest costs	12,894	4,623	39
Actuarial losses (gains)	(2,717)	(20,530)	(171)
Benefits paid	(44,942)	(55,704)	(464)
Past service costs	(199)	180	1
Other	11	127	1
Balance at the end of the fiscal year	¥651,783	¥709,599	$5,913

2) Movements in Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Balance at the beginning of the year	¥7,128	¥7,356	$61
Expected return on plan assets	75	88	1
Actuarial losses (gains)	(152)	569	5
Contributions paid by the employer	704	713	6
Benefits paid	(399)	(447)	(4)
Balance at the end of the year	¥7,356	¥8,279	$69

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

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Funded retirement benefit obligations	¥ 8,563	¥ 9,650	$ 80
Plan assets	(7,356)	(8,279)	(69)
	1,207	1,371	11
Unfunded retirement benefit obligations	643,220	699,949	5,833
Total net liability (asset) for retirement benefits at March 31	644,427	701,320	5,844
Liability for retirement benefits	644,809	701,731	5,848
Asset for retirement benefits	(382)	(411)	(4)
Total net liability (asset) for retirement benefits at March 31	¥644,427	¥701,320	$5,844

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2014 and 2015 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Service costs	¥28,207	¥28,976	$241
Interest costs	12,894	4,623	39
Expected return on plan assets	(75)	(88)	(1)
Net actuarial loss amortization	(2,395)	(1,543)	(13)
Past service costs amortization	(615)	(433)	(4)
Other	311	562	5
Total retirement benefit costs for the fiscal year ended March 31	¥38,327	¥32,097	$267

5) Adjustments for Retirement Benefit Costs

Adjustments for retirement benefit costs (before adjustments in tax effect accounting) are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Past service costs that are yet to be recognized	¥—	¥ (613)	$ (5)
Actuarial gains and losses that are yet to be recognized	—	19,556	163
Total balance at March 31	¥—	¥18,943	$158

6) Accumulated Adjustments for Retirement Benefit

Accumulated adjustments for retirement benefit (before adjustments in tax effect accounting) are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Past service costs that are yet to be recognized	¥ 5,316	¥ 4,703	$ 39
Actuarial gains and losses that are yet to be recognized	(8,695)	10,861	91
Total balance at March 31	¥(3,379)	¥15,564	$130

7) Plan Assets

	2014	2015
Bonds	12%	7%
Equity securities	35%	32%
Cash and time deposits	0%	9%
General account of life insurers	50%	48%
Other	3%	4%

The discount rates were mainly 2.0% and 0.6% in the years ended March 31, 2014 and 2015. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2014 and 2015.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥792 million and ¥750 million ($6 million) in the years ended March 31, 2014 and 2015.

NOTE 21: INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability	¥228,316	¥225,848	$1,882
Reserves for bonuses	25,523	23,527	196
Losses on impairment of fixed assets	22,314	22,283	186
Unrealized holding gains on fixed assets	11,955	12,184	102
Environmental conservation cost	10,435	8,621	72
Excess depreciation and amortization of fixed assets	7,737	6,119	51
Allowance for partial transfer costs of railway operation	—	5,334	44
Loss carryforwards for tax purposes	7,325	5,292	44
Asset retirement obligations	4,986	4,221	35
Accrued enterprise tax	4,394	4,215	35
Other	38,700	33,777	282
	361,685	351,421	2,929
Less valuation allowance	(37,626)	(28,396)	(237)
Less amounts offset against deferred tax liabilities	(53,239)	(60,416)	(503)
Net deferred tax assets	270,820	262,609	2,189
Deferred tax liabilities:			
Net unrealized holding gains on securities	19,391	29,705	248
Tax deferment for gain on transfers of certain fixed assets	29,496	26,811	223
Valuation for assets and liabilities of consolidated subsidiaries	2,861	2,609	22
Other	5,781	5,570	46
	57,529	64,695	539
Less amounts offset against deferred tax assets	(53,239)	(60,416)	(503)
Net deferred tax liabilities	¥ 4,290	¥ 4,279	$ 36

For the years ended March 31, 2015, the actual effective income tax rate differed from the effective tax rate for the following reasons:

	2015
Effective tax rate	35.4%
Adjustments	
Effect of tax rate change	8.7
Increase in valuation allowance	(1.7)
Other, net	(0.0)
Actual effective rate after applying tax effect accounting	42.4%

Note: The differences between the 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%.

Corrections in the amounts posted as deferred tax assets 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 effective tax rate for computing deferred tax assets 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.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the effective tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.4% for the fiscal year ended March 31, 2015 to 32.8% and 32.1%, respectively, as of March 31, 2015.

Due to these changes in effective tax rates, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥23,841 million ($199 million) as of March 31, 2015 and deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥27,544 million ($230 million).

The effect of this change on net unrealized holding gains on securities and remeasurements of defined benefit plans were negligible.

NOTE 22: INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereafter “investment and rental property”) principally within the Company’s service area. In the years ended March 31, 2014 and March 31, 2015, the amounts of net income related to rental property were ¥70,882 million and ¥71,866 million ($599 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
2014	Difference	2015	2015	2015	2015
¥553,341	¥(10,560)	¥542,781	¥1,563,515	$4,523	$13,029

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, 2014 and 2015, were principally attributable to acquisition of real estate and renewal (¥22,663 million/$189 million), and the decreases were mainly attributable to depreciation expenses (¥21,589 million/$180 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 23: SEGMENT INFORMATION

1) General Information about Reportable Segments

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

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.

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.

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

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operations, and advertising and publicity services.
2. The ¥(1,348) million downward adjustment to segment income included a ¥(1,650) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥303 million elimination for intersegment transactions. Moreover, the ¥(778,008) million downward adjustment to segment assets included a ¥(1,061,335) million elimination of intersegment claims and obligations, offset by ¥283,328 million in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

Fiscal 2015 (April 1, 2014 to March 31, 2015)

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	**¥1,852,040**	**¥396,368**	**¥254,997**	**¥ 252,760**	**¥2,756,165**	**¥ —**	**¥2,756,165**
Inside group	**55,223**	**15,630**	**11,560**	**361,435**	**443,848**	**(443,848)**	**—**
Total	**1,907,263**	**411,998**	**266,557**	**614,195**	**3,200,013**	**(443,848)**	**2,756,165**
Segment income	**¥ 294,607**	**¥ 34,539**	**¥ 72,324**	**¥ 27,490**	**¥ 428,960**	**¥ (1,438)**	**¥ 427,522**
Segment assets	**¥6,027,312**	**¥203,513**	**¥976,232**	**¥1,133,507**	**¥8,340,564**	**¥(734,874)**	**¥7,605,690**
Depreciation	**273,441**	**10,361**	**31,743**	**37,706**	**353,251**	**—**	**353,251**
Increase in fixed assets (Note 5)	**432,877**	**11,442**	**45,958**	**62,894**	**553,171**	**—**	**553,171**

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	**$15,434**	**$3,303**	**$2,125**	**$2,106**	**$22,968**	**$ —**	**$22,968**
Inside group	**460**	**130**	**96**	**3,012**	**3,698**	**(3,698)**	**—**
Total	**15,894**	**3,433**	**2,221**	**5,118**	**26,666**	**(3,698)**	**22,968**
Segment income	**$ 2,455**	**$ 288**	**$ 602**	**$ 229**	**$ 3,574**	**$ (11)**	**$ 3,563**
Segment assets	**$50,228**	**$1,696**	**$8,135**	**$9,446**	**$69,505**	**$(6,124)**	**$63,381**
Depreciation	**2,279**	**86**	**265**	**314**	**2,944**	**—**	**2,944**
Increase in fixed assets (Note 5)	**3,607**	**95**	**383**	**524**	**4,609**	**—**	**4,609**

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 ¥(1,438) million ($(11) million) downward adjustment to segment income included a ¥(1,798) million ($(15) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥317 million ($3 million) elimination for intersegment transactions. Moreover, the ¥(734,874) million ($(6,124) million) downward adjustment to segment assets included a ¥(1,133,269) million ($(9,444) million) elimination of intersegment claims and obligations, offset by ¥398,395 million ($3,320 million) in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

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 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

Fiscal 2015 (Year ended March 31, 2015)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	**¥8,439**	**¥1,056**	**¥2,471**	**¥772**	**¥12,738**

Millions of U.S. Dollars

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	**$70**	**$9**	**$21**	**$6**	**$106**

Note: The amount of 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 24: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2014 and 2015

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
	2014	**2015**	**2015**
Net unrealized holding gains (losses) on securities			
Amount arising during the year	¥20,310	**¥ 41,660**	**$347**
Reclassification adjustments	(76)	**(1,268)**	**(11)**
Sub-total, before tax	20,234	**40,392**	**336**
Tax (expense) or benefit	(6,924)	**(11,082)**	**(92)**
Sub-total, net of tax	13,310	**29,310**	**244**
Net deferred gains (losses) on derivatives under hedge accounting			
Amount arising during the year	765	**2,135**	**18**
Reclassification adjustments	(49)	**(136)**	**(1)**
Acquisition cost adjustments	(296)	**(130)**	**(1)**
Sub-total, before tax	420	**1,869**	**16**
Tax (expense) or benefit	(145)	**(550)**	**(5)**
Sub-total, net of tax	275	**1,319**	**11**
Remeasurements of defined benefit plans			
Amount arising during the year	—	**21,122**	**176**
Acquisition cost adjustments	—	**(2,179)**	**(18)**
Sub-total, before tax	—	**18,943**	**158**
Tax (expense) or benefit	—	**(5,910)**	**(49)**
Sub-total, net of tax	—	**13,033**	**109**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	8	**3,495**	**29**
Reclassification adjustments	18	**578**	**5**
Sub-total	26	**4,073**	**34**
Total other comprehensive income	¥13,611	**¥ 47,735**	**$398**

NOTE 25: SUBSEQUENT EVENT

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on April 28, 2015 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 enhance returns to shareholders
(2) Class of shares to be repurchased: Common stock
(3) Total number of shares that may be repurchased: 1,000,000 shares (maximum) (0.25% of issued shares (excluding treasury stock))
(4) Aggregate repurchase price: ¥12,000 million (maximum)
(5) Period of repurchase: From April 30, 2015 to May 29, 2015

The repurchase of the Company's common stock based on this resolution was completed after market purchases on the Tokyo Stock Exchange from April 30, 2015 to May 29, 2015. The total repurchased was 1,000,000 shares of common stock at an aggregate repurchase price of ¥11,053 million ($92 million).

Independent Auditor's Report

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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 23, 2015
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. JR East rents the Takasaki–Joetsumyoko segment of the Hokuriku Shinkansen Line, 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 launch on March 18, 2007, *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, 2015

Consolidated Subsidiaries

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 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	JR East 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. (Note 3)	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. (Note 3)	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. (Note 3)	30	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	90.7	Shopping center operations
26	Yokohama Station Building Co., Ltd.	200	90.3	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 Company 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. (Note 4)	4,000	100.0	Hotel operations
33	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
34	Morioka Terminal Building Co., Ltd.	900	100.0	Hotel operations and shopping center operations
35	Takasaki Terminal Building Co., Ltd. (Note 3)	780	100.0	Shopping center operations
36	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
37	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
38	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
39	Shinjuku South Energy Service Co., Ltd.	750	57.6	Supplying thermal energy
40	The Orangepage, Inc.	500	99.7	Publishing
41	JR East View Travel Service Co., Ltd.	550	73.8	Travel agency services
42	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
43	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
44	JR East Japan Information Systems Company (Note 5)	500	100.0	Information processing
45	JR East Net Station Co., Ltd.	460	100.0	Information processing

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

Equity-Method Affiliated Companies

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage (Note 1)	Main Business Activities
1	UQ Communications Inc. (Note 8)	¥71,425	17.6	Internet connect service
2	Central Security Patrols Co., Ltd.	2,924	25.4	Security business operations
3	JTB Corp.	2,304	21.9	Travel agency services
4	NIPPON DENSETSU KOGYO CO., LTD. (Note 8)	8,494	19.1	Construction
5	NIPPON RIETEC CO., LTD. (Note 8)	1,430	17.4	Construction

Notes:

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 of the railcar manufacturing operations of East Japan Railway Company's Niitsu Rolling Stock Plant.
3. On April 1, 2015, Utsunomiya Station Development Co., Ltd., Takasaki Terminal Building Co., Ltd., and Mito Station Development Co., Ltd., became subsidiaries of atre Co., Ltd., through a transfer of shares East Japan Railway Company owned.
4. On April 1, 2014, Hotel Metropolitan Nagano Co., Ltd., became a wholly owned subsidiary of Nippon Hotel Co., Ltd., through an exchange of shares.
5. On April 1, 2015, JR East Japan Information Systems Company changed its business name to JR East Information Systems Company.
6. On April 1, 2015, East Japan Transport Technology Co., Ltd., merged with Tohoku Rolling Stock Machinery Co., Ltd., and changed its business name to JR East Rail Car Technology & Maintenance Co., Ltd. Further, as a result of this merger Tohoku Rolling Stock Machinery Co., Ltd., ceased to exist.
7. On April 8, 2015, East Japan Railway Company established JR-EAST Energy Development Co., Ltd., as a subsidiary engaged in the development of wind power generation businesses.
8. 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, 2015

Basic Information

Number of Employees
73,329* (49,558 at parent company)

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

Number of Stations
1,665

Number of Rolling Stocks
13,130

Passenger Line Network
7,458.2 kilometers

Number of Passengers Served Daily
About 17 million (average for the year ended March 31, 2015)

Total Number of Shares Issued
393,500,000

Total Number of Shares Outstanding
392,847,028

Paid-in Capital
¥200,000 million

Number of Shareholders
222,578

Stock Exchange Listing
Tokyo

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)
Aa3 (Moody's Investors Service)

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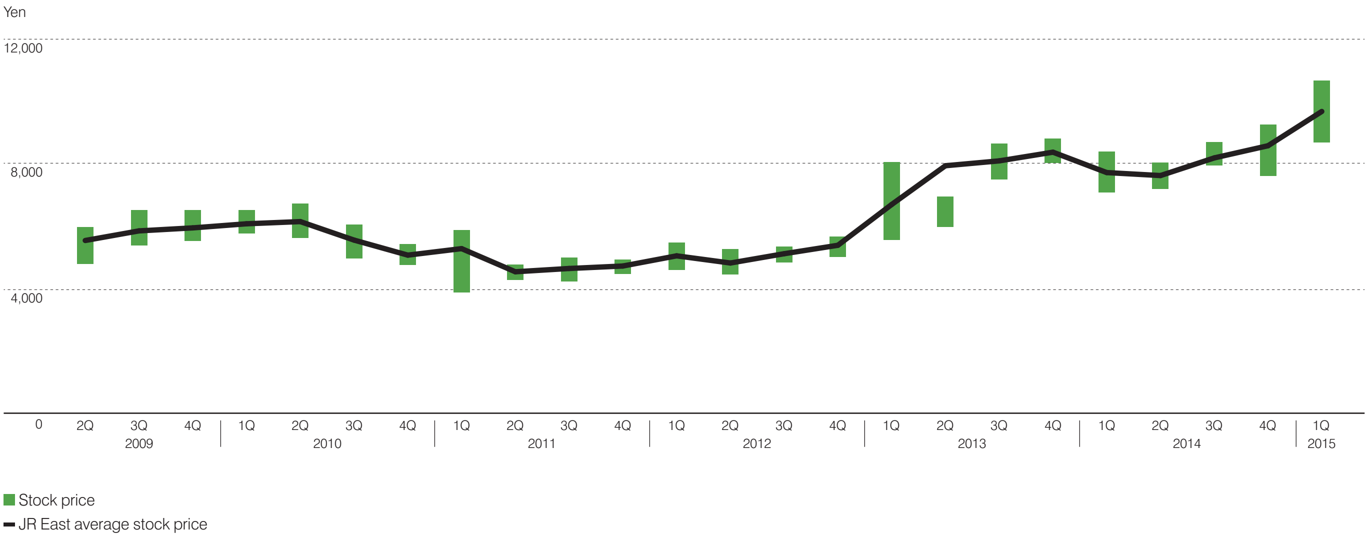
Internet Addresses
JR East: http://www.jreast.co.jp/e/
Environment: http://www.jreast.co.jp/e/environment/
(CSR Report)

Stock Information

Stock Code: 9020

Stock Price

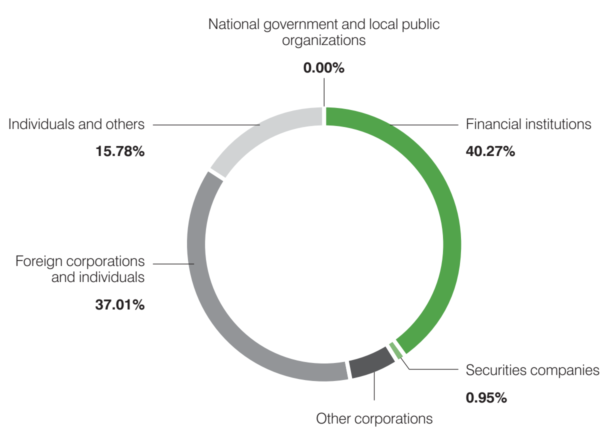


Major Shareholders

As of March 31, 2015	Number of Shares Held	Voting Right Percentage
Mizuho Bank, Ltd.	19,650,000	4.99
Japan Trustee Services Bank, Ltd. (as Trustee)	13,957,400	3.55
The Master Trust Bank of Japan, Ltd. (as Trustee)	13,766,300	3.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.18
The JR East Employees Shareholding Association	11,211,900	2.85
Sumitomo Mitsui Banking Corporation	10,530,315	2.68
Nippon Life Insurance Company	8,015,560	2.04
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.03
The Bank of New York Mellon SA/NV 10	5,180,073	1.32
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.

Shareholder Breakdown



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