

Results for the First Half ended September 30, 2009

Q&A Summary at the conference held in Japan

Q How does JR-West estimate the impact if expressway tolls are made free?

A We estimate that the negative impact from current discounts of expressway tolls on weekends and national holidays will be about 5 billion yen in a year. Regarding the impact from the policy that makes expressways toll-free, it is difficult to accurately estimate. However, we anticipate that the negative impact on our transportation revenues will become approximately three times as large as current impact, considering both "factors to expand the impact" and "factors to mitigate the impact". "Factors to expand the impact" includes facts that toll-free is applied not only on weekends and national holidays but on weekdays, that current discounted tolls up to 1,000 yen are completely eliminated, and that toll-free is not limited to vehicles with an electronic toll collection device. "Factors to mitigate the impact" includes facts that traffic congestion becomes heavier when expressways are made toll-free, and that we have a high percentage of business purpose passengers on weekdays, who are unlikely to shift from rail to automobiles.

Q JR-West's operating expenses in the first half of FY ending March 2010 were lower than forecast. How much of that came from JR-West's cost reduction efforts?

A We have been implementing various efforts to reduce costs centering on the Management Improvement Headquarters established in spring 2009 and some of the efforts bore fruit in the first half period. However, we control our expenses only on 12 months basis and therefore we are not able to estimate how much results were yielded from our cost reduction efforts on 6 months basis.

Q What initiatives is Nippon Travel Agency implementing to improve business performances?

A Nippon Travel Agency's efforts to improve performances include marketing initiatives such as strengthening the sales of group tours. It is also tackling organizational reform such as merger and abolition of branches, and cost reduction efforts including personnel costs.

Q Regarding projected revenues of two major projects, Osaka Station Development Projects and Direct service between the Sanyo and the Kyushu Shinkansen Line, scheduled to open in spring 2011, is it possible to achieve the anticipated revenues even though economic conditions have changed significantly since the original plan has been made?

A We understand our recent business environment is extremely difficult, but we do not think we need to revise our prospects of revenues from the projects at this point of time, because our prospects are conservative.