JR-West Group Medium-Term Management Plan 2022 and Results for the Fiscal Year Ended March 31, 2018

Continuity Progress

Making Our Vision into Reality

All For Smiles! 2022

May 1, 2018

West Japan Railway Company

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- I am Yoshito Fujiwara, the general manager of the Finance Department.
- I will provide a brief explanation of the Company’s financial results for the fiscal year ended March 31, 2018, and our forecasts for the fiscal year ending March 31, 2019.

Financial Highlights

¥Billions

	Results FY2017.3 A	Results FY2018.3 B	YoY Increase/(Decrease) B-A	YoY % B/A-1	Forecasts FY2019.3 C	YoY Increase/(Decrease) C-B	YoY % C/B-1
【Consolidated】							
Operating Revenues	1,441.4	1,500.4	59.0	4.1	1,525.5	25.0	1.7
Operating Income	176.3	191.3	14.9	8.5	187.5	(3.8)	(2.0)
Recurring Profit	160.7	177.7	16.9	10.6	174.0	(3.7)	(2.1)
Profit attributable to owners of parent	91.2	110.4	19.2	21.0	111.0	0.5	0.5
【Non-Consolidated】							
Operating Revenues	956.1	976.2	20.1	2.1	988.0	11.7	1.2
Transportation Revenues	849.6	867.8	18.1	2.1	878.0	10.1	1.2
Operating Expenses	820.6	831.9	11.2	1.4	843.0	11.0	1.3
Personnel costs	223.3	221.4	(1.8)	(0.8)	217.0	(4.4)	(2.0)
Non personnel costs	394.3	407.6	13.2	3.4	426.5	18.8	4.6
Energy costs	40.5	44.0	3.5	8.7	46.5	2.4	5.5
Maintenance costs	157.1	161.4	4.2	2.7	172.5	11.0	6.8
Miscellaneous costs	196.6	202.1	5.4	2.8	207.5	5.3	2.7
Depreciation	137.6	136.8	(0.8)	(0.6)	136.5	(0.3)	(0.2)
Operating Income	135.4	144.3	8.8	6.6	145.0	0.6	0.4
Recurring Profit	118.4	128.6	10.1	8.6	131.0	2.3	1.8
Net Income	70.8	80.7	9.9	14.0	89.5	8.7	10.8

Note: Figures in brackets ( ) are negative values.

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- First, please look at slide 2. This slide shows an overview of our results for the previous fiscal year and our forecasts for the current fiscal year.

- In the past year, business activity was firm. In this setting, transportation revenues increased substantially. In addition, there was also an effect from the transition to Seven-Eleven allied stores in the retail business, the new consolidation of Ryoju Properties in the real estate business, etc. As a result, we recorded higher revenues and profits on both a consolidated and non-consolidated basis.

- In the current fiscal year, we are forecasting higher revenues due to an increase in transportation revenues, higher sales at Seven-Eleven allied stores, and an increase in the number of residences sold in the real estate business. However, due to investment in human resources to address the labor shortage in the retail business and opening expenses for accommodation-oriented hotels, and to the recording of initial expenses for large-scale lease properties in the real estate lease business, our plans call for lower profits.

Non-Consolidated Financial Results

¥ Billions

	Results FY2017.3 A	FY2018.3 Forecasts (As of Jan 31) B	FY2018.3 Results C	YoY Increase/ (Decrease) C-A	YoY % C/A-1	Difference from the forecasts Increase/(Decrease) C-B
Operating Revenues	956.1	972.0	976.2	20.1	2.1	4.2
Transportation revenues	849.6	864.0	867.8	18.1	2.1	3.8
Other	106.4	108.0	108.4	1.9	1.9	0.4
Operating Expenses	820.6	831.0	831.9	11.2	1.4	0.9
Personnel costs	223.3	220.5	221.4	(1.8)	(0.8)	0.9
Non personnel costs	394.3	406.0	407.6	13.2	3.4	1.6
Energy costs	40.5	45.0	44.0	3.5	8.7	(0.9)
Maintenance costs	157.1	160.0	161.4	4.2	2.7	1.4
Miscellaneous costs	196.6	201.0	202.1	5.4	2.8	1.1
Rental payments, etc.	30.2	30.5	30.2	(0.0)	(0.3)	(0.2)
Taxes	34.9	36.0	35.7	0.7	2.1	(0.2)
Depreciation	137.6	138.0	136.8	(0.8)	(0.6)	(1.1)
Operating Income	135.4	141.0	144.3	8.8	6.6	3.3
Non-operating revenues and expenses, net	(17.0)	(16.0)	(15.7)	1.2	(7.6)	0.2
Non-operating revenues	6.1	6.0	6.2	0.0	–	0.2
Non-operating expenses	23.1	22.0	21.9	(1.2)	–	(0.0)
Recurring Profit	118.4	125.0	128.6	10.1	8.6	3.6
Extraordinary profit and loss, net	(16.5)	(3.0)	(9.2)	7.3	–	(6.2)
Extraordinary profit	18.3	–	29.8	11.5	–	–
Extraordinary loss	34.9	–	39.0	4.1	–	–
Net Income	70.8	84.5	80.7	9.9	14.0	(3.7)

Note: Figures in brackets ( ) are negative values.

- Next, please see slide 3 for non-consolidated results.

- Operating revenues increased substantially, rising ¥20.1 billion. There were solid economic conditions, etc. In this setting, the gain in operating revenues was attributable to a favorable trend in transportation revenues.

- Operating expenses rose ¥11.2 billion. This gain was due to an increase in adjustment amount for fuel cost and to an increase in externally funded construction related to the Hokuriku Shinkansen Tsuruga extension. Consequently, operating income rose ¥8.8 billion.

- In regard to the critical incident on the Shinkansen, at this point, the replacement of bogie frames has been limited to approximately 30 bogies. The effect was minimal.

Major Factors of Increase/Decrease in Transportation Revenues

JR-WEST

¥Billions

Results FY2018.3					
Transportation revenues		YoY Increase/(Decrease) Amount	YoY Increase/(Decrease) %	Major factors	Amount
Shinkansen	447.7	13.1	3.0	Fundamental trend 1.6%	7.0
				Special factors	
				Rebound from Kumamoto Earthquake	2.7
				Golden Week, year-end/new-year period favorable	1.1
				Pattern of weekdays and weekends (three-consecutive holidays, multiple holidays interspersed with workdays)	0.8
				Inbound	0.3
				Snow damage	0.1
				etc.	
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	309.0	3.9	1.3	Fundamental trend 0.9%	2.6
				Special factors	
				Inbound	0.8
				Golden Week, year-end/new-year period favorable	0.3
				Pattern of weekdays and weekends (three-consecutive holidays, multiple holidays interspersed with workdays)	0.2
				Seniors	0.0
				Snow damage	(0.3)
				etc.	
Other lines	111.0	1.0	0.9	Fundamental trend 0.5%	0.5
				Special factors	
				Golden Week, year-end/new-year period favorable	0.2
				Inbound	0.0
				Seniors	0.0
				Pattern of weekdays and weekends (three-consecutive holidays, multiple holidays interspersed with workdays)	0.0
				Snow damage	(0.5)
				etc.	
Conventional lines	420.0	5.0	1.2		
Total	867.8	18.1	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 slide 4. This slide explains the major factors behind increases and decreases in transportation revenues.

- Shinkansen revenues increased ¥13.1 billion. This increase was attributable to the fundamentals, which were at a high level, up 1.6% year on year; to the rebound from the Kumamoto earthquakes, and to favorable results during holidays and other busy periods. Breaking this figure down, revenues on the Sanyo Shinkansen were up ¥13.6 billion, while revenues on the Hokuriku Shinkansen were down ¥0.4 billion.

- In the Kansai Urban Area, revenues were up ¥3.9 billion. This gain reflects the success of measures to increase the value of railway belts — such as station renovations and initiatives to attract colleges to areas along railway belts — as well as to efforts to capture inbound demand and to other measures.

- The share of transportation revenues contributed by Shinkansen operations reached 51%.

- In the fourth quarter, the trend for overall transportation revenues declined to some extent. We assume this is likely due to the influence of extremely low temperatures, etc.

Transportation Revenues and Passenger-Kilometers

JR-WEST

Transportation Revenues

¥ Billions

	Fiscal Year (4/1～3/31)			3 months (4Q) (1/1～3/31)		
	FY2017.3	FY2018.3	YoY	FY2017.3	FY2018.3	YoY
Total	849.6	867.8	18.1 2.1%	206.7	208.5	1.8 0.9%
Shinkansen	434.6	447.7	13.1 3.0%	104.4	106.1	1.6 1.6%
Commuter Passes	10.2	10.7	0.5 5.0%	2.5	2.6	0.0 3.5%
Non-Commuter Passes	424.3	436.9	12.6 3.0%	101.8	103.4	1.6 1.6%
Conventional Lines	415.0	420.0	5.0 1.2%	102.2	102.4	0.1 0.1%
Commuter Passes	141.5	142.0	0.5 0.4%	33.9	34.0	0.0 0.3%
Non-Commuter Passes	273.5	277.9	4.4 1.6%	68.3	68.3	0.0 0.1%
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	305.0	309.0	3.9 1.3%	74.8	75.2	0.3 0.5%
Commuter Passes	116.4	116.9	0.5 0.5%	28.0	28.1	0.1 0.4%
Non-Commuter Passes	188.5	192.0	3.4 1.8%	46.8	47.0	0.2 0.5%
Other Lines	110.0	111.0	1.0 0.9%	27.3	27.1	(0.2) (0.8%)
Commuter Passes	25.1	25.1	(0.0) (0.1%)	5.8	5.8	(0.0) (0.2%)
Non-Commuter Passes	84.9	85.9	1.0 1.2%	21.4	21.2	(0.2) (1.0%)

Passenger-Kilometers

Millions of passenger-kilometers

	Fiscal Year (4/1～3/31)			3 months (4Q) (1/1～3/31)		
	FY2017.3	FY2018.3	YoY	FY2017.3	FY2018.3	YoY
Total	58,271	59,291	1,020 1.8%	13,926	14,074	147 1.1%
Shinkansen	20,348	21,022	674 3.3%	4,871	4,958	86 1.8%
Commuter Passes	815	846	30 3.8%	197	204	7 3.6%
Non-Commuter Passes	19,532	20,176	643 3.3%	4,674	4,753	79 1.7%
Conventional Lines	37,923	38,269	345 0.9%	9,054	9,115	60 0.7%
Commuter Passes	22,723	22,831	108 0.5%	5,283	5,301	18 0.3%
Non-Commuter Passes	15,200	15,437	237 1.6%	3,771	3,814	42 1.1%
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	29,592	29,872	279 0.9%	7,064	7,118	54 0.8%
Commuter Passes	18,689	18,787	98 0.5%	4,377	4,397	19 0.4%
Non-Commuter Passes	10,903	11,084	181 1.7%	2,686	2,721	35 1.3%
Other Lines	8,330	8,397	66 0.8%	1,990	1,997	6 0.3%
Commuter Passes	4,033	4,043	9 0.2%	905	904	(0) (0.1%)
Non-Commuter Passes	4,297	4,353	56 1.3%	1,085	1,092	7 0.7%

Note: Figures in brackets ( ) are negative values.

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

JR-WEST

¥ Billions

	Results FY2018.3	YoY Increase/(Decrease)	YoY %	Major factors (YoY)
Personnel costs	221.4	(1.8)	(0.8)	・Difference in personnel, etc.
Energy costs	44.0	3.5	8.7	・Increase in adjustment amount for fuel cost, etc.
Maintenance costs	161.4	4.2	2.7	・Increase in externally funded construction, etc.
Miscellaneous costs	202.1	5.4	2.8	・Increase in system-related costs ・Increase in adjustment amount for fuel cost, etc.
Rental Payments,etc	30.2	(0.0)	(0.3)	
Taxes	35.7	0.7	2.1	・Increase in fixed assets tax, etc.
Depreciation and amortization	136.8	(0.8)	(0.6)	・Progress of depreciation and amortization, etc.
Total	831.9	11.2	1.4	

Note: Figures in brackets ( ) are negative values.

- Next, please look at slide 6 for information about non-consolidated operating expenses.

- Personnel costs declined due to the influence of decrease in the number of employees, etc. However, non-consolidated operating expenses were higher due to such factors as an increase in energy costs due to rises in the adjustment amount for fuel cost and the renewable energy surcharge unit price; a rise in maintenance costs due to higher externally funded construction; and an increase in miscellaneous costs due to higher system-related costs accompanying a gain in JR-West card members.

Consolidated Financial Results

JR-WEST

¥Billions

	Results FY2017.3 A	FY2018.3 Forecasts (As of Jan 31) B	FY2018.3 Results C	YoY Increase/(Decrease) C-A	YoY % C/A-1	Difference from the forecasts Increase/(Decrease) C-B
Operating Revenues	1,441.4	1,497.0	1,500.4	59.0	4.1	3.4
Operating Expenses	1,265.0	1,311.5	1,309.0	44.0	3.5	(2.4)
Operating Income	176.3	185.5	191.3	14.9	8.5	5.8
Non-operating revenues and expenses, net	(15.6)	(15.0)	(13.5)	2.0	(13.0)	1.4
Non-operating revenues	8.0	7.2	9.0	1.0	–	1.8
Non-operating expenses	23.7	22.2	22.6	(1.0)	–	0.4
Recurring Profit	160.7	170.5	177.7	16.9	10.6	7.2
Extraordinary profit and loss, net	(23.0)	(4.0)	(7.1)	15.9	–	(3.1)
Extraordinary profit	19.6	–	32.8	13.2	–	–
Extraordinary loss	42.6	–	39.9	(2.6)	–	–
Profit attributable to owners of parent	91.2	110.5	110.4	19.2	21.0	(0.0)
Comprehensive Income	*92.0*	–	*114.1*	*22.0*	*24.0*	–

Note: Figures in brackets ( ) are negative values.

- Next, please look at slide 7 for our consolidated results.
- As with non-consolidated results, we registered gains in operating revenues and at all levels of profits. The gain in operating revenues reflects the increase in non-consolidated transportation revenues and higher revenues in the real estate business due to such factors as the new consolidation of Ryoju Properties.
- Net extraordinary profit and loss improved by ¥15.9 billion year on year. Additional costs were incurred due to the closure of the Sannomiya Terminal building, but this improvement reflected such factors as a rebound from the Sanko Line impairment loss recorded in the previous fiscal year.

Consolidated Financial Results (Segment Information)

JR-WEST

¥ Billions

	Results FY2017.3	FY2018.3		YoY		Difference from the forecasts Increase/(Decrease)
		Forecasts (As of Jan 31)	Results	Increase/ (Decrease)	%	
	A	B	C	C-A	C/A-1	C-B
Operating Revenues[*1]	1,441.4	1,497.0	1,500.4	59.0	4.1	3.4
Transportation	929.1	946.5	950.8	21.7	2.3	4.3
Retail	233.9	240.8	239.8	5.9	2.5	(0.9)
Sales of goods and food services	152.5	162.2	161.7	9.1	6.0	(0.4)
【Accommodation-oriented budget hotels】(restated)[*2]	【10.8】	【11.7】	【11.6】	【0.8】	【8.2】	【(0.0)】
Department stores	73.4	70.6	70.1	(3.3)	(4.5)	(0.4)
Real estate	109.5	138.7	139.6	30.0	27.5	0.9
Shopping center	60.5	59.1	59.6	(0.9)	(1.5)	0.5
Real estate lease and sale	47.2	77.7	78.1	30.9	65.5	0.4
【Real estate sale】(restated)	【16.1】	【34.9】	【35.0】	【18.8】	【117.2】	【0.0】
Other businesses	168.8	171.0	170.0	1.2	0.7	(0.9)
Hotel	36.2	35.9	35.6	(0.5)	(1.5)	(0.2)
Nippon Travel Agency	42.0	41.0	41.3	(0.6)	(1.6)	0.3
Operating Income[*1]	176.3	185.5	191.3	14.9	8.5	5.8
Transportation	121.7	127.1	130.3	8.5	7.0	3.2
Retail	5.2	7.0	7.2	2.0	38.9	0.2
Sales of goods and food services	5.1	–	6.0	0.9	18.3	–
Department stores	(0.1)	–	0.9	1.1	–	–
Real estate	32.2	35.5	35.7	3.5	11.1	0.2
Shopping center	9.6	–	8.7	(0.9)	(9.9)	–
Real estate lease and sale	11.6	–	17.3	5.7	49.3	–
Other businesses	20.4	19.0	19.9	(0.5)	(2.5)	0.9
Hotel	2.4	–	1.9	(0.5)	(20.4)	–
Nippon Travel Agency	0.6	–	0.2	(0.4)	(60.7)	–

Note: Figures in brackets ( ) are negative values.

*1 The breakdowns of operating revenues and operating income by each segment are the sums of those of major subsidiaries.

*2 Figures in brackets 【 】 are the sales of accommodation-oriented budget hotel, "VIA INN", sales, excluding Shimonoseki (non-consolidated), Asakusa (other business segment), and Hiroshima Kanayamacho (other business segment) locations.

- Next, slide 8 explains performance by business segment.

- In the retail business, operating revenues increased ¥5.9 billion, and operating income rose ¥2.0 billion. In operating revenues, department store revenues were down due to the cessation of operation at the B1 and B2 levels of the Osaka Store, but in goods and food service operations, results by Seven-Eleven allied stores were favorable. This and other factors resulted in the increase in operating revenues.

- The gain in operating income reflected favorable results by Seven-Eleven allied stores, elimination of duplicate expenses, and, in department store operations, the cessation of operation at the B1 and B2 levels of the Osaka Store.

- In the real estate business, operating revenues rose ¥30.0 billion, and operating income was up ¥3.5 billion. In operating revenues, there was a decline in revenues due to, in the shopping center business, a rebound from the opening of a store within the Kyoto Railway Museum and the closure of directly operated stores. Nonetheless, operating revenues increased due to a rise in condominium unit sales in the real estate lease and sale business and to the new consolidation of Ryoju Properties. In operating income, there was a decline due to lower lease revenues accompanying the cessation of operation at the B1 and B2 levels of the Osaka Store and to renovation expenses, but operating income increased due to higher revenues in the real estate lease and sales business.

Major Factors of Increase/Decrease in Each Segment

¥ Billions

			Results FY2018.3	YoY Increase/(Decrease)	YoY %	Major factors (YoY)
Retail	Sales of goods and food services	Operating Revenues	161.7	9.1	6.0	･Seven-Eleven allied stores favorable, etc.
		Operating Income	6.0	0.9	18.3	
	Department stores	Operating Revenues	70.1	(3.3)	(4.5)	･Cessation of operations at the B1 and B2 levels of the Osaka Store
		Operating Income	0.9	1.1	–	･Improved earnings due to cessation of operations at the B1 and B2 levels of the Osaka Store, etc.
Real estate	Shopping center	Operating Revenues	59.6	(0.9)	(1.5)	･Closure of directly-operated stores, etc.
		Operating Income	8.7	(0.9)	(9.9)	･Renovation of the B1 and B2 levels at LUCUA 1100, etc.
	Real estate lease and sale	Operating Revenues	78.1	30.9	65.5	･New consolidation of Ryoju Properties, increase in number of residences sold, etc.
		Operating Income	17.3	5.7	49.3	
Other Businesses	Hotel	Operating Revenues	35.6	(0.5)	(1.5)	
		Operating Income	1.9	(0.5)	(20.4)	
	Nippon travel agency	Operating Revenues	41.3	(0.6)	(1.6)	
		Operating Income	0.2	(0.4)	(60.7)	

Note: Figures in brackets ( ) are negative values.
* 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.

Consolidated Financial Situation and Statements of Cash Flows

JR-WEST

¥Billions

	As of March 31, 2017 A	As of March 31, 2018 B	Difference increase/(decrease) B-A
Assets	3,007.8	3,072.9	65.1
Liabilities	1,975.2	1,956.6	(18.5)
Net assets	1,032.6	1,116.3	83.6
Balance of Long-term Debt and Payables	1,037.9	1,032.2	(5.6)
【Average interest rate (%)】	【1.97】	【1.86】	【(0.11)】
Shinkansen Purchase Liability	104.6	103.8	(0.8)
【Average interest rate (%)】	【6.55】	【6.55】	【 − 】
Bonds	534.9	524.9	(9.9)
【Average interest rate (%)】	【1.75】	【1.58】	【(0.17)】
Equity ratio (%)	31.3	33.2	1.9
Net assets per share (¥)	4,857.50	5,273.42	415.92

	Results FY2017.3 A	Results FY2018.3 B	YoY increase/(decrease) B-A
Cash flows from operating activities	234.1	275.1	40.9
Cash flows from investing activities	(295.8)	(166.3)	129.4
Free cash flows	(61.6)	108.7	170.4
Cash flows from financing activities	44.3	(71.4)	(115.7)
Change in cash and cash equivalents, net	(17.3)	38.1	55.4
Cash and cash equivalents at the end of the period	63.3	101.4	38.1

Note: Figures in brackets ( ) are negative values.

01 Results for FY2018.3 and Forecasts for FY2019.3

- Results for FY2018.3
- Forecasts for FY2019.3

02 JR-West Group Medium-Term Management Plan 2022

- Review of Previous Medium-Term Management Plan and Positioning of Current Medium-Term Management Plan
- Medium-Term Management Plan 2022

Non-Consolidated Financial Forecasts

JR-WEST

¥ Billions

	Results FY2018.3 A	Forecasts FY2019.3 B	YoY Increase/ (Decrease) B-A	YoY % B/A-1
Operating Revenues	976.2	988.0	11.7	1.2
Transportation revenues	867.8	878.0	10.1	1.2
Other	108.4	110.0	1.5	1.5
Operating Expenses	831.9	843.0	11.0	1.3
Personnel costs	221.4	217.0	(4.4)	(2.0)
Non personnel costs	407.6	426.5	18.8	4.6
Energy costs	44.0	46.5	2.4	5.5
Maintenance costs	161.4	172.5	11.0	6.8
Miscellaneous costs	202.1	207.5	5.3	2.7
Rental payments, etc.	30.2	27.5	(2.7)	(9.0)
Taxes	35.7	35.5	(0.2)	(0.7)
Depreciation	136.8	136.5	(0.3)	(0.2)
Operating Income	144.3	145.0	0.6	0.4
Non-operating revenues and expenses, net	(15.7)	(14.0)	1.7	(10.9)
Non-operating revenues	6.2	7.5	1.2	–
Non-operating expenses	21.9	21.5	(0.4)	–
Recurring Profit	128.6	131.0	2.3	1.8
Extraordinary profit and loss, net	(9.2)	(2.0)	7.2	–
Extraordinary profit	29.8	–	–	–
Extraordinary loss	39.0	–	–	–
Net Income	80.7	89.5	8.7	10.8

Note: Figures in brackets ( ) are negative values.

- Next, please look at slide 12. This slide explains our non-consolidated results forecast for the year ending March 31, 2019.

- We are forecasting an increase of ¥11.7 billion in operating revenues due to a rise in transportation revenues, and an increase of ¥11.0 billion in operating expenses due to such factors as higher maintenance costs. Consequently, we are forecasting an increase of ¥0.6 billion in operating income.

Transportation Revenue Forecasts

¥Billions

Transportation revenues	Forecasts FY2019.3	YoY Increase/(Decrease) Amount	YoY Increase/(Decrease) %	Major factors	Amount
Shinkansen	454.7	7.0	1.6	Fundamental trend 1.0%	4.3
				Special factors	
				・Inbound	1.5
				・Pattern of weekdays and weekends	0.5
				・Rebound from snow damage	(0.1)
				etc.	
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	312.0	3.0	1.0	Fundamental trend 0.0%	0.1
				Special factors	
				・Inbound	1.3
				・Rebound from snow damage	0.3
				・Pattern of weekdays and weekends	0.0
				etc.	
Other lines	111.1	0.0	0.1	Fundamental trend (0.7%)	(0.8)
				Special factors	
				・Rebound from snow damage	0.5
				・Inbound	0.3
				・Pattern of weekdays and weekends	0.0
				etc.	
Conventional lines	423.2	3.1	0.7		
Total	878.0	10.1	1.2		

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

- Next, please look at slide 13 for information about our forecast for transportation revenues.

- For the Shinkansen, we are forecasting an increase of ¥7.0 billion, with the fundamentals up 1.0% year on year. This reflects our efforts to capture business and tourism demand through such measures as Internet reservations and tourism campaigns, as well as our initiatives to capture inbound demand. Breaking this figure down, revenues on the Sanyo Shinkansen are forecast to increase by ¥7.0 billion, while revenues on the Hokuriku Shinkansen are forecast to edge down by a small amount.

- In the Kansai Urban Area, we are forecasting an increase of ¥3.0 billion, with fundamentals unchanged year on year. With the population declining, through initiatives to increase the value of railway belts, etc., we will work to increase the resident and visitor populations and to capture inbound demand.

- In regard to inbound demand, individual tickets and tickets sold by other companies had previously had been included in fundamentals. However, from this medium-term management plan, we have decided to disclose them with exclusive products to provide an overall view of inbound demand.

Operating Expenses Forecasts (Non-Consolidated)

¥Billions

	Forecasts FY2019.3	YoY Increase/(Decrease)	YoY %	Major factors (YoY)
Personnel costs	217.0	(4.4)	(2.0)	・Difference in personnel, etc.
Energy costs	46.5	2.4	5.5	・Increase in adjustment amount for fuel cost, etc.
Maintenance costs	172.5	11.0	6.8	・Increase in removal work, etc., accompanying capital expenditures ・Increase in maintenance costs for structures, etc.
Miscellaneous costs	207.5	5.3	2.7	・Increase in system-related costs ・Increase in adjustment amount for fuel cost, etc.
Rental Payments,etc	27.5	(2.7)	(9.0)	・JR Tozai Line, etc.
Taxes	35.5	(0.2)	(0.7)	
Depreciation and amortization	136.5	(0.3)	(0.2)	
Total	843.0	11.0	1.3	

Note: Figures in brackets ( ) are negative values.

- Next, please look at slide 14.

- Non-consolidated operating expenses are forecast to decline due to lower personnel costs resulting from a smaller workforce and to lower line usage fees resulting from decreased line usage fees on the JR Tozai Line. Energy costs are forecast to increase due to increases in the adjustment amount for fuel costs and in the renewable energy surcharge unit price. Maintenance costs are planned to increase due to higher removal work expenses accompanying capital expenditures, as well as to measures to prevent major problems, such as measures to address the critical incident on the Shinkansen in December 2017 and to measures to address intensifying natural disasters, etc. Miscellaneous costs are planned to increase due to higher system/IC card related expenses accompanying higher revenues and increased productivity.

- Moving forward, personnel costs are forecast to continue to decline gradually. In addition, we plan to concentrate maintenance costs in the first half of the period covered by the medium-term management plan. Consequently, as we move toward the final year of the medium-term management plan, costs will not increase at the same pace at which they are projected to increase in the current fiscal year from the past fiscal year.

Consolidated Financial Forecasts

¥Billions

	Results FY2018.3 A	Forecasts FY2019.3 B	YoY Increase/(Decrease) B-A	YoY % B/A-1
Operating Revenues	1,500.4	1,525.5	25.0	1.7
Operating Expenses	1,309.0	1,338.0	28.9	2.2
Operating Income	191.3	187.5	(3.8)	(2.0)
Non-operating revenues and expenses, net	(13.5)	(13.5)	0.0	(0.6)
Non-operating revenues	9.0	8.6	(0.4)	–
Non-operating expenses	22.6	22.1	(0.5)	–
Recurring Profit	177.7	174.0	(3.7)	(2.1)
Extraordinary profit and loss, net	(7.1)	(7.0)	0.1	–
Extraordinary profit	32.8	–	–	–
Extraordinary loss	39.9	–	–	–
Profit attributable to owners of parent	110.4	111.0	0.5	0.5
Net income per share(¥)	570.72	573.33	–	–

Note: Figures in brackets ( ) are negative values.

- Next, please look at slide 15. This slide explains our consolidated results forecast.

- We are planning a gain of ¥25.0 billion in operating revenues, and a decline of ¥3.8 billion in operating income due to such factors as investment in human resources and, in non-railway operations, to new opening expenses, including for hotels.

Consolidated Financial Forecasts (Segment Information)

¥ Billions

	Results FY2018.3 A	Forecasts FY2019.3 B	YoY Increase/ (Decrease) B-A	YoY % B/A-1
Operating Revenues*1	1,500.4	1,525.5	25.0	1.7
Transportation	950.8	962.0	11.1	1.2
Retail	239.8	244.8	4.9	2.1
Sales of goods and food services	161.7	167.0	5.2	3.3
【Accommodation-oriented budget hotels】(restated)*2	【11.6】	【12.7】	【1.0】	【9.0】
Department stores	70.1	69.1	(1.0)	(1.4)
Real estate	139.6	147.8	8.1	5.8
Shopping center	59.6	60.7	1.0	1.8
Real estate lease and sale	78.1	85.1	6.9	9.0
【Real estate sale】(restated)	【35.0】	【40.7】	【5.7】	【16.4】
Other businesses	170.0	170.9	0.8	0.5
Hotel	35.6	36.1	0.4	1.3
Nippon Travel Agency	41.3	41.9	0.5	1.3
Operating Income*1	191.3	187.5	(3.8)	(2.0)
Transportation	130.3	130.6	0.2	0.2
Retail	7.2	5.7	(1.5)	(21.9)
Sales of goods and food services	6.0	4.4	(1.6)	(27.7)
Department stores	0.9	1.0	0.0	1.1
Real estate	35.7	33.4	(2.3)	(6.7)
Shopping center	8.7	8.5	(0.2)	(2.5)
Real estate lease and sale	17.3	15.6	(1.7)	(10.3)
Other businesses	19.9	21.1	1.1	5.7
Hotel	1.9	1.4	(0.5)	(29.5)
Nippon Travel Agency	0.2	0.3	0.0	9.6

Note: Figures in brackets ( ) are negative values.

*1 The breakdowns of operating revenues and operating income by each segment are the sums of those of major subsidiaries.

*2 Figures in brackets【 】are the sales of accommodation-oriented budget hotel, "VIA INN", sales, excluding Shimonoseki (non-consolidated), Asakusa (other business segment), and Hiroshima Kanayamacho (other business segment) locations.

- Next, please look at slide 16. This slide explains forecasts by business segment.

- In the retail business, we are forecasting an increase of ¥4.9 billion in operating revenues and a decline of ¥1.5 billion in operating income. The gain in operating revenues reflects the opening of new Seven-Eleven allied stores and the opening of new accommodation-oriented hotels. The decline in operating income reflects the implementation of measures to improve the working conditions of employees, etc., as a means of addressing the tight labor market and opening expenses for accommodation-oriented hotels.

- In the real estate business, we are forecasting an increase of ¥8.1 billion in operating revenues and a decline of ¥2.3 billion in operating income. The gain in operating revenues is due to an increase in condominium unit sales and to the opening of large-scale lease properties in the real estate lease and sale business. The decline in operating income reflects such factors as higher expenses accompanying the opening of large-scale lease properties.

Each Segment Forecasts

¥ Billions

			Forecasts FY2019.3	YoY Increase/(Decrease)	YoY %	Major factors (YoY)
Retail	Sales of goods and food services	Operating Revenues	167.0	5.2	3.3	･New opening of Seven-Eleven allied stores, etc.
		Operating Income	4.4	(1.6)	(27.7)	･Accommodation-oriented hotel opening expenses, etc.
	Department stores	Operating Revenues	69.1	(1.0)	(1.4)	･Hindrance from renovation construction, etc.
		Operating Income	1.0	0.0	1.1	
Real estate	Shopping center	Operating Revenues	60.7	1.0	1.8	･Hiroshima ekie opening full-year contribution, etc.
		Operating Income	8.5	(0.2)	(2.5)	
	Real estate lease and sale	Operating Revenues	85.1	6.9	9.0	･Increase in number of residences sold, opening of lease properties, etc.
		Operating Income	15.6	(1.7)	(10.3)	･Lease properties new opening expenses, etc.
Other Businesses	Hotel	Operating Revenues	36.1	0.4	1.3	
		Operating Income	1.4	(0.5)	(29.5)	
	Nippon travel agency	Operating Revenues	41.9	0.5	1.3	
		Operating Income	0.3	0.0	9.6	

Note: Figures in brackets ( ) are negative values.
* 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.

Other Data

Persons, ¥Billions

	Results FY2017.3	Results FY2018.3	Forecasts FY2019.3
ROA (%, Consolidated)	6.0	6.3	6.0
ROE (%, Consolidated)	10.0	11.3	10.5
EBITDA (Consolidated)*1	339.1	356.1	355.2
Depreciation (Consolidated)	162.7	163.5	166.5
Capital Expenditure (Consolidated, own fund)	192.4	169.4	280.0
Capital Expenditure (Non-consolidated, own fund)	159.8	127.8	218.0
Safety related capital expenditure	105.0	83.2	127.0
Dividends per share (¥)	140	160	175

*1 EBITDA = Operating Income ＋ Depreciation ＋ Amortization of goodwill

	Results FY2017.3		Results FY2018.3		Forecasts FY2019.3	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
No. of employees at the end of period	47,382	25,821	47,869	25,291	–	–
Financial Expenses, net	(21.6)	(21.0)	(20.2)	(19.6)	(19.3)	(17.2)
Interest and dividend income	0.6	1.1	0.7	1.2	0.7	2.7
Interest expenses	22.3	22.2	20.9	20.8	20.0	19.9

Note: Figures in brackets ( ) are negative values.

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- Finally, please look at slide 18.

- In consideration of the critical incident on the Shinkansen, etc., we will concentrate the implementation of safety measures in the first half of the period covered by the medium-term management plan. In addition, we will aggressively implement growth investment, such as in real estate development. As a result, we are planning consolidated capital expenditure of ¥280.0 billion.

- This concludes my portion of the presentation.

01 Results for FY2018.3 and Forecasts for FY2019.3

- Results for FY2018.3
- Forecasts for FY2019.3

02 JR-West Group Medium-Term Management Plan 2022

- Review of Previous Medium-Term Management Plan and Positioning of Current Medium-Term Management Plan
- Medium-Term Management Plan 2022

- I am Tatsuo Kijima, the president of JR-West.

- I will explain the newly formulated JR-West Group Medium-Term Management Plan 2022.

Review of JR-West Group Medium-Term Management Plan 2017 (1) – (Safety)

JR-WEST

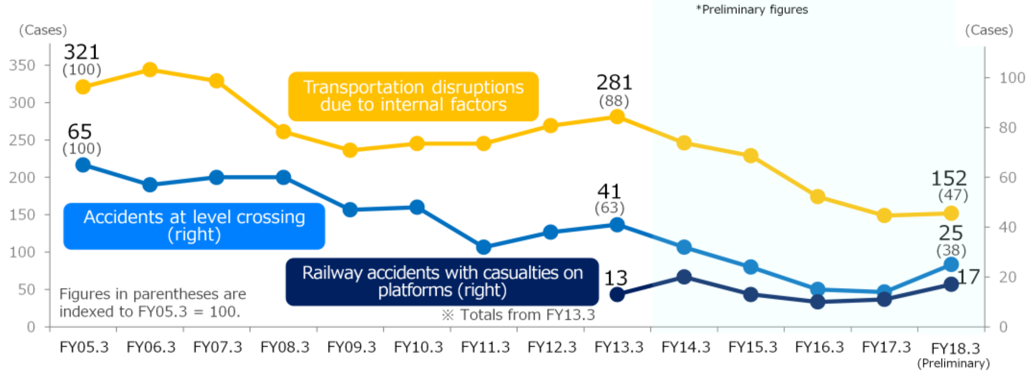
Even though we did not meet a portion of our objectives, the number of railway operation accidents, etc., has generally been following a declining trend.

○ Safety Think-and-Act Plan 2017 Objectives

	FY13.3 results	FY18.3 objectives	FY18.3 results
Railway accidents that result in casualties among our customers	0 cases	0 cases in 5 years	**0** cases in 5 years
Railway labor accidents that result in fatalities among our employees	0 cases	0 cases in 5 years	**2** cases in 5 years
Railway accidents with casualties on platforms	13 cases	9 cases (30% reduction)	**17** cases
Accidents at level crossings	41 cases	25 cases (40% reduction)	**25** cases
Transportation disruptions due to internal factors	281 cases	140 cases (50% reduction)	**152** cases

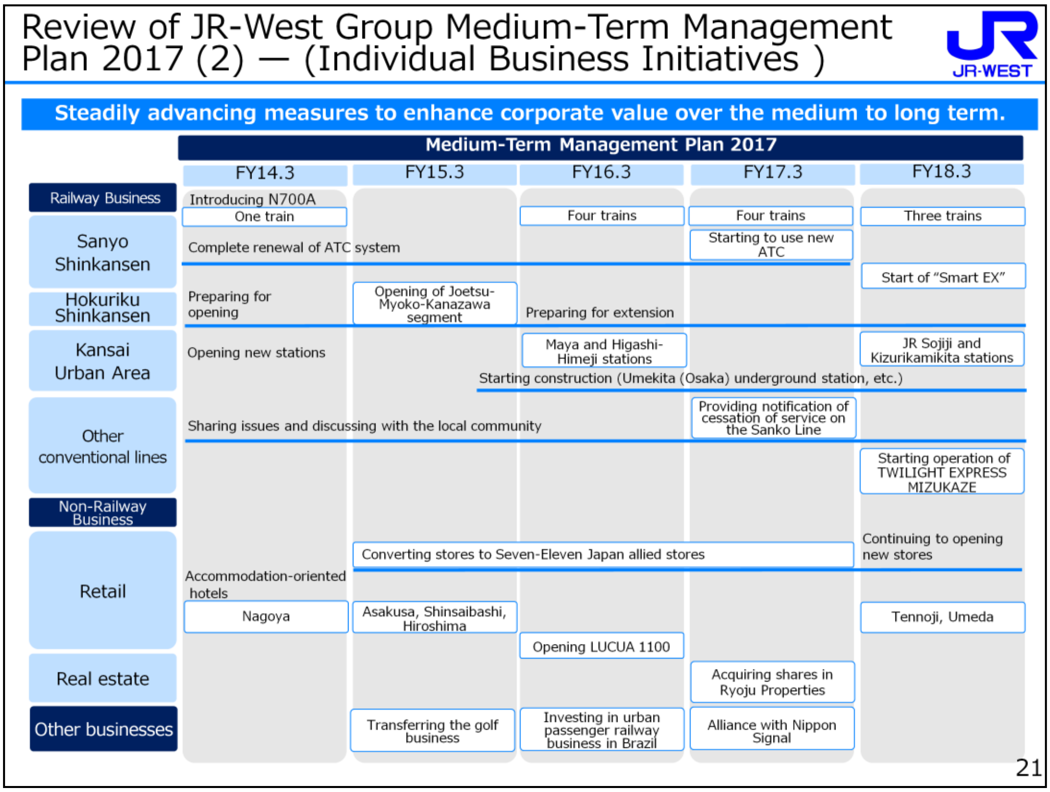
Platform gates (Osaka station)

*Preliminary figures



- First, please refer to slide 20 for a review of the Medium-Term Management Plan 2017.

- In regard to safety, as a result of our efforts to increase safety under the previous medium-term plan, even though we did not meet a portion of our objectives, the number of railway operation accidents, etc., has generally been following a declining trend. On the other hand, we caused the critical incident on the Shinkansen in December 2017. We view this as a serious issue, and we have already begun to implement countermeasures.



- Next, please see slide 21 for information about the initiatives for each business under the previous medium-term management plan.

- As you can see, targeting the enhancement of corporate value over the medium to long term, we steadily implemented initiatives in all of our business fields.

Review of JR-West Group Medium-Term Management Plan 2017 (3) ― (Financial Indicators)

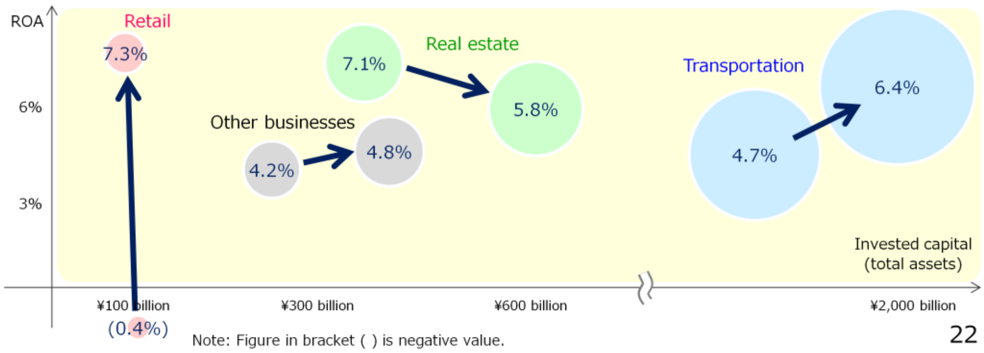
JR-WEST

Achieving results that substantially exceeded objectives for all financial indicators, Realizing steady growth in all segments

○ Financial Indicators

	FY13.3 results	FY18.3 objectives	FY18.3 results
Consolidated operating revenues	¥1,298.9 billion	¥1,423.0 billion	¥**1,500.4** billion
Consolidated EBITDA	¥290.3 billion	¥325.5 billion	¥**356.1** billion
Consolidated ROA	4.9%	5.5%	**6.3**%
Consolidated ROE (Reference)	8.3%	9.8%	**11.3**%
Rate of total distribution on net assets	2.9%	Approx. 3%	**3.2**%

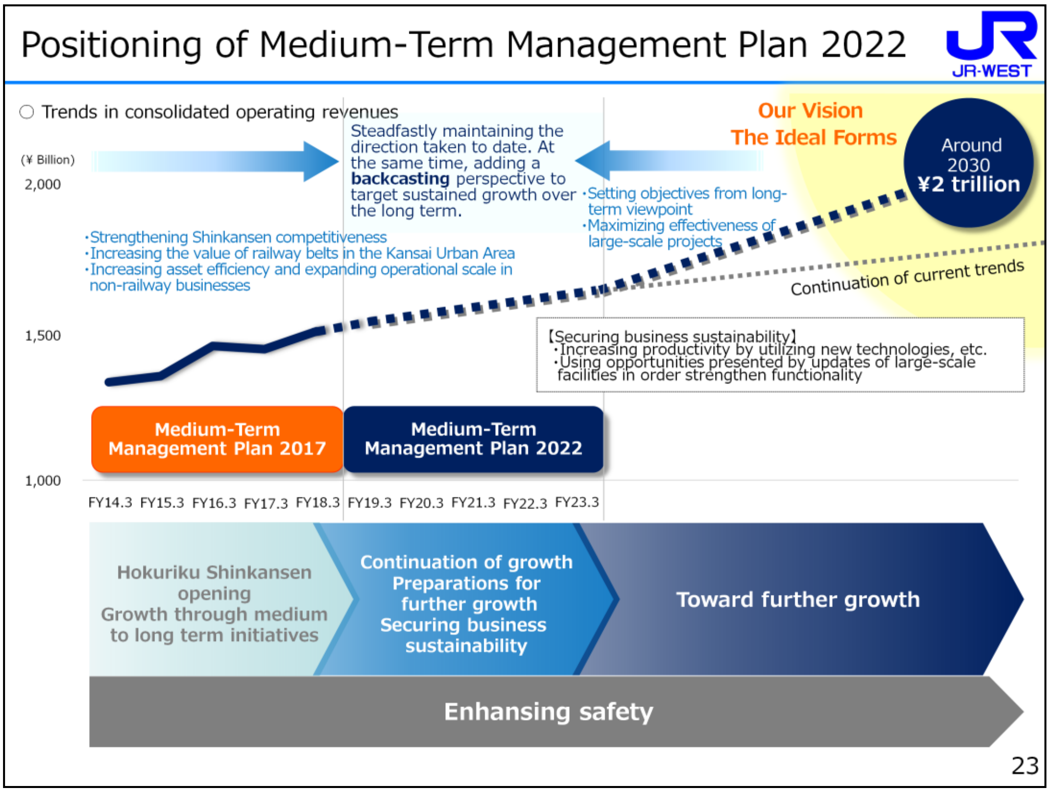
○ Trends in ROA by segment (FY13.3 → FY18.3) *Circle size indicates operating income



Note: Figure in bracket ( ) is negative value.

- As a result of these initiatives, as shown on slide 22, we were able to achieve results that exceeded objectives for all financial indicators.

- In addition, looking at each business, the ROA increased in transportation operations and the retail business, we secured a high level of ROA in the real estate business. At the same time, operating income increased in all business fields. I believe this demonstrates the steady generation of returns from the measures that we have implemented and our capital expenditures.

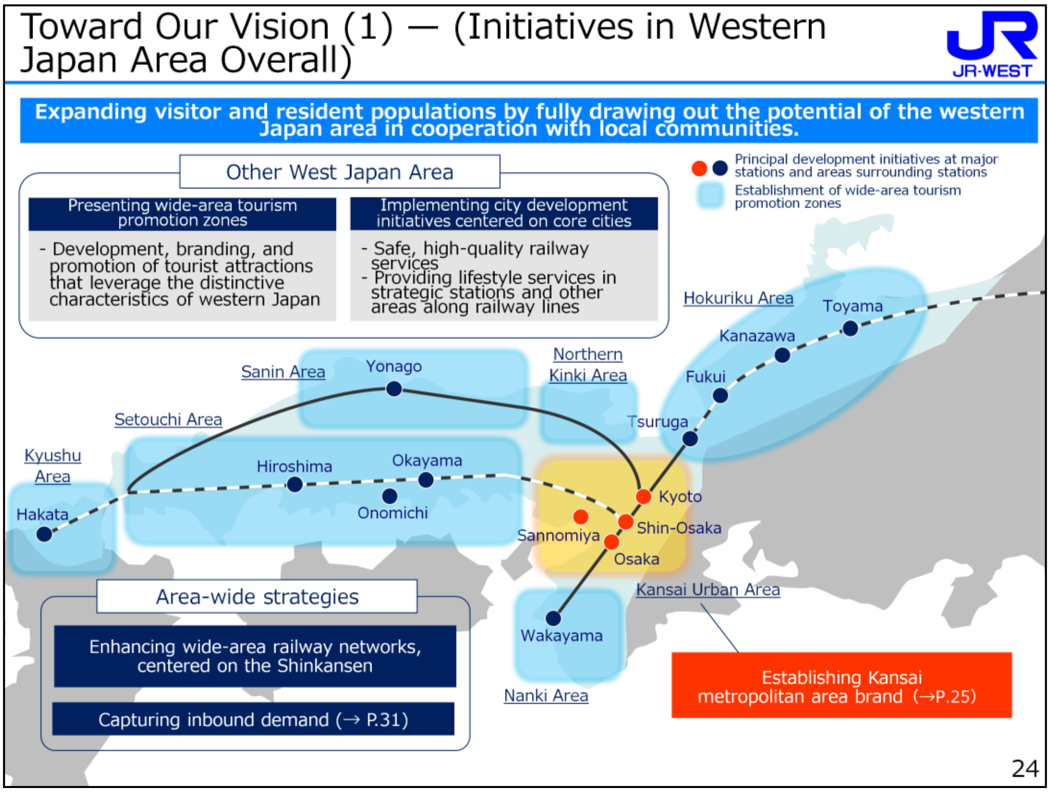


- Next, in regard to the positioning of the Medium-Term Management Plan 2022, please see slide 23.

- We will steadfastly maintain the direction that we have followed to date, which has enabled us to generate significant results. That is to say, we will implement initiatives with the highest priority on safety, which is the foundation of our management and the base for increasing corporate value. In addition, we will take steps, including the use of external resources, to enhance Shinkansen competitiveness, increase the value of railway belts in the Kansai Urban Area, and increase asset efficiency/business scale in non-railway operations. In these ways, we will work to achieve stable growth.

- On the other hand, looking at the internal and external environments, there are negative factors, such as population decline and the aging of large-scale equipment. Nonetheless, there are many growth opportunities in the western Japan area, such as growth in inbound demand, the Naniwasuji Line, the Hokuriku Shinkansen Shin-Osaka extension, and the Maglev bullet train. Accordingly, we decided to leverage these opportunities and work to achieve long-term growth in corporate value. Specifically, as a numerical objective for our vision, we decided to aim for consolidated operating revenues of ¥2 trillion by around 2030, and we added a backcasting perspective. On that basis, we formulated the new medium-term management plan.

- Accordingly, under the new medium-term management plan, we will work to achieve continued stable growth. In addition, we will launch a full-scale start for initiatives reflecting a long-term perspective, including implementing preparations for further growth, such as large-scale projects, etc.; conducting productivity enhancement and human resources investment for the purpose of addressing the declining population and the resulting decrease in workers; and taking steps to enhance business sustainability. As a result, we will also need to conduct upfront investment, and capital expenditures will increase under the new medium-term management plan. There are many initiatives for which the results will not be realized until the next medium-term management plan or thereafter. In this setting, our intention is to do our utmost to increase revenues and profits under the new medium-term management plan.

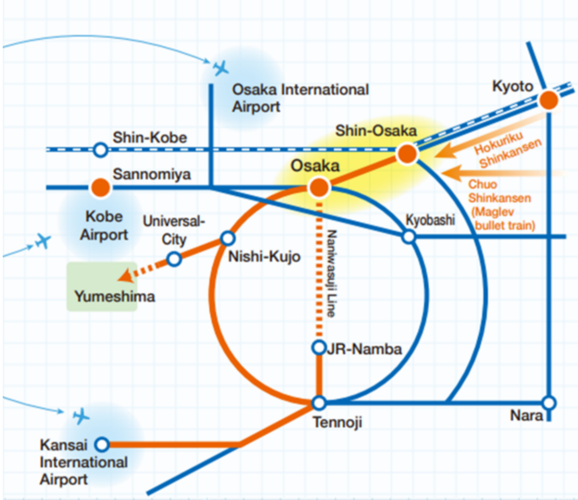


- Slide 24 and subsequent slides show our vision for around 2030. By fully drawing out the potential of the western Japan area in cooperation with local communities, we will work to expand the visitor and resident populations.

Toward Our Vision (2) — (Establishing Kansai Metropolitan Area Brand)

JR-WEST

Contributing to the establishment of the Kansai metropolitan area brand as a region that is suited to be the gateway to "Japan".



Increasing appeal as an international city by enhancing railway networks and developing areas along railway lines

・Naniwasuji Line / Considering Yumeshima Access

Creating the liveliness of the community through the development of the area surrounding Osaka Station

・Implementing city development initiatives, centered on the Umekita (Osaka) underground station

Developing the Shin-Osaka area into a wide-area hub base and demonstrating its potential as an international business site

・Increasing Shin-Osaka's base functionality (integration of transportation connecting point functions and city functions), with a focus on the super mega-region (merging of the big three metropolitan areas)

Establishing a brand for appealing areas along railway lines

・Developing railway belt terminal stations as bases

2018～2022 …… 2030 ……

Opening of Umekita (Osaka) underground station
Rugby World Cup 2019
Universal Studios Japan™「SUPER NINTENDO WORLD™」
World Masters Games 2021 Kansai

Umekita Area opening
Osaka Exposition (candidate)

Opening of Naniwasuji Line
Considering Yumeshima Access

Development of Shin-Osaka Wide-Area Hub Base
(Extension of Hokuriku Shinkansen /
Opening of Chuo Shinkansen (Maglev bullet train))

25

- The central focus of these efforts will be the establishment of the Kansai metropolitan area brand. Please look at slide 25 for information about these efforts.

- In regard to enhancement of the railway network, there are a number of projects, such as the Umekita underground station opening, the Naniwasuji Line, Yumeshima Access, and the extension of the Hokuriku Shinkansen. In addition, with a focus on the formation of the super mega-region resulting from the opening of the Maglev bullet train, in order to contribute to the establishment of the Kansai metropolitan area brand, we will work on the development of the area surrounding Osaka Station, the development of terminal stations in each railway belt, and the integration of city functions in Shin-Osaka.

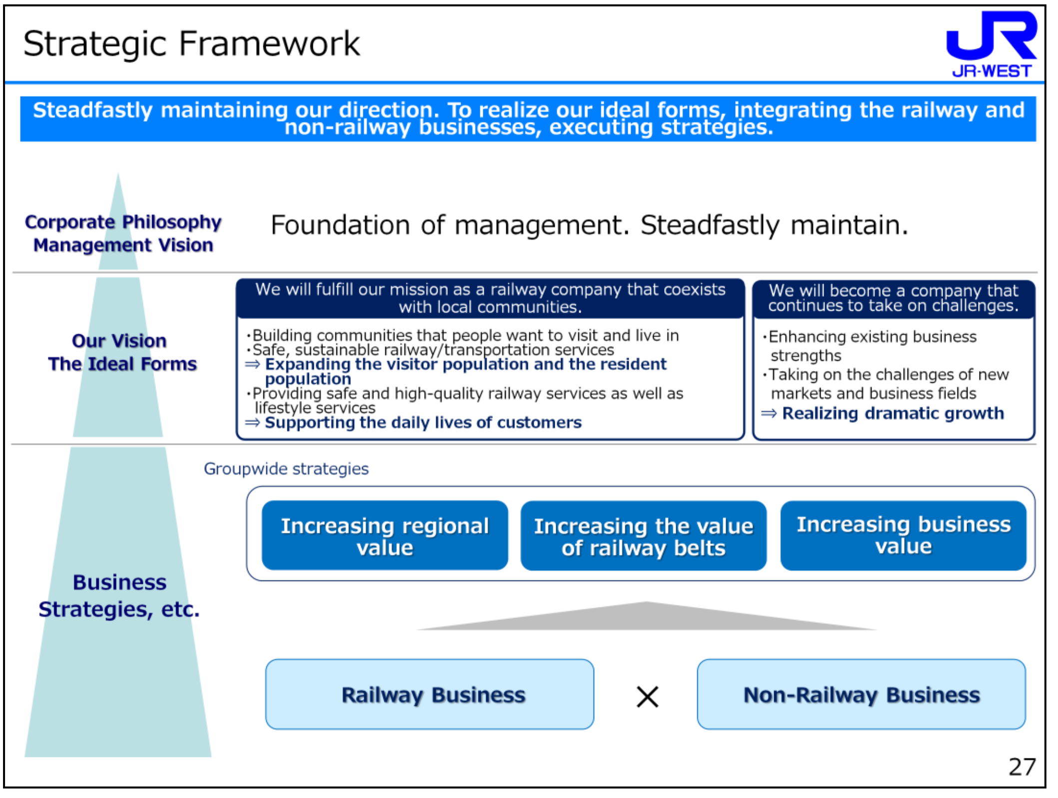
01 Results for FY2018.3 and Forecasts for FY2019.3

- Results for FY2018.3
- Forecasts for FY2019.3

02 JR-West Group Medium-Term Management Plan 2022

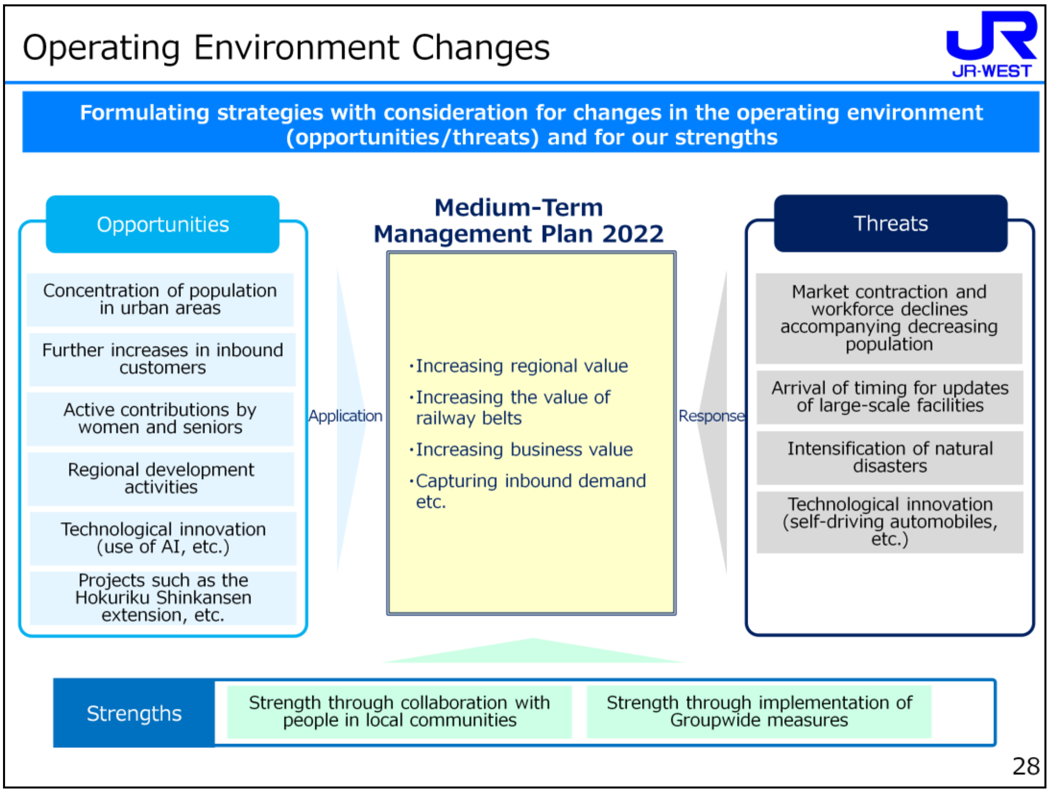
- Review of Previous Medium-Term Management Plan and Positioning of Current Medium-Term Management Plan
- Medium-Term Management Plan 2022

- Next, I will explain the details of the Medium-Term Management Plan 2022.



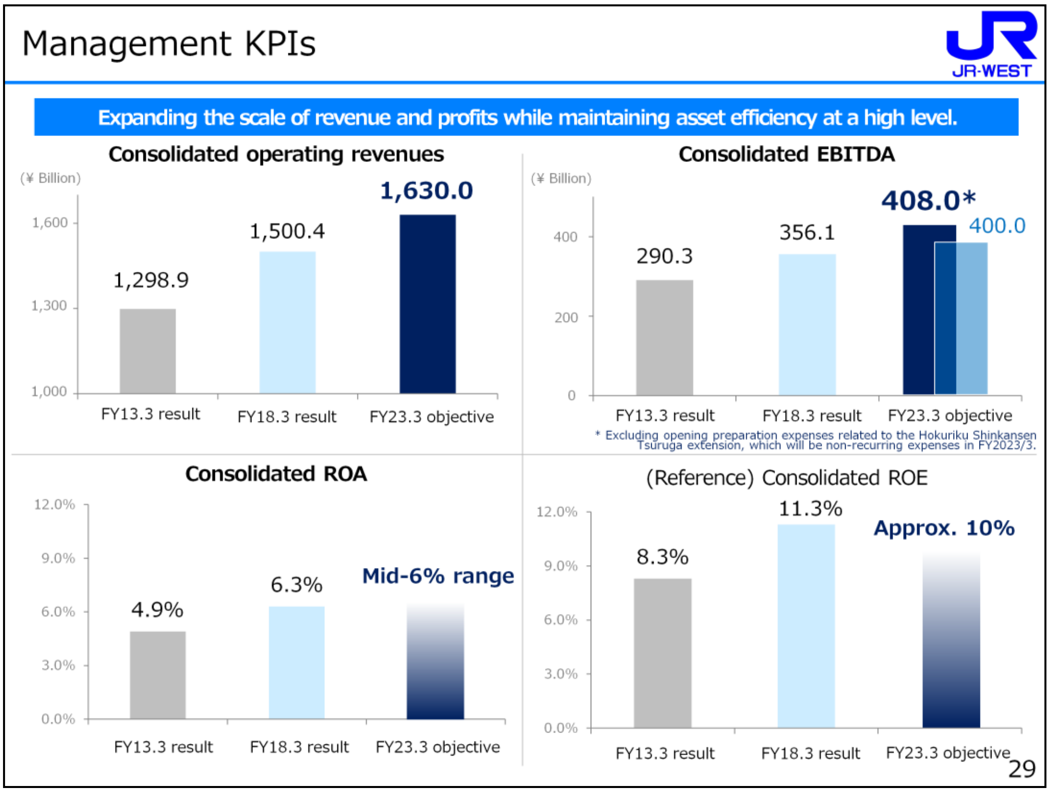
- First, please look at slide 27 for information about our strategic framework.

- We will observe our Corporate Philosophy and Management Vision, which are the foundation of our management. On that basis, targeting the realization of Our Vision, we established Our Ideal Forms. With a commitment to the western Japan area, we will work to expand the visitor and resident populations and to achieve dramatic growth. To that end, we formulated three Groupwide strategies — increasing regional value, increasing the value of railway belts, and increasing business value. Railway operations and non-railway businesses will continue to work together as we move forward.



- Slide 28 shows changes in the management environment.

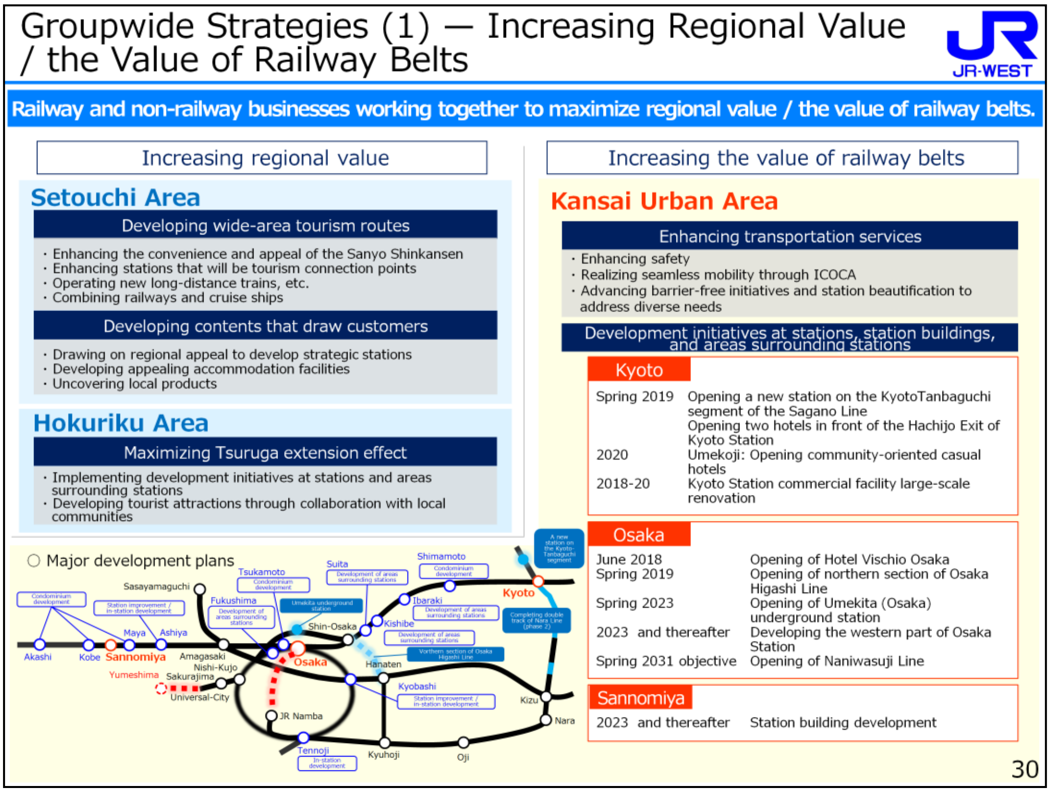
- As you can see, we have recognized opportunities and threats, and we have formulated our strategies, with consideration for our strengths.



- Slide 29 shows the management indices in the new medium-term management plan.

- We will enter a phase of expansion in upfront investment for future growth, but we will achieve growth in profits and revenues while maintaining asset efficiency at a high level. Specifically, we will aim for consolidated operating revenues of ¥1,630.0 billion and consolidated EBITDA of ¥400.0 billion in the fiscal year ending March 2023. Please note that, in the final year of the medium-term management plan, we will incur a non-recurring expense of ¥8.0 billion as Hokuriku Shinkansen Tsuruga extension opening costs. Excluding this factor, we will aim for real consolidated EBITDA of ¥408.0 billion.

- In asset efficiency, we will aim for ROA in the mid-6% range and, as a reference index, for ROE of approximately 10%.

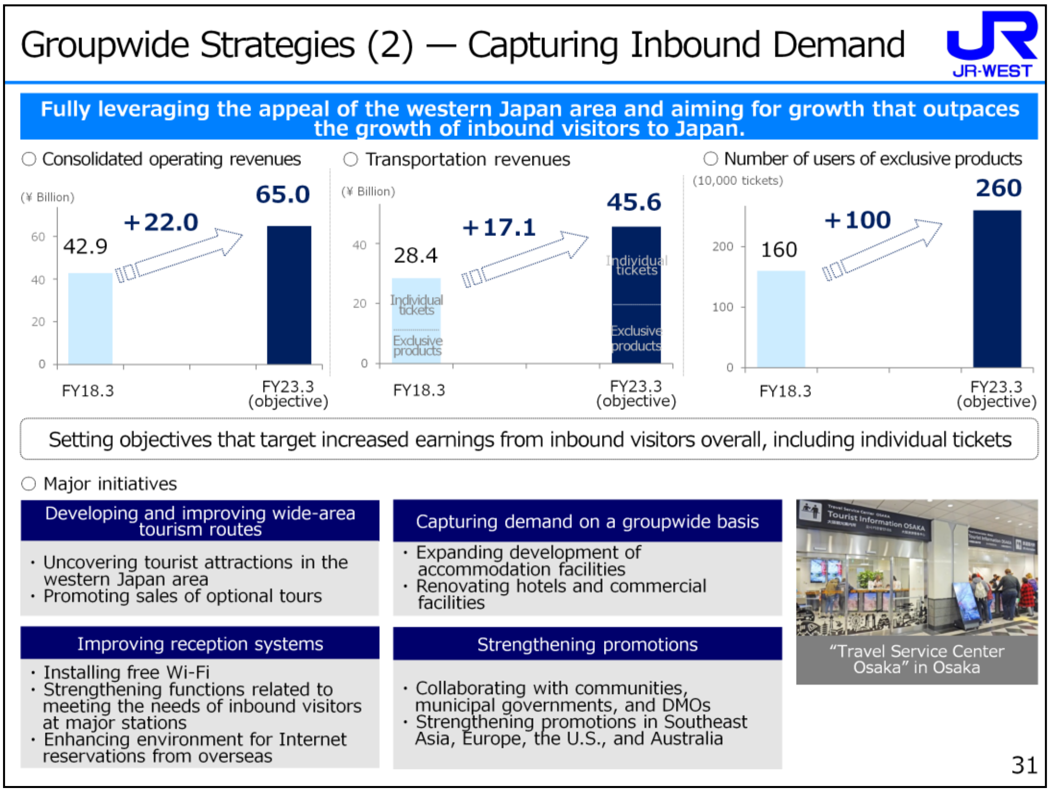


- Next, starting with slide 30, I will explain our business strategies.

- First, in regard to increasing regional value, which is one of our Groupwide strategies, we will work together with local communities to uncover the tourism resources of the western Japan area. In this way, we will realize wide-area tourism promotion, including inbound, and expand the visitor population. In particular, we will focus attention on the Setouchi Area and the Hokuriku Area, and implement a variety of initiatives.

- Next, in regard to increasing the value of railway belts, in the Kansai Urban Area and other areas, we will enhance transportation services and implement development initiatives for stations and areas surrounding stations. In this way, we will increase the appeal of railway belts and expand the resident population.

- In particular, in Kyoto/Osaka area, we will implement the initiatives that are shown here, and work to create new liveliness.

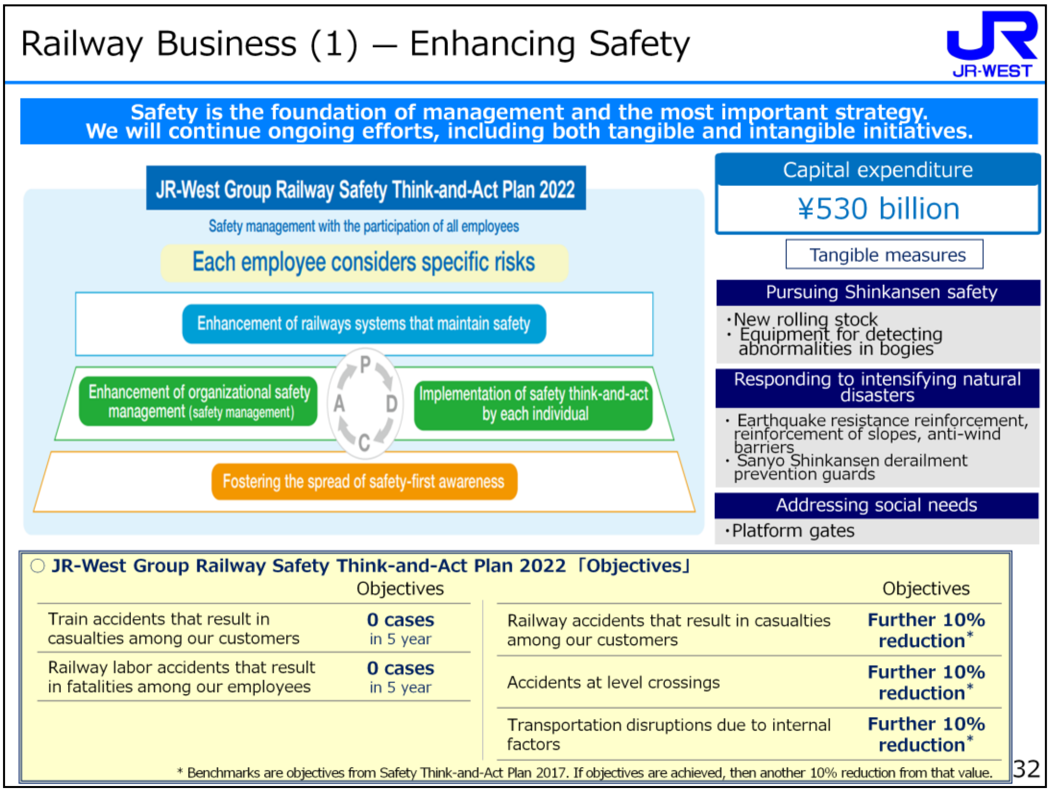


- Next, slide 31 explains measures to capture inbound demand.

- We will leverage our strengths as a company with a railway network covering all of western Japan. On that basis, we will develop and enhance wide-area tourism routes and enhance reception systems, and the entire Group will work together to capture demand.

- In addition, sales promotion initiatives had previously been implemented only for exclusive products, but we will expand these measures to include regular tickets and tickets sold by other companies. In this way, we will work to expand overall inbound revenue.

- As a result of these initiatives, we will aim for transportation revenues of ¥45.6 billion, an increase of ¥17.1 billion, and consolidated operating revenues of ¥65.0 billion, an increase of ¥22.0 billion.



- Next, I will explain our strategies for each business.

- First, in regard to safety, which is the foundation of business continuity and growth, please look at slide 32.

- In particular, in regard to tangible measures, with consideration for the critical incident on Shinkansen, we will pursue Shinkansen safety, address intensifying natural disasters, and install platform gates as a measure to address the needs of society. As a result of these measures, we are forecasting safety investment of ¥530.0 billion, an increase of ¥40.0 billion from the previous medium-term management plan.

Railway Business (2) ― Increasing Productivity

JR-WEST

Accelerating initiatives to increase productivity in order to enhance sustainability in the railway business.

○ Major initiatives

Maintenance system change	Revising services and equipment
・Transitioning to new maintenance methods - Transitioning from ground-based inspections to on-board inspections, condition monitoring on trains used to carry passengers ・Mechanization and revision of facilities structure - Transitioning to hyper overhead electrical lines, using rail grinder trains, using utility pole handling vehicles ・Simplifying ground equipments	・Advancing self-service ticket purchases - Expanding ICOCA area, promoting Internet reservations ・Revising station sales systems - Mechanization, transitioning to call centers ・Revising workforce, including full automation ・Advancing one-person operation of trains

Capital expenditure
¥100 billion

Utility pole handling vehicles

"Technology Vision": Aiming to overcome changes in the operating environment and to realize our ideal form in approximately 20 years from a technology perspective.

Three ideal forms	Major initiatives
① Pursuing further safety and reliability of transportation	・Visualization of risk through technology: Reinforcement of slopes using aerial laser measurement ・Advancing safety systems: Introducing wireless ATC
②Providing railway/transportation services that play a role in supporting the creation of appealing areas	・Providing seamless mobility: Implementing ticketless initiatives ・One-to-one services: Proposing optimal travel through data marketing ⇒ Turning the Umekita (Osaka) underground station into a station of the future, centered on open innovation initiatives
③Building sustainable railway/transportation systems	・Increasing productivity: Transition to CBM (transitioning from ground-based inspections to on-board inspections, condition monitoring on trains used to carry passengers, sensor networks) ・Simplifying ground equipments: Introducing onboard IC ticket checking equipments

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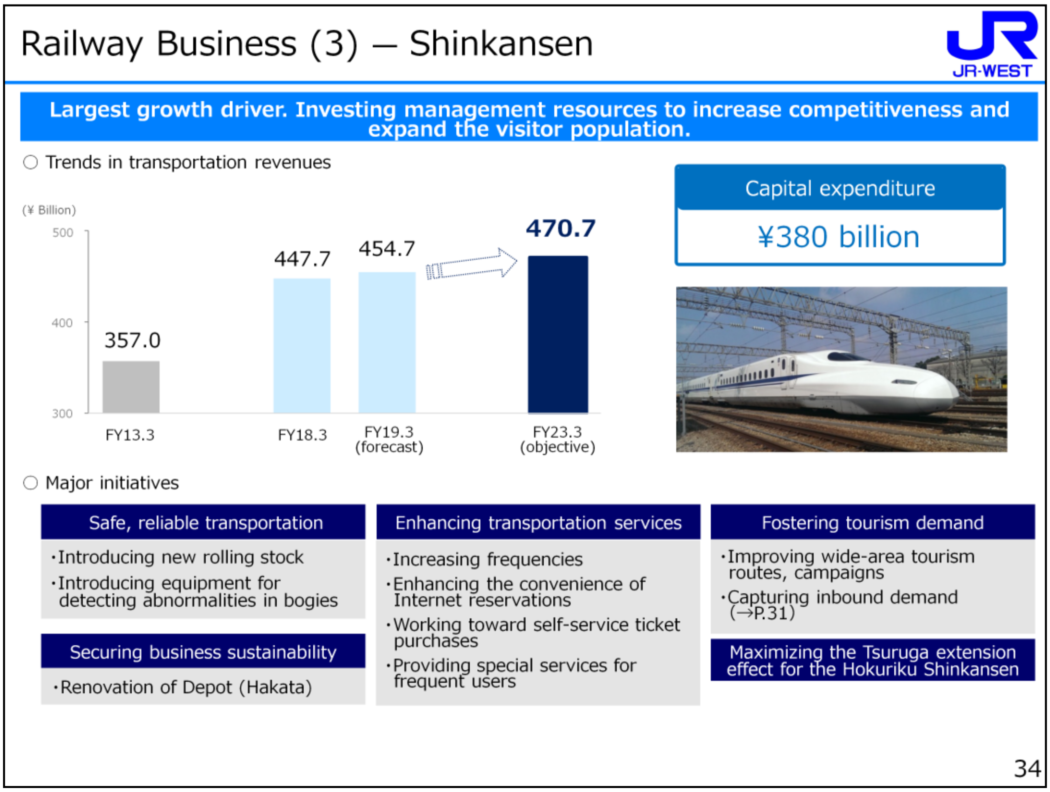
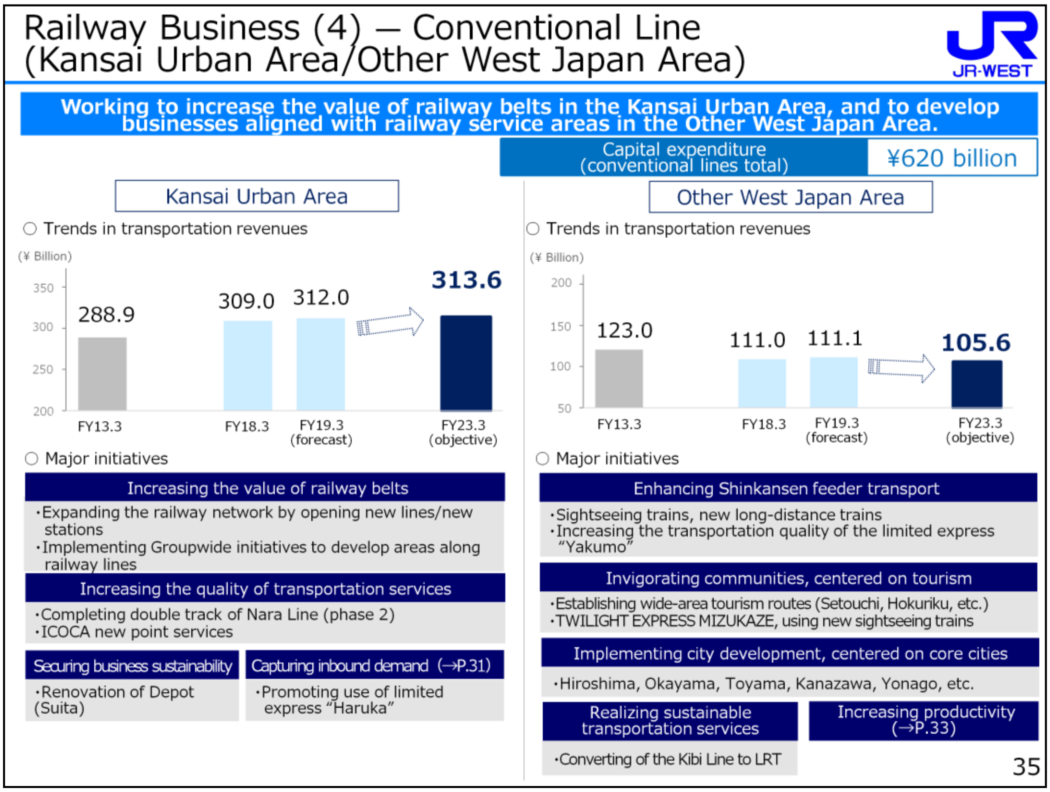
- Please look at slide 33. To address the declining labor force and increase business sustainability, from the new medium-term management plan we will implement full-scale initiatives to increase productivity. These initiatives reflect two major perspectives. In regard to maintenance system change, we will implement maintenance method changes, mechanization, equipment simplification, etc. In regard to revising service/facilities, we will take steps to revise our sales systems, including measures for self-service ticket purchases and sales methods that do not require face-to-face interaction, such as promoting Internet reservations, etc. We will also advance one-person train operations, etc. In these ways, we will reduce the operations that actually require the allocation of employees. We will also work to increase productivity from a long-term perspective. These are not initiatives that will all produce results immediately, but nonetheless we will move forward steadily.



- Next, please look at slide 34 for information about the Shinkansen, which is our largest growth driver.

- We will link safety — the largest strength of the Shinkansen — to increases in competitiveness. In addition, we will increase our share of the transportation market vis-a-vis airlines by taking steps to enhance transportation services, such as increasing frequencies, and we will strive to expand the transportation market by capturing inbound demand.

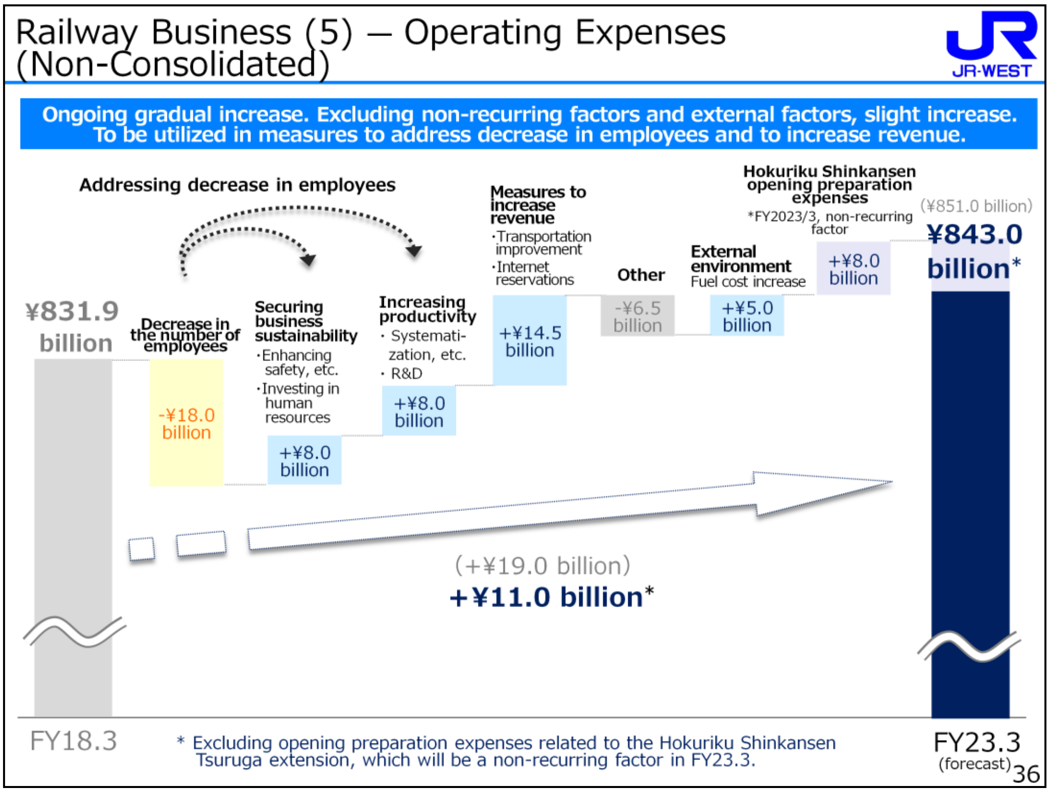
- In addition, we will start the renovation of the Hakata Depot, which is the largest of our large-scale aged facilities, and work to enhance business sustainability. In addition, we will take steps to maximize the effect of the Hokuriku Shinkansen Tsuruga extension.



- Next, please look at slide 35 for information about conventional lines.

- First, in regard to the Kansai Urban Area, the population is declining, but nonetheless there are opportunities, such as the growth in inbound demand, the concentration of the population in urban areas, and a rising labor participation rate for women and seniors. There are also many large-scale projects in the Kansai Urban Area, which will continue to be one of our growth drivers. To address these opportunities, the entire Group will work together to implement initiatives, such as measures to expand the railway network, including the opening of new lines, the opening of the Umekita underground station, and the installation of double tracks on the Nara Line, as well as measures to develop areas along railway lines. In these ways, we will work to increase the value of railway belts and expand the resident population. Through these initiatives, we will strive to increase revenues even through the population is declining.

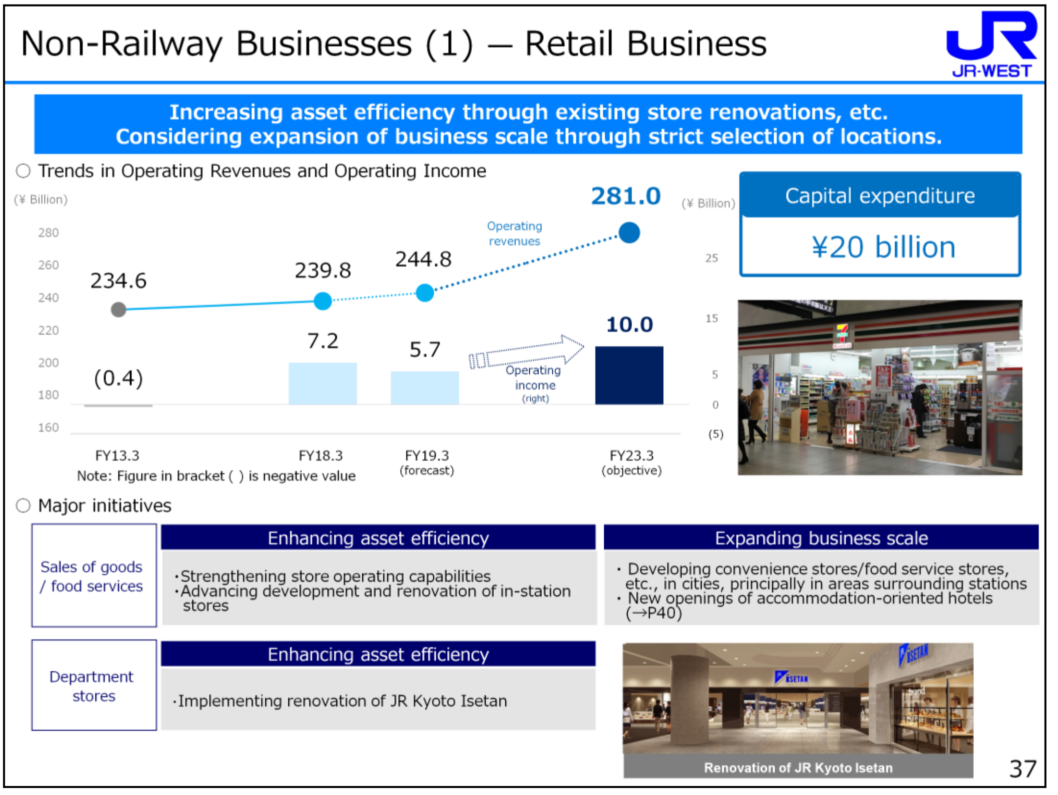
- In the Other West Japan Area, we will activate regions, centered on tourism; implement city development initiatives, centered on core cities; engage in dialog with local communities in order to aim for sustainable railway/transportation services; increase productivity by simplifying equipment, etc. In these ways, we will develop businesses aligned with regional conditions.



- Please look at slide 36 for information about operating expenses.

- Through the final year, we are forecasting operating expenses of ¥843.0 billion, an increase of ¥19.0 billion. However, this includes ¥8.0 billion in non-recurring costs for Hokuriku Shinkansen opening preparations, and accordingly on a real basis this will be an increase of ¥11.0 billion. Of this amount, ¥5.0 billion is due to higher fuel costs, an external factor. Excluding this, we are forecasting an increase of ¥6.0 billion.

- In regard to these details, personnel costs will decline due to the smaller workforce. On the other hand, to address the future labor shortage and the decrease in employees, we will implement human resources investment and take steps to increase productivity, and to increase business sustainability, we will increase safety, renovate large-scale aged equipment, etc. In these ways, even though costs will increase, we will address the decrease in employees and labor shortage and achieve a reduction in total expenses. In addition, measures to increase revenues will have the effect of increasing costs. As a result, we are forecasting an increase of ¥6.0 billion.



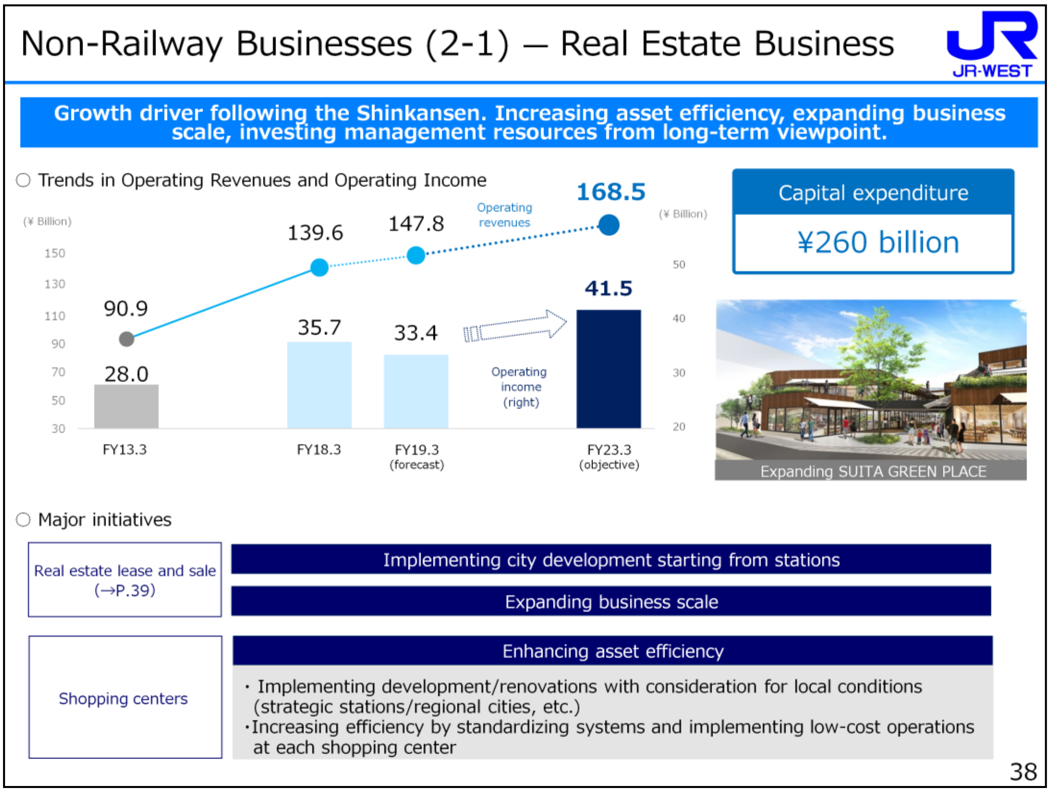
- Next, I will explain the situation in non-railway businesses.

- First, please look at slide 37 for information about the retail business.

- In sales of goods & food services, we will aim to increase asset efficiency through store renovations, etc., and to expand our business scale by opening Seven-Eleven allied stores in areas surrounding stations, opening new accommodation-oriented hotels, etc.

- In department store operations, accompanying the large-scale renovation of the Kyoto Station commercial facilities, we will renovate the Kyoto store, which is the principal commercial facility.

- We will enter the phase of receiving returns from the Seven-Eleven transition investment, and due to this and other factors, capital expenditures will enter a declining phase, and plans call for substantial growth in operating income.



- Next, please look at slide 38 for information about the real estate business.

- In particular, the real estate lease and sales business will follow the Shinkansen as one of our growth drivers, and we will aggressively allocate management resources to this business. Upfront investment in large-scale projects will be substantial, and accordingly the scale of capital expenditures is expected to be large.

- In the shopping center business, we will implement renovations that leverage the local conditions such as strategic stations and regional cities, thereby increasing tenant sales. Through standardization of shopping center systems and implementation of low-cost operations at each shopping center, we will reduce costs. In these ways, we will enhance asset efficiency. In the shopping center business, in comparison with the previous medium-term management plan, which included the opening of LUCUA 1100, underground renovation, etc., under the new medium-term management plan initiatives will be centered on periodic renovations, and accordingly capital expenditures will decline and the receipt of returns from investments will advance.

- Next, please look at slide 39 for information about the real estate lease and sale business.

- In regard to "city development starting with stations" in our railway service area, which is the most important strategy, we will advance thoroughgoing development initiatives for stations and areas surrounding stations, and work to realize synergy effects with railways, thereby increasing the value of railway belts.

- In regard to the expansion of our business scale through development in areas outside of our railway service area, our objective is to accumulate results in a challenging business environment, cultivate know-how, and feed that back into development initiatives in our railway service area.

- In this way, we will work to maximize regional value and railway belt value in the western Japan area.

- We will allocate considerable resources for upfront investment, for which the realization of results, such as from the three large projects in Osaka, Sannomiya, and Hiroshima, will take place during the next medium-term management plan and thereafter. Accordingly, the period of the current medium-term management plan will be a phase of growth in investment. On the other hand, we will bolster sales on the foundation provided by the lease business, for which stable revenues are expected, and in the final year we are aiming for operating revenues of ¥104.7 billion.

Non-Railway Businesses (3) – Hotel Business

*Listed information includes non-consolidated hotel operations

JR-WEST

To address diverse needs, rolling out multiple business format lineups, centered on accommodation-oriented hotels, and expanding business scale.

○ Results objectives

	FY18.3 results	FY23.3 objectives
Operating Revenues	¥47.3 billion	**¥63.2 billion**

Consolidated basis
(Retail business: "Via-inn" + Other businesses: Hotel operations)


Hachijo Exit of Kyoto Station (Vischio, Via-inn)


Via-inn Hakata

○ Lineup

Brand		Category	Results as of end FY March 2018: Number of hotels – Inside railway service area	Number of hotels – Outside railway service area	Number of hotels – Total	Number of rooms	Objectives for FY23.3: Number of rooms
Granvia	Other	City hotels	7 hotels	–	**7 hotels**	**2,460 rooms**	**Approx. 2,300 rooms**
Vischio	Other	High-class accommodation-oriented hotels	–	–	**–**	**–**	**Approx. 1,400 rooms**
Via-inn	Retail	Accommodation-oriented hotels	13 hotels	6 hotels	**19 hotels**	**4,660 rooms**	**Approx. 6,700 rooms**
Name not yet decided	Non-Consolidated	Community-oriented casual hotels	–	–	**–**	**–**	**Approx. 200 rooms**
First Cabin Station	Non-Consolidated	High-end capsule hotels	1 hotels	–	**1 hotels**	**129 rooms**	**Approx. 400 rooms**
Total			21 hotels	6 hotels	**27 hotels**	**7,249 rooms**	**11,000 rooms**

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- Please look at slide 40 for information about the hotel business.

- To address diverse needs, we will develop a lineup with multiple business formats, centered on accommodation-oriented hotels, and work to expand our business scale. Currently, we are planning an increase from the current 7,249 rooms to approximately 11,000 rooms.

ESG Initiatives

Establishing priority fields, implementing initiatives. Aiming to fulfill our responsibilities as a member of society and to achieve sustained growth.

S (Social)

- **Safety** (→P.32)
- **Human resources and motivation**
  - Working style reforms
  - Advancing diversity

- **Coexisting with communities**
  - Implementing city development initiatives in collaboration with local communities
  - Realizing safe, sustainable railway/transportation services
  - Creating new value by leveraging regional resources

- **Customer satisfaction**
  - Implementing initiatives for safe and reliable transportation
  - Enhancing provision of information about transportation disruptions
  - Offering appropriate, easy-to-understand guidance services

- **Human rights**
  - Responding to human rights issues, which are becoming more diverse and complex

G (Governance)

- **Governance**
  - Establishing and operating framework that reflects consideration for the purpose of Corporate Governance Code
  - Enhancing two-way communication with stakeholders

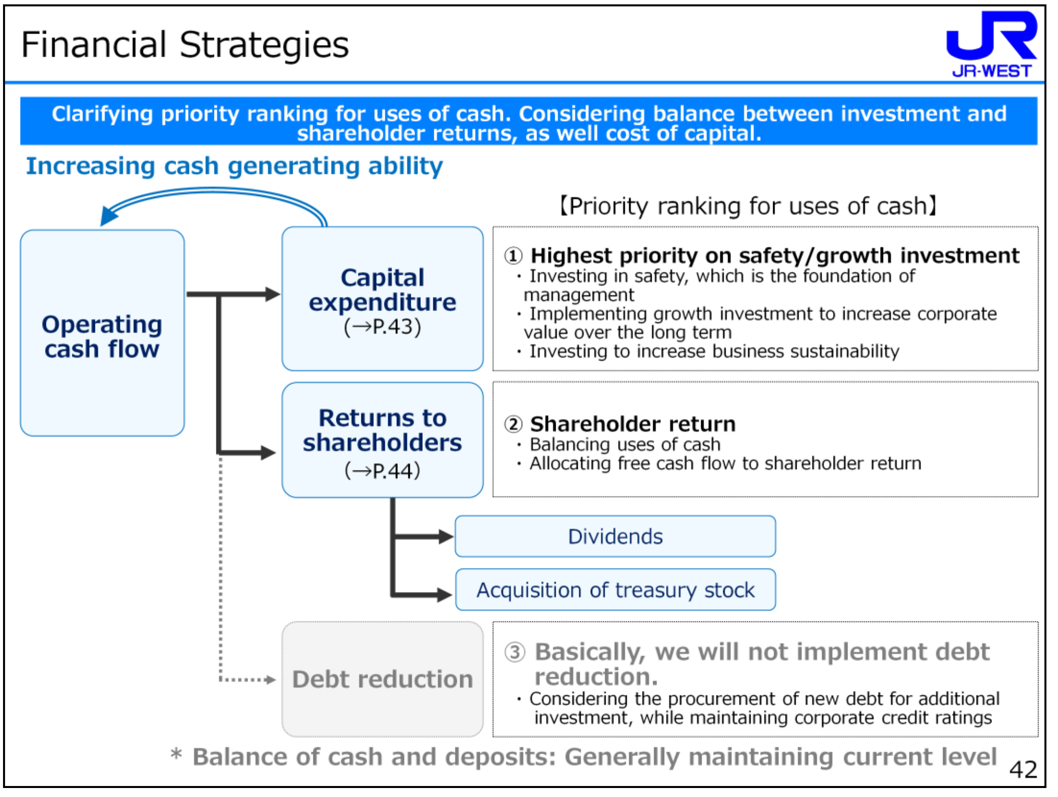
- **Risk management**
  - Incorporating risk management initiatives into management system
  - Recognizing and improving issues with our corporate culture

E (Environmental)

- **Global environment**
  - Advancing the establishment of environmentally-friendly stations, etc.
  - Realizing further progress in railway energy-saving and resource conservation

Creating organizations

Transitioning group management system to in-house company system



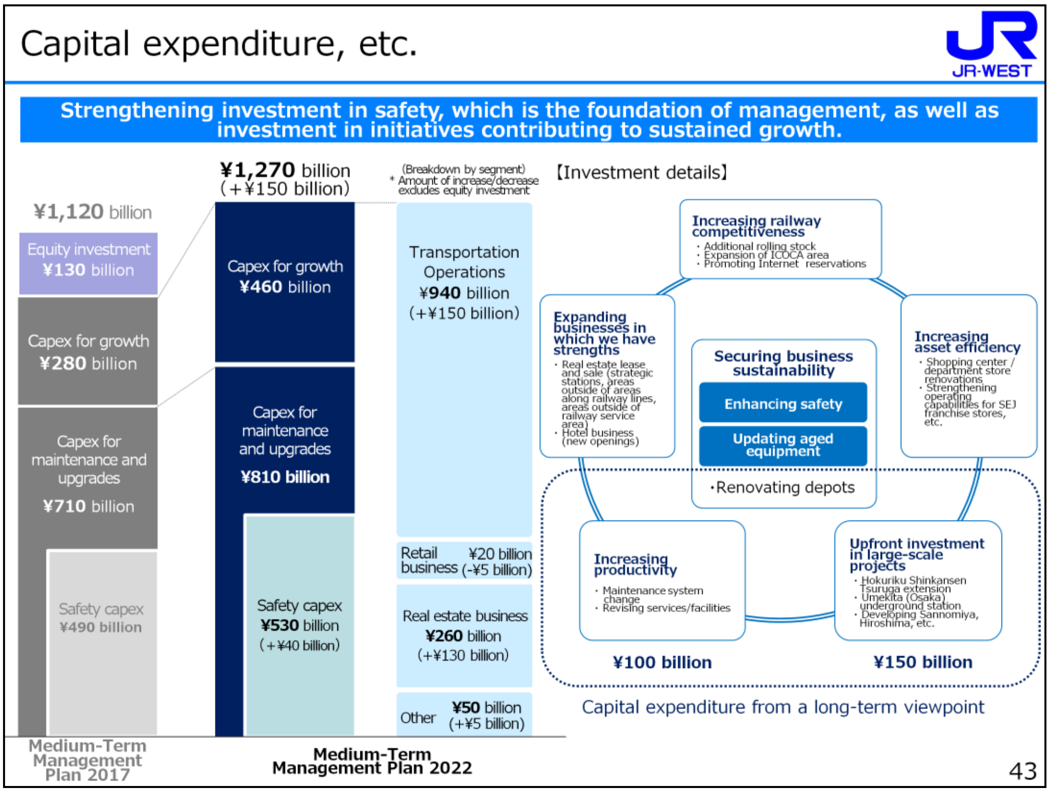
- Next, please look at slide 42 for information about our financial strategies.

- The capital expenditures implemented to date have generated returns and thereby increased our cash flow generating capability.

- In regard to the priority ranking for the uses of cash that is generated, our first priority will be safety/growth investment. In this way, we will further enhance our cash generating capability.

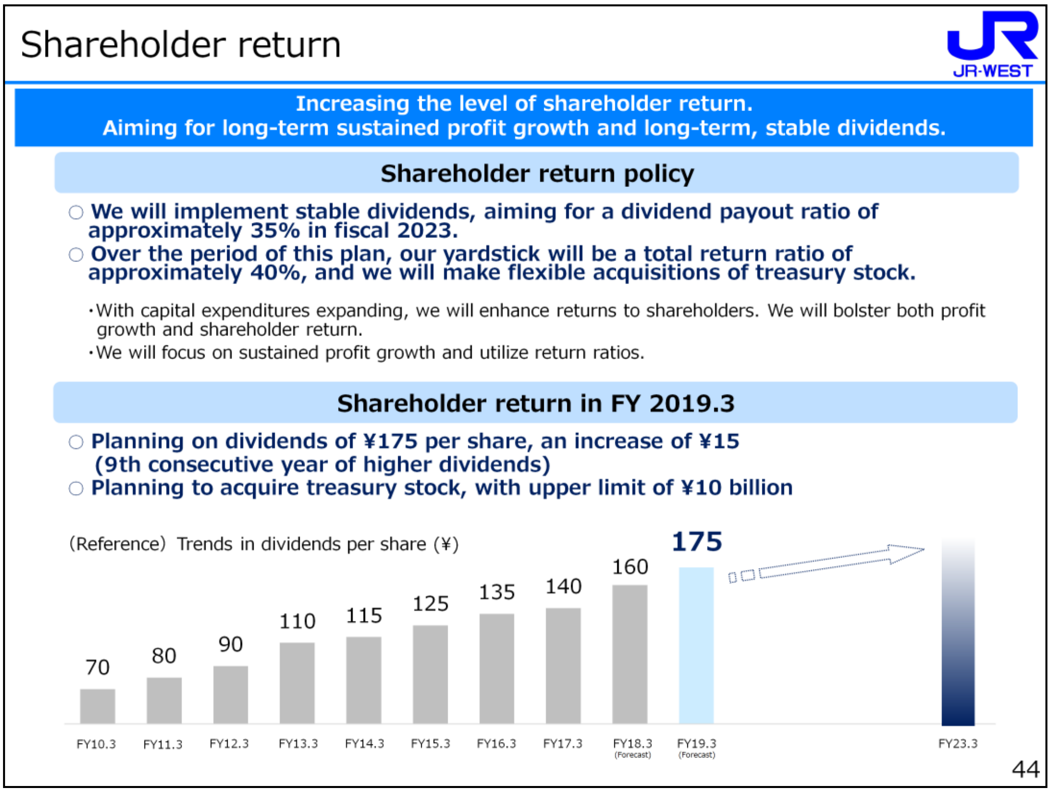
- Then, the remaining cash will basically be allocated to shareholder return, with consideration for the cost of capital.

- Basically, we will not implement debt reduction.



- Next, please look at slide 43 for information about capital expenditures.

- Under the new medium-term management plan, we are planning capital expenditures of ¥1,270.0 billion. We will implement upfront investment in the extension of the Hokuriku Shinkansen and in large-scale projects such as the development of Osaka, Sannomiya, and Hiroshima, which present significant growth opportunities for the future. We will also invest to increase productivity. In addition, we will implement depot renovation, etc., to enhance business sustainability. Accordingly, looking only at capital expenditures, there will be an increase from the previous medium-term plan of ¥280.0 billion. However, adding the ¥130.0 billion in equity investment implemented under the previous medium-term plan, such as the acquisition of the shares of Ryoju Properties, there will be an increase of ¥150.0 billion on a real basis. Overall, our capital expenditure plan will give serious consideration to business maintenance and upgrades and will also prioritize growth.



- Finally, please look at slide 44 for information about shareholder return.

- With capital expenditures expanding, we will work to enhance returns to shareholders and achieve both long-term sustained profit growth and long-term, stable shareholder return.

- In regard to our return policy, since we focus on sustained growth, we have changed from the previous return policy based on net assets to the return ratio. In addition, we have decided that we will increase the return level in accordance with the financial strategies that I explained before.

- Accordingly, under our specific return policy, we will implement stable dividends, aiming for a dividend payout ratio of approximately 35% in the final year. In addition, over the period of the new medium-term management plan, our yardstick will be a total return ratio of approximately 40%, and we will make flexible acquisitions of treasury stock.

- In accordance with the policy, for shareholder return for the current fiscal year, we are planning to pay a dividend of ¥175 per share. In the previous year, our dividend represented an increase of ¥20 year on year, which includes an additional ¥10 in consideration of the favorable progress of the previous medium-term management plan. This year, we plan to increase the dividend by ¥15 year on year. In addition, we plan to acquire treasury stock, with an upper limit of ¥10.0 billion.

- This concludes my portion of the presentation.

#【Reference】 Results objectives (Consolidated)

JR-WEST

		Results for FY2018.3	Objectives for FY2023.3	Increase/Decrease
Operating Revenues		¥1,500.4 billion	**¥1630.0 billion**	**+¥129.5 billion**
	Transportation	¥950.8 billion	¥977.5 billion	+¥26.6 billion
	Retail business	¥239.8 billion	¥281.0 billion	+¥41.1 billion
	Real estate business	¥139.6 billion	¥168.5 billion	+¥28.8 billion
	Other	¥170.0 billion	¥203.0 billion	+¥32.9 billion
Operating Income		¥191.3 billion	**【¥218.0 billion】** ¥210.0 billion	**【+¥26.6 billion】** +¥18.6 billion
	Transportation	¥130.3 billion	¥139.5 billion	+¥9.1 billion
	Retail business	¥7.2 billion	¥10.0 billion	+¥2.7 billion
	Real estate business	¥35.7 billion	¥41.5 billion	+¥5.7 billion
	Other	¥19.9 billion	¥23.0 billion	+¥3.0 billion
Recurring Profit		¥177.7 billion	**【¥205.0 billion】** ¥197.0 billion	**【+¥27.2 billion】** +¥19.2 billion
Profit attributable to owners of parent		¥110.4 billion	**【¥134.0 billion】** ¥128.0 billion	**【+¥23.5 billion】** +¥17.5 billion
EBITDA*		¥356.1 billion	**【¥408.0 billion】** ¥400.0 billion	**【+¥51.8 billion】** +¥43.8 billion
ROA		6.3%	**Mid-6% range**	**–**
ROE		11.3%	**Approx. 10%**	**–**
Transportation Revenues		¥867.8 billion	**¥890.0 billion**	**+¥22.1 billion**

*EBITDA = Operating Income+Depreciation+Amortization of goodwill

Figures in【 】exclude Hokuriku Shinkansen opening preparation expenses

Cautionary Statement Regarding Forward-looking Statements

- 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.
- 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 forwardlooking 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 May 1, 2018 based on information available to JR-West as of May 1, 2018 and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.
- Compensation for damages caused by the accident on Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.