

October 30, 2018

East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results Presentation
for the Second Quarter of Fiscal 2019

[Fares]

Q. Given that in the (fiscal 2023) numerical targets of “Move Up” 2027 there are increases in the revenues and decreases in the income of the Transportation segment, is it possible to raise fares?

A. Revising the upper limit of the fares of railway businesses requires the Minister of Land, Infrastructure, Transport and Tourism to approve applications for the revision of the upper limits of fares from railway operators, upon conducting inspections to determine that the fares do not exceed total cost, which is the sum of reasonable costs and reasonable profits that can be expected to be incurred through the efficient management of those companies.

Given this position and the current condition of the Company’s management, we do not believe that the situation is one in which raising fares is possible. Accordingly, with the current level of fares as a premise, our priority for the immediate future is to strengthen profitability by enhancing productivity.

[New Shinkansen Lines]

Q. There seem to be calls for respective JR companies to shoulder more of the cost burden for new Shinkansen lines. What is the Company’s stance?

A. Usage fees for new Shinkansen lines are based on expected demand and revenues and expenses over a 30-year period after opening. The fees are set based on an amount calculated based on the benefits to the Company as the operator (30-year fixed amount) and the amounts of taxes and administration costs. Other than this, we believe that there is no additional cost burden.

[Operating Expenses]

Q. In other non-personnel expenses, contract security increased ¥2.2 billion year on year in the first half. Going forward, what approach will the Company take to security itself?

A. In addition to the enhancement of security with a view to ensuring that railway stations, platforms, and other railway facilities can be used safely and reliably as well as with a view to preparing for the Tokyo 2020 Olympic and Paralympic Games, the increase in labor unit costs had an effect. In this regard, based on consideration of overall initial costs and running costs, we are examining the reduction of costs by switching over from personnel-based security to machine-based security. Further, the peak will be at the time of the Tokyo 2020 Olympic and Paralympic Games. After that, we believe it will settle down to a certain level.

[Retail & Services Segment]

Q. How do you see the roadmap toward reaching the numerical targets for fiscal 2023?

A. We expect annual revenues of approximately ¥20.0 billion to accompany the opening of the area developed in and around North Passage of Tokyo Station. At the same time, we expect to increase revenues approximately ¥20.0 billion through the further improvement of the existing businesses of the Retail & Services segment. To reach the numerical targets for fiscal 2023, we need to increase revenues further. However, given that large-scale development projects will continue to open, we want to reach the targets by ensuring that we realize the benefits of such initiatives and implement new business development in accordance with NEXT10.

[IT & *Suica* Business]

Q. With the government promoting a cashless society, what is the Company's approach to the *Suica* business?

A. In the previous fiscal year, we increased *Suica* compatible stores by including McDonald's and multiple other large-scale chains. In the current fiscal year, we began *Mizuho Suica* and a *Suica* service for Google Pay. We will continue to leverage its strengths as a public transportation IC card while connecting *Suica* with outside technologies, knowledge, and services even more than before. In conjunction with these efforts, we will increase compatible stores and encourage usage by continuing to cooperate with mutual usage operators nationwide. At present, this is the basic direction of *Suica*.

Q. If you achieve 300 million transactions per month for the usage of *Suica* and other electronic money in fiscal 2023, to what extent will revenues and income increase?

A. In July 2018, the usage of *Suica* and other public transportation electronic money reached 200 million transactions per month. However, reaching 300 million transactions will be very challenging. Nonetheless, we will take various types of measures with a view to reaching the target. Further, the usage of *Suica* and other public transportation electronic money at stores and other places will increase commission income, and reaching 300 million transactions will, to a certain extent, contribute to revenues and income.

[Technology Innovation]

Q. To proceed with innovation, you recently created a new organization. What type of measures is it taking?

A. Previously, several separate sections within head office conducted research and development and technology development. In June 2018, we consolidated the sections and established an organization that spans them laterally and advances innovation with an executive director as its leader. The basic approach is to advance open innovation. We established the Mobility Innovation Consortium, and with a view to realizing a mobility linkage platform we began bicycle sharing in Tokyo in August 2018, and we plan to conduct verification tests with taxis in November. Also, in the life-style service area we have begun verification tests of an unmanned store on a platform of Akabane Station, and in the railway operations sales area we proceeding with the introduction of ticketless service usage. We will continue to announce specific progress

and initiatives through press releases as appropriate. Please kindly await further developments.

Q. How will the mobility linkage platform contribute to revenues and income (monetization)?

A. As a result of constructing a mobility linkage platform, customers' overall travel will increase, thereby producing a merit for us as a railway company in terms of transportation services. At the same time, the Company's development of the system that forms the base has the merit of enabling the earning of usage commission. However, we are currently at the stage of having begun verification tests. Therefore, we intend to construct a platform and realize revenues and income based on a slightly more medium-to-long-term viewpoint. Going forward, as we proceed with verification tests, we want to demonstrate the concept.