

Results for the First Half ended September 30, 2018
and Future Initiatives




Making Our Vision into Reality



October 30, 2018
West Japan Railway Company



- I am Nobutoshi Nikaïdo, the vice-president of JR West.
- I would like to thank you for taking the time out of your busy schedules to attend our results presentation today. I would like offer some brief comments to open today's presentation.
- In the first half of the current fiscal year, western Japan was struck by a series of natural disasters, including earthquake, heavy rains, and typhoons. JR-West's operations were affected.
- Over this period, we received support from a wide range of parties, including the national government and related municipal governments, and service has generally been restored.
- We will explain in more detail later, but at this point I would like to say that, although the natural disasters did have an influence, that influence was basically limited to the first half of the fiscal year. Also, we think that the influence on the current medium-term management plan will be minimal. I believe that the explanations we provide today will support this fundamental understanding.
- First, Yoshito Fujiwara, the general manager of the Finance Department, will explain our financial results and forecasts. Thank you.

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1. Results for the First Half of FY2019.3
 2. Forecasts for FY2019.3
 3. Individual Business Initiatives
 4. Capital Expenditure Plan,
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- I am Yoshito Fujiwara, the general manager of the Finance Department.
- First, I will provide a brief explanation of the Company's financial results for the first half of the fiscal year ending March 31, 2019, which were announced on October 29, as well as our forecasts for the full fiscal year.

Financial Highlights



	¥ Billions									
	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	YoY		Results FY2018.3	Forecasts FY2019.3		YoY		Difference between the forecasts Increase/ (Decrease) E-D
			Increase/ (Decrease) B-A	% 1-B/A		As of July 31 D	As of Oct 29 E	Increase/ (Decrease) E-C	% 1-E/C	
A	B			C						
[Consolidated]										
Operating Revenues	727.1	736.9	9.8	1.4	1,500.4	1,525.5	1,516.5	16.0	1.1	(9.0)
Operating Income	111.2	113.3	2.0	1.9	191.3	187.5	187.5	(3.8)	(2.0)	—
Recurring Profit	102.6	105.8	3.1	3.1	177.7	174.0	174.0	(3.7)	(2.1)	—
Profit attributable to owners of parent	67.8	56.4	(11.3)	(16.7)	110.4	111.0	95.5	(14.9)	(13.6)	(15.5)
[Non-Consolidated]										
Operating Revenues	485.4	484.6	(0.8)	(0.2)	976.2	988.0	979.0	2.7	0.3	(9.0)
Transportation Revenues	433.6	431.7	(1.9)	(0.4)	867.8	878.0	871.0	3.1	0.4	(7.0)
Operating Expenses	394.7	389.6	(5.1)	(1.3)	831.9	843.0	834.0	2.0	0.3	(9.0)
Personnel costs	109.1	108.1	(0.9)	(0.9)	221.4	217.0	216.5	(4.9)	(2.3)	(0.5)
Non personnel costs	183.5	183.4	(0.0)	(0.0)	407.6	426.5	420.0	12.3	3.0	(6.5)
Energy costs	22.2	22.1	(0.1)	(0.5)	44.0	46.5	45.5	1.4	3.2	(1.0)
Maintenance costs	66.9	63.2	(3.7)	(5.5)	161.4	172.5	166.5	5.0	3.1	(6.0)
Miscellaneous costs	94.2	97.9	3.7	4.0	202.1	207.5	208.0	5.8	2.9	0.5
Depreciation	66.8	64.3	(2.5)	(3.8)	136.8	136.5	134.5	(2.3)	(1.7)	(2.0)
Operating income	90.6	94.9	4.2	4.7	144.3	145.0	145.0	0.6	0.4	—
Recurring Profit	81.1	87.0	5.8	7.2	128.6	131.0	131.0	2.3	1.8	—
Net Income	55.8	45.9	(9.9)	(17.8)	80.7	89.5	74.0	(6.7)	(8.4)	(15.5)

Note: Figures in brackets () are negative values.

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- Please turn to slide 3, which shows a summary of our results for the first half of the fiscal year and the full-year forecast.
- I will discuss our results in the first half.
- On a consolidated basis, operating revenues and operating income were both up year on year. On a non-consolidated basis, operating revenues declined but operating income rose. An extraordinary loss was recorded due to the natural disasters, and as a result, net income declined on both a consolidated and a non-consolidated basis.
- In comparison with our plan, transportation revenues were ¥7.0 billion lower than the amount that we envisioned at the beginning of the fiscal year, due to the influence of the series of natural disasters. On the other hand, in non-railway operations, overall our progress was basically in line with plans.
- Looking at our full-year results forecast, we have not changed our plan for the second half of the fiscal year. To reflect the non-consolidated shortfall in the first half, we have implemented downward revisions to the full-year consolidated and non-consolidated forecasts.

Non-Consolidated Financial Results



¥ Billions

	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	YoY	
			Increase/ (Decrease) B-A	% 1-B/A
	A	B		
Operating Revenues	485.4	484.6	(0.8)	(0.2)
Transportation revenues	433.6	431.7	(1.9)	(0.4)
Other	51.8	52.8	1.0	2.1
Operating Expenses	394.7	389.6	(5.1)	(1.3)
Personnel costs	109.1	108.1	(0.9)	(0.9)
Non personnel costs	183.5	183.4	(0.0)	(0.0)
Energy costs	22.2	22.1	(0.1)	(0.5)
Maintenance costs	66.9	63.2	(3.7)	(5.5)
Miscellaneous costs	94.2	97.9	3.7	4.0
Rental payments, etc.	15.0	13.5	(1.4)	(9.9)
Taxes	20.2	20.2	(0.0)	(0.2)
Depreciation	66.8	64.3	(2.5)	(3.8)
Operating Income	90.6	94.9	4.2	4.7
Non-operating revenues and expenses	(9.4)	(7.8)	1.5	(16.8)
Non-operating revenues	1.3	2.4	1.1	—
Non-operating expenses	10.8	10.3	(0.4)	—
Recurring Profit	81.1	87.0	5.8	7.2
Extraordinary profit and loss, net	(0.7)	(22.1)	(21.4)	—
Extraordinary profit	3.4	8.8	5.4	—
Extraordinary loss	4.2	31.0	26.8	—
Net Income	55.8	45.9	(9.9)	(17.8)

Note: Figures in brackets () are negative values.

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- Please look at page 4 for an overview of the year-on-year increases and decreases in our non-consolidated results.
- Miscellaneous costs increased due to the influence of natural disasters, but maintenance costs and depreciation declined, and consequently operating expenses were down ¥5.1 billion.
- Operating income increased ¥4.2 billion, to ¥94.9 billion, due to the substantial decrease in operating expenses.
- Net income declined ¥9.9 billion, to ¥45.9 billion, as a result of the recording of extraordinary losses, such as provision due to natural disaster.

Major Factors of Increase/Decrease in Transportation Revenues



¥ Billions

Transportation revenues		YoY Increase/(Decrease)		Major factors	
		Amount	%		Amount
Shinkansen	227.2	4.5	2.0	Fundamentals 1.9%	4.2
				Special factors	
				•Inbound	0.8
				•Favorable demand during peak periods	1.0
				•Northern Osaka Prefecture Earthquake	(0.4)
				•The Heavy Rain Event of July 2018	(2.1)
•Typhoon No.21 (Jebi), etc.	0.7				
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	152.2	(3.4)	(2.2)	Fundamentals (0.7%)	(1.0)
				Special factors	
				•Inbound	0.4
				•Favorable demand during peak periods	0.2
				•Northern Osaka Prefecture Earthquake	(0.4)
				•The Heavy Rain Event of July 2018	(1.5)
•Typhoon No.21 (Jebi), etc.	(1.4)				
Other lines	52.2	(3.0)	(5.5)	Fundamentals (0.6%)	(0.3)
				Special factors	
				•Inbound	0.1
				•Favorable demand during peak periods	0.1
				•Northern Osaka Prefecture Earthquake	(0.1)
				•The Heavy Rain Event of July 2018	(2.6)
•Typhoon No.21 (Jebi), etc.	(0.3)				
Conventional lines	204.5	(6.4)	(3.1)		
Total	431.7	(1.9)	(0.4)		

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

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- Turning to slide 5, I will explain the major factors behind year-on-year changes in transportation revenues.
- For the Shinkansen, the fundamentals were firm. In addition, measures to increase inbound demand and usage during peak periods were effective. As a result, we were able to offset the influence of the natural disasters and recorded an increase of ¥4.5 billion in Shinkansen revenues. Breaking this figure down, revenues on the Sanyo Shinkansen increased by ¥3.9 billion, to ¥205.6 billion, while revenues on the Hokuriku Shinkansen increased by ¥0.5 billion, to ¥21.5 billion. The Shinkansen fundamentals were 101.9%.
- In the Kansai Urban Area, positive factors included good results with the opening of new stations aimed at increasing the value of railway belts and favorable results with measures to promote inbound demand and usage during peak periods. However, in addition to the influence of the natural disasters, the intense heat caused people to refrain from going out. As a result, revenues in the Kansai Urban Area declined by ¥3.4 billion.
- As for other conventional lines, revenues declined by ¥3.0 billion due to the effect of the natural disasters.
- The "Typhoon No. 21 (Jebi), others" category of special factors presents the total for multiple factors, including the negative influence of Typhoon No. 21 (Jebi), as well as positive factors, such as revival-related special demand following the heavy rain.

Transportation Revenues and Passenger-Kilometers



Transportation Revenues

Passenger-Kilometers

	¥ Billion						Millions of passenger-kilometers					
	Results for 6 months ended Sep 30 (4/1~9/30)			3 months (2Q) (7/1~9/30)			Results for 6 months ended Sep 30 (4/1~9/30)			3 months (2Q) (7/1~9/30)		
	FY2018.3	FY2019.3	YoY	FY2018.3	FY2019.3	YoY	FY2018.3	FY2019.3	YoY	FY2018.3	FY2019.3	YoY
Total	433.6	431.7	(1.9) (0.4%)	222.5	217.9	(4.5) (2.1%)	29,881	29,742	(138) (0.5%)	15,214	14,992	(222) (1.5%)
Shinkansen	222.6	227.2	4.5 2.0%	115.3	117.5	2.1 1.9%	10,407	10,548	140 1.3%	5,408	5,472	64 1.2%
Commuter Passes	5.4	5.6	0.1 3.6%	2.7	2.8	0.0 3.4%	431	447	15 3.6%	215	222	6 3.1%
Non-Commuter Passes	217.2	221.5	4.3 2.0%	112.6	114.6	2.0 1.8%	9,976	10,101	125 1.3%	5,193	5,250	57 1.1%
Conventional Lines	210.9	204.5	(6.4) (3.1%)	107.2	100.4	(6.7) (6.3%)	19,473	19,194	(279) (1.4%)	9,806	9,519	(286) (2.9%)
Commuter Passes	72.2	72.0	(0.1) (0.3%)	35.9	35.6	(0.2) (0.7%)	11,803	11,751	(51) (0.4%)	5,800	5,753	(46) (0.8%)
Non-Commuter Passes	138.6	132.4	(6.2) (4.5%)	71.3	64.8	(6.5) (9.1%)	7,670	7,442	(227) (3.0%)	4,005	3,765	(240) (6.0%)
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	155.6	152.2	(3.4) (2.2%)	78.2	74.6	(3.5) (4.5%)	15,211	15,079	(131) (0.9%)	7,599	7,468	(130) (1.7%)
Commuter Passes	59.4	59.4	0.0 0.0%	29.5	29.4	(0.0) (0.1%)	9,678	9,661	(17) (0.2%)	4,764	4,748	(15) (0.3%)
Non-Commuter Passes	96.2	92.7	(3.4) (3.6%)	48.6	45.2	(3.4) (7.2%)	5,532	5,418	(114) (2.1%)	2,835	2,720	(114) (4.1%)
Other Lines	55.3	52.2	(3.0) (5.5%)	28.9	25.8	(3.1) (11.0%)	4,261	4,114	(147) (3.5%)	2,206	2,050	(155) (7.1%)
Commuter Passes	12.8	12.6	(0.2) (1.6%)	6.3	6.1	(0.1) (3.0%)	2,124	2,089	(34) (1.6%)	1,036	1,005	(30) (2.9%)
Non-Commuter Passes	42.4	39.6	(2.8) (6.6%)	22.6	19.6	(3.0) (13.3%)	2,137	2,024	(112) (5.3%)	1,170	1,044	(125) (10.7%)

Note: Figures in brackets () are negative values.

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



¥ Billions

Item	Results for 6 months ended Sep 30, 2018			Major factors (YoY)
		YoY		
		Increase/ (Decrease)	%	
Personnel costs	108.1	(0.9)	(0.9)	· Difference in unit cost
Energy costs	22.1	(0.1)	(0.5)	
Maintenance costs	63.2	(3.7)	(5.5)	· Schedule adjustment of capital expenditure-related removal works in order to prioritize service restoration work from disasters, etc.
Miscellaneous costs	97.9	3.7	4.0	· Expenditure for the substitute bus services due to the torrential rains disaster, etc.
Rental Payments, etc	13.5	(1.4)	(9.9)	· JR Tozai Line, etc.
Taxes	20.2	(0.0)	(0.2)	
Depreciation and amortization	64.3	(2.5)	(3.8)	· Progress of depreciation and amortization, etc.
Total	389.6	(5.1)	(1.3)	

Note: Figures in brackets () are negative values.

※With regard to the disaster recovery expense from the Heavy Rain Event of July 2018, the Company recorded ¥21.5 billion as "Provisions for loss on disaster" under extraordinary losses.

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- Please turn to page 7, which shows the major factors behind year-on-year increases and decreases in non-consolidated operating expenses.
- As mentioned in the overview, overall operating expenses declined ¥5.1 billion.
- Due to the influence of the heavy rain damage, miscellaneous costs increased due to replacement bus service. Restoration work was given priority, and the work schedule for planned regular maintenance and CAPEX-related removal work was adjusted. As a result, maintenance costs declined.
- In regard to the occurrence of natural disasters, please refer to page 35.
- In the first half, there was a significant effect from natural disasters, including an earthquake, heavy rains, Typhoon No. 21 (Jebi), and Typhoon No. 24 (Trami).
- In particular, the damage from the Heavy Rain Event of July 2018 extended over a wide area, including 14 railway belts and 279 locations. As shown in the photograph, there was large-scale damage, such as soil eroding, slopes collapsing, and a bridge being washed away.
- As for the expenses required for revival from the heavy rain damage, as shown in the bottom margin of page 7, a provision of ¥21.5 billion was recorded as an extraordinary loss.

Consolidated Financial Results



	¥ Billions			
	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	YoY	
			Increase/ (Decrease) B-A	% 1-B/A
	A	B		
Operating Revenues	727.1	736.9	9.8	1.4
Operating Expenses	615.8	623.6	7.8	1.3
Operating Income	111.2	113.3	2.0	1.9
Non-operating revenues and expenses, net	(8.5)	(7.4)	1.0	(12.5)
Non-operating revenues	2.6	3.3	0.7	—
Non-operating expenses	11.1	10.8	(0.3)	—
Recurring Profit	102.6	105.8	3.1	3.1
Extraordinary profit and loss, net	(1.3)	(22.7)	(21.4)	—
Extraordinary profit	5.1	9.2	4.0	—
Extraordinary loss	6.4	31.9	25.5	—
Profit attributable to owners of parent	67.8	56.4	(11.3)	(16.7)
<i>Comprehensive Income</i>	70.1	58.4	(11.7)	(16.7)

Note: Figures in brackets () are negative values.

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- Please turn to slide 8 for an overview of year-on-year changes in our consolidated financial results.
- Looking at operating revenue, higher revenue was recorded in all segments other than transportation operations, and as a result operating revenue increased ¥9.8 billion, to ¥736.9 billion.
- Operating expenses were down on a non-consolidated basis. However, on a consolidated basis they rose ¥7.8 billion year on year, to ¥623.6 billion, due to initial expenses accompanying the opening of multiple VIA INN and Vischio hotels and to commercial facility renovation expenses.
- Consequently, operating income rose ¥2.0 billion year on year, to ¥113.3 billion.

Consolidated Financial Results (Segment Information)



¥ Billions

	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	YoY	
			Increase/ (Decrease) B-A	% 1-B/A
	A	B		
Operating Revenues*¹	727.1	736.9	9.8	1.4
Transportation	472.7	471.3	(1.4)	(0.3)
Retail	117.5	119.6	2.0	1.8
Sales of goods and food services	80.2	83.8	3.6	4.5
[Accommodation-oriented budget hotels](restituted) ²	[5.6]	[6.2]	[0.5]	[10.5]
Department stores	33.0	31.5	(1.5)	(4.7)
Real estate	68.7	69.2	0.5	0.7
Shopping center	29.1	30.0	0.8	2.9
Real estate lease and sale	38.5	38.1	(0.3)	(1.0)
[Real estate sale](restituted)	[17.1]	[15.9]	[(1.2)]	[(7.4)]
Other businesses	68.1	76.8	8.6	12.8
Hotel	17.6	16.5	(1.0)	(5.9)
Nippon Travel Agency	19.3	18.4	(0.8)	(4.3)
Operating Income*¹	111.2	113.3	2.0	1.9
Transportation	83.5	87.8	4.2	5.1
Retail	3.3	2.9	(0.3)	(11.5)
Sales of goods and food services	3.2	2.6	(0.5)	(17.1)
Department stores	(0.0)	0.1	0.2	—
Real estate	19.8	18.2	(1.5)	(7.9)
Shopping center	4.4	4.7	0.3	8.4
Real estate lease and sale	10.3	10.6	0.2	2.1
Other businesses	3.2	2.9	(0.2)	(9.2)
Hotel	0.8	0.0	(0.8)	(96.9)
Nippon Travel Agency	(0.7)	(0.6)	0.1	(14.5)

Note: Figures in brackets () are negative values.

*1. The breakdowns of operating revenues and operating income by each segment are the sums of those of major subsidiaries.

*2. Figures in brackets [] are the sales of a accommodation-oriented budget hotel, "VIA INN", sales, excluding Shimonoseki (non-consolidated), Asakusa (other business segment), and Hiroshima Kanayama-cho (other business segment) locations.

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- Please refer to slides 9 and 10 for year-on-year performance by business segment.
- In the retail business, natural disasters and department store renovations had a negative effect on revenues. However, in goods and food service operations, results by Seven-Eleven allied stores were favorable. Due to this and other factors, operating revenues in the retail business increased ¥2.0 billion, to ¥119.6 billion. Operating income declined ¥0.3 billion, to ¥2.9 billion, due to VIA INN opening expenses and other factors.
- In the real estate business, there was a downward rebound in the real estate lease and sale business following the large-scale property sales in the previous fiscal year. However, in the shopping center business, the LUCUA 1100 renovation and other factors had a positive effect. As a result, operating revenues in the real estate business rose ¥0.5 billion, to ¥69.2 billion. Operating income declined ¥1.5 billion, to ¥18.2 billion, due to the downward rebound from the large-scale property sales and other factors.
- In other businesses, the hotel business recorded a decrease in operating revenue due to the influence of natural disasters and to the closure of the Sannomiya terminal building. Nippon Travel Agency recorded a decline in operating revenue due to sluggish market conditions, but in the construction business, orders increased. As a result, operating revenues in other businesses rose ¥8.6 billion, to ¥76.8 billion.
- Looking at operating income, due to opening expenses for Vischio Osaka and the effect of the closure of the Sannomiya terminal building, operating income in other businesses declined ¥0.2 billion, to ¥2.9 billion.

Major Factors of Increase/Decrease in Each Segment



¥ Billions

			Results for 6 months ended June 30, 2018			Major factors (YoY)
			YoY			
			Increase/ (Decrease)	%		
Retail	Sales of goods and food services	Operating Revenues	83.8	3.6	4.5	• Seven-Eleven allied stores favorable, etc.
		Operating Income	2.6	(0.5)	(17.1)	
	Department stores	Operating Revenues	31.5	(1.5)	(4.7)	• Natural disasters • Hindrance from renovation construction, etc.
		Operating Income	0.1	0.2	–	
Real estate	Shopping center	Operating Revenues	30.0	0.8	2.9	
		Operating Income	4.7	0.3	8.4	
	Real estate lease and sale	Operating Revenues	38.1	(0.3)	(1.0)	
		Operating Income	10.6	0.2	2.1	
Other Businesses	Hotel	Operating Revenues	16.5	(1.0)	(5.9)	• Closure of Sannomiya Terminal Building and natural disasters, etc.
		Operating Income	0.0	(0.8)	(96.9)	
	Nippon travel agency	Operating Revenues	18.4	(0.8)	(4.3)	• Weak trends in domestic travel, etc.
		Operating Income	(0.6)	0.1	(14.5)	

Note: Figures in brackets () are negative values.

* Operating revenues are the revenues from third parties (= customers).

The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.

Consolidated Financial Situation and Statement Cash Flows



¥ Billions

	As of March 31, 2018	As of Sep 30, 2018	Difference increase/ (decrease) B-A
	A	B	B-A
Assets	3,071.8	3,124.1	52.2
Liabilities	1,955.5	1,974.7	19.2
Net assets	1,116.3	1,149.3	33.0
Balance of Long-term Debt and Payables	1,032.2	1,073.9	41.7
[Average interest rate (%)]	[1.86]	[1.83]	[(0.03)]
Shinkansen Purchase Liability	103.8	103.3	(0.4)
[Average interest rate (%)]	[6.55]	[6.55]	[-]
Bonds	524.9	564.9	40.0
[Average interest rate (%)]	[1.58]	[1.55]	[(0.03)]
Equity ratio (%)	33.2	33.7	0.5
Net assets per share (¥)	5,273.42	5,471.86	198.44

	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	YoY increase/ (decrease) B-A
	A	B	B-A
Cash flows from operating activities	99.6	93.5	(6.0)
Cash flows from investing activities	(62.7)	(81.0)	(18.3)
Free cash flows	36.9	12.5	(24.4)
Cash flows from financing activities	(23.7)	21.2	44.9
Change in cash and cash equivalents, net	14.0	33.7	19.7
Cash and cash equivalents at the end of the period	77.3	135.2	57.8

Note: Figures in brackets () are negative values.

* Figures at the end of FY2018.3 have been retroactively adjusted due to the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

1. Results for the First Half of FY2019.3
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Non-Consolidated Financial Forecasts



	Results FY2018.3	Forecasts FY2019.3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of July 31	As of Oct 29	Increase/ (Decrease) C-A	% 1-C/A	
		B	C			
Operating Revenues	976.2	988.0	979.0	2.7	0.3	(9.0)
Transportation revenues	867.8	878.0	871.0	3.1	0.4	(7.0)
Other	108.4	110.0	108.0	(0.4)	(0.4)	(2.0)
Operating Expenses	831.9	843.0	834.0	2.0	0.3	(9.0)
Personnel costs	221.4	217.0	216.5	(4.9)	(2.3)	(0.5)
Non-personnel costs	407.6	426.5	420.0	12.3	3.0	(6.5)
Energy costs	44.0	46.5	45.5	1.4	3.2	(1.0)
Maintenance costs	161.4	172.5	166.5	5.0	3.1	(6.0)
Miscellaneous costs	202.1	207.5	208.0	5.8	2.9	0.5
Rental payments, etc.	30.2	27.5	27.5	(2.7)	(9.0)	–
Taxes	35.7	35.5	35.5	(0.2)	(0.7)	–
Depreciation	136.8	136.5	134.5	(2.3)	(1.7)	(2.0)
Operating Income	144.3	145.0	145.0	0.6	0.4	–
Non-operating revenues and expenses, net	(15.7)	(14.0)	(14.0)	1.7	(10.9)	–
Non-operating revenues	6.2	7.5	7.5	1.2	–	–
Non-operating expenses	21.9	21.5	21.5	(0.4)	–	–
Recurring Profit	128.6	131.0	131.0	2.3	1.8	–
Extraordinary profit and loss, net	(9.2)	(2.0)	(25.0)	(15.7)	–	(23.0)
Extraordinary profit	29.8	–	–	–	–	–
Extraordinary loss	39.0	–	–	–	–	–
Net Income	80.7	89.5	74.0	(6.7)	(8.4)	(15.5)

Note: Figures in brackets () are negative values.

13

- Next, please turn to slide 13 for our non-consolidated results forecast.
- For operating revenues, the forecast has been revised downward by the amount of the shortfall in the first half, while the second half has been left unchanged. As a result, the full-year forecast for operating revenues has been reduced by ¥9.0 billion from the previous forecast, to ¥979.0 billion.
- For operating expenses, maintenance costs, etc., declined due to adjustment of CAPEX-related work into the next fiscal year and thereafter. As a result, the forecast has been reduced by ¥9.0 billion from the previous forecast, to ¥834.0 billion.
- As a result of these factors, the forecast for operating income is ¥145.0 billion, the same as in the previous forecast.
- As for net income, due to the reflection of the extraordinary loss recorded in the first half and to other factors, the forecast has been reduced by ¥15.5 billion from the previous forecast, to ¥74.0 billion.

Transportation Revenue Forecasts



¥Billions

Transportation revenues		YOY		Forecasts FY2019.3		Difference from the previous forecast (Increase/Decrease)
		Increase (Decrease) Amount	%	Major factors	Amount	
Shinkansen	455.5	7.7	1.7	Fundamental trend 1.4%	6.4	0.7
				Special factors		
				-Inbound	1.8	
				-Rebound from snow damage	0.9	
				-Northern Osaka Prefecture Earthquake	(0.4)	
				-The Heavy Rain Event of July 2018	(2.1)	
				-Typhoon No. 21 (Jebi), etc.	0.7	
etc.						
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	307.3	(1.7)	(0.6)	Fundamental trend (0.3%)	(0.9)	(4.7)
				Special factors		
				-Inbound	1.1	
				-Favorable demand during peak periods	0.2	
				-Rebound from snow damage	0.3	
				-Northern Osaka Prefecture Earthquake	(0.4)	
				-The Heavy Rain Event of July 2018	(1.5)	
-Typhoon No. 21 (Jebi), etc.	(1.4)					
etc.						
Other lines	108.1	(2.9)	(2.7)	Fundamental trend (0.7%)	(0.7)	(3.0)
				Special factors		
				-Inbound	0.3	
				-Favorable demand during peak periods	0.0	
				-Rebound from snow damage	0.5	
				-Northern Osaka Prefecture Earthquake	(0.1)	
				-The Heavy Rain Event of July 2018	(2.7)	
-Typhoon No. 21 (Jebi), etc.	(0.3)					
etc.						
Conventional lines	415.4	(4.6)	(1.1)			(7.7)
Total	871.0	3.1	0.4			(7.0)

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

- Next, please look at slide 14 for our forecast for transportation revenue, and slide 15 for our forecast for operating expenses.

Operating Expenses Forecasts (Non-Consolidated)



¥ Billions

Item	Forecasts FY2019.3				Difference from the previous forecast Increase/(Decrease)
		YoY		Major factors (YoY)	
		Increase/ (Decrease)	%		
Personnel costs	216.5	(4.9)	(2.3)	-Difference in unit cost	(0.5)
Energy costs	45.5	1.4	3.2	-Increase in adjustment amount for fuel cost, etc.	(1.0)
Maintenance costs	166.5	5.0	3.1	-Increase in removal works related to capital expenditures -Increase in maintenance costs for structures, etc.	(6.0)
Miscellaneous costs	208.0	5.8	2.9	-Expenditure for the substitute bus services due to the torrential rains disaster -Increase in system-related costs, etc.	0.5
Rental Payments, etc	27.5	(2.7)	(9.0)	-JR Tozai Line, etc.	-
Taxes	35.5	(0.2)	(0.7)		-
Depreciation and amortization	134.5	(2.3)	(1.7)	-Progress of depreciation and amortization, etc.	(2.0)
Total	834.0	2.0	0.3		(9.0)

Note: Figures in brackets () are negative values.

Consolidated Financial Forecasts



¥ Billions

	Results FY2017.3 A	Forecasts FY2018.3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of July 28 B	As of Oct 30 C	Increase/ (Decrease) C-A	% 1-C/A	
Operating Revenues	1,500.4	1,525.5	1,516.5	16.0	1.1	(9.0)
Operating Expenses	1,309.0	1,338.0	1,329.0	19.9	1.5	(9.0)
Operating Income	191.3	187.5	187.5	(3.8)	(2.0)	—
Non-operating revenues and expenses, net	(13.5)	(13.5)	(13.5)	0.0	(0.6)	—
Non-operating revenues	9.0	8.6	8.6	(0.4)	—	—
Non-operating expenses	22.6	22.1	22.1	(0.5)	—	—
Recurring Profit	177.7	174.0	174.0	(3.7)	(2.1)	—
Extraordinary profit and loss, net	(7.1)	(7.0)	(30.0)	(22.8)	—	(23.0)
Extraordinary profit	32.8	—	—	—	—	—
Extraordinary loss	39.9	—	—	—	—	—
Profit attributable to owners of parent	110.4	111.0	95.5	(14.9)	(13.6)	(15.5)
Net income per share(¥)	570.72	573.33	495.68	—	—	—

Note: Figures in brackets () are negative values.

16

- Please turn to slide 16, which explains our consolidated results forecast.
- We are forecasting operating revenues of ¥1,516.5 billion, down by ¥9.0 billion from the previous forecast; operating income of ¥187.5 billion, the same as the previous forecast; and net income of ¥95.5 billion, a decrease of ¥15.5 billion from the previous forecast.
- This reflects revisions made for the shortfall in the first half on a non-consolidated basis. For non-railway operations, there is no change to the plan overall.

Consolidated Financial Forecasts (Segment Information)



¥ Billions

	Results FY2018.3 A	Forecasts FY2019.3		YoY		Difference between the forecasts Increase/ (Decrease) C-B
		As of July 31 B	As of Oct 29 C	Increase/ (Decrease) C-A	% 1-C/A	
Operating Revenues* ¹	1,500.4	1,525.5	1,516.5	16.0	1.1	(9.0)
Transportation	950.8	962.0	953.0	2.1	0.2	(9.0)
Retail	239.8	244.8	244.8	4.9	2.1	—
Sales of goods and food services	161.7	167.0	167.0	5.2	3.3	—
[Accommodation-oriented budget hotels](revised)* ²	[11.6]	[12.7]	[12.7]	[1.0]	[9.0]	—
Department stores	70.1	69.1	69.1	(1.0)	(1.4)	—
Real estate	139.6	147.8	147.8	8.1	5.8	—
Shopping center	59.6	60.7	60.7	1.0	1.8	—
Real estate lease and sale	78.1	85.1	85.1	6.9	9.0	—
[Real estate sale](revised)	[35.0]	[40.7]	[40.7]	[5.7]	[16.4]	—
Other businesses	170.0	170.9	170.9	0.8	0.5	—
Hotel	35.6	36.1	36.1	0.4	1.3	—
Nippon Travel Agency	41.3	41.9	39.9	(1.4)	(3.5)	(2.0)
Operating Income* ¹	191.3	187.5	187.5	(3.8)	(2.0)	—
Transportation	130.3	130.6	130.6	0.2	0.2	—
Retail	7.2	5.7	5.7	(1.5)	(21.9)	—
Sales of goods and food services	6.0	4.4	4.4	(1.6)	(27.7)	—
Department stores	0.9	1.0	1.0	0.0	1.1	—
Real estate	35.7	33.4	33.4	(2.3)	(6.7)	—
Shopping center	8.7	8.5	8.5	(0.2)	(2.5)	—
Real estate lease and sale	17.3	15.6	15.6	(1.7)	(10.3)	—
Other businesses	19.9	21.1	21.1	1.1	5.7	—
Hotel	1.9	1.4	1.4	(0.5)	(29.5)	—
Nippon Travel Agency	0.2	0.3	0.3	0.0	9.6	—

Note: Figures in brackets () are negative values.

*1 The breakdowns of operating revenues and operating income by each segment are the sums of those of major subsidiaries.

*2 Figures in brackets [] are the sales of accommodation-oriented budget hotel, "VIA INN", sales, excluding Shimonoseki (non-consolidated), Asakusa (other business segment), and Hiroshima Kanayamacho (other business segment) locations.

17

- Finally, please look at slides 17 and 18, which show our results forecasts by business segment.
- In transportation operations, we have reflected the non-consolidated revision, and the forecast for operating revenues has been reduced by ¥9.0 billion from the previous forecast.
- In the retail and real estate businesses, progress is generally in line with plans, and there are no revisions from the previous forecast.
- As for operating revenues in other businesses, there has been no overall revision since the previous forecast. However, the forecast for Nippon Travel Agency, which faces weak domestic travel conditions, has been reduced by ¥2.0 billion from the previous forecast, and the forecast for the construction business, where we anticipate an increase in external work, has been increased by ¥2.0 billion from the previous forecast.
- There are no revisions to operating income forecasts.
- This concludes my portion of today's presentation.

Each Segment Forecasts



¥ Billions

			Forecasts FY2019.3				
			YoY		Major factors (YoY)	Difference from the previous forecast (Increase/Decrease)	
			Increase/Decrease	%			
Retail	Sales of goods and food services	Operating Revenues	167.0	5.2	3.3	-New opening of Seven-Eleven allied stores, etc.	-
		Operating Income	4.4	(1.6)	(27.7)	-Accommodation-oriented hotel opening expenses, etc.	-
	Department stores	Operating Revenues	69.1	(1.0)	(1.4)	-Partial closure due to renovation works, etc.	-
		Operating Income	1.0	0.0	1.1		-
Real estate	Shopping center	Operating Revenues	60.7	1.0	1.8	-Hiroshima ekie opening full-year contribution, etc.	-
		Operating Income	8.5	(0.2)	(2.5)		-
	Real estate lease and sale	Operating Revenues	85.1	6.9	9.0	-Increase in number of residences sold, opening of lease properties, etc.	-
		Operating Income	15.6	(1.7)	(10.3)	-Lease properties new opening expenses, etc.	-
Other Businesses	Hotel	Operating Revenues	36.1	0.4	1.3		-
		Operating Income	1.4	(0.5)	(29.5)		-
	Nippon travel agency	Operating Revenues	39.9	(1.4)	(3.5)	-Weak trends in sales of domestic travels, etc.	(2.0)
		Operating Income	0.3	0.0	9.6		-

Note: Figures in brackets () are negative values.

* Operating revenues are the revenues from third parties (= customers).

The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.

Other Data



Persons, ¥ Billions

	6 months ended Sep 30, 2017	6 months ended Sep 30, 2018	Results FY2018.3	Forecasts FY2019.3 As of Oct 29
ROA (% Consolidated) *1	3.7	3.7	6.3	6.0
ROE (% Consolidated)	7.0	5.4	11.3	9.1
EBITDA (Consolidated) *2	191.6	192.0	356.1	353.2
Depreciation (Consolidated)	79.8	78.1	163.5	164.5
Capital Expenditures (Consolidated, own fund)	59.3	79.4	169.4	272.0
Capital Expenditures (Non-consolidated, own fund)	41.7	60.4	127.8	210.0
Safety related capital expenditure	28.4	38.4	83.2	127.0
Dividends per share (¥)	80	87.5	160	175

	6 months ended Sep 30, 2017		6 months ended Sep 30, 2018		Results FY2018.3		Forecasts FY2019.3 As of Oct 29	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
No. of employees at the end of period	47,814	25,381	48,219	24,976	47,869	25,291	—	—
Financial Expenses, net	(10.1)	(9.6)	(9.1)	(8.1)	(20.2)	(19.6)	(19.3)	(17.6)
Interest and dividend income	0.3	0.8	0.7	1.8	0.7	1.2	0.7	2.2
Interest expenses	10.5	10.4	9.9	9.9	20.9	20.8	20.0	19.9

Note: Figures in brackets () are negative values.

*1 Figures at the end of FY2018.3 have been retroactively adjusted due to the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

*2 EBITDA = Operating Income + Depreciation + Amortization of goodwill

1. Results for the First Half of FY2019.3
 2. Forecasts for FY2019.3
 - 3. Individual Business Initiatives**
 4. Capital Expenditure Plan,
Returns to Shareholders
-  Appendix

- Once again, I am Nobutoshi Nikaïdo.
- I will explain the status of the initiatives for each business that are included in the medium-term management plan.

Groupwide Strategies: Capturing Inbound Demand (1)



• Status of progress with medium-term management plan measures

	1H FY19.3	2H FY19.3	FY20.3 ~
Developing and improving wide-area tourism routes	<ul style="list-style-type: none"> "Let's Discover West Japan" Campaign Kansai inbound tourism revival plan New product / existing product revision Hello Kitty Shinkansen 	<ul style="list-style-type: none"> Setouchi Tourism Promotion Pre-Campaign 	<ul style="list-style-type: none"> Setouchi Tourism Promotion Campaign (planned)
Capturing demand on a groupwide basis	Expanding development of accommodation facilities, renovating hotels and commercial facilities (--> P.27 to 30)		
Improving reception systems	<ul style="list-style-type: none"> Strengthening counter functions at Kyoto Station 	<ul style="list-style-type: none"> Free Wi-Fi on Shinkansen (Sanyo, Hokuriku) 	<ul style="list-style-type: none"> Further enhancing provision of information inside and outside stations*
Strengthening promotions	<ul style="list-style-type: none"> Converting Singapore office to branch 		<ul style="list-style-type: none"> Internet reservations from overseas



Kansai inbound tourism revival plan



Free Wi-Fi (Shinkansen)

* Further enhancing provision of information inside and outside stations

- Increasing number of stations with multilingual voice translation systems (5 stations --> 17 stations)
- Upgrading English broadcasts with tablets, etc., for station staff and train crews
- SNS use (multilingual account posting on Twitter, Facebook)
- Stepping up collaboration with municipal governments, tourist information centers

Targeting the achievement of full-year objectives, use a variety of measures to attract travelers to the western Japan area.

21

- First, please refer to slide 21.
- This shows initiatives to capture inbound demand, which is one of the Groupwide strategies in the medium-term management plan.
- We have a railway network that covers all of western Japan, and we are working to leverage that strength. On that basis, we will develop and improve wide-area tourism routes and enhance reception systems, and the entire Group will work together to capture demand.
- In the current fiscal year, we are implementing measures on a Groupwide basis to steadily capture demand, such as successively introducing free Wi-Fi on the Sanyo Shinkansen and Hokuriku Shinkansen, expanding the hotel business, and implementing renovations of commercial facilities. I will explain initiatives in the hotel and department store businesses later.

Groupwide Strategies: Capturing Inbound Demand (2)



• Status of progress with medium-term management plan objectives

	FY19.3 1H results		FY19.3 full-year targets		FY23.3 targets
Consolidated operating revenues	¥23.0 billion	YoY108%	¥47.0 billion	YoY109%	¥65.0 billion
Transportation revenues	¥15.5 billion	YoY110%	¥31.7 billion	YoY112%	¥45.6 billion
Number of users	790,000 people	YoY105%	1.8 million people	YoY112%	2.6 million people

• Trends in inbound visitors to Japan (YoY)



• Usage in September (YoY) * Specially prepared preliminary figures



Recovery to about previous year's level after the full reopening of Kansai International Airport, despite the influence of Typhoon No. 21 (Jebi)

22

- Next, please look at slide 22.
- For the final fiscal year of the medium-term management plan, our numerical objectives are ¥45.6 billion for transportation revenues and ¥65.0 billion for consolidated operating revenues. For the current fiscal year, we are planning transportation revenues of ¥31.7 billion and consolidated operating revenues of ¥47.0 billion.
- In the first half of the current fiscal year, consolidated operating revenues were ¥23.0 billion, up 8% year on year.
- This is slightly below our full-year objective of 9%. We think that this was a direct influence of the closure of Kansai International Airport due to Typhoon No. 21 (Jebi) in September, and that the Northern Osaka Prefecture Earthquake in June and the Heavy Rain Event of July 2018 had a minimal effect.
- After the full opening of Kansai International Airport, usage is recovering in both railway and non-railway operations. Moving forward, we will work to stimulate demand in cooperation with the national government and municipalities.
- In the second half, we will implement Groupwide efforts to capture inbound demand.

Transportation Operations: Shinkansen (1)



• Status of progress with medium-term management plan measures

		1H FY19.3	2H FY19.3	FY20.3 ~
San'yo	Safe, reliable transportation	Introducing new rolling stock (N700A)	Introducing equipment for detecting abnormalities in bogies	Implementing renovation of Hakata Depot
	Fostering tourism demand	Setouchi Palette Project	Capturing inbound demand (--> P.21)	Kumamoto Pre Destination Campaign, Yamaguchi After Destination Campaign, 1st anniversary of Smart EX Service
	Fostering business demand	Business trip support campaign	e5489 Corporate Service — Internet reservations for corporations	
	Increasing the quality of transportation services	Free Wi-Fi		
Hokuriku	Fostering tourism demand	Beauty of Japan Is in Hokuriku	Japanese Beauty Hokuriku	
	Fostering business demand	Business trip support campaign	e5489 Corporate Service — Internet reservations for corporations	
	Increasing the quality of transportation services	Free Wi-Fi		New IC boarding service, Extension to Tsuruga

Additional content in the table includes: 'せとうちパレットプロジェクト' (Setouchi Palette Project) with a photograph of Okayama Prefectural Tourism Federation; 'CYCLESHIP Lazuli' and 'Illustration of new station building at Onomichi'.

Continue working to strengthen competitiveness in both business and tourism travel, with the Shinkansen as biggest growth driver

23

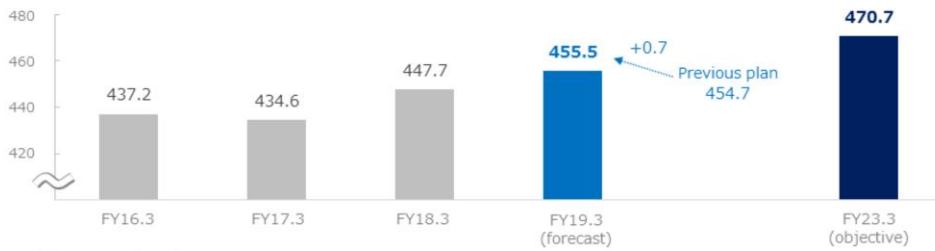
- Next, please refer to slide 23 for information about the Shinkansen, which is our largest growth driver.
- In the medium-term management plan, we announced that we will link safety — the largest strength of the Shinkansen — to increases in competitiveness. In addition, we will increase our share of the transportation market vis-a-vis airlines by taking steps to enhance transportation services. And we will strive to stimulate tourism demand by enhancing wide-area tourism routes and implementing campaigns.
- To increase safety, we will steadily implement both tangible and intangible initiatives. Specifically, we will steadily advance the successive installation of derailment prevention guards and the introduction of new rolling stock. We will also move forward with the introduction of equipment for detecting abnormalities in bogies. Furthermore, looking at intangible initiatives, we have formulated and are steadily implementing appropriate countermeasures for situations in which there is an abnormality.
- To stimulate business demand, we will continue working to appeal to frequent users by continually implementing business trip support campaigns, with a streamlined focus on time periods in which our trains compete with aircraft. Also, from November we plan to start a new Internet reservation service for corporations.
- To foster tourism demand, we will continue to advance the Setouchi Palette Project, and we will increase product variation in the Japanese Beauty Hokuriku Campaign. In these ways, we will work to capture further travel demand.

Transportation Operations: Shinkansen (2)



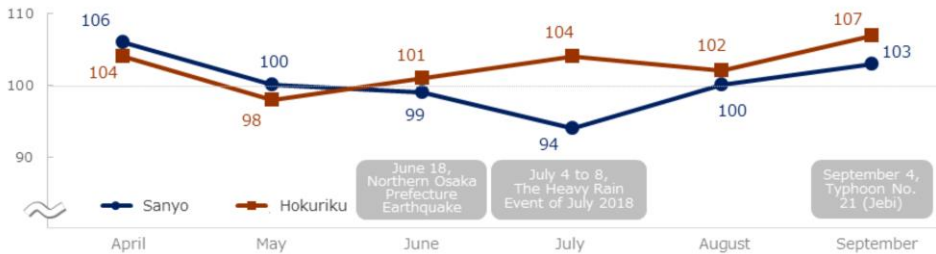
• Trend in Shinkansen revenues (full year)

(Unit: ¥ Billion)



• Trend in usage (YoY)

(Unit: %)



• Full-year forecast revised upward, despite the influence of natural disasters.

- Fundamental demand solid on both Sanyo Shinkansen and Hokuriku Shinkansen.
- Capturing domestic and overseas demand by promoting use of Internet reservations and implementing tourism campaigns.



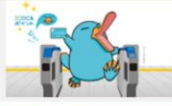

24

- Next, please refer to slide 24.
- Looking at usage in the first half, for the Sanyo Shinkansen, usage was down year-on-year temporarily due to the influence of the natural disasters, but the fundamentals remained firm, and we believe that the measures we implemented steadily produced results.
- For the Hokuriku Shinkansen, the economic situation in Hokuriku was firm. In addition, with a focus on competition, we generated good results with the creation of price-competitive products, point return campaigns, and other initiatives. As a result, usage was firm.
- Going forward, we will continue working to steadily implement the measures in the medium-term management plan, such as increasing safety, strengthening competitiveness, and fostering tourism demand.

Transportation Operations: Conventional Lines (1)



• Status of progress with medium-term management plan measures

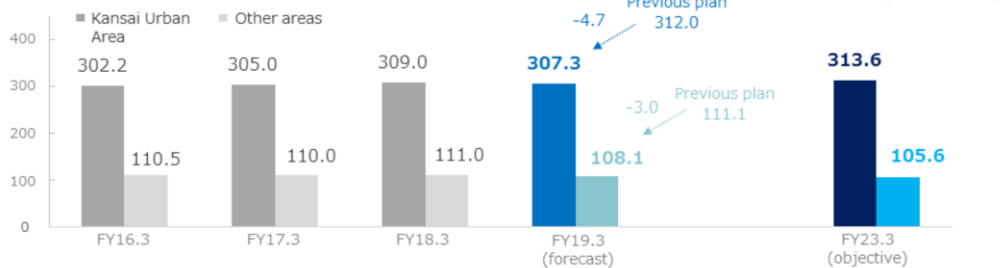
	1H FY19.3	2H FY19.3	FY20.3 ~
Kansai Urban Area	Groupwise development of areas along railway lines (--> pages 27 to 30)		
	Increasing the value of railway belts (--> pages 37 to 38) New stations (JR-Sojiji, Kizuri-Kamikita)  Osaka Higashi Line, Minami Suita Station (illustration)	 Umekoji-Kyotonishi station (illustration)	Northern section of Osaka Higashi Line New station (Umekoji-Kyotonishi) Umekita (Osaka) underground station Naniwasuji Line
Other areas	Introduction of new rolling stock (Osaka Loop Line, 323 series)		
	Increasing the quality of transportation services 	Expansion of ICOCA area, expansion of e5489 ticketless service, collaboration with other companies (sales of ICOCA commuter passes, etc.) ICOCA point services, PiTaPa post-paid services	New fee-based seat system for special rapid service trains Suita Depot renovation
Other areas	Setouchi Palette Project		
	Invigorating communities and developing cities, centered on tourism "Let's Discover West Japan" Campaign Sanin Destination Campaign (ongoing initiatives)	New station building at Onomichi Station New long-distance trains	
	Sustainable regional transportation Increasing productivity 	Converting Kibi Line to LRT Onboard IC ticket checking equipment (227 series) Wireless ATC (Wakayama Line)	
Steadily advancing various measures to increase the value of railway belts and regions			

- Next, please look at slide 25.
- In the Kansai Urban Area, we will work to meet the objective of increasing the value of railway belts and expanding the resident population. To that end, the entire Group will work together to implement initiatives, such as measures to enhance the railway network and improve transportation services, including the opening of new lines and new stations, and measures to develop the areas along railway lines.
- In March 2018, we opened two new stations. Next spring, we will open the northern section of the Osaka Higashi Line as well as Umekoji-Kyotonishi station.
- In addition, to enhance transportation services, from October 2018 we will start ICOCA point services and PiTaPa post-paid services. In this way, we will work to achieve a transition to IC cards and seamless transportation.
- Furthermore, in the other West Japan area, we will aim to develop businesses aligned with regional conditions. To that end, we will work to invigorate communities, centered on tourism; implement city development initiatives, centered on core cities; engage in dialog with local communities in order to aim for sustainable railway/transportation services; increase productivity by simplifying equipment, and take other steps.
- We will continue to advance the Setouchi Palette Project initiatives. Moreover, we will energetically promote revival campaigns, such as the "Let's Discover West Japan Campaign."

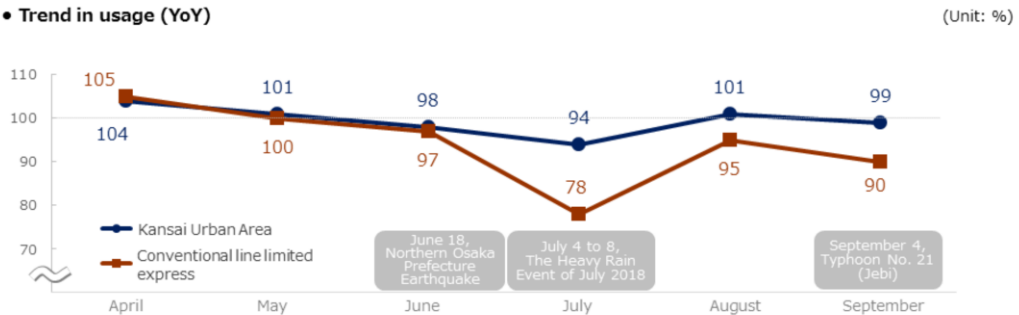
Transportation Operations: Conventional Lines (2)



• Trend in conventional line revenues (full year)



• Trend in usage (YoY)



Maintaining 2nd half plan announced at beginning of fiscal year, despite downward revision of results forecast in consideration of the influence of natural disasters.

26

- Next, please refer to slide 26.
- Looking at usage in the Kansai Urban Area, in the first quarter usage was approximately the same year on year, but due to such factors as the series of natural disasters and the intense heat, which caused people to refrain from going outside, in the second quarter usage was down year on year.
- On the other hand, we believe that the initiatives I mentioned, such as the establishment of new stations to increase the value of railway belts, are steadily generating results. In the second half of the current fiscal year, we will continue working to further increase the value of railway belts.

Non-Railway Businesses: Retail



• Trend in results (full year)



• Status of progress with medium-term management plan measures

	1H FY19.3	2H FY19.3	FY20.3 ~
Sales of goods and food services	Enhancing asset efficiency Strengthening operating capabilities of Seven-Eleven allied stores (1st half FY2019.3: 40% increase in sales * Compared with sales prior to conversion) Renovation of stores inside stations (Ibaraki Station)		Renovation of stores inside stations (Kyoto Station, Okayama Station)
	Expanding business scale Seven-Eleven allied stores: new store openings (End September 2018: Total of 377 stores --> Objective: Total of 500 stores) New openings of VIA INN accommodation-oriented hotels (--> page 30)		
Department stores	Enhancing asset efficiency Kyoto store renovation (December 2018: B1 level (food sales area expansion), spring 2020: full reopening of floors 2 to 5)		

Maintaining favorable results by strengthening operating capabilities of Seven-Eleven allied stores. Accelerating growth through new store openings

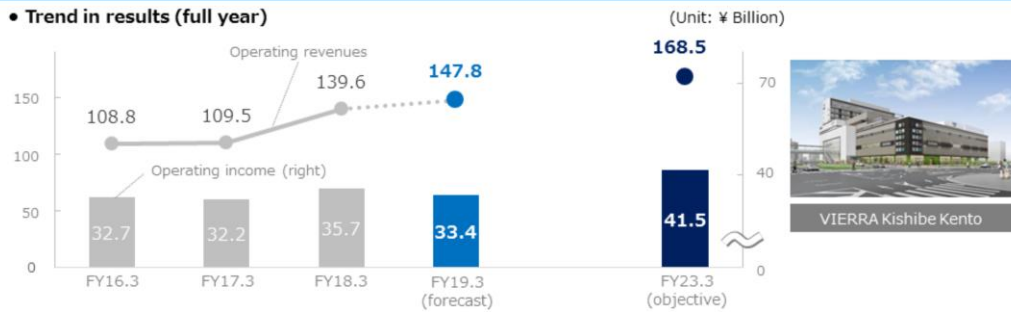
27

- Slide 27 shows the retail business.
- Under the medium-term management plan, our strategies include working to increase asset efficiency by renovating department stores and in-station stores, and expanding our business scale by opening Seven-Eleven allied stores in areas surrounding stations, opening new accommodation-oriented hotels, and implementing other measures.
- As of the end of September, we had 377 Seven-Eleven allied stores, and sales were up by about 40% from the period before the conversion. Our progress remains favorable. In addition, at stores that have been in operation for more than a year since their conversion to Seven-Eleven, store operating capabilities have been strengthened, including the skills of staff members. Progress with these stores is also favorable.
- With VIA INN accommodation-oriented hotels, which are included in the retail business, in the first half we continued to maintain a high occupancy rate, at 91.8%.
- In department stores, we are expanding and remodeling the food sales area on the JR Kyoto Isetan B1 floor, which is scheduled to be opened in December 2018. In the next fiscal year and thereafter, we will start large-scale remodeling initiatives on the fashion shop floors (floors 2 to 5).

Non-Railway Businesses: Real Estate (1)



Trend in results (full year)



Status of progress with medium-term management plan measures

	1H FY19.3	2H FY19.3	FY20.3 ~
Shopping Centers	Enhancing asset efficiency	LUCUA FOOD HALL	ekie Phase III (Hiroshima) / ekie Phase IV (Hiroshima)
	Expanding business scale		SUITA GREEN PLACE Phase II
Lease and sale	Implementing city development starting from stations	Lease	VIERRA Senrioka / Osaka Kita NK Building
		Sale	PROUD CITY TSUKAGUCHI MARK SKY
			VIERRA Kishibe Kento / VIERRA Meimai
			Urban Shimamoto City / Maya City STATION GATE
			Big Three projects (Osaka, Hiroshima, Sannomiya)

(--> For further property information, see pages 39 to 40)

Expanding the scale of the real estate lease and sales business, advancing new development and renovations in the shopping center business.

- Please refer to slide 28, which covers the real estate business.
- In the real estate lease and sales business, to maximize regional value and railway belt value in the western Japan area, we are implementing aggressive initiatives inside and outside our railway service area. In the shopping center business, we are working to increase asset efficiency by conducting development and renovation measures that reflect consideration for local conditions.
- SUITA GREEN PLACE Phase II opened in October 2018, and VIERRA Kishibe Kento, a large-scale lease property, will open in November. The Appendix contains information about major lease/sale properties.
- Please refer to the next slide, which covers shopping center renovations.

<p style="text-align: center;">LUCUA osaka</p> <p style="text-align: center;">LUCUA OSAKA</p> <p>Features</p> <ul style="list-style-type: none"> ■ Operation based on communication with tenants <p>Renovation of underground floors</p> <ul style="list-style-type: none"> ■ September 2017: B1 level (renovated floor space: approx. 3,800m²) <ul style="list-style-type: none"> • Opening of Uniqlo, GU ■ December 2017 to April 2018: B2 level (renovated floor space: approx. 5,100m²) <p>Phase I: Expansion of Barchica restaurant area (drawing together popular stores in favorable location with direct access to Osaka Station)</p> <p>Phase II: LUCUA FOOD HALL (new dining area combining markets and restaurants)</p> <div style="display: flex; justify-content: space-around;">   </div> <p style="text-align: center;">New Initiatives</p> <ul style="list-style-type: none"> ■ Integration with e-commerce: Pick-up service at LUCUA <p style="text-align: center;">Creating a more lively community around Osaka, which is the largest base in western Japan</p>	<p style="text-align: center;">ekie (Hiroshima)</p> <p style="text-align: center;">ekie</p> <p>Concept</p> <ul style="list-style-type: none"> ■ "Hiroshima's New Main Street" <ul style="list-style-type: none"> • Communicating the appeal of the Setouchi area (Setouchi Palette Project) <p>Development plan</p> <ul style="list-style-type: none"> ■ Store floor space: approx. 10,400m², Number of stores: approx. 130 <p>Phase I, October 2017: area above tracks (Select product lineup focused on the theme of a "sundries market")</p> <p>Phase II, March 2018: "ekie DINING" (New in-station gourmet food area bringing together well-known restaurants, etc., from the local community)</p> <p>Phase III, September to October 2018: "ekie BAR", "ekie souvenir", etc. (casual restaurant zone, large-scale souvenir zone, etc.)</p> <p>Phase IV, summer 2019~ : current "Hiroshima Shinkansen Meitengai" (Plan to roll our sales areas that respond to diverse food preferences)</p> <div style="display: flex; justify-content: space-around;">    </div> <p style="text-align: center;">Enhancing appeal of Hiroshima as base in the Setouchi area</p>
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- Page 29 shows LUCUA osaka and ekie. In the previous year and the current year, LUCUA osaka was renovated and ekie was newly opened.
- In the shopping center business, with consideration for local conditions, we are implementing development and renovation measures with the aim of realizing facilities that can propose high-quality lifestyles through intensive marketing initiatives.
- At LUCUA osaka, major renovations were implemented on the B1 and B2 floors. On the B2 floor, we opened Barchica, which brings together well-known restaurants in a variety of genres, centered on "popular, successful restaurants from small back streets" and LUCUA FOOD HALL, a new food area that integrates markets and restaurants.
- Leveraging a location with direct access to the station, we have implemented effective initiatives, such as having stores remain open later in the evening. These initiatives have become a driving force behind the favorable performance at LUCUA osaka.
- For ekie, with a development concept of "Hiroshima's New Main Street," we will implement Groupwide measures to successively open commercial facilities with a total floor space of more than 10,000 square meters.
- Targeting the opening of Phase IV, we will work to enhance the appeal of Hiroshima as the base in the Setouchi area through development that leverages local conditions.
- As outlined in the medium-term management plan, targeting further growth in non-railway operations, we will take steps to enhance our know-how.

Non-Railway Businesses: Hotels

* Information includes non-consolidated hotel operations
 * The names of hotels that are planned to be opened in the future are provisional.



• Status of progress with medium-term management plan objectives

	FY19.3 1H results		FY19.3 full-year targets		FY23.3 targets
External sales	¥22.8 billion	YoY -¥0.4 billion	¥47.0 billion	YoY +¥1.5 billion	¥63.2 billion

* Consolidated basis (retail business, VIA INN + other hotel operations)

• Major store-opening plans

	1H FY19.3		FY20.3 ~		FY23.3 targets
	【Total number of rooms】				
Granvia 	Other City hotels	2,270 rooms	Kyoto renovation		Approx. 2,300 rooms
Vischio 	Other High-class accommodation-oriented hotels	590 rooms Osaka Amagasaki	Kyoto	Right: Vischio Left: VIA INN	Approx. 1,400 rooms
VIA INN 	Retail Accommodation-oriented hotels	5,292 rooms Iidabashi Korakuen Shin-Osaka Shomenguchi Nagoya Ekimae Tsubaki-cho	Hakata	Kyoto Hachijo-guchi Shinsaibashi Nishi Tokyo Nihonbashi Hiroshima Shinkansen-guchi	Approx. 6,700 rooms
Potel 	Non-consolidated Community-oriented casual hotels	—		Umekoji (Kyoto)	Approx. 200 rooms
First Cabin Station 	Non-consolidated High-end capsule hotels	203 rooms Wakayama			Approx. 400 rooms
Total: 8,355 rooms			Total: 11,000 rooms		

Maintaining high occupancy rates at VIA INN accommodation-oriented hotels.
 Continue aggressive new openings.

30

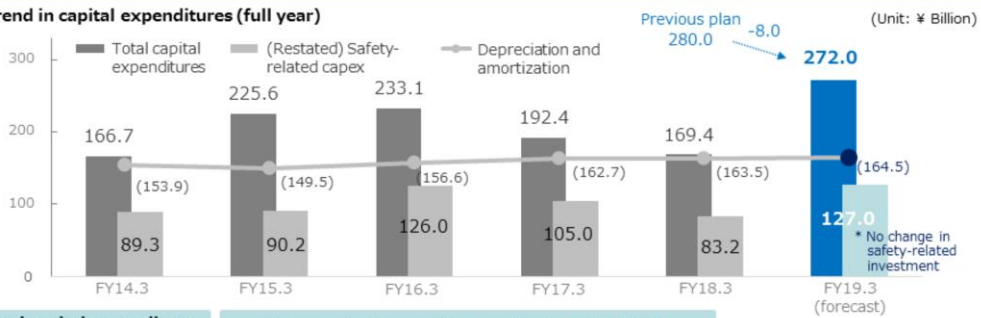
- Please look at slide 30, which covers the hotel business.
- Under the medium-term management plan, we will work to address diverse needs. To that end, we will develop a lineup with multiple business formats, centered on accommodation-oriented hotels, and strive to expand our business scale.
- In the first half of the fiscal year, we opened Vischio Osaka and three VIA INN hotels, and the results were basically in line with plans.
- As a result of these openings, as of the end of September, the Group had a total of 8,355 rooms. We are also planning new openings next year, including one Vischio hotel, four VIA INN hotels, and one hotel under a new brand, Potel.
- In particular, next spring we will open a Vischio and a VIA INN next to each other in front of Kyoto Station. Together with Granvia Kyoto, we will have three different brands of hotels in and around Kyoto Station. In this way, we will strive to meet diverse accommodation needs.
- As indicated in the medium-term plan, we are targeting a total of 11,000 rooms for the Group, and we will endeavor to move forward steadily.

1. Results for the First Half of FY2019.3
 2. Forecasts for FY2019.3
 3. Individual Business Initiatives
 - 4. Capital Expenditure Plan,
Returns to Shareholders**
-  Appendix

Capital Expenditures



Trend in capital expenditures (full year)



Total capital expenditure during the medium-term management plan period

Total: ¥1,270.0 billion

Capex for growth
¥460.0 billion

Capex for maintenance and upgrades
¥810.0 billion

Safety-related capex
¥530.0 billion

Major capital expenditure projects for FY2019.3

Capex for growth

- Railway business
 - Expansion of ICOCA area, point service system
 - New station installation, station improvement
 - Internet reservation services
- Non-Railway Businesses
 - Lease buildings (VIERRA Kishibe Kento, etc.)
 - Hotel development (Vischio Osaka, etc.)
 - Department store renovations
 - New openings of Seven-Eleven allied stores

Safety-related capex

- Rolling stock replacement/renovation
 - Sanyo Shinkansen (N700A)
 - Kansai Urban Area (Osaka Loop Line, 323 series)
- Safety/disaster-prevention measures
 - Platform safety measures
 - Earthquake/tsunami countermeasures

1H cumulative performance

¥79.4 billion
(YoY +¥20.1 billion)

(Restated)
Safety-related capex
¥38.4 billion
(YoY +¥9.9 billion)

No change to total CAPEX under medium-term management plan, despite revision of current year plan in consideration of disaster restoration.

- Next, please look at slide 32 for information about capital expenditures.
- Restoration from the heavy rains was given priority, and as a result we adjusted the work schedule, moving ¥8.0 billion of maintenance and upgrade investment to the next fiscal year and thereafter. Consequently, our forecast for the current fiscal year's capital expenditures is ¥272.0 billion.
- However, this is simply the result of the work schedule adjustment, and there is no change to the planned level of capital expenditures — ¥1,270.0 billion — in the medium-term management plan.

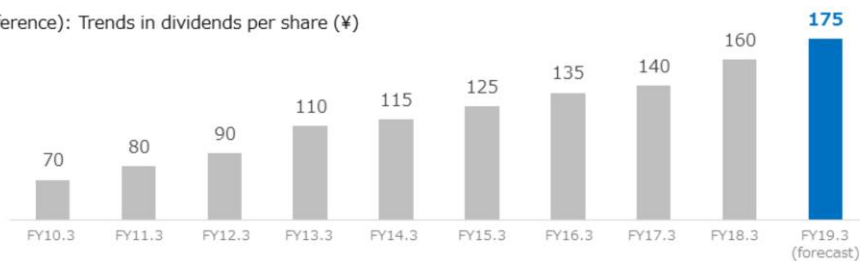
Shareholder return policy

- We will implement stable dividends, aiming for a **dividend payout ratio of approximately 35% in fiscal 2023**.
- **Over the period of this plan, our yardstick will be a total return ratio of approximately 40%**, and we will make flexible acquisitions of treasury stock.

Shareholder return in FY2019.3

- Planning on dividends of **¥175** per share, an **increase of ¥15** (initial forecast unchanged). ***9th consecutive year of higher dividends.**
- Acquisition and cancellation of **¥9.9 billion of own shares** (acquisition: June 1 to July 17, cancellation: August 15)

(Reference): Trends in dividends per share (¥)



Maintaining dividend forecast, despite downward revision of results forecast. Placing importance on stable dividends over the long-term.

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- Please refer to slide 33, which covers shareholder return.
- As I mentioned at the beginning of today's presentation, we have revised downward our results forecast for this fiscal year due to natural disasters, but we consider the natural disasters to be a transitory factor. Accordingly, there are no changes to the direction and KPIs in the medium-term management plan that was announced in April 2018.
- In accordance with this view, the dividend forecast for fiscal 2019 is for annual dividends of ¥175 per share, which is in line with the guidance provided at the beginning of the year.
- In conclusion, this year's natural disasters did have an influence. Nonetheless, this is still only the first year of the medium-term management plan, and we will steadily implement the measures in the plan and work to achieve growth over the medium to long term.
- This concludes my portion of today's presentation.

1. Results for the First Half of FY2019.3
2. Forecasts for FY2019.3
3. Individual Business Initiatives
4. Capital Expenditure Plan,
Returns to Shareholders



Appendix

(Reference (1)) Occurrence of Natural Disasters

	Northern Osaka Prefecture Earthquake (June 18)	The Heavy Rain Event of July 2018 (July 4 to 8)	Typhoon No. 21 (Jebi) (September 4)
Situation at time of occurrence	<ul style="list-style-type: none"> Sanyo Shinkansen and Kansai Urban Area, suspension of service until evening. 	<ul style="list-style-type: none"> Sanyo Shinkansen, conventional lines, including Kansai Urban Area, almost complete suspension of service on July 6 and 7. 	<ul style="list-style-type: none"> Sanyo Shinkansen, Kansai Urban Area, wide-ranging suspension of service
Major locations with damage	<ul style="list-style-type: none"> No major physical damage 	<ul style="list-style-type: none"> 279 locations with damage Operations suspended on many routes 	<ul style="list-style-type: none"> Operation of Kansai-Airport Line suspended for about two weeks due to connection bridge damage, etc.
Status of restoration	<ul style="list-style-type: none"> Basically back to normal operation from next day 	<ul style="list-style-type: none"> Restoration complete, with the exception of certain routes 	<ul style="list-style-type: none"> Operation of Kansai-Airport Line restarted on September 18

* In addition to the above, typhoons No. 12 (Jongdari) (July 29), No. 15 (Marie) (August 14), No. 20 (Cimaron) (August 23), and No. 24 (Trami) (September 30) also struck western Japan.

(Reference): Status immediately after the Heavy Rain Event of July 2018



Geibi Line (Shirakiyama Station - Karuga Station segment)
No. 1 Misasa River bridge girder wash away



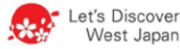
Sanyo Line (Hongo Station - Kochi Station segment) flooded



Hakubi Line (Bitchu-Takahashi Station - Kinoyama Station segment)
concrete pillar snapped, soil eroded

**Many locations were significantly damaged by natural disasters.
This had a short-term influence on results.**

“Let’s Discover West Japan” Campaign



Objective

がんばろう! 西日本

- Draw travelers to the Chugoku/Setouchi areas from Japan and overseas

Implementation period

- August 2018 to Spring 2019
* Conclusion extended from the end of December

Major Initiatives

- Launching travel plans, etc., for Chugoku/Setouchi areas
 - Visit Hiroshima/Okayama via Nozomi from the Tokyo Metropolitan Area! (support campaign)
 - 13 Prefecture Fukko Leisure Discount
 - Sanin tour pass, Sanin free pass sales period extension, etc.
- PR events related to travel in the Chugoku/Setouchi areas
 - Sanin Destination Campaign Collaboration Project: Sanin Gourmet Fair in Eki Marche Osaka, etc.
- Providing information about western Japan overseas
 - Providing information about disaster-stricken areas, with invitation of media from East Asia.

Kansai inbound tourism revival plan



Objective

- Activate inbound tourism in Kansai region

Implementation period

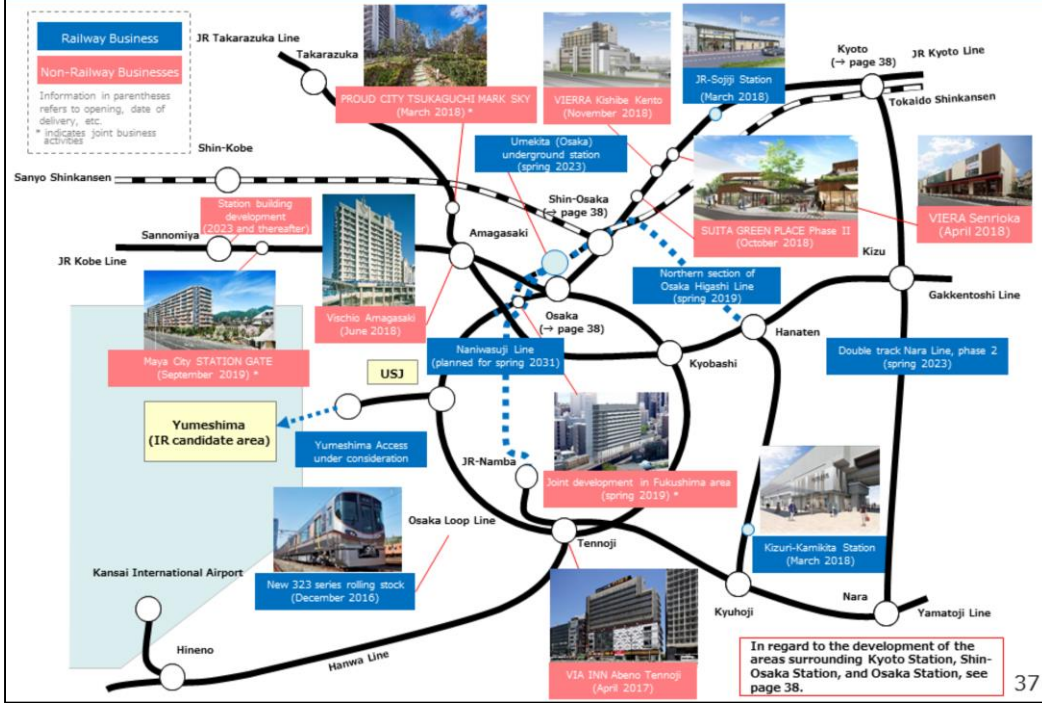
- Focus campaign period: About one month starting on September 21
* Major initiatives extended to the end of November

Major Initiatives

- Starting sales of travel plans, etc.
 - Strengthening product creation, such as optional tours, etc., in collaboration with travel companies
- Hospitality for customers from overseas in stations and trains
 - Offering welcome drink coupons at Kansai Airport Station
 - Providing free services from Kansai Airport Station to Kyoto that enable customers to go on tours without carrying their luggage
 - Hello Kitty wrapping on HARUKA, etc.
- Providing information about Kansai overseas
 - Providing information, with invitation of media from East Asia, from which travelers frequently use Kansai Airport

We will implement many initiatives in collaboration with communities, related companies, etc., and work to foster tourism demand.

(Reference (3)) Initiatives to Increase the Value of Railway Belts in the Kansai Urban Area (1)



(Reference (4)) Initiatives to Increase the Value of Railway Belts in the Kansai Urban Area (2)



Kyoto



JR Kyoto Isetan renovation
(December 2018 to spring 2020)



Right: Viechio Kyoto (May 2019)
Left: VIA INN Kyoto Hachijoguchi
(provisional) (spring 2019)



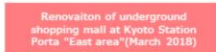
Umekoji-Kyotonishi Station
(spring 2019)



Umekoji Potal Kyoto
(spring 2020)



J.GRAN THE HONOR
Shimogamo Tadasunomori
(June 2017)



Renovation of underground shopping mall at Kyoto Station Porta "East area"(March 2018)



Renovation of commercial facilities inside stations (spring 2019)

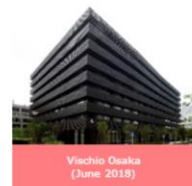


Granvia Kyoto renovation (January 2017 to March 2020)

Osaka



Renovation of LUCUA underground floors (September 2017 to April 2018)



Viechio Osaka (June 2018)



VIA INN Umeda (August 2017)



Developing the western part of Osaka Station (2023 ~)

Shin-Osaka



Renovation of arde! Shin-Osaka (December 2013 to August 2017)



VIA INN Shin-Osaka Shomenjuchi (July 2018)

(Reference (5)) Major Real Estate Lease Properties



*Joint business with other companies

West Japan Area

Areas outside of Railway service area

	1H FY19.3		2H FY19.3		FY20.3 ~	
Property name	VIERRA Senrioka	Osaka Kita NK Building	VIERRA Kishibe Kanto	VIERRA Meimai	Joint development in Fukushima area*	JR Kanazawa Station Nishi Dai-san NK Building (provisional) development
Location	Suita City, Osaka Prefecture	Osaka City, Osaka Prefecture	Suita City, Osaka Prefecture	Kobe City, Hyogo Prefecture	Osaka City, Osaka Prefecture	Kanazawa City, Ishikawa Prefecture
Uses	Commercial facilities	Hotel, etc.	Clinics, hotels, etc.	Commercial facilities, etc.	Hotel, commercial facilities	Offices
Total floor space	Approx. 2,200 m ²	Approx. 14,000 m ²	Approx. 27,000 m ²	Approx. 10,600 m ²	Approx. 11,000 m ²	Approx. 6,100 m ²
Opening date (planned)	April 2018	July 2018	November 2018	November 2018	Spring 2019	Spring 2019
Property name	Forest Miyazakata		Ibaraki Shinchujo-doh NK Building (provisional)	Hiroshima Otomachi NK Building (provisional)	Kyoto Umekoji NK Building (provisional)	VIA INN Hiroshima Shinkansenguchi (provisional) development
Location	Kawasaki City, Kanagawa Prefecture		Ibaraki City, Osaka Prefecture	Hiroshima City, Hiroshima Prefecture	Kyoto City, Kyoto Prefecture	Hiroshima City, Hiroshima Prefecture
Uses	Rental condominiums		Commercial facilities, rental condominiums, etc.	Hotel	Hotel	Hotel
Total floor space	Approx. 3,400 m ² (building)		Approx. 11,000 m ²	Approx. 4,400 m ²	Approx. 8,300 m ²	Approx. 5,700 m ²
Opening date (planned)	May 2018 acquisition		Spring 2019	Spring 2019	Spring 2020	Spring 2020

Advancing large number of development projects, centered on railway service area. Allocate management resources, aim for aggressive growth.

(Reference (6)) Major Real Estate Sales Properties



*Joint business with other companies

West Japan Area

Areas outside of Railway service area

	1H FY19.3		2H FY19.3		FY20.3 ~	
Property name	JGRAN L IBARAKI	JGRAN THE HONOR Shimogamo Tadaunomori	Urban Shimamoto City *	JGRAN MINAMI FUKUOKA SUNSHINE *	Maya City STATION GATE *	JGRAN City Tsukamoto
Location	Ibaraki City, Osaka Prefecture	Kyoto City, Kyoto Prefecture	Mishima-gun, Osaka	Fukuoka City, Fukuoka Prefecture	Kobe City, Hyogo Prefecture	Osaka City, Osaka Prefecture
Total units	283 units	99 units	264 units	77 units	118 units	312 units
Date of delivery (planned)	March 2016	June 2017	February 2019	March 2019	September 2019	March 2020
Property name	Dieta No Fukunachi Urban	PRUD CITY TSUKAGUCHI MARK SKY *	The Terrace Tokai Grand Terminal *	Lons Tokai-dori JGRANDIA*	JGRAN MOTOSUMIYOSHI	JGRANDIA HIYOSHI
Location	Osaka City, Osaka Prefecture	Amagasaki City, Hyogo Prefecture	Yokohama City, Kanagawa Prefecture	Nagoya City, Aichi Prefecture	Kawasaki City, Kanagawa Prefecture	Yokohama City, Kanagawa Prefecture
Total units	96 units	366 units	175 units	69 units	41 units	86 units
Date of delivery (planned)	October 2017	March 2018	March 2019	March 2019	August 2019	November 2019

Developing multiple properties inside and outside the railway service area, including joint business with other companies.

- This presentation contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates and projections about its business, industry, and capital markets around the world.
- These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.
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 - 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 October 30, 2018 based on information available to JR-West as of October 30, 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 Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.