

Review of the Medium-Term Management Plan 2017

- In regard to safety, as a result of our efforts to increase safety, even though we did not meet a portion of our objectives, the number of railway operation accidents, etc., has generally been following a declining trend. On the other hand, we caused the critical incident on the Shinkansen in December 2017. We view this as a serious issue, and we have already begun to implement countermeasures.
- As for the initiatives for each business, targeting the enhancement of corporate value over the medium to long term, we steadily implemented initiatives in all of our business fields.
- As a result of these initiatives, we were able to achieve results that exceeded objectives for all financial indicators.

Financial Indicators

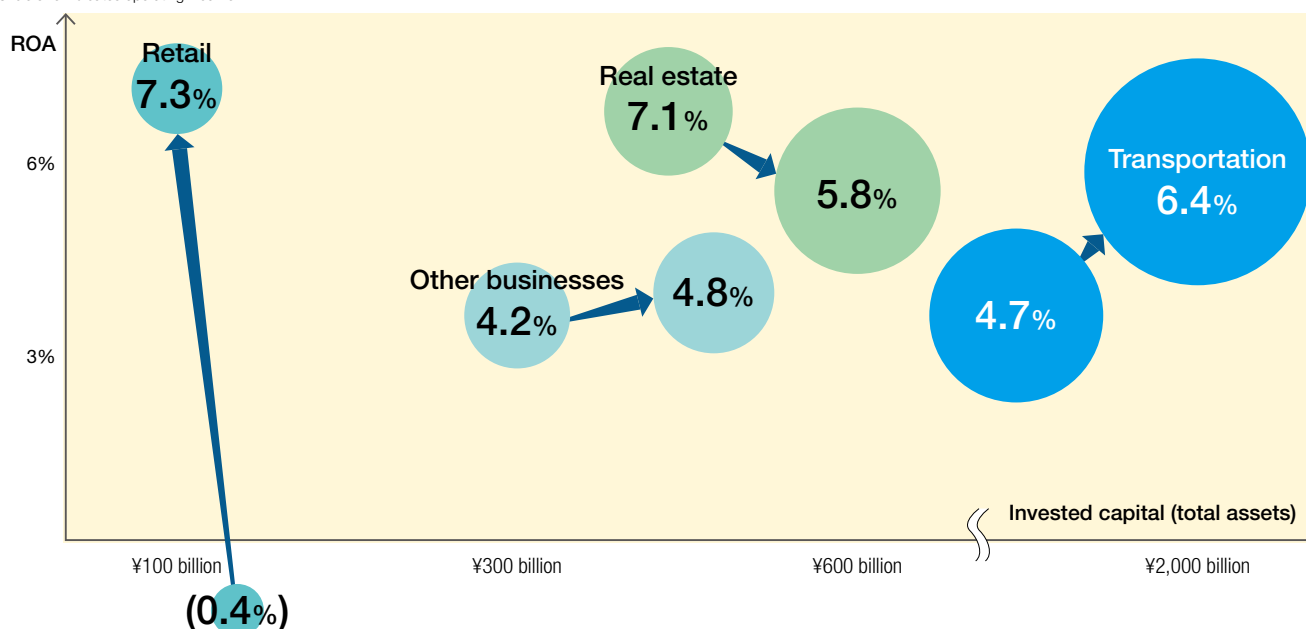
Billions of yen

	Fiscal 2013 results	Fiscal 2018 objectives*	Fiscal 2018 results
Operating Revenues	1,298.9	1,423.0	1,500.4
Transportation	844.9	902.5	950.8
Retail	234.6	246.5	239.8
Real estate	90.9	106.0	139.6
Other businesses	128.4	168.0	170.0
Operating Income	129.4	157.0	191.3
Transportation	90.1	105.0	130.3
Retail	(0.4)	6.0	7.2
Real estate	28.0	33.5	35.7
Other businesses	12.3	14.0	19.9
Recurring Profit	104.6	141.0	177.7
Profit attributable to owners of parent	60.1	91.5	110.4
EBITDA	290.3	325.5	356.1
ROA (%)	4.9	5.5	6.3
ROE (%)	8.3	9.8	11.3
Rate of total distribution on net assets (%)	2.9	Approx. 3	3.2
Transportation Revenues	769.1	820.5	867.8

* Figures are as of April 2015 when the Medium-Term Management Plan 2017 was updated.

Trends in ROA by Segment (Fiscal 2013-Fiscal 2018)

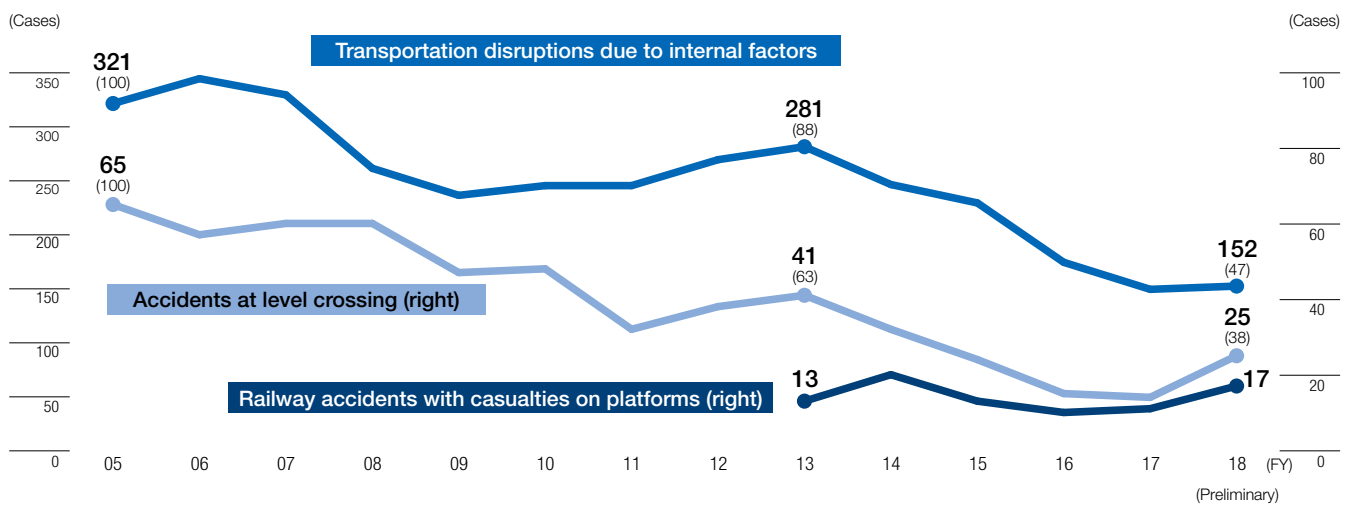
* Circle size indicates operating income



Safety Think-and-Act Plan 2017 Objectives

	Fiscal 2013 results	Fiscal 2018 objectives	Fiscal 2018 results*
Railway accidents that result in casualties among our customers	0 cases	0 cases in 5 years	0 cases in 5 years
Railway labor accidents that result in fatalities among our employees	0 cases	0 cases in 5 years	2 cases in 5 years
Railway accidents with casualties on platforms	13 cases	9 cases (30% reduction)	17 cases
Accidents at level crossings	41 cases	25 cases (40% reduction)	25 cases
Transportation disruptions due to internal factors	281 cases	140 cases (50% reduction)	152 cases

* Preliminary figures



* Figures in parentheses are indexed to FY05.3 = 100.

Individual Business Initiatives in the Medium-Term Management Plan 2017

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Railway Business					
Sanyo Shinkansen	Introducing N700A One train Complete renewal of ATC system		Four trains	Four trains Starting to use new ATC	Three trains Start of "Smart EX"
Hokuriku Shinkansen	Preparing for opening	Opening of Joetsumiyoko-Kanazawa segment	Preparing for extension		
Kansai Urban Area	Opening new stations		Maya and Higashi-Himeji stations Starting construction (Umekita (Osaka) underground station, etc.)		JR Sojiji and Kizurikamikita stations
Other conventional lines	Sharing issues and discussing with the local community			Providing notification of cessation of service on the Sanko Line	Starting operation of TWILIGHT EXPRESS MIZUKAZE
Non-Railway Business					
Retail	Accommodation-oriented hotels Nagoya	Asakusa, Shinsaibashi, Hiroshima	Opening LUCUA 1100	Acquiring shares in Ryoju Properties	Tennoji, Umeda
Real estate			Investing in urban passenger railway business in Brazil	Alliance with Nippon Signal	
Other businesses		Transferring the golf business			

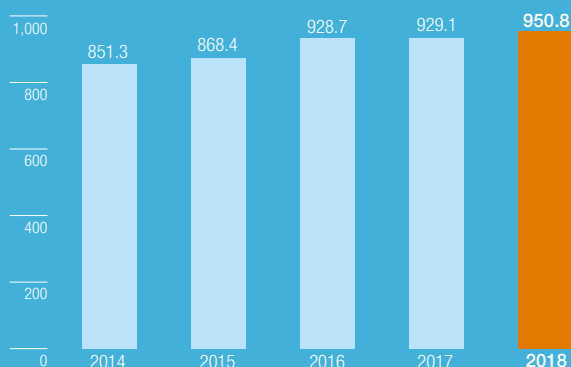
Fiscal 2018 Results for the Transportation Operations Segment (Year ended March 31, 2018)

Operating Revenues

Total

¥ **950.8** billion

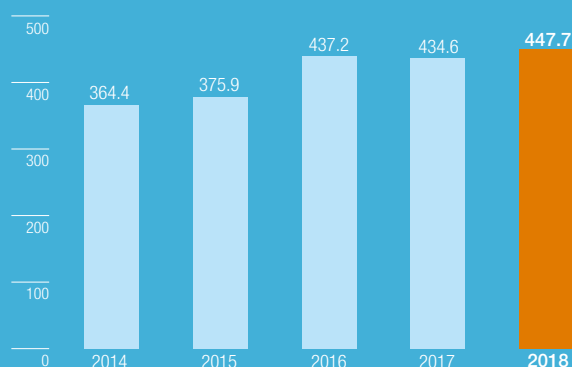
(Billions of yen)



Shinkansen

¥ **447.7** billion

(Billions of yen)



Kansai Urban Area

¥ **309.0** billion

(Billions of yen)

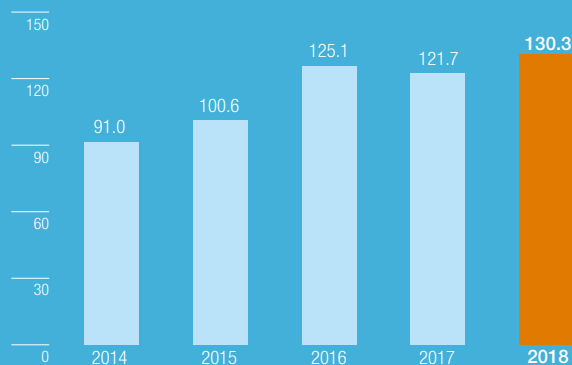


Operating Income

Total

¥ **130.3** billion

(Billions of yen)



Customer satisfaction (CS) was one of the basic strategies of the previous medium-term management plan. JR-West pursued measures to meet the diverse needs of customers, while working to capture and create business and tourism demand.

During the subject fiscal year, along with various measures to increase customer satisfaction, JR-West worked to raise transport service quality on the Shinkansen, enhance the value of the railway belts in the Kansai Urban Area, and promote region-affiliated tourism in the West Japan Area. We also took steps to ensure readiness to welcome overseas visitors to Japan, and enhance the appeal of the “Otonabi” member organization for seniors (see table below).

In bus and ferry (the Miyajima Line) services, with a basis in safe transportation, JR-West worked to enhance convenience through such measures as implementing transportation improvements based on customer usage patterns.

In addition to these measures, amid the moderate economic expansion, the Transportation Operations segment benefitted from such factors as active use during holidays and other busy periods, and a rebound in railway use from the downturn following the Kumamoto earthquake in April 2016. Segment operating revenues rose 2.3% from the previous fiscal year to ¥950.8 billion, with operating income up 7.0% to ¥130.3 billion.

Of note, regarding the Sanko Line service between Gotsu and Miyoshi, which ceased operations on April 1, 2018, JR-West is continuing discussions with local residents regarding the “New Public Transportation Network to Replace the Sanko Line”, a community-led initiative to establish a model case for public transportation, taking into account the needs of the region and a future vision for community development.

Main Specific Measures during the Subject Fiscal Year

1	Enhancing customer satisfaction	<ul style="list-style-type: none"> Improved customer facilities (toilets, benches, waiting rooms, train car renovations, information provision facilities, etc.) Expanded guidance service for customers (Enhanced functionality and expanded use of tablets by station staff) (June 2017) Trial of chat-based response system for lost article inquiries (August 2017) Expanded coverage areas and lines for the train location information service (March 2018)
2	Shinkansen	<ul style="list-style-type: none"> Conducted the “Beauty of Japan Is in Hokuriku” campaign and other travel campaigns (April-November 2017) Launched the “e5489” settlement service at convenience stores and other locations (May 2017) Launch of the “Smart EX” service (September 2017)
3	Kansai Urban Area	<ul style="list-style-type: none"> Introduction of new 323-model train cars on the Osaka Loop Line Conducted the Kyoto Railway Museum grand opening first anniversary campaign (March-May 2017) Launch of station renovation work (Kyobashi and Tamatsukuri stations (Both in September 2017)) Opened new stations on the JR Kyoto Line and Osaka Higashi Line (JR Sojiji and Kizuri-Kamikita stations, respectively, both in March 2018)
4	West Japan Area	<ul style="list-style-type: none"> Began operations of the Twilight Express <i>Mizukaze</i> sleeper train (June 2017) Launch of the “JR-West 30th Anniversary Open-type Ticket” (September 2017) Introduction of the newly built passenger cars for steam locomotive Yamaguchi-go (September 2017) Conducted the Bakumatsu Ishin Yamaguchi destination campaign (September-December 2017) Conducted the “Kagoshima-e, Don! to Campaign” (January-March 2018)
5	Capturing demand from overseas visitors	<ul style="list-style-type: none"> Launched “Smart EX” service for overseas visitors to Japan (October 2017) Renovation of the Hiroshima Station Information Center (October 2017) Introduced a station numbering system for major railway belts in the Kansai Urban Area (March 2018) Introduced a short-term baggage storage service at Shin-Kobe Station (March 2018) Expanded multilingual guidance and announcements in stations and trains
6	Generating demand among seniors	<ul style="list-style-type: none"> Conducted events for “Otonabi” members to mark achieving one million members (“Kyoto Railway Museum” exclusive event (August 2017), etc.)

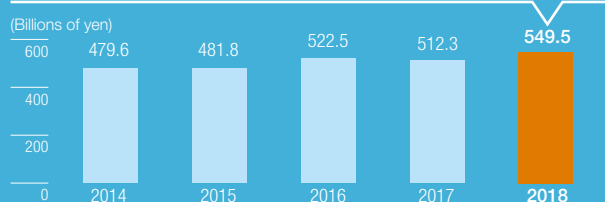
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Fiscal 2018 Results for the Non-Transportation Operations Segment (Year ended March 31, 2018)

Operating Revenues

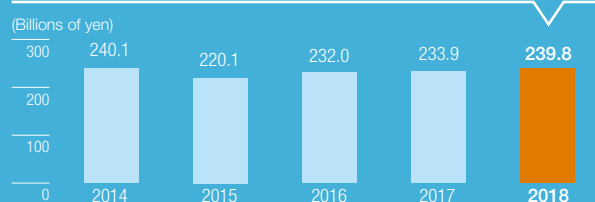
Total

¥ **549.5** billion



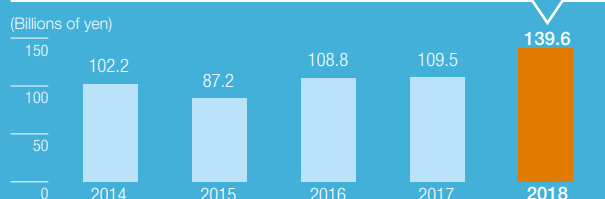
Retail Business

¥ **239.8** billion



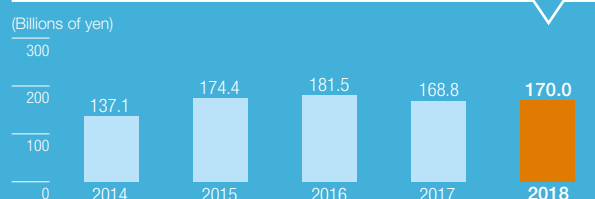
Real Estate Business

¥ **139.6** billion



Other Businesses

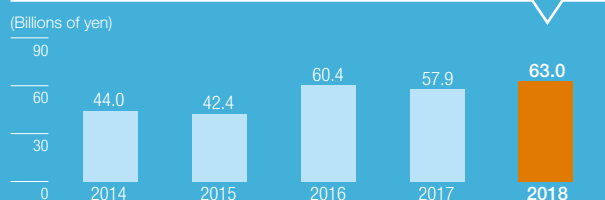
¥ **170.0** billion



Operating Income

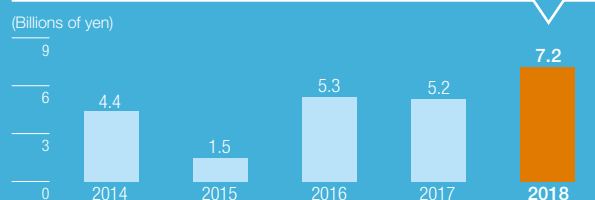
Total

¥ **63.0** billion



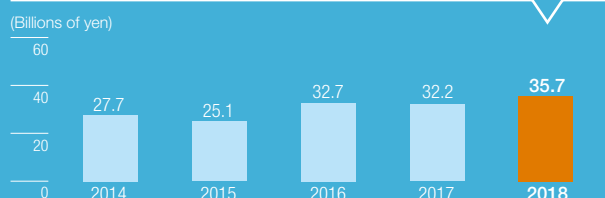
Retail Business

¥ **7.2** billion



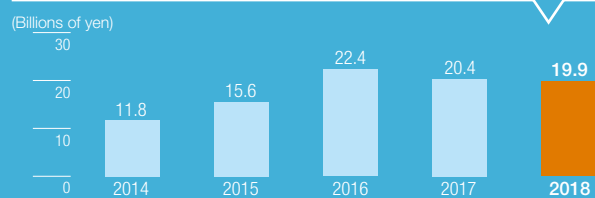
Real Estate Business

¥ **35.7** billion



Other Businesses

¥ **19.9** billion



Retail Business

For Retail Business measures during the previous medium-term management plan period, JR-West mostly completed ahead of schedule its plan to convert the previous Heart-in convenience stores and other shops to tie-up stores with Seven Eleven Japan (SEJ). We also moved forward with such measures as proactive expanded location opening of accommodation-oriented Via-inn hotels.

During the subject fiscal year, JR-West converted and opened 30 SEJ tie-up stores, and in June 2017, opened an Entrée Marché at Hiroshima Station, where we had been undertaking station improvements and developing in-station stores and other facilities. We are

also opening stores in areas other than stations and railway belts, and in July 2017 opened a Karafuneya CAFÉ at Abeno Q's Mall in Osaka.

Further, for the accommodation-oriented hotels included in the Retail Business segment, JR-West opened Via-inn Abeno Tennoji in Osaka in April 2017 and Via-inn Umeda in Osaka in August 2017.

As a result, sales of goods and food services rose steadily at SEJ franchise stores, leading to gains in the Retail Business. Segment revenue rose 2.5% from the previous fiscal year to ¥239.8 billion, with operating income up 38.9% to ¥7.2 billion.

Real Estate Business

For Real Estate Business measures during the previous medium-term management plan period, in recognition that the real estate business has a high degree of affinity with the railway business in terms of utilizing the portfolio assets of the corporate group to improve customer convenience and enhance the value of railway belts, JR-West has pursued such businesses as the development and management of shopping centers, as well as sales of residential and other properties.

During the subject fiscal year, for properties held by JR-West's consolidated subsidiary Ryoju Properties Co., Ltd., which conducts business operations in promising markets including those outside JR-West's railway belts or railway service area, we worked to expand the sales business and strengthen the leasing business, utilizing the know-how of the corporate group.

For LUCUA Osaka, in September 2017 JR-West fully

opened the renovated B1 floor of LUCUA 1100, and in December 2017 expanded the Barchica restaurant zone on the B2 floor. At Hiroshima Station, in October 2017 we opened the new "ekie" shopping center, and in March 2018 the "ekie Dining" restaurant zone in the north exit 1F area. Further, in March 2018 JR-West made regular brush-ups to facilities, including renovations to Kyoto Porta, Umeda EST in Osaka, Tennoji MIO in Osaka, and Piole Himeji in Hyogo.

As a result, the Real Estate Business segment was boosted by such factors as the consolidation of Ryoju Properties Co., Ltd., and steady growth in the property development business, including JR West Real Estate and Development Company. Segment revenues rose 27.5% from the previous fiscal year to ¥139.6 billion, with operating income up 11.1% to ¥35.7 billion.

Other Businesses

For Hotel Business measures during the previous medium-term management plan period, to meet firm accommodation demand and respond to the diverse needs of customers, JR-West strengthened operational capabilities, including structures and facilities to accommodate overseas visitors to Japan, and worked to develop new business styles.

During the subject fiscal year, in October 2017 JR-West opened the high-end capsule hotel First Cabin Station Abenosō in Abeno Osaka, and is making preparation for opening the high-class accommodation-oriented Hotel Vischio in Osaka and in Kyoto. In addition, JR-West plans to develop new types of hotels, such as for customers enjoying personal leisure in the Kyoto-Umekoji area.

Together with its existing Granvia brand of city hotels and Via-inn brand of accommodation-oriented hotels, JR-West is expanding its hotel businesses by utilizing a diverse brand structure, including in areas outside of its railway belts and railway service area.

As a result, operating revenues for the Other business segment rose 0.7% from the previous fiscal year to ¥170.0 billion, though operating income declined 2.5% to ¥19.9 billion. This was due mainly to the impact in the hotel business from the closure of the Sannomiya Terminal Hotel in Kobe, offsetting gains in the construction business from increases in orders, and in the travel agency business from increased use by overseas visitors to Japan.