(Translation)

January 30, 2015
West Japan Railway Company

FY3/15 3Q Financial Results Briefing
Summary of Question and Answer Session

Q1
In comparison with the first nine months of the fiscal year, Shinkansen transportation revenues in the fourth quarter are expected to be relatively moderate. At this point, is there a trend toward decelerating usage?
A1
Usage of the Sanyo Shinkansen in January was affected by the pattern of weekdays and weekends at the beginning of the year. Up to January 6th, usage was at the 99% level year on year. Subsequently, however, usage was favorable especially during the three-day holiday. At this point, we do not think there has been a significant change. However, last fiscal year travel demand increased in the fourth quarter prior to the consumption tax hike. Consequently, we will focus on the future while continuing to work to secure revenues.

Q2
In regard to energy costs, Kansai Electric Power has indicated it will increase electricity charges, while crude oil prices have declined. Considering this situation, do you think that there will be a risk of higher energy costs in the next fiscal year?
A2
Moving forward, we will engage in discussions with Kansai Electric Power regarding the increase in electricity charges, but we believe that there will be a certain degree of influence. When some electric power companies increased electricity charges in the fiscal year ending March 31, 2014, including the influence of the price increases and the fuel cost adjustment system, costs rose by ¥6.7 billion year on year, and 60% of that amount was attributable to the effect of the price increases by those electric power companies.

Q3
At this point, what is the outlook for revenues and expenses in the next year and thereafter? For example, for the Hokuriku Shinkansen, the opening preparation expenses had the effect of reducing this year’s profit by ¥6.6 billion. Looking at start-up costs and other factors, moving forward are there any problems that will lead to a further decline?
A3
Next year, the Hokuriku Shinkansen will be operating throughout the year, and we will do our best to draw out the opening effects. However, in regard to the Hokuriku Shinkansen, there is no change to the basis on which it will be operated, under which line usage fees are determined at a level (fixed amount) that does not exceed the earnings received and

which balances JR-West's revenues and expenses over the 30-year period after beginning operations. The opening preparation expenses that were incurred this year will be absorbed into the costs of the Hokuriku Shinkansen next year.

On the other hand, it is the first year of operations, and there will be a variety of initial-period costs. These will include depreciation at a level appropriate for the first year as well as promotion expenses at the time of the opening and redundant expenses in the midst of organizational change. Nonetheless, these promotion and redundant expenses will not be excessive.

In regard to capital expenditures, investment in rolling stock, such as for the Hokuriku Shinkansen, will be concentrated at the end of this fiscal year. Moreover, in the next fiscal year, due to investment in rolling stock, such as the N700A Series and new units for conventional lines, it is possible that expenditures will be higher than this fiscal year, which was the second highest level ever. Considering such factors as the effects of depreciation and increased electricity charges, we cannot be optimistic about profits on a non-consolidated basis in the next fiscal year.

At this point, we are in the process of formulating the forecast for the next fiscal year. We will release the forecast, including these factors, with the year-end results announcement.

In addition, at the same time as the year-end settlement, we plan to announce an update of the JR-West Group Medium-Term Management Plan 2017. As we have previously indicated, there will not be a major change in our direction. Rather, we would like you to think of it as an update to the plan.

Q4
In the retail and real estate segments, what one-time expenses were recorded this year?
A4
For example, in the renovation of the West Wing of the North Gate Building, as we approach the opening this spring, the Group plans to implement about ¥6.0 billion of capital expenditures, and a certain level of associated removal expenses and other expenses are being recorded as extraordinary losses. On the other hand, we will implement promotions this year prior to the opening, but after the opening we will step up implementation to maximize the opening effects and solidify usage. These types of expenses will definitely not be limited to this year.

Q5
If the corporate tax rate is reduced in stages by 3.29% over the period from the fiscal year ending March 31, 2016, to the fiscal year ending March 31, 2017, what effect will the reduction have on business results?

A5

We are not currently factoring the effects of such a development into our earnings forecast, but if the revised corporate tax rate is officially announced, it will become necessary to reverse deferred tax assets. On a consolidated basis, this would increase income taxes-deferred for this year by around ¥13.0 billion, which could affect net income by the same amount.

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