

**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): February 8, 2019

Planned start of dividend payments: —

Quarterly supplemental explanatory material prepared: Yes

Quarterly results briefing held: None

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

**1. Results for the Nine Months Ended December 31, 2018 (from April 1, 2018 to December 30, 2018)****(1) Operating Results**

Nine months ended December 31

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

|      | Operating revenues |     | Operating income |      | Recurring profit |      | Profit attributable to owners of parent |       |
|------|--------------------|-----|------------------|------|------------------|------|---|-------|
|      | Millions of yen    | %   | Millions of yen  | %    | Millions of yen  | %    | Millions of yen                         | %     |
| 2018 | 1,129,099          | 1.6 | 179,748          | 2.6  | 167,859          | 3.5  | 97,785                                  | (9.8) |
| 2017 | 1,111,358          | 4.3 | 175,268          | 11.1 | 162,226          | 13.3 | 108,468                                 | 17.2  |

(Note) Comprehensive Income: Nine months ended December 31, 2018: ¥98,584 million, (12.6)%;

Nine months ended December 31, 2017: ¥112,747 million, 20.9%

|      | Profit attributable to owners of parent per share | Profit attributable to owners of parent per share after dilution |
|------|---|--|
|      | Yen   | Yen  |
| 2018 | 507.27  | —  |
| 2017 | 560.26  | —  |

**(2) Financial Position**

|                   | Total assets    | Net assets      | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
|                   | Millions of yen | Millions of yen | %            |
| December 31, 2018 | 3,146,002       | 1,173,628       | 34.2         |
| March 31, 2018    | 3,071,829       | 1,116,304       | 33.2         |

(Reference) Total shareholders' equity: December 31, 2018: ¥1,075,948 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<br>(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: None

#### Notes

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

|  | Nine months ended<br>December 31, 2018 | Year ended<br>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                                |
|  |  | Nine months ended<br>December 31, 2017 |
| 3) Average number of shares outstanding for each period (cumulative term): | 192,767,383                            | 193,605,126                            |

\* 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 8.
2. Supplementary materials for the financial statements are posted on our homepage.

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

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries 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 2018), The Heavy Rain Event of July 2018, and typhoons Jebi and Trami (September 2018). Service on the Geibi Line, disrupted by the heavy rains and flooding in July, has still not been restored on certain segments. JR-West is making a concerted effort in cooperation with local communities to resume service, and continues to make 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.”

In addition, with the decision in November 2018 to hold Expo 2025 in Osaka/Kansai, JR-West is making preparations in terms of both operations and sales, including improving reception systems for overseas visitors to Japan, and welcoming customers from both in Japan and abroad. We are also looking at this as an opportunity to contribute as a company bearing responsibility for public infrastructure, and are pursuing measures to achieve growth over the longer term. In addition, JR-West is making a concerted effort as a corporate group to seize growth opportunities from other major international events, such as Rugby World Cup Japan 2019, and the Olympic and Paralympic Games Tokyo 2020.

During the subject third quarter cumulative period, 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. Operating revenues increased 1.6% from the same period of the previous fiscal year to ¥1,129.0 billion. Earnings, however, increased due to a decline in operating expenses stemming from adjustments to work maintenance schedules in order to prioritize disaster restoration work in the Transportation Operations segment. Operating income rose 2.6% to ¥179.7 billion, and recurring profit was up 3.5% to ¥167.8 billion. Profit attributable to owners of parent, however, declined 9.8% to ¥97.7 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 Nine Months Ended December 31, 2018 (April – December 2018)

|  |                  |
|--|------------------|
| Operating revenues:                      | ¥1,129.0 billion |
| Operating income:                        | ¥179.7 billion   |
| Recurring profit:                        | ¥167.8 billion   |
| Profit attributable to owners of parent: | ¥97.7 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.

For measures to enhance safety, JR-West is pursuing safety measures for platforms and railway crossings, measures to protect against natural disasters such as earthquakes and torrential rains, and measures to enhance safety and security utilizing new technologies.

For platform safety measures, JR-West continued with installation of platform gates at stations with more than 100,000 daily passengers. We also made progress with safety measures at railroad crossings, including eliminating the infrequently opened railway crossings at Higashi-Yodogawa Station as part of a project to elevate the station.

In natural disaster measures, 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 addition, for measures to enhance safety and security utilizing new technologies, 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.

In terms of enhancing safety for the Shinkansen, based on the critical incident on the Shinkansen in December 2017, to strengthen the safety management structure, JR-West established the “Shinkansen Operations Division” as part of the Railway Operations Headquarters, and is implementing measures in terms of both tangible and intangible initiatives.

For tangible measures, JR-West is taking all possible steps to ensure the safety of trains by conducting ultrasonic tests, methodical visual checks of bogies, and other checks, as well as such measures as introducing devices to detect anomalies in bogies during operation. During the current fiscal year, we plan to install bogie anomaly detectors in all N700A trains (16-car trains), and begin operation of the first ground-based bogie temperature detector.

For intangible measures, the new division will facilitate communication with on-site staff and internal cooperation between different departments, and is formulating and implementing measures in a timely manner through prompt decision-making. In particular the division steadily implements such measures for an appropriate response during emergencies as halting services without hesitation when employees detect an anomaly or safety cannot be confirmed, and securing safety through reporting to relevant parties and a prompt, systematic response.

Going forward, JR-West will systematically pursue tangible and intangible measures to enhance the level of safety.

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.

### 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 to work to raise transport service quality on the Shinkansen, enhance the value of the railway belts in the Kansai Urban Area, promote tourism in cooperation with regions in the West Japan Area, and improve measures for accommodating 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 worked to stimulate tourism demand with discount tickets and PR activities.

Further, in the upcoming March 2019 timetable revision, JR-West plans to enact measures to improve transportation services, including opening new lines and stations, and expanding reserved seat service.

### (Main Specific Measures)

#### 1. Shinkansen

- Began operating the 500-series “Hello Kitty Shinkansen” (June 2018)
- Conducted the “Beauty of Japan Is in Hokuriku” and “Japanese Beauty Hokuriku” campaigns

(April 2018-March 2019)

## 2. Kansai Urban Area

- Completed renovation of Ibaraki Station (April 2018)
- Opening of the segment of the Osaka Higashi Line between Shin-Osaka and Hanaten stations (Planned for March 2019)
- Opening of Umekoji-Kyotonishi Station on the Sagano Line between Kyoto and Tambaguchi stations (Planned for March 2019)
- Start of operations for the *Rakuraku Harima* limited express and the introduction of A-Seat reserved seat cars on special rapid trains. (Planned for March 2019)

## 3. West Japan Area

- Conducted the Setouchi campaign (March-June 2018)
- Conducted the “Sanyo Destination Campaign” (July-September 2018)
- Began operating the *Ametsuchi* sightseeing train (July 2018)
- Conducted the “Let’s Discover West Japan” campaign (from August 2018)
- Expanded the service area for using ICOCA (Sanyo Main Line, Ako Line, Hokuriku Main Line) (September 2018)
- Launched the ICOCA point service and PiTaPa post pay service (October 2018)

## 4. Enhancing customer satisfaction

- Set up a chat-based response system to inquire about lost items, and a lost items helpline (May 2018)
- Began providing operation status information through official Twitter account (August 2018)

## 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 2018)
- Made the Singapore Office a branch office under local laws to strengthen sales and promotional activities to local travelers (April 2018)
- Launch of online reservation service for overseas visitors (Planned for March 2019)
- Further strengthened multilingual communication, including during times of emergency

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 0.1% from the same period of the previous fiscal year to ¥719.3 billion, mainly as a result of a falloff in usage due to natural disasters. Operating income, however, rose 5.6% to ¥138.3 billion as we adjusted the process of some of scheduled maintenance works in order to prioritize 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 third 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. In addition, to further enhance the appeal of JR Kyoto Isetan, we are moving forward with a major renovation, the largest since the store's opening, and in December 2018 opened the expanded 1F basement food floor.

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 2.2% from the same period of the previous fiscal year to ¥184.3 billion, though operating income declined 9.4% to ¥5.6 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 in 2017.

Also, in September we opened the third phase of the *ekie* commercial facility in Hiroshima Station.

In November 2018, JR-West opened VIERRA Kishibe Kento, an integrated facility on the north side to Kishibe Station, centered on Northern Osaka Health and Biomedical Innovation Town (NohBIT, also known as "KENTO").

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 4.2% from the same period of the previous fiscal year to ¥105.0 billion. Operating income, however, was down 3.7% to ¥28.0 billion on expenses incurred for the opening of large-scale lease properties.

### **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 9.5% from the same period of the previous fiscal year to ¥120.2 billion on an increase in orders in the construction business. Operating income, however, declined 9.0% to ¥7.1 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 third quarter cumulative period of the subject fiscal year (December 31, 2018) amounted to ¥3,146.0 billion, an increase of ¥74.1 billion from the end of the previous fiscal year (March 31, 2018). This was due mainly to an increase in inventories.

Total liabilities amounted to ¥1,972.3 billion, an increase of ¥16.8 billion from the end of the previous fiscal year. This was due mainly to an increase in bonds payable.

Total net assets amounted to ¥1,173.6 billion, an increase of ¥57.3 billion from the end of the previous fiscal year. This was due mainly to an increase in retained earnings.

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

Because at this point consolidated earnings for the subject fiscal year are generally in line with expectations, there is no change to the consolidated earnings forecasts from those announced on October 29, 2018.

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   | December 31, 2018 |
| <b>ASSETS</b>                         |                  |                   |
| <b>Current assets:</b>                |                  |                   |
| Cash                                  | 82,995           | 107,743           |
| Notes and accounts receivable-trade   | 28,180           | 34,624            |
| Railway fares receivable              | 40,186           | 35,217            |
| Accounts receivable                   | 72,713           | 50,882            |
| Securities                            | 18,700           | 18,700            |
| Inventories                           | 101,258          | 135,886           |
| Other current assets                  | 56,323           | 72,825            |
| Less allowance for doubtful accounts  | (815)            | (716)             |
| Total current assets                  | 399,542          | 455,163           |
| <b>Non-current assets:</b>            |                  |                   |
| <b>Property, plant and equipment:</b> |                  |                   |
| Buildings and structures              | 1,144,690        | 1,144,854         |
| Machinery and transport equipment     | 351,382          | 361,932           |
| Land                                  | 758,987          | 764,085           |
| Construction in progress              | 73,063           | 77,070            |
| Other property, plant and equipment   | 36,413           | 42,017            |
| Total property, plant and equipment   | 2,364,537        | 2,389,960         |
| <b>Intangible assets</b>              | 35,867           | 36,602            |
| <b>Investments and other assets:</b>  |                  |                   |
| Investments in securities             | 86,817           | 90,410            |
| Net defined benefit asset             | 1,868            | 2,109             |
| Deferred tax assets                   | 142,059          | 128,746           |
| Other investments and assets          | 43,961           | 45,978            |
| Less allowance for doubtful accounts  | (2,823)          | (2,969)           |
| Total investments and other assets    | 271,882          | 264,276           |
| Total non-current assets              | 2,672,286        | 2,690,839         |
| <b>Total assets</b>                   | <b>3,071,829</b> | <b>3,146,002</b>  |

|   | Millions of yen  |                   |
|---|------------------|-------------------|
|   | March 31, 2018   | December 31, 2018 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                 |                  |                   |
| <b>Current liabilities:</b>   |                  |                   |
| Notes and accounts payable-trade  | 65,057           | 54,394            |
| Short-term loans payable  | 17,252           | 22,114            |
| Current portion of bonds  | 25,000           | 25,000            |
| 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           | 68,987            |
| Accrued consumption tax   | 11,835           | 11,420            |
| Accrued income tax  | 31,130           | 9,581             |
| Prepaid railway fares received  | 38,860           | 42,514            |
| Advances received   | 29,551           | 46,931            |
| Allowance for bonuses   | 39,187           | 18,526            |
| Provision for loss on disaster  | —                | 17,300            |
| Allowance for point program   | 2,204            | 2,698             |
| Other current liabilities   | 139,314          | 157,159           |
| Total current liabilities   | 530,289          | 525,070           |
| <b>Non-current liabilities:</b>   |                  |                   |
| Bonds payable   | 499,983          | 544,984           |
| Long-term loans payable   | 367,161          | 359,148           |
| Long-term payables for acquisition of railway properties                    | 104,375          | 103,554           |
| Deferred tax liabilities  | 2,446            | 2,128             |
| Allowance for the Large-Scale Renovation of Shinkansen Infrastructure       | 8,333            | 11,458            |
| Allowance for environmental safety measures                                 | 15,838           | 15,190            |
| Provision for loss on liquidation of railway belts                          | 10,170           | 10,077            |
| Provision for unredeemed gift certificates                                  | 2,414            | 2,153             |
| Net defined benefit liability   | 301,783          | 281,443           |
| Other long-term liabilities   | 112,730          | 117,163           |
| Total non-current liabilities   | 1,425,236        | 1,447,303         |
| <b>Total liabilities</b>  | <b>1,955,525</b> | <b>1,972,374</b>  |

(continued on page 11)

|   | Millions of yen |                   |
|---|-----------------|-------------------|
|   | March 31, 2018  | December 31, 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         | 906,567           |
| Treasury stock, at cost                       | (481)           | (483)             |
| Total shareholders' equity                    | 1,005,615       | 1,062,255         |
| <b>Valuation and translation adjustments:</b> |                 |                   |
| Net unrealized holding gain on securities     | 4,018           | 3,288             |
| Deferred gains or losses on hedges            | 83              | 59                |
| Remeasurements of defined benefit plans       | 11,242          | 10,345            |
| Total Valuation and translation adjustments   | 15,344          | 13,692            |
| <b>Non-controlling interests</b>              | 95,343          | 97,679            |
| <b>Total net assets</b>                       | 1,116,304       | 1,173,628         |
| <b>Total liabilities and net assets</b>       | 3,071,829       | 3,146,002         |

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

### Consolidated Statements of Income

Nine months ended December 31

|  | Millions of yen |           |
|--|-----------------|-----------|
|  | 2017            | 2018      |
| <b>Operating revenues</b>  | 1,111,358       | 1,129,099 |
| <b>Operating expenses:</b>   |                 |           |
| Transportation, other services and cost of sales   | 792,451         | 801,049   |
| Selling, general and administrative expenses   | 143,638         | 148,301   |
| Total operating expenses   | 936,089         | 949,350   |
| <b>Operating income</b>  | 175,268         | 179,748   |
| <b>Non-operating revenues:</b>   |                 |           |
| Interest income  | 23              | 16        |
| Dividend income  | 557             | 1,041     |
| Transfer from administrative fee of contracted construction  | 215             | 200       |
| Equity in earnings of affiliates   | 1,670           | 1,680     |
| Other  | 1,419           | 1,651     |
| Total non-operating revenues   | 3,885           | 4,590     |
| <b>Non-operating expenses:</b>   |                 |           |
| Interest expense   | 15,866          | 15,067    |
| Other  | 1,061           | 1,412     |
| Total non-operating expenses   | 16,928          | 16,479    |
| <b>Recurring profit</b>  | 162,226         | 167,859   |
| <b>Extraordinary profits:</b>  |                 |           |
| Gain on contributions received for construction  | 13,973          | 12,547    |
| Other  | 5,246           | 963       |
| Total extraordinary profits  | 19,219          | 13,510    |
| <b>Extraordinary losses:</b>   |                 |           |
| Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment | 13,482          | 11,936    |
| Provision for loss on disaster   | —               | 17,300    |
| Other  | 6,018           | 8,354     |
| Total extraordinary losses   | 19,501          | 37,590    |
| <b>Profit before income taxes</b>  | 161,945         | 143,779   |
| <b>Income taxes- Current</b>   | 34,250          | 30,092    |
| <b>Income taxes- Deferred</b>  | 16,227          | 13,388    |
| <b>Total income taxes</b>  | 50,477          | 43,481    |
| <b>Profit</b>  | 111,467         | 100,298   |
| <b>Profit (loss) attributable to non-controlling interests</b>   | 2,999           | 2,512     |
| <b>Profit attributable to owners of parent</b>   | 108,468         | 97,785    |

## Consolidated Statements of Comprehensive Income

Nine months ended December 31

|   | Millions of yen |         |
|---|-----------------|---------|
|   | 2017            | 2018    |
| Profit  | 111,467         | 100,298 |
| Other comprehensive income:   |                 |         |
| Valuation difference on available-for-sale securities                               | 2,055           | (834)   |
| Deferred gains or losses on hedges  | (75)            | (30)    |
| Remeasurements of defined benefit plans, net of tax                                 | (774)           | (869)   |
| Share of other comprehensive income of associates accounted for using equity method | 73              | 20      |
| Total other comprehensive income  | 1,279           | (1,713) |
| Comprehensive income  | 112,747         | 98,584  |
| Comprehensive income attributable to:   |                 |         |
| Comprehensive income attributable to owners of the parent                           | 109,554         | 96,133  |
| Comprehensive income attributable to non-controlling interests                      | 3,192           | 2,451   |

## Business Segment Information

Nine months ended December 31

|                  |                    | Billions of yen |       |  |
|------------------|--------------------|-----------------|-------|--|
|                  |                    | 2017            | 2018  | Change from the same period of the previous period |
| Transportation   | Operating revenues | 720.2           | 719.3 | (0.8)  |
|                  | Operating income   | 131.0           | 138.3 | 7.3  |
| Retail           | Operating revenues | 180.4           | 184.3 | 3.9  |
|                  | Operating income   | 6.2             | 5.6   | (0.5)  |
| Real Estate      | Operating revenues | 100.8           | 105.0 | 4.2  |
|                  | Operating income   | 29.0            | 28.0  | (1.0)  |
| Other Businesses | Operating revenues | 109.8           | 120.2 | 10.4   |
|                  | Operating income   | 7.8             | 7.1   | (0.7)  |

Note: Revenues by each segment are from third parties.

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

Not applicable

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

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.

### **(5) 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 in "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>December 31, 2018</b> | Change          |
|---|-----------------|--------------------------|-----------------|
|   | Billions of yen | Billions of yen          | Billions of yen |
| <b>ASSETS</b>                             |                 |                          |                 |
| <b>Current assets:</b>                    |                 |                          |                 |
| Total current assets                      | 238.9           | 265.7                    | 26.8            |
| <b>Non-current assets:</b>                |                 |                          |                 |
| Non-current assets for railway operations | 1,851.3         | 1,853.1                  | 1.8             |
| Construction in progress                  | 63.2            | 61.2                     | (2.0)           |
| Investments and other assets              | 505.7           | 508.1                    | 2.3             |
| Total non-current assets                  | 2,420.3         | 2,422.5                  | 2.1             |
| <b>Total assets</b>                       | 2,659.3         | 2,688.3                  | 28.9            |

|  | March 31, 2018  | <b>December 31, 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            | 72.9                     | 15.0            |
| Accounts payable                             | 534.1           | 495.2                    | (38.9)          |
| Total current liabilities                    | 592.0           | 568.1                    | 23.8            |
| <b>Non-current liabilities:</b>              |                 |                          |                 |
| Bonds and long-term debt                     | 969.1           | 1,005.5                  | 36.3            |
| Accrued retirement benefits                  | 293.4           | 270.7                    | (22.6)          |
| Other long-term liabilities                  | 43.0            | 45.1                     | 2.0             |
| Total non-current liabilities                | 1,305.6         | 1,321.4                  | 15.8            |
| <b>Total liabilities</b>                     | 1,897.6         | 1,889.5                  | (8.0)           |
| <b>Total shareholders' equity:</b>           |                 |                          |                 |
| Common stock                                 | 100.0           | 100.0                    | —               |
| Capital surplus                              | 55.0            | 55.0                     | (0.0)           |
| Retained earnings                            | 603.7           | 641.5                    | 37.7            |
| Treasury stock, at cost                      | (0.0)           | (0.0)                    | (0.0)           |
| Total shareholders' equity                   | 758.7           | 796.5                    | 37.7            |
| <b>Valuation and translation adjustments</b> | 2.9             | 2.2                      | (0.7)           |
| <b>Total net assets</b>                      | 761.7           | 798.7                    | 37.0            |
| <b>Total liabilities and net assets</b>      | 2,659.3         | 2,688.3                  | 28.9            |

(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

Nine months ended December 31

|  | 2017            | 2018            | Change from the same period of the previous year |        |
|--|-----------------|-----------------|--|--------|
|  | Billions of yen | Billions of yen | Billions of yen                                  | %      |
| <b>Operating revenues:</b>                       |                 |                 |  |        |
| Transportation                                   | 659.3           | 660.4           | 1.0  | 0.2    |
| Transportation incidentals                       | 13.3            | 13.1            | (0.2)  | (1.6)  |
| Other operations                                 | 21.2            | 21.6            | 0.3  | 1.8    |
| Miscellaneous                                    | 45.2            | 44.1            | (1.1)  | (2.6)  |
|  | 739.2           | 739.3           | 0.0  | 0.0    |
| <b>Operating expenses:</b>                       |                 |                 |  |        |
| Personnel costs                                  | 163.1           | 161.8           | (1.2)  | (0.8)  |
| Non personnel costs:                             |                 |                 |  |        |
| Energy costs                                     | 33.0            | 33.5            | 0.5  | 1.7    |
| Maintenance costs                                | 105.0           | 100.2           | (4.8)  | (4.6)  |
| Miscellaneous costs                              | 142.8           | 146.1           | 3.3  | 2.3    |
|  | 280.8           | 279.9           | (0.9)  | (0.3)  |
| Rental payments, etc                             | 22.6            | 20.3            | (2.2)  | (9.9)  |
| Taxes  | 29.1            | 29.3            | 0.1  | 0.5    |
| Depreciation                                     | 101.4           | 98.5            | (2.9)  | (2.9)  |
|  | 597.3           | 590.0           | (7.2)  | (1.2)  |
| <b>Operating income</b>                          | 141.9           | 149.2           | 7.3  | 5.2    |
| <b>Non-operating revenues and expenses, net:</b> |                 |                 |  |        |
| Non-operating revenues                           | 2.0             | 3.3             | 1.2  | —      |
| Non-operating expenses                           | 16.4            | 15.6            | (0.7)  | —      |
|  | (14.3)          | (12.3)          | 1.9  | (13.8) |
| <b>Recurring profit</b>                          | 127.5           | 136.8           | 9.3  | 7.3    |
| <b>Extraordinary profit and loss, net:</b>       |                 |                 |  |        |
| Extraordinary profit                             | 17.3            | 12.9            | (4.3)  | —      |
| Extraordinary loss                               | 16.3            | 35.7            | 19.4   | —      |
|  | 0.9             | (22.8)          | (23.7)   | —      |
| <b>Income before income taxes</b>                | 128.4           | 114.0           | (14.4)   | (11.3) |
| <b>Income taxes</b>                              | 39.4            | 33.8            | (5.5)  | (14.0) |
| <b>Net income</b>                                | 89.0            | 80.1            | (8.9)  | (10.1) |



## Passenger-Kilometers and Transportation Revenues

|                     | Millions of Passenger-Kilometers |        |        |       | Billions of yen                  |       |        |       |
|---------------------|----------------------------------|--------|--------|-------|----------------------------------|-------|--------|-------|
|                     | <b>Passenger-Kilometers</b>      |        |        |       | <b>Transportation Revenues</b>   |       |        |       |
|                     | Nine months ended<br>December 31 |        | Change |       | Nine months ended<br>December 31 |       | Change |       |
|                     | 2017                             | 2018   | Amount | %     | 2017                             | 2018  | Amount | %     |
| Shinkansen          |                                  |        |        |       |                                  |       |        |       |
| Commuter Passes     | 642                              | 665    | 22     | 3.6   | 8.1                              | 8.4   | 0.3    | 3.7   |
| Non-Commuter Passes | 15,422                           | 15,584 | 161    | 1.0   | 333.4                            | 339.8 | 6.3    | 1.9   |
| Total               | 16,064                           | 16,249 | 184    | 1.1   | 341.6                            | 348.2 | 6.6    | 1.9   |
| Conventional Lines  |                                  |        |        |       |                                  |       |        |       |
| Commuter Passes     | 17,529                           | 17,455 | (74)   | (0.4) | 108.0                            | 107.5 | (0.4)  | (0.4) |
| Non-Commuter Passes | 11,623                           | 11,435 | (187)  | (1.6) | 209.6                            | 204.5 | (5.0)  | (2.4) |
| Total               | 29,153                           | 28,891 | (262)  | (0.9) | 317.6                            | 312.1 | (5.5)  | (1.7) |
| Kansai Urban Area   |                                  |        |        |       |                                  |       |        |       |
| Commuter Passes     | 14,390                           | 14,364 | (25)   | (0.2) | 88.8                             | 88.6  | (0.1)  | (0.2) |
| Non-Commuter Passes | 8,362                            | 8,272  | (90)   | (1.1) | 144.9                            | 142.6 | (2.3)  | (1.6) |
| Total               | 22,753                           | 22,637 | (116)  | (0.5) | 233.7                            | 231.2 | (2.4)  | (1.1) |
| Other Lines         |                                  |        |        |       |                                  |       |        |       |
| Commuter Passes     | 3,139                            | 3,090  | (48)   | (1.6) | 19.2                             | 18.8  | (0.3)  | (1.7) |
| Non-Commuter Passes | 3,260                            | 3,163  | (97)   | (3.0) | 64.6                             | 61.9  | (2.7)  | (4.2) |
| Total               | 6,399                            | 6,254  | (145)  | (2.3) | 83.9                             | 80.8  | (3.0)  | (3.7) |
| Total               |                                  |        |        |       |                                  |       |        |       |
| Commuter Passes     | 18,172                           | 18,120 | (51)   | (0.3) | 116.2                            | 116.0 | (0.1)  | (0.1) |
| Non-Commuter Passes | 27,045                           | 27,019 | (25)   | (0.1) | 543.1                            | 544.3 | 1.2    | 0.2   |
| Total               | 45,217                           | 45,140 | (77)   | (0.2) | 659.3                            | 660.4 | 1.0    | 0.2   |

Note: Luggage revenues are not included.

### 3. CAPITAL EXPENDITURES

#### Consolidated Basis

|  | Nine months ended<br>December 31 |                 | Change from the same<br>period of the previous<br>period |        | Plan for fiscal<br>year ending<br>March 31,<br>2019 |
|--|----------------------------------|-----------------|--|--------|---|
|  | 2017                             | 2018            | Billions of yen  | %      |   |
|  | Billions of yen                  | Billions of yen |  |        |   |
| Capital expenditures   | 111.3                            | 149.1           | 37.8   | 34.0   | —   |
| Capital expenditures, excluding<br>contributions received for<br>constructions | 97.1                             | 141.1           | 43.9   | 45.2   | 272.0   |
| Contributions received for<br>constructions                                    | 14.1                             | 8.0             | (6.1)  | (43.1) | —   |

#### Non-Consolidated Basis

|  | Nine months ended<br>December 31 |                 | Change from the same<br>period of the previous<br>period |        | Plan for fiscal<br>year ending<br>March 31,<br>2019 |
|--|----------------------------------|-----------------|--|--------|---|
|  | 2017                             | 2018            | Billions of yen  | %      |   |
|  | Billions of yen                  | Billions of yen |  |        |   |
| Capital expenditures   | 84.1                             | 113.5           | 29.3   | 34.9   | —   |
| Capital expenditures, excluding<br>contributions received for<br>constructions | 69.9                             | 105.4           | 35.4   | 50.7   | 210.0   |
| [Safety-related capital<br>expenditures]                                       | [46.1]                           | [66.9]          | [20.8]   | [45.2] | [127.0]   |
| Contributions received for<br>constructions                                    | 14.1                             | 8.0             | (6.1)  | (43.1) | —   |

#### Major Capital Expenditures

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

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

- This report contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates and projections about its business, industry, and capital markets around the world.
- These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.
- Known or unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.
- Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:
  - expenses, liability, loss of revenue or adverse publicity associated with property or casualty losses;
  - economic downturn, deflation and population decreases;
  - adverse changes in laws, regulations and government policies in Japan;
  - service improvements, price reductions and other strategies undertaken by competitors such as passenger railway and airlines companies;
  - infectious disease outbreak and epidemic;
  - earthquake and other natural disaster risks; and
  - failure of computer telecommunications systems disrupting railway or other operations
- All forward-looking statements in this release are made as of January 2019 based on information available to JR-West as of January 2019 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.