FINANCIAL DATA 2023

For the Year Ended March 31, 2023

CONTENTS

Consolidated Balance Sheets

East Japan Railway Company and Subsidiaries
March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2022	2023	2023
Assets			
Current Assets:			
Cash and cash equivalents (Notes 6, 10 and 12)	¥ 171,023	¥ 215,000	$ 1,604
Receivables (Note 10):			
Accounts receivable–trade	542,996	619,375	4,622
Contract assets (Notes 24)	4,202	2,584	19
Unconsolidated subsidiaries and affiliated companies	9,954	13,156	98
Other	6,949	6,509	49
Allowance for doubtful accounts (Note 2 (4))	(2,802)	(3,106)	(23)
	561,299	638,518	4,765
Inventories (Notes 2(5) and 7)	94,214	90,491	675
Real estate for sale (Notes 2(6) and 8)	18,006	45,177	337
Other current assets	62,459	63,599	476
Total current assets	907,001	1,052,785	7,857
Investments:			
Unconsolidated subsidiaries and affiliated companies (Notes 2 (2), (3) and 9)	91,194	152,590	1,139
Other (Notes 2 (7), 10 and 11)	212,565	207,413	1,548
	303,759	360,003	2,687
Property, Plant and Equipment (Notes 2(8),(11),(16), 8, 12 and 23):			
Buildings	3,261,492	3,285,914	24,522
Structures	6,515,476	6,618,453	49,391
Machinery, rolling stock and vehicles	3,016,675	3,037,657	22,669
Land	2,164,997	2,185,869	16,312
Construction in progress	334,610	399,205	2,979
Other	308,269	309,913	2,314
	15,601,519	15,837,011	118,187
Less accumulated depreciation	8,423,663	8,622,449	64,347
Net property, plant and equipment	7,177,856	7,214,562	53,840
Other Assets:			
Deferred tax assets (Note 22)	442,562	432,011	3,224
Other	260,247	292,539	2,182
	702,809	724,550	5,406
	¥ 9,091,425	¥ 9,351,900	$ 69,790

See accompanying notes.

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2022	2023	2023
Liabilities and Net Assets			
Current Liabilities:			
Short-term borrowings	¥ 60,749	¥ —	$ —
Current portion of long-term debt (Notes 10 and 14)	252,500	365,000	2,724
Current portion of long-term liabilities incurred for purchase of railway facilities (Notes 10, 12 and 15)	3,806	4,065	30
Prepaid railway fares received	69,599	78,047	582
Payables (Note 10 and 12):			
Accounts payable–trade	46,036	42,410	316
Unconsolidated subsidiaries and affiliated companies	87,627	181,926	1,358
Other	587,835	562,338	4,197
	721,498	786,674	5,871
Accrued expenses	92,116	101,250	756
Accrued consumption taxes (Notes 10 and 16)	34,655	43,961	328
Accrued income taxes (Notes 2 (13), 10 and 22)	10,938	16,187	121
Allowance for partial transfer costs of railway operation	129	—	—
Other current liabilities	442,569	137,068	1,023
Total current liabilities	1,688,559	1,532,252	11,435
Long-Term Liabilities:			
Long-term debt (Notes 10 and 14)	3,741,616	4,094,821	30,558
Long-term liabilities incurred for purchase of railway facilities (Notes 10, 12 and 15)	315,067	311,002	2,321
Net defined benefit liability (Notes 2(9) and 21)	465,347	445,844	3,327
Deposits received for guarantees	151,972	151,801	1,133
Deferred tax liabilities (Note 22)	2,310	2,368	18
Provision for large-scale renovation of Shinkansen infrastructure (Note 2 (10))	144,000	168,000	1,254
Other long-term liabilities	164,443	148,098	1,105
Total long-term liabilities	4,984,755	5,321,934	39,716
Contingent Liabilities (Note 17)			
Net Assets (Note 18):			
Common stock:			
Authorized 1,600,000,000 shares;			
Issued, 2023—377,932,400 shares;			
Outstanding, 2023—376,638,800 shares	200,000	200,000	1,493
Capital surplus	96,411	96,446	720
Retained earnings	2,047,408	2,132,050	15,911
Treasury stock, at cost, 1,293,600 shares in 2023	(5,564)	(8,914)	(67)
Accumulated other comprehensive income:			
Net unrealized holding gains (losses) on securities	47,830	43,302	323
Net deferred gains (losses) on derivatives under hedge accounting	2,464	2,549	19
Revaluation reserve for land (Note 2 (17))	(257)	(35)	(0)
Foreign currency translation adjustments	258	284	2
Remeasurements of defined benefit plans	6,378	7,570	56
Non-controlling interests	23,183	24,462	182
Total net assets	2,418,111	2,497,714	18,639
	¥9,091,425	¥9,351,900	$69,790

Consolidated Statements of Operations and Comprehensive Income

East Japan Railway Company and Subsidiaries
Years ended March 31, 2022 and 2023

(I) Consolidated Statements of Operations

	2022	2023	2023
		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
Operating Revenues (Note 24 and 25)	¥1,978,967	¥2,405,538	$17,952
Operating Expenses:			
Transportation, other services and cost of sales	1,596,069	1,687,834	12,596
Selling, general and administrative expenses	536,837	577,075	4,307
	2,132,906	2,264,909	16,903
Operating Income (Loss) (Note 25)	(153,939)	140,629	1,049
Other Income (Expenses):			
Interest expense on short- and long-term debt	(41,114)	(42,950)	(321)
Interest expense incurred for purchase of railway facilities	(21,044)	(20,805)	(155)
Loss on sales of fixed assets	(166)	(328)	(2)
Impairment losses on fixed assets (Notes 2 (16), 13 and 25)	(9,652)	(19,064)	(142)
Interest and dividend income	9,801	4,955	37
Equity in net income of affiliated companies	12,016	23,322	174
Gain on sales of investment in securities	20,652	9,861	74
Gain on sales of fixed assets	6,498	4,791	36
Compensation income	4,945	27,596	206
Other, net	(8,499)	368	2
	(26,563)	(12,254)	(91)
Income (Loss) before Income Taxes	(180,502)	128,375	958
Income Taxes (Notes 2 (13) and 22):			
Current	12,528	14,667	110
Deferred	(98,505)	13,163	98
Profit (Loss)	(94,525)	100,545	750
Profit Attributable to Non-Controlling Interests	424	1,313	9
Profit (Loss) Attributable to Owners of Parent	¥ (94,949)	¥ 99,232	$ 741

		Yen	U.S. Dollars (Note 2 (1))
Earnings per Share (Note 2 (14))	¥(252)	¥263	$2
Cash Dividends Applicable to the Year (Note 2 (14))	100	100	1

See accompanying notes.

(II) Consolidated Statements of Comprehensive Income (Note 26)

	2022	2023	2023
		Millions of Yen	Millions of U.S. Dollars (Note 2 (1))
Profit (Loss)	¥ (94,525)	¥100,545	$750
Other Comprehensive Income:	(6,018)	(4,086)	(30)
Net unrealized holding gains (losses) on securities	(5,650)	(5,685)	(42)
Net deferred gains (losses) on derivatives under hedge accounting	327	49	0
Foreign currency translation adjustments	257	27	0
Remeasurements of defined benefit plans	(784)	1,262	10
Share of other comprehensive income of associates accounted for using equity method	(168)	261	2
Comprehensive Income	¥(100,543)	¥ 96,459	$720
Comprehensive Income Attributable to:			
Comprehensive income attributable to owners of parent	¥(100,973)	¥ 95,139	$710
Comprehensive income attributable to non-controlling interests	430	1,320	10

See accompanying notes.

Consolidated Statements of Changes in Net Assets

East Japan Railway Company and Subsidiaries
Years ended March 31, 2022 and 2023

	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 31,2021	377,932,400	¥200,000	¥96,523	¥2,181,571	¥(5,554)	¥54,322	¥2,137	¥(434)	¥ (25)	¥6,487	¥22,334	¥2,557,361
Cumulative effects of changes in accounting policies	—	—	—	(1,229)	—	—	—	—	—	—	—	(1,229)
Restated balance	—	200,000	96,523	2,180,342	(5,554)	54,322	2,137	(434)	(25)	6,487	22,334	2,556,132
Cash dividends (¥100 per share)	—	—	—	(37,760)	—	—	—	—	—	—	—	(37,760)
Loss attributable to owners of parent	—	—	—	(94,949)	—	—	—	—	—	—	—	(94,949)
Increase/decrease due to merger	—	—	(13)	667	—	—	—	—	—	—	—	654
Purchase of treasury stock	—	—	—	—	(11)	—	—	—	—	—	—	(11)
Disposal of treasury stock	—	—	—	(0)	1	—	—	—	—	—	—	1
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	(715)	—	—	—	—	—	—	—	(715)
Change in scope of equity method	—	—	—	—	—	—	—	—	—	—	—	—
Capital increase of consolidated subsidiaries	—	—	(99)	—	—	—	—	—	—	—	—	(99)
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	(177)	—	—	—	—	—	—	—	(177)
Other	—	—	—	—	—	(6,492)	327	177	283	(109)	849	(4,965)
Balance at March 31,2022	377,932,400	¥200,000	¥96,411	¥2,047,408	¥(5,564)	¥47,830	¥2,464	¥(257)	¥258	¥6,378	¥23,183	¥2,418,111
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	—	—	—	—	—	—	—	—	—	—	—	—
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

	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, 2022	377,932,400	$1,493	$719	$15,279	$(42)	$358	$18	$(2)	$2	$48	$173	$18,046
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends ($1 per share)	—	—	—	(282)	—	—	—	—	—	—	—	(282)
Profit attributable to owners of parent	—	—	—	741	—	—	—	—	—	—	—	741
Increase/decrease due to merger	—	—	—	6	—	—	—	—	—	—	—	6
Purchase of treasury stock	—	—	—	—	(8)	—	—	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	—	—	—	(17)	—	—	—	—	—	—	(17)
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	166	—	—	—	—	—	—	—	166
Capital increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	1	—	—	—	—	—	—	—	—	1
Reversal of revaluation reserve for land	—	—	—	1	—	—	—	—	—	—	—	1
Other	—	—	—	—	—	(35)	1	2	0	8	9	(15)
Balance at March 31, 2023	377,932,400	$1,493	$720	$15,911	$(67)	$323	$19	$(0)	$2	$56	$182	$18,639

See accompanying notes.

Consolidated Statements of Cash Flows

East Japan Railway Company and Subsidiaries
Years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2 (1))
	2022	2023	2023
Cash Flows from Operating Activities:			
Income (Loss) before income taxes	¥(180,502)	¥ 128,375	$ 958
Depreciation	392,626	389,885	2,910
Impairment losses on fixed assets	9,652	19,064	142
Amortization of long-term prepaid expense	11,280	10,623	79
Net change in provision for large-scale renovation of Shinkansen infrastructure	24,000	24,000	179
Net change in net defined benefit liability	(17,595)	(17,915)	(134)
Interest and dividend income	(9,801)	(4,955)	(37)
Interest expense	62,158	63,755	476
Construction grants received	(20,784)	(40,925)	(305)
Compensation income	(4,945)	(27,596)	(206)
Loss from disposition and provision for cost reduction of fixed assets	47,359	70,965	530
Net change in major receivables	(43,869)	(57,768)	(431)
Net change in major payables	(27,555)	72,465	541
Other	21,662	(7,247)	(55)
Sub-total	263,686	622,726	4,647
Proceeds from interest and dividends	11,821	7,512	56
Payments of interest	(61,426)	(62,008)	(463)
Insurance proceeds related to disaster	6,000	4,535	34
Payments of Disaster-damage losses	(8,948)	(10,276)	(77)
Proceeds from compensation	4,945	27,596	206
Payments of partial transfer costs of railway operation	(1,157)	(142)	(1)
Payments of income taxes	(24,414)	(8,187)	(61)
Net cash provided by operating activities	190,507	581,756	4,341
Cash Flows from Investing Activities:			
Payments for purchases of fixed assets	(583,055)	(555,583)	(4,146)
Proceeds from sales of fixed assets	8,108	6,410	48
Proceeds from construction grants	34,482	12,528	93
Payments for purchases of investment in securities	(10,248)	(36,394)	(272)
Proceeds from sales of investment in securities	40,159	21,959	164
Other	(15,804)	(14,431)	(107)
Net cash used in investing activities	(526,358)	(565,511)	(4,220)
Cash Flows from Financing Activities:			
Net change in short-term loans	(239,251)	(60,749)	(453)
Commercial Paper	(85,000)	(330,000)	(2,463)
Proceeds from long-term loans	298,650	174,500	1,302
Payments of long-term loans	(139,393)	(142,000)	(1,060)
Proceeds from issuance of bonds	612,303	544,151	4,061
Payments for redemption of bonds	(90,000)	(111,000)	(828)
Payments of liabilities incurred for purchase of railway facilities	(4,215)	(3,806)	(28)
Cash dividends paid	(37,760)	(37,760)	(282)
Other	(10,692)	(6,505)	(49)
Net cash provided by financing activities	304,642	26,831	200
Effect of Exchange Rate Changes on Cash and Cash Equivalents	283	124	1
Net Change in Cash and Cash Equivalents	(30,926)	43,200	322
Cash and Cash Equivalents at Beginning of Year	197,960	171,023	1,276
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiary	3,300	—	—
Increase in Cash and Cash Equivalents due to Merger	689	777	6
Cash and Cash Equivalents at End of Year	¥ 171,023	¥ 215,000	$ 1,604

See accompanying notes.

Notes to Consolidated Financial Statements

East Japan Railway Company and Subsidiaries
Years ended March 31, 2022 and 2023

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, 2023.

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 15). 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, 2023, which was ¥134 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, 2023, 69 subsidiaries were consolidated.

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

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

3) Equity Method

The effective-influence standard is applied according to Regulations for Consolidated Financial Statements. For the year ended March 31, 2023, 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 sheets is written-down in accordance with decline in profitability)

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

Raw materials and supplies: Mainly moving-average cost method (carrying amount on the balance sheets 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 sheets 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, 2023.
(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 sheets, 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, 2022 and 2023 were ¥20,103 million and ¥19,391 million ($145 million), respectively.

13) Income Taxes

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

14) Per Share Data

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

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 statements of operations.

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

(1) Regarding forward exchange contracts and foreign currency swap contracts, the hedged foreign currency receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate, and no gains or losses on the forward exchange contracts or foreign currency swap contracts are recorded.
(2) Regarding interest rate swap contracts, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

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, 2022 and 2023

Millions of Yen		Millions of U.S. Dollars
2022	2023	2023
¥(82)	¥(90)	$(1)

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) 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.

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, 2022 and 2023 were ¥442,562 million and ¥432,011 million ($3,224 million), respectively.

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

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

Estimates of taxable income are based on forecasts of business results. Forecasts of business results are based on principal assumptions, namely, that operating revenues from the railway transportation business will recover to a level exceeding 90% in the fiscal year ending March 31, 2024, compared to the level of operating revenues from the railway transportation business before the spread of the COVID-19.

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 operating revenues from the railway transportation business do not recover 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 sheets at March 31, 2022 and 2023 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Property, plant and equipments	¥7,177,856	¥7,214,562	$53,840
Intangible assets	169,970	198,806	1,484

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

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Fixed assets for railway operations	¥5,177,176	¥5,190,551	$38,735
Construction in process	250,753	275,880	2,059

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

With respect to the fixed assets of the Company's railway business, as cash flows are generated by the entire network of railway lines, the entire network of railway lines is considered as one asset group. Since the profit and loss from operating activities using the fixed assets for railway operations became negative continuously due to the spread of COVID-19, the Company determined that there has been indication of impairment on fixed assets for railway operations.

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

Estimates of future cash flows are calculated based on medium- to long-term plans that assume that, operating revenues from the railway transportation business will recover to a level exceeding 90.0% in the fiscal year ending March 31, 2024, compared to the level before the spread of the COVID-19 and that the level will continue, and based on the recoverable amounts of railway business fixed assets after specified periods of time.

If the recovery of passenger revenues does not proceed as expected, and changes in estimates become necessary, or if the recoverable amounts of railway business fixed assets fall significantly, there is the possibility of the recognition of impairment losses on fixed assets in the consolidated financial statements of the following consolidated fiscal year.

4 CHANGE IN ACCOUNTING ESTIMATES

The Company records remaining charged balance and deposits of *Suica* as current liabilities and recognizes unused balance as revenues after a certain period of time. Reasonable time has passed after the commencement of *Suica* service and sufficient amount of data has been accumulated, which enabled us to reasonably estimate the timing of revenue recognition of unused balance. Therefore, the method of accounting estimate was changed to be based on such data.

As a result, in comparison to figures calculated by the previous method, operating revenues for the fiscal year ended March 31, 2023 increased by ¥25,918 million, together with increases by the same amount in operating income, ordinary income, and income before income taxes.

5 CHANGE IN PRESENTATION METHOD

(Consolidated statements of operations)
From the fiscal year ended March 31, 2023, the Company has presented and included "Subsidies for cooperation income" in "Other, net" of "Other Income (Expenses)" because in the fiscal year ended March 31, 2023 the monetary significance was negligible.

To reflect this change in presentation method, in the consolidated statements of operations for the fiscal year ende March 31, 2022 the Company has presented and included ¥6,627 million in "Other, net" of "Other Income (Expenses)" that was classified separately as "Subsidies for cooperation income."

(Consolidated statements of operations)
From the fiscal year ended March 31, 2023, the Company has classified "Compensation income" of "Other, net" of "Other Income (Expenses)" separately because in the fiscal year ended March 31, 2023 the monetary significance increased. In the previous fiscal year, the Company presented and included "Compensation income" in "Other, net" of "Other Income (Expenses)". To reflect this change in the presentation method, in the consolidated statements of operations for the previous fiscal year, the Company has reclassified ¥4,945 million that was presented and included in "Other, net" as "Compensation income" of "Other Income (Expenses)."

(Consolidated statements of operations)
From the fiscal year ended March 31, 2023, the Company has presented and included "Provision for allowance for earthquake-damage" in "Other, net" of "Other Income (Expenses)" because in the fiscal year ended March 31, 2023 the monetary significance was negligible.

To reflect this change in presentation method, in the consolidated statements of operations for the previous fiscal year the Company has presented and included ¥(21,256) million in "Other, net" of "Other Income (Expenses)" that was classified separately as "Provision for allowance for earthquake-damage."

(Consolidated Statements of Cash Flows)
From the fiscal year ended March 31, 2023, the Company has classified "Compensation income" of "Other" of "Cash Flows from Operating Activities" separately because in the fiscal year ended March 31, 2023 the monetary significance increased. In the previous fiscal year, the Company presented and included "Compensation income" in "Other" of "Cash Flows from Operating Activities". To reflect this change in the presentation method, in the consolidated statements of cash flows for the previous fiscal year, the Company has reclassified ¥4,945 million that was presented and included in "Other" as "Compensation income" of "Cash Flows from Operating Activities."

6 CASH AND CASH EQUIVALENTS

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

7 INVENTORIES

Inventories at March 31, 2022 and 2023 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Merchandise and finished goods	¥ 6,536	¥ 9,216	$ 69
Work in process	50,567	39,491	294
Raw materials and supplies	37,111	41,784	312
	¥94,214	¥90,491	$675

8 REAL ESTATE FOR SALE

Real estate for sale represents the cost of land acquired and related land improvements in connection with residential home site developments in eastern Honshu. Due to a change in the reason for holding real estate, ¥21,965 million and ¥35,331 million ($264 million) has been reclassified from fixed assets to real estate for sale for the years ended March 31, 2022 and 2023, respectively.

9 INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and affiliated companies at March 31, 2022 and 2023 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Unconsolidated subsidiaries:			
Investments	¥ 7,865	¥ 10,096	$ 76
Advances	—	—	—
	7,865	10,096	76
Affiliated companies:			
Investments (including equity in earnings of affiliated companies)	¥83,184	¥141,804	$1,058
Advances	145	690	5
	83,329	142,494	1,063
	¥91,194	¥152,590	$1,139

10 FINANCIAL INSTRUMENTS

1) Items Relating to the Status of Financial Instruments

a) Policy in relation to financial instruments

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

b) Details of financial instruments and related risk

Trade receivables are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Regarding the said risk, pursuant to the internal regulations of the Companies, due dates and balances are managed appropriately for each counterparty. Securities are exposed to market price fluctuation risk. Substantially all of trade payables—payables, accrued consumption taxes and accrued income taxes—have payment due dates within one year. Bonds and loans are exposed to risk associated with inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain bonds and loans are exposed to market price fluctuation risk (foreign exchange / interest rates). Long-term liabilities incurred for purchase of railway facilities are liabilities with regard to the Japan Railway Construction, Transport and Technology Agency and, pursuant to the Law Related to the Transference of Shinkansen Railway Facilities, comprise principally interest-bearing debt related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,970 million ($23,186 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 sheets as of March 31, 2022 and 2023, 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		
	2022			2023			2023		
	Consolidated balance sheets amount	Fair value	Difference	Consolidated balance sheets amount	Fair value	Difference	Consolidated balance sheets amount	Fair value	Difference
a Receivables	¥ 559,899	¥ 559,899	¥ —	¥ 639,040	¥ 639,040	¥ —	$ 4,769	$ 4,769	$ —
b Securities:									
Held-to-maturity debt securities	450	451	1	450	451	1	3	3	0
Available-for-sale securities	184,280	184,280	—	178,356*1	178,356*1	—	1,331*1	1,331*1	—
Assets	¥ 744,629	¥ 744,630	¥ 1	¥ 817,846	¥ 817,847	¥ 1	$ 6,103	$ 6,103	$ 0
a Payables	¥ 721,498	¥ 721,498	¥ —	¥ 786,674	¥ 786,674	¥ —	$ 5,871	$ 5,871	$ —
b Accrued consumption taxes	34,655	34,655	—	43,961	43,961	—	328	328	—
c Accrued income taxes	10,938	10,938	—	16,187	16,187	—	121	121	—
d Long-term debt:									
Bonds	2,542,666	2,636,837	94,171	2,975,871	2,927,063	(48,808)	22,208	21,844	(364)
Long-term loans	1,451,450	1,489,012	37,562	1,483,950	1,490,274	6,324	11,074	11,121	47
e Long-term liabilities incurred for purchase of railway facilities	318,873	639,575	320,702	315,067	579,022	263,955	2,351	4,321	1,970
Liabilities	¥5,080,080	¥5,532,515	¥452,435	¥5,621,710	¥5,843,181	¥221,471	$41,953	$43,606	$1,653
Derivative transactions*2:									
Hedge accounting not applied	¥ 1,452	¥ 1,452	¥ —	¥ 1,441	¥ 1,441	¥ —	$ 11	$ 11	$ —
Hedge accounting applied	¥ 3,546	¥ 3,546	¥ —	¥ 3,616	¥ 3,616	¥ —	$ 27	$ 27	$ —

*1 Available-for-sale securities include investment trusts whose investment trust assets are real estate, to which Paragraph 24-9 of the 2021 Revised Accounting Standard for Measurement of Fair Value 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 11).

b. Derivative Transactions (See Note 20)

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
	2022	2023	2023
Unlisted equity securities*1	¥7,554	¥7,657	$57
Investment in limited liability companies*1	417	464	3
Investment in limited partnership*1	15,333*2	17,009*3	127*3
Preferred equity securities*1	2,506	1,507	11

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

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

*3 Based on Article 24-16 of ASBJ Guidance No. 31 on the Accounting Standard for Fair Value Measurement, investment in limited partnership is not subject to the disclosure of fair value.

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

Notes: 4. The annual maturities of financial assets and securities with maturities at March 31, 2022 and 2023 were as follows.

	Millions of Yen								Millions of U.S. Dollars			
	2022				2023				2023			
	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	¥171,023	¥ —	¥—	¥ —	¥215,000	¥ —	¥—	¥ —	$1,604	$—	$—	$—
Receivables	554,464	5,419	16	—	633,064	5,950	26	—	4,724	45	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)	100	6	—	—	—	6	—	—	—	0	—	—
Total	¥725,587	¥5,435	¥16	¥440	¥848,064	¥5,966	¥26	¥440	$6,328	$45	$ 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, 2023 (See Note14 and 15)

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 sheets

Fiscal 2023 (Year ended March 31, 2023)

	Millions of Yen						Millions of U.S. Dollars		
	2022			2023			2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Securities:									
Available-for-sale securities	¥184,070	¥ —	¥—	¥177,297*	¥ —*	¥—*	$1,323*	$ —*	$—*
Equity shares	184,064	—	—	177,291	—	—	1,323	—	—
Government, municipal bonds, etc.	6	—	—	6	—	—	0	—	—
Derivative transactions									
Currency swap	—	3,546	—	—	3,616	—	—	27	—
Earthquake derivatives	—	1,452	—	—	1,441	—	—	11	—
Assets	¥184,070	¥4,998	—	¥177,297	¥5,057	—	$1,323	$38	—
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 the 2021 Revised Accounting Standard for Measurement of Fair Value has been applied. The amount recognized in the consolidated balance sheets related to such investment trusts is ¥900 million ($7 million).

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

Fiscal 2023 (Year ended March 31, 2023)

	Millions of Yen						Millions of U.S. Dollars		
	2022			2023			2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bonds									
Domestic bonds	¥2,127,891	¥ —	¥—	¥2,068,588	¥ —	¥—	$15,437	$ —	$—
Foreign currency denominated bonds	—	508,946	—	—	858,475	—	—	6,407	—
Long-term loans	—	1,489,012	—	—	1,490,274	—	—	11,121	—
Long-term liabilities incurred for purchase of railway facilities	—	639,575	—	—	579,022	—	—	4,321	—
Liabilities	¥2,127,891	¥2,637,533	¥—	¥2,068,588	¥2,927,771	¥—	$15,437	$21,849	$—

Note:Valuation techniques and inputs used in measuring fair values

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

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

c. Bonds
The fair values of domestic bonds are based on market prices and classified as level 1. The fair values of foreign currency denominated bonds, which are subject to treatment using foreign currency swaps, are estimated by discounting the foreign currency swaps and future cash flows treated in combination with them based on estimated interest rates if similar domestic bonds were newly issued, so they are classified as level 2 .

d. Long-term loans
The fair values of long-term loans are principally estimated by discounted future cash flows based on estimated interest rates if similar new loans were implemented. Further, the fair values of certain long-term loans, which are subject to treatment using foreign currency swaps or interest rate swaps, are estimated by discounting the foreign currency swaps or interest rate swaps and future cash flows treated in combination with them based on estimated interest rates if similar new loans were implemented, so they are classified as level 2.

e. Long-term liabilities incurred for purchase of railway facilities
Because these liabilities are special monetary liabilities that are subject to constraints pursuant to laws and statutory regulations and not based exclusively on free agreement between contracting parties in accordance with market principles, and because repeating fund raising using similar methods would be difficult, as stated in "1) Items relating to the status of financial instruments, b. Details of financial instruments and related risk," the fair values of long-term liabilities incurred for purchase of railway facilities are estimated by assuming that future cash flows were raised through bonds, the Company's basic method of fund-raising, and discounting them based on estimated interest rates if similar domestic bonds were newly issued, so they are classified as level 2. Further, certain long-term liabilities incurred for purchase of railway facilities with variable interest rates are estimated based on the most recent interest rates, notification of which is provided by the Japan Railway Construction, Transport and Technology Agency.

11 SECURITIES

For held-to-maturity debt securities, the amount on the balance sheets and market value at March 31, 2022 and 2023 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2022			2023			2023		
	Amount on Balance Sheets	Market Value	Difference	Amount on Balance Sheets	Market Value	Difference	Amount on Balance Sheets	Market Value	Difference
Of which market value exceeds the amount on balance sheets:									
Government, municipal bonds, etc.	¥10	¥11	¥1	¥10	¥11	¥1	$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	¥451	¥1	$3	$3	$0

For available-for-sale securities, the acquisition cost and amount on balance sheets at March 31, 2022 and 2023 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2022			2023			2023		
	Acquisition Cost	Amount on Balance Sheets	Difference	Acquisition Cost	Amount on Balance Sheets	Difference	Acquisition Cost	Amount on Balance Sheets	Difference
Of which amount on balance sheets exceeds the acquisition cost:									
Equity shares	¥ 72,995	¥149,597	¥ 76,602	¥ 68,631	¥135,229	¥66,598	$512	$1,009	$497
Debt securities									
Government, municipal bonds, etc.	6	6	0	6	6	0	0	0	0
Bonds	—	—	—	—	—	—	—	—	—
Of which amount on balance sheets does not exceed the acquisition cost:									
Equity shares	44,498	34,467	(10,031)	50,696	42,062	(8,634)	378	314	(64)
Debt securities									
Government, municipal bonds, etc.	—	—	—	—	—	—	—	—	—
Bonds	100	100	—	—	—	—	—	—	—
Other	110	110	—	1,059	1,059	—	8	8	—
	¥117,709	¥184,280	¥ 66,571	¥120,392	¥178,356	¥57,964	$898	$1,331	$433

Note: In the fiscal year ended March 31, 2022, ¥323 million of impairment loss was implemented for securities other than shares, etc. without market prices. In the fiscal year ended March 31, 2023, impairment loss was not 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, 2023

	Millions of Yen						Millions of U.S. Dollars		
	2022			2023			2023		
	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	¥39,393	¥20,169	¥55	¥17,136	¥9,633	—	$128	$72	—

12 PLEDGED ASSETS

Pledged assets at March 31, 2022 and 2023 were summarized as follows:

Pledged assets as a collateral

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Cash and cash equivalents	¥ 306	¥ 285	$ 2
Other	6,197	8,247	62

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Payables	¥460	¥516	$4
Other	17	17	0

Pledged assets as a mortgage for long-term liabilities

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Buildings and structures with net book value	¥2,706	¥ 270	$ 2
Other assets with net book value	2,578	2,370	18

Counterpart liabilities

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Long-Term Liabilities Incurred for Purchase of Railway Facilities	¥401	¥318	$2

13 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 4.0% and 3.0% in the years ended March 31, 2022 and 2023, 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 ¥9,652 million and ¥19,064 million ($142 million) in the years ended March 31, 2022 and 2023, respectively.

The fiscal year ended March 31, 2022

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)
Railway business, etc.	Buildings and structures and land, etc.	Shibuya City, Tokyo, etc.	¥4,622	$34	Buildings and structures: 3,133; land: 301; other: 1,188
Retail sales, restaurant business, etc.	Buildings and structures, etc.	Takasaki City, Gunma, etc.	2,711	20	Buildings and structures: 2,120; other: 591
Shopping center operations and Hotel operations, etc.	Buildings and structures, etc.	Shinjuku City, Tokyo, etc.	2,318	17	Buildings and structures: 1,955; other: 363
Other	Buildings and structures, etc.	Sendai City, Miyagi, etc.	1	0	

The fiscal year ended March 31, 2023

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.	Tachikawa City, Tokyo, etc.	¥12,438	$93	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	25	Buildings and structures: 3,140; other: 263
Railway business, etc.	Buildings and structures, etc.	Saitama City, Saitama, etc.	3,205	24	Buildings and structures: 2,661; land: 386; other: 158
Other	Machinery, rolling stock and vehicles, etc.	Shibuya City, Tokyo, etc.	18	0	

14 LONG-TERM DEBT

Long-term debt at March 31, 2022 and 2023 were summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Unsecured bonds issued in 2002 to 2023 with interest rates ranging from 0.001% to 2.55% due in 2022 to 2072	¥2,100,985	¥2,171,989	$16,209
Unsecured loans due in 2023 to 2060 principally from banks and insurance companies with interest rates mainly ranging from 0.07% to 2.80%	1,451,450	1,483,950	11,074
Euro-pound / euro bonds issued in 2006 to 2023 with interest rates ranging from 0.77% to 5.25% due in 2025 to 2043	441,681	803,882	5,999
	3,994,116	4,459,821	33,282
Less current portion	252,500	365,000	2,724
	¥3,741,616	¥4,094,821	$30,558

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, 2023 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2024	¥ 215,000	$ 1,604
2025	145,000	1,082
2026	207,545	1,549
2027	90,000	672
2028	100,000	746
2029 and thereafter	2,218,865	16,559

The annual maturities of long-term loans at March 31, 2023 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2024	¥150,000	$1,119
2025	179,100	1,336
2026	141,200	1,054
2027	185,150	1,382
2028	266,000	1,985
2029 and thereafter	562,500	4,198

15 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 ($23,186 million) payable in equal semiannual installments consisting of principal and interest payments in three tranches: ¥2,101,898 million ($15,686 million), ¥638,506 million ($4,765 million) in principal amounts payable through March 2017, and ¥366,566 million ($2,735 million) payable through September 2051. In March 1997, the liability of ¥27,946 million ($209 million) payable in equal semiannual installments through March 2022 to Japan Railway Construction Public Corporation was incurred with respect to the acquisition of the Akita hybrid Shinkansen facilities. In February 2002, the Company acquired a majority interest in Tokyo Monorail Co., Ltd. As a result, the consolidated balance sheets as of March 31, 2002 included liabilities of Tokyo Monorail Co., Ltd. amounting to ¥36,726 million ($274 million) payable to Japan Railway Construction Public Corporation.

The long-term liabilities incurred for purchase of railway facilities outstanding at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
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	318,472	314,749	2,349
	318,472	314,749	2,349
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 1.72% through 2029	401	318	2
	318,873	315,067	2,351
Less current portion:			
The Tohoku and Joetsu Shinkansen purchase liability	3,723	3,971	29
The Akita hybrid Shinkansen purchase liability	—	—	—
Tokyo Monorail purchase liability	83	94	1
	3,806	4,065	30
	¥315,067	¥311,002	$2,321

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, 2023 were as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2024	¥ 4,065	$ 30
2025	4,275	32
2026	4,557	34
2027	4,859	36
2028	5,180	39
2029 and thereafter	292,131	2,180

16 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.

17 CONTINGENT LIABILITIES

The Company has extended contingent liabilities of ¥10,840 and ¥11,307 million ($84million) for orders received by Japan Transportation Technology (Thailand) Co., Ltd in the years ended March 31, 2022 and 2023, respectively.

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

18 NET ASSETS

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

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

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

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

At the general meeting of shareholders held in June 2023, the shareholders approved cash dividends amounting to ¥18,880 million ($141 million). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2023. Such appropriations are recognized in the period in which they are approved by the shareholders.

19 INFORMATION REGARDING CERTAIN LEASES

Future lease payments for non-cancellable operating leases, including those due within one year, at March 31, 2022 and 2023 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2022		2023		2023	
	Within one year	Total	Within one year	Total	Within one year	Total
Non-cancellable operating leases	¥6,633	¥62,006	¥5,239	¥59,835	$39	$447

20 INFORMATION FOR DERIVATIVE TRANSACTIONS

1) Items Regarding Trading Circumstances (See Note 10)

2) Derivative Transactions Not Applied to Hedge Accounting

Millions of Yen

Type	Hedged item	2022 Contract amount, etc.	2022 Of which more-than-one-year contract amount, etc.	2022 Fair value (Note 2)	2022 Unrealized profits and loses	2023 Contract amount, etc.	2023 Of which more-than-one-year contract amount, etc.	2023 Fair value (Note 2)	2023 Unrealized profits and loses
Transactions other than market transactions	Earthquake derivatives	¥1,452	—	¥1,452	—	¥1,442	—	¥1,442	—
Total		¥1,452	—	¥1,452	—	¥1,442	—	¥1,442	—

Millions of U.S. Dollars

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

3) Derivative Transactions Applied to Hedge Accounting

Millions of Yen

Type	Hedged item	2022 Contract amount, etc.	2022 Of which more-than-one-year contract amount, etc.	2022 Fair value	2023 Contract amount, etc.	2023 Of which more-than-one-year contract amount, etc.	2023 Fair value
Currency swap	Long-term loans	¥20,000	¥20,000	¥3,546	¥ 20,000	¥ 20,000	¥3,616
Forward exchange	Accounts receivable-trade	1	—	(0)	3	—	(0)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: GBP	285,593	285,593	(Note)	285,593	285,593	(Note)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: EUR	156,666	156,666	(Note)	518,817	518,817	(Note)
Interest swap	Long-term loans	18,000	18,000	(Note)	18,000	18,000	(Note)
Total		¥480,260	¥480,259	¥3,546	¥842,413	¥842,410	¥3,616

Millions of U.S. Dollars

Type	Hedged item	2023 Contract amount, etc.	2023 Of which more-than-one-year contract amount, etc.	2023 Fair value
Currency swap	Long-term loans	$ 149	$ 149	$ 27
Forward exchange	Accounts receivable-trade	0	—	(0)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: GBP	2,131	2,131	(Note)
Currency swap	Foreign currency denominated bonds Pay:JPY Receive: EUR	3,872	3,872	(Note)
Interest swap	Long-term loans	135	135	(Note)
Total		$6,287	$6,287	$ 27

Note: As derivative transactions that meet certain hedging criteria, regarding foreign currency swaps or interest rate swaps are treated in combination with bonds or long-term loans, the fair values of these derivatives are included in the fair values of these bonds or long-term loans. (See Note 10)

21 NET DEFINED BENEFIT LIABILITY

Net defined benefit liability included in the liability section of the consolidated balance sheets as of March 31, 2022 and 2023 consisted of the following:

1) Movement in Retirement Benefit Obligations

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Balance at the beginning of the fiscal year	¥493,421	¥475,926	$3,552
Service costs	28,351	28,725	215
Interest costs	2,935	2,836	21
Actuarial losses (gains)	(3,781)	(5,018)	(37)
Benefits paid	(44,993)	(46,188)	(345)
Past service costs	36	11	0
Other	(43)	55	0
Balance at the end of the fiscal year	¥475,926	¥456,347	$3,406

2) Movements in Plan Assets

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Balance at the beginning of the fiscal year	¥11,730	¥11,382	$85
Expected return on plan assets	143	128	1
Actuarial losses (gains)	(752)	(313)	(2)
Contributions paid by the employer	829	781	6
Benefits paid	(410)	(513)	(4)
Other	(158)	—	—
Balance at the end of the fiscal year	¥11,382	¥11,465	$86

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

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Funded retirement benefit obligations	¥ 12,868	¥ 12,873	$ 96
Plan assets	(11,382)	(11,465)	(86)
	1,486	1,408	10
Unfunded retirement benefit obligations	463,058	443,474	3,310
Total Net liability (asset) for retirement benefits at March 31	464,544	444,882	3,320
Liability for retirement benefits	465,347	445,844	3,327
Asset for retirement benefits	(803)	(962)	(7)
Total Net liability (asset) for retirement benefits at March 31	¥464,544	¥444,882	$3,320

Employees' severance and retirement benefit expenses included in the consolidated statements of operations for the years ended March 31, 2022 and 2023 consisted of the following:

4) Retirement Benefit Costs

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Service costs	¥28,351	¥28,725	$215
Interest costs	2,935	2,836	21
Expected return on plan assets	(143)	(128)	(1)
Net actuarial loss amortization	(2,982)	(3,072)	(23)
Past service costs amortization	(667)	15	0
Other	218	216	1
Total retirement benefit costs for the fiscal year ended March 31	¥27,712	¥28,592	$213

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
	2022	2023	2023
Past service costs that are yet to be recognized	¥(703)	¥ 4	$ 0
Actuarial gains and losses that are yet to be recognized	35	1,633	12
Total balance at March 31	¥(668)	¥ 1,637	$12

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
	2022	2023	2023
Past service costs that are yet to be recognized	¥ 18	¥ 21	$ 0
Actuarial gains and losses that are yet to be recognized	10,295	11,928	89
Total balance at March 31	¥10,313	¥11,949	$89

7) Plan Assets

	2022	2023
Bonds	7%	6%
Equity securities	19%	19%
General account of life insurers	45%	46%
Other	29%	29%

The discount rates are mainly 0.6% in the years ended March 31, 2022 and 2023. The rates of expected return on pension assets used by the Companies were mainly 1.7% and 1.5% in the years ended March 31, 2022 and 2023, respectively.

The required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥1,060 million and ¥1,224 million ($9 million) in the years ended March 31, 2022 and 2023, respectively.

22 INCOME TAXES

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

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Deferred tax assets:			
Losses carried forward for tax purposes	¥275,825	¥272,502	$2,034
Net defined benefit liability	142,657	136,814	1,021
Losses on impairment of fixed assets	40,325	40,817	305
Unrealized holding gains on fixed assets	24,886	25,674	192
Reserves for bonuses	16,324	18,544	138
Environmental conservation costs	16,342	15,164	113
Point-related contract liabilities and allowance	11,816	14,919	111
Other	69,365	53,725	401
	597,540	578,159	4,315
Valuation allowance for tax losses carried forward	(28,573)	(25,861)	(193)
Valuation allowance for the total of future subtraction temporary differences, etc.	(62,670)	(59,864)	(447)
Less valuation allowance	(91,243)	(85,725)	(640)
Gross deffered tax assets	506,297	492,434	3,675
Less amounts offset against deferred tax liabilities	(63,735)	(60,423)	(451)
Net deferred tax assets	¥442,562	¥432,011	$3,224
Deferred tax liabilities:			
Tax deferment for gain on transfers of certain fixed assets	¥ 31,963	¥ 31,242	$ 233
Net unrealized holding gains on securities	23,251	19,980	149
Valuation for assets and liabilities of consolidated subsidiaries	2,273	2,261	17
Other	8,558	9,308	70
	66,045	62,791	469
Less amounts offset against deferred tax assets	(63,735)	(60,423)	(451)
Net deferred tax liabilities	¥ 2,310	¥ 2,368	$ 18

Notes 1: The valuation allowance decreased ¥5,518 million ($41 million) compared with the fiscal year ended March 31, 2022. This was primarily attributable to a decrease in the valuation allowance pertaining to tax losses carried forward.

The fiscal year ended March 31, 2022

	Millions of Yen 2022						
	1 year or less	More than 1 year, 2 years or less	More than 2 years, 3 years or less	More than 3 years, 4 years or less	More than 4 years, 5 years or less	More than 5 years	Total
Tax losses carried forward*1	¥ 617	¥ 198	¥ 177	¥ 270	¥ 301	¥274,262	¥275,825
Valuation allowance	(577)	(198)	(177)	(270)	(301)	(27,050)	(28,573)
Deferred tax assets	40	—	—	—	—	247,212	247,252*2

*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, 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

	Millions of U.S. Dollars 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	$1	$1	$1	$1	$0	$2,030	$2,034
Valuation allowance	(1)	(1)	(1)	(1)	(0)	(189)	(193)
Deferred tax assets	0	—	0	0	—	1,841	1,841*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
Effective statutory tax rate	30.5 %
(Adjustment)	
Equity in net income (loss) of affiliated companies	(5.5)%
Change in valuation allowance	(4.4)%
Expenses like entertainment expenses not qualifying for deduction permanently	1.0 %
Other	0.1 %
Actual effective income tax rate after applying tax effect accounting	21.7 %

Note: The fiscal year ended March 31, 2022 has been omitted due to the recognition of loss before income taxes in said year.

23 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, 2022 and 2023, the amounts of net income related to rental property were ¥67,431 million and ¥69,019 million ($515 million) (rental income is recognized in operating revenues and rental expense is principally charged to operating expenses), respectively. The amounts recognized in the consolidated balance sheets and fair values related to investment and rental property were as follows.

		Millions of Yen		Millions of U.S. Dollars	
		Consolidated balance sheets amount	Fair value	Consolidated balance sheets amount	Fair value
2022	Difference	2023	2023	2023	2023
¥854,886	¥(3,549)	¥851,337	¥2,438,027	$6,353	$18,194

Notes: 1. The consolidated balance sheets 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, 2023, were principally attributable to acquisition of real estate and renewal (¥46,562 million / $347 million), and the decreases were mainly attributable to depreciation expenses (¥30,780 million / $230 million) and transfer to real estate for sale (¥29,723 million / $222 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 sheets related to such property are ¥147,533 million and ¥185,609 million ($1,385 million) in the years ended March 31, 2022 and 2023, respectively.

24 REVENUE RECOGNITON

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

For the year ended March 31, 2022

Millions of Yen

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

For the year ended March 31, 2023

Millions of Yen

	Transportation			Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
	Passenger transportation						2023
	Commuter passes	Non-commuter passes	Others				
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

Millions of U.S. Dollars

	Transportation			Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
	Passenger transportation						2023
	Commuter passes	Non-commuter passes	Others				
Revenues arising from contracts with customers	$2,935	$7,835	$ 921	$2,330	$1,170	$574	$15,765
Revenues arising from other sources (Note 2)	—	—	388	117	1,682	0	2,187
Total	$2,935	$7,835	$1,309	$2,447	$2,852	$574	$17,952

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, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Receivables arising from contracts with customers (balance at beginning of period)	¥ 98,291	¥114,726	$ 856
Receivables arising from contracts with customers (balance at end of period)	114,726	133,474	996
Contract assets (balance at beginning of period)	2,506	4,202	31
Contract assets (balance at end of period)	4,202	2,584	19
Contract liabilities (balance at beginning of period)	120,216	117,660	878
Contract liabilities (balance at end of period)	117,660	144,351	1,077

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 ¥76,705 million and ¥72,120 million ($538 million), in the years ended March 31, 2022 and 2023, 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, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
One year or less	¥ 31,601	¥ 18,561	$ 139
More than one year, two years or less	6,079	11,396	85
More than two years, three years or less	23,055	9,214	69
More than three years	113,423	159,615	1,190
Total	¥174,158	¥198,786	$1,483

25 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.

(Changes in Accounting Estimates)

JR East records remaining charged balance and deposits of *Suica* as current liabilities and recognizes unused balance as revenues after a certain period of time. Reasonable time has passed after the commence–ment of *Suica* service and sufficient amount of data has been accumulated, which enabled us to reasonably estimate the timing of revenue recognition of unused balance. Therefore, the method of accounting estimate was changed to be based on such data.

As a result, in comparison to figures calculated by the previous method, operating revenues of the Transportation segment for fiscal year ended March 31, 2023 increased by ¥25,918 million, together with an increase by the same amount in the segment income.

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

Millions of Yen

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

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

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	$12,079	$2,447	$ 2,852	$ 574	$17,952	$ —	$17,952
Inside group	461	266	206	1,091	2,024	(2,024)	—
Total	12,540	2,713	3,058	1,665	19,976	(2,024)	17,952
Segment income (loss)	$ (180)	$ 264	$ 832	$ 128	$ 1,044	$ 5	$ 1,049
Segment assets	$52,889	$2,638	$13,545	$8,014	$77,086	$(7,296)	$69,790
Depreciation	2,161	126	410	213	2,910	—	2,910
Increase in fixed assets (Note 5)	2,959	117	823	416	4,315	—	4,315

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 ($5 million) upward adjustment to segment income (loss) included a ¥946 million ($7 million) elimination of unrealized holding gains (losses) on fixed assets and inventory assets and a ¥(321) million ($(2) million) elimination for intersegment transactions. Moreover, the ¥(977,699) million ($(7,296) million) downward adjustment to segment assets included a ¥(1,292,356) million ($(9,644)million) elimination of intersegment claims and obligations, offset by ¥314,656 million ($2,348 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 statements of operations.
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 statements of operations.

b Property, plant and equipment

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

iii. Information about major customers

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

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

Fiscal 2022 (Year ended March 31, 2022)

Millions of Yen

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

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

Millions of U.S. Dollars

	Transportation	Retail & Services	Real Estate & Hotels	Others (Note)	Total
Impairment losses on fixed assets	$24	$25	$93	$0	$142

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.

26 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended March 31, 2022 and 2023

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
	2022	2023	2023
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥ 11,759	¥ 1,024	$ 8
Reclassification adjustments	(19,822)	(9,632)	(72)
Sub-total, before tax	(8,063)	(8,608)	(64)
Tax (expense) benefit	2,413	2,923	22
Sub-total, net of tax	(5,650)	(5,685)	(42)
Net deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the year	709	470	3
Reclassification adjustments	(239)	(400)	(3)
Acquisition cost adjustments	0	0	0
Sub-total, before tax	470	70	0
Tax (expense) benefit	(143)	(21)	(0)
Sub-total, net of tax	327	49	0
Foreign currency translation adjustments:			
Amount arising during the year	257	27	0
Reclassification adjustments	—	—	—
Sub-total, before tax	257	27	0
Tax (expense) benefit	—	—	—
Sub-total, net of tax	257	27	0
Remeasurements of defined benefit plans:			
Amount arising during the year	2,981	4,694	35
Acquisition cost adjustments	(3,649)	(3,057)	(23)
Sub-total, before tax	(668)	1,637	12
Tax (expense) benefit	(116)	(375)	(2)
Sub-total, net of tax	(784)	1,262	10
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(411)	380	3
Reclassification adjustments	243	(119)	(1)
Sub-total	(168)	261	2
Total other comprehensive income	¥ (6,018)	¥(4,086)	$(30)

27 SUBSEQUENT EVENTS

Not applicable

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, 2023.

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 2023, ended March 31, 2023. 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, 2023, despite signs of gradual recovery, the Japanese economy remained sluggish due to the effects of COVID-19, rising prices of goods and services, supply constraints, changes in the financial and capital markets, and other factors.

In light of this situation, under Speed Up "Move Up" 2027 announced in September 2020 as a policy tailored to the post-COVID-19 society, the JR East Group worked to enhance profitability, fundamentally strengthen our management culture, and implement 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" toward the enhancement and innovation of "safety conduct" and "safety management" by each employee through initiatives such as the reforming of rules and systems in view of large-scale disasters and other new risks and focusing on "what is working well." The Group also promoted the installation of safety equipment that actively leverages new technologies, including the introduction of vehicles for replacement of utility poles in fiscal 2022 to implement anti-earthquake measures for utility poles of Shinkansen.

With respect to "enhancing profitability (restructuring our growth and innovation strategies)," while the business environment surrounding the railway business is becoming increasingly severe, aiming to stimulate demand for travel and transportation, the Group launched various initiatives in connection with the "*RAILWAY 150th Anniversary*" and "*SHINKANSEN YEAR 2022*" projects including by utilizing ideas from field operation employees. In addition, under our belief that diversification of lifestyles presents a significant opportunity, the Group reestablished its growth and innovation strategies, combined physical networks, an area of the Group's strength, with digital technologies, and worked to propose new lifestyles and take on the challenge of entering new fields through initiatives such as advancing digitization, ticketless services and promotion of startup businesses.

On "fundamentally strengthening our management culture (reforming our corporate structure)," the Group implemented initiatives to improve productivity, such as the expansion of conductorless operations, the promotion of automated operation technology, and the acceleration of digital transformation (DX) including through smart maintenance. Furthermore, in order to create a sustainable JR East Group since June 2022, the Group forged ahead with the three reforms of operational reform, working style reform, and worksite reform to enhance the job satisfaction of all Group employees, while advancing the restructuring of the JR East organization. As of March 31, 2023, "inter-organizational projects" are under way at a total of 34 locations, where our staff members across departments and organizations exercise their creativity and work close to customers in facing and resolving issues regarding their respective areas or lines.

With regards to "implementing ESG management," the Group formulated the "Energy Vision 2027 - Connect" in July 2022 as our energy strategy for the future, and with a view to achieving net zero CO2 emissions for the entire Group by fiscal 2051, we introduced energy-saving equipment for stations, and trains and promoted energy-saving operations, as well as the development of renewable energy sources such as wind power and solar power. Also, aiming to realize regional revitalization through co-creation with communities, the Group promoted various initiatives, including community development centered on regional core stations in Iwaki, Aomori and Niigata, expanding service areas of multi-function regional IC cards in Yamagata and Hirosaki, and the opening of new stations on the Keiyo Line and the Tazawako Line. We 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 21.6% from the previous year to ¥2,405.5 billion ($17,952 million), due mainly to revenue increases in all segments, which were attributable to the recovery from the impact of COVID-19. As a result of such increase in operating revenues, we recorded operating profit of ¥140.6 billion ($1,049 million) (operating loss of ¥153.9 billion in fiscal 2022), ordinary profit of ¥110.9 billion ($828 million) (ordinary loss of ¥179.5 billion in fiscal 2022), and profit attributable to owners of parent of ¥99.2 billion ($741 million) (loss attributable to owners of parent of ¥94.9 billion in fiscal 2022).

Results by business segment were as follows.

Segment Information

Transportation

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

As a result, operating revenues in the Transportation segment increased by 26.1%, to ¥1,680.3 billion ($12,540 million), due mainly to increases in passenger revenues, which were attributable to the recovery from the impact of COVID-19, as well as the change in the timing of recording liabilities relating to *Suica* in revenues, and operating loss was ¥24.1 billion ($180 million) (operating loss of ¥285.3 billion in fiscal 2022).

Shinkansen Network

In the Shinkansen network, passenger kilometers increased 58.8% year on year, to 16.5 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Shinkansen commuter pass revenues increased 4.6% year on year, to ¥21.2 billion ($158 million), and non-commuter pass revenues increased 68.5%, to ¥400.7 billion ($2,990 million). The total of Shinkansen commuter pass revenues and non-commuter pass revenues increased 63.5% year on year, to ¥421.9 billion ($3,148 million).

Conventional Lines (Kanto Area Network)

For conventional lines in the Kanto area network, passenger kilometers increased 12.5% year on year, to 86.4 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Commuter pass revenues increased 3.6%, to ¥354.2 billion ($2,643 million), while non-commuter pass revenues increased 28.0%, to ¥602.1 billion ($4,493 million). The total of commuter pass revenues and non-commuter pass revenues increased 17.8% year on year, to ¥956.3 billion ($7,136 million).

Conventional Lines (Other Network)

In the conventional lines other than the Kanto area network, passenger kilometers increased 13.3% year on year, to 4.6 billion, in reaction to the effects of the COVID-19 pandemic of the previous year. Commuter pass revenues increased 0.8%, to ¥16.1 billion ($120 million), while non-commuter pass revenues increased 38.3%, to ¥37.4 billion ($279 million). The total of commuter pass revenues and non-commuter pass revenues increased 24.4% year on year, to ¥53.5 billion ($399 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 16.4%, to ¥363.6 billion ($2,713 million), due mainly to an increase in the sales at stores in stations, and operating income increased by 149.9%, to ¥35.3 billion ($263 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 9.1%, to ¥409.8 billion ($3,058 million), due mainly to an increase in the sales at hotels and shopping centers, and operating income increased by 3.5%, to ¥111.6 billion ($832 million).

Others

In the Others segment, JR East promoted measures such as the enhancement of the MaaS Platform, which realizes seamless and stress-free mobility, and further expanded the scope of use of *Suica*. As a result, operating revenues in the Others segment increased by 7.0%, to ¥223.1 billion ($1,665 million), due mainly to an increase in the sales from the credit card business, and operating income increased by 47.9%, to ¥17.2 billion ($128 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 6.2% year on year, to ¥2,264.9 billion ($16,903 million). Operating expenses as a percentage of operating revenues were 94.2%, compared with 107.8% in the previous fiscal year.

Transportation, other services and cost of sales increased 5.7%, to ¥1,687.8 billion ($12,596 million), because of an increase in non-personnel expenses and other factors.

Selling, general and administrative expenses increased 7.5%, to ¥577.1 billion ($4,307 million), which was due to an increase in non-personnel expenses and other factors.

Operating income was ¥140.6 billion ($1,049 million) (a ¥12.4 billion deterioration compared with the business results forecast in April). Operating loss was ¥153.9 billion in the previous fiscal year.

Income before income taxes

Other income rose 24.9%, to ¥135.3 billion ($1,010 million), due mainly to an increase in compensation income received.

Other expenses rose 9.4%, to ¥147.6 billion ($1,101 million), mainly as a result of an increase in impairment losses on fixed assets.

Income before income taxes was ¥128.4 billion ($958 million). Loss before income taxes was ¥180.5 billion in the previous fiscal year.

Profit (Loss) Attributable to Owners of Parent

Profit attributable to owners of parent was ¥99.2 billion ($741 million) (a ¥39.1 billion improvement compared with the business results forecast in April), mainly due to the recognition of profit before income taxes. Loss attributable to owners of parent was ¥94.9 billion in the previous fiscal year. Profit per share was ¥263.38 ($2), compared with loss per share of ¥251.69 in the previous fiscal year.

Liquidity and Capital Resources

Cash Flows

In fiscal 2023, net cash provided by operating activities totaled ¥581.8 billion ($4,341 million), ¥391.2 billion more than in the previous fiscal year. This result was mainly due to recording income before taxes and other factors.

Net cash used in investing activities amounted to ¥565.5 billion ($4,220 million), ¥39.1 billion more than in the previous fiscal year. This result was mainly due to an increase in payments for purchases of investment in securities.

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 new construction of Makuhari-Toyosuna Station.

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 Iwaki Station South Exit and development of Aomori Station East Exit Station Building and others.

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

Further, free cash flows increased by ¥352.1 billion from the previous fiscal year, to an inflow of ¥16.2 billion ($121 million).
Net cash provided by financing activities came to ¥26.8 billion ($200 million), ¥277.8 billion less than in the previous fiscal year. This result was mainly due to a decrease of procurement of interest-bearing debt.

Consequently, cash and cash equivalents as of March 31, 2023, were ¥215.0 billion ($1,604 million), an increase of ¥44.0 billion from ¥171.0 billion on March 31, 2022.

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, 2023, stood at ¥4,559.9 billion ($34,029 million). Further, EBITDA is the sum of consolidated operating income and consolidated depreciation. In fiscal 2023, EBITDA of ¥530.5 billion ($3,959 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 2023, JR East issued 13 unsecured straight bonds in Japan, with a total nominal amount of ¥182.0 billion ($1,358 million) and maturities from 2025 through 2072. Rating and Investment Information, Inc. (R&I), a Japanese rating agency, rated these bonds AA+. Further, JR East issued 4 unsecured straight bonds overseas, with a total nominal amount of €2,600 million ($2,703 million) and maturities from 2025 through 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 ¥174.5 billion ($1,302 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 ¥314.7 billion ($2,349 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 ¥0.3 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 2023. As of March 31, 2023, 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 ¥300.0 billion ($2,239 million). Further, there was no outstanding balance associated with usage of the committed bank credit line as of the end of fiscal 2023.

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, 2023.

(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 2023, JR East had completed installation of automatic platform gates at 99 railway stations and 197 tracks on a line-by-line basis. In fiscal 2024, JR East will install automatic platform gates at 12 railway stations and 24 tracks on a line-by-line basis. In addition, through the use of such resources as the fare system established by the government to make railway stations barrier-free, the Company aims to install automatic platform gates as soon as possible.

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

(2) Climate Change and Natural Disasters, Etc.

In recent year, risks from abnormal weather such as heavy rains and typhoons have been increasing. Natural disasters such as not only heavy rains and typhoons but also large-scale earthquakes and flooding have the potential to destroy the Group's railways and related facilities, causing significant damages for the JR East Group's business as a whole. Also, large-scale power outages caused by natural disasters have the potential to threaten the continuity of railway operations. Furthermore, when large-scale damage occurs, JR East may no longer be able to receive a steady supply of resources from suppliers.

Based on the "Group Safety Plan 2023," the JR East Group is working to steadily reduce risks caused by natural disasters. Specifically, with regard to earthquake countermeasures, JR East is continuing to reduce risk through such measures as the advancement of additional seismic reinforcement covering more areas and facilities to prepare for a major earthquake, such as an earthquake directly beneath the Tokyo metropolitan area. Further, the Company is also implementing measures for the emergency stopping of trains and measures to prevent the derailment of trains. As for flooding countermeasures, JR East is advancing risk reduction measures, which include the introduction of a system to support decisions on moving railcars to safe places at all 80 railyards where there is a possibility of flooding and the implementation of training on the moving of railcars. Meanwhile, in preparation for large-scale power outages caused by natural disasters, JR East is extending the operating hours of emergency generators at major terminal stations and other locations. In addition, to maintain procurement stability, the Company is taking steps to enable procurement from multiple suppliers.

(3) Occurrence of Infectious Diseases, Etc.

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

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 could have an impact on the JR East Group's financial condition and business performance.

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

Against this backdrop, based on the JR East Group Management Vision "Move Up" 2027 and Speed Up "Move Up" 2027, which was announced in September 2020, the Group is advancing Mobility as a Service (MaaS), *eki-net* and other initiatives that introduce seamless mobility and integrate diverse services into one-stop services, and the Group is providing services that cater to the various needs of customers in their day-to-day lives through the combination of optimal means of travel, purchasing, and payment. Also, in anticipation of changes in the business environment, the Group is tackling initiatives aimed at providing new value to society. These initiatives include the acceleration of efforts to cater to diversifying lifestyles by expanding and enhancing facilities and products suitable for telecommuting and workations and by offering the *Off-Peak Point Service* and the *Repeater Point Service*. In addition, the Group will qualitatively transform its 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.

Also, the JR East Group currently uses many information systems in its various railway, life-style service, and IT & *Suica* businesses. Further, information systems play an important role for travel agencies as well as Railway Information Systems Co., Ltd., and other companies with which the JR East Group has close business relationships. If the functions of those information systems were seriously damaged as a result of cyberattacks or human error, this could have an impact on the operations of JR East. Also, loss of the public's trust due to the external leakage of personal or other information stored in information systems or the falsification of data as a result of infection with a computer virus, unauthorized operation by humans, or other causes could affect the JR East Group's financial condition and business performance.

The JR East Group takes measures to prevent damage and ensure security, such as continuously upgrading the functions of in-house systems, constantly monitoring security levels, and training related personnel. In the unlikely event of a system problem, JR East would minimize the impact by taking measures through an initial action framework that would be promptly set up and coordinated across operational divisions. Further, the Group endeavors to realize strict management and protection of personal information through such measures as the establishment of internal rules and regulations, rigorous stipulations on the handling of personal information, restrictions on the personnel authorized to handle personal information, management of access authorization, and the establishment of an internal checking system.

(6) Compliance

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

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

(7) Changes in the Economic Conditions in Japan and Overseas

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

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

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

(8) International Operations

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, conflicts, hikes in natural resource prices, and worldwide inflation 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.

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

2. Development of New Shinkansen Lines

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

Usage fees for new Shinkansen line segments are now regulated under the Japan Railway Construction, Transport and Technology Agency Law (enforcement ordinance, Article 6). That enforcement ordinance stipulates that the Japan Railway Construction, Transport and Technology Agency (hereinafter the "JRTT") will determine the amount of usage fees based on the benefit received as the operator of the said Shinkansen lines after opening and the sum of taxes and maintenance fees paid by the JRTT for railway facilities leased. Of those, the expected benefits are calculated based on expected demand and revenues and expenses over a 30-year period after opening. Further, as a general rule, a part of the usage fees, which are calculated based on the expected benefits, is fixed for the 30-year period after commencing services.

With respect to the treatment 30 years after the commencement date of the loaning, new determinations are established through discussions, and the current usage fees could change. Further, the new Shinkansen line segments on loan from the JRTT and the final fiscal years of their loan periods are as follows.

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

KPMG

Independent auditor's report

To the Board of Directors of East Japan Railway Company :

Opinion

We have audited the accompanying consolidated financial statements of East Japan Railway Company ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2023, the consolidated statement of operations, and consolidated statement of comprehensive income, the consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of management's judgment as to whether an impairment loss should be recognized on fixed assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group"), property, plant and equipment of ¥7,214,562 million and intangible assets of ¥198,806 million were recognized as of March 31 2023. As described in Note 3, "Significant Accounting Estimate, Impairment Loss on Fixed Assets" to the consolidated financial statements, those amounts included fixed assets of ¥5,190,551 million and construction in progress of ¥275,880 million for railway operations of East Japan Railway Company, the total of which represented 58.5% of total assets in the consolidated financial statements. These assets need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The Group had recognized recurring operating losses from activities using the fixed assets for railway operations due to the effect of COVID-19 and as a result, an impairment indicator was identified for the fixed assets for railway operations. Accordingly, the Group performed an impairment test during the current fiscal year. Based on the test result, an impairment loss was not recognized as the estimated undiscounted future cash flows from the business exceeded the carrying amount. The future cash flows used for the test were estimated based on the earnings projection for railway operations prepared by management and the recoverable amount of the assets. A key assumption underlying the earnings projection was the prospect of the recovery of operating revenues from the railway transportation business, which reflected the impact of the timing and level of recovery from COVID-19. These estimates involve a high degree of uncertainty and accordingly, management's	The primary procedures we performed to assess whether the Group's judgment with respect to the recognition of an impairment loss on the fixed assets was appropriate, included the following: ● We assessed the reasonableness of management assumptions including the prospect of recovery of operating revenues from the railway transportation business, which was a key assumption in the earnings projection used in calculating the undiscounted future cash flows, through inquiry of management, as well as by inspecting and agreeing relevant internal materials and comparing them with information available from external sources; ● We examined the consistency of the earnings projections used in the calculation of the undiscounted future cash flows with the earnings projection approved by the Board of Directors and relevant internal materials; ● We tested the effectiveness of management's estimate processes by comparing the actual performance with the past business plans; and ● We assessed the consistency of the recoverable amount of the assets mainly with price indicators.

judgment thereon had a significant effect on the estimate of the future cash flows.

We, therefore, determined that our assessment of the appropriateness of the Group's judgment as to whether an impairment loss should be recognized on the fixed assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

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

The key audit matter

In the consolidated balance sheet of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group"), deferred tax assets of ¥432,011 million were recognized as of March 31 2023. 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 ¥492,434 million. The majority of this amount was recognized by East Japan Railway Company, which was particularly material.

Deferred tax assets are recognized to the extent that tax loss carryforwards and deductible temporary differences are expected to reduce future taxable income. The Group considered the application of special taxation treatment in estimating the effect of reducing the future taxable amount by tax loss carryforwards since its business adaptation plan was approved by the Minister of Land, Infrastructure, Transport and Tourism.

Whether deferred tax assets have an effect to reduce future taxable income (i.e. recoverability of deferred tax assets) is determined in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Implementation Guidance No. 26 of the Accounting Standards Board of Japan) (hereinafter, the "Implementation Guidance"). The appropriateness of this determination is dependent upon the propriety of the company

How the matter was addressed in our audit

The primary procedures we performed to assess whether management's judgment on the recoverability of deferred tax assets was appropriate included the following:

- We assessed the appropriateness of the company classification under the Implementation Guidance considering the reasons why significant tax losses were incurred and the future taxable income before considering the effect of temporary differences estimated based on the earnings projection;
- We assessed the reasonableness of management assumptions including the prospect of recovery of operating revenues from the railway transportation business, which was a key assumption used in developing the earnings projection, through discussion with management, as well as by inspecting and agreeing relevant internal materials and comparing them with information available from external sources; and
- We examined the consistency of the estimated future taxable income before considering the effect of temporary differences, which was used in determining the recoverability of deferred tax assets, with the earnings projection approved by the Board of Directors.
- We examined the consistency of the investment of each fiscal year based on the business adaptation plan, which was used in determining the recoverability of deferred tax assets, with the investment plan submitted to the Ministry of Land, Infrastructure, Transport and Tourism.

classification under the Implementation Guidance and the future taxable income before considering the effect of temporary differences estimated based on the earnings potential. Especially, the future taxable income before considering the effect of temporary differences was estimated based on the earnings projection. A key assumption underlying the earnings projection was the prospect of the recovery of operating revenues from the railway transportation business, which involved such uncertain estimates as the impact of the timing and level of recovery from COVID-19. Accordingly, management's judgment thereon had a significant effect on the estimated future taxable income.

We, therefore, determined that our assessment of the appropriateness of management's judgment on the recoverability of deferred tax assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

Accuracy of revenue recognition for revenues from the passenger transportation business

The key audit matter

In the consolidated statement of operations of East Japan Railway Company and its consolidated subsidiaries (hereinafter, collectively referred to as the "Group"), operating revenues of ¥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.

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

How the matter was addressed in our audit

In order to assess the accuracy of revenue recognition for revenues from the passenger transportation business, we primarily performed the following procedures with the assistance of IT specialists within our firm:

- We tested the effectiveness of certain application controls over the interfaces by assessing data consistency among the IT systems related to revenue recognition for revenues from the passenger transportation business, such as the station revenue management system, the Suica ID management system and the accounting system;
- We tested the effectiveness of certain general IT controls over the relevant IT systems, such as user access management, system change management and system operation management, to confirm 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

outsourced to Railway Information Systems Co., Ltd., including the aggregation of received with those of other JR companies, and the settlement of fares with other JR companies and transportation operators with whom the Group provides connecting railway services. As these processes involve a mechanism developed to inter-link multiple IT systems with each other, the recognition of revenues from the passenger transportation business is highly dependent on the IT systems. In order to ensure the accuracy of revenue recognition for revenues from the passenger transportation business, appropriate maintenance and operations of relevant IT systems are extremely important. Accordingly, we determined that the involvement of our IT specialists in assessing the effectiveness of these IT systems was necessary. We, therefore, determined that our assessment of the accuracy of revenue recognition for revenues from the passenger transportation business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	to the daily reconciliation of the counted cash balance to sales at each station, which is the activity to validate the accuracy of information in the station revenue management system; and ● We tested the design and operating effectiveness of certain internal controls over outsourced processes by inspecting the "Service Organization's Description on its Systems and Assurance Report on Controls at Service Organization by Independent Auditor of Service Organization" issued by the auditors of Railway Information Systems Co., Ltd., and inquiring of the auditors about the procedures they performed. − In addition to performing the aforementioned audit procedures to assess the accuracy of the processing of the IT systems inter-linked with each other, we assessed the correlation between the passenger kilometers carried, an index for passenger transportation, and revenues from the passenger transportation business.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

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

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

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

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

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

manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(1) to the consolidated financial statements.

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

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

Kazuhiko Azami

Designated Engagement Partner

Certified Public Accountant

Hideki Yoshida

Designated Engagement Partner

Certified Public Accountant

Naoki Saito

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 22, 2023

<u>Notes to the Reader of Independent Auditor's Report</u>:

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

JR-EAST

East Japan Railway Company

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