

Main Q&A of the Year-End Investor Meeting for FY2024.3

(Assumptions regarding passenger numbers in performance forecast)

- Q. What are your assumptions regarding the number of passengers in the forecast? Although assumptions are shown for transportation revenues, which include the effect of improved unit price, please tell us what you think about the number of passengers itself.
- A. We have a plan on transportation revenues to recover to 100% of the pre-COVID-19 FY2018 level by the end of FY2024, rather than on passenger volume. Taking the increase in unit price into account, the number of passengers may not reach 100%, but we generally consider it to be at the level before the pandemic.

(Future outlook for inbound demand)

- Q. Do you expect inbound revenue continue growing in the future? Do you believe various initiatives and campaigns, being implemented overseas to attract tourists, contribute to the actual increase in the number of tourists?
- A. Inbound revenue (estimate) is a growing market for us with that for FY2023 being 186% of the FY2018 level. We strengthened the department in charge of inbound passengers and implemented initiatives such as launching websites and videos targeting overseas markets. While we hope to further expand inbound revenue, it is important to note that the current situation is influenced by the tailwinds of a weaker yen and price differences between domestic and international markets. Therefore, the situation may not be entirely optimistic.

(Breakdown of inbound revenue)

- Q. Could you provide a breakdown of the inbound revenue (estimate) for FY2023, totaling 81 billion yen, separating the effects of the Japan Rail Pass price revision and other factors unrelated to price revision?
- A. It is difficult to explain the specific effects of the Japan Rail Pass price revision alone,

given the overall increase in the number of foreign visitors to Japan and the growing utilization of regular tickets and the smartEX service for foreign tourists.

(Real Estate Development Policy)

Q. May I confirm that your real estate development policy, including that for hotels, is selecting projects on a case-by-case basis that have the potential for synergies with the core business, rather than aiming for expanding revenues for non-transportation businesses?

A. While ensuring profitability in the hotel business itself, we also aim to stimulate demand by encouraging people from the Tokyo metropolitan area to visit Kyoto and Nara via the Tokaido Shinkansen.

(Approaches to asset ownership in hotel development)

Q. In hotel development on non-company-owned land, are you considering the idea of continuing to own the assets in the future? Alternatively, are you also considering off-balance sheet strategies to continue operations while optimizing asset efficiency?

A. Regarding the recently announced project in Nara, we will be handling the ownership and operations within our company group. While there may be various possibilities for future projects, at this point, we do not have any specific projects to consider off-balance sheet strategies.

(Profitability of Nara hotel in consideration of environmental regulations)

Q. Nara City is known for its strict height restrictions, so how can profitability be achieved in such an environment?

A. This project is located very close to Kintetsu Nara Station, with excellent transportation access and convenient access to Nara's shrines and temples such as Todaiji and Kofukuji Temples. We are aware of the strict environmental regulations in Nara City, and we have developed plans taking these regulations into account. Considering that Nara is also experiencing an increase in inbound tourism, we aim to generate solid profits by charging rates that are appropriate for a luxury hotel and utilizing the traffic from the Tokaido Shinkansen.

(Financial and Performance Implications of the Chuo Shinkansen Project)

- Q. I would like to know how the financial and performance aspects could be affected by the fact that the opening of the Chuo Shinkansen to Nagoya in 2027 cannot be realized. I am curious if there would be any impact in terms of cash flow accumulation and changes in the borrowing amount due to the delay in the opening compared to the initial plan.
- A. During the second Monitoring Conference on the Linear Chuo Shinkansen Shizuoka Construction Section held on March 29th, we unfortunately announced that the opening of the line to Nagoya by 2027 is not feasible. Additionally, it is difficult to determine a new opening date since there is no prospect of starting the tunnel excavation work for the Southern Alps Tunnel on the Shizuoka section. However, we explained that we continue to make every effort to start operation as soon as possible. Regarding the construction funds for the Chuo Shinkansen, our plan is to primarily rely on the cash flow generated by existing businesses such as the Tokaido Shinkansen, and to secure additional funds through financing that are commensurate with the financial strength of the company. Generally speaking, the delayed period of construction will result in the accumulation of cash flow from the Tokaido Shinkansen, etc., reducing the amount of necessary financing and thus alleviating the financial burden. On the other hand, although there is a possibility that costs may increase due to the extended period of personnel and equipment required for the construction, we think that this will not have a significant impact on the overall cost.

(Update on the Business Plan for the Chuo Shinkansen)

- Q. Is there a plan to update the investment amount, opening schedule, projected revenues before and after the opening, etc. when you have a prospect on a timeline for the start of construction in the Southern Alps Tunnel Shizuoka section?
- A. At this point, we cannot provide a clear answer, but at the very least, without commencing the tunnel excavation work in the Shizuoka section, it is not possible to establish a projection for the opening timeline. Difficult construction tasks are anticipated in the Shizuoka section and other areas, and we will address each challenge steadily. We are unable to determine at this stage when we can provide future projections, but for the early opening between Shinagawa and Nagoya we are eager to start construction work on the Shizuoka section as soon as possible, as it directly affects the delay in the opening.

(Starting date for construction of the Nagoya-Osaka section of the Chuo Shinkansen)

Q. Considering the accumulation of cash flow, is there any plan to accelerate the start of construction for the Nagoya-Osaka section of the Chuo Shinkansen?

A. Our company covers the full cost of the Chuo Shinkansen project and our primary focus is to ensure sound management and stable dividends as a private enterprise. In order to successfully complete the project with these premises, our plan is to first open the line up to Nagoya, and then promptly commence construction towards Osaka, with the goal of extending the line all the way to Osaka. There is no change in this approach.

(Discussions at the monitoring conference organized by Ministry)

Q. The monitoring meetings of the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) have been held twice. Could you please provide information on how the company has responded and what progress has been made?

A. The monitoring meetings for the Monitoring Conference on the Linear Chuo Shinkansen Shizuoka Construction Section have been held twice so far. In the first meeting, we explained the monitoring plan for the utilization of the Oi River water resources and environmental conservation in the Southern Alps. In the second meeting, we provided an explanation about the construction plan for the Southern Alps Tunnel in the Shizuoka Section.

During the second meeting, it was suggested that in addition to the discussions at the administrative level, a body involving representatives from each stakeholder should be established to facilitate further dialogue. We have been engaging in practical exchanges of opinions with Shizuoka Prefecture, as well as the involvement of MLIT. We will continue to actively pursue dialogue with Shizuoka Prefecture. If a constructive dialogue platform can be established with representatives from Shizuoka Prefecture, MLIT, and our company, it would be greatly appreciated.

We will continue to work sincerely, placing importance on two-way communication with Shizuoka Prefecture, Shizuoka City, and other municipalities in the Oi River basin, in order to start the construction of the Shizuoka Section as soon as possible.

(Response to the request from the Tokyo Stock Exchange)

Q. Slide 9 appears to be a response to the request from the Tokyo Stock Exchange. Can we assume that this content is consistent with the existing policy? As mentioned

earlier, there is also an opinion from the market that if there is an increase in financial flexibility, it may be possible to increase shareholder returns a bit more.

- A. Our basic approach remains unchanged. During the “COVID-19 pandemic,” we recorded significant net losses for two years, but we maintained stable dividend payments without substantial reductions. We are planning to increase dividends this time as well, and we have finally been able to return to pre-pandemic levels.

As reiterated before, “safety” is the foundation of our company, and any compromise to safety would jeopardize the benefits of all stakeholders. Therefore, we believe it is necessary to steadily invest in safety and allocate funds to safety investment accordingly.

Additionally, the construction of the Chuo Shinkansen is a long-term project that will be recouped over an extended period in conjunction with the Tokaido Shinkansen. From that perspective, our company’s policy is to continuously enhance profitability for the future.

We are aware that there are various metrics, each with its own significance, but we believe that our business cannot be measured solely by such metrics. For example, accumulating retained earnings in preparation for the construction of the Chuo Shinkansen would increase shareholder capital but could lead to certain metrics deteriorating. We would like you to consider our management from a long-term perspective, taking such factors into account.

(Definition of Stable Dividend)

- Q. The dividend payout ratio has historically been around 5-10%. Do you consider this is the level for stable dividends? I would like clarification on the definition of stable dividends.

- A. The specific dividend amounts for each period is determined based on the business environment and performance of that period, rather than being calculated based on dividend payout ratios or similar metrics. The concept of stable dividends is to provide a stable payment on a monetary amount without extreme fluctuations in dividend amounts from period to period.