

Balance Sheet

(As of March 31, 2020)

(Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	88,008	Current liabilities	31,015
Cash and deposits	833	Accounts payable - other	11,998
Trade accounts receivable	13,722	Accrued expenses	141
Accounts receivable	1,455	Accrued consumption taxes	206
Merchandise	209	Income taxes payable	1,442
Short-term loans receivable	68,866	Unearned revenue	145
Current portion of long-term loans receivable	2,000	Deposits received from customers	15,987
Prepaid expenses	725	Current portion of guarantee deposits and leasehold deposits received	209
Other	195	Provision for bonuses	413
		Provision for sales promotion expenses	27
Non-current assets	80,196	Other	443
Property, plant and equipment	48,025	Non-current liabilities	19,951
Buildings	36,944	Guarantee deposits and leasehold deposits received	16,935
Structures	332	Provision for retirement benefits	1,424
Machinery and equipment	295	Provision for loss on business of subsidiaries and associates	47
Furniture and fixtures	673	Asset retirement obligations	1,436
Land	1,545	Other	107
Leased assets	8		
Construction in progress	8,225	Total liabilities	50,967
		(Net assets)	
Intangible assets	666	Shareholders' equity	117,237
Software	632	Share capital	2,375
Other	34		
Investments and other assets	31,503	Capital surplus	5,964
Investment securities	681	Legal capital surplus	5,964
Shares of subsidiaries and associates	2,228		
Long-term prepaid expenses	678	Retained earnings	108,898
Guarantee deposits and leasehold deposits	4,410	Legal retained earnings	596
Long-term loans receivable	20,400	Other retained earnings	108,302
Deferred tax assets	3,073	General reserve	101,822
Other	31	Retained earnings brought forward	6,480
Allowance for doubtful accounts	(0)	Valuation and translation adjustments	0
		Valuation difference on available-for-sale securities	0
		Total net assets	117,238
Total assets	168,205	Total liabilities and net assets	168,205

Statement of Income

(From April 1, 2019 to March 31, 2020)

(Million yen)

Item	Amount	
Net sales		
Real estate lease revenue	67,218	
Net sales of directly managed businesses	7,132	74,350
Cost of sales		
Cost of sales of directly managed businesses		5,465
Gross profit		68,885
Selling, general and administrative expenses		57,307
Operating profit		11,577
Non-operating income		
Interest income	397	
Dividend income	6	
Other non-operating income	74	478
Non-operating expenses		
Foreign exchange losses	2	
Other non-operating expenses	101	104
Ordinary profit		11,951
Extraordinary income		
Early cancellation fees received	7	
Other extraordinary income	0	8
Extraordinary losses		
Loss on retirement of non-current assets	515	
Removal expenses for non-current assets	715	
Loss on valuation of shares of subsidiaries and associates	296	
Loss on valuation of investment securities	168	
Provision for loss on business of subsidiaries and associates	47	
Impairment loss	642	
Other extraordinary losses	103	2,490
Profit before income taxes		9,469
Income taxes - current	3,417	
Income taxes - deferred	(276)	3,140
Profit		6,328

Notes to the Non-consolidated Financial Statements

1 Notes on Significant Accounting Policies

1. Valuation Standards and Methods for Assets

(1) Valuation standards and methods for securities

Stocks of subsidiaries and affiliates

Stated at cost based on the moving average method.

Other securities

- Securities with a market value

Stated at fair market value based on the market price, etc. at the end of the fiscal year (all valuation differences are directly charged or credited to net assets and the costs of securities sold are calculated using the moving average method).

- Securities without a market value

Stated at cost based on the moving average method.

(2) Valuation standards and methods for inventories

Merchandise

Stated at cost based on the specific identification method (the balance sheet value is calculated by reducing the book value based on declines in profitability.).

2. Depreciation and Amortization Methods for Non-current Assets

(1) Property, plant and equipment (excluding leased assets)

Depreciation is computed by the declining-balance method.

Useful lives and residual values are calculated using the same standards as those prescribed in the Corporation Tax Act.

(2) Intangible assets

Amortization is computed by the straight-line method.

Useful lives are calculated using the same standards as those prescribed in the Corporation Tax Act.

However, software (for internal use) is amortized using the straight-line method based on the period during which it can be used internally (5 years).

(3) Leased assets

Leased assets related to finance lease transactions without transfer of ownership

The straight-line method is used with the lease period as the useful life and the residual value as zero.

(4) Long-term prepaid expenses

Amortization is principally computed by the declining-balance method.

The amortization period is based on the same standards as those prescribed in the Corporation Tax Act.

3. Standards for Recording Provisions

(1) Allowance for doubtful accounts

To provide for losses on bad debts, an allowance for doubtful accounts is provided by recording estimated unrecoverable amounts based on the historical bad debt ratio for general receivables and examination of the collectibility of individual receivables for specific receivables such as doubtful and distressed receivables.

- (2) Provision for bonuses
To provide for the payment of bonuses to employees, a provision for bonuses is recorded based on the estimated amount of payment.
- (3) Provision for sales promotion expenses
To provide for future expenditures related to the utilization of "ONE LUMINE Shopping Ticket," the amount expected to be utilized in the future is recorded based on the historical utilization rate.
- (4) Provision for retirement benefits
- 1) Method of attribution of projected retirement benefits to period
In calculating retirement benefit obligations, the benefit formula standard is used to attribute the estimated amount of retirement benefits to the period up to the end of the current fiscal year.
- 2) Amortization of actuarial gains and losses and prior service cost
Prior service cost is amortized on a straight-line basis over a fixed number of years (10) within the average remaining service period of employees at the time of occurrence.
Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (10) within the average remaining service period of employees at the time of recognition in each fiscal year, and allocated proportionately from the fiscal year following the respective fiscal year of occurrence.
- (5) Provision for loss on business of subsidiaries and associates
To provide for losses on the business of subsidiaries, an amount deemed necessary in consideration of such factors as the financial position of the subsidiaries is recorded.
4. Standards for Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Currency
Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing on the balance sheet date, and any translation differences are charged or credited to income.
5. Other Important Matters that Serve as the Basis for Preparation of Financial Statements
Consumption taxes are accounted for by the tax-exclusion method.

2 Notes to the Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment 118,279 million yen
- (2) Future lease payments on non-cancelable operating lease transactions
(As lessee)
- | | |
|-----------------|--------------------|
| Within one year | 2,266 million yen |
| Over one year | 21,692 million yen |
| <hr/> | |
| Total | 23,958 million yen |
- (3) Monetary claims against and obligations to subsidiaries and associates
- | | |
|---------------------------------|-----------------|
| Short-term monetary claims | 837 million yen |
| Short-term monetary obligations | 552 million yen |
| Long-term monetary obligations | 43 million yen |

3 Notes to the Statement of Income

(1) Transactions with subsidiaries and associates

Operating transactions

Net sales 907 million yen

Selling, general and administrative expenses 13,430 million yen

Non-operating transactions 46 million yen

(2) Loss on valuation of shares of subsidiaries and associates

Loss on valuation of shares of subsidiaries and associates resulted from impairment losses on shares of LUMINE SINGAPORE PTE. LTD held by the Company.

4 Notes to the Statement of Changes in Equity

Matters concerning the class and total number of issued shares

Class of shares	Number of shares at the beginning of the period	Increase in the number of shares during the period	Decrease in the number of shares during the period	Number of shares at the end of the period
Common stock	(shares) 70,378,000	(shares) —	(shares) —	(shares) 70,378,000

5 Notes to Tax Effect Accounting

The main reasons for the occurrence of deferred tax assets are overdepreciation, denial of asset retirement obligations, etc. The main reason for the occurrence of deferred tax liabilities is denial of non-current asset retirement expenses, etc.

The valuation allowance deducted from deferred tax assets is 405 million yen.

6 Notes on Financial Instruments

(1) Matters concerning the status of financial instruments

The Company limits fund management when surplus funds arise to loans to CMS (cash management system), which collectively manages the funds of the entire JR East Group.

Concerning the credit risk of customers in relation to trade accounts receivable, the Company manages due dates and balances appropriately for each customer.

Investment securities are stocks, and the market value of listed stocks is ascertained quarterly.

(2) Matters concerning the fair value of financial instruments, etc.

The balance sheet amounts and fair values of financial instruments as of March 31, 2020 (the closing date of the fiscal year under review), as well as the differences between them, are as follows. Financial instruments whose fair values are considered extremely difficult to ascertain are not included in the following table.

(Million yen)

	Amount recorded on the balance sheet (*)	Fair value (*)	Difference
1) Cash and deposits	833	833	—
2) Trade accounts receivable	13,722	13,722	—
3) Short-term loans receivable	68,866	68,866	—
4) Investment securities			
Other securities	161	161	—
5) Guarantee deposits and leasehold deposits	1,495	1,406	(89)
6) Long-term loans receivable	22,400	22,806	406
7) Accounts payable - other	(11,998)	(11,998)	—
8) Income taxes payable	(1,442)	(1,442)	—
9) Deposits received from customers	(15,987)	(15,987)	—
10) Guarantee deposits and leasehold deposits received	(15,854)	(15,748)	106

(*) Items recorded as liabilities are shown in parentheses.

(Note 1) Methods of calculating the fair values of financial instruments and matters related to securities

1) Cash and deposits, 2) Trade accounts receivable, and 3) Short-term loans receivable

Since these are settled in a short period of time, the fair value is almost equal to the book value, so the book value is used.

4) Investment securities

The fair values of these instruments are based on the exchange prices.

5) Guarantee deposits and leasehold deposits

The fair value of guarantee deposits and leasehold deposits is calculated by discounting future cash flows using interest rates that take into account credit risks and other factors.

6) Long-term loans receivable

The fair value of long-term loans receivable is calculated by discounting future cash flows using interest rates assumed for similar new transactions.

7) Accounts payable - other, 8) Income taxes payable, and 9) Deposits received

Since these are settled in a short period of time, the fair value is almost equal to the book value, so the book value is used.

10) Guarantee deposits and leasehold deposits received

The fair value of guarantee deposits and leasehold deposits received is calculated by discounting future cash flows using interest rates that take into account credit risks and other factors.

(Note 2) Financial instruments whose fair values are considered extremely difficult to ascertain

Unlisted stocks of 2,748 million yen (shares of subsidiaries and associates of 2,228 million yen and other securities of 520 million yen), a portion of guarantee deposits and leasehold deposits of 2,501 million yen and a portion of guarantee deposits and leasehold deposits received of 1,289 million yen are not included in the table because they do not have market values and because their future cash flows cannot be estimated, etc., and as such, it is extremely difficult to ascertain their fair values.

Unamortized leasehold deposits that are not expected to be recovered (estimated restoration cost of leased buildings) totaling 414 million yen are not included in the table.

(Note 3) The balance sheet amounts and fair values of long-term loans receivable and guarantee deposits and leasehold deposits received include the portion of long-term loans receivable expected to be recovered within one year and the portion of guarantee deposits and leasehold deposits received expected to be repaid within one year, respectively.

7 Notes on Real Estate for Lease, etc.

(1) Matters concerning the status of real estate for lease, etc.

The Company has commercial facilities for lease in Tokyo and other areas.

(2) Matters concerning the fair value of real estate for lease, etc.

(Million yen)

Amount recorded on the balance sheet	Fair value
39,204	38,252

(Note 1) The amount recorded on the balance sheet is the amount obtained by deducting accumulated depreciation from acquisition cost.

(Note 2) The fair value at the end of the fiscal year under review is the amount calculated by the Company based on certain assessed values and indicators thought to appropriately reflect market prices. For depreciable assets such as buildings, the fair value at the end of the fiscal year under review is the appropriate book value.

8 Notes on Transactions with Related Parties

(1) Parent company and major corporate shareholders, etc.

(Million yen)

Type	Name of company	Percentage of voting rights, etc. held of (or by) the related party	Relationship with the related party	Nature of the transaction	Transaction amount	Item	Balance as of March 31, 2020
Parent company	East Japan Railway Company	Directly owns 95.1% of the Company	Concurrent appointment of officers, lease of land for station buildings, etc.	Payment of lease fees for land and buildings	9,752	Accounts payable - other	9

Transaction conditions and policy for determining transaction conditions, etc.

(Note 1) Lease fees and other terms and conditions are determined after price negotiations, taking into consideration the prevailing market conditions.

(Note 2) The transaction amount does not include consumption taxes. The balance as of March 31, 2020 includes consumption taxes.

(2) Affiliated companies, etc.

(Million yen)

Type	Name of company	Percentage of voting rights, etc. held of (or by) the related party	Relationship with the related party	Nature of the transaction	Transaction amount	Item	Balance as of March 31, 2020
Subsidiary of the parent company	Viewcard Co., Ltd.	None	Merchant agreement	Transfer of credit card receivables	148,519	Trade accounts receivable	5,752
Subsidiary of the parent company	JR East Marketing & Communications, Inc.	None	Subcontracting agreement	Payment of commission fees for planning and production of advertising and sales promotions	3,422	Accounts payable - other	657
Subsidiary of the parent company	JR East Building Co., Ltd.	None	Lease agreements	Payment of lease fees	3,586	Prepaid expenses Leasehold deposits	258 2,042

Transaction conditions and policy for determining transaction conditions, etc.

(Note 1) The transfer of credit card receivables is determined after price negotiations, taking into consideration the prevailing market conditions.

(Note 2) Terms and conditions related to commission fees are determined after price negotiations, taking into consideration the prevailing market conditions.

(Note 3) Terms and conditions related to lease fees are determined after price negotiations, taking into consideration the prevailing market conditions.

(Note 4) Among the amounts shown above, consumption taxes are not included in transaction amounts excluding transfers of credit card receivables.

In addition, in the balances as of March 31, 2020, trade accounts receivable, accounts payable - other, and prepaid expenses include consumption taxes.

9 Notes to Per Share Information

(1) Net assets per share	1,665.84 yen
(2) Profit per share	89.92 yen

10 Notes on Business Combinations

(1) Transactions under common control

The Company transferred rights and obligations related to its 800°DEGREES business to STABLES CO. LTD., which was established on April 1, 2019.

1) Overview of transaction

a. Name and description of business

Business name: 800°DEGREES business

Business description: Restaurant business, development and operation of stores, restaurants, etc., and businesses related to consulting and training in connection with employees and personnel development, etc.

b. Split date

April 1, 2019

c. Legal form of the company split

Simple incorporation-type company split with the Company as the split company and STABLES CO. LTD. as the succeeding company

d. Objective of the company split

The Company has established a new strategic subsidiary in the restaurant business in response to the growing importance of food in creating life value. As a result, the Company will concentrate resources on highly specialized restaurant skills and accelerate the expansion of the scope of its businesses in new highly original food-related fields.

2) Outline of the accounting implemented

The transaction is treated as a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

11 Other Notes

(1) Impact of the novel coronavirus

In response to the declaration of a state of emergency by the government of Japan on April 7, 2020, based on the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response, the Company has implemented continuous measures, including temporary store closures, shortening of business hours, and reductions or exemptions of rent for tenants. Depending on how the situation progresses, there is a possibility that the financial position and business results of the Company will be materially affected from next fiscal year onward.

(2) Presentation of stated amounts

The amounts under items and other information in the Company's financial statements were formerly stated in thousands of yen, but from the fiscal year under review, the unit used for presentation has been changed to millions of yen.

Amounts less than one million yen have been rounded down for presentation purposes.