

October 29, 2019

East Japan Railway Company

Condensed Transcript from Q&A Session of Financial Results Presentation  
for the Second Quarter of Fiscal 2020

[Typhoon No. 19 (Hagibis)]

Q. What is the status of damage to Hokuriku Shinkansen railcars, and what is the plan for operations going forward?

A. Currently, we are in the process of surveying the extent of damage to the railcars. After completing a detailed survey of such factors as whether to dispose of railcars or reuse components, decision will be made. If it is decided to dispose of railcars, it is expected that this would be recognized as an extraordinary loss. As for the plan for operations, on October 25 we resumed operations based on a provisional timetable that secures approximately 80% of the train services of the Hokuriku Shinkansen and approximately 90% of the direct train services between Tokyo and Kanazawa. Going forward, we will continue adjusting the number of railcars that can be introduced and operations, and we will work to secure transportation capacity.

Q. Will insurance be applicable?

A. We have civil engineering completed risks insurance for railway track equipment and facilities, railway stop equipment and facilities, electric cable equipment and facilities, and other fixtures. We are currently calculating the monetary amount of the damage. Although consultations with the insurance companies will be required first, we think that a certain amount will probably be able to be covered by the civil engineering completed risks insurance. Further, with respect to flooded Shinkansen railcars, we have insurance for such things as damage to railcars due to accidents. However, the amounts paid out by such insurance are extremely small amounts. Going forward, we will proceed with consultations with the insurance companies regarding whether or not insurance is applicable.

[Operating Expenses]

Q. Wasn't the plan to reduce the total of personnel expenses and business consignment expenses?

A. Although the personnel expenses are expected to decrease as the number of employees decreases, the pace will lessen due to such factors as an increase in the number of elder employees (employees reemployed after retirement). We estimate that personnel expenses will decrease until the fiscal year ending March 31, 2024. From then onward, however, they are expected increase. Meanwhile, business consignment expenses will continue trending upward due to increasing outsourcing, such as business consignment for railway station operations and contract security. Among these expenses, with respect to contract security, total security expenses of more than ¥15 billion are expected in the fiscal year ending March 31, 2021, with security related to the Tokyo 2020 Olympic and Paralympic Games accounting for about one-third of this amount. Because the increase in business consignment expenses will surpass the decrease in personnel expenses, the total of personnel expenses and business consignment expenses is expected to continue trending upward. We will take measures to enhance productivity by increasing the effect of investment for innovation.

Q. What is the outlook for maintenance expenses going forward?

A. When "Move Up" 2027 was prepared, we set numerical targets based on an approach of keeping maintenance expenses at around ¥300 billion. The setting of targets was premised on the absence of disasters, but at this point the basic approach itself has not changed.