

February 3, 2025

East Japan Railway Company

Condensed Transcript from Q&A Session of Presentation
for the Financial Results in the Third Quarter of FY2025.3

* 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.

[General management]

Q: Will the next management vision be released based on the approval status of fare revisions?

A: We would like to make the announcement as early as possible in FY2026.3. We will make preparations to the extent possible and would like to announce the next management vision as soon as the fare revision is approved.

Q: Previously, the Company has explained that the amount to be refinanced annually was about 350 billion yen and that a 1% increase in interest rates would increase interest expense by about 3.5 billion yen; has there been any change in your sensitivity to interest rates as they rise?

A: There is no change in our sensitivity to rising interest rates. We will continue to control the impact of rising interest rates by fixing the interest rate paid, lengthening the maturity of funding, and equalizing the redemption of interest-bearing debt, as we have done in the past. In order to continue to invest in growth, including TAKANAWA GATEWAY CITY and OIMACHI TRACKS, we will generate cash, including the realization of unrealized gains on rental properties, and allocate it to growth investments.

Q: How exactly does the “Effective use of assets” described in the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” lead to “Optimization of assets”?

A: By utilizing assets of Mobility for Lifestyle solutions, as in the case of “Hako-byun” (logistics services), new services will be provided without increasing the assets. In addition to utilizing assets within the Group, we will also promote the effective use of assets in the community through the free transfer of station buildings to local governments. Furthermore, since the railway business has enormous fixed assets, we will promote the effective use of assets through the steady efforts of all employees on a daily basis, leading to more efficient use of assets. For example, if there are excessive facilities that are not suitable for the current usage, we will streamline the facilities in line with the current usage. We will control the B/S with various options.

[Suica]

Q: Is the walk-through ticket gate, which you have as a future vision for Suica, an extension of the current FeliCa technology or is it to be realized with new technology?

A: We are aiming to realize walk-through ticket gates within the next 10 years, and we would like to move up the date of realization even further. Until now, the need to touch the ticket gate in real life, the maximum charge amount of 20,000 yen, and the fact that the area where Suica can be used is divided have been the "norm" preventing the improvement of Suica's convenience. To achieve one of these, touchless, we aim to realize walk-through ticket gates that utilize the location information of cell phones and smartphones. However, it will take time to replace all ticket gates with walk-through ticket gates, including the development of other railway companies, and for the time being, real-touch ticket gates will also coexist.

[Forecast for FY2025.3]

Q: It seems that the financial results for each segment exceeded the plan, but not enough to revise the full-year forecast? Or do you expect to incur some major costs or losses in the fourth quarter?

A: We do not anticipate any major losses in the fourth quarter and expect to make progress as planned toward the end of the fiscal year. Although there is an upward trend overall, we do not expect a large variance from the plan.

[Passenger revenues]

Q: Passenger revenues in the third quarter alone exceeded projections, and the trend has changed from the previous two quarters. What is your analysis of the factors behind this?

A: We believe that there was a certain shift in usage from the second quarter to the third quarter due to the summer heat wave and natural disasters. We also believe that increased tourism demand, including the effect of the extension of the Hokuriku Shinkansen to Tsuruga, also contributed to increase of passenger revenues.

Q: How do you plan to maintain the strong trend in passenger revenues in the third quarter?

A: Since the fourth quarter will be an off-peak season, we will work to capture further inbound demand in order to improve boarding efficiency. Another issue is to further increase weekday use and longer distance trips. In the fourth quarter, we have begun sales of a special pass for weekdays travel with a usage period from February to March. The current sales are approximately 30% higher than last year, and we intend to link these measures to the improvement of boarding efficiency during off-peak periods.

While automatic ticket gate usage on weekdays in the Tokyo metropolitan area continues to hover around 80%, commuter pass revenues have recovered to 85% of pre-COVID-19 levels. We expect further trend toward return to offices and the number of companies buying commuter passes to continue to increase.

Conventional lines in the Kanto area have already exceeded the pre-COVID-19 level, and we will work to ensure transportation stability.

Our plan for the fourth quarter incorporates a reactionary decline of about 3 billion yen from the leap year.

Q: Inbound passenger revenues turned around in the third quarter. Are there any characteristics of usage by route?

A: Hakuba and Yamagata are doing well, and GALA Yuzawa is also doing well, especially with Thai customers. The effects of strengthening PR activities in Southeast Asia are beginning to emerge. Inbound passenger revenues for nine months totaled 29.5 billion yen, down 1.5 billion yen from the plan, but the third quarter alone exceeded the plan by approximately 3.6%. As snow and skiing have become killer contents for inbound travelers, the company will continue to capture snow leisure demand and build up inbound revenues in the fourth quarter as it did in the third quarter.

[Real Estate and Hotels]

Q: What is your forecast for operating income in the Real Estate and Hotel business in the fourth quarter? What about factors such as the possibility of further accumulation in real estate sales and the costs of opening TAKANAWA GATEWAY CITY?

A: Operating revenue from real estate sales is projected to be about 30 billion yen for the full year, but we believe there is a possibility that it may exceed the plan due to an upturn in sales of former company housing sites, etc. Expenses for TAKANAWA GATEWAY CITY are expected to be recorded ahead of schedule from the fourth quarter through the next fiscal year.