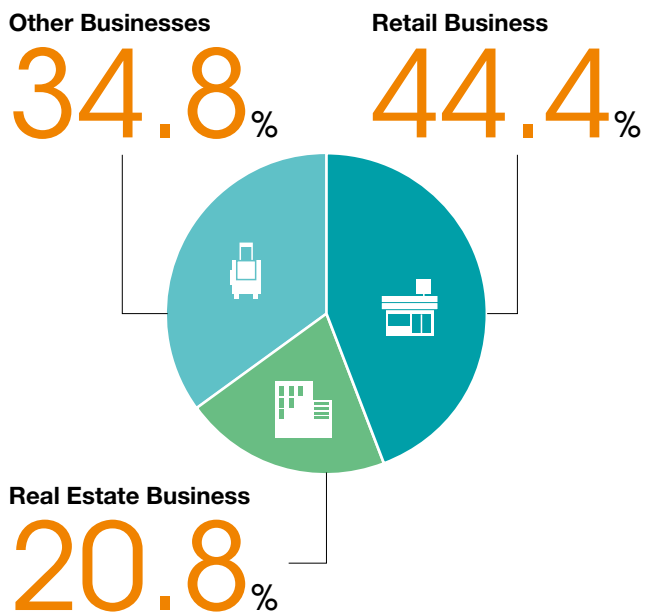


Non-Transportation Operations

Non-Transportation Revenues



JR-West's non-transportation operations segment comprises three operations: retail business, real estate business, and other businesses. These operations contribute to the sustainable growth of the Group as a whole by vigorously taking advantage of their assets, improving services for customers using railway services and customers in areas alongside railway lines, as well as providing high-quality services that are safe and reliable to further increase the appeal of railway stations and earn the increased trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of their railway belts through initiatives that entail collaboration with local communities to develop individual railway stations and their surrounding areas.

Number of Hotels



Number of Department Stores



Number of Shopping Centers



Number of Condominium Units Completed in Fiscal 2016



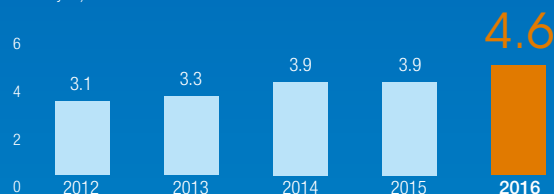
Number completed to date: 6,399



Retail Business

Operating Income from Goods and Foods Services

(Billions of yen)



Operating Income from Department Stores

(Billions of yen)



JR-West Hotel, Shopping Center, and Condominium Locations

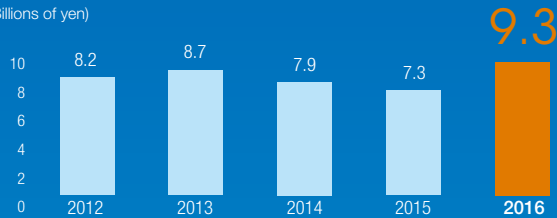
● Shopping Center ● Hotel



Real Estate Business

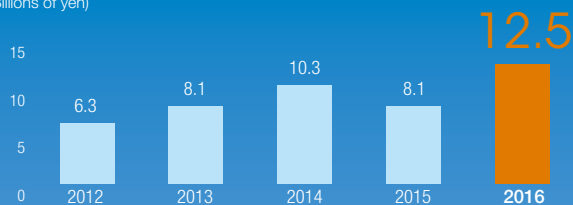
Operating Income from Shopping Centers

(Billions of yen)



Operating Income from Real Estate Leasing and Sales

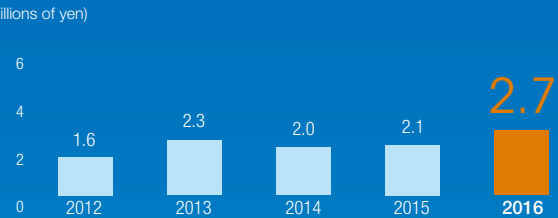
(Billions of yen)



Other Businesses

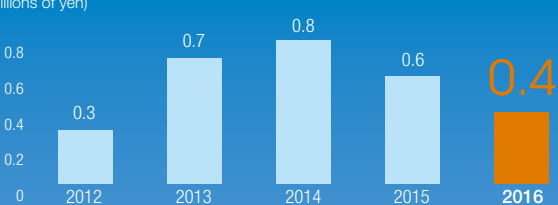
Operating Income from Hotels

(Billions of yen)



Operating Income from Travel Agency

(Billions of yen)



The Next Step, We will work to develop new businesses.

With consideration for the future, we will actively take on the challenge of expanding lifestyle-related service businesses and developing/nurturing new fields of business in order to achieve sustainable growth over the long term.

Core Initiatives

Retail / Shopping centers

- Qualitative improvements realized by strengthening products and services
- Actively developing businesses in cities outside our railways in fields where we have strengths

Real estate leasing and sales

- Participating in projects in areas surrounding stations, e.g., community development centered on the station
- Advancing sales of condominiums



Retail Business



JR-West's retail services, centered on railway passengers, consist of convenience stores, specialty stores, and food and beverage outlets located in and around station buildings, as well as department stores such as JR Kyoto Isetan department store.

Initiatives to Improve Quality by Strengthening Products, Services, and Operations

Converting Stores through Alliance with Seven-Eleven Japan

JR-West has entered an alliance with Seven-Eleven Japan to convert in-station stores to Seven-Eleven stores and is making an effort to maximize the effect of this conversion.

On June 4, 2014, the first group of these stores was opened in Kyoto, Okayama, Shimonoseki, and Hakata (five stores in total) with ceremonies held at each station on the day of their grand opening. The objective is to convert approximately 500 stores to Seven-Eleven allied stores over a five-year period. By March 31, 2016, 193 stores had already been converted.

Sales at in-station stores increased around 50% compared to sales before the conversion to Seven-Eleven allied stores. Going forward, we will continue to maximize the effect of this conversion.



Seven-Eleven allied store



Real Estate Business



JR-West's real estate business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at hub railway stations, the development of commercial facilities near railway station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

Initiatives Aimed at Participation in Business Projects near Major Stations

Tsukaguchi ZUTTOCITY

— JR Takarazuka Line, Tsukaguchi Station-Front Redevelopment

JR WEST REAL ESTATE & DEVELOPMENT COMPANY, in conjunction with Nomura Real Estate Development Co., Ltd., and HASEKO Corporation, commemorated the opening of ZUTTOCITY on April 9, 2016, part of an ongoing large-scale multipurpose redevelopment project in front of Tsukaguchi Station on the JR Takarazuka Line in Amagasaki, Hyogo Prefecture.

ZUTTOCITY is an area targeted for “continuous growth where people will always want to live,” through the realization of a comfortable, attractive, and eco-friendly urban area, the creation of roads, parks and other public facilities, and the introduction of high-quality residential units offering lifestyle convenience.

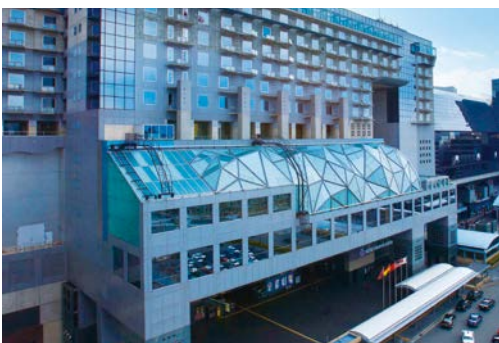
The full-fledged construction of ZUTTOCITY began in March 2014, when residents began moving into Proud City Tsukaguchi Mark Front and the building directly connected to the station was opened.



Tsukaguchi ZUTTOCITY

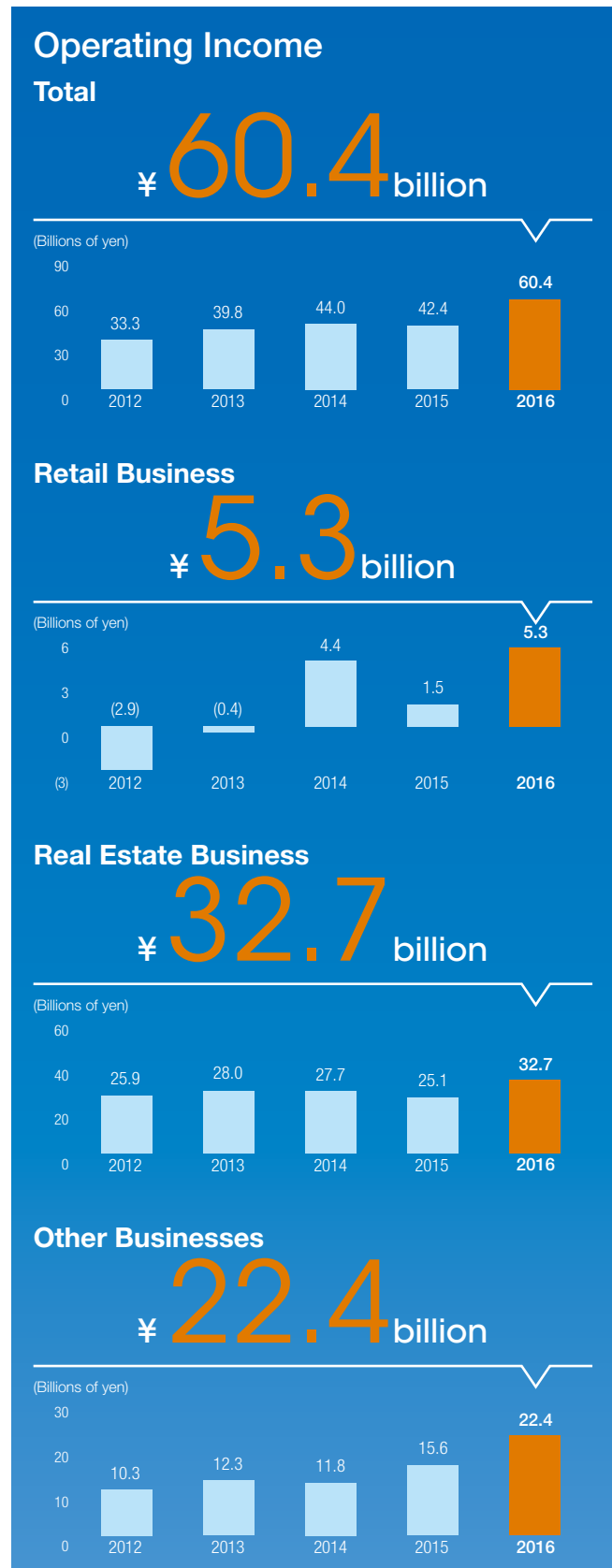
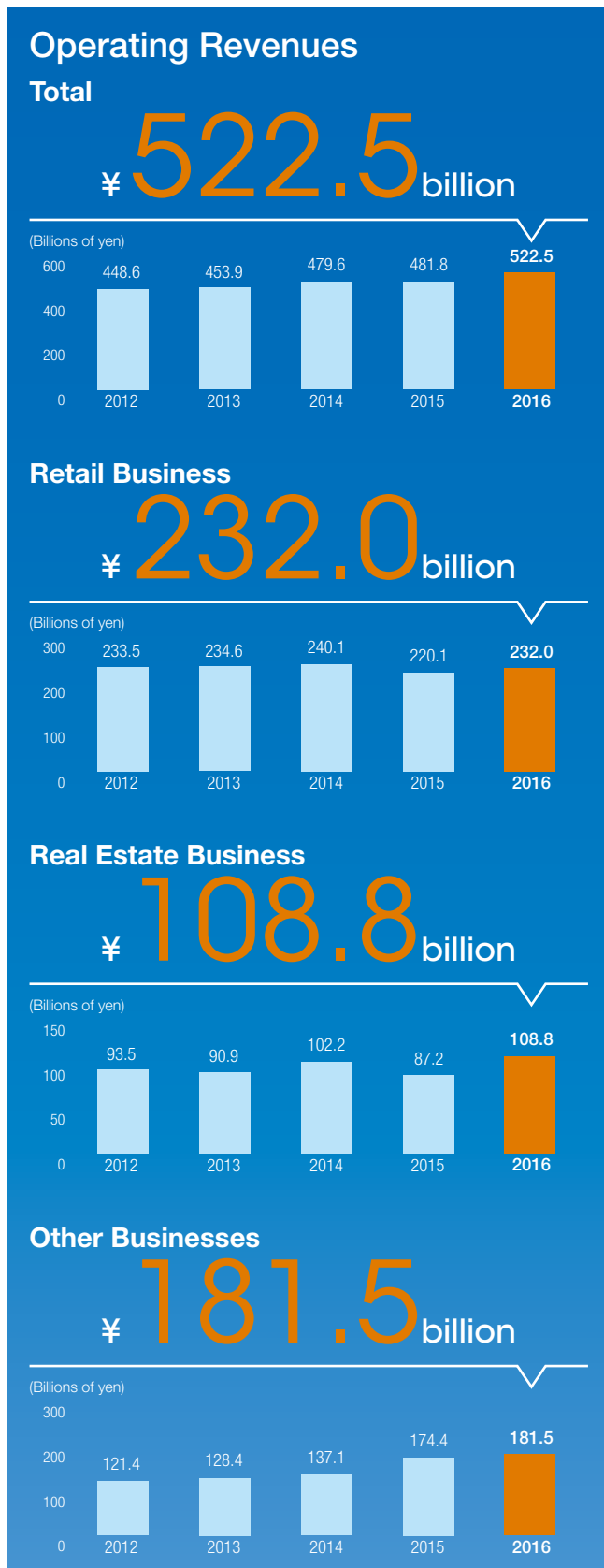


Other Businesses



JR-West's other businesses consist of the travel agency business operated by Nippon Travel Agency, the hotel business, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

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



Retail Business

Shops at major stations where renovation work had been conducted were opened as planned, and business performance was firm on increased railway use. As a result, operating revenues in the Retail Business segment increased 5.4% from the previous fiscal year, to ¥232.0 billion, with operating income up 233.0%, to ¥5.3 billion.

Regarding measures to enhance the appeal of stations, in December 2015 JR-West held a grand opening for Eki Marché Shin-Osaka, a facility inside the ticket gates at Shin-Osaka Station, for which we had been making

preparations. We also opened the “Enmusubi-dori Zone” at Shamine Matsue in Matsue Station, resulting in extensive use.

For our business alliance with Seven-Eleven Japan, we opened 123 new franchised stores to date in fiscal 2016 for a total of 193 locations. New store sales are steady. In August 2015, consolidated subsidiary West Japan Railway Food Service Net Company acquired the shares of Karafuneya Coffee Co., Ltd., with the aim of opening locations in cities outside our railways.

Real Estate Business

Operating revenues for the Real Estate Business segment increased 24.9% from the previous fiscal year, to ¥108.8 billion, with operating income up 29.9%, to ¥32.7 billion.

JR-West has been implementing measures to leverage the opening of LUCUA 1100, the West Wing of the North Gate Building of OSAKA STATION CITY, which opened in April 2015. We have also been moving forward with renovations to commercial facilities at major stations to support future growth. LUCUA Osaka recorded moderate performance amid a harsh operating environment, with ¥76.1 billion in sales on footfall of 77 million people.

In addition, in conjunction with the opening of the Kanazawa segment of the Hokuriku Shinkansen, the number of customers at the newly opened and renovated shopping centers in the Toyama and Kanazawa areas has grown with the increased railway use.

Furthermore, JR-West continued to renew and upgrade commercial facilities with the expansion and renovation of Hiroshima Shinkansen Meitengai in Hiroshima Station in May 2015, along with the renovation in July of the second floor of Shin-Osaka Station commercial facility as “arde! Shin-Osaka,” and in January–February 2016 the Akashi Station commercial facility as “piole Akashi.”

JR-West is also taking steps toward condominium development in areas along railway lines and other areas, recording steady sales.

Of note, in April 2015 JR-West merged two consolidated subsidiaries operating shopping centers at JR Osaka Station and other areas, with the aim of developing and operating more convenient and attractive commercial facilities.

Other Businesses

Operating revenues for the Other Businesses segment increased 4.1% from the previous fiscal year, to ¥181.5 billion, with operating income up 43.5%, to ¥22.4 billion.

In hotel operations, JR-West made efforts to expand sales in order to gain business from overseas visitors, resulting in extensive use. In travel agency operations, JR-West strengthened marketing efforts to capture inbound visitor demand, expanded Internet sales, and took steps to increase sales of products that utilize railways.

In addition, with the aim of utilizing management and

technology expertise to realize safe and reliable transportation along with human resources development, in December 2015 JR-West concluded an agreement with Mitsui & Co., Ltd. to acquire shares in the Japanese company Guarana Urban Mobility Incorporated, which invests in urban passenger transportation companies in Brazil. We acquired the shares in March 2016.

In the construction business, JR-West enhanced safety and quality in construction projects, leading to an increase in new order contracts.