

**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: Tatsuo Kijima

For further information, please contact: Makoto Kitano, General Manager, Corporate Communications

Department

Telephone: +81-6-6375-8889

Quarterly report filing date (Planned): February 10, 2017

Planned start of dividend payments: —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: None

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

**1. Results for the Nine Months Ended December 31, 2016 (from April 1, 2016 to December 31, 2016)****(1) Operating Results**

Nine months ended December 31

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	1,066,020	(0.9)	157,799	(4.7)	143,209	(4.3)	92,546	(5.4)
2015	1,075,828	7.9	165,644	23.3	149,709	25.9	97,806	22.7

(Note) Comprehensive Income: Nine months ended December 31, 2016: ¥93,273 million, (8.1)%;  
 Nine months ended December 31, 2015: ¥101,508 million, 23.7%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share after dilution
	Yen	Yen
2016	478.02	—
2015	505.19	—

**(2) Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2016	2,854,336	992,410	33.0
March 31, 2016	2,843,194	926,376	30.9

(Reference) Total shareholders' equity: December 31, 2016: ¥942,680 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: None

#### 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 8.

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

	Nine months ended December 31, 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
		Nine months ended December 31, 2015
3) Average number of shares outstanding for each period (cumulative term):	193,605,151	193,605,252

#### \* 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. 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.

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,” to achieve the plan’s final year targets, JR-West continues to steadily implement measures to enhance long-term enterprise value, and is actively pursuing strategic investments and measures for coexistence with local communities.

For investments, JR-West acquired a portion of shares in its business partner Nippon Signal Co., Ltd. for technological advancements, strengthening the relationship. We also concluded a contract to acquire shares of Ryoju Properties Co., Ltd. in order to expand and strengthen the real estate business. In addition, JR-West established JR-West Innovations Co., Ltd., a corporate venture capital firm to support the establishment of businesses and to deepen ties with local communities.

For coexistence with local communities, JR-West continued with preparations for the start of operation for the *Twilight Express Mizukaze* sleeper train in June 2017, and established aquaculture businesses for mackerel in Tottori Prefecture and oysters in Hiroshima Prefecture, as a means of exposing new regional products in the West Japan area.

During the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016), transportation revenues, which indicate revenues for the railway business, turned positive for gains during the third quarter compared to the same period of the previous fiscal year, but declined for the cumulative period as a result of such factors as the impact from the Kumamoto earthquake in April, and rebound decline 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.

As a result, on a consolidated basis, operating revenues for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016) declined 0.9% from the same period of the previous fiscal year to ¥1,066.0 billion. Operating income fell 4.7% to ¥157.7 billion, with recurring profit down 4.3% to ¥143.2 billion, and profit attributable to owners of parent declining 5.4% to ¥92.5 billion.

The operating environment for the JR-West Group continues to be strained by such factors as population decline, and intensifying competition from other modes of transportation. However, there are opportunities for growth building on the increase in overseas visitors to Japan, and greater activity among active seniors. JR-West will remain responsive to such changes in the business environment and growth opportunities, implement measures, and will continue to make

a concerted effort as a corporate group to enhance safety and enterprise value from a longer term perspective.

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

### Consolidated Results for the Nine Months Ended December 31, 2016 (April – December 2016)

Operating revenues:	¥1,066.0 billion
Operating income:	¥157.7 billion
Recurring profit:	¥143.2 billion
Profit attributable to owners of parent:	¥92.5 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.

For measures to enhance safety on platforms, JR-West is implementing both infrastructure and service measures. Platform gates have been installed at 11 stations, including both conventional and Shinkansen lines. Going forward, based on government guidelines, we plan to install gates at 14 stations with “more than 100,000 daily passengers boarding and alighting”, as well as stations with “numerous instances of passengers falling onto tracks or being struck by trains.” For blister tactile paving blocks with horizontal tactile paving on the inner side, JR-West is working to complete its installation plan three years ahead of schedule, installing tactile blocks at stations with more than 10,000 daily boarding and alighting by the end of fiscal 2017. Further, we have installed remote security cameras at Kyobashi, Shin-Imamiya, and Sannomiya stations, and will expand coverage to Nishi-Akashi, Tennoji, and Tsuruhashi stations, around spring 2017. In terms of services, we distributed a “Barrier-Free Manual” to all station employees and conducted trainings, and since the previous fiscal year have actively encouraged station employees to acquire a “service assistant” qualification to learn how to safely provide aid. Going forward, JR-West will continue to pursue infrastructure and service measures to ensure stations can be used in safety and with peace of mind.

In terms of measures to counter intensifying natural disasters, for earthquake countermeasures, JR-West 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, and are continuing with installation along the segment between Himeji and Hakata. 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.

To strengthen risk management, 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. Also, JR-West is continuing with measures including developing leaders to support risk assessments, and implementing 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 organization.

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 assessments of its safety management structure executed by an external, third-party agency. In fiscal 2016, in response to these evaluations, we promptly implemented executable measures, including revising the safety management review and 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 the oversight of the safety management structure.

In marketing initiatives, for the Sanyo Shinkansen, to revive tourism demand and revenue that declined as a result of the Kumamoto earthquake in April 2016, 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. Also, to highlight the appeal of areas along railway lines, in spring JR-West conducted the "Land of Sunshine Okayama Destination Campaign," followed by the "Setouchi Campaign" in summer. In autumn we conducted the "Late Edo Period-Meiji Restoration Yamaguchi Destination Campaign – Pre-Campaign" in conjunction with the tourism campaign designed on the theme of the Late Edo Period to Meiji Restoration sponsored by Yamaguchi Prefecture. JR-West sold highly convenient products for these campaigns.

For the Hokuriku Shinkansen, to normalize the effects from opening in the second year for the service, JR-West conducted the "Hokuriku Shinkansen One-Year Anniversary Campaign" and "Business Travel Support Campaign," broadcast TV commercials in the Hokuriku area, and made other efforts to stimulate demand for both business and tourism. Also, we held "Kansai-Hokuriku exchange meetings" to increase mutual exchange among government bodies, businesses, and the travel industry in the Kansai, Hokuriku and Shin-etsu (Niigata/Nagano) regions. From the autumn, to establish the Hokuriku region as an attractive area for tourism, in conjunction with East Japan Railway Company we conducted the "Five Star Tastiness – Hokuriku Shinkansen Campaign" to highlight the five prefectures along the Hokuriku Shinkansen. Also, in partnership with three prefectures in the Hokuriku region, we conducted the "Japan's Beauty Is in Hokuriku Campaign."

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" product for a broad-based sightseeing route. Also, as part of our effort to welcome visitors, in March 2017 we will establish Travel Service Center OSAKA at Osaka Station, providing integrated services including various types of advice

regarding tourism and travel, money exchange, and ticket sales. Also, at Kansai Airport Station, in March 2017 we will strengthen sales functions, including expanding JR Ticket Offices (“Midori-no-madoguchi”), 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, in December 2016 JR-West began operating new 323-model trains, developed to make train cars “safe, brighter, wider, quiet, and comfortable.” We also implemented measures to enhance customer satisfaction and refurbish our image, including renovating Momodani Station, refurbishing stations and toilets, and developing spaces beneath elevated tracks.

For the Kyoto Umekoji area, JR-West opened the Kyoto Railway Museum in April 2016, seeking to make it a “hub of railway culture together with the local community.” In August 2016, the Steam Locomotive 233 held at the museum was designated as a national important cultural property, a first for JR-West rolling stock. A commemorative ceremony held in October. In November 2016, the total number of visitors to the museum exceeded one million, earlier than expected, reflecting its popularity. In addition, JR-West decided on the design and other details of the new station between Kyoto and Tambaguchi stations on the Sagano Line, which will serve as the gateway to the adjacent Umekoji Park, and the western area of Kyoto. The ground-breaking ceremony was held in September 2016.

For the *Twilight Express Mizukaze* sleeper train, an initiative aimed at stimulating tourism and revitalizing local areas in the western Japan region, JR-West decided to begin operations on June 17, 2017, and began taking reservations in December 2016.

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 0.4% from the same period of the previous fiscal year, to ¥701.5 billion, with operating income down 4.2%, to ¥118.8 billion.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, following repeated amicable discussions with local governments along the line, JR-West submitted a notification to the Minister of Land, Infrastructure, Transport and Tourism that it would cease operating the railway service. The scheduled date for cessation of service is April 1, 2018. Going forward, we will continue discussions with local residents toward formulating a new transportation plan.

## **b. Retail Business**

For JR-West’s business alliance with Seven-Eleven Japan, we opened 119 new franchised stores in fiscal 2016 for a total of 312 locations, including Entrée Marché, a combined souvenir shop and Seven-Eleven stores, at major stations in the Kyoto-Osaka-Kobe area, including Osaka, Shin-Osaka, Sannomiya, Shin-Kobe, and Himeji stations. Sales at all stores are steady.

Of note, JR-West’s consolidated subsidiary West Japan Railway Food Service Net

Company, with the aim of opening locations in cities outside our railway areas, completed an absorption-type merger in June 2016 with its wholly-owned subsidiary Karafuneya Coffee Co., Ltd.

As a result of these measures, revenues in the Retail Business segment increased 0.8% from the same period of the previous fiscal year, to ¥175.9 billion, though operating income declined 6.5%, to ¥4.7 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.

JR-West is also moving steadily forward with opening and renovating commercial facilities. We opened VIERRA Tsukaguchi in front of JR Tsukaguchi Station in April 2016, SUITA GREEN PLACE in Suita-shi in June, VIERRA Momodani at Momodani Station in August, and VIERRA Otsu at Otsu Station in October. We also conducted a major renovation of the piolo HIMEJI main building in front of Himeji Station in October 2016.

Further, in October 2016 JR-West concluded a contract to acquire shares in Ryoju Properties Co., Ltd. to establish a foothold for pursuing the real estate business in the Tokyo metropolitan area, as well as to expand and strengthen the real estate business. Going forward, we will smoothly conduct business operations, and make efforts to quickly enhance the value of held properties in order to realize investment benefits at an early date.

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 2.3% from the same period of the previous fiscal year, to ¥75.4 billion, with operating income down 1.5%, to ¥25.1 billion.

### **d. Other Businesses**

In hotel operations, JR-West will establish West Japan Railway First Cabin Co., Ltd., a joint venture with First Cabin Inc., to develop a new brand of hotel that is more compact and luxurious, mainly in the western Japan region. This latest brand will add a fourth major component to JR-West Group hotels, including the Granvia brand of city hotels, Via-inn brand of accommodation-oriented budget hotels, and high-class accommodation-oriented hotels. We will continue to develop hotels to meet a wide range of customer needs.

In addition, for existing hotels and travel agency operations, JR-West made efforts to strengthen marketing efforts to capture inbound visitor demand, expand internet sales, and increase sales of products that utilize railways.

As a result of these measures, 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 5.7% from the same period of the previous fiscal year, to ¥113.0 billion, with operating income down 14.9%, to ¥9.0 billion.

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

JR-West's total assets at the end of the third quarter of the subject fiscal year (December 31, 2016) amounted to ¥2,854.3 billion, an increase of ¥11.1 billion from the end of the previous fiscal year (March 31, 2016). This was due mainly to an increase in inventories.

Total liabilities amounted to ¥1,861.9 billion, a decrease of ¥54.8 billion from the end of the previous fiscal year. This was due mainly to a decrease in accounts payable.

Total net assets amounted to ¥992.4 billion, an increase of ¥66.0 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**

Because at this point consolidated earnings for the subject fiscal year are generally in line with expectations, there is no change to the consolidated earnings forecasts from those announced on October 27, 2016.

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 nine months ended December 31, 2016 (April – December 2016) consolidated financial statements is negligible.



### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2016	December 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	45,973	51,561
Notes and accounts receivable-trade	34,681	24,323
Railway fares receivable	34,794	30,905
Accounts receivable	58,719	43,061
Securities	35,000	40,000
Inventories	59,387	87,116
Deferred income taxes	17,979	10,627
Other current assets	64,193	73,924
Less allowance for doubtful accounts	(1,014)	(956)
Total current assets	349,715	360,563
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	1,105,542	1,098,406
Machinery and transport equipment	344,337	352,931
Land	675,002	679,084
Construction in progress	81,885	68,109
Other property, plant and equipment	35,156	34,558
Total property, plant and equipment	2,241,925	2,233,091
<b>Intangible assets</b>	28,131	26,131
<b>Investments and other assets:</b>		
Investments in securities	69,548	74,399
Net defined benefit asset	1,384	1,430
Deferred tax assets	124,868	117,961
Other investments and assets	28,369	41,775
Less allowance for doubtful accounts	(751)	(1,015)
Total investments and other assets	223,419	234,550
Total fixed assets	2,493,476	2,493,773
<b>Deferred assets</b>	3	—
<b>Total assets</b>	2,843,194	2,854,336

	Millions of yen	
	March 31, 2016	December 31, 2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	76,782	46,910
Short-term loans payable	14,775	17,163
Current portion of bonds	30,000	—
Current portion of long-term loans payable	34,024	37,924
Current portion of long-term payables for acquisition of railway properties	30,647	16,270
Current portion of long-term accounts payable	64	41
Accounts payable	91,338	56,431
Accrued consumption tax	10,840	16,438
Accrued income tax	36,389	8,673
Prepaid railway fares received	38,589	41,195
Advances received	16,738	34,192
Allowance for bonuses	37,777	18,660
Allowance for point program	1,619	2,588
Other current liabilities	117,197	137,260
Total current liabilities	536,786	433,750
<b>Non-current liabilities:</b>		
Bonds payable	464,979	514,980
Long-term loans payable	334,667	355,300
Long-term payables for acquisition of railway properties	107,472	106,722
Deferred tax liabilities	3,271	3,297
Allowance for the large-scale renovation of Shinkansen infrastructure	—	3,125
Allowance for environmental safety measures	21,099	19,984
Provision for unredeemed gift certificates	2,668	2,383
Net defined benefit liability	341,359	318,570
Other long-term liabilities	104,512	103,811
Total fixed liabilities	1,380,031	1,428,176
<b>Total liabilities</b>	1,916,818	1,861,926

(continued on page 11)

	Millions of yen	
	March 31, 2016	December 31, 2016
<b>NET ASSETS</b>		
<b>Total shareholders' equity:</b>		
Common stock	100,000	100,000
Capital surplus	55,068	55,068
Retained earnings	704,187	769,616
Treasury stock, at cost	(481)	(481)
Total shareholders' equity	858,775	924,204
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	3,523	4,141
Deferred gains or losses on hedges	(121)	(361)
Remeasurements of defined benefit plans	15,685	14,696
Total Valuation and translation adjustments	19,087	18,475
<b>Non-controlling interests</b>	48,513	49,730
<b>Total net assets</b>	926,376	992,410
<b>Total liabilities and net assets</b>	2,843,194	2,854,336

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

### Consolidated Statements of Income

Nine months ended December 31

	Millions of yen	
	2015	2016
<b>Operating revenues</b>	1,075,828	1,066,020
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	775,768	767,958
Selling, general and administrative expenses	134,415	140,262
Total operating expenses	910,184	908,221
<b>Operating income</b>	165,644	157,799
<b>Non-operating revenues:</b>		
Interest income	75	28
Dividend income	548	504
Transfer from administrative fee of contracted construction	227	298
Equity in earnings of affiliates	1,162	1,329
Other	1,479	1,264
Total non-operating revenues	3,494	3,425
<b>Non-operating expenses:</b>		
Interest expense	18,357	17,076
Other	1,072	939
Total non-operating expenses	19,429	18,016
<b>Recurring profit</b>	149,709	143,209
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	4,876	6,174
Insurance income	2,000	—
Other	1,649	1,397
Total extraordinary profits	8,526	7,572
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	4,659	5,937
Impairment loss	1	3,195
Other	4,124	4,503
Total extraordinary losses	8,786	13,635
<b>Profit before income taxes</b>	149,449	137,145
<b>Income taxes- Current</b>	38,065	28,654
<b>Income taxes- Deferred</b>	11,051	14,623
<b>Total income taxes</b>	49,117	43,278
<b>Profit</b>	100,331	93,867
<b>Profit (loss) attributable to non-controlling interests</b>	2,524	1,320
<b>Profit attributable to owners of parent</b>	97,806	92,546

## Consolidated Statements of Comprehensive Income

Nine months ended December 31

	Millions of yen	
	2015	2016
Profit	100,331	93,867
Other comprehensive income:		
Valuation difference on available-for-sale securities	262	668
Deferred gains or losses on hedges	(981)	(299)
Remeasurements of defined benefit plans, net of tax	1,817	(961)
Share of other comprehensive income of associates accounted for using equity method	79	(1)
Total other comprehensive income	1,177	(593)
Comprehensive income	101,508	93,273
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	99,108	91,934
Comprehensive income attributable to non-controlling interests	2,400	1,339

## Business Segment Information

Nine months ended December 31

		Billions of yen		
		2015	2016	Change from the same period of the previous period
Transportation	Operating revenues	704.2	701.5	(2.6)
	Operating income	124.1	118.8	(5.2)
Retail	Operating revenues	174.4	175.9	1.4
	Operating income	5.1	4.7	(0.3)
Real Estate	Operating revenues	77.2	75.4	(1.7)
	Operating income	25.5	25.1	(0.3)
Other Businesses	Operating revenues	119.8	113.0	(6.8)
	Operating income	10.6	9.0	(1.5)

Note: Revenues by each segment are from third parties.

### (3) Note on Assumptions for Going Concern

Not applicable

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

Not applicable

### (5) Others

(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 (¥3,195 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.	3,194
Other	Izumo-shi, Shimane Prefecture	Land	0
Total	—	—	3,195

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

(Material subsequent events)

Business Combination through Acquisition

Based on a resolution at a Board of Directors meeting on October 27, 2016, on October 31, 2016, the Company entered into a share transfer agreement to acquire 70% of the shares outstanding in Ryoju Properties Co., Ltd. The Company is scheduled to acquire the shares on February 1, 2017.

#### 1. Overview of the Business Combination

(1) Name of the acquired company

Ryoju Properties Co., Ltd.

(2) Description of business of the acquired company

Real-estate lease business, real-estate sales business etc.

(3) Main reasons for the business combination

To expand and reinforce the Company's real estate business in the Tokyo metropolitan area and other promising markets outside the Company's business area.

(4) Date of the business combination

February 1, 2017 (Plan)

(5) Legal form of the business combination

The shares are to be acquired for cash consideration.

(6) Name of the company after the combination

The company name will be unchanged after the combination.

(7) Proportion of voting rights

70%

(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. Acquisition Price of the Acquired Company and Type of Equivalent Value

Equivalent value of the acquisition (cash)	¥97,000 million (estimated)
Acquisition price	¥97,000 million (estimated)

3. Content and Amount of Principal Acquisition-related Expenses

Compensation and fees to external advisors ¥762 million (estimated)

4. Goodwill Generated, Cause of Generation, Amortization Method and Period

Not determined at present

5. Amounts and General Breakdown of Assets to be Received and Liabilities Assumed on the Date of the Business Combination

Not determined at present

## Reference Materials

### 1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2016	<b>December 31, 2016</b>	Change
	Billions of yen	Billions of yen	Billions of yen
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	251.9	210.1	(41.8)
<b>Fixed assets:</b>			
Fixed assets for railway operations	1,844.7	1,842.0	(2.6)
Construction in progress	73.1	55.5	(17.5)
Investments and other assets	330.0	375.8	45.7
Total fixed assets	2,247.9	2,273.4	25.5
<b>Total assets</b>	2,499.8	2,483.5	(16.3)

	March 31, 2016	<b>December 31, 2016</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	92.9	52.7	(40.2)
Accounts payable	467.4	396.4	(70.9)
Total current liabilities	560.4	449.2	(111.1)
<b>Fixed liabilities:</b>			
Bonds and long-term debt	902.7	971.4	68.7
Accrued retirement benefits	341.4	316.6	(24.7)
Other long-term liabilities	29.2	30.7	1.4
Total fixed liabilities	1,273.3	1,318.8	45.4
<b>Total liabilities</b>	1,833.7	1,768.0	(65.7)
<b>Total shareholders' equity:</b>			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	508.3	557.0	48.7
Treasury stock, at cost	(0.0)	(0.0)	—
Total shareholders' equity	663.3	712.0	48.7
<b>Valuation and translation adjustments</b>	2.6	3.3	0.6
<b>Total net assets</b>	666.0	715.4	49.3
<b>Total liabilities and net assets</b>	2,499.8	2,483.5	(16.3)



## 2. NON-CONSOLIDATED STATEMENTS OF INCOME

Nine months ended December 31

	Nine months ended December 31		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	
<b>Operating revenues:</b>						
Transportation	646.3	642.9	(3.3)	(0.5)	846.0	(4.0)
Transportation incidentals	13.7	13.5	(0.2)	(2.2)	17.7	(0.6)
Other operations	19.4	20.3	0.8	4.3	27.5	1.4
Miscellaneous	43.5	45.1	1.5	3.7	59.8	(0.0)
	723.1	721.9	(1.1)	(0.2)	951.0	(3.2)
<b>Operating expenses:</b>						
Personnel costs	174.0	166.3	(7.6)	(4.4)	223.0	(10.3)
Non personnel costs:						
Energy costs	33.4	30.3	(3.0)	(9.2)	41.0	(3.1)
Maintenance costs	100.8	104.4	3.6	3.6	154.0	1.1
Miscellaneous costs	138.5	138.9	0.4	0.3	195.5	0.0
	272.8	273.8	0.9	0.4	390.5	(1.9)
Rental payments, etc	20.1	22.6	2.5	12.4	30.5	3.5
Taxes	26.1	28.5	2.4	9.3	35.0	3.0
Depreciation	96.7	101.3	4.6	4.8	138.5	6.1
	589.8	592.7	2.9	0.5	817.5	0.4
<b>Operating income</b>	133.3	129.1	(4.1)	(3.1)	133.5	(3.7)
<b>Non-operating revenues and expenses, net:</b>						
Non-operating revenues	2.2	1.9	(0.2)	—	—	—
Non-operating expenses	19.2	17.6	(1.5)	—	—	—
	(16.9)	(15.7)	1.2	(7.5)	(17.0)	3.4
<b>Recurring profit</b>	116.3	113.4	(2.8)	(2.5)	116.5	(0.2)
<b>Extraordinary profit and loss, net:</b>						
Extraordinary profit	7.5	6.6	(0.9)	—	—	—
Extraordinary loss	7.1	10.3	3.1	—	—	—
	0.3	(3.6)	(4.0)	—	(3.5)	12.0
<b>Income before income taxes</b>	116.7	109.7	(6.9)	(6.0)	113.0	11.8
<b>Income taxes</b>	38.4	33.9	(4.5)	(11.8)	35.0	(5.0)
<b>Net income</b>	78.2	75.8	(2.4)	(3.1)	78.0	16.8

## Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Nine months ended December 31		Change		Nine months ended December 31		Change	
	2015	2016	Amount	%	2015	2016	Amount	%
Shinkansen								
Commuter Passes	605	618	12	2.1	7.6	7.7	0.1	1.3
Non-Commuter Passes	15,036	14,857	(178)	(1.2)	326.9	322.4	(4.4)	(1.4)
Total	15,642	15,476	(166)	(1.1)	334.5	330.1	(4.3)	(1.3)
Conventional Lines								
Commuter Passes	17,414	17,440	25	0.1	107.1	107.6	0.4	0.4
Non-Commuter Passes	11,400	11,428	28	0.2	204.6	205.1	0.5	0.3
Total	28,814	28,868	53	0.2	311.7	312.7	1.0	0.3
Kansai Urban Area								
Commuter Passes	14,282	14,311	28	0.2	87.7	88.3	0.6	0.7
Non-Commuter Passes	8,160	8,217	56	0.7	140.7	141.7	1.0	0.7
Total	22,443	22,528	85	0.4	228.4	230.1	1.6	0.7
Other Lines								
Commuter Passes	3,131	3,128	(3)	(0.1)	19.4	19.2	(0.1)	(0.9)
Non-Commuter Passes	3,239	3,211	(28)	(0.9)	63.8	63.4	(0.4)	(0.7)
Total	6,371	6,339	(31)	(0.5)	83.3	82.6	(0.6)	(0.8)
Total								
Commuter Passes	18,020	18,058	38	0.2	114.7	115.3	0.5	0.5
Non-Commuter Passes	26,436	26,286	(150)	(0.6)	531.5	527.6	(3.8)	(0.7)
Total	44,457	44,345	(112)	(0.3)	646.2	642.9	(3.3)	(0.5)

### 3. CAPITAL EXPENDITURES

#### Consolidated Basis

	Nine months ended December 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2017
	2015	2016	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	136.8	124.7	(12.0)	(8.8)	—
Capital expenditures, excluding contributions received for constructions	131.2	115.9	(15.2)	(11.7)	193.0
Contributions received for constructions	5.6	8.8	3.2	57.3	—

#### Non-Consolidated Basis

	Nine months ended December 31		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	118.5	102.0	(16.5)	(14.0)	—
Capital expenditures, excluding contributions received for constructions	112.9	93.1	(19.8)	(17.5)	163.0
[Safety-related capital expenditures]	[70.9]	[63.3]	[(7.6)]	[(10.7)]	[104.5]
Contributions received for constructions	5.6	8.8	3.2	57.3	—

#### Major Capital Expenditures

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

## **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 January 2017 based on information available to JR-West as of January 2017 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.