(Translation)

January 31, 2022

West Japan Railway Company

FY 3/22 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 increased by 26.9%, to ¥144.1 billion, and revenues on the Hokuriku Shinkansen were up by 25.5%, to ¥13.9 billion. Looking at major increase/decrease factors, the influence of the coronavirus pandemic lessened somewhat, and as a result domestic passengers increased. This had positive effects of ¥30.5 billion on the Sanyo Shinkansen and ¥2.8 billion on the Hokuriku Shinkansen.

Q2

For the January-to-March quarter, the situation is uncertain due to the influence of the sixth wave of the pandemic, but in the third quarter (October to December), the Company recorded a profit. What is the Company's evaluation of the recovery up to this point? Also, what are the circumstances in each segment?

A2

Looking at the start of the recovery, the vaccines had an effect, and the pandemic was at an extremely low level from October to December. The recovery in usage began to move in line with our expectations. In addition, in December, compared with the level in the period before the coronavirus, usage was at 88% in the Kansai Urban Area and 73% on the Shinkansen, and on a daily basis had recovered to 80%. Accordingly, circumstances seemed to be close to our expectation that if the pandemic was resolved, then fundamental transportation revenues would recover to 90%. We think that up to December, results were above the upper end of the expected range. However, looking ahead from January, we have no choice but to be pessimistic. At this point, usage on the Shinkansen has fallen below 40% of the level in the period before the coronavirus. Our results in the nine-month period exceeded the forecast, and therefore we have some margin, but going forward that margin might not be sufficient.
By segment, the hotel business is relatively weak, and this is being offset by the travel business. In

December, hotel occupancy rates had recovered to slightly less than 80%, but in January rates have fallen to a current level of approximately 50%. The hotel business is linked to a certain extent with Shinkansen usage. However, we think that, to some degree, there are people who do not want to stay overnight even when they go on business trips. In the same way, we are seeing weak results in the VIA INN brand of accommodation-oriented hotels, which is included in the retail business. On the other hand, looking at the travel business, as Nippon Travel Agency announced with its medium-term management plan revision, its policy will be to shift from the conventional travel business, which depends on sales in travel agency offices, to a digital-based business and a solutions business. At this point, there are some temporary factors, such as the receipt of projects for the administration of vaccination operations, and the current progress is better than expected. Consequently, overall, we think that consolidated results are basically in line with expectations.

Q3

Would you discuss the details of rapid progress with cost structure reforms? In the next fiscal year, will there be room for further cost structure reforms? Also, to what extent will the Company be able to reduce costs with the spring 2022 timetable revision?

A3

Railway structural reforms can be broadly divided into three categories. The first is streamlining ground equipment, such as tracks and station facilities. The second is reducing costs that fluctuate with timetables and number of trains operated. The third is cost reductions in administrative departments. For this fiscal year and next fiscal year, we are not focused on which of these will be most prominent. Rather, we are advancing them in a balanced manner. We announced that we would aim for reductions of ¥5.0 billion through structural reforms this fiscal year, but up to the end of the nine-month period we achieved reductions of ¥6.0 billion. This is very encouraging. This is a case where we have been able to accelerate initiatives and enjoy results that we had expected to see in the next fiscal year.

Looking at costs related to the spring 2022 timetable revision, there are also factors related to local governments, etc., and accordingly we are not releasing separate details. Previously, we announced that we would aim for cost reductions of approximately ¥20.0 billion through structural reforms in FY2023.3. This is a challenging objective, and we think that reductions through timetable revisions will be one part of it.

Q4

Other companies have started to take steps in the area of fare increases. Does the Company have an update since the second quarter?

A4

We are addressing fare increases while maintaining an awareness of issues and a sense of urgency. As we move ahead, we will start with preparations for items that can be handled on a notification basis under the current system, while monitoring demand trends, the competitive environment, etc. On the other hand, looking at items for which approval is required, we are aware that other companies have made applications under the current system, but the business portfolios of those companies are completely different from our portfolio, and accordingly this is not an issue in which our circumstances are the same as those of other companies. In advancing dynamic pricing, which we have previously discussed, we think there are issues with the use of and system for the total-cost method itself. We have approached the Ministry of Land, Infrastructure, Transport and Tourism and repeatedly exchanged opinions. We have nothing further to add at this point, but we will continue working to address this issue.

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