

**Central Japan Railway Company
and Consolidated Subsidiaries**

*Consolidated Balance Sheet as of March 31, 2023,
and the Related Consolidated Statements of Operations,
Comprehensive Income, Changes in Equity,
and Cash Flows for the Year then Ended and Independent
Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Central Japan Railway Company:

Opinion

We have audited the consolidated financial statements of Central Japan Railway Company and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matters

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

Information Technology ("IT") control related to passenger transportation revenue	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in Note 18 SEGMENT INFORMATION to the consolidated financial statements, operating revenues from the transportation business to external customers for the current fiscal year amounted to 1,123,437 million yen, which represented	Our audit procedures, with the assistance of our IT specialists, for the IT controls related to passenger transportation revenue stated on the left included the following, among others: 1. Testing Contractor's IT controls

80.2% of the operating revenues on the consolidated financial statements. The transportation business comprises the railway business, the bus business, and other businesses. Passenger transportation revenue of the railway business for Central Japan Railway Company (the "Company") consists of the Tokaido Shinkansen and conventional lines in the Tokai region, amounted to 1,069,980 million yen, representing the majority of the operating revenues of the transportation business with external customers.

Passenger fares are subject to contracts with other Japan railway companies that allow passengers to pay the total fares on routes operated by all the railway companies, and the fares applicable to the Company's own routes are recorded as the Company's passenger transportation revenue. Since the Tokaido Shinkansen is responsible for the passenger transportation of Japan's main transportation artery between Tokyo and Osaka, the proportion allocated to the Company of tickets sold in the operating areas of other Japan railway companies, including travel agencies of each company, is relatively high.

Train tickets are sold through the Mars system, which is an online system that is jointly used by six Japan railway companies for selling designated seat tickets and other tickets. Regarding the utilization of the system, the six Japan railway companies have jointly signed a contract with Railway Information Systems Co., Ltd. (the "Contractor"), and entrust the Contractor with calculation work, such as revenue clearing for tickets sold mutually by each company. Passenger transportation revenue is determined by receiving the clearing results from the Contractor of the revenue clearing business by collecting the revenue data through equipment, such as ticket vending machines and the aforementioned online system. The main processes, such as the aggregation processing of the revenue data, the calculation of the revenue clearing amount, and the interface between the systems and the financial accounting system, are highly reliant on the IT system. In addition, the accuracy of the passenger transportation revenue that consists of high volume of daily usage data is

Regarding the design and operating effectiveness of the internal controls over the system related to the Contractor's revenue clearing operations, we inspected "Independent service auditor's assurance report on the description of the service organization's systems and the design and operating effectiveness of internal controls" issued by an independent auditor of the Contractor, and we examined whether the general information technology controls ("GITCs") and IT application controls corresponding to the accuracy of the calculation processing of revenue clearing were identified and tested.

2. Testing the Company's IT controls

- We tested the design and operating effectiveness of the IT application controls over the interfaces between the IT systems at the Contractor and the IT systems related to passenger transportation revenue at the Company through inspection of documents, such as design documents, and assessed the consistency of data for a series of IT systems.
- We tested the design and operating effectiveness of GITCs over the relevant IT systems by inspecting test results at the time of program changes and approval trails for granting or changing access rights to information resources.

3. Testing of the internal controls for the accurate recording of passenger transportation revenue

We tested the design and operating effectiveness of controls for the accurate recording of passenger transportation revenue through inquiries and inspection of related documents. We specifically focused on controls over the accuracy related to the process in the revenue data management system, such as tracking cash discrepancies on a daily basis and comparing revenue clearing results with those obtained from other railway companies.

In addition to the audit procedures performed for

<p>dependent on a properly functioning IT system.</p> <p>Passenger transportation revenue is determined through the aggregated ticket revenue amount of Japan railway companies and the revenue clearing amount. It does not include the amount solely sold by the Company. In addition, the effective design and stable operation of the Company's IT systems are imperative for accurately recording revenue derived from a high volume of daily revenue data, and our testing of controls over the IT systems required the involvement of IT specialists. Therefore, we determined the IT controls related to passenger transportation revenue as a key audit matter.</p>	<p>IT controls of the Contractor and the Company, our audit procedures for testing the accuracy of passenger transportation revenue included the following, among others:</p> <ul style="list-style-type: none"> • We performed a correlation analysis between the passenger-kilometer, which is one of the measurement units of passenger transportation, and the amount of revenue recorded from passenger transportation. We also assessed the fluctuation analysis of the cash receipts from sales of tickets by station. • On a sample basis, we tested revenue by tracing it back to cash or credit card payments and receipts or other relevant supporting documents. • We confirmed the balance of receivables from credit card companies and the balance of receivables from and payables to other passenger transportation companies for fares distributions.
--	--

Accounting for capital investment in the railway business	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As of March 31, 2023, the Group recorded net property, plant and equipment of 5,612,601 million yen on the consolidated balance sheet, most of which were related to the core railway business. As stated in Note 18 SEGMENT INFORMATION to the consolidated financial statements, the increase in property, plant and equipment and intangible assets in the transportation business, including in the railway business, for the year ended March 31, 2023, was 435,450 million yen. In addition to ensuring safe and reliable transportation of the Tokaido Shinkansen and conventional lines, and improving services, the Company has made significant capital investments in the construction of the Chuo Shinkansen.</p> <p>Regarding the Chuo Shinkansen project, the construction work between Tokyo and Nagoya has commenced and is currently in the first stage. The project is deemed to be long-term and large in scale, and the significance of capital investment related to the construction of the Chuo Shinkansen is increasing.</p> <p>The Company's capital investment is often</p>	<p>Our audit procedures related to the accounting treatment of capital investment in the railway business included the following, among others:</p> <ol style="list-style-type: none"> 1. Testing of the internal controls over the accurate accounting treatment of capital investment <p>We tested the design and operating effectiveness of controls over the determination of accounting treatments for various capital investments by making inquiries and inspecting documents. The evaluation focused specifically on the following:</p> <ul style="list-style-type: none"> • Controls over the appropriate classification of capitalizable expenditure (plan and approval of the classified construction works in accordance with the accounting policy for each type of construction) • Controls over the accuracy of fixed assets recording (trace and agree the amount booked with relevant support such as contracts)

accompanied by constructions, and has the following characteristics:

- A large number of construction works are performed at the same time, and the monetary amount per construction contract is material. Also, changes in plans and specifications from the initial contract are often made in response to the progress of construction.
- Construction contracts often include a number of performance obligations, and they often include incidental construction, such as the equipment removal and repairs, without extending the useful life of the fixed assets or increasing the asset value.
- Large-scale projects can take several years to complete. In particular, most of the capital expenditures related to the construction of the Chuo Shinkansen are accounted for as construction in progress for a long period of time until future commencement of the operation.

We determined the accounting for capital investments in the railway business as a key audit matter given the following considerations:

- There are a large number of construction contracts consisting of transactions that are quantitatively material individually;
- Management judgment is required in determining the appropriate classification of whether costs should be capitalized or expensed; and
- The amount of construction in progress is extremely material, mainly due to the Chuo Shinkansen construction work.

- Controls over appropriate management of the construction in progress balances (regular examination of construction in progress detail by project)

2. Test of transactions related to the addition in fixed assets and the construction in progress year end balance

- We selected samples from fixed assets addition and tested the accuracy of amounts booked by matching them with contracts and other supporting documents.
- In order to understand the current status of the Chuo Shinkansen construction work, which is a large-scale and long-term project, we performed observations of the construction sites on a sample basis.
- Regarding projects involving incidental construction activities, such as equipment removal and repair, we obtained an understanding of the nature of expenditures through inquiries of the Company's personnel and inspected related supporting documents such as contracts. In addition, we tested the appropriateness of the classification of capital expenditures and the expenditures to be expensed.
- We obtained an understanding of the nature of expenditures and the planned timing of completion of the construction by examining administrative data of each construction. We also tested whether any projects recorded in construction in progress should be transferred to fixed assets as they were ready for their intended use.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Keisuke Mizukami

Keisuke Mizukami
Designated Engagement Partner
Certified Public Accountant

Haruhisa Suzuki

Haruhisa Suzuki
Designated Engagement Partner
Certified Public Accountant

Shumpei Kano

Shumpei Kano
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

July 21, 2023

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2023

ASSETS	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)	LIABILITIES AND EQUITY	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)
	2023	2022	2023		2023	2022	2023
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 13)	¥ 710,526	¥ 619,460	\$ 5,342,300	Short-term loans payable (Notes 6 and 13)	¥ 27,341	¥ 30,738	\$ 205,571
Money held in trust for the Chuo Shinkansen construction (Notes 3.c and 13)	1,585,282	1,813,068	11,919,413	Current portion of long-term debt (Notes 6 and 13)	186,695	87,777	1,403,721
Marketable securities (Notes 5 and 13)	143,600	42,400	1,079,699	Current portion of long-term accounts payable— railway facilities (Notes 8 and 13)	6,937	6,529	52,157
Trade receivables and contract assets (Notes 12 and 13)	141,085	98,763	1,060,789	Trade payables (Note 13)	297,661	286,101	2,238,052
Allowance for doubtful accounts	(95)	(106)	(714)	Provision for bonuses	26,811	22,493	201,586
Inventories	37,337	34,369	280,729	Income taxes payable (Note 13)	44,216	6,409	332,451
Prepaid expenses and other	94,548	74,809	710,887	Advances received	42,476	35,618	319,368
				Other (Note 6)	97,311	261,645	731,661
Total current assets	2,712,285	2,682,764	20,393,120	Total current liabilities	729,452	737,314	5,484,601
NONCURRENT ASSETS:				NONCURRENT LIABILITIES:			
Investments and other assets:				Long-term debt (Notes 6 and 13)	1,243,192	1,327,396	9,347,308
Investment securities (Notes 5 and 13)	616,764	758,176	4,637,323	Long-term debt for the Chuo Shinkansen construction (Notes 3.c, 7 and 13)	3,000,000	3,000,000	22,556,390
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	17,155	15,731	128,984	Long-term accounts payable—railway facilities (Notes 8 and 13)	513,050	519,988	3,857,518
Asset for retirement benefits (Note 9)	5,763	5,257	43,330	Provision for large-scale renovation of the Shinkansen infrastructure (Note 3.j)		35,000	
Deferred tax assets (Note 11)	217,495	260,389	1,635,300	Liability for retirement benefits (Note 9)	182,801	180,830	1,374,443
Long-term prepaid expenses and other	332,831	321,084	2,502,488	Other (Note 11)	38,802	40,736	291,744
Allowance for doubtful accounts	(487)	(545)	(3,661)				
Total investments and other assets	1,189,522	1,360,093	8,943,774	Total noncurrent liabilities	4,977,846	5,103,953	37,427,413
Property, plant and equipment (Note 3.f):				CONTINGENCIES (Note 16)			
Buildings and structures	5,037,457	5,012,231	37,875,616	EQUITY (Notes 10 and 19):			
Machinery, rolling stock and vehicles	1,543,827	1,506,111	11,607,721	Common stock—authorized, 824,000,000 shares; issued, 206,000,000 shares in 2023 and 2022	112,000	112,000	842,105
Land	2,367,843	2,356,728	17,803,330	Capital surplus	53,474	53,474	402,060
Construction in progress	1,571,185	1,382,891	11,813,421	Retained earnings	3,643,142	3,449,334	27,392,045
Other	196,875	191,622	1,480,263	Treasury stock—at cost, 9,200,852 shares in 2023 and 9,200,851 shares in 2022	(103,159)	(103,159)	(775,631)
Total	10,717,190	10,449,585	80,580,375	Accumulated other comprehensive income:			
Accumulated depreciation	(5,104,588)	(5,041,923)	(38,380,360)	Unrealized gain on available-for-sale securities	49,517	46,912	372,308
Net property, plant and equipment	5,612,601	5,407,662	42,200,007	Remeasurements of defined benefit plans (Note 9)	4,280	5,516	32,180
Total noncurrent assets	6,802,124	6,767,755	51,143,789	Total	3,759,255	3,564,078	28,265,075
				Noncontrolling interests	47,855	45,173	359,812
TOTAL ASSETS	¥ 9,514,409	¥ 9,450,519	\$ 71,536,909	Total equity	3,807,110	3,609,252	28,624,887
				TOTAL LIABILITIES AND EQUITY	¥ 9,514,409	¥ 9,450,519	\$ 71,536,909

See notes to consolidated financial statements.

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Statement of Operations Year Ended March 31, 2023

	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)
	2023	2022	2023
	2023	2022	2023
OPERATING REVENUES (Note 12)	¥ 1,400,285	¥ 935,139	\$ 10,528,458
OPERATING EXPENSES (Note 3.m):			
Transportation, other services and cost of sales (Note 3.j)	847,847	773,583	6,374,789
Selling, general and administrative expenses	177,934	159,847	1,337,849
Total operating expenses	1,025,781	933,431	7,712,639
Operating income	374,503	1,708	2,815,812
OTHER INCOME (EXPENSES):			
Interest and dividend income	7,034	6,229	52,887
Interest expense (Note 8)	(79,111)	(79,023)	(594,819)
Other—net	3,706	4,340	27,864
Other expenses—net	(68,370)	(68,453)	(514,060)
INCOME (LOSS) BEFORE INCOME TAXES	306,132	(66,745)	2,301,744
INCOME TAXES (Note 11):			
Current	41,003	4,980	308,293
Deferred	43,031	(22,098)	323,541
Total income taxes	84,034	(17,117)	631,834
NET INCOME (LOSS)	222,098	(49,627)	1,669,909
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2,680	2,300	20,150
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 219,417	¥ (51,928)	\$ 1,649,751
	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Note 3.r):			
Basic net income (loss)	¥ 1,114.93	¥ (263.87)	\$ 8.38
Cash dividends applicable to the year	135.00	130.00	1.02

See notes to consolidated financial statements.

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2023

	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)
	2023	2022	2023
NET INCOME (LOSS)	¥ 222,098	¥ (49,627)	\$ 1,669,909
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	2,781	(328)	20,909
Remeasurements of defined benefit plans	(1,256)	(2,168)	(9,443)
Share of other comprehensive income (loss) in affiliates	8	(19)	60
Total other comprehensive income (loss)	1,533	(2,517)	11,526
COMPREHENSIVE INCOME (LOSS)	¥ 223,631	¥ (52,144)	\$ 1,681,436
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ 220,786	¥ (53,352)	\$ 1,660,045
Noncontrolling interests	2,844	1,207	21,383

See notes to consolidated financial statements.

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands	Millions of Yen (Note 2)									
		Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Total	Noncontrolling Interests	Total Equity
							Unrealized Gain on Available-for- Sale Securities	Remeasurements of Defined Benefit Plans			
BALANCE, APRIL 1, 2021	196,777	¥ 112,000	¥ 53,475	¥ 3,526,873	¥ (103,578)	¥ 46,157	¥ 7,695	¥ 3,642,622	¥ 44,108	¥ 3,686,731	
Net loss attributable to owners of the parent				(51,928)				(51,928)		(51,928)	
Dividends from surplus, ¥130 per share				(25,610)				(25,610)		(25,610)	
Purchases of treasury stock	(0)				(0)			(0)		(0)	
Disposal of treasury stock	22		0		419			419		419	
Changes in the ownership interest by purchases of shares of consolidated subsidiaries			(0)					(0)		(0)	
Net change in the year						754	(2,179)	(1,424)	1,064	(359)	
BALANCE, MARCH 31, 2022	196,799	112,000	53,474	3,449,334	(103,159)	46,912	5,516	3,564,078	45,173	3,609,252	
Net income attributable to owners of the parent				219,417				219,417		219,417	
Dividends from surplus, ¥135 per share				(25,610)				(25,610)		(25,610)	
Purchases of treasury stock	(0)				(0)			(0)		(0)	
Disposal of treasury stock								(0)		(0)	
Changes in the ownership interest by purchases of shares of consolidated subsidiaries			(0)					(0)		(0)	
Net change in the year						2,604	(1,235)	1,369	2,682	4,051	
BALANCE, MARCH 31, 2023	196,799	¥ 112,000	¥ 53,474	¥ 3,643,142	¥ (103,159)	¥ 49,517	¥ 4,280	¥ 3,759,255	¥ 47,855	¥ 3,807,110	

	Thousands of U.S. Dollars (Note 2)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income		Total	Noncontrolling Interests	Total Equity
					Unrealized Gain on Available-for- Sale Securities	Remeasurements of Defined Benefit Plans			
BALANCE, MARCH 31, 2022	\$ 842,105	\$ 402,060	\$ 25,934,842	\$ (775,631)	\$ 352,721	\$ 41,473	\$ 26,797,578	\$ 339,646	\$ 27,137,233
Net income attributable to owners of the parent			1,649,751				1,649,751		1,649,751
Dividends from surplus, \$1.02 per share			(192,556)				(192,556)		(192,556)
Purchases of treasury stock				(0)			(0)		(0)
Disposal of treasury stock							(0)		(0)
Changes in the ownership interest by purchases of shares of consolidated subsidiaries			(0)				(0)		(0)
Net change in the year					19,578	(9,285)	10,293	20,165	30,458
BALANCE, MARCH 31, 2023	\$ 842,105	\$ 402,060	\$ 27,392,045	\$ (775,631)	\$ 372,308	\$ 32,180	\$ 28,265,075	\$ 359,812	\$ 28,624,887

See notes to consolidated financial statements.

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 306,132	¥ (66,745)	\$ 2,301,744
Adjustments for:			
Income taxes—paid	(6,485)	(79,060)	(48,759)
Depreciation and amortization	219,614	207,039	1,651,233
Equity in earnings of affiliates	(173)	(182)	(1,300)
Proceeds from contribution for construction	(1,329)	(4,730)	(9,992)
Loss on reduction of noncurrent assets	1,992	4,679	14,977
Loss on retirement of noncurrent assets	6,817	5,578	51,255
Gain on sales of noncurrent assets—net	(1,404)	(2,370)	(10,556)
Changes in assets and liabilities:			
Decrease in provision for large-scale renovation of the Shinkansen infrastructure	(35,000)	(35,000)	(263,157)
(Increase) decrease in trade receivables	(37,102)	11,123	(278,962)
(Increase) decrease in inventories	(2,192)	8,090	(16,481)
Increase in trade payables	7,118	11,583	53,518
Increase in advances received	6,869	3,618	51,646
Decrease in liability for retirement benefits	(317)	(1,240)	(2,383)
Other—net	22,166	9,361	166,661
Net cash provided by operating activities	486,706	71,746	3,659,443
INVESTING ACTIVITIES:			
Payments into time deposits	(28,700)	(31,000)	(215,789)
Proceeds from withdrawal of time deposits	28,700	31,000	215,789
Proceeds from cancellation of money held in trust for the Chuo Shinkansen construction	227,786	263,090	1,712,676
Purchases of marketable securities	(70,000)	(71,100)	(526,315)
Proceeds from redemption of marketable securities	70,000	71,100	526,315
Purchases of property, plant and equipment	(427,192)	(450,554)	(3,211,969)
Proceeds from contribution received for construction	4,054	2,864	30,481
Purchases of investment securities	(3,499)	(2)	(26,308)
Proceeds from sales and redemption of investment securities	50,302	62,164	378,210
Purchase of investments in subsidiaries resulting in change in scope of consolidation			
Other—net	(26,488)	(30,611)	(199,157)
Net cash used in investing activities	(175,036)	(153,049)	(1,316,060)
FORWARD	¥ 311,670	¥ (81,303)	\$ 2,343,383

(Continued)

Central Japan Railway Company and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen (Note 2)		Thousands of U.S. Dollars (Note 2)
	2023	2022	2023
FORWARD	¥ 311,670	¥ (81,303)	\$ 2,343,383
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term loans payable	(3,397)	745	(25,541)
Proceeds from issuance of short-term bonds	200,000	200,000	1,503,759
Redemption of short-term bonds	(400,000)	(200,000)	(3,007,518)
Proceeds from long-term debt	102,440	145,500	770,225
Repayments of long-term debt	(87,777)	(130,359)	(659,977)
Payments for long-term accounts payable— railway facilities	(6,529)	(6,146)	(49,090)
Cash dividends paid	(25,610)	(25,610)	(192,556)
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock		336	
Cash dividends paid to noncontrolling interests	(161)	(141)	(1,210)
Other—net	432	(3,502)	3,248
Net cash used in financing activities	(220,604)	(19,178)	(1,658,676)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,066	(100,481)	684,706
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	619,460	719,941	4,657,593
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 710,526	¥ 619,460	\$ 5,342,300
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	¥ 78,867	¥ 78,816	\$ 592,984

See notes to consolidated financial statements.

(Concluded)

Central Japan Railway Company and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2023

1. INCORPORATION OF CENTRAL JAPAN RAILWAY COMPANY

Central Japan Railway Company (Tokai Ryokaku Tetsudo Kabushiki Gaisha, the "Company") was incorporated on April 1, 1987, as a private business company, pursuant to the Law for Japanese National Railways Restructuring enacted upon the resolution of the Japanese Diet.

The business of the Japanese National Railways (the "JNR") was succeeded by the following newly established organizations: seven railway companies including the Company, the former Shinkansen Holding Corporation (a predecessor entity to the Railway Development Fund (1991–1997), which was subsequently succeeded by the Corporation for Advanced Transport and Technology (the "CATT") (1997–2003) and in turn by the Japan Railway Construction, Transport and Technology Agency (the "JRJT"), the former Railway Telecommunication Co., Ltd., Railway Information Systems Co., Ltd., and the Railway Technical Research Institute (the "RTRI") which reorganized as a public interest corporation as of April 1, 2011. The JNR itself became the JNR Settlement Corporation (the "JNRSC"). All of the assets and liabilities of the JNR were transferred to such organizations, including the JNRSC.

Prior to December 1, 2001, the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (the "Law") required that authorization be obtained from the Minister of Land, Infrastructure, Transport and Tourism regarding fundamentals such as: (1) commencement of business other than railway and its related business, (2) the appointment or dismissal of representative directors and corporate auditors, (3) the issuance of new shares and bonds, (4) long-term loans payable, (5) amendments to the Articles of Incorporation, (6) operating plans, (7) sales of material assets, (8) appropriations of earnings and (9) merger or dissolution. As of December 1, 2001, since the Law was revised and the Company was no longer in scope of the Law, the Company was not required to obtain the aforementioned authorizations.

On October 8, 1997, the Company's shares were listed on the Nagoya and Tokyo stock exchanges in Japan. The JNRSC, which held all 2,240,000 of the Company's outstanding shares prior to the listing, sold 1,353,929 shares in the initial public offerings. Pursuant to the Law for Disposal of Debts and Liabilities of the JNRSC enacted in October of 1998, the Company's shares held by the JNRSC were transferred to Japan Railway Construction Public Corporation (the "JRCPC"). On October 1, 2003, the CATT and the JRCPC were fully integrated, pursuant to the Law of Japan Railway Construction, Transport and Technology enacted on October 1, 2003, and designated as the JRJT. In July 2005, the JRJT sold 600,000 shares of the Company. On April 5, 2006, the JRJT also sold its remaining 286,071 shares of the Company. As a result of this sale, all of the Company's shares held by the JRJT were sold.

The shares above do not reflect the effect of the hundred-for-one stock split effective as of October 1, 2012.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to \$1, the approximate rate of exchange as of March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Japanese yen figures of less than one million yen are rounded down to the nearest million of yen, except for per share information, and U.S. dollar figures of less than one thousand U.S. dollars are also rounded down to the nearest thousand of U.S. dollars, except for per share information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Principles of Consolidation**—The accompanying consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 29 (29 in 2022) significant subsidiaries (together, the "Companies").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method.

Investments in two affiliates are accounted for using the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The difference between the cost of acquisition and the fair value of the equity of an acquired subsidiary at the date of acquisition is fully amortized when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is also eliminated.

A certain consolidated subsidiary has adopted a fiscal year ending on February 28, which is different from that of the Company. The necessary adjustments for preparing consolidated financial statements as of the Company's year-end were appropriately made, such as adjustments for significant intercompany accounts and transactions which occur between the fiscal year-end of the subsidiary and that of the Companies.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit and others, all of which mature or become due within three months of the date of acquisition.
- c. Money Held in Trust for the Chuo Shinkansen Construction and Long-Term Debt for the Chuo Shinkansen Construction** — The Company has received loans from the JRJT for the further construction of the Chuo Shinkansen, and the money is placed in the trust fund to segregate it from other money.
- d. Inventories**— Inventories are stated at the lower of cost, principally determined by the retail method for merchandise, by the specific identification method for land and buildings held for sale in lots, by the specific identification method for work in process and by the moving-average cost method for materials and supplies, or net selling value.
- e. Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate

component of equity.

Nonmarketable securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- f. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Certain contributions in aid for construction of railways and other property are deducted directly from the cost of the related assets. The accumulated contributions deducted from the cost of property, plant and equipment as of March 31, 2023 and 2022 amounted to ¥297,969 million (\$2,240,368 thousand), and ¥296,760 million, respectively.

Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets. Additional depreciation is provided for the Shinkansen rolling stock based on kilometers traveled.

The range of useful lives is principally from 2 to 60 years for buildings and structures, and from 2 to 20 years for machinery, rolling stock and vehicles.

Depreciation of certain railway structures, except for the Shinkansen railway facilities, is computed by the replacement-accounting method.

- g. Long-Lived Assets**—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- h. Software Costs**—Software costs are amortized by the straight-line method mainly over five years.

- i. Deferred Charges**—Bond issuance costs are fully charged to income as incurred.

- j. Provision for Large-Scale Renovation of Shinkansen Infrastructure**—Provision for large-scale renovation of Shinkansen infrastructure is provided based on the Nationwide Shinkansen Railway Development Law. In accordance with the Nationwide Shinkansen Railway Development Law and Regulations, the Company reversed the provision in the amount of ¥35,000 million (\$263,157 thousand) for the year ended March 31, 2023 and ¥35,000 million for the years ended March 31, 2022. The reversal was completed in March 2023.

- k. Retirement and Pension Plans**—The Company and 28 consolidated subsidiaries have unfunded retirement plans covering substantially all of their employees. Six consolidated subsidiaries have noncontributory defined benefit pension plans and one consolidated subsidiary has a defined contribution pension plan, some of those subsidiaries also have unfunded retirement plans. Some of the subsidiaries adopt the simplified accounting method for calculation of liability for retirement benefits and retirement benefit expenses.

Liability for retirement benefits is mainly calculated based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis mainly over five years, which is within the average remaining service period. Prior service costs are amortized on a straight-line basis mainly over five years, which is within the average remaining service period.

- l. Revenue Recognition**—The principal performance obligations of the Companies in the principal businesses and the normal time at which revenue is recognized are as follows:

Transportation

In addition to railway operations on the Tokaido Shinkansen and conventional lines in the Tokai region, the Transportation segment conducts bus operations and other operations. The segment has a performance obligation to provide transportation services based on transportation contracts with customers.

Of these transportation services, ordinary tickets are recognized as the Companies determine that performance obligations are satisfied upon completion of the delivery of the transportation service, in principle. In addition, performance obligations are satisfied over a specified period of time for commuter passes and revenues are recognized over the effective period.

Merchandise and Other

The Merchandise and Other segment operates a department store business within JR Central Towers and primarily sells products on train and station premises and has performance obligations to deliver merchandise under sales contracts with customers.

Such performance obligations are determined to be satisfied upon delivery of the merchandise and revenue is recognized at the time of delivery.

Revenue is recognized on a net basis for sales of merchandise that we believe qualify as agent transactions, such as transactions that we consider to have purchased the merchandise at the point of sale.

Real Estate

In the Real Estate segment, in addition to the real estate leasing business for station buildings and other properties, the Companies engage in the real estate sales business.

The real estate leasing business is a transaction that is included in the scope of "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007), etc., and lease fees are recognized as revenue over the contracted period.

With respect to the real estate sales business, the Companies are obligated to deliver properties pursuant to real estate purchase and sale contracts with our customers. Such performance obligations are determined to be satisfied upon delivery of the property and revenue is recognized at the time of delivery.

- m. Research and Development Costs**—Research and development costs are charged to income as incurred. Research and development costs charged to income were ¥30,325 million (\$228,007 thousand) and ¥28,764 million for the years ended March 31, 2023 and 2022, respectively.
- n. Leases**—Lease assets of finance leases that were not deemed to transfer ownership of the leased property are depreciated and amortized by the straight-line method over the lease period.
- o. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- p. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.
- q. Derivatives and Hedging Activities**—The Companies use derivative financial instruments mainly to manage exposure to market risks of changes in foreign currency exchange rates and in interest rates. Foreign currency swaps are utilized by the Companies to reduce foreign currency exchange rate risks. Interest rate swaps are utilized by the Companies to reduce interest rate risks. Interest rate and currency swap contracts are utilized by the Companies to reduce interest rate and foreign exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

Foreign currency swaps, which qualify for hedge accounting and specific matching criteria, are not remeasured at market value, but the hedged debt is translated at the contracted rates of the foreign currency swaps. Interest rate swaps, which qualify for hedge accounting and meet specific matching

criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense. When interest and currency swap contracts meet the above criteria, hedged debt is translated at the contracted rates, and the differential paid or received under the swap agreement is recognized and included in interest expense.

- r. Per Share Information**—Basic net income (loss) per share is computed by dividing net income (loss) attributable to owners of the parent available to common shareholders by the weighted-average number of common shares outstanding for the period.

Net income (loss) attributable to owners of the parent available to common shareholders used in the computation for 2023 and 2022 were ¥219,417 million (\$1,649,751 thousand) and ¥(51,928) million, respectively. The average number of common shares used in the computation for 2023 and 2022 were 196,799,149 shares and 196,797,600 shares, respectively.

The average number of shares of the Companies held by the employee stock ownership trust for the years ended March 31, 2023 and 2022 was 0 shares and 1,567 shares, respectively, and it has been deducted from the weighted-average number of shares outstanding during the fiscal year.

Diluted net income per share is not presented in the accompanying consolidated financial statements as the Companies do not have any dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- s. New accounting pronouncements**—The ASBJ issued ASBJ Statement No. 27, "Accounting Standard for Income Taxes, Residential and Enterprise Taxes", ASBJ Statement No. 25 "Accounting Standard for Presentation of Comprehensive Income" and ASBJ Guidance No. 28 "Implementation Guidance on Accounting Standard for Tax Effect Accounting" on October 28, 2022. Accounting treatments under this standard and guidance are as follows:
In February 2018, ASBJ Statement No. 28, "Partial Amendment of Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, etc.) was issued. The transfer of the Practical Guidance on Tax Effect Accounting to the Accounting Standards Board of Japan was completed by the Japanese Institute of Certified Public Accountants. In the course of its deliberation, the following two issues were reviewed and announced after the issuance of ASBJ Statement No. 28, etc.
(1) Tax expense classification (taxation of other comprehensive income)
(2) Tax effect on sales of shares of subsidiaries (shares of subsidiaries or affiliates) under the Group Taxation Regime.

The Company expects to adopt the accounting standards and guidance for annual periods beginning on April 1, 2024, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

- t. Accounting Changes and Error Corrections**—In March 2020, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following the revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

4. SIGNIFICANT ACCOUNTING ESTIMATE

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, although the estimates were made based on past results and various reasonable factors depending on the situation, because of uncertainty unique to estimates, actual results could differ from these estimates. Of the accounting estimates, deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that they can be used against future taxable profit. However, estimated taxable profit could be revised due to changes in uncertain economic conditions in the future, and when the future taxable profit is revised, it could affect the amount of deferred tax assets for the next fiscal year and subsequent fiscal years. Even if the use of trains is retained in the future, the recoverability of the deferred tax assets is deemed not to be affected. The amount and details of deferred tax assets are included in Note 11.

5. MARKETABLE AND INVESTMENT SECURITIES

Information regarding marketable and investment securities with readily determinable fair values classified as available-for-sale and held to maturity as of March 31, 2023 and 2022, was as follows:

Millions of Yen				
2023				
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥ 95,875	¥ 76,351	¥ 5,911	¥ 166,314
Trust fund investment and other	276	117		393
Held to maturity	584,600	14	1,787	582,827
Total	<u>¥ 680,751</u>	<u>¥ 76,483</u>	<u>¥ 7,698</u>	<u>¥ 749,536</u>

Millions of Yen				
2022				
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥ 97,540	¥ 74,257	¥ 6,972	¥ 164,826
Trust fund investment and other	276	77		353
Held to maturity	627,000	124	1,814	625,310
Total	<u>¥ 724,817</u>	<u>¥ 74,459</u>	<u>¥ 8,786</u>	<u>¥ 790,490</u>

Thousands of U.S. Dollars				
2023				
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	\$ 720,864	\$ 574,067	\$ 44,443	\$ 1,250,481
Trust fund investment and other	2,075	879		2,954
Held to maturity	4,395,488	105	13,436	4,382,157
Total	<u>\$ 5,118,428</u>	<u>\$ 575,060</u>	<u>\$ 57,879</u>	<u>\$ 5,635,609</u>

The information for available-for-sale securities whose fair value is not readily determinable as of March 31, 2023 and 2022, is disclosed in Note 13.

During the year ended March 31, 2022, the portions of held-to-maturity securities were sold based on a comprehensive judgment based on the operation policy, etc., but the information of the sale was not presented because they were immaterial. There are no sales of held-to-maturity securities during the year ended March 31, 2023.

The transactions related to sales of other securities for the years ended March 31, 2023 and 2022 were not presented as the effect was immaterial.

The impairment loss on marketable and investment securities for the years ended March 31, 2023 and 2022 was not presented as the effect was immaterial.

6. SHORT-TERM LOANS PAYABLE, SHORT-TERM BONDS AND LONG-TERM DEBT

The interest rates applicable to short-term loans payable was 0.14% as of March 31, 2023 and 2022.

Short-term bond and Long-term debt held by the Company as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
<u>The Company</u>			
Unsecured 2.39% bonds due 2026	¥ 29,796	¥ 29,795	\$ 244,030
Unsecured 2.31% bonds due 2027	9,996	9,995	75,157
Unsecured 2.30% bonds due 2027	4,999	4,998	37,586
Unsecured 2.39% bonds due 2028	19,993	19,992	150,323
Unsecured 2.391% bonds due 2028	30,000	30,000	225,563
Unsecured 2.646% bonds due 2038	10,000	10,000	75,187
Unsecured 2.166% bonds due 2029	30,000	30,000	225,563
Unsecured 2.312% bonds due 2029	30,000	30,000	225,563
Unsecured 2.556% bonds due 2039	10,000	10,000	75,187
Unsecured 2.321% bonds due 2029	30,000	30,000	225,563
Unsecured 2.157% bonds due 2029	40,000	40,000	300,751
Unsecured 2.375% bonds due 2039	10,000	10,000	75,187
Unsecured 2.212% bonds due 2030	30,000	30,000	225,563
Unsecured 2.111% bonds due 2030	20,000	20,000	150,375
Unsecured 1.797% bonds due 2030	10,000	10,000	75,187
Unsecured 2.083% bonds due 2031	20,000	20,000	150,375
Unsecured 1.895% bonds due 2031	10,000	10,000	75,187
Unsecured 1.824% bonds due 2032	10,000	10,000	75,187
Unsecured 1.725% bonds due 2033	5,000	5,000	37,593
Unsecured 1.807% bonds due 2033	15,000	15,000	112,781
Unsecured 1.786% bonds due 2033	15,000	15,000	112,781
Unsecured 1.629% bonds due 2033	10,000	10,000	75,187
Unsecured 1.623% bonds due 2034	15,000	15,000	112,781
Unsecured 1.584% bonds due 2034	15,000	15,000	112,781
Unsecured 1.502% bonds due 2034	20,000	20,000	150,375
Unsecured 1.309% bonds due 2032	15,000	15,000	112,781
Unsecured 1.917% bonds due 2044	10,000	10,000	75,187
Unsecured 1.362% bonds due 2034	20,000	20,000	150,375
Unsecured 1.014% bonds due 2035	20,000	20,000	150,375

Unsecured 1.685% bonds due 2045	10,000	10,000	75,187
Unsecured 1.196% bonds due 2035	15,000	15,000	112,781
Unsecured 1.297% bonds due 2035	15,000	15,000	112,781
Unsecured 1.210% bonds due 2035	15,000	15,000	112,781
Unsecured 1.018% bonds due 2036	15,000	15,000	112,781
Unsecured 0.421% bonds due 2036	10,000	10,000	75,187
Unsecured 0.001% bonds due 2023	100,000	100,000	751,879
Unsecured 0.897% bonds due 2056	20,000	20,000	150,375
Unsecured 1.091% bonds due 2057 (Green bonds)	20,000	20,000	150,375
Unsecured 1.243% bonds due 2057 (Green bonds)	10,000		75,187
Unsecured 1.584% bonds due 2057 (Green bonds)	8,000		60,150
Short-term (Δ 0.010%) bonds due 2022		200,000	
Short-term (Δ 0.000%) bonds due 2022			
U.S. dollar 4.25% bonds due 2045 issued abroad	36,526	36,505	274,631
U.S. dollar 3.40% bonds due 2023 issued abroad	39,002	38,991	293,248
U.S. dollar 2.20% bonds due 2024 issued abroad	80,489	80,474	605,180
Unsecured loans from Japanese banks and others, with interest rates ranging from 0.61% to 2.27% (2023), 0.61% to 2.27% (2022), due 2022 to 2045	<u>¥ 521,082</u>	<u>¥ 524,420</u>	<u>\$ 3,917,909</u>
Total	<u>1,429,887</u>	<u>1,615,174</u>	<u>10,751,030</u>
Less current portion	<u>(186,695)</u>	<u>(287,777)</u>	<u>(1,403,721)</u>
Long-term debt, less current portion	<u>¥ 1,243,192</u>	<u>¥ 1,327,396</u>	<u>\$ 9,347,308</u>

There are no debts held by consolidated subsidiaries as of March 31, 2023 and 2022.

Annual maturities of debt outstanding at the principal amounts as of March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 186,700	\$ 1,403,759
2025	116,762	877,909
2026	76,200	572,932
2027	135,300	1,017,293
2028	119,440	898,045
Thereafter	796,015	5,985,075
Total	<u>¥ 1,430,418</u>	<u>\$ 10,755,022</u>

The Company has entrusted cash for the repayment of a portion of its outstanding bonds based on debt assumption agreements with financial institutions; however, the Company is not released from the primary responsibility for the liability by these agreements. The outstanding bonds covered by these agreements as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured 2.200% bonds due 2022		¥ 18,200	
Unsecured 1.740% bonds due 2022		20,000	
Unsecured 1.150% bonds due 2022		25,000	
Unsecured 1.310% bonds due 2033	¥ 10,000	10,000	\$ 75,187
Unsecured 2.015% bonds due 2023	9,000	9,000	67,669
Unsecured 2.200% bonds due 2024	9,900	9,900	74,436

Unsecured 2.210% bonds due 2024	9,650	9,650	72,556
Unsecured 2.405% bonds due 2026	9,900	9,900	74,436
Unsecured 2.310% bonds due 2027	10,000	10,000	75,187
Unsecured 2.300% bonds due 2027	10,000	10,000	75,187
Unsecured 1.725% bonds due 2033	5,000	5,000	37,593
Total	<u>¥ 73,450</u>	<u>¥ 136,650</u>	<u>\$ 552,255</u>

The aforementioned bonds for which the Company entered into debt assumption agreements have been derecognized in the consolidated balance sheet and disclosed as contingent liabilities (see Note 16).

The Company has credit commitments from banks. Total unused credit available to the Company as of March 31, 2023, was ¥100,000 million (\$751,879 thousand).

7. LONG-TERM DEBT FOR THE CHUO SHINKANSEN CONSTRUCTION

Long-term debt for the Chuo Shinkansen construction is a loan in total of ¥3,000,000 million from the JRJT using the Fiscal Investment and Loan Program (the "FILP") in accordance with the Order for Enforcement of the Act on the Japan Railway Construction, Transport and Technology Agency (the "JRJT Act") for the further construction of the Chuo Shinkansen.

The average interest rates of long-term debt for the Chuo Shinkansen construction as of March 31, 2023, were 0.86%.

Annual maturities of long-term debt for the Chuo Shinkansen construction as of March 31, 2023, were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2024		
2025		
2026		
2027		
2028		
Thereafter	¥ 3,000,000	\$ 22,556,390
Total	<u>¥ 3,000,000</u>	<u>\$ 22,556,390</u>

8. LONG-TERM ACCOUNTS PAYABLE—RAILWAY FACILITIES

Long-term accounts payable—railway facilities were incurred in the amount of ¥5,095,661 million in 1991 for the purchase of the Shinkansen railway ground facilities and serially repaid to the JRJT. Payment terms are 25.5 years for ¥4,494,466 million and 60 years for ¥601,195 million. Payment terms and interest rates of the payables were determined based on the agreements on the purchase of the Shinkansen railway ground facilities. The Company had paid off ¥4,494,466 million by January 2017.

The average interest rates of long-term accounts payable—railway facilities excluding current portion as of March 31, 2023, were 6.51%.

Annual maturities of long-term accounts payable—railway facilities as of March 31, 2023, were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2024	¥ 6,937	\$ 52,157
2025	7,373	55,436
2026	7,837	58,924
2027	8,333	62,654
2028	8,861	66,624
Thereafter	480,645	3,613,872
Total	<u>¥ 519,988</u>	<u>\$ 3,909,684</u>

Interest expense on the aforementioned long-term accounts payable—railway facilities amounted to ¥34,132 million (\$256,631 thousand) and ¥34,516 million for the years ended March 31, 2023 and 2022, respectively.

9. RETIREMENT AND PENSION PLANS

Employees whose service with the Company and consolidated subsidiaries is terminated are entitled to retirement and pension benefits determined by reference to accumulated points during their employment calculated by their position or basic rates of pay at the time of termination, length of service and other conditions under which the termination occurs. Some of the subsidiaries adopt the simplified accounting method for calculation of liability of retirement benefits and retirement benefit expenses.

a. The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year (as previously reported)	¥ 204,753	¥ 202,128	\$ 1,539,496
Current service cost	14,809	14,674	111,345
Interest cost	844	811	6,345
Actuarial (gains) losses	(722)	367	(5,428)
Benefits paid	(12,525)	(13,179)	(94,172)
Prior service cost	6	(48)	45
Balance at end of year	¥ 207,165	¥ 204,753	\$ 1,557,631

The retirement benefit expenses recognized by the consolidated subsidiaries, which adopt the simplified accounting method, are included in the current service cost.

b. The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 29,180	¥ 28,179	\$ 219,398
Expected return on plan assets	435	399	3,270
Actuarial gains	(43)	(26)	(323)
Contributions from the employer	1,373	1,363	10,323
Benefits paid	(818)	(736)	(6,150)
Balance at end of year	¥ 30,127	¥ 29,180	\$ 226,518

c. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 25,605	¥ 25,230	\$ 192,518
Plan assets	(30,127)	(29,180)	(226,518)
Total	(4,521)	(3,950)	(33,992)
Unfunded defined benefit obligation	181,560	179,523	1,365,112
Net liability arising from defined benefit obligation	177,038	175,572	1,331,112
Liability for retirement benefits	182,801	180,830	1,374,443
Asset for retirement benefits	(5,763)	(5,257)	(43,330)
Net liability arising from defined benefit obligation	¥ 177,038	¥ 175,572	\$ 1,331,112

d. The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 14,809	¥ 14,674	\$ 111,345
Interest cost	844	811	6,345
Expected return on plan assets	(435)	(399)	(3,270)
Recognized actuarial gains	(2,369)	(2,417)	(17,812)
Amortization of prior service cost	(261)	(261)	(1,962)
Net periodic benefit costs	¥ 12,587	¥ 12,407	\$ 94,639

The retirement benefit expenses recognized by the consolidated subsidiaries, which adopt the simplified accounting method, are included in service cost.

e. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial gains	¥ (1,690)	¥ (2,811)	\$ (12,706)
Prior service cost	(267)	(212)	(2,007)
Total	¥ (1,958)	¥ (3,024)	\$ (14,721)

f. Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial losses	¥ 7,341	¥ 9,032	\$ 55,195
Unrecognized prior service cost	455	723	3,421
Total	<u>¥ 7,796</u>	<u>¥ 9,755</u>	<u>\$ 58,616</u>

g. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Equities	44 %	45 %
General security account	33	32
Bonds	10	11
Others	12	12
Total	<u>100 %</u>	<u>100 %</u>

The employee retirement benefit trust for the Companies' contributory pension plans accounted for 37% of total plan assets for the years ended March 31, 2023 and 2022.

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and future asset portfolio and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

h. Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	Mainly 0.4%	Mainly 0.4%
Expected rate of return on plan assets	1.2% to 2.0%	1.2% to 2.0 %

i. Defined contribution plan

Total contribution by the Companies for the defined contribution plan was ¥152 million (\$1,142 thousand) for the year ended March 31, 2023 and ¥144 million for the year ended March 31, 2022.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals to 25% of the common stock. The Company has already appropriated defined amount as a legal reserve or additional paid-in capital. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings-unappropriated can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.3% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Deferred tax assets:			
Depreciation and amortization	¥ 94,053	¥ 87,908	\$ 707,165
Liability for retirement benefits	57,818	57,613	434,721
Tax loss carryforwards	57,070	114,107	429,097
Software	13,192	14,548	99,187
Loss on write down of investment securities	13,190	13,080	99,172
Unrealized profit on property, plant and equipment	8,954	8,732	67,323
Provision for bonuses	8,270	6,931	62,180
Accrued railway usage charges	2,101	2,342	15,796
Other	33,816	33,953	254,255
Total	<u>288,467</u>	<u>339,219</u>	<u>2,168,924</u>
Less valuation allowance for tax loss carryforwards	(11,877)	(13,914)	(89,300)
Less valuation allowance for temporary differences	<u>(31,596)</u>	<u>(35,386)</u>	<u>(237,563)</u>
Total less valuation allowance	<u>(43,473)</u>	<u>(49,301)</u>	<u>(326,864)</u>
Deferred tax assets	<u>244,993</u>	<u>289,917</u>	<u>1,842,052</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	20,951	22,446	157,526
Deferred gain on transfer of certain fixed assets	4,297	4,286	32,308
Other	4,053	4,590	30,473
Deferred tax liabilities	<u>29,302</u>	<u>31,322</u>	<u>220,315</u>
Net deferred tax assets	<u>¥ 215,691</u>	<u>¥ 258,595</u>	<u>\$ 1,621,736</u>

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

March 31, 2023	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards			¥ 1	¥ 112	¥ 2,408	¥54,547	¥57,070
Less valuation allowances for tax loss carryforwards			¥ (1)	(39)		(11,835)	(11,877)
Net deferred tax assets relating to tax loss carryforwards				¥ 72	¥ 2,408	¥42,712	¥45,193

March 31, 2022	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards					¥ 94	¥114,012	¥114,107
Less valuation allowances for tax loss carryforwards						(13,914)	(13,914)
Net deferred tax assets relating to tax loss carryforwards					¥ 94	¥100,097	¥100,192

March 31, 2023	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards			\$ 7	\$ 842	\$18,105	\$410,127	\$429,097
Less valuation allowances for tax loss carryforwards			\$ (7)	(293)		(88,984)	(89,300)
Net deferred tax assets relating to tax loss carryforwards				\$ 541	\$18,105	\$321,142	\$339,796

The amount of tax loss carryforwards was calculated by using the statutory tax rate. The amount of deferred tax assets related to tax loss carryforwards is determined to be recovered based on the expected future taxable income.

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2023 and 2022, were as follows:

March 31, 2022	March 31, 2023	
This is not presented because the Group is a loss before income taxes.	Normal effective statutory tax rate	30.3%
	Change in valuation allowance	△2.3
	Tax credits for promotion of salary increases	△0.4
	Tax credit for R&D Expenses	△0.3
	Other - net	0.2
	Actual effective tax rate	<u>27.5%</u>

The Company and certain of our consolidated subsidiaries apply the Group Comprehensive Income Tax System from the current fiscal year. In addition, the Group accounts for and discloses income taxes and local income taxes in accordance with "Accounting and Disclosure for the Application of the Group Comprehensive Income Tax System" (ASBJ PITF No. 42, August 12, 2021).

12. REVENUE

a. Disaggregation of Revenue

Millions of Yen							
2023							
Reportable Segment							
Transportation			Merchandise and Other	Real Estate	Other	Total	
Commuter passes	Ordinary tickets	Others					
Revenues from contract with customers	¥ 43,092	¥ 1,026,885	¥ 49,789	¥ 125,429	¥ 14,338	¥ 99,646	¥ 1,359,183
Other revenue			3,669	6,026	31,059	346	41,102
Total	<u>¥ 43,092</u>	<u>¥ 1,026,885</u>	<u>¥ 53,459</u>	<u>¥ 131,456</u>	<u>¥ 45,398</u>	<u>¥ 99,992</u>	<u>¥ 1,400,285</u>

Millions of Yen							
2022							
Reportable Segment							
Transportation			Merchandise and Other	Real Estate	Other	Total	
Commuter passes	Ordinary tickets	Others					
Revenues from contract with customers	¥ 41,372	¥ 615,870	¥ 46,903	¥ 88,036	¥ 12,428	¥ 90,955	¥ 895,566
Other revenue			3,937	6,745	28,563	326	39,573
Total	<u>¥ 41,372</u>	<u>¥ 615,870</u>	<u>¥ 50,840</u>	<u>¥ 94,782</u>	<u>¥ 40,992</u>	<u>¥ 91,282</u>	<u>¥ 935,139</u>

Thousands of U.S. Dollars							
2023							
Reportable Segment							
Transportation			Merchandise and Other	Real Estate	Other	Total	
Commuter passes	Ordinary tickets	Others					
Revenues from contract with customers	\$ 324,000	\$ 7,720,939	\$ 374,353	\$ 943,075	\$ 107,804	\$ 749,218	\$ 10,219,421
Other revenue			27,586	45,308	233,526	2,601	309,037
Total	<u>\$ 324,000</u>	<u>\$ 7,720,939</u>	<u>\$ 401,947</u>	<u>\$ 988,390</u>	<u>\$ 341,338</u>	<u>\$ 751,819</u>	<u>\$ 10,528,458</u>

"Other" includes business in hotel, travel, advertising, rolling stock production, construction, etc., which are not included in any reportable segment.

In the year ended March 31, 2023, due to changes in the reportable segments, the scope of business segments included in the "Others" was changed. Hence, reclassification has been made to disaggregation of revenue for the year ended March 31, 2022 using the new operating segments

b. Basic Information to Understand Revenues from Contracts with Customers

The following table provides information on the basis of how customer contracts relate to items presented in the consolidated financial statements or other notes in the notes to revenue recognition.

The content described in Note 3.I to the consolidated financial statements is not presented.

c. Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 91,377	¥ 98,709	\$ 687,045
Balance at end of year	128,338	91,377	964,947
Contract assets:			
Balance at beginning of year	7,723	5,769	58,067
Balance at end of year	12,943	7,723	97,315
Contract liabilities:			
Balance at beginning of year	24,437	20,951	183,736
Balance at end of year	¥ 30,192	¥ 24,437	\$ 227,007

Contractual liabilities primarily relate to prepaid fares received to satisfaction of performance obligations for which we provide transportation services pursuant to transportation agreements with customers and consist of commuter fares and non-commuter fares. For charges non-commuter fares, the Companies generally record revenue upon completion of the delivery of the transportation service, and for commuter fares, the Companies record revenue over a period of time, and reverses the contractual liability at the time such revenue is recorded. The contractual liability for these prepaid fares received is both monetized in a short period of time.

d. Transaction Prices Allocated to Remaining Performance Obligations

The transaction prices allocated to remaining performance obligations within one year are not presented in accordance with the practical expedient stipulated in the accounting standard for revenue recognition. In addition, the transactions prices allocated to remaining performance obligations after one year and after are not presented since the amount is immaterial.

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for Financial Instruments

The Companies use only financial instruments with high degrees of safety for the management of funds and raise funds from bank loans, bonds and others.

Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 14.

b. Nature and Extent of Risks Arising from Financial Instruments

Money held in trust for the Chuo Shinkansen construction is set to segregate loans from the JR TT from other cash on hand for purposes of the further construction of the Chuo Shinkansen. The trust property is comprised of deposits.

Trade receivables are exposed to customer credit risk.

Marketable and investment securities, mainly held to maturity debt securities and equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of trade payables and income taxes payable are within one year.

Short-term bank loans are used to fund the Companies' ongoing operations. Bonds and long-term loans are used for renewal of long-term debt and capital spending. Please see Note 6 for a maturity analysis of bank loans and bonds payable.

Long-term debt for the Chuo Shinkansen construction is a loan in the amount of ¥3,000,000 million from the JR TT using the FILP in accordance with the JR TT Act for purposes of the further construction of the Chuo Shinkansen.

Long-term accounts payable—railway facilities were incurred in the amount of ¥5,095,661 million in 1991 for the purchase of the Shinkansen railway ground facilities and serially repaid to the JR TT. Payment terms are 25.5 years for ¥4,494,466 million and 60 years for ¥601,195 million. Payment terms and interest rates of the payables were determined based on the agreements from the purchase of the Shinkansen railway ground facilities. The Company had paid off ¥4,494,466 million by January 2017.

Derivatives include foreign currency swaps, which are used to manage exposure to market risks of changes in foreign exchange rates of foreign currency denominated long-term debt, and interest rate swaps, which are used to manage exposure to market risks of changes in interest rates of long-term debt. Please see Note 14 for details on derivatives.

c. Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Companies manage their credit risk from trade receivables by monitoring payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stage. With respect to held-to-maturity debt securities, the Companies manage exposure to credit risk by limiting debt securities to high credit rated bonds.

Market Risk Management

Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Foreign currency swaps are used to manage exposure to market risks of changes in exchange rates of foreign currency long-term debt. Interest rate swaps are used to manage exposure to market risks of changes in interest rates of long-term debt.

d. Fair Values of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, trade receivables, short-term loans payable, trade payables, income taxes payable are not disclosed because their maturities are short and the carrying values approximate fair value. The carrying values of money held in trust for the Chuo Shinkansen construction approximate fair value because the trust property consists of a deposit in cash. Therefore, the fair values of money held in trust for the Chuo Shinkansen construction are not disclosed. Also, please see Note 14 for the details of fair value for derivatives.

(1) Fair Value of Financial Instruments

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Marketable and investment securities	¥ 751,308	¥ 749,536	¥ (1,772)
Total	¥ 751,308	¥ 749,536	¥ (1,772)
Long-term debt including current portion	¥ (1,429,887)	¥ (1,478,936)	¥ 49,049
Long-term debt for the Chuo Shinkansen construction	(3,000,000)	(2,690,051)	(309,948)
Long-term accounts payable—railway facilities including current portion	(519,988)	(925,882)	405,893
Total	¥ (4,949,876)	¥ (5,094,870)	¥ 144,994

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Marketable and investment securities	¥ 792,179	¥ 790,490	¥ (1,689)
Total	<u>¥ 792,179</u>	<u>¥ 790,490</u>	<u>¥ (1,689)</u>
Long-term debt including current portion	¥ (1,415,174)	¥ (1,517,498)	¥ 102,324
Long-term debt for the Chuo Shinkansen construction	(3,000,000)	(2,954,226)	(45,773)
Long-term accounts payable—railway facilities including current portion	(526,518)	(1,044,587)	518,069
Total	<u>¥ (4,941,692)</u>	<u>¥ (5,516,312)</u>	<u>¥ 574,619</u>
	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Marketable and investment securities	\$ 5,648,932	\$ 5,635,609	\$ (13,323)
Total	<u>\$ 5,648,932</u>	<u>\$ 5,635,609</u>	<u>\$ (13,323)</u>
Long-term debt including current portion	\$ (10,751,030)	\$ (11,119,819)	\$ 368,789
Long-term debt for the Chuo Shinkansen construction	(22,556,390)	(20,225,947)	(2,330,436)
Long-term accounts payable—railway facilities including current portion	(3,909,684)	(6,961,518)	3,051,827
Total	<u>\$ (37,217,112)</u>	<u>\$ (38,307,293)</u>	<u>\$ 1,090,180</u>

(2) Carrying Amount of Investments in Equity Instruments that Do Not Have a Quoted Market Price in an Active Market

<u>March 31, 2023</u>	<u>Carrying Amount</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Unlisted equity instruments:		
Investment securities	¥ 9,056	\$ 68,090
Investments in unconsolidated subsidiaries and affiliates	14,036	105,533
Total	<u>¥ 23,093</u>	<u>\$ 173,631</u>
<u>March 31, 2022</u>	<u>Carrying Amount</u>	
	<u>Millions of Yen</u>	
Unlisted equity instruments:		
Investment securities	¥ 8,396	
Investments in unconsolidated subsidiaries and affiliates	13,912	
Total	<u>¥ 22,309</u>	

e. Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
	Due within One Year	Due after One Year through Five Years	Due after Five Years
March 31, 2023			
Cash and cash equivalents	¥ 710,526		
Money held in trust for the Chuo Shinkansen construction	1,585,282		
Trade receivables	128,142		
Marketable and investment securities	143,600	¥ 341,000	¥ 100,000
Total	¥ 2,567,550	¥ 341,000	¥ 100,000

	Thousands of U.S. Dollars		
	Due within One Year	Due after One Year through Five Years	Due after Five Years
March 31, 2023			
Cash and cash equivalents	\$ 5,342,300		
Money held in trust for the Chuo Shinkansen construction	11,919,413		
Trade receivables	963,473		
Marketable and investment securities	1,079,699	\$ 2,563,909	\$ 751,879
Total	\$19,304,887	\$ 2,563,909	\$ 751,879

f. Annual Maturities of Long-Term Debt, Long-Term Debt for the Chuo Shinkansen Construction and Long-Term Accounts Payable—Railway Facilities

Please see Note 6 for annual maturities of long-term debt, Note 7 for long-term debt for the Chuo Shinkansen construction and Note 8 for long-term accounts payable—railway facilities.

g. Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The Financial Assets and Liabilities Measured at the Fair Values in the Consolidated Balance Sheet

March 31, 2023	Millions of Yen			Total
	Level 1	Level 2	Level 3	
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥ 166,314			¥ 166,314
Other	393			393
Total assets	¥ 166,708			¥ 166,708

March 31, 2022	Millions of Yen			Total
	Level 1	Level 2	Level 3	
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥ 164,826			¥ 164,826
Other	353			353
Total assets	¥ 165,179			¥ 165,179

March 31, 2023	Thousands of U.S. Dollars			Total
	Level 1	Level 2	Level 3	
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	\$ 1,250,481			\$ 1,250,481
Other	2,954			2,954
Total assets	\$ 1,253,443			\$ 1,253,443

(2) *The Financial Assets and Liabilities Not Measured at the Fair Values in the Consolidated Balance Sheet*

March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Municipal bonds		¥ 8,990		¥ 8,990
Corporate bonds		573,837		573,837
Total assets		¥ 582,827		¥ 582,827
Long-term debt including current portion		¥ 1,478,936		¥ 1,478,936
Long-term debt for the Chuo Shinkansen construction		2,690,051		2,690,051
Long-term accounts payable—railway facilities including current portion		925,882		925,882
Total liabilities		¥ 5,094,870		¥ 5,094,870

March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Municipal bonds		¥ 9,017		¥ 9,017
Corporate bonds		616,293		616,293
Total assets		¥ 625,310		¥ 625,310
Long-term debt including current portion		¥ 1,517,498		¥ 1,517,498
Long-term debt for the Chuo Shinkansen construction		2,954,226		2,954,226
Long-term accounts payable—railway facilities including current portion		1,044,587		1,044,587
Total liabilities		¥ 5,516,312		¥ 5,516,312

March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Municipal bonds		\$ 67,593		\$ 67,593
Corporate bonds		4,314,563		4,314,563
Total assets		\$ 4,382,157		\$ 4,382,157
Long-term debt including current portion		\$ 11,119,819		\$ 11,119,819
Long-term debt for the Chuo Shinkansen construction		20,225,947		20,225,947
Long-term accounts payable—railway facilities including current portion		6,961,518		6,961,518
Total liabilities		\$ 38,307,293		\$ 38,307,293

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

The fair values of listed equity securities, municipal bonds and corporate bonds are measured at the quoted market prices. Since listed equity securities and government bonds are traded in active markets, the fair values of listed equity securities are categorized as Level 1. As the quoted market prices of municipal bonds and corporate bonds are not considered to be in active markets due to low market transactions, the fair values of municipal bonds and corporate bonds are categorized as Level 2.

Long-Term Debt including Current Portion, Long-Term Debt for the Chuo Shinkansen Construction

The fair values of domestic bonds are measured at the quoted market prices. Fair values of foreign currency bonds are measured in combination with foreign currency swaps, which qualify for hedge accounting and meet specific matching criteria and are accounted for by the method stated in Note 3.q, by using discounted present value techniques considering the total amounts of principal and interest of the bonds in combination with foreign currency swaps and the Company's assumed bond issuing rate.

The fair values of long-term debt with floating interest rates are measured in combination with interest rate swaps or interest rate and currency swaps, which qualify for hedge accounting and are accounted for by the method stated in Note 3.q, by using discounted present value techniques considering the total amounts of the principal and interest and the Company's assumed borrowing rate.

The fair values of other debt, long-term debt for the Chuo Shinkansen construction are determined by using discounted present value techniques considering the cash flows related to the debt and the Company's assumed bond issuing rate or corporate borrowing rate.

The fair values of these instruments are categorized as Level 2.

Long-Term Accounts Payable—Railway Facilities including Current Portion

Long-term accounts payable represents monetary liability for purchase of railway facilities assumed under a special law, and it is difficult for the Company to raise funds again in the same manner. The fair values of such long-term accounts payable are determined by using discounted present value techniques considering the total amounts of principal and interest payment discounted and an interest rate to be applied if similar new bonds were issued. The fair values of long-term accounts payable – railway facilities are categorized as Level 2.

14. DERIVATIVES

The Companies enter into foreign currency swap agreements to manage exposure to market risks of changes in foreign exchange of foreign currency long-term debt, and interest rate swap agreements to manage exposure to market risks of changes in interest rates of certain liabilities.

Derivative transactions are mainly entered into to hedge foreign exchange exposures and interest rate exposures incorporated within their business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit default.

Derivative transactions have been made in accordance with internal policies.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2023	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency swaps: (fixed amount payment in yen, fixed amount receipt in U.S. dollars)	Foreign currency bonds	¥ 156,535	¥ 117,528	※
Interest rate swaps: (fixed rate payment, floating rate receipt)	Bank loans	¥ 136,800	¥ 136,800	※
Interest rate and currency swaps: (fixed rate / amount payment in yen, floating rate receipt and fixed amount receipt in U.S. dollars)	Foreign currency bank loans	¥ 12,732	¥ 9,440	※

Millions of Yen				
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency swaps: (fixed amount payment in yen, fixed amount receipt in U.S. dollars)	Foreign currency bonds	¥ 156,535	¥ 156,535	※
Interest rate swaps: (fixed rate payment, floating rate receipt)	Bank loans	¥ 117,500	¥ 106,000	※
Interest rate and currency swaps: (fixed rate / amount payment in yen, floating rate receipt and fixed amount receipt in U.S. dollars)	Foreign currency bank loans	¥ 22,570	¥ 3,292	※

Thousands of U.S. Dollars				
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency swaps: (fixed amount payment in yen, fixed amount receipt in U.S. dollars)	Foreign currency bonds	\$1,176,954	\$ 883,669	※
Interest rate swaps: (fixed rate payment, floating rate receipt)	Bank loans	\$1,028,571	\$ 1,028,571	※
Interest rate and currency swaps: (fixed rate / amount payment in yen, floating rate receipt and fixed amount receipt in U.S. dollars)	Foreign currency bank loans	\$ 95,729	\$ 70,977	※

※ Foreign currency swaps, interest rate swaps, or interest rate and currency swaps which qualify for hedge accounting are accounted for in combination with hedged items such as the foreign currency bonds, long-term debt, or foreign currency bank loans and the fair values of these swaps are included in those of hedged items in Note 14.

15. LEASES

As a lessee, the minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were due as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 938	¥ 704	\$ 7,052
Due after one year	4,826	4,410	36,285
Total	<u>¥ 5,765</u>	<u>¥ 5,115</u>	<u>\$ 43,345</u>

As a lessor, the minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were due as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 6,082	¥ 5,606	\$ 45,729
Due after one year	18,628	17,924	140,060
Total	<u>¥ 24,710</u>	<u>¥ 23,531</u>	<u>\$ 185,789</u>

16. CONTINGENCIES

As of March 31, 2023, the Company is contingently liable for guarantees of loans of RTRI amounting to ¥13,400 million (\$100,751 thousand). The proceeds are being used for the enhancement of technological development of the Maglev system.

As discussed in Note 6, based on debt assumption agreements with financial institutions, the Company has transferred the debt repayment obligations for certain bonds to such financial institutions. As of March 31, 2023, the Company had contingent obligations of ¥73,450 million (\$552,255 thousand) for the bonds.

17. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized (loss) gain on available-for-sale securities:			
(Loss) gain arising during the year	¥ 6,292	¥ (3,079)	\$ 47,308
Reclassification adjustments to profit or loss	(2,937)	2,525	(22,082)
Amount before income tax effect	3,355	(554)	25,225
Income tax effect	(573)	225	(4,308)
Total	¥ 2,781	¥ (328)	\$ 20,909
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ 672	¥ (345)	\$ 5,052
Reclassification adjustments to profit	(2,630)	(2,679)	(19,774)
Amount before income tax effect	(1,958)	(3,024)	(14,721)
Income tax effect	701	855	5,270
Total	¥ (1,256)	¥ (2,168)	\$ (9,443)
Share of other comprehensive income in affiliates			
Loss arising during the year	¥ (0)	¥ (30)	\$ (0)
Reclassification adjustments to profit	8	11	60
Total	¥ 8	¥ (19)	\$ 60
Total other comprehensive (loss) income	¥ 1,533	¥ (2,517)	\$ 11,526

18. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and such information is evaluated regularly by the chief operating decisionmaker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of Reportable Segments

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Companies' management is being performed in order to decide how resources are allocated among the Companies.

The Companies are composed of three reportable segments by nature of products and services: Transportation, Merchandise and Other, Real Estate.

The Transportation segment manages the Companies' railway operations, such as the Tokaido Shinkansen and conventional railway operations in the Tokai area, bus operations and others. The Merchandise and Other segment includes a department store in JR Central Towers, retail sales in trains and stations and others. The Real Estate segment include real estate leasing business, such as station building leasing and real estate sales in lots.

Effective April 1, 2022, operating segments of "Hotel and Services" and "Rolling Stock Production," which were previously disclosed as reportable segments, are included in "Other" because of their falling short of the quantitative criteria. The segment information for the year ended March 31, 2022, is also disclosed using the new operating segments.

b. Methods of Measurement for the Amounts of Operating Revenues, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 3, "Summary of Significant Accounting Policies." Reportable segment profit represents operating income. Prices of intersegment transactions or transfers are determined based upon arm's length transactions.

c. Information about Operating Revenues, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen								
2023								
	Reportable Segment						Reconciliation s	Consolidated
	Transportation	Merchandise and Other	Real Estate	Total	Other	Total		
Operating revenues:								
External customers	¥ 1,123,437	¥ 131,456	¥ 45,398	¥ 1,300,292	¥ 99,992	¥ 1,400,285		¥ 1,400,285
Intersegment transactions or transfers	10,578	7,294	31,999	49,873	149,435	199,308	¥ (199,308)	
Total	¥ 1,134,016	¥ 138,751	¥ 77,398	¥ 1,350,165	¥ 249,427	¥ 1,599,593	¥ (199,308)	¥ 1,400,285
Segment profit	¥ 338,502	¥ 8,316	¥ 17,361	¥ 364,180	¥ 10,048	¥ 374,229	¥ 274	¥ 374,503
Segment assets	8,559,242	136,386	366,526	9,062,154	420,476	9,482,631	31,778	9,514,409
Other:								
Depreciation and amortization	196,041	3,807	15,710	215,559	4,054	219,614		219,614
Amounts of investments in equity in affiliates	11,176			11,176		11,176		11,176
Increase in property, plant and equipment and intangible assets	435,450	4,676	17,394	457,522	5,128	462,650		462,650

Millions of Yen								
2022								
	Reportable Segment						Reconciliation s	Consolidated
	Transportation	Merchandise and Other	Real Estate	Total	Other	Total		
Operating revenues:								
External customers	¥ 708,083	¥ 94,782	¥ 40,992	¥ 843,857	¥ 91,282	¥ 935,139		¥ 935,139
Intersegment transactions or transfers	9,534	7,947	31,231	48,714	143,191	191,905	¥ (191,905)	
Total	¥ 717,618	¥ 102,729	¥ 72,223	¥ 892,571	¥ 234,473	¥ 1,127,044	¥ (191,905)	¥ 935,139
Segment profit (loss)	¥ (8,327)	¥ (3,790)	¥ 14,925	¥ 2,807	¥ 1,174	¥ 3,982	¥ (2,274)	¥ 1,708
Segment assets	8,713,798	117,679	351,348	9,182,826	389,734	9,572,561	(122,041)	9,450,519
Other:								
Depreciation and amortization	182,415	3,951	16,317	202,684	4,355	207,039		207,039
Amounts of investments in equity in affiliates	10,752			10,752		10,752		10,752
Increase in property, plant and equipment and intangible assets	485,006	4,701	6,183	495,891	5,025	500,917		500,917

Thousands of U.S. Dollars								
2023								
	Reportable Segment				Other	Total	Reconciliation s	Consolidated
	Transportation	Merchandise and Other	Real Estate	Total				
Operating revenues:								
External customers	\$ 8,446,894	\$ 988,390	\$ 341,338	\$ 9,776,631	\$ 751,819	\$ 10,528,458		\$ 10,528,458
Intersegment transactions or transfers	79,533	54,842	240,593	374,984	1,123,571	1,498,556	\$ (1,498,556)	
Total	\$ 8,526,436	\$ 1,043,240	\$ 581,939	\$ 10,151,616	\$ 1,875,390	\$ 12,027,015	\$ (1,498,556)	\$ 10,528,458
Segment profit	\$ 2,545,127	\$ 62,526	\$ 130,533	\$ 2,738,195	\$ 75,548	\$ 2,813,751	\$ 2,060	\$ 2,815,812
Segment assets	64,355,203	1,025,458	2,755,834	68,136,496	3,161,473	71,297,977	238,932	71,536,909
Other:								
Depreciation and amortization	1,473,992	28,624	118,120	1,620,744	30,481	1,651,233		1,651,233
Amounts of investments in equity in affiliates	84,030			84,030		84,030		84,030
Increase in property, plant and equipment and intangible assets	3,274,060	35,157	130,781	3,440,015	38,556	3,478,571		3,478,571

Notes:

1. Other includes business in hotel, travel, advertising, rolling stock production, construction, etc., which are not included in any reportable segment.
2. Reconciliations are as follows:
 - a. The amount of elimination of intersegment transactions included in the reconciliations was ¥274 million (\$2,060 thousand), ¥(2,274) million for the years ended March 31, 2023 and 2022, respectively.
 - b. The reconciliations for segment assets include corporate assets, which are not allocated to a reportable segment, and the elimination of intersegment transactions.
Corporate assets principally consist of investment securities and certificates of deposit. The amounts of corporate assets were ¥646,707 million (\$4,862,458 thousand), ¥448,551 million for the years ended March 31, 2023 and 2022, respectively.
The elimination of intersegment transactions consists of intersegment receivables and others. The amounts of the elimination were ¥614,928 million (\$4,623,518 thousand), ¥570,593 million for the years ended March 31, 2023 and 2022, respectively.
3. Segment profit (loss) is reconciled to operating income (loss) in the consolidated statement operations.
4. Information about products and services was omitted since equivalent information was disclosed above.
Information about geographical areas was not presented since the Companies have no significant overseas operations.

d. Information about Impairment Loss on Noncurrent Assets by Reportable Segments

Information about impairment loss on noncurrent assets by reportable segments for the years ended March 31, 2023 and 2022 is omitted because the amount is not material.

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings as of March 31, 2023, was approved at the Company's shareholders' meeting held on June 23, 2023.

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥70 (\$0.53) per share	¥ 13,790	\$ 103,684

* * * * *