November 1, 2023

East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results Presentation for the Second Quarter of Fiscal 2024.3

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

[Passenger revenues]

Q: What is your analysis of the slower recovery in demand for the Tohoku Shinkansen than demand in other areas?

A: We believe that this is mainly due to slow recovery in business demand rather than tourism demand. Given the widespread use of web conferencing, there is a limitation on what we can do to restore business demand to pre-COVID levels. Therefore, we would like to consider how to increase tourism use. It is an important question how we can use the nature, food, culture, etc., of Tohoku as key features. We analyze that the Hokuriku Shinkansen is recovering relatively well because of its high proportion of tourism demand.

Q: Are the purchase rate and the shift rate of off-peak commuter passes in line with the plan?

A: As people replace their passes at different timings, it is difficult for us to achieve the target of 17% at once. At this point, progress in the purchase rate is slower than expected. We will work to achieve a two-digit figure as soon as possible. The shift rate has not even reached half the target of 5%. Therefore, we will work to encourage shift especially during April and October in which many people tend to replace their passes.

[Railway fare and charge systems]

Q: Regarding the discussion with the Ministry of Land, Infrastructure, Transport and Tourism on railway fair and charge systems, what progress has been made since the announcement by the Ministry in June and what is the outlook?

A: Discussion with the Ministry of Land, Infrastructure, Transport and Tourism is ongoing, and discussion topics include how to reflect future investment in total cost. We have requested that the Ministry update the cost calculation guidelines as soon as possible.

[Real Estate & Hotels business]

Q: According to your presentation, operating revenue of TAKANAWA GATEWAY CITY would be 56.0 billion yen under stabilized operation. Is leasing coming along as planned?

A: We are negotiating with prospective tenants by persuading them to understand the value of the development area, and leasing is coming along well. We currently estimate that operating revenue would be 56.0 billion yen under stabilized operation and IRR will exceed 10%.

Q: What is the progress status of the rotational business model in the real estate business?

A: We did not sell any property under the rotational business model in the real estate business in the first half of the year, but some sales transactions are expected to occur in the second half of the year. We forecast that operating revenue of 30 billion yen and operating income of 10 billion yen will be generated from this business model for FY2024.3.

[Management conscious of cost of capital]

Q: Please tell us about your future capital policy. Although ROA is set as a KPI in the medium-term management plan, ROE is also important in terms of management that is conscious of the cost of capital. What is your plan toward improving ROE?

A: As for responses to achieve management conscious of cost of capital and stock price, as stated in our Corporate Governance Report disclosed in June 2023, we are discussing them internally to prepare for disclosure by the announcement of financial results for FY2024.3. Given the large size of its assets, the JR East Group should be able to improve ROE through the improvement of ROA.