

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

Stock listings: Tokyo Stock Exchange

Code number: 9021

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

President: Kazuaki Hasegawa

Quarterly report filing date (Planned): November 10, 2021

Planned start of dividend payments: December 2, 2021

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, 2021 (from April 1, 2021 to September 30, 2021)**(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	%
2021	436,834	8.6	(86,100)	—	(87,468)	—	(68,634)	—
2020	402,356	—	(144,721)	—	(154,292)	—	(128,097)	—

(Note) Comprehensive Income: Six months ended September 30, 2021: ¥(67,924) million, —%;
Six months ended September 30, 2020: ¥(133,291) million, —%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share after dilution
	Yen	Yen
2021	(352.04)	—
2020	(669.95)	—

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. The figures for the first six months of the fiscal year ended March 31, 2021, are the figures after the retroactive application of this standard. As a result, for the first six months of the fiscal year ended March 31, 2021, percent changes from the same period of the previous fiscal year are not included.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2021	3,751,076	1,130,724	27.4
March 31, 2021	3,477,382	956,256	24.5

(Reference) Total shareholders' equity: September 30, 2021: ¥1,027,230 million, March 31, 2021: ¥853,053 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. The figures for the fiscal year ended March 31, 2021, are the figures after the retroactive application of this standard.

2. Dividends

Year ended / ending March 31

	Dividends per share				
	June 30	September 30	December 31	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2021	—	50.00	—	50.00	100.00
2022	—	50.00			
2022 (Forecast)			—	50.00	100.00

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

3. Forecasts for Fiscal Year ending March 31, 2022

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

	Operating revenues		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year	1,052,000 to 1,089,000	14.3 to 18.4	(129,000) to (94,000)	—	(141,500) to (106,500)	—

	Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	Millions of yen	%	Yen	
Fiscal year	(116,500) to (81,500)	—	(609.29) to (426.24)	

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

In regard to the consolidated results forecasts for the fiscal year ending March 31, 2022, the timing of the recovery from the effect of the novel coronavirus pandemic is not yet understood. A certain range is assumed, and therefore the disclosure provides a range of figures.

Notes

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

(2) Adoption of simplified accounting practices and special accounting policy for quarterly financial reporting: None

(3) Changes in accounting policies, changes in accounting estimates, restatements

1) Changes based on revision of accounting standards: Yes

2) Changes other than 1) above: Yes

3) Changes in Accounting Estimates: Yes

4) Restatements: None

(Note) For details, please refer to Notes Related to Summary Information on page 7 of the accompanying materials.

(4) Number of shares outstanding (Common stock)

	Six months ended September 30, 2021	Year ended March 31, 2021
1) Number of shares issued and outstanding (including treasury stock):	244,001,600	191,334,500
2) Number of treasury stock	129,719	129,629
		Six months ended September 30, 2020
3) Average number of shares outstanding for each period (cumulative term):	194,963,705	191,204,731

* Financial results are not subject to auditing.

Notes

1. The forward-looking statements in this document, including forecasts, etc., are based on information available to the Company at the time of this document's release and on certain assumptions considered reasonable. Actual results, etc., might differ significantly due various factors. Regarding the forecast of financial results, please refer to "Qualitative Information on Consolidated Forecasts" on page 6.

2. Supplementary materials for the financial statements are posted on our homepage. The Company plans to hold a presentation for analysts on November 4, 2021. The Company plans to post the presentation materials on its homepage after the presentation.

1. QUALITATIVE INFORMATION ON THE RESULTS FOR THE SUBJECT PERIOD

In the subject period (April 1, 2021 to September 30, 2021), due to the ongoing influence of the novel coronavirus pandemic, including the extension of the state of emergency, circumstances remained extremely challenging for the JR-West Group's operations, including a decline in tourism; a trend toward people refraining from going out, including constraints on business trips; and reduced consumption.

Due to a rebound from the influence of the novel coronavirus pandemic, operating revenues were up 8.6%, to ¥436.8 billion. However, operating loss was ¥86.1 billion, and recurring loss was ¥87.4 billion. After income taxes, loss attributable to owners of parent was ¥68.6 billion.

In these extremely challenging circumstances, we are working to continue to enhance and effectively utilize our risk management system, including the steady implementation of measures to secure railway safety and of novel coronavirus pandemic countermeasures for customers and employees. In addition, we continue to reduce costs by cancelling or postponing measures that are not urgent.

In addition, the entire Group will continue to advance initiatives to enable customers to use our services safely and with peace of mind. We will work to foster new demand through opportunities related to the easing of restrictions on behavior and through the provision of value with consideration for new customer needs.

(1) Qualitative Information on Consolidated Business Results

Consolidated Results for the Six Months Ended September 30, 2021 (April – September 2021)

Operating revenues:	¥436.8 billion
Operating loss:	¥86.1 billion
Recurring loss:	¥87.4 billion
Loss attributable to owners of parent:	¥68.6 billion

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the subject fiscal year. In regard to the application of this accounting standard, etc., in accordance with the basic treatment stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition, the new accounting policy has been retroactively applied to all prior periods. Accordingly, comparisons/analyses related to the first quarter of the previous fiscal year and the previous fiscal year utilize the figures after the retroactive application of this standard.

The results by business segment are as follows.

a. Transportation Operations

With consideration for the train accident on the Fukuchiyama Line on April 25, 2005, JR-West Group remains firm in its resolve to never again cause such a serious accident, and will continue to make concerted efforts to face with sincerity all persons affected by the accident, and enhance its diligent efforts to improve safety. On that basis, in accordance with the "JR-West Group Railway Safety

Think-and-Act Plan 2022,” we are promoting initiatives to enhance safety from tangible and intangible perspectives and are working to advance the establishment of frameworks for safety management.

Even in the difficult circumstances caused by the influence of the spread of the novel coronavirus pandemic, in regard to railway safety, which is our highest priority, we will steadily advance the “JR-West Group Railway Safety Think-and-Act Plan 2022” and aim for an even higher level of safety.

Furthermore, we will work to implement measures to achieve a recovery in demand in line with the circumstances in each area and to implement new initiatives to address changes in behavioral patterns and customer awareness.

In the Transportation Operations Segment, usage increased due to a rebound from the influence of the novel coronavirus pandemic. As a result, segment operating revenues increased 13.3%, to ¥235.6 billion. Nonetheless, operating loss was ¥89.9 billion.

b. Retail Business

In the Retail Segment, usage increased due to a rebound from the influence of the novel coronavirus pandemic. In addition, VIA-INN accommodation-oriented hotels, which are included in the Retail Segment, secured usage from group travelers. As a result, segment operating revenues were up 17.4% year on year, to ¥55.5 billion. Nonetheless, operating loss was ¥6.9 billion.

c. Real Estate Business

In the Real Estate Segment, in real estate sales and leasing operations, lease properties that opened in the previous fiscal year made full-year contributions. In addition, in shopping centers, usage increased due to a rebound from the influence of the novel coronavirus pandemic. As a result, segment operating revenues were up 3.7%, to ¥66.2 billion, and operating income was up 7.0%, to ¥16.1 billion.

d. Other Businesses

In the Other Businesses Segment, usage in the hotel business increased due to a rebound from the influence of the novel coronavirus pandemic. However, conditions remained sluggish in travel agency operations. Segment operating revenues declined 4.6% from the same period of the previous fiscal year, to ¥79.4 billion, and operating loss was ¥6.1 billion.

(2) Qualitative Information on the Consolidated Financial Position

JR-West’s total assets at the end of the second quarter of the subject fiscal year (September 30, 2021) amounted to ¥3,751.0 billion, an increase of ¥273.6 billion from the end of the previous fiscal year (March 31, 2021). This was due mainly to an increase in cash.

Total liabilities amounted to ¥2,620.3 billion, an increase of ¥99.2 billion from the end of the previous fiscal year. This was due mainly to an increase in bonds payable.

Total net assets amounted to ¥1,130.7 billion, an increase of ¥174.4 billion from the end of the previous fiscal year. This was due mainly to increases in common stock and capital surplus.

(3) Qualitative Information on Consolidated Forecasts

Although future circumstances remain uncertain due to the influence of the novel coronavirus pandemic, at this point the Group's consolidated results for the subject period are generally in line with expectations, and accordingly there is no change to the details of the consolidated results forecasts for the fiscal year ending March 31, 2022, that were announced on July 30, 2021.

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

2. Notes Related to Summary Information

(1) Changes in accounting policies, changes in accounting estimates, restatements

(Application of “Accounting Standard for Revenue Recognition”)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), hereinafter “Accounting Standard for Revenue Recognition,” has been applied from the beginning of the first quarter of the subject fiscal year (April 1, 2021), and recognizes revenue when control of promised goods and services are transferred to a customer in the expected entitled amount. As a result of this change, for the revenue related to in-house travel products, the main transaction, the Group has decided to recognize revenue as the equivalent amount to that received from the customer for transactions where the Group’s role in the provision of goods and services falls under the category of principal transactions. Previously the Group recognized revenue as the net amount received from the customer, excluding the amount paid to the supplier.

Furthermore, for the revenue from goods purchased for resale, the method for recognition of revenue has changed to that of the total amount excluding the net amount paid to the supplier, where the Group’s role in the provision of goods and services falls under the category of agent transactions. Previously, the Group recognized revenue as the equivalent amount to that received from a customer. These changes to accounting policies have been applied retroactively in principle, and the quarterly and consolidated financial statements for the previous quarter and previous fiscal year have been adjusted retroactively. However, the Group adopted the following methods as prescribed in Paragraph 85 of the “Accounting Standard for Revenue Recognition.”

- (1) The comparative information shall not be adjusted retroactively for contracts in which almost all the amounts of revenue have been recognized in accordance with the former standards that were applied prior to the beginning of the previous fiscal year.
- (2) The comparative information concerning the amount of variable consideration included in contracts in which almost all the amounts of revenue have been recognized in accordance with the former standards that were applied prior to the beginning of the subject fiscal year shall be adjusted retroactively using the amount at the time when uncertainly regarding the amount of variable consideration has been resolved.
- (3) The quarterly financial statements for the previous fiscal year shall not be adjusted retroactively for contracts that began and ended within the previous fiscal year.
- (4) The comparative information shall be adjusted retroactively for changes to contracts made prior to the beginning of the previous fiscal year and accounting will be carried out based on the terms of the contract after reflecting all contractual changes.

As a result, compared to before the retroactive adjustments were carried out, for the first six months of the previous fiscal year (April 1, 2020 to September 30, 2020), operating revenues increased by ¥12,384 million; transportation, other services and cost of sales increased by ¥12,665 million; selling, general and administrative expenses decreased by ¥290 million; and operating loss, recurring loss, and loss before income taxes each improved by ¥9 million. Additionally, retained earnings for that year increased ¥91 million reflecting the cumulative impact on net assets at the

beginning of the previous fiscal year.

Due to the application of “Accounting Standard for Revenue Recognition,” the “allowance for point program,” which was disclosed under “current liabilities” in the consolidated balance sheet from the previous fiscal year, has been included under “advances received” from the first quarter of the subject fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), hereinafter “Accounting Standard for Fair Value Measurement,” has been applied since the first quarter of the subject fiscal year. In accordance with transitional treatment as prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standards for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Group has decided to apply new accounting policies as prescribed in the “Accounting Standard for Fair Value Measurement” in future statements.

Therefore, there is no impact on the quarterly financial statements for the subject fiscal year.

(Changes in depreciation method for property, plant, and equipment, as well as changes to useful life)

From the first quarter of the subject fiscal year (April 1, 2021 to June 30, 2021) the Group adopted the straight-line method for calculating the depreciation of Shinkansen rolling stock among property, plant, and equipment. Previously, the Group used the declining balance method.

In October 2020, the Group announced a revision of the JR-West Group Medium-Term Management Plan 2022 in response to the changes in the market structure caused by changes in customer behavior in the wake of the spread of the novel coronavirus pandemic. From the subject fiscal year, the Group has decided to proceed with implementation of various initiatives.

Shinkansen are the key to these initiatives. In order to enhance the convenience of the Sanyo Shinkansen, the Group will optimize the train operating system to suit passenger use, establish a rolling stock deployment system by introducing the new N700S train, and create an environment where Shinkansen rolling stock can be used in long-term and stable manner.

As a result of examining the method for calculating depreciation in light of changes to business environment and revision of management policies, it was judged that changing to the straight-line method of calculating depreciation would more appropriately reflect the consumption pattern of the Shinkansen rolling stock, as it is not expected to suddenly decrease in value and will be used in a long-term and stable manner.

Furthermore, as a result of examining the actual use of Shinkansen rolling stock, which was triggered by the consideration of changes to the method for calculating depreciation, the useful life of rolling stock has been changed from the first quarter of the subject fiscal year based on a more realistic estimated period of economic viability.

Thus operating loss, recurring loss, and loss before income taxes for the current fiscal period (April 1, 2021 to September 30, 2021) each improved by ¥6,037 million compared to the existing methods.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen	
	March 31, 2021	September 30, 2021
ASSETS		
Current assets:		
Cash	210,291	475,238
Notes and accounts receivable-trade	37,347	27,465
Railway fares receivable	25,107	21,899
Accounts receivable	61,177	44,450
Securities	24	104
Inventories	118,899	148,209
Other current assets	79,400	74,868
Less allowance for doubtful accounts	(638)	(619)
Total current assets	531,609	791,617
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	1,219,124	1,207,596
Machinery and transport equipment	384,067	376,932
Land	783,246	786,482
Construction in progress	118,904	139,256
Other property, plant and equipment	62,713	59,518
Total property, plant and equipment	2,568,055	2,569,787
Intangible assets	34,054	30,456
Investments and other assets:		
Investments in securities	103,105	102,650
Net defined benefit asset	2,595	3,038
Deferred tax assets	191,769	207,823
Other investments and assets	51,192	49,274
Less allowance for doubtful accounts	(5,000)	(4,955)
Total investments and other assets	343,662	357,831
Total non-current assets	2,945,773	2,958,075
Deferred assets:		
Share issuance cost	—	1,383
Total deferred assets	—	1,383
Total assets	3,477,382	3,751,076

	Millions of yen	
	March 31, 2021	September 30, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and accounts payable-trade	60,255	40,403
Short-term loans payable	19,474	15,831
Current portion of bonds	25,000	15,000
Current portion of long-term debt	36,952	66,952
Current portion of long-term payables for acquisition of railway properties	1,309	1,130
Accounts payable	149,889	86,231
Accrued consumption tax	6,225	3,878
Accrued income tax	18,142	5,437
Prepaid railway fares received	30,202	31,656
Advances received	53,624	83,055
Allowance for bonuses	23,473	22,019
Allowance for loss on disaster	2,230	1,900
Allowance for point program	714	592
Other current liabilities	163,620	158,003
Total current liabilities	591,116	532,093
Non-current liabilities:		
Bonds	814,988	974,989
Long-term debt	581,408	600,382
Long-term payables for acquisition of railway properties	99,848	99,274
Deferred tax liabilities	1,846	2,157
Allowance for large scale renovation of Shinkansen infrastructure	20,833	22,916
Allowance for environmental safety measures	6,898	6,486
Allowance for loss on liquidation of railway belts	8,809	8,739
Net defined benefit liability	254,830	231,667
Other long-term liabilities	140,544	141,642
Total non-current liabilities	1,930,009	2,088,258
Total liabilities	2,521,125	2,620,351

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	Millions of yen	
	March 31, 2021	September 30, 2021
NET ASSETS		
Total shareholders' equity:		
Common stock	100,000	226,136
Capital surplus	57,454	183,591
Retained earnings	696,843	618,634
Treasury stock, at cost	(482)	(482)
Total shareholders' equity	853,815	1,027,879
Valuation and translation adjustments:		
Net unrealized holding gain on securities	(780)	(412)
Deferred gains or losses on hedges	0	—
Remeasurements of defined benefit plans	17	(236)
Total Valuation and translation adjustments	(762)	(648)
Non-controlling interests	103,203	103,494
Total net assets	956,256	1,130,724
Total liabilities and net assets	3,477,382	3,751,076

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

Consolidated Statements of Income

Six months ended September 30

	Millions of yen	
	2020	2021
Operating revenues	402,356	436,834
Operating expenses:		
Transportation, other services and cost of sales	466,135	443,583
Selling, general and administrative expenses	80,942	79,351
Total operating expenses	547,078	522,934
Operating income (loss)	(144,721)	(86,100)
Non-operating revenues:		
Interest income	15	8
Dividend income	442	1,892
Transfer from administrative fee of contracted construction	114	112
Equity in earnings of affiliates	1,453	959
Subsidies for employment adjustment	302	6,299
Other	1,197	2,407
Total non-operating revenues	3,526	11,679
Non-operating expenses:		
Interest expense	9,968	10,695
Other	3,129	2,350
Total non-operating expenses	13,097	13,046
Recurring profit (loss)	(154,292)	(87,468)
Extraordinary profits:		
Gain on sales of non-current assets	115	7,633
Gain on contribution for construction	3,719	3,922
Other	3,757	3,015
Total extraordinary profits	7,592	14,571
Extraordinary losses:		
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,390	3,588
Loss related to novel coronavirus	11,642	1,804
Other	1,617	1,651
Total extraordinary losses	16,650	7,044
Profit (loss) before income taxes	(163,350)	(79,941)
Income taxes- Current	4,703	3,962
Income taxes- Deferred	(38,238)	(15,766)
Total income taxes	(33,534)	(11,804)
Profit (loss)	(129,816)	(68,137)
Profit (loss) attributable to non-controlling interests	(1,719)	497
Profit (loss) attributable to owners of parent	(128,097)	(68,634)

Consolidated Statements of Comprehensive Income

Six months ended September 30

	Millions of yen	
	2020	2021
Profit (loss)	(129,816)	(68,137)
Other comprehensive income:		
Valuation difference on available-for-sale securities	(2,639)	352
Deferred gains or losses on hedges	(39)	—
Remeasurements of defined benefit plans, net of tax	(771)	(124)
Share of other comprehensive income of associates accounted for using equity method	(25)	(15)
Total of other comprehensive income	(3,475)	212
Comprehensive income	(133,291)	(67,924)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(131,563)	(68,521)
Comprehensive income attributable to non-controlling interests	(1,728)	596

Business Segment Information

Six months ended September 30

		Billions of yen		
		2020	2021	Change from the same period of the previous period
Transportation	Operating revenues	207.9	235.6	27.7
	Operating income (loss)	(138.3)	(89.9)	48.3
Retail	Operating revenues	47.3	55.5	8.2
	Operating income (loss)	(9.9)	(6.9)	2.9
Real Estate	Operating revenues	63.8	66.2	2.3
	Operating income (loss)	15.0	16.1	1.0
Other Businesses	Operating revenues	83.2	79.4	(3.8)
	Operating income (loss)	(11.2)	(6.1)	5.0

Notes:

1. Revenues by each segment are from third parties.
2. The revenue recognition standard has been retroactively applied to the results for FY2021.3.

(3) Consolidated Statements of Cash Flows

Six months ended September 30

	Millions of yen	
	2020	2021
Cash flows from operating activities		
Profit (loss) before income taxes	(163,350)	(79,941)
Depreciation and amortization	83,510	78,149
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	3,390	3,588
Loss on disposal of property, plant and equipment	1,409	929
Loss (gain) on sales of non-current assets	(56)	(7,608)
Increase (decrease) in net defined benefit liability	(28,280)	(23,805)
Increase (decrease) in allowance for doubtful accounts	15	(63)
Increase (decrease) in provision for bonuses	(12,090)	(1,453)
Increase (decrease) in allowance for the large-scale renovation of Shinkansen infrastructure	2,083	2,083
Increase (decrease) in other provision	(1,317)	(1,018)
Interest and dividend income	(458)	(1,900)
Interest expenses	9,968	10,695
Equity in earnings of affiliates	(1,453)	(959)
Proceeds from contribution for construction	(3,719)	(3,922)
Decrease (increase) in notes and accounts receivable-trade	53,123	31,002
Decrease (increase) in inventories	(21,035)	(29,308)
Increase (decrease) in notes and accounts payable-trade	(39,888)	(49,796)
Increase (decrease) in accrued consumption taxes	(5,603)	(2,347)
Other	946	2,846
Subtotal	(122,806)	(72,830)
Interest and dividends income received	459	1,900
Interest paid	(9,526)	(10,301)
Income taxes paid	(9,369)	(14,525)
Net cash provided by operating activities	(141,243)	(95,756)
Cash flows from investing activities		
Purchases of property, plant and equipment	(110,979)	(95,929)
Proceeds from sales of property, plant and equipment	244	7,792
Contributions received for constructions	14,240	18,663
Increase in investments in securities	(1,697)	(1,486)
Proceeds from sales of investment securities	—	1,583
Net decrease (increase) in loans receivable	(1,599)	(2,269)
Other	745	(1,354)
Net cash used in investing activities	(99,045)	(73,000)

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	Millions of yen	
	2020	2021
Cash flows from financing activities		
Change in short-term loans	(5,763)	(3,553)
Net changes in commercial paper	10,000	—
Proceeds from long-term loans	224,300	49,000
Repayment of long-term debt	(15,247)	(26)
Proceeds from issuance of bonds	300,000	160,000
Redemption of bonds	(25,000)	(10,000)
Repayment of long-term payables for acquisition of railway properties	(831)	(753)
Proceeds from issuance of common shares	—	250,849
Purchase of treasury stock	—	(0)
Proceeds from sales of treasury stock	0	—
Cash dividends paid	(15,833)	(10,472)
Dividends paid to non-controlling interests	(311)	(305)
Other	(958)	(1,079)
Net cash used in financing activities	470,353	433,658
Change in cash and cash equivalents, net	230,064	264,901
Cash and cash equivalents at the beginning of the period	78,283	210,045
Increase in cash and cash equivalents from newly consolidated subsidiary	—	45
Cash and cash equivalents at the end of the period	308,348	474,991

(4) Note on Assumptions for Going Concern

Not applicable

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

In the first six months of the fiscal year ending March 31, 2022, the Company implemented an issuance of new shares by way of public offering with a payment date of September 17, 2021, and implemented a capital increase by way of third-party allotment with a payment date of September 29, 2021 (capital increase by way of third-party allotment in connection with offering by way of over-allotment). As a result, common stock increased ¥126,136 million and capital surplus increased ¥126,136 million, and at the end of the subject period common stock was ¥226,136 million and capital surplus was ¥183,591 million.

(6) Other

(Additional Information)

1. Loss due to the novel coronavirus pandemic

Due to the novel coronavirus pandemic, the fixed costs, etc., accruing during the temporary shutdown of Group commercial facilities, etc., have been recorded as "loss related to novel coronavirus" under extraordinary losses in the quarterly consolidated statements of income.

2. Accounting estimates related to the influence of the novel coronavirus pandemic

In regard to accounting estimates, such as assessments of the recoverability of deferred tax assets for the subject period, etc., we are assuming that in the fiscal year ending March 31, 2022 there will be a gradual recovery in usage conditions in the railway business, which is our core business. In addition, we are assuming that the results of Group companies will recover in basically the same manner. However, there are many uncertain elements in regard to actual consumption trends, etc., and it is possible that there will be an influence on results in the fiscal year ending March 31, 2022, and subsequent fiscal years.

Reference Materials

1. NON-CONSOLIDATED BALANCE SHEETS

	March 31, 2021	September 30, 2021	Change
	Billions of yen	Billions of yen	Billions of yen
ASSETS			
Current assets:			
Total current assets	383.9	607.0	223.1
Non-current assets:			
Non-current assets for railway operations	1,927.2	1,893.9	(33.2)
Construction in progress	94.4	105.3	10.8
Investments and other assets	620.3	661.2	40.9
Total non-current assets	2,642.0	2,660.5	18.5
Deferred assets	—	1.3	1.3
Total assets	3,025.9	3,268.9	243.0

	March 31, 2021	September 30, 2021	Change
	Billions of yen	Billions of yen	Billions of yen
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	62.8	82.6	19.8
Accounts payable	612.0	500.0	(112.0)
Total current liabilities	674.9	582.7	(92.2)
Non-current liabilities:			
Bonds and long-term debt	1,496.1	1,674.5	178.4
Accrued retirement benefits	225.1	201.5	(23.6)
Other long-term liabilities	49.5	50.7	1.2
Total non-current liabilities	1,770.8	1,926.8	155.9
Total liabilities	2,445.7	2,509.5	63.7
Total shareholders' equity:			
Common stock	100.0	226.1	126.1
Capital surplus	55.0	181.1	126.1
Retained earnings	426.9	353.6	(73.3)
Treasury stock, at cost	(0.0)	(0.0)	(0.0)
Total shareholders' equity	581.9	760.8	178.8
Valuation and translation adjustments	(1.7)	(1.4)	0.3
Total net assets	580.2	759.4	179.2
Total liabilities and net assets	3,025.9	3,268.9	243.0

2. NON-CONSOLIDATED STATEMENTS OF INCOME

Six months ended September 30

	2020	2021	Change from the same period of the previous period	
	Billions of yen	Billions of yen	Billions of yen	%
Operating revenues:				
Transportation	182.3	210.0	27.6	15.2
Transportation incidentals	6.1	6.2	0.1	1.8
Other operations	13.1	13.0	(0.0)	(0.6)
Miscellaneous	24.3	22.6	(1.6)	(7.0)
	225.9	251.9	25.9	11.5
Operating expenses:				
Personnel costs	92.3	90.2	(2.1)	(2.4)
Non personnel costs:				
Energy costs	20.7	19.0	(1.6)	(8.1)
Maintenance costs	62.4	55.5	(6.9)	(11.1)
Miscellaneous costs	79.2	73.4	(5.8)	(7.4)
	162.4	147.9	(14.4)	(8.9)
Rental payments, etc.	13.6	13.2	(0.3)	(2.8)
Taxes	18.5	19.1	0.6	3.3
Depreciation	67.9	62.2	(5.6)	(8.4)
	354.9	332.8	(22.0)	(6.2)
Operating profit (loss)	(128.9)	(80.9)	48.0	—
Non-operating revenues and expenses, net:				
Non-operating revenues	2.3	5.5	3.1	135.9
Non-operating expenses	12.7	11.6	(1.0)	(8.5)
	(10.3)	(6.0)	4.2	—
Recurring profit (loss)	(139.3)	(86.9)	52.3	—
Extraordinary profit and loss, net:				
Extraordinary profit	5.0	11.8	6.7	134.4
Extraordinary loss	8.4	4.4	(4.0)	(47.5)
	(3.3)	7.4	10.8	—
Profit (loss) before income taxes	(142.7)	(79.5)	63.1	—
Income taxes	(42.9)	(15.7)	27.1	—
Net profit (loss)	(99.7)	(63.8)	35.9	—

Note: The revenue recognition standard has been retroactively applied to the results for FY2021.3.

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	
	2020	2021	Amount	%	2020	2021	Amount	%
Shinkansen								
Commuter Passes	399	417	18	4.7	5.1	5.3	[(0.3)] 0.1	[(6.9)] 3.6
Non-Commuter Passes	2,629	3,388	758	28.9	60.7	77.6	[(151.9)] 16.8	[(66.2)] 27.8
Total	3,028	3,806	777	25.7	65.9	82.9	[(152.3)] 17.0	[(64.7)] 25.9
Conventional Lines								
Commuter Passes	9,667	9,788	120	1.2	58.4	60.2	[(11.8)] 1.7	[(16.4)] 3.0
Non-Commuter Passes	3,152	3,670	517	16.4	57.9	66.8	[(78.7)] 8.8	[(54.1)] 15.3
Total	12,820	13,458	638	5.0	116.4	127.0	[(90.5)] 10.5	[(41.6)] 9.1
Kansai Urban Area								
Commuter Passes	7,820	7,980	160	2.1	47.8	49.3	[(10.0)] 1.4	[(17.0)] 3.1
Non-Commuter Passes	2,331	2,757	426	18.3	42.0	49.0	[(52.7)] 6.9	[(51.8)] 16.6
Total	10,151	10,737	586	5.8	89.8	98.3	[(62.8)] 8.4	[(39.0)] 9.4
Other Lines								
Commuter Passes	1,847	1,808	(39)	(2.2)	10.6	10.8	[(1.7)] 0.2	[(13.7)] 2.3
Non-Commuter Passes	821	913	91	11.1	15.9	17.8	[(26.0)] 1.8	[(59.4)] 11.8
Total	2,669	2,721	51	1.9	26.5	28.7	[(27.7)] 2.1	[(49.2)] 8.0
Total								
Commuter Passes	10,066	10,206	139	1.4	63.6	65.5	[(12.2)] 1.9	[(15.7)] 3.0
Non-Commuter Passes	5,782	7,059	1,276	22.1	118.7	144.4	[(230.7)] 25.7	[(61.5)] 21.7
Total	15,849	17,265	1,415	8.9	182.3	210.0	[(242.9)] 27.6	[(53.6)] 15.2

Notes:

1. Luggage revenues are not included.
2. Figures in parentheses for transportation revenues are comparisons with the second quarter of FY2020.3 (prior to the application of the revenue recognition standard) and are provided for reference.

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, 2022
	2020	2021	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	86.6	76.7	(9.8)	(11.4)	—
Capital expenditures, excluding contributions received for constructions	83.5	73.4	(10.0)	(12.1)	245.0
Contributions received for constructions	3.0	3.2	0.1	6.4	—

Non-Consolidated Basis

	Six months ended September 30		Change from the same period of the previous period		Plan for fiscal year ending March 31, 2022
	2020	2021	Billions of yen	%	
	Billions of yen	Billions of yen			
Capital expenditures	59.7	48.8	(10.9)	(18.3)	—
Capital expenditures, excluding contributions received for constructions	56.6	45.5	(11.1)	(19.6)	170.0
[Safety-related capital expenditures]	[32.0]	[26.5]	[(5.4)]	[(17.1)]	(85.0)
Contributions received for constructions	3.0	3.2	0.1	6.4	—

Major Capital Expenditures (non-consolidated)

Earthquake countermeasures and other safety/disaster-prevention measures, new rolling stock (225 series), etc.

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 November 2021 based on information available to JR-West as of November 2021 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.