

(Translation)

# Revision of JR-West Group's Medium-Term Management Plan 2008-2012

November 1, 2010  
West Japan Railway Company



# 1. Background of the Revision of the Medium-Term Management Plan

## ◎ Substantial change of the economic condition

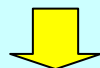
- ◆ Rapid economic downturn after autumn 2008
- ◆ Steep reductions on expressway tolls after spring 2009

(FY 2010/3)

Operating revenues declined drastically centering on transportation revenues.

(FY 2011/3)

Operating revenues started to increase, unlikely to improve rapidly, however.



Hard to achieve the management indices shown in Medium-Term Management Plan

## ◎ Our resolution to restore the trust and to revitalize the company

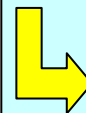
- ◆ Increased awareness of our social responsibility to restore public confidence as a railway company that coexists with local communities



## ◎ Philosophy of revision

Focusing on long-term initiatives to prepare against a dwindling population

- ◆ Contribution to activate West Japan area through our business activities
- ◆ Building a solid mutual trust with every stakeholder



▪ **Coexistence with local communities**

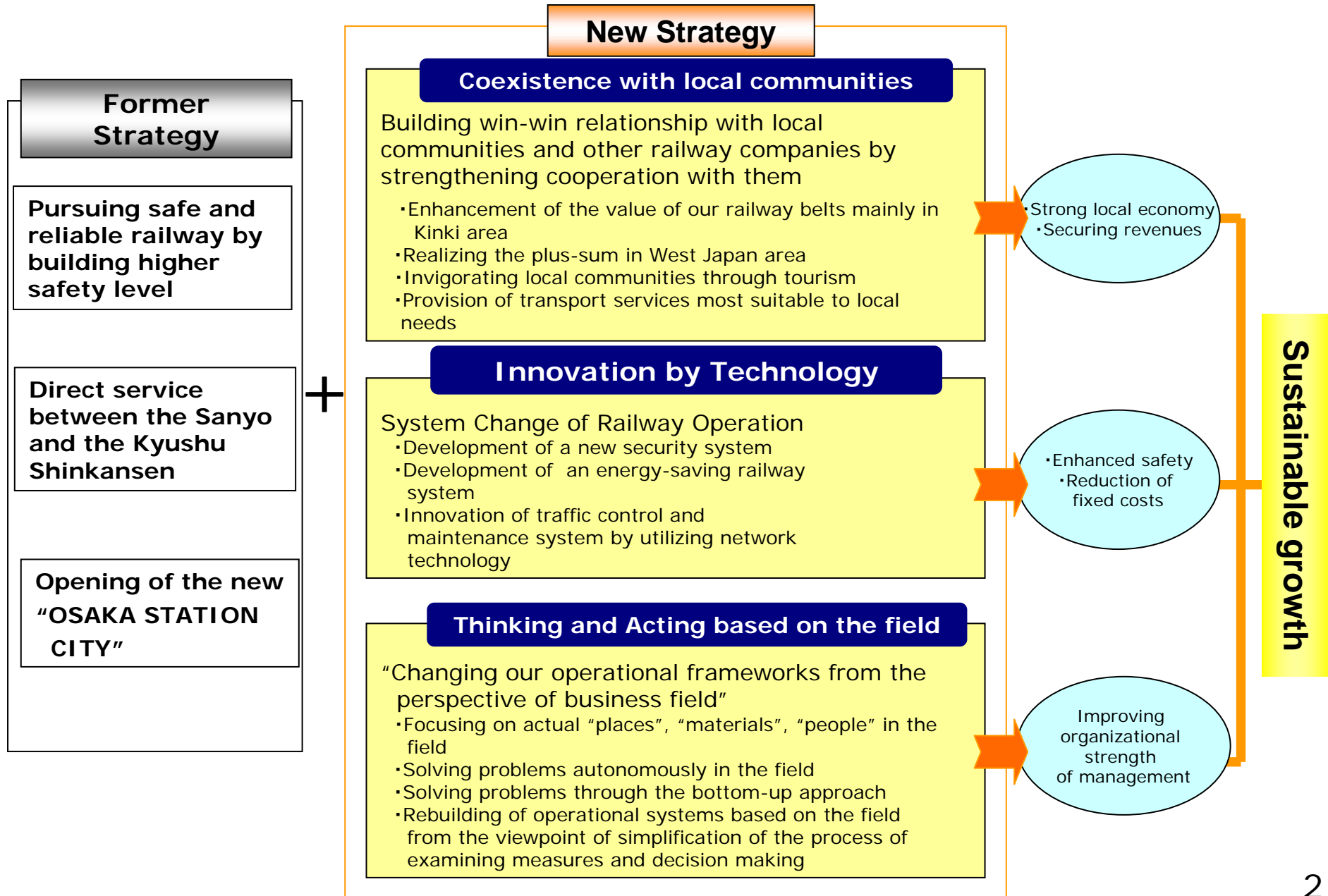
▪ **Innovation by technology**

▪ **Thinking and acting based on the field**

## ◎ Forecast of financial indices

- ◆ Downwardly revised based on the drastic change of environment surrounding the management
  - Forecast of transportation revenues is downwardly revised drastically due to change of the fundamentals and the negative impact of highway toll system revision.
  - Forecast of operating costs such as maintenance cost and depreciation cost remain almost unchanged because of unchanged capex plan during the mid-term plan despite various cost reduction efforts.
  - Four indices (operating revenues, EBITDA, ROA, ROE) established in May 2008 the downwardly revised.

# 2.Key Strategies to Realize Management vision



### 3.Management Vision and Forecast of Financial Indices

#### Management Vision

We, ever mindful of the Fukuchiyama Line accident, pursuing sustainable growth based on safety and reliability, contributing to invigorate West Japan area through our business activities, establishing a safety management, will seek to be a corporate group trusted by customers, communities and society to materialize our Corporate Philosophy.

#### Forecast of Financial Indices(Consolidated)

(¥ billions)

	FY 2011/3 Forecast as of April 2010	FY 2011/3 Forecast as of October 2010	FY 2013/3 Forecast as of October 2010	FY 2013/3 Forecast as of May 2008
Operating Revenues	1,193.0	1,204.5	1,300.0	1,430.0
Operating Income	78.0	89.5	95.5	183.0
Recurring Profit	49.0	60.5	68.0	153.0
Net Income	28.0	34.5	38.5	85.0
EBITDA	231.0	242.5	266.0	345.0
ROA	3.0%	3.5%	3.6%	7%
ROE	4.1%	5.1%	5.4%	10%

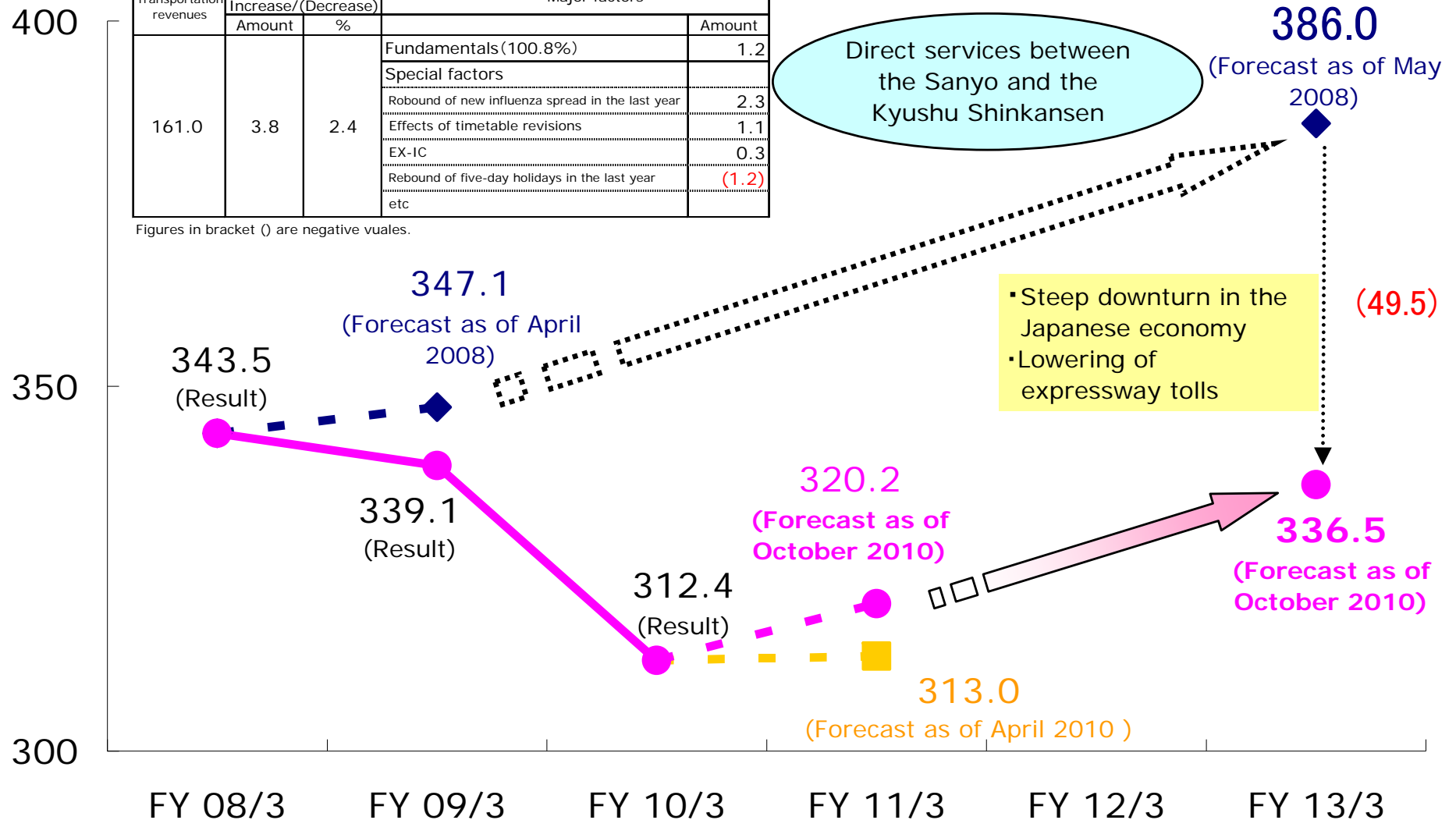
# 4. Sanyo Shinkansen①: Revenue Forecasts

(¥ billions)

【Results for the first half ended September, 2010】 (¥billions,%)

Transportation revenues	YOY Increase/(Decrease)		Major factors	
	Amount	%		Amount
161.0	3.8	2.4	Fundamentals(100.8%)	1.2
			Special factors	
			Rebound of new influenza spread in the last year	2.3
			Effects of timetable revisions	1.1
			EX-IC	0.3
			Rebound of five-day holidays in the last year	(1.2)
			etc	

Figures in bracket () are negative values.



# 5.Sanyo Shinkansen②: Initiatives Going Forward

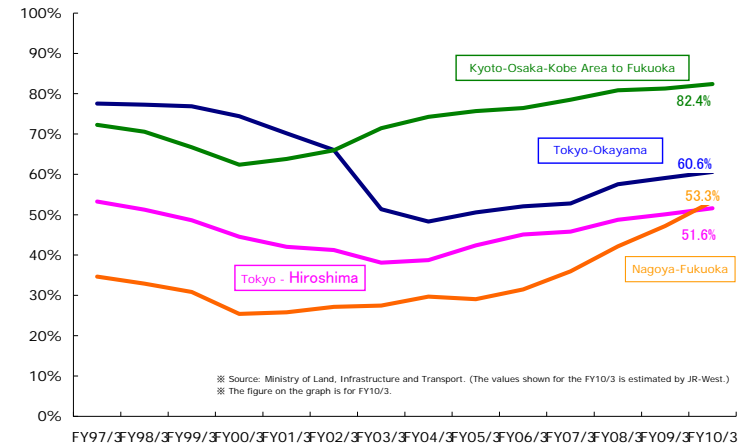
## Initiatives in the past

- Providing faster and more comfortable services
  - Increased frequency of “Nozomi” services on routes competing with airlines
  - Upgrading all Tokaido and Sanyo direct “Nozomi” services to the N700 Series
- Providing more convenient services to retain frequent users
  - Measures to increase the number of J-West Card members and Express Reservation service users
  - Introduction of EX-IC and Express Reservation Corporate Service to the Sanyo Shinkansen line
  - Introduction of “J-WEST Premiere Program”

## Initiatives going forward

- Tourism campaign implemented jointly with local governments
  - (ex.) “DISCOVER WEST”, Kumamoto, Shimanami and Tomonoura, Okayama and Kurashiki, Kumano Kodo
- Stimulating inbound tourism demand
  - Setting sightseeing routes to promote railway travel and offering package tours suitable to people from Europe, North America and China, etc
  - Introduction of internet-based seat reservation system on some trains that is available to foreign people  
(This service is underway on the Sanyo Shinkansen and Kansai International Airport Express “Haruka”.)
- Marketing measures utilizing IT and IC
  - Expansion of area where mobile phones are available in trains
  - Introduction of further convenient services

【Trends in Market Share of Shinkansen against Airlines】



DISCOVER WEST Campaign

## 6.Sanyo Shinkansen③: Direct Service between the Sanyo and the Kyushu Shinkansen

○Grand opening: March 12, 2011 (Saturday)

○Total project cost: approx. 100 billion yen

○Outline of direct service between the Sanyo and the Kyushu Shinkansen

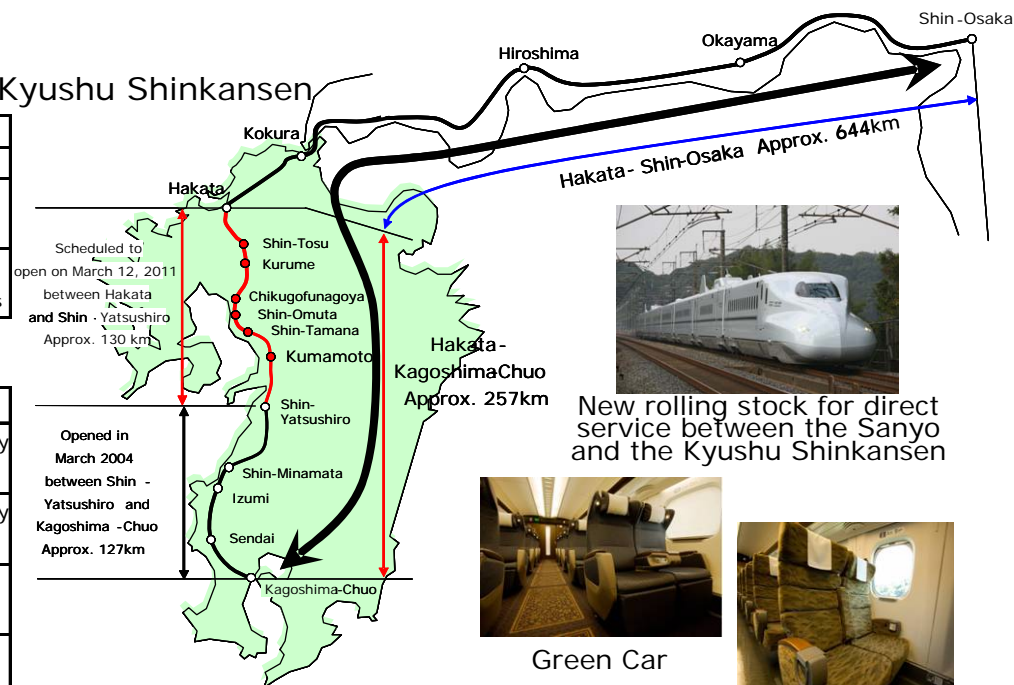
	Frequency	Travel time	
		At present	At the time of launching service
Shin-Osaka⇄ Kagoshima-Chuo	One service per hour	5hours2minutes	"Mizuho": 3hours45minutes "Sakura": about 4hours
Shin-Osaka⇄ Kumamoto		3hours57minutes	"Mizuho": 2hours59minutes "Sakura": about 3hours20minutes

※There will be four west-bound and east-bound "Mizuho" services in a day at the time of launching service.

○Number of travelers by Rail and Air on major routes (FY09/3)

Routes		Railway	Airplane	Total
Kyoto-Osaka- Kobe area	Kumamoto	794persons/day (30%)	1,822persons/day (70%)	2,616persons/day
	Kagoshima	358persons/day (9%)	3,485persons/day (91%)	3,843persons/day
Kagoshima	Okayama	84persons/day (55%)	69persons/day (45%)	153persons/day
	Hiroshima	190persons/day (63%)	113persons/day (37%)	303persons/day

Source: Ministry of Land, Infrastructure and Transport



New rolling stock for direct service between the Sanyo and the Kyushu Shinkansen



Green Car



Ordinary Car  
Reserved Seats

**Strengthening competitiveness of Shinkansen by offering high quality of service (Expansion of market share)**

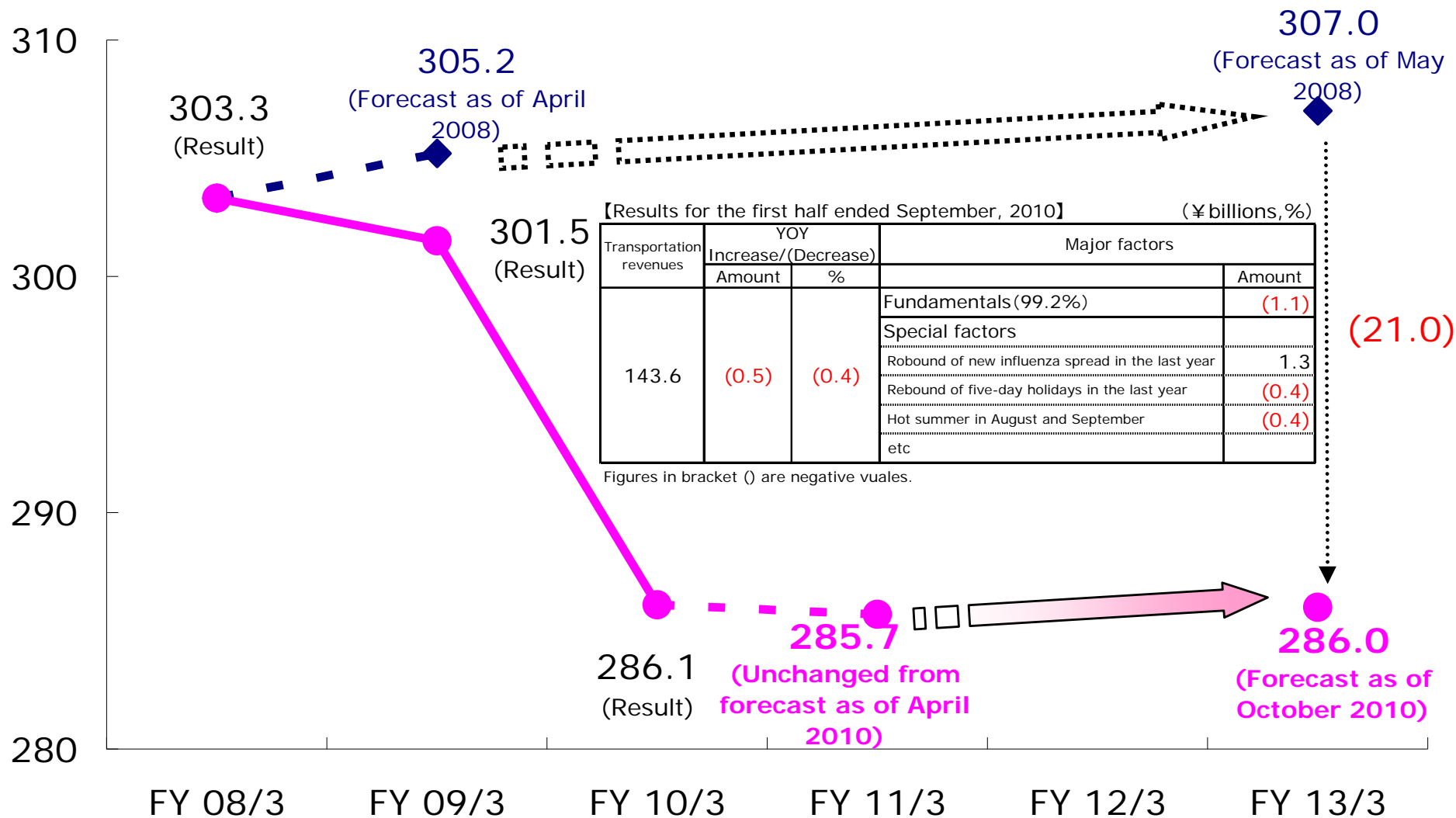
- Introduction of new comfortable rolling stock (2&2 seats in ordinary car, seats with leg rest and pillow in green car)
- Introduction of convenient non face-to-face ticket sales system (new e5489). Price setting that is competitive against airlines

**Promotion of inter-regional tourism between West Japan and Kyushu in collaboration with localities (Expansion of market size)**

- Efforts such as tourist spots development, secondary access arrangement and tourism campaign in collaboration with travel agencies, local governments and tourism industries
- Providing tourism information on West Japan area to people in Kyushu by collaborating with localities
- Promoting inbound tourism demand toward West Japan area

# 7.Kyoto-Osaka-Kobe Area (Kinki Area) Conventional Lines ①:Revenue Forecasts

(¥ billions)





## 8. Kyoto-Osaka-Kobe Area (Kinki Area) Conventional Lines ②: Initiatives Going Forward

### Enhancement of the value of our railway belts based on "Coexistence with local communities"

Materializing the measures to improve railway station and town facilities in collaboration with local governments and other transport operators, aiming to make these areas convenient and attractive places to live corresponding to social and demographical change

(Setting model lines such as "JR Kobe line" "Biwako line")

### Provision of safe and reliable transport service and improvements in coping with operational disorders

#### ○ Initiatives to remove the cause of operational disorder

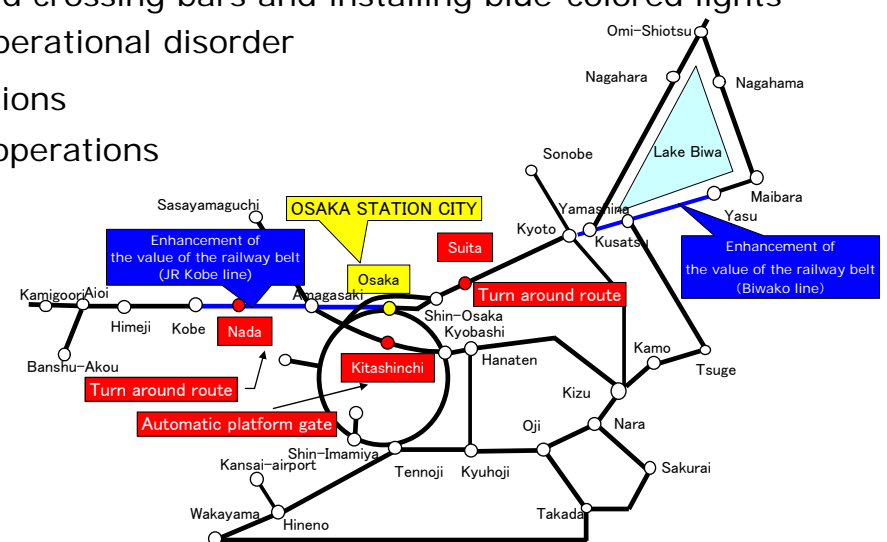
- Preventing passengers from falling on the track by introducing automatic platform gate at Kitashinchi station and a red line at the edge of the platform to alert passengers
- Preventing accidents at rail crossings by developing hard crossing bars and installing blue-colored lights

#### ○ Initiatives to improve customer service in the event of operational disorder

- Introduction of turn around route at Suita and Nada stations
- Improvement of system to provide information on train operations for passengers and station officers

### Expansion of collaboration with other railways

- Providing Kansai one-day pass in collaboration with Keihan Electric Railway and Nankai Electric Railway
- Promotion of ICOCA partnership with other railways  
(Sales of ICOCA•ICOCA commuter pass at Keihan Electric Railway stations : Scheduled to start from 2011)

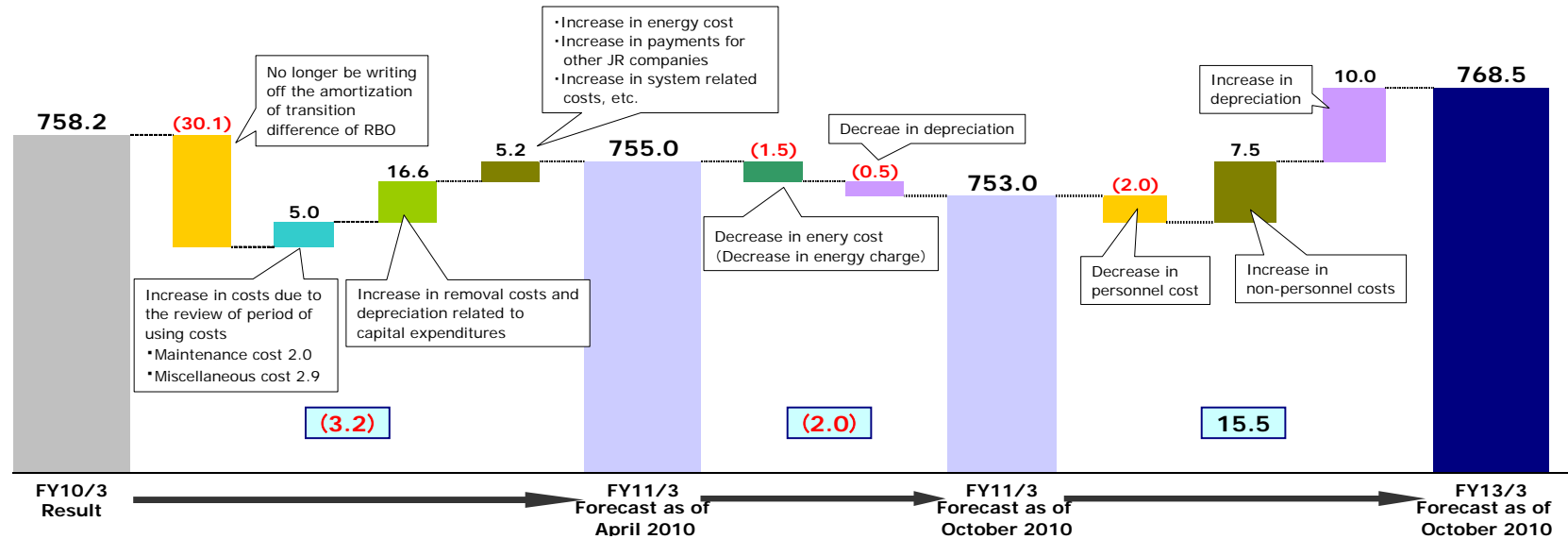


# 9. Forecast of Operating Expenses (Non-consolidated)

## Comparison with the forecast of FY2011/3

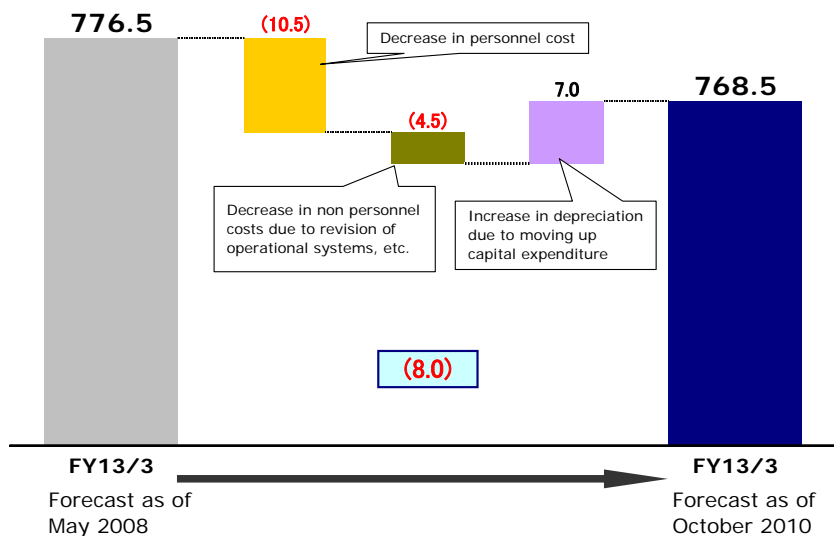
(¥billions)

Figures in bracket ( ) are negative values.



## Comparison with the forecast as of May 2008

【Initiatives going forward to reduce fixed costs】



### (Short-term)

- Cost reduction through further revision of operational systems

### (Medium to long term)

- Labor saving of maintenance work and simplification of facilities by system change of railway operation  
← "Innovation by technology"
- Modal shift to transportation services most suitable to local needs  
← "Coexistence with local communities"

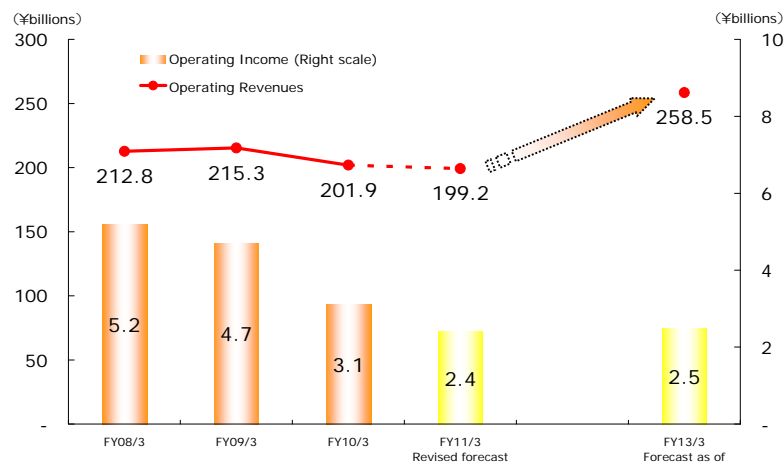
# 10. Non-Transportation Business ①

## Sales of Goods and Food Services

【Results for the first half ended September 30, 2010】 (¥: billions)

	The first half ended Sep.30, 2009	The first half ended Sep.30, 2010	YOY	Major factors
Operating Revenues	100.6	99.7	(0.9)	Sales of goods and food services (0.2) Department store (0.2)
Operating Income	1.4	2.0	0.5	Sales of goods and food services 0.6 Department store (0.1)

Operating revenues are the revenues from the third parties (=customers).  
Figures in bracket ( ) are negative values.

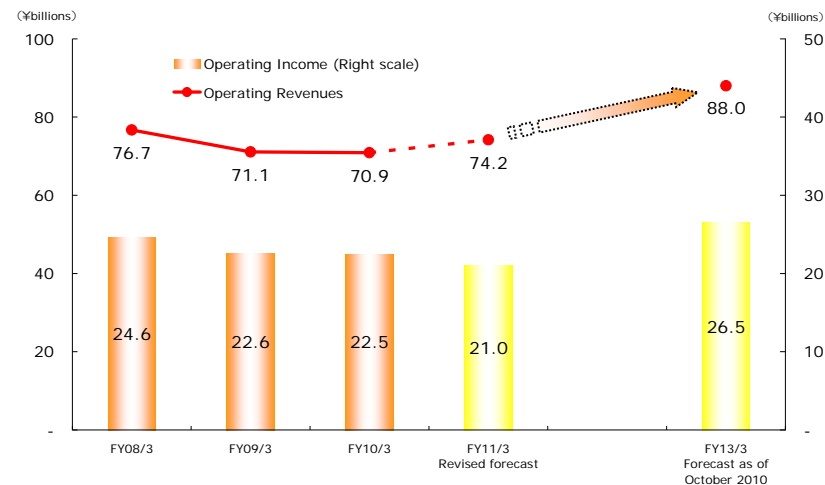


## Real Estate Business

【Results for the first half ended September 30, 2010】 (¥: billions)

	The first half ended Sep.30, 2009	The first half ended Sep.30, 2010	YOY	Major factors
Operating Revenues	36.5	35.9	(0.5)	Real estate lease and sale (1.2) Shopping center 0.5
Operating Income	11.7	11.4	(0.2)	Real estate lease and sale (0.9) Shopping center 0.2

Operating revenues are the revenues from the third parties (=customers).  
Figures in bracket ( ) are negative values.



### 【 Initiative going forward】

○ Efforts to prepare for opening "OSAKA STATION CITY" and to attract more people after opening

○ Further efforts to make stations more convenient and attractive

- Provision of more convenient services in and around stations  
(Introduction of various services such as convenience stores, cafes, clinics and nurseries in station premises)
- Development of shopping center with shops that are attractive to customers
- Initiatives to develop condominiums along our railway

⇒ "Improving railway station and town facilities to make these areas convenient and attractive places to live"

# 11. Non-Transportation Business ②

## Other Businesses

【Results for the first half ended September 30, 2010】

(¥: billions)

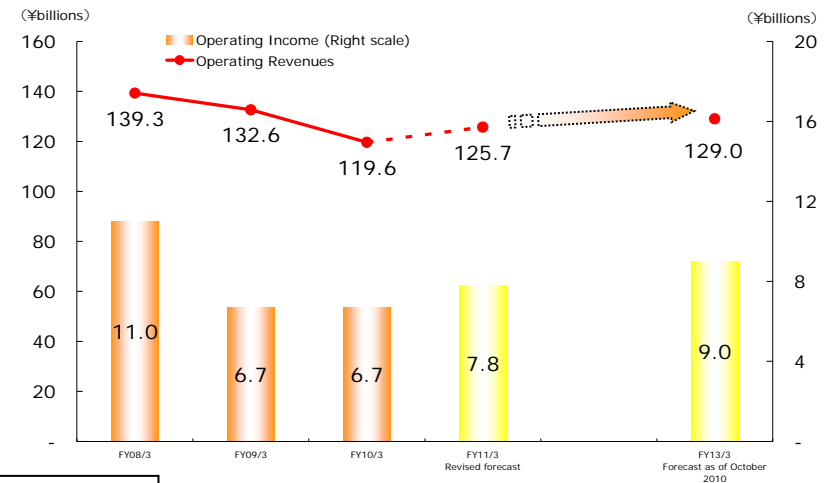
	The first half ended Sep.30, 2009	The first half ended Sep.30, 2010	YOY	Major factors
Operating Revenues	53.0	56.6	3.6	Construction businesses 3.0 Nippon Travel Agency 0.4
Operating Income	(1.4)	0.8	2.3	Nippon Travel Agency 1.9

Operating revenues are the revenues from the third parties(=customers).  
Figures in bracket ( ) are negative values.

### 【Initiative going forward】

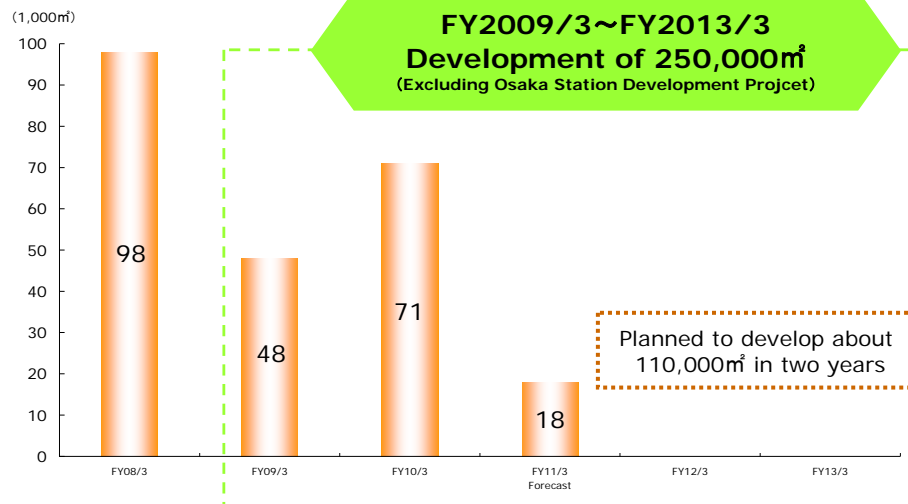
○Hotels: Maximizing operating revenues by deepening revenue management

○Travel agency: Internet sales, stimulating inbound tourism demand



Development of Nara Station (VIERRA NARA)

### Plan for Development in and around Stations



### (Major projects)

#### FY 2011/3

- Development of Nara station zone (Opened in October 2010)
- Renewal of Himeji 10 ban-gai (Scheduled to open in March 2011)
- Renewal of Kanazawa hyaku ban-gai (Scheduled to open in March 2011)

#### After FY 2012/3

- Development of shops at the main concourse in Shin-Osaka station (Scheduled to open during FY2012/3)
- Viainn Shinsaibashi (Scheduled to open during FY 2012/3)
- Development of shops in accordance with the improvement of Shimonoseki station (Scheduled to open during FY 2013/3)

# 12. Opening of the new "OSAKA STATION CITY"

## Outline of "OSAKA STATION CITY"

○ Grand opening: South Gate Building (Expansion area); March 2011

North Gate Building May; 2011

○ Total project cost: approx. 210 billion yen

○ Area of development: approx. 245,000m<sup>2</sup>

- A large dome over the platform
- Eight places to feel sense of four seasons at each point of station
- Environmentally-friendly facilities such as solar power generation, energy saving lights,utilizing rainwater
- Friendly barrier-free facilities

### 【Initiatives to attract customers】

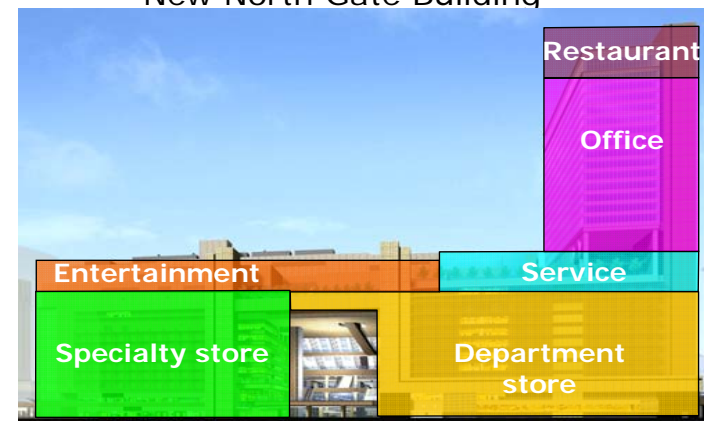
- Improving the attractiveness of Umeda area by cooperating with other companies
  - Collaboration with other companies in Umeda area
  - Holding events and sending information by "Umeda Town Area Management Association"
- Close cooperation with railway business to improve accessibility to Osaka Station
  - Operating special rapid service train by 12 cars on weekends
  - Increase the number of direct services to Osaka station from other areas
- Building a network for walkers centering in Osaka station to provide convenient and easy-to-walk-around environment



Current progress of construction

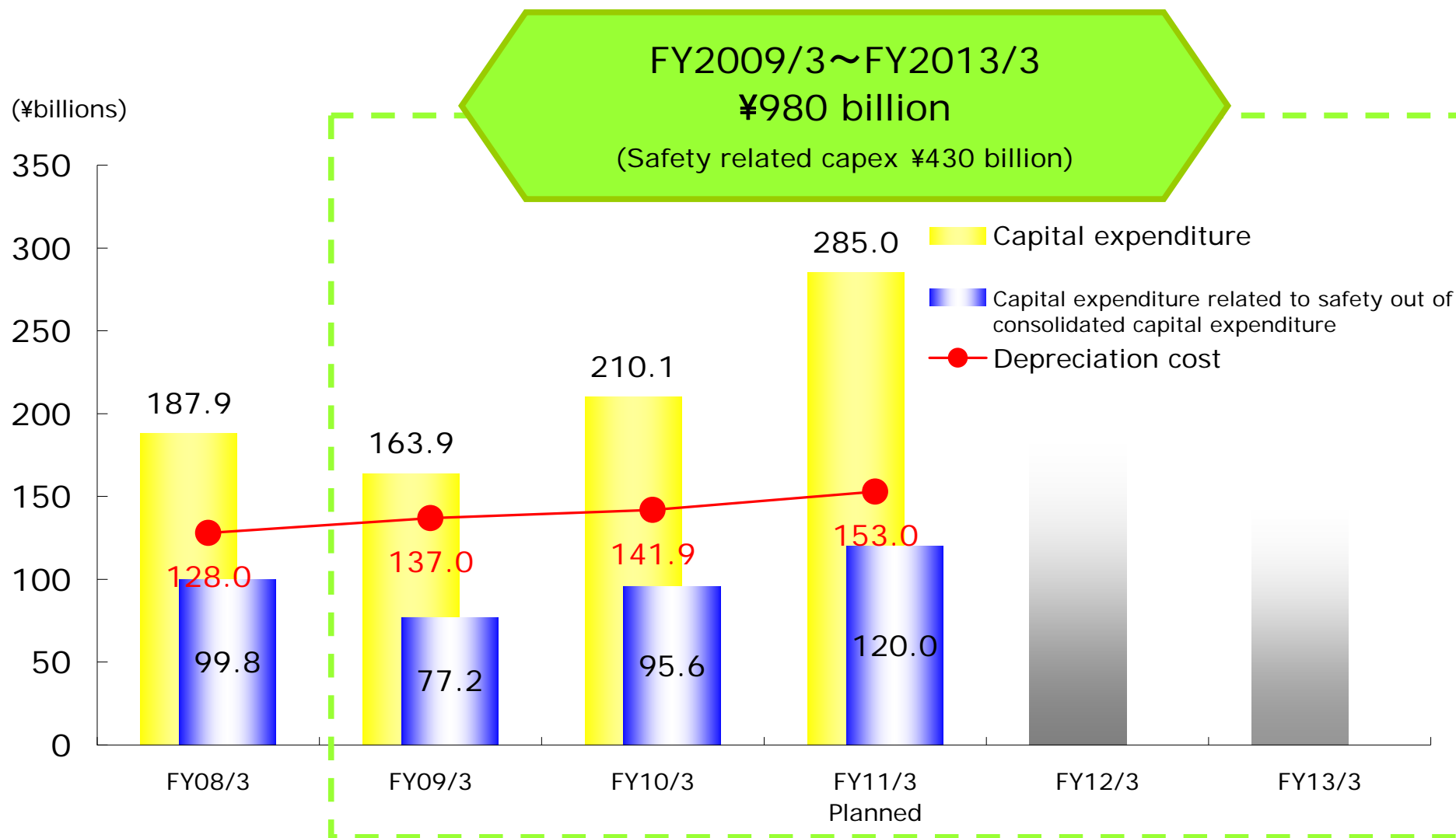


New North Gate Building



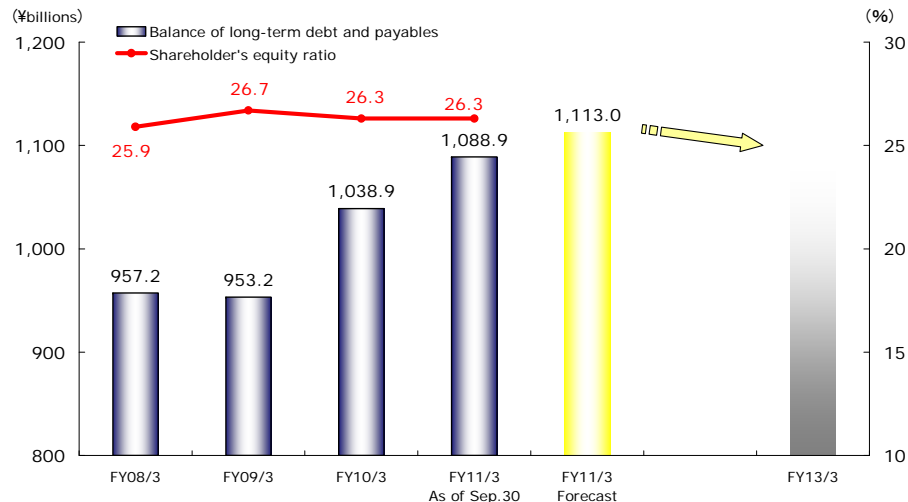
- Department store: "West Japan Railway Isetan"
- Specialty store zone: Shopping Store "Lucua"
- Entertainment zone: Cinema Complex (12 screens, 2,500 seats)
- Service zone: Fitness club, Nursery, etc.
- Others: Office zone, Large restaurant zone over the station, etc.

# 13. Capital Expenditure Plan (Consolidated)

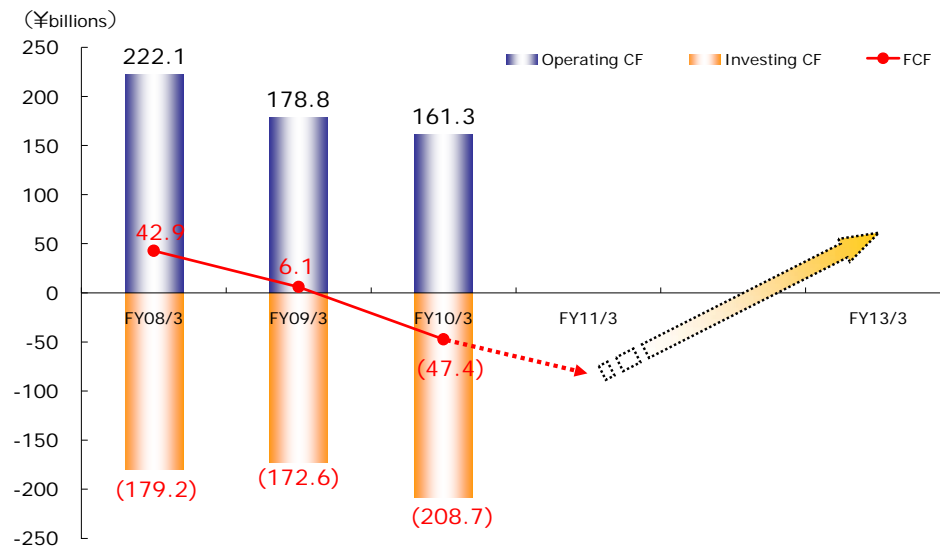


# 14. Finance and Cash Flow Strategies

## Shareholders' equity ratio and the balance of long-term debt and payables (consolidated)



## Cash flow trend (consolidated)



- ◆ The balance of long-term debt and payables as of the end of September 2010 was 1,088.9 billion yen and the shareholders' equity ratio was 26.3%.
- ◆ Free cash flow for this fiscal year is expected to fall into the negative greater than for the last fiscal year. The forecast for the balance of long-term debt and payables as of the end of March 2011 is expected to exceed 1,100 billion yen.
- ◆ The forecast of free cash flow after next fiscal year is expected to improve because of the lower level of capital expenditure and cash inflow from two major projects.
- ◆ The target to achieve 3% of DOE (dividend on equity) for the fiscal year ending March 2013 on condition that our projects will yield results remains unchanged. The dividend per share for this fiscal year has been increased to ¥8,000 per share.

## (Reference) Financial Results and Forecasts (Consolidated)

(¥ billions)

	Year ended March 2009 A	Year ended March 2010 B	Year ending March 2011		Year ending March 2013	
			Forecast as of April 2010	Forecast as of October 2010	Forecast as of May 2008	Forecast as of October 2010
Operating Revenues	1,275.3	1,190.1	1,193.0	1,204.5	1,430.0	1,300.0
Transportation	856.1	797.4	796.4	805.4	902.0	824.5
Sales of goods and food services	215.3	201.9	198.1	199.2	286.5	258.5
Real Estate	71.1	70.9	73.6	74.2	91.0	88.0
Other businesses	132.6	119.6	124.9	125.7	150.5	129.0
Operating Income	122.5	76.5	78.0	89.5	183.0	95.5
Transportation	89.1	45.2	48.9	59.8	135.5	59.0
Sales of goods and food services	4.7	3.1	2.1	2.4	6.0	2.5
Real Estate	22.6	22.5	21.0	21.0	29.0	26.5
Other businesses	6.7	6.7	7.0	7.8	13.5	9.0
Recurring Profit	94.8	48.1	49.0	60.5	153.0	68.0
Net Income	54.5	24.8	28.0	34.5	85.0	38.5
Transportation Revenues	773.7	720.0	717.0	726.0	823.5	740.0

※Operating revenues are the revenues from third parties (=customers).

※Operating incomes by each segment are before eliminating internal transactions.

※Transportation revenues mean the railway revenue of JR-West.



# Cautionary Statement Regarding Forward-looking Statements

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- This presentation contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates and projections about its business, industry, and capital markets around the world.
- Known or unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.
- Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:
  - expenses, liability, loss of revenue or adverse publicity associated with property or casualty losses;
  - economic downturn, deflation and population decreases;
  - adverse changes in laws, regulations and government policies in Japan;
  - service improvements, price reductions and other strategies undertaken by competitors such as passenger railway and airlines companies;
  - infectious disease outbreak and epidemic;
  - earthquake and other natural disaster risks; and
  - failure of computer telecommunications systems disrupting railway or other operations
- All forward-looking statements in this release are made as of November 2010 based on information available to JR-West as of November 2010 and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.
- Compensation for damages caused by the accident on Fukuchiyama Line happened on April 25, 2005 is NOT considered in this presentation.