



WEST JAPAN RAILWAY COMPANY

# Annual Report 2016

Year ended March 31, 2016



# Profile

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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.

## 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.

### 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.

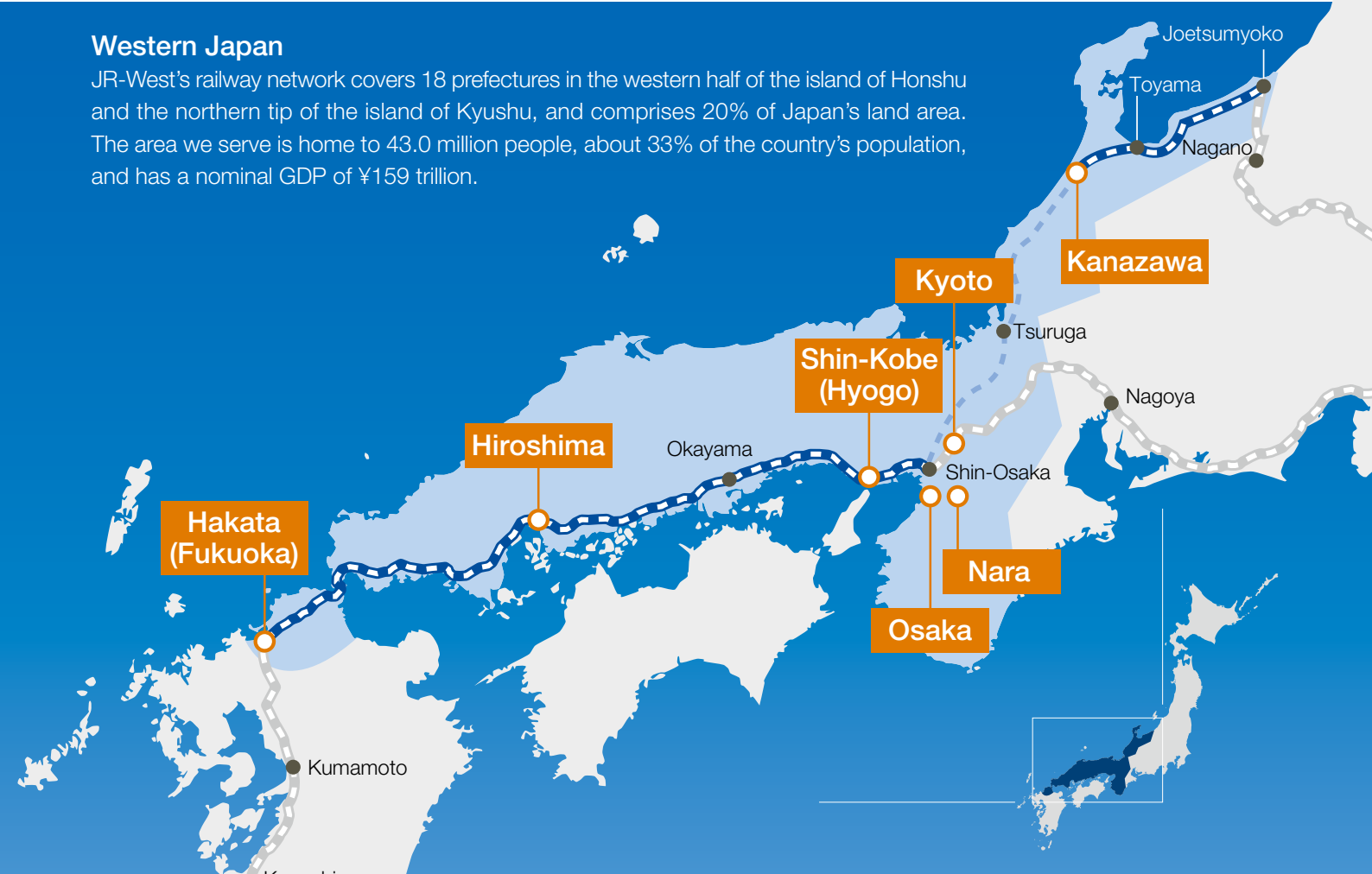
All forward-looking statements in this annual report are made as of September 2016 based on information available to JR-West as of September 2016, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

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

# At a Glance

## Western Japan

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 43.0 million people, about 33% of the country's population, and has a nominal GDP of ¥159 trillion.



Hakata (Fukuoka)



Shin-Kobe (Hyogo)



Osaka

## JR-West



Total route length

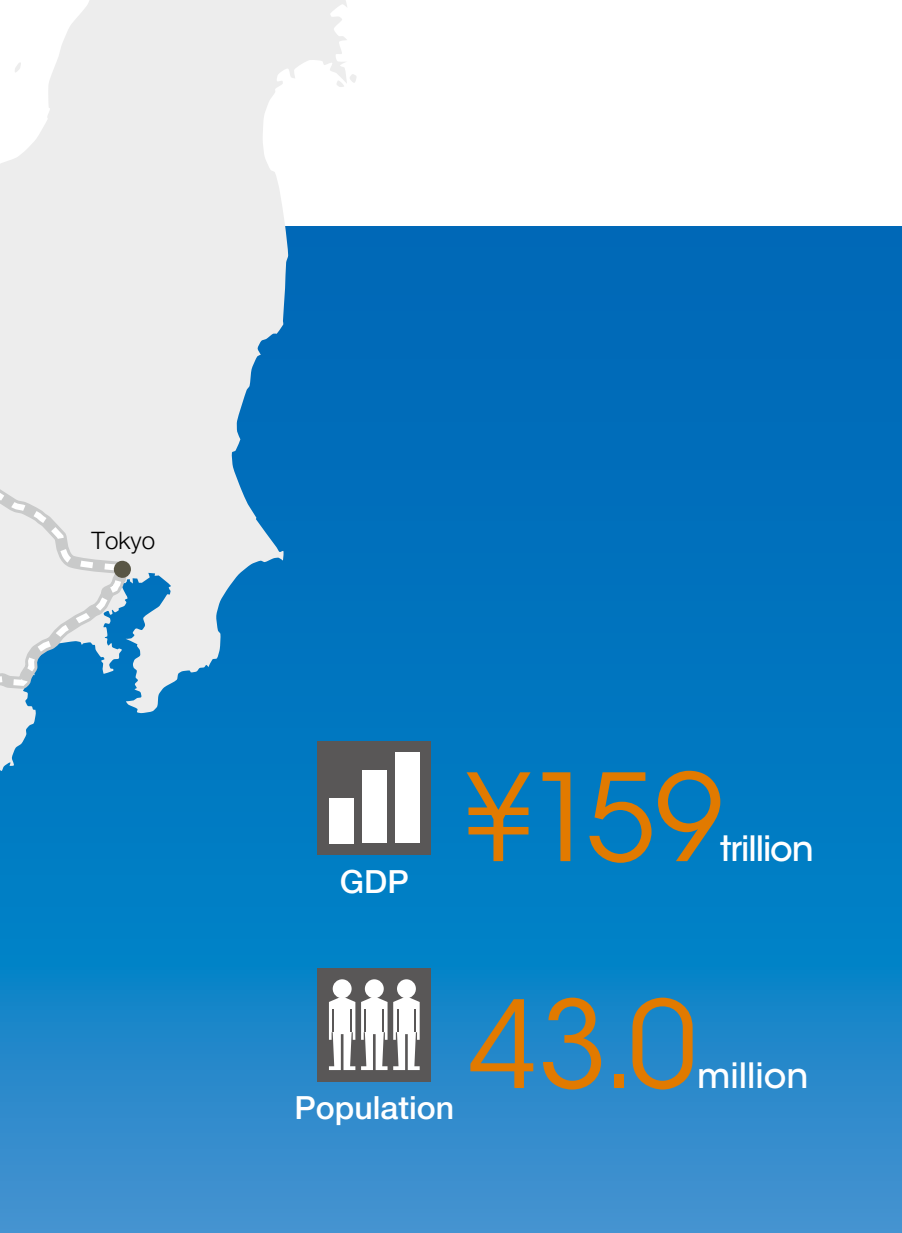
**5,007.1** km



Number of passengers

**1,880** million





## Tourist destination ranking

**7** Prefectures  
in the top 20

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

### Visiting Rate by Prefecture (CY2015 Results)

Number of responses: 39,783

Ranking	Prefectures	Visit rate (%)
1	Tokyo	52.1
2	Chiba	44.4
3	Osaka	36.3
4	Kyoto	24.4
5	Kanagawa	11.3
6	Aichi	9.8
7	Fukuoka	9.5
8	Hokkaido	8.1
9	Hyogo	6.5
10	Yamanashi	6.3
...		
13	Nara	5.2
...		
16	Hiroshima	3.0
...		
20	Ishikawa	1.9

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



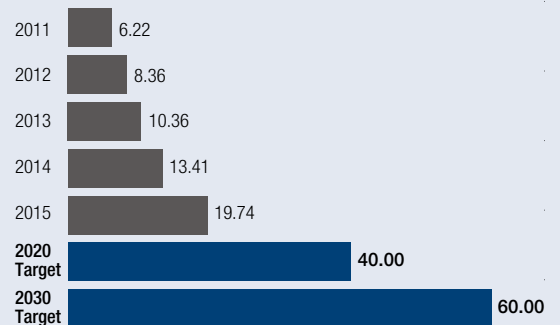
## Annual number of foreign visitors exceeded

**19** million

The number of inbound visitors to Japan was nearly 20 million in fiscal 2016.

### Inbound Visitors to Japan

(Millions of people)



Source: Japan National Tourism Organization



Kyoto

Nara

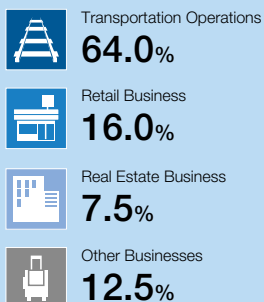
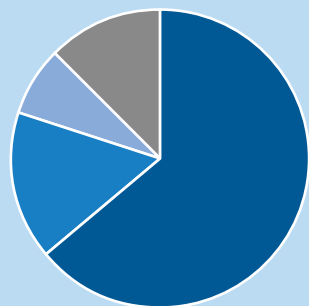


# Overview

## Operating Revenues Revenues from Third Parties

(Year ended March 31, 2016)

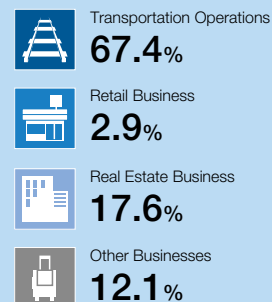
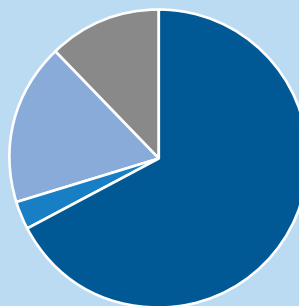
Total **¥1,451.3 billion**



## Operating Income

(Year ended March 31, 2016)

Total **¥181.5 billion**



## Transportation Operations



### Shinkansen

The Shinkansen operated by JR-West consists of the Sanyo Shinkansen, a high-speed intercity passenger service between Shin-Osaka Station in Osaka City and Hakata Station in Fukuoka City, and the Hokuriku Shinkansen Lines, which 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 Joetsumiyoko and Kanazawa.



### 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 2016, JR-West served a daily average of 4.1 million passengers in the Kansai Urban Area.

These passengers were mainly people commuting to and from work or school.



### 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.

## History

### 1987. Apr

From Japanese National Railways to JR, founding of West Japan Railway Company

### 1991. May

Train collision accident on the Shigaraki Kogen Railway Line

### Oct

Purchase of the Sanyo Shinkansen facilities from Shinkansen Holding Corporation

### 1993. Mar

Debut of "Nozomi" on the Sanyo Shinkansen Line

### 1994. Jun

Opening of the Kansai-Airport Line

### 1995. Jan

The Great Hanshin-Awaji (Kobe) Earthquake (major damage to the Sanyo Shinkansen Line, the JR Kobe Line, among others)

### 1996. Oct

Stocks listed on Osaka, Tokyo, and Nagoya securities and stock exchanges

### 1997. Mar

Opening of the JR Tozai Line

### Sep

Grand opening of Kyoto Station Building

### 2000. Nov

Start of "e5489" service for making train ticket reservations via the Internet

### 2003. Sep

Opening of Shanghai Representative Office in Shanghai, China

### Nov

Start of "ICOCA" IC card service

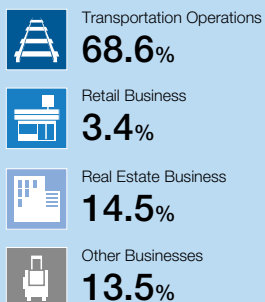
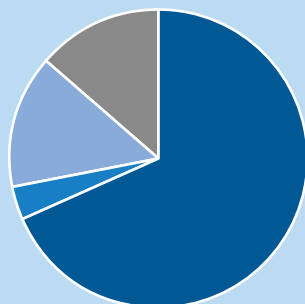
### 2005. Apr

Accident occurring between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line (the JR Takarazuka Line) in which a rapid service train derailed and crashed into an apartment, taking the lives of 106 passengers and injuring over 500 more

## Total Assets

(As of March 31, 2016)

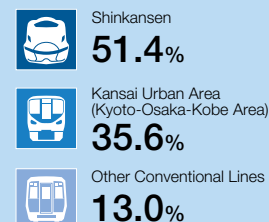
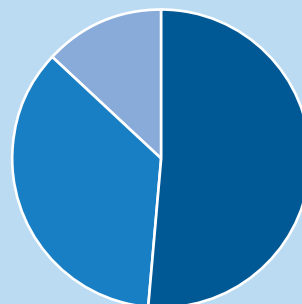
Total **¥2,843.1** billion



## Railway Revenues

(Year ended March 31, 2016)

Total **¥850.0** billion



## Non-Transportation Operations



### 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.



### Real Estate Business

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 terminal stations, the 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.



### 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.

#### May

Submission of Safety Improvement Plan to Minister of Land, Infrastructure and Transport

#### Oct

Introduction of "ICOCA" electronic money service

#### 2006. Apr

Establishment of "JR-West Corporate Philosophy" and "Safety Charter"

#### Jul

Application of Shinkansen reservation service "Express Reservations" expanding to the entire Tokaido and Sanyo Shinkansen lines

#### 2007. Jul

Introduction of new model Series "N700" to "Nozomi" Super Express on Tokaido and Sanyo Shinkansen lines

#### 2008. Mar

Opening of the Osaka Higashi Line between Hanaten and Kyuhoji stations

#### 2011. Mar

Update of online train reservation service "e5489"

Debut of "Mizuho" and "Sakura" direct through service trains on the Sanyo and Kyushu Shinkansen lines

#### May

Grand opening of Osaka Station City

#### 2013. Mar

Medium-Term Management Plan 2017 and Safety Think-and-Act Plan 2017 announced

#### 2015. Mar

Opening of the Hokuriku Shinkansen Line between Nagano and Kanazawa stations, debut of "Kagayaki," "Hakutaka," and "Tsurugi"

#### 2015. Jul

Opening of Singapore Office

# Financial Highlights

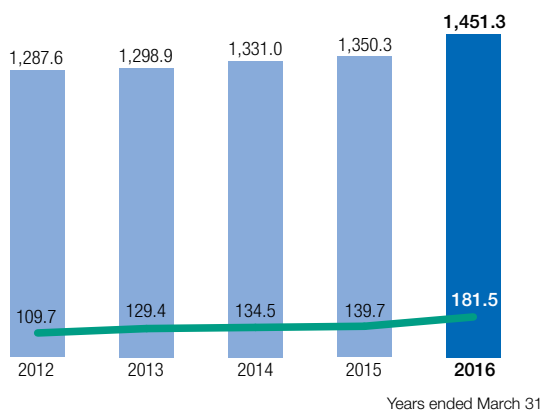
## Operating Revenues / Operating Income

■ Operating revenues

■ Operating income

**7.5%**  **29.9%** 

(Billions of yen)



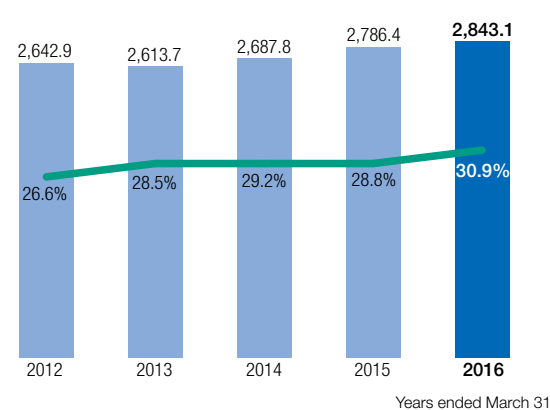
## Total Assets / Equity Ratio

■ Total assets

■ Equity ratio

**2.0%**  **2.1**  point

(Billions of yen)



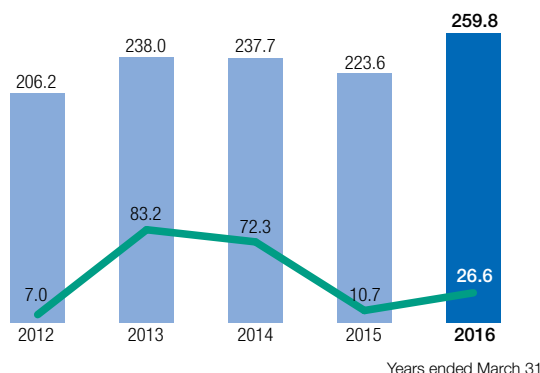
## Cash Flows

■ Net cash provided by operating activities

■ Free cash flows

**16.2%**  **149.1%** 

(Billions of yen)



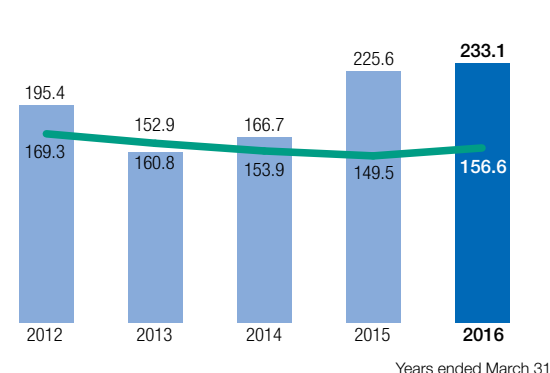
## Capital Expenditures\*1 / Depreciation and Amortization

■ Capital expenditures

■ Depreciation and amortization

**3.3%**  **4.7%** 

(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

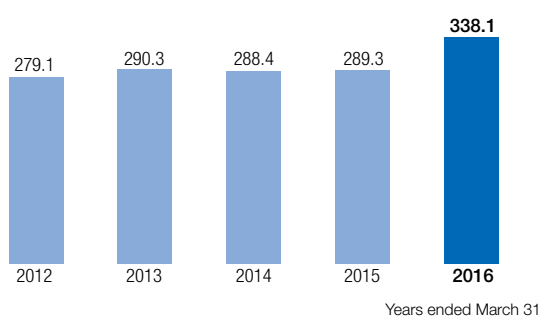
\*4 In the medium-term management plan, the Company aims to attain an approximately 3% "rate of total distribution on net assets" on a consolidated basis for fiscal 2018. The rate in fiscal 2016 was 3.1%. Rate of total distribution on net assets = (Total dividends + Acquisitions of treasury stock) / Consolidated net assets



## EBITDA\*2

16.9%  increase

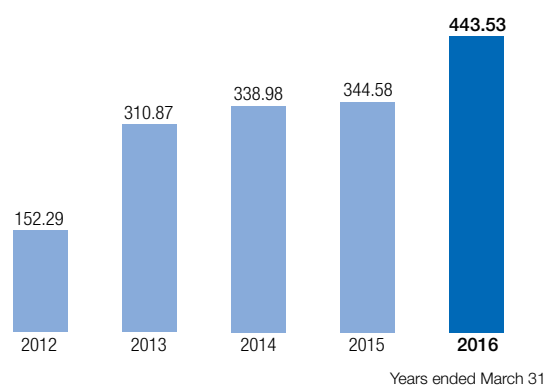
(Billions of yen)



## Profit Attributable to Owners of Parent (per share)\*4

28.7%  increase

(Yen)



## Cash Dividends per Share\*3 / DOE\*4

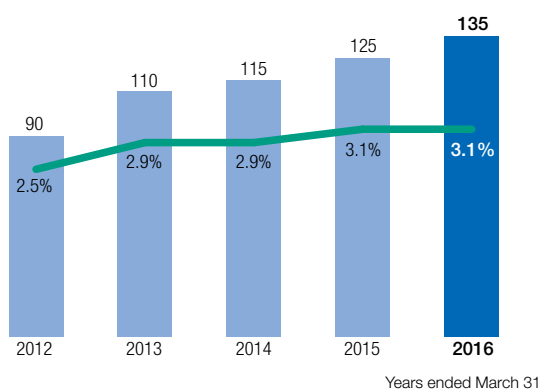
■ Cash dividends per share

— DOE

8.0%  increase

no change

(Yen)



## ROA (Operating income basis) / ROE

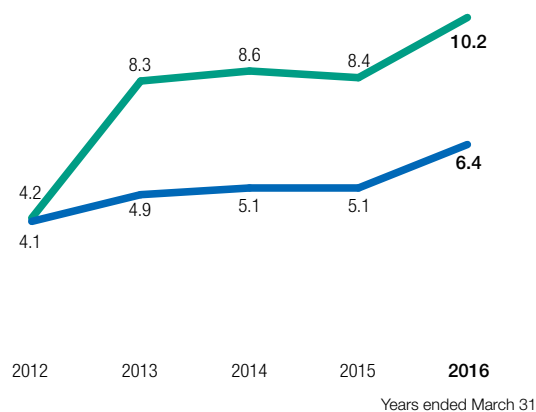
■ ROA

— ROE

1.3 point  increase

1.8 point  increase

(%)



# The President's Message

## Putting safety first, the JR-West Group will continue evolving into the future.

I am Tatsuo Kijima and was appointed president of the JR-West Group in June 2016. I aim to create a corporate culture of putting safety first and leading the Group to sustainable growth.



### Putting Safety First

Four years before I was appointed president, I was general manager of the department responsible for responding to the victims of the Fukuchiyama Line train accident. In that role, I came into direct contact with the people who were affected by the accident and learned about their feelings surrounding the tragedy. Their sorrows and suffering continue to this day. On behalf of the Company, I extend my heartfelt apologies. Going forward, we will continue to interact earnestly with the people whose lives were affected by the Fukuchiyama Line train accident, reflect upon the accident, and take its lessons to heart. In the process, we will do our utmost to respond to the needs of the people who have been affected by this tragic event.

The origin of our safety awareness is a keenly felt understanding that our customers entrust their precious lives to us, and it is our bounden duty to transport them safely to their destinations. The railway business is possible only through the careful application of established rules and an ongoing dedication to ensuring safety and peace of mind as a matter of course. As we go about our daily activities, we recognize it as essential that not a single person forget this duty.

I visit as many workplaces as possible in a variety of locations and make it a point to learn about a host of safety issues and measures and employees' thoughts related to safety. I then consider what can be done to bolster safety even further and feel duty-bound to raise the bar still further, as I believe that working hard toward safety conveys our dependability. Thinking about what roadblocks are in the way to safety improvements and how to surmount them is an ongoing challenge, but one that I believe is essential to face as we work to enhance overall safety.

As the number of employees who joined the Company after the accident increases, we continue in our efforts to ensure that its memory does not fade. In addition, we have set up sites that emulate accidents to help our employees understand the magnitude of accidents and communicate the importance of life.

Our emphasis on safety is not limited to the railway business. Rather, it is a key requirement of all the businesses we engage in. Creating a corporate culture of putting safety first is an earnest endeavor for the Group as a whole and essential to maintaining the trust of our customers and other stakeholders.

## Status of Initiatives under Our Medium-Term Management Plan\*<sup>1</sup> and the Safety Think-and-Act Plan\*<sup>2</sup>

During fiscal 2016, we were successful in initiatives aimed at achieving the targets of the medium-term management plan and the Safety Think-and-Act Plan.

Regarding safety, our topmost strategic focus, we met our objectives for reducing the number of accidents and transportation disruptions. Even so, from individual events it is clear that issues remain. Based on the results of a third-party evaluation of our safety management system, we will press ahead with measures necessary to augment safety further.

We marked the 40th anniversary of all lines of the Sanyo Shinkansen commencing operations with extensive passenger use of the lines, for business and tourism alike. We continued with activities to maximize the impact of the Hokuriku Shinkansen's start of operations, thereby invigorating the overall Hokuriku region. The new LUCUA Osaka also enjoyed a broad-based increase in customer activity. As a result, we made steady progress on the strategies of the medium-term management plan, which we updated in April 2015.

As we are quickly approaching the final year for the medium-term management plan and the Safety Think-and-Act Plan, we will redouble our efforts to bring the plans to a successful conclusion. We will steadfastly work to ensure that safety and customer satisfaction are shared throughout the JR-West Group as we strive to meet the targets of our plans.

\*1 The "medium-term management plan" refers to the "JR-West Group Medium-Term Management Plan 2017."

\*2 The "Safety Think-and-Act Plan" denotes our "Safety Think-and-Act Plan 2017."

## Roles the JR-West Group is Expected to Fulfill

We continue to place topmost management priority on and put every effort toward our "three pillars of management"—"measures to convey our best intentions to those affected by the train accident," "measures to enhance safety," and the "furthering of reform." In addition, we have established "Our Future Direction: The Ideal Form for JR-West" to fulfill our mission of sustained railway operations as social infrastructure and contribute to the invigoration of local communities as a "company coexisting with communities" by increasing our level of interaction and collaboration to expand operations in the Group's area of business. We believe that by fulfilling this mission, the JR-West Group will create value for society and fulfill the roles society expects of it. To achieve these objectives, we will fulfill our responsibilities as a member of society in such areas as global environmental protection, compliance, disclosure, and crisis management, and act in good faith.

## The Thoughts and Actions of Individual Employees—Our Driving Force

With environmental change occurring at an accelerating pace, we recognize the need to act with alacrity and seize

opportunities for growth. To be successful, while preserving our core operations employees must think and act autonomously. Their thoughts and actions on the front lines of our business, their daily work, operations, and management are central to our focus on customers and workplaces, and will enable us to steadily meet the goals of the medium-term management plan and transform the corporate culture. I would like each of our employees to maintain thoughts and actions toward goals they align with, while at the same time working in combination as an organization to achieve success and motivation. I will focus on building the environment to facilitate this transformation.

As the number of childbirths fall, society ages, and Japan's demographic structure changes, a growing number of employees will face the need to rear children and provide nursing care. To accommodate these concerns, we will need to revise working structures, enabling employees to be successful in the limited amount of time they have available. We will also need to transform our values, respecting diverse working styles. Enhancing the work-life balance should lead to higher motivation for individual employees and as a result, better success for the organization.

## Continuity and Evolution as We Look to the Future

April 2017 marks the 30th year since our start of operations as JR-West. As we look to the next 30 years, we must maintain steady continuity in our initiatives. At the same time, I believe dramatic evolution will be extremely important for us. In addition to enhancing our core railway business, we will roll out a variety of initiatives across the Group, including in non-railway operations. Particular points of focus will be ensuring harmony with local communities, harnessing demand from inbound travel and active seniors, technological innovation that leverages IT, and new business developments, including overseas activities. We will engage quickly in these areas, which offer the potential for growth.

Above all, I see ensuring harmony with local communities as an overriding theme for the Group as we look toward the future. The JR-West Group cannot expand without the vigor of western Japan. We will forge even more intricate links with the communities we serve, applying the strength of the JR-West Group in a variety of ways to invigorate lifestyles and industries. We will put forth every effort into ensuring the vitality of the community and the sustainable growth of the JR-West Group.

Pulling together as "Team JR-West" while putting safety first, the JR-West Group's more-than 47,000 executives and employees will strive to enhance customer value and corporate value. We will contribute to the realization of a sustainable society as we evolve with an eye to the future.

August 2016

**Tatsuo Kijima**

President, Representative Director, and Executive Officer

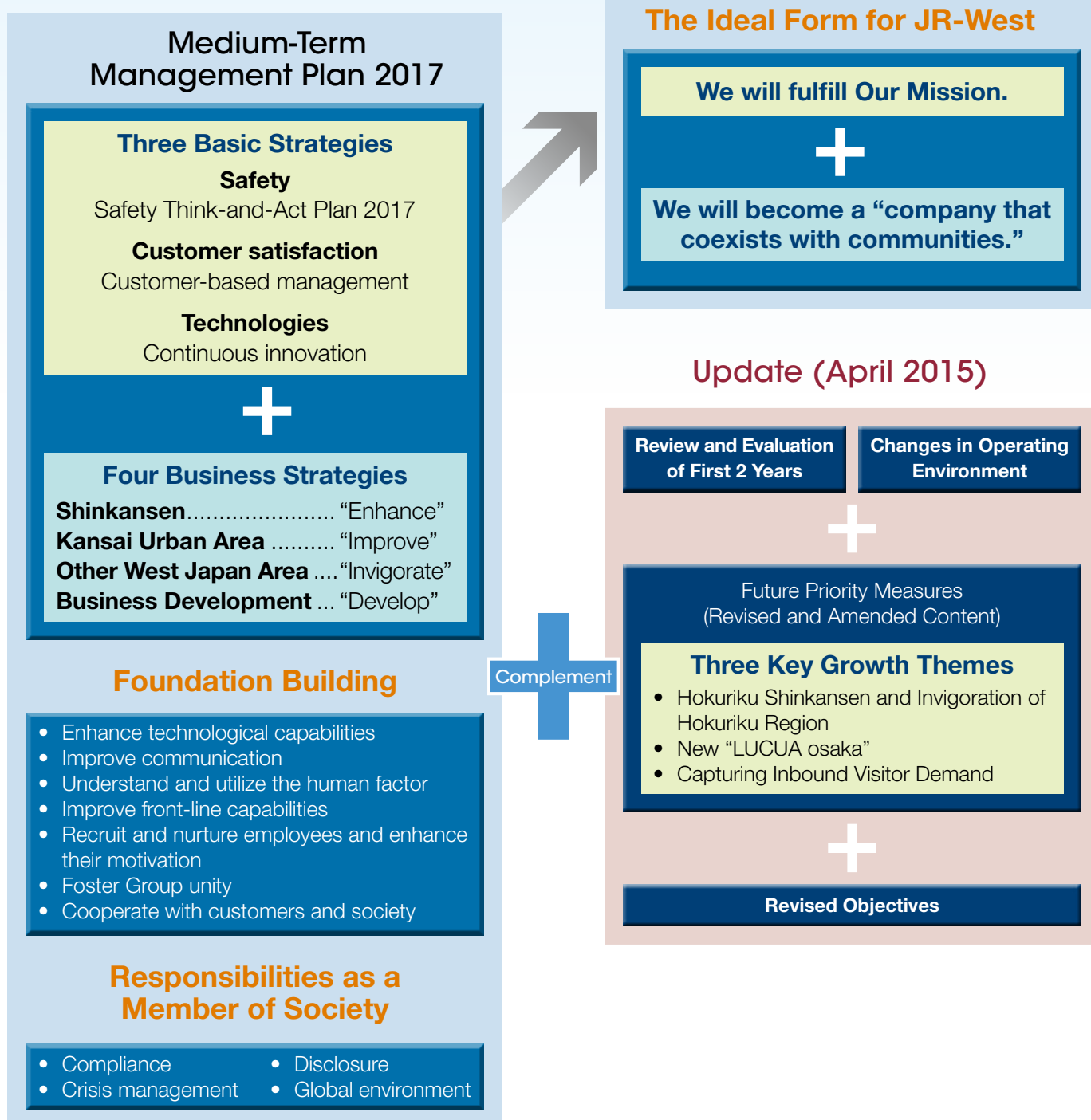


# Our Goal

## Positioning of April 2015 Update

Three 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 April 2015 update, we reviewed our initiatives and progress over the first two years of the plan, and discussed 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



## Business Results Forecast for Fiscal 2018 (Consolidated)

Billions of yen

	Fiscal 2016		Fiscal 2018
	Forecast as of update*	Results	Forecast as of update*
Operating Revenues	1,391.5	1,451.3	1,423.0
Transportation	895.6	928.7	902.5
Retail	227.0	232.0	246.5
Real estate	102.6	108.8	106.0
Other businesses	166.3	181.5	168.0
Operating Income	148.5	181.5	157.0
Transportation	103.3	125.1	105.0
Retail	4.1	5.3	6.0
Real estate	30.3	32.7	33.5
Other businesses	14.0	22.4	14.0
Recurring Profit	130.0	162.2	141.0
Net Income	81.5	85.8	91.5
Transportation Revenues	818.0	850.0	820.5
ROA	5.3%	6.4%	5.5%
ROE	9.8%	10.2%	9.8%
EBITDA	307.0	338.1	325.5

Notes: 1. Operating revenues are the revenues from third parties (= customers).

2. Operating income by segment is before elimination of internal transactions.

3. Transportation revenues are JR-West's railway revenues, which are also included in operating revenues of transportation business.

\* Medium-Term Management Plan Update (April 2015)

## Capital Expenditure Plan (Consolidated)

**FY2014 — FY2018 plan: ¥960.0 billion (+¥40.0 billion vs. plan before update)**

**Investment for growth: ¥260.0 billion  
(+¥30.0 billion vs. plan before update)**

- Hokuriku Shinkansen Line
- Establish new stations and renew stations
- Expand lifestyle-related service businesses (business alliance with Seven-Eleven Japan, etc.)

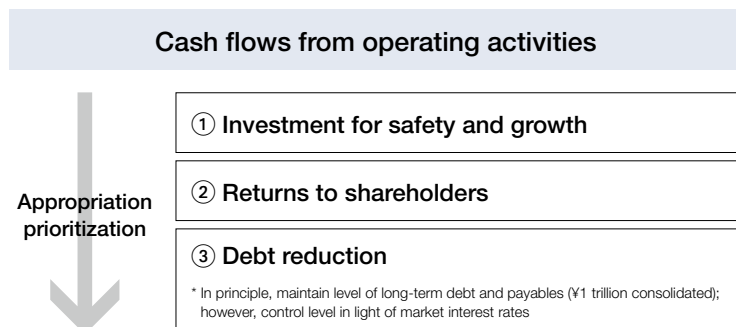
**Investment needed for ongoing management of operations**

- Barrier-free, CS investment
- Investment for introduction of information technologies, etc.

**Safety-related investment: ¥480.0 billion  
(+¥10.0 billion vs. plan before update)**

- Rolling stock renewal
- New ATC
- New safety system
- Natural disaster countermeasures, etc.

## Cash Earmarking and Prioritization



## Shareholders' Return Policy

- We recognize it important to distribute profits to our shareholders on a long-term and constant basis. Reflecting this 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.

\* 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

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

#### Future Priority Measures

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



### Customer Satisfaction

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.

#### Future Priority Measures

1. Understanding customer expectations and responding to diverse needs
2. Building a railway with high transportation quality
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



### Technologies

We aim to continually pursue innovations in technology to support safety and customer satisfaction.

#### Future Priority Measures

1. Promoting technical development aimed at fostering innovations in railway operation systems
2. Taking on the 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



## Target Indicators

	2013	2016	2018 target
Railway accidents that result in casualties among our customers	0	0 Fiscal 2014-2016	0 over 5 years
Labor accidents that result in fatalities among our employees	0	1 Fiscal 2014-2016	0 over 5 years
Railway accidents with casualties on platforms	13	10	30% reduction* (9)
Accidents at level crossings	41	15	40% reduction* (25)
Transport disruptions due to internal factors	281	176	50% reduction* (140)

\* In comparison with fiscal 2013

## Initiatives Aimed at Improving Platform Safety

The trial operation of “automatic platform gates (rope style)” at Rokko-michi Station demonstrated potential for practical applicability and continues to be in operation. This system was also installed on platforms 1 and 6 at Takatsuki Station in March 2016. Movable platform gates, which have already been installed at Kitashinchi and Osakatem-mangu stations, were also installed at Kyobashi Station in March 2016 with plans to install them at Osaka Station in spring 2017. In addition, the trial operation of new movable platform gates currently under development has been conducted at Sanyo Shinkansen Shin-Kobe Station.



Automatic platform gates at Takatsuki Station

## Target Indicators

	2013	2016	2018 target
Customer satisfaction survey result (5-level, internal survey)	3.47	3.76	4.0 or above

## Improvements Based on Customer Feedback: Increasing the Number of Coin-Operated Lockers at Kanazawa Station

JR-West has established a mechanism for reflecting opinions, requests, gratitude, compliments, and other customer feedback into company measures to improve satisfaction from the customer's perspective.

Since the opening of the Hokuriku Shinkansen, the number of customers using Kanazawa Station has exceeded expectations, resulting in a heightened demand for coin-operated lockers, an issue brought to our attention by the customers who use them. In response, coin-operated locker areas were expanded and new lockers were installed. In July 2015, 486 lockers were added in three areas, for a total of 998 lockers (up from 512), which, combined with permanent luggage storage areas, resulted in a total of 1,200 pieces of luggage (in terms of overall space).



## Target Indicators

	2015	2018 target
On-board oriented train control system (wireless)	Confirmed functionality through running tests	Target practical application
Battery-powered trains	Began examining specifications for prototypes	Complete performance tests
Next-generation comprehensive train operation control system	Commenced construction of meteorological disaster response systems (1st phase)	Finish verification testing for next-generation comprehensive train operation control system
Gauge change train	Started gauge change tests	Advance development targeting practical application
Transition from ground-based inspections to on-board inspections	Began examining specifications for on-board inspection system	Commence partial introduction of on-board inspection system

## Launch of Multifunctional Eco-Station at Maya Station on the JR Kobe Line

Global warming is becoming a pressing issue on a global scale. In accordance with the adoption of the Paris Agreement, Japan announced the goal of reducing its greenhouse gas emissions by 26% by fiscal 2030 (compared with fiscal 2013 levels), requiring increased greenhouse gas emission prevention measures in the public and private sectors.

Given these conditions, Maya Station on the JR Kobe Line was opened in March 2016. A DC power conversion device enabling the effective use of waste-free regenerated power was installed at Maya Station, a first for JR-West. In addition, solar panels were installed on the station roof and a variety of energy-saving options were employed to reduce power consumption.



Display indicating Maya Station power generation status and the introduction of eco-friendly initiatives

## Four Business Strategies



### Shinkansen

Enhance the potential of the Shinkansen and promote exchange

#### Target Indicators

	2013	2016	2018 target
Number of senior customers traveling for leisure purposes	1.9 million	2.2 million	2.2 million (15% increase*)

\* In comparison with fiscal 2013

#### 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



### Kansai Urban Area

Improve the value of the Kansai Urban Area

#### Target Indicators

	2013	2016	2018 target
Transport disruptions due to internal factors	105	64	52 (50% reduction*)
Number of IC card users (people/day)	1.9 million	2.3 million	2.3 million
Increase resident satisfaction		—	Ongoing improvement trend seen along major railway belts

\* In comparison with fiscal 2013

#### 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)



## Other West Japan Area

(Areas of other conventional lines)

Invigorate the strengths of the west Japan area

### Target Indicators

	2015	2018 target
Customer traffic during destination campaigns	29% increase* Wakayama destination campaign	10% increase*
Sharing challenges with local partners regarding improvements in regional transportation systems	Discussions under way with a few organizations	Sharing challenges with local partners regarding improvements in regional transportation systems
Advancement of businesses with close ties to areas through concerted Group efforts coordinated with local partner companies in each area	Collaboration agreements concluded with a few organizations Investments in community-rooted businesses	Businesses with close ties to areas advanced through concerted Group efforts

\* In comparison with fiscal 2013

### 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



## Business Development

Work to develop new businesses

### Target Indicators

	2013	2016	2018 target
Revenues from life-style related businesses	—	¥36.1 billion increase*	¥35.0 billion increase*
Revenues from new businesses	—	¥1.6 billion increase*	¥1.0 billion increase*
Ratio of consolidated operating revenues from non-transportation segments (retail, real estate, other businesses) 10 years from now	35%	36%	2023 target 40%

\* In comparison with fiscal 2013

### 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



## Three Key Growth Themes

### Key Growth Theme 1

#### Hokuriku Shinkansen and Invigoration of Hokuriku Region



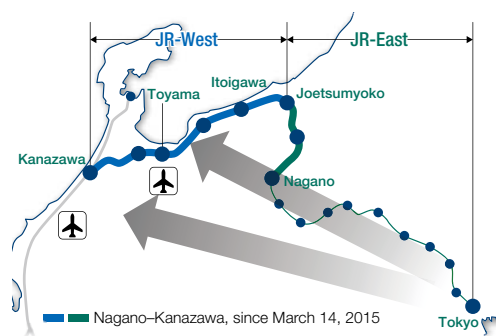
##### Target Indicators

1. Net revenue increase  
from Hokuriku Shinkansen: ¥13.0 billion (fiscal 2018)  
**Fiscal 2016: ¥28.9 billion**
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	10
Toyama–Tokyo	Shinkansen	2h 08m	12,730	24
	Airlines	approx. 2h 30m	24,890	4



##### 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.

##### 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 region



Rinto in Kanazawa Station



Toya Marché in Toyama Station

##### Scheme for the Hokuriku Shinkansen

- Japan Railway Construction, Transport and Technology Agency (JRJT) constructs infrastructure.
- JR-West owns rolling stock, operates the Hokuriku Shinkansen, 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.  
**Fiscal 2016: ¥76.1 billion**
2. Visitor number target: 70.0 million  
**Fiscal 2016: 77.0 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 a 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

#### 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

## Key Growth Theme 3

### Capturing Inbound Visitor Demand



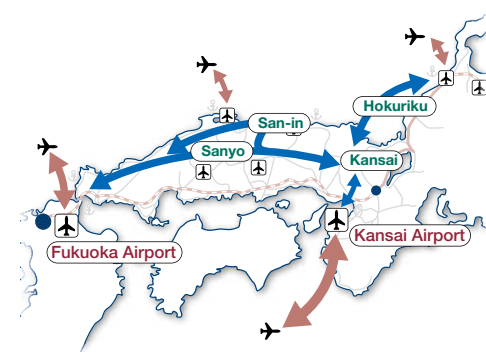
#### Target Indicators (fiscal 2018 target, in comparison with fiscal 2013)

1. Usage of railway travel products for inbound visitors:  
Increase from 0.2 million to 1 million visitors  
(400% increase)  
**Fiscal 2016: 1 million**
2. Consolidated operating revenues: ¥10.0 billion increase  
**Fiscal 2016: ¥11.9 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

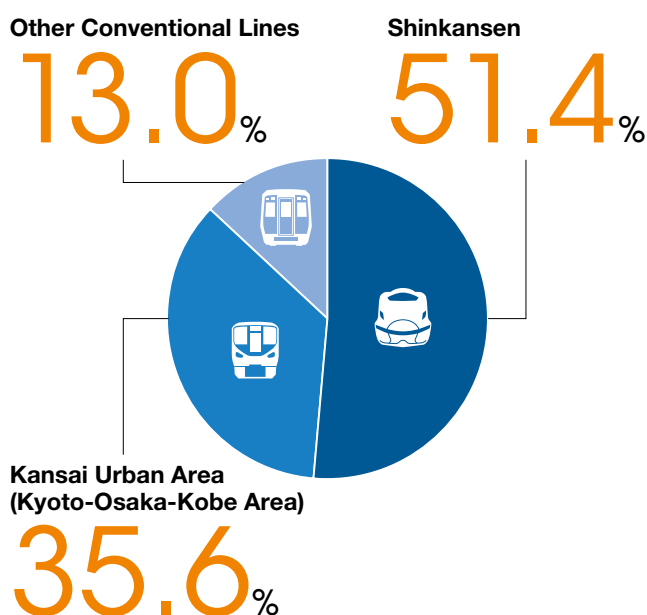
Note: Enhancing Group promotion system (establish Group Inbound Tourism Promotion Office, dispatch employee to Singapore)



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

# Transportation Operations

## Railway Revenues



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 km<sup>2</sup>. The service area has a population of approximately 43 million people, equivalent to around 33% of the population of Japan. The railway network comprises a total of 1,197 railway stations, with an operating route length of 5,007.1 km, 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 (other than those operated by the Kyoto, Osaka, and Kobe branches).



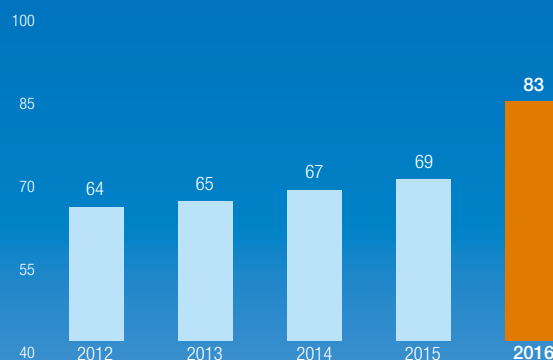
## Shinkansen

### Number of Passengers

83 million

Years ended March 31

(Millions of passengers)



## Kansai Urban Area

### Number of Passengers

1,511 million

Years ended March 31

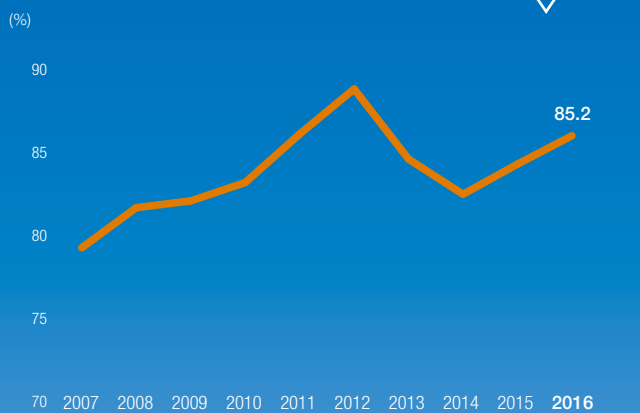
(Millions of passengers)



## Share of Passenger Market—Shinkansen Versus Airlines (Kyoto-Osaka-Kobe Area–Fukuoka)

Years ended March 31

85.2 %



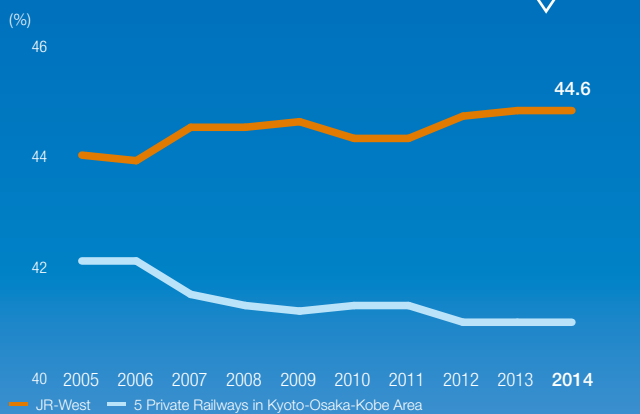
## Shinkansen Service Area



## Market Share

Years ended March 31

44.6 %



## Main Lines in the Kansai Urban Area







## Shinkansen



### Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka, located in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

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 without changing trains. These services are enabled by direct services with the Tokaido Shinkansen Line, which operates between Tokyo and Shin-Osaka. In addition, following the 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.

## Core Initiatives

### Heightening competitiveness

- Enhancing safety, comfort, and convenience
- Advancing self-service ticket purchasing/ticketless boarding

### Stimulating tourism demand

- Rolling out tourism campaigns, leveraging tourism contents
- Fostering tourism demand among seniors
- Capturing inbound visitor demand

### Initiatives to Heighten Competitiveness

#### Introducing a New Ticketless Service (Scheduled for Summer 2017)

JR-Central and JR-West have agreed to introduce a ticketless service, scheduled to go into operation in the summer of 2017. The new service will enable travelers to use smartphones and other devices to book reservations and make credit purchases of reserved seats on the Tokaido/Sanyo Shinkansen. Once reserved, passengers need only touch their transport IC card to the sensor at the Shinkansen ticket gate to confirm their identity as the person who made the reservation before boarding the train.

The new ticketless service will retain all the convenience of the current “EX service” but will also be open to non-member passengers and travelers from overseas who have transport IC cards, thereby simplifying ticketless Shinkansen travel.

Transport IC cards can also be used on trains and buses in metropolitan areas, allowing smooth transfers from the Tokaido/Sanyo Shinkansen to conventional lines.



New ticketless service



## Hokuriku Shinkansen

The Hokuriku Shinkansen is a high-speed intercity passenger service between Tokyo Station and Kanazawa Station, named for the area in Japan's Hokuriku region. This line passes through such cities as Nagano and Toyama. On this segment, JR-West operates the portion between Joetsumyoko and Kanazawa. Services on the Hokuriku Shinkansen Line between Tokyo and Kanazawa include the direct Kagayaki and Hakutaka services, enabling passengers to travel without changing trains between Tokyo and such major stations as Toyama and Kanazawa. We also operate the Tsurugi shuttle service between Toyama and Kanazawa. In June 2012, we received permission on our site and civil engineering construction plan for the 125km Kanazawa–Tsuruga segment (construction segment: the 114km segment between the Hakusan rail yard and Tsuruga).

## Core Initiatives

### Heightening competitiveness

- Enhancing comfort and convenience
- Promoting sales of limited-time usage products

### Stimulating tourism demand

- Rolling out tourism campaigns, enhancing products
- Fostering tourism demand among seniors
- Capturing inbound visitor demand

## Initiatives to Stimulate Tourist Demand

### Operating Sightseeing Trains

In conjunction with the start of operations of the Hokuriku Shinkansen and the launch of the Hokuriku Destination Campaign (DC) in October 2015, we began operating two sightseeing trains—the Hanayome Noren on the Nanao Line (between Kanazawa and Wakura-Onsen) and the Belles montagnes et mer on the Johana and Himi Lines.

#### • Hanayome Noren sightseeing train

Operating between Kanazawa and Wakura-Onsen on the Nanao Line, the Hanayome Noren helps travelers rediscover Japanese hospitality and beauty. Our aims for this special Hokuriku sightseeing train are to maximize the impact of the Hokuriku Shinkansen's launch, promote its ongoing use and popularity, and encourage business to ripple outward into the local community.

#### • Belles montagnes et mer sightseeing train

The Belles montagnes et mer, nicknamed “Belmonta,” which debuted on the Johana and Himi Lines, seeks to evoke a “traveling gallery” of sights, as travelers enjoy the exquisite landscape along the way.



Hanayome Noren sightseeing train



Belles montagnes et mer sightseeing train



## Kansai Urban Area



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 km, 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.

### Core Initiatives

#### Enhancing the value of railway belts

- Creating railway belts that people want to reside in
- Advancing more-seamless services

#### Promoting urban tourism

- Expanding usage through collaboration with tourism facilities along our railways
- Opening of the Kyoto Railway Museum
- Capturing inbound visitor demand

### Efforts to Increase the Value of Railway Belts

#### Osaka Loop Line Renovation Project

To enhance the Osaka Loop Line's image and increase customer satisfaction, we are engaging in a number of measures under the four key themes of making safe and comfortable stations (renovating and beautifying stations), developing and renovating in-station and under-track stores, developing new rolling stock, and forging links with the local community and other transport operators. By encouraging people to visit the area and take Osaka Loop Line trains, we are working with the local community to invigorate Osaka.

#### • Developing new rolling stock

In fiscal 2017, we will begin gradually introducing new 323-model trains. We aim to ensure travel quality and comfort with leading-edge services, thereby enhancing the image of the Osaka Loop Line.



The renovated Morinomiya Station



New 323-model train





## Other Conventional Lines



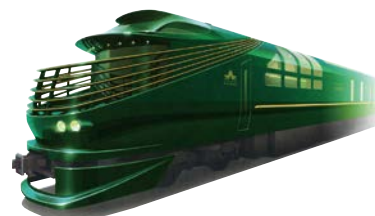
JR-West's other conventional lines comprise intercity transport provided by limited express and express services, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,248.5 km.

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.

### Efforts to Invigorate the West Japan Area

#### A New Sleeper Train— TWILIGHT EXPRESS MIZUKAZE

TWILIGHT EXPRESS MIZUKAZE, scheduled to go into service in the spring of 2017, will carry on the traditions of the Twilight Express, which operated until March 2015. Through the combination of beautiful scenery just outside the windows and quality in-train dining and comfort, we aim to make the trip enjoyable, introduce travelers to the attractions along the route, and invigorate the west Japan area.



TWILIGHT EXPRESS MIZUKAZE



## Bus and Ferry Services



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.



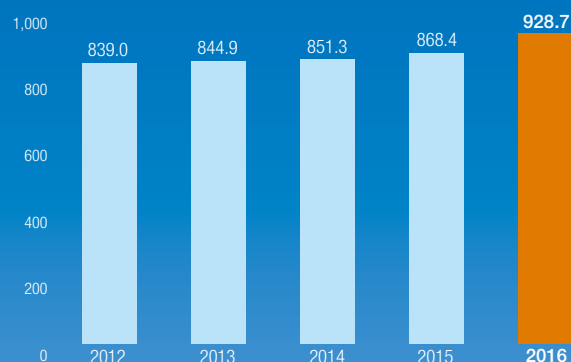
## Fiscal 2016 Results for the Transportation Operations Segment (Year ended March 31, 2016)

### Operating Revenues

#### Total

¥ **928.7** billion

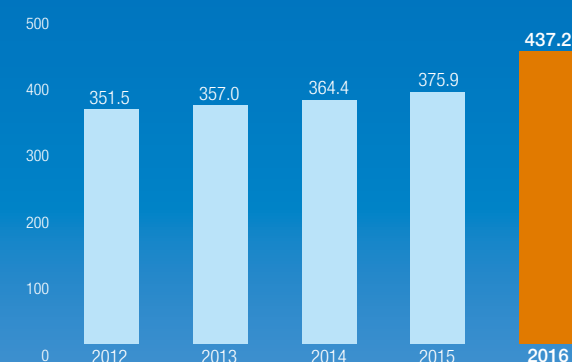
(Billions of yen)



#### Shinkansen

¥ **437.2** billion

(Billions of yen)



Operating revenues for the Transportation Operations segment increased 6.9% year on year, to ¥928.7 billion, with operating income up 24.3%, to ¥125.1 billion.

In marketing initiatives, the Company pursued various measures to maximize the impact of the launch of the Hokuriku Shinkansen, promote the use of the Sanyo Shinkansen, attract sightseeing demand from seniors and inbound visitors, improve transportation quality, enhance the value of the railway belts in the Kyoto-Osaka-Kobe area, encourage tourism in western Japan, and develop businesses well suited to the area.

For the Hokuriku Shinkansen, the Company enhanced the lineup of products through its “e5489” Internet reservation service and operated sightseeing bus tours departing from Kanazawa and Toyama stations. In addition, the three prefectures that comprise the Hokuriku region, the Hokuriku Economic Federation, and the JR Group conducted the Hokuriku Destination Campaign. In conjunction with the campaign, we began operating the Hanayome Noren and Belles montagnes et mer sightseeing trains, and took other measures to highlight the appeal of the region. As part of efforts to expand mobility among the

Kansai, Hokuriku, and Shinetsu (Niigata/Nagano) regions, we held Kansai-Hokuriku exchange meetings to discuss initiatives for broadening exchange through tourism, as well as industry, culture, and learning. We also worked to promote Shinkansen use by selling travel packages allowing wide-area excursions across the Hokuriku and Shinetsu regions, and by increasing the number of Thunderbird limited express trains in the timetable revisions implemented in March 2016.

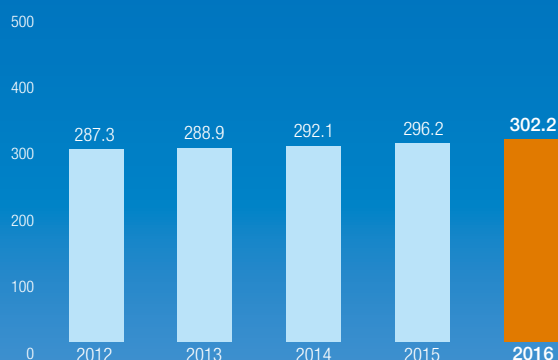
For the Sanyo Shinkansen, in conjunction with a campaign marking the 40th anniversary of its opening, we broadcast TV commercials to promote the use of the service to the Kansai region and operated the 500 TYPE EVA train, a collaboration project with Evangelion. We also promoted the use of the Kodama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

Targeting the increase in inbound sightseeing visitors, we assigned foreign traveler assistance staff at our principal stations and increased the number of Haruka limited express trains in the March 2016 timetable revisions. We

## Kansai Urban Area

¥ **302.2** billion

(Billions of yen)

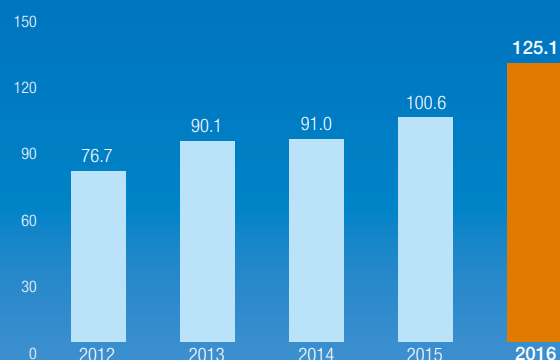


## Operating Income

### Total

¥ **125.1** billion

(Billions of yen)



also expanded the range of products by launching the Saiyu Kiko Setouchi Area Pass for a sightseeing tour route from Kansai to Hakata (Kyushu) and took steps to expand the range of other products and services. These efforts included the launch of a charter service through the establishment in October 2015 of West JR Bus Service Company, a subsidiary dedicated to arrange chartered sightseeing buses on short notice.

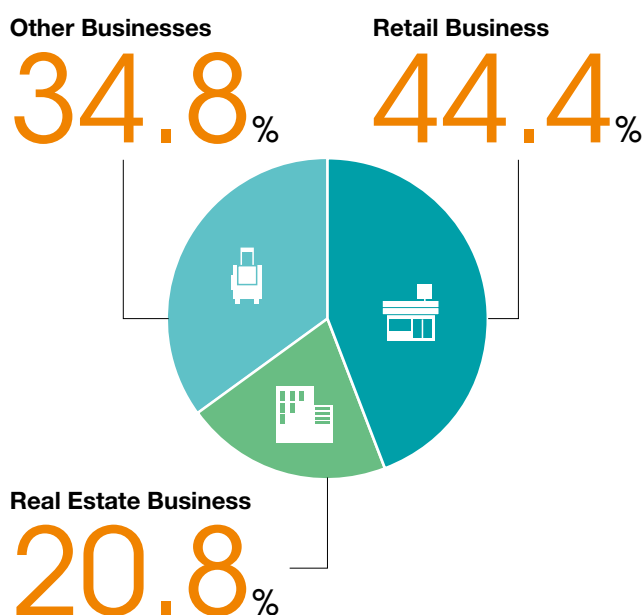
To improve transportation quality and enhance the value of railway belts in the Kansai urban area, in March 2016 the Company opened the new Maya and Higashi-Himeji stations on the JR Kobe Line and expanded the service area for the ICOCA e-money service to the Kishin, Bantan, and Kakogawa lines. Also, in the Kyoto Umekoji area we worked with local governments and other partners to invigorate the area and made preparations for opening the Kyoto Railway Museum on April 29, 2016, seeking to make it a hub of railway culture in collaboration with the local community.

In addition, to stimulate tourism across western Japan and develop businesses suited to each area, JR-West is preparing measures designed to provide high-quality,

comfortable travel and invigorate service areas, particularly as it anticipates the spring 2017 service launch of TWILIGHT EXPRESS MIZUKAZE sleeper train. Specifically, in June 2015 we established the Mizukaze Planning Division and announced operating routes. In September 2015, we approved the train designs and other details, and in December 2015 we announced the uniform designs for the train crew and the chefs who will oversee the meals.

# Non-Transportation Operations

## Non-Transportation Revenues



JR-West's non-transportation operations segment comprises three operations: retail business, real estate business, and other businesses. These 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 their railway belts through initiatives that entail collaboration with local communities to develop individual railway stations and their surrounding areas.

## Number of Hotels



## Number of Department Stores



## Number of Shopping Centers



## Number of Condominium Units Completed in Fiscal 2016



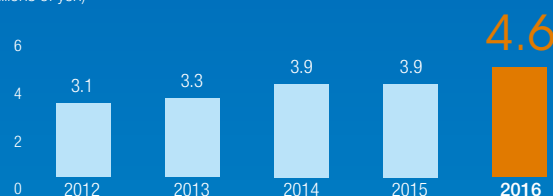
Number completed to date: 6,399



## Retail Business

### Operating Income from Goods and Foods Services

(Billions of yen)



### Operating Income from Department Stores

(Billions of yen)



## JR-West Hotel, Shopping Center, and Condominium Locations

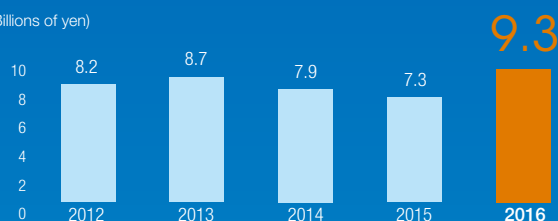
● Shopping Center ● Hotel



## Real Estate Business

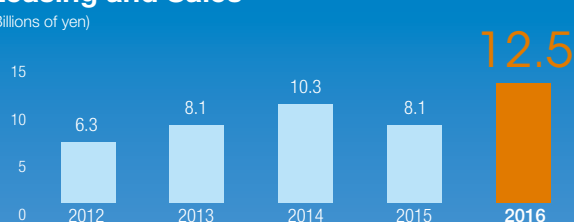
### Operating Income from Shopping Centers

(Billions of yen)



### Operating Income from Real Estate Leasing and Sales

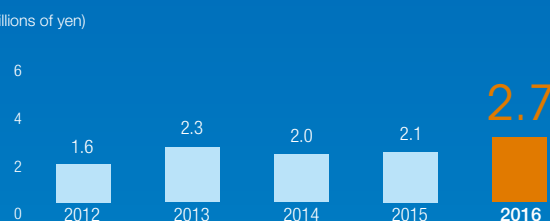
(Billions of yen)



## Other Businesses

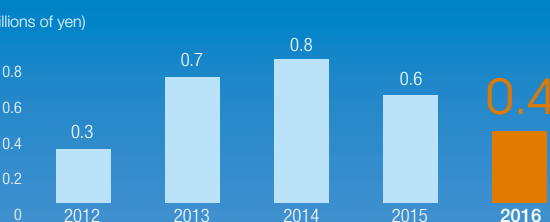
### Operating Income from Hotels

(Billions of yen)



### Operating Income from Travel Agency

(Billions of yen)





## Non-Transportation Operations

### The Next Step, We will work to develop new businesses.

With consideration for the future, we will actively take on the challenge of expanding lifestyle-related service businesses and developing/nurturing new fields of business in order to achieve sustainable growth over the long term.

#### Core Initiatives

##### Retail / Shopping centers

- Qualitative improvements realized by strengthening products and services
- Actively developing businesses in cities outside our railways in fields where we have strengths

##### Real estate leasing and sales

- Participating in projects in areas surrounding stations, e.g., community development centered on the station
- Advancing sales of condominiums



## Retail Business



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.

### Initiatives to Improve Quality by Strengthening Products, Services, and Operations

#### Converting Stores through Alliance with Seven-Eleven Japan

JR-West has entered an alliance with Seven-Eleven Japan to convert in-station stores to Seven-Eleven stores and is making an effort to maximize the effect of this conversion.

On June 4, 2014, the first group of these stores was opened in Kyoto, Okayama, Shimonoseki, and Hakata (five stores in total) with ceremonies held at each station on the day of their grand opening. The objective is to convert approximately 500 stores to Seven-Eleven allied stores over a five-year period. By March 31, 2016, 193 stores had already been converted.

Sales at in-station stores increased around 50% compared to sales before the conversion to Seven-Eleven allied stores. Going forward, we will continue to maximize the effect of this conversion.



Seven-Eleven allied store



## Real Estate Business



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.

### Initiatives Aimed at Participation in Business Projects near Major Stations

#### Tsukaguchi ZUTTOCITY

#### — JR Takarazuka Line, Tsukaguchi Station-Front Redevelopment

JR WEST REAL ESTATE & DEVELOPMENT COMPANY, in conjunction with Nomura Real Estate Development Co., Ltd., and HASEKO Corporation, commemorated the opening of ZUTTOCITY on April 9, 2016, part of an ongoing large-scale multipurpose redevelopment project in front of Tsukaguchi Station on the JR Takarazuka Line in Amagasaki, Hyogo Prefecture.

ZUTTOCITY is an area targeted for “continuous growth where people will always want to live,” through the realization of a comfortable, attractive, and eco-friendly urban area, the creation of roads, parks and other public facilities, and the introduction of high-quality residential units offering lifestyle convenience.

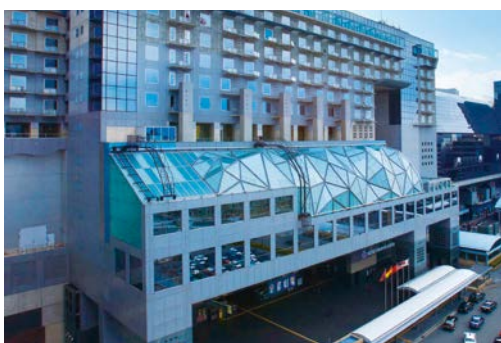
The full-fledged construction of ZUTTOCITY began in March 2014, when residents began moving into Proud City Tsukaguchi Mark Front and the building directly connected to the station was opened.



Tsukaguchi ZUTTOCITY



## 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 main-stay railway business.

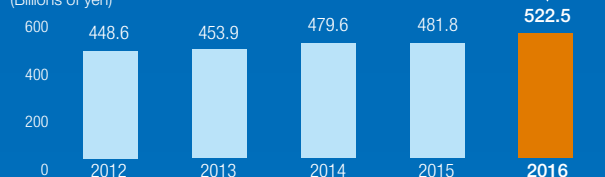
## Fiscal 2016 Results for the Non-Transportation Operations Segment (Year ended March 31, 2016)

### Operating Revenues

#### Total

¥ **522.5** billion

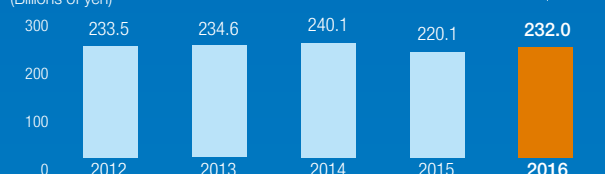
(Billions of yen)



#### Retail Business

¥ **232.0** billion

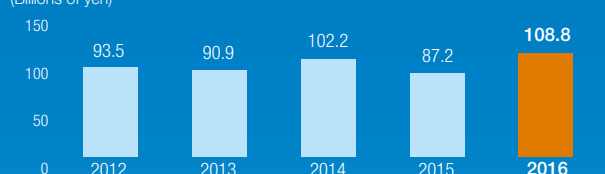
(Billions of yen)



#### Real Estate Business

¥ **108.8** billion

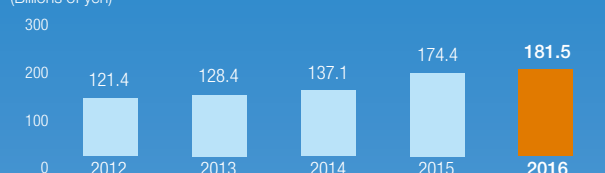
(Billions of yen)



#### Other Businesses

¥ **181.5** billion

(Billions of yen)

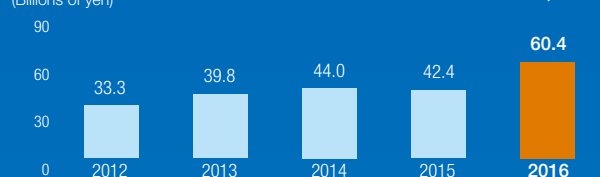


### Operating Income

#### Total

¥ **60.4** billion

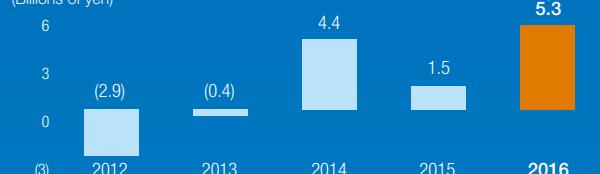
(Billions of yen)



#### Retail Business

¥ **5.3** billion

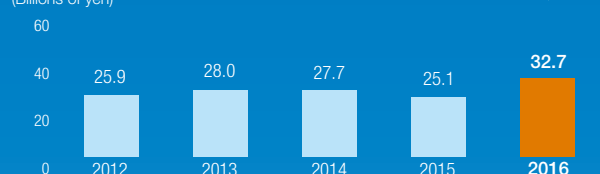
(Billions of yen)



#### Real Estate Business

¥ **32.7** billion

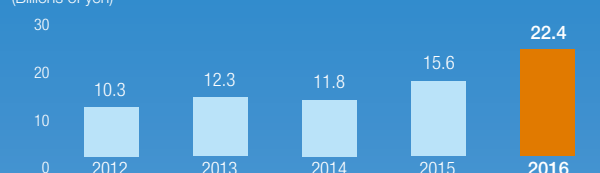
(Billions of yen)



#### Other Businesses

¥ **22.4** billion

(Billions of yen)



## Retail Business

Shops at major stations where renovation work had been conducted were opened as planned, and business performance was firm on increased railway use. As a result, operating revenues in the Retail Business segment increased 5.4% from the previous fiscal year, to ¥232.0 billion, with operating income up 233.0%, to ¥5.3 billion.

Regarding measures to enhance the appeal of stations, in December 2015 JR-West held a grand opening for Eki Marché Shin-Osaka, a facility inside the ticket gates at Shin-Osaka Station, for which we had been making

preparations. We also opened the “Enmusubi-dori Zone” at Shamine Matsue in Matsue Station, resulting in extensive use.

For our business alliance with Seven-Eleven Japan, we opened 123 new franchised stores to date in fiscal 2016 for a total of 193 locations. New store sales are steady. In August 2015, consolidated subsidiary West Japan Railway Food Service Net Company acquired the shares of Karafuneya Coffee Co., Ltd., with the aim of opening locations in cities outside our railways.

## Real Estate Business

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

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

In addition, in conjunction with the opening of the Kanazawa segment of the Hokuriku Shinkansen, the number of customers at the newly opened and renovated shopping centers in the Toyama and Kanazawa areas has grown with the increased railway use.

Furthermore, JR-West continued to renew and upgrade commercial facilities with the expansion and renovation of Hiroshima Shinkansen Meitengai in Hiroshima Station in May 2015, along with the renovation in July of the second floor of Shin-Osaka Station commercial facility as “arde! Shin-Osaka,” and in January–February 2016 the Akashi Station commercial facility as “piole Akashi.”

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

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

## Other Businesses

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

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

In addition, with the aim of utilizing management and

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

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



# CSR Overview

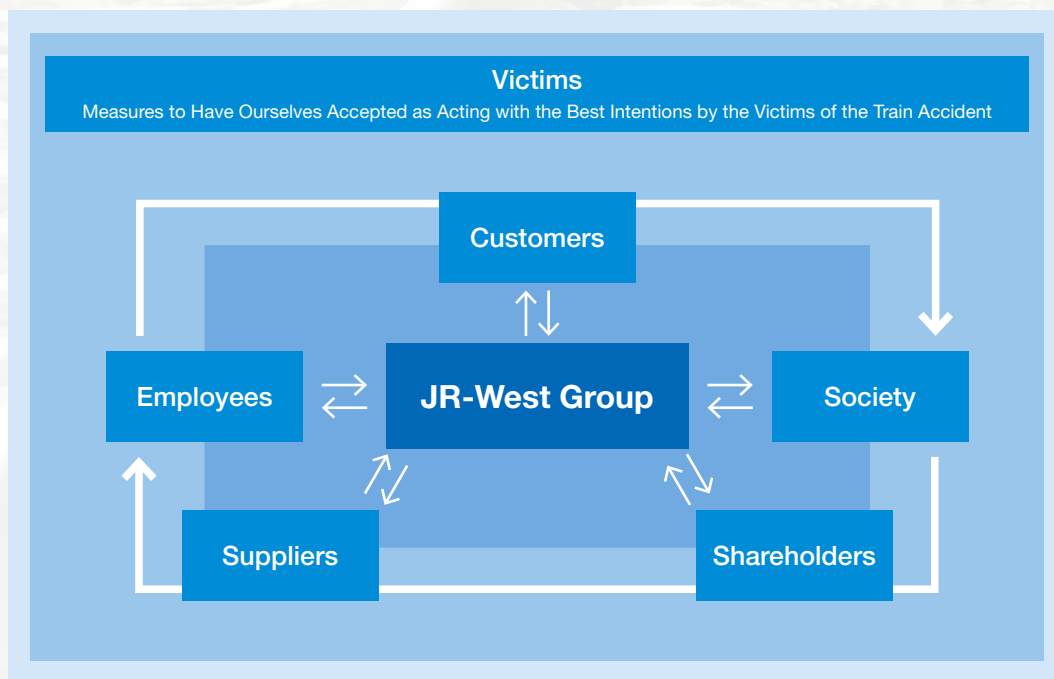
## Pursuing Think-and-Act Initiatives to Realize Our Corporate Philosophy

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.



Please see our Corporate Philosophy and Safety Charter on [page 1](#)



### 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.

# Corporate Philosophy

Providing greater value to society

## High-Priority CSR Fields

Safety

Customer satisfaction

Coexistence with communities

Human resources / Motivation

Global environment

Compliance

Disclosure

Crisis management

Thinking and acting based on the field

### 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.

## External recognition



In June 2016, FTSE Group confirmed that JR-West had been independently assessed according to the FTSE4Good criteria, and had 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 recognized corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalize on the benefits of responsible business practice.

# 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.

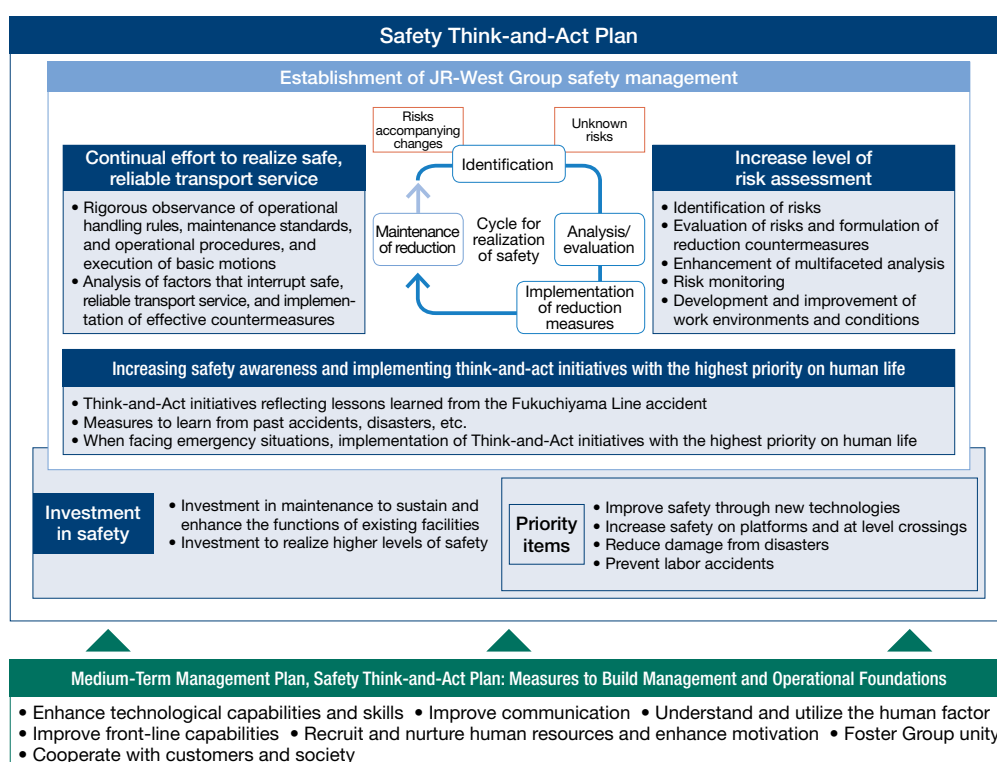
Safety is also the core strategy of the JR-West Group Medium-Term Management Plan 2017, formulated in March 2013, and we aim to attain higher levels of safety by steadily implementing our new Safety Think-and-Act Plan 2017. Having caused the Fukuchiyama Line accident, JR-West recognizes, as a critical safety measure, the need to enhance the risk assessments we introduced in light of our inability to prevent this accident. To this end, in fiscal 2017 we will take further steps to foster

a culture of reporting information, aiming to encourage all to take part in safety management. In addition, we will move forward with various initiatives aimed at ensuring employees of the JR-West Group to never forget the Fukuchiyama Line accident and to implement think-and-act measures putting human life and safety above all else. To raise our performance in this area, we will continue to invest aggressively in safety, putting highly safe structures in place when we conduct renovations. Furthermore, in fiscal 2016 we received an evaluation of our safety management systems from a third-party organization. Utilizing this evaluation, we will continually enhance safety management systems.

## Safety Think-and-Act Plan

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 comprise continual efforts to realize a safe, reliable transport

service; increase the level of risk assessment; increase safety awareness and implement think-and-act initiatives with the highest priority on human life; and invest in safety measures. Our goals in these areas are expressed by a five point numerical scale.



## Final Targets

### Targets for the five-year period up to fiscal 2018

Railway accidents that result in casualties among our customers

**Zero**

Labor accidents that result in fatalities among our employees

**Zero**

### Targets for fiscal 2018\*

\* Compared with fiscal 2013

Railway accidents with casualties on platforms

**30% reduction**

Accidents at level crossings

**40% reduction**

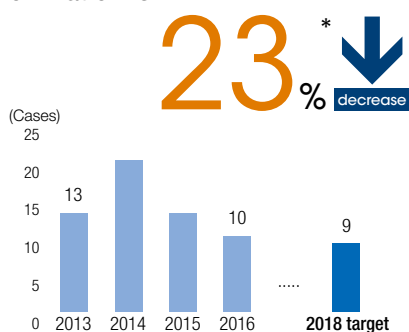
Transport disruptions due to internal factors

**50% reduction**

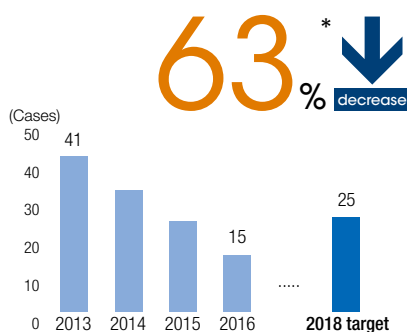


## Reducing Railway Accidents with Casualties on Platforms, Accidents at Level Crossings, and Transportation Disruptions Due to Internal Factors

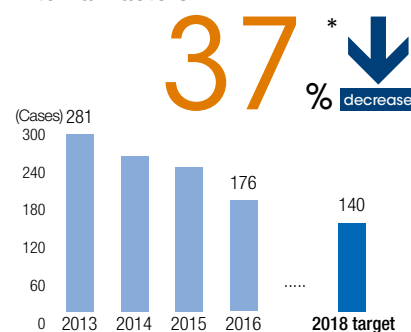
Railway Accidents with Casualties on Platforms



Accidents at Level Crossings



Transportation Disruptions Due to Internal Factors



\* In comparison with fiscal 2013

### 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 that all employees never forget the tragedy of accidents and the importance of life while carrying out accident prevention initiatives as part of their daily work. As part of safety-related training we began conducting in March 2016, we set up a "high-speed experience zone" closely emulating working conditions on actual tracks as a high-speed train passes by. In addition to JR-West employees, we invited employees from Group companies and business partners to take part in the experience, thereby heightening their safety awareness.

To realize the Safety Charter, we are working closely with the police, the fire department, and community members to conduct training exercises based on various scenarios, including regular comprehensive railway accident training and tsunami evacuation guidance training.



Setting up the "high-speed experience zone"



Comprehensive railway accident drill held with the police and fire department

### Measures to Prepare for Earthquakes and Tsunamis

To prevent bridges from falling as a result of an earthquake, we have carried out seismic retrofitting. In addition to these improvements, we have been installing derailment prevention guards on the Sanyo Shinkansen Line between Shin-Osaka and Himeji stations to prevent railcars from moving significantly off their rails. This construction was completed in December 2015. We have also raised priority on the Himeji-Hakata section, and this construction is scheduled for completion by fiscal 2023.

To ensure that customers can evacuate our facilities safely in the event of a tsunami, we have included tsunami evacuation instructions for the Kuroshio express train as an example in our tsunami evacuation leaflet.



Derailment prevention guard



Tsunami evacuation leaflet



# 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

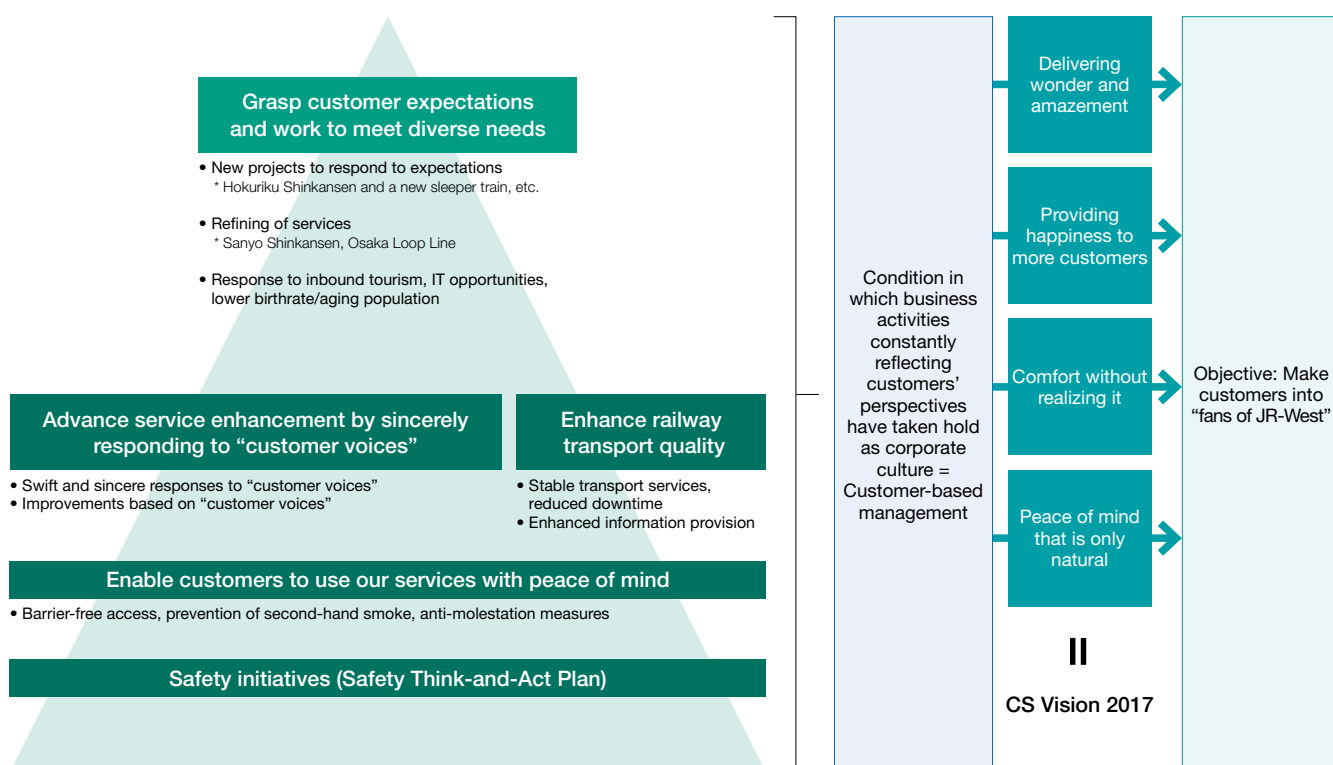
measures, enhancing our ability to provide information from the customer’s perspective, and creating appropriate station and in-train environments, we will continue working so that our customers can use our services with peace of mind and reliability. Furthermore, in addition to responding to customer 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.

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

### Target for fiscal 2018

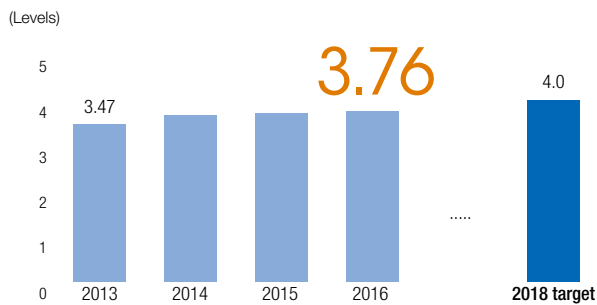
Make customers into “fans of JR-West” ➡ Achieve customer satisfaction survey result of 4.0 or above

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

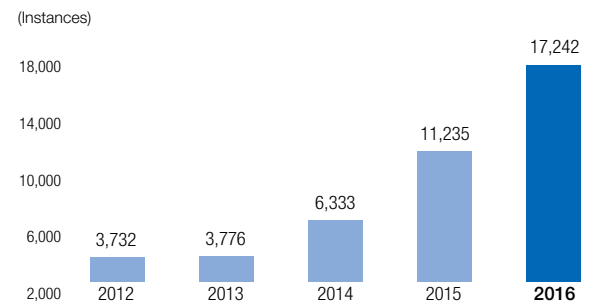


## Increasing Levels of Customer Satisfaction and More Thanks and Appreciation in Customer Feedback

Customer Satisfaction (Five Levels, Internal Survey)



Thanks and Appreciation in Customer Feedback



### Using Surveys and Customer Feedback to Understand Social Changes and Reflecting This Information in Specific Measures

#### • Providing Appropriate Customer Facilities

In response to customer needs and to make railways more comfortable to use, we are making station facilities barrier-free and moving forward with the beautification and refurbishment of restrooms. We are working to put up notifications that make it easy for visitors from abroad as well as Japanese who may not be familiar with the train to distinguish individual train routes. To this end, we have begun writing out the names of routes in Roman characters and using route numbers and line colors on our notices. Following efforts in the Kansai urban area and the Hiroshima area, in the spring of 2016 we introduced line colors and route numbers in the Okayama/Fukuyama and Yonago Branch areas.



Conversion to a convenient and easy-to-use restroom

#### • Augmenting Notices for Travelers from Abroad

To promote the spread of IT and respond to a growing number of customers from overseas, we are expanding our free Wi-Fi service and providing information on train operations in multiple languages. Since fiscal 2016, we have also employed foreign staff at Kyoto Station, Osaka Station, and other stations frequented by tourists to enhance peace of mind for travelers from abroad.



Line colors introduced in the Hiroshima area

### Working to Provide Easy-to-Understand Information Quickly During Transportation Disruptions

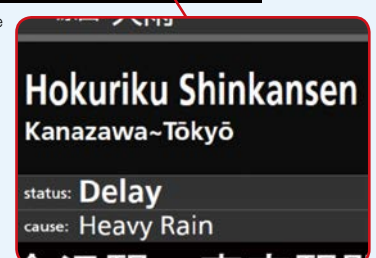
When transportation disruptions occur, passengers require a variety of information, such as the status of route restoration, when operations are expected to commence, and how long the train will take to reach its destination. We are responding to this situation by making certain that information hubs rapidly ascertain the situation from on-site employees and pass that information on swiftly to station personnel and crew members to ensure the information reaches passengers in a timely manner.

We provide information to passengers who arrive at stations using station displays capable of foreign language signage. To provide this same information to passengers who are not at stations, we proactively disseminate information on our website, as well as through a “push notification app for information on train operations.”\*

\* Push notification app for information on train operations: This app notifies customers of any delays along routes they have registered by conveying information on train operations to their handsets.



Foreign language notices also available on station displays



# 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

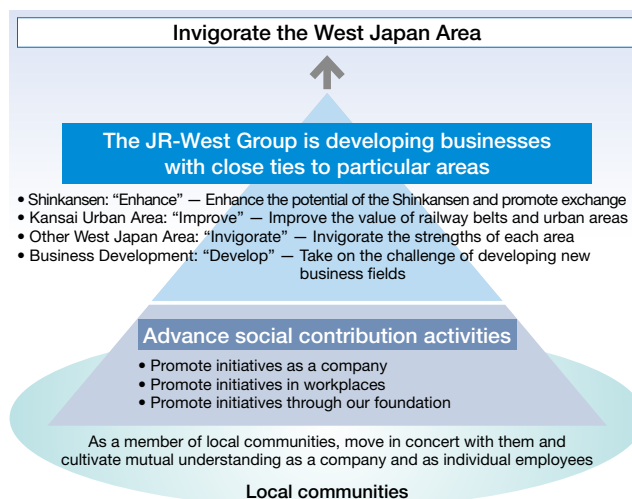
## Basic Approach

As a railway operator, we must remain close to the communities we serve. Movements throughout Japan aimed at regional revitalization are expanding, with positive outcomes from specific initiatives emerging. 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, 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 medium-term management plan, which we are currently implementing. True to the theme of this plan, “Taking the Next Step. Working together with communities,” the Group shares its targets and decision points.

Specifically, we believe it important to maintain dialogue 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 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



## Taking the Opening of the Kyoto Railway Museum as an Opportunity to Make New “Connections” in the Kyoto Umekoji Area

In April 2016, JR-West opened the Kyoto Railway Museum in Umekoji Park, in Kyoto’s Shimogyo Ward. The basic concept of the museum is to serve as a hub of railway culture together with the local community, and through the museum JR-West aims to invigorate the Kyoto Umekoji area, as well as promoting railway culture. We are taking the opening as an opportunity to further develop the “Project to Connect Everyone in Kyoto-Umekoji” that we have engaged in with members of the local community to increase traffic and activity in the area.



Kyoto Railway Museum team greeting visitors



Introduction to a steam locomotive

## Other Initiatives

### Kansai Urban Area

- Improve the value of our railway belts and urban areas
- Open Higashi-Himeji Station on the JR Kobe Line between Gochaku and Himeji stations

### Other West Japan Area

- Develop businesses that leverage the attractions of each area
- Operation of the Kumihama Liner, which requires no change from JR lines to the Kyoto Tango Railway



Higashi-Himeji Station (Kansai Urban Area)



The Kumihama Liner (Other West Japan Area)

# 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** ..... Securing the necessary human resources for business operations

## Basic Approach

The Company faces a rapid generational shift as many experienced employees reach retirement age. To ensure safety and achieve sustainable growth against this backdrop, we will cultivate an environment in which employees can learn independently. At the same time, superiors and seniors have the important mission of cultivating and sharing values with subordinates and juniors. Based on this understanding, we will concentrate on reinforcing management capabilities at the managerial level and passing on technologies by reinforcing practical skills at the working level.

Japan's workforce is decreasing due to falling birth-rates and an aging population. To secure the necessary human resources in the future, we will need to cultivate an environment in which diverse employees can play a proactive role. In addition to implementing an action plan to encourage the active participation of women, we will push forward with working style reforms aimed at making our operations more efficient. At the same time, we will undertake aggressive health measurement initiatives to confirm that physically and mentally healthy

employees contribute to sound business operations. In these ways, we will seek to enhance employees' work-life balance and boost their motivation.

Human resources underpin the JR-West Group's business activities. As in the past, we will prioritize employees' thinking and acting autonomously and from a worksite perspective. The experience employees gain in thinking and acting from a worksite perspective will help to resolve issues faced in the workplace as well as in society at large. This experience should also help individual employees to excel in their roles by maximizing their skills. To ensure that these efforts serve as driving forces for safety and customer satisfaction, we will strive to strengthen human resource cultivation and boost motivation as we work to enhance corporate value and sustainable growth.

## PDCA Cycle for Training Based on Understanding the Individual

As we approach the retirement of a large number of experienced employees, the way in which to smoothly pass on to the next generation 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 particular, 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, and on-the-job training and group training are tailored to the needs of the individual employee. This is part of the process for promoting a PDCA cycle for HR training.



Experienced employees conducting on-the-job training for younger members



Training for the management/leadership level

## Action Plan to Promote the Active Participation of Women

**Period:** Three years, from April 1, 2016 to March 31, 2019

**Objectives:**

1. During the term of action plan, we aim to achieve a female recruiting ratio of at least 25%. Within this figure, we intend to increase the ratio of women in professional employment (transportation) to 40% or higher.
2. By the end of fiscal 2019, we are targeting at least a 1.5-fold increase (compared with the end of fiscal 2016) in the number of female employees in management and leadership positions.
3. We will create an environment that enables diverse human resources to grow in their careers.



Leaflet for women aiming to work at JR-West



# Global Environment

## Value provided to society

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

## Basic Approach

We contribute to the realization of a society capable of sustainable development and strive to understand the interaction between the environment and corporate activities conducted throughout the JR-West Group, based on an awareness of the critical social responsibility of companies in terms of preserving the global environment.

To this end, we engage in initiatives based on the following four pillars:

First, with regard to energy conservation, we make an effort to develop technologies and introduce energy-saving trains and equipment through various environmental investments while striving to reduce Company-wide energy consumption through environmentally friendly initiatives employing creativity to inculcate an awareness of global environmental conservation among all employees. Next, we engage in resource conservation through the appropriate and effective use of resources, including the reduction and reuse of waste generated during railway construction. Also, in terms of environmental management system promotion, we engage in thorough environmental management including risk avoidance based on

the observance of environmental laws and regulations.\* Finally, we strive to enhance activities that benefit biodiversity related to coexistence with communities and nature, including Club J-WEST forest conservation efforts and other activities.

\* Observance of environmental laws and regulations: JR-West uses the term "compliance" based on guidelines by the ISO-certified Japan Accreditation Board with respect to global environmental areas.



## Initiatives to Reduce Trash at Stations and in Trains, as well as Waste from Facility Construction, and Promote Reuse

JR-West promotes the 3Rs\* with respect to the inspection, repair, and dismantling of train cars and items generated from facility and electrical construction. As a result, in fiscal 2016 the recycle rate was 97% for facility/equipment construction and 93% for train cars.

For example, materials are reused in the smoothing of scratched rails for Sanyo Shinkansen rail work, aimed at improving safety and comfort. Also, the majority of trash in stations and inside trains is separated and recycled with the cooperation of customers. Furthermore, the introduction and expansion of ICOCA has significantly reduced the issuance of traditional magnetic tickets and pass cards, while the use of LED lighting inside stations and train cars and the use of highly durable, long-life materials are linked to the reduction of waste.



Using ICOCA to reduce environmental impact and promote a recycling-oriented society

\* 3Rs: Reduce, reuse, and recycle

## Other Initiatives

### Energy-Saving Initiatives for Preventing Global Warming

- Introducing "Type-323" energy-saving railcars on the Osaka Loop Line
- Adjusting automatic flashing sensors for station platform lighting to reduce periods of unnecessary flashing

### Promoting an Environmental Management System (EMS)\* (Avoiding Environmental Risk)

- Commencing initiatives to reduce environmental impact by creating an EMS and setting targets
- JR-West provides training for environmental management officers and environmental management leaders, utilizing systematic environmental management education to enhance biodiversity conservation.

\* Environmental Management System (EMS): An EMS refers to the systems and procedures that companies establish at factories and business sites, including environment-related policies and targets, as part of their efforts to protect the global environment.

# Corporate Governance

Based on its Corporate Philosophy and Safety Charter, JR-West works to fulfill its corporate social responsibility and strives for sustained future growth through continuous efforts to build a safe railway that delivers peace of mind and earns trust. To achieve these objectives, the entire JR-West Group is working to enhance its corporate governance, including by reinforcing its management monitoring and supervisory functions and reaffirming its corporate ethics.

## Overview of the Corporate Governance System

Pursuant to the Companies Act, JR-West has adopted the structure of a company with Audit & Supervisory Board members as its corporate governance system. To enhance this system, the Company proactively calls upon the participation of sufficiently independent external executives. Of the Company's 14 directors, five external directors have been appointed to concentrate on monitoring and supervision, striving to ensure management soundness and transparency. As members of the Board of Directors, the external directors participate in business execution and decision-making on important management matters. In addition, they provide advice and conduct monitoring based on their extensive experience and specialized knowledge. This arrangement further enhances the monitoring and supervisory function. In addition, we have augmented the transmission of information to external directors, including by increasing the number of opportunities to explain to them the status of business execution. The president holds topmost responsibility for business execution. By

delegating authority to executive officers, the president accelerates decision-making and business execution. The Audit & Supervisory Board comprises four members, three of whom are external members. The Audit & Supervisory Board members ensure management transparency and fairness through the appropriate monitoring of the execution of duties by directors. The Company has established a Corporate Ethics Committee, chaired by the president, which deliberates on and evaluates important matters related to corporate ethics. This committee reports to the Board of Directors, as needed. Furthermore, in response to the May 2015 enactment of the revised Companies Act, this committee has formulated a basic perspective on and structures for the internal control system, and reports to the Board of Directors on its operational status. The Company is in agreement with the gist and spirit of the Corporate Governance Code, which went into effect in financial instruments exchange listing regulations on June 1, 2015, and responds appropriately to the code.

➔ For further information on corporate governance, please refer to the Corporate Governance Report.  
<https://www.westjr.co.jp/global/en/ir/corporate-governance/>

### Message from an External Director

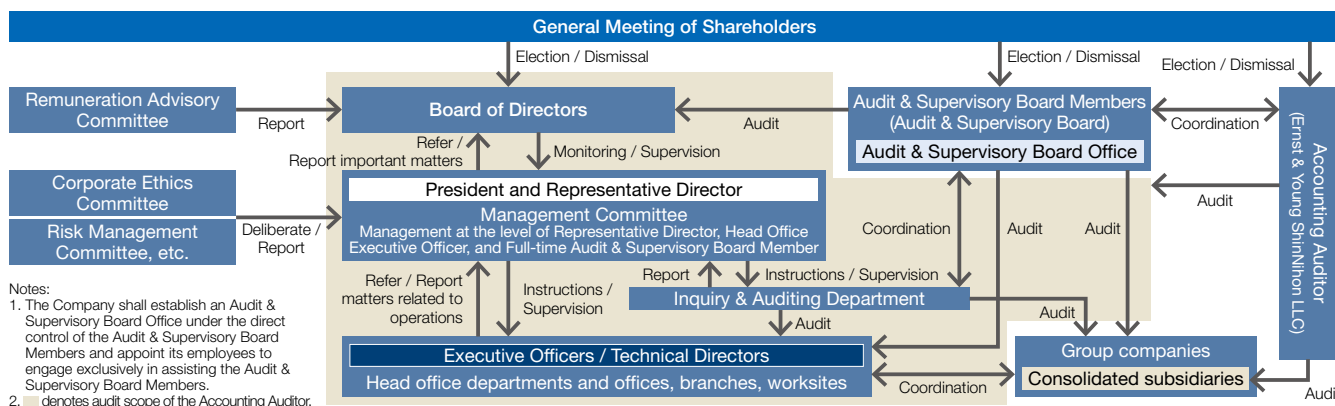
JR-West provides public transportation services over a broad area. As such, in addition to ensuring the safety and peace of mind of its customers, the Company has the social mission of being friendly to the environment and contributing to the communities along the lines it operates. At the same time, the Company must respond accurately to social changes, enhance its competitiveness, and ensure earnings. Also essential are JR-West's efforts to cultivate a creative and positive corporate culture for its employees, who are at the forefront of ensuring safety and peace of mind to passengers.

To remain a company that society trusts, JR-West must consider the desirable future of public transportation and the business domains in which it should take part. Simultaneously, the Company must contribute to society and embrace diversity, as well as engage in animated discussions to an unprecedented degree, implementing management decisions that make a difference, and disclosing information in a variety of fields.

My corporate experience and background in researching lifestyle and culture give me a viewpoint similar to that of JR-West's customers. From this perspective, and operating in a society that is moving from growth to maturity, I aim to assert my views and play a useful role for JR-West, assisting the Company in its efforts to be a trusted leader that is committed to serving society.



Yumiko Sato



# Board of Directors and Audit & Supervisory Board Members

As of June 22, 2016

## Board of Directors

### Chairman of the Board of Directors



Seiji Manabe

### President, Representative Director, and Executive Officer



Tatsuo Kijima

### Vice Presidents, Representative Directors, and Executive Officers



Norihiko Yoshie



Kazuaki Hasegawa

### Directors

<b>Tadashi Ishikawa*1</b>	Special Counsel, OH-EBASHI LPC & PARTNERS
<b>Yumiko Sato*1</b>	Professor, Faculty of Regional Development Studies, Otemon Gakuin University
<b>Yuzo Murayama*1</b>	Professor, Doshisha University Graduate School of Business
<b>Norihiko Saito*1</b>	Chairman, KINDEN CORPORATION
<b>Hideo Miyahara*1</b>	Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University

### Director and Senior Adviser

<b>Takayuki Sasaki</b>	
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### Directors and Senior Executive Officers

<b>Nobutoshi Nikaido</b>	
<b>Fumito Ogata</b>	
<b>Yoshihisa Hirano</b>	
<b>Shinichi Handa</b>	

## Audit & Supervisory Board Members

<b>Yasutaka Kikuchi*2</b>	
<b>Mikiya Chishiro*2, 3</b>	
<b>Yasumi Katsuki*3</b>	Certified Public Accountant, Katsuki Office
<b>Yoshinobu Tsutsui*3</b>	President and Representative Director, Nippon Life Insurance Company

\*1 External Director  
 \*2 Full-Time Auditor  
 \*3 External Auditor

# Executive Officers

As of June 22, 2016

## President, Representative Director, and Executive Officer

<b>Tatsuo Kijima</b>	
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## Vice Presidents, Representative Directors, and Executive Officers

<b>Norihiko Yoshie</b>	Senior General Manager of Railway Operations Headquarters
<b>Kazuaki Hasegawa</b>	Senior General Manager of Business Development Headquarters

## Directors and Senior Executive Officers

<b>Nobutoshi Nikaido</b>	General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line / General Manager of General Affairs Department / Senior General Manager of Tokyo Headquarters
<b>Fumito Ogata</b>	Senior General Manager of Corporate Planning Headquarters / Senior General Manager of IT Headquarters
<b>Yoshihisa Hirano</b>	Senior General Manager of Kansai Urban Area Regional Head Office
<b>Shinichi Handa</b>	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Transport Safety Department, Railway Operations Headquarters

## Senior Executive Officers

<b>Shoji Kurasaka</b>	Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
<b>Atsushi Sugioka</b>	Deputy Senior General Manager of Business Development Headquarters
<b>Katsumi Tsuchida</b>	General Manager of Construction Department
<b>Fumio Tanaka</b>	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Shinkansen Supervising Department, Railway Operations Headquarters

## Executive Officers

<b>Kunimasa Kojima</b>	General Manager of Kanazawa Branch
<b>Kuniaki Morikawa</b>	General Manager of Shinkansen Management Division
<b>Keijiro Nakamura</b>	General Manager of Track & Structures Department, Railway Operations Headquarters
<b>Masafumi Ise</b>	General Manager of Hiroshima Branch
<b>Ushio Kurahara</b>	General Manager of Personnel Department
<b>Satoshi Iwasaki</b>	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kyoto Branch, Kansai Urban Area Regional Head Office

<b>Toshihiro Matsuoka</b>	General Manager of Yonago Branch (General Manager of Sanin Regional Development Headquarters)
<b>Tadashi Kawai</b>	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka Branch, Kansai Urban Area Regional Head Office
<b>Takashi Shiojima</b>	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kobe Branch, Kansai Urban Area Regional Head Office
<b>Yujiro Kagawa</b>	Deputy General Manager of Shinkansen Management Division / General Manager of Fukuoka Branch, Shinkansen Management Division
<b>Hiroaki Maeda</b>	General Manager of Fukuchiyama Branch
<b>Tatsuya Nagamitsu</b>	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka General Control Center, Kansai Urban Area Regional Head Office
<b>Yutaka Nakanishi</b>	General Manager of Finance Department
<b>Koichi Haruna</b>	Deputy Senior General Manager of Tokyo Headquarters
<b>Makiko Tada</b>	General Manager of Customer Satisfaction Department, Railway Operations Headquarters
<b>Nobuo Hashimoto</b>	Deputy Senior General Manager of Business Development Headquarters
<b>Hideki Mizuguchi</b>	Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
<b>Hiroshi Muro</b>	Senior General Manager of Marketing Department, Railway Operations Headquarters
<b>Yasuyuki Mito</b>	General Manager of Transport Department, Railway Operations Headquarters
<b>Yoshihiko Ito</b>	General Manager of Wakayama Branch
<b>Makoto Kitano</b>	General Manager of Corporate Communications Department
<b>Koichi Taji</b>	Deputy Senior General Manager of IT Headquarters
<b>Takatoshi Morimoto</b>	General Manager of Okayama Branch
<b>Eiji Tsubone</b>	General Manager of Railway System Planning Department, Railway Operations Headquarters

## Senior Technical Directors

<b>Yoshifumi Matsuda</b>	General Manager of Structural Engineering Office
<b>Atsushi Kawai</b>	General Manager of Safety Research Institute

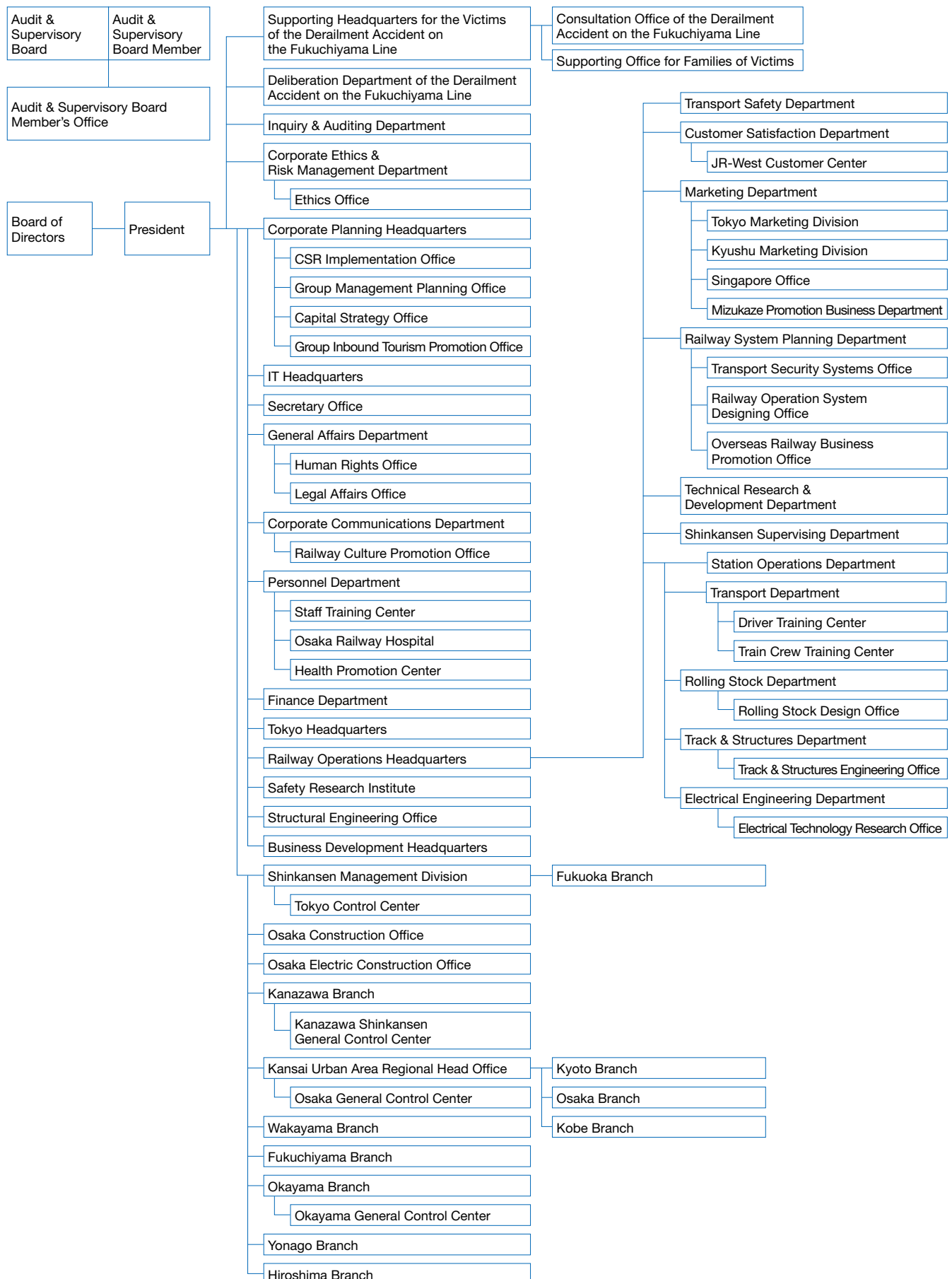
## Technical Director

<b>Yasushi Neki</b>	General Manager of Technical Research & Development Department, Railway Operations Headquarters
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# Organizational Structure

As of June 1, 2016



# Financial Section

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For details about financial information, please see reference documents on the Company's website.  
<https://www.westjr.co.jp/global/en/ir/library/annual-report/2016/>

# Consolidated 10-Year Financial Summary

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

	2007	2008	2009
<b>OPERATIONS:</b>			
Operating revenues	¥1,262.9	¥1,290.1	¥1,275.3
Operating income	135.3	137.4	122.5
Profit attributable to owners of parent	56.7	57.7	54.5
<b>BALANCE SHEETS:</b>			
Total assets	2,401.6	2,462.8	2,461.8
Long-term debt and payables*2	986.7	957.2	953.2
Total net assets	637.8	670.8	689.6
<b>CASH FLOWS:</b>			
Net cash provided by operating activities	188.6	222.1	178.8
Net cash used in investing activities	(131.7)	(179.2)	(172.6)
Net cash (used in) provided by financing activities	(54.6)	(55.8)	(10.1)
<b>OTHER DATA:</b>			
Depreciation and amortization	112.8	128.0	137.0
Capital expenditures, excluding contributions received for construction	144.9	187.9	163.9
EBITDA*3	248.1	265.4	259.5
<b>PER SHARE DATA*4:</b>			
Profit attributable to owners of parent	¥ 28,415	¥ 28,954	¥ 27,729
Cash dividends	6,000	6,000	7,000
Net assets	303,906	322,294	339,113
<b>RATIOS:</b>			
ROA (Operating income basis)	5.7	5.6	5.0
ROE	9.7	9.3	8.4
DOE	2.0	1.9	2.1
Rate of total distribution on net assets*5	—	—	—
Equity ratio	25.3	25.9	26.7

\*1 Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

\*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
2010	2011	2012	2013	2014	2015	2016	2016
¥1,190.1	¥1,213.5	¥1,287.6	¥1,298.9	¥1,331.0	¥1,350.3	¥1,451.3	\$12,958
76.5	95.9	109.7	129.4	134.5	139.7	181.5	1,620
24.8	34.9	29.4	60.1	65.6	66.7	85.8	766
2,546.3	2,672.4	2,642.9	2,613.7	2,687.8	2,786.4	2,843.1	25,385
1,038.9	1,102.6	1,068.8	983.0	980.7	1,004.2	1,001.8	8,944
702.1	721.2	733.5	768.1	807.3	846.7	926.3	8,271
161.3	223.2	206.2	238.0	237.7	223.6	259.8	2,320
(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(2,082)
54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	(31.3)	(279)
141.9	150.8	169.3	160.8	153.9	149.5	156.6	1,398
210.1	260.0	195.4	152.9	166.7	225.6	233.1	2,081
218.4	246.8	279.1	290.3	288.4	289.3	338.1	3,018
						Yen	U.S. dollars*1
¥ 12,837	¥ 18,066	¥ 152.29	¥ 310.87	¥ 338.98	¥ 344.58	¥ 443.53	\$ 3.96
7,000	8,000	90.00	110.00	115.00	125.00	135.00	1.20
345,568	355,712	3,632.41	3,850.82	4,048.31	4,138.65	4,534.29	40.48
						%	
3.1	3.7	4.1	4.9	5.1	5.1	6.4	
3.7	5.2	4.2	8.3	8.6	8.4	10.2	
2.0	2.3	2.5	2.9	2.9	3.1	3.1	
—	—	—	—	2.9	3.1	3.1	
26.3	25.8	26.6	28.5	29.2	28.8	30.9	



# Management's Discussion and Analysis of Operations

Consolidated Basis

## Results of Operations

For fiscal 2016 (the year ended March 31, 2016), operating revenues rose ¥100.9 billion, or 7.5% year on year, to ¥1,451.3 billion. Transportation revenues rose amid a moderate economic recovery, due primarily to increased use of the Hokuriku Shinkansen with the opening of the Nagano-Kanazawa segment in March 2015, and the Sanyo Shinkansen, which marked the 40th anniversary of the start of its operations, mainly among seniors and inbound visitors. These factors, plus greater use by customers of new commercial facilities at major stations, led to increases in operating revenues, operating income, recurring profit, and profit attributable to owners of parent.

Operating expenses rose in tandem with the opening of the Hokkaido Shinkansen, and cost of sales grew in line with higher operating revenues in the retail business and real estate business segments. Consequently, operating expenses increased 4.9% year on year, to ¥1,269.7 billion. Operating income expanded 29.9%, or ¥41.7 billion, to ¥181.5 billion.

Non-operating items amounted to a net expense of ¥19.2 billion, worsening ¥1.5 billion from the previous fiscal year. This change was due primarily to the early redemption of corporate bonds.

In extraordinary items, the Company recorded as an extraordinary loss a provision for environmental safety measures for low-concentration PCB waste. This factor, coupled with the absence of negative goodwill generated in the previous fiscal year due to the conversion of Daitetsu Kogyo Co., Ltd. to a subsidiary, resulted in a net extraordinary loss of ¥17.1 billion, widening ¥17.8 billion from the previous term.

Profit attributable to owners of parent rose ¥19.1 billion, or 28.7%, to ¥85.8 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 with airlines and other modes of transportation, competition with 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 the opening of new stores and the 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 2016, personnel costs totaled ¥233.3 billion.

As for non-personnel costs, the Company is working to achieve cost reductions through structural measures. Railway operations are characterized by (i) ownership of a large amount of facilities and equipment entailing relatively high maintenance costs to ensure safety and (ii) a high proportion of fixed costs, which are not linked to revenues. The Company, therefore, with

safety as its highest priority, is striving to cut costs through steps like the introduction of rolling stock and equipment that are easily maintained, mechanization, and the 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 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 ramping up competition with 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 fiscal 2016, 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 2016, the Group's interest expense declined ¥1.7 billion, to ¥24.1 billion.

## Cash Flows

Net cash provided by operating activities grew ¥36.2 billion year on year, to ¥259.8 billion, due to factors such as an increase in profit before income taxes.

Net cash used in investing activities grew ¥20.3 billion year on year, to ¥233.2 billion, because of an increase in the purchases of investments in securities.

Net cash used in financing activities amounted to ¥31.3 billion, a ¥33.0 billion year-on-year change from the net cash provided by these activities in the previous fiscal year, due mainly to an increase in repayments of long-term liabilities.

As a result, cash and cash equivalents as of March 31, 2016 amounted to ¥80.6 billion, down ¥4.6 billion from the end of the previous fiscal year.

## Capital Demand and Capital Expenditures

In fiscal 2016, the JR-West Group undertook capital expenditures totaling ¥248.0 billion, of which the transportation operations segment accounted for ¥209.3 billion, the retail business segment ¥5.3 billion, the real estate business segment ¥24.3 billion, and the other businesses segment ¥9.0 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 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 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 23, 2016. 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 damage 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

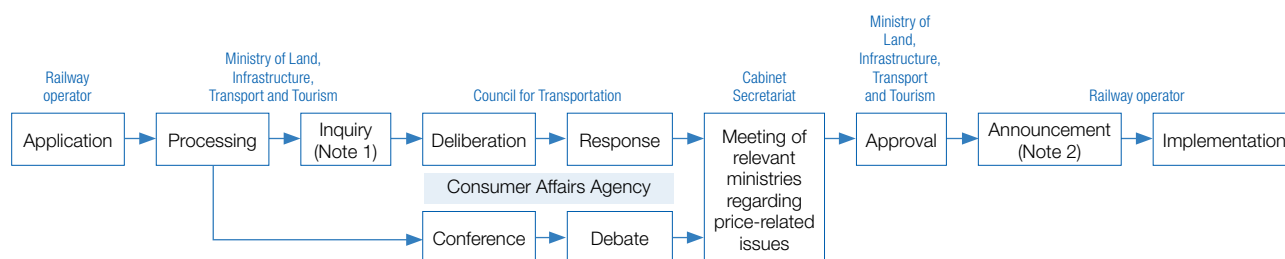
#### 1. System and Procedure for Approval of Fares and Surcharges

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. 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 proactively manage 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:

- 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.
- 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.
- 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 and Other Risk Information

- 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, 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 had been 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 progressed on a sequential basis. Until the present time, operations have commenced on the Hokuriku Shinkansen Line (between Nagano–Kanazawa), the Tohoku Shinkansen Line (between Morioka–Shin-Aomori), the Kyushu Shinkansen Line (between Hakata–Kagoshima–Chuo), and the Hokkaido Shinkansen Line (between Shin-Aomori–Shin-Hakodate-Hokuto). Currently, the construction contractor, Japan Railway Construction, Transport and Technology Agency (JRJT), is advancing construction on the following sections of the three lines: the Hokuriku Shinkansen Line (between

Kanazawa–Tsuruga), the Hokkaido Shinkansen Line (between Shin-Hakodate-Hokuto), and the Kyushu Shinkansen Line (the 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"> <li>• Approval by JR-West</li> <li>• Approval by municipal governments bordering tracks with regard to separate management of parallel conventional lines</li> </ul>	Over 10 years from start of services between Nagano–Hakusan car maintenance center (end of fiscal 2015)

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

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

- 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 JRJT, of which part of its financial resource is provided by JR-East, JR-Central, and

JR-West as payments for the purchase of existing Shinkansen lines, shall be considered to be part of the cost burden borne by the national government.

According to Article 6 of the Law on the Japan Railway Construction, Transport and Technology Agency, the loan fees paid by Shinkansen line operators, the JR companies, to the JRJT comprise a fixed amount calculated on the basis of the income obtained by operators for the use of those Shinkansen lines after they commence operations (a fixed amount) plus an amount for taxes paid by JRJT in relation to the borrowing of railway properties and JRJT's management expenses. The fixed portion of the loan fees for the Joetsu Myoko–Kanazawa section of the Hokuriku Shinkansen Line is calculated by JRJT at ¥8.0 billion per year. The Company has determined that this amount is reasonable, taking into consideration the extent of JR-West's benefits from the opening of this Shinkansen line. Accordingly, in March 2015 the Company entered into an agreement with JRJT and received approval for this amount of loan fees from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in March 2015. For segments planned to be opened in the future, loan fees will be determined in the same manner, based on agreements between JR-West and JRJT.

## **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 made toward the opening of the entire segment up to Osaka.

## Operational and Other Risk Information

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 should be protected, namely that “the burden of the Company shall be within the limit of expected benefits” and that “there is clear separation between the management of JR-West’s conventional lines and the new Shinkansen line segments that are running parallel.”

### 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 western 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, western 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, western 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 is to be recorded as long-term payables to the acquisition of railway properties.

Consolidated long-term debt at March 31, 2016 stood at ¥1,001.8 billion (including the current portion thereof), or 0.2% lower than the previous fiscal year. Interest payments for the fiscal years ended March 31, 2014, 2015, and 2016, were ¥28.0 billion, ¥25.8 billion, and ¥24.1 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)

### 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



## Operational and Other Risk Information

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 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 its increased dependence on IT, 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 and station buildings, 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 include 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.

In response, in December 2015 we completed installation of derailment prevention guards on the Sanyo Shinkansen between Shin-Osaka and Himeji stations, and are moving forward with installation along the segment between Himeji and Hakata. Regarding efforts to address the Shinkansen derailment that occurred as a result of the Kumamoto Earthquake in April 2016, we will consider response measures upon receiving an accident investigation report from the Transport Safety Board.

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.

Having experienced transport disruptions due to Typhoon No. 11 in July 2015, we are currently working on initiatives to resolve issues aimed at reducing downtime. 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 western 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 arisen 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 comprising 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 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. In addition, in fiscal 2016 the Corporate Ethics Committee debated ways to lower compliance risk at Group companies. The committee submitted a report to the Board of Directors and is sharing its conclusions throughout the Group by holding meetings and through other methods.

## 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 of Masao Yamazaki, the Company's former President and Representative Director, for professional negligence resulting in the deaths and injuries in relation to that accident, 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 prosecutors appealed this ruling on April 6, 2015.

The Company will further increase its efforts to earnestly 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.

# Consolidated Balance Sheet

West Japan Railway Company and its consolidated subsidiaries  
As of March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars*
	2016	2015	2016
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 45,973	¥ 53,592	\$ 410
Short-term investments	35,000	32,000	312
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	759	953	6
Trade	131,929	151,155	1,177
Less allowance for doubtful accounts	(1,014)	(770)	(9)
Inventories	59,387	57,755	530
Income taxes refundable	38	43	0
Deferred income taxes	17,979	18,475	160
Prepaid expenses and other current assets	59,661	50,339	532
<b>Total current assets</b>	<b>349,715</b>	<b>363,544</b>	<b>3,122</b>
<b>Investments:</b>			
Unconsolidated subsidiaries and affiliates	53,060	42,848	473
Other securities	16,487	18,875	147
<b>Total investments</b>	<b>69,548</b>	<b>61,723</b>	<b>620</b>
<b>Property, plant and equipment, at cost:</b>			
Land	675,002	671,123	6,026
Buildings and structures	3,180,511	3,099,656	28,397
Machinery, equipment and vehicles	1,415,518	1,352,075	12,638
Tools, furniture and fixtures	134,846	133,354	1,203
Construction in progress	81,885	61,453	731
	5,487,764	5,317,663	48,997
Less accumulated depreciation	(3,245,839)	(3,153,418)	(28,980)
<b>Property, plant and equipment, net</b>	<b>2,241,925</b>	<b>2,164,245</b>	<b>20,017</b>
<b>Deferred income taxes</b>	<b>124,868</b>	<b>134,591</b>	<b>1,114</b>
<b>Asset for retirement benefits</b>	<b>1,384</b>	<b>2,592</b>	<b>12</b>
<b>Other assets</b>	<b>55,752</b>	<b>59,774</b>	<b>497</b>
<b>Total assets</b>	<b>¥ 2,843,194</b>	<b>¥ 2,786,470</b>	<b>\$ 25,385</b>

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

	Millions of yen		Millions of U.S. dollars*	
	2016	2015	2016	
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Short-term loans	¥ 14,775	¥ 16,335	\$ 131	
Current portion of long-term debt	64,579	48,645	576	
Current portion of long-term payables	30,712	33,645	274	
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	2,891	2,663	25	
Trade	164,816	176,097	1,471	
Prepaid railway fares received	38,589	38,412	344	
Deposits and advances received	94,534	95,519	844	
Accrued expenses	32,192	31,870	287	
Income taxes payable	32,648	18,584	291	
Provision for employees' bonuses	37,777	37,166	337	
Provision for customer point programs	1,619	1,566	14	
Other current liabilities	21,648	26,524	193	
<b>Total current liabilities</b>	<b>536,786</b>	<b>527,032</b>	<b>4,792</b>	
<b>Long-term debt</b>	<b>806,678</b>	<b>791,775</b>	<b>7,202</b>	
<b>Long-term payables</b>	<b>107,472</b>	<b>138,205</b>	<b>959</b>	
<b>Liability for retirement benefits</b>	<b>341,359</b>	<b>375,285</b>	<b>3,047</b>	
<b>Provision for environmental safety measures</b>	<b>21,099</b>	<b>9,627</b>	<b>188</b>	
<b>Provision for unutilized gift tickets</b>	<b>2,668</b>	<b>2,551</b>	<b>23</b>	
<b>Deferred income taxes</b>	<b>3,271</b>	<b>4,040</b>	<b>29</b>	
<b>Other long-term liabilities</b>	<b>97,481</b>	<b>91,251</b>	<b>870</b>	
<b>Total long-term liabilities</b>	<b>1,380,031</b>	<b>1,412,736</b>	<b>12,321</b>	
<b>Contingent liabilities</b>				
<b>Net assets:</b>				
Shareholders' equity:				
Common stock				
Authorized – 800,000,000 shares at March 31, 2016 and 2015				
Issued and outstanding – 193,735,000 shares at March 31, 2016 and 2015	100,000	100,000	892	
Capital surplus	55,068	55,000	491	
Retained earnings	704,187	643,198	6,287	
Less treasury stock, at cost – 129,849 and 129,581 shares at March 31, 2016 and 2015	(481)	(480)	(4)	
<b>Total shareholders' equity</b>	<b>858,775</b>	<b>797,717</b>	<b>7,667</b>	
Accumulated other comprehensive income:				
Net unrealized holding gain on securities	3,523	4,955	31	
Net unrealized deferred (loss) gain on hedging instruments	(121)	638	(1)	
Retirement benefits liability adjustments	15,685	(2,047)	140	
<b>Total accumulated other comprehensive income</b>	<b>19,087</b>	<b>3,547</b>	<b>170</b>	
Non-controlling interests	48,513	45,436	433	
<b>Total net assets</b>	<b>926,376</b>	<b>846,701</b>	<b>8,271</b>	
<b>Total liabilities and net assets</b>	<b>¥2,843,194</b>	<b>¥2,786,470</b>	<b>\$25,385</b>	

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.



# Consolidated Statement of Profit or Loss

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars*
	2016	2015	2016
<b>Operating revenues</b>	<b>¥1,451,300</b>	¥1,350,336	<b>\$12,958</b>
<b>Operating expenses:</b>			
Transportation, other services and cost of sales	1,084,891	1,028,221	9,686
Selling, general and administrative expenses	184,869	182,340	1,650
	<b>1,269,760</b>	1,210,562	<b>11,337</b>
<b>Operating income</b>	<b>181,539</b>	139,774	<b>1,620</b>
<b>Other income (expenses):</b>			
Interest and dividend income	766	947	6
Interest expense	(24,158)	(25,898)	(215)
Equity in earnings of affiliates	1,288	1,901	11
Provision for environmental safety measures	(12,939)	—	(115)
Gain on contributions received for construction	14,487	52,395	129
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	(13,652)	(51,494)	(121)
Gain on sales of property, plant and equipment	1,898	3,005	16
Loss on sales of property, plant and equipment	(108)	(4,483)	(0)
Other, net	(3,963)	6,563	35
	<b>(36,380)</b>	(17,062)	<b>(324)</b>
<b>Profit before income taxes</b>	<b>145,158</b>	122,712	<b>1,296</b>
<b>Income taxes:</b>			
Current	52,259	41,334	466
Deferred	2,860	14,328	25
	<b>55,119</b>	55,662	<b>492</b>
<b>Profit</b>	<b>90,038</b>	67,049	<b>803</b>
<b>Profit attributable to non-controlling interests</b>	<b>4,170</b>	336	<b>37</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 85,868</b>	¥ 66,712	<b>\$ 766</b>

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

# Consolidated Statement of Comprehensive Income

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars*	
	2016	2015	2016	
Profit	¥ 90,038	¥67,049	\$803	
Other comprehensive income:				
Net unrealized holding (loss) gain on securities	(1,500)	1,937	(13)	
Net unrealized deferred (loss) gain on hedging instruments	(953)	102	(8)	
Retirement benefit liability adjustments	17,222	5,203	153	
Other comprehensive income (loss) of affiliates accounted for by equity method attributable to owners of parent	15	(61)	0	
Total other comprehensive income	14,784	7,182	132	
Total comprehensive income	¥104,823	¥74,231	\$935	

Comprehensive income attributable to owners of parent and non-controlling interests for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Millions of U.S. dollars*	
	2016	2015	2016	
Comprehensive income attributable to owners of parent	¥101,409	¥73,180	\$905	
Comprehensive income attributable to non-controlling interests	3,413	1,051	30	

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

# Consolidated Statement of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2016 and 2015

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 (loss) gain on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
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
Profit attributable to owners of parent	—	—	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 April 1, 2015	100,000	55,000	643,198	(480)	797,717	4,955	638	(2,047)	3,547	45,436	846,701
Profit attributable to owners of parent	—	—	85,868	—	85,868	—	—	—	—	—	85,868
Cash dividends	—	—	(25,185)	—	(25,185)	—	—	—	—	—	(25,185)
Increase due to merger	—	—	306	—	306	—	—	—	—	—	306
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	68	—	—	68	—	—	—	—	—	68
Net changes in items other than shareholders' equity	—	—	—	—	—	(1,431)	(760)	17,732	15,540	3,077	18,618
Balance at March 31, 2016	¥100,000	¥55,068	¥704,187	¥(481)	¥858,775	¥ 3,523	¥(121)	¥15,685	¥19,087	¥48,513	¥926,376

Millions of U.S. dollars\*

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred (loss) gain on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	\$892	\$491	\$5,742	\$(4)	\$7,122	\$ 44	\$ 5	\$(18)	\$ 31	\$405	\$7,559
Profit attributable to owners of parent	—	—	766	—	766	—	—	—	—	—	766
Cash dividends	—	—	(224)	—	(224)	—	—	—	—	—	(224)
Increase due to merger	—	—	2	—	2	—	—	—	—	—	2
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	0	—	—	0	—	—	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	—	(12)	(6)	158	138	27	166
Balance at March 31, 2016	\$892	\$491	\$6,287	\$(4)	\$7,667	\$ 31	\$(1)	\$140	\$170	\$433	\$8,271

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

# Consolidated Statement of Cash Flows

West Japan Railway Company and its consolidated subsidiaries  
Years ended March 31, 2016 and 2015

	Millions of yen		Millions of U.S. dollars*
	2016	2015	2016
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 145,158	¥ 122,712	\$ 1,296
Adjustments for:			
Depreciation and amortization	156,624	149,590	1,398
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,652	51,494	121
Loss on disposal of property, plant and equipment	7,114	6,101	63
(Decrease) increase in liability for retirement benefits, net	(7,696)	4,335	(68)
Decrease in allowance for doubtful accounts	(48)	(148)	(0)
Increase in accrued bonuses for employees	611	210	5
Increase (decrease) in other accruals	11,156	(575)	99
Interest and dividend income	(766)	(947)	(6)
Interest expense	24,158	25,898	215
Equity in earnings of affiliates	(1,288)	(1,901)	(11)
Gain on contributions received for construction	(14,487)	(52,395)	(129)
Increase in notes and accounts receivable	(3,033)	(779)	(27)
Increase in inventories	(1,632)	(4,504)	(14)
Decrease in notes and accounts payable	(3,168)	(5,811)	(28)
(Decrease) increase in accrued consumption taxes	(4,866)	11,338	(43)
Other	(17)	(5,255)	(0)
Subtotal	321,472	299,361	2,870
Interest and dividend received	747	819	6
Interest paid	(24,148)	(26,039)	(215)
Income taxes paid	(38,191)	(50,527)	(340)
<b>Net cash provided by operating activities</b>	<b>259,880</b>	<b>223,613</b>	<b>2,320</b>
<b>Cash flows from investing activities</b>			
Payments for time deposits with a maturity in excess of three months	(266)	(231)	(2)
Proceeds from time deposits with a maturity in excess of three months	231	231	2
Purchases of property, plant and equipment	(258,616)	(239,680)	(2,309)
Proceeds from sales of property, plant and equipment	24,243	2,678	216
Contributions received for construction	16,652	27,816	148
Purchases of investments in securities	(9,739)	(1,404)	(86)
Proceeds from sales of investments in securities	69	304	0
Net (increase) decrease in loans receivable	(3,839)	21	(34)
Other	(1,953)	(2,647)	(17)
<b>Net cash used in investing activities</b>	<b>(233,219)</b>	<b>(212,912)</b>	<b>(2,082)</b>
<b>Cash flows from financing activities</b>			
Net (decrease) increase in short-term loans	(1,546)	221	(13)
Proceeds from long-term loans	64,400	67,200	575
Repayment of long-term loans	(48,129)	(25,656)	(429)
Proceeds from issuance of bonds	35,000	40,000	312
Redemption of bonds	(20,000)	(20,000)	(178)
Repayment of long-term payables	(33,633)	(38,114)	(300)
Purchases of treasury stock	(0)	—	(0)
Cash dividends paid to owners of parent	(25,197)	(23,249)	(224)
Cash dividends paid to non-controlling interests	(123)	(143)	(1)
Other	(2,085)	1,432	(18)
<b>Net cash (used in) provided by financing activities</b>	<b>(31,315)</b>	<b>1,689</b>	<b>(279)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,654)</b>	<b>12,390</b>	<b>(41)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>85,346</b>	<b>72,956</b>	<b>762</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 80,691</b>	<b>¥ 85,346</b>	<b>\$ 720</b>

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.



# Analysis of JR-West Operations

## Non-Consolidated 20-Year Financial Summary

Years ended March 31

	1997	1998	1999*2	2000	2001	2002	2003	2004	2005
<b>For the Year:</b>									
Operating revenues	¥956.0	¥946.0	¥909.4	¥885.1	¥881.4	¥869.8	¥849.0	¥845.8	¥846.4
Transportation	839.1	830.0	795.5	773.9	773.1	770.2	752.3	750.8	750.9
Shinkansen	350.3	346.0	326.7	313.0	313.0	314.3	306.0	308.1	313.4
Kansai Urban Area (Kyoto–Osaka–Kobe area)	314.4	315.3	309.8	306.9	309.3	308.9	303.3	302.0	300.4
Other conventional lines	173.7	167.9	158.4	153.5	150.1	146.4	142.5	140.0	136.5
Operating expenses	825.9	831.1	796.7	786.0	784.4	770.3	745.7	740.4	736.4
Personnel	350.9	358.5	357.8	350.1	345.6	330.5	301.6	294.5	286.8
Non-personnel	326.5	301.2	277.7	276.5	275.0	281.2	288.2	291.0	300.5
Energy	42.4	43.8	40.5	39.3	38.2	39.2	38.4	36.6	36.9
Maintenance	146.7	120.9	108.0	112.3	114.3	116.8	122.6	121.9	127.1
Miscellaneous	137.3	136.5	129.2	124.9	122.4	125.1	127.1	132.4	136.4
Taxes	27.1	38.0	31.3	31.0	30.3	30.0	29.3	28.2	29.7
Rental payments, etc.	10.0	23.0	22.8	23.8	31.5	31.3	31.0	30.8	24.6
Depreciation expenses	111.2	110.2	107.0	104.4	101.8	97.1	95.4	95.7	94.5
Operating income	130.0	114.8	112.7	99.0	97.0	99.5	103.2	105.4	110.0
Recurring profit	56.0	48.3	50.5	42.3	43.4	54.0	61.3	65.0	74.3
Net income (loss)	33.5	23.4	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0
<b>At Year-End:</b>									
Total assets	¥2,333.4	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0
Total net assets	316.6	327.8	312.0	346.6	403.3	388.6	410.7	439.3	474.3

\*1 Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

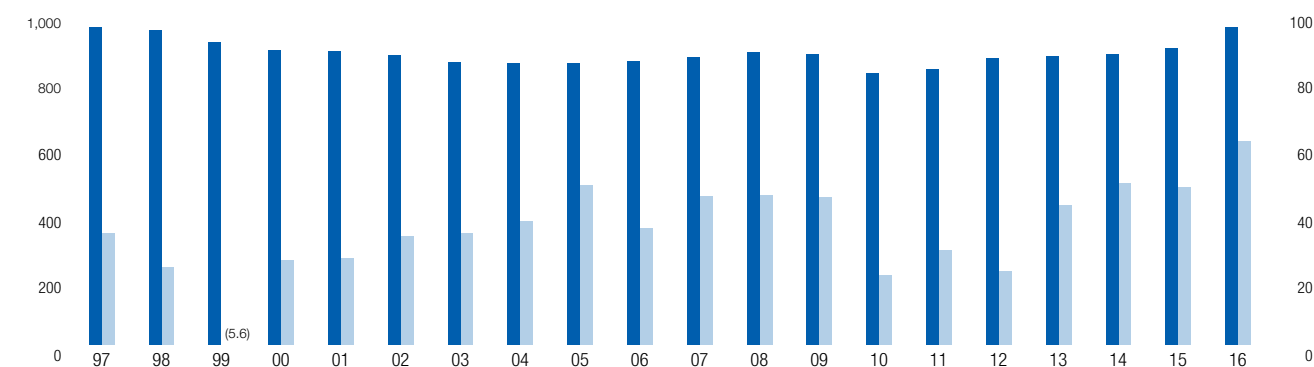
\*2 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.

\*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 table 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 the 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)

■ Operating Revenues ■ Net Income (Loss) (right)

Billions of yen

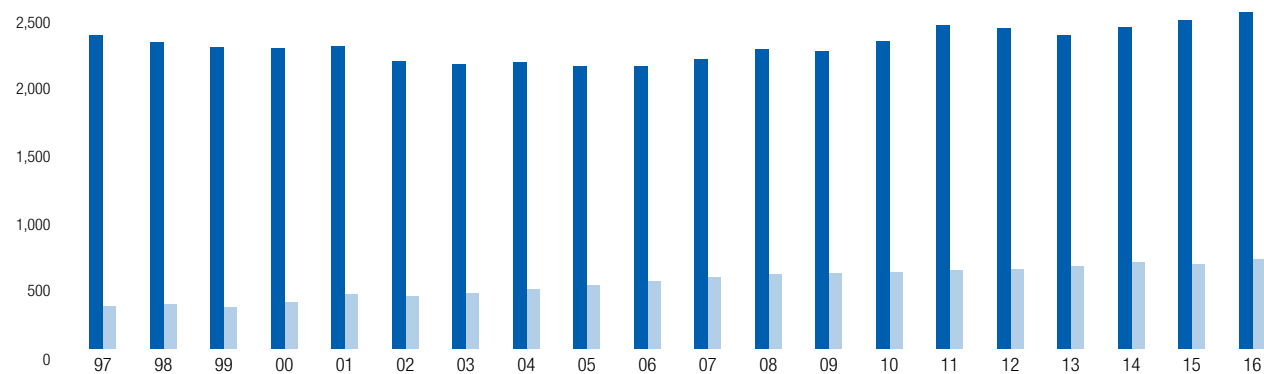


										Billions of yen	Millions of U.S. dollars*1
2006	2007	2008	2009	2010	2011	2012	2013*3	2014	2015	2016	2016
¥851.2	¥865.8	¥879.4	¥875.0	¥816.7	¥828.6	¥862.1	¥868.5	¥873.6	¥890.9	¥954.2	\$8,519
756.5	765.8	781.7	773.7	720.0	728.0	758.7	769.1	780.6	797.0	850.0	7,589
323.8	328.6	343.5	339.1	312.4	323.9	351.5	357.0	364.4	375.9	437.2	3,903
297.5	302.4	303.3	301.5	286.1	284.4	287.3	288.9	292.1	296.2	302.2	2,698
134.7	134.3	134.4	132.5	121.4	119.6	119.8	123.0	123.9	124.8	412.7	3,684
742.3	756.8	769.6	772.9	758.2	752.8	772.8	766.1	771.8	778.9	817.0	7,294
276.1	272.5	269.9	268.6	265.2	235.3	237.9	233.3	235.4	233.0	233.3	2,083
320.0	337.9	338.8	333.9	318.6	333.4	339.5	342.7	351.6	369.0	392.4	3,503
34.8	34.3	34.4	38.2	33.5	33.7	36.2	37.1	43.1	45.3	44.1	393
140.7	148.9	148.6	135.8	128.1	135.8	133.3	136.5	139.0	146.7	152.8	1,364
144.4	154.5	155.8	159.8	156.9	163.8	169.9	169.1	169.5	176.9	195.4	1,745
28.7	28.1	28.6	29.1	29.3	29.8	30.9	31.7	31.6	32.0	31.9	285
24.7	24.6	24.6	25.3	25.0	25.1	23.6	23.4	23.6	18.7	26.9	240
92.5	93.5	107.5	115.9	119.9	129.1	140.7	134.7	129.3	126.0	132.3	1,181
108.9	108.9	109.8	102.0	58.5	75.8	89.2	102.3	101.7	112.0	137.2	1,225
75.9	77.6	79.9	73.4	29.8	48.5	62.8	77.5	79.9	92.1	116.7	1,041
35.1	44.6	45.1	44.3	20.5	28.5	22.1	41.9	48.6	47.3	61.1	545
¥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	¥2,499.8	\$22,320
502.2	533.3	552.4	560.7	568.1	581.3	588.3	611.6	639.4	631.5	666.0	5,947

## Total Assets and Total Net Assets

■ Total Assets ■ Total Net Assets

Billions of yen



## Analysis of JR-West Operations

## Capital Expenditures and Cash Flows

Years ended March 31

## Capital Expenditures

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Billions of yen 2016	Millions of U.S. dollars* 2016
<b>Consolidated basis:</b>													
Depreciation expenses	¥113.6	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	¥169.3	¥160.8	¥153.9	¥149.5	¥156.6	\$1,398
Capital expenditures excluding a portion contributed by local governments, etc.	113.1	125.3	144.9	187.9	163.9	210.1	260.0	195.4	152.9	166.7	225.6	233.1	2,081
<b>Non-consolidated basis:</b>													
Depreciation expenses	¥94.5	¥92.5	¥93.5	¥107.5	¥115.9	¥119.9	¥129.1	¥140.7	¥134.7	¥129.3	¥126.0	¥132.3	\$1,181
Capital expenditures excluding a portion contributed by local governments, etc.	92.8	106.3	117.2	159.6	128.4	165.5	208.5	150.8	124.8	144.5	186.4	198.7	1,774

## Cash Flows (Consolidated Basis)

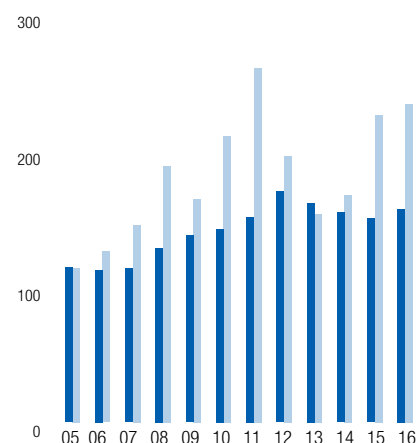
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Billions of yen 2016	Millions of U.S. dollars* 2016
Net cash provided by operating activities	¥142.9	¥164.0	¥188.6	¥222.1	¥178.8	¥161.3	¥223.2	¥206.2	¥238.0	¥237.7	¥223.6	¥259.8	\$2,320
Net cash (used in) provided by investing activities	(84.9)	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(2,082)
Free cash flows	58.0	62.3	56.8	42.9	6.1	(47.4)	(23.0)	7.0	83.2	72.3	10.7	26.6	237
Net cash (used in) provided by financing activities	(66.4)	(69.3)	(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	(31.3)	(279)

\* Yen figures have been converted into U.S. dollars at the rate of ¥112=U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

## Depreciation and Capital Expenditures (Consolidated Basis)

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

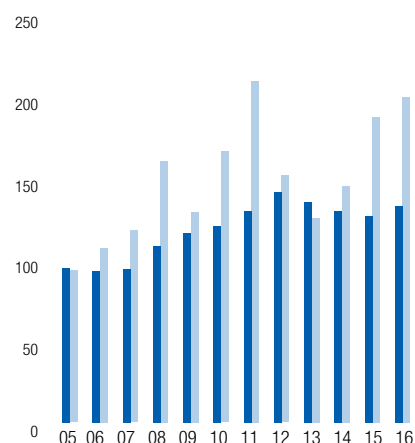
Billions of yen



## Depreciation and Capital Expenditures (Non-Consolidated Basis)

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

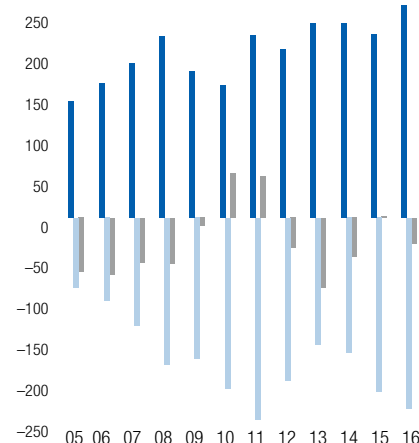
Billions of yen



## 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

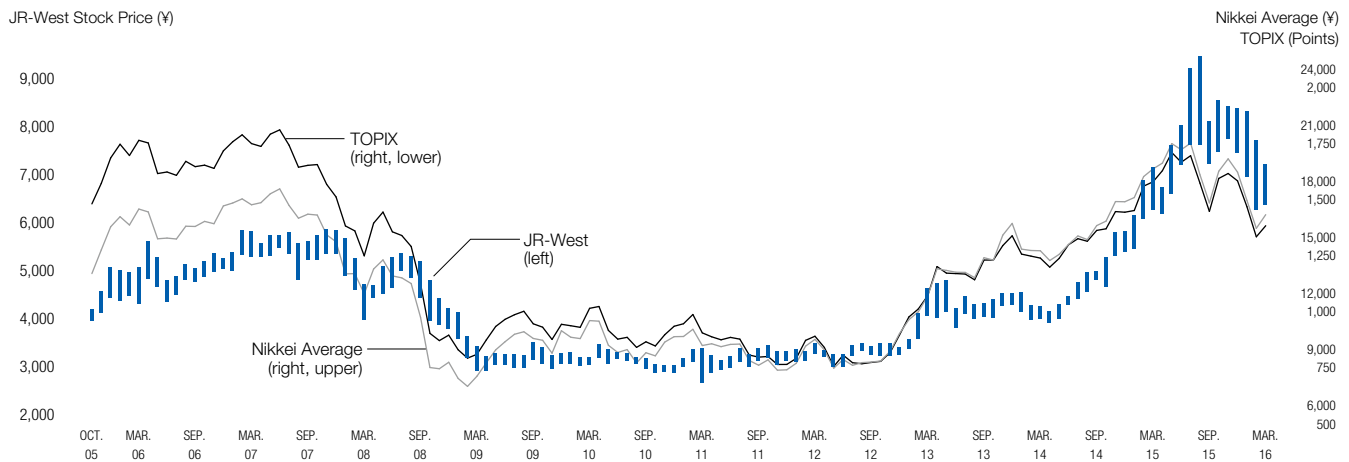
Billions of yen



# Investor Information

As of March 31, 2016

## Stock Price and Trading Volume



		Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010	
		2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	
JR-West	High (¥)	4,460	4,420	5,110	5,650	5,880	5,830	5,900	5,400	4,840	3,540	3,430	
	Low (¥)	4,000	3,600	3,980	4,380	4,910	4,840	4,000	4,460	2,949	2,952	2,993	
Average Daily Trading Volume (Shares)		531,389	840,019	802,132	616,666	688,486	648,094	861,620	695,220	912,513	782,785	660,959	
Nikkei Average (¥)		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	10,133.23	11,089.94	
TOPIX (Points)		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	909.84	978.81	

		Fiscal 2011		Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016	
		1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West	High (¥)	3,495	3,420	3,420	3,530	3,510	4,660	4,835	4,575	5,008	7,178	9,488	8,575
	Low (¥)	2,986	2,700	2,905	3,080	3,035	3,260	3,840	4,007	3,951	4,693	6,219	6,301
Average Daily Trading Volume (Shares)		713,580	945,908	814,979	812,162	662,210	789,675	861,142	803,102	675,187	883,964	969,087	997,114
Nikkei Average (¥)		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	17,388.15	16,758.67
TOPIX (Points)		829.51	869.38	761.17	854.35	737.42	1,034.71	1,194.10	1,202.89	1,326.29	1,543.11	1,411.16	1,347.20

- 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)	7,660,800	3.95
Japan Trustee Services Bank, Ltd. (Trust Unit)	6,572,200	3.39
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
Mizuho Bank, Ltd.	4,600,000	2.37
Nippon Life Insurance Company	4,000,000	2.06
JR-West Employee Stock-Sharing Plan	3,745,100	1.93
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
STATE STREET BANK WEST CLIENT - TREATY	3,035,158	1.57
Japan Trustee Services Bank, Ltd. (Trust Unit 9)	2,490,800	1.29
<b>Total</b>	<b>48,004,158</b>	<b>24.8</b>

Note: For the purpose of computing the shareholding ratios, 673 shares of treasury stock are excluded from the total number of issued shares of the Company.

# Consolidated Subsidiaries

As of March 31, 2016

		(Millions of yen)		(%)
Segment	Name	Paid-in Capital	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
	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
	JR West Osaka Development Co., Ltd.	50	Shopping Centers	100.0
	Kyoto Eki-Kanko Department Store Company	40	Shopping Centers	96.3



(Millions of yen)

(%)

Segment	Name	Paid-in Capital	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	65.6
	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, 2016

## 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

26,555 (non-consolidated)

47,456 (consolidated)

## Number of Subsidiaries

146 (incl. 62 consolidated subsidiaries)

## Stock Listings

Tokyo, Nagoya, and Fukuoka

stock exchanges

## Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

## Main Features of Business

### Transportation Operations

#### • Railway Services

Total route length\*

5,007.1 km

Shinkansen: 812.6 km

Conventional lines: 4,194.5 km

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

#### Number of stations

1,197

#### Number of rolling stock

6,607

#### Number of passengers

Total: 1,880 million

Shinkansen: 83 million

Conventional lines: 1,816 million

#### Passenger-kilometers

Total: 58,341 million

Shinkansen: 20,449 million

Conventional lines: 37,891 million

#### Train-kilometers per day

Total: 518 thousand

Shinkansen: 121 thousand

Conventional lines: 396 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

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For further information, please contact the Investor Relations section of the Corporate Planning Headquarters at the West Japan Railway Company Head Office.

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