

Main Q&A of the Semi-Annual Investors' Meeting for FY2024.3

(Trend of Tokaido Shinkansen passenger volume and revision of performance forecast)

Q. Please tell us your assessment of the recovery and future outlook of business demand for the Tokaido Shinkansen. You explained that business demand was recovering at a slower pace than tourism demand. However, my impression is that business demand has recovered to a considerable degree considering the spread of web meetings, with weekday passenger volume at 91% in October up to the 29th. Do you think this is the peak level, or do you expect further growth, since the 91% includes weekday tourism demand?

A. We consider the recovery of business demand to be slightly lagging that of tourism demand. We believe the high weekday figures for October are due to the contribution from passengers using the Shinkansen for sightseeing on weekdays, as well as from inbound passengers.

Regarding whether this is the peak level, we believe business demand is still on the road to recovery based on what the corporate members of Express Reservation are saying, although business travel has been replaced by web meetings to some degree.

Q. What is your outlook for passenger volume, including that of inbound passengers, for the New Year's holidays?

A. We do not have a specific outlook, but we plan to run an average of 434 trains per day, the largest number ever during the New Year holiday period, as there was considerable passenger volume during last year's New Year's holidays, and we expect many passengers to use our trains for traveling and other purposes this year as well.

Q. You have kept your second-half transportation revenue assumption unchanged. Considering the current state of recovery, I had thought a slightly higher level could be justified. Why did you leave it unchanged?

- A. Transportation revenues in the first half showed a steady recovery from the pandemic, reaching 92.4% of FY2018 levels. Regarding whether to change our second-half assumption, we maintain our transportation revenue assumption at 90% for the second half based on our judgment that the recovery will be not a significant surplus increase compared to the forecast. Our decision to maintain our assumption is not based on a belief that revenues will be lower in the second half than in the first half. For the second half, we will strive to secure revenues through various initiatives, including new services and price revisions of the EX service, and product enhancements and price revisions of the Japan Rail Pass.

(Inbound)

- Q. Inbound revenue (estimate) has increased to 38 billion yen, or 165% of FY2018 levels. Was this due to an increase in passenger volume of European and American travelers? Please let us know if there is any other reason.

- A. Compared to before the pandemic, inbound travelers from the United States, Europe, and Australia have increased, while those from East Asia have not reached the same level. Travelers from the United States, Europe, and Australia stay in Japan for longer periods and tend to travel on the Shinkansen at a higher rate. We believe these have led to strong inbound revenue.

In addition to the efforts we have been making to develop an environment that makes it easier for inbound travelers to use the Tokaido Shinkansen, we are enhancing our internal structure and studying the trends of inbound tourists. As a result, we have discovered that some of the travelers staying in Japan for a long period of time remain in the Tokyo Metropolitan area, and some travelers do not use the Shinkansen when traveling within Japan. In response, we have been working to promote our services by streaming videos highlighting the appeal of Kyoto and the Shinkansen.

- Q. What is the Japan Rail Pass's share of inbound revenues? Has there been any change in the sales trend since the price revision in October?

- A. Since the Japan Rail Pass is sold by the six JR companies, I would like to refrain from presenting a breakdown. Furthermore, as the effective period of the Japan Rail Pass is three months, customers who purchased the pass before the price revision are

likely to continue riding our trains for a while longer. As such, I believe it will be difficult to assess the sales trend after the price revision until more time has passed.

(Request by the Tokyo Stock Exchange)

Q. The Tokyo Stock Exchange has requested companies to raise their PBR to more than 1x. What are your views on this?

A. We are aware that our PBR is below 1x. As I mentioned in my explanation on dividends, we intend to save the funds we earned for future capital investments for the Chuo Shinkansen, our huge ongoing project.

(New EX services and price revisions)

Q. Express Reservation's prices will rise due to the price revisions. Do you think the impact on its use will be minor since Express Reservation is already established as a service?

A. We intend to keep a close eye on customers' use since prices will change. When we introduced Express Reservation, we strove to direct customers to the service by offering it at a discount from the predetermined prices in an effort to encourage many customers to use the service. Recently, members of Smart EX, which offers a smaller discount, have been showing a larger increase. Around half of reserved seat bookings are currently made through the EX service, but we will keep a close watch on customers' use of the service.

Q. The EX service will become even more convenient due to services such as the ability to book tickets a year in advance. What is the state of growth of the number of EX members, especially tourist passengers?

A. Although this figure is before the launch of the new services, the total number of EX service members and subscribers at the end of September was around 11.57 million. It was approximately 10.46 million at the end of March, meaning that the number of subscribers increased by more than a million in six months. Since the majority of the increase comprised Smart EX subscribers, we think that casual subscribers for sightseeing and other purposes are increasing, rather than heavy users for business trips.

We believe the ability to book tickets a year in advance offers great convenience in planning trips. Since the launch of the service, there has been a considerable amount of bookings for periods such as the New Year's holidays. We consider that customers are using the service in the way we want them to, in that they are planning early and booking train tickets.

(Collaboration with game companies)

- Q. Regarding the collaboration with "Nobunaga's Ambition: Shutsujin," the President of Koei Tecmo Games Co., Ltd. said that it was agreed on following long discussions with JR Central. Do you intend to strengthen collaborations with game companies in the future?
- A. As a service to people who are extremely enthusiastic about various contents they support, such as games, anime, and idols, we have been offering "Oshi Travel Update," a travel package to go and meet the subjects of their support. As part of our efforts in this product, we had been making arrangements around the game "Nobunaga's Ambition." The company that produced the game has also created a geolocation game, in which we succeeded in collaborating. We intend to unearth new things in various ways in order to secure revenues.

(PR of environmental advantages)

- Q. Will railway's environmental advantages simply be for PR purposes, or will you consider carbon neutral transportation products by increasing the purchase of renewable energy power?
- A. In our presentation handout, we introduced our PR of the environmental advantages of railways, namely that the use of railways leads to CO₂ reduction. We don't have any specific plans for a product yet, but we will appeal to the public that using railways within a reasonable extent is also an environmental initiative for customers, since railways are an environmentally friendly means of transport.

(Chuo Shinkansen Project)

- Q. Discussions are being held at the central government's Expert Conference regarding the preservation of water resources and ecosystems, but how is the local

communities' understanding of JR Central's efforts progressing? Please also explain the future process of obtaining permits for construction in Shizuoka Prefecture.

- A. Regarding water resources, we have been discussing with a power generation company on the so-called Plan B, which is to return to the Oi River the same amount of water as the amount of spring water flowing out from the tunnel from Shizuoka Prefecture to the Yamanashi Prefecture side on an exceptional basis during certain periods of construction, based on the interim report by the government's Expert Conference. In the course of the discussions, we compiled a feasible plan and explained it to Oi River basin stakeholders starting in late September. There were no objections at that time, and we received feedback that they wanted us to proceed quickly. Currently, we have just issued a document asking for the approval of members of the Oi River Irrigation Council. We will continue to work with sincerity while valuing two-way communication.

Meanwhile, discussions on ecosystems have been taking place at the Expert Conference, and a draft report was presented by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) the other day.

Regarding the process for starting construction in the Shizuoka section, we have been explaining to and discussing with the prefecture and related parties about the concerns surrounding water resources, ecosystems, and surplus soil. We believe that the start of construction will come into sight as these concerns are resolved.

- Q. I feel that progress is being made on the Shizuoka section. It may be too early, but it might be good to re-evaluate the construction schedule and costs. What are your views on this?

- A. Following the government's Expert Conference, I feel that we are beginning to gain understanding from the Oi River basin stakeholders on the water resource issue.

On the other hand, the ecosystem issues are currently being discussed at the Expert Conference. If the Conference provides a direction for the issue, we will work to explain accordingly in order to dispel the concerns of the people of Shizuoka Prefecture and local communities.

As you can see, it will take some more time to coordinate with the related parties, and I do not believe we are at the stage to consider re-examining the construction

schedule and costs.