

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 the total passenger railway length 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).



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 length 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.

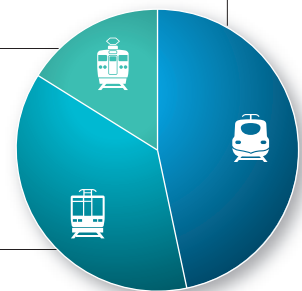
The Nozomi, Hikari, and Kodama services have been operating on the Sanyo Shinkansen Line for some years. Many of the Nozomi services allow passengers to travel from Tokyo or Nagoya

Railway Revenues

Sanyo Shinkansen

Other Conventional Lines

Kansai Urban Area (Kyoto–Osaka–Kobe Area)



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

364.4

Billions of yen



Number of Passengers

67

Millions of passengers





Core 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

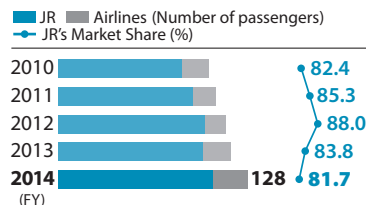
(2) Increase market share by heightening competitiveness

- Shorten travel time and enhance frequency and improve on-board communication environment, increase membership of the highly convenient Internet reservation service
- Enhance safety and comfort by introducing N700A (Dec. 2013~) and modifying 16 N700 Series trains (~ Fiscal 2016/3)

(3) Expand business area by creating new demand

- Spur travel demand among seniors: Leverage senior membership services and launch sales of discount tickets for seniors
- Capture inbound demand: Develop West Japan tourism routes and products and strengthen promotions in South East Asia, improve systems to support foreign travelers such as information services in foreign languages and free public Wi-Fi

Kyoto-Osaka-Kobe Area to Fukuoka



Note: Figures for the fiscal year ended March 2014 are preliminary. 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).

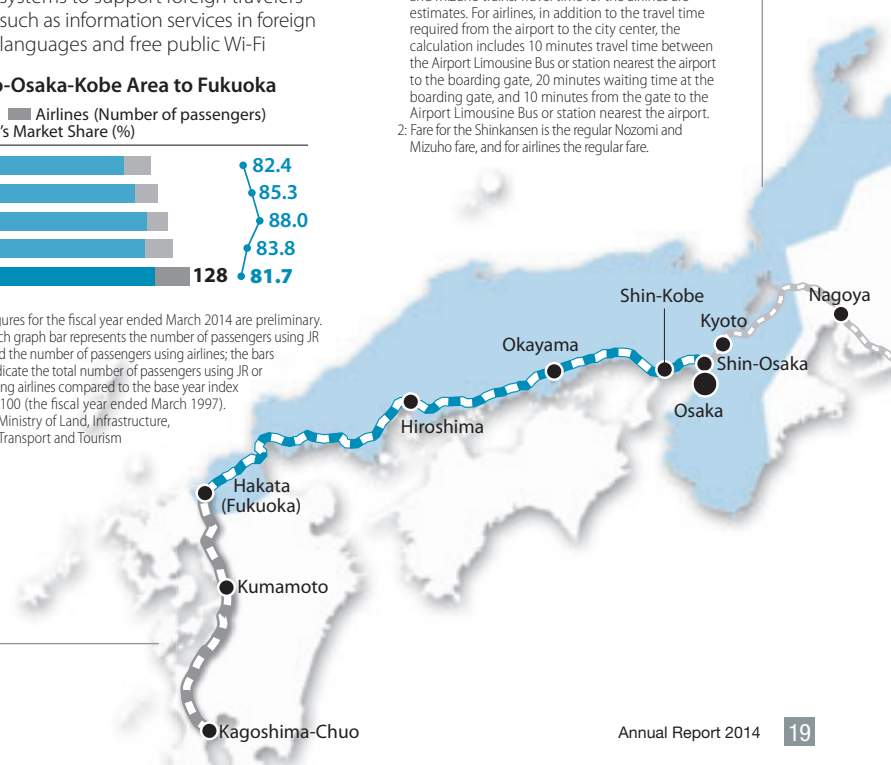
Source: Ministry of Land, Infrastructure, Transport and Tourism

Kyoto-Osaka-Kobe Area to Fukuoka

(As of April 1, 2014)	Travel Time	Fare	Frequency
Shinkansen	2h 22m	¥15,310	59
Airlines (Itami Airport)	2h 20m	¥ 22,500	14
Airlines (Kansai Intl. Airport)	3h 00m	¥ 22,500	7(6)

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

Notes 1: Travel time for the Shinkansen is the shortest on Nozomi and Mizuho trains. Travel time for the airlines are estimates. For airlines, in addition to the travel time required from the airport to the city center, the calculation includes 10 minutes travel time between the Airport Limousine Bus or station nearest 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.
2: Fare for the Shinkansen is the regular Nozomi and Mizuho fare, and for airlines the regular fare.





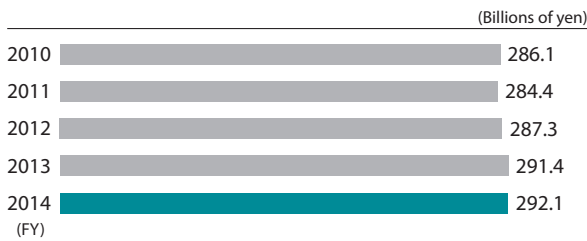
The Kansai Urban Area comprises the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. (Population of the Kyoto–Osaka–Kobe metropolitan area is more than 20 million.) It has an operating route length of 946.0 kilometers, forming a comprehensive network stretching across the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

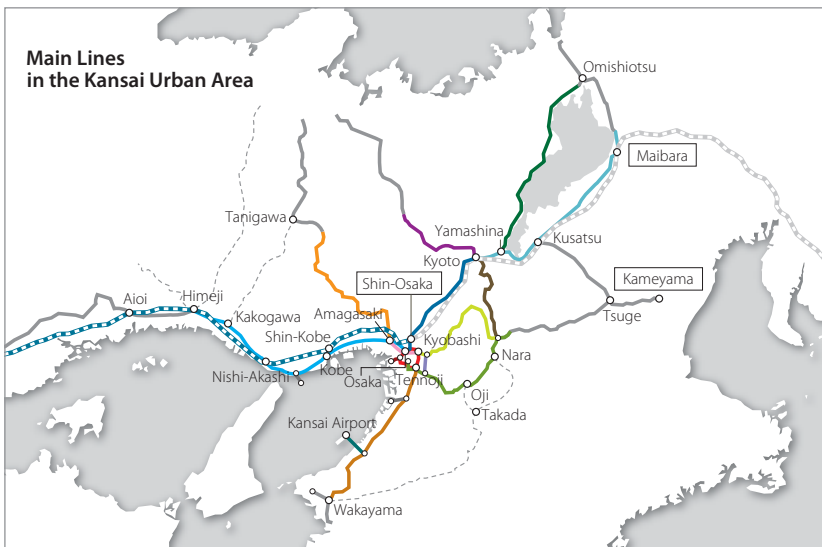
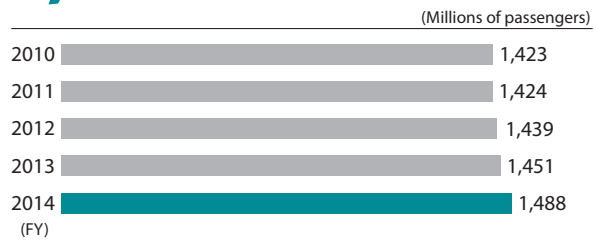
Transportation Revenues

292.1 Billions of yen



Number of Passengers

1,488 Millions of passengers



- Boundary Stations between JR-West and Other JR Companies
- Shinkansen Line (Bullet Train)
- Intercity Lines
- Regional Lines
- Osaka Loop Line
- JR Kobe Line (Osaka–Himeji)
- JR Kyoto Line (Osaka–Kyoto)
- Biwako Line (Kyoto–Nagahama)
- JR Tozai Line (Kyobashi–Amagasaki)
- JR Yumesaki Line (Nishi-Kujo–Sakurajima)
- JR Takarazuka Line (Osaka–Sasayamaguchi)
- Sagano Line (Kyoto–Sonobe)
- Gakkentoshi Line (Kyobashi–Kizu)
- Nara Line (Kyoto–Kizu)
- Yamatoji Line (JR-Namba–Kamo)
- Hanwa Line (Tennoji–Wakayama)
- Kansai Airport Line (Hinenno–Kansai Airport)
- Osaka Higashi Line (Hanaten–Kyuhoji)

Core Initiatives

Improve

For the Kansai Urban Area, pursue higher levels of safety and implement thorough going 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) 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 : Osaka Loop Line Renovation Project
- Enhance lifestyle-related services

(2) Advance urban tourism

- Boost demand by leveraging the opening of "USJ Harry Potter"
- Disseminate information through mainly our website

(3) Build a more convenient railway network

- Advance projects such as construction of the Osaka Higashi Line (northern section) and Nara Line double track
- Consider building new underground station accompanying Umekita development
- Establish new stations



The OSAKA POWER LOOP promotional train wrap launched as part of the Osaka Loop Line Renovation Project





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 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 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 2014 Results

Operating revenues for the Transportation Operations segment increased 0.8% from the previous fiscal year to ¥851.3 billion, with operating income up 1.0% to ¥91.0 billion.

In transportation operations, the usage of the Sanyo Shinkansen and conventional lines was positive as a result of increases in the frequency of Shinkansen services and limited express services on conventional lines, mainly during the Obon holidays and the year-end and New Year holidays. We also took steps to enhance convenience with timetable revisions implemented in March 2014 that included on the Shinkansen lines, a partial revision of the operating structure of Nozomi and Sakura services and an increase in the frequency of Mizuho trains, as well as on conventional lines, an increase in the frequency of Biwako Express limited express trains. In addition, in anticipation of the opening of the Kanazawa segment of the Hokuriku Shinkansen in spring 2015, we established a special preparatory office. In October 2013, we decided on train names and their service schemes, and in December, began conducting tests on certain rail segments.

For the sections of the San-in Line, Yamaguchi Line, and Sanko Line where services remain suspended from 2013 as a result of heavy rains, we have made a concentrated effort to restore services. (Services on the Sanko Line resumed on July 19, 2014.)

In marketing initiatives, to compete with other modes of transport, we launched "Super Haya-toku" early discount tickets and made efforts to promote the use of the Shinkansen through such initiatives as "Remember Kyushu Campaign" to firmly establish the use of direct through-services between the Sanyo and Kyushu Shinkansens and the "Detective Conan Kumamoto/Aso Mystery Tour." We also drew customers from throughout

Japan with the "Hiroshima Destination Campaign" and worked to stimulate tourism in cooperation with local communities, including the "Discover Shin-Hokuriku! Campaign" and the "Japanese Beauty Hokuriku Campaign," as part of an effort to increase the use of railways to the Hokuriku region. We also expanded services for overseas visitors to Japan, including the launch of free public Wi-Fi services at major stations, and the addition of frequently asked questions by customers on our global website regarding the use of JR West Japan lines. Furthermore, we took steps to enhance services for seniors, including expanding products for Zipangu Club members, and launching sales of the "Nori-nori Kippu" tickets for passengers over 60 years old. For the ICOCA e-money service, we worked to enhance usage convenience for customers by expanding the usage area through alliances with Nankai Electric Railway Company and JR Shikoku. To contribute to the continued development of local communities and railway services, we, in close cooperation with local governments and companies, implemented measures to achieve "coexistence with communities," such as development of communities centering on the stations and regional renovations.

Operating Revenues

851.3

Billions of yen

(Billions of yen)

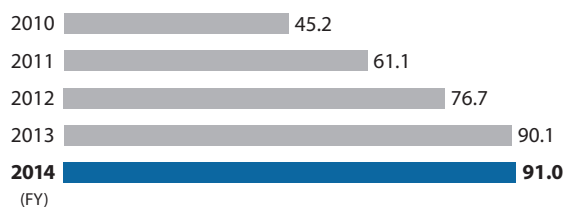


Operating Income

91.0

Billions of yen

(Billions of yen)



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

479.6

 Billions of yen

(Billions of yen)



Operating Income

44.0

 Billions of yen

(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 department stores such as JR Kyoto Isetan department store.

Fiscal 2014 Results

Operating revenues in the Retail Business segment rose 2.3% from the previous fiscal year to ¥240.1 billion, with operating income of ¥4.4 billion.

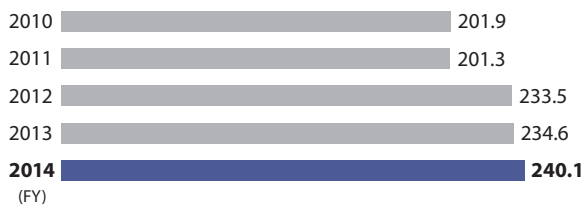
For the JR Osaka Mitsukoshi Isetan department store, the Group worked to offer highly original goods and services. In response to the tight commercial climate surrounding the department store, the Group

took steps to establish shops that appeal to local customers, and is considering fundamental measures aimed at business revitalization. The Group also took steps to enhance the appeal of stations, including for Sannomiya Station, opening an Entree Marche hybrid convenience store, along with fashion and variety goods stores, for Osaka Station, opening an Eki QoI Pharmacy JR Osaka Store, an in-station dispensing pharmacy, and for the Fukuyama Station, opening restaurants and other stores at its south exit. The Group also opened a budget hotel called Via-inn Nagoya. In July 2013, we merged two consolidated subsidiaries in the San-in area with differing industries and types of business, with the aim of developing and operating more convenient and attractive commercial facilities.

Operating Revenues

240.1 Billions of yen

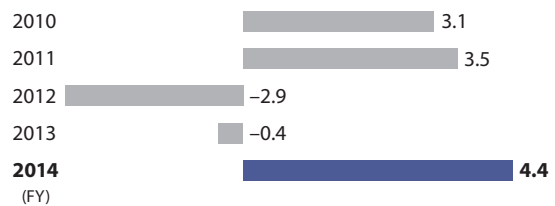
(Billions of yen)



Operating Income

4.4 Billions of yen

(Billions of yen)



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 2014 Results

Operating revenues for the Real Estate Business segment increased 12.5% from the previous fiscal year to ¥102.2 billion, with operating income down 0.8% from a year earlier to ¥27.7 billion.

The Group moved forward with the development of stations and surrounding areas. At the Himeji Station Building, completed in April 2013, the Group

opened "piole HIMEJI" in conjunction with the renovation of the shopping center underneath the elevated tracks. The Group also opened a new station building at Nada Station, a Higashi-Maizuru Station Building and a Shimonoseki Station Building called "ripie." As part of the Osaka Loop Line Renovation Project, the Group opened VIERRA TAMATSUKURI at Tamatsukuri Station. Further, the Group renovated and

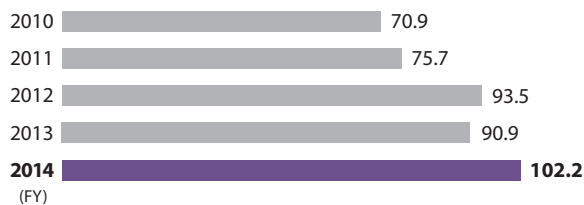
reopened the MEDIO Shin-Osaka fashion zone at Shin-Osaka Station, as well as Porta and The Cube at Kyoto Station. To stimulate business in the entire area around Osaka Station, the Group conducted area management activities in association with local business operators. In addition, the Group made efforts to utilize former sites of company housing, by developing residential buildings and leasing land to an education institution.

Operating Revenues

102.2

 Billions of yen

(Billions of yen)



Operating Income

27.7

 Billions of yen

(Billions of yen)



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 2014 Results

Operating revenues for the Other Businesses segment increased 6.8% from the previous fiscal year to ¥137.1 billion, with operating income down 4.0% to ¥11.8 billion.

In hotel operations, the Group worked to expand sales through such measures as hosting various events. In travel agency operations, the Group expanded internet retailing, and took steps to increase sales of products that utilize railways.

For the J-West Card, the Group made efforts to acquire cardholders through an online application service and by running a campaign to waive the membership fee for the first year. For the ICOCA e-money service, the Group maximized the effect of nationwide reciprocal services of transport IC cards that started in March 2013, and worked to expand opportunities to use the services, including introducing services at large commercial facilities outside of stations. The Group also conducted a variety of campaigns to mark the 10th anniversary of ICOCA, and made efforts to promote its use. In addition, the Group developed and nurtured new businesses, including the launch of a "Rail & Car Share" service at Shinkansen stations and 12 major stations in the Kyoto-Osaka-Kobe region.

Operating Revenues

137.1

Billions of yen

(Billions of yen)

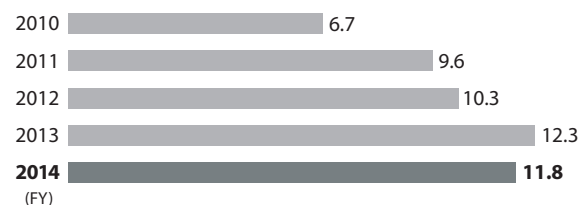


Operating Income

11.8

Billions of yen

(Billions of yen)



Core Initiatives

Develop

In the area of business development (non-transportation operations), expand lifestyle-related services businesses, increase Group asset value by advancing development of terminal stations and thoroughly renovating 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**
- (2) **Aggressively develop areas other than those adjacent to railway lines and within the JR-West service area**
 - Transfer of budget hotel operations from ORIX Group

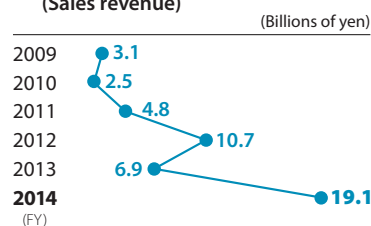
2) Department stores

Thorough renovation of the West Wing of the OSAKA STATION CITY North Gate Building

- Make the department store specialize in fields where they have a competitive advantage and create a new facility by leveraging strengths of shopping centers and department stores
- Sales Targets
 - Approx. ¥80.0 billion total for East Wing (SC: Lucua) and West Wing
- Outlook for profitability
 - West Japan Railway Isetan Limited: Profitable in Fiscal 2016/3
- Opening schedule
 - In spring 2015 (Plan)
 - (Start of renovation work on July 28, 2014)

3) Real Estate Business

(1) Advance sales of condominiums (Sales revenue)



(2) Advance development and renovation

Kanazawa, Shin-Osaka, etc.

Current Main Topics

Promote a railway operations system change

- **Additional share acquisition and business alliance: Asia Air Survey Co., Ltd.**
 - By bolstering collaboration, further increasing safety, saving maintenance works, and reinforcing disaster measures

Expand lifestyle-related services

- **Business alliance with Seven-Eleven Japan**
 - Convert current in-station stores (approx. 500 stores) to allied stores within about 5 years
- **Transfer of budget hotel operations from ORIX Group**
 - Re-brand open of 3 hotels as "Via-inn" (Jun. 2014)

Enhance the value of group assets

- **Thorough renovation of the West Wing of the OSAKA STATION CITY North Gate Building**
 - Renovate to create an entirely new, attractive facility by leveraging strengths of shopping centers and department stores (Spring 2015)

Cultivate new business fields by leveraging assets and technologies

- **Day service business specializing in rehabilitation**
 - Expand businesses by making POSSIBLE Medical Science a subsidiary
- **Internet retailing for customers overseas**
 - Internet retailing of local goods and provision of information (Business Alliance with Navibird, Inc.)

Consider participation in businesses around major stations

- **Share Acquisition: Kobe Chikagai Co., Ltd.**
 - Contribute to revitalization of the Sannomiya area through cooperation with companies in the surrounding community

Enhance the safety and quality

- **Include DAITETSU KOGYO CO., LTD. in the scope of consolidation**
 - Enhance the safety and quality of the JR-West Group's construction operations