

Revision of Elder Employee System

In fiscal year ended March 31, 2009, East Japan Railway Company (JR East) introduced an elder employee system, which allows those employees who have reached the mandatory retirement age of 60 and who seek reemployment to be rehired for an additional five years based in principle on temporary transfers.

In April 2018, JR East intends to expand the range of duties that are assigned to elder employees at JR East, revise certain relevant labor conditions, and improve compensation for these employees. The goal of this revision is to better utilize the expertise of elder employees for operating the business of the Company, cultivating human resources, and transferring techniques. Furthermore, the improvements in compensation will be applied to elder employees who are already employed.

Through this system revision, JR East will further improve the safety and reliability of transportation and the quality of services.

1 Details of the Revision of Elder Employee System

- The main revisions are as shown below.

	Current	Revised
Employment format	<ul style="list-style-type: none"> • Performance of duties based on temporary transfers to Group companies, etc. 	<ul style="list-style-type: none"> • Although the basic principle of temporary transfers to Group companies, etc., will remained unchanged, the range of duties performed in JR East will be expanded to achieve the abovementioned goal.
Full attendance allowance	<ul style="list-style-type: none"> • ¥300,000 annually (fixed amount) 	<ul style="list-style-type: none"> • Change to calculation based on end-of-period bonuses of employees (for example, basic wages × number of months)

- ※ The annual income of elder employees is currently less than 50% of what their salary was prior to retirement when including public pension and other income sources. The revision to the elder employee system will raise this level to less than 60%.

2 Impact of Revision of Elder Employee System on Total Personnel Expenses

- The revisions to labor conditions are anticipated to create a need for approximately ¥10.0 billion in non-consolidated personnel expenses in fiscal 2019. However, even if included in this amount, at the present juncture non-consolidated personnel expenses are expected to decline over the foreseeable future in and after fiscal 2019 as a result of decreases in personnel expenses due to such factors as differences between the numbers of new hires and retirees.
- Non-consolidated personnel expenses accounted for more than 60% of consolidated personnel expenses. Given that the downward trend in non-consolidated personnel expenses is expected to continue, at the present juncture consolidated personnel expenses are expected to decline over the foreseeable future in and after fiscal 2019, even when considering the expansion of the scope of duties of consolidated subsidiaries and other potential causes of increases.