

**FLASH REPORT [JAPANESE GAAP] (CONSOLIDATED BASIS)**Company name: **West Japan Railway Company**

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

Code number: 9021

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

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Quarterly report filing date (Planned): November 9, 2018

Planned start of dividend payments: December 3, 2018

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: Yes

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

**1. Results for the Six Months Ended September 30, 2018 (from April 1, 2018 to September 30, 2018)****(1) Operating Results**

Six months ended September 30

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

	Operating revenues		Operating income		Recurring profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	736,989	1.4	113,306	1.9	105,835	3.1	56,483	(16.7)
2017	727,109	3.8	111,235	13.1	102,699	16.0	67,844	18.8

(Note) Comprehensive Income: Six months ended September 30, 2018: ¥58,455 million, (16.7)%;

Six months ended September 30, 2017: ¥70,178 million, 25.9%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share after dilution
	Yen	Yen
2018	292.70	—
2017	350.43	—

**(2) Financial Position**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2018	3,124,109	1,149,350	33.7
March 31, 2018	3,071,829	1,116,304	33.2

(Reference) Total shareholders' equity: September 30, 2018: ¥1,052,520 million, March 31, 2018: ¥1,020,960 million

(Note) From the start of the subject fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Figures for FY3/18 have been retroactively adjusted.

**2. Dividends**

Year ended/ ending March 31

	Dividends per share				
	June 30	September 30	December 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2018	—	80.00	—	80.00	160.00
2019	—	87.50			
2019 (Forecast)			—	87.50	175.00

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

### 3. Forecasts for Fiscal Year ending March 31, 2019

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	1,516,500	1.1	187,500	(2.0)	174,000	(2.1)

	Profit attributable to owners of parent		Profit attributable to owners of parent per share
	Millions of yen	%	Yen
Fiscal year	95,500	(13.6)	495.68

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

#### Notes

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

	Six months ended September 30, 2018	Year ended March 31, 2018
1) Number of shares issued and outstanding (including treasury stock):	192,481,400	193,735,000
2) Number of treasury stock	129,794	129,808
		Six months ended September 30, 2017
3) Average number of shares outstanding for each period (cumulative term):	192,976,407	193,605,101

\* Financial results are not subject to auditing.

#### 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 9.
2. Supplementary materials for the financial statements are posted on our homepage.

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

**Forecasts for the Fiscal Year Ending March 31, 2019**

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	979,000	0.3	145,000	0.4	131,000	1.8

	Net income		Net income per share
	Millions of yen	%	Yen
Fiscal year	74,000	(8.4)	383.83

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

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

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries to passengers. In September 2018, work on the Memorial Grove (Inori no Mori) at the accident site was completed. JR-West remains firm in its resolve never to allow another accident like Fukuchiyama Line derailment, and will continue to deal sincerely with all persons affected by the accident, and enhance its diligent efforts to improve safety.

From the subject fiscal year, the JR-West Group launched the “JR-West Group Medium-Term Management Plan 2022” and its core component, the “JR-West Group Railway Safety Think-and-Act Plan 2022.” We also formulated the “JR-West Group Technology Vision” to explore how to achieve the ideal form for the JR-West Group from a technical standpoint.

Based on these strategies, JR-West pursued various measures to enhance its corporate value over the longer term. However, a series of natural disasters occurred in JR-West’s service area, including a major earthquake in northern Osaka Prefecture (June), The Heavy Rain Event of July 2018- (July), and typhoons Jebi and Trami (September). The July heavy rains and flooding in particular damaged infrastructure to an extent that service has still not been restored on certain segments, and we are making a concerted effort in cooperation with local communities to restore services. JR-West is continuing its efforts for recovery of the disaster stricken areas.

Going forward, in addition to the common group strategies in the “Medium-Term Management Plan 2022” of “Increase regional value,” “Increase railway belt value,” and “Increase business value,” JR-West will pursue the basic strategies and business strategies for both the Railway Business and the Non-Railway Businesses, and contribute to the realization of its vision for the future, the fostering of “a safe and comfortable society filled with meetings among people and smiles.”

As a result, operating revenues for the subject second quarter cumulative period (April 1, 2018 to September 30, 2018) increased 1.4% from the same period of the previous fiscal year to ¥736.9 billion. Although revenue in the Transportation Operations segment declined as a result of a falloff in usage due to natural disasters, this was offset by steady growth in other segments. In terms of earnings, operating income rose 1.9% to ¥113.3 billion, and recurring profit was up 3.1% to ¥105.8 billion. Profit attributable to owners of parent, however, declined 16.7% to ¥56.4 billion, due mainly to the recording of extraordinary losses related to natural disasters. Despite the temporary effects of natural disasters, JR-West continues to make steady progress with the measures in the “Medium-Term Management Plan 2022.”

While the business environment for the JR-West Group is difficult as a result of such factors as a shrinking market due to population decline, labor shortages, and increasingly severe natural disasters, we will continue our efforts to develop the strengths of the corporate group, seek to expand our business to new markets and fields, and enhance corporate value over the longer term.

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

### Consolidated Results for the Six Months Ended September 30, 2018 (April – September 2018)

Operating revenues:	¥736.9 billion
Operating income:	¥113.3 billion
Recurring profit:	¥105.8 billion
Profit attributable to owners of parent:	¥56.4 billion

## **Results by Business Segment**

### **a. Transportation Operations**

#### Safety Enhancements

The JR-West Group, based on the “Safety Think-and-Act Plan 2022,” is implementing various measures aimed at establishing a structure to ensure safety throughout the entire organization, and fostering a corporate culture that prioritizes safety. Nevertheless, in September 2018, a labor accident occurred during railway work that resulted in the fatality of an employee from one of JR-West’s partner companies. We took immediate steps to prevent a recurrence, and are reviewing previous measures as part of a group-wide effort to ensure that such an accident does not happen again.

JR-West also continued with safety-enhancement measures to protect against natural disasters such as earthquakes and torrential rains. For measures to counter earthquakes, based on experience with past disasters and other data, JR-West continued with such measures as seismic reinforcing of elevated track pillars and stations, and the installation of deviation prevention guards for the Sanyo Shinkansen. For measures to counter torrential rains, as a result of measures for reinforcement of slopes concentrating on the Kyoto-Osaka-Kobe area, JR-West managed to cut restricted train operation time along the subject sections of track by around 45% compared to prior to the introduction of measures. Further, as part of the plan through fiscal 2022, JR-West is moving forward with the slope reinforcement work, mainly along railway segments used by limited express and special rapid trains on the Biwako Line, JR Kyoto Line, and the JR Kobe Line. In addition to these measures, from the standpoint of prioritizing safety, JR-West announced and implemented planned suspensions of train services in areas where particularly strong typhoons were expected. Going forward, we will implement such measures as necessary, and in such cases continue to strive to provide relevant information in order to gain the understanding of customers and local residents.

In terms of improving safety for the Shinkansen, regarding the critical incident on the Shinkansen that occurred in December 2017, JR-West takes very seriously the fact that we failed to detect an anomaly in the bogie, and that we continued to operate the train despite sensing the aberration. We are steadily implementing measures to ensure an appropriate response to irregularities, including ensuring that the crew halts the train when an anomaly is detected or safety cannot be confirmed, and that safety is secured by reporting issues to the proper persons and by taking prompt actions systematically. JR-West is also conducting ultrasonic tests and meticulous visual inspections of bogies as part of a full-fledged effort to ensure the safety of trains, as well as installing equipment to detect abnormalities in bogies during operation.

Further, JR-West is taking steps to tighten security on Shinkansen trains, including installing additional in-car security cameras, expanding patrols by security personnel, and equipping trains with protective devices.

In addition, for measures utilizing technologies to support safety, in May 2018 JR-West began using an on-board safety system (D-TAS) with advanced driving assistance functionality, on the Sanyo Main Line between Nishi-Hiroshima and Iwakuni stations.

### Marketing Initiatives

Customer satisfaction (CS) is one of the basic strategies of the railway business. JR-West pursued measures to meet the diverse needs of customers, while working to capture and create business and tourism demand.

Along with various measures to increase customer satisfaction, JR-West continued worked to raise transport service quality on the Shinkansen, enhance the value of the railway belts in the Kansai Urban Area, and promote region-affiliated tourism in the West Japan Area. We also took steps to improve the reception system for overseas visitors to Japan.

Also, through the “Let’s Discover West Japan” campaign to support recovery efforts from The Heavy Rain Event of July 2018, JR-West is working to stimulate tourism demand with discount tickets and PR activities. In addition, we moved forward with preparations for the launch of the ICOCA Point service on October 1, 2018.

### (Main Specific Measures)

#### 1. Shinkansen

- Began operating the 500-series “Hello Kitty Shinkansen” (June)
- Conducted the “Beauty of Japan Is in Hokuriku” campaign (April-November)

#### 2. Kansai Urban Area

- Completed renovation of Ibaraki Station, and held the grand opening (April)
- Decided on the name for the new station on the Sagano Line between Kyoto and Tambaguchi stations (July)
- Decided on the names for the new stations on the Osaka Higashi Line between Shin-Osaka and Hanaten stations (July)

#### 3. West Japan Area

- Conducted the Setouchi campaign (March-June)
- Conducted the “Sanyo Destination Campaign” (July-September)
- Conducted the “Let’s Discover West Japan” campaign (from August)
- Expanded the service area for using ICOCA (Sanyo Main Line, Ako Line, Hokuriku Main Line) (September)

#### 4. Enhancing customer satisfaction

- Set up a chat-based response system to inquire about lost items, and a lost items helpline (May)
- Began providing operation status information through official Twitter account (August)

#### 5. Assistance for overseas visitors, and generating demand

- Strengthened functions at the special counter for overseas visitors at the Green Window

ticket counter (Midori-no-madoguchi) in Kyoto Station (April)

- Made the Singapore Office a branch office under local laws to strengthen sales and promotional activities to local travelers (April)

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

Transportation Operations segment revenue declined 0.3% from the same period of the previous fiscal year to ¥471.3 billion, mainly as a result of a falloff in usage due to natural disasters. Operating income, however, rose 5.1% to ¥87.8 billion as we adjusted the process of some of scheduled maintenance works in order to prioritize service restoration work.

## **b. Retail Business**

For the Retail Business, JR-West worked to strengthen managerial capabilities for directly-operated stores, enhance convenience inside stations, expand to areas outside stations, and establish a competitive brand.

During the subject second quarter cumulative period, JR-West expanded openings of new tie-up franchise stores with Seven Eleven Japan (SEJ), and worked to improve profitability at existing locations. We also developed and opened stores inside and outside of stations.

For department stores, JR-West conducted measures to capture demand from overseas visitors to Japan. We also moved forward with a major renovation of JR Kyoto Isetan, the largest since the store's opening, in order to further enhance its appeal.

Further, for the accommodation-oriented hotels included in the Retail Business segment, JR-West opened Via-inn Shin-Osaka Shomenguchi in July 2018, Via-inn Nagoya Ekimae Tsubakicho in August, and Via-inn Iidabashi Korakuen in September.

As a result, sales of goods and food services rose steadily at SEJ franchise stores. Segment revenue rose 1.8% from the same period of the previous fiscal year to ¥119.6 billion, though operating income declined 11.5% to ¥2.9 billion as a result of an increase in opening expenses Via-inn locations.

## **c. Real Estate Business**

For the Real Estate Business, in recognition that the real estate business has a high degree of affinity with the railway business in terms of utilizing the portfolio assets of the corporate group to improve customer convenience and enhance the value of railway belts, JR-West pursued such businesses as the development and management of shopping centers, as well as sales of residential and other properties.

In April 2018, JR-West opened LUCUA FOOD HALL, a new dining area in the 2F basement of LUCUA Osaka, completing the renovation of the underground floors begun the previous year. Also, in September we opened the third phase of the *ekie* commercial facility in Hiroshima Station.

Further, JR-West pursued real estate sales and the leasing business in promising markets, including those outside JR-West's railway belts or railway service area.

As a result, due to the boost from such factors as renovation of commercial facilities, revenues in the Real Estate Business segment rose 0.7% from the same period of the previous fiscal year to ¥69.2 billion. Operating income, however, was down 7.9% to ¥18.2 billion on rebound decline from real estate sales in the previous fiscal year.

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

In the Hotel Business, to meet firm accommodation demand and respond to the diverse needs of customers, JR-West strengthened operational capabilities, including structures and facilities for the reception system for overseas visitors to Japan, and worked to expand openings of new hotels.

In June 2018, JR-West opened Hotel Vischio Osaka, a new type of high-class accommodation-oriented hotel for JR-West Group hotels. We also opened Hotel Vischio Amagasaki, rebranding the previous Hopinn Aming Hotel with a direct connection to Amagasaki Station. Also, in August, JR-West opened the cabin-style hotel First Cabin Station Wakayama Station. Further, to increase the speed of decision-making and further enhance brand value through such measures as guest room renovation, JR-West acquired additional shares in Nara Hotel, making the company a wholly-owned subsidiary. Going forward, together with its Granvia brand of city hotels and Via-inn brand of accommodation-oriented hotels, JR-West will develop its hotel businesses by utilizing a diverse brand structure, including in areas outside of its railway belts and railway service area.

In travel agency operations, JR-West strengthened marketing to overseas visitors to Japan, and made efforts to expand corporate sales, and sales of products for individuals such as web-only products.

As a result, operating revenues for the Other Businesses segment rose 12.8% from the same period of the previous fiscal year to ¥76.8 billion on an increase in orders in the construction business. Operating income, however, declined 9.2% to ¥2.9 billion, due mainly to an increase in expenditures for opening new hotels, and the impact from the closure of the Sannomiya Terminal Hotel.

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

JR-West's total assets at the end of the second quarter cumulative period of the subject fiscal year (September 30, 2018) amounted to ¥3,124.1 billion, an increase of ¥52.2 billion from the end of the previous fiscal year (March 31, 2018). This was due mainly to an increase in cash.

Total liabilities amounted to ¥1,974.7 billion, an increase of ¥19.2 billion from the end of the previous fiscal year. This was due mainly to an increase in bonds payable.

Total net assets amounted to ¥1,149.3 billion, an increase of ¥33.0 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

Although operating revenues are expected to decline as a result of service suspensions due to the effects of The Heavy Rain Event of July 2018 and Typhoon Jebi, JR-West is maintaining its forecast for operating income, as operating expenses will also decline as a result of capital expenditure-related removal work projects having been postponed until the next fiscal year in order to prioritize service restoration from these natural disasters. However, because of the extraordinary loss recorded for expenditures for restoration from the torrential rains disaster, JR-West is revising downward its forecasts for operating revenues and profit attributable to owners of parent from those announced on July 31, 2018.

While the business environment for the JR-West Group remains uncertain, considering the firm status of transportation revenues recently, during the second half JR-West will steadily implement necessary measures to recover from the setbacks of the first half, based on safety as the highest priority. Further, as the initial year of the “JR-West Group Railway Safety Think-and-Act Plan 2022” and the “JR-West Group Medium-Term Management Plan 2022,” we will strengthen management foundations to achieve the plan targets, and achieve sustainable growth.

#### Consolidated Forecasts for the Year Ending March 31, 2019

Operating revenues:	¥1,516.5 billion	(up 1.1% YoY)
Operating income:	¥187.5 billion	(down 2.0% YoY)
Recurring profit:	¥174.0 billion	(down 2.1% YoY)
Profit attributable to owners of parent:	¥95.5 billion	(down 13.6% YoY)

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

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2018	September 30, 2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	82,995	111,862
Notes and accounts receivable-trade	28,180	30,891
Railway fares receivable	40,186	39,700
Accounts receivable	72,713	46,819
Securities	18,700	23,600
Inventories	101,258	130,048
Other current assets	56,323	63,706
Less allowance for doubtful accounts	(815)	(711)
Total current assets	399,542	445,918
<b>Non-current assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures	1,144,690	1,138,915
Machinery and transport equipment	351,382	355,749
Land	758,987	761,622
Construction in progress	73,063	74,964
Other property, plant and equipment	36,413	40,771
Total property, plant and equipment	2,364,537	2,372,023
<b>Intangible assets</b>	35,867	34,027
<b>Investments and other assets:</b>		
Investments in securities	86,817	94,484
Net defined benefit asset	1,868	2,027
Deferred tax assets	142,059	133,608
Other investments and assets	43,961	44,978
Less allowance for doubtful accounts	(2,823)	(2,958)
Total investments and other assets	271,882	272,140
Total non-current assets	2,672,286	2,678,191
<b>Total assets</b>	<b>3,071,829</b>	<b>3,124,109</b>

	Millions of yen	
	March 31, 2018	September 30, 2018
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Notes and accounts payable-trade	65,057	46,695
Short-term loans payable	17,252	22,565
Current portion of bonds	25,000	50,000
Current portion of long-term loans payable	34,126	46,826
Current portion of long-term payables for acquisition of railway properties	1,580	1,616
Accounts payable	95,188	67,581
Accrued consumption tax	11,835	11,312
Accrued income tax	31,130	20,017
Prepaid railway fares received	38,860	43,251
Advances received	29,551	49,471
Allowance for bonuses	39,187	36,395
Provision for loss on disaster	—	21,500
Allowance for point program	2,204	2,576
Other current liabilities	139,314	143,912
Total current liabilities	530,289	563,721
<b>Non-current liabilities:</b>		
Bonds payable	499,983	514,984
Long-term loans payable	367,161	356,948
Long-term payables for acquisition of railway properties	104,375	103,554
Deferred tax liabilities	2,446	1,926
Allowance for the Large-Scale Renovation of Shinkansen Infrastructure	8,333	10,416
Allowance for environmental safety measures	15,838	15,250
Provision for loss on liquidation of railway belts	10,170	10,079
Provision for unredeemed gift certificates	2,414	2,256
Net defined benefit liability	301,783	278,742
Other long-term liabilities	112,730	116,879
Total non-current liabilities	1,425,236	1,411,038
<b>Total liabilities</b>	<b>1,955,525</b>	<b>1,974,759</b>

(continued on page 12)

	Millions of yen	
	March 31, 2018	September 30, 2018
<b>NET ASSETS</b>		
<b>Total shareholders' equity:</b>		
Common stock	100,000	100,000
Capital surplus	56,171	56,171
Retained earnings	849,925	881,117
Treasury stock, at cost	(481)	(483)
Total shareholders' equity	1,005,615	1,036,805
<b>Valuation and translation adjustments:</b>		
Net unrealized holding gain on securities	4,018	5,141
Deferred gains or losses on hedges	83	(69)
Remeasurements of defined benefit plans	11,242	10,643
Total Valuation and translation adjustments	15,344	15,715
<b>Non-controlling interests</b>	95,343	96,830
<b>Total net assets</b>	1,116,304	1,149,350
<b>Total liabilities and net assets</b>	3,071,829	3,124,109

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

### Consolidated Statements of Income

Six months ended September 30

	Millions of yen	
	2017	2018
<b>Operating revenues</b>	727,109	736,989
<b>Operating expenses:</b>		
Transportation, other services and cost of sales	520,270	525,347
Selling, general and administrative expenses	95,602	98,335
Total operating expenses	615,873	623,682
<b>Operating income</b>	111,235	113,306
<b>Non-operating revenues:</b>		
Interest income	18	8
Dividend income	312	785
Transfer from administrative fee of contracted construction	97	113
Equity in earnings of affiliates	1,247	1,376
Other	935	1,082
Total non-operating revenues	2,611	3,366
<b>Non-operating expenses:</b>		
Interest expense	10,511	9,960
Other	636	876
Total non-operating expenses	11,147	10,836
<b>Recurring profit</b>	102,699	105,835
<b>Extraordinary profits:</b>		
Gain on contributions received for construction	3,352	8,581
Other	1,797	655
Total extraordinary profits	5,149	9,236
<b>Extraordinary losses:</b>		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,129	8,024
Provision for loss on disaster	—	21,500
Other	3,349	2,466
Total extraordinary losses	6,479	31,990
<b>Profit before income taxes</b>	101,369	83,081
<b>Income taxes- Current</b>	21,913	17,183
<b>Income taxes- Deferred</b>	9,716	7,804
<b>Total income taxes</b>	31,630	24,987
<b>Profit</b>	69,739	58,093
<b>Profit (loss) attributable to non-controlling interests</b>	1,894	1,609
<b>Profit attributable to owners of parent</b>	67,844	56,483

## Consolidated Statements of Comprehensive Income

Six months ended September 30

	Millions of yen	
	2017	2018
Profit	69,739	58,093
Other comprehensive income:		
Valuation difference on available-for-sale securities	980	1,085
Deferred gains or losses on hedges	(65)	(188)
Remeasurements of defined benefit plans, net of tax	(516)	(579)
Share of other comprehensive income of associates accounted for using equity method	40	44
Total other comprehensive income	439	361
Comprehensive income	70,178	58,455
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	68,159	56,853
Comprehensive income attributable to non-controlling interests	2,019	1,601

## Business Segment Information

Six months ended September 30

		Billions of yen		
		2017	2018	Change from the same period of the previous period
Transportation	Operating revenues	472.7	471.3	(1.4)
	Operating income	83.5	87.8	4.2
Retail	Operating revenues	117.5	119.6	2.0
	Operating income	3.3	2.9	(0.3)
Real Estate	Operating revenues	68.7	69.2	0.5
	Operating income	19.8	18.2	(1.5)
Other Businesses	Operating revenues	68.1	76.8	8.6
	Operating income	3.2	2.9	(0.2)

Note: Revenues by each segment are from third parties.

**(3) Consolidated Statements of Cash Flows**

Six months ended September 30

	Millions of yen	
	2017	2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	101,369	83,081
Depreciation and amortization	79,845	78,123
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,129	8,024
Loss on disposal of property, plant and equipment	1,534	1,411
Increase (decrease) in net defined benefit liability	(31,272)	(23,909)
Increase (decrease) in allowance for doubtful accounts	17	29
Increase (decrease) in provision for bonuses	(1,309)	(2,804)
Increase (decrease) in allowance for the large-scale renovation of Shinkansen infrastructure	2,083	2,083
Increase (decrease) in other provision	121	21,012
Interest and dividend income	(330)	(793)
Interest expenses	10,511	9,960
Equity in earnings of affiliates	(1,247)	(1,376)
Proceeds from contribution for construction	(3,352)	(8,581)
Decrease (increase) in notes and accounts receivable-trade	25,701	26,077
Decrease (increase) in inventories	(26,592)	(28,517)
Increase (decrease) in notes and accounts payable-trade	(19,361)	(16,263)
Increase (decrease) in accrued consumption taxes	1,175	(530)
Other	(12,993)	(19,311)
Subtotal	129,030	127,716
Interest and dividends income received	329	792
Interest paid	(10,458)	(9,739)
Income taxes paid	(19,251)	(25,206)
<b>Net cash provided by operating activities</b>	<b>99,649</b>	<b>93,563</b>
<b>Cash flows from investing activities</b>		
Payments for time deposits with a maturity of more than three months	(81)	(81)
Proceeds for time deposits with a maturity of more than three months	81	81
Purchases of property, plant and equipment	(80,262)	(94,282)
Proceeds from sales of property, plant and equipment	419	107
Contributions received for constructions	19,374	18,770
Increase in investments in securities	(3,304)	(4,854)
Net decrease (increase) in loans receivable	1,021	501
Other	40	(1,294)
<b>Net cash used in investing activities</b>	<b>(62,710)</b>	<b>(81,052)</b>

*(continued on page 16)*

	Millions of yen	
	2017	2018
<b>Cash flows from financing activities</b>		
Change in short-term loans	2,198	5,287
Proceeds from long-term loans	10,000	5,000
Repayment of long-term debt	(6,062)	(2,513)
Proceeds from issuance of bonds	20,000	40,000
Repayment of long-term payables for acquisition of railway properties	(749)	(784)
Purchase of treasury stock	—	(9,999)
Cash dividends paid to the Company's shareholders	(13,547)	(15,490)
Dividends paid to non-controlling interests	(122)	(114)
Other	(35,439)	(128)
<b>Net cash used in financing activities</b>	<b>(23,723)</b>	<b>21,257</b>
<b>Change in cash and cash equivalents, net</b>	<b>13,215</b>	<b>33,768</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>63,332</b>	<b>101,448</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>789</b>	<b>—</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>77,337</b>	<b>135,216</b>

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

Not applicable

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

The Company, based on a decision by its Board of Directors on April 27, 2018, acquired 1,253,600 of its own shares of common stock during the period of June 6, 2018 through July 17, 2018, through market purchases on the Tokyo Stock Exchange, at an aggregate price of ¥9,999 million, and held them as treasury stock.

Further, based on a decision by the Board of Directors on August 15, 2018, the Company canceled 1,253,600 shares of treasury stock, taking the ¥9,997 million book value of the subject treasury stock as a reduction of ¥0 from capital surplus and ¥9,997 million from retained earnings.

#### **(6) Other**

(Additional information)

##### **1. Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"**

From the beginning of the subject fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Deferred tax assets are shown in the "Investments and other assets" item, and deferred tax liabilities in the "Non-current liabilities" item.

##### **2. Damage from The Heavy Rain Event of July 2018**

The Company recorded an extraordinary loss for the disaster recovery expense from The Heavy Rain Event of July 2018 as "Other" on its consolidated income statement.

Also, to prepare for expenditures needed for future recovery efforts, the Company included the estimated amount as "Provision for loss on disaster" in current liabilities on the consolidated balance sheet, and recorded as an extraordinary loss as "Provision for loss on disaster" on its consolidated income statement.

## Reference Materials

### 1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2018	<b>September 30, 2018</b>	Change
	Billions of yen	Billions of yen	Billions of yen
<b>ASSETS</b>			
<b>Current assets:</b>			
Total current assets	238.9	262.4	23.4
<b>Non-current assets:</b>			
Non-current assets for railway operations	1,851.3	1,846.0	(5.2)
Construction in progress	63.2	60.6	(2.5)
Investments and other assets	505.7	506.6	0.8
Total non-current assets	2,420.3	2,413.4	(6.9)
<b>Total assets</b>	2,659.3	2,675.8	16.5

	March 31, 2018	<b>September 30, 2018</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	57.8	97.9	40.0
Accounts payable	534.1	508.3	(25.7)
Total current liabilities	592.0	606.2	14.2
<b>Non-current liabilities:</b>			
Bonds and long-term debt	969.1	973.3	4.1
Accrued retirement benefits	293.4	268.9	(24.4)
Other long-term liabilities	43.0	44.0	1.0
Total non-current liabilities	1,305.6	1,286.4	(19.2)
<b>Total liabilities</b>	1,897.6	1,892.6	(4.9)
<b>Total shareholders' equity:</b>			
Common stock	100.0	100.0	—
Capital surplus	55.0	55.0	(0.0)
Retained earnings	603.7	624.2	20.4
Treasury stock, at cost	(0.0)	(0.0)	(0.0)
Total shareholders' equity	758.7	779.2	20.4
<b>Valuation and translation adjustments</b>	2.9	3.9	1.0
<b>Total net assets</b>	761.7	783.1	21.4
<b>Total liabilities and net assets</b>	2,659.3	2,675.8	16.5

(Note) Figures at the end of FY3/18 have been retroactively adjusted due to the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting".

## 2. NON-CONSOLIDATED STATEMENTS OF INCOME

Six months ended September 30

	Six months ended September 30		Change from the same period of the previous year		Forecasts for year ending March 31, 2019	
	2017	2018			(Oct. 29)	Change
	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen	
<b>Operating revenues:</b>						
Transportation	433.6	431.7	(1.9)	(0.4)	871.0	3.1
Transportation incidentals	8.8	8.6	(0.1)	(2.0)	17.5	(0.3)
Other operations	14.0	14.3	0.2	1.9	29.5	1.0
Miscellaneous	28.8	29.8	1.0	3.5	61.0	(1.1)
	485.4	484.6	(0.8)	(0.2)	979.0	2.7
<b>Operating expenses:</b>						
Personnel costs	109.1	108.1	(0.9)	(0.9)	216.5	(4.9)
Non personnel costs:						
Energy costs	22.2	22.1	(0.1)	(0.5)	45.5	1.4
Maintenance costs	66.9	63.2	(3.7)	(5.5)	166.5	5.0
Miscellaneous costs	94.2	97.9	3.7	4.0	208.0	5.8
	183.5	183.4	(0.0)	(0.0)	420.0	12.3
Rental payments, etc.	15.0	13.5	(1.4)	(9.9)	27.5	(2.7)
Taxes	20.2	20.2	(0.0)	(0.2)	35.5	(0.2)
Depreciation	66.8	64.3	(2.5)	(3.8)	134.5	(2.3)
	394.7	389.6	(5.1)	(1.3)	834.0	2.0
<b>Operating income</b>	90.6	94.9	4.2	4.7	145.0	0.6
<b>Non-operating revenues and expenses, net:</b>						
Non-operating revenues	1.3	2.4	1.1	—	—	—
Non-operating expenses	10.8	10.3	(0.4)	—	—	—
	(9.4)	(7.8)	1.5	(16.8)	(14.0)	1.7
<b>Recurring profit</b>	81.1	87.0	5.8	7.2	131.0	2.3
<b>Extraordinary profit and loss, net:</b>						
Extraordinary profit	3.4	8.8	5.4	—	—	—
Extraordinary loss	4.2	31.0	26.8	—	—	—
	(0.7)	(22.1)	(21.4)	—	(25.0)	(15.7)
<b>Income before income taxes</b>	80.3	64.8	(15.5)	(19.3)	106.0	(13.4)
<b>Income taxes</b>	24.5	18.9	(5.6)	(22.9)	32.0	(6.7)
<b>Net income</b>	55.8	45.9	(9.9)	(17.8)	74.0	(6.7)

## Passenger-Kilometers and Transportation Revenues

	Millions of Passenger-Kilometers				Billions of yen			
	Passenger-Kilometers				Transportation Revenues			
	Six months ended September 30		Change		Six months ended September 30		Change	
	2017	2018	Amount	%	2017	2018	Amount	%
Shinkansen								
Commuter Passes	431	447	15	3.6	5.4	5.6	0.1	3.6
Non-Commuter Passes	9,976	10,101	125	1.3	217.2	221.5	4.3	2.0
Total	10,407	10,548	140	1.3	222.6	227.2	4.5	2.0
Conventional Lines								
Commuter Passes	11,803	11,751	(51)	(0.4)	72.2	72.0	(0.1)	(0.3)
Non-Commuter Passes	7,670	7,442	(227)	(3.0)	138.6	132.4	(6.2)	(4.5)
Total	19,473	19,194	(279)	(1.4)	210.9	204.5	(6.4)	(3.1)
Kansai Urban Area								
Commuter Passes	9,678	9,661	(17)	(0.2)	59.4	59.4	0.0	0.0
Non-Commuter Passes	5,532	5,418	(114)	(2.1)	96.2	92.7	(3.4)	(3.6)
Total	15,211	15,079	(131)	(0.9)	155.6	152.2	(3.4)	(2.2)
Other Lines								
Commuter Passes	2,124	2,089	(34)	(1.6)	12.8	12.6	(0.2)	(1.6)
Non-Commuter Passes	2,137	2,024	(112)	(5.3)	42.4	39.6	(2.8)	(6.6)
Total	4,261	4,114	(147)	(3.5)	55.3	52.2	(3.0)	(5.5)
Total								
Commuter Passes	12,234	12,198	(36)	(0.3)	77.7	77.7	0.0	0.0
Non-Commuter Passes	17,646	17,544	(102)	(0.6)	355.9	354.0	(1.9)	(0.5)
Total	29,881	29,742	(138)	(0.5)	433.6	431.7	(1.9)	(0.4)

Note: Luggage revenues are not included.

### 3. CAPITAL EXPENDITURES

#### Consolidated Basis

	Six months ended September 30		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2019
	2017	2018	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	63.8	84.4	20.6	32.4	—
Capital expenditures, excluding contributions received for constructions	59.3	79.4	20.1	34.0	272.0
Contributions received for constructions	4.5	5.0	0.4	11.0	—

#### Non-Consolidated Basis

	Six months ended September 30		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2019
	2017	2018	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	46.2	65.4	19.2	41.5	—
Capital expenditures, excluding contributions received for constructions	41.7	60.4	18.7	44.8	210.0
[Safety-related capital expenditures]	[28.4]	[38.4]	[9.9]	[35.0]	[127.0]
Contributions received for constructions	4.5	5.0	0.4	11.0	—

#### Major Capital Expenditures

Capital investments included earthquake and tsunami countermeasures, new rolling stock (Sanyo Shinkansen N700A and 227 series commuter trains)

#### 4. REVISION TO FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2019

	Year ended March 31, 2018	Year ending March 31, 2019		Change		
		Previous forecasts (July 31)	Current forecasts (Oct. 29)	C-A	C/A	C-B
	A	B	C	C-A	C/A	C-B
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%	Billions of yen
<b>Consolidated-basis :</b>	<1.54>	<1.54>	<1.55>			
Operating revenues	1,500.4	1,525.5	1,516.5	16.0	1.1	(9.0)
Operating income	191.3	187.5	187.5	(3.8)	(2.0)	—
Recurring profit	177.7	174.0	174.0	(3.7)	(2.1)	—
	<1.37>	<1.24>	<1.29>			
Profit attributable to owners of parent	110.4	111.0	95.5	(14.9)	(13.6)	(15.5)
<b>Non-consolidated-basis :</b>						
Operating revenues	976.2	988.0	979.0	2.7	0.3	(9.0)
Transportation	867.8	878.0	871.0	3.1	0.4	(7.0)
Operating expenses	831.9	843.0	834.0	2.0	0.3	(9.0)
Operating income	144.3	145.0	145.0	0.6	0.4	—
Recurring profit	128.6	131.0	131.0	2.3	1.8	—
Net income	80.7	89.5	74.0	(6.7)	(8.4)	(15.5)

Note: Figures in brackets < > are the consolidated/non-consolidated ratio.

	Year ended March 31, 2018	Year ending March 31, 2019		Change		
		Previous forecasts (July 31)	Current forecasts (Oct. 29)	C-A	C-B	
	A	B	C	C-A	C-B	
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	Billions of yen	
Transportation	Operating revenues	950.8	962.0	953.0	2.1	(9.0)
	Operating income	130.3	130.6	130.6	0.2	—
Retail Business	Operating revenues	239.8	244.8	244.8	4.9	—
	Operating income	7.2	5.7	5.7	(1.5)	—
Real Estate Business	Operating revenues	139.6	147.8	147.8	8.1	—
	Operating income	35.7	33.4	33.4	(2.3)	—
Other Businesses	Operating revenues	170.0	170.9	170.9	0.8	—
	Operating income	19.9	21.1	21.1	1.1	—

Note: Revenues by each segment are from third parties.

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

- This report contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates and projections about its business, industry, and capital markets around the world.
- These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.
- Known or unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.
- Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:
  - expenses, liability, loss of revenue or adverse publicity associated with property or casualty losses;
  - economic downturn, deflation and population decreases;
  - adverse changes in laws, regulations and government policies in Japan;
  - service improvements, price reductions and other strategies undertaken by competitors such as passenger railway and airlines companies;
  - infectious disease outbreak and epidemic;
  - earthquake and other natural disaster risks; and
  - failure of computer telecommunications systems disrupting railway or other operations
- All forward-looking statements in this release are made as of October 2018 based on information available to JR-West as of October 2018 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.