

May 2, 2018

East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results
Presentation for Fiscal 2018

[Operating Expenses]

Q. With respect to the Elder Employee System, is there no possibility of the system changing going forward in accordance with “equal pay for equal work” and other principles?

A. In April 2018, we significantly revised the basic allowance and the system of the full attendance allowance, which is equivalent to bonuses. Therefore, we are assuming that the basic components of this system will remain unchanged.

Q. There is a year-on-year increase of at least ¥10 billion in other non-personnel expenses between fiscal 2018 results and the fiscal 2019 plan. Will this trend continue going forward?

A. Given that we are proceeding with business consignment for railway stations and other operational areas, we believe that there are factors that will further increase business consignment expenses going forward. Also, regarding security expenses for the Tokyo 2020 Olympic and Paralympic Games, we hope to respond through equipment-enabled security measures as far as possible. We want to analyze the extent to which security conducted by personnel will be necessary.

[Growth Investment]

Q. Can you provide specific details about the Transportation segment’s growth investment of ¥112 billion in fiscal 2019? Also, is this investment that can exceed the hurdle rate?

A. We view the Transportation segment’s growth investment as investment that we will recover over the long-term. Our existing approach to investment has not changed. For example, there are cases in which we use timescales of 30 years when assessing whether or not we can establish viable businesses. Further, growth investment that we are currently proceeding with in the Transportation segment includes the direct Sotetsu-JR line and the introduction of *Green Cars* to the Chuo Line Rapid Service and other lines.

[Returns to Shareholders]

Q. In the materials for this financial results presentation, there is no mention of the 33% total return ratio, which was set out as a medium-to-long-term target. Will the new Group management vision include a change in approach to returns to shareholders?

A. Basically, we view the recently announced share buybacks as premised on the 33% total return ratio.

Further, with a view to the new Group management vision that we plan to announce around summer 2018, we are currently considering returns to shareholders going forward, and we have not included returns to shareholders in the materials for this financial results presentation. Further, as we announced at the same time as announcing an increase in dividends of ¥10 per share, we want to continue working toward higher dividends.

Q. What priority level do returns to shareholders have in the use of cash flows?

A. With respect to how we use cash flows, we have always based our efforts on three large pillars: capital expenditure, returns to shareholders, and debt reduction. This time, because we plan a significant increase in capital expenditure, which includes growth investment and priority budget allocation (investment in innovation, etc.), we do not plan to reduce debt in fiscal 2019. Further, there is no change in our approach of placing importance on returns to shareholders.

[JR Hokkaido]

Q. JR Hokkaido's management situation is becoming more challenging by the year. I would like to confirm JR East's relationship with the company.

A. We believe that the basic framework under which each JR company contributes to society through the conduct of corporate efforts should be preserved. Although we are aware that the management of JR Hokkaido is extremely challenging, we are not thinking about JR East providing financial support.

However, we will continue steadily pursuing initiatives for tourism, the opening of Shinkansen, and the provision of personnel support in relation to safety. In particular, Hokkaido's tourism has a great deal of potential.

[Labor-Management Relations]

Q. There was some media coverage regarding labor unions. How do you view labor-management relations?

A. There are multiple labor unions in JR East. We respond sincerely to all labor unions, and this basic approach is not something that will change.

In any case, we want to act responsibly as a company as we tackle a range of measures, including efforts to enhance productivity and increase efficiency.