FINANCIAL DATA
2020

For the Year Ended March 31, 2020

CONTENTS

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2019 and 2020

	Millions of Yen 2019	Millions of Yen 2020	Millions of U.S. Dollars (Note 2 (1)) 2020
Assets			
Current Assets:			
Cash and cash equivalents (Notes 4, 8 and 10)	¥ 263,740	¥ 153,794	$ 1,411
Receivables (Note 8):			
Accounts receivable–trade	575,386	565,251	5,186
Unconsolidated subsidiaries and affiliated companies	13,777	10,685	98
Other	4,744	4,359	40
Allowance for doubtful accounts (Note 2 (4))	(2,019)	(1,937)	(18)
	591,888	578,358	5,306
Inventories (Notes 2 (5) and 5)	60,253	69,652	639
Real estate for sale (Notes 2 (6) and 6)	1,393	1,876	17
Other current assets	61,501	53,945	495
Total current assets	978,775	857,625	7,868
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 7)	79,405	94,536	867
Other (Notes 2 (7), 8 and 9)	221,923	203,462	1,867
	301,328	297,998	2,734
Property, Plant and Equipment (Notes 2 (8), (12), (17), 10, 11 and 21):			
Buildings	2,796,233	2,944,258	27,012
Fixtures	6,171,476	6,311,831	57,907
Machinery, rolling stock and vehicles	2,883,496	2,933,448	26,912
Land	2,064,591	2,121,844	19,466
Construction in progress	385,348	412,754	3,787
Other	268,842	288,526	2,647
	14,569,986	15,012,661	137,731
Less accumulated depreciation	7,877,762	8,050,627	73,859
Net property, plant and equipment	6,692,224	6,962,034	63,872
Other Assets:			
Deferred tax assets (Note 20)	209,049	217,782	1,998
Other	178,300	201,621	1,850
	387,349	419,403	3,848
	¥ 8,359,676	¥ 8,537,060	$ 78,322

See accompanying notes.

	Millions of Yen 2019	Millions of Yen 2020	Millions of U.S. Dollars (Note 2 (1)) 2020
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 8 and 12)	¥ 235,453	¥ 235,293	$ 2,159
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	4,200	4,308	40
Prepaid railway fares received	105,215	96,781	888
Payables (Note 8 and 10):			
Accounts payable–trade	61,766	45,736	420
Unconsolidated subsidiaries and affiliated companies	116,174	118,912	1,091
Other	648,611	671,762	6,162
	826,551	836,410	7,673
Accrued expenses	115,833	116,429	1,068
Accrued consumption taxes (Notes 8 and 14)	22,532	6,833	63
Accrued income taxes (Notes 2 (14), 8 and 20)	58,882	32,252	296
Other current liabilities	70,309	220,931	2,026
Total current liabilities	1,438,975	1,549,237	14,213
Long-Term Liabilities:			
Long-term debt (Notes 8 and 12)	2,601,878	2,600,742	23,860
Long-term liabilities incurred for purchase of railway facilities (Notes 8, 10 and 13)	327,927	323,405	2,967
Net defined benefit liability (Notes 2 (9) and 19)	554,237	512,063	4,698
Deposits received for guarantees	146,407	151,234	1,387
Deferred tax liabilities (Note 20)	3,704	4,830	44
Allowance for partial transfer costs of railway operation (Note 2 (10))	2,418	1,759	16
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (11))	72,000	96,000	881
Other long-term liabilities	117,751	124,363	1,142
Total long-term liabilities	3,826,322	3,814,396	34,995
Contingent Liabilities (Note 15)			
Net Assets (Note 16):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2020 – 377,932,400 shares;			
Outstanding, 2020 – 377,241,172 shares	200,000	200,000	1,835
Capital surplus	96,797	96,796	888
Retained earnings	2,705,184	2,809,369	25,774
Treasury stock, at cost, 691,228 shares in 2020	(5,508)	(5,547)	(52)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	58,966	32,976	303
Net deferred gains (losses) on derivatives under hedge accounting	1,584	2,405	22
Revaluation reserve for land (Note 2 (18))	(418)	(418)	(4)
Foreign currency translation adjustments	(6)	(15)	(0)
Remeasurements of defined benefit plans	10,575	10,630	98
Non-Controlling Interests	27,205	27,231	250
Total net assets	3,094,379	3,173,427	29,114
	¥8,359,676	¥8,537,060	$78,322

Consolidated Statements of Income and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2019 and 2020

(I) Consolidated Statements of Income

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2019	2020	2020
Operating Revenues (Note 22)	¥3,002,043	¥2,946,639	$27,033
Operating Expenses:			
Transportation, other services and cost of sales	1,921,527	1,933,704	17,740
Selling, general and administrative expenses	595,655	632,094	5,799
	2,517,182	2,565,798	23,539
Operating Income (Note 22)	484,861	380,841	3,494
Other Income (Expenses):			
Interest expense on short- and long-term debt	(40,851)	(39,312)	(361)
Interest expense incurred for purchase of railway facilities	(21,694)	(21,474)	(197)
Loss on sales of fixed assets	(280)	(1,452)	(13)
Impairment losses on fixed assets (Notes 2 (17), 11 and 22)	(2,275)	(7,578)	(70)
Interest and dividend income	5,404	6,151	56
Equity in net income (loss) of affiliated companies	5,871	5,614	52
Gain on sales of fixed assets	2,675	7,296	67
Disaster-damage losses (Note 3)	—	(19,323)	(177)
Provision for allowance for disaster-damage losses (Note 3)	—	(12,459)	(114)
Other, net	(5,092)	(14,129)	(130)
	(56,242)	(96,666)	(887)
Income before Income Taxes	428,619	284,175	2,607
Income Taxes (Notes 2 (14) and 20):			
Current	110,110	83,722	768
Deferred	21,184	1,965	18
Profit	297,325	198,488	1,821
Profit Attributable to Non-Controlling Interests	(2,109)	(59)	(1)
Profit Attributable to Owners of Parent	¥ 295,216	¥ 198,429	$ 1,820

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (15))	¥773	¥525	$5
Cash Dividends Applicable to the Year (Note 2 (15))	150	165	2

See accompanying notes.

(II) Consolidated Statements of Comprehensive Income (Note 23)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2019	2020	2020
Profit	¥297,325	¥198,488	$1,821
Other Comprehensive Income:	(1,397)	(25,159)	(231)
Net unrealized holding gains (losses) on securities	(4,414)	(23,561)	(216)
Net deferred gains (losses) on derivatives under hedge accounting	587	815	7
Foreign currency translation adjustments	(6)	(9)	(0)
Remeasurements of defined benefit plans	1,324	(458)	(4)
Share of other comprehensive income of associates accounted for using equity method	1,112	(1,946)	(18)
Comprehensive Income	¥295,928	¥173,329	$1,590
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥293,878	¥173,303	$1,590
Comprehensive income attributable to non-controlling interests	2,050	26	0

See accompanying notes.

Consolidated Statements of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2019 and 2020

	Shares	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	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Non-Controlling Interests	Total
Balance at March 31,2018	385,655,500	¥200,000	¥96,730	¥2,496,075	¥ (5,457)	¥63,339	¥ 730	¥(474)	¥ —	¥ 8,387	¥25,222	¥2,884,552
Cash dividends (¥150 per share)	—	—	—	(55,585)	—	—	—	—	—	—	—	(55,585)
Profit attributable to owners of parent	—	—	—	295,216	—	—	—	—	—	—	—	295,216
Increase/decrease due to merger	—	—	—	(140)	—	—	—	—	—	—	—	(140)
Purchase of treasury stock	—	—	—	—	(41,021)	—	—	—	—	—	—	(41,021)
Disposal of treasury stock	—	—	—	(0)	3	—	—	—	—	—	—	3
Retirement of treasury stock	(3,833,300)	—	—	(40,967)	40,967	—	—	—	—	—	—	—
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	67	—	—	—	—	—	—	—	—	67
Increase/decrease caused by organization restructuring of companies to which the equity method is applicable	—	—	—	10,641	—	—	—	—	—	—	—	10,641
Reversal of revaluation reserve for land	—	—	—	(56)	—	—	—	—	—	—	—	(56)
Other	—	—	—	—	—	(4,373)	854	56	(6)	2,188	1,983	702
Balance at March 31,2019	381,822,200	¥200,000	¥96,797	¥2,705,184	¥ (5,508)	¥58,966	¥1,584	¥(418)	¥ (6)	¥10,575	¥27,205	¥3,094,379
Cash dividends (¥165 per share)				(59,764)	—							(59,764)
Profit attributable to owners of parent	—	—	—	198,429	—	—	—	—	—	—	—	198,429
Increase/decrease due to merger	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(40,019)	—	—	—	—	—	—	(40,019)
Disposal of treasury stock	—	—	—	(0)	1	—	—	—	—	—	—	1
Retirement of treasury stock	(3,889,800)	—	—	(40,122)	40,122	—	—	—	—	—	—	—
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	(143)	—	—	—	—	—	—	(143)
Change in scope of equity method	—	—	—	5,642	—	—	—	—	—	—	—	5,642
Purchase of shares of consolidated subsidiaries	—	—	(1)	—	—	—	—	—	—	—	—	(1)
Increase/decrease caused by organization restructuring of companies to which the equity method is applicable	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	(25,990)	821	—	(9)	55	26	(25,097)
Balance at March 31,2020	377,932,400	¥200,000	¥96,796	¥2,809,369	¥ (5,547)	¥32,976	¥2,405	¥(418)	¥(15)	¥10,630	¥27,231	¥3,173,427

	Shares	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	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Non-Controlling Interests	Total
Balance at March 31,2019	381,822,200	$1,835	$888	$24,818	$ (51)	$ 541	$15	$ (4)	$(0)	$97	$250	$28,389
Cash dividends ($2 per share)	—	—	—	(548)	—	—	—	—	—	—	—	(548)
Profit attributable to owners of parent	—	—	—	1,820	—	—	—	—	—	—	—	1,820
Increase/decrease due to merger	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(367)	—	—	—	—	—	—	(367)
Disposal of treasury stock	—	—	—	(0)	0	—	—	—	—	—	—	0
Retirement of treasury stock	(3,889,800)	—	—	(368)	368	—	—	—	—	—	—	—
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	(1)	—	—	—	—	—	—	(1)
Change in scope of equity method	—	—	—	52	—	—	—	—	—	—	—	52
Purchase of shares of consolidated subsidiaries	—	—	(0)	—	—	—	—	—	—	—	—	(0)
Increase/decrease caused by organization restructuring of companies to which the equity method is applicable	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	(238)	7	0	(0)	0	0	(231)
Balance at March 31,2020	377,932,400	$1,835	$888	$25,774	$ (51)	$ 303	$22	$(4)	$(0)	$97	$250	$29,114

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2019 and 2020

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2019	2020	2020
Cash Flows from Operating Activities:			
Income before income taxes	¥ 428,619	¥ 284,175	$ 2,607
Depreciation	368,723	374,743	3,438
Impairment losses on fixed assets	2,275	7,578	70
Amortization of long-term prepaid expense	8,759	10,089	93
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	220
Net change in net defined benefit liability	(45,131)	(42,863)	(393)
Interest and dividend income	(5,404)	(6,151)	(56)
Interest expense	62,545	60,786	558
Construction grants received	(59,847)	(45,660)	(419)
Loss from disposition and provision for cost reduction of fixed assets	97,003	74,662	685
Disaster-damage losses	—	19,322	177
Provision for allowance for Disaster-damage losses	—	12,459	114
Net change in major receivables	(66,286)	20,121	185
Net change in major payables	48,267	(42,263)	(388)
Other	(16,963)	(31,108)	(286)
Sub-total	846,560	719,891	6,605
Proceeds from interest and dividends	6,091	8,157	75
Payments of interest	(62,944)	(60,883)	(559)
Payments of Disaster-damage losses	(3,145)	(4,832)	(44)
Payments of partial transfer costs of railway operation	(6,848)	(4,520)	(42)
Payments of income taxes	(115,913)	(109,120)	(1,001)
Net cash provided by operating activities	663,801	548,693	5,034
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(649,038)	(703,909)	(6,458)
Proceeds from sales of fixed assets	4,815	13,777	126
Proceeds from construction grants	65,196	40,798	374
Payments for purchases of investment in securities	(7,756)	(29,541)	(271)
Proceeds from sales of investment in securities	3,021	1,522	14
Other	(10,664)	(24,248)	(222)
Net cash used in investing activities	(594,426)	(701,601)	(6,437)
Cash Flows from Financing Activities:			
Commercial Paper	0	150,000	1,376
Proceeds from long-term loans	143,000	129,100	1,184
Payments of long-term loans	(119,707)	(110,453)	(1,013)
Proceeds from issuance of bonds	125,000	105,000	963
Payments for redemption of bonds	(165,000)	(125,000)	(1,147)
Payments of liabilities incurred for purchase of railway facilities	(4,419)	(4,414)	(40)
Payments of acquisition of treasury stock	(41,021)	(40,019)	(367)
Cash dividends paid	(55,585)	(59,764)	(548)
Other	(2,961)	(1,040)	(10)
Net cash provided by financing activities	(120,693)	43,410	398
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(56)	(98)	(0)
Net Change in Cash and Cash Equivalents	(51,374)	(109,596)	(1,005)
Cash and Cash Equivalents at Beginning of Year	314,934	263,740	2,420
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	99	—	—
Increase in Cash and Cash Equivalents due to Merger	81	—	—
Increase in Cash and Cash Equivalents Resulting from Absorption-Type Demerger	—	(350)	(4)
Cash and Cash Equivalents at End of Year	¥ 263,740	¥ 153,794	$ 1,411

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2019 and 2020

1 INCORPORATION OF EAST JAPAN RAILWAY COMPANY

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

East Japan Railway Company (the Company) is one of the six passenger railway companies and serves eastern Honshu (Japan's main island). The Company operates 69 railway lines, 1,657 railway stations and 7,401.7 operating kilometers as of March 31, 2020.

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 ($28,504 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).

2 SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Presentation of Financial Statements

The Company and its domestic 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.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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, 2020, which was ¥109 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, 2020, 71 subsidiaries were consolidated.

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.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling 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, 2020, six affiliated companies were accounted for by the equity method, and there was no change in those companies during the year.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

Merchandise and finished goods: Mainly retail cost method or moving-average cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

Work in process: Mainly identified cost method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability of inventories)

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

6) Real Estate for Sale

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

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 year ended March 31, 2020.
(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 non-controlling interests. The cost of sales of such securities is calculated mainly by the moving-average cost 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. Buildings (excluding related fixtures) acquired from April 1, 1998 onward, facilities attached to buildings and structures acquired on or after April 1, 2016 and some of the property, plant and equipment of consolidated subsidiaries are depreciated using the straight-line method according to the Japanese Tax Law. Replacement assets included in structures of railway fixed assets are depreciated using the replacement method. 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.

The range of useful lives is mainly as follows:

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

9) Accounting for Employees' Retirement Benefits

Almost all employees of the Companies are generally entitled to receive lump-sum severance and retirement benefits (some subsidiaries have adopted a pension plan of their own in addition to those severance and retirement benefits). Furthermore, some consolidated subsidiaries have established retirement benefit trusts.

For the calculation of projected benefit obligations, the Companies adopted the benefit formula basis as the method for attributing expected benefits to periods.

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

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

10) Allowance for Partial Transfer Costs of Railway Operation

The Company provides an allowance for partial transfer costs of railway operation is established based upon the estimated costs of restoration to the original state and other activities related to the disposition for free of railway facilities for the section between Aizu-Kawaguchi and Tadami on the Tadami Line from the Company to Fukushima Prefecture.

11) Provision for Large-scale Renovation of Shinkansen Infrastructure

The provision for large-scale renovation of Shinkansen infrastructure has been recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970).

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

12) Accounting for Certain Lease Transactions

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

13) 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, 2019 and 2020 were ¥20,754 million and ¥35,624 million ($327 million), respectively.

14) Income Taxes

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

15) Per Share Data

(1) Earnings per share
  Earnings per share shown in the consolidated statements of income are computed by dividing income available to common shareholders by the weighted average number of common stock outstanding during the year. Diluted earnings per share are not shown, since there are no outstanding securities with dilutive effect on earnings per share such as convertible bonds.
(2) Cash dividends per share
  Cash dividends per share comprises interim dividends for the interim period ended September 30 and year-end dividends for the year ended March 31, which were decided at the annual shareholders' meeting in June.

16) Derivative Transactions

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

Derivative transactions that meet requirements for hedge accounting are stated at fair value, and the gains and losses resulting from changes in 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.

17) 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.

18) Revaluation of Land

JTB Corp., an equity-method affiliated 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 the 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, 2019
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

19) Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted. Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 31, March 30, 2020)

(1) Summary
It is a comprehensive accounting standard for revenue recognition. Revenue is recognized through the application of the following five steps.
Step 1: Identify contracts with clients
Step 2: Identify contractual performance obligations
Step 3: Calculate transaction prices
Step 4: Allocate transaction prices to contractual performance obligations
Step 5: Recognize revenue when performance obligations are satisfied or as they are satisfied

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2022

(3) Effect of the application of the said accounting standard, etc.
The effect is under evaluation as of the time of preparation of these consolidated financial statements.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ) Statement No. 24, March 31, 2020)

(1) Summary
The purpose is to disclose the outline of the accounting principles and procedures adopted in case of that the accounting standards for transactions and accounting events subject to accounting are not clear.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2021

Accounting Standard for Disclosure of Accounting Estimates (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020)

(1) Summary
The purpose is to disclose information that contributes to the understanding of users of financial statements about the content of accounting estimates for items that have a risk of having a significant impact on the financial statements of the next fiscal year out of the amounts recorded in the financial statements for the current fiscal year based on accounting estimates.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2021

3 ADDITIONAL INFORMATION

1) Damage from Typhoon No. 15 and Typhoon No. 19 in 2019

The JR East Group suffered significant damage from Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed on September 9, 2019, and October 12, 2019, respectively, centered on Shinkansen railcars on the Hokuriku Shinkansen Line and railway facilities on some conventional lines.

On the consolidated statements of income, the Group recorded a decrease of operating revenues due to the suspension of operations on the Hokuriku Shinkansen and other lines and the decrease in the number of trains in operation, as well as such factors as suspended operations at certain stores inside railway stations and station buildings managed by the Group. In addition, the Group recorded two extraordinary losses: "Disaster-damage losses," which comprise repair and other expenses, and "Provision for allowance for disaster-damage losses," which consists of estimates for repair and other expenses.

"Disaster-damage losses" and "Provision for allowance for disaster-damage losses" include not only expenses needed to repair railway facilities, excluding the Nagano Shinkansen Rolling Stock Center, but also expenses required to decommission eight train units of E7 Series Shinkansen railcars that were damaged due to flooding. Some of these expenses are expected to be covered by insurance.

Additionally, in regard to the Nagano Shinkansen Rolling Stock Center, which suffered significant damage to its facilities due to such factors as having its grounds being submerged underwater, the Group is currently deliberating the restoration policy together with the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency and owner of the facility. Accordingly, estimates for restoration expenses of the Nagano Shinkansen Rolling Stock Center are not included in the "Provision for allowance for disaster-damage losses."

2) Impact of the spread of COVID-19

In light of the spread of COVID-19, operating revenues for the fiscal year ended March 31, 2020 declined due in part to decreased railway transportation volume resulting from people staying home, and reduced sales at stores in railway stations and station buildings.

Additionally, due to the state of emergency declaration by the Japanese government from April to May, 2020, based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, railway transportation volume is further decreasing, and the Group has been expanding the closure or reducing the operating hours of stores in railway stations and station buildings. These factors all have the potential to significantly impact our operating revenue starting with the fiscal year ending March 31, 2021.

Furthermore, in accounting estimates such as fixed asset impairment accounting for the fiscal year ended March 31, 2020, it is assumed that demand will recover within the fiscal year ending March 31, 2021 after the effects of decreased revenues continue for a certain period.

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.

5 INVENTORIES

Inventories at March 31, 2019 and 2020 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Merchandise and finished goods	¥ 9,427	¥ 8,751	$ 80
Work in process	22,114	26,912	247
Raw materials and supplies	28,712	33,989	312
	¥60,253	¥69,652	$639

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.

7 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2019 and 2020 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Unconsolidated subsidiaries:			
Investments	¥ 6,597	¥ 8,872	$ 82
Advances	—	40	0
	6,597	8,912	82
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥72,670	¥85,498	$784
Advances	138	126	1
	72,808	85,624	785
	¥79,405	¥94,536	$867

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. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($28,504 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, 2019 and 2020, fair values of such items, and the differences between such amounts and values are shown below. Further, items for which fair values were extremely difficult to establish were not included in the following table.

	Millions of Yen						Millions of U.S. Dollars		
	2019			2020			2020		
	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	¥ 263,740	¥ 263,740	¥ —	¥ 153,794	¥ 153,794	¥ —	$ 1,411	$ 1,411	$ —
b Receivables	593,907	593,907	—	580,295	580,295	—	5,324	5,324	—
c Securities:									
Held-to-maturity debt securities	157	160	3	148	150	2	1	1	0
Available-for-sale securities	204,244	204,244	—	181,211	181,211	—	1,662	1,662	—
Assets	¥1,062,048	¥1,062,651	¥ 3	¥ 915,448	¥ 915,450	¥ 2	$ 8,398	$ 8,398	$ 0
a Payables	¥ 826,551	¥ 826,551	¥ —	¥ 836,410	¥ 836,410	¥ —	$ 7,673	$ 7,673	$ —
b Accrued consumption taxes	22,532	22,532	—	6,833	6,833	—	63	63	—
c Accrued income taxes	58,882	58,882	—	32,252	32,252	—	296	296	—
d Long-term debt:									
Bonds	1,730,192	1,954,570	224,378	1,710,249	1,903,969	193,720	15,690	17,468	1,778
Long-term loans	1,107,139	1,175,761	68,622	1,125,786	1,185,250	59,464	10,328	10,874	546
e Long-term liabilities incurred for purchase of railway facilities	332,127	732,080	399,953	327,713	713,565	385,852	3,007	6,546	3,539
Liabilities	¥4,077,423	¥4,770,376	¥692,953	¥4,039,243	¥4,678,279	¥639,036	$37,057	$42,920	$5,863
Derivative transactions*1:									
Hedge accounting applied	¥ 2,281	¥ 2,281	¥ —	3,450	3,450	¥ —	$ 32	$ 32	$ —

*1 Net receivables / payables arising from derivatives are shown. Items that are net payables are shown in parenthesis.

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

Assets

a. Cash and cash equivalents

b. Receivables

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

c. Securities

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

Liabilities

a. Payables

b. Accrued consumption taxes

c. Accrued income taxes

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

d. Long-term debt

Bonds

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

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

Long-term loans

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

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

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

Derivative Transactions (See 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	2019	2020	2020
Unlisted equity securities	¥6,673	¥7,008	$64
Unlisted corporate bonds	360	460	4
Capital contributions to limited liability companies	1,012	2,434	22
Investment in investment business limited partnership (*toshi jigyo yugen sekinin kumiai*)	59	470	4
Investment in anonymous associations (*tokumei kumiai*)	5,030	6,862	63
Preferred equity securities	2,004	2,506	23
Natural disaster derivative transactions	1,453	1,393	13

Notes: 1. Because the fair values of these financial instruments were extremely difficult to establish, given that they did not have market prices and future cash flows could not be estimated, they were not included in "c Securities - Available-for-sale securities."

Notes: 2. The fair value of Natural disaster derivative transactions was not measured because it is extremely difficult to establish a fair value.

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

4. The annual maturities of financial assets and securities with maturities at March 31, 2019 and 2020 were as follows.

	2019				2020 (Millions of Yen)				2020 (Millions of U.S. Dollars)			
	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	¥263,740	¥ —	¥—	¥—	**¥153,794**	**¥ —**	**¥—**	**¥—**	**$1,411**	**$—**	**$—**	**$—**
Receivables	588,324	5,572	11	—	**574,466**	**5,817**	**12**	**—**	**5,271**	**53**	**0**	**—**
Securities:												
Held-to-maturity debt securities (Government bonds)	10	140	10	—	**—**	**140**	**10**	**—**	**—**	**1**	**0**	**—**
Available-for-sale securities which have maturity (Government bonds)	—	—	6	—	**—**	**6**	**—**	**—**	**—**	**0**	**—**	**—**
Total	¥852,074	¥5,712	¥27	¥—	**¥728,260**	**¥5,962**	**¥22**	**¥—**	**$6,682**	**$54**	**$0**	**$—**

5. The annual maturities of bonds, long-term loans and long-term liabilities incurred for purchase of railway facilities at March 31, 2020 (See Note12 and 13)

9 SECURITIES

For held-to-maturity debt securities, the amount on balance sheets and market value at March 31, 2019 and 2020 were as follows:

	2019			2020 (Millions of Yen)			2020 (Millions of U.S. Dollars)		
	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.	¥157	¥160	¥3	**¥148**	**¥149**	**¥1**	**$1**	**$1**	**$0**
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥157	¥160	¥3	**¥148**	**¥149**	**¥1**	**$1**	**$1**	**$0**

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2019 and 2020 were as follows:

	2019			2020 (Millions of Yen)			2020 (Millions of U.S. Dollars)		
	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	¥ 97,966	¥181,483	¥83,516	**¥68,911**	**¥126,359**	**¥57,448**	**$632**	**$1,159**	**$527**
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	28,632	22,755	(5,877)	**67,901**	**54,846**	**(13,055)**	**623**	**503**	**(120)**
Debt securities	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥126,604	¥204,244	¥77,639	**¥136,818**	**¥181,211**	**¥44,393**	**$1,255**	**$1,662**	**$407**

Note: In the previous fiscal year and the fiscal year under review, treatment for impairment has not been implemented for other securities with market value.
The Companies' policy for such write-offs stipulates that if the market value as of the year-end has declined by 50% or more of the book value of the said security, it should be stated at the market value. If the market value has declined by 30% or more but less than 50%, the said security should be written off by the amount determined as necessary after taking the possibility of market value recovery into account.

10 PLEDGED ASSETS

Pledged assets at March 31, 2019 and 2020 were summarized as follows:

Pledged assets as a collateral

	2019	2020 (Millions of Yen)	2020 (Millions of U.S. Dollars)
Cash and cash equivalents	¥164	**¥174**	**$2**
Other	464	**454**	**4**

Counterpart liabilities

	2019	2020 (Millions of Yen)	2020 (Millions of U.S. Dollars)
Payables	¥969	**¥995**	**$9**
Other	17	**17**	**0**

Pledged assets as a mortgage for long-term liabilities

	2019	2020 (Millions of Yen)	2020 (Millions of U.S. Dollars)
Buildings and fixtures with net book value	¥45,430	**¥26,978**	**$248**
Other assets with net book value	15,143	**14,501**	**133**

Counterpart liabilities

	2019	2020 (Millions of Yen)	2020 (Millions of U.S. Dollars)
Long-term liabilities incurred for purchase of railway facilities	¥674	**¥583**	**$5**

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 case 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% in the fiscal year.

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

Impairment losses on fixed assets were ¥2,275 million and ¥7,578 million ($70 million) in the years ended March 31, 2019 and 2020, respectively.

12 LONG-TERM DEBT

Long-term debt at March 31, 2019 and 2020 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
General mortgage bonds issued in 2000 to 2001 with interest rates ranging from 2.30% to 2.65% due in 2020 to 2021	¥ 50,000	¥ 30,000	$ 275
Unsecured bonds issued in 2002 to 2020 with interest rates ranging from 0.06% to 2.55% due in 2020 to 2069	1,440,960	1,440,968	13,220
Unsecured loans due in 2020 to 2060 principally from banks and insurance companies with interest rates mainly ranging from 0.07% to 2.80%	1,107,139	1,125,786	10,329
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	239,232	239,281	2,195
	2,837,331	2,836,035	26,019
Less current portion	235,453	235,293	2,159
	¥2,601,878	¥2,600,742	$23,860

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, 2020 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2021	¥ 120,000	$ 1,101
2022	90,000	826
2023	111,000	1,018
2024	65,000	596
2025	60,000	550
2026 and thereafter	1,264,959	11,605

The annual maturities of long-term loans at March 31, 2020 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2021	¥115,293	$1,058
2022	133,320	1,223
2023	141,530	1,298
2024	152,030	1,395
2025	183,113	1,680
2026 and thereafter	400,500	3,674

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 ($28,504 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($19,283 million) and ¥638,506 million ($5,858 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,363 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($256 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 ($337 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.09% through 2017	¥ —	¥ —	$ —
Payable semiannually including interest at 6.35% through 2017	—	—	—
Payable semiannually including interest at 6.55% through 2051	328,304	325,236	2,984
	328,304	325,236	2,984
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.83% through 2022	3,148	1,893	18
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 1.72% through 2029	675	583	5
	332,127	327,712	3,007
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	3,069	3,273	30
The Akita hybrid Shinkansen purchase liability	1,041	944	9
Tokyo Monorail purchase liability	90	90	1
	4,200	4,307	40
	¥327,927	¥323,405	$2,967

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, 2020 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2021	¥ 4,308	$ 40
2022	4,531	42
2023	3,794	35
2024	4,033	37
2025	4,283	39
2026 and thereafter	306,764	2,814

14 CONSUMPTION TAXES

The Japanese consumption tax is an indirect tax levied at the rate of 10%. Accrued consumption tax represents the difference between consumption taxes collected from customers and consumption taxes paid on purchases.

15 CONTINGENT LIABILITIES

(1) The Company has extended contingent liabilities of ¥10,147 million ($93million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd.

This contract guarantee is a joint guarantee by three companies including the Company.

(2) The Company has concluded a contract that promises to provide capital of up to ¥3,154 million ($29 million) if the financial ratio of West Midlands Limited, which is an operating company of a railway business in the United Kingdom, is below an agreed fixed figure.

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 the general meeting of shareholders, 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 general meeting of shareholders held in June 2020, the shareholders approved cash dividends amounting to ¥31,152 million ($286 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2020. Such appropriations are recognized in the period in which they are approved by the shareholders.

17 INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2019 and 2020 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2019		2020		2020	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥4,943	¥41,673	¥5,432	¥45,061	$50	$413

18 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 8)

2) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

		2019			2020		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥ 2,309	¥20,000	¥20,000	¥ 3,466
Forward exchange	Accounts payable–trade	4	—	0	—	—	—
	Accounts receivable-trade	—	—	—	6	—	(0)
Commodity swap	Fuel purchasing	326	72	(28)	72	—	(16)
Currency swap	Foreign currency denominated bonds	239,959	239,959	(Note 1)	239,959	239,959	(Note 1)
Interest swap	Long-term loans	65,400	18,000	(Note 1)	18,000	18,000	(Note 1)
Total		¥325,689	¥278,031	¥ 2,281	¥278,037	¥278,031	¥ 3,450

Millions of U.S. Dollars

		2020		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)
Currency swap	Long-term loans	$184	$184	$32
Forward exchange	Accounts payable–trade	—	—	—
	Accounts receivable–trade	0	—	(0)
Commodity swap	Fuel purchasing	0	—	(0)
Currency swap	Foreign currency denominated bonds	2,202	2,202	(Note 1)
Interest swap	Long-term loans	165	165	(Note 1)
Total		$2,551	$2,551	$32

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)

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

19 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheets as of March 31, 2019 and 2020 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Balance at the beginning of the fiscal year	¥610,611	¥564,622	$5,180
Service costs	26,887	26,685	245
Interest costs	3,642	3,350	31
Actuarial losses (gains)	(1,731)	(84)	(1)
Benefits paid	(75,582)	(72,042)	(661)
Past service costs	226	(29)	(0)
Other	569	159	1
Balance at the end of the fiscal year	¥564,622	¥522,661	$4,795

2) Movements in Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Balance at the beginning of the fiscal year	¥ 9,620	¥10,684	$98
Expected return on plan assets	111	110	1
Actuarial losses (gains)	494	(304)	(3)
Contributions paid by the employer	873	682	6
Benefits paid	(414)	(349)	(3)
Balance at the end of the fiscal year	¥10,684	¥10,823	$99

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Funded retirement benefit obligations	¥ 12,144	¥ 12,257	$ 112
Plan assets	(10,684)	(10,823)	(99)
	1,460	1,434	13
Unfunded retirement benefit obligations	552,478	510,404	4,683
Total net liability (asset) for retirement benefits at March 31	553,938	511,838	4,696
Liability for retirement benefits	554,237	512,063	4,698
Asset for retirement benefits	(299)	(225)	(2)
Total net liability (asset) for retirement benefits at March 31	¥553,938	¥511,838	$4,696

Employees' severance and retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2019 and 2020 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Service costs .	¥26,887	¥26,685	$245
Interest costs	3,642	3,350	31
Expected return on plan assets	(111)	(111)	(1)
Net actuarial loss amortization	434	139	1
Past service costs amortization	(635)	(638)	(6)
Other	740	331	3
Total retirement benefit costs for the fiscal year ended March 31	¥30,957	¥29,756	$273

5) Adjustments for Retirement Benefit Costs

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Past service costs that are yet to be recognized	¥ (861)	¥(609)	$(6)
Actuarial gains and losses that are yet to be recognized	2,659	(81)	(1)
Total balance at March 31	¥1,798	¥(690)	$(7)

6) Accumulated Adjustments for Retirement Benefit

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Past service costs that are yet to be recognized	¥ 1,914	¥ 1,305	$ 12
Actuarial gains and losses that are yet to be recognized	15,972	15,891	146
Total balance at March 31	¥17,886	¥17,196	$158

7) Plan Assets

	2019	2020
Bonds	7%	6%
Equity securities	27%	25%
General account of life insurers	42%	44%
Other	24%	25%

The discount rates are mainly 0.6% in the years ended March 31, 2019 and 2020. The rates of expected return on pension assets used by the Companies were mainly 1.6% and 1.4% in the years ended March 31, 2019 and 2020, respectively.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥942 million and ¥964 million ($9 million) in the years ended March 31, 2019 and 2020, respectively.

20 INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2019 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2020	2020
Deferred tax assets:			
Net defined benefit liability	¥169,485	¥156,712	$1,438
Reserves for bonuses	23,518	23,394	215
Losses on impairment of fixed assets	18,990	19,879	182
Unrealized holding gains on fixed assets	17,482	19,046	175
Allowance for point card certificates	7,776	10,002	92
Excess depreciation and amortization of fixed assets	4,888	8,236	76
Deposit received of included in taxable income (*Suica* SF)	2,987	4,695	43
Asset retirement obligations	4,638	4,640	43
Allowance for disaster-damage losses	2,786	4,468	41
Net unrealized holding gains on securities	1,791	3,980	37
Loss carry forwards for tax purposes	2,587	3,642	33
Social insurance premiums for bonuses to employees and allowance for bonuses to employees	3,571	3,560	33
Other	31,563	34,335	313
	292,062	296,589	2,721
Less valuation allowance	(25,460)	(28,420)	(261)
Less amounts offset against deferred tax liabilities	(57,553)	(50,387)	(462)
Net deferred tax assets	¥209,049	¥217,782	$1,998
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 28,224	¥ 29,190	$ 268
Net unrealized holding gains on securities	24,896	17,400	160
Valuation for assets and liabilities of consolidated subsidiaries	2,336	2,336	21
Other	5,801	6,291	58
	61,257	55,217	507
Less amounts offset against deferred tax assets	(57,553)	(50,387)	(463)
Net deferred tax liabilities	¥ 3,704	¥ 4,830	$ 44

The differences between the aggregate standard effective tax rate and the actual effective rate after applying tax effect accounting were omitted for the years ended March 31, 2019 and 2020 , as the variance between them was less than 5%.

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, 2019 and 2020, the amounts of net income related to rental property were ¥76,836 million and ¥76,987 million ($706 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses), respectively. 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
2019	Difference	2020	2020	2020	2020
¥674,199	¥62,269	¥736,468	¥2,285,278	$6,757	$20,966

Notes: 1. The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.
2. Regarding difference in the above table, the increases in the year ended March 31, 2020, were principally attributable to acquisition of real estate and renewal (¥96,317 million / $884million), and the decreases were mainly attributable to depreciation expenses (¥25,256 million / $232million).
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. The amount recognized in the consolidated balance sheet related to such property are ¥149,217 million and ¥202,131 million in the years ended March 31, 2019 and 2020, respectively.

22 SEGMENT INFORMATION

1) General Information about Reportable Segments

Transportation, Retail & Services, and Real Estate & Hotels comprise JR East’s three reportable segments. Each reportable segment is in turn comprised of business units within the Group with respect to which separate financial information is obtainable. These reportable segments are reviewed periodically by JR East’s Board of Directors and form the basis on which to evaluate business performance and decide on how to allocate management resources of the Company.

The Transportation segment includes passenger transportation operations centered on railway operations, as well as travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations, and railcar maintenance operations. The Retail & Services segment consists of the part of JR East’s life-style service business that includes retail sales and restaurant operations, a wholesale business, a truck transportation business, and advertising and publicity. The Real Estate & Hotels segment consists of the part of JR East’s life-style service business that includes shopping center operations, leasing of office buildings and other properties, and hotel operations.

2) Basis of Measurement about Reportable Segment Operating Revenues, Segment Income or Loss, Segment Assets, and Other Material Items

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

Fiscal 2019 (April 1, 2018 to March 31, 2019)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥2,038,195	¥521,878	¥ 349,014	¥ 92,956	¥3,002,043	¥ —	¥3,002,043
Inside group	84,816	71,859	20,489	166,285	343,449	(343,449)	—
Total	2,123,011	593,737	369,503	259,241	3,345,492	(343,449)	3,002,043
Segment income	¥ 341,946	¥ 39,231	¥ 81,421	¥ 23,807	¥ 486,405	¥ (1,544)	¥ 484,861
Segment assets	¥6,565,068	¥375,102	¥1,405,070	¥1,068,627	¥9,413,867	¥(1,054,191)	¥8,359,676
Depreciation	284,104	12,984	42,156	29,479	368,723	—	368,723
Increase in fixed assets (Note 5)	456,864	23,183	143,713	30,706	654,466	—	654,466

Notes: 1. “Others” represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥(1,544) million ($(14) million) downward adjustment to segment income included a ¥(1,123) million ($(10) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(422) million ($(4) million) elimination for intersegment transactions. Moreover, the ¥(1,054,191) million ($(9,671) million) downward adjustment to segment assets included a ¥(1,417,064) million ($(13,001)million) elimination of intersegment claims and obligations, offset by ¥362,873 million ($3,329 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 2020 (April 1, 2019 to March 31, 2020)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,994,523	¥502,075	¥ 348,521	¥ 101,520	¥2,946,639	¥ —	¥2,946,639
Inside group	86,614	71,609	20,797	173,165	352,185	(352,185)	—
Total	2,081,137	573,684	369,318	274,685	3,298,824	(352,185)	2,946,639
Segment income	¥ 250,576	¥ 34,387	¥ 74,603	¥ 23,877	¥ 383,443	¥ (2,602)	¥ 380,841
Segment assets	¥6,662,416	¥365,991	¥1,572,312	¥1,043,538	¥9,644,257	¥(1,107,197)	¥8,537,060
Depreciation	287,334	15,091	44,922	27,396	374,743	—	374,743
Increase in fixed assets (Note 5)	484,663	18,285	211,677	39,936	754,561	—	754,561

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	$18,298	$4,606	$ 3,197	$ 932	$27,033	$ —	$27,033
Inside group	795	657	191	1,588	3,231	(3,231)	—
Total	19,093	5,263	3,388	2,520	30,264	(3,231)	27,033
Segment income	$ 2,299	$ 315	$ 684	$ 219	$ 3,517	$ (23)	$ 3,494
Segment assets	$61,123	$3,358	$14,425	$9,574	$88,480	$(10,158)	$78,322
Depreciation	2,636	138	412	252	3,438	—	3,438
Increase in fixed assets (Note 5)	4,446	168	1,942	366	6,922	—	6,922

Notes: 1. "Others" represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
2. The ¥(2,602) million ($(23) million) downward adjustment to segment income included a ¥(1,948) million ($(17) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(654) million ($(6) million) elimination for intersegment transactions. Moreover, the ¥(1,107,197) million ($(10,158) million) downward adjustment to segment assets included a ¥(1,372,169) million ($(12,589)million) elimination of intersegment claims and obligations, offset by ¥264,972 million ($2,431 million) in corporate assets not allocated to each reportable segment.
3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
4. Segment information on liabilities was omitted from record, as it is not a metric used in deciding the allocation of management resources or evaluating earnings performance.
5. Increase in fixed assets included a portion contributed mainly by national and local governments.

3) Relevant Information

i. Information about products and services

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

ii. Information about geographic areas

a Operating Revenues

Information about geographic areas was omitted as operating revenues attributable to outside customers in Japan exceed 90% of the operating revenues reported in the consolidated statements of income.

b Property, plant and equipment

Information about geographic areas was omitted as property, plant and equipment in Japan exceed 90% of the property, plant and equipment reported in the consolidated balance sheets.

iii. Information about major customers

Information about major customers was omitted as no single outside customer contributes 10% or more to operating revenues in the consolidated statements of income.

4) Information about Impairment Losses on Fixed Assets in Reportable Segments

Fiscal 2019 (Year ended March 31, 2019)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥375	¥485	¥1,415	¥0	¥2,275

Fiscal 2020 (Year ended March 31, 2020)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥1,446	¥942	¥5,189	¥1	¥7,578

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	$13	$9	$48	$0	$70

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 there was no relevant information.

23 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2019 and 2020

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
	2019	2020	2020
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥(5,230)	¥(38,541)	$(354)
Reclassification adjustments	(1,131)	5,295	(49)
Sub-total, before tax	(6,361)	(33,246)	(305)
Tax (expense) benefit	1,947	9,685	89
Sub-total, net of tax	(4,414)	(23,561)	(216)
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	994	1,346	12
Reclassification adjustments	(191)	(190)	(1)
Acquisition cost adjustments	41	17	0
Sub-total, before tax	844	1,173	11
Tax (expense) benefit	(257)	(358)	(4)
Sub-total, net of tax	587	815	7
Foreign currency translation adjustments:			
Amount arising during the year	(6)	(9)	(0)
Reclassification adjustments	—	—	—
Sub-total, before tax	(6)	(9)	(0)
Tax (expense) benefit	—	—	—
Sub-total, net of tax	(6)	(9)	(0)
Remeasurements of defined benefit plans:			
Amount arising during the year	1,999	(190)	(2)
Acquisition cost adjustments	(201)	(500)	(4)
Sub-total, before tax	1,798	(690)	(6)
Tax (expense) benefit	(474)	232	(2)
Sub-total, net of tax	1,324	(458)	(4)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	272	(2,669)	25
Reclassification adjustments	840	723	7
Sub-total	1,112	(1,946)	(18)
Total other comprehensive income	¥(1,397)	¥(25,159)	$(231)

24 SUBSEQUENT EVENTS

Issuance of Bonds

The Company issued the following straight bonds

1) Unsecured straight bonds, 146th issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥50,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.150% per annum
   v. Maturity date: April 21, 2023
   vi. Use of proceeds: repayment of interest-bearing debt etc.

2) Unsecured straight bonds, 147th issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.265% per annum
   v. Maturity date: April 22, 2030
   vi. Use of proceeds: repayment of interest-bearing debt etc.

3) Unsecured straight bonds, 148th issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥10,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.569% per annum
   v. Maturity date: April 20, 2040
   vi. Use of proceeds: repayment of interest-bearing debt etc.

4) Unsecured straight bonds, 149th issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥10,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.697% per annum
   v. Maturity date: April 22, 2050
   vi. Use of proceeds: repayment of interest-bearing debt etc.

5) Unsecured straight bonds, 150th issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥15,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.832% per annum
   v. Maturity date: April 22, 2060
   vi. Use of proceeds: repayment of long-term debt etc.

6) Unsecured straight bonds, 151st issue, East Japan Railway Company
   i. Issue date: April 22, 2020
   ii. Amount issued: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.992% per annum
   v. Maturity date: April 22, 2070
   vi. Use of proceeds: repayment of long-term debt etc.

Other Procurement of Significant Funds

The Company procured the following funds with the aim of securing funds in anticipation of the impact of COVID-19.

1) Issuance of commercial paper
   i. Issue date: April 16, 2020
   ii. Amount issued: ¥90,000 million
   iii. Coupon rate: 0.120-0.155% per annum
   iv. Maturity dates: July 10, 2020 and October 16, 2020
   v. Existence of collateral, etc.: unsecured, unguaranteed

2) Short-term borrowing under special overdraft agreement
   i. Borrowing dates: April 24, 2020 to May 13, 2020
   ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and other two banks
   iii. Amount borrowed: ¥260,000 million
   iv. Coupon rate: basic interest rate plus spread
   v. Repayment dates: June 24, 2020 to August 13, 2020
   vi. Existence of collateral, etc.: unsecured, unguaranteed

3) Long-term borrowing
   i. Borrowing date: May 13, 2020
   ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
   iii. Amount borrowed: ¥150,000 million
   iv. Coupon rate: basic interest rate *plus* spread
   v. Repayment dates: November 13, 2026 to November 13, 2029
   vi. Existence of collateral, etc.: unsecured, unguaranteed

The Company also executed the following agreements in response to the demand for short-term funds in anticipation of the impact of COVID-19.

1) Increase of maximum amount of special overdraft
   i. Execution date: May 11, 2020
   ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited
   iii. Maximum amount: (before increase) ¥270,000 million; (after increase) ¥490,000 million (including existing agreement)

Note: As of May 31, 2020, outstanding overdraft amount is ¥260,000 million.

2) Increase of maximum amount of commitment line
   i. Execution date: May 11, 2020
   ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
   iii. Maximum amount: (before increase) ¥60,000 million; (after increase) ¥300,000 million

Note: As of May 31, 2020, there is no outstanding borrowing under the commitment line.

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, 2020.

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 2020, ended March 31, 2020. JR East continuously assesses those factors. However, actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

Estimates and assumptions that are used in the preparation of consolidated financial statements and which may have a significant bearing on the Company's financial position and business results are as stated hereinafter. Further, assumptions in relation to the effects of COVID-19 have been stated in "(3) ADDITIONAL INFORMATION, Notes to Consolidated Financial Statements."

Impairment of Fixed Assets

In conformity with management accounting classifications, the Group generally categorizes assets according to operations or properties. For its railway business assets, the Group treats all of its railway lines as a single asset group because the railway network generates cash flows as a whole. Also, the Group separately categorizes assets and idle assets for which transfer or disposal has been decided. As for assets whose fair value has decreased markedly compared with their book value and for assets whose profitability has decreased markedly, the book values are reduced to recoverable amounts, and the reductions are recognized as impairment losses on fixed assets.

Recoverable amounts are calculated based on the utilization of assumptions about such factors as the estimated number of years of future cash flows, the predicted value of operating revenues in light of tenant occupancy and facility renewal, the effects of cost reduction measures, the predicted future net realizable value, and the discount rate for calculating the present value of future cash flows. If changes in assumptions become necessary due to such factors as an economic slowdown, inclement weather, competition with other business operators, and falls in market prices, impairment losses may be recognized in the consolidated financial statements of the following fiscal year and of the fiscal years thereafter.

Estimation of Retirement Benefit Obligations

Retirement benefit obligations and service costs in relation to employees are estimated based on the utilization of actuarial assumptions about such factors as the discount rate, the rate of increase in salary, the retirement rate, and the mortality rate. If differences arise between actuarial assumptions and results or if actuarial assumptions change, retirement benefit obligations and service costs may be affected in the following fiscal year and in the fiscal years thereafter.

Recoverability of Deferred Tax Assets

The determination of the recoverability of deferred tax assets is based on such factors as estimated future taxable income. Future taxable income and other items are estimated based on assumptions about the performance forecasts of business plans and medium-term plans, among others. If it is determined that certain or all deferred tax assets are not recoverable due to the revision of a performance forecast as a result of such factors as an economic slowdown or competition with other business operators, deferred tax assets may decrease in the consolidated financial statements of the following fiscal year and of the fiscal years thereafter.

Performance Analysis

Overview

In the year ended March 31, 2020, the Japanese economy continued on an overall trend of gradual recovery from the start of the year. During the year, the JR East Group fully embraced various challenges under its management vision "Move Up" 2027.

Meanwhile, due to the impact of Typhoon No. 19 (Hagibis), which landed on October 12, 2019, the JR East Group suffered significant damage. However, the Group made concerted efforts to ensure operations on the Hokuriku Shinkansen and restore transportation on each damaged line segment.

Moreover, as COVID-19 has spread since February 2020, the number of customers using our railways has significantly declined. At the same time, with respect to the life-style service business, there have been across-the-board declines in the use of stores and restaurants within railway stations and station buildings as well as the use of hotels. In light of this situation, the Group has made every effort to place our utmost priority on preventing the spread of COVID-19 to our customers and employees and ensuring the safety and reliability of transportation and the quality of our services.

As a result, during the fiscal year under review, operating revenues declined 1.8%, to ¥2,946.6 billion ($27,033 million), due in part to a decline in transportation revenues stemming from the impact of the spread of COVID-19 and Typhoon No. 19 (Hagibis). Additionally, as operating expenses increased following the rise in the Company's non-personnel and other expenses, operating income decreased 21.5%, to ¥380. 8 billion ($3,494 million). Furthermore, the recording of extraordinary losses pertaining to Typhoon No. 19 (Hagibis) and other factors caused profit attributable to owners of parent to decrease 32.8%, to ¥198.4 billion ($1,820 million).

Deepening Trust

Pursuing ultimate safety levels

Based on the"Group Safety Plan 2023," the JR East Group united as one toward the enhancement and innovation of "safety conduct" and "safety management" by each employee as well as the installation of safety equipment that actively leverages new technologies.

Specific measures

- Promotion of efforts to improve the safety level of our Shinkansen services, including enhancing risk response capability and cultivating expert personnel at the Shinkansen General Management Department established in April 2019
- Completed installation of training simulators using actual video for the train crew at all workplaces as of March 31, 2020
- Additional seismic reinforcement covering more areas and facilities to be prepared for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area
- Installation of automatic platform gates completed at 48 railway stations (57 railway stations on a line-by-line basis) as of March 31, 2020
- Implementation of repair work, etc., to add a feature that monitors door handles as a measure to address the open-door incident while a Shinkansen was running between Sendai and Shiroishizao stations on the Tohoku Shinkansen Line (occurred in August 2019)
- Collaboration with verification tests at Tokyo Station that utilized detection dogs with the aim of enhancing security levels (December 2019)
- Commencement of consideration for measures concerning flood mitigation to critical facilities and equipment and evacuation from railcars in light of the damage caused by flooding rivers and other hazards brought about by Typhoon No. 19 (Hagibis)

Service quality reforms

Based on the "Medium-term Vision for Service Quality Reforms 2020," the JR East Group accelerated various initiatives, including to prevent transportation service disruptions and spread of their impact on passengers. Through these initiatives, the Group worked to realize its aim of becoming No.1 for customer satisfaction in the Japanese railway industry.

Specific measures

- Improvement of electrical equipment on conventional lines in the Tokyo metropolitan area with the aim of reducing transportation disruptions
- Replacement of railcar components to address the railcar damage at Fukushima Station on the Tohoku Shinkansen Line and updates to the control unit program to address the substation issue on the Joetsu Shinkansen Line that occurred during Golden Week (extended Japanese holiday from late April to early May) in 2019
- Commencement of operations at JR East Service Creation Co., Ltd., which provides pleasant, comfortable services to improve the value of traveling space, in July 2019
- Prompt provision of relevant information in the event of a planned suspension of operations when a typhoon approaches, and strengthening of safety confirmation structure in order to swiftly restart operations
- Commencement of distribution of train operation information via Twitter in English in December 2019
- Implementation of "Assistance and support campaign," which encourages our personnel to proactively ask customers whether they require assistance, year-round
- Advancement of efforts to provide a more accessible environment for customers using wheelchairs, etc., such as installing rubber to reduce the gap between railcars and platforms and concluding the replacement of railcars on the Yamanote Line
- Commencement of information communication via smartphone app between railway station staffs along the Nambu Line in March 2020 to ensure that customers needing assistance can smoothly board trains

Implementing ESG management

From the environment, social, and governance perspectives, the JR East Group implemented ESG management and made efforts to contribute to the sustainable development of local communities by solving social issues through its businesses. At the same time, the Group promoted efforts geared toward achieving Sustainable Development Goals (SDGs).

Specific measures

- Development of Nobeyama Station (which began operations in January 2020) on the Koumi Line and Maebashi Station (which began operations in March 2020) on the Ryomo Line as "ecoste" model stations
- Introduction of eco-friendly technologies such as roof membranes, which help reduce energy consumption for lighting, solar panels, and wind turbine power generators at Takanawa Gateway Station. Additionally, making progress in preparing for the establishment of a hydrogen station at the Company's site in front of Takanawa Gateway Station
- Commencement of the use of "CO_2-free energy," which leverages the JR Akita Shimohama Wind Power Station, at Oga Station on the Oga Line in July 2019
- Preparations for launch of test hybrid railcars based on hydrogen energy and start of verification tests by the end of fiscal 2022
- Promotion of the replacement of plastic bags and straws used inside ticket gate areas and at hotels and other locations with those made of substitute materials by September 30, 2020, with the aim of reducing plastic
- Operation of *SDGs Wrapping Trains* on the Yamanote Line, with the aim of promoting an understanding of SDGs and introducing the Group's efforts toward achieving SDGs, from October 2019 to January 31, 2020
- Development of child-rearing support facilities (cumulative total of 139 child-rearing-support facilities as of March 31, 2020)
- Acceptance of interns from Vietnam and Myanmar railways with the aim of cultivating international railway personnel
- Issuance of Sustainability Bonds for projects that contribute to solving environmental and social issues, in January 2020

Realizing affluent lives for "everyone"

Reforming transportation service quality

In addition to improving the quality of its transportation services, the JR East Group implemented tourism promotion efforts and strategies to attract inbound tourists to further expand opportunities for interaction.

Specific measures

- Launch of *ALFA-X*, a test railcar geared toward realizing the next generation Shinkansen, in May 2019 and start of test runs
- Start of environmental assessments of plans for the Haneda Airport Access Line (provisional name)
- Start of construction aimed at noise reduction and measurement of ground-based equipment in May 2019 to reduce travel time along the Joetsu Shinkansen Line between Omiya and Niigata stations
- Commencement of operations of *KAIRI*, a new sightseeing train, in conjunction with the *Niigata Prefecture and Shonai Area Destination Campaign*, in October 2019
- Opening of the Sotetsu-JR direct line, which allow direct travel to Shinjuku Station from the Sotetsu Line via the JR Line, in November 2019
- Commencement of operations of *SAPHIR ODORIKO*, a limited express service for tourists, in March 2020, which promotes the "real charm" of the Izu area
- Implementation of a promotion to encourage travel to Tohoku, following up on the expansion of sales area for products aimed at overseas visitors, based on the strategic partnership with the Trip.com Group Limited, one of the largest online travel agencies in China
- Expansion of coverage area for the use of *Suica* to include certain sections along the Joban Line, in conjunction with the restoration of operations between Tomioka and Namie stations in March 2020
- Introduction of *Suica* at all stations along the Kashima Line in March 2020
- Reduction of travel time through extension of dedicated bus rapid transit (BRT) routes along the Kesennuma and Ofunato lines. Additionally, opening of five new bus stations in March 2020 in light of requests from local governments along the lines

Lifestyle development (town development)

In addition to promoting the development of terminal stations, the JR East Group engaged in initiatives with local communities to make regional areas more affluent, such as urban development around regional core stations and the promotion of *sextic industrialization.*

Specific measures

- Urban planning for the Shinagawa Development Project (Phase 1) finalized in April 2019 and its realization under way for its opening in around 2024
- Opening of Takanawa Gateway Station in March 2020 and introduction of station service equipment on a trial basis leveraging the latest technologies, including guidance robots that utilize AI
- Establishment of Co., Ltd. TOUCH TO GO by the subsidiary JR East startup Co., Ltd., together with Signpost Corporation, in July 2019, with the aim of commercializing unmanned stores with AI-enabled payment systems. In addition, opening of a permanent unmanned store at Takanawa Gateway Station in March 2020
- Gradual commencement of verification tests for 21 proposals adopted under the *JR EAST STARTUP PROGRAM 2019*, a program held to further promote open innovation
- Expansion of shared office business *STATION WORK* to eight places
- Promotion of urban development centered on Akita Station and beginning of use of the sports facility *Akita Northern Gate Square* in December 2019
- Establishment of a real estate fund in February 2020 with the aim of strengthening our real estate business
- Preparations under way for the launch of a large-scale tourist orchard at the end of fiscal 2021 in an area of Sendai City affected by the Great East Japan Earthquake
- Implementation of logistics operations on trial basis in collaboration with JAPAN POST Co., Ltd., involving the delivery of fresh fruit harvested in Nagano Prefecture and Akita Prefecture to Tokyo metropolitan stations. In addition, making progress to prepare for the integration of post office and station counter operations at Emi Station on the Uchibo Line in August 2020
- Commencement of *To Locca* coin locker reservation service on dedicated website in March 2020
- Promotion of preparations to merge the subsidiaries Nippon Restaurant Enterprise Co., Ltd. and JR EAST FOOD BUSINESS CO., LTD. to create JR East Foods Co., Ltd. in April 2020 with the aim of maximizing station value
- The following projects, which will increase the overall appeal and value of local towns together with local communities, are currently under construction:
  WATERS takeshiba (tower building and parking lot building) (Tokyo), opened in April 2020
  JR Yokohama Tower and JR Yokohama Tsuruyacho Building (Kanagawa), opened in June 2020
  HIBIYA OKUROJI (Tokyo), scheduled for opening in September 2020
  WATERS takeshiba (theater building) (Tokyo), scheduled for opening in October 2020
  KAWASAKI DELTA (Kanagawa), scheduled for opening in spring 2021
- Construction under way for the hotels in Kamakura, Takeshiba, Kawasaki, Yokohama, Sakuragicho and other areas to establish a hotel chain with more than 10,000 guest rooms

Making *Suica* a shared infrastructure and promoting MaaS

The JR East Group has promoted efforts to enable *Suica* to be used in various day-to-day activities by enhancing the appeal of *JRE POINT*, the JR EAST Group's integrated point system, and actively establishing partnerships with other companies. As a result, as of March 31, 2020, the number of *Suica* cards issued was 82.73 million, and the number of *JRE POINT* members was 12.05 million. The Group will also launch JR EAST's MaaS, which provides search, reservation, and payment functions all in one, and promote other efforts.

Specific measures: Making *Suica* a shared infrastructure

- Launch of a service in October 2019 to allow users to accumulate *JRE POINT* by using JR East railways with a *Suica* card
- Participation in "a cashless, consumer-returns business" launched in October 2019. Also, implementation of a unique campaign carried out in conjunction with this business aimed at increasing the percentage of *JRE POINT* earned when making cashless payments at railway stations and inside ticket gate areas
- Launch of *Shinkansen e-ticket Service*, which enables ticketless usage of Shinkansen lines through online reservation services, in March 2020
- Launch of *Welcome Suica*, a new IC card for overseas visitors to Japan, in September 2019
- Commencement of verification tests in December 2019 with Mizuho Bank, Ltd. for charging digital currency onto the *Suica* app
- Preparations under way for the spring 2020 launch of a collaborative service with Rakuten Payment, Inc. to enable issuing *Suica* through the Rakuten Pay app
- Preparations ongoing to introduce *Multi-function Card for Regional Transit*, which combines the functions of *Suica* with those of the IC public transportation cards of regional transportation systems toward increased use of *Suica* in regional areas, in the Utsunomiya and Iwate areas from spring 2021

Specific measures: Promoting MaaS

- Establishment of the MaaS Strategy Design & Management Department in April 2019 to promote the integrated planning and design of MaaS business strategies and implement measures in a timely manner
- Complete renewal of the design and services offered through the *JR EAST app* in April 2019, as well as the strengthening of the app's route-searching features in September 2019
- Implementation of verification tests in the Izu area for the *Izuko* service, which realize *tourism-oriented MaaS*, in collaboration with TOKYU CORPORATION and other companies, as well as commencement of the second round of verification tests
- Conclusion of agreement with All Nippon Airways Co., Ltd. in August 2019 for collaboration in the establishment and expansion of MaaS
- Commencement of the *Niigata MaaS Trial*, a verification test for *tourism-oriented MaaS* test centered on Niigata City, from October to December 2019 in conjunction with the Niigata Prefecture and Shonai Area Destination Campaign
- Participation in the MaaS Alliance, an international public-private partnership that is building a shared foundation for MaaS construction, in November 2019, as the first Japanese railway operator
- Launch of *Ringo Pass*, a smartphone app that enables the use of taxis and bike shares, in January 2020
- Implementation of *TOHOKU MaaS Sendai Trial*, a verification test for *tourism-oriented MaaS* in collaboration with Miyagi Prefecture and Sendai City, in February 2020

Tokyo 2020 Olympic and Paralympic Games

The Tokyo 2020 Olympic and Paralympic Games have been postponed. However, guided by its communication slogan "TICKET TO TOMORROW," the JR East Group will raise the quality of its services in all of its business domains and pass down its "legacy" to everyone in the Group and society during and after the Tokyo 2020 Olympic and Paralympic Games as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games.

Specific measures

- Upgrade of railway stations near stadiums
- Implementation of efforts to ease congestion on early-morning trains, including increasing the number of trains during morning commute hours and promoting "Smooth Biz" in collaboration with the Tokyo metropolitan government and other organizations. Also, trial implementation of efforts to take precaution against heat in collaboration with medical institutions
- Discussions under way for extending services into late-night hours and increasing services during the daytime
- Provision of protective materials to stations and trains to heighten security through employees and monitoring through the use of networks and increased installation of security cameras to strengthen security measures for railways
- Promotion of the use of translation apps and other language-related tools to provide guidance in multiple languages under extraordinary circumstances
- Enhancement of transportation capacity during Rugby World Cup Japan 2019 in conjunction with the holding of games, as well as the enhancement of foreign-language guidance in collaboration with SANO EDUCATIONAL FOUNDATION (KANDA GAIGO GROUP), the reinforcement of our guidance structure around stations near stadiums, and other initiatives
- Implementation of hands-on prosthetic leg experiences and other activities at various events in collaboration with TETSUDOKOSAIKAI FOUNDATION Prosthetics and Orthotics Support Center, with a view to realizing a society of coexistence
- Making progress in preparing the Company's employees from areas outside of the event location to provide guidance at stations near stadiums and major Tokyo terminal stations with the aim of fortifying our guidance structure at stations during the period of the Olympic and Paralympic Games
- Progress with preparations to sell the *JR EAST Welcome Rail Pass 2020*, which aims to encourage travel from the Tokyo metropolitan area to Tohoku, Shinetsu and other areas

Developing businesses for the world

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

Specific measures

- Opening of *JW360°*, a store featuring restaurants, retail outlets, and other establishments, within Singapore's Jewel Changi Airport, in April 2019 by a local subsidiary of JR East in collaboration with a local subsidiary of MITSUI & CO., LTD.
- Start of trial operation of vending machines in July 2019 at West Midlands Railway stations in the United Kingdom
- Opening of *One&Co*, an interactive platform for Japanese companies with locations in Singapore's central business district, in August 2019
- Acquisition of commercial rights inside ticket gate areas of the Thomson-East Coast Line by local subsidiary and other local companies in Singapore in August 2019
- Submission of proposals on better railcar cleaning methods to ScotRail, a railway company based in the United Kingdom, in conjunction with subsidiaries JR East Transportation Service Co., Ltd. and JR East TESSEI Co., Ltd
- Progress with preparations to open *Hotel Metropolitan Premier Taipei*, the JR East Group's first overseas hotel, by early 2021

Happiness of employees and their families

The JR East Group made efforts to promote operational and working style reforms, strengthen its corporate structure, and realize the happiness of its employees and their families with the goal of creating a sense of fulfillment in work for its employees, who represent the foundation for the sustainable growth "Move Up" 2027 aims to achieve.

Specific measures

- Establishment of Shinkansen General Management Department, which integrates operations in a centralized, specialized manner, in April 2019 with the aim of providing safer, higher-quality services on the Shinkansen
- Formulation of "Medium-term Vision for Health and Productivity Management 2023" in April 2019 to improve the health and energy of each employee
- Promotion of support for the active role of female employees and balancing work with child-rearing, including establishing facilities for women in all workplaces and improving the convenience of in-house childcare facilities, based on the new General Employer Action Plan formulated in April 2019
- Preparations for the implementation of a new job rotation system starting in April 2020 that aims to flexibly respond to the diverse ambitions of employees and promote an even more active role and further growth of each employee in a broad range of fields
- Making progress with efforts to renew uniforms for station and railcar attendants in May 2020 as a symbol for taking on challenges with a new sense of enthusiasm under the aim of realizing "Move Up" 2027
- Further enhancement of paid leave systems, including child-rearing, nursing-care leave and other leaves. In addition, promotion of preparations to revise paid-leave systems in fiscal 2021, including the introduction of flextime at certain on-site work locations, in order to achieve work fulfillment through working style reforms
- Promotion of a *cross-organizational project* in which employees at onsite work locations go beyond the framework of their position to create opportunities to leverage their creativity more closely to customers
- Implementation of flexible policies including with respect to holidays and allowing employees to be on call at home, if their absence from work does not hinder business operations, in order to establish an environment where employees can work with a peace of mind in consideration of the impact of COVID-19

Results by business segment were as follows.

Segment Information

Transportation

In the Transportation segment, JR East made efforts that gave priority to increasing the safety and reliability of transportation. At the same time, JR East advanced measures centered on railways to promote the use of its transportation networks and thereby achieve reliable revenues. Specifically, we conducted the *Shizuoka Destination Campaign*, the *Niigata Prefecture and Shonai Area Destination Campaign* and various other campaigns with the aim of expanding opportunities for interaction. We also began operations of J-Village Station, a new railway station along the Joban Line, in April 2019. Further, we worked to capture the high demand during the 10-day Golden Week period, the Obon holiday, and the year-end and New Year holidays in such ways as temporarily increasing the number of trains and designing products to spur demand. In addition, when we revised train fares and other fees in response to the consumption tax hike in October 2019, we revamped our systems and provided easy-to-understand guidance to our customers, among other measures. Furthermore, in regard to the Hokuriku Shinkansen, which was significantly damaged by Typhoon No. 19 (Hagibis), we strived to ensure our transportation capacity through such means as the flexible operation of Shinkansen railcars, in March 2020, our regular train service was restored to the same operating capacity as that prior to the typhoon. Additionally, we conducted the *Tabi wo Chikara ni Campaign* and took other initiatives, which aimed to restore tourism demand that had declined due to the damages caused by the large-scale typhoon.

Nonetheless, in the Transportation segment, operating revenues decreased 2.0%, to ¥2,081.1 billion ($19,093 million), and operating income decreased 26.7%, to ¥250.6 billion ($2,299 million), as a result of fewer passengers compared with the previous year in railway operations stemming from the impact of COVID-19 and Typhoon No. 19 (Hagibis) as well as a rise in non-personnel and other expenses.

Shinkansen Network

In the Shinkansen network, passenger kilometers decreased 5.1% year on year, to 22.5 billion, owing to the impact from the spread of COVID-19 and the reduction of train numbers and planned suspension of operations on the Hokuriku Shinkansen following Typhoon No. 19 (Hagibis). These factors offset a favorable performance during the 10-day Golden Week holiday. Shinkansen commuter pass revenues grew 4.8% year on year, to ¥25.8 billion ($237 million), and non-commuter pass revenues declined 5.7%, to ¥539.7 billion ($4,952 million). The total of Shinkansen commuter pass revenues and non-commuter pass revenues was down 5.3% year on year, to ¥565.6 billion ($5,189 million).

Conventional Lines (Kanto Area Network)

For conventional lines in the Kanto area network, passenger kilometers edged down 0.8% year on year, to 107.3 billion, due mainly to the impact from the spread of COVID-19 and Typhoon No. 19 (Hagibis). Commuter pass revenues increased 0.4%, to ¥465.3 billion ($4,269 million), while non-commuter pass revenues declined 4.4%, to ¥694.8 billion ($6,375 million). The total of commuter pass revenues and non-commuter pass revenues decreased 2.5% year on year, to ¥1,160.1 billion ($10,644 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers decreased 1.5% year on year, to 5.5 billion, owing in part to impact from the spread of COVID-19 and Typhoon No. 19 (Hagibis). Commuter pass revenues were down 0.6%, to ¥18.3 billion ($168 million), and non-commuter pass revenues decreased 4.0%, to ¥48.8 billion ($448 million). The total of commuter pass revenues and non-commuter pass revenues declined 3.1% year on year, to ¥67.1 billion ($616 million).

Retail & Services

In the Retail & Services segment, JR East made efforts toward lifestyle development (town development) and enhanced the value of existing businesses. Specifically, we opened new stores and renewed existing stores in *GranSta* (Tokyo) in April and July 2019. In June 2019, we also conducted verification tests on delivering fresh seafood from the Tohoku and Niigata regions on the Shinkansen and selling at seafood shops inside *ecute Shinagawa* (Tokyo). Further, we partnered with JAPAN POST Co., Ltd. and other companies to launch *JJ+T,* which provides one-stop solutions for lifestyle development, inside *ecute Tachikawa* (Tokyo) in May 2019. Additionally, at Musashi-Sakai Station, we opened a *NewDays* convenience store in July 2019 for the first time that only utilizes self-checkouts. Moreover, we opened *ecute EDITION Shibuya* (Tokyo), a new form of the in-station commercial facility ecute, and *Gourmand Market KINOKUNIYA SHIBUYA SCRAMBLE SQUARE Store* (Tokyo), a new form of *KINOKUNIYA* stores, inside Phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE*, which opened in November 2019. We also renovated *ecute Omiya* (Saitama) during November and December 2019. In addition, in March 2020 we opened the nation's first *JAPAN RAIL CAFÉ* inside Tokyo Station, to communicate the appeal of Japan's various regions.

However, due in part to the impact of self-isolation and shorter operating hours stemming from COVID-19, operating revenues in the Retail & Services segment decreased 3.4%, to ¥573.7 billion ($5,263 million), and operating income decreased 12.3%, to ¥34.4 billion ($315 million).

Real Estate & Hotels

In the Real Estate & Hotels segment, JR East proceeded with development projects that reflected an awareness of lifestyle development (town development) in line-side areas and surrounding areas, including large-scale terminal stations in the Tokyo metropolitan area, to increase the overall appeal and value of local towns together with local communities. Specifically, we moved ahead with construction for the remodeling of the Tsuchiura Station Building toward the renewed opening of the restaurant area, retail stores, hotels and other establishments at *PLAYatre TSUCHIURA* (Ibaraki), one of the Japan's largest resorts for cyclists. We also underwent renewal and began operations of the Ekichika Kitchen area inside *S-PAL Sendai's* main building (Miyagi) in April 2019. Additionally, we opened *Lieto-garden MITAKA* (Tokyo) in July 2019 as a residential project that renovates and utilizes former company buildings and dormitories, which was followed by the start of tenancy at *R-Lieto Musashi-Sakai* (Tokyo) in March 2020. Moreover, we opened Phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE* in November 2019. We also opened *JR-EAST HOTEL METS AKIHABARA* (Tokyo) in October 2019, *JR-EAST HOTEL METS TOKYO BAY SHINKIBA* (Tokyo) in November 2019 and *JR-EAST HOTEL METS GOTANDA* (Tokyo) in March 2020. In addition, in March 2020 we commenced operations of *wanoi KAKUNODATE* (Akita), a hotel transformed out of old Japanese-style houses and historic buildings.

As a result, despite the effects of opening Phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE*, operating revenues in the Real Estate & Hotels segment decreased 0.1%, to ¥369.3 billion ($3,388 million), due in part to the impact of self-isolation and shorter operating hours stemming from COVID-19. Similarly, operating income decreased 8.4%, to ¥74.6 billion ($684 million).

Others

In *Suica* shopping services (electronic money), JR East continued efforts to expand the number of compatible stores by enabling *Suica* use in taxis, at restaurants and at post offices. Also, in regard to *JRE POINT*, JR East commenced a service that enables customers to accumulate points when using railway services with *Suica*. At the same time, JR East conducted an original campaign that increased the amount of *JRE POINT* returned to customers when making purchases with cashless payment at station buildings and inside railway stations. This campaign was held in conjunction with the Company's participation in a "cashless, consumer-returns business" together with the Japanese government. Through these efforts, JR East worked to encourage the use of electronic money. As a result, in December 2019 monthly transactions for *Suica* and other public transportation electronic money reached a record high of 252.61 million transactions.

With respect to participation in overseas railway projects, through the subsidiary Japan International Consultants for Transportation Co., Ltd., JR East provided consultation services for the "Detailed Design Study on the High Speed Railway Construction Project in India" and supervised the construction of a training center for National High Speed Rail Corporation Limited (NHSRCL) in India.

In addition, revenues from IC cards operations and credit card operations increased. As the result operating revenues from Others increased 6.0%, to ¥274.7 billion ($2,520 million) and operating income increased 0.3%, to ¥23.9 billion ($219 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 1.9% year on year, to ¥2,565.8 billion ($23,539 million). Operating expenses as a percentage of operating revenues were 87.1%, compared with 83.8% in the previous fiscal year.

Transportation, other services and cost of sales were up 0.6%, to ¥1,933.7 billion ($17,740 million), because of an increase in cost of equipment. Selling, general and administrative expenses rose 6.1%, to ¥632.1 billion ($5,799 million), which was also due to an increase in cost of equipment.

Operating income declined 21.5%, to ¥380.8 billion ($3,494 million), which was ¥107.1 billion below the business results forecast released in April 2019. Operating income as a percentage of operating revenues was 12.9%, compared with 16.2% in the previous fiscal year.

Income before income taxes

Other income declined 12.2%, to ¥88.2 billion ($809 million), due mainly to a decrease in construction grants received.

Other expenses were up 18.0%, to ¥184.9 billion ($1,696 million), mainly as a result of recording losses and provision for allowance for disaster-damage losses due to Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis) in 2019.

Income before income taxes was down 33.7%, to ¥284.2 billion ($2,607 million). Income before income taxes as a percentage of operating revenues was 9.6%, compared with 14.3% in the previous fiscal year.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent decreased 32.8%, to ¥198.4 billion ($1,820 million), mainly due to a decline in income before income taxes. Earnings per share were ¥524.91 ($5), down from ¥773.26 per share. Further, profit attributable to owners of parent as a percentage of operating revenues was 6.7%, compared with 9.8% in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2020, net cash provided by operating activities totaled ¥548.7 billion ($5,034 million), ¥115.1 billion less than in the previous fiscal year. This result was mainly due to a decrease in income before income taxes. Net cash used in investing activities amounted to ¥701.6 billion ($6,437 million), ¥107.2 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 the Transportation segment, JR East implemented capital expenditures to further measures for ensuring transportation safety and reliability, institute countermeasures for large-scale earthquakes, install automatic platform gates, and produce new railcars. In the Retail & Services segment, JR East opened new stores, including *ecute EDITION Shibuya* and *Gourmand Market KINOKUNIYA SHIBUYA SCRAMBLE SQUARE Store*, and conducted renovation work at existing stores. In the Real Estate & Hotels segment, capital expenditures included those for Phase 1 (East Bldg.) of *SHIBUYA SCRAMBLE SQUARE*, *JR-EAST HOTEL METS AKIHABARA*, and *wanoi KAKUNODATE*. In the Others segment, capital expenditures included those for systems development.

Further, free cash flows decreased ¥222.3 billion, going from a positive ¥69.4 billion to a negative ¥152.9 billion ($1,403 million), which was less than in the previous fiscal year.

Net cash provided by financing activities came to ¥43.4 billion ($398 million), a turnaround of ¥164.1 billion from net cash used in financing activities of ¥120.7 billion in the previous fiscal year. This result was mainly due to an increase in commercial paper.

Consequently, cash and cash equivalents as of March 31, 2020, were ¥153.8 billion ($1,411 million), a decrease of ¥109.9 billion from ¥263.7 billion on March 31, 2019.

Financial Policy

The JR East Group Management Vision "Move Up" 2027 establishes ¥3,750.0 billion as the total amount for capital expenditures between fiscal 2019 and fiscal 2023. These expenditures include growth investments for future growth, innovation investment that contribute to technological and other innovations, and flexible maintenance and renewal investment at an amount roughly equal to consolidated depreciation expense. Further, the vision targets a total return ratio of 40% and aims for a 30% dividend payout ratio. Regarding the necessary funds to achieve this, in addition to operating cash flows, the Company procures funds through such means as issuing bonds and taking on loans from financial institutions. The Company's medium- to long-term approach to interest-bearing debt is that its level should correspond to consolidated operating revenues and income. Specifically, JR East aims for net interest-bearing debt / EBITDA of about 3.5 times.

Net interest-bearing debt is consolidated interest-bearing debt net of consolidated cash and cash equivalents at end of year. Net interest-bearing debt at March 31, 2020, stood at ¥3,158.5 billion ($28,978 million) (consolidated interest-bearing debt at March 31, 2020, was ¥3,312.3 billion). Further, EBITDA is the sum of consolidated operating income and consolidated depreciation expense. In fiscal 2020, EBITDA was ¥755.6 billion ($6,932 million).

JR East operates a cash management system that integrates the management of the surplus funds and the fund-raising of companies participating in the cash management system with the aim of enhancing capital efficiency on a consolidated basis. Also, JR East employs such capital management methods as the offsetting of internal settlements among subsidiaries and the operation of a payment agency system that consolidates payment operations within the Group.

JR East procures funds through such means as issuing bonds and taking on loans from financial institutions in accordance with its basic policy of maintaining and improving its financial position and securing sufficient liquidity on hand. Further, with the aim of controlling the risk of rising interest rates, the Company converts the interest rate payable into fixed rates and also establishes long-term fixed interest rates through long-term fund procurement periods. Additionally, by choosing the fund procurement period, which contributes to controlling and leveling debt repayment amounts each fiscal year, the Company strives to curtail future refinancing risks.

In fiscal 2020, JR East issued seven unsecured straight bonds in Japan, with a total nominal amount of ¥105.0 billion ($963 million) and maturities from 2029 through 2069. In addition, the Company took on long-term loans from financial institutions totaling ¥129.1 billion ($1,184 million). In regard to the straight bonds, Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East received long-term debt ratings from S&P Global Ratings Japan Inc. and Moody's Japan K.K. of AA– and Aa3, respectively. Also, Moody's Japan and S&P Global Ratings Japan announced that they would review the Company's credit rating with the intention of lowering it, on March 23, 2020, and April 15, 2020, respectively.

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities stood at ¥325.2 billion ($2,984 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 ¥1.9 billion ($18 million) for the Akita hybrid Shinkansen facilities and ¥0.6 billion ($5 million) for Tokyo Monorail Co., Ltd.

In order to respond to short-term financing requirements, JR East has bank overdraft facilities with its principal banks totaling ¥330.0 billion ($3,028 million) as of the end of fiscal 2020. Also, JR East did not have any bank overdrafts as of March 31, 2020. R&I and Moody's Japan rated JR East's commercial paper a-1+ and P-1, respectively, as of the end of fiscal 2020. As of March 31, 2020, JR East had an outstanding balance of ¥150.0 billion ($1,376 million) in commercial paper issued by it.

In April 2015, JR East established a committed bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥60.0 billion ($550 million). There was no use of this credit line as of the end of fiscal 2020.

Moreover, JR East is carrying out the following response with the aim of securing funds to prepare for the impact from the spread of COVID-19.

On April 22, 2020, JR East issued six unsecured straight bonds in Japan, with a total nominal amount of ¥125.0 billion ($1,147 million) and maturities from 2023 to 2070. R&I rated these bonds AA+. Additionally, on May 13, 2020, JR East took on long-term loans from financial institutions totaling ¥150.0 billion ($1,376 million).

On May 11, 2020, JR East increased its overdraft facilities with its principal banks to ¥550.0 billion ($5,046 million). As of the end of the month before the month that includes the submission date of its securities report (June 23, 2020), JR East had bank overdrafts totaling ¥260.0 billion ($2,385 million). Further, on April 1, 2020, JR East increased its issuance limit for commercial paper, obtaining a rating of a-1+ from R&I and J-1+ from Japan Credit Rating Agency (JCR) for its short-term commercial paper (Moody's gave JR East a P-1 rating for its commercial paper issuance limit up to March 2020). Also, JR East had an outstanding balance of ¥240.0 billion ($2,202 million) in commercial paper issued by it as of the end of the month before the month that includes the submission date of its securities report (June 23, 2020). Additionally, JR East increased its committed bank credit line to ¥300.0 billion ($2,752 million) on May 11, 2020. As of the end of the month before the month that includes the submission date of its securities report (June 23, 2020), there was no use of this credit line.

Operational and Other Risk Information

In fiscal 2020, the JR East Group took steps to strengthen its Groupwide risk management structure. At the moment, the Group is working to reduce shared risks across all businesses and specific risks in each business. Specifically, the Group identifies overall business risks each year based on external insight and internal opinions. After analyzing and evaluating the identified risks based on frequency of occurrence and level of impact, the Group determines important risks and examines and implements measures to reduce such risks. In this way, the Group sets into motion a PCDA cycle in an effort to reduce risks. Twice a year, the Board of Directors holds meetings to monitor the level of achievement and progress of efforts toward reducing risks while examining future risk management policies. Through these efforts, the Group ensures the effectiveness of its risk management.

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, 2020.

1. Occurrence of Accidents or Other Disasters in the Railway Business

In the event that an accident occurs in the railway business, the JR East's business could be significantly impacted due not only to a loss of trust and social confidence in the JR East Group but also to the payment of compensation to customers and suspension of operations resulting from the impact of an accident.

The JR East Group regards ensuring safety as a top management priority. Accordingly, JR East is taking measures to build a railway system with high safety levels by addressing infrastructural and operational issues and is steadily advancing the measures described in the "JR East Group Safety Plan 2023," the seventh five-year safety plan since the Company's establishment.

Specifically, to prevent railway accidents caused by the Group, JR East has promoted countermeasures for train derailment accidents, such as installing automatic train stop systems, and thoroughly reinforced its key operating facilities, including electrical equipment and station facilities.

As measures for preventing railway crossing accidents, JR East eliminated and consolidated railway crossings. At the same time, JR East increased the number of obstruction warning devices and enhanced the sophistication of obstacle detection devices for railway crossings. Also, as of the end of fiscal 2020, JR East had completed the installation of automatic platform gates at 48 railway stations (57 railway stations on a line-by-line basis), mainly on the Yamanote Line and the Keihin-Tohoku and Negishi lines. In fiscal 2021, JR East will install these platform gates at 17 more stations (line-by-line basis). In regard to "Smart" automatic platform gates, which realize shortened construction periods and reduced costs, JR East introduced such a gate at Warabi Station on the Keihin-Tohoku Line in February 2020. Going forward, JR East will install "Smart" automatic platform gates at each station on the Keihin-Tohoku Line and the Chuo and Sobu lines, as well as at stations on the Yokohama Line.

Further, based on the seventh five-year safety plan, "Group Safety Plan 2023," and in light of changes in the Group's internal and external environment, JR East will continue aiming for ultimate safety levels by responding accurately to changes, actively utilizing new technologies, and implementing other initiatives.

2. Climate Change and Natural Disasters, Etc.

In recent years, risks from abnormal weather such as heavy rains and typhoons have been increasing due to climate change, which has caused the average global temperature to rise. Natural disasters such as not only heavy rains and typhoons but also large-scale earthquakes and flooding have the potential to destroy the Group's railways and related facilities, causing significant damages for the JR East Group's business as a whole. In fact, JR East suffered major damage to its equipment, railcars, and other facilities due to Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed in September 2019 and October 2019, respectively. Also, large-scale power outages caused by natural disasters have the potential to threaten the continuity of railway operations. Furthermore, when large-scale damage occurs, JR East may no longer be able to receive a steady supply of resources from suppliers.

Based on the "Group Safety Plan 2023," the JR East Group is working to steadily reduce risks caused by natural disasters. Specifically, for earthquake countermeasures, JR East is proceeding with additional seismic reinforcement in anticipation of a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area, and is working to expand the target area and facilities for these efforts. At the same time, JR East has commenced examinations for introducing the earthquake early alert system (submarine seismic data) used in its Shinkansen lines to its conventional lines as well. In these ways, JR East is working on an ongoing basis to reduce risks. As for flooding countermeasures, the Group suffered significant damage to its equipment, railcars, and other facilities due to flooding and other hazards brought about by Typhoon No. 19 (Hagibis), which landed in October 2019. In light of this damage, JR East has commenced consideration for measures concerning flood mitigation to critical facilities and equipment and evacuation of railcars. Also, JR East is taking steps to extend the period of time emergency power generation equipment can operate at major train terminals in preparation of large-scale power outages. Further, to secure the continuity of stable resource procurement, JR East is promoting efforts so that it is able to procure resources from multiple suppliers.

3. Occurrence of Infectious Diseases, Etc.

In the event that a major spread of an infectious disease occurs in Japan and overseas, the JR East Group may no longer be able to continue its business operations due to such factors as restrictions on economic activities, the trend of refraining to go outside by customers, and the contracting of such a disease by employees. In turn, the Group's financial condition and business performance could be severely impacted.

From the start of 2020, COVID-19 began to spread across Japan and overseas. In Japan, a state of emergency was declared by the government in April, and people were asked to refrain from going outside. As a result, transportation volume for JR East's railways declined significantly, Group commercial facilities closed, and the number of customers using the Group's hotels decreased. Additionally, demand from inbound tourists fell as restrictions were placed on overseas visitors entering Japan. All of these factors had a major impact on the Group's performance. While placing the utmost priority on ensuring the safety and security of its customers, the JR East Group has been promoting efforts to thoroughly prevent the spread of COVID-19. These include introducing antiseptic solution at stations, disinfecting and cleaning station devices and equipment, and requiring employees to wear masks. At the same time, the Group is enacting the necessary measures to ensure appropriate transportation services in collaboration with the Japanese national government and local governments.

4. Competition with Other Business Operators and Changes in the External Environment

The JR East Group's railway business maintains a competitive relationship with transportation sources including airlines, automobiles, buses, and other railway companies. Further, the JR East Group's life-style service business competes with existing and newly established businesses. In addition to this competition, the acceleration of changes in the external environment could have an impact on the JR East Group's financial condition and business performance.

In the railway business, various factors could have an adverse impact on profits. These include intensifying competition within the transportation market due to the expansion of low-cost carrier (LCC) routes, the expansion of expressways, and the practical application of automated driving technologies. These also include a decline in transportation volume as a result of the decreasing population, the rapidly aging population, and the popularization of workstyle reforms such as working from home. Further, factors such as a shortage of personnel due to a difficult employment environment and difficulty in procuring resources may have an impact on JR East's regular business operations.

Amid such circumstances, JR East is promoting initiatives under the JR East Group Management Vision "Move Up" 2027 with the aim of providing new value to society in anticipation of changes in the business environment. Examples of such initiatives are the shift to seamless mobility starting with Mobility as a Service (MaaS), the promotion of a diverse menu of services on a one-stop basis, and the provision of services that can be used in the various daily life settings of customers through the optimal combination of transportation, purchases, and payments. In addition, JR East is working to change the nature of its transportation services through efforts to realize technological innovation and improve productivity, including the realization of driverless operations, the streamlining of facilities, and the review of frameworks for maintenance operations. Moreover, JR East is promoting employment activities on a Groupwide basis to secure personnel in a stable manner. JR East is also branching out to new suppliers to ensure the stable procurement of resources.

5. Criminal and Terrorist Activity and Disruptions to Information Systems and Protection of Personal Data

The occurrence of criminal or terrorist activity has the potential to threaten the safety of the JR East Group's railway business.

To reinforce railway security, the JR East Group has increased the number of security cameras in railcars and at railway facilities and has established a network for these cameras. In these ways, the Group carries out intensive monitoring activities. Additionally, the Group is promoting such countermeasures as deploying crime prevention and self-defense equipment in Shinkansen cars and at major train stations.

Also, the JR East Group currently uses many information systems in its various railway, life-style service, and IT & *Suica* businesses. Further, information systems play an important role for travel agencies as well as Railway Information Systems Co., Ltd., and other companies with which the JR East Group has close business relationships. If the functions of those information systems were seriously damaged as a result of cyberattacks or human error, this could have an impact on the operations of JR East. Moreover, in the event that personal data stored in those information systems was leaked to unrelated third parties or altered due to information systems becoming infected by viruses or unauthorized manipulation, it could affect JR East's financial condition and business performance.

The JR East Group takes measures to prevent damage and ensure security, such as continuously upgrading the functions of in-house systems, constantly monitoring security levels, 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.

6. Compliance

The JR East Group conducts operations in a variety of areas, including the railway, life-style service, and IT & *Suica* businesses. These operations are advanced in a manner pursuant to the stipulations of related statutory laws and regulations, such as the Railway Business Act, and in adherence to corporate ethics. However, becoming subject to administrative measures or losing public confidence due to a breach of those statutory laws and regulations or corporate ethics could affect the JR East Group's financial condition and business performance.

The JR East Group endeavors to ensure compliance and implements measures to prevent scandals of the type that have occurred at other companies. In addition to having established Legal Compliance and Corporate Ethics Guidelines, the Group is enhancing employee education about legal compliance and checks the status of compliance with statutory laws and regulations that relate to all areas of the Group's operations. Further, the Group rigorously informs all employees about its whistle-blowing system.

7. Changes in the Economic Conditions in Japan and Overseas

Changes in the economic conditions in Japan or overseas and trends in interest rates, exchange rates, the price of commodities, and other matters have the potential to impact the JR East Group's financial condition and business performance.

In addition to economic factors, the economic conditions in Japan and overseas can be affected by geopolitical risks, such as wars and terrorist activities, as well as the global spread of infectious diseases and large-scale natural disasters. In the event any of these circumstances occur, economic stagnations could be prolonged, and in turn demand may decline in various business domains of the JR East Group, such as the railway, life-style services, and IT & *Suica* services businesses. Further, the Group's profits could also be impacted by a rise in procurement costs for commodities and resources brought about by changes in the economic conditions in Japan and overseas as well as trends in interest rates, exchange rates, and the price of commodities.

To respond to such risks, the JR East Group will pursue bold measures to dramatically reinforce its management foundation. In addition to efforts to reduce all kinds of management expenses, JR East will heavily allocate management resources into its life-style services and IT & *Suica* services businesses to establish them as new growth engines. Moreover, JR East is working to curtail rises in the procurement costs for commodities through such means as promoting a broad range of procurement activities in both Japan and overseas and engaging in price negotiations that utilize economies of scale. For increasing resource procurement costs, JR East is striving to control future interest rate and exchange rate risks by leveling debt repayment amounts, lengthening debt repayment periods, ensuring yen-based debt repayments, and establishing fixed interest rates for debt repayments.

8. International Operations

Overseas, the JR East Group is using the technology and expertise that it has thus far accumulated to establish international operations as a new mainstay business for future growth. At the same time, the JR East Group is absorbing overseas expertise and knowledge about services that it cannot acquire in Japan. Through this process of taking on the challenge of international operations, the JR East Group aims to develop globally competent personnel and reform its corporate culture.

International operations include a variety of risk factors, such as changes in political systems or social factors; changes in local laws and regulations for investment, tax, or the environment; differences in business practices; differences in awareness in relation to the performance of contracts and compliance with rules as well as delays in construction work due to such factors; economic trends; and fluctuations in exchange rates. Large-scale projects can require long periods to realize return on investment and can require large amounts of capital, and increases in expenses accompanying investment could surpass increases in revenues. Also, the countermeasures of each country toward the spread of COVID-19 as well as restriction on overseas travel are significantly impacting the progress of overseas projects.

Unexpected changes in situations could affect the JR East Group's financial condition and business performance. However, with respect to these various risk factors, the JR East Group conducts analysis of risks in light of advice from lawyers, consultants, and other experts and in some cases takes measures while obtaining the cooperation of the Japanese government.

9. Specific Legal Regulations

1. Legal Issues Relating to Operations

JR East manages its railway operations pursuant to the stipulations of the Railway Business Act (Act No. 92 of 1986). Under the Railway Business Act, railway operators are required to obtain the permission of the Minister of Land, Infrastructure, Transport and Tourism (hereinafter the "Minister") for each type of line and railway business operated (Article 3). Also, operators receive approval from the Minister for the upper limit of passenger fares and Shinkansen limited express surcharges (hereinafter "fares and surcharges"). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits (Article 16). Moreover, operators are also required to give the Minister advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (Article 28, paragraphs 1 and 2).

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

The JR Law (Act No. 88 of 1986), was amended in 2001, and this amended law excluded JR East from the provisions of the JR Law that had been applicable to it until then. However, based on the added amendments to the JR Law, guidelines have been determined relating to matters that should be considered for the foreseeable future. The guidelines stipulate items relating to the following three areas:

- Items relating to ensuring alliances and cooperation among 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 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 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 new companies.

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.

2. Development of New Shinkansen Lines

Following the division and privatization of JNR, JR East was selected as the operator of two Shinkansen line segment openings, the Takasaki–Joetsu segment of the Hokuriku Shinkansen Line and the Morioka–Aomori segment of the Tohoku Shinkansen Line. JR East started operation of the Hokuriku Shinkansen Line between Takasaki and Nagano on October 1, 1997; the Tohoku Shinkansen Line between Morioka and Hachinohe on December 1, 2002, and between Hachinohe and Shin-Aomori on December 4, 2010; and then on the Hokuriku Shinkansen Line between Nagano and Joetsumyoko on March 14, 2015.

Usage fees for new Shinkansen line segments are now regulated under the Japan Railway Construction, Transport and Technology Agency Law (enforcement ordinance, Article 6). That enforcement ordinance stipulates that the Japan Railway Construction, Transport and Technology Agency (hereinafter 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 expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, as a general rule, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services.

Usage fee amounts for new Shinkansen line segments will be discussed and re-determined 30 years after the commence date of the loaning and, as such, it is possible that these amounts may be changed from their current levels. The new Shinkansen line segments on loan from the JRTT and the end years of their loan periods are as follows.

(a) Takasaki–Nagano segment of the Hokuriku Shinkansen Line; fiscal 2028
(b) Nagano–Joetsumyoko segment of the Hokuriku Shinkansen Line; fiscal 2045
(c) Morioka–Hachinohe segment of the Tohoku Shinkansen Line; fiscal 2033
(d) Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen Line; fiscal 2041

KPMG

Independent auditor's report

To the Board of Directors of East Japan Railway Company:

Opinion

We have audited the accompanying consolidated financial statements of East Japan Railway Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Takuji Kanai
Designated Engagement Partner
Certified Public Accountant

Hideki Yoshida
Designated Engagement Partner
Certified Public Accountant

Koji Arai
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

East Japan Railway Company

https://www.jreast.co.jp/e/