

## Q&A summary of 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: Suica and Finance Business]

Akira KOGOI, Head of Suica and Finance Business

Q: Which initiatives will contribute significantly to the doubling of operating income in the IT and Suica businesses?

A: We will increase the lift-up effect on existing businesses, such as advertising and real estate, while utilizing data, rather than only the commission fee business related to payment.

Q: In realizing the conglomerate premium and maximizing LTV (Life Time Value), do you intend to disclose indicators that show synergy effects on the Group?

A: For example, synergies are beginning to emerge in advertising business. We would like to be able to show the lift-up effect clearly.

Q: How do you assess the number of active Suica users and user stickiness, and what are your future KPIs for IT and Suica?

A: There are two types of KPIs: those for broadening the base of use and those for increasing frequency of use, and the number of active users fall into the latter category. We believe that we are in a phase where we will focus on how we can encourage people to use our services frequently, so we intend to focus our efforts on this area.

Q: As Suica functions become more upgraded in the future, will additional investment in servers be necessary?

A: We have already started construction on the cloud computing of ticket gates and ticket data, and our investment in servers will be in the tens of billions of yen. In addition, additional investment will be required if we convert SF/Value to ABT (Account Based Ticketing) after 10 years.

On the other hand, linking with other companies that use transportation IC cards is also an issue, which may require further additional investment depending on the method of linkage.

Q: How will Suica expand outside the JR East Group in the future? What is the status of interest from other companies in converting to central server system, etc.?

A: We do not believe that the conversion to central server system should be limited to our Group. We are sharing our information to other companies, and we believe that by building model cases for our services and business, we can collaborate with them in various ways in the future.

Q: How will Suica's upgrading contribute to reducing the deficit on local lines while also providing convenience

and contributing to the local communities?

A: We believe that Suica can play a role not only as a mobility device but also as a device for daily life, such as in the promotion of DX in local communities, and we would like to contribute to this as the Group.

Q: JRE BANK's main feature is its preferential treatment, but how cost-effective is it? Are there benefits for the Company such as stimulating demand during off-peak periods?

A: Although we are still analyzing the details of how much the preferential treatment has induced rail travel, we believe that it has had a certain inducement effect.

Q: Will the increase in the number of JRE BANK accounts have an impact on your B/S and funding?

A: JRE BANK is a bank agency business, so cash-in from commissions is the main source. While the benefits of the banking business, such as the volume of funds in the account, are small, we hope to increase cash inflows through spillover effects on other businesses of our Group.

Q: What will FeliCa look like in 10 years? Will Suica be developed as a new service by adding applications and specifications, incorporating technologies in which other companies have an advantage, such as two-dimensional codes?

A: The use of FeliCa chips is advantageous for instantaneously determining when a large number of passengers pass through a ticket gate, and we intend to coexist with technologies in which other companies have an advantage. We would like to develop Suica as a new service and announced this concept last December.

## **[Part 2: Railway Business]**

Chiharu WATARI, Executive Vice President, Director General of Railway Business Headquarters

Q: Profit margins in the railway business have fallen compared to pre-COVID-19 levels, and we do not expect them to recover to their original levels even if you implement fare revisions. How will it be recovered?

A: We intend to steadily increase our profit margin from a medium- to long-term perspective while continuing to increase revenue and reduce costs through self-help efforts.

Q: If the profitability of the railway business does not improve, the asset and capital efficiency of the Group as a whole will not improve either. How do you think about it?

A: In the vision of growth for the entire Group, safety in the railway business is the foundation of the Group's trust. While Lifestyle solutions centered on real estate are growing business, we believe that the railway business is a business that will grow steadily over the medium to long term.

Q: If costs are higher than assumed at the time of the fare revision application due to future personnel expenses increases, etc., and profits are lower than expected, is it possible to control costs by other means?

A: Although we are working to improve productivity, the railway business has high fixed costs, making it difficult to flexibly control expenses. We will check the changes in both revenues and costs after the implementation of the fare revision and take necessary actions, and at the same time, we will continue to lobby the government for a review of the total cost method itself.

- Q: Safety investment and maintenance expenses are on the rise, but how do you plan to spend money in the future? Are necessary maintenance being carried out in the face of rising inflation?
- A: Sudden increases or decreases in the amount of investment are not appropriate from the perspective of the construction structure, and we believe it is important to keep a certain level of investment to maintain safety. At the same time, we will work to improve productivity for sustainable business operations. However, it may be affected by changes in unit costs due to inflation.
- Q: Is there a possibility that the Shinkansen major renovation reserve will be increased due to rising construction costs?
- A: The Shinkansen major renovation reserve is accumulated based on a plan with certain assumptions. Currently, the Company is in the process of verifying effective methods of repairing Shinkansen facilities by utilizing the facilities in the General Training Center, and the amount of work has not yet been determined. Since unit construction costs are generally on the rise, we will continue to monitor the situation carefully.
- Q: Are there any restrictions on the amount of construction due to the lack of construction workers?
- A: While we are currently meeting the necessary construction volume, we believe it is necessary to improve our construction structure as we look to the future.
- Q: How is the Haneda Airport Access Line (tentative name) progressing? Is there a possibility of an increase in the amount of investment over current assumptions?
- A: Currently progressing as planned. Since there are other factors such as airport development, we will continue to monitor both progress and investment amounts.

### **[Part 3: Discussion with Outside Director]**

Toshio IWAMOTO, Outside Director

Atsuko ITOH, Executive Director

- Q: How do you see the potential of JR East's Suica-based data business and the speed at which the business can be developed?
- A: As we continue to grow in the two axes of Mobility and Lifestyle solutions, having purchase data in addition to transportation data will be a major advantage. While the Company is moving forward with a solid plan for growth along two axes, the data business has only just begun. As ID integration progresses and Suica data is accumulated in the future, we recognize that the key issue is how to make it into value-added data. I believe that there is a need for more collaboration between engineers with technical backgrounds and the departments that develop the market, and I would like to encourage this myself.
- Q: As chair of the Remuneration Deliberation Committee, what are some of the challenges and issues in the remuneration system? Also, the Company has introduced performance-based remuneration in recent years, is there anything you are looking ahead to in the future?
- A: The Company has the Remuneration Deliberation Committee that judges whether the remuneration structure discussed on the executive side was determined through a fair and transparent process. As a member of the Remuneration Deliberation Committee at other companies, my own view is that it would be a good idea to

review the Company's remuneration structure to make it more challenging.

Q: With the public nature of the business, how can you as an outside director encourage the executive side to promote rational management?

A: In order to realize "Move Up" 2027, it is necessary to make a major shift in the culture of the way employees work, such as by encouraging them to multitask. In the case of our company, we are able to proceed firmly with the spirit of challenge in the face of our social mission, which requires us to proceed while guaranteeing the execution of on-site operations. In addition, with so many competitors in each of our businesses, we would like to move forward with speed while utilizing the advantages that we have.

Q: Is the Company prepared to set higher standards for mid-term KPIs and targets?

A: The Board of Directors has spent a lot of time discussing various aspects of the next management vision. We discuss the numerical aspects from the perspective of taking the risks that need to be taken against a higher goal, and we encourage the executive side to do so. In particular, there are many competitors in Lifestyle solutions, but we have many advantages, and we will step on the gas pedal after confirming these advantages.

Q: As a TSE Prime company, the Company has things to work on regarding ROE, PBR, etc. Is the governance of outside directors effective from that perspective?

A: We believe that the required level of ROE differs depending on the industry. While we have a social mission with regard to Mobility, we also need to generate returns that exceed your expectations when it comes to Lifestyle solutions. The outside directors also discuss measures to improve ROE with the executive side, based on this perspective.

Q: To what extent do you think risk-taking should be allowed, while safety is the top priority in the railway business?

A: In Mobility business, we need to carefully assess risks, while in Lifestyle solutions and overseas businesses, we need to take the risks we need to take while examining the risks. For example, in the case of the Indian High Speed Rail project, the fact that the Company is able to take on the challenge as a private company with limited risk is considered appropriate from an outside director's point of view.

Q: In the discussion of the next management vision, what is your opinion as an outside director on how to improve ROE and ROA through growth in the two axes of Mobility and Lifestyle solutions?

A: We are discussing this in terms of setting targets, identifying the process to get there, and providing financial backing. In this process, while pointing out the risks involved, we have also expressed our desire to take as much risk as possible and aim for a management vision that will enable the Group to chart the next path for growth. We hope to be able to present our next management vision in such a manner through further discussions within the Company.