

(Translation)

## **NOTICE OF THE 30TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

To Our Shareholders:

We would like to extend our heartfelt gratitude for your continued understanding of business operations of West Japan Railway Group (the "Group").

The Group very seriously takes its responsibility for the train accident on the Fukuchiyama Line we caused on April 25, 2005 and the gravity of its consequences, and all officers and employees are making a group-wide effort to establish a safe, secure and trusted rail service. To continue to take the accident seriously and build a safer railway system, I, as well as all other officers and employees, am determined to make greater efforts in conducting day-to-day operations.

In April 2017, the Group celebrated its 30th anniversary of incorporation. This reflects the support and understanding we have received from our shareholders, customers, local citizens and all other persons concerned and I take this opportunity to express my sincere gratitude.

Since its incorporation, the Group has endeavored to provide safe and comfortable transport services in its railway business and focused its efforts on creating new businesses to further expand non-railway businesses.

In March 2013, the Group formulated a "JR-West Group Medium-Term Management Plan 2017" and a "Safety Think-and-Act Plan 2017". To make progress toward the vision "The Ideal Form for JR-West," the entire Group is working to advance priority strategies that are based on its Three Basic Strategies and Four Business Strategies. As the fiscal year ending March 31, 2018 is the final year of the plan, we will strive to further improve the results attained to date and achieve its goals.

As we move forward, the entire Group will steadily continue and boldly develop its efforts implemented to date and pursue improvements in both safety and corporate value from a medium- to long-term perspective.

Hence, we cordially seek the continued understanding and support of our shareholders.

June 2017

Tatsuo Kijima  
President and Representative Director

(Securities Code: 9021)  
June 1, 2017

To the Shareholders:

NOTICE OF THE 30TH ORDINARY GENERAL MEETING  
OF SHAREHOLDERS

---

Dear Shareholders:

Please take notice that the 30th Ordinary General Meeting of Shareholders of the Company will be held as described below and you are cordially requested to attend the meeting.

Since voting rights can be exercised in writing or via the Internet or other methods even if you are not present at the meeting, please review the accompanying "Reference Document for the General Meeting of Shareholders" and exercise your voting rights by June 21 (Wednesday), 2017.

Yours very truly,

Tatsuo Kijima  
President and Representative Director

West Japan Railway Company  
4-24, Shibata 2-chome,  
Kita-ku, Osaka, Japan

### Description

1. Date and hour of the meeting:

June 22 (Thursday), 2017, at 10:00 a.m.

2. Place of the meeting:

RIHGA Royal Hotel  
3-68, Nakanoshima 5-chome, Kita-ku, Osaka, Japan

3. Matters forming the objects of the meeting:

Matters to be reported:

1. Report on the business report, the consolidated financial statements and the financial statements for the 30th fiscal year
2. Report on the results of audit of the consolidated financial statements for the 30th fiscal year by the account auditors and the Audit & Supervisory Board

Matter to be resolved:

Proposition: Appropriation of retained earnings

4. Other matters determined upon convening the General Meeting of Shareholders:

- (1) Your voting rights can be exercised by proxy, who must be a shareholder (being one (1) person) of the Company entitled to vote at this General Meeting of Shareholders.
- (2) If voting rights are exercised both in writing and via the Internet or other methods, the voting rights exercised via the Internet or other methods shall be treated as effective.
- (3) If voting rights are exercised more than once via the Internet or other methods, the voting rights last exercised shall be treated as effective.

Information on the matters to be posted on our Internet website

- (1) The business report, the consolidated financial statements, the financial statements and the audit reports required to be attached to the Notice of the General Meeting of Shareholders are as set forth on page 7 to page 42 herein. However, the systems required to secure the properness of business activities, the notes to consolidated financial statements and the notes to non-consolidated financial statements are posted on our Internet website (<http://www.westjr.co.jp/company/ir/stock/meeting/>)\* in accordance as provided for in laws and ordinances and the Articles of Incorporation of the Company.

The business report that has been audited by the Audit & Supervisory Board Members and the consolidated financial statements and financial statements that have been audited by the account auditors and the Audit & Supervisory Board Members are comprised of the systems required to secure the properness of business activities, the notes to consolidated financial statements and the notes to non-consolidated financial statements posted on the abovementioned website as well as the documents included in this Notice of the General Meeting of Shareholders.

- (2) In the event of the revision of any matter in the Reference Document for the General Meeting of Shareholders, the business report, the consolidated financial statements and the financial statements, it will be posted on our Internet website (<http://www.westjr.co.jp/company/ir/stock/meeting/>).\*

(\*) For your reference, the English translation of the matters presented on the Japanese website above will be provided on the Company's English website (<http://www.westjr.co.jp/global/en/ir/news/2017/>).

### **Information on the exercise of voting rights**

Before exercising your voting rights, please refer to the Reference Document for the General Meeting of Shareholders (on page 6).

The following three methods are available for exercising voting rights:

(i) Exercise of voting rights by attending the meeting	Please present the enclosed voting form to a receptionist at the place of the meeting.
(ii) Exercise of voting rights in writing by mail  Must reach us no later than June 21 (Wednesday), 2017	Please indicate your votes for or against each proposition in the enclosed voting form and return the form by mail.
(iii) Exercise of voting rights via the Internet  Will be acceptable no later than June 21 (Wednesday), 2017	Please refer to the "Notice on Exercise of Voting Rights via the Internet" on the next page before exercising your voting rights via the Internet in advance.

### **Platform for electronic exercise of voting rights for institutional investors:**

"ICJ Platform", a platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc., will be available to institutional investors who have applied for the use of the platform in advance.

## **Information on Exercise of Voting Rights via the Internet**

Any exercise of voting rights via the Internet will be possible only on the website for the exercise of voting rights listed below:

Website for the exercise of voting rights: <http://www.web54.net>

For the use of the website for the exercise of voting rights:

1. The "code for the exercise of voting rights" and the "password" are printed in the enclosed voting form.
2. Any exercise of voting rights via the Internet will be acceptable no later than the day immediately preceding the date of this Ordinary General Meeting of Shareholders, or June 21 (Wednesday), 2017. However, for the expedient counting of the voting rights exercised, it would be appreciated if you could exercise your voting rights early.
3. Fees payable to Internet service providers and telecommunication carriers in accessing the website for the exercise of voting rights must be borne by the shareholders.

For further information on the exercise of voting rights via the Internet:

If you have any question about the exercise of voting rights via the Internet, please contact:

Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Business Planning Dept.

Web Support Dedicated Phone No: 0120-652-031 (toll-free) (9:00 a.m. to 9:00 p.m.)

(Request for forms, etc. and other inquiries: 0120-782-031 (toll-free) (9:00 a.m. to 5:00 p.m. on weekdays))

## **Reference Document for the General Meeting of Shareholders**

### **Proposition and Information**

#### **Proposition: Appropriation of retained earnings**

The Company recognizes it important to distribute profits to its shareholders on a long-term and constant basis and will, subject to the situation of achievement of the targets set in the "JR-West Group Medium-Term Management Plan 2017" updated in April 2015, aim to attain an approximately 3% "rate of total distribution on net assets"\* on a consolidated basis for the fiscal year ending March 31, 2018.

By taking into consideration various factors, including the performance for the fiscal year under review and its business projections in the future, management proposes to appropriate retained earnings for the fiscal year under review, as set forth below:

#### **1. Matters concerning year-end dividends:**

With regard to dividends for the fiscal year under review, management has intended to pay an annual dividend of ¥140 per share. As an interim dividend of ¥70 per share was paid in December 2016, management proposes to pay a year-end dividend of ¥70 per share.

##### **(1) Kind of property to be distributed as dividends:**

Cash

##### **(2) Matter concerning the allocation of the property to be distributed to the shareholders as dividends and the aggregate amount thereof:**

¥70 per share of common stock of the Company

¥13,561,399,390 in the aggregate

##### **(3) Date on which the distribution of retained earnings shall become effective:**

June 23, 2017

(\*) Rate of total distribution on net assets (%) = (aggregate amount of dividends + total amount of payments for the acquisition of its own shares) / consolidated net assets × 100

#### **2. Other matters concerning the appropriation of retained earnings:**

To be prepared for unforeseeable changes in the business environments in the future, management proposes to provide for ¥30 billion as general reserve.

##### **(1) Item of retained earnings to be increased and the amount thereof:**

General reserve: ¥30,000,000,000

##### **(2) Item of retained earnings to be decreased and the amount thereof:**

Retained earnings carried forward: ¥30,000,000,000

## **DOCUMENTS ATTACHED TO THE NOTICE OF THE 30TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

### **BUSINESS REPORT (From April 1, 2016 to March 31, 2017)**

#### **1. Matters concerning the situations of West Japan Railway Group (the "Group")**

##### **(1) Developments and results of business activities**

###### **(i) General developments:**

On April 25, 2005, the Company caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries of passengers. The Company will continue to make concerted efforts for all persons affected by the derailment accident on the Fukuchiyama Line.

The Group formulated a "JR-West Group Medium-Term Management Plan 2017" and its core component, a "Safety Think-and-Act Plan 2017", in March 2013. In April 2015, the Group updated the "JR-West Group Medium-Term Management Plan 2017" in accordance with our reflections on the progress up to that point and changes in the operating environment, making upward revisions to certain targets, and revising and adding measures to accomplish its objectives.

For the fiscal year under review as the fourth year of the plan, to achieve the plan objectives in the final fiscal year, the Group steadily implemented measures for safety, customer satisfaction and other areas, and proactively took steps to enhance corporate value over a medium to long term, including strategic investments and initiatives for coexistence with local communities.

As a result, although revenue in the transportation business steadily recovered through the second half of the period, overall revenue decreased year-on-year due to a rebound decline in the construction business from large-scale project orders in the previous fiscal year, and other factors. On a consolidated basis, operating revenues for the subject fiscal year (April 1, 2016 to March 31, 2017) declined 0.7% from the previous fiscal year to ¥1,441.4 billion. Operating income fell 2.8% to ¥176.3 billion, with recurring profit down 0.9% to ¥160.7 billion, though profit attributable to owners of parent increased 6.3% to ¥91.2 billion.

##### **(2) Results by business segment**

###### **<Transportation Business>**

The Company is pursuing "Measures to enhance safety" as a management priority, and has steadily implemented various measures based on the "Safety Think-and-Act Plan 2017" formulated in 2013.

To enhance safety on platforms, amid greater public interest, the Company is implementing infrastructure measures such as platform gates, as well as service measures. Platform gates have been installed at 11 stations on both conventional and Shinkansen lines



and in February 2017, automatic platform gates were installed on No. 2 platform of Kyobashi Station. Going forward, based on government guidelines, the Company plan to install gates at 14 stations with "100,000 or more daily passengers", as well as stations with "instances of passengers falling onto tracks or being struck by trains". For tactile paving with a line on the inner side, the Company is working to complete its installation plan three years ahead of schedule, installing tactile blocks at stations with 10,000 or more daily passengers by March 31, 2018. Further, in order to automatically detect a danger of customers falling from platforms and alert station personnel, the Company installed remote security cameras at Nishiakashi, Tennoji and Tsuruhashi stations, expanding the system already put in place at Kyobashi, Shin-Imamiya and Sannomiya stations. In terms of services, the Company has distributed a "Barrier-Free Manual" to all station employees and conducted trainings and since the previous fiscal year, have actively encouraged station employees to acquire a "service assistant" qualification to learn how to safely provide aids. In addition, as a joint measure with Osaka Municipal Transportation Bureau and Kintetsu Railway Co., Ltd., the Company has conducted a platform safety campaign from March to May 2017, and will continue to conduct infrastructure and service measures to create stations that can be used safely and with peace of mind.

In terms of measures to counter intensifying natural disasters, for earthquake countermeasures, the Company has conducted seismic retrofitting of elevated track pillars and station buildings. On the Sanyo Shinkansen, for the ongoing project to install derailment prevention guards, the Company has completed work on the section of track between Shin-Osaka and Himeji stations, and is assessing the earthquake-related risk for the segment between Himeji and Hakata stations, expanding the project and continuing with installation work. The Company also introduced a weather hazard response system to provide unified management of weather-related phenomena, including rains, winds and earthquakes, and support information communication and other operations.

To prevent major accidents, as a means of implementing a "full participatory style of safety management" in which all employees report, analyze and utilize information regarding human errors from their respective positions, from the subject fiscal year, the Company has revised its system of punishing and negatively evaluating human errors. Also, to promote risk assessments, the Company is continuing with measures to train employees to be leaders and from the subject fiscal year, is also implementing measures to share examples of highly effective risk assessments throughout the organization.

Further, in order to ensure that the safety management structure is functioning properly and to make improvements as necessary, the Company has received assessments of its safety management structure executed by an external, third-party agency since the previous fiscal year. In the fiscal year under review, in response to these evaluations, the Company revised the safety management reviews and made improvements in safety auditing methods and scheduling. The Company will continue to increase the effectiveness of the safety management structure and enhance the oversight of the safety management structure.

In marketing initiatives, for the Sanyo Shinkansen, to strengthen competitiveness with a prerequisite of safety, the Company revised the timetable in March 2017 with the introduction of a new automatic train control (ATC) system, shortening travel time between Shin-Osaka and Hakata by an average of one minute for *Nozomi* and *Mizuho* trains, and an average of 15 minutes for *Kodama* trains. Also, to revive the tourism demand that declined

as a result of the Kumamoto earthquake in April 2016, the Company has conducted campaigns to highlight the appeal of the areas along the railway lines, including "Kyushu Tourism Revival Campaign" in conjunction with the Kyushu District Transport Bureau, the Kyushu Tourism Promotion Organization and other institutions, and "Spring – Kagoshima Campaign" with the Kagoshima Prefecture government.

For the Hokuriku Shinkansen, to achieve a constant effect of the service in the second year since its opening, the Company has conducted a "Hokuriku Shinkansen First Anniversary Campaign" and "Business Travel Support Campaign", broadcast TV commercials in the Hokuriku area and made other efforts to stimulate demand for both business and tourism. Also, the Company has held "Kansai-Hokuriku exchange meetings" to increase mutual exchanges among government bodies, businesses and the travel industry in the Kansai, Hokuriku and Shin-etsu (Niigata/Nagano) regions.

For measures to promote utilization of online services, the Company has renewed its service offerings, including providing round-trip and open-type discount tickets, previously only available at stations, through the "e5489" Internet reservation service, and purchases of e-tickets for limited express trains using credit cards.

To capture demand from seniors, the Company has taken steps to stimulate demand, including the relaunch and extended sales of open tickets "Otonabi Pass" and early discount tickets "Otonabi WEB Haya-toku", exclusively for the members of the "Otonabi" service, which provides special discount tickets and travel packages for persons 50 and older. These packages have been popular with customers.

For measures aimed at an increase in inbound visitors to Japan, in April 2016 the Company created an "Osaka/Tokyo Hokuriku Arch Pass" product for sightseeing in a broad-based route. Also, as part of its efforts to welcome visitors, in March 2017, at the Kansai Airport Station, the Company strengthened sales functions, including increasing the number of counters providing services in foreign languages at its JR Ticket Office ("Midori-no- madoguchi"). At Osaka station, the Company has established a Travel Service Center OSAKA providing integrated services, including various types of advice regarding tourism and travel, money exchanges and ticket sales.

In the Kansai Urban Area (around Osaka, Kyoto and Nara), the Company is working to improve the quality of its railway transportation to encourage repeated use, and enhance the value of its railway belts. In addition, to enhance customer satisfaction and refurbish its image, the Company, as part of the Osaka Loop Line Renovation Project, in December 2016 the Company began operating new 323-model trains, developed to make train cars "safe, bright, wide, quiet and comfortable". The Company also is making renovations to Momodani station and continuing refurbishing stations and toilets and developing spaces beneath elevated tracks. In the Kyoto Umekoji area, in April 2016 the Company opened Kyoto Railway Museum with the aim of establishing a "hub of railway culture together with the local community". The museum has been popular with a wide range of customers, with the number of visitors exceeding the first-year target of 1.3 million in March 2017, two months ahead of schedule.

Regarding the Twilight Express *Mizukaze* sleeper train, an initiative to stimulate tourism and vitalize local communities in western Japan, the Company will begin its operations on June 17, 2017. The Company is working with local areas to uncover tourism opportunities, foods and crafts from the western Japan area, and spread the appeal of the

history, culture, nature and foods in the areas along the railway lines. In addition, for the Kabe Line, to help establish a thriving community, on March 4, 2017, the Company electrified and extended the line, and opened new stations between Kabe and Aki-Kameyama stations.

In bus and ferry (the Miyajima Line) services, on the basis of safety, the Company has worked to enhance convenience by implementing transportation improvements based on customer usage patterns.

As a result of these measures, despite the negative impact in the first quarter stemming from the Kumamoto earthquake in April 2016 and the rebound decline from the opening effect of the Hokuriku Shinkansen, operating revenues for the Transportation Business segment were almost on a par with the previous fiscal year at ¥929.1 billion. Operating income declined 2.7% to ¥121.7 billion, due to an increase in expenses stemming from efforts for planned systematic measures to enhance safety and customer satisfaction for the next fiscal year.

Regarding the Sanko Line service between Gotsu and Miyoshi stations, as a result of repeated cordial discussions with the local governments along the line, the Company has submitted a notification to the Minister of Land, Infrastructure, Transport and Tourism that it will discontinue Category I railway services, effective April 1, 2018. The Company will continue discussions with the local communities toward formulating a new transportation plan after the discontinuation of the railway services.

#### < Sales of Goods and Food Services >

To enhance customer convenience and increase railway uses by attracting customers, since the fiscal year ended March 31, 2015, the Company has been converting its previous kiosks and Heart-in convenience stores to tie-up stores with Seven Eleven Japan. During the subject fiscal year, the Company converted 142 stores as planned, completing the conversion of a total of 335 locations.

The Company's consolidated subsidiary West Japan Railway Food Service Net Company, with the aim of opening locations in cities outside its railway areas, completed an absorption-type merger in June 2016 with its wholly-owned subsidiary Karafuneya Coffee Co., Ltd.

Despite increased sales at tie-up stores with Seven Eleven Japan, apparel sales at department stores remained sluggish and consumption by inbound visitors slowed down. As a result, operating revenues in the Sales of Goods and Food Services segment rose 0.8% from the previous fiscal year to ¥233.9 billion and operating income declined 1.3% to ¥5.2 billion.

#### <Real Estate Business>

The Company considers the Real Estate Business to have a high degree of affinity with the railway business in terms of utilizing the assets held by the Group, improving convenience for customers and enhancing the value of its railway belts, and develops and manages commercial facilities and engages in selling residential properties. For commercial facilities, the Group is moving steadily forward with opening and renovating properties. The Group opened VIERRA Tsukaguchi in front of JR Tsukaguchi station in April 2016, SUITA

GREEN PLACE in Suita City in June 2016, VIERRA Momodani at Momodani station in August 2016, and VIERRA Otsu at Otsu station in October 2016. The Group conducted renovations for LUCUA Osaka in August 2016 and March 2017, as well as the HIMEJI main building in October 2016, and PLiCO TARUMI in March 2017.

Further, to expand and strengthen the business, in February 2017 the Company acquired the shares in Ryoju Properties Co., Ltd., which hold high-quality lease properties and other real estate in promising markets such as the Tokyo metropolitan area. Going forward, the Company will smoothly conduct business operations, and make efforts to quickly enhance the value of its properties in order to realize investment benefits at an early date.

A positive boost was provided by the renewal of commercial facilities. However, due to a rebound decline from residential properties sales in the previous fiscal year, operating revenues for the Real Estate Business segment increased 0.6% from the previous fiscal year to ¥109.5 billion and operating income declined 1.5% to ¥32.2 billion.

#### <Other Businesses>

In hotel operations, to develop hotels to meet the accommodation needs of a wide range of customers, in February 2017, the Company established West Japan Railway First Cabin Co., Ltd., a joint venture with First Cabin Inc., to develop a new brand of hotel that is more compact and luxurious. The Company also decided going forward to open new high-class, accommodation-oriented hotels near Osaka station and at the Kyoto station Hachijo exit. The addition of these two new brands establishes a lineup comprising four types of hotels, along with the Granvia brand of city hotels and Via-inn brand of accommodation-oriented budget hotels.

For travel agency operations, the Company has made efforts to strengthen marketing efforts to capture inbound visitor demand, expand sales and increase sales of products that utilize railways.

Although revenues from travel agency operations increased with greater use by inbound visitors, the construction business recorded a rebound decline from large-scale project orders. As a result, operating revenues for the Other Businesses segment decreased 7.0% from the previous fiscal year to ¥168.8 billion, with operating income down 8.7% to ¥20.4 billion.

#### (2) Capital expenditure

During the fiscal year under review, the Group made capital investments by placing the full weight of its effort on enhancing safety. The Group also made investments to improve services and profitability and build up its transportation infrastructures, among other things.

The investments totaled ¥211.5 billion.

A. Major projects completed during the fiscal year under review are as follows:

- CTC construction on the Sanyo Main Line.
- Construction to build a new station ("Jike" on the Sanyo Main Line).

- Construction to electrify and extend the Kabe Line.
- Construction to build new rolling stock (Shinkansen: 64 railcars, conventional railway lines: 169 railcars).

B. Major projects under construction as of the end of the fiscal year under review are as follows:

- Construction to relocate a portion of a drop line of the Tokaido Line underground and build a new station.
- Construction to build new stations (one on the JR Kyoto Line and one on the Sagano Line).
- Construction to improve the Hiroshima station on the Sanyo Main Line.
- Improvement of transport capacities of the Nara Line.
- Construction to build new rolling stock (Shinkansen: 240 railcars, conventional railway lines: 248 railcars).

### (3) Fund-raising

During the fiscal year under review, the Group borrowed ¥70.0 billion in domestic straight bonds and ¥60.8 billion in long-term debt for the purposes of debt redemption and capital expenditure.

### (4) Issues to be addressed

The Group has implemented various measures based on the "JR-West Group Medium-Term Management Plan 2017" formulated in March 2013, and updated in April 2015 in response to changes in the business environment and other factors.

The Medium-Term Management Plan comprises the three basic strategies of "Safety", "Customer Satisfaction" and "Technologies", and in the four business areas of "Shinkansen", "Kansai Urban Area", "Western Japan Area" and "Business Development", the Company is advancing each of these strategies, pursuing foundation building to ensure sustained and sound business operations, and fulfilling our responsibilities as a member of society, with the aim of achieving long-term, sustainable growth.

For "Safety," the highest priority of the Three Basic Strategies, the Company has worked to achieve the numerical targets in the "Safety Think-and-Act Plan 2017": reductions in "railway accidents with casualties on platforms", "accidents at level crossings" and "transportation disruptions due to internal factors". The Company also has pursued measures to address intensifying natural disasters and strengthen risk management.

As a result, the Company has achieved its goal of "no railway accidents that result in casualties to customers", since the initial year of the plan and is making steady progress overall with such measures as reductions in "accidents at level crossings".

However, regarding the attainment target of "no railway accidents that result in

casualties to workers", two fatal accidents have occurred during the plan period. The Company will reexamine its measures up to this point and by further expanding its efforts, make a concerted effort as a corporate group to prevent such accidents.

For "Customer Satisfaction", the Company has set a numerical target of "4.0 or higher on the customer satisfaction survey" (equal to 80% of customers having a positive feeling while using our services), and has pursued specific measures, including improving transportation quality, beautifying stations and inside of trains and maintaining attractive appearances, and providing more information during disruptions to regular services. As a result, customer satisfaction has continually risen since the fiscal year ended March 31, 2013, and is nearing the target figure. However, in terms of providing quick and accurate information to customers, which has become an important issue, the evaluation from customers is still low. The Company, adhering to the idea that "Customers are first in everything we do", will make efforts aimed at establishing a corporate culture of customer-oriented business activities.

For "Technologies", to improve safety and customer satisfaction through technology, the Company has made efforts to pursue technological development aimed at the introduction of new systems for railway operations, such as the on-board advanced train administration and communications system (wireless type), as well as to ensure technologies and skills are conveyed to the next generation, and train engineers. The Company is also pursuing tie-ups with other companies to enhance technical capabilities. In August 2016, the Company acquired a portion of the shares in Nippon Signal Co., Ltd. and concluded a business alliance for the development, design and manufacture of new signaling systems.

Going forward, amid the anticipated decline in the labor force population, to maintain and improve safety, the Company will pursue efforts to advance its railway systems with technology-based reforms and fundamental system renovations.

Regarding the four business strategies, for the Sanyo Shinkansen, the Company will introduce additional new N700A trains and make full-scale upgrades to the ATC system to further improve safety and reliability and offer a competitive transportation service, whereby enhancing the Sanyo Shinkansen brand. The Company also will expand services to seniors and inbound visitors and take other steps to create new demand. For the Hokuriku Shinkansen, the Kanazawa-Tsuruga segment is scheduled to open at the end of the fiscal year ending March 31, 2023, and afterward fully be extended to Osaka. Shinkansen extensions are a highly effective means of stimulating local economies, and the Company will work with the local communities from the standpoint of a business provider to achieve the project.

For "Kansai Urban Area", the Company has worked to raise the quality of its railway transportation so that it is used repeatedly by customers, and to enhance the value of its railway belts.

For the future, the Company is striving to further improve its railway network, with the plans to extend and open the north segment of the Osaka Higashi Line to Shin-Osaka station in 2019, and open the new Umekita station in the underground area on the north side of Osaka station in 2023.

For "Western Japan Area", the Company has worked together with local regions for

community development centered on our stations by taking advantage of the strengths of its railways, and pursued such efforts as "Destination Campaigns" to stimulate tourism, and build a promotional structure with the broad-based local regions. The Company will begin operating the new *Twilight Express Mizukaze* sleeper train in June 2017, and work with the local areas to spread the appeal of the areas along its railway lines in the western Japan area.

The Company will further continue to promote dialogues with the local communities aimed at materializing sustainable local transportation.

For "Business Development", considering the future business environment, the Company recognizes that the main issue for the corporate group is whether it can achieve growth in fields other than the railway business.

In the fiscal year ended March 31, 2017, the Company created and cultivated businesses in new fields, including acquiring the shares in Ryoju Properties Co., Ltd. to strengthen and expand the real estate business, developing new high-class accommodation-oriented hotels and high-quality capsule hotels to meet the accommodation needs of a wide range of customers, and establishing a new company specializing in investment in venture firms. In addition to strengthening existing businesses, the Company aims to further cultivate and develop new business fields such as these, and raise the proportion of non-railway businesses accounting for its consolidated operating income from the current approx. 36% to 40% by the fiscal year ending March 31, 2023.

To achieve these strategies, the Company will undertake specific measures toward "building foundations" for sound business and operational management as a company.

In particular, amid the decline in the labor force population, the Company will pursue work style reforms to respond to social changes and demands, and continue with efforts aimed at securing and training human resources for the entire Group, and allowing employees to actively participate with job satisfaction.

Also, with the diversification of risks, the Company strengthened its risk management structure with the establishment in April 2017 of a new Risk Management Committee, in order to provide the President and other officers in the positions of responsibility with a proper understanding of the risks that have critical impacts on the Group's management, as well as to establish a risk management style of unified risk management and efforts to mitigate such risks.

The business environment for the Company is strained by such factors as population decline, declining domestic demand and labor force due to the decreasing birthrate and aging population, and competition from other modes of transportation. However, there are also favorable conditions that provide growth opportunities, including an increase in inbound visitors to Japan, more active seniors, and the hosting of the Tokyo 2020 Olympics and Paralympics, as well as active movements to attract international exhibitions and integrated resorts to Osaka. The Group will remain sensitive to these changes in the business environment and growth opportunities and continue to strive to enhance safety and corporate value from a medium- to long-term perspective.

(5) Assets and profits

Item	27th April 1, 2013 - Mar. 31, 2014	28th April 1, 2014 - Mar. 31, 2015	29th April 1, 2015 - Mar. 31, 2016	30th (current year) April 1, 2016 - Mar. 31, 2017
Operating revenues (billion yen)	1,331.0	1,350.3	1,451.3	1,441.4
Recurring profit (billion yen)	112.9	121.9	162.2	160.7
Profit attributable to owners of parent (billion yen)	65.6	66.7	85.8	91.2
Net income per share (yen)	338	344	443	471
Total assets (billion yen)	2,687.8	2,786.4	2,843.1	3,007.8
Net assets (billion yen)	807.3	846.7	926.3	1,032.6

(6) State of major subsidiaries, etc. (as of March 31, 2017)

(i) State of major subsidiaries:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
West Japan Railway Hotel Development Limited	18,000	100.0	Hotels
West Japan Railway Isetan Limited	14,000	60.0	Department store
Kyoto Station Building Development Co., Ltd.	6,000	61.4 (61.9)	Real estate leasing
Osaka Terminal Building Company	5,500	76.2	Real estate leasing
Nippon Travel Agency Co., Ltd.	4,000	79.8	Travel agency
Chugoku JR Bus Company	2,840	100.0	Bus services
West Japan Railway Daily Service Net Company	2,300	100.0	Retail sales
West Japan JR Bus Company	2,110	100.0	Bus services
Daitetsu Kogyo Co., Ltd.	1,232	36.9	Construction
JR-West Japan Real Estate & Development Company	620	100.0	Real estate sales and leasing
JR West Japan Communications Company	200	65.0 (100.0)	Advertising services
West Japan Electric System Co., Ltd.	81	51.5	Electric engineering
Ryoju Properties Co., Ltd.	50	70.0	Real estate sales and leasing



- (Notes) 1. The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.
2. The ratio of voting rights held by the Company in Daitetsu Kogyo Co., Ltd. is 51.6%.

(ii) State of major affiliated companies:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
Kansai Rapid Railway Co., Ltd.	75,280	23.9 (24.2)	Railway services
Osaka Soto-Kanjo Railway Co., Ltd.	22,436	24.1 (25.4)	Railway services
Kosei Construction Co., Ltd.	780	20.3 (35.6)	Construction

(Note) The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

(7) Major businesses and offices (as of March 31, 2017)

The major businesses the Group engages in and the offices therefor are as follows:

(i) Transportation Business:

In addition to the railway services, the Group engages in bus services and other services.

- The Company (Kita-ku, Osaka-City)
- Chugoku JR Bus Company (Minami-ku, Hiroshima-City)
- West Japan JR Bus Company (Konohana-ku, Osaka-City)

The outline of the railway services is as follows:

Office	Route length			Number of stations	Number of rolling stock cars
	Shinkansen	Conventional railway lines	Total		
Shinkansen Management Division	km 644.0	km 8.5	km 652.5	3	991
Kanazawa Branch	168.6	(28.0) 459.8	(28.0) 628.4	136	559
Kansai Urban Area Regional Head Office	-	946.0	946.0	335	3,616
Wakayama Branch	-	282.5	282.5	86	0
Fukuchiyama Branch	-	331.7	331.7	71	169
Okayama Branch	-	601.0	601.0	154	380
Yonago Branch	-	605.7	605.7	154	250
Hiroshima Branch	-	960.9	960.9	261	597
Total	812.6	(28.0) 4,196.1	(28.0) 5,008.7	1,200	6,562

(Notes) 1. Fukuoka Branch has been established under the Shinkansen Management Division.

Kyoto, Osaka and Kobe Branches have been established under the Kansai Urban Area Regional Head Office.

2. The kilometers in the parentheses are shown separately for Category III railway services (Nanao Line (between Wakura-Onsen and Anamizu)). The conventional railway lines of the Kansai Urban Area Regional Head Office include 28.6 kilometers of Category II railway services (Kansai-Airport Line (between Rinku-Town and Kansai-Airport), JR Tozai Line (between Kyobashi and Amagasaki) and Osaka Higashi Line (between Hanaten and Kyuhoji)). The other lines are all for Category I railway services.

Category I railway services:	Transportation services provided by using its own railway tracks
Category II railway services:	Transportation services provided by leasing railway tracks from other operators
Category III railway services:	Possession of railway tracks that are used by operators of Category II railway services for transportation services

(ii) Sales of Goods and Food Services:

The Group engages in department store business, as well as sales of goods and food services.

- West Japan Railway Isetan Limited (Shimogyo-ku, Kyoto-City)
- West Japan Railway Daily Service Net Company (Amagasaki-City, Hyogo-Prefecture)

(iii) Real Estate Business:

The Group engages in sales and lease of real estate by use of its own real estate and other properties and operations of shopping centers.

- Kyoto Station Building Development Co., Ltd. (Shimogyo-ku, Kyoto-City)
- Osaka Terminal Building Company (Kita-ku, Osaka-City)
- JR-West Japan Real Estate & Development Company (Amagasaki-City, Hyogo-Prefecture)
- Ryoju Properties Co., Ltd. (Minato-ku, Tokyo)

(iv) Others:

The Group engages in hotel and advertising businesses by use of its own properties, travel agency business that has highly synergistic effects with its transportation services, and various construction and engineering works.

- West Japan Railway Hotel Development Limited (Shimogyo-ku, Kyoto-City)
- Nippon Travel Agency Co., Ltd. (Chuo-ku, Tokyo)
- West Japan Marketing Communications, Inc. (Kita-ku, Osaka-City)
- West Japan Electric System Co., Ltd. (Yodogawa-ku, Osaka-City)
- Daitetsu Kogyo Co., Ltd. (Yodogawa-ku, Osaka-City)

## (8) State of employees

(as of March 31, 2017)

Segment description	Number of employees (increase or decrease compared with the end of the previous fiscal year)	
Transportation Business	26,758	(-718)
Sales of Goods and Food Services	2,353	(+99)
Real Estate Business	1,314	(+246)
Others	16,957	(+299)
Total	47,382	(-74)

(Note) The number of employees represents the number of those actually at work in the respective segments.

## (9) Major lenders (largest 10)

(as of March 31, 2017)

Lender	Debt payable (billion yen)
Sumitomo Mitsui Banking Corporation	38.0
Nippon Life Insurance Company	37.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36.8
Mizuho Bank, Ltd.	28.2
Resona Bank, Limited	25.5
Sumitomo Mitsui Trust Bank, Limited	21.5
Development Bank of Japan	18.2
The Bank of Kyoto, Ltd.	17.8
The Norinchukin Bank	15.0
Meiji Yasuda Life Insurance Company	14.0

**2. Matters concerning shares** (as of March 31, 2017)

(1) Total number of shares authorized to be issued 800,000,000 shares

(2) Total number of issued shares 193,735,000 shares

(Note) 723 shares of treasury stock are included in the total number of issued shares.

(3) Number of shareholders 144,664 persons

(4) 10 major shareholders

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	9,057,900	4.68
Japan Trustee Services Bank, Ltd. (Trust Unit)	7,979,400	4.12
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
Mizuho Bank, Ltd.	4,600,000	2.37
Nippon Life Insurance Company	4,000,000	2.06
JR-West Employee Stock-Sharing Plan	3,640,200	1.88
Japan Trustee Services Bank, Ltd. (Trust Unit 5)	3,536,100	1.83
Japan Trustee Services Bank, Ltd. (Trust Unit 9)	3,334,300	1.72
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65

(Note) For the purpose of computing the shareholding ratios, 723 shares of treasury stock are excluded from the total number of issued shares of the Company.

### 3. Matters concerning corporate officers (as of March 31, 2017)

#### (1) Names of Directors and Audit & Supervisory Board Members, etc.

Title	Name	Duties and major concurrent posts
Chairman and Director (Chairman of the Board of Directors)	Seiji Manabe	
Director	Tadashi Ishikawa	Special Counsel, Oh-Ebashi LPC & Partners
Director	Yumiko Sato	Professor, Faculty of Regional Development Studies, Otemon Gakuin University Director, Mature Society Research Institute, Otemon Gakuin University Member of the Board of Governors, Japan Broadcasting Corporation
Director	Yuzo Murayama	Professor, Business Course, Graduate School, Doshisha University
Director	Norihiko Saito	Counselor, Kinden Corporation Outside Director, The Kinki Sharyo Co., Ltd.
Director	Hideo Miyahara	Visiting Professor, Graduate School of Information Science and Technology, Osaka University Research Director and Member of the Board, Asia Pacific Institute of Research Representative Director, Knowledge Capital Association Outside Director, Osaka Gas Co., Ltd. Member of the Board of Governors, Japan Broadcasting Corporation
Director and Advisor	Takayuki Sasaki	Outside Director, Osaka Gas Co., Ltd.
President and Representative Director	Tatsuo Kijima	In charge of "Three Pillars of Management"
Executive Vice President and Representative Director	Norihiko Yoshie	Provides general assistance to President. In charge of safety enhancement, innovation of railway technology, Railway Operations Headquarters, Safety Research Institute, Structural Engineering Office and Construction Department

Title	Name	Duties and major concurrent posts
Executive Vice President and Representative Director	Kazuaki Hasegawa	Provides general assistance to President. In charge of Business Development Headquarters
Director	Nobutoshi Nikaido	In charge of Supporting Headquarters for the victims of the derailment accident on the Fukuchiyama Line of the Company, Deliberation Department of the Derailment Accident on the Fukuchiyama Line, Inquiry & Auditing Department, Corporate Ethics and Risk Management Department, General Affairs Department, Finance Department and Tokyo Headquarters
Director	Fumito Ogata	In charge of furthering of reform, Corporate Planning Headquarters, IT Development Headquarters, Secretary Office, Corporate Communication Department and Personnel Department
Director	Yoshihisa Hirano	In charge of Kansai Urban Area Regional Head Office
Director	Shinichi Handa	In charge of safety enhancement, and Transport Safety Department, Railway Operations Headquarters
Full-time Audit & Supervisory Board Member	Yasutaka Kikuchi	
Full-time Audit & Supervisory Board Member	Mikiya Chishiro	
Audit & Supervisory Board Member	Yasumi Katsuki	Certified public accountant, Katsuki Office External Director, Sumitomo Seika Chemicals Company Limited External Corporate Auditor, Sakata Inx Corporation
Audit & Supervisory Board Member	Yoshinobu Tsutsui	President and Representative Director, Nippon Life Insurance Company External Director, Imperial Hotel Ltd. Outside Director, Panasonic Corporation

- (Notes) 1. Directors Tadashi Ishikawa, Yumiko Sato, Yuzo Murayama, Norihiko Saito and Hideo Miyahara are external directors as provided for in Article 2, item 15 of the Companies Act of Japan.
2. Full-time Audit & Supervisory Board Member Mikiya Chishiro, Audit & Supervisory Board Members Yasumi Katsuki and Yoshinobu Tsutsui are external auditors as

provided for in Article 2, item 16 of the Companies Act of Japan.

3. The Company has registered all of its external officers (external Directors and external Audit & Supervisory Board Members) as independent officers as provided for by the financial instruments exchanges on which its shares are listed.
4. Audit & Supervisory Board Member Yasumi Katsuki, who is qualified as a certified public accountant, has considerable knowledge of financing and accounting.
5. The Company has a business relationship with Nippon Life Insurance Company. It has no special relation with any other company or institution with which the external Directors and Audit & Supervisory Board Members hold concurrent posts as listed above.

(2) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

Classification	Number	Amount
Director	17	¥464 million
Audit & Supervisory Board Member	4	¥75 million
Total	21	¥540 million

(Note) The total amount of remuneration, etc. for eight external officers for the fiscal year under review was ¥93 million.

(3) Major activities of external officers

Classification	Name	Major activities
External Director	Tadashi Ishikawa	Mr. Ishikawa attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an attorney at law.
	Yumiko Sato	Ms. Sato attended 12 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed her opinions from time to time, principally from the professional perspective of an academic expert.
	Yuzo Murayama	Mr. Murayama attended 12 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
	Norihiko Saito	Mr. Saito attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.
	Hideo Miyahara	Mr. Miyahara attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
External Audit & Supervisory Board of Member	Mikiya Chishiro	Mr. Chishiro attended 12 of the 13 sessions of the Board of Directors and 12 of the 13 sessions of the Audit & Supervisory Board held during the fiscal year under review and expressed his opinions from time to time, principally with his wide experience in public administration.
	Yasumi Katsuki	Mr. Katsuki attended all of the 13 sessions of the Board of Directors and all of the 13 sessions of the Audit & Supervisory Board held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of a certified public accountant.
	Yoshinobu Tsutsui	Mr. Tsutsui attended all of the 13 sessions of the Board of Directors and all of the 13 sessions of the Audit & Supervisory Board held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.



(4) Summary of the agreements to limit liabilities

The Company has entered into an agreement with each of the external Directors and external Audit & Supervisory Board Members to limit his/her liabilities as provided for in Article 423, paragraph 1 of the Companies Act of Japan in accordance with Article 427, paragraph 1 of the said act. The maximum amount of the liabilities under the agreement is as provided for in laws and ordinances.

**4. Matters concerning account auditors**

(1) Name of the account auditors

Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc. for the account auditors

- (i) Amount of remuneration, etc. payable for the fiscal year under review: ¥180 million
- (ii) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: ¥520 million

- (Notes)
- 1. The amount of remuneration payable to the account auditors for their audits under the Companies Act of Japan and the amount of remuneration payable for their audits under the Financial Instruments and Exchange Act of Japan are not specifically separated in the audit contract between the Company and the account auditors and cannot be separated practically. Hence, such amounts are stated collectively.
  - 2. The Audit & Supervisory Board obtained necessary materials and received reports from the Directors, the related internal divisions of the Company and the account auditors and also confirmed the status of the audits made during the previous fiscal year, as well as the content of the audit plans, the appropriateness of remuneration estimates, etc. for the fiscal year under review. As a result, the Audit & Supervisory Board determined that the remuneration, etc. for the account auditors was appropriate and consented thereto.

(3) Content of non-auditing services

The Company has entrusted the account auditors with, and paid remuneration for, advisory services for the preparation of CSR reports and others, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan.

(4) Policy on determination of dismissal and non-reappointment

In the event that the account auditors are considered to fall under any of the items of Article 340, paragraph 1 of the Companies Act of Japan, the Audit & Supervisory Board of the Company shall determine to dismiss the account auditors. In addition, if the account auditors are considered difficult to properly execute their duties, the Company shall, in accordance with the resolution of the Audit & Supervisory Board, submit a proposition to

dismiss or not to reappoint the account auditors to the General Meeting of Shareholders.

- (5) Administrative order of business suspension issued to the account auditors for the past two years

Summary of the administrative order issued as of December 22, 2015 by the Financial Services Agency

- (i) Party subject to the administrative order:

Ernst & Young ShinNihon LLC

- (ii) Content of the administrative order:

Suspension of business of accepting new engagements for three months  
(from January 1, 2016 to March 31, 2016)

- (iii) Reasons for the administrative order:

- Seven certified public accountants of Ernst & Young ShinNihon LLC, in negligence of due care, attested the financial statements of TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, 2012 and 2013 containing material misstatements as if the statements contained no material misstatements.
- The operations of Ernst & Young ShinNihon LLC were found to be significantly inappropriate.

## **5. Overview of the status of implementation of the systems required to secure the properness of business activities**

- (1) Measures to secure compliance with law

The Corporate Ethics Committee has deliberated on fundamental policies on the establishment of corporate ethics and others. The "Ethics Office (including outside contacts)", which is responsible for internal reporting, has properly handled internal reporting and the Company has disseminated the methods of communication and consultation, etc. to its employees and Group Companies.

In April 2017, with the diversification of risks, the Company strengthened its risk management structure with the establishment of a new "Risk Management Committee", in order to provide the President and other officers in the positions of responsibility with a proper understanding of the risks that have critical impacts on the Group's management, as well as to establish a risk management style of unified risk management and efforts to mitigate such risks.

The Committee shall select material risks that may have critical impacts on the management of the Company and deliberate on and evaluate policies to respond to such risks and other issues, and file necessary reports with the Board of Directors. With regard to such policies of the Risk Management Committee, the Company has established a system under which the "Corporate Ethics Committee" shall deliberate on and evaluate important matters concerning the establishment of corporate ethics by seeking broad knowledge from experts.

- (2) Measures to ensure the proper and efficient execution by the Directors and employees of the Company of their duties

To strengthen the monitoring and supervising functions of the Board of Directors, the Company has, in conjunction with the system of distributing information to outside officers, created opportunities other than meetings of the Board of Directors to give explanations on important managerial issues, including explanations on propositions to a meeting of the Board of Directors in advance, and organized site visits to provide information on the managerial conditions and backgrounds of the implementation of measures, to external Directors and external Audit & Supervisory Board Members.

At each meeting of the Board of Directors, explanations have proactively been given on the positioning and effect and risk of each measure in the medium-term management plan and the details of the discussions in the Company prior to such meeting to enhance the effectiveness of the Board of Directors. In addition, opinions of the outside officers at the meetings of the Board of Directors have been reported to the Management Committee for the purposes of risk management and safety control and otherwise utilized by the management.

For the purpose of internal control, as a measure to "improve the quality of internal audits", the Company has positioned its internal audit division as the "third defense line" to allow the division to make audits from an essential perspective, as to whether there is any problem with the mechanisms of business activities, and select and audit such themes as considered riskier among the managerial issues.

- (3) Measures to manage exposure to the risk of loss

To enhance the safety of railway business, the Company has promoted the measures set forth in its "Safety Think-and-Act Plan 2017" and also evaluated and verified, and had third parties evaluate and verify, its safety management system. Furthermore, for the purpose of risk management of other businesses than railway, based on the policies selected by the Risk Management Committee to respond to critical risks and other issues, the Company has made various committees deliberate on and evaluate measures and other issues on a case-by-case basis. In this regard, the Company has established a system under which the "Crisis Measures Committee" shall deliberate on and evaluate important matters relating to the establishment of a rapid initial response system in the event of a wide-scale disaster or any other serious crisis, by seeking broad knowledge from experts.

(4) Measures to secure the properness of business activities of the corporate group

The Company has held discussions on management and other policies with its Group Companies and sent executives to the important Group Companies to steadily promote group management. In addition, with regard to the establishment of corporate ethics and risk management of the entire Group, the Company has elevated the previous management system of various committees, including the Corporate Ethics Committee and the Risk Management Committee to a system under which such various committees shall, based on the new Risk Management Committee's policies to select and respond to material risks, deliberate on and evaluate countermeasures on a case-by-case basis and afford necessary support for risk management of the entire Group.

Furthermore, the Company has promoted measures to strengthen its Group governance to respond to changes in the business environment surrounding the Group.

By implementing these measures, the Company will continue to secure the properness of business activities of its corporate group.

(5) Measures to ensure effective audits by the Audit & Supervisory Board Members

The Company has strengthened, and endeavored to implement, the system to report the matters concerning the Company and its Group Companies to the Audit & Supervisory Board Members.

The Audit & Supervisory Board Members of the Company have attended meetings of the Board of Directors, sessions of the Management Committee and other important meetings, and exchanged opinions with the Representative Directors, the Chairman, each Director, the internal audit division and the Group Companies on a regular basis to verify the status of internal control.

(6) Measures to eliminate antisocial forces

The Company has appointed "personnel responsible for preventing undue claims" and held lectures in collaboration with attorneys at law to strengthen its preventive system and also promoted training and education through various measures and response manuals for the elimination of antisocial forces.

The "Systems Required to Secure the Properness of Business Activities" determined by the Board of Directors of the Company are posted on our website.

(<http://www.westjr.co.jp/company/ir/stock/meeting/>)\*

(\*) For your reference, the English translation of the matters presented on the Japanese website above will be provided on the Company's English website (<http://www.westjr.co.jp/global/en/ir/news/2017/>).

## **CONSOLIDATED BALANCE SHEET**

(As of March 31, 2017)

(million yen)

### **ASSETS**

Current assets:	351,864
Cash and deposits.....	63,578
Trade notes and accounts receivable.....	25,395
Railway fares receivable .....	35,404
Accounts receivable .....	67,754
Inventories.....	82,802
Deferred tax assets .....	17,582
Others.....	60,183
Less allowance for doubtful accounts.....	(837)
 Fixed assets:	 2,655,987
Tangible fixed assets:	2,360,063
Buildings and structures .....	1,150,453
Machinery, equipment and transport equipment .....	364,317
Land .....	754,274
Construction in progress .....	54,129
Other tangible fixed assets.....	36,889
 Intangible fixed assets:	 39,990
Investments and other assets:	255,933
Investment in securities .....	80,467
Net defined benefit asset.....	1,505
Deferred tax assets .....	130,777
Others.....	44,279
Less allowance for doubtful accounts.....	(1,096)
 TOTAL ASSETS	 3,007,852

(Note) Figures are indicated by discarding fractions of one million yen.

(million yen)

**LIABILITIES**

Current liabilities:	545,270
Trade notes and accounts payable.....	62,908
Short-term borrowings .....	15,908
Current portion of bonds .....	50,000
Current portion of long-term debt.....	31,780
Current portion of long-term payables for the acquisition of railway properties.....	1,512
Accounts payable .....	89,355
Accrued consumption taxes .....	12,200
Accrued income taxes .....	23,769
Railway deposits received.....	1,945
Deposits.....	80,260
Prepaid railway fares received .....	37,407
Advances received .....	20,222
Allowance for bonuses.....	37,428
Allowance for point program.....	2,041
Others.....	78,529
Long-term liabilities:	1,429,971
Bonds .....	484,981
Long-term debt.....	363,687
Long-term payables for the acquisition of railway properties .....	105,957
Deferred tax liabilities.....	3,195
Provision for large scale renovation of Shinkansen infrastructure .....	4,166
Allowance for environment and safety measures .....	18,799
Provision for loss on liquidation of railway belts .....	11,457
Allowance for gift certificates yet to be redeemed .....	2,575
Net defined benefit liability .....	325,085
Others.....	110,064
<b>TOTAL LIABILITIES</b>	<b>1,975,241</b>

**NET ASSETS**

Shareholders' equity:	922,945
Common stock .....	100,000
Capital surplus .....	55,068
Retained earnings.....	768,358
Treasury stock.....	(481)
Accumulated other comprehensive income:	17,491
Evaluation difference on other securities.....	3,763
Deferred hedge income (loss) .....	188
Accumulated adjustments to retirement benefits .....	13,538
Non-controlling interests:	92,173
<b>TOTAL NET ASSETS</b>	<b>1,032,610</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,007,852</b>

(Note) Figures are indicated by discarding fractions of one million yen.

## **CONSOLIDATED STATEMENT OF INCOME**

(From April 1, 2016 to March 31, 2017)

(million yen)

Operating revenues		1,441,411
Operating expenses:		
Transportation and other services and cost of sales	1,072,732	
Selling, general and administrative expenses	192,287	1,265,019
Operating income		176,392
Non-operating income:		
Interest income	51	
Dividend income	598	
Equity in earnings of affiliates	1,574	
Others	5,871	8,096
Non-operating expenses:		
Interest expenses	22,350	
Others	1,354	23,705
Recurring profit		160,783
Extraordinary profits:		
Proceeds from construction contract	14,649	
Expropriation compensation	2,075	
Gain on sales of fixed assets	1,479	
Others	1,435	19,641
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	13,858	
Loss on reduction entry of expropriation	1,592	
Impairment loss	5,114	
Provision for loss on liquidation of railway belts	11,470	
Others	10,634	42,670
Income before income tax		137,754
Corporation, inhabitant and enterprise taxes	43,490	
Income taxes – deferred	739	44,230
Net income		93,524
Profit attributable to non-controlling interests		2,235
Profit attributable to owners of parent		91,288

(Note) Figures are indicated by discarding fractions of one million yen.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.**

(From April 1, 2016 to March 31, 2017)

(million yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Evaluation difference on other securities	Deferred hedge income (loss)	Accumulated adjustments to retirement benefits	Total accumulated other comprehensive income		
Balance as of April 1, 2016	100,000	55,068	704,187	(481)	858,775	3,523	(121)	15,685	19,087	48,513	926,376
Changes during the year:											
Dividends from surplus			(27,122)		(27,122)						(27,122)
Profit attributable to owners of parent			91,288		91,288						91,288
Increase by merger			5		5						5
Purchase of treasury stock				(0)	(0)						(0)
Changes in items other than shareholders' equity during the year (net)						240	310	(2,146)	(1,596)	43,659	42,063
Total changes during the year	-	-	64,170	(0)	64,170	240	310	(2,146)	(1,596)	43,659	106,233
Balance as of March 31, 2017	100,000	55,068	768,358	(481)	922,945	3,763	188	13,538	17,491	92,173	1,032,610

(Note) Figures are indicated by discarding fractions of one million yen.



**BALANCE SHEET**  
(As of March 31, 2017)

(million yen)

**ASSETS**

Current assets:	185,517
Cash and deposits.....	31,932
Railway fares receivable .....	35,577
Accounts receivable .....	32,080
Accrued income .....	4,919
Short-term loans.....	19,177
Materials and supplies.....	17,941
Prepaid expenses .....	1,976
Deferred tax assets .....	11,148
Others.....	31,234
Less allowance for doubtful accounts.....	(472)
Fixed assets:	2,413,447
Fixed assets for railway operations.....	1,742,476
Fixed assets for related businesses.....	71,743
Other relevant fixed assets .....	63,357
Construction in progress .....	47,480
Investments and other assets .....	488,390
Stocks of affiliates.....	264,646
Investment in securities.....	20,470
Long-term loans receivable.....	84,566
Long-term prepaid expenses .....	8,840
Deferred tax assets .....	109,524
Others.....	6,536
Less allowance for doubtful accounts.....	(6,194)
<b>TOTAL ASSETS</b>	<b>2,598,964</b>

(Note) Figures are indicated by discarding fractions of one million yen.

<b><u>LIABILITIES</u></b>	(million yen)
Current liabilities:	576,674
Short-term borrowings .....	164,329
Current portion of bonds .....	50,000
Current portion of long-term debt .....	30,580
Current portion of long-term payables for acquisition of railway properties ..	1,512
Other accounts payable .....	145,475
Accrued expenses .....	19,706
Accrued consumption taxes .....	8,536
Accrued income taxes .....	14,778
Railway deposits received .....	1,698
Deposits .....	23,601
Prepaid railway fares received .....	37,214
Advances received .....	15,888
Prepaid income received .....	931
Allowance for bonuses .....	26,464
Allowance for point program .....	676
Others .....	35,280
Long-term liabilities:	1,312,331
Bonds .....	484,981
Long-term debt .....	358,482
Long-term payables for acquisition of railway properties .....	105,957
Provision for large scale renovation of Shinkansen infrastructure .....	4,166
Retirement allowances for employees .....	320,970
Allowance for environment and safety measures .....	18,787
Provision for loss on liquidation of railway belts .....	11,457
Others .....	7,528
<b>TOTAL LIABILITIES</b>	<b>1,889,005</b>
<b><u>NET ASSETS</u></b>	
Shareholders' equity:	707,088
Common stock .....	100,000
Capital surplus .....	55,000
Capital reserve .....	55,000
Retained earnings .....	552,092
Retained earnings reserve .....	11,327
Other retained earnings .....	540,765
Reserve for advanced depreciation of fixed assets .....	25,463
General reserve .....	380,000
Retained earnings carried forward .....	135,301
Treasury stock .....	(3)
Valuation and translation adjustments:	2,870
Evaluation difference on other securities .....	2,870
<b>TOTAL NET ASSETS</b>	<b>709,959</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,598,964</b>

(Note) Figures are indicated by discarding fractions of one million yen.

# **STATEMENT OF INCOME**

(From April 1, 2016 to March 31, 2017)

(million yen)

Railway operations		
Operating revenues	928,866	
Operating expenses	808,057	
Operating income		120,808
Related businesses		
Operating revenues	27,236	
Operating expenses	12,567	
Operating income		14,668
Operating income		135,477
Non-operating income		
Interest and dividend income	1,188	
Others	4,973	6,162
Non-operating expenses		
Interest expenses and bond interest	22,271	
Others	897	23,169
Recurring profit		118,470
Extraordinary profits		
Proceeds from construction contract	14,649	
Expropriation compensation	1,928	
Gain on sales of fixed assets	1,677	
Others	105	18,361
Extraordinary expenses		
Loss on reduction entry of proceeds from construction	14,266	
Loss on reduction entry of expropriation	1,445	
Impairment loss	2,577	
Provision for loss on liquidation of railway belts	11,470	
Others	5,174	34,933
Income before income tax		101,899
Corporation, inhabitant and enterprise taxes	29,315	
Income taxes - deferred	1,741	31,056
Net income		70,842

(Note) Figures are indicated by discarding fractions of one million yen.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2016 to March 31, 2017)

(million yen)

	Shareholders' equity									Valuation and translation adjustments	Total net assets
	Common stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity	Evaluation difference on other securities	
		Capital reserve	Retained earnings reserve	Other retained earnings			Total retained earnings				
				Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward					
Balance as of April 1, 2016	100,000	55,000	11,327	25,269	360,000	111,775	508,373	(3)	663,369	2,696	666,066
Changes during the year:											
Distribution of surplus						(27,122)	(27,122)		(27,122)		(27,122)
Net income						70,842	70,842		70,842		70,842
Provision of reserve for advanced depreciation of fixed assets				1,469		(1,469)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets				(1,275)		1,275	-		-		-
Provision of general reserve					20,000	(20,000)	-		-		-
Purchase of treasury stock								(0)	(0)		(0)
Changes in items other than shareholders' equity during the year (net)										173	173
Total changes during the year	-	-	-	193	20,000	23,525	43,719	(0)	43,718	173	43,892
Balance as of March 31, 2017	100,000	55,000	11,327	25,463	380,000	135,301	552,092	(3)	707,088	2,870	709,959

(Note) Figures are indicated by discarding fractions of one million yen.

Copy of Account Auditors' Audit Report Relating to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 9, 2017

The Board of Directors  
West Japan Railway Company

Ernst & Young ShinNihon LLC

Kenji Nishihara (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Yutaka Matsumura (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Naoya Nishino (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

We have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of West Japan Railway Company (the "Company"), applicable to its consolidated fiscal year from April 1, 2016 to March 31, 2017 pursuant to Article 444, paragraph 4 of the Companies Act of Japan.

Management's Responsibility for Consolidated Financial Statements

The responsibility of the Company's management is to prepare and present properly these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these consolidated financial statements free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these consolidated financial statements are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in consolidated financial statements and disclosure thereof. Audit procedures, on our own

judgment, are selected and applied based on our risk assessment of material misstatement in the consolidated financial statements by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these consolidated financial statements to form a plan for adequate audit procedures according to conditions. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

#### Account Auditors' Opinion

We are of the opinion that the above consolidated financial statements present properly the financial position and profit and loss of the corporate group comprised of West Japan Railway Company and its consolidated subsidiaries for the period related to the consolidated financial statements in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

#### Financial Interest

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountant Act of Japan.

- END -

Copy of Account Auditors' Audit Report

INDEPENDENT AUDITORS' REPORT

May 9, 2017

The Board of Directors  
West Japan Railway Company

Ernst & Young ShinNihon LLC

Kenji Nishihara (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Yutaka Matsumura (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

Naoya Nishino (seal)  
Designated and Limited Engagement Partner  
Certified Public Accountant

We have audited the balance sheet, the statement of income, the statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the supplementary financial schedules of West Japan Railway Company (the "Company"), applicable to its 30th fiscal year from April 1, 2016 to March 31, 2017 pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan.

Management's Responsibility for Financial Statements, etc.

The responsibility of the Company's management is to prepare and present properly these financial statements and the supplementary financial schedules in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these financial statements and the supplementary financial schedules free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and the supplementary financial schedules from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these financial statements and the supplementary financial schedules are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in financial statements and supplementary financial schedules and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of

material misstatement in the financial statements and the supplementary financial schedules by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these financial statements and the supplementary financial schedules to form a plan for adequate audit procedures according to conditions. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall presentation of these financial statements and the supplementary financial schedules.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

#### Account Auditors' Opinion

We are of the opinion that the above financial statements and the supplementary financial schedules present properly the financial position and profit and loss for the period related to the financial statements and the supplementary financial schedules in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

#### Financial Interest

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountant Act of Japan.

- END -



## Copy of Audit Report of the Audit & Supervisory Board

### AUDITORS' REPORT

We, the Audit & Supervisory Board of the Company, based on the audit report prepared by each Audit & Supervisory Board Member on the performance by the Directors of their duties during the 30th fiscal year from April 1, 2016 to March 31, 2017, prepared this audit report upon deliberation and hereby report as follows:

1. Method of Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board and the Particulars thereof:

- (1) The Audit & Supervisory Board determined the audit policy, audit plans, etc. and received from each Audit & Supervisory Board Member reports on the state of his performance of audits and the results thereof. We also received from the Directors, the account auditors, etc., reports on the state of performance of their duties and demanded their explanations whenever necessary.
- (2) The Audit & Supervisory Board Members, pursuant to the rules of audits by Audit & Supervisory Board Members determined by the Audit & Supervisory Board and in accordance with the audit policy, audit plans, etc., maintained constant communication with the Directors, internal audit divisions and other employees, etc. in an effort to collect information and improve the environment for auditing, and conducted audits in accordance with the following methods:
  - (i) We attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc., reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company.

With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, audit & supervisory board members, etc. thereof and required the subsidiaries to render reports on their business operations and made investigation into the state of their activities and property whenever necessary.

- (ii) With regard to the details of the resolutions of the Board of Directors for establishing such systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation as described in the business report and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Companies Act of Japan as necessary to secure the adequacy of business of the corporate group comprised of a joint-stock corporation and its subsidiaries, as well as the systems (internal control systems) established pursuant to such resolutions, we received from the Directors, internal audit divisions and other employees, etc., reports on the status of the establishment and operation of the systems and demanded their explanations whenever necessary.

- (iii) We monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Corporate Accounting Regulations) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary.

In accordance with such methods, we investigated the business report and its supplementary schedules, the financial statements (the balance sheet, the statement of income, the statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements) and the supplementary financial schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements), for the fiscal year under review.

2. Results of Audit:

(1) Results of audit of the business report, etc.:

We are of the opinion:

- (i) That the business report and its supplementary schedules fairly present the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;
- (ii) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists; and
- (iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the details of the descriptions in the business report and the performance by the Directors of their duties concerning such internal control systems contain nothing to be pointed out.

(2) Results of audit of the financial statements and the supplementary financial schedules:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon LLC, are proper.

(3) Results of audit of the consolidated financial statements:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon LLC, are proper.

May 10, 2017

The Audit & Supervisory Board  
West Japan Railway Company

Yasutaka Kikuchi (seal)  
Full-time Audit & Supervisory Board Member

Mikiya Chishiro (seal)  
Full-time Audit & Supervisory Board Member  
(External Audit & Supervisory Board Member)

Yasumi Katsuki (seal)  
External Audit & Supervisory Board Member

Yoshinobu Tsutsui (seal)  
External Audit & Supervisory Board Member