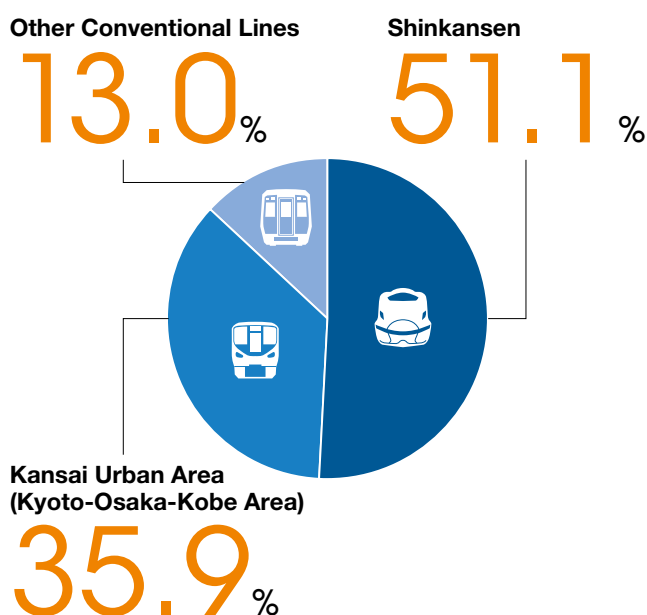


Transportation Operations

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 1,200 railway stations, with an operating route length of 5,008.7 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).



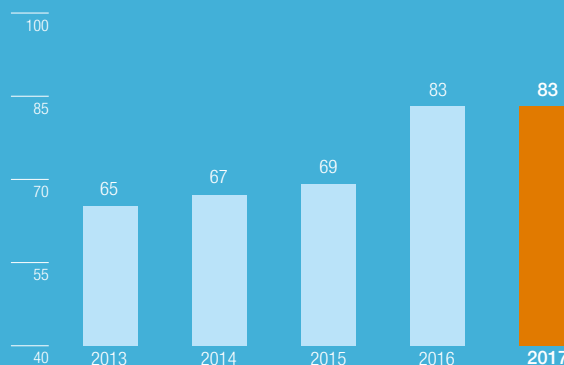
Shinkansen

Number of Passengers

83 million

Years ended March 31

(Millions of passengers)



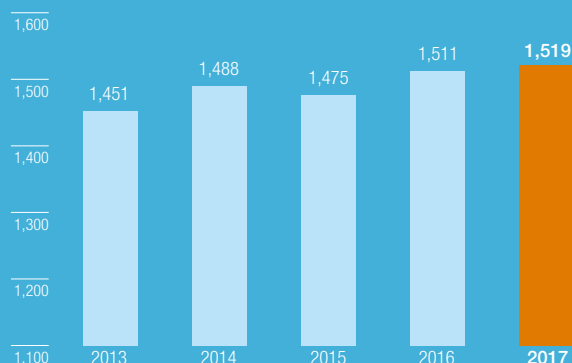
Kansai Urban Area

Number of Passengers

1,519 million

Years ended March 31

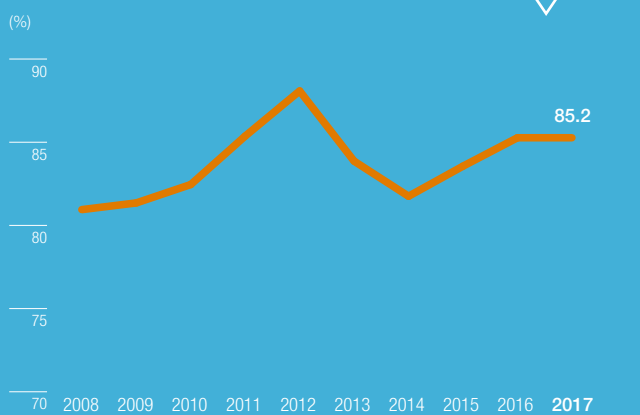
(Millions of passengers)



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

Years ended March 31

85.2 %



Shinkansen Service Area

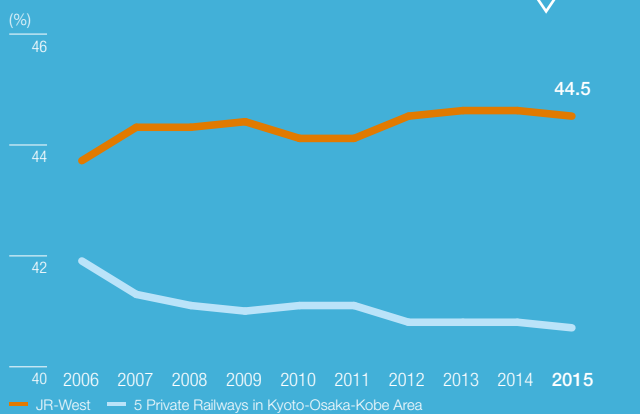
Hokuriku Shinkansen



Market Share

Years ended March 31

44.5 %



Main Lines in the Kansai Urban Area



ONGOING PROJECT

#1 Shinkansen



Hokuriku Shinkansen Project

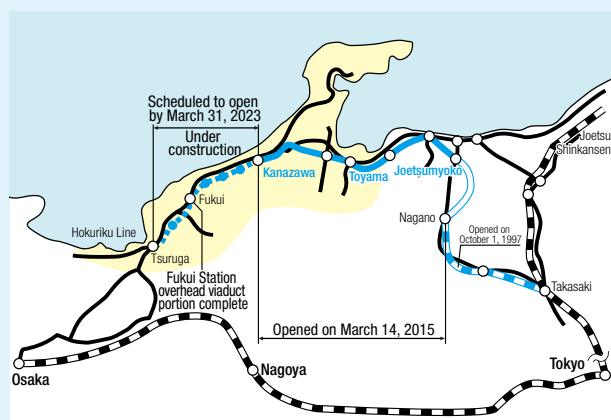
The Hokuriku Shinkansen, a new Shinkansen line based on the Nationwide Shinkansen Railway Development Law, was proposed for operation between Tokyo and Osaka. A 117-kilometer section between Takasaki and Nagano opened on October 1, 1997, followed by a 228-kilometer section from Nagano to Kanazawa on March 14, 2015 (The Company's area of operation is the section between Joetsumiyoko and Kanazawa).

For the 125-kilometer section between Kanazawa and Tsuruga (construction section: 114-kilometer section from Hakusan depot to Tsuruga), in June 2012 we received approval of our execution plan at the time for the site and related civil engineering structures. Construction commenced with the Japan Railway Construction, Transport and Technology Agency as the construction contractor. Construction is scheduled for completion by the end of the fiscal year ending March 31, 2023.

JR-West is to operate the section once it opens.

Regarding the section west of Tsuruga, based on the March 2017 conclusions of the ruling party project team for promoting construction of new Shinkansen lines, a detailed survey is to be performed on the Obama-Kyoto route (Tsuruga Station-Obama vicinity (Higashi Obama)-Kyoto Station-Kyotanabe vicinity (Matsui Yamate)-Shin-Osaka Station). JR-West will monitor the contents of this survey.

Status of Development on the Hokuriku Shinkansen



1 Hokuriku Shinkansen traveling with the Tateyama Mountain range in the background
2 Takedagawa bridge construction site (photo by Japan Railway Construction, Transport and Technology Agency)

Ongoing Construction for the Hokuriku Shinkansen between Kanazawa and Tsuruga





Project to Relocate a Portion of a Branch Line of the Tokaido Line Underground

Integrated urban development with the surrounding region is underway in the Umekita area to the north of Osaka Station. As part of this urban development, plans are to perform underground construction to move underground a 1.7-kilometer portion that cuts through the area on the west side at Umeda signal station (the former Umeda cargo station) on a branch line of the Tokaido Line. Moving the section underground will eliminate level crossing and improve crossroad safety.

At the same time, a new station will be built adjoining Osaka Station (provisional name: Kita Umeda), improving access to Kansai International Airport and contributing significantly to reinforcing the network over a broad area.

Construction is currently underway with the aim of completing the relocation underground and opening the new station in spring of 2023.

At the same time, work is underway on the new Naniwasuji Line, which will go from Shin-Osaka to the Namba area. Along this route, the line will pass through Kita Umeda station and beneath Naniwasuji, a street that traverses the city of Osaka from north to south.

In preparation for the Naniwasuji Line to pass through, development is also underway on the section from Kita Umeda Station to JR Namba station.

Integrated Urban Development in Umekita Area



Improving Safety and Convenience with the Establishment of the New Kita Umeda Station





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 convenience
- Enhancing safety and comfort

Stimulating tourism demand

- Rolling out tourism campaigns
- Stimulating demand among seniors
- Capturing demand from inbound visitors

Fiscal 2017 Initiatives

Introducing “Smart EX,” a New Ticketless Service

JR-Central and JR-West have agreed to introduce a ticketless service, Smart EX, beginning on September 30, 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, “Smart EX”

Hokuriku Shinkansen



Core Initiatives

Heightening competitiveness

- Extension to Tsuruga
- Enhancing comfort

Stimulating tourism demand

- Rolling out tourism campaigns
- Stimulating demand among seniors
- Capturing demand from inbound visitors

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). Regarding the section west of Tsuruga, a detailed survey is to be performed on the Obama–Kyoto route (Tsuruga Station–Obama vicinity (Higashi Obama)–Kyoto Station–Kyotanabe vicinity (Matsui Yamate)–Shin-Osaka Station).

Fiscal 2017 Initiatives

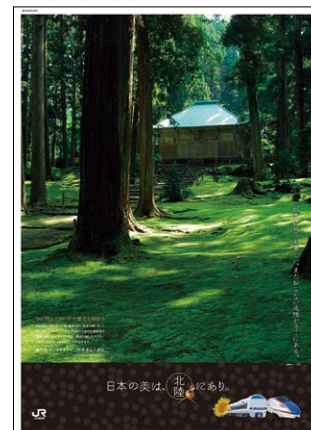
Running Two Tourism Campaigns

To spur tourism demand in Hokuriku, in April 2017 we began running two campaigns detailing the regions' points of appeal by taking different publicity angles. The campaign called "The beauty of Japan is in Hokuriku" sets a travel theme suited to each season's characteristics. This campaign offers guided tours to help visitors experience tourism offerings and proposes attractive tour plans.

The other is called the "Five stars for four beautiful seasons. The Hokuriku Shinkansen Campaign." In this campaign, we distribute specialized guidebooks, disseminate information over our website, and establish travel products according to themes set by the season. Through these campaigns, we are working to enhance the Hokuriku brand.



"The beauty of Japan is in Hokuriku," campaign poster





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

- Opening new stations
- Railway network expansion
- Introducing new rolling stock
- Improving transportation quality

Advancement of urban tourism

- Capturing demand from inbound visitors

Fiscal 2017 Initiatives

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.

In the fiscal year ended March 31, 2017, in addition to a full-scale refurbishment of Momodani Station, we began steadily introducing new 323-model trains. We will continue undertaking a variety of measures, and by encouraging people to visit the area and to take Osaka Loop Line trains, we are working with the local community to invigorate Osaka.



The renovated Momodani 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 3,250.1 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.



Core Initiatives

- Start of operations of TWILIGHT EXPRESS MIZUKAZE
- Cooperation in considering alternative transportation after railway operations cease on the Sanko Line

Fiscal 2017 Initiatives

A New Sleeper Train—TWILIGHT EXPRESS MIZUKAZE

TWILIGHT EXPRESS MIZUKAZE commenced service on June 17, 2017 and 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.

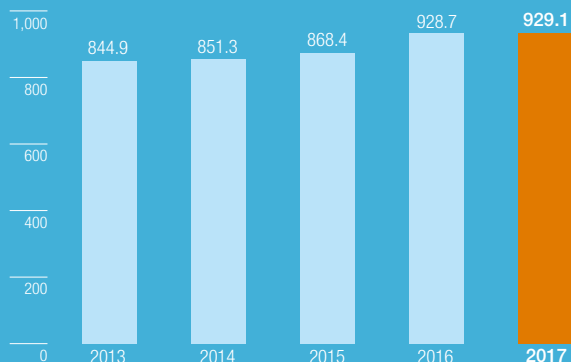
Fiscal 2017 Results for the Transportation Operations Segment (Year ended March 31, 2017)

Operating Revenues

Total

¥ **929.1** billion

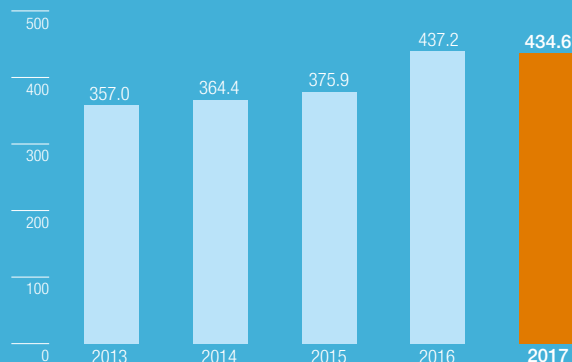
(Billions of yen)



Shinkansen

¥ **434.6** billion

(Billions of yen)



During fiscal 2017, the Transportation Operations segment generated operating revenues of ¥929.1 billion, on a par with the preceding fiscal year, despite the impact of the earthquakes in Kumamoto in April 2016 and a decline compared with higher performance in the previous year due to launch of the Hokuriku Shinkansen. Operating income declined 2.7%, to ¥121.7 billion, due to an increase in expenses stemming from the implementation of planned measures to enhance safety and customer satisfaction into the next fiscal year.

To enhance competitiveness on the Sanyo Shinkansen while maintaining safety, JR-West revised the timetable in March 2017 with the introduction of a new automatic train control (ATC) system, shortening travel time between Shin-Osaka and Hakata by an average of one minute for *Nozomi* and *Mizuho* trains, and an average of 15 minutes for *Kodama* trains. Also, to revive the tourism demand that declined as a result of the Kumamoto earthquakes in April 2016, JR-West conducted travel campaigns to highlight the appeal of areas along railway lines, including the “Kyushu Tourism Revival Campaign” in conjunction with the Kyushu District Transport Bureau, Kyushu Tourism Promotion Organization, and other institutions, and the “Spring—Kagoshima Campaign” with the Kagoshima prefectural government.

For the Hokuriku Shinkansen, to normalize the effects from opening in the second year for the service, JR-West conducted the “Hokuriku Shinkansen One-Year Anniversary Campaign” and “Business Travel Support Campaign,” broadcasted TV commercials in the Hokuriku area, and made other efforts to stimulate demand for both business and tourism. Also, we held “Kansai-Hokuriku exchange meetings” to increase mutual exchange among government bodies, businesses, and the travel industry in the Kansai, Hokuriku, and Shin-etsu (Niigata/Nagano) regions.

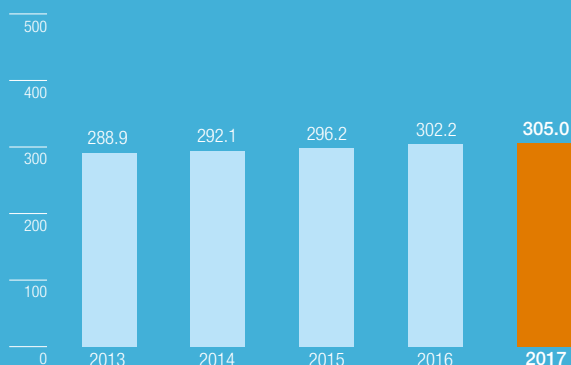
As measures to promote utilization of online services, JR-West renewed its service offerings, including providing round-trip and open-type discount tickets, previously only handled at stations, through the “e5489” internet reservation service, and providing for purchase of e-tickets for limited express trains using a credit card.

To capture demand from seniors, JR-West took steps to stimulate demand, including the relaunch and extended sales of the “Otonabi Pass” (for unlimited travel) and “Otonabi WEB Haya-toku” early discount tickets, exclusively for members of the “Otonabi” service, which provides special discount tickets and travel packages for people ages 50 and older. These packages have been popular with customers.

Kansai Urban Area

¥ **305.0** billion

(Billions of yen)

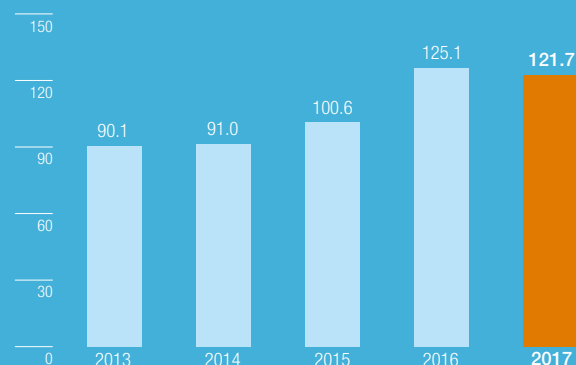


Operating Income

Total

¥ **121.7** billion

(Billions of yen)



As measures aimed at the increase in inbound visitors to Japan, in April 2016 JR-West created the “Osaka/Tokyo Hokuriku Arch Pass” for a broad-based sightseeing route. Also, as part of our efforts to welcome visitors, in March 2017, we strengthened sales functions at the Kansai Airport Station, including increasing the number of counters providing service in foreign languages at JR Ticket Offices (“Midori-no-madoguchi”). At Osaka Station, we established the Travel Service Center OSAKA, providing integrated services including various types of advice regarding tourism and travel, money exchange, and ticket sales.

In the Kansai Urban Area (around Osaka, Kyoto, and Nara), JR-West is working to enhance the quality of railway transportation and improve the value of the railway belts to encourage repeated use. In addition, to augment customer satisfaction and boost the company's image, as part of the Osaka Loop Line Renovation Project, in December 2016 JR-West began operating new 323-model trains, developed to make train cars “safe, brighter, wider, quiet, and comfortable.” We also completed renovations to Momodani Station, refurbishing stations and toilets, and developing spaces beneath elevated tracks. In the Kyoto Umekoji area, in April 2016 JR-West opened the Kyoto Railway Museum with the aim of establishing a

“hub of railway culture together with the local community.” The museum has been popular with a wide range of customers, with the number of visitors since opening exceeding the first-year target of 1.3 million people in March 2017, two months ahead of schedule.

On June 17, 2017, JR-West began operations on the TWILIGHT EXPRESS MIZUKAZE sleeper train, an initiative to stimulate tourism and invigorate the western Japan region. We are working with local areas to uncover tourism opportunities, foods, and crafts from western Japan, and are communicating the appeal of the history, culture, nature, and dining in areas along railway lines. In addition, to help establish a thriving community, on March 4, 2017, JR-West electrified and extended the Kabe Line and opened new stations between Kabe and Aki-Kameyama stations.

Regarding the Sanko Line service between Gotsu and Miyoshi, as a result of repeated cordial discussions with local governments along the line, JR-West submitted a notification to the Minister of Land, Infrastructure, Transport and Tourism that it would cease operations of a Type I Railway Business on April 1, 2018. We will continue discussions with local residents toward formulating a new transportation plan after cessation of the railway service.