

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>

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Quarterly report filing date (Planned): November 10, 2016

Planned start of dividend payments: December 1, 2016

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: Yes

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

1. Results for the Six Months Ended September 30, 2016 (from April 1, 2016 to September 30, 2016)**(1) Operating Results**

Six months ended September 30

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

	Operating revenues		Operating income		Recurring profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2016	700,372	(1.3)	98,359	(11.0)	88,528	(11.2)	57,117	(13.5)
2015	709,415	8.9	110,539	34.5	99,713	37.6	66,041	21.3

(Note) Comprehensive Income: Six months ended September 30, 2016: ¥55,750 million, (17.6)%;

Six months ended September 30, 2015: ¥67,672 million, 21.7%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share after dilution
	Yen	Yen
2016	295.02	—
2015	341.11	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2016	2,806,939	968,448	32.8
March 31, 2016	2,843,194	926,376	30.9

(Reference) Total shareholders' equity: September 30, 2016: ¥919,360 million, March 31, 2016: ¥877,862 million

2. Dividends

Year ended/ ending March 31

	Dividends per share				
	June 30	September 30	December 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2016	—	65.00	—	70.00	135.00
2017	—	70.00			
2017 (Forecast)			—	70.00	140.00

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

3. Forecasts for Fiscal Year ending March 31, 2017

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	1,445,500	(0.4)	173,000	(4.7)	157,000	(3.2)

	Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Yen
Fiscal year	102,500	19.4	529.43

(Note) Revision of earnings forecast for this period: Yes

Notes

- (1) Significant changes in subsidiaries during the subject period (Transfer of particular subsidiaries following a change in the scope of consolidation): None
- (2) Adoption of simplified accounting practices and special accounting policy for quarterly financial reporting: None
- (3) Changes in accounting policies, changes in accounting estimates, restatements
 - 1) Changes based on revision of accounting standards: Yes
 - 2) Changes other than 1) above: None
 - 3) Changes in Accounting Estimates: None
 - 4) Restatements: None

(Note) Please refer to 2. MATTERS REGARDING SUMMARY INFORMATION (NOTES) on page 9.

- (4) Number of shares outstanding (Common stock)

	Six months ended September 30, 2016	Years ended March 31, 2016
1) Number of shares issued and outstanding (including treasury stock):	193,735,000	193,735,000
2) Number of treasury stock	129,849	129,849
		Six months ended September 30, 2015
3) Average number of shares outstanding for each period (cumulative term):	193,605,151	193,605,303

* 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.

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

Forecasts for Fiscal Year ending March 31, 2017

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	951,000	(0.3)	133,500	(2.7)	116,500	(0.2)

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	78,000	27.6	402.61

(Note) Revision of earnings forecast for this period: Yes

1. QUALITATIVE INFORMATION ON THE RESULTS FOR THE SUBJECT PERIOD

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries of passengers. We will continue to make concerted efforts for all persons affected by 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.”

The JR-West Group formulated the “JR-West Group Medium-Term Management Plan 2017” and its core component, the “Safety Think-and-Act Plan 2017,” in March 2013. In April 2015, we updated the “JR-West Group Medium-Term Management Plan 2017” in accordance with our reflections on the progress up to that point and changes in the operating environment, revising and adding measures to accomplish our objectives.

During the subject fiscal year, the fourth year of the “JR-West Group Medium-Term Management Plan 2017,” JR-West is steadily implementing the necessary measures to achieve the targets of the final fiscal year.

In the second quarter cumulative period, transportation revenue declined as a result of such factors as the impact from the Kumamoto earthquake in April, and diminishing effects from the opening of the Hokuriku Shinkansen. In non-railway operations, revenue rose in the Retail Business on steady growth in sales at Seven-Eleven Japan franchised stores, but decreased in the Real Estate Business due to a rebound decline in condominium sales from the same period of the previous fiscal year.

Despite such circumstances, JR-West has moved actively forward with necessary investments and measures for safety, customer satisfaction, and other areas, in accordance with the medium-term management plan.

As a result, on a consolidated basis, operating revenues for the subject second quarter cumulative period (April 1, 2016 to September 30, 2016) declined 1.3% from the same period of the previous fiscal year to ¥700.3 billion. Operating income fell 11.0% to ¥98.3 billion, with recurring profit down 11.2% to ¥88.5 billion, and profit attributable to owners of parent declining 13.5% to ¥57.1 billion.

The operating environment for the JR-West Group continues to present a clouded outlook due to such factors as intensifying natural disasters, population decline, competition from other modes of transportation, and unstable economic conditions. Going forward, with enhancing safety as a priority, JR-West will continue to make a concerted effort as a corporate group to pursue measures to normalize the opening effect in the second year of the Hokuriku Shinkansen, and capture demand from seniors and inbound visitors.

(1) Qualitative Information on Consolidated Business Results

Consolidated Results for the Six Months Ended September 30, 2016 (April – September 2016)

Operating revenues:	¥700.3 billion
Operating income:	¥98.3 billion
Recurring profit:	¥88.5 billion
Profit attributable to owners of parent:	¥57.1 billion

Results by Business Segment

a. Transportation Operations

JR-West implemented specific safety-related measures based on the “Safety Think-and-Act Plan 2017” formulated in 2013. In particular, we are implementing measures to cope with intensifying natural disasters, improve safety on platforms, prevent labor accidents that result in fatalities among our employees, strengthen risk management, enhance internal safety audits, and utilize outside perspectives.

For measures to counter intensifying natural disasters, to cope with disastrously heavy rains, JR-West is moving forward with measures to improve disaster resilience, including disaster prevention construction work on slopes, mainly in the Kyoto-Osaka-Kobe area. For earthquake countermeasures, we conducted seismic retrofitting of elevated track pillars and station buildings. On the Sanyo Shinkansen, we completed work to install derailment prevention guards on the section of track between Shin-Osaka and Himeji stations in the previous fiscal year, and are moving forward with installation along the segment between Himeji and Hakata.

To enhance safety on platforms, JR-West is installing platform gates, and in March 2016 began using these gates on platform 1 at Kyobashi Station, and on platforms 1 and 6 at Takatsuki Station. We are installing gates on platforms 6 and 7 at Osaka Station, platform 2 at Kyobashi Station, aiming to begin using these gates around spring 2017. We will continue to move forward with both hardware and service measures. Also, in December 2016 we will install remote security cameras at Sannomiya Station of the same type as those at Kyobashi and Shin-Imamiya stations, as further measures in the program to ensure stations can be used in safety and without worry.

To strengthen risk management, JR-West is continuing with measures including developing leaders to support risk assessments, and implement risk assessments to address cross-structural issues. From the subject fiscal year, we are also implementing measures to share examples of highly effective risk assessments throughout the Company. Also, as a means of implementing a full participatory style of safety management in which all employees report, analyze, and utilize information regarding human error from their respective positions, from the subject fiscal year JR-West revised its system of punishing and negatively evaluating human error. Going forward, we will foster a corporate culture of actively encouraging the reporting of incidents, and will implement measures to prevent major accidents.

Further, in order to ensure that the safety management structure is functioning properly and to make improvements as necessary, since the previous fiscal year JR-West has conducted evaluations implemented by an external, third-party agency. In June 2016, in response to these evaluations, we promptly implemented executable measures, such as strengthening training for

internal auditors, while items that require more time will be incorporated into the next period's safety plan. These efforts increase the effectiveness of the safety management structure, and enhance oversight.

In marketing initiatives, based on the revised "JR-West Group Medium-Term Management Plan 2017," JR-West pursued various measures to promote use of the Sanyo Shinkansen, normalized the opening effect in the second year of the Hokuriku Shinkansen, captured demand from seniors and inbound visitors, improved the transportation quality and enhanced the value of the railway belts in the Kansai Urban Area, and stimulated tourism in the western Japan region.

For the Sanyo Shinkansen, to revive tourism demand that declined as a result of the Kumamoto earthquake in April, JR-West conducted the "Kyushu Tourism Revival Campaign" in conjunction with the Kyushu District Transport Bureau, Kyushu Tourism Promotion Organization, and other institutions, and implemented sales promotions. In spring, we conducted the "Land of Sunshine Okayama Destination Campaign," operating the special sightseeing train "La Malle de Bois," and making other efforts to enhance the area's appeal as a destination, resulting in a boost in customer numbers. In summer, to maintain the energy of this campaign JR-West conducted the "Setouchi Campaign" including the Hiroshima area, conveying the appeal of the Setouchi area with cruise cycling and other events, resulting in a successful campaign.

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

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

For measures aimed at the increase in inbound visitors to Japan, in April 2016 JR-West created the "Osaka/Tokyo Hokuriku Arch Pass," a product for a broad sightseeing route encompassing Kansai, the Hokuriku area, and Tokyo. Also, as part of our effort to accommodate visitors, at Osaka Station, in conjunction with Osaka Prefecture and the Osaka Convention & Tourism Bureau, in March 2017 we will establish Travel Service Center OSAKA, providing integrated services including various types of advice regarding tourism and travel, money exchange, and ticket purchases. Also, at Kansai Airport Station, in March 2017 we will strengthen sales functions, including expanding the number of JR Ticket Offices ("Midori-no-madoguchi") from the current eight counters including ones on the upper floor, to up to 14 counters on a single floor, and increasing the number of counters providing service in foreign languages.

For measures to improve transportation quality in the Kansai Urban Area, as part of the Osaka Loop Line Renovation Project, within the current fiscal year JR-West plans to introduce new 323-model trains. Further, to enhance station facilities, we installed new ticket gates at

Momodani Station, and concourse benches at stations in the Kyoto-Osaka-Kobe region.

Also, for the Kyoto Umekoji area, JR-West opened the Kyoto Railway Museum on April 29, 2016, seeking to make it a “hub of railway culture together with the local community.” The museum has been popular with visitors. JR-West also decided on the design and other details of the new station between Kyoto and Tambaguchi stations on the Sagano Line, and began construction work in September 2016.

In addition, for measures to stimulate tourism across the western Japan region, in anticipation of the launch of services for the *Twilight Express Mizukaze* sleeper train in 2017, while JR-West had announced the operating routes, train designs, and crew uniform designs in the previous fiscal year, this fiscal year we are steadily making preparations for the opening, including recruiting and training the on-board crew, announcing a plan for the renovation of stations where the train stops, and appointing musician Taro Hakase as ambassador.

Also, to promote the development, design, and manufacturing of new signaling systems, JR-West acquired a portion of the shares in Nippon Signal Co., Ltd., in order to conclude a capital alliance with the company with which it has had a technical partnership since fiscal 2009.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, following repeated amicable discussions with local governments along the line, in September 2016 JR-West indicated its intention to cease operating the railway service. The scheduled date for cessation of service is April 1, 2018. Going forward, we will continue discussions with local residents and cooperate in formulating a new transportation plan.

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

Despite these measures, as a result of the Kumamoto earthquake in April 2016, the diminishing of the opening effect of the Hokuriku Shinkansen, and the rebound decline from the Silver Week holidays in the previous fiscal year, operating revenues for the Transportation Operations segment decreased 0.9% from the same period of the previous fiscal year, to ¥461.7 billion, with operating income down 11.5%, to ¥74.5 billion.

b. Retail Business

For JR-West’s business alliance with Seven-Eleven Japan, we opened 81 new franchised stores in FY2017.3 for a total of 274 locations, including Entrée Marché, a combined souvenir shop and Seven-Eleven location at stations in the Kyoto-Osaka-Kobe area, and in July 2016, Seven-Eleven Heart-In JR Kanazawa Station Store, featuring the most extensive sales space in the three prefectures that comprise the Hokuriku area. Sales at all stores are steady.

Of note, JR-West’s consolidated subsidiary West Japan Railway Food Service Net Company, which had acquired shares in Karafuneya Coffee Co., Ltd. in August 2015 with the aim of opening locations in cities outside our railway areas, completed an absorption-type merger in June 2016.

As a result of these measures, revenues in the Retail Business segment increased 0.5% from the same period of the previous fiscal year, to ¥114.9 billion, though operating income declined 17.5%, to ¥2.5 billion.

c. Real Estate Business

LUCUA osaka has opened 21 new stores since August 2016, in an effort to provide commercial facilities for as many customers as possible. Going forward, JR-West will seek to further invigorate business at LUCUA osaka and OSC overall.

In addition, in April 2016 JR-West opened VIERRA Tsukaguchi, a station building redevelopment project in front of JR Tsukaguchi Station, and in June 2016 we opened SUITA GREEN PLACE, a business development project that is the JR-West Group's first shopping center in an urban area separated from a station. In August 2016 we opened VIERRA Momodani, a commercial facility under the elevated railway tracks at JR Momodani Station, and made extensive renovations to the pirole HIMEJI main building. We also moved forward with renovations of commercial facilities to foster future growth.

Despite these measures, as a result of a rebound decline in condominium sales from the previous fiscal year, operating revenues for the Real Estate Business segment declined 5.5% from the same period of the previous fiscal year, to ¥50.4 billion, with operating income down 4.8%, to ¥16.8 billion.

d. Other Businesses

In hotel operations, JR-West made efforts to expand sales in order to gain business from overseas visitors. In travel agency operations, JR-West strengthened marketing efforts to capture inbound visitor demand, expanded internet sales, and took steps to increase sales of products that utilize railways. Revenues in the hotel and travel businesses increased, along with the number of overseas tourists.

In the construction business, despite efforts to expand order contracts while increasing the safety and quality of construction projects, sales were down on the rebound decline from major projects.

As a result, operating revenues for the Other Businesses segment decreased 3.1% from the same period of the previous fiscal year, to ¥73.3 billion, with operating income down 17.6%, to ¥4.1 billion.

(2) Qualitative Information on the Consolidated Financial Position

JR-West's total assets at the end of the second quarter of the subject fiscal year (September 30, 2016) amounted to ¥2,806.9 billion, a decrease of ¥36.2 billion from the end of the previous fiscal year (March 31, 2016). This was due mainly to a decrease in accounts receivable.

Total liabilities amounted to ¥1,838.4 billion, a decrease of ¥78.3 billion from the end of the previous fiscal year. This was due mainly to a decrease in accounts payable.

Total net assets amounted to ¥968.4 billion, an increase of ¥42.0 billion from the end of the previous fiscal year. This was due mainly to an increase in retained earnings.

(3) Qualitative Information on Consolidated Forecasts

For the fiscal year ending March 31, 2017, based on trends in rail transportation revenues and other factors, JR-West is revising downward its forecasts for operating revenues, operating

income, recurring profit, and profit attributable to owners of parent from the forecasts announced on July 27, 2016.

Looking ahead, while the economic outlook is turbid, and the situation for revenues is expected to remain uncertain, JR-West will continue to steadily implement its “Safety Think-and-Act Plan 2017,” and remaining sensitive to changes in the business environment, based on the “JR-West Group Medium-Term Management Plan 2017” updated in April 2015, will steadily implement the appropriate measures for the forthcoming FY2018.3, the final year of the plan. By realizing results that clearly show the attaining of our goals, JR-West will strengthen its business foundation and achieve sustained growth.

Consolidated Forecasts for the Year Ending March 31, 2017

Operating revenues:	¥1,445.5 billion	(down 0.4% YoY)
Operating income:	¥173.0 billion	(down 4.7% YoY)
Recurring profit:	¥157.0 billion	(down 3.2% YoY)
Profit attributable to owners of parent:	¥102.5 billion	(up 19.4% YoY)

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

2. MATTERS REGARDING SUMMARY INFORMATION (NOTES)

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

(Changes in Accounting Policies)

Some of the Company’s consolidated subsidiaries, in accordance with revisions to the Corporation Tax Act, have applied “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) from the beginning of the subject fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the subject second cumulative quarter consolidated financial statements is negligible.

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2016	September 30, 2016
ASSETS		
Current assets:		
Cash	45,973	38,249
Notes and accounts receivable-trade	34,681	24,884
Railway fares receivable	34,794	33,610
Accounts receivable	58,719	41,992
Securities	35,000	17,000
Inventories	59,387	79,794
Deferred income taxes	17,979	17,929
Other current assets	64,193	69,295
Less allowance for doubtful accounts	(1,014)	(982)
Total current assets	349,715	321,772
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	1,105,542	1,103,053
Machinery and transport equipment	344,337	346,810
Land	675,002	676,683
Construction in progress	81,885	68,558
Other property, plant and equipment	35,156	34,631
Total property, plant and equipment	2,241,925	2,229,737
Intangible assets	28,131	26,342
Investments and other assets:		
Investments in securities	69,548	70,042
Net defined benefit asset	1,384	1,417
Deferred tax assets	124,868	117,429
Other investments and assets	28,369	41,214
Less allowance for doubtful accounts	(751)	(1,017)
Total investments and other assets	223,419	229,087
Total fixed assets	2,493,476	2,485,167
Deferred assets	3	—
Total assets	2,843,194	2,806,939

	Millions of yen	
	March 31, 2016	September 30, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	76,782	43,484
Short-term loans payable	14,775	16,524
Current portion of bonds	30,000	30,000
Current portion of long-term loans payable	34,024	38,364
Current portion of long-term payables for acquisition of railway properties	30,647	16,270
Current portion of long-term accounts payable	64	49
Accounts payable	91,338	49,465
Accrued consumption tax	10,840	11,568
Accrued income tax	36,389	21,583
Prepaid railway fares received	38,589	43,049
Advances received	16,738	34,535
Allowance for bonuses	37,777	36,663
Allowance for point program	1,619	2,277
Other current liabilities	117,197	119,998
Total current liabilities	536,786	463,836
Non-current liabilities:		
Bonds payable	464,979	474,980
Long-term loans payable	334,667	345,605
Long-term payables for acquisition of railway properties	107,472	106,722
Deferred tax liabilities	3,271	3,204
Allowance for the large-scale renovation of Shinkansen infrastructure	—	2,083
Allowance for environmental safety measures	21,099	20,158
Provision for unredeemed gift certificates	2,668	2,496
Net defined benefit liability	341,359	315,833
Other long-term liabilities	104,512	103,571
Total fixed liabilities	1,380,031	1,374,654
Total liabilities	1,916,818	1,838,491

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	Millions of yen	
	March 31, 2016	September 30, 2016
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	55,068	55,068
Retained earnings	704,187	747,748
Treasury stock, at cost	(481)	(481)
Total shareholders' equity	858,775	902,336
Valuation and translation adjustments:		
Net unrealized holding gain on securities	3,523	2,580
Deferred gains or losses on hedges	(121)	(582)
Remeasurements of defined benefit plans	15,685	15,026
Total Valuation and translation adjustments	19,087	17,024
Non-controlling interests	48,513	49,087
Total net assets	926,376	968,448
Total liabilities and net assets	2,843,194	2,806,939

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

Consolidated Statements of Income

Six months ended September 30

	Millions of yen	
	2015	2016
Operating revenues	709,415	700,372
Operating expenses:		
Transportation, other services and cost of sales	510,151	508,644
Selling, general and administrative expenses	88,724	93,368
Total operating expenses	598,875	602,012
Operating income	110,539	98,359
Non-operating revenues:		
Interest income	46	19
Dividend income	284	289
Transfer from administrative fee of contracted construction	98	133
Equity in earnings of affiliates	867	990
Other	1,051	863
Total non-operating revenues	2,348	2,297
Non-operating expenses:		
Interest expense	12,302	11,483
Other	872	644
Total non-operating expenses	13,175	12,128
Recurring profit	99,713	88,528
Extraordinary profits:		
Gain on contributions received for construction	3,548	3,940
Insurance income	2,000	—
Other	1,115	1,197
Total extraordinary profits	6,663	5,138
Extraordinary losses:		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,420	3,772
Impairment loss	0	2,528
Other	2,739	2,720
Total extraordinary losses	6,160	9,021
Profit before income taxes	100,216	84,645
Income taxes- Current	26,961	18,193
Income taxes- Deferred	5,830	8,467
Total income taxes	32,791	26,660
Profit	67,424	57,984
Profit (loss) attributable to non-controlling interests	1,383	867
Profit attributable to owners of parent	66,041	57,117

Consolidated Statements of Comprehensive Income

Six months ended September 30

	Millions of yen	
	2015	2016
Profit	67,424	57,984
Other comprehensive income:		
Valuation difference on available-for-sale securities	(346)	(996)
Deferred gains or losses on hedges	(650)	(576)
Remeasurements of defined benefit plans, net of tax	1,204	(641)
Share of other comprehensive income of associates accounted for using equity method	41	(19)
Total other comprehensive income	248	(2,234)
Comprehensive income	67,672	55,750
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	66,367	55,054
Comprehensive income attributable to non-controlling interests	1,304	696

Business Segment Information

Six months ended September 30

		Billions of yen		
		2015	2016	Change from the same period of the previous period
Transportation	Operating revenues	466.1	461.7	(4.4)
	Operating income	84.2	74.5	(9.7)
Retail	Operating revenues	114.2	114.9	0.6
	Operating income	3.0	2.5	(0.5)
Real Estate	Operating revenues	53.3	50.4	(2.9)
	Operating income	17.6	16.8	(0.8)
Other Businesses	Operating revenues	75.6	73.3	(2.3)
	Operating income	5.0	4.1	(0.8)

Note: Revenues by each segment are from third parties.

(3) Consolidated Statements of Cash Flows

Six months ended September 30

	Millions of yen	
	2015	2016
Cash flows from operating activities		
Profit before income taxes	100,216	84,645
Depreciation and amortization	74,866	78,529
Impairment loss	0	2,528
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,420	3,772
Loss on disposal of property, plant and equipment	1,802	2,148
Increase (decrease) in net defined benefit liability	(14,211)	(26,540)
Increase (decrease) in allowance for doubtful accounts	(273)	234
Increase (decrease) in provision for bonuses	(895)	(1,116)
Increase (decrease) in allowance for the large-scale renovation of Shinkansen infrastructure	—	2,083
Interest and dividend income	(331)	(309)
Interest expenses	12,302	11,483
Equity in earnings of affiliates	(867)	(990)
Proceeds from contribution for construction	(3,548)	(3,940)
Decrease (increase) in notes and accounts receivable-trade	24,190	30,576
Decrease (increase) in inventories	(11,772)	(20,398)
Increase (decrease) in notes and accounts payable-trade	(43,101)	(45,177)
Increase (decrease) in accrued consumption taxes	(3,969)	24
Other	(18,975)	(17,401)
Subtotal	118,854	100,153
Interest and dividends income received	304	287
Interest paid	(12,205)	(11,535)
Income taxes paid	(18,731)	(32,472)
Net cash provided by operating activities	88,222	56,432
Cash flows from investing activities		
Payments for time deposits with a maturity of more than three months	(116)	(81)
Proceeds for time deposits with a maturity of more than three months	81	116
Purchases of property, plant and equipment	(109,017)	(92,495)
Proceeds from sales of property, plant and equipment	22,155	284
Contributions received for constructions	11,966	15,703
Increase in investments in securities	(1,178)	(1,947)
Net decrease (increase) in loans receivable	(438)	(2,365)
Other	(68)	793
Net cash used in investing activities	(76,617)	(79,991)

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	Millions of yen	
	2015	2016
Cash flows from financing activities		
Change in short-term loans	(459)	1,537
Proceeds from long-term loans	20,000	17,000
Repayment of long-term debt	(3,096)	(1,737)
Proceeds from issuance of bonds	15,000	10,000
Repayment of long-term payables for acquisition of railway properties	(15,462)	(15,127)
Purchase of treasury stock	(0)	—
Cash dividends paid to the Company's shareholders	(12,594)	(13,555)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(140)	(122)
Other	(31)	(122)
Net cash used in financing activities	3,213	(2,128)
Change in cash and cash equivalents, net	14,818	(25,687)
Cash and cash equivalents at the beginning of the period	85,346	80,691
Cash and cash equivalents at the end of the period	100,164	55,003

(4) Note on Assumptions for Going Concern

Not applicable

(5) Notes in the Event of Major Change in Shareholders' Equity

Not applicable

(6) Other

(Recording of an Impairment Loss on Non-current Assets)

The JR-West Group, for the calculation of impairment losses, in the Transportation, Retail Business, and Other Businesses segments for which revenue and expenditure is tracked on an ongoing basis, groups assets mainly by business, while in the Real Estate Business, groups assets designated for retirement and idle assets mainly by individual asset.

As a result, for the assets designated for retirement due to changes in the business environment or other factors and idle assets, the book value has been written down to the recoverable value, and the reduced amount recorded as an impairment loss (¥2,528 million) in extraordinary losses.

Millions of yen

Purpose	Location	Type	Impairment Loss
Assets to be retired	Gotsu-shi, Shimane Prefecture, and other areas	Buildings and structures, land, etc.	2,527
Other	Izumo-shi, Shimane Prefecture	Land	0
Total	—	—	2,528

Note: Recoverable value is measured mainly by net realizable value.

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2016	September 30, 2016	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	251.9	184.8	(67.0)
Fixed assets:			
Fixed assets for railway operations	1,844.7	1,840.4	(4.2)
Construction in progress	73.1	56.7	(16.4)
Investments and other assets	330.0	370.1	40.0
Total fixed assets	2,247.9	2,267.3	19.3
Total assets	2,499.8	2,452.1	(47.7)

	March 31, 2016	September 30, 2016	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	92.9	83.1	(9.7)
Accounts payable	467.4	404.0	(63.3)
Total current liabilities	560.4	487.2	(73.1)
Fixed liabilities:			
Bonds and long-term debt	902.7	921.4	18.7
Accrued retirement benefits	341.4	314.7	(26.6)
Other long-term liabilities	29.2	30.0	0.7
Total fixed liabilities	1,273.3	1,266.2	(7.1)
Total liabilities	1,833.7	1,753.4	(80.3)
Total shareholders' equity:			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	508.3	541.7	33.3
Treasury stock, at cost	(0.0)	(0.0)	—
Total shareholders' equity	663.3	696.7	33.3
Valuation and translation adjustments	2.6	1.9	(0.7)
Total net assets	666.0	698.6	32.6
Total liabilities and net assets	2,499.8	2,452.1	(47.7)

2. NON-CONSOLIDATED STATEMENTS OF INCOME

Six months ended September 30

	Six months ended September 30		Change from the same period of the previous year		Forecasts for year ending March 31, 2017	
	2015	2016			Change	
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
Operating revenues:						
Transportation	427.7	422.8	(4.8)	(1.1)	846.0	(4.0)
Transportation incidentals	9.1	8.9	(0.2)	(2.3)	17.7	(0.6)
Other operations	12.9	13.5	0.5	4.4	27.5	1.4
Miscellaneous	28.8	30.0	1.1	4.0	59.8	(0.0)
	478.7	475.4	(3.3)	(0.7)	951.0	(3.2)
Operating expenses:						
Personnel costs	115.2	111.3	(3.8)	(3.4)	223.0	(10.3)
Non personnel costs:						
Energy costs	22.7	20.6	(2.1)	(9.3)	41.0	(3.1)
Maintenance costs	65.7	68.0	2.3	3.6	154.0	1.1
Miscellaneous costs	89.8	92.7	2.8	3.2	195.5	0.0
	178.3	181.4	3.1	1.7	390.5	(1.9)
Rental payments, etc	13.4	15.1	1.6	12.5	30.5	3.5
Taxes	18.1	19.7	1.5	8.7	35.0	3.0
Depreciation	63.1	66.4	3.2	5.2	138.5	6.1
	388.2	394.0	5.7	1.5	817.5	0.4
Operating income	90.4	81.3	(9.0)	(10.0)	133.5	(3.7)
Non-operating revenues and expenses, net:						
Non-operating revenues	1.4	1.3	(0.1)	—	—	—
Non-operating expenses	13.0	11.8	(1.1)	—	—	—
	(11.5)	(10.5)	0.9	(8.6)	(17.0)	3.4
Recurring profit	78.9	70.8	(8.0)	(10.2)	116.5	(0.2)
Extraordinary profit and loss, net:						
Extraordinary profit	5.8	4.3	(1.5)	—	—	—
Extraordinary loss	5.1	7.2	2.0	—	—	—
	0.7	(2.9)	(3.6)	—	(3.5)	12.0
Income before income taxes	79.6	67.9	(11.6)	(14.7)	113.0	11.8
Income taxes	26.1	21.0	(5.1)	(19.6)	35.0	(5.0)
Net income	53.4	46.9	(6.5)	(12.3)	78.0	16.8

Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Six months ended September 30		Change		Six months ended September 30		Change	
	2015	2016	Amount	%	2015	2016	Amount	%
Shinkansen								
Commuter Passes	409	415	6	1.6	5.0	5.1	0.0	0.3
Non-Commuter Passes	9,846	9,588	(258)	(2.6)	215.4	209.9	(5.5)	(2.6)
Total	10,256	10,004	(252)	(2.5)	220.5	215.0	(5.4)	(2.5)
Conventional Lines								
Commuter Passes	11,746	11,733	(13)	(0.1)	71.7	72.0	0.3	0.5
Non-Commuter Passes	7,523	7,544	20	0.3	135.4	135.7	0.2	0.2
Total	19,270	19,277	7	0.0	207.1	207.8	0.6	0.3
Kansai Urban Area								
Commuter Passes	9,625	9,616	(9)	(0.1)	58.7	59.1	0.4	0.8
Non-Commuter Passes	5,391	5,427	35	0.7	93.2	93.8	0.5	0.6
Total	15,017	15,043	25	0.2	151.9	152.9	1.0	0.7
Other Lines								
Commuter Passes	2,120	2,116	(4)	(0.2)	13.0	12.9	(0.0)	(0.6)
Non-Commuter Passes	2,132	2,117	(14)	(0.7)	42.1	41.8	(0.2)	(0.6)
Total	4,252	4,234	(18)	(0.4)	55.1	54.8	(0.3)	(0.6)
Total								
Commuter Passes	12,156	12,149	(7)	(0.1)	76.8	77.2	0.3	0.5
Non-Commuter Passes	17,370	17,132	(237)	(1.4)	350.8	345.6	(5.2)	(1.5)
Total	29,526	29,281	(245)	(0.8)	427.6	422.8	(4.8)	(1.1)

3. CAPITAL EXPENDITURES

Consolidated Basis

	Six months ended September 30		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2017
	2015	2016	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	82.4	77.3	(5.0)	(6.1)	—
Capital expenditures, excluding contributions received for constructions	79.2	72.4	(6.7)	(8.6)	193.0
Contributions received for constructions	3.2	4.9	1.7	53.3	—

Non-Consolidated Basis

	Six months ended September 30		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2017
	2015	2016	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	70.7	62.6	(8.1)	(11.5)	—
Capital expenditures, excluding contributions received for constructions	67.5	57.7	(9.8)	(14.5)	163.0
[Safety-related capital expenditures]	[44.5]	[40.5]	[(4.0)]	[(9.1)]	[104.5]
Contributions received for constructions	3.2	4.9	1.7	53.3	—

Major Capital Expenditures

Capital investments included earthquake and tsunami countermeasures, new rolling stock (Shinkansen N700A series, 225 and 323 series commuter trains)

4. REVISION TO FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2017

	Year ended March 31, 2016	Year ending March 31, 2017		Change		
		Previous forecasts (July 27)	Current forecasts (Oct. 27)	C-A	C/A	C-B
	A	B	C	C-A	C/A	C-B
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen
Consolidated-basis :	<1.52>	<1.52>	<1.52>			
Operating revenues	1,451.3	1,450.0	1,445.5	(5.8)	(0.4)	(4.5)
Operating income	181.5	175.5	173.0	(8.5)	(4.7)	(2.5)
Recurring profit	162.2	159.5	157.0	(5.2)	(3.2)	(2.5)
	<1.40>	<1.30>	<1.31>			
Profit attributable to owners of parent	85.8	106.5	102.5	16.6	19.4	(4.0)
Non-consolidated-basis :						
Operating revenues	954.2	952.5	951.0	(3.2)	(0.3)	(1.5)
Transportation	850.0	848.5	846.0	(4.0)	(0.5)	(2.5)
Operating expenses	817.0	816.5	817.5	0.4	0.1	1.0
Operating income	137.2	136.0	133.5	(3.7)	(2.7)	(2.5)
Recurring profit	116.7	119.0	116.5	(0.2)	(0.2)	(2.5)
Net income	61.1	82.0	78.0	16.8	27.6	(4.0)

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

	Year ended March 31, 2016	Year ending March 31, 2017		Change			
		Previous forecasts (July 27)	Current forecasts (Oct. 27)	C-A	C/A	C-B	
	A	B	C	C-A	C/A	C-B	
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
Transportation	Operating revenues	928.7	925.7	924.2	(4.5)	(0.5)	(1.5)
	Operating income	125.1	122.3	119.8	(5.3)	(4.3)	(2.5)
Retail Business	Operating revenues	232.0	241.8	235.8	3.7	1.6	(6.0)
	Operating income	5.3	5.4	4.9	(0.4)	(7.9)	(0.5)
Real Estate Business	Operating revenues	108.8	104.4	107.4	(1.4)	(1.4)	3.0
	Operating income	32.7	31.4	31.9	(0.8)	(2.5)	0.5
Other Businesses	Operating revenues	181.5	178.1	178.1	(3.4)	(1.9)	—
	Operating income	22.4	19.9	19.9	(2.5)	(11.3)	—

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 October 2016 based on information available to JR-West as of October 2016 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.