# JR-West Group Medium-Term Management Plan 2017 (Update) and Results for the Fiscal Year Ended March 2015

Taking the Next Step.

Working together with communities.

May 1, 2015

West Japan Railway Company

Ⅰ. Results for FY2015/3
and Forecasts for FY2016/3

Ⅱ. Update of the Medium-Term Management Plan and Future Initiatives

# Ⅰ. Results for FY2015/3 and Forecasts for FY2016/3

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- I am Nobutoshi Nikaido, general manager of the finance department.

- I would like to explain the results for the fiscal year ended March 2015 (FY2015/3) and forecasts for the fiscal year ending March 2016 (FY2016/3) announced on April 30.

# Financial Highlights

JR-WEST

¥ Billions

| | Results FY2014/3 A | Results FY2015/3 B | YoY Increase/ (Decrease) B-A | YoY % B/A-1 | Forecasts FY2016/3 C | YoY Increase/ (Decrease) C-B | YoY % C/B-1 |
|---|---|---|---|---|---|---|---|
| 【Consolidated】 | | | | | | | |
| Operating Revenues | 1,331.0 | 1,350.3 | 19.3 | 1.5 | 1,391.5 | 41.1 | 3.0 |
| Operating Income | 134.5 | 139.7 | 5.1 | 3.8 | 148.5 | 8.7 | 6.2 |
| Recurring Profit | 112.9 | 121.9 | 9.0 | 8.0 | 130.0 | 8.0 | 6.6 |
| Net Income<br>Net income attributable to shareholders of the parent company* | 65.6 | 66.7 | 1.0 | 1.6 | 81.5 | 14.7 | 22.2 |
| 【Non-Consolidated】 | | | | | | | |
| Operating Revenues | 873.6 | 890.9 | 17.2 | 2.0 | 919.5 | 28.5 | 3.2 |
| Transportation Revenues | 780.6 | 797.0 | 16.3 | 2.1 | 818.0 | 20.9 | 2.6 |
| Operating Expenses | 771.8 | 778.9 | 7.0 | 0.9 | 803.0 | 24.0 | 3.1 |
| Personnel costs | 235.4 | 233.0 | (2.4) | (1.0) | 233.0 | (0.0) | (0.0) |
| Non personnel costs | 351.6 | 369.0 | 17.3 | 4.9 | 379.5 | 10.4 | 2.8 |
| Energy costs | 43.1 | 45.3 | 2.2 | 5.2 | 47.0 | 1.6 | 3.7 |
| Maintenance costs | 139.0 | 146.7 | 7.7 | 5.6 | 146.5 | (0.2) | (0.2) |
| Miscellaneous costs | 169.5 | 176.9 | 7.3 | 4.4 | 186.0 | 9.0 | 5.1 |
| Depreciation | 129.3 | 126.0 | (3.3) | (2.6) | 132.0 | 5.9 | 4.7 |
| Operating Income | 101.7 | 112.0 | 10.2 | 10.1 | 116.5 | 4.4 | 4.0 |
| Recurring Profit | 79.9 | 92.1 | 12.1 | 15.2 | 98.0 | 5.8 | 6.4 |
| Net Income | 48.6 | 47.3 | (1.2) | (2.7) | 63.5 | 16.1 | 34.0 |

Note: Figures in brackets ( ) are negative values.
* Expression reflects the revised accounting standards applied in the fiscal year ending March 2016.

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- First, please look at page 3. This page shows financial highlights of the results for FY2015/3 and the forecasts for FY2016/3.

- In the previous fiscal year, economic conditions had a favorable effect, and we recorded strong transportation revenues on a non-consolidated basis. In addition, DAITETSU KOGYO and another construction company were newly consolidated. We achieved higher revenues and profits on both a consolidated basis and a non-consolidated basis.

- This fiscal year, we are forecasting substantial gains in non-consolidated transportation revenues due to the opening of the Hokuriku Shinkansen and other factors as well as positive effects in the retail and real estate businesses from the opening of LUCUA 1100 in Osaka Station, the renewal of in-station stores and shopping centers, which we have been working on since the previous fiscal year, and higher sales of condominiums. Consequently, the plan is for gains in both revenues and profits, with consolidated operating revenues of ¥1,391.5 billion, an increase of ¥41.1 billion year on year, and consolidated operating income of ¥148.5 billion, an increase of ¥8.7 billion year on year.

# Non-Consolidated Financial Results

¥ Billions

| | Results FY2014/3 A | FY2015/3 Forecasts ( As of Jan 30 ) B | FY2015/3 Results C | YoY Increase/ (Decrease) C-A | YoY % C/A-1 | Difference from the forecasts Increase/(Decrease) C-B |
|---|---|---|---|---|---|---|
| Operating Revenues | 873.6 | 886.5 | 890.9 | 17.2 | 2.0 | 4.4 |
| Transportation revenues | 780.6 | 793.5 | 797.0 | 16.3 | 2.1 | 3.5 |
| Other | 93.0 | 93.0 | 93.9 | 0.9 | 1.0 | 0.9 |
| Operating Expenses | 771.8 | 778.5 | 778.9 | 7.0 | 0.9 | 0.4 |
| Personnel costs | 235.4 | 233.0 | 233.0 | (2.4) | (1.0) | 0.0 |
| Non personnel costs | 351.6 | 368.0 | 369.0 | 17.3 | 4.9 | 1.0 |
| Energy costs | 43.1 | 45.5 | 45.3 | 2.2 | 5.2 | (0.1) |
| Maintenance costs | 139.0 | 146.5 | 146.7 | 7.7 | 5.6 | 0.2 |
| Miscellaneous costs | 169.5 | 176.0 | 176.9 | 7.3 | 4.4 | 0.9 |
| Rental payments, etc. | 23.6 | 18.5 | 18.7 | (4.8) | (20.5) | 0.2 |
| Taxes | 31.6 | 32.0 | 32.0 | 0.3 | 1.0 | 0.0 |
| Depreciation | 129.3 | 127.0 | 126.0 | (3.3) | (2.6) | (0.9) |
| Operating Income | 101.7 | 108.0 | 112.0 | 10.2 | 10.1 | 4.0 |
| Non-operating revenues and expenses | (21.7) | (20.0) | (19.8) | 1.8 | (8.7) | 0.1 |
| Non-operating revenues | 6.5 | 6.6 | 6.5 | (0.0) | - | (0.0) |
| Non-operating expenses | 28.3 | 26.6 | 26.4 | (1.9) | - | (0.1) |
| Recurring Profit | 79.9 | 88.0 | 92.1 | 12.1 | 15.2 | 4.1 |
| Extraordinary profit and loss, net | 1.2 | (8.5) | (4.5) | (5.7) | - | 3.9 |
| Extraordinary profit | 23.8 | - | 60.6 | 36.7 | - | - |
| Extraordinary loss | 22.6 | - | 65.1 | 42.5 | - | - |
| Net Income | 48.6 | 55.0 | 47.3 | (1.2) | (2.7) | (7.6) |

Note: Figures in brackets ( ) are negative values.

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- Next, please look at page 4 for our non-consolidated financial results.
- Due primarily to a gain in transportation revenues of ¥16.3 billion year on year, operating revenues increased substantially, rising ¥17.2 billion year on year.
- Looking at expenses, operating expenses rose ¥7.0 billion year on year, due to increased electricity charges stemming from the effect of the fuel cost adjustment system, to an increase in maintenance expenses stemming from higher construction unit prices, and to an increase in costs related to the Hokuriku Shinkansen. On account of the large increase in revenues, operating income was up ¥10.2 billion year on year.

## Major Factors of Increase/Decrease in Transportation Revenues

¥ Billions

| Transportation revenues | Results FY2015/3 | YoY Increase/(Decrease) Amount | YoY Increase/(Decrease) % | Major factors | Amount |
|---|---|---|---|---|---|
| Shinkansen | 375.9 | 11.4 | 3.1 | Fundamentals 2.2% | 7.9 |
| | | | | Special factors | |
| | | | | Hokuriku Shinkansen | 2.6 |
| | | | | Expanding revenue via the internet | 1.1 |
| | | | | USJ | 0.6 |
| | | | | Inbound demand | 0.3 |
| | | | | Seniors demand | 0.3 |
| | | | | Two fewer three-day holidays | (1.2) |
| | | | | etc. | |
| Kansai Urban Area (Kyoto-Osaka-Kobe Area) | 296.2 | 4.1 | 1.4 | Fundamentals 1.0% | 2.9 |
| | | | | Special factors | |
| | | | | Inbound demand | 0.7 |
| | | | | New large commercial buildings | 0.5 |
| | | | | Two fewer three-day holidays | (0.2) |
| | | | | etc. | |
| Other lines | 124.8 | 0.8 | 0.7 | Fundamentals 1.3% | 1.5 |
| | | | | Special factors | |
| | | | | Separation of management of the conventional lines between Kanazawa and Naoetsu parallel to Hokuriku Shinkansen | (0.8) |
| | | | | Two fewer three-day holidays | (0.2) |
| | | | | etc. | |
| Conventional lines | 421.0 | 4.9 | 1.2 | | |
| Total | 797.0 | 16.3 | 2.1 | | |

Note: Revenues from luggage transportation are omitted due to the small amount.
Figures in brackets ( ) are negative values.

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- Next, please look at page 5. This page explains the major factors of increase/decrease in transportation revenues, which recorded a substantial gain.

- In the previous fiscal year, operating revenues rose ¥16.3 billion year on year, to ¥797.0 billion, despite negative factors including fewer three-day weekends. This gain was attributable to such factors as business usage fostered by the economic recovery, favorable domestic tourism demand and demand from inbound visitors for travel within Japan, and the opening of the Hokuriku Shinkansen in March.

- Shinkansen revenues reached a record high of ¥375.9 billion due to such factors as promotions through the Internet, including “Super Haya-toku” early discount tickets; the effect of the opening of a Harry Potter attraction area at Universal Studios Japan; the capture of demand from inbound visitors and senior citizens; and the opening of the Hokuriku Shinkansen.

- In the Kansai Urban Area, we recorded favorable results due to solid leisure demand, an increase in women and senior citizens in employment accompanying improved economic conditions, increased inbound demand, the opening of large-scale commercial facilities, and higher commuter revenues resulting from the opening of colleges, etc., along our routes.

# Transportation Revenues and Passenger-Kilometers

JR-WEST

### Transportation Revenues

¥ Billions

| | Fiscal Year ( 4/1 ~ 3/31 ) | | | 3 months (4Q) ( 1/1 ~ 3/31 ) | | |
|---|---|---|---|---|---|---|
| | FY2014/3 | FY2015/3 | YoY | FY2014/3 | FY2015/3 | YoY |
| Total | 780.6 | 797.0 | 16.3<br>2.1% | 190.8 | 195.2 | 4.3<br>2.3% |
| Shinkansen | 364.4 | 375.9 | 11.4<br>3.1% | 87.5 | 91.6 | 4.0<br>4.6% |
| Commuter Passes | 9.3 | 9.3 | (0.0)<br>(0.2%) | 2.3 | 2.2 | (0.0)<br>(2.4%) |
| Non-Commuter Passes | 355.1 | 366.5 | 11.4<br>3.2% | 85.2 | 89.3 | 4.1<br>4.8% |
| Conventional Lines | 416.1 | 421.0 | 4.9<br>1.2% | 103.2 | 103.5 | 0.3<br>0.3% |
| Commuter Passes | 141.0 | 142.3 | 1.2<br>0.9% | 33.8 | 34.0 | 0.2<br>0.6% |
| Non-Commuter Passes | 275.0 | 278.7 | 3.6<br>1.3% | 69.4 | 69.5 | 0.1<br>0.2% |
| Kansai Urban Area (Kyoto-Osaka-Kobe Area) | 292.1 | 296.2 | 4.1<br>1.4% | 72.3 | 73.2 | 0.9<br>1.3% |
| Commuter Passes | 113.8 | 115.2 | 1.3<br>1.2% | 27.3 | 27.8 | 0.5<br>1.9% |
| Non-Commuter Passes | 178.3 | 181.0 | 2.7<br>1.6% | 45.0 | 45.4 | 0.3<br>0.9% |
| Other Lines | 123.9 | 124.8 | 0.8<br>0.7% | 30.9 | 30.3 | (0.5)<br>(1.9%) |
| Commuter Passes | 27.1 | 27.1 | (0.0)<br>(0.2%) | 6.5 | 6.1 | (0.3)<br>(5.0%) |
| Non-Commuter Passes | 96.7 | 97.6 | 0.9<br>0.9% | 24.3 | 24.1 | (0.2)<br>(1.1%) |

### Passenger-Kilometers

Millions of passenger-kilometers

| | Fiscal Year ( 4/1 ~ 3/31 ) | | | 3 months (4Q) ( 1/1 ~ 3/31 ) | | |
|---|---|---|---|---|---|---|
| | FY2014/3 | FY2015/3 | YoY | FY2014/3 | FY2015/3 | YoY |
| Total | 55,894 | 56,078 | 184<br>0.3% | 13,733 | 13,461 | (272)<br>(2.0%) |
| Shinkansen | 17,617 | 18,109 | 492<br>2.8% | 4,206 | 4,348 | 142<br>3.4% |
| Commuter Passes | 762 | 743 | (19)<br>(2.5%) | 200 | 187 | (13)<br>(6.8%) |
| Non-Commuter Passes | 16,854 | 17,366 | 511<br>3.0% | 4,005 | 4,161 | 156<br>3.9% |
| Conventional Lines | 38,276 | 37,969 | (307)<br>(0.8%) | 9,527 | 9,112 | (415)<br>(4.4%) |
| Commuter Passes | 23,157 | 22,557 | (600)<br>(2.6%) | 5,726 | 5,295 | (431)<br>(7.5%) |
| Non-Commuter Passes | 15,119 | 15,411 | 292<br>1.9% | 3,801 | 3,817 | 16<br>0.4% |
| Kansai Urban Area (Kyoto-Osaka-Kobe Area) | 29,012 | 28,830 | (182)<br>(0.6%) | 7,233 | 6,966 | (266)<br>(3.7%) |
| Commuter Passes | 18,724 | 18,356 | (367)<br>(2.0%) | 4,643 | 4,365 | (277)<br>(6.0%) |
| Non-Commuter Passes | 10,288 | 10,473 | 184<br>1.8% | 2,590 | 2,601 | 10<br>0.4% |
| Other Lines | 9,264 | 9,138 | (125)<br>(1.4%) | 2,294 | 2,145 | (148)<br>(6.5%) |
| Commuter Passes | 4,433 | 4,201 | (232)<br>(5.2%) | 1,083 | 929 | (154)<br>(14.2%) |
| Non-Commuter Passes | 4,830 | 4,937 | 107<br>2.2% | 1,211 | 1,216 | 5<br>0.5% |

Note: Figures in brackets ( ) are negative values.

## Major Factors of Increase/Decrease in Operating Expenses (Non-consolidated)

JR-WEST

¥ Billions

| Item | Results FY2015/3 | YoY Increase/(Decrease) | YoY % | Major factors (YoY) |
|---|---|---|---|---|
| Personnel costs | 233.0 | (2.4) | (1.0) | · Decrease in retirement allowance (3.9)<br>· Increase in the rate of health insurance and employees' pension insurance +1.1, etc. |
| Energy costs | 45.3 | 2.2 | 5.2 | · Rise in fuel costs and renewable energy power promotion surcharge +1.9<br>· Increase in Hokuriku Shinkansen-related costs +0.3, etc. |
| Maintenance costs | 146.7 | 7.7 | 5.6 | · Rise in construction unit price +2.8<br>· Increase in Hokuriku Shinkansen-related costs +0.4, etc. |
| Miscellaneous costs | 176.9 | 7.3 | 4.4 | · Increase in Hokuriku Shinkansen-related costs +3.1<br>· Increase in payments for other JR companies +0.7<br>· Rise in fuel costs and renewable energy power promotion surcharge +0.3, etc. |
| Rental Payments, etc | 18.7 | (4.8) | (20.5) | · Termination of the lease period for Kosei Line (5.2)<br>· Hokuriku Shinkansen +0.4 |
| Taxes | 32.0 | 0.3 | 1.0 | |
| Depreciation and amortization | 126.0 | (3.3) | (2.6) | · Increase in Hokuriku Shinkansen-related costs +1.3<br>· Progress of depreciation and amortization, etc. |
| Total | 778.9 | 7.0 | 0.9 | |

Note: Figures in brackets ( ) are negative values.

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- Page 7 shows operating expenses on a non-consolidated basis.

- Due to a decline in retirement allowance and other factors, personnel costs were down ¥2.4 billion year on year.

- As a result of a rise in fuel costs and other factors, energy costs increased ¥2.2 billion year on year. In addition, maintenance costs were up ¥7.7 billion year on year on account of such factors as the influence of a higher construction unit price. Furthermore, miscellaneous costs rose ¥7.3 billion year on year due to higher expenses related to preparations for the opening of the Hokuriku Shinkansen, etc.; an increase in payments for other JR companies; higher electricity charges; and an increase in system-related costs, etc.

- Depreciation expense declined due to the progress of depreciation and amortization. Total line usage fees decreased because the acquisition of the Kosei Line in the previous fiscal year reduced usage fees for that line. Consequently, overall operating expenses were up ¥7.0 billion year on year, to ¥778.9 billion.

- Expenses related to the Hokuriku Shinkansen, including opening preparation costs and operating costs after the opening, were up ¥5.6 billion year on year, remaining within the limits of the initial forecast for opening preparation costs.

# Consolidated Financial Results

JR-WEST

¥ Billions

| | Results FY2014/3 A | FY2015/3 Forecasts ( As of Jan 30 ) B | FY2015/3 Results C | YoY Increase/ (Decrease) C-A | YoY % C/A-1 | Difference from the forecasts Increase/(Decrease) C-B |
|---|---|---|---|---|---|---|
| Operating Revenues | 1,331.0 | 1,339.5 | 1,350.3 | 19.3 | 1.5 | 10.8 |
| Operating Expenses | 1,196.4 | 1,208.0 | 1,210.5 | 14.1 | 1.2 | 2.5 |
| Operating Income | 134.5 | 131.5 | 139.7 | 5.1 | 3.8 | 8.2 |
| Non-operating revenues and expenses | (21.6) | (19.0) | (17.7) | 3.8 | (17.8) | 1.2 |
| Non-operating revenues | 7.7 | 8.1 | 9.0 | 1.3 | - | 0.9 |
| Non-operating expenses | 29.4 | 27.1 | 26.8 | (2.5) | - | (0.2) |
| Recurring Profit | 112.9 | 112.5 | 121.9 | 9.0 | 8.0 | 9.4 |
| Extraordinary profit and loss, net | (1.2) | (9.0) | 0.7 | 1.9 | - | 9.7 |
| Extraordinary profit | 26.3 | - | 69.5 | 43.1 | - | - |
| Extraordinary loss | 27.6 | - | 68.7 | 41.1 | - | - |
| Net Income | 65.6 | 68.0 | 66.7 | 1.0 | 1.6 | (1.2) |
| *Comprehensive Income* | *67.9* | - | *74.2* | *6.2* | *9.3* | - |

Note: Figures in brackets ( ) are negative values.

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- Next, please look at page 8, which shows our consolidated financial results.

- Operating revenues rose ¥19.3 billion, to ¥1,350.3 billion, and operating expenses were up ¥14.1 billion, to ¥1,210.5 billion. As a result, operating income increased ¥5.1 billion, to ¥139.7 billion.

- In addition to the increase in operating income, construction companies were newly consolidated. As a result, a total of ¥7.4 billion in negative goodwill generated was recorded in non-operating revenues and extraordinary profit. Furthermore, accompanying the transfer of the golf business, which had recorded unfavorable results for many years, deferred income taxes for the previous fiscal year declined ¥3.3 billion due to the previous disposal of losses. Consequently, the reversal of deferred tax assets was ¥13.3 billion due to the decision to lower the corporate tax rate, but net income increased ¥1.0 billion.

## Consolidated Financial Results (Segment Information)

JR-WEST

¥ Billions

| | Results FY2014/3 A | FY2015/3 Forecasts (As of Jan 30) B | FY2015/3 Results C | YoY Increase/(Decrease) C-A | YoY % C/A-1 | Difference from the forecasts Increase/(Decrease) C-B |
|---|---|---|---|---|---|---|
| Operating Revenues*1 | 1,331.0 | 1,339.5 | 1,350.3 | 19.3 | 1.5 | 10.8 |
| Transportation | 851.3 | 864.8 | 868.4 | 17.0 | 2.0 | 3.6 |
| Retail | 240.1 | 217.8 | 220.1 | (19.9) | (8.3) | 2.3 |
| Sales of goods and food services | 135.1 | 131.3 | 133.6 | (1.5) | (1.2) | 2.3 |
| Department stores | 94.5 | 78.0 | 78.2 | (16.2) | (17.2) | 0.2 |
| Real estate | 102.2 | 86.7 | 87.2 | (15.0) | (14.7) | 0.5 |
| Shopping center | 53.5 | 50.0 | 50.6 | (2.8) | (5.3) | 0.6 |
| Real estate lease and sale*3 | 47.1 【19.1】 | 35.0 【5.7】 | 34.7 【5.8】 | (12.3) | (26.2) | (0.2) |
| Other businesses | 137.1 | 170.2 | 174.4 | 37.2 | 27.2 | 4.2 |
| Hotel | 33.4 | 34.6 | 34.8 | 1.4 | 4.4 | 0.2 |
| Nippon Travel Agency | 41.5 | 42.8 | 42.5 | 0.9 | 2.3 | (0.2) |
| Operating Income*2 | 134.5 | 131.5 | 139.7 | 5.1 | 3.8 | 8.2 |
| Transportation | 91.0 | 96.8 | 100.6 | 9.6 | 10.6 | 3.8 |
| Retail | 4.4 | 1.5 | 1.5 | (2.8) | (63.9) | 0.0 |
| Sales of goods and food services | 3.9 | - | 3.9 | 0.0 | 0.9 | - |
| Department stores | 0.2 | - | (2.2) | (2.5) | - | - |
| Real estate | 27.7 | 23.7 | 25.1 | (2.6) | (9.4) | 1.4 |
| Shopping center | 7.9 | - | 7.3 | (0.5) | (6.7) | - |
| Real estate lease and sale | 10.3 | - | 8.1 | (2.1) | (21.1) | - |
| Other businesses | 11.8 | 10.0 | 15.6 | 3.7 | 31.8 | 5.6 |
| Hotel | 2.0 | - | 2.1 | 0.1 | 5.8 | - |
| Nippon Travel Agency | 0.8 | - | 0.6 | (0.2) | (26.0) | - |

Note: Figures in brackets ( ) are negative values.
*1 Operating revenues are the revenues from third parties ( = customers).
The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.
*2 The breakdowns of operating income by each segment are the sums of incomes of major subsidiaries before eliminating internal transactions.
*3 Figures in brackets 【 】 are the sales of condominiums. ( Revenues from third parties) (Included in Real estate lease and sale)

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- Next, page 9 shows financial results by segment.

- In the retail business, operating revenues were down ¥19.9 billion, to ¥220.1 billion, and operating income was down ¥2.8 billion, to ¥1.5 billion. The principal factors were a decline in department store sales due to the renovation of JR Osaka Mitsukoshi Isetan and lower sales of goods and food services resulting from the effects of construction work that was implemented to improve Shin-Osaka Station and other stations.

- In the real estate business, in shopping center operations, the renewal construction of the shopping center in Shin-Osaka Station had an effect. In addition, the consumption tax hike had an influence on the sales of condominiums. Due to these and other factors, operating revenues were down ¥15.0 billion, to ¥87.2 billion, and operating income declined ¥2.6 billion, to ¥25.1 billion.

- The other businesses segment includes the hotel and travel businesses. Against a background of economic recovery and solid leisure demand, revenues in the hotel and travel businesses were firm, and construction companies were newly consolidated. Due to these and other factors, higher revenues and higher profits were recorded.

## Non-Consolidated Financial Forecasts

JR-WEST

¥ Billions

| | Results FY2015/3 A | Forecasts FY2016/3 B | YoY Increase/(Decrease) B-A | YoY % B/A-1 |
|---|---|---|---|---|
| Operating Revenues | 890.9 | 919.5 | 28.5 | 3.2 |
| Transportation revenues | 797.0 | 818.0 | 20.9 | 2.6 |
| Other | 93.9 | 101.5 | 7.5 | 8.1 |
| Operating Expenses | 778.9 | 803.0 | 24.0 | 3.1 |
| Personnel costs | 233.0 | 233.0 | (0.0) | (0.0) |
| Non personnel costs | 369.0 | 379.5 | 10.4 | 2.8 |
| Energy costs | 45.3 | 47.0 | 1.6 | 3.7 |
| Maintenance costs | 146.7 | 146.5 | (0.2) | (0.2) |
| Miscellaneous costs | 176.9 | 186.0 | 9.0 | 5.1 |
| Rental payments, etc. | 18.7 | 26.5 | 7.7 | 41.1 |
| Taxes | 32.0 | 32.0 | (0.0) | (0.0) |
| Depreciation | 126.0 | 132.0 | 5.9 | 4.7 |
| Operating Income | 112.0 | 116.5 | 4.4 | 4.0 |
| Non-operating revenues and expenses | (19.8) | (18.5) | 1.3 | (7.0) |
| Non-operating revenues | 6.5 | 6.6 | 0.0 | - |
| Non-operating expenses | 26.4 | 25.1 | (1.3) | - |
| Recurring Profit | 92.1 | 98.0 | 5.8 | 6.4 |
| Extraordinary profit and loss, net | (4.5) | (3.0) | 1.5 | - |
| Extraordinary profit | 60.6 | - | - | - |
| Extraordinary loss | 65.1 | - | - | - |
| Net Income | 47.3 | 63.5 | 16.1 | 34.0 |

Note: Figures in brackets ( ) are negative values.

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- Next, please look at page 10. This page explains our non-consolidated financial forecasts.

- Due to a substantial increase in transportation revenues and other factors, for this fiscal year we are forecasting operating revenues of ¥919.5 billion, an increase of ¥28.5 billion year on year. The forecast for operating expenses is an increase ¥24.0 billion, to ¥803.0 billion, due to higher non-personnel costs, rental payments, and depreciation. Consequently, we are forecasting operating income of ¥116.5 billion, an increase of ¥4.4 billion year on year.

# Transportation Revenue Forecasts

JR-WEST

¥ Billions

| | Results FY2015/3 A | Forecasts FY2016/3 B | YoY Increase/(Decrease) B-A | YoY % B/A-1 |
|---|---|---|---|---|
| Shinkansen | 375.9 | 411.6 | 35.7 | 9.5 |
| Kansai Urban Area (Kyoto-Osaka-Kobe Area) | 296.2 | 297.6 | 1.3 | 0.4 |
| Other lines | 124.8 | 108.6 | (16.1) | (12.9) |
| Conventional lines | 421.0 | 406.3 | (14.7) | (3.5) |
| Transportation revenues | 797.0 | 818.0 | 20.9 | 2.6 |

Note: Revenues from luggage transportation are omitted due to the small amount.
Figures in brackets ( ) are negative values.

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- Next, please see page 11. The forecast for transportation revenues for this fiscal year is ¥818.0 billion, an increase of ¥20.9 billion year on year. In addition to the expectation of firm economic conditions, this is also attributable to continued increases in Shinkansen competitiveness, measures to promote usage by inbound visitors and senior citizens, and efforts to maximize the opening effect of the Hokuriku Shinkansen.

## Operating Expenses Forecasts (Non-Consolidated)

¥ Billions

| Item | Forecasts FY2016/3 | YoY Increase/ (Decrease) | YoY % | Major factors (YoY) |
|---|---|---|---|---|
| Personnel costs | 233.0 | (0.0) | (0.0) | |
| Energy costs | 47.0 | 1.6 | 3.7 | · Rise in fuel costs and renewable energy power promotion surcharge, etc. |
| Maintenance costs | 146.5 | (0.2) | (0.2) | |
| Miscellaneous costs | 186.0 | 9.0 | 5.1 | · Increase in payments for other JR companies<br>· Increase in system related costs<br>· Rise in fuel costs and renewable energy power promotion surcharge, etc. |
| Rental Payments, etc | 26.5 | 7.7 | 41.1 | · Hokuriku Shinkansen |
| Taxes | 32.0 | (0.0) | (0.0) | |
| Depreciation and amortization | 132.0 | 5.9 | 4.7 | · Depreciation of Hokuriku Shinkansen rolling stock, etc. |
| Total | 803.0 | 24.0 | 3.1 | |

Note: Figures in brackets ( ) are negative values.

12

- Next, please look at page 12.

- Looking at non-consolidated operating expenses for this fiscal year, higher electricity charges are expected to lead to a rise in energy costs of ¥1.6 billion year on year. In addition, in miscellaneous costs, we anticipate an increase of ¥9.0 billion due to increases in payments for other JR companies, increases in system-related costs, and higher electricity charges, etc. In miscellaneous expenses, the increase in payments for other JR companies includes the leasing of rolling stock related to the Hokuriku Shinkansen between JR-West and JR-East, but revenues and expenses will be about equal, so there will be basically no effect on profits.

- Depreciation is forecast to rise ¥5.9 billion year on year due to depreciation of Hokuriku Shinkansen rolling stock, etc. In regard to rental payments, an increase of ¥7.7 billion year on year is forecast as a result of the opening of the Hokuriku Shinkansen.

# Consolidated Financial Forecasts

¥ Billions

| | Results FY2015/3 A | Forecasts FY2016/3 B | YoY Increase/ (Decrease) B-A | YoY % B/A-1 |
|---|---|---|---|---|
| Operating Revenues | 1,350.3 | 1,391.5 | 41.1 | 3.0 |
| Operating Expenses | 1,210.5 | 1,243.0 | 32.4 | 2.7 |
| Operating Income | 139.7 | 148.5 | 8.7 | 6.2 |
| Non-operating revenues and expenses | (17.7) | (18.5) | (0.7) | 4.1 |
| Non-operating revenues | 9.0 | 7.6 | (1.4) | - |
| Non-operating expenses | 26.8 | 26.1 | (0.7) | - |
| Recurring Profit | 121.9 | 130.0 | 8.0 | 6.6 |
| Extraordinary profit and loss, net | 0.7 | (5.5) | (6.2) | - |
| Extraordinary profit | 69.5 | - | - | - |
| Extraordinary loss | 68.7 | - | - | - |
| Net Income<br>Net income attributable to shareholders of the parent company * | 66.7 | 81.5 | 14.7 | 22.2 |
| Net income per share(¥) | 344.58 | 420.96 | - | - |

Note: Figures in brackets ( ) are negative values.
* Expression reflects the revised accounting standards applied in the fiscal year ending March 2016.

13

- Next, please look at page 13.

- This page explains consolidated financial forecasts. We are forecasting operating revenues of ¥1,391.5 billion, an increase of ¥41.1 billion year on year; operating expenses of ¥1,243.0 billion, a rise of ¥32.4 billion; and operating income of ¥148.5 billion, an increase of ¥8.7 billion.

## Consolidated Financial Forecasts (Segment Information)

JR-WEST

¥ Billions

| | Results FY2015/3 A | Forecasts FY2016/3 B | YoY Increase/ (Decrease) B-A | YoY % B/A-1 |
|---|---|---|---|---|
| Operating Revenues*1 | 1,350.3 | 1,391.5 | 41.1 | 3.0 |
| Transportation | 868.4 | 895.6 | 27.1 | 3.1 |
| Retail | 220.1 | 227.0 | 6.8 | 3.1 |
| Sales of goods and food services | 133.6 | 139.2 | 5.5 | 4.2 |
| Department stores | 78.2 | 80.2 | 1.9 | 2.5 |
| Real estate | 87.2 | 102.6 | 15.3 | 17.7 |
| Shopping center | 50.6 | 56.2 | 5.5 | 10.9 |
| Real estate lease and sale*2 | 34.7 【5.8】 | 44.7 【15.3】 | 9.9 | 28.5 |
| Other businesses | 174.4 | 166.3 | (8.1) | (4.7) |
| Hotel | 34.8 | 34.8 | (0.0) | (0.3) |
| Nippon Travel Agency | 42.5 | 43.4 | 0.8 | 2.1 |
| Operating Income | 139.7 | 148.5 | 8.7 | 6.2 |
| Transportation | 100.6 | 103.3 | 2.6 | 2.6 |
| Retail | 1.5 | 4.1 | 2.5 | 156.6 |
| Real estate | 25.1 | 30.3 | 5.1 | 20.3 |
| Other businesses | 15.6 | 14.0 | (1.6) | (10.4) |

Note: Figures in brackets ( ) are negative values.

*1 Operating revenues are the revenues from third parties ( = customers).
The breakdowns of operating revenues by each segment are the sums of revenues of major subsidiaries.

*2 Figures in brackets 【 】 are the sales of condominiums. ( Revenues from third parties) (Included in Real estate lease and sale)

14

- Next, please see page 14. This page explains forecasts by segment.

- In the retail business segment, facilities that were renovated, etc., were opened from the end of the previous fiscal year. In addition to Osaka department store renovations, in-station stores, which were affected by construction work that was implemented to improve Shin-Osaka Station and other stations, will start operations, and progress will be made in converting stores under our business alliance with Seven-Eleven Japan. Consequently, we are forecasting operating revenues of ¥227.0 billion, an increase of ¥6.8 billion year on year, and operating income of ¥4.1 billion, a rise of ¥2.5 billion.

- In the real estate business segment, in addition to growth in sales of condominiums, the opening of LUCUA 1100 and the renewal of shopping centers in the Hokuriku area will have a positive effect. We are forecasting operating revenues of ¥102.6 billion, up ¥15.3 billion year on year, and operating income of ¥30.3 billion, an increase of ¥5.1 billion.

- In the other businesses segment, in construction there will be a decline in contracted work associated with the Hokuriku Shinkansen. Due to this and other factors, we are forecasting operating revenues of ¥166.3 billion, down ¥8.1 billion year on year, and operating income of ¥14.0 billion, a decline of ¥1.6 billion.

- At this point I will conclude my portion of today’s presentation.

# Consolidated Financial Situation and Statements of Cash Flows

¥Billions

| | As of March 31, 2014<br>A | As of March 31, 2015<br>B | Difference increase/(decrease)<br>B-A |
|---|---|---|---|
| Assets | 2,687.8 | 2,786.4 | 98.5 |
| Liabilities | 1,880.5 | 1,939.7 | 59.2 |
| Net assets | 807.3 | 846.7 | 39.3 |
| Balance of Long-term Debt and Payables | 980.7 | 1,004.2 | 23.4 |
| 【Average interest rate ( % ) 】 | 【2.63】 | 【2.40】 | 【 (0.23) 】 |
| Shinkansen Purchase Liability | 205.1 | 167.6 | (37.4) |
| 【Average interest rate ( % ) 】 | 【5.85】 | 【6.05】 | 【0.20】 |
| Bonds | 459.9 | 479.9 | 20.0 |
| 【Average interest rate ( % ) 】 | 【2.08】 | 【2.08】 | 【 (0.00) 】 |
| Equity ratio (%) | 29.2 | 28.8 | (0.4) |
| Net assets per share (¥) | 4,048.31 | 4,138.65 | 90.34 |

| | Results FY2014/3<br>A | Results FY2015/3<br>B | YoY increase/(decrease)<br>B-A |
|---|---|---|---|
| Cash flows from operating activities | 237.7 | 223.6 | (14.1) |
| Cash flows from investing activities | (165.3) | (212.9) | (47.5) |
| Free cash flows | 72.3 | 10.7 | (61.6) |
| Cash flows from financing activities | (47.8) | 1.6 | 49.5 |
| Change in cash and cash equivalents, net | 24.5 | 12.3 | (12.1) |
| Cash and cash equivalents at the end of the period | 72.9 | 85.3 | 12.3 |

Note: Figures in brackets ( ) are negative values.

# Other Data

Persons, ¥Billions

| | Results FY2014/3 | Results FY2015/3 | Forecasts FY2016/3 |
|---|---|---|---|
| ROA (%, Consolidated) | 5.1 | 5.1 | 5.3 |
| ROE (%, Consolidated) | 8.6 | 8.4 | 9.8 |
| EBITDA (Consolidated)*1 | 288.4 | 289.3 | 307.0 |
| Depreciation (Consolidated) | 153.9 | 149.5 | 158.5 |
| Capital Expenditure (Consolidated, own fund) | 166.7 | 225.6 | 231.0 |
| Capital Expenditure (Non-consolidated, own fund) | 144.5 | 186.4 | 199.0 |
| Safety related capital expenditure | 89.3 | 90.2 | 123.0 |
| Dividends per share (¥) | 115 | 125 | 130 |

*1 EBITDA = Operating Income + Depreciation

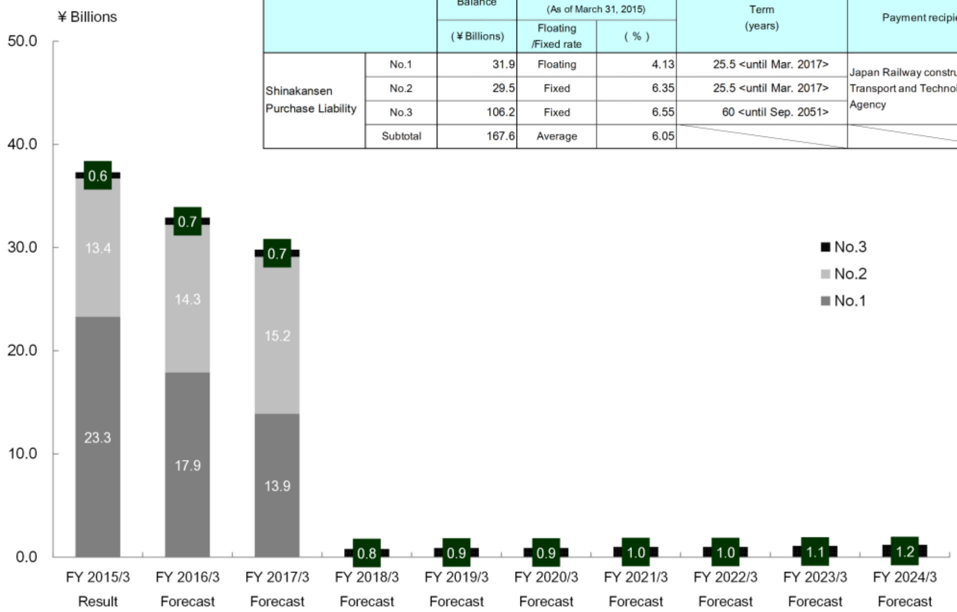
| | Results FY2014/3 | | Results FY2015/3 | | Forecasts FY2016/3 | |
|---|---|---|---|---|---|---|
| | Consolidated | Non-Consolidated | Consolidated | Non-Consolidated | Consolidated | Non-Consolidated |
| No. of employees at the end of period | 46,006 | 27,300 | 47,565 | 26,886 | - | - |
| Financial Expenses, net | (27.5) | (26.3) | (24.9) | (24.3) | (24.0) | (23.1) |
| Interest and dividend income | 0.5 | 1.4 | 0.9 | 1.4 | 0.6 | 1.3 |
| Interest expenses | 28.0 | 27.8 | 25.8 | 25.7 | 24.6 | 24.5 |

Note: Figures in brackets ( ) are negative values.

# Redemption Plan of Shinkansen Purchase Liability

【As of March 31, 2015】

| | | Balance (¥ Billions) | Interest rate (As of March 31, 2015) Floating /Fixed rate | (%) | Term (years) | Payment recipient |
|---|---|---|---|---|---|---|
| Shinkansen Purchase Liability | No.1 | 31.9 | Floating | 4.13 | 25.5 <until Mar. 2017> | Japan Railway construction, Transport and Technology Agency |
| | No.2 | 29.5 | Fixed | 6.35 | 25.5 <until Mar. 2017> | |
| | No.3 | 106.2 | Fixed | 6.55 | 60 <until Sep. 2051> | |
| | Subtotal | 167.6 | Average | 6.05 | | |




17

JR-WEST

# Ⅱ. Update of the Medium-Term Management Plan and Future Initiatives

18

- I am Seiji Manabe, president of JR-West.

- I will explain the update of the Medium-Term Management Plan and future initiatives that will reflect that update.

## Positioning of the Update of the Medium-Term Management Plan

JR-WEST

**Positioning of the update: Interim report reflecting progress to date and the opening of the Hokuriku Shinkansen**

| | Medium-Term Management Plan 2017 | Review of First 2 years and Changes | Update |
|---|---|---|---|
| **Business direction** | ・Advancing priority strategies to realize "Our Future Direction - The Ideal Form for JR-West"<br>・Priority strategies<br>- Three Basic Strategies<br>Safety, Customer Satisfaction, Technologies<br>- Four Business Strategies<br>Shinkansen, Kansai Urban Area, Other West Japan Area, Business development | ・Results and issues with each strategy<br>・Changes in the operating environment<br>- Manifestation of projected threats and growth fields | ・No change in direction<br>・Maximizing customer value through coordination inside and outside the Group<br>・Strengthening/adding initiatives to increase corporate value based on review of past initiatives and operating environment changes<br>**- Further enhancement of safety**<br>**- Focus on growth fields (three key growth themes)**<br>**- Medium-to-long-term initiatives with a focus on fiscal 2019 and thereafter** |
| **Revenues/ expenses and capital Expenditures (plan)** | ・Created with consideration for economic outlook, etc., as of 2013 | ・Results exceeding initial expectations due to the effect of Company measures, economic recovery, etc. | ・Total capital expenditures: +¥40.0 billion<br>- Safety-related CAPEX: +¥10.0 billion<br>- Growth-related CAPEX: +¥30.0 billion |
| | ・Not included the increase in revenues and line usage fees regarding the opening of Hokuriku Shinkansen in the plan<br>・Renovation plan of the West Wing of the OSAKA STATION CITY North Gate Building | ・March 2015<br>Opening of the Kanazawa segment of the Hokuriku Shinkansen<br>・April 2015<br>Opening of LUCUA1100 | ・Revising revenue and expense plan in consideration of three key growth themes and current economic environment, etc.<br>・Incorporating revenue and expense plan for Hokuriku Shinkansen |

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- Please look at page 19.

- As we start the third year of the plan, this update provides an interim report on progress, changes, and results in the first two years of the plan. In addition, the update includes revenues and line usage fees related to the opening of the Kanazawa segment of the Hokuriku Shinkansen, which were not previously included in the plan. Reflecting changes in the external environment, the update also reflects our reconsideration of initiatives, plans, and objectives for FY2016/3 and subsequent fiscal years.

- First, looking back over the past two years, in regard to safety, our highest priority, we did not achieve our objective for labor accidents. To our deep regret, in the first year of the plan, there was an occurrence of a fatal labor accident at a cooperating company of a Group company. We did, however, move ahead steadily in such areas as risk assessment and safety-related investment, including earthquake countermeasures.

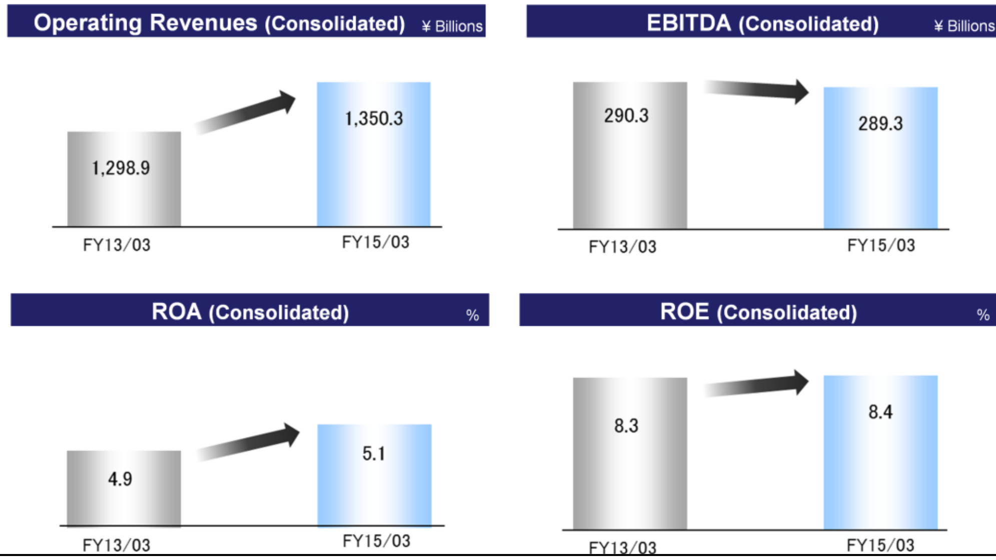
- Targeting growth, in the railway business we worked to increase the competitiveness of Shinkansen operations, foster tourism demand in collaboration with local partners, and capture inbound demand. In non-railway businesses, we move forward outside our railway belts and service area, as well as in new businesses. We have made steady progress in initiatives to increase our market competitiveness through business alliance with Seven Eleven Japan and other companies.

- In addition, in spring 2015, the Hokuriku Shinkansen made a solid start, as did LUCUA 1100 in the renovated West Wing of the OSAKA STATION CITY North Gate Building.

## Review of First 2 years (Financial Benchmarks)

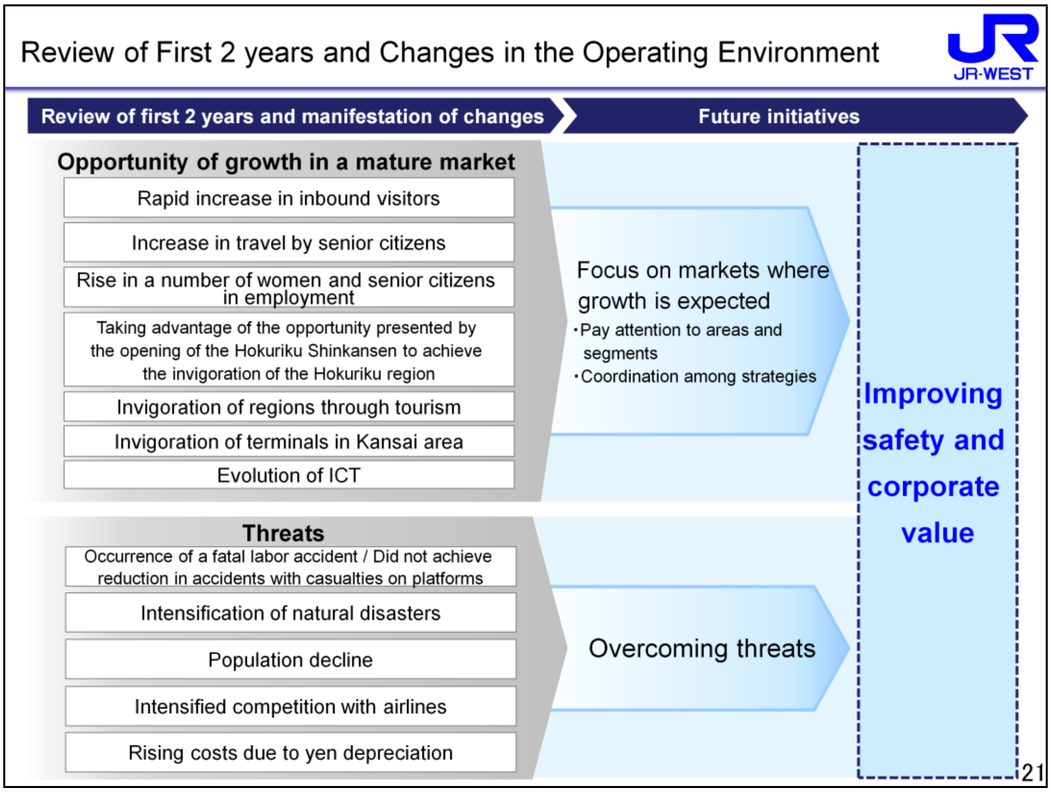
JR-WEST

- **Expectation: In the first half of the period covered by the Medium-Term Management Plan, the revenue/expense situation would be difficult due to preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen, the renovation of the North Gate Building, and other factors.**
- **Result: Exceeded initial expectations as various measures to address operating environment changes, which were implemented in line with the medium-term management plan, took effect.**



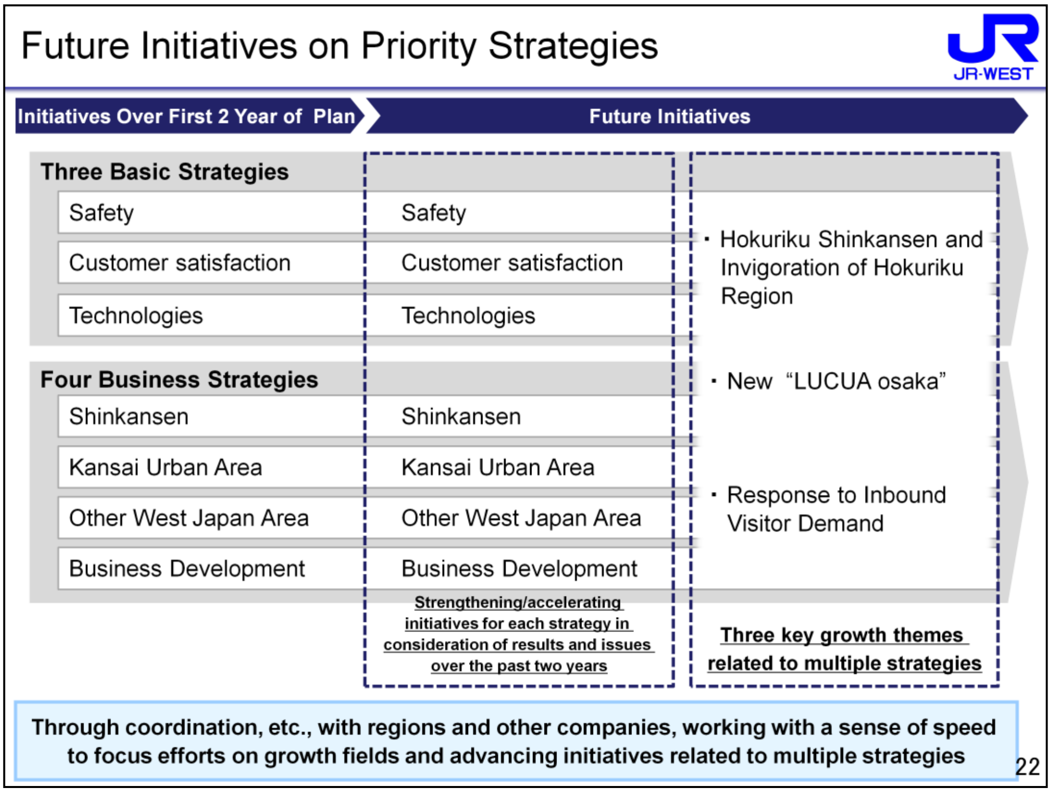

20

- In this way, a variety of measures steadily made progress and took concrete shape. Consequently, with improvement of economic conditions, our financial indicators exceeded expectations, as shown on page 20.




- In regard to changes in our operating environment, please see page 21.

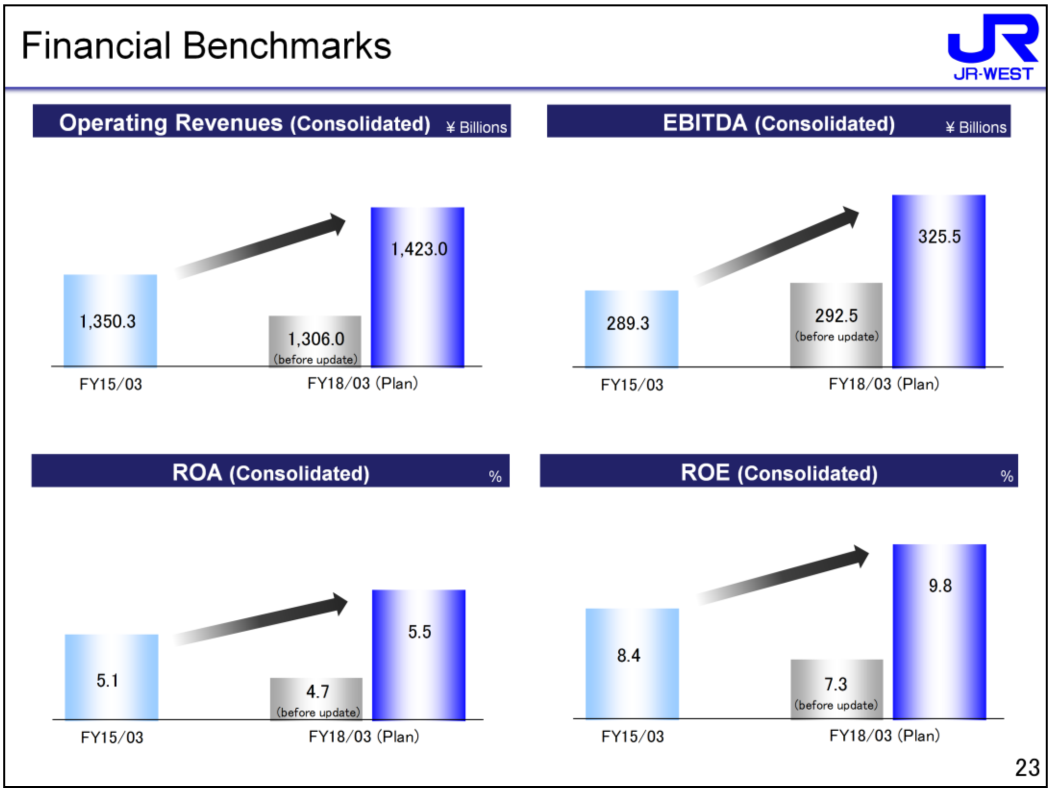
- These changes include a full-fledged decline in the population, intensification of natural disasters, and rising costs due to yen depreciation. On the other hand, new opportunities for growth have started to become clear. These include invigoration of the Hokuriku region due to the opening of the Hokuriku Shinkansen, activation of urban mobility through the invigoration of terminals in Kansai area, and an increase in foreign visitors to Japan.




- Please look at page 22.

- In consideration of this review and these changes in the operating environment, in FY2016/3 and subsequent fiscal years, to increase safety and to build a foundation for future growth, we will strengthen and accelerate initiatives for each strategy. In addition, we will give priority to initiatives targeting growth opportunities and focus on three growth key themes related to multiple business fields.

- In these efforts, we will aggressively advance coordination with external partners and strive to ensure that we achieve sustained growth in the future.




- Please look at page 23.

- Accordingly, we made upward revisions to the plans for financial indicators in the final fiscal year of the Medium-Term Management Plan.

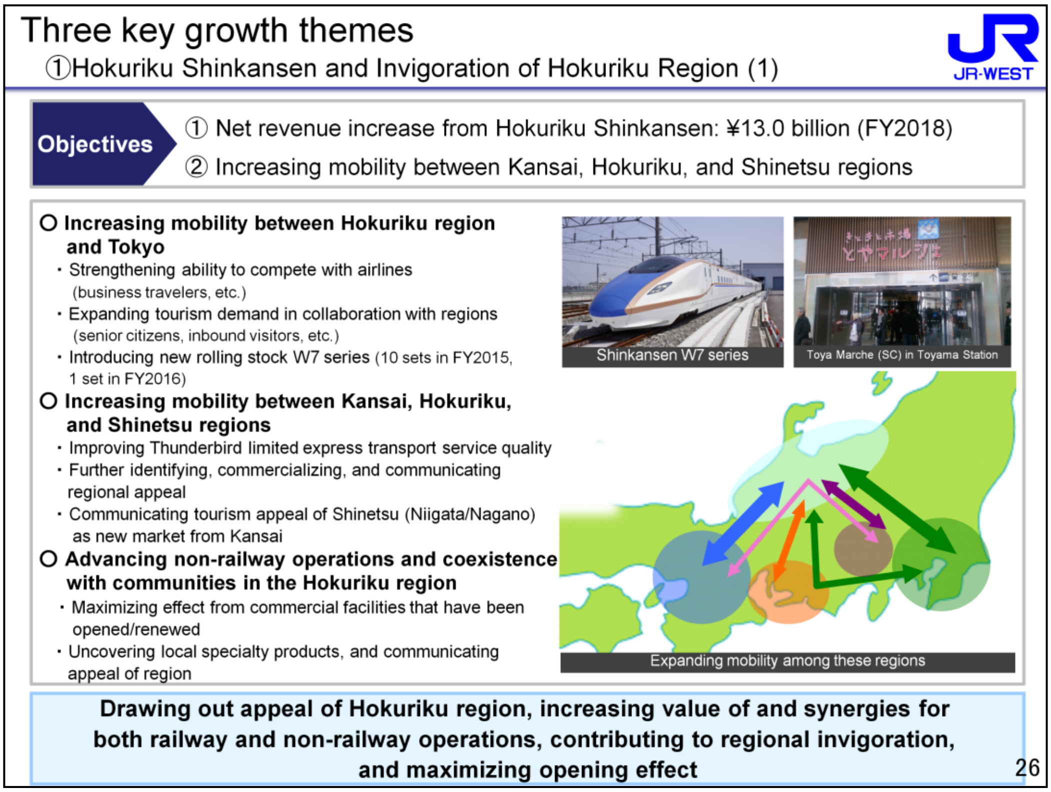
- Our forecasts for consolidated operating revenues, EBITDA, ROA, and ROE are now higher than initial plans.

# Priority Strategies and Three Key Growth Themes


- Next, I will explain our future initiatives for each strategy including the three key growth themes, with consideration for the update of the plan.

- First, in regard to safety, which is vital to our business, please see page 25.

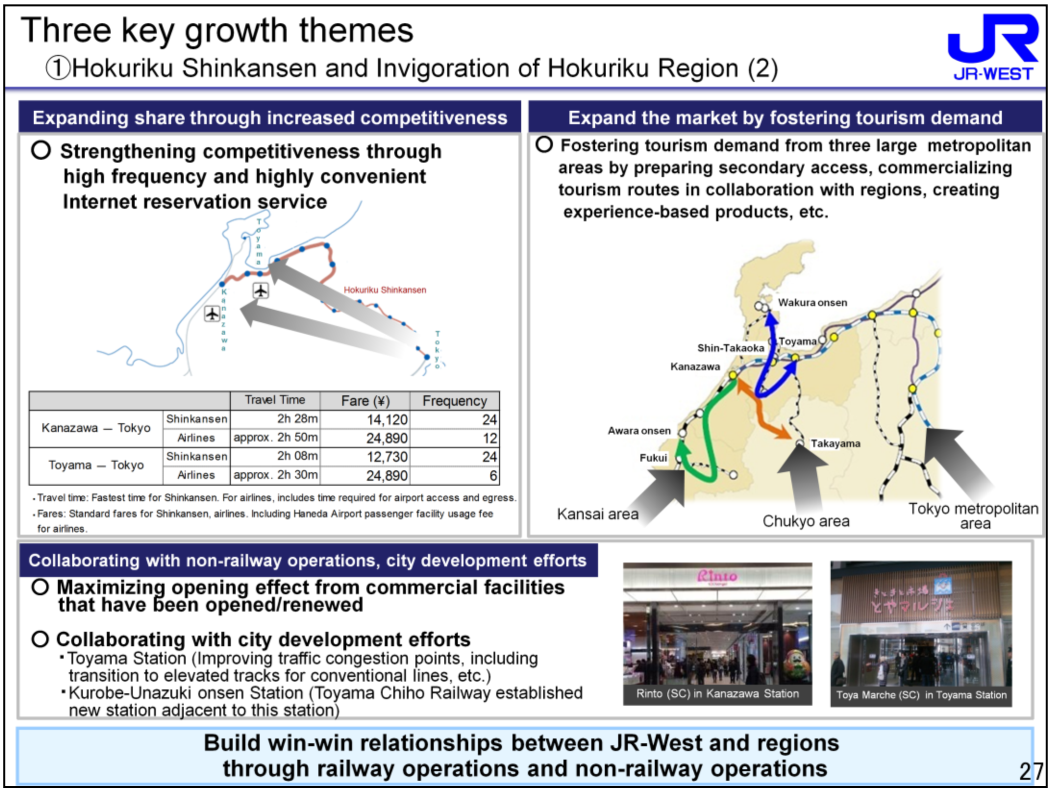
- With consideration for issues over the past two years, we will steadily promote the Safety Think-and-Act Plan and we will implement measures, such as taking steps to address intensifying natural disasters and the installation of platform gates, including advancing the implementation of certain measures. In these ways, we will work to increase safety and reduce future business risks.




- In regard to the three key growth themes, please see page 26.

- Usage has been favorable on the Hokuriku Shinkansen, with segment passenger volume between Joetsu Myoko and Itoigawa in April at 320% versus the previous year.

- Moving forward, we will work to maximize the opening effects and solidly establish the usage of the Hokuriku Shinkansen while deepening collaboration between the JR-West Group and local partners.




- Please look at page 27. We will strive not only to provide safe, reliable transportation and comfortable services but also, with consideration for competition with airlines between Hokuriku and Tokyo, to secure business demand by promoting the use of Internet reservations and to maximize revenues through yield management.

- Positioning the three large metropolitan areas as our target, we will endeavor to promote the appeal of wide-area tourism routes, thereby expanding and solidifying tourism demand. In addition, we will promote travel to Shinetsu, which is a new market from Kansai, and will also work to sustain and expand mobility between Kansai and Hokuriku.

- Furthermore, we will move ahead with improvement of commercial facilities, sales of local specialty products, and initiatives to increase the value of railway belts in collaboration with city development efforts. In these ways, we will work together with local partners to invigorate our service area.

- Through these steps, in FY2016/3 we will aim for a net increase in revenues from the Hokuriku Shinkansen of ¥13.0 billion (up ¥11.1 billion year on year), comprising ¥30.0 billion in Hokuriku Shinkansen revenues (up ¥27.3 billion year on year) less the decline in revenues on parallel conventional lines.

- Our plan is based on the balance of revenues and expenses over the 30 years after the opening. We will work to maximize the opening effect through a variety of sales efforts and will strive to expand usage so that our company management improves further.

## Three key growth themes
### ②New LUCUA osaka (1)

JR-WEST

**Objectives (FY2016)**

① Revenue target: Total of ¥77.0 billion for LUCUA 1100 and LUCUA

② Visitor number target: 70.0 million

**○ Renovation of the OSAKA STATION CITY North Gate Building**

- Securing wide range of customers through superiority of location and scale (largest concentration of commercial facilities in Osaka/Umeda area) , and ease of access within the buildings
- Leveraging promotional system and ability to attract highly popular specialty stores, cultivated through shopping center operations
- Opening isetan-brand shops in LUCUA 1100, specializing in fashion and sundries, in which Isetan has strengths


LUCUA osaka

**○ Synergies with railway operations**

- Taking steps to enhance transport services, such as new rolling stock introduction and timetables
- Wide-area promotions, including Sanyo Shinkansen railway belt

**Further increasing customer-drawing power of OSAKA STATION CITY, making Osaka Station the "terminal of choice"**

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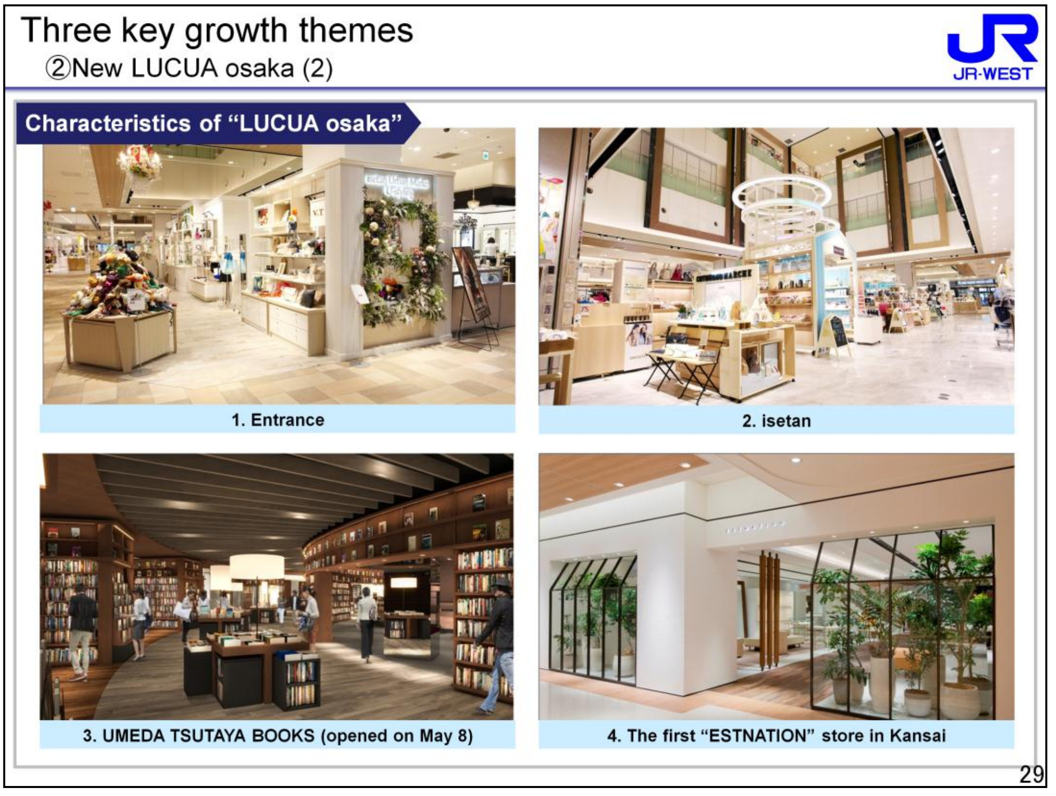
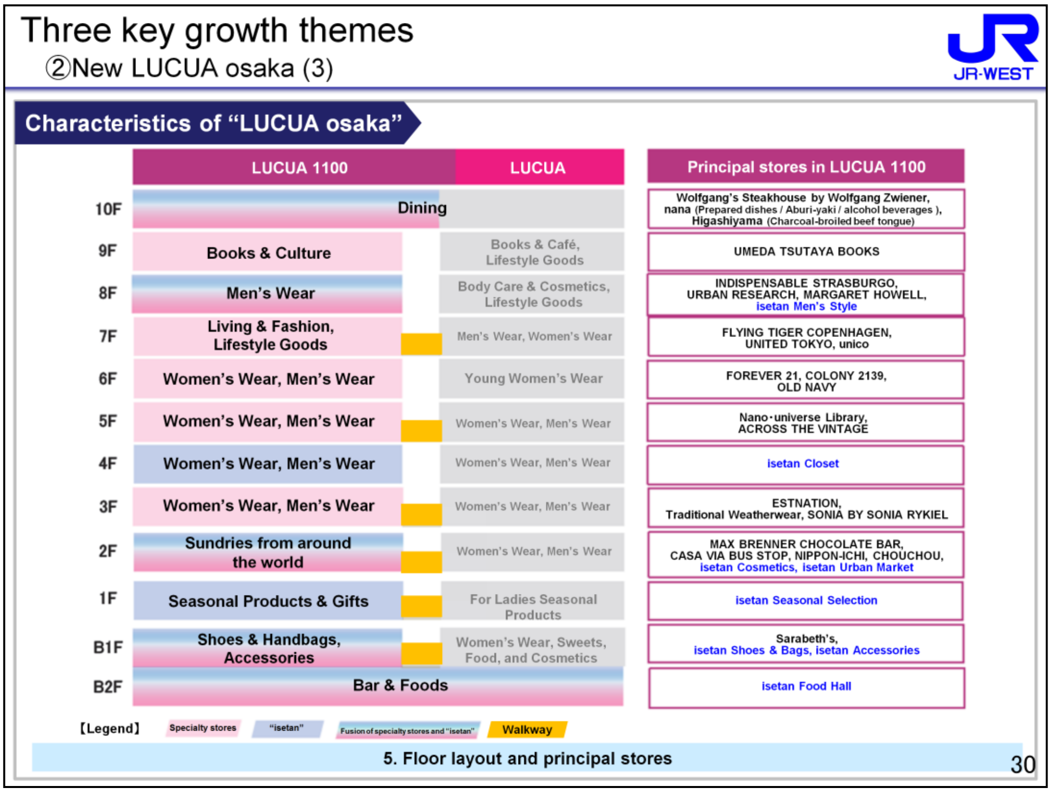
- Please see page 28 for information about the new LUCUA osaka.

- The West Wing of the North Gate Building has been renovated, and LUCUA 1100 opened on April 2. UMEDA TSUTAYA BOOKS, one of the main tenants, will open in a few days, on May 8.

- To date, sales at the East Wing and West Wing have increased 50% year on year, and the number of visitors has risen 60%. A large number of customers have used the facility.



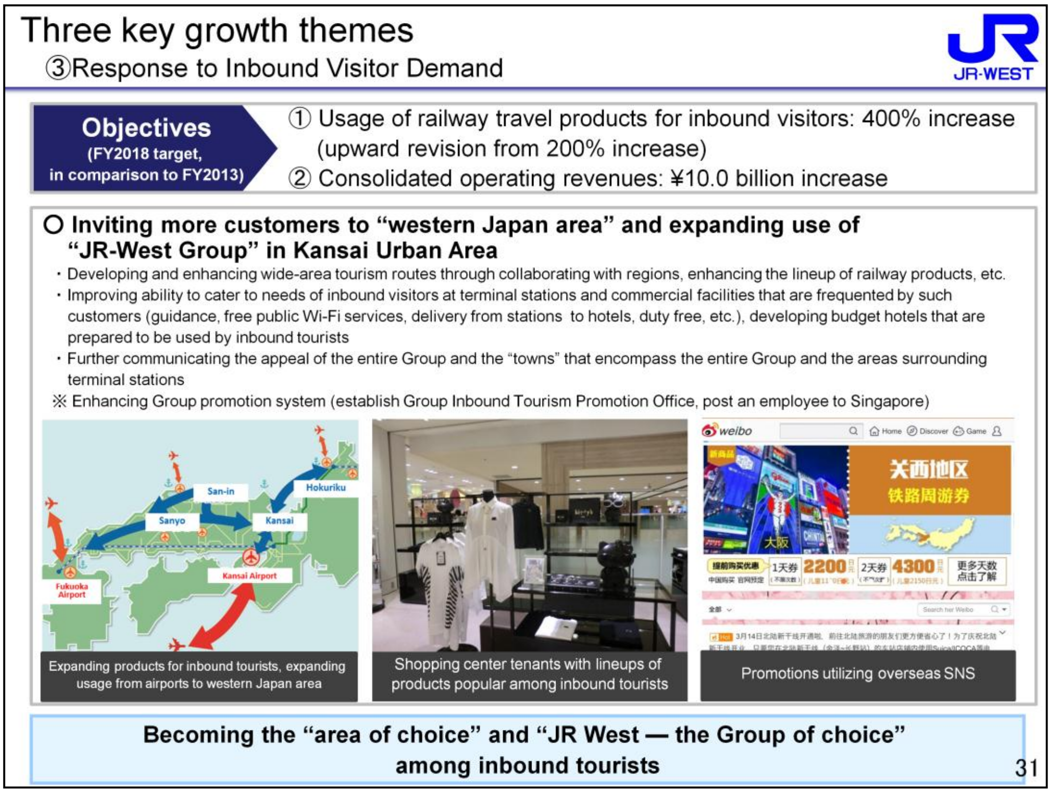

- Please look at page 29. In consideration of a review of the situation at JR Osaka Mitsukoshi Isetan, LUCUA 1100 was opened as a commercial facility that is easy to enter and leverages the strengths of shopping centers and department stores.




- As shown on page 30, LUCUA 1100 and the existing LUCUA are being operated in an integrated manner as LUCUA osaka. Making the most of the superior of location and scale and the ease of access within the buildings, we will strive to attract a wide range of customers.

- Moreover, in collaboration with railway operations, we will endeavor to attract customers from a wide area, such as the Sanyo Shinkansen railway belt, and strive to further increase the customer-drawing power and revenues of the entire OSAKA STATION CITY.

- Through these types of initiatives, this fiscal year we are aiming for sales of ¥77.0 billion at LUCUA osaka and the achievement of profitability in the department store business.




- In regard to the third, capturing inbound visitor demand, please see page 31.

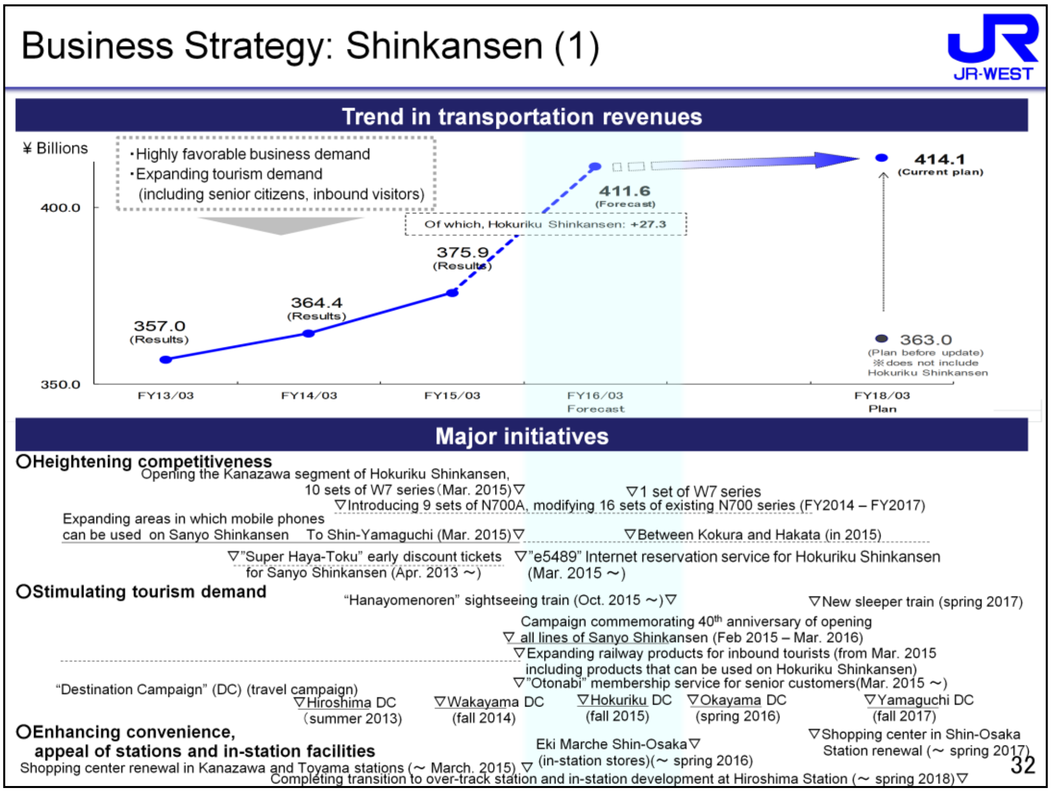
- With a contribution from the depreciation of the yen and the easing of visa issuance requirements, the number of foreign visitors to Japan is following a trend of rapid growth. Our initial objective for the usage of railway travel products for inbound visitors was achieved in the second year of the plan. This was attributable to our efforts to capture demand, such as the establishment of railway products and the improvement of our ability to cater to needs of inbound visitors.

- Moving forward, inbound travel to Japan is expected to increase, and we will work to leverage collaboration with local partners and the Group’s comprehensive strengths, thereby capturing as much of this demand as possible and increasing the Group’s revenues.

- We have two specific initiatives. First, we will work to encourage the rapidly increasing number of visitors to Japan to visit not just Kansai but the entire western Japan area through the promotion of combined railway and air travel.

- Second, within Kansai, we will implement initiatives to boost Group sales, including not only railway products but also hotel and commercial facilities, etc., as well as initiatives to encourage people to visit our terminals.

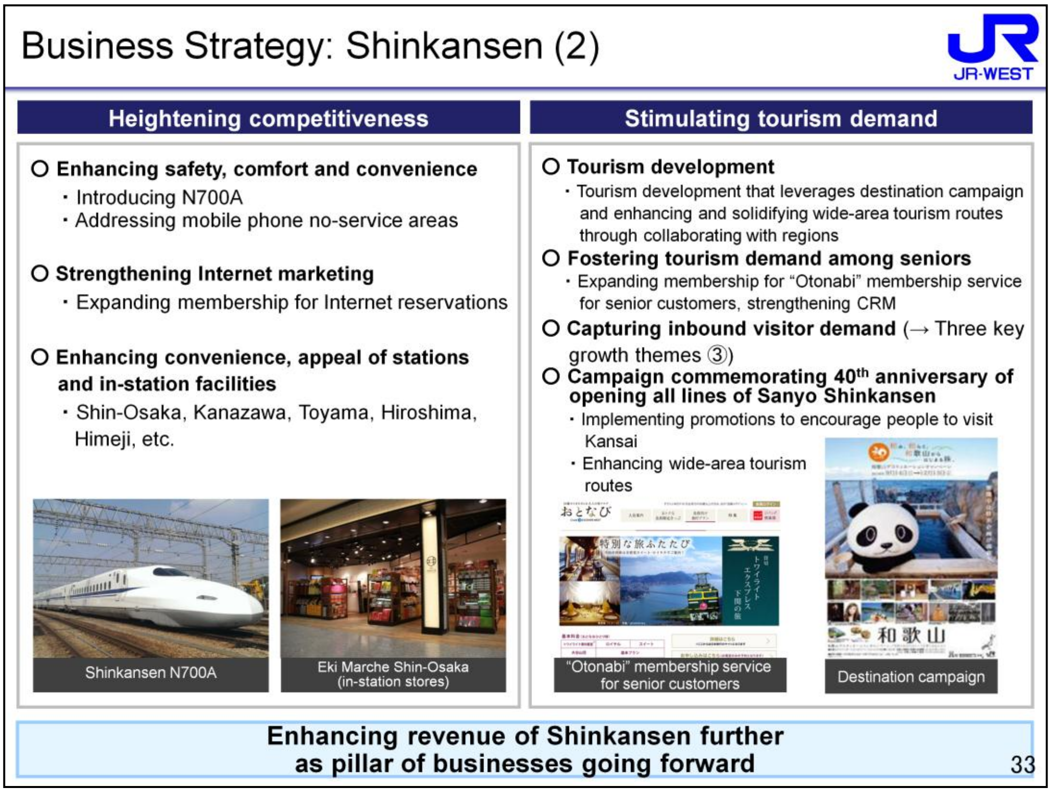
- Consequently, for the usage of railway travel products for visitors from overseas in FY2018/3, our initial target was 600,000 people, three times the level in FY2013/3, but we have revised this upward to 1,000,000 people, or 5 times the FY2013/3 level. The plan of the Japan National Tourism Organization calls for 20 million visitors to Japan in 2020, and we will aim for usage that exceeds the rate of growth called for in the government’s plan. In addition, as a new objective, we will strive to achieve growth in consolidated operating revenues of ¥10.0 billion compared with FY2013/3.




- The next topic is our business strategies. Please see page 32 and following pages for information about the Shinkansen.

- In the previous fiscal year, our Shinkansen revenues were ¥375.9 billion, a new record high. Initially, we were concerned about the effect of the consumption tax hike, but the effect turned out to be minimal. This performance was attributable to enhanced Shinkansen competitiveness, efforts to capture domestic tourism demand and demand from inbound visitors for travel within Japan, and the Hokuriku Shinkansen opening effect.

- In the future, the Shinkansen will continue to be positioned as a pillar of our growth. We will work to enhance competitiveness and foster tourism demand, and we will aim for record high revenues of ¥414.1 billion in FY2018/3.




- Page 33 shows some of the initiatives to heighten competitiveness in consideration of competition and to expand demand.

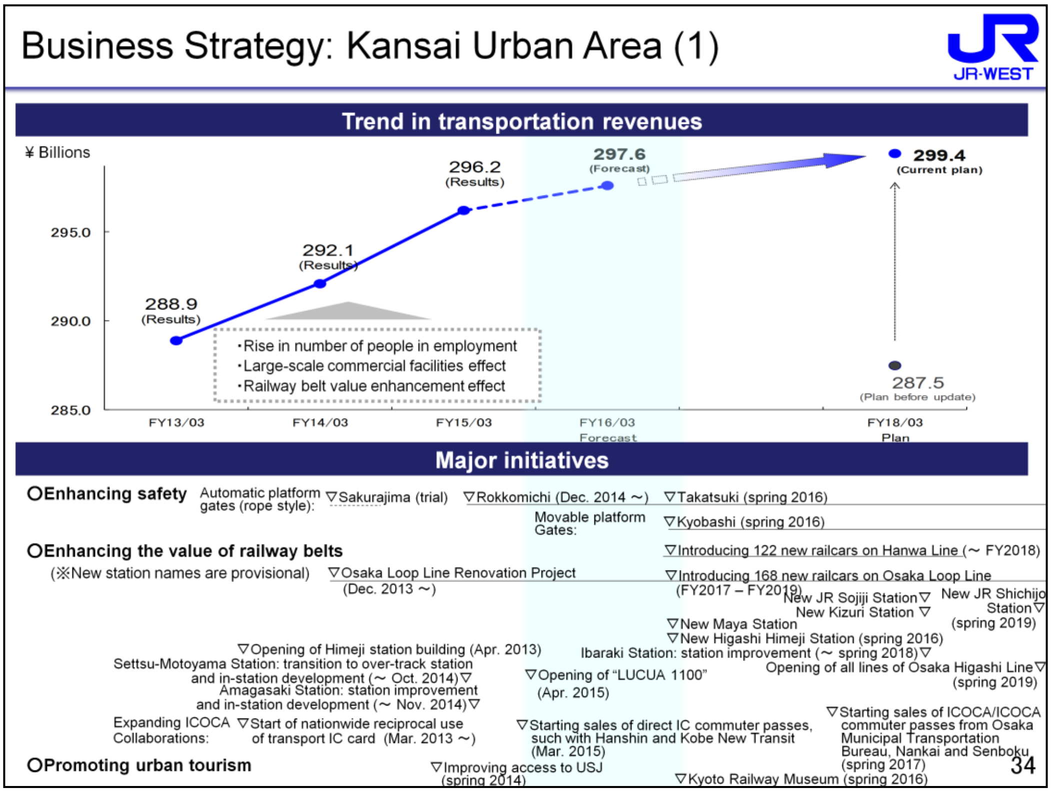
- First, to enhance safety and comfort, we will take steps to make steady progress in such areas as earthquake countermeasures, appropriate maintenance and management of our facilities, introduction of N700A and W7 series rolling stock, and measures to expand areas in which mobile phones can be used.

- In addition, we will strive to expand membership for Internet reservations, capture business demand, reinforce our marketing base, take steps that reflect awareness of customer segments, and continue to implement yield management. In these ways, we will endeavor to increase revenues.

- To foster tourism demand, in collaboration with local partners, we will develop tourist attractions and establish wide-area tourism routes, taking advantage of destination campaigns and other initiatives.

- In addition, we have recently commenced "Otonabi," a new membership service for senior citizens, who comprise a large market. Through the provision of membership services as well as products and services that address needs through CRM, we will foster tourism demand.

- We face risk factors, such as uncertainty about the economic conditions this fiscal year and competition with airlines, etc. Nonetheless, we will aim to effectively implement these types of initiatives and to achieve growth of ¥35.7 billion year on year, to ¥411.6 billion.




- Next we will discuss the Kansai Urban Area. Please see page 34.

- In the previous fiscal year, there was a trend toward growth in the number of people in employment, and we worked to capture outing demand by taking advantage of such opportunities as the opening of large-scale commercial facilities such as Harukas, as well demand from foreign visitors to Japan. We also saw results from our efforts to improve railway belts in order to increase their value. In these ways, we secured an increase in revenues of ¥4.1 billion.

## Business Strategy: Kansai Urban Area (2)

JR-WEST

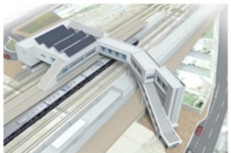
### Enhancing the value of railway belts

**O Creating railway belts that people want to reside in and are easy to use**
- Improving safety and comfort through introduction of new rolling stock
- Opening new stations (Maya, Higashi Himeji ※2016 spring, provisional name)
- Enhancing convenience, appeal of stations, in-station facilities, and surrounding areas

**O Osaka Loop Line Renovation Project**
- Timetables easier to use
- Promoting renewal of stations and in-station development

**O Promoting more-seamless movement**
- Expanding ICOCA area and expanding collaboration with private railways, etc.


Enhancing convenience and appeal of stations


New Maya Station

### Promoting urban tourism

**O Expanding usage through collaboration with tourism facilities along our railways**
- New Harry Potter attraction area at USJ
- OSAKA STATION CITY (LUCUA osaka), etc.

**O Leveraging Kyoto Railway Museum opening effect**
- Invigorating Kyoto Umekoji area through collaboration with the region
- Initiatives to attract customers from a wide area, as one special feature of urban tourism
- New JR Shichijo Station (2019 spring, provisional name)


Kyoto Railway Museum

**O Promoting use of inbound tourists** (→ Three key growth themes ③)

**O Providing information about Kansai urban tourism**
- "MY FAVORITE KANSAI"(WEBSITE)

**Expanding usage by advancing initiatives while collaborating with regions and other businesses**

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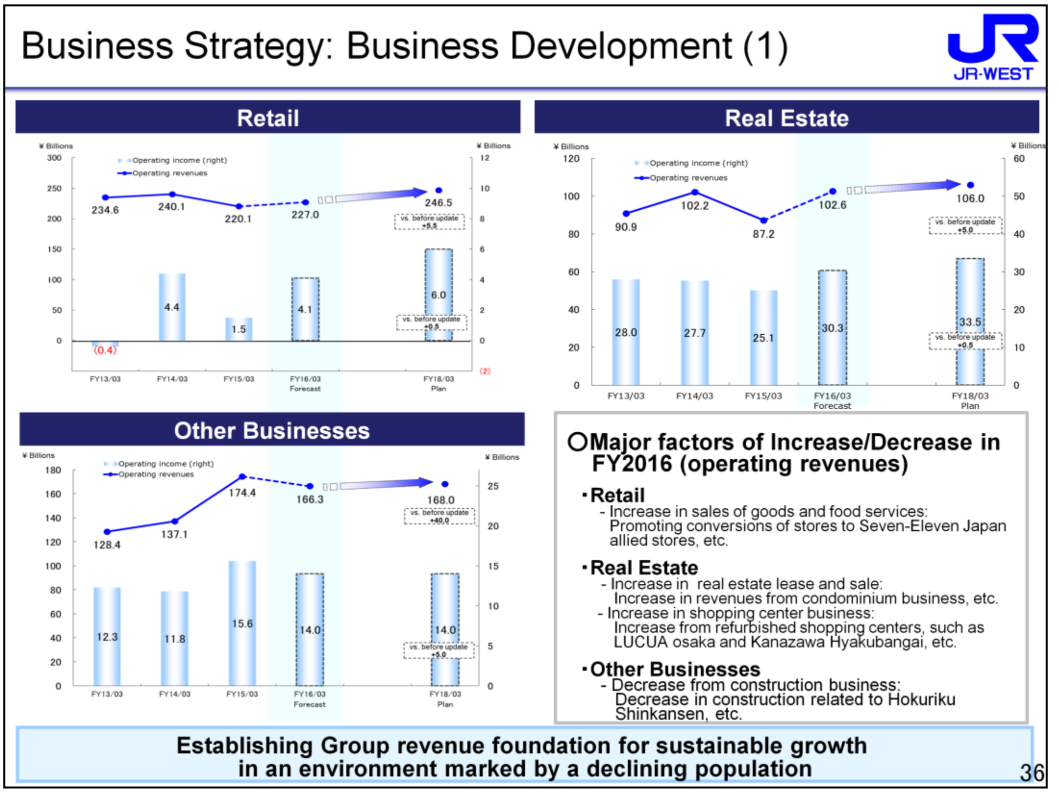
- As shown on page 35, in the future we will strive to enhance the value of railway belts by increasing railway transport quality and implementing development initiatives in and around stations. In these ways, we will work to promote usage.

- In addition, targeting the realization of seamless mobility using ICOCA, we will advance collaboration with other railway companies, including area expansion and usage among inbound visitors.

- Moreover, we will focus efforts on urban tourism and regional invigoration, making full use of the Kyoto Railway Museum, which is scheduled to open in spring 2016, etc.

- In these ways, we will aim for revenues of ¥297.6 billion this fiscal year and ¥299.4 billion in FY2018/3.




- Next, the status of non-railway operations is shown from page 36.

- In the previous fiscal year, we implemented initiatives contributing to future growth and sustainable business, such as enhancing the appeal of stations through business alliance with Seven-Eleven Japan, expanding our network by acquiring budget hotels, and expanding our business by making a company in the nursing care business into a subsidiary. We also sold our golf business, an area in which we lacked strengths and which had been a long-pending issue.

- Nonetheless, due to a number of factors, such as preparations for the renovation of the West Wing of the North Gate Building and renewal of in-station stores and shopping centers implemented for future growth, as well as a rebound from the previous period’s rush in demand for condominiums, we recorded lower profits in both retail and real estate businesses.

- In the future, lifestyle-related services will be one of the pillars of our growth, along with the Shinkansen, and we will work to expand existing businesses and take on the challenge of new business fields.

# Business Strategy: Business Development (2)

JR-WEST

## Major initiatives

FY13/03 | FY14/03 | FY15/03 | FY16/03 | FY17/03 | FY18/03

**○Qualitative improvements realized by increasing product/service quality and strengthening operating capabilities**

▽Converting of stores to Seven-Eleven Japan allied stores (approx. 500 stores by FY2019)
(70 stores in FY2015) (approx. 120 stores in FY2016)

▽Opening of "LUCUA 1100" (Apr. 2015)

Renewal of shopping centers in Kanazawa and Toyama stations (～ Mar.2015)▽

Completing transition to over-track station and in-station development at Hiroshima Station (～ spring 2018) ▽

Renewal of shopping center in Shin-Osaka Station (～ spring 2017)▽

Renewal of shopping center in Akashi Station (～ fall 2015)▽

Renewal of shopping center in Kurashiki Station ( ～ Apr. 2015)▽

▽Renewal of shopping center in Matsue Station (～end of FY2016)

Settsu-Motoyama Station: transition to over-track station and in-station development (～ Oct. 2014) ▽

Eki Marche Shin-Osaka▽ (in-station stores)(～ spring 2016)

Amagasaki Station: station improvement and in-station development (～ Nov. 2014)▽

**○Actively developing operations in cities (including regions other than those alongside tracks and those in our service area)**

Urawa condominium▽ (March. 2014 ～)

▽Shopping center in Katayama, Suita City (FY2017 plan)

▽Kawasaki condominium (June 2016 plan)

▽Acquisition of business from ORIX Group (3 hotels opened after rebranding in June 2014)

Developing rental building at Tenjin, Fukuoka City▽ (Dec. 2014)

▽Expand budget hotel operations (Tokyo metropolitan area, Kansai Urban Area (Umeda, Tennoji), etc.) (FY2017- FY2018 plan)

**○Advancing development linking railways with community renovations**

Front of Tsukaguchi Station (site acquisition, station building, condominium)▽

Front of Kishibe Station (site acquisition, development)▽

**○Taking on the challenge of new business fields**

▽Healthcare-related businesses (rehabilitation day service business)

▽Agriculture-related businesses

▽In-station dispensing pharmacies

▽Food-related businesses (manufacture and sale of traditional New Year's food (frozen), etc.)

▽Car-sharing directly connected to stations

▽Renewable energy businesses (photovoltaic power generation)

▽Internet sales targeting overseas customers

# Business Strategy: Business Development (3) (Retail and Shopping Center)

JR-WEST

## Retail / Shopping center

○ **Qualitative improvements realized by increasing product/service quality and strengthening operating capabilities**

・Convert stores to Seven-Eleven Japan allied stores and maximize benefits
- Approx. 500 stores in five years
- 70 stores in FY2015, approx. 120 in FY2016 (plan)

・Developing and renewing commercial facilities, and maximizing their opening effects
- Shin-Osaka, Kanazawa, Toyama, Amagasaki, Akashi, Kurashiki, Matsue, Hiroshima, etc.
- New "LUCUA osaka"

○ **Actively developing businesses in cities outside our railways in fields where we have strengths**

・Developing shopping centers in cities (Katayama, Suita City)

・Expand budget hotel operations

○ **Capturing inbound visitor demand** (→ Three key growth themes ③)

Conversion to Seven-Eleven Japan allied stores

Eki Marche Shin-Osaka (in-station stores)

**Making full use of assets held and increasing the value of railway belts**

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- As shown on page 38, these initiatives will include increasing the revenues of existing businesses and working to expand development of businesses in cities in fields where we have strengths.

# Business Strategy: Business Development (4) (Real Estate Lease and Sale)

JR-WEST

## Real estate lease

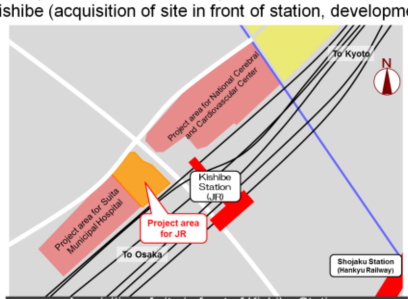
**○ Fully utilizing land and other assets**

・Hirooka, Kanazawa City (redevelopment of former sites of Company housing)

**○ Participating in projects in areas surrounding major stations**

・Tsukaguchi (acquisition of site in front of station, development of station building and condominium)

・Kishibe (acquisition of site in front of station, development)




Acquisition of site in front of Kishibe Station (former site of Suita Switchyard)

**○ Actively developing operations in regions other than those alongside tracks and those in our service area**

・Tenjin, Fukuoka City (Dec. 2014)

・Tokyo metropolitan area (Nishi-Shimbashi) (June 2014)

## Real estate sale

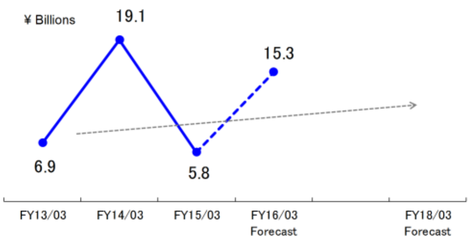
**○ Advancing sales of condominiums**

New condominiums fore sales from FY2016 and after

| Name | Location | Handover (Plan) | Houses |
|---|---|---|---|
| J. GRAN L SAKAI | Sakai, Osaka | Sep. 2015 | 135 |
| KYOTO KATSURAGAWA TUMUGI NO MACHI GRAN SQUARE※ | Kyoto | Sep. 2015 | 431 |
| KYOTO KATSURAGAWA TUMUGI NO MACHI MARK SQUARE※ | Kyoto | Mar. 2016 | 162 |
| MAYA CITY COMFORT※ | Nada, Kobe | Mar. 2016 | 105 |
| MAYA CITY DELIGHT※ | Nada, Kobe | Mar. 2016 | 57 |
| PROUD CITY TSUKAGUCHI MARK FRONT※ | Amagasaki, Hyogo | Mar. 2016 | 247 |
| J. GRAN L IBARAKI | Ibaraki, Osaka | Mar. 2016 | 283 |
| GRACIA CITY KAWASAKI DAISHIGAWARA※ | Kawasaki, Kanagawa | Jun. 2016 | 558 |

※Joint projects with other companies

Sales trend of condominiums

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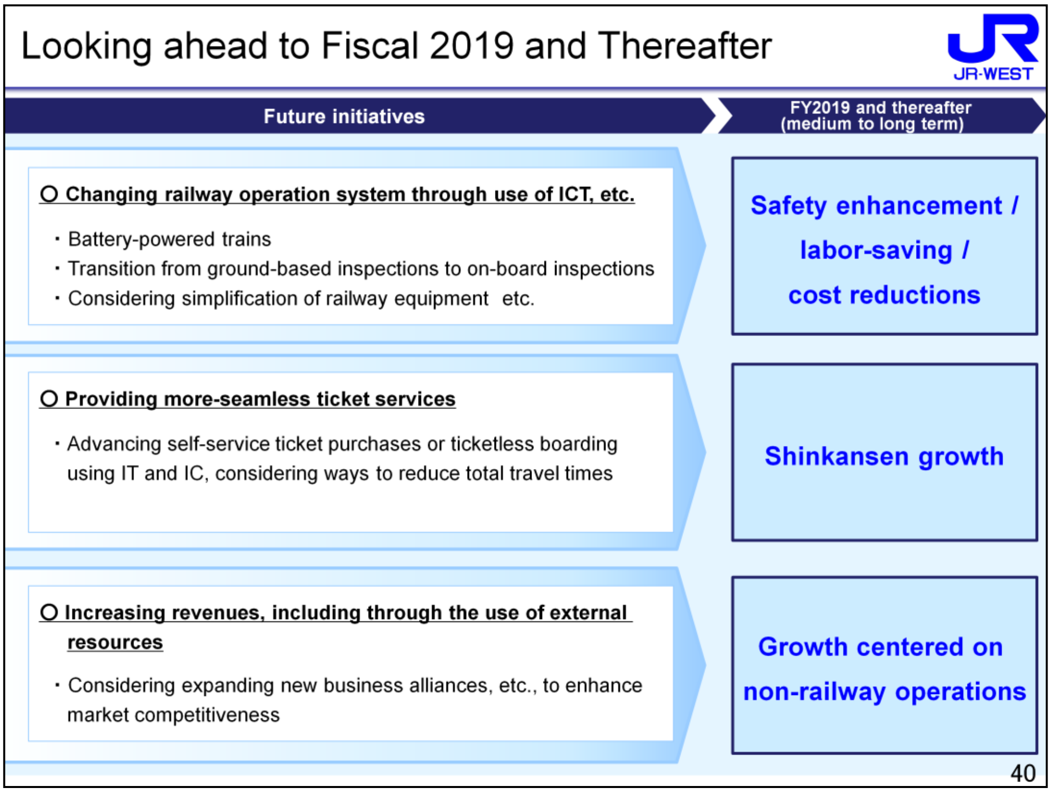
- In real estate leasing and sales, shown on page 39, we will work to enhance the value of railway belts through development that captures customer traffic flow through links with stations, such as participating in projects in areas surrounding stations through site acquisition. In addition, we will also strive to expand businesses outside railway belts and our service area.

- Moreover, construction companies were newly consolidated in FY2015/3, and accordingly we are now aiming for growth in profits from non-transportation businesses in FY2018/3 at a level that is ¥6.0 billion more than our initial plan.




- In addition, as shown on page 40, we have added medium to long term initiatives with a focus extending beyond the current plan. These include a railway operation system change through the use of ICT and reinforcement of our business foundation through business alliances.

## Cash Flows and Returns to Shareholders

JR-WEST

**Cash earmarking and prioritization**

Cash flows from operating activities

Appropriation prioritization

1) Investment for safety and growth

2) Returns to shareholders

3) Debt reduction

・In principle, maintain level of long-term debt and payables (¥1 trillion consolidated). However, control level in light of market interest rates.

○ Operating cash flow over five years forecast to reach approximately ¥1.1 trillion, ¥100.0 billion more than initial plans.

**Shareholder Return Policy**

○ We recognize it important to distribute profits to its shareholders on a long-term and constant basis. Reflecting the policy, we continue providing returns to shareholders based on consideration of total shareholders' equity.

○ Specifically, in light of the progress toward the achievement of the current Medium-Term Management Plan, we aim to attain **an approximately 3% "rate of total distribution on net assets"* on a consolidated basis for FY2018/3**.

*Rate of total distribution on net assets (%) = (total dividends + acquisitions of treasury stock) ÷ consolidated net assets × 100

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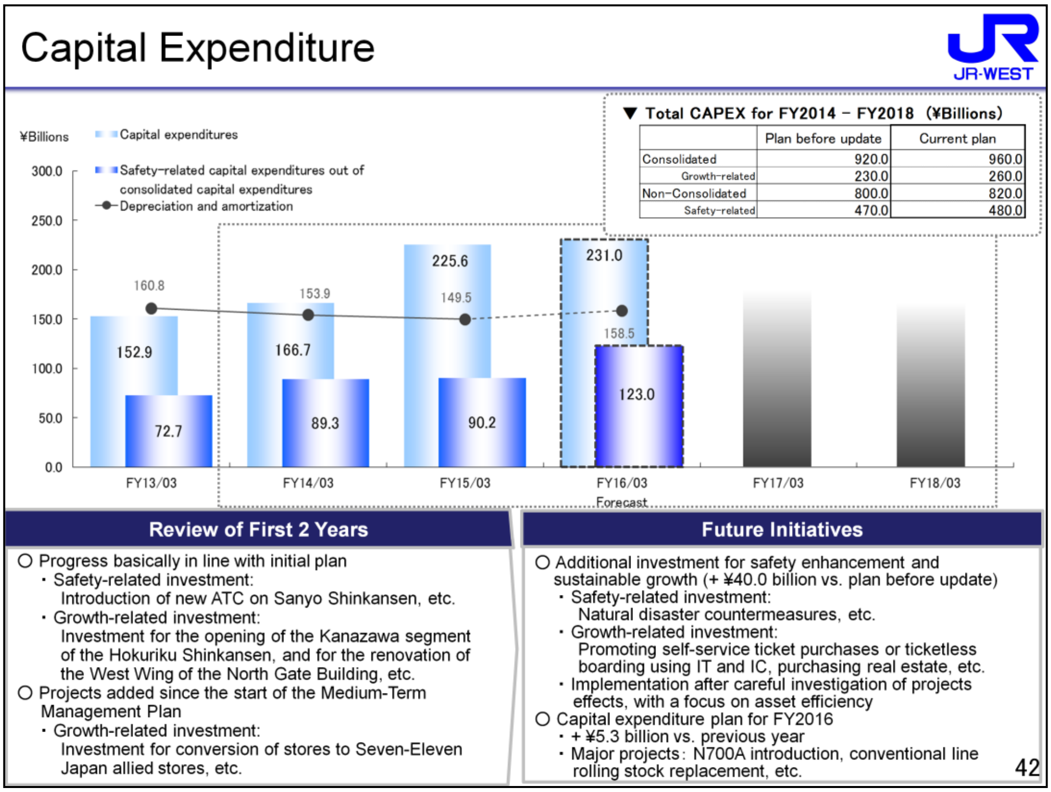
- Please see page 41. The use of cash flow is important in increasing corporate and shareholder value. The updated plan calls for a higher level of operating cash flow of about ¥100.0 billion, more than in the previous plan, and of this we will allocate ¥40.0 billion to additional safety-related and growth-related investment, in accordance with the priorities that we have previously announced.

- In addition, the remaining cash flow of ¥60.0 billion will be invested in growth projects that we will identify over the next three years. In regard to these projects, we are prepared to increase debt in order to invest if appropriate projects are available. We will do our utmost to increase corporate value.

- There will be no change to our policy of investing based on project-by-project investment effectiveness rather than investing in any type of project.

- On that basis, if we have not identified appropriate growth projects, assuming the current stable finances, our approach will be to basically allocate the remaining cash flow to shareholder return.

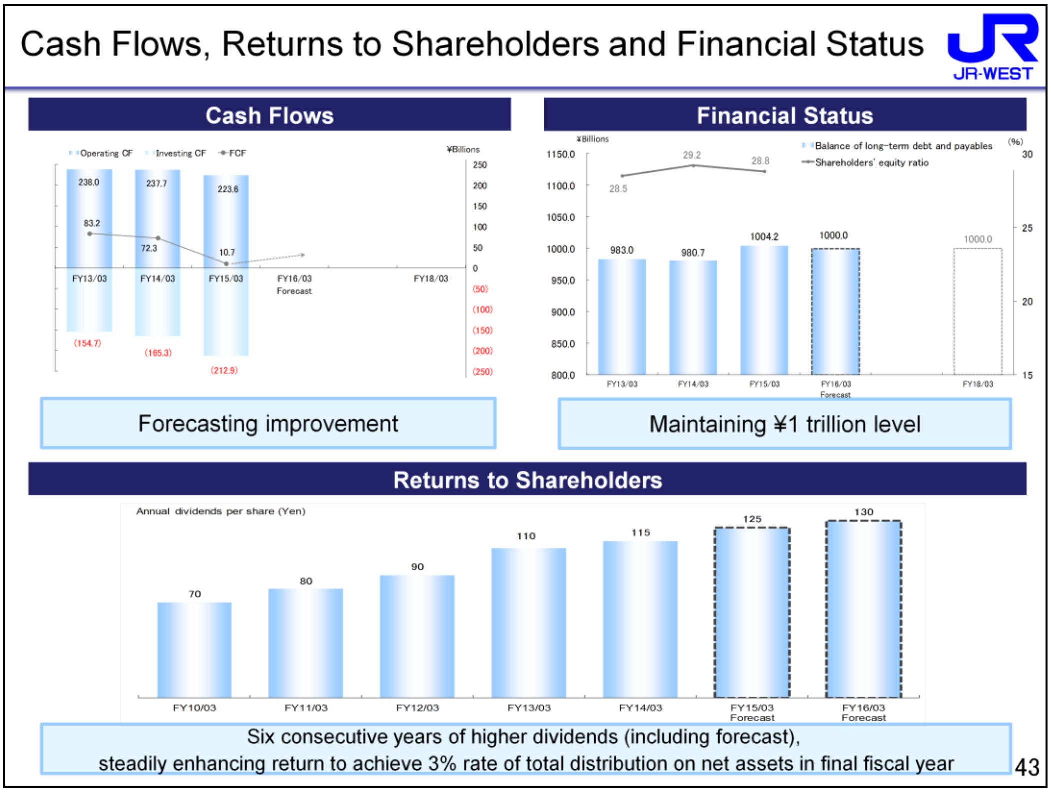
- Furthermore, there is no change to our basic shareholder return policy of aiming for about 3% for the rate of total distribution on net assets in FY2018/3, given our emphasis on stable shareholder return over the medium to long term. At this point, our intention is to implement this policy through dividends.




- Please look at page 42.

- In the previous fiscal year, CAPEX was ¥225.6 billion on a consolidated basis, including ¥90.2 billion in safety-related investment.

- This fiscal year, we plan investment of ¥231.0 billion on a consolidated basis, the second highest level ever for JR-West. The principal reason is an increase in investment in the manufacturing of new rolling stock — the N700A series for the Sanyo Shinkansen, the W7 series for the Hokuriku Shinkansen, and rolling stock for conventional lines.




- Please look at page 43. As of the end of March, we maintained a stable, sound financial position, with the balance of long-term debt and payables at ¥1,004.2 billion, and the equity ratio at 28.8%.

- This year, CAPEX will be at a high level, but we are forecasting higher profits and payments of income taxes, etc., will decline. Consequently, we expect free cash flow to improve year on year. Furthermore, the year-end balance of long-term debt and payables will basically be unchanged on a consolidated basis, at ¥1 trillion.

- With consideration for the return policy described above, in FY2015/3 we made steady progress in preparing a foundation for growth in FY2016/3 and thereafter in a challenging operating environment, and we recorded higher revenues and profits. As a result, in regard to shareholder return, we plan to increase the year-end dividend by ¥5 per share, for a full-year dividend of ¥125 per share.

- In addition, we are determined to work to maximize the effects of the two projects as well as to implement initiatives targeting the achievement of the objectives of the Medium-Term Management Plan and the realization of growth in the period during and after the plan. On that basis, for FY2016/3 we expect to increase dividends by ¥5 per share, to ¥130 per share for the year.

- Over the medium to long term, our operating environment will be affected by the declining population trend, and in response we will do our utmost from a medium to long term perspective to improve safety and corporate value while leveraging factors that support growth.

- This concludes my portion of today's presentation.

# Financial Results and Forecasts

JR-WEST

Billion Yen, %

| | FY2013/3 | | FY2015/3 | FY2016/3 | FY2018/3 | |
|---|---|---|---|---|---|---|
| | Forecasts (as of Jan. 2013) | Results | Results | Forecasts | Plan before update (as of Mar. 2013) | Current plan |
| Operating Revenues | 1289.0 | 1298.9 | 1350.3 | 1391.5 | 1306.0 | 1423.0 |
| Transportation | 840.4 | 844.9 | 868.4 | 895.6 | 836.0 | 902.5 |
| Retail | 235.8 | 234.6 | 220.1 | 227.0 | 241.0 | 246.5 |
| Real Estate | 89.5 | 90.9 | 87.2 | 102.6 | 101.0 | 106.0 |
| Other businesses | 123.3 | 128.4 | 174.4 | 166.3 | 128.0 | 168.0 |
| Operating Income | 121.0 | 129.4 | 139.7 | 148.5 | 127.5 | 157.0 |
| Transportation | 86.5 | 90.1 | 100.6 | 103.3 | 80.5 | 105.0 |
| Retail | (1.6) | (0.4) | 1.5 | 4.1 | 5.5 | 6.0 |
| Real Estate | 26.2 | 28.0 | 25.1 | 30.3 | 33.0 | 33.5 |
| Other businesses | 10.2 | 12.3 | 15.6 | 14.0 | 9.0 | 14.0 |
| Recurring Profit | 96.0 | 104.6 | 121.9 | 130.0 | 106.5 | 141.0 |
| Net Income | 56.0 | 60.1 | 66.7 | 81.5 | 66.0 | 91.5 |
| Transportation Revenues | 765.0 | 769.1 | 797.0 | 818.0 | 764.0 | 820.5 |
| ROA | 4.6% | 4.9% | 5.1% | 5.3% | 4.7% | 5.5% |
| ROE | 7.8% | 8.3% | 8.4% | 9.8% | 7.3% | 9.8% |
| EBITDA | 282.5 | 290.3 | 289.3 | 307.0 | 292.5 | 325.5 |

Note: Figures in brackets ( ) are negative values.

All the figures are the revenues from third parties (=customers).

Operating income by segment is before eliminating internal transactions.

Transportation revenues mean the railway revenues of JR-West included in operating revenues of "transportation" segment.

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- This presentation 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.
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- 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 May 1, 2015 based on information available to JR-West as of May 1, 2015 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 Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.