

Main Q&A of the Semi-Annual Investor Meeting for FY2023.3

(Transportation trend and passenger volume)

Q. The government has launched “the National Travel Assistance” . Did this have any impact on passenger trends in October?

A. First, passenger volume at the Tokyo gate until October 30 was 77%. It is difficult to quantitatively show the impact of “the National Travel Assistance” .But the seat reservation rate for the coming month is around 90% of the level before COVID-19, which indicates overall demand has been recovering. Accordingly, I think the impact of “the National Travel Assistance” is beginning to appear.

Q. You said that the seat reservation rate is around 90% of the level before COVID-19. Do you expect the actual utilization result will reach 100%? If it reaches 100%, do you think such condition will continue? And regarding passengers, do you see any change in the ratio between business travelers and tourists?

A. I said that the seat reservation rate for the next month is around 90% of the level before COVID-19. However, this figure is to do with reservations. These days, reservations made or changed immediately before travel have been increasing and we are not very sure about the actual result. Anyway, we see 90% as a very good figure. It is still difficult to expect the actual figure to exceed 100% soon. At the moment, we predict our transportation revenues will be around 80% in the third and fourth quarters.

In general, recovery is faster for Saturdays and holidays, and for tourism. However, recovery for weekdays has been slow. Although we cannot have an optimistic estimate of exceeding 100% at this stage, we aim to achieve early recovery through various measures to boost demand.

Q. I would like to know about any positive signs of recovery in inbound tourism, such as hotel reservations and sales of tourist passes.

A. Regarding inbound tourism, I have the impression that visitors from abroad have been increasing since the country’s entry restrictions were substantially eased. At our hotels, the number of foreign customers has been increasing. I heard that at Marriott Nagoya Associa Hotel, about 20% of their customers are from abroad. Although the rate was a little higher before COVID-19, the number of foreign customers has been increasing

compared to a year or six months ago, when we had nearly no customers from abroad. Sales of services for foreign travelers, such as JAPAN RAIL PASS, have been gradually increasing, though remarkable results have not seen yet. We expect further recovery in inbound tourism.

(Half-year results)

Q. I would like you to explain more about the figures. I note the difference in transportation revenues in the first half from the estimated figures. I would like to know also the difference in operating income from the plan.

A. We cannot clarify operating income because we did not formulate a plan for the first half. While revenue increased by 32 billion yen, energy costs for the first half were nearly 28 billion yen. In comparison to estimated full-year energy costs of 49 billion yen, I think energy costs for the first half deviated above the plan. And I think other expenses stayed within the range we estimated. So, I have the impression that costs increased only in terms of the portion related to energy costs.

Q. You made minor changes to income plans for real estate and some other items. I would like to know the reasons for this.

A. Regarding the real estate segment, operating income for JR Central Building Co., Ltd., our subsidiary located in Nagoya, decreased. The major cause for this decrease was an increase in the cost of utilities, namely, electricity.

(Cost reduction)

Q. You said that the major reason for the downward revision of your full-year performance forecast was an increase in energy costs. Was it difficult to reduce costs enough to offset that?

A. We decided to revise the forecast as we thought that energy costs would certainly be higher than we had estimated in April. While cost reduction efforts are being made, we have raised the forecast for energy costs by 14 billion yen from the initial estimate. We also raised the figure for Other Operation by 2 billion yen reflecting the increase in the cost of utilities. At the same time, we are advancing efforts for cost reduction to keep the increase in total non-consolidated costs to 12 billion yen. We will continue to make such cost reduction efforts.

(Plan of the Chuo Shinkansen Project)

Q. Construction work for the Chuo Shinkansen Project has begun in many places. The

government has formulated the Super Megaregion Initiative. JR Central has presented its future vision as reinforcement of earning power by utilizing the latest technology. But it seems that the Chuo Shinkansen, which should be operated in an integrated manner, is not included in this. As construction work has begun, how will you ensure returns to investors while also playing your social role? Do you have any long-term vision that you are considering?

- A. The significance of the Chuo Shinkansen is as we have explained before. In addition to improving preparedness for large-scale disasters and compensating for the aging of the Tokaido Shinkansen, the Chuo Shinkansen will help shorten people's travel time due to its basic speed improvement, which will lead to improvement in service. So I think it will contribute to our business. The position of this project will not change as the construction work advances.

(Reinforcement of earning power (reform of business operations))

Q. I would like to know specific details of the superior-class Green Car, including prices. And when are you planning to introduce it?

- A. We have not yet decided how we will set up the superior-class Green Car. But we would like to set prices that match the service. We will examine various elements, such as the potential demand and the appropriate number of seats.

We have not yet decided when to introduce that. It will be associated with capital investment and the need to design equipment that will not hinder safety. We will therefore take time to consider the details.

Q. Regarding reform of business operations, how will the effects of cost reduction be presented? Do you have a schedule for that? Do you have a plan for cost reduction? Or are you going to prepare a plan?

- A. As to reform of business operations, I said that we would reduce steady non-consolidated costs by 80 billion yen over 10 to 15 years. I introduced some specific programs, though they are just part of our efforts. Some of them require time. For example, semi-automatic operation of the Shinkansen, which I mentioned earlier, needs various steps to follow before being put into practice. For example, the installation of movable fences for all stations at which Nozomi stops will be completed with the installation on platform No. 20 at Shin-Osaka Station. Semi-automatic operation will be promoted under the assumption that movable fences will be installed at other intermediate Shinkansen stations. For the rolling stock, development of various technologies for semi-automatic operation is also necessary. Considering these circumstances, I think it will take around 10 years. However,

extension of the cycles of train car overall inspection and bogie inspection is likely to be achieved sooner. Thus, the situation differs significantly among the measures and therefore, we have not set a schedule for the effects of cost reduction. But the effect of our cost reduction efforts for fiscal 2022 is estimated to be 5 billion yen, which will be accumulated in subsequent years. Anyway, we will fundamentally review our operations and I would like to ask for your understanding.

Q. You have mentioned cost reduction for the Shinkansen. I understand that it does not include the portion that may be streamlined in the integrated operation with the Chuo Shinkansen. Is it correct to think that you have mentioned the cost reduction solely for the Tokaido Shinkansen?

A. The reduction of 80 billion yen in operating expenses expected through reform of business operations that I explained earlier is related to the existing railway business, including conventional lines, so the Chuo Shinkansen is not included.

Q. Regarding reinforcement of earning power, do you have any financial target figures or indicators other than the amount of cost reduction?

A. The goal of the reform of business operations is to lower expenses by 80 billion yen and create a lean structure. We also aim to respond to future changes in the business environment, namely a shortage of labor. To this end, we will fundamentally change our way of work by utilizing technology. Specifically, we plan to reduce costs by 80 billion yen over 10 to 15 years. We think roughly 20 billion yen of this is for depreciation and amortization, which can be achieved by reducing capital investment. The rest will be reduced in personnel expenses and non-personnel expenses. We do not have any other financial indicators.