

**Results for the First Half ended September 30, 2010 and
Revision of JR-West Group's Medium-Term Management Plan 2008-2012
Q&A Summary at the conference held in Japan**

- Q Why will the level of operating expenses during the second half of this fiscal year be high compared to the past results?
- A The main reason is that maintenance cost will be used heavily during the second half as the cost used during the first half was lower than anticipated. We control our operating expenses on a yearly basis only. Therefore the operating expenses in a fiscal year will be used as forecasted even when the first half result is lower than forecasted. However, we are making the utmost effort to reduce the expenses as operating expenses during last fiscal year became lower than forecasted through our cost reduction efforts.
- Q What scale of capital expenditure do you envisage with regard to "the enhancement of the value of the railway belts centering on Kyoto-Osaka-Kobe (Kinki) area" initiatives?
- A We are planning to improve our railway network and developing in and around stations in coordinating with local authorities. We do not anticipate a high level of capital expenditure along with these developments, but the effect of these developments is not negligible. All of these projects, as many of them are progressing in cooperation with local authorities, will not be completed during the Medium-Term Management Plan period, but we anticipate some of the developments will be materialized until March 2013.
- Q What is the timescale of "innovation by technology" initiatives to reduce fixed costs?
- A If we develop a battery-powered train, we believe it will lead to a drastic reduction of maintenance cost since existing electric facilities becomes unnecessary. Although we do not have specific timescale to develop, we intend to change our operational systems drastically through technical development.
- Q JR-West's forecast of depreciation of approximately ¥170 billion in fiscal March 2013 is higher than I expected. Did you take the conclusion of an amortization of approximately ¥7 billion per year arising from a past system revision into consideration?
- A We considered it in the forecast of depreciation in fiscal March 2013. With regard to the depreciation in the future, we anticipate that it will not be decreased drastically because we will be carrying out several capital expenditures such as Hokuriku Shinkansen project after the Medium-Term Management Plan period.

Q What is your view about the use of cash flow after the Medium-Term Management Plan period?

A We do not have an intention to change our priorities that focus on capital expenditure, return to shareholders, and then reduction of long term debt and payables at this point of time. We will consider the use of cash flow after the Medium-Term Management Plan period when we consider the next Medium-Term Management plan while monitoring the situation further.

Q JR-West's revised Medium-Term Management Plan says that the Company remains its target to achieve 3% of DOE for the fiscal year ending March 2013 on condition that the projects will yield results. What does the condition imply?

A It does not mean that we will focus on specific indices such as revenues and income from the projects. We will evaluate our overall performance in fiscal March 2013 when the projects contribute on a full-year basis for the first time.