

Medium-Term Management Plan 2017

Outline of Medium-Term Management Plan

To give shape to our management vision, the JR-West Group has announced “Our Future Direction—The Ideal Form for JR West.” We will implement the Priority Strategies, which comprise the Three Basic Strategies and the Four Business Strategies. In addition, we will proceed with Building Management and Operational Foundations, fulfill our responsibilities as a member of society, and take the Next Step as we work to realize the New JR-West Group for the next era.

The “Form of the New JR-West Group” for the next era



Financial Benchmarks

Consolidated operating revenues		Consolidated EBITDA		Consolidated ROA	
Fiscal 2018 forecast	Fiscal 2014	Fiscal 2018 forecast	Fiscal 2014	Fiscal 2018 forecast	Fiscal 2014
¥1,306.0 billion	¥1,331.0 billion	¥292.5 billion	¥288.4 billion	4.7 %	5.1 %

Note: Because this plan does not include the increases in revenues and railway usage fees accompanying the beginning of operations on the Hokuriku Shinkansen Line to Kanazawa (planned for the end of fiscal 2015, ending March 2015), it will be revised as required.

Medium-Term Management Plan 2017

Three Basic Strategies

Safety

We will launch the Safety Think-and-Act Plan 2017.

Objectives for the five-year period through fiscal 2018 (Fiscal year ending March 31, 2018)

No railway accidents that result in casualties among our customers

0 accidents

Fiscal 2014

0 accidents

No labor accidents that result in fatalities among our employees

0 accidents

1* accident

* A fatal accident occurred involving an employee of an affiliated company while on the job.

Objectives for fiscal 2018

Railway accidents with casualties on the platform

30% reduction

Fiscal 2014

did not achieve reduction

Accidents at level crossings

40% reduction

approx.

20% reduction

Transport disorders due to internal factors

50% reduction

approx.

10% reduction

Safety Think-and-Act Plan 2017

—Establishment of JR-West Group safety management

- Continual effort to realize safe, reliable transport service
- Increase level of risk assessment
- Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life
- Investment in safety **①**

① Investments in Safety (Safety Measures for Platforms)

Investments in safety represent one of the key pillars from the Safety Think-and-Act Plan formulated in March 2013. Currently, we are sustaining and enhancing the functions of existing facilities while also launching initiatives that will help realize higher levels of safety.

Safety measures for platforms represent one such initiative, and we are currently developing and testing various styles of platform gates in order to prevent customers from falling from the platform or from coming into contact with arriving or departing trains. Automatic platform gates (rope style) ensure platform safety by raising and lowering taut ropes. These gates can also accommodate rail cars with different door configurations. Based on the results of a trial project conducted at Sakurajima Station on the JR Yumesaki Line since December 2013, we plan on carrying out another trial project at Rokkomichi Station on the JR Kobe Line.



Automatic platform gates (rope style)



Movable platform gates



Platform fence for bypass lines

Customer Satisfaction

We will implement customer-based initiatives to increase the value that we provide.

Objectives for fiscal 2018

Develop “fans” of JR-West

Key Index: Customer satisfaction survey result of **4.0 or above***

* five level, in-house survey

Fiscal 2014

3.67

Key Measures

- Grasp customer expectations and work to meet diverse needs
- Build a railway with high transport quality
- Seek out customer feedback and work to enhance and improve services
- Actively provide customers and society with information about the measures that we implement

Technologies

We will strive for continuous innovation.

Objectives for fiscal 2018

Set target for practical implementation of on-board oriented train control system (wireless)

Complete battery-powered train performance testing

Complete verification of next-generation total operation control system

Produce gauge change testing trains, implement running testing

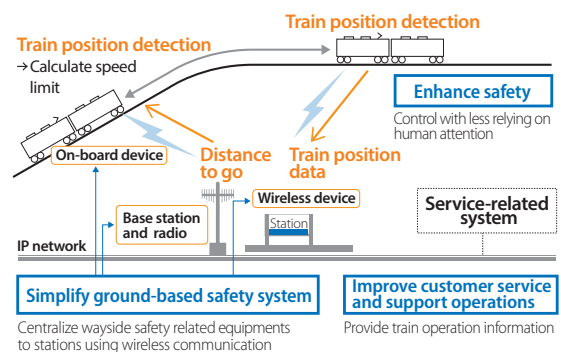
Key Measures

- Promote technical development aimed at fostering a railway operations system change ②
- Take on the challenge of technical development of gauge change trains
- Nurture engineers deeply versed in each field of railway technology, and strive to resolve issues with technology
- Promote reductions in energy consumption and diversification of energy supply sources

② On-board Oriented Train Control System (Wireless)

—Japan Radio Train Control System (Wireless) (JRTC-W)

We are developing a new train control system JRTC-W using wireless communication with the aim of improving train safety and simplifying ground safety equipment. JRTC-W enables a train to run while calculating its own position and to perform brake control as needed with reference to information of speed limits (curves or gradient) which has been registered in the database of the vehicle control unit. The train can handle unexpected state changes in circumstances such as foregoing trains, temporary speed limits, emergency stops, accidents or weather conditions because the train communicates information on such changes to the ground commander continuously. In the future, following the current development of JRTC-W foundational technology, we plan to continue with development and test the system in preparation for the confirmation test on main line and for practical use.



Medium-Term Management Plan 2017

Four Business Strategies

Shinkansen

We will enhance the potential of the Shinkansen and promote exchange.

Objectives for fiscal 2018

Number of senior customers traveling for leisure purposes

10% increase

Fiscal 2014

approx.

2% increase

Number of passengers using railway travel package and special tickets for visitors from overseas


3-fold increase

approx.

1.7-fold increase

Maximize the effects of the opening of the Hokuriku Shinkansen

Key Measures

- Further increase the safety and reliability of the Shinkansen
- Work to provide competitive transport services and to expand usage of those services
- Create new demand through enhancement of services for seniors and visitors to Japan
- Expand Shinkansen network 

Major investments

- Related to opening of Hokuriku Shinkansen
- New ATC
- Establishment of new maintenance bases and improvement of existing bases
- Earthquake countermeasures
- Countermeasures for mobile phone no-service areas
- Station facility refurbishment (Hiroshima)
- Introduction of N700A new model

Kansai Urban Area

We will improve the value of the Kansai Urban Area.

Objectives for fiscal 2018

Transport disorders due to internal factors

50% reduction

Fiscal 2014

approx.

10% reduction

No. of IC card users* per day

2.2 million/day (+300,000)

2.05 million/day (+150,000)

* Including Okayama/Hiroshima

Increase resident satisfaction

Key Measures

- Build a railway that offers high-quality transport and is used repeatedly by customers
- Build sustainable railway system through appropriate maintenance
- Increase the value of railway belts, create areas adjacent to railway lines that people want to reside in and are easy to use
- Take steps to create an appealing Kansai Urban Area, such as enhancing the Osaka Loop Line
- Open new railway museum in the Kyoto Umekoji area, establish railway culture base (spring 2016)

Major investments

- Rolling stock replacement
- New safety system
- Increase facilities for turn back operation
- Increase safety at level crossings
- Disaster countermeasures (lightning, etc.)
- New stations (Maya (provisional name), Sojiji (provisional name))
- Station improvement (Sannomiya, Shin-Osaka, Tennoji, Amagasaki)
- Station building development (Takatsuki, Koshienguchi, Zeze)
- New railway museum building

③ Hokuriku Shinkansen

Maximize opening effects

1. Increase travel between Hokuriku and the Tokyo Metropolitan Area
 - Develop tourism routes in cooperation with communities and travel companies and carry out the Hokuriku Destination Campaign (Oct. – Dec. 2015)
 - Introduce a highly convenient Internet reservation service
2. Maintain and increase travel between Hokuriku and Kansai
3. Develop a Hokuriku route for travel between Kansai/Hokuriku and Nagano/Niigata



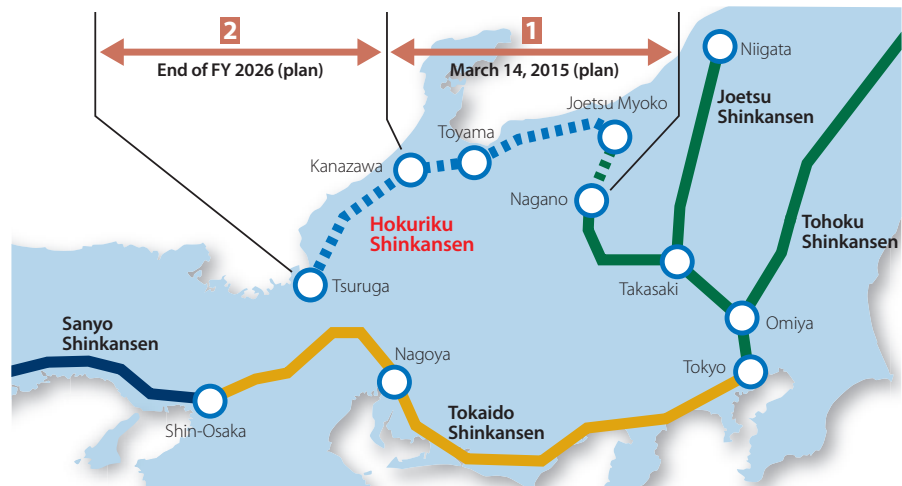
Overview of Hokuriku Shinkansen Line

	Nagano to Kanazawa (approx. 230km) 1	Kanazawa to Tsuruga (approx. 130km) 2
JR-West's service area	Joetsu Myoko to Kanazawa (approx. 170km) (JR-East: Tokyo to Joetsu Myoko)	Kanazawa to Tsuruga (approx. 130km)
Beginning of operations	March 14, 2015 (plan)	End of FY2026/3 (plan) (start of construction authorized on June 29, 2012)
Construction contractor	Japan Railway Construction, Transport and Technology Agency (JRTT) (JR-West will operate commercial services, paying a usage fee to JRTT that does not exceed the earnings received.*1)	
Travel time*2	Kanazawa to Tokyo: 2h 28m (-83m) Toyama to Tokyo: 2h 8m (-66m)	TBD
Rolling stock	Introduction of 10 trains planned (12 railcars per train)	Will advance practical application of Gauge Change Trains (GCT) to heighten convenience for passengers when changing between conventional lines and the Shinkansen at Tsuruga Station

*1 Line usage fees are determined at a level (fixed amount) that does not exceed the earnings received and which balances JR-West's revenues and expenses over the 30-year period after beginning operations. We have not included the increase in revenues and line usage fees in this Medium-Term Management Plan because at the present juncture we have not determined the timetables and fare structures that form the basis of their calculation, making objective and rational calculation difficult.

*2 Travel time of the fastest train. Figures in brackets () are based on a comparison with the fastest train service using conventional lines from Tokyo as of September 2014.

Hokuriku Shinkansen Route Map



Medium-Term Management Plan 2017

Four Business Strategies

Other West Japan Area

We will invigorate the strengths of other West Japan area.

Objectives for fiscal 2018

Number of users during destination campaigns

10% increase

Fiscal 2014

approx.

16% increase
(Hiroshima DC)

Ongoing progress in promoting "businesses with close ties to areas," with the entire Group working together in cooperation with local companies and other partners in each area

Ongoing progress in fostering a shared understanding between the Company and local communities in regard to the best direction for regional transport

Key Measures

- Develop businesses with close ties to areas and move forward in tandem with communities
- Work together with local communities and strive to realize sustainable regional transport that reflects usage conditions

Major investments

- New luxury trains **4**
- New safety systems
- Change of rolling stock (Hiroshima region)
- New station (Hakushima (provisional name))
- Kabe Line extension
- Hiroshima Station development
- Station improvement, store development (Shimonoseki, Shin-Yamaguchi, Tokuyama)
- Relocation of Hiroshima General Hospital of West Japan Railway Company to new building
- Introduction of CTC in Okayama area

4 Roll out of New Luxury Sleeper Train

A hotel running through beautiful Japan – nostalgia of fine quality -

Under Medium-Term Management Plan, JR-West is working toward the goal of becoming a railway company that coexists with communities, and is taking measures to promote tourism together with local communities. As one of these measures, we will roll out a new sleeper train.

Overview of the train

1. Start of operations
Spring 2017 (scheduled)
2. Service area
To help guests rediscover the beauty of Japan, the train is scheduled to operate in the Kyoto, Osaka and Kobe, San-in, and Sanyo areas for the time being. These areas have a large number of historical and cultural points of interests, including World Heritage Sites, and guests will be able to enjoy beautiful scenery from the window.
3. Rolling stock
 - Train Configuration: 10 cars
6 sleeper cars, 1 dining car, 1 lounge car, and 2 head cars with a viewing space
 - Guestrooms: Capacity of around 30 guests
Two classes of guestroom (One class: 1 room per 1 railcar, Another class: 3 rooms per 1 railcar)



Exterior including view deck



Living room – 1 room per 1 railcar type



3 rooms per 1 railcar type

We will work to develop new businesses.

Objectives for fiscal 2018

Revenues from lifestyle-related service businesses **+ ¥25.0 billion**

Fiscal 2014
approx.
+ ¥15.0 billion

Revenues from new businesses **+ ¥1.0 billion**

approx.
+ ¥0.1 billion

In 10 years, share of revenues contributed by the non-transportation segments (Retail, Real Estate, Other Businesses) **40%**

36.0*

* Share as of the fiscal year when Medium-Term Management Plan was launched (Fiscal 2013): 34.9%

Key Measures

- Expand lifestyle-related operations and provide support for the realization of comfortable daily lives **5**
- Increase the value of Group assets
- Continue to take on the challenge of new business fields
- Cultivate growth as a Group with consideration for the global market

5 Business Alliance with Seven-Eleven Japan

JR-West, its wholly-owned subsidiary West Japan Railway Daily Service Net Co., Ltd. and Seven-Eleven Japan Co., Ltd. have concluded a business alliance agreement with regards to the kiosk stores and convenience stores that the JR-West Group operates at its stations. We are currently moving to convert the existing stores at stations to allied stores and we will promote new allied store openings within our station retail store plan for the future.

- Convert the existing station retail stores (approx. 500) to allied stores over the next five years and take steps to enhance the attractiveness of stations
⇒ We anticipate about a ¥20 billion boost in revenues, including from new store openings

