

(Translation)

November 4, 2021

West Japan Railway Company

FY 3/22 2Q Financial Results Briefing, Summary of Question and Answer Session

Q1

Did transportation revenues in the first six months of FY2022.3 exceed the Company's expectations? Would you discuss current circumstances and the outlook for November and thereafter? Currently, it seems that tourism demand has started to recover in advance of business demand. What type of recovery is the Company seeing in business demand, such as business trips?

A1

Transportation revenues were basically in line with expectations. On the Sanyo Shinkansen, usage in October was about 48% of the level two years ago. We had estimated that up to the end of September or the end of October, on average the Shinkansen would remain at about 30%, and that subsequently it would recover to 90% over a period of approximately 4 months. If we calculate the recovery forecast in a simple manner, there would be an increase of 15% per month. From that perspective, results in October were slightly better than expectations. However, future usage conditions and pandemic circumstances are not clear, and accordingly we are certainly not taking an optimistic view.

On the Sanyo Shinkansen, compared with two years ago, the state of the recovery is about the same on both weekdays and holidays. The circumstances of the recovery compare favorably with the previous year, when the Go To Campaign was implemented. Accordingly, we think that both business and tourism demand have started to recover. Last year, if anything, the recovery was centered on tourism alone, while this year we have seen the start of a recovery with a comparatively good balance between business and leisure. Based on the assumption that business demand will return to about 90% of the level before the coronavirus, we are advancing structural reforms while monitoring changes in social behavior. However, at this point we cannot yet forecast the extent to which business demand will recover. After speaking with people from a variety of companies, it is clear that the trend toward remote work is progressing. On the other hand, however, there is also a recognition of the importance of meeting face to face for discussions. We will need to pay attention to how these trends develop. In addition, there is also a competitive relationship between railway

services and other means of transportation, and accordingly we believe that we will need to strengthen corporate sales to promote use of the Shinkansen.

Q2

For about a year and a half, the Company has navigated through the unprecedented environment of the coronavirus pandemic, which has resulted in the recording of substantial losses. Going forward, will the Company's approach comprise working to sustain its operations while considering how to distribute the burden among its shareholders? Burdens have been borne by employees, who have faced worse employment conditions, temporary leave, etc.; by customers, who have experienced earlier last trains and reduced discounts; and by shareholders, who have had to deal with dilution as a result of the capital increase. Comparing the magnitude of these burdens, the burden borne by customers is relatively small. Accordingly, will the Company need to implement thoroughgoing measures, such as a fare revision?

A2

Our business environment has undergone significant change. If we assume that advancing sustainable business operations in this setting will entail measures that are painful for stakeholders, then the question is how that pain will need to be shared. First, we will firmly advance structural reforms. Optimization of train timetables is one of the structural reforms in the railway business. We will revise the timetable in spring 2022 while considering such factors as usage. We realize that we might receive some criticism from society, but we would like to have the understanding of our shareholders as we move forward.

Q3

Given that it is difficult to increase fares from the perspective of public interest, should the Company ask the government for support or measures to address burdens? Investors are asking why, when their assets have been adversely affected, the Company continues to operate unprofitable lines in the name of the public interest. Would you discuss the Company's sense of urgency in regard to initiatives targeting the realization of sustainable transportation services?

A3

In regard to raising fares, under the current total-cost method, a precondition is that the authorities acknowledge that there is room to revise fares, looking at averages over the next three years. Accordingly, this presents a difficulty in that, if we work hard and achieve a return to profitability, then a fare increase would not be permitted. First, we are working to increase the actual yield by

taking steps that can be implemented by notification, such as reevaluating reserved-seat charges, etc., and discontinuing sets of ordinary tickets, etc. Naturally, we are also making the case to the government that a change to a flexible fare system is necessary. Fundamentally, there has not yet been a move toward a reevaluation of the fare system, but there is a growing understanding of the fact that management conditions are challenging, including among municipal governments, etc., and we will continue to make this case. In any event, we recognize the significance of the burden placed on existing shareholders by the capital increase, and we will work to improve management so that we can meet the expectations of our shareholders.

The issue of local lines cannot be resolved overnight. However, we will make our case to related parties, establish a range of consultative meetings, obtain commitments from municipal governments, and step up our initiatives to address this issue in a full-fledged manner. First, we are establishing opportunities for discussions and advancing dialog with local communities. After achieving a shared understanding of usage conditions, we will commence the process of reconfirming whether or not railways are an appropriate transportation service for a region, as well as what measures are possible. On that basis, targeting the realization of sustainable transportation services that are appropriate for a region, we will move forward together with local communities.

Q4

In regard to the capital increase by way of public offering, does the Company expect to achieve profit growth that will offset the dilution, simply by following the growth strategies outlined on pages 18 and 27 of the results briefing materials? Or is the Company also considering other growth strategies?

A4

In regard to growth strategies, first we will strive to rapidly restore profits to the level in the period before the coronavirus. With consideration for diluted shareholder value, we recognize that it will be important to accumulate profits in the future. Our financial circumstances are challenging due to the lengthening of the coronavirus pandemic. Nonetheless, we will steadily move ahead with our growth strategies by using the funds secured through the capital increase by way of public offering to advance, without delay, the projects outlined in the results briefing materials. These projects alone will not offset the dilution, and accordingly we will strive to achieve further growth in profits while utilizing outside capital, with a balanced financial foundation. Details will be disclosed in the next medium-term management plan.

End