

Fiscal 2017 Financial Results (Japanese GAAP) (Unaudited)

Fiscal 2017 (Year ended March 31, 2017)

All financial information has been prepared in accordance with accounting principles generally accepted in Japan.

"JR East" refers to East Japan Railway Company on a consolidated basis, or if the context so requires, on a non-consolidated basis.

English translation from the original Japanese-language document.

April 28, 2017

East Japan Railway Company

Stock Exchange Listing

Securities Code

URL

Representative

Contact Person

Tokyo

9020

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

Tetsuro Tomita, President and CEO

Toru Ishida, General Manager,
Public Relations Department
(Tel. +81-3-5334-1300)

Scheduled Date of Ordinary General Meeting of Shareholders

June 23, 2017

Scheduled Date of Dividend Payment Commencement

June 26, 2017

Scheduled Date for Release of Annual Securities Report

June 23, 2017

Preparation of Supplementary Explanations of Financial Results:

No

Financial Results Presentation to Be Held:

Yes

1. Consolidated Results for Fiscal 2017 (Year Ended March 31, 2017)

(Amounts less than one million yen, except for per share amounts, are omitted.)

(1) Consolidated financial results

(Percentages represent percentage changes as compared with the previous fiscal year.)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2017	2,880,802	0.5	466,309	(4.4)	412,311	(3.9)	277,925	13.3
Fiscal 2016	2,867,199	4.0	487,821	14.1	428,902	18.5	245,309	36.0

Note: Comprehensive income – Fiscal 2017: 293,470 million yen (an increase of 35.0%), Fiscal 2016: 217,419 million yen (a decrease of 5.2%)

	Earnings per share—Basic	Earnings per share—Diluted	Return on average equity	Ratio of ordinary income to average assets	Ratio of operating income to operating revenues
	Yen	Yen	%	%	%
Fiscal 2017	713.96	—	10.9	5.3	16.2
Fiscal 2016	625.82	—	10.4	5.6	17.0

Reference: Equity in net income (losses) of affiliated companies – Fiscal 2017: 2,056 million yen, Fiscal 2016: 2,565 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2017	7,911,114	2,675,353	33.5	6,825.51
Fiscal 2016	7,789,762	2,462,537	31.4	6,232.40

Reference: Shareholders' equity – Fiscal 2017: 2,653,419 million yen, Fiscal 2016: 2,442,128 million yen

(3) Consolidated cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2017	652,906	(557,538)	(116,280)	287,125
Fiscal 2016	673,109	(499,575)	(110,265)	307,809

2. Dividends (Year Ended March 31, 2016 and 2017 and Year Ending March 31, 2018)

(Record date)	Dividends per share					Total dividends (annual)	Dividend ratio (consolidated)	Ratio of dividends to shareholders' equity (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2016	—	65.00	—	65.00	130.00	50,983	20.8	2.2
Fiscal 2017	—	65.00	—	65.00	130.00	50,580	18.2	2.0
(Forecast) Fiscal 2018	—	70.00	—	70.00	140.00	—	19.0	—

3. Forecasts for Fiscal 2018 (Year Ending March 31, 2018)

(Percentages represent percentage changes as compared with the previous corresponding fiscal period or fiscal year, as applicable.)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2017	1,454,000	1.3	281,000	1.2	250,000	2.1	173,000	5.0	445.02
Fiscal 2018	2,930,000	1.7	472,000	1.2	424,000	2.8	286,000	2.9	735.69

※ Notes

(1) Changes to principal subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): No

Newly consolidated — excluded —

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

- i Changes in accounting policies with revision of accounting standards : Yes
- ii Changes in accounting policies other than the above : No
- iii Changes in accounting estimates : No
- iv Restatement of revisions : No

Note: For details, please refer to “Changes in Accounting Policies, Changes in Accounting Estimates and Restatement of Revisions” on page 24 in the Attachments.

(3) Number of issued shares (common stock)

- i Issued shares at period-end (including treasury stock)

Fiscal 2017	389,407,900 shares	Fiscal 2016	392,500,000 shares
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- ii Treasury stock at period-end

Fiscal 2017	657,657 shares	Fiscal 2016	655,903 shares
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- iii Average number of shares during period

Fiscal 2017	389,272,266 shares	Fiscal 2016	391,979,983 shares
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(Reference) Overview of the Non-consolidated Financial Results

1. Non-consolidated Results for Fiscal 2017 (Year Ended March 31, 2017)

(Amounts less than one million yen, except for per share amounts, are omitted.)

(1) Non-consolidated financial results

(Percentages represent percentage changes as compared with the previous fiscal year.)

	Operating revenues		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2017	2,068,807	0.6	388,608	(5.2)	341,615	(5.0)	243,347	16.4
Fiscal 2016	2,057,342	4.6	409,994	16.3	359,483	19.2	209,031	33.0

	Earnings per share—Basic	Earnings per share—Diluted
	Yen	Yen
Fiscal 2017	624.60	—
Fiscal 2016	532.82	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2017	7,379,373	2,199,992	29.8	5,654.30
Fiscal 2016	7,270,274	2,027,645	27.9	5,170.23

Reference: Shareholders' equity – Fiscal 2017: 2,199,992 million yen, Fiscal 2016: 2,027,645 million yen

2. Forecasts for Fiscal 2018 (Year Ending March 31, 2018)

(Percentages represent percentage changes as compared with the previous corresponding fiscal period or fiscal year, as applicable.)

	Operating revenues		Operating income		Ordinary income		Profit		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2017	1,047,000	0.5	249,000	2.7	229,000	4.7	165,000	7.9	424.07
Fiscal 2018	2,079,000	0.5	393,000	1.1	351,000	2.7	247,000	1.5	634.83

※ Financial results are not subject to auditing.

※ Explanation of appropriate use of forecasts of business results; other important items

The forecasts of business results and other forward-looking statements in this document are based on information available as of the date of this document and on certain assumptions that JR East viewed as reasonable as of the date of this document. Actual results may differ from such forward-looking statements for a variety of reasons. Regarding the forecasts of business results, please refer to "Outlook for the Year Ending March 31, 2018" on page 8 of this document.

JR East is scheduled to hold an analysts' meeting on May 1, 2017, to present its operating results for Fiscal 2017. JR East plans to upload the presentation materials distributed at such meeting to its website as soon as the meeting is over.

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1. Operating Results and Financial Position

(Unless otherwise stated, all comparisons are between the fiscal year under review and the previous fiscal year.)

(1) Analysis of Operating Results

(i) Summary of the Fiscal Year Ended March 31, 2017

Overview

In the year ended March 31, 2017, the Japanese economy improved in such areas as employment and income conditions and continued to recover gradually. 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 the IT & *Suica* businesses.

As a result of these initiatives, during the fiscal year under review, operating revenues increased 0.5% year on year, to ¥2,880.8 billion, largely due to growth in JR East’s transportation revenues. However, due to an increase in operating expenses, mainly arising from the recognition of a provision for large-scale renovation of Shinkansen infrastructure, operating income decreased 4.4%, to ¥466.3 billion, and ordinary income decreased 3.9%, to ¥412.3 billion. Profit attributable to owners of parent increased 13.3%, to ¥277.9 billion, as a result of an increase in gains on sales of fixed assets.

To pursue its priority task of improving the safety and reliability of transportation, JR East is making rigorous efforts to prevent the recurrence of accidents and incidents that affect transportation as well as efforts to prevent the occurrence of such accidents and incidents by identifying risks and weaknesses. Specifically, JR East improved its electrical equipment and Shinkansen facilities to address their weaknesses. In addition, to deepen each employee’s understanding of the nature of their work, JR East introduced training equipment such as simulators at training centers, skill training centers, and operational sites and conducted more practical educational and training activities. Also, JR East took measures to improve the technical capabilities of the Group as a whole by increasing personnel exchanges with Group companies and other organizations and by collaborating with partner companies to solidify safety management with respect to railway construction work. Further, as part of its efforts to provide reliable transportation services, JR East implemented measures related to ground facilities and railcars for preventing service disruptions. In addition, JR East advanced initiatives to minimize the impact of transportation service disruptions, resume operations following such disruptions as soon as possible and communicate with customers rapidly, at the time of such disruptions.

With respect to strategies for visitors to Japan from overseas, the JR East Group as a whole took measures to increase the number of and improve products and develop capabilities to serve such customers. Specifically, in April 2016 JR East launched the *Tokyo–Osaka Hokuriku Arch Pass*, which may be used for the Hokuriku Shinkansen Line, and *JR East-South Hokkaido Rail Pass*, which may be used for the Hokkaido Shinkansen Line. In August 2016 JR East launched a new product for the Tohoku area, *TOHOKU BUFFET*, and expanded and improved the lineup of travel products for visitors to Japan under the *JR East Railway Holiday* brand. Further, JR East opened *JAPAN RAIL CAFE* (Singapore) in December 2016 with the aim of distributing information and providing support in relation to travel to Japan. JR East made progress in introducing station name signs in four languages and station numbering that displays both station numbers and line numbers. In addition, JR East opened a new *JR EAST Travel Service Center* at the east exit of Ikebukuro Station and increased the number of service counters in the centers at Tokyo Station and Narita Airport Terminal 2·3 Station. Meanwhile, *Train Hostel HOKUTOSEI* (Tokyo), a lodging facility that offers inexpensive, long-term accommodation for visitors to Japan, was opened in December 2016.

With respect to the area surrounding Shinagawa Station and Tamachi Station, JR East aims to develop an internationally attractive exchange hub, as some of the land used for the Shinagawa Depot railway yard will become available for other uses. As the urban development plans for some of this land were approved in April 2016 for special treatment within the National Strategic Special Zone, JR East is continuing the process of pursuing urban development in cooperation with the Government of Japan, Tokyo Metropolitan Government, relevant wards, and other stakeholders. In March 2017, the “Guideline for Community Development of the Northern Peripheral Area of Shinagawa Station” was established. Further, JR East began the construction of Shinagawa New Station (provisional name) with a view to its interim opening in spring 2020 and its full opening around 2024, which is scheduled to coincide with the opening of the town.

In June 2016 JR East concluded an agreement with The Tokyo Organising Committee of the Olympic and Paralympic Games as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games and announced the “JR East 2020 Project,” which sets out JR East’s objectives. In light of this, JR East took measures to help ensure that the Games proceed without issues and contribute to the growing enthusiasm surrounding the event. For example, JR East upgraded railway stations near competition venues and improved the security level of railway facilities. In conjunction with these efforts, JR East announced the slogan of “TICKET TO TOMORROW” in October 2016 with the aims of meeting customers’ expectations by offering high-quality services and leaving a legacy for society beyond 2020.

With respect to regional revitalization, JR East made progress in such initiatives as promotion of tourism, revitalization of local industries, and town development centered on regional core railway stations. Specifically, JR East publicly announced the service schedule and route of the *TRAIN SUITE SHIKI-SHIMA* cruise train, which will begin operations in May 2017, and accepted orders for travel products. At Ueno Station, JR East proceeded with development of *New Departure Platform 13.5* and the *PROLOGUE SHIKI-SHIMA* lounge. As initiatives for the *sextic industrialization* of

agriculture, fishing and forestry, JR East's in-station stores and other stores began sales of various products that used tomatoes harvested by JR Tomato Land Iwaki Farm Co., Ltd., as well as *Niigata Shupoppo*, a sake that uses brewer's rice from JR Niigata Farm Co., Ltd. At the same time, JR East jointly established JR Agri Sendai Co., Ltd., with local farmers. Further, based on the "Partnership Agreement in Relation to the Development of Compact Cities for Regional Revitalization" concluded with Akita Prefecture and Akita City, JR East established a tourist center in Akita Station. At the same time, JR East proceeded with preparations for the station's west exit parking garage building, which opened in April 2017; a sports medicine clinic, which is scheduled for completion in spring 2018; and *JR Akita Gate Arena* (provisional name), which is scheduled for completion in winter 2019.

With respect to participation in overseas railway projects, in August 2016 the *Purple Line* (Bangkok, Thailand), an urban mass transit system, began operations, and *sustina* stainless-steel railcars manufactured by subsidiary Japan Transport Engineering Company (J-TREC) began operations. Further, a local subsidiary established through a joint investment with other companies began maintenance operations for railway systems. In relation to high-speed railways in India, subsidiary Japan International Consultants for Transportation Co., Ltd., received orders for "The Follow-up Study for Mumbai-Ahmedabad High Speed Railway Corridor" and the "General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project" from the Japan International Cooperation Agency (JICA) and provided consultation services accordingly. In conjunction with these efforts, JR East took advantage of its experience as a Shinkansen operator to provide technological support. In addition, JR East promoted its "Global Human Resource Development Program – Ever Onward" to nurture personnel who can take on global business development.

Segment Information

Transportation

In the Transportation segment, with railway operations as its core operations, JR East promoted the use of its railway networks to secure revenues while ensuring safe and reliable transportation and enhancing customer satisfaction.

With respect to safety, JR East steadily implemented measures based on its sixth five-year safety plan, "Group Safety Plan 2018." JR East steadily implemented measures in preparation for a major earthquake, such as a possible earthquake directly beneath the Tokyo metropolitan area. JR East earmarked a total of ¥300.0 billion for investment in such measures for a five-year intensive implementation period ended March 31, 2017. In accordance with plans, approximately 80% of the work that is currently planned was completed by the end of the fiscal year under review. Further, JR East proceeded with the installation of automatic platform gates based on a policy of introducing them to all railway stations on the Yamanote Line and to all railway stations on the line segment between Omiya Station and Sakuragicho Station on the Keihin-Tohoku and Negishi Lines. The use of automatic platform gates began at Shinagawa Station on the Yamanote Line and at Akabane Station on the Keihin-Tohoku Line. Also, JR East announced that it would proceed with installation ahead of schedule in light of an accident involving fatality in Warabi Station's platform in January 2017. In addition, to shorten construction periods and reduce costs, JR East commenced the trial introduction of a new type of automatic platform gate at Machida Station on the Yokohama Line in December 2016. As for other initiatives, JR East kicked off the *Station Platform Safety Campaign* together with other railway operators to promote safe usage of station platforms. Further, as measures for preventing railway crossing accidents, JR East continued eliminating and consolidating railway crossings, installing crossing gates, and installing more obstruction warning devices and obstacle detection devices for railway crossings. Also, JR East introduced a train approach alarm system that utilizes GPS to improve the safety of personnel who perform maintenance work to more line segments.

With respect to service quality, the Group promoted measures aimed at becoming "No. 1 for customer satisfaction in the Japanese railway industry" based on the "Medium-term Vision for Service Quality Reforms 2017." For the expansion of the direct service network, JR East took measures to improve the quality of transportation by expanding contingency shuttle operations when transportation services are disrupted. In addition, JR East increased the line segments for which the *JR EAST APP* provides train position information, and the number of application downloads reached approximately 2.46 million on a cumulative basis as of March 31, 2017. JR East made efforts jointly with other companies to eliminate areas in tunnels where mobile phone connection is poor and established environments that enable usage between Takasaki and Annakaharuna on the Hokuriku Shinkansen Line, between Iwate-Numakunai and (before) Ninohe on the Tohoku Shinkansen Line, between Takasaki and (before) Jomo-Kogen Station on the Joetsu Shinkansen Line, and between Tokyo and Shinagawa on the Yokosuka Line, and between Tokyo and Shiomi on the Keiyo Line. Further, JR East implemented a *Let's Stop Viewing Smartphones while Walking* campaign together with other railway operators and other organizations from across Japan for the first time. In regard to the *assistance* campaign in which personnel ask nearby customers whether they require assistance, JR East commenced new collaborative initiatives with other railway operators in the Tokyo metropolitan area.

With respect to transportation, JR East revised timetables in March 2017 to increase the frequency of *Hayabusa* services between Tokyo and Sendai on the Tohoku Shinkansen Line as well as to increase the frequency of and add railcars to *Narita Express* services, which many visitors to Japan use. In addition, as part of efforts to increase the convenience of the "Tokyo Megaloop", JR East increased the frequency of services on the Keiyo Line.

With respect to marketing and sales activities, JR East conducted such campaigns as the *Ikuze, Tohoku. SPECIAL Fuyu no Gohobi* Campaign and the *Japanese Beauty Hokuriku* Campaign to increase inter-regional railway travel. Further, JR East began operating an art-cafe Shinkansen, the *GENBI SHINKANSEN*, between Echigo-Yuzawa and Niigata in April 2016 and collaborated with IZUKYU CORPORATION to commence operations of the resort train *IZU CRAILE* between Odawara and Izukyu-Shimoda in July 2016.

In relation to the *JR East Dynamic Rail Pack*, a travel product that allows a customer to purchase a combined train-accommodation product based on his or her choice, in November 2016, JR East launched the new *Dynamic TYO* brand with the aim of increasing the flow of tourists to the Tokyo metropolitan area from the Tohoku and Shinetsu regions. In addition, from December 2016 JR East made it possible to receive tickets for all areas of Hokkaido through *eki-net*, which is an Internet service for applying for JR tickets.

In *Suica* operations, in October 2016 JR East introduced compatibility with Apple Inc.'s Apple Pay payment service, enabling usage of the service through iPhone 7 and other terminals. The number of *Suica* cards issued and outstanding was approximately 63.98 million as of March 31, 2017. Also, JR East proceeded with preparations for an increase from April 2017 in the number of railway stations on the Shinonoi Line, the Chuo Main Line, and the Banetsu West Line in which *Suica* is usable.

As a result of these initiatives, JR East's number of passengers for railway operations exceeded that of the previous fiscal year, and operating revenues in the Transportation segment increased 0.2% year on year, to ¥2,013.0 billion. However, due to an increase in operating expenses, mainly arising from the recognition of a provision for large-scale renovation of Shinkansen infrastructure, operating income decreased 6.4% year on year, to ¥326.4 billion.

To restore line segments on the Pacific coast severely damaged by the Great East Japan Earthquake, JR East worked in consultation with the national government and relevant local authorities as it moved forward with collaborative initiatives for rebuilding the area as a whole. JR East proceeded with restoration work on the line segment between Miyako and Kamaishi on the Yamada Line to integrate operation of the line segment with that of the North and South Rias Lines by Sanriku Railway Company. Further, with respect to the Bus Rapid Transit ("BRT") systems on the Kesenuma Line and the Ofunato Line, JR East improved services and other aspects of operations. In addition, JR East resumed operations between Soma and Hamayoshida on the Joban Line in December 2016.

JR East's policy for areas within a 20-kilometer radius of the Fukushima Daiichi Nuclear Power Station is to prepare to resume operations in the areas designated as "areas to which evacuation orders are ready to be lifted," through the cooperation of the national government and local authorities that are working to decontaminate line-side areas and returning residents to their homes. Based on this policy, JR East resumed operations between Odaka and Haranomachi on the Joban Line in July 2016 and conducted restoration work and took other measures with a view to resuming operations between Namie and Odaka by April 2017 and between Tatsuta and Tomioka by approximately October 2017. In the areas 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 restoration of damaged facilities, the completion of decontamination work required for opening lines, and the implementation of measures to ensure the safety of users in emergencies, with the support and cooperation of the national government and local authorities. JR East proceeded with restoration work with a view to resume operations between Tomioka and Namie on the Joban Line by March 31, 2020.

Station Space Utilization

In the Station Space Utilization segment, JR East opened phase 2 of *NEWoMan* (Tokyo) at the JR Shinjuku Station New South Exit in April 2016. Following the July 2016 openings of phase 1 of *GranSta Marunouchi* (Tokyo) and a new area of *GranSta* (Tokyo), which are in the Marunouchi underground area of Tokyo Station, JR East proceeded with preparations to open phase 2 of both areas in April 2017. Further, in November 2016, JR East opened the renovated *Ekibenya Matsuri GranSta* (Tokyo), which features a menu boasting an assortment of local tastes from across Japan. In addition, JR East opened *PERIE CHIBA EKINAKA (IN-STATION)* (3rd floor) (Chiba) in November 2016 in accordance with a plan to rebuild Chiba Station and its buildings. JR East continued introducing stores with new designs for *NewDays* (convenience stores) and introducing *NewDays KIOSK*, a new type of *KIOSK* store.

As a result of these initiatives, as well as favorable sales at stores in Sendai Station and other stations, operating revenues of the Station Space Utilization segment increased 0.3%, to ¥417.1 billion. Operating income decreased 6.0%, to ¥32.9 billion, due to the impacts of factors including store closures due to obstruction caused by work.

Shopping Centers & Office Buildings

In the Shopping Centers & Office Buildings segment, JR East expanded in stages the common Group-wide service *JRE POINT* to a total of 71 station buildings and other facilities. For example, JR East made this service usable at *S-PAL Sendai* (Miyagi) and *FES'AN* (Iwate). In addition, JR East opened *nonowa Kunitachi WEST* (Tokyo) in April 2016 and *nonowa Musashisakai EAST* (Tokyo) in June 2016 in order to increase the value of the Chuo Line. Further, JR East opened *atré Ebisu West Building* (Tokyo) in April 2016, *JEBL Akihabara Square* (Tokyo) in September 2016, and *LUSCA Atami* (Shizuoka) in November 2016. In addition, JR East proceeded with the construction of *JR Saitama-Shintoshin Building* (Saitama), which is scheduled for full opening in June 2017; phase 1 of the *Shibuya Station Area Development Plan* (East Bldg.), which is scheduled for completion in the fiscal year ending March 31, 2020; and the *Yokohama Station West Exit Station Building* (provisional name), which is scheduled for completion in 2020.

As a result of these initiatives, as well as factors including the earnings contributions from the opening of *JR SHINJUKU MIRAINA TOWER* (Tokyo), phase 1 of *NEWoMan* (Tokyo), and *S-PAL Sendai East Building* (Miyagi), operating revenues of the Shopping Centers & Office Buildings segment increased 4.8%, to ¥280.5 billion. Similarly, operating income increased 4.8%, to ¥75.0 billion.

Others

In hotel operations, to increase the competitiveness of existing hotels, JR East opened and renovated *HOTEL METS Shibuya* (Tokyo) and *HOTEL METS Kitakami* (Iwate). In addition, JR East proceeded with construction work on *Hotel*

Metropolitan Sendai East (Miyagi), *Hotel Metropolitan Saitama-Shintoshin* (Saitama), and *Hotel Dream Gate Maihama Annex* (provisional name).

In advertising and publicity services, JR East made efforts to promote advertising sales for *11 Tokyo Metropolitan Area Railway Operators Nakazuri (Hanging Posters) Dream Network Set*, which enables the simultaneous posting of advertisements that hang inside railcars on all target lines, including those of other railway operators.

In credit card operations, JR East installed cash dispensers exclusively for credit cards issued overseas at eight railway stations in the Tokyo metropolitan area, including Shinjuku Station and Ueno Station.

In *Suica* shopping services (electronic money), JR East began providing downloads of the *Suica Point App* in July 2016 to enhance the convenience of the *Suica Point Club* service. JR East continued to develop the network of participating stores and business establishments actively through efforts that included introduction of *Suica* electronic money to chain stores with wide operating areas. As a result of these measures, *Suica* electronic money was usable at approximately 380,000 stores as of March 31, 2017. Further, JR East proceeded with preparations to unify *Suica Point* with *JRE POINT*.

In other initiatives, as part of the *HAPPY CHILD PROJECT*, JR East opened *COTONIOR Nishi-Funabashi* (Chiba) and *COTONIOR Kunitachi* (Tokyo), both of which are multi-purpose child-rearing-support and senior-citizen-care facilities. In addition, JR East proceeded with the development of child-rearing-support facilities inside station buildings and other buildings, giving it a total of 96 facilities as of March 31, 2017. Further, JR East announced that it aims to establish 130 child-rearing-support facilities by April 2020.

As a result of these initiatives, as well as higher revenues from advertising and publicity services and credit card operations, operating revenues from Others increased 0.4% year on year, to ¥636.7 billion. Operating income, meanwhile, decreased 0.1% year on year, to ¥34.9 billion, following the rebound from system and work sales related to the Hokkaido Shinkansen Line recorded in the previous fiscal year.

- Notes:1. JR East applies the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Statement No. 17, June 30, 2010) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan Guidance No. 20, March 21, 2008). The operating income of each segment of JR East corresponds to the segment income under the said Accounting Standard and Guidance.
2. Apple Pay and iPhone are registered trademarks of Apple Inc.

(ii) Outlook for the Year Ending March 31, 2018

As employment and income conditions continue improving, the Japanese economy is expected to continue recovering gradually, in part due to the effect of various government initiatives. Amid these conditions, guided by the “JR East Group Management Vision V — Ever Onward” management vision, JR East will continue striving to contribute to local communities through the provision of safe, high-quality services while working to fulfill its “Eternal Mission.” At the same time, JR East will focus on making progress with regard to technological innovation, globalization, and the creation of opportunities that resonate with employee ambitions as it pursues its “Unlimited Potential.” Further, JR East will encourage all Group employees to act and engage in teamwork that exceeds the boundaries of their workplace and other groups within their organization in order to give form to its management policy of “Thriving with Communities, Growing Globally.”

JR East’s consolidated performance outlook for the fiscal year ending March 31, 2018, as of the publication date of this document is as follows.

Fiscal 2018 Performance Forecasts

Full fiscal year

- Operating Revenues: ¥2,930.0 billion (1.7% year-on-year increase)
- Operating Income: ¥472.0 billion (1.2% year-on-year increase)
- Ordinary Income: ¥424.0 billion (2.8% year-on-year increase)
- Profit Attributable to Owners of Parent: ¥286.0 billion (2.9% year-on-year increase)

Six-month period ending September 30, 2017

- Operating Revenues: ¥1,454.0 billion (1.3% year-on-year increase)
- Operating Income: ¥281.0 billion (1.2% year-on-year increase)
- Ordinary Income: ¥250.0 billion (2.1% year-on-year increase)
- Profit Attributable to Owners of Parent: ¥173.0 billion (5.0% year-on-year increase)

(2) Analysis of Financial Position

In the fiscal year ended March 31, 2017, operating activities provided net cash of ¥652.9 billion, ¥20.2 billion less than in the previous fiscal year. This result was mainly due to an increase in income taxes paid.

Investing activities used net cash of ¥557.5 billion, ¥57.9 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of fixed assets.

Financing activities used net cash of ¥116.2 billion, ¥6.0 billion more than in the previous fiscal year.

Consequently, cash and cash equivalents as of March 31, 2017 were ¥287.1 billion, a decrease of ¥20.6 billion from March 31, 2016.

In addition, the balance of consolidated interest-bearing debt was ¥3,211.0 billion as of March 31, 2017.

Cash flow indicators of JR East are presented in the table below:

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Equity ratio (%)	30.1	31.4	33.5
Equity ratio on market-value basis (%)	49.8	48.9	47.6
Interest-bearing debt / net cash provided by operating activities (times)	5.3	4.8	4.9
Interest coverage ratio (times)	7.6	8.8	9.2

Notes: Equity ratio: Shareholders' equity / Total assets

Equity ratio on market-value basis: Market capitalization / Total assets

Interest coverage ratio: Net cash provided by operating activities / Payments of interest

1. Indicators are derived from the consolidated financial statements.

2. Market capitalization is calculated by multiplying the closing share price at the fiscal year-end by the total number of shares issued (less treasury shares).

(3) Basic Dividend Policy and Dividends for Fiscal 2017 and Fiscal 2018

JR East's basic approach to capital policy is to keep shareholders' equity at the level required to maintain and grow operational foundations in a sustainable way while paying stable cash dividends and implementing share repurchases flexibly in light of performance to steadily increase returns to shareholders.

The "JR East Group Management Vision V — Ever Onward" management vision sets a total return ratio target of 33%. To reach this target, JR East will pay stable cash dividends while implementing share repurchases flexibly. As a basic policy, the repurchased shares will be canceled.

(Reference) Calculation of total return ratio

$$\text{Total return ratio in a FY (\%)} = \frac{\text{(total amount of dividend paid in such FY)} + \text{(total repurchase price of repurchased shares in the next FY)}}{\text{profit attributable to owners of parent in such FY}} \times 100$$

Based on this policy, JR East plans to pay (payment scheduled to begin on June 26, 2017) year-end cash dividends of ¥65 per share, which are in addition to the interim cash dividends of ¥65 per share, for full-year cash dividends of ¥130 per share.

In light of the performance outlook and other factors, JR East plans to pay cash dividends of ¥140 per share, including interim dividends of ¥70 per share, for the fiscal year ending March 31, 2018. Further, JR East does not plan to pay dividends other than with respect to the record date as of the end of the second quarter and the record date at the end of the fiscal year.

In addition to enhancing returns to shareholders, JR East will actively use funds for necessary capital expenditures, such as investments to maintain and grow operational foundations in a sustainable way. At the same time, JR East will use a portion of funds for the redemption and steady reduction of debt, thereby strengthening its financial position. To this end, JR East plans to reduce its balance of consolidated interest-bearing debt to ¥3,000 billion sometime during the 2020s. Going forward, JR East will strive to strengthen its business foundation and enhance its corporate value further by continually working to improve earnings and promoting management with an emphasis on increasing operating cash flow.

2. Status of the Group

The JR East Group consists of East Japan Railway Company, 67 consolidated subsidiaries, and 5 equity-method affiliated companies (as of March 31, 2017). The JR East Group has four business segments: Transportation, Station Space Utilization, Shopping Centers & Office Buildings, and Others. The relationship of East Japan Railway Company and other related companies to each business segment are as shown below.

The classification below is the same as the business segment classification presented in “5. Consolidated Financial Statements and Main Notes, (5) Notes to Consolidated Financial Statements (Segment Information)”.

(i) Transportation

This segment conducts passenger transportation operations centered on railway operations and railcar manufacturing operations. With a service area mainly covering Tokyo and the combined 16 prefectures of the Kanto and Tohoku regions, JR East's railway operations comprise 1,665 railway stations, 6,263.1 operating kilometers of conventional lines, and 1,194.2 kilometers of Shinkansen lines, spanning a total of 7,457.3 kilometers.

Main related companies: East Japan Railway Company
JR Bus Kanto Co., Ltd.*
Japan Transport Engineering Company*
Tokyo Monorail Co., Ltd.*

(ii) Station Space Utilization

This segment creates commercial spaces in railway stations by developing various types of business, including retail stores and restaurants.

Main related companies: East Japan Railway Company (creation of new commercial spaces within railway stations)
JR East Retail Net Co., Ltd.*
Nippon Restaurant Enterprise Co., Ltd.*

(iii) Shopping Centers & Office Buildings

This segment develops properties within or near railway stations, manages shopping centers and leases office buildings and other properties.

Main related companies: East Japan Railway Company (development of shopping centers and office buildings)
LUMINE Co., Ltd.*
atré Co., Ltd.*
JR East Urban Development Corporation*
JR East Building Co., Ltd.*

(iv) Others

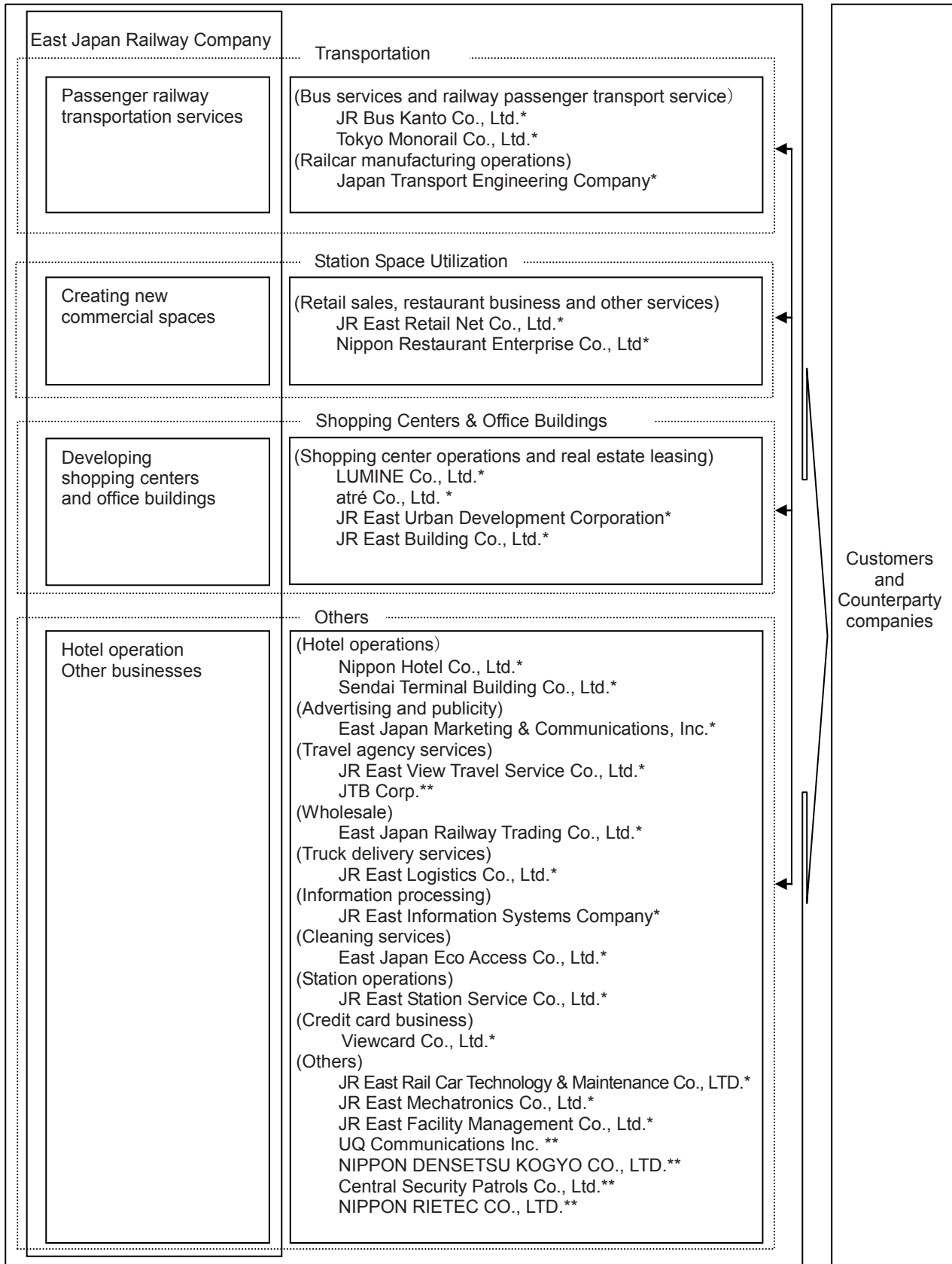
In addition to the above, JR East conducts businesses related to hotel operations, advertising and publicity, and credit card operations, among others.

Main related companies: (Hotel operations)
East Japan Railway Company Nippon Hotel Co., Ltd.* Sendai Terminal Building Co., Ltd.*
(Advertising and publicity)
East Japan Marketing & Communications, Inc.*
(Travel agency services)
JR East View Travel Service Co., Ltd.* JTB Corp.**
(Wholesale)
East Japan Railway Trading Co., Ltd.*
(Truck delivery services)
JR East Logistics Co., Ltd.*
(Information processing)
JR East Information Systems Company*
(Cleaning services)
East Japan Eco Access Co., Ltd.*
(Station operations)
JR East Station Service Co., Ltd.*
(Credit card business)
Viewcard Co., Ltd.*
(Others)
East Japan Railway Company JR East Rail Car Technology & Maintenance Co., LTD.*
JR East Mechatronics Co., Ltd.*
JR East Facility Management Co., Ltd.* UQ Communications Inc.**
NIPPON DENSETSU KOGYO CO., LTD.**
Central Security Patrols Co., Ltd.**
NIPPON RIETEC CO.,LTD**

Notes: 1. * indicates a consolidated subsidiary, ** indicates an equity-method affiliated company.

2. Subsidiaries with operations in more than one segment are listed in the segment in which they are mainly involved.

The following is a schematic of JR East's business network.



Notes: 1. * indicates a consolidated subsidiary, ** indicates an equity-method affiliated company.
 2. Subsidiaries with operations in more than one segment are listed in the segment in which they are mainly involved.
 3. Arrows show the flow of main transactions and offering of services.

3. Management Policies

(1) Basic Management Policies

- 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.

(2) Medium- to Long-Term Management Strategies and Issues to Be Addressed

In Japan, medium-to-long-term projections include further decreases in population and further aging of society, concentration of population on the Tokyo metropolitan area, technological innovation, and advances in globalization.

Further, as it celebrates the 30th anniversary of its establishment, the JR East Group faces various changes, including the transition to the next generation of employees and the expansion of railway networks.

In October 2012 the JR East Group formulated a management vision entitled “JR East Group Management Vision V — Ever Onward” and set forth a management policy for “Thriving with Communities, Growing Globally.” Based on this, the Group has made efforts to meet the expectations of customers and local communities by fulfilling its “Eternal Mission” and taking on the ongoing challenge of pursuing its “Unlimited Potential.” Every year, JR East has reviewed the progress under “Priority Initiatives Going Forward” and then updated its initiatives. These are initiatives that JR East will work particularly hard to advance in future with a view to accelerating the realization of “JR East Group Management Vision V.” In October 2016, JR East established three priority Groupwide tasks, which are stated below.

◆ Improve the safety and reliability of transportation

In light of the time of change that it faces, with change in its railway systems, its increasingly flat division of work, and the rapid transition to the next generation of employees, JR East will proactively solve issues by strengthening related equipment and facilities and revising safety education and training.

◆ Take on the challenge of enhancing profitability

Given the realization of such projects as the opening of the Hokkaido Shinkansen Line to expand the railway network as well as the completion of *JR SHINJUKU MIRAINA TOWER*, the JR East Group will heighten the added value that it provides customers to take on the challenge of maximizing operating revenues.

◆ Advance “TICKET TO TOMORROW” initiatives

JR East will steadily advance the “JR East 2020 Project” with a view to the Tokyo 2020 Olympic and Paralympic Games. Based on the “TICKET TO TOMORROW” slogan, the JR East Group will advance concerted initiatives aimed at providing high-quality services to meet customers’ expectations and creating a legacy for society beyond 2020. Not only in passenger rail transportation services but in a variety of business fields, individual employees will view changes as opportunities and continue taking the initiative to implement reform and taking on challenges.

(i) Medium- to Long-Term Management Strategies “JR East Group Management Vision V — Ever Onward”

With continued fulfillment of its “Eternal Mission,” including the safety and reliability transportation, and sustaining growth by “Pursuing Unlimited Potential” positioned as the two important management pillars of the Group, JR East has set out the six basic policies below.

[Eternal Mission]

- A. Pursuing “extreme safety levels” — Building a railway capable of withstanding natural disasters
- B. Service quality reforms — Enhancing railway transportation network and other measures
- C. Strengthening collaboration with local communities — Supporting earthquake recovery, stimulating tourism and revitalizing communities

[Pursuing Unlimited Potential]

- A. Technological innovation — Forging energy and environmental strategies, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds
- B. Tackling new business areas — Globalization
- C. Developing employees and creating a corporate culture that maximizes human potential

(ii) Formulation of “Priority Initiatives Going Forward” for “JR East Group Management Vision V—Ever Onward”

With a view to accelerating the realization of “JR East Group Management Vision V” and in light of the three priority Groupwide tasks, JR East updated “Priority Initiatives Going Forward” in accordance with six basic policies.

◆ Eternal Mission

A. *KIWAMERU* (Excel): Pursuing “extreme safety levels”

- Advance “Group Safety Plan 2018”
- Advance prevention by implementing rigorous measures for the prevention of reoccurrence and identifying weaknesses
- Revise safety education and training to be more practical
- Improve technical capabilities as a Group in collaboration with partner companies
- Strengthen Shinkansen facilities and railcars and electrical equipment in the Tokyo Metropolitan area
- Advance safety measures related to platforms through the proactive installation of automatic platform gates and other measures

- Build a resilient railway
- Steadily advance seismic reinforcement measures
- Properly renew aging facilities, including large-scale renovation of Shinkansen infrastructure and rail replacement on the Tohoku Shinkansen Line

B. *MIGAKU* (Improve): Service quality reforms

- Advance the “Medium-term Vision for Service Quality Reforms 2017”
- Prevent transportation service disruptions including through the advancement of countermeasures for natural disasters and the prevention of equipment failure
- Minimize the impact of transportation service disruptions, respond to customers rapidly, and resume operations as soon as possible following disruptions
- Enhance information provision and support through such measures as conducting the *assistance* campaign in which personnel ask nearby customers whether they require assistance
- Advance the “JR East 2020 Project” by upgrading railway stations through such measures as developing barrier-free environments

- Promote usage of railway networks (create tourism demand by conducting campaigns and other measures)

C. *TOMO NI IKIRU* (Together): Strengthening collaboration with local communities

- Steadily promote the three approaches to town development
- Improve the convenience and establish the brand power of large-scale stations through such measures as the establishment of Shinagawa New Station (provisional name) and the advancement of town development centered on Shinagawa Station
- Increase added value through such measures as the renewal of existing stores
- Promote the line-side brand appeal of railway lines including through promotion of the *HAPPY CHILD PROJECT*
- Develop towns around Akita and other core railway stations in regional areas in collaboration with local municipal authorities and other bodies

- Revitalize local industries (advance *sextic industrialization* and other measures)

- Initiatives to promote Japan as a tourism-oriented nation (capture demand from visitors to Japan and other measures)

◆ Pursuing Unlimited Potential

A. *HIRAKU* (Pioneer): Technological innovation

- Promote technological innovation
- Minimize risk in the safety and reliability field by conducting trials of a maintenance vehicle location system and developing a local gust detection system
- Provide innovative services in the services and marketing field by realizing practical usage of communication signage and conducting research and development for next-generation Shinkansen
- Reform cost structures in the operations and maintenance field by advancing smart maintenance for railcars, railway tracks, and electrical equipment and developing automated driving technology and assistive technology for train crew members
- Aim to establish railway energy management by developing power-saving operational styles with a view to automatic power-saving train control in the energy and the environment field
- Build a cloud system platform to advance technological innovation in the four fields mentioned above

- Promote environmental strategies (initiatives aimed at reaching fiscal 2031 environmental targets and other measures)

B. *NOBIRU* (Grow): Tackling new business areas

- Take on the challenge of overseas projects
 - Make progress in projects for high-speed railways in India
 - Step up efforts aimed at participation in franchises in U.K.
 - Provide high-quality maintenance services for the *Purple Line* (Bangkok, Thailand)
 - Increase level of technological support provided to and other measures for railway operators in Indonesia
- Develop life-style services business overseas (open *JAPAN RAIL CAFE* (Singapore) and other measures)

C. *HABATAKU* (Empower): Developing employees and creating a corporate culture that maximizes human potential

- Provide further growth opportunities to motivate employees
 - Enhance open-application programs for personnel transfer and training
 - Globalize corporate culture through the continued development of a diverse overseas assignment program
 - Promote diversity
- Promote cohesive Group management
 - Entrench "Group Stretch Targets"
 - Develop employee-friendly environments with a focus on Group companies
- Strengthen business management capabilities (pursue a compact and more highly efficient business execution framework and other measures)

(3) Progress in Management Framework and Management Benchmarks

In accordance with "JR East Group Management Vision V - Ever Onward" announced in October 2012, JR East establishes numerical targets that it seeks to achieve over a three-year period. JR East reviews these three-year targets annually to reflect as appropriate any changes in the management environment or other developments, and update them each year to cover the next three-year period.

Base on such policy, numerical targets for the fiscal year ending March 31, 2020, have been formulated as follows.

Numerical Targets for the Fiscal Year Ending March 31, 2020

	Targets for the fiscal year ending March 31, 2020	(Reference) Result for the fiscal year ended March 31, 2017
Consolidated operating revenues	¥3,021.0 billion	¥2,880.8 billion
Transportation	¥2,028.0 billion	¥1,989.8 billion
Retail & Services	¥542.0 billion	¥502.4 billion
Real Estate & Hotels	¥362.0 billion	¥326.3 billion
Others	¥89.0 billion	¥62.2 billion
Consolidated operating income	¥499.0 billion	¥466.3 billion
Transportation	¥350.0 billion	¥334.2 billion
Retail & Services	¥41.0 billion	¥36.8 billion
Real Estate & Hotels	¥89.0 billion	¥80.3 billion
Others	¥20.0 billion	¥16.5 billion
Adjustment	¥(1.0) billion	¥(1.6) billion
Consolidated cash flows from operating activities	(Total over three years*) ¥2,100.0 billion	¥652.9 billion
Consolidated ROA	Around 6%	5.9%
Consolidated ROE	Around 10%	10.9%

Note: *Total amount covering three years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020.

Planned Consolidated Capital Expenditures

	Total over three years*	(Reference) Results for the fiscal year ended March 31, 2017
Capital expenditures	¥1,700.0 billion	¥506.7 billion
Investments for maintenance and upgrade (of which for safety)	¥1,000.0 billion (¥600.0 billion)	¥336.7 billion (¥235.7 billion)
Growth investments	¥700.0 billion	¥169.9 billion

Note: *Total amount covering three years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020.

※ Note

From the fiscal year ending March 31, 2018, JR East revised its reportable segment classifications to focus on operational headquarters in order to better enforce its management approach based on segments that carry out managerial decision-making. The summary of each reportable segment is as follows.

- Transportation The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations and railcar maintenance operations.
- Retail & Services The Retail & Services segment consists of the part of JR East's life-style service business that includes retail sales and restaurant operations, wholesale business, truck transportation business and advertising and publicity.
- Real Estate & Hotels The Real Estate & Hotels segment consists of the part of JR East's life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.
- Others In addition to the above, JR East conducts IT & *Suica* business including credit card business, information processing and certain other businesses.

The breakdown of financial results for the fiscal year ended March 31, 2017 is shown based on these revised segment classifications.

4. Basic Policy for Selection of Accounting Standards

As of now, the JR East Group's plan is to continue using Japanese GAAP. However, in light of developments in the Group's overseas businesses and general trends in Japan and overseas in the selection of accounting standards, it will consider the adoption of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2016	Fiscal 2017
ASSETS		
Current Assets	¥ 934,518	¥ 915,625
Cash and time deposits	239,477	208,295
Notes and accounts receivable-trade	439,443	449,434
Fares receivable	38,489	39,914
Short-term loans receivable	6,427	5,688
Securities	68,500	79,000
Real estate for sale	903	499
Inventories	47,834	50,861
Deferred tax assets	49,188	43,025
Other	45,826	40,392
Allowance for doubtful accounts	(1,572)	(1,485)
Fixed Assets	6,855,243	6,995,384
Property, plant and equipment, net of accumulated depreciation	6,233,542	6,342,759
Buildings and fixtures (net)	3,128,743	3,260,299
Machinery, rolling stock and vehicles (net)	726,591	712,003
Land	2,002,529	2,013,899
Construction in progress	306,398	286,275
Other (net)	69,279	70,282
Intangible assets	127,859	119,269
Investments and other assets	493,841	533,354
Investments in securities	210,377	263,322
Long-term loans receivable	2,833	1,693
Long-term deferred tax assets	217,256	204,593
Net defined benefit assets	112	161
Other	63,976	64,329
Allowance for doubtful accounts	(713)	(745)
Deferred Assets	—	105
Total Assets	¥7,789,762	¥7,911,114

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2016	Fiscal 2017
LIABILITIES		
Current Liabilities	¥1,404,960	¥1,337,390
Notes and accounts payable-trade	48,803	46,834
Short-term loans and current portion of long-term loans	107,107	116,830
Current portion of bonds	79,999	159,899
Current portion of long-term liabilities		
incurred for purchase of railway facilities	97,251	4,290
Payables	494,778	459,147
Accrued consumption taxes	23,955	19,513
Accrued income taxes	83,238	55,638
Fare deposits received with regard to railway connecting services	20,848	22,164
Prepaid railway fares received	102,493	99,217
Allowance for bonuses to employees	73,092	73,155
Allowance for earthquake-damage losses	11,587	6,767
Other	261,804	273,931
Long-Term Liabilities	3,922,264	3,898,370
Bonds	1,729,914	1,680,074
Long-term loans	908,422	929,541
Long-term liabilities incurred for purchase of railway facilities	341,074	336,679
Long-term deferred tax liabilities	3,361	3,189
Provision for large-scale renovation		
of Shinkansen infrastructure	—	24,000
Allowance for earthquake-damage losses	14,672	10,293
Allowance for partial transfer costs of railway operation	19,087	16,163
Net defined benefit liabilities	675,783	641,394
Other	229,948	257,033
Total Liabilities	¥5,327,225	¥5,235,761
NET ASSETS		
Shareholders' Equity	¥2,393,361	¥2,590,575
Common stock	200,000	200,000
Capital surplus	96,811	96,811
Retained earnings	2,101,844	2,298,925
Treasury stock, at cost	(5,295)	(5,161)
Accumulated Other Comprehensive Income	48,767	62,844
Net unrealized holding gains (losses) on securities	43,771	52,940
Net deferred gains (losses) on derivatives under		
hedge accounting	473	1,846
Revaluation reserve for land	(473)	(473)
Remeasurements of defined benefit plans	4,996	8,530
Non-Controlling Interests	20,408	21,933
Total Net Assets	2,462,537	2,675,353
Total Liabilities and Net Assets	¥7,789,762	¥7,911,114

Note: Amounts less than one million yen are omitted.

(2) Consolidated Statements of Income and Comprehensive Income (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

(i) Consolidated Statements of Income

	Millions of Yen	
	Fiscal 2016	Fiscal 2017
Operating Revenues	¥2,867,199	¥2,880,802
Operating Expenses	2,379,378	2,414,492
Transportation, other services and cost of sales	1,841,025	1,852,221
Selling, general and administrative expenses	538,352	562,271
Operating Income	487,821	466,309
Non-Operating Income	21,616	20,260
Interest income	214	62
Dividend income	3,703	3,880
Gains on sales of equipment	998	907
Insurance proceeds and dividends	10,067	9,225
Equity in net income of affiliated companies	2,565	2,056
Other	4,067	4,127
Non-Operating Expenses	80,535	74,258
Interest expense	76,332	70,258
Losses on sales of equipment	294	198
Other	3,908	3,801
Ordinary Income	428,902	412,311
Extraordinary Gains	36,721	54,735
Gains on sales of fixed assets	838	11,833
Construction grants received	24,487	27,541
Insurance proceeds related to earthquake	3,624	13,639
Other	7,770	1,721
Extraordinary Losses	80,763	62,781
Losses on sales of fixed assets	1,102	722
Losses from disposition of fixed assets	5,105	4,159
Losses on reduction entry for construction grants	18,346	22,759
Impairment losses on fixed assets	12,297	6,604
Intensive seismic reinforcement costs	10,288	17,391
Environmental conservation costs	855	6,435
Provision for allowance for earthquake-damage losses	25,085	—
Other	7,682	4,707
Income before Income Taxes	384,860	404,266
Income Taxes	138,298	124,831
Current	128,972	111,481
Deferred	9,326	13,350
Profit	246,561	279,434
Profit Attributable to Non-Controlling Interests	1,251	1,509
Profit Attributable to Owners of Parent	¥ 245,309	¥ 277,925

Note: Amounts less than one million yen are omitted.

(ii) Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Fiscal 2016	Fiscal 2017
Profit	¥ 246,561	¥ 279,434
Other Comprehensive Income	(29,142)	14,035
Net unrealized holding gains (losses) on securities.....	(24,069)	9,117
Net deferred gains (losses) on derivatives under hedge accounting.....	(1,091)	19
Remeasurements of defined benefit plans.....	(906)	2,209
Share of other comprehensive income of associates accounted for using equity method.....	(3,075)	2,688
Comprehensive Income	¥ 217,419	¥ 293,470
Comprehensive Income attributable to		
Comprehensive income attributable to owners of the parent.....	¥ 216,214	¥ 291,967
Comprehensive income attributable to non-controlling interests.....	¥ 1,204	¥ 1,503

Note: Amounts less than one million yen are omitted.

(3) Consolidated Statements of Changes in Net Assets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Fiscal 2016

Millions of Yen

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at the fiscal year start	200,000	96,833	1,915,382	(4,420)	2,207,795
Changes of items during the fiscal year					
Cash dividends			(49,082)		(49,082)
Profit attributable to owners of parent			245,309		245,309
Increase due to merger					—
Purchase of treasury stock				(11,085)	(11,085)
Disposal of treasury stock					—
Retirement of treasury stock			(10,211)	10,211	—
Change of scope of consolidation			423		423
Purchase of shares of consolidated subsidiaries		0			0
Increase by corporate division in consolidated subsidiaries		(21)	21		0
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(21)	186,461	(874)	185,565
Balance at the fiscal year end	200,000	96,811	2,101,844	(5,295)	2,393,361

	Accumulated Other Comprehensive Income					Non-Controlling Interests	Total net assets
	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	Total Accumulated Other Comprehensive Income		
Balance at the fiscal year start	68,415	2,532	(483)	7,398	77,862	19,317	2,304,976
Changes of items during the fiscal year							
Cash dividends							(49,082)
Profit attributable to owners of parent							245,309
Increase due to merger							—
Purchase of treasury stock							(11,085)
Disposal of treasury stock							—
Retirement of treasury stock							—
Change of scope of consolidation							423
Purchase of shares of consolidated subsidiaries							0
Increase by corporate division in consolidated subsidiaries							0
Reversal of revaluation reserve for land							—
Net changes of items other than shareholders' equity	(24,643)	(2,059)	10	(2,402)	(29,095)	1,090	(28,004)
Total changes of items during the fiscal year	(24,643)	(2,059)	10	(2,402)	(29,095)	1,090	157,561
Balance at the fiscal year end	43,771	473	(473)	4,996	48,767	20,408	2,462,537

Fiscal 2017

Millions of Yen

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Total Shareholders' Equity
Balance at the fiscal year start	200,000	96,811	2,101,844	(5,295)	2,393,361
Changes of items during the fiscal year					
Cash dividends			(50,781)		(50,781)
Profit attributable to owners of parent			277,925		277,925
Increase due to merger			86		86
Purchase of treasury stock				(30,017)	(30,017)
Disposal of treasury stock			(0)	1	1
Retirement of treasury stock			(30,149)	30,149	—
Change of scope of consolidation					—
Purchase of shares of consolidated subsidiaries					—
Increase by corporate division in consolidated subsidiaries					—
Reversal of revaluation reserve for land			0		0
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	197,080	133	197,214
Balance at the fiscal year end	200,000	96,811	2,298,925	(5,161)	2,590,575

	Accumulated Other Comprehensive Income					Non-Controlling Interests	Total net assets
	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	Total Accumulated Other Comprehensive Income		
Balance at the fiscal year start	43,771	473	(473)	4,996	48,767	20,408	2,462,537
Changes of items during the fiscal year							
Cash dividends							(50,781)
Profit attributable to owners of parent							277,925
Increase due to merger							86
Purchase of treasury stock							(30,017)
Disposal of treasury stock							1
Retirement of treasury stock							—
Change of scope of consolidation							—
Purchase of shares of consolidated subsidiaries							—
Increase by corporate division in consolidated subsidiaries							—
Reversal of revaluation reserve for land							0
Net changes of items other than shareholders' equity	9,169	1,373	(0)	3,534	14,076	1,525	15,602
Total changes of items during the fiscal year	9,169	1,373	(0)	3,534	14,076	1,525	212,816
Balance at the fiscal year end	52,940	1,846	(473)	8,530	62,844	21,933	2,675,353

(4) Consolidated Statements of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2016	Fiscal 2017
Cash Flows from Operating Activities		
Income before income taxes	¥384,860	¥404,266
Depreciation	359,515	364,129
Impairment losses on fixed assets	12,297	6,604
Amortization of long-term prepaid expense	8,719	7,923
Net change in provision for large-scale renovation of Shinkansen infrastructure	—	24,000
Net change in net defined benefit liabilities	(27,648)	(31,254)
Interest and dividend income	(3,917)	(3,942)
Interest expense	76,332	70,258
Construction grants received	(24,487)	(27,541)
Insurance proceeds related to earthquake	(3,624)	(13,639)
Losses from disposition of fixed assets	36,725	44,602
Losses from provision for cost reduction of fixed assets	18,346	22,759
Provision for allowance for earthquake-damage losses	25,085	—
Net change in major receivables	(27,637)	(11,105)
Net change in major payables	13,688	11,309
Other	(15,994)	(19,606)
Sub-total	832,259	848,762
Proceeds from interest and dividends	4,407	4,499
Payments of interest	(76,487)	(70,720)
Insurance proceeds related to earthquake	14,688	19,064
Payments of earthquake-damage losses	(1,338)	(4,353)
Payments of partial transfer costs of railway operation	(452)	(1,296)
Payments of income taxes	(99,968)	(143,050)
Net cash provided by operating activities	673,109	652,906
Cash Flows from Investing Activities		
Payments for purchases of fixed assets	(538,244)	(581,671)
Proceeds from sales of fixed assets	11,531	14,333
Proceeds from construction grants	32,123	54,363
Payments for purchases of investments in securities	(713)	(35,560)
Proceeds from sales of investments in securities	4,664	1,052
Other	(8,935)	(10,056)
Net cash used in investing activities	(499,575)	(557,538)
Cash Flows from Financing Activities		
Proceeds from long-term loans	140,600	137,950
Payments of long-term loans	(118,212)	(107,107)
Proceeds from issuance of bonds	100,000	110,000
Payments for redemption of bonds	(55,000)	(80,000)
Payments of liabilities incurred for purchase of railway facilities	(106,880)	(97,356)
Payments of acquisition of treasury stock	(11,085)	(30,017)
Cash dividends paid	(49,082)	(50,781)
Other	(10,604)	1,033
Net cash used in financing activities	(110,265)	(116,280)
Net Change in Cash and Cash Equivalents	63,268	(20,912)
Cash and Cash Equivalents at Beginning of the Year	245,170	307,809
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	(630)	—
Increase in Cash and Cash Equivalents due to Merger	—	229
Cash and Cash Equivalents at End of the Year	¥307,809	¥287,125

Note: Amounts less than one million yen are omitted.

(5) Notes to Consolidated Financial Statements (Unaudited)

(Notes on Going Concern Assumption (Unaudited))

None

(Changes in Accounting Policies, Changes in Accounting Estimates and Restatement of Revisions (Unaudited))

(i) Changes in Accounting Policies

In accordance with an amendment of Japan's Corporation Tax Act, the Company has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No.32 issued on June 17, 2016) beginning with the first quarter of fiscal 2017 and has changed its depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining balance method to the straight-line method.

The effect of this change on consolidated financial statements is negligible.

(Segment Information (Unaudited))

(i) Segment Information

i) General information about reportable segments

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

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

ii) Basis of measurement about reportable 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 "Important Items that Form the Basis for Preparing Consolidated Financial Statements" in the recent Annual Securities Report released on June 23, 2016. Moreover, intersegment transactions are between consolidated subsidiaries and based on market prices and other fair values.

iii) Information about reportable segment operating revenues, segment income or loss, segment assets, and other material items

Millions of Yen

Fiscal 2016 (Year ended March 31, 2016)	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 2)	Total	Adjustment (Note 3)	Consolidated (Note 4)
Operating Revenues							
Outside customers	¥1,954,587	¥399,960	¥ 255,978	¥ 256,673	¥2,867,199	¥ —	¥2,867,199
Inside group	53,411	16,089	11,613	377,284	458,399	(458,399)	—
Total	2,007,999	416,050	267,592	633,957	3,325,599	(458,399)	2,867,199
Segment Income	¥ 348,576	¥ 35,099	¥ 71,610	¥ 35,025	¥ 490,312	¥ (2,490)	¥ 487,821
Segment Assets	¥6,282,910	¥207,258	¥1,060,236	¥1,169,089	¥8,719,494	¥(929,732)	¥7,789,762
Depreciation	277,895	10,301	31,885	39,433	359,515	—	359,515
Increase in fixed assets (Note 6)	420,577	15,337	96,924	37,467	570,306	—	570,306

Notes: 1. Amounts less than one million yen are omitted.

2. "Others" represents categories of business that are not included in reportable segments and includes hotel operations, and advertising and publicity services.

3. The ¥(2,490) million downward adjustment to segment income includes a ¥(2,680) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥195 million elimination for intersegment transactions. Moreover, the ¥(929,732) million downward adjustment to segment assets includes a ¥(1,190,930) million elimination of intersegment claims and obligations, offset by ¥261,198 million in corporate assets not allocated to each reporting segment.

4. Segment income is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.

5. 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.

6. Increase in fixed assets includes a portion contributed mainly by national and local governments.

Fiscal 2017 (Year ended March 31, 2017)	Millions of Yen						Consolidated (Note 4)
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 2)	Total	Adjustment (Note 3)	
Operating Revenues							
Outside customers	¥1,959,805	¥399,678	¥ 267,638	¥ 253,680	¥2,880,802	¥ —	¥2,880,802
Inside group	53,207	17,435	12,925	383,032	466,601	(466,601)	—
Total	2,013,012	417,113	280,564	636,713	3,347,404	(466,601)	2,880,802
Segment Income	¥ 326,419	¥ 32,990	¥ 75,032	¥ 34,978	¥ 469,420	¥ (3,110)	¥ 466,309
Segment Assets	¥6,307,559	¥224,781	¥1,101,035	¥1,218,730	¥8,852,107	¥(940,992)	¥7,911,114
Depreciation	275,234	12,189	34,793	41,912	364,129	—	364,129
Increase in fixed assets (Note 6)	414,644	22,830	72,089	28,652	538,216	—	538,216

- Notes: 1. Amounts less than one million yen are omitted.
2. "Others" represents categories of business that are not included in reportable segments and includes hotel operations, and advertising and publicity services.
3. The ¥(3,110) million downward adjustment to segment income includes a ¥(2,811) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(299) million elimination for intersegment transactions. Moreover, the ¥(940,992) million downward adjustment to segment assets includes a ¥(1,262,511) million elimination of intersegment claims and obligations, offset by ¥321,518 million in corporate assets not allocated to each reporting segment.
4. Segment income is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
5. 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.
6. Increase in fixed assets includes a portion contributed mainly by national and local governments.

(ii) Relevant Information

i) Information about products and services

Information about products and services is omitted as JR East 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 is 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 is 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 is omitted as no single outside customer contributes 10% or more to operating revenues in the Consolidated Statements of Income.

(iii) Information about impairment loss on fixed assets in reportable segments

Fiscal 2016 (Year ended March 31, 2016)	Millions of Yen				
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	3,104	1,642	5,910	1,639	12,297

Note: The amount under "Others" represents amounts from business segments and other units excluded from the reportable segments

Fiscal 2017 (Year ended March 31, 2017)	Millions of Yen				
	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	359	888	4,635	720	6,604

Note: The amount under "Others" represents amounts from business segments and other units excluded from the reportable segments

(iv) 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 is omitted as the amount was insignificant.

(v) Information about gain on negative goodwill by reportable segments

None

(Per Share Information (Unaudited))

	Fiscal 2016	Fiscal 2017
Shareholders' equity per share	¥6,232.40	¥6,825.51
Earnings per share—basic	¥625.82	¥713.96
Earnings per share—diluted	Not shown because there are no convertible securities	Not shown because there are no convertible securities

Note: The basis of calculation of earnings per share is as shown below.

	Fiscal 2016	Fiscal 2017
Profit attributable to owners of parent	¥245,309 million	¥277,925 million
Amount not attributable to common stockholders	—	—
Profit attributable to owners of parent related to common stock	¥245,309 million	¥277,925 million
Average number of common shares	391,979,983	389,272,266

(Subsequent Events (Unaudited))**(i) Change in segment classification**

At the Board of Directors' meeting held on April 28, 2017, JR East decided to revise its reportable segment classifications to focus on operational headquarters in order to better enforce its management approach based on segments that carry out managerial decision-making.

Accordingly, JR East changed the segment classification used in the fiscal year under review, ended March 31, 2017, which was "Transportation," "Station Space Utilization," "Shopping Centers & Office Buildings," and "Others," to "Transportation," "Retail & Services," "Real Estate & Hotels," and "Others" as of the current fiscal year, ending March 31, 2018.

The information below presents each reportable segment's operating revenues and segment income in the fiscal year under review if the revised segment classification was applied.

Millions of Yen

Fiscal 2017 (Year ended March 31, 2017)	Transportation	Retail & Services	Real Estate & Hotels	Others	Total	Adjustment (Note 2)	Consolidated Statements of Income (Note 3)
Operating Revenues							
Outside customers	¥1,989,839	¥502,414	¥326,311	¥ 62,237	¥2,880,802	¥ —	¥2,880,802
Inside group	80,760	63,584	19,107	148,692	312,144	(312,144)	—
Total	2,070,599	565,998	345,419	210,929	3,192,947	(312,144)	2,880,802
Segment income	¥ 334,215	¥ 36,842	¥ 80,362	¥ 16,577	¥ 467,997	¥ (1,687)	¥ 466,309

- Notes: 1. Amounts less than one million yen are omitted.
2. The ¥(1,687) million downward adjustment to segment income includes a ¥(1,300) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(386) million elimination for intersegment transactions.
3. Segment income is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.

The summary of each reportable segment is as follows.

- Transportation The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations and railcar maintenance operations.
- Retail & Services The Retail & Services segment consists of the part of JR East's life-style service business that includes retail sales and restaurant operations, wholesale business, truck transportation business and advertising and publicity.
- Real Estate & Hotels The Real Estate & Hotels segment consists of the part of JR East's life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.
- Others In addition to the above, JR East conducts IT & *Suica* business including credit card business, information processing and certain other businesses.

(ii) Share Repurchase

The Board of Directors of East Japan Railway Company ("JR East") resolved at its meeting held on April 28, 2017 matters concerning JR East'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.

i) Reason for share repurchase: To enhance returns to shareholders

ii) Class of shares to be repurchased: Common stock

iii) Total number of shares that may be repurchased: 4,500,000 shares (maximum)

(1.16% of issued shares (excluding treasury stock))

iv) Aggregate repurchase price: ¥40,000 million (maximum)

v) Period of repurchase: From May 1, 2017 to July 28, 2017

(Additional Information (Unaudited))

(i) Recognition of a Provision for Large-Scale Renovation of Shinkansen Infrastructure

This has been recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970).

On March 29, 2016, the Company received approval for a Plan for Provision for Large-Scale Renovation of Shinkansen Infrastructure from the Minister of Land, Infrastructure, Transport and Tourism based on Article 16, Paragraph 1 of the Nationwide Shinkansen Railway Development Act. As a result, from the fiscal year ending March 31, 2017, until the fiscal year ending March 31, 2031, a provision of ¥24,000 million (total: ¥360,000 million) will be recognized each fiscal year, and from the fiscal year ending March 31, 2032, until the fiscal year ending March 31, 2041, a reversal of ¥36,000 million (total: ¥360,000 million) will be recognized each fiscal year.

6. Non-consolidated Financial Statements
(1) Non-consolidated Balance Sheets (Unaudited)
EAST JAPAN RAILWAY COMPANY

Millions of Yen

	Fiscal 2016	Fiscal 2017
ASSETS		
Current Assets	¥ 758,598	¥ 732,918
Cash and time deposits	210,414	178,896
Fares receivable	222,487	235,056
Accounts receivable-trade	86,243	82,157
Short-term loans receivable	700	300
Short-term loans to affiliated companies receivable	97,758	94,964
Securities	68,500	79,000
Real estate for sale	895	490
Inventories	19,381	18,544
Prepaid expenses	4,501	5,176
Deferred tax assets	39,232	32,035
Other	8,606	6,420
Allowance for doubtful accounts	(121)	(124)
Fixed Assets	6,511,675	6,646,454
Fixed assets for railway operations	4,670,660	4,777,753
Property, plant and equipment	10,576,446	10,842,256
Accumulated depreciation	(5,940,590)	(6,102,247)
Intangible assets	34,805	37,744
Fixed assets for other operations	561,404	578,443
Property, plant and equipment	728,372	757,632
Accumulated depreciation	(167,966)	(180,251)
Intangible assets	998	1,062
Fixed assets relating to both operations	292,424	293,367
Property, plant and equipment	799,741	808,024
Accumulated depreciation	(511,863)	(519,128)
Intangible assets	4,547	4,470
Construction in progress	291,282	274,365
Railway operations	264,637	235,821
Other operations	14,936	26,618
Relating to both operations	11,708	11,924
Investments and other assets	695,903	722,525
Investments in securities	147,579	193,200
Stocks of subsidiaries and affiliated companies	202,508	203,146
Long-term loans to affiliated companies receivable	114,974	106,178
Long-term prepaid expenses	32,995	34,025
Long-term deferred tax assets	190,179	177,806
Other investment and other assets	9,409	8,312
Allowance for doubtful accounts	(1,743)	(143)
Total Assets	¥ 7,270,274	¥ 7,379,373

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2016	Fiscal 2017
LIABILITIES		
Current Liabilities	¥1,430,748	¥1,400,585
Short-term loans from affiliated companies	225,010	272,390
Current portion of bonds	79,999	159,999
Current portion of long-term loans	106,869	116,771
Current portion of long-term liabilities		
incurred for purchase of railway facilities	96,760	3,787
Lease obligation	11,844	12,683
Payables	454,967	430,658
Accrued expenses	30,574	30,243
Accrued consumption taxes	20,502	11,172
Accrued income taxes	68,793	39,880
Fare deposits received with regard to railway connecting services	20,897	22,355
Deposits received	27,306	26,862
Prepaid railway fares received	102,036	98,741
Advances received	95,974	88,976
Prepaid contribution for construction	7,999	7,591
Allowance for bonuses to employees	58,651	57,656
Allowance for bonuses to directors and corporate auditors	189	—
Allowance for earthquake-damage losses	11,587	6,767
Allowance for environmental conservation costs	919	413
Asset retirement obligations	2,397	1,876
Other	7,464	11,756
Long-Term Liabilities	3,811,880	3,778,795
Bonds	1,730,014	1,680,074
Long-term loans	908,336	929,515
Long-term loans from affiliated companies	49,000	44,144
Long-term liabilities incurred for purchase of railway facilities	339,597	335,705
Lease obligation	33,586	30,809
Long-term deferred contribution for construction	32,841	37,195
Provision for large-scale renovation		
of Shinkansen infrastructure	—	24,000
Employees' severance and retirement benefits	640,156	607,163
Allowance for earthquake-damage losses	14,672	10,293
Allowance for environmental conservation costs	7,684	9,400
Allowance for partial transfer costs of railway operation	19,087	16,163
Asset retirement obligations	7,610	8,686
Other	29,292	45,642
Total Liabilities	¥5,242,629	¥5,179,380

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2016	Fiscal 2017
NET ASSETS		
Shareholders' Equity	¥1,990,474	¥2,153,023
Common stock.....	200,000	200,000
Capital surplus.....	96,600	96,600
Additional paid-in capital.....	96,600	96,600
Retained earnings.....	1,697,174	1,859,589
Legal reserve.....	22,173	22,173
Other retained earnings		
Reserve for special depreciation.....	923	2,473
Reserve for investment losses on developing new business.....	5	33
Reserve for deferred gain of fixed assets.....	55,200	59,722
General reserve.....	1,330,000	1,490,000
Retained earnings carried forward.....	288,870	285,186
Treasury stock, at cost.....	(3,300)	(3,166)
Valuation and Translation Adjustment	37,171	46,969
Net unrealized holding gains (losses) on securities.....	35,962	45,740
Net deferred gains (losses) on derivatives under hedge accounting.....	1,208	1,228
Total Net Assets	2,027,645	2,199,992
Total Liabilities and Net Assets	¥7,270,274	¥7,379,373

Note: Amounts less than one million yen are omitted.

(2) Non-consolidated Statements of Income (Unaudited)

EAST JAPAN RAILWAY COMPANY

Millions of Yen

	Fiscal 2016	Fiscal 2017
Railway Operations		
Operating Revenues	¥1,983,431	¥1,989,500
Passenger transportation	1,805,005	1,816,271
Trackage revenue	6,481	6,076
Miscellaneous income of transportation	171,945	167,151
Operating Expenses	1,611,220	1,641,574
Transportation expenses	1,019,609	1,048,684
General and administrative expenses	228,850	227,464
Taxes	82,132	86,328
Depreciation	280,627	279,096
Operating Income from Railway Operations	372,211	347,926
Other Operations		
Operating Revenues	73,911	79,306
Revenue from real estate lease	65,517	70,306
Miscellaneous revenue	8,393	9,000
Operating Expenses	36,127	38,624
Cost of sales	1,273	1,473
Selling, general and administrative expenses	13,162	14,283
Taxes	8,464	8,093
Depreciation	13,227	14,774
Operating Income from Other Operations	37,783	40,682
Total Operating Income	409,994	388,608
Non-Operating Income	30,596	27,515
Interest income	1,314	1,089
Dividend income	15,695	14,033
Gains on sales of equipment	947	846
Insurance proceeds and dividends	9,851	9,020
Other	2,787	2,526
Non-Operating Expenses	81,106	74,508
Interest expense	44,977	38,856
Interest on bonds	32,942	32,880
Cost of issuance of bonds	461	598
Losses on sales of equipment	276	182
Other	2,448	1,990
Ordinary Income	359,483	341,615

Note: Amounts less than one million yen are omitted.

Millions of Yen

	Fiscal 2016	Fiscal 2017
Extraordinary Gains	30,132	52,477
Gains on sales of fixed assets	532	11,617
Construction grants received	23,534	26,274
Insurance proceeds related to earthquake	3,624	13,639
Other	2,440	945
Extraordinary Losses	65,834	49,414
Losses on sales of fixed assets	571	673
Losses on reduction entry for construction grants	17,383	21,498
Impairment losses on fixed assets	8,448	2,971
Intensive seismic reinforcement costs	10,288	17,391
Environmental conservation costs	855	6,435
Provision for allowance for earthquake-damage losses ..	25,085	—
Provision for allowance for partial transfer costs of railway operation	3,097	—
Other	104	444
Income before Income Taxes	323,781	344,678
Income Taxes	114,749	101,330
Current	103,740	86,255
Deferred	11,009	15,075
Profit	¥ 209,031	¥ 243,347

Note: Amounts less than one million yen are omitted.

(3) Non-consolidated Statements of Changes in Net Assets (Unaudited)

Fiscal 2016

Millions of Yen

	Shareholders' Equity		
	Common Stock	Capital Surplus	
		Additional Paid-in Capital	Total Capital Surplus
Balance at the fiscal year start	200,000	96,600	96,600
Changes of items during the fiscal year			
Provision of reserve for special depreciation			
Reversal of reserve for special depreciation			
Provision of reserve for investment losses on developing new business			
Reversal of reserve for investment losses on developing new business			
Provision of reserve for deferred gain of fixed assets			
Reversal of reserve for deferred gain of fixed assets			
Provision of reserve for general reserve			
Dividends			
Profit			
Purchase of treasury stock			
Disposal of treasury stock			
Retirement of treasury stock			
Net changes of items other than shareholders' equity			
Total changes of items during the fiscal year	—	—	—
Balance at the fiscal year end	200,000	96,600	96,600

	Shareholders' Equity						
	Retained Earnings						
	Legal Reserve	Other Retained Earnings					Total Retained Earnings
	Reserve for Special Depreciation	Reserve for investment losses on developing new business	Reserve for Deferred Gain of Fixed Assets	General Reserve	Retained Earnings Carried Forward		
Balance at the fiscal year start	22,173	1,461	—	53,485	1,270,000	200,315	1,547,436
Changes of items during the fiscal year							
Provision of reserve for special depreciation		18				(18)	—
Reversal of reserve for special depreciation		(557)				557	—
Provision of reserve for investment losses on developing new business			5			(5)	—
Reversal of reserve for investment losses on developing new business							
Provision of reserve for deferred gain of fixed assets				3,227		(3,227)	—
Reversal of reserve for deferred gain of fixed assets				(1,512)		1,512	—
Provision of reserve for general reserve					60,000	(60,000)	—
Dividends						(49,082)	(49,082)
Profit						209,031	209,031
Purchase of treasury stock							
Disposal of treasury stock							
Retirement of treasury stock						(10,211)	(10,211)
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	(538)	5	1,715	60,000	88,555	149,738
Balance at the fiscal year end	22,173	923	5	55,200	1,330,000	288,870	1,697,174

	Shareholders' Equity		Valuation and Translation Adjustments			Total net assets
	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Total Valuation and Translation Adjustments	
Balance at the fiscal year start	(2,425)	1,841,610	59,724	2,299	62,023	1,903,633
Changes of items during the fiscal year						
Provision of reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Provision of reserve for investment losses on developing new business		—				—
Reversal of reserve for investment losses on developing new business		—				—
Provision of reserve for deferred gain of fixed assets		—				—
Reversal of reserve for deferred gain of fixed assets		—				—
Provision of reserve for general reserve		—				—
Dividends		(49,082)				(49,082)
Profit		209,031				209,031
Purchase of treasury stock	(11,085)	(11,085)				(11,085)
Disposal of treasury stock		—				—
Retirement of treasury stock	10,211	—				—
Net changes of items other than shareholders' equity			(23,761)	(1,090)	(24,852)	(24,852)
Total changes of items during the fiscal year	(874)	148,863	(23,761)	(1,090)	(24,852)	124,011
Balance at the fiscal year end	(3,300)	1,990,474	35,962	1,208	37,171	2,027,645

Fiscal 2017

Millions of Yen

	Shareholders' Equity		
	Common Stock	Capital Surplus	
		Additional Paid-in Capital	Total Capital Surplus
Balance at the fiscal year start	200,000	96,600	96,600
Changes of items during the fiscal year			
Provision of reserve for special depreciation			
Reversal of reserve for special depreciation			
Provision of reserve for investment losses on developing new business			
Reversal of reserve for investment losses on developing new business			
Provision of reserve for deferred gain of fixed assets			
Reversal of reserve for deferred gain of fixed assets			
Provision of reserve for general reserve			
Dividends			
Profit			
Purchase of treasury stock			
Disposal of treasury stock			
Retirement of treasury stock			
Net changes of items other than shareholders' equity			
Total changes of items during the fiscal year	—	—	—
Balance at the fiscal year end	200,000	96,600	96,600

	Shareholders' Equity						
	Retained Earnings						Total Retained Earnings
	Legal Reserve	Other Retained Earnings					
	Reserve for Special Depreciation	Reserve for investment losses on developing new business	Reserve for Deferred Gain of Fixed Assets	General Reserve	Retained Earnings Carried Forward		
Balance at the fiscal year start	22,173	923	5	55,200	1,330,000	288,870	1,697,174
Changes of items during the fiscal year							
Provision of reserve for special depreciation		1,970				(1,970)	—
Reversal of reserve for special depreciation		(420)				420	—
Provision of reserve for investment losses on developing new business			33			(33)	—
Reversal of reserve for investment losses on developing new business			(5)			5	—
Provision of reserve for deferred gain of fixed assets				6,053		(6,053)	—
Reversal of reserve for deferred gain of fixed assets				(1,532)		1,532	—
Provision of reserve for general reserve					160,000	(160,000)	—
Dividends						(50,781)	(50,781)
Profit						243,347	243,347
Purchase of treasury stock							
Disposal of treasury stock						(0)	(0)
Retirement of treasury stock						(30,149)	(30,149)
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	1,549	27	4,521	160,000	(3,683)	162,415
Balance at the fiscal year end	22,173	2,473	33	59,722	1,490,000	285,186	1,859,589

	Shareholders' Equity		Valuation and Translation Adjustments			Total net assets
	Treasury Stock, at Cost	Total Shareholders' Equity	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Total Valuation and Translation Adjustments	
Balance at the fiscal year start	(3,300)	1,990,474	35,962	1,208	37,171	2,027,645
Changes of items during the fiscal year						
Provision of reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Provision of reserve for investment losses on developing new business		—				—
Reversal of reserve for investment losses on developing new business		—				—
Provision of reserve for deferred gain of fixed assets		—				—
Reversal of reserve for deferred gain of fixed assets		—				—
Provision of reserve for general reserve		—				—
Dividends		(50,781)				(50,781)
Profit		243,347				243,347
Purchase of treasury stock	(30,017)	(30,017)				(30,017)
Disposal of treasury stock	1	1				1
Retirement of treasury stock	30,149	—				—
Net changes of items other than shareholders' equity			9,778	19	9,797	9,797
Total changes of items during the fiscal year	133	162,549	9,778	19	9,797	172,347
Balance at the fiscal year end	(3,166)	2,153,023	45,740	1,228	46,969	2,199,992

(Additional Information Regarding Operating Results)

Consolidated Principal Indicators

	Fiscal 2016 (A)	Fiscal 2017 (B)	Increase (Decrease) (B)-(A)
Cash flows from operating activities (billions of yen)	673.1	652.9	(20.2)
Ratio of operating income to average assets (ROA) (%)	6.3	5.9	(0.4)
Return on average equity (ROE) (%)	10.4	10.9	0.5

Numerical Targets for the Fiscal Year Ending March 31, 2020

	Billions of Yen						
	Actual Fiscal 2017 (A)	Forecast Fiscal 2018 (B)	Fiscal 2020 Targets (C)	Change			
				Increase (Decrease) (B)-(A)	% (B)/(A)x100	Increase (Decrease) (C)-(A)	% (C)/(A)x100
Operating Revenues	2,880.8	2,930.0	3,021.0	49.1	101.7	140.1	104.9
Transportation	1,989.8	2,001.0	2,028.0	11.1	100.6	38.1	101.9
Retail & Services	502.4	514.0	542.0	11.5	102.3	39.5	107.9
Real Estate & Hotels	326.3	344.0	362.0	17.6	105.4	35.6	110.9
Others	62.2	71.0	89.0	8.7	114.1	26.7	143.0
Operating Income	466.3	472.0	499.0	5.6	101.2	32.6	107.0
Transportation	334.2	335.0	350.0	0.7	100.2	15.7	104.7
Retail & Services	36.8	37.0	41.0	0.1	100.4	4.1	111.3
Real Estate & Hotels	80.3	83.0	89.0	2.6	103.3	8.6	110.7
Others	16.5	18.0	20.0	1.4	108.6	3.4	120.6
Elimination and/or corporate	(1.6)	(1.0)	(1.0)	0.6	59.3	0.6	59.3

Notes:1. From the first quarter of fiscal 2018, JR East revised its reportable segment classifications to focus on operational headquarters in order to better enforce its management approach based on segments that carry out managerial decision-making. The summary of each reportable segment is as follows.

- Transportation The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations and railcar maintenance operations.
- Retail & Services The Retail & Services segment consists of the part of JR East's life-style service business that includes retail sales and restaurant operations, wholesale business, truck transportation business and advertising and publicity.
- Real Estate & Hotels The Real Estate & Hotels segment consists of the part of JR East's life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.
- Others In addition to the above, JR East conducts IT & *Suica* business including credit card business, information processing and certain other businesses.

The breakdown of financial results for the fiscal year ended March 31, 2017 is shown based on these revised segment classifications.

2. The breakdown of operating revenues by business segment show sales to outside customers.

Consolidated Capital Expenditures

	Billions of Yen				Plans for Fiscal 2018 (C)
	Actual Fiscal 2016 (A)	Actual Fiscal 2017 (B)	Change		
			Increase (Decrease) (B)-(A)	% (B)/(A)x100	
Capital expenditures	541.9	506.7	(35.2)	93.5	560.0
Transportation	392.2	383.1	(9.0)	97.7	423.0
Non-transportation	149.7	123.5	(26.1)	82.5	137.0

Notes: The breakdown of the plans for fiscal 2018 is shown based on the new segment classifications.

Forward-Looking Statements

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

Passenger Kilometers and Passenger Revenues of Parent Company

	Passenger Kilometers				Revenues from Passenger Tickets			
	Millions		%		Billions of yen		%	
	Fiscal 2016	Fiscal 2017	Change		Fiscal 2016	Fiscal 2017	Change	
		Increase (Decrease) (B)-(A)	(B)/(A)x100			Increase (Decrease) (D)-(C)	(D)/(C)x100	
	(A)	(B)			(C)	(D)		
Shinkansen Network								
Commuter Passes	1,740	1,754	14	100.8	23.6	23.8	0.2	101.1
Other	21,108	21,422	314	101.5	554.5	560.5	5.9	101.1
Total	22,848	23,176	328	101.4	578.2	584.3	6.1	101.1
Conventional Lines								
<i>Kanto Area Network</i>								
Commuter Passes	69,908	70,202	293	100.4	452.3	456.0	3.7	100.8
Other	35,966	36,113	147	100.4	703.8	707.0	3.1	100.4
Total	105,875	106,315	440	100.4	1,156.1	1,163.0	6.8	100.6
<i>Other Network</i>								
Commuter Passes	3,083	3,074	(8)	99.7	18.4	18.4	(0.0)	100.0
Other	2,621	2,530	(90)	96.5	52.0	50.2	(1.7)	96.6
Total	5,704	5,605	(99)	98.3	70.5	68.7	(1.7)	97.5
<i>Total</i>								
Commuter Passes	72,992	73,276	284	100.4	470.8	474.5	3.7	100.8
Other	38,587	38,644	56	100.1	755.8	757.2	1.3	100.2
Total	111,579	111,921	341	100.3	1,226.7	1,231.8	5.1	100.4
Total								
Commuter Passes	74,732	75,031	298	100.4	494.4	498.4	3.9	100.8
Other	59,695	60,066	370	100.6	1,310.4	1,317.8	7.3	100.6
Total	134,428	135,098	669	100.5	1,804.9	1,816.2	11.2	100.6

Notes:1. Amounts less than one million passenger kilometers and 100 million yen are omitted.

2. Passenger Kilometers was previously calculated based on the date of sale. However, from the fiscal year ending March 31, 2017, the Company has changed to a calculation method based on the effective start date.

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