

October 28, 2011

West Japan Railway Company

## **Results for the First Half ended September 30, 2011**

### **Q&A Summary at the conference held in Japan**

- Q** What do you think will be the effects of direct through-service between the Sanyo and Kyushu Shinkansen? Also, what is the outlook for timetable revisions next year?
- A** We consider a range of factors such as the economic situation, but anticipate an increase in revenues as a result of growth in our market share against the airlines, along with the expansion of market size through special promotions in cooperation with local governments in Kyusyu, travel agencies, travel operators and JR Kyushu. We have begun campaigns in Kyushu highlighting the attraction of Kansai, and will make efforts to expand the market size and increase repeat customers. In terms of timetable revisions for next year, we will operate trains to meet travel demand, and plan to announce a new timetable by the end of this year.
- Q** What is the reason for the weak sales at JR Osaka Mitsukoshi Isetan? Also, how do you expect to recover revenues when Hankyu Umeda expands its sales floor next year?
- A** We recognize that their unique aspects, such as the way they coordinate the sales floor, and their marketing strategies do not meet the taste of customers in Osaka. However, we believe that over the long term we will benefit from Osaka Station Development Project. JR Osaka Mitsukoshi Isetan has begun making changes so that brands and prices are more easy to understand, and we think they need to revise prices and their product lineup to be the preferred department store in Osaka.
- Q** What is your estimate for capital expenditures this fiscal year and fiscal 2012?
- A** Consolidated capital expenditures for the current fiscal year are proceeding as expected, and will be in line with the forecast of ¥205.0 billion. Capital expenditures for fiscal 2012 (ending March 2013) will be at the level specified in the medium-term management plan, ¥980 billion over five years from fiscal 2009 to fiscal 2013, less the expenditures made through the current fiscal year.
- Q** What factors do you think will lead to a rise in income in fiscal 2012?
- A** In addition to the revenue recovery from the losses associated with the Great East Japan Earthquake, we expect to realize an increases from a reduction in depreciation, due to the conclusion of the additional depreciation of 5% residual value related to the change in the system of depreciation in the fiscal year ended March 31, 2008. We also anticipate a boost from the full-year revenues from Osaka Station City, which opened in May, 2011.

- Q JR-West's revised Medium-Term Management Plan states that the Company maintains its target of 3% of DOE for the fiscal year ending March 2013, on condition that the projects will yield results. Do you think with the current situation the projects will yield results? Also, is there a possibility of raising dividends this fiscal year?
- A We believe that the two major projects made a fair start. In terms of dividends, there is no change in our basic policy, and therefore the dividend amount and timing of payout will be determined by comprehensibly examining such factors as the status of the two major projects, the results for the second half of this fiscal year, and the outlook for earnings and cash flow going forward.