

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 21, 2018

Filing of annual security report: June 22, 2018

Start of dividend payments: June 22, 2018

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	%
2018	1,500,445	4.1	191,365	8.5	177,780	10.6	110,493	21.0
2017	1,441,411	(0.7)	176,392	(2.8)	160,783	(0.9)	91,288	6.3

(Note) Comprehensive Income: Year ended March 31, 2018: ¥114,171 million, 24.0%;
Year ended March 31, 2017: ¥92,097 million, (12.1)%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share after dilution	Return on equity	Recurring profit-to-total assets ratio	Operating income-to-operating revenues ratio
	Yen	Yen	%	%	%
2018	570.72	—	11.3	5.8	12.8
2017	471.52	—	10.0	5.5	12.2

(Reference) Gain on investment by equity method: Year ended March 31, 2018: ¥2,480 million;
Year ended March 31, 2017: ¥1,574 million**(2) Financial position**

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	3,072,965	1,116,304	33.2	5,273.42
2017	3,007,852	1,032,610	31.3	4,857.50

(Reference) Total shareholders' equity: March 31, 2018: ¥1,020,960 million, March 31, 2017: ¥940,437 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
2018	275,101	(166,352)	(71,422)	101,448
2017	234,144	(295,808)	44,304	63,332

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			
2017	—	70.00	—	70.00	140.00	27,122	29.7	3.0
2018	—	80.00	—	80.00	160.00	30,997	28.0	3.2
2019 (Forecast)	—	87.50	—	87.50	175.00		30.5	

3. Forecasts for Fiscal Year ending March 31, 2019

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	737,500	1.4	114,000	2.5	105,500	2.7
Fiscal year	1,525,500	1.7	187,500	(2.0)	174,000	(2.1)

	Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Yen
Interim period	69,500	2.4	358.98
Fiscal year	111,000	0.5	573.33

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: None
 - 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 25.

3. Number of Shares Outstanding (Common stock)

	Years ended March 31	
	2018	2017
1) Number of shares issued and outstanding (including treasury stock):	193,735,000	193,735,000
2) Number of treasury stock	129,808	129,899
3) Average number of shares outstanding for each period (cumulative term):	193,605,143	193,605,150

(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	%
2018	976,277	2.1	144,374	6.6	128,654	8.6	80,742	14.0
2017	956,103	0.2	135,477	(1.3)	118,470	1.5	70,842	15.9

	Net income per share		Net income per share after dilution	
	Yen		Yen	
2018	416.77		—	
2017	365.67		—	

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2018	2,659,354	761,703	28.6	3,931.69
2017	2,598,964	709,959	27.3	3,664.60

(Reference) Total shareholders' equity: March 31, 2018: ¥761,703 million, March 31, 2017: ¥709,959 million

2. Forecasts for Fiscal Year ending March 31, 2019

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	492,000	1.3	95,000	4.8	87,000	7.2
Fiscal year	988,000	1.2	145,000	0.4	131,000	1.8

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	60,000	7.4	309.70
Fiscal year	89,500	10.8	461.97

* Indication regarding the status of auditing procedures

Notes

1. 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 10.
2. 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 to passengers. We would like to express once more our deepest regret and condolences to the victims of this accident and the bereaved families, as well as all of the injured and their families. JR-West will continue to make concerted efforts to face with sincerity all persons affected by the accident, and enhance our diligent efforts to improve safety.

The JR-West Group, based on the “JR-West Group Medium-Term Management Plan 2017” and the “Safety Think-and-Act Plan 2017”, the core component of the plan, steadily implemented various measures to enhance enterprise value over the medium to long term. By setting targets for each strategy of the Medium-Term Management Plan, and repeatedly applying a PDCA cycle, JR-West achieved positive results, including reducing the number of railway transportation accidents and transport disruptions due to internal factors, and increasing customer satisfaction. We also took steps to maximize the opening effect of the Hokuriku Shinkansen, develop Osaka Station and other terminal stations, and capture demand from overseas tourists, generating new vitality in regional areas. As a result, all finance-related key performance indicators (KPIs) exceeded targets by a significant margin. At the same time, JR-West was unable to meet certain safety-related targets, such as preventing railway worker accidents, and we recognize the critical incident involving the Shinkansen to be a major issue.

With these circumstances in mind, in FY2019.3 JR-West launched the “JR-West Group Medium-Term Management Plan 2022” and its core component, the “JR-West Group Railway Safety Think-and-Act Plan 2022.” We also formulated a “Technology Vision” to explore how to achieve our ideal form from a technical aspect.

Based on our resolve never to cause another accident like that on the Fukuchiyama Line, JR-West will continue to commit its full efforts to improving safety in its core railway business, strive to meet the expectations of each and every customer, and work together with communities to create a safe and prosperous society. Further, the entire JR-West Group will constantly evolve to achieve growth, and pave the way to the future.

During the subject fiscal year (April 1, 2017 to March 31, 2018), transportation revenues rose amid a moderate economic expansion, mainly as a result of active use during holidays and other busy periods, and a rebound in railway use from the downturn following the Kumamoto earthquake in April 2016. The retail and real estate businesses also grew steadily. As a result, operating revenues for the subject fiscal year rose 4.1% from the previous fiscal year to ¥1,500.4 billion, with operating income up 8.5% to ¥191.3 billion, recurring profit up 10.6% to ¥177.7 billion, and profit attributable to owners of parent up 21.0% to ¥110.4 billion.

(2) Results by Business Segment

a. Transportation Operations

Safety Enhancements

The JR-West Group, based on the “Safety Think-and-Act Plan 2017”, has implemented various safety-related measures aimed at establishing a structure to ensure safety throughout the entire organization, and foster a corporate culture that prioritizes safety. In addition, we upgraded physical facilities, including installing safety equipment to prevent transport accidents, carrying out seismic reinforcements and other improvements to mitigate natural disasters, and enhancing safety on platforms and crossings.

As a result, the number of railway transportation accidents, transport disruptions due to

internal factors, and serious labor accidents has been declining overall. However, as noted in the previous section, JR-West was unable to meet certain safety-related targets such as preventing railway worker accidents, and we recognize the critical incident involving the Shinkansen to be a major issue.

Bearing in mind the results achieved, as well as the nonattainment of certain targets and other factors, JR-West will continue to pursue measures for greater safety under the “JR-West Group Railway Safety Think-and-Act Plan 2022.”

During the subject fiscal year, based on the “Safety Think-and-Act Plan 2017,” JR-West implemented various measures to enhance safety in terms of both physical and intangible aspects. We made safety-related investments in line with plan. To enhance safety on platforms, JR-West moved steadily forward with the installation of platform gates at stations with more than 100,000 daily passengers boarding and alighting and other stations with fewer than 100,000 daily passengers, and other initiatives. We also took steps to address intensifying natural disasters, including countermeasures for earthquakes, tsunami, and heavy rains. Further, in December 2017, JR-West consolidated safety-related information and risk-assessment information into a single database, introducing the Safety Management Integrated System, allowing for viewing and analysis at all office locations.

Further, in terms of measures for technologies that support safety, JR-West is working to develop new technologies to improve safety and work efficiency.

To strengthen the safety management structure for the Shinkansen, in January 2018, JR-West newly appointed a Vice President and Representative Director in charge of the Shinkansen to supervise the prompt establishment of a safety management structure based on the circumstances of the recent incident, and manage internal measures related to the safe operation of the Shinkansen.

In March 2018, JR-West received from external members the report of the Expert Committee on the Critical Shinkansen Incident. We take the recommendations in the report seriously, and taking leadership at the management level, together with technical and operational personnel, JR-West is making a concerted effort as an organization to identify the potential risks in the systems supporting Shinkansen operations, and through a repeated PDCA cycle, working to improve safety. Specifically, in addition to the measures implemented up to now, JR-West is making additional efforts including installing systems to detect abnormalities in the bogie, further improving the quality of train inspections with renovations of the Hakata Depot, and increasing the number of rolling stock to allow for more flexible vehicle operations. We will also establish a Shinkansen-specific organizational structure to provide for comprehensive and specialist considerations regarding the Shinkansen, and allow for prompt decision-making.

Through future measures, we are working to quickly enhance the Shinkansen safety management structure overall.

(Main Specific Measures during the Subject Fiscal Year)

1. Platform safety enhancements

- Installation of platform gates (Osaka Station tracks 6 and 7 (April/May 2017))
- Remote security cameras that notify station staff of abnormal occurrences on platforms installed (At Tennoji and Tsuruhashi stations (Both in April 2017), Kyoto Station (December 2017) and Amagasaki Station (March 2018))
- Employees encouraged to acquire qualification as service assistance professionals in order to learn safe assistance skills.

2. Countermeasures for natural disasters

- Installation of derailment prevention guards continued on the Sanyo Shinkansen
- Educational material for train crew utilizing virtual reality distributed as a tsunami protection

measure for the Kisei Line (April 2017)

- For conventional lines, slope disaster prevention work was conducted, including reinforcement of slopes, and installation of drainage facilities
- For conventional lines, implementation of a weather hazard response system to provide unified management of weather-related factors including rainfall, windspeed, and seismic intensity

3. Measures for technologies to support safety

- Development of a “Track Facility Diagnostic System” that performs inspections using an on-vehicle device (instead of the current system of visual observation by technicians), and trial implementation on the Sanyo Shinkansen (September 2017)
- Development of a “Utility Pole Handling Vehicle” to enhance the efficiency of utility pole replacement work (October 2017)
- For conventional lines, development and introduction of a “Train Car Status Monitoring System” to automatically measure and record the condition of train cars when trains enter the depot or other area

Marketing Initiatives

Customer satisfaction (CS) was one of the basic strategies of the previous medium-term management plan. JR-West pursued measures to meet the diverse needs of customers, while working to capture and create business and tourism demand.

During the subject fiscal year, along with various measures to increase customer satisfaction, JR-West worked to raise transport service quality on the Shinkansen, enhance the value of the railway belts in the Kansai Urban Area, and promote region-affiliated tourism in the West Japan Area. We also took steps to ensure readiness to welcome overseas visitors to Japan, and enhance the appeal of the “Otonabi” member organization for seniors.

(Main Specific Measures during the Subject Fiscal Year)

1. Enhancing customer satisfaction

- Improved customer facilities (toilets, benches, waiting rooms, train car renovations, information provision facilities, etc.)
- Expanded guidance service for customers (Enhanced functionality and expanded use of tablets by station staff) (June 2017)
- Trial of chat-based response system for lost article inquiries (August 2017)
- Expanded coverage areas and lines for the train location information service (March 2018)

2. Shinkansen

- Conducted the “Beauty of Japan Is in Hokuriku” campaign and other travel campaigns (April-November 2017)
- Launched the “e5489” settlement service at convenience stores and other locations (May 2017)
- Launch of the “Smart EX” service (September 2017)

3. Kansai Urban Area

- Introduction of new 323-model train cars on the Osaka Loop Line
- Conducted the Kyoto Railway Museum grand opening first anniversary campaign (March-May 2017)
- Launch of station renovation work (Kyobashi and Tamatsukuri stations (Both in September 2017)
- Opened new stations on the JR Kyoto Line and Osaka Higashi Line (JR Sojiji and Kizuri-Kamikita stations, respectively, both in March 2018)

4. West Japan Area

- Began operations of the Twilight Express *Mizukaze* sleeper train (June 2017)
- Launch of the “JR-West 30th Anniversary Open-type Ticket” (September 2017)
- Introduction of the newly built passenger cars for steam locomotive Yamaguchi-go (September 2017)
- Conducted the Bakumatsu Ishin Yamaguchi destination campaign (September-December 2017)
- Conducted the “Kagoshima-e, Don! to Campaign” (January-March 2018)

5. Capturing demand from overseas visitors

- Launched “Smart EX” service for overseas visitors to Japan (October 2017)
- Renovation of the Hiroshima Station Information Center (October 2017)
- Introduced a station numbering system for major railway belts in the Kansai Urban Area (March 2018)
- Introduced a short-term baggage storage service at Shin-Kobe Station (March 2018)
- Expanded multilingual guidance and announcements in stations and trains

6. Generating demand among seniors

- Conducted events for “Otonabi” members to mark achieving one million members (“Kyoto Railway Museum” exclusive event (August 2017), etc.)

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

In addition to these measures, amid the moderate economic expansion, the Transportation Operations segment benefitted from such factors as active use during holidays and other busy periods, and a rebound in railway use from the downturn following the Kumamoto earthquake in April 2016. Segment operating revenues rose 2.3% from the previous fiscal year to ¥950.8 billion, with operating income up 7.0% to ¥130.3 billion.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, which ceased operations on April 1, 2018, JR-West is continuing discussions with local residents regarding the “New Public Transportation Network to Replace the Sanko Line”, a community-led initiative to establish a model case for public transportation, taking into account the needs of the region and a future vision for community development.

b. Retail Business

For Retail Business measures during the previous medium-term management plan period, JR-West mostly completed ahead of schedule its plan to convert the previous Heart-in convenience stores and other shops to tie-up stores with Seven Eleven Japan (SEJ). We also moved forward with such measures as proactive expanded location opening of accommodation-oriented Via-inn hotels.

During the subject fiscal year, JR-West converted and opened 30 SEJ tie-up stores, an in June 2017, opened an Entrée Marché at Hiroshima Station, where we had been undertaking station improvements and developing in-station stores and other facilities. We are also opening stores in areas other than stations and railway belts, and in July 2017 opened a Karafuneya CAFÉ at Abeno Q’s Mall in Osaka.

For department stores, JR-West conducted measures to capture demand from overseas visitors to Japan, and utilize the Kyoto Station Building 20th anniversary.

Further, for the accommodation-oriented hotels included in the Retail Business segment, JR-West opened Via-inn Abeno Tennoji in Osaka in April 2017 and Via-inn Umeda in Osaka in August 2017.

As a result, sales of goods and food services rose steadily at SEJ franchise stores, leading to gains in the Retail Business. Segment revenue rose 2.5% from the previous fiscal year to ¥239.8 billion, with operating income up 38.9% to ¥7.2 billion.

c. Real Estate Business

For Real Estate Business measures during the previous medium-term management plan period, in recognition that the real estate business has a high degree of affinity with the railway business in terms of utilizing the portfolio assets of the corporate group to improve customer convenience and enhance the value of railway belts, JR-West has pursued such businesses as the development and management of shopping centers, as well as sales of residential and other properties.

During the subject fiscal year, for properties held by JR-West's consolidated subsidiary Ryoju Properties Co., Ltd., which conducts business operations in promising markets including those outside JR-West's railway belts or railway service area, we worked to expand the sales business and strengthen the leasing business, utilizing the know-how of the corporate group.

For LUCUA osaka, in September 2017 JR-West fully opened the renovated B1 floor of LUCUA 1100, and in December 2017 expanded the Barchica restaurant zone on the B2 floor. At Hiroshima Station, in October 2017 we opened the new "ekie" shopping center, and in March 2018 the "ekie Dining" restaurant zone in the north exit 1F area. Further, in March 2018 JR-West made regular brush-ups to facilities, including renovations to Kyoto Porta, Umeda EST in Osaka, Tennoji MIO in Osaka, and Piole Himeji in Hyogo.

As a result, the Real Estate Business segment was boosted by such factors as the consolidation of Ryoju Properties Co., Ltd., and steady growth in the property development business, including JR West Real Estate and Development Company. Segment revenues rose 27.5% from the previous fiscal year to ¥139.6 billion, with operating income up 11.1% to ¥35.7 billion.

d. Other Businesses

For Hotel Business measures during the previous medium-term management plan period, to meet firm accommodation demand and respond to the diverse needs of customers, JR-West strengthened operational capabilities, including structures and facilities to accommodate overseas visitors to Japan, and worked to develop new business styles.

During the subject fiscal year, in October 2017 JR-West opened the high-end capsule hotel First Cabin Station Abenoso in Abeno Osaka, and is making preparation for opening the high-class accommodation-oriented Hotel Vischio in Osaka and in Kyoto. In addition, JR-West plans to develop new types of hotels, such as for customers enjoying personal leisure in the Kyoto-Umekoji area. Together with its existing Granvia brand of city hotels and Via-inn brand of accommodation-oriented hotels, JR-West is expanding its hotel businesses by utilizing a diverse brand structure, including in areas outside of its railway belts and railway service area.

In travel agency operations, JR-West strengthened marketing to overseas visitors to Japan, and made efforts to expand corporate sales, and sales of products for individuals such as web-only products.

As a result, operating revenues for the Other business segment rose 0.7% from the previous fiscal year to ¥170.0 billion, though operating income declined 2.5% to ¥19.9 billion. This was due mainly to the impact in the hotel business from the closure of the Sannomiya Terminal Hotel in

Kobe, offsetting gains in the construction business from increases in orders, and in the travel agency business from increased use by overseas visitors to Japan.

2. Analysis of Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2018) amounted to ¥3,072.9 billion, an increase of ¥65.1 billion from the end of the previous fiscal year (March 31, 2017). This was due mainly to an increase in current assets, stemming from gains in cash and inventories (real estate sales, etc.).

Total liabilities amounted to ¥1,956.6 billion, a decrease of ¥18.5 billion from the end of the previous fiscal year. This was due mainly to a decrease in liabilities related to defined retirement benefit plans due to retirement payments.

Total net assets amounted to ¥1,116.3 billion, an increase of ¥83.6 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 ¥275.1 billion, an increase of ¥40.9 billion from the previous fiscal year. This was due mainly to an increase in profit before income taxes.

Cash used in investing activities amounted to ¥166.3 billion, a decrease of ¥129.4 billion from the previous fiscal year. This was due mainly to a decrease in purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash provided by financing activities amounted to ¥71.4 billion, an increase of ¥115.7 billion from the previous fiscal year. This was due mainly to an increase in redemption of bonds.

As a result, cash and cash equivalents at the end of the subject fiscal year (March 31, 2018) amounted to ¥101.4 billion, an increase of ¥38.1 billion from the end of the previous fiscal year (March 31, 2017).

(Reference) Cash Flow Indicators

Years ended March 31

	2014	2015	2016	2017	2018
Equity ratio (%)	29.2	28.8	30.9	31.3	33.2
Equity ratio, based on market value (%)	30.4	43.8	47.3	46.6	46.8
Interest-bearing debt to cash flow ratio (Times)	4.1	4.4	3.8	4.4	3.7
Interest coverage ratio (Times)	4.8	5.4	7.5	7.9	9.2

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

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.

2. FUTURE OUTLOOK

(1) Outlook for the Next Fiscal Year

For the fiscal year ending March 31, 2019, despite expectations for continued firm demand from inbound visitors to Japan, considering the unstable conditions in Japan and overseas, competition from other modes of transportation, and the increasingly apparent labor shortage due to the population decline, JR West anticipates that the business environment for the Company will become ever more difficult.

Amid such circumstances, JR-West formulated the “JR-West Group Medium-Term Management Plan 2022” and its core component, the “JR-West Group Railway Safety Think-and-Act Plan 2022,” to achieve our vision for the future by refining the strengths of the corporate group and utilizing our collective capabilities for growth, with improving the safety of the railway business as the core of our management philosophy.

During the initial year of the plan, for continuing measures we will make further refinements to the results, while also steadily launching new measures to make advancements aimed at dramatic growth.

Based on these factors, results forecasts at this point for FY2019.3 are as follows:

Consolidated Forecasts for the Year Ending March 31, 2019

Operating revenues:	¥1,525.5 billion	(up 1.7% YoY)
Operating income:	¥187.5 billion	(down 2.0% YoY)
Recurring profit:	¥174.0 billion	(down 2.1% YoY)
Profit attributable to owners of parent:	¥111.0 billion	(up 0.5% YoY)

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

(2) 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 ended March 2018, based on achieving the targets in the medium-term management plan.

For the fiscal year ended March 2018, the Company plans to pay a full-year dividend of ¥160 per share, comprising the interim dividend of ¥80 per share already paid, and a year-end dividend of ¥80 per share.

* $(\text{total dividends} + \text{acquisitions of treasury stock}) \div \text{consolidated net assets} \times 100$

In the “JR-West Group Medium-Term Management Plan 2022” launched in April 2018, the Company states that it will implement stable dividends, aiming for a dividend payout ratio of approximately 35% in FY2023.3 and over the period of this plan, our yardstick will be a total return ratio of approximately 40%, making flexible acquisitions of treasury stock.

Based on this policy, for the fiscal year ending March 2019, the company plans to pay a full-year dividend of ¥175 per share.

(3) Basic Management Policies and Issues for the Company to Address

a. Basic Management Policies

The JR-West Group, as a corporate group with social infrastructure centered on railways, has positioned safety as the basis of its management in the corporate philosophy and management vision.

To fulfil its corporate philosophy and management vision, JR-West will implement the “JR-West Group Medium-Term Management Plan 2022” (hereafter “Management Plan 2022”), and together with local communities, contribute to the realization of its vision for the future, the fostering of a “safe and prosperous society in which people come together, and smiles appear.”

To realize this vision for the future, JR-West has established as its ideal form “fulfilling our mission as a company coexisting with the community,” and “becoming a company that continually embraces new challenges.” To allow all stakeholders to smile, JR-West provides the following value.

Value provided to stakeholders

- i. Customers: Services that make them feel safe, secure, comfortable, and happy.
- ii. Communities: Creating places people want to visit and live.
- iii. Shareholders: Continual increase in shareholder value.
- iv. Colleagues: Job satisfaction and pride

In the Management Plan 2022, along with a stretch goal for 2030 of ¥2 trillion in consolidated operating revenue, JR-West has outlined a vision for the West Japan area, and will pursue measures necessary to realize its vision for the future. Further, based on our resolve never to cause another accident like that on the Fukuchiyama Line, JR-West will continue to commit its full efforts to improving safety in its core railway business, lay the foundations for the next 30 years, and pave the way to the future.

b. Business Environment for the JR-West Group

The business environment for JR-West will be negatively impacted by such factors as shrinking markets and diminished labor capacity due to population decline, as well as increasing severe natural disasters. However, there are also opportunities for growth, driven by such factors as an increase in overseas visitors to Japan, extension of the Hokuriku Shinkansen, and development projects such as the Umekita (Osaka) underground station, as well as ventures that will bring the world exposition and integrated resorts to Osaka.

Amid such an environment, the JR-West Group will refine its strengths in coordination with communities and implementing measures as a corporate group to develop new markets and business fields, and as a company coexisting with the community, fulfil its mission.

c. Medium to Long Term Management Strategies

Under the Management Plan 2022, JR-West will pursue three common group strategies and strategies for the railway and creation businesses, build management foundations for continued

and healthy business operations, and advance ceaselessly toward growth for the entire JR-West Group.

Common group strategies and the value provided

i. Increase community value

We will work with local communities to create towns and neighborhoods along railway lines that will appeal to a wide range of people as places to visit and live.

ii. Increase railway belt value

We will provide safe and high-quality railway and living support services to make life more convenient and comfortable.

iii. Increase business value

We will enhance the quality of the goods and services the JR-West Group provides.

Railway business strategies and value provided

• Basic strategies

i. Increase safety

We will maintain safety as the highest priority strategy, work to build structures to ensure safety throughout the organization and foster a corporate culture that prioritizes safety, successfully conclude the “JR-West Group Medium-Term Management Plan 2022,” achieve the goal of preventing serious accidents and work accidents.

ii. Improve customer satisfaction

We will pursue “customer-oriented management” with the aim of creating “JR-West fans” among customers.

iii. Raise productivity

To continually provide railway and transportation services into the future, we will make improvements in facilities and services to effectively provide a safe and high-quality railway service.

iv. Innovation through cultivation of human assets and technology

We will develop the human assets and technologies that support railway business operations in order to enhance the quality of railway services.

• Business strategies

i. Shinkansen

We will ensure the safety of the Shinkansen as a high-speed railway, refine its strength as the core of a wide-area railway network, and contribute to the expansion of the mobile population.

ii. Kansai Urban Area

We will enhance the value of railway belts with safe and reliable transportation services and development of areas along railway lines.

iii. West Japan Area

Through dialogue and cooperation with communities, we will develop businesses to fit specific areas, and create a thriving environment in the West Japan area.

Creation business strategies and the value provided

- Basic strategies

- i. Deeply cultivate main businesses

Centered on major businesses, we will pursue community development along railway lines with stations as hubs, provide attractive products and services, and enhance the value of neighborhoods overall.

- ii. Enter new markets

For businesses that allow JR-West to utilize its strengths, we will strengthen chain competitiveness by entering new markets, and build an optimal business portfolio that supports sustained growth.

- iii. Expand into new business areas

Through cooperation and engagement with communities, we will pursue new value creation that promotes local industry and utilizes local resources, in order to contribute to thriving communities.

- iv. Build foundations to support growth

We will proactively utilize ICT tools and external expertise, develop human assets and organizations to fit businesses, build structures to take advantage of the collective power of the corporate group, and make other efforts to establish the foundations that support growth.

- Business strategies

- i. Sales of goods / Restaurants

We will strengthen the function of facilities as “life stations,” and help make daily life and travel enjoyable.

- ii. Real estate leasing and sales

We will create neighborhoods where people want to visit and live, and contribute to the development of railway line areas and communities.

- iii. Shopping centers

We will provide goods and experiences to support a high-quality lifestyle.

- iv. Hotels

We will respond to the diverse accommodation needs of customers, and support comfortable stays.

Building management foundations

- i. ESG initiatives

We will set priority fields from the standpoint of ESG (environmental, social and governance), pursue measures bearing in mind SDGs*, fulfil our responsibilities as a member of society, and seek long-term, sustainable growth.

* SDGs: Sustainable Development Goals included as global goals for 2016-2030 in the “2030 Agenda for Sustainable Development,” adopted at the UN Sustainable Development Summit in September 2015.

ii. Organizational developments to benefit safety and growth

To increase safety and achieve growth for the corporate group overall, we will conduct more independent management of businesses, and make preparations to shift to a group management structure (company system) that allows for adapting to changes in the business environment, and prompt decision-making.

d. Capital Expenditure Plan

JR-West is strengthening investments for safety, the basis of its management, and investments to benefit sustainable growth, and will steadily implement the plan.

Consolidated Capital Expenditure Plan

Billions of yen

	Management Plan 2022 Period (FY2019.3 – FY2023.3)	Vs. Management Plan 2017 Period (FY2014.3 – FY2018.3)
Maintenance and improvements [of which, safety investments]	810.0 [530.0]	+100.0 [+40.0]
Growth investments	460.0	+180.0
Total	1,270.0	+280.0

e. Management KPIs

Management Plan 2022 Targets

	FY2023.3	[Reference] FY2018.3
Consolidated operating revenues	¥1,630.0 billion	¥1,500.4 billion
Consolidated EBITDA	¥400.0 billion	¥356.1 billion
Consolidated ROA	Mid 6% level	6.3%
[Reference benchmark] Consolidated ROE	Around 10%	11.3%

f. Priority for Uses of Cash and Shareholder Returns Policy

i. Priority for uses of funds

The priority for the use of cash in the Management Plan 2022 is 1) Investment for safety and growth; 2) Shareholder returns; and 3) Debt reduction.

JR-West, to realize its vision for the future and ideal form, will steadily make investments for safety and growth, and seek sustainable growth.

ii. Shareholder returns policy

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

Specifically, we will implement stable dividends, aiming for a dividend payout ratio of approximately 35% in FY2023.3.

In addition, over the aggregate period of the Medium-Term Management Plan 2022, our yardstick will be a total return ratio of approximately 40%, and we will make flexible acquisitions of treasury stock.

We will also work to enhance shareholder benefits, in order to build long-term, stable relationships with shareholders.

Note: For details on the Medium-Term Management Plan 2022, see the “Investor Relations” page on the company website (www.westjr.co.jp/global/en/)

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, 2017	March 31, 2018
ASSETS		
Current assets:		
Cash	63,578	82,995
Notes and accounts receivable-trade	25,395	28,180
Railway fares receivable	35,404	40,186
Accounts receivable	67,754	72,713
Securities	—	18,700
Inventories	82,802	101,258
Deferred tax assets	17,582	19,547
Other current assets	60,183	56,323
Less allowance for doubtful accounts	(837)	(815)
Total current assets	351,864	419,089
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	1,150,453	1,144,690
Machinery and transport equipment	364,317	351,382
Land	754,274	758,987
Construction in progress	54,129	73,063
Other property, plant and equipment	36,889	36,413
Total property, plant and equipment	2,360,063	2,364,537
Intangible fixed assets	39,990	35,867
Investments and other assets:		
Investments in securities	80,467	86,817
Net defined benefit asset	1,505	1,868
Deferred tax assets	130,777	123,648
Other investments and assets	44,279	43,961
Less allowance for doubtful accounts	(1,096)	(2,823)
Total investments and other assets	255,933	253,471
Total fixed assets	2,655,987	2,653,876
Total assets	3,007,852	3,072,965

	Millions of yen	
	March 31, 2017	March 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	62,908	65,057
Short-term loans payable	15,908	17,252
Current portion of bonds	50,000	25,000
Current portion of long-term debt	31,780	34,126
Current portion of long-term payables for acquisition of railway properties	1,512	1,580
Accounts payable	89,355	95,188
Accrued consumption tax	12,200	11,835
Accrued income tax	23,769	31,130
Inter-line fares received	1,945	1,893
Deposits received	80,260	93,768
Prepaid railway fares received	37,407	38,860
Advances received	20,222	29,551
Allowance for bonuses	37,428	39,187
Allowance for point program	2,041	2,204
Other current liabilities	78,529	43,690
Total current liabilities	545,270	530,327
Non-current liabilities:		
Bonds	484,981	499,983
Long-term debt	363,687	367,161
Long-term payables for acquisition of railway properties	105,957	104,375
Deferred tax liabilities	3,195	3,544
Provision for large scale renovation of Shinkansen infrastructure	4,166	8,333
Allowance for environmental safety measures	18,799	15,838
Provision for loss on liquidation of railway belts	11,457	10,170
Provision for unredeemed gift certificates	2,575	2,414
Net defined benefit liability	325,085	301,783
Other long-term liabilities	110,064	112,730
Total fixed liabilities	1,429,971	1,426,334
Total liabilities	1,975,241	1,956,661

(continued on page 18)

	Millions of yen	
	March 31, 2017	March 31, 2018
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	55,068	56,171
Retained earnings	768,358	849,925
Treasury stock, at cost	(481)	(481)
Total shareholders' equity	922,945	1,005,615
Valuation and translation adjustments:		
Net unrealized holding gain on securities	3,763	4,018
Deferred gains or losses on hedges	188	83
Remeasurements of defined benefit plans	13,538	11,242
Total Valuation and translation adjustments	17,491	15,344
Non-controlling interests	92,173	95,343
Total net assets	1,032,610	1,116,304
Total liabilities and net assets	3,007,852	3,072,965

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

Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2017	2018
Operating revenues	1,441,411	1,500,445
Operating expenses:		
Transportation, other services and cost of sales	1,072,732	1,113,026
Selling, general and administrative expenses	192,287	196,052
Total operating expenses	1,265,019	1,309,079
Operating income	176,392	191,365
Non-operating revenues:		
Interest income	51	33
Dividend income	598	670
Dividends income of insurance	2,492	2,328
Transfer from administrative fee of contracted construction	1,581	1,525
Equity in earnings of affiliates	1,574	2,480
Other	1,797	2,060
Total non-operating revenues	8,096	9,098
Non-operating expenses:		
Interest expense	22,350	20,906
Other	1,354	1,777
Total non-operating expenses	23,705	22,684
Recurring profit	160,783	177,780
Extraordinary profits:		
Gain on sales of noncurrent assets	1,479	247
Gain on contributions received for construction	14,649	25,533
Compensation income for expropriation	2,075	1,237
Other	1,435	5,875
Total extraordinary profits	19,641	32,894
Extraordinary losses:		
Loss on sales of noncurrent assets	401	664
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,858	24,208
Loss on reduction for expropriation	1,592	976
Impairment loss	5,114	2,391
Provision for loss on liquidation of railway belts	11,470	—
Other	10,232	11,754
Total extraordinary losses	42,670	39,995
Profit before income taxes	137,754	170,679
Income taxes- Current	43,490	48,260
Income taxes- Deferred	739	6,400
Total income taxes	44,230	54,661
Profit	93,524	116,018
Profit attributable to non-controlling interests	2,235	5,524
Profit attributable to owners of parent	91,288	110,493

Consolidated Statements of Comprehensive Income

Years ended March 31

	Millions of yen	
	2017	2018
Profit	93,524	116,018
Other comprehensive income		
Valuation difference on available-for-sale securities	249	305
Deferred gains or losses on hedges	389	(132)
Remeasurements of defined benefit plans, net of tax	(2,072)	(2,089)
Share of other comprehensive income of associates accounted for using equity method	5	70
Total of other comprehensive income	(1,427)	(1,846)
Comprehensive income	92,097	114,171
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	89,692	108,347
Comprehensive income attributable to non-controlling interests	2,405	5,824

Business Segment Information

Years ended March 31

		Billions of yen		
		2017	2018	Change from the same period of the previous period
Transportation	Operating revenues	929.1	950.8	21.7
	Operating income	121.7	130.3	8.5
Retail	Operating revenues	233.9	239.8	5.9
	Operating income	5.2	7.2	2.0
Real Estate	Operating revenues	109.5	139.6	30.0
	Operating income	32.2	35.7	3.5
Other Businesses	Operating revenues	168.8	170.0	1.2
	Operating income	20.4	19.9	(0.5)

Note: Revenues by each segment are from third parties.

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2017

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,068	704,187	(481)	858,775
Change in the fiscal year:					
Dividends from surplus			(27,122)		(27,122)
Profit attributable to owners of parent			91,288		91,288
Change of scope of consolidation			—		—
Increase by merger			5		5
Purchase of treasury stock				(0)	(0)
Disposal of treasury shares					
Change in treasury shares arising from change in equity in entities accounted for using equity method				—	—
Purchase of shares of consolidated subsidiaries		—			—
Net changes of items other than shareholders' equity					
Total	—	—	64,170	(0)	64,170
Balance at end of current period	100,000	55,068	768,358	(481)	922,945

	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	3,523	(121)	15,685	19,087	48,513	926,376
Change in the fiscal year:						
Dividends from surplus						(27,122)
Profit attributable to owners of parent						91,288
Change of scope of consolidation						—
Increase by merger						5
Purchase of treasury stock						(0)
Disposal of treasury shares						—
Change in treasury shares arising from change in equity in entities accounted for using equity method						—
Purchase of shares of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	240	310	(2,146)	(1,596)	43,659	42,063
Total	240	310	(2,146)	(1,596)	43,659	106,233
Balance at end of current period	3,763	188	13,538	17,491	92,173	1,032,610

Year ended March 31, 2018

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,068	768,358	(481)	922,945
Change in the fiscal year:					
Dividends from surplus			(29,060)		(29,060)
Profit attributable to owners of parent			110,493		110,493
Change of scope of consolidation			(2)		(2)
Increase by merger			136		136
Purchase of treasury stock				—	—
Disposal of treasury shares		0		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		1,102			1,102
Net changes of items other than shareholders' equity					
Total	—	1,102	81,567	0	82,670
Balance at end of current period	100,000	56,171	849,925	(481)	1,005,615

	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	3,763	188	13,538	17,491	92,173	1,032,610
Change in the fiscal year:						
Dividends from surplus						(29,060)
Profit attributable to owners of parent						110,493
Change of scope of consolidation						(2)
Increase by merger						136
Purchase of treasury stock						—
Disposal of treasury shares						0
Change in treasury shares arising from change in equity in entities accounted for using equity method						0
Purchase of shares of consolidated subsidiaries						1,102
Net changes of items other than shareholders' equity	255	(105)	(2,296)	(2,146)	3,169	1,023
Total	255	(105)	(2,296)	(2,146)	3,169	83,693
Balance at end of current period	4,018	83	11,242	15,344	95,343	1,116,304

(4) Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2017	2018
Cash flows from operating activities		
Profit before income taxes	137,754	170,679
Depreciation and amortization	162,729	163,562
Impairment loss	5,114	2,391
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,858	24,208
Loss on disposal of property, plant and equipment	7,335	5,506
Increase (decrease) in net defined benefit liability	(20,123)	(26,528)
Increase (decrease) in allowance for doubtful accounts	167	1,705
Increase (decrease) in provision for bonuses	(351)	1,755
Increase (decrease) in allowance for the large-scale renovation of Shinkansen infrastructure	4,166	4,166
Increase (decrease) in other provision	9,305	(4,366)
Interest and dividend income	(650)	(703)
Interest expenses	22,350	20,906
Equity in earnings of affiliates	(1,574)	(2,480)
Proceeds from contribution for construction	(14,649)	(25,533)
Decrease (increase) in notes and accounts receivable-trade	2,155	(12,282)
Decrease (increase) in inventories	(1,131)	(15,736)
Increase (decrease) in notes and accounts payable-trade	(23,044)	23,440
Increase (decrease) in accrued consumption taxes	653	(366)
Other	8,935	7,213
Subtotal	313,002	337,540
Interest and dividends income received	625	700
Interest paid	(22,573)	(20,663)
Income taxes paid	(56,908)	(42,475)
Net cash provided by operating activities	234,144	275,101
Cash flows from investing activities		
Payments for time deposits with a maturity of more than three months	(231)	(231)
Proceeds from time deposits with a maturity of more than three months	266	231
Purchases of property, plant and equipment	(208,832)	(201,705)
Proceeds from sales of property, plant and equipment	1,044	2,239
Contributions received for constructions	22,728	36,391
Increase in investments in securities	(9,985)	(4,604)
Proceeds from sales of investment securities	930	631
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(93,714)	—
Net decrease (increase) in loans receivable	(5,766)	3,083
Other	(2,248)	(2,388)
Net cash used in investing activities	(295,808)	(166,352)

(continued on page 24)

	Millions of yen	
	2017	2018
Cash flows from financing activities		
Change in short-term loans	433	857
Proceeds from long-term loans	60,800	37,600
Repayment of long-term debt	(34,088)	(31,780)
Proceeds from issuance of bonds	70,000	40,000
Redemption of bonds	(30,000)	(50,000)
Repayment of long-term payables for acquisition of railway properties	(30,650)	(1,515)
Purchase of treasury stock	(0)	—
Proceeds from sales of treasury shares	—	0
Cash dividends paid	(27,118)	(29,049)
Dividends paid to non-controlling interests	(122)	(122)
Other	35,052	(37,413)
Net cash used in financing activities	44,304	(71,422)
Change in cash and cash equivalents, net	(17,359)	37,326
Cash and cash equivalents at the beginning of the period	80,691	63,332
Increase in cash and cash equivalents from newly consolidated subsidiary	—	789
Cash and cash equivalents at the end of the period	63,332	101,448

(5) Note on Assumptions for Going Concern

Not applicable

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

(Changes in Accounting Policies)

Regarding costs for processing of low-concentration PCB waste, because of a decline in the processing unit price, the difference from the previous estimate has been recorded as an extraordinary gain in the “Other” category. This resulted in an increase of ¥2,653 million in profit before income taxes for the subject fiscal year.

(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, 2017 (April 1, 2016 to March 31, 2017)

	Millions of yen						
	Transportation (Note 4)	Retail	Real estate	Other businesses (Note1)	Total	Eliminations and intergroup (Note 2)	Consolidated (Note 3)
Operating revenues:							
Operating revenues from third parties	929,104	233,908	109,590	168,808	1,441,411	—	1,441,411
Intergroup operating revenues and transfers	18,449	9,164	18,869	264,949	311,433	(311,433)	—
Total operating revenues	947,554	243,073	128,460	433,758	1,752,845	(311,433)	1,441,411
Segment income	121,792	5,249	32,222	20,468	179,733	(3,341)	176,392
Segment assets	2,038,979	95,229	593,346	406,179	3,133,735	(125,883)	3,007,852
Other items:							
Depreciation and amortization	137,189	5,524	17,507	2,507	162,729	—	162,729
Impairment loss	2,594	712	—	1,807	5,114	—	5,114
Investment in affiliates accounted for by equity method	24,240	—	—	11,258	35,498	—	35,498
Increase in property, plant and equipment and intangible assets	172,260	6,172	142,010	13,025	333,469	—	333,469

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 ¥3,341 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥125,883 million reflects ¥181,951 million in companywide assets not attributed to any segment, less ¥307,834 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. The Company recorded impairment loss in the "Transportation" segment for railway facilities to be decommissioned.

Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

	Millions of yen						
	Transportation (Note 4)	Retail	Real estate	Other businesses (Note1)	Total	Eliminations and intergroup (Note 2)	Consolidated (Note 3)
Operating revenues:							
Operating revenues from third parties	950,887	239,822	139,680	170,055	1,500,445	—	1,500,445
Intergroup operating revenues and transfers	15,905	9,261	18,141	267,081	310,390	(310,390)	—
Total operating revenues	966,792	249,084	157,822	437,136	1,810,835	(310,390)	1,500,445
Segment income	130,319	7,294	35,792	19,962	193,368	(2,002)	191,365
Segment assets	2,031,642	105,040	631,186	420,856	3,188,725	(115,759)	3,072,965
Other items							
Depreciation and amortization	136,561	5,157	19,505	2,337	163,562	—	163,562
Impairment loss	1,102	275	937	76	2,391	—	2,391
Investment in affiliates accounted for by equity method	25,988	—	—	12,232	38,221	—	38,221
Increase in property, plant and equipment and intangible assets	157,367	6,633	33,870	6,809	204,681	—	204,681

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 ¥2,002 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥115,759 million reflects ¥222,331 million in companywide assets not attributed to any segment, less ¥338,091 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. The Company recorded impairment loss in the “Transportation” segment for railway facilities to be decommissioned.

(Per Share Information)

	Years ended March 31	
	2017	2018
Net assets (Yen)	4,857.50	5,273.42
Profit attributable to owners of parent per share (Yen)	471.52	570.72

- Notes: 1. "Profit attributable to owners of parent per share, adjusted for latent shares" is not stated because there are no latent shares.
2. The basis for calculating "Profit attributable to owners of parent per share" is as follows.

	Years ended March 31	
	2017	2018
Profit attributable to owners of parent per share		
Profit attributable to owners of parent (Millions of yen)	91,288	110,493
Profit attributable to owners of parent applicable to common shares (Millions of yen)	91,288	110,493
Average number of shares outstanding for each period (Thousands of shares)	193,605	193,605

(Material Subsequent Events)

1. Bond Issuance

JR-West, based on a resolution at a meeting of its Board of Directors held on March 16, 2018, has decided to make its 52nd issuance of straight bonds on April 18, 2018, which were issued in Japan under the following conditions.

An overview of the issuance is as follows.

1. Total amount of issue: ¥15,000 million
2. Issue price: ¥100 for nominal value of ¥100
3. Interest rate: 1.157% per annum
4. Maturity date: April 25, 2058
5. Issue date: April 25, 2018
6. Collateral: Unsecured
7. Use of proceeds: Repayment of long-term payables

2. Stock Repurchase

JR-West, at a meeting of its Board of Directors held on April 27, 2018, decided to acquire shares of its own stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Article 165-3 of the Act.

(1) Reasons for acquisition of own shares

To enhance shareholder returns and improve capital efficiency

(2) Class of shares to be acquired

Shares of common stock of the company

(3) Total number of shares to be acquired

1,600,000 (upper limit)

(Ratio thereof to the total number of issued shares (excluding treasury stock): 0.8%)

(4) Aggregate acquisition price of shares

¥10,000 million (upper limit)

(5) Acquisition period

June 1, 2018 – March 29, 2019

(Additional Information)

1. Recording of an Impairment Loss on Non-current Assets

The JR-West Group, for the calculation of impairment losses, in the Transportation, Retail Business, and Other Businesses segments for which revenue and expenditure is tracked on an ongoing basis, groups assets mainly by business, while in the Real Estate Business, groups assets designated for retirement and idle assets mainly by individual asset.

As a result, for the assets designated for retirement due to changes in the business environment or other factors and idle assets, the book value has been written down to the recoverable value, and the reduced amount recorded as an impairment loss (¥2,391 million) in extraordinary losses.

Millions of yen

Purpose	Location	Type	Impairment Loss
Assets to be retired	Chiba-shi, Chiba Prefecture, and other areas	Land and buildings, etc.	2,162
Other	Shimonoseki-shi, Yamaguchi Prefecture, and other areas	Land and buildings, etc.	229
Total	—	—	2,391

Note: Recoverable value is measured mainly by net realizable value.

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2017	March 31, 2018	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	185.5	251.0	65.4
Non-current assets:			
Fixed assets for railway operations	1,877.5	1,851.3	(26.2)
Construction in progress	47.4	63.2	15.7
Investments and other assets	488.3	493.7	5.3
Total fixed assets	2,413.4	2,408.3	(5.1)
Total assets	2,598.9	2,659.3	60.3

	March 31, 2017	March 31, 2018	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	82.0	57.8	(24.2)
Accounts payable	494.5	534.1	39.5
Total current liabilities	576.6	592.0	15.3
Non-current liabilities:			
Bonds and long-term debt	949.4	969.1	19.7
Accrued retirement benefits	320.9	293.4	(27.5)
Other long-term liabilities	41.9	43.0	1.1
Total fixed liabilities	1,312.3	1,305.6	(6.6)
Total liabilities	1,889.0	1,897.6	8.6
Total shareholders' equity:			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	0.0
Retained earnings	552.0	603.7	51.6
Treasury stock, at cost	(0.0)	(0.0)	0.0
Total shareholders' equity	707.0	758.7	51.6
Valuation and translation adjustments	2.8	2.9	0.0
Total net assets	709.9	761.7	51.7
Total liabilities and net assets	2,598.9	2,659.3	60.3

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, 2019	
	2017	2018			Change	
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
Operating revenues:						
Transportation	849.6	867.8	18.1	2.1	878.0	10.1
Transportation incidentals	18.0	17.8	(0.1)	(0.9)	17.4	(0.4)
Other operations	27.2	28.4	1.1	4.3	29.4	0.9
Miscellaneous	61.1	62.1	0.9	1.6	63.2	1.0
	956.1	976.2	20.1	2.1	988.0	11.7
Operating expenses:						
Personnel costs	223.3	221.4	(1.8)	(0.8)	217.0	(4.4)
Non personnel costs:						
Energy costs	40.5	44.0	3.5	8.7	46.5	2.4
Maintenance costs	157.1	161.4	4.2	2.7	172.5	11.0
Miscellaneous costs	196.6	202.1	5.4	2.8	207.5	5.3
	394.3	407.6	13.2	3.4	426.5	18.8
Rental payments, etc	30.2	30.2	(0.0)	(0.3)	27.5	(2.7)
Taxes	34.9	35.7	0.7	2.1	35.5	(0.2)
Depreciation	137.6	136.8	(0.8)	(0.6)	136.5	(0.3)
	820.6	831.9	11.2	1.4	843.0	11.0
Operating income	135.4	144.3	8.8	6.6	145.0	0.6
Non-operating revenues and expenses, net:						
Non-operating revenues	6.1	6.2	0.0	—	—	—
Non-operating expenses	23.1	21.9	(1.2)	—	—	—
	(17.0)	(15.7)	1.2	(7.6)	(14.0)	1.7
Recurring profit	118.4	128.6	10.1	8.6	131.0	2.3
Extraordinary profit and loss, net:						
Extraordinary profit	18.3	29.8	11.5	—	—	—
Extraordinary loss	34.9	39.0	4.1	—	—	—
	(16.5)	(9.2)	7.3	—	(2.0)	7.2
Income before income taxes	101.8	119.4	17.5	17.2	129.0	9.5
Income taxes	31.0	38.7	7.6	24.6	39.5	0.7
Net income	70.8	80.7	9.9	14.0	89.5	8.7

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	
	2017	2018	Amount	%	2017	2018	Amount	%
Shinkansen								
Commuter Passes	815	846	30	3.8	10.2	10.7	0.5	5.0
Non-Commuter Passes	19,532	20,176	643	3.3	424.3	436.9	12.6	3.0
Total	20,348	21,022	674	3.3	434.6	447.7	13.1	3.0
Conventional Lines								
Commuter Passes	22,723	22,831	108	0.5	141.5	142.0	0.5	0.4
Non-Commuter Passes	15,200	15,437	237	1.6	273.5	277.9	4.4	1.6
Total	37,923	38,269	345	0.9	415.0	420.0	5.0	1.2
Kansai Urban Area								
Commuter Passes	18,689	18,787	98	0.5	116.4	116.9	0.5	0.5
Non-Commuter Passes	10,903	11,084	181	1.7	188.5	192.0	3.4	1.8
Total	29,592	29,872	279	0.9	305.0	309.0	3.9	1.3
Other Lines								
Commuter Passes	4,033	4,043	9	0.2	25.1	25.1	(0.0)	(0.1)
Non-Commuter Passes	4,297	4,353	56	1.3	84.9	85.9	1.0	1.2
Total	8,330	8,397	66	0.8	110.0	111.0	1.0	0.9
Total								
Commuter Passes	23,539	23,677	138	0.6	151.8	152.8	1.0	0.7
Non-Commuter Passes	34,732	35,613	881	2.5	697.8	714.9	17.1	2.5
Total	58,271	59,291	1,020	1.8	849.6	867.8	18.1	2.1

3. NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2017

Millions of yen									
	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other retained earnings			Total
						Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	100,000	55,000	—	55,000	11,327	25,269	360,000	111,775	508,373
Change in the fiscal year:									
Dividends from surplus								(27,122)	(27,122)
Net income								70,842	70,842
Provision of reserve for advanced depreciation of noncurrent assets						1,469		(1,469)	—
Reversal of reserve for advanced depreciation of noncurrent assets						(1,275)		1,275	—
Provision of general reserve							20,000	(20,000)	—
Purchase of treasury stock									
Disposal of treasury shares			—	—					
Net changes of items other than shareholders' equity									
Total	—	—	—	—	—	193	20,000	23,525	43,719
Balance at end of current period	100,000	55,000	—	55,000	11,327	25,463	380,000	135,301	552,092

(continued on page 34)

	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	(3)	663,369	2,696	666,066
Change in the fiscal year:				
Dividends from surplus		(27,122)		(27,122)
Net income		70,842		70,842
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Provision of general reserve		—		—
Purchase of treasury stock	(0)	(0)		(0)
Disposal of treasury shares	—	—		—
Net changes of items other than shareholders' equity			173	173
Total	(0)	43,718	173	43,892
Balance at end of current period	(3)	707,088	2,870	709,959

Year ended March 31, 2018

	Millions of yen								
	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other retained earnings			Total
						Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	100,000	55,000	—	55,000	11,327	25,463	380,000	135,301	552,092
Change in the fiscal year:									
Dividends from surplus								(29,060)	(29,060)
Net income								80,742	80,742
Provision of reserve for advanced depreciation of noncurrent assets						291		(291)	—
Reversal of reserve for advanced depreciation of noncurrent assets						(1,110)		1,110	—
Provision of general reserve							30,000	(30,000)	—
Purchase of treasury stock									
Disposal of treasury shares			0	0					
Net changes of items other than shareholders' equity									
Total	—	—	0	0	—	(818)	30,000	22,501	51,682
Balance at end of current period	100,000	55,000	0	55,000	11,327	24,644	410,000	157,803	603,775

(continued on page 36)

	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	(3)	707,088	2,870	709,959
Change in the fiscal year:				
Dividends from surplus		(29,060)		(29,060)
Net income		80,742		80,742
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Provision of general reserve		—		—
Purchase of treasury stock	—	—		—
Disposal of treasury shares	0	0		0
Net changes of items other than shareholders' equity			61	61
Total	0	51,683	61	51,744
Balance at end of current period	(3)	758,771	2,931	761,703

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, 2019
	2017	2018	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	211.5	199.5	(11.9)	(5.6)	—
Capital expenditures, excluding contributions received for constructions	192.4	169.4	(22.9)	(11.9)	280.0
Contributions received for constructions	19.1	30.1	11.0	57.7	—

Non-Consolidated Basis

	Years ended March 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2019
	2017	2018	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	178.9	157.9	(21.0)	(11.7)	—
Capital expenditures, excluding contributions received for constructions	159.8	127.8	(32.0)	(20.0)	218.0
[Safety-related capital expenditures]	[105.0]	[83.2]	[(21.7)]	[(20.7)]	[127.0]
Contributions received for constructions	19.1	30.1	11.0	57.7	—

Major Capital Expenditures

Capital investments included earthquake and tsunami countermeasures, and new rolling stock (Sanyo Shinkansen N700A, 225 and 323 series commuter train).

5. FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2019

	Year ended March 31, 2018	Year ending March 31, 2019	Change from the same period of the previous period	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated-basis:	<1.54>	<1.54>		
Operating revenues	1,500.4	1,525.5	25.0	1.7
Operating income	191.3	187.5	(3.8)	(2.0)
Recurring profit	177.7	174.0	(3.7)	(2.1)
	<1.37>	<1.24>		
Profit attributable to owners of parent	110.4	111.0	0.5	0.5
Non-consolidated-basis:				
Operating revenues	976.2	988.0	11.7	1.2
Transportation operations	867.8	878.0	10.1	1.2
Operating expenses	831.9	843.0	11.0	1.3
Operating income	144.3	145.0	0.6	0.4
Recurring profit	128.6	131.0	2.3	1.8
Net income	80.7	89.5	8.7	10.8

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

Business Segment Information

		Billions of yen		
		Year ended March 31, 2018	Year ending March 31, 2019	Change from the same period of the previous period
Transportation	Operating revenues	950.8	962.0	11.1
	Operating income	130.3	130.6	0.2
Retail	Operating revenues	239.8	244.8	4.9
	Operating income	7.2	5.7	(1.5)
Real Estate	Operating revenues	139.6	147.8	8.1
	Operating income	35.7	33.4	(2.3)
Other Businesses	Operating revenues	170.0	170.9	0.8
	Operating income	19.9	21.1	1.1

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 2018 based on information available to JR-West as of April 2018 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.