

## ***TRANSLATION***

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

**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, 2019 to March 31, 2020

**EAST JAPAN RAILWAY COMPANY**

**TOKYO, JAPAN**

In accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation, 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/>).

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
(Year ended March 31, 2020)

(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	¥96,796	¥2,705,184	¥(5,507)	¥2,996,473	¥58,965	¥1,584	¥(418)	¥(5)	¥10,574	¥70,700	¥27,204	¥3,094,378
Changes of items during the fiscal year													
Cash dividends			(59,764)		(59,764)								(59,764)
Profit attributable to owners of parent			198,428		198,428								198,428
Purchase of treasury stock				(40,018)	(40,018)								(40,018)
Disposal of treasury stock			(0)	0	0								0
Retirement of treasury stock			(40,121)	40,121	-								-
Increase/decrease in treasury stock arising from change in equity in entities accounted for using equity method				(142)	(142)								(142)
Change in scope of equity method			5,641		5,641								5,641
Purchase of shares of consolidated subsidiaries		(0)			(0)								(0)
Net changes of items other than shareholders' equity						(25,989)	820	-	(9)	55	(25,123)	26	(25,096)
Total changes of items during the fiscal year	-	(0)	104,184	(39)	104,145	(25,989)	820	-	(9)	55	(25,123)	26	79,048
Balance at the fiscal year end	¥200,000	¥96,796	¥2,809,369	¥(5,546)	¥3,100,618	¥32,975	¥2,405	¥(418)	¥(15)	¥10,629	¥45,577	¥27,231	¥3,173,427

(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, 71 companies including Viewcard Co., Ltd., JR East Retail Net Co., Ltd., JR Bus Kanto Co., Ltd. and Nippon Hotel Co., Ltd. are consolidated.

JR East Service Creation Co., Ltd. was newly consolidated following its establishment.

Non-consolidated subsidiaries include Nihonbashi Daimasu Co., Ltd. and Yanrei 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., JTB Corp., NIPPON RIETEC CO., LTD. and Total Electric Management Service Co., Ltd. Total Electric Management Service Co., Ltd. was added as an affiliated company accounted for by the equity method due to its increased significance 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 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 the equity method affiliated company which has 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. and JRE Business Development Taiwan, Inc. was December 31, 2019 and the fiscal year-end date of The Orangepage, Inc. was February 29, 2020. 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, 2019. 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

Available-for-sale securities:

- Securities with market value: market method based on fair market value as of the balance sheet date (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 without market value: mainly by 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.

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) 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.

- (6) 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.

- (7) 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 ¥24,569 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥22,430 million.

(8) Accounting for consumption taxes

Consumption taxes are accounted for by exclusion from each corresponding transaction.

## II. NOTES TO CONSOLIDATED BALANCE SHEET

### 1. Pledged assets

- (1) According to the provision of Article 7 of the Supplementary Provisions of the Law to Amend Part of the Law for Passenger Railway Companies and Japan Freight Railway Company (Law No. 61 of 2001), the entire assets of the Company are pledged for the bonds of ¥30,000 million and are subject to a general mortgage.

- (2) Pledged assets are as follows:

Cash and time deposits:	¥174 million
Others:	¥453 million
Total:	¥628 million

Liabilities corresponding to the above are as follows:

Notes and accounts payable-trade:	¥994 million
Others:	¥16 million
Total:	¥1,011 million

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

Buildings and fixtures:	¥26,978 million
Others:	¥14,500 million
Total:	¥41,479 million

Liabilities corresponding to the above are as follows:

Long-term liabilities incurred for purchase of railway facilities:	¥583 million
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### 2. Accumulated depreciation of property, plant and equipment

¥8,050,626 million

### 3. Accumulated amount of construction grants

directly deducted from acquisition cost of fixed assets

¥934,846 million

### 4. Contingent liabilities

- (1) Contract guarantee:

Japan Transportation Technology (Thailand) Co., Ltd. ¥10,147 million  
(Japanese yen equivalent; joint guarantee by three companies including the Company)



- (2) Financing commitment relating to franchise agreement  
The Company entered into an agreement providing that the Company shall provide up to a Japanese yen equivalent amount of ¥3,153 million if a certain financial ratio related to West Midlands Trains Limited, the railway operator of the railway business in the UK, falls below an agreed ratio.

## **5. Inventory**

Merchandise products:	¥8,750 million
Work in progress:	¥26,911 million
Materials and goods:	¥33,989 million

## **6. 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, 2020  
Difference was not recorded because the market value of the revaluated land was higher than the book value after revaluation.

## **III. 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 21, 2019	Common stock	28,612	75	March 31, 2019	June 24, 2019
Meeting of Board of Directors held on October 28, 2019	Common stock	31,152	82.5	September 30, 2019	November 20, 2019

### (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 23, 2020	Common stock	31,152	Retained earnings	82.5	March 31, 2020	June 24, 2020

## IV. 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, commodity swap transactions are used with the aim of avoiding product price fluctuation risk related to fuel purchasing, and 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

The fair values of financial instruments include market prices or reasonably estimated values if there are no market prices. 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, 2020, fair values of such items, and the differences between such amounts and values is shown below. Further, items for which fair values are extremely difficult to establish are not included in the following table.

	Consolidated balance sheet amount (Million yen)	Fair value (Million yen)	Difference (Million yen)
1. Cash and time deposits	153,967	153,967	—
2. Notes and accounts receivable-trade	516,388	516,388	—
3. Fares receivable	59,267	59,267	—
4. Securities and investments in securities			
(i) Held-to-maturity debt securities	147	149	1
(ii) Available-for-sale securities	181,211	181,211	—
Assets	910,982	910,984	1
1. Notes and accounts payable-trade	47,981	47,981	—
2. Short-term loans	—	—	—
3. Payables	551,696	551,696	—
4. Accrued consumption taxes	6,832	6,832	—
5. Accrued income taxes	32,251	32,251	—
6. Fare deposits received with regard to railway connecting services	24,665	24,665	—
7. Bonds	1,710,249	1,903,968	193,719
8. Long-term loans	1,125,785	1,185,249	59,463
9. Long-term liabilities incurred for purchase of railway facilities	327,712	713,565	385,852
Liabilities	3,827,175	4,466,211	639,036
Derivative transactions (*)			
Hedge accounting applied	3,449	3,449	—

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

Note 1: Items relating to securities, derivatives transactions, and method of estimating the fair values of financial instruments

Assets

1. Cash and time deposits; 2. Notes and accounts receivable-trade; and 3. Fares receivable

Because these assets are mostly settled over short terms, fair values and book values are nearly equivalent. Therefore, relevant book values are used.

4. Securities and investments in securities

The fair values of these securities are based mainly on market prices.

### Liabilities

1. Notes and accounts payable-trade; 2. Short-term loans; 3. Payables; 4. Accrued consumption taxes; 5. Accrued income taxes; and 6. Fare deposits received with regard to railway connecting services

Because these liabilities are settled over short terms, fair values and book values are nearly equivalent. Therefore, relevant book values are used.

### 7. Bonds

The fair values of domestic bonds are based mainly on market prices.

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.

### 8. Long-term loans

The fair values of long-term loans are principally 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.

### 9. 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. 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.

### Derivative transactions

The fair values of derivative transactions are based on the prices and so on presented by counterparty financial institutions.

However, because a derivative transaction that meets certain hedging criteria regarding forward exchange contracts, foreign currency swaps, or interest rate swaps are treated as part of the same transaction with the relevant hedged bond or long-term loan or hedged item, the fair values of such derivative is included in the fair value of the hedged bond or long-term loan or any other hedged item, as the case may be.

Note 2: Financial instruments whose fair values are extremely difficult to determine

Classification	Consolidated balance sheet amount (Million yen)
Unlisted equity securities (*1)	7,008
Unlisted bonds (*1)	460
Investment in limited liability companies ( <i>godo kaisha</i> ) (*1)	2,434
Investment in investment business limited partnership ( <i>toshi jigyo yugen sekinin kumiai</i> ) (*1)	470
Investment in anonymous associations ( <i>tokumei kumiai</i> ) (*1)	6,861
Preferred equity securities (*1)	2,506
Natural disaster derivative transactions (*2)	1,393

(\*1) With respect to unlisted equity securities, unlisted bonds, investment in limited liability companies (*godo kaisha*), investment business limited partnership (*toshi jigyo yugen sekinin kumiai*), investment in anonymous associations (*tokumei kumiai*), and preferred equity securities, because the fair values of these financial instruments are extremely difficult to determine, given that they do not have market prices and future cash flows cannot be estimated, they are not included in “4. Securities and investments in securities – (ii) Available-for-sale securities.”

(\*2) The fair value of natural disaster derivative transactions at the end of this fiscal year was not determined because it is extremely difficult to determine a justifiable fair value.

Note 3: The amounts recognized in the consolidated balance sheet and fair values related to bonds, long-term loans, and long-term liabilities incurred for purchase of railway facilities 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.

## V. 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)
736,467	2,285,277

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 ¥202,131 million.

## **VI. NOTES ON PER SHARE INFORMATION**

Shareholders' equity per share:	¥8,340.01
Earnings per share:	¥524.91

## **VII. NOTES ON SUBSEQUENT EVENTS**

### **1. Issuance of Bonds**

The Company issued the following straight bonds.

- 1) Unsecured straight bonds, 146th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥50,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.150% per annum
  - v. Maturity date: April 21, 2023
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 2) Unsecured straight bonds, 147th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥20,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.265% per annum
  - v. Maturity date: April 22, 2030
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 3) Unsecured straight bonds, 148th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥10,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.569% per annum
  - v. Maturity date: April 20, 2040
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 4) Unsecured straight bonds, 149th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020



- ii. Amount issued: ¥10,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.697% per annum
  - v. Maturity date: April 22, 2050
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 5) Unsecured straight bonds, 150th issue, East Japan Railway Company
- i. Issue date: April 22, 2020
  - ii. Amount issued: ¥15,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.832% per annum
  - v. Maturity date: April 22, 2060
  - vi. Use of proceeds: repayment of long-term debt etc.
- 6) Unsecured straight bonds, 151st issue, East Japan Railway Company
- i. Issue date: April 22, 2020
  - ii. Amount issued: ¥20,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.992% per annum
  - v. Maturity date: April 22, 2070
  - vi. Use of proceeds: repayment of long-term 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.

- 1) Issuance of commercial paper
- i. Issue date: April 16, 2020
  - ii. Amount issued: ¥90,000 million
  - iii. Coupon rate: 0.120-0.155% per annum
  - iv. Maturity dates: July 10, 2020 and October 16, 2020
  - v. Existence of collateral, etc.: unsecured, unguaranteed
- 2) Short-term borrowing under special overdraft agreement
- i. Borrowing dates: April 24, 2020 to May 13, 2020
  - ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and other two banks
  - iii. Amount borrowed: ¥260,000 million
  - iv. Coupon rate: basic interest rate *plus* spread
  - v. Repayment dates: June 24, 2020 to August 13, 2020
  - vi. Existence of collateral, etc.: unsecured, unguaranteed
- 3) Long-term borrowing
- i. Borrowing date: May 13, 2020
  - ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
  - iii. Amount borrowed: ¥150,000 million
  - iv. Coupon rate: basic interest rate *plus* spread
  - v. Repayment dates: November 13, 2026 to November 13, 2029

- vi. Existence of collateral, etc.: unsecured, unguaranteed

The Company also executed the following agreements in response to the demand for short-term funds in anticipation of the impact of COVID-19.

- 1) Increase of maximum amount of special overdraft
  - i. Execution date: May 11, 2020
  - ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited
  - iii. Maximum amount: (before increase) ¥270,000 million; (after increase) ¥490,000 million (including existing agreement)(Note) As of May 13, 2020, outstanding overdraft amount is ¥260,000 million.

- 2) Increase of maximum amount of commitment line
  - i. Execution date: May 11, 2020
  - ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
  - iii. Maximum amount: (before increase) ¥60,000 million; (after increase) ¥300,000 million(Note) As of May 13, 2020, there is no outstanding borrowing under the commitment line.

## **VIII. ADDITIONAL INFORMATION**

### **1. Damage from Typhoon No. 15 and Typhoon No. 19 in 2019**

The JR East Group suffered significant damage from Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed on September 9, 2019 and October 12, 2019, respectively, centered on Shinkansen railcars on the Hokuriku Shinkansen Line and railway facilities on some conventional lines.

On the consolidated statements of income, the Group recorded a decrease of operating revenues due to the suspension of operations on the Hokuriku Shinkansen and other lines and the decrease in the number of trains in operation, as well as such factors as suspended operations at certain stores inside railway stations and station buildings managed by the Group. In addition, the Group recorded two extraordinary losses: “Disaster-damage losses,” which comprise repair and other expenses, and “Provision for allowance for disaster-damage losses,” which consists of estimates for repair and other expenses.

“Disaster-damage losses” and “Provision for allowance for disaster-damage losses” include not only expenses needed to repair railway facilities, excluding the Nagano Shinkansen Rolling Stock Center, but also expenses required to decommission eight train units of E7 Series Shinkansen railcars that were damaged due to flooding. Some of these expenses are expected to be covered by insurance.

Additionally, in regard to the Nagano Shinkansen Rolling Stock Center, which suffered significant damage to its facilities due to such factors as having its grounds being submerged underwater, the Group is currently deliberating the restoration policy together with the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency and owner of the facility. Accordingly, estimates for restoration expenses of the

Nagano Shinkansen Rolling Stock Center are not included in the “Provision for allowance for disaster-damage losses.”

## **2. Impact of the spread of COVID-19**

In light of the spread of COVID-19, operating revenues for the fiscal year ended March 31, 2020 declined due in part to decreased railway transportation volume resulting from people staying home, and reduced sales at stores in railway stations and station buildings.

Additionally, due to the state of emergency declaration by the Japanese government on April 7, 2020, based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, railway transportation volume is further decreasing, and the Group has been expanding the closure or reducing the operating hours of stores in railway stations and station buildings. These factors all have the potential to significantly impact the results of our business in the fiscal year ending March 31, 2021.

**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
(Year ended March 31, 2020)

(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		Reserve for special depreciation	Other retained earnings				Total retained earnings						
						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	¥1,462	¥76	¥57,115	¥1,720,000	¥368,469	¥2,169,297	¥(3,512)	¥2,462,384	¥49,732	¥1,582	¥51,314	¥2,513,699
Changes of items during the fiscal year																
Provision of reserve for special depreciation					306				(306)	-		-				-
Reversal of reserve for special depreciation					(341)				341	-		-				-
Provision of reserve for investment losses on developing new business						83			(83)	-		-				-
Reversal of reserve for investment losses on developing new business						(76)			76	-		-				-
Provision of reserve for deferred gain of fixed assets							2,519		(2,519)	-		-				-
Reversal of reserve for deferred gain of fixed assets							(1,652)		1,652	-		-				-
Dividends									(59,764)	(59,764)		(59,764)				(59,764)
Profit									159,053	159,053		159,053				159,053
Purchase of treasury stock											(40,018)	(40,018)				(40,018)

	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		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						
Disposal of treasury stock									(0)	(0)	0	0				0
Retirement of treasury stock									(40,121)	(40,121)	40,121	-				-
Net changes of items other than shareholders' equity													(22,439)	815	(21,624)	(21,624)
Total changes of items during the fiscal year	-	-	-	-	(35)	7	867	-	58,328	59,168	103	59,271	(22,439)	815	(21,624)	37,646
Balance at the fiscal year end	¥200,000	¥96,600	¥96,600	¥22,173	¥1,427	¥83	¥57,982	¥1,720,000	¥426,797	¥2,228,465	¥(3,409)	¥2,521,656	¥27,292	¥2,397	¥29,689	¥2,551,346

(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

Equity securities issued by subsidiaries and affiliated companies:  
moving-average cost method

Available-for-sale securities:

- Securities with market value: market method based on fair market value as of the balance sheet date (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 without market value: moving-average cost method

#### 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.

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.

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.

**7. 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.

**8. 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.

**9. 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 ¥24,569 million, and the amount in “Losses on reduction entry for construction grants” excluding the reduction for condemnation was ¥22,430 million.

## **10. Accounting for consumption taxes**

Consumption taxes are accounted for by exclusion from each corresponding transaction.

## **II. NOTES TO NON-CONSOLIDATED BALANCE SHEET**

1. According to the provision of Article 7 of the Supplementary Provisions of the Law to Amend Part of the Law for Passenger Railway Companies and Japan Freight Railway Company (Law No. 61 of 2001), the entire assets of the Company are pledged for the bonds of ¥30,000 million and are subject to a general mortgage.

### **2. Accumulated depreciation of property, plant and equipment**

¥7,266,070 million

### **3. Fixed assets for business operation**

Property, plant and equipment:	¥6,051,440 million
Land: ¥2,035,718 million	Buildings: ¥974,267 million
Structures: ¥2,260,098 million	Rolling stock: ¥459,549 million
Others: ¥321,806 million	

Intangible assets: ¥54,681 million

### **4. Accumulated amount of construction grants**

**directly deducted from acquisition cost of fixed assets** ¥934,846 million

### **5. Contingent liabilities**

- (1) Contract guarantee:  
Japan Transportation Technology (Thailand) Co., Ltd. ¥10,147 million  
(Japanese yen equivalent; joint guarantee by three companies including the Company)
- (2) Financing commitment relating to franchise agreement  
The Company entered into an agreement providing that the Company shall provide up to a Japanese yen equivalent amount of ¥3,153 million if a certain financial ratio related to West Midlands Trains Limited, the railway operator of the railway business in the UK, falls below an agreed ratio.

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

Short-term monetary receivables from subsidiaries and affiliated companies:  
¥348,151 million

Long-term monetary receivables from subsidiaries and affiliated companies:  
¥106,096 million

Short-term monetary payables to subsidiaries and affiliated companies:  
¥521,168 million

Long-term monetary payables to subsidiaries and affiliated companies:  
¥74,472 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)** ¥96,000 million

### III. NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME

1. **Operating revenues** ¥2,061,078 million
2. **Operating expenses** ¥1,767,001 million
- Transportation cost and sales cost: ¥1,073,980 million
- Selling, general and administrative expenses: ¥284,959 million
- Taxes: ¥100,643 million
- Depreciation cost: ¥307,418 million
3. **Transactions with subsidiaries and affiliated companies**
- Operating transactions:
- Operating revenues: ¥159,947 million
- Operating expenses: ¥457,648 million
- Non-operating transactions: ¥232,569 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

### IV. 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: 330,572 shares

### V. 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 ¥25,825 million.

## VI. 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.	1,911,166	Fares receivable	238,493

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.

## VII. NOTES ON PER SHARE INFORMATION

Net assets per share:	¥6,756.71
Earnings per share:	¥420.35

## VIII. NOTES ON SUBSEQUENT EVENTS

### 1. Issuance of Bonds

The Company issued the following straight bonds.

- 1) Unsecured straight bonds, 146th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥50,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.150% per annum
  - v. Maturity date: April 21, 2023
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 2) Unsecured straight bonds, 147th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥20,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.265% per annum
  - v. Maturity date: April 22, 2030
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 3) Unsecured straight bonds, 148th issue, East Japan Railway Company
  - i. Issue date: April 22, 2020
  - ii. Amount issued: ¥10,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.569% per annum

- v. Maturity date: April 20, 2040
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 4) Unsecured straight bonds, 149th issue, East Japan Railway Company
- i. Issue date: April 22, 2020
  - ii. Amount issued: ¥10,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.697% per annum
  - v. Maturity date: April 22, 2050
  - vi. Use of proceeds: repayment of interest-bearing debt etc.
- 5) Unsecured straight bonds, 150th issue, East Japan Railway Company
- i. Issue date: April 22, 2020
  - ii. Amount issued: ¥15,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.832% per annum
  - v. Maturity date: April 22, 2060
  - vi. Use of proceeds: repayment of long-term debt etc.
- 6) Unsecured straight bonds, 151st issue, East Japan Railway Company
- i. Issue date: April 22, 2020
  - ii. Amount issued: ¥20,000 million
  - iii. Issue price: ¥100 per ¥100
  - iv. Coupon rate: 0.992% per annum
  - v. Maturity date: April 22, 2070
  - vi. Use of proceeds: repayment of long-term 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.

- 1) Issuance of commercial paper
  - i. Issue date: April 16, 2020
  - ii. Amount issued: ¥90,000 million
  - iii. Coupon rate: 0.120-0.155% per annum
  - iv. Maturity dates: July 10, 2020 and October 16, 2020
  - v. Existence of collateral, etc.: unsecured, unguaranteed
- 2) Short-term borrowing under special overdraft agreement
  - i. Borrowing dates: April 24, 2020 to May 13, 2020
  - ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and other two banks
  - iii. Amount borrowed: ¥260,000 million
  - iv. Coupon rate: basic interest rate *plus* spread
  - v. Repayment dates: June 24, 2020 to August 13, 2020
  - vi. Existence of collateral, etc.: unsecured, unguaranteed
- 3) Long-term borrowing
  - i. Borrowing date: May 13, 2020

- ii. Lenders: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
- iii. Amount borrowed: ¥150,000 million
- iv. Coupon rate: basic interest rate *plus* spread
- v. Repayment dates: November 13, 2026 to November 13, 2029
- vi. Existence of collateral, etc.: unsecured, unguaranteed

The Company also executed the following agreements in response to the demand for short-term funds in anticipation of the impact of COVID-19.

- 1) Increase of maximum amount of special overdraft
    - i. Execution date: May 11, 2020
    - ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Limited
    - iii. Maximum amount: (before increase) ¥270,000 million; (after increase) ¥490,000 million (including existing agreement)
- (Note) As of May 13, 2020, outstanding overdraft amount is ¥260,000 million.

- 2) Increase of maximum amount of commitment line
    - i. Execution date: May 11, 2020
    - ii. Counterparties: Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation
    - iii. Maximum amount: (before increase) ¥60,000 million; (after increase) ¥300,000 million
- (Note) As of May 13, 2020, there is no outstanding borrowing under the commitment line.

## **IX. ADDITIONAL INFORMATION**

### **1. Damage from Typhoon No. 15 and Typhoon No. 19 in 2019**

The Company suffered significant damage from Typhoon No. 15 (Faxai) and Typhoon No. 19 (Hagibis), which landed on September 9, 2019 and October 12, 2019, respectively, centered on Shinkansen railcars on the Hokuriku Shinkansen Line and railway facilities on some conventional lines.

On the statements of income, the Company recorded a decrease of operating revenues due to the suspension of operations on the Hokuriku Shinkansen and other lines and the decrease in the number of trains in operation. In addition, the Company recorded two extraordinary losses: “Disaster-damage losses,” which comprise repair and other expenses, and “Provision for allowance for disaster-damage losses,” which consists of estimates for repair and other expenses.

“Disaster-damage losses” and “Provision for allowance for disaster-damage losses” include not only expenses needed to repair railway facilities, excluding the Nagano Shinkansen Rolling Stock Center, but also expenses required to decommission eight train units of E7 Series Shinkansen railcars that were damaged due to flooding. Some of these expenses are expected to be covered by insurance.

Additionally, in regard to the Nagano Shinkansen Rolling Stock Center, which suffered significant damage to its facilities due to such factors as having its grounds being submerged underwater, the Company is currently deliberating the restoration policy together with the Japan Railway Construction, Transport and Technology Agency, an incorporated administrative agency and owner of the facility. Accordingly, estimates for restoration expenses of the Nagano Shinkansen Rolling Stock Center are not included in the “Provision for allowance for disaster-damage losses.”

## **2. Impact of the spread of COVID-19**

In light of the spread of COVID-19, operating revenues for the fiscal year ended March 31, 2020 declined due in part to decreased railway transportation volume resulting from people staying home.

Additionally, due to the state of emergency declaration by the Japanese government on April 7, 2020, based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, railway transportation volume is further decreasing. Such factor has the potential to significantly impact the results of the Company’s business in the fiscal year ending March 31, 2021.