(Translation)

October 31, 2017
West Japan Railway Company

FY3/18 2Q Financial Results Briefing
Summary of Question and Answer Session

Q1
Over the past few months, the rate of growth on the Sanyo Shinkansen has been lower than that on the Tokaido Shinkansen. Is this due to a change in the competitive relationship with airlines?
A1
We believe we are able to put up sufficient resistance to the legacy carriers. Compared with the figures from two years ago, which were not affected by the Kumamoto earthquakes that occurred last year, the difference in the rate of growth on the Tokaido Shinkansen is not large. Meanwhile, the rate of Internet reservations on the Sanyo Shinkansen has been growing steadily: from 16.6% the fiscal year before last and 19.2% last fiscal year to 20.3% in the first half of this fiscal year. Going forward, we will work to further increase our competitive advantage by leveraging Internet reservations, such as through the Smart EX service we introduced at the end of September.

Q2
How was performance on the Hokuriku Shinkansen in the first half? Also, from next fiscal year what will be the negative impact of municipal bodies' subsidies on the use of airlines by business travelers and from travel agencies offering extremely inexpensive group products that include airline use?
A2
Performance in the first half was down ¥0.4 billion year on year, to ¥21.0 billion. While shrinkage in the size of the overall pie was limited, the main reason for lower revenues was our falling market share versus the airlines. As measures to recover this share, from the second half we will establish and promote the sale of new travel products in collaboration with JR-East. We expect second-half performance to be in line with the previous year's levels, and we are moving ahead with various measures to reach our targets.

Q3
Performance was favorable on airlines' domestic routes and on the Sanyo Shinkansen and other Shinkansen routes, but Nippon Travel Agency revised downward its revenue forecast. How would you evaluate demand for domestic travel?
A3
Demand for domestic travel remains firm, centered on seniors. Our forecast assumed that Nippon Travel Agency's performance in overseas travel would be up sharply, rebounding after the impact of terrorist threats last year. However, the situation in North Korea caused travel to Guam and South Korea to fall off. In addition, unseasonable weather from July through September affected domestic travel. Considering these extraordinary factors, we revised our forecast downward.

Q4
Was the increase in maintenance and miscellaneous costs due to an increase in the number of projects or to rising costs on existing projects?
A4
This was due to an increase in the number of projects. The rise in maintenance costs reflects the addition of projects that will help lower the cost burden in future fiscal years. The increase in miscellaneous costs was due to rises in advertising expenses and the number of research projects in preparation for our next medium-term management plan.

Q5
Looking at the real estate sales business, your forecast of unit sales for the full fiscal year would suggest that unit sales are expected to be higher in the second half than in the first half. As you have not revised your forecast for the full fiscal year, I would anticipate higher operating income in the second half. What are your thoughts?
A5
In the first half, performance in the real estate sales business exceeded our expectations due to the sale of high-priced projects we developed independently and introduced earlier than we had originally planned, such as J.GRAN THE HONOR SHIMOGAMO TADASU NO MORI. At the moment, we have left our forecast for the full year unchanged because total unit sales for the full year are unchanged.

Q6
Is Ryoju Properties performing favorably? Also, what sort of revenue does the company have the potential to generate over the medium to long term?
A6
This fiscal year is a year of preparing the foundations as part of the JR-West Group. We are moving steadily forward with internal controls and other PMIs. Performance is also firm. With regard to performance over the medium to long term, please wait for us to announce our next medium-term management plan.

Q7
Will you set some sort of budget for M&A activities, such as a budget for capital expenditure, from next fiscal year, or will you continue to do as you have in the past: considering good projects on an individual basis as they appear?
A7
As in the past, we will consider individual projects that contribute to growth or help reduce costs.

Q8
ROE has climbed to around 11%, while the rate of total distribution on net assets is approximately 3%. The difference of approximately 8% is being accumulated as an internal reserve. In the next medium-term management plan, do you expect to change your shareholder return policy, such as by raising the rate of total distribution on net assets or acquiring your own shares? Also, what about capital expenditure?
A8
We are currently formulating the next medium-term management plan, so we cannot say much about it at this stage. At least for the foreseeable future, our business structure will be centered on the railway business, and our policy of providing long-term stable returns in keeping with the characteristics of the railway business will not change. With regard to capital expenditure, we expect expenditure to be at least as high as during the period of the current medium-term management plan. Regarding safety-related investment, under the current plan we have invested around ¥50.0 billion in seismic reinforcement. Under the next plan, we expect expenditure to be around or above this level. As large-scale projects, we expect to invest in the extension to Tsuruga on the Hokuriku Shinkansen and the opening of Kita Umeda Station. In addition, to keep future costs down we may invest in system changes and productivity enhancements in railway operations. At any rate, for details on our next medium-term management plan, please wait for us to announce the plan next spring.

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