

# The President's Message

**In March 2013, the JR-West Group formulated the JR-West Group Medium-Term Management Plan 2017 and the Safety Think-and-Act Plan 2017. To realize its 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.**

## Overview of Fiscal 2017

Fiscal 2017, ended March 31, 2017, was the fourth year for this medium-term management plan. During the year, we engaged in initiatives positioned to steadily implement appropriate measures toward the final year of this plan.

Through risk assessment, we have undertaken measures addressing both physical and non-physical aspects on the safety front. We have worked to continue curtailing the number of railway operation accidents to a minimal level, and in general have made steady progress toward our objectives of decreasing the number of accidents at level crossings by 40% and reducing transportation disruptions due to internal factors by 50%.

Nevertheless, in February a railway accident occurred that resulted in the death of a worker at one of JR-West's contractors. We are deeply grieved by this event, and we will respond by carefully reviewing our initiatives to date and undertaking necessary improvements.

On the operational front, on the Sanyo Shinkansen we completed the introduction of a new automatic train control (ATC) system, for which preparations had been underway since fiscal 2011, and operations commenced in February. The new system makes brake control smoother, improving riding comfort, and shortens travel time. Our efforts to further heighten the opening effect of the Hokuriku Shinkansen rather than allowing it to taper off included augmenting our lineup of travel products. In the area of business development, in fiscal 2015 we began transitioning to Seven-Eleven Japan franchised stores in the interest of enhancing asset efficiency in the Retail business segment. This conversion is now essentially complete. In the Real Estate business, we acquired shares in Ryoju Properties, a move that should propel us toward future business development outside the JR-West region. Through initiatives such as these, we have been making steady inroads toward enhancing corporate value over the medium- to long-term.

As a result, revenues and income were down in fiscal

2017, due to the impact of the Kumamoto earthquakes and the substantial effects of rebound decline from a surge accompanying the opening of the Hokuriku Shinkansen. However, operating income outpaced our forecast, thanks to favorable transportation revenues in the second half and positive performance in the Real Estate business.

## Initiatives in Fiscal 2018

Fiscal 2018 marks the final year for our medium-term management plan. During the year, we will make further refinements based on previous results, and implement measures to achieve plan targets. Positioning the year in this fashion, while working together toward these goals the JR-Group will bear in mind its farther-looking vision, "The Ideal Form for JR-West," and give shape to the next medium-term management plan.

In terms of safety, we will prioritize initiatives such as enhancing platform safety to meet our objective of reducing railway accidents with casualties on platforms by 30%, as we are currently not making progress toward this goal.

Operationally, we will introduce Smart EX, a new ticketless service, on the Sanyo Shinkansen. Taking into account the anticipated ongoing increase in inbound visitors to Japan, the new system is designed to ensure that even more customers can smoothly make reservations and use the Shinkansen, as well as bolstering our competitiveness. With the Hokuriku Shinkansen entering its third year of operations, we will endeavor to cultivate tourism demand and stabilize the use of the line. We are also moving forward with preparations to open the Kanazawa-Tsuruga segment in spring of 2023.

We will enhance the value of our railway belts in the Kansai Urban Area by constructing new stations, opening the northern part of the Osaka Higashi Line, making preparations to relocate a portion of a branch line of the Tokaido Line underground, and continuing our initiatives on the Osaka Loop Line Renovation Project.

In June, we will begin operating the new TWILIGHT EXPRESS MIZUKAZE sleeper train. Preparations for the train are currently underway around the concept of “a hotel traveling through beautiful Japan.” We will take this launch as an opportunity to invigorate local communities by communicating attractions along railway lines. In the area of business development, we are preparing the groundwork at Ryoju Properties, whose shares we acquired last fiscal year. We will also undertake a number of new challenges, such as developing new hotel businesses.

April 2017 marked the 30th anniversary of JR-West’s establishment. Looking at the operating environment going forward, I believe our ability to refine the safety and quality of transportation services in the railway business and achieve growth in fields outside the railway business are major points that will define the future of the JR-West Group.

In addition to solidly sustaining the management platform we have built to date, we will need to advance initiatives in response to change. While continuing to make use of outside expertise, we will reinforce existing businesses and work proactively to expand our business domain, including overseas.

As we move forward, we will continue to pursue improvements in both safety and corporate value from a medium- to long-term perspective. In our relationships with shareholders, we will provide stable returns over the long term, conduct appropriate disclosure, and engage in constructive dialogue.

I would like to ask our shareholders and other investors for their continued understanding and support.

September 2017

Tatsuo Kijima

Tatsuo Kijima  
President, Representative Director, and Executive Officer

