



**Q1:** What is the basic idea behind the new Medium-Term Management Plan?

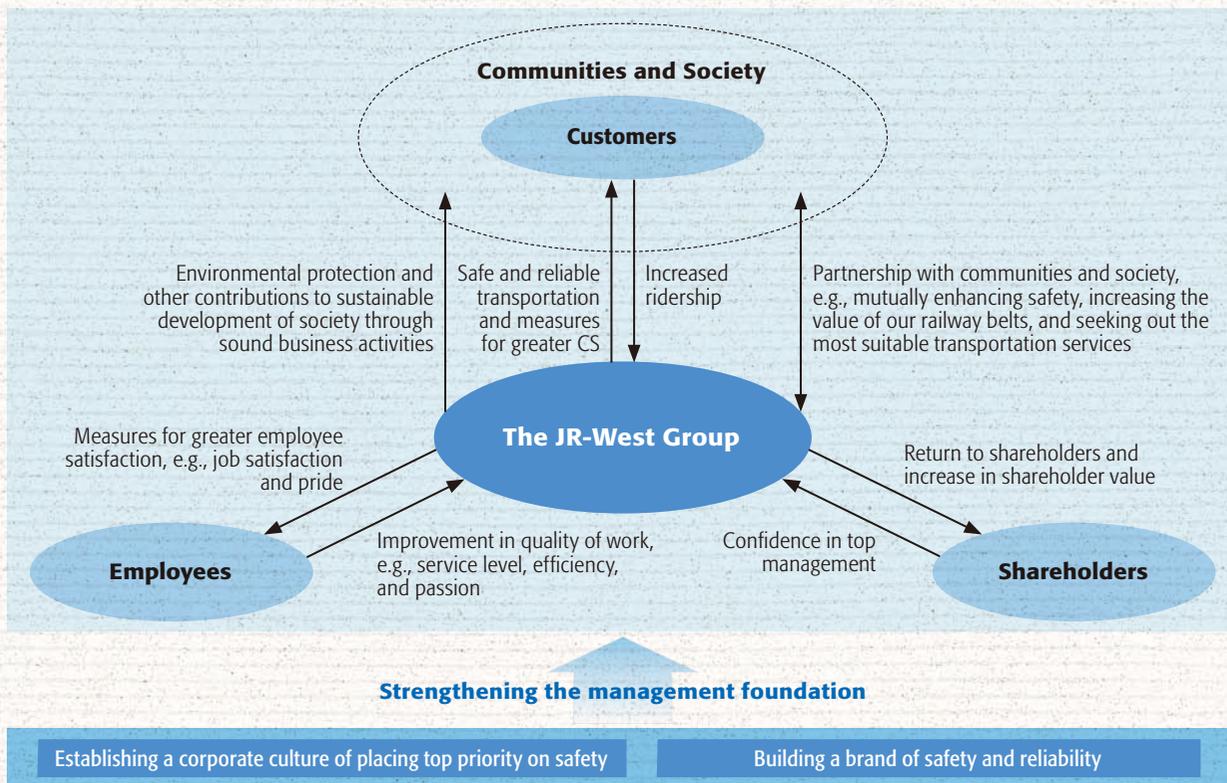
**A:** Following the Fukuchiyama Line accident in April 2005, JR-West implemented a series of measures to enhance safety and regain trust, in accordance with its Safety Enhancement Plan and a revision of Medium-Term Management Plan targets based on it. In March and April 2008, we formulated and announced a series of reform measures, along with a new Basic Safety Plan. Our aim is to move to the next stage based on these measures, and make a fresh start.

The basic concept of the new Medium-Term Management Plan is to work to further strengthen our foundations for safety, together with solid measures to expand in growth fields. The management plan is built on the dual axes of safety and growth to achieve a steady increase in corporate value.

More specifically, for the “safety” aspect, based on the Basic Safety Plan formulated in April, we are applying risk assessment techniques to railway operation accidents—the first such effort in Japan—in order to establish a brand of safety and reliability. In growth fields, we have plans to aggressively broaden our top line through the Shinkansen service and development of the Osaka Station North Building.

These measures will enhance corporate value over the medium to long term, which will increase returns to all stakeholders in JR-West, such as customers and shareholders. The relationship of trust that is established as a result will then become the foundation for further safety and growth, creating a “positive spiral.” That is the basic idea behind this plan.

**Confident and Empathetic Relation with Stakeholders to Improve Corporate Value**



## Q2: What is JR-West's policy regarding safety measures?

**A:** On April 25, 2005, the Company caused a very grave accident to occur on the Fukuchiyama Line. In consideration of the accident, we have set the building of a "corporate culture of placing top priority on safety" as our management target and exerted our all-out efforts to respond to the victims and restore the confidence of our customers promptly.

Since then, we have steadily implemented our Safety Enhancement Plan and achieved progress in various aspects of our software and hardware infrastructures. However, there still remain issues to be addressed to enhance safety, including the "reform of our culture and sense of value."

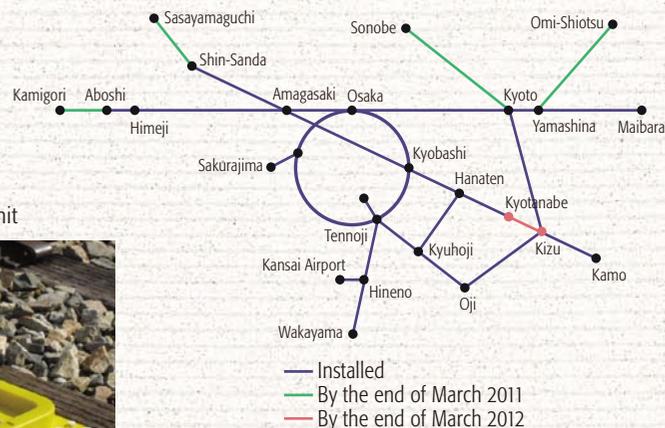
In June 2007, in the meantime, a report on the investigation of the accident was publicized by the Aircraft and Railway Accidents Investigation Commission. We solemnly accept the findings of the commission, and are working to address them. Seizing the moment, we formulated a Basic Safety Plan in April 2008 to seek higher safety levels in combination with our previous measures.

The Basic Safety Plan applies risk assessment techniques to railway operation accidents, a first for Japan. We assess beforehand the potential for customer casualties or serious labor accidents to our employees, and implement appropriate countermeasures for those risks judged to be of high priority.

The safety plan also calls for installing automatic train stop (ATS) systems along sections of track with a declining gradient, and incorporates individual measures to meet government standards and escalating public expectations for the general level of safety, such as those to prevent accidents causing injuries or deaths or accidents at rail crossings. As a result, JR-West plans to invest ¥430 billion in safety-related equipment over the five years to the fiscal year ending March 31, 2013, continuing the high level of investment begun following the Fukuchiyama Line accident.

These safety measures are intended to lower the risk of future accidents or disasters. Our aim is to establish a brand of safety and reliability, and secure a solid foundation for sustainable growth.

### Our Installation Plan for ATS-P Systems



Portable ATS unit





**Q3:** What is the basic direction for each business segment in the management plan?

**A:** The Shinkansen service is the largest and most important growth driver for JR-West in both the Transportation Operations segment and throughout the Company. This is our priority for allocation of management resources.

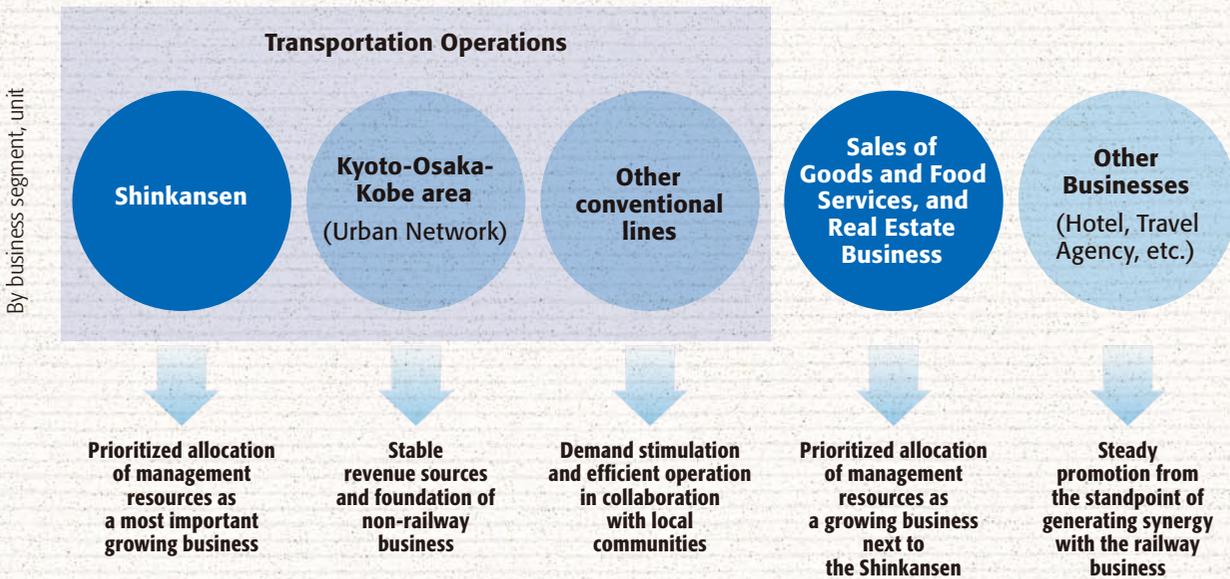
Non-railway businesses also include such growth drivers as the Sales of Goods and Food Services segment and the Real Estate Business segment. We are moving forward with the renovation of Osaka Station and other development projects to support these businesses, giving priority in allocating

resources to the Kyoto-Osaka-Kobe metropolitan area, and railway hubs.

The Urban Network (lines linking the Kyoto-Osaka-Kobe metropolitan area) is the foundation of the non-railway business, and we will take effective steps to maintain it as a stable revenue source.

For other conventional lines, we will work to encourage use of limited express train services in conjunction with the Shinkansen, while also seeking the most suitable transportation service based on demand in local areas.

The Basic Direction of Our Business Portfolio



## Q4: What initiatives are you planning to bolster the competitiveness of the Sanyo Shinkansen, and what is the outlook?

**A:** The Sanyo Shinkansen is one of JR-West's core businesses, and we intend to make a significant improvement in service over the next five years. We call it the "Sanyo Shinkansen Renaissance."

The biggest factor in this is the timetable. We intend to make continual revisions as we look ahead to expansion of Haneda Airport in 2010, and extension of the Kyushu Shinkansen to Hakata in spring 2011. We have three specific measures planned.

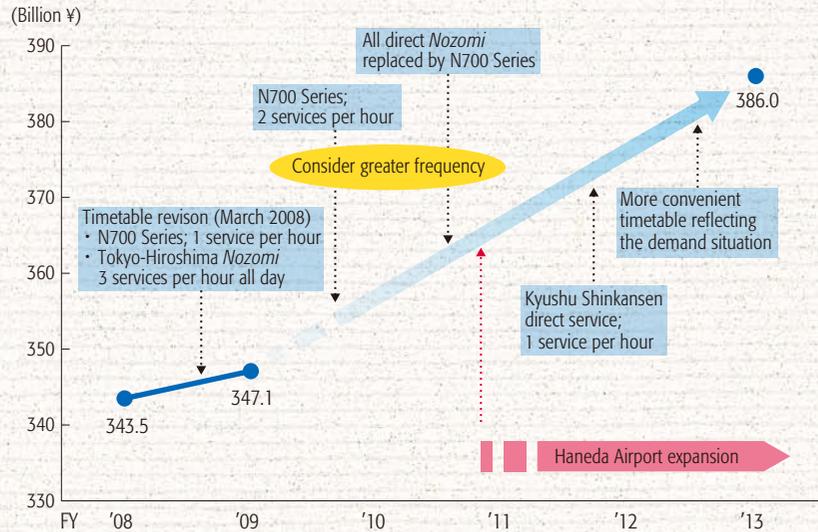
The first is to replace by 2010 all direct-service *Nozomi* trains running between the Tokaido and the Sanyo Shinkansen with the new N700 Series, which has been highly praised for its comfort and quiet ride. A second measure we are considering is to get a head start on increasing the number of trains using four additionally purchased trains. The third is to provide through-service operations in conjunction with

the start of Kyushu Shinkansen service to Hakata.

We forecast that the greater competitiveness realized from these measures will increase Shinkansen revenue by approximately ¥39.0 billion (around 11%) in four years to a total of ¥386.0 billion. This will be a new historical high.



### Forecast of Shinkansen Revenue



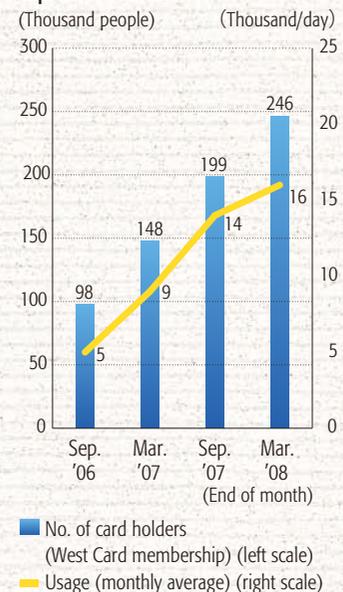
## Q5: What are your marketing strategies for the Shinkansen service?

**A:** The Express Reservation system was introduced for the Sanyo Shinkansen in July 2006, and usage has steadily increased, mainly among business travelers. We intend to further develop the Express Reservation system as a marketing tool, and use this to increase revenue.

More specifically, in summer 2009 we plan to expand the Express Reservation IC card service (EX-IC) launched for the Tokaido Shinkansen in spring

2008 to the Sanyo Shinkansen, providing users with further time savings and convenience. Using the database built up through the Express Reservation system, we plan to more finely target specific customer segments, effectively utilizing J-WEST points and other schemes to achieve highly reliable revenue increases. As usage expands, we will also look into introducing corporate services.

### Express Reservation



**Q6:** What is your plan for through-service operations between the Sanyo and Kyushu Shinkansen services?

**A:** The extension of the Kyushu Shinkansen to Hakata is scheduled for completion in spring 2011. We are planning through-service operations with JR Kyushu that will link Shin-Osaka and Kagoshima-Chuo stations in four hours. This will require a considerable investment totaling approximately ¥100 billion, but we feel that through-service is essential to improving customer convenience.

Using this service as a selling point, we will implement marketing strategies to stimulate tourism demand, focusing on middle-aged and elderly travelers. We will work together with JR Kyushu to develop demand for sightseeing among the numerous tourist destinations in Kyushu, as well as stimulate travel from Kyushu to the urban centers of Kyoto and Osaka.

**Q7:** What initiatives are you launching for the Urban Network, and what is the outlook?

**A:** Population in the Kansai area has entered a period of decline. However, we will focus on maintaining and expanding our current revenue as the railway business in the Kyoto-Osaka-Kobe metropolitan area provides stable income of around ¥300 billion per year, and serves as a revenue base of our non-railway businesses. To achieve this, we need to establish a brand of safety and reliability by preventing accidents causing injuries

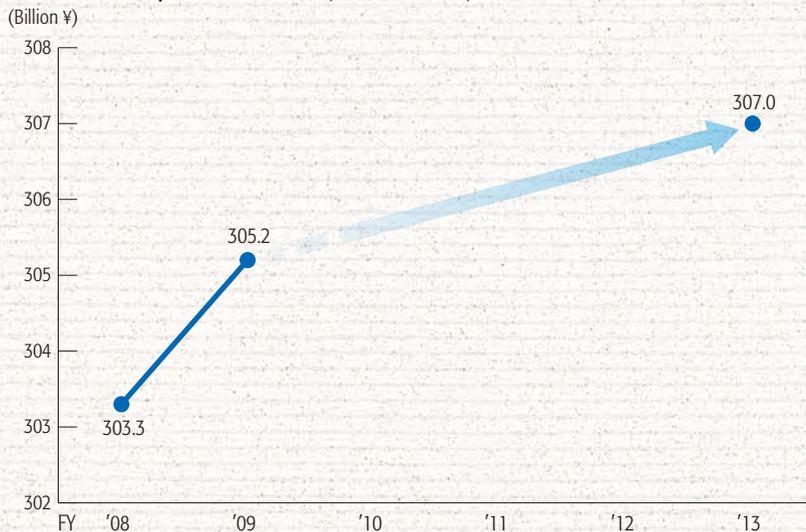
or deaths and accidents at crossings, reducing the number of equipment failures, and providing a safe and consistent transportation service.

Also, considering the falling birth-rate and aging society, we will make efficient investments of management resources with tightly focused targets, such as expansion of direct services that takes account of the development around Osaka Station in 2011, and improved transportation for select areas and times of day.

Over the medium to long term, strengthening cooperation with local authorities and communities, we, in combination with the retail and real estate businesses, will pursue steady measures to enhance the value of our railway belts, and make them the preferred choice for residence and shopping.

As a result, we anticipate that revenue from the Urban Network will rise ¥1.8 billion compared to the current fiscal year, to ¥307.0 billion in the fiscal year ending March 31, 2013.

Forecast of Transportation Revenue (Urban Network)



## Q8: What initiatives are you planning for the retail and the real estate business, and what is their outlook?

**A:** We consider the retail and real estate businesses to be a growth field second only to the Shinkansen service. These businesses have made a steady contribution to earnings up to this point.

Of these, the area that has continued to be a pillar of revenue and earnings is development of stations and surrounding areas. Over the next five years, we plan to develop and/or renovate 250,000 square meters, or twice that amount including the Osaka Station development.

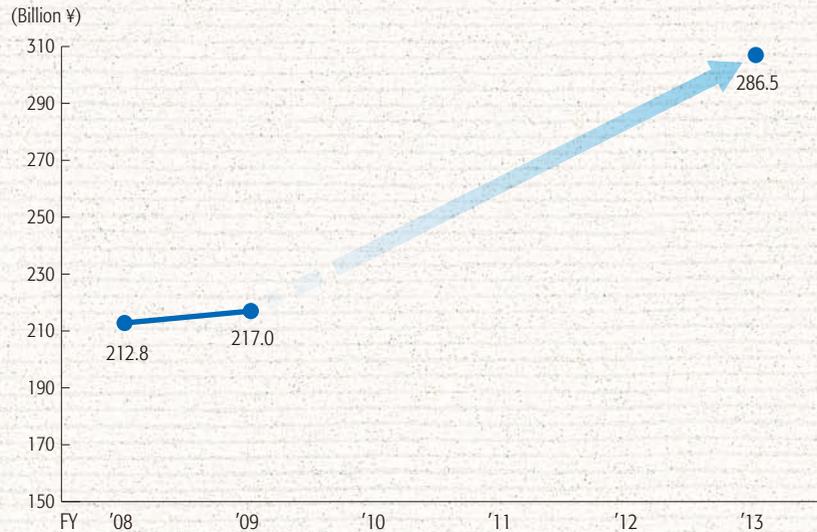
Over the medium to long term, to improve the value of our railway belts we will pursue measures in conjunction with local authorities and communities, with the aim of enhancing the synergistic benefit with the railway business.

The Osaka Station development project, due to open in spring 2011, will include as a tenant a department store operated by West Japan Railway Isetan

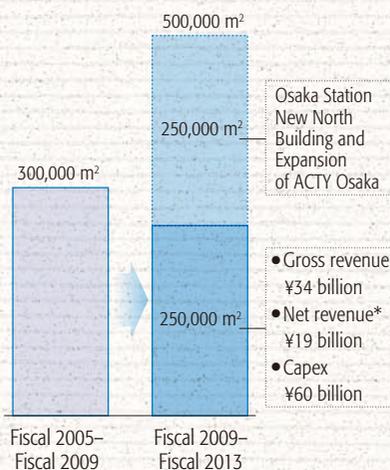
Limited, a subsidiary of JR-West. This development project is part of a program of selection and concentration in the retail and real estate business, focused on outstanding major stations in the Kyoto-Osaka-Kobe metropolitan area. We adopted a strategy of aggressive investment in consideration of the business potential, which will maximize earnings from the project.



### Sales of Goods and Food Services (Revenue from Third Parties)

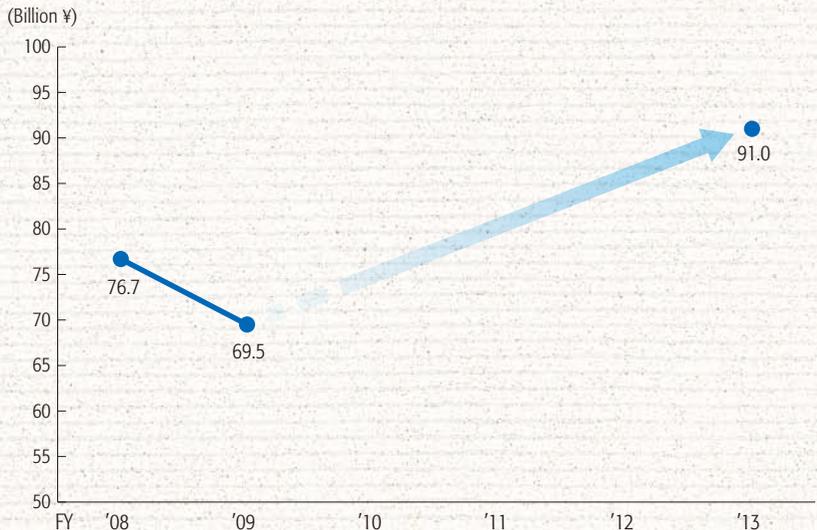


### Our Development Plans



\*Excluding current revenue from the development area

### Real Estate Business (Revenue from Third Parties)



## Q<sub>9</sub>: Where do you see JR-West going after this business plan, perhaps 10 to 15 years in the future?

**A:** One of the characteristics of the new Medium-Term Management Plan is that it also sets a long-term vision for the Company 10 to 15 years hence. The measures of the plan are those that we need to accomplish within these next five years in order to make that a reality.

Looking at the business environment for JR-West, demand for transportation will gradually taper off in line with the population decline, particularly in the rural areas. At the same time, society's expectation for safe and consistent transportation continues to grow, and demand for barrier-free facilities and other social infrastructure is rising. It is highly likely that JR-West will need to respond to these demands with new equipment and facilities.

The number of young workers is also set to decline as the birthrate falls and society ages, and we anticipate

that it will become increasingly difficult to secure the labor and technicians necessary to maintain the railways.

Considering these changes in the business climate, our Medium-Term Management Plan incorporates measures to train personnel and develop technologies to achieve innovation in railway systems. It also considers solutions to problems of local railway lines to be implemented in collaboration with local authorities, as well as makes reference to management issues such as generating new growth projects.

These management issues are long-term initiatives, and we are not able to provide specific details on them at this time. However, we feel that molding these into concrete form over the next five years, and making them a reality, are important to enhancing our corporate value over the medium to long term.

**Goals to Pursue:** ● Excellence in safety management ● Reliability and satisfaction for customers ● Enhanced value of our railway belt  
● Basis on "human resources" and "technology" ● Trust of local communities and society

Strengthening of the management base; building of a brand of safety and reliability through continuous safety measures and performance of CSR

Renovation of the railway system considering transportation demand, technology and the workforce in the future

Development of new transportation demand centering on the Shinkansen, enhancement of the value of railway belts, and planning of new projects

Efforts in local railway lines to adapt to the realities of traffic volume in collaboration with local authorities

Aiming at sustainable growth of corporate value, while maintaining and improving asset efficiency and capital efficiency