

FY3/18 3Q Financial Results Briefing
Summary of Question and Answer Session

Q1

In regard to the critical incident of Sanyo Shinkansen, what are the company's specific countermeasures, and how will results and revenues be affected?

A1

Since the Fukuchiyama Line accident, JR-West has implemented a variety of initiatives from the perspectives of (1) the establishment of a corporate culture in which safety is the highest priority, and (2) frameworks for securing safety on a companywide basis. However, there was a critical incident, and therefore we once again reviewed our safety initiatives and newly recognized the following issues. In regard to (1), the permeation of safety-first decision-making and action has not been sufficient and in regard to (2), the viewpoint of identifying risk with consideration for the distinctive characteristics of Shinkansen accidents — low-frequency, major damage — is insufficient. In accordance with our recognition of these issues, we will take the following steps. In regard to (1), we will clarify the message from the management that “when safety cannot be confirmed” the “train is to be stopped without hesitation”; once again work to foster a shared sense of values that gives the highest priority to on-site decision-making; and enhance the framework for promoting mutual cooperation among employees, including the management. In regard to (2), we will promote understanding of the distinctive low-frequency, major damage characteristics of Shinkansen accidents; identify potential risks from the perspectives of facilities, frameworks/rules, technologies, people, and organizations; and enhance the Shinkansen organization.

In regard to the influence on our financial results, we expect to incur expenses in this fiscal period due to such factors as the implementation of surveys and increased overtime. In the next fiscal year and thereafter, we plan to implement hardware countermeasures, such as for ground equipment and on-board equipment. Accordingly, at this point we do not have specific numbers, but there will be increases in expenses in this period and in the amount of capital expenditures in the next period and thereafter. At the current time, we have not seen an influence on revenues.

Q2

Will the critical incident have an effect on cash flow and shareholder return during the period of the next Medium-Term Management Plan?

A2

We are currently considering the amount of capital expenditures, and therefore it is not clear at this time.

Q3

What were the reasons for the favorable results of the Shinkansen in the third quarter?

A3

We believe that the favorable results were attributable to the gradual economic expansion and to the success of the initiatives implemented by the company. In regard to the Sanyo Shinkansen, the business trip support campaign for trips from Hiroshima/Okayama to the Tokyo Metropolitan Area has been successful, and we believe that it has had a certain level of effectiveness in market share recovery versus air travel. In addition, in regard to the Hokuriku Shinkansen, group travel products leveraging the appeal of “Winter Crab” have been successful, and share has improved. These initiatives have had an effect, and the usage trend for the Hokuriku Shinkansen has been following a course of improvement since last November. Moreover, in regard to the smartEX service that we introduced last year, although the scale of revenues is small, the number of registered members and the number of uses is recording stable growth.

Q4

What factors will result in lower profits in the real estate business segment and the other businesses segment in the fourth quarter?

A4

In the real-estate business segment, there were a substantial number of sales in the fourth quarter of the previous fiscal year, and there were also a large number of sales in the first half of this fiscal year. In addition, we will implement advertising initiatives targeting the next fiscal year. In regard to Ryoju Properties, considering the results in the first nine months of the fiscal year, it is possible that profits will exceed expectations. In the other businesses segment, we anticipate lower profits due to a decline in orders for high-profitability projects in the construction business.

Q5

What factors will increase capital expenditures under the next medium-term management plan?

A5

We expect an increase in safety-related investment due to the critical incident on the Shinkansen and other factors. In addition, we will implement investment to replace aged equipment and to increase productivity. Furthermore, growth opportunities are increasing, and we will also rigorously implement growth investment.

Q6

When will the next medium-term management plan be announced? Also, how many years will the plan cover?

A6

We plan to announce the plan when the annual financial results are announced. The period of the plan is scheduled to be five years (fiscal 2019 to fiscal 2023).

Q7

What is the forecast for maintenance costs in the next fiscal year and thereafter?

A7

Accompanying growth in capital expenditures, the amount of equipment that needs to be maintained is increasing, which is putting upward pressure on maintenance costs. However, the details are currently under consideration, and we do not have specific numbers. In regard to the period of the next medium-term management plan, we believe that there are no items that would cause a major shift.

Q8

When the JR-West Group Railway Safety Think-and-Act Plan 2022 is announced, will the amount of safety-related investment also be announced at the same time?

A8

This plan spells out safety-related policies. In regard to the amount of safety-related investment, please wait until the announcement of the next medium-term management.

Q9

Other companies have decided to implement an expansion of the scope of duties of senior employees. Is JR-West also considering this type of measure? Also, is it possible that such an expansion could significantly increase personnel costs?

A9

At this point, we are not considering such an expansion, and accordingly there will be no influence on personnel costs.

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