

Medium-Term Management Plan 2017 –Update–

Three Basic Strategies



Safety

As we work to achieve the goals of Safety Think-and-Act Plan 2017, we will redouble our efforts to address the following tasks whose urgency was brought to light in the first two years of the plan.

Future Priority Measures

1. Response toward intensifying natural disasters
2. Improvement of platform safety
3. Prevention of labor accidents that result in fatalities among our employees
4. Strengthening of risk management
5. Enhancement of internal audits and utilization of outside perspectives



Customer Satisfaction

Based on the newly formulated Customer Satisfaction Vision 2017 and Think-and-Act Policy for Customer Satisfaction, we will enhance communication with customers to better implement measures in response to various customer needs, including those for safety and comfort.

Future Priority Measures

1. Understanding customer expectations and responding to diverse needs
2. Building a railway with high transportation quality
3. Faithful response to customer feedback to improve service quality and expand service lineup
4. Active communication of information on our initiatives to customers and society



Technologies

We aim to continually pursue innovations in technology to support safety and customer satisfaction.

Future Priority Measures

1. Promoting technical development aimed at fostering innovations in railway operation systems
2. Taking on the technical development of gauge change trains
3. Nurturing engineers deeply versed in each field of railway technology, and striving to resolve issues with technology
4. Promoting reductions in energy consumption and diversification of energy supply sources

Target Indicators

	2013	2016	2018 target
Railway accidents that result in casualties among our customers	0	0 Fiscal 2014-2016	0 over 5 years
Labor accidents that result in fatalities among our employees	0	1 Fiscal 2014-2016	0 over 5 years
Railway accidents with casualties on platforms	13	10	30% reduction* (9)
Accidents at level crossings	41	15	40% reduction* (25)
Transport disruptions due to internal factors	281	176	50% reduction* (140)

* In comparison with fiscal 2013

Initiatives Aimed at Improving Platform Safety

The trial operation of “automatic platform gates (rope style)” at Rokko-michi Station demonstrated potential for practical applicability and continues to be in operation. This system was also installed on platforms 1 and 6 at Takatsuki Station in March 2016. Movable platform gates, which have already been installed at Kitashinchi and Osakatem-mangu stations, were also installed at Kyobashi Station in March 2016 with plans to install them at Osaka Station in spring 2017. In addition, the trial operation of new movable platform gates currently under development has been conducted at Sanyo Shinkansen Shin-Kobe Station.



Automatic platform gates at Takatsuki Station

Target Indicators

	2013	2016	2018 target
Customer satisfaction survey result (5-level, internal survey)	3.47	3.76	4.0 or above

Improvements Based on Customer Feedback: Increasing the Number of Coin-Operated Lockers at Kanazawa Station

JR-West has established a mechanism for reflecting opinions, requests, gratitude, compliments, and other customer feedback into company measures to improve satisfaction from the customer's perspective.

Since the opening of the Hokuriku Shinkansen, the number of customers using Kanazawa Station has exceeded expectations, resulting in a heightened demand for coin-operated lockers, an issue brought to our attention by the customers who use them. In response, coin-operated locker areas were expanded and new lockers were installed. In July 2015, 486 lockers were added in three areas, for a total of 998 lockers (up from 512), which, combined with permanent luggage storage areas, resulted in a total of 1,200 pieces of luggage (in terms of overall space).



Target Indicators

	2015	2018 target
On-board oriented train control system (wireless)	Confirmed functionality through running tests	Target practical application
Battery-powered trains	Began examining specifications for prototypes	Complete performance tests
Next-generation comprehensive train operation control system	Commenced construction of meteorological disaster response systems (1st phase)	Finish verification testing for next-generation comprehensive train operation control system
Gauge change train	Started gauge change tests	Advance development targeting practical application
Transition from ground-based inspections to on-board inspections	Began examining specifications for on-board inspection system	Commence partial introduction of on-board inspection system

Launch of Multifunctional Eco-Station at Maya Station on the JR Kobe Line

Global warming is becoming a pressing issue on a global scale. In accordance with the adoption of the Paris Agreement, Japan announced the goal of reducing its greenhouse gas emissions by 26% by fiscal 2030 (compared with fiscal 2013 levels), requiring increased greenhouse gas emission prevention measures in the public and private sectors.

Given these conditions, Maya Station on the JR Kobe Line was opened in March 2016. A DC power conversion device enabling the effective use of waste-free regenerated power was installed at Maya Station, a first for JR-West. In addition, solar panels were installed on the station roof and a variety of energy-saving options were employed to reduce power consumption.



Display indicating Maya Station power generation status and the introduction of eco-friendly initiatives

Four Business Strategies



Shinkansen

Enhance the potential of the Shinkansen and promote exchange

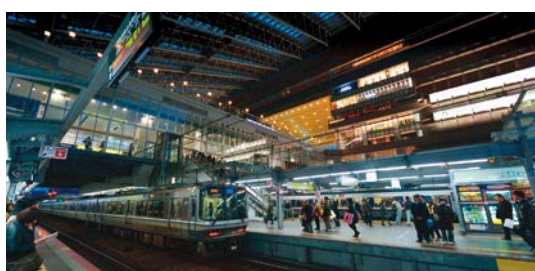
Target Indicators

	2013	2016	2018 target
Number of senior customers traveling for leisure purposes	1.9 million	2.2 million	2.2 million (15% increase*)

* In comparison with fiscal 2013

Future Priority Measures

1. Further improvement of Shinkansen safety and reliability
2. Provision of competitive transportation services and expansion of usage
3. Enhancement of services for senior citizens to create new demand



Kansai Urban Area

Improve the value of the Kansai Urban Area

Target Indicators

	2013	2016	2018 target
Transport disruptions due to internal factors	105	64	52 (50% reduction*)
Number of IC card users (people/day)	1.9 million	2.3 million	2.3 million
Increase resident satisfaction		—	Ongoing improvement trend seen along major railway belts

* In comparison with fiscal 2013

Future Priority Measures

1. Creation of railway providing high-quality transportation to encourage repeat usage
2. Improvement of railway belt value to increase ease of use and make areas around lines appealing places to live
3. Enhancement of the Kansai Urban Area's appeal by improving the Osaka Loop Line
4. Opening of new railway museum in Umekoji, Kyoto, and creation of railway culture sights (spring 2016)



Other West Japan Area

(Areas of other conventional lines)

Invigorate the strengths of the west Japan area

Target Indicators

	2015	2018 target
Customer traffic during destination campaigns	29% increase* Wakayama destination campaign	10% increase*
Sharing challenges with local partners regarding improvements in regional transportation systems	Discussions under way with a few organizations	Sharing challenges with local partners regarding improvements in regional transportation systems
Advancement of businesses with close ties to areas through concerted Group efforts coordinated with local partner companies in each area	Collaboration agreements concluded with a few organizations Investments in community-rooted businesses	Businesses with close ties to areas advanced through concerted Group efforts

* In comparison with fiscal 2013

Future Priority Measures

1. Progress together with communities through businesses with close ties to areas
2. Working with local partners for sustainable regional transportation systems matched to usage conditions



Business Development

Work to develop new businesses

Target Indicators

	2013	2016	2018 target
Revenues from life-style related businesses	—	¥36.1 billion increase*	¥35.0 billion increase*
Revenues from new businesses	—	¥1.6 billion increase*	¥1.0 billion increase*
Ratio of consolidated operating revenues from non-transportation segments (retail, real estate, other businesses) 10 years from now	35%	36%	2023 target 40%

* In comparison with fiscal 2013

Future Priority Measures

1. Expansion of lifestyle-related businesses to support comfortable lifestyles
2. Improvement of Group asset value
3. Ongoing exploration of new business fields
4. Cultivation of growth as a Group with consideration for the global market

Three Key Growth Themes

Key Growth Theme 1

Hokuriku Shinkansen and Invigoration of Hokuriku Region



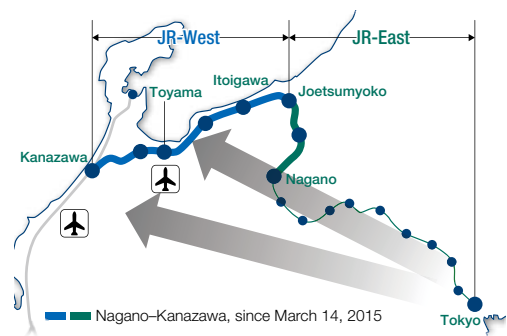
Target Indicators

1. Net revenue increase
from Hokuriku Shinkansen: ¥13.0 billion (fiscal 2018)
Fiscal 2016: ¥28.9 billion
2. Increasing mobility between Kansai, Hokuriku, and Shinetsu regions

Expanding market share

- Strengthening competitiveness through high frequency and highly convenient Internet reservation service

		Travel Time	Fare (¥)	Frequency
Kanazawa–Tokyo	Shinkansen	2h 28m	14,120	24
	Airlines	approx. 2h 50m	24,890	10
Toyama–Tokyo	Shinkansen	2h 08m	12,730	24
	Airlines	approx. 2h 30m	24,890	4



Expanding market size

- Fostering tourism demand from three metropolitan areas by preparing secondary access, commercializing tourism routes in collaboration with regions, creating experience-based products, etc.

Collaborating with non-railway business, city development efforts

- Maximizing opening effect from commercial facilities that have been opened/renewed
- Collaborating with city development efforts
 - Toyama Station (Improving traffic congestion points, including transition to elevated tracks for conventional lines, etc.)
 - Kurobe-Unazukionsen Station (Toyama Chiho Railway established new station adjacent to this station)

Shopping centers in Hokuriku region



Rinto in Kanazawa Station



Toya Marché in Toyama Station

Scheme for the Hokuriku Shinkansen

- Japan Railway Construction, Transport and Technology Agency (JRJT) constructs infrastructure.
- JR-West owns rolling stock, operates the Hokuriku Shinkansen, and pays line usage fees (fixed amount).
- Parallel conventional lines are transferred from JR-West to semi-public corporations.

Key Growth Theme 2

New “LUCUA osaka”



Target Indicators (fiscal 2016)

- Tenant sales target:
Total of ¥77.0 billion for LUCUA 1100 and LUCUA*
* All of the tenant sales are not included in consolidated operating revenues.
Fiscal 2016: ¥76.1 billion
- Visitor number target: 70.0 million
Fiscal 2016: 77.0 million

Renovation of the OSAKA STATION CITY North Gate Building

- Integrated operation of East Wing (existing LUCUA) and West Wing (new LUCUA 1100) under one shopping center company
- Securing a wide range of customers through superiority of location and scale (largest shopping center in Osaka/Umeda area), and ease of access within the buildings
- Utilizing the strength of promotional system and ability to attract highly popular specialty stores, cultivated through our shopping center operations
- Opening isetan-brand shops as tenants in LUCUA 1100, specializing in fashion and sundries, in which West Japan Railway Isetan Limited (WJRI) has strengths

Synergies with railway business

- Taking steps to enhance transportation services, such as new rolling stock introduction and timetables
- Wide-area promotions, including Sanyo Shinkansen railway belt

Key Growth Theme 3

Capturing Inbound Visitor Demand



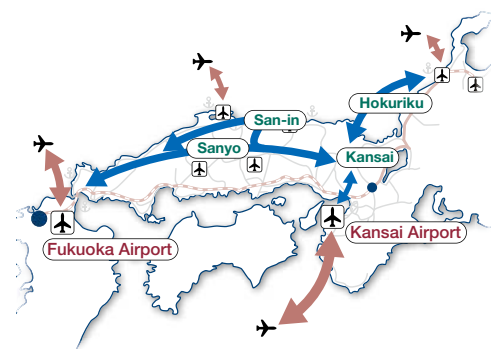
Target Indicators (fiscal 2018 target, in comparison with fiscal 2013)

- Usage of railway travel products for inbound visitors:
Increase from 0.2 million to 1 million visitors (400% increase)
Fiscal 2016: 1 million
- Consolidated operating revenues: ¥10.0 billion increase
Fiscal 2016: ¥11.9 billion increase

Inviting more customers to “western Japan area” and expanding use of “JR-West Group” in Kansai Urban Area

- Developing and enhancing wide-area tourism routes through collaborating with local partners, enhancing the lineup of railway products, etc.
- Improving ability to cater to needs of inbound visitors at terminal stations and commercial facilities that are frequented by such customers (guidance, free public Wi-Fi services, delivery from stations to hotels, duty free, etc.), developing budget hotels that are prepared to be used by inbound tourists
- Further communicating the appeal of the entire Group and the “towns” that encompass the entire Group and the areas surrounding terminal stations

Note: Enhancing Group promotion system (establish Group Inbound Tourism Promotion Office, dispatch employee to Singapore)



Expanding products for inbound tourists, expanding usage from airports to western Japan area