



JR-West Group
Medium-Term Management Plan 2017

JR-West Group Medium-Term Management Plan 2017
Progress and Future Priority Measures (Update)



April 30, 2015

West Japan Railway Company

1. Introduction

- (1) Positioning of the Update
- (2) Review of First 2 Years—Steady Progress and Future Challenges
- (3) Operating Environment Changes and Future Priority Measures
- (4) Review of First 2 Years, Operating Environment Changes, and Future Priority Measures

2. Three Basic Strategies and Four Business Strategies Future Priority Measures Based on Review of First 2 Years

- | | |
|----------------------------|---|
| 【Three Basic Strategies】 | ① Safety ② Customer Satisfaction ③ Technologies |
| 【Four Business Strategies】 | ④ Shinkansen: “Enhance” |
| | ⑤ Kansai Urban Area: “Improve” |
| | ⑥ Other West Japan Area: “Invigorate” |
| | ⑦ Business Development: “Develop” |
| 【Topics】 | ① Hokuriku Shinkansen and Invigoration of Hokuriku Region |
| | ② New “LUCUA osaka” |
| | ③ Response to Inbound Visitor Demand |

3. Financial Benchmarks and Shareholder Returns

1. Introduction

(1) Positioning of the Update

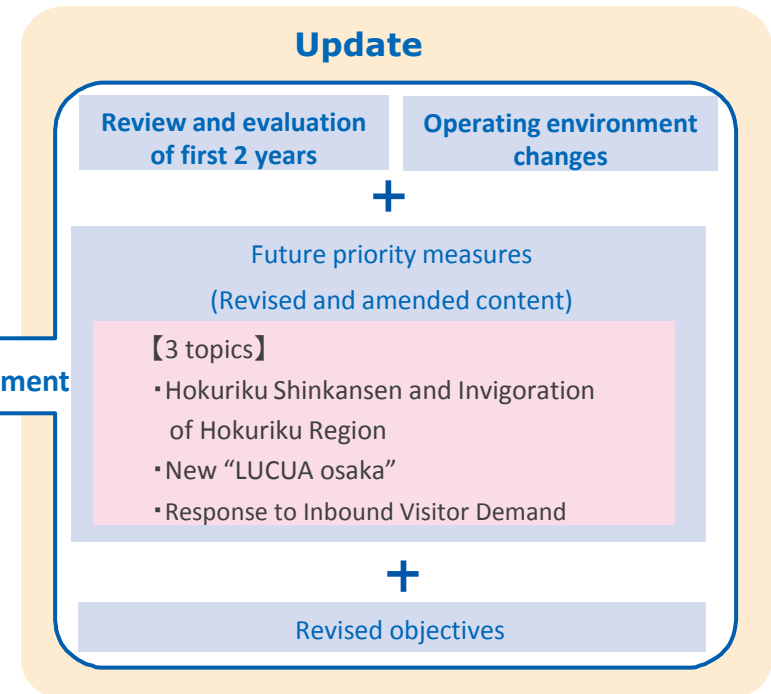
Two years ago, the Group formulated the JR-West Group Medium-Term Management Plan 2017, which defined the “Form of the New JR-West Group” for the next era.

In March 2015, the Kanazawa segment of the Hokuriku Shinkansen was opened, a development that is invigorating the entire Hokuriku region.

In addition, April 2015 saw the opening of the new LUCUA 1100 in OSAKA STATION CITY, bringing an even wider range of customers to this facility.

In this update, we will review our initiatives and progress over the first 2 years of the plan, and discuss the priority measures that will be implemented in the future based on operating environment changes.

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



Complement

The JR-West Group Medium-Term Management Plan 2017 newly defined our direction going forward, “Our Future Direction — The Ideal Form for JR-West.” It also positioned the five-year period from fiscal 2014 to fiscal 2018 as a period for contributing to the establishment of a foundation for decisive management. In addition, the plan set forth Three Basic Strategies and Four Business Strategies together with corresponding objectives for fiscal 2018.

However, we faced a number of challenges along this path, as evidenced by the occurrence of a fatal labor accident in the plan’s first year. Nevertheless, we made steady progress toward accomplishing our objectives in various other areas.

◎Progress toward Targets (Safety, Customer Satisfaction, Financial Indicators)

Target indicators	FY ended March 2013 results	FY2015 results*	FY2018 targets
Safety			
Railway accidents that result in casualties among our customers	0	0 (FY2014-2015)	0 over 5 years
Labor accidents that result in fatalities among our employees	0	1 (FY2014-2015)	0 over 5 years
Railway accidents with casualties on platforms	13	13	30% reduction※(9)
Accidents at level crossings	41	24	40% reduction※(25)
Transport disruptions due to internal factors	281	229	50% reduction※(140)
Customer satisfaction: Customer satisfaction survey results	3.47	3.71	4.0 or above

* Safety figures for fiscal 2015 are preliminary figures.

※In comparison to FY2013

Financial indicators	FY2013 results	FY2015 results	FY2018 plan
Consolidated operating revenues (¥ billion)	1,298.9	1,350.3	1,306.0
Consolidated EBITDA (¥ billion)	290.3	289.3	292.5
Consolidated ROA (%)	4.9	5.1	4.7

Operating Environment Changes

The comprehensive operating environment changes projected when formulating the Medium-Term Management Plan are becoming a reality.

In terms of safety, natural disasters have recently been increasing in intensity.

For a long-term perspective, the business risks associated with population decline are becoming more clear than ever, as demonstrated by the fact that some expect the continuity of around half of all municipal governments in Japan to be placed in danger by 2040. Nonetheless, even as Japan's population declines, there are still clear growth opportunities to be taken advantage of in various fields during the period of the Medium-Term Management Plan. These include (1) the increasing tourism demand (senior citizen and inbound tourists), (2) the invigoration of the Hokuriku region stemming from the opening of the Kanazawa segment of the Hokuriku Shinkansen, (3) the revitalization of urban areas (city development activities in preparation for the Tokyo Olympic and Paralympic Games and Kansai World Masters Games 2021, higher mobility within cities due to increased activity at terminal stations), and (4) government initiatives geared toward advancing regional development and growth strategies. In addition, the ongoing evolution of ICT is expected to change the nature of businesses that employ these technologies, and management will need to take steps to address possible changes.

Future Priority Measures

After reviewing and evaluating the past two years and considering operating environment changes, we have revised the measures aimed at achieving the goals of the Medium-Term Management Plan and have also formulated additional measures. Furthermore, with an eye toward the period after the plan, we will pursue higher levels of safety and corporate value in order to move us closer to achieving the vision "Our Future Direction – The Ideal Form for JR-West."

Unchanging 3 Pillars of Management

A decade has passed since the Fukuchiyama Line accident. However, we still view the accident as the point of origin for our safety management activities, and remain committed to our mission of endlessly pursuing improvements in safety. Accordingly, we will continue to position our three pillars of management (measures to have ourselves accepted as acting with the best intentions by the victims of the train accident, measures to enhance safety, and furthering of reform) as top management priorities.

Three Basic Strategies and Four Business Strategies—Cross-Sectional Initiatives Considerate of Communities and Customers

Safety forms the foundation for the Company's business. Based on our recognition of the challenges that have appeared over these two years, we will work to fulfill our mission by pursuing higher levels of safety and redoubling efforts to meet the goals of Safety Think-and-Act Plan 2017.

Faced with a harsh operating environment characterized by a long-term decline in population, we aim to invigorate regional communities and achieve sustainable growth while leveraging our strengths as a railway company that coexists with communities. To this end, we will implement our Three Basic Strategies and Four Business Strategies and advance priority measures that focus on growth areas from the perspectives of regions and customers, to which each of these strategies relate. Specifically, we will position "the Hokuriku Shinkansen and invigoration of Hokuriku region," "the new LUCUA Osaka," and "response to inbound visitor demand" as strategic topics that spread across business fields, and then prioritize initiatives based on these topics. In this undertaking, it will be important to rapidly increase the value we provide to customers. For this reason, we will coordinate with other companies and regional communities in a flexible manner as we work to maximize both the value we provide to customers and corporate value.

Foundation Building and Responsibility as a Member of Society

In order to overcome this difficult operating environment and achieve sustainable growth, it will be crucial that we undertake measures to build the necessary foundations, including developing human resources. For this reason, we will continue to construct foundations in the seven areas defined in the Medium-Term Management Plan. At the same time, the Company will work to fulfill its responsibility as a member of society by striving to achieve even higher standards of corporate ethics, continually improving its BCP, and protecting the global environment.

1. Introduction (4) Review of First 2 Years, Operating Environment Changes, and Future Priority Measures

Review, Evaluation, and Challenges of the Past 2 Years

- Set quantitative targets for each strategy and periodically measured progress while implementing PDCA cycle geared toward realizing the “Our Future Direction — The Ideal Form for JR-West”
- Despite fatal labor accident and rise in railway accidents with casualties on platforms in 1st year, made generally smooth progress toward high-priority strategy of ensuring safety in regard to all indicators during 2nd year.
- Made generally smooth progress in regard to all other indicators



Future Priority Measures

Measures to meet fiscal 2018 targets

+

Initiatives to address medium- to long-term issues projected to appear in fiscal 2019 and beyond

Rapidly maximize customer value by coordinating with other companies and regional communities

→ Improve safety and corporate value

Resolving Issues and Addressing Opportunities and Threats

Initiatives to be reinforced and accelerated

- Respond to intensifying natural disasters
- Improve platform safety
- Prevent labor accidents
- Improve safety and customer satisfaction and reduce of labor requirements through system changes
- Enhance competitiveness and attractiveness of Sanyo Shinkansen
- Improve railway belt value through coordination with city development efforts
- Attract tourists, invigorate communities, and capture senior citizen travel demand by utilizing Twilight Express Mizukaze and Kyoto Railway Museum
- Expand revenues in lifestyle-related operations and new businesses

Topics

- Hokuriku Shinkansen and Invigoration of Hokuriku Region
- New “LUCUA osaka”
- Response to Inbound Visitor Demand



Operating Environment Conditions

	Comprehensive environment recognition (At plan's formulation)	Changes appearing over 2 years
Opportunities	<ul style="list-style-type: none"> ▪ Rise in inbound visitors ▪ Increase in travel by senior customers ▪ Globalization 	<ul style="list-style-type: none"> ▪ Invigoration of Hokuriku region ▪ Invigoration of Kansai region cities, burgeoning ability of terminal stations to attract customers ▪ Regional development initiatives, Basic Act on Transport Policy, regional invigoration through tourism, etc. ▪ Rapid increase in inbound visitors ▪ Rise in number of women and senior citizens in employment ▪ Evolution of ICT
Threats	<ul style="list-style-type: none"> ▪ Population decline ▪ Spread of network technologies ▪ Greater inter-region disparities ▪ Diversification of value systems ▪ Intensified inter-transportation provider competition 	<ul style="list-style-type: none"> ▪ Intensification of natural disasters ▪ Prominent inter-region disparities ▪ Serious difficulty finding employment due to tight labor market ▪ Rising costs due to yen depreciation ▪ Intensified competition with airlines

① Safety

Target indicators	FY2013 results	FY2015 results (preliminary figures)	FY2018 targets
■ Railway accidents that result in casualties among our customers	0	0 (FY2014-2015)	0 over 5 years
■ Labor accidents that result in fatalities among our employees	0	1 (FY2014-2015)	0 over 5 years
■ Railway accidents with casualties on platforms	13	13	30% reduction ^{※(9)}
■ Accidents at level crossings	41	24	40% reduction ^{※(25)}
■ Transport disruptions due to internal factors	281	229	50% reduction ^{※(140)}

※In comparison to FY2013

Initiatives Over First 2 Years of Plan

- (1) Continual effort to realize safe, reliable transport service
 - Revised rainy weather speed limits and regulations for operating when earthquakes occur
 - Installed bridge girder collision cameras and updated train operation control system (Hanwa Line)
 - Installed heatstroke prevention gear (WBGT monitors)
- (2) Increase level of risk assessment
 - Formulated Risk Assessment Handbook to foster risk assessment understanding
 - Identified latent risks of ATS systems installation and implemented countermeasures
 - Held symposium to foster and disseminate understanding of human risk factors
- (3) Increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life
 - Commenced Think-and-Act Training program to improve human error avoidance skills
 - Updated tsunami evacuation route indicators (Kisei Line)
- (4) Investment in safety
 - Invested ¥89.3 billion in fiscal 2014 and ¥90.2 billion in fiscal 2015 (Major investments)
 - Systematically conducted maintenance and upgrades of facilities
 - Introduced systems for detecting abnormal behavior in trains
 - Tested automatic platform gates (rope style) (Sakurajima Station, Rokkomichi Station)
 - Improved the safety level of level crossings and installed obstruction detection equipment and omnidirectionally visible level crossing warning lights
 - Advanced Shinkansen derailment prevention measures and loaded tsunami evacuation ladders onto trains
 - Installed equipment to aid train lookouts



Human risk factor symposium

Future Priority Measures

As it works to achieve the goals of Safety Think-and-Act Plan 2017, the Company will redouble its efforts to address the following tasks whose urgency was brought to light in the first 2 years of the plan.

(1) Response toward intensifying natural disasters

- Improve disaster resilience
- Introduce meteorological disaster response systems
- Optimize rainy weather train operation regulations



Landside prevention measures

(2) Improvement of platform safety

- Introduce automatic platform gates (rope style)
- Expand usage of movable platform gates
- Take steps to prevent inebriated or ill customers from falling on tracks or being hit by trains



Automatic platform gates (rope style)

(3) Prevention of labor accidents that result in fatalities among our employees

- Steadily implement measures to prevent reoccurrence of fatal fall accidents
- Expand usage of GPS alert systems for preventing collision
- Enhance trainings utilizing the Safety Perception Refinement Building



Safety Perception Refinement Building

(4) Strengthening of risk management

- Cultivate leaders for promoting risk assessments
- Develop systems for analyzing and conducting integrated management of risk information
- Promote risk assessments to facilitate horizontal, cross-sectional responses to issues

(5) Enhancement of internal audits and utilization of outside perspectives

- Improve safety management system through the utilization of evaluations by third-party organizations

② Customer Satisfaction

FY2018 targets ■ Make customers into fans of JR-West → Achieve customer satisfaction survey result of 4.0 or above

Target indicators	FY2013 results	FY2015 results	FY2018 targets
■ Customer satisfaction survey result (5-level, internal survey)	3.47	3.71	4.0 or above

Initiatives Over First 2 Years of Plan

- (1) Understand customer expectations and respond to diverse needs
 • Improved services targeting women, senior citizens, and inbound visitors

Free, public Wi-Fi services for inbound visitors; operating status information available in multiple languages on Company website; introduction of line identification symbols; cultivation of awareness regarding the maternity mark; utilization of stroller-area signs to guide customers; installment of benches and establishment of other waiting spaces; etc.

- (2) Development of railway that provides high-quality transportation
 • Implemented initiatives to ensure quick restoration of operations and return to normal operating schedule

Updated train operation control system (Hanwa Line), installed new facilities for turn back operation, etc.

- Enhanced provision of information about transportation disruptions

Installation of displays for providing information on disturbances, provision of operating status information via Company website, development of operating status information app utilizing push notifications, distribution of guidance tools for employees in stations and on trains (tablet PCs), etc.



Push notification-utilizing operating status information app

- (3) Faithful response to customer feedback to improve service quality and expand service lineup

- Quickly responded to customer feedback (reduced number of days required for response) and incorporated feedback into concrete measures

- (4) Active communication of information on our efforts to customers and society

- Provided information on customer-feedback-based improvement measures in stations and trains, on Company blog (Tore Navi) and website, etc.



Poster providing information in trains

Future Priority Measures

Based on the newly formulated Customer Satisfaction Vision 2017 and Declaration of Think-and-Act 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.

- (1) Understand customer expectations and respond to diverse needs

- Systematically improve quality of customer-use facilities (restrooms, etc.)

- Enhance facilities that respond to needs of women and senior citizens

- Improve railway guidance sources for inbound visitors and provide operating status information in multiple languages



Higher quality customer facilities

- (2) Development of railway that provides high-quality transportation

- Conduct initiatives to reduce transportation disruptions
 Advance wind resilience measures on the Kosei Line and Hokuriku Line, etc.

- Enhance provision of information on transportation disruptions
 Preemptively provide information and eliminate need for verbal deliverance via website and app utilization

- Utilize guidance tools to improve inquiry response capabilities in stations and on trains



Anti-wind barriers

- (3) Faithful response to customer feedback to improve service quality and expand service lineup

- Improve response quality and content and further utilize customer feedback



Manner-encouraging blog

- (4) Active communication of information on our efforts to customers and society

- Continue communicating information regarding initiatives described in (1)–(3)

- Promote mutual communication through utilization of monitoring and surveys based on measures and blog designed to encourage better manners

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan.

③ Technologies

Target indicators	Progress as of FY2015	FY2018 targets
<ul style="list-style-type: none"> ■ On-board oriented train control system (wireless) ■ Battery-powered trains ■ Next-generation comprehensive train operation control system ■ Gauge change train ■ Transition from ground-based inspections to on-board inspections 	<ul style="list-style-type: none"> Confirmed functionality through running tests Began examining specifications for prototypes Commenced construction of meteorological disaster response systems (1st phase) Started gauge change tests Began examining specifications for on-board inspection system 	<ul style="list-style-type: none"> Target practical application Complete performance tests Finish verification testing for next-generation comprehensive train operation control system Advance development targeting practical application Commence partial introduction of on-board inspection system

Initiatives Over First 2 Years of Plan

(1) Promote technical development aimed at fostering a railway operations system change

- Advanced various performance tests for on-board oriented train control system (wireless)
- Began designing prototype battery-powered railcars
- Approved phase 1 introduction of meteorological disaster response system that will serve as a component of the next-generation comprehensive train operation control system (Kansai Urban Area)
- Took steps to transition from ground-based inspections to on-board inspections as part of maintenance strategies
- Improved disaster response capabilities by utilizing business partners' technologies (measuring and geographic information systems)
- Established Railway System Planning Department to strategically oversee the railway operation system change

(2) Take on the challenge of technical development of gauge change trains

- Established Tsuruga GCE Test Line, and conducted gauge change tests and running performance tests using prototype bogies

(3) Nurture engineers deeply versed in each field of railway technology, and strive to resolve issues with technology

- Established technology offices in each department to serve as core technological organs
- Encouraged resolution of issues using Company-developed technologies (Automatic platform gates (rope style) (Sakurajima Station, Rokkomichi Station), systems for detecting abnormal behavior in trains, etc.)

(4) Promote reductions in energy consumption and diversification of energy supply sources

- Promoted energy saving in stations, etc. (installed LED lights in stations, upgraded air-conditioning facilities, etc.)
- Introduced energy-saving railcars and conducted operations in an energy-efficient manner



Energy-saving railcar

Future Priority Measures

(1) Promote technical development aimed at fostering a railway operations system change

~ Utilization of ICT to develop safety, highly labor-efficient railway systems ~

- Advance development targeting practical application of on-board oriented train control system (wireless)
- Commence performance tests using prototype battery-powered railcars (fiscal 2017)
- Start operation of meteorological disaster response system in the Kansai Urban Area (fiscal 2017)
- Partially introduce system for transitioning from ground-based inspections to on-board inspections (fiscal 2018)
- Step up strategic collaboration and conduct development of specific technologies with partner companies
- Examine possibility of simpler railway facilities
- Utilize outside perspectives from various different countries and industries

(2) Take on the challenge of technical development of gauge change trains

- Develop gauge change facilities and snow eliminating technologies on the Tsuruga GCE Test Line
- Conduct preparation measures for prototype railcar running tests



Tsuruga GCE Test Line

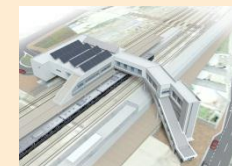
(3) Nurture engineers deeply versed in each field of railway technology, and strive to resolve issues with technology

- Advance large-scale development projects (next-generation comprehensive train operation control system, etc.) and cultivate human resources via technology offices
- Resolve issues through coordination between technology offices

このコピーはダミーコピーです

(4) Promote reductions in energy consumption and diversification of energy supply sources

- Develop Eco Stations (new Maya Station)
- Expand usage of energy-saving railcars (Kansai Urban Area, Hiroshima, etc.) and promote energy-efficient operating procedures



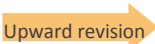
Eco Station (artist rendition)

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan.

* New station names are provisional.

2. Four Business Strategies

④ Shinkansen: “Enhance”

Target indicators		FY2013 results	FY2015 results	FY2018 targets
■ Number of senior customers traveling for leisure purpose 10% increase Upward revision 15% increase (FY2018 target, in comparison to FY2013)		1.9 million people	2.0 million people	2.2 million people

Initiatives Over First 2 Years of Plan

(1) Further improvement of Shinkansen safety and reliability

- Steadily advanced installation of new ATC, introduced N700A (1 new set), and modified 11 sets of N700 series
- Pushed forward with earthquake countermeasures (seismic resilience improvement, derailment prevention guard installation, etc.)
- Conducted appropriate maintenance of structures based on long-term plans

(2) Provision of competitive transportation services and expansion of usage

- Revised timetables to increase delivery speed and frequency
- Increased members of our highly convenient Internet reservation system
- Conducted yield management through detailed tracking of seat numbers
- Promoted Kodama usage (installed 4-seat rows for reserved seats, increased number of reserved seats, created railcars outfitted to be play spaces for children (Plarail Car))
- Advanced measures to address mobile phone no-service areas (completed measures on Shin-Osaka–Shin-Yamaguchi segment)



Plarail Car

(3) Enhancement of services for senior citizens to create new demand

- Provided discounted products and exclusive travel packages for senior members of JR-West Zipangu Club and Club DISCOVER WEST over 50 years old
- Launched new “Otonabi” membership service for senior citizens

Future Priority Measures

(1) Further improvement of Shinkansen safety and reliability

- Introduce N700A (8 new sets to be introduced in fiscal 2016 and 2017) and complete N700 series modification
- Improve safety through introduction of new ATC system
- Advance ongoing implementation of earthquake countermeasures (Complete installation of derailment prevention guards along Shin-Osaka–Himeji segment in fiscal 2016, reinforce seismic resilience)
- Continue conducting appropriate maintenance of structures based on long-term plans



Tokaido/Sanyo Shinkansen N700A

(2) Provision of competitive transportation services and expansion of usage

- Revised timetables to increase delivery speed and frequency
- Promote visitation of the Kansai region from Fukuoka and other regions along the Sanyo Shinkansen through campaign commemorating 40th anniversary of opening of all lines
- Examine possibilities for self-service ticket purchases or ticketless boarding using IT and IC to facilitate smooth train boarding and thereby reduce total travel times
- Expand usage of Kodama trains that respond to price sensitivity and comfort needs
- Continue advancing measures to address mobile phone no-service areas
- Increase Internet service members and strengthen marketing by offering broader range of Internet services



Campaign commemorating 40th anniversary of opening of all lines of Sanyo Shinkansen

(3) Enhancement of services for senior citizens to create new demand (★ Kansai urban area, other West Japan area)

- Expand and entrench new “Otonabi” membership service for senior citizens, and increase member numbers by providing attractive discounted product as well as travel packages carefully designed through collaboration with regional communities
- ~ Conduct customer relationship management to provide products and services matched to member needs



New “Otonabi” membership service for senior citizens

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan.

2. Four Business Strategies

⑤ Kansai Urban Area: "Improve"

Target indicators	FY2013 results	FY2015 results	FY2018 targets
<ul style="list-style-type: none"> ■ Transport disruptions due to internal factors ■ No. of IC card users: 2.2 million people/day ■ Increase resident satisfaction 	105 incidents 1.9 million people/day —	81 incidents (preliminary figure) 2.2 million people/day Improvement trend seen along Osaka Loop Line and Kobe Line (FY2014)	50% reduction ※ (52 occurrences) 2.3 million people/day Ongoing improvement trend seen along major railway belts

Upward revision → 2.3 million people/day

※In comparison to FY2013

Initiatives Over First 2 Years of Plan

(1) Creation of railway providing high-quality transportation to encourage repeat usage

- Revised regulations for operating when earthquakes occur
- Updated train operation control systems, installed new facilities for turn back operation, etc.

【ICOCA】

- Improved efficiency through IC card collaboration (direct commuter pass, ICOCA issuance, etc.) with private and public lines (Keihan, Kintetsu, Nankai, Hanshin, Kobe New Transit)

(2) Improvement of railway belt value to increase ease of use and make areas around lines appealing places to live

- Developed stations and surrounding facilities in conjunction with city development projects (Himeji Station, Nada Station, Settsu-Motoyama Station, Kishibe Station, Izumi-Fuchu Station, Yao Station, drive to attract university to Katayama, Suita City)
- Worked to create stations that are accommodating and easy to use and offer a robust lineup of lifestyle-related operations (Tennoji Station, Sannomiya Station, Shin-Osaka Station, Amagasaki Station, drive to attract integrated daycare center to Otsu Station, etc.)

(3) Enhancement of the Kansai Urban Area's appeal by improving the Osaka Loop Line

- Improved station platforms and concourses Beatification and restroom renovation (Morinomiya Station, Nishikujo Station, etc.)
- Developed and renovated spaces inside stations and under elevated tracks (Morinomiya Station, Tamatsukuri Station)
- Stepped up collaboration with Osaka District, Osaka City, Osaka Municipal Transportation Bureau, etc.



Osaka Loop Line Renovation Project

(4) Opening of Kyoto Railway Museum in Umekoji, Kyoto, and creation of railway culture sights (spring 2016)

- Finalized general plan for museum (name, logo, exhibit lineup, etc.)
- Established Kyoto-Umekoji Area Invigoration Committee (provisional name)

Future Priority Measures

(1) Creation of railway providing high-quality transportation to encourage repeat usage

- Advance wind resilience measures for the Kosei Line (Install platform barriers (Kyobashi Station, Takatsuki Station) • Construct new platforms at Takatsuki Station

- Raise station buildings above tracks (Zeze Station, Azuchi Station, Inae Station, etc.) and develop barrier-free stations (Kami Station, Uzumasa Station, etc.)

【ICOCA】—Initiatives targeting seamless mobility (★other West Japan area)

- Expand IC card collaboration with Kansai region private lines and city transportation bureaus (including initiatives aimed at inbound visitors)

- Further expand ICOCA usage area (Kakogawa Line, Kishin Line, Bantan Line, etc.)

Examine possibilities for expanding IC card network in West Japan area through collaboration with local communities

(Expand usage to Hokuriku, stations at which limited expresses stop, and areas surrounding the Kansai Urban Area, consider potential for introduction of on-board IC card equipment, etc.)

- Possibly introduce new services for promoting short-distance travel based on ICOCA usage



(2) Improvement of railway belt value to increase ease of use and make areas around lines appealing places to live

- Enhance functionality of Ibaraki Station and surrounding areas (conduct renovations in conjunction with opening of new Ritsumeikan University campus, etc.)

- Develop new Maya Station and surrounding areas, establish new stations (Higashi Himeji Station, JR Sojiji Station, Kizuri Station, etc.)

(3) Enhancement of the Kansai Urban Area's appeal by improving the Osaka Loop Line

- Introduce new railcars on the Osaka Loop Line (168 by fiscal 2019) to improve safety and reliability and make timetables easier to understand

- Advance renovation of stations and in-station stores based on characteristics of areas around loop line stations

- Renovate almost all restrooms in loop line stations by end of fiscal 2017

- Introduce new railcars on Hanwa Line (122 by fiscal 2018)

- Push forward with projects such as construction of the Osaka Higashi Line (northern section) and new Umekita Station development

(4) Opening of new railway museum in Umekoji, Kyoto, and creation of railway culture sights (spring 2016)(★Shinkansen)

- Conduct measures to attract a wide range of tourists from a broad area of regions with city sightseeing as a major draw

- Collaborate with communities to create lively environments in the Umekoji, Kyoto area

- Establish new JR Shichijo Station (spring 2019)

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan. * New station names are provisional.



New railcar for Osaka Loop Line (artist rendition)



Kyoto Railway Museum (artist rendition)

⑥ Other West Japan Area: “Invigorate”

Target indicators	FY2015 results	FY2018 targets
<ul style="list-style-type: none"> ■ Customer numbers during destination campaigns ■ Advancement of businesses with close ties to areas through concerted Group effort coordinated with local partner companies in each area ■ Shared understanding with community regarding challenges for better regional transportation systems 	<p>29% increase※ (Wakayama destination campaign)</p> <p>Collaboration agreements concluded with a few organizations</p> <p>Investments in community-rooted businesses</p> <p>Discussions underway with a few organizations</p>	<p>10% increase※</p> <p>Businesses with close ties to areas advanced through concerted Group</p> <p>Understanding regarding challenges for better regional transportation systems shared with community</p>

※In comparison to FY2013

Initiatives Over First 2 Years of Plan

(1) Progress together with communities through businesses with close ties to areas

【Destination campaigns (Hiroshima, Wakayama)】

- Enhanced area appeal and invigorated regions by developing tourism routes and introducing sightseeing trains through collaboration with local bodies

【Twilight Express Mizukaze】

- Announced train concept and promotion system
- Considered possible operating routes and schedules and evaluated riding comfort with eye on 2017 start of operation

【Hiroshima metropolitan area】

- Introduced first new train in area since JR’s founding, and improved safety and reliability in conjunction with installment of new safety system
- Improved access to city center by opening Shin-Hakushima Station

【Regional invigoration and businesses with close tie to areas】

- Advanced city development efforts centered on stations

(Shimonoseki Station, Tokuyama Station, Shin-Yamaguchi Station, Saijo Station)

- Uncovered local specialty products, and started sales targeting overseas customers

- Invested in Farm Alliance Management, and began supporting regional industries through various collaborative initiatives

- Established Sanin Iimono Search Team for uncovering and promoting tourist spots and local specialty products



Future Priority Measures

(1) Progress together with communities through businesses with close ties to areas(★Shinkansen)

～ City development and tourism promotion centered on stations and advanced by leveraging railway strengths and collaborating with regional communities ～

【Development of tourist spots and tourism routes through collaboration with local bodies】

- Establish wide-area tourism routes that take advantage of access to intermodal transportation routes and tourist spots developed through destination campaigns (DISCOVER WEST wide-area tour route, Wakayama–Koyasan–Kumano route, etc.)
- Attract tourists and invigorate community through Okayama and Yamaguchi destination campaigns

【Invigoration of regional tourism industries through Twilight Express Mizukaze】

- Develop and commercialize tourism routes through collaboration with communities
- Invigorate communities and solicit appeal through Twilight Express Mizukaze

【Hiroshima metropolitan area】

- Improve Hiroshima Station area’s viability as a strategic foothold (Elevate Hiroshima Station building, develop commercial facilities to breathe life into area, relocate Hiroshima General Hospital of West Japan Railway Company)
- Improve access to city center by establishing new Jike Station and extending Kabe Line
- Continue introducing new railcars (276 by fiscal 2019), and install new safety system (commence operation in spring 2019)

【Okayama metropolitan area】

- Start using programmed route control systems (spring 2016)

【Fukuchiyama, Wakayama】

- Improve service quality through introduction of renovated 683 series railcars for Kounotori, Kinosaki, and Kuroshio services



Twilight Express Mizukaze



New overpass in Hiroshima Station



New railcar for Hiroshima metropolitan area

(2) Pursuit of sustainable regional transportation systems matched to usage conditions created through meaningful interaction with regional communities

• Pursue establishment of ideal, regional transportation systems based on regional needs and future city development vision by sharing challenges with regional communities

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan.

* New station names are provisional.

(2) Pursuit of sustainable regional transportation systems matched to usage conditions created through interaction with regional communities

- Worked together with communities to explore measures for promoting railway usage and invigorating railways, and formulated vision for future
- Examined possibility of converting Kibi Line to LRT
- Conducted tests involving increasing service on Johana Line

2. Four Business Strategies

⑦ Business Development: “Develop”

Target indicators		FY2013 results	FY2015 results	FY2018 targets
■ ¥25.0 billion increase in lifestyle-related operation revenues	Upward revision	¥35.0 billion increase	—	¥9.7 billion decrease*
■ Revenues from new businesses		(FY2018 in comparison to FY2013)	—	¥0.6 billion increase*
■ Ratio of consolidated operating revenues from non-transportation segments (retail, real estate, other businesses) 10 years in the future		35%	36%	40% (* FY2023 target)

※In comparison to FY2013

Initiatives Over First 2 Years of Plan

(1) Expansion of lifestyle-related operations to support comfortable lifestyles

① Realized qualitative improvements by increasing product/service quality and strengthening operating capabilities

- Developed stores utilizing Seven-Eleven Japan’s product lineups and operating capabilities
(Converted 70 stores as of March 31, 2015)
- Developed new shopping centers and improved upon existing centers (Shin-Osaka Station, Kyoto Station, Toyama Station, Kanazawa Station, Tottori Station, etc.)
- Improved convenience of ICOCA e-money (introduced at Hokuriku district in-station stores) and J-West Card



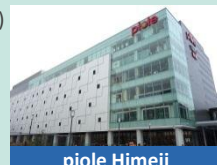
The CUBE (Kyoto)

② Actively developed businesses in cities (including regions other than those alongside tracks and those in our service area)

- Expanded scope of business hotel development (Asakusa, Nagoya, Shinsaibashi, Hiroshima)
- Advanced real estate development/leasing businesses in cities and outside of our service area (Tokyo metropolitan area: Urawa; Fukuoka area: Tenjin, etc.)

(2) Improvement of Group asset value

- ① Fully utilized land and other assets
- Advanced development of strategic stations (Sannomiya Station, Himeji Station, Shimonoseki Station)
- Conducted development projects at stations, surrounding areas, and former company housing sites (Katayama, Suita City; Hirooka, Kanazawa City; Minamigata, Okayama City; Hinode, Yonago City; etc.)



piole Himeji

② Improved appeal by combining existing businesses

- Opened new “LUCUA osaka”
- Reorganized Group companies (integrated companies in real estate business and conducted mergers based on region)
- Transferred the golf business

(3) Ongoing exploration of new business fields

- Expanded scope of new business model exploration in lifestyle-related operations
- In-station dispensing pharmacies (Osaka Station, Shin-Osaka Station and Amagasaki Station), car-sharing directly connected to stations (23 including Shin-Osaka Station)
- Entered into and developed healthcare-related businesses (rehabilitation day service centers, functional health food recipe distribution), agriculture-related businesses (agriculture support), food-related businesses (manufacture and sale of frozen traditional New Year’s foods), and renewable energy businesses (photovoltaic power generation)

(4) Cultivation of growth as a Group with consideration for the global market

- Commenced Internet sales targeting overseas customers (JAPAN SQUARE)

Future Priority Measures

(1) Expansion of lifestyle-related operations to support comfortable lifestyles

- ① Qualitative improvements realized by increasing product/service quality and strengthening operating capabilities
 - Convert stores to Seven-Eleven Japan allied stores and maximize benefits (convert approximately 500 stores by fiscal 2019)
 - Continue to improve shopping centers (Akashi Station, Kurashiki Station, etc.)
 - Improve convenience of ICOCA e-money (introduce at Sanin district in-station stores) and increase J-West Card service quality, etc. to expand cardholder numbers
- ② Actively develop operations in cities (including regions other than those alongside tracks and those in our service area)
 - Expand budget hotel operations (Tokyo metropolitan area, Kansai Urban Area (Umeda, Tennoji), etc.)
 - Develop real estate development/leasing businesses in cities (Tokyo metropolitan area: Kawasaki; Kansai Urban Area; other West Japan area)
 - Expand shopping center operations in cities (Kansai Urban Area: Katayama, Suita City)
- ③ Participate in major projects in areas surrounding major stations
 - Tsukaguchi Station east exit area, area in front of Kishibe Station



Seven-Eleven allied store

(2) Improvement of Group asset value

- Fully utilize land and other assets
 - Create concrete development plans for strategic stations (Sannomiya Station, Hiroshima Station)
 - Conduct development projects at stations, surrounding areas, and former sites of Company housing
(Osaka Loop Line: Morinomiya Station, Momodani Station, Tennoji Station east exit, etc.; Shin-Osaka Station; Kusatsu Station; Otsu Station; Koshienguchi Station; new Maya Station; Hirooka, Kanazawa City; etc.)
 - Revise allocation of functions in commercial zones in existing stations and surrounding areas (Kyoto Station building renovation in conjunction with 20th anniversary, Takatsuki Station, Matsue Station, etc.)



Redevelopment project concept for Tsukaguchi Station east exit area

(3) Ongoing exploration of new business fields

- Broaden scope of new business collaboration initiatives to boost competitiveness in market
- Expand scope of new business model in lifestyle-related operations
- Achieve steady growth in newly entered businesses (healthcare-related businesses, agriculture-related businesses, food-related businesses)



Kyoto Station building

(4) Cultivation of growth as a Group with consideration for the global market

- Grow Internet sales business targeting overseas customers (JAPAN SQUARE)
- Investigate feasibility of expansion into Asian and other overseas markets in areas of strength for the Company




Matsue Station to undergo renovation (artist rendition)

* Underlined sections represent new directives or initiatives for which the details or schedules were solidified after the announcement of the Medium-Term Management Plan.

* New station names are provisional.

① Hokuriku Shinkansen and Invigoration of Hokuriku Region

Target indicators	<p>① Revenue increase from Hokuriku Shinkansen ¥13.0 billion (FY2018)</p>	<p>② Increased mobility between Kansai, Hokuriku, and Shinetsu regions</p>	
-------------------	---	--	---

Future Priority Measures

The Group will muster its collective strength and pursue greater degrees of collaboration with the regional community to maximize the benefits of the opening of the Kanazawa segment of the Hokuriku Shinkansen.

At the same time, we will draw out the full appeal of the Hokuriku region to increase the value of both railway and non-railway operations as we strive to contribute to the invigoration of the region.

(1) Provision of quality services based on safe and reliable transportation

- Implement initiatives to ensure safe and reliable transportation when impacted by snow
- Advance wind resilience measures on the Kosei Line and Hokuriku Line

(2) Increasing mobility between Hokuriku region and Tokyo and invigoration of the region

- ① Strengthen ability to compete with airlines, expand the market by conducting tourism campaigns together with regional communities, and implement initiatives to sustain the benefits of opening the new segment
 - Strengthen competitiveness by increasing the number of members for the Company's highly convenient Internet services
 - Maximize revenues through yield management conducted together with JR-East
 - Contribute to smooth operation of quasi-public companies for managing parallel conventional lines

- ② Enduring improvement of contents through community collaboration

- Take advantage of the Hokuriku Destination Campaign (fall 2015) to combine the tourist spots characteristic of the Hokuriku region and a sightseeing train (Nanao Line), a train based on new concepts (Johana Line, Himi Line), and access buses in order to create and entrench wide-area tourism route products that form a tri-area link between the Hokuriku, Kansai, and Tokyo metropolitan areas

(3) Increasing mobility between Kansai, Hokuriku, and Shinetsu regions and invigoration of regions

- ~ Increase exchanges between Kansai and Hokuriku regions in a wide range of areas including tourism, culture, and economy ~
- Provide fresh Hokuriku tourism information through My Favorite Hokuriku page and other Internet sources, continue holding Kansai-Hokuriku exchange events, and collaborate with universities through Hokuriku College program
 - Strengthen efforts to encourage customers to travel from the Kansai region to the new markets represented by areas in the direction of Niigata and Nagano
 - Advertise the improved convenience in changing to/from Hokuriku Shinkansen trains when traveling between the Kansai and Chukyo regions and Hokuriku (products provided via Internet that offer discounts when changing between conventional and Shinkansen trains, etc.)
 - Improve Thunderbird limited express service quality by refurbishing railcars, etc.

(4) Non-railway operations and coexistence with communities in the Hokuriku region

- Maximize benefits of commercial facility openings and renovations conducted in conjunction with the Shinkansen segment opening (Kanazawa Station: Kanazawa 100bangai Anto and Rinto; Toyama Station: Toya Marche, Clarte)
- Uncover local specialty products, and communicate appeal of region



Hanayomenoren train for the Nanao Line (artist rendition)



New concept train for the Johana Line and Himi Line (artist rendition)




Kanazawa 100bangai Rinto



Toya Marche

② New “LUCUA osaka”

Target indicators	<p>① Revenue target</p> <p>Total of ¥77.0 billion for LUCUA 1100 and LUCUA (first fiscal year)</p>	<p>② Visitor number target</p> <p>70.0 million (first fiscal year)</p>	
-------------------	--	--	---

LUCUA 1100 and LUCUA will be managed in an integrated manner to capitalize on the strengths of the new “LUCUA osaka” as one of Japan’s largest in-station shopping malls. In this manner, we will work to boost the prosperity of OSAKA STATION CITY as a whole, and increase our presence in the Osaka area.

Initiatives at new “LUCUA osaka”

Characteristics of LUCUA 1100

- (1) **Union of atmosphere emphasizing specialty shops and the ability to make compilations characteristic of department stores**
 - Provide a diverse lineup of products and lifestyle solutions through 150 specialty stores and “isetan,” which consists of 8 general shops
- (2) **Umeda’s leading commercial facility conglomeration—OSAKA STATION CITY**
 - Respond to various customer needs by leveraging scale benefits to provide one-stop shopping
- (3) **Store lineup boasting innovativeness and unusualness—A first for the whole country and West Japan**

Principal Floor Characteristics

2F World Market



Main entrance floor featuring a diverse range of specialty stores merged with Isetan’s ability compile various different stores in a single space

B2F Bar & Foods



Food floor merging the bar zone and the food area characteristic of Japanese department store basements

4F Women’s and Men’s Fashion



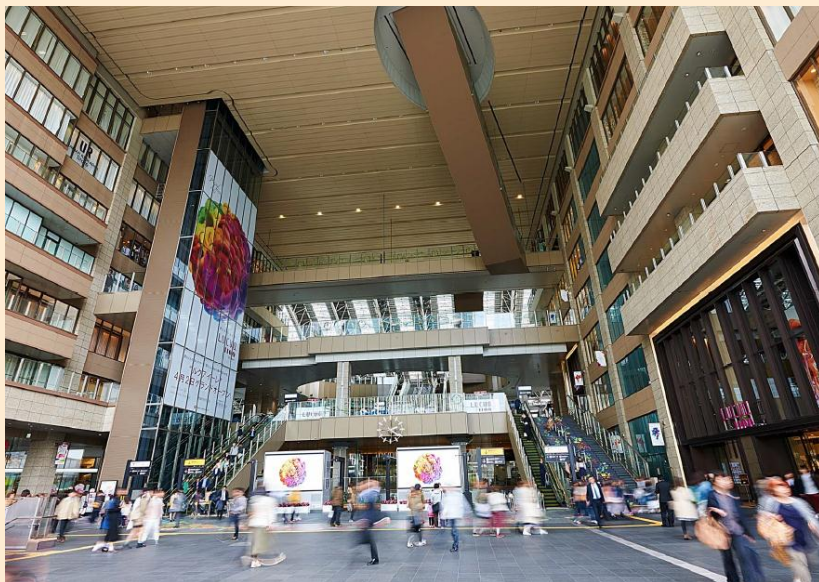
“isetan Closet”
A floor that exudes the appeal of Isetan Shinjuku and also conducts collaboration campaigns related to popular events

9F Books & Culture

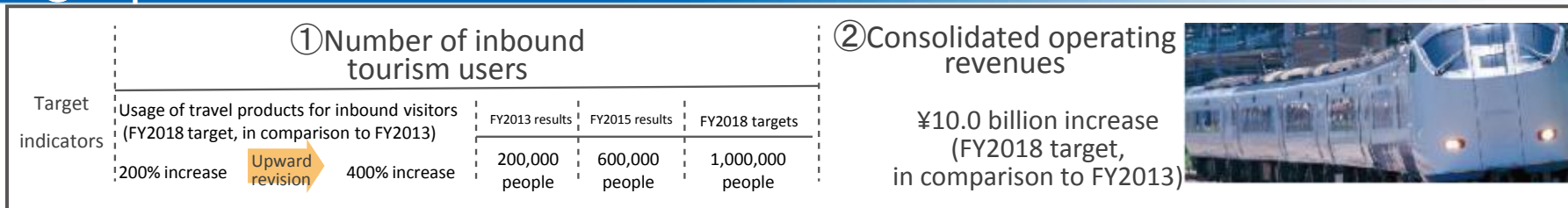


Lifestyle-proposing bookstore taking the lead from DAIKANYAMA TSUTAYA BOOKS (UMEDA TSUTAYA BOOKS)

- (4) **Ease of everyday use realized by providing products and services in a wide range of price zones**
 - Provide products and services in the areas of fashion, sundry items, and gourmet in a wide range of price zones to make it easier for customers to use the facility as part of their everyday routines
- (5) **Rich lineup of stores providing both men’s and women’s merchandise to make for fun couple outings**
 - Utilize rich lineup of stores providing both men’s and women’s merchandise to design a store layout that makes for fun couple shopping outings



③ Response to Inbound Visitor Demand



Future Priority Measures

JR-West will leverage its expertise in collaborating with local communities together with the Group's collective strength to respond to the rapid rise in inbound tourism. Specifically, we will focus on providing appealing products and services to encourage customers to expand their travel plans outside of the Kansai region into other areas of West Japan and increase overall usage of the entire Group's services. In this manner, we aim to invigorate regions of operation while boosting revenues.

The Group Inbound Tourism Promotion Office was established within the head office to spearhead efforts in this area. In addition, employees will be positioned on a full-time basis in the growth market of Southeast Asia, a region in which we are stepping up sales initiatives. The following inbound tourism-related initiatives will be conducted going forward.

(1) Enhance lineup of products for inbound visitors as part of developing and adjusting wide-area tourism routes

~Position Kansai Airport and other strategic airports as gates to Japan from overseas and develop tourism routes for travel around Japan centered on the West Japan area~

- Adjust tourism routes in the West Japan area by enhancing lineup of products for inbound visitors (Saiyukiko Discover West Japan project, etc.)
- Combine JR-WEST RAIL PASS with other Group products and services to boost appeal
- Examine possibility of providing shared IC card passes through collaboration with Kansai region municipal governments, private lines, and city transportation bureaus

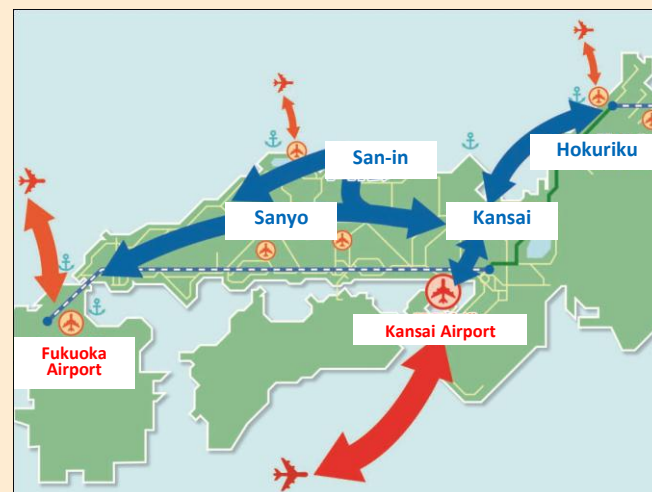


(2) Improve ability to cater to needs of inbound visitors at terminal stations and commercial facilities that are frequented by such customers

- Refine guidance displays (signs) in stations, trains, and in-station commercial facilities, and make commercial facility websites available in multiple languages
- Provide free, public Wi-Fi services for inbound visitors
- Prepare guidance and sales systems in Kansai Airport Station, other stations, and in-station commercial facilities
- Increase number of duty-free shops at in-station commercial facilities, and revise payment methods
- Develop lodging facilities that are prepared to be used by inbound tourists

(3) Further communicate appeal of entire "community" encompassing entire Group and areas surrounding terminal stations

- Muster the Group's collective strength to redouble promotion campaigns through collaboration with regional communities, municipal governments, and local companies in the West Japan area
- Communicate the appeal of the West Japan area through network of overseas bases (Shanghai, Singapore (new)) and SNS pages



Financial Benchmarks

○ The Company has revised its financial benchmarks level in consideration of the initiatives discussed thus far.

Financial Indicators	FY2013 performance	FY2015 performance	FY2018 plan
Consolidated operating revenues (¥ billion)	1,298.9	1,350.3	1,423.0(1,306.0)
Consolidated EBITDA (¥ billion)	290.3	289.3	325.5(292.5)
Consolidated ROA (%)	4.9	5.1	5.5(4.7)

(Reference benchmark)

Consolidated ROE (%)	8.3	8.4	9.8
----------------------	-----	-----	-----

Figures in parentheses () represent pre-revision forecasts.

○ Total capital expenditures to be conducted in fiscal 2014–2018

Consolidated: ¥960 billion / Non-consolidated: ¥820 billion (of which ¥480 billion is for safety-related expenditures)

○ The Company aims to achieve consolidated operating revenues of ¥1.5 trillion by 2030 through the implementation of area management that ensures long-term sustainable growth accomplished through coexistence with regional communities.

Shareholder Returns

○ The JR-West Group considers it important to provide stable shareholder returns over the long term.

During the term of Medium-Term Management Plan 2017, the JR-West Group will provide returns to shareholders based on consideration of total shareholders' equity.

○ Specifically, in light of the progress toward the achievement of the current Medium-Term Management Plan, we are aiming for around 3% for the rate of total distribution on net assets* in FY2018.

* Rate of total distribution on net assets (%) = (total dividends + acquisitions of treasury stock) ÷ consolidated net assets × 100

○ Further, with a view to building long-term stable relationships with shareholders, we will strive to increase and improve dialogue with shareholders as well as shareholder benefits.

Cautionary Statement with Respect to Forward-Looking Statements

Performance forecasts and other forward-looking statements contained within this document are based on information available at the time of this document's construction. Actual performance may vary significantly from these statements due to changes in the operating environment or other factors.