April 27, 2023

East Japan Railway Company

Summary of Telephone Interviews about Financial Results 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.

[Financial forecasts for Fiscal 2024.3]

Q: What is the breakdown of the increase in expenses on a non-consolidated basis?

A: As electric power companies are raising electricity rates, energy expenses and non-personnel expenses-other are rising. Expenses linked to revenues as well as expenses of the lifestyle solutions business, such as cost of sales of real estate, will also rise. In addition, taxes and dues and depreciation are expected to increase.

[Numerical targets for Fiscal 2028.3]

Q: Why have you set new numerical targets for “Move Up 2027”?

A: The numerical targets for FY2026.3 were originally set in January 2021 while it was unclear when the COVID-19 pandemic would end. Assumptions have changed significantly since then due to the repeated waves of infection.

We have set new targets because of two reasons. Firstly, it is now likely that passenger revenues will reach a post-COVID steady state during Fiscal 2024.3. Secondly, we can now more clearly see through expense levels in normal years that reflect reactionary increases following emergency cost restrictions to respond to decreases in revenues and the effect of structural cost decreases. We expect an increase in profit driven by recovery in passenger revenues and new openings in the Real Estate & Hotels segment, and we also plan to expand shareholder returns going forward in accordance with our shareholder return policy.

Q: Why is the size of increase in profit smaller than the size of increase in revenues in the transportation business whose fixed cost ratio is high?

A: As for revenues, we forecast that passenger revenues will recover to 96% of pre-COVID levels in Fiscal 2028.3. The size of increase in profit will be smaller than the size of increase in revenues because we expect that (1) personnel expenses will increase in and after Fiscal 2024.3 as the period of mass retirement will end, (2) energy expenses will remain at high levels, (3) costs will increase in the railcar manufacturing business, and (4) depreciation and taxes and dues will increase as a result of increases in capital expenditure.

Q: What are the drivers of future increases in profit in the Real Estate & Hotels segment?

A: We forecast that the new openings of Takanawa Gateway City and the Oimachi project as well as growth in existing business will contribute to the increase in profit. For real estate sales business as a whole including both the rotational business model and condominium sales, we forecast revenues of 40 billion yen and operating income of 23 billion yen for Fiscal 2028.3