

**Results for the Fiscal Year Ended March 2017 and Future Initiatives
Q&A Summary at the Conference**

Q1

In the current fiscal year, to what extent do your plans for Shinkansen revenues incorporate the results of Smart EX and measures targeting inbound visitors and seniors?

A1

We expect revenues on the Sanyo Shinkansen to be up ¥7.0 billion year on year. Breaking this down, our base figure is a year-on-year increase of 0.6%, or ¥2.4 billion. Of the extraordinary factors accounting for the remaining ¥4.6 billion, one of the most important is an anticipated ¥2.7 billion increase due to the absence of the impact from the earthquakes in Kumamoto, with the remainder being the results of inbound tourism and other measures. We are positioning this as the year when ridership of the Hokuriku Shinkansen will stabilize, so we expect these revenues to be essentially flat.

Q2

What are your thoughts regarding growth in operating income in the real estate lease and sale business? Do you anticipate that growth will be higher than the rise in operating revenues due to synergies?

A2

We aim to boost operating revenues from ¥77.7 billion, the level forecast for the current fiscal year, to around ¥100.0 billion in FY2023.3. Although we are not disclosing specific figures for operating income, we aim to approximately double the figure for FY2017.3 (forecast as of November 2016).

Q3

In the hotel business, your operating companies and segment are inconsistent. Is the current situation efficient? Are you planning to integrate these operations going forward?

A3

At present, we have different Group companies for each of the two business categories: city hotels and accommodation-oriented budget hotels. Each of the companies develops and operates hotels in its category of strength, and the target customer bases are different, so we plan to continue with the current system for the foreseeable future. Last fiscal year, we announced the establishment of brands in two new business categories. One of these is operated by an existing Group company that excels in high-end service. The other is in cabin-style hotels, an area where our Group lacks expertise, so we are expanding our relationship with an outside company. We have the option of restructuring this hotel business structure in the future, but for now we will concentrate on getting established in the new business categories.

Q4

I understand that competition in the hotel business is stringent in the Kansai region, where the use of *minpaku* (private lodging) is high, and that the impact of the *minpaku* drives down profit in the hotel business. Is this the case?

A4

People who stay in *minpaku* tend to be highly price-sensitive. Our main competition in this category will be from the accommodation-oriented budget-type Via-inn. Last fiscal year, our occupancy rate for these hotels was 93.5%, and the average daily rate (ADR) was up more than 6% year on year. As this positive performance continues, we do not believe it is being affected by *minpaku*. Banquets and food and

beverage are the reason revenues and income are down for our Granvia city hotels. Accommodation remains firm, and at this point we do not anticipate any impact from *minpaku*.

Q5

With regard to M&A and investment, in rapid succession you have made investments including Ryoju Properties and Nippon Signal. It appears that you have locked in fields where synergies can be anticipated, but are you considering any additional business categories or areas going forward?

A5

We do not have any specific projects in mind at the present, but we need to be constantly thinking about what we can do to achieve future growth. For example, we established JR-West Innovations to consider domains that we had never entered before and to see whether synergies might be possible. We are moving forward with this, and not limiting ourselves to existing domains.

Q6

With 30 years having passed since the company's establishment and in an environment characterized by issues such as a falling population, what is your policy regarding local lines?

A6

We have submitted a notice of the cessation of service on the Sanko Line, where usage has fallen to one-ninth the level it was when the company was established. There are other railway lines in this sort of situation, and increasingly there are limits to the responsibility a railway business operator is able to shoulder. We aim to discuss with local communities what transportation modes are best for them and work together to resolve these issues.

Q7

During the period of the next medium-term management plan, are there any issues you need to address in addition to the Tsuruga extension on the Hokuriku Shinkansen?

A7

We are working toward numerical targets in each business under the current medium-term management plan. Based on this performance, under the next medium-term management plan we plan to cultivate the Shinkansen business, the Retail business, Real Estate business, and inbound tourism as pillars of growth. In the Shinkansen business, we aim to enhance competitiveness and continue with efforts to generate tourism demand. The Tsuruga extension on the Hokuriku Shinkansen will involve up-front investment and costs. In the real estate field, we will recognize that it will be important to work with Ryoju Properties to elicit synergies in order to boost earnings. At any rate, our next medium-term management plan will be based on our current growth strategies, and we will further expand businesses that are growth pillars.

Q8

What will be the level of safety-related investment during the period of the next medium-term management plan?

A8

Since the Fukuchiyama Line derailment accident, we have stepped up physical measures to enhance safety. Some 60% of total investment (non-consolidated basis) has been related to safety. We are currently involved in numerous multiyear projects, such as safety measures on platforms and seismic reinforcement construction in anticipation of major earthquakes. We do not have figures easily available and on hand, but we do not expect to fall much below current levels.

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