

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.

[Real Estate Rotation Business in "To the Next Stage" 2034]

Koichi TAKAGI, Senior Executive Officer & Deputy Director General of Marketing Headquarters

Q: What are the strengths of our Group's real estate business, and how does it differ from other companies?

A: Our Group is characterized by functions that connect various businesses such as huge terminal stations, a long-distance railway network including the Shinkansen, and Suica, which are strengths not found in other companies. For example, by developing TAKANAWA GATEWAY CITY after the new station was established, it has been possible to secure office rents around 1.4 to 1.5 times higher than in the surrounding areas.

Q: Regarding the income of the real estate business, how do you intend to balance the composition ratios of "real estate ownership and utilization", "real estate rotation", and "real estate management"?

A: Until now, "real estate ownership and utilization" has accounted for the majority of income in the real estate business. However, moving forward, we plan to increase the proportion of rotation business and management business, taking into consideration interest rates and market conditions. We will pursue the best mix to achieve a Real Estate & Hotels segment ROA target of 5% or more as set forth in "To the Next Stage" 2034.

Q: What resources will be necessary for the real estate business going forward in order to achieve an operating income of approximately 450 billion yen in the Lifestyle Solutions for FY2032.3?

A: In order to contribute to achieving the numerical targets set in "To the Next Stage" 2034 as part of the real estate business, it is important to generate assets for development, promote the acquisition of properties from external sources, and sell these properties after enhancing the value. For the purpose of realizing these goals, we established JR East Real Estate Co., Ltd. in July 2024. Progress is steadily being made in generating assets, and pipelines for each year are in place leading up to FY2032.3. On the other hand, acquiring properties from outside sources is considered an area that should be further expanded in the future. In addition, aiming to strengthen human resources and organizational structure, we are promoting initiatives such as seconding employees to other real estate companies, accepting seconded employees from other companies, and strengthening the recruitment of experienced personnel. Furthermore, in the real estate business, where speedy measures are required, we will also consider in the future an appropriate scheme so that business can be promoted flexibly and dynamically.

Q: There have been some reports that our Group has acquired a property directly connected to a station, but what is the significance of acquiring such a property?

A: Focusing on major terminal stations in the Tokyo metropolitan area, we will work to enhance the value of important strategic areas nearby. Regarding the management of whether to sell those properties after acquisition, we will decide while considering the overall balance of the real estate business.

- Q: With the increasing presence of overseas investors as buyers of real estate, how does the Group view the buyers of its properties?
- A: At present, we have strong relationships with domestic investors, and demand is very strong, including through capital participation. In the future, we will also strengthen our network with overseas investors from a medium- to long-term perspective.
- Q: What types of entities demand the business creation facility "LiSH"? Also, what are its strengths compared to other companies?
- A: Private rooms of LiSH are almost fully occupied. Until now, corporate research and development facilities were typically located in regional areas, but due to LiSH's high geographical convenience, there is strong demand also from companies based in regional areas. Additionally, there is demand from universities to connect research to social implementation.
- LiSH is positioned as an experimental site aiming for social implementation with a view toward 100 years in the future, and its strength lies in the ability to connect companies as a bridge communicator.

[Discussion with Outside Director]

Hiroko KAWAMOTO, Outside Director

Atsuko ITOH, Executive Vice President

Q: From the perspective of maximizing corporate value, what are the challenges you perceive as an outside director? How do you think communication with investors should be incorporated into management?

A: Our Group aims to grow through the dual axes of Mobility and Lifestyle Solutions. Large companies like ours tend to be bound by past successes and values, but I believe it is important to evolve by incorporating insights gained through dialogue with diverse stakeholders, including investors.

On the other hand, as a company with a wide range of businesses, I feel that internal cohesion is also important. Management needs to consider how to bring together the employees engaged in each of the two axes so that they act proactively and pursue mutual synergies. The management system for the 14 businesses that started in FY2025.3 is based on discussions about how to maximize corporate value.

Q: We have the impression that the Group has changed quite a bit in recent years, including the intensification of the real estate rotation business and the setting of financial leverage according to the characteristics of the businesses. What changes have occurred since you joining as an outside director in 2020?

A: At the time of my appointment, during the height of the COVID-19 pandemic, the railway business was particularly struggling. In such circumstances, I sensed a strong determination not only among the management team but also at every workplace to remain committed to achieving the vision set forth in "Move Up" 2027. I believe that the perseverance and strength accumulated during that time have now enabled us to make a bold leap forward.

I am paying attention to whether our Group can go beyond the "norm" by our own power, not due to external pressures like the COVID-19 pandemic. On the other hand, it is necessary to lead smoothly so that no employees are left behind from the changes.

Q: As an infrastructure industry, given the regulations on railway fares and charges, does the management members truly feel that they are able to implement the strategies they really want to pursue and should pursue? How should you support as an outside director?

A: While the airline industry had already progressed with fare deregulation, the Company has only recently been able to revise fares. I believe it is necessary for our Company to persistently lead the dialogue with government ministries, and I have backed this as an outside director. Going forward, in addition to communicating externally as an outside director, I will work on increasing the number of people who understand our Company's management policy, including external experts.

Q: From the perspective of shareholders and investors, the overall business portfolio strategy remains unclear. How is this being monitored by the board of directors?

A: It may take a little more time before we can present it externally, but we are currently advancing discussions on it. Some businesses and assets have been retained due to historical reasons, while others were acquired strategically. Although we do not yet have firm evaluation criteria for the business portfolio, there is a shared view that we need to better assess the strengths and weaknesses of each business and sharpen our focus. As an outside director, I intend to encourage bold actions such as divestitures, restructuring, and M&A, without being constrained by legacy ties.

- Q: Regarding talent utilization, as personnel and wage system reforms, organizational restructuring, and DX advance, what points will you focus on for monitoring? What are the criteria for determining whether things are going well?
- A: Since we have a large number of employees, we recognize that how to utilize human capital is a major theme. While tasks that can be replaced by machines or AI should be replaced, I feel that there should be a thorough discussion on how to allocate the human resources freed up by this.
- Although we have been disclosed some engagement survey results, relying solely on average scores can obscure underlying issues. It is essential to analyze the data in detail, tailored to each group company and business type, to avoid misinterpretation and ensure accurate monitoring.
- Q: What kind of discussions took place among the outside directors when formulating "To the Next Stage" 2034? Also, what is your view on refining the management vision after its release?
- A: During the formulation process, each of the four outside directors freely expressed their opinions based on their expertise. There will also be an interview published in the next Integrated Report, and I personally shared my opinions specifically on how to enhance engagement.
- The board of directors also recognizes that the group management vision is not something to be created and left as is, and it needs to be monitored and refined continuously.
- Q: Compared to ANA, where you previously worked, gender ratios differ. How do you view the Company's efforts to promote workforce diversity?
- A: I feel that the Company's consideration is given to diversity, not limited to gender ratio. Regarding the promotion of women's participation, the percentage of women at the time of the Company's establishment was less than 1%, but now it has increased to about 20%, and the proportion in hiring has risen to approximately 30%. In some group companies, there are more female employees, so I think each company should adopt strategies suited to their own circumstances. Regarding board members, there are two female internal directors actively engaged, but I have communicated to management as a member of the Personnel Deliberation Committee that they should clearly show how female executive candidates will be nurtured.
- Opportunities for women have been developed in the railway business, and the field for their activities is also expanding in the Lifestyle Solutions, so we believe this can be highlighted during recruitment.
- Q: What are the advantages and disadvantages for stakeholders of achieving or not achieving "ROE of 10% or more in FY2032.3," the key goal indicator (KGI) under "To the Next Stage" 2034? As a function of outside director, it is necessary to ensure that these points are properly communicated to stakeholders. What are your thoughts on this?
- A: It is not just about presenting the figure "ROE of 10% or more in FY2032.3," but we are trying to show that creating LX (Lifestyle Transformation) to deliver security and excitement will also lead to the achievement of the KGI. In addition to each employee steadily performing their work, by devising creative ways, such as making customers feel "I want to go out using this train," we deliver security and excitement to our customers. This leads to employee job satisfaction, which in turn contributes to the profitability of our Group. In "To the Next Stage" 2034, we established "LX capital" to realize the desire to create future excitement and to convert that into our returns. I will continue to promote the creation of systems that enable employees to proactively take initiative in their work.