

Condensed Transcript from Q&A Session of Small Meetings

1. Summary of Implementation

Dates: December 14 and 15, 2022

Attendees: Yuji Fukasawa, President and CEO

Chiharu Watari, Executive Director

Takashi Takaoka, Executive Officer and General Manager of Corporate Planning Department

2. Condensed Transcript from Q&A Session

* Please note that the following is not a verbatim transcript of the question and answer session but a concise summary prepared at the discretion of the Company.

[Fare Policy]

Q: What is your idea of desirable fare and fee systems?

A: The design of fare and fee systems is a very important theme, and we have continued to discuss issues with the government since the beginning of the COVID-19 pandemic. We believe that a flexible and resilient system is desirable. If rapid inflation occurs, it is difficult to revise fare and fees speedily under the current system. Therefore, we have been requesting the abolishment of the total cost method. Even if the total cost method is to be continued, we would like it to be modified to fit the times through, for example, the revision of calculation methods.

Q: What is your idea of “dynamic pricing?”

A: Our negotiation with the government has been successful to an extent in that we are proceeding with coordination toward the introduction of so-called “off-peak commuter passes,” which aim to level peak demand for metropolitan transportation, such as commuting. For intercity transportation, such as Shinkansen, we would like to realize pricing that changes in accordance with demand. There are actually many such cases in railways overseas, and domestic airfare has already been liberalized and changes in accordance with demand. We believe that leveling demand has a great significance also from the perspective of sound development of tourism.

[Regional Local Line Segments]

Q: What is the status of discussion on regional local lines segments?

A: All line segments whose use is less than 2,000 persons per day combined have generated a loss of about 70 billion yen. As the national population is projected to decrease going forward, the importance of this matter as a management challenge is increasing. Therefore, we need to proceed with the discussion without delay. As explanations to municipalities are well underway, we would like to deepen discussions with constituents

on a sustainable transportation system going forward.

[Takanawa Gateway City]

Q: Is the leasing of Takanawa Gateway City going well?

A: The leasing is going well including the leasing to key tenants. We aim to achieve rent levels that take into consideration the market rent in the surrounding area and we feel confident.

[Fiscal 2025 Numerical Targets]

Q: What is the progress status toward numerical targets for Fiscal 2025?

A: In the Transportation segment, we expect that transportation revenues will recover to about 90% of pre-COVID-19 levels by around March 2023, although the pace of recovery has been slower than expected. As the recovery in transportation bound for Tokyo has been slow, we expect the government to issue a message to stimulate transportation demand in addition to its national travel assistance program. In the Retail & Services segment, as the recovery in the advertising business has been sluggish, we need to develop new strategies to address it. The Real Estate & Hotels segment has been recovering in line with expectations. As Fiscal 2025 is getting closer, we are nearing the time to show a new vision in anticipation also of Fiscal 2027, the final year of our medium-term management plan “Move Up” 2027.

[Acquisition of Shares of Business Companies]

Q: What is your aim in acquiring shares of Totetsu Kogyo Co., Ltd., Daiichi Kensetsu Corporation, and Tekken Corporation?

A: These companies play an important role in our railroad track maintenance work and construction work. We have decided to strengthen the capital relationships with them in order to push forward with improvement and succession of their technological strengths. We can also reflect part of their earnings in its financial statements as they have become affiliated companies accounted for using the equity method.

[Capital Policy]

Q: What is your plan regarding the levels of your interest-bearing debt?

A: As our investment in Takanawa Gateway City is peaking, cash flows are tight at this moment. However, we will reduce interest-bearing debt going forward, aiming to achieve a net interest-bearing debt/EBITDA multiple of less than 5 times by Fiscal 2025. We plan to change the proportion of transportation to non-transportation to 50:50, and we may need to make a large investment at some point in the process. We do not deny the possibility of using equity finance in this case, although we do not currently plan to do so.

[Shareholder Returns]

Q: What is your idea about shareholder returns going forward?

A: In our medium-term management plan “Move Up” 2027, we have set medium-term targets of a total shareholder return ratio of 40% and a dividend payout ratio of 30%. As stable dividend is our policy, we have continued to pay a dividend of 100 yen per share even when we recorded a loss during the COVID-19 pandemic. We would like to achieve a recovery in operating results to secure a profit first and then would

like to consider enhancing shareholder returns.

[Zero-Carbon Challenge 2050]

Q: What is the progress status of Zero-Carbon Challenge 2050?

A: Although our bid for a large-scale offshore wind generation project that we had aimed to win was not successful, we will push forward with the development of renewable energy power sources by accumulating other projects. We will also consider expanding the scope of application of internal carbon pricing (ICP) in capital investment, which will not increase investment burden significantly. We aim to reduce CO2 emissions by half by Fiscal 2030 from the level in Fiscal 2013 and to achieve net zero emissions by Fiscal 2050.