

# Consolidated Financial Results for the Nine-Month Period Ended December 31, 2018 (Japanese GAAP) (Unaudited)

Fiscal 2019 (Year ending March 31, 2019)

"Third Quarter" means the nine months from April 1 to December 31.

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.

January 30, 2019

## East Japan Railway Company

Stock Exchange Listing	Tokyo
Securities Code	9020
URL	<a href="http://www.jreast.co.jp/e">http://www.jreast.co.jp/e</a>
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Scheduled Date for Release of a Quarterly Report	February 13, 2019
Scheduled Date of Dividend Payment Commencement	Not applicable
Preparation of Supplementary Explanations of Quarterly Financial Results:	No
Quarterly Financial Results Presentation to Be Held:	No

### 1. Consolidated Results for the Nine-Month Period Ended December 31, 2018 (April 1, 2018—December 31, 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	%
<b>Fiscal 2019, 3rd Quarter</b>	<b>2,253,172</b>	<b>2.1</b>	<b>440,520</b>	<b>0.6</b>	<b>404,422</b>	<b>1.2</b>	<b>272,790</b>	<b>1.5</b>
Fiscal 2018, 3rd Quarter	2,207,016	2.1	437,710	5.3	399,662	8.4	268,842	6.2

Note: Comprehensive income – Fiscal 2019, 3rd Quarter: 262,578 million yen (a decrease of 10.9%), Fiscal 2018, 3rd Quarter: 294,617 million yen (an increase of 8.4%)

	Earnings per share —Basic	Earnings per share —Diluted
	Yen	Yen
<b>Fiscal 2019, 3rd Quarter</b>	<b>714.14</b>	—
Fiscal 2018, 3rd Quarter	696.64	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
<b>Fiscal 2019, 3rd Quarter</b>	<b>8,123,401</b>	<b>3,061,033</b>	<b>37.4</b>
Fiscal 2018	8,147,676	2,884,552	35.1

Reference: Shareholders' equity – Fiscal 2019, 3rd Quarter: 3,034,128 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
<b>Fiscal 2019</b>	—	<b>75.00</b>	—	—	—
(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	<b>2,994,000</b>	<b>1.5</b>	<b>482,000</b>	<b>0.1</b>	<b>440,000</b>	<b>0.0</b>	<b>289,000</b>	<b>0.0</b>	<b>758.21</b>

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) 3rd Quarter, Fiscal 2019 381,822,200 shares Fiscal 2018 385,655,500 shares
- ii Treasury stock at period-end 3rd Quarter, Fiscal 2019 661,192 shares Fiscal 2018 659,915 shares
- iii Average number of shares during period 3rd Quarter, Fiscal 2019 381,982,075 shares 3rd Quarter, Fiscal 2018 385,915,403 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	<b>2,107,000</b>	<b>0.7</b>	<b>387,000</b>	<b>(2.1)</b>	<b>349,000</b>	<b>(2.8)</b>	<b>240,000</b>	<b>(2.9)</b>	<b>629.11</b>

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 nine months from April 1, 2018, to December 31, 2018, and the nine months from April 1, 2017, to December 31, 2017.)

## (1) Qualitative Information on Consolidated Operating Results

In the first nine months of the fiscal year ending March 31, 2019 (from April 1, 2018, to December 31, 2018; the third 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, the JR East Group Management Vision “Move Up” 2027, and revised the JR East Group Philosophy in order for the Group as a whole to boldly pursue the new growth strategies and realize sustained growth, in anticipation of the drastic change in the Group’s business environment, such as population decline and commercialization of autonomous driving. In light of this, JR East expeditiously executed various initiatives centered on transportation services, life-style services and IT & *Suica* services.

As a result of these initiatives, during the third quarter, operating revenues increased 2.1%, to ¥2,253.1 billion, due mainly to growth in JR East’s transportation revenues. Operating income edged up 0.6%, to ¥440.5 billion. In addition, ordinary income rose 1.2%, to ¥404.4 billion, owing in part to a decrease in interest expense. Furthermore, profit attributable to owners of parent increased 1.5%, to ¥272.7 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).

In consideration of the Tokyo Stock Exchange’s revisions to Japan’s Corporate Governance Code, JR East revised the “East Japan Railway Company Corporate Governance Guidelines” in November 2018 to realize sustainable growth and improve corporate value over the medium to long term, from the perspective of corporate governance.

#### 【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 established its seventh five-year safety plan “Group Safety Plan 2023” in November 2018 and continued to make efforts on a Groupwide level toward the enhancement and innovation of “safety management” and “safety conduct” by each employee as well as the installation of safety equipment that proactively leverages new technologies.

#### (Specific measures)

- Introduction of simulators for train crews that enable training using actual video as well as more practical educational and training activities to deepen each employee’s understanding of the nature of their work
- Exchange of opinions between the Company’s management and Group companies and other companies to enhance safety within the Group as a whole
- Expansion and renovation of the Accident History Exhibition Hall in October 2018 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 conventional lines in the Tokyo metropolitan area and preparations to do the same on Shinkansen lines
- Installation of crime prevention/self-defense equipment to railcars on Shinkansen and Shinkansen stations

#### 【Service quality reforms】

Based on the “Medium-term Vision for Service Quality Reforms 2020,” the JR East Group accelerated various initiatives, including to prevent transportation service disruptions and their impact on passengers from spreading as well as to strengthen 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
- Regarding the planned suspension of operations on conventional lines to prevent the spread of damage from typhoons and other natural disasters, gradual implementation of efforts to strengthen the provision of relevant

- information to customers through such means as social media and to ensure that operations resume smoothly
- Commencement of efforts to enhance foreign language guidance in light of the disruption of transportation services due to a railcar failure that occurred on the Tohoku Shinkansen Line in December 2018
- Promotion of efforts to improve mobile phone connection in Shinkansen tunnels that are in areas under the Company's control and expansion of segments where mobile phone services can be used on the Tohoku Shinkansen Line and Yamagata Shinkansen Line (Ou Main Line) in December 2018
- Collaboration with other railway operators and companies on a campaign to strengthen efforts to support customers, which encourages our personnel to proactively ask customers whether they require assistance
- Conclusion of an agreement in September 2018 with the Sano Educational Foundation (KANDA GAIGO GROUP) in relation to a comprehensive alliance for cooperation to strengthen the ability to handle demand from overseas visitors to Japan, 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 addressing 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
- Full-scale commencement of renewable energy business in collaboration with JFE Engineering Corporation that uses food waste from a food recycling plant located in Yokohama City, Kanagawa Prefecture, in November 2018

#### ② Realizing affluent lives for “everyone”

By creating new values 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 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 of verification tests during spring 2019 in the Izu area for tourism-oriented Mobility as a Service (MaaS)
- Progress in design and production of ALFA-X, a test railcar geared toward realizing the next generation of Shinkansen, with the aim of launching the railcar in May 2019
- Installation of track facility monitoring devices on conventional line operational railcars and preparations to introduce technology for the remote monitoring of track status to 50 line segments by March 31, 2021
- Adoption of 23 proposals received at the “JR EAST STARTUP PROGRAM 2018,” held with the aim of creating new businesses and services, and phased commencement of verification tests and other initiatives based on these proposals
- Verification test for AI guidance systems that respond to customer inquiries at terminal stations on the Yamanote Line and other locations in December 2018

#### 【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 74.14 million as of December 31, 2018.

#### (Specific measures)

- Commencement of *Touch de Go! Shinkansen* in April 2018, which enables the use of *Suica* for non-reserved seats 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
- Commencement of *Mizuho Suica* services, a type of electronic money that enables deposits from Mizuho Bank

- accounts without the need for card issuance, in collaboration with Mizuho Bank, Ltd., starting in August 2018
- An alliance with Seven Bank, Ltd., and commencement in October 2018 of service allowing customers to add money to their public transportation electronic money cards, and to make related transactions, at Seven Bank ATMs
- Preparations for a new Shinkansen IC ticket service, which will enable ticketless usage of Shinkansen lines through online reservation services such as *eki-net*, 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)

- Verification test for the development of facilities for automated railway operation on the Yamanote Line, with the aim of realizing “driverless operations”
- Preparations for the commencement of a verification test in January 2019 for *noricon*, a service on Shinkansen lines that transmits various content such as books and video
- 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 from 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 129 child-rearing-support facilities as of December 31, 2018)
- Integration of *JRE POINT* with *View Thanks Point* in June 2018 (membership of *JRE POINT* reached approx. 9.82 million people as of December 31, 2018)
- Issuance of the *JRE CARD* credit card, which offers bargains for shopping at *JRE POINT* compatible stores, from July 2018
- Implementation of the second phase of verification tests of an unmanned store with AI-enabled payment systems on platforms at Akabane Station
- Verification test for the shared office business *STATION WORK* inside Tokyo Station and at other locations in November 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 fall 2019
  - 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
  - JR Yokohama Tower* and *JR Yokohama Tsuruyacho Building* (Kanagawa Prefecture), scheduled for opening in 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
  - Scheduled for opening in autumn 2019: *HOTEL METS Akihabara* (provisional name)
  - HOTEL METS Shin-Kiba* (provisional name)
  - Scheduled for opening in spring 2020: *HOTEL METS Gotanda* (provisional name)
  - HOTEL Metropolitan Kawasaki* (provisional name)
  - HOTEL Metropolitan Kamakura* (provisional name)
  - Scheduled for opening during fiscal 2021: *HOTEL METS Sakuragicho* (provisional name)
- Construction toward the opening of Takanawa Gateway Station 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
- Steady preparations for environmental assessment regarding plans for the Haneda Airport Access Line concept
- 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* (Tokyo), 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 aimed at revitalizing regional communities and leveraging of the networks of both companies in November 2018 to carry out the trial sale of agricultural produce from Miyagi Prefecture on the day of harvest in Tokyo station
- Opening of a sports medicine clinic in May 2018 near Akita Station and progress in construction of *JR Akita Gate Arena* (provisional name), with a view to completion in winter 2019
- Implementation of a joint campaign with ALL NIPPON AIRWAYS CO., LTD. to establish new products that combine train and airline transport and strengthening of information transmission with the aim of promoting and increasing the flow of tourists to the Tohoku area
- Construction toward the remodelling and reopening of the entire Tsuchiura Station Building as *PLAY atre Tsuchiura* (Ibaraki), which will be one of Japan's largest resorts for cyclists, from autumn 2019, in order to promote urban development centered on Tsuchiura Station
- Verification test for automated driving technologies for buses on the bus rapid transit (BRT) route along the Ofunato Line in December 2018

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, completion of the main construction in relation to railway facilities, and examinations for commencing operations
- 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 and separate the ownership and operation of railway facilities on the line segment between Aizu-Kawaguchi and Tadami on the Tadami Line, suspended since July 2011 due to damage sustained from heavy rains. 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 Railway in the United Kingdom, together with Mitsui & Co., Ltd. and Abellio UK (the U.K. subsidiary of Nederlandse Spoorwegen N.V. Group)
- Opening of *LUMINE JAKARTA* (Indonesia), the second overseas store of subsidiary Lumine Co., Ltd., in December 2018
- Preparations at the subsidiary Atré Co., Ltd. for opening stores in commercial facilities in Taipei in January 2019 through collaboration with Mitsui & Co., Ltd., among other companies
- Preparations for the opening in January 2019 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. Further, JR East moved forward with preparations for revising train schedules and improving convenience, including efforts to shorten required travel times of certain trains for the *Hayabusa* and *Hayate* services on the Tohoku and Hokkaido Shinkansen lines.



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. Accordingly, operating revenues in the Transportation segment increased 1.4%, to ¥1,600.9 billion, and operating income rose 0.4%, to ¥329.6 billion.

### **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. Also, JR East held the *Ekiben Grand Prix 2018*, which communicates the appeal of boxed lunches sold at train stations, in fall 2018.

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 1.9%, to ¥438.2 billion, and operating income increased 1.7%, to ¥30.0 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, as part of its efforts to become a hotel chain with over 10,000 rooms by around fiscal 2020, JR East moved forward with preparations to open *JR East HOTEL METS SAPPORO* (Hokkaido), which will become the first facility JR East has opened outside of eastern Japan, by February 2019.

As a result of these initiatives, as well as the increased revenues following the opening of the entire *PERIE CHIBA* and the overall strong performance of the hotel business, operating revenues of the Real Estate & Hotels segment increased 3.0%, to ¥277.6 billion. Similarly, operating income rose 0.2%, to ¥66.5 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, such as *Yoshinoya*. Also, 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 10.1%, to ¥164.8 billion, due to increased revenues from information processing operations and IC cards, while operating income increased 6.4%, to ¥13.6 billion.

Notes: 1. Google Pay is a trademark of Google LLC.

2. 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) 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 of 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 third quarter ended December 31, 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, 3rd Quarter (As of December 31, 2018)
<b>ASSETS</b>		
<b>Current Assets</b>	¥ 951,898	¥ 980,241
Cash and time deposits	255,102	202,930
Notes and accounts receivable-trade	475,522	490,340
Fares receivable	48,217	44,282
Short-term loans receivable	4,686	4,781
Securities	60,000	90,010
Real estate for sale	451	1,390
Inventories	62,061	80,716
Other	47,378	67,414
Allowance for doubtful accounts	(1,521)	(1,624)
<b>Fixed Assets</b>	7,195,580	7,142,695
Property, plant and equipment, net of accumulated depreciation	6,500,745	6,482,597
Buildings and fixtures (net)	3,362,214	3,327,196
Machinery, rolling stock and vehicles (net)	726,158	700,739
Land	2,020,741	2,025,450
Construction in progress	319,903	360,483
Other (net)	71,727	68,727
Intangible assets	112,499	103,694
Investments and other assets	582,335	556,403
Investments in securities	287,544	282,905
Long-term loans receivable	2,065	1,465
Deferred tax assets	228,086	207,416
Net defined benefit assets	173	352
Other	65,433	65,283
Allowance for doubtful accounts	(968)	(1,019)
<b>Deferred Assets</b>	197	463
<b>Total Assets</b>	<b>¥8,147,676</b>	<b>¥8,123,401</b>

Note: Amounts less than one million yen are omitted.

Millions of Yen		
	Fiscal 2018, (As of March 31, 2018)	Fiscal 2019, 3rd Quarter (As of December 31, 2018)
<b>LIABILITIES</b>		
<b>Current Liabilities</b> .....	¥1,434,328	¥1,229,377
Notes and accounts payable-trade .....	59,536	58,696
Short-term loans and current portion of long-term loans .....	119,707	125,918
Current portion of bonds .....	164,999	125,000
Current portion of long-term liabilities		
incurred for purchase of railway facilities .....	4,257	4,203
Payables .....	492,574	297,759
Accrued consumption taxes .....	22,316	40,857
Accrued income taxes .....	64,712	41,385
Fare deposits received with regard to railway connecting services .....	24,431	22,893
Prepaid railway fares received .....	100,523	108,985
Allowance for bonuses to employees .....	76,544	37,537
Allowance for earthquake-damage losses .....	1,940	1,784
Allowance for partial transfer costs of railway operation .....	10,332	7,889
Other .....	292,451	356,465
<b>Long-Term Liabilities</b> .....	3,828,795	3,832,990
Bonds .....	1,605,134	1,635,177
Long-term loans .....	964,138	974,395
Long-term liabilities incurred for purchase of railway facilities .....	332,288	330,051
Deferred tax liabilities .....	3,053	3,029
Provision for large-scale renovation		
of Shinkansen infrastructure .....	48,000	66,000
Allowance for earthquake-damage losses .....	9,110	8,954
Allowance for partial transfer costs of railway operation .....	2,688	2,542
Net defined benefit liabilities .....	601,163	570,338
Other .....	263,216	242,500
<b>Total Liabilities</b> .....	¥5,263,124	¥5,062,367
<b>NET ASSETS</b>		
<b>Shareholders' Equity</b> .....	¥2,787,347	¥2,974,052
Common stock .....	200,000	200,000
Capital surplus .....	96,729	96,796
Retained earnings .....	2,496,074	2,682,758
Treasury stock, at cost .....	(5,457)	(5,502)
<b>Accumulated Other Comprehensive Income</b> .....	71,983	60,076
Net unrealized holding gains (losses) on securities .....	63,338	49,901
Net deferred gains (losses) on derivatives under		
hedge accounting .....	730	1,452
Revaluation reserve for land .....	(473)	(418)
Foreign currency translation adjustments .....	—	1
Remeasurements of defined benefit plans .....	8,387	9,138
<b>Non-Controlling Interests</b> .....	25,222	26,904
<b>Total Net Assets</b> .....	2,884,552	3,061,033
<b>Total Liabilities and Net Assets</b> .....	¥8,147,676	¥8,123,401

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, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)
<b>Operating Revenues</b> .....	¥2,207,016	¥2,253,172
<b>Operating Expenses</b> .....	1,769,305	1,812,652
Transportation, other services and cost of sales .....	1,355,417	1,378,760
Selling, general and administrative expenses .....	413,888	433,891
<b>Operating Income</b> .....	437,710	440,520
<b>Non-Operating Income</b> .....	13,823	14,632
Interest income .....	31	31
Dividend income .....	4,929	5,336
Equity in net income of affiliated companies .....	1,603	5,043
Other .....	7,259	4,220
<b>Non-Operating Expenses</b> .....	51,871	50,731
Interest expense .....	48,878	47,182
Other .....	2,992	3,548
<b>Ordinary Income</b> .....	399,662	404,422
<b>Extraordinary Gains</b> .....	11,165	47,092
Construction grants received .....	4,913	38,076
Other .....	6,251	9,016
<b>Extraordinary Losses</b> .....	18,739	55,869
Losses on reduction entry for construction grants .....	4,679	37,921
Other .....	14,060	17,947
<b>Income before Income Taxes</b> .....	392,088	395,645
<b>Income Taxes</b> .....	121,317	121,113
Current .....	95,434	94,868
Deferred .....	25,882	26,245
<b>Profit</b> .....	270,770	274,531
<b>Profit Attributable to Non-Controlling Interests</b> .....	1,928	1,740
<b>Profit Attributable to Owners of Parent</b> .....	¥ 268,842	¥ 272,790

Note: Amounts less than one million yen are omitted.

(ii) Consolidated Statements of Comprehensive Income

	Millions of Yen	
	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)
<b>Profit</b> .....	¥270,770	¥274,531
<b>Other Comprehensive Income</b> .....	23,846	(11,953)
Net unrealized holding gains (losses) on securities .....	21,661	(13,100)
Net deferred gains (losses) on derivatives under hedge accounting .....	398	377
Foreign currency translation adjustments .....	—	1
Remeasurements of defined benefit plans .....	(128)	(153)
Share of other comprehensive income of associates accounted for using equity method .....	1,916	922
<b>Comprehensive Income</b> .....	¥294,617	¥262,578
<b>Comprehensive Income attributable to</b>		
Comprehensive income attributable to owners of the parent .....	¥292,669	¥260,828
Comprehensive income attributable to non-controlling interests .....	¥ 1,948	¥ 1,749

Note: Amounts less than one million yen are omitted.

### (3) 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, 3rd Quarter (Nine months ended December 31, 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 .....	¥1,518,923	¥383,834	¥254,811	¥49,447	¥2,207,016	¥ —	¥2,207,016
Inside group .....	60,160	46,126	14,837	100,356	221,479	(221,479)	—
Total .....	1,579,083	429,961	269,648	149,803	2,428,496	(221,479)	2,207,016
Segment income .....	¥ 328,335	¥ 29,585	¥ 66,389	¥12,787	¥ 437,097	¥ 612	¥ 437,710

- 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 ¥612 million adjustment to segment income includes a ¥762 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(108) 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, 3rd Quarter (Nine months ended December 31, 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 .....	¥1,539,305	¥390,542	¥262,347	¥60,977	¥2,253,172	¥ —	¥2,253,172
Inside group .....	61,664	47,715	15,333	103,916	228,630	(228,630)	—
Total .....	1,600,969	438,258	277,681	164,893	2,481,803	(228,630)	2,253,172
Segment income .....	¥ 329,602	¥ 30,078	¥ 66,505	¥13,610	¥ 439,797	¥ 723	¥ 440,520

- 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 ¥723 million adjustment to segment income includes a ¥1,000 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(234) 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, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2018 (Year ended March 31, 2018)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)	Increase (Decrease)
	(A)	(B)	(C)	(C)-(A)
Ratio of operating income to average assets (ROA) (%)	5.5	6.0	<b>5.4</b>	(0.1)
Return on average equity (ROE) (%)	9.8	10.5	<b>9.3</b>	(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
<b>Operating Revenues</b>	2,950.1	2,994.0	<b>3,295.0</b>	344.8	111.7
Transportation	2,017.8	2,032.0	<b>2,100.0</b>	82.1	104.1
Retail & Services	514.9	521.0	<b>660.0</b>	145.0	128.2
Real Estate & Hotels	340.1	352.0	<b>440.0</b>	99.8	129.4
Others	77.1	89.0	<b>95.0</b>	17.8	123.1
<b>Operating Income</b>	481.2	482.0	<b>520.0</b>	38.7	108.0
Transportation	340.4	338.0	<b>330.0</b>	(10.4)	96.9
Retail & Services	38.9	40.0	<b>56.0</b>	17.0	143.6
Real Estate & Hotels	80.9	82.0	<b>109.0</b>	28.0	134.6
Others	22.5	23.0	<b>26.0</b>	3.4	115.1
Elimination and/or corporate	(1.6)	(1.0)	<b>(1.0)</b>	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	Actual	Change		Plans for Fiscal 2019	Change
	Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)	Increase (Decrease)	%		Increase (Decrease)
	(A)	(B)	(B)−(A)	(B)/(A)x100	year on year	
Capital expenditures ..	271.5	293.0	21.4	107.9	645.0	94.5
Transportation.....	188.6	192.0	3.3	101.8	480.0	55.5
Non-transportation .....	82.9	100.9	18.0	121.8	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, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)	Change		Fiscal 2018, 3rd Quarter (Nine months ended December 31, 2017)	Fiscal 2019, 3rd Quarter (Nine months ended December 31, 2018)	Change	
	(A)	(B)	Increase (Decrease) (B)–(A)	(B)/(A)x100	(C)	(D)	Increase (Decrease) (D)–(C)	(D)/(C)x100
<b>Shinkansen Network</b>								
Commuter Passes .....	1,355	<b>1,376</b>	20	101.5	18.3	<b>18.6</b>	0.2	101.4
Other .....	16,432	<b>16,705</b>	273	101.7	426.3	<b>433.6</b>	7.2	101.7
Total .....	17,788	<b>18,082</b>	294	101.7	444.7	<b>452.2</b>	7.4	101.7
<b>Conventional Lines</b>								
<i>Kanto Area Network</i>								
Commuter Passes .....	53,987	<b>54,300</b>	312	100.6	348.7	<b>351.0</b>	2.2	100.6
Other .....	27,756	<b>28,006</b>	249	100.9	545.7	<b>551.4</b>	5.7	101.1
Total .....	81,744	<b>82,306</b>	562	100.7	894.4	<b>902.4</b>	7.9	100.9
<i>Other Network</i>								
Commuter Passes .....	2,382	<b>2,377</b>	(4)	99.8	14.1	<b>14.1</b>	(0.0)	99.7
Other .....	1,979	<b>1,974</b>	(5)	99.7	39.2	<b>39.2</b>	(0.0)	99.9
Total .....	4,362	<b>4,351</b>	(10)	99.8	53.4	<b>53.3</b>	(0.0)	99.9
<i>Total</i>								
Commuter Passes .....	56,370	<b>56,677</b>	307	100.5	362.9	<b>365.1</b>	2.2	100.6
Other .....	29,736	<b>29,981</b>	244	100.8	584.9	<b>590.6</b>	5.7	101.0
Total .....	86,106	<b>86,658</b>	551	100.6	947.9	<b>955.8</b>	7.9	100.8
<b>Total</b>								
Commuter Passes .....	57,725	<b>58,053</b>	328	100.6	381.3	<b>383.7</b>	2.4	100.6
Other .....	46,169	<b>46,686</b>	517	101.1	1,011.3	<b>1,024.2</b>	12.9	101.3
Total .....	103,894	<b>104,740</b>	845	100.8	1,392.6	<b>1,408.0</b>	15.4	101.1

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.