

October 29, 2020
East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results Presentation
for the Second Quarter of Fiscal 2021

[Shinagawa Development]

Q. What is the progress of plans going forward with respect to such matters as the office demand of the Shinagawa development?

A. Although changes in conditions in the office market due to factors related to COVID-19 are evident, at the present juncture the Company's office buildings are not being significantly affected. With respect to the Shinagawa development, we are basically expecting significant demand. While we are considering such measures as the introduction of air-conditioning and ventilation equipment in a manner that takes into account COVID-19, we will proceed with development as planned.

[Strengthening of Management Efficiency]

Q. What progress have you made in reforming systems for the execution of operations and in reorganizing the Group?

A. With respect to systems for the execution of operations, we will proceed with digital transformation at respective workplaces. Specifically, we will construct ticketless systems that use such measures as e-tickets to enable the boarding of Shinkansen and other services, and we will streamline the operation systems of railway stations. Further, we will increase driver-only services and further advance condition based maintenance (CBM), for which we have already been implementing measures.

As for reorganizing the Group, at the beginning of the current fiscal year we merged Nippon Restaurant Enterprise Co., Ltd., and JR EAST FOOD BUSINESS CO., LTD. Going forward, we will speed up the reorganization of companies responsible for businesses inside railway stations. We will announce details as soon as preparations have been made.

[JR Hokkaido]

Q. Has there been any change in your stance toward support for JR Hokkaido?

A. Basically, there has been no change in our existing stance. Although we will continue providing personnel-related support and collaborating in terms of tourism with the company, we are not thinking about providing business management support with respect to financial matters.

[Capital Expenditure]

Q. Regarding the capital expenditure plan in the fiscal year ending March 31, 2021, in comparison with the previous year there is a decrease in growth investment and an increase in investment needed for the continuous operation of business. Will this trend continue from the fiscal year ending March 31, 2023, onward? Further, over the medium-to-long term will it be possible to reduce the level of investment needed for the continuous operation of business?

A. We plan to announce the numerical targets of a new medium-term management plan within the current fiscal year, and the details will be explained in that. We expect growth investment to increase because the Shinagawa development will get underway in earnest going forward. Meanwhile, we view curbing investment needed for the continuous operation of business as a significant management issue. The plan for the coming fiscal year onward has not yet been announced, but we want to do everything that we can to ensure there is not an increase. Further, we continue considering revising the timing of construction work that is to be implemented as a countermeasure for large-scale earthquakes and the timing of the renewal of railcars. In addition, we will take measures to reduce the number of train services depending on demand. Also, we will reduce the number of train services and further streamline the facilities of regional local lines.

[Logistics services that utilize train]

Q. What degree of business scale are you envisioning in the future for logistics services that utilize trains?

A. Our policy is to foster them as a significant business pillar going forward. If demand increases, we will not only consider the utilization of free space in railcars, which we are doing at present, but also the loading of freight in passenger-freight mixed trains. In the future, there is the possibility of competing with air transportation, and we want to leverage rapid delivery capabilities and regularity to increase demand.

[Fare Review]

Q. What progress is being made with respect to the review of commuter pass fares during peak periods?

A. We will proceed in stages with a flexible system of fares and charges that encourages a shift in peak periods. Firstly, in spring next year we will implement and verify a service that awards *JRE POINT* to customers who use *Suica* commuter passes for commuting and other travel during off-peak periods. As the next step, we are considering the establishment of off-peak commuter passes. This will entail reducing fares during off-peak periods and raising fares slightly during peak periods. As the increases and decreases will offset each other in relation to overall revenue, in effect this will not be a fare increase.

Further, because the design of a system for off-peak commuter passes has not been finalized, we have not yet reached the stage of formal deliberations with the Ministry of Land, Infrastructure, Transport and Tourism. Also, system-related issues need to be resolved going forward.

Q. What is your approach to revising fares over the medium term?

A. As the current scheme for raising fares is a rigid method based on total cost, we want to discuss increasing the flexibility of the fare system with the Ministry of Land, Infrastructure, Transport and Tourism. Further, the current fare system is complex and difficult for customers to understand. Therefore, we want to simplify the fare system as much as possible. Firstly, we want to consider the matter in-house and then proceed with deliberations with the Ministry of Land, Infrastructure, Transport and Tourism.