

Condensed Transcript from Q&A Session of Financial Results Presentation for the Third Quarter of Fiscal 2024.3

* 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.

[Railway fare and charge system]

Q: What is the timeline for applying for approval to revise railway fares in the future?

A: Revision of fares requires systemic measures, and it usually takes about two years from the start of consideration to the time of revision. We have heard that after announcing the new revenue costing guidelines this spring, the Ministry of Land, Infrastructure, Transport and Tourism will present various costs for FY2024.3 after this summer. Although the actual application process will take place after that time, we will proceed with preparations for the application with a certain expectation so that we will be able to apply for the revision as soon as possible, if our fares can be revised.

Q: If you revise fares, what will be the range of the price increase?

A: We are not yet able to present the range of the price increase because the new calculation guidelines have not been finalized.

Q: Do you plan to revise your cost plan for the fare revision?

A: We are not considering revising our cost plan for fare revisions at this time. For expenses subject to the yardstick method (personnel expenses, energy expenses, etc.), figures based on assumptions such as the average of JR companies and the consumer price index are used for costing, and the costs recorded by the Company are not directly reflected in costing.

[Real Estate & Hotels business]

Q: What progress has been made this fiscal year regarding the liquidation of real estate?

A: For the rotational business, we expect operating revenue of 30 billion yen and operating income of 10 billion yen for the full year, which is planned for the fourth quarter.

Q: You mentioned that the office vacancy rate has dropped to 1.5%. What is the leasing situation for development projects such as TAKANAWA GATEWAY CITY and how are tenants responding to your inquiries?

A: Leasing of TAKANAWA GATEWAY CITY is progressing well. In addition to the announced tenants, specific negotiations are underway, and we will indicate when progress is made. In existing offices, some large tenants have moved out, but the Company has been able to attract new tenants at equivalent or higher rents. As a result, the number of managed office properties in Tokyo has increased, but the vacancy rate has been maintained below 5% without lowering the rent level.

[Revision to full-year forecasts]

Q: What is the reason for the upward revision of “other” revenues on a non-consolidated basis?

A: The increase is mainly due to the increase in sales commission for tickets and Japan Rail Pass, etc.

Q: What is the reason for the review of “other” expenses and depreciation on a non-consolidated basis?

A: For “other” expenses, the forecast includes a decrease in utility bills based on actual fuel prices and a decrease in information processing costs. Depreciation reflects the effects of a slight delay in construction due to the shortage of semiconductors and the impact of a review of capital expenditures in the COVID-19 pandemic.

[Expected future expenses]

Q: In light of inflation and recent transportation disruptions, do you plan to increase future maintenance costs?

A: In “Move Up” 2027, we plan to spend 285 billion yen per year for maintenance costs from FY2025.3 to FY2028.3, and there is no change in our direction to control maintenance costs at this level. The increase in costs due to price hikes, etc. will be absorbed by such measures as "operation cost reduction in railway business" of which about 80% of the 100 billion yen target for FY2028.3 has already been achieved.

Q: With the mood for higher wages growing in the world, what is the outlook for personnel expenses in the next fiscal year and beyond?

A: While the government is leading the way in raising wages, we are also taking the stance that we will invest in human capital, including in group companies, and therefore we expect a certain amount of increase in personnel expenses.

[Other]

Q: Now that the change of the president and CEO has been announced, will there be any announcement of a new management plan or revision of numerical targets?

A: Since the announcement in 2018 of the current medium- to long-term vision “Move Up” 2027, we have been proceeding with various projects with targets for FY2028.3, and we have no plans to announce a new management plan, etc. at this time. We would like to proceed with the study based on the policy of the new president.