FINANCIAL DATA 2022

For the Year Ended March 31, 2022

CONTENTS

Consolidated Balance Sheet

East Japan Railway Company and Subsidiaries
March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2021	2022	2022
Assets			
Current Assets:			
Cash and cash equivalents (Notes 6, 10 and 12)	¥ 197,960	¥ 171,023	$ 1,402
Receivables (Note 10):			
Accounts receivable–trade	499,105	542,996	4,451
Contract assets (Notes 3 and 23)	—	4,202	34
Unconsolidated subsidiaries and affiliated companies	12,725	9,954	82
Other	5,628	6,949	57
Allowance for doubtful accounts (Note 2 (4))	(2,572)	(2,802)	(23)
	514,886	561,299	4,601
Inventories (Notes 2(5) and 7)	83,647	94,214	772
Real estate for sale (Notes 2(6) and 8)	4,081	18,006	148
Other current assets	97,833	62,459	511
Total current assets	898,407	907,001	7,434
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 9)	80,410	91,194	747
Other (Notes 2 (7), 10 and 11)	237,317	212,565	1,743
	317,727	303,759	2,490
Property, Plant and Equipment (Notes 2 (8), (12), (17), 8, 12 and 22):			
Buildings	3,166,124	3,261,492	26,734
Structures	6,413,547	6,515,476	53,406
Machinery, rolling stock and vehicles	2,976,147	3,016,675	24,727
Land	2,145,695	2,164,997	17,746
Construction in progress	361,627	334,610	2,743
Other	302,586	308,269	2,525
	15,365,726	15,601,519	127,881
Less accumulated depreciation	8,247,575	8,423,663	69,046
Net property, plant and equipment	7,118,151	7,177,856	58,835
Other Assets:			
Deferred tax assets (Note 21)	344,825	442,562	3,628
Other	237,310	260,247	2,133
	582,135	702,809	5,761
	¥ 8,916,420	¥ 9,091,425	$ 74,520

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2021	2022	2022
Liabilities and Net Assets			
Current Liabilities:			
Short-term borrowings	¥ 300,000	¥ 60,749	$ 498
Current portion of long-term debt (Notes 10 and 13)	223,320	252,500	2,070
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 10, 12 and 14)	4,215	3,806	31
Prepaid railway fares received	77,526	69,599	570
Payables (Note 10 and 12):			
Accounts payable–trade	50,255	46,036	377
Unconsolidated subsidiaries and affiliated companies	104,521	87,627	718
Other	640,184	587,835	4,819
	794,960	721,498	5,914
Accrued expenses	100,680	92,116	755
Accrued consumption taxes (Notes 10 and 15)	7,857	34,655	284
Accrued income taxes (Notes 2 (14), 10 and 21)	22,074	10,938	90
Allowance for partial transfer costs of railway operation	—	129	1
Other current liabilities	502,218	442,569	3,628
Total current liabilities	2,032,850	1,688,559	13,841
Long-Term Liabilities:			
Long-term debt (Notes 10 and 13)	3,089,181	3,741,616	30,669
Long-term liabilities incurred for purchase of railway facilities (Notes 10, 12 and 14)	318,874	315,067	2,583
Net defined benefit liability (Notes 2 (9) and 20)	482,222	465,347	3,814
Deposits received for guarantees	151,849	151,972	1,246
Deferred tax liabilities (Note 21)	5,221	2,310	19
Allowance for partial transfer costs of railway operation (Note 2 (10))	1,131	—	—
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (11))	120,000	144,000	1,180
Other long-term liabilities	157,731	164,443	1,348
Total long-term liabilities	4,326,209	4,984,755	40,859
Contingent Liabilities (Note 16)			
Net Assets (Note 17):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2022—377,932,400 shares;			
Outstanding, 2022—377,238,734 shares	200,000	200,000	1,639
Capital surplus	96,523	96,411	790
Retained earnings	2,181,571	2,047,408	16,782
Treasury stock, at cost, 693,666 shares in 2022	(5,554)	(5,564)	(46)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	54,322	47,830	392
Net deferred gains (losses) on derivatives under hedge accounting	2,137	2,464	20
Revaluation reserve for land (Note 2 (18))	(434)	(257)	(2)
Foreign currency translation adjustments	(25)	258	2
Remeasurements of defined benefit plans	6,487	6,378	53
Non-controlling interests	22,334	23,183	190
Total net assets	2,557,361	2,418,111	19,820
	¥8,916,420	¥9,091,425	$74,520

Consolidated Statements of Operations and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2021 and 2022

(I) Consolidated Statement of Operations

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2021	2022	2022
Operating Revenues (Note 23 and 24)	¥1,764,585	¥1,978,967	$16,221
Operating Expenses:			
Transportation, other services and cost of sales	1,724,645	1,596,069	13,083
Selling, general and administrative expenses	560,298	536,837	4,400
	2,284,943	2,132,906	17,483
Operating Income (Loss) (Note 24)	(520,358)	(153,939)	(1,262)
Other Income (Expenses):			
Interest expense on short- and long-term debt	(39,396)	(41,114)	(337)
Interest expense incurred for purchase of railway facilities	(21,267)	(21,044)	(172)
Loss on sales of fixed assets	(160)	(166)	(1)
Impairment losses on fixed assets (Notes 2 (17) and 24)	(80,032)	(9,652)	(79)
Interest and dividend income	5,044	9,801	80
Equity in net income (loss) of affiliated companies	(13,417)	12,016	98
Gain on sales of investment in securities	369	20,652	169
Gain on sales of fixed assets	11,660	6,498	53
Provision for allowance for earthquake-damage	(6,968)	(21,256)	(174)
Disaster-damage losses	(593)	(377)	(3)
Subsidies for cooperation income	184	6,627	54
Other, net	(38,657)	11,452	94
	(183,233)	(26,563)	(218)
Income (Loss) before Income Taxes	(703,591)	(180,502)	(1,480)
Income Taxes (Notes 2 (14) and 21):			
Current	13,264	12,528	103
Deferred	(134,154)	(98,505)	(808)
Profit (Loss)	(582,701)	(94,525)	(775)
Profit (Loss) Attributable to Non-Controlling Interests	(4,801)	424	3
Profit (Loss) Attributable to Owners of Parent	¥ (577,900)	¥ (94,949)	$ (778)

	Yen		U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (15))	¥(1,532)	¥(252)	$(2)
Cash Dividends Applicable to the Year (Note 2 (15))	100	100	1

See accompanying notes.

(II) Consolidated Statements of Comprehensive Income (Note 25)

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2021	2022	2022
Profit (Loss)	¥(582,701)	¥(94,525)	$(775)
Other Comprehensive Income:	16,930	(6,018)	(49)
Net unrealized holding gains (losses) on securities	20,844	(5,650)	(46)
Net deferred gains (losses) on derivatives under hedge accounting	(260)	327	2
Foreign currency translation adjustments	(10)	257	2
Remeasurements of defined benefit plans	(4,439)	(784)	(6)
Share of other comprehensive income of associates accounted for using equity method	795	(168)	(1)
Comprehensive Income	¥(565,771)	¥(100,543)	$(824)
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥(560,990)	¥(100,973)	$(828)
Comprehensive income attributable to non-controlling interests	(4,781)	430	4

See accompanying notes.

Consolidated Statement of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2021 and 2022

	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, 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	—	—	—	(0)	1	—	—	—	—	—	—	1
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(66)	—	—	—	—	—	—	—	—	(66)
Purchase of shares of consolidated subsidiaries	—	—	(207)	—	—	—	—	—	—	—	—	(207)
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
Cumulative effects of changes in accounting policies	—	—	—	(1,229)	—	—	—	—	—	—	—	(1,229)
Restated balance	—	200,000	96,523	2,180,342	(5,554)	54,322	2,137	(434)	(25)	6,487	22,334	2,556,132
Cash dividends (¥100 per share)				(37,760)	—							(37,760)
Loss attributable to owners of parent	—	—	—	(94,949)	—	—	—	—	—	—	—	(94,949)
Increase/decrease due to merger	—	—	(13)	667	—	—	—	—	—	—	—	654
Purchase of treasury stock	—	—	—	—	(11)	—	—	—	—	—	—	(11)
Disposal of treasury stock	—	—	—	(0)	1	—	—	—	—	—	—	1
Change of scope of consolidation	—	—	—	(715)	—	—	—	—	—	—	—	(715)
Capital increase of consolidated subsidiaries	—	—	(99)	—	—	—	—	—	—	—	—	(99)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(177)	—	—	—	—	—	—	—	(177)
Other	—	—	—	—	—	(6,492)	327	177	283	(109)	849	(4,965)
Balance at March 31, 2022	377,932,400	¥200,000	¥96,411	¥2,047,408	¥(5,564)	¥47,830	¥2,464	¥ (257)	¥258	¥ 6,378	¥23,183	¥2,418,111

	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, 2021	377,932,400	$1,639	$791	$17,882	$(46)	$446	$18	$(4)	$ (0)	$53	$183	$20,962
Cumulative effects of changes in accounting policies	—	—	—	(10)	—	—	—	—	—	—	—	(10)
Restated balance	—	1,639	791	17,872	(46)	446	18	(4)	(0)	53	183	20,952
Cash dividends ($1 per share)				(310)	—							(310)
Loss attributable to owners of parent	—	—	—	(778)	—	—	—	—	—	—	—	(778)
Increase/decrease due to merger	—	—	(0)	5	—	—	—	—	—	—	—	5
Purchase of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	(0)	0	—	—	—	—	—	—	0
Change of scope of consolidation	—	—	—	(6)	—	—	—	—	—	—	—	(6)
Capital increase of consolidated subsidiaries	—	—	(1)	—	—	—	—	—	—	—	—	(1)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(1)	—	—	—	—	—	—	—	(1)
Other	—	—	—	—	—	(54)	2	2	2	(0)	7	(41)
Balance at March 31, 2022	377,932,400	$1,639	$790	$16,782	$(46)	$392	$20	$(2)	$ 2	$53	$190	$19,820

See accompanying notes.

Consolidated Statement of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2021	2022	2022
Cash Flows from Operating Activities:			
Income (Loss) before income taxes	¥(703,591)	¥(180,502)	$(1,480)
Depreciation	388,828	392,626	3,218
Impairment losses on fixed assets	80,032	9,652	79
Amortization of long-term prepaid expense	11,170	11,280	92
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	197
Net change in net defined benefit liability	(36,057)	(17,595)	(144)
Interest and dividend income	(5,044)	(9,801)	(80)
Interest expense	60,663	62,158	509
Construction grants received	(28,957)	(20,784)	(170)
Loss from disposition and provision for cost reduction of fixed assets	55,783	47,359	388
Net change in major receivables	67,593	(43,869)	(360)
Net change in major payables	6,715	(27,555)	(226)
Other	(15,650)	21,662	178
Sub-total	(94,515)	268,631	2,201
Proceeds from interest and dividends	6,498	11,821	97
Payments of interest	(60,555)	(61,426)	(503)
Insurance proceeds related to earthquake	—	6,000	49
Payments of Disaster-damage losses	(12,375)	(8,948)	(73)
Payments of partial transfer costs of railway operation	(997)	(1,157)	(9)
Payments of income taxes	(28,024)	(24,414)	(200)
Net cash provided by (used in) operating activities	(189,968)	190,507	1,562
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(765,483)	(583,055)	(4,779)
Proceeds from sales of fixed assets	13,921	8,108	66
Proceeds from construction grants	30,699	34,482	283
Payments for purchases of investment in securities	(7,125)	(10,248)	(84)
Proceeds from sales of investment in securities	1,356	40,159	329
Other	(22,765)	(15,804)	(129)
Net cash used in investing activities	(749,397)	(526,358)	(4,314)
Cash Flows from Financing Activities:			
Net change in short-term loans	300,000	(239,251)	(1,961)
Commercial Paper	265,000	(85,000)	(697)
Proceeds from long-term loans	281,700	298,650	2,448
Payments of long-term loans	(115,293)	(139,393)	(1,143)
Proceeds from issuance of bonds	430,003	612,303	5,019
Payments for redemption of bonds	(120,000)	(90,000)	(738)
Payments of liabilities incurred for purchase of railway facilities	(4,624)	(4,215)	(35)
Cash dividends paid	(50,032)	(37,760)	(310)
Other	(3,368)	(10,692)	(86)
Net cash provided by financing activities	983,386	304,642	2,497
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(18)	283	2
Net Change in Cash and Cash Equivalents	44,003	(30,926)	(253)
Cash and Cash Equivalents at Beginning of Year	153,794	197,960	1,622
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	—	3,300	27
Increase in Cash and Cash Equivalents due to Merger	163	689	6
Cash and Cash Equivalents at End of Year	¥ 197,960	¥ 171,023	$ 1,402

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2021 and 2022

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, 1,628 railway stations and 7,302.7 operating kilometers as of March 31, 2022.

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 ($25,467 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, 2022, which was ¥122 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, 2022, 69 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, 2022, 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, 2022.
(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) Securities other than shares, etc. without market prices
    Market method (Net unrealized gains or losses on these securities are reported as a separate item in net assets, and the cost of sales is determined mainly by the moving-average cost method.)
  (b) Shares, etc. without market prices
    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
Structures	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, 2021 and 2022 were ¥23,506 million and ¥20,103 million ($165 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 for the years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
	¥—	¥(82)	$(1)

19) Standards for Recognition of Significant Revenues and Expenses

The Group is engaged in businesses in the Transportation segment, the Retail & Services segment, the Real Estate & Hotels segment, and the Others segment. Revenues arising from these businesses are primarily recognized pursuant to contracts with customers, and transaction prices are calculated based on the considerations stipulated by contracts with customers. However, for transactions in which the Group acts as an agent, the transaction prices are calculated based on the considerations received from the customer net of the amount paid to the other business operators who actually provide goods or services. Principal agent transactions include certain retail transactions in the Retail & Services segment.

In addition, the Group operates *JRE POINT* as the Group's common points system. As the points granted to customers for the usage of railways, station buildings, and so on can be used for services and so on provided by the Group, the points granted to customers are recognized as separate performance obligations and allocated to respective performance obligations based on the ratio of independent sales prices, which are estimated based on the unit price of points and the lapse rate. *JRE POINT* performance obligations are recognized as contractual liabilities and are recognized as revenues as the points are used. The details of principal performance obligations by segment in relation to the recognition of revenues and the timings of the satisfaction of performance obligations are as follows.

(1) Transportation
The Transportation segment is primarily engaged in the provision of passenger transportation services by railway. Revenues obtained from commuter passes are recognized as "commuter passes revenues," and revenues that are not obtained from commuter passes, such as revenues obtained from normal train tickets and charges tickets, are recognized as "non-commuter passes revenues."

Commuter passes revenues incur performance obligations with respect to customers for the provision of passenger transportation services on the line segments specified by commuter passes during the period of validity of the commuter passes, and said performance obligations are satisfied upon expiration of the period of validity of the commuter passes.

Non-commuter passes revenues incur performance obligations with respect to customers for the provision of passenger transportation services on the line segments and trains specified by train tickets and charges tickets and so on, and said performance obligations are satisfied upon the provision of passenger transportation services to customers.

(2) Retail & Services
The Retail & Services segment is primarily engaged in the operation of retail and restaurant businesses. With respect to customers, performance obligations for the delivery products and performance obligations for the provision of services are incurred, and said performance obligations are satisfied upon the delivery of products and upon the provision of services.

(3) Real Estate & Hotels
The Real Estate & Hotels segment is primarily engaged in the operation of businesses that lease real estate properties owned by the Group, businesses that sell real estate properties developed by the Group, and hotel businesses. Businesses that lease real estate are primarily engaged in the management of shopping centers and the leasing of office buildings. Revenues from the aforementioned leasing of real estate are recognized during the periods of lease agreements, pursuant to the Accounting Standard for Lease Transactions. Real estate sales businesses incur performance obligations with respect to customers for the delivery of real estate properties, and said performance obligations are satisfied upon the delivery of real estate properties.

Hotel businesses incur performance obligations with respect to customers for the provision of accommodation services, and said performance obligations are satisfied upon the delivery of accommodation services.

(4) Others
The Others segment is primarily engaged in the operation of credit card businesses and the IT and *Suica* business, which includes electronic money businesses and other businesses. With respect to customers, performance obligations for the provision of credit card and electronic money settlement services and performance obligations for the delivery of IC card-related devices and so on are incurred, and said performance obligations are satisfied upon the provision of services and upon the delivery of products.

3 CHANGE IN ACCOUNTING METHOD

(Adoption of "*Accounting Standard for Revenue Recognition*")
The Company has adopted "*Accounting Standard for Revenue Recognition*" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current consolidated fiscal year, and accordingly adopted the accounting policy to recognize revenue at an amounts expected to be received in exchange for the promised goods or services as the controls of such goods or services are transferred to customers.

With respect to the recognition of the revenues of transactions in which the Group acts as an agent, the recognition of revenues related to contracts with customers subject to the *Accounting Standard for Revenue Recognition*, etc. has been changed, including a change from the total amounts of considerations to the net amount of consideration the Company and its subsidiaries retain after paying the other party the consideration received in exchange for the goods to be provided by that party.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the *Accounting Standard for Revenue Recognition*, such that the new accounting policy was applied from the beginning balance of retained earnings of the current consolidated fiscal year to add to or deducted from the amount of beginning balance of retained earnings of the current consolidated fiscal year the cumulative effects of applying retrospectively the new accounting policy from the beginning of the current consolidated fiscal year. The method prescribed in paragraph 86 of *Accounting Standard for Revenue Recognition* Standard was applied, however, with no retrospective application of the new accounting policy to the contract which are that almost all amounts of revenues have been recognized in accordance with the prior treatments before the beginning of the current consolidated fiscal year. In addition, applying the method prescribed in the proviso (1) of paragraph 86 of *Accounting Standard for Revenue Recognition*, for the contracts which have been modified before the beginning of the current consolidated fiscal year, the cumulative effect is added to or deducted from the beginning balance of the retained earnings of the current consolidated fiscal year, based on the terms of the contracts that have been reflected all modifications in the contracts:

As a result, in the fiscal year ended March 31, 2022, operating revenues decreased ¥128,172 million, operating expenses decreased ¥125,468 million, operating loss increased ¥2,704 million, ordinary loss increased ¥2,696 million, and loss before income taxes also increased ¥2,696 million. In addition, the retained earnings balance at the fiscal year start decreased ¥1,229 million.

In addition, pursuant to the transitional treatment stipulated in paragraph 89-2 of the *Accounting Standard for Revenue Recognition*, the new presentation method has not been adopted for the fiscal year ended March 31, 2021.

Further, pursuant to the transitional treatment stipulated in paragraph 89-3 of the *Accounting Standard for Revenue Recognition*, a note related to "Revenue Recognition" for the fiscal year ended March 31, 2021, has not been included.

(*Accounting Standard for Fair Value Measurement*)
The Company has adopted "*Accounting Standard for Fair Value Measurement*" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current consolidated fiscal year, pursuant with the transitional treatment stipulated in paragraph 19 of the *Accounting Standard for Fair Value Measurement* and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policies prescribed by the *Accounting Standard for Fair Value Measurement* prospectively. This has not affected the presentation of consolidated financial statements. In addition, fair value information of financial instruments by level are disclosed in Note 10. However, following the transitional treatment in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

4 CHANGE IN PRESENTATION METHOD

(Consolidated statement of operations)
From the fiscal year under review, the Company has classified "Gain on sales of investment in securities" 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 "Gain on sales of investment in securities" 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 ¥369 million that was presented and included in "Other, net" as "Gain on sales of investment in securities " of "Other Income (Expenses)."

(Consolidated statement of operations)
From the fiscal year under review, the Company has classified "Provision for allowance for earthquake-damage" 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 "Provision for allowance for earthquake-damage" 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 ¥(6,968) million that was presented and included in "Other, net" as "Provision for allowance for earthquake-damage " of "Other Income (Expenses)."

(Consolidated statement of operations)
From the fiscal year under review, the Company has classified "Subsidies for cooperation income" 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 "Subsidies for cooperation income" 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 ¥184 million that was presented and included in "Other, net" as "Subsidies for cooperation income" of "Other Income (Expenses)."

(Consolidated statement of operations)
From the fiscal year under review, the Company has presented and included "Environmental conservation costs" in "Other, net" of "Other Income (Expenses)" because in the fiscal year under review the monetary significance was negligible.

To reflect this change in presentation method, in the consolidated statement of operations for the previous fiscal year the Company has presented and included ¥(36,983) million in "Other, net" of "Other Income (Expenses)" that was classified separately as "Environmental conservation costs."

(Consolidated Statement of Cash Flows)
From the fiscal year under review, the Company has presented and included "Payments of acquisition of treasury stock" in "Other" of "Cash Flows from Financing 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 ¥(8) million in "Other" of "Cash Flows from Financing Activities" that was classified separately as "Payments of acquisition of treasury stock."

5 SIGNIFICANT ACCOUNTING ESTIMATES

(Recoverability of Deferred Tax Assets)

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

Deferred tax assets for the years ended March 31, 2021 and 2022 were ¥344,825 million and ¥442,562 million ($3,628 million), respectively.

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 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.

With respect to the estimated amount of reduced taxes pertaining to the offsetting of tax losses carried forward against taxable income, due to the Company's approval of the Business Adaptation Plan (Growth and Development Business Adaptation Plan) by the Minister of Land, Infrastructure, Transport and Tourism as of March 30, 2022, for net operating losses incurred in the fiscal year ending March 31, 2021 and the fiscal year ending March 31, 2022, the estimated amount of taxable income is based on the application of a special taxation measure that raises the maximum deduction limit from the current 50% of taxable income to a maximum of 100% of taxable income within the amount of investments made in accordance with the business adaptation plan for a maximum period of five fiscal years.

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.

(Impairment Loss on Fixed Assets)

(1) For Fixed Assets, the amount on balance sheet at March 31, 2021 and 2022 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Property, plant and equipments	¥7,118,151	¥7,177,856	$58,835
Intangible assets	150,825	169,970	1,393

Of the above, Fixed assets for railway operations held by JR East

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Fixed assets for railway operations	¥5,151,349	¥5,177,176	$42,436
Construction in process	240,407	250,753	2,055

(2) Information on the details of significant accounting estimates related to identified items

With respect to the fixed assets of the Company's railway business, as cash flows are generated by the entire network of railway lines, the entire network of railway lines is considered as one asset group. As a significant decrease in usage by passengers has continued and the business environment has deteriorated significantly due to the impact of the COVID-19 pandemic from the fiscal year ended March 31, 2021, until the fiscal year ended March 31, 2022, it has been determined that there is an indication of impairment losses on fixed assets of the railway business.

In the recognition of impairment losses on fixed assets, the future cash flows of an asset group for which there is an indication of impairment losses on fixed assets are estimated, and impairment losses on fixed assets are recognized if the total of undiscounted future cash flows is less than the book value of said asset group. For this reason, the future cash flows of railway business fixed assets were estimated, but as undiscounted future cash flows exceeded the book value of railway business fixed assets, impairment losses on fixed assets have not been recognized.

Estimates of future cash flows are calculated based on medium- to long-term plans that assume that, although passenger revenues will recover to approximately 90.0% of the level before the COVID-19 pandemic within the fiscal year ending March 31, 2023, the impact of structural changes in society such as the spread of telecommuting will continue, and based on the recoverable amounts of railway business fixed assets after specified periods of time.

If the recovery of passenger revenues does not proceed as expected, due to factors such as a delay in the timing of the containment of the COVID-19 pandemic, and changes in estimates become necessary, or if the recoverable amounts of railway business fixed assets fall significantly, there is the possibility of the recognition of impairment losses on fixed assets in the consolidated financial statements of the following consolidated fiscal year.

6 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.

7 INVENTORIES

Inventories at March 31, 2021 and 2022 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Merchandise and finished goods	¥ 7,227	¥ 6,536	$ 54
Work in process	39,798	50,567	414
Raw materials and supplies	36,622	37,111	304
	¥83,647	¥94,214	$772

8 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. Due to a change in the reason for holding real estate, for the year ended March 31, 2022, ¥21,965 million ($180 million) has been reclassified from fixed assets to real estate for sale.

9 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2021 and 2022 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Unconsolidated subsidiaries:			
Investments	¥ 7,975	¥ 7,865	$ 64
Advances	—	—	—
	7,975	7,865	64
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥72,291	¥83,184	$682
Advances	144	145	1
	72,435	83,329	683
	¥80,410	¥91,194	$747

10 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 ($25,467 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, 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

Adopting different assumptions can change the values, because estimation of fair values incorporates variable factors.

2) Items Relating to the Fair Values of Financial Instruments

Amounts recognized for selective items in the consolidated balance sheet as of March 31, 2021 and 2022, fair values of such items, and the differences between such amounts and values are shown below. In addition, shares, etc., without Market Prices (those for which it is extremely difficult to establish a fair value in the previous fiscal year) are not included in the following table. Notes for cash and cash equivalents are omitted as they are almost equal to their book value.

	Millions of Yen						Millions of U.S. Dollars		
	2021			2022			2022		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Receivables	¥ 517,458	¥ 517,458	¥ —	¥ 559,899	¥ 559,899	¥ —	$ 4,590	$ 4,590	$ —
b Securities:									
Held-to-maturity debt securities	148	149	1	450	451	1	4	4	0
Available-for-sale securities	211,423	211,423	—	184,280	184,280	—	1,511	1,511	—
Assets	¥ 729,029	¥ 729,030	¥ 1	¥ 744,629	¥ 744,630	¥ 1	$ 6,105	$ 6,105	$ 0
a Payables	¥ 794,960	¥ 794,960	¥ —	¥ 721,498	¥ 721,498	¥ —	$ 5,914	$ 5,914	$ —
b Accrued consumption taxes	7,857	7,857	—	34,655	34,655	—	284	284	—
c Accrued income taxes	22,074	22,074	—	10,938	10,938	—	90	90	—
d Long-term debt:									
Bonds	2,020,308	2,180,068	159,760	2,542,666	2,636,837	94,171	20,842	21,613	771
Long-term loans	1,292,193	1,345,182	52,989	1,451,450	1,489,012	37,562	11,897	12,205	308
e Long-term liabilities incurred for purchase of railway facilities	323,089	676,048	352,959	318,873	639,575	320,702	2,614	5,242	2,628
Liabilities	¥4,460,481	¥5,026,189	¥565,708	¥5,080,080	¥5,532,515	¥452,435	$41,641	$45,348	$3,707
Derivative transactions*1:									
Hedge accounting not applied	¥ —	¥ —	¥ —	¥ 1,452	¥ 1,452	¥ —	$ 12	$ 12	$ —
Hedge accounting applied	¥ 3,075	¥ 3,075	¥ —	¥ 3,546	¥ 3,546	¥ —	$ 29	$ 29	$ —

*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

a. Securities

For notes on securities classified by the purpose for which the securities are held (See Note 11).

b. Derivative Transactions (See Note 19)

Notes: 2. Recognition of Shares, etc. without Market Prices in the Consolidated Balance Sheet

	Millions of Yen	Millions of U.S. Dollars
	2022	2022
Unlisted equity securities	¥ 7,554	$ 62
Investment in limited liability companies	417	3
Investment in investment business limited partnership	15,333	126
Preferred equity securities	2,506	21

Notes: 1. Unlisted equity securities, investment in limited liability companies, investment in investment business limited partnership, and preferred equity securities are not included in "b Available-for-sale securities."

Notes: 2. Based on Article 27 of ASBJ Guidance No. 31 on the *Accounting Standard for Fair Value Measurement*, investment in investment business limited partnership is not subject to the disclosure of fair value.

Notes: 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.

Notes: 4. The annual maturities of financial assets and securities with maturities at March 31, 2021 and 2022 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2021				2022				2022			
	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	¥197,960	¥ —	¥ —	¥ —	¥171,023	¥ —	¥ —	¥ —	$1,402	$—	$—	$—
Receivables	512,172	5,275	11	—	554,464	5,419	16	—	4,545	45	0	—
Securities:												
Held-to-maturity debt securities (Government bonds and Bonds)	140	10	—	—	—	10	—	440	—	0	—	4
Available-for-sale securities which have maturity (Government bonds and Bonds)	—	106	—	440	100	6	—	—	1	0	—	—
Total	¥710,272	¥5,391	¥11	¥440	¥725,587	¥5,435	¥16	¥440	$5,948	$45	$ 0	$ 4

Notes: 5. The annual maturities of bonds, long-term loans and long-term liabilities incurred for purchase of railway facilities at March 31, 2022 (See Note13 and 14)

3) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categoring measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

a. Financial instruments measured at fair values in the consolidated balance sheet

Fiscal 2022 (Year ended March 31, 2022)

	Millions of Yen			Millions of U.S. Dollars		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Securities:						
Available-for-sale securities	¥184,070	¥ —	¥—	$1,509	$ —	$—
Equity shares	184,064	—	—	1,509	—	—
Government, municipal bonds, etc.	6	—	—	0	—	—
Derivative transactions						
Currency swap	—	3,546	—	—	29	—
Earthquake derivatives	—	1,452	—	—	12	—
Assets	¥184,070	¥4,998	—	$1,509	$41	—
Derivative transactions						
Forward exchange contracts	—	0	—	—	0	—
Liabilities	¥ —	¥ 0	¥—	$ —	$ 0	$—

b. Financial instruments other than those measured at fair values in the consolidated balance sheet

Fiscal 2022 (Year ended March 31, 2022)

	Millions of Yen			Millions of U.S. Dollars		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds						
Domestic bonds	¥2,127,891	¥ —	¥—	$17,442	$ —	$—
Foreign currency denominated bonds	—	508,946	—	—	4,171	—
Long-term loans	—	1,489,012	—	—	12,205	—
Long-term liabilities incurred for purchase of railway facilities	—	639,575	—	—	5,242	—
Liabilities	¥2,127,891	¥2,637,533	¥—	$17,442	$21,618	$—

Note: Valuation techniques and inputs used in measuring fair values

a. Investments in securities classified as current or non-current
Listed equity securities, government bonds and municipal bonds are measured using quoted prices. Fair value of listed equity securities and government, municipal bonds are classified as level 1, because they are exchanged in active markets.

b. Derivative transactions
The fair value of currency-related derivatives and forward exchange contracts are based on the exchange rate at the time of contract execution, etc., and are classified as Level 2 respectively. The fair value of earthquake derivatives are calculated based on the contract period and other factors that constitute the contract related to the transaction, and are classified as Level 2.

c. Bonds
The fair values of domestic bonds are based on market prices and classified as level 1. 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, so they are classified as level 2.

d. Long-term loans
The fair values of long-term loans are principally estimated by discounted 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, so they are classified as level 2.

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, so they are classified as level 2. 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.

11 SECURITIES

For held-to-maturity debt securities, the amount on the balance sheet and market value at March 31, 2021 and 2022 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2021			2022			2022		
	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	¥10	¥11	¥1	$0	$0	$0
Bonds	—	—	—	—	—	—	—	—	—
Of which market value does not exceed the amount on balance sheet:									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Bonds	—	—	—	¥440	¥440	—	$4	$4	—
Total	¥148	¥149	¥1	¥450	¥451	¥1	$4	$4	$0

For available-for-sale securities, the acquisition cost and amount on balance sheet at March 31, 2021 and 2022 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2021			2022			2022		
	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	¥86,391	¥170,264	¥83,873	¥72,995	¥149,597	¥76,602	$598	$1,226	$628
Debt securities									
Government, municipal bonds, etc.	6	6	0	6	6	0	0	0	0
Bonds	—	—	—	—	—	—	—	—	—
Of which amount on balance sheet does not exceed the acquisition cost:									
Equity shares	50,390	41,153	(9,237)	44,498	34,467	(10,031)	365	283	(82)
Debt securities									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Bonds	—	—	—	100	100	—	1	1	—
Other	—	—	—	110	110	—	1	1	—
	¥136,787	¥211,423	¥74,636	¥117,709	¥184,280	¥66,571	$965	$1,511	$546

Note: In the previous fiscal year, ¥1,044 million of impairment loss was implemented for other securities with market value. In the fiscal year, ¥323 million of impairment loss has been implemented for securities other than shares, etc. without market prices. 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.

For Available-for-Sale Securities Disposed of during the Fiscal Year Ended March 31, 2022

	Millions of Yen						Millions of U.S. Dollars		
	2021			2022			2022		
	Disposal	Total gain on disposal	Total loss on disposal	Disposal	Total gain on disposal	Total loss on disposal	Disposal	Total gain on disposal	Total loss on disposal
Equity shares	¥1,350	¥365	¥228	¥39,393	¥20,169	¥55	$323	$165	$0

12 PLEDGED ASSETS

Pledged assets at March 31, 2021 and 2022 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Cash and cash equivalents	¥ 173	¥ 306	$ 3
Other	1,005	6,197	51

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Payables	¥ 720	¥ 460	$ 4
Other	17	17	0

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Buildings and structures with net book value	¥3,672	¥2,706	$22
Other assets with net book value	3,909	2,578	21

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥ 493	¥ 401	$ 3

13 LONG-TERM DEBT

Long-term debt at March 31, 2021 and 2022 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Unsecured bonds issued in 2002 to 2022 with interest rates ranging from 0.001% to 2.55% due in 2022 to 2071	¥1,780,977	¥2,100,985	$17,221
Unsecured loans due in 2022 to 2060 principally from banks and insurance companies with interest rates mainly ranging from 0.07% to 2.80%	1,292,193	1,451,450	11,897
Euro-pound / euro bonds issued in 2006 to 2021 with interest rates ranging from 0.77% to 5.25% due in 2028 to 2039	239,331	441,681	3,621
	3,312,501	3,994,116	32,739
Less current portion	223,320	252,500	2,070
	¥3,089,181	¥3,741,616	$30,669

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

The annual maturities of bonds at March 31, 2022 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2023	¥111,000	$ 910
2024	215,000	1,762
2025	145,000	1,189
2026	80,000	656
2027	90,000	738
2028 and thereafter	1,902,259	15,592

The annual maturities of long-term loans at March 31, 2022 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2023	¥141,500	$1,160
2024	150,000	1,229
2025	179,100	1,468
2026	141,200	1,157
2027	185,650	1,522
2028 and thereafter	654,000	5,361

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 ($25,467 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($17,229 million) and ¥638,506 million ($5,234 million) in principal amounts payable through March 2017; and ¥366,566 million ($3,005 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($229 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 ($301 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at 6.55% through 2051	¥321,963	¥318,472	$2,611
	321,963	318,472	2,611
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.83% through 2022	633	—	—
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 1.72% through 2029	493	401	3
	323,089	318,873	2,614
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	3,491	3,723	30
The Akita hybrid Shinkansen purchase liability	633	—	—
Tokyo Monorail purchase liability	91	83	1
	4,215	3,806	31
	¥318,874	¥315,067	$2,583

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, 2022 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2023	¥ 3,806	$ 31
2024	4,031	33
2025	4,281	35
2026	4,563	38
2027	4,865	40
2028 and thereafter	¥297,327	$2,437

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

The Company has extended contingent liabilities of ¥10,840 million ($89million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd.

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

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 2022, the shareholders approved cash dividends amounting to ¥18,880 million ($155 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2022. 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, 2021 and 2022 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2021		2022		2022	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥5,465	¥40,725	¥6,633	¥62,006	$54	$508

19 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 10)

2) Derivative Transactions Not Applied to Hedge Accounting

Millions of Yen

		2021				2022			
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and loses	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and loses
Transactions other than market transactions	Earthquake derivatives	—	—	—	—	¥1,452	—	¥1,452	—
Total		—	—	—	—	¥1,452	—	¥1,452	—

Millions of U.S. Dollars

		2022			
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and loses
Transactions other than market transactions	Earthquake derivatives	$12	—	$12	—
Total		$12	—	$12	—

3) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

		2021			2022		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value
Currency swap	Long-term loans	¥20,000	¥20,000	¥3,075	¥20,000	¥20,000	¥ 3,546
Forward exchange	Accounts receivable-trade	12	—	(0)	1	—	(0)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: GBP	239,959	239,959	(Note)	285,593	285,593	(Note)
	Foreign currency denominated bonds Pay:JPY Receive: EUR	—	—	—	156,666	156,666	(Note)
Interest swap	Long-term loans	18,000	18,000	(Note)	18,000	18,000	(Note)
Total		¥277,971	¥277,959	¥3,075	¥480,260	¥480,259	¥ 3,546

Millions of U.S. Dollars

		2022		
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value
Currency swap	Long-term loans	$ 164	$ 164	$ 29
Forward exchange	Accounts receivable-trade	0	—	(0)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: GBP	2,341	2,341	(Note)
	Foreign currency denominated bonds Pay:JPY Receive: EUR	1,284	1,284	(Note)
Interest swap	Long-term loans	148	148	(Note)
Total		$3,937	$3,937	$ 29

Note: As 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 10)

20 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheet as of March 31, 2021 and 2022 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Balance at the beginning of the fiscal year	¥522,661	¥493,421	$4,044
Service costs	27,253	28,351	233
Interest costs	3,107	2,935	24
Actuarial losses (gains)	2,658	(3,781)	(31)
Benefits paid	(62,510)	(44,993)	(369)
Past service costs	(11)	36	0
Other	263	(43)	(0)
Balance at the end of the fiscal year	¥493,421	¥475,926	$3,901

2) Movements in Plan Assets

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Balance at the beginning of the fiscal year	¥10,823	¥11,730	$96
Expected return on plan assets	138	143	1
Actuarial losses (gains)	262	(752)	(6)
Contributions paid by the employer	895	829	7
Benefits paid	(388)	(410)	(3)
Other	—	(158)	(2)
Balance at the end of the fiscal year	¥11,730	¥11,382	$93

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Funded retirement benefit obligations	¥ 12,652	¥ 12,868	$ 105
Plan assets	(11,730)	(11,382)	(93)
	922	1,486	12
Unfunded retirement benefit obligations	480,769	463,058	3,796
Total Net liability (asset) for retirement benefits at March 31	481,691	464,544	3,808
Liability for retirement benefits	482,222	465,347	3,814
Asset for retirement benefits	(531)	(803)	(6)
Total Net liability (asset) for retirement benefits at March 31	¥481,691	¥464,544	$3,808

Employees' severance and retirement benefit expenses included in the consolidated statement of operations for the years ended March 31, 2021 and 2022 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Service costs	¥27,253	¥28,351	$233
Interest costs	3,107	2,935	24
Expected return on plan assets	(138)	(143)	(1)
Net actuarial loss amortization	(3,235)	(2,982)	(24)
Past service costs amortization	(595)	(667)	(6)
Other	433	218	1
Total retirement benefit costs for the fiscal year ended March 31	¥26,825	¥27,712	$227

5) Adjustments for Retirement Benefit Costs

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Past service costs that are yet to be recognized	¥ (584)	¥ (703)	$(6)
Actuarial gains and losses that are yet to be recognized	(5,632)	35	0
Total balance at March 31	¥(6,216)	¥ (668)	$(6)

6) Accumulated Adjustments for Retirement Benefit

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Past service costs that are yet to be recognized	¥ 721	¥ 18	$ 0
Actuarial gains and losses that are yet to be recognized	10,260	10,295	84
Total balance at March 31	¥10,981	¥10,313	$84

7) Plan Assets

	2021	2022
Bonds	6%	7%
Equity securities	25%	19%
General account of life insurers	42%	45%
Other	27%	29%

The discount rates are mainly 0.6% in the years ended March 31, 2021 and 2022. The rates of expected return on pension assets used by the Companies were mainly 2.2% and 1.7% in the years ended March 31, 2021 and 2022, respectively.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥974 million and ¥1,060 million ($9 million) in the years ended March 31, 2021 and 2022, respectively.

21 INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Deferred tax assets:			
Loss carry forwards for tax purposes	¥ 212,446	¥275,825	$2,261
Net defined benefit liability	147,654	142,657	1,169
Losses on impairment of fixed assets	40,518	40,325	331
Unrealized holding gains on fixed assets	23,914	24,886	204
Environmental conservation costs	17,727	16,342	134
Reserves for bonuses	19,190	16,324	134
Allowance for point card certificates	11,238	11,816	97
Excess depreciation and amortization of fixed assets	8,164	8,617	71
Allowance for disaster-damage losses	3,821	7,644	63
Other	42,577	53,104	435
	527,249	597,540	4,899
Valuation allowance for tax loss carryforwards	(55,828)	(28,573)	(234)
Valuation allowance for the total of future subtraction temporary differences, etc.	(63,106)	(62,670)	(515)
Less valuation allowance	(118,934)	(91,243)	(749)
Gross deffered tax assets	408,315	506,297	4,150
Less amounts offset against deferred tax liabilities	(63,490)	(63,735)	(522)
Net deferred tax assets	¥ 344,825	¥442,562	$3,628
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥32,099	¥ 31,963	$262
Net unrealized holding gains on securities	25,482	23,251	191
Valuation for assets and liabilities of consolidated subsidiaries	2,330	2,273	19
Other	8,800	8,558	69
	68,711	66,045	541
Less amounts offset against deferred tax assets	(63,490)	(63,735)	(522)
Net deferred tax liabilities	¥ 5,221	¥ 2,310	$ 19

Notes 1: The valuation allowance decreased ¥27,691 million compared with the previous fiscal year. This was primarily attributable to an decrease in the valuation allowance pertaining to tax losses carried forward.

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	¥ 423	¥ 617	¥ 199	¥ 177	¥ 270	¥210,760	¥212,446
Valuation allowance	(423)	(617)	(199)	(177)	(270)	(54,142)	(55,828)
Deferred tax assets	—	—	—	—	—	156,618	156,618*2

*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.

Fiscal 2022 (April 1, 2021 to March 31, 2022)

Millions of Yen, 2022

	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	¥ 617	¥ 198	¥ 177	¥ 270	¥ 301	¥274,262	¥275,825
Valuation allowance	(577)	(198)	(177)	(270)	(301)	(27,050)	(28,573)
Deferred tax assets	40	—	—	—	—	247,212	247,252*2

Millions of U.S. Dollars, 2022

	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	$ 5	$ 2	$ 1	$ 2	$ 3	$2,248	$2,261
Valuation allowance	(5)	(2)	(1)	(2)	(3)	(221)	(234)
Deferred tax assets	0	—	—	—	—	2,027	2,027*2

*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.

Notes: 2. For the fiscal years ended March 31, 2021 and 2022, information regarding reconciliation between the statutory tax rate and the effective income tax rate after the application of tax effect accounting is omitted because the Company reported a loss before income taxes and minority interests.

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, 2021 and 2022, the amounts of net income related to rental property were ¥44,552 million and ¥77,201 million ($633 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
2021	Difference	2022	2022	2022	2022
¥854,254	¥632	¥854,886	¥2,433,278	$7,007	$19,945

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, 2022, were principally attributable to acquisition of real estate and renewal (¥66,870 million / $548 million), and the decreases were mainly attributable to depreciation expenses (¥31,805 million / $261 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 ¥149,787 million and ¥147,533 million in the years ended March 31, 2021 and 2022, respectively.

23 REVENUE RECOGNITON

1) Information on the Analysis of Revenues Arising from Contracts with Customers

For the year ended March 31, 2022

Millions of Yen

	2022						
	Transportation						
	Passenger transportation						
	Commuter passes	Non-commuter passes	Others	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
Revenues arising from contracts with customers	¥379,581	¥741,766	¥128,656	¥263,888	¥139,090	¥71,060	¥1,724,041
Revenues arising from other sources (Note 2)	—	—	27,033	14,298	213,582	13	254,926
Total	¥379,581	¥741,766	¥155,689	¥278,186	¥352,672	¥71,073	¥1,978,967

Millions of U.S. Dollars

	2022						
	Transportation						
	Passenger transportation						
	Commuter passes	Non-commuter passes	Others	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
Revenues arising from contracts with customers	$3,111	$6,080	$1,054	$2,163	$1,140	$583	$14,131
Revenues arising from other sources (Note 2)	—	—	223	117	1,750	0	2,090
Total	$3,111	$6,080	$1,277	$2,280	$2,890	$583	$16,221

Notes: 1. The "Others segment" classification refers to the business segment comprising businesses that are not included in the reporting segments. The credit card businesses, the IT and *Suica* business, and information processing businesses, among others, are included in the Others segment.
2. Revenues arising from other sources includes real estate lease revenues and lease revenues, among others.

2) Basic Information for the Understanding of Revenues Arising from Contracts with Customers

Basic information for the understanding of revenues arising from contracts with customers is as stated in Standards for Recognition of Significant Revenues and Expenses (See Note2 (19)).

3) Information on the Relationship between the Satisfaction of Performance Obligations Based on Contracts with Customers and Cash Flows Arising from Said Contracts as well as the Amounts and Timing of Revenues Expected to Be Recognized Beginning from the Fiscal Year Ending March 31, 2023, from Contracts with Customers as of March 31, 2022

(1) Contract Assets and Contract Liabilities
For the year ended March 31, 2022

	Millions of Yen	Millions of U.S. Dollars
Receivables arising from contracts with customers (balance at beginning of period)	¥ 98,291	$806
Receivables arising from contracts with customers (balance at end of period)	114,726	940
Contract assets (balance at beginning of period)	2,506	21
Contract assets (balance at end of period)	4,202	34
Contract liabilities (balance at beginning of period)	120,216	985
Contract liabilities (balance at end of period)	117,660	964

The revenues recognized in the fiscal year ended March 31, 2022, included contract liabilities balance as of the beginning of the period of ¥76,705 million ($629 million).

(2) Transaction Prices Distributed to Remaining Performance Obligations
In noting the transaction prices distributed to remaining performance obligations, the Company and its subsidiaries adopt a simplified practical method. Contracts whose contract periods are initially expected to be one year or less are not subject to noting. The total transaction prices distributed to remaining performance obligations and the expected timing of revenue recognition are as follows.

For the year ended March 31, 2022

	Millions of Yen	Millions of U.S. Dollars
One year or less	¥ 31,601	$ 259
More than one year, two years or less	6,079	50
More than two years, three years or less	23,055	189
More than three years	113,423	930
Total	¥174,158	$1,428

24 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.

(Matters concerning changes to reporting segment, etc.)
(1) Change in Accounting Method
As described in "Change in Accounting Method ," the Group changed its accounting treatment for revenue recognition by adopting the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, revised on March 31, 2020) from the beginning of the fiscal year ended March 31, 2022, and accordingly changed the methods relevant to measuring profits or losses of business segments in the same manner. As a result of these changes, in the fiscal year ended March 31, 2022, operating revenues decreased ¥3,482 million in the Transportation segment, decreased ¥94,899 million in the Retail & Services segment, decreased ¥29,307 million in the Real Estate & Hotels segment, and decreased ¥15,442 million in the Others segment. Further, segment income decreased ¥1,049 million in the Transportation segment, decreased ¥48 million in the Retail & Services segment, decreased ¥90 million in the Real Estate & Hotels segment, and decreased ¥1,517 million in the Others segment.
(2) Change in Reporting Segment
To realize the full potential of its advertising capabilities, JR East will actively invest and pursue other efforts to enhance the value of its advertising business. Accordingly, to enable the unified recognition in the Retail & Services segment of investments in the advertising business and their results, the reporting segment of the advertising business of JR East has been reclassified from the Transportation segment to the Retail & Services segment from the beginning of the fiscal year ended March 31, 2022. The segment information of the fiscal year ended March 31, 2021, has been prepared based on the reporting segment classification after this change.

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 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	55,001	61,858	20,287	164,065	301,211	(301,211)	—
Total	1,150,731	379,934	291,535	243,596	2,065,796	(301,211)	1,764,585
Segment income	¥ (548,529)	¥ 2,612	¥ 15,156	¥ 14,761	¥ (516,000)	¥ (4,358)	¥ (520,358)
Segment assets	¥6,802,825	¥371,820	¥1,670,981	¥957,087	¥9,802,713	¥ (886,293)	¥8,916,420
Depreciation	294,687	16,816	53,310	24,015	388,828	—	388,828
Increase in fixed assets (Note 5)	472,332	24,513	165,031	51,794	713,670	—	713,670

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 downward adjustment to segment income included a ¥(3,779) million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(579) million elimination for intersegment transactions. Moreover, the ¥(886,293) million downward adjustment to segment assets included a ¥(1,167,051) million elimination of intersegment claims and obligations, offset by ¥280,758 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 2022 (April 1, 2021 to March 31, 2022)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,277,036	¥278,186	¥ 352,672	¥ 71,073	¥ 1,978,967	¥ —	¥1,978,967
Inside group	55,803	34,068	23,025	137,424	250,320	(250,320)	—
Total	1,332,839	312,254	375,697	208,497	2,229,287	(250,320)	1,978,967
Segment income	¥ (285,346)	¥ 14,116	¥ 107,807	¥ 11,642	¥ (151,781)	¥ (2,158)	¥ (153,939)
Segment assets	¥6,913,714	¥340,789	¥1,766,162	¥991,749	¥10,012,414	¥(920,989)	¥9,091,425
Depreciation	297,038	16,712	55,422	23,454	392,626	—	392,626
Increase in fixed assets (Note 5)	376,370	18,464	107,458	41,406	543,698	—	543,698

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	$10,468	$2,280	$ 2,890	$ 583	$16,221	$ —	$16,221
Inside group	457	279	189	1,127	2,052	(2,052)	—
Total	10,925	2,559	3,079	1,710	18,273	(2,052)	16,221
Segment income	$ (2,339)	$ 115	$ 883	$ 96	$ (1,245)	$ (17)	$ (1,262)
Segment assets	$56,670	$2,793	$14,477	$8,129	$82,069	$(7,549)	$74,520
Depreciation	2,435	137	454	192	3,218	—	3,218
Increase in fixed assets (Note 5)	3,085	151	881	339	4,456	—	4,456

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 ¥(2,158) million ($(17) million) downward adjustment to segment income included a ¥(2,379) million ($(20) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥220 million ($2 million) elimination for intersegment transactions. Moreover, the ¥(920,989) million ($(7,549) million) downward adjustment to segment assets included a ¥(1,186,246) million ($(9,723)million) elimination of intersegment claims and obligations, offset by ¥265,257 million ($2,174 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 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

Fiscal 2022 (Year ended March 31, 2022)

Millions of Yen

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥4,622	¥2,711	¥2,318	¥1	¥9,652

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	$38	$22	$19	$0	$79

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.

25 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2021 and 2022

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
	2021	2022	2022
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥29,336	¥ 11,759	¥ 96
Reclassification adjustments	906	(19,822)	(162)
Sub-total, before tax	30,242	(8,063)	(66)
Tax (expense) benefit	(9,398)	2,413	20
Sub-total, net of tax	20,844	(5,650)	(46)
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	(205)	709	5
Reclassification adjustments	(185)	(239)	(2)
Acquisition cost adjustments	15	0	0
Sub-total, before tax	(375)	470	3
Tax (expense) benefit	115	(143)	(1)
Sub-total, net of tax	(260)	327	2
Foreign currency translation adjustments:			
Amount arising during the year	(10)	257	2
Reclassification adjustments	—	—	—
Sub-total, before tax	(10)	257	2
Tax (expense) benefit	—	—	—
Sub-total, net of tax	(10)	257	2
Remeasurements of defined benefit plans:			
Amount arising during the year	(2,386)	2,981	24
Acquisition cost adjustments	(3,830)	(3,649)	(30)
Sub-total, before tax	(6,216)	(668)	(6)
Tax (expense) benefit	1,777	(116)	(0)
Sub-total, net of tax	(4,439)	(784)	(6)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	502	(411)	(3)
Reclassification adjustments	293	243	2
Sub-total	795	(168)	(1)
Total other comprehensive income	¥16,930	¥ (6,018)	$ (49)

26 SUBSEQUENT EVENTS

Issuance of Bonds

The Company issued the following straight bonds.

1) 3rd Euro EUR bonds
   i. Issue date: April 13, 2022
   ii. Amount: €650 million (¥87,738 million)
   iii. Issue price: 100.000%
   iv. Coupon rate: 1.850% per annum
   v. Maturity date: April 13, 2033
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

2) Unsecured straight bonds, 178th issue, East Japan Railway Company
   i. Issue date: April 14, 2022
   ii. Amount: ¥10,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.195% per annum
   v. Maturity date: April 14, 2027
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

3) Unsecured straight bonds, 179th issue, East Japan Railway Company
   i. Issue date: April 14, 2022
   ii. Amount: ¥15,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 0.866% per annum
   v. Maturity date: April 14, 2042
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

4) Unsecured straight bonds, 180th issue, East Japan Railway Company
   i. Issue date: April 14, 2022
   ii. Amount: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 1.543% per annum
   v. Maturity date: April 14, 2072
   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 21, 2022
   ii. Amount: ¥50,000 million
   iii. Coupon rate: 0% per annum
   iv. Maturity date: June 29, 2022
   v. Existence of collateral, etc.: unsecured, unguaranteed

2) Issuance of commercial paper
   i. Issue date: April 21, 2022
   ii. Amount: ¥100,000 million
   iii. Coupon rate: 0% per annum
   iv. Maturity date: October 21, 2022
   v. 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, 2022.

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 2022, ended March 31, 2022. 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, 5.

b. Impairment Loss on Fixed Assets

Assumptions related to the impairment losses on fixed assets have been stated in "SIGNIFICANT ACCOUNTING ESTIMATES," Notes to Consolidated Financial Statements, 5.

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 consolidated fiscal year ended March 31, 2022, despite signs of recovery seen temporarily, the Japanese economy continued to be sluggish due to the ongoing spread of COVID-19. Moreover, the Fukushima Prefecture offshore earthquake that occurred on March 16, 2022 caused damage to railcars and equipment of the Tohoku Shinkansen, forcing suspension of operation in some segments. We apologize for the inconvenience. However, as a result of the hard efforts of the relevant parties for recovery, operations resumed on all lines from April 14, 2022.

In light of this situation, the Group made its utmost efforts to prevent the spread of COVID-19 to its customers and employees and to ensure the safety and reliability of transportation and the quality of its services. Under Speed Up "Move Up" 2027 announced in September 2020 as a policy tailored to the post-COVID-19 society, the Group worked to enhance profitability, fundamentally strengthen our management foundation, and implement ESG management, thereby accelerating our progress toward the achievement of "Move Up" 2027 management vision.

During the fiscal year under review, operating revenues increased 12.1%, to ¥1,979.0 billion, due mainly to revenue increases, which were attributable to the recovery from decreased sales impacted by the spread of COVID-19 during the previous fiscal year and sales realized in the real estate business leveraging its "rotational business model". As a result of such increase in operating revenues, we recorded operating loss of ¥153.9 billion (operating loss of ¥520.4 billion in fiscal 2021), ordinary loss of ¥179.5 billion (ordinary loss of ¥579.8 billion in fiscal 2021), and loss attributable to owners of parent of ¥94.9 billion (loss attributable to owners of parent of ¥577.9 billion in fiscal 2021).

Safety is Our Top Priority

Based on the "Group Safety Plan 2023," the JR East Group united as one group 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

- Acceleration of seismic reinforcement of elevated concrete pillars along the railway tracks of the Shinkansen due to damages incurred from the February 2021 earthquake off the coast of Fukushima Prefecture
- Construction work between fiscal 2022 and fiscal 2024 at approximately 200 locations on the Shinkansen lines along embankment, cutting, and natural slopes where a mudslide may occur as a result of record-breaking rainfall and other factors
- Installation of automatic platform gates completed at 80 railway stations (92 railway stations on a line-by-line basis) as of March 31, 2022
- Preparation for introducing new testing equipment for performance and durability of bogies at the JR East Research and Development Center in anticipation of the start of operations around summer 2024, in order to verify reliability and evaluate durability of bogies
- Implementation of education and training programs to prepare for terrorist attacks, tsunami, etc. with the aim of improving the ability of station staff and train crew to respond to emergencies, as well as installation of self-defence tools on train cars

Enhancing Profitability
(Restructuring our growth and innovation strategies)

While the business environment surrounding the railway business becomes increasingly severe, we believe the diversification of lifestyles presents a significant opportunity for the Group. Accordingly, the Group reestablished its growth and innovation strategies, combined physical networks, an area of the Group's strength, with digital technologies, and made efforts to propose new lifestyles and take on the challenge of entering new fields.

Specific measures

- Implementation of the *TOHOKU Destination Campaign* for six months from April 2021 to highlight attractions of the six Tohoku prefectures, and continuation of the promotion for the fall and winter season after the end of the campaign
- Launch of the *SHINKANSEN YEAR 2022* campaign in January 2022 using CG videos showing the futuristic appeal of Shinkansen, etc. for promotion
- Receipt of order by Japan Transport Engineering Company to supply 304 railcars for extension of the North-South Commuter Railway in the Philippines and conclusion of agreement in March 2022
- Establishment of JR East Real Estate Asset Management Co., Ltd. in April 2021 to strengthen real estate business through the provision of asset management services
- Establishment of *JRE MALL* showrooms within railway stations and promotion of online consultations and sales
- Naming of cargo transport railway service as *Hakobyun* (Train Parcel Service) and increasing cargo handling capacity as part of full-fledged expansion as new business
- Expansion to 503 locations as part of the *STATION WORK* shared office business by March 2022, including the introduction of STATION BOOTH in West Japan Railway Company stations
- Conclusion of agreement for business alliance with HIKKY Co., Ltd. in the XR (extended reality technology) field in August 2021, and opening of *Virtual AKIBA World*, the first metaverse station in the world, in March 2022

Fundamental Strengthening of Management Foundation
(Reforming the corporate structure)

The Group forged ahead with its three reforms "operational reform," "working style reform" and "worksite reform" to enhance the job satisfaction of all Group employees, while further accelerating our digital transformation efforts, which include the use of new technology and the promotion of Smart Maintenance, to enhance productivity.

Specific measures

- Introduction of new E131 Series railcars on the Sagami Line in November 2021, and on the Utsunomiya Line and the Nikko Line in March 2022, and commencement of their conductorless operations in March 2022 along with the Hachiko Line and the Kawagoe Line
- Introduction of an overhead wire condition monitoring system to automatically assess the condition of wires and other equipment from November 2021 and a snow detection system for image analysis to detect snow remaining on the water-sprinkler snow-melting equipment of the Joetsu Shinkansen from December 2021, utilizing cameras and AI installed on the electricity and track general inspection cars (East-i)
- Trial operations along Kesennuma Line BRT (between Yanaizu Station and Rikuzen-Yokoyama Station) in pursuit of level 3 self-driving, with a test-ride event to offer first-hand experience of self-driving held in September 2021
- Implementation of test runs for introduction of automated operations during operating hours of the Joetsu Shinkansen (between Niigata Station and the Niigata Shinkansen Rolling Stock Center) in October 2021 and the Yamanote Line in February 2022
- Establishment of CalTa Inc. in July 2021 through subsidiaries JR East Start UP Co., Ltd. and JR East Consultants Company and other parties with the aim of acquiring point cloud data through compact drones for use in construction and maintenance work
- Introduction of a monitoring system in November 2021 for railway infrastructure designed to prevent the tilting of railway electric poles, in collaboration with Sonas, Inc.
- Establishment of JR East Cross Station Co., Ltd. and merger of 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 in order to maximize station value
- Commencement of COVID-19 vaccinations to employees in June 2021
- Commencement of a moonlighting program at Group companies in July 2021

Implementing ESG Management

To achieve net zero CO_2 emissions for the entire JR East Group by fiscal 2051, JR East promoted the introduction of energy-saving equipment and development of renewable energy sources. While working to realize regional revitalization through co-creation with communities, the Group provided safe and stable transportation throughout the period of the Tokyo 2020 Olympic and Paralympic Games as an Official Partner (Passenger and Rail Transportation Services).

Specific measures

- With respect to the JR East Group "Zero-Carbon Challenge 2050," setting of a new CO_2 emissions reduction target for the entire JR East Group of 50% by fiscal 2031 compared to fiscal 2014, and expansion of the scope of application of internal carbon pricing
- Promotion of development of renewable energy sources, and commencement of operations of Ichikai Solar Power Plant (Tochigi) in April 2021, Daigo Solar Power Plant (Ibaraki) in November 2021, and Noheji-Shibasaki Wind Power Plant (Aomori) in March 2022
- Completion of replacement of No. 1 unit at Kawasaki Thermal Power Station and commencement of operations in June 2021, contributing to reduced CO_2 emissions due to its highly efficient facility fueled by natural gas
- Commencement in March 2022 of verification tests for the hydrogen-powered hybrid train *HYBARI* on the Nambu Line (Kawasaki-Noborito), the Tsurumi Line and the Nambu Line Shitte Branch Line
- Investment in Ensen Marugoto Co., Ltd. in December 2021 to roll out the *Ensen Marugoto HOTEL* business through the use of old Japanese-style houses
- Implementation of measures to enhance railway security during the Tokyo 2020 Olympic and Paralympic Games, such as baggage checks that include the use of detection dogs to sniff out hazardous materials and security cameras designed to detect suspicious individuals and objects, and the adoption of wearable cameras in security services
- Revision of the Company's corporate governance guidelines in November 2021 in line with the amendment of the TSE Corporate Governance Code in June 2021
- Finalization of transition to Prime Market in the new market segments of TSE starting in April 2022 pursuant to the Company's selection and application made in November 2021

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

- Renewal of *eki-net* service in June 2021 to enable linkage with *JRE POINT* and support for reserving and purchasing discount tickets, and commencement in March 2022 of a service to show a link to *eki-net* on *Google Maps*
- Introduction of E7 Series Hokuriku Shinkansen railcars equipped with wheelchair-designated free spaces in July 2021
- Promotion of measures to increase users of the *Off-Peak Point Service* for customers who commute during off-peak times using the *Suica* commuter pass
- Commemorative campaign marking the 30th anniversary of *JR SKISKI* to spur demand for snow-related activities
- Merger of the Yamanote Line Outer Loop platform and the Keihin-Tohoku Line Northbound platform at Shinagawa Station in December 2021 to enable easier transfers and to reduce congestion of the Yamanote Line platform
- Revision of the Green Car Fees of the Shinkansen and limited express trains, and making all cars of the Yamagata Shinkansen reserved-seats-only in March 2022
- Implementation from March 2022 of a system in which train crew helps customers in wheelchairs get on/off trains by using a portable slope at certain stations of the Senseki Line, the Ban-etsu-West Line, the Koumi Line, etc.

As a result, operating revenues in the Transportation segment increased 15.8%, to ¥1,332.8 billion ($10,925 million), due mainly to increases in passenger revenues, which were attributable to the recovery from decreased sales impacted by the spread of COVID-19 during fiscal 2021, and operating loss was ¥285.3 billion ($2,339 million) (operating loss of ¥548.5 billion in fiscal 2021).

Shinkansen Network

In the Shinkansen network, passenger kilometers increased 30.6% year on year, to 10.4 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Shinkansen commuter pass revenues decreased 3.1% year on year, to ¥20.3 billion ($166 million), and non-commuter pass revenues increased 41.0%, to ¥237.8 billion ($1,949 million). The total of Shinkansen commuter pass revenues and non-commuter pass revenues increased 36.1% year on year, to ¥258.1 billion ($2,115 million).

Conventional Lines (Kanto Area Network)

For conventional lines in the Kanto area network, passenger kilometers increased 5.5% year on year, to 76.8 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Commuter pass revenues decreased 0.3%, to ¥341.7 billion ($2,801 million), while non-commuter pass revenues increased 22.6%, to ¥470.4 billion ($3,856 million). The total of commuter pass revenues and non-commuter pass revenues increased 11.8% year on year, to ¥812.1 billion ($6,657 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers increased 7.3% year on year, to 4.1 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Commuter pass revenues increased 3.6%, to ¥16.0 billion ($131 million), while non-commuter pass revenues increased 19.4%, to ¥27.0 billion ($222 million). The total of commuter pass revenues and non-commuter pass revenues increased 13.0% year on year, to ¥43.0 billion ($353 million).

Retail & Services

In the Retail & Services segment, JR East pressed forward with the "Beyond Stations" concept to transform railway stations from transportation hubs to lifestyle platforms designed to connect people, things, and experiences.

Specific measures

- Opening of new *KINOKUNIYA* stores in Hiroshima in May 2021, in Nagoya in November 2021, and in Osaka in March 2022
- Full-scale opening of new stores of *ecute EDITION* at Iidabashi Station in July 2021 and at Shinbashi Station in March 2022
- Trial operation of *JRE Passport*, a subscription-based service for use of coffee, *eki soba* (noodles served at stations) and shared office spaces, from July to September 2021, and promotion of preparations for full-scale commencement of the service in April 2022
- Launch of *EKITOMA TICKET*, *JRE MALL's* electronic ticket service in October 2021 usable for dining, shopping and other purposes in local communities
- Promotion of preparations for opening of a Hybrid Clinic that provides comprehensive medical examination for multiple clinical categories not only in person but also online on the platform of Nishi-Kokubunji Station of the Chuo Line in April 2022

As a result, despite the increase in the sales at stores in stations, which were attributable to the recovery from decreased sales impacted by the spread of COVID-19 during fiscal 2021, operating revenues in the Retail & Services segment decreased 17.8%, to ¥312.3 billion ($2,559 million) due to the application of "*Accounting Standard for Revenue Recognition*" (ASBJ Statement No. 29, revised on March 31, 2020) (hereinafter "*Accounting Standard for Revenue Recognition*"), and operating income increased 440.3%, to ¥14.1 billion ($115 million).

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

- Full-scale opening of *KAWASAKI DELTA* (Kanagawa), a large-scale mixed-use development of buildings with offices, commercial facilities, and a hotel, in May 2021
- Opening of *HOTEL METROPOLITAN AKITA North Wing* (Akita) in May 2021
- Opening of *HOTEL METROPOLITAN PREMIER TAIPEI* (Taiwan), the JR East Group's first hotel established overseas, in August 2021
- Campaign at subsidiary Nippon Hotel Co., Ltd. to provide hotel gift certificates to those with proof of COVID-19 vaccination since July 2021
- Commencement of its "rotational business model" in the real estate business and liquidation of real estate held by the Company in December 2021
- Launch of hotel packages by NIPPON HOTEL Co., Ltd. that include admission tickets to *Yokohama Hakkeijima Seaparadise* and Seibuen Amusement Park as part of comprehensive partnership with SEIBU HOLDINGS INC.
- Completion in March 2022 of *JR MEGURO MARC BUILDING*, the office building of *MEGURO MARC* (Tokyo), which is an urban development complex consisting of three buildings for rental apartments, condominiums, and offices

As a result, operating revenues in the Real Estate & Hotels segment increased 28.9%, to ¥375.7 billion ($3,079 million), due mainly to increased sales at station buildings, which were attributable to the recovery from decreased sales impacted by the spread of COVID-19 during fiscal 2021, and to increased income from office building leases as well as sales realized in the real estate business leveraging the "rotational business model", and operating income increased 611.3%, to ¥107.8 billion ($883 million).

Others

In the Others segment, JR East promoted measures such as the enhancement of the *MaaS Platform*, which realizes seamless and stress-free mobility, and further expanded the scope of use of *Suica*.

Specific measures

- Issuance of approximately 89.6 million *Suica* cards in total, achievement of 16.6 million members for *Mobile Suica*, and expansion of store network accepting *Suica* electronic payment to 1.3 million stores by March 31, 2022, as a result of promoting a shared platform for *Suica*
- Commencement of commemorative campaign in November 2021 marking the 20th anniversary of the launch of *Suica* service
- Expansion of the multi-function regional IC card service areas to nine areas, where a single card can be used to receive both unique regional services, including bus commuter pass services, and *Suica* services, by March 31, 2022, to expand the *Suica* user base in local areas
- Preparation of Eki Karte, a formal report on *Suica*-related statistical information, aimed to be utilized for town development and regional revitalization, and promotion of preparations for commencement of sales in May 2022
- Launch of regional and tourism-oriented MaaS services in six Tohoku prefectures and Karuizawa, and commencement of operation of *Tabi-CONNECT*, a regional and tourism-oriented MaaS package available outside of the JR East area, in November 2021
- Revision of *VIEW Plus* service, which provides VIEW card users with additional *JRE POINTs*, in July 2021 resulting in increase in rate of points awarded for *eki-net* and other services
- Promotion of establishment of 5G base stations inside train stations as an infrastructure sharing business for telecommunications carriers, and completion of establishment of 19 base stations in total by March 31, 2022

However, with the decline in the sales from the IC card business and effect of the application of *Accounting Standard for Revenue Recognition*, operating revenues from Others decreased 14.4%, to ¥208.5 billion ($1,710 million). In addition, operating income declined 21.1%, to ¥11.6 billion ($96 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.

Operating income

Operating expenses decreased 6.7% year on year, to ¥2,132.9 billion ($17,483 million). Operating expenses as a percentage of operating revenues were 107.8%, compared with 129.5% in the previous fiscal year.

Transportation, other services and cost of sales decreased 7.5%, to ¥1,596.1 billion ($13,083 million), because of a decrease in non-personnel expenses and other factors.

Selling, general and administrative expenses decreased 4.2%, to ¥536.8 billion ($4,400 million), which was due to a decrease in non-personnel expenses and other factors.

Operating loss was ¥153.9 billion ($1,262 million) (a ¥38.9 billion deterioration compared with the business results forecast in October). Operating loss was ¥520.4 billion in the previous fiscal year.

Income before income taxes

Other income rose 8.4%, to ¥108.4 billion ($888 million), due mainly to an increase in construction grants received.

Other expenses were down 45.9%, to ¥134.9 billion ($1,106 million), mainly as a result of an increase in impairment losses on fixed assets.

Loss before income taxes was ¥180.5 billion ($1,480 million). Loss before income taxes was ¥703.6 billion in the previous fiscal year.

Profit (Loss) Attributable to Owners of Parent

Loss attributable to owners of parent was ¥94.9 billion ($778 million) (a ¥65.1 billion improvement compared with the business results forecast in October), mainly due to the recognition of loss before income taxes. Loss attributable to owners of parent was ¥577.9 billion in the previous fiscal year. Loss per share was ¥251.69 ($2), compared with loss per share of ¥1,531.91 in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2022, net cash provided by operating activities totaled ¥190.5 billion ($1,562 million), while net cash used in operating activities totaled ¥190.0 billion in the previous fiscal year. This result was mainly due to a decrease in loss before income taxes and other factors.

Net cash used in investing activities amounted to ¥526.4 billion ($4,314 million), ¥223.0 billion less than in the previous fiscal year. This result was mainly due to a decrease 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 underpass development of Niigata Station and others. In the Real Estate & Hotels segment, capital expenditures included those for *KAWASAKI DELTA*, *HOTEL METROPOLITAN AKITA North Wing* and *MEGURO MARC*. In the Others segment, capital expenditures included those for systems development. Further, free cash flows increased ¥603.5 billion, to a negative ¥335.9 billion ($2,752 million).

Net cash provided by financing activities came to ¥304.6 billion ($2,497 million), ¥678.7 billion less than in the previous fiscal year. This result was mainly due to a decrease of procurement of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2022, were ¥171.0 billion ($1,402 million), a decrease of ¥26.9 billion from ¥198.0 billion on March 31, 2021.

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, 2022, stood at ¥4,703.7 billion ($38,555 million). Further, EBITDA is the sum of consolidated operating income and consolidated depreciation. In fiscal 2022, EBITDA of ¥238.7 billion ($1,956 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 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 2022, JR East issued 17 unsecured straight bonds in Japan, with a total nominal amount of ¥410.0 billion ($3,361 million) and maturities from 2024 through 2071. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East issued 3 unsecured straight bonds overseas, with a total nominal amount of £300.0 million ($396 million) and €1,200 million ($1,348 million) and maturities from 2028 through 2039. 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. In addition, JR East borrowed long-term funds of ¥298.6 billion ($2,448 million) from financial institutions.

Long-term liabilities incurred for purchase of railway facilities associated with JR East's assumption of Shinkansen railway facilities stood at ¥318.5 billion ($2,611 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 ¥0.4 billion ($3 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 ($4,754 million). Further, as of the end of fiscal 2022, the outstanding balance of bank overdrafts was ¥60.0 billion. 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 2022. As of March 31, 2022, the outstanding balance of commercial paper was ¥330.0 billion ($2,705 million). Also, JR East has established a committee bank credit line (a financing framework that permits unrestricted borrowing within contract limits based on certain conditions) with an amount of ¥300.0 billion ($2,459 million). Further, there was no outstanding balance associated with usage of the committed bank credit line as of the end of fiscal 2022.

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 14, 2022, JR East issued three unsecured straight bonds in Japan, with a total nominal amount of ¥45.0 billion ($369 million) and maturities from 2027 to 2072. R&I rated these bonds AA+. In addition, on April 13, 2022, the Company issued an unsecured straight bond overseas, with a total nominal amount of €650 million ($725 million) and maturities 2033. S&P Global Ratings Japan Inc. and Moody's Japan K.K. rated this bond A+ and A1, respectively.

R&I and JCR have related 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 ¥480.0billion ($3,934 million).

Operational and Other Risk Information

The JR East 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, 2022.

(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 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 2022, JR East had completed installation of automatic platform gates at 92 railway stations and 183 tracks on a line-by-line basis. In fiscal 2023, JR East will install automatic platform gates at 7 railway stations and 14 tracks on a line-by-line basis. Further, JR East had installed Smart Platform Doors, which shorten construction periods and reduce costs, at 21 railway stations and 42 tracks by the end of fiscal 2022. 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, 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 four 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 2020, the Group is advancing Mobility as a Service (MaaS), *eki-net* 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, although it is gradually improving, 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

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, 2022, the consolidated statement of operations, and consolidated statement of comprehensive income, the consolidated statement of changes in net assets and 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, 2022, 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 as to whether an impairment loss should be recognized on fixed 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”), property, plant and equipment of ¥7,177,856 million and intangible assets of ¥169,970 million were recognized as of March 31 2022. As described in Note 5, “Significant Accounting Estimate, Impairment Loss on Fixed Assets” to the consolidated financial statements, those amounts included fixed assets of ¥5,177,176 million and construction in progress of ¥250,753 million for railway operations of East Japan Railway Company, the total of which represented 59.7% of total assets in the consolidated financial statements. These assets need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The Group recognized operating loss from railway operations in the current fiscal year following the previous fiscal year due to the effect of COVID-19 and the number of customers using railways continued to substantially decrease due to the spread of the virus, which caused a significant deterioration in its business environment. As a result, an impairment indicator was identified for the fixed assets for railway operations. Accordingly, the Group performed an impairment test during the current fiscal year. Based on the test result, an impairment loss was not recognized as the estimated undiscounted future cash flows from the business exceeded the carrying amount. The future cash flows used for the test were estimated based on the earnings projection for railway operations prepared by management and the recoverable amount of the assets. A key assumption underlying the earnings projection was the prospect of the recovery of operating revenues from the railway transportation business, which reflected the timing of when the spread of COVID-19 would be contained and any	The primary procedures we performed to assess whether the Group’s judgment with respect to the recognition of an impairment loss on the fixed assets was appropriate, included the following: ● 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 in the earnings projection used in calculating the undiscounted future cash flows, through inquiry of management, as well as by inspecting and agreeing relevant internal materials and comparing them with information available from external sources; ● We examined the consistency of the earnings projections used in the calculation of the undiscounted future cash flows with the earnings projection approved by the Board of Directors and relevant internal materials; ● We tested the effectiveness of management’s estimate processes by comparing the actual performance with the past business plans; and ● We assessed the consistency of the recoverable amount of the assets mainly with price indicators.

impact of the resulting changes in social structures. These estimates involve a high degree of uncertainty and accordingly, management's judgment thereon had a significant effect on the estimate of the future cash flows.

We, therefore, determined that our assessment of the appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the fixed 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.

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

The key audit matter

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 ¥442,562 million were recognized as of March 31 2022. As described in Note 21, "Income taxes" to the consolidated financial statements, the amount of the gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥506,297 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. The Group considered the application of special taxation treatment in estimating the effect of reducing the future taxable amount by tax loss carryforwards since its business adaptation plan was approved by the Minister of Land, Infrastructure, Transport and Tourism.

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

How the matter was addressed in our audit

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 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.
- We examined the consistency of the investment of each fiscal year based on the business adaptation plan, which was used in determining the recoverability of deferred tax assets, with the

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.

investment plan submitted to the Ministry of Land, Infrastructure, Transport and Tourism.

Accuracy of revenue recognition for revenues from the passenger transportation business

The key audit matter

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 ¥1,978,967 million was recognized for the current fiscal year. Of this amount, operating revenues from sales to general customers within the Transportation segment amounted to ¥1,277,036 million, representing 64.5% 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

How the matter was addressed in our audit

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

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.	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.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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.

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, 2022

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/