IR Meeting (FY2017.3 2Q)

JR-WEST

Results for the first half ended September 30, 2016 and Future Initiatives

November 1, 2016

West Japan Railway Company

Contents

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Ⅰ. Results for the first half of FY2017.3

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- I am Nakanishi, General Manager of the Finance Department.

- First, I will provide a simple explanation of results for the first half of the fiscal year ending March 31, 2017, which were announced on October 27, as well as a full-year forecast.

Financial Highlights

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¥Billions

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY Increase/(Decrease) B-A	YoY % 1-B/A	Results FY2016.3 C	Forecasts FY2017.3 As of July 27 D	Forecasts FY2017.3 As of Oct 27 E	YoY Increase/(Decrease) E-C	YoY % 1-E/C	Difference between the forecasts Increase/(Decrease) E-D
【Consolidated】										
Operating Revenues	709.4	700.3	(9.0)	(1.3)	1,451.3	1,450.0	1,445.5	(5.8)	(0.4)	(4.5)
Operating Income	110.5	98.3	(12.1)	(11.0)	181.5	175.5	173.0	(8.5)	(4.7)	(2.5)
Recurring Profit	99.7	88.5	(11.1)	(11.2)	162.2	159.5	157.0	(5.2)	(3.2)	(2.5)
Profit attributable to owners of parent	66.0	57.1	(8.9)	(13.5)	85.8	106.5	102.5	16.6	19.4	(4.0)
【Non-Consolidated】										
Operating Revenues	478.7	475.4	(3.3)	(0.7)	954.2	952.5	951.0	(3.2)	(0.3)	(1.5)
Transportation Revenues	427.7	422.8	(4.8)	(1.1)	850.0	848.5	846.0	(4.0)	(0.5)	(2.5)
Operating Expenses	388.2	394.0	5.7	1.5	817.0	816.5	817.5	0.4	0.1	1.0
Personnel costs	115.2	111.3	(3.8)	(3.4)	233.3	223.0	223.0	(10.3)	(4.4)	−
Non personnel costs	178.3	181.4	3.1	1.7	392.4	390.5	390.5	(1.9)	(0.5)	−
Energy costs	22.7	20.6	(2.1)	(9.3)	44.1	42.0	41.0	(3.1)	(7.1)	(1.0)
Maintenance costs	65.7	68.0	2.3	3.6	152.8	153.0	154.0	1.1	0.7	1.0
Miscellaneous costs	89.8	92.7	2.8	3.2	195.4	195.5	195.5	0.0	0.0	−
Depreciation	63.1	66.4	3.2	5.2	132.3	137.5	138.5	6.1	4.7	1.0
Operating Income	90.4	81.3	(9.0)	(10.0)	137.2	136.0	133.5	(3.7)	(2.7)	(2.5)
Recurring Profit	78.9	70.8	(8.0)	(10.2)	116.7	119.0	116.5	(0.2)	(0.2)	(2.5)
Net Income	53.4	46.9	(6.5)	(12.3)	61.1	82.0	78.0	16.8	27.6	(4.0)

Note: Figures in brackets ( ) are negative values.

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- Please turn to page 3, which discloses results in the first half of the fiscal year and a summary of the full-year forecast.

- In the first half, major trends in the first quarter remained unchanged. In terms of year on year comparisons, several special factors, including the earthquake in Kumamoto, rebound decline from the opening effect of the Hokuriku Shinkansen, rebound decline from the Silver Week (a five-day holiday last September) and other holiday schedules and rebound decline from last year’s real estate sales and construction businesses, caused revenues and profits to decline. In comparison with forecasts, the larger-than-expected impact of the Kumamoto earthquake, a decline from the Hokuriku Shinkansen opening in the previous year, non-consolidated based cost increases and soft department store sales resulted in performance that fell short of forecasts.

- In light of these circumstances, we made downward revisions to our consolidated and non-consolidated full-year forecasts.

Non-Consolidated Financial Results

JR-WEST

¥ Billions

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY Increase/ (Decrease) B-A	YoY % 1-B/A
Operating Revenues	478.7	475.4	(3.3)	(0.7)
Transportation revenues	427.7	422.8	(4.8)	(1.1)
Other	51.0	52.5	1.5	3.0
Operating Expenses	388.2	394.0	5.7	1.5
Personnel costs	115.2	111.3	(3.8)	(3.4)
Non personnel costs	178.3	181.4	3.1	1.7
Energy costs	22.7	20.6	(2.1)	(9.3)
Maintenance costs	65.7	68.0	2.3	3.6
Miscellaneous costs	89.8	92.7	2.8	3.2
Rental payments, etc.	13.4	15.1	1.6	12.5
Taxes	18.1	19.7	1.5	8.7
Depreciation	63.1	66.4	3.2	5.2
Operating Income	90.4	81.3	(9.0)	(10.0)
Non-operating revenues and expenses	(11.5)	(10.5)	0.9	(8.6)
Non-operating revenues	1.4	1.3	(0.1)	–
Non-operating expenses	13.0	11.8	(1.1)	–
Recurring Profit	78.9	70.8	(8.0)	(10.2)
Extraordinary profit and loss, net	0.7	(2.9)	(3.6)	–
Extraordinary profit	5.8	4.3	(1.5)	–
Extraordinary loss	5.1	7.2	2.0	–
Net Income	53.4	46.9	(6.5)	(12.3)

Note: Figures in brackets ( ) are negative values.

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- On page 4, we have disclosed our non-consolidated financial results.

- In the first half, transportation revenues declined due to a rebound decline from the favorable national holiday schedule, the impact of the Kumamoto earthquake and a rebound decline from the Hokuriku Shinkansen opening. In addition, new costs arose due to provision expenses stemming from the establishment of a reserve for large-scale Shinkansen renovations and an increase in depreciation expenses due to a high level of capital expenditure in recent years, which caused operating expenses to rise, resulting in operating income declining ¥9.0 billion year on year to ¥81.3 billion.

- We also recognized as an extraordinary loss an impairment loss of ¥2.5 billion on Sanko Line fixed assets for railway operations related to the notice to discontinue the Sanko Line, filed on September 30.

Major Factors of Increase/Decrease in Transportation Revenues

¥ Billions

Transportation revenues			YoY Increase/(Decrease) Amount	YoY Increase/(Decrease) %	Major factors	Amount
Results for 6 months ended Sep 30, 2016						
Shinkansen		215.0	(5.4)	(2.5)	Fundamentals 0.4%	0.9
					Special factors	
					Kumamoto earthquake	(2.7)
					Rebound decline from the opening of Hokuriku Shinkansen	(2.5)
					Rebound decline from the last year's Silver Week (a five-day holiday last September), etc.	(1.8)
					Inbound demand	0.1
					Seniors demand	0.1
					etc.	
	Kansai Urban Area (Kyoto-Osaka-Kobe Area)	152.9	1.0	0.7	Fundamentals (0.0%)	(0.0)
					Special factors	
					Inbound demand	0.5
					Kyoto Railway Museum	0.1
					Seniors demand	0.0
					Rebound decline from the last year's Silver Week (a five-day holiday last September), etc.	(0.3)
					etc.	
	Other lines	54.8	(0.3)	(0.6)	Fundamentals (0.7%)	(0.3)
					Special factors	
					Rebound decline from the last year's Silver Week (a five-day holiday last September), etc.	(0.2)
					Inbound demand	0.0
					Seniors demand	0.0
					etc.	
Conventional lines		207.8	0.6	0.3		
Total		422.8	(4.8)	(1.1)		

Note: Revenues from luggage transportation are omitted due to the small amount.
Figures in brackets( ) are negative values.

- Turning to page 5, I will now explain the major factors behind changes in transportation revenues.

- As for Shinkansen operations, the impact of the Kumamoto earthquake, rebound decline from the Hokuriku Shinkansen opening and the Silver Week and other holiday schedules caused revenues to decline ¥5.4 billion. Fundamentals remained firm, at 100.4% of the previous year's figure.

- In the Kansai Urban Area, we succeeded in efforts to improve the value of railway belts, which involved constructing new stations and renovating existing stations. We also made an effort to capture inbound demand, resulting in transportation revenues growth of ¥1.0 billion.

- In terms of other conventional lines, fundamentals were lower than in the previous fiscal year, and the Silver Week and other holiday schedules caused transportation revenues to decline ¥0.3 billion.

Transportation Revenues and Passenger-Kilometers

JR-WEST

Transportation Revenues

¥Billions

	Results for 6 months ended Sep 30 (4/1~9/30)			3 months (2Q) (7/1~9/30)		
	FY2016.3	FY2017.3	YoY	FY2016.3	FY2017.3	YoY
Total	427.7	422.8	(4.8) (1.1%)	221.8	219.5	(2.3) (1.1%)
Shinkansen	220.5	215.0	(5.4) (2.5%)	116.2	113.8	(2.3) (2.1%)
Commuter Passes	5.0	5.1	0.0 0.3%	2.5	2.6	0.0 3.0%
Non-Commuter Passes	215.4	209.9	(5.5) (2.6%)	113.7	111.2	(2.4) (2.2%)
Conventional Lines	207.1	207.8	0.6 0.3%	105.6	105.6	0.0 0.1%
Commuter Passes	71.7	72.0	0.3 0.5%	35.6	35.4	(0.2) (0.8%)
Non-Commuter Passes	135.4	135.7	0.2 0.2%	69.9	70.2	0.3 0.5%
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	151.9	152.9	1.0 0.7%	76.6	76.9	0.3 0.4%
Commuter Passes	58.7	59.1	0.4 0.8%	29.2	29.0	(0.1) (0.5%)
Non-Commuter Passes	93.2	93.8	0.5 0.6%	47.4	47.9	0.4 1.0%
Other Lines	55.1	54.8	(0.3) (0.6%)	28.9	28.6	(0.2) (0.9%)
Commuter Passes	13.0	12.9	(0.0) (0.6%)	6.4	6.3	(0.1) (2.2%)
Non-Commuter Passes	42.1	41.8	(0.2) (0.6%)	22.4	22.3	(0.1) (0.6%)

Passenger-Kilometers

Millions of passenger-kilometers

	Results for 6 months ended Sep 30 (4/1~9/30)			3 months (2Q) (7/1~9/30)		
	FY2016.3	FY2017.3	YoY	FY2016.3	FY2017.3	YoY
Total	29,526	29,281	(245) (0.8%)	15,149	15,038	(110) (0.7%)
Shinkansen	10,256	10,004	(252) (2.5%)	5,439	5,345	(93) (1.7%)
Commuter Passes	409	415	6 1.6%	202	205	3 1.6%
Non-Commuter Passes	9,846	9,588	(258) (2.6%)	5,236	5,140	(96) (1.8%)
Conventional Lines	19,270	19,277	7 0.0%	9,709	9,692	(17) (0.2%)
Commuter Passes	11,746	11,733	(13) (0.1%)	5,759	5,756	(3) (0.1%)
Non-Commuter Passes	7,523	7,544	20 0.3%	3,950	3,936	(13) (0.4%)
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	15,017	15,043	25 0.2%	7,513	7,515	2 0.0%
Commuter Passes	9,625	9,616	(9) (0.1%)	4,726	4,725	(1) (0.0%)
Non-Commuter Passes	5,391	5,427	35 0.7%	2,786	2,790	3 0.1%
Other Lines	4,252	4,234	(18) (0.4%)	2,196	2,177	(19) (0.9%)
Commuter Passes	2,120	2,116	(4) (0.2%)	1,033	1,030	(2) (0.2%)
Non-Commuter Passes	2,132	2,117	(14) (0.7%)	1,163	1,146	(17) (1.5%)

Note: Figures in brackets ( ) are negative values.

Major Factors of Increase/Decrease in Operating Expenses (Non-consolidated)

¥ Billions

Item	Results for 6 months ended Sep 30, 2016			
		YoY		Major factors
		Increase/ (Decrease)	%	
Personnel costs	111.3	(3.8)	(3.4)	・Decrease in amortization of accumulated unrecognized actuarial differences of retirement benefits obligation (3.5), etc.
Energy costs	20.6	(2.1)	(9.3)	・Decrease in adjustment amount for fuel cost (2.2), etc.
Maintenance costs	68.0	2.3	3.6	・Allowance reserve for the large-scale renovation +2.0, etc.
Miscellaneous costs	92.7	2.8	3.2	・Increase in system related costs +0.6 ・Kumamoto earthquake related costs +0.5, etc.
Rental Payments, etc	15.1	1.6	12.5	・Increase in amount equivalent to fixed asset tax for Hokuriku Shinkansen infrastructure
Taxes	19.7	1.5	8.7	・Increase in business tax +0.7, etc.
Depreciation and amortization	66.4	3.2	5.2	・Depreciation of Sanyo Shinkansen rolling stock, etc.
Total	394.0	5.7	1.5	

Note: Figures in brackets ( ) are negative values.

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- Please turn to page 7, which indicates non-consolidated operating expenses.

- Despite decreases in amortization of accumulated unrecognized actuarial differences of retirement benefit obligations and an adjustment for fuel costs due to the low price of crude oil, provision expenses stemming from the establishment of a reserve for large-scale Shinkansen renovations, increased system-related expenses, focused advertising in conjunction with the opening of the Kyoto Railway Museum and a rise in rental payments in line with an increase in an amount equivalent to Hokuriku Shinkansen fixed assets tax, as well as an increase in depreciation due to a high level of capital expenditure in recent years, resulted in operating expenses increasing ¥5.7 billion.

Consolidated Financial Results

¥Billions

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY Increase/(Decrease) B-A	YoY % 1-B/A
Operating Revenues	709.4	700.3	(9.0)	(1.3)
Operating Expenses	598.8	602.0	3.1	0.5
Operating Income	110.5	98.3	(12.1)	(11.0)
Non-operating revenues and expenses, net	(10.8)	(9.8)	0.9	(9.2)
Non-operating revenues	2.3	2.2	(0.0)	–
Non-operating expenses	13.1	12.1	(1.0)	–
Recurring Profit	99.7	88.5	(11.1)	(11.2)
Extraordinary profit and loss, net	0.5	(3.8)	(4.3)	–
Extraordinary profit	6.6	5.1	(1.5)	–
Extraordinary loss	6.1	9.0	2.8	–
Profit attributable to owners of parent	66.0	57.1	(8.9)	(13.5)
Comprehensive Income	*67.6*	*55.7*	*(11.9)*	*(17.6)*

Note: Figures in brackets ( ) are negative values.

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- Now, I'd like to look at consolidated financial results on page 8.

- With regard to operating revenue, in addition to lower transportation revenues on a non-consolidated basis, there was a rebound decline from last year's real estate sales and construction businesses, and department stores were soft . Despite increased sales of goods and food services buoyed by the conversion to 7-Eleven Japan franchised stores, operating revenue decreased ¥9.0 billion year on year, to ¥700.3 billion.

- Operating expenses increased ¥3.1 billion, to ¥602.0 billion, while operating income declined ¥12.1 billion year on year, to ¥98.3 billion.

Consolidated Financial Results (Segment Information)

JR-WEST

¥Billions

	6 months ended Sep 30, 2015 A	6 months ended Sep 30, 2016 B	YoY Increase/(Decrease) B-A	YoY % 1-B/A
Operating Revenues*[1]	709.4	700.3	(9.0)	(1.3)
Transportation	466.1	461.7	(4.4)	(0.9)
Retail	114.2	114.9	0.6	0.5
Sales of goods and food services	72.2	75.8	3.6	5.0
Department Stores	38.0	35.0	(2.9)	(7.9)
Real estate	53.3	50.4	(2.9)	(5.5)
Shopping center	28.3	30.1	1.7	6.2
Real estate lease and sale*[3]	24.1 【9.4】	19.3 【4.0】	(4.7) 【(5.3)】	(19.6) 【(57.3)】
Other businesses	75.6	73.3	(2.3)	(3.1)
Hotel	17.7	17.8	0.0	0.5
Nippon Travel Agency	18.8	19.4	0.6	3.3
Operating Income*[2]	110.5	98.3	(12.1)	(11.0)
Transportation	84.2	74.5	(9.7)	(11.5)
Retail	3.0	2.5	(0.5)	(17.5)
Sales of goods and food services	2.9	2.8	(0.1)	(3.5)
Department stores	(0.0)	(0.4)	(0.4)	-
Real estate	17.6	16.8	(0.8)	(4.8)
Shopping center	4.7	5.2	0.4	10.1
Real estate lease and sale	7.3	5.7	(1.5)	(21.7)
Other businesses	5.0	4.1	(0.8)	(17.6)
Hotel	1.3	1.3	0.0	0.7
Nippon Travel Agency	(0.4)	(0.3)	0.0	-

Note: Figures in brackets ( ) are negative values.
*[1] Operating revenues are the revenues from third parties (= customers).
The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.
*[2] The breakdowns of operating income by each segment are the sums of incomes of major subsidiaries before eliminating internal transactions.
*[3] Figures in brackets 【 】 are the sales of condominiums. (Revenues from third parties) (Included in Real estate lease and sale)

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- Turning to page 9, I will explain performance by business segment.

- In the retail segment, although department store revenue declined on the rebound decline from the Osaka store opening effect, lower apparel sales due to unseasonable weather and shrinking inbound consumer unit consumption, sales of converted 7-Eleven Japan franchised stores were favorable, resulting in a ¥0.6 billion increase in operating revenues compared to the previous year, to ¥114.9 billion. Operating income declined on soft department store performance, down ¥0.5 billion, to ¥2.5 billion. Note that during the conversion, maintenance expenses related to existing store logistics and systems were required, thus the contribution to the operating income from the stores converted to 7-Eleven Japan franchised ones is expected in the future.

- In real estate, although shopping centers opened during the previous fiscal year performed well, there was a significant rebound decline from real estate sales in the previous fiscal year, resulting in operating revenue declining ¥2.9 billion to ¥50.4 billion and operating income decreasing ¥0.8 billion to ¥16.8 billion.

- In other businesses, although hotels were about the same level as the previous fiscal year and travel agency businesses were firm due to inbound demand, there was a substantial rebound decline from construction businesses in the previous fiscal year, resulting in operating revenue decreasing ¥2.3 billion year on year, to ¥73.3 billion, and operating income declining ¥0.8 billion to ¥4.1 billion.

Consolidated Financial Situation and Statements of Cash Flows

JR-WEST

¥Billions

	As of March 31, 2016 A	As of Sep 30, 2016 B	Difference increase/ (decrease) B-A
Assets	2,843.1	2,806.9	(36.2)
Liabilities	1,916.8	1,838.4	(78.3)
Net assets	926.3	968.4	42.0
Balance of Long-term Debt and Payables	1,001.8	1,011.9	10.1
【Average interest rate(%)】	【2.25】	【2.16】	【(0.09)】
Shinkansen Purchase Liability	134.6	119.8	(14.8)
【Average interest rate(%)】	【6.28】	【6.39】	【0.11】
Bonds	494.9	504.9	10.0
【Average interest rate(%)】	【2.00】	【1.98】	【(0.02)】
Equity ratio (%)	30.9	32.8	1.9
Net assets per share (¥)	4,534.29	4,748.64	214.35

	6 months ended Sep 30, 2015 A	6 months ended Sep 30,2016 B	YoY increase/ (decrease) B-A
Cash flows from operating activities	88.2	56.4	(31.7)
Cash flows from investing activities	(76.6)	(79.9)	(3.3)
Free cash flows	11.6	(23.5)	(35.1)
Cash flows from financing activities	3.2	(2.1)	(5.3)
Change in cash and cash equivalents, net	14.8	(25.6)	(40.5)
Cash and cash equivalents at the end of the period	100.1	55.0	(45.1)

Note: Figures in brackets ( ) are negative values.

Ⅱ. Forecasts for FY2017.3

Non-Consolidated Financial Forecasts

JR-WEST

¥Billions

	Results FY2016.3 A	Forecasts FY2017.3 As of July 27 B	Forecasts FY2017.3 As of Oct 27 C	YoY Increase/ (Decrease) C-A	YoY % 1-C/A	Difference between the forecasts Increase/ (Decrease) C-B
Operating Revenues	954.2	952.5	951.0	(3.2)	(0.3)	(1.5)
Transportation revenues	850.0	848.5	846.0	(4.0)	(0.5)	(2.5)
Other	104.1	104.0	105.0	0.8	0.8	1.0
Operating Expenses	817.0	816.5	817.5	0.4	0.1	1.0
Personnel costs	233.3	223.0	223.0	(10.3)	(4.4)	–
Non personnel costs	392.4	390.5	390.5	(1.9)	(0.5)	–
Energy costs	44.1	42.0	41.0	(3.1)	(7.1)	(1.0)
Maintenance costs	152.8	153.0	154.0	1.1	0.7	1.0
Miscellaneous costs	195.4	195.5	195.5	0.0	0.0	–
Rental payments, etc.	26.9	30.5	30.5	3.5	13.2	–
Taxes	31.9	35.0	35.0	3.0	9.5	–
Depreciation	132.3	137.5	138.5	6.1	4.7	1.0
Operating Income	137.2	136.0	133.5	(3.7)	(2.7)	(2.5)
Non-operating revenues and expenses, net	(20.4)	(17.0)	(17.0)	3.4	(17.0)	–
Non-operating revenues	6.3	6.5	6.5	0.1	–	–
Non-operating expenses	26.8	23.5	23.5	(3.3)	–	–
Recurring Profit	116.7	119.0	116.5	(0.2)	(0.2)	(2.5)
Extraordinary profit and loss, net	(15.5)	(1.0)	(3.5)	12.0	–	(2.5)
Extraordinary profit	19.5	–	–	–	–	–
Extraordinary loss	35.0	–	–	–	–	–
Net Income	61.1	82.0	78.0	16.8	27.6	(4.0)

Note: Figures in brackets ( ) are negative values.

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- Turning to page 12, I will explain the non-consolidated financial forecast.

- In light of transportation revenues performance, our forecast for non-consolidated earnings calls for operating revenues of ¥951.0 billion, ¥1.5 billion lower than the previous forecast, and operating income of ¥133.5 billion, which is ¥2.5 billion lower than the previous forecast.

Transportation Revenue Forecasts

¥Billions

	Results FY2016.3 A	Forecasts FY2017.3 As of July 27 B	Forecasts FY2017.3 As of Oct 27 C	YoY Increase/ (Decrease) C-A	YoY % 1-C/A	Difference between the forecasts Increase/ (Decrease) C-B
Shinkansen	437.2	435.5	432.2	(5.0)	(1.2)	(3.2)
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	302.2	302.9	303.5	1.3	0.4	0.6
Other lines	110.5	110.0	110.2	(0.3)	(0.3)	0.1
Conventional lines	412.7	412.9	413.7	1.0	0.2	0.7
Transportation revenues	850.0	848.5	846.0	(4.0)	(0.5)	(2.5)

Note: Revenues from luggage transportation are omitted due to the small amount.

13

- Now, please turn to page 13.
- The full-year forecast for transportation revenues has been reduced by ¥2.5 billion, to ¥846.0 billion.
- The reason for this revision is due to the fact that the impact from the earthquake is abating, and we anticipate a certain degree of increased revenue due to our participation in a Kyushu Tourism Revival Campaign . Also, the rebound decline from the Hokuriku Shinkansen opening is fading, and we are engaged in stimulating tourism demand through after DC and other campaigns, thus the initial forecast for the second half remain unchanged. Only the downturn in the first half was reflected in the full-year forecast revised downward.

Operating Expenses Forecasts (Non-Consolidated)

JR-WEST

¥Billions

Item	Forecasts FY2017.3	YoY Increase/(Decrease)	YoY %	Major factors (YoY)	Difference from the previous forecast Increase/(Decrease)
Personnel costs	223.0	(10.3)	(4.4)	・Decrease in amortization of accumulated unrecognized actuarial differences of retirement benefits obligation ・Difference in personnel, etc	-
Energy costs	41.0	(3.1)	(7.1)	・Decrease in adjustment amount for fuel cost, etc.	(1.0)
Maintenance costs	154.0	1.1	0.7	・Allowance reserve for the large-scale renovation ・Decrease in maintenance costs for structures, etc.	1.0
Miscellaneous costs	195.5	0.0	0.0	・Increase in system related costs ・Decrease in advertising expenses, etc.	-
Rental Payments, etc	30.5	3.5	13.2	・Increase in amount equivalent to fixed asset tax for Hokuriku Shinkansen infrastructure	-
Taxes	35.0	3.0	9.5	・Increase in business tax, etc.	-
Depreciation and amortization	138.5	6.1	4.7	・Increase in facilities	1.0
Total	817.5	0.4	0.1		1.0

Note: Figures in brackets ( ) are negative values.

14

- Turning to page 14, I will explain the non-consolidated operating expense forecast.

- In comparison with the previous forecast, energy costs are expected to decline ¥1.0 billion in light of inexpensive crude oil prices, maintenance costs are expected to increase ¥1.0 billion due to external-related construction, depreciation is expected to increase ¥1.0 billion due to increased operation of new assets in the first half of the fiscal year, for an overall increase of ¥1.0 billion to ¥817.5 billion.

- With regard to the increased maintenance costs due to external-related construction, as we also expect other revenues to increase by the same amount, the balance between earnings and expenses will be neutral. Thus, the increase in operating expenses will have no impact on operating income.

Consolidated Financial Forecasts

JR-WEST

¥Billions

	Results FY2016.3 A	Forecasts FY2017.3 As of July 27 B	Forecasts FY2017.3 As of Oct 27 C	YoY Increase/(Decrease) C-A	YoY % 1-C/A	Difference between the forecasts Increase/(Decrease) C-B
Operating Revenues	1,451.3	1,450.0	1,445.5	(5.8)	(0.4)	(4.5)
Operating Expenses	1,269.7	1,274.5	1,272.5	2.7	0.2	(2.0)
Operating Income	181.5	175.5	173.0	(8.5)	(4.7)	(2.5)
Non-operating revenues and expenses, net	(19.2)	(16.0)	(16.0)	3.2	(17.0)	–
Non-operating revenues	7.8	7.5	7.5	(0.3)	–	–
Non-operating expenses	27.1	23.5	23.5	(3.6)	–	–
Recurring Profit	162.2	159.5	157.0	(5.2)	(3.2)	(2.5)
Extraordinary profit and loss, net	(17.1)	(2.5)	(5.0)	12.1	–	(2.5)
Extraordinary profit	21.5	–	–	–	–	–
Extraordinary loss	38.6	–	–	–	–	–
Profit attributable to owners of parent	85.8	106.5	102.5	16.6	19.4	(4.0)
Net income per share(¥)	443.53	550.09	529.43	-	-	-

Note: Figures in brackets ( ) are negative values.

15

- Turning to page 15, I will explain the consolidated financial forecast.

- In comparison with the previous forecast, operating revenues are expected to decline ¥4.5 billion, to ¥1,445.5 billion, down ¥1.5 billion on a non-consolidated basis, thus the non-transportation business is expected to decrease ¥3.0 billion.

- In comparison with the previous forecast, operating income is expected to decrease ¥2.5 billion, to ¥173.0 billion, down ¥2.5 billion on a non-consolidated basis, thus the non-transportation business is expected to remain the same.

Consolidated Financial Forecasts (Segment Information)

JR-WEST

¥ Billions

	Results FY2016.3 A	Forecasts FY2017.3 As of July 27 B	Forecasts FY2017.3 As of Oct 27 C	YoY Increase/(Decrease) C-A	YoY % 1-C/A	Difference between the forecasts Increase/(Decrease) C-B
Operating Revenues*1	1,451.3	1,450.0	1,445.5	(5.8)	(0.4)	(4.5)
Transportation	928.7	925.7	924.2	(4.5)	(0.5)	(1.5)
Retail	232.0	241.8	235.8	3.7	1.6	(6.0)
Sales of goods and food services	144.9	152.1	152.1	7.1	4.9	-
Department Stores	79.1	80.7	74.7	(4.4)	(5.6)	(6.0)
Real estate	108.8	104.4	107.4	(1.4)	(1.4)	3.0
Shopping center	57.8	59.9	60.9	3.0	5.2	1.0
Real estate lease and sale*2	49.2 【19.5】	42.7 【11.6】	44.7 【13.6】	(4.5) 【(5.8)】	(9.3) 【(30.1)】	2.0 【2.0】
Other businesses	181.5	178.1	178.1	(3.4)	(1.9)	-
Hotel	36.5	36.6	36.6	0.0	0.1	-
Nippon Travel Agency	41.6	42.8	42.8	1.1	2.8	-
Operating Income	181.5	175.5	173.0	(8.5)	(4.7)	(2.5)
Transportation	125.1	122.3	119.8	(5.3)	(4.3)	(2.5)
Retail	5.3	5.4	4.9	(0.4)	(7.9)	(0.5)
Real estate	32.7	31.4	31.9	(0.8)	(2.5)	0.5
Other businesses	22.4	19.9	19.9	(2.5)	(11.3)	-

Note: Figures in brackets ( ) are negative values.
*1 Operating revenues are the revenues from third parties (= customers).
The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.
*2 Figures in brackets 【 】 are the sales of condominiums. (Revenues from third parties) (Included in Real estate lease and sale)

16

- Turning to page 16, I will now explain the full-year forecast by business segment.

- In the retail business, as there is little expectation that the current situation faced by department stores will change, we have made downward revisions to both operating revenues and operating income. As a result, operating revenues are forecast to decline ¥6.0 billion in comparison with the previous forecast, to ¥235.8 billion. Operating income is forecast to decrease ¥0.5 billion in comparison with the previous forecast, to ¥4.9 billion.

- In terms of real estate, in light of the fact that shopping centers and real estate sales are on track to exceed forecasts, we expect operating revenues to increase ¥3.0 billion in comparison with the previous forecast, to ¥107.4 billion and operating income to rise ¥0.5 billion in comparison with the previous forecast, to ¥31.9 billion.

- The forecast for other businesses remains unchanged.

- This concludes my portion of the presentation, thank you.

Other Data

JR-WEST

Persons, ¥Billions

	6 months ended Sep 30, 2015	6 months ended Sep 30, 2016	Results FY2016.3	Forecasts FY2017.3 As of Oct 27
ROA (%, Consolidated)	4.0	3.5	6.4	6.1
ROE (%, Consolidated)	8.0	6.4	10.2	11.2
EBITDA (Consolidated) *1	185.4	176.8	338.1	337.0
Depreciation (Consolidated)	74.8	78.5	156.6	164.0
Capital Expenditures (Consolidated, own fund)	79.2	72.4	233.1	193.0
Capital Expenditures (Non-consolidated, own fund)	67.5	57.7	198.7	163.0
Safety related capital expenditure	44.5	40.5	126.0	104.5
Dividends per share (¥)	65	70	135	140

*1 EBITDA = Operating Income ＋ Depreciation

	6 months ended Sep 30, 2015		6 months ended Sep 30, 2016		Results FY2016.3		Forecasts FY2017.3 As of Oct 27	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
No. of employees at the end of period	47,750	26,616	47,303	25,905	47,456	26,555	-	-
Financial Expenses, net	(11.9)	(11.3)	(11.1)	(10.6)	(23.3)	(22.6)	(21.8)	(21.1)
Interest and dividend income	0.3	0.9	0.3	0.8	0.7	1.5	0.6	1.1
Interest expenses	12.3	12.3	11.4	11.4	24.1	24.1	22.4	22.3

Note: Figures in brackets ( ) are negative values.

JR-WEST

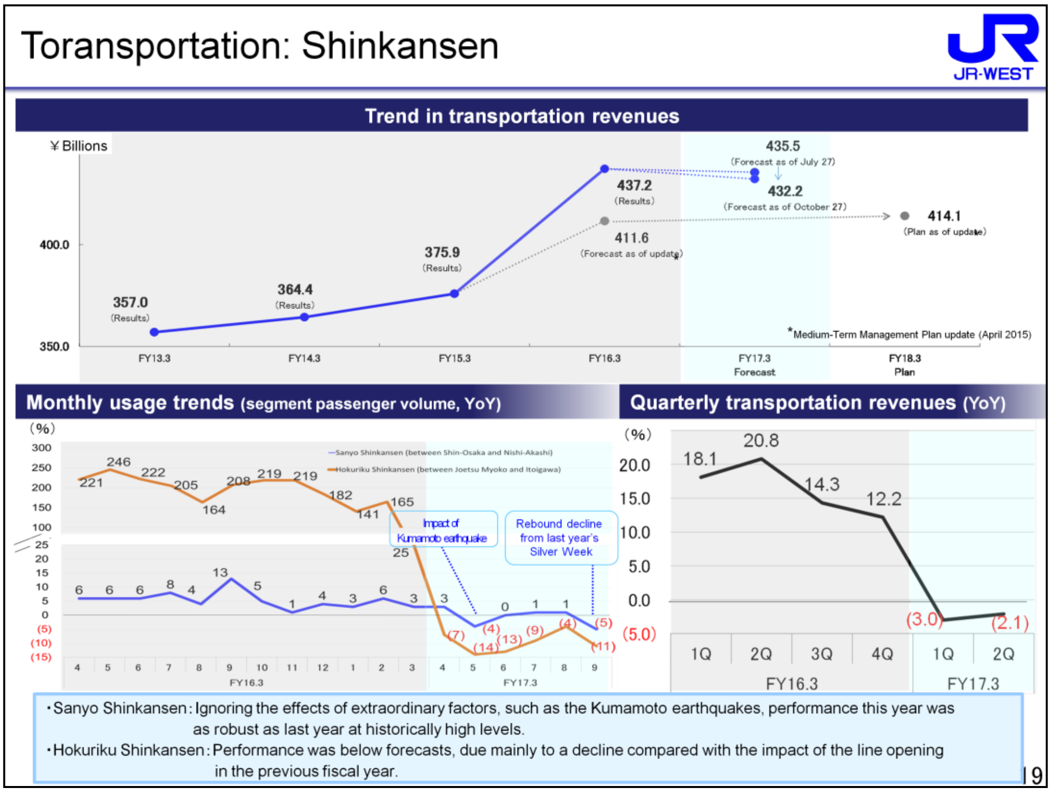
Ⅲ. Individual business initiatives

18

- My name is Ogata, Director, Senior Executive Officer and Senior General Manager of the Corporate Planning Headquarters.

- Three and a half years has passed since we launched our Medium-Term Management Plan. During this time, we have enhanced Shinkansen competitiveness, opened the Hokuriku Shinkansen, converted selected stores to 7-Eleven Japan franchised stores, discontinued the Sanko Line and made steady progress toward the enhancement of our corporate value. In the remaining year and a half, we will do our utmost to achieve all targets announced in this plan.

- I will now explain initiatives going forward in each business in light of first half results.



- First, I will address Shinkansen operations. Please turn to page 19.

- In the first half of the fiscal year, there was a substantial impact from extraordinary factors including the rebound decline from the Silver Week and holiday schedule, and the rebound decline from the Hokuriku Shinkansen opening in the previous fiscal year, as well as the earthquake in Kumamoto in April. These factors caused revenues to decline, but if we exclude them, the Sanyo Shinkansen non-commuter pass fundamentals were 100.5% of the previous year's level. Considering that the non-commuter pass fundamentals were 103.4% in the previous fiscal year, we can see it has maintained an extremely high level as steadily exceeding the previous fiscal year. Regarding the Hokuriku Shinkansen, which had an opening effect rebound decline that was greater than expected, compared to the first quarter, the rebound decline in the second quarter was in the process of contracting. Given these conditions, we will maintain the initial forecast in the second half of the fiscal year.

Transportation: Sapyo Shinkansen

JR-WEST

Future initiatives

Heightening competitiveness

O Enhancing safety and comfort

- New N700A: Additional introduction of 4 sets (FY2017.3)
- Reducing mobile phone no-service areas
  - Completed on all lines (planned at the end of FY2017.3)
- Renewal of ATC system (completion planned for spring 2017)

O Increase in convenience, due to advances in self-service ticket purchasing and ticketless boarding

- Introduction of new ticketless services (planned for summer 2017)
- Promotion of Internet reservations
  - Expansion of Internet products, such as "WEB Haya-toku 3"

Reducing mobile phone no-service areas

Stimulating tourism demand

O Rolling out tourism campaigns

- Five-year anniversary campaign of direct service between Sanyo and Kyushu Shinkansen services
- Yamaguchi DC pre-campaign (October-December)
- Contribution to invigoration of Kyushu by participating in the Kyushu Tourism Revival Campaign (July–December)

O Developing tourism materials

- Regularized the Setouchi expansive area touring route (Ran the "Setouchi Campaign" in July-September)

O Expanding membership for "Otonabi" membership service for senior customers

O Capturing inbound visitor demand (→P.27)

Extensive tourism resources in the Setouchi area

20

- Turning to page 20, which discusses the Sanyo Shinkansen, we see initiatives aimed at enhancing competitiveness with airlines and stimulating tourism demand.

- In terms of enhancing competitiveness, we have continued and will continue to engage in efforts to expand areas in which mobile phones can be used, the comprehensive upgrade of ATC systems and ongoing preparations for the introduction of services enabling online reservations and ticketless services using a single transport IC card, as well as expanding internet products, such as WEB Haya-toku 3.

- In terms of stimulating demand for tourism, we will send tourists to a recovered Kumamoto area and economically support affected areas through the Kyushu Tourism Revival Campaign in which we are currently participating. Also, we will stimulate demand through the Yamaguchi DC pre campaign and other campaigns. With regard to senior demand, we will attempt to expand special products available only to Otonabi members in an attempt to increase usage and aquire new members.

Transportation: Hokuriku Shinkansen

JR-WEST

Future initiatives

Heightening competitiveness

○ Enhancing comfort and convenience

・Enhancing schedules (from March 2016)
- Decreasing time required on certain Hakutaka trains on Hokuriku Shinkansen
- Increasing departures of Thunderbird limited express: increasing transportation capacity, expanding the amount of time that can be spent in Hokuriku and Shinetsu when traveling from Kansai

・Advancing rolling stock renewal for Thunderbird limited express

・Reducing mobile phone no-service areas (between Kanazawa Station and the west side of Shin-Oyashirazu Tunnel)

Reducing mobile phone no-service areas

Stimulating tourism demand

○ Rolling out tourism campaigns

・After DC "The beauty of Japan is in Hokuriku" (October-November)

・Japanese Beauty Hokuriku Campaign (December-March)

・Oishisa Itsutsuboshi, Hokuriku Shinkansen Campaign (October-December)

・JR Snow Resort 2016-17 Campaign (November-March)

○ Fostering tourism demand among seniors

・Offering members-only products: "return trip tickets with four-day pass in the Tokyo metropolitan area"

○ Capturing inbound visitor demand (→P.27)

・Offering "Osaka-Tokyo Hokuriku Arch Pass"

日本の美は、北陸にあり。

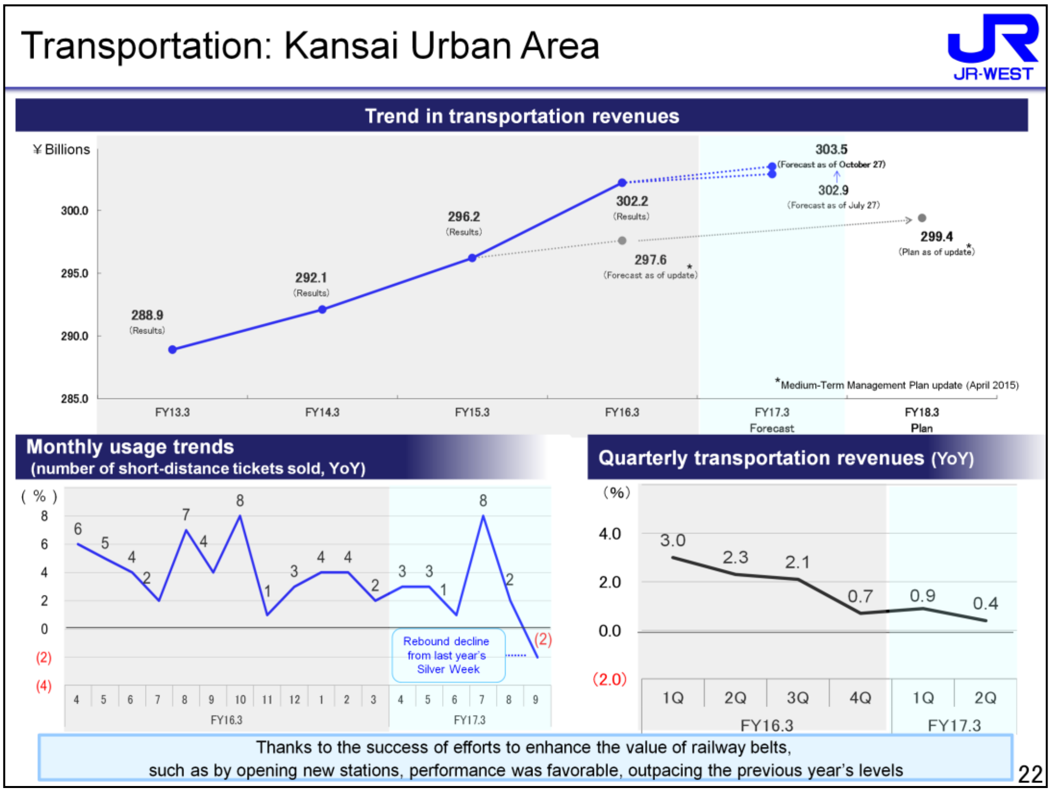
After DC "The beauty of Japan is in Hokuriku" (Campaign logo and promotional poster)

21

- Turning to page 21, we see initiatives with respect to the Hokuriku Shinkansen going forward.

- As with the Sanyo Shinkansen, we are making an effort to expand areas in which mobile phones can be used and increase the convenience of the Hokuriku Shinkansen.

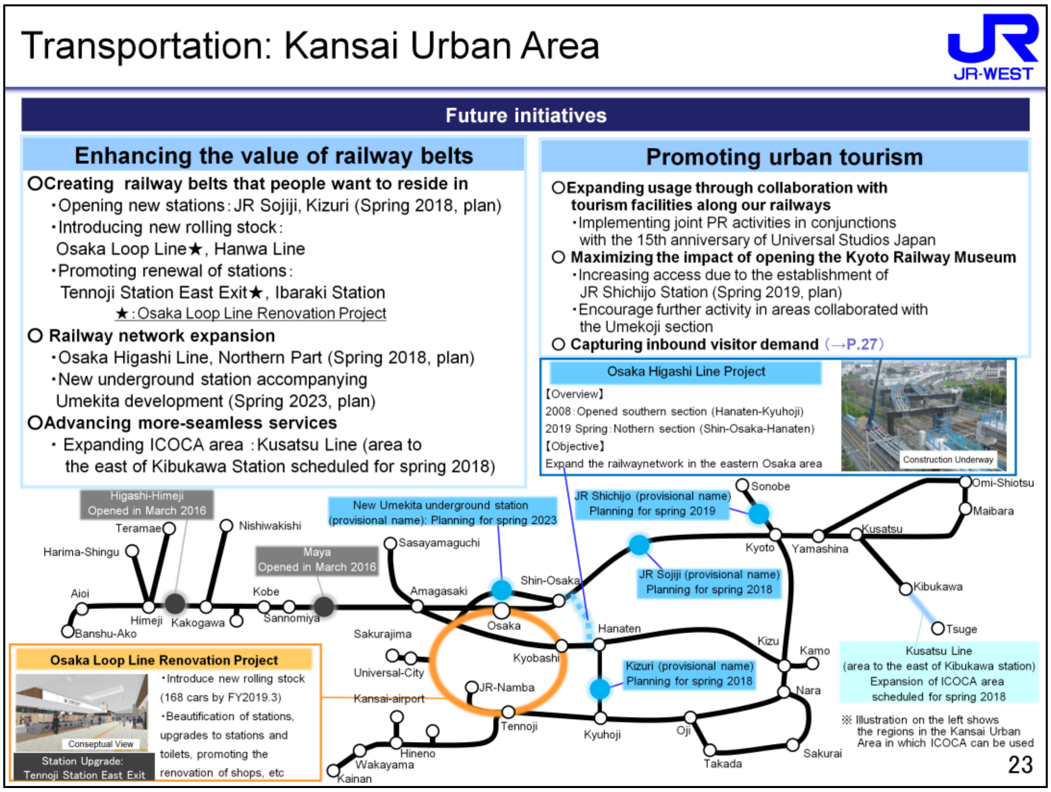
- Also, to further stimulate tourism demand, we are conducting campaigns in conjunction with local communities and other JR companies such as after DC and other efforts to promote the appeal of the Hokuriku area. We are also launching sales of seasonal products such as Snow Resort in an attempt to send more Kansai area customers to Niigata and Nagano area.



- Please turn to page 22, which pertains to the Kansai Urban Area.

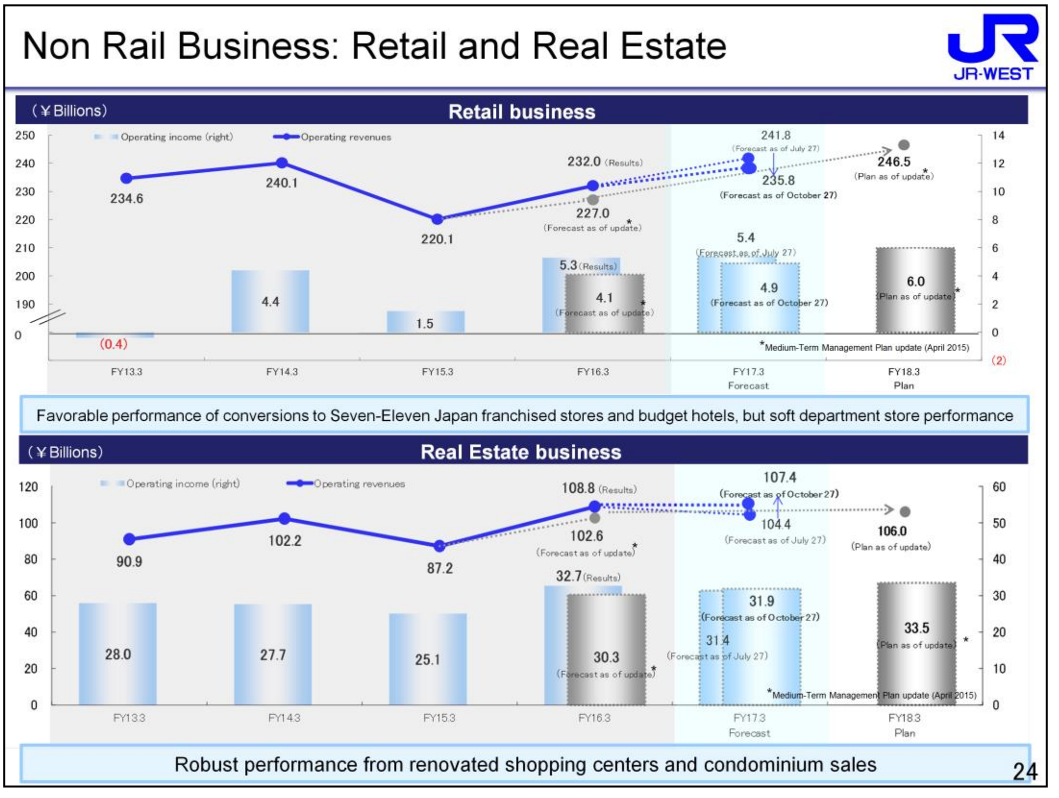
- During the first half of the fiscal year, in addition to a steady economy and employment situation, we are seeing the effect of efforts to enhance the value of railway belts, which includes the opening of two new stations in March 2016, station renovations and urban development integrating train stations. We also captured inbound demand, and demand driven by the opening of the Kyoto Railway Museum and new attractions at Universal Studios Japan. Despite the rebound decline from the Silver Week holiday schedule, transportation revenues were firm at 100.7% compared to the previous fiscal year.

- In light of these conditions, we made a slight upward revision to our full-year forecast, which calls for transportation revenues in Kansai Urban Area of ¥303.5 billion.



- As indicated on page 23, in an effort to enhance the value of railway belts, having opened a new station in March 2016, we are planning on opening two more new stations in spring 2018 and are also engaged in renovations at Tennoji and other stations. We are also attempting to expand railway networks in the Kansai Urban Area, including adding a north section to the Osaka Higashi Line and a new Umekita underground station aimed at maintaining and expanding railway usage.

- Furthermore, with respect to other conventional lines, we have filed to discontinue the Sanko Line. This will go into effect as of April 1, 2018. Going forward, we will work with local communities along the Sanko Line to examine what kind of public transportation will be able to meet the needs of the local community.



- Now, please turn to page 24, pertaining to business development with respect to retail and real estate businesses, which are positioned as pillars for growth.

- As I mentioned at the beginning, revenues and profit declined due to soft department store sales and the rebound decline from last fiscal year in the real estate sales and construction business.

- In terms of the forecast, department stores, which had originally been expected to see an increase in revenues, fell short of the forecast, however, shopping centers and real estate sales exceeded forecast. As a result, we made a downward revision to department stores and an upward revision to real estate sales.

Non Rail Business: Retail

Future initiatives

Sales of goods and food services (Kiosk・Conveniences stores)

O Converting stores to Seven-Eleven Japan franchised stores

・Favorable sales increase of approximately 50% compared with pre-conversion stores

Franchised store offering largest selling area (approximately 260㎡) of the three prefectures in the Hokuriku region
Seven-Eleven Heart Inn JR Kanazawa Station Store (opened July 11)

【Original plan overview】
Approximately 500 stores over a five-year period (including new-store openings)

【State of progress】
Total number of stores as of September 30, 2016: 274 (including newly opened stores)

【Revised plan】
〔Existing stores〕 Accelerate conversion, generally plan to complete in current fiscal year
〔New stores〕 Continue to expand from next fiscal year
⇒ Aim for approximately 500 stores

Sales of goods and food services (Budget hotels)

O Two new locations (389 rooms)

⇒Total of 19 locations (4,661 rooms)

・(Provisional name) Via-inn Tennoji (Spring 2017, plan)
Guest rooms: 172

・(Provisional name) Via-inn Umeda (Summer 2017, plan)
Guest rooms: 217

(Provisional name) Via-inn Tennoji

(Provisional name) Via-inn Umeda

Department stores

O Promoting renovations

・isetan shops in LUCUA 1100

25

- Looking at page 25, in retail, the conversion to 7-Eleven Japan franchised stores has been proceeding on track. And we will carefully select the stores to be converted and accelerate the process with the intention of completing the switchover of selected stores during this fiscal year. By the end of this fiscal year, we expect to have converted a total of 350 stores. Moreover, from next fiscal year, we will increase the number of new stores with the aim of eventually opening 500 stores in all. Regarding soft department store performance, we will conduct renovations on the B1 and B2 floors of LUCUA 1100 in Osaka this winter. We will release details on this endeavor in a press release soon.

Non Rail Business: Real Estate

JR-WEST

Future initiatives

Shopping center (SC)

O **Promoting renovation**
・Grand opening of Shin-Osaka Station shopping center “arde!” (spring 2017, plan)

Real estate lease

O **Developing former station and company housing sites**
・ Otsu Station renewal “VIERRA Otsu” (Opened in October 2016)
・ Multipurpose facility for health promotion constructed on site of former company housing in Kanazawa (April 2017, plan)

O **Implement aggressive development outside of railway belts and non-JR-WEST areas**
・ Nagoya Meieki South Hotel development (Autumn 2017, plan)
・ Hiroshima Hacchobori NK Building development (Winter 2017, plan)

VIERRA Otsu

Multipurpose facility for health promotion constructed on site of former company housing in Kanazawa

Real estate sale

O **Advancing sales of condominiums**
・ New condominiums for sales from April 2016 and after

Name	Location	Handover	Houses
GRACIA CITY KAWASAKI DAISHIGAWARA※	Kawasaki, Kanagawa	June 2016	558
BRANZ CITY TENJIMBASHISUJI 6-CHOME※	Osaka, Osaka	March 2017	420
PROUD CITY TSUKAGUCHI MARK FOREST※	Amagasaki, Hyogo	March 2017	587
KYOTO KATSURAGAWA TSUMUGI NO MACHI BRIGHT SQUARE※	Kyoto, Kyoto	March 2017	404
J.GRAN THE HONOR SHIMOGAMO TADASU NO MORI	Kyoto, Kyoto	June 2017	99
J. GRAN KOSHIENGUCHI RESIDENCE※	Nishinomiya, Hyogo	August 2017	16
INISHIABRAN SUMINOE KOEN※	Osaka, Osaka	September 2017	160

※Joint projects with other companies
Transfers are scheduled timing, total number of units is before taking share into account

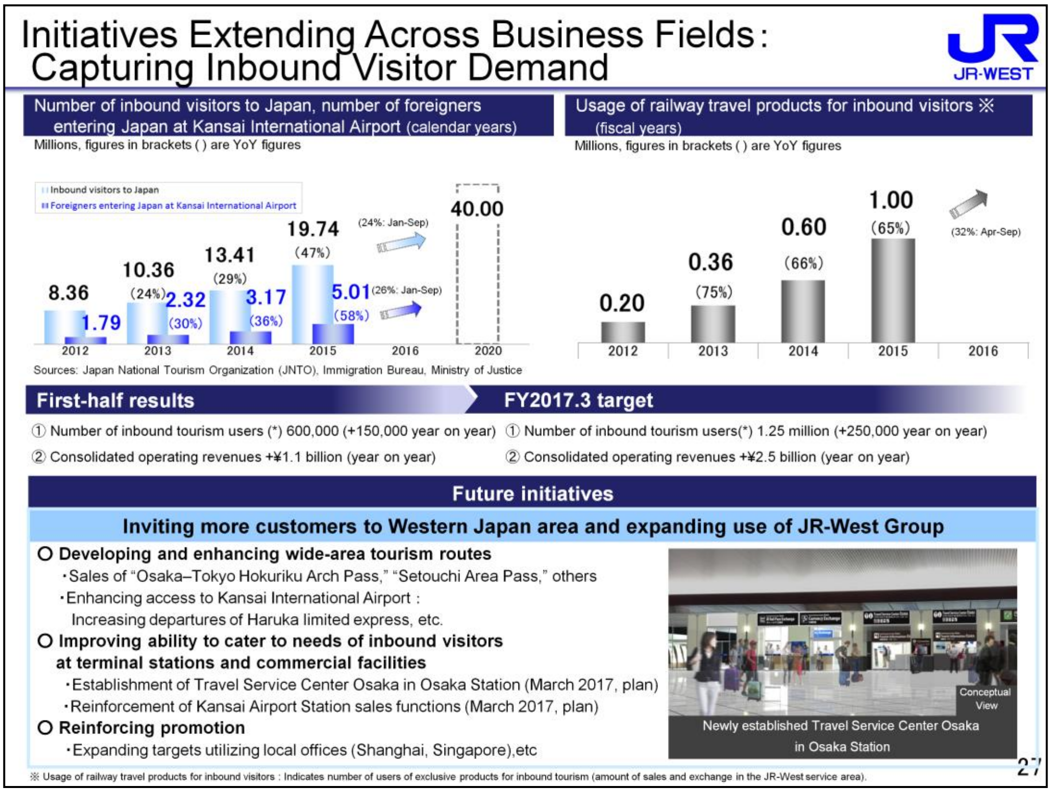
GRACIA CITY KAWASAKI DAISHIGAWARA

J.GRAN THE HONOR SHIMOGAMO TADASU NO MORI

O **Initiatives targeting medium to long-term growth in the real estate lease and sale business** (→P.32)

26

- On page 26, you can see our initiatives toward real estate business. In terms of shopping center renovations, we are preparing for the grand opening of a shopping center at Shin Osaka Station next spring. Also, in October Otsu Station opened after having been renovated, part of our promotion of the development of stations and surrounding areas. In addition, we are developing properties in Nagoya and Hiroshima to expand our real estate leasing business. Furthermore, we have decided to acquire 70% of Ryoju Properties’ shares to achieve medium to long-term growth in the real estate leasing and sales as well as to establish a pillar for future business. I will discuss this in more detail in a moment, but this is part of a vigorous effort to enhance corporate value over the medium to long-term.



- Next, I will discuss the capturing of inbound visitor demand, as shown on page 27.

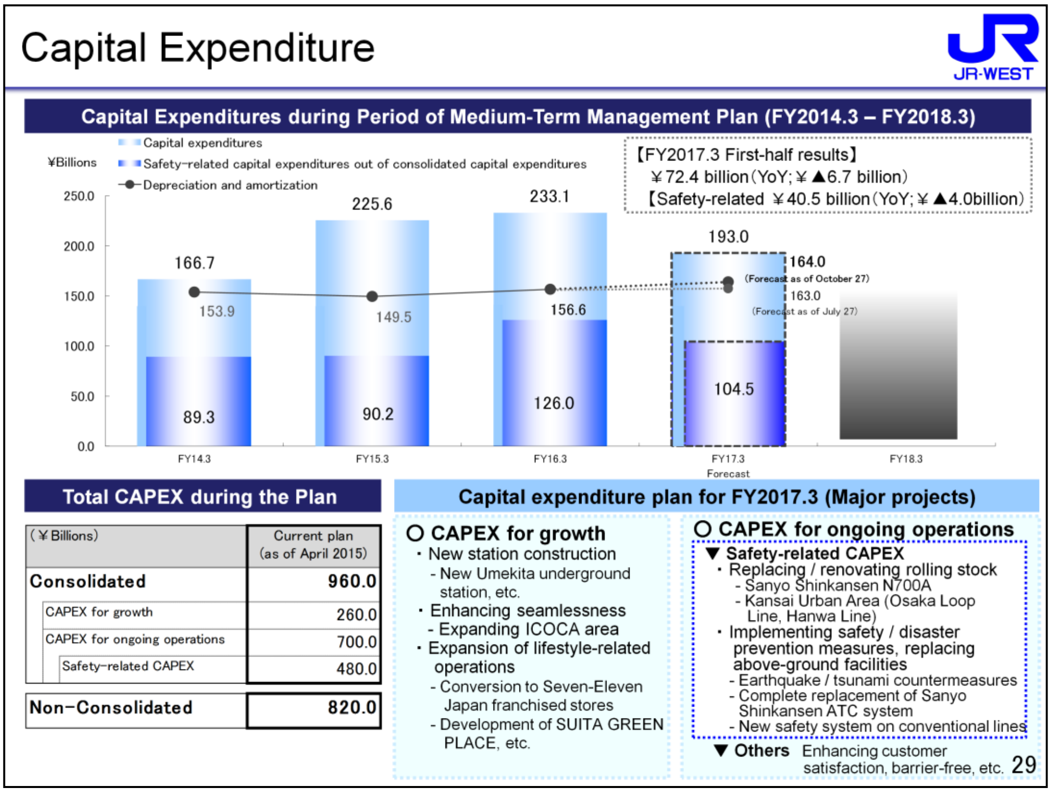
- Having already achieved targets in the updated Medium-Term Management Plan, for this fiscal year, we have set additional of increasing usage of railway travel products for inbound visitors by 250,000 people year on year and additional consolidated operating revenues of ¥2.5 billion.

- In the first half of the fiscal year, we exceed the target for usage of railway travel products for inbound visitors by 150,000 people. The 132% railway travel products growth rate was strong, surpassing the 118% growth rate of inbound visitors to Japan. Although inbound consumption declined in the department stores, consolidated operating revenues increased ¥1.1 billion year on year.

- Going forward, to achieve full-year targets, we will develop and enhance wide-area tourism with the "Osaka-Tokyo Hokuriku Arch Pass." We will also open a Travel Service Center at Osaka Station and strengthen the sales function of the Kansai Airport Station, readying ourselves to receive visitors .

Ⅳ. Capital Expenditure Plan, Returns to Shareholders

28



- Now, please turn to page 29, which discloses capital expenditures.

- In the first half of the fiscal year, consolidated based capital expenditure declined ¥6.7 billion year on year, to ¥72.4 billion.

- This fiscal year, as the Sanyo Shinkansen ATC construction is almost completed, we anticipate capital expenditure of ¥193.0 billion on a consolidated basis, which is lower than in the previous fiscal year. This plan remains unchanged.

- As an update on investing in growth excess cash in addition to that called for in our Medium-Term Management Plan, the acquisition of Ryoju Properties' shares has increased this amount to approximately ¥110.0 billion, including the investment in the urban passenger railway business in Brazil. This figure constitutes the majority of our excess cash. With respect to this amount, we will carefully examine cash flow, including that of next fiscal year, and determine the use as necessary.

Returns to Shareholders

JR-WEST

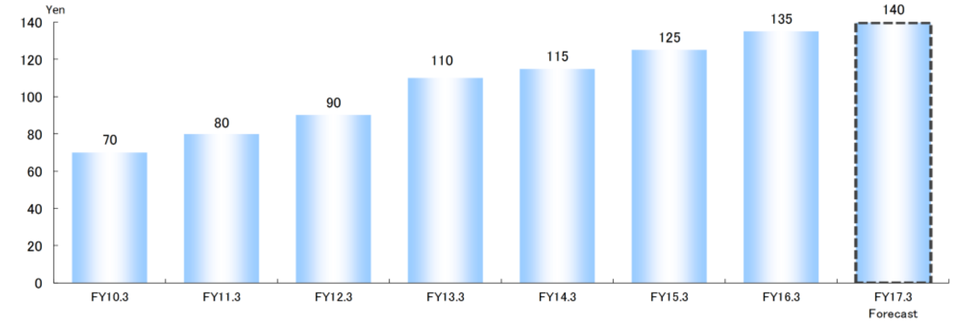
Shareholder Return Policy

○ We recognize it important to distribute profits to our shareholders on a long-term and constant basis. Reflecting the policy, we continue providing returns to shareholders based on consideration of total shareholders' equity.

○ Specifically, in light of the progress toward the achievement of the current Medium-Term Management Plan, we aim to attain **an approximately 3% "rate of total distribution on net assets"* on a consolidated basis for FY2018.3**.

*Rate of total distribution on net assets (%) = (total dividends + acquisitions of treasury stock) ÷ consolidated net assets × 100

Annual dividends per share (Yen)



Seven consecutive years of higher dividends (including forecast), steadily enhancing return to achieve 3% rate of total distribution on net assets in final fiscal year

30

- With regard to dividends for the fiscal year ending March 2017, as we have already discussed, we plan to pay a full-year dividend of 140 yen per share, including a 70 yen per share dividend for the first half of the current fiscal year.

Financial Results and Forecasts

*Medium-Term Management Plan update

¥ Billions

	FY2016.3		FY2017.3		FY2018.3
	Update (as of April, 2015)	Results *	Forecasts (as of July, 2016)	Forecasts (as of October, 2016)	Update* (as of April, 2015)
Operating Revenues	1,391.5	1,451.3	1,450.0	1,445.5	1,423.0
Transportation	895.6	928.7	925.7	924.2	902.5
Retail	227.0	232.0	241.8	235.8	246.5
Real Estate	102.6	108.8	104.4	107.4	106.0
Other businesses	166.3	181.5	178.1	178.1	168.0
Operating Income	148.5	181.5	175.5	173.0	157.0
Transportation	103.3	125.1	122.3	119.8	105.0
Retail	4.1	5.3	5.4	4.9	6.0
Real Estate	30.3	32.7	31.4	31.9	33.5
Other businesses	14.0	22.4	19.9	19.9	14.0
Recurring Profit	130.0	162.2	159.5	157.0	141.0
Net Income	81.5	85.8	106.5	102.5	91.5
Transportation Revenues	818.0	850.0	848.5	846.0	820.5
ROA	5.3%	6.4%	6.1%	6.1%	5.5%
ROE	9.8%	10.2%	11.6%	11.2%	9.8%
EBITDA	307.0	338.1	338.5	337.0	325.5

Note: All the figures are the revenues from third parties (=customers).

Operating income by segment is before eliminating internal transactions.

Transportation revenues mean the railway revenues of JR-West included in operating revenues of "transportation" segment.

JR-WEST

Ⅴ. Acquisition of shares in Ryoju Properties Co., Ltd.

32

- Now, I will explain the details of the Ryoju Properties share acquisition announced on 31 October.

Project Overview

JR-WEST

Target company	Ryoju Properties Co., Ltd. Shareholder: Ryoju Facility and Properties Co., Ltd. (Ryoju F&P), 100%	Acquisition price	¥97.0 billion

Overview	・JR-West has concluded a share transfer agreement to acquire 70% of total shares outstanding in Ryoju Properties Co., Ltd. (hereinafter, "Ryoju Properties") from Ryoju Facility and Properties Co., Ltd. (hereinafter, "Ryoju F&P"), which is wholly owned by Mitsubishi Heavy Industries, Ltd. (hereinafter, "MHI"). Going forward, MHI and JR-West will cooperate in an effort to enhance the business value of Ryoju Properties. ・A company split will be conducted on January 1, 2017, with regard to the real estate business of Ryoju F&P, which Ryoju F&P as the splitting company and Ryoju Properties as the succeeding company in the corporate split. As of that date, Ryoju F&P will hold 70% of the shares in Ryoju Properties, with 30% held by MHI. Thereafter, on February 1, 2017, JR-West will acquire the 70% of shares in Ryoju Properties held by Ryoju F&P.

Schedule	October 31: Conclusion of share transfer agreement February 1, 2017: Share acquisition date	Key financial indicators* (FY2016.3)	Net sales: About ¥25.0 billion Operating income: About ¥4.0 billion

※The Assumed value of the target company's business to be spun off from F&P

33

- A summary of this transaction is provided on page 33.

- Ryoju Properties is a subsidiary of Ryoju Facility and Properties, a wholly owned subsidiary of Mitsubishi Heavy Industries. In other words, it is a sub-subsidiary of Mitsubishi Heavy Industries.

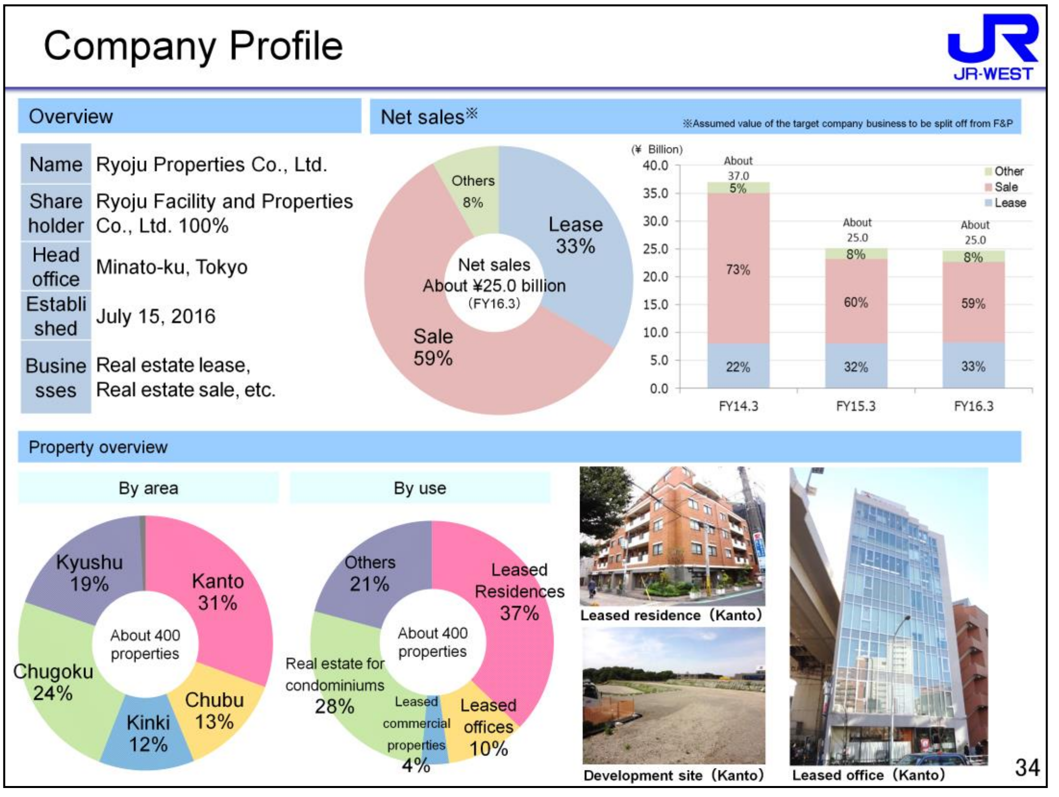
- Until this share acquisition, the real estate-related business of Ryoju Facility and Properties will be spun off, with Ryoju Properties becoming a succeeding company in the corporate split. As of January 1, 2017, Ryoju Facility and Properties will hold 70% of shares in Ryoju Properties and Mitsubishi Heavy Industries will hold the remaining 30% of shares.

- With this transaction, JR West will acquire all 70% of the shares in Ryoju Properties held by Ryoju Facility and Properties. As a result, JR West will hold 70% of the shares in Ryoju Properties and Mitsubishi Heavy Industries will hold the remaining 30% of shares.

- The transaction will be conducted on February 1, 2017, at a total acquisition cost of ¥97.0 billion.

- The capital used for this acquisition is within the scope of the excess cash generated in the period of the Medium-Term Management Plan, but because a large amount of cash will be used at one time, it will be necessary to secure temporary financing. We will keep a close watch on the interest rate as we pursue the optimal combination of short- and long-term funding . Moreover, our traditional policy of maintaining a consolidated long-term debt level around ¥1 trillion as of March 31, 2018, remains unchanged.

- Ryoju Properties financial figures in the fiscal year ended March 31, 2016 were in line with assumptions, with operating revenue of approximately ¥25.0 billion and operating income of approximately ¥4.0 billion.

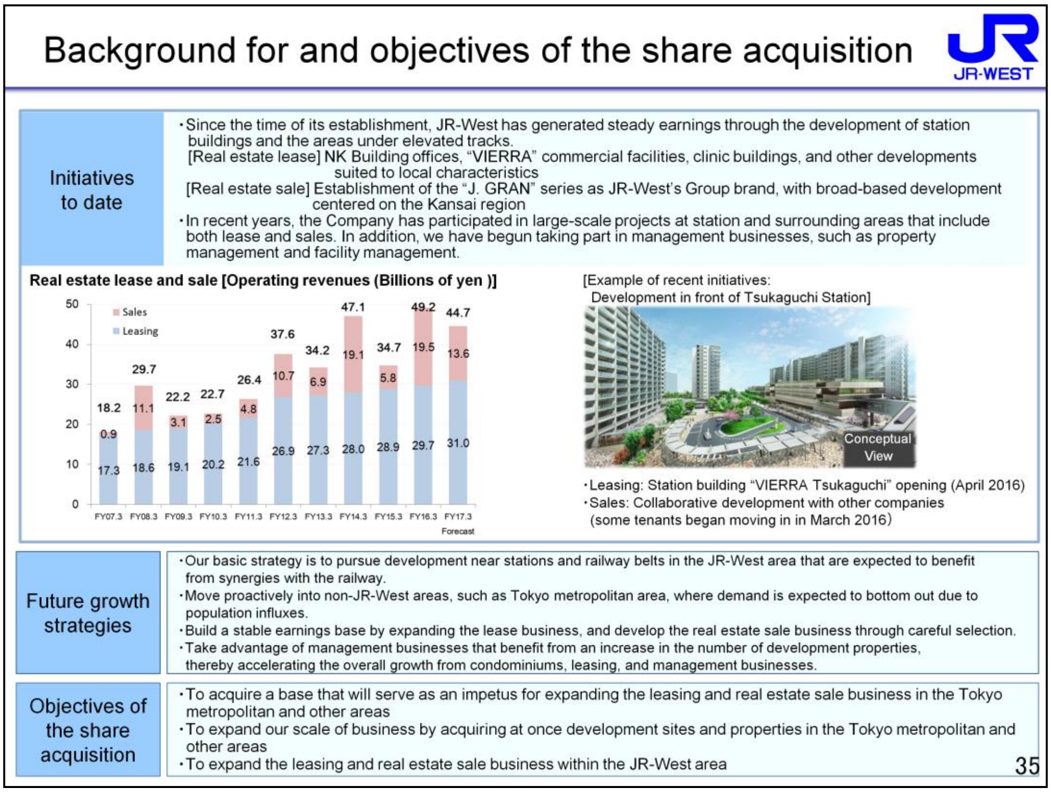


- Now, please turn to page 34, which provides an overview of Ryoju Properties.

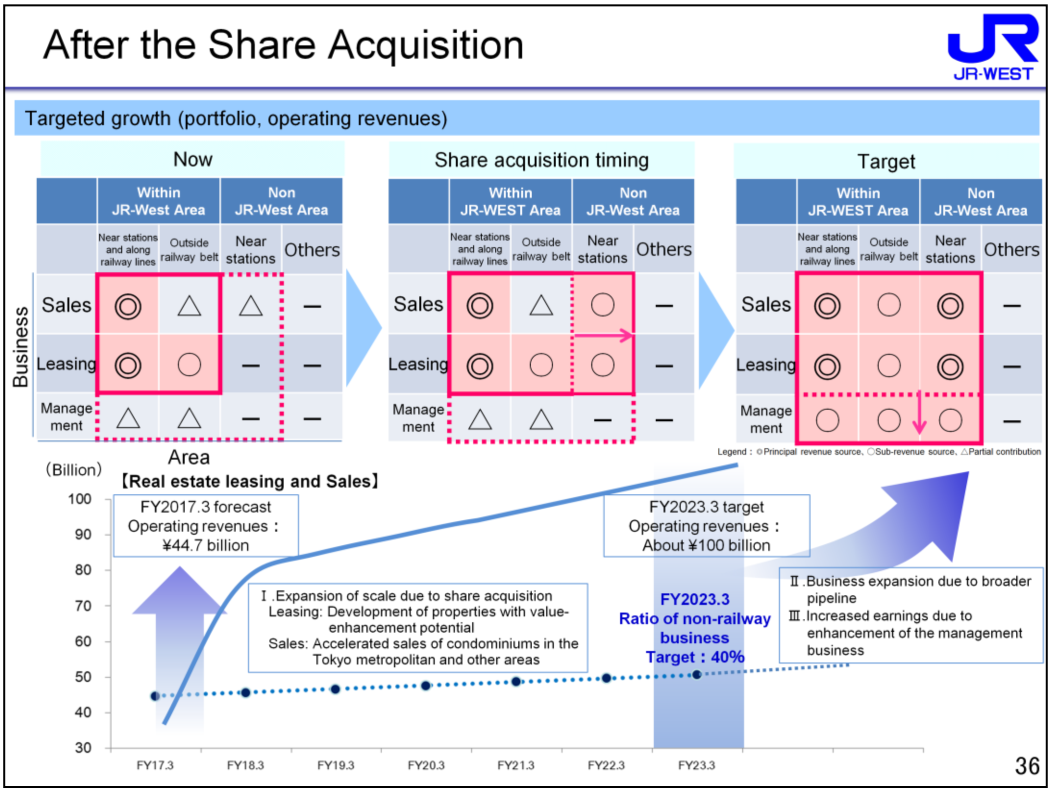
- Ryoju Properties develops the real estate business in promising markets including the Tokyo metropolitan area. It also owns high-quality properties in favorable locations.

- In the fiscal year ended March 2016, Ryoju Properties sales ratio consisted of 33% leasing and 59% real estate business.

- In terms of properties held by area, 31% are in the Kanto region, 13% in the Chubu region and 36% are in our area, the Kansai Urban Area and Chugoku region.



- Now, let's turn to page 35, which explains the background and purpose of this share acquisition.
- Since JR's establishment, we have accumulated expertise in the development of under-track leasing and station buildings, creating strong relationships with tenants. We also promote condominium sales using former company housing sites in an attempt to expand business.
- The leasing business, which includes office buildings, commercial facility leasing, clinics and other services that meet the needs of station users and nearby residents, is growing to a level that can realize optimum MD according to location characteristics.
- Regarding condominium sales, which initially began as a joint venture with leading companies, we established the J.Gran series condominium brand. In recent years, we have gone beyond the use of our own land to acquire properties mainly in the Kansai area to expand development.
- These developmental achievements have earned a strong reputation, enabling our participation in urban development projects such as the recent Tsukaguchi Station project, a large-scale station development integrating commercial and residential properties. In addition to accumulating achievements in terms of leasing and sales, we are also moving forward with our management business.
- In terms of our growth strategy going forward, in principle, we will engage in development with JR West areas able to contribute to regional invigoration as well as near stations and along railway lines within our area where we can expect synergies with railway lines. As there is a limit to sites with high growth and potential in western Japan, we are also aggressively advancing into the Tokyo metropolitan and other areas.
- We will build a stable earnings foundation by expanding and strengthening the leasing and management businesses, carefully selecting and developing condominium sales where we expect high profitability.
- To achieve medium to long-term growth, we have set the goal of increasing the percentage of non-railway business to 40% of consolidated operating revenues in the fiscal year ending March 2023. Currently, it stands at 36%.
- Assuming that the revenue of the transportation business will not change, it is necessary to add about ¥60.0 billion in non-transportation business to achieve this target.
- We want to expand retail business, where sales are steadily expanding due to our partnership with the 7-Eleven Japan, and real estate business.
- Although real estate business has been growing steadily, intermittent advances such as M&A are necessary in addition to organic growth to achieve this goal.
- The challenge in accelerating growth in real estate business is that purchasing functions, including access to property information in the Tokyo metropolitan area where firm demand is expected, are weak.
- In April 2016, we established a Tokyo office in our subsidiary and participated in a Tokyo metropolitan area condominium sales joint venture, and although we made an effort to collect information on properties and acquire sites, these efforts have proven challenging as major developers in Tokyo metropolitan area have a virtual monopoly on information.
- Another point is that real estate markets in the Tokyo metropolitan and other areas are booming, resulting in higher hurdles (in terms of cost and competition) making it difficult to acquire properties. These issues have resulted in a bottleneck hindering business expansion for which our accumulated expertise isn't sufficiently in use.
- This acquisition will address and overcome these issues, enabling the acquisition of purchasing functions for expanding the pipeline in the Tokyo metropolitan and other areas, as well as scale expansion through the collective acquisition of development sites and properties, making this acquisition appropriate in terms of accelerating our growth strategy.
- In addition, Ryoju Properties possesses many properties within our area that also offer the merit of further strengthening the purchasing function within the area.



- Please look at page 36, which indicates our position after the acquisition. As these are promising properties expected to increase in value, we will make use of them. These properties have various uses, including as raw land, housing, offices, commercial leasing .

- First of all, with regard to the leasing business, we will attempt to leverage our development expertise in an attempt to enhance value enabling the realization of optimal MD in line with our location characteristics.

- In the condominium sales business, we will make an effort to utilize promising properties and make use of acquired purchase functions to accelerate development in the Tokyo metropolitan and other areas. In addition, we will attempt to enhance our brands, returning them to the areas where we are active, which will enhance the value of railway belts.

- We will also strengthen the management business by increasing development properties such as condominium sales, to accelerate revenues in real estate sales overall, including in the condominium sales, leasing and management businesses.

- Through the steady implementation of these initiatives, we are targeting real estate leasing and sales operating revenues of ¥100.0 billion in the fiscal year ending March 2023.

Cautionary Statement Regarding Forward-looking Statements

- This presentation contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates and projections about its business, industry, and capital markets around the world.
- These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.
- Known or unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.
- Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:
  - expenses, liability, loss of revenue or adverse publicity associated with property or casualty losses;
  - economic downturn, deflation and population decreases;
  - adverse changes in laws, regulations and government policies in Japan;
  - service improvements, price reductions and other strategies undertaken by competitors such as passenger railway and airlines companies;
  - infectious disease outbreak and epidemic;
  - earthquake and other natural disaster risks; and
  - failure of computer telecommunications systems disrupting railway or other operations
- All forward-looking statements in this release are made as of Nov. 1, 2016 based on information available to JR-West as of Nov. 1, 2016 and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.
- Compensation for damages caused by the accident on Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.