

(Translation)

January 29, 2016
West Japan Railway Company

FY3/16 3Q Financial Results Briefing
Summary of Question and Answer Session

Q1

Would you comment on the third-quarter results for the Sanyo Shinkansen, which seem to have slowed in comparison with the first half?

A1

In the third quarter, there was a negative special factor in the pattern of weekends, weekdays, and holidays, such as a decrease in the number of three-day weekends. Excluding that factor, the basic trend in non-commuter passes was an increase of 3.2%. The basic trend appears to have weakened slightly in comparison with the first half, when there was an increase of 3.9%, but the rate of growth remains at a high level. In addition, usage figures in January (up to the 25th) (excluding the beginning of the year) are strong, and accordingly we believe that the favorable trend is continuing.

Q2

What is your view of the third-quarter results for the Hokuriku Shinkansen?

A2

Hokuriku Shinkansen transportation revenues for the third quarter were ¥12.0 billion, half of the level of ¥24.0 billion that was recorded in the first half of the fiscal year. Results are generally in line with the plan, which was revised upward at the end of the second quarter. Usage in January (up to the 25th) is up 140% year on year, so at this point growth seems to have moderated.

Q3

Why have the full-year forecasts not been revised?

A3

In transportation revenues, the recent trend is not changing significantly. The strong trend up to this point is generally being sustained. However, uncertain macroeconomic factors are expanding rapidly due to recent trends in China's economy and the low price of oil, and accordingly we have not revised the full-year forecasts.

In operating expenses, overall we believe that our progress is basically in line with forecasts, and accordingly we have not revised the full-year forecasts.

In non-rail businesses, we believe that we are making progress that is basically in line with forecasts. There is no significant change in the trend in operating revenues in the retail,

shopping center, and hotel businesses, which are highly correlated with transportation revenues. However, for the same reason as with transportation revenues, we have not revised the full-year forecasts.

Q4

Are there any risk factors that have not been incorporated into the financial forecasts for this fiscal year?

A4

Up to this point, disposal costs for waste with low concentration PCB have been difficult to estimate, but we are considering the possibility of estimating these costs, and if the requirements are satisfied, we will record an allowance for environmental safety measures. In terms of scale, at this point we are anticipating a figure in the higher range of single digit billion yen or slightly above this level, and we will carefully consider the amount.

In addition, these financial forecasts do not include the effect of a lower corporate tax rate. If this is confirmed, a reversal of deferred tax assets will be implemented separately. This will not exceed ¥7.0 billion.

Q5

Results in the hotel business are favorable. Is the Company considering initiatives targeting further growth, such as increased floor space and renewals?

A5

In budget hotels, we plan to open two hotels in Osaka area (Umeda and Tennoji) in 2017, but in city hotels at this point we are not planning increased floor space or renewals. We will continue working at revenue management and striving to increase revenues.

Q6

What is the outlook for the next fiscal year?

A6

The plan for the next fiscal year will be formulated going forward, and in regard to the figures I would like to ask you to wait until the year-end results announcement.

However, this fiscal year we had favorable patterns of weekends, weekdays, and holidays, and in addition we had good weather in periods of heavy customer traffic — the mid-summer Obon holiday period and Silver Week (a five-day holiday in September). The next year will not have a Silver Week and is not a leap year, which will have an adverse influence. In regard to the Hokuriku Shinkansen, this fiscal year we were able to maximize the opening effect. We will work to prevent the weakening of this effect as much as possible, but it is unlikely to remain as strong as it was at the time of the opening.

There will be a number of factors that will increase costs. These will include an allowance

for the large-scale renovation of Shinkansen infrastructure, an increase in the Hokuriku Shinkansen rental payments due to the amount corresponding to fixed assets tax, and an increase in depreciation due to high levels of capital expenditures in recent years. On the other hand, personnel costs will decline due to an end to the amortization of actuarial differences for retirement payments, which arose in 2005. Certain expenses were increased this year for strategic reasons. These include accelerated maintenance work, which includes expenses that will not be recorded in the next fiscal year. On the other hand, targeting the achievement of objectives in the final year of the medium-term management plan, we will continue marketing initiatives in the Hokuriku area, and we will also implement steady initiatives in such areas as safety and customer satisfaction.

In regard to non-rail businesses, certain factors will contribute to increases in sales of goods and food services and in the shopping center business. These factors will include full-year contributions at commercial facilities in Shin-Osaka and Akashi, which underwent renewals during this fiscal year. However, in condominium sales and construction, in which revenues fluctuate significantly, it is difficult to make forecasts.

As indicated above, we are not optimistic about the next fiscal year. In addition to working to enhance safety, in line with the strategic policies in the medium-term management plan, we will steadily advance initiatives to increase corporate value, such as stabilizing conditions and fostering demand for the Hokuriku Shinkansen, capturing demand from inbound visitors, and expanding demand in the Kansai Urban Area, including the utilization of the Kyoto Railway Museum.

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