

# Annual Report 2013

Year ended March 31, 2013



# Taking the Next Step. Working together with communities.

Management Vision: The JR-West Group will strive to contribute to the invigoration of the West Japan area through its business activities, and to that end we will strive to be a corporate group that excels in safety management and earns the trust of customers, communities, and society.



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## Our History

West Japan Railway Company (JR-West) is one of the six passenger railway transport companies created in 1987, when Japanese National Railways was split up and privatized. In our railway operations, our core business activity, our railway network extends over a total of 5,015.7km. Making the most of the various forms of railway asset value represented by our stations and railway network, we are also engaged in retail, real estate, hotel, and other businesses.

Business	Company	Main Regions of Operation
Passenger	Hokkaido Railway Company	Hokkaido
	East Japan Railway Company	Tohoku, Kanto
	Central Japan Railway Company	Tokai
	<b>West Japan Railway Company</b>	Hokuriku, Kinki, Chugoku
	Shikoku Railway Company	Shikoku
	Kyushu Railway Company	Kyushu
Freight	Japan Freight Railway Company	Nationwide

## Cautionary Statement With Respect To Forward-Looking Statements

This annual 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:

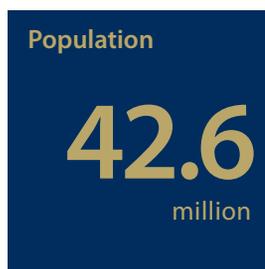
- expenses, liability, loss of revenue, or adverse publicity associated with property or casualty losses;
- economic downturn, deflation, and population decreases;
- adverse changes in laws, regulations, and government policies in Japan;
- service improvements, price reductions, and other strategies undertaken by competitors such as other passenger railway and airline companies;
- earthquake and other natural disaster risks; and
- failure of computer telecommunications systems disrupting railway or other operations.

All forward-looking statements in this annual report are made as of September 2013 based on information available to JR-West as of September 2013, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Future compensation and other expenses related to the Fukuichi Line accident that occurred on April 25, 2005 are difficult to estimate reasonably at this time, and so have not been included in forecasts.

## West Japan at a Glance

JR-West's railway network covers 18 prefectures in the western half of the island of Honshu and the northern tip of the island of Kyushu, and comprises 20% of Japan's land area. The area we serve is home to approximately 42.6 million people, about 34% of the country's population, and has a nominal GDP of ¥159 trillion. It also sees visits by 922 million tourists annually.



## JR-West at a Glance

Transportation operations

**Railway and  
Bus and Ferry Services**



Other operations

**Real Estate and  
Retail Business**



### Transportation Operations

● **Sanyo Shinkansen**



● **Kansai Urban Area**  
(including the Urban Network)



● **Other Conventional Lines**



● **Bus and Ferry Services**

### Non-Transportation Operations

● **Retail Business**



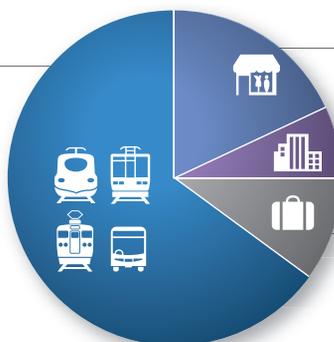
● **Real Estate Business**



● **Other Businesses**



**Operating Revenues**  
by Business Segment (from Third Parties)  
(Consolidated)



Fiscal 2013 Total

**¥1,298.9** billion

# West Japan World Ranking

## GDP

### larger than Brazil

The West Japan area has a GDP of approximately ¥159 trillion. Compared to a GDP ranking of the world's nations and regions, the GDP of West Japan is larger than that of even the nation of Brazil.

#### GDP Ranking of the World's Nations and Regions

Ranking	Country	GDP(trillion yen)
1	United States	1,283
2	Japan	456
3	China	441
4	Germany	301
5	France	240
6	United Kingdom	196
7	Italy	190
8	Brazil	141
9	Spain	131
10	Canada	120

**West Japan**  
159 trillion

Source: GDP: World Economic Outlook Database, October 2012, International Monetary Fund

## Population

### larger than Argentina

The population of the West Japan area is 42.6 million. Compared to a population ranking of the world's nations and regions, the population of West Japan is larger than that of the nation of Argentina.

#### Population Ranking of the World's Nations and Regions

Country	Population(million)
France	63.2
United Kingdom	62.0
Italy	60.5
Spain	46.1
Argentina	40.4
Poland	38.2
Canada	34.1
Malaysia	28.3
Australia	22.4
Netherlands	16.6

**West Japan**  
42.6 million

Source: World Population Prospects: The 2012 Revision, United Nations

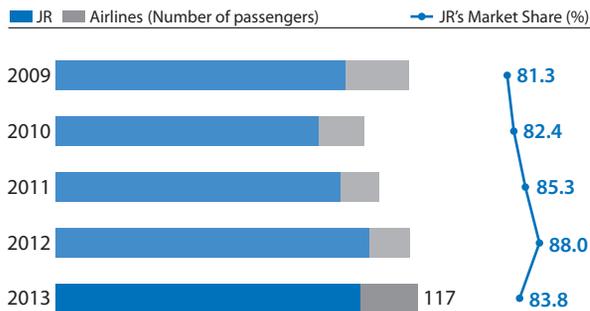
# Shinkansen compared to Airlines

## Shinkansen is used by many

In Japan, many businessmen and tourists use the Shinkansen. For the Kyoto-Osaka-Kobe Area to Fukuoka, for example, over 80% of people prefer to travel by Shinkansen rather than airline.

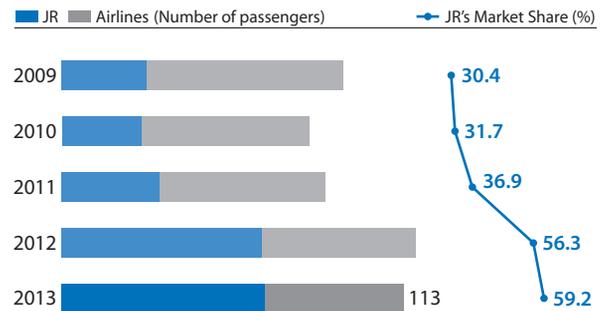
#### Kyoto-Osaka-Kobe Area to Fukuoka

Years ended March 31



#### Kyoto-Osaka-Kobe Area to Kumamoto

Years ended March 31



Note: Each graph bar represents the number of passengers using JR and the number of passengers using airlines; the bars indicate the total number of passengers using JR or using airlines compared to the base year index of 100 (the fiscal year ended March 1997). Kyoto-Osaka-Kobe area to Kumamoto: the base year index of 100 (the fiscal year ended March 2008)

Source: Ministry of Land, Infrastructure and Transport



# West Japan: Tourist Destination

## 4 prefectures

in the top 10 tourist destinations ranking

Among the 10 most popular tourist destinations in Japan are four West Japan prefectures, including Osaka and Kyoto.

### Visiting Rate by Prefecture (CY2012 result)

Quantity of responses: 28,875, Check all that apply

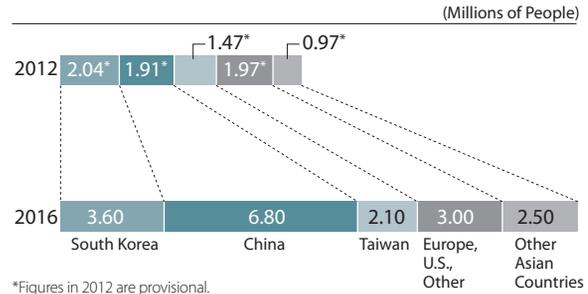
Ranking	Prefectures	Visit Rate (%)
1	Tokyo	51.3
2	<b>Osaka</b>	<b>24.0</b>
3	<b>Kyoto</b>	<b>17.3</b>
4	Kanagawa	12.7
5	Chiba	9.8
6	Aichi	9.4
7	<b>Fukuoka</b>	<b>9.4</b>
8	Hokkaido	7.8
9	Yamanashi	5.6
10	<b>Hyogo</b>	<b>5.7</b>

Blue shaded areas are JR-West's operating area. Source: Japan Tourism Agency

## Number of inbound visitors to Japan expected to double by 2016 (compared to 2012 figures)

The number of inbound visitors to Japan is expected to continue rising. The 2016 total, in fact, is forecast to be approximately double the figure for 2012.

### Forecast of Inbound Visitors to Japan



\*Figures in 2012 are provisional.

Source: Japan Tourism Agency, Japan National Tourism Organization

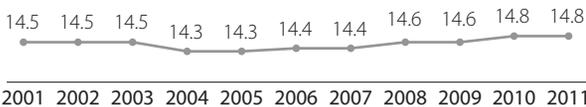
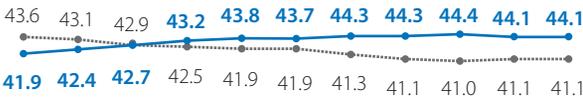
# JR-West compared to Private Lines

## High share in the Urban Network Area

In the Urban Network area, JR-West commands a market share greater than that of the five private lines combined.

### Market Share (Traffic Volume Base) Years ended March 31

— JR-West — 5 Private Railways in Kyoto-Osaka-Kobe Area — Other Railways (%)



Note: 5 Private Railways in Kyoto-Osaka-Kobe area: Hankyu, Hanshin, Keihan, Kintetsu, and Nankai

# Eco-friendly System

Maintaining high passenger usage, and low energy consumption and CO<sub>2</sub> emissions:

User rate: **29%** Energy consumption: **6%** CO<sub>2</sub> emissions: **5%**

### Transportation Usage, Energy Consumption and CO<sub>2</sub> Emissions of Domestic Modes of Transportation (FY2010, Nationwide)

■ Railway ■ Bus ■ Car ■ Other (Including airplane) (%)

#### Transportation Usage Ratio



#### Energy Consumption Ratio



#### CO<sub>2</sub> Emissions Ratio



Source: Summary of Transportation Statistics, Transport Research and Statistics Office, Ministry of Land, Infrastructure, Transport and Tourism The GHGs Emissions Data of Japan, Greenhouse Gas Inventory Office of Japan



Overview

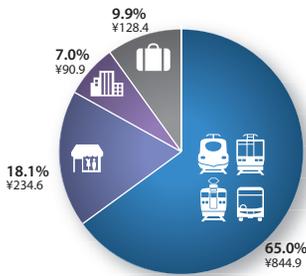
# We will fulfill Our Mission.

The JR-West Group will focus on “safety” and “customer satisfaction,” as well as on the “technologies” that support safety and customer satisfaction. In this way, we will fulfill our mission of continued operation of railway services as social infrastructure. As we work to fulfill our mission, we will strive to contribute to the creation of a safe, comfortable society.

# We will become a “company that coexists with communities.”

We will contribute to the invigoration of communities by increasing the quality of railway operations, expanding the scale of non-railway operations, and promoting the creation of new businesses. To that end, we will deepen exchange and cooperation with members of communities, and the entire JR-West Group will work together to develop operations that are aligned with the characteristics of specific areas.

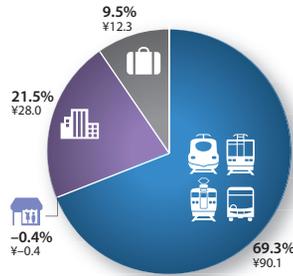
**Operating Revenues** (billion)  
(Revenues from Third Parties)



Total **¥1,298.9** billion

- Transportation Operations
- Retail Business
- Real Estate Business
- Other Businesses

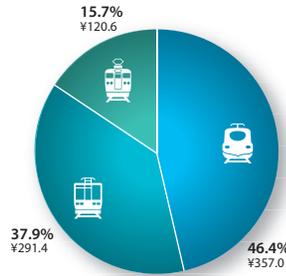
**Operating Income** (billion)



Total **¥129.4** billion

- Transportation Operations
- Retail Business
- Real Estate Business
- Other Businesses

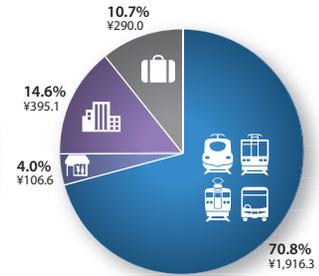
**Railway Revenues** (billion)



Total **¥769.1** billion

- Sanyo Shinkansen
- Kansai Urban Area (including the Urban Network)
- Other Conventional Lines

**Total Assets** (billion)  
(As of March 31, 2013)



Total **¥2,613.7** billion

- Transportation Operations
- Retail Business
- Real Estate Business
- Other Businesses

Total route length

**5,015.7** km

Conventional Lines

Route length **4,371.7** km  
Passengers **1,763** million

Shinkansen

Route length **644.0** km  
Passengers **65** million

Number of passengers

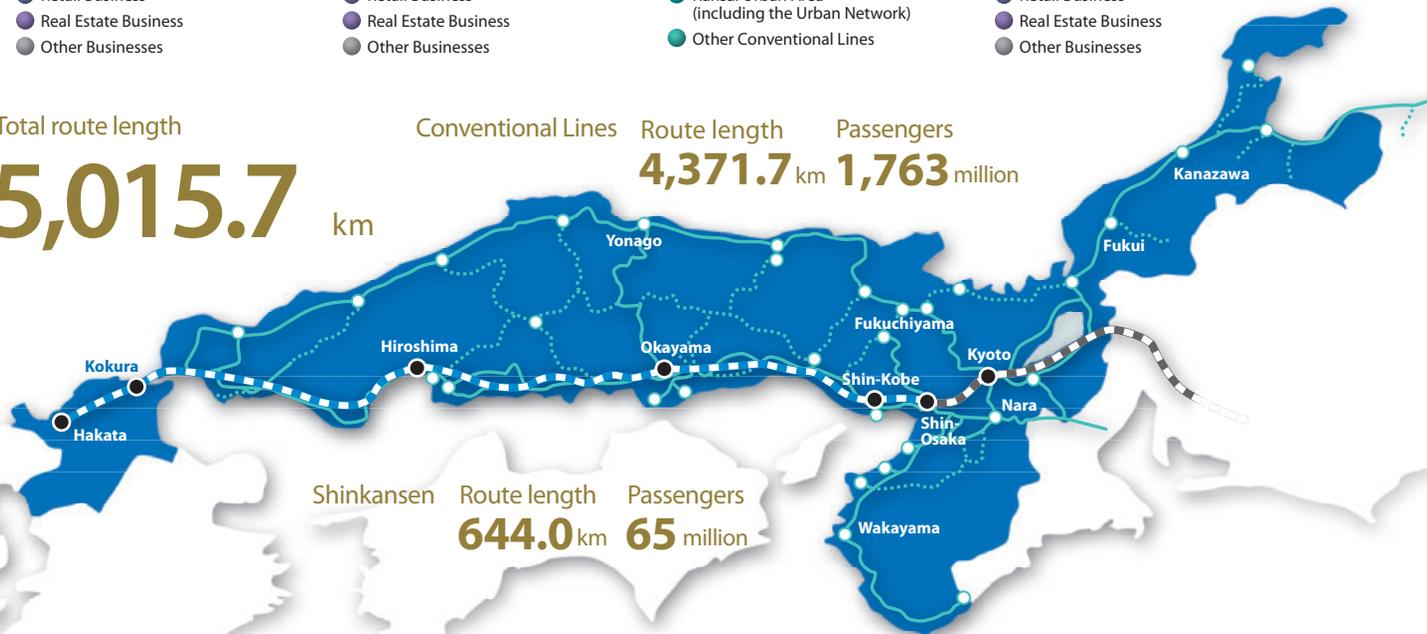
**1,813** million

Number of stations

**1,222**

Number of passenger cars

**6,534**





## ● Transportation Operations

*JR-West's railway network comprises the Sanyo Shinkansen and conventional lines in the Kansai Urban Area and other areas.*



### Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service operating at a maximum speed of 300kph between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in the northern tip of Kyushu. With the cooperation of JR-Central and JR Kyushu, JR-West provides direct services linking the Tokyo metropolitan area with the Kyushu area and providing access to Osaka and several major cities in between.

*See page 14 for more details.*



### Kansai Urban Area

The Kansai Urban Area (including the Urban Network) provides passenger transport services to the densely populated cities of Kyoto, Osaka, and Kobe and their surrounding areas. In fiscal 2013, JR-West served a daily average of 3.97 million passengers in the Kansai Urban Area. These passengers were mainly people commuting to and from work or school.

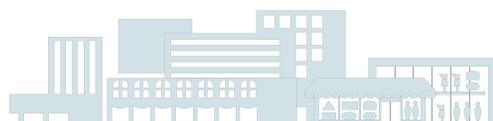
*See page 16 for more details.*



### Other Conventional Lines

JR-West's other conventional lines consist of limited express and express service trains for intercity transport, local transport for commuting to and from work or school in such core urban areas as Hiroshima and Okayama, and local lines through less-populated areas.

*See page 18 for more details.*



## ● Retail Business



JR-West's retail business mainly targets railway passengers, consisting of convenience stores, specialty stores, and food and beverage establishments located in and around station buildings, as well as department stores.

*See page 21 for more details.*

## ● Real Estate Business



JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

*See page 22 for more details.*

## ● Other Businesses



JR-West's other businesses consist of a travel agency business, a hotel business, as well as an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

*See page 23 for more details.*

# Consolidated Financial Highlights

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31

	2004	2005	2006
<b>OPERATIONS:</b>			
Operating revenues	¥1,215.7	¥1,220.8	¥1,240.0
Operating income	126.9	133.1	135.2
Net income	47.0	58.9	46.5
<b>BALANCE SHEETS:</b>			
Total assets	2,410.3	2,364.3	2,355.9
Long-term debt and payables <sup>2</sup>	1,138.5	1,081.6	1,024.9
Total shareholders' equity	479.7	524.3	564.2
Total net assets	—	—	—
<b>CASH FLOWS:</b>			
Net cash provided by operating activities	140.2	142.9	164.0
Net cash used in investing activities	(91.6)	(84.9)	(101.7)
Net cash provided by (used in) financing activities	(67.9)	(66.4)	(69.3)
<b>OTHER DATA:</b>			
Depreciation and amortization	115.3	113.6	111.9
Capital expenditures, excluding contributions received for construction	120.8	113.1	125.3
EBITDA <sup>3</sup>	242.2	246.7	247.1
<b>PER SHARE DATA<sup>4</sup>:</b>			
Net income	¥ 23,423	¥ 29,463	¥ 23,282
Cash dividends	6,500	6,000	6,000
Net assets	239,876	262,233	282,245
<b>RATIOS:</b>			
ROA (Operating Income Basis)	5.2	5.6	5.7
ROE	10.2	11.8	8.5
DOE	—	—	2.2
Equity ratio	19.9	22.2	23.9

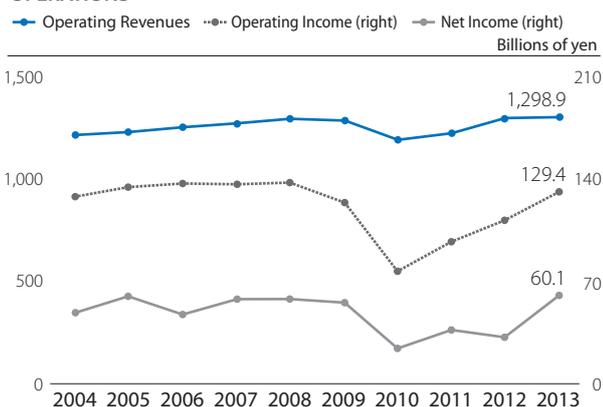
1 Yen figures have been converted into U.S. dollars at the rate of ¥94=U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

2 Long-term debt and payables includes the current portion of long-term debt and long-term payables.

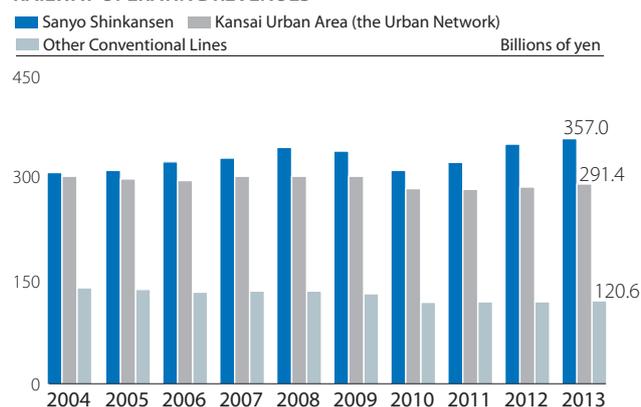
3 EBITDA = Operating income + Depreciation

4 The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share.

## OPERATIONS

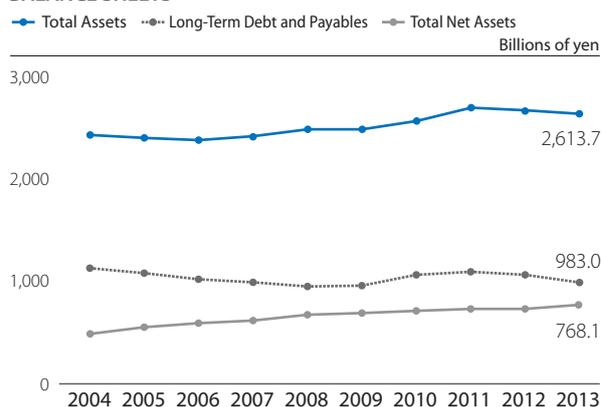


## RAILWAY OPERATING REVENUES

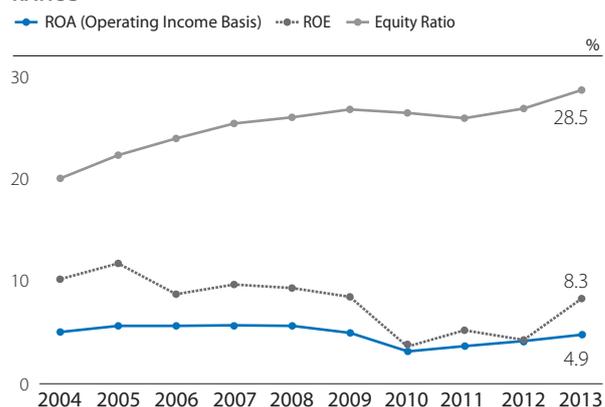


						Billions of yen	Millions of U.S. dollars <sup>1</sup>
2007	2008	2009	2010	2011	2012	2013	2013
¥1,262.9	¥1,290.1	¥1,275.3	¥1,190.1	¥1,213.5	¥1,287.6	<b>¥1,298.9</b>	<b>\$13,818</b>
135.3	137.4	122.5	76.5	95.9	109.7	<b>129.4</b>	<b>1,377</b>
56.7	57.7	54.5	24.8	34.9	29.4	<b>60.1</b>	<b>640</b>
2,401.6	2,462.8	2,461.8	2,546.3	2,672.4	2,642.9	<b>2,613.7</b>	<b>27,805</b>
986.7	957.2	953.2	1,038.9	1,102.6	1,068.8	<b>983.0</b>	<b>10,458</b>
—	—	—	—	—	—	<b>—</b>	<b>—</b>
637.8	670.8	689.6	702.1	721.2	733.5	<b>768.1</b>	<b>8,172</b>
188.6	222.1	178.8	161.3	223.2	206.2	<b>238.0</b>	<b>2,532</b>
(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	<b>(154.7)</b>	<b>(1,646)</b>
(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	<b>(85.2)</b>	<b>(907)</b>
112.8	128.0	137.0	141.9	150.8	169.3	<b>160.8</b>	<b>1,711</b>
144.9	187.9	163.9	210.1	260.0	195.4	<b>152.9</b>	<b>1,627</b>
248.1	265.4	259.5	218.4	246.8	279.1	<b>290.3</b>	<b>3,088</b>
						Yen	U.S. dollars <sup>1</sup>
¥ 28,415	¥ 28,954	¥ 27,729	¥ 12,837	¥ 18,066	¥ 152.29	<b>¥ 310.87</b>	<b>\$ 3.30</b>
6,000	6,000	7,000	7,000	8,000	90.00	<b>110.00</b>	<b>1.17</b>
303,906	322,294	339,113	345,568	355,712	3,632.41	<b>3,850.82</b>	<b>40.96</b>
						%	
5.7	5.6	5.0	3.1	3.7	4.1	<b>4.9</b>	
9.7	9.3	8.4	3.7	5.2	4.2	<b>8.3</b>	
2.0	1.9	2.1	2.0	2.3	2.5	<b>2.9</b>	
25.3	25.9	26.7	26.3	25.8	26.6	<b>28.5</b>	

#### BALANCE SHEETS



#### RATIOS



# The President's Message



**Seiji Manabe**

President, Representative Director,  
and Executive Officer

In October 2010, JR-West announced the “Revision of JR-West Group’s Medium-Term Management Plan 2008-2012,” which stated that the Company’s newly defined business management vision was to become a corporate group that earns the trust of customers, local communities, and society by realizing excellent safety management and contributing to the invigoration of the West Japan area through its business activities. Since then, we have sought to realize this vision.

We are approaching an era in which forecasting business conditions will become even more problematic due to factors such as competition from other transportation modes and recent problems with electric power, as well as declining population, globalization, the increasing prevalence of networks, growing disparities among regions, and diversifying values. It is imperative, therefore, that the JR-West Group act as a unified whole in taking the next step toward a new era, and further enhance the JR-West Group.

In accordance with this awareness, in March 2013 we formulated the JR-West Group Medium-Term Management Plan 2017. By defining “Our Future Direction — The Ideal Form for JR West,” we will work to give shape to our management vision. In this way, we will strive to realize growth over the medium to long term and to implement sustainable management. To realize Our Future Direction — The Ideal Form for JR-West, we have positioned the five-year period through the fiscal year ending March 31, 2018, as a “period for contributing to the establishment of a foundation for decisive management.” On that basis, we will implement the Priority Strategies.

## **1. JR-WEST Group Medium-Term Management Plan 2017**

### **“Our Future Direction — The Ideal Form for JR-West” — “Our Mission.”**

In a maturing society, the JR-West Group will focus on “safety” and “customer satisfaction,” as well as on the “technologies” that support safety and customer satisfaction. We will fulfill our mission of continued

operation of railways as social infrastructure. The JR-West Group has launched the Safety Think-and-Act Plan 2017, which incorporates the safety-related issues that we need to address and the objectives that we need to achieve. Guided by this plan, we will do our utmost to achieve higher levels of safety. In addition, we will enhance customer satisfaction through customer-based management and promote technical development aimed at fostering a railway operations system change.

### **“Our Future Direction — The Ideal Form for JR-West” — A “railway company that coexists with communities.”**

The JR-West Group will contribute to the invigoration of communities by increasing the quality of railway operations, expanding the scale of non-railway operations, and promoting the creation of new businesses. Accordingly, we will deepen exchange and cooperation with communities, and the entire JR-West Group will work together to develop operations that are aligned with the characteristics of specific areas. To that end, we will take steps to enhance the value and the network of the Shinkansen, increase the value of the railway belts in the Kansai Urban Area, and advance area management that invigorates the strengths of other West Japan areas. In addition, we will foster a shared understanding with local communities about the issues that we face, and strive to determine the appropriate future direction for sustainable regional transport. Moreover, with consideration for the future, we will actively take on the challenge of expanding lifestyle-related service businesses and developing/nurturing new fields of business in order to build a foundation for sustainable growth over the long term. Based on these initiatives, we will strive to achieve consolidated operating revenues of ¥1.4 trillion in fiscal 2031 (ending March 31, 2031).

### **“Taking the Next Step. Working Together With Communities.”**

“Taking the Next Step. Working Together With Communities.” In the new medium-term management plan, these phrases express the “goals” and “determination” that we share in the JR-West Group. While meeting our responsibilities as a member of society, we will unite as a group to implement

## The President's Message

the new medium-term management plan and move forward with communities to become a company that is truly trusted by customers, communities, and society. In addition, we will work to strengthen our management foundation to facilitate future growth and sustainable management. We will strive to increase corporate value over the medium to long term by generating stable cash flow, even in the difficult management environment that is anticipated in the years ahead. Also, in regard to our relationship with shareholders, we will work to provide a long-term, stable return to shareholders.

## 2. Fiscal 2014 Initiatives

Fiscal 2014 (ending March 31, 2014,) is important as the initial year for the "JR-West Group Medium-Term Management Plan 2017" and its core component, the "Safety Think-and-Act Plan 2017." To bring about a new form for the JR-West Group in the coming era, we will steadily implement key strategies based on the Three Basic Strategies and the Four Business Strategies in this plan, and seek long-term, sustainable growth.

For "Safety," the highest priority of the Three Basic Strategies, JR-West will launch the "Safety Think-and-Act Plan 2017" in an aim to achieve a higher level of safety. Committed to "ensuring that an accident such as that on the Fukuchiyama Line will never again occur," our objectives include "no railway accidents that result in casualties among our customers" and "no labor accidents that result in fatalities among our employees." For "Customer Satisfaction," we will seek "customer-based management," and will respond to the needs and expectations of customers, while enhancing guidance and undertaking other initiatives, as well, to minimize the impacts of transport disruptions. For "Technologies," we will pursue technical development aimed at fostering advances in railway operations systems and, through measures like the development of technicians and gauge change trains, work to solve problems through technology.

In terms of the Four Business Strategies, amid a harsh business environment resulting from competition from other modes of transport, and recent power supply issues, JR-West will work to raise competitiveness for the Shinkansen through such means as increasing the



frequency of *Nozomi* service, and enhancing the communication environment in trains. We will also expand services for seniors and overseas visitors to Japan in an effort to generate new demand, and will move steadily forward with preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen. For the Kansai Urban Area, JR-West will increase the value of our railway belts with such measures as renovation of the interior of Sannomiya Station, and will work to make the Kansai Urban Area more attractive through such projects as refurbishment of the Osaka Loop Line. For the other West Japan area, we will work with local communities to stimulate tourism, including conducting the Hiroshima Destination Campaign from July 2013. In terms of business development, JR-West opened the "piole Himeji" shopping center in Himeji Station in April 2013, and will pursue the real estate development business to help achieve lifestyles that are more comfortable. We will also take on new business challenges, such as car-sharing directly connected to stations, and rehabilitation services.

I would like to ask our shareholders and other investors for continued understanding and support in the years ahead.

June 2013

A handwritten signature in black ink that reads "Seiji Manabe". The signature is written in a cursive, flowing style.

Seiji Manabe  
President, Representative Director, and Executive Officer

## Review of the Previous Medium-Term Management Plan

In October 2010, we announced the “Revision of the JR-West Group’s Medium-Term Management Plan 2008–2012,” which stated that the Company’s newly defined business management vision was to become a corporate group that earns the trust of customers, local communities, and society by realizing excellent safety management and contributing to the invigoration of the West Japan area through its business activities. Since then, we have sought to realize this vision.

In the area of safety, we have been implementing our Basic Safety Plan over the five years since 2008. Through the risk assessments that we have made a key aspect of the plan, we have achieved results like greatly lowering risk and increasing safety awareness among employees. Operational railway accidents and fatal industrial accidents, however, continue to occur, so we will redouble our safety efforts under the Safety Think-and-Act Plan 2017.

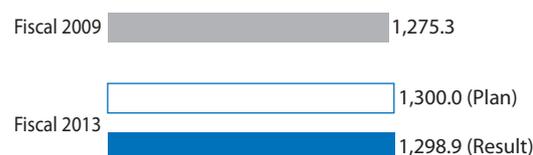
Turning to the Kyushu Shinkansen direct service and Osaka Station City project, these major endeavors have attracted large numbers of users and given rise to bustling traffic between these two geographic areas. As for our department store operations, we will move forward with store renovations.

Strategies for coexistence with communities, innovation by technology, and thinking and acting based on the field are, with new collaborations and employee-led initiatives, producing results in various locations and will be continued.

Financial benchmarks were achieved in terms of consolidated EBITDA and ROA, and we view our consolidated operating revenue objective as basically having been achieved.

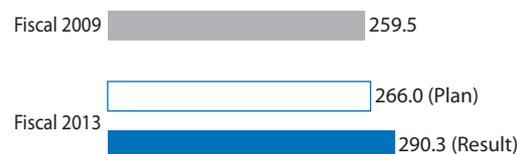
Regarding enhancement of shareholder returns, in light of the performance of our two major projects and the financial benchmarks we reached, and based on our policy of a consolidated DOE (dividend on equity) ratio of 3%, we set the dividend for fiscal 2013 (ending March 31, 2013) at ¥110 per share.

### Consolidated Operating Revenues (Billions of yen)



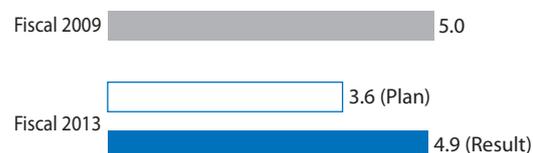
The planned level for consolidated operating revenues was basically achieved on strong transportation revenues, mainly in Shinkansen operations.

### Consolidated EBITDA (Billions of yen)



The planned level for consolidated EBITDA was exceeded on strong transportation revenues, mainly in Shinkansen operations.

### Consolidated ROA (%)



With fiscal 2013 consolidated operating income exceeding the planned level (Plan: ¥95.5 billion vs. Actual: ¥129.4 billion), consolidated ROA also outperformed plans.

### Returns to Shareholders (yen)



Based on the degrees of achievement on the three benchmarks, we determined that the anticipated project benefits had been realized. A consolidated DOE ratio of 3%, therefore, was basically achieved.

Note : Fiscal 2009 (fiscal year ended March 2009)  
Fiscal 2013 (fiscal year ended March 2013)

# Medium-Term Management Plan 2017

## Outline of Medium-Term Management Plan

To give shape to our management vision, the JR-West Group has announced "Our Future Direction — The Ideal Form for JR West." We will implement the Priority Strategies, which comprise the Three Basic Strategies and the Four Business Strategies. In addition, we will proceed with Building Management and Operational Foundations, fulfill our responsibilities as a member of society, and take the Next Step as we work to realize the New JR-West Group for the next era.

## The "Form of the New JR-West Group" for the next era.



## Financial Benchmarks

Consolidated operating revenues		Consolidated EBITDA		Consolidated ROA	
Fiscal 2018 forecast	Fiscal 2013	Fiscal 2018 forecast	Fiscal 2013	Fiscal 2018 forecast	Fiscal 2013
¥1,306.0 billion	¥1,298.9 billion	¥292.5 billion	¥290.3 billion	4.7 %	4.9 %

Note: Because this plan does not include the increases in revenues and railway usage fees accompanying the beginning of operations on the Hokuriku Shinkansen Line to Kanazawa (End of fiscal 2015 (fiscal year ending March 2015), plan), it will be revised as required.  
 Note: Fiscal 2013 (fiscal year ended March 2013)  
 Fiscal 2018 (fiscal year ended March 2018)

## Three Basic Strategies

### Safety

We will launch the Safety Think-and-Act Plan 2017.

#### Objectives for the Five-Year Period through fiscal 2018 (Fiscal Year Ending March 31, 2018)

No railway accidents that result in casualties among our customers

0  
Affair

No labor accidents that result in fatalities among our employees

0  
Affair

#### Objectives for fiscal 2018

30% reduction in railway accidents with casualties on the platform

30% reduction

40% reduction in accidents at level crossings

40% reduction

50% reduction in transport disorders due to internal factors

50% reduction

#### Establishment of JR-West Group safety management

- Continual effort to realize safe, reliable transport service
- Increase level of risk assessment
- Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life
- Investment in safety

#### Medium-term Management Plan, Safety Think-and-Act Plan: Measures to Build Management and Operational Foundations

- Enhance technological capabilities and skills
- Improve communications
- Understand and utilize the human factor
- Improve front-line capabilities
- Recruit and nurture human resources and enhance motivation
- Foster Group unity
- Cooperate with customers and society

### Customer Satisfaction

We will implement customer-based initiatives to increase the value that we provide.

#### Objectives for fiscal 2018

Develop "fans" of JR-West ⇒ Customer satisfaction survey result of 4.0 or above (five levels, in-house survey)

4.0 or above

#### Key Measures

- Grasp customer expectations and work to meet diverse needs
- Build a railway with high transport quality
- Seek out customer feedback and work to enhance and improve services
- Actively provide customers and society with information about the measures that we implement

### Technologies

We will strive for continuous innovation.

#### Objectives for fiscal 2018

Set target for practical implementation of on-board oriented train control system (wireless)

Complete battery-powered train performance testing

Complete verification of next-generation total operation control system

Produce gauge change testing trains, implement running testing

#### Key Measures

- Promote technical development aimed at fostering a railway operations system change
- Take on the challenge of technical development of gauge change trains
- Nurture engineers deeply versed in each field of railway technology, and strive to resolve issues with technology
- Promote reductions in energy consumption and diversification of energy supply sources

# Medium-Term Management Plan 2017

## Four Business Strategies

### Shinkansen

We will Enhance the Potential of the Shinkansen and Promote Exchange.

#### Objectives for fiscal 2018

10% increase in number of senior customers traveling for leisure purposes

**10** % increase

Threefold increase in number of passengers using railway travel package for visitors from overseas

**Threefold** increase

Maximize the effects of the opening of the Hokuriku Shinkansen

#### Key Measures

- Further increase the safety and reliability of the Shinkansen
- Work to provide competitive transport services and to expand usage of those services
- Create new demand through enhancement of services for seniors and visitors to Japan
- Expand Shinkansen network

#### Major investments

- Related to opening of Hokuriku Shinkansen
- New ATC
- Establishment of new maintenance bases and improvement of existing bases
- Earthquake countermeasures
- Countermeasures for mobile phone no-service areas
- Station facility refurbishment (Hiroshima)
- Introduction of N700A new model

### Development of the Hokuriku Shinkansen

#### Nagano-to-Kanazawa Section.....① (Approx. 230km)

Currently, the Japan Railway Construction, Transport and Technology Agency (JR-TT) is constructing the Nagano-Kanazawa segment of the Hokuriku Shinkansen Line. East Japan Railway Company (JR-East) plans to operate services between Tokyo and Joetsu-Myoko in Niigata Prefecture, while JR-West plans to operate services between Joetsu-Myoko and Kanazawa. Both companies will pay JR-TT usage charges, which will not exceed the corresponding benefits of the applicable lines. Although specific timetables are still under consideration, the beginning of services promises to heighten convenience by shortening the travel time from Kanazawa and Toyama to Tokyo considerably.

#### Scheduled Completion:

End of fiscal 2015 (fiscal year ending March 2015)

#### JR-West Service Area:

Joetsu-Myoko to Kanazawa (Approx. 170km)

#### Travel Time\*:

Kanazawa to Tokyo 2hr 36min. (71min. faster than current service)

Toyama to Tokyo 2hr 17min. (54min. faster than current service)

\*Based on a Shinkansen average speed of 190km/h and the fastest conventional line travel time to Tokyo as of March 2012.

#### Kanazawa-to-Tsuruga Section.....② (Approx. 130km)

Furthermore, on June 29, 2012, the Japanese government authorized the beginning of construction of the Kanazawa-Tsuruga segment. JR-West's basic position is to seek the establishment of a complete Shinkansen line to Osaka as early as possible. For the time being, however, this segment will link the Kansai / Chukyo region and the Hokuriku region. Therefore, we consider the extension to Tsuruga, which promises to generate some benefits, as steady progress toward the establishment of a complete Shinkansen line.

In addition, to heighten convenience for passengers when changing between conventional lines and the Shinkansen at Tsuruga Station, after Shinkansen services begin there, the Japanese government has proposed introducing gauge change trains\*. JR-West intends to study this proposal with a view to practical application.

\*Gauge change trains: Gauge change trains will be able to change the distance between left- and right-side wheels simply by passing through a gauge changer, so that they can operate on both Shinkansen and conventional line tracks, which are of different widths.



## Kansai Urban Area

We will improve the Value of the Kansai Urban Area.

### Objectives for fiscal 2018

50% reduction in transport disorders due to internal factors

**50** % reduction

No. of IC card users\* : 2.2 million/day (+300,000)  
\*Including Okayama/Hiroshima

**2.2** million/day

Increase resident satisfaction

### Key Measures

- Build a railway that offers high-quality transport and is used repeatedly by customers
- Build sustainable railway system through appropriate maintenance
- Increase the value of railway belts, create areas adjacent to railway lines that people want to reside in and are easy to use
- Take steps to create an appealing Kansai Urban Area, such as enhancing the Osaka Loop Line
- Open new railway museum in the Kyoto Umekoji area, establish railway culture base (spring 2016)

### Major investments

- Rolling stock replacement
- New safety system
- Increase facilities for turn back operation
- Increase safety at level crossings
- Disaster countermeasures (lightning, etc.)
- New stations (Maya (provisional name), Sojiji (provisional name))
- Station improvement (Sannomiya, Shin-Osaka, Tennoji, Amagasaki)
- Station building development (Takatsuki, Koshienguchi, Zeze)
- New railway museum building

## Other West Japan Area

We will invigorate the strengths of other West Japan areas.

### Objectives for fiscal 2018

10% increase in number of users during destination campaigns

**10** % increase

Ongoing progress in promoting "businesses with close ties to areas," with the entire Group working together in cooperation with local companies and other partners in each area

Ongoing progress in fostering a shared understanding between the Company and local communities in regard to the best direction for regional transport

### Key Measures

- Develop businesses with close ties to areas and move forward in tandem with communities
- Work together with local communities and strive to realize sustainable regional transport that reflects usage conditions

### Major investments

- New luxury trains
- New safety systems
- Change of rolling stock (Hiroshima region)
- New station (Hakushima (provisional name))
- Kabe Line extension
- Hiroshima Station development
- Station improvement, store development (Shimonoseki, Shin-Yamaguchi, Tokuyama)
- Relocation of Hiroshima General Hospital of West Japan Railway Company to new building
- Introduction of CTC in Okayama area

## Business Development

We will work to develop new businesses.

### Objectives for fiscal 2018

Revenues from lifestyle-related service businesses: + ¥25.0 billion

**+¥25.0** billion

Revenues from new businesses : + ¥1.0 billion

**+ ¥1.0** billion

In 10 years, share of revenues contributed by the non-transportation segments (Retail, Real estate, Other businesses): 40%

**40** %

### Key Measures

- Expand lifestyle-related operations and provide support for the realization of comfortable daily lives
- Increase the value of Group assets
- Continue to take on the challenge of new business fields
- Cultivate growth as a Group with consideration for the global market

## Operating Results by Business Segment

# Transportation Operations

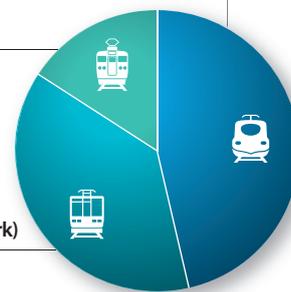
JR-West's transportation operations segment consists of railway operations and small-scale bus and ferry services. Its railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The railway network comprises a total of 1,222 railway stations, with an operating route length of 5,015.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network includes the Sanyo Shinkansen, a high-speed intercity railway line; the Kansai Urban Area, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines (excluding the three JR-West branch offices in Kyoto, Osaka, and Kobe).

### Railway Revenues

#### Sanyo Shinkansen

#### Other Conventional Lines

#### Kansai Urban Area (including the Urban Network)



The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers and has 19 railway stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR-Central), operates all of the other 18 railway stations.

The Nozomi, Hikari, and Kodama services have been operating on the Sanyo Shinkansen Line for some years. Many of the Nozomi services allow passengers to travel from Tokyo or Nagoya

to the major stations of the Sanyo Shinkansen Line, such as Okayama, Hiroshima, and Hakata, without changing trains. These services are enabled by direct services with the services of the Tokaido Shinkansen Line, which Central Japan Railway Company (JR-Central) operates between Tokyo and Shin-Osaka. In addition, following the March 12, 2011 commencement of operations on all lines of the Kyushu Shinkansen, JR-West launched the Mizuho and Sakura services, which travel directly between the Sanyo Shinkansen and Kyushu Shinkansen lines. These new services enable customers to travel between Shin-Osaka and Kagoshima-Chuo in as little as 3 hours and 42 minutes.



### Transportation Revenues

**357.0** Billions of yen

(Billions of yen)



### Number of Passengers

**65** Millions of passengers

(Millions of passengers)





## Future Initiatives

### Enhance

For the Shinkansen, work to further increase safety and reliability, and provide competitive transportation services, while also creating new demand by expanding services for seniors and foreign tourists. Press ahead with preparations for the start of Hokuriku Shinkansen service to Kanazawa, and promote exchanges among people, to enhance the potential of the Shinkansen.

### Key Measures

- ① **Sustain sound facilities and services into the future, and enhance ability to respond to natural disasters**
  - Maintain and manage tunnels, elevated railway tracks, and other structures appropriately
  - Advance earthquake and tsunami countermeasures and derailment prevention measures
  - Advance the introduction of new ATC systems
- ② **Increase market share by heightening competitiveness**
  - Enhance and publicize frequency, on-board communications environment, Internet reservations, punctuality, and comfort
  - Introduce N700A



N700A



ICOCA & HARUKA

### ③ Expand business area by creating new demand

- Capture seniors' demand
- Capture inbound demand

### ④ Entrench and expand benefits of direct service with the Kyushu Shinkansen

- Continue campaigns and product development in cooperation with local communities

### Kyoto-Osaka-Kobe Metropolitan Area - Fukuoka

(As of March 31, 2013)	Travel Time	Fare (¥)	Frequency
<b>Shinkansen</b>	<b>2h 22m</b>	<b>14,890</b>	<b>57.0</b>
Airlines (Itami Airport)	2h 20m	21,900	17
Airlines (Kansai Intl. Airport)	3h 00m	21,900	7(6)

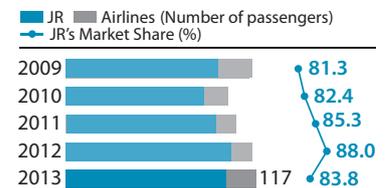
Travel Time and Fare: JAL or ANA  
 Frequency: All airlines. Numbers in parentheses are frequency excluded those of JAL or ANA.

Notes 1: Fare for the Shinkansen is the regular Nozomi fare, and for airlines the regular fare.

2: Travel time for the Shinkansen is the shortest on Nozomi and Mizuho trains. Travel time for the airlines is estimates. For airlines, in addition to the travel time required from the airport to the city center, the calculation includes 10 minutes travel time from the Airport Limousine Bus or nearest station to the airport to the boarding gate, 20 minutes waiting time at the boarding gate, and 10 minutes from the gate to the Airport Limousine Bus or station nearest the airport.

### Kyoto-Osaka-Kobe Area to Fukuoka

Years ended March 31



Note: Each graph bar represents the number of passengers using JR and the number of passengers using airlines; the bars indicate the total number of passengers using JR or using airlines compared to the base year index of 100 (the fiscal year ended March 1997). The base year index of 100 (the fiscal year ended March 2008)

Source: Ministry of Land, Infrastructure and Transport





The Kansai Urban Area comprises the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. (Population of the Kyoto–Osaka–Kobe metropolitan area is more than 20 million.) It has an operating route length of 946.0 kilometers, forming a comprehensive network stretching across the entire Kyoto–Osaka–Kobe Area.



The Kansai Urban Area includes the section of the Fukuchiyama Line between Tsukaguchi Station and Amagasaki Station, the location where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

Furthermore, we held the grand opening of Osaka Station—the largest JR-West-operated

hub station—as Osaka Station City on May 4, 2011. Osaka Station serves as the gateway to the Kansai region as well as the gateway into Osaka itself. For this reason, we hope that Osaka Station City will serve as a new landmark in Osaka, a landmark that embodies a sense of flair and sophistication befitting its role as a gateway. This strong desire was a key factor in our naming of Osaka Station City. Furthermore, it is our wish that it will come to be loved by all who visit it as a “city” that is both highly appealing and convenient.

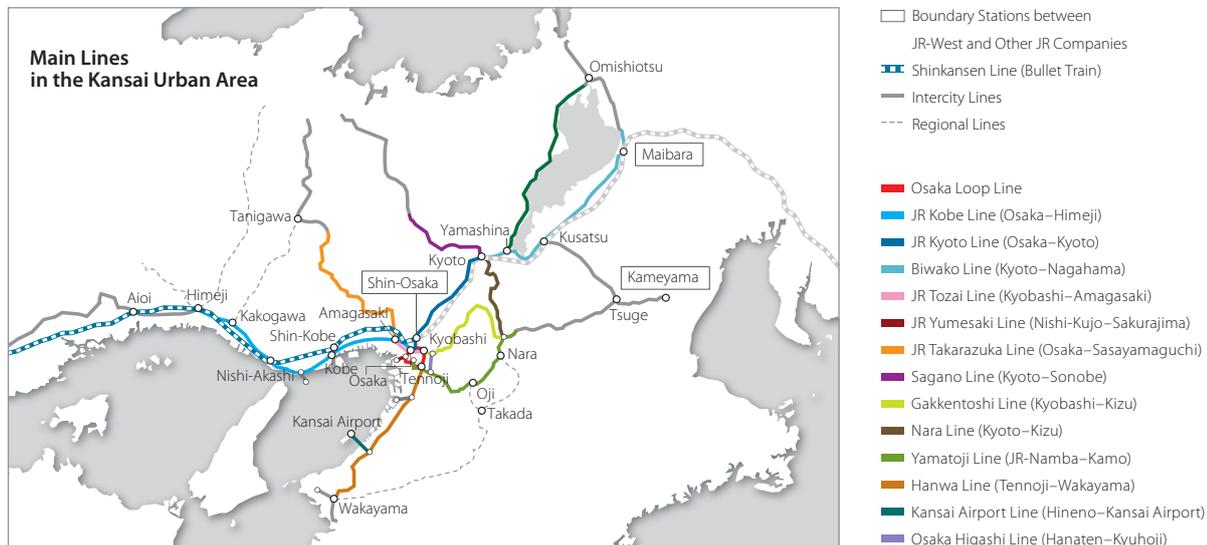
Transportation Revenues

**291.4** Billions of yen



Number of Passengers

**1,451** Millions of passengers



# Future Initiatives

## Improve

For the Kansai Urban Area, pursue higher levels of safety and implement thoroughgoing measures for reliable transport to build a railway that offers high-quality transport and is used repeatedly by customers. Also, enhance the Osaka Loop Line to increase the value of railway belts and improve the appeal of urban areas.

### Key Measures

#### 1) Increase quality of transport

- Pursue safe, reliable transport service  
Replace rolling stock, introduce new safety system, increase safety of level crossings, increase facilities for turn back operation, take natural disaster countermeasures

- Increase and improve guidance for customers during transport disruptions

#### 2) Create an appealing Kansai Urban Area

- ① **Advance urban tourism**
- ② **Create railway belts that are easy to use and where people will want to reside**
  - Convert to over-track stations and build new stations that integrate with community development
  - Enhance lifestyle-related services businesses

#### ③ Build a more convenient railway network

Advance creation of a seamless railway network March 23, 2013:

- Start of nationwide reciprocal use of transportation IC cards
- Promote new underground station facilities in step with development of the Osaka Higashi Line (northern part) and Umekita



ICOCA



Transportation IC card





Other  
Conventional Lines



JR-West's other conventional lines comprise intercity transport provided by limited express and express services, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,425.7 kilometers.

The operating environment for other

conventional lines continues to be difficult due to the declining population of the areas it serves. However, considering that this network plays a role as a feeder for Shinkansen services as well as functions as a vital part of the overall JR-West railway network, we are working to provide more community-oriented services and undertake other management efforts, while placing priority on ensuring safety.




Bus and  
Ferry Services



JR-West's transportation operations segment includes bus and ferry services. In our bus services, we have endeavored to increase customer convenience by implementing flexible fares reflecting usage trends.

In our ferry services (the Miyajima Line), we have focused on securing revenues through initiatives like marketing activities targeting travel companies.



## Fiscal 2013 Results

Operating revenues in the transportation operations segment increased 0.7% from the previous fiscal year, to ¥844.9 billion, and operating income rose 17.4%, to ¥90.1 billion.

In transportation operations, the Sanyo Shinkansen and Urban Network both experienced strong ridership. In addition, we worked to enhance customer convenience by revising timetables in March 2013. These revisions resulted in changes such as increases in Nozomi and Sakura Shinkansen services, and, for our conventional lines, increases in Kuroshio limited express services and 12-car special rapid service services on the JR Kyoto and JR Kobe Lines. Despite our best efforts, however, last summer's localized torrential rainstorms damaged tracks in multiple locations and caused numerous unavoidable service suspensions and delays in our Urban Network and other operations.

Through marketing initiatives, we worked to increase travel between West Japan and Kyushu. One example was a PR campaign using multiple media channels to promote direct service operations between the Sanyo Shinkansen and Kyushu Shinkansen. We also held the "Kagoshima College" program in which university students use social media to disseminate information on the appeal of travelling through exchanges at sightseeing destinations.

Other marketing initiatives focused on increasing use of our railway through an ongoing proactive campaign calling attention to the convenience and price advantages of the "e5489" online reservation service. We also undertook efforts, like the "Miyajima and Kure Campaign" and "Sanin Destination Campaign," to stimulate travel demand; launched the "Super Haya-toku" Ticket and other initiatives with an eye toward beating back competition from other modes of transportation; and took steps like expansion of the valid travel area for the JR-West

Rail Pass and implementation of the "Detective Conan Okayama and Kurashiki Mystery Tour" for travelers from Taiwan, to encourage railway usage by foreign tourists. On another front, we worked to enhance the convenience of railway usage by adding Kintetsu Corporation to our partnership with Keihan Electric Railway for the sale of the ICOCA Connection Pass for three railway companies, and by introducing nationwide reciprocal use of transportation IC cards.

To improve customer service, we introduced services, like the issuance of delay certificates from a PC- and cell phone-accessible website, that seek to further improve services from the customer's perspective.

"Osaka Station City," which had its grand opening in May 2011, welcomed its 200 millionth visitor in November 2012 and has seen other indicators that its strong popularity with consumers continues.

We moved forward with "innovation by technology" initiatives in areas like the transfer of technical skills to younger workers, improvement of practical capabilities and skills, the promotion of "system change of railway operation" activities, and protection of the global environment.

Meanwhile, with regard to train car technologies, to improve our train car technologies in general, we acquired shares in The Kinki Sharyo Co. Ltd. and entered into a business tie-up agreement with that company. To promote railway businesses through international exchanges, we also entered into cooperation agreements with Renfe Operadora, a Spanish government-owned operator of freight and passenger railways, and Administrador de Infraestructuras Ferroviarias, a Spanish government-owned company in charge of managing railway infrastructure.

### Operating Revenues

# 844.9

Billions of yen

(Billions of yen)

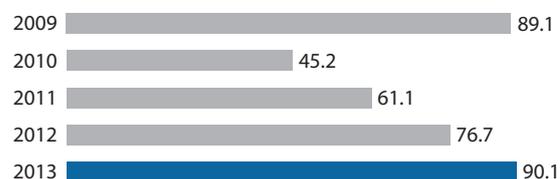


### Operating Income

# 90.1

Billions of yen

(Billions of yen)



# Non-Transportation Operations

JR-West's non-transportation operations segment comprises three operations: retail business, real estate business, and other businesses. Those operations contribute to the sustainable growth of the Group as a whole by vigorously taking advantage of their assets, improving services for customers using railway services and customers in areas alongside railway lines, as well as providing high-quality services that are safe and reliable to further increase the appeal of railway stations and earn the increased trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of its railway belts through initiatives that entail collaboration with local communities to develop

individual railway stations and their surrounding areas.

In development initiatives, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will develop commercial facilities in and around railway stations as well as areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums.

Also, in order to foster earnings mainstays for the next era, JR-West is furthering initiatives to create new businesses through collaborations both inside and outside the Group.

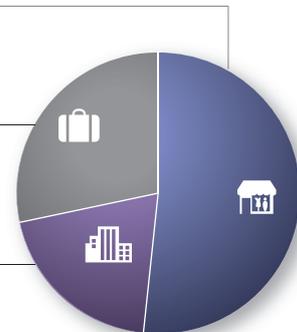


## Non-Transportation Revenues

Retail Business

Other Businesses

Real Estate Business



### Operating Revenues

**453.9** Billions of yen



### Operating Income

**39.8** Billions of yen





JR-West's retail services, centered on railway passengers, consist of convenience stores, specialty stores, and food and beverage outlets located in and around station buildings, as well as the Isetan department stores.

### Fiscal 2013 Results

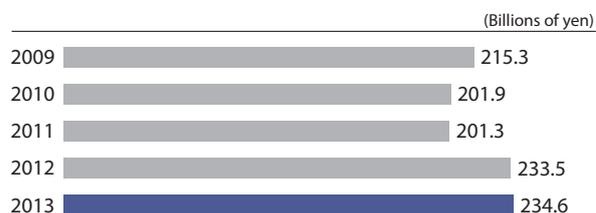
The retail business segment recorded a 0.5% increase in operating revenues from the previous fiscal year, to ¥234.6 billion, but an operating loss of ¥400 million.

At JR Osaka Mitsukoshi Isetan department store, we endeavored to offer highly original goods and services. Given the tight commercial climate,

however, we are now moving ahead with an examination of fundamental business revitalization measures, as we strive to create stores capable of earning the patronage of local customers. Other initiatives for making stations more appealing went forward at Osaka Station, where we opened the Eki Marché Osaka commercial center and an Entrée Marché hybrid convenience store; Tennoji Station, where we opened another Entrée Marché hybrid convenience store; and Tottori Station, where we developed a retail space. In addition to these activities, we also opened the Viann Okayama, a business hotel near the west side of Okayama Station.

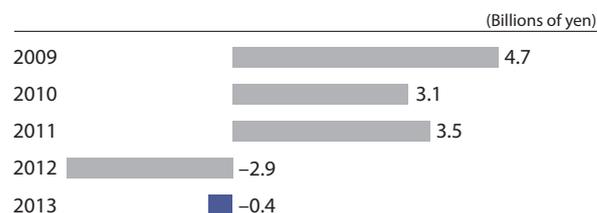
#### Operating Revenues

**234.6** Billions of yen



#### Operating Income

**-0.4** Billions of yen





JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at hub railway stations, the development of commercial facilities near railway station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

side of Okayama Station, we also undertook various types of renovations of existing facilities. Examples of the latter include the main and plaza buildings of Tennoji Mio in the Tennoji Station Building and Okayama Ichibangai underneath Okayama Station. Furthermore, we moved ahead with efforts to develop station and surrounding properties, for instance by opening educational facilities and commercial centers near Nijo Station and Takatsuki Station. LUCUA, at Osaka Station City, is performing well, and we have undertaken the leasing of office space and other activities. To revitalize all of the areas surrounding Osaka Station, we have promoted area management activities in collaboration with nearby businesses. And we have undertaken sales of condominiums on property formerly occupied by company housing.

### Fiscal 2013 Results

In the real estate business segment, operating revenues fell 2.9% on the year, to ¥90.9 billion, while operating income rose 7.7%, to ¥28.0 billion.

While opening a new ALBi commercial center under the elevated tracks of Suminodo Station and Sun Station Terrace Okayama on the west

#### Operating Revenues

**90.9** Billions of yen



#### Operating Income

**28.0** Billions of yen





JR-West's other businesses consist of the travel agency business operated by Nippon Travel Agency, the hotel business, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

### Fiscal 2013 Results

The other businesses segment reported operating revenues up 5.7% compared to the previous fiscal year, to ¥128.4 billion, and operating income up 19.0%, to ¥12.3 billion.

In the hotel business, the Hotel Granvia Osaka opened its Granvia Floor of premium guest rooms

on its top floor and embarked on a marketing campaign including various types of promotional events to boost its overall sales.

In the travel agency business, we focused on increasing Internet sales and worked to increase sales of products that use the services of our railway network. We began offering an online enrollment service for the J-WEST Card, and worked to increase membership for the Osaka Station City J-WEST Card. For the ICOCA e-money service, we took steps like enabling the nationwide reciprocal use of transportation IC cards to increase usage opportunities. In a new business endeavor, we established J-Palette Minami-tanabe to enter the rehabilitation daycare service business.

Operating Revenues

**128.4** Billions of yen

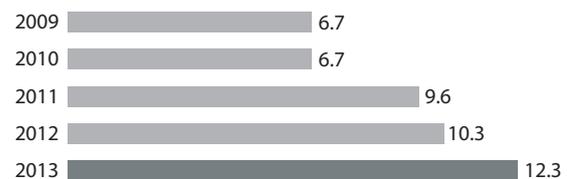
(Billions of yen)



Operating Income

**12.3** Billions of yen

(Billions of yen)



## Future Initiatives

### Develop

In the area of new business development, expand lifestyle-related services businesses, increase Group asset value by advancing development of terminal stations and thoroughly reevaluating Osaka Station City's North Gate Building, and foster new business development by developing and pioneering new business fields.

#### Key Measures

##### 1) Sales of goods and food services

- ① **Renovate retail shops in stations when stations are upgraded**
  - Sannomiya Station concourse

- ② **Aggressively develop areas other than those adjacent to railway lines and within the JR-West service area**
  - Opening of the Viainn Nagoya business hotel

##### 2) Department stores

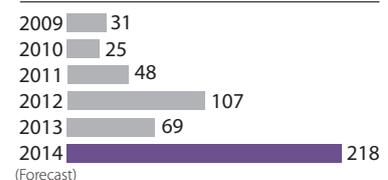
**Thorough reevaluation of Osaka Station City's North Gate Building (Store renovation taking advantage of the strengths of department stores and shopping centers)**

- Timing: Targeting spring 2015 opening
- Outlook for profitability
  - West Japan Railway Isetan Limited: Targeting profitability by fiscal 2016 (ending March 31, 2016)
  - JR Osaka Mitsukoshi Isetan Department Store, nonconsolidated: Profitability to be achieved rapidly

##### 3) Real Estate Business

- ① **Advance sales of condominiums (Sales revenue)**

(¥100 million)



- ② **Advance development and renovation**

- piole Himeji, Shamine Tottori, and Porta and The Cube (both located at Kyoto Station)

# CSR Overview

## Pursuing Think-and-Act Initiatives to Realize Our Corporate Philosophy

The Corporate Philosophy and Safety Charter all of our executive officers and employees created in the wake of the Fukuchiyama Line accident form the foundation of JR-West's management. These documents foster in all of our executive officers and employees a common attitude that they bring to the work of steadily creating a corporate culture that places top priority on safety; responding to the expectations of customers, society, shareholders, suppliers, and other stakeholders; and achieving sustainable development into the future. Toward that end, JR-West is committed to continuously thinking and acting as a unified entity.

### Corporate Philosophy

- 1 We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability.
- 2 We, with a central focus on railway business, will fulfill the expectations of our customers, shareholders, employees and their families by supporting the lifestyles of our customers, and achieving sustainable growth into the future.
- 3 We, valuing interaction with customers, and considering our business from our customers' perspective, will provide comfortable services that satisfy our customers.
- 4 We, together with our group companies, will consistently improve our service quality by enhancing technology and expertise through daily efforts and practices.
- 5 We, deepening mutual understanding and respecting each individual, will strive to create a company at which employees find job satisfaction and in which they take pride.
- 6 We, acting in a sincere and fair manner in compliance with the spirit of legal imperatives, and working to enhance corporate ethics, will seek to be a company trusted by communities and society.

## Establishment of JR-West's Corporate Philosophy and Safety Charter

Following the Fukuchiyama Line accident, we engaged in round after round of debate on the direction our company should be taking and the values we should uphold in building a corporate culture that places top priority on safety, and then we formulated our Corporate Philosophy in March 2006 by revising the Management Philosophy we established immediately after we became a company.

At the same time, we established a new Safety Charter — a specific code of conduct regarding safety — by implementing revisions aimed at motivating our executive officers and employees to take specific actions in pursuit of safety — our foremost mission — so that we never forget the Fukuchiyama Line accident.

### Safety Charter

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

- 1 Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.
- 2 The most important actions for ensuring safety are to execute basic motions, to rigorously enforce safety checks, and to implement flawless communication.
- 3 To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank, or assignment.
- 4 When uncertain about a decision, we must choose the most assuredly safe action.
- 5 Should an accident occur, our top priorities are to prevent concomitant accidents, and to aid passengers.

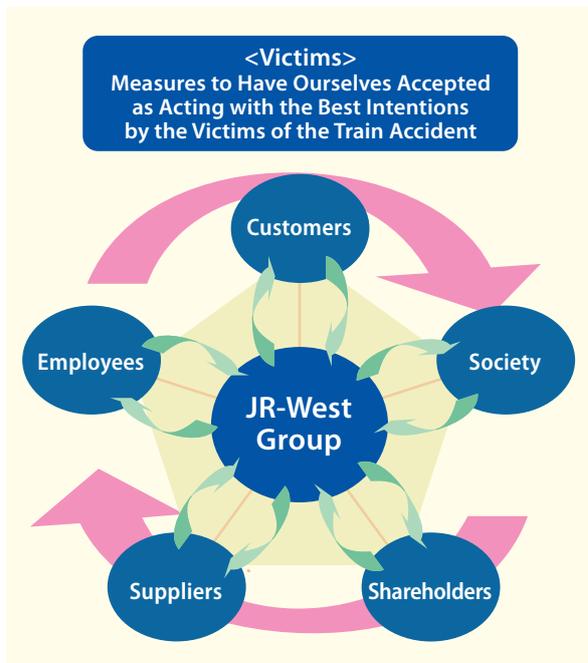
### Promoting CSR under the Direct Leadership of the President

To enhance our ability to promote CSR as one of management's core tasks, we have been holding CSR Promotion Committee meetings since June 2006. The president serves as chairperson of the committee, while its membership comprises full-time directors, full-time corporate auditors, and general managers of headquarters divisions. We also established the CSR Implementation Office as the executive office of the CSR Promotion Committee.

The CSR Promotion Committee comprehensively examines the current status and issues of each area of operations from a CSR perspective, and makes necessary improvements. Safety initiatives are special matters that are fundamental to our operations, and the president bears ultimate responsibility for these as they are pursued under a safety management structure that clearly identifies a safety manager, who oversees safety-related work, and supervisors in charge of training drivers and other staff.

### Relationship between Stakeholders and the JR-West Group

Having employees who are motivated, take pride in their work, and provide high-quality service results in satisfaction and a sense of safety and peace of mind for customers, and contribution to the invigoration of the West Japan area. With the profits earned under such conditions we will assure the sustainability of operations, and build good relationships with shareholders and suppliers.



### Pursuing CSR by Thinking and Acting Based on the Field

To support and foster the values put forth in our Corporate Philosophy, we have specified eight high-priority fields in reflection of society's demands and use these in enhancing the value we provide to stakeholders.

In upholding our Corporate Philosophy, all JR-West Group employees at all of our workplaces maintain a constant awareness of customers and, with a common understanding of the various issues that arise at front-line work sites, believe it is important to autonomously and collaboratively work to solve them with a sense of urgency. The JR-West Group pursues CSR by having every one of our employees embrace this "thinking and acting based on the field" as the guiding principle of conduct.



# Safety Measures

## Basic Approach

Safety is the highest priority of JR-West. To establish a corporate culture that places top priority on safety, we are moving forward with various tangible and intangible initiatives. Safety is the core strategy of the JR-West Group Medium-Term Management Plan 2017 we formulated in March 2013, and we aim to attain higher levels of safety by steadily implementing our new Safety Think-and-Act Plan.

Having caused the Fukuchiyama Line accident, JR-West will continue to focus on implementing, as a critical safety

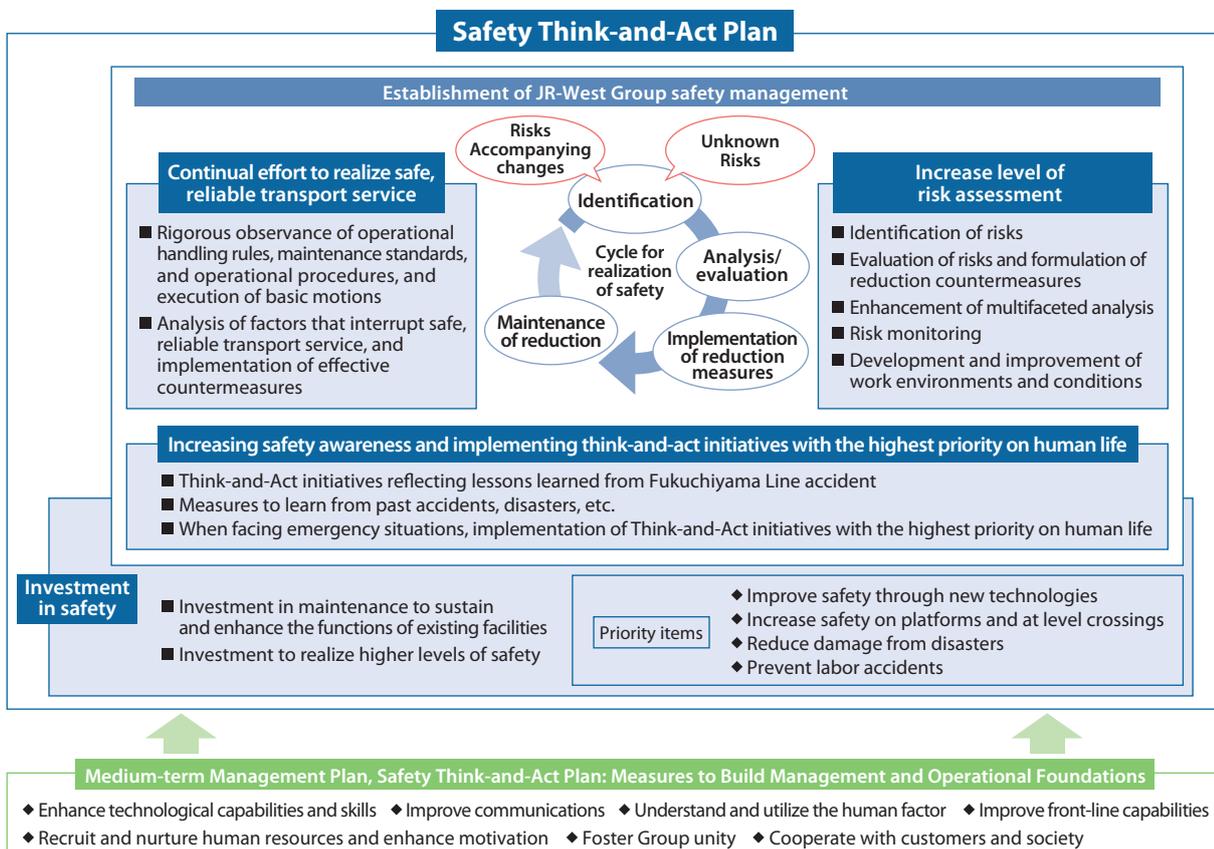
measure, the risk assessments we introduced in light of our inability to prevent that accident. In addition, we will move forward with various initiatives aimed at ensuring employees of the JR-West Group never forget the Fukuchiyama Line accident and can implement think-and-act measures putting human life and safety above all else. Supplementing these intangible steps with ongoing and proactive equipment maintenance and renovation, new technology development, and other safety-related investments, we are committed to attaining higher levels of safety in our operations.

## Overview of the Safety Think-and-Act Plan 2017

“Ensuring that an accident such as that on the Fukuchiyama Line will never again occur” is the duty of the JR-West Group, and our determination to fulfill that duty will never change. In accordance with this determination, we will work to ensure that the customers who use the railway services of the JR-West Group are transported safely to their destinations, and we will work to steadily increase the level of safety so that there are no incidents of serious injuries or fatalities among anyone involved in our operations. “The Safety Think-and-Act Plan 2017” gives shape to the actions that we will take to achieve those objectives.

Implementation of the Safety Think-and-Act Plan 2017 began in April 2013. This plan sets forth concrete quantitative targets that we will use in continuously working to achieve higher levels of safety. Under the Safety Think-and-Act Plan

2017, we have two objectives to achieve over the five-year period through fiscal 2018 — “No railway accidents that result in casualties among our customers” and “no labor accidents that result in fatalities among our employees” — and three objectives to achieve for fiscal 2018 — “30% reduction in railway accidents with casualties on the platform”, “40% reduction in accidents at level crossings”, and “50% reduction in transport disorders due to internal factors”. The Safety Think-and-Act Plan 2017 lays out four main courses of action for achieving these objectives. These are: “Continual effort to realize safe, reliable transport service”; “Increase level of risk assessment”; “Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life”; and “Investment in safety”.



## Establishment of Safety Management Based on Risk Assessment

JR-West has adopted risk assessment as a concrete approach for putting together preemptive safety measures. Risk assessment consists of quantifying risks and taking appropriate actions for matters that should be addressed as high priorities, and we are implementing risk assessment in all of our front-line work sites and branches, and in our head office.

We conduct risk assessments that are based on large volumes of safety-related information reported by employees, involve related workplaces and Group companies, and are carried out at the workplace level, and we reduce risk based on these assessments. In addition, branches and the head office provide assistance for risk reduction measures that cannot be handled by individual workplaces alone.

## Investment in Safety

JR-West's railway system is operated with massive amounts of equipment and facilities. We regularly and properly maintain and renovate equipment and facilities for operations, and invest in equipment and facilities that are specifically for safety and disaster prevention in order to make our operations as safe as possible.

Under the Basic Safety Plan covering the five years beginning with fiscal 2009, we invested a total of approximately ¥468 billion to install ATS equipment and platform emergency buttons, improve level crossings, and take other steps to make our operations safer.

## Platform Safety Measures

To prevent railway casualty accidents, we are moving forward with measures aimed at improving platform safety.

### Platform Emergency Buttons

JR-West is installing emergency buttons for notifying train crews and station personnel that something is amiss. As of the end of fiscal 2013, these buttons had been installed at 307 stations for conventional lines and at all Shinkansen stations.



Platform emergency button (Left) For Shinkansen station (Right) For conventional line station

## Level Crossing Safety Measures

Since its formation as a company, JR-West has worked to increase the safety of level crossings through approaches such as elevating tracks and consolidating level crossings to reduce their number. We have also installed level crossing warning devices and gates, sensors to detect objects on tracks, level crossing emergency buttons, and other devices to enhance safety.

### Level Crossing Emergency Buttons

We are installing emergency buttons to notify train drivers when a vehicle or something else is stranded on a level crossing or level crossing conditions are otherwise unsafe. Installation of these buttons has been completed at all class 1 and class 3 level crossings.



Emergency button

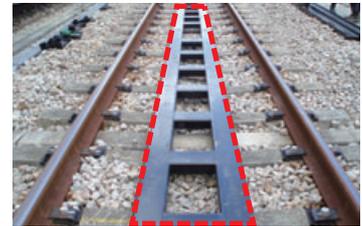
## Installation of ATS (Automatic Train Stop) Equipment

JR-West is drawing upon all of its resources to install ATS equipment for avoiding train collisions and preventing accidents due to excessive speed. In fiscal 2013, we completed installations at all locations required to have them by June 2016 under a Ministry of Land, Infrastructure, Transport and Tourism ordinance.

## Earthquake Safety Measures

JR-West is steadily moving forward with earthquake resistance reinforcement of bridge piers and stations, measures for preventing derailments, and enhancement of measures for preventing trains from entering disaster-affected areas, such as strengthening the system of seismometers for detecting earthquakes.

On the portion of the Sanyo Shinkansen Line between Shin-Osaka Station and Himeji Station, installation of derailment prevention guards is steadily moving forward.



Sanyo Shinkansen derailment prevention guards

## Tsunami Safety Measures

JR-West is implementing countermeasures for the tsunamis that may accompany the anticipated Tokai, Tonankai, and Nankai earthquakes.

The Shingu Station–Wakayama Station segment of the Kisei Line, which runs along the coastal area of Wakayama Prefecture, is particularly susceptible to tsunami damage, and we are advancing various measures to protect it.

## Installation of Ladders and Stairs

To enable smooth evacuation from trains, we have equipped them with ladders that have handrails and installed stairs to enable evacuation from railway lines to highways and other elevated ground.



Train exit platform for evacuating from trains at locations between stations

## Evacuation Guidance App

JR-West has developed a smartphone app that uses GPS to show the current location, areas vulnerable to a tsunami, the nearest evacuation site, and the route to the site. This app has been installed on the smartphones crew members carry for their work.

# Customer Satisfaction

## Basic Approach

The JR-West Group, the core of which is railway operations, is a provider of services that are used by large numbers of people on a daily basis and is, therefore, performing a socially important role.

In charge of an enterprise that is of immense significance to the public, we aim to continue to be a corporate group providing services that will make customers into “fans of JR-West,” who will want to use our services on an ongoing basis. We will do this by continuing to live up to the confidence placed in us by our customers and society, and maintaining our practice of customer-oriented management, to enhance the value we provide.

Toward that end, it is critical that we have a clear grasp of customers’ needs and expectations, accurately anticipate social trends, and steadily reflect this information in safety and services. We must, in other words, be highly sensitive to customer needs in our daily work, and reflect what we learn in the services we provide. We must also come up with our own ideas on how to serve customers, consistently act on these ideas, and provide high-quality services that will result in even greater customer satisfaction.

We would like to note that we have a very great appreciation for the importance of high transport quality. By implementing meticulous, stable transport measures and enhancing our ability to provide information from the customer’s perspective, we will continue working to achieve high transport quality that allows customers to use our services with confidence.

Furthermore, we will respond with even greater speed and sincerity to the precious “customer voices” we have heard in the form of recommendations and opinions ever since the JR-West Group was founded in 1987, and, based on the

“customer voices” we have heard, move forward with the enhancement and improvement of our services from the customer’s perspective.

We will also strive to gain understanding of our company’s initiatives by actively and broadly communicating to customers and society both the improvements we have made based on “customer voices” and the service vision we aspire to.

We aim to practice customer-oriented management by incorporating these initiatives into our corporate culture. To be a railway that continues to be loved in the future, the JR-West Group, aiming to increase its “fans”, is taking a strong next step in customer satisfaction.

## Provision of Services Offering Even Greater Convenience and Comfort

### Start of Nationwide Reciprocal Use of Transport IC Cards

Starting on March 23, 2013, ten different transportation IC cards, including the ICOCA IC card issued by JR-West, can now be used on transportation systems throughout Japan. A holder of one of these ten cards, therefore, can use it to ride a train or bus operated by any of the participating transportation system operators.

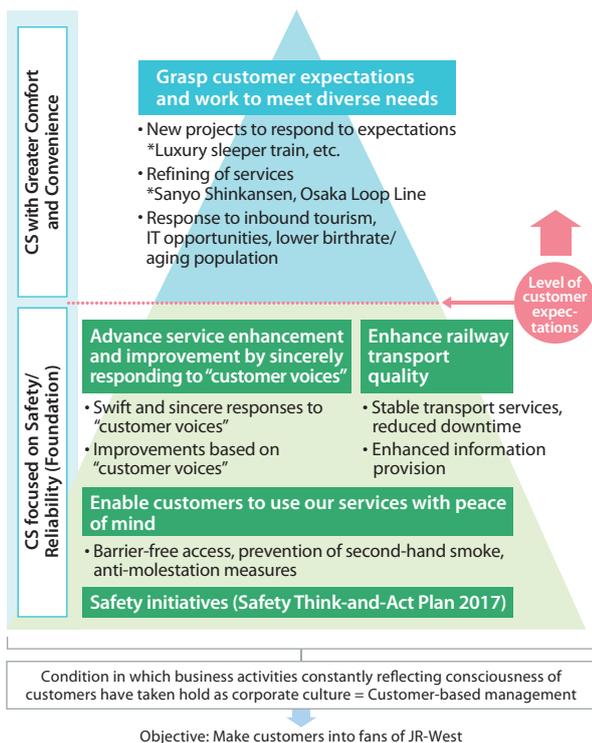
These cards can also be used to make purchases in the affiliated stores of any participating IC card system.



Symbol indicating acceptance of any of 10 IC cards

## Aims of the JR-West Group’s CS Initiatives

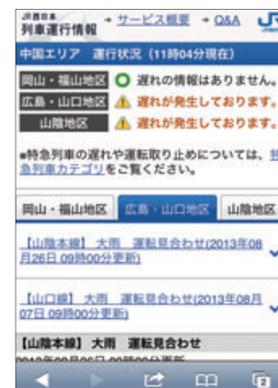
(JR-West Group’s Medium-Term Management Plan 2017)



## Lowering the Threshold for Providing Information on Train Delays

In the past, train delay information was posted on JR-West’s website only for delays of 30 minutes or longer. From August 2012, however, we lowered the threshold for providing delay information to cover trains behind schedule by 15 minutes or longer (10 minutes or longer for morning rush hour service in the Kyoto, Osaka, and Kobe areas and for Shinkansen service) and began presenting information at a more detailed geographic level in March 2013. In addition, we made our website accessible from smartphones and added visual information of alternative means of transport for abnormal circumstances.

Furthermore, for the customers using the principal lines in the Kyoto, Osaka, and Kobe areas, we made it possible to obtain train delay certificates on our website.



Smartphone screen for providing information on railway operations

### Kansai-Airport Express Haruka Onboard Information in Four Languages

JR-West has taken various steps to enhance services for foreign visitors. For example, we have introduced an Internet reservation system that can be used from overseas, begun to offer multilanguage interpretation services at stations, and updated our foreign-language website.

For the Kansai-Airport Express Haruka, we increased the number of languages used on the onboard electronic information displays from two — Japanese and English — to four, adding Korean and Chinese as of the timetable revision implemented in Spring 2013. We also added Korean and Chinese to the stickers explaining how to use the luggage storage space on each car.



Electronic display providing information in Japanese, English, Korean, and Chinese onboard the Kansai-Airport Express Haruka

### Initiatives for Putting Customers at Ease under Abnormal Operating Conditions

#### Further Enhancement of Information on Timetable Disruption

To enhance guidance during timetable disruption, we increased the number of information displays for abnormal circumstances. Using these displays and posters, we provide information, including graphics showing routes, to guide customers to the nearest station of another railway that they can use to get on with their trip. We are also using smartphones equipped with Super-TID (Traffic Information Display) technology providing information on current locations of nearest and following trains, as well as other information on the adjusted train schedule. These smartphones were deployed to conductors' offices in Kyoto, Osaka, and Kobe in July 2012. Going forward, we will continue to enhance our provision of information on earliest arrivals and other matters during abnormal operating conditions.



Information display for abnormal circumstances

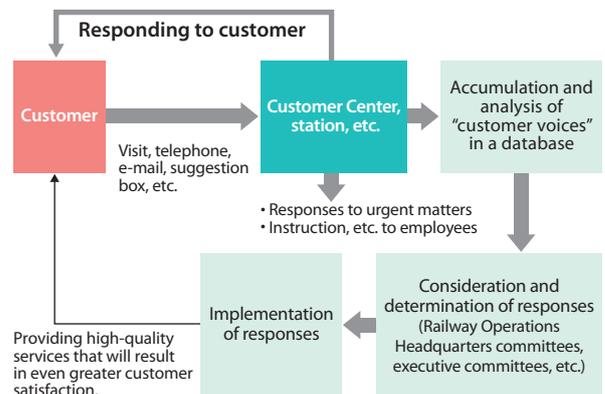
### Enhancing Responses to "Customer Voices"

#### Swifter, More Conscientious Responses to "Customer Voices"

Customer opinions, wishes, and inquiries are where CS begins. JR-West swiftly determines the exact nature of these "customer voices" and responds in appropriate ways. The JR-West Customer Center works to minimize the amount of time people contacting us by phone are kept on hold, and strives to improve the information provided under our website FAQs. In addition, when a response cannot be given immediately, the Customer Center provides intermediate updates and takes other steps, as well, in conscientiously responding to customer feedback.

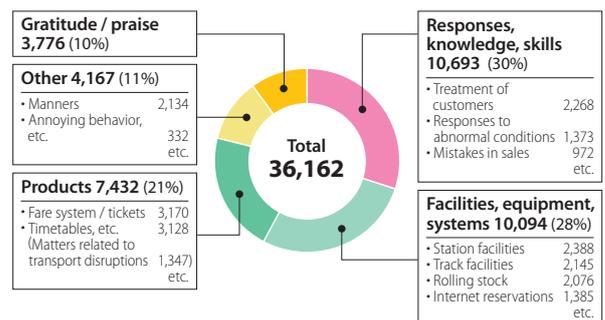
We maintain a database of all the "customer voices," use it to identify from overall themes in which solutions are needed, and systematically act to make improvements.

#### Responses to "Customer Voices"



#### Breakdown of "Customer Voices"

Approximately 36,000 items of customer feedback were received in fiscal 2013.



# Coexistence with Local Communities

## Basic Approach

For the JR-West Group, which has railway operations as the core of its business, it is impossible to exist apart from the areas we serve.

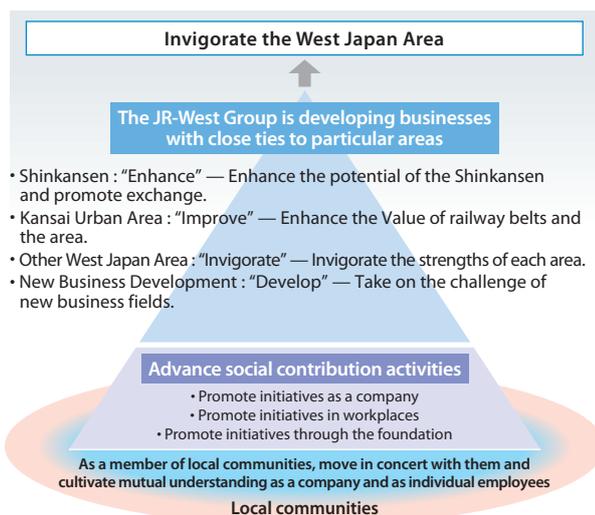
That is why we emphasize being a “railway company that coexists with communities” under “Our Future Direction — The Ideal Form for JR-West” in the “JR-West Group’s Medium-Term Management Plan 2017,” which we are currently implementing.

We believe, therefore, that there is nothing more important than invigorating communities by engaging in an ongoing dialogue with the people of the areas we serve, developing a shared understanding of the area’s aspirations and problems, and working together to develop solutions. In addition, to make this relationship as meaningful as possible, we have entered into agreements for comprehensive coordination and cooperation with local governments and businesses. In taking this approach, we painstakingly consider what we, as the JR-West Group, can contribute, and we strive to achieve higher levels of railway quality, and promote the expansion of non-railway businesses and the development of new businesses, by developing operations that have railway operations at their core and are closely tied to local areas.

Coordinating with communities is also essential for social contribution activities. We, therefore, are pursuing activities in five areas — safety, the global environment, social welfare, railway culture, and communities — that are closely related to our railway operations and other business activities.

By steadily advancing meaningful initiatives rooted in local areas, we are working to contribute to the invigoration of the West Japan area.

## Coexistence with Communities—Overview



## <Kansai Urban Area> Creating Residential Environments with Outstanding Comfort and Convenience

Under a shared understanding of cooperation and collaboration JR-West is working with local governments and other stakeholders to advance measures one by one, discussing specific actions and role assignments along the way.

### Advancing Childcare Support Initiatives Developing a Government-Approved Kindergarten Facility in Shiga Prefecture

In Shiga Prefecture, with which JR-West has signed a comprehensive collaboration agreement, we had been examining possibilities for establishing children’s daycare facilities adjacent to stations. With preparations now moving forward, we aim to open a daycare center, with the cooperation of a local daycare operator, at Otsu Station on the Biwako Line in April 2014. Plans call for this daycare center to be government-approved (approval will be applied for) and to be available to families regardless of the employment status of parents or guardians.

We are also working to establish “JR Kids Room” daycare facilities adjacent to stations to make the railway belt of which Otsu Station is a part, more convenient and pleasant for people with children.



Rendering of a daycare facility

## Responding to Local Needs with Facilities and Services Near Stations

JR-West is improving station functions. We are enhancing commercial centers at stations, making station access better by expanding the Ekirinkun rental bicycles service and enhancing collaboration with other public transportation operators, and steadily upgrading restrooms and benches.

### Opening of piole Himeji

In April 2013, we successfully completed construction of a new station building as the culmination of our Himeji Station project, and opened the piole Himeji (Main Building) commercial center. Together with the renovation of existing facilities, the project resulted in the new piole Himeji shopping center with space for roughly 200 stores.

On a wall of the main building, a giant panel providing indirect lighting with approximately 62,000 LEDs delights customers with white egrets, rippling water, and other artistic animation.



piole Himeji

### Opening of VIERRA morinomiya

In March 2013, we opened the VIERRA morinomiya commercial center at Morinomiya Station on the Osaka Loop Line. VIERRA morinomiya is designed to serve the daily shopping needs of both station users and local residents. To go along with the opening of this new facility, we also added the new south exit to ease access from the station.



VIERRA morinomiya

### <Other West Japan Areas> Contributing to the Creation of Towns that are Appealing and Convenient

In the West Japan area, JR-West is working with local governments and residents to make stations and surrounding areas more convenient for daily life, and improve transfers to other public transportation systems.

### Decision to Extend Electrification of the Kabe Line

For the Kabe Line, which JR-West has continued to operate from Yokogawa Station to Kabe Station, even after terminating operation of the non-electrified section of the line stretching north of Kabe in 2003, a committee was established in 2008 to invigorate the line. The committee, on which JR-West is participating, has developed and implemented various measures to rejuvenate the local area. One of those measures, agreed in February 2013 with the city of Hiroshima, calls for the extension and electrification of the Kabe Line from Kabe Station for approximately 1.6 km, and the establishment of two new stations.

### Promoting Collaboration with Local Companies

With the cooperation of the Ryobi Group, which signed a memorandum for mutual cooperation toward improving the convenience of public transportation in 2011, JR-West held the "Railway Day Fair" to promote greater understanding of public transportation.

In March 2012, we worked with The San-in Godo Bank, Ltd., which signed a business cooperation agreement for local development, to carry out a project aimed at encouraging strong local communication by greeting customers on their way to work at Tottori, Yonago, Matsue, and Hamada stations.

### <Other West Japan Areas> Leveraging Tourism to Revitalize Local Communities

#### Working with Local Communities to Pursue Tourism Campaigns

In fall of 2012, JR-West implemented the San-in Destination Campaign in Tottori and Shimane prefectures. Through this initiative, we worked with local governments and companies to hold events aimed at generating a deeper appreciation of the attractions of the San-in area, prepare secondary axis routes from stations to destinations, and take other steps, as well, across a wide range of areas.

In addition, for customers from other countries, we held the "Detective Conan Mystery Tour." For this event, we partnered with local organizations to host travel agents, who came from overseas to gather information. With our partners, we also prepared PR materials for overseas markets.



San-in Destination Campaign

#### Further Enhancement of Social Contribution Activities Initiatives Aimed at Building a Secure Society

Through the JR-West Relief Foundation, established in the wake of the Fukuchiyama Line accident to help create a society that affords safety and peace of mind, we are working to provide physical and emotional care for the victims of accidents and disasters, and build safe communities.

#### Holding of Emergency First Aid Fairs

Every year, the JR-West Relief Foundation holds Emergency First Aid Fairs to educate people who use train stations on the importance of emergency first aid when they find themselves at the scene of an emergency. In fiscal 2013, approximately 4,400 people participated in training on how to use automated external defibrillators (AEDs) and perform cardiopulmonary resuscitation.

#### Activity Assistance for NPOs

The JR-West Relief Foundation broadly solicits applications for grants it provides for activities and research on accident and disaster preparation, and on the provision of physical and emotional care following accidents and disasters. In fiscal 2013, the foundation provided 38 projects with grants totaling ¥34,230,000. It also regularly contributes to Ashinaga, an organization providing educational and emotional support for orphans. Ashinaga uses the funds it receives from the foundation to partially cover the operating expenses for two programs, one for high school students who have received Ashinaga scholarships and another that is a camp for elementary and junior high school students. All of the students participating in these programs live in the Kansai region.

# Environment

## Basic Approach

The JR-West Group has established the direction described below regarding protection of the global environment.

### [Basic Concepts]

JR-West, working in unison with its Group companies, will endeavor to protect the global environment and contribute to the realization of a society in which sustainable development is possible.

### [Code of Conduct]

- 1 Aiming to be a corporate group that is friendly to the global environment, we will engage in appropriate and effective resource usage.
- 2 We will develop technologies and engage in creative innovation to protect the global environment.
- 3 We will act with a constant awareness of the need to protect the global environment.

Initiatives to protect the global environment are important corporate social responsibilities. JR-West believes it is important to helping build a sustainable society by redoubling its efforts to lower its impact on the environment through the efficient and effective use of energy and other resources, and by avoiding environmental risk in a manner based on legal compliance. At the same time, we aim to contribute to the realization of an energy-efficient society by collaborating with other public transportation operators and local communities to increase the convenience and attractiveness of railways and create a railway that increasing numbers of customers will choose to use.

## The Global Environment Overall Perspective

JR-West, working in unison with its Group companies, will endeavor to protect the global environment and contribute to the realization of a society in which sustainable development is possible.

### Think and Act Eco Actions at the Individual Level

#### Global Warming Prevention Initiatives

- Reducing CO<sub>2</sub> emission volumes and saving energy
- Promoting use of public transportation
- Encouraging environmental communication

#### Preserving Biodiversity

- Tackling environmental protection with local communities
- Incorporating environmental consideration into business activities

#### Realizing a Recycling-Oriented Society

- Recycling of garbage from stations and trains
- Recycling of waste from maintenance and construction work

#### Risk Management and Legal Compliance

- Considering line-side environments
- Managing chemicals

#### Promoting Initiatives to Protect the Global Environment Systematically

#### Advancing Environmental Management

## Environment Targets

Item	Previous Targets: JR-West Group Medium-Term Management Plan 2008-2012		New Targets: JR-West Group Medium-Term Management Plan 2017	
	Fiscal 2013 Target	Fiscal 2013 Actual	Fiscal 2014 Target	Fiscal 2018 Target
Energy-saving railcars as a percentage of total railcars	75 %	76.8 %	77 %	83 %
Energy consumption rate *1 (vs. fiscal 1996)	(12 %)	(16.0 %)	—	—
Same as above (vs. fiscal 2011)	—	—	(3 %)	(3 %) *2,3
Energy consumption volume (entire company) (vs. fiscal 2011)	—	—	(2 %)	(2 %) *2,3
Same as above (for conventional line operation, station offices, etc.) (vs. fiscal 2011)	—	—	(4 %)	(9 %) *2
Station and train garbage (recyclable) recycling rate	85 % or greater	97.8 %	96 % or greater *2	
Railway material recycling rate	Facility construction	92.2 %	96 % or greater	
	Rolling stock		91 % or greater	

\*1 The energy consumption rate is the amount of energy consumed per rolling-stock kilometer (MJ / Rolling-stock km).

\*2 Included in the JR-West Group Medium-Term Management Plan 2017

\*3 The fiscal 2018 target considers the estimated increase in energy consumption related to the start of Hokuriku Shinkansen operations.

Note: figures in bracket ( ) are negative values.

## Advancing Reductions in Energy Consumption Volume to Wisely Use Limited Energy Resources Active Introduction of Energy-Saving Railcars

Train operation accounts for more than 80% of the energy used in our railway operations. To reduce the amount of energy we use to operate trains, we are gradually introducing railcars equipped with VVVF inverters, regenerative brakes, and other energy-saving functions. As of the end of fiscal 2013, 76.8 % of our railcars were energy-saving models.



225 Series energy-saving railcars

### Promoting Energy-Saving Train Driving

JR-West is promoting train driving that minimizes energy consumption while also achieving safe, on-time operation. In fiscal 2013, we carried out test runs based on theories and driving methods that had been the subject of careful consideration, and proceeded to implement new driving approaches in the field. Furthermore, these efforts are not limited to our electric trains; we are also performing research on energy-saving driving approaches for our diesel-powered trains.

### Continuing to Implement Electricity Saving Measures to Address Tight Supply Conditions

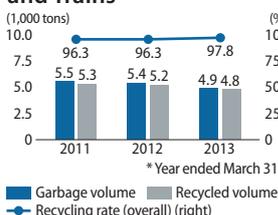
The JR-West Group as a whole is carrying on with efforts to save electricity. In addition to strictly managing air conditioning thermostats, turning off lights whenever they are not needed, and other ongoing efforts, we are also applying knowledge we gained in examining possibilities for eco stations to move forward with efforts to subdivide lighting circuits into smaller units and convert lighting fixtures to LEDs and other high-efficiency technologies. Furthermore, to the extent possible, we are taking actions like reducing lighting usage inside trains that are in service, changing escalator speeds, and reducing the numbers of automatic ticket gates and ticket vending machines in use.

## Contributing to the Building of a Low Carbon, Recycling-Oriented Society through the JR-West Group's Business Activities

### Pursuing the 3Rs for Waste (Reduce, Reuse, Recycle)

JR-West is recycling garbage by placing bins for separated garbage in stations and trains, and having customers deposit their garbage in them accordingly. In fiscal 2013, we collected 4,900 tons of recyclable garbage and recycled 97.8% of it.

#### Recycling of Recyclable Garbage from Stations and Trains



#### Recycling of Railway Material



Meanwhile, in the construction of railway facilities and the design of railcars, we have adopted the use of construction methods and design approaches that curb waste. We are also working to reuse and recycle waste. In fiscal 2013, the amount of waste we generated came to 156,000 tons, and we recycled 92.2%.

### Promoting Environmentally Friendly Business Operations

JR-West Group companies pursue environmental initiatives in accordance with their industry and business conditions. To date, the Heart-in convenience store operation has switched to LEDs for lighting in all of its Kyoto-Osaka-Kobe area stores, and multiple companies have undertaken initiatives including the introduction of water-conserving toilets and recycling of food waste. The real estate business has adopted the use of energy-saving facilities for residential properties and equipped all properties (for sale) with water-conserving toilets and other eco-friendly features. In addition, roughly 70 Group companies are disclosing the amounts of water, paper, and energy they consume.

#### Entry into the Business of Solar Power Generation

To bolster the stable supply of electricity, while lowering environmental impact, we are building a megasolar project (large-scale solar power generation facility) in the Asa region of Yamaguchi Prefecture. Operation of this facility is slated to around the winter of fiscal 2015.



Rendering of the megasolar project when completed

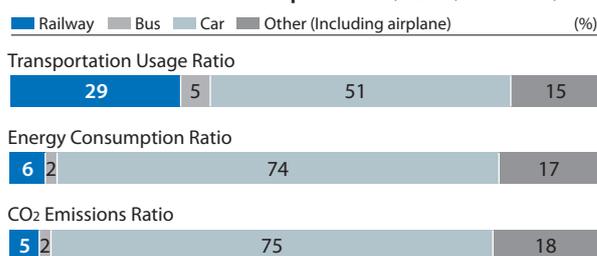
- Generating capacity: 5MW
- Generated energy per year: Approx. 5.10 GWh  
Enough to power approx. 1,020 ordinary homes.
- CO<sub>2</sub> savings: Approx. 3,710 tons

### Promoting Use of Public Transportation

Use of public transportation helps to lower CO<sub>2</sub> emissions, so, to encourage the use of public transportation, JR-West has worked with other transportation operators to promote the arrangement of transportation options to and from stations.

In addition, we are publicizing lifestyles that make use of railways and give customers a real sense of helping to protect the environment. In fiscal 2013, we instituted the Park & ICOCA service at four stations, opened an Ekirinun rental bicycle service outlet at Ishiyama Station on the Biwako Line, and added bicycles to seven other outlets.

#### Transportation Usage, Energy Consumption and CO<sub>2</sub> Emissions of Domestic Modes of Transportation (FY2010, Nationwide)



Source: Summary of Transportation Statistics, Transport Research and Statistics Office, Ministry of Land, Infrastructure, Transport and Tourism The GHGs Emissions Data of Japan, Greenhouse Gas Inventory Office of Japan

# Corporate Governance

## Fundamental Stance on Corporate Governance

Based on its Corporate Philosophy and Safety Charter, JR-West will work to fulfill its CSR and strive for sustained future growth through continuous efforts to build a safe railway that gives peace of mind and earns trust.

To realize these goals, from the perspective of enhancing the soundness, transparency, and efficiency of management, JR-West is striving to reinforce its corporate governance by putting in place systems to establish corporate ethics, strengthen oversight and supervisory functions, and expedite the execution of business operations.

## Overview of the Corporate Governance System and Reasons for Adopting this System

JR-West adopted the structure of a Company with Auditors pursuant to the Corporation Law of Japan as its corporate governance system. By subjecting the execution of duties by directors to appropriate auditing by each of the four corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management.

The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors. In addition to participating in decision making related to the execution of important management issues as full members of the Board of Directors, the external directors work to further strengthen oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge. In addition, the Company has adopted the executive officer system with the aim of further enhancing managerial efficiency.

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current corporate auditor system outlined above, JR-West considers it appropriate to put in place a system for management decision making and operational execution as well as oversight and supervision.

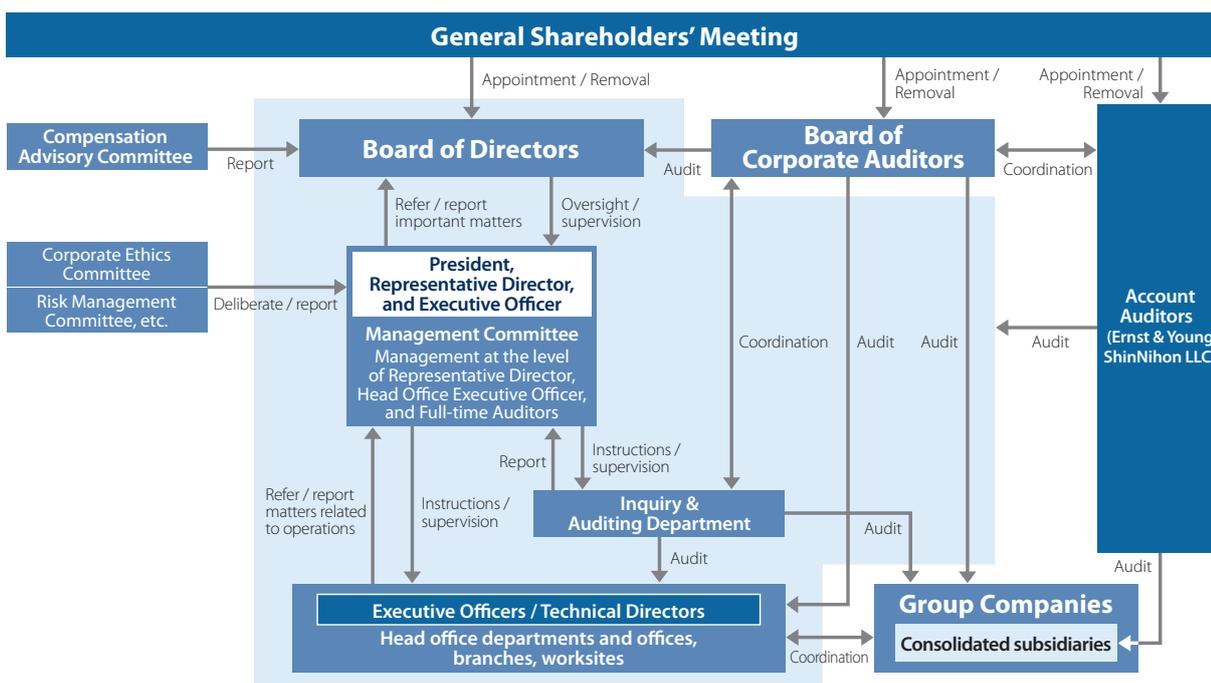
To establish corporate ethics, the Company institutes its code of conduct and code of ethics, makes its officers comply with these codes and exercise the initiative in materializing the Corporate Philosophy, and generates a sense of common values that will constitute the basis of honest and fair business behavior.

The Company established a Corporate Ethics Committee chaired by the President, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.

The Company also established a system to accept consultations as to questionable acts from the perspective of law or corporate ethics through contacts with its Ethics Office and outside attorneys and improved its whistle-blowing system.

Directors and executive officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

In principle, the Board of Directors meets once a month. In addition to receiving timely and appropriate reports on such matters as the status of the execution of business operations and corporate ethics, the Board of Directors deliberates on important management matters and carries out expeditious decision making. The Board also undertakes mutual oversight of the execution of duties.



Note:   Denotes audit scope of the account auditors

To strengthen the Board of Directors' oversight and supervisory functions, of the 14 directors the Company appoints, five are external directors, whose specialized role focuses on oversight and supervision. The Company is working to reinforce the system for conveying information to the external directors through such measures as increasing the opportunities for briefing the external directors on the status of operational execution.

In accordance with the selection procedures for directors, the President proposes the candidates for director to be recommended to the General Shareholders' Meeting to the Board of Directors, which makes decisions on the candidates through a resolution. The Company has abolished the directors' bonus system and director compensation has been unified as a system of monthly compensation. With the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Furthermore, the Company has established the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, to discuss items fundamental to the execution of business duties. In principle, the Management Committee convenes weekly. In addition, by delegating authority to the executive officers, the Company aims to expedite decision making and business execution. Moreover, the highest responsibility for the execution of business operations has been integrated into the office of the President.

### **Status of the Internal Control System (Including the Risk Management System)**

Pursuant to the Corporation Law of Japan, the Board of Directors has formally approved the Company's fundamental stance regarding the internal control system and the status of this system. An overview of this system is as follows.

#### **1. Systems to ensure directors and employees observe laws and regulations and the Company's Articles of Incorporation when executing their duties**

To establish corporate ethics, the Company institutes its code of conduct and code of ethics in accordance with its Corporate Philosophy and generates a sense of common values that will constitute the basis of honest and fair business behavior by encouraging its officers to comply with these codes and exercise the initiative in materializing the Corporate Philosophy. The Company established a Corporate Ethics Committee chaired by the President, which deliberates on and evaluates important matters for the establishment of corporate ethics and submits necessary reports to the Board of Directors. The Company

also accepts consultations as to questionable acts from the perspective of law or corporate ethics through its Ethics Office and outside attorneys and improved its whistle-blowing system.

JR-West absolutely rejects relationships with antisocial forces. To this end, the Company collaborates closely with specialist outside agencies and has established a supervisory department and prepared relevant manuals.

The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner, and allow directors to mutually monitor the execution of their duties. The Company makes a clear distinction between directors who engage exclusively in monitoring and supervision and directors who execute business (concurrently serving as executive officers) as well. The Company is committed to having two or more external directors, and has improved its information provision system to the external directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company clarified the criteria for selection of directors and executive officers to ensure objectivity and transparency.

With regard to the execution of duties by directors and employees, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. The Company also establishes various committees from time to time to ensure duties are executed transparently. In addition, the Inquiry & Auditing Department, which is responsible for internal audits, audits the Company's business in general from the perspectives of compliance with laws or ordinances and regulations.

Furthermore, for the purpose of the establishment of systems to evaluate and audit internal control over financial reporting, the Company shall maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.

Directors and executive officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

Through these measures, the Company endeavors to improve its systems to ensure compliance with laws and establish corporate ethics in its business operations in general.

#### **2. Systems to store and manage information relating to the directors' execution of their duties**

In accordance with laws and regulations and the Company's document-management policies, each department in the Company appropriately prepares, stores, and manages information relating to the directors' execution of their duties, and when necessary makes this information available for inspection by directors or corporate auditors.

## Corporate Governance

### 3. Regulations for management of the risk of loss and related systems

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 among passengers. Solemnly accepting responsibility, the Company resolved that such an accident would never again occur. In accordance with its Corporate Philosophy and Safety Charter, JR-West is striving to build a safe railway that gives peace of mind and earns trust.

In June 2007, a report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission made various remarks, including proposals and opinions. The Company quickly acted in response to the report's recommendations and has been steadily implementing improvement measures. Additionally, the Company will steadily achieve higher levels of safety through the "continual effort to realize safe, reliable transport service," and by "increasing levels of risk assessment," "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life," and moving forward with "investment in safety." All of these initiatives are high priorities and have been set forth in the "Safety Think-and-act Plan 2017" inaugurated in March 2013. Also, the Company works to establish safety management systems based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. In addition, the President serves as the Chairman of the Risk Management Committee, which identifies risks and critical events that could have a substantial impact on the Company's management, prepares related manuals, and discusses and decides upon important response measures. The committee also quickly constructs rapid first-response systems for major crises, such as a large-scale natural disaster, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

Through these measures, the Company is working to maintain and improve systems to achieve appropriate risk management for all Company business activities.

### 4. Systems to ensure that directors execute their duties efficiently

Based on the plan for all business activities defined by the Board of Directors at the start of each fiscal year, the directors responsible for each department appropriately carry out the duties necessary to implement the policies of their departments in accordance with their administrative authority and rules for decision making determined by regulations relating to Company organizations and the execution of Company duties. Furthermore, the Management Committee—comprised of members including representative directors and executive officers mainly in the head office—in principle convenes weekly to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, under which authority is delegated to the executive officers to

strengthen the oversight and supervisory functions of the Board of Directors and to enhance the speed of decision making.

### 5. Systems to ensure the appropriateness of operations in the corporate group

Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Groupwide corporate ethics. The Risk Management Committee determines fundamental matters related to Groupwide risk management. Based on policies and stipulations, each subsidiary establishes committees and regulations to construct systems to establish a Groupwide corporate ethics system and carry out appropriate risk management. Furthermore, the whistle-blowing system may be utilized for consultations related to Group companies through internal and external consultation services established by the Company.

The Company works to ensure that the appropriateness and the effectiveness of Group management are preserved. It maintains systems so that Group companies can discuss important management items with the Company prior to decisions being made. In addition, the Company's executives serve as directors and corporate auditors at important Group companies. Furthermore, when required, the Company will confirm that Group companies are observing relevant laws and regulations in their business management through internal audits.

"Evaluation of Internal Controls for Financial Reporting" is carried out as a Groupwide measure because consolidated operations are the subject of these evaluations.

### 6. Matters relating to those employees who provide assistance to corporate auditors and the independence of those employees from directors

The Company appoints corporate auditor staff to provide full-time support to the corporate auditors as they carry out their auditing duties. The staff carries out its duties in accordance with the instructions of the corporate auditor.

Furthermore, decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the corporate auditors.

### 7. Systems for directors and employees to report to corporate auditors and other systems regarding reporting to corporate auditors

Directors, executive officers, and employees immediately report to the corporate auditors or the Board of Corporate Auditors on serious accidents, behavior that violates laws and regulations or the Company's Articles of Incorporation, or if they discover a situation that might result in the Company incurring significant damage. Furthermore, corporate auditors receive regular reports and additional reports as needed on the status of internal audits, details of reporting to the Ethics Office, details of the activities of the special deputies to the President, details of the activities of each department and the issues they face, and any other items as requested by corporate auditors or the Board of Corporate Auditors.

## 8. Other systems to ensure that the corporate auditors carry out their audits effectively

To ensure the effectiveness of the audits carried out by corporate auditors, directors and other executives maintain systems for corporate auditors to attend important meetings; to inspect important documents, including documents related to decisions; to cooperate with the internal audit department and accounting auditors; to regularly exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively.

Furthermore, the Company works to coordinate the activities of departments that have jurisdiction over offices in the Company and to ensure that surveys in other locations are conducted effectively and efficiently.

### Overview of Contracts for Limitation of Liability

In accordance with article 427, item 1, of the Companies Act of Japan, the Company provides in the Articles of Incorporation that external directors and external corporate auditors are to enter into a contract for limitation of liability with the Company, limiting the liability of the external directors and external corporate auditors under article 423, item 1, to a specified amount. As of the release date of the Company's Yuho securities report, all external directors and external corporate auditors had entered into such a contract with the Company.

### Status of Audits by the Corporate Auditors, Internal Audits, and Accounting Audits

In accordance with the auditing policies and audit plan prepared by the Board of Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also hold individual hearings with directors on matters considered necessary, audit the conduct of business by directors, and provide necessary advice and recommendations. Corporate auditors also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Board of Corporate Auditors meets regularly to hear reports on significant matters pertaining to audits as well as to deliberate and make decisions. With regard to the support of the corporate auditors, including external corporate auditors, the Company provides a corporate auditor staff, whose duty is to provide full-time assistance to the corporate auditors. The staff carry out their duties in accordance with the instructions of the corporate auditors. Corporate auditor Yasumi Katsuki holds the qualifications of a certified public accountant (CPA) and possesses a wealth of knowledge relating to finances and accounting.

With regard to internal audits, the Inquiry & Auditing Department, which is tasked with internal auditing functions, comprises approximately 30 staff, including five support staff

for the corporate auditors. Through this structure, the Inquiry & Auditing Department conducts audits covering the Company's overall business operations, from the perspective of compliance with relevant laws and internal regulations and the adequacy of business operation management, including evaluation of internal controls relating to financial reporting.

Furthermore, the corporate auditors and the Inquiry & Auditing Department, which is responsible for internal audits, conduct regular exchanges of opinion on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, the corporate auditors and the Inquiry & Auditing Department strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

With regard to independent accounting audits, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which carries out appropriate audits that are conducted by an audit team comprising three partners and an auditing support staff consisting of 43 members: 25 other CPAs and 18 other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the corporate auditors, the Inquiry & Auditing Department, and the accounting auditors involve close mutual cooperation and the ongoing exchange of information regarding each other's respective audit plans, methodology, and results, to facilitate efficient and effective auditing.

### In fiscal 2013, auditing procedures were conducted by the following CPAs.

Name		Affiliated auditing firm	Consecutive years of auditing
Designated limited liability partners	Mikio Konishi	Ernst & Young ShinNihon LLC	—
	Yoshihiro Shibata		—
	Naoya Nishino		—

### Policies Regarding the Functions, Roles, Relationship with the Company and Independence of the External Directors and External Corporate Auditors

JR-West adopts the structure of a Company with Auditors as its corporate governance system. Specifically, by subjecting the execution of duties by directors to appropriate auditing by each of the four corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management. Furthermore, five of the 14 directors are external directors, whose role is focused on oversight and supervision. The external directors work to further strengthen the oversight and supervisory functions of the Board of Directors. Applications for all external directors and auditors have been submitted to the securities exchanges on which the Company is listed to identify them as independent officers.

## Corporate Governance

All five external directors—Tadashi Ishikawa, Yumiko Sato, Yuzo Murayama, Norihiko Saito, and Hideo Miyahara—were selected due to their rich backgrounds in fields such as law, management, and academia. The Company hopes to reflect the expertise of these individuals in its management.

Based on the fact that there is very little likelihood of a conflict of interest arising between the five external directors and ordinary shareholders—none of the external directors has previously held a position at any companies with which JR-West has a significant business relationship—the Company judges that the external directors are able to maintain a sufficient level of independence. The Company believes that the external directors are able to provide management oversight from an independent position. It should be noted, however, that the external director, Hideo Miyahara, is affiliated with Osaka University, an institution to which the Company provides research grants.

All three external corporate auditors were selected due to their rich backgrounds in a variety of fields—Tsutomu Iwasaki in politics, and Ikuo Uno and Yasumi Katsuki as managers and CPAs. The Company hopes to reflect the expertise of these individuals in its management.

Based on the fact that there is very little likelihood of a conflict of interest arising between the three external corporate auditors and ordinary shareholders—none of the external corporate auditors has previously held a position at any companies with which JR-West has a significant business relationship—the Company judges that the external corporate auditors are able to maintain a sufficient level of independence. The Company believes that the external corporate auditors are able to audit the execution of duties of the directors from an independent position. External corporate auditor Ikuo Uno is also a consultant to Nippon Life Insurance Company, with which the Company has entered into transactions in the form of long-term debt and insurance policies for which employees are policy holders.

### Director Compensation, etc.

#### 1. Total compensation amount by officer classification, total compensation amount by type of compensation, and number of recipient officers

Officer classification	Total compensation amount (Millions of yen)	Total compensation amount by type of compensation (Millions of yen)				Number of recipient officers
		Basic compensation	Stock options	Bonus	Retirement bonus	
Directors (excluding external directors)	¥405	¥405	—	—	—	11
Corporate auditors (excluding external corporate auditors)	¥ 29	¥ 29	—	—	—	2
External directors and external corporate auditors	¥ 87	¥ 87	—	—	—	9

#### 2. Total compensation amounts for individual officers

No disclosure is made owing to the fact that no individual officer received total compensation of ¥100 million or higher.

#### 3. Policy for determining the amount of director compensation, etc.

With regard to compensation for directors and corporate auditors, the Company has abolished the directors' bonus system and the directors' retirement bonus system, and has instead implemented a unified system of monthly compensation.

The directors' monthly compensation comprises "basic remuneration" and "performance-evaluation remuneration," the latter of which is determined using such factors as business operating results during the previous fiscal year as a guide. The level of compensation takes into account compensation levels at other companies, with such information drawn from specialist external organizations, to ensure an appropriate level of compensation.

In addition, with the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Corporate auditor compensation comprises only "basic remuneration," and the level of compensation takes into account compensation levels at other companies, with such information drawn from external special organizations, to ensure an appropriate level of compensation.

The compensation for each individual director is determined by a resolution of the Board of Directors, and the compensation for each individual corporate auditor is determined through consultations among the corporate auditors. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all corporate auditors approved by a resolution of the General Shareholders' Meeting.

### Status of Stock Holdings

#### 1. Investments in stocks for which the holding purpose is other than pure investment

Number of companies: 38

Total carrying amount on the balance sheet: ¥12,415 million

#### 2. Holding purpose, name of holding company, number of shares, and amount on the balance sheet holdings of investments in stocks for which the holding purpose is other than pure investment

## Fiscal 2012

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
Japan Tobacco Inc.	3,050	¥ 1,421	To maintain a good relationship, facilitate smooth business operations
Sumitomo Mitsui Trust Holdings	5,334,530	¥ 1,408	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 1,203	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,111	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 486	
Electric Power Development Co., Ltd.*	192,840	¥ 432	
Mizuho Financial Group, Inc.*	1,767,410	¥ 238	
Asia Air Survey Co., Ltd.*	710,000	¥ 168	
Resona Holdings, Inc.*	299,300	¥ 114	
East Japan Railway Company*	200	¥ 1	

\* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, 10 holdings are presented in the table

## Fiscal 2013

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
Sumitomo Mitsui Trust Holdings, Inc.	5,334,530	¥ 2,363	To maintain a good relationship, facilitate smooth business operations
Japan Tobacco Inc.	610,000	¥ 1,830	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 1,630	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,541	
The Kinki Sharyo Co., Ltd.	3,454,000	¥ 1,053	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 679	
Electric Power Development Co., Ltd.*	192,840	¥ 477	
Mizuho Financial Group, Inc.*	1,767,410	¥ 351	
Asia Air Survey Co., Ltd.*	710,000	¥ 225	
Resona Holdings, Inc.*	299,300	¥ 146	
East Japan Railway Company*	200	¥ 1	

\* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, 11 holdings are presented in the table

## Resolutions to be Decided by the General Shareholders' Meeting that May Be Resolved by the Board of Directors

### 1. Acquisition of treasury stock

With regard to the acquisition of treasury stock, to facilitate expeditious management decisions, pursuant to article 165, paragraph 2, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may acquire its own shares through market transactions, etc., based on a resolution of the Board of Directors.

### 2. Interim dividend

To expand the opportunities for shareholder return, pursuant to article 454, paragraph 5, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may pay an interim dividend based on a resolution of the Board of Directors.

## Conditions for Special Resolutions of the General Shareholders' Meeting

The conditions stipulated by JR-West's Articles of Incorporation for resolutions based on article 309, paragraph 2, of the Corporation Law of Japan are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the General Shareholders' Meetings by relaxing the quorum required for special resolutions of the General Shareholders' Meeting.

### 3. Stocks for which the holding purpose is purely investment purposes

There are no applicable items.

## Number of Directors

The Company's Articles of Incorporation stipulates that the number of directors shall be 40 or less.

## Requirements Relating to Resolutions for the Appointment of Directors

The conditions stipulated by JR-West's Articles of Incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights. Furthermore, the Company's Articles of Incorporation stipulates that resolutions for the appointment of directors shall not be conducted using cumulative voting.

# Board of Directors and Corporate Auditors

As of June 21, 2013

## Board of Directors

Chairman of the Board of Directors

**Takayuki Sasaki**

Directors

**Tadashi Ishikawa<sup>1</sup>**

Special Counsel, Oh-Ebashi LPC & Partners

**Yumiko Sato<sup>1</sup>**

Senior Research Fellow, Suntory Foundation

**Yuzo Murayama<sup>1</sup>**

Professor of Business Institution,  
Graduate School, Doshisha University

**Norihiko Saito<sup>1</sup>**

Chairman, KINDEN CORPORATION

**Hideo Miyahara<sup>1</sup>**

Specially-Appointed Professor,  
Graduate School of Information Science and Technology, Osaka University

Director, President, and Executive Officer



**Seiji Manabe<sup>2</sup>**

Directors, Vice Presidents, and Executive Officers



**Akiyoshi Yamamoto<sup>2</sup>**



**Shizuka Yabuki<sup>2</sup>**



**Tatsuo Kijima<sup>2</sup>**

Directors and Senior Executive Officers

**Makoto Shibata**

**Akihiro Horisaka**

**Kazuaki Hasegawa**

**Norihiko Yoshie**

## Corporate Auditors

**Yasutaka Kikuchi<sup>3</sup>**

**Tsutomu Iwasaki<sup>3, 4</sup>**

**Ikuo Uno<sup>4</sup>**

Advisor, Nippon Life Insurance Company

**Yasumi Katsuki<sup>4</sup>**

Certified public accountant, Katsuki Office

<sup>1</sup> External Director   <sup>2</sup> Representative Director   <sup>3</sup> Full-Time Auditor   <sup>4</sup> External Auditor

# Executive Officers

As of June 21, 2013

President, Representative Director,  
and Executive Officer  
**Seiji Manabe**

Vice Presidents,  
Representative Directors,  
and Executive Officers  
**Akiyoshi Yamamoto**  
Senior General Manager of  
Railway Operations Headquarters

**Shizuka Yabuki**  
Senior General Manager of Business  
Development Headquarters

**Tatsuo Kijima**  
Senior General Manager of Supporting Headquarters  
for the Victims of the Derailment Accident on  
the Fukuchiyama Line

Directors and Senior Executive Officers  
**Makoto Shibata**  
Deputy Senior General Manager of Railway Operations  
Headquarters / Senior General Manager of Marketing  
Department, Railway Operations Headquarters

**Akihiro Horisaka**  
General Manager of Deliberation Department of  
the Derailment Accident on the Fukuchiyama Line  
General Manager of Corporate Ethics &  
Risk Management Department  
General Manager of General Affairs Department

**Kazuaki Hasegawa**  
Senior General Manager of Kansai Urban Area Regional  
Head Office

**Norihiko Yoshie**  
Deputy Senior General Manager of Railway Operations  
Headquarters / General Manager of Shinkansen  
Supervising Department, Railway Operations  
Headquarters

Senior Executive Officers  
**Kenji Shiratori**  
General Manager of Safety Research Institute

**Masaru Kawakami**  
Deputy Senior General Manager of Railway Operations  
Headquarters / General Manager of Transport Safety  
Department, Railway Operations Headquarters

**Katsunori Matsuura**  
General Manager of Finance Department

**Nobutoshi Nikaido**  
Senior General Manager of Corporate Planning  
Headquarters / Senior General Manager of  
Tokyo Headquarters

Executive Officers  
**Masashi Nonaka**  
General Manager of Kanazawa Branch

**Takao Okubo**  
General Manager of Electrical Engineering Department,  
Railway Operations Headquarters

**Kouhei Ogino**  
General Manager of Construction Department

**Takaiki Ikoma**  
General Manager of Okayama Branch

**Shoji Kurasaka**  
Deputy Senior General Manager of Kansai Urban Area  
Regional Head Office / General Manager of Osaka  
Branch, Kansai Urban Area Regional Head Office

**Fumito Ogata**  
General Manager of Corporate Communications  
Department

**Atsushi Sugioka**  
General Manager of Hiroshima Branch

**Katsumi Imai**  
General Manager of Personnel Department

**Toshihiko Kunihiro**  
Deputy Senior General Manager of Kansai Urban Area  
Regional Head Office / General Manager of Kobe  
Branch, Kansai Urban Area Regional Head Office

**Kei Fukushima**  
Deputy Senior General Manager of Supporting  
Headquarters for the Victims of the Derailment Accident  
on the Fukuchiyama Line

**Yoshifumi Yokoyama**  
General Manager of Yonago Branch

**Shinichi Handa**  
General Manager of Wakayama Branch

**Kunimasa Kojima**  
Senior General Manager of IT Headquarters

**Kuniaki Morikawa**  
General Manager of Transport Department,  
Railway Operations Headquarters

**Keijiro Nakamura**  
General Manager of Shinkansen Management Division

**Noriaki Ejiri**  
Deputy Senior General Manager of Kansai Urban Area  
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General Control Center, Kansai Urban Area Regional  
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**Masafumi Ise**  
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Development Headquarters

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**Hiroaki Tohi**  
General Manager of Fukuchiyama Branch

**Toshiomi Sakai**  
Deputy Senior General Manager of Tokyo Headquarters

**Hiroaki Inoue**  
Deputy General Manager of Shinkansen Management  
Division / General Manager of Fukuoka Branch,  
Shinkansen Management Division

**Satoshi Iwasaki**  
Deputy Senior General Manager of Business  
Development Headquarters

Technical Directors  
**Yoshifumi Matsuda**  
General Manager of Structural Engineering Office

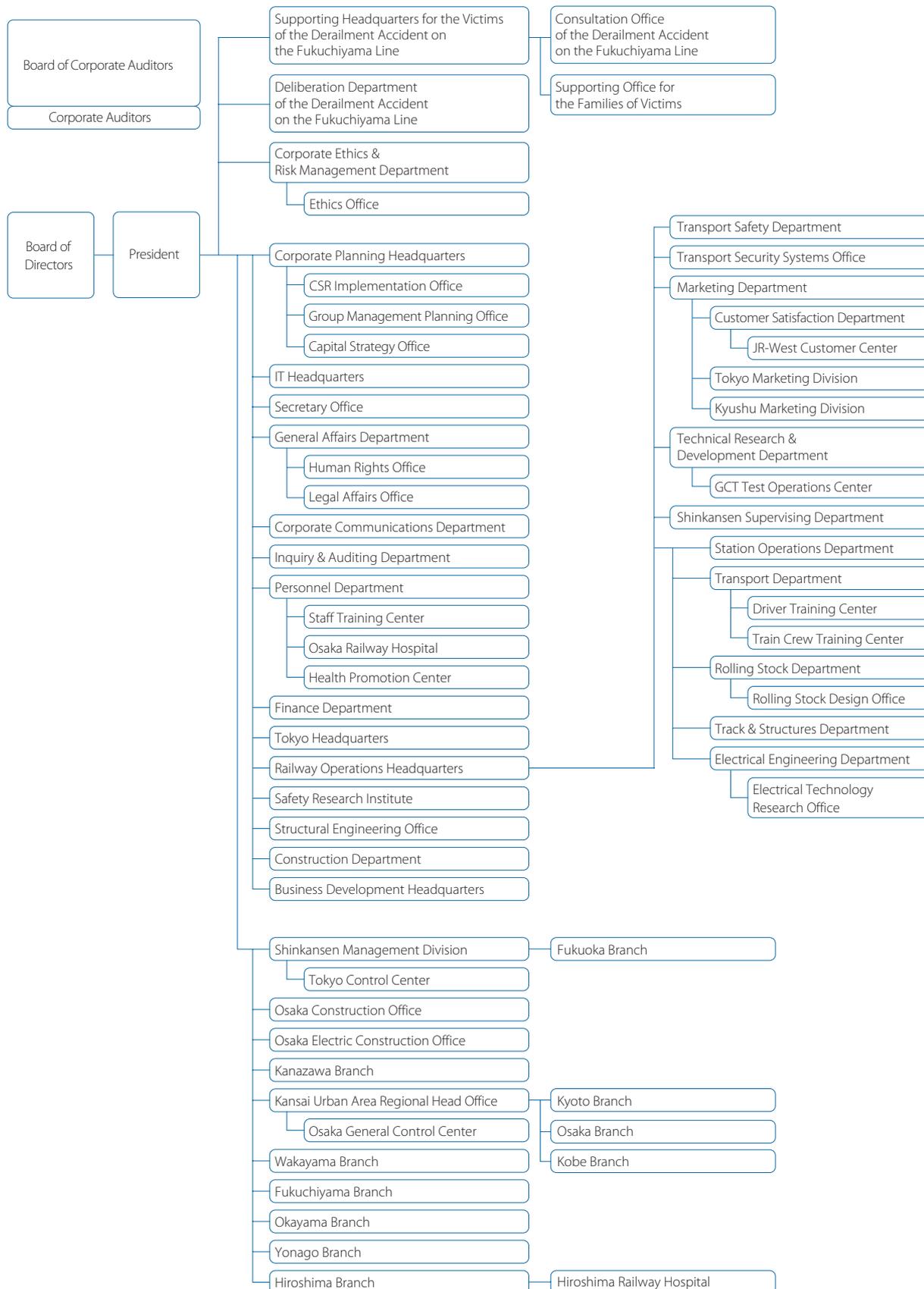
**Katsumi Tsuchida**  
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Department, Railway Operations Headquarters

**Yoshihisa Hirano**  
General Manager of Transport Security Systems Office,  
Railway Operations Headquarters

# Organizational Structure

As of June 1, 2013



# Financial Section

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# Management's Discussion and Analysis of Operations

Consolidated Basis

## Results of Operations

For fiscal 2013, ended March 31, 2013, operating revenues rose ¥11.2 billion, or 0.9%, year on year, to ¥1,298.9 billion. In transportation operations, both the Sanyo Shinkansen and Urban Network enjoyed strong passenger numbers and hotel and travel agency operations recorded higher revenue as business rebounded from the impacts of the Great East Japan Earthquake. Other factors, including higher construction revenues, from an increase in work related to the Hokuriku Shinkansen project, also contributed to the increase in operating revenues.

Operating expenses declined ¥8.4 billion, or 0.7%, year on year, to ¥1,169.4 billion, mainly because of lower depreciation and amortization, and a decline in expenses related to the opening of Osaka Station City. Operating income, therefore, rose ¥19.6 billion, or 17.9%, year on year, to ¥129.4 billion.

Net non-operating expenses fell ¥2.5 billion year on year, to ¥24.8 billion, because of factors like lower interest expense following the repayment of long-term debt.

Net extraordinary losses rose ¥2.7 billion year on year, to ¥4.9 billion. While an extraordinary profit was recorded from a reduction in retirement benefit obligations stemming from the establishment of a new reemployment system for managerial-level employees, this was outweighed by extraordinary losses including an impairment loss for the JR Osaka Mitsukoshi Isetan department store in Osaka Station City.

Net income rose ¥30.7 billion, or 104.1%, year on year, to ¥60.1 billion.

## Factors Affecting Revenues

Railway transportation accounts for the bulk of revenues in the transportation operations segment. Railway transportation revenues depend mostly on numbers of passengers served, and are, therefore, affected by numerous factors such as competition from airlines and other modes of transportation, competition from rival railway companies, economic conditions, and the falling birthrate and aging population. We believe railway passengers make transportation decisions based on considerations of safety and reliability, to begin with, but also travel times, the comprehensiveness of the railway network, fares, and levels of comfort. Sanyo Shinkansen revenues are determined mainly by the numbers of business and leisure passengers served, and are therefore, affected by factors such as economic conditions and competition with airlines.

In comparison, the Urban Network serves mainly work and school commuters, so its revenues, we believe, are much less affected by economic conditions. Urban Network revenues, however, are still susceptible to the falling birthrate, aging population, urbanization, and other demographic changes. For some of JR-West's other conventional lines, intercity

transport revenues are affected by economic conditions and competition with intercity bus services and private automobiles. Local line revenues, meanwhile, are subject to the impacts of competition with private automobiles, local economic conditions, and population shifts.

Retail business segment revenues come mainly from department store, merchandise, and restaurant operations. They are affected by economic conditions, and competition from other department stores, retailers, and restaurants. In addition, most of the businesses in this segment operate in or near train stations, so they are also subject to the impacts of railway traffic volume. That said, however, train stations enjoy relatively stable usage, so we believe the segment's revenues are less affected by these factors than are the operations of other companies. Other factors affecting the segment's revenues include opening of new stores and closing of existing stores.

In the real estate business segment, revenues come mainly from the leasing of station and nearby facilities. These revenues are affected by economic conditions, but the relatively stable customer traffic, and tenant preference for stations and nearby office buildings because of their convenience, means that economic conditions are less of a concern than they are for other companies in the same business. Most of the Group's leasing contracts call for the payment of fixed rent and rent based on sales, so segment revenues change in response to tenant sales. The sales-dependent portion of rent, therefore, can be increased by bringing in popular stores, and it is important to increase the customer-drawing power of stations and shopping centers. The remodeling of store interiors and updating of store mixes is an important element for the latter.

The other businesses segment's revenues come mainly from hotel and travel agency operations. Hotel operation revenues are affected by economic conditions, room rates, and competition from other hotels. Revenues for travel agency operations, meanwhile are affected mainly by competition from other travel agencies and factors, like economic conditions and terror, that could discourage travel. In addition to hotel and travel agency operations, the other businesses segment includes construction, advertising, and other operations, most of which share the common purposes of strengthening the customer base for the mainstay railway operations, and enhancing station and other facilities.

## Factors Affecting Expenses

Due to the age structure of its workforce, and other factors, the Company is currently experiencing employee retirements at elevated levels, but, through recruitment and other measures, has secured the number of personnel needed to conduct business operations. For fiscal 2013, personnel costs fell ¥4.5 billion year on year, to ¥233.3 billion.

As for non-personnel costs, the Company is working to achieve cost reductions through structural measures. Railway operations are characterized by (i) ownership of a large amount of facilities and equipment entailing relatively high maintenance costs to ensure safety and (ii) a high proportion of fixed costs, which are not linked to revenues. The Company, therefore, with safety as its highest priority, is striving to cut costs through steps like the introduction of rolling stock and equipment that are easily maintained, mechanization, and improvement of existing infrastructure. At the same time, however, the Company fully appreciates the weight of its responsibility for the accident on the Fukuchiyama Line and is drawing upon all of its capabilities to build a safe railway that gives peace of mind and earns trust.

Elevated costs for enhancing safety, therefore, are expected to be incurred for the foreseeable future. It is also expected that enhancing competitiveness against other transportation modes will entail additional costs for purposes like raising service levels, introducing IT for promoting sales, and increasing outsourcing to improve operational efficiency.

Regarding railway usage charges, JR-West leases the JR Tozai Line from Kansai Rapid Railway Co., Ltd. Since fiscal 2005, the annual amount of the railway usage charge has been renegotiated every three years and set after considering interest rate changes and other factors. As a result, railway usage charges have been reduced from fiscal 2012 onward. For the fiscal year under review, expenses paid were approximately ¥15.2 billion.

Among non-operating expenses, interest expense is a major factor. The JR-West Group pays close attention to the levels of its total long-term liabilities and total interest expense with the aim of preserving the stability of operations. For fiscal 2013, the Group's interest expense declined ¥2.4 billion, to ¥30.4 billion, as a result of the repayment of long-term debt.

## Cash Flows

Net cash provided by operating activities increased ¥31.7 billion year on year, to ¥238.0 billion, due to factors like an increase in income before income taxes and minority interests.

Net cash used in investing activities decreased ¥44.4 billion year on year, to ¥154.7 billion, because of a decline in outlays for purchases of property, plant and equipment.

Net cash used in financing activities increased ¥48.4 billion year on year, to ¥85.2 billion, due to factors like an increase in bond redemptions.

As a result, cash and cash equivalents as of March 31, 2013 amounted to ¥48.3 billion, down ¥1.9 billion from the end of the previous fiscal year.

## Capital Demand and Capital Expenditures

In fiscal 2013, the JR-West Group undertook capital expenditures totaling ¥170.3 billion, of which the transportation operations segment accounted for ¥136.8 billion, the retail business segment ¥6.5 billion, the real estate business segment ¥21.5 billion, and the other businesses segment ¥5.4 billion. Capital expenditures in the transportation operations segment consisted mainly of railroad infrastructure, primarily for safety enhancements, and purchases of new rolling stock to replace aged rolling stock. The Group's capital expenditures in the retail, real estate, and other businesses segments were mainly for construction of new facilities and renovation of aged facilities.

The JR-West Group fully appreciates the weight of its responsibility for the accident that occurred on the Fukuchiyama Line and is drawing upon all of its capabilities to build a safe railway that gives peace of mind and earns trust. All operational safety equipment and other infrastructure-based initiatives necessary for further enhancing safety are being taken and consideration of various other measures to bolster safety will continue.

## Liquidity and Financing

The JR-West Group receives substantial amounts of cash on a daily basis mainly from the transportation operations segment, and believes it has secured a sufficient level of liquid assets.

At the same time, however, the Group recognizes that improving capital efficiency is extremely important for business management. Beginning in October 2002, therefore, the Group introduced a cash management service (CMS) to ensure effective utilization of Group funds.

Regarding financing, the JR-West Group procures funds for the portion of repayments of existing debt, capital expenditures, and other expenses that cannot be covered by the Group's cash flows. The Group makes determinations on financing methods, including corporate bonds and long-term bank loans, based on a comprehensive consideration of market trends, interest rates, and other factors. For short-term financing needs, the basic policy is to raise the necessary capital mainly through short-term bonds.

Furthermore, we have concluded commitment line contracts allowing procurement of funds, in accordance with prescribed conditions, in the event of a major earthquake.

# Operational and Other Risk Information

The following are issues related to operational and accounting matters that may have a significant bearing on the decisions of investors. Forward-looking statements in the following section are based on the assessments of JR-West as of June 24, 2013. Further, the following is a translation of the business risks included in a document the Company submitted pursuant to Japan's Financial Instruments and Exchange Act.

## 1 Relating to Safety

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations. Resolving that such an accident would never again occur, the Company formulated a new Corporate Philosophy, which expresses its vision and its sense of values as a company, and a new Safety Charter, which defines its fundamental safety policies. It has since implemented a series of measures to realize this Corporate Philosophy and Safety Charter. Moreover, the Company has steadily carried out measures in response to proposals and opinions included in the report on the Fukuchiyama Line accident published by the Aircraft and Railway Accidents Investigation Commission in June 2007. In addition, the Company will steadily achieve higher levels of safety through the "continual effort to realize safe, reliable transport service," and by "increasing levels of risk assessment," "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life," and moving forward with "investment in safety," all of which are high priorities and have been set forth in the "Safety Think-and-Act Plan 2017" inaugurated in March 2013. The Company is also working to establish a safety management system in accordance with its "Railway Safety Management Manual," created based on the revised Railway Business Act, which came into effect in 2006.

## 2 Relating to Legal Matters in Railway Operations

### 1. The Railway Business Law (1986, Law No. 92)

Under the Railway Business Law, railway operators are required to obtain the permission of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter the "MLIT") for each type of line and railway business operated (article 3). Railway operators are also required to receive approval from the MLIT for the upper limits of passenger fares and specified surcharges. Subject to prior notification, railway operators can then set or change these fares and surcharges within those upper limits (article 16). Railway operators are also required to give the MLIT advance notice of the elimination or suspension of railway operations. In the case of eliminating operations, the notice must be given at least one year in advance (articles 28 and 28-2).

### 2. The Law for Partial Amendment of the Law for Passenger Railway Companies and Japan Freight Railway Company (Hereinafter the "Amended JR Law") (2001, Law No. 61)

The Amended JR Law enacted on December 1, 2001 (hereinafter, the "date of enactment"), excluded JR-East, JR-Central, and JR-West (the three JR passenger railway companies operating

on Japan's main island of Honshu, hereinafter the "JR passenger railway companies in Honshu") from the application of the provisions of the Law for Passenger Railway Companies and Japan Freight Railway Company (hereinafter the "JR Law") (1986, Law No. 88). Specifically, the JR passenger railway companies in Honshu are excluded from the scope of all regulations pertaining to approval of the offering for the purchase of shares and others and approval of long-term borrowings, as defined by the JR Law (article 5); and approval of transfers of important assets (article 8), among others.

According to the Amended JR Law's supplementary provisions, the MLIT, based on the details of the restructuring of Japanese National Railways (JNR) and in order to ensure the convenience of passengers and otherwise, shall issue guidelines relating to items that need to be considered for the time being with respect to the management by the JR passenger railway companies in Honshu and any operators that run all or part of their railway business as a result of assignments, mergers, divisions, or successions on or after the date of enactment, as designated by the MLIT (hereinafter, "new companies"). The guidelines' stipulations are outlined in the three points below. Those guidelines were issued on November 7, 2001, and applied on December 1, 2001. The MLIT may advise and issue instructions to any new companies to ensure operational management in accordance with those guidelines. Moreover, the amended JR Law enables the MLIT to issue recommendations and directives in the event that its operational management runs counter to the guidelines without any justifiable reason.

#### The guidelines' stipulated items:

- (a) Items relating to ensuring alliances and cooperation among companies (among new companies or among any new company and Hokkaido Railway Company, Shikoku Railway Company, Kyushu Railway Company, and Japan Freight Railway Company) with respect to the establishment of appropriate passenger fares and surcharges, the unhindered utilization of railway facilities, and other factors relating to railway operations among those companies
- (b) Items relating to the appropriate maintenance of railway routes currently in operation reflecting trends in transportation demand and other changes in circumstances following the restructuring of JNR and items relating to ensuring the convenience of users through the development of stations and other railway facilities
- (c) Items relating to consideration that new companies should give to the avoidance of actions that inappropriately obstruct business activities or unduly hamper the interests of small and medium-sized companies operating businesses within the operational areas of the new companies that are similar to the businesses of the new companies

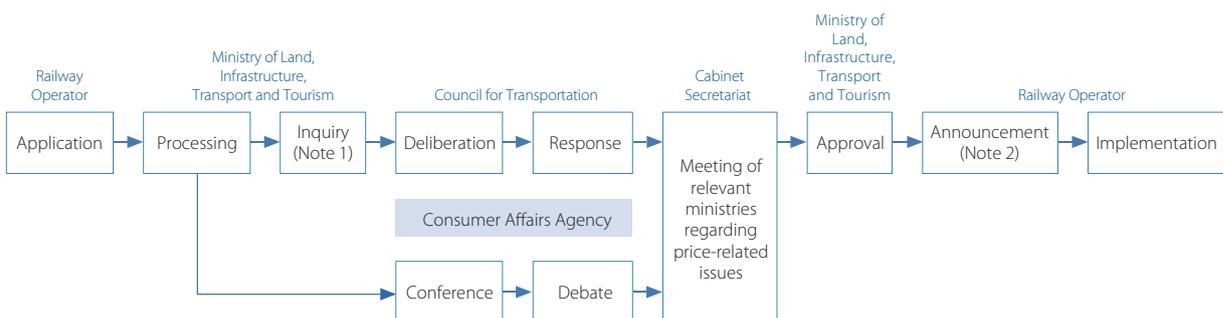
Also, regarding all bonds issued by the JR passenger railway companies in Honshu prior to the Amended JR Law's date of enactment, transitional measures are stipulated, such as the continuance following the date of enactment of the stipulation of general security in article 4 of the JR Law.

### 3 Relating to Establishment of and Changes to Fares and Surcharges

#### 1. System and Procedure for Approval of Fares and Surcharges

The Railway Business Law stipulates that railway operators are required to obtain the approval of the MLIT when setting or changing the upper limits of passenger fares and Shinkansen limited express surcharges (hereinafter “fares and surcharges”)

(Railway Business Law, article 16, item 1). Subject to prior notification, railway operators can then set or change fares and surcharges within those upper limits, as well as limited express surcharges on conventional lines and other charges (Railway Business Law, article 16, items 3 and 4). Based on recent examples set by major private sector railway operators, the process of applying and receiving approval to change fares from the MLIT is as follows.



Notes: 1 This procedure is pursuant to article 62, item 2, of the Railway Operation Act. Further, in accordance with article 23 of the Act for Establishment of the Ministry of Land, Infrastructure, Transport and Tourism (1999, Law No. 100), a press conference must be held in cases when deliberation by the Council for Transportation is required or when directions are received from the Minister of the MLIT.

2 Article 3, item 2, of the Railway Operation Act stipulates that, when a company violates the limits of fares or other transportation conditions, an announcement must be made within 7 days of the violation.

Moreover, in order to improve the convenience of users when reforming national railways, a system is currently in place under which the total fares or other costs associated with customers or cargo traveling between two or more transportation providers can be decided based on contracts between the companies involved. This system generally allows for lower fares for longer travel distances. Furthermore, this system does not interfere with transportation providers' ability to establish their own pricing systems.

#### 2. JR-West's Stance on Fare Revisions

- (a) JR-West has not raised fares since its establishment in April 1987, other than to reflect the consumption tax introduction (April 1989) and subsequent revision (April 1997). Major private sector railway operators apply for fare revisions, if, following a comprehensive management judgment that takes into account the operations of ancillary departments, they anticipate they will record a loss in after-tax net income in its railway operations. In the majority of cases, the revisions are implemented once the above-described procedures have been completed. In the case of the Company, revenues obtained from ancillary departments constitute a small percentage of its total revenues, and based on this it considers the timely implementation of fair revisions to be a necessary measure to secure a fair level of profit.
- (b) The Company strives to promote efficient business management to secure profits and to progress measures toward rationalization. However, the Company considers that the fair level of profit should be at a level that enables it to fund dividend payments to its shareholders, future capital investment, and measures to strengthen its financial structure, on the assumption that it makes such efforts.
- (c) The Company recognizes the need to independently conduct capital expenditures, which have a substantial impact on the cost structure of its railway operations, based upon its clearly defined management responsibility.

#### 3. Stance of the Ministry of Land, Infrastructure, Transport and Tourism

With respect to the implementation of fare revisions by JR-West, the position of the MLIT is as follows:

- (a) The MLIT will approve applications for the revision of the upper limits of fares from railway operators, including JR-West, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and fair profits, based on the efficient management of those companies (“total cost”) (Railway Business Law, article 16, item 2). In addition, a three-year period is stipulated for the calculation of costs.
- (b) Even if the railway operator has non-railway businesses, the calculation of total cost, which comprises reasonable costs and fair profits, including required dividend payments to its shareholders, is based only on the operator's railway operations. Further, railway operators are required to submit their capital expenditure plans for increasing transportation services to ease congestion of commuter services and for other improvements in passenger services. Upon inspections, the capital cost necessary for such enhancements may be approved for the calculation of total cost.

## Operational and Other Risk Information

(c) Total cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, to the capital invested in the railway operations. The calculation of total cost is as follows:

- total cost = operating cost (Note 1) + operational return
- operational return = assets utilized in railway business operations (rate base) × operational return rate
  - assets utilized in railway business operations = railway business operations fixed assets + construction in progress + deferred assets + working capital (Note 2)
  - operational return rate = equity ratio (Note 3) × return rate on equity (Note 4) + borrowed capital ratio (Note 3) × return rate on borrowed capital (Note 4)

Notes: 1 With respect to comparable costs among railway operators, in order to promote enhanced management efficiency, a "yardstick formula" is used to encourage indirect competition among respective operators. The results of those comparisons are issued at the end of every business year and form the basis for the calculation of costs.  
 2 Working capital = operating costs and certain stores  
 3 Equity ratio, 30%; Borrowed capital ratio, 70%  
 4 Return rate on equity is based on the average of yields to subscribers of public and corporate bonds, the overall industrial average return rate on equity, and the dividend yield ratio. Return rate on borrowed capital is based on the average actual rate on loans and other liabilities.

(d) Subject to prior notification to the MLIT, railway operators can set or change fares and surcharges or other charges within the upper limits approved. However, the MLIT can issue directives requiring changes in fares and surcharges by specifying the date therefore if the fares and surcharges submitted are deemed to fall within the following categories (Railway Business Law, article 16, item 5):

- The setting or change would lead to unjustifiable discrimination in the treatment of certain passengers.
- There is concern that the setting or change would give rise to unfair competition with other railway operators.

## 4 Relating to Plan for the Development of New Shinkansen Lines

### 1. Construction Plans for New Shinkansen Lines

The new Shinkansen lines are the five lines indicated in the plan for the Shinkansen line network that was decided pursuant to the 1970 Nationwide Shinkansen Railway Development Law, namely the Hokuriku Shinkansen Line (Tokyo–Osaka), the Hokkaido Shinkansen Line (Aomori–Sapporo), the Tohoku Shinkansen Line (Morioka–Aomori), the Kyushu Shinkansen Line (the Kagoshima route between Fukuoka–Kagoshima), and the Kyushu Shinkansen Line (the Nagasaki route between Fukuoka–Nagasaki). Of these lines, the Company is the operator of the Joetsu–Osaka segment of the Hokuriku Shinkansen Line.

Construction of the five lines was postponed due to deteriorating management conditions at JNR. However, the development scheme described below was created to solve the financial and other problems after the inauguration of JR companies, and construction has been progressed on a sequential basis. Until the present time, operations have commenced on the Hokuriku Shinkansen Line (between Takasaki–Nagano), the Tohoku Shinkansen Line (between Morioka–Shin-Aomori), and the Kyushu Shinkansen Line (between Hakata–Kagoshima–Chuo). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRJT), is progressing construction on the following sections of the three lines: the Hokuriku Shinkansen Line (between Nagano–Tsuruga), the Hokkaido Shinkansen Line (between Shin-Aomori–Sapporo), and the Kyushu Shinkansen Line (Nagasaki route between Takeo Onsen–Nagasaki).

### Creation of the Development Scheme

- August 1988  
(arrangement between the national government and ruling parties) Ruling on the start of construction according to a priority sequence and development standards for five segments of three Shinkansen lines
- December 1990  
(arrangement between the national government and ruling parties) Ruling on a management separation for JR companies of the conventional lines running parallel with the new Shinkansen lines
- December 1996  
(agreement between the national government and ruling parties) Ruling that cost burden by JR companies would be usage fees and other charges within the range of their expected benefits
- December 2000  
(arrangement between the national government and ruling parties) Ruling on new segments for start of construction, and reviews of development standards and periods
- December 2004  
(arrangement between the national government and ruling parties) Ruling on new segments for start of construction, and reviews of development standards and periods
- December 2011  
(items confirmed by the national government and ruling parties) Confirmation of future policies regarding the development of Shinkansen lines

*Details of the items confirmed by the national government and ruling parties regarding the Hokuriku Shinkansen Line in December 2011*

For new segments of track, construction is to begin after necessary approval procedures have been conducted for segments for which profitability and investment effectiveness have been reconfirmed and for which the conditions outlined below have been met and issues (see notes below) have been addressed.

Segment	Conditions to be met before approval / construction	Scheduled completion / start of operation
Between Hakusan car maintenance center–Tsuruga	<ul style="list-style-type: none"> <li>• Approval by JR-West</li> <li>• Approval by municipal governments bordering tracks with regard to separate management of parallel conventional lines</li> </ul>	Over 10 years from start of services between Nagano–Hakusan car maintenance center (end of fiscal 2015)

Notes: Network development west of Tsuruga will be conducted based on the following policies.

- Due to financial limitations, it will be difficult to develop such a network prior to the completion of the three segments currently under way due to financial limitations. However, as the opening of lines extending to Tsuruga will increase connection points to main lines, we are considering the development of a network connecting the Kanto and Kansai regions through Hokuriku.
- Measures to prevent reduced passenger convenience stemming from the need to change trains at Tsuruga will be considered based on the opinions of JR-West and relevant municipal governments.

### Construction on the Hokuriku Shinkansen Line within the Company's Area of Operations

- August 1992

Between Isurugi–Kanazawa (24 km): Construction commenced as a Shinkansen Railway Standard New Line (Super Express)

- April 2001

Between Joetsu–Toyama (110 km): Construction commenced at full standard. (Prior to this, in September 1993 construction had commenced on the segment between Itoigawa–Shin-Kurobe as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.)

- April 2005

Between Toyama–Kanazawa (59 km): Construction commenced at full standard. (Prior to this, in August 1992 construction had commenced on the segment between Isurugi–Kanazawa as a Shinkansen Railway Standard New Line (Super Express), and at this point in time was changed to full standard.) Fukui Station segment: Construction commenced

- April 2006

Hakusan car maintenance center: Construction commenced

- June 2012

Hakusan car maintenance center–Tsuruga segment (114 km): Construction commenced

## 2. Cost Burden of the Development of New Shinkansen Lines

Regarding the construction cost for the development of new Shinkansen lines, based on the agreement in December 1996 between the national government and the ruling parties, in 1997 the Nationwide Shinkansen Railway Development Law and related laws were revised to stipulate that “the national government, local governments, and JR passenger railway

companies would assume the cost of new Shinkansen lines,” and that “the cost burden by JR passenger railway companies which mainly operate on new Shinkansen lines shall be paid out of their usage fees and other charges, with the upper limit to be determined by the range of expected benefits.”

Also, those subsidies from the JRJT, of which part of its financial resource is provided by JR-East, JR-Central, and JR-West as payments for the purchase of existing Shinkansen lines, shall be considered to be part of the cost burden borne by the national government.

The expected profitability of the Hokuriku Shinkansen Line was announced in the form of a trial calculation by the MLIT in consideration of the items confirmed by the national government and ruling parties in December 2011. However, the usage fees to be paid after the start of services are not to be influenced by this trial calculation, but rather are to be decided based on discussions before the start of services and are to be contained within the bounds of the income generated by the lines.

## 3. The Company's Stance on the Hokuriku Shinkansen Line

Based on the items confirmed by the national government and ruling parties in December 2011, the MLIT granted the Company approval to begin construction of the segment between the Hakusan car maintenance center and Tsuruga and also approved our plans to introduce gauge change trains (GCTs) on track segments west of Tsuruga and conduct direct services between Shinkansen and conventional lines in the future.

As the establishment of Shinkansen lines between Kanazawa and Osaka should create significant reductions in travel time, we feel it would be most beneficial to start services on all lines running to Osaka. However, for the time being, we have informed the MLIT that we have agreed to the plan to start construction as far as Tsuruga and that there were no objections to the plan to introduce GCTs. This decision was reached in consideration of the travel time reductions that will be realized by extending lines to Tsuruga, which connects the Kansai and Chukyo regions to Hokuriku, and the increased convenience achieved by eliminating the need to change trains at Tsuruga through the use of GCTs. Furthermore, in introducing GCTs, we realize that it will be of the utmost importance to take steps to ensure the safety, durability, and maintainability of the trains, and also develop measures to address snow.

But even if segments to undergo construction are extended with the aim of starting services on all lines, then the Company considers it essential that the previous fundamental principles, namely that “the burden of the Company shall be within the limit of expected benefits” and of “the management separation from JR-West of its conventional lines running parallel with the new Shinkansen line segments,” should be protected.

## Operational and Other Risk Information

### 5 Relating to Changing Population Dynamics, such as the Declining Birthrate and Aging Population

According to "Population Projections for Japan (birth rate medium variant and death rate medium variant estimates)" published by the National Institute of Population and Social Security Research in January 2012, Japan's total population of 128.06 million people in 2010 was set to enter a long-standing depopulation process, and by 2048 was projected to fall below 100.00 million people, to 99.13 million people. The working-age population (15 to 64) peaked in 1995, and subsequently entered a depopulation phase. By 2010, it had fallen to 81.73 million people, and by 2030 it is forecast to decrease to 67.73 million people. In contrast, the old-age population (65 and over), which was 29.48 million people in 2010, was projected to increase to 36.85 million people by 2030.

According to the Population Projections by Region, released by the National Institute of Population and Social Security Research in March 2013, populations in all regional blocks other than the Southern Kanto, Chubu, and Kinki blocks were declining by 2005. The Kinki block joined the group of blocks with declining populations from 2005 to 2010, and all regional blocks are projected to be experiencing population declines by 2020. The working-age population and its percentage of the total are already declining in each prefecture, and the elderly population is projected to continue increasing through 2020, when it will exceed 30% of the total population in most regions.

The JR-West Group's main area of operations is West Japan, where it operates businesses that include railway, retail, real estate, and hotel operations. Depopulation and the declining birthrate and aging population trends are forecast to continue in this region. If the depopulation, declining birthrate, and aging population processes take place as projected, in the long term, due to a decrease in the number of passengers and customers at the Group's facilities and stores, this may have an effect on the Group's business results. This may also impact the Group's ability to secure the human resources that support its business operations.

### 6 Relating to Competition

#### 1. Railway Operations

The railway operations of the JR-West Group compete with the operations of other railway companies, airline companies, and alternative modes of transportation such as buses or automobiles. In addition, its performance is affected by conditions in the Japanese economy, particularly economic trends in its main area of operations, West Japan. As a result, competition trends and economic conditions in the future may have an effect on the Group's financial condition and results of operations.

The Company's Sanyo Shinkansen Line and intercity transportation operations on its conventional lines are primarily in competition with domestic airline companies, buses, and automobiles. In particular, the Company faces extremely severe competition from airline companies due to the heightened convenience of traveling by air as a result of

factors such as the opening of new airports, expanded airport capacities, increased number of flights, and lower airfares. The Company has been working to strengthen its competitiveness by improving the convenience for customers. It has enhanced its provision of high-speed transportation services by launching the new N700 Series Shinkansen rolling stock, increasing departures of its Nozomi Shinkansen services, and improving online reservation services, such as the "EX-IC service" and the "e5489" on the Sanyo Shinkansen Line, while also developing attractively priced products in response to actions by airline companies. In addition, in March 2011, the Company began operation of services on all lines of the Kyushu Shinkansen Line as well as the Mizuho and Sakura Shinkansen services, which connect the Sanyo Shinkansen Line and the Kyushu Shinkansen Line by means of a direct service. Leveraging these services, the Company will continue to enhance its competitive edge by offering higher quality services and faithfully reporting information while promoting interaction between both regions and the development of information infrastructure in these regions.

In its Urban Network, the Company competes with other railway operators and with automobiles and buses. In March 2013, it has revised timetables and is promoting usage of its services through initiatives like increasing the frequency of limited express service on the Hanwa Line during morning rush hours, and expanding the operation of 12-car special rapid services, mainly during weekday morning and evening rush hours.

In addition, it has been heightening the convenience for railway passengers by continuing to install barrier-free facilities, including elevators and escalators.

#### 2. Non-Railway Operations

The JR-West Group carries out non-railway operations, principally retail business, real estate, and other businesses (including hotel business). Non-railway operations are affected by conditions in the Japanese economy, particularly economic trends in the Group's main area of operations, West Japan. Therefore, economic conditions in the future may have an effect on the Group's financial condition and results of operations. In addition, its non-railway operations are faced with an increasingly severe competitive environment: in retail business, due to the opening of retail stores by competitors in areas surrounding its shops; in real estate, due to the entry of new competitors and the upgrade of competitors' commercial facilities in surrounding areas; and in other businesses, due to increased competition with existing and new competitors in hotel operations, such as the openings of foreign-affiliated luxury hotels or low-end budget hotels by Japanese companies. These factors may have an effect on the Group's revenues.

However, as the Group develops its operations in stations and the areas surrounding them, it can be considered to possess competitive advantages in terms of advantageous locations. For the JR Osaka Mitsukoshi Isetan Department Store, located in Osaka Station, the Group is moving ahead with an examination of fundamental business revitalization measures, as we strive to create stores capable of earning the patronage of local customers.

The Group coordinates its non-railway operations with its railway operations, and at the same time cooperates with local authorities to develop areas in and around stations and to revitalize commercial areas under elevated railway tracks.

The Group has been implementing measures to increase the value of its railway belts by making more effective use of its assets through such means as the active utilization of the benefits created by "Osaka Station City," which had its grand opening in May 2011. In addition, it has been taking positive steps to enhance customer convenience, including expanding affiliated stores for ICOCA electronic money and increasing business tie-ups with other companies.

## 7 Relating to Long-Term Debt and Payables

On its establishment in 1987 and based on the Japanese National Railways Reform Law (1986, Law No. 87), the Company inherited ¥1,015.8 billion of long-term debt from JNR. Further, on October 1, 1991, based on the Law Relating to the Transfer of Shinkansen Line Railway Facilities (1991, Law No. 45), the Company purchased the Sanyo Shinkansen Line railway facilities (excluding rolling stock) at the cost of ¥974.1 billion from the Shinkansen Holding Corporation. Through contracts with the Shinkansen Holding Corporation, of the transfer value, ¥859.1 billion is to be paid over 25.5 years and 114.9 billion over 60 years by half-yearly installment payments of equal amounts of principal and interest to the Railway Development Fund (presently, the Japan Railway Construction, Transport and Technology Agency) and the unpaid balance was to be recorded as long-term payables to the acquisition of railway properties.

While investing in safety and carrying out all other necessary investment, the JR-West Group is aiming to increase management stability by reducing its long-term debt (corporate bonds, long-term debt, and long-term payables to the acquisition of railway properties) and thereby decreasing its interest payments.

Long-term debt rose for a time as considerable capital expenditures were made in preparation for our two major projects, direct services between the Sanyo and the Kyushu Shinkansen lines and the Osaka Station City. However, with both of these major projects now operational, long-term debt is once again declining. Accordingly, consolidated long-term debt at March 31, 2013, stood at ¥983.0 billion (including the current portion thereof), a decrease of 8.0% compared with the previous fiscal year-end. Interest payments for the fiscal years ended March 31, 2011, 2012, and 2013, were ¥33.7 billion, ¥32.9 billion, and ¥30.4 billion, respectively.

The Group will continue to pay close attention to its levels of long-term debt, payables, and interest payments in order to maintain management stability. However, a reduction in free cash flow due to unforeseen circumstances could affect the JR-West Group's financial condition and results of operations.

## 8 Relating to Major Projects (Osaka Higashi Line)

### 1. Details and Current Status

- April 1981  
Approval from Transport Minister based on the Japanese National Railways Law
- April 1987  
Establishment of West Japan Railway Company, which inherited the above-described approval
- May 1996  
In the government budget for fiscal 1997, the project was approved to receive funding identified in "Supplementary Funding for Operational Expenses for the Revitalization of Arterial Railroads"
- November 1996  
Establishment of quasi-public company Osaka Soto-Kanjo Railway Co., Ltd.
- December 1996  
West Japan Railway Company acquired a license for second-type railway operations and Osaka Soto-Kanjo Railway Co., Ltd. for third-type railway operations
- February 1999  
Approval to carry out construction (Miyakojima-Kyuhoji)
- December 2002  
Approval to carry out construction (Shin-Osaka-Miyakojima)
- February 2005  
Approval to extend the deadline to complete construction (Shin-Osaka-Kyuhoji)
- August 2007  
Resolution on the names of the line and stations (5 stations to be opened in the spring of 2008)
- March 2008  
Start of operations between Hanaten-Kyuhoji
- September 2009  
Approval to extend the deadline to complete construction (Shin-Osaka-Hanaten)

### 2. Outline of the Plan

- (a) Main construction contractor: Osaka Soto-Kanjo Railway Co., Ltd. (third-type railway operator)
- (b) Main operator: West Japan Railway Company (second-type railway operator)
- (c) Planned line: Between Shin-Osaka Station, Tokaido Main Line and Kyuhoji Station, Kansai Main Line Length: 20.3 km
- (d) No. of stations: 13 (including Shin-Osaka and Kyuhoji stations)
- (e) Total construction cost: Approx. ¥120 billion
- (f) Planned construction period: Fiscal 1998 to fiscal 2019 (Segment between Hanaten-Kyuhoji completed in fiscal 2008)

## Operational and Other Risk Information

### 3. JR-West's Stance

This line is to reciprocally connect radial railway lines on the outskirts of Osaka by utilizing the Katamachi Line between Hanaten–Yao and Shigino–Suita (commonly known as the Joto freight line), which is currently used as a freight line. The line is expected to contribute to the development of the Kinki region. In addition to contributing to the development of the areas adjacent to the railway line, it will also assist with the redevelopment of the areas to the east of Osaka— such as the Awaji District and the Hanaten / Ryuge District—and in the creation of a multiple-type railway network designed to withstand natural disasters. However, if the plan does not progress as forecast due to various changes in the operating environment or the anticipated benefits may not be obtained, this may have an effect on the Company's financial condition and results of operations.

### 9 Relating to Computer Systems

Computer systems play a vital role in the JR-West Group's operations, and they are utilized not only in its railway operations and for sales of reserved seats, but also in many other areas throughout the Group's operations. Accordingly, if a problem should occur with these computer systems through a human error, a natural disaster, a power failure, a computer virus, or other reasons, it may have an impact on the Group's ability to carry out operations in the area where the problem occurred.

Further, if personal or other information should leak outside of the Group because of a computer virus infection or an erroneous operation of computer systems, it may cause stakeholders to lose trust in the Group, which in turn may have an effect on the Group's financial condition and results of operations.

The Group constantly strives to prevent computer system-related problems or accidents from occurring through regular system inspections, measures to improve system functionality, and employee training. It has also been working to minimize the impact on operations should a problem or accident occur, including the development of a rapid first motion system. Furthermore, in response to the Company's increased dependence on IT and in consideration of the impacts of the Great East Japan Earthquake, which occurred on March 11, 2011, the Company has strengthened and revised the facilities and infrastructure used to maintain the stable operation of its computer systems and is systematically instituting natural disaster countermeasures.

### 10 Relating to Natural Disasters

It is possible that the JR-West Group's operations or transportation network infrastructure will suffer considerable damage due to a natural disaster, such as an earthquake, typhoon, landslide, or flood; or due to a terrorist attack. For example, the Hanshin-Awaji (Kobe) Earthquake that occurred in January 1995 caused substantial damage to the railway network, particularly to the Sanyo Shinkansen Line and Tokaido Main Line.

Based on the impacts of such disasters as the Great East Japan Earthquake, the Company is taking steps to prevent and mitigate potential damage with an aim to minimize damage in the event a natural disaster or any other such event should occur in the future.

For example, the Company is moving forward with its earthquake precautionary measures, including the earthquake early detection and warning systems installed on its Sanyo Shinkansen Line and the earthquake emergency news flash systems installed on its Sanyo Shinkansen Line as well as its conventional and other lines, and with efforts to reinforce the pillars of elevated bridges in preparation for the anticipated Tokai, Tonankai, and Nankai earthquakes.

In addition, the "Tsunami Evacuation Guidance Manual," has been prepared and training is being conducted to ensure that passengers can be swiftly evacuated and guided to safety in the event of a tsunami. Moreover, the Company has developed facilities and equipment that will minimize the damage that might occur should an earthquake vibration cause a running train to derail under the direction of the Shinkansen Derailment Countermeasures Committee, a committee created in consideration of the Shinkansen derailment following the October 2004 Mid Niigata Prefecture Earthquake that develops precaution measures and technologies to limit the effects of earthquakes on Shinkansen lines. It is also developing other measures to prevent, to the greatest possible extent, serious damages to the Group's operations due to occurrences such as heavy rainfall and landslides. As another one of its measures in response to natural disasters and other events, the Company has established a commitment line with financial institutions that enables it to raise capital according to predetermined conditions even if an earthquake should occur. Moreover, it has also acquired damage insurance inclusive of earthquake insurance for its main railway facilities. However, these countermeasures may be unable to entirely compensate for all the damage incurred due to an earthquake or other natural disaster.

Further, in addition to such direct damages caused by natural disasters as those mentioned above, there is the possibility that a major natural disaster could cause electricity shortages or other such issues, which may subsequently affect the Group's railway and other operations.

## 11 Relating to an Infectious Disease Outbreak and Epidemic

If a long-term infectious disease epidemic, such as Severe Acute Respiratory Syndrome (SARS) which there was an outbreak of in 2003 or the extremely dangerous swine influenza virus, should occur in West Japan, it is feared that this would have impacts such as limiting economic activities and causing passengers to refrain from taking trips. There is a danger that such an epidemic—if it entails the infection of a significant portion of the Company's workforce—may temporarily cause the JR-West Group to be unable to continue its operations, particularly its railway operations. Such a situation may have an impact on the Group's results of operations.

While closely collaborating with government organizations and local governments, the Company is investigating ways of continuing operations should an outbreak of an infectious disease occur.

## 12 Relating to Compliance

The Company, in conducting its business activities, is subject to the Corporation Law, the Financial Instruments and Exchange Law, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act on the Protection of Personal Information, and other generally applicable laws and ordinances, as well as the Railway Business Law and other laws and ordinances applicable to the relevant business category and the supervision of the relevant regulatory authorities according to the types of business. If the Company contravenes such statutory regulations or is subject to investigations by such regulatory authorities or in some situations, to any sanction, the public's trust of the JR-West Group may be undermined and, moreover, costs may be incurred to take measures to address the situation. Such a situation may have an impact on the Group's results of operations.

On September 2009, with regard to a grave issue concerning compliance that had come up in the investigation of the Fukuchiyama Line accident by the Aircraft and Railway Accidents Investigation Commission, the Company was ordered by the MLIT to conduct fact-finding inquiries, implement remediation measures, including preventive measures based on the results of such inquiries, and make a report thereof.

On November 2009, the Company submitted to the MLIT the results of the fact-finding inquiries and remediation measures, including preventive measures, obtained from both the Special Committee on Compliance—a body comprised of third-party experts—and its own internal team reporting to the President. The Company has also implemented measures to prevent a recurrence of similar problems and to

strengthen its compliance system. Specifically, the Company has established the Corporate Ethics & Risk Management Department to integrate its functions to promote compliance and the Corporate Ethics Committee to promote good corporate ethics. The Company has also established the Ethics Office and the Public Interest Information Office to offer advice and to act as contact points regarding compliance issues. In addition, a third-party consultation office has been newly established for the use of JR-West Group officers and employees who wish to discuss compliance-related matters. The Company is also taking active steps to improve corporate ethics education for employees. In December 2010, the Company submitted a report to the MLIT detailing the status of implementation of these and other remediation measures. Furthermore, in February 2012 the Corporate Ethics Committee compiled a report based on the discussions conducted and the subsequent advice received to date. We aim to incorporate the proposals made in this report into our compliance initiatives.

## 13 Relating to the Fukuchiyama Line Accident

On April 25, 2005, an extremely serious accident occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations in which 106 passengers lost their lives and more than 500 were injured. In regard to the trial to determine the criminal liability for professional negligence resulting in the deaths and injuries in relation to that accident of Masao Yamazaki, former President and Representative Director, the Kobe District Court handed down a judgment of "not guilty" on January 11, 2012, and the decision was finalized in the same month.

In addition, pursuant to the ruling of the Kobe No. 1 Committee for the Inquest of Prosecution, on April 23, 2010, designated attorneys indicted three former Presidents and Representative Directors of the Company—Masataka Ide, Shojiro Nan-ya, and Takeshi Kakiuchi. Since July 6, 2012, the Kobe District Court has been conducting proceedings. The Company will continue its efforts to sincerely listen to the opinions of the victims of the accident.

The Company will continue to make compensation payments and other payments relating to the accident. At the present point in time, it is difficult to make a rational estimate of what the total amount of these payments will be.

## Financial Statements

## Consolidated Balance Sheets

West Japan Railway Company and its consolidated subsidiaries  
As of March 31, 2013 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash (Notes 4, 12 and 23)	¥ 48,636	¥ 50,619	\$ 517
Notes and accounts receivable (Note 23):			
Unconsolidated subsidiaries and affiliates	1,292	1,295	13
Trade	98,094	91,409	1,043
Less allowance for doubtful accounts	(757)	(835)	(8)
Inventories (Note 6)	37,928	33,360	403
Income taxes refundable (Note 14)	36	89	0
Deferred income taxes (Note 14)	19,011	19,455	202
Prepaid expenses and other current assets	41,169	45,507	437
<b>Total current assets</b>	<b>245,410</b>	<b>240,902</b>	<b>2,610</b>
<b>Investments:</b>			
Unconsolidated subsidiaries and affiliates (Notes 7 and 23)	49,518	48,916	526
Other securities (Notes 5, 12 and 23)	13,421	9,535	142
<b>Total investments</b>	<b>62,940</b>	<b>58,452</b>	<b>669</b>
<b>Property, plant and equipment, at cost</b> (Notes 8, 9 and 12):			
Land	659,045	656,358	7,011
Buildings and structures	3,078,064	3,040,716	32,745
Machinery, equipment and vehicles	1,253,946	1,257,136	13,339
Tools, furniture and fixtures	130,080	131,969	1,383
Construction in progress	50,631	41,282	538
	5,171,769	5,127,462	55,018
Less accumulated depreciation	(3,050,948)	(2,967,938)	(32,456)
<b>Property, plant and equipment, net</b>	<b>2,120,820</b>	<b>2,159,523</b>	<b>22,561</b>
<b>Deferred income taxes</b> (Note 14)	<b>120,804</b>	<b>123,584</b>	<b>1,285</b>
<b>Other assets</b>	<b>63,766</b>	<b>60,530</b>	<b>678</b>
<b>Total assets</b> (Note 25)	<b>¥ 2,613,743</b>	<b>¥ 2,642,994</b>	<b>\$ 27,805</b>

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term loans (Notes 11 and 23)	¥ 24,124	¥ 27,562	\$ 256
Current portion of long-term debt (Notes 11, 12 and 23)	39,918	103,314	424
Current portion of long-term payables (Notes 13 and 23)	39,701	40,854	422
Notes and accounts payable (Note 23):			
Unconsolidated subsidiaries and affiliates	6,885	5,581	73
Trade	141,051	132,652	1,500
Prepaid railway fares received	32,828	32,359	349
Deposits and advances received (Note 23)	94,188	99,214	1,002
Accrued expenses (Note 23)	64,032	67,071	681
Accrued income taxes (Notes 14 and 23)	27,817	20,476	295
Allowance for customer point programs	1,193	1,005	12
Deferred income taxes (Note 14)	178	4	1
Other current liabilities	42,699	16,744	454
<b>Total current liabilities</b>	<b>514,620</b>	<b>546,842</b>	<b>5,474</b>
<b>Long-term debt</b> (Notes 11, 12 and 23)	<b>702,263</b>	<b>684,932</b>	<b>7,470</b>
<b>Long-term payables</b> (Notes 13 and 23)	<b>210,032</b>	<b>249,780</b>	<b>2,234</b>
<b>Accrued retirement benefits</b> (Note 16)	<b>304,486</b>	<b>316,876</b>	<b>3,239</b>
<b>Allowance for environmental safety measures</b>	<b>10,712</b>	<b>6,394</b>	<b>113</b>
<b>Allowance for unutilized gift tickets</b>	<b>2,609</b>	<b>2,550</b>	<b>27</b>
<b>Deferred income taxes</b> (Note 14)	<b>357</b>	<b>244</b>	<b>3</b>
<b>Other long-term liabilities</b>	<b>100,487</b>	<b>101,827</b>	<b>1,069</b>
<b>Total long-term liabilities</b>	<b>1,330,948</b>	<b>1,362,605</b>	<b>14,159</b>
<b>Contingent liabilities</b> (Note 17)			
<b>Net assets:</b>			
Shareholders' equity (Note 18):			
Common stock			
Authorized – 800,000,000 shares at March 31, 2013 and 2012			
Issued and outstanding – 198,256,600 shares at March 31, 2013 and 200,000,000 shares at March 31, 2012	100,000	100,000	1,063
Capital surplus	55,000	55,000	585
Retained earnings (Note 26)	609,508	577,999	6,484
Less treasury stock, at cost – 4,615,100 shares at March 31, 2013 and 6,358,499 shares at March 31, 2012	(21,995)	(30,343)	(233)
Total shareholders' equity	742,513	702,656	7,899
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Note 5)	2,677	902	28
Net unrealized deferred gain (loss) on hedging instruments	488	(173)	5
Total accumulated other comprehensive income	3,165	728	33
Minority interests	22,495	30,161	239
<b>Total net assets</b>	<b>768,174</b>	<b>733,546</b>	<b>8,172</b>
<b>Total liabilities and net assets</b>	<b>¥ 2,613,743</b>	<b>¥ 2,642,994</b>	<b>\$ 27,805</b>

See accompanying notes to consolidated financial statements.

## Financial Statements

# Consolidated Statements of Income

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
<b>Operating revenues</b> (Note 25)	<b>¥ 1,298,913</b>	¥ 1,287,679	<b>\$ 13,818</b>
<b>Operating expenses:</b>			
Transportation, other services and cost of sales	993,333	999,745	10,567
Selling, general and administrative expenses (Note 19)	176,082	178,133	1,873
	<b>1,169,416</b>	1,177,879	<b>12,440</b>
<b>Operating income</b> (Note 25)	<b>129,497</b>	109,799	<b>1,377</b>
<b>Other income (expenses):</b>			
Interest and dividend income	393	454	4
Interest expense	(30,490)	(32,948)	(324)
Equity in earnings (losses) of affiliates	579	(847)	6
Provision of allowance for environmental safety measures	(4,709)	—	(50)
Gain on reversal of accrued retirement benefits (Note 20)	18,418	—	195
Loss on impairment of fixed assets (Note 9)	(19,706)	(170)	(209)
Other, net	5,692	3,968	60
	<b>(29,821)</b>	(29,543)	<b>(317)</b>
<b>Income before income taxes and minority interests</b>	<b>99,676</b>	80,256	<b>1,060</b>
<b>Income taxes</b> (Note 14):			
Current	45,169	35,023	480
Deferred	2,062	17,887	21
	<b>47,231</b>	52,910	<b>502</b>
<b>Income before minority interests</b>	<b>52,444</b>	27,345	<b>557</b>
<b>Minority interests</b>	<b>7,754</b>	2,143	<b>82</b>
<b>Net income</b>	<b>¥ 60,198</b>	¥ 29,489	<b>\$ 640</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
Income before minority interests	¥ 52,444	¥ 27,345	\$ 557
<b>Other comprehensive income (loss)</b> (Note 21):			
Net unrealized holding gain on securities	1,669	316	17
Net unrealized deferred gain (loss) on hedging instruments	829	(14)	8
The Company's share of other comprehensive income of affiliates accounted for by the equity method	109	32	1
<b>Total other comprehensive income</b>	<b>2,608</b>	334	<b>27</b>
<b>Total comprehensive income</b>	<b>¥ 55,053</b>	¥ 27,680	<b>\$ 585</b>

Comprehensive income (loss) attributable to the shareholders of the Company and minority shareholders of consolidated subsidiaries for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
Comprehensive income attributable to shareholders of the Company	¥ 62,635	¥ 29,833	\$ 666
Comprehensive loss attributable to minority shareholders of consolidated subsidiaries	(7,582)	(2,153)	(80)
<b>Total comprehensive income</b>	<b>¥ 55,053</b>	¥ 27,680	<b>\$ 585</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred gain (loss) on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2011	¥100,000	¥55,000	¥563,766	¥(30,343)	¥688,423	¥546	¥(161)	¥384	¥32,443	¥721,251
Net income for the year	—	—	29,489	—	29,489	—	—	—	—	29,489
Cash dividends	—	—	(15,498)	—	(15,498)	—	—	—	—	(15,498)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	(0)
Increase in retained earnings resulting from change in number of consolidated subsidiaries	—	—	242	—	242	—	—	—	—	242
Net changes in items other than shareholders' equity	—	—	—	—	—	355	(11)	344	(2,281)	(1,937)
Balance at April 1, 2012	¥100,000	¥55,000	¥577,999	¥(30,343)	¥702,656	¥902	¥(173)	¥728	¥30,161	¥733,546
Net income for the year	—	—	<b>60,198</b>	—	<b>60,198</b>	—	—	—	—	<b>60,198</b>
Cash dividends	—	—	<b>(20,342)</b>	—	<b>(20,342)</b>	—	—	—	—	<b>(20,342)</b>
Purchases of treasury stock	—	—	—	<b>(0)</b>	<b>(0)</b>	—	—	—	—	<b>(0)</b>
Cancellation of treasury stock	—	—	<b>(8,347)</b>	<b>8,347</b>	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	<b>1,775</b>	<b>661</b>	<b>2,437</b>	<b>(7,665)</b>	<b>(5,228)</b>
Balance at March 31, 2013	<b>¥100,000</b>	<b>¥55,000</b>	<b>¥609,508</b>	<b>¥(21,995)</b>	<b>¥742,512</b>	<b>¥2,677</b>	<b>¥488</b>	<b>¥3,165</b>	<b>¥22,495</b>	<b>¥768,174</b>

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred gain (loss) on hedging instruments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	\$1,063	\$585	\$6,148	\$(322)	\$7,475	\$9	\$(1)	\$7	\$320	\$7,803
Net income for the year	—	—	<b>640</b>	—	<b>640</b>	—	—	—	—	<b>640</b>
Cash dividends	—	—	<b>(216)</b>	—	<b>(216)</b>	—	—	—	—	<b>(216)</b>
Purchases of treasury stock	—	—	—	<b>(0)</b>	<b>(0)</b>	—	—	—	—	<b>(0)</b>
Cancellation of treasury stock	—	—	<b>(88)</b>	<b>88</b>	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	<b>18</b>	<b>7</b>	<b>25</b>	<b>(81)</b>	<b>(55)</b>
Balance at March 31, 2013	<b>\$1,063</b>	<b>\$585</b>	<b>\$6,484</b>	<b>\$(233)</b>	<b>\$7,899</b>	<b>\$28</b>	<b>\$5</b>	<b>\$33</b>	<b>\$239</b>	<b>\$8,172</b>

See accompanying notes to consolidated financial statements.

## Financial Statements

## Consolidated Statements of Cash Flows

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Millions of U.S. dollars (Note 1)
	2013	2012	2013
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 99,676	¥ 80,256	\$ 1,060
Adjustments for:			
Depreciation and amortization	160,852	169,330	1,711
Loss on impairment of fixed assets	19,706	170	209
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	12,166	15,162	129
Loss on disposal of property, plant and equipment	8,179	8,058	87
Increase in allowance for doubtful accounts	18	18	0
Decrease in accrued retirement benefits	(12,389)	(5,861)	(131)
Increase in accrued bonuses	567	295	6
Increase (decrease) in other accruals	4,611	(184)	49
Interest and dividend income	(393)	(454)	(4)
Interest expense	30,490	32,948	324
Equity in (earnings) losses of affiliates	(579)	847	(6)
Gain on contributions received for construction	(14,447)	(16,182)	(153)
(Increase) decrease in notes and accounts receivable	(6,230)	2,075	(66)
Increase in inventories	(4,567)	(5,311)	(48)
Increase (decrease) in notes and accounts payable	2,418	(20,227)	25
Increase in accrued consumption taxes	1,171	4,585	12
Other	4,461	1,056	47
Subtotal	305,712	266,583	3,252
Interest and dividend income received	399	454	4
Interest paid	(30,325)	(32,900)	(322)
Income taxes paid	(37,775)	(27,909)	(401)
<b>Net cash provided by operating activities</b>	<b>238,010</b>	<b>206,228</b>	<b>2,532</b>
<b>Cash flows from investing activities</b>			
Payments for time deposits with a maturity in excess of three months	(245)	(230)	(2)
Proceeds from time deposits with a maturity in excess of three months	230	230	2
Purchases of property, plant and equipment	(169,400)	(222,806)	(1,802)
Proceeds from sales of property, plant and equipment	1,658	2,363	17
Contributions received for construction	17,062	23,090	181
Increase in investments in securities	(1,655)	(334)	(17)
Proceeds from sales of investments in securities	323	177	3
Increase in long-term loans receivable	(529)	(603)	(5)
Collection of long-term loans receivable	754	980	8
Other	(2,939)	(2,021)	(31)
<b>Net cash used in investing activities</b>	<b>(154,741)</b>	<b>(199,153)</b>	<b>(1,646)</b>
<b>Cash flows from financing activities</b>			
Increase in short-term loans	615	595	6
Proceeds from long-term loans	32,200	40,100	342
Repayment of long-term loans	(72,098)	(44,796)	(767)
Proceeds from issuance of bonds	25,000	10,000	265
Redemption of bonds	(30,000)	—	(319)
Repayment of long-term payables	(40,869)	(39,065)	(434)
Purchases of treasury stock	(0)	(0)	(0)
Cash dividends paid to the Company's shareholders	(20,319)	(15,487)	(216)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(49)	(49)	(0)
Other	20,253	11,863	215
<b>Net cash used in financing activities</b>	<b>(85,267)</b>	<b>(36,840)</b>	<b>(907)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,998)</b>	<b>(29,765)</b>	<b>(21)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>50,389</b>	<b>79,512</b>	<b>536</b>
<b>Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries</b>	<b>—</b>	<b>1</b>	<b>—</b>
<b>Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiaries</b>	<b>—</b>	<b>641</b>	<b>—</b>
<b>Cash and cash equivalents at end of year (Note 4)</b>	<b>¥ 48,390</b>	<b>¥ 50,389</b>	<b>\$ 514</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

West Japan Railway Company and its consolidated subsidiaries  
March 31, 2013

## 1 Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

### Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of West Japan Railway Company (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2012 to the 2013 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥94 = U.S.\$1.00, the exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

### Summary of Significant Accounting Policies

#### (1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or undisposed losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

The balance sheet date of one consolidated subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

#### (2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

#### (3) Investments in securities

Investments in marketable securities are stated at fair value, and net unrealized holding gain or loss on such securities is accounted for as a separate component of net assets. Cost of securities sold is determined primarily by the moving average method. Investments in non-marketable securities are stated at cost based on the moving average method.

#### (4) Derivative financial instruments

Derivative financial instruments are stated at fair value.

#### (5) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined primarily by the following methods:

Merchandise:

The last purchase price method or the retail cost method;

Real estate for sale and contracts in process:

The individual identification method;

Rails, materials and supplies:

The moving average method.

#### (6) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost (see Note 8). Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

#### (7) Intangible assets

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

#### (8) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of future income or cost savings. Any such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives, a period of five years.

#### (9) Goodwill and negative goodwill

Goodwill is amortized over a period of five years on a straight-line basis. Negative goodwill arising from transactions that occurred on or before March 31, 2010 is amortized over a period of five years on a straight-line basis. Negative goodwill arising from transactions that occurred on or after April 1, 2010 is credited to income when incurred.

#### (10) Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for as operating leases.

## Financial Statements

### Notes to Consolidated Financial Statements

#### (11) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

#### (12) Allowance for doubtful accounts

Allowance for doubtful accounts is computed based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

#### (13) Allowance for customer point programs

Allowance for customer point programs is provided, at a reasonably estimated amount, for expected expenditures corresponding to points granted to customers, which are expected to be utilized in following periods.

#### (14) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition of ¥12,266 million is being amortized over a period of fifteen years.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a period of ten years, which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is principally charged to income when incurred.

#### (15) Allowance for environmental safety measures

To meet expenditures for the disposal of polychlorinated biphenyl and other wastes held by the Company and certain consolidated subsidiaries, an allowance at an amount reasonably estimated has been provided.

#### (16) Allowance for unutilized gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries are credited to income after a fixed period has passed from their respective dates of issuance. Certain consolidated subsidiaries provide an allowance for unutilized gift tickets at a reasonably estimated amount of future utilization based on the historical utilization ratio.

#### (17) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

#### (18) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

#### (19) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts, currency swap contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts and currency swap contracts which meet certain conditions are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding forward foreign exchange or currency swap contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally been applied to the underlying debt ("special treatment").

The relationship between the hedging instruments and the underlying hedged items is evaluated at each balance sheet date to confirm the effectiveness of hedging activities. However, an evaluation of effectiveness is omitted for currency swaps which meet certain conditions for applying the allocation method and interest-rate swaps which meet certain conditions for applying the special treatment.

## 2 Accounting Standards Issued but Not Yet Effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.26, "Accounting Standards for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits." As of March 31, 2013, these accounting standards have not yet been adopted.

These accounting standards were issued from the viewpoint of improvements to financial reporting and international convergence. Under these accounting standards, unrecognized actuarial gains or losses and prior service cost shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability or asset. In addition, a choice for the

method of attributing expected benefits to periods between either the straight-line basis or the plan's benefit formula basis shall be allowed. Also, disclosures shall be enhanced.

The Company and its consolidated subsidiaries will apply the revised accounting standards from the year ending March 31, 2014. However, the amendment of the calculation method of the retirement benefit obligation and service costs will be applied effective April 1, 2014.

The Company is currently evaluating the effect on its consolidated financial statements from the adoption of these revised accounting standards.

### 3 Changes in Accounting Policies

#### (1) Changes in depreciation method

Effective the year ended March 31, 2013, the Company and its consolidated subsidiaries changed their depreciation method for property, plant and equipment (except for buildings), acquired on or after April 1, 2012 and depreciated by the declining-balance method, in accordance with the amended Corporation Tax Law of Japan. The previously

applied 250% declining-balance method was changed to the 200% declining-balance method.

As a result, operating income and income before income taxes and minority interests increased by ¥1,787 million (\$19 million), respectively, for the year ended March 31, 2013 compared with the amounts that would have been recorded under the previous method.

### 4 Cash and Cash Equivalents

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2013 and 2012 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Cash	¥ 48,636	¥ 50,619	\$ 517
Time deposits with original maturities in excess of three months included in cash	(245)	(230)	(2)
Cash and cash equivalents	¥ 48,390	¥ 50,389	\$ 514

### 5 Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other investments in securities be classified as follows: trading, held-to-maturity, or other securities. The Company and its consolidated subsidiaries did not have

any investments classified as trading or held-to-maturity securities at March 31, 2013 and 2012. The standard further requires that other securities be stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Investments in marketable securities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen					
	2013			2012		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 5,043	¥ 8,919	¥ 3,875	¥ 2,329	¥ 4,044	¥ 1,714
Debt securities:						
Government bonds	187	194	6	143	145	1
Corporate bonds	31	32	1	37	38	1
Subtotal	5,261	9,145	3,883	2,511	4,228	1,717
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	2,092	1,923	(169)	3,644	3,046	(597)
Debt securities:						
Government bonds	12	12	(0)	33	32	(0)
Subtotal	2,105	1,935	(169)	3,677	3,079	(598)
Total	¥ 7,367	¥ 11,081	¥ 3,713	¥ 6,188	¥ 7,308	¥ 1,119

## Financial Statements

### Notes to Consolidated Financial Statements

	Millions of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)
	<b>2013</b>		
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 53	\$ 94	\$ 41
Debt securities:			
Government bonds	1	2	0
Corporate bonds	0	0	0
Subtotal	55	97	41
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	22	20	(1)
Debt securities:			
Government bonds	0	0	(0)
Subtotal	22	20	(1)
Total	\$ 78	\$ 117	\$ 39

## 6 Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Merchandise and real estate for sale	¥ 8,390	¥ 7,562	\$ 89
Contracts in process	15,045	11,529	160
Rails, materials and supplies	14,492	14,268	154
	¥ 37,928	¥ 33,360	\$ 403

## 7 Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Investments in:			
Unconsolidated subsidiaries	¥ 9,416	¥ 9,670	\$ 100
Affiliates	40,102	39,245	426
	¥ 49,518	¥ 48,916	\$ 526

## 8 Property, Plant and Equipment

Contributions for the construction of railway facilities granted by national and municipal governments and others are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. Compensation for the expropriation of properties received from national and municipal governments and others, in accordance with the Corporation Tax Law, is also deducted directly from the acquisition costs of the properties acquired to replace the properties expropriated.

The contributions deducted from the acquisition costs of property, plant and equipment for the years ended March 31, 2013

and 2012 totaled ¥12,166 million (\$129 million) and ¥15,162 million, respectively. For railway services, the accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2013 and 2012 amounted to ¥660,449 million (\$7,026 million) and ¥650,682 million, respectively.

For railway services, the compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2013 and 2012 totaled ¥3,277 million (\$34 million) and ¥2,960 million, respectively.

## 9 Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets relating to transportation, sales of goods and food services and other businesses primarily at each business which manages the receipts and payments separately. They also group their fixed assets in the real estate business, fixed assets which they have determined to dispose of and idle assets primarily at each asset.

Consequently, for the years ended March 31, 2013 and 2012, the Company wrote down the following fixed assets to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥19,706 million (\$209 million) and ¥170 million, respectively, in the accompanying consolidated statements of income for the years then ended:

	Millions of yen	Millions of U.S. dollars
	<b>2013</b>	<b>2013</b>
Building and other, which were utilized as a department store, located at Osaka City, Osaka Prefecture	¥ 18,841	\$ 200
Land and other, principally located at in Ibaraki City, Osaka Prefecture and other	864	9
<b>Total</b>	<b>¥ 19,706</b>	<b>\$ 209</b>

Information of loss on impairment of fixed assets per each location for the year ended March 31, 2013 was as follows:

Locations	Description	Millions of yen	Millions of U.S. dollars
		<b>2013</b>	<b>2013</b>
Osaka Prefecture	Building and structures	¥ 15,240	\$ 162
	Land	306	3
	Other	3,649	38
Tottori Prefecture and other	Building and structures	332	3
	Land	177	1
	Other	1	0
<b>Total</b>		<b>¥ 19,706</b>	<b>\$ 209</b>

The recoverable value of the assets to be disposed of and the idle assets presented in the above table was measured primarily at net realizable value based on estimated selling prices.

Detailed information on loss on impairment of fixed assets for the year ended March 31, 2012 in the amount of ¥170 million was omitted because the amount involved was immaterial.

## Financial Statements

### Notes to Consolidated Financial Statements

#### 10 Investment and Rental Properties

The Company and certain consolidated subsidiaries own office buildings for lease, commercial facilities including lands and rental housing, mainly in Osaka Prefecture and other areas.

Rental income, net of related expenses relevant to these real estate properties amounted to ¥38,902 million (\$413 million) and ¥37,613 million for the years ended March 31, 2013 and

2012, respectively. The rental income is recorded under operating revenues or other income and the rental expenses are recorded under operating expenses or other expenses.

The carrying value in the consolidated balance sheets and corresponding fair value of those properties as of March 31, 2013 and 2012 are as follows:

Millions of yen

2013			
Carrying value		Fair value	
As of March 31, 2012	Net change	As of March 31, 2013	As of March 31, 2013
¥ 151,942	¥ 10,048	¥ 161,991	¥ 348,163

Millions of yen

2012			
Carrying value		Fair value	
As of March 31, 2011	Net change	As of March 31, 2012	As of March 31, 2012
¥ 142,575	¥ 9,367	¥ 151,942	¥ 335,608

Millions of U.S. dollars

2013			
Carrying value		Fair value	
As of March 31, 2012	Net change	As of March 31, 2013	As of March 31, 2013
\$ 1,616	\$ 106	\$ 1,723	\$ 3,703

- Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.  
 2. The components of net change in carrying value for the years ended March 31, 2013 and 2012 included increases mainly due to acquisitions of real estate properties in the amounts of ¥17,967 million (\$191 million) and ¥23,696 million and decreases mainly due to depreciation in the amounts of ¥7,336 million (\$78 million) and ¥7,719 million, respectively.  
 3. The fair value of main properties is estimated in accordance with appraisal standards for valuing real estate. The fair value of the others is based on book value or a valuation amount that reasonably reflects market value.

#### 11 Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2013 and 2012 ranged from 0.24% to 0.66% and from 0.24% to 0.67%, respectively.

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Secured West Japan Railway bonds, payable in yen, at rates ranging from 2.41% to 3.45%, due from 2017 through 2019	¥ 110,000	¥ 110,000	\$ 1,170
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.593% to 2.49%, due from 2015 through 2041	339,973	344,972	3,616
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.37% to 4.90%, due in installments from 2014 through 2021	50,514	58,467	537
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.395% to 2.36%, due in installments from 2014 through 2032	214,700	245,100	2,284
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2014 through 2019	3,350	3,960	35
Finance lease obligations, at rates ranging from 0.00% to 4.72%, due in installments from 2014 through 2032	8,819	10,019	93
Other	14,824	15,728	157
	742,181	788,247	7,895
Less current portion	(39,918)	(103,314)	(424)
	¥ 702,263	¥ 684,932	\$ 7,470

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 39,918	\$ 424
2015	46,527	494
2016	48,501	515
2017	64,319	684
2018	73,878	785
2019 and thereafter	469,036	4,989
	¥ 742,181	\$ 7,895

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2013 and 2012 was as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Lines of credit	¥ 130,000	¥ 130,000	\$ 1,382
Credit utilized	—	—	—
Available credit	¥ 130,000	¥ 130,000	\$ 1,382

## 12 Pledged Assets

Assets pledged at March 31, 2013 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	¥ 245	\$ 2
Investments in other securities	316	3
Land	159	1
Buildings and structures, net	16,676	177
Other	1	0
	¥ 17,398	\$ 185

The indebtedness secured by such collateral at March 31, 2013 was as follows:

	Millions of yen	Millions of U.S. dollars
Notes and accounts payable	¥ 35	\$ 0
Current portion of long-term loans included in current portion of long-term debt	610	6
Long-term loans included in long-term debt	2,740	29
	¥ 3,385	\$ 36

In addition, the entire property of the Company is subject to statutory preferential rights for the security of all its secured bonds.

## 13 Long-Term Payables

Long-term payables at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:			
Variable interest portion, due in installments from 2014 through 2017	¥ 81,098	¥ 108,897	\$ 862
Fixed interest portion at 6.35% and 6.55%, due in installments from 2014 through 2052	163,142	175,610	1,735
Other	5,492	6,126	58
	249,733	290,635	2,656
Less current portion	(39,701)	(40,854)	(422)
	¥ 210,032	¥ 249,780	\$ 2,234

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from Shinkansen Holding Corporation ("SHC") for a total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRRT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRRT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year.

## Financial Statements

### Notes to Consolidated Financial Statements

The average variable interest rates for the years ended March 31, 2013 and 2012 were 4.11% and 4.08%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 39,701	\$ 422
2015	38,103	405
2016	33,646	357
2017	30,712	326
2018	1,510	16
2019 and thereafter	106,059	1,128
	¥ 249,733	\$ 2,656

## 14 Income Taxes

The aggregate statutory tax rates applicable to the Company and its consolidated subsidiaries were 38.01% and 40.69% for the years ended March 31, 2013 and 2012, respectively.

A reconciliation of the statutory tax rates and effective tax rates for the years ended March 31, 2013 and 2012 as a percentage of income before income taxes and minority interests was as follows:

	2013	2012
Statutory tax rates	<b>38.01 %</b>	40.69 %
Increase (decrease) in income taxes resulting from:		
Decrease in deferred tax assets due to change in tax rate	—	19.59
Reversal of valuation allowance	<b>8.11</b>	4.53
Per capita portion of inhabitants' taxes	<b>0.70</b>	0.86
Permanent non-deductible expenses	<b>0.39</b>	0.52
Other	<b>0.17</b>	(0.27)
Effective tax rates	<b>47.38 %</b>	65.92 %

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Millions of U.S. dollars	
	2013	2012	2013	
Deferred tax assets:				
Accrued bonuses included in accrued expenses	¥ 13,432	¥ 13,495	\$ 142	
Accrued enterprise taxes included in accrued income taxes	2,612	1,932	27	
Accrued retirement benefits	109,031	114,133	1,159	
Unrealized gain on property, plant and equipment	8,602	8,358	91	
Tax loss carryforwards	6,744	4,057	71	
Other	34,842	27,542	370	
Gross deferred tax assets	175,266	169,519	1,864	
Valuation allowance	(18,245)	(10,681)	(194)	
Total deferred tax assets	157,020	158,838	1,670	
Deferred tax liabilities:				
Unrealized holding gain on securities	(1,323)	(398)	(14)	
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,785)	(12,556)	(136)	
Gain on valuation of assets of consolidated subsidiaries	(1,320)	(1,320)	(14)	
Other	(2,311)	(1,771)	(24)	
Total deferred tax liabilities	(17,741)	(16,047)	(188)	
Deferred tax assets, net	¥ 139,279	¥ 142,791	\$ 1,481	

## 15 Leases

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the Company or its consolidated subsidiaries are accounted for in the same manner as operating leases.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation/amortization, accumulated impairment loss, and net book value of the leased assets as of March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions entered into by the Company and its consolidated subsidiaries as lessees, which are currently accounted for as operating leases:

Millions of yen				
<b>2013</b>				
	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	¥ 2,403	¥ 527	¥ —	¥ 1,876
Machinery, equipment and vehicles	186	86	—	100
Tools, furniture and fixtures	132	106	—	25
	<b>¥ 2,722</b>	<b>¥ 719</b>	<b>¥ —</b>	<b>¥ 2,002</b>

Millions of yen				
<b>2012</b>				
	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	¥ 2,403	¥ 440	¥ —	¥ 1,963
Machinery, equipment and vehicles	463	258	113	91
Tools, furniture and fixtures	891	804	—	86
Software included in other assets	14	12	—	1
	<b>¥ 3,772</b>	<b>¥ 1,515</b>	<b>¥ 113</b>	<b>¥ 2,143</b>

Millions of U.S. dollars				
<b>2013</b>				
	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss	Net book value
Leased assets:				
Buildings and structures	\$ 25	\$ 5	\$ —	\$ 19
Machinery, equipment and vehicles	1	0	—	1
Tools, furniture and fixtures	1	1	—	0
	<b>\$ 28</b>	<b>\$ 7</b>	<b>\$ —</b>	<b>\$ 21</b>

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2013 and 2012 totaled ¥131 million (\$1 million) and ¥317 million, respectively. These amounts are equal to the depreciation/amortization expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value. Reversal of accumulated impairment losses on the leased assets for the years ended March 31, 2013 and 2012 totaled ¥81 million (\$0 million) and ¥16 million, respectively. Accumulated impairment losses on the leased assets as of March 31, 2013 and 2012 are nil and ¥81 million, respectively.

## Financial Statements

### Notes to Consolidated Financial Statements

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 115	\$ 1
2015 and thereafter	1,886	20
	¥ 2,002	\$ 21

Future minimum lease payments subsequent to March 31, 2013 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 1,344	\$ 14
2015 and thereafter	18,143	193
	¥ 19,487	\$ 207

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2013 and 2012 for finance lease transactions in which certain consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

	Millions of yen			2012		
	2013			2012		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	¥ 1,987	¥ 1,251	¥ 735	¥ 2,304	¥ 1,409	¥ 894
Tools, furniture and fixtures	641	490	150	1,175	874	300
	¥ 2,628	¥ 1,741	¥ 886	¥ 3,480	¥ 2,284	¥ 1,195

	Millions of U.S. dollars		
	2013		
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	\$ 21	\$ 13	\$ 7
Tools, furniture and fixtures	6	5	1
	\$ 27	\$ 18	\$ 9

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2013 and 2012 were ¥414 million (\$4 million) and ¥448 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2013 and 2012 computed by the straight-line method over the respective lease terms amounted to ¥368 million (\$3 million) and ¥400 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2013 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 269	\$ 2
2015 and thereafter	682	7
	¥ 951	\$ 10

Future minimum lease receipts subsequent to March 31, 2013 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2014	¥ 333	\$ 3
2015 and thereafter	2,563	27
	¥ 2,897	\$ 30

## 16 Retirement Benefit Plans

The Company and its consolidated subsidiaries have unfunded lump-sum severance and retirement benefit plans covering substantially all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions

under which termination of employment occurs. Certain consolidated subsidiaries have a funded defined contribution retirement plan administered by a government agency and / or a defined contribution pension plan.

The funded and accrued status of the retirement benefit plans of the Company and its consolidated subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Retirement benefit obligation	¥ (328,725)	¥ (345,082)	\$ (3,497)
Plan assets at fair value	8,260	6,656	87
Unfunded retirement benefit obligation	(320,464)	(338,425)	(3,409)
Unrecognized net retirement benefit obligation at transition	2,118	2,824	22
Unrecognized actuarial loss	15,012	19,541	159
Unrecognized prior service cost	7	29	0
Net retirement benefit obligation	(303,326)	(316,031)	(3,226)
Prepaid pension cost	1,159	844	12
Accrued retirement benefits	¥ (304,486)	¥ (316,876)	\$ (3,239)

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### Notes to Consolidated Financial Statements

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Service cost	¥ 14,705	¥ 14,937	\$ 156
Interest cost	6,603	7,148	70
Expected return on plan assets	(123)	(175)	(1)
Amortization of net retirement benefit obligation at transition	706	817	7
Amortization of actuarial loss	5,020	8,201	53
Amortization of prior service cost	(18,413)	1,041	(195)
Expense recorded at certain consolidated subsidiaries on change in measurement of retirement benefit obligation from the simplified method to the principle method	228	301	2
Retirement benefit expenses	8,727	32,273	92
Gain on transfer to defined contribution pension plan	—	(848)	—
Other	265	—	2
	¥ 8,992	¥ 31,424	\$ 95

The assumptions used in accounting for the above retirement benefit plans were as follows:

	2013	2012
Discount rate	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	Principally 3.0%	Principally 2.5%

## 17 Contingent Liabilities

At March 31, 2013 the Company and its consolidated subsidiaries were contingently liable for guarantees of loans, accounts payable – trade and other obligations of companies other than consolidated subsidiaries in the aggregate amount of ¥9,625 million (\$102 million).

The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for a train accident on the Fukuchiyama Line, which occurred on April 25, 2005, as well as other related costs; however, it is unable to estimate the amounts of such expenditures on a reasonable basis at the present time.

## 18 Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time

by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million (\$120 million) at March 31, 2013 and 2012.

### Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

				Number of shares
	April 1, 2012	Increase	Decrease	March 31, 2013
Common stock	200,000,000	—	1,743,400	198,256,600
Treasury stock	6,358,499	1	1,743,400	4,615,100

	April 1, 2011	Increase	Decrease	Number of shares March 31, 2012
Common stock	2,000,000	198,000,000	—	200,000,000
Treasury stock	63,584	6,294,915	—	6,358,499

The increases in treasury stock during the year ended March 31, 2013 were due to the purchases of shares of less than one trading unit. The decreases in common stock and treasury stock during the year ended March 31, 2013 were due to cancellation of treasury stock.

The increases in treasury stock during the year ended March 31, 2012 were due to the stock split and purchases of shares

of less than one trading unit. On July 1, 2011, the Company made a 1-for-100 stock split of common stock owned by shareholders registered or recorded on the shareholders list as of June 30, 2011, and the Company also adopted a lot trading system, whereby one trading lot was set at 100 shares. As a result, the number of issued common stock increased by 198,000,000 during the year ended March 31, 2012.

## 19 Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥8,168 million (\$86 million) and ¥7,288 million for the years ended March 31, 2013 and 2012, respectively.

## 20 Gain on Reversal of Accrued Retirement Benefits

During the year ended March 31, 2013, the Company established a new reemployment plan for managements in addition to the existing reemployment plan for employees in order to foster a smooth transition between generations and to ensure that technological expertise is transferred successfully. As a result of the establishment of this reemployment plan, the Company

recognized a gain on reversal of accrued retirement benefits in the amount of ¥18,418 million (\$195 million), which was credited to income for the year ended March 31, 2013, because the retirement benefit obligation related to the early retirement plan decreased in line with the opportunity for managements and employees to participate in the reemployment plan.

## 21 Other Comprehensive Income (Loss)

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2013 and 2012.

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 2,594	¥ 447	\$ 27
Reclassification adjustments for loss included in net income	—	(9)	—
Before tax effect	2,594	437	27
Tax effect	(924)	(121)	(9)
Total	1,669	316	17
Net unrealized deferred gain (loss) on hedging instruments:			
Amount arising during the year	1,353	(22)	14
Before tax effect	1,353	(22)	14
Tax effect	(524)	8	(5)
Total	829	(14)	8
The Company's share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	109	32	1
Other comprehensive income, net	¥ 2,608	¥ 334	\$ 27

## Financial Statements

### Notes to Consolidated Financial Statements

## 22 Amounts per Share

Amounts per share at March 31, 2013 and 2012 and for the years then ended were as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net assets	¥ 3,850.82	¥ 3,632.41	\$ 40
Net income	310.87	152.29	3
Cash dividends	110.00	90.00	1

Net assets per share have been computed based on the number of shares of common stock outstanding at each balance sheet date.

Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended March 31, 2013 and 2012 since the Company had no

potentially dilutive stock at March 31, 2013 and 2012.

As described in Note 18, on July 1, 2011, the Company made a 1-for-100 share split. The above per share information at March 31, 2012 and for the year then ended was calculated on the assumption that the stock split had been executed on April 1, 2011.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

## 23 Financial Instruments

### Overview

#### (1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") raise funds mainly through bonds and bank borrowings mainly for the purpose of settlement of existing payables and capital investment which can not be fully provided by cash flows. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term working capital mainly through short-term bonds. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

#### (2) Types of financial instruments and related risk

Trade receivables – trade notes and accounts receivable – are exposed to credit risk in relation to customers. Investments in securities are exposed to market risk. Those securities are mainly composed of the shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables – trade notes and accounts payable and deposits and advances received – have payment due dates within one year. The Group is also exposed to foreign currency exchange risk arising from trade payables

denominated in foreign currencies. However, regarding trade payables denominated in foreign currencies arising from organized foreign tours, forward foreign exchange contracts are principally arranged to reduce the risk. Bonds and bank borrowings are taken out principally for the purpose of settlement of existing payables and capital investments. The redemption dates of these long-term debts extend up to twenty seven years from March 31, 2013. Some of them have variable interest rates and are exposed to interest rate fluctuation risk. Long-term payables are mainly derived from the purchase of Sanyo Shinkansen's facilities. These payables are settled by installments once every six months. The repayment dates of these payables extend up to thirty eight years from March 31, 2013. Some of these payables have variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivatives, the Group enters into currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities and forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade payables denominated in foreign currencies.

Information regarding the method of hedge accounting is found in Note 1 (19).

### (3) Risk management for financial instruments

#### (a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from trade receivables, the Group monitors due dates and outstanding balances by individual customer. The Group is also making efforts to identify and mitigate risks arising from bad debts from customers who are having financial difficulties.

The Group enters into derivative transactions only with financial institutions which have a sound credit profile to mitigate counterparty risk. At the balance sheet date, the carrying values of the financial assets in the consolidated balance sheets represent the maximum credit risk exposures of the Group.

#### (b) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Company utilizes currency swap and interest-rate swap contracts to reduce the risk arising from the fluctuation in exchange rates and interest rates on financial liabilities. Finance division of the Company executes and monitors them in accordance with internal policy.

For trade payables denominated in foreign currencies, certain consolidated subsidiaries identify the foreign currency exchange risk for each currency on a monthly basis and enter into forward foreign exchange contracts to hedge such risk. For trade payables denominated in foreign currencies arising from forecasted transactions to occur within six months regarding organized foreign tours, forward foreign exchange contracts are principally arranged considering the actual results in the past and the circumstances of the tour reservations. The basic policy is approved at a meeting once a half year in accordance with internal policy. In accordance with the approval, finance division enters into such transactions

and reconciles outstanding balances with those of the counterparties. The control division of the Company monitors these risks based on the application from each operating division of each branch of certain consolidated subsidiaries. In addition, these risks are also periodically monitored by the internal audit division of the Company.

For investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair values and relationships with the issuers.

#### (c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on reports from each division of the Company and affiliated companies, the Company prepares and updates their cash flow plans on a timely basis to manage liquidity risk. In addition, the Company has the method of keeping the liquidity level stable to a certain extent by entering into commitment line contracts to enable the Company to raise funds in accordance with the policies determined in advance.

### (4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since various variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivatives in the following "Estimated Fair Value of Financial Instruments" section are not necessarily indicative of the actual market risk involved in derivative transactions.

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#### Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2013 and 2012 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Refer to 2 in Note 23).

	Millions of yen		
	<b>2013</b>		
	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
Cash	¥ 48,636	¥ 48,636	¥ —
Notes and accounts receivable	20,656	20,656	—
Accrued fares (component of notes and accounts receivables)	28,657	28,657	—
Other accounts receivable (component of notes and accounts receivables)	46,431	46,431	—
Investments in securities:			
Other securities	11,081	11,081	—
<b>Liabilities:</b>			
Short-term loans	(24,124)	(24,124)	—
Notes and accounts payable	(50,919)	(50,919)	—
Other accounts payable			
(component of notes and accounts payable and accrued expenses)	(97,368)	(97,368)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(29,921)	(29,921)	—
Deposits (component of deposits and advances received)	(64,747)	(64,747)	—
Bonds (component of long-term debt, including current portion)	(449,973)	(501,424)	(51,450)
Long-term loans (component of long-term debt, including current portion)	(283,388)	(296,830)	(13,442)
Long-term payables for purchase of railway facilities			
(component of long-term payables, including current portion)	(249,574)	(373,123)	(123,548)
Other long-term payables			
(component of long-term payables, including current portion)	(159)	(167)	(8)
Derivative transactions qualifying for hedge accounting			
(component of deposits and advances received)	987	987	—

Millions of yen

**2012**

	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
Cash	¥ 50,619	¥ 50,619	¥ —
Notes and accounts receivable	15,504	15,504	—
Accrued fares (component of notes and accounts receivables)	27,280	27,280	—
Other accounts receivable (component of notes and accounts receivables)	46,256	46,256	—
Investments in securities:			
Other securities	7,308	7,308	—
<b>Liabilities:</b>			
Short-term loans	(27,562)	(27,562)	—
Notes and accounts payable	(46,205)	(46,205)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(92,380)	(92,380)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(22,631)	(22,631)	—
Deposits (component of deposits and advances received)	(70,022)	(70,022)	—
Bonds (component of long-term debt, including current portion)	(454,972)	(490,161)	(35,189)
Long-term loans (component of long-term debt, including current portion)	(323,255)	(332,844)	(9,589)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(290,444)	(409,342)	(118,898)
Other long-term payables (component of long-term payables, including current portion)	(190)	(202)	(11)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	(366)	(366)	—

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## Notes to Consolidated Financial Statements

Millions of U.S. dollars

	2013		
	Carrying value	Estimated fair value	Difference
<b>Assets:</b>			
Cash	\$ 517	\$ 517	\$ —
Notes and accounts receivable	219	219	—
Accrued fares (component of notes and accounts receivables)	304	304	—
Other accounts receivable (component of notes and accounts receivables)	493	493	—
Investments in securities:			
Other securities	117	117	—
<b>Liabilities:</b>			
Short-term loans	(256)	(256)	—
Notes and accounts payable	(541)	(541)	—
Other accounts payable (component of notes and accounts payable and accrued expenses)	(1,035)	(1,035)	—
Accrued income taxes (component of accrued income taxes and accrued expenses)	(318)	(318)	—
Deposits (component of deposits and advances received)	(688)	(688)	—
Bonds (component of long-term debt, including current portion)	(4,786)	(5,334)	(547)
Long-term loans (component of long-term debt, including current portion)	(3,014)	(3,157)	(143)
Long-term payables for purchase of railway facilities (component of long-term payables, including current portion)	(2,655)	(3,969)	(1,314)
Other long-term payables (component of long-term payables, including current portion)	(1)	(1)	(0)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	10	10	—

Notes: 1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

*Cash, notes and accounts receivable, accrued fares and other accounts receivable*  
Since these items are settled in a short period of time, their carrying value approximates fair value.

*Investments in securities*  
The fair value of stocks is determined based on quoted market prices. The fair value of debt securities is determined based on either quoted market prices or present value of the future cash flows discounted by the interest rate which is determined using the interest rate of national bonds plus a credit spread premium.

*Short-term loans, notes and accounts payable, deposits, accrued income taxes and other accounts payables*  
Since these items are settled in a short period of time, their carrying value approximates fair value.

*Bonds (including current portion)*  
The fair value of bonds is determined based on the quoted market price.

*Long-term loans (including current portion) and other long-term payables (including current portion)*  
The fair value of long-term loans and long-term payables is determined based on the present value of the total amounts of principal and interest payments discounted at an interest rate to be applied if similar new loans were entered into.

The fair value of long-term loans hedged by currency swap or interest-rate swap contracts is determined based on the present value of the total amounts of principal and interest discounted at interest rates applied to the swaps on the assumption that the sales had originally applied to the long-term loans.

*Long-term payables for purchase of railway facilities*  
Long-term payables for purchase of railway facilities are monetary liabilities assumed under a special law, and it is difficult for the Company to raise funds again in the same manner. The fair value of such long-term payables are determined based on the present value of the total amounts of principal and interest payment discounted at an interest rate to be applied if similar new bonds were issued.

*Derivative transactions*  
Refer to Note 24.

2. Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2013	2012	2013
Investments in securities			
Unlisted stocks	¥ 51,849	¥ 51,127	\$ 551
Other	9	17	0

Because no quoted market price is available and also the future cash flows cannot be estimated reasonably, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as amounts presented in the table of "Estimated Fair Value of Financial Instruments" in this note.

3. The redemption schedule for cash, receivables and marketable securities with maturities at March 31, 2013 and 2012 is as follows:

	Millions of yen		
	2013		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash	¥ 32,241	¥ —	¥ —
Notes and accounts receivable:	20,493	163	—
Accrued fares (component of notes and accounts receivables)	28,657	—	—
Other accounts receivable (component of notes and accounts receivables)	46,297	134	—
Investments in securities:			
Other marketable securities with maturities (national government bonds)	37	—	175
Other marketable securities with maturities (corporate bonds)	6	25	—
Total	¥ 127,732	¥ 323	¥ 175

	Millions of yen		
	2012		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash	¥ 37,938	¥ —	¥ —
Notes and accounts receivable:	15,239	265	—
Accrued fares (component of notes and accounts receivables)	27,280	—	—
Other accounts receivable (component of notes and accounts receivables)	46,093	162	—
Investments in securities:			
Other marketable securities with maturities (national government bonds)	—	37	152
Other marketable securities with maturities (corporate bonds)	6	25	6
Total	¥ 126,558	¥ 490	¥ 158

	Millions of U.S. dollars		
	2013		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash	\$ 342	\$ —	\$ —
Notes and accounts receivable:	218	1	—
Accrued fares (component of notes and accounts receivables)	304	—	—
Other accounts receivable (component of notes and accounts receivables)	492	1	—
Investments in securities:			
Other marketable securities with maturities (national government bonds)	0	—	1
Other marketable securities with maturities (corporate bonds)	0	0	—
Total	\$ 1,358	\$ 3	\$ 1

4. The redemption schedules for long-term debt and long-term payables are disclosed in Note 11 "Short-Term Loans and Long-Term Debt" and Note 13 "Long-Term Payables" in the Notes to Consolidated Financial Statements.

## Financial Statements

## Notes to Consolidated Financial Statements

## 24 Derivative Transactions

There were no derivative transactions not qualifying for hedge accounting at March 31, 2013 and 2012.

The notional amounts and the estimated fair value of the derivative instruments outstanding qualifying for hedge accounting at March 31, 2013 and 2012 were as follows:

## Currency-related transactions

			Millions of yen		
			<b>2013</b>		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forecasted transaction)	¥ 4,905	¥ —	¥ 664 (*1)
	U.S. dollars		2,702	—	232 (*1)
Other	921		—	90 (*1)	
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	437	—	(*2)
	U.S. dollars		287	—	(*2)
Other	98		—	(*2)	
Allocation method of forward foreign exchange contracts	Currency swaps included in interest-rate conversion				
	Pay Yen / Receive U.S. dollars (Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans	3,100	3,100	(*2)
			<b>¥ 12,452</b>	<b>¥ 3,100</b>	<b>¥ 987</b>
			Millions of yen		
			<b>2012</b>		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable (Forecasted transaction)	¥ 5,098	¥ —	¥ (331) (*1)
	U.S. dollars		2,585	—	(15) (*1)
Other	808		—	(19) (*1)	
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	434	—	(*2)
	U.S. dollars		323	—	(*2)
Other	74		—	(*2)	
Allocation method of forward foreign exchange contracts	Currency swaps included in interest-rate conversion				
	Pay Yen / Receive U.S. dollars (Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans	3,100	3,100	(*2)
			<b>¥ 12,425</b>	<b>¥ 3,100</b>	<b>¥ (366)</b>

Millions of U.S. dollars

			2013		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign exchange contracts				
	Purchase				
	Euro	Other accounts payable	\$ 52	\$ —	\$ 7 (*1)
	U.S. dollars	(Forecasted transaction)	28	—	2 (*1)
	Other		9	—	0 (*1)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro		4	—	(*2)
	U.S. dollars	Other accounts payable	3	—	(*2)
	Other		1	—	(*2)
Allocation method of forward foreign exchange contracts	Currency swaps included in interest-rate conversion				
	Pay Yen / Receive U.S. dollars				
	(Interest-rate conversion: Pay fixed / Receive floating)	Long-term loans	32	32	(*2)
			<b>\$ 132</b>	<b>\$ 32</b>	<b>\$ 10</b>

(\*1) The fair value is primarily based on the prices provided by financial institutions.

(\*2) Because forward foreign exchange contracts are accounted for as if the exchange rates applied to the forward foreign exchange contracts had originally applied to the other accounts payable or long-term loans, their fair values were included in other accounts payable or long-term loans.

## Interest-rate related transactions

Millions of yen

			2013		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans	¥ 7,000	¥ 7,000	(*)

Millions of yen

			2012		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans	¥ 15,000	¥ —	(*)

Millions of U.S. dollars

			2013		
Method of hedge accounting	Description of transaction	Hedged items	Notional amount	Notional amount (over 1 year)	Estimated fair value
Special treatment of interest-rate swap contracts	Interest-rate swaps Pay fixed / Receive floating	Long-term loans	\$ 74	\$ 74	(*)

(\*) Because interest rate swap contracts are accounted for as if the interest rates applied to the swaps had originally applied to the long-term loans, their fair values were included in long-term loans.

## Financial Statements

### Notes to Consolidated Financial Statements

#### 25 Segment Information

The Company's reportable segments are its structural units, for which separate financial information is available, and which are subject to periodic review by the Board of Directors in order to assist decision-making on the allocation of managerial resources and assessment of business performance.

The Company primarily engages in businesses related to transportation, sales of goods and food services and real estate.

The Company and its consolidated subsidiaries are composed of three main business segments and those reportable segments are "Transportation," "Sales of goods and food services" and "Real estate business." "Transportation" involves of railway, bus, and ferry services. "Sales of goods and food services" involves department store, restaurant, retail and wholesale businesses. "Real estate business" involves sales or leasing of real estate and management of shopping malls. "Other businesses" involves business segments not included in the reportable segments, such as hotel services, travel agent services and construction.

Accounting policies used in each reportable segment are substantially the same as those described in Note 1 "Summary of Significant Accounting Policies." Intersegment transactions are those conducted among the Company and its consolidated subsidiaries and are mainly recorded at the market prices.

As described in Note 3, effective the year ended March 31, 2013, the Company and its consolidated subsidiaries changed their depreciation method for property, plant and equipment (except for buildings), acquired on or after April 1, 2012 and depreciated by the declining-balance method, in accordance with the amended Corporation Tax Law of Japan.

As a result, segment income in "Transportation," "Real estate business" and "Other business" increased by ¥1,552 million (\$16 million), ¥68 million (\$0 million) and ¥60 million (\$0 million), respectively, and segment loss in "Sales of goods and food services" decreased by ¥106 million (\$1 million) for the year ended March 31, 2013 compared with the amounts that would have been recorded under the previous method.

Reportable segment information for the years ended March 31, 2013 and 2012 is outlined as follows:

	Reportable segments						Millions of yen
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal	Elimination and corporate	2013 Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 844,915	¥ 234,691	¥ 90,900	¥ 128,406	¥ 1,298,913	¥ —	¥ 1,298,913
Intersegment operating revenues or transfers	17,325	50,780	20,281	182,902	271,290	(271,290)	—
Total	¥ 862,241	¥ 285,472	¥ 111,182	¥ 311,308	¥ 1,570,204	¥ (271,290)	¥ 1,298,913
Segment income (loss)	¥ 90,105	¥ (498)	¥ 28,004	¥ 12,351	¥ 129,962	¥ (465)	¥ 129,497
Segment assets	¥ 1,916,315	¥ 106,625	¥ 395,131	¥ 290,031	¥ 2,708,103	¥ (94,360)	¥ 2,613,743
Other items:							
Depreciation and amortization	¥ 133,455	¥ 5,270	¥ 18,321	¥ 3,804	¥ 160,852	¥ —	¥ 160,852
Loss on impairment of fixed assets	177	18,935	239	354	19,706	—	19,706
Investment in affiliates accounted for by the equity method	19,514	—	—	19,303	38,817	—	38,817
Increase in tangible and intangible fixed assets	138,410	6,979	21,155	5,843	172,388	—	172,388

Millions of yen

2012

	Reportable segments				Subtotal	Elimination and corporate	Consolidated
	Transportation	Sales of goods and food services	Real estate business	Other businesses			
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 839,072	¥ 233,542	¥ 93,576	¥ 121,488	¥ 1,287,679	¥ —	¥ 1,287,679
Intersegment operating revenues or transfers	17,364	47,918	19,829	173,245	258,358	(258,358)	—
Total	¥ 856,436	¥ 281,461	¥ 113,406	¥ 294,733	¥ 1,546,037	¥ (258,358)	¥ 1,287,679
Segment income (loss)	¥ 76,736	¥ (2,996)	¥ 25,989	¥ 10,376	¥ 110,106	¥ (306)	¥ 109,799
Segment assets	¥ 1,919,576	¥ 137,809	¥ 389,750	¥ 300,368	¥ 2,747,504	¥ (104,510)	¥ 2,642,994
Other items:							
Depreciation and amortization	¥ 139,621	¥ 6,055	¥ 19,456	¥ 4,196	¥ 169,330	¥ —	¥ 169,330
Investment in affiliates accounted for by the equity method	18,949	—	—	19,010	37,960	—	37,960
Increase in tangible and intangible fixed assets	143,075	22,240	41,747	3,797	210,861	—	210,861

## Financial Statements

### Notes to Consolidated Financial Statements

Millions of U.S. dollars

	Reportable segments				Subtotal	Elimination and corporate	Consolidated
	Transportation	Sales of goods and food services	Real estate business	Other businesses			
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	\$ 8,988	\$ 2,496	\$ 967	\$ 1,366	\$ 13,818	\$ —	\$ 13,818
Intersegment operating revenues or transfers	184	540	215	1,945	2,886	(2,886)	—
Total	\$ 9,172	\$ 3,036	\$ 1,182	\$ 3,311	\$ 16,704	\$ (2,886)	\$ 13,818
Segment income (loss)	\$ 958	\$ (5)	\$ 297	\$ 131	\$ 1,382	\$ (4)	\$ 1,377
Segment assets	\$ 20,386	\$ 1,134	\$ 4,203	\$ 3,085	\$ 28,809	\$ (1,003)	\$ 27,805
Other items:							
Depreciation and amortization	\$ 1,419	\$ 56	\$ 194	\$ 40	\$ 1,711	\$ —	\$ 1,711
Loss on impairment of fixed assets	1	201	2	3	209	—	209
Investment in affiliates accounted for by the equity method	207	—	—	205	412	—	412
Increase in tangible and intangible fixed assets	1,472	74	225	62	1,833	—	1,833

Segment income (loss) represents operating income in the consolidated statements of income.

Information on each product and service was omitted for the years ended March 31, 2013 and 2012 because it was same as that of the reportable segment information.

Geographical information and information on sales to major customers was omitted for the years ended March 31, 2013 and 2012 because there were no items that meet their disclosure criteria.

Information on loss on impairment of fixed assets per each reportable segment was omitted because it was same as that of the reportable segment information for the year ended March 31, 2013 and because the amounts were immaterial for the year ended March 31, 2012.

Information on amortization of goodwill and negative goodwill, the balances and gain on recognition of negative goodwill was omitted as of and for the years ended March 31, 2013 and 2012 because the amounts were immaterial.

## 26 Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was to be approved at a meeting of the shareholders of the Company to be held on June 21, 2013:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥55 = U.S.\$0.58 per share)	¥ 10,655	\$ 113

# Report of Independent Auditors



Ernst & Young ShinNihon LLC

## Independent Auditor's Report

The Board of Directors  
West Japan Railway Company

We have audited the accompanying consolidated financial statements of West Japan Railway Company and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 20, 2013  
Osaka, Japan

*Ernst & Young ShinNihon LLC*

A member firm of Ernst & Young Global Limited

# Analysis of JR-West Operations

## Non-Consolidated 20-Year Financial Summary

Years ended March 31

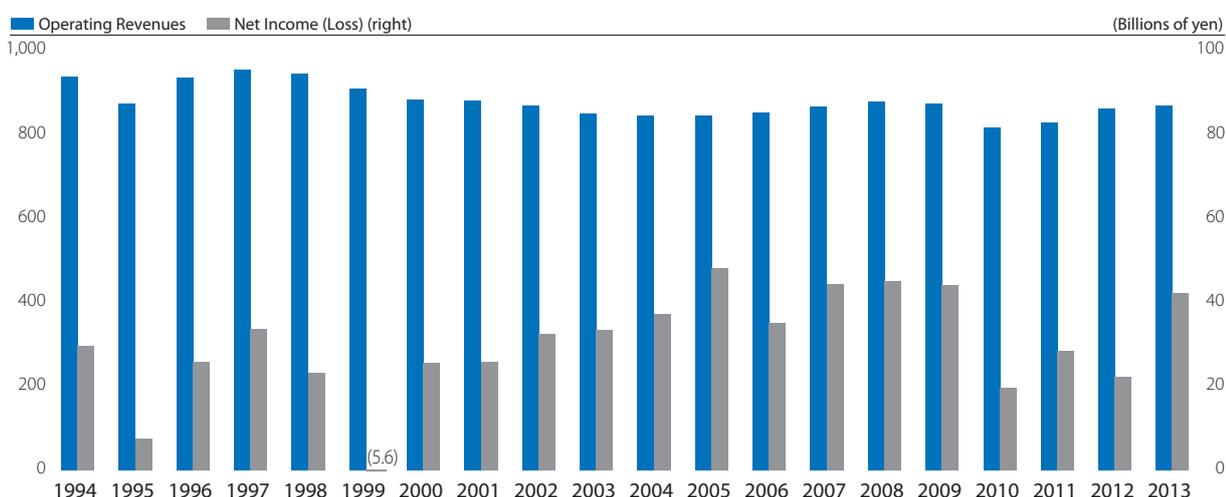
	1994	1995 <sup>2</sup>	1996	1997	1998	1999 <sup>3</sup>	2000	2001	2002
<b>FOR THE YEAR:</b>									
Operating revenues:	¥937.6	¥874.1	¥936.2	¥956.0	¥946.0	¥909.4	¥885.1	¥881.4	¥869.8
Transportation:	824.9	767.5	823.9	839.1	830.0	795.5	773.9	773.1	770.2
Sanyo Shinkansen	362.3	307.8	332.2	350.3	346.0	326.7	313.0	313.0	314.3
Kyoto–Osaka–Kobe area	280.1	285.3	314.8	314.4	315.3	309.8	306.9	309.3	308.9
Other lines	181.6	173.6	176.1	173.7	167.9	158.4	153.5	150.1	146.4
Operating expenses:	801.0	773.0	795.9	825.9	831.1	796.7	786.0	784.4	770.3
Personnel	329.8	334.4	341.8	350.9	358.5	357.8	350.1	345.6	330.5
Non-personnel:	317.2	295.5	305.7	326.5	301.2	277.7	276.5	275.0	281.2
Energy	43.8	41.4	43.3	42.4	43.8	40.5	39.3	38.2	39.2
Maintenance	136.4	124.8	128.4	146.7	120.9	108.0	112.3	114.3	116.8
Miscellaneous	136.9	129.2	134.0	137.3	136.5	129.2	124.9	122.4	125.1
Taxes	26.4	20.6	29.1	27.1	38.0	31.3	31.0	30.3	30.0
Rental payments, etc.	5.9	7.9	9.0	10.0	23.0	22.8	23.8	31.5	31.3
Depreciation expenses	121.5	114.4	110.0	111.2	110.2	107.0	104.4	101.8	97.1
Operating income	136.5	101.1	140.3	130.0	114.8	112.7	99.0	97.0	99.5
Recurring profit	54.7	20.4	55.6	56.0	48.3	50.5	42.3	43.4	54.0
Net income (loss)	29.8	7.5	25.8	33.5	23.4	(5.6)	25.5	25.9	32.5
<b>AT YEAR-END:</b>									
Total assets	¥2,327.9	¥2,355.1	¥2,297.9	¥2,333.4	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7
Total net assets	280.1	277.5	293.2	316.6	327.8	312.0	346.6	403.3	388.6

1 Yen figures have been converted into U.S. dollars at the rate of ¥94=U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

2 The Hanshin-Awaji Earthquake occurred in January 1995.

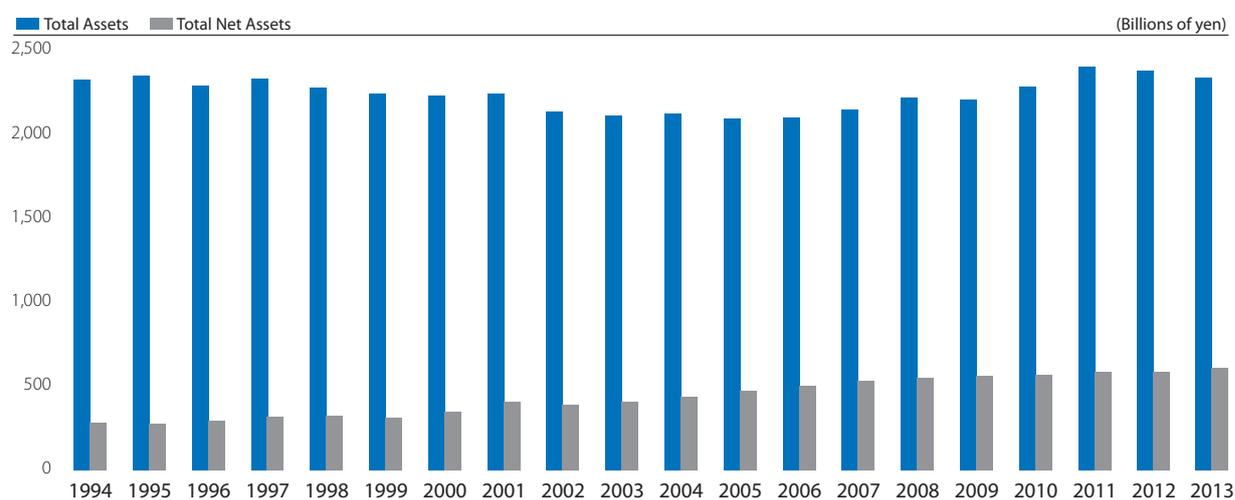
3 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.

## OPERATING REVENUES AND NET INCOME (LOSS)



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Millions of U.S. dollars <sup>1</sup>	
										Billions of yen	2013
¥849.0	¥845.8	¥846.4	¥851.2	¥865.8	¥879.4	¥875.0	¥816.7	¥828.6	¥862.1	<b>¥868.5</b>	<b>\$9,239</b>
752.3	750.8	750.9	756.5	765.8	781.7	773.7	720.0	728.0	758.7	<b>769.1</b>	<b>8,182</b>
306.0	308.1	313.4	323.8	328.6	343.5	339.1	312.4	323.9	351.5	<b>357.0</b>	<b>3,798</b>
303.3	302.0	300.4	297.5	302.4	303.3	301.5	286.1	284.4	287.3	<b>291.4</b>	<b>3,100</b>
142.5	140.0	136.5	134.7	134.3	134.4	132.5	121.4	119.6	119.8	<b>120.6</b>	<b>1,283</b>
745.7	740.4	736.4	742.3	756.8	769.6	772.9	758.2	752.8	772.8	<b>766.1</b>	<b>8,150</b>
301.6	294.5	286.8	276.1	272.5	269.9	268.6	265.2	235.3	237.9	<b>233.3</b>	<b>2,482</b>
288.2	291.0	300.5	320.0	337.9	338.8	333.9	318.6	333.4	339.5	<b>342.7</b>	<b>3,646</b>
38.4	36.6	36.9	34.8	34.3	34.4	38.2	33.5	33.7	36.2	<b>37.1</b>	<b>395</b>
122.6	121.9	127.1	140.7	148.9	148.6	135.8	128.1	135.8	133.3	<b>136.5</b>	<b>1,452</b>
127.1	132.4	136.4	144.4	154.5	155.8	159.8	156.9	163.8	169.9	<b>169.1</b>	<b>1,798</b>
29.3	28.2	29.7	28.7	28.1	28.6	29.1	29.3	29.8	30.9	<b>31.7</b>	<b>337</b>
31.0	30.8	24.6	24.7	24.6	24.6	25.3	25.0	25.1	23.6	<b>23.4</b>	<b>249</b>
95.4	95.7	94.5	92.5	93.5	107.5	115.9	119.9	129.1	140.7	<b>134.7</b>	<b>1,433</b>
103.2	105.4	110.0	108.9	108.9	109.8	102.0	58.5	75.8	89.2	<b>¥102.3</b>	<b>\$1,088</b>
61.3	65.0	74.3	75.9	77.6	79.9	73.4	29.8	48.5	62.8	<b>77.5</b>	<b>825</b>
33.4	37.1	48.0	35.1	44.6	45.1	44.3	20.5	28.5	22.1	<b>41.9</b>	<b>445</b>
¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8	¥2,222.9	¥2,215.1	¥2,286.9	¥2,405.7	¥2,381.7	<b>¥2,333.3</b>	<b>\$24,822</b>
410.7	439.3	474.3	502.2	533.3	552.4	560.7	568.1	581.3	588.3	<b>611.6</b>	<b>6,506</b>

## TOTAL ASSETS AND TOTAL NET ASSETS



## Analysis of JR-West Operations

### Capital Expenditures and Cash Flows

Years ended March 31

#### Capital Expenditures

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
	Billions of yen											Millions of U.S. dollars <sup>1</sup>	
<b>CONSOLIDATED BASIS:</b>													
Depreciation expenses	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	¥169.3	¥160.8	\$1,711
Capital expenditures excluding a portion contributed by local governments, etc.	88.3	105.4	120.8	113.1	125.3	144.9	187.9	163.9	210.1	260.0	195.4	152.9	1,627
<b>NON-CONSOLIDATED BASIS:</b>													
Depreciation expenses	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	¥115.9	¥119.9	¥129.1	¥140.7	¥134.7	\$1,433
Capital expenditures excluding a portion contributed by local governments, etc.	89.2	85.7	102.3	92.8	106.3	117.2	159.6	128.4	165.5	208.5	150.8	124.8	1,327

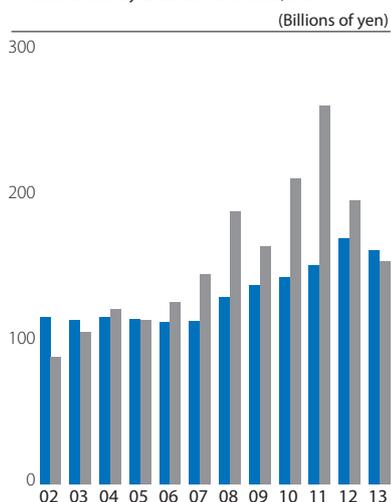
#### Cash Flows (Consolidated Basis)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013
	Billions of yen											Millions of U.S. dollars <sup>1</sup>	
Net cash provided by operating activities	¥99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	¥161.3	¥223.2	¥206.2	¥238.0	\$2,532
Net cash (used in) provided by investing activities	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(1,646)
Free cash flows	117.3	66.8	48.5	58.0	62.3	56.8	42.9	6.1	(47.4)	(23.0)	7.0	83.2	885
Net cash (used in) provided by financing activities	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	(85.2)	(907)

<sup>1</sup> Yen figures have been converted into U.S. dollars at the rate of ¥94=U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

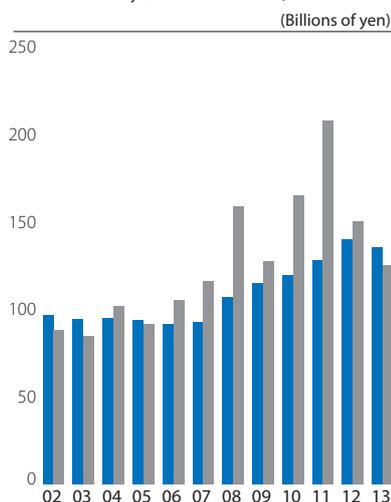
#### DEPRECIATION AND CAPITAL EXPENDITURES (CONSOLIDATED BASIS)

■ Depreciation Expenses  
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.



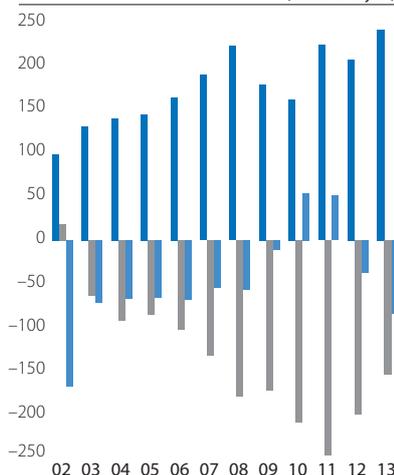
#### DEPRECIATION AND CAPITAL EXPENDITURES (NON-CONSOLIDATED BASIS)

■ Depreciation Expenses  
■ Capital Expenditures Excluding a Portion Contributed by Local Governments, etc.



#### CASH FLOWS (CONSOLIDATED BASIS)

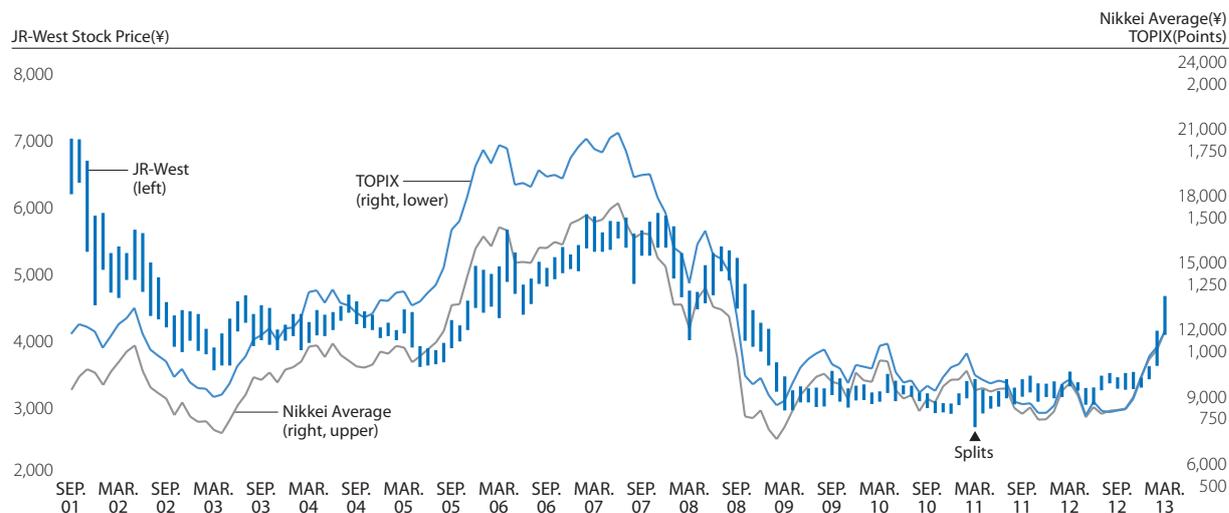
■ Net Cash Provided by Operating Activities  
■ Net Cash (Used in) Provided by Investing Activities  
■ Net Cash (Used in) Provided by Financing Activities



# Investor Information

As of March 31, 2013

## Stock Price and Trading Volume



	Fiscal 2002		Fiscal 2003		Fiscal 2004		Fiscal 2005		Fiscal 2006		Fiscal 2007		
	2H	1H	2H										
JR-West High (¥)	7,000	5,650	4,450	4,670	4,480	4,680	4,460	4,420	5,110	5,650	5,880		
Low (¥)	4,520	4,190	3,550	3,620	3,850	4,060	4,000	3,600	3,980	4,380	4,910		
Average Daily Trading Volume (Shares)	382,791	247,275	216,439	313,644	504,571	650,051	531,389	840,019	802,132	616,666	688,486		
Nikkei Average (¥)	11,024.94	9,383.29	7,972.71	10,219.05	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65		
TOPIX (Points)	1,060.19	921.05	788.00	1,018.80	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61		
	Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011		Fiscal 2012		Fiscal 2013		
	1H	2H											
JR-West High (¥)	5,830	5,900	5,400	4,840	3,540	3,430	3,495	3,420	3,420	3,530	3,510	4,660	
Low (¥)	4,840	4,000	4,460	2,949	2,952	2,993	2,986	2,700	2,905	3,080	3,035	3,260	
Average Daily Trading Volume (Shares)	648,094	861,620	695,220	912,513	782,785	660,959	713,580	945,908	814,979	812,162	662,210	789,675	
Nikkei Average (¥)	16,785.69	12,525.54	11,259.86	8,109.53	10,133.23	11,089.94	9,369.35	9,755.10	8,700.29	10,083.56	8,870.16	12,397.91	
TOPIX (Points)	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81	829.51	869.38	761.17	854.35	737.42	1,034.71	

• Based on prices on the First Section of the Tokyo Stock Exchange.

• The closing prices for the Nikkei Index and TOPIX are recorded at the end of the period (month).

• The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Stock prices displayed above have been adjusted to reflect the stock split.

**Number of Shareholders: 164,294**

### Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	9,541,900	4.93
Japan Trustee Services Bank, Ltd. (Trust Unit)	7,537,500	3.89
Mizuho Corporate Bank, Ltd.	6,450,000	3.33
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
JR-West Employee Stock-Sharing Plan	4,702,900	2.43
Japan Trustee Services Bank, Ltd. (Trust Unit 9)	4,236,400	2.19
Nippon Life Insurance Company	4,000,000	2.06
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	3,999,702	2.06
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
<b>Total</b>	<b>56,368,502</b>	<b>29.10</b>

Note: For the purpose of computing the shareholding ratios, 4,522,000 shares of treasury stock are excluded from the total number of issued shares of the Company.

# Consolidated Subsidiaries

As of March 31, 2013

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP(%)
Transportation Operations	Chugoku JR Bus Company	2,840	Bus Services	100.0
	West Japan JR Bus Company	2,110	Bus Services	100.0
	JR West Miyajima Ferry Co., Ltd.	1,100	Ferry Services	100.0
	Sagano Scenic Railway	200	Railway Services	100.0
Retail Business	West Japan Railway Isetan Limited	12,000	Department Store	60.0
	West Japan Railway Daily Service Net Company	2,300	Retail Sales	100.0
	West Japan Railway Food Service Net Company	899	Food Services	100.0
	Japan Railway Service Net Hiroshima Company	300	Retail Sales	100.0
	Japan Railway Service Net Okayama Company	230	Retail Sales	100.0
	Japan Railway West Trading Company	200	Wholesale	100.0
	Japan Railway Service Net Kanazawa Company	200	Retail Sales	100.0
	Japan Railway Service Net Yonago Company	200	Retail Sales	100.0
	Japan Railway Service Net Fukuoka Company	200	Retail Sales	100.0
	West Japan Railway Fashion Goods Co., Ltd.	100	Retail Sales	100.0
Real Estate Business	Kyoto Station Building Development Co., Ltd.	6,000	Real Estate Sales and Leasing	61.9
	Osaka Terminal Building Company	5,500	Real Estate Sales and Leasing	74.4
	Tennoji Shopping Center Development Co., Ltd.	1,800	Shopping Centers	100.0
	JR West Japan Shopping Center Development Company	1,200	Shopping Centers	100.0
	Kyoto Station Center Co., Ltd.	1,000	Shopping Centers	59.1
	JR-West Japan Real Estate & Development Company	620	Real Estate Sales and Leasing	100.0
	Toyama Terminal Building Company	550	Shopping Centers	63.6
	West JR Create Company	490	Shopping Centers	100.0
	Sanyo SC Development Company Co., Ltd.	300	Shopping Centers	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Shopping Centers	80.0
	San-in Station Development Co., Ltd.	100	Shopping Centers	100.0
	KOBE SC DEVELOPMENT COMPANY	98	Shopping Centers	94.0
	Chugoku SC Development Co., Ltd.	75	Shopping Centers	100.0
	Wakayama Station Building Co., Ltd.	75	Shopping Centers	82.5
	Shin-Osaka Station Store Company	60	Shopping Centers	100.0
	Osaka Station Development Co., Ltd.	50	Shopping Centers	100.0
	Kyoto Eki-Kanko Department Store Company	40	Shopping Centers	96.3
	JR-West Fukuoka Development Co., Ltd.	30	Real Estate Sales and Leasing	100.0

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP(%)
Other Businesses	West Japan Railway Hotel Development Limited	18,000	Hotels	100.0
	Nippon Travel Agency Co., Ltd.	4,000	Travel Services	79.8
	Hotel Granvia Hiroshima Co., Ltd.	2,800	Hotel	93.1
	Hotel Granvia Osaka Co., Ltd.	2,200	Hotel	53.8
	Hotel Granvia Okayama Co., Ltd.	2,054	Hotel	94.2
	Wakayama Terminal Building Co., Ltd.	1,000	Hotel	61.0
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	67.0
	JR West Japan LINEN Co., Ltd.	290	Linen, Supply Services	97.4
	JR West Japan Communications Company	200	Advertising Services	100.0
	WEST JAPAN RAILWAY TECHNOS CORPORATION	161	Maintenance for Railcar Facilities	62.7
	JR West Japan General Building Service Co., Ltd.	130	Building Management	95.0
	West Japan Railway MAINTEC Co., Ltd.	100	Cleaning and Maintenance Works	100.0
	Railway Track and Structures Technology Co., Ltd.	100	Construction	100.0
	West Japan Railway Techsia Co., Ltd.	100	Maintenance for Machinery	69.1
	West Japan Electric Technologys Co., Ltd.	90	Electric Works	100.0
	West Japan Electric System Co., Ltd.	81	Railway-Related Electric Facilities	51.5
	JR West Japan MARUNIX Co., Ltd.	80	Baggage Service	100.0
	WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION	80	Maintenance for Railcar Facilities	100.0
	JR-West Japan Consultants Company	50	Construction Consultation	100.0
	JR West Financial Management Co., Ltd.	50	Accounting Shared Service	100.0
	JR West Japan Transportation Service Co., Ltd.	50	Station Operations	100.0
	West Japan Railway Golf Co., Ltd.	50	Golf Course Management	88.1
	JR West Customer Relations Co., Ltd.	50	Call Center Management	100.0
	JR WEST IT Solutions Company	48	Information Services	100.0
	West Japan Railway Hiroshima MAINTEC Co., LTD.	35	Cleaning and Maintenance Works	100.0
	West Japan Railway Kanazawa MAINTEC Co., LTD.	30	Cleaning and Maintenance Works	100.0
	West Japan Railway Fukuoka MAINTEC Co., LTD.	30	Cleaning and Maintenance Works	100.0
	West Japan Railway Rent-A-Car & Lease Co., LTD.	30	Rent-a-Car Services	78.6
	West Japan Railway Okayama MAINTEC Co., LTD.	25	Cleaning and Maintenance Works	100.0
	West Japan Railway Fukuchiyama MAINTEC Co., LTD.	20	Cleaning and Maintenance Works	100.0
West Japan Railway Yonago MAINTEC Co., LTD.	20	Cleaning and Maintenance Works	100.0	
West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0	

# Corporate Data

As of March 31, 2013

## COMPANY NAME

West Japan Railway Company

## HEAD OFFICE

4-24, Shibata 2-chome, Kita-ku, Osaka  
530-8341, Japan

## DATE OF ESTABLISHMENT

April 1, 1987

## COMMON STOCK

¥100 billion

## SHARES OUTSTANDING

198,256,600

## Employees

26,889 (non-consolidated)  
45,326 (consolidated)

## NUMBER OF SUBSIDIARIES

143 (incl. 64 consolidated Subsidiaries)

## STOCK LISTINGS

Tokyo, Osaka, Nagoya, and Fukuoka  
stock exchanges

## TRANSFER AGENT

Sumitomo Mitsui Trust Bank, Limited

## MAIN FEATURES OF BUSINESS

### Railway

(Non-Consolidated Basis)

#### Total route length

5,015.7 kilometers  
Shinkansen 644.0 kilometers  
Conventional lines (50 lines):  
Conventional lines 4,371.7 kilometers  
\* The total route length is the sum of the  
Shinkansen and conventional

#### Number of stations

1,222

#### Number of passenger cars

6,534

#### Number of passengers

Total 1,813 million  
Shinkansen 65 million  
Conventional lines 1,763 million

#### Passenger-kilometers

Total 54,769 million  
Shinkansen 17,171 million  
Conventional lines 37,598 million

#### Train-kilometers per day

Total 526 thousand  
Shinkansen 107 thousand  
Conventional lines 418 thousand

### Non-Railway Operation

Bus Services  
Ferry Services

#### Retail Business

Retail Sales and Food Services  
Department store  
Wholesale

#### Real Estate Business

Real estate sales and leasing  
Shopping Centers

#### Other Businesses

Hotel  
Travel Services  
Rent-a-Car Services  
Advertising Services  
Maintenance for Railcar Facilities  
Maintenance for Machinery  
Electric Works  
Construction Consultation  
Cleaning and Maintenance Works  
Information Services  
Construction  
Others

For further information, please contact the Investor Relations section of the  
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WEST JAPAN RAILWAY COMPANY