

TRANSLATION

MATERIALS FOR THE 36TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(Matters excluded in accordance with laws and regulations and the Company's Articles of Incorporation from paper-based documents delivered in response to a request for delivery of documents stating matters subject to measures for the electronic provision)

**MAJOR BUSINESSES
MAIN BUSINESS OFFICES AND OTHER INFORMATION
EMPLOYEES
ITEMS CONCERNING SHARES
STATUS OF THE ACCOUNTING AUDITOR
INTERNAL CONTROL SYSTEMS AND STATUS OF OPERATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

From April 1, 2022 to March 31, 2023

**EAST JAPAN RAILWAY COMPANY
TOKYO, JAPAN**

In accordance with the provisions of laws and regulations and Article 16, Paragraph 2 of the Company's Articles of Incorporation, the above matters are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

Note that, for this general meeting of shareholders, paper-based documents stating matters for which measures for the electronic provision are to be taken, excluding the above matters, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

ITEMS CONCERNING STATUS OF THE GROUP
Major Businesses (As of March 31, 2023)

The Group is engaged in the transportation business, retail & services business, real estate & hotels business and others.

(1) Transportation

We are engaged in passenger transportation services with a focus on railway operations. A summary of the railway operations of the Company is set forth below.

Headquarters and branch offices	Number of stations	Operating kilometers (kilometers)		
		Conventional lines	Shinkansen lines	Total
Tokyo Metropolitan Area Headquarters	81	177.0	17.8	194.8
Yokohama Branch Office	109	327.9	-	327.9
Hachioji Branch Office	95	287.1	-	287.1
Omiya Branch Office	79	313.0	166.5	479.5
Takasaki Branch Office	90	367.5	165.5	533.0
Mito Branch Office	113	469.8	-	469.8
Chiba Branch Office	159	592.2	-	592.2
Nagano Branch Office	114	348.5	136.5	485.0
Tohoku Area Headquarters	281	1,089.1	223.6	1,312.7
Morioka Branch Office	174	724.3	316.3	1,040.6
Akita Branch Office	141	634.9	-	634.9
Niigata Branch Office	193	776.7	168.0	944.7
Total	1,629	6,108.0	1,194.2	7,302.2

The number of units of rolling stock is 12,365 (11,645 electric railcars, 45 passenger railcars, 552 diesel railcars, 59 locomotives and 64 pieces of other rolling stock).

In relation to transportation business, we also operate travel agency services, cleaning services, station operations, facilities maintenance operations, railcar manufacturing operations, railcar maintenance operations, passenger bus transport services and monorail services.

(2) Retail & Services

This segment consists of the part of our life-style service business that includes retail sales and restaurant operations, a wholesale business, a truck transportation business, and advertising and publicity.

(3) Real Estate & Hotels

This segment consists of the part of our life-style service business that includes shopping center operations, leasing of office buildings and other properties, hotel operations and development and sale of real estate to operate those businesses.

(4) Others

We conduct IT & *Suica* businesses, which include credit card operations, and information processing, among others.

Main Business Offices and Other Information (As of March 31, 2023)

(1) **The Company**

Head Office 2-2, Yoyogi 2-chome, Shibuya-ku, Tokyo, Japan

Organizations affiliated with Head Office

Research & Development Center of JR East Group (Saitama)

JR East General Education Center (Fukushima)

JR Tokyo General Hospital

JR East Health Promotion Center (Tokyo)

Structural Engineering Center (Tokyo)

Organization to integrate Shinkansen operations

Shinkansen General Management Department (Tokyo)

Regional organizations

Tokyo Metropolitan Area Headquarters (Tokyo)

Yokohama Branch Office, Hachioji Branch Office

Omiya Branch Office, Takasaki Branch Office, Mito Branch Office

Chiba Branch Office, Nagano Branch Office

Tohoku Area Headquarters (Miyagi), Morioka Branch Office

Akita Branch Office, Niigata Branch Office

Tokyo Metropolitan Area Construction Project Management Office

Electrical System Integration Office (Tokyo and Miyagi)

Tohoku Area Construction Project Management Office (Miyagi)

Joshinetsu Area Construction Project Management Office (Gunma)

Yamagata Branch, Fukushima Branch, Aomori Branch

(2) **Subsidiaries**

Viewcard Co., Ltd. (Tokyo)

JR East Cross Station Co., Ltd. (Tokyo)

JR BUS KANTO CO., LTD. (Tokyo)

Japan Transport Engineering Company (Kanagawa)

Tokyo Monorail Co., Ltd. (Tokyo)

LUMINE Co., Ltd. (Tokyo)

Sendai Terminal Building Co., Ltd. (Miyagi)

atré Co., Ltd. (Tokyo)

East Japan Marketing & Communications, Inc. (Tokyo)

JR East Urban Development Corporation (Tokyo)

JR East Information Systems Company (Tokyo)

Nippon Hotel Co., Ltd. (Tokyo)

JR East TOHOKU SOUGOU SERVICE Co., Ltd. (Miyagi)

JR East Building Co., Ltd. (Tokyo)

JR East Rail Car Technology & Maintenance Co., Ltd. (Tokyo)

JR East Environment Access Co., Ltd. (Tokyo)

JR East Mechatronics Co., Ltd. (Tokyo)

JR East Station Service Co., Ltd. (Tokyo)

JR East Facility Management Co., Ltd. (Tokyo)

Employees (As of March 31, 2023)

Business segment	Number of employees	
Transportation	53,808	(13,064)
Retail & Services	5,895	(8,366)
Real Estate & Hotels	4,934	(1,865)
Others	4,598	(895)
Total	69,235	(24,190)

(Notes)

1. “Number of employees” shows the number of persons at work (excluding those seconded to other companies and including those seconded from other companies for each of the Group companies). The number of temporary employees is shown in parentheses and is not included in “Number of employees.”
2. The number of temporary employees includes those re-employed after the age-limit retirement such as those designated as “elder employees” of the Company, but does not include dispatched employees and part-timers working for a short time.
3. “Number of employees” decreased by 2,005 (temporary employees decreased by 886) compared with the previous fiscal year-end.

ITEMS CONCERNING SHARES (as of March 31, 2023)

1. Total number of shares authorized to be issued by the Company
1,600,000,000 (1.6 billion)
2. Total number of issued shares
377,932,400 (nearly 378 million)

(Note) The total number of issued shares includes 334,494 shares of treasury stock.

3. Total number of shareholders
301,545
4. Principal shareholders

Name of shareholder	Number of shares held (Shares)	Shareholding percentage (%)
The Master Trust Bank of Japan, Ltd. (as Trustee)	50,281,600	13.32
Custody Bank of Japan, Ltd. (as Trustee)	15,324,900	4.06
The JR East Employees Shareholding Association	13,266,907	3.51
Mizuho Bank, Ltd.	13,000,000	3.44
MUFG Bank, Ltd.	8,138,000	2.16
Nippon Life Insurance Company	8,015,560	2.12
Sumitomo Mitsui Banking Corporation	6,845,000	1.81
STATE STREET BANK WEST CLIENT – TREATY 505234	6,324,644	1.67

Name of shareholder	Number of shares held	Shareholding percentage
	(Shares)	(%)
Mitsubishi UFJ Trust and Banking Corporation	5,000,000	1.32
JP MORGAN CHASE BANK 385781	4,821,995	1.28

(Note) The shareholding percentage is calculated based on the total number of issued shares excluding 334,494 shares of treasury stock.

STATUS OF THE ACCOUNTING AUDITOR

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Amount of Remuneration to the Accounting Auditor for This Fiscal Year

(1) Total amount to be paid by the Company as remuneration to the accounting auditor: ¥245 million

(2) Total amount of cash and other monetary benefits to be paid by the Company and subsidiaries: ¥738 million

(Notes)

1. The amount in (1) above includes remuneration for audits conducted under the Financial Instruments and Exchange Act, since no classification is provided in the audit agreement between the Company and the accounting auditor with respect to remuneration for audits conducted under the Companies Act and audits conducted under the Financial Instruments and Exchange Act, and it is practically impossible to separate the two types of payment.
2. The Board of Corporate Auditors of the Company verifies the audit plan of the accounting auditor, its performance of duties and basis for calculation of estimate of remuneration, and agrees on remuneration to the accounting auditor.

3. Description of Non-Audit Services

The Company paid to the accounting auditor compensation for preparation of comfort letters which is outside the scope of services provided in Article 2, Paragraph 1 of the Certified Public Accountants Law.

4. Policy on Dismissal or Non-Reappointment of Accounting Auditors

The Board of Corporate Auditors of the Company will determine an agenda to dismiss or not to reappoint an accounting auditor to be proposed to the General Meeting of Shareholders when it is deemed appropriate, such as when an accounting auditor does not fully perform its duties or its social credibility is significantly impaired.

Also, the Board of Corporate Auditors of the Company will, upon unanimous approval of Corporate Auditors, dismiss an accounting auditor when it is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In such case, a Corporate Auditor selected by the Board of Corporate Auditors will report the dismissal of an accounting auditor and the reason for such dismissal at the first General Meeting of Shareholders held after such dismissal.

INTERNAL CONTROL SYSTEMS AND STATUS OF OPERATION

(Internal Control Systems)

The Company views internal control systems as various measures to appropriately and efficiently pursue the Group's philosophy and realize the Group's management vision. The Company will ensure compliance and safety, prevent financial losses, ensure soundness of financial conditions, and promote risk management that reflects consideration given to expansion into new businesses, and thereby improve the Group's value.

The Company undertakes a wide range of risk management efforts not only from

the perspective of reducing risks* of negative elements, such as avoidance of losses, but also includes risk taking and the perspective of actively improving the value of the Group.

Based on the above, the Company has established internal control systems in accordance with the Companies Act as described below.

* Risks include not only those relating to operation such as compliance, safety and natural disasters, but also those relating to the domestic and international social and economic environment such as changes in markets and trends among competitors, and those relating to management decisions on new businesses.

1. **Systems to ensure that Directors and employees of the JR East Group perform their duties in accordance with relevant laws and regulations as well as with the Articles of Incorporation**

- To promote rigorous legal compliance and high corporate ethics standards, the Company and its consolidated subsidiaries (hereinafter “Group companies”) have stipulated the “Policy on Legal and Regulatory Compliance and Corporate Ethics,” which serves as corporate action guidelines for the JR East Group, and implement corporate actions in line with such guidelines such as informing action plans that explain conduct standards in concrete terms to each corporate officer and employee of the Company and Group companies.

- The Company’s Corporate & Legal Strategies Department handles overall control over horizontally integrated compliance matters throughout the Company, and liaises with administration and legal departments of the Group companies to ensure compliance in the JR East Group.

- Units to provide compliance-related advice and receive whistle-blower reports and other reports related to compliance issues as affecting the JR East Group have been established inside and outside the Company. The Company and Group companies maintain the confidentiality of whistle-blowers and matters reported, and prohibit unfavorable treatment on the basis of any such report.

- The Company has established an internal audit system to ensure the appropriateness and efficiency of operational execution. In addition, to ensure that all operations throughout the JR East Group are appropriate, the Company participates in the management of Group companies by seconding directors to those companies and by other means. In addition, the Company’s Audit Department performs audits of Group companies at regular intervals.

2. **Preservation and administration systems for information related to Directors’ performance of their duties**

- The Company appropriately preserves and administers documents related to Directors’ performance of their duties in accordance with relevant laws and internal regulations. Directors can view these documents whenever necessary.

3. **Rules and systems of the JR East Group concerning management of risk of loss**

- The Company has established systems to manage risk of loss as part of risk management.

- The Company has established a Crisis Management Headquarters as well as crisis management-related internal regulations, so that in the event of a problem, a preliminary task force may be immediately established with the participation of top management and may gather relevant information and rapidly implement countermeasures. In addition, the Company instructs Group companies to establish similar risk management systems and report incidents as necessary to the Company.

- The Company has established systems to ensure rapid and appropriate responses in the event of an accident or disaster in railway operations and to improve safety and reliability of transportation.
 - To ensure effectiveness of risk management, the Board of Directors of the Company monitors its status and policies periodically.
4. **Systems for promoting efficient performance of duties by directors and other employees in the JR East Group and systems for reporting performance of duties from Group companies to the Company**
- To promote efficiency in the Company's operations, internal regulations have been established that allocate authority by clearly defining the authority and roles of each unit.
 - To promote the Group Management Vision, and to attain the vision's objectives, the Company and Group companies have established action programs for each organizational unit and project. Progress in action program implementation is periodically evaluated as a means of promoting the efficient implementation of strategic measures. In addition, Group companies regularly report to the Company material information, including business results and financial conditions.
5. **Items related to employees who assist Corporate Auditors in the performance of their duties**
- Specialized staff are assigned to the Corporate Auditors Office to assist Corporate Auditors in the performance of their duties. This is a system designed to increase the efficiency of audits and enable audits to be performed smoothly.
6. **Independence from Directors of employees who assist Corporate Auditors in the performance of their duties and effectiveness of instructions to such employees**
- The staff of the Corporate Auditors Office, with regard to instructions from the Corporate Auditors, are not subject to orders from Directors or other employees.
7. **Systems in the JR East Group for reports to Corporate Auditors of the Company**
- The Company has established standards for matters to be resolved at the Board of Directors meeting based on the Regulations of the Board of Directors and appropriately submits such matters for resolution. The contents of important items other than those to be resolved by the Board of Directors may also be confirmed by Corporate Auditors by attending and participating in meetings of the Board of Directors, and meetings of the Group Management Committee, by listening to Directors and employees and by reviewing documents concerning performance of duties by Directors.
 - The Company's Corporate Auditors hold informational meetings regularly with corporate auditors of Group companies to share information concerning audits.
 - The Company reports regularly to the Company's Corporate Auditors on whistleblower reports and other matters related to compliance issues of the JR East Group, as well as results of Group company audits conducted by the Company's Audit Department.
 - The Company prohibits unfavorable treatment of any person who reports to Corporate Auditors based on any such report.

8. **Policies on payment of expenses arising from performance of duties of Corporate Auditors**
 - When the Company's Corporate Auditor requests advanced payment of expenses arising from performance of their duties, the Company will pay such expenses unless the Company establishes that such expenses or liabilities are unnecessary for such performance of duties by such Corporate Auditor.
9. **Other systems for promoting the effective performance of Corporate Auditors' audits**
 - The Corporate Auditors hold meetings regularly with the President and CEO and the accounting auditor to exchange information and opinions.

(Outline of Status of Operation of Internal Control Systems)

Under the JR East Group Management Vision "Move Up" 2027, the Group aims to gain greater trust from local community members and customers and to achieve, as a corporate group, sustainable growth by implementing ESG management. The Group will continue to ensure compliance and safety, prevent financial losses, ensure soundness of financial conditions, and promote risk management that reflects consideration given to expansion into new businesses, and thereby improve the Group's value.

1. **Compliance effort**
 - The Group established corporate action guidelines titled "Policy on Legal and Regulatory Compliance and Corporate Ethics," informed "Compliance Action Plan" to officers and employees of the Company and Group companies in order to increase the effectiveness of such guidelines, and implemented compliance training to raise awareness.
 - Moreover, units to provide compliance-related advice and receive reports have been established inside and outside the Company, and they accept consultation and reports from officers, employees and business partners of the Company and Group companies, conduct the necessary investigations and take corrective actions in accordance with rules for handling whistle-blowing reports, and respond to any whistle-blower. The Company also informs officers and employees of the Company and Group companies to refrain from unfavorable treatment of whistle-blowers for their consultation or report.
 - The Company receives reports on the results of tracing the Internal Control Systems conducted by Group companies, and confirms the status of operation and provides guidance.
 - The Company has an audit system with specialized staff assigned to audit departments to ensure legal and efficient performance of operation. An internal audit is performed for each unit approximately once a year, and an audit is performed for all Group companies approximately once in three years.
 - In order for the Company to participate in the management of Group companies, the Company's officers and employees are seconded to Group companies as directors, and such persons attend the meetings of the board of directors of the Group companies to give opinions.
2. **Risk management effort**
 - The Group is working to avoid and reduce risks that are common and unique to each business. Specifically, each year, we identify risks in the overall business

based on outside expertise and internal opinions, analyze and assess risks based on the frequency and degree of impact and determine significant risks, and consider and implement measures to avoid and reduce risks. In this way, the Company reviews risks through a PDCA cycle, monitors the degree of achievement and progress of initiatives aimed at avoiding and reducing risks at the meeting of Board of Directors, examines future policies and ensures the effectiveness of risk management.

- The Group believes that, in order to improve profitability and undertake structural reform, a wide range of risk management efforts are important, not only from the perspective of reducing risks of negative elements, such as avoidance of losses, but also includes risk taking and the perspective of actively improving the value of the Group. To that end, in addition to ensuring stable and appropriate business operations, the Group supports and encourages its employees to make bold challenges towards their development.

- The Company sets forth basic items concerning risk management in its Crisis Management Headquarters Guidelines. In the event of a problem, the top management will, in accordance with such guidelines, participate in the immediate establishment of a preliminary task force and designate roles of relevant departments. Also, the Company instructs the Group companies to have organizations for risk management and that immediate reporting be made in the event of a problem, and has thereby established the risk management system for the Group.

- The Company focuses on safety as its top management priority, and under the “Group Safety Plan 2023” established in November 2018 pursues ultimate safety levels based on the “safety conduct” of each employee. Specifically, the Company has established a Transportation Operation Center that operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster in railway operations. The Company has also established specialized internal committees focused on maintaining safety and on improving reliability, to prevent material accidents and incidents and their recurrence.

- In response to the global spread of COVID-19, the Company has established a COVID-19 task force led by the President and CEO to collect and share information on responses within the Group, and is taking appropriate actions including by providing instructions to prevent the spread of COVID-19 among our passengers and employees in light of government directions.

3. **Efforts to promote efficient performance of duties**

- The Company’s Board of Directors holds its meetings once a month as a general rule to resolve on matters as provided for by laws and regulations and other important matters relating to the execution of business.

- The Company’s Group Management Committee is composed of internal directors and senior executive officers as specified by the Board of Directors, and holds its meetings once a week as a general rule to discuss and report matters to be resolved at the meeting of the Board of Directors and other important matters essential to the group management.

- For the execution of its business, the Company clarifies the division of duties and administrative authority of each of the departments by means of organizational and other regulations.

- Under Speed Up “Move Up” 2027 announced in September 2020, the Company will pursue efforts toward restructuring of growth and innovation strategies,

fundamental strengthening of the management culture and implementation of ESG management to respond to the changes in the external and internal business environment, including COVID-19, and achieve the goals of “Move Up” 2027.

- Moreover, each Group company presents quarterly reports of business results and financial conditions to the Company. The Group company also reports on the progress made in meeting management goals and overcoming challenges, and exchanges views at meetings organized by the Company’s department in charge.

4. **Efforts to ensure effective audits by Corporate Auditors**

- The Company has systems to enable audits by Corporate Auditors to be performed smoothly by assigning approximately 10 specialized staff members independent from Directors to assist Corporate Auditors.

- The Company’s Corporate Auditors audit, in accordance with its policies, the Directors’ performance of their duties by attending and participating in important meetings such as meetings of the Board of Directors and the Group Management Committee, and hold informal meetings regularly with the Company’s Representative Directors and the accounting auditor to exchange information and opinions.

- Further, the Corporate Auditors hold informational meetings with corporate auditors of Group companies twice a year to share information concerning audits, and visit Group companies and share information and facilitate communications with representative directors (approximately once in three years) and receive business reports from principal subsidiaries (once in three years).

- The Corporate Auditors receive reports on the results of the audit of Group companies performed by the Company’s Audit Department approximately once every month, and the Board of Corporate Auditors receive reports periodically on the status of internal audits from the Audit Department. The Company reports to Corporate Auditors on issues concerning whistle-blower reports and compliance within the Group (approximately twice a year), and reports on important issues any time as needed.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	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	Total accumulated other comprehensive income		
Balance at the fiscal year start	200,000	96,411	2,047,407	(5,563)	2,338,255	47,830	2,464	(256)	257	6,377	56,672	23,182	2,418,110
Changes of items during the fiscal year													
Cash dividends			(37,759)		(37,759)								(37,759)
Profit attributable to owners of parent			99,232		99,232								99,232
Increase/decrease due to merger			873		873								873
Purchase of treasury stock				(1,139)	(1,139)								(1,139)
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method				(2,210)	(2,210)								(2,210)
Change in scope of equity method			22,198		22,198								22,198
Purchase of shares of consolidated subsidiaries		34			34								34
Reversal of revaluation reserve for land			96		96								96
Net changes of items other than shareholders' equity						(4,527)	84	221	26	1,192	(3,002)	1,279	(1,723)
Total changes of items during the fiscal year	—	34	84,641	(3,350)	81,326	(4,527)	84	221	26	1,192	(3,002)	1,279	79,602
Balance at the fiscal year end	200,000	96,445	2,132,049	(8,913)	2,419,581	43,302	2,548	(35)	284	7,570	53,670	24,462	2,497,713

(Note) Amounts less than one million yen are omitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. NOTES ON BASIC MATTERS IN PREPARING CONSOLIDATED FINANCIAL STATEMENTS

1. Matters regarding the scope of consolidation

Among the subsidiaries, 69 companies including Viewcard Co., Ltd., JR East Cross Station Co., Ltd., JR BUS KANTO CO., LTD. and Japan Transport Engineering Company are consolidated.

JR East Cross Station Co., Ltd. absorbed a non-consolidated subsidiary NRE Takasaki Services Co., Ltd., Station Building MIDORI Co., Ltd. absorbed a non-consolidated subsidiary Choutetsu Kaihatsu Co., Ltd., and JR East Japan Niigata City Create Co., Ltd. absorbed a non-consolidated subsidiary JR Niigata Business Co., Ltd.

Non-consolidated subsidiaries include LUMINE Resort Co., Ltd. and atré International Co., Ltd. None of the assets, sales, profit and loss, and retained earnings of the non-consolidated subsidiaries corresponding to the Company's equity are significant in amounts compared with those of the Company and its consolidated subsidiaries, and will not affect the reasonable judgment with respect to the Group's financial condition or business results when such subsidiaries are excluded from consolidation.

2. Matters regarding application of the equity method

Among the affiliated companies, the equity method is applied to the investment in 11 companies, including UQ Communications Inc. and Tekken Corporation.

TOTETSU KOGYO CO., LTD., Daiichi Kensetsu Corporation, Tekken Corporation, SENKEN KOGYO CO., LTD. and KOTSUKENSETSU CORPORATION were added as affiliated companies accounted for by the equity method as a result of share acquisition during this fiscal year.

With respect to investments in non-consolidated subsidiaries and affiliated companies not using the equity method (including Narita Airport Rapid Railway Company Limited), none of the profit and loss and retained earnings of such companies corresponding to the Company's equity are significant in amounts compared with those of the Company and its consolidated subsidiaries and equity method affiliated companies, and will not affect the consolidated profit and loss or consolidated retained earnings. Therefore, the equity method is not applied.

As for equity method affiliated companies which have a different fiscal year-end date from the consolidated fiscal year-end date, financial statements for the fiscal year of such company are used.

3. Matters regarding fiscal years of the consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end date of JR East Business Development SEA Pte. Ltd., JRE Business Development Taiwan, Inc. and JREFU Hotel Management & Consulting Co., Ltd. was December 31, 2022 and the fiscal year-end date of The Orangepage, Inc. was February 28, 2023. Financial statements of such companies as of that date are used to prepare the consolidated financial statements, with necessary adjustments regarding important transactions that occurred between that date and the consolidated fiscal year-end date.

The fiscal year-end date of GALA YUZAWA Co., Ltd. was September 30, 2022. Its balance sheet, statement of income and statement of changes in net assets prepared based on the provisional settlement of accounts as of the consolidated fiscal year-end date have been used to prepare the consolidated financial statements.

4. Matters regarding accounting standards

(1) Basis and method of valuation of important assets

(a) Basis and method of valuation of securities

Held-to-maturity debt securities:

Held-to-maturity debt securities: amortized cost method (straight-line method)

Available-for-sale securities:

- Securities other than securities and investments without market value: 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)

- Securities and investments without market value: investments in anonymous associations (*tokumei kumiai*) and similar associations (which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948)) are capitalized by the net amount based on the latest financial statements available according to the closing date stipulated in the partnership agreement;

others are mainly based on the moving-average cost method

(b) Basis and method of valuation of derivatives

Derivatives are valued according to market method.

(c) Basis and method of valuation of inventories

Real estate for sale: identified cost method (carrying amount in the balance sheet is calculated with consideration given to write-downs due to decreased profitability of inventories)

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

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

Materials and goods: mainly moving-average cost method (carrying amount in the balance sheet is calculated with consideration given to write-downs due to decreased profitability of inventories)

(2) Method of depreciation and amortization of important depreciable assets

(a) Property, plant and equipment

Property, plant and equipment are depreciated using the declining balance method; however, buildings (excluding fixtures) acquired on or after April 1, 1998, fixtures 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. Replacement assets included in structures of railway fixed assets are depreciated using the replacement method.

Methods to determine the number of years of useful life and residual value are as stipulated in the Corporation Tax Act.

With respect to the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Group has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero.

(b) Intangible assets

Intangible assets are amortized using the straight-line method. The method to determine the number of years of useful life is as stipulated in the Corporation Tax Act.

Software designed for internal use is amortized using the straight-line method based on the expected useful life as used in each company (mainly five years).

With respect to the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Group has adopted a straight-line method that assumes the years of service lives are lease periods and residual values are zero.

(3) Accounting for deferred assets

Expenses for issuance of bonds are charged to income when paid.

(4) Accounting for important allowances

(a) Allowance for doubtful accounts

For general receivables, the allowance is provided based on past loan loss experience. For receivables from debtors in financial difficulty, allowance is provided for estimated unrecoverable amounts on an individual basis.

(b) Allowance for bonuses to employees

The allowance for bonuses to employees is provided based upon the expected amount to be paid.

(c) 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 fiscal 2016 until fiscal 2030, a provision of ¥24,000 million (total: ¥360,000 million) will be recognized each fiscal year, and from fiscal 2031, until fiscal 2040, a reversal of ¥36,000 million (total: ¥360,000 million) will be recognized each fiscal year.

(d) Allowance for disaster-damage losses

The allowance for disaster-damage losses is established based upon the estimated restoration and other expenses arising from Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed on September 9, 2019 and October 12, 2019, respectively.

Also, the allowance for disaster-damage losses is established based upon the estimated amount of restoration and other expenses arising from Fukushima Prefecture offshore earthquakes that occurred on March 16, 2022.

Further, the allowance for disaster-damage losses is established based upon the estimated amount of restoration and other expenses arising from damage sustained from heavy rains that occurred in

August 2022.

(5) Basis for recording of revenues and costs

The Group is engaged in the transportation business, retail & services business, real estate & hotels business and others. Revenues from these businesses are recorded mainly based on contracts with customers, and transaction prices are based on the consideration under contracts with customers. However, in regard to transactions performed by the Group as an agent, transaction prices are based on the net value, being the difference between the consideration received from customers and the amount paid to the third party actually delivering the goods and services. Major transactions performed by the Group as an agent are part of retail operations in retail & service business.

The Group also operates the group-wide “JRE POINT” program, awarding points to customers according to the usage at railways and station buildings that can be used for services provided by the Group. The points awarded to customers are recognized as separate performance obligations, and allocated to each performance obligation based on the ratio of stand-alone selling price estimated by the unit price of points and lapse ratio. Performance obligations of “JRE POINT” are recorded as contract liabilities, and revenues are recognized according to the point usage.

Details of major performance obligations and timing of satisfaction of performance obligations for each segment relating to the recording of revenues are as described below.

(a) Transportation business

The transportation business mainly provides passenger transport services. Revenues from commuter passes are recorded as “Commuter Passes Revenue,” and revenues from regular tickets other than commuter passes and fare tickets are recorded as “Non-Commuter Passes Revenue.” Performance obligation under Commuter Passes Revenue is to provide customers with passenger transport services for the sections designated by commuter passes during the validity period, and such performance obligation is fulfilled upon expiration of the validity period of commuter passes. Performance obligation under Non-Commuter Passes Revenue is to provide customers with passenger transport services for the sections or trains designated by train tickets or fare tickets, and such performance obligation is fulfilled at the time of provision of passenger transport service to the customer.

(b) Retail & Services business

The retail & services business mainly conducts retail and

restaurant operations. Performance obligation in the retail & services business is to provide goods or services to customers, and such performance obligation is fulfilled at the time of provision of goods or services.

(c) Real Estate & Hotels business

The real estate & hotels business mainly conducts leasing operation of real estate owned by the Group, sales operation of real estate developed by the Group, and hotel operation.

Leasing operation of real estate mainly involves management of shopping centers and lease of office buildings. Revenues from lease of real estate are recorded during the lease contract period according to the “Accounting Standards for Lease Transactions.”

Performance obligation in sales operation of real estate is to deliver real estate to customers, and such performance obligation is fulfilled at the time of delivery of real estate.

Performance obligation in hotel operation is to provide accommodation services to customers, and such performance obligation is fulfilled at the time of provision of services.

(d) Others

Others mainly consists of the IT and *Suica* businesses including credit card operations and electronic money services. Performance obligation in these businesses is to provide a payment service through a credit card and electronic money, and to deliver IC card-related equipment, and such performance obligation is fulfilled at the time of provision of services or delivery of goods.

(6) Accounting for net defined benefit liabilities

The Group accrues net defined benefit liabilities at the end of the balance sheet date in an amount calculated based on the actuarial present value of all retirement benefit obligations attributable to employee services rendered prior to the balance sheet date and the fair value of plan assets at that date.

(a) The method for attributing expected benefits to periods

In calculating the retirement benefit obligation, estimated retirement benefits are attributed to the accounting period prior to the balance sheet date in accordance with the benefit formula basis.

(b) Amortization of prior service costs and actuarial gains and losses

The prior service costs are amortized by the straight-line

method and charged to income over the number of years (mainly ten years) which does not exceed the average remaining years of employment at the time when the prior service costs were incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over constant years (mainly ten years) within the average of the estimated remaining service lives of employees at the time when the actuarial gains and losses are incurred in each period, commencing with the following consolidated fiscal year.

The unrecognized actuarial differences and unrecognized prior service costs are accrued as remeasurements of defined benefit plans in accumulated other comprehensive income in net assets, upon adjustment of tax effect.

(7) Method of accounting for important hedge transactions

Hedge transactions are based on deferral hedge accounting. Currency swap transactions and forward exchange contracts fulfilling the requirement of appropriation accounting are based on appropriation accounting, and interest swap transactions fulfilling special accounting are based on special accounting.

(8) Accounting for direct deduction from acquisition cost of fixed assets regarding construction grants

The Group receives construction grants from local public and other entities as part of construction costs for rail line elevation for serial overpasses in its railway operations.

These construction grants are recognized by directly deducting the amount equal to such construction grants from the acquisition cost of fixed assets at the time of completion of construction.

In the consolidated statement of income, construction grants are stated in extraordinary gains as “Construction grants received” including the amount received for condemnation, and the amount directly deducted from the acquisition cost of fixed assets are stated in extraordinary loss as “Losses on reduction entry for construction grants” including the reduction for condemnation.

The amount in “Construction grants received” excluding the amount received for condemnation was ¥33,890 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥30,895 million.

II. NOTES ON REVENUE RECOGNITION

1. Breakdown of revenues from contracts with customers

(Millions of yen)

	Transportation			Retail & Services	Real Estate & Hotels	Others (Note 1)	Total
	Passenger transport		Other				
	Commuter passes	Non- commuter passes					
Revenues from contracts with customers	393,275	1,049,901	123,443	312,280	156,726	76,903	2,112,530
Revenues from other sources (Note 2)	—	—	51,931	15,580	225,490	5	293,007
Total	393,275	1,049,901	175,374	327,860	382,216	76,909	2,405,538

(Notes)

1. “Others” represents categories of business that are not included in reportable segments and includes IT & *Suica* business including credit card business, information processing and certain other businesses.
 2. Revenues from other sources include income from lease of real estate and other leases.
2. Basic information to understand revenues from contracts with customers
Basic information to understand revenues from contracts with customers is as described in “I. Notes on Basic Matters in Preparing Consolidated Financial Statements,” under “4. Matters regarding accounting standards,” under “(5) Basis for recording of revenues and costs.”
3. Information on the relationship between fulfillment of performance duties under contracts with customers and cash flows from such contracts, and the amount and timing of revenues from contracts with customers existing as of the end of this fiscal year, which are estimated to be recognized in or after the following fiscal year

(a) Balance of contract assets and liabilities

(Millions of yen)

	Fiscal year ended March 31, 2023
Credit from contracts with customers (balance at the fiscal year start)	114,725
Credit from contracts with customers (balance at the fiscal year end)	133,474
Contract assets (balance at the fiscal year start)	4,202
Contract assets (balance at the fiscal year end)	2,583
Contract liabilities (balance at the fiscal year start)	117,660
Contract liabilities (balance at the fiscal year end)	144,350

The amount of the balance of contract liabilities at the fiscal year start included in the amount of revenues recognized during this fiscal year was ¥72,119 million.

(b) Transaction prices allocated to residual performance liabilities

The Company and its consolidated subsidiaries apply practical expedient for the notes on transaction prices allocated to residual performance liabilities, and do not include contracts with originally expected terms of one year or less in the scope of such notes. The total amount of transaction prices allocated to residual performance liabilities and anticipated terms of recognition of revenues are as follows.

(Millions of yen)	
	Fiscal year ended March 31, 2023
1 year or less	18,561
Exceeding 1 year but less than 2 years	11,395
Exceeding 2 years but less than 3 years	9,214
Exceeding 3 years	159,614
Total	198,786

III. NOTES ON ACCOUNTING ESTIMATES

1. Recoverability of deferred tax assets

- (1) Amount established in the consolidated financial statements for this fiscal year

Deferred tax assets: ¥432,011 million

- (2) Other information

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 to offset 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, and we made assumptions that the operating revenues from the railway transportation business will recover to about 90% in fiscal 2023 compared with the level before the spread of COVID-19.

Regarding the estimated amount of reduced taxes resulting from offsetting of tax losses brought forward and 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 fiscal 2020 and fiscal 2021, 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 fiscal 2022, within the amount of investment made in accordance with the business adaptation plan.

If the 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.

2. Impairment of fixed assets

(1)	Amount recorded in consolidated financial statements for this fiscal year	
	Property, plant and equipment, net of accumulated depreciation	¥7,214,561 million
	Intangible assets	¥198,805 million
	Fixed assets for railway operations held by the Company included in the above:	
	Fixed assets for railway operations	¥5,190,551 million
	Construction in progress	¥275,880 million

(2) Other information

For the Company's fixed assets for railway operations, all railway lines are treated as a single asset group since the cash flows are generated from the entire railway network. Since the profit and loss from operating activities using such assets became negative continuously due to the spread of COVID-19, the Company determined that there are signs of impairment for fixed assets for railway operations.

Impairment losses are recognized when the future cash flow for an asset group showing signs of impairment is estimated and the total of future cash flow before discount is below the book value of such asset group. Future cash flow for fixed assets for railway operations was estimated accordingly, but impairment losses were not recognized since the total of future cash flow before discount was above the book value of fixed assets for railway operations.

Future cash flow is estimated based on a mid-to-long term plan assuming that the operating revenues from the railway transportation business will recover to a level exceeding 90% in fiscal 2023 compared with the level before the spread of COVID-19 and that the level will continue, and the recoverable value of fixed assets for railway operations after a certain period.

If the operating revenues from the railway transportation business do not recover as anticipated, and, as a result, changes to the estimates are required, or the recoverable value of fixed assets for railway operations decreases significantly, impairment losses could be recognized in the consolidated financial statements for the following fiscal year.

IV. NOTES ON CHANGES 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 this consolidated fiscal year increased by ¥25,918 million, together with increases by the same amount in operating income, ordinary income, and income before income taxes.

V. NOTES TO CONSOLIDATED BALANCE SHEET

1. Pledged assets

(1) Pledged assets are as follows:

Cash and time deposits:	¥284 million
Others:	¥8,246 million
Total:	¥8,531 million

Liabilities corresponding to the above are as follows:

Notes and accounts payable-trade:	¥515 million
Others:	¥16 million
Total:	¥532 million

(2) Assets subject to foundation mortgage (railway foundation) are as follows:

Buildings and structures:	¥269 million
Others:	¥2,370 million
Total:	¥2,640 million

Liabilities corresponding to the above are as follows:

Long-term liabilities incurred for purchase of railway facilities:	¥318 million
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2. Accumulated depreciation of property, plant and equipment

¥8,622,449 million

3. Accumulated amount of construction grants directly deducted from acquisition cost of fixed assets

¥976,327 million

4. Amount transferred from fixed assets to real estate for sale due to the change to the purpose of ownership

¥35,330 million

5. Contingent liabilities

Contract guarantee:

Japan Transportation Technology (Thailand) Co., Ltd.	¥11,306 million
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(Japanese yen equivalent; joint guarantee by three companies including the Company)

6. Inventory

Merchandise products:	¥9,216 million
Work in progress:	¥39,490 million
Materials and goods:	¥41,783 million

7. Revaluation of land

The Company's equity-method portion of "Revaluation reserve for land" recorded in a certain equity-method affiliate of the Company, 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), is recorded in the Company's Consolidated Balance Sheets as "Revaluation reserve for land" under "Net Assets, Accumulated Other Comprehensive Income."

(1) Revaluation method

Rational adjustment based on 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 on March 31, 2023

¥(90) million

VI. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

1. Class of shares and total number of shares issued at end of this fiscal year

Common stock:	377,932,400 shares
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2. Items concerning dividend payment during this fiscal year

(1) Amount of dividends paid

Resolution	Class of stock	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Payment commencement date
Ordinary General Meeting of Shareholders held on June 22, 2022	Common stock	18,879	50	March 31, 2022	June 23, 2022
Meeting of Board of Directors held on October 31, 2022	Common stock	18,879	50	September 30, 2022	December 1, 2022

(2) Dividends having the record date within this fiscal year and the payment commencement date within the next fiscal year

Resolution (scheduled)	Class of stock	Total amount of dividend (million yen)	Dividend source	Dividend per share (yen)	Record date	Payment commencement date
Ordinary General Meeting of Shareholders held on June 22, 2023	Common stock	18,879	Retained earnings	50	March 31, 2023	June 23, 2023

VII. NOTES ON FINANCIAL INSTRUMENTS

1. Items relating to the status of financial instruments

(1) Policy in relation to financial instruments

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

(2) Details of financial instruments and related risk

Trade receivables—notes and accounts receivable-trade, and fares receivable—are exposed to credit risk in relation to customers, transportation operators with connecting railway services, and other parties. Due dates and balances are managed appropriately for each counterparty pursuant to the internal regulations of the Company and its consolidated subsidiaries.

Securities and investments in securities are exposed to market price fluctuation risk.

Substantially all of trade payables—notes and accounts payable-trade, payables, fare deposits received with regard to railway connecting services,

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 Transfer of Shinkansen Railway Facilities, comprise principally of (interest-bearing) debts related to the Company's purchase of Shinkansen railway facilities for a total purchase price of ¥3,106,969 million from Shinkansen Holding Corporation on October 1, 1991. The Company pays such purchase price, based on regulations pursuant to the Law Related to the Transfer 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 Transport (at the time of enactment). Long-term liabilities incurred for purchase of railway facilities are exposed to risk associated with an inability to make payments on due dates because of unforeseen decreases in free cash flow. Further, certain long-term liabilities incurred for purchase of railway facilities are exposed to market price fluctuation risk (interest rates).

(3) Risk management system for financial instruments

The Company and its consolidated subsidiaries use forward exchange contract transactions, currency swap transactions, and interest rate swap transactions with the aim of avoiding market price fluctuation risk (foreign exchange / interest rates) in relation to, among others, bonds and loans. Further, natural disaster derivatives are used with the aim of avoiding revenue expenditure fluctuation risk due to natural disasters.

Because all of the derivative transaction contracts that the Company and its consolidated subsidiaries enter into are transactions whose counterparties are financial institutions that have high creditworthiness, the Company and its consolidated subsidiaries believe that there is nearly no risk of parties to contracts defaulting on obligations.

Under the basic policy of properly executing transactions and conducting risk management approved by the Board of Directors, financial departments in the relevant companies process those derivative transactions in accordance with relevant internal regulations and with the approval of the Board of Directors or upon other appropriate internal procedures.

(4) Supplementary explanation of items relating to the fair values of financial instruments

Because estimation of fair values incorporates variable factors, adopting different assumptions can change the values.

2. Items relating to the fair values of financial instruments

Amounts recognized for selective items in the consolidated balance sheet as of March 31, 2023, fair values of such items, and the differences between such amounts and values is shown below. Further, securities and investments without market value are not included in the following table.

Cash and time deposits are omitted since they are nearly equivalent to the book values.

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
1. Notes and accounts receivable-trade	566,296	566,296	-
2. Fares receivable	66,104	66,104	-
3. Securities and investments in securities			
(i) Held-to-maturity debt securities	450	450	0
(ii) Available-for-sale securities (*1)	178,355	178,355	-
Assets	811,206	811,206	0
1. Notes and accounts payable-trade	44,250	44,250	-
2. Payables	493,162	493,162	-
3. Accrued consumption taxes	43,960	43,960	-
4. Accrued income taxes	16,186	16,186	-
5. Fare deposits received with regard to railway connecting services	36,314	36,314	-
6. Bonds	2,975,870	2,927,062	(48,807)
7. Long-term loans	1,483,950	1,490,273	6,323
8. Long-term liabilities incurred for purchase of railway facilities	315,067	579,022	263,954
Liabilities	5,408,761	5,630,232	221,471
Derivative transactions (*2)			
1. Hedge accounting applied	3,615	3,615	-
2. Hedge accounting not applied	1,441	1,441	-
Total of derivative transactions	5,057	5,057	-

(*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.

Note 1: Securities and investments without market value

Classification	Consolidated balance sheet amount (Millions of yen)
Unlisted equity securities (*1)	7,656
Investment in limited liability companies (<i>godo kaisha</i>) (*1)	464
Investment in investment business partnership (<i>toshi jigyo kumiai</i>) (*1) (*2)	17,008
Preferred equity securities (*1)	1,506

(*1) Unlisted equity securities, investment in limited liability companies (*godo kaisha*), investment in investment business partnership (*toshi jigyo kumiai*) and preferred equity securities are not included in “3. Securities and investments in securities – (ii) Available-for-sale securities.”

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

Note 2: The amounts recognized in the consolidated balance sheet and fair values related to bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities include, 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.

3. Items relating to the breakdown by levels of the fair values for financial instruments

The fair values of financial instruments are categorized in three levels described below according to the observability and importance of the inputs used for the estimation of fair values.

Level 1 fair values: Fair values estimated by (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair values: Fair values estimated by inputs other than those used in Level 1 that are directly or indirectly observable

Level 3 fair values: Fair values estimated by inputs that are important and unobservable

When more than one input which significantly affects the estimation of the fair values is used, the fair value is categorized under the level of input with lowest priority in the estimation of fair values.

(1) Financial assets and liabilities recognized in the consolidated financial statements using the fair values

(Millions of yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities	177,297	-	-	177,297
Equity securities	177,291	-	-	177,291
National and local government bonds	6	-	-	6
Derivative transactions				
Currency derivative transactions	-	3,615	-	3,615
Earthquake derivative transactions	-	1,441	-	1,441
Total assets	177,297	5,057	-	182,354
Derivative transactions				
Forward exchange contracts	-	0	-	0
Total liabilities	-	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 sheet related to such investment trusts is ¥900 million.

(2) Financial assets and liabilities recognized in the consolidated financial statements not using the fair values

(Millions of yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Bonds				
Domestic bonds	2,068,587	-	-	2,068,587
Foreign currency denominated bonds	-	858,475	-	858,475
Long-term loans	-	1,490,273	-	1,490,273
Long-term liabilities incurred for purchase of railway facilities	-	579,022	-	579,022
Total liabilities	2,068,587	2,927,770	-	4,996,358

Notes: Description of valuation methods and inputs used in the estimation of the fair values

1. Securities and investments in securities

The fair values of listed securities and national and local government bonds are estimated based on market prices. Since they are traded on active markets, their fair values are categorized under Level 1.

2. Derivative transactions

The fair values of currency derivative transactions and forward exchange contracts are estimated based on currency exchange rates at the time of contracts, and categorized under Level 2. The fair values of earthquake derivative transactions are estimated based on the terms of contracts and other criteria of the contracts for such transactions, and categorized under Level 2.

3. Bonds

The fair values of domestic bonds issued by the Company are estimated based on market prices and categorized under 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, and categorized under Level 2.

4. Long-term loans

The fair values of long-term loans are estimated by discounting future cash flows based on estimated interest rates if similar new loans were implemented. Further, the fair values of certain long-term loans, which are subject to treatment using foreign currency swaps or interest rate swaps, are estimated by discounting the foreign currency swaps or interest rate swaps and future cash flows treated in combination with them based on estimated interest rates if similar new loans were implemented, and categorized under Level 2.

5. 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, (2) 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, and categorized under 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.

VIII. NOTES ON INVESTMENT AND RENTAL PROPERTY

The Company and some of its consolidated subsidiaries own rental office buildings and rental commercial facilities (hereafter “investment and rental property”) principally within the Company’s service area.

The amounts recognized in the consolidated balance sheet and fair values related to investment and rental property are as follows.

Consolidated balance sheet amount (million yen)	Fair value (million yen)
851,336	2,438,027

Note 1: The consolidated balance sheet amount is the amount equal to acquisition cost, less accumulated depreciation.

Note 2: Regarding fair values at the end of this 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.

Note 3: Because fair values are extremely difficult to determine, this table does not include property that is being constructed or developed for future use as investment property. The amount recognized in the consolidated balance sheet related to such property is ¥185,609 million.

IX. NOTES ON PER SHARE INFORMATION

Shareholders’ equity per share:	¥6,566.64
Earnings per share:	¥263.38

X. ADDITIONAL INFORMATION

Regarding damage resulted from the accidents at TEPCO Holdings’ Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station, compensation income based on the agreement with Tokyo Electric Power Company Holdings, Inc. is recorded as an extraordinary gain.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(Year ended March 31, 2023)

(Millions of yen)

	Shareholders' equity											Valuation and translation adjustments			Total net assets	
	Common stock	Capital surplus			Legal reserve	Retained earnings					Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting		Total valuation and translation adjustments
		Additional paid-in capital	Total capital surplus	Other retained earnings					Total retained earnings							
				Reserve for special depreciation		Reserve for investment losses on developing new business	Reserve for deferred gain of fixed assets	General reserve		Retained earnings carried forward						
Balance at the fiscal year start	200,000	96,600	96,600	22,173	1,541	82	64,638	1,220,000	226,445	1,534,881	(3,426)	1,828,055	41,665	2,464	44,129	1,872,184
Changes of items during the fiscal year																
Provision of reserve for special depreciation					788				(788)	-		-				-
Reversal of reserve for special depreciation					(447)				447	-		-				-
Provision of reserve for investment losses on developing new business						80			(80)	-		-				-
Reversal of reserve for investment losses on developing new business						(82)			82	-		-				-
Provision of reserve for deferred gain of fixed assets							1,586		(1,586)	-		-				-
Reversal of reserve for deferred gain of fixed assets							(3,111)		3,111	-		-				-

	Shareholders' equity										Valuation and translation adjustments			Total net assets		
	Common stock	Capital surplus		Legal reserve	Retained earnings					Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gains (losses) on securities	Net deferred gains (losses) on derivatives under hedge accounting		Total valuation and translation adjustments	
		Additional paid-in capital	Total capital surplus		Other retained earnings				Total retained earnings							
					Reserve for special depreciation	Reserve for investment losses on developing new business	Reserve for deferred gain of fixed assets	General reserve								Retained earnings carried forward
Dividends									(37,759)	(37,759)		(37,759)				(37,759)
Profit									52,423	52,423		52,423				52,423
Purchase of treasury stock											(10)	(10)				(10)
Net changes of items other than shareholders' equity													(6,482)	48	(6,434)	(6,434)
Total changes of items during the fiscal year	-	-	-	-	340	(1)	(1,525)	-	15,850	14,663	(10)	14,652	(6,482)	48	(6,434)	8,218
Balance at the fiscal year end	200,000	96,600	96,600	22,173	1,881	80	63,113	1,220,000	242,295	1,549,544	(3,436)	1,842,708	35,182	2,512	37,695	1,880,403

(Note) Amounts less than one million yen are omitted.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

I. NOTES ON ITEMS CONCERNING SIGNIFICANT ACCOUNTING POLICIES

1. Basis and method of valuation of securities

Held-to-maturity debt securities: amortized cost method (straight-line method)

Equity securities issued by subsidiaries and affiliated companies:

moving-average cost method

Available-for-sale securities:

- Securities other than securities and investments without market value: 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 by the moving-average cost method)

- Securities and investments without market value: moving-average cost method; investments in anonymous associations (*tokumei kumiai*) and similar associations (which are deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948)) are capitalized by the net amount based on the latest financial statements available according to the closing date stipulated in the partnership agreement

2. Basis and method of valuation of derivatives

Derivatives are valued according to market method.

3. Basis and method of valuation of inventories

Real estate for sale: identified cost method (carrying amount in the balance sheet is calculated with consideration given to write-downs due to decreased profitability of inventories)

Inventories: moving-average cost method (carrying amount in the balance sheet is calculated with consideration given to write-downs due to decreased profitability of inventories)

4. Accumulated depreciation of property, plant and equipment

(1) Property, plant and equipment

Property, plant and equipment are depreciated using the declining balance method; however, buildings (excluding fixtures) acquired on or after April 1, 1998, fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Replacement assets included in structures of railway fixed assets are depreciated using the replacement method.

Methods to determine the number of years of useful life and residual value are as stipulated in the Corporation Tax Act.

With respect to the depreciation and amortization method for lease assets

related to finance lease transactions that do not transfer ownership to the lessee, the Company has adopted a straight-line method that assumes the years of useful lives are lease periods and residual values are zero.

(2) Intangible assets

Intangible assets are amortized using the straight-line method. The method to determine the number of years of useful life is as stipulated in the Corporation Tax Act.

Software designed for internal use is amortized using the straight-line method based on the expected useful life as used in the Company (five years).

With respect to the depreciation and amortization method for lease assets related to finance lease transactions that do not transfer ownership to the lessee, the Company has adopted a straight-line method that assumes the years of useful lives are lease periods and residual values are zero.

5. Accounting for deferred assets

Expenses for issuance of bonds: Charged to income when paid.

6. Accounting for important allowances

(1) Allowance for doubtful accounts

For general receivables, the allowance is provided based on past loan loss experience. For receivables from debtors in financial difficulty, allowance is provided for estimated unrecoverable amounts on an individual basis.

(2) Allowance for bonuses to employees

The allowance for bonuses to employees is provided based upon the expected amount to be paid.

(3) Provision for large-scale renovation of Shinkansen infrastructure

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

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

2041, a reversal of ¥36,000 million (total: ¥360,000 million) will be recognized each fiscal year.

(4) Employees' severance and retirement benefits

The Company accrues liabilities for severance and retirement benefits at the end of the balance sheet date in an amount calculated based on the actuarial present value of all severance and retirement benefits attributable to employee services rendered prior to the balance sheet date.

(a) Attribution of expected severance and retirement benefits to the accounting period

In calculating the liabilities for severance and retirement benefits, estimated retirement benefits are attributed to the accounting period prior to the balance sheet date in accordance with the benefit formula basis.

(b) Amortization of prior service costs and actuarial gains and losses

The prior service costs are amortized by the straight-line method and charged to income over the number of years (10 years) which does not exceed the average remaining years of employment at the time when the prior service costs incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over constant years (10 years) within the average of the estimated remaining service lives of employees at the time when the actuarial gains and losses are incurred in each period, commencing with the following fiscal year.

(5) Allowance for disaster-damage losses

The allowance for disaster-damage losses is established based upon the estimated restoration and other expenses arising from Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed on September 9, 2019 and October 12, 2019, respectively.

Also, the allowance for disaster-damage losses is established based upon the estimated amount of restoration and other expenses arising from Fukushima Prefecture offshore earthquakes that occurred on March 16, 2022.

Further, the allowance for disaster-damage losses is established based upon the estimated amount of restoration and other expenses arising from damage sustained from heavy rains that occurred in August 2022.

(6) Allowance for environmental conservation costs

In accordance with Soil Contamination Countermeasures Law, the allowance for environmental conservation costs is established based upon

the estimated amount of expenses for disposal of contaminated soil. Disposal expenses that are difficult to reasonably estimate at this time are not included in the allowance for environmental conservation costs.

Also in accordance with the Cultural Property Protection Law, the allowance is established based upon the estimated amount of expenses for record-keeping surveys of buried cultural properties and other expenses.

In addition, in accordance with Law on Special Measures concerning the Proper Treatment of Polychlorinated Biphenyl Waste, the allowance is established based upon the estimated amount of expenses for disposal of low-concentration PCB wastes stored in the Company. Expenses for disposal of high-concentration PCB wastes are recorded in current liabilities.

(7) Allowance for point card certificates

The allowance for point card certificates is established based upon the estimated amount of future usage of “JRE POINT” at the end of the balance sheet date. The points awarded to customers according to the usage at railways and station buildings are recognized as separate performance obligations and recorded as other current liabilities.

7. Basis for recording of revenues and costs

The Company is engaged in railway operations and other operations. Revenues from these businesses are recorded mainly based on contracts with customers, and transaction prices are based on the consideration under contracts with customers.

Details of major performance obligations and timing of satisfaction of performance obligations for each business relating to the recording of revenues are as described below.

(1) Railway operations

Railway operations mainly provide passenger transport services. Revenues from commuter passes are recorded as “Commuter Passes Revenue,” and revenues from additional charge tickets other than commuter passes and fare tickets are recorded as “Non-Commuter Passes Revenue.”

Performance obligation under Commuter Passes Revenue is to provide customers with passenger transport services for the sections designated by commuter passes within the validity period, and such performance obligation is fulfilled upon expiration of the validity period of commuter passes.

Performance obligation under Non-Commuter Passes Revenue is to provide customers with passenger transport services for the sections or trains designated by train tickets or fare tickets, and such performance obligation is fulfilled at the time of provision of passenger transport service to the customer.

(2) Other operations

Other operations mainly conduct leasing operation of real estate owned by the Company and sales operation of real estate developed by the Company. Leasing operation of real estate mainly involves lease of office buildings and commercial facilities. Revenues from lease of real estate are recorded during the lease contract period according to the “Accounting Standards for Lease Transactions.”

Performance obligation in sales operation of real estate is to deliver real estate to customers, and such performance obligation is fulfilled at the time of delivery of real estate.

8. Method of accounting for hedge transactions

Hedge transactions are based on deferral hedge accounting. Currency swap transactions and forward exchange contracts fulfilling the requirement of appropriation accounting are based on appropriation accounting, and interest swap transactions fulfilling special accounting are based on special accounting.

9. Accounting for severance and retirement benefits

Accounting methods for the unrecognized actuarial differences and unrecognized prior service costs for severance and retirement benefits are different from those of consolidated financial statements.

10. Accounting for direct deduction from acquisition cost of fixed assets regarding construction grants

The Company receives construction grants from local public and other entities as part of construction costs for rail line elevation for serial overpasses in its railway operations.

These construction grants are recognized by directly deducting the amount equal to such construction grants from the acquisition cost of fixed assets at the time of completion of construction.

In the statement of income, construction grants are stated in extraordinary gains as “Construction grants received” including the amount received for condemnation, and the amount directly deducted from the acquisition cost of fixed assets are stated in extraordinary losses as “Losses on reduction entry for construction grants” including the reduction for condemnation.

The amount in “Construction grants received” excluding the amount received for condemnation was ¥33,890 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥30,895 million.

II. NOTES ON REVENUE RECOGNITION

Basic information to understand revenues from contract with customers is as described in “I. Notes on Items Concerning Significant Accounting Policies,” under “7. Basis for recording of revenues and costs.”

III. NOTES ON ACCOUNTING ESTIMATES

1. Recoverability of deferred tax assets

- (1) Amount established in the non-consolidated financial statements for this fiscal year

Deferred tax assets: ¥372,103 million

- (2) Other information

Omitted as it is described in “III. Notes on Accounting Estimates,” under “1. Recoverability of deferred tax assets in Notes to Consolidated Financial Statements.”

2. Impairment of fixed assets

- (1) Amount established in the non-consolidated financial statements for this fiscal year

Fixed assets for railway operations ¥5,190,551 million
Construction in progress ¥275,880 million

- (2) Other information

Omitted as it is described in “III. Notes on Accounting Estimates,” under “2. Impairment of fixed assets in Notes to Consolidated Financial Statements.”

IV. NOTES ON CHANGES 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 this fiscal year increased by ¥25,918 million, together with increases by the same amount in operating income, ordinary income, and income before income taxes.

V. NOTES TO NON-CONSOLIDATED BALANCE SHEET

1. Accumulated depreciation of property, plant and equipment

¥7,760,695 million

2. Fixed assets for business operation

Property, plant and equipment: ¥6,342,726 million
Land: ¥2,088,206 million Buildings: ¥1,119,404 million
Structures: ¥2,396,439 million Rolling stock: ¥429,668 million

Others:	¥309,006 million
Intangible assets:	¥53,502 million
3. Accumulated amount of construction grants directly deducted from acquisition cost of fixed assets	¥976,327 million
4. Amount transferred from fixed assets to real estate for sale due to the change to the purpose of ownership	¥22,129 million
5. Contingent liabilities	
Contract guarantee:	
Japan Transportation Technology (Thailand) Co., Ltd. (Japanese yen equivalent; joint guarantee by three companies including the Company)	¥11,306 million
6. Monetary receivables from and payables to subsidiaries and affiliated companies	
Short-term monetary receivables from subsidiaries and affiliated companies:	¥383,098 million
Long-term monetary receivables from subsidiaries and affiliated companies:	¥220,672 million
Short-term monetary payables to subsidiaries and affiliated companies:	¥506,703 million
Long-term monetary payables to subsidiaries and affiliated companies:	¥72,559 million
7. Provision for large-scale renovation of Shinkansen infrastructure recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970)	¥168,000 million

VI. NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME

1. Operating revenues	¥1,765,512 million
2. Operating expenses	¥1,674,580 million
Transportation cost and sales cost:	¥1,004,890 million
Selling, general and administrative expenses:	¥243,243 million
Taxes:	¥104,411 million
Depreciation cost:	¥322,035 million
3. Transactions with subsidiaries and affiliated companies	
Operating transactions:	
Operating revenues:	¥163,650 million
Operating expenses:	¥432,151 million
Non-operating transactions:	¥269,822 million

4. **Provision for large-scale renovation of Shinkansen infrastructure recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970)** ¥24,000 million

VII. NOTES TO NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Class and number of treasury stock as of the end of this fiscal year

Common stock: 334,494 shares

VIII. NOTES ON TAX EFFECT ACCOUNTING

Principal factors for the accrual of deferred tax assets are tax loss carryforwards, provision for retirement benefits, etc., and principal factors for the accrual of deferred tax liabilities are reserve for advanced depreciation of fixed assets, valuation difference on available-for-sale securities, etc.

Amount deducted from deferred tax assets (valuation allowance) was ¥66,037 million.

IX. NOTES ON TRANSACTIONS BETWEEN RELATED PARTIES

Subsidiary:

Category	Corporate name	Percentage of voting rights held by the Company	Relationship with the related party	Detail of the transaction	Transaction amount (million yen)	Item	Balance at the end of fiscal year (million yen)
Subsidiary	Viewcard Co., Ltd.	Wholly-owned directly	Interlocking officers, Franchising agreement	Transfer of credit card receivables, etc.	1,935,323	Fares receivable	283,517

The transaction amount and balance at the end of fiscal year do not include consumption taxes.

Transaction terms and principles for determination of the transaction terms
Determination with respect to the transfer of credit card receivables, etc. is based on general transaction terms.

X. NOTES ON PER SHARE INFORMATION

Net assets per share: ¥4,979.91
Earnings per share: ¥138.83

XI. ADDITIONAL INFORMATION

Regarding damage resulted from the accidents at TEPCO Holdings' Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station, compensation income based on the agreement with Tokyo Electric Power Company Holdings, Inc. is recorded as an extraordinary gain.