November 1, 2024
West Japan Railway Company

FY2025.3 2Q Financial Results Presentation
Summary of Main Questions and Answers

Results and Full-Year Forecast

Q. Regarding the evaluation of the results of the first half of the year against the full-year plan, what is the reason for transportation revenue falling below the plan by 3%? What is the status of other businesses?

A. Transportation revenue was impacted by the Noto Peninsula Earthquake in January and weak leisure demand, as well as temporary effects from people refraining from going out in response to summer typhoons and the release of additional information about the Nankai Trough earthquake. However, railways are currently recovering and we hope to capture the travel demand in the second half of the year through various initiatives. Regarding other businesses, we have retained the full-year performance forecast considering the overall status of the Group, such as retail and shopping center businesses are exceeding expectations.

Q. What is the expected trend of passengers in the second half of the year?

A. Leisure demand during autumn and inbound demand is increasing for Sanyo Shinkansen and Hokuriku Shinkansen and usage is currently improving. We plan to increase the number of people interacting in the West Japan area through the Hokuriku destination campaign in the second half of the year and events like “The Forest Festival of the Arts Okayama: Clear-skies Country” as well as various measures to promote motivation to travel and create further travel demand in the second half of the year.

Q. What is the progress on non-consolidated operating expenses?

A. Operating costs is progressing within the expected range overall. Personnel costs in the second half of the year is also progressing mostly as expected considering the reactionary decline due to a lump-sum bonus in the previous fiscal year. Energy, maintenance, and other costs are mostly in line with the plan.

Openings of Projects in Osaka

Q. What are the results of the costs associated with the openings of projects in Osaka, which is expected to be ¥6 billion for the full year? What is the breakdown of one-off and depreciation expenses?

A. Costs associated with the openings of projects in Osaka in the first half of the year were about ¥3 billion, of which one-off costs was about ¥2 billion and depreciation was about ¥1 billion. We also expect about ¥3 billion in depreciation expenses and costs associated with to the opening of properties in the second half of the year.

Inbound

Q. What is the impact of the strong yen during the second quarter on inbound demand, and what is the forecast for the next year and beyond?

A. In the second quarter, inbound revenue was slightly below the first quarter, but it is difficult to determine whether it was due to the impact of stronger yen or due to natural disasters. As the trend bounced back in September, it may have been a temporary impact. We plan to announce the forecast for the next year and beyond, including the impact of the Osaka/Kansai Expo at a later date.

Impact of Osaka/Kansai Expo

Q. Is the increased profit due to the Osaka/Kansai Expo temporary?

A. There are both temporary and continuous factors. We hope to make the effect continuous by capitalizing on the Expo and measures to increase the appeal of West Japan as well as increase the flow of travelers to West Japan.

Digital Strategy

Q. What is the progress of the increase in customer unit price of WESTER members and the cross-selling effect?

A. We are currently at a phase of expanding the WESTER economic zone by increasing WESTER membership and points used. Synergy within the Group is increasing through the use of points accumulated in railways at shopping centers and vice versa, and we will further visualize the effects and implement specific measures.

Fare Revision

Q. Is there any change in the stance toward the fare revision?

A. There are no significant changes. Considering the current performance and capital efficiency, there is no room for revision, but we continue to consider it an important management issue. We have been implementing measures to improve unit price and yield management within the limits of the notification system and will continue to implement various measures going forward. We will continue to approach related bodies to promote a revised fare system that can flexibly adapt to inflations.

Management with An Awareness of the Cost of Capital and Stock Price

Q. As there is a recognition that the cost of equity has risen to the 7% level, will measures such as revision of capital structure be implemented to reduce the cost of capital?

A. We especially recognize the increase in risk premiums in the railway business due to inflation as a factor of the increase in the cost of equity. To reduce this factor, we are approaching for revised fare system that can adapt to inflations. In addition, we believe it is necessary to restructure the business portfolio to increase the ratio of the life design field to 40% and present its progress to reduce the cost of equity. During the current term, the cancellation of approximately ¥50 billion in treasury stock was approved. Additionally, we plan to acquire an additional ¥50 billion in treasury shares in line with the progress of the Mid-Term Management Plan. We will continue to strive to improve corporate value and shareholder value by building a portfolio that considers the cost of capital, appropriate disclosure of information, and shareholder returns.

End.