

Condensed Transcript from Q&A Session of Presentation for Investors and Analysts
about the JR East Group Management Vision “Move Up” 2027

[Changes in the Business Environment]

Q. To what extent do you view the decrease in demand for railway transportation due to such factors as population decline and technological innovation as a risk or threat?

A. We view the decline of the Tokyo metropolitan area’s population as one of the Company’s largest risks. However, we do not expect the situation to change significantly in the coming 10 years. On the other hand, the situation will certainly change over the next 30 years.

Keeping the next 30 years in mind, we prepared “Move Up” 2027 with our sights set on the coming 10 years. In light of population decline and other changes in the business environment, we want to begin reform now with a sense of crisis.

[Transportation Business]

Q. Regarding the numerical targets for fiscal 2023, although revenues are expected to increase, income is expected to decrease. Have higher operating expenses become a fixture? Or, would you be able to curb certain operating expenses if there was a downturn in operating revenues?

A. In fiscal 2023, we forecast a decline of ¥8.0 billion in operating income compared with that of fiscal 2019. At present, railway operations are labor-intensive. However, we want to utilize a variety of technologies for work done by people. We have already begun introducing track facilities monitoring devices in earnest and conducting research and development on driver-less operations. Over the next five or 10 years, we want to utilize new technologies to increase the flexibility of operating expenses.

Q. Looking ahead to the coming 10 years, could maintenance expenses trend downward?

A. Although increases in labor unit costs affect maintenance expenses, we want to curb them by significantly changing approaches to work that is dependent upon people. At the present juncture, however, we are not anticipating a significant downward trend.

[Life-Style Service Business]

Q. To what extent do the numerical targets for fiscal 2023 incorporate development projects that are currently underway?

A. The numerical targets for fiscal 2023 that we have set include development projects that are currently underway and those that have already opened.

Further, the “Life-Style Service Business Growth Vision (NEXT10),” which we announced in November 2017, sets targets for the operating revenues and operating income of the life-style service business in fiscal 2027 that are approximately 1.5 times higher than their levels were in fiscal 2017.

[IT & *Suica* Business]

Q. Do you have specific measures for monetizing *Suica* and the mobility linkage platform?

A. The number of transactions per day for *Suica* and other transportation-related electronic money reached a new record of about 7.3 million transactions in June 2018. Also, in May 2018 transactions for the month grew very strongly to approximately 180 million, and earnings are trending positively.

Going forward, we will advance the establishment of *Suica* as a common platform. By creating various platforms and providing new value, we will change the profit structure of the IT & *Suica* business.

As for the mobility linkage platform, it depends on the extent to which it is used. We want to develop it as soon as possible, including through such measures as verification experiments.

[Haneda Airport Access Line]

Q. The Haneda Airport Access Line is included in the materials as a topic. Have there been any major developments in this regard?

A. Such elements as a specific business scheme and how expenses are to be allocated have not yet been established for the Haneda Airport Access Line. However, we will proceed with discussions and coordination with the parties involved with a view to further development of the business plan.

[Consolidated Operating Cash Flow]

Q. In the numerical targets for fiscal 2023, operating cash flow and investment cash flow are roughly at the same level. What is the outlook for the five years beginning from fiscal 2023?

A. We disclosed numerical targets for the midpoint five years from now (fiscal 2023) because looking ten years ahead gives rise to significant variables. We will steadily generate operating cash flow through the opening of various development projects, including the town opening of the Shinagawa project (phase I development) around 2024.

[Capital Expenditures]

Q. Have specific uses been decided for priority budget allocation (investment for innovation, etc.)?

A. We intend to use priority budget allocation (investment for innovation, etc.) for

projects that do not immediately produce revenues but that strengthen the management structure over the medium-to-long term through measures in response to population decline and other measures. Specifically, we expect to allocate around ¥50.0 billion for smart maintenance (CBM, etc.), and we expect allocations in such areas as next-generation ticketing systems.

[Shareholder Returns]

Q. Why have you set 40% as a medium-to-long-term goal for the total return ratio? Also, when exactly do you intend to implement the increase?

A. We want to steadily enhance shareholder returns, and in “Move Up” 2027 we raised the medium-to-long-term goal for the total return ratio from 33% to 40%. Further, we want to increase dividends stably.

We view around 2027 as a medium-to-long-term target, but we will consider the timing for raising the total return ratio in light of performance trends and other factors.

[Regional Local Lines]

Q. What is your approach to regional local lines?

A. For some time, we have been aware of regional local lines as an issue. As the population declines further, we want to have specific dialogues with the members of local communities. However, rather than the blanket application of such indicators as the average number of passenger kilometers per day, in light of the characteristics and purpose of lines and line segments, we want to have specific discussions with individual municipal authorities.

For line segments damaged by the tsunami and line segments damaged by other disasters and other factors, we are providing a variety of transportation modes, including, for example, BRT, the separation of the ownership of railway facilities and operations, and changing over to buses. In light of such examples of introductions, we want to have dialogues with local communities and municipal authorities.