June 2026

NANKAI Co., Ltd.

Q&A for the FY2025 Financial Results Briefing

The following is a summary of the Q&A session held during the FY2025 Financial Results Briefing.

* Please note that this document is not a verbatim transcript of the Q&A session at the briefing; it has been edited for clarity.

■ Questions on overall matters

Q Regarding the upward revision of the profit target in the Medium-term Management Plan, could you tell us the breakdown of the changes for FY2027 compared to the FY2026 plan, and your thoughts on the temporary and recurring factors?

A Compared to the forecast of 40.0 billion yen in operating income for FY2026, we expect operating income to be 42.0 billion yen in FY2027. In terms of expenses, we have factored in an increase of approximately 4.0 billion yen, mainly in areas such as depreciation and amortization and personnel expenses. On the other hand, in terms of revenue, we expect operating income to increase by approximately 6.0 billion yen due to the recovery of demand from overseas tourists, including the impact of the deterioration in Japan-China relations running its course, in addition to the manifestation of the effects of various measures we have undertaken during the period of the Medium-term Management Plan. By segment, in the transportation business, operating income is expected to decrease by approximately 0.9 billion yen due to the impact of increased expenses, but in the real estate business, we expect operating income to increase by approximately 2.0 billion yen due to the effects of investments in income-generating real estate accumulating more than expected, as well as the full-year contribution of the Kita Osaka Truck Terminal Building No. 7 and rent increases at existing properties, among other factors. We consider these profit levels to be largely sustainable. Regarding depreciation and amortization, although concentrated investment is a factor pushing D&A higher, a sharp increase is expected to be mitigated to a certain extent by revising the depreciation method. Since the forecast for FY2026 is also a somewhat challenging target that differs slightly from before, we will work steadily toward achieving operating income of 42.0 billion yen in FY2027.

Q Among the developments around the Namba area, could you tell us about your company's expected involvement in the arena development at the former Kubota head office site?

A The site is the final development site in the district plan for the Namba area, and we have been closely monitoring the situation. Following the recent selection of a preferred negotiating party, we also intend to exchange views with the selected operator and consider our future involvement. According to media reports, development of a large-scale complex facility centered around an arena with a capacity of approximately 12,500 on an approximately 24,000-square-meter site to open in or after 2032 is expected. As this arena aligns closely with Namba's positioning as an entertainment district, we have great expectations for it as a high-impact facility that will positively influence our business activities in many areas, including our railway business and shopping centers such as Namba Parks. We expect the impacts on our investments and earnings to become clearer through future discussions, but we want to actively engage in it as a corporate group that has long taken responsibility for the development of Namba's community, helping improve the experiential value for visitors and further enhancing the area's value through cooperation with major facilities such as Namba Hiroba, Namba Station, and Namba Parks, and, for example, initiatives linked to events held at the arena.

Q In response to the increase in project costs for the Naniwasuji Line, could you tell us about the increase in track usage fees, changes in the payback period, considerations regarding fare setting, and the risk of operating at a loss after opening?

A We have received a report from Kansai Rapid Railway Co., Ltd. indicating that an increase in total project costs is unavoidable against the backdrop of soaring personnel expenses and material prices, as well as rising land prices. At present, in parallel with the company's close examination of project costs and review of the appropriateness of continuing the project, we have begun discussions with stakeholders, including the national government, local governments, and JR West. Since the specific share of costs and conditions will be determined through future discussions with related parties, nothing is finalized at this time. We intend to take appropriate measures to minimize these impacts.

Q Regarding the Naniwasuji Line, is there a risk that the opening scheduled for FY2031 will be delayed?

A We have not received any specific indications of a delayed opening from Kansai Rapid Railway Co., Ltd., and we are proceeding with the project while holding ongoing discussions with the relevant parties on the assumption of a 2031 opening. At this time, our recognition is that no risks of a delayed opening have materialized.

Q Following the change in CEO and the concentration of authority, could you tell us what you would like to tackle going forward and any challenges you anticipate?

A Under the recent change in management structure, Okajima will succeed Achikita as CEO. We have established a structure in which Chairman Achikita will continue to be responsible for strengthening cooperation with external parties, including local governments in the areas along our railway lines, while President Okajima will lead overall execution and the Group's growth strategy. Our business is built upon NANKAI's collaborative creation ("Kyoso") with diverse stakeholders in the areas along our railway lines. Under this structure, we will further strengthen cooperation with external parties, and in terms of internal execution, Okajima will make decisions swiftly as CEO, thereby further accelerating growth through "Kyoso."

■ Questions on each business

Q Regarding the status of inbound tourism, how do you view the risk of a decrease in the number of inbound passengers caused by rising airfares resulting from rising fuel costs?

A Currently, the number of visitors to Japan from China is decreasing due to the deterioration of Japan-China relations, and at Kansai International Airport, since January of this year, the level has remained low, at around 40% compared to the same month of the previous year. We recognize this to be a factor suppressing demand. On the other hand, demand from overseas tourists from regions other than China is strong, and the upward trend continues at about 110% compared to the same month of the previous year. Also, during the Golden Week period, existing lines saw a year-on-year revenue growth, indicating positive trends in domestic travel demand. Going forward, we aim to increase revenue by implementing effective measures in line with trends in each market, taking into account changes in the demand structure, including the impact of rising airfares.

Q Could you tell us about the current operational status of the recently launched GRAN TENKU?

A GRAN TENKU began operation in April this year as a sightseeing train connecting Namba Station to Gokurakubashi Station. Operating two round trips a day with a four-car formation, it has been well received as a train that provides direct access from the city center to Koyasan, a World Heritage site, as it departs from Namba Station. It has been operating at nearly full occupancy, including during the Golden Week period, and bookings going forward are progressing smoothly as well.

Q Following the review of limited express fares, these fares are now being applied more flexibly. Could you let us know your thoughts on expanding revenue from sources other than fares, including sightseeing trains?

A Since fares require approval from the Ministry of Land, Infrastructure, Transport and Tourism, flexible pricing is difficult. Therefore, in expanding railway revenue going forward, we believe it is important to offer higher value-added services and set prices commensurate with that value, thereby enhancing customer satisfaction and experience. Specifically, for sightseeing trains, we planned and launched GRAN TENKU with the aim of creating demand for riding the train itself. As further high-value-added measures, these initiatives are currently under consideration at the new railway company (the new "Nankai Electric Railway Co., Ltd.") to achieve higher unit prices and greater profitability during busy periods such as the autumn season by changing the service menu according to the four seasons, enhancing onboard services, and upgrading meal offerings. Through these initiatives, we intend to enhance the value of our railway business.

Note：

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