

**FLASH REPORT (CONSOLIDATED BASIS)**Company name: **West Japan Railway Company**

Stock listings: Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya and Fukuoka Stock Exchanges

Code number: 9021 URL: <http://www.westjr.co.jp>

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Quarterly report filing date (Planned): February 13, 2013

Start of dividend payments (Planned): —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: None

(Figures less than ¥1 million have been omitted.)

**1. Results for the Third Quarter of Fiscal 2012 (from April 1, 2012 to December 31, 2012)****(1) Operating Results**

Nine months ended December 31

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2012	971,022	1.1	115,760	15.5	94,960	23.2	58,347	94.1
2011	960,171	6.2	100,236	(1.8)	77,073	(2.9)	30,065	(34.6)

(Note) Comprehensive Income: Nine months ended December 30, 2012: ¥50,655 million, 79.7%;

Nine months ended December 30, 2011: ¥28,181 million, (37.5)%

	Net income per share	Net income per share after dilution
	Yen	Yen
2012	301.32	—
2011	155.26	—

**(2) Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2012	2,579,037	763,798	28.8
March 31, 2012	2,642,994	733,546	26.6

(Reference) Total shareholders' equity: December 31, 2012: ¥741,821 million, March 31, 2012: ¥703,385 million

**2. Dividends**

Year ended/ ending March 31

	Dividends per share				
	June 30	September 30	December 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2012	—	40.00	—	50.00	90.00
2013	—	55.00	—		
2013 (Forecast)			—	55.00	110.00

(Note) Revision of dividends forecast for this period: None

### 3. Forecasts for Fiscal 2012 Ending March 31, 2013

Percentages indicate year-on-year increase/ (decrease).

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	1,289,000	0.1	121,000	10.2	96,000	16.4

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	56,000	89.9	289.19

(Note) Revision of earnings forecast for this period: None

#### Notes

(1) Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None

(2) Adoption of simplified accounting practices and special accounting policy for quarterly financial reporting: None

(3) Changes from accounting methods, procedures and the presentation of the quarterly consolidated financial statements:

1) Changes based on revision of accounting standards: Yes

2) Changes other than 1) above: None

3) Changes in accounting estimates: Yes

4) Restatements: None

Note: For details, see "Matters Regarding Summary Information (Notes)" on page 9 of the accompanying material.

(4) Number of Shares Outstanding (Common stock)

	Nine months ended December 31, 2012	Years ended March 31, 2012
1) Number of shares issued and outstanding (including treasury stock):	198,256,600	200,000,000
2) Number of treasury stock	4,615,100	6,358,499
		Nine months ended December 31, 2011
3) Average number of shares outstanding for each period (cumulative term):	193,641,500	193,641,600

The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Figures for number of shares have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.

\* Indication regarding the status of quarterly review procedures

These financial statements are not subject to quarterly review procedures under the Financial Instruments and Exchange Act. The review of these financial statements in accordance with the Financial Instruments and Exchange Act had not been completed at the time of disclosure.

#### Notes

1. The forward-looking statements made in this document, including the aforementioned forecasts, are based on all information available to the management at the time of this document's release. Actual

results may differ from the results anticipated in the statements.

2. The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share. Figures for net income have been calculated assuming this stock split was conducted at the beginning of the previous fiscal year.
3. Supplementary materials for the financial statements are posted on our homepage.

## 1. QUALITATIVE INFORMATION ON THE RESULTS FOR THE SUBJECT PERIOD

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries of passengers. Since the accident JR-West has exerted its full effort with regard to its three pillars of management, specifically “Measures to have ourselves accepted as acting with the best of intentions by the victims of the train accident,” “Measures to enhance safety,” and “Furthering of reform.” We have also humbly accepted the report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission in June 2007, and are working to make improvements by sincerely and quickly addressing its proposals, opinions and other issues raised.

In October 2010, JR-West formulated and announced the “Revision of the JR-West Group’s Medium-Term Management Plan 2008-2012.” The revisions shift the focus of management more toward long-term sustainability, while clarifying the direction of medium to long-term management, along with specific measures. We have been steadily implementing these measures.

During the subject third quarter cumulative period (April 1, 2012 to December 31, 2012), JR-West conducted memorial services, held explanatory briefings in November 2012 for the victims of the Fukuchiyama Line accident, and continued to make concerted efforts with regard to the families of the victims. We also conducted measures to help foster a safe and secure society through the JR-West Relief Foundation, a public-interest association established in the wake of the Fukuchiyama Line accident.

Further, in accordance with the Corporate Philosophy and Safety Charter adopted in March 2006, and in order to establish “a corporate culture that places top priority on safety,” make further improvements in safety, regain customer trust, and realize the goal of the Basic Safety Plan to “Build a corporate system to ensure no accidents that produce casualties among our customers and no serious labor accidents to our employees,” JR-West implemented measures to establish a safety management system based on risk assessment.

In addition, we made improvements based on customer feedback and enhanced our customer service mindset, and took steps to improve services and work quality. We also pursued measures for human resource development to support individual growth for employees, and to establish on-site management that is compliant with rules and regulations.

At the same time, JR-West takes seriously the misconduct that resulted in a serious loss of customer trust. We have taken steps to prevent a reoccurrence, including strengthening the check and management structure at stations and other facilities, and providing employees with strict training and guidance.

For its reform efforts, in the recognition that operational reform is the necessary counterpart to improving safety, JR-West built on efforts toward “reform” and “revitalization” implemented up to now to help establish the principle of “Thinking and Acting based on the field,” in which each employee takes a leading role at his or her workplace.

In terms of promoting CSR, in an effort to realize its Corporate Philosophy, JR-West published and shared specific cases of thinking and action among employees. To further compliance and corporate governance, we continued to step up measures to solidify our management foundation

and corporate ethics, and to enhance the monitoring and supervision of management.

In addition, to build a new crisis management structure, JR-West expanded and updated its business continuity plan (BCP) based on the lessons from the Great East Japan Earthquake in March 2011. We also took measures in terms of both policies and infrastructure to enhance safety with regard to large earthquakes or tsunami. In particular, in terms of measures to deal with disruptions to the power supply and other types of energy crisis, we recognize the issues facing Japan, and while remaining mindful of our customers' safety and convenience, we will ask for understanding and cooperation as we implement power reduction measures to the greatest extent possible in stations, trains, offices and other locations. In addition, we will pursue technical development for power storage systems and take other steps to cut energy consumption.

The business climate for JR-West remains challenging as a result of such factors as the uncertainties in the economic outlook, the falling birthrate and aging population, and competition from other modes of transportation. Faced with these conditions, with the aim of long-term improvements in its corporate value, JR-West has devoted its full effort to enhancing safety in its mainstay railway business, while also working to enhance the value of our railway belts and promote coexistence with local communities in an effort to realize a mutual benefit in the Western Japan region, by developing a variety of measures that draw on the unique characteristics of each of our businesses, including other Group operations, and effectively utilizing their assets. We also have been developing various marketing strategies to stimulate travel demand.

In addition, JR-West formulated priority strategies for the corporate group, including maximizing the benefit from its two major projects, direct service operations between the Sanyo and Kyushu Shinkansen services, and Osaka Station City. We also took steps to secure earnings and strengthen our management structures.

JR-West is assessing the specific results of these efforts, and is currently formulating a new medium-term management plan and a safety plan.

As a result, on a consolidated basis, operating revenues for the subject third quarter cumulative period (April 1, 2012 to December 31, 2012) rose 1.1% from the same period of the previous fiscal year to ¥971.0 billion. Operating income increased 15.5% from a year earlier to ¥115.7 billion, while recurring profit rose 23.2% to ¥94.9 billion. Net income for the period rose 94.1% to ¥58.3 billion as a result of the recording of an extraordinary gain on a reduction in retirement benefit obligations stemming from the establishment of a new reemployment system for managerial-level employees, along with an extraordinary loss on impairment for the JR Osaka Mitsukoshi Isetan department store in Osaka Station City.

## **(1) Qualitative Information on Consolidated Business Results**

### Consolidated Results for the Third Quarter Cumulative Period of Fiscal 2012 (April – December 2012)

Operating revenues:	¥971.0 billion
Operating income:	¥115.7 billion

Recurring profit:	¥94.9 billion
Net income:	¥58.3 billion

## Results by Business Segment

### a. Transportation Operations

In the railway business, JR-West continued to pursue improvement measures that reflected the remarks, including the proposals and opinions, noted in the investigation report on the Fukuchiyama Line accident. Further, to enhance safety we continued to implement risk assessment measures aimed at “building a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees” in accordance with the Basic Safety Plan formulated in April 2008. Specifically, these measures were enhanced through efforts that include sharing information on risks, and the horizontal development of recommended initiatives for effective countermeasures and risk assessment. We also continued with such measures as convening regular safety meetings to allow top management and officers on the one hand, and employees in the field on the other, to directly exchange opinions.

In terms of facilities, JR-West increased its ATS maintenance, enhanced safety for crossing systems, implemented safety measures for platforms such as installing emergency buttons, and took steps to counter snow damage, including enhancements to snow removal equipment and facilities. In terms of measures to limit damage from earthquakes, we conducted seismic retrofitting for pillars supporting elevated tracks and continued to move forward with the installation of derailment prevention guards on the Sanyo Shinkansen. Drawing on the lessons of the Great East Japan Earthquake, we put in place a system to prepare employees to provide evacuation instructions in the event of a tsunami, and took other steps to enhance infrastructure to facilitate communication of information on earthquakes and tsunami, and to provide for the smooth evacuation of passengers.

Further, for safety measures to respond to earthquakes and tsunami, we are implementing various measures including establishing systems for the relay of information on earthquakes and tsunami, and smooth evacuation of passengers. In addition, taking to heart the seriousness of accidents now and in the future, we took steps to provide employee training at the Railway Safety Education Center, established to teach systematically the lessons learned from accidents. Various types of training sessions were also conducted on caring for passengers and improved response in the event of an accident.

In transportation operations, use of the Sanyo Shinkansen and JR-West’s urban network increased as a result of such measures as revisions to the timetable made in March 2012 to increase the frequency of *Mizuho* and *Sakura* direct train services between the Sanyo and Kyushu Shinkansen, and the boost provided by Osaka Station City. JR-West also took steps to enhance convenience by increasing the frequency of Shinkansen and limited express services, focusing on periods of heaviest use. Of note, there were several instances of disruptions to railway services during summer 2012 as a result of localized torrential rains that forced service suspensions and delays for many trains on the urban network and other lines.

In marketing initiatives, JR-West further expanded mutual exchange between the West Japan and Kyushu regions through more frequent direct service operations between the Sanyo and Kyushu Shinkansen services. We also conducted promotional campaigns utilizing various media, and implemented “Kagoshima College,” a social media campaign aimed at highlighting the pleasures of travel through exchange with university students in tourist areas of Kagoshima Prefecture. We also worked to promote use of the railway through an ongoing proactive information campaign stressing the convenience and price advantages of the internet reservation service “e5489.” We conducted a variety of campaigns to stimulate travel demand, such as the “Miyajima / Kure Campaign,” the “Hagi / Nagato / Mine Campaign,” and the “Sanyo Destination Campaign.” We also promoted use by overseas visitors to Japan by expanding the coverage area for the JR-West Rail Pass area, and conducting the “Detective Conan Okayama/Kurashiki Mystery Tour” originating in Taiwan. JR-West also worked to enhance convenience for railway users with the launch of the ICOCA Connection Pass for three railway companies, newly including Kintetsu Corporation along with the current Keihan Electric Railway Co., Ltd.

For customer service initiatives, in terms of measures to enhance customer service, JR-West began issuing delay certificates that can be confirmed via computer or mobile phone, and took other steps to further develop customer-oriented services.

Osaka Station City, opened in May 2011, continues to enjoy broad customer support as a result of one year anniversary events and other initiatives.

JR-West also worked toward “transformation through technology” in such areas as the transfer of technology skills to younger workers, improving practical capabilities and skills, furthering system changeovers in railroad operations, and global environment conservation measures.

In bus services, JR-West worked to enhance customer convenience with measures including flexible pricing schemes designed around usage trends.

In ferry services (the Miyajima Line), JR-West marketed the service to travel companies and took other steps to secure revenue.

For railway car technology, JR-West acquired a stake in The Kinki Sharyo Co., Ltd., and concluded an operational tie-up agreement with the company with the aim of strengthening our cooperative relationship, and improving train car technologies overall. Also, to further develop the railway business through international exchange, we concluded a partnership agreement with Spanish national railway operator Renfe, and the state company for management of most of Spain’s railway infrastructure, Adif.

As a result, operating revenues for the Transportation Operations segment increased 1.4% from the same period of the previous fiscal year, to ¥640.7 billion, with operating income up 14.3%, to ¥88.1 billion.

## **b. Sales of Goods and Food Services**

For the JR Osaka Mitsukoshi Isetan department store, JR-West worked to offer highly original goods and services. In response to the tight commercial climate, we took steps to establish shops that appeal to local customers, and are considering fundamental measures aimed at business

revitalization. We also continued efforts to make stations more attractive, including opening the Eki Marché Osaka commercial facility in Osaka Station and locations of the Entrée Marché combined convenience store and gift shop in Osaka and Tennoji stations, and developing a merchandise zone at Tottori Station. JR-West also opened the Viainn Okayama business hotel at the west exit of Okayama Station.

As a result, operating revenues in the Sales of Goods and Food Services segment rose 0.5% from the same period of the previous fiscal year, to ¥176.4 billion. In terms of earnings, however, the segment posted an operating loss for the period of ¥0.4 billion.

### **c. Real Estate Business**

JR-West moved forward with the development of stations and surrounding areas. We developed the ALBi Suminodo commercial facility underneath the elevated tracks at Suminodo Station, and opened Sun Station Terrace Okayama West Building at the west exit of Okayama Station. We also made various renovations at existing shopping centers, such as the Tennoji Mio Plaza in the Tennoji Station building, and developed educational and commercial facilities on land owned near Nijo Station and Takatsuki Station. At the Osaka Station City, results from the LUCUA specialty shop zone were positive, and we made efforts to lease the office building portion. We also worked in cooperation with local businesses around Osaka Station to promote activities in the area, and developed condominiums on former sites of company housing.

As a result, operating revenues for the Real Estate Business segment decreased 2.2% from the same period of the previous fiscal year to ¥65.6 billion, though operating income rose 7.9% to ¥21.0 billion.

### **d. Other Businesses**

In hotel operations, JR-West opened the Granvia Floor, a special floor of premium guest rooms on the top floor of the Hotel Granvia Osaka. We also worked to expand sales through such measures as hosting various events. In travel agency operations, JR-West expanded internet sales, and took steps to increase sales of products that utilize railways. For the J-West Card, we took other steps to expand the number of cardholders for the Osaka Station City J-WEST Card. For the ICOCA e-money service, we worked to provide more opportunities to use the service around town. For the ANGELBE powder room, a popular amenity at Osaka Station, we expanded opportunities for use by opening a similar facility at Kyoto Station. JR-West also entered the rehabilitation services business with the opening of J-Palette Minami-tanabe.

As a result, operating revenues for the Other Businesses segment increased 2.9% from the same period of the previous fiscal year, to ¥88.1 billion, with operating income up 33.2%, to ¥5.9 billion.



## **(2) Qualitative Information on the Consolidated Financial Position**

JR-West's total assets at the end of the third quarter of the subject fiscal year (December 31, 2012) amounted to ¥2,579.0 billion, a decrease of ¥63.9 billion from the end of the previous fiscal year (March 31, 2012). This was due mainly to a decrease in property, plant and equipment.

Total liabilities amounted to ¥1,815.2 billion, a decrease of ¥94.2 billion from the end of the previous fiscal year. This was due mainly to a decrease in accounts payable.

Total net assets amounted to ¥763.7 billion, an increase of ¥30.2 billion from the end of the previous fiscal year. This was due mainly to an increase in retained earnings.

## **(3) Qualitative Information on Consolidated Forecasts**

At the present time, the JR-West Group's consolidated results for the subject fiscal year are basically in line with forecasts. Accordingly, there is no change to the consolidated forecasts for the fiscal year ending March 2013 from those announced on October 30, 2012.

Note: Forecasts are based on certain assumptions considered reasonable at the time of this announcement, and are subject to change.

## **2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)**

### **(1) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements**

(Change in Accounting Policy Difficult to Distinguish from a Change in Accounting Estimate)

In accordance with revisions to the Corporation Tax Act, from the first quarter of the subject fiscal year, the Company changed its accounting policy for property, plant and equipment (with the exception of buildings and structures) acquired on or after April 1, 2012, for which the declining-balance method had been applied, to the depreciation method based on the revised Corporation Tax Act.

The effect on consolidated financial statements for the subject third quarter period is negligible.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Consolidated Balance Sheets

	Millions of yen	
	March 31, 2012	December 31, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	50,619	46,041
Notes and accounts receivable-trade	15,504	16,818
Railway fares receivable	27,280	23,909
Accounts receivable	46,256	35,203
Inventories	33,360	53,669
Deferred income taxes	19,455	11,946
Other current assets	49,259	53,781
Less allowance for doubtful accounts	(835)	(761)
Total current assets	240,902	240,609
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	1,097,120	1,062,321
Machinery and transport equipment	328,154	300,616
Land	656,358	659,341
Construction in progress	41,282	43,772
Other property, plant and equipment	36,608	30,805
Total property, plant and equipment	2,159,523	2,096,857
<b>Intangible fixed assets</b>	30,053	32,220
<b>Investments and other assets:</b>		
Investments in securities	58,452	60,895
Deferred tax assets	123,584	118,151
Other investments and assets	31,500	31,508
Less allowance for doubtful accounts	(1,185)	(1,338)
Total investments and other assets	212,352	209,216
Total fixed assets	2,401,929	2,338,295
<b>Deferred income taxes</b>	162	132
<b>Total assets</b>	<b>2,642,994</b>	<b>2,579,037</b>

	Millions of yen	
	March 31, 2012	December 31, 2012
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	46,205	39,920
Short-term loans	27,562	29,740
Current portion of bonds	30,000	—
Current portion of long-term debt	72,067	41,579
Current portion of long-term payables for acquisition of railway properties	40,823	40,708
Current portion of long-term accounts payable	31	31
Accounts payable	92,380	48,296
Accrued consumption tax	7,911	9,982
Accrued income tax	22,631	15,954
Prepaid railway fares received	32,359	36,485
Advances received	29,191	41,813
Allowance for bonuses	34,486	17,342
Allowance for point program	1,005	1,483
Other current liabilities	110,186	154,805
Total current liabilities	546,842	478,143
<b>Fixed liabilities:</b>		
Bonds	424,972	439,973
Long-term debt	251,188	244,905
Long-term payables for acquisition of railway properties	249,620	233,379
Long-term accounts payable	159	135
Deferred tax liabilities	244	340
Accrued retirement benefits	316,876	301,119
Allowance for environmental safety measures	6,394	6,104
Provision for unredeemed gift certificates	2,550	2,199
Other long-term liabilities	110,599	108,937
Total fixed liabilities	1,362,605	1,337,095
<b>Total liabilities</b>	1,909,447	1,815,238

(continued on page 12)

	Millions of yen	
	March 31, 2012	December 31, 2012
<b>NET ASSETS</b>		
<b>Total shareholders' equity:</b>		
Common stock	100,000	100,000
Capital surplus	55,000	55,000
Retained earnings	577,999	607,657
Treasury stock, at cost	(30,343)	(21,995)
Total shareholders' equity	702,656	740,661
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	902	1,167
Deferred gains or losses on hedges	(173)	(7)
Total Valuation and translation adjustments	728	1,160
<b>Minority interests</b>	30,161	21,977
<b>Total net assets</b>	733,546	763,798
<b>Total liabilities and net assets</b>	2,642,994	2,579,037

## 2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Nine months ended December 31

	Millions of yen	
	2011	2012
<b>Operating revenues</b>	960,171	971,022
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	728,995	726,178
Selling, general and administrative expenses	130,940	129,083
Total operating expenses	859,935	855,261
<b>Operating income</b>	100,236	115,760
<b>Non-operating revenues:</b>		
Interest income	60	43
Dividend income	314	323
Transfer from administrative fee of contracted construction	245	224
Equity in earnings of affiliates	—	640
Other	2,679	1,657
Total non-operating revenues	3,300	2,890
<b>Non-operating expenses:</b>		
Interest expense	24,850	23,127
Other	1,612	562
Total non-operating expenses	26,462	23,689
<b>Recurring profit</b>	77,073	94,960
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	10,015	7,552
Reversal of provision for retirement benefits	—	18,418
Other	5,059	2,870
Total extraordinary profits	15,075	28,841
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	9,810	6,703
Impairment loss	—	18,841
Other	6,586	4,464
Total extraordinary losses	16,397	30,010
<b>Income before income taxes</b>	75,751	93,791
<b>Income taxes- Current</b>	24,907	30,857
<b>Income taxes- Deferred</b>	22,137	12,753
<b>Total income taxes</b>	47,045	43,610
<b>Income before minority interests</b>	28,705	50,181
<b>Minority interests in loss</b>	(1,359)	(8,165)
<b>Net income</b>	30,065	58,347

## Consolidated of Comprehensive Income

Nine months ended December 31

	Millions of yen	
	2011	2012
Income before minority interests	28,705	50,181
Other comprehensive income		
Valuation difference on available-for-sale securities	(450)	245
Deferred gains or losses on hedges	(48)	207
Share of other comprehensive income of associates accounted for using equity method	(24)	20
Total of other comprehensive income	(523)	473
Comprehensive income	28,181	50,655
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	29,555	58,778
Comprehensive income attributable to minority interests	(1,373)	(8,122)

## Business Segment Information

Nine months ended December 31

		Billions of yen		Change from the same period of the previous period
		2011	2012	
Transportation	Operating revenues	631.8	640.7	8.9
	Operating income	77.1	88.1	11.0
Sales of Goods and Food Services	Operating revenues	175.5	176.4	0.9
	Operating income	(1.6)	(0.4)	1.2
Real Estate Business	Operating revenues	67.1	65.6	(1.4)
	Operating income	19.4	21.0	1.5
Other Businesses	Operating revenues	85.6	88.1	2.4
	Operating income	4.4	5.9	1.4

Note: Revenues by each segment are from third parties.

### 3. Note on Assumptions for Going Concern

Not applicable

### 4. Notes in the Event of Major Change in Shareholders' Equity

Not applicable

### 5. Others

#### (i) Recording of Reversal of Provision for Employee Retirement Benefits

JR-West, with the aim of ensuring a smooth transfer of technical expertise to the next generation of employees, established a new reemployment system for managerial-level employees, separate from its existing reemployment system. This increased the range of options in retirement systems, and resulted in a reduction in retirement benefit obligations for the early retirement system. Accordingly, the Company recorded as an extraordinary profit a reversal of the provision for employee retirement benefits (¥18,418 million).

#### (ii) Recording of Impairment Loss on Fixed Assets

The JR-West Group, in its calculation of impairment losses in the business segments for which it continually monitors revenue and expenditure, generally consolidates assets by business segment for the Transportation Operations, Sales of Goods and Food Services, and Other Businesses segments. In the Real Estate Business, assets slated for disposal, and idle assets are generally grouped by individual property.

As a result, for those asset groups for which we project earnings will fall short of initial estimates, the Company has written down the book value to a recoverable amount, with the subject reduction amount recorded as an impairment loss (¥18,841 million) in extraordinary losses.

Use	Location	Category	Impairment Loss
Directly operated store (department store)	Osaka-shi, Osaka	Building, etc.	¥18,841 million

The breakdown of the impairment loss is as follows:

Buildings and structures      ¥15,191 million

Other                              ¥3,649 million

Note: The recoverable amount is calculated as the net sale value based on the projected sale amount.

## Reference Materials

### 1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2012	<b>December 31, 2012</b>	Change
	Billions of yen	Billions of yen	Billions of yen
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	182.7	158.4	(24.2)
<b>Fixed assets:</b>			
Fixed assets for railway operations	1,812.0	1,771.8	(40.1)
Construction in progress	38.5	38.9	0.4
Investments and other assets	348.4	326.7	(21.6)
Total fixed assets	2,199.0	2,137.6	(61.3)
<b>Total assets</b>	2,381.7	2,296.1	(85.6)

	March 31, 2012	<b>December 31, 2012</b>	Change
	Billions of yen	Billions of yen	Billions of yen
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Current portion of long-term debt	140.9	80.3	(60.5)
Accounts payable	420.2	395.7	(24.5)
Total current liabilities	561.1	476.0	(85.1)
<b>Fixed liabilities:</b>			
Bonds and long-term debt	915.4	909.1	(6.2)
Accrued retirement benefits	297.5	280.8	(16.6)
Other long-term liabilities	19.2	18.7	(0.4)
Total fixed liabilities	1,232.1	1,208.8	(23.3)
<b>Total liabilities</b>	1,793.3	1,684.8	(108.4)
<b>Total shareholders' equity:</b>			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	462.6	476.9	14.2
Treasury stock, at cost	(29.9)	(21.6)	8.3
Total shareholders' equity	587.6	610.2	22.5
<b>Valuation and translation adjustments</b>	0.7	0.9	0.2
<b>Total net assets</b>	588.3	611.2	22.8
<b>Total liabilities and net assets</b>	2,381.7	2,296.1	(85.6)



## 2. NON-CONSOLIDATED STATEMENTS OF INCOME

Nine months ended December 31

	2011	2012	Change from the same period of the previous year	
	Billions of yen	Billions of yen	Billions of yen	%
<b>Operating revenues:</b>				
Transportation	573.9	583.0	9.1	1.6
Transportation incidentals	14.5	14.3	(0.1)	(1.2)
Other operations	17.5	17.7	0.2	1.4
Miscellaneous	43.0	43.2	0.2	0.5
	649.0	658.4	9.4	1.4
<b>Operating expenses:</b>				
Personnel costs	178.5	174.7	(3.7)	(2.1)
Non personnel costs:				
Energy costs	26.9	27.9	1.0	3.7
Maintenance costs	87.5	91.4	3.8	4.4
Miscellaneous costs	122.7	123.3	0.5	0.4
	237.3	242.7	5.4	2.3
Rental payments, etc	17.7	17.7	(0.0)	(0.4)
Taxes	25.1	25.9	0.8	3.3
Depreciation	103.5	99.6	(3.8)	(3.7)
	562.3	560.9	(1.4)	(0.3)
<b>Operating income</b>	86.6	97.5	10.8	12.5
<b>Non-operating revenues and expenses, net:</b>				
Non-operating revenues	2.6	2.2	(0.4)	
Non-operating expenses	24.8	23.3	(1.4)	
	(22.1)	(21.1)	1.0	(4.7)
<b>Recurring profit</b>	64.5	76.3	11.8	18.4
<b>Extraordinary profit and loss, net:</b>				
Extraordinary profit	11.7	27.8	16.0	
Extraordinary loss	13.7	25.4	11.7	
	(1.9)	2.3	4.2	
<b>Income before income taxes</b>	62.5	78.7	16.1	25.8
<b>Income taxes</b>	38.2	35.7	(2.5)	(6.5)
<b>Net income</b>	24.2	42.9	18.6	76.9

## Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Nine months ended December 31		Change		Nine months ended December 31		Change	
	2011	2012	Amount	%	2011	2012	Amount	%
Sanyo Shinkansen								
Commuter Passes	546	558	11	2.2	6.7	6.8	0.0	1.4
Non-Commuter Passes	12,353	12,592	239	1.9	260.6	265.5	4.8	1.9
Total	12,899	13,151	251	2.0	267.4	272.4	4.9	1.9
Conventional Lines								
Commuter Passes	17,448	17,451	3	0.0	106.7	106.7	(0.0)	(0.0)
Non-Commuter Passes	10,825	11,181	355	3.3	199.6	203.9	4.2	2.1
Total	28,274	28,632	358	1.3	306.4	310.6	4.1	1.4
Kyoto-Osaka-Kobe Area								
Commuter Passes	14,083	14,090	6	0.0	86.1	86.1	(0.0)	(0.0)
Non-Commuter Passes	7,341	7,591	249	3.4	130.3	133.5	3.1	2.4
Total	21,425	21,682	256	1.2	216.5	219.6	3.1	1.4
Other Lines								
Commuter Passes	3,364	3,361	(3)	(0.1)	20.6	20.6	(0.0)	(0.1)
Non-Commuter Passes	3,483	3,589	105	3.0	69.2	70.3	1.0	1.5
Total	6,848	6,950	102	1.5	89.9	91.0	1.0	1.2
Total								
Commuter Passes	17,995	18,010	14	0.1	113.5	113.6	0.0	0.0
Non-Commuter Passes	23,178	23,773	595	2.6	460.3	469.4	9.0	2.0
Total	41,173	41,783	610	1.5	573.9	583.0	9.1	1.6

### 3. CAPITAL EXPENDITURES

#### Consolidated Basis

	Nine months ended December 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2013
	2011	2012	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	129.4	90.7	(38.6)	(29.9)	
Capital expenditures, excluding contributions received for constructions	123.2	83.1	(40.0)	(32.5)	157.0
Contributions received for constructions	6.1	7.5	1.3	21.9	

#### Non-Consolidated Basis

	Nine months ended December 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2013
	2011	2012	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	91.2	71.9	(19.3)	(21.2)	
Capital expenditures, excluding contributions received for constructions	85.1	64.3	(20.7)	(24.4)	127.0
[Safety-related capital expenditures]	[55.6]	[33.3]	[(22.2)]	[(40.1)]	[69.0]
Contributions received for constructions	6.1	7.5	1.3	21.9	

#### Major Capital Expenditures

Safety and accident-prevention measures, including installation of ATS, introduction of new rolling stock (*Kuroshio* limited express trains), Osaka Station Development Project, etc.

### 4. LONG-TERM DEBT AND PAYABLES

	Billions of yen			
	March 31, 2012	December 31, 2012	Change	March 31, 2013 Forecasts
Consolidated-basis	1,068.8	1,000.7	(68.1)	1,000.0
Non-consolidated-basis	1,056.3	989.5	(66.8)	990.0

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

- This presentation 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 passenger railway and airlines companies;
  - infectious disease outbreak and epidemic;
  - earthquake and other natural disaster risks; and
  - failure of computer telecommunications systems disrupting railway or other operations
- All forward-looking statements in this release are made as of January 2013 based on information available to JR-West as of January 2013 and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.
- Compensation for damages caused by the accident on Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.