April 26, 2019

East Japan Railway Company

Summary of Telephone Interviews about Financial Results for Fiscal 2019

［Operating Expenses］

Q. Will construction supplementary maintenance continue on an upward trend in future?

A. In the fiscal year ending March 31, 2020, a year-on-year increase of ¥3.8 billion is planned for construction supplementary maintenance. As capital expenditure increases going forward, construction supplementary maintenance is also expected to trend upward.

Q. Will contract security expenses continue on an upward trend in future? Further, what is your approach to controlling business consignment expenses?

A. With respect to contract security expenses, we will enhance security in preparation for the Tokyo 2020 Olympic and Paralympic Games. We believe that contract security expenses will peak in the fiscal year ending March 31, 2021. Further, through proactive investment in innovation, we want to reduce the manpower needed for the management of the Company’s operations in preparation for the future. In this process, we want to scrutinize the necessity of the business consignment that we are currently implementing.

Q. Why is a ¥32.2 billion year-on-year increase in other non-personnel expenses planned in the fiscal year ending March 31, 2020?

A. Breaking down other non-personnel expenses, miscellaneous expenses are +¥15.4 billion, and business consignment expenses are +¥16.8 billion. Further, the main components of miscellaneous expenses are expected to be test expenses of approximately ¥12.0 billion for the ALFA-X next-generation Shinkansen and an approximately ¥1.8 billion increase in expenses accompanying the full-fiscal-year reflection of the effect of integration of *JRE POINT*, which was in June last year. In addition, business consignment expenses are expected to include an approximately ¥3.1 billion rise due to increased business consignment for railway station operations and an approximately ¥2.3 billion rise in relation to contract security.

［Life-Style Service Business］

Q. What are the causes of the weak growth of the operating income in the Retail & Services segment in the fiscal year ended March 31, 2019, as well as in the Real Estate & Hotels segment in the fiscal year ending March 31, 2020?

A. In the fiscal year ended March 31, 2019, the operating income of the Retail & Services segment only increased ¥0.2 billion year on year due to such factors as an increase in costs accompanying higher revenues and an increase in the personnel expenses of Group companies. Further, under the plan for the fiscal year ending March 31, 2020, development expenses and other expenses for SHIBUYA SCRAMBLE SQUARE are expected in the Real Estate & Hotels segment.

［Capital Expenditure］

Q. What is the reason for the significant year-on-year increase in consolidated capital expenditure in the fiscal year ending March 31, 2020? Also, how do you see the trend going forward?

A. In the fiscal year ending March 31, 2020, a year-on-year increase of ¥138.0 billion is planned. Breaking this down, growth investment is +¥101.5 billion, priority budget allocation is +¥33.0 billion, and investment needed for the continuous operation of business is +¥3.4 billion.

In the fiscal year ending March 31, 2020, investment will increase significantly year on year because projects in Shibuya, Takeshiba, Yokohama, Kawasaki, and other locations will open soon. Further, because investment will begin in earnest for the Shinagawa Development Project, which is to open around 2024, the scale of investment will remain at a certain level going forward.