

Summary of Telephone Interviews about Financial Results in the Second
Quarter of Fiscal 2022

[Outlook for Passenger Revenues]

Q. What is the forecast for passenger revenues in the second half of the fiscal year?

A. Shifting the envisioned timing of the recovery by six months compared to that of the plan announced in April, we are now envisioning recovery around the end of the fiscal year. Compared to pre-COVID-19 levels, by the end of the fiscal year Shinkansen are expected to recover to about 80.0%, and conventional lines, Kanto Area Network, are expected to recover to about 85.0%. Further, Shinkansen are expected to recover to about 85.0% around March due to a temporary rebound. The recovery levels are the same as those of the plan announced in April.

Q. What is the current progress of the recovery in passenger revenues, and how do you envision the recovery in the third and fourth quarters, respectively?

A. With the lifting of the state of emergency declaration, recovery is progressing at present. After continuation of the current level, we expect a further recovery from around December, with levels then remaining steady through to the end of the fiscal year. Therefore, we believe that the recovery in passenger revenues will be greater in the fourth quarter than in the third quarter.

[Recognition of Asset Liquidation in Operating Income (Loss)]

Q. With respect to the recognition of asset liquidation in operating income (loss), approximately how much income do you expect?

A. As this relates to negotiations, we would like to refrain from mentioning specific amounts. However, others (other revenues) have increased by ¥7.3 billion compared to those of the plan announced in April, and most of the increase is attributable to asset liquidation. As the book value of real estate, which is the cost, is recorded in non-personnel expenses (other), the difference is the gain on asset liquidation.

Q. With respect to the disposal of real estate, what is the difference between disposal of real estate recorded in operating income (loss) and disposal recorded in extraordinary gains or losses?

A. Properties developed or owned by the Company that are disposed of for reinvestment in expansion are recorded as the operating income (loss) of the core business. Other than this, the disposal of vacant lots and so on is recorded as previously in extraordinary gains or losses.

[Retail & Services Segment]

Q. In the Retail & Services segment, operating income of approximately ¥22.0 billion is planned in the second half. Reaching this seems challenging. What is your view in this regard?

A. Since the Retail & Services segment has a high degree of correlation with trends in the usage of railways by customers, we believe that the operating income of the Retail & Services segment will grow in the second half in line with the recovery of passenger revenues.

[Office Buildings Business]

Q. With respect to the Real Estate & Hotels segment, amid increasing downward pressure on rents in the market, how has the profitability of existing buildings changed, excluding the newly opened buildings in Kawasaki and Yokohama?

A. Revenues from offices rose 4.9% year on year, and revenues from existing office were up 1.9% year on year. We believe that our office business is continuing to perform steadily.

[Capital Expenditures]

Q. Consolidated capital expenditures are lower than those of the plan announced in April. In what ways will you lower capital expenditures?

A. We have decided to reduce consolidated capital expenditures by ¥76.0 billion compared to those of the plan announced in April. We plan to achieve a ¥30.0 billion reduction in investment needed for the continuous operation of business by carefully analyzing plans and by reducing costs through more efficient construction. We will also reduce priority budget allocation by ¥5.0 billion. In addition, we plan to lower growth investment by ¥41.0 billion through such measures as changing the timing of real estate acquisition.