

FINANCIAL DATA

2024

For the Year Ended March 31, 2024

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Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2023 and 2024

		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2023	2024	2024
Assets			
Current Assets:			
Cash and cash equivalents (Notes 5, 9 and 11)	¥ 215,000	¥ 280,811	\$ 1,860
Receivables (Note 9):			
Accounts receivable–trade	619,375	692,498	4,586
Contract assets (Notes 23)	2,584	2,421	16
Unconsolidated subsidiaries and affiliated companies	13,156	13,729	91
Other	6,509	7,016	46
Allowance for doubtful accounts (Note 2 (4))	(3,106)	(2,575)	(17)
	638,518	713,089	4,722
Inventories (Notes 2(5) and 6)	90,491	100,311	664
Real estate for sale (Notes 2(6) and 7)	45,177	38,076	252
Other current assets	63,599	59,645	396
Total current assets	1,052,785	1,191,932	7,894
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 8)	152,590	164,516	1,090
Other (Notes 2 (7), 9 and 10)	207,413	302,612	2,004
	360,003	467,128	3,094
Property, Plant and Equipment (Notes 2(8),(11),(16), 7, 11 and 22):			
Buildings	3,285,914	3,347,263	22,167
Structures	6,618,453	6,706,324	44,413
Machinery, rolling stock and vehicles	3,037,657	3,101,977	20,543
Land	2,185,869	2,232,095	14,782
Construction in progress	399,205	562,276	3,724
Other	309,913	321,309	2,128
	15,837,011	16,271,244	107,757
Less accumulated depreciation	8,622,449	8,798,865	58,271
Net property, plant and equipment	7,214,562	7,472,379	49,486
Other Assets:			
Deferred tax assets (Note 21)	432,011	342,541	2,268
Other	292,539	297,500	1,970
	724,550	640,041	4,238
	¥ 9,351,900	¥ 9,771,480	\$ 64,712

See accompanying notes.

		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2023	2024	2024
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt and current portion of long-term debt (Notes 9 and 13)	¥ 365,000	¥ 324,148	\$ 2,147
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	4,065	4,298	29
Prepaid railway fares received	78,047	86,633	574
Payables (Notes 9 and 11):			
Accounts payable–trade	42,410	45,233	300
Unconsolidated subsidiaries and affiliated companies	181,926	185,922	1,231
Other	562,338	622,947	4,125
	786,674	854,102	5,656
Accrued expenses	101,250	115,389	764
Accrued consumption taxes (Notes 9 and 15)	43,961	40,667	269
Accrued income taxes (Notes 2 (13), 9 and 21)	16,187	22,040	146
Other current liabilities	137,068	169,454	1,122
Total current liabilities	1,532,252	1,616,731	10,707
Long-Term Liabilities:			
Long-term debt (Notes 9 and 13)	4,094,821	4,233,117	28,034
Long-term liabilities incurred for purchase of railway facilities (Notes 9, 11 and 14)	311,002	306,704	2,031
Net defined benefit liability (Notes 2(9) and 20)	445,844	399,184	2,644
Deposits received for guarantees	151,801	173,663	1,150
Deferred tax liabilities (Note 21)	2,368	2,320	15
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (10))	168,000	192,000	1,272
Other long-term liabilities	148,098	108,528	719
Total long-term liabilities	5,321,934	5,415,516	35,865
Contingent Liabilities (Note 16)			
Net Assets (Note 17):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2024—378,137,400 shares;			
Outstanding, 2024—377,117,353 shares	200,000	200,000	1,325
Capital surplus	96,446	97,603	646
Retained earnings	2,132,050	2,289,194	15,160
Treasury stock, at cost, 1,020,047 shares in 2024	(8,914)	(5,979)	(40)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	43,302	100,607	666
Net deferred gains (losses) on derivatives under hedge accounting	2,549	3,430	23
Revaluation reserve for land (Note 2 (17))	(35)	(16)	(0)
Foreign currency translation adjustments	284	135	1
Remeasurements of defined benefit plans	7,570	32,922	218
Non-Controlling Interests	24,462	21,337	141
Total net assets	2,497,714	2,739,233	18,140
	¥9,351,900	¥9,771,480	\$64,712

Consolidated Statements of Income and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2023 and 2024

(I) Consolidated Statement of Income

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2023	2024	2024
Operating Revenues (Note 23 and 24)	¥2,405,538	¥2,730,119	\$18,080
Operating Expenses:			
Transportation, other services and cost of sales	1,687,834	1,765,637	11,693
Selling, general and administrative expenses	577,075	619,320	4,101
	2,264,909	2,384,957	15,794
Operating Income (Note 24)	140,629	345,162	2,286
Other Income (Expenses):			
Interest expense on short- and long-term debt	(42,950)	(49,422)	(327)
Interest expense incurred for purchase of railway facilities	(20,805)	(20,556)	(136)
Loss on sales of fixed assets	(328)	(106)	(1)
Impairment losses on fixed assets (Notes 2 (16), 12 and 24)	(19,064)	(24,480)	(162)
Intensive seismic reinforcement costs	(4,644)	(6,780)	(45)
Interest and dividend income	4,955	5,460	36
Equity in net income of affiliated companies	23,322	10,683	71
Gain on sales of fixed assets	4,791	7,814	52
Other, net	42,469	6,297	41
	(12,254)	(71,090)	(471)
Income before Income Taxes	128,375	274,072	1,815
Income Taxes (Notes 2 (13) and 21):			
Current	14,667	22,115	146
Deferred	13,163	54,612	362
Profit	100,545	197,345	1,307
Profit Attributable to Non-Controlling Interests	1,313	895	6
Profit Attributable to Owners of Parent	¥ 99,232	¥ 196,450	\$ 1,301
		Yen	U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (14))	¥ 88	¥174	\$1
Cash Dividends Applicable to the Year (Note 2 (14))	100	140	1

See accompanying notes.

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

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2023	2024	2024
Profit	¥100,545	¥197,345	\$1,307
Other Comprehensive Income:			
Net unrealized holding gains (losses) on securities	(5,685)	55,862	370
Net deferred gains (losses) on derivatives under hedge accounting	49	679	5
Foreign currency translation adjustments	27	(102)	(1)
Remeasurements of defined benefit plans	1,262	24,342	161
Share of other comprehensive income of associates accounted for using equity method	261	2,712	18
	(4,086)	83,493	553
Comprehensive Income	¥ 96,459	¥280,838	\$1,860
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥ 95,139	¥279,880	\$1,854
Comprehensive income attributable to non-controlling interests	1,320	958	6

See accompanying notes.

Consolidated Statements of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2023 and 2024

	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, 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
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends (¥100 per share)	—	—	—	(37,760)	—	—	—	—	—	—	—	(37,760)
Profit attributable to owners of parent	—	—	—	99,232	—	—	—	—	—	—	—	99,232
Increase/decrease due to merger	—	—	—	874	—	—	—	—	—	—	—	874
Purchase of treasury stock	—	—	—	—	(1,139)	—	—	—	—	—	—	(1,139)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(2,211)	—	—	—	—	—	—	(2,211)
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	22,199	—	—	—	—	—	—	—	22,199
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	35	—	—	—	—	—	—	—	—	35
Reversal of revaluation reserve for land	—	—	—	97	—	—	—	—	—	—	—	97
Other	—	—	—	—	—	(4,528)	85	222	26	1,192	1,279	(1,724)
Balance at March 31, 2023	377,932,400	¥200,000	¥96,446	¥2,132,050	¥(8,914)	¥ 43,302	¥2,549	¥ (35)	¥ 284	¥7 ,570	¥24,462	¥2,497,714
Issuance of new shares	205,000	—	1,171	—	—	—	—	—	—	—	—	1,171
Cash dividends (¥105 per share)	—	—	—	(39,648)	—	—	—	—	—	—	—	(39,648)
Profit attributable to owners of parent	—	—	—	196,450	—	—	—	—	—	—	—	196,450
Increase/decrease due to merger	—	—	—	418	—	—	—	—	—	—	—	418
Purchase of treasury stock	—	—	—	—	(73)	—	—	—	—	—	—	(73)
Disposal of treasury stock	—	—	—	(44)	3,131	—	—	—	—	—	—	3,087
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(123)	—	—	—	—	—	—	(123)
Change of scope of consolidation	—	—	—	(13)	—	—	—	—	—	—	—	(13)
Change in scope of equity method	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(28)	—	—	—	—	—	—	—	—	(28)
Purchase of shares of consolidated subsidiaries	—	—	14	—	—	—	—	—	—	—	—	14
Reversal of revaluation reserve for land	—	—	—	(19)	—	—	—	—	—	—	—	(19)
Other	—	—	—	—	—	57,305	881	19	(149)	25,352	(3,125)	80,283
Balance at March 31, 2024	378,137,400	¥200,000	¥97,603	¥2,289,194	¥(5,979)	¥100,607	¥3,430	¥ (16)	¥ 135	¥32,922	¥21,337	¥2,739,233

	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, 2023	377,932,400	\$1,325	\$639	\$14,120	\$(59)	\$287	\$17	\$(0)	\$ 2	\$ 50	\$162	\$16,541
Issuance of new shares	205,000	—	7	—	—	—	—	—	—	—	—	7
Cash dividends (\$1 per share)	—	—	—	(263)	—	—	—	—	—	—	—	(263)
Profit attributable to owners of parent	—	—	—	1,301	—	—	—	—	—	—	—	1,301
Increase/decrease due to merger	—	—	—	2	—	—	—	—	—	—	—	2
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	(0)	21	—	—	—	—	—	—	21
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(1)	—	—	—	—	—	—	(1)
Change of scope of consolidation	—	—	—	(0)	—	—	—	—	—	—	—	(0)
Change in scope of equity method	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(0)	—	—	—	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	—	0	—	—	—	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	(0)	—	—	—	—	—	—	—	(0)
Other	—	—	—	—	—	379	6	0	(1)	168	(21)	531
Balance at March 31, 2024	378,137,400	\$1,325	\$646	\$15,160	\$(40)	\$666	\$23	\$(0)	\$ 1	\$218	\$141	\$18,140

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2023 and 2024

		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
	2023	2024	2024
Cash Flows from Operating Activities:			
Income before income taxes	¥ 128,375	¥ 274,072	\$ 1,815
Depreciation	389,885	392,172	2,597
Impairment losses on fixed assets	19,064	24,480	162
Amortization of long-term prepaid expense	10,623	11,119	74
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	159
Net change in net defined benefit liability	(17,915)	(11,824)	(78)
Interest and dividend income	(4,955)	(5,460)	(36)
Interest expense	63,755	69,978	463
Construction grants received	(40,925)	(24,084)	(159)
Loss from disposition and provision for cost reduction of fixed assets	70,965	55,157	365
Net change in major receivables	(57,768)	(96,964)	(642)
Net change in major payables	72,465	58,339	386
Other	(34,843)	1,572	10
Sub-total	622,726	772,557	5,116
Proceeds from interest and dividends	7,512	9,150	61
Payments of interest	(62,008)	(67,464)	(447)
Insurance proceeds related to disaster	4,535	—	—
Payments of Disaster-damage losses	(10,276)	(12,975)	(86)
Proceeds from compensation	27,596	3,044	20
Payments of partial transfer costs of railway operation	(142)	—	—
Payments of income taxes	(8,187)	(16,208)	(107)
Net cash provided by operating activities	581,756	688,104	4,557
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(555,583)	(714,913)	(4,735)
Proceeds from sales of fixed assets	6,410	8,335	55
Proceeds from construction grants	12,528	49,112	325
Payments for purchases of investment in securities	(36,394)	(21,358)	(141)
Proceeds from sales of investment in securities	21,959	7,041	47
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 26)	—	(2,661)	(18)
Other	(14,431)	(16,180)	(107)
Net cash used in investing activities	(565,511)	(690,624)	(4,574)
Cash Flows from Financing Activities:			
Net change in short-term loans	(60,749)	(1,124)	(7)
Commercial Paper	(330,000)	—	—
Proceeds from long-term loans	174,500	108,300	717
Payments of long-term loans	(142,000)	(150,000)	(993)
Proceeds from issuance of bonds	544,151	354,044	2,345
Payments for redemption of bonds	(111,000)	(215,000)	(1,424)
Payments of liabilities incurred for purchase of railway facilities	(3,806)	(4,065)	(27)
Cash dividends paid	(37,760)	(39,648)	(263)
Other	(6,505)	13,597	90
Net cash provided by financing activities	26,831	66,104	438
Effect of Exchange Rate Changes on Cash and Cash Equivalents	124	300	2
Net Change in Cash and Cash Equivalents	43,200	63,884	423
Cash and Cash Equivalents at Beginning of Year	171,023	215,000	1,424
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	—	880	6
Increase in Cash and Cash Equivalents due to Merger	777	1,047	7
Cash and Cash Equivalents at End of Year	¥ 215,000	¥ 280,811	\$ 1,860

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2023 and 2024

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, 1,629 railway stations and 7,302.2 operating kilometers as of March 31, 2024.

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.

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, 2024, which was ¥151 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, 2024, 72 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, 2024, 11 affiliated companies were accounted for by the equity method.

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

4) Allowance for Doubtful Accounts

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

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

5) Inventories

Inventories are stated at cost as follows:

Merchandise and finished goods: Mainly retail cost method or moving-average cost method (carrying amount on the balance sheet is written-down in accordance with decline in profitability)

Work in process: Mainly identified cost method (carrying amount on the balance sheet is written-down in accordance with decline in profitability)

Raw materials and supplies: Mainly moving-average cost method (carrying amount on the balance sheet is written-down in accordance with decline in profitability)

6) Real estate for sale

Real estate for sale is stated at the identified cost (carrying amount on the balance sheet is written-down in accordance with decline in profitability).

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, 2024.

(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.

(c) Investments in partnership, etc. (which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law (Law No. 25 of 1948))

Investments in partnership are stated at net value of equities based on the latest financial statements available according to the closing date stipulated in the partnership agreement.

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) 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 ended 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.

11) 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.

12) 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, 2023 and 2024 were ¥19,391 million and ¥21,995 million (\$146 million), respectively.

13) 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.

14) Per Share Data

(1) Earnings per share

Earnings per share shown in the consolidated statement of income are computed by dividing income available to common shareholders by the weighted average number of common stock outstanding during the year. Diluted earnings per share are not shown, since there are no outstanding securities with dilutive effect on earnings per share such as convertible bonds. On April 1, 2024, the Company conducted a 3 for 1 stock split for its common shares. Earnings per share was calculated as though the stock split had been conducted at the beginning of the fiscal year ending March 31, 2023.

(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. On April 1, 2024, the Company conducted a 3 for 1 stock split for its common shares. The figures shown above for dividends for the fiscal year ended March 31, 2023 and 2024 represent the actual amounts of dividend paid before the stock split.

15) 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 income.

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

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

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

16) 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.

17) Revaluation of Land

A certain affiliated company accounted for by the equity-method records “Revaluation reserve for land”, which was recorded in connection with the revaluation of its land for business use pursuant to the Law on Revaluation of Land (Law No. 34 of 1998) and Law for Partial Revision of the Law on Revaluation of Land (Law No. 19 of 2001).

“Revaluation reserve for land”, equal to Company’s equity interest, is recorded under “Net Assets, Accumulated other comprehensive income.”

- (1) Revaluation method
- Rational adjustment are made based on assessed value of fixed assets for property tax purposes pursuant to the Order for Enforcement of the Law on Revaluation of Land (Cabinet Order No. 119 of 1998) Article 2-3 and roadside land value pursuant to Article 2-4 of the same Order
- (2) Revaluation date
- March 31, 2000 and March 31, 2002
- (3) Difference between book value after revaluation and market value for the years ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
	¥(90)	¥(24)	\$ (0)

18) 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.

19) Method and period of amortization of goodwill

Goodwill is equally amortized within five years.

3 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, 2023 and 2024 were ¥432,011 million and ¥342,541 million (\$2,268 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 was based on the assumption of the recovery level from the effect of COVID-19 on operating revenues from the railway transportation business at the end of fiscal 2024 and on the basis of forecasts of business results based on various measures in the medium-term management strategy and information on the external environment.

20) Standards and Guidance Not Yet Adopted

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

- (1) Summary
- The standards and guidance stipulate the accounting classification of income taxes when other comprehensive income is taxed and the treatment of tax effects related to sales of shares of subsidiaries when group taxation regime is applied.
- (2) Effective date
- Effective from the beginning of the fiscal year ending March 31, 2025
- (3) Effect of the application of the said accounting standard, etc.
- The effect is under evaluation as of the time of preparation of these consolidated financial statements.

Regarding the estimated amount of reduced taxes resulting from offsetting tax losses carried forward against taxable income, the Company received approval for its business adaptation plan (growth and development business adaptation plan) from the Minister of Land, Infrastructure, Transport and Tourism on March 30, 2022. Therefore, the Company takes into account, for losses incurred in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022, application of the special taxation treatment that increases the maximum amount of deductible losses brought forward from 50% of taxable income of any given fiscal year to up to 100% of such taxable income for a maximum of five fiscal years from the fiscal year ended March 31, 2023, within the amount of investment made in accordance with the business adaptation plan.

If the business performance does not proceed as anticipated, 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, 2023 and 2024 was as follows:

		Millions of Yen	Millions of U.S. Dollars
	2023	2024	2024
Property, plant and equipments	¥7,214,562	¥7,472,379	\$49,486
Intangible assets	198,806	201,452	1,334

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

The Group makes grouping of assets mainly for each business or property in accordance with the categories of management accounting. For the Company's fixed assets for railway operations, all railway lines are treated as a single asset group since the cash flows are generated from the entire railway network. Moreover, assets which will be transferred or abolished, idle assets and others are treated as an independent unit, respectively. Among them, regarding asset groups whose market value drops significantly against the book value or those whose profitability declines significantly, we estimate future cash flow, and we reduce the book value to the recoverable value and recognize impairment losses for those whose total future cash flow before discount is below the book value of the asset group.

4 CHANGE IN PRESENTATION METHOD

(Consolidated statement of income)

From the fiscal year ended March 31, 2024, the Company has presented and included "Gain on sales of investment in securities" in "Other, net" of "Other Income (Expenses)" because in the fiscal year ended March 31, 2024 the monetary significance was negligible.

To reflect this change in presentation method, in the consolidated statement of income for the fiscal year ended March 31, 2023 the Company has presented and included ¥9,861 million in "Other, net" of "Other Income (Expenses)" that was classified separately as "Gain on sales of investment in securities".

(Consolidated statement of income)

From the fiscal year ended March 31, 2024, the Company has presented and included "Compensation income" in "Other, net" of "Other Income (Expenses)" because in the fiscal year ended March 31, 2024 the monetary significance was negligible.

To reflect this change in presentation method, in the consolidated statement of income for the fiscal year ended March 31, 2023 the Company has presented and included ¥27,596 million in "Other, net" of "Other Income (Expenses)" that was classified separately as "Compensation income".

For the calculation of the recoverable amount, we use such assumptions as the number of years for estimating future cash flow, forecasts of operating revenues based on occupancy of tenants and renewal of facilities, effects of cost reduction measures, forecasts of net sales prices, and discount rates to calculate the present value of future cash flow. If assumptions need to be changed due to economic slowdown, bad weather, competition with other businesses, decline of market prices and outbreak of infectious diseases, among others, impairment losses could be recognized in the consolidated financial statements for the following fiscal year.

(Consolidated statement of income)

From the fiscal year ended March 31, 2024, the Company has classified "Intensive seismic reinforcement costs " of "Other, net" of "Other Income (Expenses)" separately because in the fiscal year ended March 31, 2024 the monetary significance increased. In the previous fiscal year, the Company presented and included "Intensive seismic reinforcement costs " in "Other, net" of "Other Income (Expenses)".

To reflect this change in the presentation method, in the consolidated statement of income for the previous fiscal year, the Company has reclassified ¥(4,644) million that was presented and included in "Other, net" as "Intensive seismic reinforcement costs" of "Other Income (Expenses)."

(Consolidated Statement of Cash Flows)

From the fiscal year ended March 31, 2024, the Company has presented and included "Compensation income" in "Other" of " Cash Flows from Operating Activities" because in the fiscal year ended March 31, 2024 the monetary significance was negligible.

To reflect this change in the presentation method, in the consolidated statement of cash flows for the fiscal year ended March 31, the Company has presented and included ¥(27,596) million in "Other" of "Cash Flows from Operating Activities" that was classified separately as "Compensation income".

5 CASH AND CASH EQUIVALENTS

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

6 INVENTORIES

Inventories at March 31, 2023 and 2024 consisted of the following:

		Millions of Yen	Millions of U.S. Dollars
	2023	2024	2024
Merchandise and finished goods	¥ 9,216	¥ 9,188	\$ 61
Work in process	39,491	46,928	311
Raw materials and supplies	41,784	44,195	292
	¥90,491	¥100,311	\$664

7 REAL ESTATE FOR SALE

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in eastern Honshu. Due to a change in the reason for holding real estate, ¥35,331 million and ¥12,237 million (\$81 million) has been reclassified from fixed assets to real estate for sale for the years ended March 31, 2023 and 2024, respectively.

8 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2023 and 2024 consisted of the following:

		Millions of Yen	Millions of U.S. Dollars
	2023	2024	2024
Unconsolidated subsidiaries:			
Investments	¥ 10,096	¥ 11,777	\$ 79
Advances	—	—	—
	10,096	11,777	79
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥141,804	¥152,102	\$1,007
Advances	690	637	4
	142,494	152,739	1,011
	¥152,590	¥164,516	\$1,090

9 FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company’s purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million (\$20,576 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 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, 2023 and 2024, fair values of such items, and the differences between such amounts and values are shown below. In addition, shares, etc., without Market Prices 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		
	2023			2024			2024		
	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
a Receivables	¥ 639,040	¥ 639,040	¥ —	¥ 713,243	¥ 713,243	¥ —	\$ 4,723	\$ 4,723	\$ —
b Securities:									
Held-to-maturity debt securities	450	451	1	450	450	0	3	3	0
Available-for-sale securities	178,356*1	178,356*1	—	262,231*1	262,231*1	—	1,737*1	1,737*1	—
Assets	¥ 817,846	¥ 817,847	¥ 1	¥ 975,923	¥ 975,924	¥ 0	\$ 6,463	\$ 6,463	\$ 0
a Payables	¥ 786,674	¥ 786,674	¥ —	¥ 854,102	¥ 854,102	¥ —	\$ 5,656	\$ 5,656	\$ —
b Accrued consumption taxes	43,961	43,961	—	40,667	40,667	—	269	269	—
c Accrued income taxes	16,187	16,187	—	22,040	22,040	—	146	146	—
d Long-term debt:									
Bonds	2,975,871	2,927,063	(48,808)	3,114,968	2,975,069	(139,898)	20,629	19,702	(926)
Long-term loans	1,483,950	1,490,274	6,324	1,442,250	1,436,132	(6,118)	9,551	9,511	(41)
e Long-term liabilities incurred for purchase of railway facilities	315,067	579,022	263,955	311,002	542,696	231,695	2,060	3,594	1,534
Liabilities	¥5,621,710	¥5,843,181	¥221,471	¥5,785,028	¥5,870,707	¥ 85,678	\$38,311	\$38,879	\$ 567
Derivative transactions*2:									
Hedge accounting not applied	¥ 1,441	¥ 1,441	¥ —	¥ 1,607	¥ 1,607	¥ —	\$ 11	\$ 11	\$ —
Hedge accounting applied	¥ 3,616	¥ 3,616	¥ —	¥ 4,593	¥ 4,593	¥ —	\$ 30	\$ 30	\$ —

*1 Available-for-sale securities include investment trusts whose investment trust assets are real estate, to which Paragraph 24-9 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) has been applied.

*2 Net receivables / payables arising from derivatives are shown.

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 10).
- b. Derivative Transactions (See Note 19)

Notes: 2. Book value of Shares, etc. without market prices and Investment in partnership, etc. recognized on consolidated balance sheets

	Millions of Yen			Millions of U.S. Dollars	
	2023	2024		2024	
Unlisted equity securities*1	¥ 7,657	¥ 7,784		\$ 52	
Investment in limited liability companies (<i>godo kaisha</i>)*1	464	696		5	
Investment in limited partnership (<i>toshi jigyo kumiai</i>)*1*2	17,009	27,071		179	
Preferred equity securities*1	1,507	1,769		12	

*1. Unlisted equity securities, investment in limited liability companies (*godo kaisha*), investment in limited partnership (*toshi jigyo kumiai*), and preferred equity securities are not included in “b Available-for-sale securities.”

*2 Investment in investment business partnership (*toshi jigyo kumiai*) is not subject to the disclosure of fair value in accordance with Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

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, 2023 and 2024 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2023				2024				2024			
	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	¥215,000	¥ —	¥ —	¥ —	¥280,811	¥ —	¥ —	¥ —	\$1,860	\$—	\$—	\$—
Receivables	633,064	5,950	26	—	478,842	6,283	35	—	3,171	42	0	—
Securities:												
Held-to-maturity debt securities (Government bonds and Bonds)	—	10	—	440	—	10	—	440	—	0	—	3
Available-for-sale securities which have maturity (Government bonds and Bonds)	—	6	—	—	6	—	—	—	0	—	—	—
Total	¥848,064	¥5,966	¥26	¥440	¥759,659	¥6,293	¥35	¥440	\$5,031	\$42	\$ 0	\$ 3

Notes: 5. The annual maturities of bonds, long-term loans and long-term liabilities incurred for purchase of railway facilities at March 31, 2024 (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 categorizing 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 2024 (Year ended March 31, 2024)

	Millions of Yen						Millions of U.S. Dollars		
	2023			2024			2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Securities:									
Available-for-sale securities	¥177,297*	¥ —*	¥ —*	¥260,210*	¥ —*	¥ —*	\$1,723*	\$ —*	\$ —*
Equity shares	177,291	—	—	260,204	—	—	1,723	—	—
Government, municipal bonds, etc.	6	—	—	6	—	—	0	—	—
Derivative transactions									
Currency swap	—	3,616	—	—	4,593	—	—	30	—
Earthquake derivatives	—	1,441	—	—	1,607	—	—	11	—
Assets	¥177,297	¥5,057	—	¥260,210	¥6,200	—	\$1,723	\$41	—
Derivative transactions									
Forward exchange contracts	—	0	—	—	0	—	—	0	—
Liabilities	¥ —	¥ 0	¥ —	¥ —	¥ 0	¥ —	\$ —	\$ 0	\$ —

* This table does not include investment trusts whose investment trust assets are real estate, to which Paragraph 24-9 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) has been applied. The amount recognized in the consolidated balance sheet related to such investment trusts is ¥1,910 million (\$13 million).

b. Financial instruments other than those measured at fair values in the consolidated balance sheet
Fiscal 2024 (Year ended March 31, 2024)

	Millions of Yen						Millions of U.S. Dollars		
	2023			2024			2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds									
Domestic bonds	¥2,068,588	¥ —	¥ —	¥1,908,299	¥ —	¥ —	\$12,638	\$ —	\$ —
Foreign currency denominated bonds	—	858,475	—	—	1,066,770	—	—	7,065	—
Long-term loans	—	1,490,274	—	—	1,436,132	—	—	9,511	—
Long-term liabilities incurred for purchase of railway facilities	—	579,022	—	—	542,696	—	—	3,594	—
Liabilities	¥2,068,588	¥2,927,771	¥ —	¥1,908,299	¥3,045,599	¥ —	\$12,638	\$20,170	\$ —

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 discount–ing 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.

10 SECURITIES

For held-to-maturity debt securities, the amount on the balance sheet and market value at March 31, 2023 and 2024 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2023			2024			2024		
	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 sheets:									
Government, municipal bonds, etc.	¥10	¥11	¥1	¥10	¥10	¥0	\$0	\$0	\$0
Bonds	—	—	—	—	—	—	—	—	—
Of which market value does not exceed the amount on balance sheets:									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Bonds	¥440	¥440	—	¥440	¥440	—	\$3	\$3	—
Total	¥450	¥451	¥1	¥450	¥450	¥0	\$3	\$3	\$0

For available-for-sale securities, the acquisition cost and amount on balance sheet at March 31, 2023 and 2024 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2023			2024			2024		
	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 sheets exceeds the acquisition cost:									
Equity shares	¥ 68,631	¥135,229	¥66,598	¥ 88,352	¥228,932	¥140,580	\$585	\$1,516	\$931
Debt securities									
Government, municipal bonds, etc.	6	6	0	6	6	0	0	0	0
Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	1,905	1,910	5	13	13	0
Of which amount on balance sheets does not exceed the acquisition cost:									
Equity shares	50,696	42,062	(8,634)	34,242	31,273	(2,969)	227	207	(20)
Debt securities									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Bonds	—	—	—	—	—	—	—	—	—
Other	1,059	1,059	—	110	110	—	1	1	—
	¥120,392	¥178,356	¥57,964	¥124,615	¥262,231	¥137,616	\$826	\$1,737	\$911

Note: In the fiscal year ended March 31, 2023, impairment loss was not implemented for securities other than shares, etc. without market prices. In the fiscal year ended March 31, 2024, ¥60 million of impairment loss was implemented for securities other than shares, etc. without market prices. The Companies’ policy 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 written-off to 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, 2024

	Millions of Yen						Millions of U.S. Dollars		
	2023			2024			2024		
	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	¥17,136	¥9,633	—	¥5,986	¥3,530	—	\$40	\$23	—

11 PLEDGED ASSETS

Pledged assets at March 31, 2023 and 2024 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Cash and cash equivalents	¥ 285	¥ 285	\$ 2
Investments in securities	8,208	10,136	67
Other	39	39	0

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Payables	¥516	¥1,069	\$7
Other	17	21	0

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Buildings and structures with net book value	¥ 270	¥ 299	\$ 2
Land	2,236	2,236	15
Other assets with net book value	134	142	1

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥318	¥224	\$1

12 IMPAIRMENT LOSSES ON FIXED ASSETS

In adherence with management accounting classifications, the Company generally categorize assets according to operations or properties. For railway business assets, the Company treat railway lines as a single asset group because the railway network generates cash flow as a whole. Also, the Company separately categorize assets that are slated to be disposed of or idle. The Company determine recoverable amounts for the above asset groups by measuring the net selling values or values in use. In case the Company determine recoverable amounts for the above asset groups by measuring the net selling prices, the prices and other amounts are adjusted rationally applying real-estate appraisals prepared by external

real-estate appraisers or the tax-appraised value of fixed assets. Values in use for the measurement of recoverable amounts are based on the present values of expected cash flows with the discount rate of 3.0% in the years ended March 31, 2023 and 2024, respectively. For assets with fair value in sharp decline compared with book value or with profitability in sharp decline, the book values were reduced to the recoverable amounts and the reductions were recognized as impairment losses on fixed assets. Impairment losses on fixed assets were ¥19,064 million and ¥24,480 million (\$162 million) in the years ended March 31, 2023 and 2024, respectively.

The fiscal year ended March 31, 2023

Major business	Category	Location	Impairment losses on fixed assets (millions of yen)	Breakdown of impairment losses on fixed assets (millions of yen)
Shopping center operations and Hotel operations, etc.	Buildings and structures and land, etc.	Tachikawa City, Tokyo, etc.	¥12,438	Buildings and structures: 10,088; land: 2,126; other: 224
Retail sales, restaurant business, etc.	Buildings and structures, etc.	Fujisawa City, Kanagawa, etc.	3,403	Buildings and structures: 3,140; other: 263
Railway business, etc.	Buildings and structures, etc.	Saitama City, Saitama, etc.	3,205	Buildings and structures: 2,661; land: 386; other: 158
Other	Machinery, rolling stock and vehicles, etc.	Shibuya City, Tokyo, etc.	18	

The fiscal year ended March 31, 2024

Major business	Category	Location	Impairment losses on fixed assets (millions of yen)	Impairment losses on fixed assets (millions of US dollars)	Breakdown of impairment losses on fixed assets (millions of yen)
Shopping center operations and Hotel operations, etc.	Buildings and structures and land, etc.	Yokohama City, Kanagawa, etc.	¥19,930	\$132	Buildings and structures: 18,861; land: 386; other:683
Retail sales, restaurant business, etc.	Buildings and structures and Machinery, rolling stock and vehicles, etc.	Chiyoda City, Tokyo, etc.	3,168	21	Buildings and structures: 2,517; Machinery, rolling stock and vehicles:193; other:458
Railway business, etc.	Buildings and structures, etc.	Morioka City, Iwate, etc.	1,382	9	Buildings and structures: 1,312; other:70
Other	Buildings and structures, etc.	Morioka City, Iwate, etc.	0	0	

13 LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2024 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Unsecured bonds issued in 2002 to 2024 with interest rates ranging from 0.001% to 2.55% due in 2023 to 2073	¥2,171,989	¥2,104,992	\$13,940
Unsecured loans due in 2023 to 2060 principally from banks and insurance companies with interest rates mainly ranging from 0.07% to 2.80%	1,483,950	1,442,250	9,551
Euro-pound / euro bonds issued in 2006 to 2023 with interest rates ranging from 0.77% to 5.25% due in 2025 to 2043	803,882	1,009,976	6,689
	4,459,821	4,557,218	30,180
Less current portion	365,000	324,101	2,146
	¥4,094,821	¥4,233,117	\$28,034

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, 2024 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2025	¥ 145,000	\$ 960
2026	207,543	1,374
2027	89,999	596
2028	99,997	662
2029	135,634	898
2030 and thereafter	2,436,794	16,138

The annual maturities of long-term loans at March 31, 2024 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2025	¥179,100	\$1,186
2026	141,200	935
2027	185,150	1,226
2028	266,000	1,762
2029	189,800	1,257
2030 and thereafter	481,000	3,185

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 (\$20,576 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million (\$13,920 million), ¥638,506 million (\$4,229 million) in principal amounts payable through March 2017, and ¥366,566 million (\$2,427 million) payable through September 2051. In March 1997, the liability of ¥27,946 million (\$185 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 (\$243 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Long-term liability incurred for purchase of the Tohoku and Joetsu Shinkansen facilities:			
Payable semiannually including interest at a rate currently approximating 4.09% through 2017	¥ —	¥ —	\$ —
Payable semiannually including interest at 6.35% through 2017	—	—	—
Payable semiannually including interest at 6.55% through 2051	314,749	310,778	2,058
	314,749	310,778	2,058
Long-term liability incurred for purchase of the Akita hybrid Shinkansen facilities:			
Payable semiannually at an average rate currently approximating 0.83% through 2022	—	—	—
Long-term liability incurred for purchase of the Tokyo Monorail facilities:			
Payable semiannually at an average rate currently approximating 1.42% through 2029	318	224	2
	315,067	311,002	2,060
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	3,971	4,235	28
The Akita hybrid Shinkansen purchase liability	—	—	—
Tokyo Monorail purchase liability	94	63	1
	4,065	4,298	29
	¥311,002	¥306,704	\$2,031

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, 2024 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2025	¥ 4,298	\$ 28
2026	4,552	30
2027	4,854	32
2028	5,175	34
2029	5,517	37
2030 and thereafter	286,606	1,899

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 ¥11,307 and ¥11,832 million (\$78million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd in the years ended March 31, 2023 and 2024, respectively.

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 2024, the shareholders approved cash dividends amounting to ¥32,141 million (\$213 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2024. 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, 2023 and 2024 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2023		2024		2024	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥5,239	¥59,835	¥7,396	¥78,702	\$46	\$521

19 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 9)

2) Derivative Transactions Not Applied to Hedge Accounting

Millions of Yen									
		2023				2024			
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and losses	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and losses
Transactions other than market transactions	Earthquake derivatives	¥1,442	—	¥1,442	—	¥1,607	—	¥1,607	—
Total		¥1,442	—	¥1,442	—	¥1,607	—	¥1,607	—

Millions of U.S. Dollars									
		2023				2024			
Type	Hedged item	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and losses	Contract amount, etc.	Of which more-than-one-year contract amount, etc.	Fair value (Note 2)	Unrealized profits and losses
Transactions other than market transactions	Earthquake derivatives					\$11	—	\$11	—
Total						\$11	—	\$11	—

3) Derivative Transactions Applied to Hedge Accounting

Millions of Yen									
		2023				2024			
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	Contract amount, etc.	Of which more-than-one-year contract amount, etc.
Currency swap	Long-term loans	¥ 20,000	¥ 20,000	¥3,616	¥ 20,000	¥ 20,000	¥ 4,593		
Forward exchange	Accounts receivable-trade	3	—	(0)	11	—	(0)		
Currency swap	Foreign currency denominated bonds Pay:JPY	285,593	285,593	(Note)	285,593	285,593	(Note)		
	Receive: GBP								
	Foreign currency denominated bonds Pay:JPY	518,817	518,817	(Note)	724,861	724,861	(Note)		
	Receive: EUR								
Interest swap	Long-term loans	18,000	18,000	(Note)	18,000	18,000	(Note)		
Total		¥842,413	¥842,410	¥3,616	¥1,048,465	¥1,048,454	¥ 4,593		

Millions of U.S. Dollars									
		2023				2024			
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	Contract amount, etc.	Of which more-than-one-year contract amount, etc.
Currency swap	Long-term loans				\$ 133	\$ 133	\$ 30		
Forward exchange	Accounts receivable-trade				0	—	(0)		
Currency swap	Foreign currency denominated bonds Pay:JPY				1,891	1,891	(Note)		
	Receive: GBP								
	Foreign currency denominated bonds Pay:JPY				4,800	4,800	(Note)		
	Receive: EUR								
Interest swap	Long-term loans				119	119	(Note)		
Total					\$6,943	\$6,943	\$ 30		

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 9)

20 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheet as of March 31 , 2023 and 2024 consisted of the following:

1) Movement in Retirement Benefit Obligations

Millions of Yen				Millions of U.S. Dollars	
		2023	2024	2024	
Balance at the beginning of the fiscal year		¥475,926	¥456,347	\$3,022	
Service costs		28,725	28,562	189	
Interest costs		2,836	2,742	18	
Actuarial losses (gains)		(5,018)	(38,079)	(252)	
Benefits paid		(46,188)	(40,080)	(265)	
Past service costs		11	52	0	
Other		55	230	2	
Balance at the end of the fiscal year		¥456,347	¥409,774	\$2,714	

2) Movements in Plan Assets

Millions of Yen				Millions of U.S. Dollars	
		2023	2024	2024	
Balance at the beginning of the fiscal year		¥11,382	¥11,465	\$76	
Expected return on plan assets		128	100	1	
Actuarial losses (gains)		(313)	227	2	
Contributions paid by the employer		781	783	5	
Benefits paid		(513)	(401)	(3)	
Balance at the end of the fiscal year		¥11,465	¥12,174	\$81	

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

Millions of Yen				Millions of U.S. Dollars	
		2023	2024	2024	
Funded retirement benefit obligations		¥ 12,873	¥13,002	\$ 86	
Plan assets		(11,465)	(12,174)	(81)	
		1,408	828	5	
Unfunded retirement benefit obligations		443,474	396,772	2,628	
Total Net liability (asset) for retirement benefits at March 31		444,882	397,600	2,633	
Liability for retirement benefits		445,844	399,184	2,644	
Asset for retirement benefits		(962)	(1,584)	(11)	
Total Net liability (asset) for retirement benefits at March 31		¥444,882	¥397,600	\$2,633	

Employees' severance and retirement benefit expenses included in the consolidated statement of income for the years ended March 31, 2023 and 2024 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Service costs	¥28,725	¥28,562	\$189
Interest costs	2,836	2,743	18
Expected return on plan assets	(128)	(100)	(1)
Net actuarial loss amortization	(3,072)	(3,248)	(22)
Past service costs amortization	15	6	0
Other	216	237	2
Total retirement benefit costs for the fiscal year ended March 31	¥28,592	¥28,200	\$186

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
	2023	2024	2024
Past service costs that are yet to be recognized	¥ 4	¥ (46)	\$ (0)
Actuarial gains and losses that are yet to be recognized	1,633	35,058	232
Total balance at March 31	¥ 1,637	¥35,012	\$ 232

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
	2023	2024	2024
Past service costs that are yet to be recognized	¥ 21	¥ (24)	\$ (0)
Actuarial gains and losses that are yet to be recognized	11,928	46,987	311
Total balance at March 31	¥11,949	¥46,963	\$ 311

7) Plan Assets

	2023	2024
Bonds	6%	6%
Equity securities	19%	18%
General account of life insurers	46%	46%
Other	29%	30%

The discount rates are mainly 0.6% and 1.4% in the years ended March 31, 2023 and 2024, respectively. The rates of expected return on pension assets used by the Companies were mainly 1.5% and 0.7% in the years ended March 31, 2023 and 2024, respectively.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,224 million and ¥1,576 million (\$10 million) in the years ended March 31, 2023 and 2024, respectively.

21 INCOME TAXES

The major components of deferred tax assets and deferred tax liabilities at March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Deferred tax assets:			
Loss carried forward for tax purposes	¥272,502	¥210,635	\$1,395
Net defined benefit liability	136,814	122,507	811
Losses on impairment of fixed assets	40,817	45,921	304
Unrealized holding gains on fixed assets	25,674	26,582	176
Reserves for bonuses	18,544	21,585	143
Point-related contract liabilities and allowance	14,919	16,705	111
Environmental conservation costs	15,164	14,930	99
Other	53,725	49,231	326
	578,159	508,096	3,365
Valuation allowance for tax losses carried forward	(25,861)	(20,016)	(133)
Valuation allowance for the total of future subtraction temporary differences, etc.	(59,864)	(62,616)	(415)
Less valuation allowance	(85,725)	(82,632)	(547)
Gross deferred tax assets	492,434	425,463	2,818
Less amounts offset against deferred tax liabilities	(60,423)	(82,923)	(549)
Net deferred tax assets	¥432,011	¥342,541	\$2,268
Deferred tax liabilities:			
Net unrealized holding gains on securities	¥19,980	¥ 42,177	\$ 279
Tax deferment for gain on transfers of certain fixed assets	31,242	30,797	204
Valuation for assets and liabilities of consolidated subsidiaries	2,261	2,198	15
Other	9,308	10,071	67
	62,791	85,243	565
Less amounts offset against deferred tax assets	(60,423)	(82,923)	(549)
Net deferred tax liabilities	¥ 2,368	¥ 2,320	\$ 16

Notes: 1. The valuation allowance decreased ¥3,093 million (\$20 million) compared with the fiscal year ended March 31, 2023. This was primarily attributable to a decrease in the valuation allowance pertaining to tax losses carried forward.

The fiscal year ended March 31, 2023

	Millions of Yen						
	2023						
	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	¥ 198	¥ 177	¥104	¥ 78	¥ 25	¥271,920	¥272,502
Valuation allowance	(196)	(177)	(74)	(77)	(25)	(25,312)	(25,861)
Deferred tax assets	2	—	30	1	—	246,608	246,641*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.

The fiscal year ended March 31, 2024

	Millions of Yen						
	2024						
	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	¥ 186	¥ 74	¥ 97	¥ 28	¥ 94	¥210,156	¥210,635
Valuation allowance	(156)	(74)	(97)	(28)	(94)	(19,567)	(20,016)
Deferred tax assets	30	—	—	—	—	190,589	190,619*2

	Millions of U.S. Dollars						
	2024						
	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	\$ 1	\$ 0	\$ 1	\$ 0	\$ 1	\$1,392	\$1,395
Valuation allowance	(1)	0	(1)	0	(1)	(130)	(133)
Deferred tax assets	0	—	—	—	—	1,262	1,262*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. Breakdown by item of the main factors causing differences between the effective statutory tax rate and the actual effective income tax rate after applying tax effect accounting.

	2023	2024
Effective statutory tax rate	30.5 %	30.5 %
(Adjustment)		
Change in valuation allowance	(4.4)%	(2.2)%
Equity in net income (loss) of affiliated companies	(5.5)%	(1.2)%
Other	1.1 %	0.9 %
Actual effective income tax rate after applying tax effect accounting	21.7 %	28.0 %

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, 2023 and 2024, the amounts of net income related to rental property were ¥69,019 million and ¥69,592 million (\$461million) (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
2023	Difference	2024	2024	2024	2024
¥851,337	¥23,987	¥875,324	¥2,498,551	\$5,797	\$16,547

Notes: 1. The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.
Notes: 2. Regarding difference in the above table, the increases in the year ended March 31, 2024, were principally attributable to acquisition of real estate and renewal (¥77,936 million / \$516 million), and the decreases were mainly attributable to depreciation expenses (¥30,171 million / \$200 million) and impairment loss (¥15,303 million / \$101 million).
Notes: 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.
Notes: 4. Because fair values are extremely difficult to determine, 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 ¥185,609 million and ¥298,027 million (\$1,974 million) in the years ended March 31, 2023 and 2024, respectively.

23 REVENUE RECOGNITON

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

For the year ended March 31, 2023

	Millions of Yen						
	2023						
	Transportation						
	Passenger transportation						
	Commuter passes	Non-commuter passes	Others	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
Revenues arising from contracts with customers	¥393,276	¥1,049,901	¥123,443	¥312,280	¥156,726	¥76,905	¥2,112,531
Revenues arising from other sources (Note 2)	—	—	51,932	15,580	225,491	4	293,007
Total	¥393,276	¥1,049,901	¥175,375	¥327,860	¥382,217	¥76,909	¥2,405,538

For the year ended March 31, 2024

	Millions of Yen						
	2024						
	Transportation						
	Passenger transportation						
	Commuter passes	Non-commuter passes	Others	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
Revenues arising from contracts with customers	¥419,785	¥1,271,154	¥130,801	¥361,614	¥169,741	¥87,946	¥2,441,041
Revenues arising from other sources (Note 2)	—	—	31,871	18,015	236,081	3,111	289,078
Total	¥419,785	¥1,271,154	¥162,672	¥379,629	¥405,822	¥91,057	¥2,730,119

	Millions of U.S. Dollars						
	2024						
	Transportation						
	Passenger transportation						
	Commuter passes	Non-commuter passes	Others	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
Revenues arising from contracts with customers	\$2,780	\$8,418	\$ 866	\$2,395	\$1,125	\$582	\$16,166
Revenues arising from other sources (Note 2)	—	—	211	119	1,563	21	1,914
Total	\$2,780	\$8,418	\$1,077	\$2,514	\$2,688	\$603	\$18,080

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.
Notes: 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 (18)).

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, 2024, from Contracts with Customers as of March 31, 2023

(1) Contract Assets and Contract Liabilities

	Millions of Yen		Millions of U.S. Dollars
	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2024
Receivables arising from contracts with customers (balance at beginning of period)	¥114,726	¥133,474	\$ 884
Receivables arising from contracts with customers (balance at end of period)	133,474	164,992	1,093
Contract assets (balance at beginning of period)	4,202	2,584	17
Contract assets (balance at end of period)	2,584	2,421	16
Contract liabilities (balance at beginning of period)	117,660	144,351	956
Contract liabilities (balance at end of period)	144,351	163,727	1,084

Contract liabilities mainly consist of prepaid railway fares received prior to the satisfaction of performance obligations for passenger transportation services by railway and unused JRE POINT granted for the usage of railway and station buildings, etc., which are recognized as revenues when the performance obligations are satisfied.

Of the amounts of revenue recognized, the amounts included in the contract liabilities balance at beginning of period were ¥72,120 million and ¥80,414 million (\$533 million), in the years ended March 31, 2023 and 2024, respectively.

(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.

	Millions of Yen		Millions of U.S. Dollars
	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2024
One year or less	¥ 18,561	¥ 24,070	\$ 159
More than one year, two years or less	11,396	21,091	140
More than two years, three years or less	9,214	37,303	247
More than three years	159,615	123,323	817
Total	¥198,786	¥205,787	\$1,363

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.

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 2023 (April 1, 2022 to March 31, 2023)

	Millions of Yen						
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,618,552	¥327,860	¥ 382,217	¥ 76,909	¥ 2,405,538	¥ —	¥2,405,538
Inside group	61,797	35,717	27,548	146,231	271,293	(271,293)	—
Total	1,680,349	363,577	409,765	223,140	2,676,831	(271,293)	2,405,538
Segment income (loss)	¥ (24,097)	¥ 35,282	¥ 111,577	¥ 17,222	¥ 139,984	¥ 645	¥ 140,629
Segment Assets	¥7,087,186	¥353,504	¥1,815,095	¥1,073,814	¥10,329,599	¥(977,699)	¥9,351,900
Depreciation	289,574	16,854	54,868	28,589	389,885	—	389,885
Increase in fixed assets (Note 5)	396,519	15,651	110,246	55,762	578,178	—	578,178

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.
Notes: 2. The ¥645 million upward adjustment to segment income (loss) included a ¥946 million elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(321) million elimination for intersegment transactions. Moreover, the ¥(977,699) million downward adjustment to segment assets included a ¥(1,292,356) million elimination of intersegment claims and obligations, offset by ¥314,656 million in corporate assets not allocated to each reportable segment.
Notes: 3. Segment income (loss) was adjusted to ensure consistency with the operating income set forth in the consolidated statement of income.
Notes: 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.
Notes: 5. Increase in fixed assets included a portion contributed mainly by national and local governments.

Fiscal 2024 (April 1, 2023 to March 31, 2024)

	Millions of Yen						
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Operating revenues:							
Outside customers	¥1,853,611	¥379,629	¥ 405,822	¥ 91,057	¥ 2,730,119	¥ —	¥2,730,119
Inside group	64,457	36,045	29,159	163,043	292,704	(292,704)	—
Total	1,918,068	415,674	434,981	254,100	3,022,823	(292,704)	2,730,119
Segment income	¥ 170,720	¥ 54,032	¥ 100,153	¥ 21,915	¥ 346,820	¥ (1,658)	¥ 345,162
Segment Assets	¥7,254,987	¥390,324	¥1,982,095	¥1,174,133	¥10,801,539	¥(1,030,059)	¥9,771,480
Depreciation	288,248	17,611	54,479	31,834	392,172	—	392,172
Increase in fixed assets (Note 5)	457,236	22,588	225,619	28,884	734,327	—	734,327

	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	\$12,275	\$2,514	\$ 2,688	\$ 603	\$18,080	\$ —	\$18,080
Inside group	427	239	193	1,080	1,939	(1,939)	—
Total	12,702	2,753	2,881	1,683	20,019	(1,939)	18,080
Segment income	\$ 1,130	\$ 358	\$ 664	\$ 145	\$ 2,297	\$ (11)	\$ 2,286
Segment Assets	\$48,046	\$2,585	\$13,126	\$7,776	\$71,533	\$(6,821)	\$64,712
Depreciation	1,909	117	361	210	2,597	—	2,597
Increase in fixed assets (Note 5)	3,028	150	1,494	191	4,863	—	4,863

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.
Notes: 2. The ¥(1,658) million (\$ (11) million) downward adjustment to segment income included a ¥(1,199) million (\$ (8) million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(449) million (\$ (3) million) elimination for intersegment transactions. Moreover, the ¥(1,030,058) million (\$ (6,822) million) downward adjustment to segment assets included a ¥(1,433,410) million (\$ (9,493) million) elimination of intersegment claims and obligations, offset by ¥403,351 million (\$ (2,671) million) in corporate assets not allocated to each reportable segment.
Notes: 3. Segment income was adjusted to ensure consistency with the operating income set forth in the consolidated statement of income.
Notes: 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.
Notes: 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 income.

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

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

Fiscal 2023 (Year ended March 31, 2023)

	Millions of Yen				
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥3,205	¥3,403	¥12,438	¥18	¥19,064

Fiscal 2024 (Year ended March 31, 2024)

	Millions of Yen				
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	¥1,382	¥3,168	¥19,930	¥0	¥24,480

	Millions of U.S. Dollars				
	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	\$9	\$21	\$132	\$0	\$162

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, 2023 and 2024

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
	2023	2024	2024
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥ 1,024	¥ 83,120	\$ 550
Reclassification adjustments	(9,632)	(3,470)	(23)
Sub-total, before tax	(8,608)	79,650	527
Tax (expense) benefit	2,923	(23,788)	(157)
Sub-total, net of tax	(5,685)	55,862	370
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	470	1,470	10
Reclassification adjustments	(400)	(493)	(3)
Acquisition cost adjustments	0	0	0
Sub-total, before tax	70	977	7
Tax (expense) benefit	(21)	(298)	(2)
Sub-total, net of tax	49	679	5
Foreign currency translation adjustments:			
Amount arising during the year	27	(102)	(1)
Reclassification adjustments	—	—	—
Sub-total, before tax	27	(102)	(1)
Tax (expense) benefit	—	—	—
Sub-total, net of tax	27	(102)	(1)
Remeasurements of defined benefit plans:			
Amount arising during the year	4,694	38,255	253
Acquisition cost adjustments	(3,057)	(3,243)	(21)
Sub-total, before tax	1,637	35,012	232
Tax (expense) benefit	(375)	(10,671)	(71)
Sub-total, net of tax	1,262	24,341	161
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	380	3,503	23
Reclassification adjustments	(119)	(792)	(5)
Sub-total	261	2,711	18
Total other comprehensive income	¥(4,086)	¥ 83,493	\$ 553

26 CONSOLIDATED STATEMENT OF CASH FLOWS

(Major components of assets and liabilities of companies that became consolidated subsidiaries through share acquisition)

For the Years Ended March 31, 2024

The breakdown of assets and liabilities at the beginning of consolidation of GATES PCM CONSTRUCTION LTD., which was newly consolidated as a result of the acquisition of its shares, and the reconciliation between acquisition cost of shares and net payment for the acquisition are as follows:

	Millions of Yen	Millions of U.S. Dollars
Current assets	¥ 1,643	\$ 11
Fixed assets	1,688	11
Goodwill	1,677	11
Current liabilities	(1,834)	(12)
Long-term liabilities	(77)	(1)
Foreign currency translation adjustments	5	0
Non-controlling interests	(350)	(2)
Acquisition cost of shares of newly consolidated subsidiary	2,732	18
Cash and cash equivalents of newly consolidated subsidiary	(71)	(0)
Net: Payments for purchase of shares of newly consolidated subsidiary	¥ 2,661	\$ 18

27 SUBSEQUENT EVENTS

(Share split and related partial amendment to the Articles of Incorporation)
In accordance with the meeting of the Board of Directors held on January 31, 2024, the Company implemented a share split and related partial amendment to the Articles of Incorporation as of April 1, 2024.

1) Share split

- i. Purpose of the share split
To foster an environment to facilitate investment in the shares of the Company and expand the investor base by lowering the amount per investment unit through a share split.
- ii. Outline of the share split
a Method of the share split
The Company split, at a ratio of 1:3, the common shares held by each shareholder as of March 31, 2024 (Sunday), the record date of the share split (effectively March 29, 2024 (Friday) as March 31, 2024 (Sunday) falls on a holiday of the share transfer agent), according to the latest shareholder register as of the same date.

b Number of shares to be increased by the share split	
Total number of issued shares before the share split	378,137,400
Increase in shares by the share split	756,274,800
Total number of issued shares after the share split	1,134,412,200
Total number of authorized shares after the share split	4,500,000,000

iii. Schedule	
Public notice date of record date	March 15, 2024 (Friday)
Record date	March 31, 2024 (Sunday) *Practically March 29, 2024 (Friday)
Effective date	April 1, 2024 (Monday)

- iv. Other
a Changes in the amount of share capital
There is no change in the amount of share capital by the share split.
- b Year-end dividend payments for the fiscal year ending March 31, 2024
As the share split will take effect on April 1, 2024, the year-end dividend payments for the fiscal year ending March 31, 2024 whose record date is March 31, 2024 will be based on the shares of the Company before the share split.

2) Partial amendment to the Articles of Incorporation

- i. Reason for the amendment
In relation to the share split outlined above, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the Company changed the total number of authorized shares prescribed in Article 6 of the Articles of Incorporation of the Company effective April 1, 2024.

ii. Detail of amendment The amendment is as shown below. (Underlines indicate changes)	
Current Articles of Incorporation	After the amendment
(Total Number of Authorized Shares)	(Total Number of Authorized Shares)
Article 6	Article 6
The total number of authorized shares of the Company shall be 1,600,000,000.	The total number of authorized shares of the Company shall be 4,500,000,000.

iii. Schedule of amendment	
Date of resolution of the Board of Directors	January 31, 2024 (Wednesday)
Effective date	April 1, 2024 (Monday)

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, 2024.

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 2024, ended March 31, 2024. 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 “NOTE3: SIGNIFICANT ACCOUNTING ESTIMATES” Notes to Consolidated Financial Statements.

b. Impairment Loss on Fixed Assets

Assumptions related to the impairment losses on fixed assets have been stated in “NOTE3: SIGNIFICANT ACCOUNTING ESTIMATES” Notes to Consolidated Financial Statements.

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, 2024, despite the recent standstill, the Japanese economy has been gradually recovering.

In light of this situation, the Group worked on “Enhancement of Profitability,” “Fundamental Strengthening of Management Culture,” “Promotion of Strategies for Growth Foundation,” and “Practice of ESG management,” thereby accelerating our progress toward the achievement of “Move Up” 2027, our Group management vision, while positioning “Safety” as the top management priority.

Aiming to achieve “the best in safety,” the Group united as one group based on the “Group Safety Plan 2023,” which is the final year of the plan, toward the enhancement and innovation of “safety conduct” and “safety management” by each employee through

initiatives. With respect to safety equipment, the Group made steady progress in improvement of the Shinkansen’s early earthquake detection system, review of an aseismic reinforcement plan for the Shinkansen taking into account the 2021 and 2022 Fukushima earthquakes and installation of automatic platform gates and other features by using the fare system established by the government to make train stations barrier-free.

With respect to “enhancement of profitability (restructuring of our growth and innovation strategy),” the Group promoted the flow of customers in the JR East area and expanded revenues through sales of the weekday-only discount railway pass “Let’s Travel on Weekdays! Early Booking Discount Pass♥” with the keywords “post-COVID” and “inbound,” further promotions for visiting foreign tourists and revision of prices of railway passes for them. Moreover, we promoted measures for the transformation of our business portfolio through further growth in businesses leading to lifestyle solutions, including the establishment of JR EAST Smart Logistics Co., Ltd. and strategic development of real estate business.

With respect to “fundamental strengthening of management culture (structural reform),” the Company undertook initiatives to realize a flexible cost structure such as the spread of off-peak commuter passes and the acceleration of DX including the utilization of AI in maintenance operations. Moreover, in order to create value and solve problems more speedily and at locations closer to customers as well as to realize more flexible workstyles, the Company installed general management centers to further promote integration among systems and between frontline offices and planning departments.

With respect to “promotion of strategies for growth foundation,” for the development of diversified digital human resources, the Group placed new DX professionals exclusively responsible for leading DX literacy and established a new head office organization “Digital & Data Innovation Center” responsible for the promotion of agile development and response to governance issues regarding generative AI. Moreover, we have developed flexible systems and an environment which reward employees’ aspirations and diversified workstyles, including the raising of the initial salary for new graduates and the expansion of support for childcare, etc.

With respect to “practice of ESG management,” the Group has continued such initiatives as reforestation by planting endemic trees (Hometown Forest Creation) and the development of fishways around the Shinanogawa Hydraulic Power Station for biodiversity and the conservation of natural capital. Moreover, the Company announced our support for the recommendation for disclosure by the Taskforce on Nature-related Financial Disclosures (TNFD) in September 2023 and was registered as the first railway company in March 2024 as a “TNFD Adopter,” meaning a company that adopts the recommendation. For the realization of regional revitalization, the Group established “Tohoku Treasure Project” and the “Tohoku Reconstruction Tourism Promotion Network” and promoted a “Whole Line-side Area Hotel Project.”

The Group will continue to make Group-wide efforts with the aim of realizing our management vision “Move Up” 2027.

During the fiscal year under review, operating revenues increased by 13.5% from the previous year to ¥2,730.1 billion (\$18,080 million), due mainly to revenue increases in all segments as a result of the increase of railway usage and sales at stores in stations, hotels and shopping centers. As a result of such increase in operating revenues, operating income increased 145.4% from the previous year to ¥345.2 billion (\$2,286 million), ordinary profit increased by 167.4% to ¥296.6 billion (\$1,964 million), and profit attributable to owners of parent increased by 98.0% to ¥196.5 billion (\$1,301 million).

Results by business segment were as follows.

Segment Information

Transportation

In the Transportation segment, JR East made concerted Group-wide efforts to ensure the provision of safe and reliable transportation and high-quality services.

As a result, operating revenues in the Transportation segment increased by 14.1%, to ¥1,918.1 billion (\$12,702 million), due mainly to increases in passenger revenues, which were attributable to increase of railway usage, and operating income was ¥170.7 billion (\$1,130 million) (operating loss of ¥24.1 billion in fiscal 2023).

Shinkansen Network

In the Shinkansen network, passenger kilometers increased by 28.7% year on year, to 21.2 billion, with the increased use of the railways. Shinkansen commuter pass revenues increased by 6.3% year on year, to ¥22.5 billion (\$149 million), and non-commuter pass revenues increased by 28.5%, to ¥514.9 billion (\$3,410 million). The total of Shinkansen commuter pass revenues and non-commuter pass revenues increased by 27.4% year on year, to ¥537.4 billion (\$3,559 million).

Conventional Lines (Kanto Area Network)

For conventional lines in the Kanto area network, passenger kilometers increased by 8.1% year on year, to 93.4 billion, with increase of railway usage. Commuter pass revenues increased by 7.0%, to ¥378.8 billion (\$2,509 million), while non-commuter pass revenues increased by 16.1%, to ¥698.8 billion (\$4,628 million). The total of commuter pass revenues and non-commuter pass revenues increased by 12.7% year on year, to ¥1,077.6 billion (\$7,137 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers increased by 9.9% year on year, to 5.1 billion, increase of railway usage. Commuter pass revenues increased 2.3%, to ¥16.5 billion (\$109 million), while non-commuter pass revenues increased by 20.5%, to ¥45.1 billion (\$298 million). The total of commuter pass revenues and non-commuter pass revenues increased by 15.0% year on year, to ¥61.6 billion (\$407 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.

As a result, operating revenues in the Retail & Services segment increased by 14.3%, to ¥415.7 billion (\$2,753 million), due mainly to an increase in the sales at stores in stations, which were attributable to an increase in customer usage, and operating income increased by 53.1%, to ¥54.0 billion (\$358 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.

As a result, operating revenues in the Real Estate & Hotels segment increased by 6.2%, to ¥435.0 billion (\$2,881 million), due mainly to an increase in the sales at hotels and shopping centers, as a result of the increased use by customers; however, operating income decreased by 10.2%, to ¥100.2 billion (\$664 million), due mainly to a decrease in profit of real estate sales.

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*. As a result, operating revenues in the Others segment increased by 13.9%, to ¥254.1 billion (\$1,683 million), due mainly to an increase in the sales from the IC card business, and operating income increased by 27.3%, to ¥21.9 billion (\$145 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 increased by 5.3% year on year, to ¥2,385.0 billion (\$15,794 million). Operating expenses as a percentage of operating revenues were 87.4%, compared with 94.2% in the previous fiscal year.

Transportation, other services and cost of sales increased by 4.6%, to ¥1,765.6 billion (\$11,693 million), because of an increase in non-personnel expenses and other factors.

Selling, general and administrative expenses increased by 7.3%, to ¥619.3 billion (\$4,101 million), which was due to an increase in non-personnel expenses and other factors.

Operating income increased by 145.4%, to ¥345.2 billion (\$2,286 million) (a ¥35.2 billion improvement compared with the business

results forecast in January). Operating income as a percentage of operating revenues were 12.6%, compared with 5.9% in the previous fiscal year.

Income before income taxes

Other income decreased 48.4%, to ¥69.8 billion (\$462 million), due mainly to an decrease in compensation income received.

Other expenses decreased 4.5%, to ¥140.9 billion (\$933 million), mainly as a result of an decrease in losses on reduction entry for construction grants .

Income before income taxes increased by 113.5%, to ¥274.1 billion (\$1,815 million). Income before income taxes as a percentage of operating revenues were 10.0%, compared with 5.3% in the previous fiscal year.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased by 98.0%, to ¥196.5 billion (\$1,301 million) (a ¥31.5 billion improvement compared with the business results forecast in January), mainly due to an increase in profit before income taxes. Profit per share was ¥173.82 (\$1), compared with profit per share of ¥87.79 in the previous fiscal year. Profit attributable to owners of parent as a percentage of operating revenues were 7.2%, compared with 4.1% in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2024, net cash provided by operating activities totaled ¥688.1 billion (\$4,557 million), ¥106.3 billion more than in the previous fiscal year. This result was mainly due to an increase in income before taxes and other factors.

Net cash used in investing activities amounted to ¥690.6 billion (\$4,574 million), ¥125.1 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of fixed assets.

Capital expenditures were as follows. In the Transportation segment, JR East implemented capital expenditures to institute countermeasures for large-scale earthquakes, install automatic platform gates, produce new railcars and construction work accompanying the introduction of green cars on the Chuo Rapid Line and others.

In the Retail & Services segment, JR East opened new stores and conducted renovation work at existing stores. These efforts included development under the elevated railway tracks north of Sendai Station and others.

In the Real Estate & Hotels segment, capital expenditures included those for development of TAKANAWA GATEWAY CITY, development of the Hiromachi area around Oimachi Station (tentative name) and development of JR Aomori Station East Exit Station Building and others.

In the Others segment, capital expenditures included those for systems development.

Further, free cash flows decreased by ¥18.7 billion from the previous fiscal year, to an outflow of ¥2.5 billion (\$17 million).

Net cash provided by financing activities came to ¥66.1 billion (\$438 million), ¥39.3 billion more than in the previous fiscal year.

Consequently, cash and cash equivalents as of March 31, 2024, were ¥280.8 billion (\$1,860 million), an increase of ¥65.8 billion from ¥215.0 billion on March 31, 2023.

Financial Policy

In relation to capital expenditures, the Company is actively implementing growth investments that contribute to the enhancement of profitability and the enhancement of productivity, with a view to early realization of the JR East Group Management Vision “Move Up” 2027. With respect to investment needed for the continuous operation of business, the Company will continue to steadily advance investments that contribute to even higher safety levels, including countermeasures for large-scale earthquakes and the installment of automatic platform gates. In conjunction with these efforts, the Company will rigorously select and concentrate investments with ensuring safety as a major premise. Further, the Company will carefully select and implement capital expenditures for such purposes as regional revitalization and digital transformation, with the aim of addressing the realization of a carbon-free society and other social issues, benefiting diverse stakeholders including local communities, and enhancing productivity from a long-term perspective and reforming operations.

JR East plans to invest a total of ¥3,890.0 billion from fiscal 2024 until fiscal 2028.

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 around 5.0 times for midterm and around 3.5 times for long-term.

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, 2024, stood at ¥4,587.4 billion (\$30,380 million). Further, EBITDA is the sum of consolidated operating income and consolidated depreciation. In fiscal 2024, EBITDA of ¥737.3 billion (\$4,883 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 2024, JR East issued 11 unsecured straight bonds in Japan, with a total nominal amount of ¥148.0 billion (\$980 million) and maturities from 2033 through 2073. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East issued 2 unsecured straight bonds overseas, with a total nominal amount of €1,300 million (\$1,365 million) and maturities in 2032 and 2043. 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 ¥108.3 billion (\$717 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 ¥310.8 billion (\$2,058 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 ¥0.2 billion (\$2 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 ¥360.0 billion (\$2,687 million). In addition, R&I (Rating and Investment Information, Inc.) and JCR (Japan Credit Rating Agency, Ltd.) rated JR East's commercial paper a-1+ and J-1+, respectively, as of the end of fiscal 2024. As of March 31, 2024, there was no outstanding balance of bank overdraft facilities and commercial paper. 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 ¥60.0 billion (\$397 million). Further, there was no outstanding balance associated with usage of the committed bank credit line as of the end of fiscal 2024.

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, 2024.

(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 2024, JR East had completed installation of automatic platform gates at 117 railway stations and 233 tracks on a line-by-line basis.

Through the utilization of the fare system established by the government to make railway stations barrier-free and other means, JR East aims to install automatic platform gates at 330 railway stations and 758 tracks on a line-by-line basis on major conventional lines in the Tokyo metropolitan area by the end of fiscal 2032.

In November 2023, the Company formulated its eighth five-year safety plan: JRE Group Safety Plan 2028, “Taking the nature of railway work to heart, imagine the unexpected, reach for safety!” The Group’s environment is undergoing dramatic changes, including a decreasing population and increasingly severe and frequent natural disasters. In response to these changes, the Company will strengthen its safety foundations, such as the safety culture and safety systems and facilities that it has established; formulate scenarios based on an understanding of the nature of previously unforeseen risks; advance anticipatory safety initiatives; and aim for ultimate safety levels.

(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, tsunamis, floods, and volcanoes 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.

To reduce risks associated with natural disasters, the JR East Group is advancing the following initiatives. As countermeasures for large-scale earthquakes, the Company is proceeding with seismic reinforcement measures for Shinkansen elevated railway track pillars and for Shinkansen utility poles. JR East is also working to improve measures for the prevention of derailment on Shinkansen lines. With respect to localized heavy rainfall, the Company has revised existing operational regulations by adding rainfall-based regulations enabled by radar, which entail regulating operations based on the precise detection of rainfall. The revised regulations have been introduced to all line segments of conventional lines. As for flooding countermeasures, a Vehicle Evacuation Judgment Support System has been introduced to rail yards where there is a risk of flooding. In addition, the Company is conducting drills to improve its ability to respond in the event of tsunamis and volcanic eruptions. Based on the Group Safety Plan 2028, JR East will continue advancing initiatives to reduce risks associated with natural disasters.

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.

When COVID-19 spread both in Japan and overseas, in Japan, the government has issued emergency declarations, which requested people to limit economic activities and refrain from going outdoors. This resulted in a significant decrease in railway transportation volume, closure of the Group’s commercial facilities, and a decrease in the number of passengers, as well as a decrease in demand from visitors to Japan due to restrictions on entry to the country from overseas. Consequently, the Group’s business results were significantly affected. In accordance with government guidelines, the Group has reinforced its efforts to prevent the spread of infection through such measures as the installation disinfectant solutions at railway stations, the disinfection and cleaning of equipment and facilities, the ventilation of trains, the provision of information on congestion at railway stations and on trains, and the wearing of masks by employees and others. In the event of an outbreak or the spread of an infectious disease that could affect society, the Group will cooperate with the government and municipal authorities, among others, in taking measures necessary to ensure appropriate transportation, giving first priority to the safety and security of customers.

(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 and other factors beyond the Group’s control 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 commuter passes, the *Off-Peak Point Service* and the *Repeater Point Service*. In addition, the Group will qualitatively transform its railway 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.

Further, the JR East Group uses a large number of information systems in its Mobility-related businesses and in its many different operational fields that provide Lifestyle Solutions. Information systems also play an important role for travel agencies as well as Railway Information Systems Co., Ltd., and other companies with which the 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 Mobility-related businesses and in its many different operational fields that provide Lifestyle Solutions. 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. The occurrence of such events could result in a prolonged economic downturn, and the Group could experience a decrease in demand in its many different operational fields, such as Mobility-related businesses and businesses that provide Lifestyle Solutions. 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 businesses that provide Lifestyle Solutions 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) Overseas Business Development

The Group also provides overseas opportunities for its employees to work and grow. By engaging in international businesses, the Group endeavors to foster globally competent personnel. The Group aims to establish a new mainstay business through the overseas rollout of products and services that utilize technologies and expertise developed by the Group over the years.

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. As the actualization of political risk or delay risk overseas can affect the collection of receivables, the Group painstakingly manages income and expenditures for each project. At present, risks associated with such factors as political changes and conflicts are actualizing. To ensure that unforeseen changes in circumstances do not affect the financial position and operating results of the Group or the personal safety of its employees, the Group endeavors to take measures based on analysis of these various risks in light of the advice of attorneys, consultants, and other experts, and in certain cases seeks the cooperation of Japan’s government in taking measures.

(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.

For many years, JR East has operated its businesses with due attention to these items stipulated by the guidelines. However, given the significant changes in the environment surrounding the railway industry since the amendment, the Company intends to carefully consider the effect of these items on its business management and, as necessary, request the government to allow greater flexibility in the management of the Company’s operations.

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. 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:

Report on the Audit of the Consolidated Financial Statements

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, 2024, the consolidated statement of income, 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, 2024, 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.

We determined the key audit matters in our audit of the consolidated financial statements for the current fiscal year are as follows.

As for the “Appropriateness of management’s judgment as to whether an impairment loss should be recognized on fixed assets”, a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, operating income from activities using the fixed assets for railway operations turned profitable in the current fiscal year and impairment indicator was not identified. We determined that this matter was not a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

Appropriateness of management’s judgment on the recoverability of deferred tax assets	
The key audit matter	How the matter was addressed in our audit
<p>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 ¥342,540 million were recognized as of March 31 2024. As described in Note 22, “Income taxes” to the consolidated financial statements, the amount of the gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥425,463 million. The majority of this amount was recognized by East Japan Railway Company, which was particularly material.</p> <p>Deferred tax assets are recognized to the extent that tax loss carryforwards and</p>	<p>The primary procedures we performed to assess whether management’s judgment on the recoverability of deferred tax assets was appropriate included the following:</p> <ul style="list-style-type: none">● 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 recovery level from the effect of COVID-19 on operating revenues from the railway transportation business, which was a

<p>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.</p> <p>Whether deferred tax assets have an effect to reduce future taxable income (i.e. recoverability of deferred tax assets) is determined in accordance with the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Implementation Guidance No. 26 of the Accounting Standards Board of Japan) (hereinafter, the “Implementation Guidance”). The appropriateness of this determination is dependent upon the propriety of the company classification under the Implementation Guidance and the future taxable income before considering the effect of temporary differences estimated based on the earnings potential. Especially, the future taxable income before considering the effect of temporary differences was estimated based on the earnings projection. A key assumption underlying the earnings projection involved such uncertain estimates as the recovery level from the effect of COVID-19. Accordingly, management’s judgment thereon had a significant effect on the estimated future taxable income.</p> <p>We, therefore, determined that our</p>	<p>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</p> <ul style="list-style-type: none">● 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 investment plan submitted to the Ministry of Land, Infrastructure, Transport and Tourism.
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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.	
Accuracy of revenue recognition for revenues from the passenger transportation business	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated statements of income of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the “Group”), operating revenues of ¥2,405,538 million was recognized for the current fiscal year. Of this amount, operating revenues from sales to general customers within the Transportation segment amounted to ¥1,618,552 million, representing 67.3% 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.</p> <p>In recognizing revenues from the passenger transportation business, the Group aggregates sales data of passenger tickets sold in various forms of settlement including cash, electronic money and credit cards, and then goes through complex processes, which are outsourced to Railway Information Systems Co., Ltd., including the aggregation of received with those of other JR companies,</p>	<p>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:</p> <ul style="list-style-type: none">● We tested the effectiveness of certain application controls over the interfaces by assessing data consistency among the IT systems related to revenue recognition for revenues from the passenger transportation business, such as the station revenue management system, the Suica ID management system and the accounting system;● We tested the effectiveness of certain general IT controls over the relevant IT systems, such as user access management, system change management and system operation management, to confirm that the application controls described above operated consistently during the period under audit;● We tested the design and operating effectiveness of certain of the Group’s internal controls related to the daily reconciliation of the counted cash balance to sales at each station, which is the

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.

- 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. The audit and supervisory committee 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 the Audit and Supervisory Committee 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.

The audit and supervisory committee 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 the audit and supervisory committee 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 the audit and supervisory committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 767 million yen and 36 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 20, 2024

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/>