

February 1, 2021
East Japan Railway Company

Presentation for the Financial Results of the Third Quarter of Fiscal 2021 and the
Establishment of New Numerical Targets of the Group Management Vision
“Move Up” 2027

[Cost Reduction]

Q. What will be the approach to cost reductions in coming fiscal year?

A. We plan to announce details of the performance outlook for the fiscal year ending March 31, 2022, when we announce fiscal year-end financial results. As stated in the presentation materials, efforts will be particularly focused on tackling cost reductions because a challenging situation is expected for passenger revenues in the fiscal year ending March 31, 2022.

With respect to cost reductions, there are both measures with medium- to long-term effects and measures with short-term effects. In the coming fiscal year, we will implement both types of measure and steadfastly ensure that results are in the black.

[Passenger Revenues Outlook]

Q. With respect to commuter passes usage and business travel demand, to what extent do you expect them to recover relative to pre-COVID-19 levels?

A. We expect commuter passes to level out at between 85% and 90% of the pre-COVID-19 level. This outlook is based on the fact that even in the third quarter the recovery was not favorable due to the penetration of telecommuting. As we expect a decrease in the number of commuting days of customers who previously purchased traditional commuter passes and a shift toward such tickets as multiple-ride tickets, we want to capture demand through *Repeater Point Service* and other services, which will be implemented from March.

As for business travel demand, allow us to provide the outlook for Shinkansen usage. For Shinkansen overall, we expect revenues to be at approximately 80% of the pre-

COVID-19 level. Breaking this down, we expect business to be at 70% and tourism to be at 90%. Also, regarding post-COVID-19, we expect revenues to be at approximately 90% of the pre-COVID-19 level. Breaking this down, we expect business to be at 80% and tourism to be at 100%. In addition, the aforementioned are the outlooks for the recovery of the basic trend of Shinkansen. To further raise the basic level of passenger revenues, we will increase revenues through yield management and other measures.

[Profit Margin of the Transportation Segment]

Q. Will the profit margin of the Transportation segment not return to the level that it was around the period between the fiscal year ended March 31, 2016, and the fiscal year ended March 31, 2019?

A. We will further advance such measures as expanding condition-based maintenance (CBM) and driver-only services and increasing the efficiency of railway station operations through the introduction of ticketless service usage. With respect to regional lines, facilities will be further streamlined, and maintenance costs will be lowered.

In addition, as timetables for last-train services will be revised beginning from the March, we will be able to conduct construction work even more efficiently. At the present juncture, we expect to reduce expenses by several billions of yen (including construction work expenses), and we believe that the benefits can be further increased through innovative measures. Also, through such services as *Off-Peak Point Service*, we plan to level out peaks and thereby reduce costs. Through the aforementioned measures, we want to enhance the profit margin of the Transportation segment.

[Numerical Targets of “Move Up” 2027]

Q. Are the latest five-year numerical targets the minimum profit targets that are to be achieved premised on the revenues forecasted?

A. The latest announcement was made based on the belief that we should establish medium-term numerical targets through the incorporation of factors forecastable at the present juncture and that we should implement specific measures focused on these targets.

With respect to passenger revenues, although the current situation is fluid, as stated previously, we do not believe that the basic trend will return to pre-COVID-19 levels in five years' time. As a company, we are not satisfied with these profit levels. They represent a plan that incorporates the cost reductions that are expected at the present juncture. Going forward, therefore, we want to step up efforts even further.

Q. Will numerical targets be established on a rolling basis to reflect changes in the business environment by, for example, reflecting as needed the effects of raising and lowering the prices of commuter passes?

A. In response to changes in the business environment going forward, we want to use a rolling approach and make revisions if necessary.

With respect to raising and lowering the prices of commuter passes, we are currently considering a system that is designed to achieve overall neutrality in terms of revenues and expenses by lowering the fares of commuter passes that are for use in off-peak periods and raising the fares of commuter passes that can also be used in peak periods. In this way, we will ease congestion, level out peaks, and reduce costs.