

May 13, 2022

Central Japan Railway Company

Main Q&A of the Year-End Investor Meeting for FY2022.3

(Latest status of use)

- Q. You said that the use of railway services is recovering faster on Saturdays, Sundays, and public holidays than weekdays. Do you have any recent data that you can show us on, for example, reservation status?
- A. As for the reservation status of the Tokaido Shinkansen, there has been an increasing tendency in recent years that customers make reservations more shortly before use. This tendency became even stronger under the COVID-19 pandemic. When we issued a press release on the Seat Reservation Status during the Golden Week Holidays in FY2022 on April 14, 2022, it showed that the seat reservation status of the Tokaido Shinkansen during the Golden Week holidays was 62% of the levels in FY2018. By now, the percentage has risen to about 80%, and we expect more customers to use our railway services.

(Assumptions of transportation revenue forecast)

- Q. What is the reason for your assumption that transportation revenues will recover by the end of FY2022 to 80% of the levels in FY2018, in forecasting transportation revenues?
- A. As for the latest status of use of the Tokaido Shinkansen, while use is recovering rapidly on Saturdays, Sundays, and public holidays, it is recovering at a relatively moderate pace on weekdays. Although the business environment for FY2022 remains uncertain due to COVID-19, given the fact that transportation revenues during the Winter holidays in FY2021 recovered to about 80% of the levels in FY2018, we have assumed that transportation revenues will recover first to 80% of the levels in FY2018.
- Q. In assuming that transportation revenues will recover to 80% of the levels in FY2018 in your financial forecasts for FY2022, do you plan to implement any active measures to facilitate the recovery of revenue?
- A. For the last two years, due to the COVID-19 pandemic, it has been difficult for people to travel even if they wanted to. It has also been difficult for us to conduct sales promotions due to social demands that discourage mobility. However, no restriction on travel was imposed by the government for the Golden Week holidays this year, and it is becoming easier for people to travel than before, although they need to continue to pay attention to prevention of infection. We will work to create demand by using ICT effectively in addition to conducting traditional promotional campaigns focusing on various tourist destinations such as Kyoto and Nara. For example, we offer

an “S Work Car” on the Tokaido Shinkansen. This is a service that enables passengers to work seamlessly using ICT before, during, and after riding the Tokaido Shinkansen, and we offer this service in response to changes in workstyle, such as web conferencing and teleworking, which have become popular as a consequence of the COVID-19 pandemic.

(Cost reduction)

Q. When will you halt the cost reduction efforts that you are making under the COVID-19 pandemic? Is there any specific target for recovery of revenues?

A. We had always been making efforts to improve efficiency and reduce costs. For the last two years, in view of the difficult business environment under the COVID-19 pandemic, our cost reduction efforts have focused on postponing expenses and cutting advertising expenses and employees’ bonuses. It is difficult to say exactly when we will stop making these efforts, but operating expenses will return to pre-pandemic levels as our earning power recovers.

(Revision of fare and fee systems)

Q. Please tell us about your stance concerning the revision of fare and fee systems?

A. Discussion on the revision of fare and fee systems has started at a subcommittee of the Ministry of Land, Infrastructure, Transport and Tourism. As fare and fee systems are a matter that relates to the very core of the management of railway operators, we closely monitor the direction of the discussion, while expressing our opinions as appropriate. As our main source of revenue is the Tokaido Shinkansen, our business environment is different from those of JR East and JR West whose reliance on revenue from conventional lines is high. Therefore, we do not think that we must change the fare and fee systems immediately, although we continue to study possible alternatives. On the other hand, we plan to use the fee system established by the government to make train stations barrier-free in order to continue to steadily promote barrier-free access to our services. As for the revision of busy season and off-season fees, JR East leads the way and has established a special fee rate for the busiest season. We will consider a specific way to revise the fees.

(Chuo Shinkansen)

Q. You issued a press release yesterday on construction work for the Chuo Shinkansen Southern Alps Tunnel, about the method to be used to return water outflow from the prefecture to the Oi River. How will you work to overcome the situation?

A. If we drill in the fault zone located near the prefectural border between Shizuoka and Yamanashi, we may encounter sudden water inflow into tunnel. In order to prevent the tunnel from becoming flooded during the construction and to continue the construction work safely, we need to drill on an uphill incline from the Yamanashi side. During the period until the pilot tunnel is driven through from the Yamanashi side to the Shizuoka side over the prefectural border (which is expected to be

about 10 months), water inflow that arises will flow from the Shizuoka side to the Yamanashi side. While the river flow of the Oi River at Kanza, which is located at the lower middle basin, is estimated at 1,900 million m³/year (yearly fluctuation: ±900 million m³/year), water balance analysis indicates that the outflow from the prefecture will be 3 million m³ according to the JR Central model and 5 million m³ according to the Shizuoka City model. According to the interim report prepared by the Expert Conference on the Linear Chuo Shinkansen Shizuoka Section of the Construction Site, established by the Ministry of Land, Infrastructure, Transport and Tourism, its analysis results show that the river flow in the lower middle basin is expected to be maintained, although the report pointed out that the analysis results involve uncertainty. In order to reassure the people who use the water resources in the Oi River Basin, we examined methods to return to Oi River the same amount of water as the outflow from Shizuoka Prefecture of water inflow into tunnel that arises during a certain period of the construction work, and explained them at the Shizuoka Prefecture Chuo Shinkansen Environmental Conservation Association Special Committee on Tectonics and Water Resources held on April 26, 2022.

Plan A is a method to return water inflow into tunnel arising in Yamanashi Prefecture to Oi River after the pilot tunnel is driven through. Plan B is a method to measure the outflow from Shizuoka to Yamanashi of water inflow into tunnel arising during the period until the pilot tunnel is driven through from the Yamanashi side to the pilot tunnel on the Shizuoka side over the prefectural border, while suppressing the same amount of water intake by TEPCO Renewable Power, Inc. for power generation and returning the water to Oi River at the same time. With the understanding of the parties concerned, we will request cooperation from TEPCO Renewable Power, Inc. for the implementation of this plan.

We will continue discussions with the parties concerned in order to deepen the analysis toward the implementation of these plans.

Q. Regarding the Chuo Shinkansen Southern Alps Tunnel construction work, what will be the impact of the measures to return water outflow from the prefecture to Oi River on construction costs and construction period? Also, what is the current status of discussions on biodiversity issues?

A. We expect that the measures we just explained will have no major impact on the overall construction costs and period.

As for biodiversity, the Special Committee on Biodiversity of Shizuoka Prefecture held a meeting on March 24, 2022. Various opinions were received, and we believe that the discussions are progressing steadily. We will continue to work diligently to address the issues.

Q. How do you expect that the deep underground shield tunneling will progress, going forward?

A. In view of the cave-in accident on the Tokyo Outer Ring Road etc., we are currently explaining our safety and security measures thoroughly to the people along the line. At the First Tokyo Metropolitan Area Tunnel (Kitashinagawa Section), we are proceeding with the survey tunneling

to confirm the safety and security measures by operating the shield machine in practice. We will explain the confirmed results of the survey tunneling to the residents along the line before launching a full-scale excavation.

(Dividends)

- Q. As your dividend levels are lower than other companies, it is difficult for us to expect adequate returns as an investor. What is your idea on this point?
- A. In order to make necessary capital investments from the long-term perspective while operating our railway business, which has an important social mission, in a stable manner, we have continued to pay stable dividends while securing internal reserves as we sought to secure the understanding of shareholders. While we have reported losses for the last two years, we maintained the levels of both interim and year-end dividends at 65 yen in order to maintain the principle of stable dividend. These levels are about the same levels as in FY2015 and FY2016, when transportation revenues were about 90% of the levels in FY2018. We will continue to make efforts to meet the expectations of shareholders, aiming to recover transportation revenues to 90% of the levels in FY2018 as soon as possible.