

May 2, 2017
East Japan Railway Company

Condensed Transcript from Q & A Session of Financial Results Presentation for Fiscal 2017

[Three-Year Plan]

Q. In the three-year plan, why is growth in income not as much as growth in revenues in Transportation segment? What type of increases in expenses do you expect?

A. We plan to create the next generation of Shinkansen prototype railcars. In the fiscal year ending March 31, 2020, we expect this special factor to result in an increase in R&D expenses. We will announce details when a concrete plan has been established.

Q. Comparing the final fiscal year (fiscal year ending March 31, 2019) of the medium-term management plan announced last year and the final fiscal year (fiscal year ending March 31, 2020) of the medium-term management plan announced this time, operating income has only risen ¥1 billion. In particular, why is the operating income of non-transportation operations declining?

A. In non-transportation operations, we plan to open several large-scale development projects in 2020. In this context, significant projects will not open in the fiscal year ending March 31, 2020. However, we would be grateful if stakeholders view matters from a medium-to-long-term perspective.

Q. How will the IT & *Suica* business grow with a view to the fiscal year ending March 31, 2020?

A. We expect the use of *Suica* as a means of settlement will increase due to such factors as the beginning of the inclusion of Apple Pay in *Suica* last year. Further, the number of stores affiliated with electronic money is trending upwards steadily. Also, we are progressing with the unification of point programs. By integrating *JRE POINT* with such point programs as *Suica Point* and *View Thanks Point*, we aim to create synergy benefits.

[Visitors to Japan]

Q. Specifically, what does the survey of travel by visitors to Japan reveal? Further, how will you reflect these findings in measures?

A. Understanding the survey of travel by visitors to Japan has given us an understanding of the type of sales promotions we should focus on tourists from particular countries. Going forward, we want to use this knowledge to establish products and develop

infrastructure for supporting visitors to Japan and thereby increase revenues from visitors to Japan.

Q. You have set out a target of ¥20 billion for revenues from visitors to Japan in the life-style service business in the fiscal year ending March 31, 2021. Can you give a breakdown of this target? Also, what type of investment will you implement going forward?

A. In the fiscal year ended March 31, 2016, we began providing duty-free shopping in shopping centers, and we expect to continue expanding these initiatives. As for hotels, we plan to build hotels in Saitama-Shintoshin, Sendai, and Funabashi. We want to grow revenues from the accommodation of visitors to Japan in step with these developments.

[Personnel Expenses and Business Consignment Expenses]

Q. With respect to enhancing operational efficiency and productivity, improving compensation and reform of personnel expenses and business consignment expenses are mentioned. As a result, will the total of personnel expenses and business consignment expenses stop decreasing? Is there a possibility that will they increase?

A. “Work-style reform” is expected to result in a certain amount of increase. If we increase employment of seniors further, it will be necessary to increase personnel expenses to a certain extent. Further, whether the labor conditions of Group companies and partner companies should remain as they are as well as how to secure a quality workforce amid shortages in manpower will become extremely significant factors. Of course, we will take rigorous measures to enhance productivity. However, reviewing each area of personnel expenses and business consignment expenses will become necessary. We will properly manage business expenses in a balanced and comprehensive manner.

[Growth Investment]

Q. Investment decisions for periods of 20 years are premised on a return on investment of approximately 6% or more. However, when you run out of investment projects in the future, will you proceed with capital expenditures based on a lowered investment criterion? Or will you increase returns to shareholders?

A. There are quite a lot of railway stations that have large numbers of passengers and which have potential for future development. Also, it is necessary to undertake development in collaboration with other railway companies, and we are implementing a variety of initiatives. For the time being, we want use the current criterion for investment decisions.

Q. If you are tracking the benefits of growth investment, would it be possible to update or disclose this information annually?

A. We track the benefits of growth investment. Operating cash flow from overall growth investment is surpassing the target by about 10% (as stated on page 30 of the presentation). We would like to continue considering how to disclose the benefits of growth investment.

[Seismic Reinforcement]

Q. You plan to implement additional seismic reinforcement measures of approximately ¥300 billion over the coming 10 years. What was behind your decision to expand on the existing seismic reinforcement measures?

A. We decided to steadily implement seismic reinforcement measures for various reasons, including to respond to concern over the possible occurrence of an earthquake directly beneath the Tokyo metropolitan area.

For example, in the Tokyo metropolitan area, we have thus far implemented seismic reinforcement measures on line segments with average passenger numbers in one direction of around 250,000 or more per day. Going forward, we will examine the expansion of these efforts to include line segments with 50,000 passengers and 100,000 passengers, for which standards for implementing seismic reinforcement measures differ. By providing safety over a wider scope, we want to strengthen preparedness for risk.

[JR's Business Management System]

Q. With 30 years having passed since the establishment of JR, there seems to be discussion about such issues as reforming JR's business management system. In this context, could you please reconfirm your stance with respect to JR Hokkaido?

A. As stated previously, we have ruled out providing financial support or a company merger. However, we will continue cooperation with respect to personnel development and safety measures. We will undertake joint efforts in areas where working together produces mutual benefits, such as sales—including tourism strategies—and technological development.