

(Translation)

August 2, 2022

West Japan Railway Company

## **FY 3/23 1Q Financial Results Briefing, Summary of Question and Answer Session**

### **Q1**

Looking at the first quarter results versus the plan, overall, results were generally in line with expectations, and transportation revenues were slightly higher than the plan. What were the circumstances for other segments? Also, consolidated operating income in the first quarter was ¥19.5 billion, which is more than half of the full-year plan of ¥30.0 billion, and recurring profit exceeded the full-year plan in the first quarter. Was this because a large percentage of maintenance costs and other expenses had not yet been recorded in the first quarter? Or was it due to the Company's measures to control operating expenses?

### **A1**

Transportation revenues exceeded the plan slightly. The assumption for the results forecast was that transportation revenues would steadily recover while fluctuating, and the trend from April to June was basically in line with expectations. In non-railway businesses, operations associated with daily life, such as shopping centers and sales of goods and food services, were basically in line with expectations. On the other hand, hotels and other businesses that are linked to Shinkansen usage were somewhat weak. Results were a little uneven, but were basically in line with expectations overall. In regard to operating income, we think the results reflect the effects of our efforts to advance structural reforms and to control costs. Also, looking at costs, it is certainly true that costs are lower in the first quarter and then increase through the end of the year. We think that our first quarter operating income results were due in large part to both of these factors.

### **Q2**

Looking at the current circumstances, since the beginning of July, have there been changes in usage and in Obon summer vacation period reservations due to the influence of the spread of the infection?

### **A2**

For the Sanyo Shinkansen, usage was basically flat in both June and July, at around 67% compared with the period before the coronavirus, and approximately 60% in the final week of July. The Kansai Urban Area was 91% in June and 87% in July. In the final week of

July, usage was about 80%. We are seeing the influence of such factors as people refraining from going out. Overall, in comparison with the period from April to June, in July usage was somewhat weak. The expectation was that usage would gradually increase, but it was basically the same in June and July. Obon reservations are currently at about 60% compared with the period before the coronavirus, so there has been no change from the point when the recent announcement was made. It is not the case that the trend in reservations is improving. Compared with the situation in the April to June period, it seems that we are seeing the influence of the spread of the coronavirus, and going forward we will continue to monitor the trends.

### **Q3**

The Company has avoided a large decline in revenues even under the seventh wave of the coronavirus, and full-year operating income will likely exceed the plan. Is the Company considering the relaxation of urgent cost reductions?

### **A3**

This year, we expect revenues to recover while fluctuating. At this point, revenues are weakening. We recognize that we cannot predict what will happen, and we will continue to implement cost reductions.

### **Q4**

By the end of December, the expectation is for a recovery for the Shinkansen to 90% compared with the period before the coronavirus. Even excluding the influence of the spread of the coronavirus, it seems that the hurdle is high for this expectation. Currently, the Shinkansen has recovered to 67%. That is not bad, but is it satisfactory? How does the Company view the Shinkansen's capacity for recovery in the first quarter, and the recovery in non-business and business travel?

### **A4**

In the first quarter, the Shinkansen was slightly above expectations, so the circumstances could be said to be positive. With consideration for improvement in the coronavirus circumstances and gradual changes in lifestyles, at the end of December, we expect to see a level of 90% compared with the period before the coronavirus. This is not something that will be achieved without a special effort. The plan is based on successful measures. These include the implementation of initiatives in conjunction with the recovery in non-business demand, and for business travel, the establishment of an environment that increases the convenience of business trips on the Shinkansen. Accordingly, we will steadily implement initiatives to foster demand. In regard to the differences in the non-business and business travel trends, we think that non-business demand will recover more quickly. Compared with weekends/holidays, usage on weekdays is somewhat sluggish, and accordingly more-effective initiatives will be necessary to address business travel demand.

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