TRANSLATION

MATERIALS AVAILABLE AT THE COMPANY'S WEBSITE IN ACCORDANCE WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION

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, 2021 to March 31, 2022

EAST JAPAN RAILWAY COMPANY

TOKYO, JAPAN

In accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation, 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 and Notes to Non-Consolidated Financial Statements are available at the Company's website (https://www.jreast.co.jp/e/investor/shareholders/).

INTERNAL CONTROL SYSTEMS AND STATUS OF OPERATION

(Internal Control Systems)

The Company views the internal control system 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 of expansion into new businesses, and thereby improve the Group's value.

The Company undertakes a wide range of risk management efforts not merely to reduce risks(*) of negative elements, such as avoidance of losses, but also to improve the value of the Group including through risk taking.

Based on the above, the Company has established the internal control systems in accordance with the Business Corporation Law 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 market 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 "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 distributing handbooks 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 Inquiry & 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 at meetings of the Board of Directors, and meetings of the

Executive Committee, by hearing from 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 audit.
- The Company reports regularly to the Company's Corporate Auditors on whistle-blower 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 Inquiry & 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 expense unless the Company establishes that such expense or liability is 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 of 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", distributed a "Compliance Action Plan Handbook" 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, which accept consultation and reports from officers, employees and business partners of the Company and Group companies, conduct necessary investigation and take corrective action 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. 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 merely to reduce risks of negative elements, such as avoidance of losses, but also to improve the value of the Group including through risk taking. 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.
- 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 direction.
- 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" by 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.

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 executive committee is composed of executive directors and other members as specified by the Board of Directors, and holds its meetings once a week

as a general rule to discuss matters to be resolved at the meeting of the Board of Directors and other important matters essential to business.
- 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 management foundation 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 exchange 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 important meetings such as meetings of the Board of Directors and Board of Executive Directors, 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 results of the audit of Group companies performed by the Company’s Inquiry & Audit Department approximately once every month, and the Board of Corporate Auditors receive reports periodically on the status of internal audits from the Inquiry & 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, 2022)

(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	Remeasurem-ents of defined benefit plans	Total accumulated other comprehensive income		
Balance at the fiscal year start	¥200,000	¥96,522	¥2,181,570	¥ (5,553)	¥2,472,539	¥54,322	¥2,137	¥ (433)	¥ (25)	¥6,486	¥62,487	¥22,334	¥2,557,361
Cumulative effects of changes in accounting policies			(1,228)		(1,228)								(1,228)
Restated balance	200,000	96,522	2,180,341	(5,553)	2,471,311	54,322	2,137	(433)	(25)	6,486	62,487	22,334	2,556,132
Changes of items during the fiscal year													
Cash dividends			(37,760)		(37,760)								(37,760)
Loss attributable to owners of parent			(94,948)		(94,948)								(94,948)
Increase/decrease due to merger		(13)	666		653								653
Purchase of treasury stock				(10)	(10)								(10)
Disposal of treasury stock			(0)	0	0								0
Change in scope of equity method			(715)		(715)								(715)
Capital increase of consolidated subsidiaries		(98)			(98)								(98)
Reversal of revaluation reserve for land			(176)		(176)								(176)
Net changes of items other than shareholders' equity						(6,491)	326	176	282	(108)	(5,814)	848	(4,966)
Total changes of items during the fiscal year	—	(111)	(132,933)	(10)	(133,055)	(6,491)	326	176	282	(108)	(5,814)	848	(138,021)
Balance at the fiscal year end	¥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

(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 Real Estate Asset Management Co., Ltd. was newly consolidated following its establishment, and JREFU Hotel Management & Consulting Co., Ltd was newly consolidated due to its increased significance.

JR East Water Business Co., Ltd., JR East Foods Co., Ltd., and Tetsudo Kaikan Co., Ltd. were dissolved due to their merger with JR East Retail Net Co., Ltd. (currently JR East Cross Station Co., Ltd.), and JR Tokyo West Development Co., Ltd. was dissolved due to its merger with JR Chuo Line Mall Co., Ltd. (currently JR Chuo Line Community Design Co., Ltd.)

Shonan Station Building Co., Ltd. absorbed a non-consolidated subsidiary Shonan Lusca Trading Co., Ltd., East Japan Railway Trading Co., Ltd. absorbed a non-consolidated subsidiary Central Agency Co., Ltd., and JR East Logistics Co., Ltd. absorbed a non-consolidated subsidiary East Japan Logistic Service 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 to 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 6 companies: UQ Communications Inc., NIPPON DENSETSU KOGYO CO., LTD., Central Security Patrols Co., Ltd., NIPPON RIETEC CO., LTD., JTB Corp. and Total Electric Management Service Co., Ltd.

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 to 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, 2021 and the fiscal year-end date of The Orangepage, Inc. was February 28, 2022. Financial statements of such company as of that date are used to prepare the consolidated financial statements, with necessary adjustments regarding important transactions occurred between that date and the consolidated fiscal year-end date.

The fiscal year-end date of GALA YUZAWA Co., Ltd. was September 30, 2021. 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: 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 Law (Law 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 of 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 of 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 of 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 of 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 Japanese Corporation Tax Law.

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 Japanese Corporation Tax Law.

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 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.

(d) Allowance for disaster-damage losses

The allowance for disaster-damage losses is established based upon the estimated restoration and other expenses arising from the Great East Japan Earthquake of March 11, 2011 and Fukushima Prefecture offshore earthquakes that occurred on February 13, 2021 and March 16, 2022.

Also, 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.

(e) Allowance for partial transfer costs of railway operation

The allowance for partial transfer costs of railway operation is established based upon the estimated costs of restoration to the original state and other activities related to the disposition for free of railway facilities for the section between Aizu-Kawaguchi and Tadami on the Tadami Line from the Company to Fukushima Prefecture.

(5) Basis for recording of revenues and costs

The Group is engaged in 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 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

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 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 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

Retail & services business mainly conducts retail and restaurant operations. Performance obligation in 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

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 IT and Suica businesses including credit card operations and electronic money services. Performance obligation in these businesses is to provide payment service through 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 obligation 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 calculation of 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 that fulfill 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 a 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 ¥12,857 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥12,706 million.

II. NOTES ON CHANGES IN ACCOUNTING POLICIES

1. Adoption of Accounting Standard for Revenue Recognition

The Group adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020) and its implementation guidance (collectively, the "Revised Revenue Recognition Accounting Standards"), and applied accounting policy to recognize revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers at the beginning of this fiscal year. In regard to transactions performed by the Group as an agent, the amount of revenue to be recognized is changed from the total amount of the consideration received from customer to the net value, being the difference between the total amount received for the goods and services delivered by a third party and the amount paid by the Group to the third party. Accordingly, the Group has revised its method of revenue recognition pertaining to contracts with customers subject to the Revised Revenue Recognition Accounting Standards.

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

As a result, in this fiscal year, operating revenues decreased ¥128,171 million and operating expenses decreased ¥125,467 million, while operating loss, ordinary loss, and loss before income taxes increased ¥2,703 million, ¥2,696 million, and ¥2,696 million, respectively. And the beginning balance of retained earnings decreased ¥1,228 million.

2. Adoption of Accounting Standard for Fair Value Measurement

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and its implementation guidance (collectively, the "Revised Fair Value Measurement Accounting Standards"), have been applied since the beginning of this fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised on July 4, 2019), the Group has decided to apply the Revised Fair Value Measurement Accounting Standards prospectively.

This had no impact on the consolidated financial statements.

III. 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	379,581	741,765	128,656	263,888	139,089	71,059	1,724,040
Revenues from other sources (Note 2)	–	–	27,032	14,297	213,582	14	254,926
Total	379,581	741,765	155,688	278,186	352,671	71,073	1,978,967

(Notes)

1. Others includes business segments not included in reporting segments, including IT and Suica businesses which include credit card operations, and information processing business.
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

As described in I. Notes on Basic Matters in Preparing Consolidated Financial Statements, 4. Matters regarding accounting standards, (5) Basis for recording of revenues and costs.

3. Information on the relationship between fulfillment of performance duties under contacts 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, 2022
Credit from contracts with customers (balance at the fiscal year start)	98,290
Credit from contracts with customers (balance at the fiscal year end)	114,725
Contract assets (balance at the fiscal year start)	2,506
Contract assets (balance at the fiscal year end)	4,202
Contract liabilities (balance at the fiscal year start)	120,215
Contract liabilities (balance at the fiscal year end)	117,660

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 ¥76,704 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, 2022
1 year or less	31,600
Exceeding 1 year and less than 2 years	6,079
Exceeding 2 years and less than 3 years	23,055
Exceeding 3 years	113,422
Total	174,157

IV. 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: ¥442,562 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 railway transportation business will recover to about 90% in fiscal 2023 compared to the level before the spread of the COVID-19 although structural change to society, such as widespread adoption of teleworking, will continue.

Regarding the estimated amount of reduced taxes resulting from offsetting of tax losses brought forward and taxable income, as the Company received approval of its business adaptation plan (growth and development business adaptation plan) from the Minister of Land, Infrastructure, Transport and Tourism on March 30, 2022, the Company takes into account, for losses incurred in fiscal 2021 and fiscal 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, 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 due to factors such as delays in the end of the COVID-19 pandemic and, as a result, changes to the estimates of taxable income are required, the determination of the recoverability of deferred tax assets in the following fiscal year could be affected.

2. Impairment of fixed assets

(1) Amount recorded in consolidated financial statements for this fiscal year

Fixed assets	¥7,177,855 million
Intangible assets	¥169,970 million

Fixed assets for railway operations held by the Company included in the above:

Fixed assets for railway operations	¥5,177,176 million
Construction in progress	¥250,752 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 railway usage has decreased significantly due to the spread of COVID-19 from fiscal 2021 to fiscal 2022 resulting in serious deterioration of our management environment, 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 is estimated accordingly, but impairment losses were not recognized since the total of future cash flow before discount is 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 about 90% in fiscal 2023 compared to the level before the spread of the COVID-19 although structural change to society, such as widespread adoption of teleworking, 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 due to factors such as delays in the end of the COVID-19 pandemic 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.

V. NOTES TO CONSOLIDATED BALANCE SHEET

1. Pledged assets

(1) Pledged assets are as follows:

Cash and time deposits:	¥305 million
Others:	¥6,197 million
Total:	¥6,502 million

Liabilities corresponding to the above are as follows:

Notes and accounts payable-trade:	¥460 million
Others:	¥16 million
Total:	¥477 million

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

Buildings and fixtures:	¥2,706 million
Others:	¥2,578 million
Total:	¥5,284 million

Liabilities corresponding to the above are as follows:
Long-term liabilities incurred for purchase of railway facilities:
¥401 million

2. Accumulated depreciation of property, plant and equipment

¥8,423,662 million

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

¥953,540 million

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

¥21,965 million

5. Contingent liabilities

Contract guarantee:
Japan Transportation Technology (Thailand) Co., Ltd. ¥10,839 million
(Japanese yen equivalent; joint guarantee by three companies including the Company)

6. Inventory

Merchandise products:	¥6,536 million
Work in progress:	¥50,566 million
Materials and goods:	¥37,110 million

7 Revaluation of land

JTB Corp., an equity-method affiliate of the Company, absorbed JTB Estate Corp. by merger on April 1, 2012. Prior to this absorption merger, JTB Estate Corp. had been revaluating its land for business use pursuant to the Law on Revaluation of Land (Law No. 34 of 1998) and Law for Partial Revision of the Law on Revaluation of Land (Law No. 19 of 2001). Consequently, the Company's equity-method portion of "Revaluation reserve for land" recorded on JTB Corp.'s balance sheets was 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 roadside land value and other standards pursuant to the Order for Enforcement of the Law on Revaluation of Land (Cabinet Order No. 119 of 1998) Article 2-4

(2) Revaluation date
March 31, 2002

(3) Difference between book value after revaluation and market value on March 31, 2021
¥(81) 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

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, 2021	Common stock	18,880	50	March 31, 2021	June 23, 2021
Meeting of Board of Directors held on October 28, 2021	Common stock	18,880	50.0	September 30, 2021	November 22, 2021

(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 to be held on June 22, 2022	Common stock	18,879	Retained earnings	50.0	March 31, 2022	June 23, 2022

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 the 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 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 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, 2022, 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	499,379	499,379	—
2. Fares receivable	53,246	53,246	—
3. Securities and investments in securities			
(i) Held-to-maturity debt securities	450	450	0
(ii) Available-for-sale securities	184,280	184,280	—
Assets	737,356	737,357	0
1. Notes and accounts payable–trade	47,876	47,876	—
2. Short-term loans	60,749	60,749	—
3. Payables	422,653	422,653	—
4. Accrued consumption taxes	34,654	34,654	—
5. Accrued income taxes	10,938	10,938	—
6. Fare deposits received with regard to railway connecting services	27,847	27,847	—
7. Bonds	2,542,665	2,636,836	94,170
8. Long-term loans	1,451,450	1,489,012	37,562
9. Long-term liabilities incurred for purchase of railway facilities	318,873	639,574	320,701
Liabilities	4,917,708	5,370,143	452,434
Derivative transactions (*)			
1. Hedge accounting applied	3,545	3,545	—
2. Hedge accounting not applied	1,451	1,451	—
Total of derivative transactions	4,997	4,997	—

(*) Net receivables / payables arising from derivatives are shown.

Note 1: Securities and investments without market value

Classification	Amount recorded in the consolidated financial statements (Millions of yen)
Unlisted equity securities (*1)	7,554
Investment in limited liability companies (*godo kaisha*) (*1)	417
Investment in investment business partnership (*toshi jigyo kumiai*) (*1) (*2)	15,332

Preferred equity securities	2,506

(*1) Unlisted equity securities, investment in limited liability companies (*godo kaisha*), 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 27 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 inputs which significantly affect the estimation of the fair values are 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	184,070	–	–	184,070
Equity securities	184,064	–	–	184,064
National and local government bonds	6	–	–	6
Derivative transactions				
Currency derivative	–	3,545	–	3,545

transactions				
Earthquake derivative transactions	–	1,451	–	1,451
Total assets	184,070	4,997	–	189,067
Derivative transactions				
Forward exchange contracts	–	0	–	0
Total liabilities	–	0	–	0

(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	2,127,891	–	–	2,127,891
Foreign currency denominated bonds	–	508,945	–	508,945
Long-term loans	–	1,489,012	–	1,489,012
Long-term liabilities incurred for purchase of railway facilities	–	639,574	–	639,574
Total liabilities	2,127,891	2,637,532	–	4,765,423

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 certain 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)
854,886	2,433,278

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. However, if there has not been any material change, since the time of acquisition from a third party or the time of the most recent valuation, in any such appraisal value or indicator that we believe reflects the appropriate market price, the amount is adjusted using such appraisal value or indicator.

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 ¥147,533 million.

IX. NOTES ON PER SHARE INFORMATION

Shareholders' equity per share:	¥6,348.57
Loss per share:	¥(251.69)

X. NOTES ON SUBSEQUENT EVENTS

1. Issuance of Bonds

The Company issued the following straight bonds.

1) 3rd Euro EUR bonds
   i. Issue date: April 13, 2022
   ii. Amount: €650 million (¥87,738 million)
   iii. Issue price: 100.000%
   iv. Coupon rate: 1.850% per annum
   v. Maturity date: April 13, 2033
   vi. Existence of collateral: none
   vii. Use of proceeds: the repayment of interest-bearing debt etc.

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

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

4) Unsecured straight bonds, 180th issue, East Japan Railway Company
   i. Issue date: April 14, 2022
   ii. Amount: ¥20,000 million
   iii. Issue price: ¥100 per ¥100
   iv. Coupon rate: 1.543% per annum
   v. Maturity date: April 14, 2072
   vi. Use of proceeds: the repayment of interest-bearing debt etc.

2. Other Procurement of Significant Funds

The Company procured the following funds with the aim of securing funds in anticipation of the impact of COVID-19 and the repayment of interest-bearing debt, etc.

1) Issuance of commercial paper

i. Issue date: April 21, 2022
ii. Amount: ¥50,000 million
iii. Coupon rate: 0% per annum
iv. Maturity date: June 29, 2022
v. Existence of collateral, etc.: unsecured, unguaranteed

2) Issuance of commercial paper

i. Issue date: April 21, 2022
ii. Amount: ¥100,000 million
iii. Coupon rate: 0% per annum
iv. Maturity date: October 21, 2022
v. Existence of collateral, etc.: unsecured, unguaranteed

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(Year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity												Valuation and translation adjustments			
		Capital surplus		Retained earnings												
					Other retained earnings											
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	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	Total 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	Total net assets
Balance at the fiscal year start	¥200,000	¥96,600	¥96,600	¥22,173	¥1,560	¥82	¥64,796	¥1,720,000	¥(136,811)	¥1,671,801	¥(3,416)	¥1,964,985	¥47,105	¥2,137	¥49,243	¥2,014,228
Changes of items during the fiscal year																
Provision of reserve for special depreciation					363				(363)	—		—				—
Reversal of reserve for special depreciation					(382)				382	—		—				—
Provision of reserve for investment losses on developing new business						82			(82)	—		—				—
Reversal of reserve for investment losses on developing new business						(82)			82	—		—				—
Provision of reserve for deferred gain of fixed assets							3,631		(3,631)	—		—				—
Reversal of reserve for deferred gain of fixed assets							(3,789)		3,789	—		—				—
Reversal of general reserve								(500,000)	500,000	—		—				—
Dividends									(37,760)	(37,760)		(37,760)				(37,760)

	Shareholders’ equity												Valuation and translation adjustments			
		Capital surplus		Retained earnings												
					Other retained earnings											
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	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	Total 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	Total net assets
Loss									(99,159)	(99,159)		(99,159)				(99,159)
Purchase of treasury stock											(10)	(10)				(10)
Disposal of treasury stock									(0)	(0)	0	0				0
Net changes of items other than shareholders’ equity													(5,440)	326	(5,113)	(5,113)
Total changes of items during the fiscal year	-	-	-	—	(19)	—	(158)	(500,000)	363,257	(136,919)	(10)	(136,929)	(5,440)	326	(5,113)	(142,043)
Balance at the fiscal year end	¥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

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

4. Method of depreciation and amortization of fixed assets

(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 Japanese Corporation Tax Law.

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 service 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 Japanese Corporation Tax Law.

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 service 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 has been recognized based on Article 17 of the Nationwide Shinkansen Railway Development Act (Act No. 71 of 1970).

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

March 31, 2032, until the fiscal year ending March 31, 2041, a reversal of ¥36,000 million (total: ¥360,000 million) will be recognized each fiscal year.

(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 calculation of 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 amount of restoration and other expenses arising from the Great East Japan Earthquake of March 11, 2011 and Fukushima Prefecture offshore earthquakes that occurred on February 13, 2021 and March 16, 2022.

Also, 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.

(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 other long-term liabilities.

(7) Allowance for partial transfer costs of railway operation

The allowance for partial transfer costs of railway operation is established based upon the estimated costs of restoration to the original state and other activities related to the disposition for free of railway facilities for the section between Aizu-Kawaguchi and Tadami on the Tadami Line from the Company to Fukushima Prefecture.

(8) 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 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 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 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 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 a 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 ¥12,857 million, and the amount in "Losses on reduction entry for construction grants" excluding the reduction for condemnation was ¥12,706 million.

II. NOTES ON CHANGES IN ACCOUNTING POLICIES

1. Adoption of Accounting Standard for Revenue Recognition

The Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, revised on March 31, 2020) and its implementation guidance (collectively, the "Revised Revenue Recognition Accounting Standards"), and applied accounting policy to recognize revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers at the beginning of this fiscal year.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of Accounting Standard for Revenue Recognition. The method prescribed in paragraph 86 of Accounting Standard for Revenue Recognition was applied, however, with no retrospective application of the new accounting policy to the contract as to which almost all amounts of revenues have been recognized in accordance with the prior treatments before the beginning of this fiscal year.

2. Adoption of Accounting Standard for Fair Value Measurement

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and its implementation guidance (collectively, the "Revised Fair Value Measurement Accounting Standards"), have been applied since the beginning of this fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised on July 4, 2019), the Company has decided to apply the Revised Fair Value Measurement Accounting Standards prospectively.

This had no impact on the financial statements.

III. 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, 7. Basis for recording of revenues and costs.

IV. 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: ¥387,278 million

(2) Other information

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

2. Impairment of fixed assets

(1) Amount recorded in consolidated financial statements for this fiscal year

Fixed assets for railway operations	¥5,177,176 million
Construction in progress	¥250,752 million

(2) Other information

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

V. NOTES TO NON-CONSOLIDATED BALANCE SHEET

1. Accumulated depreciation of property, plant and equipment

¥7,586,079 million

2. Fixed assets for business operation

Property, plant and equipment: ¥6,350,051 million

Land:	¥2,065,997 million	Buildings:	¥1,144,121 million
Structures:	¥2,362,732 million	Rolling stock:	¥451,008 million
Others:	¥326,190 million		

Intangible assets: ¥53,931 million

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

¥953,540 million

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

¥21,380 million

5. Contingent liabilities

Contract guarantee:
Japan Transportation Technology (Thailand) Co., Ltd. ¥10,839 million
(Japanese yen equivalent; joint guarantee by three companies including the Company)

6. Monetary receivables from and payables to subsidiaries and affiliated companies

Short-term monetary receivables from subsidiaries and affiliated companies: ¥354,214 million
Long-term monetary receivables from subsidiaries and affiliated companies: ¥181,364 million
Short-term monetary payables to subsidiaries and affiliated companies: ¥376,532 million
Long-term monetary payables to subsidiaries and affiliated companies: ¥70,065 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)

¥144,000 million

VI. NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME

1. Operating revenues ¥1,424,150 million

2. Operating expenses ¥1,573,734 million

Transportation cost and sales cost: ¥929,069 million
Selling, general and administrative expenses: ¥216,320 million
Taxes: ¥98,856 million
Depreciation cost: ¥329,487 million

3. Transactions with subsidiaries and affiliated companies

Operating transactions:
Operating revenues: ¥153,677 million
Operating expenses: ¥367,937 million
Non-operating transactions: ¥223,413 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: 333,010 shares

VIII. NOTES ON TAX EFFECT ACCOUNTING

Principal factors of the deferred tax assets are employees' severance and retirement benefits and allowance for bonuses to employees, and principal factors of the deferred tax liabilities are reserve for deferred gain of fixed assets and net unrealized holding gains on securities.

Amount deducted from deferred tax assets (valuation allowance) was ¥66,194 million.

IX. NOTES ON TRANSACTION 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.	1,531,175	Fares receivable	207,170

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:	¥4,958.12
Loss per share:	¥(262.60)

XI. NOTES ON SUBSEQUENT EVENTS

1. Issuance of Bonds

The Company issued the following straight bonds.

1) 3rd Euro EUR bonds
   - i. Issue date: April 13, 2022
   - ii. Amount: €650 million (¥87,738 million)
   - iii. Issue price: 100.000%
   - iv. Coupon rate: 1.850% per annum
   - v. Maturity date: April 13, 2033
   - vi. Existence of collateral: none
   - vii. Use of proceeds: the repayment of interest-bearing debt etc.

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

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

4) Unsecured straight bonds, 180th issue, East Japan Railway Company
   - i. Issue date: April 14, 2022
   - ii. Amount: ¥20,000 million
   - iii. Issue price: ¥100 per ¥100
   - iv. Coupon rate: 1.543% per annum
   - v. Maturity date: April 14, 2072
   - vi. Use of proceeds: the repayment of interest-bearing debt etc.

2. Other Procurement of Significant Funds

The Company procured the following funds with the aim of securing funds in anticipation of the impact of COVID-19 and the repayment of interest-bearing debt, etc.

1) Issuance of commercial paper
   i. Issue date: April 21, 2022
   ii. Amount: ¥50,000 million
   iii. Coupon rate: 0% per annum
   iv. Maturity date: June 29, 2022
   v. Existence of collateral, etc.: unsecured, unguaranteed

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