(Translation)

July 28, 2017

West Japan Railway Company

FY3/18 Q1 Financial Results Briefing

Summary of Question and Answer Session

Q1

Given the upturn in Q1 transportation revenues and the positive trend in reservations for the "Obon" holiday season (From August 10 to August 17), do you expect the positive performance trend to continue from Q2 onward?

A1

While the upturn in transportation revenues we experienced in Q1 may remain in place, we believe we are unlikely to see any further upward trend. On the Sanyo Shinkansen, traffic is returning to normal after the rebound following the Kumamoto earthquakes, and we believe conditions from Q2 will be near our expectations. Regarding the Hokuriku Shinkansen, where performance was weak in Q1, as we enter the third year of its operation we are working to stimulate tourism demand in an effort to stabilize usage. Nevertheless, we face the risk that performance may be down for the full fiscal year. On the cost front, while monitoring trends in revenues and planned costs, we may implement additional measures on items that will help lower the cost burden in future fiscal years.

Q2

How much will costs decrease due to Kansai Electric's lowering of electricity rates in line with the restarting of the Takahama Nuclear Power Plant?

A2

We have not incorporated the effects of the rate reduction into our performance forecasts, but this fiscal year we anticipate a cost reduction of approximately ¥0.7 billion.

Q3

One reason the fundamentals for the Sanyo Shinkansen are up sharply from the previous year is a rebound from the indirect impact of the Kumamoto earthquakes—the rebound following a downturn in domestic travel demand. What amount of monetary impact has this had?

A3

We believe that the indirect impact has had a certain positive effect, but it is difficult to indicate any specific figure.

Q4

Regarding the fundamentals of the Sanyo Shinkansen, an increase in inbound demand other than for exclusive products for overseas visitors is one factor. In past explanations, you have indicated that inbound revenue makes up a small percentage of revenue from non-commuter passes, so the impact was slight. Has this situation changed?

A4

Based on a survey we conducted two years ago, the percentage of non-commuter transportation revenues accounted for by inbound revenue was less than 2%. However, as we expect inbound demand to keep increasing, this percentage is likely to have grown. At the present, we do not have highly detailed data that enables us to determine revenue from other than exclusive products for overseas visitors, but we are currently conducting a new survey. Going forward, we will consider disclosing revenue including individual normal tickets.

Q5

Regarding gauge changeable train (free gauge train, FGT), the Gauge Changeable Technological Evaluation Committee has met to consider measures to counter axle wear and the train’s cost performance. Some results of this meeting have been announced. How will that impact JR-West?

A5

We will continue to monitor the situation, as technological developments on the Western Kyushu route of the Kyushu Shinkansen are a precondition for introducing the FGT on the Hokuriku route. We believe that some time will be required to resolve technological issues with a view to recommencing endurance running tests. As FGT rolling stock represents a major capital expenditure, when we consider introducing these trains, their period of use will be an important factor. In addition, FGT rolling stock costs approximately twice as much as general Shinkansen rolling stock. This will also be a major challenge in our decisions on whether to introduce the trains.

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