

Consolidated Financial Results for the Six-Month Period Ended September 30, 2018 (Japanese GAAP) (Unaudited)

Fiscal 2019 (Year ending March 31, 2019)

“Second Quarter” means the six months from April 1 to September 30.

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.

October 29, 2018

East Japan Railway Company

Stock Exchange Listing	Tokyo
Securities Code	9020
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Preparation of Supplementary Explanations of Quarterly Financial Results:	No
Quarterly Financial Results Presentation to Be Held:	Yes

1. Consolidated Results for the Six-Month Period Ended September 30, 2018 (April 1, 2018—September 30, 2018)

(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 corresponding period in 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 2019, 2nd Quarter	1,486,993	1.5	292,226	(0.0)	266,474	0.3	178,903	0.2
Fiscal 2018, 2nd Quarter	1,464,820	2.1	292,343	5.3	265,699	8.5	178,595	8.4

Note: Comprehensive income – Fiscal 2019, 2nd Quarter: 190,134 million yen (a decrease of 0.7%), Fiscal 2018, 2nd Quarter: 191,491 million yen (an increase of 21.8%)

	Earnings per share —Basic	Earnings per share —Diluted
	Yen	Yen
Fiscal 2019, 2nd Quarter	467.85	—
Fiscal 2018, 2nd Quarter	462.23	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Fiscal 2019, 2nd Quarter	8,054,346	3,017,345	37.1
Fiscal 2018	8,147,676	2,884,552	35.1

Reference: Shareholders' equity – Fiscal 2019, 2nd Quarter: 2,991,135 million yen, Fiscal 2018: 2,859,330 million yen

2. Dividends (Year Ended March 31, 2018 and Year Ending March 31, 2019)

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	70.00	—	70.00	140.00
Fiscal 2019	—	75.00	—	—	—
(Forecast) Fiscal 2019	—	—	—	75.00	150.00

Note: Revisions to the most recently disclosed dividend forecasts: No

3. Forecasts for Fiscal 2019 (Year Ending March 31, 2019)

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

	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
Fiscal 2019	2,994,000	1.5	482,000	0.1	440,000	0.0	289,000	0.0	758.21

Note: Revisions to the most recently disclosed earnings forecasts: No

Notes

(1) Changes to principal subsidiaries during the period : No

(Indicates whether changes have occurred in specified subsidiaries in accordance with changes in the scope of consolidation)

Newly consolidated — excluded —

(2) Application of special accounting treatment in preparing the quarterly consolidated financial statements: No

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

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

(4) Number of issued shares (common stock)

- i Issued shares at period-end (including treasury stock) 2nd Quarter, Fiscal 2019 381,822,200 shares Fiscal 2018 385,655,500 shares
- ii Treasury stock at period-end 2nd Quarter, Fiscal 2019 660,762 shares Fiscal 2018 659,915 shares
- iii Average number of shares during period 2nd Quarter, Fiscal 2019 382,394,737 shares 2nd Quarter, Fiscal 2018 386,377,431 shares

※ The quarterly financial results are not subject to quarterly review procedures by certified public accountants or audit corporations.

※ 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 “Qualitative Information on Consolidated Performance Outlook” on page 7 in the Attachments. Further, the non-consolidated performance outlook is on the next page.

(Reference)

Forecasts of the Non-consolidated Results for Fiscal 2019 (Year Ending March 31, 2019)

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

	Operating revenues		Operating income		Ordinary income		Profit		Earnings per share—Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2019	2,107,000	0.7	387,000	(2.1)	349,000	(2.8)	240,000	(2.9)	629.11

Note: Revisions to the most recently disclosed earnings forecasts: No

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(Unless otherwise stated, all comparisons are between the six months from April 1, 2018, to September 30, 2018, and the six months from April 1, 2017, to September 30, 2017.)

(1) Qualitative Information on Consolidated Operating Results

In the first six months of the fiscal year ending March 31, 2019 (from April 1, 2018, to September 30, 2018; the second quarter), the Japanese economy improved in such areas as employment and income conditions and continued to recover gradually. In July 2018, the JR East Group established a new management vision for the Group, JR East Group Management Vision “Move Up” 2027, and revised the JR East Group Philosophy in order for the Group to make a concerted effort to boldly confront the challenge of new growth strategies and realize sustained growth, in anticipation of drastic change in the Group’s business environment, such as population decline and commercialization of autonomous driving. In light of this, JR East executed various initiatives with a sense of speed centered on transportation services, life-style services and IT & *Suica* services.

As a result of these initiatives, during the second quarter, operating revenues increased 1.5%, to ¥1,486.9 billion, due in part to growth in JR East’s transportation revenues. Meanwhile, operating income was nearly at the same level as it was in the same period of the previous fiscal year, at ¥292.2 billion, as a result of such factors as an increase in non-personnel expenses. In addition, ordinary income increased slightly by 0.3%, to ¥266.4 billion, mainly due to a decrease in interest expense. Furthermore, profit attributable to owners of parent increased 0.2%, to ¥178.9 billion.

① Pursuing ultimate safety levels and implementing ESG management

The JR East Group will work to resolve social issues through its businesses and contribute to the development of local communities to gain greater trust from local community members and customers and thereby achieve sustainable growth. Furthermore, the Group will pursue ultimate safety levels and implement ESG management based on three perspectives: environment, society and governance (ESG).

【Pursuing ultimate safety levels】

Based on “Move Up” 2027, the JR East Group will continue to pursue ultimate safety levels by focusing on safety as its top management priority and thoroughly reinforcing this shared understanding among all of its employees. Specifically, in railway operations JR East sought to eliminate accidents due to internal causes by promoting on a Groupwide level the enhancement of “safety management,” the evolution of “safety conduct” by each employee and the strategic and proactive installation of safety equipment.

(Specific measures)

- More practical educational and training activities to deepen each employee’s understanding of the nature of their work
- Exchange of opinions among Group companies and other companies to enhance safety within the Group as a whole
- Preparations in October 2018 to expand and renovate the Accident History Exhibition Hall to ensure that all Group employees will not forget past accidents and will gain a deep understanding of the lessons learned from these accidents
- Additional seismic reinforcement covering more areas and facilities to be prepared for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area
- Installation of automatic platform gates based on a policy of introducing them to all 330 railway stations on main conventional lines in the Tokyo metropolitan area by around March 31, 2033, to steadily reduce injury- or death-causing accidents on railway platforms
- Increase in number of security cameras in railcars on Shinkansen lines and on conventional lines in the Tokyo metropolitan area
- Preparations to equip railcars on Shinkansen and Shinkansen stations with crime prevention/self-defense equipment
- Examinations aimed at the formulation of the next five-year safety plan taking into account “Safety Plan 2018”

【Service quality reforms】

Based on the “Medium-term Vision for Service Quality Reforms 2020,” the JR East Group accelerated various initiatives, including prevention of transportation service disruptions and prevention of spread of their impact on passengers as well as strengthening of information provision. Through these initiatives, the Group worked to realize its aim of becoming No. 1 for customer satisfaction in the Japanese railway industry. Furthermore, in regard to the disruption to transportation services on Shinkansen lines and conventional lines in the Tokyo metropolitan area, JR East conducted an analysis of the cause of these disruptions and steadily made efforts to prevent their reoccurrence.

(Specific measures)

- Improvement of electrical equipment on conventional lines in the Tokyo metropolitan area to steadily reduce transportation disruptions due to internal causes
- Strengthening of the framework to be able to run flexible shuttle operations taking into consideration the disruption of transportation services due to a railcar failure that occurred between Sendai and Furukawa on the Tohoku Shinkansen Line in June 2018

- Examination of work methods for rapid restoration of services taking into account the disruption of transportation services that occurred following emission of smoke from tracks between Shin-kiba and Kasai-Rinkai Park on the Keiyo Line in September 2018
- Promotion of improvements related to the planned suspension of operations on conventional lines in September 2018 to prevent the spread of typhoon damage, giving consideration to such matters as how to provide information to customers and when to resume operations
- Construction on the Tohoku, Joetsu, and Hokuriku Shinkansen lines to eliminate areas in tunnels where mobile phone connection is poor to complete countermeasures around the summer of 2020
- Collaboration with other railway operators and companies on a campaign, starting in September 2018, to strengthen efforts to support customers encouraging our personnel to proactively ask customers whether they require assistance, from September 2018
- Conclusion of an agreement in September 2018 with the Sano Educational Foundation (KANANDA GAIGO GROUP) in relation to a comprehensive alliance for cooperation to strengthen its ability to handle inbound travel demand, among other matters
- Continued efforts to improve services for overseas visitors to Japan in such ways as increasing the number of staff that can provide foreign language guidance within train stations and opening the *JR EAST Travel Service Center* in Hamamatsucho Station

【Environment】

The JR East Group moved forward with efforts toward the prevention of global warming. These efforts focused on three perspectives: conserving energy, generating energy and introducing new technologies. In addition, the Group worked to diversify its energy sources through the use of hydrogen.

(Specific measures)

- Entry into a basic agreement in September 2018 for a comprehensive business partnership centered on a hydrogen-based mobility partnership between railways and automobiles with Toyota Motor Corporation
- Commencement of commercial operations in April 2018 of a woody biomass power plant in Hachinohe City, Aomori Prefecture, in collaboration with Sumitomo Forestry Co., Ltd., and others
- Development of Oga Station on the Oga Line as an “ecoste” model station in July 2018
- Development of operating styles that conserve energy to realize power-saving operation

② Realizing affluent lives for “everyone”

By creating new value and services with a focus on people and by reinforcing its network with a focus on technologies and information, the JR East Group aims to help all people (“everyone”) achieve affluent lives and thereby sustain its growth.

【Strengthening transportation network centered on technologies and information】

In June 2018 the Group established the Technology Innovation Headquarters as a cross-department in-house organization. In doing so, the Group took steps to expand collaborations with outside parties and conducted research and development and verification tests.

(Specific measures)

- Commencement of verification tests in August 2018 with respect to *Ringo Pass*, a new smartphone app linked to *Suica* and credit cards, to enable seamless use of multiple means of transportation, such as shared bicycles
- Joint preparations with Tokyu Corporation and others for the implementation in 2019 of verification tests in the Izu area for integrated secondary transportation services that enable seamless travel to desired destinations
- Progress in design and production toward the May 2019 launch of ALFA-X, a test railcar aimed at realizing the next generation of Shinkansen
- Establishment of a practical technology for the remote monitoring of track status through track facility monitoring devices onboard conventional line operational railcars as well as preparations for its introduction to 50 line segments by March 31, 2021

【Making *Suica* a shared infrastructure】

The JR East Group proceeded with the introduction of *Suica* as a shared infrastructure to enable the use of *Suica* in a variety of situations by linking it with various payment methods and apps. As a result, the number of *Suica* cards issued and outstanding was approximately 72.58 million as of September 30, 2018.

(Specific measures)

- Commencement of a new service in April 2018 called *Touch de Go! Shinkansen*, which enables the use of *Suica* for non-reserved seats in the ordinary cars of Shinkansen services on the line segment between Tokyo and Nasushiobara on the Tohoku Shinkansen Line and on other line segments
- Achievement of compatibility with the Google Pay payment service in May 2018 and improvement of convenience of *Suica* in relation to mobile terminals
- Joint offering of *Mizuho Suica*, a service that enables direct deposits from Mizuho Bank accounts without the need for card issuance, with Mizuho Bank, Ltd., starting in August 2018
- An alliance with Seven Bank, Ltd., and preparations for to allow deposits into public transportation electronic money accounts, among other transactions, from the Seven Bank ATMs, beginning in October 2018
- Preparations for a new Shinkansen IC ticket service, which will be linked with the *eki-net* Internet service used to

- make advance purchases for JR tickets to be introduced at the end of fiscal 2020
- Progress in the joint system development with Sony Imaging Products & Solutions Inc. of a regionally linked IC card, to be offered starting in spring 2021, that combines the functions of *Suica* and those of the IC public transportation cards of regional transportation systems

【Making cities more comfortable】

The JR East Group will establish an environment where customers can seamlessly use services for their daily lives through optimal combinations of transportation, purchases and payments, thereby making cities more comfortable. In light of this goal, the Group took a variety of measures, such as reform of transportation service quality and efforts to create lifestyles (town development) in preparation for the Tokyo 2020 Olympic and Paralympic Games.

(Specific measures)

- Preparations for the operation of a new limited express service for tourists from spring 2020, which will promote the “real charm” of the Izu area
- Preparations to introduce new Series E235 railcars to the Yokosuka Line and the Sobu Line Rapid Service in fiscal 2021
- Expansion of the *mamorail* service that watches over children to 244 railway stations on 15 line segments in the Tokyo metropolitan area in April 2018 in collaboration with CENTRAL SECURITY PATROLS CO., LTD.
- Efforts to open a cumulative total of 150 child-rearing-support facilities by March 31, 2023 (cumulative total of 128 child-rearing-support facilities as of September 30, 2018)
- Integration of *JRE POINT* with *View Thanks Point* in June 2018 (membership of *JRE POINT* reached approx. 9.58 million people as of September 30, 2018)
- Issuance of the *JRE CARD* credit card, which offers bargains for shopping at *JRE POINT* compatible stores, in July 2018
- Preparations to implement the second phase of verification tests of an unmanned store with AI-enabled payment systems at Akabane Station from October 2018
- Construction below, including on station buildings, to increase the overall appeal and value of local towns together with local communities
 - Phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE* (Tokyo), scheduled for opening in fiscal 2020
 - The *Yokohama Station West Exit Station Building* (provisional name), scheduled for opening in 2020
 - The *Gotanda East Exit Building* (provisional name), scheduled for opening in spring 2020
 - The *Takeshiba Waterfront Development Project*, scheduled for staged completion starting in spring 2020
 - The *Kawasaki Station West Exit Development Plan*, scheduled for completion in spring 2021
 - The *World Trade Center South Hall* (Tokyo), scheduled for opening in 2021
- Construction of hotels below to establish a hotel chain with more than 10,000 guest rooms by around 2020
 - HOTEL METS Akihabara* (provisional name), scheduled for opening in autumn 2019
 - HOTEL METS Shin-Kiba* (provisional name), scheduled for opening in autumn 2019
 - HOTEL Metropolitan Kamakura* (provisional name), is scheduled for opening in spring 2020
- Construction toward the provisional opening of Shinagawa New Station (provisional name) in spring 2020 and commencement of procedures related to urban planning of the northern peripheral area of Shinagawa Station in September 2018 for the opening of the town around 2024
- Upgrade of railway stations near stadiums to complete them around spring 2020, as part of its role as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games
- Opening of a sports entertainment complex, *SPORU SHINAGAWA OIMACHI*, which enables users to experience the sports of the Tokyo 2020 Olympic and Paralympic Games, in August 2018

【Making regional areas more affluent】

The JR East Group will stimulate flows of people and goods between the Tokyo metropolitan area and regional areas and make regional areas more affluent. In consideration of this aim, the Group advanced various measures, including town development centered on regions where core train stations are located and increasing passenger traffic through tourism promotion.

(Specific measures)

- Enabling transfers between the Shinkansen line and conventional lines on the same platform of Niigata Station in connection with the completion of the first phase of its station-elevation project in April 2018
- Identification and distribution of information about the many different attractions of regional areas through the operation of the *TRAIN SUITE SHIKI-SHIMA* cruise train
- Progress in the *sextic industrialization* of agriculture in coordination with regional producers, processors, and other participants
- Conclusion of an agreement with JAPAN POST Co., Ltd., in June 2018 toward revitalizing regional communities
- Opening of a sports medicine clinic in May 2018 near Akita Station and progress in construction of *JR Akita Gate Arena* (provisional name), scheduled for completion in winter 2019
- Construction toward the complete renewal and reopening of Tsuchiura Station Building as a base for cyclists from autumn 2019

In particular, to restore line segments on the Pacific coast severely damaged by the Great East Japan Earthquake, JR East worked in close collaboration with the national government and relevant local authorities and made progress in the

rebuilding of the area as a whole.

(Specific measures)

- Efforts to restore the line segment between Miyako and Kamaishi on the Yamada Line, the operation of which is to be transferred to Sanriku Railway Company, for opening in March 2019 and completed the main construction in relation to railway facilities
- Progress in restoration work to restore operations between Tomioka and Namie on the Joban Line by March 31, 2020

Further, in June 2017 JR East and Fukushima Prefecture reached an agreement to restore operations on the line segment between Aizu-Kawaguchi and Tadami on the Tadami Line, suspended since July 2011 due to damage sustained from heavy rains, whereby ownership and operation of railway facilities will be separated. To facilitate this agreement, JR East commenced construction to restore operations on this segment in June 2018.

【Developing businesses for the world】

The JR East Group developed transportation services and life-style services overseas to meet the needs of its target countries and offer more affluent lifestyles.

(Specific measures)

- Commencement of operations of the West Midlands franchise, a passenger rail franchise in the United Kingdom, together with Mitsui & Co., Ltd. and Abellio UK (the U.K. subsidiary of Nederlandse Spoorwegen N.V. Group)
- Preparations for the opening of *LUMINE JAKARTA* (Indonesia), the second overseas store of subsidiary Lumine Co., Ltd., in December 2018
- Preparations for developing and operating commercial facilities in Taipei, which will be jointly operated by the subsidiary Atré Co., Ltd. and Mitsui & Co., Ltd., among other companies
- Preparations for the opening of *JAPAN RAIL CAFE Taiwan*, a cafe that will serve as a base for disseminating information for visitors to Japan, through a local subsidiary in Taiwan

Segment Information

Transportation

In the Transportation segment, JR East made efforts that gave priority to increasing the safety and reliability of transportation. At the same time, JR East advanced measures centered on railways to promote the use of its transportation networks and thereby achieve reliable revenues. Specifically, JR East conducted the *Honmono no Deai Tochigi* Destination Campaign to increase inter-regional railway travel. In addition, JR East operated a special Shinkansen service from Omiya Station to Shin-Hakodate Hokuto for the first time in June and July 2018. In order to capitalize on the high demand from visitors to Japan, JR East promoted the sale of products aimed at overseas visitors. At the same time, JR East enhanced the lineup of such tourist-oriented products as *air and land* Japan visit travel packages that offer railway services and flights in coordination with airlines in Asia. JR East also operated an access train in September 2018 in cooperation with Sendai Rinkai Railway, Co. Ltd. while a cruise ship was docked at the Port of Sendai.

As a result of these initiatives, JR East's number of passengers for railway operations exceeded that during the same period of the previous fiscal year, and operating revenues in the Transportation segment increased 0.7%, to ¥1,062.4 billion. On the other hand, operating income declined 1.0%, to ¥219.8 billion, due in part to increases in non-personnel expenses.

Retail & Services

In the Retail & Services segment, JR East made efforts toward lifestyle development (town development) and enhanced the value of existing businesses. Specifically, in order to strengthen the development capabilities of stores in station concourses, in April 2018 JR East subsidiary JR East Retail Net Co., Ltd., conducted an absorption-type merger of subsidiary JR East Station Retailing Co., Ltd., as a result of which JR East Water Business Co., Ltd. became a 100% subsidiary. Additionally, JR East held *Minna ga Okuritai. JR East Omiyage Grand Prix 2018*, featuring representative souvenirs from JR East's service area, in July 2018. JR East also proceeded with the renewal of private brand products at *NewDays* convenience stores.

As a result of these initiatives, in addition to the favorable sales at stores in Tokyo Station and other stations, operating revenues of the Retail & Services segment increased 2.0%, to ¥287.6 billion, and operating income increased 2.0%, to ¥19.7 billion.

Real Estate & Hotels

In the Real Estate & Hotels segment, JR East proceeded with development projects that reflected an awareness of lifestyle (local and town) development in line-side areas and surrounding areas of large-scale terminal stations, including those in the Tokyo metropolitan area to increase the overall appeal and value of local towns together with local communities. Specifically, JR East completed the opening in April 2018 of the *COTONIOR GARDEN Shin-Kawasaki* (Kanagawa) facility intended for interaction among people across generations. JR East also completed the opening of *PERIE CHIBA* (Chiba) in June 2018. In addition, JR East commenced preparations to open *JR East HOTEL METS SAPPORO* (provisional name), which will become the first facility JR East has opened outside of eastern Japan.

As a result of these initiatives, as well as increased revenues following the opening of such locations as *Hotel Metropolitan Sendai East* (Miyagi), and *Hotel Metropolitan Saitama-Shintoshin* (Saitama), operating revenues of the Real Estate & Hotels segment increased 3.0%, to ¥180.9 billion. Similarly, operating income increased 1.5%, to ¥43.2 billion.

Others

In *Suica* shopping services (electronic money), JR East continued to actively increase the number of compatible stores through efforts that included the introduction of *Suica* electronic money to chain stores that operate extensively. As a result, in July 2018 monthly transactions for *Suica* and other public transportation electronic money surpassed 200 million transactions. With respect to participation in overseas railway projects, through the subsidiary Japan International Consultants for Transportation Co., Ltd., JR East provided consultation services for the “General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project” and supervised the construction of a training center for National High Speed Rail Corporation Limited (NHSRC) in India.

In addition to the above efforts, operating revenues from Others increased 9.3%, to ¥105.5 billion, due to increased revenues from information processing operations and IC cards, while operating income increased 13.9%, to ¥8.5 billion.

- 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. Google Pay is a trademark of Google LLC.

(2) Qualitative Information on Consolidated Financial Position

In the six months ended September 30, 2018, net cash provided by operating activities was ¥290.3 billion, a decrease of ¥49.7 billion compared with the same period of the previous fiscal year. This was mainly due to increases in payments of income taxes.

Net cash used in investing activities came to ¥266.0 billion, a decrease of ¥17.8 billion compared with the same period of the previous fiscal year. This was mainly due to increases in proceeds from construction grants.

Net cash used in financing activities was ¥80.7 billion, a decrease of ¥25.8 billion compared with the same period of the previous fiscal year. This was mainly due to increases in proceeds from interest-bearing debt.

Consequently, cash and cash equivalents at the end of the period, September 30, 2018, were ¥258.5 billion, a decrease of ¥56.3 billion from March 31, 2018.

In addition, the balance of consolidated interest-bearing debt was ¥3,172.3 billion as of September 30, 2018.

(3) Qualitative Information on Consolidated Performance Outlook

1. Basic management policy (the JR East Group Philosophy)

We will earn the trust of our customers as a whole group by aiming for ultimate safety levels as our top priority.

We will strengthen our network capabilities focusing on technologies and information, and we are committed to helping our customers and people in communities to realize affluent lives.

2. Medium-term strategies for the Company's management

Given that its strengths lie in its multilayered "real" network that supports social infrastructure, the JR East Group will, based on the JR East Group Management Vision "Move Up" 2027, reinforce its network with a focus on technologies and information. With a focus on all people ("everyone"), and with "Safety," "People's daily lives," and the "Happiness of its employees and their families" as keywords, the JR East Group will help customers and members of local communities realize affluent lives.

In response to the changing times, the Group will continue to confront challenges as business opportunities. The Group will meet customer needs to an even greater extent and achieve, as a corporate group, sustainable growth that contributes to the development of regional areas.

3. Management benchmarks

With respect to the numerical targets of "Move Up" 2027, the JR East Group has set targets for fiscal 2023, the midway point in the period covered by "Move Up" 2027. The specific numerical targets for fiscal 2023 are as follows.

Consolidated operating revenues in fiscal 2023 ¥3,295.0 billion	Transportation	¥2,100.0 billion
	Retail & Services	¥660.0 billion
	Real Estate & Hotels	¥440.0 billion
	Others	¥95.0 billion
Consolidated operating income in fiscal 2023 ¥520.0 billion	Transportation	¥330.0 billion
	Retail & Services	¥56.0 billion
	Real Estate & Hotels	¥109.0 billion
	Others	¥26.0 billion
Five-year total for consolidated operating cash flow up to fiscal 2023		¥3,720.0 billion
Consolidated ROA for fiscal 2023		6.0%

After reviewing the operating results for the second quarter ended September 30, 2018, JR East has maintained its consolidated full-term business forecast for the fiscal year ending March 31, 2019, which it announced on April 27, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

Millions of Yen

	Fiscal 2018 (As of March 31, 2018)	Fiscal 2019, 2nd Quarter (As of September 30, 2018)
ASSETS		
Current Assets	¥ 951,898	¥ 903,440
Cash and time deposits	255,102	168,766
Notes and accounts receivable-trade	475,522	451,609
Fares receivable	48,217	50,571
Short-term loans receivable	4,686	4,998
Securities	60,000	90,000
Real estate for sale	451	1,387
Inventories	62,061	78,704
Other	47,378	59,038
Allowance for doubtful accounts	(1,521)	(1,636)
Fixed Assets	7,195,580	7,150,532
Property, plant and equipment, net of accumulated depreciation	6,500,745	6,450,266
Buildings and fixtures (net)	3,362,214	3,334,373
Machinery, rolling stock and vehicles (net)	726,158	698,521
Land	2,020,741	2,024,721
Construction in progress	319,903	324,128
Other (net)	71,727	68,522
Intangible assets	112,499	106,116
Investments and other assets	582,335	594,149
Investments in securities	287,544	308,133
Long-term loans receivable	2,065	2,049
Deferred tax assets	228,086	219,002
Net defined benefit assets	173	312
Other	65,433	65,631
Allowance for doubtful accounts	(968)	(980)
Deferred Assets	197	373
Total Assets	¥8,147,676	¥8,054,346

Note: Amounts less than one million yen are omitted.

	Millions of Yen	
	Fiscal 2018, (As of March 31, 2018)	Fiscal 2019, 2nd Quarter (As of September 30, 2018)
LIABILITIES		
Current Liabilities	¥1,434,328	¥1,150,723
Notes and accounts payable-trade	59,536	52,919
Short-term loans and current portion of long-term loans	119,707	50,815
Current portion of bonds	164,999	135,000
Current portion of long-term liabilities		
incurred for purchase of railway facilities	4,257	4,203
Payables	492,574	256,127
Accrued consumption taxes	22,316	37,369
Accrued income taxes	64,712	79,002
Fare deposits received with regard to railway connecting services	24,431	25,723
Prepaid railway fares received	100,523	109,560
Allowance for bonuses to employees	76,544	82,108
Allowance for earthquake-damage losses	1,940	2,328
Allowance for partial transfer costs of railway operation	10,332	9,931
Other	292,451	305,631
Long-Term Liabilities	3,828,795	3,886,277
Bonds	1,605,134	1,610,163
Long-term loans	964,138	1,050,294
Long-term liabilities incurred for purchase of railway facilities	332,288	330,051
Deferred tax liabilities	3,053	2,944
Provision for large-scale renovation		
of Shinkansen infrastructure	48,000	60,000
Allowance for earthquake-damage losses	9,110	8,535
Allowance for partial transfer costs of railway operation	2,688	2,688
Net defined benefit liabilities	601,163	580,376
Other	263,216	241,223
Total Liabilities	¥5,263,124	¥5,037,000
NET ASSETS		
Shareholders' Equity	¥2,787,347	¥2,908,976
Common stock	200,000	200,000
Capital surplus	96,729	96,796
Retained earnings	2,496,074	2,617,678
Treasury stock, at cost	(5,457)	(5,498)
Accumulated Other Comprehensive Income	71,983	82,159
Net unrealized holding gains (losses) on securities	63,338	71,605
Net deferred gains (losses) on derivatives under		
hedge accounting	730	2,048
Revaluation reserve for land	(473)	(473)
Foreign currency translation adjustments	—	(1)
Remeasurements of defined benefit plans	8,387	8,980
Non-Controlling Interests	25,222	26,209
Total Net Assets	2,884,552	3,017,345
Total Liabilities and Net Assets	¥8,147,676	¥8,054,346

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 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)
Operating Revenues	¥1,464,820	¥1,486,993
Operating Expenses	1,172,476	1,194,766
Transportation, other services and cost of sales	896,608	905,227
Selling, general and administrative expenses	275,868	289,539
Operating Income	292,343	292,226
Non-Operating Income	8,654	8,252
Interest income	26	26
Dividend income	2,989	3,188
Equity in net income of affiliated companies	467	2,114
Other	5,171	2,923
Non-Operating Expenses	35,298	34,004
Interest expense	32,790	31,515
Other	2,508	2,488
Ordinary Income	265,699	266,474
Extraordinary Gains	8,814	41,152
Construction grants received	2,883	32,935
Other	5,930	8,216
Extraordinary Losses	13,424	47,556
Losses on reduction entry for construction grants	2,745	32,838
Other	10,678	14,718
Income before Income Taxes	261,089	260,070
Income Taxes	81,335	80,132
Current	76,372	74,550
Deferred	4,963	5,581
Profit	179,754	179,938
Profit Attributable to Non-Controlling Interests	1,158	1,034
Profit Attributable to Owners of Parent	¥ 178,595	¥178,903

Note: Amounts less than one million yen are omitted.

(ii) Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)
Profit	¥179,754	¥179,938
Other Comprehensive Income	11,737	10,196
Net unrealized holding gains (losses) on securities	10,214	7,660
Net deferred gains (losses) on derivatives under hedge accounting	300	486
Foreign currency translation adjustments	—	(1)
Remeasurements of defined benefit plans	(80)	(104)
Share of other comprehensive income of associates accounted for using equity method	1,302	2,155
Comprehensive Income	¥191,491	¥190,134
Comprehensive Income attributable to		
Comprehensive income attributable to owners of the parent	¥190,320	¥189,079
Comprehensive income attributable to non-controlling interests	¥ 1,170	¥ 1,054

Note: Amounts less than one million yen are omitted.

(3) Consolidated Statements of Cash Flows (Unaudited)

EAST JAPAN RAILWAY COMPANY AND SUBSIDIARIES

	Millions of Yen	
	Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)
Cash Flows from Operating Activities		
Income before income taxes	¥261,089	¥260,070
Depreciation	177,992	180,155
Amortization of long-term prepaid expense	3,781	4,182
Net change in provision for large-scale renovation of Shinkansen infrastructure	12,000	12,000
Net change in net defined benefit liabilities	(19,413)	(20,920)
Interest and dividend income	(3,015)	(3,215)
Interest expense	32,790	31,515
Construction grants received	(2,883)	(32,935)
Losses from disposition of fixed assets	10,477	8,822
Losses from provision for cost reduction of fixed assets	2,745	32,838
Net change in major receivables	13,758	13,520
Net change in major payables	(50,775)	(88,520)
Other	(10,051)	(12,102)
Sub-total	428,495	385,411
Proceeds from interest and dividends	3,552	3,831
Payments of interest	(32,777)	(31,600)
Payments of earthquake-damage losses	(7,797)	(3,008)
Payments of partial transfer costs of railway operation	(1,965)	(3,281)
Payments of income taxes	(49,444)	(60,999)
Net cash provided by operating activities	340,063	290,353
Cash Flows from Investing Activities		
Payments for purchases of fixed assets	(302,587)	(300,924)
Proceeds from sales of fixed assets	636	3,982
Proceeds from construction grants	23,878	29,116
Payments for purchases of investments in securities	(4,959)	(1,384)
Proceeds from sales of investments in securities	2,172	2,423
Other	(2,974)	770
Net cash used in investing activities	(283,833)	(266,016)
Cash Flows from Financing Activities		
Proceeds from long-term loans	44,000	88,500
Payments of long-term loans	(38,183)	(71,235)
Proceeds from issuance of bonds	50,000	60,000
Payments for redemption of bonds	(89,900)	(85,000)
Payments of liabilities incurred for purchase of railway facilities	(2,187)	(2,290)
Payments of acquisition of treasury stock	(40,010)	(41,010)
Cash dividends paid	(25,290)	(26,972)
Other	(4,982)	(2,734)
Net cash used in financing activities	(106,554)	(80,744)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	(27)
Net Change in Cash and Cash Equivalents	(50,324)	(56,434)
Cash and Cash Equivalents at Beginning of the Period	287,125	314,934
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	568	98
Increase in Cash and Cash Equivalents Resulting from Absorption-Type Demerger	3	—
Cash and Cash Equivalents at End of the Period	¥237,373	¥258,598

Note: Amounts less than one million yen are omitted.

(4) Notes to Quarterly Consolidated Financial Statements (Unaudited)

(Notes on Going Concern Assumption (Unaudited))

None

(Segment Information (Unaudited))

(Information related to amounts of operating revenues, income, and loss of each reportable segment)

Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Millions of Yen						Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	
Operating Revenues							
Outside customers	¥1,015,433	¥252,639	¥165,956	¥30,790	¥1,464,820	¥ —	¥1,464,820
Inside group	39,611	29,291	9,781	65,768	144,453	(144,453)	—
Total	1,055,045	281,931	175,738	96,559	1,609,273	(144,453)	1,464,820
Segment income	¥ 222,171	¥ 19,399	¥ 42,652	¥ 7,500	¥ 291,725	¥ 618	¥ 292,343

- Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥618 million adjustment to segment income includes a ¥716 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(56) million elimination for intersegment transactions.
3. Segment income is adjusted to ensure consistency with the operating income set forth in the quarterly consolidated statements of income.

Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)	Millions of Yen						Quarterly Consolidated Statements of Income (Note 3)
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	
Operating Revenues							
Outside customers	¥1,021,924	¥256,460	¥170,845	¥37,763	¥1,486,993	¥ —	¥1,486,993
Inside group	40,476	31,171	10,123	67,773	149,546	(149,546)	—
Total	1,062,400	287,631	180,969	105,537	1,636,539	(149,546)	1,486,993
Segment income	¥ 219,880	¥ 19,788	¥ 43,286	¥ 8,545	¥ 291,500	¥ 725	¥292,226

- Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥725 million adjustment to segment income includes a ¥938 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(169) million elimination for intersegment transactions.
3. Segment income is adjusted to ensure consistency with the operating income set forth in the quarterly consolidated statements of income.

(Notes on Significant Changes in the Value of Shareholders' Equity (Unaudited))

Based on a resolution at a meeting of the Board of Directors convened on April 27, 2018, JR East acquired 3,833,300 shares of its common stock at a total cost of ¥40,999 million through open market purchases on the Tokyo Stock Exchange from May 1, 2018, to July 3, 2018, and the shares were designated as treasury stock. Further, based on a resolution at a meeting of the Board of Directors convened on July 18, 2018, JR East retired 3,833,300 shares of treasury stock on July 24, 2018, and reduced retained earnings by the ¥40,967 million book value of the said shares of treasury stock.

(Additional Information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

From the beginning of fiscal 2019 first quarter, JR East has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets are classified as part of "Investments and other assets," and deferred tax liabilities are classified as part of "Long-term liabilities."

(Additional Information Regarding Operating Results)

Consolidated Principal Indicators

	Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2018 (Year ended March 31, 2018)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)	Increase (Decrease)
	(A)	(B)	(C)	(C)-(A)
Cash flows from operating activities (billions of yen).....	340.0	704.1	290.3	(49.7)
Ratio of operating income to average assets (ROA) (%) ...	3.7	6.0	3.6	(0.1)
Return on average equity (ROE) (%).....	6.6	10.5	6.1	(0.5)

Numerical Targets for the Fiscal Year Ending March 31, 2023

	Billions of Yen				
	Actual Fiscal 2018	Forecast Fiscal 2019	Fiscal 2023 Targets	Change	
	(A)	(B)	(C)	Increase (Decrease) (C)-(A)	% (C)/(A)x100
Operating Revenues	2,950.1	2,994.0	3,295.0	344.8	111.7
Transportation.....	2,017.8	2,032.0	2,100.0	82.1	104.1
Retail & Services.....	514.9	521.0	660.0	145.0	128.2
Real Estate & Hotels.....	340.1	352.0	440.0	99.8	129.4
Others.....	77.1	89.0	95.0	17.8	123.1
Operating Income	481.2	482.0	520.0	38.7	108.0
Transportation.....	340.4	338.0	330.0	(10.4)	96.9
Retail & Services.....	38.9	40.0	56.0	17.0	143.6
Real Estate & Hotels.....	80.9	82.0	109.0	28.0	134.6
Others.....	22.5	23.0	26.0	3.4	115.1
Elimination and/or corporate.....	(1.6)	(1.0)	(1.0)	0.6	59.2

Note: The breakdown of operating revenues by business segment shows sales to outside customers.

Consolidated Capital Expenditures

	Billions of Yen					
	Actual Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Actual Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)	Change		Plans for Fiscal 2019	Change
	(A)	(B)	Increase (Decrease) (B)-(A)	% (B)/(A)x100		Increase (Decrease) year on year
Capital expenditures ..	159.0	165.0	5.9	103.8	645.0	94.5
Transportation.....	105.8	102.4	(3.4)	96.8	480.0	55.5
Non-transportation.....	53.2	62.6	9.3	117.7	165.0	38.9

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 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)	Change Increase (Decrease)		Fiscal 2018, 2nd Quarter (Six months ended September 30, 2017)	Fiscal 2019, 2nd Quarter (Six months ended September 30, 2018)	Change Increase (Decrease)	
(A)	(B)	(B)-(A)	(B)/(A)x100	(C)	(D)	(D)-(C)	(D)/(C)x100	
Shinkansen Network								
Commuter Passes	903	916	12	101.4	12.3	12.4	0.1	101.3
Other	11,002	11,098	96	100.9	284.1	288.5	4.4	101.6
Total	11,906	12,014	108	100.9	296.4	301.0	4.6	101.6
Conventional Lines								
<i>Kanto Area Network</i>								
Commuter Passes	36,005	36,208	203	100.6	233.0	234.5	1.4	100.6
Other	18,567	18,553	(13)	99.9	366.2	366.0	(0.2)	99.9
Total	54,572	54,761	189	100.3	599.2	600.5	1.2	100.2
<i>Other Network</i>								
Commuter Passes	1,590	1,586	(3)	99.8	9.4	9.4	(0.0)	99.7
Other	1,335	1,319	(16)	98.8	26.5	26.3	(0.2)	99.2
Total	2,925	2,905	(20)	99.3	36.0	35.7	(0.2)	99.3
<i>Total</i>								
Commuter Passes	37,595	37,794	199	100.5	242.4	243.9	1.4	100.6
Other	19,903	19,873	(30)	99.8	392.8	392.3	(0.4)	99.9
Total	57,498	57,667	169	100.3	635.2	636.3	1.0	100.2
Total								
Commuter Passes	38,499	38,710	211	100.5	254.8	256.4	1.6	100.6
Other	30,905	30,971	66	100.2	676.9	680.9	4.0	100.6
Total	69,404	69,682	278	100.4	931.7	937.3	5.6	100.6

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

2. 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.