April 30, 2024

East Japan Railway Company

Summary of Web Interviews about FY2024.3 Financial Results and Management Strategy

* 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.

[Future Revenue Outlook]

Q: How are the effects of the opening of TAKANAWA GATEWAY CITY factored into your forecast for the next fiscal year and beyond?

A: We expect that real estate acquisition taxes and other opening costs will be needed until FY2027.3, and that the project will make a full-scale contribution to revenues from FY2028.3.

Q: What is the impact of the launch of JRE BANK services on FY2025.3?

A: We do not expect a major impact on our forecast for FY2025.3. We would like to link this to future business with a view to establishing long-term contact points with customers.

[Future Outlook for Transportation Business]

Q: What factors will cause operating income in the Transportation Business to decline in FY2026.3 and beyond?

A: It is because we expect a certain level of wage increase in addition to the elimination of the impact of the reduction in the number of employees.

Q: Regarding Personnel expenses for FY2025.3, you expect a decrease overall, but what are the elements of increase or decrease?

A: While JR East has decided to raise wages by about 6%, we expect a decrease in the number of employees and a reactionary decrease from the additional recording for bonuses incurred in the previous year.

Q: What is the future outlook for Non-personnel expenses?

A: While Energy costs are not expected to increase or decrease significantly, Maintenance costs and Other costs (operation, outsourcing, etc.) are expected to be affected by soaring prices and increases in labor costs. Although expenses are on the rise, we hope to achieve our profit target for FY2028.3 by top-line growth and the effects of operating cost reductions in the railway business.

Q: You previously explained that the level of Maintenance costs would remain at around 285 billion yen per year, but will the level be raised permanently?

A: Maintenance costs in FY2025.3 are expected to increase by about 36 billion yen due to the impact of soaring prices and increases in labor costs, as well as the implementation of maintenance which was controlled while ensuring safety during the COVID-19. Although we expect a certain level of impact from soaring prices and increases in labor costs, we will reexamine the level in the next fiscal year and beyond.

[Fare and Charge Policy]

Q: We expect to see an increase in revenue from the fare revision, but given the expected increase in expenses, will it have that much of an effect on profit growth?

A: At this time, we are not in a position to indicate the extent of the price increase or the effect of increased profits due to the fare revision.

Q: What are you doing to improve the purchase rate of off-peak commuter passes?

A: In order to increase the purchase rate, which is currently about 8%, to 17%, a JRE POINT return campaign has been running since March, and the discount rate for off-peak commuter passes will be increased in October. We would like to continue to encourage both the customers who purchase and the companies.

[Real Estate & Hotel Business]

Q: What is the performance of your rotational business (income-making real estate sales business)? Are real estate market conditions having an impact to your business?

A: Results from the rotational business for FY2024.3 were approximately 34 billion yen in operating revenue and 17 billion yen in operating income. We are aiming for an average annual sales scale of 20-30 billion yen, which is not significantly affected by the real estate market conditions.

Q: The vacancy rate for your office space in Tokyo has increased since the third quarter, but what is the outlook for the future?

A: We would like to continue to maintain a low vacancy rate by taking advantage of the Group's strength in having many properties close to our train stations.

[Capital Policy]

Q: What level of ROE do you want to increase? Will you continue with the same approach to shareholder returns?

A: We will seek to further improve ROE to ensure that it continues to exceed the cost of equity. Rather than share buybacks or other capital policies, we would like to increase ROE by raising operating revenues and improving ROA.