FINANCIAL DATA 2021

For the Year Ended March 31, 2021

CONTENTS

Consolidated Balance Sheet

East Japan Railway Company and Subsidiaries
March 31, 2020 and 2021

	Millions of Yen 2020	Millions of Yen 2021	Millions of U.S. Dollars (Note 2 (1)) 2021
Assets			
Current Assets:			
Cash and cash equivalents (Notes 5, 9 and 11)	¥ 153,794	¥ 197,960	$ 1,783
Receivables (Note 9):			
Accounts receivable–trade	565,251	499,105	4,496
Unconsolidated subsidiaries and affiliated companies	10,685	12,725	115
Other	4,359	5,628	51
Allowance for doubtful accounts (Note 2 (4))	(1,937)	(2,572)	(23)
	578,358	514,886	4,639
Inventories (Notes 2(5) and 6)	69,652	83,647	754
Real estate for sale (Notes 2(6) and 7)	1,876	4,081	37
Other current assets	53,945	97,833	881
Total current assets	857,625	898,407	8,094
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 8)	94,536	80,410	724
Other (Notes 2 (7), 9 and 10)	203,462	237,317	2,138
	297,998	317,727	2,862
Property, Plant and Equipment (Notes 2 (8), (12), (17), 11, 12 and 22):			
Buildings	2,944,258	3,166,124	28,524
Fixtures	6,311,831	6,413,547	57,780
Machinery, rolling stock and vehicles	2,933,448	2,976,147	26,812
Land	2,121,844	2,145,695	19,331
Construction in progress	412,754	361,627	3,258
Other	288,526	302,586	2,725
	15,012,661	15,365,726	138,430
Less accumulated depreciation	8,050,627	8,247,575	74,303
Net property, plant and equipment	6,962,034	7,118,151	64,127
Other Assets:			
Deferred tax assets (Note 21)	217,782	344,825	3,107
Other	201,621	237,310	2,138
	419,403	582,135	5,245
	¥ 8,537,060	¥ 8,916,420	$ 80,328

See accompanying notes.

	Millions of Yen 2020	Millions of Yen 2021	Millions of U.S. Dollars (Note 2 (1)) 2021
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt (Notes 9 and 13)	¥ 235,293	¥ 523,320	$ 4,715
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	4,308	4,215	38
Prepaid railway fares received	96,781	77,526	698
Payables (Note 9 and 11):			
Accounts payable–trade	45,736	50,255	453
Unconsolidated subsidiaries and affiliated companies	118,912	104,521	942
Other	671,762	640,184	5,767
	836,410	794,960	7,162
Accrued expenses	116,429	100,680	907
Accrued consumption taxes (Notes 9 and 15)	6,833	7,857	71
Accrued income taxes (Notes 2 (14), 9 and 21)	32,252	22,074	199
Other current liabilities	220,931	502,218	4,524
Total current liabilities	1,549,237	2,032,850	18,314
Long-Term Liabilities:			
Long-term debt (Notes 9 and 13)	2,600,742	3,089,181	27,830
Long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	323,405	318,874	2,873
Net defined benefit liability (Notes 2 (9) and 20)	512,063	482,222	4,344
Deposits received for guarantees	151,234	151,849	1,368
Deferred tax liabilities (Note 21)	4,830	5,221	47
Allowance for partial transfer costs of railway operation (Note 2 (10))	1,759	1,131	10
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (11))	96,000	120,000	1,081
Other long-term liabilities	124,363	157,731	1,422
Total long-term liabilities	3,814,396	4,326,209	38,975
Contingent Liabilities (Note 16)			
Net Assets (Note 17):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2021 – 377,932,400 shares;			
Outstanding, 2021 – 377,240,114 shares	200,000	200,000	1,802
Capital surplus	96,796	96,523	870
Retained earnings	2,809,369	2,181,571	19,654
Treasury stock, at cost, 692,286 shares in 2021	(5,547)	(5,554)	(50)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	32,976	54,322	489
Net deferred gains (losses) on derivatives under hedge accounting	2,405	2,137	19
Revaluation reserve for land (Note 2 (18))	(418)	(434)	(4)
Foreign currency translation adjustments	(15)	(25)	(0)
Remeasurements of defined benefit plans	10,630	6,487	58
Non-controlling interests	27,231	22,334	201
Total net assets	3,173,427	2,557,361	23,039
	¥8,537,060	¥8,916,420	$80,328

Consolidated Statements of Operations and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2020 and 2021

(I) Consolidated Statement of Operations

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2020	2021	2021
Operating Revenues (Note 23)	¥2,946,639	¥1,764,585	$15,897
Operating Expenses:			
Transportation, other services and cost of sales	1,933,704	1,724,645	15,537
Selling, general and administrative expenses	632,094	560,298	5,048
	2,565,798	2,284,943	20,585
Operating Income (Loss) (Note 23)	380,841	(520,358)	(4,688)
Other Income (Expenses):			
Interest expense on short- and long-term debt	(39,312)	(39,396)	(355)
Interest expense incurred for purchase of railway facilities	(21,474)	(21,267)	(192)
Loss on sales of fixed assets	(1,452)	(160)	(1)
Impairment losses on fixed assets (Notes 2 (17), 12 and 23)	(7,578)	(80,032)	(721)
Interest and dividend income	6,151	5,044	45
Equity in net income (loss) of affiliated companies	5,614	(13,417)	(121)
Gain on sales of fixed assets	7,296	11,660	105
Environmental conservation costs	(11,191)	(36,983)	(333)
Subsidies for employment adjustment	—	5,091	46
Other, net	(34,720)	(13,773)	(124)
	(96,666)	(183,233)	(1,651)
Income (Loss) before Income Taxes	284,175	(703,591)	(6,339)
Income Taxes (Notes 2 (14) and 21):			
Current	83,722	13,264	120
Deferred	1,965	(134,154)	(1,209)
Profit (Loss)	198,488	(582,701)	(5,250)
Profit (Loss) Attributable to Non-Controlling Interests	(59)	(4,801)	(44)
Profit (Loss) Attributable to Owners of Parent	¥ 198,429	¥ (577,900)	$ (5,206)

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (15))	¥525	¥(1,532)	$(14)
Cash Dividends Applicable to the Year (Note 2 (15))	165	100	1

See accompanying notes.

(II) Consolidated Statements of Comprehensive Income (Note 24)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2020	2021	2021
Profit (Loss)	¥198,488	¥(582,701)	$(5,250)
Other Comprehensive Income:	(25,159)	16,930	153
Net unrealized holding gains (losses) on securities	(23,561)	20,844	188
Net deferred gains (losses) on derivatives under hedge accounting	815	(260)	(2)
Foreign currency translation adjustments	(9)	(10)	(0)
Remeasurements of defined benefit plans	(458)	(4,439)	(40)
Share of other comprehensive income of associates accounted for using equity method	(1,946)	795	7
Comprehensive Income	¥173,329	¥(565,771)	$(5,097)
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥173,303	¥(560,990)	$(5,054)
Comprehensive income attributable to non-controlling interests	26	(4,781)	(43)

See accompanying notes.

Consolidated Statement of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2020 and 2021

	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, 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
Cash dividends (¥100 per share)				(50,032)	—							(50,032)
Loss attributable to owners of parent	—	—	—	(577,900)	—	—	—	—	—	—	—	(577,900)
Increase/decrease due to merger	—	—	—	134	—	—	—	—	—	—	—	134
Purchase of treasury stock	—	—	—	—	(8)	—	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	1	—	—	—	—	—	—	1
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(66)	—	—	—	—	—	—	—	—	(66)
Purchase of shares of consolidated subsidiaries	—	—	(207)	—	—	—	—	—	—	—	—	(207)
Increase/decrease caused by organization restructuring of companies to which the equity method is applicable	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	21,346	(268)	(16)	(10)	(4,143)	(4,897)	12,012
Balance at March 31, 2021	377,932,400	¥200,000	¥96,523	¥2,181,571	¥(5,554)	¥54,322	¥2,137	¥(434)	¥(25)	¥ 6,487	¥22,334	¥2,557,361

	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, 2020	377,932,400	$1,802	$873	$25,310	$(50)	$297	$21	$ (4)	$ (0)	$ 95	$245	$28,589
Cash dividends ($1 per share)	—	—	—	(451)	—	—	—	—	—	—	—	(451)
Profit attributable to owners of parent	—	—	—	(5,206)	—	—	—	—	—	—	—	(5,206)
Increase/decrease due to merger	—	—	—	1	—	—	—	—	—	—	—	1
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	0
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	0
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(1)	—	—	—	—	—	—	—	—	(1)
Purchase of shares of consolidated subsidiaries	—	—	(2)	—	—	—	—	—	—	—	—	(2)
Increase/decrease caused by organization restructuring of companies to which the equity method is applicable	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	192	(2)	—	—	(37)	(44)	109
Balance at March 31, 2021	377,932,400	$1,802	$870	$19,654	$(50)	$489	$19	$ (4)	$ (0)	$ 58	$201	$23,039

See accompanying notes.

Consolidated Statement of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2020	2021	2021
Cash Flows from Operating Activities:			
Income (Loss) before income taxes	¥ 284,175	¥(703,591)	$(6,339)
Depreciation	374,743	388,828	3,503
Impairment losses on fixed assets	7,578	80,032	721
Amortization of long-term prepaid expense	10,089	11,170	101
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	216
Net change in net defined benefit liability	(42,863)	(36,057)	(325)
Interest and dividend income	(6,151)	(5,044)	(45)
Interest expense	60,786	60,663	547
Construction grants received	(45,660)	(28,957)	(261)
Loss from disposition and provision for cost reduction of fixed assets	74,662	55,783	503
Net change in major receivables	20,121	67,593	609
Net change in major payables	(42,263)	6,715	60
Other	674	(15,650)	(141)
Sub-total	719,891	(94,515)	(851)
Proceeds from interest and dividends	8,157	6,498	58
Payments of interest	(60,883)	(60,555)	(547)
Payments of Disaster-damage losses	(4,832)	(12,375)	(111)
Payments of partial transfer costs of railway operation	(4,520)	(997)	(9)
Payments of income taxes	(109,120)	(28,024)	(252)
Net cash provided by (used in) operating activities	548,693	(189,968)	(1,712)
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(703,909)	(765,483)	(6,896)
Proceeds from sales of fixed assets	13,777	13,921	125
Proceeds from construction grants	40,798	30,699	277
Payments for purchases of investment in securities	(29,541)	(7,125)	(64)
Proceeds from sales of investment in securities	1,522	1,356	12
Other	(24,248)	(22,765)	(205)
Net cash used in investing activities	(701,601)	(749,397)	(6,751)
Cash Flows from Financing Activities:			
Net change in short-term loans	—	300,000	2,703
Commercial Paper	150,000	265,000	2,387
Proceeds from long-term loans	129,100	281,700	2,538
Payments of long-term loans	(110,453)	(115,293)	(1,039)
Proceeds from issuance of bonds	105,000	430,003	3,874
Payments for redemption of bonds	(125,000)	(120,000)	(1,081)
Payments of liabilities incurred for purchase of railway facilities	(4,414)	(4,624)	(42)
Payments of acquisition of treasury stock	(40,019)	(8)	(0)
Cash dividends paid	(59,764)	(50,032)	(451)
Other	(1,040)	(3,360)	(30)
Net cash provided by financing activities	43,410	983,386	8,859
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(98)	(18)	(0)
Net Change in Cash and Cash Equivalents	(109,596)	44,003	396
Cash and Cash Equivalents at Beginning of Year	263,740	153,794	1,386
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	—	—	—
Increase in Cash and Cash Equivalents due to Merger	—	163	1
Increase in Cash and Cash Equivalents Resulting from Absorption-Type Demerger	(350)	—	—
Cash and Cash Equivalents at End of Year	¥ 153,794	¥ 197,960	$ 1,783

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2020 and 2021

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, 1,630 railway stations and 7,302.7 operating kilometers as of March 31, 2021.

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 ($27,991 million) from the Shinkansen Holding Corporation (see Note 14). 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 13).

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, 2021, which was ¥111 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, 2021, 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, 2021, 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, 2021.

(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, 2020 and 2021 were ¥35,624 million and ¥23,506 million ($212 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 statement of operations 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 statement of operations.

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 sheet was recorded in the Company's consolidated balance sheet 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, 2021
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. 30, March 26, 2021)

(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.

3 CHANGE IN PRESENTATION METHOD

(Adoption of *"Accounting Standard for Disclosure of Accounting Estimates"*)

The Company and its subsidiaries adopted ASBJ Statement No. 31 *"Accounting Standard for Disclosure of Accounting Estimates"* (March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

(Consolidated statement of operations)

From the fiscal year under review, the Company has classified "Environmental conservation costs" of "Other, net" of "Other Income (Expenses)" separately because in the fiscal year under review the monetary significance increased. In the previous fiscal year, the Company presented and included "Environmental conservation costs" in "Other, net" of "Other Income (Expenses)" To reflect this change in the presentation method, in the consolidated statement of operations for the previous fiscal year the Company has reclassified ¥11,191 million that was presented and included in "Other, net" as "Environmental conservation costs" of "Other Income (Expenses)."

(Consolidated statement of cash flows)

(1) From the fiscal year under review, the Company has presented and included "Disaster-damage losses" in "Other" of "Cash flows from operating activities" because in the fiscal year under review the monetary significance was negligible.
To reflect this change in presentation method, in the consolidated statement of cash flows for the previous fiscal year the Company has presented and included ¥19,322 million in "Other" of "Cash flows from operating activities" that was classified separately as "Disaster-damage losses."

(2) From the fiscal year under review, the Company has presented and included "Provision for allowance for Disaster-damage losses" in "Other" of "Cash flows from operating activities" because in the fiscal year under review the monetary significance was negligible.
To reflect this change in presentation method, in the consolidated statement of cash flows for the previous fiscal year the Company has presented and included ¥12,459 million in "Other" of "Cash flows from operating activities" that was classified separately as "Provision for allowance for Disaster-damage losses."

4 SIGNIFICANT ACCOUNTING ESTIMATES

(Recoverability of Deferred Tax Assets)

(1) Carrying amounts in the current year's financial statements

Deferred tax assets ¥344,825 million ($3,107 million)

(2) Information on the nature of significant accounting estimates for identified items

Deferred tax assets are recognized for the future reversal of deductible temporary differences in future fiscal years and for the estimated amount of reduced taxes pertaining to the offsetting of tax losses carried forward against taxable income, judged by their recoverability based on estimates of future taxable income and other factors.

Estimates of taxable income are based on forecasts of business results. Forecasts of business results are based on principal assumptions, namely, that operating revenues from the railway transportation business will recover to approximately 85% in the fiscal year ending March 31, 2022, and to approximately 90% in the fiscal year ending March 31, 2023, compared to the level of operating revenues from the railway transportation business before the spread of the COVID-19. However, the widespread adoption of telecommuting and other structural changes to society are expected to have a continuing effect.

If operating revenues from the railway transportation business do not recover as anticipated due to factors such as delays in the containment of the COVID-19 pandemic and, as a result, changes to the estimates of taxable income are required, the determination of the recoverability of deferred tax assets in the following fiscal year could be affected.

5 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.

6 INVENTORIES

Inventories at March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Merchandise and finished goods	¥ 8,751	¥ 7,227	$ 65
Work in process	26,912	39,798	359
Raw materials and supplies	33,989	36,622	330
	¥69,652	¥83,647	$754

7 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.

8 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Unconsolidated subsidiaries:			
Investments	¥ 8,872	¥ 7,975	$ 72
Advances	40	0	0
	8,912	7,975	72
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥85,498	¥72,291	$651
Advances	126	144	1
	85,624	72,435	652
	¥94,536	¥80,410	$724

9 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 ($27,991 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 sheet as of March 31, 2020 and 2021, 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		
	2020			2021			2021		
	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	¥ 153,794	¥ 153,794	¥ —	¥ 197,960	¥ 197,960	¥ —	$ 1,783	$ 1,783	$ —
b Receivables	580,295	580,295	—	517,458	517,458	—	4,662	4,662	—
c Securities:									
Held-to-maturity debt securities	148	150	2	148	149	1	1	1	0
Available-for-sale securities	181,211	181,211	—	211,423	211,423	—	1,905	1,905	—
Assets	¥ 915,448	¥ 915,450	¥ 2	¥ 926,989	¥ 926,990	¥ 1	$ 8,351	$ 8,351	$ 0
a Payables	¥ 836,410	¥ 836,410	¥ —	¥ 794,960	¥ 794,960	¥ —	$ 7,162	$ 7,162	$ —
b Accrued consumption taxes	6,833	6,833	—	7,857	7,857	—	71	71	—
c Accrued income taxes	32,252	32,252	—	22,074	22,074	—	199	199	—
d Long-term debt:									
Bonds	1,710,249	1,903,969	193,720	2,020,308	2,180,068	159,759	18,201	19,640	1,439
Long-term loans	1,125,786	1,185,250	59,464	1,292,193	1,345,182	52,989	11,641	12,118	477
e Long-term liabilities incurred for purchase of railway facilities	327,713	713,565	385,852	323,089	676,048	352,959	2,911	6,091	3,180
Liabilities	¥4,039,243	¥4,678,279	¥639,036	¥4,460,481	¥5,026,189	¥565,708	$40,185	$45,281	$5,096
Derivative transactions*1:									
Hedge accounting applied	¥ 3,450	¥ 3,450	¥ —	¥ 3,075	¥ 3,075	¥ —	$ 28	$ 28	$ —

*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 Note 19)

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

	Consolidated balance sheet amount		
	Millions of Yen		Millions of U.S. Dollars
Classification	2020	2021	2021
Unlisted equity securities	¥7,008	¥7,038	$63
Unlisted corporate bonds	460	540	5
Capital contributions to limited liability companies	2,434	2,506	23
Investment in investment business limited partnership (*toshi jigyo yugen sekinin kumiai*)	470	747	7
Investment in anonymous associations (*tokumei kumiai*)	6,862	8,699	78
Preferred equity securities	2,506	2,937	26
Natural disaster derivative transactions	1,393	—	—
Investment in investment partnership management	—	235	2
Share acquisition rights	—	100	1

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 sheet 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, 2020 and 2021 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2020				2021				2021			
	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	¥153,794	¥ —	¥—	¥—	¥197,960	¥ —	¥—	¥—	$1,783	$—	$—	$—
Receivables	574,466	5,817	12	—	512,172	5,275	11	—	4,614	48	0	—
Securities:												
Held-to-maturity debt securities (Government bonds)	—	140	10	—	140	10	—	—	1	0	—	—
Available-for-sale securities which have maturity (Government bonds)	—	6	—	—	—	106	—	—	—	1	—	—
Total	¥728,260	¥5,962	¥22	¥—	¥710,272	¥5,391	¥11	¥—	$6,398	$49	$ 0	$—

5. The annual maturities of bonds, long-term loans and long-term liabilities incurred for purchase of railway facilities at March 31, 2021 (See Note13 and 14)

10 SECURITIES

For held-to-maturity debt securities, the amount on the balance sheet and market value at March 31, 2020 and 2021 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2020			2021			2021		
	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.	¥148	¥149	¥1	¥148	¥149	¥1	$1	$1	$0
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Total	¥148	¥149	¥1	¥148	¥149	¥1	$1	$1	$0

For available-for-sale securities, the acquisition cost and amount on balance sheet at March 31, 2020 and 2021 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2020			2021			2021		
	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	¥ 68,911	¥126,359	¥ 57,448	¥ 86,391	¥170,264	¥83,873	$ 778	$1,534	$756
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	67,901	54,846	(13,055)	50,390	41,153	(9,237)	454	371	(83)
Debt securities	—	—	—	—	—	—	—	—	—
Total	¥136,818	¥181,211	¥ 44,393	¥136,787	¥211,423	¥74,636	$1,232	$1,905	$673

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.

11 PLEDGED ASSETS

Pledged assets at March 31, 2020 and 2021 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Cash and cash equivalents	¥174	¥ 173	$2
Other	454	1,005	9

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Payables	¥995	¥720	$6
Other	17	17	0

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Buildings and fixtures with net book value	¥26,978	¥3,672	$33
Other assets with net book value	14,501	3,909	35

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Long-term liabilities incurred for purchase of railway facilities	¥583	¥493	$4

12 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 ¥7,578 million and ¥80,032 million ($721 million) in the years ended March 31, 2020 and 2021, respectively.

Because of the monetary significance is negligible, a breakdown of the previous fiscal year has not been included.

The fiscal year under review

Main application	Category	Location	Impairment losses on fixed assets (millions of yen)	Impairment losses on fixed assets (millions of US dollars)	Breakdown of impairment losses on fixed assets (millions of yen)
Monorail service business	Buildings and fixtures, machinery, rolling stock and vehicles, etc.	Minato Ward, Tokyo, etc.	¥53,180	$479	Buildings and fixtures: 40,143; machinery, rolling stock and vehicles: 10,201; intangible assets: 510; other: 2,326
Buildings and fixtures, machinery, rolling stock and vehicles, etc.	Buildings and fixtures, machinery, rolling stock and vehicles, etc.	Chiyoda Ward, Tokyo, etc.	1,928	17	Land: 228; buildings and fixtures: 967; machinery, rolling stock and vehicles: 495; intangible assets: 167; other: 71
Hotel operations and shopping center operations	Land, buildings and fixtures, etc.	Toshima Ward, Tokyo, etc.	20,043	181	Land: 708; buildings and fixtures: 17,485; machinery and vehicles: 204; intangible assets: 673; other: 973
Retail sales, restaurant business, etc.	Buildings and fixtures, etc.	Taito Ward, Tokyo, etc.	4,839	44	Buildings and fixtures: 4,164; other: 675
Other	Buildings and fixtures, etc.	Chiyoda Ward, Tokyo, etc.	43	0	

13 LONG-TERM DEBT

Long-term debt at March 31, 2020 and 2021 were summarized as follows:

	Millions of Yen 2020	Millions of Yen 2021	Millions of U.S. Dollars 2021
General mortgage bonds issued in 2000 to 2001 with interest rates ranging from 2.30% to 2.65% due in 2020 to 2021	¥ 30,000	¥ —	$ —
Unsecured bonds issued in 2002 to 2021 with interest rates ranging from 0.001% to 2.55% due in 2021 to 2070	1,440,968	1,780,977	16,045
Unsecured loans due in 2021 to 2060 principally from banks and insurance companies with interest rates mainly ranging from 0.07% to 2.80%	1,125,786	1,292,193	11,641
Euro-pound bonds issued in 2006 to 2007 with interest rates ranging from 4.50% to 5.25% due in 2031 to 2036	239,281	239,331	2,156
	2,836,035	3,312,501	29,842
Less current portion	235,293	223,320	2,012
	¥2,600,742	¥3,089,181	$27,830

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, 2021 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2022	¥ 90,000	$ 811
2023	110,999	1,000
2024	214,999	1,937
2025	59,998	541
2026	79,994	721
2027 and thereafter	1,464,319	13,192

The annual maturities of long-term loans at March 31, 2021 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2022	¥133,320	$1,199
2023	141,530	1,259
2024	152,030	957
2025	183,113	1,650
2026	141,200	1,272
2027 and thereafter	541,000	4,874

14 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 ($27,991 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($18,936 million) and ¥638,506 million ($5,752 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,302 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($252 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 sheet as of March 31, 2002 included liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million ($331 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2020 and 2021 were as follows:

	Millions of Yen 2020	Millions of Yen 2021	Millions of U.S. Dollars 2021
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	325,236	321,963	2,901
	325,236	321,963	2,901
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.83% through 2022	1,893	633	6
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 1.72% through 2029	583	493	4
	327,712	323,089	2,911
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	3,273	3,491	31
The Akita hybrid Shinkansen purchase liability	944	633	6
Tokyo Monorail purchase liability	90	91	1
	4,307	4,215	38
	¥323,405	¥318,874	$2,873

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, 2021 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2022	¥ 4,215	$ 38
2023	3,794	34
2024	4,033	36
2025	4,283	39
2026	4,565	41
2027 and thereafter	302,199	2,723

15 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.

16 CONTINGENT LIABILITIES

(1) The Company has extended contingent liabilities of ¥10,541 million ($95million) 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 recognized contingent liabilities of ¥2,817 million ($25million) for guaranteeing Akita Yurihonjo Offshore Wind GK in connection with a letter of credit of a financial institution relating to the construction cost for power system connection.

(3) The Company has concluded a contract with regard to contingent liabilities of ¥3,200 million ($29million) for guarantee obligation incured by Power Plant Co., Ltd. in connection with a borrowing from a financial institution.

17 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 sheet.

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 2021, the shareholders approved cash dividends amounting to ¥18,880 million ($170 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021. Such appropriations are recognized in the period in which they are approved by the shareholders.

18 INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2020 and 2021 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2020		2021		2021	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥5,432	¥45,061	¥5,465	¥40,725	$49	$367

19 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 9)

2) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

		2020			2021		
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	¥ 3,466	¥ 20,000	¥ 20,000	¥ 3,075
Forward exchange	Accounts receivable-trade	6	—	(0)	12	—	(0)
Commodity swap	Fuel purchasing	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	18,000	18,000	(Note 1)	18,000	18,000	(Note 1)
Total		¥278,037	¥278,031	¥ 3,450	¥277,971	¥277,959	¥ 3,075

Millions of U.S. Dollars

		2021		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)
Currency swap	Long-term loans	$ 180	$ 180	$28
Forward exchange	Accounts payable–trade	—	—	—
	Accounts receivable–trade	0	—	(0)
Commodity swap	Fuel purchasing	—	—	—
Currency swap	Foreign currency denominated bonds	2,162	2,162	(Note 1)
Interest swap	Long-term loans	162	162	(Note 1)
Total		$2,504	$2,504	$28

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 9)

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

20 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheet as of March 31, 2020 and 2021 consisted of the following:

1) Movement in Retirement Benefit Obligations

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Balance at the beginning of the fiscal year	¥564,622	¥522,661	$4,709
Service costs	26,685	27,253	245
Interest costs	3,350	3,107	28
Actuarial losses (gains)	(84)	2,658	24
Benefits paid	(72,042)	(62,510)	(563)
Past service costs	(29)	(11)	(0)
Other	159	263	2
Balance at the end of the fiscal year	¥522,661	¥493,421	$4,445

2) Movements in Plan Assets

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Balance at the beginning of the fiscal year	¥10,684	¥10,823	$ 98
Expected return on plan assets	110	138	1
Actuarial losses (gains)	(304)	262	2
Contributions paid by the employer	682	895	8
Benefits paid	(349)	(388)	(3)
Balance at the end of the fiscal year	¥10,823	¥11,730	$106

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

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Funded retirement benefit obligations	¥ 12,257	¥ 12,652	$ 114
Plan assets	(10,823)	(11,730)	(106)
	1,434	922	8
Unfunded retirement benefit obligations	510,404	480,769	4,331
Total net liability (asset) for retirement benefits at March 31	511,838	481,691	4,339
Liability for retirement benefits	512,063	482,222	4,344
Asset for retirement benefits	(225)	(531)	(5)
Total net liability (asset) for retirement benefits at March 31	¥511,838	¥481,691	$4,339

Employees' severance and retirement benefit expenses included in the consolidated statement of operations for the years ended March 31, 2020 and 2021 consisted of the following:

4) Retirement Benefit Costs

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Service costs	¥26,685	¥27,253	$246
Interest costs	3,350	3,107	28
Expected return on plan assets	(111)	(138)	(1)
Net actuarial loss amortization	139	(3,235)	(29)
Past service costs amortization	(638)	(595)	(5)
Other	331	433	4
Total retirement benefit costs for the fiscal year ended March 31	¥29,756	¥26,825	$243

5) Adjustments for Retirement Benefit Costs

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

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Past service costs that are yet to be recognized	¥(609)	¥ (584)	$ (5)
Actuarial gains and losses that are yet to be recognized	(81)	(5,631)	(51)
Total balance at March 31	¥(690)	¥(6,215)	$(56)

6) Accumulated Adjustments for Retirement Benefit

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

	2020 (Millions of Yen)	2021 (Millions of Yen)	2021 (Millions of U.S. Dollars)
Past service costs that are yet to be recognized	¥ 1,305	¥ 721	$ 6
Actuarial gains and losses that are yet to be recognized	15,891	10,260	92
Total balance at March 31	¥17,196	¥10,981	$98

7) Plan Assets

	2020	2021
Bonds	6%	6%
Equity securities	25%	25%
General account of life insurers	44%	42%
Other	25%	27%

The discount rates are mainly 0.6% in the years ended March 31, 2020 and 2021. The rates of expected return on pension assets used by the Companies were mainly 1.4% and 2.2% in the years ended March 31, 2020 and 2021, respectively.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥964 million and ¥974 million ($9 million) in the years ended March 31, 2020 and 2021, respectively.

21 INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Deferred tax assets:			
Loss carry forwards for tax purposes	¥ 3,642	¥ 212,446	$ 1,914
Net defined benefit liability	156,712	147,654	1,330
Losses on impairment of fixed assets	19,879	40,518	365
Unrealized holding gains on fixed assets	19,046	23,914	215
Reserves for bonuses	23,394	19,190	173
Environmental conservation costs	7,484	17,727	160
Allowance for point card certificates	10,002	11,238	101
Excess depreciation and amortization of fixed assets	8,236	8,164	74
Deposit received of included in taxable income (Suica SF)	4,695	5,160	46
Asset retirement obligations	4,640	4,782	43
Allowance for disaster-damage losses	4,468	3,821	34
Social insurance premiums for bonuses to employees and allowance for bonuses to employees	3,560	2,931	26
Net unrealized holding gains on securities	3,980	2,667	24
Other	34,335	27,037	245
	296,589	527,249	4,750
Valuation allowance for tax loss carryforwards	(3,493)	(55,828)	503
Valuation allowance for the total of future subtraction temporary differences, etc.	(24,926)	(63,106)	568
Less valuation allowance	(28,420)	(118,934)	(1,071)
Gross deffered tax assets	268,168	408,315	3,679
Less amounts offset against deferred tax liabilities	(50,387)	(63,490)	(572)
Net deferred tax assets	¥217,782	¥ 344,825	$ 3,107
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 29,190	¥ 32,099	$ 289
Net unrealized holding gains on securities	17,400	25,482	230
Valuation for assets and liabilities of consolidated subsidiaries	2,336	2,330	21
Other	6,291	8,800	79
	55,217	68,711	619
Less amounts offset against deferred tax assets	(50,387)	(63,490)	(572)
Net deferred tax liabilities	¥ 4,830	¥ 5,221	$ 47

Notes: 1. The valuation allowance increased ¥90,513 million compared with the previous fiscal year. This was primarily attributable to an increase in the valuation allowance pertaining to tax losses carried forward and impairment losses on fixed assets.
2. Because of the monetary significance is negligible, the amounts by the carryforward periods of tax losses carried forward and deferred tax assets of the previous fiscal year have not been included.

Fiscal 2021 (April 1, 2020 to March 31, 2021)

Millions of Yen

2021	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years	Total
Tax losses carried forward*1	¥ 422	¥ 617	¥ 198	¥ 176	¥ 269	¥210,759	¥212,446
Valuation allowance	(422)	(617)	(198)	(176)	(269)	(54,141)	(55,828)
Deferred tax assets	—	—	—	—	—	156,618	156,618*2

Millions of U.S. Dollars

2021	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years	Total
Tax losses carried forward*1	$ 4	$ 6	$ 2	$ 2	$ 2	$1,898	$1,914
Valuation allowance	(4)	(6)	(2)	(2)	(2)	(487)	(503)*2
Deferred tax assets	—	—	—	—	—	1,411	1,411

*1 The amounts of tax losses carried forward are calculated through multiplication by the effective statutory tax rate.
*2 Valuation allowance is not recognized with respect to the portion of tax losses carried forward that is judged to be recoverable based on estimates of future taxable income and other factors.

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, 2020, as the variance between them was less than 5%.

22 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, 2020 and 2021, the amounts of net income related to rental property were ¥76,987 million and ¥44,551 million ($401 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 sheet 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
2020	Difference	2021	2021	2021	2021
¥736,468	¥117,786	¥854,254	¥2,404,297	$7,696	$21,660

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, 2021, were principally attributable to acquisition of real estate and renewal (¥157,429 million / $1,418 million), and the decreases were mainly attributable to depreciation expenses (¥29,370 million / $265 million).
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 ¥202,131 million and ¥149,787 million in the years ended March 31, 2020 and 2021, respectively.

23 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 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

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 statement of operations.
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 2021 (April 1, 2020 to March 31, 2021))

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,095,730	¥318,076	¥ 271,248	¥ 79,531	¥1,764,585	¥ —	¥1,764,585
Inside group	71,988	61,858	20,287	164,065	318,198	(318,198)	—
Total	1,167,718	379,934	291,535	243,596	2,082,783	(318,198)	1,764,585
Segment income	¥ (532,370)	¥ (13,547)	¥ 15,156	¥ 14,761	¥ (516,000)	¥ (4,358)	¥ (520,358)
Segment assets	¥6,816,726	¥357,919	¥1,670,981	¥957,087	¥9,802,713	¥(886,293)	¥8,916,420
Depreciation	295,245	16,258	53,310	24,015	388,828	—	388,828
Increase in fixed assets (Note 5)	473,030	23,815	165,031	51,793	713,669	—	713,669

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	$ 9,871	$2,866	$ 2,443	$ 717	$15,897	$ —	$15,897
Inside group	649	557	183	1,478	2,867	(2,867)	—
Total	10,520	3,423	2,626	2,195	18,764	(2,867)	15,897
Segment income	$ (4,796)	$ (122)	$ 136	$ 133	$ (4,649)	$ (39)	$ (4,688)
Segment assets	$61,412	$3,225	$15,054	$8,622	$88,313	$(7,985)	$80,328
Depreciation	2,660	147	480	216	3,503	—	3,503
Increase in fixed assets (Note 5)	4,262	215	1,487	467	6,431	—	6,431

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 ¥(4,358) million ($(39) million) downward adjustment to segment income included a ¥(3,780) million ($(34) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(579) million ($(5) million) elimination for intersegment transactions. Moreover, the ¥(886,293) million ($(7,985) million) downward adjustment to segment assets included a ¥(1,167,051) million ($(10,514)million) elimination of intersegment claims and obligations, offset by ¥280,758 million ($2,529 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 statement of operations.

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 statement of operations.

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 sheet.

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 statement of operations.

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

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

Fiscal 2021 (Year ended March 31, 2021)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥55,107	¥4,839	¥20,043	¥43	¥80,032

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	$496	$44	$181	$0	$721

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.

24 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2020 and 2021

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
	2020	2021	2021
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥(38,541)	¥29,335	$ 264
Reclassification adjustments	5,295	906	8
Sub-total, before tax	(33,246)	30,242	(272)
Tax (expense) benefit	9,685	(9,398)	(85)
Sub-total, net of tax	(23,561)	20,844	188
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	1,346	(204)	(2)
Reclassification adjustments	(190)	(184)	(1)
Acquisition cost adjustments	17	15	0
Sub-total, before tax	1,173	(374)	(3)
Tax (expense) benefit	(358)	114	0
Sub-total, net of tax	815	(260)	(2)
Foreign currency translation adjustments:			
Amount arising during the year	(9)	(10)	(0)
Reclassification adjustments	—	—	—
Sub-total, before tax	(9)	(10)	(0)
Tax (expense) benefit	—	—	—
Sub-total, net of tax	(9)	(10)	(0)
Remeasurements of defined benefit plans:			
Amount arising during the year	(190)	(2,385)	(21)
Acquisition cost adjustments	(500)	(3,830)	(34)
Sub-total, before tax	(690)	(6,215)	(56)
Tax (expense) benefit	232	1,776	16
Sub-total, net of tax	(458)	(4,439)	(40)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(2,669)	502	5
Reclassification adjustments	723	293	2
Sub-total	(1,946)	795	7
Total other comprehensive income	¥(25,159)	¥16,930	$ 153

25 SUBSEQUENT EVENTS

Issuance of Bonds

The Company issued the following straight bonds

1) Unsecured straight bonds, 162nd issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥45,000 million
   iii. Issue price: ¥100.003 per ¥100
   iv. Coupon rate: 0.001% per annum
   v. Maturity date: April 15, 2024
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

2) Unsecured straight bonds, 163rd issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥30,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.050% per annum
   v. Maturity date: April 15, 2026
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

3) Unsecured straight bonds, 164th issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.245% per annum
   v. Maturity date: April 15, 2031
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

4) Unsecured straight bonds, 165th issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥30,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.596% per annum
   v. Maturity date: April 15, 2041
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

5) Unsecured straight bonds, 166th issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.847% per annum
   v. Maturity date: April 14, 2051
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

6) Unsecured straight bonds, 167th issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.978% per annum
   v. Maturity date: April 15, 2061
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

7) Unsecured straight bonds, 168th issue, East Japan Railway Company
   i. Issue date: April 15, 2021
   ii. Amount: ¥35,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 1.142% per annum
   v. Maturity date: April 15, 2071
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

Other Procurement of Significant Funds

JR East conducted the following fund-raising with the aim of securing funds in anticipation of the impact of COVID-19 and the repayment of interest-bearing debt etc.

1) Issuance of commercial paper
   i. Issue date: April 22, 2021
   ii. Amount: ¥100,000 million
   iii. Coupon rate: (0.030)-(0.019)% per annum
   iv. Maturity date: March 22, 2022
   v. Existence of collateral, etc.: unsecured, unguaranteed

2) Long-term borrowing
   i. Borrowing date: April 27, 2021
   ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation
   iii. Amount: ¥150,000 million
   iv. Coupon rate: basic interest rate plus spread
   v. Repayment dates: October 27, 2027 to October 25, 2030
   vi. Existence of collateral, etc.: unsecured, unguaranteed

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, 2021.

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 2021, ended March 31, 2021. JR East continuously assesses those factors. However, actual results may differ materially from those estimates, given the uncertainty of forward-looking statements.

Of the estimates and assumptions used in the preparation of consolidated financial statements, items that could have a significant effect on financial position or management performance are as follows.

a. Recoverability of Deferred Tax Assets

Assumptions related to the recoverability of deferred tax assets have been stated in "SIGNIFICANT ACCOUNTING ESTIMATES," Notes to Consolidated Financial Statements, 4.

b. 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. Regarding asset groups for which market values have decreased markedly in comparison with book values and asset groups for which profitability has decreased markedly, with respect to asset groups for which the totals of estimated future cash flows and discounted future cash flows are lower than the book values of the asset groups, the book values are reduced to recoverable amounts, and impairment losses are recognized.

With respect to the calculation of recoverable amounts, in addition to assumptions about the decrease in demand due to the COVID-19 pandemic, assumptions used include those concerning the estimated number of years of future cash flows, forecasts of figures for operating revenues based on tenant occupancy and facilities renewal, the effects of cost reduction measures, forecasts of figures for net realizable value, and discount rates for the calculation of the current value of future cash flows.

If changes in assumptions become necessary due to such factors as the timing of the containment of the COVID-19 pandemic or the penetration of telecommuting and other structural changes in society, economic stagnation or unseasonable weather, competition with other operators, or a fall in market prices, impairment losses on fixed assets could be recognized in the consolidated financial statements of the following fiscal year and in subsequent fiscal years.

c. Estimates of Retirement Benefit Obligation

In estimating retirement benefit obligation in relation to employees, actuarial assumptions concerning discount rates, salary increase rates, retirement rates, mortality rates, and other items have been used. If actuarial assumptions and actual results differ or if actuarial assumptions change, the estimates of retirement benefit obligation of the following fiscal year could be affected.

Performance Analysis

Overview

In the fiscal year ended March 31, 2021, despite signs of recovery in the second half, the Japanese economy continued to be in a difficult state due to the ongoing spread of COVID-19.

There was a significant decline in the number of customers using railways following the spread of COVID-19. In addition, with respect to the life-style service business, there have been 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 been placing the utmost priority on preventing the spread of COVID-19 to its customers and employees and ensuring the safety and reliability of transportation and the quality of its services. In September 2020, the Group announced Speed Up "Move Up" 2027, a policy tailored to the post-COVID-19 society. By increasing the level and pace of its various initiatives, the Group will work to expedite its progress toward the achievement of "Move Up" 2027 management vision.

During the fiscal year under review, operating revenues declined 40.1%, to ¥1,764.6 billion, due mainly to the significant revenue declines in the Transportation, Retail & Services, and Real Estate & Hotels segments, which were attributable to the impact from the spread of COVID-19. In addition, as a result of these decreases in operating revenues, we recorded operating loss of ¥520.4 billion (operating income of ¥380.8 billion in fiscal 2020), and loss attributable to owners of parent of ¥577.9 billion (profit attributable to owners of parent of ¥198.4 billion in fiscal 2020).

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

- Installation of automatic platform gates completed at 61 railway stations (72 railway stations on a line-by-line basis) as of March 31, 2021
- Introduction of a "system to support decisions on moving railcars," which assists the moving of railcars to safe places in light of the damage caused by flooded rivers and other hazards brought about by Typhoon No. 19 (Hagibis) in 2019, at a total of 78 locations
- Implementation of practical training for train crew through actual video making use of simulators installed at all workplaces
- Promotion of additional seismic reinforcement covering more areas and facilities to prepare for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area, in conjunction with examination of measures in light of the damages incurred from the February 2021 earthquake off the coast of Fukushima Prefecture
- Implementation of verification tests at Tokyo, Ueno, and Omiya stations in August 2020 of hazardous-material detection dogs for baggage check to enhance security
- Implementation of test runs from September 2020 to January 2021 for a new train control system on the Hachiko Line that utilizes the Global Navigation Satellite System (GNSS) and a mobile wireless communication network with the aim of introducing the system in fiscal 2025
- Introduction of an AI-based method for detecting wind gusts in November 2020 for controlling train operations using the Doppler radar on certain segments of the Uetsu Line and the Rikuu West Line
- Establishment of a life-size mockup facility at the JR East General Education Center in December 2020, to promote technological development including the mechanization of work processes and renovation materials toward major upgrades to the Shinkansen

Service quality reforms

Based on "Medium-term Vision for Service Quality Reforms 2020," the JR East Group accelerated various initiatives, including to prevent transportation service disruptions and their impact on passengers from spreading as well as to strengthen information provision.

Specific measures

- Improvement of electrical equipment on conventional lines in the Tokyo metropolitan area to reduce transportation disruptions
- Establishment of a framework to promptly provide relevant information in the event of a planned suspension of operations when a natural disaster occurs, with swift information provision using this framework at the time of heavy snowfall in December 2020
- Implementation of year-round "Assistance and support campaign," which encourages our personnel to proactively ask customers whether they require assistance
- Commencement of the provision of information on the status of congestion inside trains over the last week in 15 sections of 13 line segments in the Tokyo metropolitan area via the JR East corporate website and the *JR East app*
- Expansion of services on the *JR East app* in July 2020 for providing real-time information on congestion within railcars, etc., to cover not only the Yamanote Line but also major line segments in the Tokyo metropolitan area
- Commencement in December 2020 of mobile phone services, including within tunnels, on all trains on the Shinkansen lines
- Continuation of preparations for the June 2021 renewal of the online ticket purchase service *eki-net*, including linkages with *JRE POINT* and support for reserving and purchasing discount tickets
- March 2021 installation of a non-contact-type AI guidance system that operates without the need to touch a screen at Kaihimmakuhari Station
- Promotion of preparations for the July 2021 launch of the Hokuriku E7 Series Shinkansen railcars equipped with wheelchair-designated free spaces
- Formulation of "Vision for Service Quality Reforms 2027" in March 2021, an initiative showing the direction of the JR East Group's services by virtue of encouraging each Group employee to "Think-and-Act" on their own initiative

Implementing ESG management

With its sights set on realizing the Sustainable Development Goals (SDGs), the JR East Group has implemented ESG management aimed at resolving social issues through its businesses.

Specific measures

- Announcement of "Zero-Carbon Challenge 2050," a long-term environmental goal toward achievement of net zero CO_2 emissions by fiscal 2051, as a railway business' target in May 2020 and as a Groupwide target in September 2020. In addition, formulation of a roadmap for achieving this target in December 2020
- Publication of the Group's first-ever integrated report *JR East Group INTEGRATED REPORT 2020* in August 2020 with the aim to introduce the Group's medium- to long-term value creation and sustainability initiatives, among other efforts
- First-ever disclosure in August 2020 of information that estimates the future financial impact of climate change on the railway business, utilizing the Task Force on Climate-related Financial Disclosures (TCFD) framework
- Establishment of the Energy Strategy Department in June 2020 to accelerate promotion of energy strategies
- With respect to plastic reduction efforts, completion of the replacement of plastic bags used inside ticket gate areas and at hotels and other locations with those made of substitute materials in September 2020, which followed the replacement of plastic straws at these locations. Additionally, receipt of the Award of Excellence in the Corporate Division of the "Initiative to Reduce Plastic Bags Together," which is spearheaded by the Ministry of the Environment
- Announcement of participation in July 2020 in food recycling and biogas generation business in the Tohoku region through Tohoku Bio Food Recycle Corporation
- Commencement in October 2020 of operations of the *Hydrogen JR Takeshiba Shuttle Bus* service, which offers shuttle between Tokyo Station and locations in the Takeshiba area, with the aim of realizing a hydrogen-based society
- Preparations under way for starting verification tests around March 2022 for the test hybrid railcar *HYBARI* based on hydrogen energy
- Implementation of field tests involving the reuse of batteries for electric vehicles to power railway crossing equipment, with trial operations set to take place on railway crossings along the Joban Line and the Mito Line in fiscal 2022
- Receipt of the Minister of the Environment Award at the Third Annual Japan Open Innovation Prize for displaying artwork by people with disabilities on a temporary fence nearby a railway station and creating tote bags that incorporate their art
- Development of child-rearing support facilities (cumulative total of 145 child-rearing-support facilities as of March 31, 2021)

Realizing affluent lives for "everyone"

Reforming transportation service quality

In addition to making its transportation services more attractive to provide even more comfort and convenience to customers, the JR East Group has made such efforts as promoting the flow of people to further expand opportunities for interaction while taking measures to prevent the spread of COVID-19.

Specific measures

- Revision of the timetables in March 2021 to make the last train times earlier in order to expand the hours of maintenance work and improve services by reforming work styles in railway construction and speeding up the installation and maintenance of railway equipment
- Promotion of review of measures to encourage off-peak commuting in accordance with new lifestyles and level out seasonal railway use
- Start of construction work on noise-cancelling equipment and other necessary facilities with the aim of increasing train speeds between Morioka Station and Shin-Aomori Station on the Tohoku Shinkansen Line from October 2020
- Continuation of test runs of *ALFA-X*, a test railcar geared toward realizing the next generation Shinkansen
- Testing of the Joetsu Shinkansen utilizing E7 Series railcars between Niigata Station and the Niigata Shinkansen Rolling Stock Center scheduled to take place in around fall 2021, in order to build and verify the necessary technologies for realizing the automated operation of Shinkansen lines
- Receipt of approval for the development of the Haneda Airport Access Line (provisional name) between Tokyo Freight Terminal Station and Haneda Airport New Station (provisional name) in January 2021
- Parallelization of the train platforms of the Saikyo Line and the Yamanote Line at Shibuya Station in June 2020, thereby making it easier for customers to transfer trains
- Commencement of operations of new E235 Series railcars on the Yokosuka/Sobu Rapid Line Service from December 2020
- Commencement of conductorless operations of new E131 Series railcars on certain segments of the Uchibo Line, the Sotobo Line, and other railway lines from March 2021
- Use of only the renewed E257 Series railcars as limited express trains on the Tokaido Line and launch of *eki-net* seat reservation smartphone app, through which customers can reserve seats online, eliminating the need to purchase paper tickets at railway stations in March 2021
- Installation of automatic train operation (ATO) devices on all local trains of the Joban Line in March 2021

Lifestyle development (town development)

With a view to enhancing profitability, the JR East Group moved forward with efforts toward the development of diverse and attractive towns and the proposal of new lifestyles by leveraging its capabilities in physical and digital domains.

Specific measures

- Expansion to 134 locations as part of the *STATION WORK* shared office business by March 2021, including the opening of *STATION DESK* in Yokohama Station in August 2020. At the same time, establishment of a new target of expanding to 1,200 locations nationwide by fiscal 2026 in order to further promote the business
- Establishment of Station City Energy Create Co., Ltd. in April 2020 to manage energy for the Shinagawa Development Project by utilizing advanced environmental technologies
- Commencement of robot verification tests for disinfecting procedures, deliveries, and other work in July 2020 at Takanawa Gateway Station. Also, addition of a verification test in December 2020 related to automatically linking elevators and robots
- Conclusion of a Memorandum of Understanding with KDDI CORPORATION in December 2020 regarding new decentralized urban development centered on the Shinagawa development project
- Announcement of comprehensive partnership with Seibu Holdings, Inc. in December 2020 geared toward new lifestyle creation, such as the expansion of "workations" and shared offices

- Adoption of 18 proposals submitted to the *JR EAST STARTUP PROGRAM 2020*, a program based on the theme of regional revitalization that aims to promote open innovation, and implementation of verification tests for these proposals
- Promotion of preparations to merge the subsidiaries JR East Retail Net Co., Ltd., JR East Foods Co., Ltd., JR East Water Business Co., Ltd. and Tetsudo Kaikan Co., Ltd. in April 2021 to establish JR East Cross Station Co., Ltd. with the goal of maximizing station value
- Preparations under way to merge the subsidiaries JR Chuo Line Mall Co., Ltd. and JR Tokyo West Development Co., Ltd. in April 2021 to establish JR Chuo Line Community Design Co., Ltd. with a view toward realizing the Lineside Urban Development Vision, which aims to create comfortable living spaces for people of all ages
- Forming of a capital and business alliance with Senshukai Co., Ltd. in September 2020 and the launch of joint services, such as *BELLE MAISON*, in March 2021, toward the achievement of ¥130.0 billion in *JRE MALL* transactions by fiscal 2026
- Announcement of JR East Group Strategic Vision as a Core Pillar "Beyond Stations" in March 2021 to transform railway stations from transportation hubs to lifestyle platforms designed to connect people, things, and experiences
- Preparations under way to open *KAWASAKI DELTA* (Kanagawa) and *MEGURO MARC* (Tokyo) in a bid to increase the overall appeal and value of local towns together with local communities
- Preparations under way to open hotels in Akita, Iwaki, and other areas to establish a hotel chain with more than 10,000 guest rooms
- Establishment of 5G base stations inside three railway stations in March 2021 as part of a plan to establish 100 base stations by fiscal 2026

Regional revitalization

The JR East Group is working to promote regional revitalization in all areas of East Japan through not only the promotion of tourism and urban development around regional core stations, but also the sextic industrialization of the agriculture, forestry, and fishing industries. By doing so, the Group will enrich local communities.

Specific measures

- In regard to distribution services via Shinkansen lines and other measures, sale of regional food products in the Tokyo metropolitan area as well as the sale of sweets and other products popular in the Tokyo metropolitan area in regional areas in collaboration with organizations such as JAPAN POST Co., Ltd., local governments, and other companies
- Launch of integrated post office and station counter operations at Emi Station on the Uchibo Line in August 2020 in collaboration with JAPAN POST Co., Ltd.
- Opening of the tourist farm *JR Fruits Park Sendai ARAHAMA* (Miyagi) in March 2021 in areas that were relocated as a group in Sendai City after the Great East Japan Earthquake
- Entry into capital and business alliance in October 2020 with Nousouken Corporation, which maintains contact points with agricultural producers and possesses a logistics network, with the aim of promoting such efforts as expanding sales of agricultural products at stores within railway stations and on *JRE MALL* and transporting agricultural products utilizing railway stations and trains
- Establishment of Hometown tax donation program website on *JRE MALL* in October 2020
- Utilization of the *TOHOKU Supporter* system to build momentum for the *TOHOKU Destination Campaign*, which will be launched in April 2021, in the Tohoku area and the Tokyo metropolitan area. In addition, promotion of preparations to realize extensive tours utilizing *Joyful Trains* and secondary transportation
- Opening of the *JR EAST Travel Service Center*, an in-station facility that provides information on areas within the JR East network and other tourism-related services, at Kawasaki and Akita stations in March 2021
- Reconstruction of the station building of Aomori Station in March 2021 and promotion of development of station buildings, government facilities, and hotels through collaboration with the local community

Making *Suica* a shared infrastructure and promoting MaaS

By enhancing the attractiveness of *JRE POINT*, expanding the use of *Suica*, and utilizing MaaS platform, the JR East Group has provided customers with additional convenience for transportation and payments.

Specific measures

- Establishment of the MaaS & *Suica* Promotion Headquarters in June 2020 to promote a three-pronged approach focused on *Suica*, MaaS, and data marketing
- Participation in a "cashless, consumer-returns business" and, in conjunction with this participation, an original campaign that increased the amount of *JRE POINTs* returned to customers when making cashless purchases at station buildings and inside railway stations
- Launch of a service that enables *Suica* use with the Rakuten Pay app in May 2020 and commencement of service that enables *Suica* to be charged using the Rakuten Pay app in December 2020, in collaboration with Rakuten Payment, Inc.
- Launch of a feature from July 2020 that enables seat reservations to be made smoothly by linking the *JR East app* with the *eki-net app*
- Implementation of the *Individual Number Card Points Program*, a campaign service launched in July 2020 that awards *JRE POINTs* to customers who charge their *Suica* through this program
- Gradual expansion of *JRE POINT* service at around 300 locations, including *ecute* stores, starting in October 2020
- Introduction in March 2021 for the Suica commuter pass of new *JRE POINT* services, *Off-Peak Point Service*, geared toward customers who commute during off-peak times, and *Repeater Point Service*, geared toward customers who use *Suica* repeatedly on segments with the same train fare
- Promotion of preparations to April 2021 launch a service enabling the conversion of *JRE POINTs* into electronic tickets, for use in cashless transactions at stores and shopping districts in local communities
- Introduction of *Multi-function Card for Regional Transit* service in Utsunomiya (Tochigi) and Morioka (Iwate) areas in March 2021 to promote greater use of *Suica* in regional areas
- Conclusion of agreement for business alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd. in July 2020 and implementation of a MaaS verification test in December 2020 that enables the selection of alternative means of transportation when an automobile accident occurs
- Promotion of preparations to launch *TOHOKU MaaS*, a tourism-oriented MaaS comprising trial operation of on-demand mobility services in the Akiu area (Miyagi), at eight locations in six prefectures in the Tohoku area in tandem with the *TOHOKU Destination Campaign*
- As the verification test for *Gugutto GunMaaS*, introduction of *Mae MaaS*, which features content that enables the use of discounts on buses and on-demand transport within Maebashi City (Gunma) by linking *Suica* with My Number cards, from December 2020 to March 2021
- Start of verification test of *Route Navigation based on Real-Time Information* with Keio Corporation and Odakyu Electric Railway Co., Ltd. in January 2021 and with West Japan Railway Company and Sagami Railway Co., Ltd. in March 2021
- Preparations under way to conduct a MaaS verification test in March 2021 on travelers from Japan to Hawaii in collaboration with Japan Airlines Co., Ltd.

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 proceeded with preparations as an Official Passenger Rail Transportation Services Partner of the Tokyo 2020 Olympic and Paralympic Games.

Specific measures

- Promotion of upgrades to railway stations near stadiums; completion of construction at Sendagaya, Shin-Kiba, and other stations, and opening of an east-west free passage at Shinjuku Station in July 2020
- 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
- Display of easy-to-understand information indicating the time until train arrival on platforms of the Yamanote Line
- Continuing of display *TOKYO SPORTS STATION*, a project that introduces the highlights and must-see points of each competition of the Tokyo 2020 Olympic and Paralympic Games, primarily on monitors on trains
- Conclusion of gold partner agreement with the Japan Boccia Association in August 2020 to help strengthen the national team, which included providing a venue for lodging the team in September and November 2020

Developing businesses for the world

By drawing on its wealth of technologies and expertise, the JR East Group has developed a range of transportation and life-style services overseas, primarily in Asia.

Specific measures

- Preparations under way to open *Hotel Metropolitan Premier Taipei*, the JR East Group's first overseas hotel, in summer 2021
- Receipt of order by the subsidiary Japan International Consultants for Transportation Co., Ltd. for providing operation and maintenance consulting for Jakarta MRT North-South Line in Indonesia together with Nippon Koei Co., Ltd. and conclusion of agreement in October 2020
- Receipt of order by the subsidiary Japan Transport Engineering Company to supply 240 railcars for the Metro Manila Subway in the Philippines together with Sumitomo Corporation and conclusion of agreement in December 2020

Happiness of employees and their families

The JR East Group promoted operational, working style and workplace reforms and strengthened its corporate structure with the goal of creating a sense of fulfillment in work for its employees that establishes the foundation for the sustainable growth "Move Up" 2027 aims to achieve.

Specific measures

- Establishment of "a new job rotation system" in April 2020 that aims to flexibly respond to the diverse ambitions of employees and promote an even more active role and further the growth of each employee in a broad range of fields
- Renewal of 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, in addition to the promotion of preparations for the renewal of uniforms for maintenance workers in fiscal 2022
- Revision of systems such as child-rearing and nursing-care leave and promotion of the introduction of a flextime system at certain on-site work locations to enhance job satisfaction of employees
- Promotion of a *cross-organizational project* in which employees at on-site work locations go beyond the framework of their position to leverage their creativity more closely with customers

Results by business segment were as follows.

Segment Information

Transportation

In the Transportation segment, JR East made concerted Groupwide efforts to enforce rigorous measures in response to COVID-19 while ensuring the provision of safe and reliable transportation and high-quality services.

Specific measures

- Engagement in PR activities that focused on safety and sanitation, which involved such efforts as disinfecting and ventilating areas within stations and railcars as well as requiring all station staff and train crew to wear masks, and promotion of the use of touchless payment services such as *Suica* and Shinkansen e-tickets
- Commencement of the *Osakini Tokudane Special* (50%-off) *Campaign* for all Shinkansen lines in July 2020 and launch of products in conjunction with the Japanese government's *Go To Travel Campaign*
- Expansion of the applicable segments for the *Osakini Tokudane Special* (50%-off) *Campaign* in November 2020
- Expansion of *Touch de Go! Shinkansen* service area in March 2021

Despite these efforts, operating revenues in the Transportation segment were down 43.9%, to ¥1,167.7 billion ($10,520 million), owing to major revenue declines in the railway and bus businesses caused by the impact from the spread of COVID-19. In addition, the segment recorded operating loss of ¥532.4 billion ($4,796 million) (operating income of ¥250.6 billion in fiscal 2020).

Shinkansen Network

In the Shinkansen network, passenger kilometers decreased 64.7% year on year, to 8.0 billion, due to the COVID-19 pandemic and other factors. Shinkansen commuter pass revenues decreased 19.0% year on year, to ¥20.9 billion ($189 million), and non-commuter pass revenues decreased 68.7%, to ¥168.7 billion ($1,520 million). The total of Shinkansen commuter pass revenues and non-commuter pass revenues decreased 66.5% year on year, to ¥189.6 billion ($1,709 million).

Conventional Lines (Kanto Area Network)

For conventional lines in the Kanto area network, passenger kilometers decreased 32.2% year on year, to 72.8 billion, due to the COVID-19 pandemic and other factors. Commuter pass revenues decreased 26.3%, to ¥342.9 billion ($3,089 million), while non-commuter pass revenues decreased 44.8%, to ¥383.7 billion ($3,457 million). The total of commuter pass revenues and non-commuter pass revenues decreased 37.4% year on year, to ¥726.6 billion ($6,546 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers decreased 31.1% year on year, to 3.8 billion, due to the COVID-19 pandemic and other factors. Commuter pass revenues decreased 15.5%, to ¥15.4 billion ($139 million), while non-commuter pass revenues decreased 53.6%, to ¥22.6 billion ($204 million). The total of commuter pass revenues and non-commuter pass revenues decreased 43.2% year on year, to ¥38.1 billion ($343 million).

Retail & Services

In the Retail & Services segment, JR East set out to open new stores inside railway stations and enhance the value of existing businesses.

Specific measures

- Renovation and reopening of *Gyutan Street* and *Sushi Street* at Sendai Station in May 2020
- Opening of four new stores in June 2020 in the newly developed area of *ecute Ueno* (Tokyo)
- Opening of *GranSta Tokyo* (Tokyo), our largest commercial facility inside a railway station, in August 2020
- Opening of *ecute EDITION Yokohama* (Kanagawa) in August 2020
- Opening of *KINOKUNIYA Sutto Mejiro Station Store* (Tokyo), a mini-supermarket with only self-checkout machines, in October 2020
- Opening of *Kimchi, Durian, Cardmom, , ,Food Lab* (Tokyo) at Shin-Okubo Station in March 2021

However, operating revenues in the Retail & Services segment were down 33.8%, to ¥379.9 billion ($3,423 million), due in part to the significant revenue declines at stores and restaurants within railway stations and in advertising and publicity services, which were the result of the impact from the spread of COVID-19. Furthermore, the segment recorded operating loss of ¥13.5 billion ($122 million) (operating income of ¥34.4 billion in fiscal 2020).

Real Estate & Hotels

In the Real Estate & Hotels segment, JR East proceeded with the lifestyle development (town development) such as development of large-scale terminal stations and in line-side areas and enhanced the appeal of local towns and communities.

Specific measures

- As the *WATERS takeshiba* (Tokyo) urban mixed-use development, opening of offices and *mesm Tokyo*, *Autograph Collection* in April 2020, opening of *atré Takeshiba* (Phase I) in June 2020, opening of *atré Takeshiba* (Phase II) in August 2020, and opening of *JR EAST Shiki Theatre AKI* in October 2020
- Opening of *HOTEL METROPOLITAN KAMAKURA* (Kanagawa) in April 2020
- Opening of *HOTEL METROPOLITAN KAWASAKI* (Kanagawa) in May 2020
- Opening of *JR-EAST HOTEL METS YOKOHAMA* (Kanagawa) and *JR-EAST HOTEL METS YOKOHAMA SAKURAGICHO* (Kanagawa) in June 2020
- Opening of *CIAL YOKOHAMA* (Kanagawa) and *NEWoMan YOKOHAMA* (Kanagawa) in June 2020
- Commencement of resident acceptance at *View Lieto Gran Shinjuku Toyama* (Tokyo), a large-scale rental housing complex, in June 2020
- Opening of *Hibiya OKUROJI* (Tokyo) in September 2020
- Opening of *HOTEL METROPOLITAN YAMAGATA South Tower* (Yamagata) in November 2020
- Opening of *JR SENDAI EAST GATE BLDG.* (Miyagi) in February 2021

Despite these efforts, operating revenues in the Real Estate & Hotels segment were down 21.1%, to ¥291.5 billion ($2,626 million), as the spread of COVID-19 led to a major revenue decline at station buildings and hotels. The segment also posted operating income of ¥15.2 billion ($136 million), a 79.7% decline, in fiscal 2020.

Others

In the Others segment, JR East moved ahead with efforts to expand the use of *Suica*, participation in overseas railway projects, and other measures.

Specific measures

- In *Suica* shopping services (electronic money), continuation of efforts to expand the number of compatible stores by enabling *Suica* use at cafes, supermarkets and other locations; issuance of approximately 85.9 million *Suica* cards as of March 31, 2021; and achievement of 10 million members for *Mobile Suica* in September 2020
- With respect to overseas railway projects, through the subsidiary Japan International Consultants for Transportation Co., Ltd., provision of consultation services for the "Detailed Design Study on the High Speed Railway Construction Project in India" and completion of supervision work for the construction of a training center for National High Speed Rail Corporation Limited (NHSRCL) in India in October 2020

However, with the decline in revenue from the data processing business and the significant decrease in revenue from the credit card business due to the impact from the spread of COVID-19, operating revenues from Others were down 11.3%, to ¥243.6 billion ($2,195 million). In addition, operating income declined 38.2%, to ¥14.8 billion ($133 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 (loss) of each segment of JR East corresponds to the segment income (loss) under the said Accounting Standard and Guidance.

Note: The Company uses an online system that is jointly used for the sale of reserved-seat tickets for trains and other tickets (Multi Access seat Reservation System (MARS)) by six JR Companies. With respect to the consignment of settlement operations and other matters for the settlement of revenue among respective JR Companies, a contract has been concluded with RAILWAY INFORMATION SYSTEMS CO., LTD.

Operating income

Operating expenses decreased 10.9% year on year, to ¥2,284.9 billion ($20,585 million). Operating expenses as a percentage of operating revenues were 129.5%, compared with 87.0% in the previous fiscal year.

Transportation, other services and cost of sales decreased 10.8%, to ¥1,724.6 billion ($15,537 million), because of a decrease in non-personnel expenses and other factors.

Selling, general and administrative expenses decreased 11.4%, to ¥560.3 billion ($5,048 million), which was due to a decrease in non-personnel expenses and other factors.

Operating loss was ¥520.4 billion ($4,688 million) (a ¥14.6 billion improvement compared with the business results forecast in January). Operating income was ¥380.8 billion in the previous fiscal year.

Income before income taxes

Other income rose 25.2%, to ¥65.9 billion ($594 million), due mainly to an increase in construction grants received.

Other expenses were up 34.8%, to ¥249.2 billion ($2,245 million), mainly as a result of an increase in impairment losses on fixed assets.

Loss before income taxes was ¥703.6 billion ($6,339 million). Income before income taxes was ¥284.2 billion in the previous fiscal year.

Profit (Loss) Attributable to Owners of Parent

Loss attributable to owners of parent was ¥577.9 billion ($5,206 million) (a ¥127.9 billion deterioration compared with the business results forecast in January), mainly due to the recognition of loss before income taxes. Profit attributable to owners of parent was ¥198.4 billion in the previous fiscal year. Loss per share was ¥1,531.91 ($14), compared with earnings per share of ¥524.91 per share in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2021, net cash used in operating activities totaled ¥190.0 billion ($1,712 million), while net cash provided by operating activities totaled ¥548.7 billion in the previous fiscal year. This result was mainly due to the recognition of loss before income taxes.

Net cash used in investing activities amounted to ¥749.4 billion ($6,751 million), ¥47.8 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 and conducted renovation work at existing stores. These efforts included *GranSta Tokyo*, which entailed renovation of the north passage of Tokyo Station, and *ecute EDITION Yokohama*. In the Real Estate & Hotels segment, capital expenditures included those for *JR Yokohama Tower* and *JR Yokohama Tsuruyacho Building*, *WATERS takeshiba*, and *JR Sendai East Gate Building*. In the Others segment, capital expenditures included those for systems development. Further, free cash flows decreased ¥786.5 billion, to a negative ¥939.4 billion ($8,463 million).

Net cash provided by financing activities came to ¥983.4 billion ($8,859 million), ¥940.0 billion more than in the previous fiscal year. This result was mainly due to proceeds from procurement of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2021, were ¥198.0 billion ($1,783 million), an increase of ¥44.2 billion from ¥153.8 billion on March 31, 2020.

Financial Policy

With respect to capital expenditures, JR East will seek early realization of the JR East Group Management Vision "Move Up" 2027 by actively implementing growth investment that contributes to the enhancement of future profitability; by steadily implementing priority budget allocation investment that contributes to reform of work and other initiatives; and, with ensuring safety as a premise, by revising the scale of investment needed for the continuous operation of business. JR East plans to invest a total of ¥3,888.0 billion from fiscal 2022 until fiscal 2026. Further, with respect to shareholder returns, for the medium to long term JR East has set a target of 40% for the total return ratio and is aiming for a dividend payout ratio of 30%. As for the funds required for these shareholder returns, JR East is utilizing cash flows from operating activities as well as raising funds through such methods as bond issuance and borrowing from financial institutions. JR East's medium- to long-term approach is for the balance of consolidated interest-bearing debt to be at a level that corresponds to consolidated operating revenues and consolidated operating income. Specifically, JR East aims for net interest-bearing debt / EBITDA of about 3.5 times. Further, in January 2021 the Company announced that it will endeavor to improve net interest-bearing debt / EBITDA to 5.0 times or lower by fiscal 2026 and continue to ensure financial soundness thereafter.

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, 2021, stood at ¥4,152.3 billion ($37,408 million). Further, EBITDA is the sum of consolidated operating income and consolidated depreciation. In fiscal 2020, negative EBITDA of ¥131.5 billion ($1,185 million) was recognized.

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 regards the maintenance and improvement of the soundness of its financial position and the securing of adequate liquidity on hand as a basic policy and raises funds through such methods as bond issuance and borrowing from financial institutions. Further, with the aim of curbing the risk of interest rate hikes, JR East realizes long-term fixed rates for interest payable through conversion to fixed rates for interest payable and through the lengthening of the periods of fund procurement. In addition, JR East curbs future refinancing risk by controlling the amount of debt redemption of each fiscal year and by selecting periods that facilitate standardization.

In fiscal 2021, JR East issued 17 unsecured straight bonds in Japan, with a total nominal amount of ¥430.0 billion ($3,874 million) and maturities from 2023 through 2070. In addition, JR East borrowed long-term funds of ¥281.7 billion ($2,538 million) from financial institutions. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated the aforementioned bonds AA+. Further, JR East received long-term debt ratings from S&P Global Ratings Japan Inc. and Moody's Japan K.K. of A+ and A1, respectively.

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities stood at ¥322.0 billion ($2,901 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 ¥0.6 billion ($6 million) for the Akita hybrid Shinkansen facilities and ¥0.5 billion ($4 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 ¥580.0 billion ($5,225 million). Further, as of the end of fiscal 2021, the outstanding balance of bank overdrafts was ¥300.0 billion ($2,703 million). In addition, R&I (Rating and Investment Information, Inc.) and JCR (Japan Credit Rating Agency, Ltd.) rated JR East's commercial paper a-1+ and J-1+, respectively, as of the end of fiscal 2021. As of March 31, 2021, the outstanding balance of commercial paper was ¥415.0 billion ($3,739 million). Also, JR East has established a committed bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥300.0 billion ($2,703 million). Further, there was no outstanding balance associated with usage of the committed bank credit line as of the end of fiscal 2021.

For such purposes as securing funds in preparation for the effect of the COVID-19 pandemic and redemption of interest-bearing liabilities, the following measures have been taken.

On April 15, 2021, JR East issued seven unsecured straight bonds in Japan, with a total nominal amount of ¥200.0 billion ($1,802 million) and maturities from 2024 through 2071. R&I rated these bonds AA+. In addition, on April 27, 2021, the Company borrowed ¥150.0 billion ($1,351 million) in long-term funds from financial institutions.

On April 1, 2021, the commercial paper issuance facility was increased, and R&I and JCR have rated JR East's commercial paper a-1+ and J-1+, respectively. Also, as of the end of month before the month to which the date for release of the Annual Securities Report belongs, the outstanding balance of commercial paper was ¥515.0 billion ($4,640 million).

Operational and Other Risk Information

In fiscal 2020, the JR East Group strengthened its overall risk management. The Group is taking measures to avoid or reduce the common risks of businesses as well as the risks unique to particular businesses. Specifically, each year the risks of all businesses are identified based on outside expertise and internal opinions. These risks are analyzed and assessed based on their frequency of occurrence and degree of impact. Then, the significant risks of the fiscal year are determined, and countermeasures are considered and implemented to avoid or reduce the risks. In this way, the Company reviews risks through a plan–do–check–act (PDCA) cycle, monitors the degree of achievement and progress of initiatives aimed at avoiding or reducing risks, as required, at the meeting of Board of Directors, examines future policies, and ensures the effectiveness of risk management.

Going forward, in speeding up the pace of transformation through efforts to improve profitability and undertake structural reforms, it will be important not only to view risk management as something that avoids or reduces such negative factors as loss but also to view it from a broad perspective that encompasses proactive efforts to increase the value of the Group through risk taking.

By conducting this type of risk management, JR East will ensure stable and appropriate management of operations and support and encourage bold initiatives that help Group employees to grow.

The followings 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, 2021.

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, aiming to prevent railway accidents attributable to the JR East Group, JR East implemented derailment countermeasures, which included the installation of ATS-P automatic train stop systems, and strengthened the durability of key facilities through reinforcement work to prevent power poles and signal poles from falling and measures to prevent the collapse of passenger sheds and train sheds.

With respect to measures to prevent accidents at level crossings, JR East proceeded with the consolidation and elimination of level crossings while increasing the installation of level crossing alarm systems and upgrading the functions of obstacle detection devices. By the end of fiscal 2021, JR East had completed installation of automatic platform gates at 72 railway stations and 142 tracks on a line-by-line basis, mainly on the Yamanote, Keihin-Tohoku, and Negishi lines. In fiscal 2022, JR East will install automatic platform gates at 21 railway stations and 42 tracks on a line-by-line basis. Further, JR East had installed Smart Platform Doors, which shorten construction periods and reduce costs, at 10 railway stations and 20 tracks by the end of fiscal 2021. By continuing to actively introduce Smart Platform Doors, the Company aims to install automatic platform gates as soon as possible.

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 year, risks from abnormal weather such as heavy rains and typhoons have been increasing. 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. 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, with regard to earthquake countermeasures, JR East is continuing to reduce risk through such measures as the advancement of additional seismic reinforcement covering more areas and facilities to prepare for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area. As for flooding countermeasures, taking into consideration the damage that resulted from overflowing rivers and other hazards brought about by Typhoon No. 19 (Hagibis) in 2019, JR East is advancing risk reduction measures, which include the introduction of a system to support decisions on moving railcars to safe places at all 78 railyards where there is a possibility of flooding and the implementation of training on the moving of railcars. Meanwhile, in preparation for large-scale power outages caused by natural disasters, JR East is extending the operating hours of emergency generators at major terminal stations and other locations. In addition, to maintain procurement stability, the Company is taking steps to enable procurement 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.

Since 2020, COVID-19 has been spreading both in Japan and overseas. In Japan, the government has issued three state of emergency declarations, which requested people to limit economic activities and refrain from going outdoors. These changes have been significantly affecting the JR East Group's performance. Railway transportation volume has decreased dramatically, the Group's commercial facilities have suspended operations, and the number of hotel guests has fallen. In addition, demand from visitors to Japan has decreased due to restrictions on entry into Japan from overseas. Based on guidelines, the Group has been taking measures to prevent COVID-19 infection. Giving first priority to ensuring the safety and peace of mind of customers, the Group is installing disinfectant dispensers and cleaning and disinfecting equipment and facilities in railway stations, ventilating railcar interiors, and providing congestion information in relation to railway stations and railcars. Also, the Group is reinforcing rigorous efforts to prevent the spread of infection—through such measures as the wearing of masks by employees—and is cooperating with the government and municipal authorities while taking the necessary measures to enable the securing of appropriate transportation.

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.

Against this backdrop, based on the JR East Group Management Vision "Move Up" 2027 and Speed Up "Move Up" 2027, which was announced in September 2019, the Group is advancing Mobility as a Service (MaaS) and other initiatives that introduce seamless mobility and integrate diverse services into one-stop services, and the Group is providing services that cater to the various needs of customers in their day-to-day lives through the combination of optimal means of travel, purchasing, and payment. Also, in anticipation of changes in the business environment, the Group is tackling initiatives aimed at providing new value to society. These initiatives include the acceleration of efforts to cater to diversifying lifestyles by expanding and enhancing facilities and products suitable for telecommuting and workations and by offering the Off-Peak Point Service and the Repeater Point Service. In addition, the Group will qualitatively transform its transportation service business by working on technological innovation and productivity improvement, such as increasing driver-only operation, realizing autonomous driving in the future, advancing the streamlining of facilities, and reforming systems for maintenance work. 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. Also, loss of the public's trust due to the external leakage of personal or other information stored in information systems or the falsification of data as a result of infection with a computer virus, unauthorized operation by humans, or other causes could affect the JR East Group'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, the Group endeavors to realize strict management and protection of personal information through such measures as the establishment of internal rules and regulations, rigorous stipulations on the handling of personal information, restrictions on the personnel authorized to handle personal information, management of access authorization, and the establishment of an internal checking system.

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 lines 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.

With respect to the treatment 30 years after the commencement date of the loaning, new determinations are established through discussions, and the current usage fees could change. Further, the new Shinkansen line segments on loan from the JRTT and the final fiscal 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, 2021, the consolidated statement of operations, 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 and 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, 2021, and its consolidated financial performance and its consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group"), deferred tax assets of ¥344,825 million were recognized as of March 31 2021. As described in Note 21, "Income taxes" to the consolidated financial statements, the amount of the gross deferred	The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets was appropriate included the following: ● We assessed the appropriateness of the company classification under the Implementation Guidance considering the reasons why significant tax losses

tax assets before being offset by deferred tax liabilities amounted to ¥408,315 million. The majority of this amount was recognized by East Japan Railway Company, which was particularly material. Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income. Whether deferred tax assets have an effect to reduce future taxable income (i.e. recoverability of deferred tax assets) is determined in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Implementation Guidance No. 26 of the Accounting Standards Board of Japan) (hereinafter, the "Implementation Guidance"). The appropriateness of this determination is dependent upon the propriety of the company classification under the Implementation Guidance and the future taxable income before considering the effect of temporary differences estimated based on the earnings potential. Especially, the future taxable income before considering the effect of temporary differences was estimated based on the earnings projection. A key assumption underlying the earnings projection was the prospect of the recovery of operating revenues from the railway transportation business, which involved such uncertain estimates as the timing of when the spread of COVID-19 would be contained and any impact of the resulting changes in social structures. Accordingly, management's judgment thereon had a significant effect on the estimated future taxable income. We, therefore, determined that our assessment of the appropriateness of management's judgment on the recoverability of deferred tax assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	were incurred and the future taxable income before considering the effect of temporary differences estimated based on the earnings projection; ● We assessed the reasonableness of management assumptions including the prospect of recovery of operating revenues from the railway transportation business, which was a key assumption used in developing the earnings projection, through discussion with management, as well as by inspecting and agreeing relevant internal materials and comparing them with information available from external sources; and ● We examined the consistency of the estimated future taxable income before considering the effect of temporary differences, which was used in determining the recoverability of deferred tax assets, with the earnings projection approved by the Board of Directors.

Accuracy of revenue recognition for revenues from the passenger transportation business

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of operations of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group"), operating revenues of ¥764,584 million was recognized for the current fiscal year. Of this amount, operating revenues from sales to general customers within the Transportation segment amounted to ¥1,095,730 million, representing 62.1% of total operating revenues. The majority of this amount was attributable to revenues from the passenger transportation business of East Japan Railway Company, which was particularly material. In recognizing revenues from the passenger transportation business, the Group aggregates sales data of passenger tickets sold in various forms of settlement including cash, electronic money and credit cards, and then goes through complex processes, which are outsourced to Railway Information Systems Co., Ltd., including the aggregation of received with those of other JR companies, and the settlement of fares with other JR companies and transportation operators with whom the Group provides connecting railway services. As these processes involve a mechanism developed to inter-link multiple IT systems with each other, the recognition of revenues from the passenger transportation business is highly dependent on the IT systems. In order to ensure the accuracy of revenue recognition for revenues from the passenger transportation business, appropriate maintenance and operations of relevant IT systems are extremely important. Accordingly, we determined that the involvement of our IT specialists in assessing the effectiveness of these IT systems was necessary. We, therefore, determined that our assessment of the accuracy of revenue recognition for revenues from the passenger transportation business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess the accuracy of revenue recognition for revenues from the passenger transportation business, we primarily performed the following procedures with the assistance of IT specialists within our firm: ● We tested the effectiveness of certain application controls over the interfaces by assessing data consistency among the IT systems related to revenue recognition for revenues from the passenger transportation business, such as the station revenue management system, the Suica ID management system and the accounting system; ● We tested the effectiveness of certain general IT controls over the relevant IT systems, such as user access management, system change management and system operation management, to confirm that the application controls described above operated consistently during the period under audit; ● We tested the design and operating effectiveness of certain of the Group's internal controls related to the daily reconciliation of the counted cash balance to sales at each station, which is the activity to validate the accuracy of information in the station revenue management system; and ● We tested the design and operating effectiveness of certain internal controls over outsourced processes by inspecting the "Service Organization's Description on its Systems and Assurance Report on Controls at Service Organization by Independent Auditor of Service Organization" issued by the auditors of Railway Information Systems Co., Ltd., and inquiring of the auditors about the procedures they performed. In addition to performing the aforementioned audit procedures to assess the accuracy of the processing of the IT systems inter-linked with each other, we assessed the correlation between the passenger kilometers carried, an index for passenger transportation, and revenues from the passenger transportation business.

Appropriateness of the amount of an impairment loss recognized on fixed assets used in the monorail service business

The key audit matter	How the matter was addressed in our audit
In the consolidated statement of operations of East Japan Railway Company and its consolidated subsidiaries (hereinafter collectively referred to as the "Group"), impairment losses of ¥80,032 million were recognized for the current fiscal year. As described in Note 12, "Impairment losses on fixed assets" to the consolidated financial statements, an impairment loss of ¥53,180 million was recognized on fixed assets used in the monorail service business, which was particularly material. In recognizing an impairment loss, future cash flows expected to be generated from an asset group for which an impairment indicator has been identified are estimated, and an impairment loss is recognized if the undiscounted future cash flows are less than the carrying amount of the asset group. If the recognition of an impairment loss is deemed necessary, the carrying amount of the asset group is reduced to the recoverable amount, and the resulting decrease is recognized as an impairment loss. Tokyo Monorail, which provides a passenger transportation service connecting the Tokyo metropolitan area and Haneda Airport, has been experiencing a significant deterioration in its business environment as the number of passengers using Haneda Airport has declined due to an impact of COVID-19 and intensified competition as a result of fare reductions implemented by competitors. Accordingly, an impairment indicator was identified for the fixed assets used for this service, and the Group assessed whether it was necessary to recognize and measure an impairment loss for this asset group, As a result, the carrying amount of the asset group was reduced to its recoverable amount. The value in use calculated in measuring an impairment loss is the present value of future cash flows expected to be generated from the asset group based on the business plan. Key assumptions used in the calculation, such as the projection of the number of passengers using Haneda Airport and the forecast for the Group's market share among competitors, included elements of estimation. In addition, net selling prices of fixed assets included elements of estimation in the measurement of fair value and expected disposal costs. These estimates involve a high degree of uncertainty and accordingly, management's judgment thereon had a significant effect on these estimates. We, therefore, determined that our assessment of the appropriateness of the amount of an impairment loss recognized on fixed assets used in the monorail service business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of the amount of an impairment loss recognized on fixed assets used in the monorail service business included the following: ● We assessed the reasonableness of management's assumptions within the projection of the number of passengers using Haneda Airport and the forecast for the Group's market share among competitors, which were used in developing the business plan, by comparing them with information available from external sources and historical data on competition; ● We assessed the appropriateness of the appraisal values of significant real estate, which formed the basis for the net selling price of the asset group, by involving valuation specialists within our firm; and ● We assessed the appropriateness of the expected disposal costs, which formed the basis for the net selling price of the asset group, by tracing them to supporting worksheets that accumulated various costs and comparing them with historical experience of disposal costs.

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 with regard to 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.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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

Kazuhiko Azami
Designated Engagement Partner
Certified Public Accountant

Hideki Yoshida
Designated Engagement Partner
Certified Public Accountant

Naoki Saito
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 22, 2021

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/