

The President's Message



Seiji Manabe

President, Representative Director,
and Executive Officer

In October 2010, JR-West announced the “Revision of JR-West Group’s Medium-Term Management Plan 2008-2012,” which stated that the Company’s newly defined business management vision was to become a corporate group that earns the trust of customers, local communities, and society by realizing excellent safety management and contributing to the invigoration of the West Japan area through its business activities. Since then, we have sought to realize this vision.

We are approaching an era in which forecasting business conditions will become even more problematic due to factors such as competition from other transportation modes and recent problems with electric power, as well as declining population, globalization, the increasing prevalence of networks, growing disparities among regions, and diversifying values. It is imperative, therefore, that the JR-West Group act as a unified whole in taking the next step toward a new era, and further enhance the JR-West Group.

In accordance with this awareness, in March 2013 we formulated the JR-West Group Medium-Term Management Plan 2017. By defining “Our Future Direction — The Ideal Form for JR West,” we will work to give shape to our management vision. In this way, we will strive to realize growth over the medium to long term and to implement sustainable management. To realize Our Future Direction — The Ideal Form for JR-West, we have positioned the five-year period through the fiscal year ending March 31, 2018, as a “period for contributing to the establishment of a foundation for decisive management.” On that basis, we will implement the Priority Strategies.

1. JR-WEST Group Medium-Term Management Plan 2017

“Our Future Direction — The Ideal Form for JR-West” — “Our Mission.”

In a maturing society, the JR-West Group will focus on “safety” and “customer satisfaction,” as well as on the “technologies” that support safety and customer satisfaction. We will fulfill our mission of continued

operation of railways as social infrastructure. The JR-West Group has launched the Safety Think-and-Act Plan 2017, which incorporates the safety-related issues that we need to address and the objectives that we need to achieve. Guided by this plan, we will do our utmost to achieve higher levels of safety. In addition, we will enhance customer satisfaction through customer-based management and promote technical development aimed at fostering a railway operations system change.

“Our Future Direction — The Ideal Form for JR-West” — A “railway company that coexists with communities.”

The JR-West Group will contribute to the invigoration of communities by increasing the quality of railway operations, expanding the scale of non-railway operations, and promoting the creation of new businesses. Accordingly, we will deepen exchange and cooperation with communities, and the entire JR-West Group will work together to develop operations that are aligned with the characteristics of specific areas. To that end, we will take steps to enhance the value and the network of the Shinkansen, increase the value of the railway belts in the Kansai Urban Area, and advance area management that invigorates the strengths of other West Japan areas. In addition, we will foster a shared understanding with local communities about the issues that we face, and strive to determine the appropriate future direction for sustainable regional transport. Moreover, with consideration for the future, we will actively take on the challenge of expanding lifestyle-related service businesses and developing/nurturing new fields of business in order to build a foundation for sustainable growth over the long term. Based on these initiatives, we will strive to achieve consolidated operating revenues of ¥1.4 trillion in fiscal 2031 (ending March 31, 2031).

“Taking the Next Step. Working Together With Communities.”

“Taking the Next Step. Working Together With Communities.” In the new medium-term management plan, these phrases express the “goals” and “determination” that we share in the JR-West Group. While meeting our responsibilities as a member of society, we will unite as a group to implement

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the new medium-term management plan and move forward with communities to become a company that is truly trusted by customers, communities, and society. In addition, we will work to strengthen our management foundation to facilitate future growth and sustainable management. We will strive to increase corporate value over the medium to long term by generating stable cash flow, even in the difficult management environment that is anticipated in the years ahead. Also, in regard to our relationship with shareholders, we will work to provide a long-term, stable return to shareholders.

2. Fiscal 2014 Initiatives

Fiscal 2014 (ending March 31, 2014,) is important as the initial year for the "JR-West Group Medium-Term Management Plan 2017" and its core component, the "Safety Think-and-Act Plan 2017." To bring about a new form for the JR-West Group in the coming era, we will steadily implement key strategies based on the Three Basic Strategies and the Four Business Strategies in this plan, and seek long-term, sustainable growth.

For "Safety," the highest priority of the Three Basic Strategies, JR-West will launch the "Safety Think-and-Act Plan 2017" in an aim to achieve a higher level of safety. Committed to "ensuring that an accident such as that on the Fukuchiyama Line will never again occur," our objectives include "no railway accidents that result in casualties among our customers" and "no labor accidents that result in fatalities among our employees." For "Customer Satisfaction," we will seek "customer-based management," and will respond to the needs and expectations of customers, while enhancing guidance and undertaking other initiatives, as well, to minimize the impacts of transport disruptions. For "Technologies," we will pursue technical development aimed at fostering advances in railway operations systems and, through measures like the development of technicians and gauge change trains, work to solve problems through technology.

In terms of the Four Business Strategies, amid a harsh business environment resulting from competition from other modes of transport, and recent power supply issues, JR-West will work to raise competitiveness for the Shinkansen through such means as increasing the



frequency of *Nozomi* service, and enhancing the communication environment in trains. We will also expand services for seniors and overseas visitors to Japan in an effort to generate new demand, and will move steadily forward with preparations for the opening of the Kanazawa segment of the Hokuriku Shinkansen. For the Kansai Urban Area, JR-West will increase the value of our railway belts with such measures as renovation of the interior of Sannomiya Station, and will work to make the Kansai Urban Area more attractive through such projects as refurbishment of the Osaka Loop Line. For the other West Japan area, we will work with local communities to stimulate tourism, including conducting the Hiroshima Destination Campaign from July 2013. In terms of business development, JR-West opened the "piole Himeji" shopping center in Himeji Station in April 2013, and will pursue the real estate development business to help achieve lifestyles that are more comfortable. We will also take on new business challenges, such as car-sharing directly connected to stations, and rehabilitation services.

I would like to ask our shareholders and other investors for continued understanding and support in the years ahead.

June 2013

Seiji Manabe

President, Representative Director, and Executive Officer

Review of the Previous Medium-Term Management Plan

In October 2010, we announced the “Revision of the JR-West Group’s Medium-Term Management Plan 2008–2012,” which stated that the Company’s newly defined business management vision was to become a corporate group that earns the trust of customers, local communities, and society by realizing excellent safety management and contributing to the invigoration of the West Japan area through its business activities. Since then, we have sought to realize this vision.

In the area of safety, we have been implementing our Basic Safety Plan over the five years since 2008. Through the risk assessments that we have made a key aspect of the plan, we have achieved results like greatly lowering risk and increasing safety awareness among employees. Operational railway accidents and fatal industrial accidents, however, continue to occur, so we will redouble our safety efforts under the Safety Think-and-Act Plan 2017.

Turning to the Kyushu Shinkansen direct service and Osaka Station City project, these major endeavors have attracted large numbers of users and given rise to bustling traffic between these two geographic areas. As for our department store operations, we will move forward with store renovations.

Strategies for coexistence with communities, innovation by technology, and thinking and acting based on the field are, with new collaborations and employee-led initiatives, producing results in various locations and will be continued.

Financial benchmarks were achieved in terms of consolidated EBITDA and ROA, and we view our consolidated operating revenue objective as basically having been achieved.

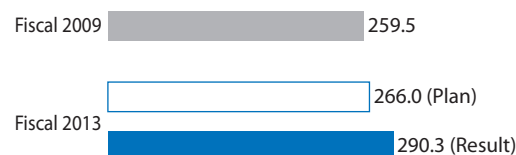
Regarding enhancement of shareholder returns, in light of the performance of our two major projects and the financial benchmarks we reached, and based on our policy of a consolidated DOE (dividend on equity) ratio of 3%, we set the dividend for fiscal 2013 (ending March 31, 2013) at ¥110 per share.

Consolidated Operating Revenues (Billions of yen)



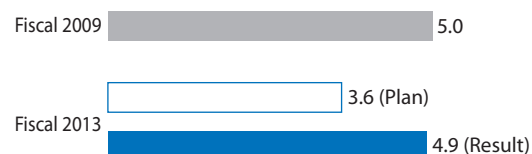
The planned level for consolidated operating revenues was basically achieved on strong transportation revenues, mainly in Shinkansen operations.

Consolidated EBITDA (Billions of yen)



The planned level for consolidated EBITDA was exceeded on strong transportation revenues, mainly in Shinkansen operations.

Consolidated ROA (%)



With fiscal 2013 consolidated operating income exceeding the planned level (Plan: ¥95.5 billion vs. Actual: ¥129.4 billion), consolidated ROA also outperformed plans.

Returns to Shareholders (yen)



Based on the degrees of achievement on the three benchmarks, we determined that the anticipated project benefits had been realized. A consolidated DOE ratio of 3%, therefore, was basically achieved.

Note : Fiscal 2009 (fiscal year ended March 2009)
Fiscal 2013 (fiscal year ended March 2013)