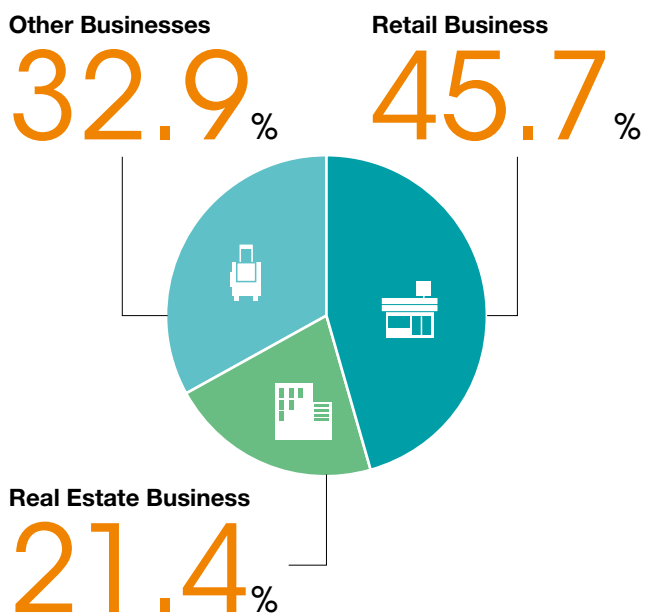


Non-Transportation Operations

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 2017

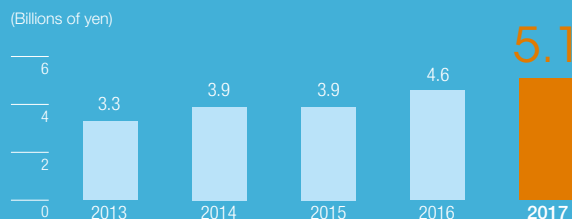


Number completed to date: 8,390

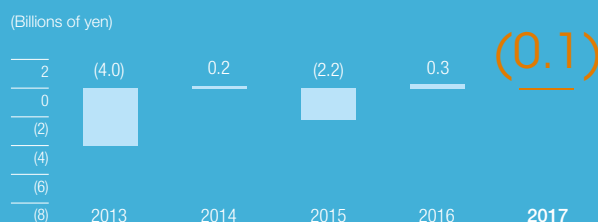


Retail Business

Operating Income from Goods and Foods Services



Operating Income from Department Stores



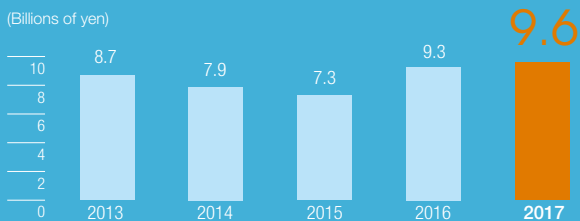
JR-West Hotel, Shopping Center, and Condominium Locations

● Shopping Center ● Hotel

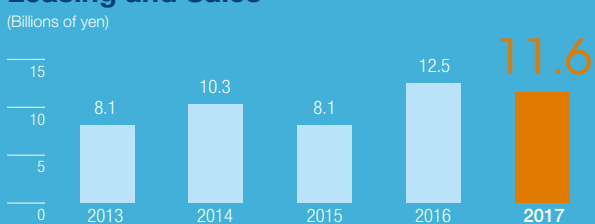


Real Estate Business

Operating Income from Shopping Centers

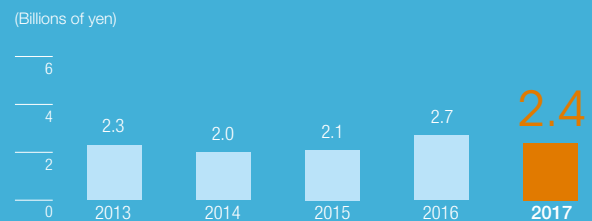


Operating Income from Real Estate Leasing and Sales

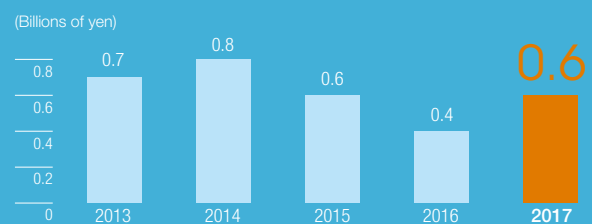


Other Businesses

Operating Income from Hotels



Operating Income from Travel Agency





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. In addition, under the Via-Inn brand we are developing an accommodation-oriented budget hotel chain in our own operating region, as well as in the Tokyo metropolitan area.



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. Also, in February 2017 we acquired shares in Ryoju Properties Co., Ltd., converting the company to a consolidated subsidiary.



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.



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

Fiscal 2017 Initiatives

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 allied stores and is making an effort to maximize the effect of this conversion.

In 2014, the first group of these stores was opened in Kyoto, Okayama, Shimonoseki, and Hakata (five stores in total), and conversions of 335 stores were complete as of March 31, 2017. The objective is to eventually have approximately 500 Seven-Eleven allied stores, including new stores, and future in-station store opening plans that include the opening of new allied stores are underway.



Seven-Eleven allied store in Kanazawa



Core Initiatives

Real estate leasing and sales

- Enhancing asset efficiency
- Expansion of businesses in which we can demonstrate strength

Fiscal 2017 Initiatives

Acquisition of Shares in Ryoju Properties Co., Ltd.

In February 2017, JR-West acquired 70% of the outstanding shares in Ryoju Properties Co., Ltd., converting the company to a consolidated subsidiary.

Ryoju Properties is developing the condominium business in the Tokyo metropolitan area and other promising markets and holds quality leasing properties in good locations. This acquisition serves as a foothold for pursuing the real estate business outside the Company's area of railway operations, expanding the condominium business and providing a steady source of revenue and profits.

Going forward, we will leverage the Group's expertise to enhance the value of Ryoju Properties' business, working to expand and strengthen the real estate business.



A property owned by Ryoju Properties in Tokyo

Fiscal 2017 Initiatives

Developing the New HOTEL VISCHIO Brand

West Japan Railway Hotel Development Limited is developing new lineups and brands of high class accommodation-oriented hotels directly operated by the JR-West Group, aimed at meeting demand from inbound tourists and other travelers from Japan and overseas.

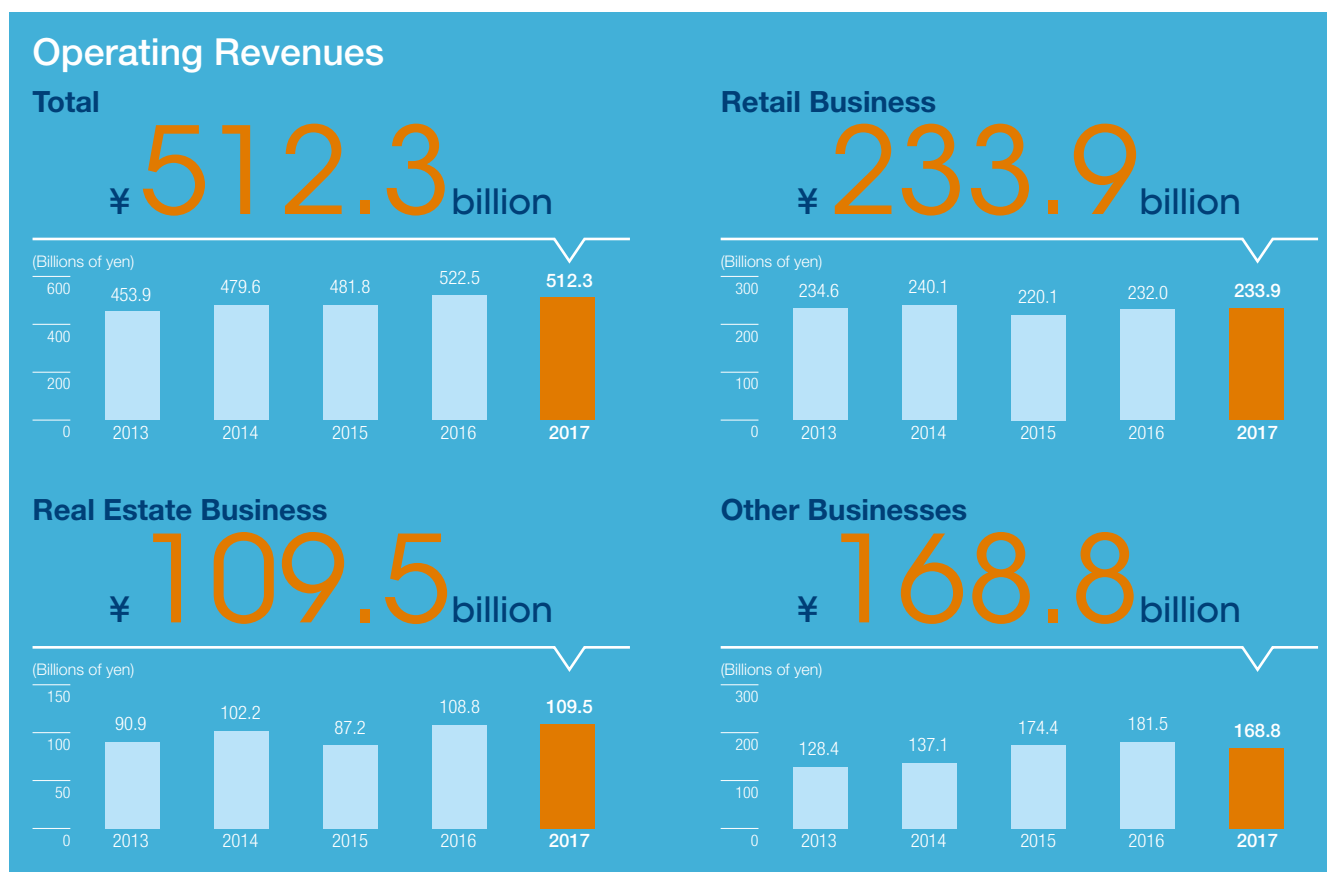
The new VISCHIO brand will offer hotels featuring spacious guest rooms and ample facilities, despite its budget pricing. In addition to providing comfortable facilities, the new brand will offer high-end, hospitable service.

We plan to open a hotel in Osaka in spring of 2018 and one in Kyoto in spring of 2019.



Digital rendition of Hotel Vischio Osaka

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



Retail Business

Despite sluggish apparel sales at department stores and a slowdown in consumption by inbound visitors, sales at allied stores with Seven-Eleven Japan increased. As a result, operating revenues in the Retail Business segment rose 0.8% from the previous fiscal year, to ¥233.9 billion, though operating income declined 1.3%, to ¥5.2 billion.

To enhance customer convenience and increase railway use by attracting customers, since fiscal 2015 JR-West has been converting its previous kiosks and Heart-in convenience stores to allied stores with Seven-Eleven Japan. In fiscal 2017, we converted 142 stores as planned, completing the conversion of a total 335 locations.

In June 2016, West Japan Railway Food Service Net Company, a consolidated subsidiary of JR-West, completed an absorption-type merger with wholly owned subsidiary Karafuneya Coffee Co., Ltd., in the aim of opening locations in areas other than along JR-West railways.

Real Estate Business

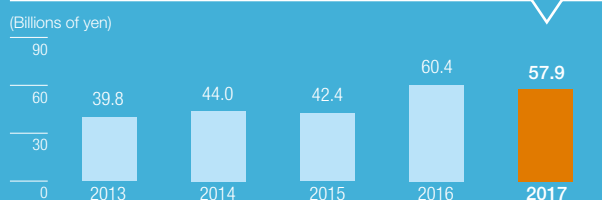
Although the Real Estate Business segment experienced a decline from the previous year's robust residential apartment sales, the renewal of commercial facilities boosted performance. As a result, segment operating revenues increased 0.6% from the previous fiscal year, to ¥109.5 billion, although operating income declined 1.5%, to ¥32.2 billion.

JR-West considers the real estate business to have a high degree of affinity with the railway business in terms of utilizing the held assets of the JR-West Group, improving convenience for customers, and enhancing the value of areas along railway lines, and as such develops and manages commercial facilities and residential properties. For commercial facilities, we are moving steadily forward with opening and renovating properties. We opened VIERRA Tsukaguchi in front of JR Tsukaguchi Station in April 2016, SUITA GREEN PLACE in Suita-shi in June, VIERRA Momodani at Momodani Station in August, and VIERRA Otsu at Otsu Station in October. We conducted renovations for LUCUA osaka in August 2016 and March 2017,

Operating Income

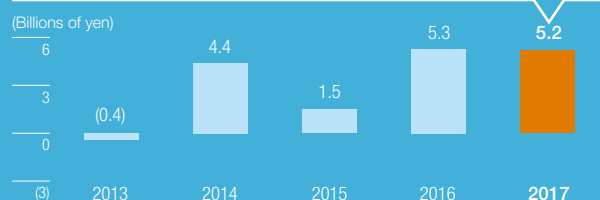
Total

¥ **57.9** billion



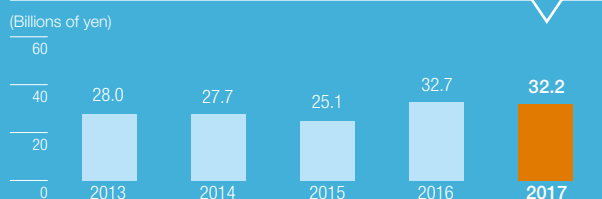
Retail Business

¥ **5.2** billion



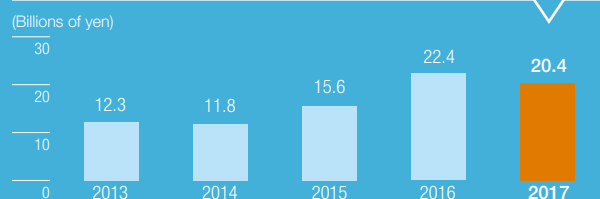
Real Estate Business

¥ **32.2** billion



Other Businesses

¥ **20.4** billion



as well as pole HIMEJI main building in October 2016, and PLiCO TARUMI in March 2017.

Further, to expand and strengthen the real estate business, in February 2017 JR-West acquired shares in Ryoju Properties Co., Ltd., which holds high-quality lease properties and other real estate in promising markets such as the Tokyo metropolitan area. Going forward, we will conduct business operations smoothly, and work to quickly enhance the value of held properties in order to realize investment benefits at an early date.

Other Businesses

Although revenues from travel operations increased due to greater use by inbound tourists, construction business revenues declined, compared with large-scale project orders in the previous year. As a result, operating revenues for the Other Businesses segment decreased 7.0% in fiscal 2017, to ¥168.8 billion, and operating income fell 8.7%, to ¥20.4 billion.

To develop hotels to meet the accommodation needs of a wide range of customers, in February 2017 JR-West

established West Japan Railway First Cabin Co., Ltd., a joint venture with First Cabin Inc., to develop a new brand of capsule hotels that are more compact and luxurious. We also decided to open the new brand HOTEL VISCHIO, high-class, accommodation-oriented hotels near Osaka Station and at the Kyoto Station Hachijo Exit. The addition of these two new brands establishes a lineup comprising four types of hotels, along with the Granvia brand of city hotels and the Via-inn brand of accommodation-oriented budget hotels.

In travel agency operations, JR-West strengthened marketing efforts to capture inbound visitor demand, expand sales, and increase sales of products that utilize railways.