

(Translation)

May 8, 2019
West Japan Railway Company

Financial Results Briefing for the Fiscal Year Ended March 31, 2019
Summary of Question and Answer Session

Q1

What are your thoughts about the forecast for transportation revenues in FY2020.3? In addition to those listed as special factors, are there any other factors that have been incorporated into the forecast?

A1

For FY2020.3, we are forecasting year-on-year growth of 2.5% in transportation revenues. Excluding the effect of +¥8.5 billion from the disaster rebound, the forecast is for growth of 1.5%. In regard to the fundamentals, we have formulated a rational estimate with consideration for economic trends and the population, and the plan incorporates the increase during the Golden Week period, based on historical results. Usage was exceptionally strong during Golden Week. Looking at estimates based on usage in the first half of April, there is a possibility that usage shifted into Golden Week from the immediately preceding and following periods. We will need to pay careful attention to trends moving forward. Please keep in mind that there are special factors other than those listed.

Q2

When the medium-term management plan was initially announced, it called for expenses and capital expenditures to be concentrated in the first half of the plan. Have those forecasts and plans been changed due to the natural disasters in FY2019.3?

A2

As indicated, disaster recovery construction work resulting from the natural disasters was given priority, and consequently the work schedule was adjusted. However, there is no change to our policy of focused implementation of safety measures, particularly in the first half of the medium-term management plan, and we will implement the necessary maintenance and construction works. We will strive to implement the adjusted portion of the work schedule at the earliest possible stage.

Q3

Maintenance costs in FY2020.3 are forecast at ¥170.5 billion. Will the level of approximately ¥170.0 billion be maintained over the period of the medium-term management plan? Or, will there be a further increase due to rising labor costs, etc.?

A3

Maintenance costs in FY2020.3 are at a high level due to removal expenses associated with capital expenditures implemented as part of work schedule adjustments resulting from the disasters, as well as to increased fluctuation in periodic inspection and maintenance, measures to address the revision of the consumption tax, etc. In addition, as indicated, by other factors including higher labor costs and measures to address intensifying natural disasters, it is true that we face upward pressure on costs. In this setting, we are striving to control costs by making trainsets shorter, reducing the number of ticket sales machines as the use of IC cards grows, increasing productivity in accordance with our Technology Vision, etc.

Q4

How much progress has the retail business made toward the objectives in the medium-term management plan?

A4

The retail business is making favorable progress in line with the plan. FY2019.3 and FY2020.3 are a phase in which we will incur upfront opening expenses for Via-inn hotels. However, we believe these measures should be viewed as initiatives targeting the achieving of profits in FY2023.3, the final year of the medium-term management plan.

Q5

What is the Company's approach to the real estate business in the medium-term management plan? Also, what is the state of progress in the real estate business?

A5

As we have indicated previously, the strategies in the real estate business are to increase the value of railway belts through city development initiatives in areas along railway lines and to cultivate know-how through business development activities in areas outside of our railway service area. Under the medium-term management plan, in the real estate lease and sale business, we are aiming for operating revenues of ¥100.0 billion in FY2023.3. JR WEST REAL ESTATE & DEVELOPMENT COMPANY and JR West Properties Co., Ltd., have mutual strengths and are leveraging synergies. The real estate business is making favorable progress toward the objectives in the medium-term management plan.

End