

May 9, 2025

Central Japan Railway Company

Main Q&A of the Year-End Investor Meeting for FY2025.3

(Future shareholder returns)

- Q. The share repurchase is being made on the back of transportation revenues exceeding pre-pandemic levels, but I think it is a measure to be implemented by systematically considering the share price level, capital policy, financial strategy, and so forth. The figure on slide 11 may appear that shareholder returns will not increase until the opening of the Chuo Shinkansen line in Osaka, but I would like to know if the situation going forward will allow for steady shareholder returns based on the necessary funds and income.
- A. There is no change in our policy of building up internal reserves, as various investments such as safety and the Chuo Shinkansen are still needed. On the other hand, we also emphasize shareholder returns, and in addition to steadily increasing dividends while maintaining a stable dividend policy, we continued to pay a certain level of dividends even during the period when we recorded a net loss due to the COVID pandemic. Against this backdrop, this share repurchase is being carried out as a form of shareholder return virtually for the first time. We will continue to maintain share repurchases as an option for shareholder returns.

(Approach to the share repurchase limit)

- Q. What is the idea behind setting the share repurchase limit at 100 billion yen? Also, do you intend to purchase JR Central shares held by financial institutions in the future through share repurchases?
- A. Since this share repurchase is being carried out as a form of shareholder return, we felt it was necessary to carry it out at a certain scale in order to convey our message, and decided on a level of 100 billion yen. We have not yet decided whether we will purchase JR Central shares held by financial institutions in the future through share repurchases.

(Approach to ROE)

- Q. ROE is expected to decline as you continue to build up internal reserves, but to what extent do you think a decline in ROE is acceptable?
- A. We have not set a quantitative target for ROE, but we will continue to improve profitability through “Revenue Expansion” and “Reform of Business Operations.”

(Approach to stock price)

- Q. Your stock price has been falling for the past year, and your PER and other indicators show a high cost of capital. How do you view the issue of your stock price? I would also like to know if you intend to take further action if the stock price continues to fall.
- A. We are closely monitoring the stock price situation and believe that our earnings may not be reflected in the stock price. We have received comments from investors about the uncertainties surrounding the Chuo Shinkansen and unclear shareholder returns. Although we cannot say when the Chuo Shinkansen will open, we are working vigorously on various matters. Regarding the other comment about shareholder returns, we are carrying out the share repurchase to send the message that we are committed to returning profits to shareholders.

(Future outlook of passenger volume)

- Q. How do you expect passenger volume to change after the EXPO in Osaka, Kansai? Also, what is your outlook for future inbound demand in light of the current strong yen?
- A. We only expect EXPO effects in the first half, not in the second half. It is possible that the positive effects of development, etc. on passenger volume in the Kansai region will continue after the EXPO, but we have not taken this into account at this time.
- We believe that, in addition to exchange rate developments, inbound demand is also affected by domestic and international price differences, and therefore we do not believe that the current rise in the yen has had an impact.

(Status of unit price increase measures)

- Q. Thanks to the unit price increase measures, the growth rate of transportation revenue has remained higher than that of passenger volume. More than a year has already passed since the price revision of Express Reservation and Japan Rail Pass in FY2023, but what are your expectations for unit price increase measures such as private rooms in Green Cars and other measures?
- A. For private and semi-private rooms in Green Cars, we would like to provide high-grade services and charge accordingly. We are also considering other improvements in Green Car services that we hope will help to secure revenue.

(Response to inflation)

- Q. While you have stated that you will be able to manage inflation for the time being, the cost increases have already exceeded revenue increases in your performance forecast for FY2026.3. How will you respond to cost increases due to inflation in the future? I would also like to know the responses regarding the revision of the fare/fee system.
- A. Among the cost increases, the impact of personnel expenses and those included in outsourcing expenses has become large. This will be a long-term initiative, but we will work steadily on the “Reform of Business Operations” as one of the measures to address this issue. We believe that these initiatives will not only reduce costs, but also help address labor force shortages.
- At the same time, we believe it is important to increase revenues in response to the increase in expenses. Although there are uncertainties in the Japanese and global economies, we intend to increase passenger volume by working on the demand creation measures we explained today. We will also continue to make firm requests to the government about the fare/fee system.

(Outlook of wage increases and future measures)

- Q. If the trend of wage increases continues, expenses will increase, but will you be able to continue to increase profits?

A. We believe that the trend of wage increases will continue to some extent in the future. In response, we believe that there is still room to increase revenue through “Revenue Expansion,” in addition to fundamentally changing the way work is done through “Reform of Business Operations” to create a system that requires less manpower. As we explained earlier, the number of people using the Shinkansen for hobbies has been steadily increasing since before the COVID pandemic, and we believe the market will continue to grow. We also believe there is still room to cultivate inbound demand.

One fundamental measure is to achieve a more flexible fare/fee system that can respond to inflation. We intend to request the government for a revision.

(Performance forecast for the Merchandise & Other and Real Estate segments)

Q. The forecast for the Merchandise & Other and Real Estate segments is for higher revenues and lower profits, but how do you view the costs for these segments?

A. We expect personnel expenses to increase in the Merchandise & Other segment and maintenance expenses to increase in the Real Estate segment.

(Status of discussions on the Southern Alps Shizuoka Section)

Q. Regarding the Chuo Shinkansen project, please tell us about the progress of the various issues that need to be addressed before the construction of the Southern Alps Tunnel Shizuoka Section can begin.

A. There are two major issues: Oi River water resources and the preservation of the environment in the Southern Alps. We are in discussions with Shizuoka Prefecture based on the report of the government’s Expert Council. We are also exchanging opinions with the residents of Shizuoka City and the cities and towns in the Oi River basin in an effort to gain the understanding of local communities.

Of the 28 major issues to be discussed in the future compiled by Shizuoka Prefecture, only a limited number of issues have been completed, but discussions are deepening, and the chairman of the Monitoring Conference of the Ministry of Land, Infrastructure, Transport and Tourism commented that he felt discussions were progressing.

We share a common understanding with Shizuoka Prefecture that we will proceed with discussions in a careful and expeditious manner. In order to realize early commencement of tunnel excavation work in the Shizuoka Section, we will remain committed to take measures in a sincere manner to win understanding and cooperation of local communities.