

Condensed Transcript from Q&A Session of Small Meetings

1. Summary of Implementation

Dates: December 6 and 7, 2023

Attendees: Yuji Fukasawa, President and CEO

Atsuko Itoh, Executive Director

Takashi Takaoka, Executive Officer and Department Director of Corporate Planning Department

2. Condensed Transcript from Q&A Session

* Please note that the following is not a verbatim transcript of the question-and-answer session but a concise summary prepared at the discretion of the Company.

[Fare Policy]

Q: The Ministry of Land, Infrastructure, Transport and Tourism announced the “Draft Policy for Revision of Revenue Cost Calculation Guidelines” in June, but what has been the progress since then? What have you requested to the Ministry?

A: The Ministry is planning to present the conclusion of the review of the guidelines by the end of this fiscal year. In order to operate our railways sustainably, we have requested that future investments, research and development costs, etc. that will improve the quality of railways be included in cost calculation. The inflation of personnel costs, energy costs, etc. should also be considered immediately. Based on the announcement from the Ministry, we will consider possible fare revisions for our company, including simplifying the fare system in the Tokyo metropolitan area.

Q: When can you actually revise fares?

A: If it is possible for us to revise our fares as a result of the announcement of new calculation guidelines by the Ministry, we will start the process for revision as soon as possible. Taking into account the Ministry's procedures and our system adjustments, we assume that we need about two years to realize the fare revision.

Q: Will the general outline of the fare system remain the same?

A: We have heard that the total cost method itself will not change this time. We will continue to request a fundamental review of the system to enable flexible fare setting. In addition, in order to introduce dynamic pricing similar to the airline industry to railways, we will continue to request that Shinkansen express charges be changed from an approval system to a prior notification system. If this can be achieved, it will be possible to smooth out seasonal travel demand and help eliminate over-tourism.

[Local Lines / Regional Revitalization]

Q: The income and expenditure figures for local lines with little use have been updated, but what is the status

of the discussions?

A: We are continuing to have careful discussions with local communities along the line. The lines for which we disclosed income and expenditure are areas that are not fully demonstrating the railway's strength of mass transportation, so we would like to discuss the ideal form of a sustainable transportation system without making any assumptions, while also working to revitalize the areas along the lines.

Q: What is your approach to regional revitalization?

A: As Japan's population continues to decline, we think it is important to increase the number of exchange population. In addition to halting the decline in the number of railway users by revitalizing local areas, we will also contribute to development in local cities in collaboration with local governments and local companies, particularly in the field of lifestyle solutions.

Q: What do you think of the lifting of the ban on ride-sharing and the deregulation of the taxi industry?

A: We believe that secondary transportation such as taxis is important. We would like to use this as an opportunity to further promote Tourism-oriented MaaS in collaboration with local governments and local businesses, leading to improvements in the convenience of regional transportation, including railways.

[Inbound]

Q: The number of tourists visiting Japan is increasing, but how will you capture inbound demand in the future?

A: This fiscal year, we had planned for inbound revenue of 20 billion yen each for railways and lifestyle solutions, but we expect to exceed that amount. By revising the price of passes for tourists visiting Japan (in October) and increasing the number of hotel guest rooms in the future, we want to capture inbound demand and secure income. In the future, we will continue to strengthen measures so that tourists visiting Japan can actively use our services.

[Safe and Stable Transportation]

Q: It seems that major accidents and transport disruptions have decreased. How are you evaluating this?

A: Over the long term, safety level has been rising. On the other hand, accidents that caused inconvenience to customers have occurred this year as well, so there is still work to be done. We will focus on "imagining the unexpected in view of the essence," which is the theme of the "Group Safety Plan 2028," which was announced the other day.

[Real Estate Business]

Q: What is the direction of the rotational business using private REITs?

A: We believe that our properties are sufficiently competitive over the long term. We will incorporate highly competitive properties into our rotational business and expand our real estate business along with development centered on stations.

Q: What is the leasing situation for TAKANAWA GATEWAY CITY?

A: As stated in the second quarter financial results explanatory materials, KDDI Corporation, the University of

Tokyo, the National University of Singapore, and others will move into the office floors. Other than that, leasing, including commercial facilities, is proceeding smoothly.

[IT/Data Business]

Q: How will you increase the value of JRE POINT?

A: As a result of the collaboration and integration of various points that were previously separated by service within the group, it has become possible to use points that transcend the boundaries between railways and lifestyle solutions. In the future, we will integrate the IDs of various web services so that it can be used in any life scene, improve services using customers' usage data, and we will also consider collaboration with other companies' services.

Q: What do you think of the potential of “Eki Karute” (statistics information for each station based on *Suica* data)?

A: There is demand from local governments, real estate companies, etc. Although the impact on revenue has not been large yet, we would like to enrich the content while carefully considering the data to be included so that it can be used in the retail industry as well.

[Human Resources Portfolio]

Q: What kind of human resources portfolio are you aiming for?

A: With the expansion of one-man operation and the introduction of driverless operation, we will move forward with the allocation of human resources from the railway business to the lifestyle solutions business. The flow of human resources through an internal recruitment system has already begun. Going forward, we will focus on human resources strategies for the entire group, and in areas where there is a risk of a shortage of human resources, we will respond by reskilling human resources, mechanization, and efficiency improvements.

Q: What is your approach to securing human resources who can promote DX (digital transformation)?

A: We announced the promotion of DX by developing digital human resources, and indicated our policy to increase the number of "expert" and "middle" class human resources. Additionally, in order to secure highly competitive IT personnel, we have introduced job-based personnel management. We will work on both the development of internal human resources and strengthening recruitment.

[Capital Expenditure]

Q: What are your thoughts on safety investment and barrier-free investment in the future?

A: Regarding safety investment, we plan to spend approximately 1.3 trillion yen over the next five years, and we will constantly invest while determining priorities, with a focus on seismic reinforcement. Regarding barrier-free facilities, we have started a system in which customers pay a part as barrier-free fees, so we would like to utilize this system to steadily advance the development of barrier-free facilities.

Q: Can you give us a better explanation of what kind of returns each investment generates?

A: We make appropriate decisions internally for each project, but we recognize that explanations to outside the

company are not sufficient. We will consider enhancing disclosure by segment or project.

Q: Will capital expenditure amount increase due to rising construction costs, etc.?

A: Although there are factors contributing to the increase in construction costs, we will strive to reduce costs by reviewing construction methods and other measures, so that we can control them within the scope of the plan and ensure that there are no delays in the schedule.

[Shareholdings in Selected Companies]

Q: What is your approach to shareholdings in selected companies?

A: In order to collaborate in technology development and sales measures swiftly and closely, we hold shares that will contribute to increasing our corporate value. We will appropriately examine medium- to long-term economic rationality and reduce shareholdings in selected companies overall.

[Capital Policy]

Q: What is your approach to capital cost? How will the company respond to requests from the TSE?

A: We will improve ROE by improving ROA, which is a management indicator. As a measure to improve ROA, we are promoting the effective use of owned assets, such as developing former company housing sites. We will deepen discussions at meetings of the board of directors, etc. regarding capital allocation and improving shareholder value, and disclose them by the announcement of financial results of FY2024.3.

Q: There will continue to be development projects, but do you have enough cash overall? Are you considering raising capital through public offering?

A: Debt has increased by more than 1 trillion yen due to the coronavirus pandemic, and free cash flow will remain in a difficult situation until TAKANAWA GATEWAY CITY opens, but we expect it to become positive after that. Regarding capital procurement, this does not apply if large-scale investments with higher growth potential are required, but this is not planned at this time.

Q: If surplus cash is generated, how will it be used?

A: Until the net interest-bearing debt/EBITDA ratio, which is the numerical target of “Move Up” 2027, recovers to around 5 times, we will prioritize financial improvement through debt redemption and make necessary growth investments for the future. Regarding shareholder returns, the company aims for a dividend payout ratio of 30% and a total return ratio of 40% over the medium to long term.

Q: What measures are you taking to encourage individual shareholders to hold the company's stock over the long term?

A: In the past few years, we have increased the number of events for individual shareholders and are also providing shareholder benefit services in collaboration with other companies. We are currently considering improving the convenience of paper-based shareholder benefit tickets. We are also working to improve the voting rights exercise rate of individual shareholders.

[Others]

Q: What have you accomplished since your appointment as president and what are your future challenges?

A: Immediately after becoming president, I announced “Move Up” 2027, and have been moving from a "railway-based" to a "people-based" approach and a review of business portfolio. New businesses that will become future revenue sources are also taking shape. The future challenge is to link these to profit contribution.