

Summary of Telephone Interviews about Financial Results for Fiscal 2022

* Please note that this document is not a word-for-word transcript of the actual Q&A session, but a condensed transcript prepared by the Company by summarizing the actual interactions as appropriate.

[Passenger revenues outlook]

Q. How do you predict that passenger revenues will recover?

A. Total passenger revenue in fiscal 2022 was about 80% of the level in fiscal 2019. As for the breakdown between 1H and 2H, total passenger revenue in 1H and 2H of fiscal 2022 was about 75% and 85%, respectively, of the levels in fiscal 2019. Given the latest trend, we expect that total passenger revenue in fiscal 2023 will be about the same level as in fiscal 2022, although we expect that commuter passes revenue will improve a little more. As for non-commuter passes revenue, we predict that the revenue for Shinkansen at the end of fiscal 2023 will be about 90% of the pre-COVID-19 level, and the revenue for conventional lines (Kanto Area Network) at the end of fiscal 2023 will be about 95% of the pre-COVID-19 level.

[Capital investment and operating expense plans]

Q. What are the premises underlying the capital investment and operating expense plans? Do you plan to increase expenses as passenger revenue is expected to recover?

A. The basic premise for capital investment has not been changed. We will steadily undertake growth investments. On the other hand, we plan to downsize investments needed for the continuous operation of business while ensuring safety. As for operating expenses, we have considerably suppressed maintenance expenses, for example, as part of our emergency responses. However, we think that around 285 billion yen is necessary for the stable operation of the railway business, and we plan to increase our operating expenses from the previous year to 267 billion yen for fiscal 2023.

[Structural cost reduction]

Q. What is the progress status of the structural cost reduction that you announced a year ago?

A. Last year, we reported that we had implemented a cost reduction of about 50 billion yen out of the total target of 100 billion yen. As of now, we have identified specific reduction items for a cost reduction of about 87 billion yen by fiscal 2028. As a result of our management effort, we have achieved a cost reduction of about 63 billion yen by fiscal 2022, and we plan to add a reduction of about 7 billion yen in fiscal 2023.

[Rotational business model in the real estate business]

Q. As for the rotational business model in the real estate business, how much do you plan to implement it in this fiscal year?

- A. For the current fiscal year, we plan to execute transactions of about 30 billion yen in total. About 20 billion yen is expected to be recognized as operating revenue of the real estate & hotels business. The remaining 10 billion yen will be generated from the assets of group companies, and 10 billion yen less the relevant book values is expected to be recognized as extraordinary gains.