

(Translation)

July 30, 2021

West Japan Railway Company

FY 3/22 1Q Financial Results Briefing, Summary of Question and Answer Session

Q1

How has the Company reevaluated the assumptions for anticipated FY2022.3 transportation revenues? Also, the novel coronavirus has had an effect on real estate market conditions. In this environment, what is the reason for the upward revision in the Real Estate Business segment?

A1

In regard to the assumptions for anticipated FY2022.3 transportation revenues, in addition to reflecting the results in the first three months, we also reevaluated the recovery timing, with consideration for the lengthening of the influence of the coronavirus. We are assuming that until the period from the end of September to the end of October, the Shinkansen will be an average of about 30% and conventional lines in the Kansai Urban area will be an average in the mid-50% range, and that there will be a recovery to the 90% level over about four months starting from October/November. With consideration for the status of vaccinations, the numbers of cases, and the numbers of people with severe symptoms in overseas countries, as well as for examples of the easing of restrictions on behavior, we are anticipating that the timing of the recovery in usage will occur in October or November. In regard to the pace of the recovery, we previously anticipated recovery to 90% over three months, but with consideration for examples from other countries, we are now anticipating a period of about four months and a pace that is more moderate than previously expected. Frankly speaking, at this point the factors determining revenues are largely external, and in that sense our expectations cover a range, and include sensitivity to a shift in the recovery timing.

In regard to the Real Estate Business segment, we implemented an upward revision because we expect favorable residence sales in the real estate lease and sales business. We have not changed the plan for operating revenue in the shopping center business, but in regard to profit, we have added further profit to the plan at the beginning of the fiscal year due to cost reductions, etc.

Q2

The Company has stated that it will reduce costs by an additional ¥14.0 billion from the plan at the beginning of the fiscal year. Is this a result of the decline in variable expenses due to lower demand? Also, as of the first quarter, what is the status of progress with cost reductions?

A2

The additional cost reductions are not from variable costs. They are all from fixed costs, and are the result of the Company's efforts. Major components of the ¥14.0 billion in additional cost reductions include maintenance timing adjustments and curtailment of advertising expenses, and at Group companies reductions in bonuses are also included. Each of these resulted from urgent cost reductions.

As of the first quarter settlement, we implemented cost reductions of -¥24.0 billion on a consolidated basis and -¥15.5 billion on a non-consolidated basis.

Q3

What effect will additional asset sales and private fund formation have on profit/loss?

A3

There are two purposes for asset sales. The first purpose is to contribute to current profits and secure funds. The second purpose is to increase asset efficiency by shifting the real estate business to a cyclical model. For the ¥30.0 billion in asset sales on slide 6 of the presentation, we considered how these assets would influence future earnings and we selected items that would contribute to non-consolidated extraordinary gains and to cash, such as former company housing sites. Certain income properties corresponding to the latter purpose are also included. In regard to this type, in our real estate business to date there has been a strong tendency to hold properties, but we will gradually institute a policy of regularly implementing asset recombinations and increasing asset efficiency. Of our FY2022.3 sales in the Real Estate Business segment, we are planning for sales revenue from sales to investors of approximately ¥10.0 billion.

End