

On a consolidated basis, operating revenues for the subject fiscal year rose 1.6% year on year, to ¥1,240.0 billion, with operating income up 1.6%, to ¥135.2 billion. Net income, however, declined 21.1%, to ¥46.5 billion.

Ensuring
safety

Transportation Operations

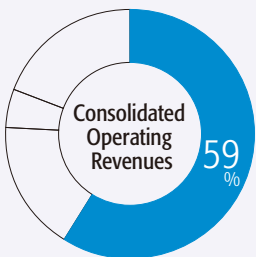
Sales of Goods and Food Services

Real Estate Business

Other Businesses

Fiscal 2006 Results

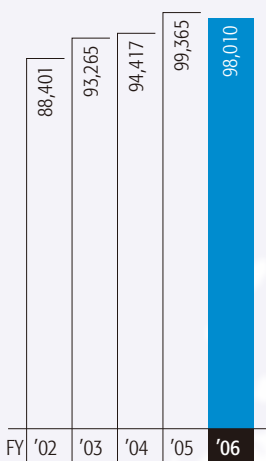
Operating revenues in the Transportation Operations segment rose 0.6% year on year, to ¥850.8 billion, though operating income decreased 1.4%, to ¥98.0 billion.



OVERVIEW OF THE RAILWAY BUSINESS

JR-West's railway business area encompasses 18 prefectures in the western half of Honshu and the northern area of Kyushu, an area of approximately 104,000 square kilometers.

The region is home to approximately 43 million people, equivalent to 30% of the population of Japan. The Company operates 50 lines with a total of 1,208 stations. Operating route length totals 5,024.1 kilometers, a little less than 20% of all passenger railway kilometerage in Japan. By line, the Sanyo Shinkansen, a high-speed intercity transport line, stretches 644.0 kilometers, the Urban Network covering the Kyoto-Osaka-Kobe metropolitan area covers 621.7 kilometers (954.4 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), and other conventional lines (excluding the three branch offices in Kyoto, Osaka, and Kobe) extend a total of 3,425.7 kilometers.

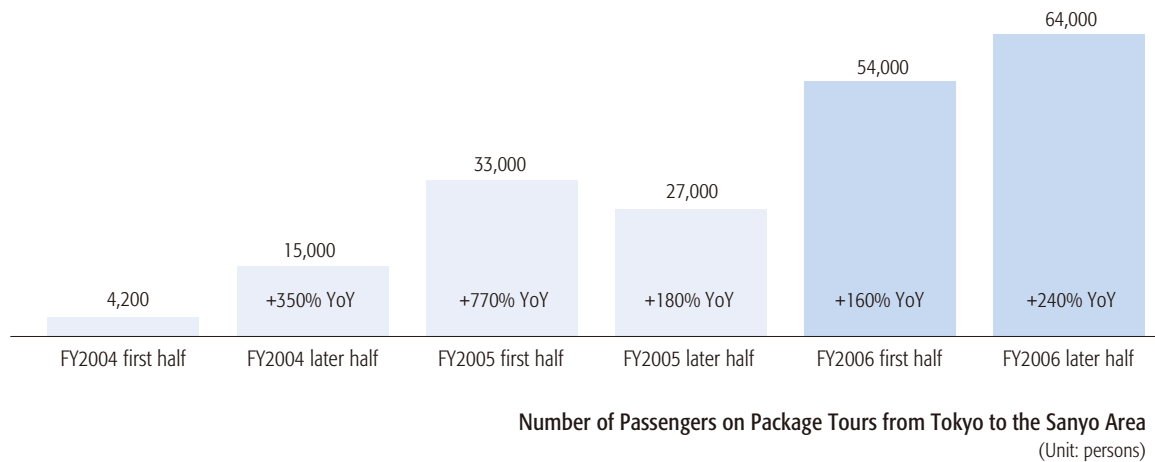


Consolidated Operating Income (Million ¥)

THE JR-WEST NETWORK

- Sanyo Shinkansen
- Conventional Lines
- Urban Network





SANYO SHINKANSEN SERVICES

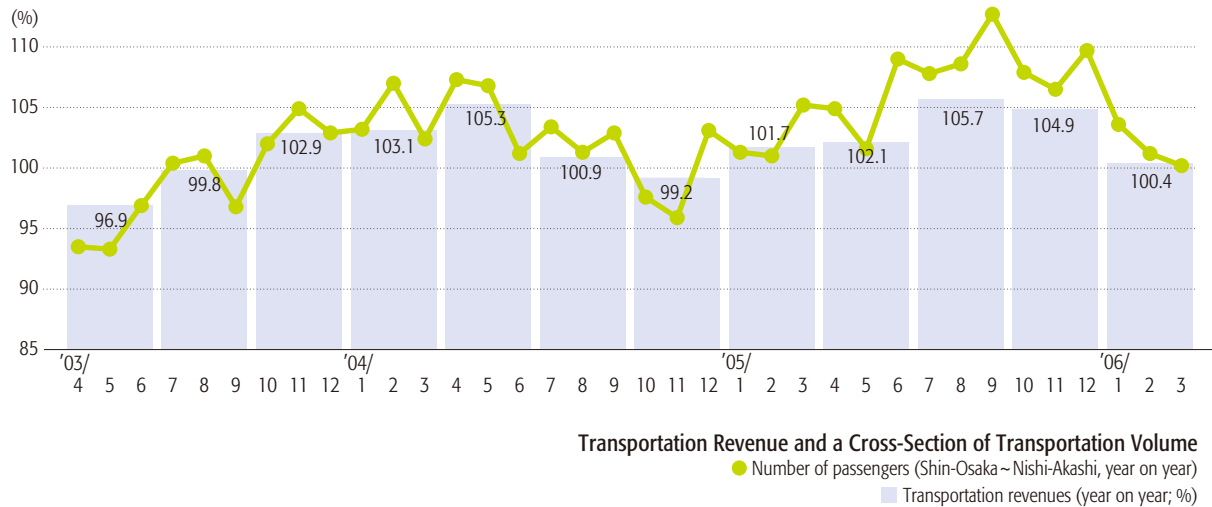
The Sanyo Shinkansen is a high-speed transport service operating over a 644.0-kilometer stretch between Shin-Osaka and Hakata.

In fiscal 2006, Sanyo Shinkansen ridership increased by 3.3% year on year, to 60 million. Transportation volume rose 3.7%, to 14,848 million passenger-kilometers, while transportation revenues increased 3.3% (up ¥10.4 billion), to ¥323.8 billion. Both transport volume and revenue rose for the third consecutive fiscal year. As a proportion of all JR-West transport revenues, income from the Sanyo Shinkansen reached approximately 43%.

Four types of trains are operated on the Sanyo Shinkansen: the express trains *Nozomi*, *Hikari Rail Star*, and *Hikari*, and the local train *Kodama*. Of these, the fastest *Nozomi* operates at a maximum speed of 300 kilometers per hour, linking Shin-Osaka and Hakata in two hours and 23 minutes. *Nozomi* trains run direct to Tokyo, so are not significantly different from airplanes in terms of total travel time over the same distance. The *Hikari Rail Star* runs mainly between Shin-Osaka and Hakata, and has proven extremely popular with passengers since its debut in March 2000 for its comfortable transport at a speed second only to *Nozomi* trains, and at no extra charge.

Review of Fiscal 2006

The timetable was revised in March 2005, as passenger use increased following the revision in October 2003. We increased the number of *Nozomi* trains providing direct service from Okayama and Hiroshima to Tokyo, and further enhanced convenience by improving the schedule of departure times between trains, expanding the number of stops, and other measures. We further revised the timetable in March 2006, as the opening of the



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Kobe Airport in February 2006 and the New Kitakyushu Airport in March 2006 significantly increased the number of flights in our competitive area. We boosted the number of *Nozomi* trains providing direct service from Hakata and Hiroshima to Tokyo, added express service *Hikari Rail Star* trains, and took other steps to maintain and improve the competitiveness of the Shinkansen service.

In terms of sales and marketing, we conducted sales promotions for such products as the *Nozomi* early reservation round-trip tickets and other discount tickets. We also undertook activities to promote the DISCOVER WEST and other campaigns developed in cooperation with local municipalities, other JR companies and travel agents, and made efforts to provide basic information on revision of timetables, tourism opportunities and other announcements. In addition, we issued the J-WEST Card credit card in February 2006, and began offering an Internet reservation service to cardholders. We took steps to increase use of this new reservation system through such measures as providing cardholders with discount offers.

Initiatives in Fiscal 2007

We will work to enhance promotions and other campaigns to maximize the effect from the timetable revision conducted in March 2006.

From July 2006, we will expand our Express Reservation service on all Tokaido and Sanyo Shinkansen lines, promote the use of the J-WEST Card and Express Reservation service, provide reasonably priced products and expand sales channels, and make other efforts to increase the number of regular Shinkansen passengers.

We are also making preparations for the launch of the next-generation Shinkansen model N700 in the summer of 2007.

URBAN NETWORK SERVICES

(Conventional lines in the Kyoto-Osaka-Kobe Metropolitan Area)

The Urban Network provides passenger service for the densely populated major cities of Kyoto, Osaka, and Kobe, and their surrounding areas. It has an operating route length of 621.7 kilometers (954.4 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto-Osaka-Kobe region.

In fiscal 2006, Urban Network ridership including the three branch offices of Kyoto, Osaka, and Kobe, increased by 0.2% year on year, to 1,430 million. Transportation volume was down 0.6%, to 28,272 million passenger-kilometers, while transportation revenues fell 1.0% (down ¥2.9 billion), to ¥297.5 billion. As a proportion of all JR-West transport revenues, income from the Kyoto-Osaka-Kobe network was approximately 39%.

The timetable for the Urban Network was revised in March 2006 in line with the Safety Enhancement Plan. This was done with the aim of consistently providing stable transportation services premised on safety, incorporating revised stopping times that take into account the actual status of use by passengers, and such elements as the setting of running times with sufficient leeway.

The number of users of ICOCA, an IC card introduced in November 2003, continues to rise, with more than 2.4 million cards issued in the two and a half years since its introduction. In November 2005, we launched the ICOCA electronic money service, which allows passengers to make purchases at convenience stores and other shops inside stations, and further improved convenience in January 2006 by introducing a system providing interoperability between our ICOCA IC card and the PiTaPa IC card used by private railways in Kansai, and others.

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INTERCITY AND REGIONAL SERVICES

JR-West's other conventional lines comprise intercity transport provided by express and rapid trains, 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.

In fiscal 2006, intercity and regional service ridership (excluding the three branch offices of Kyoto, Osaka, and Kobe) fell by 0.3% year on year, to 375 million. Transportation volume was down 0.9%, to 9,706 million passenger-kilometers, while transportation revenues fell 1.4% (down ¥1.8 billion), to ¥134.7 billion. As a proportion of all JR-West transport revenues, income from the other conventional lines was approximately 18%.

Business conditions for the other conventional lines remain harsh due to the decline in population along the railway lines and other factors. However, as these lines serve a role as feeders for Shinkansen service, and function as part of the overall railway network, we will continue to implement a variety of management efforts, emphasizing safety.

Service between Toyama and Iwasehama stations on the Toyamako Line was discontinued from March 1, 2006, due to the decision by the city of Toyama to adopt a light rail system.

BUS AND FERRY SERVICES

JR-West's Transportation Operations segment includes bus and ferry services. In bus services, the Company worked to provide services that respond to the varied needs of customers, including the comfort-oriented *Super Dream* bus, and the low-cost *Super-Discout Youth* bus, both operating along the route between Osaka and Tokyo.

Transportation Operations

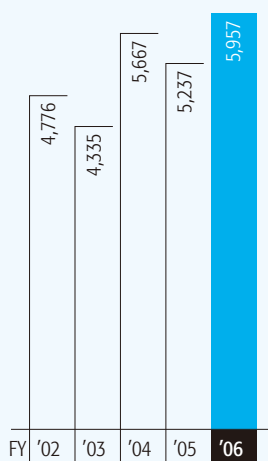
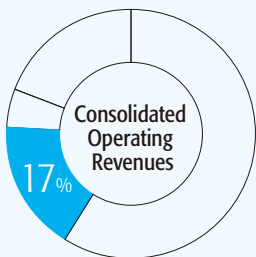
Sales of Goods and Food Services

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Fiscal 2006 Results

Operating revenues in the Sales of Goods and Food Services segment rose 5.0% year on year, to ¥244.4 billion, with operating income up 13.7%, to ¥5.9 billion.



Consolidated Operating Income
(Million ¥)

Overview of the Sales of Goods and Food Services Segment

JR-West's retail services mainly target railway passengers, consisting of convenience stores and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

Initiatives in the Sales of Goods and Food Services Segment

JR-West continued to move forward with the implementation of the NexStation Plan, formulated in fiscal 2004, to improve the quality of its stations. Other initiatives to expand and improve retail businesses within stations included the opening of a shopping area near the first-floor entrance to the Shinkansen tracks in Hiroshima Station, and the opening of the Umesan Koji commercial facility in the space under the elevated tracks in Osaka Station, following the completion of station renovations.

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Fiscal 2006 Results

Operating revenues in the Real Estate Business segment rose 6.8% year on year, to ¥75.7 billion, with operating income up 8.3%, to ¥20.5 billion.



Overview of the Real Estate Business Segment

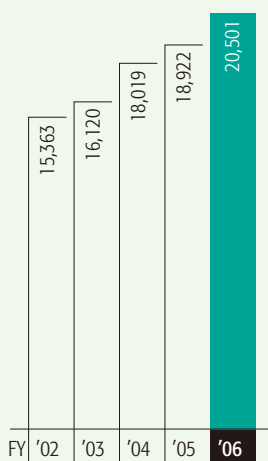
In this business, JR-West seeks to effectively utilize its real estate holdings in and around stations, operates shopping centers, leases sites, and develops station buildings and the spaces under elevated tracks. In fiscal 2003, JR-West began developing and selling condominiums on former sites of Company housing developments and leisure facilities in the Kyoto-Osaka-Kobe area.

Initiatives in the Real Estate Business Segment

JR-West opened Prism Fukui, a shopping center beneath recently elevated tracks at Fukui Station. Other initiatives to develop stations and surrounding areas included the renewal of the Est Ichiban-gai shopping centers beneath elevated tracks in Umeda, Osaka, reopened as EST locations.

We also developed condominium apartments on land formerly used for housing for Company employees, and made other efforts to effectively utilize assets.

The renovation of Osaka Station and the development of the New North Building is proceeding smoothly according to plan, with renewal work continuing, and removal of the existing North Building now underway.



Consolidated Operating Income
(Million ¥)

Transportation Operations

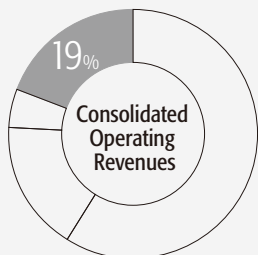
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Fiscal 2006 Results

Operating revenues in the Other Businesses segment rose 8.0% year on year, to ¥280.2 billion, with operating income up 12.5%, to ¥11.4 billion.



Overview of the Other Businesses Segment

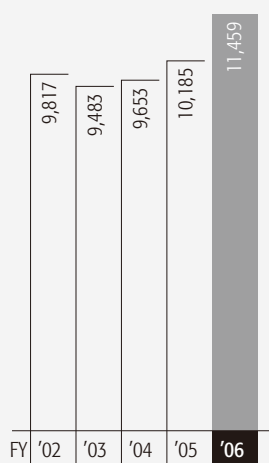
JR-West's other businesses consist of the travel agency business operated by Nippon Travel Agency, which became a consolidated subsidiary of JR-West in fiscal 2004, the hotel business centered on the Hotel Granvia Kyoto, advertising agency business, maintenance and engineering services, and other services that support the smooth operation of the core railway business.

Initiatives in the Other Businesses Segment

In travel agency operations, JR-West's subsidiary Nippon Travel Agency Co., Ltd., marked the 100th anniversary of its establishment with a new corporate logo, and other revisions to its corporate identity. It also developed several new products and services, including the introduction of Red Balloon Centennial, a high-value-added travel product, and other tour packages using chartered transportation.

In hotel operations, JR-West renovated guest rooms, restaurants, and banquet halls, while banquet and culinary departments promoted sales by holding various events, and other initiatives.

In addition to these measures, JR-West undertook new initiatives to provide services that respond to the varied needs of customers, including launching the ICOCA electronic money service, and expanding the credit card business with the issue of the J-WEST Card.



Consolidated Operating Income
(Million ¥)