

September 17, 2020
East Japan Railway Company

Condensed Transcript from Q&A Session of FY2021.3 Financial Plan Presentation

[Returns to Shareholders]

Q. What are the premises for dividends per share of ¥100, and what will the approach to dividends be if business results are low? Also, while there is to be no change in dividend policy from the coming fiscal year onward, if COVID-19 is contained, will dividends return to their previous level?

A. With respect to returns to shareholders, for some time we have stated that our aim is to provide stable dividends and a total return ratio of 40% in the medium-to-long term. Although an extremely large deficit is forecast at present, given that we want shareholders to own shares over the long term and that we aim to provide stable dividends, we decided on annual dividends per share of ¥100. Further, after the containment of COVID-19, we will continue aiming for a total return ratio target of 40%.

[Fares and Charges]

Q. What is the approach to raising fares and charges? Further, if non-commuter passes revenues (ordinary tickets) recover to 80%–85% and move revenues into the black, will it be impossible to revise the upper limit on fares? As a result, will it be difficult to fundamentally improve revenues and expenses?

A. We are considering fares and charges from the viewpoint of reviewing peak periods. We are considering the reduction of the peak periods, thereby lowering costs related to assets such as personnel and railcars that were deployed based on peak periods. First of all, next spring we will utilize JRE POINT to provide rewards to off-peak users. As a next step, we are considering the establishment of off-peak commuter passes as an addition to regular commuter passes. We will hold discussions with the Ministry of Land, Infrastructure, Transport and Tourism with a view to the early realization of a situation that is not an increase in fares and achieves overall neutrality by setting prices for off-peak commuter passes lower while implementing a corresponding slight increase in the pricing of regular commuter passes. Further, the present complex fare structure has been inherited from the Japanese National Railways (JNR) era, and we want to establish a fare structure that is simpler and easier for customers to understand. We believe that proceeding with the establishment of such a fare structure will be beneficial for the systemization of ticketing. At any rate, rather than simply raising fares, we want to proceed based on an approach of increasing the flexibility of fares.

[Capital Expenditure]

Q. Despite the intention to reduce investment needed for the continuous operation of business, the plan is for a year-on-year increase. How much leeway is there for lowering this investment without giving rise to safety issues?

A. Investment needed for the continuous operation of business is conducted over a long time span and mainly comprises investment in the railway business, such as investment in earthquake countermeasures and the replacement of railcars. With respect to reducing investment, we are currently conducting a certain amount of revision, and we will further develop plans for the coming fiscal year. While continuing to rigorously ensure safety as well as increase the level of safety, we are currently in the midst of considering innovative ways of reducing investment.

Q. Has there been a change in the approach to growth investment in the transportation services business with respect to such initiatives as the ALFA-X next-generation Shinkansen and the Haneda Airport Access Line?

A. Regarding ALFA-X, we are advancing development with the aim of commencing operations in Sapporo in 2030, and we will make decisions on details in light of situational assessments. As for the Haneda Airport Access Line, we are presently at the stage of conducting environmental assessments. As we believe that collaboration with the airport is of great significance for the future, at the present juncture we are not considering discontinuation or postponement. Further, we will adopt a rigorous approach to making the final decisions on investments.

[Future Revenues and Expenses]

Q. Given the current forecast for passenger revenues together with the present cost structure, moving into the black seems likely to be difficult. In aiming to move into the black through productivity improvement measures that result in structural cost reduction benefits and through consideration of measures for fares, what is the time frame that is being used?

A. As you have pointed out, based on the current forecast, it has to be said that the railway business is facing quite a challenging situation. With respect to revenues, although tourism is likely to see the return of visitors to Japan going forward, the business area has to be viewed seriously due to such factors as the entrenchment of telecommuting and other work styles. For this reason, cost reduction in the railway business will become important. In the Company's cost structure, personnel expenses, maintenance, and other non-personnel expenses account for a large share of costs. Under these circumstances, consideration of the type of cost reduction to be pursued is important. We believe that proceeding steadily with a review of peak periods is important.

[Numerical Targets for Fiscal 2022 and Beyond]

Q. What levels of operating income and free cash flows are envisioned in fiscal 2022?

A. With respect to the forecast for the coming fiscal year, we will include in our considerations a revision of numerical targets for fiscal 2023. We want to make an announcement during the current fiscal year.

[Speed Up “Move Up” 2027]

Q. The briefing document mentions ‘Speed up “Move Up” 2027.’ What is the time frame that is envisioned?

A. Regarding the time frame, we have decided to implement a revision of last-train services when amending timetables in spring next year. We aim to develop Shinkansen logistics significantly as a single business. With respect to e-commerce, we announced a business alliance with Senshukai Co., Ltd., and we will move forward with unprecedented speed. Also, we will raise the speed and level of our efforts even further through such initiatives as the utilization of real estate funds and the expansion of shared offices.