

Main Q&A of the Semi-Annual Investor Meeting for FY2025.3

(Future passenger volume)

Q. What is your outlook for the future passenger volume of the Tokaido Shinkansen? Looking at the figures for the first and second quarters, do you see that it has peaked? Or do you expect further growth since the volume was 99% of FY2018 levels as of October 28?

A. This quarter, operations of the Tokaido Shinkansen have been severely affected by natural disasters. Assuming no impact from this quarter's natural disasters, we estimate that passenger volume during the three months of this second quarter was 96% of the FY2018 level, so we believe it also remained on an overall recovery trend in the second quarter. It is not easy to look ahead, but we believe the volume for tourism demand is higher than pre-COVID-19 levels, while recovery of business demand has been slow, partly due to the shift to web meetings. However, usage of EX corporate members continues to recover.

Another growing area is inbound passengers, which has increased significantly compared to FY2018. While we expect these trends to continue, we will promote the use of the Tokaido Shinkansen by expanding sales channels through collaboration with travel agencies and enhancing the convenience of Smart EX.

(Inbound revenue)

Q. The inbound revenue (estimate) for the three months of the second quarter is lower than the one for the three months of the first quarter. Is this due to seasonality or the impact of natural disasters? Also, please provide us with the outlook for inbound revenue (estimate) for the second half.

A. We believe the difference in inbound revenue (estimate) between the first and second quarters is seasonal. We expect that inbound demand will remain strong, and we will

continue to work to ensure this trend continues.

(Factors for the discrepancy between passenger volume and transportation revenue)

Q. What factors specifically contribute to the discrepancy between passenger volume and transportation revenue?

A. One factor is the effect of price revisions of the "Japan Rail Pass" and "Express Reservation."

Furthermore, when we focus on areas, the Tokyo-Kyoto/Osaka route has been performing well, while Shinkansen commuter passes, which are primarily for short-distance use, have been recovering slowly, with 70% to 80% compared to FY2018, resulting in longer average riding kilometers and higher unit prices. It serves as another factor.

(Effect of increased revenue through initiatives to create demand)

Q. How much of the effect of increased revenue was realized in the first half as a result of various initiatives to create demand?

A. We would like to refrain from commenting on the specific effects of increased revenue at this point, but we have gained experience through implementing various measures, and we believe our initiatives to create demand are steadily producing results.

(Initiative for torrential rain)

Q. Will the number of planned service suspensions decrease due to the initiative for torrential rain you explained?

A. Regarding the rainfall regulations on the Tokaido Shinkansen, we believe we will be able to provide more stable operation than ever before if we can raise the threshold for the regulation through further initiatives in addition to the measures taken to date. We would like to consider revising our rainfall regulation in the future after further consideration, using the results of the ongoing tests and the data from natural

disasters this summer.

(Railway fee that can be revised by notification)

Q. You explained that you will cope with the impact of inflation through the fees, which can be revised by notification. What is your future price strategy for these fees?

A. We have already revised the prices for the "Japan Rail Pass" and "Express Reservation." In addition, we discontinued some of the coupon tickets and revised the discount system. We believe these initiatives, as a whole, have contributed to the effect of higher unit prices. As we revised the "Express Reservation" price in October last year, the year-on-year effect will take a round. Meanwhile, the effect of higher unit prices for the "Japan Rail Pass" has been fully realized since the fourth quarter of last fiscal year, so we believe the effect will remain in the third quarter year on year.

As for future measures to increase unit prices, we expect increased revenue as we will set new fees for the recently announced introduction of private rooms in the Tokaido Shinkansen, and the number of seats will increase on a net basis. In addition to private rooms, we will continue to consider upper-class seats to increase unit prices.

Furthermore, although there are no specific plans, we have room to revise the current "Nozomi fee" based on changes of service contents and business environment, as it is still below the approved upper limited price.

(Outlook for costs in the second half)

Q. I believe the progress of expenses of the first-half results is low compared to the annual plan. Can you give us a supplemental explanation of the outlook for expenses in the second half?

A. We have not revised forecasts for both revenue and expenses for the second half from their original performance forecasts. We believe the progress made on costs has gone as planned.

(Status of JR Tokai Takashimaya)

Q. JR Tokai Takashimaya is doing well. Is this due to domestic demand or inbound demand? Do you expect the same revenue growth rate in the next fiscal year and beyond as the current fiscal year?

A. Both domestic and inbound demands are strong. Regarding domestic demand, products with higher unit prices have continued to sell well, partly due to the renewal effect since the COVID-19 pandemic. As for inbound demand, the total tax-free sales of JR Tokai Takashimaya and Tokyo Station Development in the first half were 9.6 billion yen, about 2.8 times of the FY2018 level. We expect both domestic and inbound demands to continue to grow in the future.

(Status of the Chuo Shinkansen)

Q. Has any progress been made in the Shizuoka Section status since the Shizuoka Prefecture governor changed? What requirements must be met to start construction in the Shizuoka Section?

A. The current Governor Suzuki has said that he will "promote dialogue with a sense of urgency," and we perceive change in the stance with the change at the top. As long as we cannot predict the status of the Shizuoka Section, we cannot predict the opening time. We hope to move forward by resolving the issues of water resources and ecosystems in the Shizuoka Section.

Q. What steps are needed specifically to start construction of the Shizuoka Section for each water resource and ecosystem?

A. The theme is subdivided, and we have held a series of discussions on 28 issues that Shizuoka Prefecture considers to be agendas. At present, we have completed the dialogue on three issues and promote dialogue to resolve the remaining 25 issues.

Q: As for the timeline toward the start of construction, how long do you specifically forecast it will take?

A. Since this is a discussion, it is difficult to set a time limit, but we would like to explain issues in turn, starting with what we can explain. By sequentially addressing any new questions or concerns that arise during the discussions, we hope to obtain consent from Shizuoka Prefecture and others as soon as possible to set a target for starting construction of the Shizuoka Section.

Q. What will be needed ultimately to start construction?

A. Ultimately, we will need permission to dig a tunnel under the Oi River and consent from Shizuoka Prefecture to enter into a natural environment conservation agreement.

(Approach to risks related to the Chuo Shinkansen)

Q. Regarding the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" required by the Tokyo Stock Exchange, do you have any quantitative perspective at present on how much capital should be kept in preparation for the risks the Chuo Shinkansen faces? Please share your views.

A. We covered the construction cost of 7.04 trillion yen at our own cost for the construction between Tokyo and Nagoya of the Chuo Shinkansen project. Cash flow from the Tokaido Shinkansen will be allocated to the construction costs of the Chuo Shinkansen, but we believe it is necessary at this point to accumulate internal capital, considering that the construction will get into full swing in the future. If we continue accumulating internal capital, we believe improving ROE and other indices will be challenging, as we cannot earn income from the Chuo Shinkansen until its opening. On the other hand, we must thoroughly prepare for management risks, including future aging degradation of the Tokaido Shinkansen and large-scale disasters. As such, the Chuo Shinkansen is an indispensable project to strengthen our business foundation. We will continue to promote the project as we believe that, once the operations are extended to Nagoya or Osaka, it will help revitalize Japan's society and economy by duplicating the series of Tokaido Shinkansen and the dramatic time-saving effect and that it will also bring profit to our company.