April 28, 2017

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

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Date for the General Meeting of Shareholders: June 22, 2017

Filing of annual security report: June 23, 2017 Start of dividend payments: June 23, 2017

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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2017	1,441,411	(0.7)	176,392	(2.8)	160,783	(0.9)	91,288	6.3
2016	1,451,300	7.5	181,539	29.9	162,260	33.0	85,868	28.7

(Note) Comprehensive Income: Year ended March 31, 2017: ¥92,097 million, (12.1)%;
Year ended March 31, 2016: ¥104,823 million, 41.2%

	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	%	%	%
2017	471.52	—	10.0	5.5	12.2
2016	443.53	—	10.2	5.8	12.5

(Reference) Gain on investment by equity method: Year ended March 31, 2017: ¥1,574 million;
Year ended March 31, 2016: ¥1,288 million

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2017	3,007,852	1,032,610	31.3	4,857.50
2016	2,843,194	926,376	30.9	4,534.29

(Reference) Total shareholders' equity: March 31, 2017: ¥940,437 million, March 31, 2016: ¥877,862 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
2017	234,144	(295,808)	44,304	63,332
2016	259,880	(233,219)	(31,315)	80,691

2. Dividends

Year ended / ending March 31

	Dividends per share					Total amount of dividends (for the entire fiscal year)	Payout ratio (Consolidated)	Dividends-to-net assets ratio (Consolidated)
	June 30	Sept. 30	Dec. 31	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2016	—	65.00	—	70.00	135.00	26,154	30.4	3.1
2017	—	70.00	—	70.00	140.00	27,122	29.7	3.0
2018 (Forecast)	—	80.00	—	80.00	160.00		28.4	

3. Forecasts for Fiscal Year ending March 31, 2018

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	722,000	3.1	101,500	3.2	92,000	3.9
Fiscal year	1,492,000	3.5	183,500	4.0	168,500	4.8

	Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Yen
Interim period	60,500	5.9	312.49
Fiscal year	109,000	19.4	563.00

4. Notes

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

2. 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 (6) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements on page 23.

3. Number of Shares Outstanding (Common stock)

	Years ended March 31	
	2017	2016
1) Number of shares issued and outstanding (including treasury stock):	193,735,000	193,735,000
2) Number of treasury stock	129,899	129,849
3) Average number of shares outstanding for each period (cumulative term):	193,605,150	193,605,227

(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	%
2017	956,103	0.2	135,477	(1.3)	118,470	1.5	70,842	15.9
2016	954,227	7.1	137,213	22.5	116,733	26.7	61,123	29.0

	Net income per share	Net income per share after dilution
	Yen	Yen
2017	365.67	—
2016	315.50	—

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2017	2,598,964	709,959	27.3	3,664.60
2016	2,499,863	666,066	26.6	3,438.04

(Reference) Total shareholders' equity: March 31, 2017: ¥709,959 million, March 31, 2016: ¥666,066 million

2. Forecasts for Fiscal Year ending March 31, 2018

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim period	481,000	1.2	83,000	2.0	73,000	3.0
Fiscal year	967,000	1.1	139,000	2.6	123,000	3.8

	Net income		Net income per share
	Millions of yen	%	Yen
Interim period	49,000	4.4	252.92
Fiscal year	83,000	17.2	428.42

* Indication regarding the status of auditing procedures

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. Regarding the forecast of financial results, please refer to "Qualitative Information on Consolidated Forecasts" on page 10.
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. 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, making upward revisions to certain targets, and revising and adding measures to accomplish our objectives.

As the fourth year of this plan, to achieve the plan objectives in the final fiscal year, JR-West steadily implemented measures for safety, customer service, and other areas, and proactively took steps to enhance enterprise value over the longer term, including strategic investments and initiatives for integration with communities.

As a result, although revenue in transportation operations steadily recovered through the second half of the period, overall revenue decreased year on year due to a rebound decline in the construction business from large project orders in the previous fiscal year, and other factors. On a consolidated basis, operating revenues for the subject fiscal year (April 1, 2016 to March 31, 2017) declined 0.7% from the previous fiscal year to ¥1,441.4 billion. Operating income fell 2.8% to ¥176.3 billion, with recurring profit down 0.9% to ¥160.7 billion, though profit attributable to owners of parent increased 6.3% to ¥91.2 billion.

(2) Results by Business Segment

a. Transportation Operations

JR-West is pursuing "Measures to enhance safety" as a management priority, and has steadily implemented various measures based on the "Safety Think-and-Act Plan 2017" formulated in 2013.

To enhance safety on platforms, amid greater public interest JR-West is implementing infrastructure measures such as platform gates, as well as service measures. Platform gates have been installed at 11 stations, including both conventional and Shinkansen lines, and in February 2017 automatic platform gates were installed on the No. 2 platform of Kyobashi Station. 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 boardings by the end of FY 2018.3. Further, in order to automatically detect when there is a danger of customers falling from the platform and alert station personnel, JR-West installed remote security cameras at Nishiakashi, Tennoji, and Tsuruhashi stations, expanding the system from those already in place at Kyobashi, Shin-Imamiya, and Sannomiya stations. 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. In addition, as a joint measure with Osaka Municipal Transportation Bureau and Kintetsu Railway Co., Ltd., JR-West will conduct a campaign a platform safety campaign from March to May 2017, and will continue to conduct infrastructure and service measures to create stations that can be used safely 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, for the ongoing project to install derailment prevention guards, we completed work on the section of track between Shin-Osaka and Himeji stations, and are assessing the earthquake-related risk for the segment between Himeji and Hakata, expanding the project and continuing with installation work. JR-West also introduced a weather hazard response system to provide unified management of weather-related phenomena including rain, wind, and earthquakes, and support communication and other operations.

To prevent major accidents, 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. Also, to promote risk assessment, we are continuing with measures to develop leaders, and from the subject fiscal year 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, JR-West receives assessments of its safety management structure executed by an external, third-party agency. In fiscal 2016, in response to these evaluations, we promptly implemented readily executable items, including revising the safety management review and making improvements in safety auditing methods and scheduling. 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 strengthen competitiveness with a prerequisite of safety, JR-West revised the timetable in March 2017 with the introduction of the new automatic train control (ATC) system, shortening travel time between Shin-Osaka and Hakata by an average of one minute for *Nozomi* and *Mizuho* trains, and an average of 15 minutes for *Kodama* trains. Also, to revive the tourism demand that declined as a result of the Kumamoto earthquake in April 2016, JR-West conducted campaigns to highlight the appeal of areas along railway lines, including the “Kyushu Tourism Revival Campaign” in conjunction with the Kyushu District Transport Bureau, Kyushu Tourism Promotion Organization, and other institutions, and the “Spring – Kagoshima Campaign” with the Kagoshima Prefecture government.

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.

For measures to promote utilization of online services, JR-West renewed its service offerings, including providing round-trip and open-type discount tickets, previously only handled at stations, through the “e5489” internet reservation service, and providing for purchase of e-tickets for limited express trains using a credit card.

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, at the Kansai Airport Station we strengthened sales functions, including increasing the number of counters providing service in foreign languages at JR Ticket Offices (“Midori-no-madoguchi”). At Osaka Station, we established the Travel Service Center OSAKA providing integrated services including various types of advice regarding tourism and travel, money exchange, and ticket sales.

In the Kansai Urban Area (around Osaka, Kyoto, and Nara), JR-West is working to improve the value of the railway belts to encourage repeated use, and enhance the value of areas along railway line segments. In addition, to enhance customer satisfaction and refurbish the company’s image, 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 continued with renovations to Momodani Station, refurbishing stations and toilets, and developing spaces beneath elevated tracks. In the Kyoto Umekoji area, in April 2016 JR-West opened the Kyoto Railway Museum with the aim of establishing a “hub of railway culture together with the local community.” The museum has been popular with a wide range of customers, with the number of visitors exceeding the first-year target of 1.3 million people in March 2017, two months ahead of schedule.

Regarding the Twilight Express *Mizukaze* sleeper train, an initiative to stimulate tourism and vitalize the western Japan region, JR-West will begin operations on June 17, 2017. We are working with local areas to uncover tourism opportunities, foods, and crafts from the western Japan area, and are communicating the appeal of the history, culture, nature, and dining in areas along railway lines. In addition, for the Kabe Line, to help establish a thriving community, on March 4, 2017, JR-West electrified and extended the line, and opened new stations between Kabe and Aki-Kameyama stations.

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.

As a result of these measures, despite the negative impact in the first quarter stemming from the Kumamoto earthquake in April 2016, and the rebound decline from the opening effect of the Hokuriku Shinkansen, operating revenues for the Transportation Operations segment were mainly on a par with the previous fiscal year at ¥929.1 billion. Operating income declined 2.7%, to ¥121.7 billion, due to an increase in expenses stemming from efforts for systematic measures to enhance safety and customer service into the next fiscal year.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, as a result of repeated cordial 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 operations of a Type I Railway Business effective April 1, 2018. We will continue discussions with local residents toward formulating a new transportation plan after cessation of the railway service.

b. Retail Business

To enhance customer convenience and increase railway use by attracting customers, since FY2015.3 JR-West has been converting its previous kiosks and Heart-in convenience stores to tie-up stores with Seven Eleven Japan. During the subject fiscal year we converted 142 stores as planned, completing the conversion of a total 335 locations.

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.

Despite sluggish apparel sales at department stores and a slowdown in consumption by inbound visitors, sales at tie-up stores with Seven Eleven Japan increased. As a result, operating revenues in the Retail Business segment rose 0.8% from the previous fiscal year, to ¥233.9 billion, though operating income declined 1.3%, to ¥5.2 billion.

c. Real Estate Business

JR-West considers the real estate business to have a high degree of affinity with the railway business in terms of utilizing the held assets of the JR-West Group, improving convenience for customers, and enhancing the value of areas along railway lines, and as such develops and manages commercial facilities and residential properties. For commercial facilities, we are moving steadily forward with opening and renovating properties. 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 conducted renovations for LUCUA osaka in August 2016 and March 2017, as well as piole HIMEJI main building in October 2016, and PLiCO TARUMI in March 2017.

Further, to expand and strengthen the real estate business, in February 2017 JR-West acquired shares in Ryoju Properties Co., Ltd., which hold high-quality lease properties and other real estate in promising markets such as the Tokyo metropolitan area. 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 a rebound decline from residential apartment sales in the previous fiscal year, the renewal of commercial facilities provided a positive boost. As a result, operating revenues for the Real Estate Business segment increased 0.6% from the previous fiscal year, to ¥109.5 billion, though operating income declined 1.5%, to ¥32.2 billion.

d. Other Businesses

In hotel operations, to develop hotels to meet the accommodation needs of a wide range of customers, in February 2017 JR-West established 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. We also decided going forward to open new high-class, accommodation-oriented hotels near Osaka Station, and at the Kyoto Station Hachijo Exit. The addition of these two new brands establishes a lineup comprising four types of hotels, along with the Granvia brand of city hotels, Via-inn brand of accommodation-oriented budget hotels.

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

Although revenues from travel operations increased with greater use by inbound tourists, the construction business recorded a rebound decline from large-scale project orders. As a result, operating revenues for the Other Businesses segment decreased 7.0% from the previous fiscal year, to ¥168.8 billion, with operating income down 8.7%, to ¥20.4 billion.

2. Analysis of Financial Condition

(1) Assets, Liabilities and Net Assets

Total assets at the end of the subject fiscal year (March 31, 2017) amounted to ¥3,007.8 billion, an increase of ¥164.6 billion from the end of the previous fiscal year (March 31, 2016). This was due mainly to an increase in non-current assets.

Total liabilities amounted to ¥1,975.2 billion, an increase of ¥58.4 billion from the end of the previous fiscal year. This was due mainly to an increase in bonds payable.

Total net assets amounted to ¥1,032.6 billion, an increase of ¥106.2 billion from the end of the previous fiscal year. This was due mainly to an increase in retained earnings.

(2) Cash Flows

Cash provided by operating activities amounted to ¥234.1 billion, a decrease of ¥25.7 billion from the previous fiscal year. This was due mainly to a decrease in profit before income taxes.

Cash used in investing activities amounted to ¥295.8 billion, an increase of ¥62.5 billion from the previous fiscal year. This was due mainly to an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash provided by financing activities amounted to ¥44.3 billion, an increase of ¥75.6 billion from the previous fiscal year. This was due mainly to an increase in bonds payable.

As a result, cash and cash equivalents at the end of the subject fiscal year (March 31, 2017) amounted to ¥63.3 billion, a decrease of ¥17.3 billion from the end of the previous fiscal year (March 31, 2016).

(Reference) Cash Flow Indicators

Years ended March 31

	2012	2013	2014	2015	2016
Equity ratio (%)	28.5	29.2	28.8	30.9	31.3
Equity ratio, based on market value (%)	33.4	30.4	43.8	47.3	46.6
Interest-bearing debt to cash flow ratio (Times)	4.1	4.1	4.4	3.8	4.4
Interest coverage ratio (Times)	4.3	4.8	5.4	7.5	7.9

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.

2. FUTURE OUTLOOK

(1) Outlook for the Next Fiscal Year

For the fiscal year ending March 31, 2018, despite expectations for continued firm demand from inbound visitors to Japan, JR-West anticipates that the business environment for the Company will become ever more difficult as a result of the increasingly turbid outlook for the global economy, along with rising oil prices, competition from other modes of transportation, and other factors.

Amid such circumstances, JR-West considers changes in the business environment a great opportunity for the evolution of the corporate group. For the final year of the "Safety Think-and-Act Plan 2017" and "JR-West Group Medium-Term Management Plan 2017," we will make further refinements based on previous results, and implement measures to achieve plan targets, which will strengthen the business foundation, and lead to sustainable growth.

Consolidated Forecasts for the Year Ending March 31, 2018

Operating revenues:	¥1,492.0 billion	(up 3.5% YoY)
Operating income:	¥183.5 billion	(up 4.0% YoY)
Recurring profit:	¥168.5 billion	(up 4.8% YoY)
Profit attributable to owners of parent:	¥109.0 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) 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 2017, the Company plans to pay a full-year dividend of ¥140 per share, comprising the interim dividend of ¥70 per share already paid, and a year-end dividend of ¥70 per share.

For the fiscal year ending March 2018, the Company plans to pay a full-year dividend of ¥160 per share.

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

(3) Basic Management Policies and Issues for the Company to Address

The JR-West Group implemented various measures based on the "JR-West Group Medium-Term Management Plan 2017" formulated in March 2013, and updated in April 2015 in response to changes in the business environment and other considerations.

The medium-term management plan comprises the three basic strategies of "Safety," "Customer Satisfaction," and "Technologies," and the four business areas of "Shinkansen," "Kansai Urban Area," "Western Japan Area," "Business Development." JR-West will advance each of these strategies, pursue foundation building to ensure sustained and sound business operations, and fulfill our responsibilities as a member of society, with the aim of achieving long term, sustainable growth.

For "Safety," the highest priority of the Three Basic Strategies, JR-West worked to achieve the numerical targets in the "Safety Think-and-Act Plan 2017," reductions in "railway accidents with casualties on platforms," "accidents at level crossings," and "transportation disruptions due to internal factors." We also pursued measures to address intensifying natural disasters, and strengthen risk management.

As a result, JR-West has achieved its goal of "no railway accidents that result in casualties to customers," since the initial fiscal year and is making steady progress overall with various measures as "crossing obstacle accidents."

However, regarding the attainment target of "no railway accidents that result in casualties to workers," two fatal accidents occurred during the plan period. We will reexamine our measures up to this point, and by further expanding our efforts, make a concerted effort as a corporate group to prevent accidents.

For "Customer Satisfaction," JR-West has set a numerical target of "4.0 or higher on the customer satisfaction survey" (equal to 80% of customers having a positive feeling while using the service), and has pursued specific measures including improving transportation quality, beautifying stations and inside of trains and maintaining an attractive appearance, and providing more information during disruptions to regular service. As a result, the customer satisfaction has continually risen since FY 2013.3, and is nearing the target figure. However, in terms of providing quick and accurate information to customer, which has become an important issue, the evaluation from customers is still low. JR-West, adhering to the idea that "Customers are first in everything we do," will make efforts aimed at establishing a corporate culture of customer-oriented business activities.

For "Technologies," to improve safety and customer service through technology, JR-West made efforts to pursue technological development aimed at the introduction of new systems for railway operations, such as the on-board advanced train administration and communications system (wireless type), as well as to ensure technologies and skills are conveyed to the next generation, and train engineers. We are also pursuing tie-ups with other companies to enhance technical capabilities. In August 2016, JR-West acquired a portion of shares in Nippon Signal Co., Ltd. and concluded an operational alliance for the development, design, and manufacture of new signaling systems.

Going forward, amid the anticipated decline in the labor force population, to maintain and improve safety we will pursue efforts to advance railway systems with technology-based reforms and fundamental system renovations.

Regarding the four business strategies, for the Sanyo Shinkansen JR-West will introduce additional new N700A trains, make full-scale upgrades to the ATC system, and take other steps to further improve safety and reliability, and offer a competitive transportation service. We will enhance the Sanyo Shinkansen brand, and crate new demand, such as expanding services to seniors and inbound inbound visitors.

For the Hokuriku Shinkansen, the Kanazawa-Tsuruga segment is scheduled to open at the end of FY2023.3, and afterward fully extended to Osaka. Shinkansen extensions are a highly effective means of simulating local economies, and we will work with communities from the standpoint of a business provider to achieve this.

For “Kansai Urban Area,” JR-West has worked to raise the quality of its rail service so that it is used repeatedly by customers, and to enhance the value of our railway belts. For the future, we are striving to further improve the rail network, with plans to extend and open the north segment of the Osaka Higashi Line to Shin-Osaka Station in 2019, and open the new Umekita station in the underground area on the north side of Osaka Station in 2023.

For “Western Japan Area,” JR-West worked together with local regions for community development centered on stations by taking advantage of the strengths of the railways, and pursued such efforts as “destination campaigns” to stimulate tourism, and build structures to promote regions broadly. We will begin operating the new *Twilight Express Mizukaze* sleeper train in June 2017, and work with local areas to uncover tourism opportunities in areas along railway lines.

JR-West will further continue to promote dialogue with local communities aimed at establishing systems for sustainable local transportation.

For “Business Development,” considering the future business environment, JR-West recognizes that the main issue for the corporate group is whether it can achieve growth in fields other than the railway business.

In FY2017.3 we created and cultivated businesses in new fields, including acquiring shares in Ryoju Properties Co., Ltd. to expand and strengthen the real estate business, developing new high-class accommodation-oriented hotels and high-quality capsule hotels to meet the accommodation needs of a wide range of customers, and establishing a new company specializing in investment in venture firms. In addition to strengthening existing businesses, JR-West aims to further cultivate and develop new business fields such as these, and raise the proportion of non-railway businesses accounting for consolidated operating income from the current 36% to 40% by FY2023.3.

To achieve these strategies, JR-West will undertake specific measures toward “building foundations” for sound business and operational management as a company.

In particular, amid the decline in the labor force population, JR-West will pursue work style reforms to respond to social changes and demands, and continue with efforts aimed at securing and training human assets for the entire corporate group, and allowing employees to actively participate with a sense of purpose.

Also, with the diversification of risks, JR-West strengthened its risk management structure with the establishment in April 2017 of a Risk Management Committee, in order to provide the president and other persons in positions of responsibility with a proper understanding of the risks that have a critical impact on corporate group management, as well as to establish a risk management style of unified risk management and efforts to mitigate such risks.

The business environment for JR-West is strained by such factors as population decline, declining domestic demand due to the decreasing birthrate and aging population, and competition from other modes of transportation. However, there are also favorable conditions that provide growth opportunities, including an increase in inbound visitors to Japan, more active seniors, and the hosting of the Tokyo 2020 Olympics and Paralympics, as well as active movements to attract international exhibitions and integrated resorts to Osaka. JR-West will remain sensitive to these changes in the business environment and growth opportunities and continue to strive as a corporate group to enhance safety and enterprise value from a longer term perspective.

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, 2016	**March 31, 2017**
ASSETS		
Current assets:		
Cash	45,973	63,578
Notes and accounts receivable-trade	34,681	25,395
Railway fares receivable	34,794	35,404
Accounts receivable	58,719	67,754
Securities	35,000	—
Income taxes receivable	38	13
Inventories	59,387	82,802
Deferred income taxes	17,979	17,582
Other current assets	64,155	60,170
Less allowance for doubtful accounts	(1,014)	(837)
Total current assets	349,715	351,864
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	1,105,542	1,150,453
Machinery and transport equipment	344,337	364,317
Land	675,002	754,274
Construction in progress	81,885	54,129
Other property, plant and equipment	35,156	36,889
Total property, plant and equipment	2,241,925	2,360,063
Intangible fixed assets	28,131	39,990
Investments and other assets:		
Investments in securities	69,548	80,467
Net defined benefit asset	1,384	1,505
Deferred tax assets	124,868	130,777
Other investments and assets	28,369	44,279
Less allowance for doubtful accounts	(751)	(1,096)
Total investments and other assets	223,419	255,933
Total fixed assets	2,493,476	2,655,987
Deferred income taxes		
Business commencement expenses	3	—
Total deferred income taxes	3	—
Total assets	2,843,194	3,007,852

	Millions of yen	
	March 31, 2016	**March 31, 2017**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	76,782	62,908
Short-term loans payable	14,775	15,908
Current portion of bonds	30,000	50,000
Current portion of long-term debt	34,024	31,780
Current portion of long-term payables for acquisition of railway properties	30,647	1,512
Current portion of long-term accounts payable	64	—
Accounts payable	91,338	89,355
Accrued consumption tax	10,840	12,200
Accrued income tax	36,389	23,769
Inter-line fares received	2,238	1,945
Deposits received	75,557	80,260
Prepaid railway fares received	38,589	37,407
Advances received	16,738	20,222
Allowance for bonuses	37,777	37,428
Allowance for point program	1,619	2,041
Other current liabilities	39,401	78,529
Total current liabilities	536,786	545,270
Non-current liabilities:		
Bonds	464,979	484,981
Long-term debt	334,667	363,687
Long-term payables for acquisition of railway properties	107,472	105,957
Deferred tax liabilities	3,271	3,195
Provision for large scale renovation of Shinkansen infrastructure	—	4,166
Allowance for environmental safety measures	21,099	18,799
Provision for loss on liquidation of railway belts	—	11,457
Provision for unredeemed gift certificates	2,668	2,575
Net defined benefit liability	341,359	325,085
Other long-term liabilities	104,512	110,064
Total fixed liabilities	1,380,031	1,429,971
Total liabilities	1,916,818	1,975,241

(continued on page 16)

	Millions of yen	
	March 31, 2016	**March 31, 2017**
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	55,068	55,068
Retained earnings	704,187	768,358
Treasury stock, at cost	(481)	(481)
Total shareholders' equity	858,775	922,945
Valuation and translation adjustments:		
Net unrealized holding gain on securities	3,523	3,763
Deferred gains or losses on hedges	(121)	188
Remeasurements of defined benefit plans	15,685	13,538
Total Valuation and translation adjustments	19,087	17,491
Non-controlling interests	48,513	92,173
Total net assets	926,376	1,032,610
Total liabilities and net assets	2,843,194	3,007,852

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

Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2016	**2017**
Operating revenues	1,451,300	1,441,411
Operating expenses:		
Transportation, other services and cost of sales	1,084,891	1,072,732
Selling, general and administrative expenses	184,869	192,287
Total operating expenses	1,269,760	1,265,019
Operating income	181,539	176,392
Non-operating revenues:		
Interest income	116	51
Dividend income	650	598
Dividends income of insurance	2,698	2,492
Transfer from administrative fee of contracted construction	1,148	1,581
Equity in earnings of affiliates	1,288	1,574
Other	1,923	1,797
Total non-operating revenues	7,826	8,096
Non-operating expenses:		
Interest expense	24,158	22,350
Other	2,946	1,354
Total non-operating expenses	27,105	23,705
Recurring profit	162,260	160,783
Extraordinary profits:		
Gain on sales of noncurrent assets	1,898	1,479
Gain on contributions received for construction	14,487	14,649
Compensation income for expropriation	862	2,075
Other	4,264	1,435
Total extraordinary profits	21,512	19,641
Extraordinary losses:		
Loss on sales of noncurrent assets	108	401
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,652	13,858
Loss on reduction for expropriation	848	1,592
Impairment loss	10	5,114
Provision for environmental safety measures	12,939	—
Provision for loss on liquidation of railway belts	—	11,470
Other	11,055	10,232
Total extraordinary losses	38,614	42,670
Profit before income taxes	145,158	137,754
Income taxes- Current	52,259	43,490
Income taxes- Deferred	2,860	739
Total income taxes	55,119	44,230
Profit	90,038	93,524
Profit attributable to non-controlling interests	4,170	2,235
Profit attributable to owners of parent	85,868	91,288

Consolidated Statements of Comprehensive Income

Years ended March 31

	Millions of yen	
	2016	**2017**
Profit	90,038	93,524
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,500)	249
Deferred gains or losses on hedges	(953)	389
Remeasurements of defined benefit plans, net of tax	17,222	(2,072)
Share of other comprehensive income of associates accounted for using equity method	15	5
Total of other comprehensive income	14,784	(1,427)
Comprehensive income	104,823	92,097
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	101,409	89,692
Comprehensive income attributable to non-controlling interests	3,413	2,405

Business Segment Information

Years ended March 31

		Billions of yen		
		2016	**2017**	Change from the same period of the previous period
Transportation	Operating revenues	928.7	929.1	0.3
	Operating income	125.1	121.7	(3.3)
Retail	Operating revenues	232.0	233.9	1.8
	Operating income	5.3	5.2	(0.0)
Real Estate	Operating revenues	108.8	109.5	0.6
	Operating income	32.7	32.2	(0.5)
Other Businesses	Operating revenues	181.5	168.8	(12.7)
	Operating income	22.4	20.4	(1.9)

Note: Revenues by each segment are from third parties.

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,000	643,198	(480)	797,717
Change in the fiscal year:					
Dividends from surplus			(25,185)		(25,185)
Profit attributable to owners of parent			85,868		85,868
Increase by merger			306		306
Purchase of treasury stock				(0)	(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Purchase of shares of consolidated subsidiaries		68			68
Net changes of items other than shareholders' equity					
Total	—	68	60,989	(1)	61,057
Balance at end of current period	100,000	55,068	704,187	(481)	858,775

	Millions of yen					
	Valuation and translation adjustments				Non-controlling 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	4,955	638	(2,047)	3,547	45,436	846,701
Change in the fiscal year:						
Dividends from surplus						(25,185)
Profit attributable to owners of parent						85,868
Increase by merger						306
Purchase of treasury stock						(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method						(0)
Purchase of shares of consolidated subsidiaries						68
Net changes of items other than shareholders' equity	(1,431)	(760)	17,732	15,540	3,077	18,618
Total	(1,431)	(760)	17,732	15,540	3,077	79,675
Balance at end of current period	3,523	(121)	15,685	19,087	48,513	926,376

Year ended March 31, 2017

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of current period	100,000	55,068	704,187	(481)	858,775
Change in the fiscal year:					
Dividends from surplus			(27,122)		(27,122)
Profit attributable to owners of parent			91,288		91,288
Increase by merger			5		5
Purchase of treasury stock				(0)	(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method				—	—
Purchase of shares of consolidated subsidiaries		—			—
Net changes of items other than shareholders' equity					
Total	—	—	64,170	(0)	64,170
Balance at end of current period	100,000	55,068	768,358	(481)	922,945

	Millions of yen					
	Valuation and translation adjustments				**Non-controlling 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	3,523	(121)	15,685	19,087	48,513	926,376
Change in the fiscal year:						
Dividends from surplus						(27,122)
Profit attributable to owners of parent						91,288
Increase by merger						5
Purchase of treasury stock						(0)
Change in treasury shares arising from change in equity in entities accounted for using equity method						—
Purchase of shares of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	240	310	(2,146)	(1,596)	43,659	42,063
Total	240	310	(2,146)	(1,596)	43,659	106,233
Balance at end of current period	3,763	188	13,538	17,491	92,173	1,032,610

(4) Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2016	**2017**
Cash flows from operating activities		
Profit before income taxes	145,158	137,754
Depreciation and amortization	156,624	162,729
Impairment loss	10	5,114
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	13,652	13,858
Loss on disposal of property, plant and equipment	7,114	7,335
Increase (decrease) in net defined benefit liability	(7,696)	(20,123)
Increase (decrease) in allowance for doubtful accounts	(48)	167
Increase (decrease) in provision for bonuses	611	(351)
Increase (decrease) in allowance for the large-scale renovation of Shinkansen infrastructure	—	4,166
Increase (decrease) in other provision	11,156	9,305
Interest and dividend income	(766)	(650)
Interest expenses	24,158	22,350
Equity in earnings of affiliates	(1,288)	(1,574)
Proceeds from contribution for construction	(14,487)	(14,649)
Decrease (increase) in notes and accounts receivable-trade	(3,033)	2,155
Decrease (increase) in inventories	(1,632)	(1,131)
Increase (decrease) in notes and accounts payable-trade	(3,168)	(23,044)
Increase (decrease) in accrued consumption taxes	(4,866)	653
Other	(28)	8,935
Subtotal	321,472	313,002
Interest and dividends income received	747	625
Interest paid	(24,148)	(22,573)
Income taxes paid	(38,191)	(56,908)
Net cash provided by operating activities	259,880	234,144
Cash flows from investing activities		
Payments for time deposits with a maturity of more than three months	(266)	(231)
Proceeds for time deposits with a maturity of more than three months	231	266
Purchases of property, plant and equipment	(258,616)	(208,832)
Proceeds from sales of property, plant and equipment	24,243	1,044
Contributions received for constructions	16,652	22,728
Increase in investments in securities	(9,739)	(9,985)
Proceeds from sales of investment securities	69	930
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(93,714)
Net decrease (increase) in loans receivable	(3,839)	(5,766)
Other	(1,953)	(2,248)
Net cash used in investing activities	(233,219)	(295,808)

(continued on page 22)

	Millions of yen	
	2016	**2017**
Cash flows from financing activities		
Change in short-term loans	(1,546)	433
Proceeds from long-term loans	64,400	60,800
Repayment of long-term debt	(48,129)	(34,088)
Proceeds from issuance of bonds	35,000	70,000
Redemption of bonds	(20,000)	(30,000)
Repayment of long-term payables for acquisition of railway properties	(33,633)	(30,650)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(25,197)	(27,118)
Dividends paid to non-controlling interests	(123)	(122)
Other	(2,085)	35,052
Net cash used in financing activities	(31,315)	44,304
Change in cash and cash equivalents, net	(4,654)	(17,359)
Cash and cash equivalents at the beginning of the period	85,346	80,691
Cash and cash equivalents at the end of the period	80,691	63,332

(5) Note on Assumptions for Going Concern

Not applicable

(6) 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 fiscal year consolidated financial statements is negligible.

(7) Note to Consolidated Financial Statements

(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, passenger vehicle transportation operations, and ferry business. 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.

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

Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	Millions of yen						
	Transporta-tion	Retail	Real estate	Other businesses (Note1)	Total	Eliminations and intergroup (Note 2)	Consolidated (Note 3)
Operating revenues:							
Operating revenues from third parties	928,782	232,071	108,897	181,548	1,451,300	—	1,451,300
Intergroup operating revenues and transfers	18,070	8,498	18,918	276,999	322,486	(322,486)	—
Total operating revenues	946,853	240,569	127,815	458,548	1,773,786	(322,486)	1,451,300
Segment income	125,190	5,320	32,725	22,427	185,663	(4,123)	181,539
Segment assets	2,025,476	100,395	426,701	399,681	2,952,254	(109,059)	2,843,194
Other items							
Depreciation and amortization	131,609	5,568	17,159	2,286	156,624	—	156,624
Investment in affiliates accounted for by equity method	22,917	—	—	10,600	33,517	—	33,517
Increase in property, plant and equipment and intangible assets	214,221	6,291	24,679	9,355	254,547	—	254,547

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 ¥4,123 million is elimination of intersegment transactions.

(2) The segment assets adjustment of minus ¥109,059 million reflects ¥204,266 million in companywide assets not attributed to any segment, less ¥313,326 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. Impairment loss has been omitted because it has little relevance.

Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	Millions of yen						
	Transporta-tion	Retail	Real estate	Other businesses (Note1)	Total	Eliminations and intergroup (Note 2)	Consolidated (Note 3)
Operating revenues:							
Operating revenues from third parties	929,104	233,908	109,590	168,808	1,441,411	—	1,441,411
Intergroup operating revenues and transfers	18,449	9,164	18,869	264,949	311,433	(311,433)	—
Total operating revenues	947,554	243,073	128,460	433,758	1,752,845	(311,433)	1,441,411
Segment income	121,792	5,249	32,222	20,468	179,733	(3,341)	176,392
Segment assets	2,038,979	95,229	593,346	406,179	3,133,735	(125,883)	3,007,852
Other items							
Depreciation and amortization	137,189	5,524	17,507	2,507	162,729	—	162,729
Impairment loss	2,594	712	—	1,807	5,114	—	5,114
Investment in affiliates accounted for by equity method	24,240	—	—	11,258	35,498	—	35,498
Increase in property, plant and equipment and intangible assets	172,260	6,172	142,010	13,025	333,469	—	333,469

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 ¥3,341 million is elimination of intersegment transactions.

(2) The segment assets adjustment of minus ¥125,883 million reflects ¥181,951 million in companywide assets not attributed to any segment, less ¥307,834 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. The Company recorded impairment loss in the “Transportation” segment for railway facilities to be decommissioned.

(Per Share Information)

	Years ended March 31	
	2016	**2017**
Net assets (Yen)	4,534.29	4,857.50
Net income (Yen)	443.53	471.52

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	
	2016	**2017**
Net income per share		
Net income (Millions of yen)	85,868	91,288
Net income applicable to common shares (Millions of yen)	85,868	91,288
Average number of shares outstanding for each period (Thousands of shares)	193,605	193,605

(Material Subsequent Events)

Bond Issuance

JR-West, based on a resolution at a meeting of its Board of Directors held on March 15, 2017, has decided to make its 49th issuance of straight bonds on April 14, 2017, which were issued in Japan under the following conditions.

An overview of the issuance is as follows.

1. Total amount of issue: ¥10,000 million
2. Issue price: ¥100 for nominal value of ¥100
3. Interest rate: 1.216% per annum
4. Maturity date: April 20, 2057
5. Issue date: April 21, 2017
6. Collateral: Unsecured
7. Use of proceeds: Repayment of long-term payables

(Additional Information)

1. 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 (¥5,114 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.	5,068
Other	Daito-shi, Osaka Prefecture, and other areas	Buildings and structures, land, etc.	46
Total	—	—	5,114

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

2. 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 acquired 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 (Stock acquisition date)

March 31, 2017 (Deemed acquisition date)

(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. Results period of the acquired firm included in the consolidated financial statements

The last day of the subject fiscal year is the deemed acquisition date, and only the balance sheet is consolidated, so the business results of the acquired firm are not included.

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

Equivalent value of the acquisition (cash)	¥102,536 million
Acquisition price	¥102,536 million

4. Content and Amount of Principal Acquisition-related Expenses

Compensation and fees to external advisors ¥760 million

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

(1) Goodwill Generated

¥5,989 million

(2) Cause of Generation

The acquisition cost exceeded the market value of net assets of the acquired firm on the business combination date.

(3) Amortization Method and Period

Straight-line method over five years

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

Current assets	¥33,473 million
Noncurrent assets	118,601 million
Total assets	152,075 million
Current liabilities	7,260 million
Noncurrent liabilities	6,890 million
Total liabilities	14,151 million

7. Estimated amount and calculation method of the impact on the consolidated income statement for the subject fiscal year assuming the business combination was completed on the first day of the consolidated fiscal period

An estimate has not been made, due to the difficulty of calculating an estimated amount in the subject fiscal year.

3. Decommissioning of the Sanko Line (Between Gotsu and Miyoshi Stations)

Regarding the Sanko Line service between Gotsu and Miyoshi stations, as a result of repeated cordial discussions with local governments along the line, the Company submitted a notification to the Minister of Land, Infrastructure, Transport and Tourism that it would discontinue operation of the line effective April 1, 2018. As the business operator that had provided public transportation in the Sanko Line service area, the Company will continue to cooperate with local residents to establish a new means of regional transportation after cessation of the railway service.

Of note, in March 2017 the Company notified the local government that in principle it will remove bridges and electric power facilities. The estimated cost of this removal (¥11,470 million) has been recorded as an extraordinary loss as “Provision for loss on liquidation of railway belts.”

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2016	**March 31, 2017**	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	251.9	185.5	(66.4)
Non-current assets:			
Fixed assets for railway operations	1,844.7	1,877.5	32.8
Construction in progress	73.1	47.4	(25.6)
Investments and other assets	330.0	488.3	158.2
Total fixed assets	2,247.9	2,413.4	165.5
Total assets	2,499.8	2,598.9	99.1

	March 31, 2016	**March 31, 2017**	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	92.9	82.0	(10.8)
Accounts payable	467.4	494.5	27.1
Total current liabilities	560.4	576.6	16.2
Non-current liabilities:			
Bonds and long-term debt	902.7	949.4	46.7
Accrued retirement benefits	341.4	320.9	(20.4)
Other long-term liabilities	29.2	41.9	12.6
Total fixed liabilities	1,273.3	1,312.3	38.9
Total liabilities	1,833.7	1,889.0	55.2
Total shareholders' equity:			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	—
Retained earnings	508.3	552.0	43.7
Treasury stock, at cost	(0.0)	(0.0)	(0.0)
Total shareholders' equity	663.3	707.0	43.7
Valuation and translation adjustments	2.6	2.8	0.1
Total net assets	666.0	709.9	43.8
Total liabilities and net assets	2,499.8	2,598.9	99.1

2. NON-CONSOLIDATED STATEMENTS OF INCOME

	Years ended March 31		Change from the same period of the previous period		Forecasts for year ending March 31, 2018	
	2016	**2017**				Change
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
Operating revenues:						
Transportation	850.0	849.6	(0.3)	(0.0)	859.0	9.3
Transportation incidentals	18.3	18.0	(0.2)	(1.5)	17.8	(0.2)
Other operations	26.0	27.2	1.1	4.6	28.2	0.9
Miscellaneous	59.8	61.1	1.3	2.2	62.0	0.8
	954.2	956.1	1.8	0.2	967.0	10.8
Operating expenses:						
Personnel costs	233.3	223.3	(10.0)	(4.3)	221.5	(1.8)
Non personnel costs:						
Energy costs	44.1	40.5	(3.5)	(8.0)	46.5	5.9
Maintenance costs	152.8	157.1	4.2	2.8	158.0	0.8
Miscellaneous costs	195.4	196.6	1.1	0.6	198.5	1.8
	392.4	394.3	1.9	0.5	403.0	8.6
Rental payments, etc	26.9	30.2	3.3	12.5	30.5	0.2
Taxes	31.9	34.9	3.0	9.5	36.0	1.0
Depreciation	132.3	137.6	5.3	4.0	137.0	(0.6)
	817.0	820.6	3.6	0.4	828.0	7.3
Operating income	137.2	135.4	(1.7)	(1.3)	139.0	3.5
Non-operating revenues and expenses, net:						
Non-operating revenues	6.3	6.1	(0.1)	—	—	—
Non-operating expenses	26.8	23.1	(3.6)	—	—	—
	(20.4)	(17.0)	3.4	(17.0)	(16.0)	1.0
Recurring profit	116.7	118.4	1.7	1.5	123.0	4.5
Extraordinary profit and loss, net:						
Extraordinary profit	19.5	18.3	(1.1)	—	—	—
Extraordinary loss	35.0	34.9	(0.1)	—	—	—
	(15.5)	(16.5)	(1.0)	—	(3.0)	13.5
Income before income taxes	101.1	101.8	0.7	0.7	120.0	18.1
Income taxes	40.0	31.0	(9.0)	(22.5)	37.0	5.9
Net income	61.1	70.8	9.7	15.9	83.0	12.1

Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				**Transportation Revenues**			
	Years ended March 31		Change		Years ended March 31		Change	
	2016	**2017**	Amount	%	2016	**2017**	Amount	%
Shinkansen								
Commuter Passes	804	815	11	1.4	10.1	10.2	0.1	1.4
Non-Commuter Passes	19,644	19,532	(112)	(0.6)	427.1	424.3	(2.8)	(0.7)
Total	20,449	20,348	(101)	(0.5)	437.2	434.6	(2.6)	(0.6)
Conventional Lines								
Commuter Passes	22,764	22,723	(41)	(0.2)	141.0	141.5	0.5	0.4
Non-Commuter Passes	15,127	15,200	73	0.5	271.7	273.5	1.8	0.7
Total	37,891	37,923	31	0.1	412.7	415.0	2.3	0.6
Kansai Urban Area								
Commuter Passes	18,714	18,689	(24)	(0.1)	115.6	116.4	0.7	0.7
Non-Commuter Passes	10,808	10,903	95	0.9	186.5	188.5	2.0	1.1
Total	29,522	29,592	70	0.2	302.2	305.0	2.7	0.9
Other Lines								
Commuter Passes	4,050	4,033	(16)	(0.4)	25.3	25.1	(0.2)	(1.1)
Non-Commuter Passes	4,319	4,297	(21)	(0.5)	85.1	84.9	(0.1)	(0.2)
Total	8,369	8,330	(38)	(0.5)	110.5	110.0	(0.4)	(0.4)
Total								
Commuter Passes	23,569	23,539	(30)	(0.1)	151.1	151.8	0.6	0.4
Non-Commuter Passes	34,771	34,732	(39)	(0.1)	698.8	697.8	(1.0)	(0.1)
Total	58,341	58,271	(69)	(0.1)	850.0	849.6	(0.3)	(0.0)

3. NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Year ended March 31, 2016

	Millions of yen						
	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings				
		Legal capital surplus	Legal retained earnings	Other retained earnings			Total
				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	24,949	360,000	76,158	472,435
Change in the fiscal year:							
Dividends from surplus						(25,185)	(25,185)
Net income						61,123	61,123
Provision of reserve for advanced depreciation of noncurrent assets				1,480		(1,480)	—
Reversal of reserve for advanced depreciation of noncurrent assets				(1,159)		1,159	—
Provision of general reserve					—	—	—
Purchase of treasury stock							
Net changes of items other than shareholders' equity							
Total	—	—	—	320	—	35,617	35,938
Balance at end of current period	100,000	55,000	11,327	25,269	360,000	111,775	508,373

(continued on page 33)

	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)	627,432	4,152	631,584
Change in the fiscal year:				
Dividends from surplus		(25,185)		(25,185)
Net income		61,123		61,123
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Provision of general reserve		—		—
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			(1,455)	(1,455)
Total	(0)	35,937	(1,455)	34,481
Balance at end of current period	(3)	663,369	2,696	666,066

Year ended March 31, 2017

	Millions of yen						
	Shareholders' equity						
	Common stock	Capital surplus	Retained earnings				Total
				Other retained earnings			
		Legal capital surplus	Legal 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	25,269	360,000	111,775	508,373
Change in the fiscal year:							
Dividends from surplus						(27,122)	(27,122)
Net income						70,842	70,842
Provision of reserve for advanced depreciation of noncurrent assets				1,469		(1,469)	—
Reversal of reserve for advanced depreciation of noncurrent assets				(1,275)		1,275	—
Provision of general reserve					20,000	(20,000)	—
Purchase of treasury stock							
Net changes of items other than shareholders' equity							
Total	—	—	—	193	20,000	23,525	43,719
Balance at end of current period	100,000	55,000	11,327	25,463	380,000	135,301	552,092

(continued on page 35)

	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	(3)	663,369	2,696	666,066
Change in the fiscal year:				
Dividends from surplus		(27,122)		(27,122)
Net income		70,842		70,842
Provision of reserve for advanced depreciation of noncurrent assets		—		—
Reversal of reserve for advanced depreciation of noncurrent assets		—		—
Provision of general reserve		—		—
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			173	173
Total	(0)	43,718	173	43,892
Balance at end of current period	(3)	707,088	2,870	709,959

4. CAPITAL EXPENDITURES

Consolidated Basis

	Years ended March 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2018
	2016	**2017**			
	Billions of yen	Billions of yen	Billions of yen	%	
Capital expenditures	248.0	211.5	(36.5)	(14.7)	—
Capital expenditures, excluding contributions received for constructions	233.1	192.4	(40.7)	(17.5)	166.0
Contributions received for constructions	14.9	19.1	4.2	28.2	—

Non-Consolidated Basis

	Years ended March 31		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2018
	2016	**2017**			
	Billions of yen	Billions of yen	Billions of yen	%	
Capital expenditures	213.7	178.9	(34.7)	(16.2)	—
Capital expenditures, excluding contributions received for constructions	198.7	159.8	(38.9)	(19.6)	130.0
[Safety-related capital expenditures]	[126.0]	[105.0]	[(21.0)]	[(16.7)]	[79.0]
Contributions received for constructions	14.9	19.1	4.2	28.2	—

Major Capital Expenditures

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

5. FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2018

	Year ended March 31, 2017	**Year ending March 31, 2018**	Change from the same period of the previous period	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated-basis:	<1.51>	<1.54>		
Operating revenues	1,441.4	1,492.0	50.5	3.5
Operating income	176.3	183.5	7.1	4.0
Recurring profit	160.7	168.5	7.7	4.8
	<1.29>	<1.31>		
Profit attributable to owners of parent	91.2	109.0	17.7	19.4
Non-consolidated-basis:				
Operating revenues	956.1	967.0	10.8	1.1
Transportation operations	849.6	859.0	9.3	1.1
Operating expenses	820.6	828.0	7.3	0.9
Operating income	135.4	139.0	3.5	2.6
Recurring profit	118.4	123.0	4.5	3.8
Net income	70.8	83.0	12.1	17.2

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

Business Segment Information

		Billions of yen		
		Year ended March 31, 2017	**Year ending March 31, 2018**	Change from the same period of the previous period
Transportation	Operating revenues	929.1	939.0	9.8
	Operating income	121.7	125.1	3.3
Retail	Operating revenues	233.9	240.8	6.8
	Operating income	5.2	7.0	1.7
Real Estate	Operating revenues	109.5	138.7	29.1
	Operating income	32.2	35.5	3.2
Other Businesses	Operating revenues	168.8	173.5	4.6
	Operating income	20.4	19.0	(1.4)

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 2017 based on information available to JR-West as of April 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.