

Main Q&A of the Year-End Investor Meeting for FY2023.3

(New President's resolution)

Q. Please tell us whether you have anything to add to or change about the current management, including your resolution as a new President.

A. Before the COVID-19 pandemic, we had delivered great results in terms of revenue growth by implementing strategies focusing on increasing the number of trains to provide passengers with comfortable and convenient travel in order to meet the demand primarily of business customers. However, the environment has changed drastically during the pandemic, and the number of Tokaido Shinkansen passengers decreased by about 90% year on year in April 2020 and by about two-thirds year on year for the full-year of FY2020. As a result, in formulating our post-COVID strategies, we have concluded that our past approach alone would not be effective.

While the "12 Nozomi Timetable" itself was established in FY2020, I already had an idea as to how to utilize this capacity three years ago, as the Director General of Corporate Planning Division, that we will utilize it in a manner that we had never tried before in view of the COVID-19 pandemic. In order to expand revenues in new ways, in addition to Kyoto campaigns and the like, we started using methods that we had never used before. For example, we have conducted a campaign to encourage people to travel to meet their favorite artists, athletes, etc., in collaboration with contents providers. These initiatives have not become our major revenue sources. However, as we start with small projects and they start to deliver concrete results, people will get a clear idea of how they can collaborate with the Tokaido Shinkansen. By now, our initiatives have been recognized in various industries. We would like to continue going forward to steadily start and gradually grow new initiatives.

In the area of cost reduction, we are working on a reform of business operations. In fact, even before the COVID-19 pandemic, we were considering ways to reduce routine costs and respond to labor shortages, which were expected to become more and more acute going forward. However, the COVID-19 pandemic made it necessary for us to take immediate actions and I gave internal orders accordingly.

I think that we must take various measures through the reinforcement of earning

power by carrying out the initiative for revenue expansion and the reform of business operations, including those that are implemented differently from the pre-pandemic era. We have suffered greatly from the pandemic. If there was any good point about this, it would be that the pandemic gave us an opportunity for us to work very seriously to implement these measures.

(Revenue boosting effect of the “12 Nozomi Timetable”)

Q. The “12 Nozomi Timetable” is expected to be fully operational finally this fiscal year. What are your actual expectations from this? Please tell us how much revenue boosting effect we can expect as compared with pre-pandemic levels although it may be difficult to quantify the effect.

A. We have worked hard for many years in order to realize the “12 Nozomi Timetable,” namely running up to 12 Nozomi trains one way per hour. When main trains in our timetable became Nozomi in 2003, we could run only up to seven Nozomi trains one way per hour. We have been making efforts to meet transportation demand that increases as the economy grows and operate a sufficient number of trains to make sure that passengers can secure their seats and travel with a peace of mind. In addition, by combining it with the EX Service that offers passengers convenience to reserve or change their train seats anytime, we have developed an infrastructure that enables passengers to secure their seats and travel comfortably without waiting for trains. As a result of these efforts, we realized the “12 Nozomi Timetable” in 2020.

We operated the “12 Nozomi Timetable” even during the COVID-19 pandemic. For example, we operated it on 56 days in FY2022. We also operated it on 30 days and 38 days in FY2020 and FY2021, respectively. We have secured sufficient supply in FY2022 also in terms of total number of trains, which was 95% of the levels of FY2018. Although specific transportation plans for the future will be developed going forward, we will use the “12 Nozomi Timetable” effectively by varying the pace as appropriate. Although, it is difficult to demonstrate a clear causal relationship as to how much the timetable will contribute to revenue growth, we will work to implement measures to secure plenty of trains in combination with measures to stimulate demand.

(Engagement survey)

Q. With regard to human capital management, you said that you will develop a corporate culture of “thinking freely, discussing a lot, and tenaciously getting the job done.” In

relation to this, could you tell us how you plan to use the engagement survey that you have conducted this year for the first time? I think that specific question items of the survey are very important, and I would like to confirm with you how you have determined specific items in accordance with the intended purpose of use and how you will disclose the results to investors. In addition, do you plan to use the results of the survey as inputs to management decisions by, for example, reflecting recommendations from line employees quickly in management strategies and deploying management resources accordingly?

- A. The disclosure method will be determined going forward, but engagement is very important. We think it important for the employees of the Company and the Group to improve their performance by improving their skills and increasing their motivation and by understanding the Company's mission and changes in their work. We also think it important for them to work with enthusiasm at the same time. Engagement survey is nothing but a tool and quantification itself is not the purpose. The survey is intended to help employees understand how their work connects and is instrumental to management policies as well as the role of their teams, and we will use the survey results as reference data in developing various measures to be implemented going forward.
- We intend to clearly understand what employees are dissatisfied with. Whether we work to accomplish this by engagement survey or by any other means will be determined going forward.

(Environmental information disclosure)

- Q. Regarding the water resource and biodiversity issues of the Chuo Shinkansen, I understand scientific bases and measurement techniques have been discussed at meetings. However, I think that not only measuring the amount of decrease in water, but also disclosing progress by showing specific action plans and roadmaps that indicate how the decreased water will be recovered will provide investors as well as local residents with evidence that JR Central is diligently practicing ESG management. Given that information disclosure under the TNFD framework will start this year, could you tell us how you plan to explain them to investors?
- A. Dialogue on the Shizuoka section of the Southern Alps Tunnel is currently underway at the expert conference of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the special committee of Shizuoka Prefecture. As for the

concerns of local residents about potential reduction in the discharge of the Oi River and groundwater, we have been explaining continually about countermeasures and monitoring. Environmental preservation including biodiversity is discussed right now at the expert conference of the MLIT.

Regarding the concerns of local residents about water resources, we think it important to maintain good two-way communication with them based on the interim report of the expert conference. For example, we are submitting weekly reports to Shizuoka Prefecture and other constituents on the boring survey conducted in preparation for excavating a tunnel from Yamanashi to the border with Shizuoka Prefecture, by measuring how much progress has been made and how much water is coming out.

As shown in this example, we think it important to show data to local residents, and they will also be used as part of explanations to the public as well as investors. We think it important to pick useful data and show them to various stakeholders in an easy-to-understand manner.