

TOP MESSAGE

Business Strategy

We aim to achieve sustainable corporate growth from a long-term perspective, and ensure the interests of all stakeholders, including shareholders, over the long term.

President and Representative Director **Shunsuke Niwa**

JR Central's approach to management

My name is Shunsuke Niwa, and I am the president. I would like to express my sincere gratitude for your continued support for the management of the JR Central Group.

I would first like to explain my approach to managing JR Central and our recent initiatives.

As a railway operator, our top priority is ensuring safety, and by maintaining safety on a daily basis, we have earned the trust of our customers. We relentlessly pursue safety in both physical and non-physical terms by steadily making capital investments and enhancing the competence of our employees through employee education and training.

The market area of JR Central's railway business, which is the area connecting Tokyo, Nagoya, and Osaka, is Japan's main transportation artery helping to sustain the nation's economy and is experiencing exceptionally strong demand. We have addressed this strong demand by enhancing the transportation capacity of the Tokaido Shinkansen on the basic premise that safety is ensured and are working to enhance customer convenience through measures such as improving the EX Service, while concurrently enhancing our earnings. These efforts culminated in the timetable revision in March 2020, which saw the introduction of the "12 Nozomi Timetable," which allows for up to 12 Nozomi trains per hour (on average, one train every five minutes) during peak travel times.

However, the COVID-19 pandemic that began around the same time created an extremely severe business environment, resulting in significant losses for fiscal years 2020 and 2021.

Since then, after surviving the COVID-19 pandemic, Japan's economy and society seem to have almost returned to normal, but they are experiencing lasting effects; as in other parts of the world, people are adopting significant lifestyle and working style changes with the spread of remote work and remote technology. In addition, given that Japan's declining birthrate, aging population, and shrinking labor force will accelerate, there is a need to reconsider railway work, which is highly labor-intensive in nature, to increase productivity, including through mechanization and automation. Although we have survived the pandemic and our business performance is showing signs of recovery, the business environment surrounding us is changing significantly and rapidly. We believe it is important to accurately respond to these changes and work to achieve "Reinforcement of Earning Power" through the two pillars of "Revenue Expansion" and "Reform of Business Operations," thereby increasing our ability to generate cash flows.

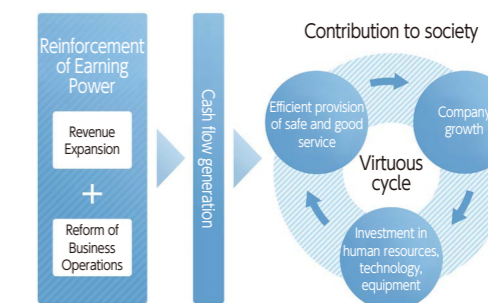
Regarding the first pillar, "Revenue Expansion," we have undertaken a variety of initiatives and are gradually seeing results. First, with regard to business use, we ran the "Let's Go Meet" campaign to highlight the value of meeting and working face-to-face, and we improved the environment at stations and on board the Shinkansen so that people can work seamlessly before, during, and after using the train. In addition, for private use, we are working to create new demand for transportation by utilizing "Oshi Travel" and "Chartered Shinkansen Package" in collaboration with companies that have appealing content such as anime and games and the local people. Furthermore, in terms of responding to inbound tourists, we are focusing on targeting customers from Europe, the United States, and Australia, who tend to stay in Japan for longer periods and use the Shinkansen frequently, and are working to encourage them to choose the Tokaido Shinkansen by collaborating with local travel agencies and conducting promotional activities using social media. These initiatives are possible thanks to the expanded transportation capacity realized by the "12 Nozomi Timetable," and are also the result of the steady efforts we have made to date. Going forward, we will continually strive to steadily increase business demand, while also working strategically to capture diversifying and individualized demand.

In addition, we have made some revisions to product prices, which had remained largely unchanged until now. In FY 2023, we revised the prices for the "Japan Rail Pass" and "Express Reservation." Going forward, with the aim of providing better service and charging fees commensurate with that service, we plan to gradually introduce private rooms on the Tokaido Shinkansen from FY 2026 onwards. We will also continue to consider new seating configurations on the Shinkansen in order to increase the

added value of our transportation services.

With regard to the second pillar, "Reform of Business Operations," we have been steadily making progress, including implementing driver-only operation on conventional lines, external inspection of Shinkansen rolling stock, and inspection of ground facilities by commercial rolling stock. However, in addition to the labor shortage becoming more pronounced, we will also need to deal with rising costs due to the effects of inflation. Although we have already established a specific menu for achieving the initial goals of "Reform of Business Operations," we are not complacent; we will continue to proactively adopt various technological innovations in the future to broaden the scope of the "Reform of Business Operations" and further expand and deepen the menu.

Reinforcing management resources for a virtuous investment and service improvement cycle



Meanwhile, we are vigorously pushing ahead with the Chuo Shinkansen Project, as 60 years have passed since the launch of the Tokaido Shinkansen, our revenue pillar, necessitating thorough preparedness against future aging deterioration and potential large-scale disasters. Regarding the risks of large-scale disasters, we have previously explained the necessity of the Chuo Shinkansen Project based on concerns about possible disasters, including the Nankai Trough Earthquake. In August 2024, following the occurrence of an earthquake with its epicenter in the Hyuga-Nada Sea, the government issued its first "Nankai Trough Earthquake Extra Information (Megathrust Earthquake Attention)," making the risks of large-scale disasters and other issues feel even more real. Given these recent circumstances, we recognize that the need for the Chuo Shinkansen as a bypass for the Tokaido Shinkansen is increasing year by year. By introducing a superconducting maglev system to the Chuo Shinkansen, the overwhelming travel time reduction will turn the three major conurbations into a single megalopolis, significantly contributing to the revitalization of the Japanese economy and society. We are devoting our full efforts toward the commencement of service firstly to Nagoya while placing emphasis on construction safety, environmental protection and coordination with local communities.

Creating a positive cycle of "ESG management" to contribute to the development of Japan's main transportation artery and social infrastructure

JR Central's idea of ESG management is a management style of pursuing growth of the company while simultaneously generating economic value, such as profits and cash flows, and creating social value, which is the realization of a sustainable and prosperous society, through business activities. In light of this understanding, we have been practicing ESG management by generating economic value and creating social value simultaneously based on solid governance to enhance the trust of all stakeholders as we aim for long-term development under our management philosophy of contributing to the development of Japan's main transportation artery and social infrastructure while at the same time establishing a safety-first corporate culture and ensuring soundness of management.

Specifically, we have been continually pursuing economic value by meticulously improving the punctuality and comfort of railway transportation services of the Tokaido Shinkansen, the main transportation artery of Japan, and conventional lines in the Tokai region, with safety as our top priority. We have also developed Group businesses with high synergy with the railway business, worked to reduce costs, improve efficiency, and Reinforcement of earning power, and secured cash flows by steadily increasing revenues and profits.

At the same time, we have contributed to realizing a more comfortable

society and developing local communities by pursuing service safety, punctuality, and comfort in our business activities centered on the Tokaido Shinkansen, our main line of business. We have also continually sought to enhance environmental superiority by incorporating the latest technologies while promoting the use of railway transportation, which inherently has excellent environmental performance. The results of these business activities have led to the achievement of the "sustainable development" goals of the SDGs in the form of building a safe and resilient infrastructure, promoting innovation, and mitigating the impact of climate change. Furthermore, we have continually created social value by focusing on developing human resources that support the operation of the railway business and making daily efforts to achieve the SDGs from the perspective of promoting gender equality, creating a motivating workplace, and promoting employment.

Using the abovementioned cash flows, i.e., economic value, as the source, we have developed even safer, more resilient and environmentally superior infrastructure, improved services, developed human resources that

Strengthening the capabilities of the organization and human resources to solve management issues

Since joining JR Central in 1989, I have been long involved in human resource development and labor affairs in various divisions, from departments close to the front line to the head office. This is why I have a strong desire to maximize and utilize the power of "people." "People," "goods," "money," and "information" are often listed together, but it is "people" who think of and implement measures to generate cash flows, making human resources the greatest managerial resource. The basic philosophy of our human capital management is to invest effectively in the education and training of recruited human resources and make the most of their improved abilities.

In order to achieve the "Revenue Expansion" and "Reform of Business Operations" mentioned earlier, it is essential that we think outside the box and boldly take on challenges. Since I became president, I have been emphasizing the importance of an approach that involves "thinking freely, discussing a lot, and tenaciously getting the job done." In other words, it is important that employees think creatively, drawing on a wide range of knowledge and technologies without being bound by conventional frameworks, and exchange honest opinions and, through discussion, evolve

Fulfilling our role as a railway company rooted in the local community

Our conventional lines centered in the Nagoya and Shizuoka districts serve as a means of daily transportation, including commuting to and from work and school, for local customers. Due to the development of road networks and the proliferation of telework, the environment surrounding conventional lines has become difficult. However, JR Central has fulfilled its role as a local infrastructure provider by improving its operating efficiency and services. In FY 2024, we started in June to gradually introduce the 315 series commuter trains for conventional lines, the first new rolling stock for 18 years in the Shizuoka district, and we hope that our customers will enjoy a more comfortable journey than ever before.

Railway stations, where train passengers and many other people gather, are important hubs for local communities. JR Central has taken advantage of such favorable locations to develop offices, commercial facilities, and hotels, significantly enhancing the appeal of railway stations and generating revenue. After the COVID-19 pandemic, we are making the most of our Group's assets to provide customer-centric products and services primarily targeting not only railway users but also tourists and residents along our railway lines, while collaborating and co-creating with local governments and businesses. In this way, we are increasing the value of cities along our

support the infrastructure and services, and promoted innovation to create social value. This has led to a positive cycle of providing better services and attracting more users. This positive cycle has also made it possible for us to realize the ongoing Chuo Shinkansen Project.



what was once merely an idea into a tangible measure. It is also important that they involve those around them and responsibly see such measures through to the end. I would like to place a higher value than ever before on seeing "challenges" through to the end and achieving "transformation." With this in mind, we will be making major changes to our personnel and salary systems in 2025 with the aim of creating an environment in which employees can maximize their capabilities and grow.

Particularly since we provide rail and other highly public services that are used by a wide range of customers, I believe it is vital that all of our employees from diverse backgrounds fully exercise their skills and play an active role in the company. We have already been working on establishing flexible working styles, enhancing support systems for balancing work and life events such as child-rearing and elderly care, and the Women's Empowerment Project, and will continue to strive to enable all employees, regardless of gender, to be motivated and fulfilled in their work for a long time and enrich their professional lives as they contribute to the company's development.

railway lines and mobility, increasing the profits of our Group's businesses and pursuing initiatives aimed at creating synergies that will generate demand for railway transportation.



Promoting the use of environmentally friendly railways to contribute to global environment conservation

Railways have the excellent characteristic of higher energy efficiency and lower impact on the global environment than other means of transportation. I believe that railways can play a significant role in realizing a sustainable society. In order to further enhance this characteristic of railways, we have been implementing various measures, such as introducing energy-efficient rolling stock. Given the government's goal to realize carbon neutrality by 2050, we aim to reduce CO₂ emissions to net-zero to further increase the environmental superiority of railways.

In addition, in light of the growing awareness toward global environmental conservation, we announced the per capita CO₂ emissions between stations on the Tokaido Shinkansen in September 2023. Based on this figure, we have added an optional service that offsets customers' CO₂ emissions for the "Chartered Shinkansen Package" since October 2023, and from April 2024, we started a service for Express Reservation corporate members that will achieve net-zero CO₂ emissions by utilizing CO₂-free electricity. Through these initiatives, we will not only contribute to solving

environmental problems as a railway operator, but also capture needs associated with the transition to a decarbonized society, which will lead to expanding revenue.

In addition, we endorsed the recommendations of the TCFD* in May 2021 and conducted and disclosed the results of a quantitative analysis on facility damage due to the increase in floods in 2022 and profit losses due to heavy rain in 2023 for the Tokaido Shinkansen. We have now expanded our scope of disclosure by disclosing our analysis of facility damage due to high tides. We will continue to identify the risks and opportunities related to climate change and promote information disclosure.

*TCFD stands for Task Force on Climate-related Financial Disclosures.

We will also reduce the impact on the global environment by reducing waste and recycling resources, including the effective use of recycled aluminum from Tokaido Shinkansen rolling stock.

Governance with an awareness of maintaining balance between stakeholders

The railway business serves the public good and is supported by various stakeholders. We will continually strive to earn and deserve even greater trust from all stakeholders without focusing on certain interested parties and to sustainably grow as a company to continue fulfilling our mission of "contributing to the development of Japan's main transportation artery and social infrastructure." Based on this stance, our basic policy for shareholder return is to maintain sound management while securing internal reserves to steadily promote various projects, including the Chuo Shinkansen Project, and to maintain stable dividends.

It is based on this policy that we continued to pay a certain amount of dividends even in periods when we posted a net loss due to the pandemic. In addition, the dividend amount for each fiscal year is determined based on the business environment and business performance. In addition to increasing the year-end dividend for FY 2023, we have also increased the dividend forecast for FY 2024 on an annual basis, bringing it back to the

annual dividend level of FY 2019, before the COVID-19 pandemic. Going forward, we will continue to aim for sustainable corporate growth by increasing profits and cash flow through "Reinforcement of Earning Power."

Through long-term capital investments and human resource development, we will refine the characteristics of the Tokaido Shinkansen, Japan's main transportation artery, which are safety, punctuality, high speed, and frequency, and continue to strengthen the conventional lines in the Tokai region that form a network with the Tokaido Shinkansen, as well as related businesses. In this context, we are promoting the Chuo Shinkansen Project to continue fulfilling our mission. I believe that the project will stabilize the company's management well into the future and secure profits for all stakeholders, including our shareholders. I would like to thank all of our stakeholders for their continued support and understanding of the JR Central Group's businesses.

