

Business Environment

JR-West operates a railway network that stretches across an area of approximately 104,000 square kilometers, covering 18 prefectures in western Honshu and the northern tip of Kyushu with a total operating kilometerage of 5,024.0 kilometers. In addition to railway passenger services, JR-West operates retail, real estate, and other businesses that offer synergistic benefits with the railway business. The area served by JR-West's rail network

is home to approximately 43 million people—34% of Japan's population—with a nominal GDP amounting to ¥166 trillion.

A significant portion of JR-West's revenue is derived from the Sanyo Shinkansen, a high-speed intercity transport line running at speeds of up to 300 kilometers/hour between Shin-Osaka Station in Osaka and Hakata Station in the city of Fukuoka in northern Kyushu. The line runs through several

major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

JR-West's Urban Network provides services to the Kyoto-Osaka-Kobe metropolitan area, which has a population of more than 20 million. An average of 3.97 million passengers use JR-West's Urban Network daily (fiscal 2008), mainly for commuting to work or school.

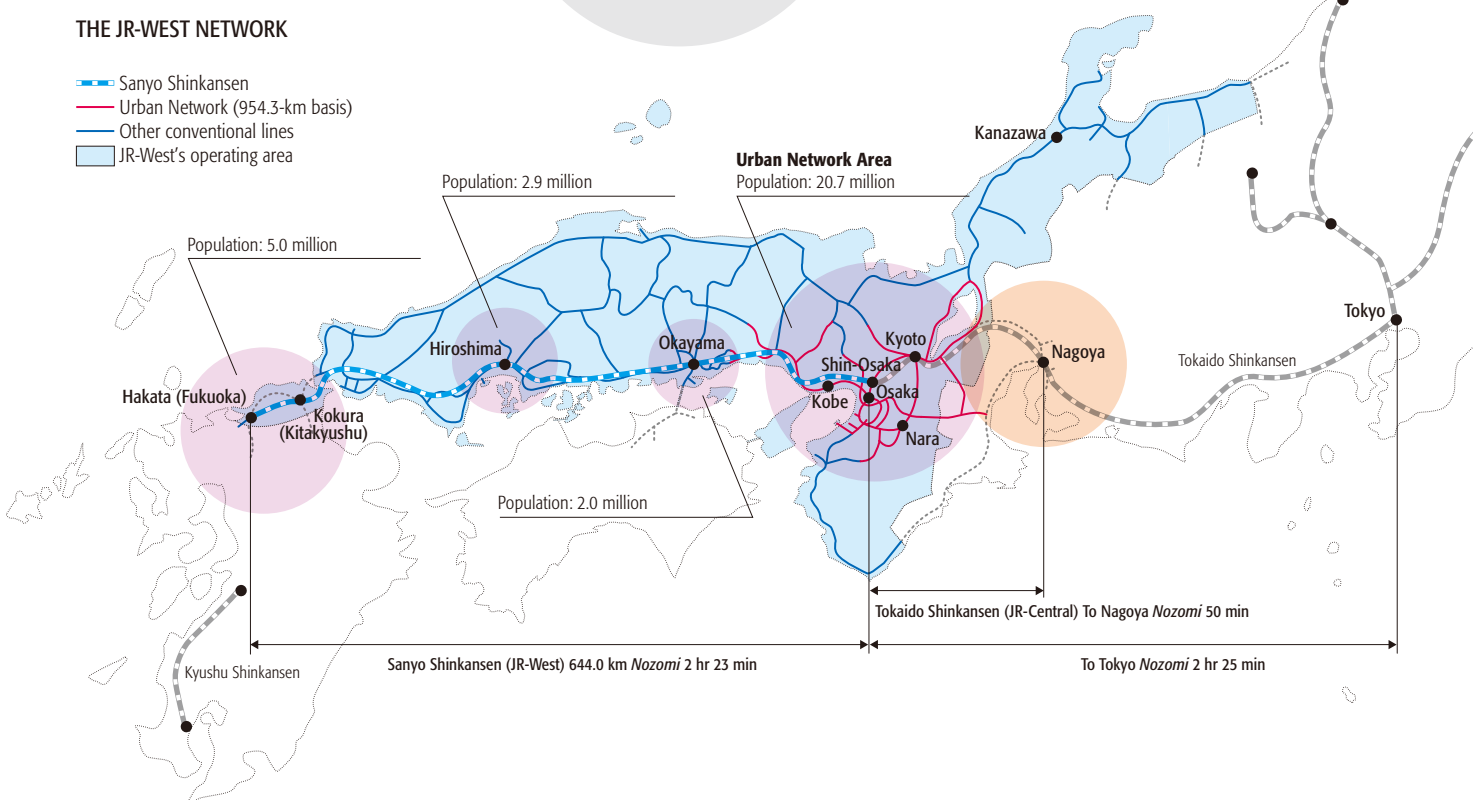
Population:
43 million

GDP:
¥166 trillion

Route Length:
5,024.0 km

THE JR-WEST NETWORK

- Sanyo Shinkansen
- Urban Network (954.3-km basis)
- Other conventional lines
- JR-West's operating area



Business Description

Railway Business

JR-West has a total operating kilometerage of 5,024.0 kilometers, accounting for slightly less than 20% of the total operating kilometerage in Japan. By line, the high-speed intercity transport line Sanyo Shinkansen accounts for 644.0 kilometers, the Urban Network serving the Kyoto-Osaka-Kobe metropolitan area 622.0 kilometers (954.3 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), while other conventional lines (excluding the three branch offices) extend a total of 3,425.7 kilometers.

Operating revenues in the Transportation Operations segment for fiscal 2008 (ended March 31, 2008) were derived 44% from the Sanyo Shinkansen, 39% from the Urban



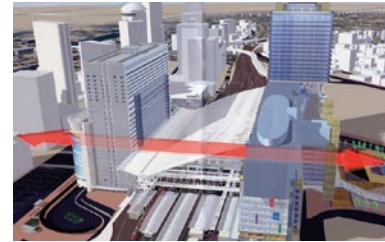
The new N700 Series

Network, and 17% from other conventional lines.

JR-West also operates bus and ferry services in addition to railways. The combined operating revenues in the Transportation Operations segment from these services accounted for approximately 67% of consolidated operating revenues (from third parties) in fiscal 2008, and around 70% of consolidated operating income.

Non-Railway Businesses

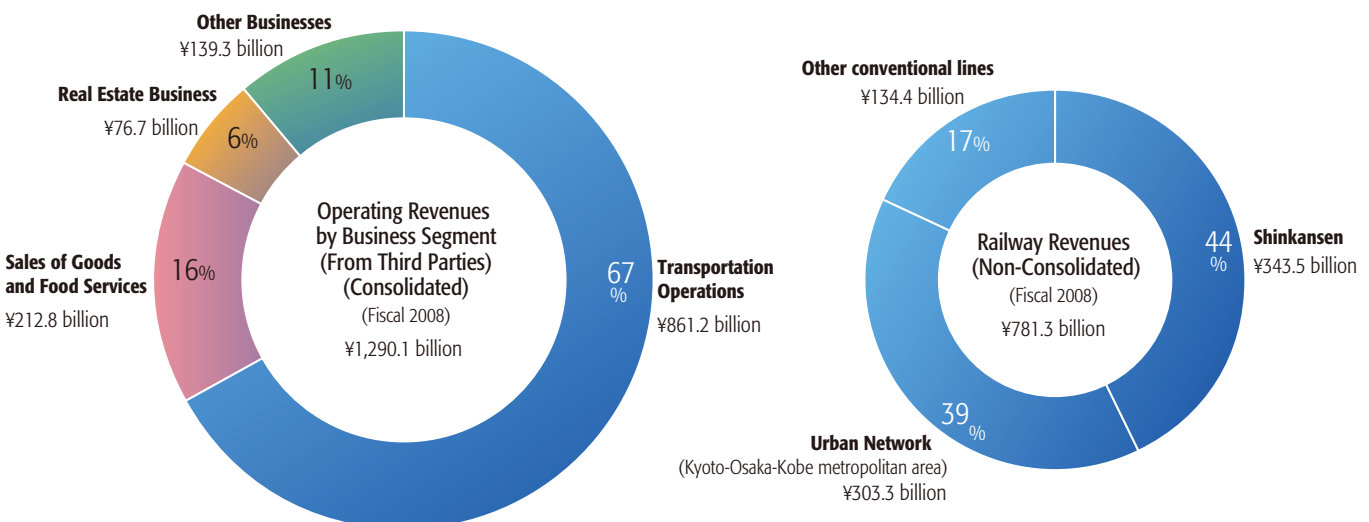
Along with its railway and other transport services JR-West utilizes its far-reaching network of stations and the large populations they serve to operate a variety of businesses that are either related to the railway business, or serve to supplement and/or strengthen it. These businesses include (1) sales of goods and food services business consisting of department stores, retail specialty stores, convenience stores, Kiosk stands and restaurants in or near station premises; (2) a real estate



Renovation of Osaka Station

business consisting of shopping center operations, development of commercial facilities around stations and underneath elevated tracks, and housing developments near railway lines; and (3) various other businesses such as hotels, travel agency, advertising, rental cars, and construction.

Operating revenues from the Sales of Goods and Food Services, Real Estate Business and Other Businesses segments accounted for approximately 16%, 6%, and 11% of consolidated operating revenues (from third parties), respectively, in fiscal 2008, and around 4%, 18%, and 8% of consolidated operating income.

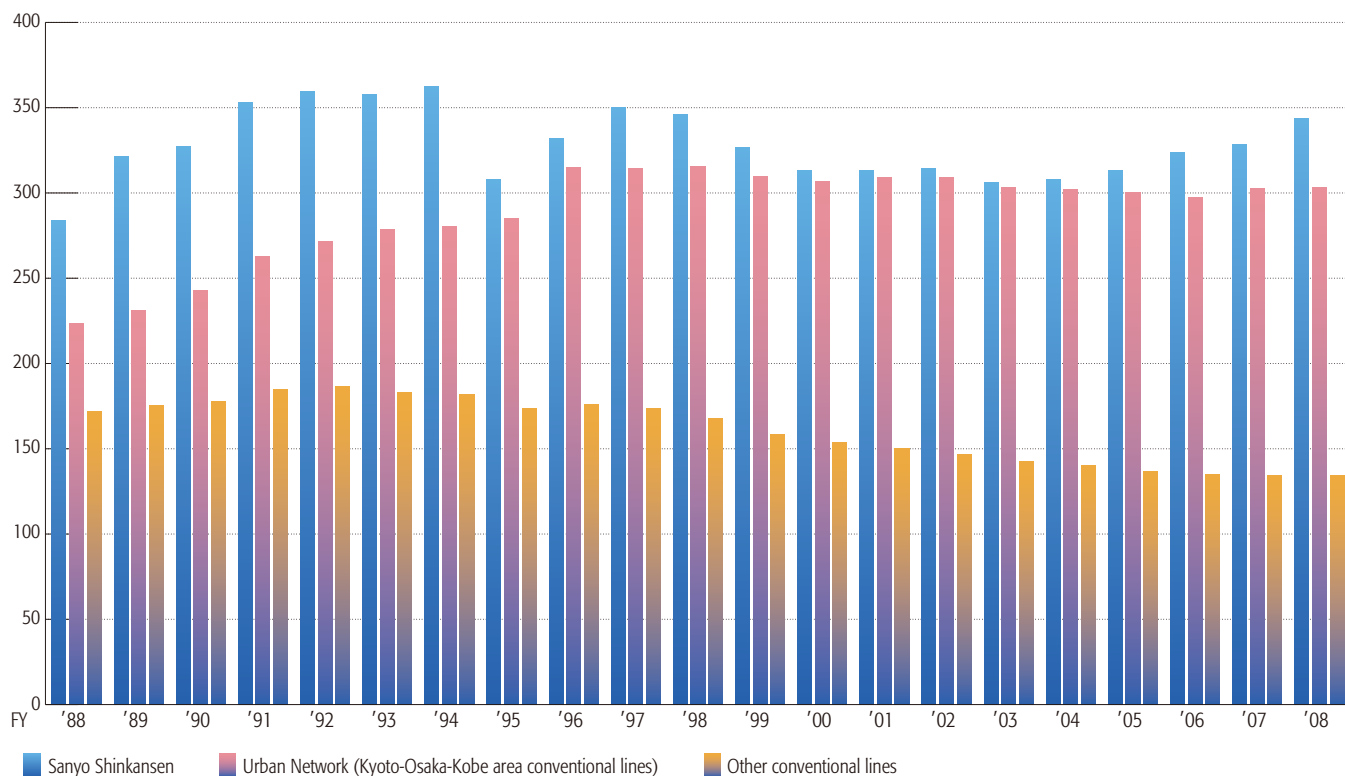


Performance

21-Year Railway Operating Revenues

Transportation Revenues

(Billion ¥)



Eleven-Year Consolidated Financial Highlights

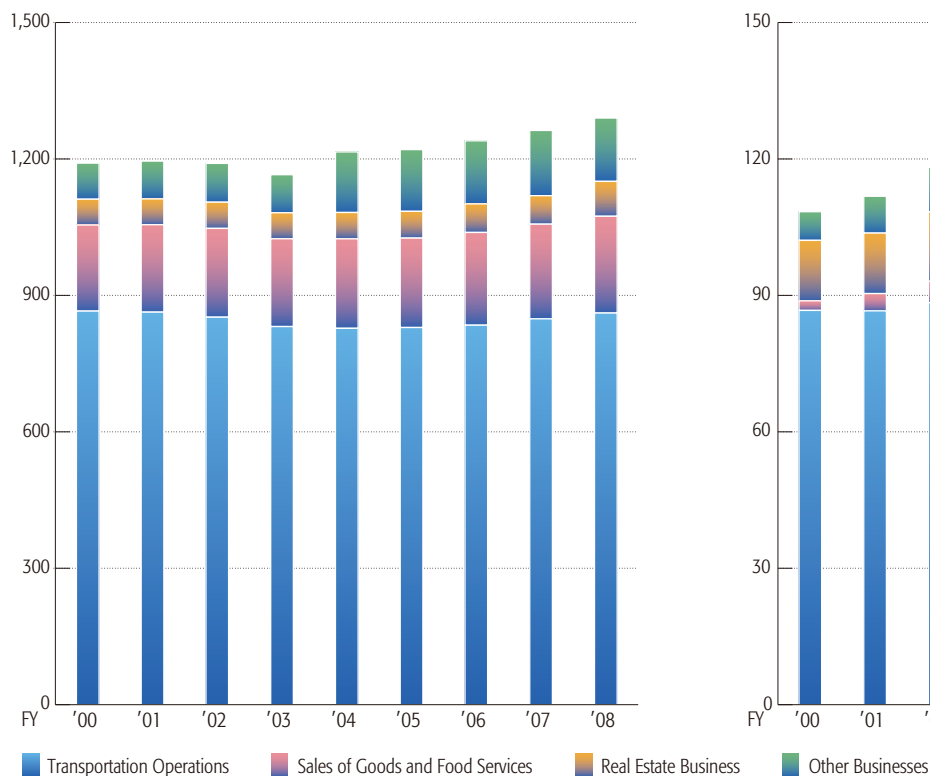
Years ended March 31

	1998	1999	2000	2001	2002
For the Year:					
Operating revenues	¥ 1,229,137	¥ 1,205,078	¥ 1,191,009	¥ 1,195,516	¥ 1,190,610
Operating income	118,111	117,941	107,758	111,877	117,649
Net income (loss)	19,931	(9,014)	25,091	30,961	45,537
Return on assets (operating income basis)	4.5%	4.5%	4.2%	4.4%	4.7%
Return on equity (ROE)	6.1	(2.8)	7.6	8.1	11.0
Per Share Data:					
Net income (loss)	¥ 9,965.54	¥ (4,507.03)	¥ 12,545.62	¥ 15,480.62	¥ 22,768.68
Cash dividends	5,000	5,000	5,000	5,000	5,000
Net assets	165,917.46	156,308.87	174,423.63	206,822.51	205,740.04
At Year-End:					
Total assets	¥ 2,632,327	¥ 2,574,195	¥ 2,561,095	¥ 2,576,301	¥ 2,416,787
Total net assets	331,834	312,617	348,847	413,645	411,480

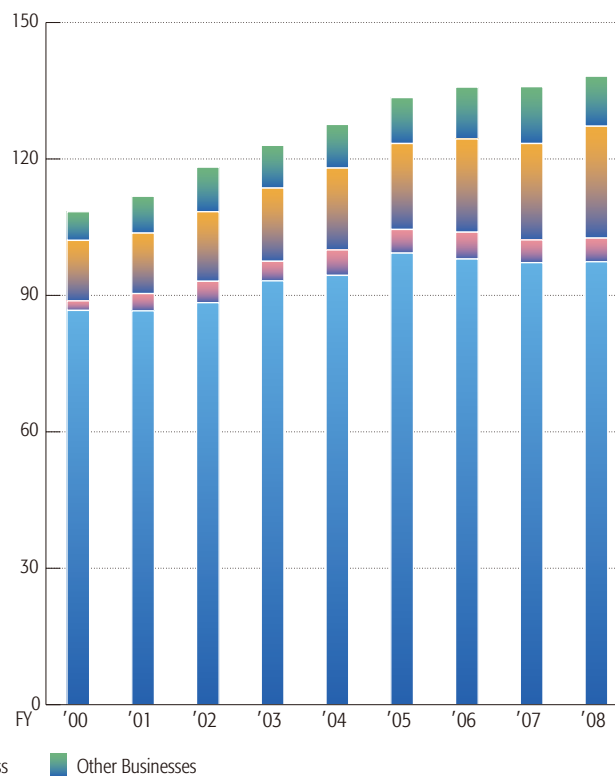
Note: Yen figures have been converted into U.S. dollars at the rate of ¥99=U.S.\$1.00, the approximate exchange rate at March 31, 2008.

By Business Segment

Operating Revenues (From Third Parties)
(Billion ¥)



Operating Income
(Billion ¥)



2003

2004

2005

2006

2007

2008

Millions of yen, %

2008

Millions of U.S. dollars (Note)

¥ 1,165,571	¥ 1,215,735	¥ 1,220,847	¥ 1,240,098	¥ 1,262,935	¥ 1,290,190	\$ 13,032
122,636	126,930	133,100	135,218	135,341	137,413	1,388
41,644	47,016	58,996	46,525	56,791	57,707	582
5.1%	5.2%	5.6%	5.7%	5.7%	5.6%	—
9.8	10.2	11.8	8.5	9.7	9.3	—

Yen

U.S. dollars (Note)

¥ 20,740.12	¥ 23,423.19	¥ 29,462.96	¥ 23,281.96	¥ 28,415.07	¥ 28,954.78	\$ 292
5,000	6,500	6,000	6,000	6,000	6,000	60
220,284.84	239,876.24	262,232.61	282,245.00	303,906.52	322,294.60	3,255

Millions of yen

Millions of U.S. dollars (Note)

¥ 2,432,713	¥ 2,410,358	¥ 2,364,322	¥ 2,355,969	¥ 2,401,667	¥ 2,462,831	\$24,877
440,556	479,762	524,357	564,254	637,849	670,838	6,776