

FLASH REPORT [JAPANESE GAAP] (CONSOLIDATED BASIS)Company name: **West Japan Railway Company**

Stock listings: Tokyo Stock Exchange, Nagoya and Fukuoka Stock Exchanges

Code number: 9021

URL: <http://www.westjr.co.jp>

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Date for the General Meeting of Shareholders: June 22, 2016

Filing of annual security report: June 23, 2016

Start of dividend payments: June 23, 2016

Supplemental explanatory material prepared: Yes

Results briefing held: Yes

(Figures less than ¥1 million have been omitted.)

1. Performance**(1) Operating results**

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	1,451,300	7.5	181,539	29.9	162,260	33.0	85,868	28.7
2015	1,350,336	1.5	139,774	3.8	121,999	8.0	66,712	1.6

(Note) Comprehensive Income: Year ended March 31, 2016: ¥104,823 million, 41.2%;

Year ended March 31, 2015: ¥74,231 million, 9.3%

	Net income per share	Net income per share after dilution	Return on equity	Recurring profit-to-total assets ratio	Operating income-to-operating revenues ratio
	Yen	Yen	%	%	%
2016	443.53	—	10.2	5.8	12.5
2015	344.58	—	8.4	4.5	10.4

(Reference) Gain on investment by equity method: Year ended March 31, 2016: ¥1,288 million;

Year ended March 31, 2015: ¥1,901 million

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2016	2,843,194	926,376	30.9	4,534.29
2015	2,786,470	846,701	28.8	4,138.65

(Reference) Total shareholders' equity: March 31, 2016: ¥877,862 million, March 31, 2015: ¥801,264 million

(3) Cash flows

Years ended March 31

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2016	259,880	(233,219)	(31,315)	80,691
2015	223,613	(212,912)	1,689	85,346

2. Dividends

Year ended/ ending March 31

	Dividends per share					Total amount of dividends (for the entire fiscal year) Millions of yen	Payout ratio (Consolidated) %	Dividends-to- -net assets ratio (Consolidated) %
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
2015	—	60.00	—	65.00	125.00	24,216	36.3	3.1
2016	—	65.00	—	70.00	135.00	26,154	30.4	3.1
2017 (Forecast)	—	70.00	—	70.00	140.00		25.5	

3. Forecasts for Fiscal Year ending March 31, 2017

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	700,500	(1.3)	102,000	(7.7)	92,500	(7.2)
Fiscal year	1,450,000	(0.1)	175,500	(3.3)	159,500	(1.7)

	Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Yen
Interim period	62,000	(6.1)	320.24
Fiscal year	106,500	24.0	550.09

4. Notes

- Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
- Changes in accounting policies, changes in accounting estimates, restatements
 - Changes based on revision of accounting standards: Yes
 - Changes other than 1) above: None
 - Changes in Accounting Estimates: Yes
 - Restatements: None

(Note) Please refer to (6) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements on page 23.

3. Number of Shares Outstanding (Common stock)

	Years ended March 31	
	2016	2015
1) Number of shares issued and outstanding (including treasury stock):	193,735,000	193,735,000
2) Number of treasury stock	129,849	129,581
3) Average number of shares outstanding for each period (cumulative term):	193,605,227	193,605,419

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

1. Performance

(1) Operating results

Years ended March 31

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	954,227	7.1	137,213	22.5	116,733	26.7	61,123	29.0
2015	890,940	2.0	112,026	10.1	92,130	15.2	47,382	(2.7)

	Net income per share		Net income per share after dilution	
	Yen		Yen	
2016	315.50		—	
2015	244.57		—	

(2) Financial position

At March 31

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
2016	2,499,863		666,066		26.6		3,438.04	
2015	2,444,451		631,584		25.8		3,260.05	

(Reference) Total shareholders' equity: March 31, 2016: ¥666,066 million, March 31, 2015: ¥631,584 million

2. Forecasts for Fiscal Year ending March 31, 2017

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	476,000	(0.6)	87,000	(3.8)	77,000	(2.4)
Fiscal year	952,500	(0.2)	136,000	(0.9)	119,000	1.9

	Net income		Net income per share	
	Millions of yen	%	Yen	
Interim period	53,000	(0.9)	273.57	
Fiscal year	82,000	34.2	423.26	

* Indication regarding the status of auditing procedures

These financial statements are not subject to auditing procedures under the Financial Instruments and Exchange Act. The auditing procedures of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

Notes

- The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual results may differ from the results anticipated in the statements. Regarding the forecast of financial results, please refer to "Qualitative Information on Consolidated Forecasts" on page 9.
- Supplementary materials for the financial statements are posted on our homepage.

1. BUSINESS PERFORMANCE

1. Analysis of Business Performance

(1) Overview of Results for the Subject Period

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries of passengers. Since the accident JR-West has exerted its full effort with regard to its three pillars of management, specifically “Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident,” “Measures to enhance safety,” and “Furthering of reform.”

In April 2015, JR-West conducted a memorial service for the victims of the Fukuchiyama Line accident, and in November held explanatory meetings regarding the proposed preservation of the accident site. We will continue to make concerted efforts for all persons affected by the accident.

The JR-West Group formulated the “JR-West Group Medium-Term Management Plan 2017” and its core component, the “Safety Think-and-Act Plan 2017,” in March 2013. We designated the five years to FY2018.3 as a “period for contributing to the establishment of a foundation for decisive management,” and have been implementing the “Three Basic Strategies” and “Four Business Strategies” as our strategic priorities. In April 2015, we updated the “JR-West Group Medium-Term Management Plan 2017” in accordance with our reflections on the first two years and changes in the operating environment, revising and adding measures to accomplish our objectives.

During the subject fiscal year, transportation revenues rose amid the moderate economic recovery, due primarily to increased use of the Hokuriku Shinkansen with the opening of the Nagano-Kanazawa segment in March 2015, and the Sanyo Shinkansen, which marked the 40th anniversary of its start of operations, mainly among seniors and inbound visitors. Revenue also rose in the non-transportation areas, the Retail Business and Real Estate Business segments, on greater use by customers of new commercial facilities opened at major stations.

As a result, on a consolidated basis, operating revenues for the subject period (April 1, 2015 to March 31, 2016) rose 7.5% from the previous fiscal year to ¥1,451.3 billion. Operating income increased 29.9% from a year earlier to ¥181.5 billion, while recurring profit rose 33.0% to ¥162.2 billion, and profit attributable to owners of parent 28.7% to ¥85.8 billion.

Despite positive performance, the operating environment for the JR-West Group remains harsh as a result of such factors as population decline, competition from other modes of transportation, the need to address such risks as intensifying natural disasters and terrorism, and cost increases due to rising labor costs. Amid such circumstances, we are continuing to pursue measures to maintain the opening effect of the Hokuriku Shinkansen and capture demand from seniors and inbound visitors, as well as implementing initiatives to further enhance activity at LUCUA osaka.

(2) Results by Business Segment

a. Transportation Operations

JR-West implemented specific safety-related measures based on the “Safety Think-and-Act Plan 2017” formulated in 2013. In particular, as our priorities based on the issues recognized over the last three years, we are implementing measures to cope with intensifying natural disasters, improve safety on platforms, prevent labor accidents that result in fatalities among our employees, strengthen risk management, enhance internal safety audits, and utilize outside perspectives.

In response to intensifying natural disasters, JR-West is moving forward with measures to improve disaster resilience during rainfall along railway line, focusing on the Kyoto-Osaka-Kobe area. For earthquake countermeasures, we conducted seismic retrofitting of elevated track pillars and station buildings. In December 2015 we completed installation of derailment prevention guards on the Sanyo Shinkansen between Shin-Osaka and Himeji stations, and are moving forward with installation along the segment between Himeji and Hakata. For tsunami countermeasures, JR-West continued to upgrade tsunami evacuation equipment, and conducted trainings in accordance with the “Rules for Tsunami Evacuation Guidance” and other manuals formulated based on the lessons of the Great East Japan Earthquake.

To enhance safety on platforms, in conjunction with timetable revisions implemented in March 2016, JR-West built new platforms at Takatsuki Station for special rapid service and limited express trains, and began using automatic platform gates (rope style). At Kyobashi Station we began using movable platform gates, and at the Sanyo Shinkansen Shin-Kobe Station we began trial operation of new movable platform gates with wider openings to accommodate train cars with different door positions. In addition, we conducted a campaign aimed at preventing passengers from falling from platforms, including TV commercials calling for enhanced safety awareness, and posters.

For measures to prevent labor accidents, JR-West revised its “Regulations to Prevent Engineering-Related Worker-Train Accidents on Conventional Lines” aimed at enhancing the level of safety during maintenance operations or inspections. In addition, we conducted trainings utilizing the Safety Perception Refinement Building, constructed within the staff training center.

Despite these efforts, in December 2015 several workers were injured in a fall during work to paint a bridge on the Sanyo Shinkansen. JR-West is implementing appropriate measures to prevent a reoccurrence.

Also, in an effort to prevent serious accidents by further instilling a culture of reporting railway operations accidents, since April 2016 JR-West in principle no longer treats incidents resulting from human error as subject to disciplinary procedures or negative evaluations.

Of note, from the subject fiscal year JR-West has introduced third-party evaluations of its safety management structure in order to improve the safety management structure, and enhance auditing of such structures.

In marketing initiatives, JR-West pursued various measures to maximize the opening effect of the Hokuriku Shinkansen, promote use of the Sanyo Shinkansen, capture demand from seniors and inbound visitors, improve transportation quality and enhance the value of the railway belts in the

Kyoto-Osaka-Kobe area, encourage tourism in the western Japan region, and develop businesses well suited to the area.

For the Hokuriku Shinkansen, JR-West enhanced the lineup of products through “e5489” internet reservation service, and operated sightseeing bus tours departing from Kanazawa and Toyama stations. In addition, the three prefectures that comprise the Hokuriku region, the Hokuriku Economic Federation, and the JR Group conducted the “Hokuriku Destination Campaign.” In conjunction with the campaign JR-West began operating the “Hanayome Noren” and “Belles montagnes et mer” sightseeing trains, and took other measures to highlight the appeal of the region. As part of efforts to expand mobility among the Kansai, Hokuriku and Shinetsu (Niigata/Nagano) regions, JR-West held “Kansai-Hokuriku exchange meetings” to discuss initiatives for broadening exchange through tourism as well as industry, culture, and learning. We also worked to promote Shinkansen use by selling travel packages allowing wide-area excursions across the Hokuriku and Shinetsu regions, and increasing the number of *Thunderbird* limited express trains in the timetable revisions implemented in March 2016. As a result, during the one-year period from April 2015 to March 2016, use of the Hokuriku Shinkansen was 268% compared with a year earlier, with the number of users reaching 10 million as of April 2016.

Work to extend the Hokuriku Shinkansen continues, with opening of the Kanazawa-Tsuruga segment scheduled for the end of FY2023.3. JR-West is making preparations as well, and will closely monitor the developments in the ruling party’s investigative commission regarding the route westward from Tsuruga.

For the Sanyo Shinkansen, in conjunction with the campaign marking the 40th anniversary of the opening of the Sanyo Shinkansen, JR-West broadcast TV commercials in an effort to promote use of the service to the Kansai region, and operated the “500 TYPE EVA” train, a collaboration project with Evangelion. We also worked to promote use of the Kodama service through such measures as sales of “Kodama WEB Haya-toku 14” and “Kodama Super Haya-toku” early discount tickets, resulting in increased use.

To capture demand from seniors, JR-West took steps to stimulate demand with the launch of “Otonabi Pass” and “Otonabi WEB Haya-toku” early discount tickets, exclusively for members of the “Otonabi” service providing special discount tickets and travel packages to persons 50 and older. These packages have been popular with customers.

For measures aimed at the increase in inbound visitors to Japan, JR-West enhanced its preparations by placing or increasing foreign traveler assistance staff at principal stations, and increased the number of *Haruka* limited express trains in the March 2016 timetable revisions. We also expanded the range of products with sales of the Saiyu Kiko Setouchi Area Pass for a sightseeing tour route from Kansai to Hakata, and took steps to expand the range of other products and services, including launching a charter service with the establishment in October 2015 of West JR Bus Service Company, a subsidiary specializing in charter bus services able to quickly arrange sightseeing buses. Further, in June 2015 JR-West established the Group Inbound Promotion Office to implement group-wide measures for the transportation business, as well as the travel and hotel segments. In July 2015 we established the Singapore Office as a local

facility to expand railway use among visitors from Southeast Asian countries.

For measures to improve transportation quality and enhance the value of the railway belts in the Kansai Urban area, in March 2016 JR-West opened the new Maya and Higashi-Himeji stations on the JR Kobe Line, and expanding the service area for the ICOCA e-money service to the Kishin Line, the Bantan Line, and the Kakogawa Line. In addition, for the Kyoto Umekoji area, JR-West worked in conjunction with local governments and other local partners to vitalize the Umekoji area, and made preparations for the opening of the Kyoto Railway Museum on April 29, 2016, seeking to make it a “hub of railway culture together with the local community.”

In addition, for measures to stimulate tourism across the western Japan region and develop businesses suited to each area, in anticipation of the launch of services for the Twilight Express Mizukaze sleeper train in spring 2017, JR-West is preparing measures designed to provide high-quality, comfortable travel, and invigorate service areas. Specifically, in June 2015 we established the Mizukaze Planning Division, and announced the operating routes. In September 2015 we decided on the train designs and other details, and in December 2015 announced the uniform designs for the train crew, and the chefs who will supervise the meals.

As part of measures for sustainable transportation systems, JR-West conveyed to local governments its intention to begin considerations regarding the Sanko Line in October 2015. In response, in February 2016 a review committee comprising JR-West and local governments began examining the desirable condition for sustainable local public transportation.

In bus and ferry (the Miyajima Line) services, with a basis in safety, JR-West worked to enhance convenience by implementing transportation improvements based on customer usage patterns.

As a result of these measures, operating revenues for the Transportation Operations segment increased 6.9% from the previous fiscal year, to ¥928.7 billion, with operating income up 24.3%, to ¥125.1 billion.

b. Retail Business

As measures to enhance the appeal of stations, in December 2015, JR-West held the grand opening for Eki Marché Shin-Osaka, the facility inside the area through ticket gates at Shin-Osaka Station, for which we had been making preparations. We also opened the “Enmusubi-dori Zone” at Shamine Matsue in Matsue Station, resulting in extensive use.

For our business alliance with Seven-Eleven Japan, we opened 123 new franchised stores to date in FY2016.3 for a total of 193 locations. New store sales are steady.

Further, in response to the increased demand in recent years from overseas visitors to Japan, JR-West decided to open new locations of the Via Inn budget hotels at Tennoji and Umeda in 2017.

Of note, in August 2015 JR-West’s consolidated subsidiary West Japan Railway Food Service Net Company acquired shares in Karafuneya Coffee Co., Ltd. with the aim of opening locations in cities outside our railways.

Shops at major stations where renovation work had been conducted were opened as planned, and business performance is firm on the increase in railway use. As a result, operating

revenues in the Retail Business segment increased 5.4% from the previous fiscal year, to ¥232.0 billion, with operating income up 233.0%, to ¥5.3 billion.

c. Real Estate Business

JR-West has been implementing measures to maximize the opening effect of LUCUA 1100, the West Wing of the North Gate Building of OSAKA STATION CITY, opened in April 2015. We have also been moving forward with renovations to commercial facilities at major stations, to support future growth. LUCUA osaka recorded moderate performance amid a harsh operating environment, with ¥76.1 billion in sales on footfall of 77 million.

In addition, in conjunction with the opening of the Kanagawa segment of the Hokuriku Shinkansen, the number of customers to the newly opened and renovated shopping centers in the Toyama and Kanazawa areas has increased with the greater railway use. Further, JR-West continued to renew and refresh commercial facilities, with expansion and renovation of Hiroshima Shinkansen Meitengai in Hiroshima Station in May 2015, along with renovation in July of the second floor of Shin-Osaka Station commercial facility as “arde! Shin-Osaka,” and in January-February this year the Akashi Station commercial facility as “piole Akashi.”

JR-West is also taking steps for condominium development in areas along railway lines and other areas, recording steady sales.

Of note, in April 2015 JR-West merged two consolidated subsidiaries operating shopping centers at JR Osaka Station and other areas, with the aim of developing and operating more convenient and attractive commercial facilities.

As a result, operating revenues for the Real Estate Business segment increased 24.9% from the previous fiscal year, to ¥108.8 billion, with operating income up 29.9%, to ¥32.7 billion.

d. Other Businesses

In hotel operations, JR-West made efforts to expand sales in order to gain business from overseas visitors, resulting in extensive use. In travel agency operations, JR-West strengthened marketing efforts to capture inbound visitor demand, expanded internet sales, and took steps to increase sales of products that utilize railways.

In addition, with the aim of utilization of management and technology expertise to realize safe and reliable transportation, along with human resources development, in December 2015 JR-West concluded an agreement with Mitsui & Co., Ltd. to acquire shares in the Japanese corporation Guarana Urban Mobility Incorporated, which invests in urban passenger transportation companies in Brazil. We acquired the shares in March 2016.

For the ICOCA e-money service, we conducted various events and campaigns marking the 10th anniversary of the service, further promoting use.

In the construction business, JR-West enhanced safety and quality in construction projects, leading to an increase in new order contracts.

As a result, operating revenues for the Other Businesses segment increased 4.1% from the previous fiscal year, to ¥181.5 billion, with operating income up 43.5%, to ¥22.4 billion.

(3) Qualitative Information on Consolidated Forecasts

For the fiscal year ending March 31, 2017, despite changes that can be seen as opportunities for growth, such as the increase in inbound visitors and greater demand from active seniors, JR-West anticipates that the business environment for the Company will become ever more difficult as a result of the increasingly turbid economic outlook, along with competition from other modes of transportation, and other factors.

Amid such circumstances, JR-West will continue to steadily implement its “Safety Think-and-Act Plan 2017,” and remaining acutely conscious of the changes in the business environment, based on the “JR-West Group Medium-Term Management Plan 2017” updated in April 2015, with the final year of the plan approaching in fiscal 2017.3, will steadily implement the necessary measures. Generating results that anticipate the achieving of the plan targets will strengthen the business foundation, and lead to sustainable growth.

Of note, these forecasts do not incorporate the effects of the Kumamoto Earthquake that occurred in April 2016.

Consolidated Forecasts for the Year Ending March 31, 2017

Operating revenues:	¥1,450.0 billion	(down 0.1% YoY)
Operating income:	¥175.5 billion	(down 3.3% YoY)
Recurring profit:	¥159.5 billion	(down 1.7% YoY)
Profit attributable to owners of parent:	¥106.5 billion	(up 24.0% YoY)

Note: Forecasts are based on certain assumptions considered reasonable at the time of this announcement, and are subject to change.

2. Analysis of Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2016) amounted to ¥2,843.1 billion, an increase of ¥56.7 billion from the end of the previous fiscal year (March 31, 2015). This was due mainly to an increase in non-current assets.

Total liabilities amounted to ¥1,916.8 billion, a decrease of ¥22.9 billion from the end of the previous fiscal year. This was due mainly to a decrease in net defined benefit liability.

Total net assets amounted to ¥926.3 billion, an increase of ¥79.6 billion from the end of the previous fiscal year. This was due mainly to an increase in retained earnings.

(2) Cash Flows

Cash provided by operating activities amounted to ¥259.8 billion, an increase of ¥36.2 billion from the previous fiscal year. This was due mainly to an increase in income before income taxes.

Cash used in investing activities amounted to ¥233.2 billion, an increase of ¥20.3 billion from the previous fiscal year. This was due mainly to an increase in purchase of investment securities.

Cash provided by financing activities amounted to ¥31.3 billion, an increase of ¥33.0 billion from the previous fiscal year. This was due mainly to an increase in repayments of long-term liabilities.

As a result, cash and cash equivalents at the end of the subject fiscal year (March 31, 2016) amounted to ¥80.6 billion, a decrease of ¥4.6 billion from the end of the previous fiscal year (March 31, 2015).

(Reference) Cash Flow Indicators

Years ended March 31

	2012	2013	2014	2015	2016
Equity ratio (%)	26.6	28.5	29.2	28.8	30.9
Equity ratio, based on market value (%)	24.4	33.4	30.4	43.8	47.3
Interest-bearing debt to cash flow ratio (Times)	5.1	4.1	4.1	4.4	3.8
Interest coverage ratio (Times)	3.3	4.3	4.8	5.4	7.5

Notes: Equity ratio: shareholders' equity/ total assets
Market-based rate of equity ratio: total market capitalization/ total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt/ cash flows
Interest coverage ratio: (operating income + interest & dividend income)/ interest expense

Notes:

1. All of the figures in the above table were calculated on a consolidated basis.
2. Total market capitalization was calculated by multiplying the closing stock price at the end of the term by the total amount of outstanding stock at the end of the term (excluding treasury stock).
3. Cash flow is defined as operating cash flow.
4. Interest-bearing debt is defined as interest-bearing debt of long-term debt and payables.

3. Basic Policy Regarding Distribution of Earnings, and Dividends for the Subject and Next Fiscal Years

JR-West considers it important to provide stable shareholder returns over the long term.

In the “JR-West Group Medium-Term Management Plan 2017” announced in March 2013, the Company set a target of around 3% of total distribution on net assets* for the fiscal year ending March 2018, based on achieving the targets in the medium-term management plan.

For the fiscal year ended March 2016, the Company plans to pay a full-year dividend of ¥135 per share, comprising the interim dividend of ¥65 per share already paid, and a year-end dividend of ¥70 per share.

For the fiscal year ending March 2017, the Company plans to pay a full-year dividend of ¥140 per share.

* (total dividends + acquisitions of treasury stock) ÷ consolidated net assets ×100

2. MANAGEMENT POLICIES

1. Basic Management Policies and Issues for the Company to Address

The JR-West Group takes very seriously its responsibility for the Fukuchiyama Line accident and the gravity of its consequences, and is making a concerted effort to establish a safe and trusted rail service. In March 2013, JR-West formulated the “JR-West Group Medium-Term Management Plan 2017” and its core component, the “Safety Think-and-Act Plan 2017.” This medium-term management plan retains as its highest priority the “Three Pillars of Management” of “Measures to Have Ourselves Accepted as Acting with the Best Intentions by the Victims of the Train Accident,” “Measures to Enhance Safety,” and “Furthering of Reform,” while also newly establishing as “Our Future Direction – The Ideal Form for JR-West,” the objectives of fulfilling “Our Mission” of sustained railway operations, and contributing to the invigoration of local areas as a “Company Coexisting with Communities.”

In April 2015, JR-West updated the “JR-West Group Medium-Term Management Plan 2017” based on a review of the previous two years and the changes in the business environment, revising and adding initiatives to achieve the plan targets.

To achieve the goals of the plan, as our basic strategy we will concentrate on the three aspects of “Safety,” “Customer Satisfaction,” and “Technologies.” In our four business areas of “Shinkansen,” “Kansai Urban Area,” “Western Japan Area,” “Business Development,” we will set targets for fiscal 2018.3 and clarify our direction, and seek long-term, sustainable growth through various strategies to achieve these targets, foundation building to ensure sustained and sound business operations, and fulfilling our responsibilities as a member of society.

In terms of “Safety,” the highest priority of the Three Basic Strategies, JR-West will work to reduce “railway accidents with casualties on platforms,” “accidents at level crossings,” and “transportation disruptions due to internal factors.” We will also pursue measures to address intensifying natural disasters, and strengthen risk management, as part of our efforts to further enhance safety.

In terms of “Customer Satisfaction,” JR-West has set a goal of making customers “fans of JR-West,” and based on the “Customer Satisfaction Vision 2017 / Customer Satisfaction

Think-and-Act Declaration,” and the recognition that everything we do is related to customers, we will deepen communication with customers, and work to enhance and improve services in order to pursue measures that meet a wide range of customer needs, including safety and comfort, as well as minimizing the impact from transportation disruptions, and improving guidance information.

For “Technologies,” JR-West will focus on continuous innovation to support the basic strategies of “Safety” and “Customer Satisfaction,” in order to pursue technical development aimed at fostering advances in railway operations systems. We will also seek to use technology to address such issues as engineer training and the development of gauge change trains.

Regarding the “Four Business Strategies,” for “Shinkansen” JR-West will work to further improve safety and reliability, and provide a competitive transportation service. We will also generate new demand by expanding services for seniors, and overseas visitors to Japan..

For “Kansai Urban Area,” through measures including a further focus on safety and to ensure a thoroughly reliable transportation service, JR-West will raise the quality of its rail service so that it is used repeatedly by customers, and work to enhance the value of our railway belts. Also, to provide greater convenience for railway users, we will expand the service area for using the ICOCA e-money service, and will continue with efforts to make stations handicap accessible. Further, for the Osaka Loop Line Renovation Project, JR-West will introduce new rolling stock, renovate stations, and take other steps to improve the Osaka Loop Line. In the Kyoto Umekoji area, we will invigorate the region through initiatives including opening the Kyoto Railway Museum.

For “Western Japan Area,” JR-West will work together with local regions for community development centered on stations by taking advantage of the strengths of the railways, and will pursue such efforts as “destination campaigns” to stimulate tourism, and building structures to promote regions broadly. We will also continue with preparations to begin operations for a new sleeper train, the *Twilight Express Mizukaze*, which will allow passengers to experience the appeal of the San-in and Sanyo regions through rail journeys.

JR-West will further promote dialogue with local communities aimed at establishing the ideal system for sustainable local transportation.

For “Business Development,” JR-West will expand lifestyle-related services, including expansion of our business alliance with Seven-Eleven Japan Co., Ltd. for in-station stores, as well as enhance the value of group assets through development of terminal stations. We will also foster business creation through the cultivation and nurturing of new business fields.

Further, in April 2015, JR-West updated the “JR-West Group Medium-Term Management Plan 2017” based on a review of the previous two years and the changes in the business environment. We identified three new strategic themes spanning across our business areas “Hokuriku Shinkansen and invigoration of the Hokuriku region,” the newly renovated “LUCUA osaka,” and “Capturing inbound visitor demand,” and are pursuing measures focusing on these themes.

For “Hokuriku Shinkansen and invigoration of the Hokuriku region,” JR-West is working to sustain the opening effect of the Kanazawa segment of the Hokuriku Shinkansen, increase mobility between the Kansai, Hokuriku, and Shinetsu regions, and vitalize local communities. We

are also making full-fledged preparations for the opening of the Kanazawa-Tsuruga segment of the Hokuriku Shinkansen.

For “LUCUA osaka,” JR-West will continue with renovations and conduct large-scale promotions to further boost activity at OSAKA STATION CITY.

For “capturing inbound visitor demand,” JR-West will work together with local regions to establish appealing, wide-area sightseeing routes, broaden our promotional area centered on the Singapore office, and make preparations to handle a further increase in inbound visitors, as part of our measures to increase use.

To achieve these strategies, JR-West will undertake specific measures toward “building foundations” for sound business and operational management as a company, including enhancing front-line capabilities with all workplaces working to identify issues and resolve them on their own, as well as securing and training human resources, and raising their motivation.

For compliance with the “Corporate Governance Code” applicable to all listed companies from June 2015, in October 2015 JR-West disclosed its basic positions and status of measures. Going forward, based on the essence of this code, which aims to provide for sustainable growth for companies and to enhance their medium- to long-term enterprise value, along with the specific characteristics of JR-West’s operations centered on the railway business, we will conduct management from a medium- to long-term perspective, and seek to build a long-term relationship of trust with shareholders and all stakeholders. Further, through crisis management, initiatives for the global environment, and other measures, JR-West will fulfill its responsibilities as a member of society.

The business environment for JR-West is expected to be strained by such factors as population decline, competition from other modes of transportation, and response measures for coping with intensifying natural disasters and terrorism. However, we will pursue measures based on increased demand from senior and inbound visitors, along with measures to sustain the opening effect of the Kanazawa segment of the Hokuriku Shinkansen, and will further boost activity at “LUCUA osaka.”

The JR-West Group, through the principle of “thinking and acting based on the field,” will continue to make a concerted effort as a corporate group to take the next step into a new era, and while working together with communities, strive to enhance our corporate value over the longer term.

3. BASIC PERSPECTIVE ON THE CHOICE OF ACCOUNTING STANDARDS

The JR-West Group employs Japanese accounting standards and has no plans to adopt IFRS for the foreseeable future. However, we will consider this adoption, taking into consideration such factors as future trends in Japanese accounting standards.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2015	March 31, 2016
ASSETS		
Current assets:		
Cash	53,592	45,973
Notes and accounts receivable-trade	33,922	34,681
Railway fares receivable	35,098	34,794
Accounts receivable	79,074	58,719
Securities	32,000	35,000
Income taxes receivable	43	38
Inventories	57,755	59,387
Deferred income taxes	18,475	17,979
Other current assets	54,353	64,155
Less allowance for doubtful accounts	(770)	(1,014)
Total current assets	363,544	349,715
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	1,080,084	1,105,542
Machinery and transport equipment	315,824	344,337
Land	671,123	675,002
Construction in progress	61,453	81,885
Other property, plant and equipment	35,759	35,156
Total property, plant and equipment	2,164,245	2,241,925
Intangible fixed assets	31,359	28,131
Investments and other assets:		
Investments in securities	61,723	69,548
Net defined benefit asset	2,592	1,384
Deferred tax assets	134,591	124,868
Other investments and assets	29,415	28,369
Less allowance for doubtful accounts	(1,043)	(751)
Total investments and other assets	227,278	223,419
Total fixed assets	2,422,882	2,493,476
Deferred income taxes		
Business commencement expenses	43	3
Total deferred income taxes	43	3
Total assets	2,786,470	2,843,194

	Millions of yen	
	March 31, 2015	March 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	82,558	76,782
Short-term loans payable	16,335	14,775
Current portion of bonds	—	30,000
Current portion of long-term debt	48,098	34,024
Current portion of long-term payables for acquisition of railway properties	33,613	30,647
Current portion of long-term accounts payable	31	64
Accounts payable	96,636	91,338
Accrued consumption tax	15,704	10,840
Accrued income tax	20,757	36,389
Inter-line fares received	2,054	2,238
Deposits received	77,114	75,557
Prepaid railway fares received	38,412	38,589
Advances received	16,350	16,738
Allowance for bonuses	37,166	37,777
Allowance for point program	1,566	1,619
Other current liabilities	40,631	39,401
Total current liabilities	527,032	536,786
Non-current liabilities:		
Bonds	479,977	464,979
Long-term debt	304,291	334,667
Long-term payables for acquisition of railway properties	138,140	107,472
Long-term accounts payable	64	—
Deferred tax liabilities	4,040	3,271
Allowance for environmental safety measures	9,627	21,099
Provision for unredeemed gift certificates	2,551	2,668
Net defined benefit liability	375,285	341,359
Other long-term liabilities	98,758	104,512
Total fixed liabilities	1,412,736	1,380,031
Total liabilities	1,939,768	1,916,818

(continued on page 16)

	Millions of yen	
	March 31, 2015	March 31, 2016
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	55,000	55,068
Retained earnings	643,198	704,187
Treasury stock, at cost	(480)	(481)
Total shareholders' equity	797,717	858,775
Valuation and translation adjustments:		
Net unrealized holding gain on securities	4,955	3,523
Deferred gains or losses on hedges	638	(121)
Remeasurements of defined benefit plans	(2,047)	15,685
Total Valuation and translation adjustments	3,547	19,087
Non-controlling interests	45,436	48,513
Total net assets	846,701	926,376
Total liabilities and net assets	2,786,470	2,843,194

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2015	2016
Operating revenues	1,350,336	1,451,300
Operating expenses:		
Transportation, other services and cost of sales	1,028,221	1,084,891
Selling, general and administrative expenses	182,340	184,869
Total operating expenses	1,210,562	1,269,760
Operating income	139,774	181,539
Non-operating revenues:		
Interest income	67	116
Dividend income	880	650
Dividends income of insurance	2,586	2,698
Transfer from administrative fee of contracted construction	1,193	1,148
Equity in earnings of affiliates	1,901	1,288
Other	2,442	1,923
Total non-operating revenues	9,071	7,826
Non-operating expenses:		
Interest expense	25,898	24,158
Other	948	2,946
Total non-operating expenses	26,846	27,105
Recurring profit	121,999	162,260
Extraordinary profits:		
Gain on sales of noncurrent assets	3,005	1,898
Gain on contributions received for construction	52,395	14,487
Compensation income for expropriation	5,263	862
Other	8,842	4,264
Total extraordinary profits	69,506	21,512
Extraordinary losses:		
Loss on sales of noncurrent assets	4,483	108
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	51,494	13,652
Loss on reduction for expropriation	1,677	848
Provision for environmental safety measures	—	12,939
Other	11,139	11,066
Total extraordinary losses	68,793	38,614
Income before income taxes	122,712	145,158
Income taxes- Current	41,334	52,259
Income taxes- Deferred	14,328	2,860
Total income taxes	55,662	55,119
Net income	67,049	90,038
Profit attributable to non-controlling interests	336	4,170
Profit attributable to owners of parent	66,712	85,868

Consolidated Statements of Comprehensive Income

Years ended March 31

	Millions of yen	
	2015	2016
Net income	67,049	90,038
Other comprehensive income		
Valuation difference on available-for-sale securities	1,937	(1,500)
Deferred gains or losses on hedges	102	(953)
Remeasurements of defined benefit plans, net of tax	5,203	17,222
Share of other comprehensive income of associates accounted for using equity method	(61)	15
Total of other comprehensive income	7,182	14,784
Comprehensive income	74,231	104,823
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	73,180	101,409
Comprehensive income attributable to non-controlling interests	1,051	3,413

Business Segment Information

Years ended March 31

		Billions of yen		
		2015	2016	Change from the same period of the previous period
Transportation	Operating revenues	868.4	928.7	60.3
	Operating income	100.6	125.1	24.5
Retail	Operating revenues	220.1	232.0	11.8
	Operating income	1.5	5.3	3.7
Real Estate	Operating revenues	87.2	108.8	21.6
	Operating income	25.1	32.7	7.5
Other Businesses	Operating revenues	174.4	181.5	7.0
	Operating income	15.6	22.4	6.7

Note: Revenues by each segment are from third parties.

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,000	632,187	(359)	786,828
Cumulative effect of changes in accounting policies			(32,454)		(32,454)
Restated balance	100,000	55,000	599,733	(359)	754,374
Change in the fiscal year:					
Dividends from surplus			(23,248)		(23,248)
Profit attributable to owners of parent			66,712		66,712
Increase by merger			—		—
Purchase of treasury stock				—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method				(121)	(121)
Purchase of shares of consolidated subsidiaries		—			—
Net changes of items other than shareholders' equity					
Total	—	—	43,464	(121)	43,343
Balance at end of current period	100,000	55,000	643,198	(480)	797,717

	Millions of yen					
	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total		
Balance at beginning of current period	3,429	557	(6,906)	(2,920)	23,470	807,378
Cumulative effect of changes in accounting policies						(32,454)
Restated balance	3,429	557	(6,906)	(2,920)	23,470	774,924
Change in the fiscal year:						
Dividends from surplus						(23,248)
Profit attributable to owners of parent						66,712
Increase by merger						—
Purchase of treasury stock						—
Change in treasury shares arising from change in equity in entities accounted for using equity method						(121)
Purchase of shares of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	1,526	81	4,859	6,467	21,965	28,433
Total	1,526	81	4,859	6,467	21,965	71,776
Balance at end of current period	4,955	638	(2,047)	3,547	45,436	846,701

Year ended March 31, 2016

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,000	643,198	(480)	797,717
Cumulative effect of changes in accounting policies			—		—
Restated balance	100,000	55,000	643,198	(480)	797,717
Change in the fiscal year:					
Dividends from surplus			(25,185)		(25,185)
Profit attributable to owners of parent			85,868		85,868
Increase by merger			306		306
Purchase of treasury stock				(0)	(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Purchase of shares of consolidated subsidiaries		68			68
Net changes of items other than shareholders' equity					
Total	—	68	60,989	(1)	61,057
Balance at end of current period	100,000	55,068	704,187	(481)	858,775

	Millions of yen					
	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total		
Balance at beginning of current period	4,955	638	(2,047)	3,547	45,436	846,701
Cumulative effect of changes in accounting policies						—
Restated balance	4,955	638	(2,047)	3,547	45,436	846,701
Change in the fiscal year:						
Dividends from surplus						(25,185)
Profit attributable to owners of parent						85,868
Increase by merger						306
Purchase of treasury stock						(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method						(0)
Purchase of shares of consolidated subsidiaries						68
Net changes of items other than shareholders' equity	(1,431)	(760)	17,732	15,540	3,077	18,618
Total	(1,431)	(760)	17,732	15,540	3,077	79,675
Balance at end of current period	3,523	(121)	15,685	19,087	48,513	926,376

(4) Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2015	2016
Cash flows from operating activities		
Income before income taxes	122,712	145,158
Depreciation and amortization	149,590	156,624
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	51,494	13,652
Loss on disposal of property, plant and equipment	6,101	7,114
Increase (decrease) in net defined benefit liability	4,335	(7,696)
Increase (decrease) in allowance for doubtful accounts	(148)	(48)
Increase (decrease) in provision for bonuses	210	611
Increase (decrease) in other provision	(575)	11,156
Interest and dividend income	(947)	(766)
Interest expenses	25,898	24,158
Equity in earnings of affiliates	(1,901)	(1,288)
Proceeds from contribution for construction	(52,395)	(14,487)
Decrease (increase) in notes and accounts receivable-trade	(779)	(3,033)
Decrease (increase) in inventories	(4,504)	(1,632)
Increase (decrease) in notes and accounts payable-trade	(5,811)	(3,168)
Increase (decrease) in accrued consumption taxes	11,338	(4,866)
Other	(5,255)	(17)
Subtotal	299,361	321,472
Interest and dividends income received	819	747
Interest paid	(26,039)	(24,148)
Income taxes paid	(50,527)	(38,191)
Net cash provided by operating activities	223,613	259,880
Cash flows from investing activities		
Payments for time deposits with a maturity of more than three months	(231)	(266)
Proceeds for time deposits with a maturity of more than three months	231	231
Purchases of property, plant and equipment	(239,680)	(258,616)
Proceeds from sales of property, plant and equipment	2,678	24,243
Contributions received for constructions	27,816	16,652
Increase in investments in securities	(1,404)	(9,739)
Proceeds from sales of investments in securities	304	69
Payments on long-term loans receivable	(120)	(31,484)
Collections of long-term loans receivable	142	27,644
Other	(2,647)	(1,953)
Net cash used in investing activities	(212,912)	(233,219)

(continued on page 22)

	Millions of yen	
	2015	2016
Cash flows from financing activities		
Change in short-term loans	221	(1,546)
Proceeds from long-term loans	67,200	64,400
Repayment of long-term debt	(25,656)	(48,129)
Proceeds from issuance of bonds	40,000	35,000
Redemption of bonds	(20,000)	(20,000)
Repayment of long-term payables for acquisition of railway properties	(38,114)	(33,633)
Purchase of treasury stock	—	(0)
Cash dividends paid to the Company's shareholders	(23,249)	(25,197)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(143)	(123)
Other	1,432	(2,085)
Net cash used in financing activities	1,689	(31,315)
Change in cash and cash equivalents, net	12,390	(4,654)
Cash and cash equivalents at the beginning of the period	72,956	85,346
Cash and cash equivalents at the end of the period	85,346	80,691

(5) Note on Assumptions for Going Concern

Not applicable

(6) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Changes in Accounting Policies)

From the beginning of the subject fiscal year, the Company has applied “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereafter “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereafter “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereafter “Business Divestitures Accounting Standard”), recording as capital surplus the variance on changes in equity interests in subsidiaries where the Company retains control, and changing the method for recording acquisition-related expenses as expenses for the consolidated fiscal year. Also, for business combinations conducted from the beginning of the subject fiscal year, the Company has changed to a method to reflect the revisions to the allocated amount of acquisition cost determined by provisional accounting treatment in the consolidated financial statements for the fiscal year of the date of the business combination. In addition, the Company has made changes to the presentation of net income, and changed the presentation of minority interests to non-controlling interests. The consolidated financial statements for the previous fiscal year have been reclassified to reflect the subject changes in presentation.

For the application of the Business Combinations Accounting Standard and other standards, the Company follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, applying such from the beginning of the subject fiscal year and going forward.

Regarding the Consolidated Statements of Cash Flows for the fiscal year, the method has been changed so that cash flow related to the acquisition and/or sale of shares in subsidiaries not accompanied by a change in the scope of consolidation is presented in the “Cash flows from financing activities” segment, and cash flows pertaining to expenses related to the acquisition of share in subsidiaries accompanied by a change in the scope of consolidation, or the expenses incurred in relation to the acquisition and/or sale of shares in subsidiaries not accompanied by a change in the scope of consolidation, are presented in the “Cash flows from operating activities” segment.

For the subject fiscal year, the effect on the consolidated financial statements and per share information as a result of this change is negligible.

(Change in Accounting Estimates)

In the subject fiscal year, in addition to the regular PCB waste for which the Company already records an allowance, since reasonable accounting estimates can now be made for disposal costs for waste with low concentration PCB, the Company recorded an extraordinary loss as an

allowance for environmental safety measures for waste with low concentration PCB.

As a result, income before income taxes for the subject fiscal year declined ¥12,939 million.

(7) Note to Consolidated Financial Statements

(Segment Information)

1. Overview of Reportable Segments

The JR-West Group's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the Board of Directors to determine the allocation of management resources, and evaluate earnings performance.

The JR-West Group's principal business segments are "Transportation," "Retail" and "Real Estate." Classification by category of the businesses that compose JR-West and its Group companies allows for management of business operations by JR-West or the respective Group company.

Accordingly, the JR-West Group comprises segments by business, and has the three reportable segments of "Transportation," "Retail" and "Real Estate." The "Transportation" segment comprises the railway business, passenger vehicle transportation operations, and ferry business. The "Retail" segment comprises department store operations, retail goods and food service operations, and wholesale operations for various types of goods. The "Real Estate" segment comprises real estate sales and leasing operations, and shopping center management operations.

2. Method of Calculating Amounts of Operating Revenues, Earnings (or Losses), Assets and Other Items for Reportable Segments

The method of accounting for reported business segments is based on the accounting principles and procedures employed in preparing the consolidated financial statements. Transactions between reportable segments constitute transactions between consolidated companies, and are based on such factors as market prices.

3. Operating Revenues and Earnings (or Loss) by Reportable Segment

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

	Millions of yen						
	Transportation	Retail	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
Operating revenues:							
Operating revenues from third parties	868,482	220,180	87,207	174,466	1,350,336	—	1,350,336
Intergroup operating revenues and transfers	17,088	7,120	18,695	266,706	309,611	(309,611)	—
Total operating revenues	885,570	227,301	105,903	441,173	1,659,948	(309,611)	1,350,336
Segment income	100,679	1,597	25,190	15,633	143,100	(3,326)	139,774
Segment assets	1,976,724	108,771	419,955	401,327	2,906,779	(120,309)	2,786,470
Other items							
Depreciation and amortization	125,133	5,007	16,697	2,751	149,590	—	149,590
Gain on bargain purchase	—	—	109	6,525	6,635	—	6,635
Investment in affiliates accounted for by equity method	21,830	—	—	10,123	31,954	—	31,954
Increase in property, plant and equipment and intangible assets	210,344	10,430	29,723	20,986	271,484	—	271,484

Notes: 1. The "Other Businesses" category is a business segment not including in reportable segments. It includes such operations as hotels, travel services, and construction business.

2. Adjustments are as follows:

- (1) The segment income adjustment of minus ¥3,326 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥120,309 million reflects ¥202,589 million in companywide assets not attributed to any segment, less ¥322,898 million in elimination of intersegment credits and debts.

3. Segment earnings (or loss) are adjusted to the operating income figure on the Consolidated Statements of Income.

4. In the "Other Businesses" segment, negative goodwill was generated due to the conversion of DAITETSU KOGYO CO., LTD., to a subsidiary. The amount of negative goodwill generated by this event amounted to ¥6,403 million.

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	Millions of yen						
	Transportation	Retail	Real estate	Other businesses	Total	Eliminations and intergroup	Consolidated
Operating revenues:							
Operating revenues from third parties	928,782	232,071	108,897	181,548	1,451,300	—	1,451,300
Intergroup operating revenues and transfers	18,070	8,498	18,918	276,999	322,486	(322,486)	—
Total operating revenues	946,853	240,569	127,815	458,548	1,773,786	(322,486)	1,451,300
Segment income	125,190	5,320	32,725	22,427	185,663	(4,123)	181,539
Segment assets	2,025,476	100,395	426,701	399,681	2,952,254	(109,059)	2,843,194
Other items							
Depreciation and amortization	131,609	5,568	17,159	2,286	156,624	—	156,624
Investment in affiliates accounted for by equity method	22,917	—	—	10,600	33,517	—	33,517
Increase in property, plant and equipment and intangible assets	214,221	6,291	24,679	9,355	254,547	—	254,547

Notes: 1. The “Other Businesses” category is a business segment not including in reportable segments. It includes such operations as hotels, travel services, and construction business.

2. Adjustments are as follows:

- (1) The segment income adjustment of minus ¥4,123 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥109,059 million reflects ¥204,266 million in companywide assets not attributed to any segment, less ¥313,326 million in elimination of intersegment credits and debts.

3. Segment earnings (or loss) are adjusted to the operating income figure on the Consolidated Statements of Income.

(Per Share Information)

	Years ended March 31	
	2015	2016
Net assets (Yen)	4,138.65	4,534.29
Net income (Yen)	344.58	443.53

Notes: 1. "Net income per share, adjusted for latent shares" is not stated because there are no latent shares.

2. The basis for calculating "Net income per share" is as follows.

	Years ended March 31	
	2015	2016
Net income per share		
Net income (Millions of yen)	66,712	85,868
Net income applicable to common shares (Millions of yen)	66,712	85,868
Average number of shares outstanding for each period (Thousands of shares)	193,605	193,605

(Material subsequent events)

Bond Issuance

JR-West, based on a resolution at a meeting of its Board of Directors held on March 16, 2016, has decided to make its 43rd issuance of straight bonds, which will be offered and issued in Japan under the conditions below. An overview of the issuance is as follows.

1. Total amount of issue: ¥10,000 million
2. Issue price: ¥100 for nominal value of ¥100
3. Interest rate: 0.714% per annum
4. Maturity date: April 20, 2046
5. Issue date: April 21, 2016
6. Collateral: Unsecured
7. Use of proceeds: Repayment of long-term payables for acquisition railway properties

(Additional Information)

Approval of the Allowance Reserve Plan for the Large-Scale Renovation of Shinkansen Infrastructure

With respect to the Sanyo Shinkansen (between Shin-Osaka and Hakata), which JR-West owns, the need for large-scale renovation to ensure reliable transportation going forward was recognized, on March 29, 2016, the Company received approval from the Minister of Land, Infrastructure, Transport and Tourism for its allowance reserve plan for the large-scale renovation of Shinkansen infrastructure, based on article 16, paragraph 1 of the Nationwide Shinkansen Railway Development Act (1970, Act No. 71).

As a result, in each fiscal year from the fiscal year ending March 31, 2017, through to the fiscal year ending March 31, 2028, compared to the situation if an allowance reserve had not been

implemented, there will be additional operating expenses of ¥4,166 million in each fiscal year. Subsequently, as a result of implementing a reversal of the allowance, in each fiscal year from the fiscal year ending March 31, 2029, through to the fiscal year ending March 31, 2038, compared to the situation if an allowance reserve had not been implemented, there will be a reduction in operating expenses of ¥5,000 million in each fiscal year.

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2015	March 31, 2016	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	235.2	251.9	16.6
Non-current assets:			
Fixed assets for railway operations	1,796.1	1,844.7	48.5
Construction in progress	58.6	73.1	14.4
Investments and other assets	354.4	330.0	(24.3)
Total fixed assets	2,209.1	2,247.9	38.7
Total assets	2,444.4	2,499.8	55.4

	March 31, 2015	March 31, 2016	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	79.7	92.9	13.2
Accounts payable	451.9	467.4	15.5
Total current liabilities	531.6	560.4	28.7
Non-current liabilities:			
Bonds and long-term debt	917.9	902.7	(15.2)
Accrued retirement benefits	349.8	341.4	(8.4)
Other long-term liabilities	13.3	29.2	15.9
Total fixed liabilities	1,281.1	1,273.3	(7.7)
Total liabilities	1,812.8	1,833.7	20.9
Total shareholders' equity:			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	472.4	508.3	35.9
Treasury stock, at cost	(0.0)	(0.0)	(0.0)
Total shareholders' equity	627.4	663.3	35.9
Valuation and translation adjustments	4.1	2.6	(1.4)
Total net assets	631.5	666.0	34.4
Total liabilities and net assets	2,444.4	2,499.8	55.4

2. NON-CONSOLIDATED STATEMENTS OF INCOME

	Years ended March 31		Change from the same period of the previous period		Forecasts for year ending March 31, 2017	
	2015	2016			Change	
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
Operating revenues:						
Transportation	797.0	850.0	53.0	6.7	848.5	(1.5)
Transportation incidentals	18.4	18.3	(0.1)	(0.8)	17.7	(0.6)
Other operations	23.6	26.0	2.3	10.1	27.5	1.4
Miscellaneous	51.7	59.8	8.0	15.5	58.8	(1.0)
	890.9	954.2	63.2	7.1	952.5	(1.7)
Operating expenses:						
Personnel costs	233.0	233.3	0.2	0.1	223.0	(10.3)
Non personnel costs:						
Energy costs	45.3	44.1	(1.2)	(2.7)	42.0	(2.1)
Maintenance costs	146.7	152.8	6.0	4.1	153.0	0.1
Miscellaneous costs	176.9	195.4	18.5	10.5	195.5	0.0
	369.0	392.4	23.4	6.3	390.5	(1.9)
Rental payments, etc	18.7	26.9	8.1	43.4	30.5	3.5
Taxes	32.0	31.9	(0.0)	(0.1)	35.0	3.0
Depreciation	126.0	132.3	6.2	5.0	137.5	5.1
	778.9	817.0	38.1	4.9	816.5	(0.5)
Operating income	112.0	137.2	25.1	22.5	136.0	(1.2)
Non-operating revenues and expenses, net:						
Non-operating revenues	6.5	6.3	(0.1)	—	—	—
Non-operating expenses	26.4	26.8	0.3	—	—	—
	(19.8)	(20.4)	(0.5)	2.9	(17.0)	3.4
Recurring profit	92.1	116.7	24.6	26.7	119.0	2.2
Extraordinary profit and loss, net:						
Extraordinary profit	60.6	19.5	(41.0)	—	—	—
Extraordinary loss	65.1	35.0	(30.0)	—	—	—
	(4.5)	(15.5)	(11.0)	—	(1.0)	14.5
Income before income taxes	87.5	101.1	13.6	15.5	118.0	16.8
Income taxes	40.2	40.0	(0.1)	(0.3)	36.0	(4.0)
Net income	47.3	61.1	13.7	29.0	82.0	20.8

Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Years ended March 31		Change		Years ended March 31		Change	
	2015	2016	Amount	%	2015	2016	Amount	%
Shinkansen								
Commuter Passes	743	804	61	8.2	9.3	10.1	0.8	8.8
Non-Commuter Passes	17,366	19,644	2,278	13.1	366.5	427.1	60.5	16.5
Total	18,109	20,449	2,339	12.9	375.9	437.2	61.3	16.3
Conventional Lines								
Commuter Passes	22,557	22,764	206	0.9	142.3	141.0	(1.3)	(0.9)
Non-Commuter Passes	15,411	15,127	(284)	(1.8)	278.7	271.7	(7.0)	(2.5)
Total	37,969	37,891	(77)	(0.2)	421.0	412.7	(8.3)	(2.0)
Kansai Urban Area								
Commuter Passes	18,356	18,714	357	1.9	115.2	115.6	0.4	0.4
Non-Commuter Passes	10,473	10,808	334	3.2	181.0	186.5	5.5	3.0
Total	28,830	29,522	691	2.4	296.2	302.2	5.9	2.0
Other Lines								
Commuter Passes	4,201	4,050	(150)	(3.6)	27.1	25.3	(1.7)	(6.4)
Non-Commuter Passes	4,937	4,319	(618)	(12.5)	97.6	85.1	(12.5)	(12.8)
Total	9,138	8,369	(768)	(8.4)	124.8	110.5	(14.2)	(11.4)
Total								
Commuter Passes	23,301	23,569	268	1.2	151.6	151.1	(0.5)	(0.3)
Non-Commuter Passes	32,777	34,771	1,994	6.1	645.3	698.8	53.5	8.3
Total	56,078	58,341	2,262	4.0	797.0	850.0	53.0	6.7

3. NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2015

	Millions of yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings					Total
		Legal capital surplus	Legal retained earnings	Other retained earnings				
			Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance at beginning of current period	100,000	55,000	11,327	21,834	360,000	88,468	481,629	
Cumulative effect of changes in accounting policies						(33,328)	(33,328)	
Restated balance	100,000	55,000	11,327	21,834	360,000	55,139	448,301	
Change in the fiscal year:								
Dividends from surplus						(23,248)	(23,248)	
Net income						47,382	47,382	
Provision of reserve for advanced depreciation of noncurrent assets				4,504		(4,504)	—	
Reversal of reserve for advanced depreciation of noncurrent assets				(1,389)		1,389	—	
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total	—	—	—	3,115	—	21,018	24,133	
Balance at end of current period	100,000	55,000	11,327	24,949	360,000	76,158	472,435	

(continued on page 33)

	Millions of yen			
	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	
Balance at beginning of current period	(2)	636,626	2,863	639,490
Cumulative effect of changes in accounting policies		(33,328)		(33,328)
Restated balance	(2)	603,298	2,863	606,161
Change in the fiscal year:				
Dividends from surplus		(23,248)		(23,248)
Net income		47,382		47,382
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Purchase of treasury stock	—	—		—
Net changes of items other than shareholders' equity			1,289	1,289
Total	—	24,133	1,289	25,423
Balance at end of current period	(2)	627,432	4,152	631,584

Year ended March 31, 2016

	Millions of yen						
	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings				Total
		Legal capital surplus	Legal retained earnings	Other retained earnings		Retained earnings brought forward	
			Reserve for advanced depreciation of noncurrent assets	General reserve			
Balance at beginning of current period	100,000	55,000	11,327	24,949	360,000	76,158	472,435
Cumulative effect of changes in accounting policies							—
Restated balance	100,000	55,000	11,327	24,949	360,000	76,158	472,435
Change in the fiscal year:							
Dividends from surplus						(25,185)	(25,185)
Net income						61,123	61,123
Provision of reserve for advanced depreciation of noncurrent assets				1,480		(1,480)	—
Reversal of reserve for advanced depreciation of noncurrent assets				(1,159)		1,159	—
Purchase of treasury stock							
Net changes of items other than shareholders' equity							
Total	—	—	—	320	—	35,617	35,938
Balance at end of current period	100,000	55,000	11,327	25,269	360,000	111,775	508,373

(continued on page 35)

	Millions of yen			
	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	
Balance at beginning of current period	(2)	627,432	4,152	631,584
Cumulative effect of changes in accounting policies		—		—
Restated balance	(2)	627,432	4,152	631,584
Change in the fiscal year:				
Dividends from surplus		(25,185)		(25,185)
Net income		61,123		61,123
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			(1,455)	(1,455)
Total	(0)	35,937	(1,455)	34,481
Balance at end of current period	(3)	663,369	2,696	666,066

4. CAPITAL EXPENDITURES

Consolidated Basis

	Years ended March 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2017
	2015	2016	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	248.0	248.0	0.0	0.0	—
Capital expenditures, excluding contributions received for constructions	225.6	233.1	7.5	3.3	193.0
Contributions received for constructions	22.4	14.9	(7.5)	(33.5)	—

Non-Consolidated Basis

	Years ended March 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2017
	2015	2016	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	208.8	213.7	4.8	2.3	—
Capital expenditures, excluding contributions received for constructions	186.4	198.7	12.3	6.6	163.0
[Safety-related capital expenditures]	[90.2]	[126.0]	[35.8]	[39.7]	[104.5]
Contributions received for constructions	22.4	14.9	(7.5)	(33.5)	—

Major Capital Expenditures

Capital investments included earthquake and tsunami countermeasures, and new rolling stock (Sanyo Shinkansen N700A, 227 series commuter train).

5. FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2017

	Year ended March 31, 2016	Year ending March 31, 2017	Change from the same period of the previous period	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated-basis:	<1.52>	<1.52>		
Operating revenues	1,451.3	1,450.0	(1.3)	(0.1)
Operating income	181.5	175.5	(6.0)	(3.3)
Recurring profit	162.2	159.5	(2.7)	(1.7)
	<1.40>	<1.30>		
Profit attributable to owners of parent	85.8	106.5	20.6	24.0
Non-consolidated-basis:				
Operating revenues	954.2	952.5	(1.7)	(0.2)
Transportation operations	850.0	848.5	(1.5)	(0.2)
Operating expenses	817.0	816.5	(0.5)	(0.1)
Operating income	137.2	136.0	(1.2)	(0.9)
Recurring profit	116.7	119.0	2.2	1.9
Net income	61.1	82.0	20.8	34.2

Note: Figures in brackets < > are the consolidated-to-parent ratio.

Business Segment Information

		Billions of yen		
		Year ended March 31, 2016	Year ending March 31, 2017	Change from the same period of the previous period
Transportation	Operating revenues	928.7	925.7	(3.0)
	Operating income	125.1	122.3	(2.8)
Retail	Operating revenues	232.0	241.8	9.7
	Operating income	5.3	5.4	0.0
Real Estate	Operating revenues	108.8	104.4	(4.4)
	Operating income	32.7	31.4	(1.3)
Other Businesses	Operating revenues	181.5	178.1	(3.4)
	Operating income	22.4	19.9	(2.5)

Note: Revenues by each segment are from third parties.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

- This report 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 April 2016 based on information available to JR-West as of April 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 the Fukuchiyama Line that occurred on April 25, 2005, is NOT considered in this report.