

(Translation)

January 28, 2021

West Japan Railway Company

FY 3/21 3Q Financial Results Briefing
Summary of Question and Answer Session

Q1

What were the transportation revenues for the Sanyo Shinkansen and the Hokuriku Shinkansen?

A1

For the nine-month period, revenues on the Sanyo Shinkansen were 35.1% of the level in the same period of the previous fiscal year, at ¥113.5 billion, and revenues on the Hokuriku Shinkansen were also 35.1% of the level in the same period of the previous fiscal year, at ¥11.1 billion. Looking at major increase/decrease factors for the Sanyo Shinkansen, the decline in domestic passengers due to the influence of the coronavirus had a negative effect of ¥194.8 billion, the decline in inbound had a negative effect of ¥11.7 billion, and a rebound from the previous fiscal year's 10-day Golden Week holiday period had a negative effect of ¥3.0 billion. A rebound from the previous fiscal year's decline resulting from typhoon number 19 had a positive effect of ¥0.4 billion. Looking at major increase/decrease factors for the Hokuriku Shinkansen, the decline in domestic passengers due to the influence of the coronavirus had a negative effect of ¥20.3 billion, the decline in inbound had a negative effect of ¥1.2 billion, and a rebound from the previous fiscal year's 10-day Golden Week holiday period had a negative effect of ¥0.3 billion. A rebound from the previous fiscal year's decline resulting from typhoon number 19 had a positive effect of ¥2.0 billion.

Q2

Another state of emergency has been declared. In comparison with the first declaration, what will be the differences in the effect on the railway and non-railway businesses?

A2

When the first state of emergency was declared, most people did not go out, and as a result railway usage declined substantially. There was a period in which usage fell to less than 10% of the previous year's level, such as 5%. This time, on the Sanyo Shinkansen, for example, usage in January was between 20% and 30% of the previous year's level. The decline in usage is less than when the first state of emergency was declared. Nonetheless, currently, revenues are down more than expected, and the circumstances are very challenging.

Also, in the retail business, for example, the decline in business trips and travel opportunities has had an especially large effect on souvenir shops. In the real estate business, shopping centers, etc., located near residential districts have experienced comparatively little effect, but commercial facilities in urban districts have been affected, although not as much as the previous time. At this point, the real estate lease and sale business has not been significantly affected.

Q3

The current circumstances are very challenging. In response how will the Company step up cost reductions in the fourth quarter?

A3

For the fiscal year, we are aiming for cost reductions of approximately ¥40.0 billion on a non-consolidated basis and approximately ¥30.0 billion at subsidiaries. Our initiatives are centered on reducing maintenance costs and miscellaneous costs, and we are looking for ways to step up those reductions even further. Please note that our results forecast does not incorporate a reduction in personnel costs of ¥16.5 billion accompanying lower bonuses, as of the third quarter settlement date. We will work energetically to rigorously reduce costs in order to achieve our earnings target for the year, even if revenues fall below expectations.

Q4

Would you discuss cost structure reform, which is expected to show results in FY2022.3?

A4

Cost structure reform is a medium to long term initiative, and it is not something that will immediately have substantial effects. However, through reductions in “Midori-no-madoguchi” ticket offices and the shifting of the last train of the day to an earlier time slot, which will take effect from the spring schedule revision, we anticipate a certain level of cost reduction effects in FY2022.3, in line with the previous guidance. Moving forward, we will strive to implement these types of initiatives.

End