April 28, 2023

East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results Presentation for Fiscal 2023.3

* Please note that this document is not a word-for-work transcript of the actual QA session, but a condensed transcript prepared by the Company by summarizing the actual interactions as appropriate.

[Sustainability of railway business]

Q: What do you think are the profit levels for the railway business to be sustainable? Isn’t it difficult to maintain the railway business given its high fixed costs if the population continues to decline?

A: We will continue to operate the business in due consideration of its revenues and expenses. Given the scheduled introduction of Green Cars to the Chuo Rapid Line and extension of Shinkansen to Tsuruga and Sapporo, we will work to increase revenues and reduce costs at the same time. In addition, for line segments that cannot benefit from the business characteristics of railways, we will consider choosing a sustainable transportation system from among various alternative options.

[Railway fare and fee systems]

Q: While your plan assumes that operating income of the railway business will not return to pre-COVID levels even in Fiscal 2028.3, how do you plan to manage the business going forward? While discussions are underway at the Ministry of Land, Infrastructure, Transport and Tourism on the revision of fare and fee systems, how does JR East want to revise its fare and fee systems once it is permitted to revise them?

A: The matter is currently being discussed at the Ministry of Land, Infrastructure, Transport and Tourism. Once the direction and the conclusion of the discussion becomes clear, we would like to show our responses.

As we have started the introduction of off-peak commuter passes since March this year, we think that we have realized a flexible fare system. The current fare and fee systems are the legacy from the era of Japanese National Railways and are very complex. Therefore, we would like to make the whole systems simpler and more flexible.

[Inbound demand]

Q: As exemplified by Morioka being selected as one of The New York Times’ list of “52 Places to Go in 2023,” inbound tourism consumption is expected to continue to increase going forward. What measures are you taking to increase occupancy rates of your hotels and affiliated hotels?

A: While inbound demand had been increasing until the outbreak of COVID, mobility to Tohoku and Joshinetsu areas, unfortunately, were relatively limited.

On the other hand, there were many tourists last winter not only to Morioka, but also to Yamagata and Nagano. We are also conducting promotional campaigns to attract visitors to our areas.

As the ratio of inbound customers is also increasing in lodging business, we would like to continue to enhance lodging products targeting inbound customers to capture their demand at our group hotels.

[Reduction of operating costs]

Q: Do you plan to revise upward the operating cost reduction target of 100 billion yen?

A: We have just reached a point where we are confident to achieve the initial reduction target of 100 billion yen. We would like to take specific measures going forward to improve profitability further. Any such revision is still under consideration internally, but we would like to show a specific numerical target in good time.

[Real estate development]

Q: You said that tenant leasing is underway for Takanawa Gateway City. On the other hand, office vacancy rates are rising due to large supply in the market. While I expect no problem in office properties of your Company, I would like you to give us an idea of the status of your leasing activities and the competitiveness of your properties against other office buildings in the same area.

A: We are developing Takanawa Gateway City as “a town that continues to evolve.” While leasing is currently underway, we aim to work with tenants and other users to create a town that continues to evolve.

Real estate properties of the Group are located very close to stations, and their vacancy rates are already low. We are confident that we can continue to increase the market competitiveness of our properties including future projects.