

FY3/17 3Q Financial Results Briefing Summary of Question and Answer Session

Q1

How do you evaluate the most recent trend for the Hokuriku Shinkansen?

A1

Usage in December was up 2% year on year. However, excluding special factors, such as the influence of the pattern of weekdays, weekends, and holidays, usage was slightly down year on year. Compared to the trend up to November, these are high figures. At this point, usage in January is similar to that in December, but it is necessary to take into account that the busy New Year's period is included in the January usage figures. We will continue to ascertain the fundamental trends while monitoring usage.

Q2

Would you provide more details about the potential increase of ¥10.0 billion to ¥20.0 billion in extraordinary loss?

A2

The cessation of service on the Sanko Line could lead to the generation of removal expenses, etc., in the future. We are considering recording an estimate of these expenses during this fiscal term. In addition, we have extended the early retirement plan for managers, which was previously scheduled to end at the end of this fiscal year. As a result, we are considering the recording of an extraordinary loss to increase the provision for retirement benefits. Also, in the third quarter, we recorded about ¥1.0 billion in impairment loss, etc., accompanying the renewal of the B1 and B2 floors of LUCUA 1100, but we have not revised our financial forecasts for this fiscal year. As a result, this has not been incorporated into our financial forecasts. Considering these and other factors, it is possible that extraordinary loss will increase by ¥10.0 billion to ¥20.0 billion.

Q3

In regard to the extraordinary loss associated with the cessation of service on the Sanko Line, is this separate from the impairment loss on fixed assets for railway operations that was recorded in the second quarter?

A3

The impairment loss of ¥2.5 billion on fixed assets for railway operations has already been recorded in the second quarter, so it has been incorporated into our financial forecasts. The extraordinary loss that we are currently considering is separate from the impairment loss that has already been recorded. It comprises expenses that could arise in the future, such as removal expenses for Sanko Line facilities, and the expense burden associated with a new traffic plan.

Q4

How much goodwill will be recorded in regard to the acquisition of the stock of Ryoju Properties? Also, when will the company become a consolidated subsidiary?

A4

In regard to the amount of goodwill, we are working with the accounting auditor, and we are looking closely at this amount, working toward consolidation at the end of the fiscal year. Note that, for this year, only the balance sheet will be consolidated. The consolidation of the income statement will start next fiscal year.

Q5

What is the forecast for next year?

A5

For the Sanyo Shinkansen, We will work to increase revenues by three factors. First, economic conditions are expected to be firm. Second, the adverse influence on revenues of the Kumamoto earthquake has ended. Third, we will implement initiatives to strengthen competitiveness. In regard to the Hokuriku Shinkansen, we will work to maintain customer usage as the service reaches its third year. While considering if revenues hit bottom this year, we will pay careful attention to future usage. In regard to non-transportation operations, accompanying the renewal of the B1 and B2 floors of LUCUA 1100, we anticipate a decline in department store revenues, but we will work to increase revenues through the new consolidation of Ryoju Properties, the effect of the conversion of stores to the Seven-Eleven Japan franchised stores, and the openings of new accommodation-oriented budget hotels. For shareholder return, we will strive to implement our basic policy of providing a rate of total distribution on net assets of approximately 3% on a consolidated basis. Looking at cash flow in this fiscal year and next fiscal year, if any excess is available at this point, we will determine how to allocate those funds as needed. In any case, the next fiscal year will be the final year of the medium-term management plan, and we will position the year as a period for steadily generating results from the initiatives implemented to date.

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