

October 29, 2018

East Japan Railway Company

Summary of Telephone Interviews about Financial Results
in the Second Quarter of Fiscal 2019

[Passenger Revenues]

Q. What is your analysis of the reasons for the basic trends of commuter passes revenues and conventional lines of the Kanto area network being below target?

A. Regarding the basic trend of commuter passes revenues, it was ¥1.0 billion below target. However, the number of users of automatic ticket gates on weekdays in the Tokyo metropolitan area increased approximately 1.0% year on year. The number of employed persons rose nearly 2.0% year on year according to the Labour Force Survey of the Statistics Bureau of the Ministry of Internal Affairs and Communications. As for the basic trend of conventional lines of the Kanto area network, in light of the previous fiscal year's results and trends and other factors, we set a high target for the fiscal year. Consequently, results were ¥2.0 billion below target. Nonetheless, in the second quarter of fiscal 2019 results for *Green cars (upper grade)* continued to be favorable. For both basic trends, at this point we do not believe that the trends have weakened, and we want to monitor the trends going forward.

[Operating Expenses]

Q. Personnel expenses were up ¥0.2 billion year on year in the first half. What is the forecast for the second half?

A. In relation to personnel expenses, the increase due to changes in the Elder Employee System and the decrease due to a decrease in employees are about the same. Therefore, until the third quarter, when the effect of changes in the Elder Employee System will have completed one cycle, we expect personnel expenses to trend at the same amount as in the previous fiscal year overall. As for the fourth quarter, we expect that decrease due to a decrease in employees will emerge as the principal factor in changes.

Q. In other non-personnel expenses, contract security increased ¥2.2 billion year on year in the first half. What is the forecast for the second half?

A. In response to the recent incident that resulted in casualties on the Tokaido Shinkansen Line and in preparation for the Tokyo 2020 Olympic and Paralympic Games, we are endeavoring to heighten security in railway stations, on platforms, within railcars, and in other areas, and we plan to continue conducting security in the second half. At the same time, however, we are currently installing automatic platform gates and security cameras. Therefore, in light of the progress of these efforts, we will carefully analyze security going forward.

Q. With respect to the plan to reduce the total of personnel expenses and business consignment expenses, what is your approach?

A. Although personnel expenses are decreasing, the pace has softened due to such factors as changes in the Elder Employee System. Meanwhile, business consignment expenses continue to trend upward due to rises in consignment and sales commissions. In the first half, the total of personnel expenses and business consignment expenses rose year on year. However, we will realize cost reductions through initiatives to enhance the productivity and efficiency of work.