



Annual Report **2015**

Year ended March 31, 2015



JR-West at a Glance

Transportation Operations

Railway and Bus and Ferry Services



Transportation Operations

Shinkansen



Kansai Urban Area



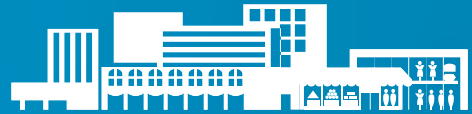
Other Conventional Lines



Bus and Ferry Services

Non-Transportation Operations

Real Estate and Retail Business



Non-Transportation Operations

Retail Business



Real Estate Business



Other Businesses



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



Fiscal 2015 (Year Ended March 31, 2015) Total

¥1,350.3 billion

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 43.1 million people, about 34% of the country's population, and has a nominal GDP of ¥159 trillion. It also sees visits by 897 million tourists annually.

GDP

¥159 trillion

Population

43.1 million

Tourists

897 million

West Japan Area

○ Hakata



○ Hiroshima



○ Okayama

○ Yonago

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, which are our core business activity, our railway network extends over a total of 5,007.1km. 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, 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
	West Japan Railway Company	Hokuriku, Kansai, Chugoku
	Shikoku Railway Company	Shikoku
	Kyushu Railway Company	Kyushu
Freight	Japan Freight Railway Company	Nationwide

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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 2015 based on information available to JR-West as of September 2015, 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 Fukuchiyama Line accident that occurred on April 25, 2005 are difficult to estimate reasonably at this time, and so have not been included in forecasts.



Fukuchiyama



Kyoto



Kanazawa

Kobe

Osaka

Wakayama

Regarding the Company's Fiscal Year

The Company's fiscal year is from April 1 to March 31. The fiscal years referred to in this Report are the years ending on the last day of the indicated year.
e.g. fiscal 2015, FY2015 the year ending March 31, 2015

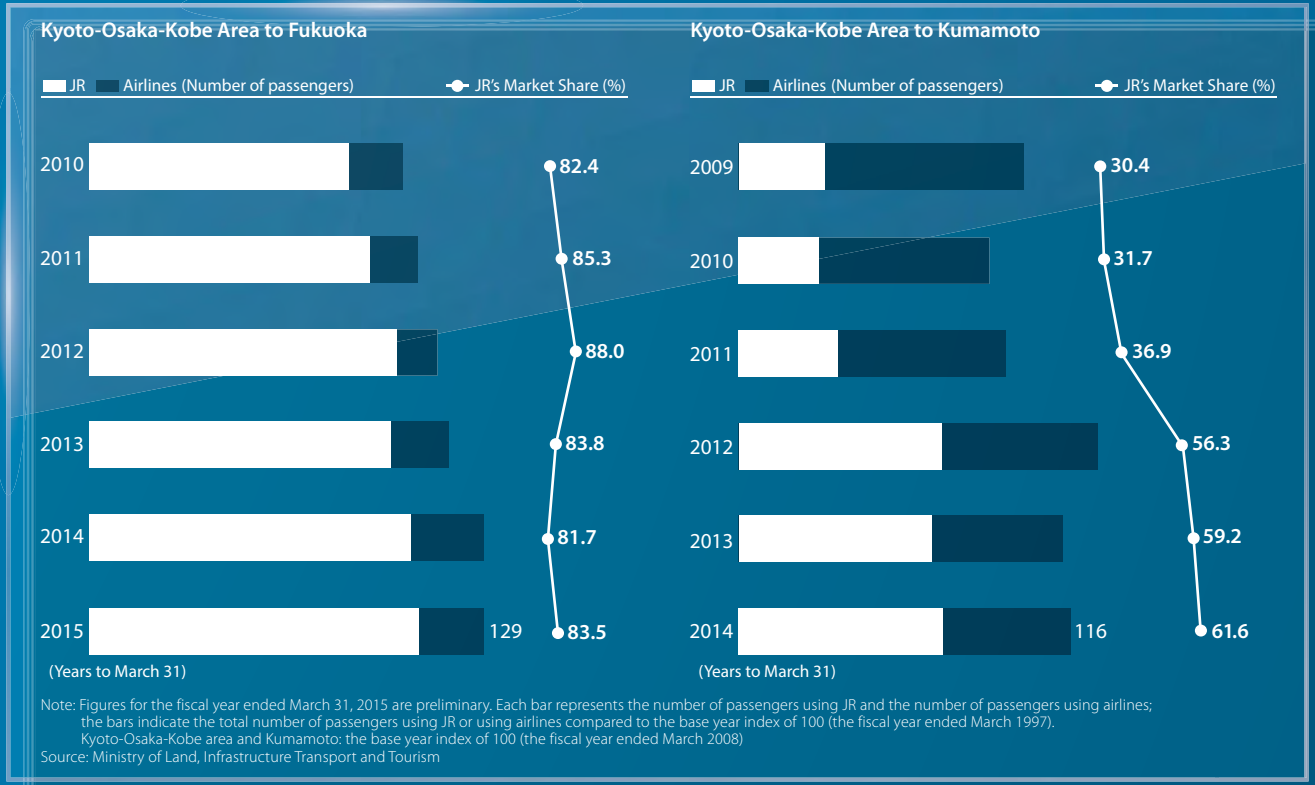
JR-West at a Glance

Shinkansen Compared to Airlines

Shinkansen is used by many

In Japan, many business people 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.



West Japan at a Glance

West Japan World Ranking

GDP

larger than Australia

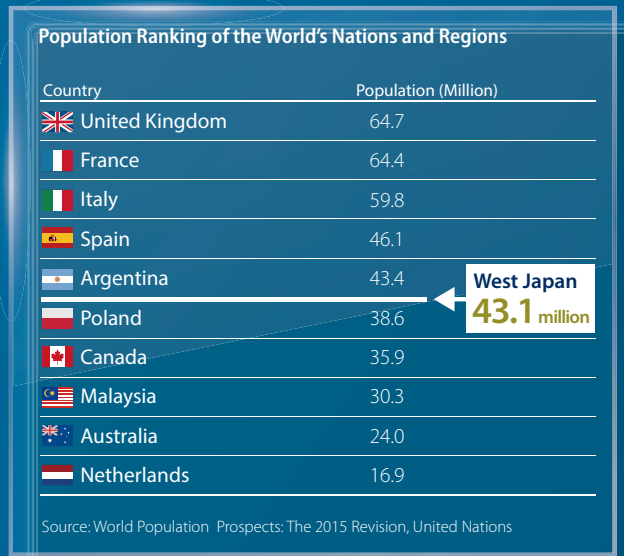
The West Japan area has a GDP of approximately ¥159 trillion. Compared to a GDP ranking of the world's nations and regions, the GDP of West Japan is larger than that of even the nation of Australia.



Population

larger than Poland

The population of the West Japan area is 43.1 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 Poland.

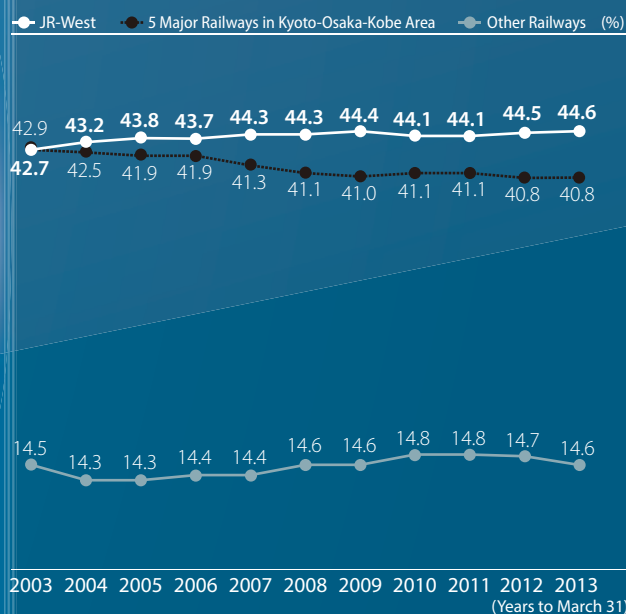


JR-West Compared to Competitive Lines

High share in the Kansai Urban Area

In the Kansai Urban Area, JR-West commands a market share greater than that of the five major railways combined.

Market Share (Traffic Volume Base)



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

Eco-Friendly System

Maintaining high passenger usage, and low energy consumption and CO₂ emissions

Transportation Usage, Energy Consumption and CO₂ Emissions of Domestic Modes of Transportation (Fiscal 2010, Nationwide)

Railway Bus Car Other (Including airplane) (%)

Transportation Usage Ratio



Energy Consumption Ratio

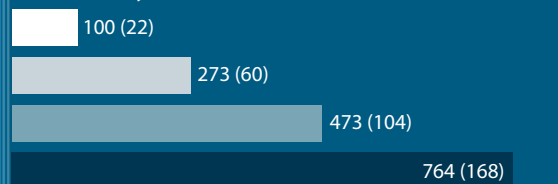


Source: Summary of Transportation Statistics, Transport Research and Statistics Office, Ministry of Land, Infrastructure, Transport and Tourism The GHGs Emissions Data of Japan, Greenhouse Gas Inventory Office of Japan

CO₂ Emissions by Mode of Transportation (Tourists) (Fiscal 2013)

Railway Bus Private vehicles Airplane

Value for railway scaled to 100



Source: Ministry of Land, Infrastructure, Transport and Tourism homepage Numbers in parentheses are actual CO₂ emissions volumes (g-CO₂ / passenger-kilometers)

West Japan: Tourist Destination

6 prefectures

in the top 20 tourist destinations ranking

Among the 20 most popular tourist destinations in Japan are six West Japan prefectures, including Osaka and Kyoto.

Visiting Rate by Prefecture (CY2014 result)

Quantity of responses: 27,676, Check all that apply

Ranking	Prefectures	Visit rate (%)
1	Tokyo	51.4
2	Osaka	27.9
3	Kyoto	21.9
4	Kanagawa	12.3
5	Chiba	11.7
6	Aichi	9.2
7	Fukuoka	8.9
8	Hokkaido	7.8
9	Hyogo	6.2
10	Nara	4.9
...		
16	Hiroshima	3.4

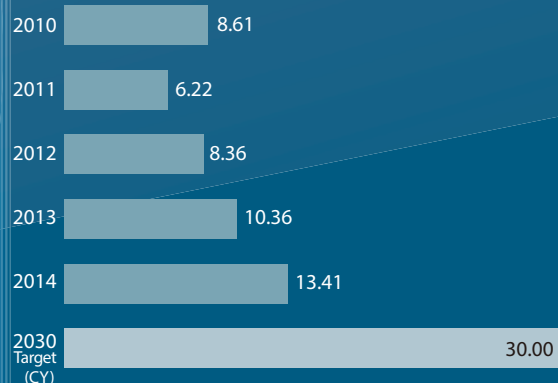
Grey shaded areas are JR-West's operating area. Source: Japan Tourism Agency

Annual number of foreign visitors exceeded 10 million

The number of inbound visitors to Japan exceeded 10 million for the first time in 2013.

Inbound Visitors to Japan

(Millions of people)

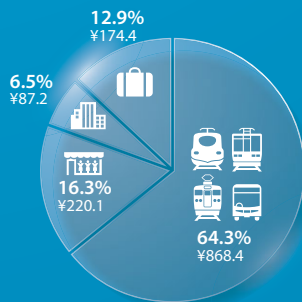


Source: Japan National Tourism Organization

Overview

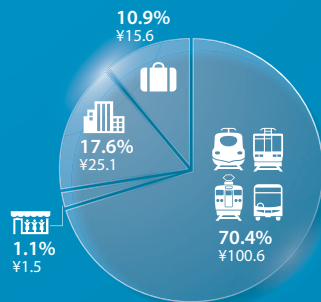
Operations Revenues (Billion) (Revenues from Third Parties)

Total
¥1,350.3 billion



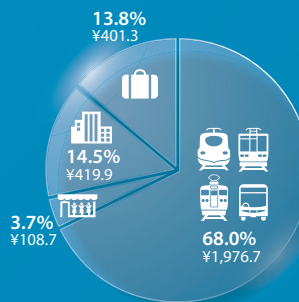
Operating Income (Billion)

Total
¥139.7 billion



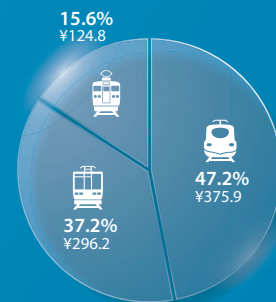
Total Assets (Billion) (As of March 31, 2015)

Total
¥2,786.4 billion



Railway Revenues (Billion)

Total
¥797.0 billion



Transportation Operations

Retail Business

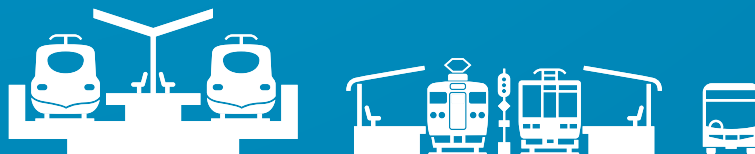
Real Estate Business

Other Businesses

Shinkansen

Kansai Urban Area
(Kyoto-Osaka-Kobe Area)

Other Conventional Lines



Transportation Operations

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



Shinkansen

The Shinkansen operated by JR-West consists of the Sanyo Shinkansen and the Hokuriku Shinkansen lines. The Sanyo Shinkansen Line is a high-speed intercity passenger service between Shin-Osaka Station in Osaka City and Hakata Station in Fukuoka City. The Hokuriku Shinkansen is one of the new Shinkansen lines, and the segment between Nagano Station and Kanazawa Station opened on March 14, 2015. Along the Hokuriku Shinkansen Line, JR West is the operating body for the segment between Joetsu Myoko and Kanazawa.

➡ See pages 18-19 for more details.



Kansai Urban Area

The Kansai Urban Area provides passenger transport services to the densely populated cities of Kyoto, Osaka, and Kobe and their surrounding areas. In fiscal 2015, JR-West served a daily average of 4.04 million passengers in the Kansai Urban Area. These passengers were mainly people commuting to and from work or school.

➡ See pages 20-21 for more details.



Other Conventional Lines

JR-West's other conventional lines consist of limited express 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 22 for more details.

Number of passengers
1,837 million

Number of stations
1,195

Number of rolling stock
6,611

Total route length
5,007.1 km

Conventional lines
Route length **4,194.5** km
Passengers **1,784** million

Shinkansen
Route length **812.6** km
Passengers **69** million



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 25 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 pages 25-26 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 pages 26-27 for more details.

Financial Highlights



Operating revenues / Operating income

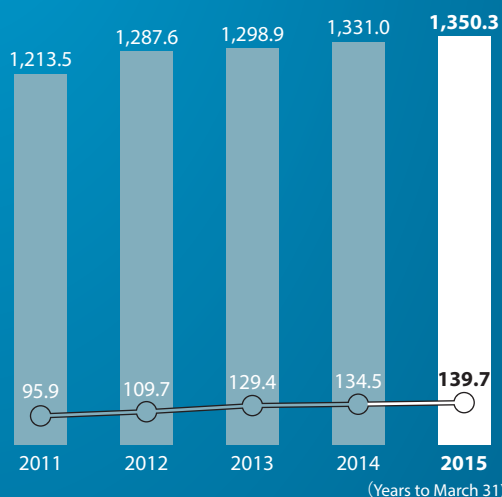
■ Operating revenues

● Operating income

1.5% increase

3.8% increase

(Billions of yen)



Total assets / Equity ratio

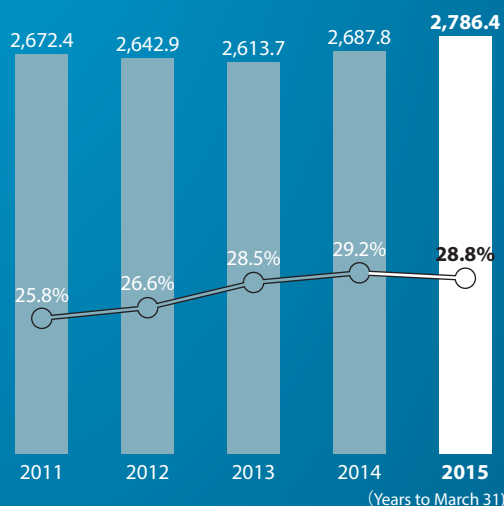
■ Total assets

● Equity ratio

3.7% increase

0.4 point decrease

(Billions of yen)



Cash flows

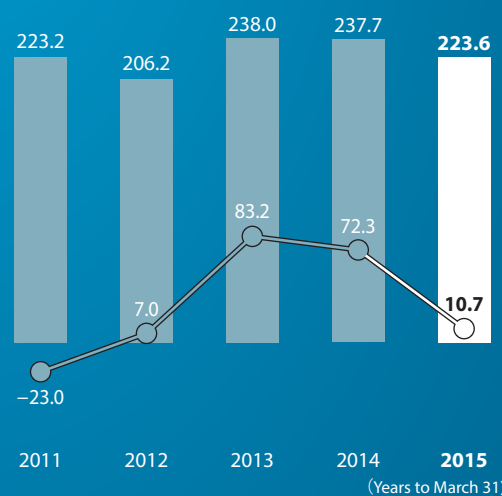
■ Net cash provided by operating activities

● Free cash flows

5.9% decrease

85.2% decrease

(Billions of yen)



Capital expenditures*1 / Depreciation and amortization

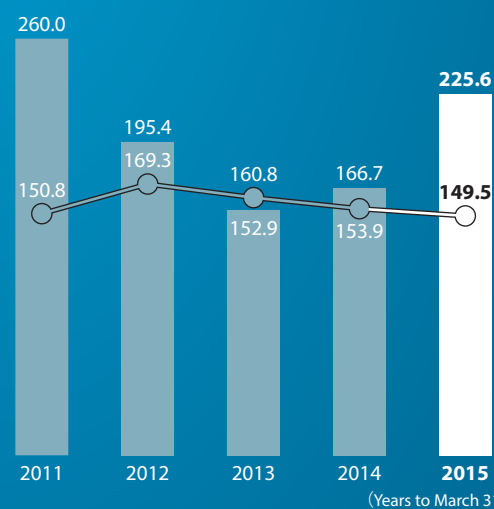
■ Capital expenditures

● Depreciation and amortization

35.3% increase

2.8% decrease

(Billions of yen)



*1 Excluding contributions received for construction

*2 EBITDA = Operating income + Depreciation

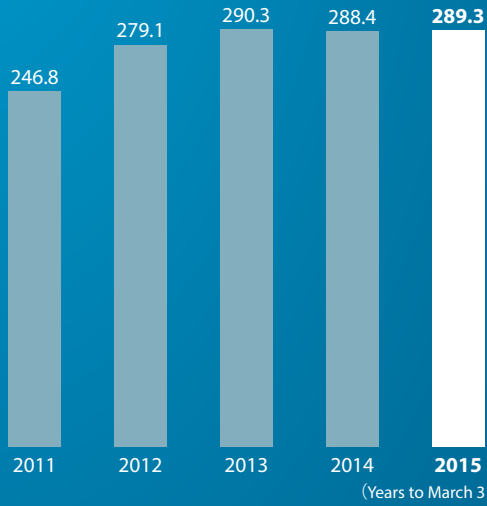
*3 The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Figures have been recalculated based on the number of shares after the stock split. Rate of total distribution on net assets = (total dividends + acquisitions of treasury stock) / consolidated net assets.

*4 In the Medium-Term Management Plan, the Company aims to attain an approximately 3% "rate of total distribution on net assets" on a consolidated basis for fiscal 2018. The rate in fiscal 2015 was 3.1%. Rate of total distribution on net assets = (total dividends + acquisitions of treasury stock) / consolidated net assets

EBITDA*2

0.3% increase ↗

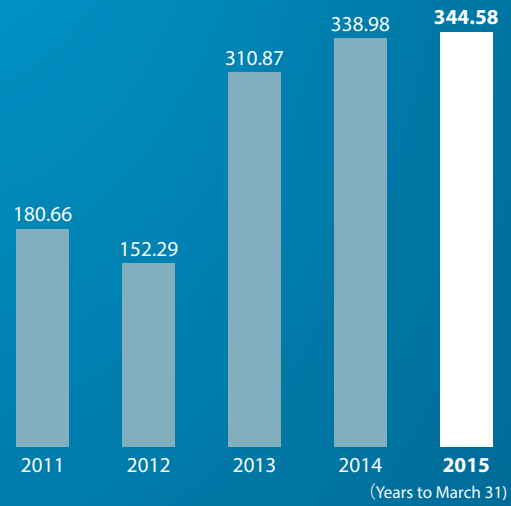
(Billions of yen)



Net income per share*4

1.7% increase ↗

(Yen)



Cash dividends per share*3 / DOE*4

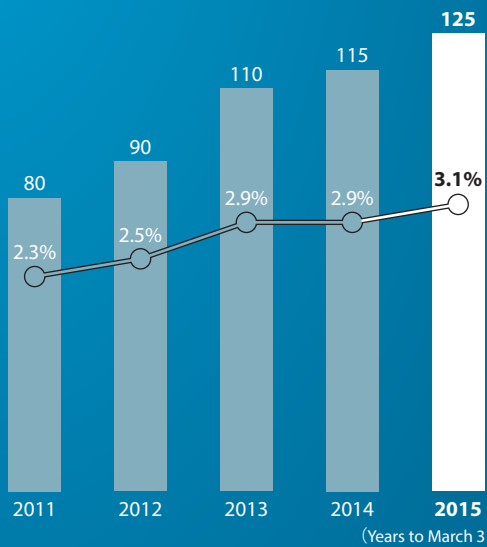
■ Cash dividends per share

● DOE

8.7% increase ↗

0.1 point increase ↗

(Yen)



ROA (Operating income basis) / ROE

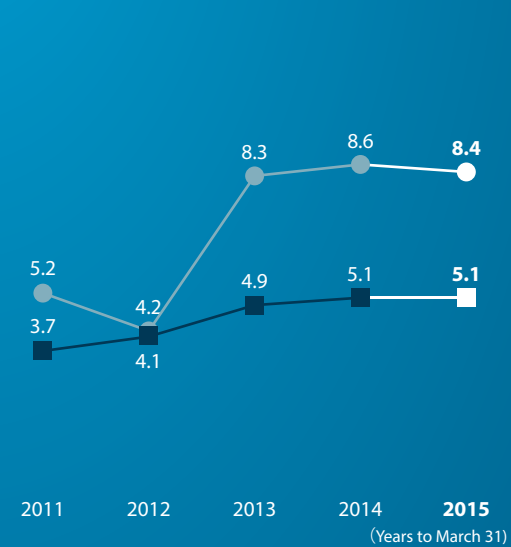
■ ROA

● ROE

0.0 point increase ↗

0.2 point decrease ↘

(%)



Non-financial Highlights



Manufactured Capital

→ See page 16 for more about the Hokuriku Shinkansen.

Launch of the Hokuriku Shinkansen

Passenger traffic on the Hokuriku Shinkansen (Joetsu Myoko to Itoigawa) roughly tripled compared to the limited express trains on the conventional Hokuriku Main Line (from April to June). Passenger traffic between Kansai and Hokuriku also exceeded that of last year. The launch of the Hokuriku Shinkansen has had a great impact. It has greatly shortened travel times between Hokuriku and the Tokyo Metropolitan Area, generated greater passenger traffic between Kansai and Hokuriku/Shinetsu, expanded exchange between cities, invigorated local economies, and contributed to both industrial and tourism promotion.

Passenger traffic (from April to June)

231% increase ↗

(compared with limited express trains on the conventional Hokuriku Main Line from April to June last year)



Hokuriku Shinkansen



Intellectual Capital

→ See page 13 for more about our intellectual capital.

Rolling Stock Information System for Improving Safety

With rapid developments taking place in IT in recent years, there have been growing opportunities to support frontline employees with new systems that capitalize on the spread of smart devices and advancements in ICT, which has had significantly positive effects on our operations. The rolling stock information system integrates maintenance work unique to railway rolling stock using a combination of various technological elements and devices. In particular, the use of specially designed handy terminals for frontlines inspection work has greatly improved our inspection system by enabling instantaneous checks of missed inspections and inspection results.



Handy terminal (Display of required inspection items and instant analysis of input results)



Human Capital

→ See pages 38-39 for more about our human capital.

Increase in the Number of Female Employees

Female employees are working in all aspects of our operations, including as train crew members, and as of 2015, female employees accounted for about 10% of our workforce. JR-West will continue with efforts to make the workplace one where female employees can play more active roles by enabling more employees to achieve a work-life balance.

Number of female employees (As of July, JR-West only)

3.4% increase ↗

(Persons)

2011	2,658
2012	2,854
2013	3,018
2014	3,138
2015	3,246





Social and Relationship Capital

➔ See pages 36-37 for more about our social and relationship capital.

Major Destination Campaign* for Wakayama

JR-West held the Wakayama Destination Campaign for a three-month period between September 14 and December 13, 2014 in which we helped develop local tourism resources and drive visitor traffic. As a result, we saw a 9% increase from the same three-month period in the previous year in ridership on the Limited Express Kuroshio between Wakayama and Minoshima and 21% between Shirahama and Kushimoto. Additionally there was a 27% increase year on year in customers who purchased discount tickets, one-day travel products, or personalized travel products bound for Wakayama.

*Destination Campaign: A major tourism promotion campaign where the six JR Group companies work together with local governments and local tourism businesses to drive traffic from across Japan to a specific area.

Number of tourists visiting Wakayama

27% increase ↗



Wakayama Destination Campaign

Osaka Loop Line Renovation Project

JR-West is implementing the Osaka Loop Line Renovation Project to make the Osaka Loop Line more attractive and appealing for customers, local communities and people visiting Osaka. In May 2015, the renovated Morinomiya Station re-opened, as a model station, for the first time after undergoing major renovation. The renovated station establishes a forest concept in honor of the nearby Osaka Castle Park, embodying a proposal from vocational college students.



Morinomiya Station

Finding and Sharing Information on Hidden Gems in the San-in Area

In July 2014, we formed a team together with local community members of the San-in area in order to rediscover and re-recognize particularly attractive resources in the area and share these with others inside and outside the area for regional invigoration.



An event promoting the San-in area as a destination



Natural Capital

➔ See pages 40-41 for more about our natural capital.

Promoting Resource Conservation and Energy Saving

JR-West is constantly striving to reduce the amount of energy it uses in its transportation operations. In particular, we are working to reduce the amount of energy used to operate our trains by introducing energy-saving rolling stock, carrying out energy saving train driving, and developing new technologies. Furthermore, we carefully sort the large amounts of garbage from stations and trains, which is then recycled into toilet paper and other products.

Energy consumption rate*

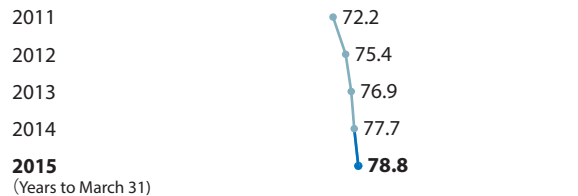
0.2 point decrease ↘ (MJ / Rolling stock-km)



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

Energy-saving rolling stock as a percentage of total rolling stock

1.1 point increase ↗ (%)



Recycling rate of recyclable garbage from stations and trains

0.4 point increase ↗ (%)



The President's Message



In March 2013, the JR-West Group formulated the JR-West Group Medium-Term Management Plan 2017 and the Safety Think-and-Act Plan 2017. To make progress toward the vision “The Ideal Form for JR-West,” the entire Group is working to advance priority strategies that are based on its Three Basic Strategies and Four Business Strategies.

Seiji Manabe

President, Representative Director,
and Executive Officer

Overview of Fiscal 2015 (Year Ended March 31, 2015)

Fiscal 2015, the second year of the JR-West Group Medium-Term Management Plan 2017, was the year when we made steady progress toward accomplishing the goals set forth in this plan.

In terms of safety, we pushed forward with initiatives for achieving the goals of the Safety Think-and-Act Plan 2017. These initiatives were based on the four objectives of the plan: make continual effort to realize safe, reliable transportation service; increase level of risk assessment; increase safety awareness and implement think-and-act initiatives with the highest priority on human life; and invest in safety. To improve the safety on station platforms, one of our top priorities, we developed automatic, rope-style platform gates. These gates have completed operating tests at Rokkomichi Station, and we have decided to install them on the new platform at Takatsuki Station.

On the business front, following thorough preparations for the opening, we were able to successfully commence operations on the Kanazawa segment of the Hokuriku

Shinkansen on March 14, 2015. The Hokuriku Shinkansen has seen strong customer traffic since its opening, marking a strong start. As for the Sanyo Shinkansen, we worked to increase traffic by expanding the range of segments on which customers can use “Super Haya-toku” early discount tickets and by taking steps to capture inbound and other tourism demand. At the same time, we worked with Seven-Eleven Japan Co., Ltd. to improve the appeal of in-station stores. We also moved forward with renovations of shopping centers at Shin-Osaka and Kanazawa stations as part of our drive to achieve future growth. These efforts led the Company to year-on-year increases in both consolidated revenues and income in fiscal 2015.

JR-West Group Medium-Term Management Plan 2017 Update

Looking back on the past two years of the Medium-Term Management Plan, I am reminded of the various challenges we faced, such as the fatal labor accident that occurred during the first year of the plan. Nonetheless, we are generally making steady progress toward accomplishing

our goals with regard to the strategies and measures set out in the plan.

Moreover, the overarching changes in operating environment that we initially projected have become a reality over the past two years. Various threats are appearing before us, such as the decline of the Japanese population, increased competition with airlines, and the intensification of natural disasters. We must find a way to overcome this adversity. At the same time, though, we are witnessing the birth of new growth opportunities, such as a rapid rise in inbound tourism and an increase in travel by senior citizens.

Based on a review of the past two years, our evaluation of this period, changes in the operating environment, and the anticipated effects of opening the Kanazawa segment of the Hokuriku Shinkansen, we have updated the Medium-Term Management Plan. While the general direction of the plan remains the same, we have revised certain management targets in light of performance to date. We also decided to focus on growth fields, and we will place particular emphasis on three: the Hokuriku Shinkansen and invigoration of the Hokuriku Region, the new LUCUA osaka, and efforts to capture inbound visitor demand. These three fields will be positioned as strategic topics that spread across business areas, and initiatives targeting these fields will be prioritized accordingly. Furthermore, with an eye toward the period after our Medium-Term Management Plan 2017, we will pursue higher levels of safety and corporate value by addressing the aforementioned threats and taking advantage of growth opportunities.

Initiatives in Fiscal 2016

In fiscal 2016, an air of uncertainty is expected to hang over the domestic economy. Moreover, the operating environment for JR-West will leave no room for optimism, as we will have to respond to the increased competition from airlines due to such factors as the launch of new routes by low-cost carriers and to higher electricity rates. Despite this difficult environment, we will continue to advance our various business initiatives and promote usage of the Group's services.

In pursuing higher levels of safety to accomplish the goals of the Safety Think-and-Act Plan 2017, we will place particular emphasis on responding to the intensification of natural disasters and making station platforms even safer.

In our business operations, we will strive to raise revenues from the Hokuriku Shinkansen by collaborating with local partners to stimulate tourism demand and capture demand for business travel from the Tokyo Metropolitan Area. Steps will also be taken to increase mobility between the Kansai, Hokuriku, and Shinetsu regions. Elsewhere, thanks to the support of our customers,

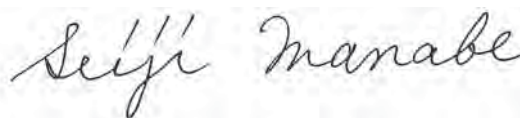
on March 10, 2015, we celebrated the 40th anniversary of operations on all lines of the Sanyo Shinkansen. I greatly appreciate all who have supported us over these years. To express our gratitude, we will hold an anniversary campaign over the one-year period leading up to March 2016. This campaign will be held together with local partners, and will serve as an opportunity to further promote usage of the Sanyo Shinkansen. Moving on to LUCUA osaka, the new LUCUA 1100, which was opened in the west building of the complex on April 2, 2015, will be managed in an integrated manner with LUCUA, housed in the east building. Leveraging the strength of LUCUA osaka as one of Japan's largest in-station shopping malls, we will aim to increase our presence in the Osaka area. At the same time, we will work to realize qualitative improvements to our business by increasing product and service quality and strengthening operating capabilities. As one facet of these efforts, we will steadily convert in-station stores to a store model created through a business alliance with Seven-Eleven Japan. In responding to inbound tourism demand, JR-West will bolster its lineup of products targeting inbound visitors while improving its ability to cater to the needs of such customers at terminal stations and commercial facilities. Moreover, we will endeavor to link these initiatives to the invigoration of communities where we operate and to increase revenues for the Company.

Fiscal 2016 represents the midway point of the JR-West Group Medium-Term Management Plan 2017 and the Safety Think-and-Act Plan 2017. By aggressively advancing the measures I have discussed above, we plan to create results this year that will place us in view of the goals slated to be achieved by the end of fiscal 2018, three years from now.

As we march into the future, JR-West will continue to pursue improvements in both safety and corporate value by steadily advancing corporate governance initiatives from a medium- to long-term perspective. We will also value relationships with shareholders by providing stable returns over the long term, conducting appropriate disclosure, and promoting dialogue with shareholders.

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

April 2015



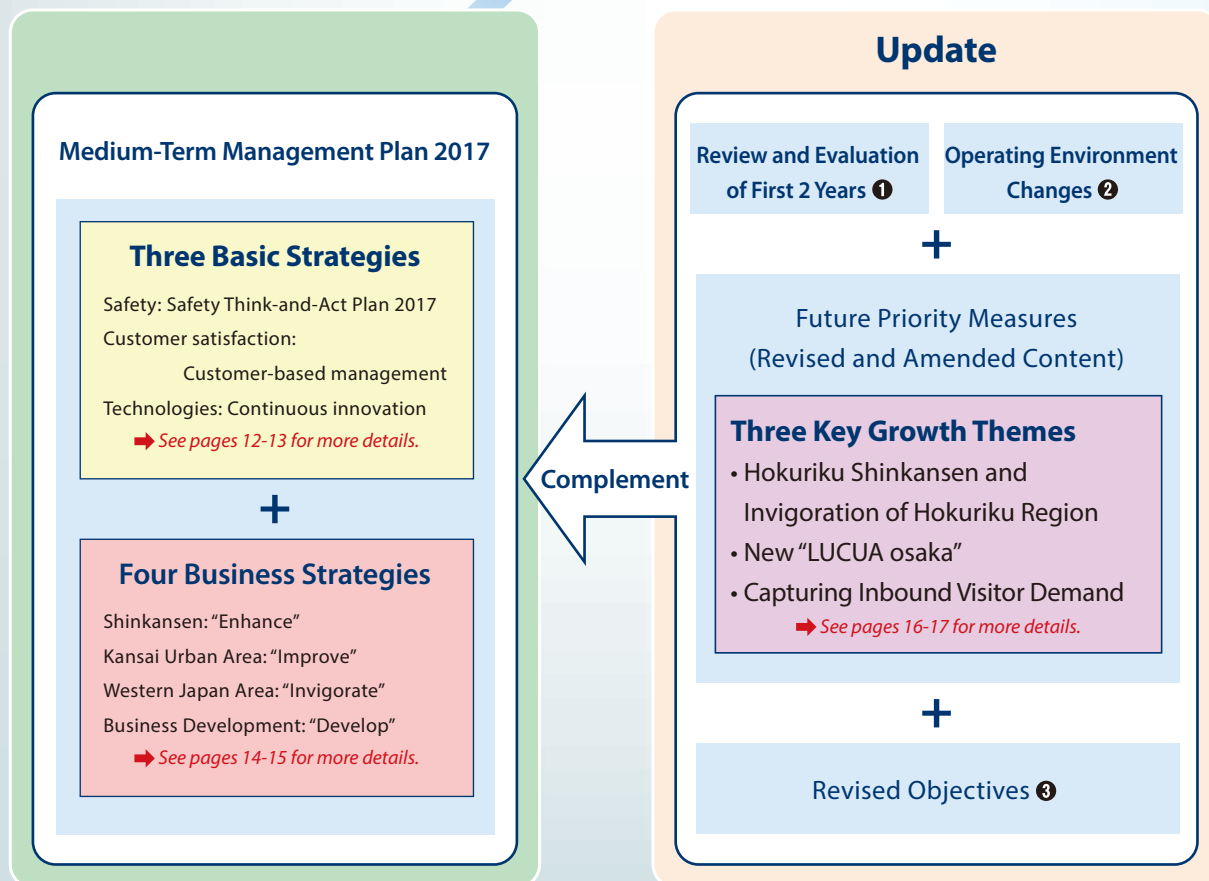
Seiji Manabe
President, Representative Director, and Executive Officer

Medium-Term Management Plan 2017 —Update—

Positioning of the Update

Two years ago, we formulated the JR-West Group Medium-Term Management Plan 2017, which defined the “Form of the New JR-West Group” for the next era. In March 2015, the Kanazawa segment of the Hokuriku Shinkansen was opened, a development that is invigorating the entire Hokuriku region. In addition, April 2015 saw the opening of the new LUCUA 1100 in OSAKA STATION CITY, bringing an even wider range of customers to this facility. In this update, we will review our initiatives and progress over the first two years of the plan, and discuss the priority measures that will be implemented in the future based on changes in our operating environment.

The “Form of the New JR-West Group” for the next era



Review and Evaluation of First 2 Years ❶

- Set quantitative targets for each strategy and periodically measured progress while implementing PDCA cycle geared toward realizing “The Ideal Form for JR-West.”
- Despite fatal labor accident and rise in railway accidents with casualties on platforms in 1st year, made generally smooth progress toward high-priority strategy of ensuring safety in regard to all indicators during 2nd year.
- Made generally smooth progress in regard to all other indicators.

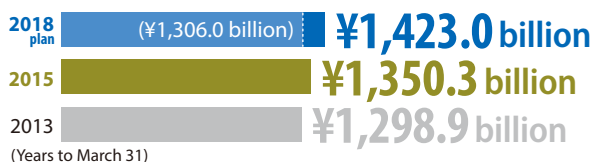
Operating Environment Changes ②

	Comprehensive environment recognition (At plan's formulation)	Changes appearing over 2 years
Opportunities	<ul style="list-style-type: none"> • Increase in inbound visitors • Increase in travel by senior customers • Globalization 	<ul style="list-style-type: none"> • Invigoration of Hokuriku region • Invigoration of Kansai region cities, burgeoning ability of terminal stations to attract customers • Regional development initiatives, Basic Act on Transport Policy, regional invigoration through tourism, etc. • Rapid increase in inbound visitors • Rise in number of women and senior citizens in employment • Evolution of ICT
Threats	<ul style="list-style-type: none"> • Population decline • Spread of network technologies • Greater inter-region disparities • Diversification of value systems • Intensified inter-transportation provider competition 	<ul style="list-style-type: none"> • Intensification of natural disasters • Prominent inter-region disparities • Serious difficulty finding employees due to tight labor market • Rising costs due to yen depreciation • Intensified competition with airlines

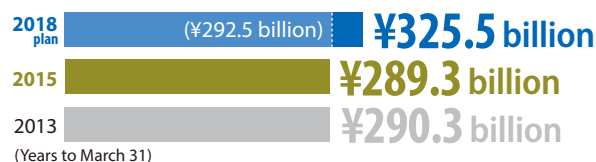
Financial Indicators ③

Given our results from the past two years and future initiatives, we have made upward revisions to the financial targets of the final year of the Medium-Term Management Plan as follows.

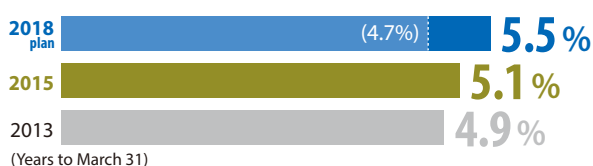
Consolidated operating revenues



Consolidated EBITDA



Consolidated ROA

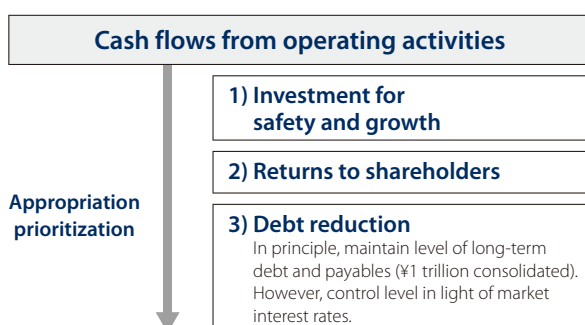


Consolidated ROE (Reference benchmark)



Figures in parentheses () represent pre-revision forecasts.

Cash Earmarking and Prioritization



Shareholder Return Policy

- We recognize it important to distribute profits to our shareholders on a long-term and constant basis. Reflecting the policy, we continue providing returns to shareholders based on consideration of total shareholders' equity.
- Specifically, in light of the progress toward the achievement of the current Medium-Term Management Plan, we aim to attain an approximately 3% *rate of total distribution on net assets** on a consolidated basis for Fiscal 2018 (year ending March 31, 2018).

* Rate of total distribution on net assets (%) = (total dividends + acquisitions of treasury stock) ÷ consolidated net assets × 100

Medium-Term Management Plan 2017 —Update—

Three Basic Strategies

Safety

→ See pages 32-33 for more details.

As we work to achieve the goals of Safety Think-and-Act Plan 2017, we will redouble efforts to address the following tasks whose urgency was brought to light in the first two years of the plan.

Target Indicators

Railway accidents that result in casualties among our customers

2018 target **0** over 5 years
 2015 **0** fiscal 2014-2015
 2013 **0**
 (Years to March 31)

Labor accidents that result in fatalities among our employees

2018 target **0** over 5 years
 2015 **1** fiscal 2014-2015
 2013 **0**
 (Years to March 31)

Railway accidents with casualties on platforms

2018 target **9** 30% reduction*
 2015 **13**
 2013 **13**
 (Years to March 31)
 * In comparison to fiscal 2013

Accidents at level crossings

2018 target **25** 40% reduction*
 2015 **24**
 2013 **41**
 (Years to March 31)
 * In comparison to fiscal 2013

Transportation disruptions due to internal factors

2018 target **140** 50% reduction*
 2015 **229**
 2013 **281**
 (Years to March 31)
 * In comparison to fiscal 2013

Future Priority Measures

- (1) Response toward intensifying natural disasters ①
- (2) Improvement of platform safety
- (3) Prevention of labor accidents that result in fatalities among our employees
- (4) Strengthening risk management
- (5) Enhancement of internal audits and utilization of outside perspectives

① Countermeasures against heavy rainfall

Although annual rainfall totals have not largely changed in recent years, there has been an increase in the number of short-duration heavy rains, with rainfall becoming more localized and intense in nature. JR-West has carried out a number of safety measures to prepare for damages from heavy rainfall, including installing rain gauges, reinforcing slopes based on regular inspections and improvements to water discharge facilities. To achieve even greater safety and stability in transportation operations, we have decided to carry out disaster mitigation work mainly on slopes in the Kyoto, Osaka and Kobe areas.



Slope reinforcement and other disaster mitigation measures have been implemented

Customer satisfaction

→ See pages 34-35 for more details.

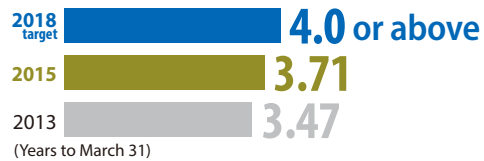
Based on the newly formulated Customer Satisfaction Vision 2017 and Think-and-Act Policy for Customer Satisfaction, we will enhance communication with customers to better implement measures in response to various customer needs, including those for safety and comfort.

Target Indicators

Develop “fans” of JR-West

Customer satisfaction survey result

(5-level, internal survey)



Future Priority Measures

- (1) Understanding customer expectations and responding to diverse needs
- (2) Building a railway with high transportation quality ②
- (3) Faithful response to customer feedback to improve service quality and expand service lineup
- (4) Active communication of information on our initiatives to customers and society

② Enhancing customer notifications onboard with the conductor tablet

We have introduced conductor tablets primarily in the Kansai Urban Area that come with a number of apps useful for customer notifications and announcements. These apps have made it possible for conductors to provide customers with more detailed information than ever before, including notifications about detailed operating conditions during delays and announcements in foreign languages for non-Japanese passengers.



Tablet
(Unique JR-West customer information apps developed)

Providing train operation updates using service information app

Technologies

Target Indicators

On-board oriented train control system (wireless)

2018 target Target practical application

2015 Confirmed functionality through running tests

(Years to March 31)

Next-generation comprehensive train operation control system

2018 target Finish verification testing for next-generation comprehensive train operation control system

2015 Commenced construction of meteorological disaster response systems (1st phase)

(Years to March 31)

Transition from ground-based inspections to on-board inspections

2018 target Commence partial introduction of on-board inspection system

2015 Began examining specifications for on-board inspection system

(Years to March 31)

Future Priority Measures

- (1) Promoting technical development aimed at fostering a railway operations system change
- (2) Taking on the challenge of technical development of gauge change trains
- (3) Nurturing engineers deeply versed in each field of railway technology, and striving to resolve issues with technology
- (4) Promoting reductions in energy consumption and diversification of energy supply sources
(See pages 40-41 for more details.)

Battery-powered trains

2018 target Complete performance tests

2015 Began examining specifications for prototypes

(Years to March 31)

Gauge change trains

2018 target Advance development targeting practical application

2015 Started gauge change tests

(Years to March 31)

Medium-Term Management Plan 2017 —Update—

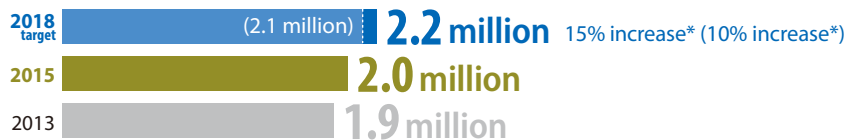
Four Business Strategies

Shinkansen

Enhance the potential of the Shinkansen and promote exchange.

Target Indicator

Number of senior customers traveling for leisure purposes



Figures in parentheses () represent pre-revision forecasts.
* in comparison to fiscal 2013

→ See pages 18-19 for more details.

Future Priority Measures

- (1) Further improvement of Shinkansen safety and reliability
- (2) Provision of competitive transportation services and expansion of usage
- (3) Enhancement of services for senior citizens to create new demand



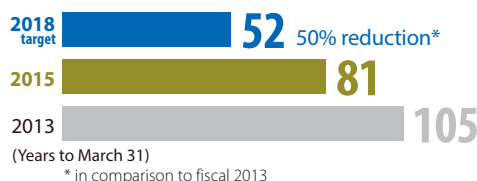
Tokaido/Sanyo Shinkansen N700A

Kansai Urban Area

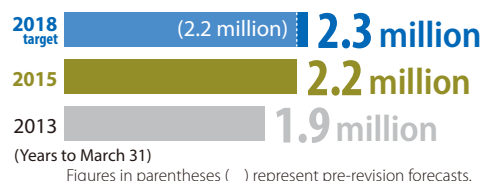
Improve the value of the Kansai Urban Area.

Target Indicators

Transport disruptions due to internal factors



Number of IC card users (people/day)



→ See pages 20-21 for more details.

Increase resident satisfaction

2018 target **Ongoing improvement trend seen along major railway belts**

2014 **Improvement trend seen along Osaka Loop Line and Kobe Line**
(Years to March 31)

Future Priority Measures

- (1) Creation of railway providing high-quality transportation to encourage repeat usage
- (2) Improvement of railway belt value to increase ease of use and make areas around lines appealing places to live
- (3) Enhancement of the Kansai Urban Area's appeal by improving the Osaka Loop Line
- (4) Opening of new railway museum in Umekoji, Kyoto, and creation of railway culture sights (spring 2016) (See pages 36-37 for more details.)



Kyoto Railway Museum

Western Japan Area

Other conventional lines

→ See page 22 for more details.

Invigorate the strengths of western Japan area.

Target Indicators

Customer traffic during destination campaigns

2018 target **10% increase***
2015 **29% increase***
Wakayama destination campaign
 (Years to March 31)
 * In comparison to fiscal 2013

Sharing challenges with local partners regarding improvements in regional transportation systems

2018 target **Sharing challenges with local partners regarding improvements in regional transportation systems**
2015 **Discussions underway with a few organizations**
 (Years to March 31)

Advancement of businesses with close ties to areas through concerted Group efforts coordinated with local partner companies in each area

2018 target **Businesses with close ties to areas advanced through concerted Group efforts**

2015 **Collaboration agreements concluded with a few organizations**
Investments in community-rooted businesses
 (Years to March 31)

Future Priority Measures

- (1) Progress together with communities through businesses with close ties to areas
- (2) Working with local partners for sustainable regional transportation systems matched to usage conditions



Twilight Express Mizukaze
 (See page 22 for more details.)

Business Development

Non-Transportation Business

→ See pages 24-27 for more details.

Work to develop new businesses.

Target Indicators

Revenues from life-style related businesses

2018 target **¥35.0 billion increase*** (¥25.0 billion increase*1)
2015 **¥9.7 billion decrease****1 *2
 (Years to March 31)

Figures in parentheses () represent pre-revision forecasts.

*1 in comparison to fiscal 2013

*2 Due to impact from commencement of renovation work at JR Osaka Mitsukoshi Isetan in July 2014

Revenues from new businesses

2018 target **¥1.0 billion increase***
2015 **¥0.6 billion increase***
 (Years to March 31)

Ratio of consolidated operating revenues from non-transportation segments (retail, real estate, other businesses) 10 years from now



Future Priority Measures

- (1) Expansion of lifestyle-related businesses to support comfortable lifestyles
- (2) Improvement of Group asset value
- (3) Ongoing exploration of new business fields
- (4) Cultivation of growth as a Group with consideration for the global market



Redevelopment project concept for Tsukaguchi Station east exit area

Medium-Term Management Plan 2017 —Update—

Three Key Growth Themes

Key Growth Theme 1

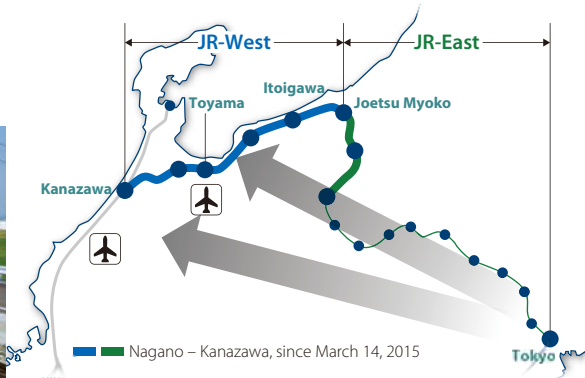
Hokuriku Shinkansen and Invigoration of Hokuriku Region

Target Indicators

- 1 Net revenue increase from Hokuriku Shinkansen: ¥13.0 billion (fiscal 2018)
- 2 Increasing mobility between Kansai, Hokuriku, and Shinetsu regions

Expanding market share

- Strengthening competitiveness through high frequency and highly convenient Internet reservation service

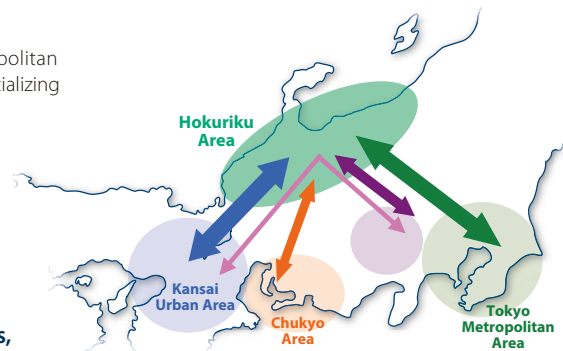


		Travel Time	Fare (¥)	Frequency
Kanazawa – Tokyo	Shinkansen	2h 28m	14,120	24
	Airlines	approx. 2h 50m	24,890	12
Toyama – Tokyo	Shinkansen	2h 08m	12,730	24
	Airlines	approx. 2h 30m	24,890	6

• Travel time: Fastest time for Shinkansen. For airlines, includes time required for airport access and egress.
 • Fares: Standard fares for Shinkansen, airlines. Including Haneda Airport passenger facility usage fee for airlines.

Expanding market size

- Fostering tourism demand from three metropolitan areas by preparing secondary access, commercializing tourism routes in collaboration with regions, creating experience-based products, etc.

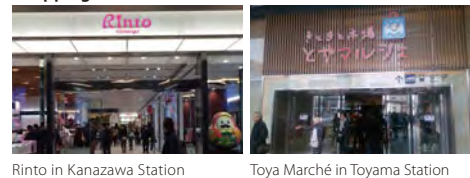


Expanding mobility among regions

Collaborating with non-railway business, city development efforts

- Maximizing opening effect from commercial facilities that have been opened/renewed
- Collaborating with city development efforts
 - Toyama Station (Improving traffic congestion points, including transition to elevated tracks for conventional lines, etc.)
 - Kurobe-Unazukionsen Station (Toyama Chiho Railway established new station adjacent to this station)

Shopping centers in Hokuriku area



Rinto in Kanazawa Station

Toya Marché in Toyama Station

Scheme for the Hokuriku Shinkansen

- Japan Railway Construction, Transport and Technology Agency (JR-CTA) constructs infrastructure.
- JR-West owns rolling stock, operates and pays line usage fees (fixed amount).
- Parallel conventional lines are transferred from JR-West to semi-public corporations.

Key Growth Theme

2

New "LUCUA osaka"

Target Indicators (fiscal 2016)

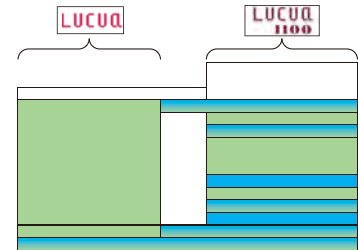
1 Tenant sales target: Total of ¥77.0 billion for LUCUA 1100 and LUCUA*

* All of the tenant sales are not included in consolidated operating revenues.

2 Visitor number target: 70.0 million

Renovation of the OSAKA STATION CITY North Gate Building

- Integrated operation of East Wing (existing LUCUA) and West Wing (new LUCUA 1100) under one shopping center company
- Securing wide range of customers through superiority of location and scale (largest shopping center in Osaka/Umeda area), and ease of access within the buildings
- Utilizing the strength of promotional system and ability to attract highly popular specialty stores, cultivated through our shopping center operations
- Opening isetan-brand shops as tenants in LUCUA 1100, specializing in fashion and sundries, in which West Japan Railway Isetan Limited (WJRI) has strengths



■ Part : Tenants (WJRI)*
* Sales from these tenants are included in consolidated operating revenues.
■ Part : Tenants*
* Sales from these tenants are not included in consolidated operating revenues. JR-West receives rent from these tenants.

Synergies with railway business

- Taking steps to enhance transportation services, such as new rolling stock introduction and timetables
- Wide-area promotions, including Sanyo Shinkansen railway belt



Sales floors in LUCUA 1100

Key Growth Theme

3

Capturing Inbound Visitor Demand

Target Indicators (fiscal 2018 target, in comparison to fiscal 2013)

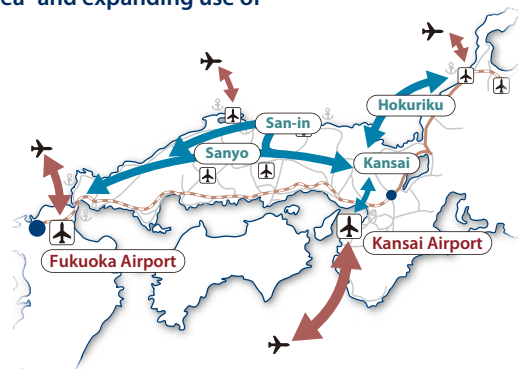
1 Usage of railway travel products for inbound visitors: 400% increase (upward revision from 200% increase)

2 Consolidated operating revenues: ¥10.0 billion increase

Inviting more customers to "western Japan area" and expanding use of "JR-West Group" in Kansai Urban Area

- Developing and enhancing wide-area tourism routes through collaborating with local partners, enhancing the lineup of railway products, etc.
- Improving ability to cater to needs of inbound visitors at terminal stations and commercial facilities that are frequented by such customers (guidance, free public Wi-Fi services, delivery from stations to hotels, duty free, etc.), developing budget hotels that are prepared to be used by inbound tourists
- Further communicating the appeal of the entire Group and the "towns" that encompass the entire Group and the areas surrounding terminal stations

Note: Enhancing Group promotion system (establish Group Inbound Tourism Promotion Office, post an employee to Singapore)



Expanding products for inbound tourists, expanding usage from airports to western Japan area

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 core 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 1,195 railway stations, with an operating route length of 5,007.1 kilometers, almost 20% of the total passenger railway length in Japan. This network includes the Shinkansen (Sanyo Shinkansen and Hokuriku Shinkansen), a high-speed

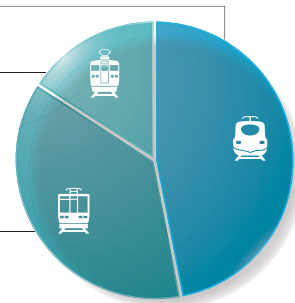
intercity railway line; the Kansai Urban Area, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines.

Railway Revenues

Shinkansen

Other Conventional Lines

Kansai Urban Area (Kyoto–Osaka–Kobe Area)



The Shinkansen operated by JR-West consists of the Sanyo Shinkansen and the Hokuriku Shinkansen lines.

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka City and Hakata Station in Fukuoka City. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating length 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 Central Japan Railway Company (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 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.

The Hokuriku Shinkansen is one of the new Shinkansen lines approved for construction under the Nationwide Shinkansen Railway Development Act established in 1970. On March 14, 2015, the segment between Nagano Station and Kanazawa Station opened. Of this segment, JR-West is the operator of the Joetsu Myoko to Kanazawa portion. This segment spans a distance of 168.6 operating kilometers. JR-West leases railway facilities and five stations from the Japan Railway Construction, Transport and Technology

Agency, with the exception of Joetsu Myoko Station which is administered by JR-East. JR-West owns and operates the rolling stock.

Services on the Hokuriku Shinkansen line between Tokyo and Kanazawa include Kagayaki, the fastest service which operates the segment in two hours 28 minutes only stopping at a limited number of stations, and Hakutaka, which stops at every station in the Hokuriku area. In addition, the Tsurugi services are also offered, which are shuttle services between Toyama and Kanazawa.

Transportation Revenues

¥375.9 billion

(Billions of yen)



Number of Passengers

69 million

(Millions of passengers)



Core Initiatives

Further enhancing revenue of Shinkansen as a pillar of businesses going forward

I. Heightening competitiveness

Enhancing safety, comfort and convenience

- Introducing N700A rolling stock
- Reducing mobile phone no-service areas

Strengthening Internet marketing

- Expanding membership for Internet reservations

Enhancing convenience, appeal of stations and in-station facilities

- Shin-Osaka, Kanazawa, Toyama, Hiroshima, Himeji, etc.



Shinkansen N700A



Eki Marché Shin-Osaka (in-station stores)

II. Stimulating tourism demand

Tourism development

- Tourism development that leverages Destination Campaigns and enhancing and solidifying wide-area tourism routes through collaborating with local partners

Fostering tourism demand among seniors

- Expanding membership for "Otonabi" membership service for senior customers, strengthening CRM

Capturing inbound visitor demand → See page 17 for more details.

Campaign commemorating 40th anniversary of opening all lines of Sanyo Shinkansen

- Implementing promotions to encourage people to visit Kansai
- Enhancing wide-area tourism routes



"Otonabi" membership service for senior customers



Destination Campaign



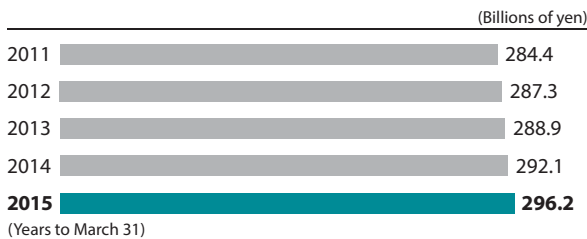
The Kansai Urban Area comprises the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. (Population of the Kyoto–Osaka–Kobe metropolitan area is more than 20 million.) It has an operating route length of 946.0 kilometers, forming a comprehensive network stretching across the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

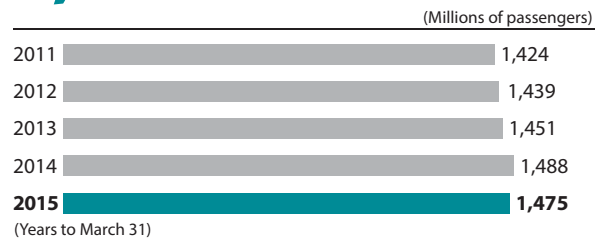
¥296.2 billion



(Years to March 31)

Number of Passengers

1,475 million



(Years to March 31)



- Boundary Stations between JR-West and Other JR Companies
- Shinkansen Line (Bullet Train)
- Intercity Lines
- Regional Lines
- Osaka Loop Line
- JR Kobe Line (Osaka–Himeji)
- JR Kyoto Line (Osaka–Kyoto)
- Biwako Line (Kyoto–Nagahama)
- Kosei Line (Yamashina–Omi-Shiotsu)
- JR Tozai Line (Kyobashi–Amagasaki)
- JR Yumesaki Line (Nishi-Kujo–Sakurajima)
- JR Takarazuka Line (Osaka–Sasayamaguchi)
- Sagano Line (Kyoto–Sonobe)
- Gakkentoshi Line (Kyobashi–Kizu)
- Nara Line (Kyoto–Kizu)
- Yamatoji Line (JR-Namba–Kamo)
- Hanwa Line (Tennoji–Wakayama)
- Kansai Airport Line (Hinenno–Kansai Airport)
- Osaka Higashi Line (Hanaten–Kyuhoji)



Core Initiatives

Expanding usage by advancing initiatives while collaborating with local partners and other businesses

I. Enhancing the value of railway belts

Creating railway belts that people want to reside in and are easy to use

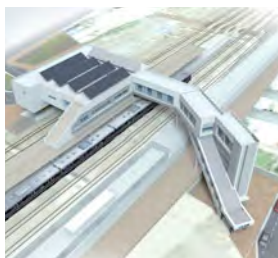
- Improving safety and comfort through introduction of new rolling stock
- Opening new stations (Maya*, Higashi Himeji*)
*Spring 2016, provisional name
- Enhancing convenience, appeal of stations, in-station facilities, and surrounding areas

Osaka Loop Line Renovation Project

- Timetables easier to use
- Promoting renewal of stations and in-station development

Promoting more-seamless service

- Expanding ICOCA (IC card) area and expanding collaboration with private railways, etc.



New Maya Station



大阪環状線改造プロジェクト

Osaka Loop Line Renovation Project

II. Promoting urban tourism

Expanding usage through collaboration with tourism facilities along our railways

- New Harry Potter attraction area at Universal Studios Japan
- OSAKA STATION CITY (LUCUA Osaka), etc.

Kyoto Railway Museum opening effect

- Invigorating Kyoto Umekoji area through collaboration with the local partners
- Initiatives to attract customers from a wide area, as one special feature of urban tourism
- New JR Shichijo Station (Spring 2019, provisional name)

Promoting use of inbound tourists → See page 17 for more details.

Providing information about Kansai urban tourism

- "MY FAVORITE KANSAI"(website)



Kyoto Railway Museum



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 3,248.5 kilometers.

The operating environment for other conventional lines continues to be difficult due to the declining population of the areas they serve. 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 undertake various management efforts, while placing priority on ensuring safety.



Topics

Providing a unique rail travel experience rediscovering the beauty of Japan aboard the Twilight Express Mizukaze

The Twilight Express Mizukaze, which is scheduled to begin operating in the spring of 2017, will replace the original Twilight Express that was operated until March 2015.

Passengers will have the opportunity to enjoy the breathtaking scenery of the Sea of Japan, Mt. Daisen, and the beautiful Seto Inland Sea archipelago unfold from the windows. The train will also stop along the way to provide unique local historical and cultural experiences for passengers.



Overview

Schedule: One-night two-day one way and two-night three-day packages will be available, which will include one round trip tourist stop a day.

Departure/Arrival stations: Trains will depart from Kyoto/Osaka, and Shimonoseki stations and end in Shimonoseki and Osaka/Kyoto.

Route: The train will be operated on the Sanyo Main Line and San-in Main Line.

Passengers will be treated to tourism opportunities as well as ample hospitality and events expressing the attractiveness of the route during their itinerary.



JR-West's transportation operations segment includes bus and ferry services. In our bus services, we worked to enhance customer convenience with measures including transportation improvements and flexible pricing schemes designed around usage trends.

In our ferry services (the Miyajima Line), we established a sales structure to handle the peak customer season, and took other steps to secure revenue.



Fiscal 2015 Results
for the
Transportation
Operations
Segment

(Year Ended
March 31, 2015)

Operating revenues for the Transportation Operations segment increased 2.0% from the previous fiscal year to ¥868.4 billion, with operating income up 10.6% to ¥100.6 billion.

In transportation operations, JR-West implemented a timetable revision in March 2015, began commercial operation of Kagayaki, Hakutaka, and Tsurugi trains following the opening of the Nagano–Kanazawa segment on the Hokuriku Shinkansen, and transferred operation of parallel conventional lines to semi-public corporations. In the Hokuriku area, we newly introduced limited express Noto Kagaribi and Dinostar trains, shortened the travel times for certain Nozomi trains on the Sanyo Shinkansen, and enhanced convenience for the Osaka Loop Line. In the Hiroshima area, we introduced 227-series commuter trains, opened Shin-Hakushima Station between Hiroshima and Yokogawa stations, and improved access to central Hiroshima through direct links with the Astram Line. JR-West also began construction on the extension of the Kabe Line, with completion scheduled for spring 2017.

For the sections of the San-in Line, Yamaguchi Line, and Sanko Line where services had been suspended from the previous fiscal year as a result of heavy rains, we were able to resume operations by August 2014 with the cooperation of local authorities and residents. During the subject fiscal year, services were also suspended from August to September 2014 on segments of the Fukuchiyama and Kabe lines, but full operations have now resumed. Of note, with the approach of Typhoon Vongfong in October 2014, to prevent damage we suspended all operations on conventional lines in the Kyoto–Osaka–Kobe area, giving prior notice to customers.

In marketing initiatives, JR-West implemented measures to stimulate demand among seniors by launching special discount “Nori-nori Kippu” tickets for customers 60 and older and the “San-in Meguri Pass 50”, and launching the “Otonabi” service to provide special discount tickets and travel packages to

persons 50 and older. To expand services for overseas visitors to Japan, JR-West expanded areas with free public Wi-Fi services, launched a free public Wi-Fi service on Haruka limited express trains, and set up a new ticket reservation office for overseas visitors at Kansai Airport Station. In addition, taking into consideration competition with other modes of transport, JR-West made efforts to promote use of the Shinkansen, including expanding the designated segments for “Super Haya-toku” early discount tickets, conducting a campaign to commemorate the 40th anniversary in March 2015 of the opening of all lines of the Sanyo Shinkansen, launching the “USJ Special Ticket,” conducting the “Remember Kyushu Campaign,” and selling commemorative tickets in conjunction with JR Kyushu. In accordance with the opening of the Kanazawa segment of the Hokuriku Shinkansen, we took steps to expand the use of services in the Hokuriku area, including publicizing basic information on timetables, travel times, and tickets, and expanding the online tickets available through the “e5489” service, as well as selling and promoting use of travel packages allowing broad excursions across the Hokuriku and Shinetsu regions. We also conducted a “Destination Campaign” for Wakayama as part of a nationwide promotion by JR Group companies.

In terms of measures to establish mutually beneficial relationships with local communities, JR-West opened a special website for the “San-in limono Tankentai” program conducted in conjunction with local partners, and concluded a comprehensive agreement with Okayama Prefecture regarding stimulating tourism and other measures.

Other initiative to achieve coexistence with communities include the establishment of a dedicated Sanin Good Thing Expedition website in collaboration with local partners and the conclusion of a comprehensive agreement concerning the promotion of tourism with Okayama Prefecture.

Operating Revenues

¥868.4 billion

(Billions of yen)

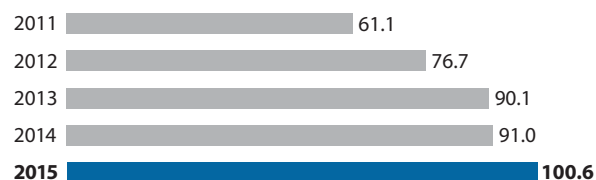


(Years to March 31)

Operating Income

¥100.6 billion

(Billions of yen)



(Years to March 31)

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

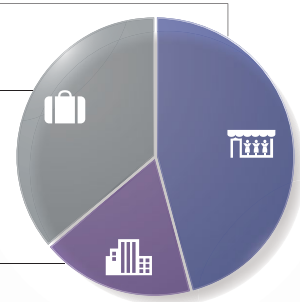
accordance with that approach, we will develop commercial facilities in and around railway stations as well as areas between railway stations, and conduct operations that use idle land for the development and sale of condominiums. Also, in order to foster earnings mainstays for the next era, JR-West is furthering initiatives to create new businesses through collaboration both inside and outside the Group.

Non-Transportation Revenues

Retail Business

Other Businesses

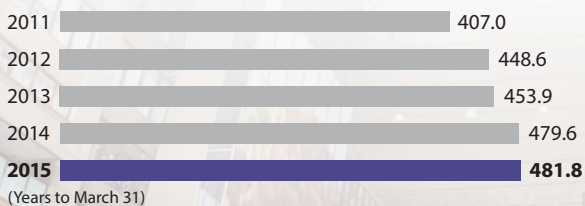
Real Estate Business



Operating Revenues

¥481.8 billion

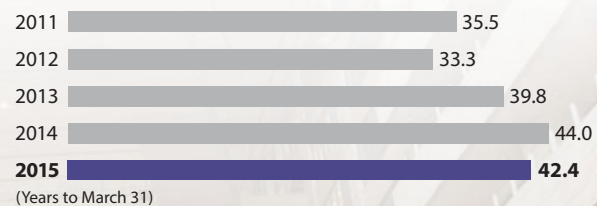
(Billions of yen)



Operating Income

¥42.4 billion

(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 department stores such as JR Kyoto Isetan department store.

Fiscal 2015 Results

Operating revenues in the Retail Business segment declined 8.3% from the previous fiscal year to ¥220.1 billion, with operating income down 63.9% from a year earlier to ¥1.5 billion.

For the JR Osaka Mitsukoshi Isetan department store, at the end of July 2014, JR-West began renovation work, and in April 2015, opened the store in LUCUA 1100 as "isetan," with revised strength in sales space creation. In March 2015, we opened Eki Marché Shin-Osaka, a large-scale commercial facility inside the area through the ticket gates, which has been extremely popular. Through our business alliance with Seven-Eleven Japan Co., Ltd. we have opened 70 stores, which have recorded a steady increase in sales, and enhance the appeal of stations.

Operating Revenues

¥220.1 billion

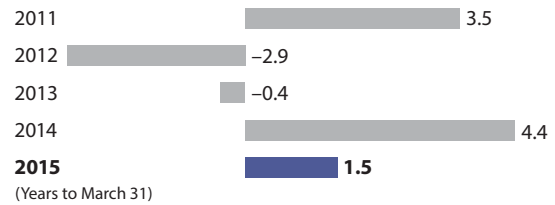
(Billions of yen)



Operating Income

¥1.5 billion

(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.

Fiscal 2015 Results

Operating revenues for the Real Estate Business segment decreased 14.7% from the previous fiscal year to ¥87.2 billion, with operating income down 9.4% from a year earlier to ¥25.1 billion.

JR-West made progress with renovation work at major stations, including Shin-Osaka, Hiroshima, and Kanazawa stations, to support future growth. With the opening of the Nagano-Kanazawa segment of the Hokuriku Shinkansen, in an effort to invigorate the region by providing attractive products and services, in July 2014 we opened the "Kanazawa 100 Bangai Anto" commercial facility underneath the elevated tracks at Kanazawa Station, and in

March 2015 opened the renovated "Kanazawa 100 Bangai Rinto" with expanded floor space. We also renovated the "Marier Toyama" facility at JR Toyama Station, and opened "Kitokito Ichiba Toya Marché" underneath the Shinkansen tracks. Further, for the OSAKA STATION CITY North Gate Building, in August 2014, JR-West renovated the East Wing LUCUA section, and for the West Wing "LUCUA 1100," made preparations for the opening in April 2015 of a new type of commercial facility that integrates "isetan" with specialty shops that draw customers and generate buzz. The grand opening was held on April 2, 2015.

In addition, as part of an effort to actively develop areas along railway lines, JR-West acquired property in front of Kishibe Station.

To stimulate business in the area around Osaka Station, JR-West conducted area management activities in association with local business operators. We also developed residential apartments in areas along railway lines, but revenue declined in part due to the rebound from the demand rush that preceded the consumption tax hike in April 2014.



Operating Revenues

¥87.2 billion

(Billions of yen)



(Years to March 31)

Operating Income

¥25.1 billion

(Billions of yen)



(Years to March 31)



Other Businesses

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 2015 Results

Operating revenues for the Other Businesses segment increased 27.2% from the previous fiscal year to ¥174.4 billion, with operating income up 31.8% to ¥15.6 billion.

In hotel operations, JR-West worked to expand sales, including measures to capture demand from overseas visitors. In travel agency operations, JR-West strengthened marketing efforts in response to the increase in overseas visitors, expanded Internet sales, and took steps to increase sales of products that utilize railways. For the ICOCA e-money service, we maximized the effect of nationwide reciprocal service of transport IC cards, and enhanced convenience through such efforts as in-train sales on the Sanyo Shinkansen, and launching ICOCA payment services at shopping centers and shops inside stations in the Hokuriku area. In terms of taking on the challenge of new business fields, for the

agriculture business, to support the development of agriculture in the western Japan area, in April 2014, JR-West made a capital investment in Farm Alliance Management Co., Ltd., and in October 2014, established a business alliance with the rice wholesaler SHINMEI Co., Ltd. For the foods business, JR-West made a capital investment in the food production company Gomangoku Chisatosanso Co., Ltd., and concluded a business alliance with Glocal-i Co., Ltd., in the business of promoting functional foods.

For the golf business, which we expect will face a difficult business environment, with the consent of the local community and club members, in October 2014 we transferred the business to the major golf course operating company Accordia Golf Co., Ltd.

Of note, two companies, DAITETSU KOGYO CO., LTD. and JR WEST BUILT CO., LTD., became consolidated subsidiaries in April 2014. We will continue to pursue efforts to enhance safety and quality in construction and other businesses.

Operating Revenues

¥174.4 billion

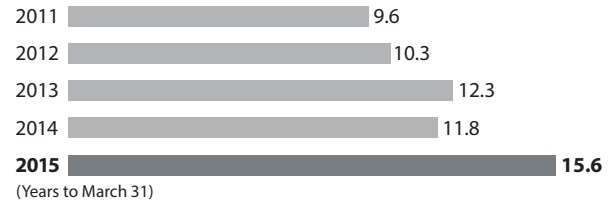
(Billions of yen)



Operating Income

¥15.6 billion

(Billions of yen)



Core Initiatives

Making full use of assets held and increasing the value of railway belts

I. Retail / Shopping center

Qualitative improvements realized by increasing product/service quality and strengthening operating capabilities

- Convert stores to Seven-Eleven Japan allied stores and maximize benefits
 - Approx. 500 stores in five years
 - 70 stores in fiscal 2015, approx. 120 in fiscal 2016 (planned)
- Developing and renewing commercial facilities, and maximizing their opening effects
 - Shin-Osaka, Kanazawa, Toyama, Amagasaki, Akashi, Kurashiki, Matsue, Hiroshima, etc.
 - New "LUCUA osaka"

Actively developing businesses in cities outside our railways in fields where we have strengths

- Developing shopping centers in cities (Suita City)
- Expand budget hotel operations

Capturing inbound visitor demand

➔ See page 17 for more details.



Conversion to Seven-Eleven Japan allied stores



Eki Marché Shin-Osaka (in-station stores)

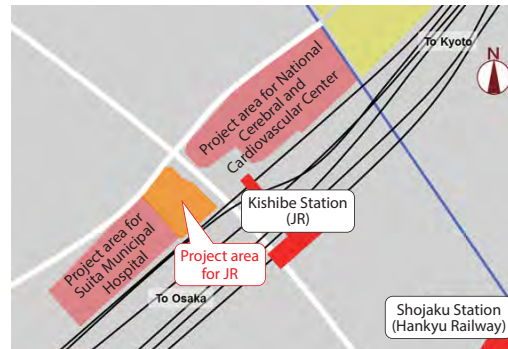
II. Real estate lease

Fully utilizing land and other assets

- Hirooka, Kanazawa City (redevelopment of former sites of Company housing)

Participating in projects in areas surrounding major stations

- Tsukaguchi (acquisition of site in front of station, development of station building and condominium)
- Kishibe (acquisition of site in front of station, development)



Acquisition of site in front of Kishibe Station (former site of Suita Switchyard)

Actively developing operations in regions other than those alongside tracks and those in our service area

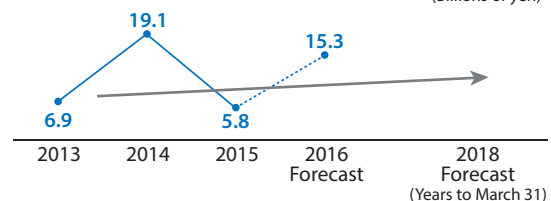
- Tenjin, Fukuoka City (Dec. 2014)
- Tokyo metropolitan area (Nishi-Shimbashi) (June 2014)

III. Real estate sale

Advancing sales of condominiums

- Sales trend of condominiums

(Billions of yen)



CSR Overview

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

The JR-West Corporate Philosophy and Safety Charter form the foundation of our management. Created in the wake of the Fukuchiyama Line accident, we consider our Corporate Philosophy to be a contract with society that we decided after extensive discussion among all executive officers and employees, based on our determination to be a company that places top priority on safety and to never again allow a serious accident to

happen. Therefore, we consider putting our Corporate Philosophy into practice to be the CSR of JR-West. Our Corporate Philosophy and Safety Charter foster in all of our executive officers and employees a common attitude that they bring to work of steadily increasing safety and customer satisfaction; 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.

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.

Relationship between Stakeholders and the JR-West Group

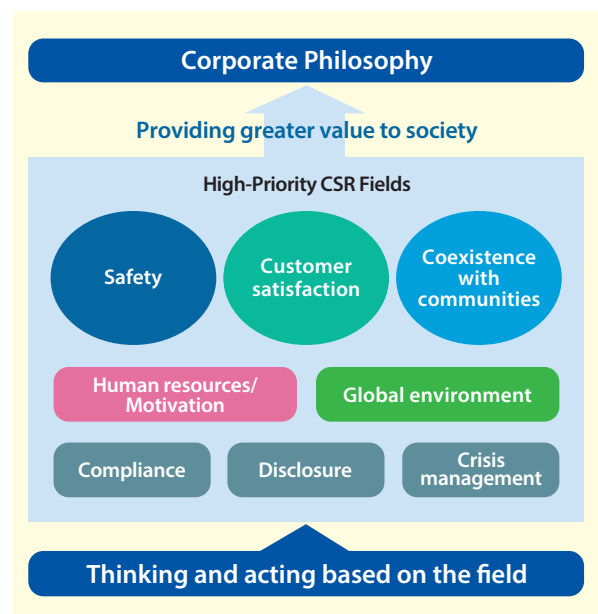
Having employees who are motivated, take pride in their work, and provide high-quality service results in satisfaction and a sense of safety and peace of mind for customers, and contributes to the invigoration of the West Japan area. With the profits earned under such conditions, we will assure the sustainability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



Pursuing CSR by Thinking and Acting Based on the Field

In order to uphold our Corporate Philosophy and provide greater value to society through our business activities, we have specified eight high-priority CSR fields in reflection of society's demands.

To maintain reliable railways that passengers can use safely and with peace of mind, we believe it is important for all JR-West Group employees at all of our workplaces to maintain a constant awareness of customers, to share the common understanding of the various issues that arise at front-line work sites, and 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.



FTSE4Good

In June 2015, FTSE Group confirms that JR-West has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. JR-West has been consecutively included in the index series since 2002.

Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.

CSR Overview

Fiscal 2015 Activity Results and Fiscal 2016 Initiative Plans for 8 Key Areas of CSR

In the area of safety, we advanced initiatives based on the Safety Think-and-Act Plan 2017, under recognition of safety as the most important issue forming the basis of our business. With regard to the other seven areas, we have established key initiatives and are engaged in activities under the CSR Promotion Committee, which is headed by the company President.

Area	Initiatives in the Safety Think-and-Act Plan
Safety → See pages 32-33 for more details.	Continual efforts to realize safe, reliable transport service
	Increasing level of risk assessments
	Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life
	Investment in safety
Area	Fiscal 2015 key initiative items
Customer satisfaction → See pages 34-35 for more details.	Taking on board customer voices to promote the enhancement and improvement of services
	Perceiving customers' expectations and responding to diverse needs
	Building a railway with high transportation quality
	Actively conveying our initiatives to customers and to society
Coexistence with communities → See pages 36-37 for more details.	Kansai Urban Area: Enhance the value of railway belts and urban areas
	Western Japan Area: Invigorate the strengths of each area
	Further enhancing social contribution activities
Human resources/Motivation → See pages 38-39 for more details.	Human resource development: Initiatives aimed at individual employee growth
	Job satisfaction: Creating workplaces that are rewarding and vibrant
	Human resources acquisition: Ensuring the required human resources for business operations
Global environment → See pages 40-41 for more details.	Energy-saving initiatives for the prevention of global warming
	Saving resources for the contributions to building a recycling-oriented society
	Promotion of environmental management system (EMS)
	Coexistence with communities and nature
Compliance → See pages 42-47 for more details.	Education and enhancement of awareness to promote a personal sense of involvement in compliance initiatives
	Improvement of systems and promotion of measures to establish compliance
Human rights	Promotion of "management of risks involving human rights"
Disclosure	Public relations activity based on the viewpoints and sensitivities of society
Crisis management → See pages 42-47 for more details.	Promotion of Group-wide risk management
	Reduction of important risks
Information	Establishment of the PDCA cycle

Fiscal 2015 major initiatives

Review of internal rules for engineering-related employees working during intervals between operating trains
 Creation of practical edition of risk assessment handbook / Implementation of risk assessments of plans
 Initiatives for "Think-and-Act" with the Fukuchiyama Line accident etched in mind / Establishment of Safety Perception Refinement Building
 Safety-related investment of about ¥90.2 billion

Fiscal 2016 key initiative plans

Promotion of initiatives in both tangible and intangible aspects, to address issues including improvement safety on platforms and coping with intensifying natural disasters / Evaluation of the scheme for safety management through third-party organizations, which was adopted in FY2016

Fiscal 2015 major initiatives

Prompt and courteous response to customers' voices and shortening of time required for response / Reflection of customers' voices in products and services
 Advancement of barrier-free station facilities, beautification and renewal of restrooms / Enhancement of information guide services for inbound visitors, etc.
 Prevention of schedule disruption / Quick recovery from schedule disruption / More prompt information guidance to customers (deployment of tablet devices, launch of operating status information app utilizing push notification)
 Communication of examples of improvement based on customers' voices / Initiatives to improve manners (communication via website and YouTube, launch of blog)
 Enhancement of value of railway belts through station improvements and enhancement of lifestyle-related services / Promotion of cooperation with local governments and regional companies and schools / Uncovering and communication of attractive resources in area
 City development efforts centered on stations, and creation of bustle as a unified Group / Tourism promotion together with local partners / Uncovering of new regional products and communication of information about these
 Initiatives under the JR-West-Relief-Foundation / Continuation of workplaces' activities rooted in communities / Support for the handing down of traditional culture in communities
 PDCA cycle for training based on understanding the individuals / Further developing and utilizing motivated employees
 Promotion of communication / Supporting the development of workplaces that ensure positive mental and physical health / Workplace environments that let diverse employees participate actively in work with a sense of unity
 Securing human resources with a sense of mission and challenging spirit
 Adopting energy-saving rolling stock; promoting energy-saving train driving / Initiatives to conserve energy in stations, etc.
 Promotion of 3Rs for railway materials / Promotion of recycling of garbage from stations and trains
 Systematic education on environmental conservation / Group-wide drills based on emergency scenarios / Setting of environmental targets for 70 Group companies
 Conservation of biodiversity / Improvement of conveniences for the use of low CO₂-emission railways
 Discussion-based training matched to individual standpoints / Basic knowledge acquisition through e-learning, etc. / Roll-out to Group companies
 Identification of important risks in Group companies and execution of countermeasures / Implementation of questionnaires for Group companies / Improvement of whistle-blower system and making the system known well
 Identification of risks of human rights violations, and selection of top-priority issues from among these, at each workplace / Implementation of human rights training for prevention
 Initiatives to gain understanding / Maintenance and improvement of foundations for public relations ability
 Checks of and support for initiatives of Group companies through face-to-face meetings / Securing of system for prompt reporting of risk information on Group companies
 Scheduled implementation of measures to reduce important risks / Revision of risk map, and management of 13 items as important risks
 Implementation of education through e-learning, etc. / Implementation of emergency inspections centered on systems that handle customers' personal information

Fiscal 2016 key initiative plans

Enhancement of the content of responses to customers' voices and shortening of required time
 Understanding of and response to the need for societal changes (inbound visitors, senior/female customers, etc.)
 Promotion of measures and equipment improvement through organizational cooperation; invigoration and expansion of systems
 Active communication of results of initiatives
 Development of initiatives leveraging human networks, promotion of urban tourism, and improvement of value of railway belts
 Development of tourism routes leveraging the strengths of the railway and in cooperation with local partners, and continuation of initiatives to rediscover, reevaluate, and communicate the attractions of areas
 Continuation and deepening of initiatives rooted in communities, with efforts also made toward initiatives that contribute to resolution of local issues together with local partners
 Follow-up of human resource development initiatives at the level of systems and work site / Promotion of "post-recruitment" for more active participation by motivated employees
 Efforts toward both the use of systems and the creation of environments facilitating the use of systems / Career development support for employees engaged in childcare
 Promotion of active participation by, and active hiring of, senior-aged employees
 Promotion of the roll-out of Eco Stations and technological development, and promotion of the adoption of energy-saving rolling stock and high-efficiency equipment
 Further expansion of recycling of recyclable garbage from stations and trains, and further efforts toward reducing waste from facilities construction
 Strengthening of education to enable action with awareness of environmental risks and global environmental protection / Deepening of initiatives by Group companies
 Promotion of environmental conservation activities in cooperation with communities (preservation of rare animal species along train lines, preservation of scenic landscapes, etc.)
 Review of curriculum based on requests in post-training questionnaires, etc., and continued implementation of education to raise awareness of ethics
 Ongoing efforts to make whistle-blower system known well and instill understanding of its purpose / Ongoing implementation of corporate ethics questionnaire
 Devising ways of communicating and sharing case studies (via email, training workshops, etc.) so that these case studies are known well to all
 Active communication of information on the progress of the JR-West Group Medium-Term Management Plan 2017 (update) and the Safety Think-and-Act Plan 2017
 Ongoing promotion of risk management in close cooperation with Group companies / Promotion of sharing of information, countermeasures, etc. concerning new risks
 Ongoing implementation of education on the handling of personal information and on cyber-attack countermeasures / Promotion of adaptation to the "My Number" national identification number scheme

Safety

Value provided to society

- Safely transport passengers to their destinations
- Prevent all major occupational injuries and fatalities

Basic Approach

Safety is of the highest priority at 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 also 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 2017. 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 this 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 updates, new technology development, and other safety-related investments, we are committed to attaining higher levels of safety in our operations.

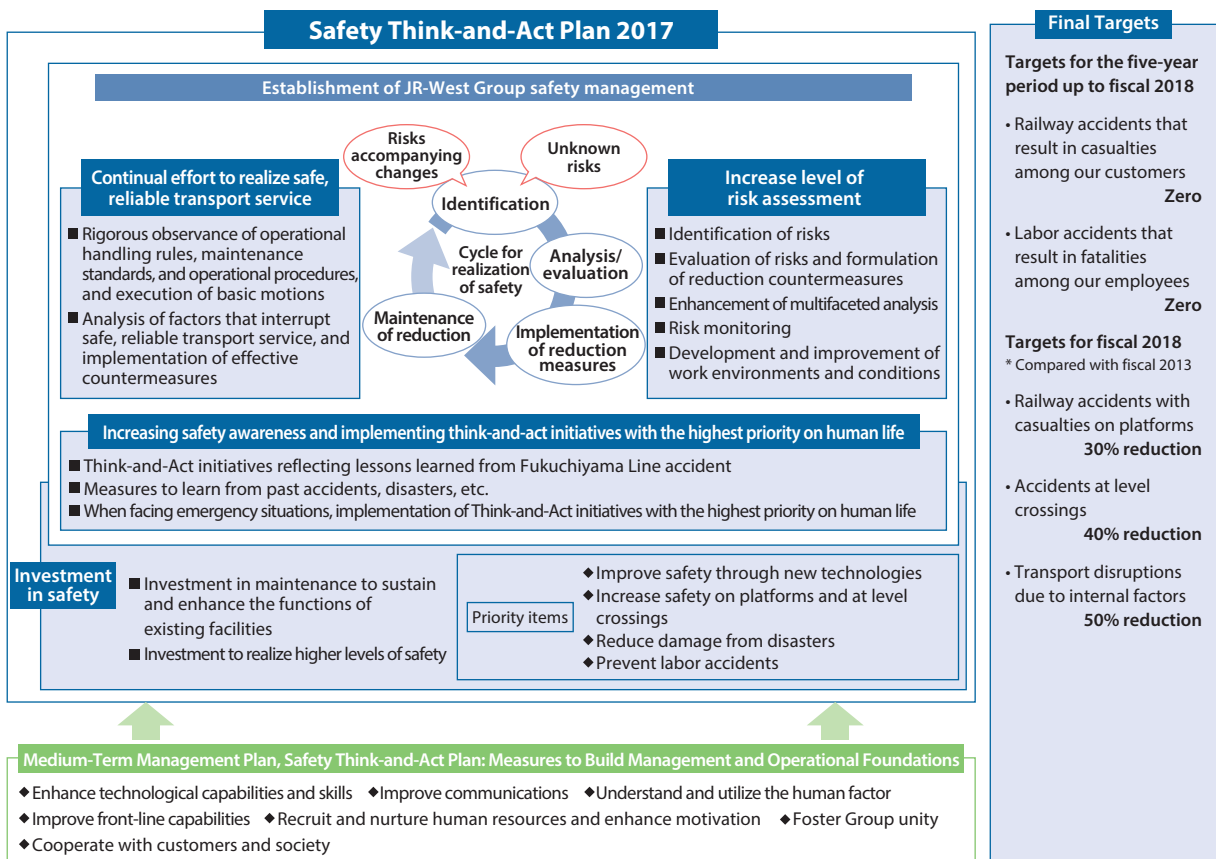
Based on recommendations from the JR-West Safety Follow-up Meeting, we have introduced a framework where starting in fiscal 2016 we will receive objective evaluations and professional advice with regards to our safety management systems from a third-party organization. Utilizing these evaluations and advice, we will continually enhance safety management systems.

Safety Think-and-Act Plan

Eliminating railway accidents that result in casualties among our customers and labor accidents that result in fatalities among our employees

JR-West established Safety Think-and-Act Plan 2017 in March 2013 as a concrete plan for the fundamental strategy of "safety" in the JR-West Group Medium-Term Management

Plan 2017. The pillars of this plan are continual effort to realize a safe, reliable transport service; increasing the level of risk assessment; increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life; and investment in safety. Our goals in these areas are expressed by a five point numerical scale.



Increasing Level of Risk Assessments

Risk assessment consists of quantifying risks and taking appropriate actions for matters that should be addressed as high priorities. We are implementing risk assessment at all of our front-line work sites and branches, and at our head office.

In March 2014, we created and utilized the Risk Assessment Handbook as a manual for sharing the definition of and approach to risk assessment as well as for encouraging greater action to be taken by each work site.

We also prepared a new practical edition of this handbook in March 2015 in an effort to provide greater support to work sites by providing perspectives that can contribute to a higher level of risk assessment.

Increasing Safety Awareness and Implementing Think-and-Act Initiatives with the Highest Priority on Human Life

We are carrying out think-and-act initiatives that focus on remembering the Fukuchiyama Line accident in an effort to heighten employees' awareness toward safety. Through these efforts, we are working hard to ensure all employees never forget the tragedy of accidents and importance of life, while carrying out accident prevention initiatives as part of their daily work. To realize the Safety Charter, we are working closely with the police, fire departments, and community members to conduct training exercises based on various scenarios, including the regular comprehensive railway accident training and tsunami evacuation guidance training.

In conjunction with this training, "Think-and-Act Training" is also implemented. This training incorporates the same elements as found in crew resource management (CRM) carried out by the airline industry in order for train crew members to be able to accurately assess the situation, think flexibly, and take the most suitable action for the prioritization of human life when faced with an earthquake or other large-scale disaster or an emergency such as a fire on a train.



Training at the Railway Safety Education Center



Comprehensive railway accident drill held with the police and fire department

Investment in Safety

Railway systems are operated using various equipment and facilities. In order to properly maintain these and improve safety, we invest in equipment and facilities that are specifically for safety and disaster prevention. In the Safety Think-and-Act Plan, we embarked on work to sustain and enhance the functions of existing facilities, and to realize higher levels of safety in our operations. We plan to invest a total of approximately ¥480 billion in safety measures over the five years of the plan. In fiscal 2014, the first year of the plan, we invested ¥89.3 billion in safety, and in fiscal 2015, the second year, we invested ¥90.2 billion.

Safety measures at level crossings



In addition to omni-directionally visible level crossing warning lights, we have also installed obstacle detection systems that can inform a train driver about a vehicle or other obstacle stuck inside a level crossing as well as an emergency button for informing the train driver of a dangerous situation at a level crossing.

Meanwhile, we are also installing crossbars that do not fracture and easily return to their original shape, to make it easy for a vehicle caught inside a level crossing to push the crossbar out of the way to exit the crossing.

Safety measures on platforms



We have installed emergency buttons and fall detection mats on station platforms that inform train crew and station staff in the event that a passenger falls onto the tracks. In addition, we have installed raised striped and dotted tiles, known as Braille blocks, for the visually impaired and have painted the edge of platforms red to increase visibility. We have also installed blinking red lights to notify passengers that a train is approaching. At the same time, we continue to install platform gates to prevent customers from falling onto the tracks or contacting arriving or departing trains.

Initiatives to Improve Safety on Platforms

Researching the behavioral patterns of inebriated passengers on the platform

Based on the fact that inebriated passengers account for a large proportion of falls from platforms, we analyzed actual incidents where inebriated passengers either fell onto the tracks or contacted an arriving or departing train. The results of this analysis found that some 60% of the incidents involving falls onto the tracks by an inebriated passenger occurred because they walked from the middle of the platform, where benches are placed, directly toward the tracks.

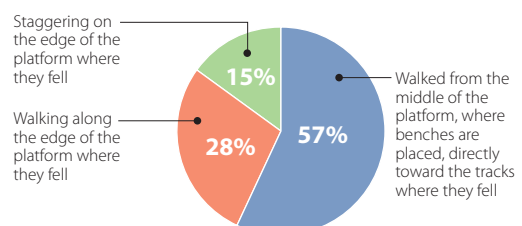
Inebriated passengers were also found to fall onto the tracks after a series of precursor behaviors. In particular, a considerable number of incidents involved the inebriated passenger standing up from a bench and walking immediately forward toward the tracks where they fell.

To prevent such falls involving inebriated passengers, we have repositioned the direction that benches face at some stations. Research results have also been made known to station staff and train crews to ensure that they can help to effectively and efficiently prevent inebriated passengers from being hit by a train or falling onto the tracks.



At some stations we have repositioned benches to face away from tracks in order to prevent falls

• Falls from platforms involving inebriated passengers



Customer Satisfaction

Value provided to society

- Services that assure our customers of safety and reliability including a railway with high transport quality
- Comfortable and convenient services that perceive customer expectations and respond to diverse needs

Basic Approach

As the operator of a business with strong public service characteristics, the JR-West Group deepens communication with customers supported by the CS Vision and CS Think-and-Act Declaration, based on the confidence placed in us by our customers and society. Through this and by continuing the practice of customer-oriented management, we enhance the value we provide with the hope that we are developing customers into “fans of JR-West.”

Specifically, it is critical that we grasp our customers’ needs and expectations, and steadily reflect this information in safety and services based on social trends. Increasing transport quality is an issue of particularly great importance. By implementing meticulous, stable transport measures and enhancing our ability to provide information from the customer’s perspective, we will continue working so that our

customers can use our services with peace of mind and reliability. Furthermore, in addition to responding to customer voices swiftly and with sincerity and promoting the enhancement and improvement of services, we will broadly communicate our initiatives to obtain society’s understanding of JR-West.

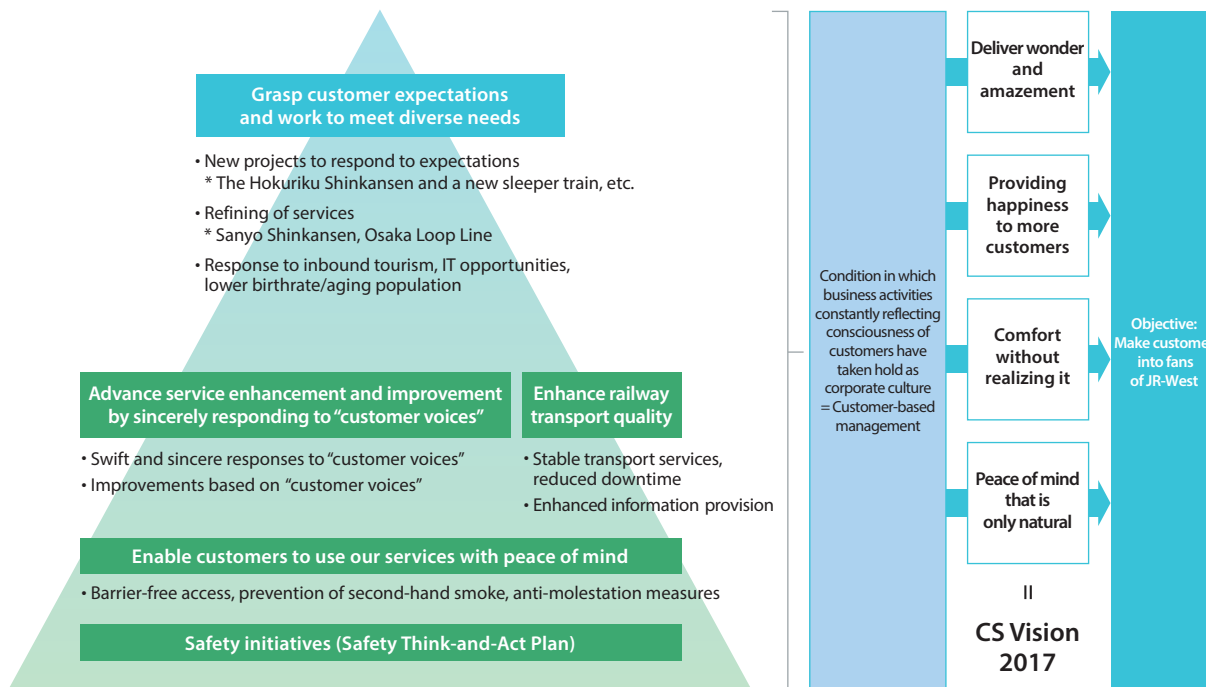
In order that even more customers become “fans of JR-West,” we will embed such initiatives in the corporate culture and aim to achieve customer-oriented management.

Taking on Board Customer Voices to Promote the Enhancement and Improvement of Services

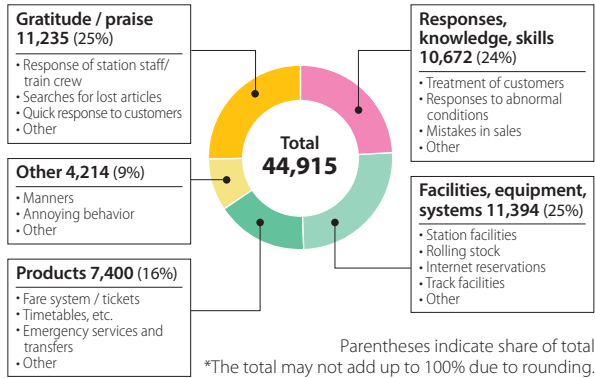
We take customer voices seriously and respond.

Customer voices, which include opinions, requests, gratitude and praise, are solicited directly by station staff and train crew as well as obtained from customer suggestion boxes set up at major stations. Additionally, the JR-West Customer Center responds to telephone calls and email inquiries and other contacts from customers. We strive to address each individual customer voice in detail and make efforts to reduce the time it takes to provide responses. Moreover, we utilize such methods as adding all customer voices to our database to assess trends in requests as well as identifying issues that need to be resolved to promote measures from the customer’s point of view.

Aims of the JR-West Group’s CS Initiatives (Medium-Term Management Plan)



Customer Voices in Fiscal 2015



Improved internal carriage door signage from 2014

We added English language signage in response to customer feedback wanting signage to be more easily understood by customers from abroad



Perceiving Customer Expectations and Responding to Diverse Needs

We use surveys and customer voices to identify changes in society and reflect these in specific measures.

Providing comfortable facilities to customers

JR-West is working to beautify and renovate restrooms and make facilities at stations accessible to all (barrier free) in response to the needs of all customers who use them. In fiscal 2015, we renovated restrooms along the Osaka Loop Line and other lines.

Enhancing information provided to customers

We are expanding free Wi-Fi services in response to the rising number of inbound visitors and the greater use of IT. In fiscal 2015, we began providing information on train operations in different languages via our website in an effort to enhance user convenience for inbound visitors.



December 2014
Began free Wi-Fi onboard the Haruka Limited Express in response to requests from inbound visitors

March 2015
Launched free Wi-Fi services that do not require password authentication at Kansai Airport Station



Building a Railway with High Transportation Quality

We are working to improve on-time performance and enhance information when there are service disruptions.

Preventing schedule disruptions and quickly restoring services

In addition to preventing schedule disruptions through maintenance and inspection of rolling stock and facilities, we have updated our train operation control system and set up new facilities for turn back operations throughout our service area in order to ensure services are quickly restored in the event disruptions do occur. Near Higashi-Kishiwada Station on the Hanwa Line, we have started a project to elevate the tracks in order to improve safety, alleviate traffic congestion, and invigorate exchange around the station. In fiscal 2015, we first completed elevation of the tracks bound for Wakayama and we are now continuing with construction work on the other set of tracks bound for Tennoji.

Speeding up announcements to customers

We are using IT to speed up announcements given to customers during service disruptions. This involves the distribution of tablet devices to station staff and train crew and the start of posting train operation information on our website.

An operating status information app utilizing push notifications that deliver train operating information to customers' devices whenever a delay or other issue occurs on the line they have preregistered launched in July 2015.



February 2015
Services commenced first on the Wakayama-bound elevated platform and tracks at Higashi-Kishiwada Station on the Hanwa Line



Operating status information app utilizing push notifications that deliver train operating information

Coexistence with Communities

Value provided to society

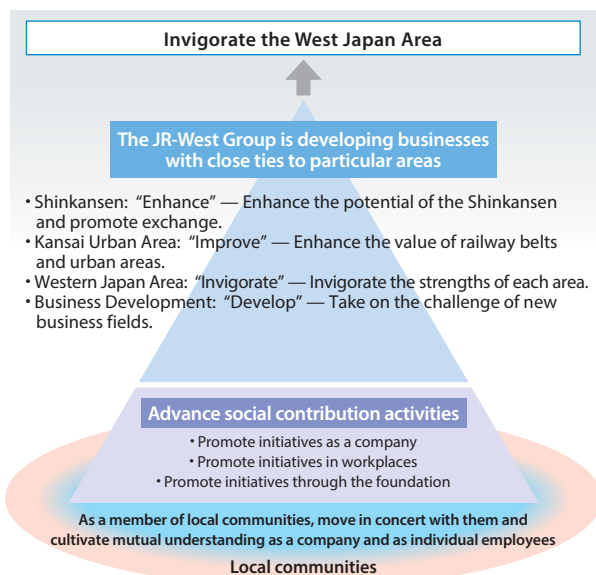
- Development along railway lines that creates attractive communities to live and visit
- Tourism promotion with local partners that leverages the strengths of railways
- Working with local partners to invigorate communities through business development tailored to each area

Basic Approach

While the business risk brought by Japan's declining population has become clearer than ever before, movements throughout Japan aimed at regional revitalization are accelerating, with positive outcomes from specific initiatives beginning to emerge. Given this situation, the JR-West Group remains steadfast in its commitment to build win-win relationships with local partners and work together with them toward the goal of invigoration. For the JR-West Group, which has railway operations as the core of its business, such efforts represent the key to its sustainable growth. 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 Medium-Term Management Plan 2017," which we are currently implementing.

Specifically, we believe it important to maintain dialog with local residents and establish human networks between residents and the Group in each area to achieve a common understanding of local issues and demands, and cooperate in exploring an ideal form for communities. We furthermore aim to realize area management for long-term, sustainable growth through building a win-win relationship with each community by strengthening cooperation with local governments and businesses, regarding development of stations and surroundings, tourism promotion, local transportation, and business development grounded in the area.

Coexistence with Communities—Overview



In the area of social contribution activities, the Group is continuing to engage in exchanges with the region on an operational level. At the same time, we hope to engage in initiatives that contribute to the resolution of local issues through leveraging the strengths of the JR-West Group.

Kansai Urban Area

— Enhance the value of our railway belts and urban areas.

JR-West is working to create railway belts that are attractive to live near, visit, and travel in through development projects taking place mainly along its rail lines.

Enhancing the value of railway belts through station improvements and enhancement of lifestyle-related services

To enhance the value of railway belts while leveraging the unique characteristics of each area, we are working on integrated community development and redevelopment projects involving stations and the surrounding communities. We are also working to augment and improve lifestyle-related services so that stations can serve as the hub of each community.



March 2015
Renewal of Ibaraki Station commenced in conjunction with the development project for the Ibaraki Station east exit implemented by Ibaraki City on the opening of a new campus by Ritsumeikan University

Promoting collaborative efforts with local governments, businesses and schools

JR-West has worked alongside local governments, businesses and schools to enhance the value of railway belts through leveraging the characteristics of each area to create vibrancy and vigor in the community.

- Project with local partners (Kyoto Umekoji Redevelopment Association) to make the Kyoto Umekoji area accessible to everyone

JR-West has organized an initiative together with the Kyoto City Government as well as businesses and organizations in the area to invigorate and make lasting improvements to the ease of getting around in the area from Kyoto Station to Umekoji Park in advance of the opening of the Kyoto Railway Museum in the spring of 2016.



Landmarks will be set up and banners and flags will be posted to promote a more enjoyable and safer walking experience

• **Kyoto Railway Museum (opening spring 2016)**

The basic concept of the museum is to serve as a hub of railway culture together with the local community so that JR-West can give back to the local economy and culture and also contribute to the revitalization of the community through the operation of this museum.



launched in the spring of 2016. This team is working with local community members to find traditional tourism resources in the area as yet unknown by the rest of Japan, such as scenery, arts and crafts, local cuisine and locally crafted alcohol. Those selected through a screening process will be promoted in various ways, either through pop up shops set up inside stations, introductions on large screens at stations, or by being incorporated into hotel restaurant menus. The goal is to increase visibility and create new tourism destinations while also expanding the sales channels of local products to help invigorate the community.



Kibinokuni task force team with bear mascot



Pop-up shop and large display inside Okayama station ticket gates

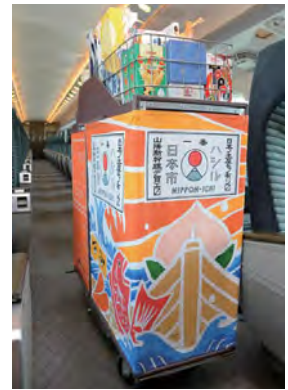
Western Japan Area
— **Develop businesses that leverage the attractions of each area.**

JR-West is working with local governments and businesses to develop projects that capitalize on the appeal of each area.

At the same time, we are also working on initiatives providing next generation solutions based on a sharing of the current situation surrounding regional transportation and future vision together with community members.

Finding and sharing new local products in the Western Japan area

Leveraging its strengths, JR-West continues to search for and share appealing local products made in the Western Japan area.



May 2015
Launched an in-train sales service selling local specialty products on Sanyo Shinkansen services

Improving the hub function of major stations and improving access to urban areas

In the Hiroshima urban area, we are working to enhance our city network and improve the hub function of Hiroshima Station and its surroundings by transitioning to an over-track station and the opening of Shin-Hakushima Station.



March 2015
Shin-Hakushima Station opened, offering direct connections between the Sanyo Main Line and the Astram Line

Further Enhancing Social Contribution Activities

JR-West continues to engage in activities focused on domains closely linked with its railway and other business operations.

Tourism promotion with local partners that leverages the strengths of railways

JR-West is working to promote tourism through the development of tourism resources and routes in partnership with local partners as well as Destination Campaigns (travel campaigns).

Promoting initiatives that contribute to local communities

As a company closely engrained in the local community, JR-West carries out grassroots activities such as community events and safety classes. We also focus efforts on contributing to solutions to issues faced by the community by utilizing the strengths of the JR-West Group.

• **Working with local partners to find and share attractions in the Okayama area**

JR-West has set up a special task force team to identify hidden tourism resources in the community in order to leverage the collective strengths of the JR-West Group in the Okayama area prior to the Okayama Destination Campaign set to be



May 2015
Organized a folk arts festival to support the future of traditional culture



January 2015
Safe crossing class held at Ashiya kids' room

Human Resources/Motivation

Value provided to society

Greater customer peace of mind and reliability through human resources development and improved employee motivation

(Human resources development) Initiatives aimed at individual employee growth - individual vitality

(Job satisfaction) Creating workplaces that are rewarding and vibrant - organizational vitality

(Human resources acquisition) Ensuring the required human resources for business operations

Basic Approach

JR-West requires individual employees to “think-and-act,” which means independent thinking and acting.

In order to develop human resources with the ability to “think-and-act,” we believe that it is important to provide support for growth tailored to the individual aptitudes of employees. In addition to supervisors motivating individual employees to acquire and improve the knowledge, technology, skills, leadership, and management capabilities needed for accomplishing their work, we provide support for employee growth through the establishment of a range of training according to themes and level of proficiency in conjunction with daily on-the-job training (OJT).

We also make efforts to create workplaces that provide job satisfaction so that each employee can fully demonstrate their ability to “think-and-act.” Through repeated active communication based on empathy between supervisors and subordinates and among colleagues, we share goals in the workplace, increase teamwork and motivation, and actively implement measures based on the insights and proposals of employees (“thinking and acting based on the field”). We achieve goals and resolve issues as an organization through an accumulation of this kind of “thinking-and-acting.” In addition, active participation and “thinking-and-acting” by diverse employees irrespective of age, gender and other characteristics—including senior employees, female employees, employees with disabilities, employees who are juggling work with parenting or nursing—are essential for the growth of the JR-West Group. In addition to striving to enhance work-life balance, both in terms of programs such as reduced working hours and in terms of creating a workplace atmosphere that is conducive to the utilization of the programs, we also offer support for improving physical and mental health.

Human resources sustain the business operations of the JR-West Group. We believe that the demonstration of each employee’s abilities to the fullest forms the driving force behind the improvement of safety and customer satisfaction, leading to trust from customers and eventually an increase in corporate value. We will continue striving to develop human resources and improve job satisfaction in the future.

(Human Resources Development) Initiatives Aimed at Individual Employee Growth - Individual Vitality

JR-West is working to enhance practical ability and improve

motivation at the individual employee level in an effort to achieve safety and peace of mind in daily railway operations and raise customer satisfaction (CS).

PDCA cycle for training based on understanding the individual

We assess each individual based on practical ability standards for the work-related skills and abilities necessary for every position and level, while visualizing the current situation of every employee. Training programs are decided based on this, with on-the-job training and group training tailored to the needs of the individual employee. This is part of the process for promoting a PDCA cycle for HR training in which the results of the training are reviewed and the individual is motivated to achieve the next target, we work to effectively improve the practical abilities of employees. In fiscal 2015, we organized the status and issues of each branch of operations and worked to enhance the PDCA cycle implemented for human resource development.

As we approach the retirement of a large number of experienced employees, the way in which to pass on the techniques and skills that underpin safety and CS is becoming an urgent matter. Accordingly, we are facilitating the transfer of techniques and skills from experienced employees to younger ones, in addition to rehiring retired employees.



Further developing and utilizing motivated employees

The basis for improving practical abilities can be found in continual efforts and innovation in daily work based on individual targets established by individual employees. Meanwhile, technology and expertise are continually improved through collaborative practical work with colleagues carried out based on the instructions or advice of supervisors and senior colleagues.

JR-West has myriad training programs intended to complement this type of on-the-job training. In addition to rank-based training that includes new employee orientation, we offer training based on occupational ability, where participants learn specialized knowledge, technologies and techniques, and selective training that aims to develop the future leaders of the company.

Additionally, we have an open “post-recruitment” system intended to develop highly motivated employees with a challenging spirit and ensure the right employees are placed in the right job assignment. In fiscal 2016, employees used the open post-recruitment system to apply for positions in rolling stock design and for the preparation of the opening of the Kyoto Railway Museum.



New employee orientation



Training based on occupational ability



Selective training

We hold training for younger employees through open recruitment so that they can improve their own practical abilities and gain leadership abilities.

(Human Resources Acquisition) Ensuring the Required Human Resources for Business Operations

JR-West is working to acquire human resources stability through diversity in hiring.

Securing human resources with a sense of mission and challenging spirit

To secure the needed human resources in the face of a changing employment environment, JR-West targets new graduates as well as contract workers, mid-career hires, and the re-hiring of employees that reached the age of mandatory retirement. In fiscal 2016, we reached our goals for human resource hiring thanks to the expanded use of our corporate website to recruit workers. At the same time, we are working on labor-saving approaches to railway operations given the anticipated decline in the labor population going forward.

• Hiring in fiscal 2016

New graduates	581 (135 females)
Contract workers	174 (56 females)
Mid-career	84 (7 females)
Senior re-employment	428 (1 female)

As of June 2015, 2.46% of JR-West's workforce includes people with disabilities, which exceeds the mandatory statutory percentage.

Women in the workplace

At JR-West, we believe in appointing the most suitable person for the job. This also applies to the promotion of women to executive and management positions.

The board of directors at JR-West comprises 14 members, which includes one woman. In June 2015, JR-West appointed its first-ever female executive officer. As for women in managerial positions, as of July 1, 2015, there are 43 female managers Group-wide, including one female holding the position equivalent to general manager (Group

company president), which represents 3% of all managers and a 126% increase compared to fiscal 2006.

Since restrictions on women working late at night were abolished in a revision of the Labor Standards Act in 1999, we have prepared the necessary facilities and furthered the expansion of positions in which women can be active. Having continued to actively appoint women, the number of female employees stationed across all workplaces is 3,250 (approximately 10% of the total workforce) current as of this fiscal year.

(Job Satisfaction) Creating Workplaces that are Rewarding and Vibrant - Organizational Vitality

JR-West is working to harness the dynamism and contributions of each employee for positive organization-wide outcomes.

Supporting the development of workplaces that ensure positive mental and physical health

Based on the belief that corporate value is enhanced through a diverse workforce that includes both genders, as well as parents and caregivers, we are actively promoting work-life balance initiatives in terms of both systems to support employees in their professional and personal lives and the creation of workplace environments that make accessing these systems easier. For example, in fiscal 2015, some 640 employees, including 80 men, took childcare leave and nearly all of these employees returned to work after their leave was over, which shows that many employees take advantage of these systems. Furthermore, we have formulated and are implementing a plan of action based on the Act on Advancement of Measures to Support Raising Next-Generation Children and have been awarded the third "Kurumin mark" certification by the Ministry of Health, Labour and Welfare as a company complying with its standards.



The Kurumin mark

• Work-life balance support book

This book, which is given to all employees, contains information about the company's childcare and nursing care leave systems as well as a compilation of employee stories about their experiences using such leave, in order to encourage greater work-life balance and support employees in their career development.



Global Environment

Value provided to society

- Energy efficient and resource-saving railway
- Avoiding environmental risks
- Co-existence with communities and nature

We are adopting energy-saving railcars and facilities, promoting technological development, as well as implementing a variety of energy conservation initiatives at stations and in offices and promoting energy-saving train driving.

In addition, we are working toward building a sustainable society by collaborating with communities and other public transportation institutions, increasing the convenience and appeal of railways and promoting initiatives to attract a larger number of passengers to select rail as their choice for transportation. In conjunction with these efforts, we are putting increased effort toward having each and every employee reduce environmental impacts in his or her everyday business activities, while avoiding environmental risks with due regard for legal compliance.

Basic Approach

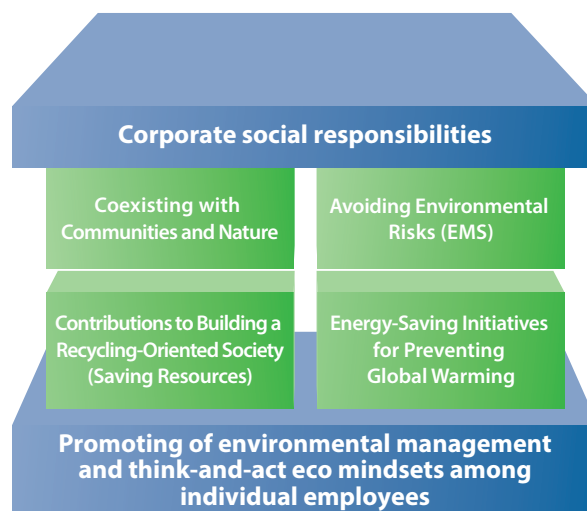
Initiatives for protecting the global environment are an important social responsibility that corporations are called upon to fulfill. Based on this recognition, in order to further elevate the environmental advantage that railways possess (lower CO₂ emissions per unit of transport volume), we have established environmental targets in the JR-West Group Medium-Term Management Plan 2017.

[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.



Environment Targets

Item	Fiscal 2015 Target	Fiscal 2015 Actual	Fiscal 2016 Target	Fiscal 2018 Target
Energy consumption volume (entire company) (vs. fiscal 2011)	(3%)	(2%)	(2%)	(2%)* ^{2,3}
Same as above (for conventional line operation, station offices, etc.) (vs. fiscal 2011)	(5%)	(6%)	(8%)	(9%)* ²
Energy-saving rolling stock as a percentage of total rolling stock	79%	79%	81%	83%
Energy consumption rate (vs. fiscal 2011)* ¹	(3%)	(3%)	(3%)	(3%)* ^{2,3}
Recycling rate of recyclable garbage from stations and trains	96% or greater	98%	96% or greater	
Railway material recycling rate	Facility construction	96% or greater	96% or greater	
	Rolling stock	91% or greater	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 Medium-Term Management Plan

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

Note: figures in brackets () are negative values.

Energy-Saving Initiatives for Preventing Global Warming

We are working to reduce the energy consumption of rolling stock and stations to become a more environmentally friendly railway.

Reducing energy consumption

To reduce the amount of energy used to operate trains, which accounts for 85% of the energy JR-West consumes, we are moving forward with the adoption of more energy efficient rolling stock. At the end of fiscal 2015, energy efficient rolling stock accounted for 79% of our rail fleet and plans call for further additions in urban areas, where the energy saving effect is rather large. We are also making efforts to operate trains with less energy, such as shortening acceleration and lengthening coasting.

Energy consumed at stations accounts for 14% of the total, so in addition to diligently cutting back on electricity usage, we have created Eco Station Design Guidelines to further reduce energy usage by segmenting power circuits and updating lighting as well as air conditioning equipment. We have also adopted nature-friendly designs at some new stations and remodeled stations, which utilize sunlight, wind or rainwater.



March 2015
Introduced 227 series rolling stock at the Hiroshima Branch, which is more energy efficient than the 115 series

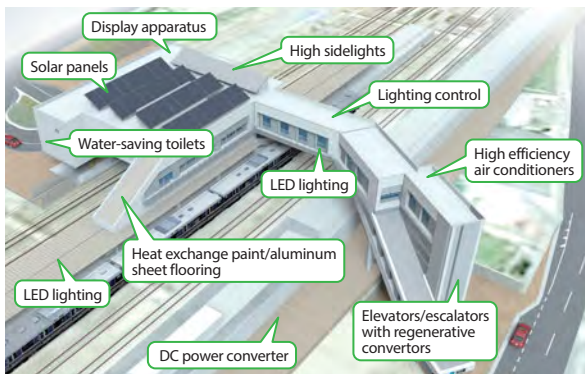


February 2015
The new condominium J. GRAN L IBARAKI constructed by JR West Real Estate & Development Company was recognized with a five-star rating (the highest possible) under the Ministry of Economy, Trade and Industry's smart condominium evaluation program

Rolling out Eco Stations

We have established Eco Station Design Guidelines and are working to realize environmentally conscious stations by adopting energy-saving devices, and utilizing natural illumination and rain water in newly built and renovated stations.

We are aiming for new levels of energy-saving stations,



Maya Station (provisional name)

as exemplified by Maya Station (provisional name), which is set to open in the spring of 2016 and will be equipped with a direct current electric power converter able to utilize regenerative electric power* at the station.

* Regenerative electric power: Electric power generated using motors that are driven when trains apply their brakes.

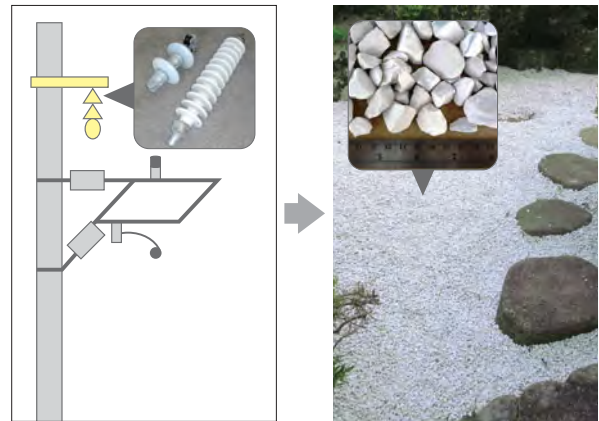
Contributions to Building a Recycling-Oriented Society (Saving Resources)

We are striving to reduce and reuse garbage from stations, garbage on board trains, and construction waste.

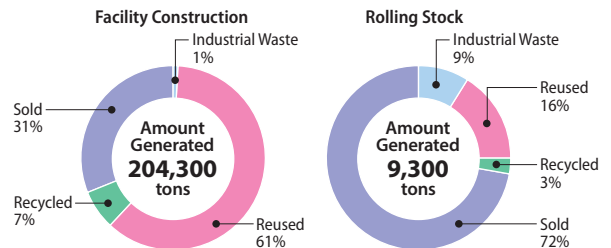
Initiatives to reduce waste from railways

With the helpful cooperation of passengers, we are separating and recycling garbage collected in stations and on board trains. In addition, we are working toward implementing the 3Rs (reduce, reuse, recycle) with regard to railway materials such as rolling stock, rails, crossties, and ballast. In fiscal 2015, we reduced waste from facility construction by 99% and waste from rolling stock by 91%.

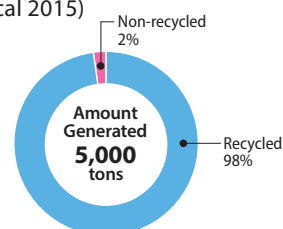
• Construction waste is recycled into landscaping stones



• Status of 3Rs for Railway Material (Fiscal 2015)



• Recycling rate of recyclable garbage from stations and trains (Fiscal 2015)



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.

JR-West will comply properly with the spirit and intent of the Corporate Governance Code, which came into force on June 1, 2015 as one of the listing regulations for Japan's financial securities markets.

Overview of the Corporate Governance System and Reasons for Adopting This System

JR-West adopted the structure of a Company with Audit & Supervisory Board members as its corporate governance system, pursuant to the Companies Act of Japan. By subjecting the execution of duties by directors to appropriate auditing by each of the four Audit & Supervisory Board members (all males), including three external Audit & Supervisory Board members, 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, comprising one female and four male 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 Audit & Supervisory Board 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 initiative in materializing the Corporate Philosophy, and generates a sense of common values that will constitute the basis of honest and fair business behavior.

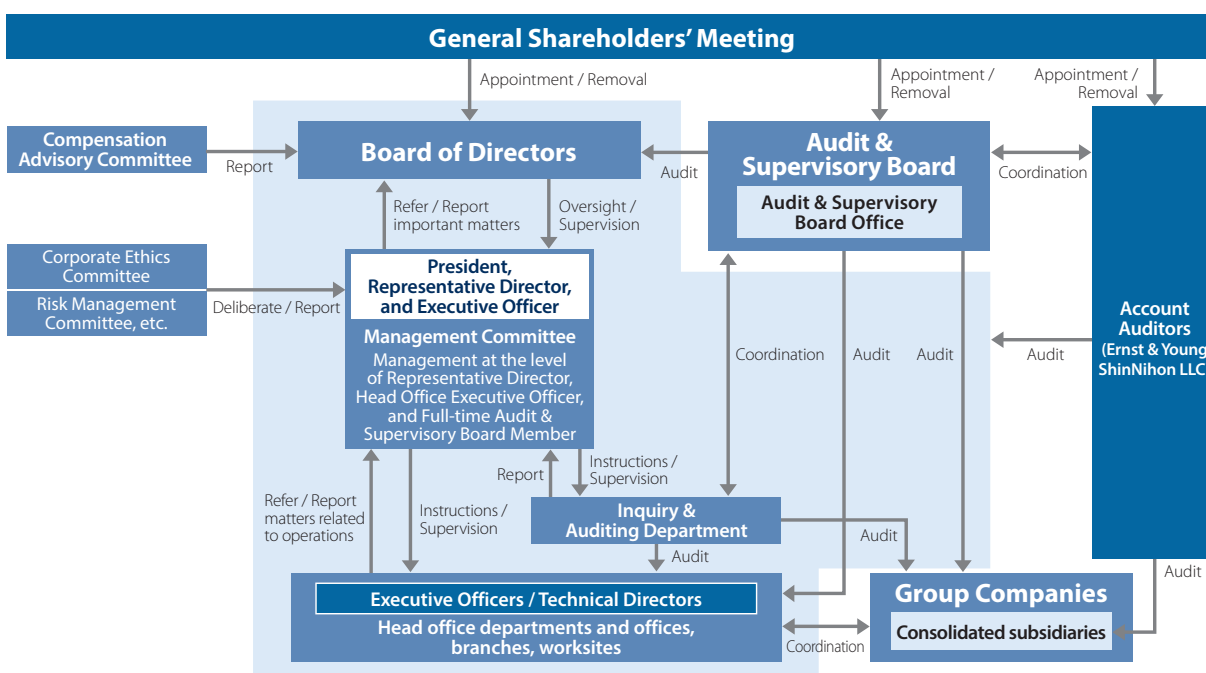
The Company established a Corporate Ethics Committee chaired by the President, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.

The Company also established a system to accept consultations through contacts with its Ethics Office and outside attorneys as to questionable acts from the perspective of law or corporate ethics, 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 (ending March 31).

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.

To strengthen the Board of Directors' oversight and supervisory functions, 5 of the 14 directors the Company appoints (1 female and 13 male directors) are external directors, whose specialized role



Note: Denotes audit scope of the account auditors

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 to the Board of Directors the candidates for director to be recommended to the General Shareholders' Meeting. The Board 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 Companies Act of Japan, the Board of Directors has formally authorized the Company's fundamental stance regarding the internal control 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

The Company has established a Corporate Philosophy and Safety Charter as the foundation of its corporate management. Additionally, the authorization by the Board of Directors of the Medium-Term Management Plan and business operation policy for the fiscal year, established for the entire Group (the Company and its subsidiaries; hereinafter the same shall apply) in order to achieve its Corporate Philosophy and Safety Charter, ensures the Group shares the same direction.

Furthermore, 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 initiative in materializing the Corporate Philosophy. Through the following initiatives, the Company strives to establish a structure for corporate ethics, including legal compliance, for all of its business activities.

(1) Proper administration of Board of Directors' meetings

- The Company clearly distinguishes directors specializing in supervision and oversight and directors carrying out business operations (serving concurrently as executive officers). The Company also appoints more than one

external director, while also making sure that a structure is in place to provide information to external directors.

- The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, and report the development of execution of business and matters concerning corporate ethics in a timely and appropriate manner.
- The Company continually improves the effectiveness of the Board of Directors through clarification of policy risks and its role within the Medium-Term Management Plan.

Based on the above efforts, the Company will reinforce the Board of Directors' functions to make reasonable decisions and to supervise and oversee corporate management.

(2) Ensuring the proper execution of duties

- 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.
- 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.
- 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.
- The Company increases objectivity and transparency by defining selection criteria for directors and executive officers.
- 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.
- The Company has established a department in charge of dealing with anti-social forces and response manuals. The Company also works closely with specialist outside agencies to take a resolute stance against anti-social forces and eliminate any possible relationships.

(3) Establishment of a deliberation body for corporate ethics and enhancement of the whistleblower system

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

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 Audit & Supervisory Board Members.

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. At the same time, the Company is working to establish a system for carrying out proper risk management for all of its business activities through the following initiatives.

- 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.
- The Company will steadily achieve higher levels of safety through "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.
- 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, discusses and decides upon important response measures and the preparation of related manuals. 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.

4. Systems to ensure that directors execute their duties efficiently

- Based on the JR-West Group Medium-Term Management Plan and business operations policy for the fiscal year authorized by the Board of Directors, the directors responsible for each department, based on their creation of departmental policy, appropriately carry out the duties necessary to implement the measures of their departments in accordance with their administrative authority and with rules for decision making determined by regulations relating to Company organizations and the execution of Company duties.
- 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

The Company has established a Medium-Term Management Plan for the entire Group so that the entire Group shares the same direction. To fulfill its responsibilities as a member of society, the Company will ensure the appropriateness of operations in the corporate group through the following systems established to improve compliance awareness and corporate ethics.

(1) Basic promotion system for Group management

- The Company has established a department in charge of promoting Group management. Material matters related to the management of Group Companies, including business plans, are deliberated in advance with the Company and reported on after the fact to the Company in accordance with the Group Company Management Regulations established by the Company.
- The Company regularly holds various meetings and training sessions for executives and employees of Group Companies to ensure information is shared mutually within the Group.

(2) Appointment of JR-West officers as officers at Group Companies

- The Company's officers are appointed as Presidents and Auditors at key Group Companies to ensure the legal compliance and effectiveness of Group management.

(3) Establishment of corporate ethics and risk management system for the entire Group.

- Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Group-wide corporate ethics.
- The Risk Management Committee determines fundamental matters related to Group-wide risk management.
- The Company has established a department in charge of the entire Group's risk management, while each subsidiary establishes committees and regulations to construct systems to establish a Group-wide corporate ethics system and carry out appropriate risk management.
- Furthermore, the Company has a system in place for specific risk management for the entire Group whereby head office departments, branch offices and Group Companies identify important risks and carry out countermeasures. The department in charge of risk management for the entire Group manages the progress and provides support together with internal audit departments.

(4) Whistleblower system

- Under the whistleblower system, hotlines established inside and outside the Company address consultations related to Group Companies. At the same time, the Company strives to make the whistleblower system known to all Group Companies.

(5) Internal audits of Group Companies

- Internal audits of the Company can, when necessary, verify the legal and regulatory compliance of the business operations of Group Companies.
- The evaluation of internal control related to financial reporting is carried out as a Group initiative because all businesses are subject to these evaluations on a consolidated basis.

6. Matters relating to those employees who provide assistance to Audit & Supervisory Board members and the independence of those employees from directors and matters for ensuring the effectiveness of instructions given to these employees

- The Audit & Supervisory Board Office has been established as an organization for Audit & Supervisory Board members, and employees are selected to staff the office in order to support the duties of Audit & Supervisory Board members.
- The staff carries out its duties in accordance with the instructions of the Audit & Supervisory Board members in a position that is independent from other departments.
- The Company has established a cooperative system for information sharing for these employees to execute their duties.
- These employees are selected carefully based on their knowledge and acumen given the important role they play in the function of audits. Decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the Audit & Supervisory Board members.

7. Systems for directors and employees of the Company and its subsidiaries and persons receiving reports from directors or employees to report to Audit & Supervisory Board members, other systems for reporting to Audit & Supervisory Board members, and systems for ensuring that no unfavorable treatment is received due to such reports

- The Company's directors, executive officers, and employees, as well as the directors, executive officers and employees of Group Companies, immediately report to the Audit & Supervisory Board members or the Audit & Supervisory Board 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 or its Group Companies incurring significant damage.
- Audit & Supervisory Board members receive regular reports and additional reports as needed on the status of internal audits, details of reporting to the Ethics Office for all Group Companies, details of the activities of the Deputies to the Safety Manager, details of the activities of each department and the issues they face, and any other items as requested by Audit & Supervisory Board members or the Audit & Supervisory Board.
- The protection of persons submitting a report is handled properly in accordance with the internal regulations of the Company and Group Companies.

8. Other systems to ensure that Audit & Supervisory Board members carry out their audits effectively

- To ensure the effectiveness of the audits carried out by Audit & Supervisory Board members, directors and other executives maintain systems for Audit & Supervisory Board members 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 Audit & Supervisory Board members to carry out their audit activities effectively.
- The Company will assume any cost that occurs from the execution of Audit & Supervisory Board Member

duties, including consultations with external professionals, such as attorneys or auditing companies.

- 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.
- The Company will enhance and bolster the entire Group's Audit & Supervisory Board audit system to accommodate regular meetings of the Company's full-time Audit & Supervisory Board members and Audit & Supervisory Board members of Group Companies, such as the Group Audit & Supervisory Board member Conference.

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 Audit & Supervisory Board members 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 Audit & Supervisory Board Members, Internal Audits, and Accounting Audits

In accordance with the auditing policies and audit plan prepared by the Audit & Supervisory Board, Audit & Supervisory Board members 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. Audit & Supervisory Board members also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Audit & Supervisory Board 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 Audit & Supervisory Board members, including external Audit & Supervisory Board members, the Audit & Supervisory Board Office has been established as an organization for Audit & Supervisory Board members and employees are selected to staff the office in order to support the duties of Audit & Supervisory Board members. The staff carries out its duties in accordance with the instructions of the Audit & Supervisory Board members. Audit & Supervisory Board member 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 25 staff. 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 Audit & Supervisory Board members 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,

Corporate Governance

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 40 members: 24 other CPAs and 16 other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the Audit & Supervisory Board members, 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 2015, auditing procedures were conducted by the following CPAs.

Name	Affiliated auditing firm	Consecutive years of auditing
Designated limited liability partners	Ernst & Young ShinNihon LLC	—
Partners		—
		—

Policies Regarding the Functions, Roles, Relationship with the Company, and Independence of the External Directors and External Audit & Supervisory Board Members

JR-West adopts the structure of a Company with Audit & Supervisory Board members as its corporate governance system. Specifically, by subjecting the execution of duties by directors to appropriate auditing by each of the four Audit & Supervisory Board members, including three external Audit & Supervisory Board members, 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 Audit & Supervisory Board members have been submitted to the securities exchanges on which the Company is listed to identify them as independent officers.

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 external director Hideo Miyahara is affiliated with Osaka University, an institution to which the Company provides research grants.

All three external Audit & Supervisory Board members were selected due to their rich backgrounds in a variety of fields—Mikiya Chishiro in politics, and Yoshinobu Tsutsui 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 Audit & Supervisory Board members 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 Audit & Supervisory Board members are able to audit the execution of duties of the directors from an independent position. External Audit & Supervisory Board Member Yoshinobu Tsutsui is also President of 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)	¥428	¥428	—	—	—	10
Audit & Supervisory Board Members (excluding external Audit & Supervisory Board Members)	¥ 30	¥ 30	—	—	—	1
External directors and external corporate auditors	¥ 88	¥ 88	—	—	—	8

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 Audit & Supervisory Board members, 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.

Audit & Supervisory Board Member 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 Audit & Supervisory Board member is determined through consultations among the Audit & Supervisory Board members. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all Audit & Supervisory Board members 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: 36

Total carrying amount on the balance sheet: ¥14,693 million

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

Fiscal 2014

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	¥ 2,485	To maintain a good relationship, facilitate smooth business operations
Japan Tobacco Inc.	610,000	¥ 1,976	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,800	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 1,656	
The Kinki Sharyo Co., Ltd.	3,454,000	¥ 1,340	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 637	
Electric Power Development Co., Ltd.*	192,840	¥ 562	
Mizuho Financial Group, Inc.*	1,767,410	¥ 360	
Resona Holdings, Inc.*	299,300	¥ 149	
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 2015

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	¥ 2,643	To maintain a good relationship, facilitate smooth business operations
Japan Tobacco Inc.	610,000	¥ 2,318	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 2,172	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,878	
The Kinki Sharyo Co., Ltd.	3,454,000	¥ 1,347	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 994	
Electric Power Development Co., Ltd.*	192,840	¥ 781	
Mizuho Financial Group, Inc.*	1,260,160	¥ 266	
Resona Holdings, Inc.*	299,300	¥ 178	
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

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 of the 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.

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 Companies Act of Japan, the Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc., based on a resolution by 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 stipulate 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 Companies Act of Japan are a quorum of shareholders with one-third or more of the 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.

Board of Directors and Audit & Supervisory Board Members

As of June 23, 2015

Board of Directors

Chairman of the Board of Directors

Takayuki Sasaki

Directors

Tadashi Ishikawa¹

Special Counsel, OH-EBASHI
LPC & PARTNERS

Yumiko Sato¹

Professor, Faculty of
Regional Development
Studies, Otomon Gakuin
University

Yuzo Murayama¹

Vice President, Doshisha
University

Norihiko Saito¹

Chairman, KINDEN
CORPORATION

Hideo Miyahara¹

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

President, Representative Director,
and Executive Officer

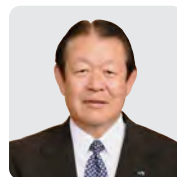


Seiji Manabe

Vice Presidents, Representative Directors, and Executive Officers



Akiyoshi Yamamoto



Shizuka Yabuki



Tatsuo Kijima

Directors and Senior Executive Officers

Akihiro Horisaka

Kazuaki Hasegawa

Norihiko Yoshie

Nobutoshi Nikaido

Audit & Supervisory Board Members

Yasutaka Kikuchi²

Mikiya Chishiro^{2,3}

Yasumi Katsuki³

Certified Public Accountant,
Katsuki Office

Yoshinobu Tsutsui³

President and Representative
Director, Nippon Life Insurance
Company

¹ External Director ² Full-Time Auditor ³ External Auditor

Message from the External Director



Yuzo Murayama

I am a professor at Doshisha Business School where I lecture on corporate social responsibility and the invigoration of Kyoto's local industries. At the same time, I'm involved in the management of the university as vice president. As vice president, last year I carried out the reform of Doshisha University's governance system and organization based on the new policy announced by the Ministry of Education, Culture, Sports, Science and Technology.

There are many similarities between corporations and universities when it comes to governance. One shared challenge is

how to build a system for balancing government policy with the unique characteristics of the company or university. If you only follow government policy, you cannot create a governance system that works well for a particular organization. On the other hand, if you build a system too dependent on the unique characteristics of the organization, checks on management will lose effectiveness. Currently, the government of Japan is placing greater pressure on companies to act on governance, as evidenced by the Corporate Governance Code. This is why now is the time to establish a JR-West style governance system by balancing government policy with JR-West's unique characteristics.

Career

April 1982 Joined Nomura Research Institute, Ltd.
June 1985 Deputy Chief Research Fellow, Economic Investigation
Division, Nomura Research Institute, Ltd.
July 1985 London Branch, Nomura Research Institute, Ltd.
April 1989 Full-time Lecturer, Department of English and American
Languages, Kansai Gaidai University
Oct. 1993 Assistant Professor, American Studies, Department of Area
Studies, Osaka University of Foreign Studies

Jan. 2001 Professor, Osaka University of Foreign Studies
April 2004 Professor, Doshisha Business School
April 2009 Professor and Dean, Doshisha Business School
June 2010 Director of the Company (present post)
April 2011 Professor, Doshisha Business School (present post)
April 2014 Vice President, Doshisha University (present post)

Executive Officers

As of June 23, 2015

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
Akihiro Horisaka
Deputy Senior General Manager of Railway Operations
Headquarters / Senior General Manager of Marketing
Department, Railway Operations Headquarters

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

Nobutoshi Nikaido
General Manager of Deliberation Department of
the Derailment Accident on the Fukuchiyama Line
General Manager of General Affairs Department

Senior Executive Officers
Kouhei Ogino
General Manager of Shinkansen Management Division

Takaiki Ikoma
Deputy Senior General Manager of Railway Operations
Headquarters / General Manager of Transport Safety
Department, Railway Operations Headquarters

Fumito Ogata
Senior General Manager of Corporate Planning
Headquarters / Senior General Manager of
Tokyo Headquarters

Executive Officers
Masashi Nonaka
General Manager of Kanazawa Branch

Shoji Kurasaka
General Manager of Corporate Communications
Department

Atsushi Sugioka
General Manager of Hiroshima Branch

Katsumi Tsuchida
General Manager of Construction Department

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

Yoshihisa Hirano
General Manager of Railway System Planning
Department, Railway Operations Headquarters

Shinichi Handa
General Manager of Track & Structures Department,
Railway Operations Headquarters

Kunimasa Kojima
Senior General Manager of IT Headquarters

Kuniaki Morikawa
General Manager of Transport Department,
Railway Operations Headquarters

Keijiro Nakamura
General Manager of Okayama Branch

Masafumi Ise
Deputy Senior General Manager of Business
Development Headquarters

Ushio Kurahara
General Manager of Personnel Department

Satoshi Iwasaki
Deputy Senior General Manager of Kansai Urban Area
Regional Head Office / General Manager of Kyoto
Branch, Kansai Urban Area Regional Head Office

Toshihiro Matsuoka
General Manager of Yonago Branch

Tadashi Kawai
General Manager of Wakayama Branch

Takashi Shiojima
Deputy Senior General Manager of Kansai Urban Area
Regional Head Office / General Manager of Kobe
Branch, Kansai Urban Area Regional Head Office

Yuujiro Kagawa
Deputy General Manager of Shinkansen Management
Division / General Manager of Fukuoka Branch,
Shinkansen Management Division

Hiroaki Maeda
General Manager of Fukuchiyama Branch

Tatsuya Nagamitsu
Deputy Senior General Manager of Kansai Urban Area
Regional Head Office / General Manager of Osaka General
Control Center, Kansai Urban Area Regional Head Office

Yutaka Nakanishi
General Manager of Finance Department

Kouichi Haruna
Deputy Senior General Manager of Tokyo Headquarters

Makiko Tada
General Manager of Customer Satisfaction Department,
Railway Operations Headquarters

Nobuo Hashimoto
Deputy Senior General Manager of Business
Development Headquarters

Hideki Mizuguchi
Deputy Senior General Manager of Supporting
Headquarters for the Victims of the Derailment
Accident on the Fukuchiyama Line

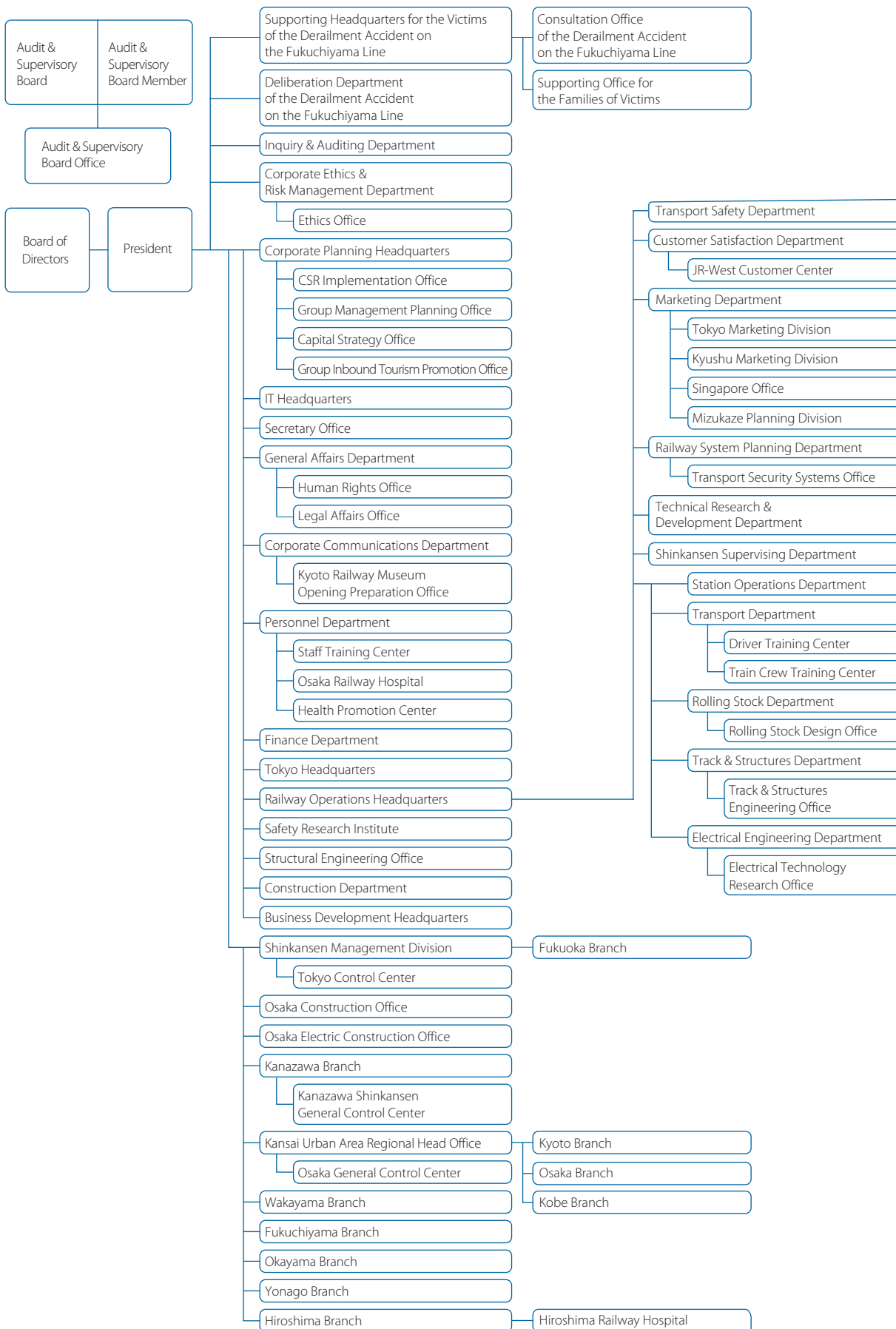
Senior Technical Director
Yoshifumi Matsuda
General Manager of Structural Engineering Office

Atsushi Kawai
General Manager of Safety Research Institute

Technical Director
Fumio Tanaka
General Manager of Technical Research & Development
Department, Railway Operations Headquarters

Organizational Structure

As of July 1, 2015



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Consolidated 10-Year Financial Summary

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

	2006	2007	2008
OPERATIONS:			
Operating revenues	¥ 1,240.0	¥ 1,262.9	¥ 1,290.1
Operating income	135.2	135.3	137.4
Net income	46.5	56.7	57.7
BALANCE SHEETS:			
Total assets	2,355.9	2,401.6	2,462.8
Long-term debt and payables*2	1,024.9	986.7	957.2
Total shareholders' equity	564.2	—	—
Total net assets	—	637.8	670.8
CASH FLOWS:			
Net cash provided by operating activities	164.0	188.6	222.1
Net cash used in investing activities	(101.7)	(131.7)	(179.2)
Net cash provided by (used in) financing activities	(69.3)	(54.6)	(55.8)
OTHER DATA:			
Depreciation and amortization	111.9	112.8	128.0
Capital expenditures, excluding contributions received for construction	125.3	144.9	187.9
EBITDA*3	247.1	248.1	265.4
PER SHARE DATA*4:			
Net income	¥ 23,282	¥ 28,415	¥ 28,954
Cash dividends	6,000	6,000	6,000
Net assets	282,245	303,906	322,294
RATIOS:			
ROA (Operating Income Basis)	5.7	5.7	5.6
ROE	8.5	9.7	9.3
DOE	2.2	2.0	1.9
Rate of total distribution on net assets*5	—	—	—
Equity ratio	23.9	25.3	25.9

*1 Yen figures have been converted into U.S. dollars at the rate of ¥120=U.S.\$1.00, the exchange rate prevailing on March 31, 2015.

*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.

*5 Rate of total distribution on net assets = (total dividends + acquisitions of treasury stock) / consolidated net assets

						Billions of yen	Millions of U.S. dollars*1
2009	2010	2011	2012	2013	2014	2015	2015
¥ 1,275.3	¥ 1,190.1	¥ 1,213.5	¥ 1,287.6	¥ 1,298.9	¥ 1,331.0	¥ 1,350.3	\$ 11,252
122.5	76.5	95.9	109.7	129.4	134.5	139.7	1,164
54.5	24.8	34.9	29.4	60.1	65.6	66.7	555
2,461.8	2,546.3	2,672.4	2,642.9	2,613.7	2,687.8	2,786.4	23,220
953.2	1,038.9	1,102.6	1,068.8	983.0	980.7	1,004.2	8,368
—	—	—	—	—	—	—	—
689.6	702.1	721.2	733.5	768.1	807.3	846.7	7,055
178.8	161.3	223.2	206.2	238.0	237.7	223.6	1,863
(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(1,774)
(10.1)	54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	14
137.0	141.9	150.8	169.3	160.8	153.9	149.5	1,246
163.9	210.1	260.0	195.4	152.9	166.7	225.6	1,880
259.5	218.4	246.8	279.1	290.3	288.4	289.3	2,411
						Yen	U.S. dollars*1
¥ 27,729	¥ 12,837	¥ 18,066	¥ 152.29	¥ 310.87	¥ 338.98	¥ 344.58	\$ 2.87
7,000	7,000	8,000	90.00	110.00	115.00	125.00	1.04
339,113	345,568	355,712	3,632.41	3,850.82	4,048.31	4,138.65	34.48
						%	
5.0	3.1	3.7	4.1	4.9	5.1	5.1	
8.4	3.7	5.2	4.2	8.3	8.6	8.4	
2.1	2.0	2.3	2.5	2.9	2.9	3.1	
—	—	—	—	—	2.9	3.1	
26.7	26.3	25.8	26.6	28.5	29.2	28.8	

Management's Discussion and Analysis of Operations

Consolidated Basis

Results of Operations

For fiscal 2015 (year ended March 31, 2015), operating revenues rose ¥19.3 billion, or 1.5% year on year, to ¥1,350.3 billion, as both the Shinkansen and conventional lines enjoyed strong traffic owing to various measures implemented on the back of solid economic conditions and the new consolidation of DAITETSU KOGYO Co., LTD, and another company.

Operating expenses increased ¥14.1 billion, or 1.2% year on year, to ¥1,210.5 billion due to an increase in preparation costs for the opening of the Hokuriku Shinkansen Line and the impacts from the new consolidation of DAITETSU KOGYO and another company. Operating income, therefore, increased ¥5.1 billion, or 3.8% year on year, to ¥139.7 billion.

Net non-operating income (loss) improved by ¥3.8 billion year on year, to record a ¥17.7 billion loss, because of factors such as lower interest expense following the repayment of long-term debt.

Net extraordinary income was ¥700 million, an improvement of ¥1.9 billion compared to the previous fiscal year. This was attributed to the booking of negative goodwill from the new consolidation of DAITETSU KOGYO and another company, despite restoration costs incurred for damages sustained during heavy rainfall in Yamaguchi and Shimane prefectures during fiscal 2014.

Net income rose ¥1.0 billion, or 1.6%, year on year, to ¥66.7 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.

Shinkansen revenues are determined mainly by the numbers of business and leisure passengers served, and are therefore, affected by factors such as economic conditions, competition with airlines, and the number of inbound visitors.

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 demographic changes.

Retail business segment revenues come mainly from department stores, sales of goods and food services. 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 at stations, 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 introduction of popular stores is important for increasing the sales-dependent portion of rent, as well as boosting the customer-drawing power of stations and shopping centers. The remodeling of store interiors 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, competition from other hotels, and the number of inbound visitors. Revenues for travel agency operations, meanwhile, are affected mainly by competition from other travel agencies and factors, like economic conditions and terrorism, 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 2015, personnel costs totaled ¥233.0 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 railway that assures our customers of its safety and reliability. 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.

Furthermore, JR-West also foresees an increase in costs attributed to electricity price hikes.

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 2015, the Group's interest expense declined ¥2.1 billion, to ¥25.8 billion, as a result of the repayment of long-term debt.

Cash Flows

Net cash provided by operating activities decreased ¥14.1 billion year on year to ¥223.6 billion, due to factors such as a decrease in accounts payable - other.

Net cash used in investing activities increased ¥47.5 billion year on year to ¥212.9 billion because of an increase in outlays for the acquisition of property, plant and equipment.

Net cash realized from financing activities increased ¥49.5 billion year on year to ¥1.6 billion due to factors such as an increase in corporate bond issuances.

As a result, cash and cash equivalents as of March 31, 2015 amounted to ¥85.3 billion, up ¥12.3 billion from the end of the previous fiscal year.

Capital Demand and Capital Expenditures

In fiscal 2015, the JR-West Group undertook capital expenditures totaling ¥248.0 billion, of which the transportation operations segment accounted for ¥197.7 billion, the retail business segment ¥10.3 billion, the real estate business segment ¥30.2 billion, and the other businesses segment ¥9.7 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 railway that assures our customers of its safety and reliability. 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, 2015. 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

If an accident were to occur in the transportation business it could jeopardize customers' lives and result in serious damages to property, and in turn adversely affect the management of the Company.

With its core business railway operations, the Company recognizes that its most important task is to provide high quality, highly reliable and safe transportation services.

However, 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 "MLIT") for each type of line and railway business operated (article 3). Railway operators are also required to receive approval from 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 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, 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 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. 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 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.

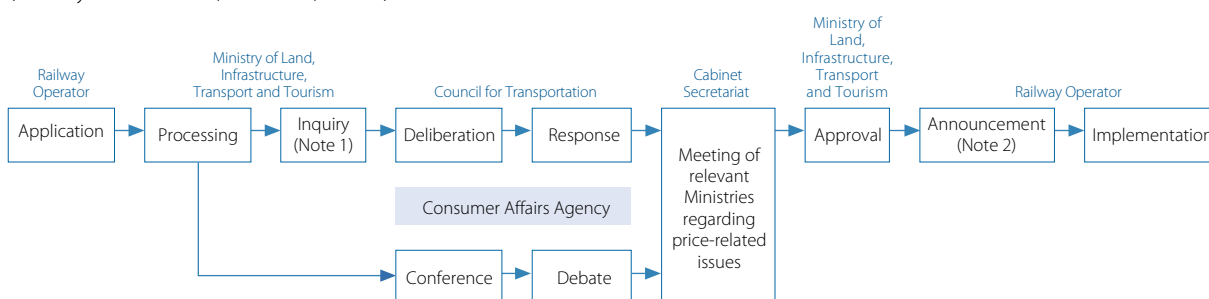
3 Relating to Establishment of and Changes to Fares and Surcharges

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 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 MLIT is as follows.



Notes: 1 This procedure is pursuant to article 64, 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 MLIT.

2 Under paragraph 2, Article 3 of the Railway Operation Act stipulates that at least 7 days public notice must be given for any increment in fares or other conditions of transportation.

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 and April 2014).

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 fare 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 advance 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 MLIT is as follows:

(a) 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 MLIT, railway operators can set or change fares and surcharges or other charges within the upper limits approved. However, 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–Kanazawa), 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 (JRRTT), is progressing construction on the following sections of the three lines: the Hokuriku Shinkansen Line (between Kanazawa–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 the 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"> • Approval by JR-West • Approval by municipal governments bordering tracks with regard to separate management of parallel conventional lines 	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.

- January 2015
(arrangement between the national government and ruling parties) Confirmation of future policies regarding the development of Shinkansen lines

Details of the arrangement made by the national government and ruling parties regarding the Hokuriku Shinkansen Line in January 2015

The Hokuriku Shinkansen Line (between Kanazawa–Tsuruga) will aim for completion and opening by the end of fiscal 2023, which is three years ahead of the initial plan of fiscal 2026.

Construction and Opening of 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–Kurobe–Unazukionsen 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
- March 2015
Nagano–Kanazawa segment opened

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 JRRT, 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 loan fees for the Joetsu Myoko–Kanazawa section of the Hokuriku Shinkansen Line that opened in March 2015 are ¥8.0 billion per year. The Company has determined that this is a reasonable amount as a result of taking the extent of JR-West’s benefits into consideration. For segments planned to be opened in the future, loan fees will be determined based on discussions about the extent of JR-West’s benefits prior to the opening.

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, MLIT confirmed the intentions to the Company regarding agreement for commencement of construction of the segment between the Hakusan car maintenance center and Tsuruga and 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 at an early stage. However, for the time being, we have informed 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.

In the January 2015 government and ruling party agreement, the Hokuriku Shinkansen Line (between Kanazawa–Tsuruga) will aim for completion and opening by the end of fiscal 2023, which is three years ahead of the initial plan of fiscal 2026. JR-West believes that solid forward progress will be

Operational and Other Risk Information

made toward the opening of the entire segment up to Osaka. However, the Company has moved forward with the development of GCTs for the opening of Tsuruga scheduled for the end of fiscal 2026, but by moving the opening ahead to the end of fiscal 2023, there will not be adequate development time, which means GCTs will not be completed in time. In this case, measures will be required for facilitating the smooth transfer of trains at Tsuruga Station.

Even if segments to undergo construction are extended with the aim of starting services on all lines, 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.

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 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 stemming from the improved convenience of flying due to 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 series Shinkansen rolling stock, increasing departures of its Nozomi and Mizuho Shinkansen services, and improving online reservation services, such as the “EX-IC service” and the “e5489” on the Shinkansen Line, while also developing attractively priced products in response to actions by airline companies, such as the “Super Haya-toku” early discount tickets. Additionally, the Company is improving the competitiveness of the Shinkansen by 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. The timetable for the evening service on the Osaka Loop Line has been aligned to make it easier to use while one additional special rapid service train is being operated between Yasu and Osaka during the morning commute on the Biwako and JR Kyoto lines in order to improve convenience for passengers commuting to work or school.

In addition, the Company 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.

The Group is contributing to the invigoration of communities by enhancing the quality of the railway, expanding non-transportation operations, and promoting new business creation. To that end we are deepening interaction and ties with communities, and working together as a corporate group to develop businesses with close ties to areas.

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.

Consolidated long-term debt at March 31, 2015, stood at ¥1,004.2 billion (including the current portion thereof), or 2.4% higher than the previous fiscal year. Interest payments for the fiscal years ended March 31, 2013, 2014, and 2015, were ¥30.4 billion, ¥28.0 billion, and ¥25.8 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)
- July 2013
Approval to change the basic business plan with regard to new station openings (between JR Nagase and Shin-Kami)

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: 14 (including Shin-Osaka and Kyuhoji stations)
- (e) Total construction cost: Approx. ¥120 billion (excluding new stations)
- (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 Kansai 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.

The Company is working hard in terms of disaster preparedness and disaster reduction measures to minimize damages caused by serious natural disasters in the future that will impact its business. Specifically, the Company has rolled out earthquake early detection and warning systems for the Sanyo Shinkansen and earthquake emergency news flash systems that also include conventional lines. The Company is steadily carrying out earthquake resistance reinforcement on its elevated tracks, bridges and support pillars to prepare for an earthquake in the Nankai Trough, which is expected to occur in the future. The Company is also making efforts to facilitate speedy evacuations in case of a tsunami, which includes practical drills, publication of the Tsunami Evacuation Guidance Manual and installation of evacuation route signage. Furthermore, based on the derailment of the Shinkansen during the Mid-Niigata Prefecture Earthquake in October 2004, the Shinkansen Derailment Countermeasures Committee was set up by the government to review earthquake countermeasures for the Shinkansen and promote the development of related technologies. The findings of this committee are helping the Company to develop facilities that will prevent the derailment of trains in operating during an earthquake, which in turn will prevent the possible spread of damage. In September 2013, a new indicator was added to the conventional line operation regulations for earthquakes, changing the handling of such situations to prioritize safety above all else.

Meanwhile, in recent years there has been a sharp increase in damages from torrential rainfall that occurs locally over a short period of time. Therefore, in March 2015, partial revisions were made to regulatory values and rainfall indicators in our operating regulations during rainfall on conventional lines in consideration of the changes in rainfall types in recent years and past damages caused by rainfall.

The Company is also developing other measures to prevent, to the greatest possible extent, serious damage to the Group's operations due to occurrences such as heavy rainfall and landslides.

As another measure 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 should occur in West Japan, such as Severe Acute Respiratory Syndrome (SARS), which saw an outbreak in 2003, or the extremely dangerous swine influenza virus, 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.

The Group is taking necessary measures to provide appropriate levels of transportation during an outbreak of pandemic influenza, while working closely with government affiliated institutions and local governments, in accordance with the Act on Special Measures for Preparedness and Response against Pandemic Influenza and New Infectious Disease enacted in April 2013.

12 Relating to Compliance

The Company, in conducting its business activities, is subject to the Companies Act of Japan, 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.

In 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 MLIT to conduct fact-finding inquiries, implement remediation measures, including preventive measures based on the results of such inquiries, and make a report thereof.

In November 2009, the Company submitted to 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 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 serving as public prosecutors indicted three former Presidents and Representative Directors of the Company—Masataka Ide, Shojiro Nan-ya, and Takeshi Kakiuchi. On September 27, 2013, the Kobe District Court issued a verdict of "not guilty" and on March 27, 2015, the Osaka High Court also issued a verdict of "not guilty." However, the designated attorneys serving as public prosecutor appealed this ruling on April 6, 2015.

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 Sheet

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2015 and 2014

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Assets			
Current assets:			
Cash and deposits (Notes 3, 10 and 20)	¥ 53,592	¥ 55,203	\$ 446
Short-term investments (Notes 3, 4 and 20)	32,000	18,000	266
Notes and accounts receivable (Note 20):			
Unconsolidated subsidiaries and affiliates	953	2,046	7
Trade	151,155	116,560	1,259
Less allowance for doubtful accounts	(770)	(638)	(6)
Inventories (Note 5)	57,755	44,215	481
Income taxes refundable (Note 12)	43	338	0
Deferred income taxes (Note 12)	18,475	18,622	153
Prepaid expenses and other current assets	50,339	44,067	419
Total current assets	363,544	298,414	3,029
Investments:			
Unconsolidated subsidiaries and affiliates (Notes 4, 6 and 20)	42,848	52,909	357
Other securities (Notes 4, 10 and 20)	18,875	14,449	157
Total investments	61,723	67,359	514
Property, plant and equipment, at cost (Notes 7, 8, 10 and 13):			
Land	671,123	659,947	5,592
Buildings and structures	3,099,656	3,110,627	25,830
Machinery, equipment and vehicles	1,352,075	1,293,092	11,267
Tools, furniture and fixtures	133,354	131,016	1,111
Construction in progress	61,453	75,521	512
	5,317,663	5,270,203	44,313
Less accumulated depreciation	(3,153,418)	(3,135,004)	(26,278)
Property, plant and equipment, net	2,164,245	2,135,199	18,035
Deferred income taxes (Note 12)	134,591	128,520	1,121
Asset for retirement benefits (Note 14)	2,592	1,469	21
Other assets	59,774	56,927	498
Total assets (Note 22)	¥ 2,786,470	¥ 2,687,890	\$ 23,220

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Liabilities and net assets			
Current liabilities:			
Short-term loans (Notes 9 and 20)	¥ 16,335	¥ 25,754	\$ 136
Current portion of long-term debt (Notes 9, 10 and 20)	48,645	46,572	405
Current portion of long-term payables (Notes 11 and 20)	33,645	38,104	280
Notes and accounts payable (Notes 10 and 20):			
Unconsolidated subsidiaries and affiliates	2,663	8,242	22
Trade	176,097	163,133	1,467
Prepaid railway fares received	38,412	50,997	320
Deposits and advances received (Note 20)	95,519	99,858	795
Accrued expenses (Note 20)	31,870	29,334	265
Income taxes payable (Notes 12 and 20)	18,584	27,248	154
Accrued bonuses for employees	37,166	35,921	309
Provision for customer point programs	1,566	1,418	13
Deferred income taxes (Note 12)	283	287	2
Other current liabilities	26,240	12,645	218
Total current liabilities	527,032	539,520	4,391
Long-term debt (Notes 9, 10 and 20)	791,775	732,789	6,598
Long-term payables (Notes 11 and 20)	138,205	171,891	1,151
Liability for retirement benefits (Note 14)	375,285	326,823	3,127
Provision for environmental safety measures	9,627	10,204	80
Provision for unutilized gift tickets	2,551	2,568	21
Deferred income taxes (Note 12)	4,040	405	33
Other long-term liabilities	91,251	96,309	760
Total long-term liabilities	1,412,736	1,340,991	11,772
Contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity (Note 16):			
Common stock			
Authorized – 800,000,000 shares at March 31, 2015 and 2014			
Issued and outstanding – 193,735,000 shares at March 31, 2015 and 2014	100,000	100,000	833
Capital surplus	55,000	55,000	458
Retained earnings (Note 24)	643,198	632,187	5,359
Less treasury stock, at cost – 129,581 shares at March 31, 2015 and 96,571 shares at March 31, 2014	(480)	(359)	(4)
Total shareholders' equity	797,717	786,828	6,647
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 4)	4,955	3,429	41
Net unrealized deferred gain on hedging instruments	638	557	5
Retirement benefits liability adjustments	(2,047)	(6,906)	(17)
Total accumulated other comprehensive income (loss)	3,547	(2,920)	29
Minority interests	45,436	23,470	378
Total net assets	846,701	807,378	7,055
Total liabilities and net assets	¥ 2,786,470	¥ 2,687,890	\$ 23,220

See accompanying notes to consolidated financial statements.

Financial Statements

Consolidated Statement of Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Operating revenues (Notes 8 and 22)	¥ 1,350,336	¥ 1,331,019	\$ 11,252
Operating expenses:			
Transportation, other services and cost of sales (Note 8)	1,028,221	1,015,174	8,568
Selling, general and administrative expenses (Note 17)	182,340	181,251	1,519
	1,210,562	1,196,426	10,088
Operating income (Notes 8 and 22)	139,774	134,593	1,164
Other income (expenses):			
Interest and dividend income	947	516	7
Interest expense	(25,898)	(28,053)	(215)
Equity in earnings of affiliates	1,901	1,445	15
Gain on contributions received for construction (Note 7)	52,395	15,955	436
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment (Note 7)	(51,494)	(13,972)	(429)
Gain on sales of property, plant and equipment	3,005	2,125	25
Loss on sales of property, plant and equipment	(4,483)	(120)	(37)
Other, net (Notes 8 and 23)	6,563	(802)	54
	(17,062)	(22,905)	(142)
Income before income taxes and minority interests	122,712	111,687	1,022
Income taxes (Note 12):			
Current	41,334	47,965	344
Deferred	14,328	(3,339)	119
	55,662	44,625	463
Income before minority interests	67,049	67,061	558
Minority interests	(336)	(1,421)	(2)
Net income	¥ 66,712	¥ 65,640	\$ 555

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 67,049	¥ 67,061	\$ 558
Other comprehensive income (loss) (Note 18):			
Net unrealized holding gain on securities	1,937	754	16
Net unrealized deferred gain on hedging instruments	102	86	0
Retirement benefit liability adjustments	5,203	—	43
Other comprehensive (loss) income of affiliates accounted for by equity method attributable to West Japan Railway Company	(61)	41	(0)
Total other comprehensive income	7,182	881	59
Total comprehensive income	¥ 74,231	¥ 67,943	\$ 618

Comprehensive income attributable to the shareholders of West Japan Railway Company and minority shareholders of consolidated subsidiaries for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Comprehensive income attributable to shareholders of West Japan Railway Company	¥ 73,180	¥ 66,460	\$ 609
Comprehensive income attributable to minority shareholders of consolidated subsidiaries	1,051	1,482	8

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

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 on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at April 1, 2013	¥100,000	¥55,000	¥609,508	¥(21,995)	¥742,512	¥2,677	¥488	¥ —	¥3,165	¥22,495	¥768,174
Net income for the year	—	—	65,640	—	65,640	—	—	—	—	—	65,640
Cash dividends	—	—	(21,310)	—	(21,310)	—	—	—	—	—	(21,310)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Cancellation of treasury stock	—	—	(21,649)	21,649	—	—	—	—	—	—	—
Change of scope of equity method	—	—	—	(12)	(12)	—	—	—	—	—	(12)
Net changes in items other than shareholders' equity	—	—	—	—	—	751	68	(6,906)	(6,086)	974	(5,111)
Balance at April 1, 2014	100,000	55,000	632,187	(359)	786,828	3,429	557	(6,906)	(2,920)	23,470	807,378
Cumulative effect of change in accounting principle	—	—	(32,454)	—	(32,454)	—	—	—	—	—	(32,454)
Balance at April 1, 2014, as adjusted	100,000	55,000	599,733	(359)	754,374	3,429	557	(6,906)	(2,920)	23,470	774,924
Net income for the year	—	—	66,712	—	66,712	—	—	—	—	—	66,712
Cash dividends	—	—	(23,248)	—	(23,248)	—	—	—	—	—	(23,248)
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	(121)	(121)	—	—	—	—	—	(121)
Net changes in items other than shareholders' equity	—	—	—	—	—	1,526	81	4,859	6,467	21,965	28,433
Balance at March 31, 2015	¥100,000	¥55,000	¥643,198	¥ (480)	¥797,717	¥4,955	¥638	¥(2,047)	¥3,547	¥45,436	¥846,701

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 on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at April 1, 2014	\$833	\$458	\$5,268	\$(2)	\$6,556	\$28	\$4	\$(57)	\$(24)	\$195	\$6,728
Cumulative effect of change in accounting principle	—	—	(270)	—	(270)	—	—	—	—	—	(270)
Balance at April 1, 2014, as adjusted	833	458	4,997	(2)	6,286	28	4	(57)	(24)	195	6,457
Net income for the year	—	—	555	—	555	—	—	—	—	—	555
Cash dividends	—	—	(193)	—	(193)	—	—	—	—	—	(193)
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Net changes in items other than shareholders' equity	—	—	—	—	—	12	0	40	53	183	236
Balance at March 31, 2015	\$833	\$458	\$5,359	\$(4)	\$6,647	\$41	\$5	\$(17)	\$29	\$378	\$7,055

See accompanying notes to consolidated financial statements.

Financial Statements

Consolidated Statement of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Millions of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 122,712	¥ 111,687	\$ 1,022
Adjustments for:			
Depreciation and amortization	149,590	153,903	1,246
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	51,494	13,972	429
Loss on disposal of property, plant and equipment	6,101	5,182	50
Increase in liability for retirement benefits, net	4,335	11,377	36
Decrease in allowance for doubtful accounts	(148)	(263)	(1)
Increase in accrued bonuses for employees	210	867	1
Decrease in other accruals	(575)	(260)	(4)
Interest and dividend income	(947)	(516)	(7)
Interest expense	25,898	28,053	215
Equity in earnings of affiliates	(1,901)	(1,445)	(15)
Gain on contributions received for construction	(52,395)	(15,955)	(436)
Increase in notes and accounts receivable	(779)	(18,894)	(6)
Increase in inventories	(4,504)	(6,286)	(37)
(Decrease) increase in notes and accounts payable	(5,811)	36,982	(48)
Increase (decrease) in accrued consumption taxes	11,338	(5,013)	94
Other	(5,255)	883	(43)
Subtotal	299,361	314,275	2,494
Interest and dividend received	819	516	6
Interest paid	(26,039)	(28,222)	(216)
Income taxes paid	(50,527)	(48,835)	(421)
Net cash provided by operating activities	223,613	237,733	1,863
Cash flows from investing activities			
Payments for time deposits with a maturity in excess of three months	(231)	(231)	(1)
Proceeds from time deposits with a maturity in excess of three months	231	230	1
Purchases of property, plant and equipment	(239,680)	(182,585)	(1,997)
Proceeds from sales of property, plant and equipment	2,678	2,153	22
Contributions received for construction	27,816	20,009	231
Purchases of investments in securities	(1,404)	(2,464)	(11)
Proceeds from sales of investments in securities	304	127	2
Increase in long-term loans receivable	(120)	(302)	(1)
Collection of long-term loans receivable	142	431	1
Other	(2,647)	(2,724)	(22)
Net cash used in investing activities	(212,912)	(165,356)	(1,774)
Cash flows from financing activities			
Net increase in short-term loans	221	1,541	1
Proceeds from long-term loans	67,200	66,200	560
Repayment of long-term loans	(25,656)	(38,805)	(213)
Proceeds from issuance of bonds	40,000	10,000	333
Redemption of bonds	(20,000)	—	(166)
Repayment of long-term payables	(38,114)	(39,705)	(317)
Purchases of treasury stock	—	(0)	—
Cash dividends paid to shareholders of West Japan Railway Company	(23,249)	(21,300)	(193)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(143)	(115)	(1)
Other	1,432	(25,624)	11
Net cash provided by (used in) financing activities	1,689	(47,811)	14
Net increase in cash and cash equivalents	12,390	24,565	103
Cash and cash equivalents at beginning of year	72,956	48,390	607
Cash and cash equivalents at end of year (Note 3)	¥ 85,346	¥ 72,956	\$ 711

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

West Japan Railway Company and its consolidated subsidiaries
March 31, 2015

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, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net asset.

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 ¥120 = U.S.\$1.00, the exchange rate prevailing on March 31, 2015. 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 (the equity method). Consolidated net income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany gain or loss.

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.

The balance sheet date of one affiliate is September 30 and the Company applied the equity method to its investments in this affiliate using the most recent financial statements as of the fiscal year end. The balance sheet date of the remaining affiliates is the same as that of the consolidated financial statements.

(2) Cash and cash equivalents

For the purpose of the consolidated statement 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) Short-term investments and investments in securities

Marketable securities classified as other 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. Non-marketable securities classified as other securities are stated at cost primarily 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 specific 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 (Note 7). 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 included in other assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

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.

(8) Research and development costs

Research and development costs are charged to income as incurred.

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Notes to Consolidated Financial Statements

(9) Goodwill

Goodwill is amortized over a period of five years on a straight-line basis.

(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.

(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) Accrued bonuses for employees

Accrued bonuses for employees are provided at an expected payment amount of the bonuses to employees.

(14) Provision for customer point programs

Provision 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.

(15) Retirement benefits

The asset and liability for retirement benefits are provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the plan assets as of the balance sheet date.

The retirement benefit obligation is attributed to each period by the benefit formula method.

The net retirement benefit obligation at transition is being amortized over a period of fifteen years.

Prior service cost is principally charged to income when incurred.

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.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "Simplified Method").

(16) Provision for environmental safety measures

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

(17) Provision for unutilized gift tickets

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

(18) 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.

(19) 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.

(20) 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 Company and its consolidated subsidiaries hedge foreign currency exchange rate risk and interest rate risk within certain ranges based on their internal rules for derivative transactions.

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 Change

The Company and certain consolidated subsidiaries adopted the main clause of Section 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed.

The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits increased by ¥50,992 million (\$424 million) and retained earnings decreased by ¥32,454 million (\$270 million) at April 1, 2014, and consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2015 increased by ¥3,086 million (\$25 million), respectively. Information regarding the impact on per share amounts can be found in Note 19 "Amounts per share."

3 Cash and Cash Equivalents

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2015 and 2014 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
	2015	2014	2015
Cash and deposits	¥ 53,592	¥ 55,203	\$ 446
Time deposits with original maturities in excess of three months included in cash and deposits	(245)	(246)	(2)
Certificate of deposits with the original maturity within three months included in short-term investments	32,000	18,000	266
Cash and cash equivalents	¥ 85,346	¥ 72,956	\$ 711

4 Short-Term Investments and Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other 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, 2015 and 2014. The standard further requires that other securities classified as other securities are stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

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Notes to Consolidated Financial Statements

Marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen					
	2015			2014		
	Carrying value	Acquisition costs	Unrealized gain	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 16,078	¥ 8,648	¥ 7,430	¥ 11,214	¥ 6,361	¥ 4,852
Debt securities:						
Government bonds	264	255	9	157	151	6
Corporate bonds	19	18	0	25	25	0
Subtotal	16,362	8,922	7,439	11,397	6,537	4,859
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	—	—	—	637	650	(13)
Debt securities:						
Government bonds	—	—	—	99	100	(0)
Other	32,000	32,000	—	18,000	18,000	—
Subtotal	32,000	32,000	—	18,736	18,750	(13)
Total	¥ 48,362	¥ 40,922	¥ 7,439	¥ 30,134	¥ 25,288	¥ 4,846

	Millions of U.S. dollars		
	2015		
	Carrying value	Acquisition costs	Unrealized gain
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 133	\$ 72	\$ 61
Debt securities:			
Government bonds	2	2	0
Corporate bonds	0	0	0
Subtotal	136	74	61
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	—	—	—
Debt securities:			
Government bonds	—	—	—
Other	266	266	—
Subtotal	266	266	—
Total	\$ 403	\$ 341	\$ 61

5 Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Merchandise and real estate for sale	¥ 9,354	¥ 12,868	\$ 77
Contracts in process	29,714	16,647	247
Rails, materials and supplies	18,685	14,698	155
	¥ 57,755	¥ 44,215	\$ 481

6 Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Investments in:			
Unconsolidated subsidiaries	¥ 9,868	¥ 9,725	\$ 82
Affiliates	32,980	43,184	274
	¥ 42,848	¥ 52,909	\$ 357

7 Property, Plant and Equipment

Contributions for the construction of railway facilities granted by national and municipal governments and others are recognized as gain on contributions received for construction upon receipt. These contribution amounts are deducted directly from the acquisition costs of the related fixed assets upon completion 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 recognized as other income upon receipt. These compensation amounts are 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, 2015 and 2014 totaled ¥51,494 million (\$429 million) and ¥13,972 million, respectively. For railway services, the accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2015 and 2014 amounted to ¥673,410 million (\$5,611 million) and ¥670,229 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, 2015 and 2014 totaled ¥1,662 million (\$13 million) and ¥4,908 million, respectively.

8 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 ¥38,697 million (\$322 million) and ¥38,439 million for the years ended March 31, 2015 and

2014, 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 sheet and corresponding fair value of those properties as of March 31, 2015 and 2014 are as follows:

Millions of yen			
2015			
Carrying value		Fair value	
As of April 1, 2014	Net change	As of March 31, 2015	As of March 31, 2015
¥ 159,833	¥ 6,376	¥ 166,209	¥ 360,473

Millions of yen			
2014			
Carrying value		Fair value	
As of April 1, 2013	Net change	As of March 31, 2014	As of March 31, 2014
¥ 161,991	¥ (2,157)	¥ 159,833	¥ 344,475

Millions of U.S. dollars			
2015			
Carrying value		Fair value	
As of April 1, 2014	Net change	As of March 31, 2015	As of March 31, 2015
\$ 1,331	\$ 53	\$ 1,385	\$ 3,003

Notes: 1. The carrying value represents the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. The components of net change in carrying value for the years ended March 31, 2015 and 2014 included increases mainly due to acquisitions of real estate properties in the amounts of ¥15,009 million (\$125 million) and ¥9,751 million and decreases mainly due to depreciation in the amounts of ¥7,525 million (\$62 million) and ¥8,501 million, respectively.

3. The fair value of main properties is estimated in accordance with appraisal standards for valuing real estate properties. The fair value of the others is based on carrying value or a valuation amount that reasonably reflects market value.

Financial Statements

Notes to Consolidated Financial Statements

9 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, 2015 and 2014 ranged from 0.23% to 0.52% and from 0.22% to 0.67%, respectively.

Long-term debt at March 31, 2015 and 2014 is summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
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	\$ 916
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 0.52% to 2.49%, due from 2019 through 2045	369,977	349,975	3,083
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.37% to 3.25%, due in installments from 2016 through 2021	37,663	43,564	313
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.17% to 2.15%, due in installments from 2016 through 2034	298,800	250,200	2,490
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.70%, due in installments from 2016 through 2019	2,130	2,740	17
Finance lease obligations, at rates ranging from 0.00% to 4.72%, due in installments from 2016 through 2034	8,053	8,572	67
Other	13,796	14,310	114
	840,420	779,362	7,003
Less current portion	(48,645)	(46,572)	(405)
	¥ 791,775	¥ 732,789	\$ 6,598

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 48,645	\$ 405
2017	64,458	537
2018	82,213	685
2019	74,260	618
2020	76,508	637
2021 and thereafter	494,356	4,119
	¥ 840,443	\$ 7,003

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, 2015 and 2014 was as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Lines of credit	¥ 130,000	¥ 130,000	\$ 1,083
Credit utilized	—	—	—
Available credit	¥ 130,000	¥ 130,000	\$ 1,083

10 Pledged Assets

Assets pledged at March 31, 2015 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash and deposits	¥ 245	\$ 2
Investments in other securities	605	5
Land	159	1
Buildings and structures, net	15,951	132
	¥ 16,962	\$ 141

The indebtedness secured by such collateral at March 31, 2015 was as follows:

	Millions of yen	Millions of U.S. dollars
Notes and accounts payable	¥ 22	\$ 0
Current portion of long-term loans included in current portion of long-term debt	610	5
Long-term loans included in long-term debt	1,520	12
	¥ 2,152	\$ 17

In addition, the entire property of the Company is subject to statutory preferential rights for the security of all its secured bonds in the amount of ¥110,000 million (\$916 million).

11 Long-Term Payables

Long-term payables at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:			
Variable interest portion, due in installments from 2016 through 2017	¥ 31,925	¥ 55,281	\$ 266
Fixed interest portion at 6.35% and 6.55%, due in installments from 2016 through 2052	135,738	149,869	1,131
Other	4,185	4,845	34
	171,850	209,996	1,432
Less current portion	(33,645)	(38,104)	(280)
	¥ 138,205	¥ 171,891	\$ 1,151

The average variable interest rates for the years ended March 31, 2015 and 2014 were 4.13% and 4.12%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2015 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 33,645	\$ 280
2017	30,729	256
2018	1,510	12
2019	1,579	13
2020	1,645	13
2021 and thereafter	102,740	856
	¥ 171,850	\$ 1,432

12 Income Taxes

The aggregate statutory tax rates applicable to the Company and its consolidated subsidiaries were 35.64% and 38.01% for the years ended March 31, 2015 and 2014, respectively.

A reconciliation of the statutory tax rates and effective tax rates for the years ended March 31, 2015 and 2014 as a percentage of income before income taxes and minority interests is as follows:

	2015	2014
Statutory tax rates	35.64 %	38.01 %
Effect of:		
Decrease in deferred tax assets resulting from changes in statutory tax rates	10.89	1.54
Change in valuation allowance	(1.47)	(0.01)
Per capita portion of inhabitants' taxes	0.52	0.63
Permanent non-deductible expenses	0.33	0.36
Other	(0.55)	(0.58)
Effective tax rates	45.36 %	39.95 %

Financial Statements

Notes to Consolidated Financial Statements

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonuses for employees	¥ 12,387	¥ 12,861	\$ 103
Accrued enterprise taxes included in accrued expenses	1,744	2,291	14
Liability for retirement benefits	121,674	116,197	1,013
Unrealized gain on property, plant and equipment	11,506	8,895	95
Tax loss carryforwards	8,940	6,522	74
Other	28,984	35,460	241
Gross deferred tax assets	185,238	182,229	1,543
Valuation allowance	(15,020)	(18,327)	(125)
Total deferred tax assets	170,218	163,901	1,418
Deferred tax liabilities:			
Unrealized holding gain on securities	(2,809)	(1,727)	(23)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,405)	(12,678)	(103)
Gain on valuation of assets of consolidated subsidiaries	(1,551)	(882)	(12)
Other	(4,709)	(2,162)	(39)
Total deferred tax liabilities	(21,476)	(17,451)	(178)
Deferred tax assets, net	¥ 148,742	¥ 146,450	\$ 1,239

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.64% to 33.06% and 32.26% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥13,172 million (\$109 million) and increase deferred income tax expense by ¥13,366 million (\$111 million) as of and for the year ended March 31, 2015.

13 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 and net book value of the leased assets as of March 31, 2015 and 2014, which would have been reflected in the accompanying consolidated balance sheet 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					
	2015			2014		
	Acquisition costs	Accumulated depreciation/amortization	Net book value	Acquisition costs	Accumulated depreciation/amortization	Net book value
Leased assets:						
Buildings and structures	¥ 102	¥ 74	¥ 27	¥ 2,403	¥ 614	¥ 1,789
Machinery, equipment and vehicles	186	114	71	186	100	86
Tools, furniture and fixtures	94	87	6	106	91	15
	¥ 383	¥ 276	¥ 106	¥ 2,696	¥ 805	¥ 1,891

Millions of U.S. dollars			
			2015
	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Leased assets:			
Buildings and structures	\$ 0	\$ 0	\$ 0
Machinery, equipment and vehicles	1	0	0
Tools, furniture and fixtures	0	0	0
	\$ 3	\$ 2	\$ 0

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2015 and 2014 totaled ¥92 million (\$0 million) and ¥129 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.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 30	\$ 0
2017 and thereafter	76	0
	¥ 106	\$ 0

Future minimum lease payments subsequent to March 31, 2015 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 1,240	\$ 10
2017 and thereafter	14,244	118
	¥ 15,485	\$ 129

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2015 and 2014 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						
2015			2014			
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:						
Machinery, equipment and vehicles	¥ 1,606	¥ 1,214	¥ 391	¥ 1,687	¥ 1,147	¥ 540
Tools, furniture and fixtures	309	253	56	559	455	104
	¥ 1,916	¥ 1,468	¥ 447	¥ 2,247	¥ 1,602	¥ 644

Millions of U.S. dollars			
2015			
	Acquisition costs	Accumulated depreciation	Net book value
Leased assets:			
Machinery, equipment and vehicles	\$ 13	\$ 10	\$ 3
Tools, furniture and fixtures	2	2	0
	\$ 15	\$ 12	\$ 3

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Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2015 and 2014 were ¥186 million (\$1 million) and ¥230 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2015 and 2014 computed by the straight-line method over the respective lease terms amounted to ¥174 million (\$1 million) and ¥215 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 159	\$ 1
2017 and thereafter	307	2
	¥ 466	\$ 3

Future minimum lease receipts subsequent to March 31, 2015 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2016	¥ 298	\$ 2
2017 and thereafter	1,923	16
	¥ 2,222	\$ 18

14 Retirement Benefit Plans

The Company and its consolidated subsidiaries have unfunded lump-sum severance and retirement benefit plans. Certain consolidated subsidiaries have a small-and medium-sized enterprise mutual aid plan (a funded defined contribution retirement plan) and/or a defined contribution pension plan.

In certain cases, special retirement benefits may be paid to employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses by the Simplified Method.

The changes in the retirement benefit obligations, except those for which the Simplified Method was applied, during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Retirement benefit obligations at beginning of year	¥ 328,182	¥ 322,081	\$ 2,734
Cumulative effect of change in accounting principle	50,777	—	423
Balance at beginning of year, as adjusted	378,960	322,081	3,158
Service cost	13,827	13,294	115
Interest cost	3,122	6,428	26
Actuarial gain	(2,861)	(413)	(23)
Retirement benefits paid	(17,168)	(13,269)	(143)
Reclassification of retirement benefit obligation resulting from change from Simplified Method	337	—	2
Increase resulting from newly consolidated subsidiaries	2,689	—	22
Other	904	60	7
Retirement benefit obligations at end of year	¥ 379,812	¥ 328,182	\$ 3,165

The changes in plan assets, except those for which the Simplified Method was applied, during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Plan assets at beginning of year	¥ 7,896	¥ 6,643	\$ 65
Expected return on plan assets	202	171	1
Actuarial gain	912	402	7
Contributions paid by the Company and its consolidated subsidiaries	1,372	1,135	11
Retirement benefits paid	(494)	(456)	(4)
Increase resulting from newly consolidated subsidiaries	2,437	—	20
Plan assets at end of year	¥ 12,327	¥ 7,896	\$ 102

The changes in retirement benefit obligations for which the Simplified Method was applied during the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Retirement benefit obligations at beginning of year	¥ 5,067	¥ 5,042	\$ 42
Retirement benefit expenses	1,038	900	8
Retirement benefits paid	(391)	(614)	(3)
Contributions paid by the Company and its consolidated subsidiary	(254)	(260)	(2)
Reclassification of retirement benefit obligation resulting from change from Simplified Method	(337)	—	(2)
Increase resulting from newly consolidated subsidiaries	85	—	0
Retirement benefit obligations at end of year	¥ 5,207	¥ 5,067	\$ 43

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's and its consolidated subsidiaries' defined benefit pension plans, including those for which the Simplified Method was applied:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 14,600	¥ 11,872	\$ 121
Plan assets at fair value	(14,276)	(9,710)	(118)
	324	2,161	2
Unfunded retirement benefit obligations	372,368	323,192	3,103
Net liability for retirement benefits in the balance sheet	372,693	325,353	3,105
Liability for retirement benefits	375,285	326,823	3,127
Asset for retirement benefits	(2,592)	(1,469)	(21)
Net liability for retirement benefits in the balance sheet	¥ 372,693	¥ 325,353	\$ 3,105

The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Service cost	¥ 13,827	¥ 13,294	\$ 115
Interest cost	3,122	6,428	26
Expected return on plan assets	(202)	(171)	(1)
Amortization of unrecognized actuarial loss	3,548	4,732	29
Amortization of prior service cost	458	12	3
Amortization of net retirement benefits at transition	706	706	5
Net retirement benefit expenses calculated by the Simplified Method	1,038	900	8
Other	432	51	3
Retirement benefit expenses under defined benefit pension plans	¥ 22,931	¥ 25,955	\$ 191

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effects) for the year ended March 31, 2015 are as follows:

	Millions of yen	Millions of U.S. dollars
	2015	
Prior service cost	¥ (3)	\$ 0
Actuarial loss	7,492	62
Net retirement benefit at transition	706	5
	¥ 8,195	\$ 68

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The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effects) as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 2	¥ 5	\$ 0
Unrecognized actuarial loss	(1,986)	(9,478)	(16)
Unrecognized net retirement benefits at transition	(706)	(1,412)	(5)
	¥ (2,690)	¥ (10,885)	\$ (22)

The fair value of plan assets, by major category, as percentages of total plan assets as of March 31, 2015 and 2014 are as follows:

	2015	2014
Debt securities	47 %	47 %
Equity securities	31	35
Other	21	18
Total	100 %	100 %

The expected return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the years ended March 31, 2015 and 2014 are principally as follows:

	2015	2014
Discount rate	0.8 %	2.0 %
Expected rate of return on plan assets	3.0 %	3.0 %

Total contributions paid by the Company and its consolidated subsidiaries to the defined contribution pension plans for the years ended March 31, 2015 and 2014 amounted to ¥374 million (\$3 million) and ¥279 million, respectively.

15 Contingent Liabilities

At March 31, 2015 the Company and its consolidated subsidiaries were contingently liable for guarantees of loans, accounts payable – trade and other obligations of unconsolidated subsidiaries and affiliates in the aggregate amount of ¥10,655 million (\$88 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.

16 Shareholders' Equity

The Companies Act 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 sheet and consolidated statement of changes in net assets. The Company's legal reserve included in retained earnings amounted to ¥11,327 million (\$94 million) at March 31, 2015 and 2014, respectively.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2015 and 2014 are summarized as follows:

				Number of shares
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	193,735,000	—	—	193,735,000
Treasury stock	96,571	33,010	—	129,581

				Number of shares
	April 1, 2013	Increase	Decrease	March 31, 2014
Common stock	198,256,600	—	4,521,600	193,735,000
Treasury stock	4,615,100	3,071	4,521,600	96,571

The increase in treasury stock during the year ended March 31, 2015 was due to changes in equity in affiliates accounted for by the equity method.

The increases in treasury stock during the year ended March 31, 2014 consists of 206 shares of purchases of shares less than one trading unit and 2,865 shares attributable to

the Company owned by a new affiliate accounted for by the equity method.

The decreases in common stock and treasury stock during the year ended March 31, 2014 were due to cancellation of treasury stock.

17 Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥10,402 million (\$86 million) and ¥9,412 million for the years ended March 31, 2015 and 2014, respectively.

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18 Other Comprehensive Income

The following table presents reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2015 and 2014.

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 3,053	¥ 1,157	\$ 25
Reclassification adjustments for gain included in consolidated statement of income	(34)	—	(0)
Before tax effect	3,019	1,157	25
Tax effect	(1,082)	(403)	(9)
Total	1,937	754	16
Net unrealized deferred gain on hedging instruments:			
Amount arising during the year	117	139	0
Before tax effect	117	139	0
Tax effect	(15)	(52)	(0)
Total	102	86	0
Retirement benefit liability adjustments:			
Amount arising during the year	3,481	—	29
Reclassification adjustments for loss included in consolidated statement of income	4,713	—	39
Before tax effect	8,195	—	68
Tax effect	(2,991)	—	(24)
Total	5,203	—	43
Other comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company:			
Amount arising during the year	(61)	41	(0)
Other comprehensive income, net	¥ 7,182	¥ 881	\$ 59

19 Amounts per Share

Amounts per share at March 31, 2015 and 2014 and for the years then ended were as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets	¥ 4,138.65	¥ 4,048.31	\$ 34.48
Net income	344.58	338.98	2.87
Cash dividends	125.00	115.00	1.04

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, 2015 and 2014 since the Company had no potentially dilutive stock at March 31, 2015 and 2014.

As described in Note 2 "Accounting Change," effective the year ended March 31, 2015, revised accounting standards for retirement benefits were adopted and the effect of the

adoption of these revised accounting standards was included in accumulated other comprehensive income as retirement benefits liability adjustments as of April 1, 2014 in accordance with transitional accounting treatment provided in the revised accounting standards. As a result, net assets per share decreased by ¥151.69 (\$1.26) as of March 31, 2015 and net income per share increased by ¥15.94 (\$0.13) for the year ended March 31, 2015.

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.

20 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 cannot 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. Short-term investments and 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 nine years from March 31, 2015. 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 six years from March 31, 2015. 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 (20).

(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 Company for managing credit risk arising from trade receivables, the Company monitors due dates and outstanding balances by individual customer. The Company is also making

efforts to identify and mitigate risks arising from bad debts from customers who are having financial difficulties. The consolidated subsidiaries also monitor the risk in the same manners as the Company in accordance with their internal policies.

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 by currency and month 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 short-term investments and 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.

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(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.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2015 and 2014 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 20).

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 53,592	¥ 53,592	¥ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	852	852	—
Trade	147,242	147,242	—
Short-term investments and investments in securities:			
Investments in subsidiaries and affiliates	2,365	2,213	(151)
Other securities	48,362	48,362	—
Liabilities:			
Short-term loans	(16,335)	(16,335)	—
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(2,663)	(2,663)	—
Trade	(176,097)	(176,097)	—
Income taxes payable	(18,584)	(18,584)	—
Accrued expenses	(2,607)	(2,607)	—
Deposits (component of deposits and advances received)	(79,168)	(79,168)	—
Long-term debt (including current portion)	(832,366)	(897,523)	(65,156)
Long-term payables (including current portion)	(171,850)	(285,620)	(113,769)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	1,244	1,244	—

Millions of yen

2014

	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	¥ 55,203	¥ 55,203	¥ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,008	2,008	—
Trade	112,873	112,873	—
Short-term investments and investments in securities:			
Investments in subsidiaries and affiliates	2,047	1,814	(232)
Other securities	30,134	30,134	—
Liabilities:			
Short-term loans	(25,754)	(25,754)	—
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(8,242)	(8,242)	—
Trade	(163,133)	(163,133)	—
Income taxes payable	(27,248)	(27,248)	—
Accrued expenses	(2,535)	(2,535)	—
Deposits (component of deposits and advances received)	(71,693)	(71,693)	—
Long-term debt (including current portion)	(770,789)	(828,497)	(57,707)
Long-term payables (including current portion)	(209,996)	(319,305)	(109,309)
Derivative transactions qualifying for hedge accounting (component of deposits and advances received)	1,126	1,126	—

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Millions of U.S. dollars

	2015		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash and deposits	\$ 446	\$ 446	\$ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	7	7	—
Trade	1,227	1,227	—
Short-term investments and investments in securities:			
Investments in subsidiaries and affiliates	19	18	(1)
Other securities	403	403	—
Liabilities:			
Short-term loans	(136)	(136)	—
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	(22)	(22)	—
Trade	(1,467)	(1,467)	—
Income taxes payable	(154)	(154)	—
Accrued expenses	(21)	(21)	—
Deposits (component of deposits and advances received)	(659)	(659)	—
Long-term debt (including current portion)	(6,936)	(7,479)	(542)
Long-term payables (including current portion)	(1,432)	(2,380)	(948)
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 and deposits and notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Short-term investments and investments in securities

Since short-term investments are settled in a short period of time, their carrying value approximates fair value. 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 and income taxes payable

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), 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 included in long-term payable 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 21.

2. Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Millions of U.S. dollars
	2015	2014	2015
Investments in securities			
Unlisted stocks	¥ 42,992	¥ 53,167	\$ 358
Other	3	10	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, 2015 and 2014 is as follows:

	Millions of yen		
	2015		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash and deposits	¥ 42,674	¥ —	¥ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	852	—	—
Trade	147,164	77	—
Short-term investments and investments in securities:			
Other marketable securities with maturities (certificates of deposits)	32,000	—	—
Other marketable securities with maturities (national government bonds)	—	—	267
Other marketable securities with maturities (corporate bonds)	6	12	—
Total	¥ 222,697	¥ 90	¥ 267

	Millions of U.S. dollars		
	2015		
	Due in one year or less	Due after one year through five years	Due after five year through ten years
Cash and deposits	\$ 355	\$ —	\$ —
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	7	—	—
Trade	1,226	0	—
Short-term investments and investments in securities:			
Other marketable securities with maturities (certificate of deposit)	266	—	—
Other marketable securities with maturities (national government bonds)	—	—	2
Other marketable securities with maturities (corporate bonds)	0	0	—
Total	\$ 1,855	\$ 0	\$ 2

4. The redemption schedules for long-term debt and long-term payables are disclosed in Note 9 "Short-Term Loans and Long-Term Debt" and Note 11 "Long-Term Payables" in the Notes to Consolidated Financial Statements.

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21 Derivative Transactions

There were no derivative transactions not qualifying for hedge accounting at March 31, 2015 and 2014.

The notional amounts and the estimated fair value of the derivative instruments outstanding qualifying for hedge accounting at March 31, 2015 and 2014 were as follows:

Currency-related transactions

			Millions of yen		
			2015		
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	Current portion of	¥ 8,746	¥ —	¥ 543 (*1)
	U.S. dollars	long-term payable	4,558	—	574 (*1)
	Other	(Forecasted transaction)	2,722	—	126 (*1)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Current portion of	839	—	(*2)
	U.S. dollars	long-term payable	502	—	(*2)
	Other		263	—	(*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 debt	3,100	3,100	(*2)
			¥ 20,733	¥ 3,100	¥ 1,244
			Millions of yen		
			2014		
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	Current portion of	¥ 8,751	¥ —	¥ 833 (*1)
	U.S. dollars	long-term payable	4,073	—	250 (*1)
	Other	(Forecasted transaction)	2,124	—	42 (*1)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts				
	Purchase				
	Euro	Current portion of	999	—	(*2)
	U.S. dollars	long-term payable	454	—	(*2)
	Other		258	—	(*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 debt	3,100	3,100	(*2)
			¥ 19,762	¥ 3,100	¥ 1,126

Millions of U.S. dollars

			2015			
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	Current portion of	\$ 72	\$ —	\$ 4 (*1)
		U.S. dollars	long-term payable	37	—	4 (*1)
		Other	(Forecasted transaction)	22	—	1 (*1)
Allocation method of forward foreign exchange contracts	Forward foreign exchange contracts Purchase					
		Euro	Current portion of long-term payable	6	—	(*2)
		U.S. dollars		4	—	(*2)
		Other		2	—	(*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 debt	25	25	(*2)	
			\$ 172	\$ 25	\$ 10	

(*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 long-term payable or long-term debt, their fair values were included in long-term payable or long-term debt.

Interest-rate related transactions

Millions of yen

			2015		
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 debt	¥ 7,000	—	(*)

Millions of yen

			2014		
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 debt	¥ 7,000	¥ 7,000	(*)

Millions of U.S. dollars

			2015		
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 debt	\$ 58	—	(*)

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

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22 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 2 "Accounting Change," due to the changes in accounting treatment for retirement benefits, the methods of calculating the retirement benefit obligation and service costs in each business segment were changed. As a result, segment income of Transportation, Sales of goods and food services and Other businesses for the year ended March 31, 2015 increased by ¥3,026 million (\$25 million), ¥28 million (\$0 million) and ¥31 million (\$0 million), respectively.

Reportable segment information for the years ended March 31, 2015 and 2014 is outlined as follows:

	Millions of yen						
	2015						
	Reportable segments						
	Transportation	Sales of goods and food services	Real estate business	Other businesses	Subtotal	Elimination and adjustments	Consolidated
Operating revenues, income and assets by reportable segments:							
Operating revenues:							
External customers	¥ 868,482	¥ 220,180	¥ 87,207	¥ 174,466	¥ 1,350,336	¥ —	¥ 1,350,336
Intersegment operating revenues or transfers	17,088	7,120	18,695	266,706	309,611	(309,611)	—
Total	¥ 885,570	¥ 227,301	¥ 105,903	¥ 441,173	¥ 1,659,948	¥ (309,611)	¥ 1,350,336
Segment income	¥ 100,679	¥ 1,597	¥ 25,190	¥ 15,633	¥ 143,100	¥ (3,326)	¥ 139,774
Segment assets	¥ 1,976,724	¥ 108,771	¥ 419,955	¥ 401,327	¥ 2,906,779	¥ (120,309)	¥ 2,786,470
Other items:							
Depreciation and amortization	¥ 125,133	¥ 5,007	¥ 16,697	¥ 2,751	¥ 149,590	¥ —	¥ 149,590
Gain on negative goodwill	—	—	109	6,525	6,635	—	6,635
Investment in affiliates accounted for by the equity method	21,830	—	—	10,123	31,954	—	31,954
Increase in tangible and intangible fixed assets	210,344	10,430	29,723	20,986	271,484	—	271,484

Millions of yen

2014

	Reportable segments				Subtotal	Elimination and adjustments	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	¥ 851,385	¥ 240,179	¥ 102,261	¥ 137,193	¥ 1,331,019	¥ —	¥ 1,331,019
Intersegment operating revenues or transfers	17,248	54,311	18,716	189,060	279,337	(279,337)	—
Total	¥ 868,634	¥ 294,490	¥ 120,978	¥ 326,253	¥ 1,610,356	¥ (279,337)	¥ 1,331,019
Segment income	¥ 91,013	¥ 4,429	¥ 27,793	¥ 11,860	¥ 135,097	¥ (504)	¥ 134,593
Segment assets	¥ 1,949,883	¥ 111,280	¥ 399,263	¥ 295,959	¥ 2,756,387	¥ (68,496)	¥ 2,687,890
Other items:							
Depreciation and amortization	¥ 128,200	¥ 5,084	¥ 17,414	¥ 3,203	¥ 153,903	¥ —	¥ 153,903
Investment in affiliates accounted for by the equity method	20,509	—	—	21,839	42,349	—	42,349
Increase in tangible and intangible fixed assets	163,768	5,210	14,610	8,341	191,932	—	191,932

Millions of U.S. dollars

2015

	Reportable segments				Subtotal	Elimination and adjustments	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	\$ 7,237	\$ 1,834	\$ 726	\$ 1,453	\$ 11,252	\$ —	\$ 11,252
Intersegment operating revenues or transfers	142	59	155	2,222	2,580	(2,580)	—
Total	\$ 7,379	\$ 1,894	\$ 882	\$ 3,676	\$ 13,832	\$ (2,580)	\$ 11,252
Segment income	\$ 838	\$ 13	\$ 209	\$ 130	\$ 1,192	\$ (27)	\$ 1,164
Segment assets	\$ 16,472	\$ 906	\$ 3,499	\$ 3,344	\$ 24,223	\$ (1,002)	\$ 23,220
Other items:							
Depreciation and amortization	\$ 1,042	\$ 41	\$ 139	\$ 22	\$ 1,246	\$ —	\$ 1,246
Gain on negative goodwill	—	—	0	54	55	—	55
Investment in affiliates accounted for by the equity method	181	—	—	84	266	—	266
Increase in tangible and intangible fixed assets	1,752	86	247	174	2,262	—	2,262

Financial Statements

Notes to Consolidated Financial Statements

Segment income represents operating income in the consolidated statement of income.

Gain on negative goodwill in Other businesses arising from the business combination amounted to ¥6,403 million (\$53 million).

Information on each product and service was omitted for the years ended March 31, 2015 and 2014 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,

2015 and 2014 because there were no items that meet their disclosure criteria.

Information on loss on impairment of property, plant and equipment per each reportable segment was omitted because the amounts were immaterial for the year ended March 31, 2015 and 2014.

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended March 31, 2015 and 2014 was omitted because the amounts were immaterial.

23 Business Combination

Business combinations by acquisition of shares

On April 24, 2014, Daitetsu Kogyo Co., Ltd., formerly an affiliate of the Company accounted for by the equity method, that mainly engages in contract construction of buildings and rail and contract service of survey, design and management, acquired its own shares as treasury stock for a total consideration of ¥14,234 million (\$118 million). As a result of the acquisition of treasury stock, the ratio of voting rights held by the Company changed from 37.90% to 51.63%, and

Daitetsu Kogyo Co., Ltd. became a consolidated subsidiary of the Company. In addition, negative goodwill of ¥5,195 million (\$43 million) was recognized in "Other, net" under operating income corresponding to the excess of the fair value of net assets acquired on the acquisition date over the total consideration. This business combination was made in order to improve the safety and quality level of the Company's construction work.

The assets and liabilities of Daitetsu Kogyo Co., Ltd. on the date of the business combination are as follows:

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 62,410	\$ 520
Non-current assets	8,475	70
Total assets	¥ 70,885	\$ 590
Current liabilities	¥ 31,345	\$ 261
Non-current liabilities	1,647	13
Total liabilities	¥ 32,993	\$ 274

The operating results of Daitetsu Kogyo Co., Ltd. from April 1, 2014 to March 31, 2015 have been included in the consolidated statement of income for the year ended March 31, 2015.

In addition, JR West Built Co., Ltd., a subsidiary of Daitetsu Kogyo Co., Ltd., also became a consolidated subsidiary of the Company due to this business combination. JR West Built Co., Ltd. mainly engages in the design, execution, management and consulting for construction or engineering work.

24 Subsequent Event

Cash dividends

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, 2015, was to be approved at a meeting of the shareholders of the Company to be held on June 23, 2015:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥65 = U.S.\$0.54 per share)	¥ 12,592	\$ 104

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, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 2 "Accounting Change" to the consolidated financial statements, which describes that West Japan Railway Company and its consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of March 26, 2015) effective from April 1, 2014. Our opinion is not qualified in respect of this matter.

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 22, 2015
Osaka, Japan

Ernst & Young ShinNihon LLC

Analysis of JR-West Operations

Non-Consolidated 20-Year Financial Summary

Years ended March 31

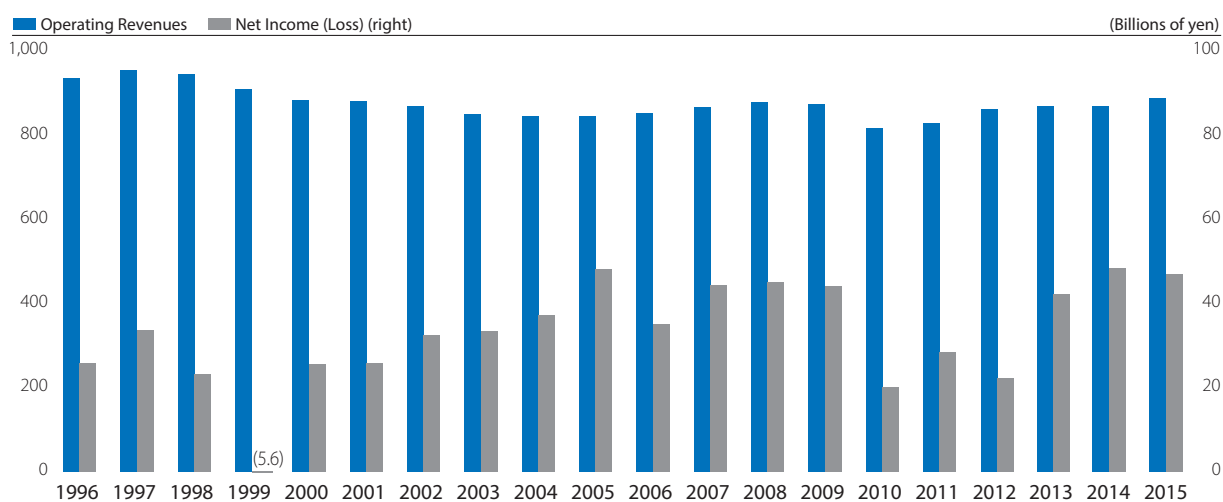
	1996	1997	1998	1999*2	2000	2001	2002	2003	2004
FOR THE YEAR:									
Operating revenues:	¥936.2	¥956.0	¥946.0	¥909.4	¥885.1	¥881.4	¥869.8	¥849.0	¥845.8
Transportation:	823.9	839.1	830.0	795.5	773.9	773.1	770.2	752.3	750.8
Shinkansen	332.2	350.3	346.0	326.7	313.0	313.0	314.3	306.0	308.1
Kansai Urban Area (Kyoto–Osaka–Kobe area)	314.8	314.4	315.3	309.8	306.9	309.3	308.9	303.3	302.0
Other Conventional lines	176.1	173.7	167.9	158.4	153.5	150.1	146.4	142.5	140.0
Operating expenses:	795.9	825.9	831.1	796.7	786.0	784.4	770.3	745.7	740.4
Personnel	341.8	350.9	358.5	357.8	350.1	345.6	330.5	301.6	294.5
Non-personnel:	305.7	326.5	301.2	277.7	276.5	275.0	281.2	288.2	291.0
Energy	43.3	42.4	43.8	40.5	39.3	38.2	39.2	38.4	36.6
Maintenance	128.4	146.7	120.9	108.0	112.3	114.3	116.8	122.6	121.9
Miscellaneous	134.0	137.3	136.5	129.2	124.9	122.4	125.1	127.1	132.4
Taxes	29.1	27.1	38.0	31.3	31.0	30.3	30.0	29.3	28.2
Rental payments, etc.	9.0	10.0	23.0	22.8	23.8	31.5	31.3	31.0	30.8
Depreciation expenses	110.0	111.2	110.2	107.0	104.4	101.8	97.1	95.4	95.7
Operating income	140.3	130.0	114.8	112.7	99.0	97.0	99.5	103.2	105.4
Recurring profit	55.6	56.0	48.3	50.5	42.3	43.4	54.0	61.3	65.0
Net income (loss)	25.8	33.5	23.4	(5.6)	25.5	25.9	32.5	33.4	37.1
AT YEAR-END:									
Total assets	¥2,297.9	¥2,333.4	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8
Total net assets	293.2	316.6	327.8	312.0	346.6	403.3	388.6	410.7	439.3

*1 Yen figures have been converted into U.S. dollars at the rate of ¥120=U.S.\$1.00, the exchange rate prevailing on March 31, 2015.

*2 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.

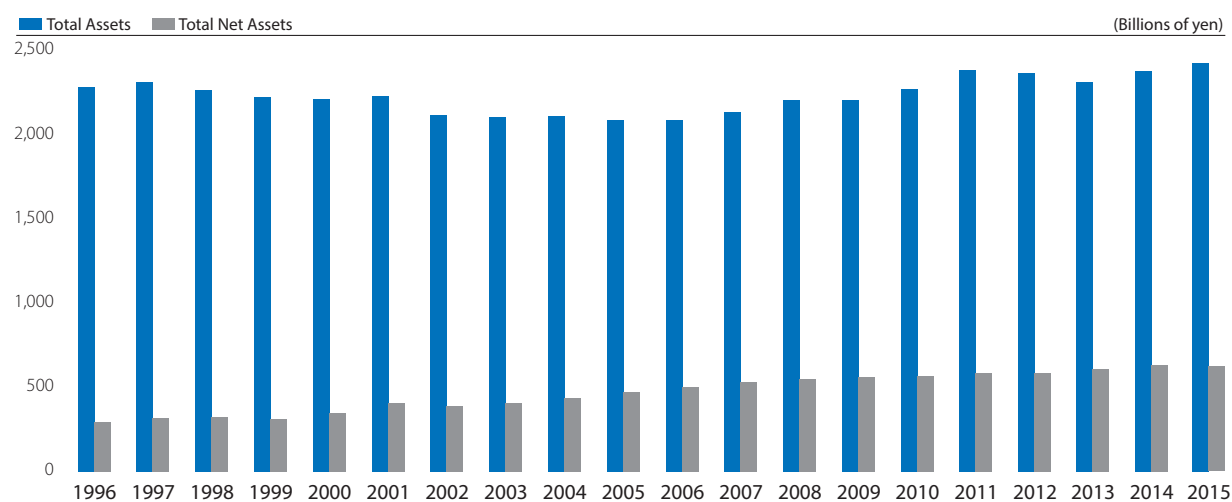
*3 The Company has revised the allocation method for revenue from non-commuter passes on conventional lines (Kansai Urban Area and Other Lines) from the fiscal year ended March 2014. Figures in the above chart for the fiscal year ended March 2013 have been retroactively calculated based on the new allocation method. Under the previous allocation method, transportation revenues for Kansai Urban Area and Other Lines in that fiscal year totaled ¥291.4 billion and ¥120.6 billion, respectively.

OPERATING REVENUES AND NET INCOME (LOSS)



2005	2006	2007	2008	2009	2010	2011	2012	2013*3	2014	Billions of yen	Millions of U.S. dollars*1
										2015	2015
¥846.4	¥851.2	¥865.8	¥879.4	¥875.0	¥816.7	¥828.6	¥862.1	¥868.5	¥873.6	¥890.9	\$7,424
750.9	756.5	765.8	781.7	773.7	720.0	728.0	758.7	769.1	780.6	797.0	6,641
313.4	323.8	328.6	343.5	339.1	312.4	323.9	351.5	357.0	364.4	375.9	3,132
300.4	297.5	302.4	303.3	301.5	286.1	284.4	287.3	288.9	292.1	296.2	2,469
136.5	134.7	134.3	134.4	132.5	121.4	119.6	119.8	123.0	123.9	124.8	1,040
736.4	742.3	756.8	769.6	772.9	758.2	752.8	772.8	766.1	771.8	778.9	6,490
286.8	276.1	272.5	269.9	268.6	265.2	235.3	237.9	233.3	235.4	233.0	1,942
300.5	320.0	337.9	338.8	333.9	318.6	333.4	339.5	342.7	351.6	369.0	3,075
36.9	34.8	34.3	34.4	38.2	33.5	33.7	36.2	37.1	43.1	45.3	377
127.1	140.7	148.9	148.6	135.8	128.1	135.8	133.3	136.5	139.0	146.7	1,223
136.4	144.4	154.5	155.8	159.8	156.9	163.8	169.9	169.1	169.5	176.9	1,474
29.7	28.7	28.1	28.6	29.1	29.3	29.8	30.9	31.7	31.6	32.0	266
24.6	24.7	24.6	24.6	25.3	25.0	25.1	23.6	23.4	23.6	18.7	156
94.5	92.5	93.5	107.5	115.9	119.9	129.1	140.7	134.7	129.3	126.0	1,050
110.0	108.9	108.9	109.8	102.0	58.5	75.8	89.2	102.3	101.7	112.0	933
74.3	75.9	77.6	79.9	73.4	29.8	48.5	62.8	77.5	79.9	92.1	767
48.0	35.1	44.6	45.1	44.3	20.5	28.5	22.1	41.9	48.6	47.3	394
¥2,098.0	¥2,102.1	¥2,151.8	¥2,222.9	¥2,215.1	¥2,286.9	¥2,405.7	¥2,381.7	¥2,333.3	¥2,392.6	¥2,444.4	\$20,370
474.3	502.2	533.3	552.4	560.7	568.1	581.3	588.3	611.6	639.4	631.5	5,263

TOTAL ASSETS AND TOTAL NET ASSETS



Analysis of JR-West Operations

Capital Expenditures and Cash Flows

Years ended March 31

Capital Expenditures

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
	Billions of yen											Millions of U.S. dollars* ¹	
CONSOLIDATED BASIS:													
Depreciation expenses	¥115.3	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	¥169.3	¥160.8	¥153.9	¥149.5	\$1,246
Capital expenditures excluding a portion contributed by local governments, etc.	120.8	113.1	125.3	144.9	187.9	163.9	210.1	260.0	195.4	152.9	166.7	225.6	1,880
NON-CONSOLIDATED BASIS:													
Depreciation expenses	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	¥107.5	¥115.9	¥119.9	¥129.1	¥140.7	¥134.7	¥129.3	¥126.0	\$1,050
Capital expenditures excluding a portion contributed by local governments, etc.	102.3	92.8	106.3	117.2	159.6	128.4	165.5	208.5	150.8	124.8	144.5	186.4	1,553

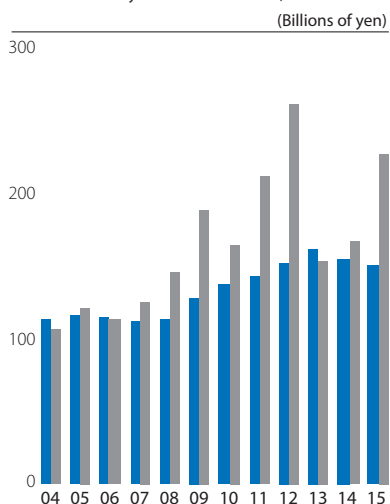
Cash Flows (Consolidated Basis)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
	Billions of yen											Millions of U.S. dollars* ¹	
Net cash provided by operating activities	¥140.2	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	¥161.3	¥223.2	¥206.2	¥238.0	¥237.7	¥223.6	\$1,863
Net cash (used in) provided by investing activities	(91.6)	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(1,774)
Free cash flows	48.5	58.0	62.3	56.8	42.9	6.1	(47.4)	(23.0)	7.0	83.2	72.3	10.7	89
Net cash (used in) provided by financing activities	(67.9)	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	14

*1 Yen figures have been converted into U.S. dollars at the rate of ¥120=U.S.\$1.00, the exchange rate prevailing on March 31, 2015.

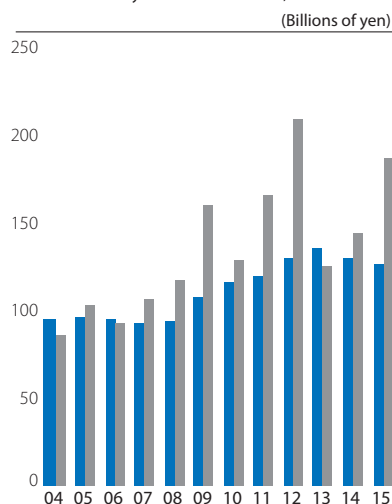
DEPRECIATION AND CAPITAL EXPENDITURES (CONSOLIDATED BASIS)

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



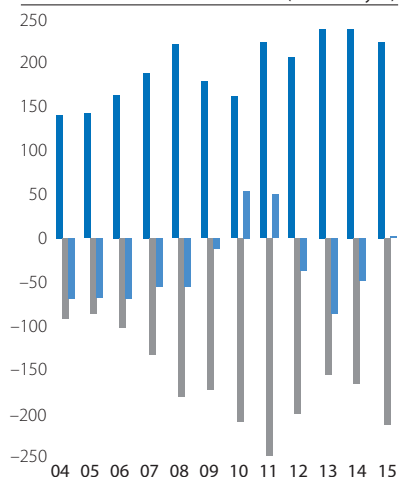
DEPRECIATION AND CAPITAL EXPENDITURES (NON-CONSOLIDATED BASIS)

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



CASH FLOWS (CONSOLIDATED BASIS)

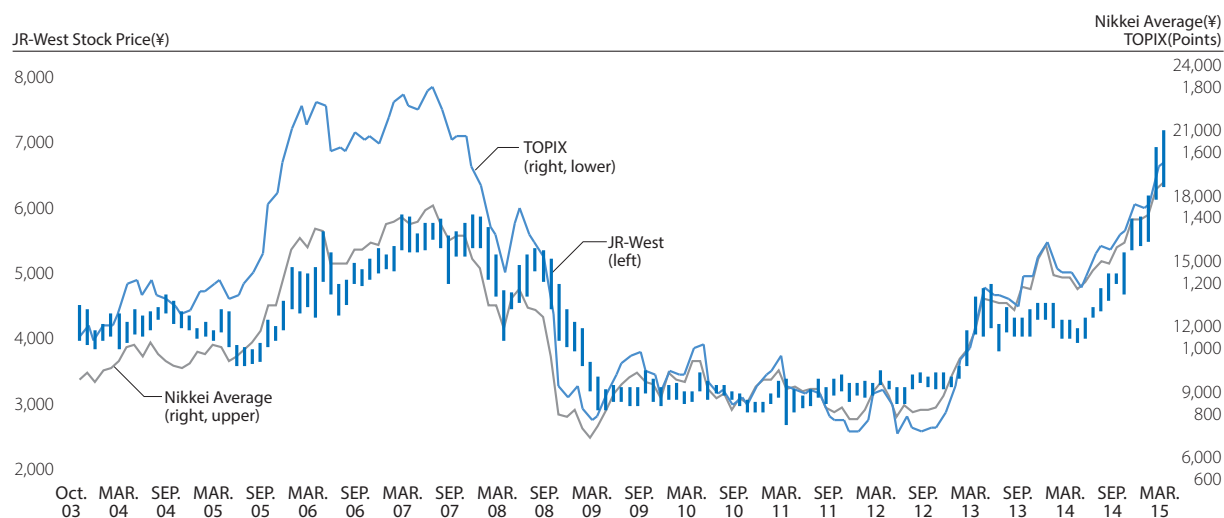
■ Net Cash Provided by Operating Activities
■ Net Cash (Used in) Provided by Investing Activities
■ Net Cash (Used in) Provided by Financing Activities



Investor Information

As of March 31, 2015

Stock Price and Trading Volume



	Fiscal 2004		Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	4,480	4,680	4,460	4,420	5,110	5,650	5,880	5,830	5,900	5,400	4,840		
Low (¥)	3,850	4,060	4,000	3,600	3,980	4,380	4,910	4,840	4,000	4,460	2,949		
Average Daily Trading Volume (Shares)	504,571	650,051	531,389	840,019	802,132	616,666	688,486	648,094	861,620	695,220	912,513		
Nikkei Average (¥)	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65	16,785.69	12,525.54	11,259.86	8,109.53		
TOPIX (Points)	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66		
	Fiscal 2010		Fiscal 2011		Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015		
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	
JR-West High (¥)	3,540	3,430	3,495	3,420	3,420	3,530	3,510	4,660	4,835	4,575	5,008	7,178	
Low (¥)	2,952	2,993	2,986	2,700	2,905	3,080	3,035	3,260	3,840	4,007	3,951	4,693	
Average Daily Trading Volume (Shares)	782,785	660,959	713,580	945,908	814,979	812,162	662,210	789,675	861,142	803,102	675,187	883,964	
Nikkei Average (¥)	10,133.23	11,089.94	9,369.35	9,755.10	8,700.29	10,083.56	8,870.16	12,397.91	14,455.80	14,827.83	16,173.52	19,206.99	
TOPIX (Points)	909.84	978.81	829.51	869.38	761.17	854.35	737.42	1,034.71	1,194.10	1,202.89	1326.29	1,543.11	

• 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: 148,614

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	7,704,400	3.98
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
Japan Trustee Services Bank, Ltd. (Trust Unit)	5,192,400	2.68
Mizuho Bank, Ltd.	4,600,000	2.37
JR-West Employee Stock-Sharing Plan	4,332,800	2.24
Nippon Life Insurance Company	4,000,000	2.06
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
STATE STREET BANK WEST CLIENT - TREATY	2,744,458	1.42
THE BANK OF NEW YORK MELLON SA/NV 10	2,441,821	1.26
Total	46,915,979	24.2

Note: For the purpose of computing the shareholding ratios, 606 shares of treasury stock are excluded from the total number of issued shares of the Company.

Consolidated Subsidiaries

As of March 31, 2015

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	14,000	Department Store	60.0
	West Japan Railway Daily Service Net Company	2,300	Sales of Goods and Food Services	100.0
	West Japan Railway Food Service Net Company	899	Sales of Goods and Food Services	100.0
	Japan Railway Service Net Hiroshima Company	300	Sales of Goods and Food Services	100.0
	Japan Railway Service Net Okayama Company	230	Sales of Goods and Food Services	100.0
	Japan Railway West Trading Company	200	Wholesale	100.0
	Japan Railway Service Net Kanazawa Company	200	Sales of Goods and Food Services	100.0
	Japan Railway Service Net Fukuoka Company	200	Sales of Goods and Food Services	100.0
	West Japan Railway Sanin Development Company	200	Other Retail Businesses	100.0
	West Japan Railway Fashion Goods Co., Ltd.	100	Sales of Goods and Food Services	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	76.2
	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 Co., Ltd.	300	Shopping Centers	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Shopping Centers	80.0
	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

SEGMENT	NAME	PAID-IN CAPITAL (Millions of yen)	BUSINESS	EQUITY OWNERSHIP(%)
Other Businesses	West Japan Railway Hotel Development Limited	18,000	Hotel	100.0
	Nippon Travel Agency Co., Ltd.	4,000	Travel Services	79.8
	Hotel Granvia Hiroshima Co., Ltd.	2,800	Hotel	93.8
	Hotel Granvia Osaka Co., Ltd.	2,200	Hotel	53.8
	Hotel Granvia Okayama Co., Ltd.	2,054	Hotel	94.2
	DAITETSU KOGYO Co., LTD.	1,232	Construction	51.6
	Wakayama Terminal Building Co., Ltd.	1,000	Hotel	64.0
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	67.0
	JR West Japan LINEN Co., Ltd.	290	Other	97.4
	West Japan Marketing Communications, Inc.	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	Other	100.0
	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	Electric Works	51.5
	JR West Japan MARUNIX Co., Ltd.	80	Other	100.0
	WEST JAPAN RAILWAY SHINKANSEN TECHNOS CORPORATION	80	Maintenance for Railcar Facilities	100.0
	JR WEST BUILT Co., LTD.	70	Construction	84.0
	JR-West Japan Consultants Company	50	Construction Consultation	100.0
	JR West Financial Management Co., Ltd.	50	Other	100.0
	JR West Customer Relations Co., Ltd.	50	Other	100.0
	JR West Japan Transportation Service Co., Ltd.	50	Other	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	Other	100.0	

Corporate Data

As of March 31, 2015

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

193,735,000

Employees at Work

26,886 (non-consolidated)
47,565 (consolidated)

Number of Subsidiaries

144 (incl. 63 consolidated subsidiaries)

Stock Listings

Tokyo, Nagoya, and Fukuoka
stock exchanges

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

MAIN FEATURES OF BUSINESS

Transportation Operations

■ Railway

Total route length

5,007.1 kilometers

Shinkansen 812.6 kilometers

Conventional lines 4,194.5 kilometers

* The total route length is the sum
of Shinkansen and conventional lines

Number of stations

1,195

Number of rolling stocks

6,611

Number of passengers

Total 1,837 million

Shinkansen 69 million

Conventional lines 1,784 million

Passenger-kilometers

Total 56,078 million

Shinkansen 18,109 million

Conventional lines 37,969 million

Train-kilometers per day

Total 528 thousand

Shinkansen 110 thousand

Conventional lines 418 thousand

■ Bus Services

■ Ferry Services

Non-Transportation Operations

■ Retail Business

Sales of Goods and Food Services

Department Store

Wholesale

Other Retail Businesses

■ 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

Other

For further information, please contact the Investor Relations section of the
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WEST JAPAN RAILWAY COMPANY