

On April 25, 2005, West Japan Railway Company (JR-West) caused an extremely serious accident when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki, resulting in the death of 106 passengers, with more than 500 injured. I would like to take this opportunity to once more offer a prayer for the souls of those who died, and offer our deepest apologies to their families. I would also like to offer an apology to those who were injured, and a prayer for their speedy recovery. We are also deeply sorry for the considerable stress and trouble we have caused to our customers, shareholders, and local residents.

Since the accident, JR-West has made its best efforts to help those who suffered as a result, while to ensure that such an accident is never repeated it has been implementing a wide range of measures to improve safety in accordance with the Safety Enhancement Plan submitted to the Minister of Land, Infrastructure and Transport on May 31, 2005. We also established a Safety Management System based on the Corporate Philosophy and Safety Charter initiated on April 1, 2006, and are taking other steps aimed at ensuring a safe and trustworthy rail service for passengers, regaining the trust of customers and society.

In view of these measures, in October 2006 we revised our group medium-term management targets originally formulated in March 2005. This revision sets as a management goal the establishment of a “corporate culture of placing top priority on safety,” and states that JR-West will enhance safety with the aim of recovering the trust of passengers and society in general, and providing for the sustainable growth of the corporate group. Forecasts for operating revenues for the year to March 2009 have been revised upward from the initial plan, to be achieved by providing high-quality services and products that are the preferred choice of customers. At the same time, however, forecasts for return on assets (ROA) and return on equity (ROE) have been revised downward, in consideration



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of efforts necessary to enhance safety and other measures. Our overall aim is to steadily regain the trust of customers with our safety measures, so that we can more securely cement our sustainable growth as a corporate group.

● **Review of Fiscal 2007 Results**

The most pressing issues for JR-West during fiscal 2007 (ended March 31, 2007) were to establish a corporate culture of placing top priority on safety, and to ensure the recovery of trust. With these priorities in mind, in our mainstay railway business we devoted our full effort to improving safety, while in the non-railway businesses we implemented measures that

take advantage of the unique characteristics of each business, and worked to effectively utilize our assets.

In the railway business, we concentrated our efforts on implementing the Safety Enhancement Plan and a variety of other measures. We also further enhanced the convenience of the Sanyo Shinkansen service, revising timetables in March 2006 to add more *Nozomi* trains providing direct service from Hakata and Hiroshima to Tokyo, and increasing the number of extra trains for this increasingly popular line. For the Urban Network

providing service to the Kyoto-Osaka-Kobe metropolitan area, in October 2006 we extended Special Rapid services on the Hokuriku Line and the Kosei Line to Tsuruga Station following completion of work to convert the electric supply from AC to DC, while in March 2007 we revised the timetable to coincide with the opening of the Sakura Shukugawa Station. In terms of marketing, we expanded the Express Reservation system allowing passengers to easily make or change reservations on the Tokaido and Sanyo Shinkansen using a PC or mobile phone. We further promoted use of the Shinkansen service by proactively posting such basic information on the Shinkansen service as number of trains, travel times, and fares.

In the non-railway business, including retail and real estate businesses, we continued to move ahead with the NexStation

Plan to improve the quality of stations, while further enhancing the retail business within stations. We also opened shopping centers in Okayama Station and in front of Kanazawa Station, and pursued other projects to develop stations and surrounding areas. Initiatives in the real estate business included proactive development of condominiums on sites of former company housing and other areas as part of the effective utilization of assets. The renovation of Osaka Station and development of the New North Building is proceeding smoothly. Construction has begun on the New North Building, with the opening planned for 2011.

As a result of these measures, operating revenues rose 1.8% year on year, to ¥1,262.9 billion on a consolidated basis for the fiscal year ended March 31, 2007. Although we had initially forecast a decline in profit, operating income increased 0.1%, to ¥135.3 billion. Net income rose 22.1%, to ¥56.7 billion.

● Measures to Ensure Sustainable Growth in Corporate Value

Fiscal 2008 (ending March 31, 2008) will be our third year since the accident. We intend to continue to focus on regaining customer trust through our safety measures, while at the same time moving forward with strategic initiatives for the future—such as strengthening the competitiveness of the Shinkansen service—that will allow us to adapt to changes in the business environment, and offering services and products to make JR-West the preferred choice of customers.

Specifically, as part of our ongoing response to victims of the accident we will continue to listen sincerely to their opinions and requests, and devote our full effort to providing a response while at the same time moving steadily forward with measures focused on improving safety and regaining trust. We intend to pay particular attention to the report published in June 2007 by the Aircraft and Railway Accident Investigation Commission of the Ministry of Land, Infrastructure and Transport, accept its recommendation and make the appropriate responses to prevent a reoccurrence.

In the railway business, we plan to further enhance the competitive the Shinkansen service with the introduction of

eight trainsets of the new N700 Series Shinkansen, which offers greater speed and comfort. The July revisions to the timetable will increase the number of *Nozomi* departing from Shinagawa during the peak morning hours and high-speed *Hikari Rail Star* trains, while we will also further promote the use of the Express Reservation system. For the area serviced by the Urban Network, we are proceeding with construction work in preparation for the opening of the southern portion of the Osaka Outer Loop Line planned for the spring of 2008, the renovation of Tennoji Station, and the opening of new stations along the JR Kyoto and Kobe lines. In non-railway businesses, we will continue to develop the areas around stations, as well as steadily move forward with the construction of the New North Building in Osaka Station, improving environments in order to facilitate expansion of ACTY Osaka, and other measures to improve station facilities.

We remain keenly aware of the principle of “no trust without safety, no growth without trust.” During the current fiscal year, we will continue to redouble our safety efforts, placing the highest priority on recovering the trust of customers and society. Building on a foundation of providing a trustworthy, reliable, and high-quality transportation service, the JR-West Group will build a foundation that will offer sustainable growth into the future while striving to provide a service that is beneficial to society, and to increase its revenues.

We sincerely appreciate your continued support of JR-West.

June 2007



Masao Yamazaki

President, Representative Director and Executive Officer