August 27, 2025
East Japan Railway Company

Condensed Transcript from Q&A Session of Small Meetings

1. Summary of Implementation

Date: August 27, 2025

Attendees: Yoichi Kise, President and CEO
Atsuko Itoh, Executive Vice President
Yuichi Matsumoto, Executive Officer and Department Director of Corporate Planning Department
Hiroaki Sakai, Department Director of Finance & Investment 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.

["To the Next Stage" 2034]

Q: What kind of discussions took place within the Company in the process of formulating "To the Next Stage" 2034?

A: We focused on changing the management mode and corporate culture to take an offensive stance, and after about a year of discussion, we formulated it. Our vision is based on the belief that there is still room for growth in our Group, capturing changes in the market and needs to achieve growth. In addition to aiming for growth on dual axes: Mobility and Lifestyle Solutions, we are also committed to aiming to become a true technical service industry.

Q: How do you encourage employees' challenges and envision the process for realizing the goals set in "To the Next Stage" 2034?

A: Prior "To the Next Stage" 2034, we have announced new personnel and wage systems, operational structures, supporting realization of the vision from an institutional perspective. In the personnel and wage system, instead of the traditional uniform evaluation system, challenges taken by employees will be meticulously evaluated and reflected in their salaries even if they fail, thereby encouraging challenges aimed at creating new value. Furthermore, by reorganizing the business operation system into 36 area operation centers, we aim to achieve more detailed business operations that better meet regional actual situations or needs than before.

Q: How have investors, including those overseas, evaluated "To the Next Stage" 2034?

A: It is a vision formulated through backcasting and has received positive evaluations such as being "ambitious" and that the "management mode has changed." In Mobility, increased revenue is expected from fare revision and revenue growth driven by creating passenger flow, including inbound demand. In real estate, efforts such as unique town development by our Group and acceleration of real estate rotational business are being positively received. Going forward, we will further clarify the milestones toward realizing "To the Next Stage" 2034.

[Mobility]

Q: What is the content of the medium- to long-term growth strategy for Mobility business?

A: In addition to pursuing ultimate safety, we will focus on improving the top line and concretely demonstrate growth toward operating revenue of an additional 200 billion yen by FY 2032.3 compared to FY 2025.3.

Q: How will the safety and stable operation of railway be ensured?

A: Railway accidents have decreased to about 60% of the number at the Company's establishment. Going forward, we will continue to invest in necessary maintenance and updates, incur maintenance expenses to enhance safety. Regarding stability, for example, while the introduction of driver-only operations has achieved significant productivity improvements, there have also been issues such as delays, so we will consider improvement measures.

Q: Is it possible to implement a second or subsequent fare revisions depending on future inflation conditions?

A: A second or subsequent fare revisions are possible if the requirements stipulated by law and rules are met. In addition, we will continue efforts of request to introduce system that can respond to inflation in a timely manner, and to review the total cost method itself.

Q: What is the timeline for realizing notification of express charges for Shinkansen, and what are the expected effects once realized?

A: Regarding notification of express charges for Shinkansen, a written request by JR Group has already been made to the Ministry of Land, Infrastructure, Transport and Tourism. We will continue to work toward the implementation of the notification system in coordination with the JR companies.

If the notification system is realized, dynamic pricing based on customer demand will become possible, and we can expect certain revenue benefits for our Company. Additionally, we believe there are benefits for Japan's tourism industry as a whole from the leveling of seasonal demand.

Q: What is the perspective on the future role of regional local lines?

A: Our stance remains unchanged that for lines where the characteristics of railways, such as mass transportation and punctuality, cannot be demonstrated, discussions will be held toward mode conversion. In order to make the relationship with the community sustainable, we will not apply uniform rules but will instead discuss the ideal form together with the community. Discussions with some local governments are progressing, and we will continue to proceed carefully with these discussions in the future.

[Lifestyle Solutions]

Q: Regarding Retail & Services business, can it be said that sufficient value will be generated, considering that the location is excellent, centered on EKINAKA (inside stations)?

A: The plan for Retail & Services business in "To the Next Stage" 2034 is based on the plan of "Beyond the Border", incorporating a 3% growth in existing businesses as well as effects from new openings and M&A. Considering that the inflation rate has risen since the formulation of "Beyond the Border," we will achieve further upside.

Q: What kind of discussions took place within the Company in setting the target of asset management scale worth 1 trillion yen in real estate funds/REITs business by FY 2032.3? Also, what is the feasibility?

A: Discussions progressed to increase the resolution of the growth strategy aimed at achieving operating revenues exceeding 4 trillion yen in FY 2032.3, and we made a plan to expand the scale of sales toward FY 2032.3.

We consider this a fully achievable goal by combining development of land created through consolidation of business sites, such as workplace reorganization and abolition of company housing, in addition to the sale of rental properties.

Q: The cash acquired through real estate sales is said to be allocated for further growth investments, but can you get sufficient returns?

A: Even now, reinvestment has enabled us to improve the yield by about 0.5 to 1.0%. We will continue to reinvest the cash obtained in this way to lead to further growth. For example, our Group's unique business model allows us to increase the market value from a low book value by developing the surrounding land after establishing a new station.

Q: How do you realize value enhancement of real estate unique to our Group? Also, which asset types will you focus on more in the future?

A: In July 2024, JR East Real Estate Co., Ltd. was established with the aim of value enhancement and sale of company-owned land as well as acquisition, value enhancement, and sale of real estate in cities. Plans are in place to invest approximately 100 billion yen by FY 2028.3, accelerating Real estate rotation business.

In the (tentative name) Funabashi Ichiba-cho Project, by partnering with Tokyu Fudosan Holdings Corporation, it is expected that operating revenue will increase by about 10 billion yen compared to the initial projection, and going forward, we will strengthen the Group's housing business.

Q: Due to rising material prices and labor shortages, construction costs continue to increase. Can future development projects proceed as scheduled?

A: We have a prospect of securing construction contractors for future development projects as well. By leveraging the advantage of utilizing land created through the consolidation of business sites, we will ensure high profitability by progressing with development according to schedule or ahead of schedule.

Q: Amid the effects of inflation, have you been able to achieve rent increases in the office business?

A: At TAKANAWA GATEWAY CITY, by creating the area after establishing the new station, we have been able to realize rents about 1.5 times higher than the surrounding area. The fact that our offices are directly connected to or very close to the station is a strength of our Group. The market environment has become favorable for achieving rent increases at the time of rent revision, and it is believed that rent revisions with an upside can continue to be achieved in the future.

[Suica]

Q: What is the current response to the "Suica Renaissance"?

A: Since announcing the plan aimed to be realized within the next 10 years in December 2024, we have received proposals for technical partnerships from many companies, including major manufacturers and startups. We plan to start a demonstration experiment for walk-through ticket gates using facial recognition in the fall of 2025, and we also intend to implement walk-through ticket gates utilizing communication technology in the future. In addition, we are steadily making progress, such as planning to enable Suica use for purchases exceeding 20,000 yen by adding a code payment function in the fall of 2026, and we feel confident that the timeline of within 10 years can be accelerated further.

Q: Is integrating Suica with other payment methods an option? How far will the Group proceed on its own?

A: At present, we are not considering integration with other companies and we will continue to advance the value enhancement of Suica by ourself.

Q: Is the complete ticketless system at stations intended for all stations in the Company's area? Also, how will the annual operation cost reduction of approximately 10 to 15 billion yen through ticketless systems and other measures be realized?

A: First, we aim to abolish Edmonson tickets, and ultimately strive for a ticketless system at all stations. However, to ensure that customers without mobile devices can also use the system, QR codes will be utilized as well.

Operational cost reductions with complete ticketless systems will be achieved through reductions in personnel expenses associated and in expenses related to equipment such as ticket gates. Furthermore, we will make effective use of the space created by reducing ticket gates and other measures, and work on increasing revenue.

Q: What are the milestones for realizing the Suica economic zone? Also, what is the internal system to achieve this?

A: In order to realize the vision aimed for within 10 years, we believe the key point will be how concretely we can advance within 5 years. As an internal system for realization, Suica & Payment Dept. was newly established within the Marketing Headquarters, with the president myself taking the lead and strengthening the structure through job-based recruitment.

[M&A]

Q: What are the specific expectations for M&A?

A: We are considering M&A of a certain scale in Retail & Services, as well as in Real Estate & Hotels. Additionally, while promoting "Suica Renaissance," we consider M&A in the Fin-Tech domain to be one of the options.

Q: How much capital do you think is necessary to achieve an operating income of around 50 billion yen in FY 2032.3 through M&A?

A: We assume that a considerable investment will be required, but considering the current situation, we think sufficient financing is achievable. Going forward, we will make appropriate decisions based on the returns obtained.

[B/S]

Q: What are the thoughts on financial leverage and net interest-bearing debt/EBITDA?

A: In "To the Next Stage" 2034, we present financial leverage and net interest-bearing debt/EBITDA separately for the dual axes of Mobility and Lifestyle Solutions. In light of the COVID-19 pandemic, we think it is necessary to maintain a certain level of equity in Mobility, while increasing financial leverage in Real estate business, which is positioned as a growth engine, aiming for net interest-bearing debt/EBITDA of about 8 to 10 times.

[Cash Allocation]

Q: How do you review past cash allocation and what is the approach to cash allocation in "To the Next Stage" 2034?

A: We have introduced a system within the Company to continuously trace past growth investments. In "To the Next Stage" 2034, 2.6 trillion yen of the growth capital totaling 3.1 trillion yen is allocated to Lifestyle Solutions, and 2.8 trillion yen of the foundation maintenance and enhancement capital totaling 3.2 trillion yen is expected to go to Mobility. This is based on our Group's business philosophy that it is precisely because of the safety of Mobility that Lifestyle Solutions can grow.

[Shareholder Returns]

Q: What is the change in your approach to share buybacks?

A: We have decided on a policy to enhance shareholder returns by gradually raising the dividend payout ratio to 40% by FY 2028.3 and increasing the dividend amount through profit growth. When there are growth opportunities, emphasis is placed on actively allocating cash towards future growth, the policy of share buybacks is to implement it flexibly according to business performance and other factors.

[Cross-shareholdings]

Q: What is the approach to reducing cross-shareholdings by 30% or more by the end of FY 2032.3 compared to the end of FY 2025.3?

A: The significance of holding the shares is reviewed annually by the Board of Directors, and shares that are no longer deemed necessary will be reduced. Until now, we have qualitatively indicated a policy of continuous downsizing in our Corporate Governance Guidelines, but this time we have set quantitative targets in "To the Next Stage" 2034. Depending on future changes in the business environment, it is possible that the reduction targets will be updated as necessary.

Q: How is the significance of cross-shareholdings policy verified within the Company?

A: The medium-to-long-term economic rationality and future outlook are individually examined from the perspectives of the business performance and capital cost of the relevant companies. The criteria for judgment will be reviewed as necessary going forward.

[Equity-method affiliated companies]

Q: What is your viewpoint on reviewing relationships with equity-method affiliated companies?

A: We recognize the optimal approach to achieving sustainable railway business operations as an issue to be examined and will continue the discussion.

[Management that is conscious of cost of capital and stock price]

Q: Considering the high stability of our Group's operating cash flow, there is a possibility that the cost of equity capital is lower than the market average. What are the reasons for recognizing the cost of equity capital as 6-7%?

A: We recognize our Company's cost of equity capital as around 6-7%, since it is calculated to be around 6% using the typical calculation method, CAPM, and the expected return in the market on our Group exceeds that level through dialogues with shareholders and investors.