



WEST JAPAN RAILWAY COMPANY

Annual Report 2017

Year ended March 31, 2017



Profile

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 5,008.7km. Making the most of the various forms of railway asset value represented by our stations and railway network, we are also engaged in retail, real estate, and other businesses.



Contents

Introduction

- 1 Profile
- 2 At a Glance
- 4 Overview
- 6 Financial Highlights

Business Strategy and Operating Results

- 8 The President's Message
- 10 Our Goal
- 12 Medium-Term Management Plan 2017
—Update—
- 18 Transportation Operations
- 28 Non-Transportation Operations

ESG Section

- 34 CSR Overview
- 36 ESG Highlight
- 38 Safety
- 40 Customer Satisfaction
- 42 Coexistence with Communities
- 43 Human Resources / Motivation
- 44 Global Environment
- 45 Corporate Governance
- 46 Board of Directors and
Audit & Supervisory Board Members
- 47 Executive Officers
- 48 Organizational Structure

Financial Section

- 50 Consolidated 10-Year Financial Summary
- 52 Management's Discussion and Analysis
of Operations
- 54 Operational and Other Risk Information
- 62 Financial Statements
- 68 Analysis of JR-West Operations
- 71 Investor Information
- 72 Consolidated Subsidiaries
- 74 Corporate Data



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 2017 based on information available to JR-West as of September 2017, 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



GDP

¥161 trillion



Population

42.8 million



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 42.8 million people, about 33% of the country's population, and has a nominal GDP of ¥161 trillion.

JR-West



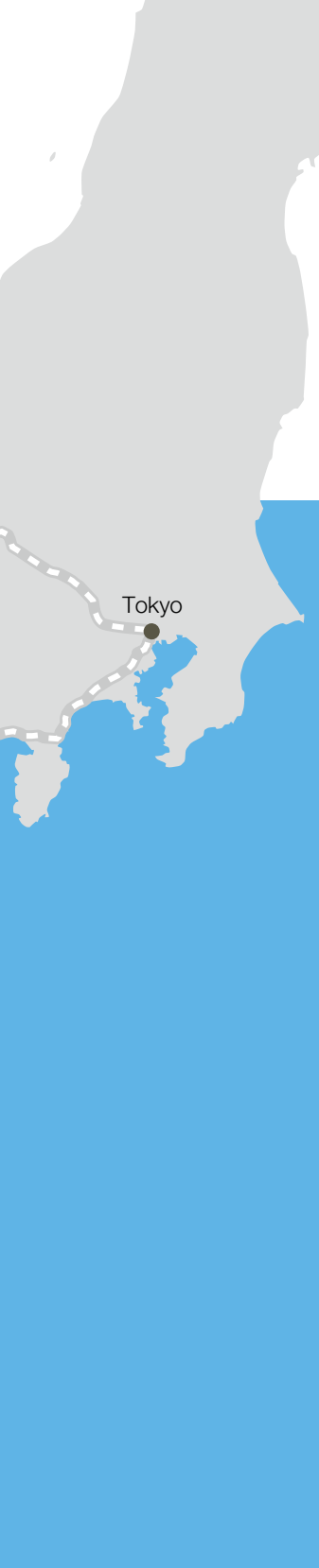
Total route length

5,008.7 km



Number of passengers

1,890 million



Tourist destination ranking

6 Prefectures
in the top 20

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

Visiting Rate by Prefecture (CY2016 Results)

Number of responses: 39,956

Ranking	Prefectures	Visit rate (%)
1	Tokyo	48.2
2	Chiba	39.7
3	Osaka	39.1
4	Kyoto	27.5
5	Fukuoka	9.9
6	Kanagawa	9.6
7	Aichi	9.5
8	Hokkaido	7.8
9	Nara	6.9
10	Okinawa	6.7
11	Hyogo	6.2
...
15	Hiroshima	3.5

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



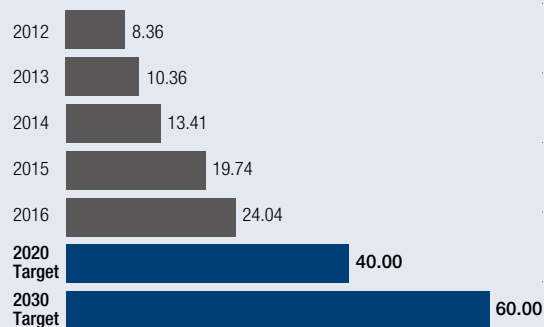
Annual number of foreign visitors exceeded

24 million

The number of inbound visitors to Japan was nearly 25 million in fiscal 2017.

Inbound Visitors to Japan

(Millions of people)



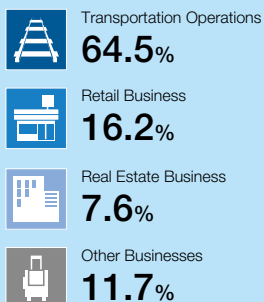
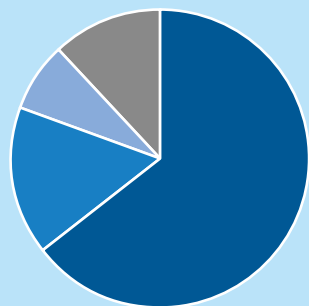
Source: Japan National Tourism Organization

Overview

Operating Revenues Revenues from Third Parties

(Year ended March 31, 2017)

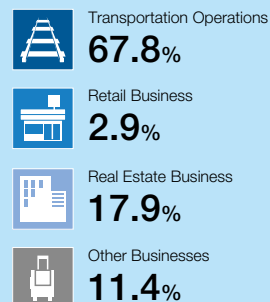
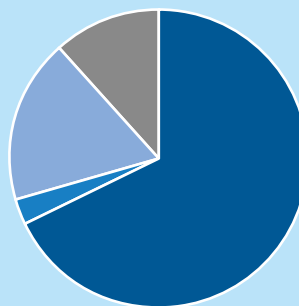
Total **¥1,441.4 billion**



Operating Income

(Year ended March 31, 2017)

Total **¥176.3 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, the Hokuriku Shinkansen Line, which is one of the new Shinkansen lines, and the segment between Nagano Station and Kanazawa Station, which opened on March 14, 2015. Along the Hokuriku Shinkansen Line, JR West is the operating body for the segment between Joetsumyoko 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 2017, 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

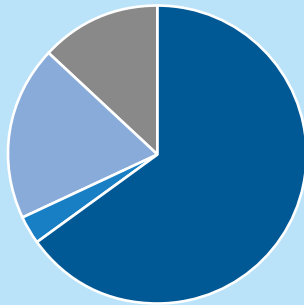
2005. Apr

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, 2017)

Total **¥3,007.8** billion



Transportation Operations
65.1%



Retail Business
3.0%



Real Estate Business
18.9%

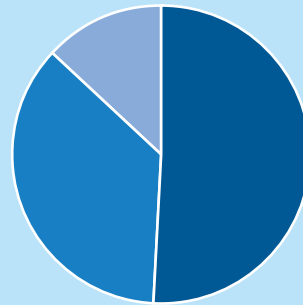


Other Businesses
13.0%

Railway Revenues

(Year ended March 31, 2017)

Total **¥849.6** billion



Shinkansen
51.1%



Kansai Urban Area
(Kyoto-Osaka-Kobe Area)
35.9%



Other Conventional Lines
13.0%

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"

Jul

Opening of Singapore Office

2016. Apr

Opening of Kyoto Railway Museum

Financial Highlights

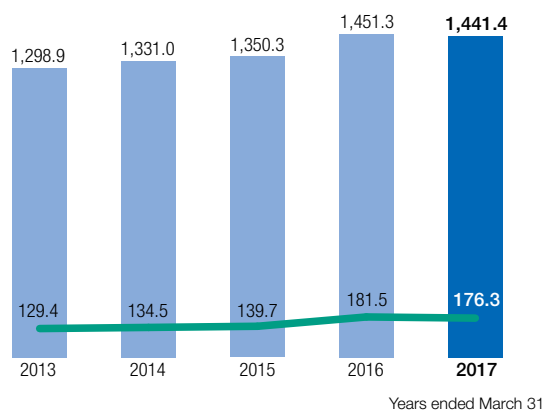
Operating Revenues / Operating Income

■ Operating revenues

■ Operating income

0.7% ↓ decrease 2.8% ↓ decrease

(Billions of yen)



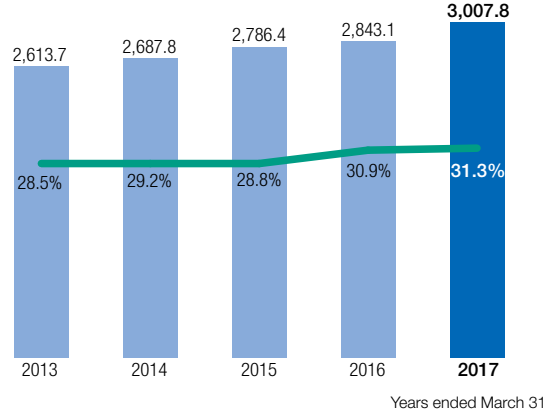
Total Assets / Equity Ratio

■ Total assets

■ Equity ratio

5.8% ↑ increase 0.4 point ↑ increase

(Billions of yen)



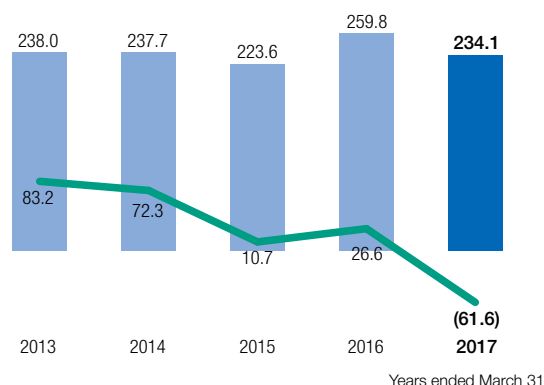
Cash Flows

■ Net cash provided by operating activities

■ Free cash flows

9.9% ↓ decrease 331.3% ↓ decrease

(Billions of yen)



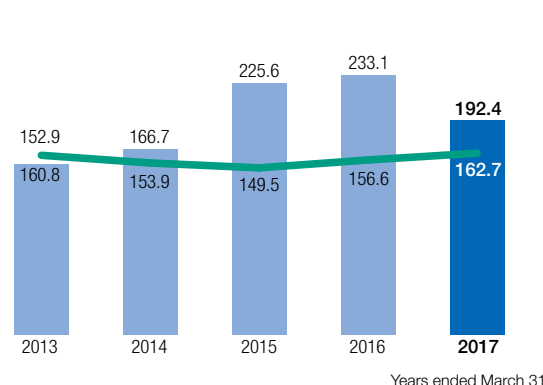
Capital Expenditures*1 / Depreciation and Amortization

■ Capital expenditures

■ Depreciation and amortization

17.5% ↓ decrease 3.9% ↑ increase

(Billions of yen)



*1 Excluding contributions received for construction

*2 EBITDA = Operating income + Depreciation + Amortization

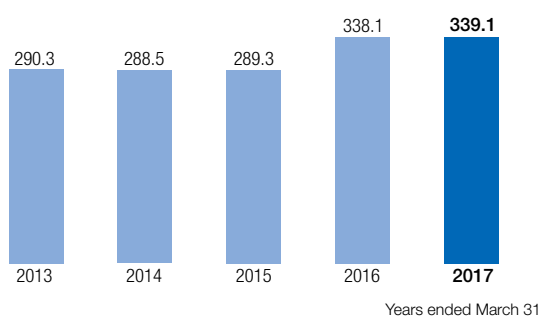
*3 The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Figures have been recalculated based on the number of shares after the stock split. Rate of total distribution on net assets = (Total dividends + Acquisitions of treasury stock) / Consolidated 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 2017 was 3.0%. Rate of total distribution on net assets = (Total dividends + Acquisitions of treasury stock) / Consolidated net assets

EBITDA*2

0.3%  increase

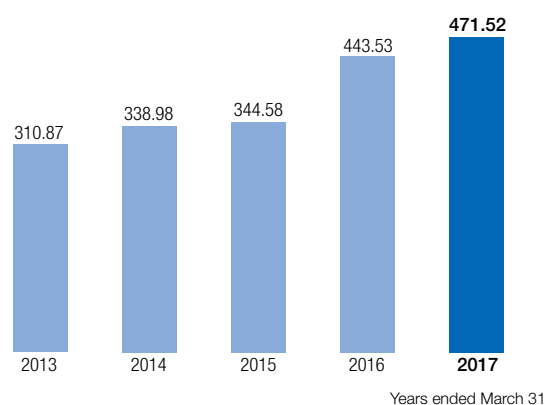
(Billions of yen)



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

6.3%  increase

(Yen)



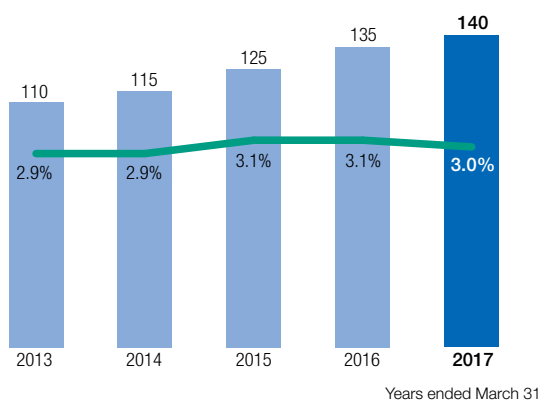
Cash Dividends per Share*3 / DOE*4

■ Cash dividends per share

■ DOE

3.7%  increase 0.1 point  decrease

(Yen)



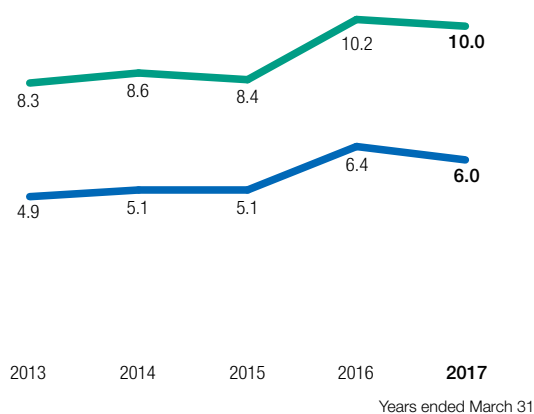
ROA (Operating income basis) / ROE

■ ROA

■ ROE

0.4 point  decrease 0.2 point  decrease

(%)



The President's Message

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

Overview of Fiscal 2017

Fiscal 2017, ended March 31, 2017, was the fourth year for this medium-term management plan. During the year, we engaged in initiatives positioned to steadily implement appropriate measures toward the final year of this plan.

Through risk assessment, we have undertaken measures addressing both physical and non-physical aspects on the safety front. We have worked to continue curtailing the number of railway operation accidents to a minimal level, and in general have made steady progress toward our objectives of decreasing the number of accidents at level crossings by 40% and reducing transportation disruptions due to internal factors by 50%.

Nevertheless, in February a railway accident occurred that resulted in the death of a worker at one of JR-West's contractors. We are deeply grieved by this event, and we will respond by carefully reviewing our initiatives to date and undertaking necessary improvements.

On the operational front, on the Sanyo Shinkansen we completed the introduction of a new automatic train control (ATC) system, for which preparations had been underway since fiscal 2011, and operations commenced in February. The new system makes brake control smoother, improving riding comfort, and shortens travel time. Our efforts to further heighten the opening effect of the Hokuriku Shinkansen rather than allowing it to taper off included augmenting our lineup of travel products. In the area of business development, in fiscal 2015 we began transitioning to Seven-Eleven Japan franchised stores in the interest of enhancing asset efficiency in the Retail business segment. This conversion is now essentially complete. In the Real Estate business, we acquired shares in Ryoju Properties, a move that should propel us toward future business development outside the JR-West region. Through initiatives such as these, we have been making steady inroads toward enhancing corporate value over the medium- to long-term.

As a result, revenues and income were down in fiscal

2017, due to the impact of the Kumamoto earthquakes and the substantial effects of rebound decline from a surge accompanying the opening of the Hokuriku Shinkansen. However, operating income outpaced our forecast, thanks to favorable transportation revenues in the second half and positive performance in the Real Estate business.

Initiatives in Fiscal 2018

Fiscal 2018 marks the final year for our medium-term management plan. During the year, we will make further refinements based on previous results, and implement measures to achieve plan targets. Positioning the year in this fashion, while working together toward these goals the JR-Group will bear in mind its farther-looking vision, “The Ideal Form for JR-West,” and give shape to the next medium-term management plan.

In terms of safety, we will prioritize initiatives such as enhancing platform safety to meet our objective of reducing railway accidents with casualties on platforms by 30%, as we are currently not making progress toward this goal.

Operationally, we will introduce Smart EX, a new ticketless service, on the Sanyo Shinkansen. Taking into account the anticipated ongoing increase in inbound visitors to Japan, the new system is designed to ensure that even more customers can smoothly make reservations and use the Shinkansen, as well as bolstering our competitiveness. With the Hokuriku Shinkansen entering its third year of operations, we will endeavor to cultivate tourism demand and stabilize the use of the line. We are also moving forward with preparations to open the Kanazawa-Tsuruga segment in spring of 2023.

We will enhance the value of our railway belts in the Kansai Urban Area by constructing new stations, opening the northern part of the Osaka Higashi Line, making preparations to relocate a portion of a branch line of the Tokaido Line underground, and continuing our initiatives on the Osaka Loop Line Renovation Project.

In June, we will begin operating the new TWILIGHT EXPRESS MIZUKAZE sleeper train. Preparations for the train are currently underway around the concept of “a hotel traveling through beautiful Japan.” We will take this launch as an opportunity to invigorate local communities by communicating attractions along railway lines. In the area of business development, we are preparing the groundwork at Ryoju Properties, whose shares we acquired last fiscal year. We will also undertake a number of new challenges, such as developing new hotel businesses.

April 2017 marked the 30th anniversary of JR-West's establishment. Looking at the operating environment going forward, I believe our ability to refine the safety and quality of transportation services in the railway business and achieve growth in fields outside the railway business are major points that will define the future of the JR-West Group.

In addition to solidly sustaining the management platform we have built to date, we will need to advance initiatives in response to change. While continuing to make use of outside expertise, we will reinforce existing businesses and work proactively to expand our business domain, including overseas.

As we move forward, we will continue to pursue improvements in both safety and corporate value from a medium- to long-term perspective. In our relationships with shareholders, we will provide stable returns over the long term, conduct appropriate disclosure, and engage in constructive dialogue.

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

September 2017

Tatsuo Kijima

Tatsuo Kijima
President, Representative Director, and Executive Officer

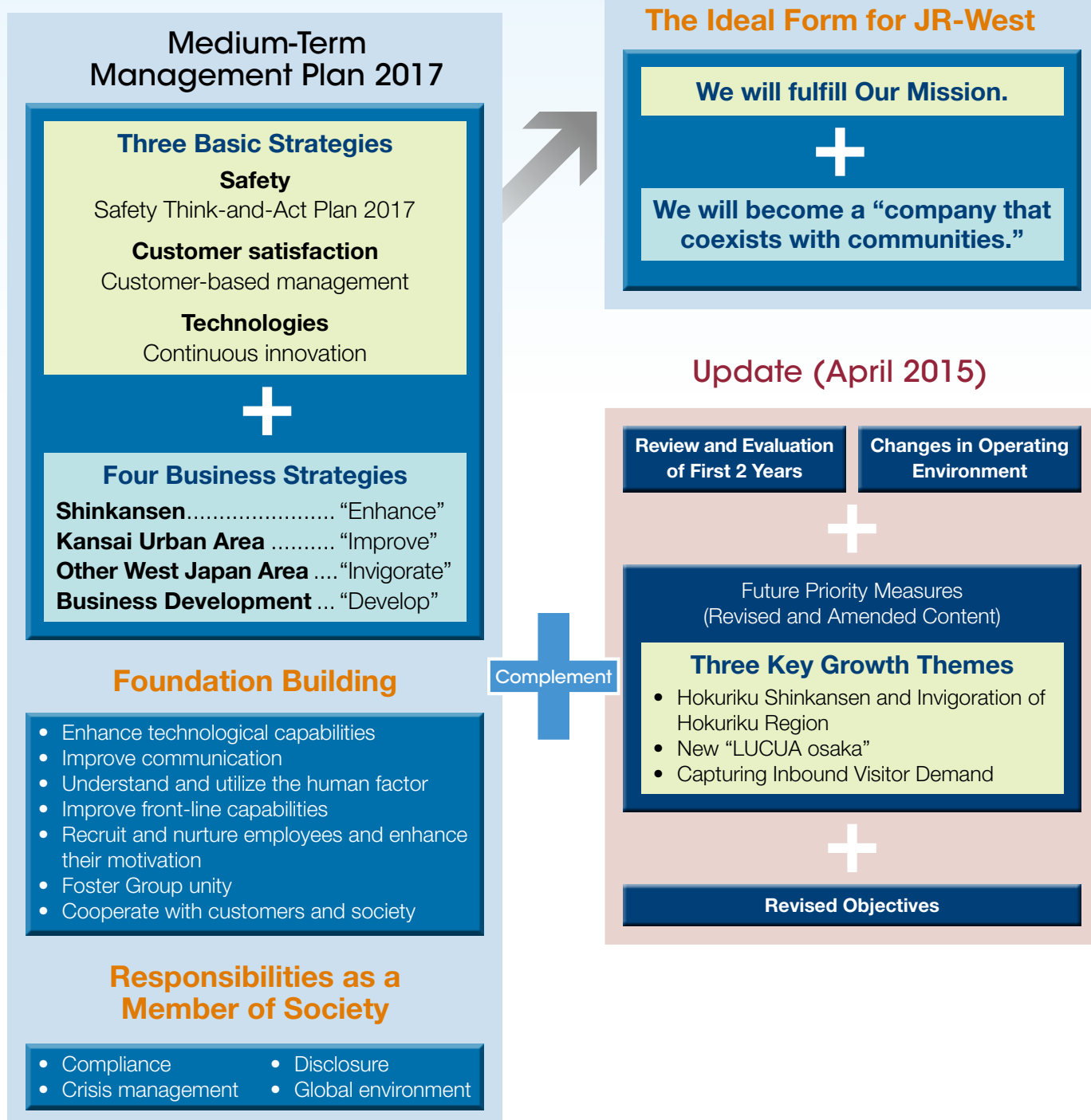


Our Goal

Positioning of April 2015 Update

Four 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 2017	Fiscal 2018	
	Results	Forecast as of update*	Forecast as of April 2017
Operating Revenues	1,441.4	1,423.0	1,492.0
Transportation	929.1	902.5	939.0
Retail	233.9	246.5	240.8
Real estate	109.5	106.0	138.7
Other businesses	168.8	168.0	173.5
Operating Income	176.3	157.0	183.5
Transportation	121.7	105.0	125.1
Retail	5.2	6.0	7.0
Real estate	32.2	33.5	35.5
Other businesses	20.4	14.0	19.0
Recurring Profit	160.7	141.0	168.5
Profit attributable to owners of parent	91.2	91.5	109.0
Transportation Revenues	849.6	820.5	859.0
ROA	6.0%	5.5%	6.1%
ROE	10.0%	9.8%	11.1%
EBITDA	339.1	325.5	348.7

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 (As of April 2015) → ¥984.0 billion (As of April 2017)

Investment for growth: ¥260.0 billion (As of April 2015) → ¥279.0 billion (As of April 2017)

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

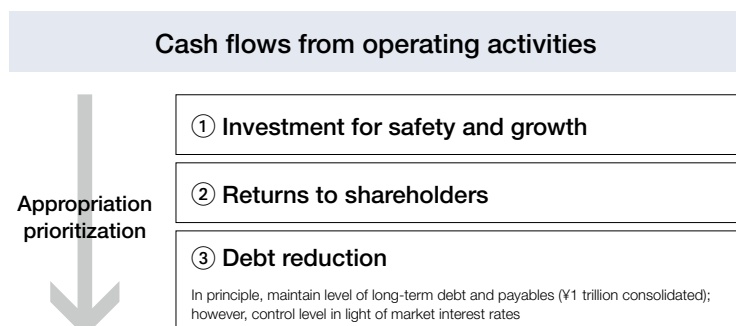
Investment needed for ongoing management of operations

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

Safety-related investment: ¥480.0 billion (As of April 2015) → ¥489.5 billion (As of April 2017)

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

Cash Earmarking and Prioritization



Shareholders' Return Policy

- We recognize it is important to distribute profits to our shareholders on a long-term and consistent 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. Devoted 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	2017	2018 target
Railway accidents that result in casualties among our customers	0	0 Fiscal 2014-2017	0 over 5 years
Labor accidents that result in fatalities among our employees	0	2 Fiscal 2014-2017	0 over 5 years
Railway accidents with casualties on platforms	13	11	30% reduction* (9)
Accidents at level crossings	41	14	40% reduction* (25)
Transport disruptions due to internal factors	281	156	50% reduction* (140)

* In comparison with fiscal 2013

Installing Platform Gates

One of the most effective ways of improving physical safety on platforms is to install platform gates, and we are making progress in this area. Currently, we are installing gates at 14 stations where more than 100,000 passengers board and alight from trains each day, as well as at stations in numerous instances of passengers falling onto tracks or being struck by trains. In spring of 2017, we installed movable platform gates on some platforms of Osaka and Kyobashi stations. In addition, to resolve the challenge of accommodating train cars with different door positions, we have developed a new type of automatic platform gate that is raised and lowered with ropes. We installed these gates on some platforms in Rokkomichi and Takatsuki stations, and we plan to do so in Kyoto and Sannomiya stations, as well.



Movable platform gates

Target Indicators

	2013	2017	2018 target
Customer satisfaction survey result (5-level, internal survey)	3.47	3.90	4.0 or above

Creating a Comfortable Environment

We are undertaking proactive efforts to create environments that customers find convenient and comfortable. These efforts include renovating station toilets, increasing the number of benches, and making stations and railcar interiors more attractive.

As we have received numerous comments from customers about manners in stations and railcars, we are making an active effort to promote better manners. In addition to urging employees to reach out to customers who appear to be in need of assistance, recently we have also begun encouraging "mutual assistance," in which customers help each other.

Taking to feedback we received from customers with physical disabilities, we are steadily increasing the number of multi-purpose toilets at our stations.



Poster encouraging "mutual assistance"

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

Enhancing Energy Conservation of Rolling Stock and Stations

Train operations account for more than 80% of the Company's total energy consumption. To reduce our energy use, we are introducing rolling stock with excellent energy-saving characteristics and working to save energy in stations.

Based on our internal "Eco-Station Design Guidelines" for considering station specifications and design to conserve energy and resources throughout stations, we have incorporated a variety of ecological features at Maya Station on the JR Kobe Line, such as installing direct current electric power converters from the time the station opened. Such efforts have succeeded in reducing energy consumption by half, compared with conventional stations of the same size.



Various energy-saving features installed at Maya Station

Four Business Strategies



Shinkansen

Enhance the potential of the Shinkansen and promote exchange

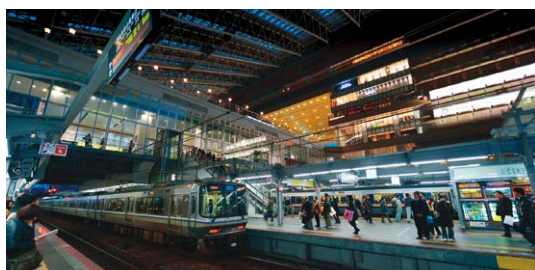
Target Indicators

	2013	2017	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	2017	2018 target
Transport disruptions due to internal factors	105	63	52 (50% reduction*)
Number of IC card users (people/day)	1.9 million	2.4 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

	2017	2018 target
Customer traffic during destination campaigns	70% increase* Okayama destination campaign	10% increase*
Sharing challenges with local partners regarding improvements in regional transportation systems	2015 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	2017	2018 target
Revenues from lifestyle-related businesses	—	¥36.0 billion increase*	¥35.0 billion increase*
Revenues from new businesses	—	¥3.0 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



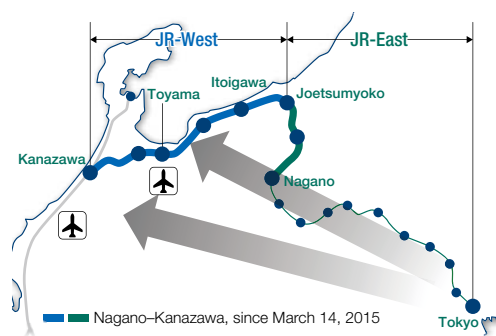
Target Indicators

1. Net revenue increase
from Hokuriku Shinkansen: ¥13.0 billion (fiscal 2018)
Fiscal 2017: ¥25.5 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 (JRTT) 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 2017: ¥72.6 billion
2. Visitor number target: 70.0 million
Fiscal 2017: 73.5 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



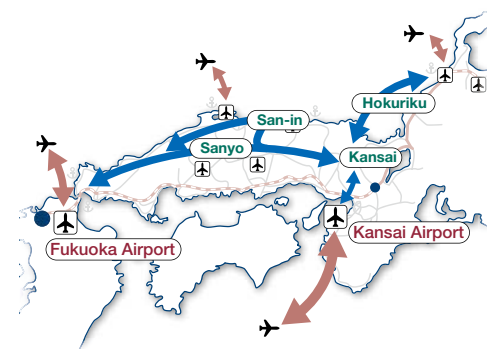
Target Indicators (fiscal 2018 target, in comparison with fiscal 2013)

1. Usage of railway travel products for inbound visitors:
Increase from 0.2 million to 1 million visitors
(400% increase)
Fiscal 2017: 1.25 million
2. Consolidated operating revenues: ¥10.0 billion increase
Fiscal 2017: ¥13.8 billion increase

Inviting more customers to the “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

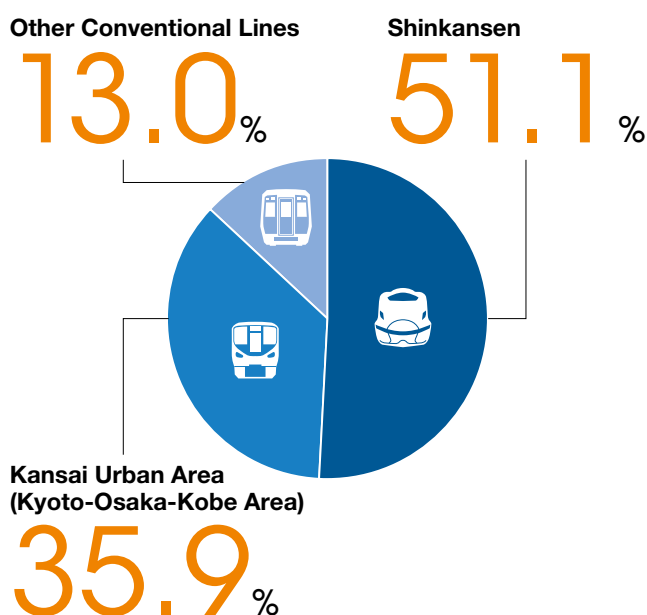
Note: Enhancing Group promotional system (establish Group Inbound Tourism Promotion Office, dispatch employee to Singapore)



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 km². 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 1,200 railway stations, with an operating route length of 5,008.7 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).



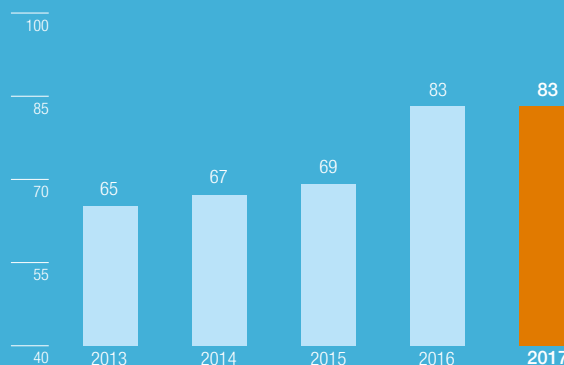
Shinkansen

Number of Passengers

83 million

Years ended March 31

(Millions of passengers)



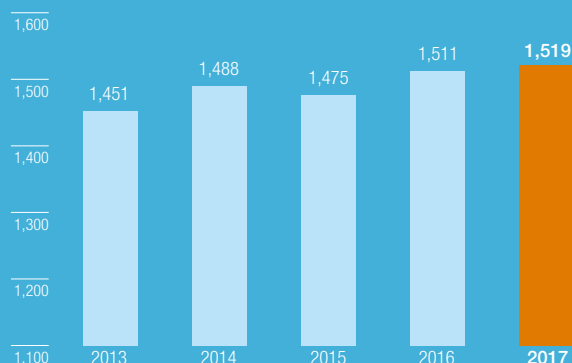
Kansai Urban Area

Number of Passengers

1,519 million

Years ended March 31

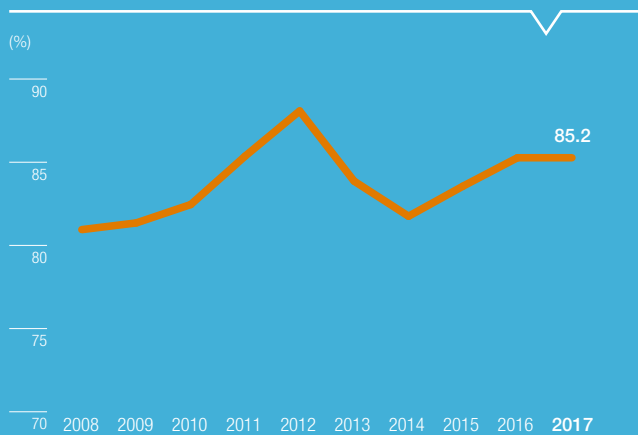
(Millions of passengers)



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

Years ended March 31

85.2 %



Shinkansen Service Area

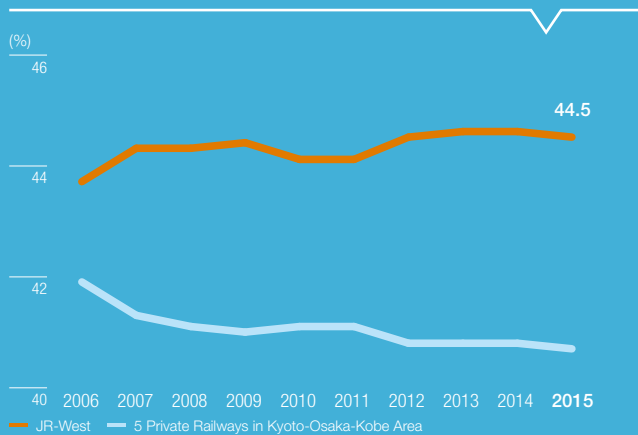
Hokuriku Shinkansen



Market Share

Years ended March 31

44.5 %



Main Lines in the Kansai Urban Area



ONGOING PROJECT

#1 Shinkansen



Hokuriku Shinkansen Project

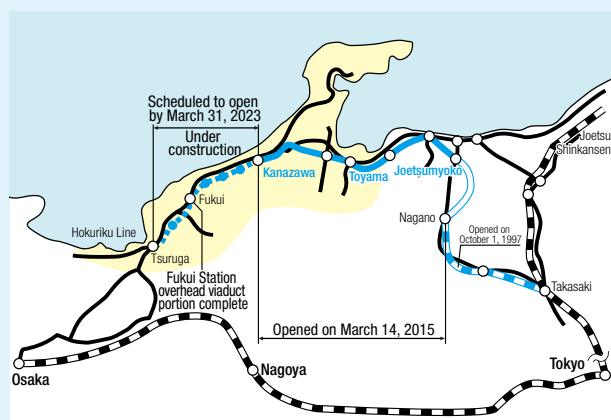
The Hokuriku Shinkansen, a new Shinkansen line based on the Nationwide Shinkansen Railway Development Law, was proposed for operation between Tokyo and Osaka. A 117-kilometer section between Takasaki and Nagano opened on October 1, 1997, followed by a 228-kilometer section from Nagano to Kanazawa on March 14, 2015 (The Company's area of operation is the section between Joetsumiyoko and Kanazawa).

For the 125-kilometer section between Kanazawa and Tsuruga (construction section: 114-kilometer section from Hakusan depot to Tsuruga), in June 2012 we received approval of our execution plan at the time for the site and related civil engineering structures. Construction commenced with the Japan Railway Construction, Transport and Technology Agency as the construction contractor. Construction is scheduled for completion by the end of the fiscal year ending March 31, 2023.

JR-West is to operate the section once it opens.

Regarding the section west of Tsuruga, based on the March 2017 conclusions of the ruling party project team for promoting construction of new Shinkansen lines, a detailed survey is to be performed on the Obama-Kyoto route (Tsuruga Station-Obama vicinity (Higashi Obama)-Kyoto Station-Kyotanabe vicinity (Matsui Yamate)-Shin-Osaka Station). JR-West will monitor the contents of this survey.

Status of Development on the Hokuriku Shinkansen



1 Hokuriku Shinkansen traveling with the Tateyama Mountain range in the background
2 Takedagawa bridge construction site (photo by Japan Railway Construction, Transport and Technology Agency)

Ongoing Construction for the Hokuriku Shinkansen between Kanazawa and Tsuruga





Project to Relocate a Portion of a Branch Line of the Tokaido Line Underground

Integrated urban development with the surrounding region is underway in the Umekita area to the north of Osaka Station. As part of this urban development, plans are to perform underground construction to move underground a 1.7-kilometer portion that cuts through the area on the west side at Umeda signal station (the former Umeda cargo station) on a branch line of the Tokaido Line. Moving the section underground will eliminate level crossing and improve crossroad safety.

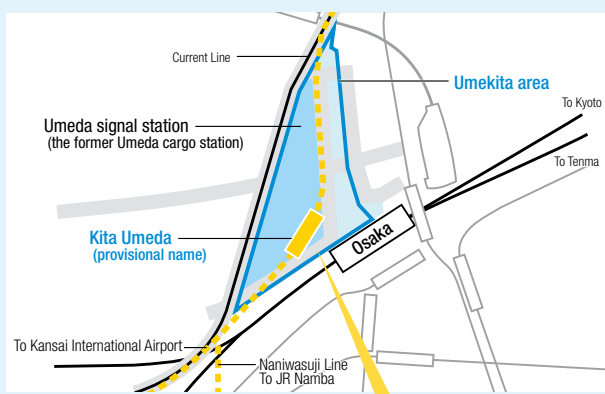
At the same time, a new station will be built adjoining Osaka Station (provisional name: Kita Umeda), improving access to Kansai International Airport and contributing significantly to reinforcing the network over a broad area.

Construction is currently underway with the aim of completing the relocation underground and opening the new station in spring of 2023.

At the same time, work is underway on the new Naniwasuji Line, which will go from Shin-Osaka to the Namba area. Along this route, the line will pass through Kita Umeda station and beneath Naniwasuji, a street that traverses the city of Osaka from north to south.

In preparation for the Naniwasuji Line to pass through, development is also underway on the section from Kita Umeda Station to JR Namba station.

Integrated Urban Development in Umekita Area



Access to Kansai International Airport will improve, and the network over a broad area will be reinforced.

Improving Safety and Convenience with the Establishment of the New Kita Umeda Station





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 convenience
- Enhancing safety and comfort

Stimulating tourism demand

- Rolling out tourism campaigns
- Stimulating demand among seniors
- Capturing demand from inbound visitors

Fiscal 2017 Initiatives

Introducing “Smart EX,” a New Ticketless Service

JR-Central and JR-West have agreed to introduce a ticketless service, Smart EX, beginning on September 30, 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, “Smart EX”

Hokuriku Shinkansen



Core Initiatives

Heightening competitiveness

- Extension to Tsuruga
- Enhancing comfort

Stimulating tourism demand

- Rolling out tourism campaigns
- Stimulating demand among seniors
- Capturing demand from inbound visitors

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). Regarding the section west of Tsuruga, a detailed survey is to be performed on the Obama–Kyoto route (Tsuruga Station–Obama vicinity (Higashi Obama)–Kyoto Station–Kyotanabe vicinity (Matsui Yamate)–Shin-Osaka Station).

Fiscal 2017 Initiatives

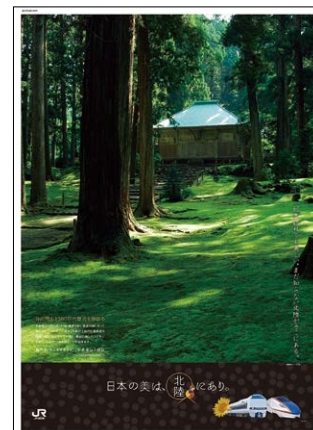
Running Two Tourism Campaigns

To spur tourism demand in Hokuriku, in April 2017 we began running two campaigns detailing the regions' points of appeal by taking different publicity angles. The campaign called "The beauty of Japan is in Hokuriku" sets a travel theme suited to each season's characteristics. This campaign offers guided tours to help visitors experience tourism offerings and proposes attractive tour plans.

The other is called the "Five stars for four beautiful seasons. The Hokuriku Shinkansen Campaign." In this campaign, we distribute specialized guidebooks, disseminate information over our website, and establish travel products according to themes set by the season. Through these campaigns, we are working to enhance the Hokuriku brand.



"The beauty of Japan is in Hokuriku," campaign poster





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

- Opening new stations
- Railway network expansion
- Introducing new rolling stock
- Improving transportation quality

Advancement of urban tourism

- Capturing demand from inbound visitors

Fiscal 2017 Initiatives

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.

In the fiscal year ended March 31, 2017, in addition to a full-scale refurbishment of Momodani Station, we began steadily introducing new 323-model trains. We will continue undertaking a variety of measures, and by encouraging people to visit the area and to take Osaka Loop Line trains, we are working with the local community to invigorate Osaka.



The renovated Momodani 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 3,250.1 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.

Core Initiatives

- Start of operations of TWILIGHT EXPRESS MIZUKAZE
- Cooperation in considering alternative transportation after railway operations cease on the Sanko Line

Fiscal 2017 Initiatives

A New Sleeper Train—TWILIGHT EXPRESS MIZUKAZE

TWILIGHT EXPRESS MIZUKAZE commenced service on June 17, 2017 and 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.

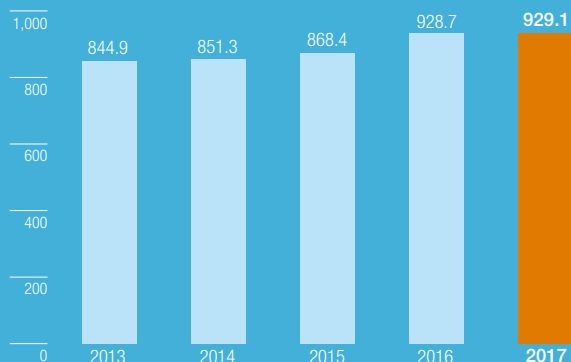
Fiscal 2017 Results for the Transportation Operations Segment (Year ended March 31, 2017)

Operating Revenues

Total

¥ **929.1** billion

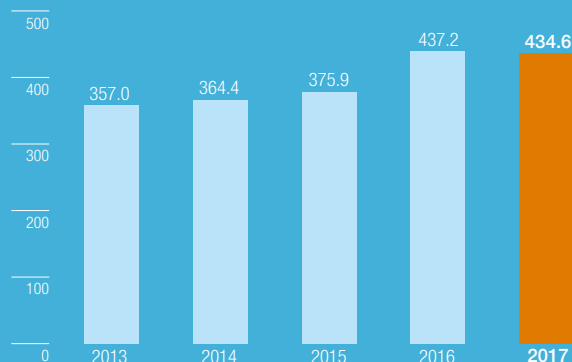
(Billions of yen)



Shinkansen

¥ **434.6** billion

(Billions of yen)



During fiscal 2017, the Transportation Operations segment generated operating revenues of ¥929.1 billion, on a par with the preceding fiscal year, despite the impact of the earthquakes in Kumamoto in April 2016 and a decline compared with higher performance in the previous year due to launch of the Hokuriku Shinkansen. Operating income declined 2.7%, to ¥121.7 billion, due to an increase in expenses stemming from the implementation of planned measures to enhance safety and customer satisfaction into the next fiscal year.

To enhance competitiveness on the Sanyo Shinkansen while maintaining safety, JR-West revised the timetable in March 2017 with the introduction of a new automatic train control (ATC) system, shortening travel time between Shin-Osaka and Hakata by an average of one minute for *Nozomi* and *Mizuho* trains, and an average of 15 minutes for *Kodama* trains. Also, to revive the tourism demand that declined as a result of the Kumamoto earthquakes in April 2016, JR-West conducted travel campaigns to highlight the appeal of areas along railway lines, including the “Kyushu Tourism Revival Campaign” in conjunction with the Kyushu District Transport Bureau, Kyushu Tourism Promotion Organization, and other institutions, and the “Spring—Kagoshima Campaign” with the Kagoshima prefectural government.

For the Hokuriku Shinkansen, to normalize the effects from opening in the second year for the service, JR-West conducted the “Hokuriku Shinkansen One-Year Anniversary Campaign” and “Business Travel Support Campaign,” broadcasted TV commercials in the Hokuriku area, and made other efforts to stimulate demand for both business and tourism. Also, we held “Kansai-Hokuriku exchange meetings” to increase mutual exchange among government bodies, businesses, and the travel industry in the Kansai, Hokuriku, and Shin-etsu (Niigata/Nagano) regions.

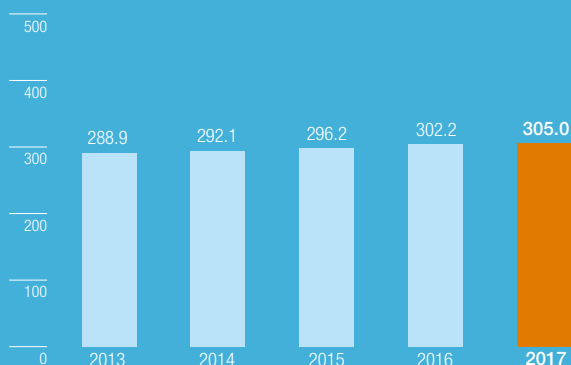
As measures to promote utilization of online services, JR-West renewed its service offerings, including providing round-trip and open-type discount tickets, previously only handled at stations, through the “e5489” internet reservation service, and providing for purchase of e-tickets for limited express trains using a credit card.

To capture demand from seniors, JR-West took steps to stimulate demand, including the relaunch and extended sales of the “Otonabi Pass” (for unlimited travel) and “Otonabi WEB Haya-toku” early discount tickets, exclusively for members of the “Otonabi” service, which provides special discount tickets and travel packages for people ages 50 and older. These packages have been popular with customers.

Kansai Urban Area

¥ **305.0** billion

(Billions of yen)

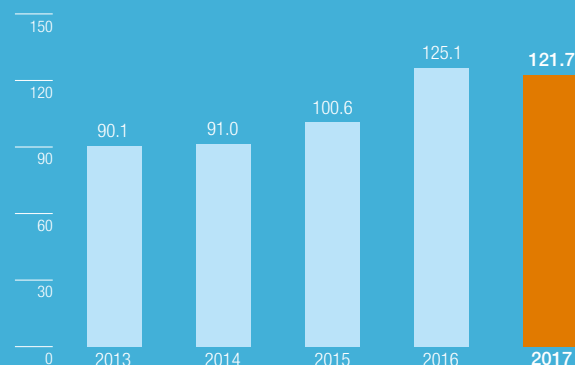


Operating Income

Total

¥ **121.7** billion

(Billions of yen)



As measures aimed at the increase in inbound visitors to Japan, in April 2016 JR-West created the “Osaka/Tokyo Hokuriku Arch Pass” for a broad-based sightseeing route. Also, as part of our efforts to welcome visitors, in March 2017, we strengthened sales functions at the Kansai Airport Station, including increasing the number of counters providing service in foreign languages at JR Ticket Offices (“Midori-no-madoguchi”). At Osaka Station, we established the Travel Service Center OSAKA, providing integrated services including various types of advice regarding tourism and travel, money exchange, and ticket sales.

In the Kansai Urban Area (around Osaka, Kyoto, and Nara), JR-West is working to enhance the quality of railway transportation and improve the value of the railway belts to encourage repeated use. In addition, to augment customer satisfaction and boost the company's image, as part of the Osaka Loop Line Renovation Project, in December 2016 JR-West began operating new 323-model trains, developed to make train cars “safe, brighter, wider, quiet, and comfortable.” We also completed renovations to Momodani Station, refurbishing stations and toilets, and developing spaces beneath elevated tracks. In the Kyoto Umekoji area, in April 2016 JR-West opened the Kyoto Railway Museum with the aim of establishing a

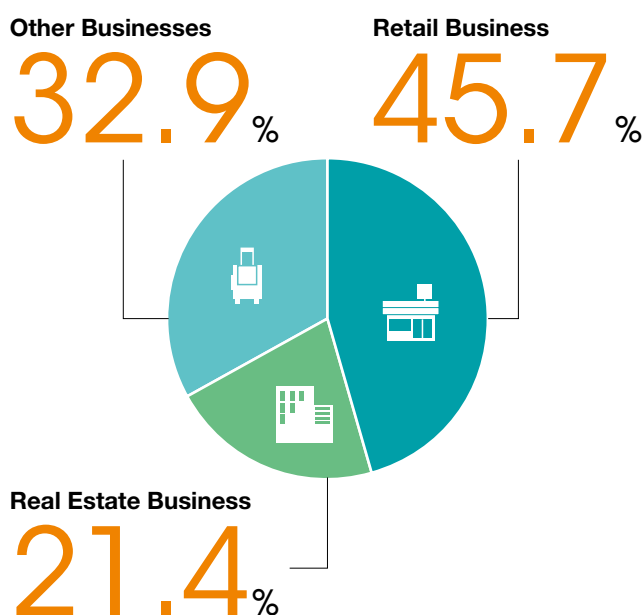
“hub of railway culture together with the local community.” The museum has been popular with a wide range of customers, with the number of visitors since opening exceeding the first-year target of 1.3 million people in March 2017, two months ahead of schedule.

On June 17, 2017, JR-West began operations on the TWILIGHT EXPRESS MIZUKAZE sleeper train, an initiative to stimulate tourism and invigorate the western Japan region. We are working with local areas to uncover tourism opportunities, foods, and crafts from western Japan, and are communicating the appeal of the history, culture, nature, and dining in areas along railway lines. In addition, to help establish a thriving community, on March 4, 2017, JR-West electrified and extended the Kabe Line and opened new stations between Kabe and Aki-Kameyama stations.

Regarding the Sanko Line service between Gotsu and Miyoshi, as a result of repeated cordial discussions with local governments along the line, JR-West submitted a notification to the Minister of Land, Infrastructure, Transport and Tourism that it would cease operations of a Type I Railway Business on April 1, 2018. We will continue discussions with local residents toward formulating a new transportation plan after cessation of the railway service.

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 2017



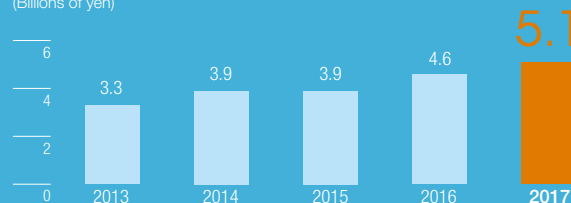
Number completed to date: 8,390



Retail Business

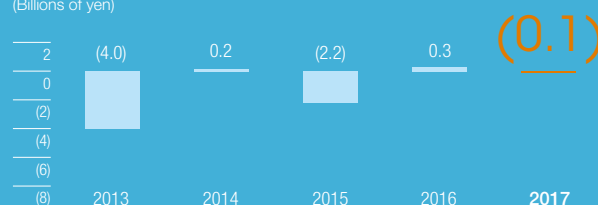
Operating Income from Goods and Foods Services

(Billions of yen)



Operating Income from Department Stores

(Billions of yen)



JR-West Hotel, Shopping Center, and Condominium Locations

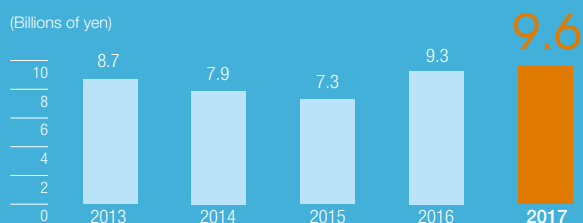
● Shopping Center ● Hotel



Real Estate Business

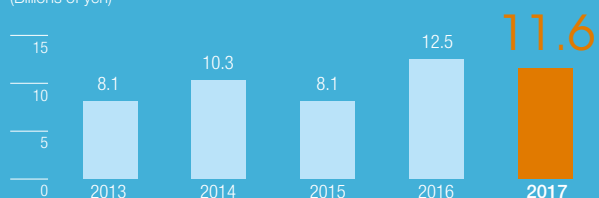
Operating Income from Shopping Centers

(Billions of yen)



Operating Income from Real Estate Leasing and Sales

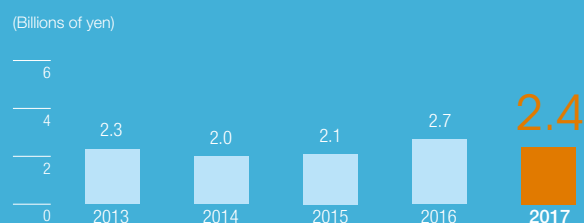
(Billions of yen)



Other Businesses

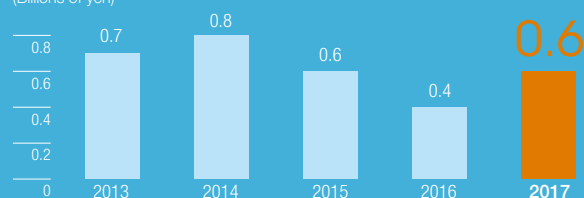
Operating Income from Hotels

(Billions of yen)



Operating Income from Travel Agency

(Billions of yen)



Business Strategy and Operating Results

Non-Transportation Operations



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. In addition, under the Via-Inn brand we are developing an accommodation-oriented budget hotel chain in our own operating region, as well as in the Tokyo metropolitan area.



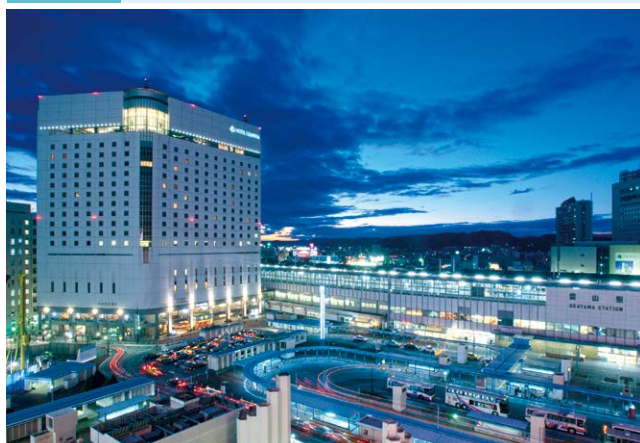
Real Estate Business



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. Also, in February 2017 we acquired shares in Ryoju Properties Co., Ltd., converting the company to a consolidated subsidiary.



Other Businesses



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

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

Fiscal 2017 Initiatives

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 allied stores and is making an effort to maximize the effect of this conversion.

In 2014, the first group of these stores was opened in Kyoto, Okayama, Shimonoseki, and Hakata (five stores in total), and conversions of 335 stores were complete as of March 31, 2017. The objective is to eventually have approximately 500 Seven-Eleven allied stores, including new stores, and future in-station store opening plans that include the opening of new allied stores are underway.



Seven-Eleven allied store in Kanazawa

Core Initiatives

Real estate leasing and sales

- Enhancing asset efficiency
- Expansion of businesses in which we can demonstrate strength

Fiscal 2017 Initiatives

Acquisition of Shares in Ryoju Properties Co., Ltd.

In February 2017, JR-West acquired 70% of the outstanding shares in Ryoju Properties Co., Ltd., converting the company to a consolidated subsidiary.

Ryoju Properties is developing the condominium business in the Tokyo metropolitan area and other promising markets and holds quality leasing properties in good locations. This acquisition serves as a foothold for pursuing the real estate business outside the Company's area of railway operations, expanding the condominium business and providing a steady source of revenue and profits.

Going forward, we will leverage the Group's expertise to enhance the value of Ryoju Properties' business, working to expand and strengthen the real estate business.



A property owned by Ryoju Properties in Tokyo

Fiscal 2017 Initiatives

Developing the New HOTEL VISCHIO Brand

West Japan Railway Hotel Development Limited is developing new lineups and brands of high class accommodation-oriented hotels directly operated by the JR-West Group, aimed at meeting demand from inbound tourists and other travelers from Japan and overseas.

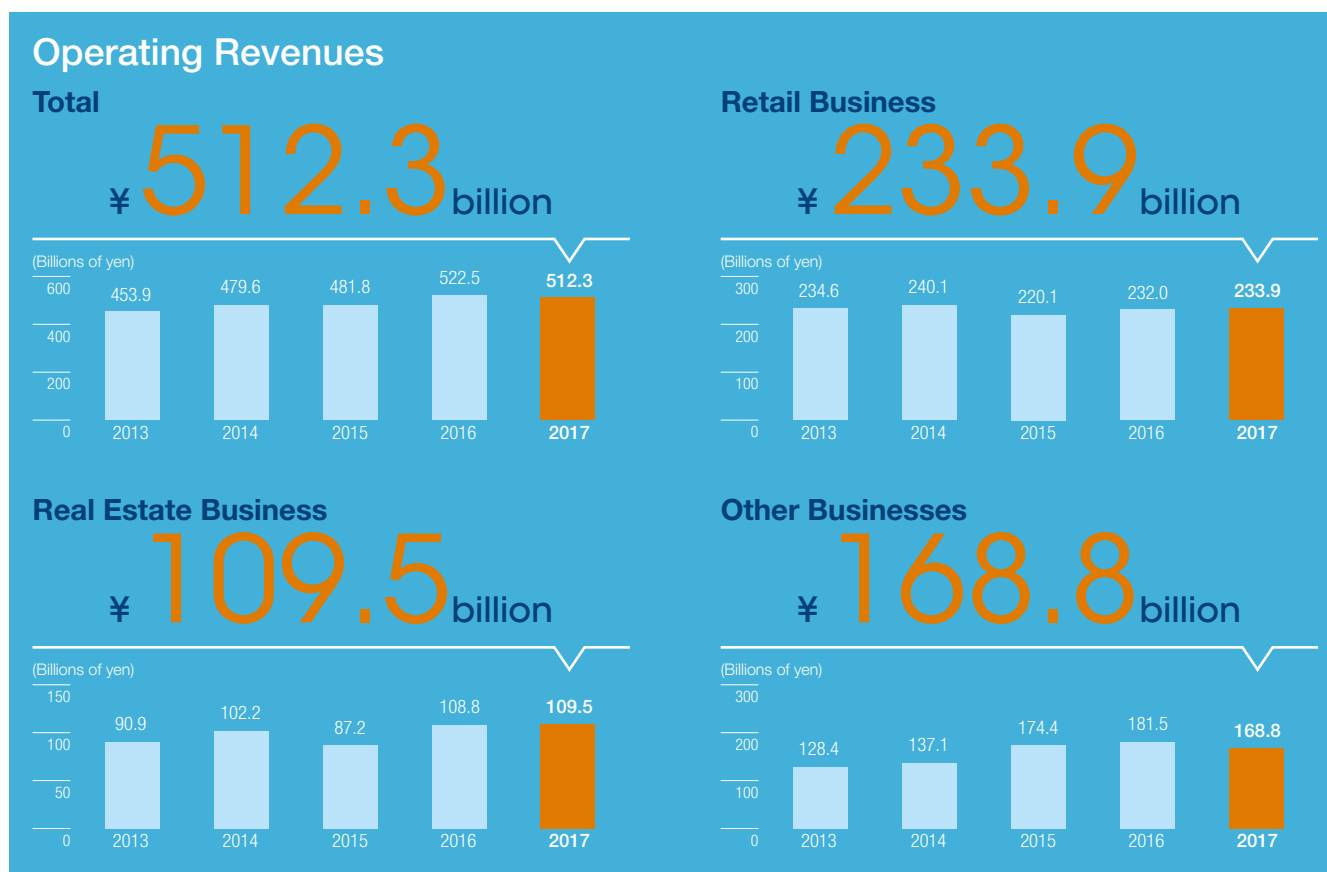
The new VISCHIO brand will offer hotels featuring spacious guest rooms and ample facilities, despite its budget pricing. In addition to providing comfortable facilities, the new brand will offer high-end, hospitable service.

We plan to open a hotel in Osaka in spring of 2018 and one in Kyoto in spring of 2019.



Digital rendition of Hotel Vischio Osaka

Fiscal 2017 Results for the Non-Transportation Operations Segment (Year ended March 31, 2017)



Retail Business

Despite sluggish apparel sales at department stores and a slowdown in consumption by inbound visitors, sales at allied stores with Seven-Eleven Japan increased. As a result, operating revenues in the Retail Business segment rose 0.8% from the previous fiscal year, to ¥233.9 billion, though operating income declined 1.3%, to ¥5.2 billion.

To enhance customer convenience and increase railway use by attracting customers, since fiscal 2015 JR-West has been converting its previous kiosks and Heart-in convenience stores to allied stores with Seven-Eleven Japan. In fiscal 2017, we converted 142 stores as planned, completing the conversion of a total 335 locations.

In June 2016, West Japan Railway Food Service Net Company, a consolidated subsidiary of JR-West, completed an absorption-type merger with wholly owned subsidiary Karafuneya Coffee Co., Ltd., in the aim of opening locations in areas other than along JR-West railways.

Real Estate Business

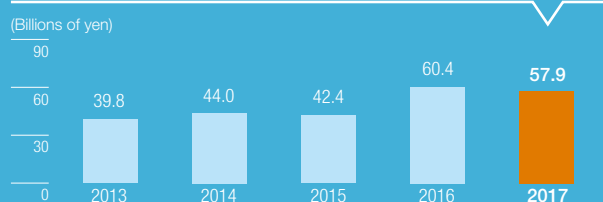
Although the Real Estate Business segment experienced a decline from the previous year's robust residential apartment sales, the renewal of commercial facilities boosted performance. As a result, segment operating revenues increased 0.6% from the previous fiscal year, to ¥109.5 billion, although operating income declined 1.5%, to ¥32.2 billion.

JR-West considers the real estate business to have a high degree of affinity with the railway business in terms of utilizing the held assets of the JR-West Group, improving convenience for customers, and enhancing the value of areas along railway lines, and as such develops and manages commercial facilities and residential properties. For commercial facilities, we are moving steadily forward with opening and renovating properties. We opened VIERRA Tsukaguchi in front of JR Tsukaguchi Station in April 2016, SUITA GREEN PLACE in Suita-shi in June, VIERRA Momodani at Momodani Station in August, and VIERRA Otsu at Otsu Station in October. We conducted renovations for LUCUA osaka in August 2016 and March 2017,

Operating Income

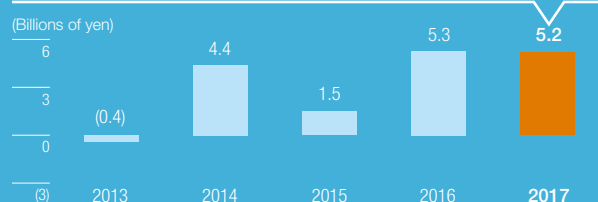
Total

¥ **57.9** billion



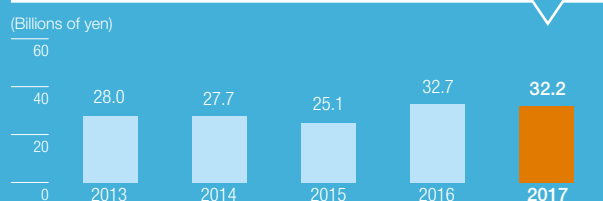
Retail Business

¥ **5.2** billion



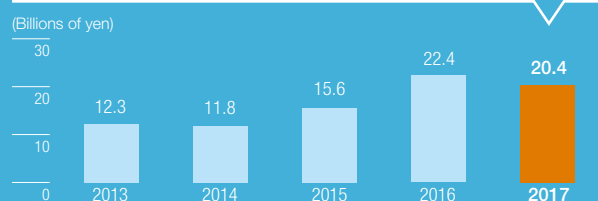
Real Estate Business

¥ **32.2** billion



Other Businesses

¥ **20.4** billion



as well as piole HIMEJI main building in October 2016, and PLiCO TARUMI in March 2017.

Further, to expand and strengthen the real estate business, in February 2017 JR-West acquired shares in Ryoju Properties Co., Ltd., which holds high-quality lease properties and other real estate in promising markets such as the Tokyo metropolitan area. Going forward, we will conduct business operations smoothly, and work to quickly enhance the value of held properties in order to realize investment benefits at an early date.

Other Businesses

Although revenues from travel operations increased due to greater use by inbound tourists, construction business revenues declined, compared with large-scale project orders in the previous year. As a result, operating revenues for the Other Businesses segment decreased 7.0% in fiscal 2017, to ¥168.8 billion, and operating income fell 8.7%, to ¥20.4 billion.

To develop hotels to meet the accommodation needs of a wide range of customers, in February 2017 JR-West

established West Japan Railway First Cabin Co., Ltd., a joint venture with First Cabin Inc., to develop a new brand of capsule hotels that are more compact and luxurious. We also decided to open the new brand HOTEL VISCHIO, high-class, accommodation-oriented hotels near Osaka Station and at the Kyoto Station Hachijo Exit. The addition of these two new brands establishes a lineup comprising four types of hotels, along with the Granvia brand of city hotels and the Via-inn brand of accommodation-oriented budget hotels.

In travel agency operations, JR-West strengthened marketing efforts to capture inbound visitor demand, expand sales, and increase sales of products that utilize railways.

CSR Overview

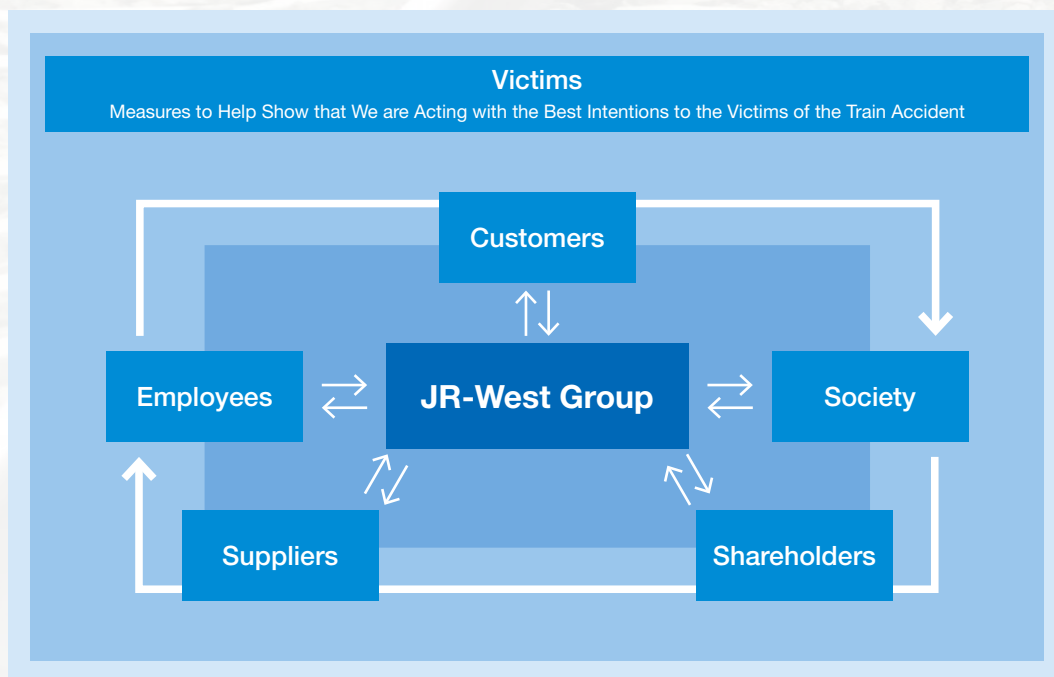
Pursuing Think-and-Act Initiatives to Realize Our Corporate Philosophy

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 a common attitude in all of our executive officers and employees 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



FTSE4Good



FTSE Blossom
Japan



2017 Constituent
MSCI Japan ESG
Select Leaders Index



2017 Constituent
MSCI Japan Empowering
Women Index (WIN)

JR-West has been included in all three ESG indices selected by the Government Pension Investment Fund (GPIF): the FTSE Blossom Japan Index, the MSCI Japan ESG Select Leaders Index, and the MSCI Japan Empowering Women Index (WIN).

ESG Highlight

Global Environment



Environmental Accounting (Fiscal Year Ended March 2017)

		(Billions of yen)						
Category		Cost of preventing pollution	Cost of preserving the global environment	Cost of resource recycling	Cost of management activities	Research and development costs	Cost of social activities	Cost of environmental protection measures
Environmental preservation costs	Investment amounts	0.28	47.00	0.07	0.00	0.00	0.00	0.00
	Expense amounts	0.29	0.25	12.96	0.09	1.31	0.01	0.17

Environmental Burden

				(Data for the Fiscal Year Ended March 2017)	
INPUT	Electricity	Used to operate trains (electric), etc.	3.14 billion kWh [380 million kWh]	Volume of used materials generated (facility construction)	152,100 t
	Diesel fuel	Use to operate trains (diesel railcars), etc.	26,166 kl [175 kl]	Recycling volume	142,900 t (94%)
	Fuel oil	Used at boilers in maintenance centers, etc., and for heating offices	3,552 kl [136 kl]	Volume of used materials generated (railcars)	14,300 t
	Type A heavy oil	Used in maintenance centers and other boilers	1,200 kl [1,380 kl]	Recycling volume	13,000 t (92%)
	Gasoline	Used in commercial vehicles, etc.	1,129 kl [968 kl]	Total amount of station and train waste	12,300 t
	Natural gas	Used to heat water at offices, etc.	2,130,000 m³ [17,630,000 m³]	Of which, recyclable waste	5,400 t
	Propane gas	Used to heat water at offices, etc.	273 t [24 t]	Recycling of recyclable waste	5,300 t (98%)
	Water	Waterworks	3,770,000 m³ [2,940,000 m³]	Carbon dioxide*2	1,933,000 t-CO₂
	Water	Groundwater, industrial water, recycled water*1	9,500 m³	Wastewater*3	7,720,000 m³
	A4-sized copy paper	Used for copying, etc.	170 millions of sheets [190 millions of sheets]	Industrial waste*4 <Reported to the authorities as industrial waste>	35,300 t [466,000 t]

Figures within [] indicate values for consolidated subsidiaries and other Group companies (noted elsewhere).

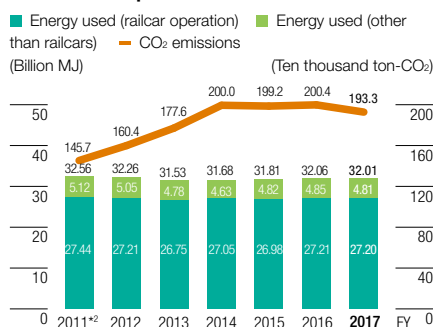
*1 Figures indicated for water <groundwater, industrial water, recycled water> indicate only those that can be technically measured, including at Osaka Station and maintenance centers.

*2 Carbon dioxide emissions are calculated according to methods stipulated in the Act on the Rational Use of Energy and the Act of Promotion of Global Warming Countermeasures.

*3 Figures indicated for wastewater include only those that can be technically measured, including water released into rivers and water released into sewerage.

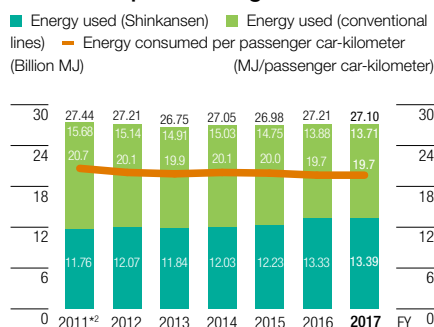
*4 Group company emissions include those generated during subcontracted JR-related construction.

Energy Used and CO₂ Emitted*1 in Business Operations

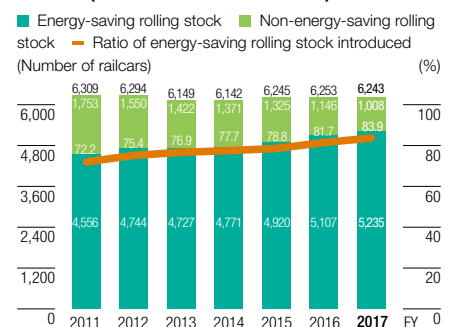


*1 CO₂ emissions (= GHG emissions): The CO₂ equivalent of greenhouse gas emissions (=GHG emissions)
 *2 Base year targets in the JR-West Group Medium-Term Management Plan 2017

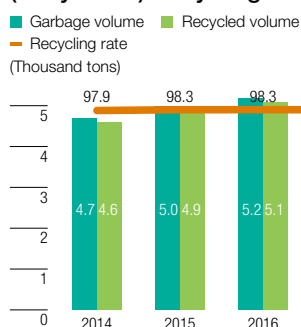
Railway Operation Energy and Energy Consumed per Passenger Car-Kilometer



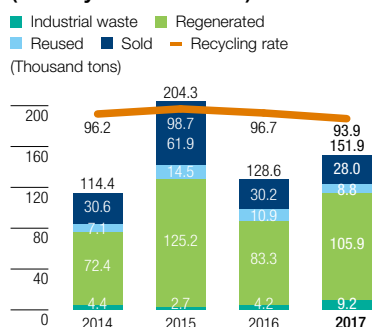
Adoption of Energy-Saving Rolling Stock (Commercial Vehicles)



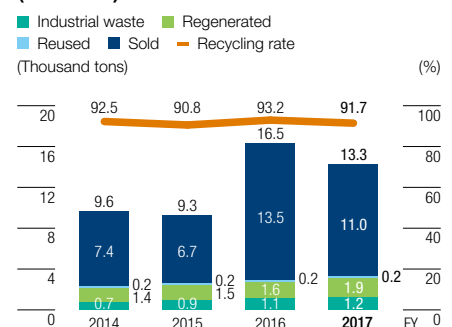
Station and Train Garbage (Recyclable) Recycling



Status of 3Rs in Railway Materials (Facility Construction)



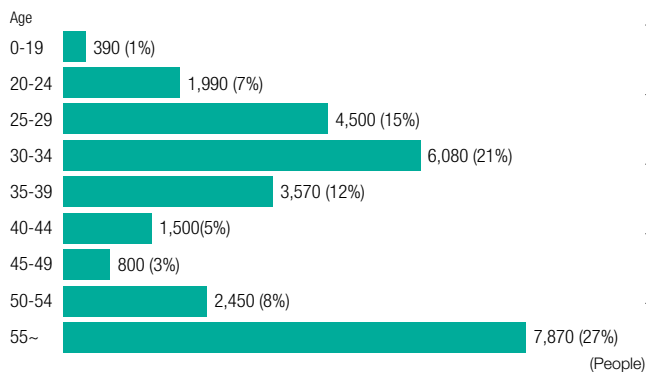
Status of 3Rs in Railway Materials (Railcars)



Human Resources / Motivation

➡ page 43

Employee Composition by Age, as of April 1, 2017



Percentage of Female Workers (Indicating Managers and Executives Separately)

Overall	Managers	Executives
11%	2%	2%

* As of April 1, 2016

Percentage of People Taking Paid Leave

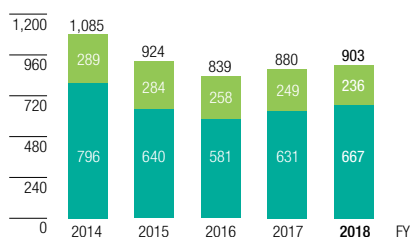
Overall
81%

* Average number of days used in fiscal 2017: 16.2 of 20 days

People Recruited

■ New graduates, etc. (including second-time graduates)
■ Promoting contract employees to full-time employees and recruiting experienced personnel

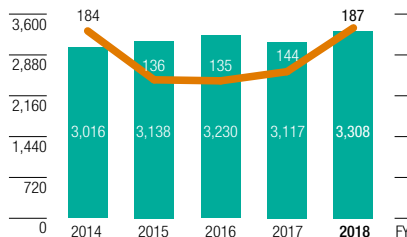
(People)



Female Employees and Number of New Recruits

■ Female employees ■ Number of new female recruits

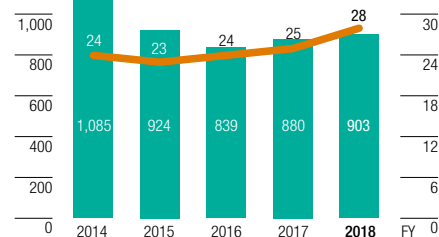
(People)



Ratio of Women Recruited

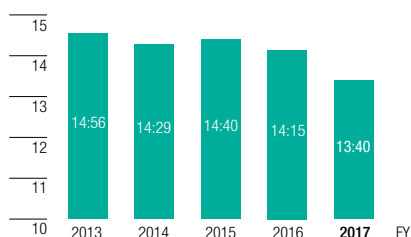
■ Overall ■ Women recruited as percentage of total

(People)



Average Overtime Hours

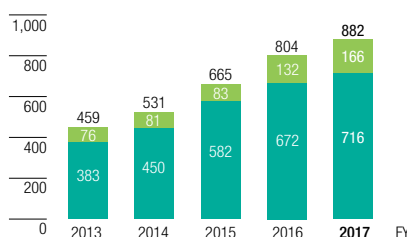
(Hours per month)



People Taking Childcare Leave

■ Women ■ Men

(People)

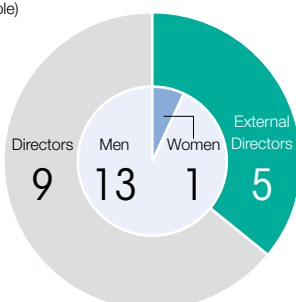


Corporate Governance

➡ page 45

Board of Directors Composition

(People)



Audit & Supervisory Board Composition

(People)



Remuneration of Directors and Audit & Supervisory Board Members

Category	Remuneration Amount
Directors	¥464 million
Audit & Supervisory Board Members	¥ 75 million
Total	¥540 million

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. The first item in our Corporate Philosophy states, “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.” On this basis, we have formulated a “Safety Charter” of specific action guidelines and are undertaking a variety of measures to enhance safety.

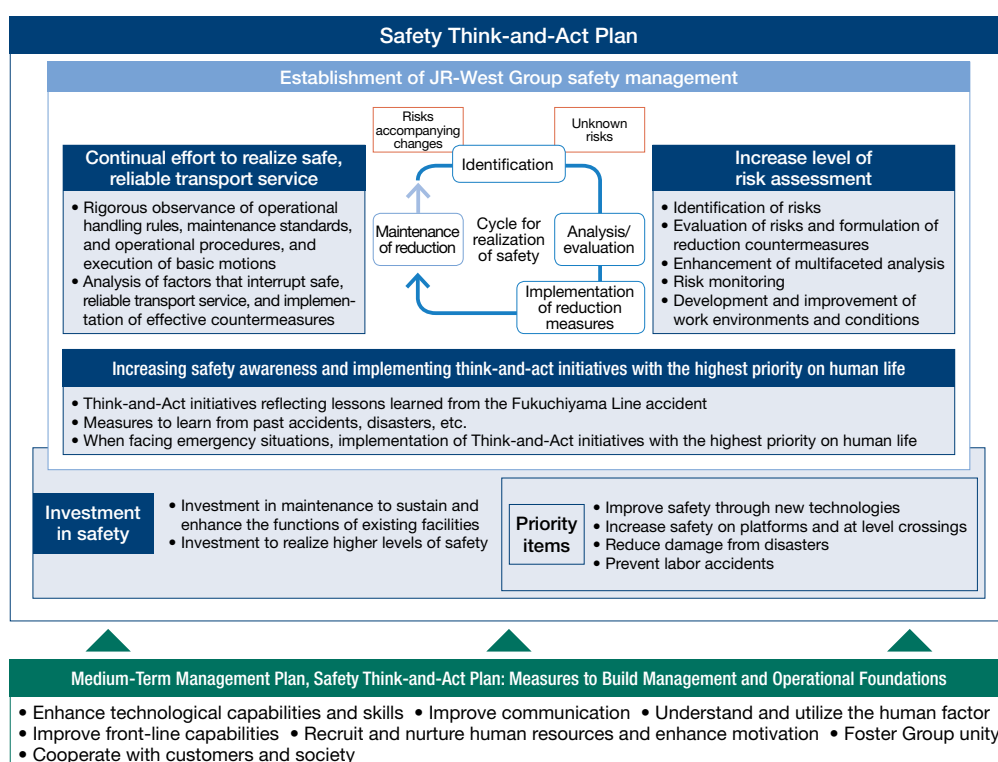
Safety is also the core strategy of the JR-West Group Medium-Term Management Plan 2017, and we aim to attain higher levels of safety by steadily implementing our Safety Think-and-Act Plan 2017. Having caused the

Fukuchiyama Line accident, JR-West recognizes, as a critical safety measure, the need for the risk assessments we introduced in light of our inability to prevent this accident. To this end, in fiscal 2017 we have taken further steps to foster a culture of reporting information, aiming to realize safety management in which all employees participate.

Our safety initiatives are ongoing and we are moving forward with various tangible and intangible initiatives to augment our safety management structure in order to enhance safety further. We remain unwavering in our resolve that an accident like the Fukuchiyama Line accident will never happen again, and each of us is unceasing in our efforts to ensure safety.

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

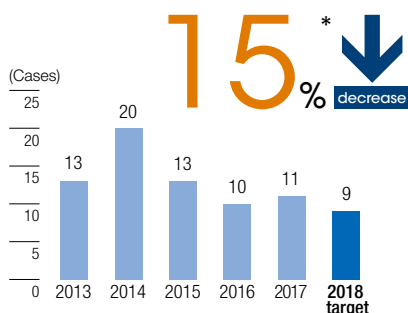
40% reduction

Transport disruptions due to internal factors

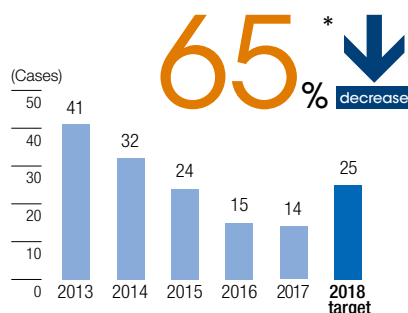
50% reduction

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

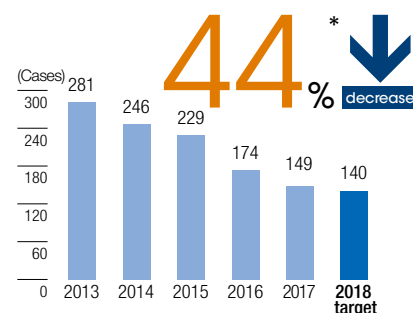
Railway Accidents with Casualties on Platforms



Accidents at Level Crossings



Transportation Disruptions Due to Internal Factors



* In comparison with fiscal 2013

ZOOM IN

Further Enhancing Our Safety Management Systems

To ensure ongoing increases in railway safety, it is important to regularly check the effectiveness of safety management systems and make necessary improvements.

In fiscal 2016, we had an external third-party institution evaluate our safety management systems. Through this evaluation by an objective and specialized third party, we are working to create and operate more effective safety management systems, enhancing them further.

Based on advice we received in four domains in fiscal 2016, we put in place the foundations for improvement and promoted a number of activities in fiscal 2017. However, in the current evaluation we were told that we should continue with our efforts in these four domains, and we received more in-depth advice. Including the new advice that we received in the current evaluation, we will continue considering and steadily implementing appropriate improvements.

Four Domains

Improvement Domains	Principal Advice Received in Fiscal 2016
(1) Put in place and increase the effectiveness of safety management systems	<ul style="list-style-type: none"> Establish clear standards Reinforce maintenance and measurement processes
(2) Improve and augment risk assessment, etc.	<ul style="list-style-type: none"> Clarify evaluation standards and improve methods and procedures
(3) Increase the effectiveness of safety management system audits (internal audits)	<ul style="list-style-type: none"> Put in place frameworks that are not unreasonable or wasteful Increase auditing capabilities and quantities
(4) Improve the organization's internal communication process	<ul style="list-style-type: none"> Effectively evaluate and improve communication processes

Major Improvement Initiatives

Established the Safety Management Review Council
Prepared to establish the Safety Management Strategy Office
Formulated Risk Assessment Standards
Improved internal auditing processes
Inaugurated Top Safety Management Training

Principal Advice Received in Fiscal 2017

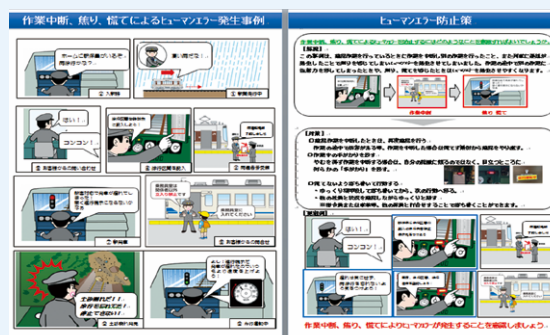
Put in place Companywide training and reflect on the post-accident situation
Review past measures to prevent accidents
Increase the effectiveness of safety meetings
Improve communications with other railway operators

Initiatives Aimed at Realizing Safety Management in Which All Employees Participate

Since the Fukuchiyama Line accident that occurred on April 25, 2005, the Company is firmly resolved that an accident of this type shall not happen again. In line with this resolve, we have introduced risk assessments and undertaken a variety of initiatives to improve safety. Our initiatives to date have mainly been on the tangible front, and we have achieved some successes, including the enhancement of countermeasures. However, to enhance safety going forward, we need to further cultivate a reporting-oriented culture and accumulate more safety-related information. We also need to address intangible countermeasures.

To report, gather, analyze, and make use of information on human error from a variety of perspectives from all employees and with the aim of realizing safety management in which all employees participate, in fiscal 2016 we revised our handling and negative evaluation of errors, further promoting our initiatives to date. To gather even more information on factors that lead to accidents, we have begun making use of recorded data from driving status recording devices.

These efforts have proven more effective at ascertaining situations accurately and improving training for people that generated errors. Furthermore, we have created and are making use of training materials from a "human factor" perspective.



Example of training materials created from the "human factor" perspective

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

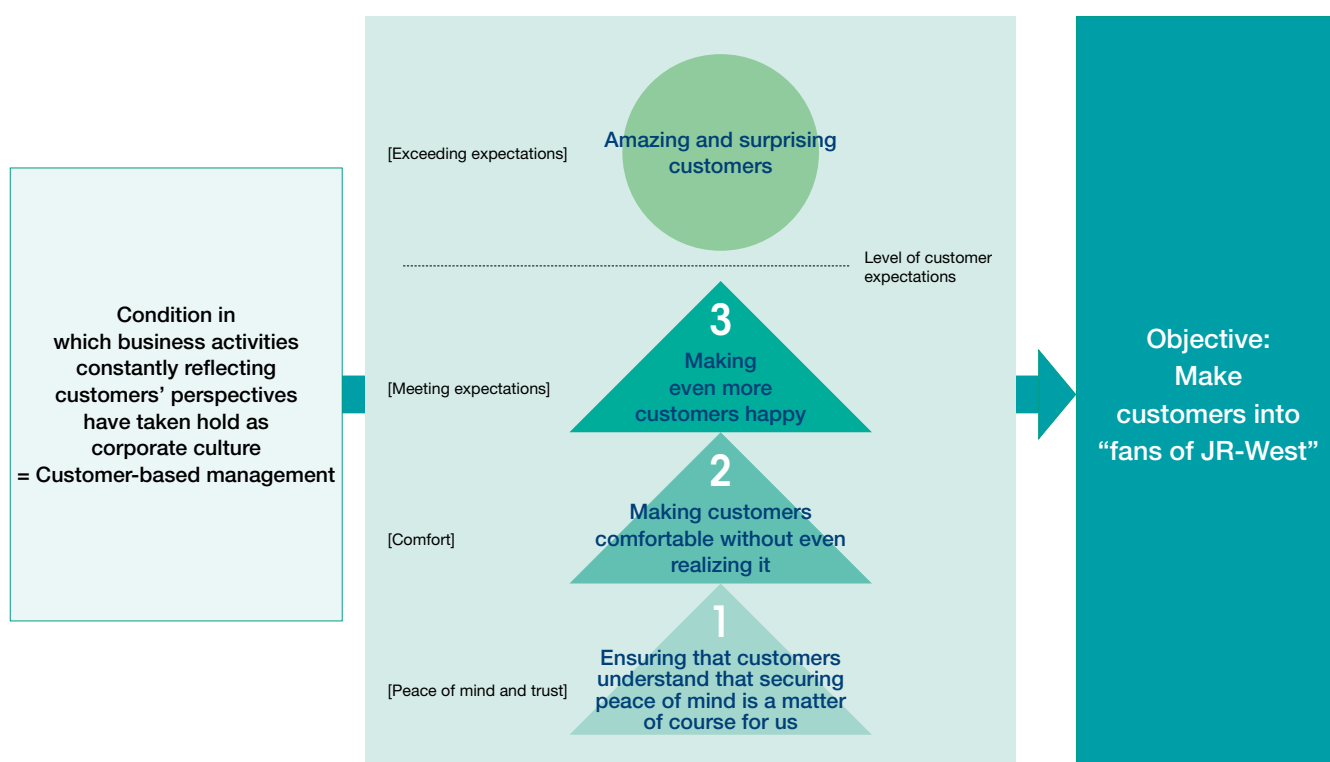
The JR-West Group's Customer Satisfaction Vision 2017 expresses the Group's goals for maximizing customer satisfaction. We are redoubling our efforts to increase the value we provide customers, aiming to convert them into "fans of JR-West." We strive to enhance customer satisfaction by responding swiftly and sincerely to customer input, meeting the changing needs of the times, and ascertaining the needs and expectations of our increasingly diverse customers.

All JR-West Group employees are working constantly to increase the number of "fans of JR-West" by adopting a customer-oriented perspective and practicing customer-based management.

Target for fiscal 2018

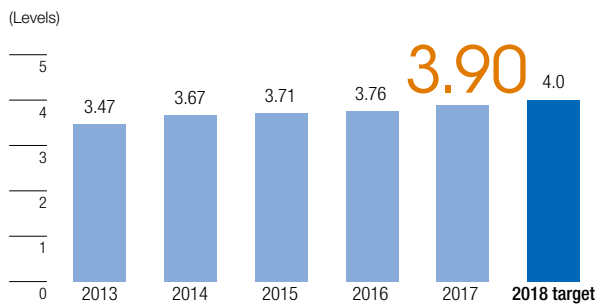
Make customers into "fans of JR-West" ➡ Achieve customer satisfaction survey result of 4.0 or above

Customer Satisfaction Vision 2017



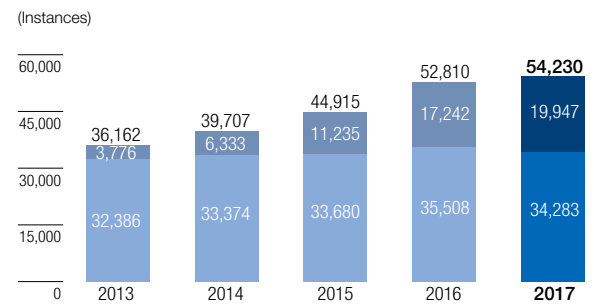
Increasing Levels of Customer Satisfaction and More Thanks and Appreciation in Customer Feedback

Customer Satisfaction (Five Levels, Internal Survey)



Customer Feedback

■ Opinions and requests ■ Thanks and Appreciation



ZOOM IN

Providing Information when Trains are Delayed

Preventing train delays is one of a railway operator's most important missions. Nevertheless, sometimes delays are inevitable, due to such factors as natural disasters. In the event of train delays, we recognize the importance of relaying easy-to-understand information about operations in a timely manner.

On the tangible front, we have erected displays in stations and within trains, disseminating information in a visual, easily understandable manner. Station and train crews are provided with tablet devices so they can respond in detail when necessary. On the intangible front, we conduct routine training about transmitting and broadcasting information, allowing on-site personnel to communicate with control center, station and train crews when trains are delayed. In these ways, we strive to provide accurate information quickly and in an easy-to-understand manner.

As many passengers now carry smartphones and other mobile devices, we are now working to notify customers directly about transport disruptions and train locations, so that they know about conditions even when not in a station or train.

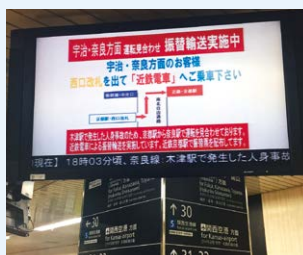
Providing Appropriate Information That Is Easy to Understand

In major stations, we are striving to erect easy-to-understand equipment for customers who use stations for the first time. For example, we are improving the visibility of notification signs, introducing line colors on timetable displays, and setting up displays to provide information when unusual events occur. We have also installed "Midori no Kembaiki Plus" ticket vending machines that communicate with call center operators to enhance customer service.

As the number of foreign visitors to Japan is increasing, we are also displaying and broadcasting information in multiple languages.



Increasing the number of timetable displays at key stations and upgrading notification signs (West Exit of Kyoto Station)



Various methods of informing customers in stations



Push-type notification app (as viewed on a mobile phone)

Service to provide information on train locations (as viewed on a mobile phone)

関西空港 1号線			
運行情報			
Service disruptions	発生地点等	発生時刻	発生時刻
Current as of 17:34	17:34 現在	17:34 現在	17:34 現在
JR Kyoto Line	JR 京都線	JR 京都線	JR 京都線
JR Kobe Line	JR 神戸線	JR 神戸線	JR 神戸線
Kusatsu Line	草津線	草津線	草津線
JR Takarazuka Line	JR 宝塚線	JR 宝塚線	JR 宝塚線
JR Tozai Line	JR 東西線	JR 東西線	JR 東西線
Gakkentoshi Line	学研都市線	学研都市線	学研都市線

In-train notices displayed in four languages

Coexistence with Communities

Value provided to society

- Development along railway lines that creates attractive communities to live in 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

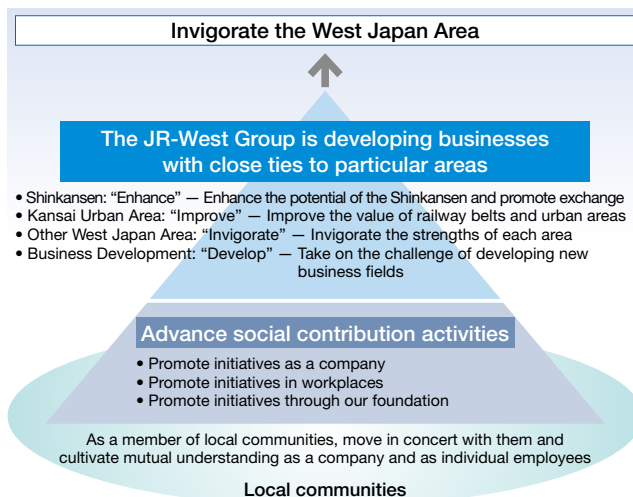
BASIC APPROACH

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 is 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 will also conduct ongoing initiatives to strengthen cooperation with local governments and businesses regarding development of stations and surroundings, tourism promotion, local transportation, and business development grounded in the area. At the same time, we will address community issues by leveraging Group characteristics as we strive to continue growing and practicing “area management.”

Coexistence with Communities—Overview



ZOOM IN

Fukuchiyama Branch Region Liaison Office Activities

The Fukuchiyama Branch Region Liaison Office, which commenced operations in June 2016, is working to create a liaison network with the community, as well as to discover, create, and disseminate information on the region’s attractions. One such initiative aims to discover and provide information about ii mono (nice things) in the Kita Kinki area by working with local universities and financial institutions. In particular, we have been working with the University of Fukuchiyama to provide joint events at shops in Kinosakionsen Station and within Osaka Station, as well as at other locations. We plan to continue striving to invigorate the community through such industry–academia collaboration in the Kita Kinki region.

We have also set up a member fan club aimed at raising interest in and fondness for the Company among residents along our train lines. We exchanged views with members at a fan club event held in April 2017, which was well received by participants. Going forward, we intend to keep collaborating in various ways with people in local communities to enhance awareness of JR-West as a community member and pursue development in tandem with the region.



Event at Osaka Station:
Tajima Tamba Ii Mono Marche



Member fan club:
Kita Kinki JR Collaboration Circle

Human Resources / Motivation

Value provided to society

- Increasing customer safety and trust by cultivating employees and enhancing their work motivation
<Human resource cultivation> <Work motivation> <Health management> <Human resource recruiting>

BASIC APPROACH

The power of individual employees supports the JR-West Group's business operations. Operating in a business environment char-

acterized by rapid ongoing change, we cultivate human resources in the aim of maximizing individual capabilities. Deploying employees' strengths appropriately and in the right locations raises organizational productivity and growth. In particular, we are concentrating on the development of personnel who will become future managers. Specifically, we are augmenting the practical skills of people who oversee various specialized areas of train operations, passing on technologies and enhancing the management skills of key leaders in operational execution.

We practice health management because supporting employee health is important from a management perspective. Our diversity promotion efforts include moves to support the career advancement of employees who are balancing work with child-rearing or providing nursing care, and we provide working opportunities for people regardless of disabilities. In these ways, we are striving to create an environment in which diverse employees can

work enthusiastically. By pursuing work style reforms that include flexible working styles, we also encourage employees to live more fulfilling work and private lives.

We believe that the starting point for such reforms is to encourage employees to think and act for themselves. Through the accumulation of efforts and occasionally taking on new challenges, we expect employees to generate various sorts of value that will enable us to meet the expectations of customers and shareholders. At the same time, employees can feel pride and motivation in their work, encouraging future growth. By repeating this positive cycle, the Group aims to achieve sustainable growth.

ZOOM IN

Diversity Promotion and Work Style Reform

Regardless of gender, age, and other superficial differences, we look at employees as individuals with a wealth of internal characteristics, including their values and capabilities. We aim to help our employees make the most of their strengths, as we believe this will result in a more energetic and active company.

Accordingly, we promote diversity and work style reforms. To realize diversity, we conduct seminars for employees taking childcare leave to ease their return to the workplace. To increase the number of employment opportunities for people with disabilities, we have expanded the scope of activities of special subsidiary JR West Iwill Co., Ltd., and we are engaging in a variety of other activities as well. Among our work style reforms, we are continuing with activities to enhance employee health, and we were selected by the Ministry of Economy, Trade and Industry for excellence in health management in the large company division (White 500). We frequently share messages from the president with employees regarding our values on work style reform. We have also introduced additional work style reforms at our headquarters, and we are trialing a teleworking system that makes use of information and communication technologies.



Seminar for employees taking childcare leave



An employee making use of teleworking

Global Environment

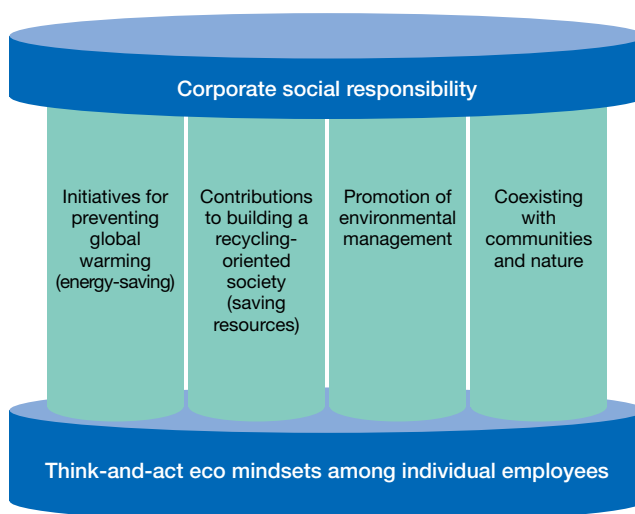
Value provided to society

- An energy-conserving, environment-friendly railway
- Contributing to society's sustainable development by promoting the use of railways

BASIC APPROACH

Protecting the global environment is one of a company's important social responsibilities. The JR-West Group strives

to work together to foster a deeper understanding of the interaction between its corporate activities and the global environment in the aim of contributing to society's sustainable development. Specifically, we are striving to foster an "eco mindset" among our employees—increasing awareness about creative ways to protect the global environment. We have established four pillars of activities based on this mindset: preventing global warming, contributing to the construction of a recycling-oriented society, promoting environmental management, and fostering coexistence with communities and nature. On this basis, we are adopting energy-saving rolling stock and facilities, working to recycle and reduce materials waste from railway construction, complying with environmental legislation^{*1}, preventing the risk of environmental pollution, and engaging in Club J-west Forest^{*2} conservation activities.



^{*1} Conforming to environmental legislation: With regard to the global environment, we use the word "conformance" based on instructions from the Japan Accreditation Board, an institution that provides accreditation on ISO and other standards.

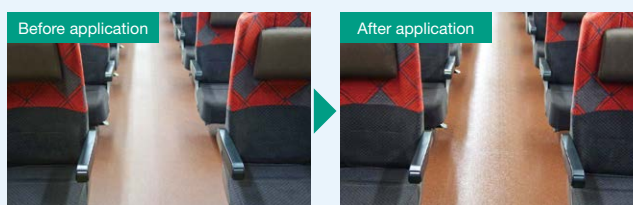
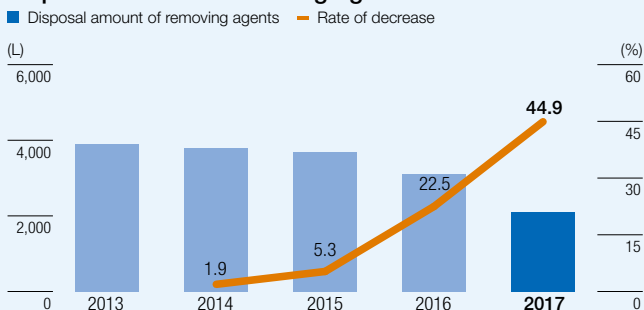
^{*2} Club J-WEST Forest: This is a forest targeted for protection activities. People who hold the JR-West Card, a credit card issued by the Company, can donate carbon offset benefits by exchanging the points they earn when using the card. ("Carbon offset" refers to a way of counteracting the unavoidable emission of CO₂ and other greenhouse gases during our everyday lives and economic activities by investing in activities to curtail greenhouse gases commensurate with these emissions.)

ZOOM IN

Initiatives to Provide Environment-Friendly Station Buildings and Railcars

Wax is generally used on railcar and other floors to make the surfaces attractive, but the agents used to remove this wax have a high environmental impact. Also, wax durability is low, so it needs to be reapplied once every month or two. In the aim of halving the amount of removing agent used by fiscal 2018 (compared with fiscal 2013), West Japan Railway KANAZAWA Maintec Co., Ltd., introduced a glass coating technology that increases the durability of wax by more than 10 times and does not require removing agents. Through repeated trial and error at the testing stage, the company accumulated expertise that culminated in the establishment of a high-quality glass coating application technology. As a result, in fiscal 2018—the fifth year since the effort began—we expect to reduce the amount of removing agent used by more than 70% compared with fiscal 2013 levels.

Disposal Amount of Removing Agents and Rate of Decrease



An attractively glass-coated floor

Corporate Governance

Based on its Corporate Philosophy and Safety Charter, JR-West works to fulfill its corporate social responsibility and strives to increase corporate value over the medium to long term and build long-term trust-based relationships with its shareholders and various other stakeholders. To realize these goals, we are endeavoring as a group to put in place and operate an appropriate corporate governance system.

Overview of the Corporate Governance System

JR-West's Board of Directors is composed of 14 directors, including five independent outside directors. To ensure management soundness, transparency, and efficiency, the Board engages in lively debate, receiving advice from independent outside directors based on their extensive experience and specialized knowledge, conducts timely and appropriate decision-making, and performs effective monitoring and supervision. At the same time, the Board delegates authority to executive officers in the interest of accelerating decision-making and business execution. Going forward, we will pursue necessary measures aimed at further

enhancing the effectiveness of the Board of Directors.

The Audit & Supervisory Board comprises four members, three of whom are independent external members. This board appropriately audits the execution of business by the individual directors and provides necessary advice and recommendations.

In compliance with the Corporate Governance Code, which came into force in June 2015, the Company discloses its basic views and status of initiatives based on the code. To enhance corporate value, we promote initiatives in keeping with the spirit of the code, such as enhancing the effectiveness of the Board of Directors and disclosing information appropriately and in a timely manner.

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

I think CSR is about more than fulfilling responsibilities and avoiding risks. It also involves activities that help a company and its employees grow by fostering stakeholder understanding and trust. In other words, CSR should be ingrained in all company activities.

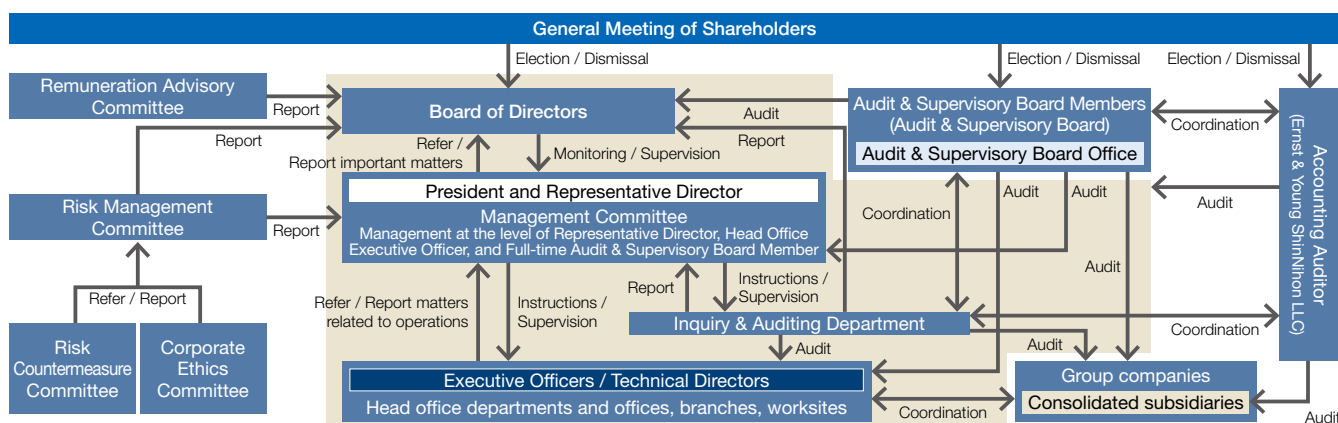
In this sense, CSR requires communications that foster both internal and external dialogue and, based on this discussion, calls for the appropriate investment of resources and distribution of rewards. On the other hand, in terms of a company's growth, it is essential to take a certain amount of risk and advance into new fields of activity and geography, not being too defensive.

When a company addresses these issues, corporate governance serves an important role in maintaining balance among the various stakeholders and checking to make sure a company's aggressive and defensive elements are well balanced and not overly skewed in one direction.

The electric power industry, which I am involved in, is now moving toward full-fledged deregulation, while maintaining a balance among such factors as supply stability—with safety being of paramount importance—alongside considerations of economy and the global environment. I will do my best to help steer management, based on these experiences.



Norihiko Saito



Notes: 1. The Company shall establish an Audit & Supervisory Board Office under the direct control of the Audit & Supervisory Board members and appoint its employees to engage exclusively in assisting the Audit & Supervisory Board members.
 2. ■ denotes audit scope of the Accounting Auditor.

Board of Directors and Audit & Supervisory Board Members

As of June 22, 2017

Board of Directors

Chairman of the Board of Directors



Seiji Manabe

President, Representative Director, and Executive Officer

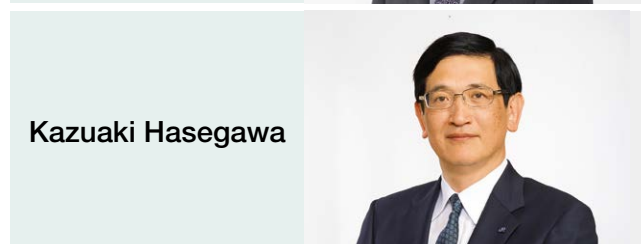


Tatsuo Kijima

Vice Presidents, Representative Directors, and Executive Officers



Norihiko Yoshie



Kazuaki Hasegawa

Directors

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

Director and Senior Adviser

Takayuki Sasaki	
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Directors and Senior Executive Officers

Nobutoshi Nikaido	
Fumito Ogata	
Yoshihisa Hirano	
Shinichi Handa	

Audit & Supervisory Board Members

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

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

Executive Officers

As of June 22, 2017

President, Representative Director, and Executive Officer

Tatsuo Kijima	
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Vice Presidents, Representative Directors, and Executive Officers

Norihiko Yoshie	Senior General Manager of Railway Operations Headquarters
Kazuaki Hasegawa	Senior General Manager of Business Development Headquarters

Directors and Senior Executive Officers

Nobutoshi Nikaido	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
Fumito Ogata	Senior General Manager of Corporate Planning Headquarters / Senior General Manager of IT Headquarters
Yoshihisa Hirano	Senior General Manager of Kansai Urban Area Regional Head Office
Shinichi Handa	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Transport Safety Department, Railway Operations Headquarters

Senior Executive Officers

Shoji Kurasaka	Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
Atsushi Sugioka	Deputy Senior General Manager of Business Development Headquarters
Toshihiro Matsuda	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Shinkansen Supervising Department, Railway Operations Headquarters

Executive Officers

Kunimasa Kojima	General Manager of Kanazawa Branch
Kuniaki Morikawa	Senior General Manager of Shinkansen Management Division
Keijiro Nakamura	General Manager of Track & Structures Department, Railway Operations Headquarters
Masafumi Ise	General Manager of Hiroshima Branch
Ushio Kurahara	General Manager of Personnel Department
Tadashi Kawai	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka Branch, Kansai Urban Area Regional Head Office
Hiroaki Maeda	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kobe Branch, Kansai Urban Area Regional Head Office

Yutaka Nakanishi	General Manager of Finance Department
Koichi Haruna	Deputy Senior General Manager of Corporate Planning Headquarters
Makiko Tada	General Manager of Customer Satisfaction Department, Railway Operations Headquarters
Nobuo Hashimoto	Deputy Senior General Manager of Business Development Headquarters
Hideki Mizuguchi	Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
Hiroshi Muro	Senior General Manager of Marketing Department, Railway Operations Headquarters
Yasuyuki Mito	General Manager of Transport Department, Railway Operations Headquarters
Yoshihiko Ito	General Manager of Wakayama Branch
Makoto Kitano	General Manager of Corporate Communications Department
Koichi Taji	Deputy Senior General Manager of IT Headquarters
Takatoshi Morimoto	General Manager of Okayama Branch
Eiji Tsubone	General Manager of Railway System Planning Department, Railway Operations Headquarters
Masatoshi Miwa	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kyoto Branch, Kansai Urban Area Regional Head Office
Takashi Hinata	General Manager of Construction Department
Masanobu Hirano	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Osaka General Control Center, Kansai Urban Area Regional Head Office
Nobuhiko Takeichi	Deputy Senior General Manager of Tokyo Headquarters
Yasuo Umetani	General Manager of Yonago Branch / Senior General Manager of Sanin Regional Development Headquarters
Tatsuya Tanaka	General Manager of Fukuchiyama Branch

Senior Technical Directors

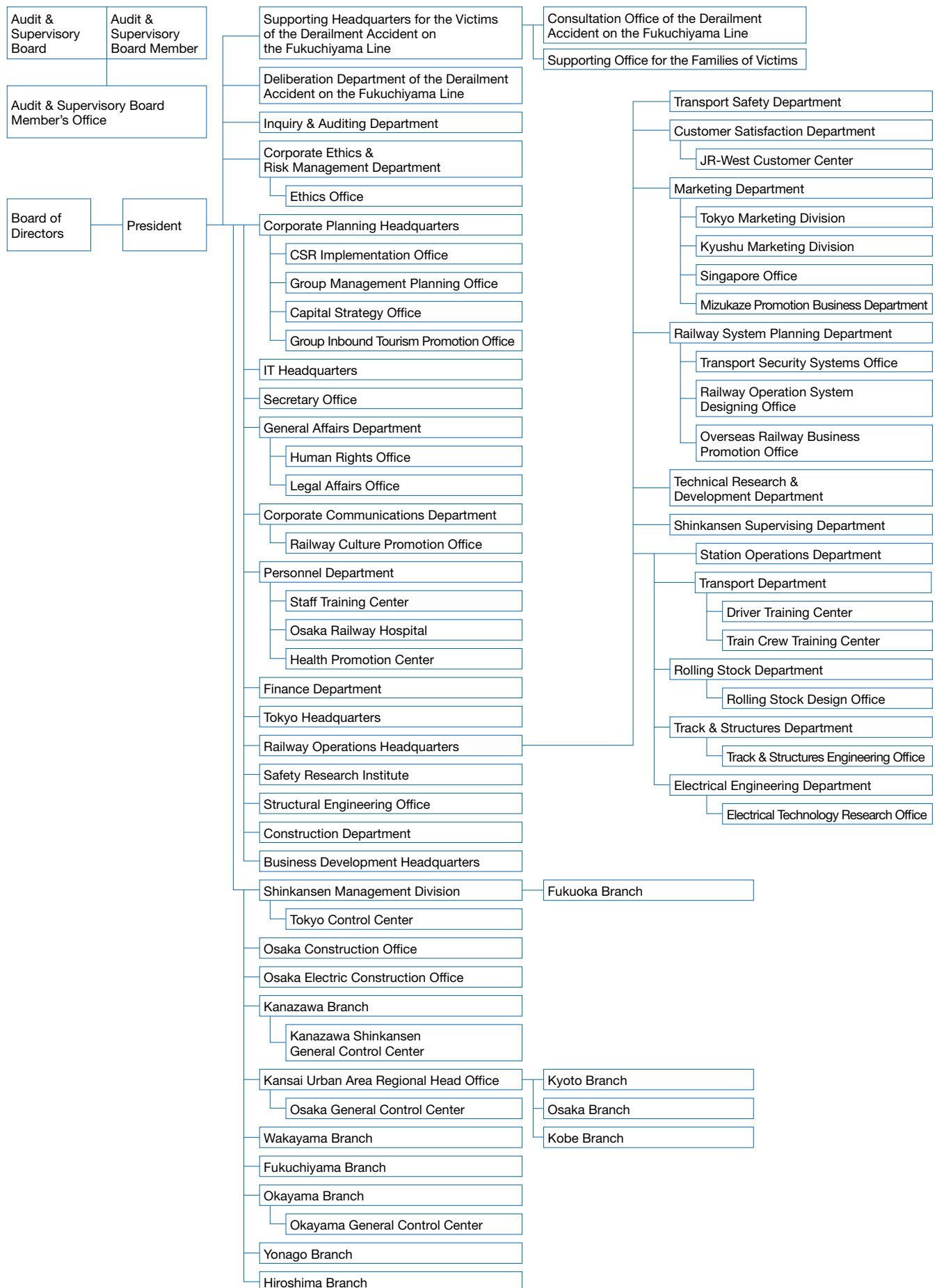
Yoshifumi Matsuda	General Manager of Structural Engineering Office
Atsushi Kawai	General Manager of Safety Research Institute

Technical Director

Yasushi Neki	General Manager of Technical Research & Development Department, Railway Operations Headquarters
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Organizational Structure

As of June 1, 2017



Financial Section

Contents

50	Consolidated 10-Year Financial Summary	66	Consolidated Statement of Changes in Net Assets
52	Management's Discussion and Analysis of Operations	67	Consolidated Statement of Cash Flows
54	Operational and Other Risk Information	68	Analysis of JR-West Operations
62	Consolidated Balance Sheet	71	Investor Information
64	Consolidated Statement of Profit or Loss	72	Consolidated Subsidiaries
65	Consolidated Statement of Comprehensive Income	74	Corporate Data



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/2017/>

Consolidated 10-Year Financial Summary

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

	2008	2009	2010
Operations:			
Operating revenues	¥1,290.1	¥1,275.3	¥1,190.1
Operating income	137.4	122.5	76.5
Profit attributable to owners of parent	57.7	54.5	24.8
Balance Sheets:			
Total assets	2,462.8	2,461.8	2,546.3
Long-term debt and payables*2	957.2	953.2	1,038.9
Total net assets	670.8	689.6	702.1
Cash Flows:			
Net cash provided by operating activities	222.1	178.8	161.3
Net cash used in investing activities	(179.2)	(172.6)	(208.7)
Net cash provided by (used in) financing activities	(55.8)	(10.1)	54.6
Other Data:			
Depreciation	128.0	137.0	141.9
Capital expenditures, excluding contributions received for construction	187.9	163.9	210.1
EBITDA*3	265.4	259.5	218.4
Per Share Data*4:			
Profit attributable to owners of parent	¥ 28,954	¥ 27,729	¥ 12,837
Cash dividends	6,000	7,000	7,000
Net assets	322,294	339,113	345,568
Ratios:			
ROA (Operating income basis)	5.6	5.0	3.1
ROE	9.3	8.4	3.7
DOE	1.9	2.1	2.0
Rate of total distribution on net assets*5	—	—	—
Equity ratio	25.9	26.7	26.3

*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, 2017.

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

*3 EBITDA = Operating income + Depreciation + Amortization

*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
2011	2012	2013	2014	2015	2016	2017	2017
¥1,213.5	¥1,287.6	¥1,298.9	¥1,331.0	¥1,350.3	¥1,451.3	¥1,441.4	\$12,869
95.9	109.7	129.4	134.5	139.7	181.5	176.3	1,574
34.9	29.4	60.1	65.6	66.7	85.8	91.2	815
2,672.4	2,642.9	2,613.7	2,687.8	2,786.4	2,843.1	3,007.8	26,855
1,102.6	1,068.8	983.0	980.7	1,004.2	1,001.8	1,037.9	9,266
721.2	733.5	768.1	807.3	846.7	926.3	1,032.6	9,219
223.2	206.2	238.0	237.7	223.6	259.8	234.1	2,090
(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(295.8)	(2,641)
51.4	(36.8)	(85.2)	(47.8)	1.6	(31.3)	44.3	395
150.8	169.3	160.8	153.9	149.5	156.6	162.7	1,452
260.0	195.4	152.9	166.7	225.6	233.1	192.4	1,717
246.8	279.1	290.3	288.5	289.3	338.1	339.1	3,027
						Yen	U.S. dollars*1
¥ 18,066	¥ 152.29	¥ 310.87	¥ 338.98	¥ 344.58	¥ 443.53	¥ 471.52	\$ 4.21
8,000	90.00	110.00	115.00	125.00	135.00	140.00	1.25
355,712	3,632.41	3,850.82	4,048.31	4,138.65	4,534.29	4,857.50	43.37
						%	
3.7	4.1	4.9	5.1	5.1	6.4	6.0	
5.2	4.2	8.3	8.6	8.4	10.2	10.0	
2.3	2.5	2.9	2.9	3.1	3.1	3.0	
—	—	—	2.9	3.1	3.1	3.0	
25.8	26.6	28.5	29.2	28.8	30.9	31.3	

Management's Discussion and Analysis of Operations

Consolidated Basis

Results of Operations

In fiscal 2017, ended March 31, 2017, transportation revenues were negatively affected by the Kumamoto earthquakes in April 2016, as well as a decline in comparison with the previous year in reaction to the opening of the Hokuriku Shinkansen. However, revenues steadily rebounded as we moved into the second half, and remained on a par with the previous year. Despite this operating revenues, operating income, and recurring profit declined in comparison with the previous fiscal year, which was marked by such factors as a spike in large project orders in the construction business within non-transportation operations.

Operating expenses declined 0.4% year on year, or ¥4.7 billion, to ¥1,265.0 billion, affected by an increase due to the provision of an allowance for the large-scale renovation of Shinkansen infrastructure and a decrease stemming from lower cost of sales in line with lower operating revenues in the construction business.

Net extraordinary profit and loss worsened ¥5.9 billion from the previous fiscal year, to a loss of ¥23.0 billion. Key factors included a provision for loss on liquidation of railway belts, provided in preparation for the expenses of removing bridges and electric power facilities following the decommissioning of the Sanko Line, as well as an increase in the impairment loss.

Profit attributable to owners of parent rose 6.3%, or ¥5.4 billion, from the preceding fiscal year, to ¥91.2 billion, due to lower income taxes and other factors.

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 Kansai Urban Area Railway Network (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 operation revenues are less affected by these factors than are the operation revenues 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 2017, personnel costs totaled ¥223.3 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 2017, 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 2017, the Group's interest expense declined ¥1.8 billion, to ¥22.3 billion.

Cash Flows

Net cash provided by operating activities fell ¥25.7 billion year on year, to ¥234.1 billion, due to factors such as a decrease in profit before income taxes.

Net cash used in investing activities grew ¥62.5 billion year on year, to ¥295.8 billion, because of an increase in purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

Net cash provided by financing activities amounted to ¥44.3 billion, a ¥75.6 billion year-on-year change from the net cash used in these activities in the previous fiscal year, due mainly to proceeds from issuance of bonds.

As a result, cash and cash equivalents as of March 31, 2017, amounted to ¥63.3 billion, down ¥17.3 billion from the end of the previous fiscal year.

Capital Demand and Capital Expenditures

In fiscal 2017, the JR-West Group undertook capital expenditures totaling ¥211.5 billion, of which the transportation operations segment accounted for ¥170.4 billion, the retail business segment ¥5.0 billion, the real estate business segment ¥23.3 billion, and the other businesses segment ¥12.7 billion. Capital expenditures in the transportation operations segment consisted mainly of railroad infrastructure, primarily for safety enhancements, and purchases of new rolling stock to replace aged rolling stock. The Group's capital expenditures in the retail, real estate, and other businesses segments were mainly for construction of new facilities and renovation of aged facilities.

The JR-West Group fully appreciates the weight of its responsibility for the accident that occurred on the Fukuchiyama Line and is drawing upon all of its capabilities to build a railway that assures 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, 2017. 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

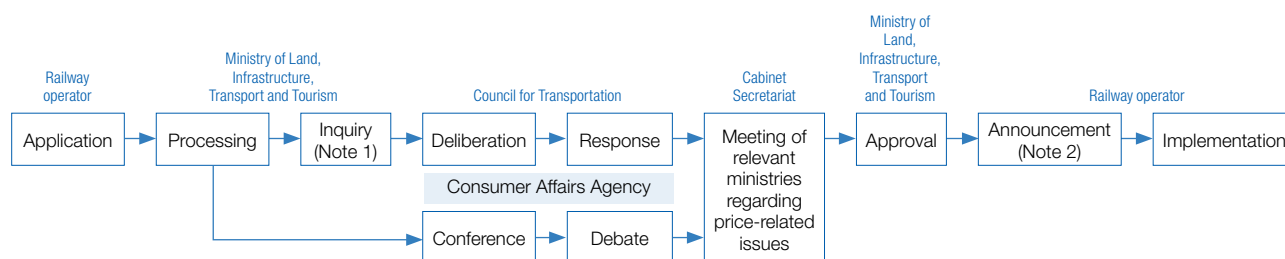
1. System and Procedure for Approval of Fares and Surcharges

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:

- (a) MLIT will approve applications for the revision of the upper limits of fares from railway operators, including JR-West, upon conducting inspections to determine that the fares do not exceed the sum of reasonable costs and fair profits, based on the efficient management of those companies ("total cost") (Railway Business Law, Article 16, Item 2). In addition, a three-year period is stipulated for the calculation of costs.
- (b) Even if the railway operator has non-railway businesses, the calculation of total cost, which comprises reasonable costs and fair profits, including required dividend payments to its shareholders, is based only on the operator's railway operations. Further, railway operators are required to submit their capital expenditure plans for increasing transportation services to ease congestion of commuter services and for other improvements in passenger services. Upon inspections, the capital cost necessary for such enhancements may be approved for the calculation of total cost.
- (c) Total cost is calculated using a "rate base method" that estimates the capital cost (interest payments, dividend payments, and other financial costs) arising from the provision of a fair and appropriate return, based on the opportunity cost concept, to the capital invested in the railway operations. The calculation of total cost is as follows:

Total cost = Operating cost (Note 1) + Operational return

Operational 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–Sapporo), 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"> • Approval by JR-West • Approval by municipal governments bordering tracks with regard to separate management of parallel conventional lines 	Over 10 years from start of services between Nagano–Hakusan car maintenance center (end of fiscal 2015)

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

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

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

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

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

Construction and Opening of the Hokuriku Shinkansen Line within the Company's Area of Operations

- August 1992
Between Isurugi–Kanazawa (24 km): Construction commenced as a Shinkansen Railway Standard New Line (Super Express)
- April 2001
Between Joetsu–Toyama (110 km): Construction commenced at full standard (Prior to this, in September 1993 construction had commenced on the segment between Itoigawa–Kurobe–Unazukionsen as a Shinkansen Railway Standard New Line [Super Express], and at this point in time was changed to full standard.)
- April 2005
Between Toyama–Kanazawa (59 km): Construction commenced at full standard (Prior to this, in August 1992 construction had commenced on the segment between Isurugi–Kanazawa as a Shinkansen Railway Standard New Line [Super Express], and at this point in time was changed to full standard.)
Fukui Station segment: Construction commenced
- April 2006
Hakusan car maintenance center: Construction commenced
- June 2012
Hakusan car maintenance center–Tsuruga segment (114 km): Construction commenced
- March 2015
Nagano–Kanazawa segment opened

2. Cost Burden of the Development of New Shinkansen Lines

Regarding the construction cost for the development of new Shinkansen lines, based on the agreement in December 1996 between the national government and the ruling parties, in 1997 the Nationwide Shinkansen Railway Development Law and related laws were revised to stipulate that “the national government, local governments, and JR passenger railway companies would assume the cost of new Shinkansen lines,” and that “the cost burden by JR passenger railway companies which mainly operate on new Shinkansen lines shall be paid out of their usage fees and other charges, with the upper limit to be determined by the range of expected benefits.”

Also, those subsidies from the 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, 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.

Regarding the route westward from Tsuruga, based on the conclusions of a ruling party project team for promoting construction of new Shinkansen lines in March 2017, a detailed survey will be conducted on the Obama–Kyoto route (Tsuruga Station–Obama vicinity (Higashi Obama)–Kyoto Station–Kyotanabe vicinity (Matsui Yamate)–Shin-Osaka Station), and we will pay careful attention to the contents of this survey.

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 April 2017, Japan’s total population of 127.09 million people in 2015 was set to enter a long-standing depopulation process, and by 2053 was projected to fall below 100.00 million people, to 99.24 million people. The working-age population (15 to 64) peaked in 1995 at 87.26 million people, and subsequently entered a depopulation phase. By 2015, it had fallen to 77.28 million people, and by 2029 it is forecast to decrease to 69.41 million people. In contrast, the old-age population (65 and over), which was 33.86 million people in 2015, is projected to increase to 36.05 million people by 2029.

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 increased number of flights and lower fares. The Company has been working to strengthen its competitiveness by improving the convenience for customers. It has been shortening the transit time required on some of its trains during midday by revising the Hakutaka train service on the Hokuriku Shinkansen 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 Company has increased the number of Haruka limited express trains operating during the day between Kansai Airport and Kyoto by 12 and evened out the time between departures of special rapid service trains and limited express trains from Osaka Station on the JR Kyoto and Kobe lines in order to improve convenience for passengers.

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 business, 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. Of the transfer value, the repayment of ¥859.1 billion was completed in January 2017.

Consolidated long-term debt at March 31, 2017, stood at ¥1,037.9 billion (including the current portion thereof), or 3.6% higher than the previous fiscal year. Interest payments for the fiscal years ended March 31, 2015, 2016, and 2017, were ¥25.8 billion, ¥24.1 billion, and ¥22.3 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

Operational and Other Risk Information

adjacent to the railway line, it will also assist with the redevelopment of the areas to the east of Osaka—such as the Awaji District and the Hanaten/Ryuge District—and in the creation of a multiple-type railway network designed to withstand natural disasters. However, if the plan does not progress as forecast due to various changes in the operating environment or the anticipated benefits may not be obtained, this may have an effect on the Company's financial condition and results of operations.

9 Relating to Computer Systems

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

Further, if personal or other information should leak outside 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.

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

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

As another measure in response to natural disasters and other events, the Company has established a commitment line with financial institutions that enables it to raise capital according to predetermined conditions even if an earthquake should occur. Moreover, it has also acquired damage insurance inclusive of earthquake insurance for its main railway facilities. However, these countermeasures may be unable to entirely compensate for all the damage incurred due to an earthquake or other natural disaster.

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

11 Relating to an Infectious Disease Outbreak and Epidemic

If a long-term infectious disease epidemic should occur in 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.

Also, with the diversification of risks, JR-West strengthened its risk management structure with the establishment of a Risk Management Committee in April 2017, in order to provide the president and other persons in positions of responsibility with a proper understanding of the risks that have a critical impact on

corporate group management, as well as to establish a risk management style of unified risk management and efforts to mitigate such risks.

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." The designated attorneys serving as public prosecutors appealed this ruling on April 6, 2015, but the appeal was rejected on June 12, 2017, and the matter was concluded that month.

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, 2017 and 2016

	Millions of yen		Millions of U.S. dollars*
	2017	2016	2017
Assets			
Current assets:			
Cash and deposits	¥ 63,578	¥ 45,973	\$ 567
Short-term investments	—	35,000	—
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	774	759	6
Trade	131,714	131,929	1,176
Less allowance for doubtful accounts	(837)	(1,014)	(7)
Inventories	82,802	59,387	739
Income taxes refundable	13	38	0
Deferred income taxes	17,582	17,979	156
Prepaid expenses and other current assets	56,237	59,661	502
Total current assets	351,864	349,715	3,141
Investments:			
Unconsolidated subsidiaries and affiliates	55,907	53,060	499
Other securities	24,559	16,487	219
Total investments	80,467	69,548	718
Property, plant and equipment, at cost:			
Land	754,274	675,002	6,734
Buildings and structures	3,275,914	3,180,511	29,249
Machinery, equipment and vehicles	1,476,976	1,415,518	13,187
Tools, furniture and fixtures	140,741	134,846	1,256
Construction in progress	54,129	81,885	483
	5,702,036	5,487,764	50,911
Less accumulated depreciation	(3,341,972)	(3,245,839)	(29,839)
Property, plant and equipment, net	2,360,063	2,241,925	21,071
Deferred income taxes	130,777	124,868	1,167
Asset for retirement benefits	1,505	1,384	13
Other assets	83,174	55,752	742
Total assets	¥ 3,007,852	¥ 2,843,194	\$ 26,855

* 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, 2017.

	Millions of yen		Millions of U.S. dollars*	
	2017	2016	2017	
Liabilities and net assets				
Current liabilities:				
Short-term loans	¥ 15,908	¥ 14,775	\$ 142	
Current portion of long-term debt	82,354	64,579	735	
Current portion of long-term payables	1,512	30,712	13	
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	2,556	2,891	22	
Trade	149,271	164,816	1,332	
Prepaid railway fares received	37,407	38,589	333	
Deposits and advances received	102,428	94,534	914	
Accrued expenses	35,457	32,192	316	
Income taxes payable	19,194	32,648	171	
Provision for employees' bonuses	37,428	37,777	334	
Provision for customer point programs	2,041	1,619	18	
Other current liabilities	59,708	21,648	533	
Total current liabilities	545,270	536,786	4,868	
Long-term debt	855,380	806,678	7,637	
Long-term payables	105,957	107,472	946	
Liability for retirement benefits	325,085	341,359	2,902	
Provision for large-scale renovation of Shinkansen infrastructure	4,166	—	37	
Provision for environmental safety measures	18,799	21,099	167	
Provision for loss on railway line liquidation	11,457	—	102	
Provision for unutilized gift tickets	2,575	2,668	22	
Deferred income taxes	3,195	3,271	28	
Other long-term liabilities	103,352	97,481	922	
Total long-term liabilities	1,429,971	1,380,031	12,767	
Contingent liabilities				
Net assets:				
Shareholders' equity:				
Common stock				
Authorized – 800,000,000 shares at March 31, 2017 and 2016				
Issued and outstanding – 193,735,000 shares at March 31, 2017 and 2016	100,000	100,000	892	
Capital surplus	55,068	55,068	491	
Retained earnings	768,358	704,187	6,860	
Less treasury stock, at cost – 129,899 and 129,849 shares at March 31, 2017 and 2016	(481)	(481)	(4)	
Total shareholders' equity	922,945	858,775	8,240	
Accumulated other comprehensive income:				
Net unrealized holding gain on securities	3,763	3,523	33	
Net unrealized deferred gain (loss) on hedging instruments	188	(121)	1	
Retirement benefits liability adjustments	13,538	15,685	120	
Total accumulated other comprehensive income	17,491	19,087	156	
Non-controlling interests	92,173	48,513	822	
Total net assets	1,032,610	926,376	9,219	
Total liabilities and net assets	¥3,007,852	¥2,843,194	\$26,855	

* 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, 2017.

Consolidated Statement of Profit or Loss

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars*
	2017	2016	2017
Operating revenues	¥1,441,411	¥1,451,300	\$12,869
Operating expenses:			
Transportation, other services and cost of sales	1,072,732	1,084,891	9,577
Selling, general and administrative expenses	192,287	184,869	1,716
	1,265,019	1,269,760	11,294
Operating income	176,392	181,539	1,574
Other income (expenses):			
Interest and dividend income	650	766	5
Interest expense	(22,350)	(24,158)	(199)
Equity in earnings of affiliates	1,574	1,288	14
Provision for loss on railway line liquidation	(11,470)	—	(102)
Provision for environmental safety measures	—	(12,939)	—
Gain on contributions received for construction	14,649	14,487	130
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	(13,858)	(13,652)	(123)
Loss on impairment of property, plant and equipment	(5,114)	(10)	(45)
Gain on sales of property, plant and equipment	1,479	1,898	13
Loss on sales of property, plant and equipment	(401)	(108)	(3)
Other, net	(3,797)	(3,953)	(33)
	(38,637)	(36,380)	(344)
Profit before income taxes	137,754	145,158	1,229
Income taxes:			
Current	43,490	52,259	388
Deferred	739	2,860	6
	44,230	55,119	394
Profit	93,524	90,038	835
Profit attributable to non-controlling interests	2,235	4,170	19
Profit attributable to owners of parent	¥ 91,288	¥ 85,868	\$ 815

* 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, 2017.

Consolidated Statement of Comprehensive Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars*	
	2017	2016	2017	
Profit	¥93,524	¥ 90,038	\$835	
Other comprehensive income:				
Net unrealized holding gain (loss) on securities	249	(1,500)	2	
Net unrealized deferred gain (loss) on hedging instruments	389	(953)	3	
Retirement benefit liability adjustments	(2,072)	17,222	(18)	
Other comprehensive income of affiliates accounted for by equity method attributable to owners of parent	5	15	0	
Total other comprehensive (loss) income	(1,427)	14,784	(12)	
Total comprehensive income	¥92,097	¥104,823	\$822	

Comprehensive income attributable to owners of parent and non-controlling interests for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Millions of U.S. dollars*	
	2017	2016	2017	
Comprehensive income attributable to owners of parent	¥89,692	¥101,409	\$800	
Comprehensive income attributable to non-controlling interests	2,405	3,413	21	

* 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, 2017.

Consolidated Statement of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net unrealized deferred gain (loss) on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
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 April 1, 2016	100,000	55,068	704,187	(481)	858,775	3,523	(121)	15,685	19,087	48,513	926,376
Profit attributable to owners of parent	—	—	91,288	—	91,288	—	—	—	—	—	91,288
Cash dividends	—	—	(27,122)	—	(27,122)	—	—	—	—	—	(27,122)
Increase due to merger	—	—	5	—	5	—	—	—	—	—	5
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	240	310	(2,146)	(1,596)	43,659	42,063
Balance at March 31, 2017	¥100,000	¥55,068	¥768,358	¥(481)	¥922,945	¥ 3,763	¥188	¥13,538	¥17,491	¥92,173	¥1,032,610

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 gain (loss) on hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2016	\$892	\$491	\$6,287	\$(4)	\$7,667	\$31	\$(1)	\$140	\$170	\$433	\$8,271
Profit attributable to owners of parent	—	—	815	—	815	—	—	—	—	—	815
Cash dividends	—	—	(242)	—	(242)	—	—	—	—	—	(242)
Increase due to merger	—	—	0	—	0	—	—	—	—	—	0
Purchase of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—	2	2	(19)	(14)	389	375
Balance at March 31, 2017	\$892	\$491	\$6,860	\$(4)	\$8,240	\$33	\$ 1	\$120	\$156	\$822	\$9,219

* 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, 2017.

Consolidated Statement of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars*
	2017	2016	2017
Cash flows from operating activities			
Profit before income taxes	¥ 137,754	¥ 145,158	\$ 1,229
Adjustments for:			
Depreciation and amortization	162,729	156,624	1,452
Loss on impairment of property, plant and equipment	5,114	10	45
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,858	13,652	123
Loss on disposal of property, plant and equipment	7,335	7,114	65
Decrease in liability for retirement benefits, net	(20,123)	(7,696)	(179)
Increase (decrease) in allowance for doubtful accounts	167	(48)	1
Increase (decrease) in provision for employees' bonuses	(351)	611	(3)
Increase in provision for large-scale renovation of Shinkansen infrastructure	4,166	—	37
Increase in other accruals	9,305	11,156	83
Interest and dividend income	(650)	(766)	(5)
Interest expense	22,350	24,158	199
Equity in earnings of affiliates	(1,574)	(1,288)	(14)
Gain on contributions received for construction	(14,649)	(14,487)	(130)
Decrease (increase) in notes and accounts receivable	2,155	(3,033)	19
Increase in inventories	(1,131)	(1,632)	(10)
Decrease in notes and accounts payable	(23,044)	(3,168)	(205)
Increase (decrease) in accrued consumption taxes	653	(4,866)	5
Other	8,935	(28)	79
Subtotal	313,002	321,472	2,794
Interest and dividend received	625	747	5
Interest paid	(22,573)	(24,148)	(201)
Income taxes paid	(56,908)	(38,191)	(508)
Net cash provided by operating activities	234,144	259,880	2,090
Cash flows from investing activities			
Payments for time deposits with a maturity in excess of three months	(231)	(266)	(2)
Proceeds from time deposits with a maturity in excess of three months	266	231	2
Purchases of property, plant and equipment	(208,832)	(258,616)	(1,864)
Proceeds from sales of property, plant and equipment	1,044	24,243	9
Contributions received for construction	22,728	16,652	202
Purchases of investments in securities	(9,985)	(9,739)	(89)
Proceeds from sales of investments in securities	930	69	8
Purchase of shares of subsidiary resulting in change in scope of consolidation	(93,714)	—	(836)
Net increase in loans receivable	(5,766)	(3,839)	(51)
Other	(2,248)	(1,953)	(20)
Net cash used in investing activities	(295,808)	(233,219)	(2,641)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	433	(1,546)	3
Proceeds from long-term loans	60,800	64,400	542
Repayment of long-term loans	(34,088)	(48,129)	(304)
Proceeds from issuance of bonds	70,000	35,000	625
Redemption of bonds	(30,000)	(20,000)	(267)
Repayment of long-term payables	(30,650)	(33,633)	(273)
Purchases of treasury stock	(0)	(0)	(0)
Cash dividends paid to owners of parent	(27,118)	(25,197)	(242)
Cash dividends paid to non-controlling interests	(122)	(123)	(1)
Other	35,052	(2,085)	312
Net cash provided by (used in) financing activities	44,304	(31,315)	395
Net decrease in cash and cash equivalents	(17,359)	(4,654)	(154)
Cash and cash equivalents at beginning of year	80,691	85,346	720
Cash and cash equivalents at end of year	¥ 63,332	¥ 80,691	\$ 565

* 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, 2017.

Analysis of JR-West Operations

Non-Consolidated 20-Year Financial Summary

Years ended March 31

	1998	1999*2	2000	2001	2002	2003	2004	2005	2006
For the Year:									
Operating revenues	¥946.0	¥909.4	¥885.1	¥881.4	¥869.8	¥849.0	¥845.8	¥846.4	¥851.2
Transportation	830.0	795.5	773.9	773.1	770.2	752.3	750.8	750.9	756.5
Shinkansen	346.0	326.7	313.0	313.0	314.3	306.0	308.1	313.4	323.8
Kansai Urban Area (Kyoto–Osaka–Kobe area)	315.3	309.8	306.9	309.3	308.9	303.3	302.0	300.4	297.5
Other conventional lines	167.9	158.4	153.5	150.1	146.4	142.5	140.0	136.5	134.7
Operating expenses	831.1	796.7	786.0	784.4	770.3	745.7	740.4	736.4	742.3
Personnel	358.5	357.8	350.1	345.6	330.5	301.6	294.5	286.8	276.1
Non-personnel	301.2	277.7	276.5	275.0	281.2	288.2	291.0	300.5	320.0
Energy	43.8	40.5	39.3	38.2	39.2	38.4	36.6	36.9	34.8
Maintenance	120.9	108.0	112.3	114.3	116.8	122.6	121.9	127.1	140.7
Miscellaneous	136.5	129.2	124.9	122.4	125.1	127.1	132.4	136.4	144.4
Taxes	38.0	31.3	31.0	30.3	30.0	29.3	28.2	29.7	28.7
Rental payments, etc.	23.0	22.8	23.8	31.5	31.3	31.0	30.8	24.6	24.7
Depreciation expenses	110.2	107.0	104.4	101.8	97.1	95.4	95.7	94.5	92.5
Operating income	114.8	112.7	99.0	97.0	99.5	103.2	105.4	110.0	108.9
Recurring profit	48.3	50.5	42.3	43.4	54.0	61.3	65.0	74.3	75.9
Net income (loss)	23.4	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0	35.1
At Year-End:									
Total assets	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1
Total net assets	327.8	312.0	346.6	403.3	388.6	410.7	439.3	474.3	502.2

*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, 2017.

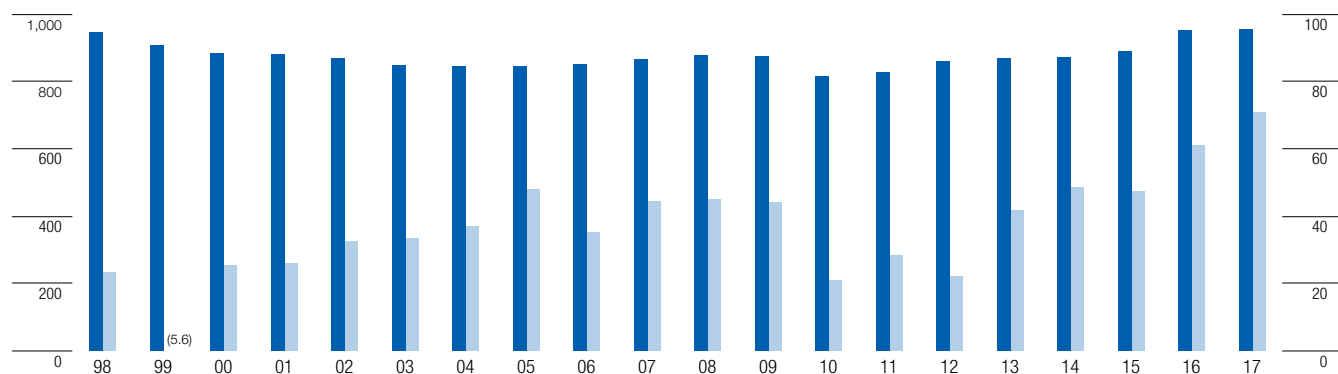
*2 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.

*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

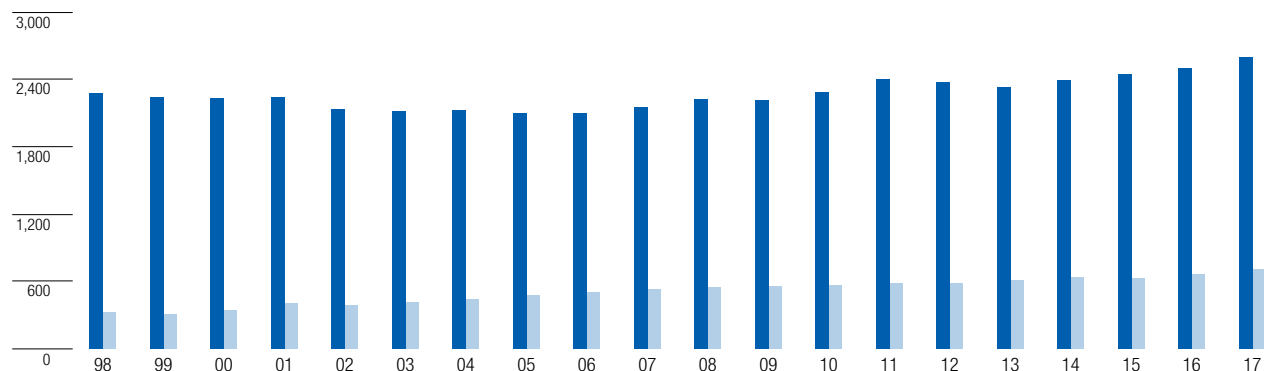


										Billions of yen	Millions of U.S. dollars*1
2007	2008	2009	2010	2011	2012	2013*3	2014	2015	2016	2017	2017
¥865.8	¥879.4	¥875.0	¥816.7	¥828.6	¥862.1	¥868.5	¥873.6	¥890.9	¥954.2	¥956.1	\$8,536
765.8	781.7	773.7	720.0	728.0	758.7	769.1	780.6	797.0	850.0	849.6	7,586
328.6	343.5	339.1	312.4	323.9	351.5	357.0	364.4	375.9	437.2	434.6	3,880
302.4	303.3	301.5	286.1	284.4	287.3	288.9	292.1	296.2	302.2	305.0	2,723
134.3	134.4	132.5	121.4	119.6	119.8	123.0	123.9	124.8	110.5	110.0	982
756.8	769.6	772.9	758.2	752.8	772.8	766.1	771.8	778.9	817.0	820.6	7,327
272.5	269.9	268.6	265.2	235.3	237.9	233.3	235.4	233.0	233.3	223.3	1,993
337.9	338.8	333.9	318.6	333.4	339.5	342.7	351.6	369.0	392.4	394.3	3,520
34.3	34.4	38.2	33.5	33.7	36.2	37.1	43.1	45.3	44.1	40.5	362
148.9	148.6	135.8	128.1	135.8	133.3	136.5	139.0	146.7	152.8	157.1	1,403
154.5	155.8	159.8	156.9	163.8	169.9	169.1	169.5	176.9	195.4	196.6	1,755
28.1	28.6	29.1	29.3	29.8	30.9	31.7	31.6	32.0	31.9	34.9	312
24.6	24.6	25.3	25.0	25.1	23.6	23.4	23.6	18.7	26.9	30.2	270
93.5	107.5	115.9	119.9	129.1	140.7	134.7	129.3	126.0	132.3	137.6	1,228
108.9	109.8	102.0	58.5	75.8	89.2	102.3	101.7	112.0	137.2	135.4	1,209
77.6	79.9	73.4	29.8	48.5	62.8	77.5	79.9	92.1	116.7	118.4	1,057
44.6	45.1	44.3	20.5	28.5	22.1	41.9	48.6	47.3	61.1	70.8	632
¥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	¥2,598.9	\$23,205
533.3	552.4	560.7	568.1	581.3	588.3	611.6	639.4	631.5	666.0	709.9	6,338

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Billions of yen 2017	Millions of U.S. dollars* 2017
Consolidated basis:													
Depreciation expenses	¥111.9	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	¥169.3	¥160.8	¥153.9	¥149.5	¥156.6	¥162.7	\$1,452
Capital expenditures excluding a portion contributed by local governments, etc.	125.3	144.9	187.9	163.9	210.1	260.0	195.4	152.9	166.7	225.6	233.1	192.4	1,717
Non-consolidated basis:													
Depreciation expenses	¥92.5	¥93.5	¥107.5	¥115.9	¥119.9	¥129.1	¥140.7	¥134.7	¥129.3	¥126.0	¥132.3	¥137.6	\$1,228
Capital expenditures excluding a portion contributed by local governments, etc.	106.3	117.2	159.6	128.4	165.5	208.5	150.8	124.8	144.5	186.4	198.7	159.8	1,426

Cash Flows (Consolidated Basis)

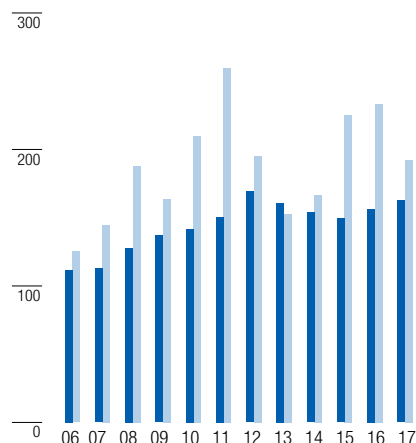
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Billions of yen 2017	Millions of U.S. dollars* 2017
Net cash provided by operating activities	¥ 164.0	¥ 188.6	¥ 222.1	¥ 178.8	¥ 161.3	¥ 223.2	¥ 206.2	¥ 238.0	¥ 237.7	¥ 223.6	¥ 259.8	¥ 234.1	\$ 2,090
Net cash used in investing activities	(101.7)	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(295.8)	(2,641)
Free cash flows	62.3	56.8	42.9	6.1	(47.4)	(23.0)	7.0	83.2	72.3	10.7	26.6	(61.6)	(550)
Net cash provided by (used in) financing activities	(69.3)	(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	(31.3)	44.3	395

* 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, 2017.

Depreciation and Capital Expenditures (Consolidated Basis)

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

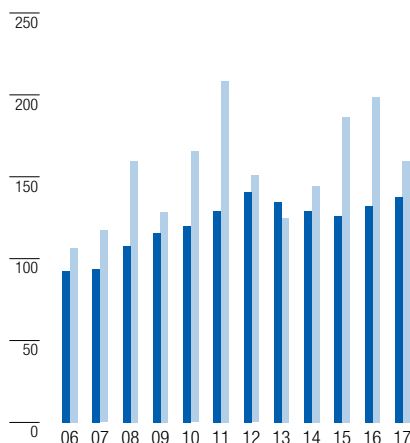
Billions of yen



Depreciation and Capital Expenditures (Non-Consolidated Basis)

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

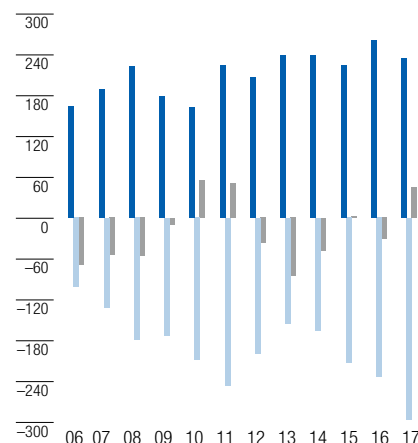
Billions of yen



Cash Flows (Consolidated Basis)

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

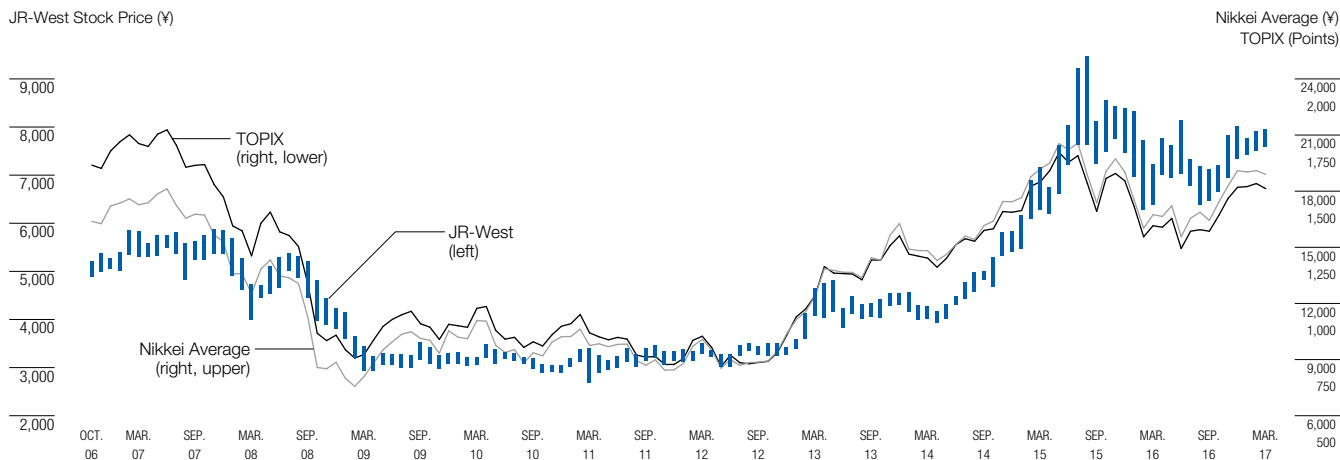
Billions of yen



Investor Information

As of March 31, 2017

Stock Price and Trading Volume



	Fiscal 2006		Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011	
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	
JR-West High (¥)	5,110	5,650	5,880	5,830	5,900	5,400	4,840	3,540	3,430	3,495	3,420	
Low (¥)	3,980	4,380	4,910	4,840	4,000	4,460	2,949	2,952	2,993	2,986	2,700	
Average Daily Trading Volume (Shares)	802,132	616,666	688,486	648,094	861,620	695,220	912,513	782,785	660,959	713,580	945,908	
Nikkei Average (¥)	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	9,369.35	9,755.10	
TOPIX (Points)	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81	829.51	869.38	

	Fiscal 2012		Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017	
	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	3,420	3,530	3,510	4,660	4,835	4,575	5,008	7,178	9,488	8,575	7,058	7,614
Low (¥)	2,905	3,080	3,035	3,260	3,840	4,007	3,951	4,693	6,219	6,301	5,598	6,066
Average Daily Trading Volume (Shares)	814,979	812,162	662,210	789,675	861,142	803,102	675,187	883,964	969,087	997,114	897,546	729,223
Nikkei Average (¥)	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	16,449.84	18,909.26
TOPIX (Points)	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	1,322.78	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: 144,664

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	9,057,900	4.68
Japan Trustee Services Bank, Ltd. (Trust Unit)	7,979,400	4.12
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	3,640,200	1.88
Japan Trustee Services Bank, Ltd. (Trust Unit 5)	3,536,100	1.83
Japan Trustee Services Bank, Ltd. (Trust Unit 9)	3,334,300	1.72
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
Total	52,048,000	26.87

Note: For the purpose of computing the shareholding ratios, 723 shares of treasury stock are excluded from the total number of issued shares of the Company.

Consolidated Subsidiaries

As of March 31, 2017

		(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
	Ryoju Properties Co., Ltd.	50	Real Estate Sales and Leasing	70.0
	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, 2017

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

Employees (Non-consolidated) 29,152

Employees at work (Consolidated) 47,382

Number of Subsidiaries

151 (incl. 63 consolidated subsidiaries)

Stock Listings

Tokyo, Nagoya, and Fukuoka

stock exchanges

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

Main Features of Business

Transportation Operations

• Railway Services

Total route length*

5,008.7 km

Shinkansen: 812.6 km

Conventional lines: 4,196.1 km

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

Number of stations

1,200

Number of rolling stock

6,562

Number of passengers

Total: 1,890 million

Shinkansen: 83 million

Conventional lines: 1,826 million

Passenger-kilometers

Total: 58,271 million

Shinkansen: 20,348 million

Conventional lines: 37,923 million

Train-kilometers per day

Total: 514 thousand

Shinkansen: 122 thousand

Conventional lines: 392 thousand

• Bus Services

• Ferry Services

Non-Transportation Operations

• Retail Business

Sales of Goods and Food Services

Department Store

Wholesale

Other Retail Businesses

• Real Estate Business

Real Estate Sales and Leasing

Shopping Centers

• Other Businesses

Hotel

Travel Services

Rent-a-Car Services

Advertising Services

Maintenance for Railcar Facilities

Maintenance for Machinery

Electric Works

Construction Consultation

Cleaning and Maintenance Works

Information Services

Construction

Other

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

4-24, Shibata 2-chome, Kita-ku, Osaka 530-8341, Japan

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