

**FY3/14 3Q Financial Results Briefing**  
**Summary of Question and Answer Session**

Q. What is the status of the measures in your medium-term management plan and management priorities for the next fiscal year?

A. For the next fiscal year, our view is that the uncertain business environment will continue, mainly as a result of such factors as the consumption tax increase, and competition from airlines. In Shinkansen services, this spring timetable revisions are planned to enhance the competitiveness of the Tokaido, Sanyo, and Kyushu Shinkansen services. The opening of the section of the Hokuriku Shinkansen to Kanazawa, in spring 2015, is also approaching. We have announced the train types and names, and local communities are accelerating efforts to attract tourists. We will be making considerable up-front investments and incurring substantial costs in the next fiscal year ahead of the service launch, and want to be thoroughly prepared to maximize the beneficial effects.

We also recently announced the general framework for the restructuring of the Northgate Building at Osaka Station, planned for spring 2015. To survive in the fiercely competitive environment of the Osaka area, we plan to bring to the forefront the strengths of a successful shopping center, while at the same time leveraging the strengths of a department store, in order to try out new types of business categories. To prepare for this reorganization, from August we will close a major portion of the west wing. This will temporarily increase costs, but we will take solid steps to ensure growth from fiscal 2015 onward.

We have also announced a series of other initiatives, including a stock acquisition and business tie-up with Asia Air Survey Co., Ltd., the launch of online sales for overseas markets, and the start of a renovation project for the Osaka Loop Line. We are pursuing a variety of business opportunities for both railway and non-railway businesses, and with a longer term perspective will move forward with ideas to improve safety, expand revenue, and enhance operational efficiency.

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Q. Shinkansen usage during the first quarter mainly comprised short distance trips and travel to Tokyo. In light of the improvement in the economy and other factors, have there been any notable trends in 3Q?

A. Shinkansen usage in 3Q was up year on year for travel within the range of the Sanyo Shinkansen, as well as for trips continuing to Tokai and Kyushu. Growth in travel continuing on to Kyushu was comparatively high, with steady use for travel to both Kumamoto and Kagoshima. We think this is due in part to such measures as the "Super Haya-toku" early discount ticket, and the "Remember Kyushu" promotional campaign. The growth rate for weekends and holidays was about the same as for weekdays, reflecting steady use for both business and leisure.

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Q. Regarding maintenance and repair expenses, the overall industry trend is toward rising costs as a result of such factors as labor shortages. Do you see indications of that in the Kansai area as well?

A. We have finalized contracts for the majority of the construction work for the current fiscal year, so there will be no immediate effects. However, we have heard that labor shortages and higher material costs due to the weakened yen are spreading to Kansai, and we will consider this issue carefully when formulating plans for the next fiscal year and after.

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Q. Regarding the reconstruction of the Osaka Station Northgate Building, since the shopping center will include a department store as a tenant, what is your customer target?

A. Considering the current flow of customer traffic on the north side of Osaka Station, for the new stores we plan to shift to a younger customer target from the slightly older segment served by JR Osaka Mitsukoshi Isetan department store. The main strength of a department store is ability to create a sales space that transcends single brands, and we will leverage this strength to have Mitsukoshi Isetan play a role as the anchor tenant for the shopping center. The people involved with this project have developed a solid plan, and have listened to the opinions of tenants, so we are fairly confident of success.

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Q. If the special corporate tax for reconstruction is abolished a year ahead of schedule at the end of this fiscal year, how will this affect business results?

A. We are not currently factoring the effects of such a development into our earnings forecast, but if the tax law is revised, this would necessitate a reversal of deferred tax assets. This would increase income taxes-deferred by around ¥2.0 billion, which could affect net income by the same amount.

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