

## Operating Results by Business Segment

# Transportation Operations

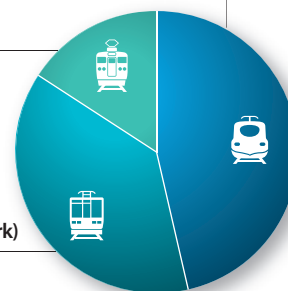
JR-West's transportation operations segment consists of railway operations and small-scale bus and ferry services. Its railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The railway network comprises a total of 1,222 railway stations, with an operating route length of 5,015.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network includes the Sanyo Shinkansen, a high-speed intercity railway line; the Kansai Urban Area, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines (excluding the three JR-West branch offices in Kyoto, Osaka, and Kobe).

### Railway Revenues

#### Sanyo Shinkansen

#### Other Conventional Lines

#### Kansai Urban Area (including the Urban Network)



The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers and has 19 railway stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR-Central), operates all of the other 18 railway stations.

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

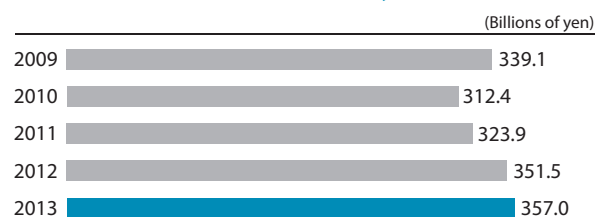
to the major stations of the Sanyo Shinkansen Line, such as Okayama, Hiroshima, and Hakata, without changing trains. These services are enabled by direct services with the services of the Tokaido Shinkansen Line, which Central Japan Railway Company (JR-Central) operates between Tokyo and Shin-Osaka. In addition, following the March 12, 2011 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. These new services enable customers to travel between Shin-Osaka and Kagoshima-Chuo in as little as 3 hours and 42 minutes.



### Transportation Revenues

# 357.0

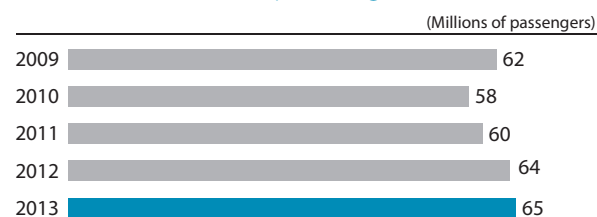
Billions of yen



### Number of Passengers

# 65

Millions of passengers







## Future Initiatives

### Enhance

For the Shinkansen, work to further increase safety and reliability, and provide competitive transportation services, while also creating new demand by expanding services for seniors and foreign tourists. Press ahead with preparations for the start of Hokuriku Shinkansen service to Kanazawa, and promote exchanges among people, to enhance the potential of the Shinkansen.

### Key Measures

- ① **Sustain sound facilities and services into the future, and enhance ability to respond to natural disasters**
  - Maintain and manage tunnels, elevated railway tracks, and other structures appropriately
  - Advance earthquake and tsunami countermeasures and derailment prevention measures
  - Advance the introduction of new ATC systems
- ② **Increase market share by heightening competitiveness**
  - Enhance and publicize frequency, on-board communications environment, Internet reservations, punctuality, and comfort
  - Introduce N700A



N700A



ICOCA & HARUKA

### ③ Expand business area by creating new demand

- Capture seniors' demand
- Capture inbound demand

### ④ Entrench and expand benefits of direct service with the Kyushu Shinkansen

- Continue campaigns and product development in cooperation with local communities

#### Kyoto-Osaka-Kobe Metropolitan Area - Fukuoka

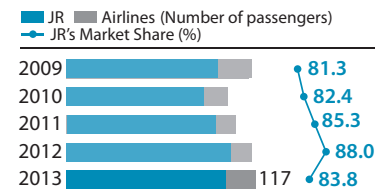
(As of March 31, 2013)	Travel Time	Fare (¥)	Frequency
<b>Shinkansen</b>	<b>2h 22m</b>	<b>14,890</b>	<b>57.0</b>
Airlines (Itami Airport)	2h 20m	21,900	17
Airlines (Kansai Intl. Airport)	3h 00m	21,900	7(6)

Travel Time and Fare: JAL or ANA  
Frequency: All airlines. Numbers in parentheses are frequency excluded those of JAL or ANA.

Notes 1: Fare for the Shinkansen is the regular Nozomi fare, and for airlines the regular fare.

2: Travel time for the Shinkansen is the shortest on Nozomi and Mizuho trains. Travel time for the airlines is estimates. For airlines, in addition to the travel time required from the airport to the city center, the calculation includes 10 minutes travel time from the Airport Limousine Bus or nearest station to the airport to the boarding gate, 20 minutes waiting time at the boarding gate, and 10 minutes from the gate to the Airport Limousine Bus or station nearest the airport.

#### Kyoto-Osaka-Kobe Area to Fukuoka Years ended March 31



Note: Each graph bar represents the number of passengers using JR and the number of passengers using airlines; the bars indicate the total number of passengers using JR or using airlines compared to the base year index of 100 (the fiscal year ended March 1997). The base year index of 100 (the fiscal year ended March 2008)

Source: Ministry of Land, Infrastructure and Transport







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 kilometers, 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.

Furthermore, we held the grand opening of Osaka Station—the largest JR-West-operated

hub station—as Osaka Station City on May 4, 2011. Osaka Station serves as the gateway to the Kansai region as well as the gateway into Osaka itself. For this reason, we hope that Osaka Station City will serve as a new landmark in Osaka, a landmark that embodies a sense of flair and sophistication befitting its role as a gateway. This strong desire was a key factor in our naming of Osaka Station City. Furthermore, it is our wish that it will come to be loved by all who visit it as a “city” that is both highly appealing and convenient.



### Transportation Revenues

# 291.4

 Billions of yen

(Billions of yen)

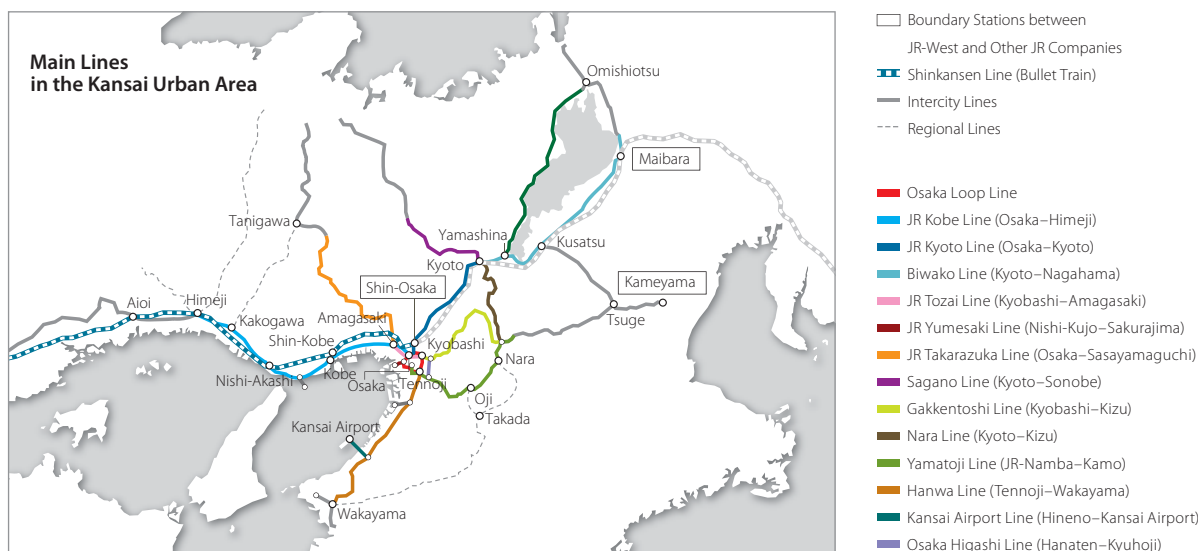


### Number of Passengers

# 1,451

 Millions of passengers

(Millions of passengers)





## Future Initiatives

### Improve

For the Kansai Urban Area, pursue higher levels of safety and implement thoroughgoing measures for reliable transport to build a railway that offers high-quality transport and is used repeatedly by customers. Also, enhance the Osaka Loop Line to increase the value of railway belts and improve the appeal of urban areas.

### Key Measures

#### 1) Increase quality of transport

- Pursue safe, reliable transport service  
Replace rolling stock, introduce new safety system, increase safety of level crossings, increase facilities for turn back operation, take natural disaster countermeasures

- Increase and improve guidance for customers during transport disruptions

#### 2) Create an appealing Kansai Urban Area

##### ① Advance urban tourism

##### ② Create railway belts that are easy to use and where people will want to reside

- Convert to over-track stations and build new stations that integrate with community development
- Enhance lifestyle-related services businesses

##### ③ Build a more convenient railway network

Advance creation of a seamless railway network March 23, 2013:

Start of nationwide reciprocal use of transportation IC cards

- Promote new underground station facilities in step with development of the Osaka Higashi Line (northern part) and Umekita



ICOCA



Transportation IC card







### 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 3,425.7 kilometers.

The operating environment for other

conventional lines continues to be difficult due to the declining population of the areas it serves. 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 provide more community-oriented services and undertake other management efforts, while placing priority on ensuring safety.



### Bus and Ferry Services



JR-West's transportation operations segment includes bus and ferry services. In our bus services, we have endeavored to increase customer convenience by implementing flexible fares reflecting usage trends.

In our ferry services (the Miyajima Line), we have focused on securing revenues through initiatives like marketing activities targeting travel companies.





## Fiscal 2013 Results

Operating revenues in the transportation operations segment increased 0.7% from the previous fiscal year, to ¥844.9 billion, and operating income rose 17.4%, to ¥90.1 billion.

In transportation operations, the Sanyo Shinkansen and Urban Network both experienced strong ridership. In addition, we worked to enhance customer convenience by revising timetables in March 2013. These revisions resulted in changes such as increases in Nozomi and Sakura Shinkansen services, and, for our conventional lines, increases in Kuroshio limited express services and 12-car special rapid service services on the JR Kyoto and JR Kobe Lines. Despite our best efforts, however, last summer's localized torrential rainstorms damaged tracks in multiple locations and caused numerous unavoidable service suspensions and delays in our Urban Network and other operations.

Through marketing initiatives, we worked to increase travel between West Japan and Kyushu. One example was a PR campaign using multiple media channels to promote direct service operations between the Sanyo Shinkansen and Kyushu Shinkansen. We also held the "Kagoshima College" program in which university students use social media to disseminate information on the appeal of travelling through exchanges at sightseeing destinations.

Other marketing initiatives focused on increasing use of our railway through an ongoing proactive campaign calling attention to the convenience and price advantages of the "e5489" online reservation service. We also undertook efforts, like the "Miyajima and Kure Campaign" and "Sanin Destination Campaign," to stimulate travel demand; launched the "Super Haya-toku" Ticket and other initiatives with an eye toward beating back competition from other modes of transportation; and took steps like expansion of the valid travel area for the JR-West

Rail Pass and implementation of the "Detective Conan Okayama and Kurashiki Mystery Tour" for travelers from Taiwan, to encourage railway usage by foreign tourists. On another front, we worked to enhance the convenience of railway usage by adding Kintetsu Corporation to our partnership with Keihan Electric Railway for the sale of the ICOCA Connection Pass for three railway companies, and by introducing nationwide reciprocal use of transportation IC cards.

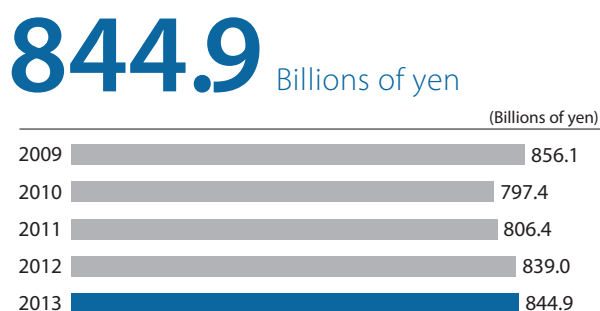
To improve customer service, we introduced services, like the issuance of delay certificates from a PC- and cell phone-accessible website, that seek to further improve services from the customer's perspective.

"Osaka Station City," which had its grand opening in May 2011, welcomed its 200 millionth visitor in November 2012 and has seen other indicators that its strong popularity with consumers continues.

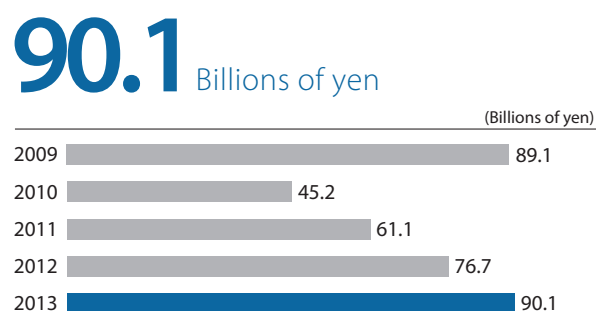
We moved forward with "innovation by technology" initiatives in areas like the transfer of technical skills to younger workers, improvement of practical capabilities and skills, the promotion of "system change of railway operation" activities, and protection of the global environment.

Meanwhile, with regard to train car technologies, to improve our train car technologies in general, we acquired shares in The Kinki Sharyo Co. Ltd. and entered into a business tie-up agreement with that company. To promote railway businesses through international exchanges, we also entered into cooperation agreements with Renfe Operadora, a Spanish government-owned operator of freight and passenger railways, and Administrador de Infraestructuras Ferroviarias, a Spanish government-owned company in charge of managing railway infrastructure.

### Operating Revenues



### Operating Income





# Non-Transportation Operations

JR-West's non-transportation operations segment comprises three operations: retail business, real estate business, and other businesses. Those 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 its railway belts through initiatives that entail collaboration with local communities to develop

individual railway stations and their surrounding areas.

In development initiatives, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will develop commercial facilities in and around railway stations as well as areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums.

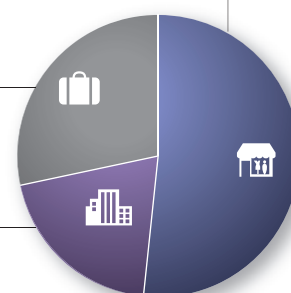
Also, in order to foster earnings mainstays for the next era, JR-West is furthering initiatives to create new businesses through collaborations both inside and outside the Group.

## Non-Transportation Revenues

### Retail Business

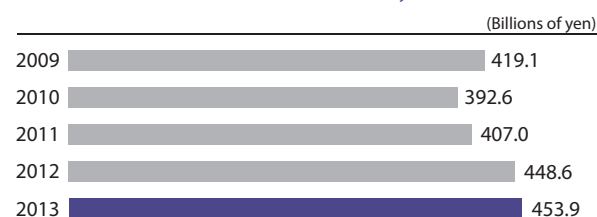
### Other Businesses

### Real Estate Business



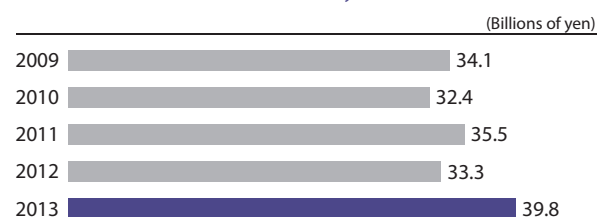
## Operating Revenues

**453.9** Billions of yen



## Operating Income

**39.8** Billions of yen







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 the Isetan department stores.

### Fiscal 2013 Results

The retail business segment recorded a 0.5% increase in operating revenues from the previous fiscal year, to ¥234.6 billion, but an operating loss of ¥400 million.

At JR Osaka Mitsukoshi Isetan department store, we endeavored to offer highly original goods and services. Given the tight commercial climate,

however, we are now moving ahead with an examination of fundamental business revitalization measures, as we strive to create stores capable of earning the patronage of local customers. Other initiatives for making stations more appealing went forward at Osaka Station, where we opened the Eki Marché Osaka commercial center and an Entrée Marché hybrid convenience store; Tennoji Station, where we opened another Entrée Marché hybrid convenience store; and Tottori Station, where we developed a retail space. In addition to these activities, we also opened the Viann Okayamaya, a business hotel near the west side of Okayama Station.

#### Operating Revenues

**234.6** Billions of yen

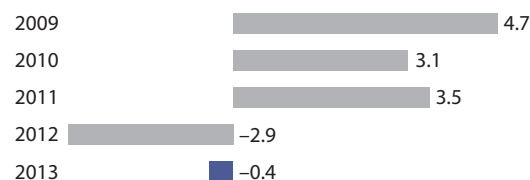
(Billions of yen)



#### Operating Income

**-0.4** Billions of yen

(Billions of yen)







## 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.

### Fiscal 2013 Results

In the real estate business segment, operating revenues fell 2.9% on the year, to ¥90.9 billion, while operating income rose 7.7%, to ¥28.0 billion.

While opening a new ALBi commercial center under the elevated tracks of Suminodo Station and Sun Station Terrace Okayama on the west

side of Okayama Station, we also undertook various types of renovations of existing facilities. Examples of the latter include the main and plaza buildings of Tennoji Mio in the Tennoji Station Building and Okayama Ichibangai underneath Okayama Station. Furthermore, we moved ahead with efforts to develop station and surrounding properties, for instance by opening educational facilities and commercial centers near Nijo Station and Takatsuki Station. LUCUA, at Osaka Station City, is performing well, and we have undertaken the leasing of office space and other activities. To revitalize all of the areas surrounding Osaka Station, we have promoted area management activities in collaboration with nearby businesses. And we have undertaken sales of condominiums on property formerly occupied by company housing.

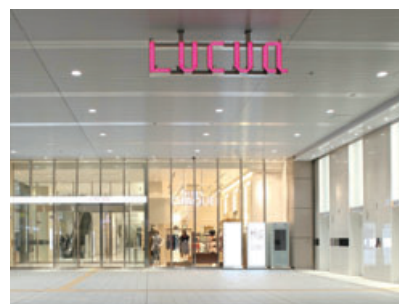
#### Operating Revenues

**90.9** Billions of yen



#### Operating Income

**28.0** Billions of yen







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 2013 Results

The other businesses segment reported operating revenues up 5.7% compared to the previous fiscal year, to ¥128.4 billion, and operating income up 19.0%, to ¥12.3 billion.

In the hotel business, the Hotel Granvia Osaka opened its Granvia Floor of premium guest rooms

on its top floor and embarked on a marketing campaign including various types of promotional events to boost its overall sales.

In the travel agency business, we focused on increasing Internet sales and worked to increase sales of products that use the services of our railway network. We began offering an online enrollment service for the J-WEST Card, and worked to increase membership for the Osaka Station City J-WEST Card. For the ICOCA e-money service, we took steps like enabling the nationwide reciprocal use of transportation IC cards to increase usage opportunities. In a new business endeavor, we established J-Palette Minami-tanabe to enter the rehabilitation daycare service business.

#### Operating Revenues

**128.4** Billions of yen

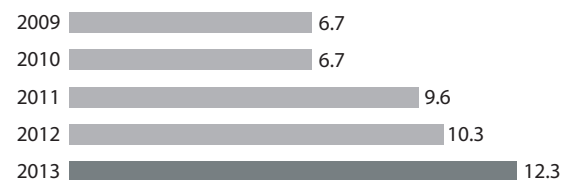
(Billions of yen)



#### Operating Income

**12.3** Billions of yen

(Billions of yen)



## Future Initiatives

### Develop

In the area of new business development, expand lifestyle-related services businesses, increase Group asset value by advancing development of terminal stations and thoroughly reevaluating Osaka Station City's North Gate Building, and foster new business development by developing and pioneering new business fields.

#### Key Measures

##### 1) Sales of goods and food services

- ① **Renovate retail shops in stations when stations are upgraded**
  - Sannomiya Station concourse

- ② **Aggressively develop areas other than those adjacent to railway lines and within the JR-West service area**
  - Opening of the Viann Nagoya business hotel

##### 2) Department stores

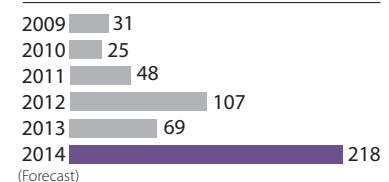
**Thorough reevaluation of Osaka Station City's North Gate Building (Store renovation taking advantage of the strengths of department stores and shopping centers)**

- Timing: Targeting spring 2015 opening
- Outlook for profitability
  - West Japan Railway Isetan Limited: Targeting profitability by fiscal 2016 (ending March 31, 2016)
  - JR Osaka Mitsukoshi Isetan Department Store, nonconsolidated: Profitability to be achieved rapidly

##### 3) Real Estate Business

- ① **Advance sales of condominiums (Sales revenue)**

(¥100 million)



- ② **Advance development and renovation**

- piole Himeji, Shamine Tottori, and Porta and The Cube (both located at Kyoto Station)