

# JR-West Group's Strategy on Non-Transportation Businesses

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## 22<sup>nd</sup> Metros & Railways Technology Meeting



# 1 JR-West's Business Overview

## Service Area

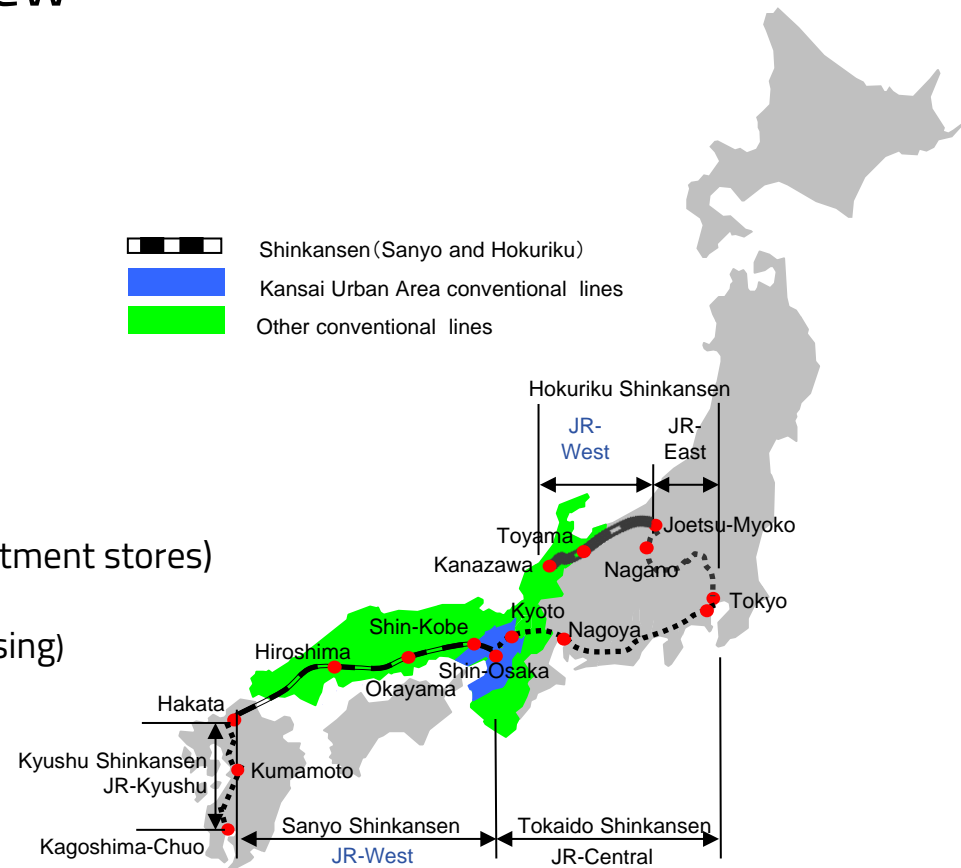
- ✓ Western part of the Main island of Japan, and northern part of Kyushu.
- ✓ Approx. 1/3 of Japan's population and GDP  
Population: Approx. 40 million  
Nominal GDP: Approx. 151 trillion JPY

## Businesses

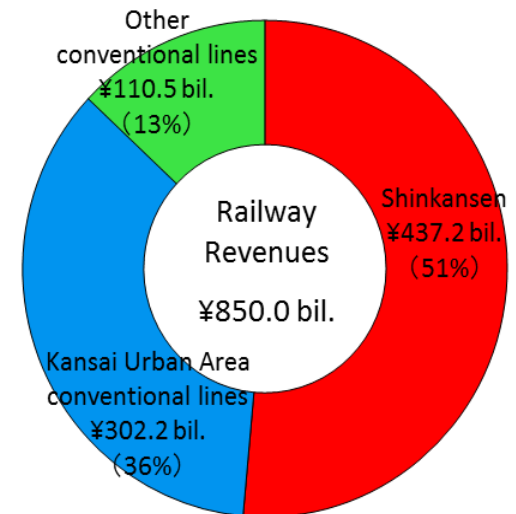
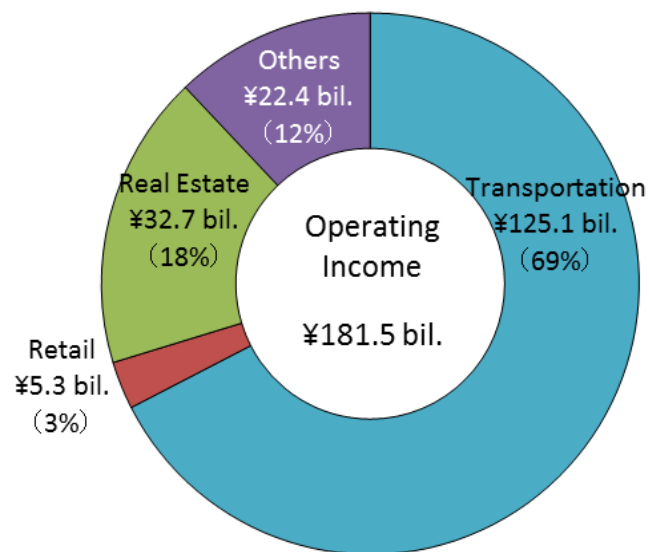
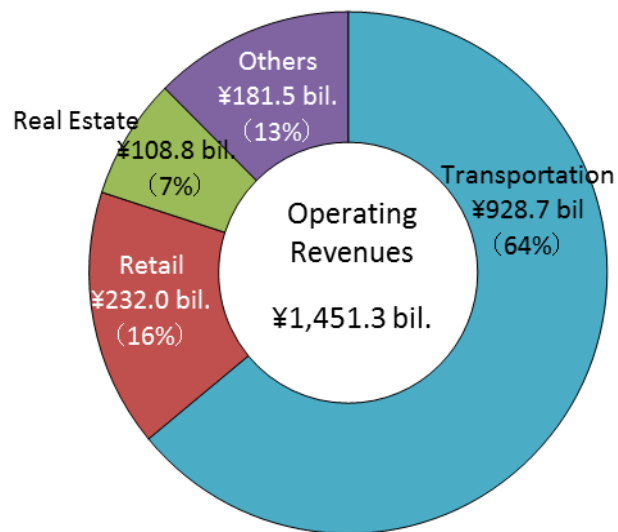
- ✓ Transportation business (Railway, Bus, Ferry)
- ✓ Retail Business (Stores and restaurants, Department stores)
- ✓ Real Estate Business  
(Shopping center, Real estate sales and leasing)
- ✓ Others (Hotel, Travel agency, etc.)

## Characteristics

- ✓ Placing top priority on safety
- ✓ 100% private company with no operational subsidy from governments



## 2 JR-West's Operating Revenues and Income (FY ended in March 2016)

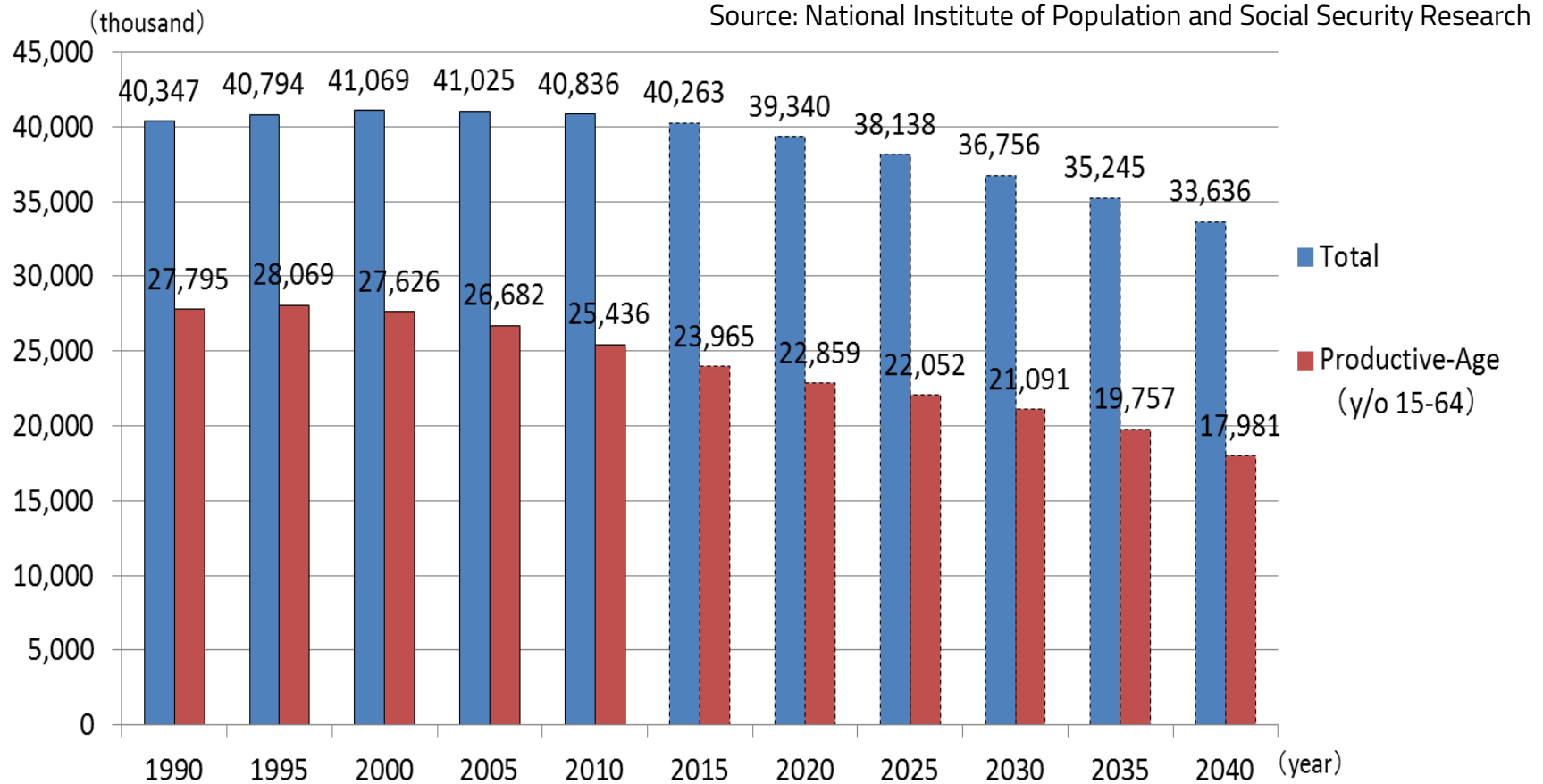


### 3 JR-West's 11-Year Financial Highlights

unit: billion JPY

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005→2015	
<b>Operating Revenues</b>	<b>1,240.0</b>	<b>1,262.9</b>	<b>1,290.1</b>	<b>1,275.3</b>	<b>1,190.1</b>	<b>1,213.5</b>	<b>1,287.6</b>	<b>1,298.9</b>	<b>1,331.0</b>	<b>1,350.3</b>	<b>1,451.3</b>	<b>+211.3</b>	<b>117%</b>
Transportion	834.5	848.5	861.2	856.1	797.4	806.4	839.0	844.9	851.3	868.4	928.7	+94.2	111%
Retail	203.9	208.1	212.8	215.3	201.9	201.3	233.5	234.6	240.1	220.1	232.0	+28.1	114%
Real Estate	62.8	62.7	76.7	71.1	70.9	75.7	93.5	90.9	102.2	87.2	108.8	+46.0	173%
Others	138.7	143.4	139.3	132.6	119.6	129.9	121.4	128.4	137.1	174.4	181.5	+42.8	131%
<b>Operating Income</b>	<b>135.2</b>	<b>135.3</b>	<b>137.4</b>	<b>122.5</b>	<b>76.5</b>	<b>95.9</b>	<b>109.7</b>	<b>129.4</b>	<b>134.5</b>	<b>139.7</b>	<b>181.5</b>	<b>+46.3</b>	<b>134%</b>
Transportion	98.0	97.2	97.4	89.1	45.2	61.1	76.7	90.1	91.0	100.6	125.1	+27.1	128%
Retail	5.9	5.0	5.2	4.7	3.1	3.5	-2.9	-0.4	4.4	1.5	5.3	-0.6	89%
Real Estate	20.5	21.2	24.6	22.6	22.5	22.2	25.9	28.0	27.7	25.1	32.7	+12.2	160%
Others	11.4	12.5	11.0	6.7	6.7	9.6	10.3	12.3	11.8	15.6	22.4	+10.9	196%

## 4 Demographic Change in West Japan Area



# 5 JR-West Group's Mid-Term Management Plan (2013-2017)

## Management Vision

The JR-West Group will strive to contribute to the invigoration of the West Japan area through its business activities, and to that end we will strive to be a corporate group that excels in safety management and earns the trust of customers, communities, and society.

## Our Future Direction - The Ideal Form for JR-West

### We will fulfill Our Mission.

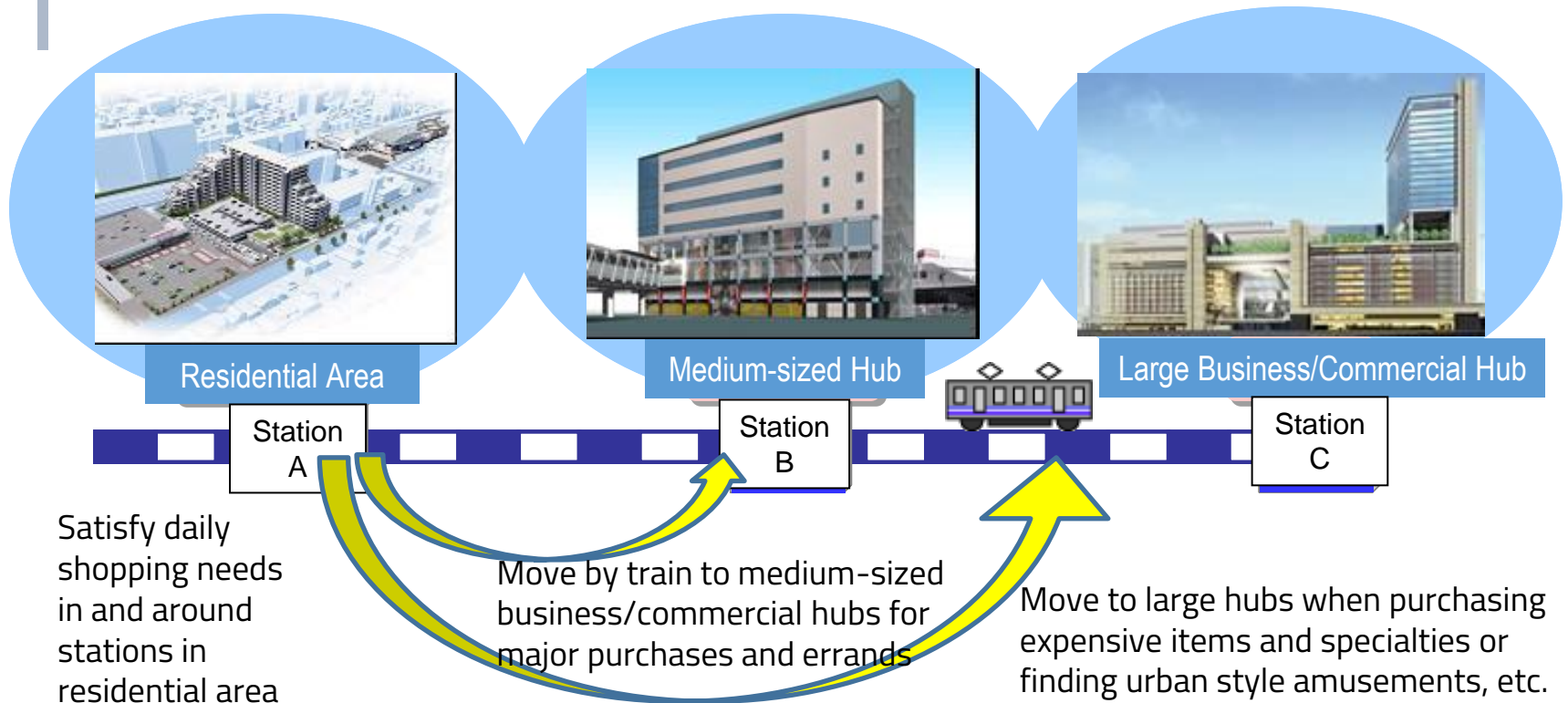
The JR-West Group will focus on “**safety**” and “**customer satisfaction**,” as well as on the “**technologies**” that support safety and customer satisfaction. In this way, we will fulfill our mission of continued operation of railway services as social infrastructure. As we work to fulfill our mission, we will strive to contribute to the creation of a safe, comfortable society.

+

### We will become a “**company that coexists with communities.**”

We will contribute to the invigoration of communities by increasing the quality of railway operations, **expanding the scale of non-transportation businesses**, and **promoting the creation of new businesses**. To that end, we will deepen exchange and cooperation with members of communities, and the entire JR-West Group will work together to develop operations that are aligned with the characteristics of specific areas.

## 6 Creating Comfortable and Convenient Daily Living Area



# 7 Basic Strategy on Non-Transportation Businesses

## 1 Expanding Businesses Related to People's Daily Lives

- (1) Develop stores and restaurants around stations and in cities collaborating with external partners
- (2) Participate in city development projects around stations
- (3) Develop no-frills hotels in cities

## 2 Improving the Value of Group's Asset

- (1) Redevelop major stations in business and commercial hubs
- (2) Redevelop spaces in and around stations and sites formerly used as company housings
- (3) Revise functional layout of existing commercial spaces in and around stations

## 3 Challenging to New Business Fields

- (1) Launch into new business fields utilizing assets and technologies
- (2) Explore overseas businesses



## 8 Expanding Businesses Related to People's Daily Lives

Develop stores and restaurants around stations and in cities collaborating with external partners

- ✓ Developing kiosks, convenience stores, coffee shops and restaurants in and around stations
- ✓ From March 2014, allied with Seven-Eleven Japan, converting existing kiosks and convenience stores to Seven Eleven (Approx. 500 stores by 2019)
- ✓ In August 2015, purchased all the shares of Karafune-ya coffee shop (Kyoto), focusing more on businesses out of station premises



Seven-Eleven Kiosk



Seven-Eleven Heart-in



Karafune-ya Coffee Shop

# 9 Expanding Businesses Related to People's Daily Lives

Participate in city development projects around stations

## Tsukaguchi “ZUTTOCITY”

- ✓ Redeveloping a large old factory site in front of station
- ✓ Site area : Approx. 8.4ha
- ✓ Installing condominiums (1,200 units) , single-family houses, a station building, a commercial facility, and a park
- ✓ Grand opening in April 2016



## Northern Osaka Health and Biomedical Innovation Town “Kento”

- ✓ Opening a commercial facility in front of Kishibe station in 2018, along with relocations of National Cerebral and Cardiovascular Center and Suita Municipal Hospital



# 10 Expanding Businesses Related to People's Daily Lives

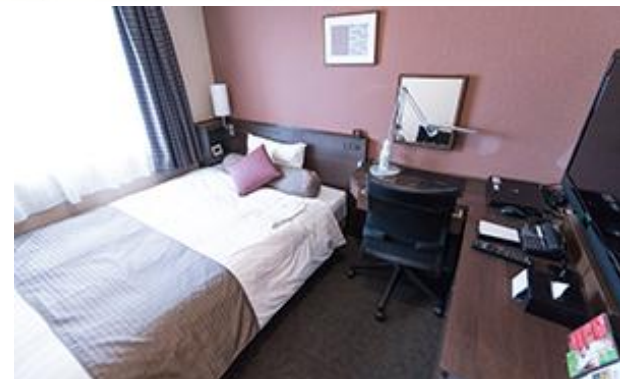
Develop no-frills hotel "Via Inn" in cities

- ✓ 1996 Via Inn Shimonoseki opened
- ✓ 1998 Via Inn Shin-Osaka opened  
→Developed several hotels in West Japan area, afterward
- ✓ 2009 Via Inn Tokyo Oimachi opened  
→Launched into Tokyo area
- ✓ 2013 Via Inn Nagoya Shinkansen Exit opened  
→Launched into Nagoya area
- ✓ 2014 Purchased 3 hotels from Orix Group

Overall 17 hotels

(5 in Tokyo, 4 in Osaka, 1 in Nagoya, Kyoto, Hiroshima and Kanazawa etc.)

2 more hotels will open in 2017 in city center of Osaka





# 11 Improving the Value of Group's Asset

Redevelop major stations in business and commercial hubs

Development of OSAKA STATION CITY

As of January 2011

As of January 2007



# 12 Improving the Value of Group's Asset

Redevelop major stations in business and commercial hubs

## SOUTH GATE BUILDING

〈Existing part〉

- ✓ Hotel Granvia Osaka
- ✓ Daimaru Department Store

〈Expanded part〉

- ✓ Daimaru Department Store (B2-15F)

Creation of Pathways and Plazas

- ✓ Construction of pathways connecting the North and South of the Station
- ✓ Establishment of 8 plazas
- ✓ Establishment of new dome



## OSAKA STATION CITY



## NORTH GATE BUILDING

- ✓ Office (14-27F)
- ✓ Restaurant and wedding hall (28F)

- ✓ LUCUA Shopping mall (B2-10F)
- ✓ LUCUA1100 Shopping mall (B2-10F)
- ✓ Movie theater (11F)
- ✓ Sports gym (12•13F)

# 13 Improving the Value of Group's Asset

Redevelop major stations in business and commercial hubs

## Development of OSAKA STATION CITY

- ✓ Start of construction; May 2004, Grand opening; May 2011
- ✓ Total project cost; JPY 210billion, Development scale; 245,000m<sup>2</sup>
- ✓ Number of passengers using Osaka station increased as well as revenues of Retail and Real Estate business

Daily passengers using Osaka station

FY2010: 394thousand → FY2015: 431thousand(+9.4%)

- ✓ Triggered other redevelopment projects around Osaka station

Grand opening of Grand Front Osaka in April 2013

(Floor area 560,000m<sup>2</sup>)



Grand Front Osaka buildings



# 14 Improving the Value of Group's Asset

Redevelop spaces in and around stations and sites formerly used as company housings

## Piore Himeji

- ✓ Demolished old building and constructed new shopping center building (B1-6F)
- ✓ Floor area : Approx. 31,000m<sup>2</sup>
- ✓ Store Area : Approx. 13,000m<sup>2</sup>
- ✓ Number of shops : 119
- ✓ Opened in March 2013



## Suita Green Place

- ✓ Our first shopping center away from stations utilizing sites formerly used as company housings
- ✓ Floor area : Approx. 15,740m<sup>2</sup>  
Area of facilities : Approx. 5,460m<sup>2</sup>
- ✓ Number of shops : 19
- ✓ Opened in June 2016



# 15 Improving the Value of Group's Asset

Revise functional layout of existing commercial spaces in and around stations

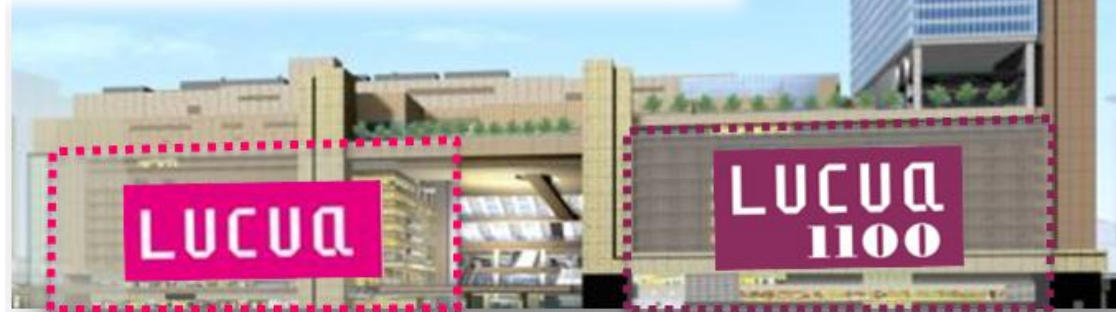
OSAKA STATION CITY -renovation of North Gate Building

LUCUA 1100 - opened in April 2, 2015

- Hybrid of specialty stores and a department store
- One of the largest commercial accumulation in the area  
(total floor area: 80,000m<sup>2</sup>)

Results in FY2015

- Sales: 76.1billion JPY (117% compared to FY2013)
- Number of Customers Visited: 77million (126% compared to FY2013)





## 16 Challenging to New Business Fields

- ✓ Steady growth of new businesses  
(healthcare-related, agriculture-related, and food-related businesses)
- ✓ Growth of internet sales business targeting overseas customers (JAPAN SQUARE)
- ✓ Feasibility study on overseas business that can demonstrate our strength in large cities centering on Asia



# 17 Obstacles to Non-Transportation Businesses

## 1 Lack of human resources and know-how

- JR-West's predecessor JNR was prohibited to involve in non-transportation businesses
- Learned a lot from external partners with expertise

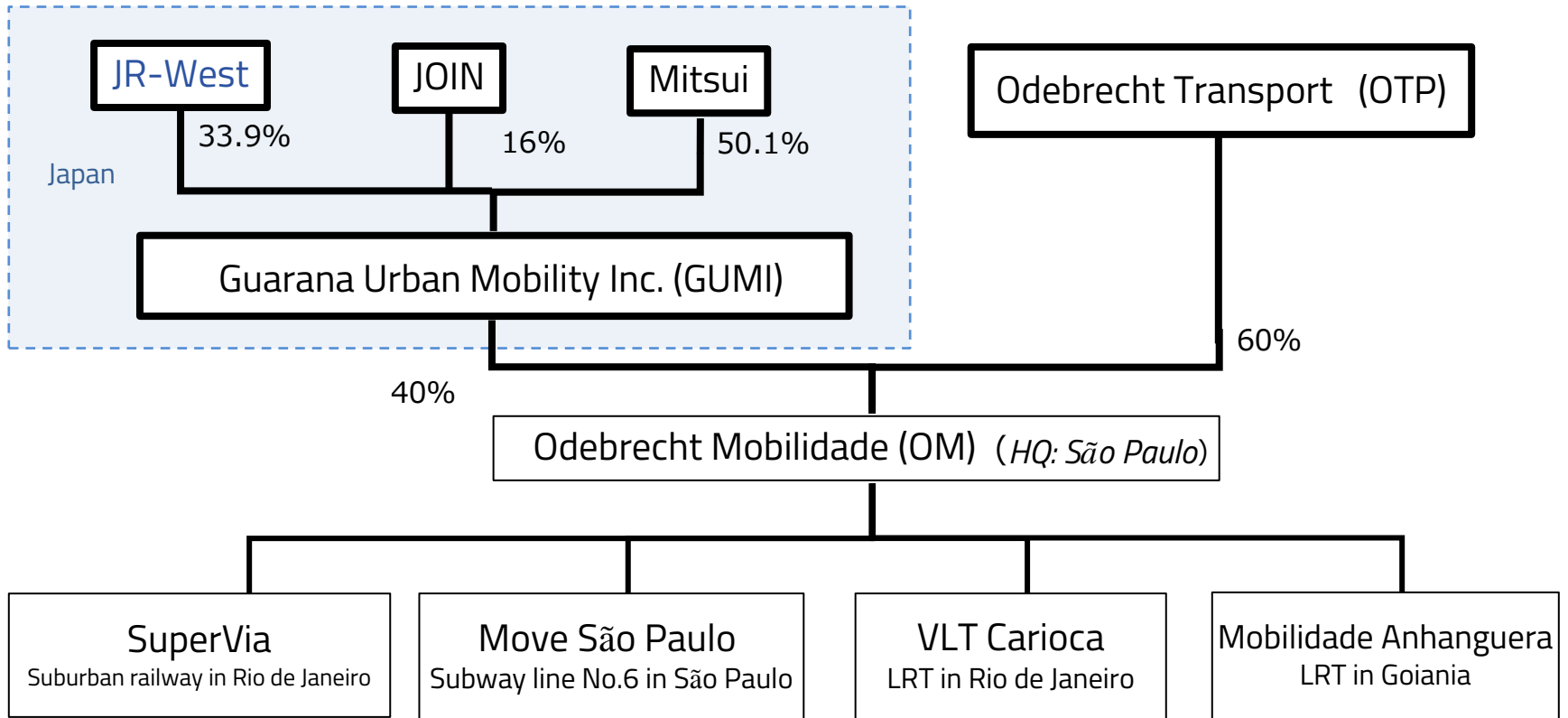
## 2 Coordination between requests from local communities and profitability

- Local governments care about thoughts of local communities when approving developments
- Abandons or postpones developments when profitability deteriorated because of requests by local people

## 3 Additional time and costs to develop without impeding railway operation

- Must avoid negative impacts on railway passengers during construction works
- Additional time and costs substantially influence on project profitability

# 18 Participation in Passenger Railway Business in Brasil



## 19 Technical Cooperation with SuperVia

To contribute to safe and reliable transport of SuperVia, technical cooperation regarding track and rolling stock maintenance is being conducted.



Muito Obrigado.

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