

April 30, 2015

## FLASH REPORT [JAPANESE GAAP] (CONSOLIDATED BASIS)

Company name: **West Japan Railway Company**

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

Code number: 9021

URL: <http://www.westjr.co.jp>

President: Seiji Manabe

For further information, please contact: Shoji Kurasaka, General Manager, Corporate Communications

Department

Telephone: +81-6-6375-8889

Date for the General Meeting of Shareholders: June 23, 2015

Filing of annual security report: June 24, 2015

Start of dividend payments: June 24, 2015

Supplemental explanatory material prepared: Yes

Results briefing held: Yes

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

### 1. Performance

#### (1) Operating results

Years ended March 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 | %   |
| 2015 | 1,350,336          | 1.5 | 139,774          | 3.8 | 121,999          | 8.0 | 66,712          | 1.6 |
| 2014 | 1,331,019          | 2.5 | 134,593          | 3.9 | 112,961          | 7.9 | 65,640          | 9.0 |

(Note) Comprehensive Income: Year ended March 31, 2015: ¥74,231 million, 9.3%;

Year ended March 31, 2014: ¥67,943 million, 23.4%

|      | Net income per share | Net income per share after dilution | Return on equity | Recurring profit-to-total assets ratio | Operating income-to-operating revenues ratio |
|------|----------------------|-------------------------------------|------------------|--|--|
|      | Yen                  | Yen                                 | %                | %                                      | %  |
| 2015 | 344.58               | —                                   | 8.4              | 4.5                                    | 10.4   |
| 2014 | 338.98               | —                                   | 8.6              | 4.3                                    | 10.1   |

(Reference) Gain on investment by equity method: Year ended March 31, 2015: ¥1,901 million;

Year ended March 31, 2014: ¥1,445 million

#### (2) Financial position

At March 31

|      | Total assets    | Net assets      | Equity ratio | Net assets per share |
|------|-----------------|-----------------|--------------|----------------------|
|      | Millions of yen | Millions of yen | %            | Yen                  |
| 2015 | 2,786,470       | 846,701         | 28.8         | 4,138.65             |
| 2014 | 2,687,890       | 807,378         | 29.2         | 4,048.31             |

(Reference) Total shareholders' equity: March 31, 2015: ¥801,264 million, March 31, 2014: ¥783,908 million

#### (3) Cash flows

Years ended March 31

|      | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financial activities | Cash and cash equivalents at end of year |
|------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|      | Millions of yen                      | Millions of yen                      | Millions of yen                      | Millions of yen                          |
| 2015 | 223,613                              | (212,912)                            | 1,689                                | 85,346                                   |
| 2014 | 237,733                              | (165,356)                            | (47,811)                             | 72,956                                   |

## 2. Dividends

Year ended/ ending March 31

|                    | Dividends per share |          |         |          |        | Total amount of dividends<br>(for the entire fiscal year)<br>Millions of yen | Payout ratio<br>(Consolidated)<br>% | Dividends-to-<br>-net assets<br>ratio<br>(Consolidated)<br>% |
|--------------------|---------------------|----------|---------|----------|--------|--|-------------------------------------|--|
|                    | June 30             | Sept. 30 | Dec. 31 | Year-end | Total  |  |                                     |  |
|                    | Yen                 | Yen      | Yen     | Yen      | Yen    |  |                                     |  |
| 2014               | —                   | 55.00    | —       | 60.00    | 115.00 | 22,279   | 33.9                                | 2.9  |
| 2015               | —                   | 60.00    | —       | 65.00    | 125.00 | 24,216   | 36.3                                | 3.1  |
| 2016<br>(Forecast) | —                   | 65.00    | —       | 65.00    | 130.00 |  | 30.9                                |  |

## 3. Forecasts for Fiscal Year ending March 31, 2016

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

|                | Operating revenues |     | Operating income |     | Recurring profit |     |
|----------------|--------------------|-----|------------------|-----|------------------|-----|
|                | Millions of yen    | %   | Millions of yen  | %   | Millions of yen  | %   |
| Interim period | 678,500            | 4.1 | 85,500           | 4.0 | 74,500           | 2.8 |
| Fiscal year    | 1,391,500          | 3.0 | 148,500          | 6.2 | 130,000          | 6.6 |

|                | Net income      |        | Net income per share |
|----------------|-----------------|--------|----------------------|
|                | Millions of yen | %      | Yen                  |
| Interim period | 48,000          | (11.8) | 247.93               |
| Fiscal year    | 81,500          | 22.2   | 420.96               |

(Note) Consolidated net income for the fiscal year ending March 31, 2016, is described as "Net income attributable to shareholders of the parent company."

## 4. Notes

- Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): None
- Changes in accounting policies, changes in accounting estimates, restatements
  - Changes based on revision of accounting standards: Yes
  - Changes other than 1) above: None
  - Changes in Accounting Estimates: None
  - Restatements: None

(Note) Please refer to (6) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements on page 21.

### 3. Number of Shares Outstanding (Common stock)

|   | Years ended March 31 |             |
|---|----------------------|-------------|
|   | 2015                 | 2014        |
| 1) Number of shares issued and outstanding<br>(including treasury stock):     | 193,735,000          | 193,735,000 |
| 2) Number of treasury stock   | 129,581              | 96,571      |
| 3) Average number of shares outstanding for<br>each period (cumulative term): | 193,605,419          | 193,640,651 |

## (Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

### 1. Performance

#### (1) Operating results

Years ended March 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 | %     |
| 2015 | 890,940            | 2.0 | 112,026          | 10.1  | 92,130           | 15.2 | 47,382          | (2.7) |
| 2014 | 873,651            | 0.6 | 101,773          | (0.5) | 79,991           | 3.1  | 48,680          | 16.1  |

|      | Net income per share |  | Net income per share after dilution |  |
|------|----------------------|--|-------------------------------------|--|
|      | Yen                  |  | Yen                                 |  |
| 2015 | 244.57               |  | —                                   |  |
| 2014 | 251.28               |  | —                                   |  |

#### (2) Financial position

At March 31

|      | Total assets    |  | Net assets      |  | Equity ratio |  | Net assets per share |  |
|------|-----------------|--|-----------------|--|--------------|--|----------------------|--|
|      | Millions of yen |  | Millions of yen |  | %            |  | Yen                  |  |
| 2015 | 2,444,451       |  | 631,584         |  | 25.8         |  | 3,260.05             |  |
| 2014 | 2,392,624       |  | 639,490         |  | 26.7         |  | 3,300.86             |  |

(Reference) Total shareholders' equity: March 31, 2015: ¥631,584 million, March 31, 2014: ¥639,490 million

### 2. Forecasts for Fiscal Year ending March 31, 2016

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

|                | Operating revenues |     | Operating income |     | Recurring profit |     |
|----------------|--------------------|-----|------------------|-----|------------------|-----|
|                | Millions of yen    | %   | Millions of yen  | %   | Millions of yen  | %   |
| Interim period | 455,000            | 3.2 | 72,000           | 4.1 | 61,000           | 6.0 |
| Fiscal year    | 919,500            | 3.2 | 116,500          | 4.0 | 98,000           | 6.4 |

|                | Net income      |      | Net income per share |  |
|----------------|-----------------|------|----------------------|--|
|                | Millions of yen | %    | Yen                  |  |
| Interim period | 40,000          | 2.4  | 206.47               |  |
| Fiscal year    | 63,500          | 34.0 | 327.77               |  |

#### \* Indication regarding the status of auditing procedures

These financial statements are not subject to auditing procedures under the Financial Instruments and Exchange Act. The auditing procedures 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. Supplementary materials for the financial statements are posted on our homepage.

## **1. BUSINESS PERFORMANCE**

### **1. Analysis of Business Performance**

#### **(1) Overview of 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.”

During the subject fiscal year (April 1, 2014 to March 31, 2015), JR-West conducted a memorial service for the victims of the Fukuchiyama Line accident, held explanatory meetings regarding the proposed preservation of the accident site, and continued to make concerted efforts for all persons affected by the accident.

For the “JR-West Group Medium-Term Management Plan 2017” and its core component, the “Safety Think-and-Act Plan 2017,” based on the principles of “thinking and acting based on the field” and “customer-based management,” we took deliberate measures to achieve our strategic targets, centered on safety and customer satisfaction. In particular, for the highest priority measure of “Safety,” JR-West made a concerted effort as a corporate group to implement specific measures in the “Safety Think-and-Act Plan 2017.” We are making a concerted effort to realize our goals of “No accidents that cause injury or death to customers” and “No labor accidents that result in fatalities among our employees.”

JR-West considered the fiscal year ended March 2015 as a key year for building the foundations to ensure future growth, with upfront costs to facilitate this growth. For the Hokuriku Shinkansen, we moved forward with preparations to commence operations, opening the segment between Nagano and Kanazawa on March 14, 2015, and completing the transfer of the parallel conventional lines. For the commercial facility West Wing of the North Gate Building of OSAKA STATION CITY, we made preparations for the April 2 grand opening of LUCUA 1100.

The business environment for JR-West remains harsh, due to such factors as population decline and competition from other modes of transport, measures to counter natural disasters such as increasingly frequent localized torrential rains, as well as rising costs for labor, electricity and other expenses. At the same time, we consider new sources of demand, such as overseas visitors to Japan and seniors, as a business opportunity, and are enhancing our products and services. Amid such circumstances, with the aim of heightening corporate value over the medium to long term, by deepening interaction and ties with communities, and working together as a corporate group to develop businesses with close ties to specific areas, JR-West took steps to enhance the quality of the railway, to expand non-transportation operations, and to promote new business creation, thereby establishing a foundation for sustainable growth.

Of note, for the Kosei Line, in July 2014 the lease period from the Japan Railway Construction, Transport and Technology Agency (JR-CTA) terminated, and JR-West received the line with compensation. Also, as of October 2014, JR-West is no longer subject to the provisions of the WTO Agreement on Government Procurement. However, we will continue to enhance

transparency in procurement, and pursue non-discriminatory procurement, treating domestic and foreign interests equally, of exceptional products that are safe and high quality at reasonable prices, and for which sufficient after-sales service is included. We will also make efforts to actively utilize domestic and foreign technologies, in order to provide a safer and higher quality rail transport service.

As a result, performance in the subject period was boosted by steady implementation of measures in accordance with the medium-term management plan. Operating revenues rose 1.5% from the previous fiscal year to ¥1,350.3 billion. Operating income increased 3.8% from a year earlier to ¥139.7 billion, with recurring profit up 8.0% to ¥121.9 billion, and net income 1.6% to ¥66.7 billion.

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

### **Results by Business Segment**

#### **a. Transportation Operations**

JR-West made safety-related investments based on the “Safety Think-and-Act Plan 2017.”

JR-West enhanced safety for level crossing systems, and implemented safety measures for platforms. Based on the trial for the “automatic platform gates (rope type)” at Sakurajima Station, in December 2014 we began a trial operation at Rokkomichi Station to test functions and operation with trains of varying configuration. Based on the positive results, we concluded that the system is beneficial and feasible, and decided to continue using the gates installed. We also completed construction and began using the station extension at Amagasaki Station, designed to ease congestion on the platform.

For measures to limit damage from earthquakes and tsunami, we conducted seismic retrofitting for pillars supporting elevated tracks, continued work to install derailment prevention guards on the Sanyo Shinkansen, and upgraded our tsunami evacuation equipment. JR-West also conducted trainings in accordance with the “Rules for Tsunami Evacuation Guidance” and other manuals formulated based on the lessons of the Great East Japan Earthquake. For measures to counter strong winds, we decided to extend the protective wind fence on the Kosei Line between Shiga and Hira stations, and on the Hokuriku Main Line between Komaiko and Mikawa stations, and Komatsu and Meiho stations.

For risk assessment, we created a Risk Assessment Handbook with relevant information systematically organized, and distributed it to all employees. In addition, to achieve the goal of “Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life,” we conducted employee training and other measures through the Railway Safety Education Center, established to teach systematically the lessons learned from accidents. Further, in January 2015 we established the Safety Perception Refinement Facility within the staff training center, for the purpose of providing instruction on railway safety systems, and the prevention of labor accidents.

In transportation operations, JR-West implemented a timetable revision in March 2015, began commercial operation of *Kagayaki*, *Hakutaka*, and *Tsurugi* trains following the opening of the Nagano-Kanazawa segment on the Hokuriku Shinkansen, and transferred operation of

parallel conventional lines to semi-public corporations. In the Hokuriku area, we newly introduced limited express *Noto Kagaribi* and *Dinostar* trains, shortened the travel times for certain *Nozomi* trains on the Sanyo Shinkansen, and enhanced convenience for the Osaka Loop Line. In the Hiroshima area, we introduced 227-series commuter trains, opened the Shin-Hakushima Station between Hiroshima and Yokogawa stations, and improved access to central Hiroshima through direct links with the Astram Line.

JR-West also began construction on the extension of the Kabe Line, with completion scheduled for spring 2017.

For the sections of the San-in Line, Yamaguchi Line, and Sanko Line where services had been suspended from the previous fiscal year as a result of heavy rains, with the cooperation of local authorities and residents, we were able to resume operations by August 2014.

During the subject fiscal year, services were also suspended from August to September 2014 on segments of the Fukuchiyama and Kabe lines, but full operations have now resumed. Of note, with the approach of Typhoon Vongfong in October 2014, to prevent damage we suspended all operations on conventional lines in the Kyoto-Osaka-Kobe area, giving prior notice to customers.

In marketing initiatives, JR-West implemented measures to stimulate demand among seniors by launching special discount “Nori-nori Kippu” tickets and the “San-in Meguri Pass 50” for customers 60 and older, and launching the “Otonabi” service to provide special discount tickets and travel packages to persons 50 and older. To expand services for overseas visitors to Japan, JR-West expanded areas with free public Wi-Fi services, launched a free public Wi-Fi service on *Haruka* limited express trains, and set up a new ticket reservation office for overseas visitors at Kansai Airport Station. In addition, taking into consideration competition with other modes of transport, JR-West made efforts to promote use of the Shinkansen, including expanding the designated segments for the “Super Haya-toku” early discount ticket, conducting a campaign to commemorate the 40th anniversary in March 2015 of the opening of all lines of the Sanyo Shinkansen, launching the “USJ Special Ticket,” conducting the “Remember Kyushu Campaign,” and selling commemorative tickets in conjunction with JR Kyushu. In accordance with the opening of the Kanazawa segment of the Hokuriku Shinkansen, we took steps to expand the use of services in the Hokuriku area, including publicizing basic information on timetables, travel times, and tickets, and expanding the online tickets available through the “e5489” service, as well as selling and promoting use of travel packages allowing broad excursions across the Hokuriku and Shinetsu regions. We also conducted a “Destination Campaign” for Wakayama as part of a nationwide promotion by JR Group companies.

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

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

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

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

#### **b. Retail Business**

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

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

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

JR-West made progress with renovation work at major stations, including Shin-Osaka, Hiroshima, and Kanazawa stations, to support future growth. With the opening of the Nagano-Kanazawa segment of the Hokuriku Shinkansen, in an effort to vitalize the region by providing attractive products and services, in July 2014 we opened the “Kanazawa 100 Bangai Anto” commercial facility underneath the elevated tracks at Kanazawa Station, and in March 2015 opened the renovated “Kanazawa 100 Bangai Rinto” with expanded floor space. We also renovated the “Marier Toyama” facility at JR Toyama Station, and opened “Kitokito Ichiba Toya Marché” underneath the Shinkansen tracks. Further, for the OSAKA STATION CITY North Gate Building, in August 2014 JR-West renovated the East Wing LUCUA section, and for the West Wing “LUCUA 1100,” made preparations for the opening in April 2015 of a new type of commercial facility that integrates “isetan” with specialty shops that draw customers and generate buzz. The grand opening was held on April 2, 2015.

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

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

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

#### **d. Other Businesses**

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

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

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

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

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

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

Several factors cause JR-West to be less than optimistic about the fiscal year ending March 31, 2016, including competition from other modes of transport and revisions in electricity rates.

Under these circumstances, the Company will continue to make steady progress based on the "Safety Think-and-Act Plan 2017," as well as the "JR-West Group Medium-Term Management Plan 2017," which was updated in April 2015. Through initiatives targeting increased demand by overseas visitors to Japan and seniors and by maximizing the effects of the opening of the Nagano-Kanazawa segment of the Hokuriku Shinkansen and the "LUCUA 1100" OSAKA STATION CITY North Gate Building West Wing, the Company will endeavor to strengthen its business foundation and achieve sustained growth.

#### Consolidated Forecasts for the Year Ending March 31, 2016

|                     |                  |                |
|---------------------|------------------|----------------|
| Operating revenues: | ¥1,391.5 billion | (up 3.0% YoY)  |
| Operating income:   | ¥148.5 billion   | (up 6.2% YoY)  |
| Recurring profit:   | ¥130.0 billion   | (up 6.6% YoY)  |
| Net income:         | ¥81.5 billion    | (up 22.2% YoY) |

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



## 2. Analysis of Financial Condition

### (1) Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2015) amounted to ¥2,786.4 billion, an increase of ¥98.5 billion from the end of the previous fiscal year (March 31, 2014). This was due mainly to an increase in accounts receivable.

Total liabilities amounted to ¥1,939.7 billion, an increase of ¥59.2 billion from the end of the previous fiscal year. This was due mainly to an increase in net defined benefit liability.

Total net assets amounted to ¥846.7 billion, an increase of ¥39.3 billion from the end of the previous fiscal year. This was due mainly to the inclusion of DAITETSU KOGYO CO., LTD. and its subsidiary as consolidated subsidiaries.

### (2) Cash Flows

Cash provided by operating activities amounted to ¥223.6 billion, a decrease of ¥14.1 billion from the previous fiscal year. This was due mainly to a decrease in accounts receivable.

Cash used in investing activities amounted to ¥212.9 billion, an increase of ¥47.5 billion from the previous fiscal year. This was due mainly to an increase in expenditures for purchases of property, plant and equipment.

Cash provided by financing activities amounted to ¥1.6 billion, an increase of ¥49.5 billion from the previous fiscal year. This was due mainly to an increase in issuance of bonds.

As a result, cash and cash equivalents at the end of the subject fiscal year (March 31, 2015) amounted to ¥85.3 billion, an increase of ¥12.3 billion from the end of the previous fiscal year (March 31, 2014).

### (Reference) Cash Flow Indicators

Years ended March 31

|  | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------|------|------|------|------|
| Equity ratio (%)                                 | 25.8 | 26.6 | 28.5 | 29.2 | 28.8 |
| Equity ratio, based on market value (%)          | 23.3 | 24.4 | 33.4 | 30.4 | 43.8 |
| Interest-bearing debt to cash flow ratio (Times) | 4.9  | 5.1  | 4.1  | 4.1  | 4.4  |
| Interest coverage ratio (Times)                  | 2.9  | 3.3  | 4.3  | 4.8  | 5.4  |

Notes: Equity ratio: shareholders' equity/ total assets  
Market-based rate of equity ratio: total market capitalization/ total assets  
Interest-bearing debt to cash flow ratio: interest-bearing debt/ cash flows  
Interest coverage ratio: (operating income + interest & dividend income)/ interest expense

Notes:

1. All of the figures in the above table were calculated on a consolidated basis.
2. Total market capitalization was calculated by multiplying the closing stock price at the end of the term by the total amount of outstanding stock at the end of the term (excluding treasury stock).
3. Cash flow is defined as operating cash flow.
4. Interest-bearing debt is defined as interest-bearing debt of long-term debt and payables.

### **3. Basic Policy Regarding Distribution of Earnings, and Dividends for the Subject and Next Fiscal Years**

JR-West considers it important to provide stable shareholder returns over the long term.

In the “JR-West Group Medium-Term Management Plan 2017” announced in March 2013, the Company set a target of around 3% of total distribution on net assets\* for the fiscal year ending March 2018, based on achieving the targets in the medium-term management plan.

For the fiscal year ended March 2015, in consideration of the steady progress toward achieving the “JR-West Group Medium-Term Management Plan 2017,” the Company plans to pay a year-end dividend of ¥65 per share, a ¥5 per share increase from the ¥60 per share forecast announced in January 2015. As a result, combined with the interim dividend of ¥60 per share already paid, the full-year dividend will be ¥125 per share.

For the fiscal year ending March 2016, the Company plans to pay a full-year dividend of ¥130 per share.

\* (total dividends + acquisitions of treasury stock) ÷ consolidated net assets ×100

## **2. MANAGEMENT POLICIES**

### **1. Basic Management Policies and Issues for the Company to Address**

The JR-West Group takes very seriously its responsibility for the Fukuchiyama Line accident and the gravity of its consequences, and is making a concerted effort to establish a safe and trusted rail service. In March 2013, JR-West formulated the “JR-West Group Medium-Term Management Plan 2017” and its core component, the “Safety Think-and-Act Plan 2017.” This medium-term management plan retains as its highest priority the “Three Pillars of Management” of “Measures to Have Ourselves Accepted as Acting with the Best Intentions by the Victims of the Train Accident,” “Measures to Enhance Safety,” and “Furthering of Reform,” while also newly establishing as “Our Future Direction – The Ideal Form for JR-West,” the objectives of fulfilling “Our Mission” of sustained railway operations, and contributing to the invigoration of local areas as a “Company Coexisting with Communities.”

Further, in April 2015, as a review of the last two years, and based on the changes in the business environment and other factors, we formulated the “JR-West Group Medium-Term Management Plan 2017 Progress and Future Priority Measures (Update).”

To achieve the goals of the plan, as our basic strategy we will concentrate on the three aspects of “Safety,” “Customer Satisfaction,” and “Technologies.” In our four business areas of “Shinkansen,” “Kansai Urban Area,” “Other West Japan Area,” “Business Development,” we will set targets for fiscal 2018 and clarify our direction, and seek long-term, sustainable growth through various strategies to achieve these targets, foundation building, and fulfilling our responsibilities as a member of society.

Regarding JR-West’s response to the victims of the Fukuchiyama Line accident (one of the “Three Pillars of Management”), we will continue to listen carefully to their opinions, and make every effort to deal with them honestly.

In terms of “Safety,” the highest priority of the Three Basic Strategies, based on the issues recognized over the last two years, JR-West will further strengthen measures to achieve the

“Safety Think-and-Act Plan 2017,” including coping with the intensifying natural disasters, enhancing platform safety, preventing railway labor accidents that result in fatalities, and bolstering risk management, thereby enhancing safety, and fulfilling our mission. Further, in consideration of the crossing accident in February 2015 where passengers aboard a train were injured, we will continue to analyze the factors that led to the accident, take steps to increase safety at crossings, and implement necessary measures to further identify risks, and counter these risks.

In terms of “Customer Satisfaction,” JR-West has set a goal of making customers “JR-West fans,” and based on the recognition of the newly formulated “Customer Satisfaction Vision 2017 / Customer Satisfaction Think-and-Act Declaration,” and recognizing that everything we do is related to customers, we will deepen communication with customers, work to enhance and improve services and pursue measures that meet customers’ desire for safety, comfort, and other needs. At the same time, we will further such measures as minimizing the impact from transportation disruptions, and improving guidance information.

For “Technologies,” JR-West will focus on continuous innovation to support the basic strategies of “Safety” and “Customer Satisfaction,” in order to pursue technical development aimed at fostering advances in railway operations systems. We will also seek to use technology to address such issues as engineer training and the development of gauge change trains.

Regarding the “Four Business Strategies,” for “Shinkansen” JR-West will work to further improve safety and reliability, and provide a competitive transport service. We will also generate new demand by expanding services for seniors, and overseas visitors to Japan. In addition, taking advantage of the opportunity provided by the opening of the Kanazawa segment of the Hokuriku Shinkansen, we will enhance the potential of Shinkansen by partnering with local residents to expand exchanges between the Kansai and Hokuriku areas in a wide range of sectors, including tourism, culture, and economics.

For “Kansai Urban Area,” through a focus on further safety and measures for a thoroughly reliable transport service, JR-West will raise the quality of its rail service, so that it is used repeatedly by customers. JR-West will vitalize the entire region with such measures as refurbishment of the Osaka Loop Line through the Osaka Loop Line Renovation Project and newly establishing the Kyoto Railway Museum, and we will enhance the value of our railway belts with new stations and other measures, brightening the appeal of the urban areas.

For “Other West Japan Area,” JR-West will increase the safety and convenience of inter-city and intra-city transport, and will make efforts to stimulate tourism through “destination campaigns” and other measures. We will also introduce as a new sleeper train the *Twilight Express Mizukaze*, which will allow passengers to experience the appeal of the San-in and Sanyo regions through rail journeys. We will further leverage the positive qualities and strengths of the region by working together with local communities to establish sustainable local transport, and from the standpoint of “coexistence with communities” will develop businesses with close ties to specific areas.

For “Business Development,” JR-West will expand lifestyle-related services, including expansion of our business alliance with Seven-Eleven Japan Co., Ltd. for in-station stores, as

well as enhance the value of group assets through development of terminal stations, and the new “LUCUA osaka,” including the “LUCUA 1100” OSAKA STATION CITY North Gate Building West Wing. We will also foster business creation through the cultivation and nurturing of new business fields.

To effectively achieve these strategies, JR-West will undertake specific measures toward “building foundations” for sound business and operational management as a company. These including “Enhance Front-Line Capabilities,” in which employees at all workplaces identify issues and resolve them on their own, as well as securing and training human resources, and raising their motivation.

JR-West will properly apply the corporate governance code that will take effect in June 2015, and through disclosure, crisis management, and the global environment, will fulfill its responsibilities as a member of society.

The business environment for JR-West is expected to remain strained by such factors as population decline, an increase in the number of natural disasters, and competition from other modes of transport. However, we will maximize the benefits from measures based on the increase in overseas visitors to Japan and growing demand from seniors, the commencement of services on the Nagano-Kanazawa segment of the Hokuriku Shinkansen, and the opening of the “LUCUA 1100” OSAKA STATION CITY North Gate Building West Wing.

JR-West will also move steadily forward with the Osaka Loop Line Renovation Project presented in the “JR-West Group Medium-Term Management Plan 2017,” as well as such measures as the Osaka Higashi Line Project, and the establishment of new stations.

The JR-West Group, through the principle of “thinking and acting based on the field,” will continue to make a concerted effort as a corporate group to take the next step into a new era, and while working together with communities, strive to enhance our corporate value over the longer term.

### **3. BASIC PERSPECTIVE ON THE CHOICE OF ACCOUNTING STANDARDS**

The JR-West Group employs Japanese accounting standards and has no plans to adopt IFRS for the foreseeable future. However, we will consider this adoption, taking into consideration such factors as future trends in Japanese accounting standards.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Consolidated Balance Sheets

|                                       | Millions of yen  |                  |
|---------------------------------------|------------------|------------------|
|                                       | March 31, 2014   | March 31, 2015   |
| <b>ASSETS</b>                         |                  |                  |
| <b>Current assets:</b>                |                  |                  |
| Cash                                  | 55,203           | 53,592           |
| Notes and accounts receivable-trade   | 20,794           | 33,922           |
| Railway fares receivable              | 36,721           | 35,098           |
| Accounts receivable                   | 57,365           | 79,074           |
| Securities                            | 18,000           | 32,000           |
| Income taxes receivable               | 338              | 43               |
| Inventories                           | 44,215           | 57,755           |
| Deferred income taxes                 | 18,622           | 18,475           |
| Other current assets                  | 47,791           | 54,353           |
| Less allowance for doubtful accounts  | (638)            | (770)            |
| Total current assets                  | 298,414          | 363,544          |
| <b>Fixed assets:</b>                  |                  |                  |
| <b>Property, plant and equipment:</b> |                  |                  |
| Buildings and structures              | 1,073,890        | 1,080,084        |
| Machinery and transport equipment     | 292,710          | 315,824          |
| Land                                  | 659,947          | 671,123          |
| Construction in progress              | 75,521           | 61,453           |
| Other property, plant and equipment   | 33,129           | 35,759           |
| Total property, plant and equipment   | 2,135,199        | 2,164,245        |
| <b>Intangible fixed assets</b>        | 30,243           | 31,359           |
| <b>Investments and other assets:</b>  |                  |                  |
| Investments in securities             | 67,359           | 61,723           |
| Net defined benefit asset             | 1,469            | 2,592            |
| Deferred tax assets                   | 128,520          | 134,591          |
| Other investments and assets          | 27,738           | 29,415           |
| Less allowance for doubtful accounts  | (1,136)          | (1,043)          |
| Total investments and other assets    | 223,950          | 227,278          |
| Total fixed assets                    | 2,389,393        | 2,422,882        |
| <b>Deferred income taxes</b>          |                  |                  |
| Business commencement expenses        | 83               | 43               |
| Total deferred income taxes           | 83               | 43               |
| <b>Total assets</b>                   | <b>2,687,890</b> | <b>2,786,470</b> |

|   | Millions of yen  |                  |
|---|------------------|------------------|
|   | March 31, 2014   | March 31, 2015   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                 |                  |                  |
| <b>Current liabilities:</b>   |                  |                  |
| Notes and accounts payable-trade  | 53,542           | 82,558           |
| Short-term loans payable  | 25,754           | 16,335           |
| Current portion of bonds  | 20,000           | —                |
| Current portion of long-term debt   | 25,625           | 48,098           |
| Current portion of long-term payables for acquisition of railway properties | 38,073           | 33,613           |
| Current portion of long-term accounts payable                               | 31               | 31               |
| Accounts payable  | 118,198          | 96,636           |
| Accrued consumption tax   | 4,069            | 15,704           |
| Accrued income tax  | 29,419           | 20,757           |
| Inter-line fares received   | 5,077            | 2,054            |
| Deposits received   | 66,615           | 77,114           |
| Prepaid railway fares received  | 50,997           | 38,412           |
| Advances received   | 28,165           | 16,350           |
| Allowance for bonuses   | 35,921           | 37,166           |
| Provision for warranties for completed construction                         | —                | 39               |
| Allowance for point program   | 1,418            | 1,566            |
| Other current liabilities   | 36,609           | 40,591           |
| Total current liabilities   | 539,520          | 527,032          |
| <b>Fixed liabilities:</b>   |                  |                  |
| Bonds   | 439,975          | 479,977          |
| Long-term debt  | 285,189          | 304,291          |
| Long-term payables for acquisition of railway properties                    | 171,795          | 138,140          |
| Long-term accounts payable  | 96               | 64               |
| Deferred tax liabilities  | 405              | 4,040            |
| Allowance for environmental safety measures                                 | 10,204           | 9,627            |
| Provision for unredeemed gift certificates                                  | 2,568            | 2,551            |
| Net defined benefit liability   | 326,823          | 375,285          |
| Other long-term liabilities   | 103,934          | 98,758           |
| Total fixed liabilities   | 1,340,991        | 1,412,736        |
| <b>Total liabilities</b>  | <b>1,880,511</b> | <b>1,939,768</b> |

(continued on page 15)

|   | Millions of yen |                |
|---|-----------------|----------------|
|   | March 31, 2014  | March 31, 2015 |
| <b>NET ASSETS</b>                             |                 |                |
| <b>Total shareholders' equity:</b>            |                 |                |
| Common stock                                  | 100,000         | 100,000        |
| Capital surplus                               | 55,000          | 55,000         |
| Retained earnings                             | 632,187         | 643,198        |
| Treasury stock, at cost                       | (359)           | (480)          |
| Total shareholders' equity                    | 786,828         | 797,717        |
| <b>Valuation and translation adjustments:</b> |                 |                |
| Net unrealized holding gain on securities     | 3,429           | 4,955          |
| Deferred gains or losses on hedges            | 557             | 638            |
| Remeasurements of defined benefit plans       | (6,906)         | (2,047)        |
| Total Valuation and translation adjustments   | (2,920)         | 3,547          |
| <b>Minority interests</b>                     | 23,470          | 45,436         |
| <b>Total net assets</b>                       | 807,378         | 846,701        |
| <b>Total liabilities and net assets</b>       | 2,687,890       | 2,786,470      |

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

Years ended March 31

|  | Millions of yen |           |
|--|-----------------|-----------|
|  | 2014            | 2015      |
| <b>Operating revenues</b>  | 1,331,019       | 1,350,336 |
| <b>Operating expenses:</b>   |                 |           |
| Transportation, other services and cost of sales   | 1,015,174       | 1,028,221 |
| Selling, general and administrative expenses   | 181,251         | 182,340   |
| Total operating expenses   | 1,196,426       | 1,210,562 |
| <b>Operating income</b>  | 134,593         | 139,774   |
| <b>Non-operating revenues:</b>   |                 |           |
| Interest income  | 50              | 67        |
| Dividend income  | 465             | 880       |
| Dividends income of insurance  | 2,436           | 2,586     |
| Transfer from administrative fee of contracted construction  | 1,400           | 1,193     |
| Equity in earnings of affiliates   | 1,445           | 1,901     |
| Other  | 1,970           | 2,442     |
| Total non-operating revenues   | 7,769           | 9,071     |
| <b>Non-operating expenses:</b>   |                 |           |
| Interest expense   | 28,053          | 25,898    |
| Other  | 1,347           | 948       |
| Total non-operating expenses   | 29,400          | 26,846    |
| <b>Recurring profit</b>  | 112,961         | 121,999   |
| <b>Extraordinary profits:</b>  |                 |           |
| Gain on sales of noncurrent assets   | 2,125           | 3,005     |
| Gain on contributions received for construction  | 15,955          | 52,395    |
| Compensation income for expropriation  | 5,601           | 5,263     |
| Other  | 2,707           | 8,842     |
| Total extraordinary profits  | 26,390          | 69,506    |
| <b>Extraordinary losses:</b>   |                 |           |
| Loss on sales of noncurrent assets   | 120             | 4,483     |
| Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment | 13,972          | 51,494    |
| Loss on reduction for expropriation  | 5,220           | 1,677     |
| Other  | 8,349           | 11,139    |
| Total extraordinary losses   | 27,664          | 68,793    |
| <b>Income before income taxes</b>  | 111,687         | 122,712   |
| <b>Income taxes- Current</b>   | 47,965          | 41,334    |
| <b>Income taxes- Deferred</b>  | (3,339)         | 14,328    |
| <b>Total income taxes</b>  | 44,625          | 55,662    |
| <b>Income before minority interests</b>  | 67,061          | 67,049    |
| <b>Minority interests in income (loss)</b>   | 1,421           | 336       |
| <b>Net income</b>  | 65,640          | 66,712    |



## Consolidated Statements of Comprehensive Income

Years ended March 31

|   | Millions of yen |        |
|---|-----------------|--------|
|   | 2014            | 2015   |
| Income before minority interests  | 67,061          | 67,049 |
| Other comprehensive income  |                 |        |
| Valuation difference on available-for-sale securities                               | 754             | 1,937  |
| Deferred gains or losses on hedges  | 86              | 102    |
| Remeasurements of defined benefit plans, net of tax                                 | —               | 5,203  |
| Share of other comprehensive income of associates accounted for using equity method | 41              | (61)   |
| Total of other comprehensive income   | 881             | 7,182  |
| Comprehensive income  | 67,943          | 74,231 |
| Comprehensive income attributable to:   |                 |        |
| Comprehensive income attributable to owners of the parent                           | 66,460          | 73,180 |
| Comprehensive income attributable to minority interests                             | 1,482           | 1,051  |

## Business Segment Information

Years ended March 31

|                  |                    | Billions of yen |       |  |
|------------------|--------------------|-----------------|-------|--|
|                  |                    | 2014            | 2015  | Change from the same period of the previous period |
| Transportation   | Operating revenues | 851.3           | 868.4 | 17.0   |
|                  | Operating income   | 91.0            | 100.6 | 9.6  |
| Retail           | Operating revenues | 240.1           | 220.1 | (19.9)   |
|                  | Operating income   | 4.4             | 1.5   | (2.8)  |
| Real Estate      | Operating revenues | 102.2           | 87.2  | (15.0)   |
|                  | Operating income   | 27.7            | 25.1  | (2.6)  |
| Other Businesses | Operating revenues | 137.1           | 174.4 | 37.2   |
|                  | Operating income   | 11.8            | 15.6  | 3.7  |

Note: Revenues by each segment are from third parties.

### (3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2014

|  | Millions of yen      |                 |                   |                |          |
|--|----------------------|-----------------|-------------------|----------------|----------|
|  | Shareholders' equity |                 |                   |                |          |
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total    |
| Balance at beginning of current period                                       | 100,000              | 55,000          | 609,508           | (21,995)       | 742,512  |
| Cumulative effect of changes in accounting policies                          |                      |                 | —                 |                | —        |
| Restated balance   | 100,000              | 55,000          | 609,508           | (21,995)       | 742,512  |
| Change in the fiscal year:   |                      |                 |                   |                |          |
| Dividends from surplus   |                      |                 | (21,310)          |                | (21,310) |
| Net income   |                      |                 | 65,640            |                | 65,640   |
| Purchase of treasury stock   |                      |                 |                   | (0)            | (0)      |
| Retirement of treasury stock   |                      |                 | (21,649)          | 21,649         | —        |
| Change in equity in affiliates accounted for by equity method-treasury stock |                      |                 |                   | —              | —        |
| Change of scope of equity method   |                      |                 |                   | (12)           | (12)     |
| Net changes of items other than shareholders' equity                         |                      |                 |                   |                |          |
| Total  | —                    | —               | 22,679            | 21,636         | 44,316   |
| Balance at end of current period   | 100,000              | 55,000          | 632,187           | (359)          | 786,828  |

|  | Millions of yen                           |                                    |   |         |                    |                  |
|--|---|------------------------------------|---|---------|--------------------|------------------|
|  | Valuation and translation adjustments     |                                    |   |         | Minority interests | Total net assets |
|  | Net unrealized holding gain on securities | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total   |                    |                  |
| Balance at beginning of current period                                       | 2,677                                     | 488                                | —                                       | 3,165   | 22,495             | 768,174          |
| Cumulative effect of changes in accounting policies                          |   |                                    |   |         |                    | —                |
| Restated balance   | 2,677                                     | 488                                | —                                       | 3,165   | 22,495             | 768,174          |
| Change in the fiscal year:   |   |                                    |   |         |                    |                  |
| Dividends from surplus   |   |                                    |   |         |                    | (21,310)         |
| Net income   |   |                                    |   |         |                    | 65,640           |
| Purchase of treasury stock   |   |                                    |   |         |                    | (0)              |
| Retirement of treasury stock   |   |                                    |   |         |                    | —                |
| Change in equity in affiliates accounted for by equity method-treasury stock |   |                                    |   |         |                    | —                |
| Change of scope of equity method   |   |                                    |   |         |                    | (12)             |
| Net changes of items other than shareholders' equity                         | 751                                       | 68                                 | (6,906)                                 | (6,086) | 974                | (5,111)          |
| Total  | 751                                       | 68                                 | (6,906)                                 | (6,086) | 974                | 39,204           |
| Balance at end of current period   | 3,429                                     | 557                                | (6,906)                                 | (2,920) | 23,470             | 807,378          |

Year ended March 31, 2015

|  | Millions of yen             |                 |                   |                |          |
|--|-----------------------------|-----------------|-------------------|----------------|----------|
|  | <b>Shareholders' equity</b> |                 |                   |                |          |
|  | Common stock                | Capital surplus | Retained earnings | Treasury stock | Total    |
| Balance at beginning of current period                                       | 100,000                     | 55,000          | 632,187           | (359)          | 786,828  |
| Cumulative effect of changes in accounting policies                          |                             |                 | (32,454)          |                | (32,454) |
| Restated balance   | 100,000                     | 55,000          | 599,733           | (359)          | 754,374  |
| Change in the fiscal year:   |                             |                 |                   |                |          |
| Dividends from surplus   |                             |                 | (23,248)          |                | (23,248) |
| Net income   |                             |                 | 66,712            |                | 66,712   |
| Purchase of treasury stock   |                             |                 |                   | —              | —        |
| Retirement of treasury stock   |                             |                 | —                 | —              | —        |
| Change in equity in affiliates accounted for by equity method-treasury stock |                             |                 |                   | (121)          | (121)    |
| Change of scope of equity method   |                             |                 |                   | —              | —        |
| Net changes of items other than shareholders' equity                         |                             |                 |                   |                |          |
| Total  | —                           | —               | 43,464            | (121)          | 43,343   |
| Balance at end of current period   | 100,000                     | 55,000          | 643,198           | (480)          | 797,717  |

|  | Millions of yen                              |                                    |   |         |                           |                         |
|--|--|------------------------------------|---|---------|---------------------------|-------------------------|
|  | <b>Valuation and translation adjustments</b> |                                    |   |         | <b>Minority interests</b> | <b>Total net assets</b> |
|  | Net unrealized holding gain on securities    | Deferred gains or losses on hedges | Remeasurements of defined benefit plans | Total   |                           |                         |
| Balance at beginning of current period                                       | 3,429  | 557                                | (6,906)                                 | (2,920) | 23,470                    | 807,378                 |
| Cumulative effect of changes in accounting policies                          |  |                                    |   |         |                           | (32,454)                |
| Restated balance   | 3,429  | 557                                | (6,906)                                 | (2,920) | 23,470                    | 774,924                 |
| Change in the fiscal year:   |  |                                    |   |         |                           |                         |
| Dividends from surplus   |  |                                    |   |         |                           | (23,248)                |
| Net income   |  |                                    |   |         |                           | 66,712                  |
| Purchase of treasury stock   |  |                                    |   |         |                           | —                       |
| Retirement of treasury stock   |  |                                    |   |         |                           | —                       |
| Change in equity in affiliates accounted for by equity method-treasury stock |  |                                    |   |         |                           | (121)                   |
| Change of scope of equity method   |  |                                    |   |         |                           | —                       |
| Net changes of items other than shareholders' equity                         | 1,526  | 81                                 | 4,859                                   | 6,467   | 21,965                    | 28,433                  |
| Total  | 1,526  | 81                                 | 4,859                                   | 6,467   | 21,965                    | 71,776                  |
| Balance at end of current period   | 4,955  | 638                                | (2,047)                                 | 3,547   | 45,436                    | 846,701                 |

#### (4) Consolidated Statements of Cash Flows

Years ended March 31

|  | Millions of yen  |                  |
|--|------------------|------------------|
|  | 2014             | 2015             |
| <b>Cash flows from operating activities</b>  |                  |                  |
| Income before income taxes and minority interests  | 111,687          | 122,712          |
| Depreciation and amortization  | 153,903          | 149,590          |
| Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment | 13,972           | 51,494           |
| Loss on disposal of property, plant and equipment  | 5,182            | 6,101            |
| Increase (decrease) in net defined benefit liability   | 11,377           | 4,335            |
| Increase (decrease) in allowance for doubtful accounts   | (263)            | (148)            |
| Increase (decrease) in provision for bonuses   | 867              | 210              |
| Increase (decrease) in other provision   | (260)            | (575)            |
| Interest and dividend income   | (516)            | (947)            |
| Interest expenses  | 28,053           | 25,898           |
| Equity in earnings of affiliates   | (1,445)          | (1,901)          |
| Proceeds from contribution for construction  | (15,955)         | (52,395)         |
| Decrease (increase) in notes and accounts receivable-trade   | (18,894)         | (779)            |
| Decrease (increase) in inventories   | (6,286)          | (4,504)          |
| Increase (decrease) in notes and accounts payable-trade  | 36,982           | (5,811)          |
| Increase (decrease) in accrued consumption taxes   | (5,013)          | 11,338           |
| Other  | 883              | (5,255)          |
| Subtotal   | 314,275          | 299,361          |
| Interest and dividends income received   | 516              | 819              |
| Interest paid  | (28,222)         | (26,039)         |
| Income taxes paid  | (48,835)         | (50,527)         |
| <b>Net cash provided by operating activities</b>   | <b>237,733</b>   | <b>223,613</b>   |
| <b>Cash flows from investing activities</b>  |                  |                  |
| Payments for time deposits with a maturity of more than three months   | (231)            | (231)            |
| Proceeds for time deposits with a maturity of more than three months   | 230              | 231              |
| Purchases of property, plant and equipment   | (182,585)        | (239,680)        |
| Proceeds from sales of property, plant and equipment   | 2,153            | 2,678            |
| Contributions received for constructions   | 20,009           | 27,816           |
| Increase in investments in securities  | (2,464)          | (1,404)          |
| Proceeds from sales of investments in securities   | 127              | 304              |
| Payments on long-term loans receivable   | (302)            | (120)            |
| Collections of long-term loans receivable  | 431              | 142              |
| Other  | (2,724)          | (2,647)          |
| <b>Net cash used in investing activities</b>   | <b>(165,356)</b> | <b>(212,912)</b> |

(continued on page 21)

|   | Millions of yen |               |
|---|-----------------|---------------|
|   | 2014            | 2015          |
| <b>Cash flows from financing activities</b>                               |                 |               |
| Change in short-term loans  | 1,541           | 221           |
| Proceeds from long-term loans   | 66,200          | 67,200        |
| Repayment of long-term debt   | (38,805)        | (25,656)      |
| Proceeds from issuance of bonds   | 10,000          | 40,000        |
| Redemption of bonds   | —               | (20,000)      |
| Repayment of long-term payables for acquisition of railway properties     | (39,705)        | (38,114)      |
| Purchase of treasury stock  | (0)             | —             |
| Cash dividends paid to the Company's shareholders                         | (21,300)        | (23,249)      |
| Cash dividends paid to minority shareholders of consolidated subsidiaries | (115)           | (143)         |
| Other   | (25,624)        | 1,432         |
| <b>Net cash used in financing activities</b>                              | <b>(47,811)</b> | <b>1,689</b>  |
| <b>Change in cash and cash equivalents, net</b>                           | <b>24,565</b>   | <b>12,390</b> |
| <b>Cash and cash equivalents at the beginning of the period</b>           | <b>48,390</b>   | <b>72,956</b> |
| <b>Cash and cash equivalents at the end of the period</b>                 | <b>72,956</b>   | <b>85,346</b> |

## **(5) Note on Assumptions for Going Concern**

Not applicable

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

(Changes in Accounting Policies)

From the beginning of the subject fiscal year, the Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, "Retirement Benefits Application Guidance"), as prescribed by Paragraph 35 of the Accounting Standard for Retirement Benefits, and Paragraph 67 of the Retirement Benefits Application Guidance. The method for calculating retirement benefit obligations and service cost has been revised, with the period attribution method for projected benefit obligations changed from straight-line attribution to a benefit formula standard, and a change in the method for determining the discount rate.

For the application of the Retirement Benefits Accounting Standard, in accordance with the provisional treatment as prescribed by Paragraph 37 of the Retirement Benefits Accounting Standard, from the beginning of the subject fiscal year, the amount of financial impact resulting from the change in the method for calculating retirement benefit obligations and service cost, has been assessed to retained earnings.

As a result, net defined benefit liability at the beginning of the fiscal year increased ¥50,992 million, and retained earnings decreased ¥32,454 million. The impact on operating income, recurring profit and income before income taxes increased ¥3,086 million, respectively.

The effect on per share information is presented in the relevant section.

## **(7) Note to Consolidated Financial Statements**

### **(Business Combination)**

Business Combination through Acquisition

DAITETSU KOGYO CO., LTD., an equity-method affiliate in the previous fiscal year, acquired treasury stock, and reduced the total number of voting rights. As a result, the proportion of JR-West's voting rights in the company increased, and it became a subsidiary on April 24, 2014.

#### 1. Overview of the Business Combination

(1) Name of the acquired company

DAITETSU KOGYO CO., LTD.

(2) Description of business of the acquired company

Contracting for construction and track work; contracting for surveying, design, and supervision

(3) Main reasons for the business combination

To enhance the safety and quality of the company's construction work

(4) Date of the business combination

April 24, 2014

- (5) Legal form of the business combination  
Acquisition of treasury stock through an equity-method affiliate
- (6) Name of the company after the combination  
The company name was unchanged after the combination.
- (7) Proportion of voting rights  
Prior to the acquisition: 37.90%  
After the acquisition: 51.63%
- (8) Basis for the determination of the acquiring company  
JR-West holds a majority of voting rights in the acquired company, so is the acquiring company.
2. Period in which the earnings of the acquired company will be included in the consolidated income statement for the subject fiscal year  
April 1, 2014, to March 31, 2015
3. Acquisition cost of the acquired company  
The acquisition cost of the acquired company is ¥14,234 million.
4. Amount of negative goodwill generated and cause of generation
- (1) Amount of negative goodwill generated  
¥5,195 million
- (2) Cause of generation  
Because the market value of net assets at the time of the combination exceeded the acquisition cost of the acquired company, the difference was recognized as negative goodwill.
5. Other  
As DAITETSU KOGYO CO., LTD. became a consolidated subsidiary, the subject company's consolidated subsidiary noted below also became a consolidated subsidiary of JR-West on the same date.
- (1) Name of company  
JR WEST BUILT CO., LTD.
- (2) Description of business of the company  
Design, execution, and supervision for construction and civil engineering works, and consulting
- (3) Name of the company after the combination  
The company name was unchanged after the combination.

## **(Segment Information)**

### **1. Overview of Reportable Segments**

The JR-West Group's reportable segments allow it to acquire financial data separated into the various components of the corporate group. The scope of the segments is reviewed on a regular basis in order to allow the Board of Directors to determine the allocation of management resources, and evaluate earnings performance.

The JR-West Group's principal business segments are "Transportation," "Retail" and "Real Estate." Classification by category of the businesses that compose JR-West and its Group companies allows for management of business operations by JR-West or the respective Group company.

Accordingly, the JR-West Group comprises segments by business, and has the three reportable segments of "Transportation," "Retail" and "Real Estate." The "Transportation" segment comprises the railway business, ferry business, and passenger vehicle transport operations. The "Retail" segment comprises department store operations, retail goods and food service operations, and wholesale operations for various types of goods. The "Real Estate" segment comprises real estate sales and leasing operations, and shopping center management operations.

## ***2. Method of Calculating Amounts of Operating Revenues, Earnings (or Losses), Assets and Other Items for Reportable Segments***

The method of accounting for reported business segments is based on the accounting principles and procedures employed in preparing the consolidated financial statements. Transactions between reportable segments constitute transactions between consolidated companies, and are based on such factors as market prices.

The method for calculating retirement benefit obligations and service cost for business segments has changed in accordance with the change in the method for calculating retirement benefit obligations and service cost from the consolidated fiscal year under review, as is described in the section entitled "Changes in Accounting Policies."

As a result of this change, "Transportation" segment income was ¥3,026 million higher during the subject fiscal year than it would have been under the previous method. Similarly, segment income was ¥28 million higher in "Retail" and ¥31 higher in "Other Businesses."



### 3. Operating Revenues and Earnings (or Loss) by Reportable Segment

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

|   | Millions of yen |         |             |                  |           |                             |              |
|---|-----------------|---------|-------------|------------------|-----------|-----------------------------|--------------|
|   | Transportation  | Retail  | Real estate | Other businesses | Total     | Eliminations and intergroup | Consolidated |
| Operating revenues:   |                 |         |             |                  |           |                             |              |
| Operating revenues from third parties                           | 851,385         | 240,179 | 102,261     | 137,193          | 1,331,019 | —                           | 1,331,019    |
| Intergroup operating revenues and transfers                     | 17,248          | 54,311  | 18,716      | 189,060          | 279,337   | (279,337)                   | —            |
| Total operating revenues  | 868,634         | 294,490 | 120,978     | 326,253          | 1,610,356 | (279,337)                   | 1,331,019    |
| Segment income  | 91,013          | 4,429   | 27,793      | 11,860           | 135,097   | (504)                       | 134,593      |
| Segment assets  | 1,949,883       | 111,280 | 399,263     | 295,959          | 2,756,387 | (68,496)                    | 2,687,890    |
| Other items   |                 |         |             |                  |           |                             |              |
| Depreciation and amortization                                   | 128,200         | 5,084   | 17,414      | 3,203            | 153,903   | —                           | 153,903      |
| Investment in affiliates accounted for by equity method         | 20,509          | —       | —           | 21,839           | 42,349    | —                           | 42,349       |
| Increase in property, plant and equipment and intangible assets | 163,768         | 5,210   | 14,610      | 8,341            | 191,932   | —                           | 191,932      |

Notes: 1. The "Other Businesses" category is a business segment not including in reportable segments. It includes such operations as hotels, travel services, and construction business.

2. Adjustments are as follows:

- (1) The segment income adjustment of minus ¥504 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥68,496 million reflects ¥192,060 million in companywide assets not attributed to any segment, less ¥260,557 million in elimination of intersegment credits and debts.

3. Segment earnings (or loss) are adjusted to the operating income figure on the Consolidated Statements of Income.

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

|   | Millions of yen |         |             |                  |           |                             |              |
|---|-----------------|---------|-------------|------------------|-----------|-----------------------------|--------------|
|   | Transportation  | Retail  | Real estate | Other businesses | Total     | Eliminations and intergroup | Consolidated |
| Operating revenues:   |                 |         |             |                  |           |                             |              |
| Operating revenues from third parties                           | 868,482         | 220,180 | 87,207      | 174,466          | 1,350,336 | —                           | 1,350,336    |
| Intergroup operating revenues and transfers                     | 17,088          | 7,120   | 18,695      | 266,706          | 309,611   | (309,611)                   | —            |
| Total operating revenues  | 885,570         | 227,301 | 105,903     | 441,173          | 1,659,948 | (309,611)                   | 1,350,336    |
| Segment income  | 100,679         | 1,597   | 25,190      | 15,633           | 143,100   | (3,326)                     | 139,774      |
| Segment assets  | 1,976,724       | 108,771 | 419,955     | 401,327          | 2,906,779 | (120,309)                   | 2,786,470    |
| Other items   |                 |         |             |                  |           |                             |              |
| Depreciation and amortization                                   | 125,133         | 5,007   | 16,697      | 2,751            | 149,590   | —                           | 149,590      |
| Gain on bargain purchase  | —               | —       | 109         | 6,525            | 6,635     | —                           | 6,635        |
| Investment in affiliates accounted for by equity method         | 21,830          | —       | —           | 10,123           | 31,954    | —                           | 31,954       |
| Increase in property, plant and equipment and intangible assets | 210,344         | 10,430  | 29,723      | 20,986           | 271,484   | —                           | 271,484      |

Notes: 1. The "Other Businesses" category is a business segment not including in reportable segments. It includes such operations as hotels, travel services, and construction business.

2. Adjustments are as follows:

- (1) The segment income adjustment of minus ¥3,326 million is elimination of intersegment transactions.
- (2) The segment assets adjustment of minus ¥120,309 million reflects ¥202,589 million in companywide assets not attributed to any segment, less ¥322,898 million in elimination of intersegment credits and debts.

3. Segment earnings (or loss) are adjusted to the operating income figure on the Consolidated Statements of Income.

4. In the "Other Businesses" segment, negative goodwill was generated due to the conversion of DAITETSU KOGYO CO., LTD., to a subsidiary. The amount of negative goodwill generated by this event amounted to ¥6,403 million.

**(Per Share Information)**

|                  | Years ended March 31 |          |
|------------------|----------------------|----------|
|                  | 2014                 | 2015     |
| Net assets (Yen) | 4,048.31             | 4,138.65 |
| Net income (Yen) | 338.98               | 344.58   |

Notes: 1. "Net income per share, adjusted for latent shares" is not stated because there are no latent shares.

2. The basis for calculating "Net income per share" is as follows.

|  | Years ended March 31 |         |
|--|----------------------|---------|
|  | 2014                 | 2015    |
| Net income per share   |                      |         |
| Net income (Millions of yen)   | 65,640               | 66,712  |
| Net income applicable to common shares (Millions of yen)                   | 65,640               | 66,712  |
| Average number of shares outstanding for each period (Thousands of shares) | 193,640              | 193,605 |

3. As is described in "Changes in Accounting Policies," the Company has adopted the Accounting Standard for Retirement Benefits and applied provisional treatment as prescribed by Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share decreased ¥151.69 during the consolidated fiscal year under review, and net income per share increased ¥15.94.

**(Material subsequent events)**

Not applicable

## Reference Materials

### 1. NON-CONSOLIDATED BALANCE SHEETS

|                                     | March 31, 2014  | <b>March 31, 2015</b> | Change          |
|-------------------------------------|-----------------|-----------------------|-----------------|
|                                     | Billions of yen | Billions of yen       | Billions of yen |
| <b>ASSETS</b>                       |                 |                       |                 |
| <b>Current assets:</b>              |                 |                       |                 |
| Total current assets                | 207.7           | 235.2                 | 27.4            |
| <b>Fixed assets:</b>                |                 |                       |                 |
| Fixed assets for railway operations | 1,773.4         | 1,796.1               | 22.6            |
| Construction in progress            | 72.9            | 58.6                  | (14.2)          |
| Investments and other assets        | 338.4           | 354.4                 | 15.9            |
| Total fixed assets                  | 2,184.8         | 2,209.1               | 24.3            |
| <b>Total assets</b>                 | 2,392.6         | 2,444.4               | 51.8            |

|  | March 31, 2014  | <b>March 31, 2015</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            | 81.7            | 79.7                  | (1.9)           |
| Accounts payable                             | 462.9           | 451.9                 | (11.0)          |
| Total current liabilities                    | 544.7           | 531.6                 | (13.0)          |
| <b>Fixed liabilities:</b>                    |                 |                       |                 |
| Bonds and long-term debt                     | 890.5           | 917.9                 | 27.4            |
| Accrued retirement benefits                  | 295.0           | 349.8                 | 54.8            |
| Other long-term liabilities                  | 22.8            | 13.3                  | (9.5)           |
| Total fixed liabilities                      | 1,208.4         | 1,281.1               | 72.7            |
| <b>Total liabilities</b>                     | 1,753.1         | 1,812.8               | 59.7            |
| <b>Total shareholders' equity:</b>           |                 |                       |                 |
| Common stock                                 | 100.0           | 100.0                 | —               |
| Capital surplus                              | 55.0            | 55.0                  | —               |
| Retained earnings                            | 481.6           | 472.4                 | (9.1)           |
| Treasury stock, at cost                      | (0.0)           | (0.0)                 | —               |
| Total shareholders' equity                   | 636.6           | 627.4                 | (9.1)           |
| <b>Valuation and translation adjustments</b> | 2.8             | 4.1                   | 1.2             |
| <b>Total net assets</b>                      | 639.4           | 631.5                 | (7.9)           |
| <b>Total liabilities and net assets</b>      | 2,392.6         | 2,444.4               | 51.8            |

## 2. NON-CONSOLIDATED STATEMENTS OF INCOME

|  | Years ended<br>March 31 |                 | Change from the same<br>period of the previous<br>period |        | Forecasts for year<br>ending March 31, 2016 |       |
|--|-------------------------|-----------------|--|--------|---|-------|
|  | 2014                    | 2015            |  |        | Change                                      |       |
|  | Billions of yen         | Billions of yen | Billions of yen  | %      | Billions of yen                             |       |
| <b>Operating revenues:</b>                       |                         |                 |  |        |   |       |
| Transportation                                   | 780.6                   | 797.0           | 16.3   | 2.1    | 818.0                                       | 20.9  |
| Transportation incidentals                       | 19.1                    | 18.4            | (0.6)  | (3.5)  | 18.3  | (0.1) |
| Other operations                                 | 23.1                    | 23.6            | 0.5  | 2.3    | 25.6  | 1.9   |
| Miscellaneous                                    | 50.7                    | 51.7            | 1.0  | 2.0    | 57.6  | 5.8   |
|  | 873.6                   | 890.9           | 17.2   | 2.0    | 919.5                                       | 28.5  |
| <b>Operating expenses:</b>                       |                         |                 |  |        |   |       |
| Personnel costs                                  | 235.4                   | 233.0           | (2.4)  | (1.0)  | 233.0                                       | (0.0) |
| Non personnel costs:                             |                         |                 |  |        |   |       |
| Energy costs                                     | 43.1                    | 45.3            | 2.2  | 5.2    | 47.0  | 1.6   |
| Maintenance costs                                | 139.0                   | 146.7           | 7.7  | 5.6    | 146.5                                       | (0.2) |
| Miscellaneous costs                              | 169.5                   | 176.9           | 7.3  | 4.4    | 186.0                                       | 9.0   |
|  | 351.6                   | 369.0           | 17.3   | 4.9    | 379.5                                       | 10.4  |
| Rental payments, etc                             | 23.6                    | 18.7            | (4.8)  | (20.5) | 26.5  | 7.7   |
| Taxes  | 31.6                    | 32.0            | 0.3  | 1.0    | 32.0  | (0.0) |
| Depreciation                                     | 129.3                   | 126.0           | (3.3)  | (2.6)  | 132.0                                       | 5.9   |
|  | 771.8                   | 778.9           | 7.0  | 0.9    | 803.0                                       | 24.0  |
| <b>Operating income</b>                          | 101.7                   | 112.0           | 10.2   | 10.1   | 116.5                                       | 4.4   |
| <b>Non-operating revenues and expenses, net:</b> |                         |                 |  |        |   |       |
| Non-operating revenues                           | 6.5                     | 6.5             | (0.0)  | —      | —   | —     |
| Non-operating expenses                           | 28.3                    | 26.4            | (1.9)  | —      | —   | —     |
|  | (21.7)                  | (19.8)          | 1.8  | (8.7)  | (18.5)                                      | 1.3   |
| <b>Recurring profit</b>                          | 79.9                    | 92.1            | 12.1   | 15.2   | 98.0  | 5.8   |
| <b>Extraordinary profit and loss, net:</b>       |                         |                 |  |        |   |       |
| Extraordinary profit                             | 23.8                    | 60.6            | 36.7   | —      | —   | —     |
| Extraordinary loss                               | 22.6                    | 65.1            | 42.5   | —      | —   | —     |
|  | 1.2                     | (4.5)           | (5.7)  | —      | (3.0)                                       | 1.5   |
| <b>Income before income taxes</b>                | 81.1                    | 87.5            | 6.3  | 7.9    | 95.0  | 7.4   |
| <b>Income taxes</b>                              | 32.5                    | 40.2            | 7.6  | 23.6   | 31.5  | (8.7) |
| <b>Net income</b>                                | 48.6                    | 47.3            | (1.2)  | (2.7)  | 63.5  | 16.1  |

## Passenger-Kilometers and Transportation Revenues

|                     | Millions of Passenger-Kilometers |        |        |       | Billions of yen         |       |        |       |
|---------------------|----------------------------------|--------|--------|-------|-------------------------|-------|--------|-------|
|                     | Passenger-Kilometers             |        |        |       | Transportation Revenues |       |        |       |
|                     | Years ended<br>March 31          |        | Change |       | Years ended<br>March 31 |       | Change |       |
|                     | 2014                             | 2015   | Amount | %     | 2014                    | 2015  | Amount | %     |
| Sanyo Shinkansen    |                                  |        |        |       |                         |       |        |       |
| Commuter Passes     | 762                              | 743    | (19)   | (2.5) | 9.3                     | 9.3   | (0.0)  | (0.2) |
| Non-Commuter Passes | 16,854                           | 17,366 | 511    | 3.0   | 355.1                   | 366.5 | 11.4   | 3.2   |
| Total               | 17,617                           | 18,109 | 492    | 2.8   | 364.4                   | 375.9 | 11.4   | 3.1   |
| Conventional Lines  |                                  |        |        |       |                         |       |        |       |
| Commuter Passes     | 23,157                           | 22,557 | (600)  | (2.6) | 141.0                   | 142.3 | 1.2    | 0.9   |
| Non-Commuter Passes | 15,119                           | 15,411 | 292    | 1.9   | 275.0                   | 278.7 | 3.6    | 1.3   |
| Total               | 38,276                           | 37,969 | (307)  | (0.8) | 416.1                   | 421.0 | 4.9    | 1.2   |
| Kansai Urban Area   |                                  |        |        |       |                         |       |        |       |
| Commuter Passes     | 18,724                           | 18,356 | (367)  | (2.0) | 113.8                   | 115.2 | 1.3    | 1.2   |
| Non-Commuter Passes | 10,288                           | 10,473 | 184    | 1.8   | 178.3                   | 181.0 | 2.7    | 1.6   |
| Total               | 29,012                           | 28,830 | (182)  | (0.6) | 292.1                   | 296.2 | 4.1    | 1.4   |
| Other Lines         |                                  |        |        |       |                         |       |        |       |
| Commuter Passes     | 4,433                            | 4,201  | (232)  | (5.2) | 27.1                    | 27.1  | (0.0)  | (0.2) |
| Non-Commuter Passes | 4,830                            | 4,937  | 107    | 2.2   | 96.7                    | 97.6  | 0.9    | 0.9   |
| Total               | 9,264                            | 9,138  | (125)  | (1.4) | 123.9                   | 124.8 | 0.8    | 0.7   |
| Total               |                                  |        |        |       |                         |       |        |       |
| Commuter Passes     | 23,920                           | 23,301 | (619)  | (2.6) | 150.3                   | 151.6 | 1.2    | 0.9   |
| Non-Commuter Passes | 31,973                           | 32,777 | 803    | 2.5   | 630.2                   | 645.3 | 15.1   | 2.4   |
| Total               | 55,894                           | 56,078 | 184    | 0.3   | 780.6                   | 797.0 | 16.3   | 2.1   |

### 3. NON- CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2014

|   | Millions of yen      |                       |  |                         |                                   |          |          |       |
|---|----------------------|-----------------------|--|-------------------------|-----------------------------------|----------|----------|-------|
|   | Shareholders' equity |                       |  |                         |                                   |          |          |       |
|   | Common stock         | Capital surplus       | Retained earnings                                      |                         |                                   |          |          | Total |
|   |                      | Legal capital surplus | Legal retained earnings                                | Other retained earnings |                                   |          |          |       |
|   |                      |                       | Reserve for advanced depreciation of noncurrent assets | General reserve         | Retained earnings brought forward |          |          |       |
| Balance at beginning of current period                              | 100,000              | 55,000                | 11,327   | 22,132                  | 360,000                           | 82,449   | 475,909  |       |
| Cumulative effect of changes in accounting policies                 |                      |                       |  |                         |                                   | —        | —        |       |
| Restated balance  | 100,000              | 55,000                | 11,327   | 22,132                  | 360,000                           | 82,449   | 475,909  |       |
| Change in the fiscal year:  |                      |                       |  |                         |                                   |          |          |       |
| Dividends from surplus  |                      |                       |  |                         |                                   | (21,310) | (21,310) |       |
| Net income  |                      |                       |  |                         |                                   | 48,680   | 48,680   |       |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |  | 1,013                   |                                   | (1,013)  | —        |       |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |  | (1,311)                 |                                   | 1,311    | —        |       |
| Purchase of treasury stock  |                      |                       |  |                         |                                   |          |          |       |
| Retirement of treasury stock  |                      |                       |  |                         |                                   | (21,649) | (21,649) |       |
| Net changes of items other than shareholders' equity                |                      |                       |  |                         |                                   |          |          |       |
| Total   | —                    | —                     | —  | (298)                   | —                                 | 6,018    | 5,720    |       |
| Balance at end of current period                                    | 100,000              | 55,000                | 11,327   | 21,834                  | 360,000                           | 88,468   | 481,629  |       |

(continued on page 32)

|   | Millions of yen      |          |   |                  |
|---|----------------------|----------|---|------------------|
|   | Shareholders' equity |          | Valuation and translation adjustments                 | Total net assets |
|   | Treasury stock       | Total    | Valuation difference on available-for-sale securities |                  |
| Balance at beginning of current period                              | (21,651)             | 609,257  | 2,352   | 611,609          |
| Cumulative effect of changes in accounting policies                 |                      | —        |   | —                |
| Restated balance  | (21,651)             | 609,257  | 2,352   | 611,609          |
| Change in the fiscal year:  |                      |          |   |                  |
| Dividends from surplus  |                      | (21,310) |   | (21,310)         |
| Net income  |                      | 48,680   |   | 48,680           |
| Provision of reserve for advanced depreciation of noncurrent assets |                      | —        |   | —                |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      | —        |   | —                |
| Purchase of treasury stock  | (0)                  | (0)      |   | (0)              |
| Retirement of treasury stock  | 21,649               | —        |   | —                |
| Net changes of items other than shareholders' equity                |                      |          | 511   | 511              |
| Total   | 21,649               | 27,369   | 511   | 27,880           |
| Balance at end of current period                                    | (2)                  | 636,626  | 2,863   | 639,490          |



Year ended March 31, 2015

|   | Millions of yen      |                       |  |                         |         |                                   |          |
|---|----------------------|-----------------------|--|-------------------------|---------|-----------------------------------|----------|
|   | Shareholders' equity |                       |  |                         |         |                                   |          |
|   | Common stock         | Capital surplus       | Retained earnings                                      |                         |         |                                   | Total    |
|   |                      | Legal capital surplus | Legal retained earnings                                | Other retained earnings |         | Retained earnings brought forward |          |
|   |                      |                       | Reserve for advanced depreciation of noncurrent assets | General reserve         |         |                                   |          |
| Balance at beginning of current period                              | 100,000              | 55,000                | 11,327   | 21,834                  | 360,000 | 88,468                            | 481,629  |
| Cumulative effect of changes in accounting policies                 |                      |                       |  |                         |         | (33,328)                          | (33,328) |
| Restated balance  | 100,000              | 55,000                | 11,327   | 21,834                  | 360,000 | 55,139                            | 448,301  |
| Change in the fiscal year:  |                      |                       |  |                         |         |                                   |          |
| Dividends from surplus  |                      |                       |  |                         |         | (23,248)                          | (23,248) |
| Net income  |                      |                       |  |                         |         | 47,382                            | 47,382   |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |  | 4,504                   |         | (4,504)                           | —        |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |  | (1,389)                 |         | 1,389                             | —        |
| Purchase of treasury stock  |                      |                       |  |                         |         |                                   |          |
| Retirement of treasury stock  |                      |                       |  |                         |         | —                                 | —        |
| Net changes of items other than shareholders' equity                |                      |                       |  |                         |         |                                   |          |
| Total   | —                    | —                     | —  | 3,115                   | —       | 21,018                            | 24,133   |
| Balance at end of current period                                    | 100,000              | 55,000                | 11,327   | 24,949                  | 360,000 | 76,158                            | 472,435  |

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|   | Millions of yen      |          |   |                  |
|---|----------------------|----------|---|------------------|
|   | Shareholders' equity |          | Valuation and translation adjustments                 | Total net assets |
|   | Treasury stock       | Total    | Valuation difference on available-for-sale securities |                  |
| Balance at beginning of current period                              | (2)                  | 636,626  | 2,863   | 639,490          |
| Cumulative effect of changes in accounting policies                 |                      | (33,328) |   | (33,328)         |
| Restated balance  | (2)                  | 603,298  | 2,863   | 606,161          |
| Change in the fiscal year:  |                      |          |   |                  |
| Dividends from surplus  |                      | (23,248) |   | (23,248)         |
| Net income  |                      | 47,382   |   | 47,382           |
| Provision of reserve for advanced depreciation of noncurrent assets |                      | —        |   | —                |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      | —        |   | —                |
| Purchase of treasury stock  | —                    | —        |   | —                |
| Retirement of treasury stock  | —                    | —        |   | —                |
| Net changes of items other than shareholders' equity                |                      |          | 1,289   | 1,289            |
| Total   | —                    | 24,133   | 1,289   | 25,423           |
| Balance at end of current period                                    | (2)                  | 627,432  | 4,152   | 631,584          |

#### 4. CAPITAL EXPENDITURES

##### Consolidated Basis

|  | Years ended<br>March 31 |                 | Change from the same<br>period of the previous<br>period |      | Plan for fiscal<br>year ending<br>March 31,<br>2016 |
|--|-------------------------|-----------------|--|------|---|
|  | 2014                    | 2015            | Billions of yen  | %    |   |
|  | Billions of yen         | Billions of yen |  |      |   |
| Capital expenditures   | 189.0                   | 248.0           | 58.9   | 31.2 |   |
| Capital expenditures, excluding<br>contributions received for<br>constructions | 166.7                   | 225.6           | 58.8   | 35.3 | 231.0   |
| Contributions received for<br>constructions                                    | 22.3                    | 22.4            | 0.0  | 0.4  |   |

##### Non-Consolidated Basis

|  | Years ended<br>March 31 |                 | Change from the same<br>period of the previous<br>period |       | Plan for fiscal<br>year ending<br>March 31,<br>2016 |
|--|-------------------------|-----------------|--|-------|---|
|  | 2014                    | 2015            | Billions of yen  | %     |   |
|  | Billions of yen         | Billions of yen |  |       |   |
| Capital expenditures   | 166.9                   | 208.8           | 41.9   | 25.1  |   |
| Capital expenditures, excluding<br>contributions received for<br>constructions | 144.5                   | 186.4           | 41.8   | 29.0  | 199.0   |
| [Safety-related capital<br>expenditures]                                       | [89.3]                  | [90.2]          | [0.9]  | [1.1] | [123.0]   |
| Contributions received for<br>constructions                                    | 22.3                    | 22.4            | 0.0  | 0.4   |   |

##### Major Capital Expenditures

Capital investments included earthquake and tsunami countermeasures, new rolling stock (227 series commuter train), and expenditures related to the opening of the Hokuriku Shinkansen.

## 5. FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2016

|                                | Year ended<br>March 31, 2015 | Year ending<br>March 31, 2016 | Change from the same<br>period of the previous period |      |
|--------------------------------|------------------------------|-------------------------------|---|------|
|                                | Billions of yen              | Billions of yen               | Billions of yen                                       | %    |
| <b>Consolidated-basis:</b>     | <1.52>                       | <1.51>                        |   |      |
| Operating revenues             | 1,350.3                      | 1,391.5                       | 41.1  | 3.0  |
| Operating income               | 139.7                        | 148.5                         | 8.7   | 6.2  |
| Recurring profit               | 121.9                        | 130.0                         | 8.0   | 6.6  |
| Net income                     | <1.41><br>66.7               | <1.28><br>81.5                | 14.7  | 22.2 |
| <b>Non-consolidated-basis:</b> |                              |                               |   |      |
| Operating revenues             | 890.9                        | 919.5                         | 28.5  | 3.2  |
| Transportation operations      | 797.0                        | 818.0                         | 20.9  | 2.6  |
| Operating expenses             | 778.9                        | 803.0                         | 24.0  | 3.1  |
| Operating income               | 112.0                        | 116.5                         | 4.4   | 4.0  |
| Recurring profit               | 92.1                         | 98.0                          | 5.8   | 6.4  |
| Net income                     | 47.3                         | 63.5                          | 16.1  | 34.0 |

Note: 1. Figures in bracket < > are the consolidated-to-parent ratio.

2. Consolidated net income for the fiscal year ending March 31, 2016, is described as “Net income attributable to shareholders of the parent company.”

### Business Segment Information

|                  |                    | Billions of yen              |                               |  |
|------------------|--------------------|------------------------------|-------------------------------|--|
|                  |                    | Year ended<br>March 31, 2015 | Year ending<br>March 31, 2016 | Change from the<br>same period of the<br>previous period |
| Transportation   | Operating revenues | 868.4                        | 895.6                         | 27.1   |
|                  | Operating income   | 100.6                        | 103.3                         | 2.6  |
| Retail           | Operating revenues | 220.1                        | 227.0                         | 6.8  |
|                  | Operating income   | 1.5                          | 4.1                           | 2.5  |
| Real Estate      | Operating revenues | 87.2                         | 102.6                         | 15.3   |
|                  | Operating income   | 25.1                         | 30.3                          | 5.1  |
| Other Businesses | Operating revenues | 174.4                        | 166.3                         | (8.1)  |
|                  | Operating income   | 15.6                         | 14.0                          | (1.6)  |

Note: Revenues by each segment are from third parties.

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

- This 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 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 April 2015 based on information available to JR-West as of April 2015 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 the Fukuchiyama Line that occurred on April 25, 2005, is NOT considered in this report.