

(Translation)

May 6, 2021

West Japan Railway Company

Financial Results Briefing for the Fiscal Year Ended March 31, 2021

Summary of Question and Answer Session

Q1

Please discuss the Company's assumptions for transportation revenues in FY2022.3.

A1

For transportation revenues in FY2022.3, the plan was formulated with the assumption that current usage conditions would continue up to the end of July, at slightly less than 40% for the Shinkansen and approximately 60% for the Kansai Urban Area, with both basically recovering to approximately 90% over three months. This takes into account the policy of completing the vaccination of senior citizens by the end of July, and in addition we also gave consideration to the recovery trend in the previous year. There are a variety of viewpoints, but our plan was based on these assumptions.

Q2

Would you discuss the results and forecasts for expense reductions and cost structure reform measures?

A2

In FY2021.3, operating revenues were below expectations. Accordingly, we worked to strengthen expense reductions, and we reduced expenses by ¥110.0 billion on a consolidated basis. We are forecasting about the same level of reductions in FY2022.3. Of course we will continue working to reduce expenses, but we must also consider the perspectives of business stability and continuity. For example, we will take steps to further advance cost structure reform, such as reducing the number of trains, increasing productivity in administrative departments, moving toward maintenance-free operations, and reducing the number of pieces of equipment. These are not things that can be done overnight, but as a result of cost structure reform measures, we are aiming for fixed cost reductions of ¥5.0 billion in FY2022.3 and approximately ¥20.0 billion in FY2023.3.

Q3

What are the forecasts for non-railway businesses? Also, are there any changes to the plans for large-scale projects?

A3

If we depend only on the railway business, it will be difficult to achieve stable management. This is something that was made clear by the coronavirus crisis. In non-railway operations, we will move forward with growth fields and major projects while carefully examining the details. The opening of major projects is planned for the period of the next medium-term management plan and thereafter. We anticipate that at the time of opening there will have been a certain degree of recovery from the coronavirus, but a variety of initiatives will be required, such as in regard to uses, etc. For example, for offices, we will also consider innovative initiatives in the areas of layouts and methods of using space. In addition, with consideration for the increase in people working from multiple bases, we will propose methods of use that facilitate various roles, such as bases and transit points. For hotels, with consideration for tourism demand, we will move ahead with development while reevaluating expectations for such factors as scale, tastes, and pricing.

Q4

What level of cash and deposits does the Company consider to be appropriate?

A4

At the end of FY2021.3, the balance of cash and deposits was approximately ¥210.0 billion. In addition, in April 2021 we issued ¥160.0 billion in bonds. The management environment is challenging, but there is no cause for concern about the current level of cash and deposits. Previously, with consideration for our operational scale and steady inflows of cash, we generally conducted our business with a cash balance of ¥50.0 billion to ¥100.0 billion. With consideration for the influence of the coronavirus, we currently are continuing to rapidly raise large amounts of funds.

Q5

What are the reasons for the planned reduction in safety-related investment, from ¥105.1 billion in FY2021.3 to ¥85.0 billion in FY2022.3?

A5

Looking at the safety investment in the medium-term management plan (cumulative total of ¥500.0 billion over five years), to generate results even more rapidly, we have already started to implement focused investment in the first half of the period, and the plan calls for this investment to stabilize in the second half of the period.

As we stated when we revised the medium-term management plan, we will implement steady investment in items that are directly related to safety. On the other hand, for example, in regard to

items that are not directly related to safety, such as the replacement of older equipment, we reconsidered our replacement schedule while maintaining a priority on careful maintenance. We will implement careful examinations before making investments in order to achieve higher effectiveness, while continuing to secure safety.

End