

## Main Q&A on IR Day

Please note that the following is a concise summary of selected questions and answers from IR Day, not a transcription of the Q&A session.

### [Part 1: JR East's Real Estate Development Strategy]

Teruyuki OMOTE, Senior Executive Officer and Deputy Director General of Life-style Business Development Headquarters

Takashi TAKAOKA, Executive Officer and General Manager of Management Planning Department, Corporate Planning Headquarters

#### **Q:**

In the real estate business, is JR East (the “Company”) going to shift its emphasis to a rotational business model? Is the Company also planning to sell properties acquired from outside—in addition to those developed by itself—after enhancing their value?

#### **A:**

For station-centered property development, we will continue to deploy a long-term-ownership business model, and for property development around a station, we will effectively use both a long-term-ownership business model and a rotational business model. With regard to the acquisition of properties from outside, we will acquire new properties around a station and sell them after raising their asset value through a station development project or with the Group's business operation capabilities. However, we have not set specific ratios for such development cases.

#### **Q:**

What kind of advantage does the Company have with regard to the acquisition of outside properties and increasing their value?

#### **A:**

We believe that our major advantage is to be able to raise the value of properties acquired from outside by redeveloping a station. Comprehensive town planning, including the redevelopment of a station, enables a town as a whole to increase its value and thereby further enhance asset efficiency. In core regional cities, we can raise the value of both such a city and our assets by working closely with the local government to improve the square in front of a station or attract leading local companies.

#### **Q:**

What is the progress of NEXT 10?

#### **A:**

Our existing businesses are still on a recovery track due to the COVID-19 pandemic. We are currently making Group-wide efforts to get them back to the pre-COVID-19 level as early as possible. We have now received various business proposals from outside companies to respond to new needs resulting from changing values and changing

behavioral patterns. We are considering new businesses that can take full advantage of our strengths.

**Q:**

Are mergers and acquisitions included in the options to grow life-style service business?

**A:**

Partnerships and M&A deals with other companies are included in the options to grow our business. We will use these measures if we can accelerate the expansion of business by leveraging each other's strengths.

**Q:**

E-commerce has become widespread in society. What is the current status of the Company's efforts?

**A:**

We are operating the e-commerce site JRE Mall. We have been enhancing its differentiation by taking advantage of our strengths. By utilizing our regional networks, for example, we have participated in the central government's Furusato Nozei (hometown tax donation) program. A unique service that customers can receive purchased items at a station has been enjoying great popularity. We will acquire income by offering such new services that combine the real and virtual worlds.

## **[Part 2: Exchange of Opinions with an Outside Director]**

Motoshige ITOH, Director (Outside Director)

Kiwamu SAKAI, Executive Director and Director General of Corporate Planning Headquarters

**Q:**

How are you going to make use of your knowledge to get involved in business operations of the Company as a profit-making enterprise that provides important national infrastructure?

**A:**

In today's rapidly changing business environment, I realize that the Company has various business challenges to tackle and, from the standpoint of an economist, consider how the Company should approach significant social changes. As an outside director, I would like to focus on how the Company, which offers a public service, should strike a balance between rural areas and large urban areas, and about how the Company should secure and inherit greater safety in railway operations.

**Q:**

What do you think about the dynamic pricing the Company is currently considering?

**A:**

There are regulations not only in the railway industry but also in various sectors, including the airline and financial industries. It is necessary to consider how the Company can expand corporate business while making railway prices more flexible from an economic perspective. As I have talked about price discrimination—including dynamic pricing and peak-load pricing—on numerous occasions, I would like to continue to discuss this issue because I have a strong interest in railway fare regulations.

**Q:**

To what extent should the Company consider its public nature from the perspective of universal service when conducting business as an independent entity?

**A:**

For example, communications costs are sometimes maintained under the internal support system of a telecommunications company, although there is an idea that such highly public costs should be borne by public funds, not by individual business entities. The Company as a business entity has also shouldered the burden of highly public costs. There is an idea that such a highly public area should be made independent from the operations of a private company. In reality, however, it involves many issues.

**Q:**

How far do you think the Company should use its limited resources to make investment in safety measures?

**A:**

Considering the fact that various types of disasters have recently occurred around the nation, there is no doubt that safety is a matter of prime importance for railway service. The Company should continue to make investment in safety measures. At the same time, it is also necessary to consider how to balance safety investment and new business investment.

**Q:**

What do you think about cross-shareholdings from the perspective of an outside director?

**A:**

Some research findings have shown that for corporate transactions, it is not enough just to sign a contract. I believe that it is necessary to establish a mechanism that allows the companies that conduct a transaction with each other to secure a long-term partnership. At the same time, however, capital efficiency must be considered. So, we need to look at the capital efficiency of each case.

**Q:**

I have the impression that the Company's disclosure about the efforts it has taken about regional local lines is later than that by other companies. How do you feel about this issue?

**A:**

Regional local lines are an important theme. It is necessary to discuss this theme carefully because different lines are in different situations and recognition varies from region to region. In some regions, the Company has converted to BRT (Bus Rapid Transit) service or transferred its railway operations to a third-sector company. I think negotiations with the parties concerned in those processes involved a lot of pain and effort. In any event, however, I believe the Company needs to secure a sustainable transport mode and provide more information to people.