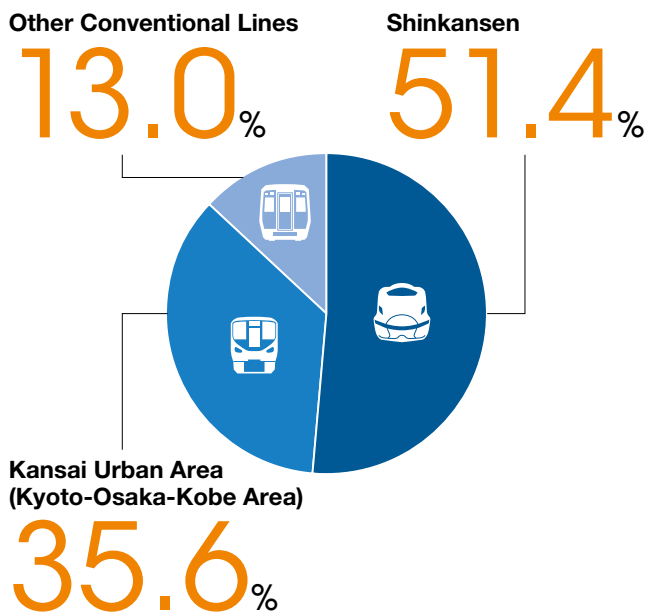
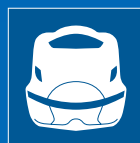


Transportation Operations

Railway Revenues



JR-West's transportation operations segment consists of railway operations and small-scale bus and ferry services. Its core railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 km². The service area has a population of approximately 43 million people, equivalent to around 33% of the population of Japan. The railway network comprises a total of 1,197 railway stations, with an operating route length of 5,007.1 km, almost 20% of the total passenger railway length in Japan. This network includes the Shinkansen (Sanyo Shinkansen and Hokuriku Shinkansen), a high-speed intercity railway line; the Kansai Urban Area, serving the Kyoto-Osaka-Kobe metropolitan area; and other conventional railway lines (other than those operated by the Kyoto, Osaka, and Kobe branches).



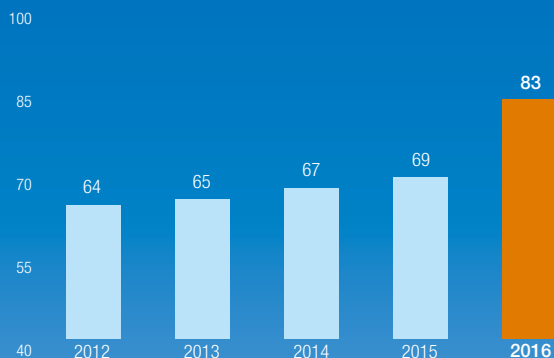
Shinkansen

Number of Passengers

83 million

Years ended March 31

(Millions of passengers)



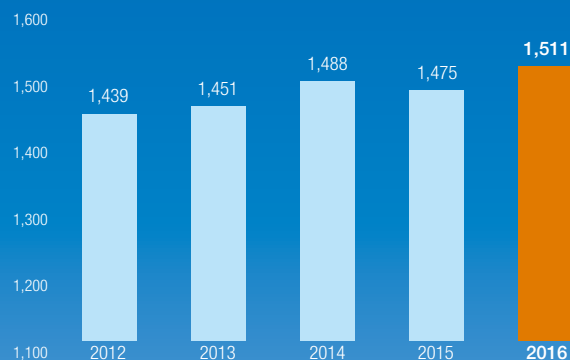
Kansai Urban Area

Number of Passengers

1,511 million

Years ended March 31

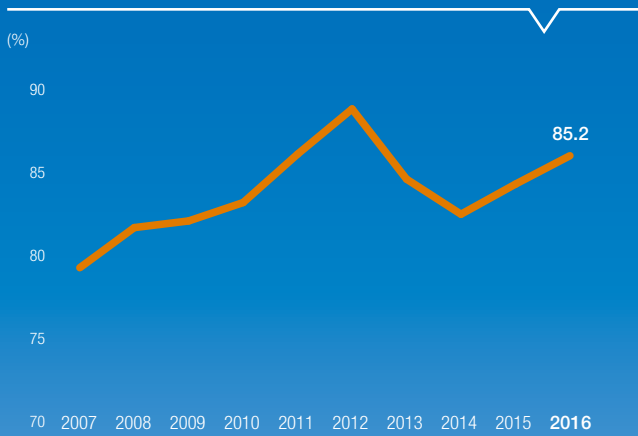
(Millions of passengers)



Share of Passenger Market – Shinkansen Versus Airlines (Kyoto-Osaka-Kobe Area–Fukuoka)

Years ended March 31

85.2%



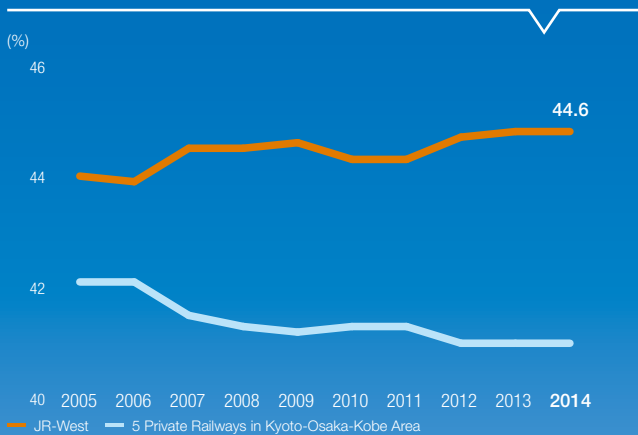
Shinkansen Service Area



Market Share

Years ended March 31

44.6%



Main Lines in the Kansai Urban Area





Shinkansen



Sanyo Shinkansen

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka, located in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

The Nozomi, Hikari, and Kodama services have been operating on the Sanyo Shinkansen Line for some years. Many of the Nozomi services allow passengers to travel from Tokyo or Nagoya to the major stations of the Sanyo Shinkansen Line without changing trains. These services are enabled by direct services with the Tokaido Shinkansen Line, which operates between Tokyo and Shin-Osaka. In addition, following the commencement of operations on all lines of the Kyushu Shinkansen, JR-West launched the Mizuho and Sakura services, which travel directly between the Sanyo Shinkansen and Kyushu Shinkansen lines.

Core Initiatives

Heightening competitiveness

- Enhancing safety, comfort, and convenience
- Advancing self-service ticket purchasing/ticketless boarding

Stimulating tourism demand

- Rolling out tourism campaigns, leveraging tourism contents
- Fostering tourism demand among seniors
- Capturing inbound visitor demand

Initiatives to Heighten Competitiveness

Introducing a New Ticketless Service (Scheduled for Summer 2017)

JR-Central and JR-West have agreed to introduce a ticketless service, scheduled to go into operation in the summer of 2017. The new service will enable travelers to use smartphones and other devices to book reservations and make credit purchases of reserved seats on the Tokaido/Sanyo Shinkansen. Once reserved, passengers need only touch their transport IC card to the sensor at the Shinkansen ticket gate to confirm their identity as the person who made the reservation before boarding the train.

The new ticketless service will retain all the convenience of the current “EX service” but will also be open to non-member passengers and travelers from overseas who have transport IC cards, thereby simplifying ticketless Shinkansen travel.

Transport IC cards can also be used on trains and buses in metropolitan areas, allowing smooth transfers from the Tokaido/Sanyo Shinkansen to conventional lines.



New ticketless service



Hokuriku Shinkansen

The Hokuriku Shinkansen is a high-speed intercity passenger service between Tokyo Station and Kanazawa Station, named for the area in Japan's Hokuriku region. This line passes through such cities as Nagano and Toyama. On this segment, JR-West operates the portion between Joetsumyoko and Kanazawa. Services on the Hokuriku Shinkansen Line between Tokyo and Kanazawa include the direct Kagayaki and Hakutaka services, enabling passengers to travel without changing trains between Tokyo and such major stations as Toyama and Kanazawa. We also operate the Tsurugi shuttle service between Toyama and Kanazawa. In June 2012, we received permission on our site and civil engineering construction plan for the 125km Kanazawa-Tsuruga segment (construction segment: the 114km segment between the Hakusan rail yard and Tsuruga).

Core Initiatives

Heightening competitiveness

- Enhancing comfort and convenience
- Promoting sales of limited-time usage products

Stimulating tourism demand

- Rolling out tourism campaigns, enhancing products
- Fostering tourism demand among seniors
- Capturing inbound visitor demand

Initiatives to Stimulate Tourist Demand

Operating Sightseeing Trains

In conjunction with the start of operations of the Hokuriku Shinkansen and the launch of the Hokuriku Destination Campaign (DC) in October 2015, we began operating two sightseeing trains—the Hanayome Noren on the Nanao Line (between Kanazawa and Wakura-Onsen) and the Belles montagnes et mer on the Johana and Himi Lines.

• Hanayome Noren sightseeing train

Operating between Kanazawa and Wakura-Onsen on the Nanao Line, the Hanayome Noren helps travelers rediscover Japanese hospitality and beauty. Our aims for this special Hokuriku sightseeing train are to maximize the impact of the Hokuriku Shinkansen's launch, promote its ongoing use and popularity, and encourage business to ripple outward into the local community.

• Belles montagnes et mer sightseeing train

The Belles montagnes et mer, nicknamed "Belmonta," which debuted on the Johana and Himi Lines, seeks to evoke a "traveling gallery" of sights, as travelers enjoy the exquisite landscape along the way.



Hanayome Noren sightseeing train



Belles montagnes et mer sightseeing train



Kansai Urban Area



The Kansai Urban Area comprises the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. (Population of the Kyoto–Osaka–Kobe metropolitan area is more than 20 million.) It has an operating route length of 946.0 km, forming a comprehensive network stretching across the entire Kyoto–Osaka–Kobe Area.

The Kansai Urban Area includes the section of the Fukuchiyama Line between Tsukaguchi Station and Amagasaki Station, the location where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

Core Initiatives

Enhancing the value of railway belts

- Creating railway belts that people want to reside in
- Advancing more-seamless services

Promoting urban tourism

- Expanding usage through collaboration with tourism facilities along our railways
- Opening of the Kyoto Railway Museum
- Capturing inbound visitor demand

Efforts to Increase the Value of Railway Belts

Osaka Loop Line Renovation Project

To enhance the Osaka Loop Line's image and increase customer satisfaction, we are engaging in a number of measures under the four key themes of making safe and comfortable stations (renovating and beautifying stations), developing and renovating in-station and under-track stores, developing new rolling stock, and forging links with the local community and other transport operators. By encouraging people to visit the area and take Osaka Loop Line trains, we are working with the local community to invigorate Osaka.

• Developing new rolling stock

In fiscal 2017, we will begin gradually introducing new 323-model trains. We aim to ensure travel quality and comfort with leading-edge services, thereby enhancing the image of the Osaka Loop Line.



The renovated Morinomiya Station



New 323-model train



Other Conventional Lines



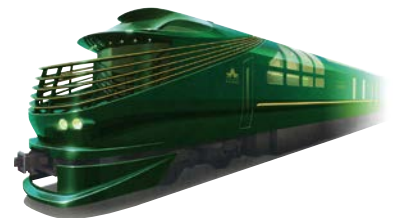
JR-West's other conventional lines comprise intercity transport provided by limited express and express services, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,248.5 km.

The operating environment for other conventional lines continues to be difficult due to the declining population of the areas they serve. However, considering that this network plays a role as a feeder for Shinkansen services as well as functions as a vital part of the overall JR-West railway network, we are working to undertake various management efforts, while placing priority on ensuring safety.

Efforts to Invigorate the West Japan Area

A New Sleeper Train— TWILIGHT EXPRESS MIZUKAZE

TWILIGHT EXPRESS MIZUKAZE, scheduled to go into service in the spring of 2017, will carry on the traditions of the Twilight Express, which operated until March 2015. Through the combination of beautiful scenery just outside the windows and quality in-train dining and comfort, we aim to make the trip enjoyable, introduce travelers to the attractions along the route, and invigorate the west Japan area.



TWILIGHT EXPRESS MIZUKAZE



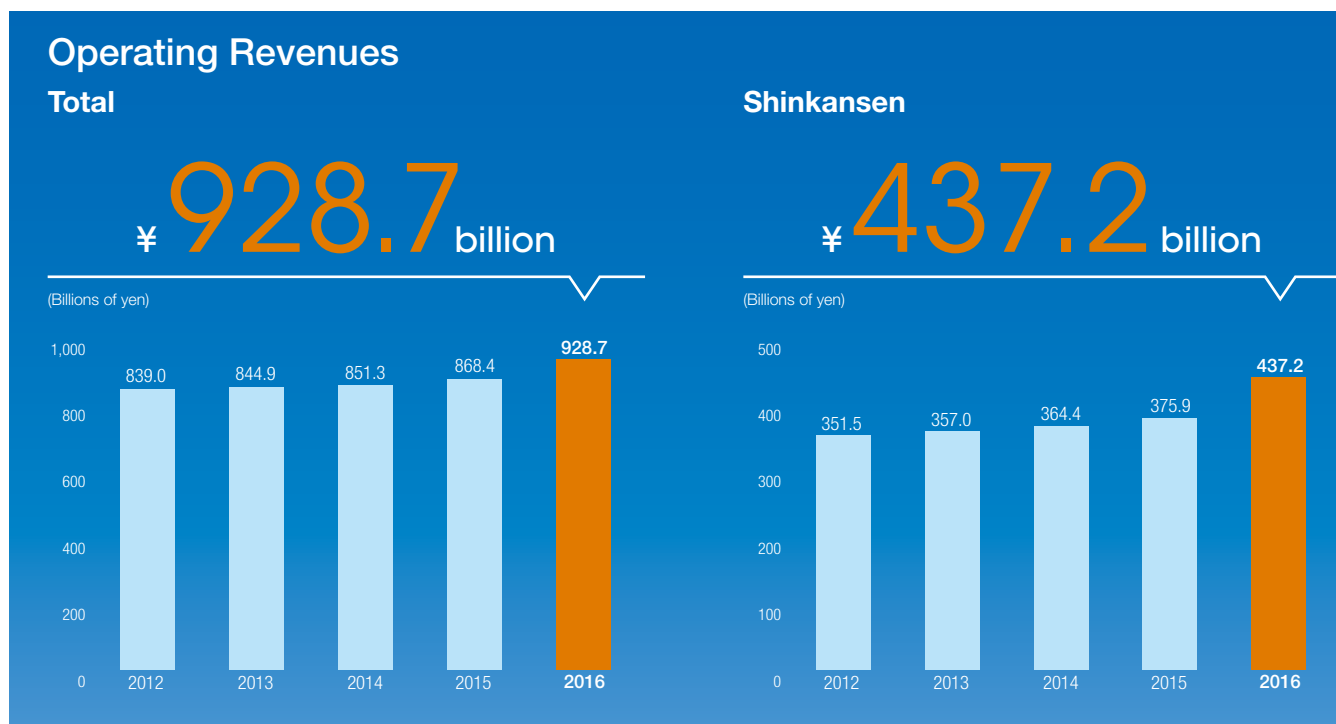
Bus and Ferry Services



JR-West's transportation operations segment includes bus and ferry services. In our bus services, we worked to enhance customer convenience with measures including transportation improvements and flexible pricing schemes designed around usage trends.

In our ferry services (the Miyajima Line), we established a sales structure to handle the peak customer season, and took other steps to secure revenue.

Fiscal 2016 Results for the Transportation Operations Segment (Year ended March 31, 2016)



Operating revenues for the Transportation Operations segment increased 6.9% year on year, to ¥928.7 billion, with operating income up 24.3%, to ¥125.1 billion.

In marketing initiatives, the Company pursued various measures to maximize the impact of the launch of the Hokuriku Shinkansen, promote the use of the Sanyo Shinkansen, attract sightseeing demand from seniors and inbound visitors, improve transportation quality, enhance the value of the railway belts in the Kyoto-Osaka-Kobe area, encourage tourism in western Japan, and develop businesses well suited to the area.

For the Hokuriku Shinkansen, the Company enhanced the lineup of products through its “e5489” Internet reservation service and operated sightseeing bus tours departing from Kanazawa and Toyama stations. In addition, the three prefectures that comprise the Hokuriku region, the Hokuriku Economic Federation, and the JR Group conducted the Hokuriku Destination Campaign. In conjunction with the campaign, we began operating the Hanayome Noren and Belles montagnes et mer sightseeing trains, and took other measures to highlight the appeal of the region. As part of efforts to expand mobility among the

Kansai, Hokuriku, and Shinetsu (Niigata/Nagano) regions, we held Kansai-Hokuriku exchange meetings to discuss initiatives for broadening exchange through tourism, as well as industry, culture, and learning. We also worked to promote Shinkansen use by selling travel packages allowing wide-area excursions across the Hokuriku and Shinetsu regions, and by increasing the number of Thunderbird limited express trains in the timetable revisions implemented in March 2016.

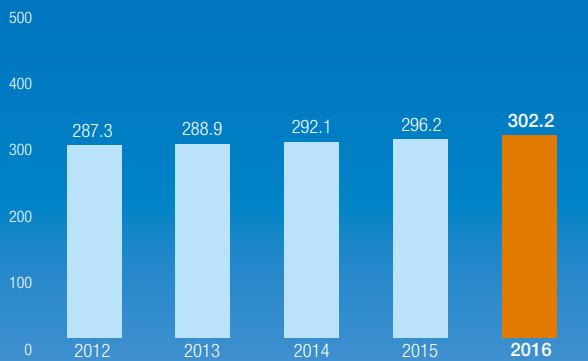
For the Sanyo Shinkansen, in conjunction with a campaign marking the 40th anniversary of its opening, we broadcast TV commercials to promote the use of the service to the Kansai region and operated the 500 TYPE EVA train, a collaboration project with Evangelion. We also promoted the use of the Kodama service through such measures as sales of Kodama WEB Haya-toku 14 and Kodama Super Haya-toku early discount tickets, resulting in increased use.

Targeting the increase in inbound sightseeing visitors, we assigned foreign traveler assistance staff at our principal stations and increased the number of Haruka limited express trains in the March 2016 timetable revisions. We

Kansai Urban Area

¥ **302.2** billion

(Billions of yen)

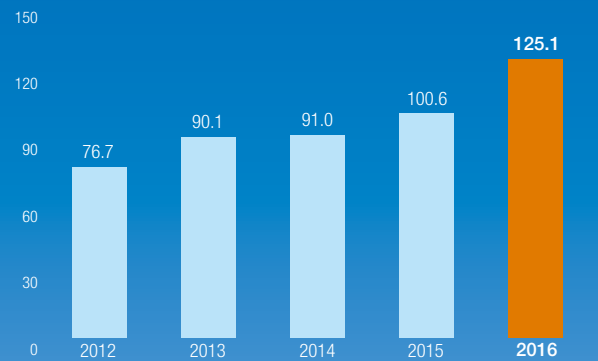


Operating Income

Total

¥ **125.1** billion

(Billions of yen)



also expanded the range of products by launching the Saiyu Kiko Setouchi Area Pass for a sightseeing tour route from Kansai to Hakata (Kyushu) and took steps to expand the range of other products and services. These efforts included the launch of a charter service through the establishment in October 2015 of West JR Bus Service Company, a subsidiary dedicated to arrange chartered sightseeing buses on short notice.

To improve transportation quality and enhance the value of railway belts in the Kansai urban area, in March 2016 the Company opened the new Maya and Higashi-Himeji stations on the JR Kobe Line and expanded the service area for the ICOCA e-money service to the Kishin, Bantan, and Kakogawa lines. Also, in the Kyoto Umekoji area we worked with local governments and other partners to invigorate the area and made preparations for opening the Kyoto Railway Museum on April 29, 2016, seeking to make it a hub of railway culture in collaboration with the local community.

In addition, to stimulate tourism across western Japan and develop businesses suited to each area, JR-West is preparing measures designed to provide high-quality,

comfortable travel and invigorate service areas, particularly as it anticipates the spring 2017 service launch of TWILIGHT EXPRESS MIZUKAZE sleeper train. Specifically, in June 2015 we established the Mizukaze Planning Division and announced operating routes. In September 2015, we approved the train designs and other details, and in December 2015 we announced the uniform designs for the train crew and the chefs who will oversee the meals.