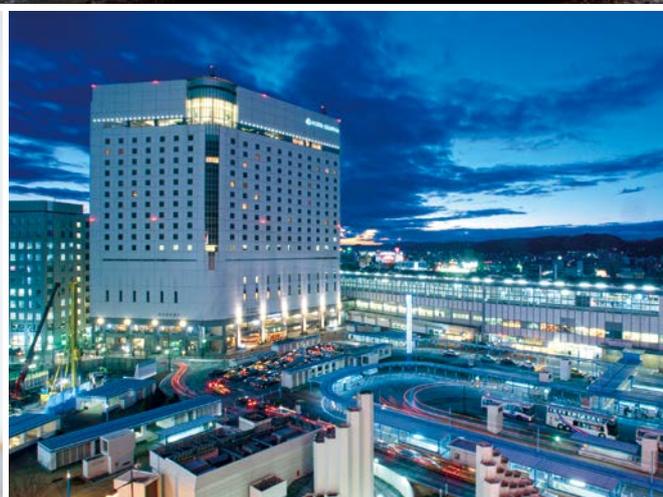


WEST JAPAN RAILWAY COMPANY
Annual Report 2018

Year ended March 31, 2018

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.



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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 2018 based on information available to JR-West as of September 2018, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

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

At a Glance

Western Japan



GDP

¥163 trillion



Population

42.6 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 42.6 million people, about 33% of the country's population, and has a nominal GDP of ¥163 trillion.

JR-West



Total route length

5,008.7 km

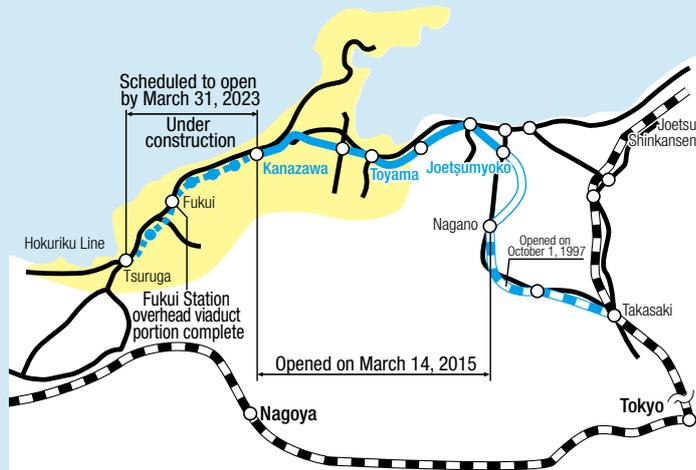


Number of passengers

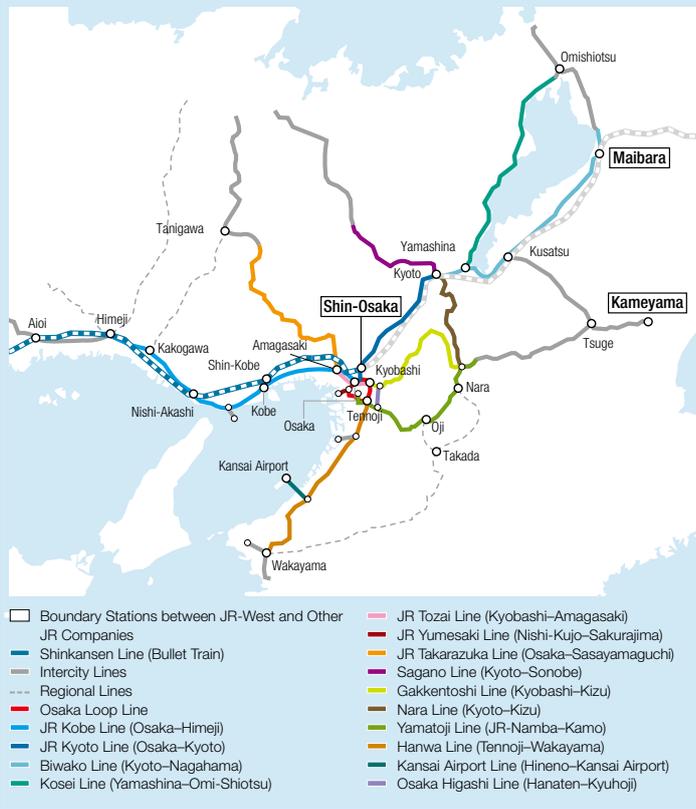
1,913 million



Status of Development on the Hokuriku Shinkansen



Main Lines in the Kansai Urban Area



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 (CY2017 Results)

Number of responses: 40,213

Ranking	Prefectures	Visit rate (%)
1	Tokyo	46.2
2	Osaka	38.7
3	Chiba	36.0
4	Kyoto	25.9
5	Fukuoka	9.8
6	Aichi	8.9
7	Kanagawa	8.5
8	Hokkaido	7.7
9	Okinawa	7.3
10	Nara	7.3
11	Hyogo	5.5
:		
15	Hiroshima	3.0

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



Annual number of foreign visitors was nearly

29 million

The number of inbound visitors to Japan was nearly 29 million in CY2017.

Inbound Visitors to Japan

(Millions of people)



Source: Japan National Tourism Organization

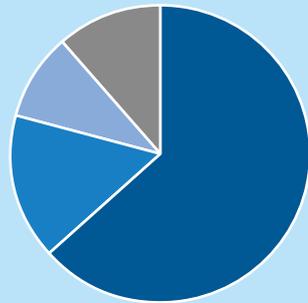


Overview

Operating Revenues Revenues from Third Parties

(Year ended March 31, 2018)

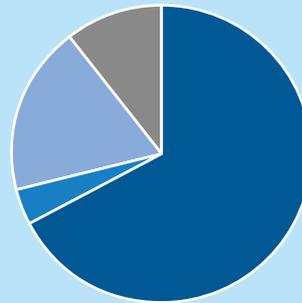
Total **¥1,500.4 billion**



Operating Income

(Year ended March 31, 2018)

Total **¥191.3 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 Joetsumiyoko and Kanazawa.



Kansai Urban Area

The Kansai Urban Area provides passenger transport services to the densely populated cities of Kyoto, Osaka, and Kobe and their surrounding areas. In fiscal 2018, JR-West served a daily average of 4.2 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. 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

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

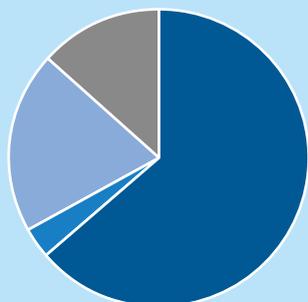
May

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

Total Assets

(As of March 31, 2018)

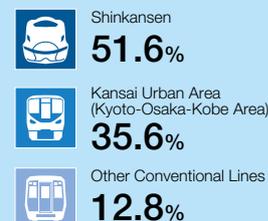
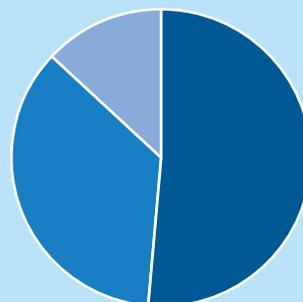
Total **¥3,072.9 billion**



Railway Revenues

(Year ended March 31, 2018)

Total **¥867.8 billion**



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 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.

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

Jul

Opening of Singapore Office

2016. Apr

Opening of Kyoto Railway Museum

2017. Sep

Start of Smart-EX service

2018. Apr

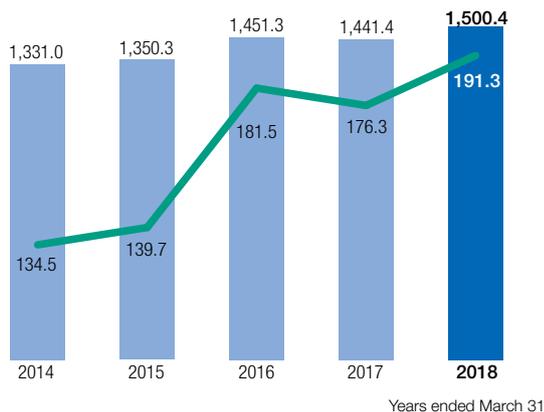
Medium-Term Management Plan 2022 announced

Financial Highlights

Operating Revenues / Operating Income



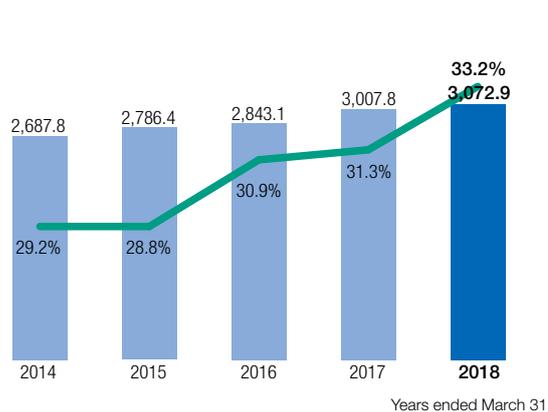
(Billions of yen)



Total Assets / Equity Ratio



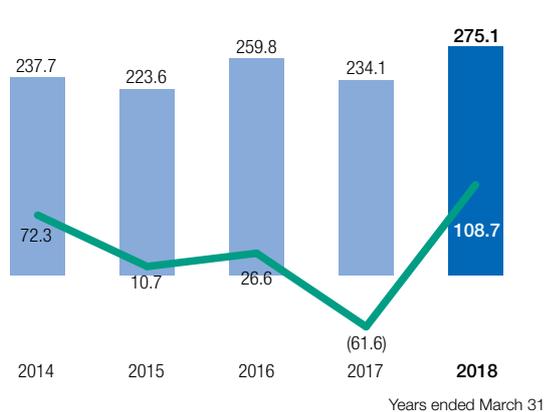
(Billions of yen)



Cash Flows



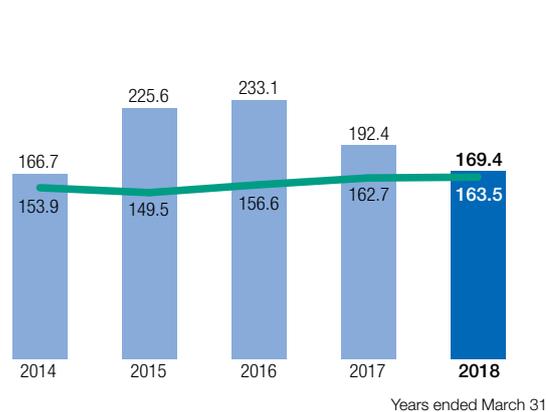
(Billions of yen)



Capital Expenditures*1 / Depreciation and Amortization



(Billions of yen)



*1 Excluding contributions received for construction

*2 EBITDA = Operating income + Depreciation + Amortization

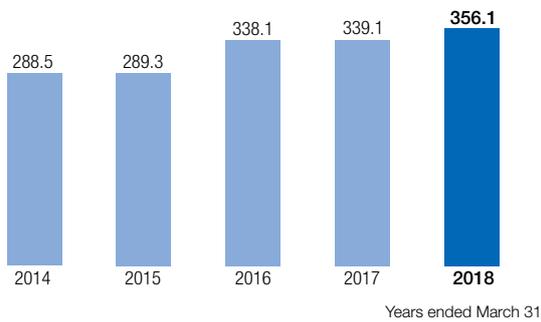
*3 The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Figures have been recalculated based on the number of shares after the stock split. Rate of total distribution on net assets = (Total dividends + Acquisitions of treasury stock) / Consolidated 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 2018 was 3.2%. Rate of total distribution on net assets = (Total dividends + Acquisitions of treasury stock) / Consolidated net assets

EBITDA*2

5.0%  increase

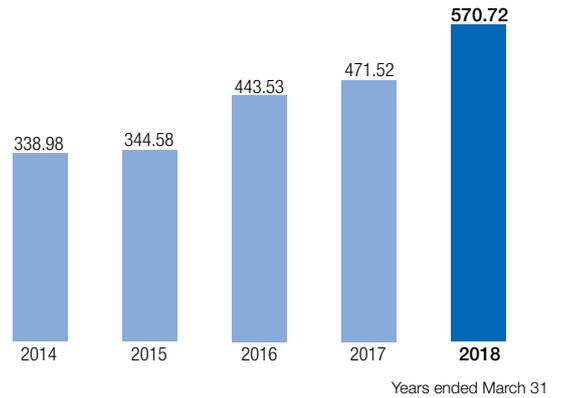
(Billions of yen)



Profit Attributable to Owners of Parent (per share)

21.0%  increase

(Yen)



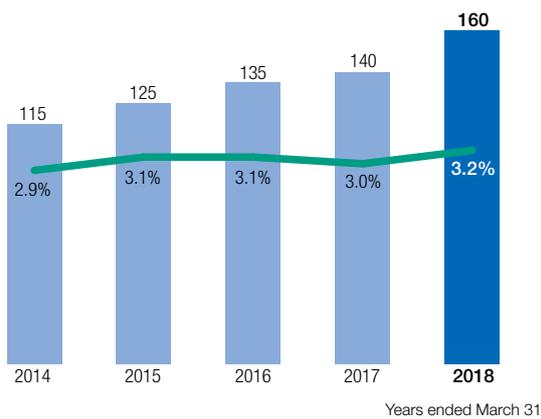
Cash Dividends per Share*3 / DOE*4

■ Cash dividends per share

— DOE

14.3%  increase 0.2 point  increase

(Yen)



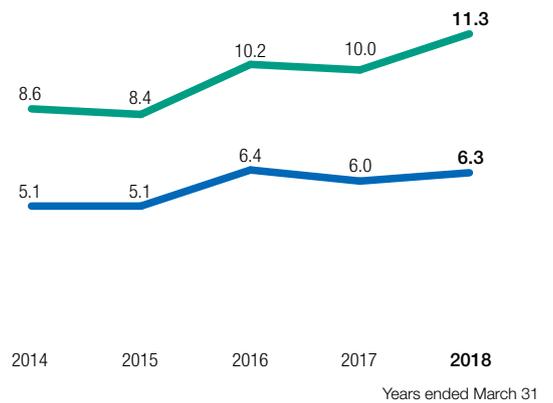
ROA (Operating income basis) / ROE

■ ROA

— ROE

0.3 point  increase 1.3 point  increase

(%)



The President's Message

In April 2017, the JR-West Group marked the 30th year since its establishment, and in April 2018, we formulated the JR-West Group Medium-Term Management Plan 2022. This plan has renewed our determination to target growth over the next 30 years through the continual progress of the entire JR-West Group and to open up the future. We will promote the JR-West Group Medium-Term Management Plan 2022 in order to realize our corporate philosophy and management vision, which are the heart of the Company.



Tatsuo Kijima

President, Representative Director,
and Executive Officer



Review of JR-West Group Medium-Term Management Plan 2017

The Company formulated the JR-West Group Medium-Term Management Plan 2017 and the Safety Think-and-Act Plan 2017 in March 2013. In accordance with these plans, JR-West has worked to fulfill its vision of contributing to “the creation of a safe, comfortable society” as a corporate group that provides social infrastructure, centered on railway services. To that end, JR-West has identified two ideal forms — “We will become a company that coexists with local communities” and “We will fulfill Our Mission” — and worked to realize them.

Safety

In safety, following the Fuchiyama Line accident, the Group implemented a range of measures to increase safety, including both tangible and intangible initiatives. As a result, the number of railway operation accidents and transportation disruptions due to internal factors has generally been following a declining trend.

On the other hand, we did not meet our objectives in such areas as railway labor accidents. In addition, we caused a critical incident on the Shinkansen in December 2017. We view these as serious issues, and we are moving ahead rapidly with measures to enhance the level of safety management overall on the Shinkansen. Specifically, we are implementing tangible measures, such as installing systems to detect abnormalities in bogies. Moreover, in regard to governance, in January 2018 we newly appointed a Representative Director who is in charge of Shinkansen operations. Furthermore, in June 2018 we also established a Shinkansen-specific organizational unit, allowing for prompt decision making.

Business Operations

In business operations, we implemented various initiatives on a Groupwide basis, and we were able to achieve steady results.

In railway operations, we worked to increase the competitiveness of the Sanyo Shinkansen, maximize the Hokuriku Shinkansen opening effect, increase the value of railway belts in the Kansai Urban Area, and implement other initiatives. In these ways, we realized an increase in our earning power.

In non-railway businesses, we were able to expand our operations while drawing on external capabilities, such as our alliance with Seven-Eleven Japan and the acquisition of the shares of Ryoju Properties Co., Ltd. (JR West Properties Co., Ltd. from July 2018)

Moreover, together with local communities, we took steps to invigorate the western Japan area, such as developing wide-area tourism routes, capturing inbound visitor demand by improving reception systems, and starting operation of TWILIGHT EXPRESS MIZUKAZE.

As a result, for each of the KPIs related to financial indicators, we surpassed the objective by a significant margin.

Initiatives Under the JR-West Group Medium-Term Management Plan 2022

Looking ahead, we will face changes in the social structure, such as market contraction and labor shortages resulting from the decline in the population. I have to say that the JR-West Group's operating environment is extremely challenging. In this setting, we announced that under the JR-West Group Medium-Term Management Plan 2022, which was formulated in April 2018, we would contribute to the creation of a safe, comfortable society filled with meetings among people and smiles, and work to achieve long-term growth in corporate value. Specifically, as a numerical objective for our vision, we decided to aim for consolidated operating revenues of ¥2 trillion by around 2030, and we added a backcasting perspective. On that basis, we formulated the Medium-Term Management Plan 2022.

We will work to "fulfill our mission as a railway company that coexists with local communities" in order to realize our ideal vision for the future. In addition, we will strive to increase the corporate value that we create and to make progress toward dramatic growth by becoming a "company that continues to take on challenges."

In consideration of the above, we will advance the following specific initiatives.

Safety

In safety, in March 2018 we formulated the JR-West Group Railway Safety Think-and-Act Plan 2022. In accordance with our unchanging determination to "ensure that we will never again cause an accident such as that on the Fukuchiyama Line," we returned to the starting point and decided to focus on the pursuit of safety.

In particular, in regard to tangible measures, we will steadily move forward with our plans, centered on pursuing Shinkansen safety, strengthening disaster prevention / disaster damage reduction measures in response to intensifying natural disasters, and increasing safety on the platform, which is an urgent issue. In addition, with a focus on the future, we will make active use of advancing technologies. In these ways, we will work to further increase safety.

Business Operations

In business operations, we announced that "increasing regional value," "increasing the value of railway belts," and "increasing business value" were our three Groupwide strategies. Together with people in local communities, we will advance initiatives that combine our railway business and non-railway businesses.

Specifically, we will work to maximize the effect of the opening of the Kanazawa-Tsuruga segment of the Hokuriku Shinkansen; develop large-scale strategic stations, such as Osaka, Sannomiya, and Hiroshima; capture inbound tourism demand; and implement other measures. In these ways, we will aim to expand the resident and visitor populations.

In addition, as initiatives to enhance business sustainability, we will take steps to respond to labor shortages by increasing productivity, and will update aged, large-scale facilities. We will reinforce our foundation in order to ensure that our businesses continue into the future and that we realize growth over the medium to long term.



Toward Sustainable Growth of the Group

We are committed to CSR both as an invaluable part of our management foundation ensuring long-term growth and for fulfilling our responsibilities as a member of society. For the JR-West Group, CSR is a means to realize our corporate philosophy, the heart of our Company management, and therefore to fulfill the expectations of our stakeholders by achieving sustainable growth into the future with a central focus on railway business based on safety and security. In that light, we have set priority areas for CSR both in terms of expectations of society and our goals for the future. Specifically, these are safety, customer satisfaction, coexistence with communities, human resources / motivation, the global environment, and corporate governance. With the entire Group working together in these domains, we will create beneficial value for society, and contribute to sustainable growth for the Group.

Finally, as we move forward we will implement initiatives to enhance safety and increase corporate value from a medium to long term perspective. In addition, in our relationships with shareholders, we will endeavor to provide stable shareholder returns over the long term, implement appropriate information disclosure, and engage in constructive dialog.

I would like to ask our shareholders and other investors for their continued understanding and support of the JR-West Group.

September 2018

Tatsuo Kijima

Tatsuo Kijima
President, Representative Director, and Executive Officer

Review of the Medium-Term Management Plan 2017

- In regard to safety, as a result of our efforts to increase safety, even though we did not meet a portion of our objectives, the number of railway operation accidents, etc., has generally been following a declining trend. On the other hand, we caused the critical incident on the Shinkansen in December 2017. We view this as a serious issue, and we have already begun to implement countermeasures.
- As for the initiatives for each business, targeting the enhancement of corporate value over the medium to long term, we steadily implemented initiatives in all of our business fields.
- As a result of these initiatives, we were able to achieve results that exceeded objectives for all financial indicators.

Financial Indicators

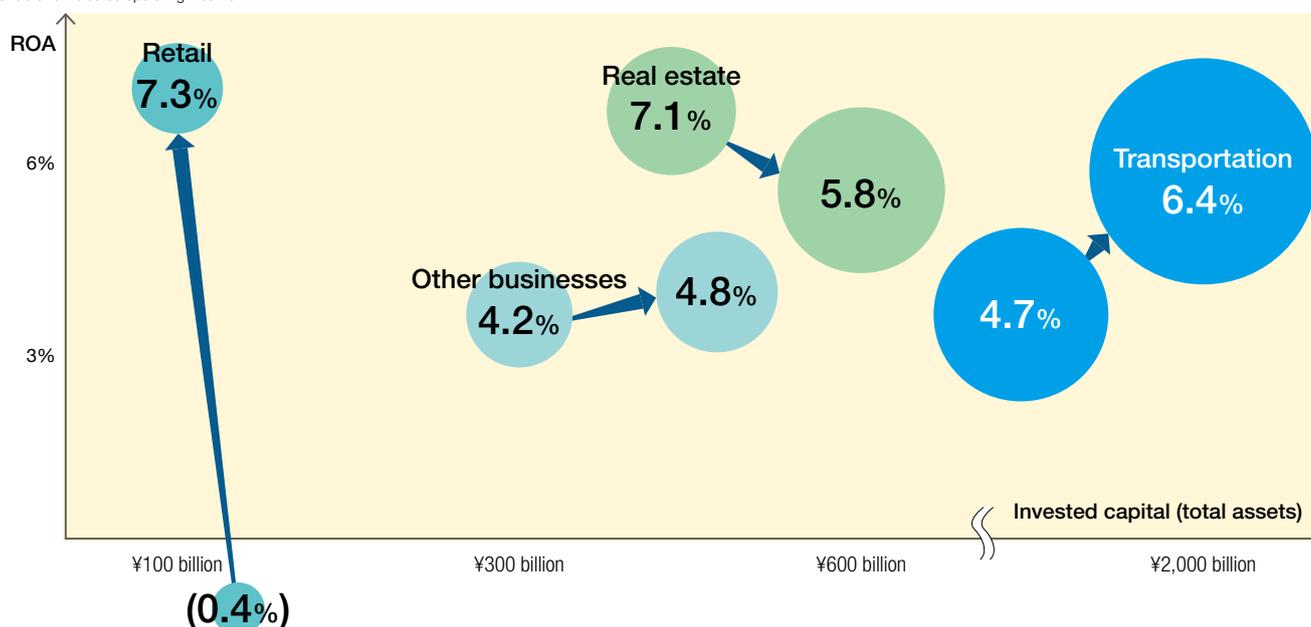
Billions of yen

	Fiscal 2013 results	Fiscal 2018 objectives*	Fiscal 2018 results
Operating Revenues	1,298.9	1,423.0	1,500.4
Transportation	844.9	902.5	950.8
Retail	234.6	246.5	239.8
Real estate	90.9	106.0	139.6
Other businesses	128.4	168.0	170.0
Operating Income	129.4	157.0	191.3
Transportation	90.1	105.0	130.3
Retail	(0.4)	6.0	7.2
Real estate	28.0	33.5	35.7
Other businesses	12.3	14.0	19.9
Recurring Profit	104.6	141.0	177.7
Profit attributable to owners of parent	60.1	91.5	110.4
EBITDA	290.3	325.5	356.1
ROA (%)	4.9	5.5	6.3
ROE (%)	8.3	9.8	11.3
Rate of total distribution on net assets (%)	2.9	Approx. 3	3.2
Transportation Revenues	769.1	820.5	867.8

* Figures are as of April 2015 when the Medium-Term Management Plan 2017 was updated.

Trends in ROA by Segment (Fiscal 2013-Fiscal 2018)

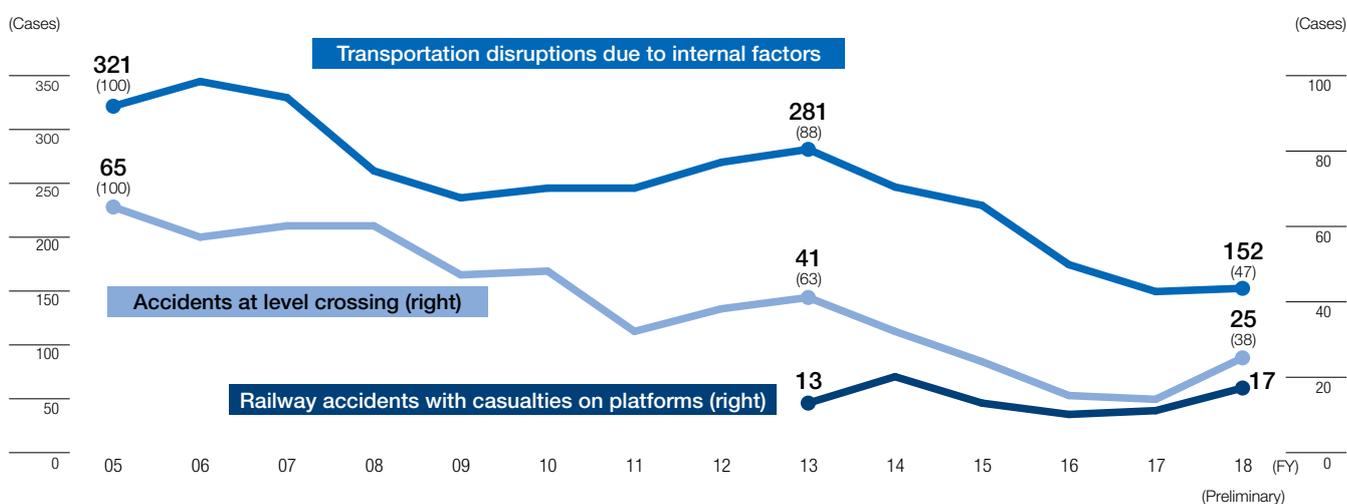
* Circle size indicates operating income



Safety Think-and-Act Plan 2017 Objectives

	Fiscal 2013 results	Fiscal 2018 objectives	Fiscal 2018 results*
Railway accidents that result in casualties among our customers	0 cases	0 cases in 5 years	0 cases in 5 years
Railway labor accidents that result in fatalities among our employees	0 cases	0 cases in 5 years	2 cases in 5 years
Railway accidents with casualties on platforms	13 cases	9 cases (30% reduction)	17 cases
Accidents at level crossings	41 cases	25 cases (40% reduction)	25 cases
Transportation disruptions due to internal factors	281 cases	140 cases (50% reduction)	152 cases

* Preliminary figures



* Figures in parentheses are indexed to FY05.3 = 100.

Individual Business Initiatives in the Medium-Term Management Plan 2017

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Railway Business					
Sanyo Shinkansen	Introducing N700A One train Complete renewal of ATC system		Four trains	Four trains Starting to use new ATC	Three trains Start of "Smart EX"
Hokuriku Shinkansen	Preparing for opening	Opening of Joetsumiyoko-Kanazawa segment	Preparing for extension		
Kansai Urban Area	Opening new stations		Maya and Higashi-Himeji stations Starting construction (Umekita (Osaka) underground station, etc.)		JR Sojiji and Kizurikamikita stations
Other conventional lines	Sharing issues and discussing with the local community			Providing notification of cessation of service on the Sanko Line	Starting operation of TWILIGHT EXPRESS MIZUKAZE
Non-Railway Business					Continuing to open new stores
Retail	Accommodation-oriented hotels Nagoya	Asakusa, Shinsaibashi, Hiroshima			Tennoji, Umeda
Real estate			Opening LUCUA 1100	Acquiring shares in Ryoju Properties	
Other businesses		Transferring the golf business	Investing in urban passenger railway business in Brazil	Alliance with Nippon Signal	

Fiscal 2018 Results for the Transportation Operations Segment (Year ended March 31, 2018)

Operating Revenues

Total

¥ **950.8** billion

(Billions of yen)



Shinkansen

¥ **447.7** billion

(Billions of yen)



Kansai Urban Area

¥ **309.0** billion

(Billions of yen)



Operating Income

Total

¥ **130.3** billion

(Billions of yen)



Customer satisfaction (CS) was one of the basic strategies of the previous medium-term management plan. JR-West pursued measures to meet the diverse needs of customers, while working to capture and create business and tourism demand.

During the subject fiscal year, along with various measures to increase customer satisfaction, JR-West worked to raise transport service quality on the Shinkansen, enhance the value of the railway belts in the Kansai Urban Area, and promote region-affiliated tourism in the West Japan Area. We also took steps to ensure readiness to welcome overseas visitors to Japan, and enhance the appeal of the “Otonabi” member organization for seniors (see table below).

In bus and ferry (the Miyajima Line) services, with a basis in safe transportation, JR-West worked to enhance convenience through such measures as implementing transportation improvements based on customer usage patterns.

In addition to these measures, amid the moderate economic expansion, the Transportation Operations segment benefitted from such factors as active use during holidays and other busy periods, and a rebound in railway use from the downturn following the Kumamoto earthquake in April 2016. Segment operating revenues rose 2.3% from the previous fiscal year to ¥950.8 billion, with operating income up 7.0% to ¥130.3 billion.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, which ceased operations on April 1, 2018, JR-West is continuing discussions with local residents regarding the “New Public Transportation Network to Replace the Sanko Line”, a community-led initiative to establish a model case for public transportation, taking into account the needs of the region and a future vision for community development.

Main Specific Measures during the Subject Fiscal Year

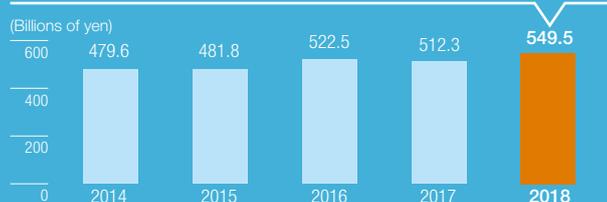
1	Enhancing customer satisfaction	<ul style="list-style-type: none"> Improved customer facilities (toilets, benches, waiting rooms, train car renovations, information provision facilities, etc.) Expanded guidance service for customers (Enhanced functionality and expanded use of tablets by station staff) (June 2017) Trial of chat-based response system for lost article inquiries (August 2017) Expanded coverage areas and lines for the train location information service (March 2018)
2	Shinkansen	<ul style="list-style-type: none"> Conducted the “Beauty of Japan Is in Hokuriku” campaign and other travel campaigns (April-November 2017) Launched the “e5489” settlement service at convenience stores and other locations (May 2017) Launch of the “Smart EX” service (September 2017)
3	Kansai Urban Area	<ul style="list-style-type: none"> Introduction of new 323-model train cars on the Osaka Loop Line Conducted the Kyoto Railway Museum grand opening first anniversary campaign (March-May 2017) Launch of station renovation work (Kyobashi and Tamatsukuri stations (Both in September 2017)) Opened new stations on the JR Kyoto Line and Osaka Higashi Line (JR Sojiji and Kizuri-Kamikita stations, respectively, both in March 2018)
4	West Japan Area	<ul style="list-style-type: none"> Began operations of the Twilight Express <i>Mizukaze</i> sleeper train (June 2017) Launch of the “JR-West 30th Anniversary Open-type Ticket” (September 2017) Introduction of the newly built passenger cars for steam locomotive Yamaguchi-go (September 2017) Conducted the Bakumatsu Ishin Yamaguchi destination campaign (September-December 2017) Conducted the “Kagoshima-e, Don! to Campaign” (January-March 2018)
5	Capturing demand from overseas visitors	<ul style="list-style-type: none"> Launched “Smart EX” service for overseas visitors to Japan (October 2017) Renovation of the Hiroshima Station Information Center (October 2017) Introduced a station numbering system for major railway belts in the Kansai Urban Area (March 2018) Introduced a short-term baggage storage service at Shin-Kobe Station (March 2018) Expanded multilingual guidance and announcements in stations and trains
6	Generating demand among seniors	<ul style="list-style-type: none"> Conducted events for “Otonabi” members to mark achieving one million members (“Kyoto Railway Museum” exclusive event (August 2017), etc.)

Fiscal 2018 Results for the Non-Transportation Operations Segment (Year ended March 31, 2018)

Operating Revenues

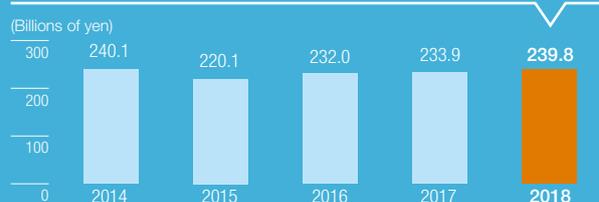
Total

¥ **549.5** billion



Retail Business

¥ **239.8** billion



Real Estate Business

¥ **139.6** billion



Other Businesses

¥ **170.0** billion



Operating Income

Total

¥ **63.0** billion



Retail Business

¥ **7.2** billion



Real Estate Business

¥ **35.7** billion



Other Businesses

¥ **19.9** billion



Retail Business

For Retail Business measures during the previous medium-term management plan period, JR-West mostly completed ahead of schedule its plan to convert the previous Heart-in convenience stores and other shops to tie-up stores with Seven Eleven Japan (SEJ). We also moved forward with such measures as proactive expanded location opening of accommodation-oriented Via-inn hotels.

During the subject fiscal year, JR-West converted and opened 30 SEJ tie-up stores, and in June 2017, opened an Entrée Marché at Hiroshima Station, where we had been undertaking station improvements and developing in-station stores and other facilities. We are

Real Estate Business

For Real Estate Business measures during the previous medium-term management plan period, in recognition that the real estate business has a high degree of affinity with the railway business in terms of utilizing the portfolio assets of the corporate group to improve customer convenience and enhance the value of railway belts, JR-West has pursued such businesses as the development and management of shopping centers, as well as sales of residential and other properties.

During the subject fiscal year, for properties held by JR-West's consolidated subsidiary Ryoju Properties Co., Ltd., which conducts business operations in promising markets including those outside JR-West's railway belts or railway service area, we worked to expand the sales business and strengthen the leasing business, utilizing the know-how of the corporate group.

For LUCUA osaka, in September 2017 JR-West fully

Other Businesses

For Hotel Business measures during the previous medium-term management plan period, to meet firm accommodation demand and respond to the diverse needs of customers, JR-West strengthened operational capabilities, including structures and facilities to accommodate overseas visitors to Japan, and worked to develop new business styles.

During the subject fiscal year, in October 2017 JR-West opened the high-end capsule hotel First Cabin Station Abenoso in Abeno Osaka, and is making preparation for opening the high-class accommodation-oriented Hotel Vischio in Osaka and in Kyoto. In addition, JR-West plans to develop new types of hotels, such as for customers enjoying personal leisure in the Kyoto-Umekoji area.

also opening stores in areas other than stations and railway belts, and in July 2017 opened a Karafuneya CAFÉ at Abeno Q's Mall in Osaka.

Further, for the accommodation-oriented hotels included in the Retail Business segment, JR-West opened Via-inn Abeno Tennoji in Osaka in April 2017 and Via-inn Umeda in Osaka in August 2017.

As a result, sales of goods and food services rose steadily at SEJ franchise stores, leading to gains in the Retail Business. Segment revenue rose 2.5% from the previous fiscal year to ¥239.8 billion, with operating income up 38.9% to ¥7.2 billion.

opened the renovated B1 floor of LUCUA 1100, and in December 2017 expanded the Barchica restaurant zone on the B2 floor. At Hiroshima Station, in October 2017 we opened the new "ekie" shopping center, and in March 2018 the "ekie Dining" restaurant zone in the north exit 1F area. Further, in March 2018 JR-West made regular brush-ups to facilities, including renovations to Kyoto Porta, Umeda EST in Osaka, Tennoji MIO in Osaka, and Piele Himeji in Hyogo.

As a result, the Real Estate Business segment was boosted by such factors as the consolidation of Ryoju Properties Co., Ltd., and steady growth in the property development business, including JR West Real Estate and Development Company. Segment revenues rose 27.5% from the previous fiscal year to ¥139.6 billion, with operating income up 11.1% to ¥35.7 billion.

Together with its existing Granvia brand of city hotels and Via-inn brand of accommodation-oriented hotels, JR-West is expanding its hotel businesses by utilizing a diverse brand structure, including in areas outside of its railway belts and railway service area.

As a result, operating revenues for the Other business segment rose 0.7% from the previous fiscal year to ¥170.0 billion, though operating income declined 2.5% to ¥19.9 billion. This was due mainly to the impact in the hotel business from the closure of the Sannomiya Terminal Hotel in Kobe, offsetting gains in the construction business from increases in orders, and in the travel agency business from increased use by overseas visitors to Japan.

Medium-Term Management Plan 2022

Corporate Philosophy

- Strengthening Shinkansen competitiveness
- Increasing the value of railway belts in the Kansai Urban Area
- Increasing asset efficiency and expanding operational scale in non-railway businesses

Steadfastly maintaining the direction taken to date. At the same time, adding a backcasting perspective to target sustained growth over the long term.

(¥ Billion)

2,000.0

1,500.0

1,000.0

Trends in consolidated operating revenues

Medium-Term Management Plan 2017

¥1.5 trillion
(ROA: 6.3%)



Medium-Term Management Plan 2022

Preparations for further growth
Securing business sustainability

¥1.6 trillion
(ROA: in mid-6% range)



Groupwide strategies

Increasing regional value

Increasing the value of railway belts

Increasing business value

Railway Business



Non-Railway Business

- Introduction of N700A
- Opening of Joetsumyoko-Kanazawa segment of the Hokuriku Shinkansen

- Opening of northern section of Osaka Higashi Line
- Standardizing of rolling stock for trains used in direct operation between the Tokaido Shinkansen and the Sanyo Shinkansen

Enhancing

/ Management Vision



- Setting objectives from long-term viewpoint
- Maximizing effectiveness of large-scale projects

Continuation of current trends

Securing business sustainability

- Increasing productivity by utilizing new technologies, etc.
- Using opportunities presented by updates of large-scale facilities in order to strengthen functionality

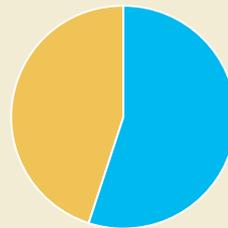
Our Vision

Safe and comfortable society filled with meetings among people and smiles

Our Ideal Forms

- We will fulfill our mission as a railway company that coexists with local communities.
- We will become a company that continues to take on challenges.

Around
2030



¥2 trillion

- We will steadfastly maintain the direction that we have followed to date, which has enabled us to generate significant results. That is to say, we will implement initiatives with the highest priority on safety, which is the foundation of our management and the base for increasing corporate value. In addition, we will take steps to enhance Shinkansen competitiveness, increase the value of railway belts and increase asset efficiency/business scale in non-railway operations. In these ways, we will work to achieve stable growth.
- On the other hand, looking at the internal and external environments, there are negative factors such as population decline. Nonetheless, there are many growth opportunities in the western Japan area, such as growth in inbound demand, the Hokuriku Shinkansen Shin-Osaka extension. Accordingly, we decided to leverage these opportunities and work to achieve long-term growth in corporate value, and we added a backcasting perspective. On that basis, we formulated the new medium-term management plan.
- We will observe our Corporate Philosophy and Management Vision, which are the foundation of our management. On that basis, targeting the realization of Our Vision, we established Our Ideal Forms. With a commitment to the western Japan area, we will work to expand the visitor and resident populations and to achieve dramatic growth. To that end, we formulated three Groupwide strategies — increasing regional value, increasing the value of railway belts, and increasing business value. Railway operations and non-railway businesses will continue to work together as we move forward.

2024-

FY

- Opening of Kanazawa-Tsuruga segment of Hokuriku Shinkansen
- Opening of Umekita (Osaka) underground station
- Consideration of access to Yumeshima
- Development of Shin-Osaka wide-area hub base
- Opening of Naniwasuji Line

safety

Groupwide Strategies

Increasing Regional Value

We will work together with local communities to build cities and areas along railway lines that everyone wants to visit and everyone wants to live in.

The JR-West Group recognizes that the activation of the western Japan area will lead to sustained growth for the Group over the long term. Accordingly, in cooperation with local communities, we will implement activities that leverage wide-area railway networks; safe, high-quality transportation services; and the diverse resources of the JR-West Group. Through these initiatives, we will develop major tourism areas and create and nurture

regional businesses, thereby expanding the visitor population as well as the resident population in areas along railway lines. Furthermore, together with local communities we will aim to realize safe, sustainable railway/transportation services. In addition to the Setouchi Area and the Hokuriku Area, we will also implement initiatives targeting increases in regional value in the Nanki Area, Northern Kinki Area, Sanin Area, Kyushu Area, etc.

TOPICS SETOUCHI AREA

Developing a major tourism area that people want to visit repeatedly

Developing wide-area tourism routes as a foundation

Building tourism routes that combine railways and cruise ships, developing new cruise routes	Enhancing stations, which will be tourism connection points (Shinkansen stations that are near arrival and departure ports for cruise ships)
Increasing the convenience and appeal of the Sanyo Shinkansen (operating the Hello Kitty Shinkansen (Kodama), etc.)	Operating sightseeing trains and new long-distance trains that link strategic Shinkansen stations and tourist destinations

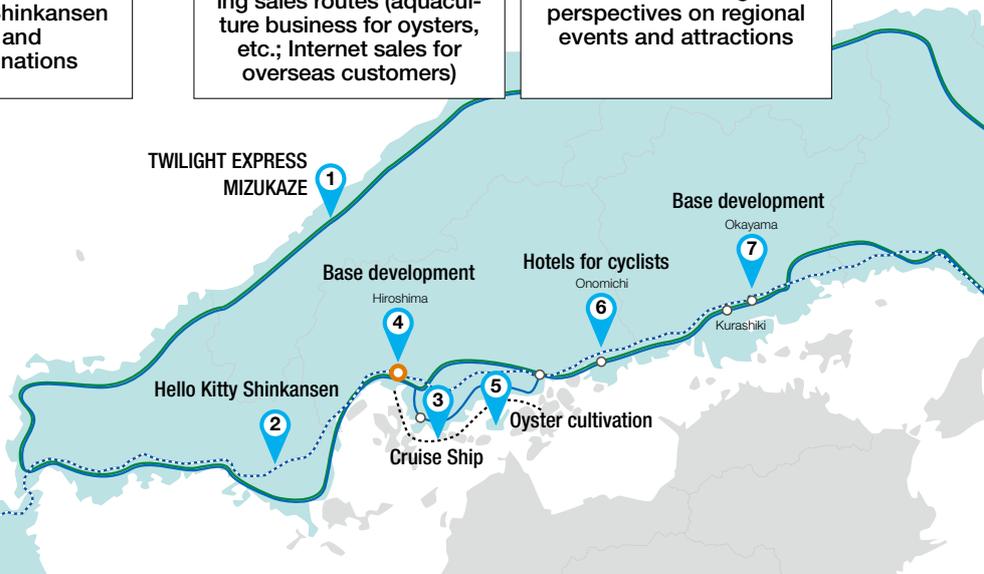
Developing content that has the ability to draw customers

Drawing on the appeal of distinctive regional food and souvenirs to develop strategic stations (Okayama, Onomichi, Hiroshima, etc.)	Developing appealing accommodation facilities (community-oriented casual hotels, restoration of traditional Japanese houses, hotels for cyclists)
Developing commercial products that feature regional appeal and opening sales routes (aquaculture business for oysters, etc.; Internet sales for overseas customers)	Establishing and publicizing content combining new perspectives on regional events and attractions

Osakikamijima (oyster cultivation)



Hiroshima (base development)



Fully leveraging the appeal of the western Japan area and aiming for growth that outpaces the growth of inbound visitors to Japan

Major initiatives

Developing and improving wide-area tourism routes

- Uncovering tourist attractions in the western Japan area
- Promoting sales of optional tours

Capturing demand on a Groupwide basis

- Expanding development of accommodation facilities
- Renovating hotels and commercial facilities

Improving reception systems

- Installing free Wi-Fi
- Strengthening functions related to meeting the needs of inbound visitors at major stations
- Enhancing environment for Internet reservations from overseas

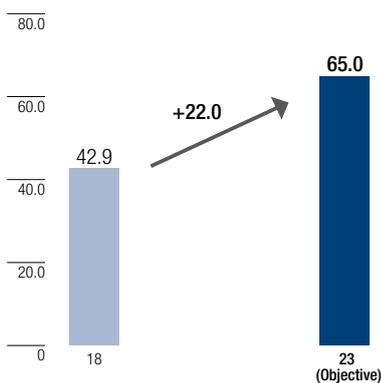
Strengthening promotions

- Collaborating with communities, municipal governments, and DMOs
- Strengthening promotions in Southeast Asia, Europe, the U.S., and Australia

Objectives

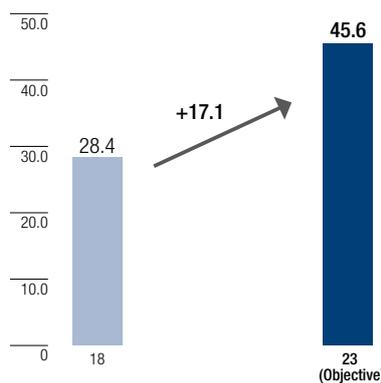
Consolidated operating revenues

(Billions of yen)



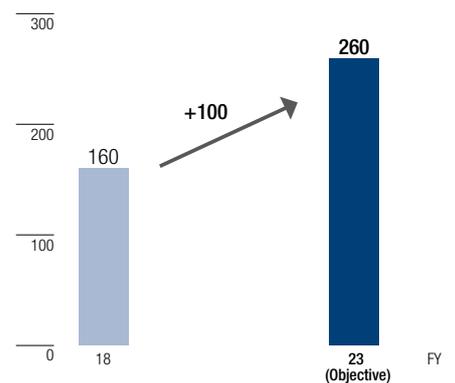
Transportation revenues

(Billions of yen)



Number of users of exclusive products

(10,000 tickets)



"Travel Service Center Osaka" in Osaka Station



Groupwide Strategies

Increasing the Value of Railway Belts

2

We will contribute to the realization of convenient, comfortable lifestyles by providing safe, high-quality railway services and lifestyle services.

The JR-West Group will take steps to enhance its railway networks, including establishing new lines and new stations, and to implement city development initiatives. At the same time, we will work to make stations more appealing spaces and implement other initiatives. In these ways, we will aim to provide high-quality lifestyle services and products that meet the needs of customers who use

railways and residents in areas along railway lines. We will encourage people to reside in areas along our railway lines and to choose lifestyles that include the use of railways.

In the Okayama Area, the Hiroshima Area, and a variety of other areas, we will implement initiatives to increase the value of railway belts.

TOPICS

KANSAI METROPOLITAN AREA

We will create areas along railway lines that people want to reside in and visit in order to establish the Kansai metropolitan area brand.

Three visions to enhance appeal

Increasing “railway quality” (enhancing transportation services)

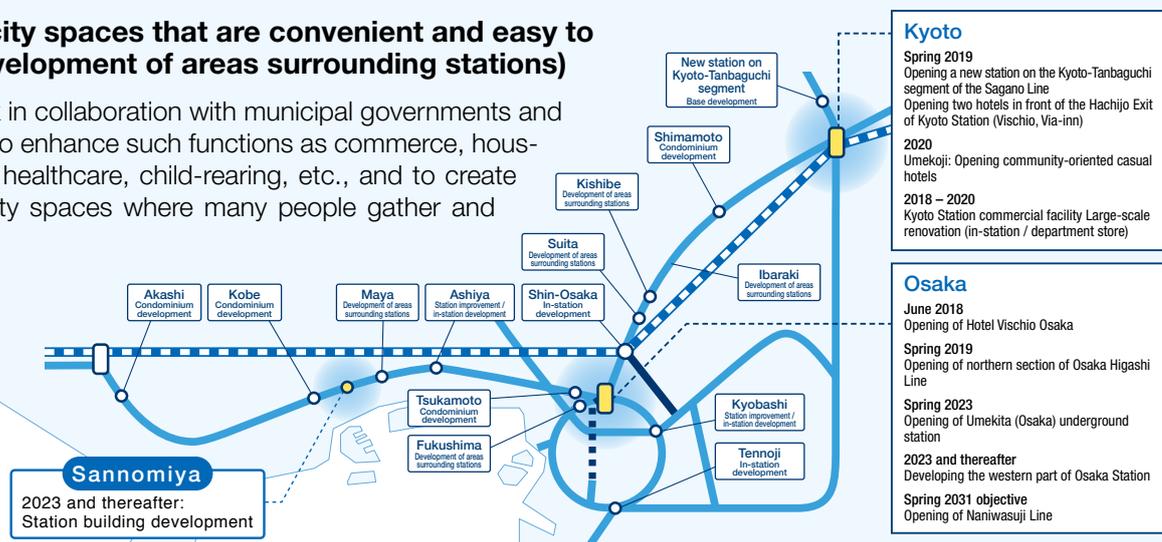
We will provide safe, high-quality railway services that customers choose repeatedly.

Creating highly-functional stations that are suitable to be community gateways (stations and station building developments)

We will build lively, dynamic stations that help make daily lives more comfortable through renovations that optimize station service functions.

Creating city spaces that are convenient and easy to live in (development of areas surrounding stations)

We will work in collaboration with municipal governments and companies to enhance such functions as commerce, housing, culture, healthcare, child-rearing, etc., and to create appealing city spaces where many people gather and reside.



Groupwide Strategies

Increasing Business Value

3

We will increase the quality of the products and services provided by the JR-West Group.

We will strive to ensure that each employee works with pride and a sense of mission as we take steps to enhance our technologies, expertise, and capabilities and to reinforce our teamwork. In these ways, we will continue to take on the challenges of reinforcing our current business strengths and increasing our business value.

By advancing into new markets, implementing initiatives in new business fields, leveraging new technologies, etc., the JR-West Group will take on the challenges of creating new value, achieving dramatic growth, and providing products and services that are chosen by customers.

Enhancing Existing Businesses

- In railway operations, our core business, we will promote effective initiatives from the perspectives of both tangible and intangible aspects in order to achieve ongoing increases in safety and customer satisfaction.
- In stations and the areas surrounding stations, we will provide high-quality products and services that meet the needs of customers who use railways and residents in railway belts.
- We will ensure that Group companies all work together to demonstrate the comprehensive strengths of the JR-West Group.

Advancing into New Markets, Implementing Initiatives in New Business Fields

- In businesses in which we can demonstrate our accumulated strengths, we will take on the challenge of implementing initiatives outside railway belts, outside our railway service area, and in overseas markets. In this way, we will further strengthen our competitiveness.
- We will take on the challenge of creating new value and invigorating regions by promoting local industries and leveraging regional resources, while cooperating with local communities.

Creating Value through the Utilization of New Technologies, etc.

- With a focus on the future management environment, we will take steps to realize our ideal forms, which are outlined in the "Technology Vision."* We will work together with a range of partners, continue daily innovation, address customer needs, and create new value.
- In addition, in preparation for future contraction of the workforce, throughout our operations we will reevaluate frameworks with consideration for the use of new technologies and we will introduce new equipment. In this way, we will increase productivity in an overall sense, including that of human resources, technologies, and equipment. With a small number of people and simple equipment, we will create value more effectively.

* Technology Vision: From a technological perspective, our approach to the realization of our ideal forms in approximately 20 years (announced in March 2018).



Medium-Term Management Plan 2022

Transportation Operations

Basic Strategy

By implementing initiatives in the areas of “enhancing safety,” “increasing customer satisfaction,” and “increasing productivity,” as well as “implementing reforms through human resources development and technology,” which

support the initiatives in these three areas, we will work to provide safe, high-quality railway services, and to increase business value.

Enhancing Safety

We have an unchanging determination to ensure that we will never again cause an accident such as that on the Fukuchiyama Line. This is the duty of the JR-West Group, which has railway operations as its core business. We will continue to position safety as the highest priority strategy, and we will work to build frameworks for securing safety on a Group-wide basis and to establish a corporate culture in which safety is the highest priority. We will strive to successfully implement the “JR-West Group Railway Safety Think-and-Act Plan 2022,” and to prevent serious accidents / labor accidents.

- Fostering the spread of safety-first awareness
- Enhancing organizational safety management
- Implementing safety think-and-act initiatives by each individual
- Enhancing railway systems that maintain safety (tangible, intangible)

Major tangible measures

- Pursuing Shinkansen safety
- Strengthening disaster prevention / disaster damage reduction measures in response to intensifying natural disasters
- “Increasing platform safety,” which is an urgent issue
- Increasing safety through new technologies and mechanization



Slope reinforcement work (left)
Movable platform gates (right)

Increasing Customer Satisfaction

Through sustained efforts to meet the expectations of our customer base, which are changing and diversifying, we will establish a corporate culture in which business activities are always customer oriented (= customer-based management) and aim to ensure that customers become fans of JR-West.

- Implementing initiatives related to safe and reliable transportation
- Providing information at times of transportation disruptions
- Offering appropriate, easy-to-understand guidance services
- Creating comfortable, convenient environments (stations, trains, manners, etc.)
- Providing information regarding examples of improvement, plans, etc. (two-way communication)



Increasing Productivity

To continue to provide railway/transportation services in the years ahead, we will work to effectively offer safe, high-quality railway services through improvements in both tangible and intangible areas.

- **Changing maintenance systems:** We will position the period of the new plan as a time for building maintenance systems aimed at sustaining operation of railway/transportation services, and we will take on the challenge of transitioning to new maintenance methods
- **Reevaluating services and equipment with consideration for usage,** appropriately allocating personnel for “operations that are effectively performed by people”



Utility pole handling vehicles

“Technology Vision”

Aiming to overcome changes in the operating environment and to realize our ideal form in approximately 20 years from a technology perspective.

Three ideal forms		Major initiatives
1	Pursuing further safety and reliability of transportation	<ul style="list-style-type: none"> • Visualization of risk through technology: Reinforcement of slopes using aerial laser measurement • Advancing safety systems: Introducing wireless ATC
2	Providing railway/transportation services that play a role in supporting the creation of appealing areas	<ul style="list-style-type: none"> • Providing seamless mobility: Implementing ticketless initiatives • One-to-one services: Proposing optimal travel through data marketing → Turning the Umekita (Osaka) underground station into a station of the future, centered on open innovation initiatives
3	Building sustainable railway/transportation systems	<ul style="list-style-type: none"> • Increasing productivity: Transition to CBM (transitioning from ground-based inspections to on-board inspections, condition monitoring on trains used to carry passengers, sensor networks) • Simplifying ground equipments: Introducing onboard IC ticket checking equipments

Implementing Reforms through Human Resources Development and Technology

We will increase the quality of railway services by enhancing “human resources” and “technologies,” which support railway operations.

Human Resources

- Steadily transmitting technologies and improving technical skills
- Establishing environments for securing human resources in a carefully planned way and promoting active contributions of diverse employees

Technologies

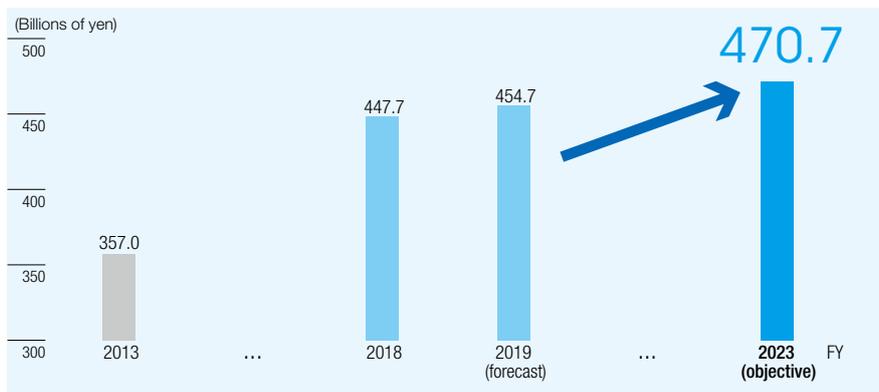
- Pursuing innovation to realize the “Technology Vision”
- Expanding areas in which issues are resolved through technology, expanding collaboration outside the Company in order to progress more quickly
- Utilizing railway operations technologies outside the Company, including overseas

Railway Business Strategies

Shinkansen



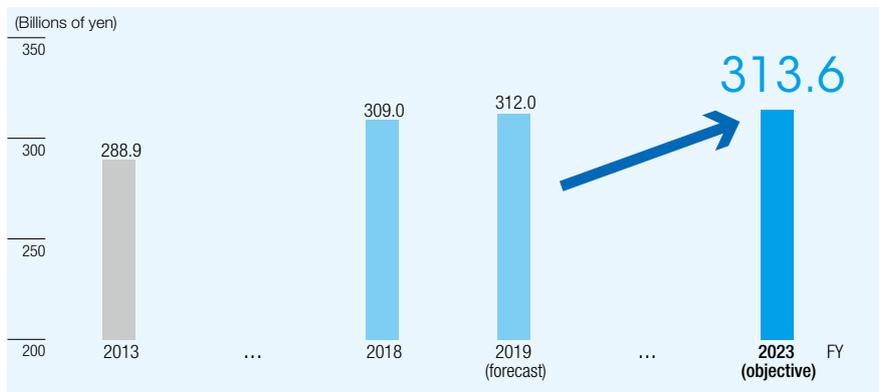
Trends in transportation revenues



Kansai Urban Area



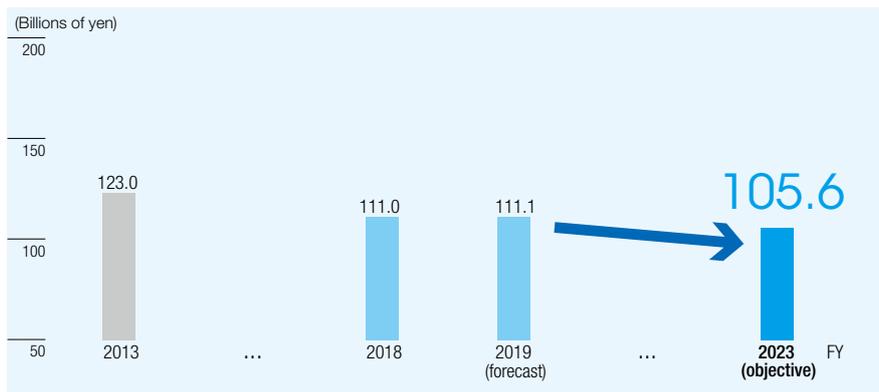
Trends in transportation revenues



Other West Japan Area



Trends in transportation revenues



Business strategy

We will strive to reinforce high-speed railway safety, enhance strengths centered on wide-area railway networks, and contribute to the expansion of the visitor population.

Major priority initiatives

- Rigorous safety management
- Increasing the quality of transportation services
- Expanding usage by inbound customers, taking steps to foster tourism demand in cooperation with regional communities
- Maximizing the effect of the opening of Kanazawa-Tsuruga segment of Hokuriku Shinkansen

Target Indicators / Direction

- Situation in which we are conducting risk management in an appropriate manner to maintain a high level of safety and are moving forward with tangible countermeasures and with the revision of rules and frameworks
- Increasing the number of Shinkansen passengers by 5% (fiscal 2023 / fiscal 2018)

Business strategy

We will increase the value of railway belts through the provision of transportation services that offer peace of mind and reliability, the development of areas along railway lines, etc.

Major priority initiatives

- Increasing the quality of transportation services
- Increasing the value of railway belts
- Expanding usage by inbound customers
- Maximizing the effect of the opening of Umekita (Osaka) underground station

Target Indicators / Direction

- Number of passengers for JR Kyoto Line / JR Kobe Line / Osaka Loop Line: 2.65 million people/day (+40,000 people/day vs. fiscal 2018)
- IC card usage rate: 85%

Business strategy

Through dialog and collaboration with communities, we will develop businesses aligned with local areas and contribute to the activation of the Other West Japan Area.

Major priority initiatives

- Implementing city development efforts, centered on core cities in the Other West Japan Area (developing strategic stations, enhancing express train networks, etc.)
- Invigorating communities, centered on tourism (establishing wide-area tourism routes, using sightseeing trains, etc.)
- Expanding usage by inbound customers
- Realizing safe, sustainable railway/transportation services

Target Indicators / Direction

- Moving forward with the expansion of the visitor population, the expansion of the resident population, and the realization of safe, sustainable railway/transportation services

Medium-Term Management Plan 2022

Non-Transportation Operations

Basic Strategy

We will aim to achieve increases in the value of railway belts and regions and to expand the visitor and resident populations. Accordingly, we will provide high-quality products and services that meet the expectations of

customers who use railways and residents in areas along railway lines, and we will implement regional business creation, development, etc.

Deepening Operations in Major Businesses

Increase overall community value, starting with stations

In areas along railway lines, we will take steps to advance “city development starting with stations,” centered on major businesses. We will provide appealing products and services and increase community value overall.

- **Advancing plans for the Big Three Projects**

Advancing plans for the large-scale strategic station development initiatives for Osaka, Sannomiya, and Hiroshima, which have been positioned as the Big Three Projects in non-railway operations.

- **Implementing city development starting with stations**

Contributing to the development of lively cities by implementing renovations that optimize the service functions of stations, which are the entrances to local communities, and by participating in redevelopment projects for areas around stations.

- **Enhancing city functions**

Working in collaboration with municipal governments and companies to implement development in stations and in areas surrounding stations. Enhancing functions, such as culture, healthcare, child-rearing, etc., to foster appealing city spaces where people gather and reside.

Advancing into New Markets

Increase brand power in each business

In businesses in which we can demonstrate our strengths, we will boost our competitiveness as a chain by entering new markets. In addition, we will build an optimal business portfolio to support sustained growth.

- **Advancing into areas outside of areas along railway lines / railway service areas**

Actively advancing into regions outside of areas along railway lines in the Kansai Urban Area, as well as growth markets outside of the railway service area (Tokyo metropolitan area, Nagoya metropolitan area, etc.), thereby increasing competitiveness as a chain.

- **Taking on the challenge of overseas initiatives**

Taking on the challenge of business initiatives in major cities in Southeast Asia, Europe, and the U.S., where growth is expected, thereby contributing to the enhancement of city functions.

JR-West Hotel, Shopping Center, and Condominium Locations (As of March 31, 2018)

● Shopping Center ● Hotel



Implementing Initiatives in New Business Areas

Invigorate communities through the creation of new value

We will take on the challenge of creating new value and invigorating regions by promoting local industries and leveraging regional resources, while cooperating with local communities and participating directly.

- **Expanding businesses through community collaboration**

Expanding businesses such as distinctive local industries, restoration of traditional Japanese houses, etc.

- **Expanding businesses that enhance lifestyle foundations**

Expanding caregiving, temporary staffing and placement services for seniors, etc.

- **Opening up new businesses**

Creating businesses that contribute to the resolution of issues faced by regional societies

Strengthening Foundation to Support Growth

Making active use of ICT tools and external know-how

Increasing marketing capability through the use of ICOCA and J-West Card, etc., providing products and services that leverage the convenience of the Internet.

Strengthening foundations for human resources, organizations, etc.

Developing human resources / organizations in alignment with businesses, establishing frameworks for the demonstration of the Group's comprehensive strengths.



Via Inn Higashi Ginza

Number of Hotels



Budget Hotels

19

City Hotels

7

Number of Shopping Centers



44

Number of Department Stores



1

Number of Condominium Units Completed in Fiscal 2018



1,180

Number completed to date: 9,570



LUCUA osaka

Business Strategy and Operating Results
Medium-Term Management Plan 2022
Non-Transportation Operations

Non-Railway Business Strategies

Retail Business



Seven-Eleven allied store

[Sales of Goods / Food Services]

Business strategy

We will strengthen functions as “Lifestyle Stations” and provide support for the enjoyment of daily lives and travel.

Major priority initiatives

- Strengthening operating capabilities in directly-operated business formats
- Advancing development and renewal of in-station stores
- Expanding openings of convenience stores / food service stores, etc., outside stations

Real Estate Business



J.GRAN City Tsukamoto

[Real Estate Lease and Sale]

Business strategy

We will build communities that people want to reside in and visit, and contribute to the development of areas along railway lines and local communities.

Major priority initiatives

- Advancing plans for the Big Three Projects (shared by each business)
- Advancing city development in areas along railway lines
- Expanding initiatives in growth markets outside of areas along railway lines and railway service areas



Illustration of SUITA GREEN PLACE Phase II

[Shopping Centers]

Business strategy

We will propose high-quality lifestyles through the provision of tangible and intangible products and services.

Major priority initiatives

- Pursuing shopping center operations in line with changes in needs and local conditions
- Increasing competitiveness by leveraging new systems / point standardization
- Establishing business model for lifestyle-support-oriented shopping centers, implementing initiatives outside stations

Other Businesses



Hachijo Exit of Kyoto Station (Vischio, Via-inn)

[Hotels]

Business strategy

We will meet the accommodation needs of a diverse range of customers and provide support for comfortable stays.

Major priority initiatives

- Expanding openings, centered on accommodation-oriented hotels
- Renovating existing hotels and strengthening operating capabilities
- Addressing diverse needs through the development / operation of new business formats

Results objectives

	FY18.3 results	FY23.3 objective
Operating Revenues	¥47.3 billion	¥63.2 billion

* Consolidated basis (Retail business: “Via-inn” + Other businesses: Hotel operations)

Trends in Operating Revenues and Operating Income



Trends in Operating Revenues and Operating Income



Lineup

Brand	Category	Results as of end FY March 2018				
		Number of hotels			Number of rooms	
		Inside railway service area	Outside railway service area	Total		
Granvia	Other	City hotels	7 hotels	—	7 hotels	2,460 rooms
Vischio	Other	High-class accommodation-oriented hotels	—	—	—	—
Via-inn	Retail	Accommodation-oriented hotels	13 hotels	6 hotels	19 hotels	4,660 rooms
Potel	Non-Consolidated	Community-oriented casual hotels	—	—	—	—
First Cabin Station	Non-Consolidated	High-end capsule hotels	1 hotels	—	1 hotels	129 rooms
Total			21 hotels	6 hotels	27 hotels	7,249 rooms

Objectives for FY23.3

Number of rooms

Approx. 2,300 rooms
Approx. 1,400 rooms
Approx. 6,700 rooms
Approx. 200 rooms
Approx. 400 rooms
11,000 rooms

Medium-Term Management Plan 2022

Financial Indicators

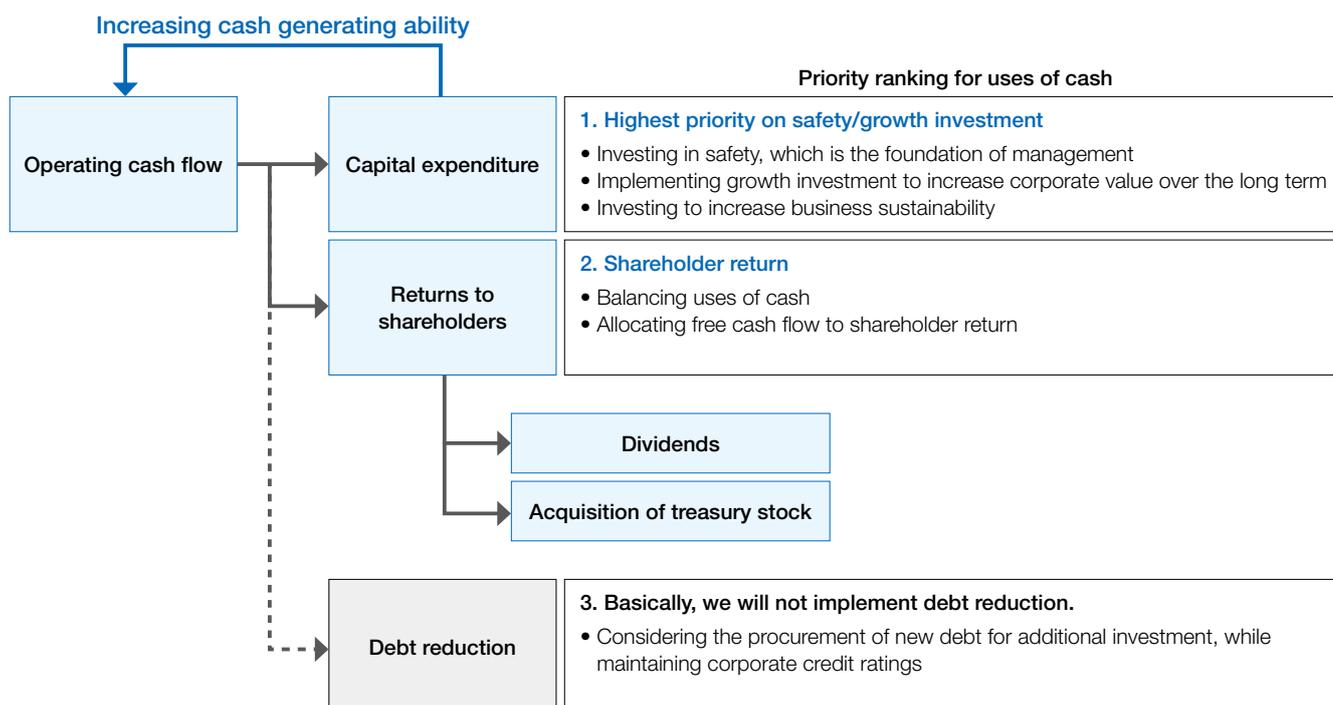
Billions of yen

	Fiscal 2018 results	Fiscal 2023 objectives	Increase / Decrease
Operating Revenues	1,500.4	1630.0	+129.5
Transportation	950.8	977.5	+26.6
Retail	239.8	281.0	+41.1
Real estate	139.6	168.5	+28.8
Other businesses	170.0	203.0	+32.9
Operating Income	191.3	[218.0] 210.0	[+26.6] +18.6
Transportation	130.3	139.5	+9.1
Retail	7.2	10.0	+2.7
Real estate	35.7	41.5	+5.7
Other businesses	19.9	23.0	+3.0
Recurring Profit	177.7	[205.0] 197.0	[+27.2] +19.2
Profit attributable to owners of parent	110.4	[134.0] 128.0	[+23.5] +17.5
EBITDA	356.1	[408.0] 400.0	[+51.8] +43.8
ROA (%)	6.3	Mid-6% range	—
ROE (%)	11.3	Approx. 10	—
Transportation Revenues	867.8	890.0	+22.1

* EBITDA = Operating Income+Depreciation+Amortization of goodwill
 Figures in [] exclude Hokuriku Shinkansen opening preparation expenses

Financial Strategies

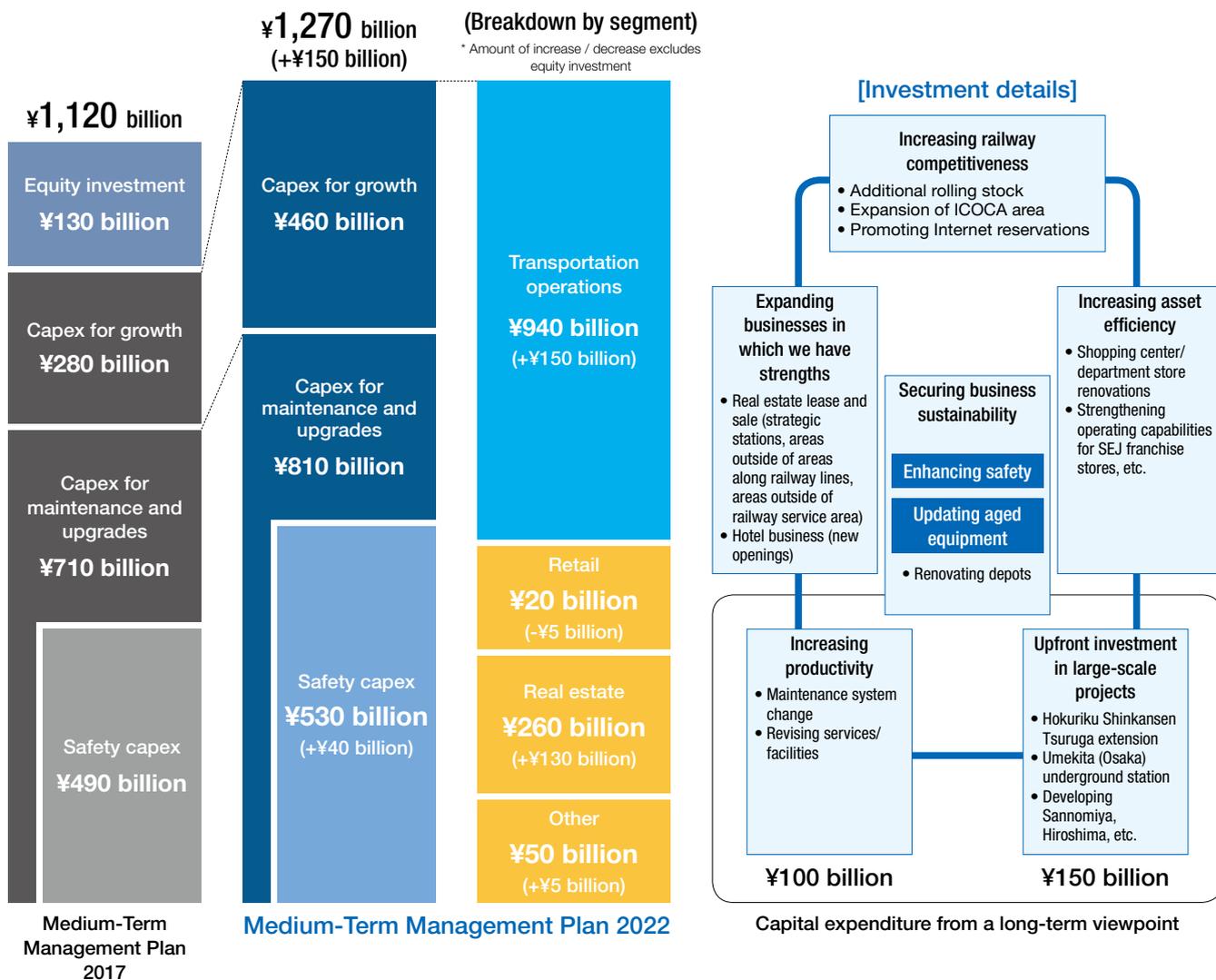
Clarifying priority ranking for uses of cash. Considering balance between investment and shareholder returns, as well cost of capital.



* Balance of cash and deposits: Generally maintaining current level

Capital Expenditure

Strengthening investment in safety, which is the foundation of management, as well as investment in initiatives contributing to sustained growth.



Shareholder Return

Shareholder return policy

- We will implement stable dividends, aiming for a dividend payout ratio of approximately 35% in fiscal 2023.
- Over the period of this plan, our yardstick will be a total return ratio of approximately 40%, and we will make flexible acquisitions of treasury stock.
 - With capital expenditures expanding, we will enhance returns to shareholders. We will bolster both profit growth and shareholder return.
 - We will focus on sustained profit growth and utilize return ratios.

Shareholder return in fiscal 2019

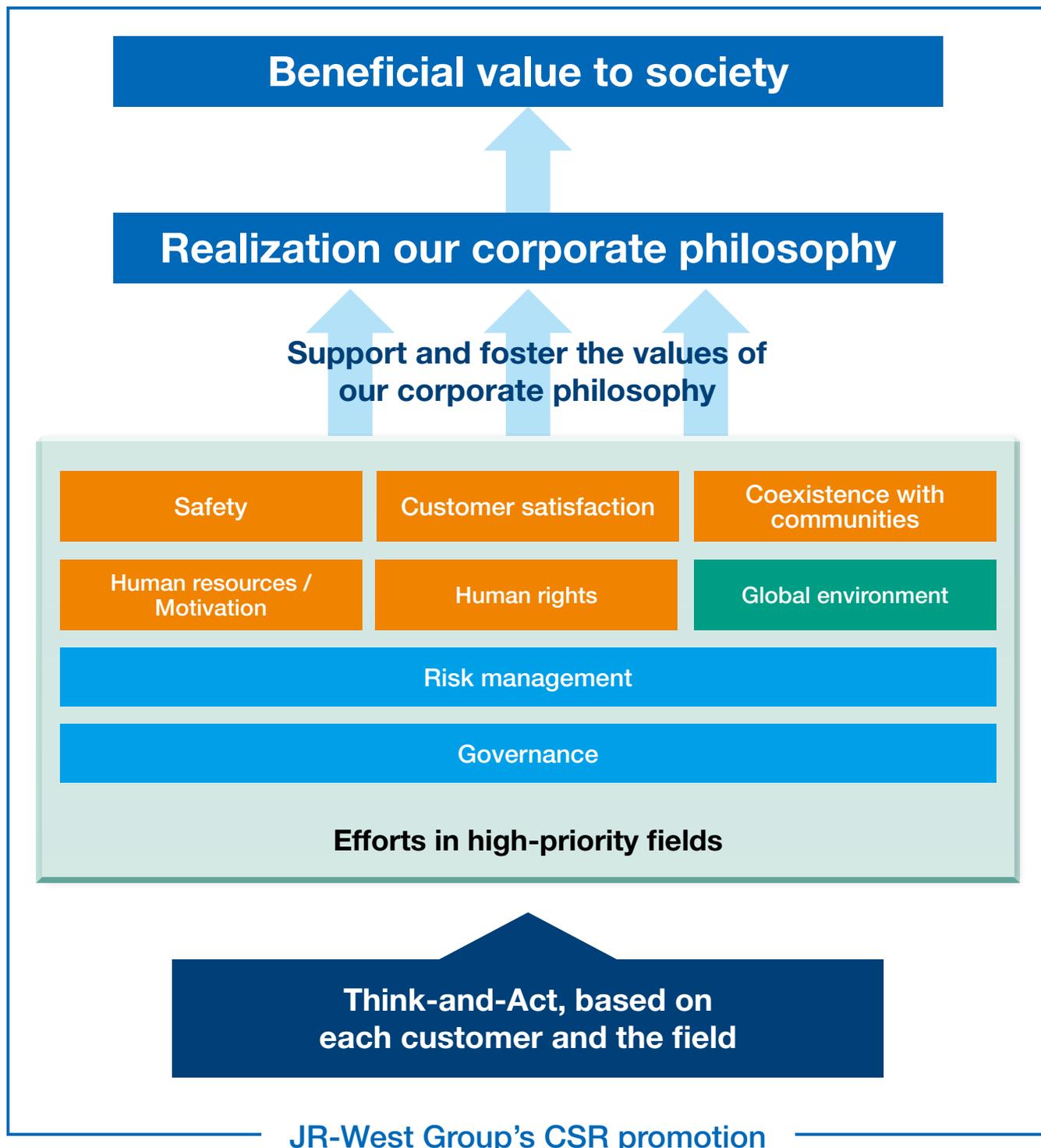
- Planning on dividends of ¥175 per share, an increase of ¥15 (9th consecutive year of higher dividends)
- Planning to acquire treasury stock, with upper limit of ¥10 billion

ESG Initiatives

Our Approach to CSR for Sustainable Growth of the Group

CSR is an indispensable endeavor for the Company, in that it provides beneficial value to society in line with our corporate philosophy, and is part of our management base for sustainable growth of the Group. In order to improve the value that we provide to society, we have

highlighted main priority fields for the entire Group to focus their efforts. The CSR priority fields have been determined in terms of the ESG priorities put forth in our Medium-Term Management Plan 2022 and in light of the expectations of society and our goals for the future.



We established priority fields from the perspective of ESG and, with consideration for SDGs, we will take steps to implement initiatives. In this way, we will aim to

fulfill our responsibilities as a member of society and to achieve sustained growth.

Environmental	Social			
<p style="background-color: #008080; color: white; padding: 2px;">Global environment</p> <ul style="list-style-type: none"> Contributing to reductions in CO₂ through a shift to the use of environmentally friendly railways Advancing the establishment of environmentally-friendly stations, etc. Further progress in railway energy-saving and resource conservation 	<p>Safety</p>	<ul style="list-style-type: none"> Providing information regarding examples of improvement, plans, etc. (two-way communication) 	<p>Human resources / Motivation</p>	<ul style="list-style-type: none"> Creating an environment in which retirees and their families maintain relationships with the Company and enjoy comfortable lifestyles
	<p>See page 39.</p>			
	<p>Customer satisfaction</p>	<p>Coexisting with communities</p>		<p>Human rights</p>
	<ul style="list-style-type: none"> Implementing initiatives related to safe and reliable transportation Providing information at times of transportation disruptions Offering appropriate, easy-to-understand guidance services Creating comfortable, convenient environments (stations, trains, manners, etc.) 	<ul style="list-style-type: none"> Building communities that people want to visit and live in through dialog and cooperation with people in local communities Realizing safe, sustainable railway/ transportation services Creating new value by promoting local industries and leveraging regional resources 	<ul style="list-style-type: none"> Developing human resources who can take the lead in think-and-act initiatives, building mutually supportive environments, and establishing an environment in which diverse human resources can actively contribute (diversity and inclusion) Improving the pride and motivation of each employee, advancing initiatives to promote health in mind and body 	<ul style="list-style-type: none"> Responding to human rights issues, which are becoming more diverse and complex due to changes in the social environment Advancing risk management in regard to human rights

Governance	
Governance	Risk management
<ul style="list-style-type: none"> Strengthening governance for the entire JR-West Group Rigorously complying with laws and regulations on a Groupwide basis and establishing corporate ethics in accordance with the spirit of laws and regulations Establishing and operating a framework that reflects consideration for the purposes of the Corporate Governance Code Enhancing two-way communication with stakeholders 	<ul style="list-style-type: none"> Incorporating risk management initiatives into management system and establishing risk management within the Company Recognizing and improving issues with our corporate culture and addressing new compliance risks Addressing serious hazards and risks in management on a Groupwide basis

External recognition



FTSE4Good



FTSE Blossom Japan



2018 Constituent
MSCI Japan ESG
Select Leaders Index

JR-West has been included in two of the ESG indices selected by the Government Pension Investment Fund (GPIF): the FTSE Blossom Japan Index and the MSCI Japan ESG Select Leaders Index.

ESG Highlight

Global Environment

Environmental Accounting (Fiscal Year Ended March 2018)

		(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	0.18	25.48	0.13	0.00	0.00	0.00	0.00
	Expense amounts	0.47	0.30	5.18	0.10	1.15	0.01	0.21

Environmental Burden

				(Data for the Fiscal Year Ended March 2018)		
INPUT	Electricity	Used to operate trains (electric), etc.	3.13 billion kWh [360 million kWh]	➔	Volume of used materials generated (facility construction)	156,600 t
	Diesel fuel	Use to operate trains (diesel railcars), etc.	26,780 kℓ [176 kℓ]		Recycling volume	150,900 t (96.4%)
	Fuel oil	Used at boilers in maintenance centers, etc., and for heating offices	3,975 kℓ [133 kℓ]		Volume of used materials generated (railcars)	14,000 t
	Type A heavy oil	Used in maintenance centers and other boilers	1,112 kℓ [1,301 kℓ]		Recycling volume	13,200 t (94.3%)
	Gasoline	Used in commercial vehicles, etc.	1,101 tons [1,250 tons]		Total amount of station and train waste	13,400 t
	Natural gas	Used to heat water at offices, etc.	2,310,000 m ³ [16,760,000 m ³]		Of which, recyclable waste	4,800 t
	Propane gas	Used to heat water at offices, etc.	421 tons [18 tons]		Recycling of recyclable waste	4,700 t (98.6%)
	Water	Waterworks	4,110,000 m ³ [4,110,000 m ³]		Carbon dioxide* ²	1,910,000 t-CO ₂
	Water	Groundwater, industrial water, recycled water* ¹	1,370,000 m ³		Wastewater* ³	5,220,000 m ³
	A4-sized copy paper	Used for copying, etc.	160 millions of sheets [200 millions of sheets]		Industrial waste* ⁴ <Reported to the authorities as industrial waste>	8,500 t [279,000 t]

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

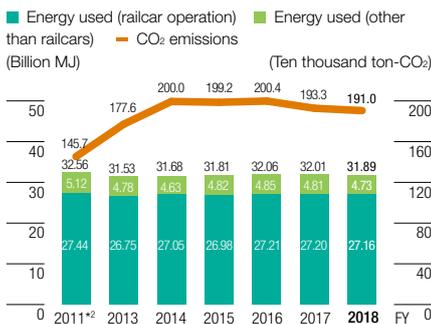
*1 Figures indicated for water <groundwater, industrial water, recycled water> indicate only those that can be technically measured, including at Osaka Station and maintenance centers.

*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.

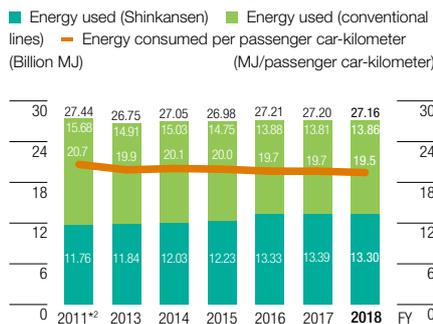
Energy Used and CO₂ Emitted*¹ in Business Operations



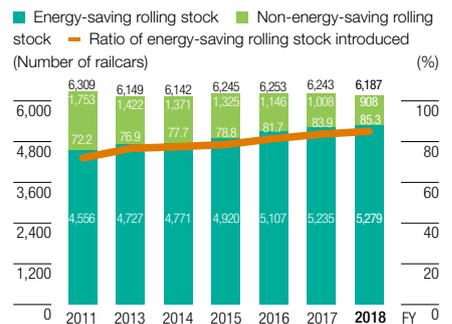
*1 CO₂ emissions (= GHG emissions): The CO₂ equivalent of greenhouse gas emissions (=GHG emissions)

*2 Base year targets in the JR-West Group Medium-Term Management Plan 2017

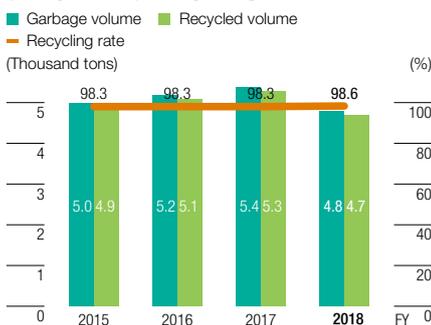
Railway Operation Energy and Energy Consumed per Passenger Car-Kilometer



Adoption of Energy-Saving Rolling Stock (Commercial Vehicles)



Station and Train Garbage (Recyclable) Recycling



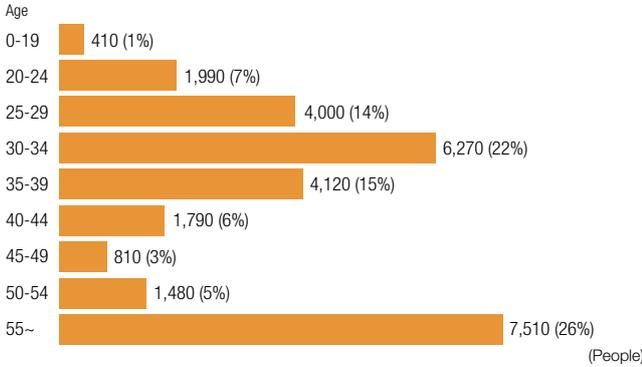
Status of 3Rs in Railway Materials (Facility Construction)



Status of 3Rs in Railway Materials (Railcars)



Employee Composition by Age, as of April 1, 2018



Percentage of Female Workers (Indicating Managers and Executives Separately)

	Overall	Managers	Executives
	12%	2%	2%

* Expect for an external director

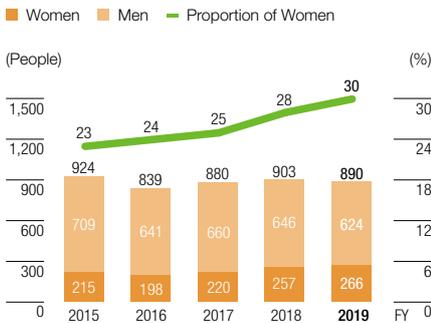
* As of April 1, 2018

Percentage of People Taking Paid Leave

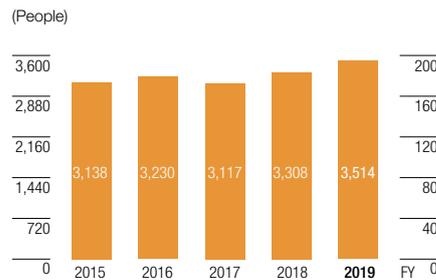
Overall
79%

* Average number of days used in fiscal 2018: 15.7 of 20 days

Number of Hires by Gender and Changes in Proportion of Women Hires



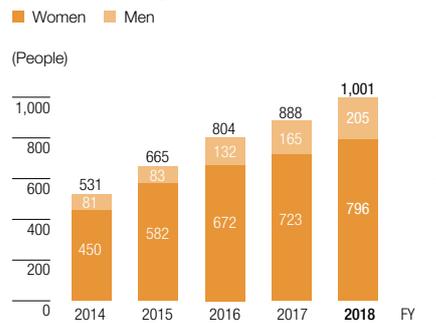
Female Employees



Average Overtime Hours

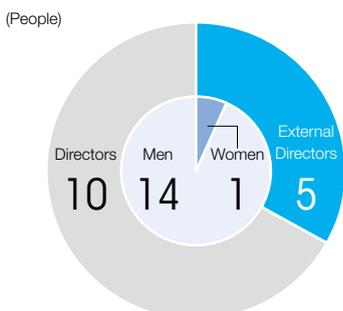


People Taking Childcare Leave

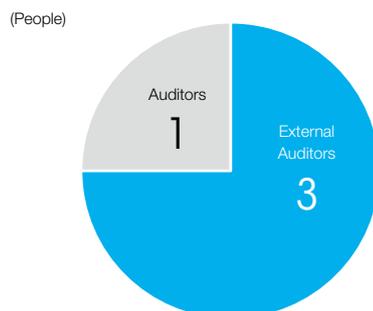


Corporate Governance

Board of Directors Composition



Audit & Supervisory Board Composition



Remuneration of Directors and Audit & Supervisory Board Members

Category	Remuneration Amount
Directors	¥447 million
Audit & Supervisory Board Members	¥ 77 million
Total	¥525 million

Safety

Mid-Term Management Plan 2017 in Retrospect

We achieved steady results in improving safety, while at the same time reiterating the various challenges and issues of our past efforts.

- An overall downward trend in number of transport disruptions caused by railway accidents and internal causes as a result of the cumulative effects of various hard and soft initiatives.
- Several shortcomings in past efforts were made clear, mainly as a result of the Shinkansen critical incident of December 2017

Vision for the Future

In light of the Shinkansen critical incident, we must not only comply with fundamental motions and rules borne from lessons of the past, but we must also increase our sensitivity to when faced with scenarios that involve sensing danger, and after being unable to confirm safety, stopping the train without hesitation. In these way, we will improve safety across the entire Group.

Our vision for the future is “a safe and comfortable society filled with meetings among people and smiles.” To achieve this vision, we understand that it must be

based on securing and improving our customers’ safety in order to meet their expectations and gain their confidence. We are fully determined to prevent another occurrence like the accident on the Fukuchiyama Line from ever happening again, and the entire Group is dedicated to giving constant, steady, and growing efforts to this purpose. At the same time, we will continue to pursue safety, and aim to improve the entire railway from every angle.

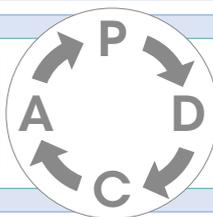
JR-West Group Railway Safety Think-and-Act Plan 2022

Safety management with the participation of all employees

Each employee considers specific risks

Enhancement of railway systems that maintain safety

Enhancement of organizational safety management



Implementation of safety think-and-act initiatives by each individual

Fostering the spread of safety-first awareness

Target Indicators / Direction

- No train accidents that result in casualties among our customers, no railway labor accidents that result in fatalities among our employees (over a 5-year period)
- Train accidents involving people that result in casualties among our customers, accidents at level crossings, transportation disruptions due to internal factors → Further 10% reduction*

* From Safety Think-and-Act Plan 2017 objectives

Strategy in the Medium-Term Management Plan 2022

We will strive to successfully implement the “JR-West Group Railway Safety Think-and-Act Plan 2022,” and to prevent serious accidents and labor accidents.

- In accordance with our unchanging determination to ensure that we will never again cause an accident such as that on the Fukuchiyama Line, safety is positioned as our most important strategy and is the core of the JR-West Group Medium-Term Management Plan 2022. We will steadily implement the JR-West Group Railway Safety Think-and-Act Plan 2022, which was formulated as a detailed safety plan.
- “Fostering the spread of safety-first awareness” is the basis of the plan. Through the “enhancement of organizational safety management” and the “implementation of safety think-and-act initiatives by each individual,” we will work to “enhance railway systems that maintain safety” and strive to realize “safety management with the participation of all employees.” In these ways, we will aim to prevent serious accidents and labor accidents.
- Specifically, under the conditions that we face, to maintain the safety of customers and colleagues, we will start by having each individual stop briefly and “think carefully about specific risks.” This will lead to decisions and actions that prioritize safety above everything else.

<p style="text-align: center;">Fostering the spread of safety-first awareness</p> <ul style="list-style-type: none"> • Implementing initiatives to ensure that we always remember the Fukuchiyama Line accident, understanding and implementing policies related to safety (Enhancing safety think-and-act training, etc.) • Increasing sensitivity to safety, implementing safety-first approach to decision-making and actions (Fostering a sense of values that emphasizes that the “train is to be stopped without hesitation,” etc.) 	<p style="text-align: center;">Enhancing organizational safety management</p> <ul style="list-style-type: none"> • Increasing the quality of risk assessment (enhancing methods of identifying latent risks, etc.) • Enhancing safety management systems (construction / operation of PDCA cycle, etc.) • Constructing frameworks for the formulation / maintenance of practical rules
<p style="text-align: center;">Implementation of safety think-and-act initiatives by each individual</p> <ul style="list-style-type: none"> • Creating environments that facilitate reporting • Implementing self-directed initiatives, self-discipline • Considering / instituting measures that can be implemented together with colleagues 	<p style="text-align: center;">Enhancing railway systems that maintain safety</p> <ul style="list-style-type: none"> • Advancing tangible measures (Implementing investment, technical development, etc., to realize a high level of safety) • Advancing intangible measures (Implementing practical human factor training incorporating VR, etc., enhancing safety-first flexible response capabilities, etc.)

Customer Satisfaction

Mid-Term Management Plan 2017 in Retrospect

Results

- Greater customer satisfaction on a variety of levels through improvements such as barrier-free facilities, multilingual information and broadcasting, more comprehensive provision of information, improved toilets, station and train interior beautification, and better reception from staff
- Customer satisfaction survey results that confirm steady improvement
- Aim to further improve quality of service and customer satisfaction in response to customer needs which change, advance, and diversify over time.

Vision for the Future

Our plan for the future is, as it was before, to pursue customer-oriented management with the aim of creating JR-West fans among customers. We are building up our Think-and-Act philosophy person by person within the company as we work to realize our Customer Satisfaction Vision 2022, which shows what kind of feeling we want to instill in our customers. Part of this requires listening to customers' voices from the front line, and in light of an aging population, increased visitors to Japan, and the advancement of women in society, we see a chance to embrace the changing landscape by providing services

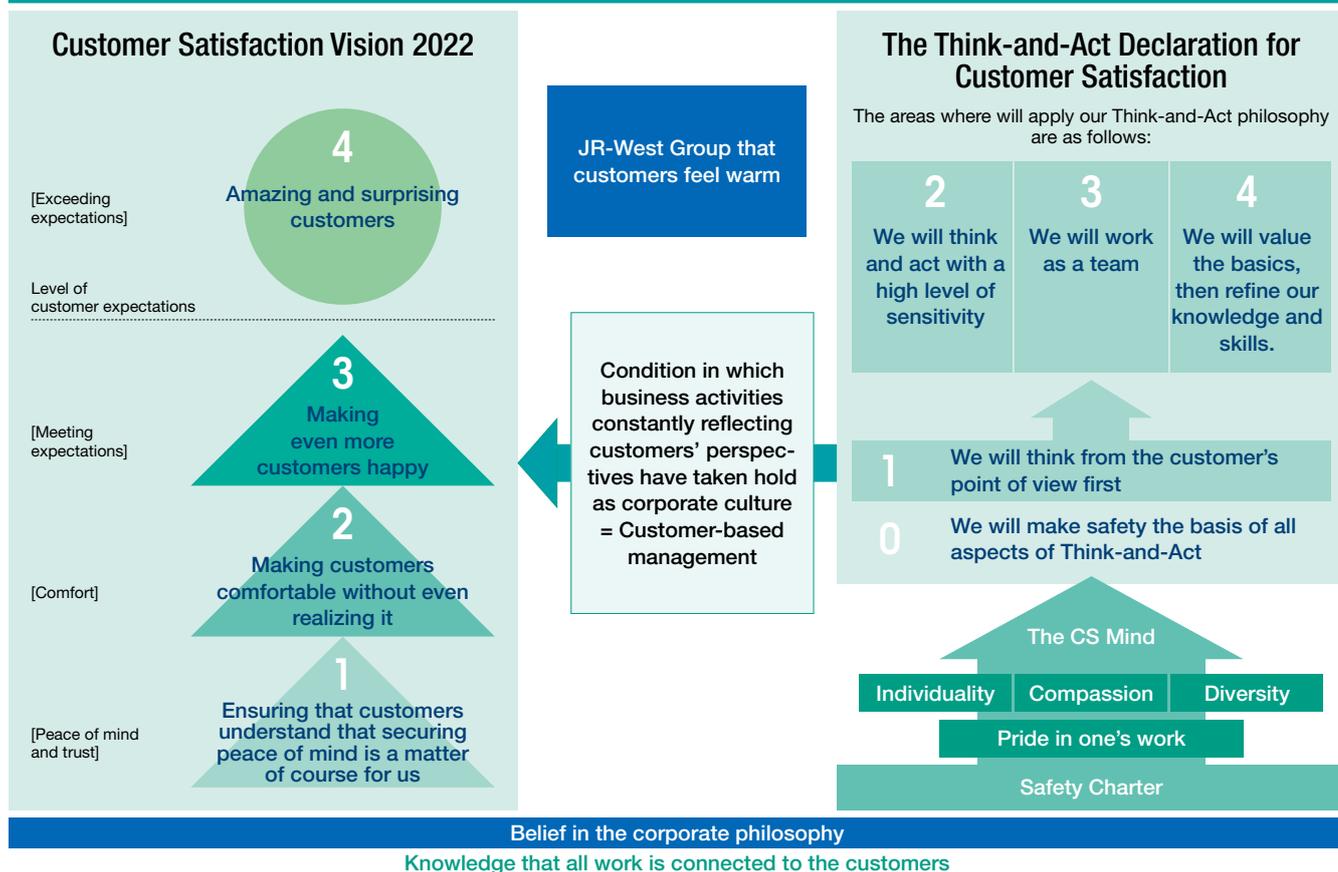
that meet more diversified needs and expectations. We will also make active use of our technology, look to the future, and provide services suited to each region. In addition, we aim to create more services for both our customer and the communities living along our train lines.

The entire JR-West Group strives to build warm relationships that foster a feeling of fellowship and give this warmth to our customers, and will continue to use these relationships to create happiness among our customers and the communities along the lines where it operates.

Objective

Make customers into "fans of JR-West"

Realize and continue that over 80% of customers gave us an overall 4.0 or higher on customer service questionnaires (a "favorable" rating)



Coexistence with Communities

Mid-Term Management Plan 2017 in Retrospect

We continued to revitalize local communities through unified efforts made in collaboration with the local residents.

- Invigoration of the Hokuriku area by maximizing effect of the opening of the Kanazawa-Tsuruga segment of the Hokuriku Shinkansen
- Development of terminal stations, including Osaka Station
- Promotion of dialogues with local communities to realize sustainable railways and transport services

Vision for the Future

Factors such as a shrinking market and a dwindling labor force due to the declining population forecast harsh circumstances surrounding each region of the country. On the other hand, visitors to Japan are projected to go up, and this, coupled with large-scale projects such as the Umekita subway station adjoining Osaka Station, provide many opportunities for growth in our business areas. As a Group whose business is railways, which are crucial to

social infrastructure, JR-West is making unified efforts alongside local communities to make the areas along the railways places that anyone would want to visit or live in. In doing so, we add to the development of local regions and economies and therefore contribute to creating “a safe and comfortable society filled with meetings among people and smiles.”

“I Want to Go...I Want to Go Again!” Showcasing Wide Attraction Zones

We are committed to highlighting the unique sights and experiences in the western Japan area and are working to showcase wide attraction zones through branding and promotion. Part of these efforts involve the Setouchi Palette Project, which was developed as a collaboration between the railway and non-railway businesses. This project is intended to highlight the Setouchi area of western Japan, which contains a rich variety of sight-seeing activities. Through this project, we aim to turn the Setouchi area into a welcoming region for many first time and repeat visitors from Japan and overseas by creating tourism routes and developing contents that capitalize on local industry and culture.

Development of key terminal stations

In addition, we are developing major stations to serve as bases for the tourism routes and as points to transmit local appeal to tourists. One example of this is Onomichi Station, where we have rebuilt the station and added a tourist information center in collaboration with the city, and will establish accommodations for cyclists as well as commercial facilities.



New station building for Onomichi Station

Human Resources / Motivation

Mid-Term Management Plan 2017 in Retrospect

Workstyle Reforms

- Enhancement of childcare and nursing systems
- It is necessary to promote the use of these systems and create an environment where personnel who are engaged in childcare, nursing or another situation are able to prosper.

Human Resource Cultivation

- Initiatives to improve practical skills and facilitate the passing on of technical expertise in specialized fields for the coming future
- Establishment of a management training system, and promotion of leadership skill development at the management level

Health Management

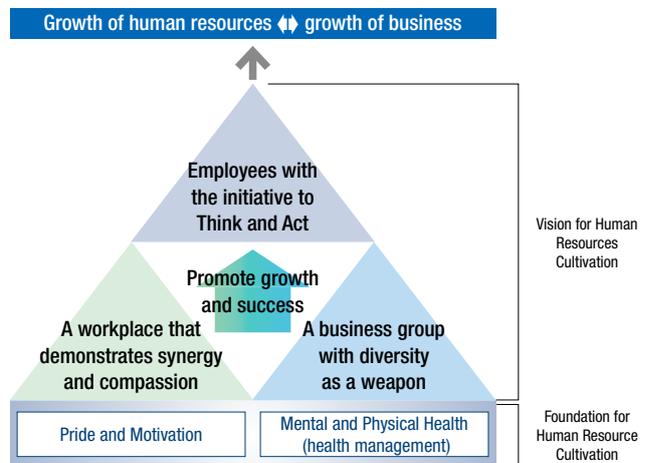
- Promotion of measures appropriate to time and social trends (recognized by White 500 certification, etc.)
- Going forward, the Group will develop concrete initiatives toward achieving the measures formulated in its Health Management Plan

Vision for the Future

In our Medium-Term Management Plan 2022, we declare that human resources and their motivation are key parts of our management base, and make every effort to cultivate it in our human resources across the Group. An important factor to this strategy succeeding is the mindset possessed by each and every member of the Group to Think-and-Act based on the customer and the field. In addition, our management will make use of what is happening on the front lines to gain peace of mind and trust and provide value to our stakeholders.

Human resources comprise the driving force toward this goal, and the growth of each individual is a major power of JR-West. In that light, we have set up both a Vision for Human Resources Cultivation and a Foundation for Human Resource Cultivation to realize our ideal vision of the future. The goal of these initiatives is to create a cycle where facilitating employee growth leads to business growth, and business growth leads to more

employee growth. By repeating this cycle we will meet the expectations of our customers and stakeholders, which will contribute to the Group’s sustainable growth in the future. For these reasons we will continue to our efforts to cultivate human resources.



Promoting Diversity and Workstyle Reforms

In order to become a business group with diversity as weapon, we are promoting diversity and workstyle reforms, which will allow a variety human resources to be active in the workplace. Each of our employees can lead a fulfilling life, flourish and grow at work, which will allow them to better respond to diversifying needs and customer expectations.



Global Environment

Mid-Term Management Plan 2017 in Retrospect

Results

- Reached all of our targets by introducing new technologies and encouraging Think-and-Act eco-mindsets among our employees
- Reached energy consumption-related goals by promoting the introduction of energy-saving vehicles and high-efficiency equipment in addition to reaching power goals
- Reached recycling-related goals by promoting the 3Rs* for recyclable and generated waste
- Penetration of biodiversity conservation efforts and environmental management activities

Issues

- Contribute to the protection of the global environment by further utilizing our technology and ingenuity
- Continue to perform activities to protect the global environment through instilling the eco-mindset in each and every one of our employees

* 3Rs: Reduce (saving resources and extending use), Reuse, Recycle

Vision for the Future

The entire JR-West Group recognizes that protecting the global environment is an important duty for any company. In that light, JR-West is working to realize a society where sustainable development is possible with our understanding of the interaction between business activities and the environment. Specifically, we have fostered a base “eco-mindset” in all of our employees so that they are aware of the importance of environmental conservation. This, based on our four pillars, are indicative our various global environment protection activities.

Generally speaking, trains are energy efficient and environmentally friendly vehicles compared to other modes of transportation. In addition to pursuing further energy conservation of its vehicles, the JR-West Group has been devising methods to get more customers to select railways as their mode of transportation and therefore lessen their impact on the global environment. In this way, we will continue to reduce environmental

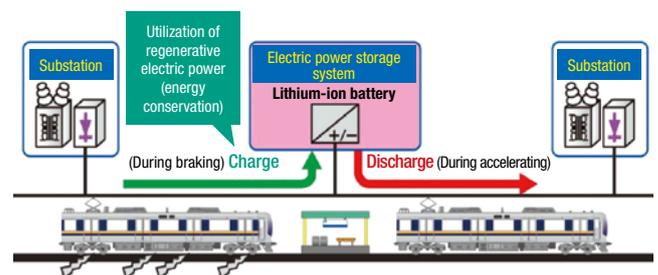
impact by methods such as reducing the CO₂ emissions caused by transportation as a whole, by contributing to the creation of a recycling-oriented society, and by cur-tailing the impact on nature and ecosystems.



Efforts to Prevent Global Warming (Energy Conservation)

Introducing Power Storage Systems

In March 2018, we introduced a power storage system at our Yasu location. This device is designed to take regenerative power generated when a train applies its brake and temporarily store it into a storage battery. This power is discharged when a running train accelerates nearby, making it possible to efficiently utilize energy.



Power Storage Mechanism

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. We will provide value to our stakeholders, including sustained expansion of shareholder value, in order to create “a safe and comfortable society filled with meetings among people and smiles.”

Overview of the Corporate Governance System

As a Company with Audit & Supervisory Board Members under the Companies Act, the Company ensures transparency and fairness of management through appropriate audits conducted by Audit & Supervisory Board Members regarding the execution of duties by directors.

Board of Directors

The Board of Directors receives advice on important management matters from five external directors based on their extensive experience and specialized knowledge, while conducting timely and appropriate decision-making, and performing effective supervision and monitoring.

Management Committee

As a general rule, the Management Committee meets once a week to discuss fundamental management matters in an effort to accelerate decision-making and business execution.

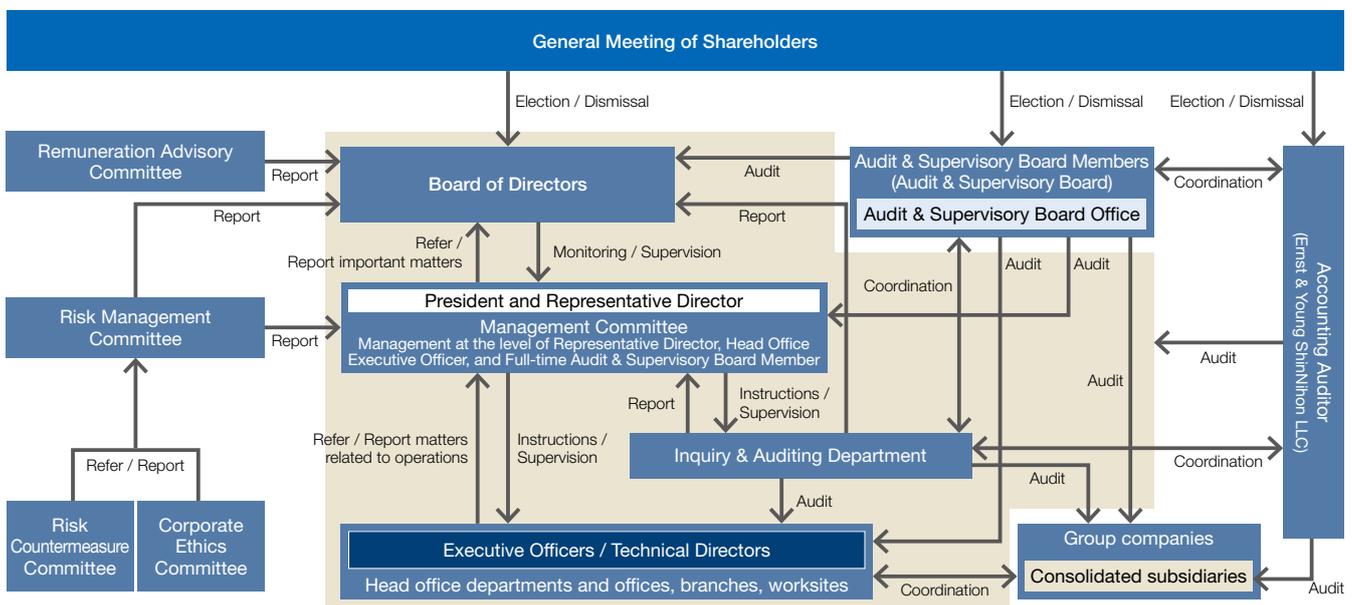
Audit & Supervisory Board

Audit & Supervisory Board Members attend important meetings, including meetings of the Board of Directors,

perform on-site audits at branch offices and departments, monitor execution of duties of the Board of Directors, and provide advice and recommendations based on the audit policies and plans formulated by the Audit & Supervisory Board.

In addition, in compliance with the Corporate Governance Code, which came into force in June 2015, the Company discloses its basic views and status of initiatives concerning corporate governance. To enhance corporate value, we promote initiatives in the spirit of the code, such as enhancing the effectiveness of the Board of Directors and disclosing information in an appropriate and timely manner. Furthermore, in order to establish a risk management style able to manage and reduce risks in an integrated way, we have established a Risk Management Committee to strengthen our risk management system.

Moving forward, we continue to work to improve our effectiveness based on operational circumstances, and strive to create an optimal system in response to changes in the business environment surrounding the Company.



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.

Efforts to improve the evaluation and effectiveness of the Board of Directors

The Board of Directors fulfills its obligations in terms of establishing an environment that supports appropriate risk taking by management and offering highly effective monitoring and supervision. Accordingly, the Board has been evaluated as functioning effectively. The Company is engaged in various efforts to maintain and improve this effectiveness going forward.

Specific Efforts to Improve Effectiveness of the Board of Directors

1 Development of communication system for external directors
① Explanation of important management matters, etc. Establish opportunities to explain matters to external directors in addition to explanations given prior to Board meetings
② Provision of information regarding actual business conditions and background for measures taken, etc. On-site visits to stations, command centers and other relevant areas, as well as opinion exchanges with employees
③ Holding liaison meetings with external directors as the main constituents Meetings to discuss global and social trends that may be relevant in future affairs handled by the Board of Directors as well as other topics related to management
④ Any other necessary explanations regarding important questions or items Provides additional explanations for points and questions brought up at Board of Directors' meetings.
2 Sharing content of discussions from meetings of the Board of Directors
The content of discussions and points brought up at meetings of the Board of Directors are communicated and shared at meetings of the Management Committee, and subsequently utilized to draft and promote initiatives.
3 Conducting interviews with directors
We conduct interviews concerning the management of the Board of Directors with all directors on a yearly basis and implement measures necessary for improving and revitalizing effectiveness based on the results.

Remuneration to Directors and Auditors

We have abolished the director bonus system and consolidated it into monthly remuneration, set at an appropriate level by taking into consideration remuneration of other companies as surveyed by a specialized external agency. In addition, a Remuneration Advisory Committee has been established to raise the objectivity and transparency of remuneration of directors. This committee consists of three or more directors the majority of whom are external directors and deliberates the remuneration etc. of directors from an objective and fair perspective and reports to the Board of Directors.

- Monthly remuneration of directors (excluding external directors) consists of basic remuneration, plus performance compensation determined each fiscal year based on performance in terms of achieving medium-term goals related to safety and management.
- In consideration of their duties, we will not pay performance compensation amounts to external directors and auditors, and will only pay basic remuneration in consideration for the execution of their duties.

Remuneration of Directors (FY 2018 Results)

Category	Remuneration amount (millions of yen)	Type of remuneration and amount (millions of yen)				Number of eligible officers
		Basic remuneration	Stock options	Bonus	Retirement bonus	
Directors (excluding external directors)	397	397	—	—	—	9
Auditors (excluding external auditors)	31	31	—	—	—	1
External directors and auditors	96	96	—	—	—	8

Message from an External Director

We will enhance the soundness and transparency of management from a third-party perspective

Further strengthening of corporate governance is required as the degree of complexity and sophistication of social responsibilities expected of corporations continues to grow. I hope to make use of all of the knowledge I have acquired concerning university management and information and communications technology to ensure the soundness and transparency of management from the third-party perspective that is expected of an external director, and in doing so, to acquire the peace of mind and trust of stakeholders.

If the goal is to create new corporate value in order to realize an ideal future society, it is indispensable to enhance governance, and I believe that the Board of Directors should take an aggressive stance to do so. Through frank and vigorous discussions with the executing side, we will strive to improve both long-term sustainable growth and corporate value of the Group.



Hideo Miyahara

Corporate Governance

Board of Directors and Audit & Supervisory Board Members

As of June 21, 2018

Method for Appointing Directors and Others

Directors and others are appointed by the procedure prescribed in the Companies Act and based on the selection criteria stipulated, which includes high ethical standards, personality, and management capabilities.

With the aim of building up a management system to respond to change in the business environment in the

future, more clearly defining management responsibilities and further strengthening corporate governance by increasing the opportunities to gain shareholder confidence, the Company desires to shorten the term of office of Directors from the current two years to one year.

Board of Directors



Directors

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	Senior Adviser, KINDEN CORPORATION
Hideo Miyahara *1	Visiting Professor, Graduate School of Information Science and Technology, Osaka University
Hikaru Takagi *1	Professor, Graduate School of Law, Kyoto University

Directors and Senior Executive Officers

Shinichi Handa	
Shoji Kurasaka	
Keijiro Nakamura	
Toshihiro Matsuoka	

Audit & Supervisory Board Members

Mikiya Chishiro *2, 3	
Naoki Nishikawa *2	

Yasumi Katsuki *3	Certified Public Accountant, Katsuki Office
Yoshinobu Tsutsui *3	Chairman and Representative Director, Nippon Life Insurance Company

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

Executive Officers

As of June 21, 2018

President, Representative Director, and Executive Officer

Tatsuo Kijima	
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Vice Presidents, Representative Directors, and Executive Officers

Fumito Ogata	Senior General Manager of Railway Operations Headquarters
Kazuaki Hasegawa	Senior General Manager of Business Development Headquarters
Nobutoshi Nikaido	Senior General Manager of Tokyo Headquarters
Yoshihisa Hirano	Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters

Directors and Senior Executive Officers

Shinichi Handa	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Transport Safety Department, Railway Operations Headquarters
Shoji Kurasaka	Senior General Manager of Supporting Headquarters for the victims of the derailment accident on the Fukuchiyama Line / General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line / General Manager of General Affairs Department
Keijiro Nakamura	Senior General Manager of Kansai Urban Area Regional Head Office
Toshihiro Matsuoka	Deputy Senior General Manager of Railway Operations Headquarters / Deputy Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters

Senior Executive Officer

Atsushi Sugioka	Senior General Manager of Corporate Planning Headquarters / Senior General Manager of IT Headquarters
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Executive Officers

Kuniaki Morikawa	Deputy Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters
Masafumi Ise	Deputy Senior General Manager of Corporate Planning Headquarters
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	General Manager of Kanazawa Branch
Yutaka Nakanishi	General Manager of Personnel Department
Koichi Haruna	Deputy Senior General Manager of Business Development Headquarters

Makiko Tada	Deputy Senior General Manager of Kansai Urban Area Regional Head Office / General Manager of Kobe Branch, Kansai Urban Area Regional Head Office
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 Hiroshima Branch
Koichi Taji	Deputy Senior General Manager of IT Headquarters
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, Yonago Branch
Tatsuya Tanaka	General Manager of Fukuchiyama Branch
Yoshito Fujiwara	General Manager of Finance Department
Yasuhiro Arita	General Manager of Okayama Branch
Jun Fukushima	General Manager of Corporate Communications Department
Takahiro Mitsuno	General Manager of Electrical Engineering Department

Senior Technical Director

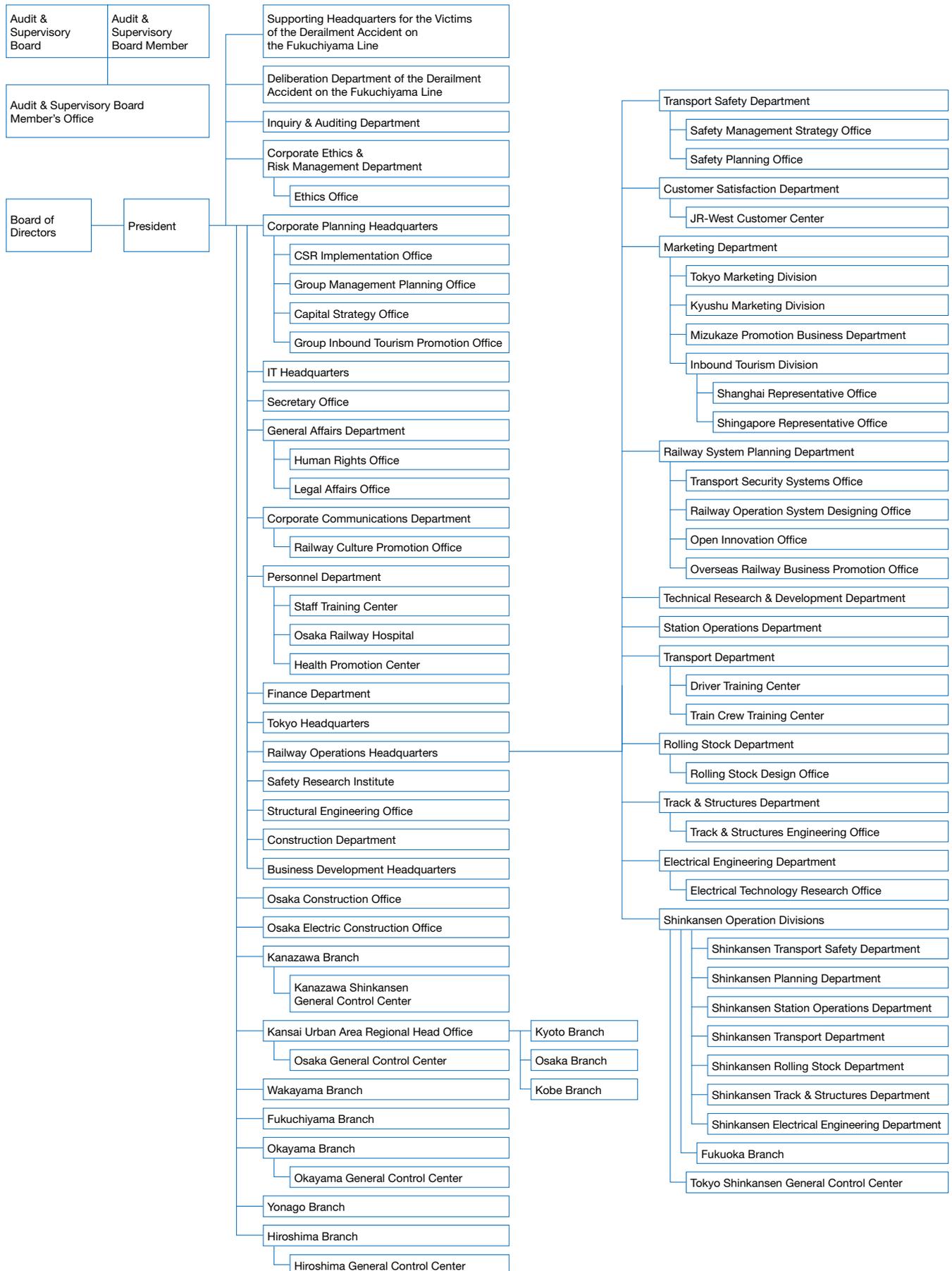
Atsushi Kawai	General Manager of Safety Research Institute
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Technical Director

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

As of June 1, 2018



Financial Section

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For details about financial information,
please see reference documents on the Company's website.
<https://www.westjr.co.jp/global/en/ir/library/annual-report/2018/>

Consolidated 10-Year Financial Summary

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

	2009	2010	2011
Operations:			
Operating revenues	¥1,275.3	¥1,190.1	¥1,213.5
Operating income	122.5	76.5	95.9
Profit attributable to owners of parent	54.5	24.8	34.9
Balance Sheets:			
Total assets	2,461.8	2,546.3	2,672.4
Long-term debt and payables*2	953.2	1,038.9	1,102.6
Total net assets	689.6	702.1	721.2
Cash Flows:			
Net cash provided by operating activities	178.8	161.3	223.2
Net cash used in investing activities	(172.6)	(208.7)	(246.2)
Net cash (used in) provided by financing activities	(10.1)	54.6	51.4
Other Data:			
Depreciation	137.0	141.9	150.8
Capital expenditures, excluding contributions received for construction	163.9	210.1	260.0
EBITDA*3	259.5	218.4	246.8
Per Share Data*4:			
Profit attributable to owners of parent	¥ 27,729	¥ 12,837	¥ 18,066
Cash dividends	7,000	7,000	8,000
Net assets	339,113	345,568	355,712
Ratios:			
ROA (Operating income basis)	5.0	3.1	3.7
ROE	8.4	3.7	5.2
DOE	2.1	2.0	2.3
Rate of total distribution on net assets*5	—	—	—
Equity ratio	26.7	26.3	25.8

*1 Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

*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
2012	2013	2014	2015	2016	2017	2018	2018
¥1,287.6	¥1,298.9	¥1,331.0	¥1,350.3	¥1,451.3	¥1,441.4	¥1,500.4	\$14,155
109.7	129.4	134.5	139.7	181.5	176.3	191.3	1,805
29.4	60.1	65.6	66.7	85.8	91.2	110.4	1,042
2,642.9	2,613.7	2,687.8	2,786.4	2,843.1	3,007.8	3,072.9	28,990
1,068.8	983.0	980.7	1,004.2	1,001.8	1,037.9	1,032.2	9,737
733.5	768.1	807.3	846.7	926.3	1,032.6	1,116.3	10,531
206.2	238.0	237.7	223.6	259.8	234.1	275.1	2,595
(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(295.8)	(166.3)	(1,569)
(36.8)	(85.2)	(47.8)	1.6	(31.3)	44.3	(71.4)	(673)
169.3	160.8	153.9	149.5	156.6	162.7	163.5	1,543
195.4	152.9	166.7	225.6	233.1	192.4	169.4	1,598
279.1	290.3	288.5	289.3	338.1	339.1	356.1	3,359
						Yen	U.S. dollars*1
¥ 152.29	¥ 310.87	¥ 338.98	¥ 344.58	¥ 443.53	¥ 471.52	¥ 570.72	\$ 5.38
90.00	110.00	115.00	125.00	135.00	140.00	160.00	1.50
3,632.41	3,850.82	4,048.31	4,138.65	4,534.29	4,857.50	5,273.42	49.74
						%	
4.1	4.9	5.1	5.1	6.4	6.0	6.3	
4.2	8.3	8.6	8.4	10.2	10.0	11.3	
2.5	2.9	2.9	3.1	3.1	3.0	3.2	
—	—	2.9	3.1	3.1	3.0	3.2	
26.6	28.5	29.2	28.8	30.9	31.3	33.2	

Management's Discussion and Analysis of Operations

Consolidated Basis

Results of Operations

In fiscal 2018, ended March 31, 2018, transportation revenues rose amid a moderate economic expansion, mainly as a result of increased customer use, and also due to a rebound in railway used from the downturn following the Kumamoto earthquake in April 2016, marked by increased use of the Sanyo Shinkansen. The retail and real estate business also rose steadily. As a result, operating revenues, operating income, recurring profit and profit attributable to owners of the parent all experienced an increase.

Operating expenses increased 3.5% year on year, or ¥44.0 billion, to ¥1,309.0 billion. While there was a decrease in personnel as a result of lowered unit costs, costs related to beginning operations of the TWILIGHT EXPRESS MIZUKAZE, a rise in operating costs from system-related expenses, increased expenses for renovations as part of measures to improve safety, and an increase in the price of power due to fuel cost adjustments resulted in an overall increase.

Net extraordinary profit and loss improved ¥15.9 billion from the last fiscal year, to a loss of ¥7.1 billion. Key factors included a provision of loss on liquidation of railway belts for the Sanko Line in the previous fiscal year, and a recorded impairment loss.

Profit attributable to owners of the parent rose 21.0%, or ¥19.2 billion, from the preceding fiscal year, to ¥110.4 billion.

Factors Affecting Revenues

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

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

In comparison, the 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 and the sale of condominiums along train lines. These revenues are affected by economic conditions and fluctuations of sales in the condominium business, but within the real estate rental business, the relatively stable customer traffic at stations, and tenant preference for stations and nearby office buildings for their convenience, means that economic conditions are less of a concern than they are for other companies in the same business.

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 2018, personnel costs totaled ¥221.4 billion.

Furthermore, we are securing human resources that are more advanced in age by way of an established re-employment system for retirees. This move has been made in order to facilitate a smoother transition of skills and in response to laws such as the Act on Stabilization of Employment of Elderly Persons. We are also thinking in terms of building a system that can manage the business in the coming future. In that light, we are recruiting with a focus on new graduates for the purpose of long-term employment. In addition, we also prioritize securing a diverse set of human resources, employing contract employees and mid-career recruits. In total, we have hired about 900 employees in the current fiscal year.

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 the Shinkansen critical incident, 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 2018, expenses paid were ¥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 2018, the Group's interest expense declined ¥1.4 billion, to ¥20.9 billion.

Cash Flows

Net cash provided by operating activities increased ¥40.9 billion year on year, to ¥275.1 billion, due to factors such as an increase in profit before income taxes.

Net cash used in investing activities fell ¥129.4 billion year on year, to ¥166.3 billion, because of a decrease in purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

Net cash provided by financing activities amounted to ¥71.4 billion, a ¥115.7 billion year-on-year change from the net cash disbursed in these activities in the previous fiscal year, due mainly to an increase in redemption of bonds.

As a result, cash and cash equivalents as of March 31, 2018, amounted to ¥101.4 billion, up ¥38.1 billion from the end of the previous fiscal year.

Capital Demand and Capital Expenditures

In fiscal 2018, the JR-West Group undertook capital expenditures totaling ¥199.5 billion, of which the transportation

operations segment accounted for ¥154.4 billion, the retail business segment ¥2.8 billion, the real estate business segment ¥35.7 billion, and the other businesses segment ¥6.5 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 the Shinkansen critical incident, 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, 2018. 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. In February 2018, the Company formulated the "JR West Group Railway Safety Think-and-Act Plan 2022", aiming to further improve safety levels, and have begun initiatives to prevent serious accidents and work-related injuries and deaths. 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

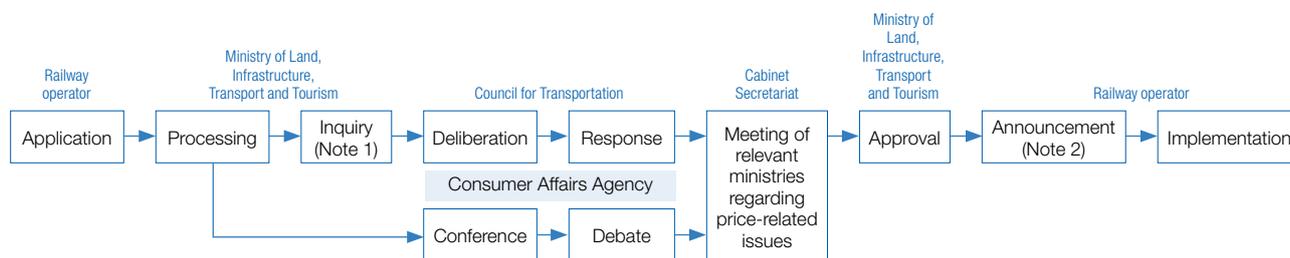
1. System and Procedure for Approval of Fares and Surcharges

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:

$$\text{Total cost} = \text{Operating cost (Note 1)} + \text{Operational return}$$

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 (JR-CT), 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 and conduct direct services between Shinkansen and conventional lines in the future.

As the establishment of Shinkansen lines 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 as of April 2012 an agreement for commencement of construction of the segment between the Hakusan car maintenance center and Tsuruga has been reached and that there were also no objections to the plan to operate GCTs. This decision was reached in consideration of the uniform travel time reductions expected despite only extending lines to Tsuruga, which connects the Kansai and Chukyo regions with 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.

As per 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

Operational and Other Risk Information

be made toward the opening of the entire segment up to Osaka. However, due to a lack of time to complete development of GCTs set to be introduced in fiscal 2026, the GCTs for the opening of the line between Kanazawa–Tsuruga will not be completed in time for this new deadline of fiscal 2023.

On the other hand, MLIT approved the construction plan for the Hokuriku Shinkansen between Kanazawa and Tsuruga in October 2017 (part 2). Since receiving approval, work has begun on construction of platforms to facilitate more convenient transfers between the Shinkansen and conventional railways. As a company that is heading this project, we will make efforts to utilize these platforms to enable smooth transfers.

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 is being conducted on the Obama–Kyoto route (Tsuruga Station–Obama vicinity (Higashi Obama)–Kyoto Station–Kyotanabe vicinity (Matsui Yamate)–Shin-Osaka Station), and we will continue to 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 69.50 million people. In contrast, the old-age population (65 and over), which was 33.86 million people in 2015, is projected to increase to 36.99 million people by 2029.

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.

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 made improvements to the Shinkansen, introducing a new automatic train control (ATC) system on the Sanyo Line, which shortens travel time and improves rider comfort, and has been working to improve convenience by increasing service of the Mizuho trains, and providing fully online reservation options, such as Smart-EX and the “e5489” services. In terms of the Urban Network, the Company faces competition with other railway operators and modes of travel. To address this issue, we have increased the number of trains during peak hours in addition to running an all-day, 12-car formation, promoting use though improved comfort and convenience.

In addition, the Company has been heightening the convenience for railway passengers by continuing to install barrier-free facilities, including elevators and escalators. Moving forward, we will enhance the competitiveness of the Shinkansen through flexible pricing and special perks for frequent users. In addition, we will promote the use of IC cards by improving their convenience through means such as the introduction of ICOCA points.

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 mainly develops its operations in stations and the areas surrounding them, it can be considered to possess competitive advantages in terms of advanta-

geous locations.

The Group aims to improve the value of its railway belts and the local community through providing high-quality goods and services that meet the expectations of both passengers and those active in the vicinity of railways, as well as through the creation and cultivation of local businesses. In doing so, it aims to expand the visitor population and the resident population.

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, 2018, stood at ¥1,032.2 billion (including the current portion thereof), or 0.5% lower than the previous fiscal year. Interest payments for the fiscal years ended March 31, 2016, 2017, and 2018, were ¥24.1 billion, ¥22.3 billion, and ¥20.9 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)
- March 2018
JR-West opened Kizuri-Kamikita station, operating between JR-Nagase and Shin-Kami station.

2. Outline of the Plan

- (a) Main construction contractor: Osaka Soto-Kanjo Railway Co., Ltd. (third-type railway operator)
- (b) Main operator: West Japan Railway Company (second-type railway operator)
- (c) Planned line: Between Shin-Osaka Station, Tokaido Main Line and Kyuhoji Station, Kansai Main Line length: 20.3 km
- (d) No. of stations: 14 (including Shin-Osaka and Kyuhoji stations)
- (e) Total construction cost: Approx. ¥120 billion (excluding new stations)
- (f) Planned construction period: Fiscal 1998 to fiscal 2019 (Segment between Hanaten-Kyuhoji completed in fiscal 2008)

3. JR-West's Stance

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

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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 across all Shinkansen and earthquake emergency news flash systems that also include conventional lines. The Company is steadily carrying out earthquake resistance reinforcement work 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.

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, 2018 and 2017

	Millions of yen		Millions of U.S. dollars*
	2018	2017	2018
Assets			
Current assets:			
Cash and deposits	¥ 82,995	¥ 63,578	\$ 782
Short-term investments	18,700	—	176
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	820	774	7
Trade	144,291	131,714	1,361
Less allowance for doubtful accounts	(815)	(837)	(7)
Inventories	101,258	82,802	955
Income taxes refundable	—	13	—
Deferred income taxes	19,547	17,582	184
Prepaid expenses and other current assets	52,291	56,237	493
Total current assets	419,089	351,864	3,953
Investments:			
Unconsolidated subsidiaries and affiliates	59,943	55,907	565
Other securities	26,873	24,559	253
Total investments	86,817	80,467	819
Property, plant and equipment, at cost:			
Land	758,987	754,274	7,160
Buildings and structures	3,313,924	3,275,914	31,263
Machinery, equipment and vehicles	1,503,517	1,476,976	14,184
Tools, furniture and fixtures	146,311	140,741	1,380
Construction in progress	73,063	54,129	689
	5,795,803	5,702,036	54,677
Less accumulated depreciation	(3,431,266)	(3,341,972)	(32,370)
Property, plant and equipment, net	2,364,537	2,360,063	22,306
Deferred income taxes	123,648	130,777	1,166
Asset for retirement benefits	1,868	1,505	17
Other assets	77,004	83,174	726
Total assets	¥ 3,072,965	¥ 3,007,852	\$ 28,990

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

	Millions of yen		Millions of U.S. dollars*	
	2018	2017	2018	
Liabilities and net assets				
Current liabilities:				
Short-term loans	¥ 17,252	¥ 15,908	\$	162
Current portion of long-term debt	59,830	82,354		564
Current portion of long-term payables	1,580	1,512		14
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	2,433	2,556		22
Trade	157,381	149,271		1,484
Prepaid railway fares received	38,860	37,407		366
Deposits and advances received	125,213	102,428		1,181
Accrued expenses	38,357	35,457		361
Income taxes payable	25,295	19,194		238
Provision for employees' bonuses	39,187	37,428		369
Provision for customer point programs	2,204	2,041		20
Deferred income taxes	37	—		0
Other current liabilities	22,693	59,708		214
Total current liabilities	530,327	545,270		5,003
Long-term debt	875,934	855,380		8,263
Long-term payables	104,375	105,957		984
Liability for retirement benefits	301,783	325,085		2,847
Provision for large-scale renovation of Shinkansen infrastructure	8,333	4,166		78
Provision for environmental safety measures	15,838	18,799		149
Provision for loss on railway line liquidation	10,170	11,457		95
Provision for unutilized gift tickets	2,414	2,575		22
Deferred income taxes	3,544	3,195		33
Other long-term liabilities	103,939	103,352		980
Total long-term liabilities	1,426,334	1,429,971		13,455
Contingent liabilities				
Net assets:				
Shareholders' equity:				
Common stock				
Authorized – 800,000,000 shares at March 31, 2018 and 2017				
Issued and outstanding – 193,735,000 shares at March 31, 2018 and 2017	100,000	100,000		943
Capital surplus	56,171	55,068		529
Retained earnings	849,925	768,358		8,018
Less treasury stock, at cost – 129,808 and 129,899 shares at March 31, 2018 and 2017	(481)	(481)		(4)
Total shareholders' equity	1,005,615	922,945		9,486
Accumulated other comprehensive income:				
Net unrealized holding gain on securities	4,018	3,763		37
Net unrealized deferred gain on hedging instruments	83	188		0
Retirement benefits liability adjustments	11,242	13,538		106
Total accumulated other comprehensive income	15,344	17,491		144
Non-controlling interests	95,343	92,173		899
Total net assets	1,116,304	1,032,610		10,531
Total liabilities and net assets	¥3,072,965	¥3,007,852		\$28,990

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Consolidated Statement of Profit or Loss

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Millions of U.S. dollars*
	2018	2017	2018
Operating revenues	¥1,500,445	¥1,441,411	\$14,155
Operating expenses:			
Transportation, other services and cost of sales	1,113,026	1,072,732	10,500
Selling, general and administrative expenses	196,052	192,287	1,849
	1,309,079	1,265,019	12,349
Operating income	191,365	176,392	1,805
Other income (expenses):			
Interest and dividend income	703	650	6
Interest expense	(20,906)	(22,350)	(197)
Equity in earnings of affiliates	2,480	1,574	23
Provision for loss on railway line liquidation	—	(11,470)	—
Gain on contributions received for construction	25,533	14,649	240
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	(24,208)	(13,858)	(228)
Loss on impairment of property, plant and equipment	(2,391)	(5,114)	(22)
Gain on sales of property, plant and equipment	247	1,479	2
Loss on sales of property, plant and equipment	(664)	(401)	(6)
Other, net	(1,480)	(3,797)	(13)
	(20,686)	(38,637)	(195)
Profit before income taxes	170,679	137,754	1,610
Income taxes:			
Current	48,260	43,490	455
Deferred	6,400	739	60
	54,661	44,230	515
Profit	116,018	93,524	1,094
Profit attributable to non-controlling interests	5,524	2,235	52
Profit attributable to owners of parent	¥ 110,493	¥ 91,288	\$ 1,042

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Consolidated Statement of Comprehensive Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Millions of U.S. dollars*
	2018	2017	2018
Profit	¥116,018	¥93,524	\$1,094
Other comprehensive income:			
Net unrealized holding gain on securities	305	249	2
Net unrealized deferred (loss) gain on hedging instruments	(132)	389	(1)
Retirement benefit liability adjustments	(2,089)	(2,072)	(19)
Other comprehensive income of affiliates accounted for by equity method attributable to owners of parent	70	5	0
Total other comprehensive loss	(1,846)	(1,427)	(17)
Total comprehensive income	¥114,171	¥92,097	\$1,077

Comprehensive income attributable to owners of parent and non-controlling interests for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Millions of U.S. dollars*
	2018	2017	2018
Comprehensive income attributable to owners of parent	¥108,347	¥89,692	\$1,022
Comprehensive income attributable to non-controlling interests	5,824	2,405	54

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Consolidated Statement of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

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, 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
Purchases 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 April 1, 2017	¥100,000	¥55,068	¥768,358	¥(481)	¥ 922,945	¥3,763	¥ 188	¥13,538	¥17,491	¥92,173	¥1,032,610
Profit attributable to owners of parent	—	—	110,493	—	110,493	—	—	—	—	—	110,493
Cash dividends	—	—	(29,060)	—	(29,060)	—	—	—	—	—	(29,060)
Decrease in retained earnings resulting from change in number of consolidated subsidiaries	—	—	(2)	—	(2)	—	—	—	—	—	(2)
Increase due to merger	—	—	136	—	136	—	—	—	—	—	136
Cancellation of treasury stock	—	0	—	0	0	—	—	—	—	—	0
Increase due to changes in equity in affiliates accounted for by equity method	—	—	—	0	0	—	—	—	—	—	0
Purchases of shares of consolidated subsidiaries	—	1,102	—	—	1,102	—	—	—	—	—	1,102
Net changes in items other than shareholders' equity	—	—	—	—	—	255	(105)	(2,296)	(2,146)	3,169	1,023
Balance at March 31, 2018	¥100,000	¥56,171	¥849,925	¥(481)	¥1,005,615	¥4,018	¥ 83	¥11,242	¥15,344	¥95,343	¥1,116,304

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, 2017	\$943	\$519	\$7,248	\$(4)	\$8,707	\$35	\$1	\$127	\$165	\$869	\$ 9,741
Profit attributable to owners of parent	—	—	1,042	—	1,042	—	—	—	—	—	1,042
Cash dividends	—	—	(274)	—	(274)	—	—	—	—	—	(274)
Decrease in retained earnings resulting from change in number of consolidated subsidiaries	—	—	(0)	—	(0)	—	—	—	—	—	(0)
Increase due to merger	—	—	1	—	1	—	—	—	—	—	1
Cancellation of treasury stock	—	0	—	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	—	10	—	—	10	—	—	—	—	—	10
Net changes in items other than shareholders' equity	—	—	—	—	—	2	0	(21)	(20)	29	9
Balance at March 31, 2018	\$943	\$529	\$8,018	\$(4)	\$9,486	\$37	\$0	\$106	\$144	\$899	\$10,531

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Consolidated Statement of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Millions of U.S. dollars*
	2018	2017	2018
Cash flows from operating activities			
Profit before income taxes	¥ 170,679	¥ 137,754	\$ 1,610
Adjustments for:			
Depreciation and amortization	163,562	162,729	1,543
Loss on impairment of property, plant and equipment	2,391	5,114	22
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	24,208	13,858	228
Loss on disposal of property, plant and equipment	5,506	7,335	51
Decrease in liability for retirement benefits	(26,528)	(20,123)	(250)
Increase in allowance for doubtful accounts	1,705	167	16
Increase (decrease) in provision for employees' bonuses	1,755	(351)	16
Increase in provision for large-scale renovation of Shinkansen infrastructure	4,166	4,166	39
(Decrease) increase in other accruals	(4,366)	9,305	(41)
Interest and dividend income	(703)	(650)	(6)
Interest expense	20,906	22,350	197
Equity in earnings of affiliates	(2,480)	(1,574)	(23)
Gain on contributions received for construction	(25,533)	(14,649)	(240)
(Increase) decrease in notes and accounts receivable	(12,282)	2,155	(115)
Increase in inventories	(15,736)	(1,131)	(148)
Increase (decrease) in notes and accounts payable	23,440	(23,044)	221
(Decrease) increase in accrued consumption taxes	(366)	653	(3)
Other	7,213	8,935	68
Subtotal	337,540	313,002	3,184
Interest and dividend received	700	625	6
Interest paid	(20,663)	(22,573)	(194)
Income taxes paid	(42,475)	(56,908)	(400)
Net cash provided by operating activities	275,101	234,144	2,595
Cash flows from investing activities			
Payments for time deposits with a maturity in excess of three months	(231)	(231)	(2)
Proceeds from time deposits with a maturity in excess of three months	231	266	2
Purchases of property, plant and equipment	(201,705)	(208,832)	(1,902)
Proceeds from sales of property, plant and equipment	2,239	1,044	21
Contributions received for construction	36,391	22,728	343
Purchases of investments in securities	(4,604)	(9,985)	(43)
Proceeds from sales of investments in securities	631	930	5
Purchase of shares of subsidiary resulting in change in scope of consolidation	—	(93,714)	—
Net decrease (increase) in loans receivable	3,083	(5,766)	29
Other	(2,388)	(2,248)	(22)
Net cash used in investing activities	(166,352)	(295,808)	(1,569)
Cash flows from financing activities			
Net increase in short-term loans	857	433	8
Proceeds from long-term loans	37,600	60,800	354
Repayments of long-term loans	(31,780)	(34,088)	(299)
Proceeds from issuance of bonds	40,000	70,000	377
Redemption of bonds	(50,000)	(30,000)	(471)
Payment of long-term payables	(1,515)	(30,650)	(14)
Purchases of treasury stock	—	(0)	—
Proceeds from sales of treasury stock	0	—	0
Cash dividends paid to owners of parent	(29,049)	(27,118)	(274)
Cash dividends paid to non-controlling interests	(122)	(122)	(1)
Other	(37,413)	35,052	(352)
Net cash (used in) provided by financing activities	(71,422)	44,304	(673)
Net increase (decrease) in cash and cash equivalents	37,326	(17,359)	352
Cash and cash equivalents at beginning of year	63,332	80,691	597
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	789	—	7
Cash and cash equivalents at end of year	¥ 101,448	¥ 63,332	\$ 957

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Analysis of JR-West Operations

Non-Consolidated 20-Year Financial Summary

Years ended March 31

	1999*2	2000	2001	2002	2003	2004	2005	2006	2007
For the Year:									
Operating revenues	¥909.4	¥885.1	¥881.4	¥869.8	¥849.0	¥845.8	¥846.4	¥851.2	¥865.8
Transportation	795.5	773.9	773.1	770.2	752.3	750.8	750.9	756.5	765.8
Shinkansen	326.7	313.0	313.0	314.3	306.0	308.1	313.4	323.8	328.6
Kansai Urban Area (Kyoto–Osaka–Kobe area)	309.8	306.9	309.3	308.9	303.3	302.0	300.4	297.5	302.4
Other conventional lines	158.4	153.5	150.1	146.4	142.5	140.0	136.5	134.7	134.3
Operating expenses	796.7	786.0	784.4	770.3	745.7	740.4	736.4	742.3	756.8
Personnel	357.8	350.1	345.6	330.5	301.6	294.5	286.8	276.1	272.5
Non-personnel	277.7	276.5	275.0	281.2	288.2	291.0	300.5	320.0	337.9
Energy	40.5	39.3	38.2	39.2	38.4	36.6	36.9	34.8	34.3
Maintenance	108.0	112.3	114.3	116.8	122.6	121.9	127.1	140.7	148.9
Miscellaneous	129.2	124.9	122.4	125.1	127.1	132.4	136.4	144.4	154.5
Taxes	31.3	31.0	30.3	30.0	29.3	28.2	29.7	28.7	28.1
Rental payments, etc.	22.8	23.8	31.5	31.3	31.0	30.8	24.6	24.7	24.6
Depreciation expenses	107.0	104.4	101.8	97.1	95.4	95.7	94.5	92.5	93.5
Operating income	112.7	99.0	97.0	99.5	103.2	105.4	110.0	108.9	108.9
Recurring profit	50.5	42.3	43.4	54.0	61.3	65.0	74.3	75.9	77.6
Net income (loss)	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0	35.1	44.6
At Year-End:									
Total assets	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8
Total net assets	312.0	346.6	403.3	388.6	410.7	439.3	474.3	502.2	533.3

*1 Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

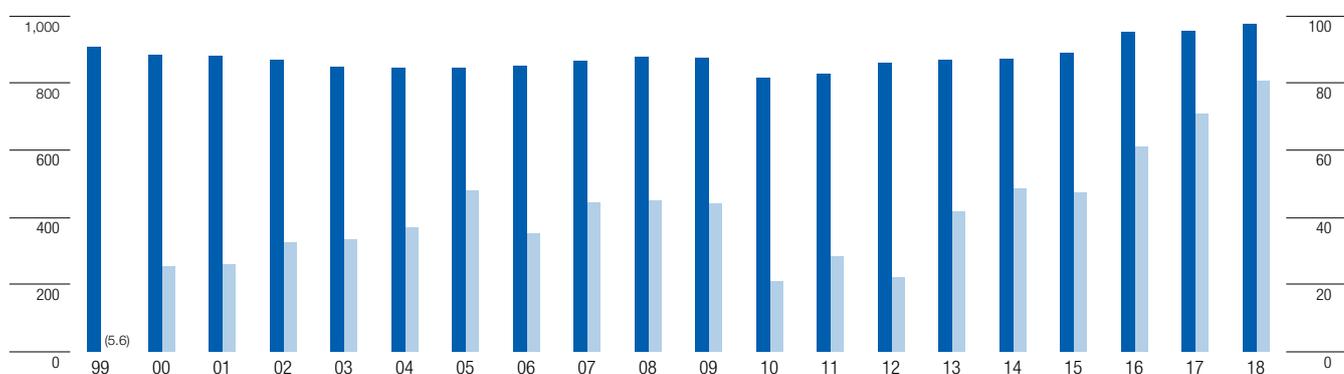
*2 In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.

*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

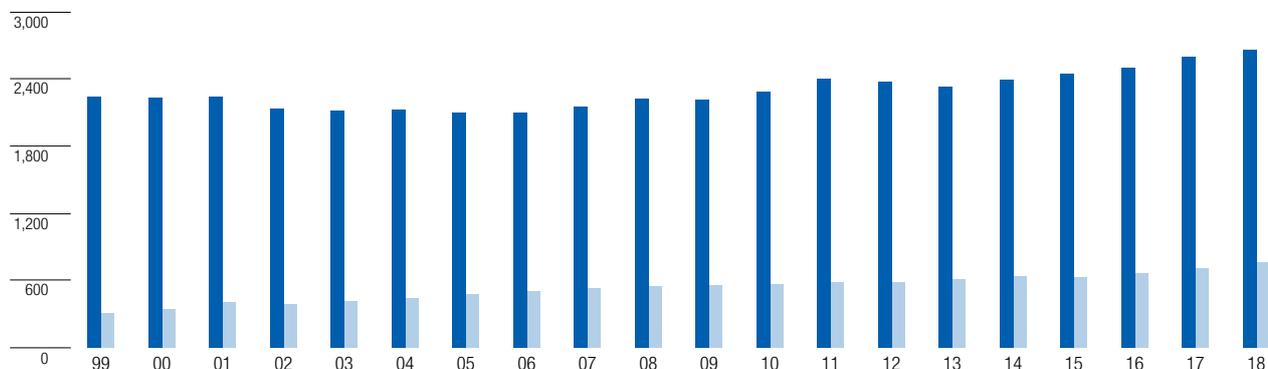


2008	2009	2010	2011	2012	2013*3	2014	2015	2016	2017	Billions of yen 2018	Millions of U.S. dollars*1 2018
¥879.4	¥875.0	¥816.7	¥828.6	¥862.1	¥868.5	¥873.6	¥890.9	¥954.2	¥956.1	¥976.2	\$9,210
781.7	773.7	720.0	728.0	758.7	769.1	780.6	797.0	850.0	849.6	867.8	8,187
343.5	339.1	312.4	323.9	351.5	357.0	364.4	375.9	437.2	434.6	447.7	4,224
303.3	301.5	286.1	284.4	287.3	288.9	292.1	296.2	302.2	305.0	309.0	2,915
134.4	132.5	121.4	119.6	119.8	123.0	123.9	124.8	110.5	110.0	111.0	1,047
769.6	772.9	758.2	752.8	772.8	766.1	771.8	778.9	817.0	820.6	831.9	7,848
269.9	268.6	265.2	235.3	237.9	233.3	235.4	233.0	233.3	223.3	221.4	2,089
338.8	333.9	318.6	333.4	339.5	342.7	351.6	369.0	392.4	394.3	407.6	3,845
34.4	38.2	33.5	33.7	36.2	37.1	43.1	45.3	44.1	40.5	44.0	415
148.6	135.8	128.1	135.8	133.3	136.5	139.0	146.7	152.8	157.1	161.4	1,523
155.8	159.8	156.9	163.8	169.9	169.1	169.5	176.9	195.4	196.6	202.1	1,906
28.6	29.1	29.3	29.8	30.9	31.7	31.6	32.0	31.9	34.9	35.7	337
24.6	25.3	25.0	25.1	23.6	23.4	23.6	18.7	26.9	30.2	30.2	285
107.5	115.9	119.9	129.1	140.7	134.7	129.3	126.0	132.3	137.6	136.8	1,290
109.8	102.0	58.5	75.8	89.2	102.3	101.7	112.0	137.2	135.4	144.3	1,362
79.9	73.4	29.8	48.5	62.8	77.5	79.9	92.1	116.7	118.4	128.6	1,213
45.1	44.3	20.5	28.5	22.1	41.9	48.6	47.3	61.1	70.8	80.7	761
¥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	¥2,659.3	\$25,088
552.4	560.7	568.1	581.3	588.3	611.6	639.4	631.5	666.0	709.9	761.7	7,185

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Billions of yen 2018	Millions of U.S. dollars* 2018
Consolidated basis:													
Depreciation expenses	¥112.8	¥128.0	¥137.0	¥141.9	¥150.8	¥169.3	¥160.8	¥153.9	¥149.5	¥156.6	¥162.7	¥163.5	\$1,543
Capital expenditures excluding a portion contributed by local governments, etc.	144.9	187.9	163.9	210.1	260.0	195.4	152.9	166.7	225.6	233.1	192.4	169.4	1,598
Non-consolidated basis:													
Depreciation expenses	¥93.5	¥107.5	¥115.9	¥119.9	¥129.1	¥140.7	¥134.7	¥129.3	¥126.0	¥132.3	¥137.6	¥136.8	\$1,290
Capital expenditures excluding a portion contributed by local governments, etc.	117.2	159.6	128.4	165.5	208.5	150.8	124.8	144.5	186.4	198.7	159.8	127.8	1,206

Cash Flows (Consolidated Basis)

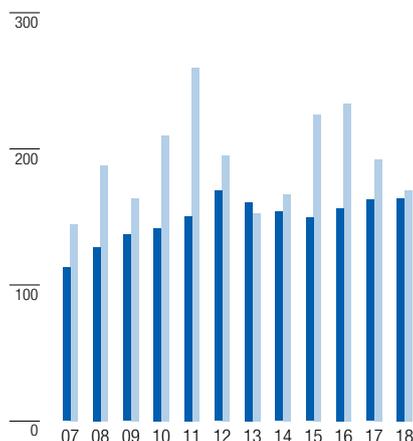
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Billions of yen 2018	Millions of U.S. dollars* 2018
Net cash provided by operating activities	¥ 188.6	¥ 222.1	¥ 178.8	¥ 161.3	¥ 223.2	¥ 206.2	¥ 238.0	¥ 237.7	¥ 223.6	¥ 259.8	¥ 234.1	¥ 275.1	\$ 2,595
Net cash used in investing activities	(131.7)	(179.2)	(172.6)	(208.7)	(246.2)	(199.1)	(154.7)	(165.3)	(212.9)	(233.2)	(295.8)	(166.3)	(1,569)
Free cash flows	56.8	42.9	6.1	(47.4)	(23.0)	7.0	83.2	72.3	10.7	26.6	(61.6)	108.7	1,025
Net cash provided by (used in) financing activities	(54.6)	(55.8)	(10.1)	54.6	51.4	(36.8)	(85.2)	(47.8)	1.6	(31.3)	44.3	(71.4)	(673)

* Yen figures have been converted into U.S. dollars at the rate of ¥106=U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

Depreciation and Capital Expenditures (Consolidated Basis)

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

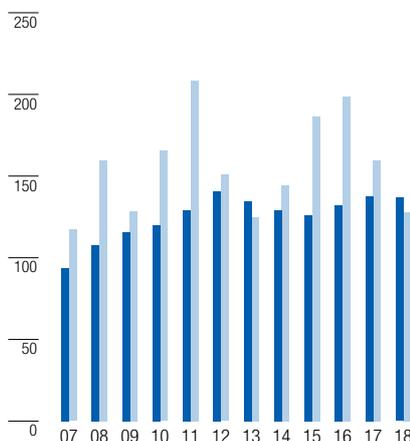
Billions of yen



Depreciation and Capital Expenditures (Non-Consolidated Basis)

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

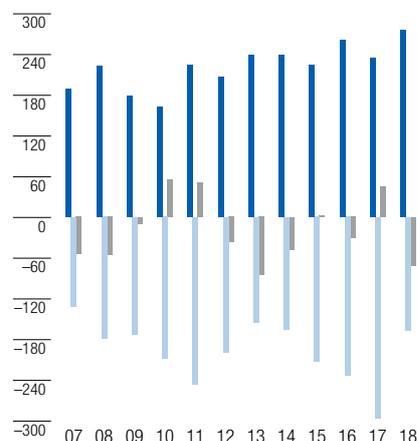
Billions of yen



Cash Flows (Consolidated Basis)

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

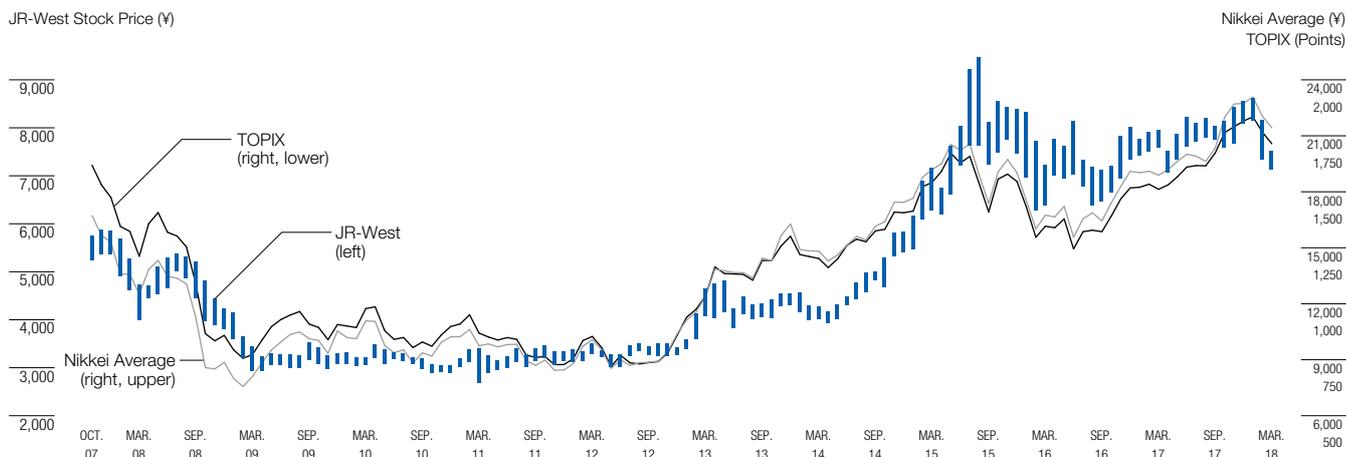
Billions of yen



Investor Information

As of March 31, 2018

Stock Price and Trading Volume



	Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2010		Fiscal 2011		Fiscal 2012		
	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West High (¥)	5,880	5,830	5,900	5,400	4,840	3,540	3,430	3,495	3,420	3,420	3,530		
JR-West Low (¥)	4,910	4,840	4,000	4,460	2,949	2,952	2,993	2,986	2,700	2,905	3,080		
Average Daily Trading Volume (Shares)	688,486	648,094	861,620	695,220	912,513	782,785	660,959	713,580	945,908	814,979	812,162		
Nikkei Average (¥)	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	8,700.29	10,083.56		
TOPIX (Points)	1,713.61	1,616.62	1,212.96	1,087.41	773.66	909.84	978.81	829.51	869.38	761.17	854.35		

	Fiscal 2013		Fiscal 2014		Fiscal 2015		Fiscal 2016		Fiscal 2017		Fiscal 2018	
	1H	2H										
JR-West High (¥)	3,510	4,660	4,835	4,575	5,008	7,178	9,488	8,575	7,058	7,614	8,252	8,636
JR-West Low (¥)	3,035	3,260	3,840	4,007	3,951	4,693	6,219	6,301	5,598	6,066	7,086	7,151
Average Daily Trading Volume (Shares)	662,210	789,675	861,142	803,102	675,187	883,964	969,087	997,114	897,546	729,223	592,374	656,129
Nikkei Average (¥)	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	20,356.28	21,454.30
TOPIX (Points)	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	1,512.60	1,674.75	1,716.30

- 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: 144,696

Major Shareholders

	Number of Shares Held (Shares)	Equity Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	9,385,700	4.84
Japan Trustee Services Bank, Ltd. (Trust Unit)	8,114,600	4.19
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
The Master Trust Bank of Japan, Ltd. (Trust Unit 9)	4,424,900	2.28
Nippon Life Insurance Company	4,000,000	2.06
JR-West Employee Stock-Sharing Plan	3,458,900	1.79
Japan Trustee Services Bank, Ltd. (Trust Unit 5)	3,448,100	1.78
STATE STREET BANK WEST CLIENT – TREATY 505234	3,311,442	1.71
Mizuho Bank, Ltd.	3,250,000	1.68
Total	52,093,642	26.89

Note: For the purpose of computing the shareholding ratios, 648 shares of treasury stock are excluded from the total number of issued shares of the Company.

Consolidated Subsidiaries

As of March 31, 2018

Segment	Name	(Millions of yen)		Equity Ownership (%)	
		Paid-in Capital	Business		
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 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 Isetan Limited	100	Department Store	60.0	
	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	69.1
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	100.0
	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	100.0
	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	
JR West INNOVATIONS Co., LTD.	10	Investment	100.0	

Corporate Data

As of March 31, 2018

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) 25,291
Employees at work (Consolidated) 47,869

Number of Subsidiaries

153 (incl. 64 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

1,202

Number of rolling stock

6,498

Number of passengers

Total: 1,913 million

Shinkansen: 85 million

Conventional lines: 1,847 million

Passenger-kilometers

Total: 59,291 million

Shinkansen: 21,022 million

Conventional lines: 38,269 million

Train-kilometers per day

Total: 512 thousand

Shinkansen: 124 thousand

Conventional lines: 388 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.

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