Tokyo and Eastern Honshu...
EAST JAPAN RAILWAY COMPANY

Ever Onward

Annual Report 2013

For the year ended March 31, 2013

An Overwhelmingly Solid and Advantageous Railway Network

The railway business of the JR East Group covers the eastern half of Honshu island (Japan's main island), which includes the Tokyo metropolitan area. We provide transportation services via our Shinkansen network, which connects Tokyo with regional cities in five directions, as well as conventional lines in the Kanto area and other networks. Our networks combine to cover 7,512.6 kilometers and serve 17 million people daily. We are the largest railway company in Japan and one of the largest in the world.

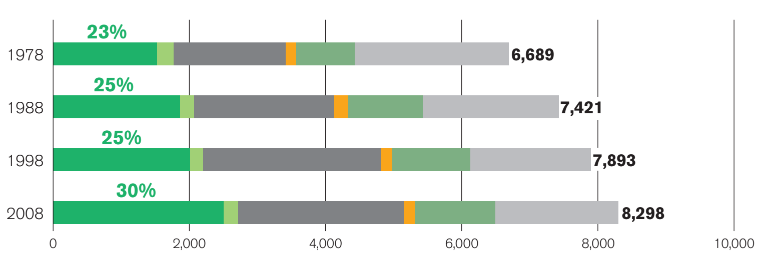
The Japanese population is in the process of declining as the population ages and the birth rate declines. Even so, railway passengers can still increase if population mobility can be encouraged to grow, even if the resident population declines. The Tokyo metropolitan area, where we are based, has seen a dramatic increase in railway convenience in recent years. Consequently the share of railways in the transportation mix is rising even higher. As a prime objective, JR East will increase railway passengers in the Tokyo metropolitan area by steadfastly improving the convenience and comfort of riding trains. This will involve the

opening of the Tohoku Through Line in fiscal 2015 to strengthen our services by reducing train transfers for passengers traveling on our lines.

Furthermore, our intercity network centered on Shinkansen lines is set to expand further with the scheduled opening of the Hokuriku Shinkansen to Kanazawa at the end of fiscal 2015, and the Hokkaido Shinkansen to Shin-Hakodate (provisional name) at the end of fiscal 2016.

TREND IN THE NUMBER OF TRIPS BY TRANSPORTATION MODE: TOKYO URBAN AREA

10,000 trips



Railways Buses Automobiles Motorcycles and scooters Bicycles Walking

Source: Ministry of Land, Infrastructure, Transport and Tourism, Tokyo Urban Area Person Trip Survey

On a daily basis about 17 million passengers travel on our lines

Accelerated Growth in the Life-Style Service and Suica Businesses

Life-Style Service Business

The Life-style Service business, which consists of in-station retail facilities, station buildings, hotels and other services, is one of the three pillars of the JR East Group, alongside the railway business and Suica business, and account for roughly 30% of the Group's operating revenues on a consolidated basis. Our stations see 17 million people pass through every day, making them the JR East Group's largest management resource. We will continue to pursue the potential of station space while creating new, more appealing services from a community-building standpoint.

Preservation and restoration of the Tokyo Station Marunouchi Building was completed in October 2012, and facilities such as the The Tokyo Station Hotel were opened inside the building. In addition to Tokyo Station, we are also promoting development projects focusing on large-scale terminal stations, such as Shinjuku, Shibuya, Yokohama, Chiba and Sendai, with a view to improving the value of those stations and the areas surrounding them.

91 ***stations are used by more than 100,000 passengers a day***

NUMBER OF RAILWAY PASSENGERS

Millions

JR East	**6,056**
U.K.	1,331
Germany	1,897
France	1,077
U.S.	27

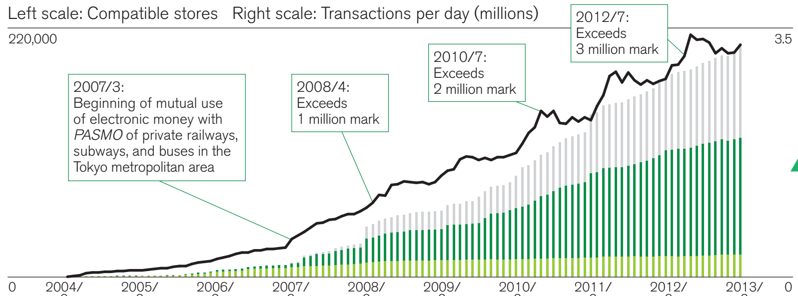
Figues for JR East, the U.K. and the U.S. are as of March 31, 2011, while the figures for Germany and France are as of December 31, 2010.

Suica Business

More than 40 million Suica cards have been issued since the service was launched in November 2001. Our efforts to develop environments for using Suica on public transportation in major Japanese cities came to fruition in March 2013 with the birth of a network that allows mutual use of IC cards issued by 10 transportation companies all across Japan. Electronic money, another function of Suica that started in March 2004, has continued to add partners and extend the scope of settings and locations in which it can be used. As a result, our e-money service is now used up to 3.40 million times a day, and we are determined to continue expanding compatible stores to promote its use.

SUICA ELECTRONIC MONEY-TRANSACTIONS AND COMPATIBLE STORES

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



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

* Figures are as of March 31, 2013
* Figures include results of other affiliated stores

The number of Suica prepaid, rechargeable IC cards issued is about 40 million

FINANCIAL HIGHLIGHTS

East Japan Railway Company and Subsidiaries Years ended March 31

	2003	2004	2005	2006	2007
Operating results					
Operating revenues	¥2,565,671	¥2,542,297	¥2,537,481	¥2,592,393	¥2,657,346
Operating expenses	2,222,576	2,190,877	2,178,946	2,196,293	2,229,248
Operating income	343,095	351,420	358,535	396,100	428,098
Net income	97,986	119,866	111,592	157,575	175,871
Comprehensive income (*1)	N/A	N/A	N/A	N/A	N/A
Segment information					
Operating revenues from outside customers:					
Transportation	1,800,434	1,798,132	1,781,776	1,805,406	1,825,387
Station space utilization	368,961	366,438	369,790	383,904	399,998
Shopping centers & office buildings	170,321	175,180	181,956	190,466	197,140
Other services	225,955	202,547	203,959	212,617	234,821
Total	2,565,671	2,542,297	2,537,481	2,592,393	2,657,346
Financial position					
Total assets	6,853,403	6,781,692	6,716,268	6,821,584	6,968,032
Interest-bearing debt	4,057,860	3,909,625	3,774,004	3,681,192	3,574,822
Shareholders' equity (*3)	981,856	1,100,176	1,183,546	1,357,359	1,488,554
Cash flows					
Cash flows from operating activities	433,304	387,061	407,737	447,722	541,850
Cash flows from investing activities	(196,422)	(234,591)	(214,948)	(309,489)	(348,800)
Cash flows from financing activities	(310,658)	(196,193)	(209,041)	(141,599)	(172,027)
Per share data (*4)					
Earnings	24,453	29,928	27,868	39,370	44,008
Shareholders' equity (*3)	245,463	275,052	296,106	339,599	372,493
Cash dividends (*5)	8,000	6,000	6,500	8,000	9,000
Ratios					
Net income as a percentage of revenues	3.8	4.7	4.4	6.1	6.6
Return on average equity (ROE)	10.2	11.5	9.8	12.4	12.4
Ratio of operating income to average assets (ROA)	4.9	5.2	5.3	5.9	6.2
Equity ratio	14.3	16.2	17.6	19.9	21.4
Interest-bearing debt to shareholders' equity	4.1	3.6	3.2	2.7	2.4
Interest coverage ratio	2.5	2.4	2.7	3.2	4.2
Interest-bearing debt / net cash provided by operating activities	9.4	10.1	9.3	8.2	6.6
Dividend payout ratio	32.7	20.0	23.3	20.3	20.5
Other data					
Depreciation	322,564	322,300	317,957	316,038	318,526
Capital expenditures (*6)	307,579	313,911	319,912	361,372	413,310
Interest expense	173,298	160,944	148,431	136,548	131,376
Number of consolidated subsidiaries (As of March 31)	101	98	92	86	85
Number of employees	78,760	77,009	74,923	72,802	71,316

*1 Accounting Standard for Presentation of Comprehensive Income was adopted beginning the year ended March 31, 2011.

*2 Long-term liabilities incurred for the purchase of the Tohoku and Joetsu Shinkansen facilities, the Akita hybrid Shinkansen facilities, and the Tokyo Monorail facilities.

*3 Shareholders' equity equals total net assets less minority interests beginning the year ended March 31, 2007 (as in the balance sheets).

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

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

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

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

					Millions of Yen (except for Per share data, Ratios, Number of consolidated subsidiaries, and Number of employees)	YoY Change %	Millions of U.S. Dollars[*9] (except for Per share data)
2008	2009	2010	2011	2012	2013	2013/2012	2013
¥2,703,564	¥2,697,000	¥2,573,724	¥2,537,353	¥2,532,174	**¥2,671,823**	5.5%	**$28,424**
2,258,404	2,264,445	2,228,875	2,192,266	2,172,149	**2,274,260**	4.7%	**24,195**
445,160	432,555	344,849	345,087	360,025	**397,563**	10.4%	**4,229**
189,673	187,291	120,214	76,224	108,738	**175,385**	61.3%	**1,866**
N/A	N/A	N/A	73,644	109,304	**197,740**	80.9%	**2,104**
1,857,756	1,831,933	1,757,994	1,721,922	1,705,794	**1,795,125**	5.2%	**19,097**
404,006	415,020	387,104	385,891	396,168	**404,207**	2.0%	**4,300**
205,347	222,628	226,932	223,293	229,637	**238,945**	4.1%	**2,542**
236,455	227,419	201,694	206,247	200,575	**233,546**	16.4%	**2,485**
2,703,564	2,697,000	2,573,724	2,537,353	2,532,174	**2,671,823**	5.5%	**28,424**
6,942,003	6,965,793	6,995,494	7,042,900	7,060,409	**7,223,205**	2.3%	**76,843**
3,535,343	3,429,871	3,394,970	3,433,010	3,340,233	**3,307,483**	−1.0%	**35,186**
1,596,398	1,718,587	1,780,584	1,809,355	1,874,404	**2,030,666**	8.3%	**21,603**
475,601	584,360	479,180	508,846	558,650	**588,529**	5.3%	**6,261**
(400,789)	(396,796)	(391,682)	(433,179)	(370,685)	**(465,952)**	−25.7%	**(4,957)**
(80,407)	(159,238)	(115,327)	(27,512)	(152,428)	**(101,151)**	33.6%	**(1,076)**
47,464	469	303	193	275	**444**	61.5%	**5**
399,483	4,301	4,501	4,574	4,739	**5,136**	8.4%	**55**
10,000	110	110	110	110	**120**	9.1%	**1**
7.0	6.9	4.7	3.0	4.3	**6.6**		
12.3	11.3	6.9	4.2	5.9	**9.0**		
6.4	6.2	4.9	4.9	5.1	**5.6**		
23.0	24.7	25.5	25.7	26.5	**28.1**		
2.2	2.0	1.9	1.9	1.8	**1.6**		
3.8	4.8	4.2	4.8	5.5	**6.2**		
7.4	5.9	7.1	6.7	6.0	**5.6**		
21.1	23.5	36.3	57.1	40.0	**27.0**		
335,587	343,101	356,365	366,415	358,704	**346,808**	−3.3%	**3,689**
417,144	402,582	434,754	425,835	370,199	**480,717**	29.9%	**5,114**
126,047	120,395	112,596	105,918	101,073	**95,312**	−5.7%	**1,014**
82	82	73	75	72	**72**		
72,214	72,550	71,854	71,749	71,729	**73,017**		

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

*9 Yen figures have been translated into U.S. dollars at the rate of ¥94 to U.S. $1 as of March 31, 2013, solely for the convenience of readers.

OVERVIEW

In the year ended March 31, 2013, the Japanese economy recovered as a result of the government's economic and monetary stimulus, despite the global economy slowing. In this environment, East Japan Railway Company and its consolidated subsidiaries and equity-method affiliates (JR East) concentrated on improving services and leveraging this to generate revenue.

As a result, during the consolidated fiscal year under review, operating revenues increased 5.5% year-on-year to ¥2,671.8 billion ($28,424 million) and operating income increased 10.4% to ¥397.6 billion ($4,229 million). Because of an increase in insurance proceeds from the March 2011 earthquake and other factors, net income increased 61.3% year on year to ¥175.4 billion ($1,866 million).

SEGMENT INFORMATION

TRANSPORTATION

In the Transportation segment, JR East maintained revenues by promoting the use of its Shinkansen and Tokyo metropolitan area network. Efforts were directed at railway operations, with the objective of further improving safety and customer satisfaction.

As a result, the Transportation segment posted operating revenues of ¥1,848.6 billion ($19,666 million), a year-on-year increase of 5.3%. Operating income increased 12.6% year on year to ¥266.4 billion ($2,835 million).

Operating income 12.6% up

SHOPPING CENTERS & OFFICE BUILDINGS

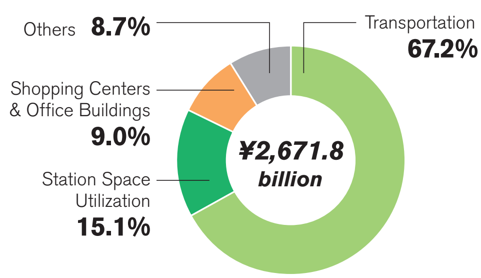
In the Shopping Centers & Office Buildings segment, JR East opened facilities such as *atrévie Higashi-Nakano* (Tokyo), *CELEO Hachioji North Wing* (Tokyo), and *CIAL Tsurumi* (Kanagawa).

Those openings and a boost in revenues from the launch of *LUMINE Yurakucho* (Tokyo) enabled the segment to post a 4.3% increase year on year in operating revenues to ¥249.2 billion ($2,651 million). Operating income increased 2.5% to ¥68.2 billion ($725 million).

Operating income 2.5% up

OPERATING REVENUES

For the year ended March 31, 2013



STATION SPACE UTILIZATION

In the Station Space Utilization segment, JR East leveraged the *Station Renaissance* program to maximize the value of spaces within railway stations.

The Station Space Utilization segment posted a 2.1% year on year increase in operating revenues to ¥418.4 billion ($4,451 million) as a result of this program and an increase in revenues from *GranSta* (Tokyo) within Tokyo Station. Operating income increased 10.6% year on year to ¥37.6 billion ($399 million).

Operating income 10.6% up

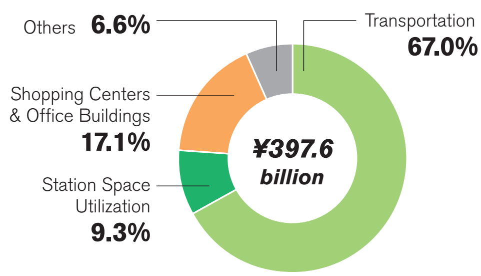
OTHERS

As a result of initiatives in hotel operations, *Suica* shopping services (electronic money) and railcar manufacturing operations to improve revenue, and an increase in sales in advertising and publicity services, Others posted a 12.1% increase year on year in operating revenues to ¥578.6 billion ($6,155 million). Operating income was up 22.2% to ¥26.9 billion ($285 million).

Operating income 22.2% up

OPERATING INCOME

For the year ended March 31, 2013



CREDIT RATINGS

Moody's — Aa2 [Stable]

[Basic Opinion]

- The railway industry enjoys a favorable business environment, and a high degree of business stability compared with other regulated industries such as the electric power and communications industries.
- The strategic importance and economic strength of the Tokyo metropolitan area will continue to solidify JR East's business base.
- Business risk in the non-transportation businesses is limited because JR East has effectively utilized existing assets and facilities.
- Given that capital expenditures have been kept within the scope of operating cash flows, JR East should be able to continue reducing debt going forward.
- In September 2011, Moody's downgraded JR East's credit rating from Aa1 to Aa2. This action reflected concerns about the possibility that JR East may be unable to maintain the same cash flow generation capacity as before due to stagnant economic conditions in Japan. Another concern is that the stagnant economic conditions may slow the company's improvement of its financial position compared with the previous pace.

(April 2013)

S&P — AA– [Negative]

[Basic Opinion]

- JR East is expected to retain stable profitability in its core railway business.
- Non-transportation businesses also remain highly competitive backed by operational advantages such as attractive locations.
- Although JR East's medium and long routes are susceptible to the economic downturn and Japan's aging population as well as low birthrate will reduce passenger demand, S&P expects its transportation business will likely continue to generate stable profits.
- JR East generates stable cash flow and has strong interest coverage.
- Although JR East has large debt, S&P expects gradual but sustainable improvement in capital structure.

(June 2013)

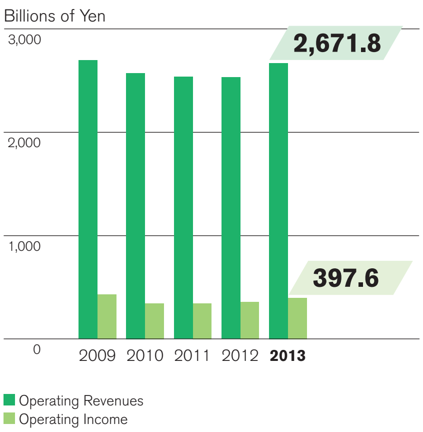
R&I — AA+ [Stable]

[Basic Opinion]

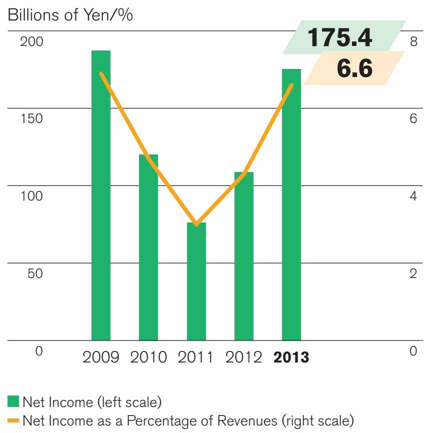
- JR East restored revenues in the core Kanto Area and Shinkansen in a short space of time, although a full recovery of all railway lines from the Great East Japan Earthquake has yet to be achieved.
- JR East should be able to maintain its ability to secure a high level of earnings and cash flows, given that its transportation business based on core railway operations has an extremely strong business foundation centered on the Tokyo metropolitan area, and it has steadily bolstered its foundations in related businesses centered on railway terminals.
- JR East will continue making large capital expenditures in redevelopment and safety measures. It also plans to enhance shareholder returns. Moreover, considering its strong capacity to generate cash flows, concerns about a possible deterioration in its favorable equity-debt structure as a railway company are limited.
- JR East has considerable capacity to withstand an increase in interest rates, given that it has made progress repaying high-interest debt, and has substantial long-term, fixed-interest debt.

(March 2013)

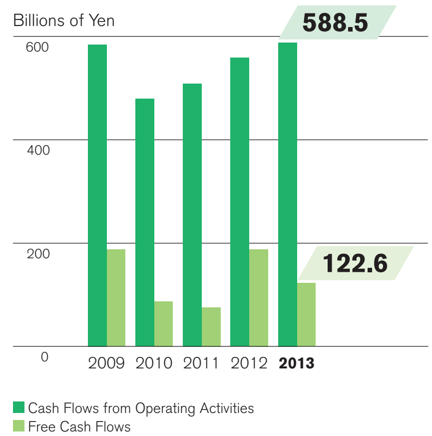
OPERATING REVENUES AND OPERATING INCOME



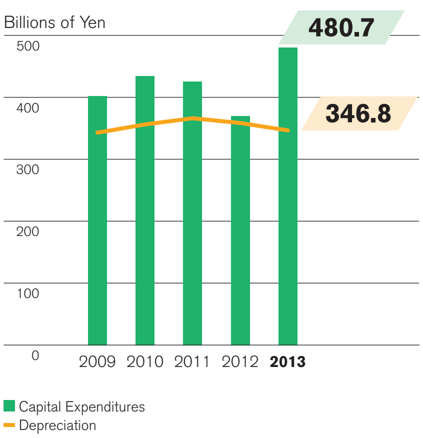
NET INCOME AND NET INCOME AS A PERCENTAGE OF REVENUES



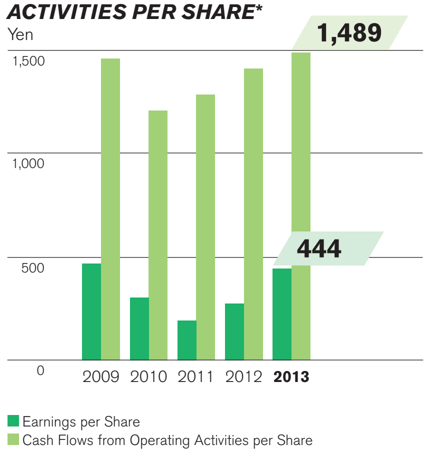
CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOWS



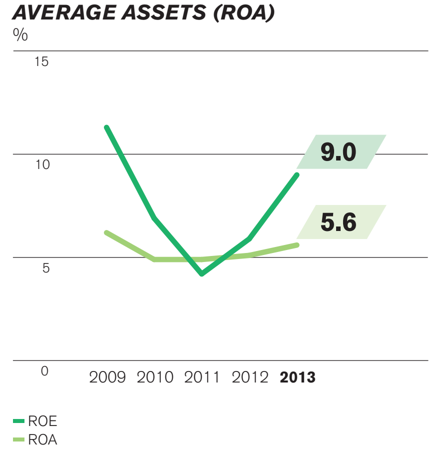
CAPITAL EXPENDITURES AND DEPRECIATION



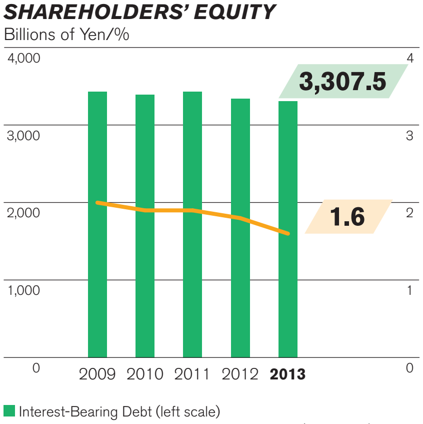
EARNINGS PER SHARE AND CASH FLOWS FROM OPERATING ACTIVITIES PER SHARE*



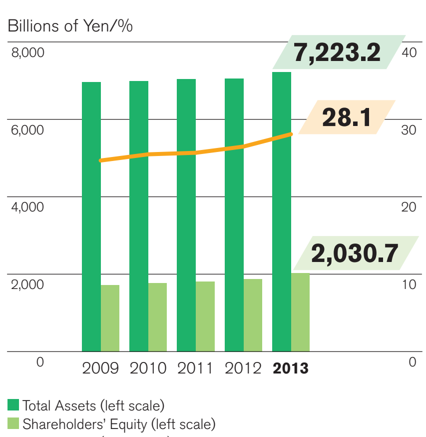
RETURN ON AVERAGE EQUITY (ROE) AND RATIO OF OPERATING INCOME TO AVERAGE ASSETS (ROA)



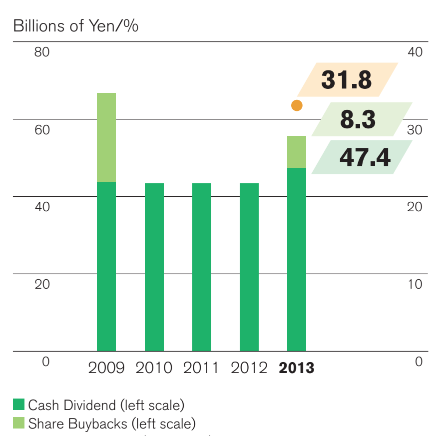
INTEREST-BEARING DEBT AND INTEREST-BEARING DEBT TO SHAREHOLDERS' EQUITY



TOTAL ASSETS, SHAREHOLDERS' EQUITY AND EQUITY RATIO



CASH DIVIDEND AND SHARE BUYBACKS AND TOTAL RETURN RATIO



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

CONTENTS

SECTION 1 › **OVERALL GROWTH STRATEGY**

The 'Overall Growth Strategy' section provides commentary on JR East's growth strategies as one of the world's largest railway companies, including an interview with Tetsuro Tomita, the president and CEO, and a feature article on the Company's 'Measures Perpetuating JR East's Unlimited Growth Potential.'

SECTION 2 › **AS A CORPORATE CITIZEN**

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

SECTION 3 › **STATISTICAL PORTRAIT OF JR EAST**

The 'Statistical Portrait of JR East' section presents data on the economic environment and geographical characteristics of JR East, and financial information on the Company such as business analysis and the consolidated financial statements and notes.

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.

JR East Group Management Vision V —Ever Onward

Thriving with Communities, Growing Globally

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

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

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

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

Eternal Mission and Pursuing Unlimited Potent

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

ETERNAL MISSION

1. Pursuing "extreme safety levels"

Building a railway capable of withstanding natural disasters

- Responding to major earthquakes: We will promote seismic reinforcement and other countermeasures for earthquakes at a total cost of approximately ¥300 billion in an intensive implementation period (from FY2013 to FY2017). In addition, we will strive to monitor any additional remaining risks while actively taking steps to mitigate those risks, considering the status of damage projections and disaster preparedness plans of national and local governments.
- Installing automatic platform gates: We will accelerate the installation of automatic platform gates for the Yamanote Line as a safety measure for station platforms. By FY2016, automatic platform gates will steadily enter service at 23 stations, excluding stations where major renovations are scheduled.

Seismic reinforcement of viaduct columns

2. Service quality reforms

Enhancing railway transportation network and other measures

- Improving transportation quality: One particular goal is to reduce the number of service disruptions caused by railcar and equipment malfunctions attributable to JR East within a 100 km radius of Tokyo to one-third the current level.
- Improving the quality of the Tokyo metropolitan area railway network: The Tohoku Through Line will enter service in FY2015. We will also continue to enhance the Tokyo metropolitan area railway networks by improving the convenience of *Tokyo Megaloop*, an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines.
- Expanding the intercity transportation network: We will launch new operations of the Hokuriku Shinkansen to Kanazawa (scheduled for the end of FY2015) and the Hokkaido Shinkansen to Shin-Hakodate (provisional name) (scheduled for the end of FY2016).
- Enhancing the convenience of *Suica* as social infrastructure: We aim to increase the maximum number of electronic money transactions to 5 million a day in FY2016, and 8 million a day by FY2021.

Railway tracks for the Tohoku Through Line under construction

3. Strengthening collaboration with local communities

Supporting earthquake recovery, stimulating tourism and revitalizing communities

- Restoring segments along the northeastern Pacific coast damaged by the tsunami caused by the Great East Japan Earthquake: We will coordinate our efforts to restore the segments with other plans to rebuild the area as a whole and develop towns. To this end, we will hold discussions with the national and local governments, including provisional restoration using a BRT (Bus Rapid Transit) system.
- Promoting Japan as a tourism-oriented nation: We will conduct continuous measures to stimulate tourism including joint *Destination Campaigns* conducted in the Tohoku region by the six JR companies.
- Driving further growth in the life-style service business: In large-scale terminal station development projects at Tokyo, Shinjuku, Shibuya, Yokohama, Chiba and Sendai stations, we see each of these stations as a town in its own right.

Destination Campaigns

ial

PURSUING UNLIMITED POTENTIAL

1. Technological innovation

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

- Establishing energy and environmental strategies: We aim to revolutionize train operation systems by pursuing R&D directed at automatic power-saving train operation and train operation free of catenary (overhead power lines) utilizing high-performance storage battery systems. In addition, we will strive to introduce smart grid technology to train power systems.
- Working to curb CO_2 emissions by establishing numerical targets for energy usage in railway operations and other parameters:
  (a) Reduce energy usage by railway operations by 8% (compared to FY2011)
  (b) Improve the CO_2 emissions coefficients of JR East's own power plants by 30% (compared to FY1991)
- Utilizing ICT: Aiming to transform the Tokyo metropolitan area transportation system, we are preparing to implement communication-based train control (CBTC), a wireless railway car control system, on the Joban Local Line.

Catenary and battery-powered hybrid railcar train

2. Tackling new business areas

Globalization

- Participating in overseas railway projects: We aim to participate in overseas railway projects including in the operation & maintenance field (planning, guidance and support related to train operation, equipment maintenance and related areas).
- Expanding railcar manufacturing operations: We will maximize synergies between Japan Transport Engineering Company (J-TREC), including our Niitsu Rolling Stock Plant, in order to establish railcar manufacturing operations as our fourth pillar. We will supply high-quality and high value-added railcars worldwide by answering various customer needs.

Railcar assembly line in the J-TREC factory

3. Developing employees and creating a corporate culture that maximizes human potential

- Expanding opportunities for employees to succeed and tackle challenges
- Reforming corporate culture: We will promote work style reforms and raise the efficiency of organizational management.
- Establishing a lean, muscular and agile management structure:
  (a) Capital expenditures: Invest in sustainable growth and a stronger base of operations
  (b) Returns to shareholders: Establish a new total return ratio target of 33%
  (c) Debt reduction: Reduce interest-bearing debt to ¥3,000 billion sometime during the 2020s

Practical training

See pp. 016–027 (interview) and pp. 028–033 (feature) for more details on the new management vision.

Numerical Targets

For Fiscal 2016

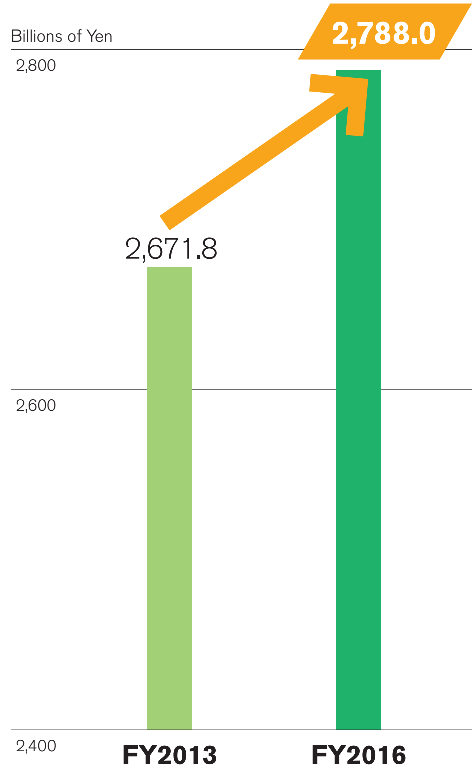
(Year ending March 31, 2016)

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

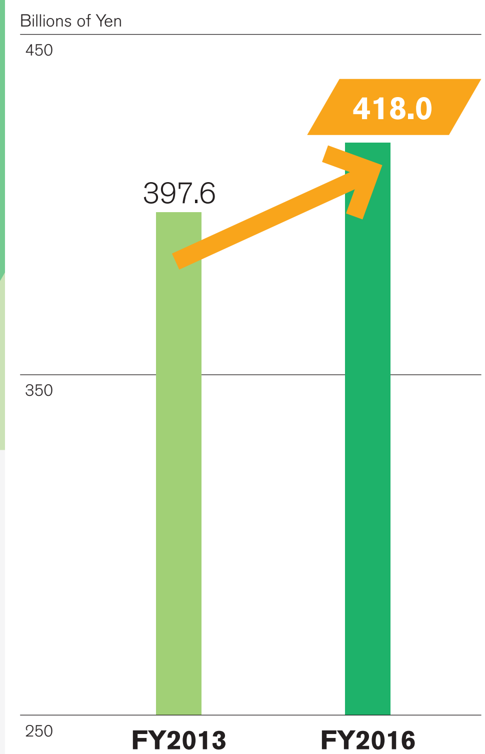
We will announce new numerical targets together with business results every fiscal year.

CONSOLIDATED OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2016

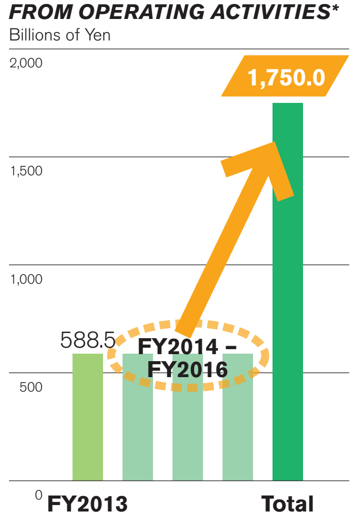
CONSOLIDATED OPERATING REVENUES



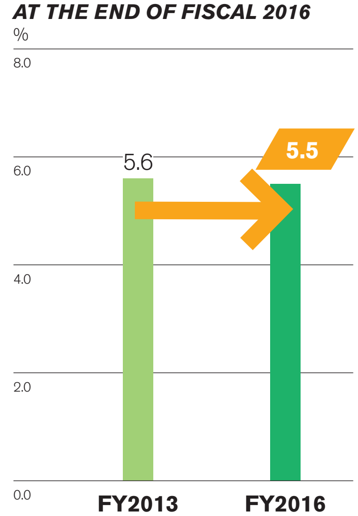
CONSOLIDATED OPERATING INCOME



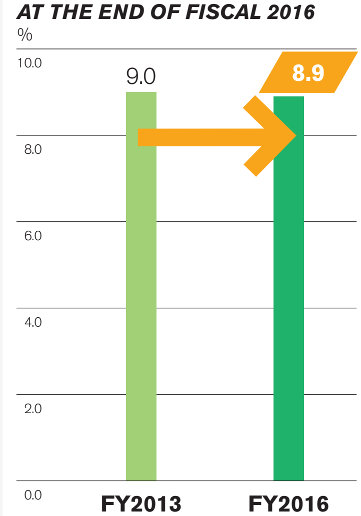
CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES*



CONSOLIDATED ROA AT THE END OF FISCAL 2016



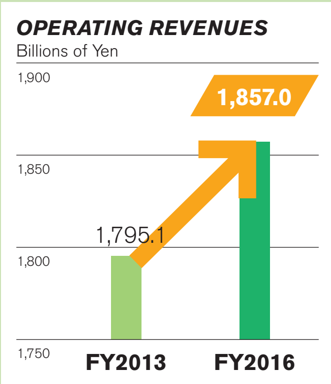
CONSOLIDATED ROE AT THE END OF FISCAL 2016

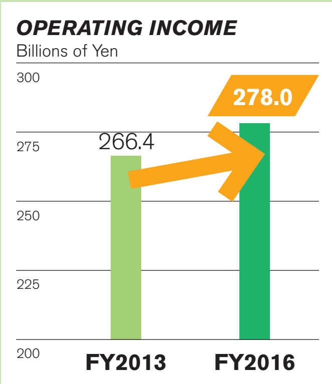


* The target for consolidated cash flows from operating activities represents the aggregate of the estimated cash flows for the three years from FY2014 to FY2016.

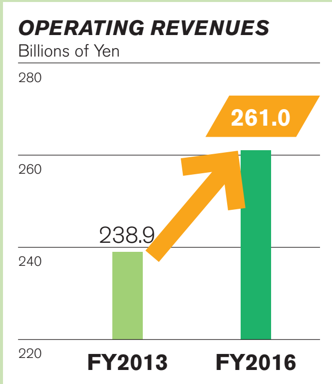
SEGMENT OPERATING REVENUES AND OPERATING INCOME FOR FISCAL 2016

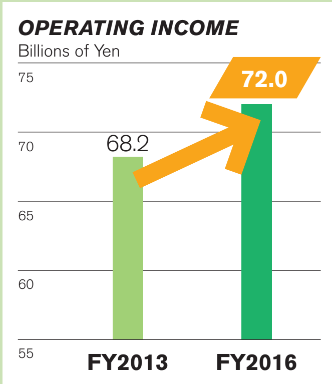
Transportation



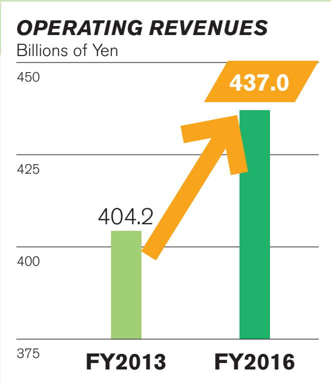


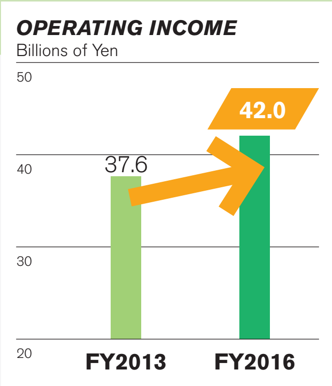
Shopping Centers & Office Buildings



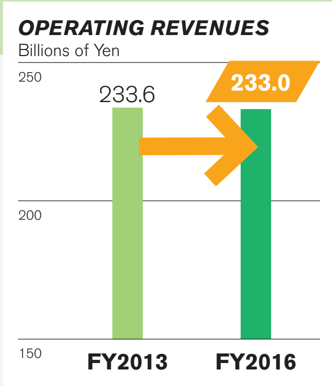


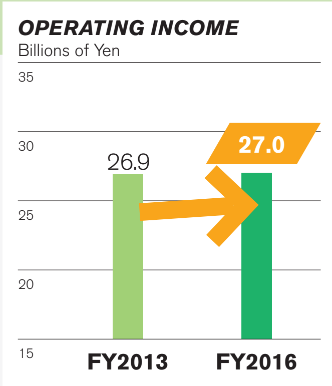
Station Space Utilization



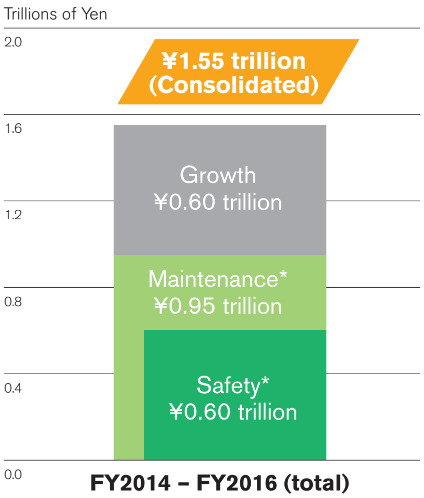


Others





CAPITAL EXPENDITURES FOR THE THREE YEARS FROM FY2014 TO FY2016



- Planned consolidated capital expenditures for the three years from FY2014 to FY2016 are approximately ¥1.55 trillion.
- Planned capital expenditures in safe and stable transportation for the three years from FY2014 to FY2016 are approximately ¥600 billion.
- Planned growth investments expected to generate returns, such as those in the life-style service business, for the three years from FY2014 to FY2016 are approximately ¥600 billion.

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

Ever Onward

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

We would like to offer our heartfelt thanks to our shareholders and investors for all the remarkable support they have shown.

In the fiscal year ended March 31, 2013 (fiscal 2013), the Japanese economy gradually moved to a recovery track, supported by renewed expectations of the positive impacts of both the government's economic policies and monetary policies, which helped increase stock prices and improve consumer sentiment. This recovery, however, came up against a number of persistently challenging conditions that included a slowdown in the global economy. In this environment, the East Japan Railway Company and its consolidated subsidiaries and equity method affiliates (JR East) made efforts to continue generating revenue and improving services through the active implementation of various initiatives centered around the railway, life-style service businesses and *Suica* operations.

As a result, during the fiscal year under review, operating revenues increased 5.5% year-on-year to ¥2,671.8 billion, due to an increase in passenger revenue that was attributable mainly to a recovery from the slowdown experienced in fiscal 2012 as a result of the Great East Japan Earthquake. Operating income increased 10.4% to ¥397.6 billion. Because of an increase in insurance proceeds related to the earthquake and other factors, net income increased 61.3% to ¥175.4 billion.

In October 2012, JR East formulated a new management vision entitled "*JR East Group Management Vision V–Ever Onward.*" This was done in view of the major changes that had taken place, including the Great East Japan Earthquake, in the 25 years since the Group was established as a result of the reform and privatization of Japanese National Railways (JNR). Meanwhile, the Group celebrated the restoration of Tokyo Station *Marunouchi Building* with a grand opening in October 2012. The splendor of the building from the time it was built in the early Taisho era has been restored, after five years of painstaking preservation and restoration work that began in May 2007.

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

In railway operations, JR East will make steady progress building a railway capable of withstanding natural disasters by being prepared for a possible earthquake directly beneath the Tokyo metropolitan area. Meanwhile, we will make necessary repairs and service-life upgrades for various railway facilities. These will include measures for preventing railway crossing accidents and the installation of automatic platform gates.

SATOSHI SEINO
Chairman

TETSURO TOMITA
President and CEO

Moreover, the Group will work together with the five other JR companies and local communities to assist their restoration efforts after the March 2011 earthquake and stimulate tourism demand. These efforts will include the launch of *Destination Campaigns* and other events. JR East will also introduce new-concept trains designed to serve people seeking the train ride itself. JR East will work together with local communities to develop tourism through the Hokuriku Marketing Center that was established in April 2013, in advance of the opening of the Hokuriku Shinkansen Line to Kanazawa.

By spring 2014, the Group also plans to raise the operating speed of *Hayate-Komachi* Shinkansens to 320 km/h to further enhance services on our intercity network. In addition, JR East will promote various aspects of its energy and environmental strategy. These will include the development of "*ecoste*" model stations, the launch of a catenary and battery-powered hybrid railcar train system, and the installation of a mega-solar photovoltaic electricity plant.

In the life-style service business, JR East will continue to make progress toward the completion of the *Tokyo Station City* project. The Group opened *HOTEL METS Niigata* in April 2013, and is also preparing to open the *JR Ōtsuka Minamiguchi Building* in fall 2013.

In *Suica* operations, convenience of this electronic money was enhanced by expanding its mutual usage network to the service area of the City of Sapporo Transportation Bureau's *SAPICA* card in June 2013.

On the global strategy front, JR East will actively develop its railway consulting business overseas in Asia and elsewhere. In the railcar manufacturing operations, the Group will work to win new projects and orders from around the world for our next-generation, stainless-steel *sustina* railcars.

Through such initiatives, we will do our utmost to realize sustainable growth and satisfy our shareholders and other investors in the medium- to long-term. As JR East pursues that management goal, we would like to ask our shareholders and other investors for their continued support and understanding.

July 2013

Satoshi Seino

SATOSHI SEINO, Chairman

Tetsuro Tomita

TETSURO TOMITA, President and CEO

AN INTERVIEW WITH THE PRESIDENT

TETSURO TOMITA
President and CEO

Fiscal 2013 was a year of steady progress for JR East on the whole. We delivered higher revenues and earnings thanks to extremely strong growth in traffic volume. We also laid out JR East's future course by unveiling a new group management vision.

Looking ahead to fiscal 2016, we are projecting higher revenues and earnings compared with fiscal 2013. We plan to generate operating cash flow totaling ¥1,750 billion over this 3-year period. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. We will also provide shareholder returns emphasizing the total return ratio, even as we work to reduce debt.

We will continue to marshal the collective efforts of all JR East Group employees to achieve sustainable growth and to improve corporate value.

LOOKING BACK AT FISCAL 2013

QUESTION 1

One year has passed since you were appointed president. What are your impressions of the past year?

ANSWER 1

Fiscal 2013 was a year of steady progress for JR East on the whole. We delivered higher revenues and earnings thanks to extremely strong growth in traffic volume. We also laid out JR East's future course by unveiling a new group management vision.

Looking back at fiscal 2013, we steadily grew revenues from railway operations, helped in part by very few railway accidents and service disruptions during the year, as well as a major boost from the encouragement of tourism and reconstruction demand after the Great East Japan Earthquake. Driven by railway operations, the life-style service business also performed steadily. All in all, JR East continued to follow a strong growth path during fiscal 2013.

In railway operations, when we revised train schedules in March 2013, JR East also raised the maximum operating speed of the Tohoku Shinkansen Line's Series E5 *Hayabusa* service to 320 km/h, the fastest in Japan, and started commercial operations of the Series E6 *Super Komachi* service on the Akita Shinkansen Line. We also worked to enhance our Tokyo metropolitan area network by mainly improving the convenience of the *Tokyo Mega-loop*, an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines. Furthermore, we celebrated the restoration of Tokyo Station *Marunouchi Building* with a grand opening in October 2012, after 5 years of preservation and restoration work was completed. Tokyo Station is now becoming a new sightseeing attraction in Tokyo visited by large numbers of customers.

In the life-style service business, we opened a host of new facilities that contributed to earnings. In the Station Space Utilization segment, JR East opened the *Marunouchizaka Area* as an addition to *GranSta* and *CentralStreet* in Tokyo Station. Meanwhile, in the Shopping Centers & Office Buildings segment, *GranTokyo North Tower Phase II, JR Minami Shinjuku Building* and other facilities were opened.

Besides these positive factors supporting top-line growth, recovery from the Great East Japan Earthquake led to growth in consolidated operating revenues for the first time in 5 years. Consequently, the JR East Group posted higher revenues and earnings in fiscal 2013.

In fiscal 2013, one of our biggest priorities was to implement measures toward recovery from the Great East Japan Earthquake. We continued our efforts to restore conventional lines along the northeastern Pacific coast that were damaged by the tsunami caused by the earthquake. In addition, we pressed ahead with seismic reinforcement work in preparation for major earthquakes, including possible earthquakes directly beneath the Tokyo metropolitan area. We also conducted measures to revitalize regions through tourism campaigns, *Sanchoku-ichi* (farmers' markets) and other initiatives. We have seen a tremendous recovery in demand from sightseeing customers. Through the *Iwate Destination Campaign*, held jointly with six JR companies, local governments and other partners, we succeeded in doubling the number of travelers from the previous year. And the *POKÉMON with YOU train*, which entered service in December 2012, has proven extremely popular among families. Fiscal 2013 was a year of major advancement in terms of revitalizing regional tourism.

Furthermore, JR East in October 2012 formulated a new management vision entitled "*JR East Group Management Vision V—Ever Onward*." This vision, which is the fifth vision since JR East was established, aims to once again renew the courses of action for the Group going forward, both within and outside the company. These courses of action are embodied by the two important pillars of the vision: "Eternal Mission" and "Pursuing Unlimited Potential."

I believe that we have definitely started to take steady strides toward achieving our management vision in my first year as president.

See pp. 071–076 for a more detailed account of fiscal 2013.

FORMULATION OF THE NEW GROUP MANAGEMENT VISION

QUESTION 2

What led you to formulate the new management vision "JR East Group Management Vision V—Ever Onward"?

ANSWER 2

We positioned March 11, 2011 as the second starting point following the privatization of JNR, and once again clarified the Group's role in society and what it should seek to achieve.

The Great East Japan Earthquake that struck on March 11, 2011 caused unprecedented devastation to JR East's service area in the Tohoku region in particular. Having experienced this earthquake, we felt that what members of the affected communities wanted above all else was safety and security in their daily lives. And as an enterprise providing vital social infrastructure, we recognized that JR East must fulfill its mission of delivering safe and secure services.

Every time we restarted a railway segment that had been out of service due to the earthquake, we were cheered on by residents of each community and received many words of thanks from them. By doing our utmost to restore service, we strengthened our ties with these communities. This gave all employees confidence and pride in their work.

JR East was established 26 years ago as a result of the reform and privatization of Japanese National Railways (JNR). The JNR reforms were aimed at revitalizing JNR, which had gone bankrupt, and its railway operations to ensure that it could serve communities and society at large. Another goal was to modernize and reinvent the company into a new railway operation that could meet the demands of society through technological innovation, service enhancements and other measures. Having witnessed the earthquake and the dramatic changes that followed, we have rededicated ourselves to the pledges we made during the JNR reforms, namely to "Revitalize Railways."

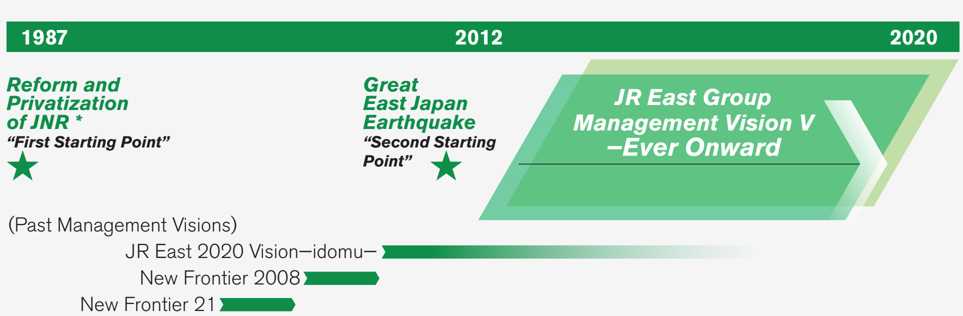
To this end, we decided to position the Great East Japan Earthquake as the Group's second starting point. While remembering our determination to see through the JNR reforms, the Group rededicated itself to the fulfillment of its "Eternal Mission" and "Pursuing Unlimited Potential" with respect to railways. To present our vision for the kind of company we must become to achieve these goals, we formulated "*JR East Group Management Vision V—Ever Onward*." Guided by this vision, all Group employees are determined to continue taking steady and strong strides into our next quarter century.

Under "*JR East Group Management Vision V—Ever Onward*," we have defined the key concept of "Thriving with Communities, Growing Globally." Railways are a network industry, and cannot perform to their fullest without vibrant communities. In this sense, serving communities is our raison d'être. As a corporate citizen, we are determined to execute business unique to the JR East Group to draw a blueprint for the future together with members of the community. That is why we have adopted "Thriving with Communities" as part of the vision's key concept.

On the other hand, in order to prevail in these fast-changing times and achieve sustainable growth, we must embrace an enterprising spirit needed to further unlock our potential. I want every employee to believe in their potential and boldly tackle challenges. And I believe that management has a responsibility to create an environment conducive to taking on such challenges. Left alone, the railway business has a tendency to be inward looking, and the organization can easily become self-contained. That must be avoided. To expand opportunities for employees to become actively involved, we will work to enter new business fields, while taking full advantage of outstanding technologies and personnel in Japan and overseas. "Growing Globally" embodies the concept of expanding into new business fields, while looking outward and working together to make way for the future.

See pp. 009–013 for a more detailed account of the new management vision "*JR East Group Management Vision V—Ever Onward*"

FORMULATION OF THE NEW GROUP MANAGEMENT VISION



* JNR: Japanese National Railways

ABOUT "ETERNAL MISSION"

QUESTION 3

Under "JR East Group Management Vision V–Ever Onward" you have positioned "Eternal Mission" and "Pursuing Unlimited Potential" as the two important pillars. Could you please explain "Eternal Mission" in a little more detail?

ANSWER 3

We will make persistent efforts to properly answer the expectations of society for the Group by following three courses of action: "Pursuing 'extreme safety levels'," "Service quality reforms" and "Strengthening collaboration with local communities."

In essence, our "Eternal Mission" is to provide safe and high-quality transportation services that contribute to the growth and prosperity of communities. This fundamental mission must be fulfilled at all times. We have worked on this priority under past management visions. However, we have once again positioned this mission as a key tenet of management. We will work to further strengthen and broaden our efforts in this respect.

Perfecting safety is an eternal pursuit. Throughout our 140-year long history in railway operations, we have steadily built up railway safety through steadfast daily efforts. This work will continue forever into the future. We will strive to achieve "extreme safety levels" by continuing our steadfast efforts to maintain and improve safety.

We have implemented steady and systematic seismic reinforcement work in preparation for major earthquakes, most notably by seismically reinforcing more than 40,000 viaduct columns since the Great Hanshin-Awaji Earthquake, which struck in 1995. These measures have paid off. During the Great East Japan Earthquake in 2011, there were no derailment incidents on Shinkansen routes in commercial operation and no collapse of viaduct columns.

Besides countermeasures based on experience from the Great East Japan Earthquake, we are now promoting seismic reinforcement and other countermeasures against a possible earthquake directly beneath the Tokyo metropolitan area, and other major earthquakes in Japan, at a total cost of approximately ¥300 billion, positioning the five-year period (from fiscal 2013 to fiscal 2017) as an intensive implementation period. In addition to viaduct columns, we have expanded the scope of seismic reinforcement and other countermeasures to include embankments, cutouts, electrical poles, station and platform ceilings and other infrastructure. Efforts will also be made to strengthen the seismic observation system such as by installing more seismometers.

Although a massive amount of investment will be needed, we will steadily implement measures to address all foreseeable risks with the view to building extremely safe railways. We are particularly focused on building a railway capable of withstanding natural disasters. In doing so, we believe that such a railway will serve as a crucial factor underpinning JR East's revenues over the medium and long terms.

We will accelerate the installation of automatic platform gates for the Yamanote Line as a safety measure for station platforms. By fiscal 2016, automatic platform gates will steadily enter service at 23 stations, excluding the stations where major renovations are scheduled. Ridership on the Yamanote Line accounts for a particularly large share of JR East's customers, and the Yamanote Line is a hub for the entire Tokyo area railway network, including

those of other railway operators. By giving priority to safety measures on the Yamanote Line, we believe that we can contribute to railway transportation safety in the Tokyo metropolitan area as a whole.

In railway operations, securing safety is a top priority. However, we believe that safety alone is not enough. While ensuring safety, we must also seek to provide reliable and comfortable transportation services. This is why we are pursuing "service quality reforms." First, we will do our utmost to prevent any disruption in our transportation operations. When accidents or other incidents occur, we must work to contain the impact and to resume operations as soon as possible, such as by rapidly providing shuttle operations. We will reform service quality through teamwork that cuts across divisional and organizational barriers, to achieve our goal of becoming No. 1 in customer satisfaction in the railway industry. Enhancing the railway transportation network is another key element of service quality reforms. When we begin operation of the Tohoku Through Line in fiscal 2015, which will enable passengers to take the Joban, Utsunomiya and Takasaki lines to Tokyo Station and areas served by the Tokaido Line, we will eliminate the need for passengers to transfer trains at Ueno Station as they do now. This will have the beneficial impact of reducing travel time by about 11 minutes and alleviating congestion during commuting hours. By putting this sort of seamless, direct service in place, we plan to improve the quality of transportation services. In the intercity network, we expect to increase passenger flows between the Tokyo metropolitan area and Hokuriku and Hokkaido, as well as between the northern Tohoku region and Hokkaido, by opening the Hokuriku Shinkansen Line to Kanazawa at the end of fiscal 2015 and launching the Hokkaido Shinkansen to Shin-Hakodate (provisional name) at the end of fiscal 2016. This will help to spur regional economic development, while improving the value of our railway operations in line with the concept of "Thriving with Communities."

Another crucial management priority is strengthening collaboration with local communities. In particular, we seek to harness the power of tourism to revitalize the disaster-hit regions, and by extension Japan as a whole. In fiscal 2014, we will conduct *Destination Campaigns* for Sendai and Miyagi Prefecture, and Akita Prefecture. We will work closely with local communities to attract large numbers of visitors to the Tohoku region. Measures will include uncovering tourism resources and disseminating information. In other initiatives, JR East will progressively introduce new-concept trains that people seek to board for the "ride" itself, such as restaurant trains and steam locomotive trains. Through these initiatives, we hope to expand railway travel options and stimulate tourism. Another key theme for strengthening collaboration with local communities is to develop towns centered on railway stations. We aim to transform large-scale station terminal buildings into appealing destinations in their own right that attract visitors, not merely places where people get on or off trains or transfer between them. One prime example is Tokyo Station, where preservation and restoration work on the Tokyo Station *Marunouchi Building* was completed in October 2012. As with Tokyo Station, we will promote town development by transforming train stations such as Shinagawa, Shibuya, Shinjuku, Yokohama, Chiba and Sendai, and having the beneficial impact of these stations ripple out to revitalize the surrounding towns and spur the development of the local community. In addition, in core regional cities, we will concentrate various facilities in and around railway stations and in line-side areas to serve communities. These facilities will include housing, nursing care, medical, and child-rearing facilities that meet the needs of people's daily lives.

We also have an important mission to help revitalize local industries. Our efforts are particularly focused on selling locally produced goods in the Tokyo metropolitan area, mainly by hosting farmers' markets for more than 2,000 days every year at Tokyo metropolitan area railway stations and other locations, as well as at the *NOMONO* shop for selling local produce in Ueno Station. We plan to open our second *NOMONO* shop after the Ueno Station location by the end of fiscal 2014. Furthermore, in regard to the sextic industrialization of primary industry, we are implementing measures such as supporting *Akita Shokusai Produce*, which sells local produce from Akita Prefecture in the Tokyo metropolitan area. In addition, we established *A-FACTORY*, which produces cider in Aomori Prefecture. Looking ahead, we will continue to expand these sorts of initiatives with the view to revitalizing regional economies and helping to create new employment in local communities.

Our "Eternal Mission" is to provide safe and high-quality transportation services that contribute to the growth and prosperity of communities.

EARTHQUAKE RECOVERY EFFORTS

QUESTION 4

What is the current status of earthquake recovery efforts and what are your restoration policies and priorities ahead?

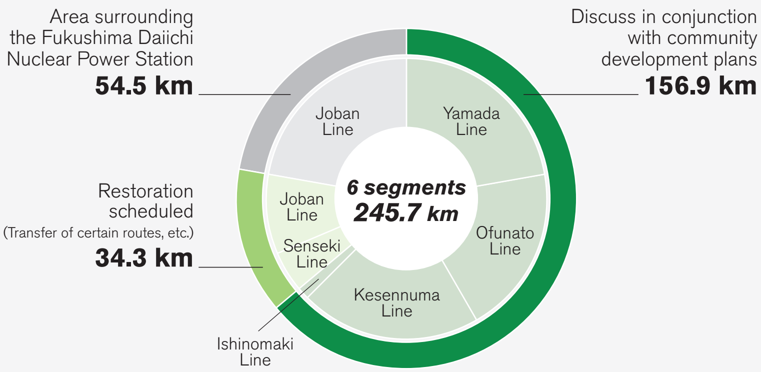
ANSWER 4

As of April 2011, JR East had approximately 400 km of closed segments. However, as a result of gradual progress on restoration, we now have 250 km of closed segments. In terms of the outlook for restoration, we believe that JR East must coordinate its efforts with plans to rebuild areas as a whole and develop towns, while ensuring safety. Given the large number of matters that must be coordinated, including the cost burden, we believe that restoration will take much more time.

Railway routes along the northeastern Pacific coast were severely damaged by the tsunami. Station buildings, tracks, and bridge piers were swept away or buried. Immediately after the earthquake, JR East closed segments along the northeastern Pacific coast totaling approximately 400 km due to tsunami damage. However, as a result of steady progress with restoration work, JR East now has 250 km of closed segments. Looking ahead, we plan to restore railway services on the Senseki, Joban and other lines through work that will include relocating lines inland in some segments. However, JR East must coordinate efforts to restore the Kesennuma, Ofunato and Yamada lines with plans being formulated to restore the areas as a whole and develop towns, while ensuring customer safety. Accordingly, JR East is currently discussing how to go about restoring these lines with the national government, relevant local governments, and other parties.

We are well aware of the strong calls for restoring railway service on these segments from the local communities. First and foremost, however, safety measures are essential to restoring railways in order to ensure the safety of customers. Among the specific safety measures that will be needed are to relocate tracks to inland areas, develop breakwaters, and increase the elevation of land. Furthermore, restoration plans must be coordinated with each community's town development plan. When laying railway tracks, unless we consider the location of future city halls, schools, hospitals and other facilities, we may find that no one will use the railway even after service is resumed. Furthermore, we must hold concrete discussions on intersections of railways with roads, rivers and other features. And above all, the restoration cost presents a major challenge. To implement extensive safety measures, and coordinate efforts with town development plans, JR East will need to incur an even larger cost

CURRENT STATUS OF SUSPENDED RAILWAY SEGMENTS



(As of March 31, 2013)

than what would be needed to simply restore the railways to their original condition. It is not possible for JR East to bear the entire cost burden alone. Since public assistance from national and local governments will be vital, we are currently discussing these matters with the relevant parties.

We expect that much more time will be needed to solve these issues. Another problem we will need to discuss is the matter of ensuring an adequate passenger volume. The segments that are currently closed had a very low ridership, and there is a risk that the population of these areas could decline further as a result of the earthquake. Even if railway service is resumed, it will be extremely challenging to maintain sound management of these operations thereafter. For this reason, JR East must thoroughly discuss these matters with both the national and local governments.

In light of this situation, JR East has proposed using a BRT (Bus Rapid Transit) system to local governments as a means of provisionally restoring transportation services along the Kesennuma, Ofunato and Yamada lines until recovery is achieved. This proposal is intended to ensure local access to regional transportation. Thereafter, with the agreement of the local communities and following provisional operation from August 2012, we finally started BRT operations for the Kesennuma Line (Yanaizu–Kesennuma) and the Ofunato Line (Kesennuma–Sakari) in December 2012 and March 2013, respectively. By introducing the latest hybrid buses, improving service frequency and taking other measures, the BRT service has proven popular among customers, including senior high school students commuting to school.

Looking ahead, we will work to further improve service through such means as increasing segments with BRT-only lanes. BRT has been attracting attention as a new transportation service in regional areas. At the same time, we believe that it has drawn public debate on optimal modes of transportation for communities as they recover from the earthquake. Going forward, we will continue talks with members of local communities, with the view to restoring regional transportation services that contribute to the earthquake recovery.

BRT (Bus Rapid Transit)

DETAILS OF "PURSUING UNLIMITED POTENTIAL"

QUESTION 5

Next, please tell us about "Pursuing Unlimited Potential," the second pillar of your "JR East Group Management Vision V–Ever Onward."

ANSWER 5

We will boldly pursue the JR East Group's unlimited potential chiefly by driving technological innovation and globalization. To meet these challenges, we will develop employees and create a corporate culture that maximizes human potential.

The first main point of the "Pursuing Unlimited Potential" is technological innovation. There are many people who believe that railway technology has matured, but I strongly disagree. Railways still harbor vast potential. Believing in that "unlimited potential," JR East intends to spur the evolution of railways by harnessing the power of technology. We began operating the Tohoku Shinkansen Line's Series E5 *Hayabusa* service at a maximum speed of 320 km/h, but JR East has outstanding technology to increase the speed of the Shinkansen Line even further. Next, we aim to raise the bar by increasing Shinkansen's maximum commercial operating speed to 360 km/h. On conventional lines, JR East is strengthening activities from the standpoints of promoting energy and environmental strategies and utilizing information and communication technology (ICT). In spring 2014, we will begin operating storage battery-driven railcars for service on the Karasuyama Line, but our efforts will not stop there. In the future, we aim to introduce the same technology to the Tokyo metropolitan area railway segments such as the Yamanote Line, with the view to achieve catenary-free railway operations. Catenary removal will not only reduce maintenance costs and environmental burden, but should also make our railways more resilient to natural disasters. Furthermore, in terms of utilizing ICT, we have put the *ATACS* wireless train control system into operation on the Senseki Line between Aobadori Station and Higashi-Shiogama Station. Looking ahead, we will consider expanding the operation to railway segments in the Tokyo metropolitan area. In addition, JR East plans to implement communication-based train control (CBTC) , a similar wireless train control system used overseas, on the Joban Local Line around 2020. Employing these sorts of new technologies should enable us to develop railway systems free of track circuits, offering cost advantages with fewer malfunctions. Furthermore, technological innovation will help energize the company and expand opportunities for employees, not to mention open up new possibilities for railways. Indeed, technology has the power to expand the potential of every employee of the JR East Group indefinitely.

The second main point is globalization. We have three purposes here. The first purpose is to overcome the tendency for our railway operations to be inward looking by building an outward-facing corporate culture. The second purpose is to participate in overseas railway projects, for which market expansion is expected going forward, by supplying Japanese railway technology, maintenance capacity and train operation capabilities as a packaged solution. The third purpose is to spur the growth of employees by having them experience what it is like to embrace new challenges in overseas markets and new business domains. The growth of every employee is essential to improving corporate value. JR East has many talented young employees on the frontlines, and we will work intensively to develop our human resources by taking full advantage of our global human resource development program. This program covers a range of training options, such as OJT trainee assignments to overseas railway projects, short-term and long-term study abroad programs, and opportunities to gain business experience at other companies.

See pp. 009–013 for a more detailed account of the new management vision "*JR East Group Management Vision V—Ever Onward*"

We will boldly pursue the JR East Group's unlimited potential chiefly by driving technological innovation and globalization.

NUMERICAL TARGETS

QUESTION 6

What are your numerical targets? And what is your approach to using cash?

ANSWER 6

In fiscal 2016, we are projecting higher revenues and earnings compared with fiscal 2013. We plan to generate operating cash flow totaling ¥1,750 billion over this 3-year period. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. We will also provide shareholder returns emphasizing the total return ratio, even as we work to reduce debt.

Under "*JR East Group Management Vision V—Ever Onward*," we have established numerical targets for a 3-year period. We have set targets for consolidated operating revenues and operating income, as well as segment operating revenues and operating income. Those 3-year targets will be reviewed annually, and will be revised into new targets for the next three years starting from the following fiscal year. Through this approach, we will ensure that our targets properly reflect any changes in the management environment that could take place going forward.

In terms of our current numerical targets for fiscal 2016, we are targeting consolidated operating revenues of ¥2,788 billion, an increase of about ¥116 billion from fiscal 2013, and consolidated operating income of ¥418 billion, an increase of about ¥20 billion over the same time period. Furthermore, we are forecasting a consolidated ROA (operating return on assets) of 5.5% and a consolidated ROE (net return on equity) of 8.9% for fiscal 2016.

In regard to the use of operating cash flows, we will emphasize capital expenditures aimed at future growth and business expansion, as well as reinforcing the business base, while enhancing shareholder returns and steadily reducing debt.

We are projecting operating cash flow totaling ¥1,750 billion over the 3-year period from fiscal 2014 to fiscal 2016. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. Capital expenditures consist of growth investments of ¥600 billion, with the remaining ¥950 billion earmarked for investment needed for the continuous operation of business. Of the investment needed for the continuous operation of business, ¥600 billion is earmarked for safety-related investment.

FY2016.3 NUMERICAL TARGETS BY SEGMENT

(¥ billion)

	2013.3 Results	2014.3 Plan	2016.3 Target	Increase/ decrease	2016.3/ 2013.3
Operating revenues	2,671.8	2,692.0	2,788.0	+116.2	104.3%
Transportation	1,795.1	1,820.0	1,857.0	+61.9	103.4%
Station Space Utilization	404.2	406.0	437.0	+32.8	108.1%
Shopping Centers & Office Buildings	238.9	250.0	261.0	+22.1	109.2%
Others	233.6	216.0	233.0	−0.6	99.8%
Operating income	397.6	401.0	418.0	+20.4	105.1%
Transportation	266.4	269.0	278.0	+11.6	104.3%
Station Space Utilization	37.6	37.0	42.0	+4.4	111.8%
Shopping Centers & Office Buildings	68.2	69.0	72.0	+3.8	105.6%
Others	26.9	27.0	27.0	+0.1	100.5%
Adjustment	−1.5	−1.0	−1.0		

Consolidated ROA

(rate of operating income on total assets)
(at the end of FY2016)

5.5%

Consolidated ROE

(rate of net income on equity)
(at the end of FY2016)

8.9%

OPERATING CASH FLOW USAGE PLAN

	Targets	FY2014.3
Consolidated operating cash flow	**Approx. ¥1,750 billion** (FY2014.3 to FY2016.3)	
Capital expenditures	**Approx. ¥1,550 billion** (FY2014.3 to FY2016.3)	**Approx. ¥510 billion***
Of which		
Investment needed for the continuous operation of business (Safety practice and transportation stability)	**Approx. ¥950 billion** (Approx. ¥600 billion)	**Approx. ¥316 billion**
Growth investment	**Approx. ¥600 billion**	**Approx. ¥194 billion**
Shareholder returns	**33% Total return ratio**	**¥120/share dividend** Share buybacks**
Debt reduction	(During the 2020s) **¥3,000 billion interest-bearing debt balance**	**Reduce interest-bearing debt around ¥20 billion**

* In addition, priority budget allocation max. ¥30 billion from the deposit balance on March 31, 2013 deposit balance (capital expenditures of approx. ¥540 billion in total)

** Share buyback of ¥8.3 billion executed in May 2013

In regard to safety-related investment, as I said earlier, we are currently executing seismic reinforcement and other countermeasures at a total cost of ¥300 billion. Previously, we had invested just under ¥200 billion in seismic reinforcement measures. We believe that these measures were successful in minimizing damage during the Great East Japan Earthquake. Given that safety is the backbone of JR East's business, we will continue to steadily execute the necessary safety-related investments after carefully prioritizing safety measures, with the aim of realizing "extreme safety levels." Furthermore, investment in service quality and growth is also essential to propelling the Company's sustainable growth. Accordingly, we plan to execute these sorts of investments while giving due consideration to profitability.

In regards to shareholder returns, JR East will strive to maintain stable dividends while flexibly conducting share repurchases, based on its total return ratio target of 33%. For fiscal 2013, JR East bought back 1 million shares (repurchased in May 2013), in addition to paying full-year cash dividends of ¥120 per share. Going forward, we will continue working to reach our total return ratio target of 33%.

JR East plans to reduce its balance of consolidated interest-bearing debt to ¥3,000 billion sometime during the 2020s. To this end, we plan to steadily reduce consolidated interest-bearing debt by around ¥20 billion a year on average.

We are projecting operating cash flow totaling ¥1,750 billion over the 3-year period from fiscal 2014 to fiscal 2016. Of this amount, we have earmarked ¥1,550 billion for capital expenditures.

MEASURES AGAINST THE FALLING POPULATION

QUESTION 7

Can JR East really achieve sustainable growth as Japan's population declines?

ANSWER 7

We believe that we have strong prospects for maintaining and even increasing demand for railway services by increasing the frequency of railway use per person and raising the share of railway passengers in the transportation mix.

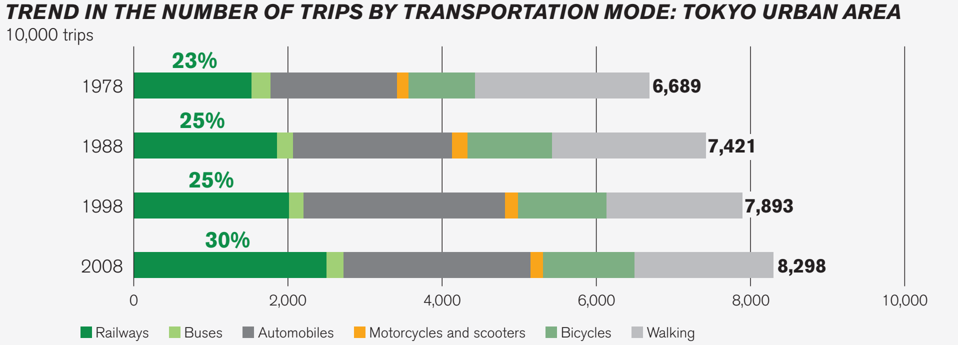
Japan's falling population due to the aging of society and fewer births, notably the declining working-age population, is correlated to a certain extent to a decrease in the number of railway customers using commuter passes. Therefore, the decline in Japan's population presents a huge challenge for the railway business. However, we believe that we can surmount this challenge by increasing the number of railway passengers, even as the overall resident population declines. Therefore, our goal is to increase the frequency of railway use per person and improve the share of railway passengers in the transportation mix by having people select railways as their preferred mode of transportation.

According to the "Tokyo Urban Area Person Trip Survey" by the Ministry of Land, Infrastructure, Transport and Tourism, recent trends in the transportation mix show that the share of railways is increasing, while that of automobiles is declining. This trend is credited to the improved convenience of railways as a result of network enhancements in recent years. Even as the population declines, JR East should be able to further increase the number of railway passengers in the Tokyo metropolitan area if the share of railways rises as people select trains as their preferred mode of transportation. If we work to further enhance the convenience and comfort of railways while ensuring safe and reliable transportation, we believe that JR East will have ample scope to attract new passengers to its railways.

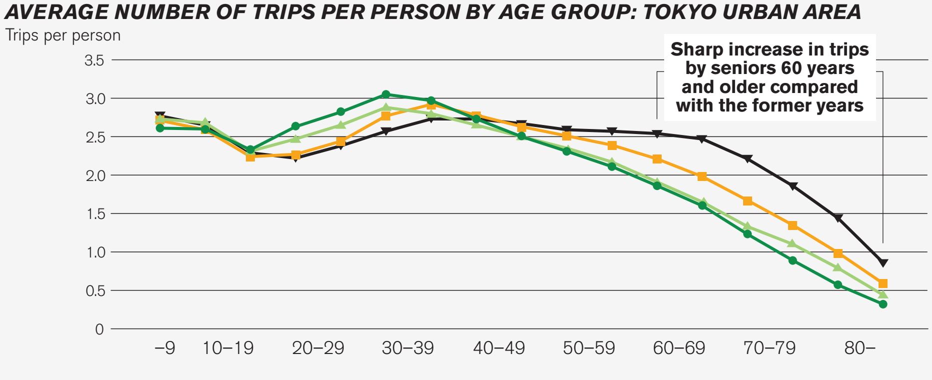
Going forward, the working-age population is also projected to decline in the Tokyo metropolitan area. Nevertheless, we believe that the influx of more and more women and seniors into the workforce will have a positive effect on the working population. For this reason, as I said before, we intend to maintain and even increase demand for railway services by increasing the share of railways with respect to the overall transportation mix.

Moreover, we are seeing trends such as an extremely rapid increase in the frequency of railway use and activity levels of seniors aged 60 and above. The people in this age group are referred to as "active seniors" as they have a certain amount of latitude in terms of money and time, and can devote themselves to a range of activities such as travel, as well as hobbies and other interests. We believe that capturing demand for travel services from this segment presents a huge

TREND IN THE NUMBER OF TRIPS BY TRANSPORTATION MODE: TOKYO URBAN AREA



AVERAGE NUMBER OF TRIPS PER PERSON BY AGE GROUP: TOKYO URBAN AREA



Source: Ministry of Land, Infrastructure, Transport and Tourism, Tokyo Urban Area Person Trip Survey business opportunity for JR East. JR East operates a membership club for seniors called *Otona no Kyujitsu Club*, which has more than 1.6 million members. By providing meticulous services that cater to the needs of seniors, we will strive to further activate this customer segment.

Considering the foregoing factors, we believe that there is no need to be downbeat about the future as Japan's population declines. By enhancing the Tokyo metropolitan area network, expanding the intercity network, and upgrading and extending services for seniors, we are convinced that we will be able to increase the number of railway passengers.

AS A COMPANY RESPONSIBLE FOR RAILWAYS

QUESTION 8

Finally, please share your ambitions toward realizing the group management vision.

ANSWER 8

We will achieve the Group's growth by spurring the growth of every employee. This will be done by building an enterprise that embraces a challenging spirit, and expanding opportunities for employees to become actively involved.

The purpose of formulating this management vision was to return to our starting point of fulfilling our responsibilities as a company responsible for railways, which are a crucial social infrastructure, and to share this mission among all Group employees. I often call on all employees to join me in working together to serve communities by providing safe and reliable transportation services.

Companies cannot grow unless their employees grow. I believe that the growth of every employee holds the key to achieving the Group's growth. And by expanding opportunities for employees to become actively involved, employees will have even more avenues to grow. In essence, "*Ever Onward*" is all about creating this positive cycle where employees' growth is tied to that of the Group as a whole. I intend to create an enterprise where there is respect for embracing challenges, and where people feel empowered to try new initiatives—an open-minded culture in which people believe in their potential and take on new challenges even if they stumble along the way.

Based on "*JR East Group Management Vision V—Ever Onward*," we will continue to marshal the collective efforts of all JR East Group employees to achieve sustainable growth and to improve corporate value. Without loosening the reins, we intend to prove worthy of the trust placed in us by investors. We will do so by continuing to produce tangible results as we move JR East "*Ever Onward*."

Based on "JR East Group Management Vision V— Ever Onward," we will continue to marshal the collective efforts of all JR East Group employees to achieve sustainable growth and to improve corporate value.

FEATURE

Measures Perpetuating JR East's Unlimited Growth Potential

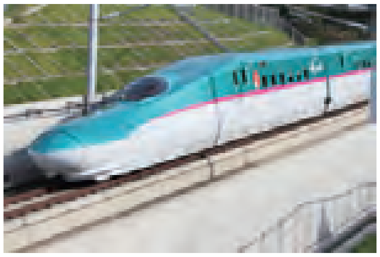
Series E6 railcars

Unlimited Growth Potential 1. Enhancement of the Shinkansen Network

Operation of Shinkansen at Faster Speeds

Starting March 2013, JR East raised the maximum speed of the Series E5 railcars operating as the *Hayabusa* service from 300 km/h to 320 km/h (between Utsunomiya and Morioka) on the Tohoku Shinkansen Line. This consequently shortened the travel time between Tokyo and Shin-Aomori by 11 minutes to as short as 2 hours and 59 minutes.

Moreover, following the debut of the new Series E6 railcars as the *Super Komachi* service, the operating speed on the Akita Shinkansen Line was raised from 275 km/h to a maximum 300 km/h (between Utsunomiya and Morioka). As a result, the travel time between Tokyo and Akita was shortened by 5 minutes to 3 hours and 45 minutes at the quickest. The trip time will be shortened even more in spring 2014 when the *Super Komachi* service begins operating at up to 320 km/h—the same maximum operating speed as the *Hayabusa*.

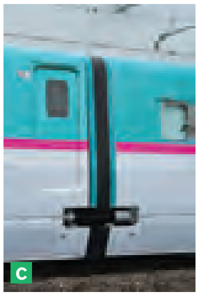


Series E5 railcars

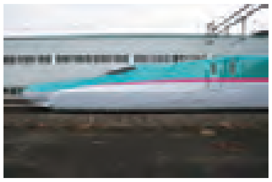
Maximum speed of the Hayabusa service raised to

320 km/h

Technology for Achieving Faster Speeds



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



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

Shinkansen Network Expansion

Hokuriku Shinkansen to Kanazawa

JR East will seize the opportunity to stimulate tourism and the flow of passengers between Tokyo and the Hokuriku region when it extends the Hokuriku Shinkansen Line to Kanazawa at the end of fiscal 2015.

The opening of this line will drastically curtail travel time between Tokyo and Kanazawa to *2 hours and 38 minutes, from the current 3 hours and 51 minutes. To put this in perspective, annual passenger flow (including air travel) between Tokyo and Kanazawa, and Tokyo and Toyama, is approximately 2.7 million and 1.9 million passengers, respectively. For the trip back and forth from Kanazawa, those passengers are currently divided 40:60 between rail and air travel. The new Shinkansen line to the area is expected to encourage more of these passengers to use the train, helping railways to gain market share.

But JR East will not stop at merely increasing the share of railway usage. The Group wants to increase passenger flow even more between Tokyo and Hokuriku. In addition to encouraging the flow of people between the two, JR East will develop sightseeing routes for Hokuriku that spill over into the neighboring prefectures of Niigata, Nagano and Gifu. Moreover, the Group will do this while working in cooperation with local communities and other transportation companies. As a base for those operations, JR East opened the Hokuriku Marketing Center in Kanazawa in April 2013.

Brand new Series E7 railcars will also be introduced in time for the Hokuriku Shinkansen Line's extension to Kanazawa. These railcars will offer enhancements in ride quality and barrier-free features to improve comfort, along with advanced braking capability to bolster safety performance. The railcars will also offer a *GranClass* cabin for passengers seeking a higher grade of travel quality.

New Series E7 railcars

Hokkaido Shinkansen to Shin-Hakodate (provisional name)

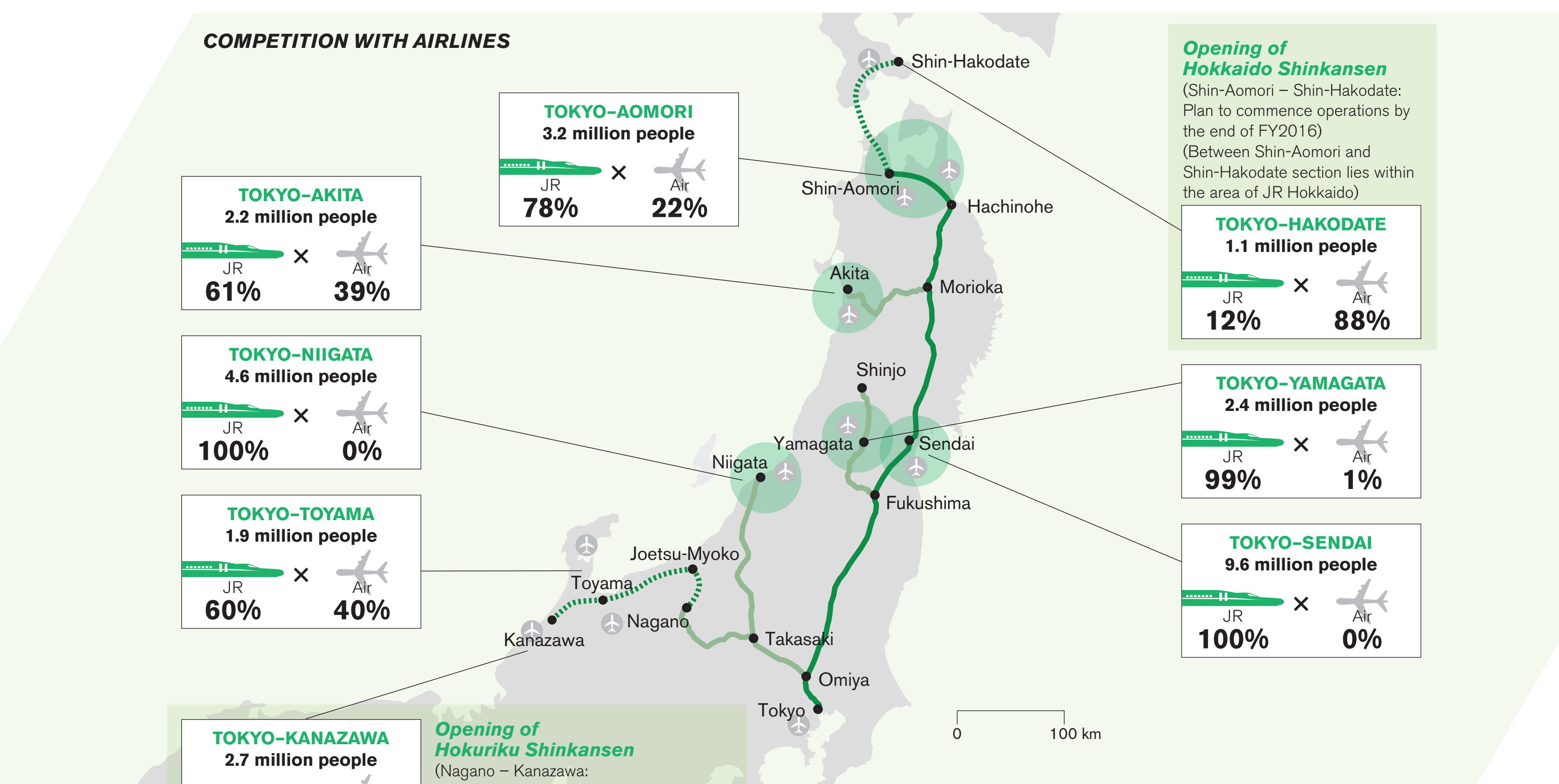
Looking further ahead, JR East will open the Hokkaido Shinkansen Line to Shin-Hakodate (provisional name) by the end of fiscal 2016. The new line will reduce the travel time between Tokyo and Hakodate to 4 hours and 8 minutes,* from 5 hours and 22 minutes. It will also provide JR East the opportunity to attract customers by tying together Aomori and Hokkaido as a single tourist destination, and expand the flow of passengers between Tohoku and Hokkaido.

* Estimates by the Ministry of Land, Infrastructure, Transport and Tourism, Apr. 2012.

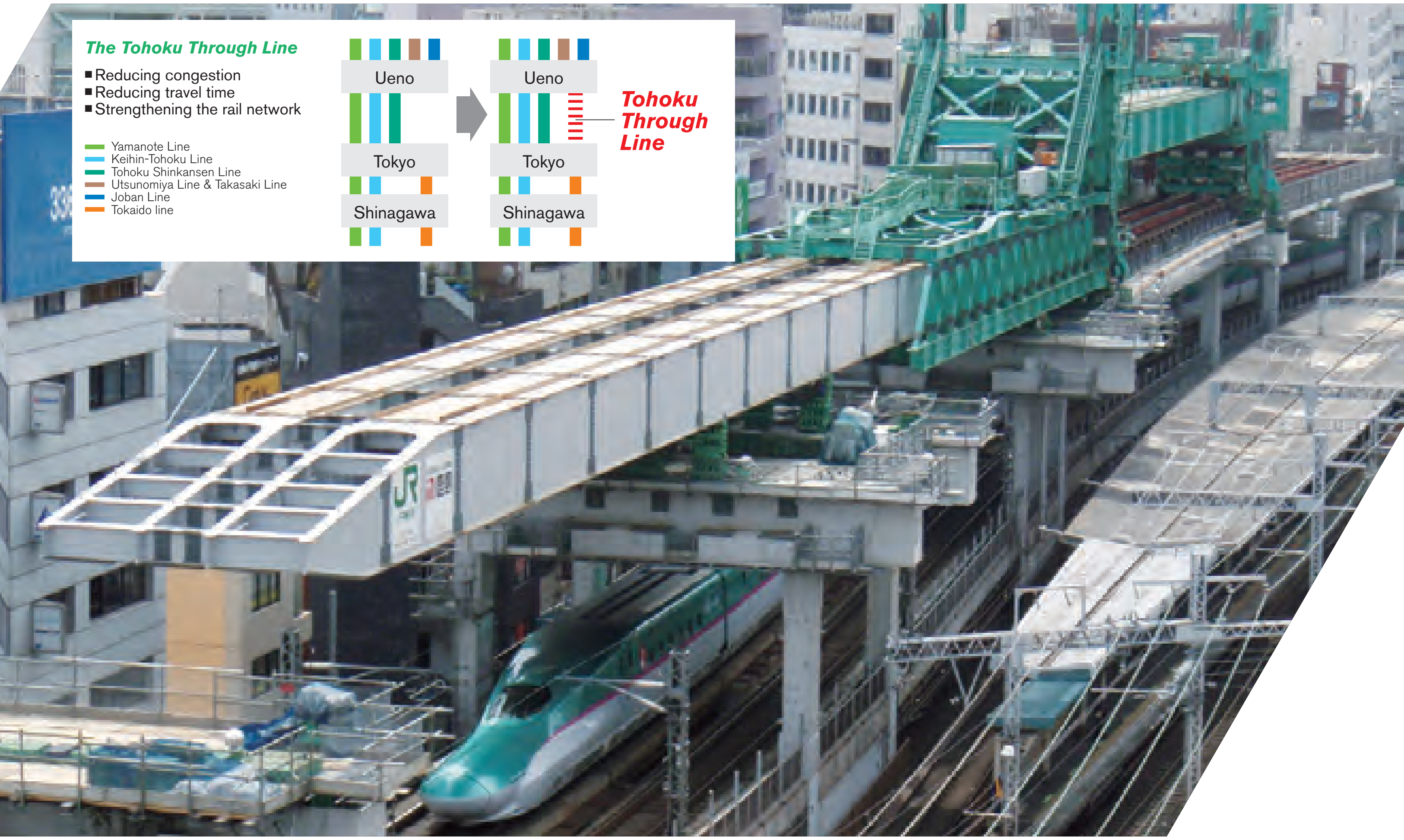
Travel Time Between Tokyo and Kanazawa Cut by

1 Hour and 13 Minutes

COMPETITION WITH AIRLINES



* Market share of JR East and of the airlines are from the fiscal year ended March 2013 (except number of passengers and market shares of trains and flights on the Tokyo–Hakodate Line from FY2012)



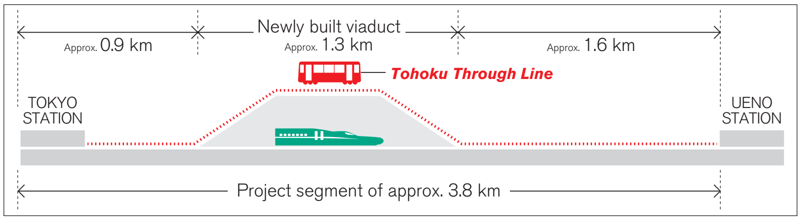
Unlimited Growth Potential

2.The Tohoku Through Line

JR East is making headway with the Tohoku Through Line project, which involves constructing a multi-level viaduct near Kanda Station and building new railway tracks between Tokyo and Ueno stations. This is being done so that certain services of the Utsunomiya, Takasaki, and Joban lines that now terminate at Ueno Station can instead be linked to Tokyo Station and the Tokaido Line bound for Shimbashi and Shinagawa.

Upon completion, the Tohoku Through Line will ease overcrowding on the Yamanote and Keihin-Tohoku lines during the morning rush hour. JR East forecasts that the degree of crowding on the Yamanote Line between Ueno and Okachimachi Station, estimated at 200%*, will fall to below 180%. Furthermore, direct service via this new line will also eliminate transfers at either Ueno or Tokyo Station, thus shortening travel times from the Utsunomiya, Takasaki, and Joban lines to the Tokaido Line. In effect, the projected travel time between Omiya and Shinagawa Station should be cut by 11 minutes or so, to about 45 minutes.

STRUCTURAL DIAGRAM OF THE TOHOKU THROUGH LINE



Consequently, the project will enhance the north-south corridor of JR East's railway transportation network in the Tokyo metropolitan area. The Company believes the Tohoku Through Line will spur the flow of people between the northern and southern ends of the Tokyo metropolitan area, and stimulate economic activity in outlying communities.

Construction of the line began in May 2008. Apart from the spatial challenge of building the line above existing Shinkansen tracks, there were time constraints that limited the construction work to a gap of around three hours between operation of the last commuter train at night and the first one in the morning. Nevertheless, work on the bridge piers comprising 263 steel pieces, from December 2009 through October 2011, and the elevated viaduct in 19 sections, from December 2010 through April 2013, was completed without incident. JR East is now making steady progress with the sound proofing walls, tracks and electrical work for this through line with the aim of opening it for service in fiscal 2015.

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

* Fiscal 2012 figures disclosed by the Ministry of Land, Infrastructure, Transport and Tourism. When the degree of crowding is 200%, passengers standing are cramped and pressed against one another, but there is still enough elbow room to read a magazine. At 100%, boarding is equal to passenger capacity.

Participating in Overseas Railway Projects

There is increasing interest globally in railways as a means of public transportation, and various railway projects throughout the world are being considered. The overseas railway market is projected to grow at an average annual rate of 2.5% going forward. As a result, the market should increase in size to ¥22 trillion by 2020.

Currently, JR East is developing an overseas railway consulting business in upstream fields such as business feasibility studies and design around Japan International Consultants for Transportation Co., Ltd. (JIC), a subsidiary JR East established in 2011. As a railway operator, JR East's strengths lie in its expertise in railway management and administration, including operation and maintenance. Furthermore, working closely with companies worldwide, we aim to participate in overseas railway projects including in the operation & maintenance field (planning, guidance and support related to train operation, equipment maintenance and related areas). One particular area of focus will be fast-growing Asia, which we have positioned as a priority region. We also intend to address railway projects in various regions while carefully identifying risks.

Developing Overseas Sites

We opened overseas offices in Brussels in November 2012, and Singapore in March 2013, in addition to our existing New York and Paris offices. The purpose of these new offices is to strengthen our information gathering and marketing capabilities with respect to overseas railway projects.

Expanding Railcar Manufacturing Operations

Since 1995, JR East has manufactured railcars for commuter trains at the Niitsu Rolling Stock Plant. By bringing Japan Transport Engineering Company (J-TREC) into the JR East Group in April 2012, we have enhanced our development and design capabilities, while incorporating J-TREC's ability to manufacture express railcars.

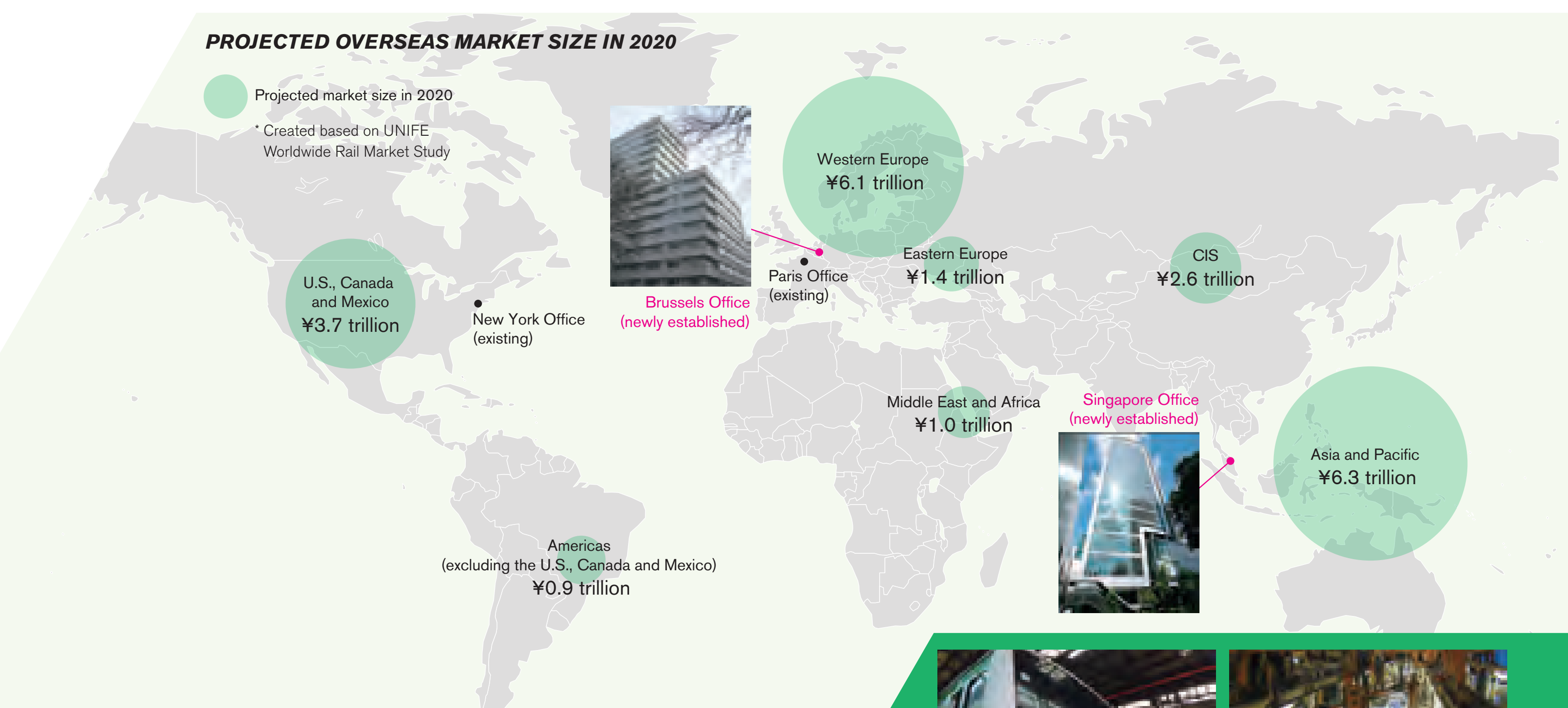
We will maximize synergies between J-TREC and the entire JR East Group, including Niitsu Rolling Stock Plant, in order to establish railcar manufacturing operations as the JR East Group's fourth business pillar, following railway, life-style service businesses and *Suica* operations.

By further honing the JR East Group's comprehensive technological capabilities ranging from railcar manufacturing to operation and maintenance, we aim to expand the share of Japanese railcars in overseas markets. Leveraging our strengths particularly in transportation services in urban areas, our primary near-term target will be railcars for commuter trains for urban areas mainly in Southeast Asia, as well as railcars for high-speed railways.

Furthermore, J-TREC is pressing ahead with a business strategy for promoting the appeal of its stainless-steel railcars, where the company is particularly strong. Under the brand name *sustina*, J-TREC will drive home the advantages offered by these railcars in terms of their high reliability and low lifecycle costs.

Unlimited Growth Potential 3.Tackling New Business Areas

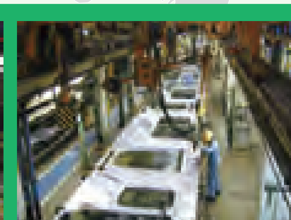
PROJECTED OVERSEAS MARKET SIZE IN 2020



Overseas railway market projected to increase to

¥22 trillion by 2020

Inside the J-TREC factory



Railcar assembly line

Tokyo Station regained the original appearance of when it first opened in 1914 after preservation and restoration of the Tokyo Station *Marunouchi Building* was completed in October 2012. However, in the space of a hundred years, Tokyo Station has become more than a railway terminal, and has evolved into a town of its own.

Since opening as Japan's premier railway terminal in 1914, Tokyo Station has grown into an enormous complex, with 11 platforms and 22 tracks housing the railway services of JR East. Approximately 750,000 passengers on average make use of this station each day (fiscal 2012).

In view of the business potential these passengers present, JR East has been involved in a project named *Tokyo Station City* that seeks to redevelop the station and the area around it as a "town."

For quite some time now, Tokyo Station has been evolving from a station and transit point, to a town that people flock to by the name of *Tokyo Station City*.

The Yaesu Entrance Development Project

At present, JR East is conducting major construction work at the Yaesu Entrance of Tokyo Station and its vicinity.

As a component of this Yaesu Entrance Development Project, part of the *GranTokyo North Tower* and all of the *GranTokyo South Tower* were opened in 2007 as the twin towers to the station complex. This was followed by the full opening of the *North Tower* in October 2012 upon the completion of additions. Accessibility between the two towers is being improved by construction of a pedestrian deck covered with a big roof, named *GranRoof*. In addition, the project will see the development of the station plaza to enhance Tokyo Station's function as a transportation hub.

The *GranRoof* when completed will house additional station facilities and shops, as well as highway bus facilities, which have already been opened.

Yaesu Entrance Development Project

Apart from Tokyo Station, JR East is also promoting the development of attractive towns centered on railway stations at its other major railway terminals including Shinjuku, Shibuya, Shinagawa, Yokohama, Chiba and Sendai stations.

Approx.
750,000 passengers
use Tokyo Station each day on average

Unlimited Growth Potential

4.Tokyo Station City

A panoramic view of the restored Tokyo Station *Marunouchi Building*

MAJOR FACILITIES OF TOKYO STATION CITY

TOKYO STATION CITY

GranTokyo North Tower
Phase I: Opened October 2007
Phase II: Opened October 2012
■ Office space for lease: 63,000 m²
(with 15,300 m² owned and leased by JR East)
■ Retail space for lease: 63,800 m²

GranRoof
(Scheduled completion fall 2013)

Sapia Tower
Opened March 2007
■ Office space for lease: 30,600 m²
■ *Hotel Metropolitan Marunouchi*: 343 guest rooms

Tokyo Station *Marunouchi Building*
Re-opened October 2012
■ *The Tokyo Station Hotel*: 150 guest rooms

GranTokyo South Tower
Opened October 2007
■ Office space for lease: 75,000 m²
(with 49,400 m² owned and leased by JR East)

"Ekinaka" Retail Area
(Commercial space inside the station)

■ *GranSta*
Opened October 2007
62 stores (2,130 m²)

■ *NorthCourt*
Opened December 2010
16 stores (1,000 m²)

■ *SouthCourt*
Opened March 2010
31 stores (1,300 m²)

■ *KeiyoStreet*
Opened March 2011
27 stores (1,400 m²)

■ *CentralStreet*
Opened August 2012
5 stores (860 m²)

CentralStreet

Preservation and Restoration of Tokyo Station Marunouchi Building

The red-brick station has long been a symbol of Tokyo Station. The building was rebuilt for use as a two-story construction following World War II, after the vaulted domes at the north and south end and the interior were burned down in 1945. Later on Tokyo Station *Marunouchi Building* was designated as an Important Cultural Property of Japan in 2003. Soon after, JR East began work on preserving what survived of the building and restoring the third story that was lost as an important historical landmark, to pass the building on to future generations.

The building's restoration to its original form was completed in October 2012, and since then Tokyo Station *Marunouchi Building* has become a new tourist attraction frequented by many people.

In addition, the hotel and gallery within were refurbished along with the building's restoration, and a JR EAST Travel Service Center for travelers visiting Japan from abroad was established inside Tokyo Station *Marunouchi Building* to further enhance customer convenience.

Nearly 100 years
Since Establishment in 1914

Tokyo Station *Marunouchi Building*–Preservation and Restoration Work Now Complete

The Tokyo Station *Marunouchi Building* when it first opened

The rebuilt Tokyo Station *Marunouchi Building* after damages sustained in World War II

The restored Tokyo Station *Marunouchi Building* as of October 2012

AT A GLANCE

TRANSPORTATION

Transportation

See pp. 036–039 for more information

PROFILE

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

PRINCIPAL BUSINESSES

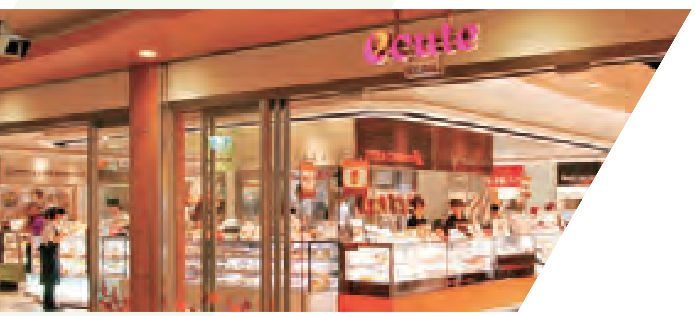
TOKYO METROPOLITAN AREA NETWORK
Trains serving in the Tokyo metropolitan area, the largest market in Japan

INTERCITY NETWORK CENTERED ON SHINKANSEN
High-speed train services linking Tokyo with major cities and other intercity transportation

NON-TRANSPORTATION

Station Space Utilization

See pp. 040–041 for more information



PROFILE

About 17 million passengers use JR East's railway stations every day. Station space utilization offers retailing and restaurant services to these customers through outlets at railway stations and sales inside trains.

PRINCIPAL BUSINESSES

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

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

NON-TRANSPORTATION

Shopping Centers & Office Buildings

See pp. 042–043 for more information

PROFILE

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

PRINCIPAL BUSINESSES

SHOPPING CENTERS
Development and leasing of space to retailers and other tenants in shopping centers at railway stations

OFFICE BUILDINGS
Development and operation of buildings used primarily as office space

NON-TRANSPORTATION

Others

See pp. 044–046 for more information

PROFILE

Major businesses in other services include hotel operations, advertising and publicity, travel agency services, wholesales, truck delivery services, information processing, cleaning services/station operations, credit card business, railcar manufacturing operations and other services.

PRINCIPAL BUSINESSES

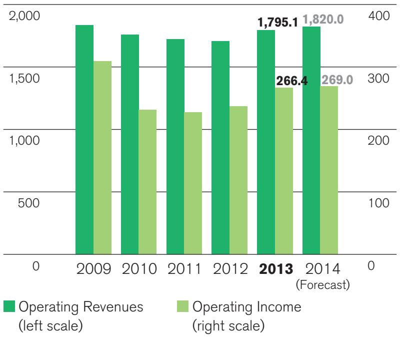
ADVERTISING AND PUBLICITY
Advertising and publicity in railway stations and in and on railcars

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

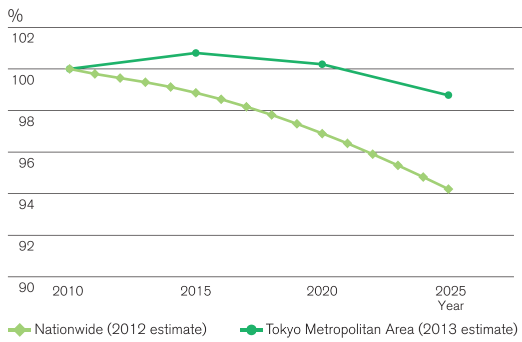
RAILCAR MANUFACTURING OPERATIONS
From FY2014, changed to the Transportation Segment

OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



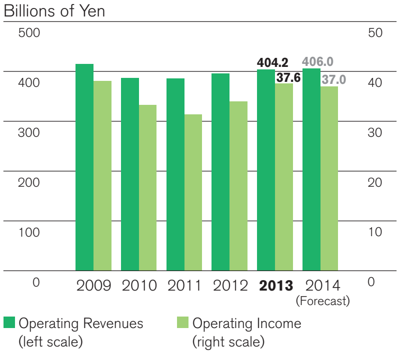
TOTAL POPULATION OF JAPAN



The population of the Tokyo metropolitan area is projected to increase further until the middle of the 2010s, while that of Japan as a whole is forecast to continue decreasing.

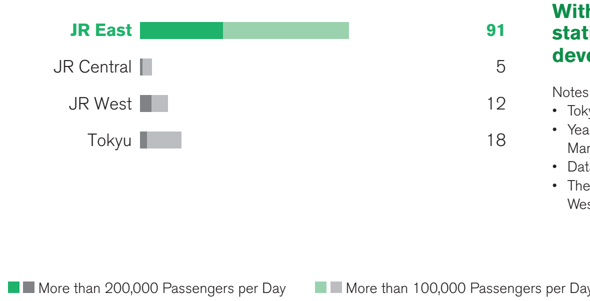
OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



NUMBER OF BUSY STATIONS

Number of Stations

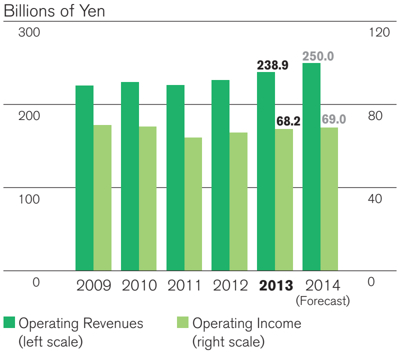


With hundreds of thousands of users a day, stations offer JR East an ideal place for developing life-style service business.

Notes
- Tokyu = Tokyu Corporation
- Year ended March 31, 2012 for JR Central and JR West, year ended March 31, 2013 for JR East and Tokyu
- Data is based on figures from JR Central, JR West, and Tokyu.
- The numbers of station users at stations of JR East, JR Central, and JR West represent twice the number of passengers embarking.

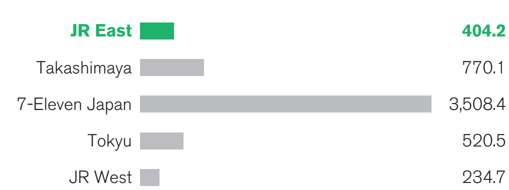
OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



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

Billions of Yen

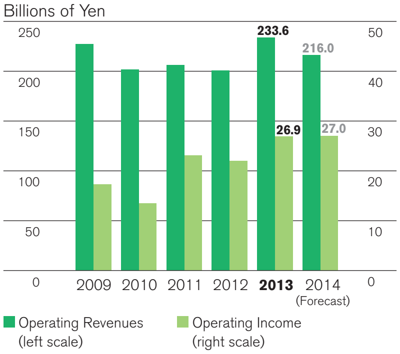


Located close to train stations, JR East's shopping facilities boast sales that rival those of major department stores.

Notes
- Takashimaya = Takashimaya Company, Limited; 7-Eleven Japan = Seven-Eleven Japan Co., Ltd.; Tokyu = Tokyu Corporation
- Year ended March 31, 2013 (year ended February 28, 2013, for Takashimaya and 7-Eleven Japan)
- Data is based on figures from the financial press releases of each company.
- The following figures are used as operating revenues:
  JR East: Station space utilization, segment revenues from outside customers; Takashimaya: Department store business, segment revenues from outside customers; 7-Eleven Japan: Total store sales (nonconsolidated); Tokyu: Retail operating revenues; and JR West: Sales of goods and food services business, segment revenues from third parties

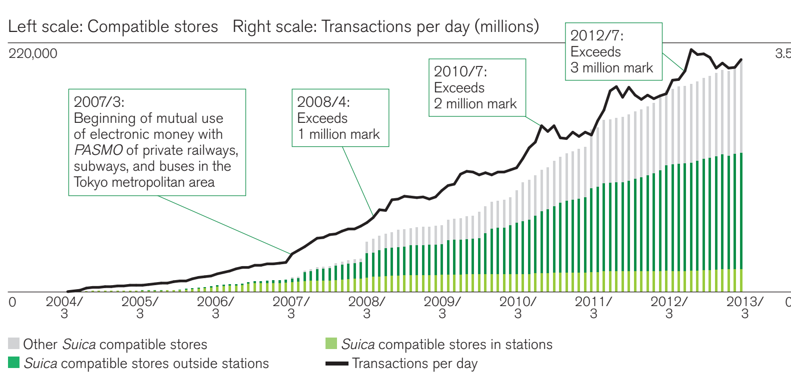
OPERATING REVENUES AND OPERATING INCOME

Billions of Yen



SUICA ELECTRONIC MONEY-TRANSACTIONS AND COMPATIBLE STORES

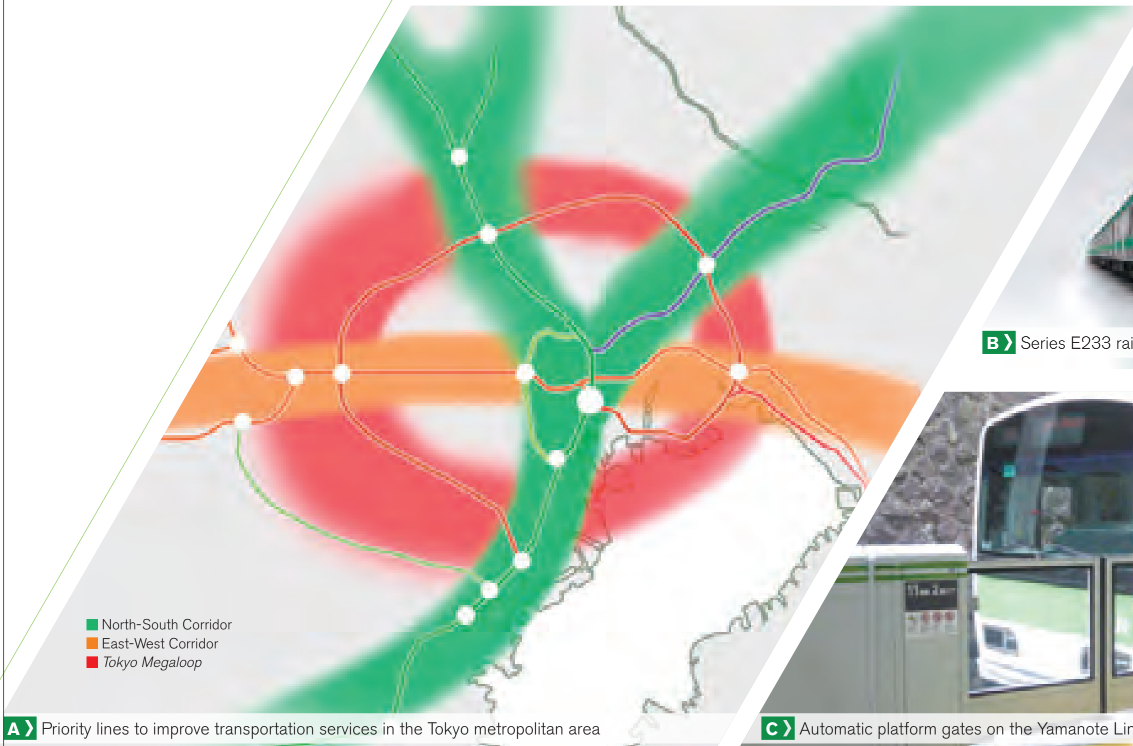
Left scale: Compatible stores Right scale: Transactions per day (millions)



Suica **electronic money is accepted at over 200,000 stores and was used for a one-day record of 3.4 million transactions as of March 31, 2013.**

* Figures are as of March 31, 2013
* Figures include results of other affiliated stores

TRANSPORTATION



A Priority lines to improve transportation services in the Tokyo metropolitan area

B Series E233 railcars for the Saikyo and Yokohama lines

C Automatic platform gates on the Yamanote Line

Tokyo Metropolitan Area Network

OVERVIEW

With approximately 36 million people, about 30% of Japan's population is concentrated in the Tokyo area*1. Moreover, this population is projected to be supplemented for the foreseeable future with people continuing to move in to the area, even though the population of Japan as a whole has begun to decline. What is more, the Tokyo area also accounts for about 30% of Japan's economic activity. JR East's strongest business advantage is that the entire Tokyo area is one of its major operating territories. Illustrating this, the Tokyo area alone accounts for almost 70% of JR East's passenger revenues. Moreover, the Group's network of conventional lines in the Kanto area network*2 stretches out for 2,536.2 operating kilometers.

*1 The Tokyo area is comprised by Tokyo Metropolis, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture.

*2 The Kanto area network is the railway network covered by seven branch offices (Tokyo, Yokohama, Hachioji, Omiya, Takasaki, Mito and Chiba).

To date, JR East has continuously endeavored to enhance its Kanto area transportation services. Efforts have focused on increasing the frequency of trains during the morning rush hour to ease crowding, increasing direct services (without passengers having to change trains) on the Shonan-Shinjuku and other lines, and improving seating services by introducing *Green Cars* on local trains.

In fiscal 2013, JR East's Kanto area network accounted for 102,420 million passenger kilometers and revenues from passenger tickets of ¥1,117.1 billion.

TOPICS AND OUTLOOK

Transportation Service Improvement

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

North-South Corridor: The Tohoku Through Line will begin operating in fiscal 2015. As a result, passengers will be able to take an uninterrupted ride on the Joban, Utsunomiya and Takasaki lines to Tokyo Station, and areas served by the Tokaido Line. In conjunction, JR East will conduct renovation work on the various stations this will affect, such as Tokyo, Shimbashi and Nippori, to improve convenience.

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

Tokyo Megaloop (an outer loop formed by the Musashino, Keiyo, Nambu and Yokohama lines): The Group is implementing measures such as enhancing direct service among other railway lines and improving convenience during daytime hours. This includes the preparations underway for starting direct service with Sagami Railway. A

* Please refer to the feature article on page 30 for more information on the Tohoku Through Line.

STRATEGY FOR RAILWAY BUSINESS

Tokyo metropolitan area network (Conventional lines)

2000

2005

2010

2015

Direct service

- Shonan-Shinjuku Line (Dec. 2001)

Seating service

- *Green cars* (upper grade) on commuter trains (Oct. 2004) (Shonan-Shinjuku, Utsunomiya and Takasaki lines)
- *Green cars* (upper grade) on commuter trains (Mar. 2007) (Joban Line)

Tokyo Megaloop (Musashino, Keiyo, Nambu and Yokohama lines)

- Direct service
- Improving convenience during the daytime hours

Service improvements such as the Chuo Line, etc.

- Improvements in speed and travel efficiency
- Seating service

Improving transportation quality

- Preventing disruptions to service
- Quickly resume operations and stop the impact of service disruptions from spreading further
- Providing passengers with more information

Establishing new stations from a strategic perspective

- Tohoku Through Line to begin operation (FY2015)

Transportation Quality Improvement

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

New Stations from a Strategic Perspective

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

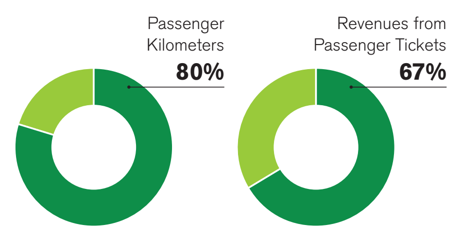
Introduction of Series E233 Commuter Railcars

Series E233 commuter railcars will be introduced on the Saikyo Line and Yokohama Line. The roll-out will begin in fiscal 2014 on the Saikyo Line and fiscal 2015 on the Yokohama Line. The cars feature around 10% greater capacity than the conventional Series 205 cars, which will help alleviate crowding. They also feature 100% LED lighting, which will reduce power consumption by some 60% compared to standard fluorescents. B

Automatic Platform Gate Installation on the Yamanote Line

JR East continues installing automatic platform gates on the Yamanote Line. The goal is to have these gates operational at 23 stations on the line by fiscal 2016, with the exception of the stations scheduled to undergo major construction work. The Group plans to start using the gates at seven stations on the line each year in fiscal 2014 and fiscal 2015. C

COMPOSITION OF RAILWAY OPERATIONS IN JR EAST
(Conventional Lines in the Kanto area network)



A 〉 New Series E6 railcars

C 〉 *Destination Campaigns*

B 〉 New Series E7 railcars for the Hokuriku Shinkansen Line

D 〉 *Tohoku Emotion* restaurant train

Intercity Network Centered on Shinkansen

OVERVIEW

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

JR East is taking steps to increase the convenience of its Shinkansen services further. Those efforts include implementing plans to introduce new-type railcars and increasing train services during such busy periods as the Golden Week spring holidays, summer vacation period, and the year-end and New Year period. Moreover, these lines will help maintain JR East's advantage over air travel. To illustrate, it takes less than 4 hours to get from Tokyo to Akita, on the longest stretch on JR East's Shinkansen network.

In fiscal 2013, traffic volume on the Shinkansen lines was 20,118 million passenger kilometers, and revenues from passenger tickets were ¥492.0 billion.

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

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

In fiscal 2013, JR East's network of conventional lines other than the Kanto area accounted for 5,854 million passenger kilometers and revenues from passenger tickets of ¥72.4 billion.

TOPICS

Operation of the Series E5 at 320 km/h on Tohoku Shinkansen, and Debut of the Series E6 on Akita Shinkansen

When the train schedules were revised in March 2013, JR East commenced the operation of Series E5 railcars at a maximum speed of 320 km/h, the fastest in Japan, as the *Hayabusa* service on the Tohoku Shinkansen. As a result, Shin-Aomori can now be reached from Tokyo in as short as 2 hours and 59 minutes. At the same time, JR East's new Series E6 railcars made their debut as the *Super Komachi* service on the Akita Shinkansen. JR East is now operating those trains at a maximum speed of 300 km/h between Utsunomiya Station and Morioka Station, enabling passengers to reach Akita from Tokyo in 3 hours and 45 minutes on the fastest trains. Operation at as fast as 320 km/h for the Series E6 is scheduled to commence by the end of fiscal 2014. A 〉

* Please refer to the feature article on pages 28-29 for more information on the faster Series E5 service and the Series E6.

STRATEGY FOR RAILWAY BUSINESS
Intercity network (Shinkansen)

2000

› ***Shinkansen extension***
- Tohoku Shinkansen Hachinohe extension (Dec. 2002)

2005

2010

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

› ***Operation of Shinkansen at higher speed, GranClass*** (first class service on Shinkansen)
- Series E5 to begin 300 km/h service (Mar. 2011)
- *GranClass* service (Mar. 2011)
- Series E5 to begin 320 km/h service (Mar. 2013)
- Series E6 to begin 300 km/h service (Mar. 2013)
- Series E6 to begin 320 km/h service (End of FY2014)

2015

- Opening of Hokuriku Shinkansen to Kanazawa (End of FY2015)
- Opening of Hokkaido Shinkansen to Shin-Hakodate (End of FY2016)

EXPANSION OF JR EAST'S SHINKANSEN NETWORK

OUTLOOK

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

JR East is aiming to change the landscape of inter-regional tourism when it opens the Hokuriku Shinkansen from Nagano to Kanazawa at the end of fiscal 2015, and the Hokkaido Shinkansen from Shin-Aomori to Shin-Hakodate (provisional name) at the end of fiscal 2016. Once these lines open, JR East sees an opportunity to encourage large numbers of people to travel to these areas, and will take full advantage of the enhanced Shinkansen network to establish attractive travel routes. Brand new Series E7 railcars will also be launched in time for the Hokuriku Shinkansen's opening. B ›

*Please refer to the feature article on page 29 for more information on JR East's Shinkansen extension and launch of the Series E7.

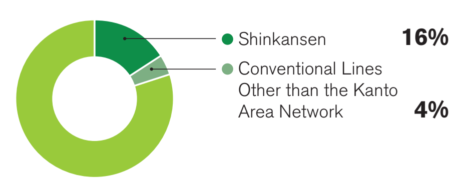
Destination Campaigns (DCs)

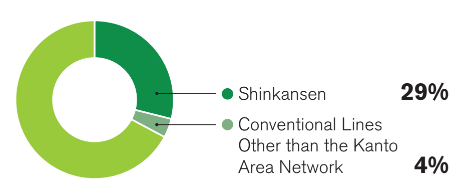
The six JR passenger railway companies in Japan are co-promoting *Destination Campaigns*, or large-scale tourism campaigns for revitalizing local communities in cooperation with municipal authorities. From the perspective of helping communities recover from the Great East Japan Earthquake through tourism, JR East has many *Destination Campaigns* planned for the Tohoku region. These include the *Sendai/Miyagi DC* from April through June 2013, the *Akita DC* from October through December 2013, the *Niigata DC* from April through June 2014, the *Yamagata DC* from June through September 2014, and the *Fukushima DC* from April through June 2015. C ›

Trains People Seek for the "Ride" Itself

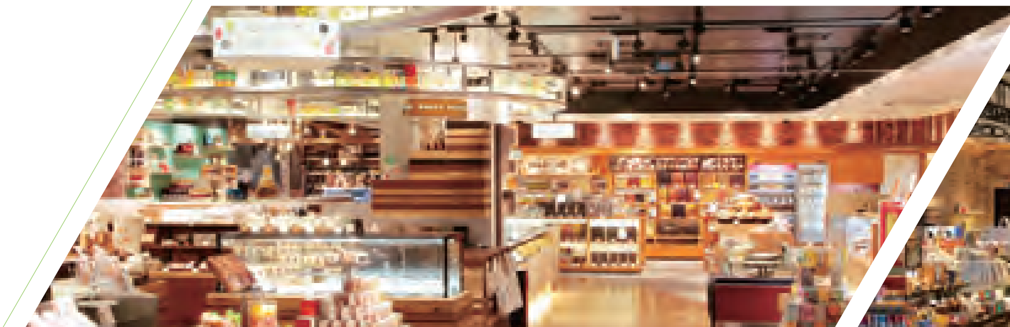
JR East is developing attractive trains that are more than just a mode of transportation—these trains will position the pleasure of riding certain trains for the train ride itself as a reason to travel—as one of its initiatives in pioneering a new future for railways. Starting fall 2013, the Group will launch the *Tohoku Emotion* restaurant train for operation. This train with dining car seating only will showcase sleek design, great food and fine art to provide passengers "the experience of discovering a new Tohoku." D ›

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





NON-TRANSPORTATION



A ❯ *Marunouchizaka Area* (Tokyo Station)

C ❯ A newly opened Fruit Gathering store in *ecute Shinagawa*

B ❯ *Matsuri* (Tokyo Station) featuring boxed lunches from stations throughout Japan

D ❯ *ecute Tokyo*

F ❯ *Sanchoku-Ichi* in Ueno Station

Station Space Utilization

OVERVIEW

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

JR East has many railway stations with high passenger volumes: 91 railway stations are used by more than 100,000 passengers a day, including 36 railway stations used by more than 200,000 passengers a day as of March 31, 2013. Given those volumes, there is considerable scope for the further development of the Group's life-style service business.

TOPICS

Station Renaissance

JR East is implementing the *Station Renaissance* program to maximize the appeal of railway stations as the largest business resource at its disposal.

In fiscal 2013, JR East opened the *Marunouchizaka Area* as a new addition to *GranSta* in Tokyo Station. Another zone named *CentralStreet*, in the central concourse on the ground floor, was launched to coincide with the grand re-opening of historic Tokyo Station *Marunouchi Building*. Meanwhile, the Group also worked to strengthen the competitiveness of existing retail facilities. This included the major renewal of an entire zone in *ecute Shinagawa*. ABC ❯

Development of *ecute*

JR East's *ecute* in-station shopping zones feature high-quality products and services with strong market appeal. These zones merge retail stores with railway stations, and were a pioneering concept in Station Space Utilization for portraying the uniqueness of JR East's stations. The number of *ecute* shopping zones has increased to eight stations, with the Group company that manages them continuing to expand. D ❯

Development of Beverage Vending

JR East began introducing next-generation vending machines in April 2008. As of December 2012, more than 500 machines had been installed.

Moreover, in 2009, the Group began equipping those vending machines with intelligent cash register terminals. These terminals, accepting payment with *Suica*, have grown into a network for collecting point-of-sales (POS) data. The marketing information from this network is now being analyzed and put to use by JR East in selecting the items stocked in vending machines, and for developing new beverages from the perspective of customers.

Revitalization of Existing Retail Venues

Existing retail venues in Station Space Utilization are being revitalized through the renewal of product offerings and store formats, and by boosting customer convenience with the active introduction of *Suica*.

Station Space Utilization retail operations reached a milestone in November 2012 when the number of *NEWDAYS* convenience stores in stations surpassed 500. Looking ahead, JR East will strengthen the brand power of *NEWDAYS* by upgrading the chain's logistics and merchandise flow. Meanwhile, the Group

E NEWDAYS

TOP 20 STATIONS WITH LARGE DAILY PASSENGER USE

	Station	Number of Passengers per Day
1	Shinjuku	1,485,666
2	Ikebukuro	1,101,512
3	Shibuya	824,018
4	Tokyo	804,554
5	Yokohama	801,310
6	Shinagawa	659,358
7	Shimbashi	501,364
8	Omiya	480,286
9	Akihabara	468,374
10	Takadanobaba	403,530
11	Kita-Senju	397,248
12	Kawasaki	376,386
13	Ueno	367,222
14	Yurakucho	329,858
15	Tachikawa	314,936
16	Hamamatsucho	306,208
17	Tamachi	291,448
18	Kichijoji	276,966
19	Osaki	276,622
20	Kamata	271,336

will leverage IT to garner marketing information for use in developing new merchandise and opening more stores.

JR East will also strengthen and diversify the segment's in-station restaurant business around a franchise of fast food operations that include *Irorian Kiraku* (Japanese noodle restaurants), *Beck's Coffee Shop* (coffee shop) and *Becker's* (hamburger chain). E

Rediscovering the Region Projects

Rediscovering the Region Projects are a vital component of JR East's strategy for breathing life into the local communities the Group serves.

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

Visible initiatives include hosting *Sanchoku-Ichi* (farmers' markets) in collaboration with local communities in the Tokyo metropolitan area, the operation of *NOMONO* shops featuring locally grown and processed foods, and the development of processed agricultural products. In fiscal 2013, JR East used the *Sanchoku-Ichi* held in Ueno, Akihabara and Omiya among other stations to showcase the appeal of various regions in eastern Japan. F

Evolution of the *Station Renaissance* Program

Looking ahead, JR East will enhance the competitive strength and expand earnings of the Station Space Utilization segment by applying its *Station Renaissance* program in stations including Oyama and Kichijoji. In the meantime, the Group will hold more *Sanchoku-Ichi*, open a second *NOMONO* shop, and contribute to the sextic industrialization of agriculture, fishing and forestry. All such initiatives will be geared toward helping the local communities the Group serves to develop industries.

These are but some of the ways JR East remains dedicated to promoting the *Station Renaissance* program and raising the appeal of its railway stations.

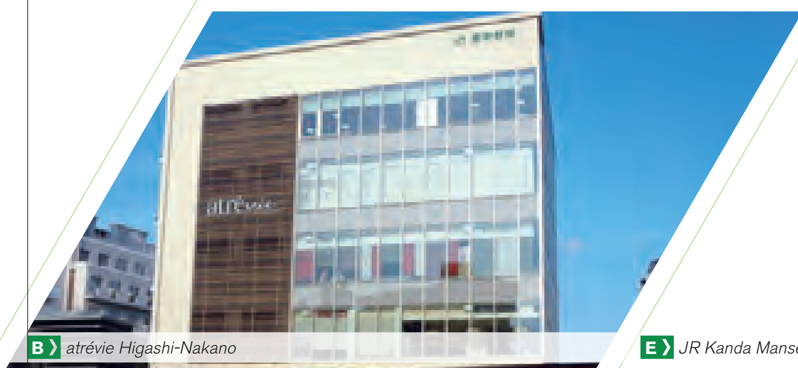
D DEVELOPMENT OF ECUTE

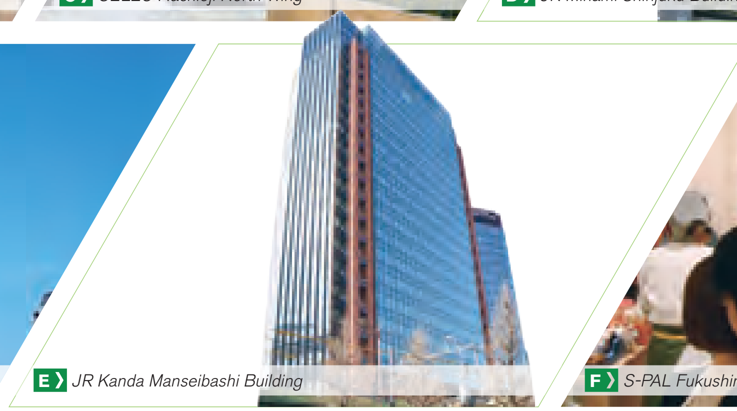
	Omiya	Shinagawa	Tachikawa	Nippori	Tokyo	Ueno	Shinagawa South	Akabane
Beginning of operations	Mar. 2005	Oct. 2005	Oct. 2007 (phase I) Oct. 2008 (phase II)	Mar. 2008 Jun. 2009 (floor space increase)	Mar. 2010	Dec. 2010 (phase I) Mar. 2011 (phase II)	Dec. 2010 (phase I) Feb. 2011 (phase II) Apr. 2011 (phase III) May 2011 (phase IV)	Mar. 2011 (phase I) Jul. 2011 (phase II) Aug. 2011 (phase III) Sep. 2011 (phase IV)
Store space	2,300 m²	1,600 m²	4,300 m²	380 m²	1,300 m²	4,800 m²	1,800 m²	2,000 m²
Number of shops	78	52	92	18	31	78	39	54
FY2013.3 Results (YoY, %)	¥10.1 billion (100.8%)	¥6.1 billion (99.1%)	¥5.9 billion (100.6%)	¥1.8 billion (100.9%)	¥4.0 billion (112.3%)	¥11.1 billion (107.9%)	¥10.2 billion (104.5%)	¥5.1 billion (132.1%)


A 》 *nonowa Nishi-Kokubunji*


C 》 *CELEO Hachioji North Wing*


D 》 *JR Minami Shinjuku Building*


B 》 *atrévie Higashi-Nakano*


E 》 *JR Kanda Manseibashi Building*


F 》 *S-PAL Fukushima*

Shopping Centers & Office Buildings

OVERVIEW

Concentrating on such railway station buildings as *LUMINE* and *atré,* JR East's shopping center operations make full use of the formidable customer-drawing power of its railway stations and the locations nearby to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

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

As of March 31, 2013, JR East operated 148 shopping centers and 23 office buildings.

TOPICS

New Shopping Centers

JR East is actively opening new shopping facilities to keep pace with a changing external business environment and intensifying competition. One example of this is the segment's *Chuo Line Mall* vision for development between Mitaka and Tachikawa stations on the Chuo Line. In the first shopping facility under this vision, *nonowa Nishi-Kokubunji*, the segment sought to breathe life back into the interior of a railway station used daily by commuters, by applying the concept of a booming frontier town from the American West. Apart from that, the segment opened *atrévie Higashi-Nakano*, *CELEO Hachioji North Wing*, and *CIAL Tsurumi* during the fiscal year under review, and also saw the completion of *GranTokyo North Tower Phase II*.

Among the office buildings the segment opened in the past fiscal year were *JR Minami Shinjuku Building* and *JR Kanda Manseibashi Building*. Looking ahead, JR East will continue developing office buildings from the viewpoint of prospective tenants. To flexibly address their needs, the Group will develop buildings designed to withstand earthquakes, provide emergency power, and accommodate people if they have difficulty getting home in the event of a disaster. Environmental issues will be addressed, primarily by reducing CO_2 emissions of the buildings, and by fitting them with energy-saving facilities and equipment. ABCDE 》

Remodeling

Remodeling is an effective means of keeping shopping centers fresh in the eyes of customers. In fiscal 2013, JR East carried out numerous remodeling projects, including for *S-PAL Fukushima* and *Shapo Ichikawa*, to reenergize existing stores and attract prominent tenants that can draw in customers. F 》

G JR *Ōtsuka Minamiguchi Building*

I Development of the Shinjuku transportation hub and the *Shinjuku New South Exit Building* (provisional name)

H *GranRoof*

J Plan to reconstruct Chiba Station and its main station building

OUTLOOK

Aggressive Development

It is JR East's policy to continue taking advantage of the exceptional capability of its stations to draw customers, and locations around those stations, in developing shopping centers and office buildings going forward. At *Tokyo Station City*, the Shopping Centers & Office Buildings segment plans to construct *GranRoof;* a covered pedestrian deck with shopping facilities connecting the *GranTokyo North Tower* with the *GranTokyo South Tower*. The segment also plans to promote the construction of the *JR Ōtsuska Minamiguchi Building* (provisional name), a shopping center and office complex scheduled to open in fall 2013, among other buildings. GH

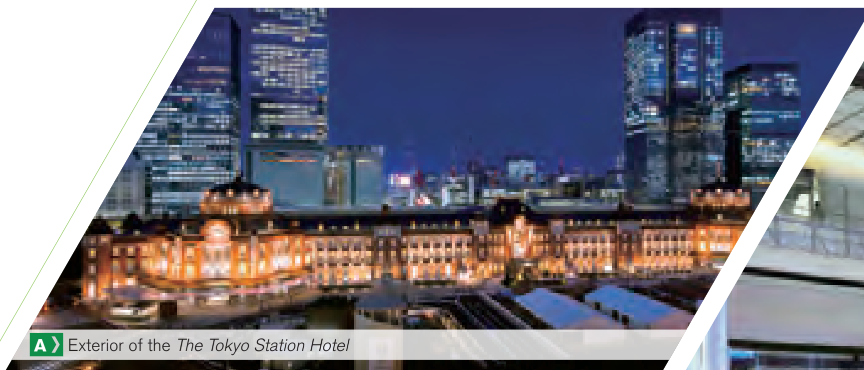
Large Projects Currently Under Way

There are also other large projects under way that have no scheduled completion date as yet, but have the potential to regenerate stations and their environs.

In conjunction with the Ministry of Land, Infrastructure, Transport and Tourism, JR East is creating a new transportation hub at Shinjuku Station. The Group will create an artificial deck approximately 1.47 hectares in size above the tracks, on which it will then build a multilevel urban infrastructure facility to enable passengers to transfer more smoothly between trains, highway buses, taxis, and private vehicles. Currently, the structure for the upper levels is being built. At the same time, JR East plans to construct the *Shinjuku New South Exit Building* (provisional name). This building will have two floors below ground, 33 floors above ground, and a total floor space of approximately 110,000 m^2. Preliminary construction work is now under way, and both the new station building and transportation hub are due for completion in spring 2016.

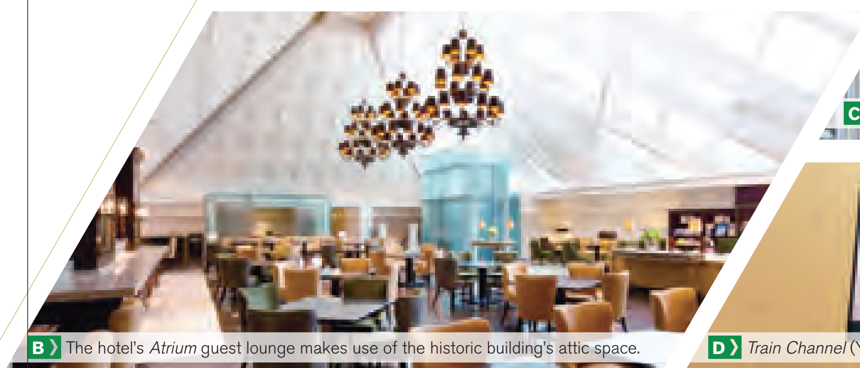
JR East is also reconstructing Chiba Station and its main station building. Raising the station concourse above the railway tracks on an artificial deck will enable the creation of an airy and readily recognizable station area befitting the gateway to Chiba's prefectural capital with a population of one million. JR East expects that simultaneously rebuilding the station and the antiquated and cramped station building will help invigorate the area around the station by enabling the Group to develop attractive businesses that dovetail with the new station complex. The main construction began in October 2011, and currently the old station building is undergoing demolition and the artificial deck is being built. The new station complex will be opened in stages from 2016 through 2018. Combined, the new station and station building will include one underground floor, seven floors above ground, and a total floor space of approximately 70,000 m^2.

Other building projects JR East will develop together with local communities include the redevelopment of Yokohama Station and Shibuya Station. IJ

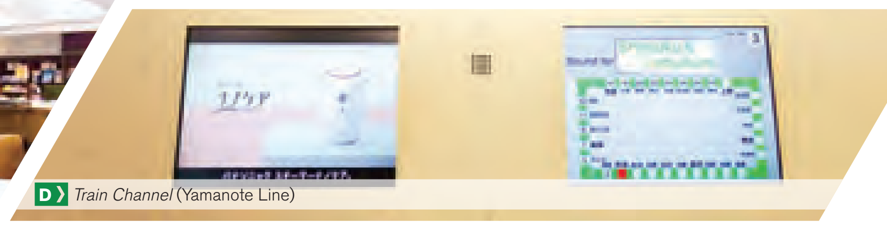


A Exterior of the *The Tokyo Station Hotel*

C *MARU-VISION*: The north dome of Tokyo Station *Marunouchi Building*



B The hotel's *Atrium* guest lounge makes use of the historic building's attic space.



D *Train Channel* (Yamanote Line)

Others

Hotel Operations

The JR East Group operates 44 hotels in the JR-EAST HOTELS network with a total of 6,403 guest rooms as of March 31, 2013.

The network's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. In addition to being advantageously located next to railway stations, these hotels provide sophisticated accommodation, dining, and banquet services (10 hotels with 3,035 guestrooms at an occupancy averaging 85.4%).

Meanwhile, JR East's *HOTEL METS* business hotels focus on accommodation at reasonable prices, with comfort comparable to a city hotel. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one (22 hotels with 2,485 guestrooms at an occupancy averaging 80.3%).

The Tokyo Station Hotel

The Tokyo Station Hotel, which first opened in 1915, was closed in March 2006 while Tokyo Station *Marunouchi Building* underwent restoration and preservation. JR East reopened this hotel on October 2012 as a cutting-edge facility like no other, housed in the historically restored splendor of the station building which has been designated an Important Cultural Property of Japan.

The hotel occupies 20,800 m^2 of total floor space from the second floor underground on up through the fourth floor above ground of this building. Classic guestrooms are a roomy 40 m^2. Apart from that, the hotel features spacious suites directly overlooking the Imperial Palace, and maisonette guestrooms offering the privacy of two separate living-room and bedroom floors. There are also guestrooms encircling the two vaulted domes at the north and south ends, which have come to symbolize Tokyo Station *Marunouchi Building* (the hotel has 150 guestrooms in all). AB

Advertising and Publicity

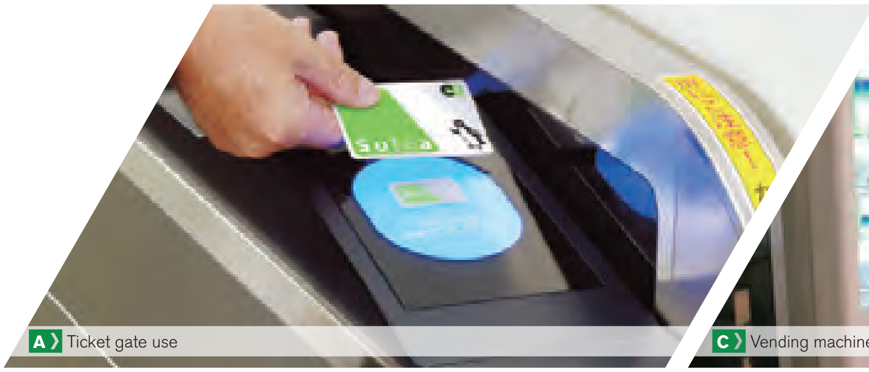
The stations and railcars that serve approximately 17 million people each day are JR East's most precious business asset. The Group generates sizeable ancillary revenues utilizing those assets as advertising media. Advertising and Publicity is a business quintessentially affected by ups and downs in the economy, which was in a recovery phase for the most part during the fiscal year ended March 31, 2013.

Advertising Media Development Integral to Grand Design

In JR East's Advertising and Publicity business, advertising proposals are a proactive and integral part of station improvement and construction work from the start. Advertising is part of the grand design from the planning stage, and this ensures that the spaces within stations lead to an expansion in the Group's Advertising and Publicity business. During the past fiscal year, new digital signage was installed inside the north and south domes of Tokyo Station *Marunouchi Building*, the stairway down from the building's central gates to the Sobu Line, and the passageway above the line. C

Digitization

JR East's advertising media has been digitized using *J-AD Vision* large-size LCD displays, which have been installed in major stations throughout Tokyo. As of March 31, 2013, 326 of these screens were installed in 41 stations. Another way in which JR East has digitized advertising is *Train Channel*, an advertising medium installed above the doorways of its new commuter railcars. Used for broadcasting advertising content on-board, *Train Channel* has been deployed in commuter trains on the Yamanote, Chuo, Keihin-Tohoku and Keiyo lines, and will be deployed in stages on the Saikyo Line starting summer 2013. D



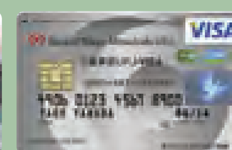
A Ticket gate use

C Vending machine use

B Convenience store use

Suica

View Card with commuter pass function



Tie-up with financial institutions, airlines and retail chains

D Credit Card + *Suica*

Suica

OVERVIEW

JR East introduced *Suica* in November 2001 as a fare collection system based on an IC card for replacing magnetically coded tickets. *Suica* is a reusable debit card that can be charged repeatedly with cash and credit prepayments and enables users to board local trains with a touch of a scanner on automatic ticket gates at either end of the journey.

JR East began *Suica* electronic money services in March 2004. At the same time, JR East has been expanding the usage of *Suica* electronic money to *Suica*-compatible vending machines and stores inside and outside stations. The card has won the support of customers for the convenience it offers. As such, issuance of *Suica* stood at 42.47 million cards as of March 31, 2013. A

TOPICS

Expanded Usage Area of *Suica*

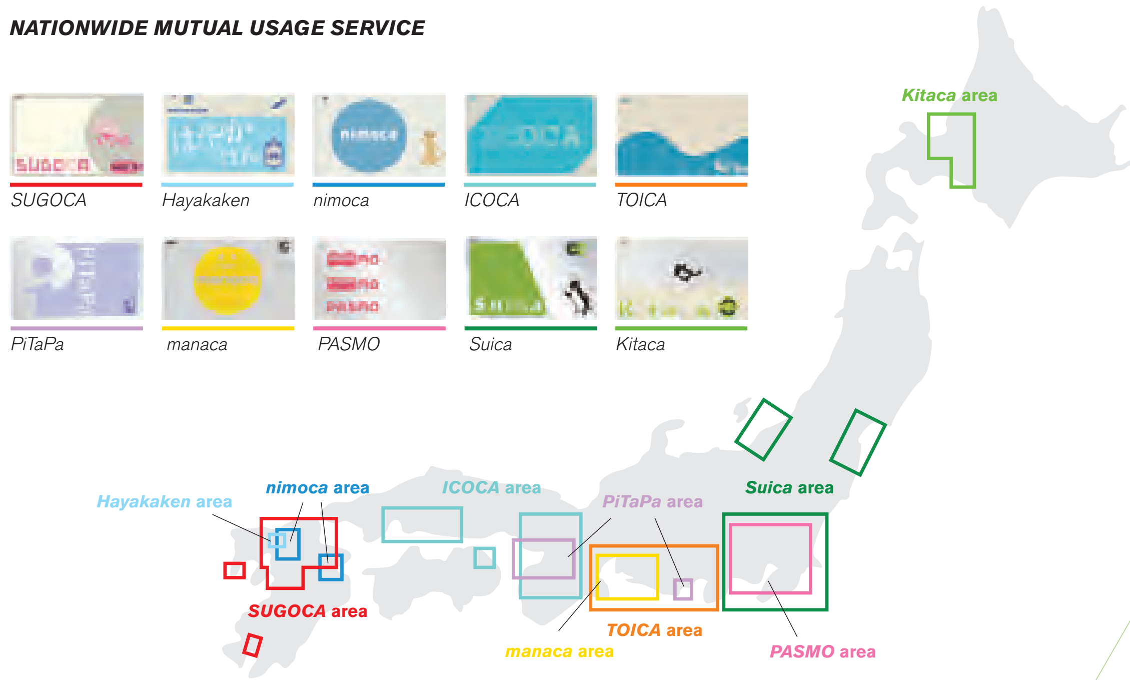
Since the service was introduced to the Tokyo metropolitan area in November 2001, usability of *Suica* has been expanded to the Company's services in the Sendai and Niigata areas. At the same time, JR East has worked to establish an environment enabling the use of *Suica* throughout major cities in Japan. To this end, the Group has spearheaded the promotion of a mutual usage service among IC cards of different transportation companies. These efforts to improve customer convenience culminated in the launch of a nationwide mutual service network linking 10 different IC cards in March 2013. To make this network possible, transportation companies abandoned bilateral agreements on mutual usage in favor of a blanket approach. Travelers can now use *Suica* or any one of the IC transportation cards they own to ride most trains, buses or some other mode of public transportation in almost any major city in Japan. As of March 31, 2013, *Suica* was usable at 4,365 stations and on approximately 21,000 buses nationwide. B

Suica Electronic Money

Since launching the electronic money service of *Suica* in March 2004, JR East has been expanding business partnerships for the card, with the aim of popularizing its usage in a wide variety of settings. Beyond the stores and vending machines inside railway stations, usability of the card has been extended outside the stations to convenience stores and shopping centers, as well as mass retailers of electronics and home appliances. In addition, JR East is working to broaden the environment of *Suica*'s usage to the settlement of internet shopping accounts and various other aspects of daily life. Numerous means JR East employs to promote the card's use include *Suica Point Club*, which awards users with points usable for charging *Suica*.

As a result of these efforts, usage of *Suica* electronic money has continually grown to the point where the cards were accepted at approximately 205,910 retail locations and turned over a record 3.4 million transactions a day, approximately, as of March 31, 2013. CD

NATIONWIDE MUTUAL USAGE SERVICE



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

Mobile Suica

Mobile Suica is an application which enables mobile phones equipped with a special microchip to host the card. In addition to all of the card's convenient functions, this mobile application provides various services using the telecommunications and display functions of mobile phones. For example, the *Mobile Suica Limited Express Ticket* service enables customers to use their mobile phones to book and purchase reserved-seat tickets on the Shinkansen online, and to board the train ticket-free. Membership in this service numbered roughly 3.11 million individuals as of March 31, 2013.

Other Services

Other *Suica*-related services include *Suica Internet Service*, a service that was launched in response to rapid expansion of the Internet. *Suica Internet Service* enables users to charge their *Suica* cards on the web, as well as use the cards for the settlement of internet shopping accounts. Another service that caters to a wide range of customer needs is *View Card with Suica*, which integrates *Suica* with the credit card functions of the Group's *View Card* as well as various other multifunctional IC cards integrating *Suica* with company and student identification cards.

OUTLOOK

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

Aiming to expand *Suica* services throughout the railway network, JR East will promote the introduction of *Suica* at stations in regional areas serving large numbers of customers from the Tokyo metropolitan area. Also, the Company will promote the switch to a fare and charge structure leveraging the features of IC railway tickets, with the view to making this structure easier to understand and use by customers.

Further Growth in the Electronic Money Business

The Group will promote the expansion of electronic money to large chain stores and compatible stores in new domains closely tied to daily life. This will entail reducing the cost of introducing electronic money through the use of thin clients* and other means.

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

New Business Initiatives

In the fiscal year ending March 31, 2014, JR East has launched an information business utilizing data about consumption patterns according to customer attributes and other information, as marketing data. This information will be based on data obtained from *Suica*. This business will be applied initially in fields contributing to service improvements at JR East and its Group companies.

SECTION 2 ›

AS A CORPORATE CITIZEN

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

SAFETY

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

The first and foremost "Eternal mission" in "*JR East Group Management Vision V—Ever Onward*" is to pursue "extreme safety levels" by "building a railway capable of withstanding natural disasters." Under this vision, the Group has committed itself to ongoing efforts to improve safety at all times.

Pursuit of safety measures can never end. We will continue to tirelessly work to improve safety by pursuing a goal of "zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies)."

2013 Safety Vision

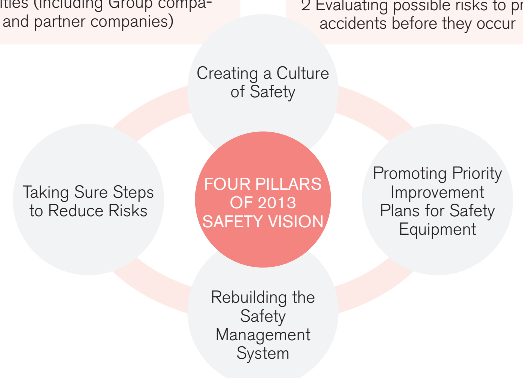
In fiscal 2010, JR East began advancing measures based on its latest five-year safety plan, *2013 Safety Vision*, JR East's fifth such plan since its founding in 1987. Under *2013 Safety Vision*, JR East will make a concerted effort—from the frontline to the Head Office—to tackle safety issues under the slogan "think and act for yourself," pursuing a goal of "zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies)." From the two perspectives of safety-related human resource development and system improvement, and not just working to prevent the recurrence of accidents after an accident has already happened, but also evaluating possible risks to prevent accidents before they occur, JR East is taking on the challenge of pursuing "extreme safety levels" supported by four pillars: creating a culture of safety, rebuilding the safety management system, taking sure steps to reduce risks, and promoting priority improvement plans for safety equipment.

Zero accidents

- Accidents involving passenger injuries or fatalities
- Accidents involving employee fatalities (including Group companies and partner companies)

Two Fresh Approaches in Relation to Safety

1 Safety-related human resource development and system improvement
2 Evaluating possible risks to prevent accidents before they occur



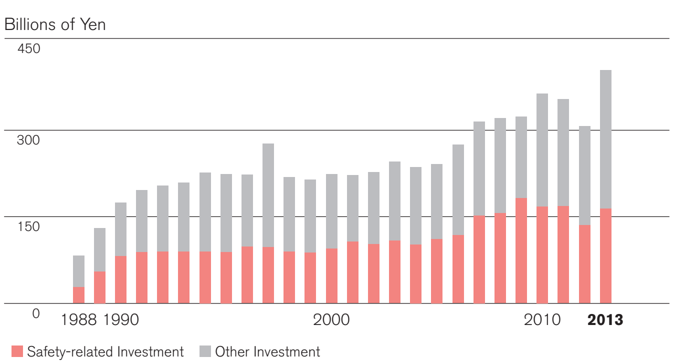
Promoting Priority Improvement Plans for Safety Equipment

JR East has invested approximately ¥2.7 trillion in safety since its founding in 1987 and we are planning to invest about ¥750 billion in safety for five years from fiscal 2010. In fiscal 2013, JR East invested approximately ¥163.8 billion in safety. Major safety initiatives included reconstructing facilities damaged in the Great East Japan Earthquake, installing more ATS (automatic train-stop systems) to prevent train collisions and derailments, and undertaking countermeasures for large-scale earthquakes such as seismic reinforcement.

Results to Date

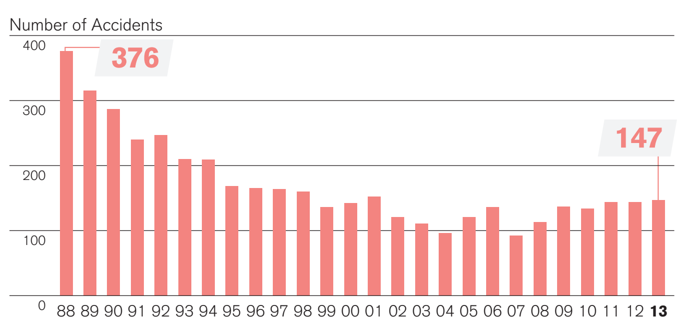
The incidence of railway accidents has decreased markedly since JR East's founding. This has been a result of successive medium-term safety plans designed and implemented with a view to building and improving safety equipment, and enhancing the safety awareness and expertise of each and every employee.

SAFETY-RELATED INVESTMENT
(Years ended March 31)



Fiscal 2013: Total investment of ¥404.4 billion, including ¥163.8 billion in safety-related investment

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

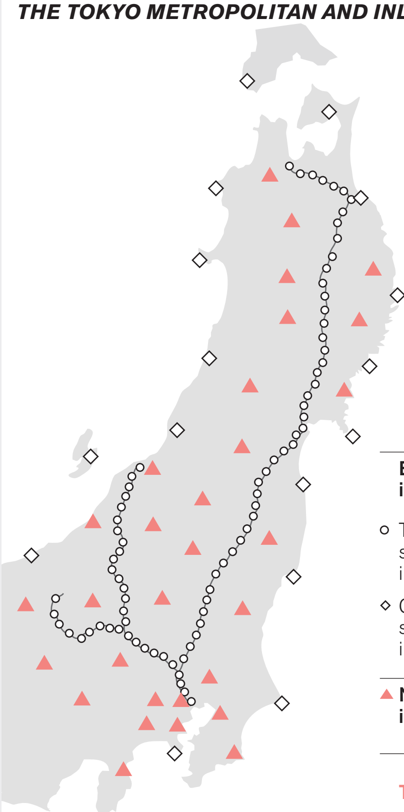


TOPIC Preparing for Major Earthquakes

JR East has budgeted a sum of approximately ¥300 billion for seismic reinforcement measures, positioning a five-year period from April 2012 through March 2017 as an intensive implementation period. In that time frame, the Group will implement lessons gleaned from the Great East Japan Earthquake and other earthquakes in the past, prepare against the high probability of an earthquake striking directly beneath the Tokyo metropolitan area, and hone new measures for improving the safety of its railways and services even further.

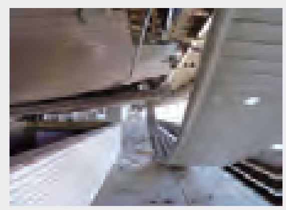
In addition, the Group will procure the necessary rescue and first aid equipment for assisting customers in the event of a disaster, and build evacuation spaces for offering them safe shelter, while providing employees with education and training in emergency response measures.

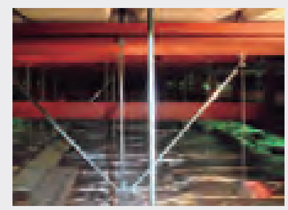
INSTALLATION OF ADDITIONAL SEISMOMETERS IN THE TOKYO METROPOLITAN AND INLAND AREAS



Existing seismometer installations	97 sites
○ Trackside seismometer installations	81 sites
◇ Coastline seismometer installations	16 sites
▲ New seismometer installations	30 sites
Total	127 sites

SEISMIC REINFORCEMENTS FOR WITHSTANDING AN EARTHQUAKE DIRECTLY BENEATH THE TOKYO METROPOLITAN AREA


Ceiling collapse


After reinforcement

DEVELOPMENT OF METHODS FOR THE SEISMIC REINFORCEMENT OF ELECTRIC POLES


Damage to a pole without reinforcement

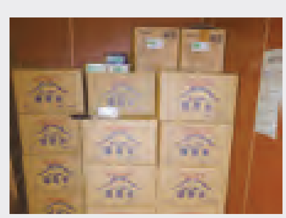

Effect of reinforcement
(no damage from major earthquake)

TSUNAMI DRILL


Staff member leading drill participants


Practice evacuating a train

STOCKS OF EMERGENCY SUPPLIES TO ASSIST PEOPLE WHO HAVE DIFFICULTY RETURNING HOME


Drinking water


Toilet tent

ENVIRONMENTAL ISSUES

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

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

Railways' Environmental Advantages

Train travel accounts for around 28.8% of domestic travel in Japan, yet its share of overall energy consumption is only around 3.5%. This is a clear indication of railways' advantage over cars and other forms of transport in terms of energy efficiency per unit of transport volume.

Such figures indicate that in comparison with other modes of transport, railways have lower energy consumption per unit of transport volume. Rail can therefore be described as an environmentally-friendly form of transport, with limited impact on the environment.

However, while railways have a small environmental impact in relative terms, JR East has a large rail network that each year emits approximately 1.88 million tons of CO_2 (actual figure for fiscal 2012).

Therefore, rather than feeling complacent about the environmental advantages of rail transport, JR East will continue making strenuous efforts to tackle environmental issues over the long term.

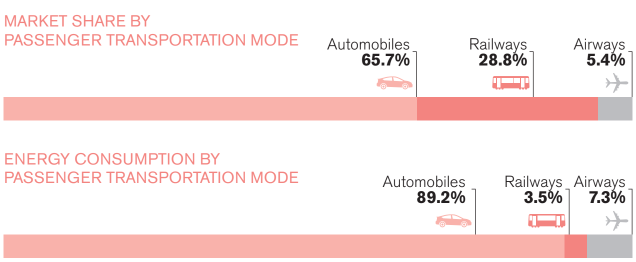
JR East's Initiatives

Environmental Preservation Initiatives

1) Reduction of energy used in train operations

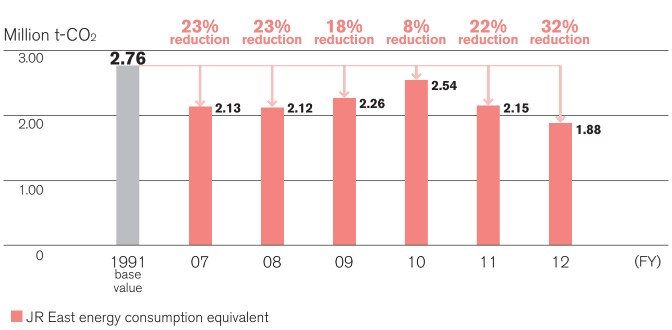
Energy used by its railway operations accounts for approximately 70% of the total energy consumed by JR East. By the end of fiscal 2012, 89.5% of JR East's total rolling stock, or 11,205 railcars, were energy-efficient railcars.

ENERGY CONSUMPTION AND TRANSPORTATION MARKET SHARE



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

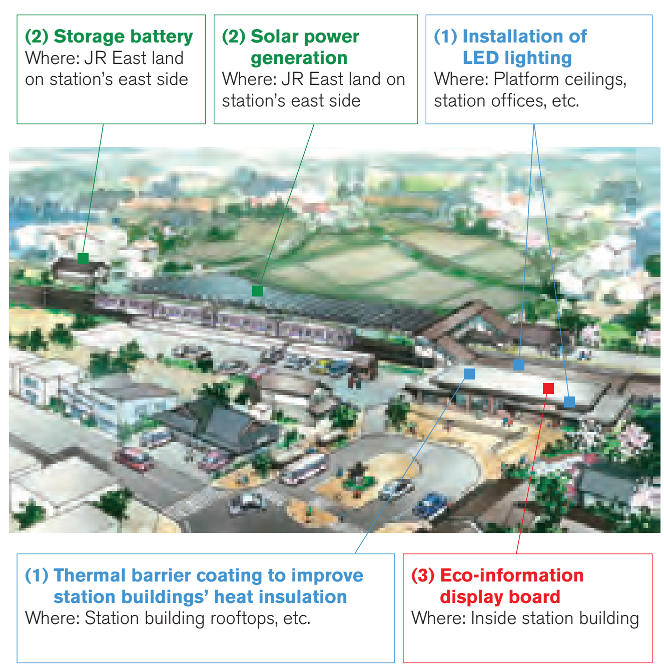
TREND IN THE TOTAL CO_2 EMISSIONS OF JR EAST



* Calculation method

CO_2 emissions are calculated based on the method prescribed by the Act on Promotion of Global Warming Countermeasures. However, CO_2 emissions caused by electricity purchased externally are calculated according to an adjusted emissions coefficient, which includes electricity used in railway transportation. Fiscal 2012 CO_2 emissions calculated using the actual emissions coefficient were 2.02 million t-CO_2.

HIRAIZUMI STATION ON THE TOHOKU LINE: AN ECOSTE MODEL STATION



Legend
(1) Energy Conservation: Promoting more advanced energy conservation
(2) Energy Creation: Actively implementing renewable energy
(3) Eco-Awareness: Building facilities that make users eco-aware

* Zero-emission station

The combination of solar power generation and storage batteries will supply all electricity and eliminate CO_2 emissions of a station on sunny days

TOPIC Technological Innovation—Forging Strategies for Conserving Energy and the Environment

As indicated in "*JR East Group Management Vision V–Ever Onward*," JR East is tackling the challenge of technological innovation, as it works to forge strategies for conserving energy and the environment in light of prolonged electricity shortages in Japan.

1) Promoting energy creation

To ensure a steady supply of power, JR East will work to upgrade the facilities and improve the power generation efficiency of Kawasaki Thermal Power Station, while closely monitoring supply and demand for electricity and other trends going forward. Along with these efforts, JR East will upgrade its privately operated power grid. In addition, the Group will expand the introduction of renewable energy. And the Group will install its first mega-solar electricity plant at the Keiyo Rolling Stock Center.

2) Promoting energy conservation

JR East has been pushing ahead with development of a catenary and battery-powered hybrid railcar train system as a new means of reducing its environmental impact in non-electrified railway sections. Plans call for this system to be introduced on the Karasuyama Line from spring 2014 once its practicality has been confirmed. Furthermore, while facilitating the effective use of regenerative electricity from the standpoint of energy management, JR East aims to revolutionize train operation systems by pursuing R&D directed at automatic power-saving train operation*1 and train operation free of catenary (overhead power lines)*2 utilizing high-performance storage battery systems. In other areas, besides adopting LED lights, and achieving high efficiency by replacing heating equipment and air-conditioning equipment, the Group will promote energy conservation throughout entire development areas in step with large-scale development projects.

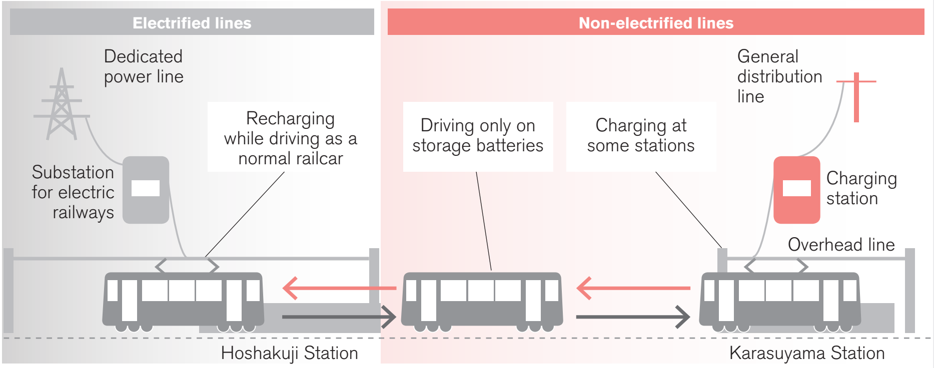
*1 Automatic power-saving train operation
A train operation system that achieves more efficient and energy saving operation by exchanging information among trains and between trains and power facilities
*2 Train operation free of catenary (overhead power lines)
Trains run on electricity stored in a storage battery without drawing electricity from power lines (overhead lines) on electrified rail segments

3) Introducing smart grid technology to train power systems

Aiming to boost the efficiency of energy usage by linking energy creation with energy conservation, JR East will strive to introduce smart grid technology to train power systems. Besides promoting the development of technologies for "storing and using surplus electricity" and "using surplus electricity at a distant location," it will seek to implement measures to save power consumption by utilizing smart meters and other advances. JR East has begun basic trials of regenerative electricity storage systems on the Ome Line. It will now progressively initiate specific measures to effectively use electricity generated when railcars stop and electricity generated by solar power and other means.

CONFIGURATION OF CATENARY AND BATTERY-POWERED HYBRID RAILCAR TRAIN SYSTEM


Drawing of catenary and battery-powered hybrid railcar train



2) Energy saving at railway stations and offices

JR East is taking both tangible and intangible measures to conserve energy at railway stations and offices. In terms of the former, JR East is introducing high-efficiency equipment, while with the latter it manages air-conditioning temperatures and rigorously turns off lighting.

In addition, JR East is progressively creating "*ecoste*" model stations, an initiative to equip railway stations with a variety of "Eco-Menu" environmental conservation technologies. The Chuo Line's Yotsuya Station became the first "*ecoste*" model station in March 2012. Later, in June 2012, the Tohoku Line's Hiraizumi Station began operating as an "*ecoste*" model station with the aim of achieving zero emissions*.

3) Waste reduction and recycling

JR East generates many kinds of waste through its railway operations and life-style services. In order to reduce these various forms of waste, JR East actively supports the approach known as "reduce, reuse, recycle." For recycling in particular, goals are set for each type of waste.

4) Biodiversity measures

In 2004, in order to protect biodiversity and contribute to a sustainable society, while cherishing our sense of gratitude to nature, we began the Hometown Forestation Programs to plant trees native to each region and revitalize the forests.

FOR SOCIETY

JR East's core railway operations have extremely strong ties with society at large and local communities. Consequently, in tandem with the development of its operations, JR East has fostered a corporate culture of meeting social responsibilities and benefiting society through its business activities.

The JR East Group has a stated social mission to "fulfill social responsibilities and strive for sustainable growth as a trusted life-style service creating group." In living up to this mission, JR East will continue to meet the expectations of society and justify the trust of its stakeholders.

Rediscovering the Region Projects

JR East invigorates regions through a strategy of strengthening collaboration with local communities in order to facilitate joint efforts to come up with ideas. These efforts entail raising the profile of local products and such tourism resources as traditional culture and festivals. They also leverage the unique characteristics of railways and the advantages of JR East's sales channels in the Tokyo metropolitan area.

JR East maintains close cooperation with local governments and producers. Visible initiatives include hosting *Sanchoku-Ichi* (farmers' markets) at Group stations including Akihabara and Ueno, the operation of *NOMONO* shops featuring locally grown and processed foods, and the development of processed farm products, including their factories. These concrete initiatives provide the Group a means for activating resources and generating employment in local communities. JR East also aims to create human interaction, including travel, between Tokyo and the outlying regions by acting as a conduit of interactive regional information.

NOMONO

Sanchoku-Ichi

HAPPY CHILD PROJECT Childcare Business

—Helping Working Parents to Manage Their Time

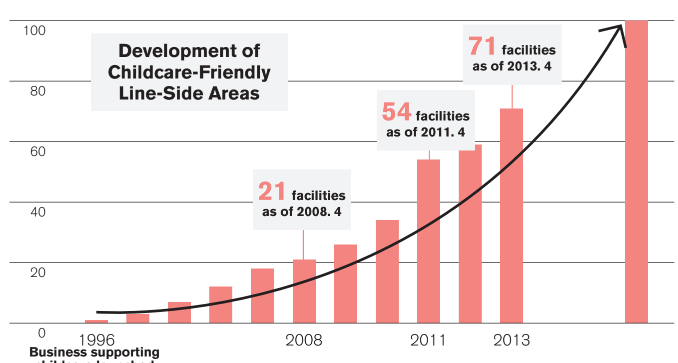
As part of its initiatives to develop towns in partnership with local communities, the Group is helping working parents to manage their time by opening childcare facilities in prime locations, most of them within five minutes' walk of a JR railway station. Since 1996, JR East has developed 71 day care facilities (as of April 2013) and aims to expand the franchise to upwards of 100 locations.

The facilities the Group is opening are centered on *Station Day Care*, which allows parents to drop off and pick up preschoolers while commuting. And, by popular demand, they now include *Station After-School* for kids in elementary school. What's more, JR East took the initiative in 2013 to expand the scope of this operation's social contribution by also opening *COTONIOR*—a facility providing care for both preschoolers and senior citizens under one roof. This new concept of using Group daycare to foster communal ties between children and the elderly is but one way JR East is working tirelessly to enhance the value of its line-side areas.

A Station Day Care facility

COTONIOR

JR EAST'S CHILDCARE FACILITIES



BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 21, 2013

SATOSHI SEINO
Chairman

MASAKI OGATA
Vice Chairman
Technology and Overseas Related Affairs

TETSURO TOMITA*1
President and CEO

TSUGIO SEKIJI*1
Executive Vice President
Assistant to President

YUJI FUKASAWA*1
Executive Vice President
Assistant to President

EXECUTIVE DIRECTORS

YOSHITAKA TAURA
Director General of IT & Suica Business Development Headquarters; In charge of Public Relations Department; In charge of Legal Department; In charge of Administration Department

NAOMICHI YAGISHITA
Director General of Railway Operations Headquarters

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

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

OSAMU KAWANOBE
Deputy Director General of Railway Operations Headquarters; In charge of Transport Safety Department, Railway Operations Headquarters; In charge of Transport & Rolling Stock Department, Railway Operations Headquarters

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

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

HIDEMI DEGUCHI
General Manager of Tokyo Branch Office

MASAHIKO NAKAI
Deputy Director General of Railway Operations Headquarters; In charge of Reconstruction Planning Department, Corporate Planning Headquarters; In charge of Shinanogawa Power Station Improvement Department, Railway Operations Headquarters; In charge of Construction Department

DIRECTORS

YASUYOSHI UMEHARA
Stationmaster of Tokyo Station, Tokyo Branch Office

MAKOTO TAKAHASHI
General Manager of Management Planning Department, Corporate Planning Headquarters

TAKESHI SASAKI*2
TOMOKAZU HAMAGUCHI*2

FULL-TIME CORPORATE AUDITORS

SHIGEO HOSHINO*3
HAJIME HIGASHIKAWA*3

CORPORATE AUDITORS

TOSHIAKI YAMAGUCHI*3
(Certified Public Accountant)

MUTSUO NITTA*3
(Attorney)

YOSHIO ISHIDA

*1 Representative director
*2 Outside corporate director
*3 Outside corporate auditor

CORPORATE GOVERNANCE

JR East's Basic Corporate Governance Philosophy

To continue to be a company trusted by its shareholders and all other groups of stakeholders, JR East has made the strengthening of its corporate governance a top-priority management task.

Specifically, with a view to augmenting the soundness, effectiveness and transparency of management, JR East is creating appropriate systems for management decision making, operational execution and auditing, Group management, information disclosure, and other important matters while also implementing the various measures required in connection with those systems.

Because of the special characteristics of JR East's mainstay railway transportation operations, JR East emphasizes the making of management decisions based on a long-term perspective. Accordingly, JR East believes the most appropriate course is to enhance corporate governance based on its current auditor system of governance.

Current Status of Corporate Governance Systems

Reason for Adopting Current Corporate Governance System

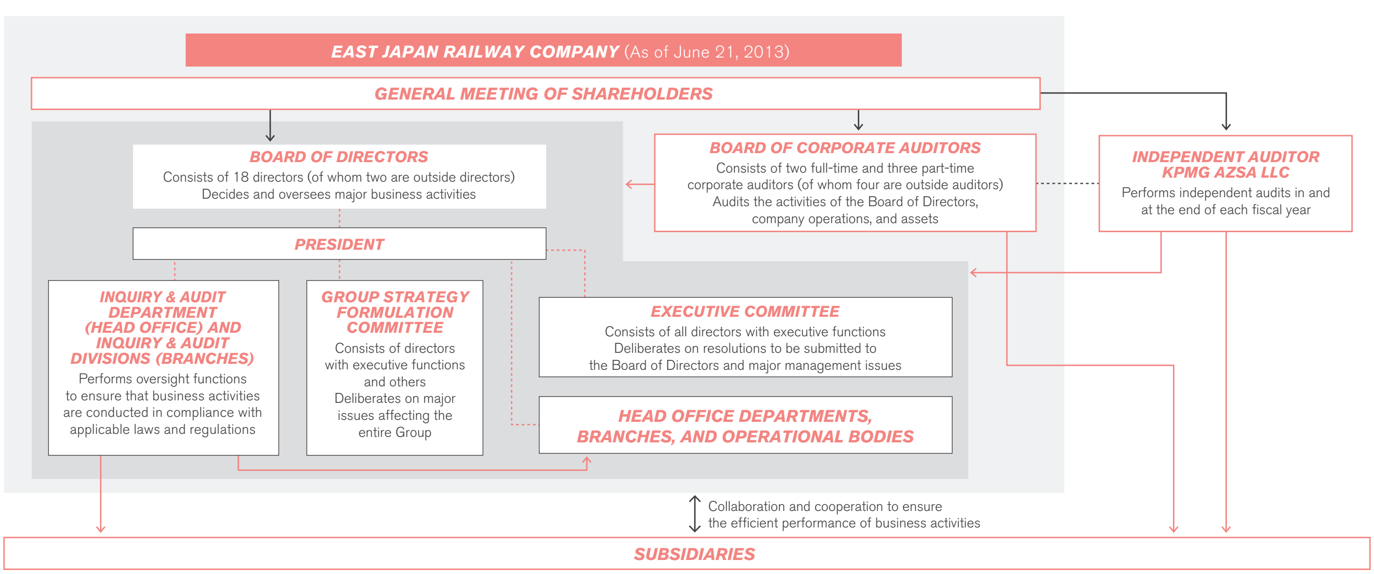
Railway operations, JR East's principal business, require judgments that are based on a range of knowledge and experience about safety and other areas as well as decision-making that reflects long-term perspectives. Accordingly, decisions on important management matters are reached through consultation among multiple directors. Further, JR East adopts a system in which audits are conducted by corporate auditors who are independent from the Board of Directors and have terms of service of four years.

Overview of Corporate Governance Units

JR East's Board of Directors comprised 18 directors, including two outside corporate directors as of June 21, 2013. Meeting once a month in principle, the Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Created by the Board of Directors, the Executive Committee includes all directors with executive functions. Meeting once a week in principle, the Executive Committee deliberates on matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee, which mainly consists of directors with executive functions, convenes as required and considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

Meeting once a month in principle, the Board of Corporate Auditors comprises five corporate auditors, including two full-time and three part-time corporate auditors, of whom four are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other committees as well as by making inquiries regarding JR East's operations and assets.

CONCEPTUAL DIAGRAM OF CORPORATE GOVERNANCE



Basic Internal Control Policy for Financial Reports

JR East's basic internal control policy for financial reports is as follows:

1) JR East will establish and operate systems required to ensure the appropriateness of documents relating to the financial statements and other information.
2) Regarding the establishment and operation of the systems indicated in the previous item, JR East will adhere to generally accepted standards for the evaluation of internal controls in relation to financial reports and evaluate internal controls each fiscal year.

Current State of Risk Management Systems

JR East has established the Transportation Operations Center, which operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established two specialized internal committees, the Railway Safety Promotion Committee and the Committee for Improving Transport Reliability. The former stresses the prompt review, effective formulation, and promotion of measures for preventing railway operation accidents and accidents involving injury and death. The latter focuses on the effective formulation and promotion of measures for preventing the malfunction of railway cars, facilities and equipment, and improving the response to service disruptions once a transportation malfunction occurs, with the aim of enhancing transportation service quality.

With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal misconduct and legal violations in JR East and subsidiaries, all JR East departments undertake risk management activities. In addition, JR East has established the Crisis Management Headquarters based around departments responsible for risk management, as well as implemented crisis management-related internal regulations. In the event of a problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly undertakes such actions as gathering the relevant information and implementing countermeasures.

Current State of Internal Audits, Corporate Audits, and Accounting Audits (Systems for Internal Audits, Corporate Audits, and Accounting Audits)

Regarding internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at the Head Office and Inquiry & Audit divisions at branch offices, and together they work to ensure that corporate operations are executed lawfully and efficiently. Audits of the business execution status of the Head Office, Branch Office, Operational Body and other entities are performed according to an audit plan, and requests are made for the submission of progress updates for items requiring improvement. The audit results are reported to representative directors at the end of each accounting period, and at other times deemed necessary. In addition, the Inquiry & Audit Department audits subsidiaries.

Regarding corporate audits, corporate auditors exchange information at monthly meetings of the Board of Corporate Auditors, and they also exchange auditing information with corporate auditors of subsidiaries at liaison meetings held at regular intervals. The audits of corporate auditors are supported by approximately 10 specialized staff. The system for the oversight of the implementation of operations by directors, carried out in accordance with the rules established by the Board of Corporate Auditors, centers on full-time corporate auditors who attend meetings of the Board of Directors, the Executive Committee, and other important in-house meetings as well as investigate financial situations and other items. Further, corporate auditor Toshiaki Yamaguchi is a certified public accountant and has extensive expertise with regard to finance and accounting.

Regarding accounting audits, the consolidated accounts of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA LLC, in and at the end of each fiscal year. The following is a breakdown of the certified public accountants (CPAs) who conducted accounting audits in the fiscal year under review as well as their auditing assistants.

- Designated certified public accountants:
  Shozo Tokuda, Teruhiko Tanaka and Kazuhiko Azami
- Breakdown of auditing assistants:
  certified public accountants 16
  other 23

JR East facilitates coordination and information sharing to promote efficient and effective auditing. For example, full-time corporate auditors and the director responsible for internal auditing units hold liaison meetings, and full-time corporate auditors receive regular updates on audit implementation from the accounting auditor five times a year and at any other time deemed necessary.

Outside Directors and Outside Corporate Auditors

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

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

Principal Activities of Outside Directors and Outside Corporate Auditors in Fiscal 2013

Title	Name	Principal activities
Outside Director	TAKESHI SASAKI	Attended 15 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 94%) and spoke on the Company's management issues based on his wide experience as an expert.
Outside Director	TOMOKAZU HAMAGUCHI	Attended 15 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 94%) and spoke on the Company's management issues based on his wide experience as a top executive.
Outside Corporate Auditor	SHIGEO HOSHINO	Attended all 16 meetings of the Board of Directors during this fiscal year (attendance rate 100%) and all 17 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	HAJIME HIGASHIKAWA	Attended all 16 meetings of the Board of Directors during this fiscal year (attendance rate 100%) and all 17 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience in the government.
Outside Corporate Auditor	TOSHIAKI YAMAGUCHI	Attended all 16 meetings of the Board of Directors during this fiscal year (attendance rate 100%) and all 17 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	MUTSUO NITTA	Attended 12 meetings out of all 16 meetings of the Board of Directors during this fiscal year (attendance rate 75%) and 14 meetings out of all 17 meetings of the Board of Corporate Auditors during this fiscal year (attendance rate 82%) and spoke on the Company's management issues based on his wide experience as an attorney-at-law.

Appointment Status of Outside Directors (as of July 2013)

Name	Positions at other entities	Reasons for election
TAKESHI SASAKI	*Outside Director, ORIX Corporation*	Mr. Sasaki is elected on the basis of his vast experience and expertise as a former Dean of the Faculty of Law, University of Tokyo and a former President of the University of Tokyo.
TOMOKAZU HAMAGUCHI	*Outside Director, IHI Corporation*	Mr. Hamaguchi is elected on the basis of his vast experience and expertise as a former President and CEO of NTT DATA Corporation.

Appointment Status of Outside Corporate Auditors (as of July 2013)

Name	Positions at other entities	Reasons for election
SHIGEO HOSHINO	—	Mr. Hoshino is elected on the basis of his vast experience and expertise in major posts at the Ministry of Land, Infrastructure, Transport and Tourism.
HAJIME HIGASHIKAWA	—	Mr. Higashikawa is elected on the basis of his vast experience and expertise in major posts at the National Police Agency.
TOSHIAKI YAMAGUCHI	*Certified Public Accountant*	Mr. Yamaguchi is elected on the basis of his vast experience and expertise as a certified public accountant.
MUTSUO NITTA	*Attorney, Outside Corporate Auditor, Sumitomo Corporation*	Mr. Nitta is elected on the basis of his vast experience and expertise as a judge and attorney-at-law.

Compensation of Directors and Corporate Auditors

JR East's Total Remuneration of Directors and Corporate Auditors by Classification, Total Remuneration by Type, and Number of Directors and Corporate Auditors Receiving Remuneration

Position	Total Amount of Remuneration (¥ Million)	Total Amount of Remuneration by Type (¥ Million)		Number of Recipients
		Basic Remuneration	Bonuses	
Directors (not including outside directors)	805	654	150	25
Corporate auditors (not including outside corporate auditors)	10	8	1	2
Outside directors and outside corporate auditors	103	84	18	6
Total	918	747	171	33

Notes
1. The amount of remuneration, etc., includes the amount paid to one director who resigned on April 1, 2012, six directors and one corporate auditor who retired at the conclusion of the 25th Ordinary General Meeting of Shareholders held on June 22, 2012, and one director who resigned on June 30, 2012.
2. The Company's retirement benefit scheme for directors and corporate auditors was abolished at the conclusion of the 17th Ordinary General Meeting of Shareholders held on June 23, 2004. It was approved at the meeting that vested retirement benefits would be paid out to each director or corporate auditor who was reappointed or was in the middle of his or her term of office at such meeting, based on the Company's regulations. In accordance with such approval, retirement benefits in the amount of ¥362 million were paid to four directors who retired on March 31, 2012 and during the fiscal year under review in addition to the above remuneration.

Total Remuneration of Individual JR East Directors

Name	Total Amount of Consolidated Remuneration (¥ Million)	Classification	Company	Breakdown (¥ Million)		
				Basic Remuneration	Bonuses	Retirement Benefits
Mutsutake Otsuka	181	Director	JR East	—	—	181
Yoshio Ishida	149	Director	JR East	12	—	129
		Corporate Auditor	JR East	6	1	—

Note
Disclosure is limited to individuals who received total consolidated remuneration of ¥100 million or more.

Remuneration for Auditing Services

Remuneration for Independent Auditors

(¥ Million)

Classification	Fiscal 2012		Fiscal 2013	
	Remuneration for Auditing Services	Remuneration for Non-auditing Services	Remuneration for Auditing Services	Remuneration for Non-auditing Services
JR East	245	24	245	5
Consolidated subsidiaries	442	9	468	2
Total	687	34	713	7

Compliance

Basic Concept of Compliance

In 2005, JR East established a set of Legal and Regulatory Compliance and Corporate Ethics as the Group's corporate code of conduct. Moreover, JR East has pressed forward with various compliance initiatives, including the establishment of a Compliance Hotline as a window for whistleblowing both inside and outside the Company.

Since 2009, JR East has been educating all employees on an ongoing basis to enhance their awareness of how important it is to comply with relevant laws and regulations.

In 2009, JR East began a full compliance inspection of the Group's entire business operation, and in 2011 a "Basic Matter Confirmation Support Sheet" was formulated as an initiative to confirm the proper execution of business operations. In these and other ways, JR East is striving to further ensure that the entire Group is being managed in a compliant manner.

Revision of the Legal and Regulatory Compliance and Corporate Ethics

In light of the changing social environment and values, JR East took the opportunity to revise its Legal and Regulatory Compliance and Corporate Ethics when the "*JR East Group Management Vision V—Ever Onward*" was formulated. Along with this, the Group's Compliance Action Plan Hand book, concisely outlining the code of conduct expected of all JR East employees, was revised and revamped as a third edition. JR East began distributing the revamped hand book to all employees in April 2013, and will use it to instill awareness that compliance is a solemn issue.

Compliance Action Plan Hand Book

Education of All Employees

JR East has been carrying out compliance education for all employees since 2009 in order to further increase awareness, focusing on cases and topics matching the realities of each workplace. In fiscal 2013, JR East implemented a new educational program focused on social media and information security, where a number of issues have been surfacing lately.

In view of the changes in society and business environment, JR East will add breadth to the content and continue to educate employees on compliance.

Compliance Training (Fiscal 2013)

Title	Number of Sessions	Participants	Contents and Objectives	Number of Participants
Management School (Compliance Course)	1	Administrative managers of Group companies	Compliance	67
Legal Skills Training	1	Legal affairs managers of branch offices	Enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	13
Basic Legal Training	1	Legal affairs personnel of Group companies	Acquisition of basic legal knowledge	69
Regular Legal Seminar	4	Executives and employees of JR East and Group companies	Explanation of new and revised laws, and awareness-raising about compliance	800
Lecture on Social Media	4	• Executives, general managers, etc., of the Head Office • Staff Members of Branch Offices • Executives of Group companies	Explanations and exercises on problems, corporate risks, etc., involving use of social media	330

SECTION 3 ›

STATISTICAL PORTRAIT OF JR EAST

The 'Statistical Portrait of JR East' section presents data on the economic environment and geographical characteristics of JR East, and financial information on the Company such as business analysis and the consolidated financial statements and notes.

JR EAST: DOMESTIC AND INTERNATIONAL PERSPECTIVES

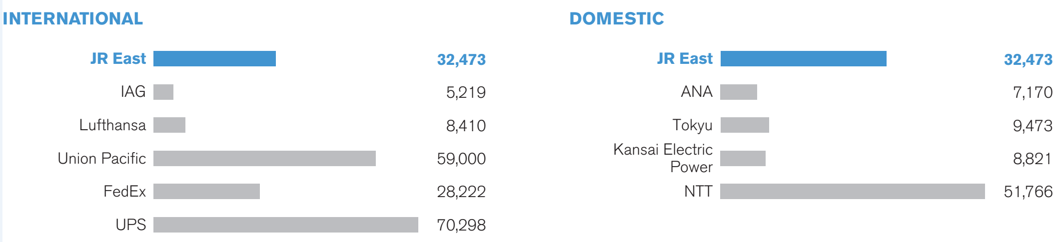
PEER GROUP COMPARISONS

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

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

TOTAL STOCK MARKET VALUE

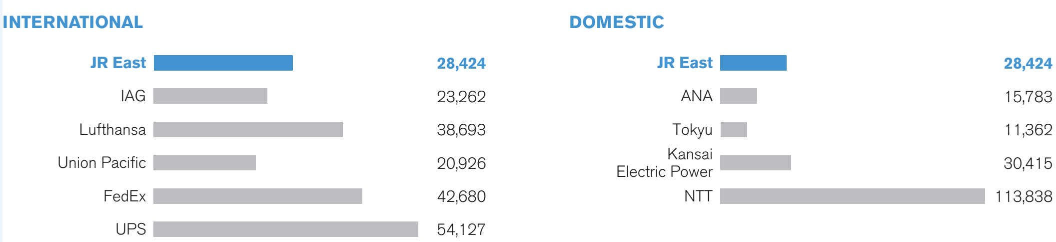
Millions of U.S. Dollars



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

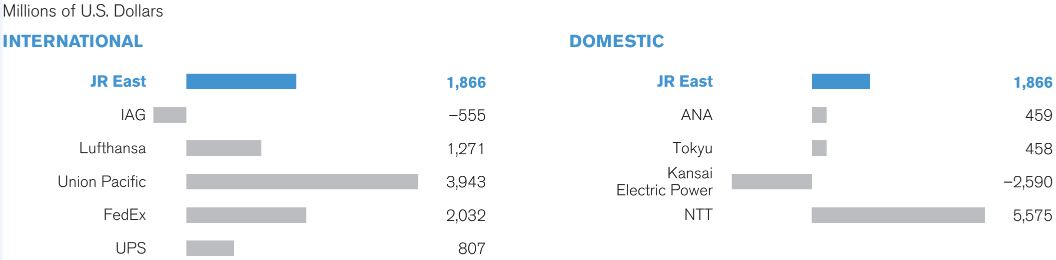
OPERATING REVENUES

Millions of U.S. Dollars



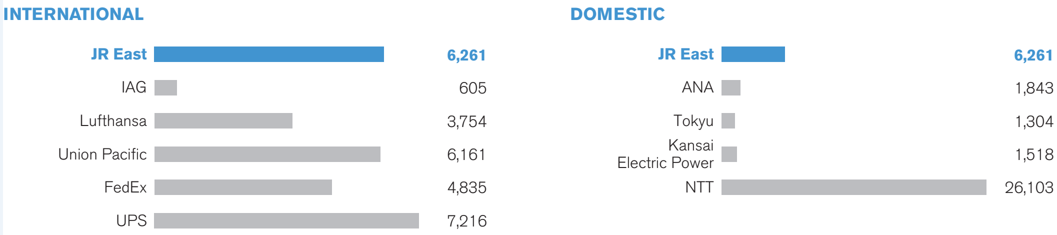
NET INCOME (LOSS)

Millions of U.S. Dollars



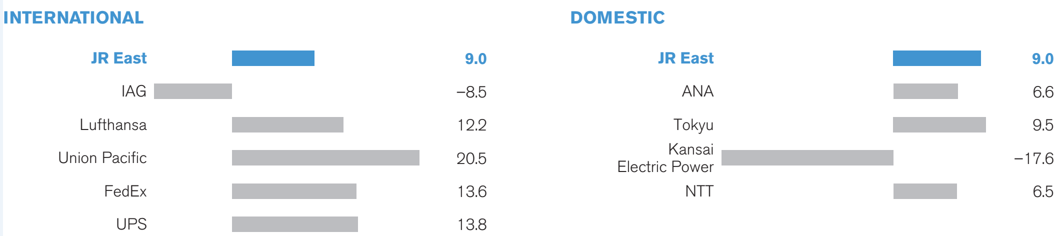
CASH FLOWS FROM OPERATING ACTIVITIES

Millions of U.S. Dollars



RETURN ON AVERAGE EQUITY (ROE)

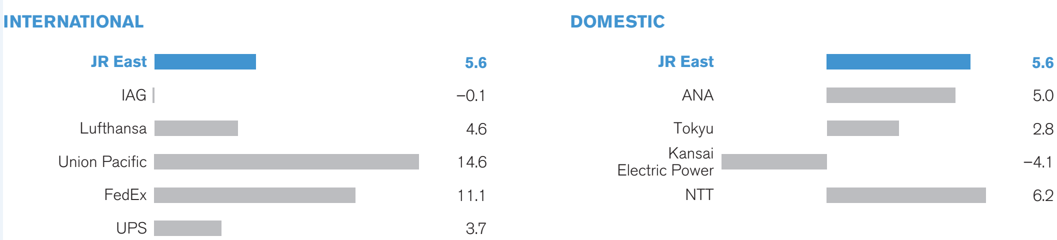
%



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

RATIO OF OPERATING INCOME (LOSS) TO AVERAGE ASSETS (ROA)

%



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

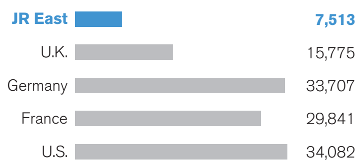
- In January 2011, British Airways and IBERIA underwent management integration to become the IAG (International Airlines Group).
- Year ended March 31, 2013 (Year ended December 31, 2012, for IAG, Lufthansa, Union Pacific, and UPS, year ended May 31, 2012, for FedEx).
- ANA: ANA HOLDINGS INC.; Tokyu: Tokyu Corporation; NTT: Nippon Telegraph and Telephone Corporation
- Data in this section are based on consolidated figures from each company's annual report or financial press releases.
- The exchange rate used is the rate on March 31, 2013 ($1=¥94, £1=$1.52, €1=$1.28).
- Share prices at the close of the respective previous fiscal years and computed using the above exchange rates are $82.13 for JR East, $2.81 for IAG, $18.28 for Lufthansa, $125.72 for Union Pacific, $89.14 for FedEx, $73.73 for UPS, $2.04 for ANA, $7.54 for Tokyu, $9.87 for Kansai Electric Power, and $43.67 for NTT.

INTERNATIONAL RAILWAY COMPARISONS

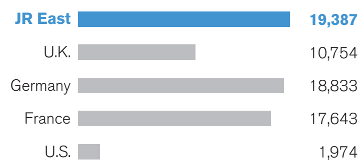
Japan relies on railways for around 30% of its transportation needs, a ratio much higher than in most other countries. This high reliance on railways due to the size of the economy and geographic characteristics affords railway companies an extremely large source of demand, especially in urban areas.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

TRANSPORTATION MARKET

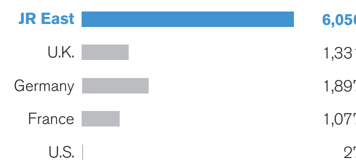
RAILWAY LINE NETWORKS
Kilometers



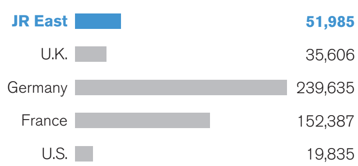
REVENUES FROM RAILWAY OPERATIONS
Millions of U.S. Dollars



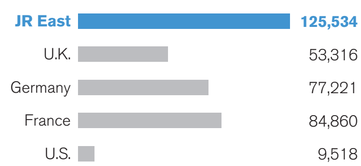
NUMBER OF PASSENGERS
Millions



NUMBER OF EMPLOYEES



PASSENGER KILOMETERS
Millions



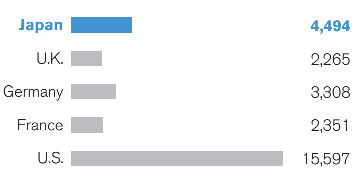
- Figures for JR East, the U.K. and the U.S. are as of March 31, 2011, while the figures for Germany and France are as of December 31, 2010.
- U.K.: Association of Train Operating Companies (Railway tracks are owned by Network Rail Ltd.); Germany: Deutsche Bahn AG; France: Société Nationale des Chemins de fer Français (SNCF) (Railway tracks are owned by Réseau Ferré de France (RFF)); U.S.: National Railroad Passenger Corporation (Amtrak)
- Revenues from railway operations do not include freight and other service revenues.
- Figures for JR East do not include Tokyo Monorail.
- The exchange rate used is the rate for March 31, 2011 ($1=¥83, €=$1.41).

Source: Statistiques Internationale des Chemins de Fer 2010, Union Internationale des Chemins de Fer

FUNDAMENTALS

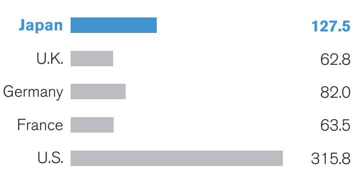
GROSS DOMESTIC PRODUCT
Billions of U.S. Dollars

2012



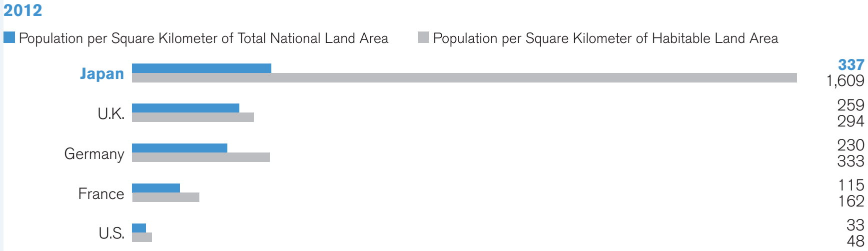
POPULATION
Millions

2012



POPULATION DENSITY
Per Square Kilometer

2012



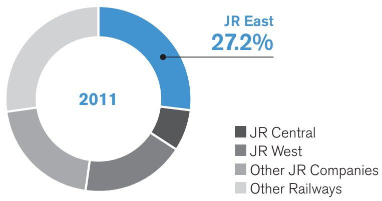
- JR East calculated these figures by using the following data and definition of each country's habitable land area.
  Population
  Japan: Current Population Estimates, Ministry of Internal Affairs and Communications Statistics Bureau; Other countries: United Nations data
  Habitable land area
  Japan: Land White Paper, Ministry of Land, Infrastructure, Transport and Tourism. Total area minus forests and woodland, barren land, area under inland water bodies, and other; Other countries: Global Forest Resources Assessment 2010, FAO

RAILWAY OPERATIONS IN JAPAN

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

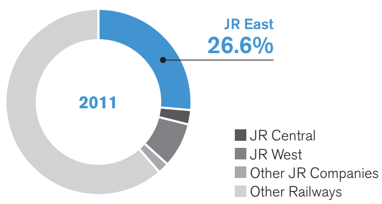
SHARE OF DOMESTIC RAILWAYS

PASSENGER LINE NETWORK



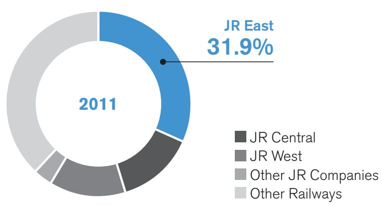
As of March 31, 2011	Km	%
JR East	**7,513**	**27.2%**
JR Central	1,971	7.1%
JR West	5,013	18.1%
Other JR Companies	5,628	20.4%
Other Railways	7,527	27.2%

NUMBER OF PASSENGERS



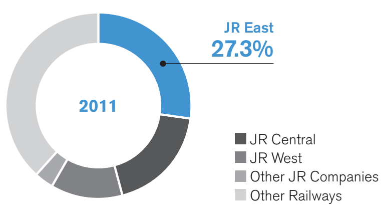
	Millions	%
JR East	**6,056**	**26.6%**
JR Central	515	2.3%
JR West	1,778	7.8%
Other JR Companies	479	2.1%
Other Railways	13,905	61.2%

PASSENGER KILOMETERS



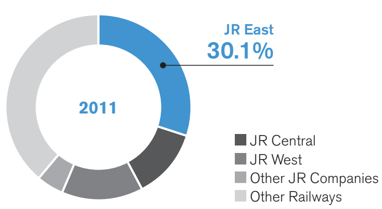
	Millions	%
JR East	**125,534**	**31.9%**
JR Central	52,742	13.4%
JR West	52,614	13.4%
Other JR Companies	13,703	3.5%
Other Railways	148,839	37.8%

REVENUES FROM PASSENGER TICKETS



	Billions of Yen	%
JR East	**1,609**	**27.3%**
JR Central	1,098	18.7%
JR West	728	12.4%
Other JR Companies	207	3.5%
Other Railways	2,247	38.1%

ROLLING STOCK KILOMETERS



	Millions	%
JR East	**2,143**	**30.1%**
JR Central	877	12.3%
JR West	1,007	14.1%
Other JR Companies	340	4.8%
Other Railways	2,760	38.7%

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

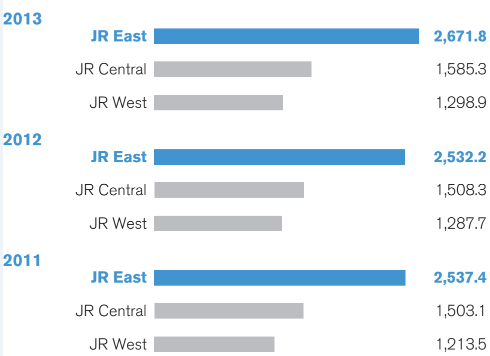
Source: Statistics of Railways 2010, Ministry of Land, Infrastructure, Transport and Tourism

FINANCIAL OVERVIEW OF JR PASSENGER RAILWAY COMPANIES

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

OPERATING REVENUES

Billions of Yen

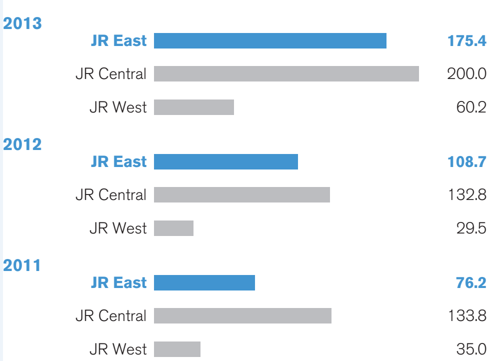


Millions of Yen

Years ended March 31	2011	2012	2013
JR East	**2,537,353**	**2,532,174**	**2,671,823**
JR Central	1,503,083	1,508,328	1,585,319
JR West	1,213,506	1,287,679	1,298,913

NET INCOME

Billions of Yen

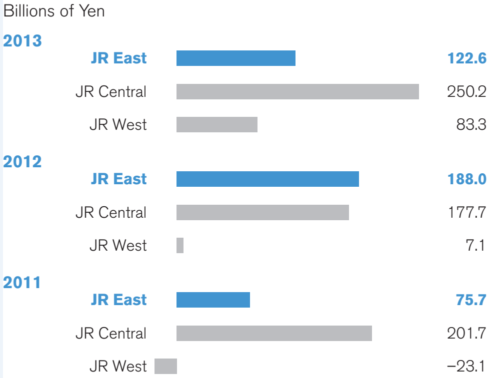


Millions of Yen

Years ended March 31	2011	2012	2013
JR East	**76,224**	**108,738**	**175,385**
JR Central	133,807	132,781	199,971
JR West	34,983	29,489	60,198

FREE CASH FLOWS

Billions of Yen

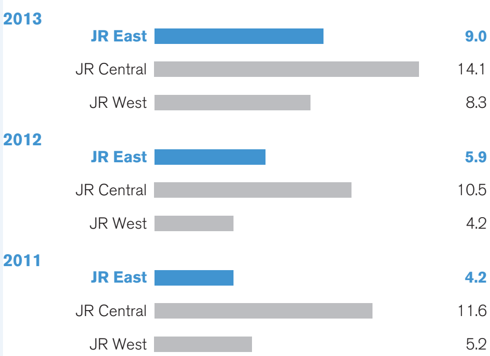


Millions of Yen

Years ended March 31	2011	2012	2013
JR East	**75,667**	**187,965**	**122,577**
JR Central	201,719	177,720	250,210
JR West	(23,072)	7,075	83,269

RETURN ON AVERAGE EQUITY (ROE)

%

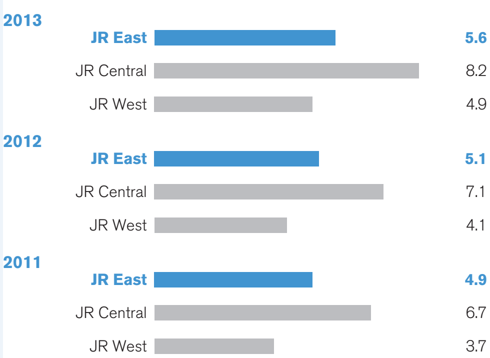


Years ended March 31	2011	2012	2013
JR East	**4.2%**	**5.9%**	**9.0%**
JR Central	11.6%	10.5%	14.1%
JR West	5.2%	4.2%	8.3%

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

RATIO OF OPERATING INCOME TO AVERAGE ASSETS (ROA)

%

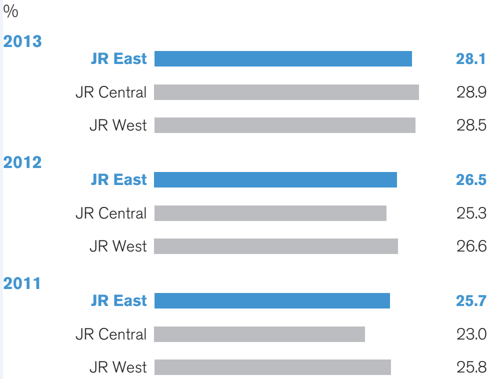


Years ended March 31	2011	2012	2013
JR East	**4.9%**	**5.1%**	**5.6%**
JR Central	6.7%	7.1%	8.2%
JR West	3.7%	4.1%	4.9%

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

EQUITY RATIO

%



Years ended March 31	2011	2012	2013
JR East	**25.7%**	**26.5%**	**28.1%**
JR Central	23.0%	25.3%	28.9%
JR West	25.8%	26.6%	28.5%

• Equity ratio = shareholders' equity / total assets

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

RAILWAY OPERATIONS IN TOKYO

The Tokyo metropolitan area accounts for roughly 30% of the population and economic base in Japan and has a population density far higher than any other region in the country. JR East alone provides nearly half of the huge volume of railway transportation in the Tokyo metropolitan area, where railways account for roughly 50% of all transportation.

TRANSPORTATION IN THE TOKYO AREA

MAJOR RAILWAYS IN THE TOKYO AREA

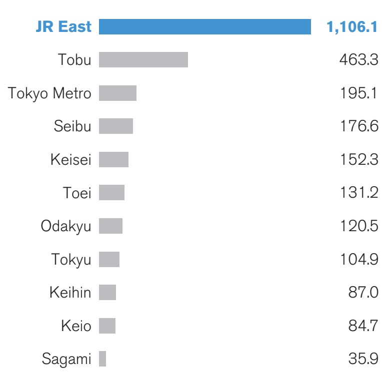
	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Billions of Yen	%
JR East	**1,106.1**	**41.6%**	**78,599**	**47.8%**	**849.9**	**43.2%**
Tobu Railway	463.3	17.4%	12,172	7.4%	136.7	6.9%
Tokyo Metro	195.1	7.3%	18,375	11.2%	289.3	14.7%
Seibu Railway	176.6	6.7%	8,468	5.2%	92.5	4.7%
Keisei Electric Railway	152.3	5.7%	3,574	2.2%	52.0	2.6%
Toei (Tokyo Metropolitan Government)	131.2	4.9%	6,137	3.7%	125.8	6.4%
Odakyu Electric Railway	120.5	4.5%	11,028	6.7%	113.6	5.8%
Tokyu Corporation	104.9	4.0%	10,177	6.2%	128.1	6.5%
Keihin Electric Express Railway	87.0	3.3%	6,087	3.7%	72.9	3.7%
Keio Electric Railway	84.7	3.2%	7,261	4.4%	76.8	3.9%
Sagami Railway	35.9	1.4%	2,538	1.5%	30.7	1.6%
Total	2,657.6	100.0%	164,416	100.0%	1,968.5	100.0%

1 As of March 31, 2012
2 For the year ended March 31, 2012
- Figures do not include freight lines.
- Data used for JR East is that of the Tokyo Metropolitan Area Network and do not include Tokyo Monorail.

Sources:
- Toei (Tokyo Metropolitan Government): Figures from the website of the Transportation Bureau of the Tokyo Metropolitan Government. Passenger kilometers are from Statistics of Railways 2010, Ministry of Land, Infrastructure, Transport and Tourism.
- Other: Website of the Association of Japanese Private Railways. Revenues from passenger tickets are based on figures from the financial press releases of each company.

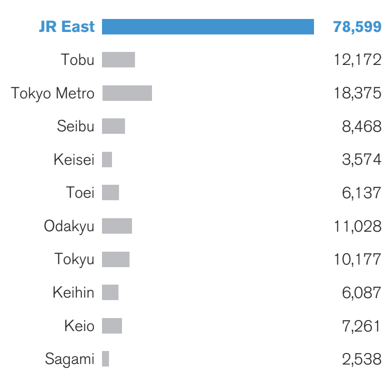
PASSENGER LINE NETWORKS

Kilometers



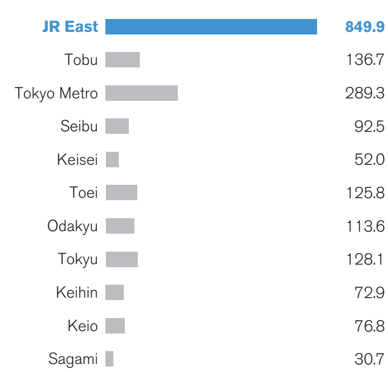
PASSENGER KILOMETERS

Millions



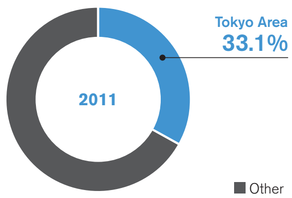
REVENUES FROM PASSENGER TICKETS

Billions of Yen



FUNDAMENTALS

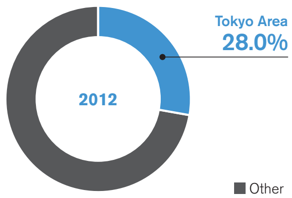
NET DOMESTIC PRODUCT



	2011	
	Billions of Yen	%
Tokyo Area	**118,468**	**33.1%**
Other	239,066	66.9%
Total	357,534	100.0%

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

POPULATION



	2012	
	Millions	%
Tokyo Area	**35.7**	**28.0%**
Other	91.8	72.0%
Total	127.5	100.0%

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

POPULATION DENSITY

	2012
	Per Square Kilometer
Tokyo Area	**2,671**
Other	252
National Average	337

As of October 1
- JR East calculated these figures by using data from the following sources: Current Population Estimates and Census, Ministry of Internal Affairs and Communications; statistics from Geographical Survey Institute
- The statistics on this page are based on governmental boundaries and do not strictly correspond with JR East's operating area segments.

ANALYSIS OF JR EAST'S RAILWAY OPERATIONS

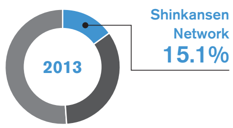
The fact that two-thirds of its transportation revenue comes from Tokyo and the Kanto region where most of the population and economic base in Japan resides, shows the solidness of JR East's management platform.

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

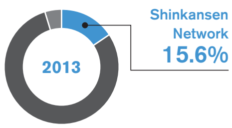
More than half of the electricity JR East consumes is self-generated in the hydro- and thermal-electric power plants it owns.

COMPOSITION BY OPERATING AREA

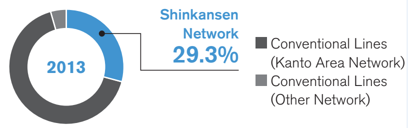
PASSENGER LINE NETWORK



PASSENGER KILOMETERS



REVENUES FROM PASSENGER TICKETS

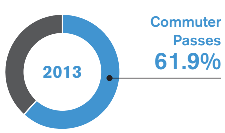


	Passenger Line Network[1]		Passenger Kilometers[2]		Revenues from Passenger Tickets[2]	
	km	%	Millions	%	Millions of Yen	%
Shinkansen Network	1,134.7	15.1%	20,118	15.6%	492,034	29.3%
Conventional Lines (Kanto Area Network)	2,536.2	33.8%	102,420	79.8%	1,117,079	66.4%
Conventional Lines (Other Network)	3,841.7	51.1%	5,854	4.6%	72,383	4.3%
Total	7,512.6	100.0%	128,394	100.0%	1,681,496	100.0%

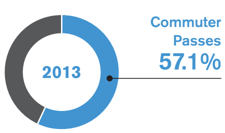
1. As of March 31, 2013
2. Year ended March 31, 2013
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.

COMPOSITION OF COMMUTER PASSES–OVERALL

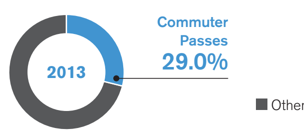
NUMBER OF PASSENGERS



PASSENGER KILOMETERS

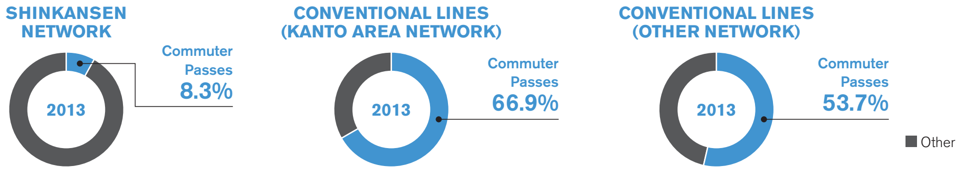


REVENUES FROM PASSENGER TICKETS



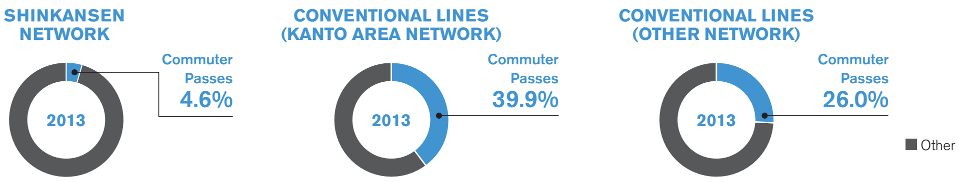
	Number of Passengers		Passenger Kilometers		Revenues from Passenger Tickets	
	Millions	%	Millions	%	Millions of Yen	%
Commuter Passes	3,797	61.9%	73,327	57.1%	487,332	29.0%
Other	2,337	38.1%	55,066	42.9%	1,194,164	71.0%
Total	6,135	100.0%	128,394	100.0%	1,681,496	100.0%

COMPOSITION OF COMMUTER PASSES--BY PASSENGER KILOMETERS



	Total	Commuter Passes	
	Millions	Millions	%
Shinkansen Network	20,118	1,670	8.3%
Conventional Lines (Kanto Area Network)	102,420	68,513	66.9%
Conventional Lines (Other Network)	5,854	3,143	53.7%
Total	128,394	73,327	57.1%

COMPOSITION OF COMMUTER PASSES–BY REVENUES FROM PASSENGER TICKETS



	Total	Commuter Passes	
	Millions of yen	Millions of yen	%
Shinkansen Network	492,034	22,731	4.6%
Conventional Lines (Kanto Area Network)	1,117,079	445,786	39.9%
Conventional Lines (Other Network)	72,383	18,813	26.0%
Total	1,681,496	487,332	29.0%

- Percentages represent passenger kilometers and revenues from passenger tickets attributable to commuter passes for each segment.
- Revenues from the conventional line segments of hybrid Shinkansen services are credited to Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.

PASSENGER KILOMETERS

Millions

Years ended March 31			2011	2012	2013	2013/2012
Shinkansen Network		Commuter Passes	1,659	1,647	**1,670**	101.4%
		Other	15,991	16,776	**18,448**	110.0%
		Total	17,650	18,424	**20,118**	109.2%
Conventional Lines	Total	Commuter Passes	72,078	71,495	**71,657**	100.2%
		Other	35,804	35,144	**36,618**	104.2%
		Total	107,882	106,639	**108,275**	101.5%
	Kanto Area Network	Commuter Passes	68,782	68,381	**68,513**	100.2%
		Other	32,850	32,586	**33,907**	104.1%
		Total	101,633	100,967	**102,420**	101.4%
	Other Network	Commuter Passes	3,295	3,113	**3,143**	101.0%
		Other	2,954	2,558	**2,710**	106.0%
		Total	6,249	5,672	**5,854**	103.2%
Total		Commuter Passes	73,737	73,143	**73,327**	100.3%
		Other	51,795	51,921	**55,066**	106.1%
		Total	125,533	125,064	**128,394**	102.7%

REVENUES FROM PASSENGER TICKETS

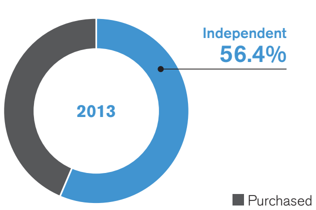
Millions of Yen

Years ended March 31			2011	2012	2013	2013/2012
Shinkansen Network		Commuter Passes	22,730	22,411	**22,731**	101.4%
		Other	408,837	417,262	**469,302**	112.5%
		Total	431,568	439,673	**492,034**	111.9%
Conventional Lines	Total	Commuter Passes	468,397	460,183	**464,600**	101.0%
		Other	709,182	695,442	**724,861**	104.2%
		Total	1,177,579	1,155,626	**1,189,462**	102.9%
	Kanto Area Network	Commuter Passes	448,829	441,759	**445,786**	100.9%
		Other	652,119	645,207	**671,292**	104.0%
		Total	1,100,949	1,086,966	**1,117,079**	102.8%
	Other Network	Commuter Passes	19,567	18,424	**18,813**	102.1%
		Other	57,062	50,235	**53,569**	106.6%
		Total	76,630	68,659	**72,383**	105.4%
Total		Commuter Passes	491,127	482,595	**487,332**	101.0%
		Other	1,118,019	1,112,704	**1,194,164**	107.3%
		Total	1,609,147	1,595,299	**1,681,496**	105.4%

- Passenger kilometers and revenues from the conventional line segments of hybrid Shinkansen services are credited to Conventional Lines (Other Network).
- Figures do not include Tokyo Monorail.
- The Kanto Area Network encompasses the area encompassed under the previous classification of the Tokyo Metropolitan Area Network (Tokyo Branch Office, Yokohama Branch Office, Hachioji Branch Office, and Omiya Branch Office) and the areas covered by Takasaki Branch Office, Mito Branch Office, and Chiba Branch Office.

ELECTRIC POWER

Year ended March 31, 2013	Billions of kWh	%
Thermal Generation	21.5	36.8%
Hydroelectric Generation	11.5	19.7%
Independent	33.0	56.4%
Purchased	25.5	43.6%
Total	58.5	100.0%



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in the following discussion and analysis are judgments of the JR East Group as of March 31, 2013.

› KEY ACCOUNTING POLICIES AND ESTIMATES

JR East prepares consolidated financial statements in accordance with accounting principles generally accepted in Japan. Forward-looking estimates included in those financial statements are based on a variety of factors that, in light of JR East's past performance and current circumstances, can be reasonably assumed to have affected results for assets and liabilities on the consolidated settlement date and consolidated revenues and expenses in fiscal 2013, ended March 31, 2013. JR East continuously assesses those factors. Actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

› PERFORMANCE ANALYSIS

OVERVIEW

In the year ended March 31, 2013, the Japanese economy returned to a gradual recovery track, supported by renewed expectations of the positive impact of the government's economic and monetary policies, which helped raise stock prices and improve consumer sentiment. This recovery, however, came against a number of persistently challenging conditions that included a slowdown in the global economy. In this environment, East Japan Railway Company and its consolidated subsidiaries and equity-method affiliates (JR East) made efforts to continue generating revenues and improving services through active implementation of various initiatives centered on the railway, life-style service business and *Suica* operations.

As a result, during the consolidated fiscal year under review, operating revenues increased 5.5% year-on-year to ¥2,671.8 billion ($28,424 million) due to an increase in transportation revenues at JR East that was attributable mainly to a recovery from the effects of the Great East Japan Earthquake experienced in the year ended March 31, 2012. Operating income increased 10.4% to ¥397.6 billion ($4,229 million). Because of an increase in insurance proceeds related to earthquake and other factors, net income increased 61.3% year on year to ¥175.4 billion ($1,866 million).

The Company was established as a result of the reform and privatization of Japanese National Railways (JNR) 25 years ago, and the Group is now moving on to the next quarter century. Building on this momentum and in light of the major changes that have taken place in its environment, particularly in the aftermath of the Great East Japan Earthquake, the Group in October 2012 formulated a new management vision entitled "*JR East Group Management Vision V—Ever Onward*." This vision, which is the fifth vision since the Company was established, positions Japan's recovery from the Great East Japan Earthquake as the Group's second start following the privatization of JNR, and aims to once again review its role in society and what it should seek to achieve. The Group's continued fulfillment of its "Eternal Mission" and growth by "Pursuing Unlimited Potential" were established as the two important pillars of this vision. Guided by the key concept of "Thriving with Communities, Growing Globally" that underpins this vision, the Company will leverage the collective efforts of all of its employees to move "Ever Onward" in pursuing a brighter future for its railway services, Group companies and employees.

In addition, the Group celebrated the restoration of Tokyo Station *Marunouchi Building* with a grand opening in October 2012. The splendor of the building from the time it was built in the early Taisho era (1912–1926) has been restored, after five years of painstaking preservation and restoration work that began in May 2007.

The completed restoration marks the beginning of a new century for Tokyo Station as a railway terminal displaying an attractive combination of history and modernity.

Business results by business segment were as follows.

SEGMENT INFORMATION

Transportation

In the Transportation segment, JR East sought to maintain revenues by introducing measures to encourage the use of its Shinkansen network and Tokyo metropolitan area network. These efforts were mainly directed at the railway operations, with the basic objective of further improving safety and customer satisfaction.

Specifically, JR East applied the lessons it learned from the Great East Japan Earthquake to the building of a railway capable of withstanding natural disasters. To this end, JR East implemented seismic reinforcement measures in preparation for a possible earthquake directly beneath the Tokyo metropolitan area, among other possible major earthquake scenarios. In addition, JR East revised and formulated the Disaster Preparedness Operation Plan and various manuals, and constructed emergency communications equipment, thereby improving its capacity to respond to earthquakes.

Meanwhile, in order to accommodate people unable to return home in the event of a major disruption to public transportation, JR East completed the provision of emergency supplies to 30 major terminal stations, and also began stocking approximately 170 stations within a 30 kilometer radius of downtown Tokyo with such supplies. In addition to these measures, JR East steadily pressed ahead with initiatives based on *2013 Safety Vision*, a five-year safety enhancement plan. Aiming to prevent accidents on railway station platforms, JR East moved forward with the installation of automatic platform gates on the Yamanote Line. JR East also took steady steps to prevent accidents at railway crossings.

Meanwhile, as measures to ensure safe and reliable transportation services, JR East expanded windbreak installation sites along the Keiyo Line. In addition, JR East continued to introduce new railcars to the Takasaki, Utsunomiya and other lines.

In addition, a "Service Quality Improvement Project" was launched for the Musashino Line and Saikyo Line from March 2013. This project aims to strengthen the management of line-side services by increasing interactive communications with customers to identify their untapped needs, which can then be addressed promptly to improve the quality of services and publicize information.

Along with these measures, JR East launched the *Iwate Destination Campaign* and the "*Ikuze, Tohoku.*" *Campaign* to stimulate the flow of tourism traffic throughout Tohoku and contribute to the recovery of the region. These efforts were directed at promoting the attraction of rail travel in the Tohoku region.

JR East also sought to strengthen the brand power and promote the use of our Shinkansen lines by unveiling the *Shinkansen YEAR 2012 Campaign* to publicize the benefits of Shinkansen travel and attractions along the Shinkansen lines.

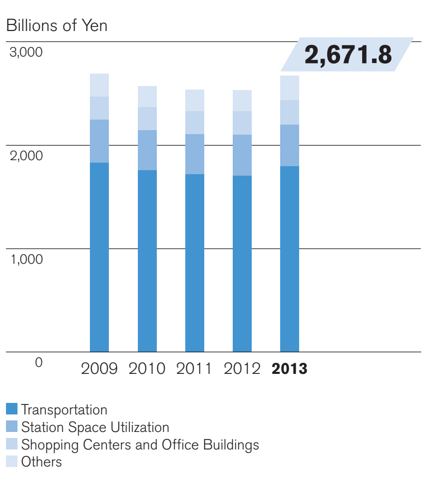
Moreover, we launched the "*JR SKI SKI*" campaign in December 2012, aiming to stimulate young people's interest in snow recreation activities, and cultivate a demand for Taiwanese tourists to visit Japan.

In conjunction with revising train schedules in March 2013, JR East further enhanced the convenience of the "*Tokyo Megaloop*," shortened the travel time on the Chuo Line Rapid Service, and arranged for trains to stop at Urawa Station on the Shonan-Shinjuku Line. In addition, JR East raised the maximum operating speed of the Tohoku Shinkansen Line's *Hayabusa* services to 320 km/h, the fastest in Japan, and started commercial operation of the Akita Shinkansen's *Super Komachi* services.

Furthermore, in March 2013, JR East strove to further enhance customer convenience by launching a nationwide system that enables passengers to use their IC cards on the service networks of any of the 10 major IC card transportation systems in Japan. In other areas, JR East implemented Group-wide energy and environmental strategies, including development of the "*ecoste*" model station featuring various environmental preservation technologies. JR East also conducted research to introduce smart grid technologies to railway electric power systems.

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

OPERATING REVENUES



These and other factors, such as recovery from the effects of the Great East Japan Earthquake, led to a year-on-year increase in the number of passengers for railway operations at JR East.

As a result, the Transportation segment posted operating revenues of ¥1,848.6 billion ($19,666 million), a year-on-year increase of 5.3%. Operating income increased 12.6% year on year to ¥266.4 billion ($2,835 million).

Shinkansen Network

In the Shinkansen network, passenger kilometers increased 9.2% year on year, to 20.1 billion, mainly due to a recovery from the effects of the Great East Japan Earthquake, and post-quake reconstruction demand. Revenues from passenger tickets increased 11.9% year on year to ¥492.0 billion ($5,234 million). Specifically, revenues from commuter passes increased 1.4% year on year to ¥22.7 billion ($242 million) mainly due to a recovery from the effects of the Great East Japan Earthquake. Non-commuter passes revenues rose 12.5% to ¥469.3 billion ($4,993 million), owing to higher revenues from favorable travel and other leisure-related demand, in addition to a recovery from the effects of the Great East Japan Earthquake, and post-quake reconstruction demand.

Conventional Lines (Kanto Area Network)

In the conventional lines in the Kanto area network, passenger kilometers increased 1.4% year on year to 102.4 billion, due to the opening of new facilities such as TOKYO SKYTREE® and the Tokyo Station *Marunouchi Building*, for which preservation and restoration work was completed, and in the absence of the March 2011 earthquake and its impact. Revenues from passenger tickets increased 2.8% to ¥1,117.1 billion ($11,884 million). Specifically, revenues from commuter passes rose 0.9% to ¥445.8 billion ($4,742 million), and non-commuter passes revenues were up 4.0% to ¥671.3 billion ($7,141 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers increased 3.2% year on year to 5.9 billion. This increase mainly reflected a recovery due to the restoration of service on certain lines, although service along other lines remains suspended due to the Great East Japan Earthquake. Revenues from passenger tickets increased 5.4% to ¥72.4 billion ($770 million). Specifically, revenues from commuter passes rose 2.1% to ¥18.8 billion ($200 million), and non-commuter passes revenues were up 6.6% to ¥53.6 billion ($570 million).

Station Space Utilization

In the Station Space Utilization segment, JR East made progress in its *Station Renaissance* program, which seeks to maximize the value of spaces within railway stations. Specifically, JR East opened the *Marunouchizaka Area* of *GranSta* (Tokyo) and *CentralStreet* (Tokyo) within Tokyo Station, along with opening certain stores ahead of schedule at KaihinMakuhari Station. Efforts were also focused on boosting the competitiveness of commercial facilities within stations, including *ecute Shinagawa* (Tokyo). Furthermore as part of the *Rediscovering the Region Projects*, JR East hosted *Sanchoku-Ichi* (farmers' markets) to promote the appeal of various East Japan regions primarily at Ueno, Akihabara and Yokohama stations.

The Station Space Utilization segment posted a 2.1% year on year increase in operating revenues to ¥418.4 billion ($4,451 million), as a result of these initiatives and other additional factors, such as a recovery from the effects of the Great East Japan Earthquake experienced in year ended March 31, 2012, and a boost in revenues from *GranSta* (Tokyo) within Tokyo Station. Operating income increased 10.6% year on year to ¥37.6 billion ($399 million).

Shopping Centers and Office Buildings

In the Shopping Centers and Office Buildings segment, JR East opened facilities such as *atrévie Higashi-Nakano* (Tokyo), *CELEO Hachioji North Wing* (Tokyo), and *CIAL Tsurumi* (Kanagawa). In addition, the segment completed construction of *GranTokyo North Tower Phase II* (Tokyo) in August 2012. In September 2012, the segment opened *nonowa Nishi-Kokubunji* (Tokyo), the first in a series of malls planned along the Chuo Line. The segment also renovated existing facilities, including *S-PAL Fukushima* (Fukushima) and *Shapo Ichikawa* (Chiba), while continuing efforts to revitalize existing stores and draw in tenants that are able to attract customers. Furthermore, the segment opened *JR Minami Shinjuku Building* (Tokyo) and *JR Kanda Manseibashi Building* (Tokyo). The segment also steadily pressed on with construction of *JR Ōtsuka Minamiguchi Building* toward its planned opening in the fall of 2013.

As a result of these initiatives and other additional factors, such as a recovery from the effects of the Great East Japan Earthquake experienced in the fiscal year ended March 31, 2012, and a boost in revenues from the opening of *LUMINE Yurakucho* (Tokyo) in the same fiscal year, the Shopping Centers and Office Buildings segment posted a 4.3% increase year on year in operating revenues to ¥249.2 billion ($2,651 million). Operating income increased 2.5% to ¥68.2 billion ($725 million).

Others

In hotel operations, JR East opened *The Tokyo Station Hotel* (Tokyo) in October 2012. In addition, JR East proceeded with preparations to open *HOTEL METS Niigata* (Niigata) in April 2013. In advertising and publicity services, JR East promoted sales of advertising on *Train Channel*, an advertising medium for showing video commercials in trains, in addition to expanding the installation of *J-AD Vision*, an advertising medium at stations that uses large-size LCD displays, to more stations. In credit card operations, JR East strove to promote further credit card usage by conducting sales promotions such as a campaign commemorating the 20th anniversary of the launch of *View Card*. In addition, the *View Thanks Bonus* program, a new service that allows card members to accumulate points according to their annual credit card usage (certain cards only), was rolled out in April 2012. In *Suica* shopping services (electronic money), JR East worked to actively expand affiliated stores, including through the launch of settlement services at *Ito-Yokado* stores (certain stores in the Tokyo metropolitan area) and the online retailing giant Amazon. As a result, *Suica* electronic money was accepted at approximately 205,910 stores as of March 31, 2013. In railcar manufacturing operations, JR East made Japan Transport Engineering Company (J-TREC) a subsidiary in April 2012. J-TREC's stainless-steel railcars, a key strength of the company, were given the brand name *sustina*, and JR East worked to disseminate information and take other steps to develop the brand going forward. Furthermore, JR East actively pressed ahead with developing an overseas railway consulting business, receiving orders for survey, design and other services related to urban and high-speed railway projects centered on Asia. In the sports business, JR East opened *JeXer FITNESS CLUB & SPA Shinjuku* (Tokyo) and *Fitness Lounge THE JEXER TOKYO* (Tokyo).

As a result of these initiatives and other factors, including increased revenues from advertising and publicity services in step with a recovery from the effects of the Great East Japan Earthquake experienced in the year ended March 31, 2012, the Others segment posted a 12.1% increase year on year in operating revenues to ¥578.6 billion ($6,155 million). Operating income was up 22.2% to ¥26.9 billion ($285 million).

Note: 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.

OPERATING INCOME

Operating expenses increased 4.7% year on year to ¥2,274.3 billion ($24,195 million). Operating expenses as a percentage of operating revenues were 85.1%, compared with 85.8% in the previous fiscal year.

Transportation, other services and cost of sales increased 4.7%, to ¥1,791.7 billion ($19,061 million), because of an increase in JR East's non-personnel expenses.

Selling, general and administrative expenses were up 4.6%, to ¥482.6 billion ($5,134 million), which was due to an increase in personnel expenses.

Operating income rose 10.4%, to ¥397.6 billion ($4,229 million), for the third consecutive fiscal year. Operating income as a percentage of operating revenues was 14.9%, compared with 14.2% in the previous fiscal year.

INCOME BEFORE INCOME TAXES

Other income decreased 0.6%, to ¥89.6 billion ($953 million), due mainly to a decrease in insurance proceeds.

Other expenses decreased 15.5%, to ¥182.7 billion ($1,945 million), which mainly resulted from a decrease in interest expense.

Interest and dividend income and other financial income, net of interest and dividend expense and other financial expenses, amounted to a ¥92.7 billion ($987 million) expense, an improvement of 5.5%.

Income before income taxes increased 30.1%, to ¥304.4 billion ($3,238 million). Income before income taxes as a percentage of operating revenues was 11.4%, an increase from 9.2% the previous consolidated fiscal year.

NET INCOME

Net income increased 61.3% to ¥175.4 billion ($1,866 million), growing for a second consecutive year, due mainly to an increase in income before income taxes. Earnings per share were ¥444 ($5), up from ¥275 per share. Further, net income as a percentage of operating revenues was 6.6%, compared with 4.3% in the previous fiscal year.

❯ LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

In the fiscal year ended March 31, 2013, operating activities provided net cash of ¥588.5 billion ($6,261 million), ¥29.9 billion more than in the previous fiscal year. This result was mainly due to an increase in income before income taxes.

Investing activities used net cash of ¥466.0 billion ($4,957 million), ¥95.3 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of fixed assets.

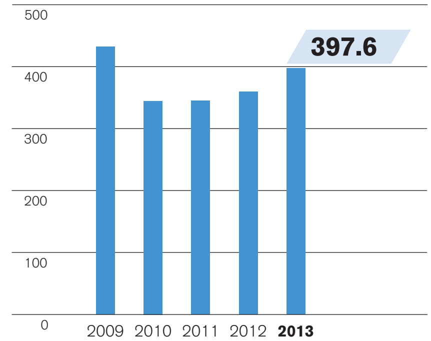
Capital expenditures were as follows.

In transportation operations, JR East implemented capital expenditures to further measures for transportation safety and reliability as well as build a highly competitive transportation network, in addition to the reconstruction of facilities damaged in the Great East Japan Earthquake. Based on the *Station Renaissance* program, station space utilization operations developed stores in the *Marunouchizaka Area* of *GranSta* and *CentralStreet* in Tokyo Station, as well as at other stations.

In shopping centers and office buildings operations, JR East undertook capital expenditures for such initiatives as *JR Minami Shinjuku Building* (Tokyo), *GranTokyo North Tower Phase II* (Tokyo), and *CELEO Hachioji North Wing* (Tokyo). At the same time, those operations remodeled *S-PAL Fukushima* and other properties. In other services, capital expenditures initiatives included systems development and functional enhancements.

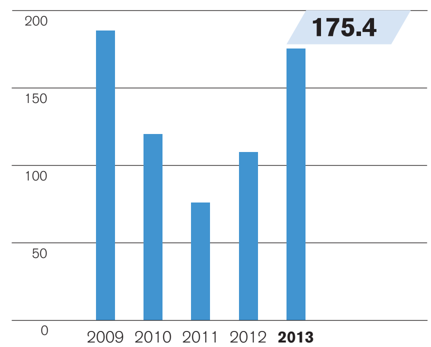
OPERATING INCOME

Billions of Yen



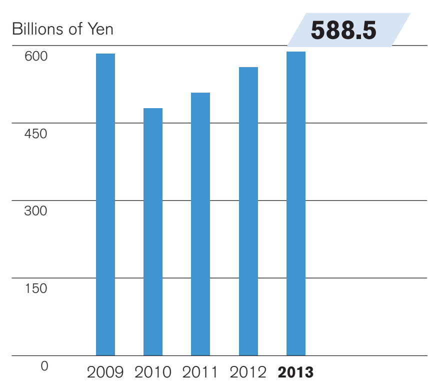
NET INCOME

Billions of Yen



CASH FLOWS FROM OPERATING ACTIVITIES

Billions of Yen



Further, free cash flows decreased ¥65.4 billion, to ¥122.6 billion ($1,304 million).

Financing activities used net cash of ¥101.2 billion ($1,076 million), ¥51.3 billion less than in the previous fiscal year. This result was mainly due to a decrease in the repayment of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2013 were ¥189.3 billion ($2,013 million), an increase of ¥21.7 billion from ¥167.5 billion on March 31, 2012.

FINANCIAL POLICY

Interest-bearing debt at the end of fiscal 2013 stood at ¥3,307.5 billion ($35,186 million).

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities are paid in equal semi-annual installments, consisting of principal and interest payments, and are divided into the following three tranches:

a. ¥258.7 billion ($2,752 million) payable at a variable interest rate (annual interest rate in fiscal 2013: 4.11%) through March 31, 2017

b. ¥177.3 billion ($1,886 million) payable at a fixed annual interest rate of 6.35% through March 31, 2017

c. ¥343.1 billion ($3,650 million) payable at a fixed annual interest rate of 6.55% through September 30, 2051

In addition, at the fiscal year-end, JR East had long-term liabilities incurred for purchase of railway facilities of ¥10.3 billion ($109 million) for the Akita hybrid Shinkansen facilities and ¥3.9 billion ($42 million) for the Tokyo Monorail.

Since fiscal 1998, JR East has made annual early repayments of long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities based on an agreement with the Japan Railway Construction, Transport and Technology Agency (JRTT). JR East made early repayments of ¥24.5 billion ($260 million) in fiscal 2013.

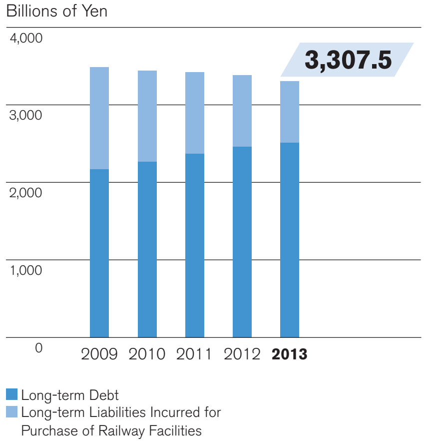
In fiscal 2002, JR East introduced a cash management system that integrated the management of the Group's cash and funding, which previously was carried out separately by subsidiaries, with the aim of reducing JR East's total interest-bearing debt. Also, JR East is enhancing capital management methods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

In the year ended March 31, 2013, JR East issued eight unsecured straight bonds, with a total nominal amount of ¥150.0 billion ($1,596 million) and maturities from 2017 through 2032. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East received long-term debt ratings from Standard & Poor's and Moody's of AA– and Aa2, respectively.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($3,511 million). JR East did not have any bank overdrafts on March 31, 2013. R&I and Moody's rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2013. There is no outstanding balance of commercial paper JR East issued as of March 31, 2013.

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

INTEREST-BEARING DEBT



OPERATIONAL AND OTHER RISK INFORMATION

The following are issues related to the operational and accounting procedures that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of the JR East Group as of March 31, 2013.

› LEGAL ISSUES RELATING TO OPERATIONS

As a railway operator, JR East manages its railway operations pursuant to the stipulations of the Railway Business Law. JR East is generally excluded from the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law"). However, JR East is required to manage its railway operations in accordance with guidelines relating to matters that should be considered for the foreseeable future, which are stipulated in a supplementary provision of a partial amendment of the JR Law (hereinafter the "amended JR Law"). Details of relevant laws are as follows.

THE RAILWAY BUSINESS LAW (1986, LAW NO. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Minister of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Operators receive approval from the MLIT for the upper limit of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges"). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits (article 16). Operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (article 28, items 1 and 2).

THE JR LAW (1986, LAW NO. 88)

Aim of the Establishment of the JR Law

Prior to its amendment, the JR Law regulated the investments and the establishment of JR East, Hokkaido Railway Company, Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company, Kyushu Railway Company, and Japan Freight Railway Company (JR Freight) and included provisions on the operational purposes and scopes of those companies (hereinafter the "JR Companies"). In addition to the provisions of the Railway Business Law, the JR Companies are subject to provisions of the JR Law that require the approval of the MLIT with respect to significant management decisions. Also, under the JR Law, preferential measures were applied to the JR Companies, such as those entitling holders of the bonds of the JR Companies to preferential rights over the claims of unsecured creditors (general mortgage).

AMENDMENT OF THE JR LAW

(a) The amended JR Law enacted on December 1, 2001 (2001, Law No. 61), excluded JR East, JR Central, and JR West (the three JR passenger railway companies operating on Japan's main island Honshu, hereinafter the "three new companies") from the provisions of the JR Law that had been applicable to them until then.

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

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

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

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

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

› ESTABLISHMENT OF AND CHANGES TO FARES AND SURCHARGES

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

Details of those procedures are as follows.

SYSTEM AND PROCEDURES FOR APPROVAL OF FARES AND SURCHARGES

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

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

The following is a description of the series of procedures ranging from submission of applications by railway operators to approval by the MLIT, based on the examples of major private railway operators in recent years.

Notes:
1. Procedures are based on article 64, item 2 of the Railway Business Law. Furthermore, article 23 of the Act for Establishment of the Ministry of Land, Infrastructure, Transport and Tourism (1999, Law No. 100), stipulates that a public hearing must be held when deemed necessary by the Transport Council in the course of deliberations, or as instructed or otherwise directed by the MLIT.
2. Article 3, item 2 of the Railway Business Law stipulates that 7 days or more of public notice must be given when increasing fares and other transport conditions.

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

JR EAST'S STANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

› PLAN FOR THE DEVELOPMENT OF NEW SHINKANSEN LINES

CONSTRUCTION PLANS FOR NEW SHINKANSEN LINES

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

Within JR East's service area, the Nagano–Joetsu Myoko segment of the Hokuriku Shinkansen Line is currently being constructed by the JRTT. Based on a proposal by the three ruling political parties, the national government and ruling parties agreed in December 1996 that the Shinkansen line segment would be standard gauge line. In January 1998, the joint national government and ruling parties' examination committee for the development of new Shinkansen lines decided to begin the construction of those Shinkansen line segments during fiscal 1998, upon the completion of approval procedures. Based on that decision, the former JRCC (currently, the JRTT) began construction in March 1998, after obtaining approval from the Minister of Transport pursuant to article 9 of the Nationwide Shinkansen Railway Development Law.

Further, in December 2004, the national government and ruling parties agreed on the schedule for the completion of new Shinkansen lines. For new Shinkansen lines under the jurisdiction of JR East, it was decided to aim to complete the Nagano–Hakusan general rail yard (provisional name) segment of the Hokuriku Shinkansen Line by the end of fiscal 2015 and to strive for completion as early as possible (JR East has jurisdiction of the Nagano–Joetsu Myoko segment of the Hokuriku Shinkansen Line).

Also, new Shinkansen lines not under the jurisdiction of JR East are being developed on the Shin-Aomori–Sapporo segment of the Hokkaido Shinkansen Line, the Joetsu Myoko–Tsuruga segment of the Hokuriku Shinkansen Line, and the Takeo-Onsen–Nagasaki segment of the Kyushu Shinkansen Line.

COST BURDEN OF THE DEVELOPMENT OF NEW SHINKANSEN LINES

(a) The national government, local governments, and the JR Companies assume the cost of new Shinkansen lines constructed by the JRTT. Amounts to be funded by the JR Companies are to be paid out of the following.
  1) Usage fees and other charges paid by the JR Companies as the operator of the line
  2) Funds made available from the JRTT, to which JR East, JR Central, and JR West make payments of amounts due on their Shinkansen purchase liabilities

(b) In October 1997, the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line was accompanied by new standards for the amount of usage fees paid by the JR Companies as the operator of the line. Those usage fees are now regulated under the Japan Railway Construction, Transport and Technology Agency Law (enforcement ordinance, article 6).

That enforcement ordinance stipulates that the JRTT will determine the amount of usage fees based on the benefit received as the operator of the said Shinkansen line after opening and the sum of taxes and maintenance fees paid by the JRTT for railway facilities leased. Of those, the benefits received as the operator are calculated by comparing the estimated revenues and expenses generated by the new segment of the Shinkansen line and related line segments after opening with the revenues and expenses that would likely be generated by parallel conventional lines and related line segments if the new segment of the Shinkansen line was not opened. The expected benefits are the difference between the amount that the operator of the new Shinkansen line should receive as a result of operation and the amount that would be received if the new Shinkansen lines did not commence service. Specifically, the expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services. In addition, the taxes and maintenance fees are included in calculations of the corresponding benefits as an expense of the operator of the Shinkansen line after opening. Therefore, the burden of the operator is kept within the limits of the corresponding benefits.

With respect to the usage fee amount for the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, which opened in October 1997, JR East decided that the usage fees calculated by the former JRCC (currently, the JRTT) were within the limits of the corresponding benefits to result from the opening of that line and concluded an agreement with the JRCC in September 1997. Also, the JRCC received approval for those usage fees from the Minister of Transport in September 1997. Usage fees for fiscal 2012 totaled ¥21.2 billion ($225 million), comprising the fixed amount calculated based on the corresponding benefits of ¥17.5 billion ($186 million) and taxes and maintenance fees of ¥3.7 billion ($39 million).

In November 2002, JR East also concluded an agreement with the JRCC regarding the usage fees amount for the Morioka–Hachinohe segment of the Tohoku Shinkansen Line, which opened in December 2002. The JRCC received approval for those usage fees from the MLIT in November 2002. Usage fees for fiscal 2012 totaled ¥9.1 billion ($97 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.9 billion ($84 million) and taxes and maintenance fees of ¥1.2 billion ($12 million).

In December 2010, JR East also concluded an agreement with the JRTT regarding the usage fees amount for the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line, which opened in December 2010. The JRTT received approval for those usage fees from the MLIT in December 2010. Usage fees for fiscal 2012 totaled ¥8.4 billion ($89 million), comprising the fixed amount calculated based on the corresponding benefits of ¥7.0 billion ($74 million) and taxes and maintenance fees of ¥1.4 billion ($1 million).

(c) As well as being responsible for the construction of new Shinkansen lines, the JRTT procures construction costs and owns the facilities that it has constructed. JR East leases those facilities from the JRTT after completion and pays the usage fees mentioned in (b) above upon the commencement of the service. During the construction period, JR East is not required to directly assume the JRTT's construction costs. Compared with periods when there is no construction of new Shinkansen lines, costs related to new Shinkansen lines, such as depreciation of railcars and other costs, can have an impact on JR East's single-year revenues and expenses in the initial period after opening. However, given the nature of usage fees mentioned in (b) above, JR East believes that such factors will not have an impact on revenues and expenses over the 30-year period. The JR Companies are required to assume the costs of "usage fees and other charges" as mentioned in (a) above. "Other charges" refers exclusively to the payment of usage fees directly before the commencement of services. However, such prior payment is required to be based upon agreements concluded following consultations between JR East and the JRTT. Accordingly, it is assumed that JR East's position will be adequately reflected in such arrangements.

TREATMENT OF CONVENTIONAL LINES RUNNING PARALLEL TO NEW SHINKANSEN LINES

In October 1997, at the time of the opening of the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, the Yokokawa–Karuizawa segment was eliminated and the management of the Karuizawa–Shinonoi segment of the Shinetsu Line was separated from JR East. Further, at the time of the openings of the Morioka–Hachinohe segment in December 2002 and the Hachinohe–Aomori segment in December 2010 of the Tohoku Shinkansen Line, the management of those segments on the Tohoku Line were separated from JR East.

Also, an agreement reached between the national government and ruling parties in December 1996 stipulates that the management of conventional line segments which run parallel to a new Shinkansen line should be separated from the JR Companies when the new Shinkansen line commences operations. Pursuant to that agreement, when construction began on the Nagano–Joetsu Myoko segment of the Hokuriku Shinkansen Line in March 1998, JR East requested and received the agreement of local communities with regard to the separation of the management of the conventional line that runs parallel to the Shinkansen line upon commencement of operation: the Nagano–Naoetsu segment of the Shinetsu Line.

Further, in December 2000, the national government and ruling parties agreed that when JR Freight uses the conventional lines whose management has been separated from the JR Companies, line usage fees will be charged commensurate with the amount of usage. With regard to the resulting loss for JR Freight, it was decided to implement an adjustment by allocating a part of the revenues from usage fees on the parallel Shinkansen line segment to JR Freight as required.

Accordingly, the Nationwide Shinkansen Railway Development Law enforcement ordinance was amended in October 2002. As a result, it became possible to appropriate usage fees paid by the JR Companies for amounts required by the JR Freight adjustment mechanism. Previously, as a general principle, usage fees had only been appropriated to cover the construction cost of Shinkansen lines.

JR EAST'S STANCE ON THE CONSTRUCTION OF NEW SHINKANSEN LINES

JR East's stance on the construction of new Shinkansen lines is as follows.

(1) As the operator of new Shinkansen lines, JR East will only assume the burden of the aforementioned usage fees and other charges that are within the limit of corresponding benefits as a result of commencing Shinkansen line operations. JR East will not assume any financial burden other than usage fees and other charges.

(2) The confirmation of agreements with local communities is required in regard to the management separation from JR East of conventional lines parallel to new Shinkansen line segments.

Based on strict adherence to the aforementioned conditions, which JR East has always viewed and will continue to view as essential, JR East will continue to fulfill its responsibility as the operator.

Regarding the development of the Nagano–Joetsu Myoko segment of the Hokuriku Shinkansen Line currently underway, upon confirming that the two aforementioned conditions had been met, in January 1998 JR East agreed to construction.

Changes in relation to the two aforementioned conditions for the construction of new Shinkansen lines could affect the JR East Group's financial condition and business performance.

› SAFETY MEASURES

Railway operations can potentially suffer significant damage resulting from natural disasters, human error, crime, terrorism, accidents at nuclear power plants and the large-scale spread of infectious diseases, or other factors.

The JR East Group regards ensuring safety as a major issue that fundamentally underpins its operations. Accordingly, JR East is taking measures to build a railway with high safety levels by addressing infrastructural and operational issues.

Specifically, in preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, among other major earthquake scenarios, JR East formulated plans to promote seismic reinforcement and other countermeasures at a total cost of ¥300 billion. Based on these plans, JR East steadily implemented countermeasures such as bringing forward and expanding the scope of seismic reinforcement of viaduct columns, reinforcing embankments and cutouts, seismically reinforcing electrical poles and other equipment, and enhancing the seismic monitoring network by implementing Earthquake Early Warnings (Japan Meteorological Agency) on Shinkansen lines. In addition, JR East strove to upgrade its ability to address earthquakes. Measures included installing emergency communications equipment such as satellite phones and WiMAX devices to prevent the severance of communications links, in addition to revising and developing the Disaster Preparedness Operation Plan and various manuals. Furthermore, JR East worked to provision rescue equipment (crowbars, hydraulic jacks, etc.) and first aid equipment in order to give top priority to rescue and emergency care for customers in the event of an earthquake. JR East also held regular rescue and emergency care drills. Moreover, in order to accommodate people unable to return home in the event of a major disruption to public transportation, JR East completed the provision of emergency supplies at 30 major terminal stations and also began stocking approximately 170 stations within a 30 kilometer radius of downtown Tokyo with the supplies. JR East also continued discussions with the relevant local governments on evacuation guidance methods and other matters in the event of a disaster. JR East also strove to keep customers informed by publishing "Measures by Train Stations to Prepare for Major Earthquakes" (Information on temporary shelters and requests for customers) on its website. In addition to these measures, JR East steadily pressed ahead with initiatives based on *2013 Safety Vision*, a five-year safety enhancement plan. Aiming to prevent accidents on railway station platforms, JR East moved forward with the installation of automatic platform gates on the Yamanote Line, and began using these gates at Osaki Station and Ikebukuro Station. As a measure to prevent train collisions and derailment accidents, JR East continued to introduce ATS-P and ATS-Ps systems to conventional lines. JR East also took steady steps to prevent accidents at railway crossings, including converting type-4 crossings to type-1 and constructing additional equipment to detect faulty railway crossings.

› INFORMATION SYSTEMS AND PROTECTION OF PERSONAL DATA

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

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

› DEVELOPMENT OF NON-TRANSPORTATION OPERATIONS

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

In non-transportation operations, JR East faces the risk of a downturn in consumption associated with an economic recession or unseasonable weather, which could lead to lower revenues from its shopping centers, office buildings, restaurants and stores in railway stations, hotels, and other operations. Such eventualities could also adversely affect sales of advertisement services and cause an increase in demands from tenants for rent reductions. Further, a fault in retail products or manufactured products, such as an outbreak of food poisoning or a similar incident, could reduce sales, damage trust in the JR East Group, or result in the failure of tenants or business partners. The occurrence of any of those contingencies could have an impact on the JR East Group's financial position and business performance. JR East's stations are used by roughly 17 million people every day (average daily number of passengers). The JR East Group will fully leverage those railway stations as its largest management resource to develop operations. At the same time, the JR East Group will enhance earnings and secure customer trust by implementing stringent hygiene management and credit controls.

COMPETITION

The JR East Group's transportation operations compete with the operations of airlines, automobiles, bus transportation, and other railway companies. Furthermore, the JR East Group's non-transportation operations compete with existing and newly established businesses. The competition of the JR East Group's transportation and non-transportation operations with such rival operators could have an impact on the JR East Group's financial condition and business performance.

Competition intensifying in the transportation market could variously affect earnings from JR East's transportation operations. Such competition includes the expansion of Low Cost Carrier (LCC) routes, toll discounts and other sales promotion measures on expressways and the advancement of large-scale upgrading works by other railway operators in the Tokyo metropolitan area. Also, developments such as the new entry of other companies into markets or the renewal or re-opening of existing commercial premises could variously affect earnings from JR East's non-transportation operations.

REDUCTION OF TOTAL INTEREST-BEARING DEBT

At the end of fiscal 2013, total interest-bearing debt was ¥3,307.5 billion ($35,186 million). In addition, interest expense amounted to ¥95.3 billion ($1,014 million), which was equivalent to 24.0% of operating income. For reference, the management indicator on debt was switched from long-term debt to interest-bearing debt, starting with the formulation of "*JR East Group Management Vision V—Ever Onward*" in October 2012. Total long-term debt was ¥3,346.6 billion ($35,602 million) as of March 31, 2013.

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

COMPLIANCE

The JR East Group conducts operations in a variety of areas that include railway operations, non-transportation operations and *Suica* operations pursuant to the stipulations of related statutory laws and regulations such as the Railway Business Law and conducts operations in adherence to corporate ethics. However, becoming subject to administrative measures or losing public confidence due to a breach of those statutory laws and regulations or corporate ethics could affect the JR East Group's financial condition and business performance.

The JR East Group, in addition to establishing the Legal Compliance and Corporate Ethics Guidelines, works to ensure legal compliance through such initiatives as strengthening employee education about legal compliance and checking the status of compliance with statutory laws and regulations that relate to the overall operations.

CONSOLIDATED BALANCE SHEETS

East Japan Railway Company and Subsidiaries
March 31, 2012 and 2013

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2012	2013	2013
Assets			
Current Assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 167,525	¥ 189,262	$ 2,013
Receivables (Note 8) :			
Accounts receivable—trade	344,808	368,147	3,916
Unconsolidated subsidiaries and affiliated companies	8,928	10,863	116
Other	9,280	8,117	87
Allowance for doubtful accounts (Note 2 (4))	(2,335)	(2,327)	(25)
	360,681	384,800	4,094
Inventories (Notes 2 (5) and 5)	51,937	62,933	670
Real estate for sale (Notes 2 (6) and 6)	1,515	1,330	14
Deferred income taxes (Note 20)	43,023	49,928	531
Other current assets	53,300	49,906	531
Total current assets	677,981	738,159	7,853
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 7)	33,081	48,248	513
Other (Notes 2 (7), 8 and 9)	111,679	138,367	1,472
	144,760	186,615	1,985
Property, Plant and Equipment (Notes 2 (8), 10, 11 and 21):			
Buildings	2,214,702	2,325,409	24,738
Fixtures	5,423,325	5,496,806	58,477
Machinery, rolling stock and vehicles	2,517,822	2,611,384	27,781
Land	2,012,107	1,986,873	21,137
Construction in progress	284,741	276,371	2,940
Other	186,407	204,275	2,173
	12,639,104	12,901,118	137,246
Less accumulated depreciation	6,775,034	6,974,896	74,201
Net property, plant and equipment	5,864,070	5,926,222	63,045
Other Assets:			
Long-term deferred income taxes (Note 20)	241,965	231,067	2,458
Other	131,633	141,142	1,502
	373,598	372,209	3,960
	¥ 7,060,409	¥ 7,223,205	$ 76,843

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2012	2013	2013
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8, 10 and 12)	¥ 223,846	¥ 222,937	$ 2,372
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	129,839	126,119	1,342
Prepaid railway fares received	84,257	88,580	942
Payables (Note 8) :			
Accounts payable—trade	48,911	57,418	611
Unconsolidated subsidiaries and affiliated companies	51,972	90,680	965
Other	467,148	440,966	4,691
	568,031	589,064	6,267
Accrued expenses	101,397	110,569	1,176
Accrued consumption taxes (Notes 8 and 14)	13,554	12,244	130
Accrued income taxes (Notes 2 (12), 8 and 20)	70,571	86,917	925
Other current liabilities	38,745	37,734	401
Total current liabilities	1,230,240	1,274,164	13,555
Long-Term Debt (Notes 8, 10 and 12)	2,237,774	2,330,385	24,791
Long-Term Liabilities Incurred for Purchase of Railway Facilities (Notes 8, 10 and 13)	794,014	667,111	7,097
Employees' Severance and Retirement Benefits (Notes 2 (9) and 19)	643,401	648,381	6,898
Deposits Received for Guarantees	134,231	134,785	1,434
Long-Term Deferred Tax Liabilities (Note 20)	3,219	4,424	47
Other Long-Term Liabilities	126,896	115,762	1,231
Contingent Liabilities (Note 15)			
Net Assets (Note 16):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2013—396,000,000 shares;			
Outstanding, 2013—395,397,613 shares	200,000	200,000	2,128
Capital surplus	96,732	96,791	1,030
Retained earnings	1,599,683	1,713,026	18,224
Treasury stock, at cost, 602,387 shares in 2013	(25,846)	(3,545)	(38)
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	3,909	22,997	245
Net deferred gains (losses) on derivatives under hedge accounting	(74)	1,901	20
Revaluation reserve for land (Note 2 (16))	—	(504)	(5)
Minority Interests	16,230	17,527	186
Total net assets	1,890,634	2,048,193	21,790
	¥7,060,409	¥7,223,205	$76,843

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

East Japan Railway Company and Subsidiaries
Years ended March 31, 2012 and 2013

(I) CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2012	2013	2013
Operating Revenues (Note 22)	¥2,532,174	¥2,671,823	$28,424
Operating Expenses:			
Transportation, other services and cost of sales	1,710,615	1,791,691	19,061
Selling, general and administrative expenses	461,534	482,569	5,134
	2,172,149	2,274,260	24,195
Operating Income (Note 22)	360,025	397,563	4,229
Other Income (Expenses):			
Interest expense on short- and long-term debt	(46,208)	(46,163)	(491)
Interest expense incurred for purchase of railway facilities	(54,865)	(49,149)	(523)
Loss on sales of fixed assets	(1,343)	(527)	(6)
Impairment losses on fixed assets (Notes 2 (15), 11 and 22)	(9,160)	(30,029)	(319)
Interest and dividend income	2,948	2,574	27
Equity in net income (loss) of affiliated companies	860	3,768	40
Gain on sales of fixed assets	5,114	3,800	40
Insurance proceeds related to earthquake (Note 3)	–	24,261	258
Other, net	(23,471)	(1,720)	(17)
	(126,125)	(93,185)	(991)
Income before Income Taxes	233,900	304,378	3,238
Income Taxes (Notes 2 (12) and 20):			
Current	98,955	133,178	1,417
Deferred	25,354	(5,462)	(58)
Income before Minority Interests	109,591	176,662	1,879
Minority Interests in Net Income of Consolidated Subsidiaries	(853)	(1,277)	(13)
Net Income	¥ 108,738	¥ 175,385	$ 1,866

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (13))	¥ 275	¥ 444	$ 5

See accompanying notes.

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

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2012	2013	2013
Income before Minority Interests	¥109,591	¥176,662	$1,879
Other Comprehensive Income	(287)	21,078	225
Net unrealized holding gains (losses) on securities	(1,192)	17,729	189
Net deferred gains (losses) on derivatives under hedge accounting	598	1,086	12
Share of other comprehensive income of associates accounted for using equity method	307	2,263	24
Comprehensive Income	¥109,304	¥197,740	$2,104
Comprehensive Income attributable to			
Comprehensive income attributable to owners of the parent	¥108,448	¥196,456	$2,090
Comprehensive income attributable to minority interests	856	1,284	14

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2012 and 2013

Millions of Yen

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Minority Interests	Total
Balance at March 31,2011	400,000,000	¥200,000	¥96,733	¥1,534,340	¥(25,841)	¥ 4,904	¥ (780)	–	¥25,200	¥1,834,556
Cash dividends (¥110 per share)	–	–	–	(43,526)	–	–	–	–	–	(43,526)
Net income..................	–	–	–	108,738	–	–	–	–	–	108,738
Increase due to merger.........	–	–	–	131	–	–	–	–	–	131
Purchase of treasury stock......	–	–	–	–	(6)	–	–	–	–	(6)
Disposal of treasury stock.......	–	–	(1)	–	1	–	–	–	–	0
Other.......................	–	–	–	–	–	(995)	706	–	(8,970)	(9,259)
Balance at March 31,2012	400,000,000	¥200,000	¥96,732	¥1,599,683	¥(25,846)	¥ 3,909	¥ (74)	–	¥16,230	¥1,890,634
Cash dividends (¥120 per share)	**–**	**–**	**–**	**(45,492)**	**–**	**–**	**–**	**–**	**–**	**(45,492)**
Net income..................	**–**	**–**	**–**	**175,385**	**–**	**–**	**–**	**–**	**–**	**175,385**
Increase due to merger.........	**–**	**–**	**–**	**434**	**–**	**–**	**–**	**–**	**–**	**434**
Purchase of treasury stock......	**–**	**–**	**–**	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**
Disposal of treasury stock.......	**–**	**–**	**72**	**–**	**1,042**	**–**	**–**	**–**	**–**	**1,114**
Retirement of treasury stock	**(4,000,000)**	**–**	**(13)**	**(23,093)**	**23,106**	**–**	**–**	**–**	**–**	**–**
Change in equity in consolidated subsidiaries—treasury stock	**–**	**–**	**–**	**–**	**(1,042)**	**–**	**–**	**–**	**–**	**(1,042)**
Change in equity in affiliates accounted for by equity method—treasury stock........	**–**	**–**	**–**	**–**	**(796)**	**–**	**–**	**–**	**–**	**(796)**
Change of scope of equity method	**–**	**–**	**–**	**6,109**	**–**	**–**	**–**	**–**	**–**	**6,109**
Other.......................	**–**	**–**	**–**	**–**	**–**	**19,088**	**1,975**	**(504)**	**1,297**	**21,856**
Balance at March 31,2013	**396,000,000**	**¥200,000**	**¥96,791**	**¥1,713,026**	**¥ (3,545)**	**¥22,997**	**¥1,901**	**¥(504)**	**¥17,527**	**¥2,048,193**

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

	Number of Issued Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Holding Gains (Losses) on Securities	Net Deferred Gains (Losses) on Derivatives under Hedge Accounting	Revaluation Reserve for Land	Minority Interests	Total
Balance at March 31,2012	400,000,000	$2,128	$1,029	$17,017	$(275)	$ 42	$ (1)	–	$173	$20,113
Cash dividends ($1.28 per share)	**–**	**–**	**–**	**(484)**	**–**	**–**	**–**	**–**	**–**	**(484)**
Net income..................	**–**	**–**	**–**	**1,866**	**–**	**–**	**–**	**–**	**–**	**1,866**
Increase due to merger.........	**–**	**–**	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**
Purchase of treasury stock......	**–**	**–**	**–**	**–**	**(0)**	**–**	**–**	**–**	**–**	**(0)**
Disposal of treasury stock.......	**–**	**–**	**1**	**–**	**11**	**–**	**–**	**–**	**–**	**12**
Retirement of treasury stock	**(4,000,000)**	**–**	**(0)**	**(246)**	**246**	**–**	**–**	**–**	**–**	**–**
Change in equity in consolidated subsidiaries—treasury stock	**–**	**–**	**–**	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**
Change in equity in affiliates accounted for by equity method—treasury stock........	**–**	**–**	**–**	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**
Change of scope of equity method	**–**	**–**	**–**	**65**	**–**	**–**	**–**	**–**	**–**	**65**
Other.......................	**–**	**–**	**–**	**–**	**–**	**203**	**21**	**(5)**	**13**	**232**
Balance at March 31,2013	**396,000,000**	**$2,128**	**$1,030**	**$18,224**	**$ (38)**	**$245**	**$20**	**$ (5)**	**$186**	**$21,790**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2012 and 2013

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2012	2013	2013
Cash Flows from Operating Activities:			
Income before income taxes	¥233,900	¥304,378	$3,238
Depreciation (Note 22)	358,704	346,808	3,689
Impairment losses on fixed assets	9,160	30,029	319
Amortization of long-term prepaid expense	6,333	6,250	66
Net change in employees' severance and retirement benefits	(14,971)	3,307	35
Interest and dividend income	(2,948)	(2,574)	(27)
Interest expense	101,073	95,312	1,014
Construction grants received	(59,528)	(41,519)	(442)
Insurance proceeds related to earthquake	–	(24,261)	(258)
Loss from disposition and provision for cost reduction of fixed assets	83,226	71,498	761
Net change in major receivables	(54,835)	(17,486)	(186)
Net change in major payables	53,344	17,802	189
Other	24,311	5,469	60
Sub-total	737,769	795,013	8,458
Proceeds from interest and dividends	3,148	2,989	32
Payments of interest	(101,271)	(95,386)	(1,015)
Insurance proceeds related to earthquake	–	24,261	258
Payments of earthquake-damage losses	(38,563)	(21,230)	(226)
Payments of income taxes	(42,433)	(117,118)	(1,246)
Net cash provided by operating activities	558,650	588,529	6,261
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(407,622)	(494,567)	(5,261)
Proceeds from sales of fixed assets	8,866	5,390	57
Proceeds from construction grants	50,696	36,283	386
Proceeds from sales of transferable development air rights	–	8,446	90
Payments for purchases of investment in securities	(7,015)	(6,175)	(66)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(2,794)	(30)
Other	(15,610)	(12,535)	(133)
Net cash used in investing activities	(370,685)	(465,952)	(4,957)
Cash Flows from Financing Activities:			
Net change in commercial paper	(61,000)	–	–
Proceeds from long-term loans	174,300	165,500	1,761
Payments of long-term loans	(125,870)	(133,866)	(1,424)
Proceeds from issuance of bonds	150,000	150,000	1,596
Payments for redemption of bonds	(110,430)	(90,000)	(957)
Payments of liabilities incurred for purchase of railway facilities	(124,625)	(130,622)	(1,390)
Cash dividends paid	(43,525)	(45,492)	(484)
Other	(11,278)	(16,671)	(178)
Net cash used in financing activities	(152,428)	(101,151)	(1,076)
Net Change in Cash and Cash Equivalents	35,537	21,426	228
Cash and Cash Equivalents at Beginning of Year	131,929	167,525	1,782
Increase due to Addition of Consolidated Subsidiaries and Other	59	339	3
Decrease in Cash and Cash Equivalents due to Corporate Division	–	(28)	(0)
Cash and Cash Equivalents at End of Year	¥167,525	¥189,262	$2,013

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

East Japan Railway Company and Subsidiaries
Years ended March 31, 2012 and 2013

› NOTE 1: INCORPORATION OF EAST JAPAN RAILWAY COMPANY

In accordance with the provisions of the Law for Japanese National Railways Restructuring (the Law), the Japanese National Railways (JNR) was privatized into six passenger railway companies, one freight railway company and several other organizations (JR Group Companies) on April 1, 1987.

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu (Japan's main island). The Company operates 70 railway lines, 1,688 railway stations and 7,512.6 operating kilometers as of March 31, 2013.

In the wake of the split-up of JNR, assets owned by and liabilities incurred by JNR were transferred to JR Group Companies, the Shinkansen Holding Corporation and JNR Settlement Corporation (JNRSC). Most JNR assets located in eastern Honshu, except for the land and certain railway fixtures used by the Tohoku and Joetsu Shinkansen lines, were transferred to the Company. Current liabilities and employees' severance and retirement benefits, incurred in connection with railway and other operations in the allotted area, and certain long-term debt were assumed by the Company.

The transfer values were determined by the Evaluation Council, a governmental task force, in accordance with the provisions of the Law. In general, railway assets such as railway property and equipment were valued at the net book value of JNR. Nonrailway assets such as investments and other operating property and equipment were valued at prices determined by the Evaluation Council.

The land and railway fixtures of the Tohoku and Joetsu Shinkansen lines were owned by the Shinkansen Holding Corporation until September 30, 1991, and the Company leased such land and railway fixtures at a rent determined by Shinkansen Holding Corporation in accordance with related laws and regulations. On October 1, 1991, the Company purchased such Shinkansen facilities for a total purchase price of ¥3,106,970 million ($33,053 million) from the Shinkansen Holding Corporation (see Note 13). Subsequent to the purchase, the Shinkansen Holding Corporation was dissolved. The Railway Development Fund succeeded to all rights and obligations of the Shinkansen Holding Corporation. In October 1997, the Railway Development Fund and Maritime Credit Corporation merged to form the Corporation for Advanced Transport & Technology. In October 2003, Japan Railway Construction Public Corporation and the Corporation for Advanced Transport & Technology merged to form the Japan Railway Construction, Transport and Technology Agency.

Prior to December 1, 2001, in accordance with the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (JR Law), the Company was required to obtain approval from the Minister of Land, Infrastructure, Transport and Tourism as to significant management decisions, including new issues of stock or bonds, borrowing of long-term loans, election of representative directors and corporate auditors, sale of major properties, amendment of the Articles of Incorporation and distribution of retained earnings.

The amendment to the JR Law took effect on December 1, 2001 (2001 Law No. 61) and the Company is no longer subject generally to the JR Law, as amended (see Note 12).

› NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation of Financial Statements

The Company and its consolidated subsidiaries maintain their books of account in accordance with the Japanese Corporate Law and accounting principles generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards in certain respects as to application and disclosure requirements. The Company's and certain consolidated subsidiaries' books are also subject to the Law for Railway Business Enterprise and related regulations for regulated companies.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements prepared for Financial Instruments and Exchange Act of Japan purposes. Certain modifications and reclassifications have been made for the convenience of readers outside Japan.

The consolidated financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2013, which was ¥94 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2) Consolidation

The consolidated financial statements of the Company include the accounts of all significant subsidiaries (together, the "Companies"). The effective-control standard is applied according to Regulations concerning Terminology, Forms and Method of Presentation of Consolidated Financial Statements in Japan (Regulations for Consolidated Financial Statements). For the year ended March 31, 2013, 72 subsidiaries were consolidated. During the year ended March 31, 2013 one company was newly consolidated, and one company was excluded from consolidation.

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

Goodwill is amortized using the straight-line method over five years. Negative goodwill is recognized as a profit at the time of occurrence.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2013, five affiliated companies were accounted for by the equity method. During the year ended March 31, 2013, two companies were newly accounted for by the equity method.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

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

Merchandise inventories: mainly the retail cost method or first-in, first-out method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories); and

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

6) Real Estate for Sale

Real estate for sale : the identified cost (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

7) Securities

Securities are classified and stated as follows:

(1) Trading securities are stated at market value. The Companies had no trading securities through the years ended March 31, 2012 and 2013.

(2) Held-to-maturity debt securities are stated at amortized cost.

(3) Equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method are mainly stated at moving-average cost.

(4) Available-for-sale securities are stated as follows:

(a) Available-for-sale securities with market value

According to the Japanese Accounting Standards for Financial Instruments, available-for-sale securities for which market quotations are available are stated at market value as of the balance sheet date. Net deferred gains or losses on these securities are reported as a separate item in net assets at an amount net of applicable income taxes and minority interests. The cost of sales of such securities is calculated mainly by the moving-average method.

(b) Available-for-sale securities without market value

Available-for-sale securities for which market quotations are not available are mainly stated at moving-average cost.

If there are significant declines in the market values of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method or available-for-sale securities, the securities are stated at market values in the balance sheet, and the difference between the market value and the original book value is recognized as a loss in the period. The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

8) Property, Plant and Equipment

Property, plant and equipment are generally stated at cost or the transfer value referred to in Note 1. To comply with the regulations, contributions received in connection with construction of certain railway improvements are deducted from the cost of acquired assets.

Depreciation is calculated primarily by the declining balance method based on the estimated useful lives of the assets as prescribed by the Japanese Tax Law. Regarding the replacement method for certain fixtures, the initial acquisition costs are depreciated to 50% of the costs under the condition that subsequent replacement costs are charged to income. Certain property, plant and equipment of the consolidated subsidiaries are depreciated using the straight-line method. Buildings (excluding related fixtures) acquired from April 1, 1998 onward are depreciated using the straight-line method according to the Japanese Tax Law.

The range of useful lives is mainly as follows:

Buildings	3 to 50 years
Fixtures	3 to 60 years
Machinery, Rolling stock and vehicles	3 to 20 years

(Change in Depreciation Method)

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

9) Accounting for Employees' Retirement Benefits

Almost all employees of the Companies are generally entitled to receive lump-sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own in addition to those severance and retirement benefits). Furthermore, some consolidated subsidiaries have established retirement benefit trusts. The amounts of the employees' severance and retirement benefits are determined by the length of service and basic salary at the time of severance or retirement of the employees.

The unrecognized prior service costs are amortized by the straight-line method and charged to income over the number of years (mainly 10 years), which does not exceed the average remaining service years of employees at the time when the prior service costs were incurred.

Actuarial gains and losses are recognized in expenses using the straight-line basis over constant years (mainly 10 years) within the average of the estimated remaining service lives commencing with the following year.

10) Accounting for Certain Lease Transactions

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

With regard to finance lease that do not transfer ownership for which the starting date for the transaction is prior to March 31, 2008, they continue to be accounted for by a method used for operating lease.

11) Accounting for Research and Development Costs

According to the Accounting Standards for Research and Development Costs, etc., in Japan, research and development costs are recognized as they are incurred. Research and development costs included in operating expenses for the years ended March 31, 2012 and 2013 were ¥15,596 million and ¥16,137 million ($172 million), respectively.

12) Income Taxes

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

13) Earnings per Share

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

14) Derivative Transactions

Derivative transactions that do not meet requirements for hedge accounting are stated at fair value and the gains or losses resulting from change in fair value of those transactions are recognized as income or expense in the period.

Derivative transactions that meet requirements for hedge accounting are stated at fair value and the gains and losses resulting from changes in fair value of those transactions are deferred until the losses and gains of the hedged items are recognized on the consolidated statements of income.

Of those, certain derivative transactions of the Companies that meet certain hedging criteria are accounted in the following manner:

(1) Regarding forward exchange contracts and foreign currency swap contracts, the hedged foreign currency receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate, and no gains or losses on the forward exchange contracts or foreign currency swap contracts are recorded.

(2) Regarding interest rate swap contracts, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

15) Impairment of Fixed Assets

Accounting Standards for Impairment of Fixed Assets require that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of an asset or asset group may not be recoverable.

The impairment losses are recognized when the book value of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continuing use and eventual disposition of the asset or asset group.

The impairment losses are measured as the amount by which the book value of the asset exceeds its recoverable amounts, which is the higher of the discounted cash flows from the continuing use and eventual disposition of the asset or the net selling price.

Restoration of previously recognized impairment losses is prohibited. For cumulative impairment losses, the Companies deducted directly from respective asset amounts based on the revised regulation on the consolidated financial statements.

16) Revaluation of Land

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

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

(2) Revaluation date
March 31, 2002

(3) Difference between book value after revaluation and market value on March 31, 2013
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

› NOTE 3: EARTHQUAKE DAMAGE

The Company's Tohoku Shinkansen Line and conventional lines and various other facilities were damaged severely in the Great East Japan Earthquake on March 11, 2011.

There had also been further damage to the Company's railroad and other facilities due to intermittent earthquakes since April 2011.

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

The Companies intends to work on the restoration of parts of the lines which run along the Pacific coast and were damaged by the tsunami, as part of the overall restoration and city-rebuilding plans with the local communities. Since it is difficult to reasonably estimate such restoration and other expenses at this time, such expenses are not included in consolidated balance sheets. For reference, the net book value of property, plant and equipment (excluding rolling stock, tools, furniture and fixtures) of these affected railway lines was ¥8,146 million and ¥3,925 million ($42 million) as of March 31, 2012 and 2013, respectively.

Furthermore, the Company's railway line facilities, railway stop facilities (excluding station buildings), electric cable facilities and other fixtures, which were owned by or leased by the Company, were insured against earthquakes for up to ¥71,000 million ($755 million) (¥10,000 million deductible) as of March 11, 2011. As calculation of damages of some of the facilities was completed by insurance companies during the year ended March 31, 2013, the Group recorded ¥24,261 million ($258 million) as "insurance proceeds related to earthquake" on the consolidated statements of income.

› NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and highly liquid investments with maturities not exceeding three months at the time of purchase.

› NOTE 5: INVENTORIES

Inventories at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Merchandise and finished goods	¥ 8,173	¥ 8,359	$ 89
Work in process	18,649	28,439	303
Raw materials and supplies	25,115	26,135	278
	¥51,937	¥62,933	$670

› NOTE 6: REAL ESTATE FOR SALE

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in eastern Honshu.

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

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Unconsolidated subsidiaries:			
Investments	¥ 5,208	¥ 4,971	$ 53
Advances	340	590	6
	5,548	5,561	59
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	27,354	42,544	452
Advances	179	143	2
	¥33,081	¥48,248	$513

NOTE 8: FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Further, short-term loans receivable, which principally comprise loans receivable as a result of credit card cashing services, are exposed to credit risk in relation to customers. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange/interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally of (interest-bearing) debts related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($33,053 million) from the Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, enacted in 1991, and other laws, in semiannual installments calculated using the equal payment method, whereby interest and principal are paid in equal amounts semiannually, based on interest rates approved by the Minister of Land, Infrastructure, Transport and Tourism (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with inability to make payments on due dates because of a decrease in free cash flow for unforeseen reasons. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

c) Risk management system for financial instruments

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

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

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

2) Items Relating to the Fair Values of Financial Instruments

Amounts recognized for selective items in the consolidated balance sheets as of March 31, 2012 and 2013, fair values of such items, and the differences between such amounts and values were shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

	Millions of Yen						Millions of U.S. Dollars		
	2012			2013			2013		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Cash and cash equivalents	¥ 167,525	¥ 167,525	¥ –	¥ 189,262	¥ 189,262	¥ –	$ 2,013	$ 2,013	$ –
b Receivables	363,016	363,016	–	387,127	387,127	–	4,119	4,119	–
c Securities									
Held-to-maturity debt securities	209	211	2	160	162	2	1	1	0
Available-for-sale securities	100,460	100,460	–	126,971	126,971	–	1,351	1,351	–
Assets	¥ 631,210	¥ 631,212	¥ 2	¥ 703,520	¥ 703,522	¥ 2	$ 7,484	$ 7,484	$ 0
a Payables	¥ 568,031	¥ 568,031	¥ –	¥ 589,064	¥ 589,064	¥ –	$ 6,267	$ 6,267	$ –
b Accrued consumption taxes	13,554	13,554	–	12,244	12,244	–	130	130	–
c Accrued income taxes	70,571	70,571	–	86,917	86,917	–	925	925	–
d Long-term debt									
Bonds	1,599,662	1,717,897	118,235	1,659,730	1,839,985	180,255	17,657	19,574	1,917
Long-term loans	861,958	880,365	18,407	893,592	926,999	33,407	9,506	9,862	356
e Long-term liabilities incurred for purchase of railway facilities	923,853	1,297,655	373,802	793,230	1,184,041	390,811	8,439	12,596	4,157
Liabilities	¥4,037,629	¥4,548,073	¥510,444	¥4,034,777	¥4,639,250	¥604,473	$42,924	$49,354	$6,430
Derivative transactions*1									
a Hedge accounting not applied*2	¥ 525	¥ 525	¥ –	¥ –	¥ –	¥ –	$ –	$ –	$ –
b Hedge accounting applied	(583)	(583)	–	1,097	1,097	–	12	12	–

*1 Net receivables/payables arising from derivatives are shown. Items that are net payables are shown in parenthesis.
*2 The fair value of natural disaster derivative transactions as of March 31, 2013 was not measured because it is extremely difficult to establish a justifiable fair value.

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

Assets

a. Cash and cash equivalents

b. Receivables

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

c. Securities

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

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

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

d. Long-term debt

Bonds

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

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

Long-term loans

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

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

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

Derivative Transactions (See Note18)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2012	2013	2013
Unlisted equity securities	¥6,024	¥6,508	$69
Unlisted corporate bonds	–	72	1
Preferred equity securities	1,000	1,000	11
Natural disaster derivative transactions	–	1,224	13

*1 Because the fair values of these financial instruments were extremely difficult to establish, given that they did not have market prices and future cash flows couldn't be estimated, they were not included in "c Securities—Available-for-sale securities."
*2 The fair value of natural disaster derivative transactions as of March 31, 2013 was not measured because it is extremely difficult to establish a justifiable fair value.

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

4. The annual maturities of financial assets and securities with maturities at March 31, 2012 and 2013 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2012				2013				2013			
	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years	1 Year or Less	5 Years or Less but More Than 1 Year	10 Years or Less but More Than 5 Years	More Than 10 Years
Cash and cash equivalents	¥167,525	¥ –	¥ –	¥ –	¥189,262	¥ –	¥ –	¥ –	$2,013	$ –	$–	$–
Receivables	355,889	7,110	17	–	380,346	6,771	10	–	4,047	72	0	–
Securities												
Held-to-maturity debt securities (Government bonds)	50	150	–	10	–	150	–	10	–	2	–	0
Available-for-sale securities which have maturity (Government bonds)	–	6	–	–	–	6	–	–	–	0	–	–
Total	¥523,464	¥7,266	¥17	¥10	¥569,608	¥6,927	¥10	¥10	$6,060	$74	$ 0	$ 0

5. The annual maturities of bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities at March 31, 2013 (See Notes 12 and 13)

❯ NOTE 9: SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2012 and 2013 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2012			2013			2013		
	Amount on Balance Sheet	Market Value	Difference	Amount on Balance Sheet	Market Value	Difference	Amount on Balance Sheet	Market Value	Difference
Of which market value exceeds the amount on balance sheet:									
Government, municipal bonds, etc.	¥159	¥161	¥2	¥160	¥162	¥ 2	$ 1	$ 1	$ 0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	50	50	–	–	–	–	–	–	–
Total	¥209	¥211	¥2	¥160	¥162	¥ 2	$ 1	$ 1	$ 0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2012 and 2013 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2012			2013			2013		
	Acquisition Cost	Amount on Balance Sheet	Difference	Acquisition Cost	Amount on Balance Sheet	Difference	Acquisition Cost	Amount on Balance Sheet	Difference
Of which amount on balance sheet exceeds the acquisition cost:									
Equity shares	¥33,473	¥ 51,788	¥ 18,315	¥59,230	¥ 97,444	¥38,214	$630	$1,037	$407
Debt securities	6	6	0	6	6	0	0	0	0
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	60,869	48,666	(12,203)	34,598	29,521	(5,077)	368	314	(54)
Debt securities	–	–	–	–	–	–	–	–	–
Total	¥94,348	¥100,460	¥ 6,112	¥93,834	¥126,971	¥33,137	$998	$1,351	$353

Note: In the year ended March 31, 2012, ¥1,805 million in available-for-sale securities on which there were market values were written off as losses on devaluation of securities. In the year ended March 31, 2013, ¥2,825 million ($30 million) in available-for-sale securities on which there were market values were written off as losses on devaluation of securities.

The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

› NOTE 10: PLEDGED ASSETS

Pledged assets at March 31, 2012 and 2013 were summarized as follows:
Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2012	**2013**	**2013**
Buildings and fixtures with net book value	¥24,085	**¥22,847**	**$243**
Other assets with net book value	4,851	**4,844**	**52**

Counterpart long-term debt and other liabilities

	Millions of Yen		Millions of U.S. Dollars
	2012	**2013**	**2013**
Long-term debt and other liabilities totaling	¥3,036	**¥2,544**	**$27**

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2012	**2013**	**2013**
Buildings and fixtures with net book value	¥53,470	**¥52,111**	**$554**
Other assets with net book value	6,082	**6,764**	**72**

Counterpart long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2012	**2013**	**2013**
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥5,005	**¥3,932**	**$42**

› NOTE 11: IMPAIRMENT LOSSES ON FIXED ASSETS

In adherence with management accounting classifications, the Companies generally categorize assets according to operations or properties. For railway business assets, the Companies treat railway lines as a single asset group because the railway network generates cash flow as a whole. Also, the Companies separately categorize assets that are slated to be disposed of or idle. The Companies determine recoverable amounts for the above asset groups by measuring the net selling prices or values in use. In cases the Companies determine recoverable amounts for the above asset groups by measuring the net selling prices, the prices and other amounts are adjusted rationally applying the tax-appraised value of fixed assets. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 4.0%.

For assets with fair value in sharp decline compared to book value or with profitability in sharp decline, the book values were reduced to the recoverable amounts and the reductions were recognized as impairment losses on fixed assets.

Impairment losses on fixed assets at March 31, 2012 and 2013 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	**2013**	**2013**
Land	¥2,485	**¥27,964**	**$297**
Buildings and fixtures	6,267	**1,839**	**20**
Others	408	**226**	**2**
Total	¥9,160	**¥30,029**	**$319**

❯ NOTE 12: LONG-TERM DEBT

Long-term debt at March 31, 2012 and 2013 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
General Mortgage Bonds issued in 1997 to 2001 with interest rates ranging from 2.30% to 3.30% due in 2017 to 2021	¥ 179,900	**¥ 179,900**	**$ 1,914**
Unsecured Bonds issued in 2002 to 2012 with interest rates ranging from 0.23% to 2.55% due in 2013 to 2033	1,180,879	**1,240,897**	**13,201**
Secured Loans due in 2014 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 1.95% to 6.50%	2,095	**1,630**	**17**
Unsecured Loans due in 2013 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.66% to 4.90%	859,863	**891,962**	**9,489**
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	238,883	**238,933**	**2,542**
	2,461,620	**2,553,322**	**27,163**
Less current portion	223,846	**222,937**	**2,372**
	¥2,237,774	**¥2,330,385**	**$24,791**

Issue and maturity years above are expressed in calendar years (ending December 31 in the same year).

Although the Company is no longer subject generally to the JR Law, as amended, all bonds issued by the Company prior to December 1, 2001, the effective date of the amendment to the JR Law, are and will continue to be general mortgage bonds as required under the JR Law, which are entitled to a statutory preferential right over the claims of unsecured creditors of the Company. Any bonds issued on or after December 1, 2001 are unsecured bonds without general mortgage preferential rights.

The annual maturities of bonds at March 31, 2013 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2014	¥ 80,000	$ 851
2015	75,000	798
2016	55,000	585
2017	80,000	851
2018	119,900	1,276
2019 and thereafter	1,250,959	13,308

The annual maturities of long-term loans at March 31, 2013 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2014	¥142,938	$1,521
2015	124,921	1,329
2016	119,314	1,269
2017	106,708	1,135
2018	116,820	1,243
2019 and thereafter	282,891	3,009

› NOTE 13: LONG-TERM LIABILITIES INCURRED FOR PURCHASE OF RAILWAY FACILITIES

In October 1991, the Company purchased the Tohoku and Joetsu Shinkansen facilities from the Shinkansen Holding Corporation for a total purchase price of ¥3,106,970 million ($33,053 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($22,361 million) and ¥638,506 million ($6,793 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,900 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($297 million) payable in equal semiannual installments through March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities. In February 2002, the Company acquired a majority interest in Tokyo Monorail Co., Ltd. As a result, the consolidated balance sheets as of March 31, 2002 included liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million ($391 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
The long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.11% through 2017	¥347,335	¥258,668	$2,752
Payable semiannually including interest at 6.35% through 2017	215,076	177,264	1,886
Payable semiannually including interest at 6.55% through 2051	345,041	343,087	3,650
	907,452	779,019	8,288
The long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 1.65% through 2022	11,396	10,279	109
The long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 2.84% through 2029	5,005	3,932	42
	923,853	793,230	8,439
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	128,279	124,568	1,326
The Akita hybrid Shinkansen purchase liability	1,058	1,068	11
Tokyo Monorail purchase liability	502	483	5
	129,839	126,119	1,342
	¥794,014	¥667,111	$7,097

Maturity years above are expressed in calendar years (ending December 31 in the same year).

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

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2014	¥126,119	$1,342
2015	121,085	1,288
2016	106,861	1,137
2017	97,474	1,037
2018	4,380	47
2019 and thereafter	337,311	3,588

› NOTE 14: CONSUMPTION TAXES

The Japanese consumption taxes are indirect taxes levied at the rate of 5%. Accrued consumption taxes represent the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

❯ NOTE 15: CONTINGENT LIABILITIES

The Company is contingently liable for the in-substance defeasance of general mortgage bonds issued by the Company, which were assigned to certain banks under debt assumption agreements. The outstanding amounts contingently liable under such debt assumption agreements at March 31, 2013 were ¥70,000 million ($745 million) and ¥100,000 million ($1,064 million) by general bonds.

❯ NOTE 16: NET ASSETS

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Corporate Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

In addition, under the Corporate Law, by a resolution of shareholders' meeting, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held in June 2013, the shareholders approved cash dividends amounting to ¥23,741million ($253 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

❯ NOTE 17: INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases including those due within one year at March 31, 2012 and 2013 were as follows:

				Millions of Yen		Millions of U.S. Dollars
		2012		2013		2013
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥2,413	¥41,658	**¥2,413**	**¥39,244**	**$26**	**$417**

❯ NOTE 18: INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 8)

2) Derivative Transactions not Applied to Hedge Accounting

				Millions of Yen		Millions of U.S. Dollars
		2012		2013		2013
Classification	Transactions other than market transactions		Transactions other than market transactions		Transactions other than market transactions	
Type	Natural disaster derivatives transactions bought	Total	Natural disaster derivatives transactions bought	Total	Natural disaster derivatives transactions bought	Total
Contract amount etc.	¥21,356	¥21,356	**¥—**	**¥—**	**$—**	**$—**
Of which more-than-one-year contract amount etc.	—	—	**—**	**—**	**—**	**—**
Fair value	525	525	**—**	**—**	**—**	**—**
Gain or loss from valuation	(2,137)	(2,137)	**—**	**—**	**—**	**—**

Notes: 1. Contract amount etc. is the maximum amount receivable, and converted to yen in accordance with a market exchange rate that prevailed on the closing date of accounts.
2. Fair value is calculated based on the current value presented by financial institutions, etc. with which transactions are conducted.
3. The fair value of natural disaster derivative transactions as of March 31, 2013 was not included because it is extremely difficult to establish a justifiable fair value.

3) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

Type	Hedged item	2012 Contract amount etc.	2012 Of which more-than-one-year contract amount etc.	2012 Fair value *2	2013 Contract amount etc.	2013 Of which more-than-one-year contract amount etc.	2013 Fair value*2
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥(908)	¥ 20,000	¥ 20,000	¥ 638
Forward exchange	Accounts payable—trade	12	–	0	23	–	(0)
Commodity swap	Fuel purchasing	1,965	1,242	325	1,999	1,281	459
Currency swap	Foreign currency denominated bonds	239,959	239,959	*1	239,959	239,959	*1
Interest swap	Long-term loans	237,240	164,720	*1	164,720	62,700	*1
Total		¥499,176	¥425,921	¥(583)	¥426,701	¥323,940	¥1,097

Millions of U.S. Dollars

Type	Hedged item	2013 Contract amount etc.	2013 Of which more-than-one-year contract amount etc.	2013 Fair value*2
Currency swap	Long-term loans	$ 213	$ 213	$ 7
Forward exchange	Accounts payable—trade	0	–	(0)
Commodity swap	Fuel purchasing	21	14	5
Currency swap	Foreign currency denominated bonds	2,553	2,553	*1
Interest swap	Long-term loans	1,752	666	*1
Total		$4,539	$3,446	$12

Notes: 1. Derivative transactions that meet certain hedging criteria, regarding foreign currency swaps, or interest rate swaps, are treated in combination with bonds or long-term loans, the fair values of these derivatives are included in the fair values of these bonds or long-term loans. (See Note 8)
2. Fair value is calculated based on the current value presented by financial institutions, etc. with which transactions are conducted.

› NOTE 19: EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2013 consisted of the following:

	Millions of Yen 2012	Millions of Yen 2013	Millions of U.S. Dollars 2013
Projected benefit obligation	¥(652,225)	¥(658,529)	$(7,006)
Plan assets	5,138	7,128	76
Unfunded projected benefit obligation	(647,087)	(651,401)	(6,930)
Unrecognized actuarial differences	9,411	8,865	94
Unrecognized prior service costs	(5,622)	(5,731)	(61)
Book value (net)	(643,298)	(648,267)	(6,897)
Prepaid pension expense	103	114	1
Employees' severance and retirement benefits	¥(643,401)	¥(648,381)	$(6,898)

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2012 and 2013, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Service costs	¥29,758	¥30,117	$320
Interest costs	13,301	12,923	137
Expected return on plan assets	(67)	(59)	(1)
Amortization of actuarial differences	(3,091)	(3,015)	(32)
Amortization of prior service costs	1,284	661	7
Employees' severance and retirement benefit expenses	41,185	40,627	431
Total	¥41,185	¥40,627	$431

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

The discount rates are mainly 2.0% in the years ended March 31, 2012 and 2013. The rates of expected return on pension assets used by the Companies were mainly 2.0% in the years ended March 31, 2012 and 2013.

❯ NOTE 20: INCOME TAXES

The major components of deferred income taxes and deferred tax liabilities at March 31, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Deferred income taxes:			
Employees' severance and retirement benefits	¥231,663	¥232,049	$2,469
Reserves for bonuses	24,310	27,299	290
Losses on impairment of fixed assets	16,817	26,559	283
Unrealized holding gains on fixed assets	10,595	11,371	121
Environmental conservation cost	11,280	10,883	116
Excess depreciation and amortization of fixed assets	7,744	8,264	88
Loss carry forwards for tax purposes	7,161	7,660	81
Accrued enterprise tax	5,426	7,204	77
Asset retirement obligations	4,888	4,595	49
Other	36,535	34,971	371
	356,419	370,855	3,945
Less valuation allowance	(30,554)	(42,604)	(453)
Less amounts offset against deferred tax liabilities	(40,877)	(47,256)	(503)
Net deferred income taxes	¥284,988	¥280,995	$2,989
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 29,311	¥ 29,726	$ 316
Net unrealized holding gains on securities	6,491	13,041	139
Valuation for assets and liabilities of consolidated subsidiaries	2,974	2,974	32
Reserve for special depreciation	1,971	1,613	17
Other	3,373	4,561	50
	44,120	51,915	554
Less amounts offset against deferred income taxes	(40,877)	(47,256)	(503)
Net deferred tax liabilities	¥ 3,243	¥ 4,659	$ 51

For the years ended March 31, 2012, and 2013, the actual effective income tax rate differed from the aggregate standard effective tax rate for the following reasons:

	2012	2013
The aggregate standard effective tax rate	40.5%	**37.8%**
Adjustments		
Increase in valuation allowance	(0.3)	**3.8**
Other net	12.9	**0.4**
The actual effective rate after applying tax effect accounting	53.1%	**42.0%**

› NOTE 21: INVESTMENT AND RENTAL PROPERTY

The Companies own rental office buildings and rental commercial facilities (hereafter "investment and rental property") principally within the Company's service area. In the years ended March 31, 2012 and March 31, 2013, the amounts of net income related to rental property were ¥66,629 million and ¥68,737 million ($731 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses.) The amounts recognized in the consolidated balance sheets and fair values related to investment and rental property were as follows.

Millions of Yen				Millions of U.S. Dollars	
Consolidated balance sheet amount			Fair value	Consolidated balance sheet amount	Fair value
2012	Difference	2013	2013	2013	2013
¥499,846	¥40,419	**¥540,265**	**¥1,401,976**	**$5,748**	**$14,915**

Notes: 1. The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.

2. Regarding difference above the table, the increases in the year ended March 31, 2012, and 2013, were principally attributable to acquisition of real estate and renewal (¥49,140 million/$523 million), and the decreases were mainly attributable to depreciation expenses (¥20,785 million/$221million).

3. Regarding fair values at the end of fiscal year, the amount for significant properties is based on real-estate appraisals prepared by external real-estate appraisers, and the amount for other properties is estimated by the Company based on certain appraisal values or indicators that reflect appropriate market prices. If after obtaining a property from a third party or since the most recent appraisal, there has been no material change in the relevant appraisal values or indicators that reflect the appropriate market prices, the amount is based on such appraisal values or indicators.

4. Because fair values are extremely difficult to establish, this table does not include property that is being constructed or developed for future use as investment property.

› NOTE 22: SEGMENT INFORMATION

1) General information about reportable segments

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

Transportation segment is primarily engaged in passenger transportation mainly on passenger railway. Station Space Utilization segment creates commercial spaces in railway stations and develops various types of businesses, including retail sales, food and convenience stores, targeting customers that use railway stations. Shopping Centers & Office Buildings segment develops railway stations and land near railway stations, operates shopping centers, and leases office buildings, etc., targeting customers in and around railway stations.

2) Basis of measurement about reported segment operating revenues, segment income or loss, segment assets, and other material items

The accounting treatment for each reportable segment is largely the same as that set forth in the "Significant accounting policies (Note 2)." Moreover, intersegment transactions are between consolidated subsidiaries and based on market prices and other fair values.

(Change in depreciation method)

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

Fiscal 2012 (April 1, 2011 to March 31, 2012)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,705,794	¥396,168	¥229,637	¥200,575	¥2,532,174	¥ –	¥2,532,174
Inside group	50,528	13,531	9,345	315,806	389,210	(389,210)	–
Total	1,756,322	409,699	238,982	516,381	2,921,384	(389,210)	2,532,174
Segment income	¥ 236,633	¥ 33,965	¥ 66,509	¥ 21,991	¥ 359,098	¥ 927	¥ 360,025
Segment Assets	¥5,745,011	¥199,081	¥903,772	¥904,613	¥7,752,477	¥(692,068)	¥7,060,409
Depreciation	273,888	11,822	30,614	42,380	358,704	–	358,704
Increase in fixed assets (Note 5)	310,765	8,135	57,063	26,091	402,054	–	402,054

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.
2. The ¥927 million upward adjustment to segment income included a ¥352 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥588 million elimination for intersegment transactions. Moreover, the ¥692,068 million downward adjustment to segment assets included a ¥(883,889) million elimination of intersegment claims and obligations, offset by ¥191,821 million in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

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

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,795,125	¥404,207	¥238,945	¥ 233,546	¥2,671,823	¥ –	¥2,671,823
Inside group	53,432	14,228	10,261	345,066	422,987	(422,987)	–
Total	1,848,557	418,435	249,206	578,612	3,094,810	(422,987)	¥2,671,823
Segment income	¥ 266,442	¥ 37,575	¥ 68,198	¥ 26,863	¥ 399,078	¥ (1,515)	¥ 397,563
Segment Assets	¥5,796,623	¥205,629	¥939,996	¥1,011,834	¥7,954,082	¥(730,877)	¥7,223,205
Depreciation	267,348	10,794	31,084	37,582	346,808	–	346,808
Increase in fixed assets (Note 5)	400,378	8,078	63,107	36,336	507,899	–	507,899

Millions of U.S. Dollars

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	$19,097	$4,300	$ 2,542	$ 2,485	$28,424	$ –	$28,424
Inside group	569	151	109	3,670	4,499	(4,499)	–
Total	19,666	4,451	2,651	6,155	32,923	(4,499)	28,424
Segment income	$ 2,835	$ 399	$ 725	$ 285	$ 4,244	$ (15)	$ 4,229
Segment Assets	$61,666	$2,188	$10,000	$10,764	$84,618	$(7,775)	$76,843
Depreciation	2,844	115	330	400	3,689	–	3,689
Increase in fixed assets (Note 5)	4,259	86	671	387	5,403	–	5,403

Notes: 1. "Others" represent categories of business that are not included in reportable segments and include hotel operation, and advertising and publicity services.
2. The ¥(1,515) million ($(15) million) downward adjustment to segment income included a ¥(2,134) million ($(22) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥614 million ($7 million) elimination for intersegment transactions. Moreover, the ¥730,877 million ($7,775 million) downward adjustment to segment assets included a ¥(991,901) million ($(10,552)million) elimination of intersegment claims and obligations, offset by ¥261,024 million ($2,777million) in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

3) Relevant Information

i. Information about products and services

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

ii. Information about geographic areas

a Operating Revenues

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

b Property, plant and equipment

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

iii. Information about major customers

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

4) Information about impairment loss on fixed assets in reportable segments

Fiscal 2012 (Year ended March 31, 2012)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	¥255	¥4,082	¥4,432	¥391	¥9,160

Fiscal 2013 (Year ended March 31, 2013)

Millions of Yen

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	**¥28,875**	**¥558**	**¥213**	**¥383**	**¥30,029**

Millions of U.S. dollars

	Transportation	Station Space Utilization	Shopping Centers & Office Buildings	Others (Note)	Total
Impairment losses on fixed assets	**$307**	**$6**	**$2**	**$4**	**$319**

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

5) Information about amortized amount of goodwill and unamortized balance of goodwill by reportable segments

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

6) Information about gain on negative goodwill by reportable segments

Information about gain on negative goodwill by reportable segments was omitted as the amount was negligible.

❯ NOTE 23: CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

—For the year ended March 31, 2012 and 2013

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Net unrealized holding gains (losses) on securities			
Amount arising during the year	¥(4,621)	**¥23,878**	**$254**
Reclassification adjustments	2,098	**2,825**	**30**
Sub-total, before tax	(2,523)	**26,703**	**284**
Tax (expense) or benefit	1,331	**(8,974)**	**(95)**
Sub-total, net of tax	(1,192)	**17,729**	**189**
Net deferred gains (losses) on derivatives under hedge accounting			
Amount arising during the year	1,027	**1,756**	**19**
Reclassification adjustments	131	**62**	**0**
Acquisition cost adjustments	(96)	**(138)**	**(1)**
Sub-total, before tax	1,062	**1,680**	**18**
Tax (expense) or benefit	(464)	**(594)**	**(6)**
Sub-total, net of tax	598	**1,086**	**12**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	172	**2,140**	**23**
Reclassification adjustments	141	**123**	**1**
Acquisition cost adjustments	(6)	**—**	**—**
Sub-total	307	**2,263**	**24**
Total other comprehensive income	¥ (287)	**¥21,078**	**$225**

❯ NOTE 24: SUBSEQUENT EVENTS

Share Repurchase

The Board of Directors of the Company resolved at its meeting held on April 30, 2013 matters concerning the Company's repurchase of its common stock pursuant to Article 156 of the Business Corporation Law as applied pursuant to Article 165, Paragraph 3 thereof, as detailed below.

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

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

(3) Total number of shares that may be repurchased:1,000,000 shares (maximum) (0.25% of issued shares (excluding treasury stock))

(4) Aggregate repurchase price: ¥10,000 million (maximum)

(5) Period of repurchase: From May 8, 2013 to May 31, 2013

Repurchase of the Company's common stock based on this resolution was completed after market purchases on the Tokyo Stock Exchange from May 8, 2013 to May 23, 2013. The total repurchased was 1,000,000 shares of common stock at an aggregate repurchase price of ¥8,375 million ($89 million).

KPMG

Independent Auditor's Report

To the Board of Directors of East Japan Railway Company:

We have audited the accompanying consolidated financial statements of East Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of East Japan Railway Company and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

KPMG AZSA LLC.

June 21, 2013
Tokyo, Japan

GLOSSARY

C

COMMUTER PASS refers to a credit card sized pass that is either magnetically encoded or contains an integrated circuit (IC) chip to allow travel between two stations during a period of one, three, or six months. Mobile Suica, a service based on cell phones embedded with such IC chips, was introduced in January 2006.

H

HYBRID SHINKANSEN refers to intercity railway systems that provide direct services to certain destinations that are not part of a regular Shinkansen network, using specially designed trains capable of running on both Shinkansen lines and conventional lines that have been widened to a standard gauge. Hybrid Shinkansen lines are not covered by the Nationwide Shinkansen Railway Development Law.

J

JNR stands for the Japanese National Railways, the Government-owned public entity that was restructured into JNRSC (as defined below) on April 1, 1987. The railway operations and certain related businesses of JNR, along with certain necessary assets and associated liabilities, were succeeded to by the JR Companies (as defined below), the Shinkansen Holding Corporation (currently, JRTT (as defined below)), Railway Telecommunication Co., Ltd. (a predecessor of SOFTBANK TELECOM Corp.), Railway Information Systems Co., Ltd., and the Railway Technical Research Institute, and all of its other assets and liabilities became assets and liabilities of JNRSC.

JNRSC stands for JNR Settlement Corporation. JNRSC was dissolved on October 22, 1998, and all of its assets (including the 1,500,000 shares of JR East's common stock it beneficially owned at the time of such transfer) and a portion of its liabilities were transferred to JRCC.

JR COMPANIES refers to, collectively, JR East, Hokkaido Railway Company (JR Hokkaido), Central Japan Railway Company (JR Central), West Japan Railway Company (JR West), Shikoku Railway Company (JR Shikoku), Kyushu Railway Company (JR Kyushu), and Japan Freight Railway Company (JR Freight).

JR EAST refers to East Japan Railway Company on a consolidated basis or, if the context so requires, on a nonconsolidated basis.

JR LAW means the Law for Passenger Railway Companies and Japan Freight Railway Company of 1986, as amended, which created the framework for the establishment of the JR Companies.

JRTT stands for the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency established in October 2003 upon the merger of the Japan Railway Construction Public Corporation (JRCC) and the Corporation for Advanced Transport & Technology. Its primary activities include the construction of Shinkansen lines under the Nationwide Shinkansen Railway Development Law (see "Shinkansen") and other national projects. Within JR East's service area, JRTT is presently building Hokuriku Shinkansen extension. JR East rents the Takasaki–Nagano segment of the Hokuriku Shinkansen Line, operationally named Nagano Shinkansen, and the Morioka–Shin-Aomori segment of the Tohoku Shinkansen Line from JRTT. JR East also rents some conventional lines from JRTT.

N

NUMBER OF PASSENGERS comprises both passengers who begin their journey at a JR East station and passengers who transfer to JR East from other railway companies' lines at the station.

O

OPERATING KILOMETERS means the actual length of a railway line between two stations, regardless of the number of tracks along the line. Fare and charge calculations are based on this figure.

P

PASMO refers to IC cards with transportation ticket functions, sold by Tokyo-area private railways, subways, and bus companies. Ever since their March 18, 2007 launch, PASMO cards have been interchangeable with Suica. Besides Tokyo-area private railways, subways, and bus companies, the PASMO card system has spread to cover some transportation companies in Shizuoka and Yamanashi prefectures. The PASMO name is a registered trademark of Pasmo K.K.

PASSENGER KILOMETERS means the number of passengers moving from one station to another multiplied by the distance (in operating kilometers) between such stations.

R

ROLLING STOCK KILOMETERS means the number of train kilometers (as defined below) multiplied by the number of railcars comprising the train.

S

SHINKANSEN refers to Japan's high-speed intercity rail systems operated by JR East, JR Central, JR West, and JR Kyushu. Several new Shinkansen lines are now under construction or in advanced planning stages under the Nationwide Shinkansen Railway Development Law.

STATION RENAISSANCE refers to a program aimed at proactively developing the potential of JR East stations, which are used by about 17 million people daily and are considered to be the JR East Group's largest management asset. Based on thorough consideration of customers' perspectives and the goal of increasing Group value in line with the increased emphasis now being placed on Group management, JR East is fundamentally reevaluating station layouts and comprehensively leveraging the Group's diverse capabilities to undertake zero-base redevelopment projects that optimize the facilities at each station. In these ways, JR East is working to create new 21st century station environments that offer increased appeal to customers as well as greater profitability.

SUICA refers to a prepaid IC card that can be used at nearly all of JR East's stations in the Tokyo metropolitan area, the Sendai area, and the Niigata area, permitting smooth, contactless passage through ticket gates. There are two types of cards: a high-tech commuter pass (Suica Commuter Pass) and a stored-fare railway ticket (Suica card). Also, an electronic money function makes it possible to use them to purchase goods at stores in train station concourses and in downtown stores.

T

TRAIN KILOMETERS means the number of kilometers traveled by a train on operational routes, excluding movement within stations and rail yards.

CONSOLIDATED SUBSIDIARIES AND EQUITY-METHOD AFFILIATED COMPANIES

As of March 31, 2013

› CONSOLIDATED SUBSIDIARIES

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
1	Tokyo Monorail Co., Ltd.	¥3,000	79.0	Railway passenger transport services
2	JR Bus Kanto Co., Ltd.	4,000	100.0	Bus services
3	JR Bus Tohoku Co., Ltd.	2,350	100.0	Bus services
4	Japan Transport Engineering Company (Note 2)	3,100	100.0	Railcar manufacturing operations
5	JR East Retail Net Co., Ltd.	3,855	100.0	Retail sales
6	JR East Water Business Co., Ltd.	490	100.0	Retail sales
7	Tohoku Sogo Service Co., Ltd.	490	100.0	Retail sales
8	JR East Station Retailing Co., Ltd.	480	100.0	Retail sales
9	Juster Co., Ltd.	400	100.0	Retail sales and hotel operations
10	Tokky Co., Ltd.	400	100.0	Retail sales, hotel operations, and shopping center operations
11	JR Atlis Co., Ltd.	310	100.0	Retail sales
12	Kinokuniya Co., Ltd.	310	100.0	Retail sales
13	Nippon Restaurant Enterprise Co., Ltd.	730	100.0	Restaurant business, retail sales, and hotel operations
14	JR East Food Business Co., Ltd.	721	100.0	Restaurant business
15	LUMINE Co., Ltd.	2,375	95.1	Shopping center operations
16	atre Co., Ltd.	1,630	92.1	Shopping center operations
17	JR East Urban Development Corporation	1,450	100.0	Shopping center operations and retail sales
18	Utsunomiya Station Development Co., Ltd.	1,230	100.0	Shopping center operations
19	JR East Department Store Co., Ltd.	1,140	84.6	Shopping center operations
20	JR Tokyo West Development Co., Ltd.	1,000	93.3	Shopping center operations
21	Mito Station Development Co., Ltd.	500	96.6	Shopping center operations
22	Station Building MIDORI Co., Ltd.	450	100.0	Shopping center operations
23	Tetsudo Kaikan Co., Ltd.	340	100.0	Shopping center operations
24	Chiba Station Building Co., Ltd.	200	100.0	Shopping center operations
25	Shonan Station Building Co., Ltd.	200	79.8	Shopping center operations
26	Yokohama Station Building Co., Ltd.	200	83.0	Shopping center operations
27	Kinshicho Station Building Co., Ltd.	160	71.3	Shopping center operations
28	JR Chuo Line Mall Co., Ltd.	480	100.0	Shopping center operations
29	JR East Aomori Business-development Co., Ltd.	280	100.0	Shopping center operations
30	JR East Building Co., Ltd.	480	100.0	Leasing of office buildings
31	Viewcard Co., Ltd.	5,000	100.0	Credit card business
32	Nippon Hotel Co., Ltd.	4,000	100.0	Hotel operations
33	Hotel Metropolitan Nagano Co., Ltd.	3,080	100.0	Hotel operations
34	Sendai Terminal Building Co., Ltd.	1,800	99.5	Hotel operations and shopping center operations
35	Morioka Terminal Building Co., Ltd.	900	100.0	Hotel operations and shopping center operations
36	Takasaki Terminal Building Co., Ltd.	780	100.0	Shopping center operations
37	Akita Station Building Co., Ltd.	450	81.4	Hotel operations and shopping center operations
38	East Japan Marketing & Communications, Inc.	250	100.0	Advertising and publicity
39	Tokyo Media Service Co., Ltd.	104	100.0	Advertising and publicity
40	Shinjuku South Energy Service Co., Ltd.	750	72.7	Supplying thermal energy
41	The Orangepage, Inc.	500	99.7	Publishing
42	JR East View Travel Service Co., Ltd.	450	67.0	Travel agency services
43	East Japan Railway Trading Co., Ltd.	560	100.0	Wholesale
44	JR East Logistics Co., Ltd.	100	100.0	Truck delivery services
45	JR East Japan Information Systems Company	500	100.0	Information processing
46	JR East Net Station Co., Ltd.	460	100.0	Information processing
47	JR East Management Service Co., Ltd.	80	100.0	Information services

	Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
48	JR East Green Partners Co., Ltd.	100	100.0	Inventory control, issuance and collection operation for uniforms of JR East employees
49	JR East Personnel Service Co., Ltd.	100	100.0	Seminar and staff sending business
50	East Japan Eco Access Co., Ltd. (Note 3)	120	100.0	Cleaning services / station operations
51	JR Chiba Railway Services Co., Ltd.	12	100.0	Cleaning services / station operations
52	JR Takasaki Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
53	JR Mito Railway Services Co., Ltd.	10	100.0	Cleaning services / station operations
54	JR East Transportation Services Co., Ltd.	38	100.0	Cleaning services
55	JR East TESSEI Co., Ltd.	38	100.0	Cleaning services
56	JR Technoservice Sendai Co., Ltd.	25	100.0	Cleaning services
57	JR Niigata Railway Services Co., Ltd.	17	100.0	Cleaning services
58	Morioka Railway Servicing Co., Ltd.	13	100.0	Cleaning services
59	JR Akita Railway Services Co., Ltd.	10	100.0	Cleaning services
60	JR Nagano Railway Services Co., Ltd.	10	100.0	Cleaning services
61	JR East Sports Co., Ltd.	400	100.0	Athletic club operations
62	GALA YUZAWA Co., Ltd.	300	92.7	Ski resort operations
63	JR East Rental Co., Ltd.	165	89.4	Car leasing
64	Union Construction Co., Ltd.	120	90.0	Construction
65	JR East Mechatronics Co., Ltd.	100	100.0	Maintenance services
66	Shinnihon Linen Co., Ltd.	100	100.0	Linen supply
67	East Japan Transport Technology Co., Ltd. (Note 4)	80	100.0	Machinery and rolling stock maintenance
68	Tohoku Rolling Stock Machinery Co., Ltd.	72	100.0	Machinery and rolling stock maintenance
69	Japan International Consultants for Transportation Co., Ltd.	495	52.5	Consulting
70	JR East Consultants Company	50	100.0	Consulting
71	JR East Design Corporation	50	100.0	Consulting
72	JR East Facility Management Co., Ltd.	50	100.0	Building maintenance

EQUITY METHOD AFFILIATED COMPANIES

Company Name	Capitalization (Millions of Yen)	Voting Right Percentage*1	Main Business Activities
UQ Communications Co., Ltd.	¥23,925	17.6	Internet connect service
Central Security Patrols Co., Ltd.	2,924	25.8	Security business operations
JTB Corp.	2,304	21.9	Travel agency services
NIPPON DENSETSU KOGYO CO., LTD. (Notes 5, 6)	8,494	15.7	Construction
NIPPON RIETEC CO., LTD. (Notes 5, 6)	1,430	15.9	Construction

1. Voting right percentages represent direct voting right percentages.
2. Japan Transport Engineering Company is newly included in the scope of consolidation from the fiscal year under review.
3. On April 1, 2013, the station operations segment of East Japan Eco Access Co., Ltd. was split to establish JR East Station Service Co., Ltd. On the same day, JR East Station Service Co. Ltd. was made a wholly-owned subsidiary upon East Japan Eco Access Co., Ltd. transferring all shares in the company to East Japan Railway Company.
4. East Japan Transport Technology Co., Ltd. was merged with Niigata Rolling Stock Machinery Co., Ltd. on April 1, 2012. Niigata Rolling Stock Machinery Co., Ltd. was dissolved after the merger.
5. East Japan Railway Company applied the equity method to NIPPON DENSETSU KOGYO CO., LTD. and NIPPON RIETEC CO., LTD. from the fiscal year under review.
6. Although East Japan Railway Company owns less than 20% of the voting rights of NIPPON DENSETSU KOGYO CO., LTD. and NIPPON RIETEC CO., LTD., they were made affiliated companies because East Japan Railway Company effectively controls them.

CORPORATE DATA

As of March 31, 2013

› BASIC INFORMATION

NUMBER OF EMPLOYEES

73,017* (51,155 at parent company)

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

NUMBER OF STATIONS

1,688

NUMBER OF ROLLING STOCK

13,469

PASSENGER LINE NETWORK

7,512.6 kilometers

NUMBER OF PASSENGERS SERVED DAILY

About 17 million (average for the year ended March 31, 2013)

TOTAL NUMBER OF SHARES ISSUED

396,000,000

TOTAL NUMBER OF SHARES OUTSTANDING

395,397,613

PAID-IN CAPITAL

¥200,000 million

NUMBER OF SHAREHOLDERS

258,774

STOCK EXCHANGE LISTINGS

Tokyo, Nagoya

TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

RATING INFORMATION

AA+ (Rating and Investment Information, Inc.)
AA– (Standard & Poor's)
Aa2 (Moody's Investors Service)

› FOR INQUIRIES

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INTERNET ADDRESSES

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

ORGANIZATION

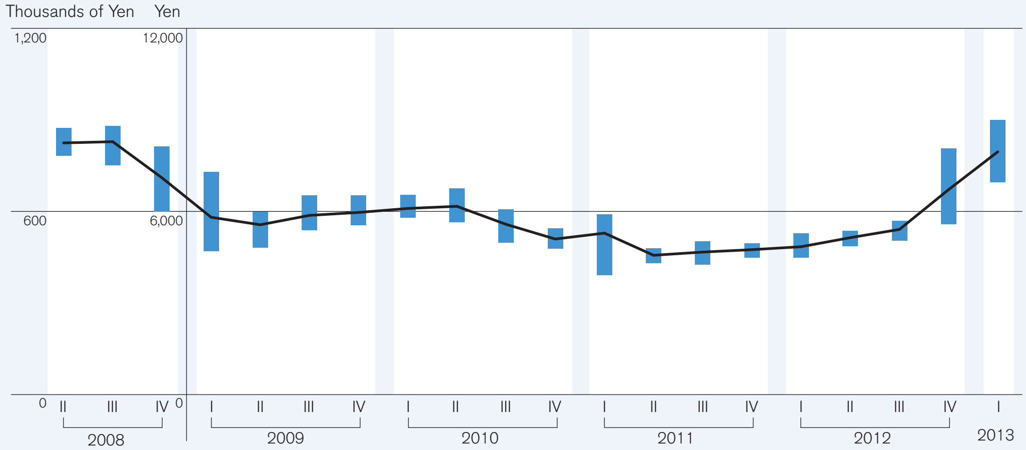
As of July 2013

- General Meeting of Stockholders
  - Board of Directors
    - Chairman
      - President
        - Corporate Planning Headquarters
          - Reconstruction Planning Dept.
          - Tourism Strategy Office
          - Management Planning Dept.
          - Information Systems Planning Dept.
          - Investment Planning Dept.
          - Station Development Planning Dept.
          - Technology Planning Dept.
          - International Dept.
        - Inquiry & Audit Dept.
        - Railway Operations Headquarters
          - Transport Safety Dept.
          - Customer Service Quality Reformation Dept.
          - Marketing Dept.
          - Transport & Rolling Stock Dept.
          - Facilities Dept.
          - Electrical & Signal Network System Dept.
          - Shinanogawa Power Station Improvement Dept.
        - Life-style Business Development Headquarters
        - IT & Suica Business Development Headquarters
        - Construction Dept.
        - Public Relations Dept.
        - Finance Dept.
        - Personnel Dept.
        - Health & Welfare Dept.
        - Legal Dept.
        - Administration Dept.
        - Tokyo Branch Office
        - Yokohama Branch Office
        - Hachioji Branch Office
        - Omiya Branch Office
        - Takasaki Branch Office
        - Mito Branch Office
        - Chiba Branch Office
        - Sendai Branch Office
          - Yamagata Branch
          - Fukushima Branch
        - Morioka Branch Office
          - Aomori Branch
        - Akita Branch Office
        - Niigata Branch Office
          - Niitsu Rolling Stock Plant
        - Nagano Branch Office
        - Shinkansen Transport Dept.
        - Tokyo Construction Office
          - Joshinetsu Construction Office
        - Tokyo Electrical Construction & System Integration Office
        - Tohoku Construction Office
        - Research & Development Center of JR East Group
        - Overseas Offices (New York, Paris, Brussels and Singapore)
        - JR East General Education Center
        - JR Tokyo General Hospital
        - JR East Health Promotion Center
        - Energy Management Center
- Corporate Auditors
  - Corporate Auditors Office

STOCK INFORMATION

Stock Code 9020

STOCK PRICE



Note: Average stock prices are computed using closing prices.
Source: Tokyo Stock Exchange
* JR East implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of January 4, 2009.

MAJOR SHAREHOLDERS

As of March 31, 2013	Number of Shares Held	Voting Right Percentage
Japan Trustee Services Bank, Ltd. (as Trustee)	19,245,100	4.86
The Master Trust Bank of Japan, Ltd. (as Trustee)	16,279,200	4.11
The JR East Employees Shareholding Association	13,180,100	3.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,520,315	3.16
Sumitomo Mitsui Banking Corporation	10,530,315	2.66
Mizuho Corporate Bank, Ltd.	10,006,600	2.53
Mizuho Bank, Ltd.	9,763,400	2.47
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	9,073,871	2.29
Nippon Life Insurance Company	8,015,560	2.03
The Dai-ichi Life Insurance Company, Limited	8,000,000	2.02

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

FURTHER INFORMATION ABOUT EAST JAPAN RAILWAY COMPANY

WEBSITE *(Japanese, English, Chinese and Korean)*

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

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

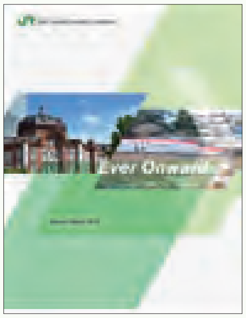
› ***Investor Relations***
http://www.jreast.co.jp/e/investor/index.html

Publications

ANNUAL REPORT
(English)

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

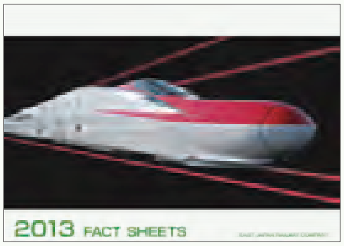
› ***Annual Report 2013***



FACT SHEETS
(Bilingual: Japanese/English)

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

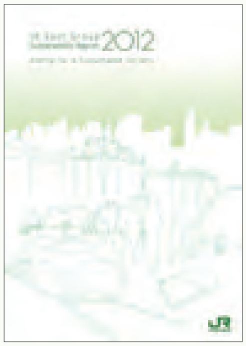
› ***2013 Fact Sheets***



SUSTAINABILITY REPORT
(Japanese and English versions)

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

› ***Sustainability Report 2012***



VEGETABLE OIL INK

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