

LINKING People, BUILDING Communities

Direct Service with the **KYUSHU SHINKANSEN LINE**

On March 2011, in conjunction with the commencement of operations of all sectors of the Kyushu Shinkansen, the Company began offering direct services between the Sanyo and Kyushu Shinkansen lines. Using these new direct services, passengers can travel between Shin-Osaka Station and Kagoshima-Chuo Station in as little as 3 hours and 42 minutes, and between Shin-Osaka Station and Kumamoto Station in as little as 2 hours and 58 minutes. We are aiming to offer a higher quality Shinkansen experience through these direct services by introducing new rolling stock based on the state-of-the-art, highly reliable N700 Series trains. At the same time, we are working to stimulate tourism demand in Kyushu by advertising the appeal of Kyushu's various sightseeing spots.

● Online Reservation Service “e5489”

We launched the online reservation service “e5489” in March 2011. This service increases the convenience of railway travel by allowing passengers to reserve tickets online for the Mizuho and Sakura Shinkansen services, which are used on the new direct services, as well as for the Company's traditional Nozomi and Hikari Shinkansen services. JR-West is also taking steps to

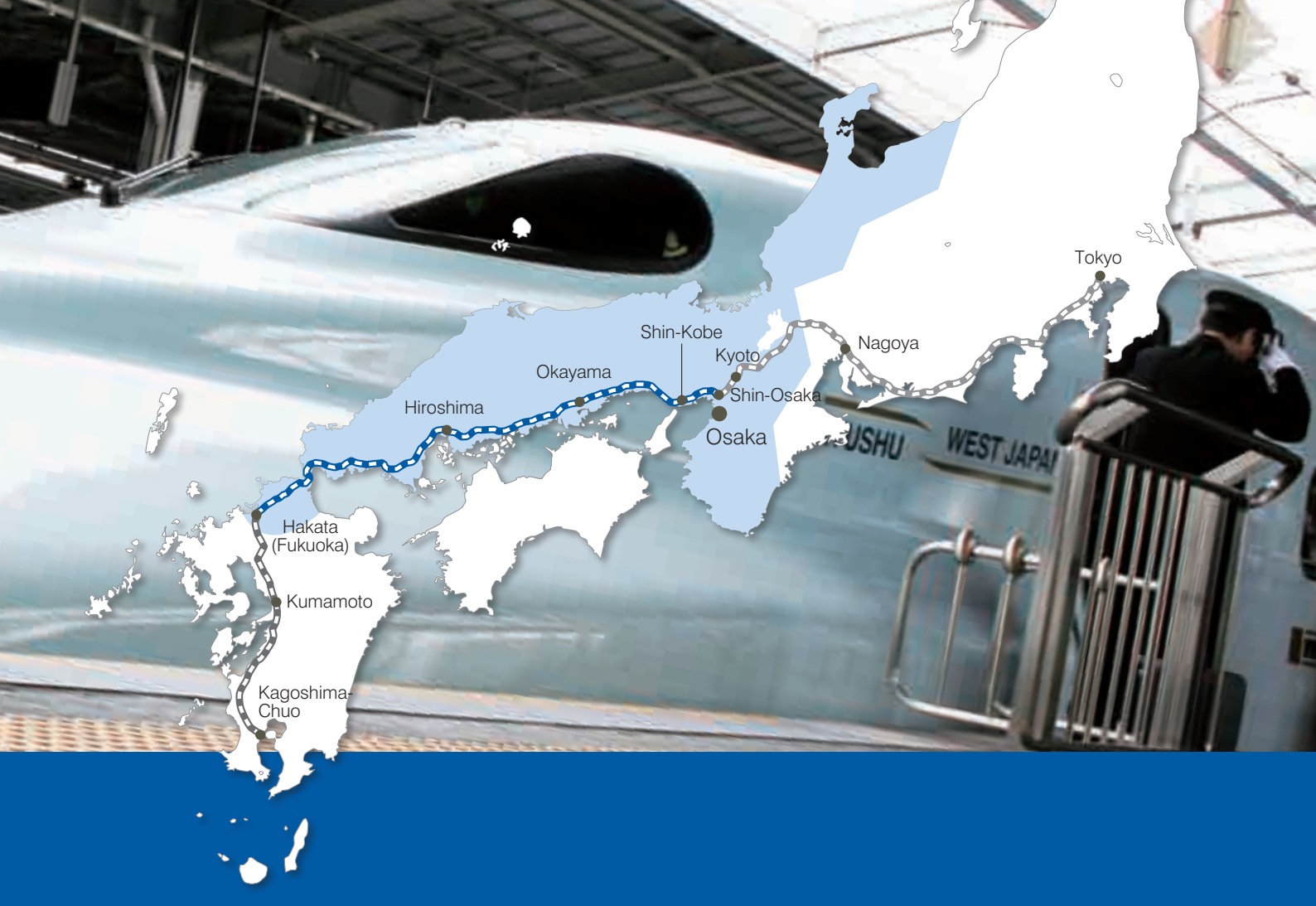
ensure that its Shinkansen services offer sufficient price competitiveness relative to airlines. For example, the newly introduced Internet early reservation discount tickets through “e5489” feature reduced prices. Using these tickets, a passenger can travel between Shin-Osaka and Kagoshima-Chuo stations for ¥17,000 one way, and between Shin-Osaka and Kumamoto stations for ¥14,400 one way.

● Number of Passengers

As a result, in fiscal 2012 passenger volume of the Sanyo Shinkansen between Kokura and Hakata increased approximately 20%. Market size also increased for fiscal 2012 based on totals for the use of Shinkansen and airline services, with passenger volume increasing approximately 30% between the Kyoto–Osaka–Kobe area and Kumamoto and between the Kyoto–Osaka–Kobe area and Kagoshima.

Regarding our market share in comparison with the airlines, JR-West's share of travel between the Kyoto–Osaka–Kobe area and Kumamoto has increased from 30% to around 60%, and for travel between the Kyoto–Osaka–Kobe area and Kagoshima from 10% to around 40%.

* As a result of preliminary calculations up to June 2011. Looking at the trend of passenger volume, we believe that this trend remained roughly unchanged throughout the fiscal year.



SERVICE, DAILY FREQUENCY, TRAVEL TIME, AND FARE

	Service	Frequency (Round trips per day)	Travel Time (Fastest service)	Fare
Shin-Osaka– Kagoshima-Chuo	Mizuho	5	3h 42m	¥21,600
	Sakura	17.5	4h 06m	¥21,300
				¥17,000*
Shin-Osaka– Kumamoto	Mizuho	5	2h 58m	¥18,320
	Sakura	18	3h 18m	¥18,020
				¥14,400*

* Prices of Internet early reservation discount tickets.

TRAVEL TIME (REDUCTION)

	Hiroshima	Okayama	Shin-Osaka
Kumamoto	1h 37m (52m)	2h 13m (53m)	2h 58m (59m)
Kagoshima-Chuo	2h 21m (73m)	2h 57m (74m)	3h 42m (80m)

Note: Travel times are for the fastest Mizuho Shinkansen service.

Times in parentheses represent the reduction in travel time following the establishment of direct services.

Future Initiatives

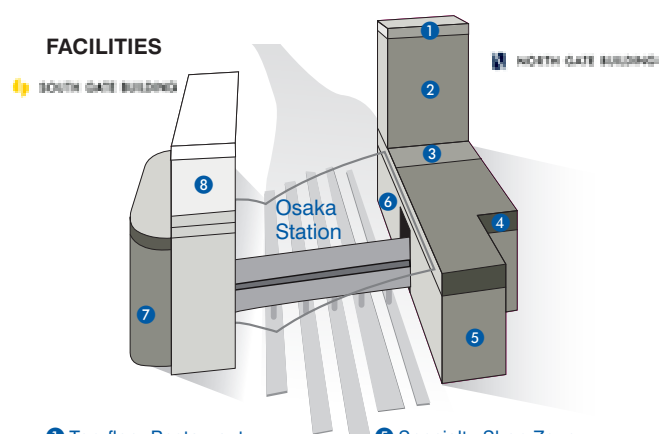
We further enhanced convenience with the timetable revision in March 2012, including increasing the number of trains providing direct service with the Kyushu Shinkansen from 15 to 23 round trips per day, and shortened the fastest service between Shin-Osaka and Kagoshima-Chuo by 3 minutes, to 3 hours and 42 minutes. We undertook measures to highlight these timetable revisions, as well as other basic information such as the online reservation service “e5489,” in an effort to meet the needs of not only the tourists who currently account for around 40% of our business, but also businesspersons, individuals, and all manner of travelers.

We expect that the direct service with the Kyushu Shinkansen will provide a revenue boost of around ¥15.0 billion (compared to the fiscal year ended March 31, 2011) in the fiscal year ending March 31, 2013, roughly equivalent to that in the previous fiscal year. We are wary of the possibility of a falloff in demand from the rebound effect following the extraordinary demand when the service was launched, and are steadily implementing a variety of measures to maximize the benefit from the new service.



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OSAKA STATION CITY



1 Top-floor Restaurant

Name: LAGUNAVEIL PREMIER
Total floor space: approx. 2,000m²

2 Office Zone

Total floor space: approx. 40,000m²

3 Service Zone

Name: Konami Sports Club Grancise
Osaka, etc.
Total floor space: approx. 5,000m²

4 Entertainment Zone

Name: OSAKA STATION CITY CINEMA
Total floor space: approx. 10,000m²

5 Specialty Shop Zone

Name: LUCUA
Total floor space: approx. 40,000m²,
Store floor space: approx. 20,000m²

6 Department Store Zone

Name: JR Osaka Mitsukoshi Isetan
Total floor space: approx. 90,000m²,
Sales floor area: approx. 50,000m²

7 Extension

Expands the area of Daimaru Osaka
Umeda's sales floor to approx.
64,000m²

8 Hotel Zone

Name: Hotel Granvia Osaka
Floor area: approx. 33,000m²
Executive Floor (27F) opened
April 2012

With approximately 800,000 passengers using it each day, Osaka Station, JR-West's largest hub station, opened as Osaka Station City on May 4, 2011. It has a floor area of 245,000 square meters and accounted for a total investment of ¥210 billion.

● Results in the Fiscal Year Ended March 31, 2012

Osaka Station City has attracted a cumulative total of more than 120 million visitors, as of the end of March, and increased railway usage, with Osaka Station seeing an approximately 10% year-on-year rise in the use of short-haul tickets.

The LUCUA shopping center has been popular since its opening, with tenant sales of ¥34.0 billion, far exceeding the initial target of ¥25.0 billion. Revenue from JR Osaka Mitsukoshi Isetan, however, was just ¥31.0 billion, falling below initial targets.

The overall revenue boost provided by Osaka Station City during the fiscal year ended March 31, 2012, was ¥46.9 billion. Broken down by segment, this comprised ¥5.0 billion from transportation operation, ¥31.0 billion from retail business, and ¥10.9 billion from real estate business.

	Amount	Notes
Transportation Operations	¥5.0 billion	Revenue from passenger tickets
Retail Business	¥31.0 billion	Department stores sales (JR Osaka Mitsukoshi Isetan)
Real Estate Business	¥10.9 billion	LUCUA, office rental income, etc.
Total	¥46.9 billion	



Each of these businesses had highs and lows, but overall the project is off to a good start. Also, completion of the new station building will stimulate activity at Osaka Station, which will provide a steady increase in earnings over the longer term.

● Future Initiatives

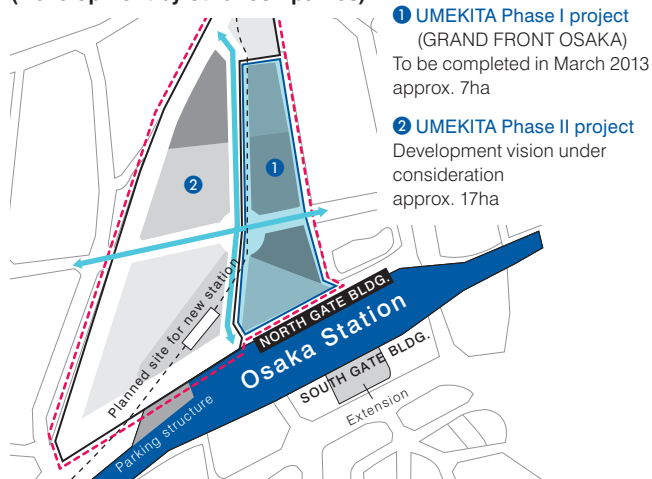
In this second year for the project, we consider further enhancing customer drawing power to be an issue, and are planning various events to generate excitement. For example, at JR Osaka Mitsukoshi Isetan, we are attracting customers by holding a storewide lottery drawing, and providing special incentives to cardholders. We are also furthering concerted group efforts in product development and promotions, such as offering travel packages and promotional tickets that include special benefits in Osaka Station City.

By these initiatives, in comparison with the fiscal year ended March 31, 2011, ¥50.3 billion of positive impact is expected in total, including ¥5.0 billion in transportation revenues, ¥34.0 billion in retail business which is ¥3.0 billion higher than last year, and ¥11.3 billion in real estate business.

Since the Umekita Phase I project will open in spring 2013, we will focus more intently on area management with local businesses, and take steps to enhance the appeal of the Umeda district around Osaka Station.

[REFERENCE]

OUTLINE OF UMEKITA PROJECT (Development by other companies)



GRAND FRONT OSAKA

	Rental Store Floor Space, Houses, and Capacity
Offices	153,200m ²
Rental Facilities	42,000m ² ; approx. 300 shops
Convention Center	Approx. 3,000 people
Hotel / Serviced Apartments	Hotel: approx. 200 rooms Serviced Apartments: approx. 50 rooms
Condominiums	525 houses