(Translation)

July 27, 2016

West Japan Railway Company

FY3/2017 1Q Financial Results Briefing
Summary of Question and Answer Session

Q1

Would you comment on performance and the forecast for the Sanyo Shinkansen?

A1

Sanyo Shinkansen transportation revenues were down 1.7% year on year. Usage is as much as three percentage points higher on weekdays than on weekends. Although business demand remains firm, the Kumamoto earthquake is affecting tourism demand. From 2Q, we are planning for the “Kyushu Tourism Revival Campaign” to coincide with the national government’s campaign, “Kyushu Reconstruction Discount.” We will also create travel packages and use other methods to encourage travelers to the Kyushu area in the aim of contributing to its reconstruction. We expect revenues to increase as a result. Also, bookings for the busy summer period are relatively favorable.

Q2

How was the impact of the Kumamoto earthquake, and what are your expectations for the future in this regard?

A2

The Kumamoto Earthquake had a negative impact of ¥1.9 billion. By month, its impact was ¥1.1 billion in April, ¥0.5 billion in May, and ¥0.2 billion in June—the amount is abating. Although we cannot forecast how long this effect will continue, based on the current trend we think it unlikely that the negative impact on earnings will further increase.

Q3

Would you comment on performance and the forecast for the Hokuriku Shinkansen?

A3

Hokuriku Shinkansen transportation revenues were down 13.1%, below our first-half forecast that these revenues would be down 7.4%. We see the main factors here being a higher-than expected backlash from the surge in demand when the line opened last year and a backlash from the Zenkoji Temple Gokaicho event spike. From the second half, we will cultivate tourism demand by focusing on tourism campaigns, such as the “Hokuriku

After-Destination Campaign" and "Japanese Beauty Hokuriku," in an effort to boost revenues to some extent.

Q4

How would you analyze sluggish performance of the Hokuriku Shinkansen from the perspective of a change in the size of the pie in the Hokuriku direction and share of the competition from other modes of transportation?

A4

We think the share in relation to air travel is unchanged year on year. Our analysis suggests the main reason is that the size of the pie represented by people traveling on the high-traffic route between the Tokyo metropolitan area and the Hokuriku area is down by around 10%.

Q5

Costs seem to be trending upward; what is the future outlook?

A5

Costs were up year on year in 1Q, mainly because of new costs: the introduction of a provision for large-scale Shinkansen renovation and a rise in Hokuriku Shinkansen rental payments. The increase is also a reflection of a structural characteristic, namely that the effects of ¥11.0 billion in maintenance costs and miscellaneous costs that we accumulated over the past fiscal year will only become evident after 2Q. Therefore, our outlook for the fiscal year is unchanged.

Q6

If revenues remain sluggish, do you plan to control costs?

A6

We are focusing on the fact that now is the time to implement measures firmly because the coming fiscal year will be the final year of our Medium-Term Management Plan. Rather than controlling costs, we will prioritize steady implementation of the measures we need to undertake.

Q7

How would you evaluate performance in non-transportation operations?

A7

Overall, these operations are performing as expected. Revenues and profits are down year on year mainly because of fluctuations in the construction business. In department stores, performance was soft because of a reflection against last year's Osaka store opening and sluggish sales of summer apparel due to unseasonable weather. On the other hand, performance in shopping centers and hotels was favorable. We do not think there are any major divergences from our full-year forecast.

Q8

What was the reason for soft department store sales?

A8

The main reasons for the lower revenues were a dip in sales of summer apparel due to unseasonable weather and a decrease in duty-free items purchased by inbound customers. The larger impact came from lower sales of summer apparel.

Q9

How are occupancy rates and average room rates in the hotel business?

A9

Performance in the hotel business is strong, thanks to favorable inbound demand. Occupancy at city hotels is running at around 90%, and average room rates are up by approximately 10%. Occupancy at budget hotels is higher than 90%, and average room rates there are up by around 10%, as well.

Q10

How is progress on considering investments in growth-oriented projects?

A10

We are studying a number of projects in-house, but we have no new information to disclose at the moment.

END