

July 28, 2017  
East Japan Railway Company

## Summary of Telephone Interviews about Financial Results in the First Quarter of Fiscal 2018

### [Inbound Revenues]

Q. In railway operations and the life-style service business, what was the level of inbound revenues in the first quarter?

A. Our analysis of the inbound revenues of railway operations is that in the first quarter of fiscal 2017 they were approximately ¥5.0 billion and that in the first quarter of fiscal 2018 they were approximately ¥6.0 billion, up ¥1.0 billion year on year.

In the inbound revenues of the life-style service business, the total tax-free sales were approximately ¥1.7 billion, up 41.3% year on year.

### [Shinkansen Transportation Trends]

Q. Regarding Shinkansen transportation trends, can you provide a breakdown of data by weekdays and by Saturdays and holidays?

A. In the first quarter, a breakdown of Shinkansen transportation results by weekdays and holidays is as shown below.

In July, there was a year-on-year decrease due to suspension of operations of the Akita Shinkansen that resulted from the effect of torrential rain. However, the Akita Shinkansen is scheduled to resume operations tomorrow (July 29), and we intend to monitor trends going forward, including transportation during the *Bon* Festival summer vacation period.

#### Year-on-Year Shinkansen Transportation Results

	Weekdays	Holidays
April	+1%	+1%
May	-1%	+8%
June	+2%	No change

### [Passenger Revenues Basic Trend]

Q. In the first quarter, what caused the Shinkansen network basic trend to decrease ¥1.0 billion versus the target and the Kanto area network of conventional lines basic trend to increase ¥1.5 billion versus the target?

A. The Shinkansen network non-commuter passes (ordinary tickets) basic trend result of less than 0% was below the target of +0.9%. However, reaching conclusions in light of the basic trend's progress in the first quarter alone is difficult. Therefore, we intend to continue analysis while monitoring such factors as the progress of transportation during the *Bon* Festival summer vacation period.

The Kanto area network of conventional lines non-commuter passes (ordinary tickets) basic trend result of +0.9% was significantly above the target of +0.2%. We believe that favorable travel on weekdays and weekends probably reflects the fact that consumer spending and other aspects of the economy have entered a recovery phase. Reaching conclusions in light of the basic trend's progress in the first quarter alone is difficult. Therefore, we intend to continue analysis in the second quarter.

### [Operating Expenses]

Q. Overall, operating expenses are progressing approximately in accordance with targets. However, were any individual expense items above or below targets?

A. Due to favorable progress, maintenance expenses surpassed the target. Further, taxes were above target due to lump-sum payment of property tax, etc. However, this resulted from revision of the in-house standard for lump-sum payment of property tax, etc. Both factors are related to difference in time of recognition, and we think that on a full-year basis operating expenses are progressing approximately in accordance with targets.

### [Effect of Closure for Construction]

Q. In the Retail & Services and Real Estate & Hotels segments, closure for construction led to a tendency for earnings to decline even though revenues increased. In the first quarter, however, revenues and earnings both increased. Therefore, can we conclude that the effect closure for construction has passed its peak?

A. The Retail & Services segment recorded higher revenues and earnings due to the favorable sales of the existing stores of JR East Retail Net Co., Ltd. Meanwhile, challenging conditions are likely to continue given that the effect of closure for construction is continuing in the north passage of Tokyo Station and that closure for construction is also affecting Shibuya Station, Gotanda Station, Urawa Station, and other railway stations.

[“General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project”]

Q. In the Others segment, what was the effect of the “General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project” in the first quarter? Also, will this effect continue increasing going forward?

A. Group company Japan International Consultants for Transportation Co., Ltd., is conducting the “General Consultancy of The Mumbai-Ahmedabad High Speed Railway Project.” The company’s first quarter results, including this project, were operating revenues from outside customers of +¥1.2 billion year on year and operating income of +¥0.3 billion year on year. Further, in the first quarter most of the increase in the Others segment’s operating revenues was attributable to this company.

Including joint contractors, the contract for this project is worth approximately ¥27.8 billion overall, and the contract period is approximately three years. During this period, we expect to recognize earnings as we complete the performance of each part of the contract.