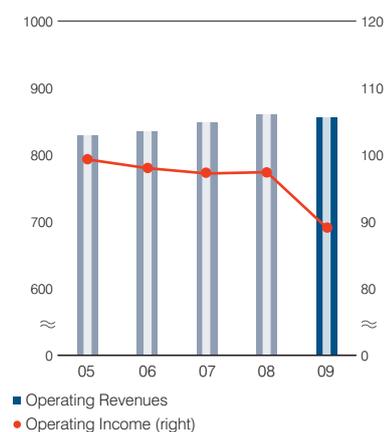


### Transportation Operations

#### Operating Results

Billions of yen



JR-West's Transportation Operations consist of railway operations and small-scale bus and ferry services. Railway operations encompass 18 prefectures in the western half of Honshu, Japan's main island, and the northern tip of Kyushu, an area of approximately 104,000 square kilometers. The region has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The Company operates 51 railway lines with a total of 1,222 railway stations. Operating route length totals 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network comprises the Sanyo Shinkansen, a high-speed intercity railway line, the Urban Network, covering the Kyoto–Osaka–Kobe metropolitan area, and other conventional railway lines (excluding the three branch offices in Kyoto, Osaka, and Kobe). In fiscal 2009, operating revenues in the segment edged down 0.6%, to ¥856.1 billion, due to falling revenues amid a worsening of the business climate. Most of this revenue is derived from passenger railway revenue of the parent company JR-West, which declined 1.0%, to ¥773.2 billion. In addition, an increase in energy costs and miscellaneous costs accompanying higher fuel prices and an increase in depreciation and amortization accompanying safety-related investments resulted in an 8.6% decrease in operating income, to ¥89.1 billion.



### Sanyo Shinkansen



The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers, and 19 railway stations,

including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR-Central), operates all of the other 18 railway stations.

There are four types of services in operation on the Sanyo Shinkansen: the express services Nozomi, Hikari Rail Star, and Hikari, and the local service Kodama. Of these the fastest is Nozomi, which operates at a maximum speed of 300 kilometers per hour, linking Shin-Osaka and Hakata in two hours and 23 minutes at its fastest. The majority of the Nozomi services are through-services operating on Tokaido Shinkansen tracks operated

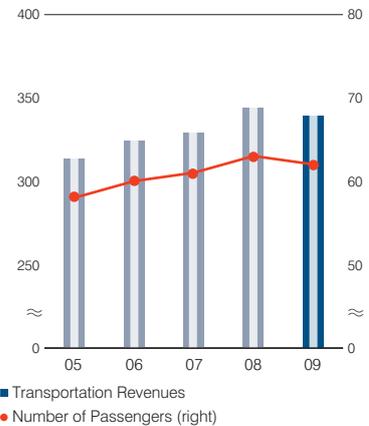
by JR-Central and link Tokyo and Shin-Osaka. This allows passengers to travel across the Tokaido Shinkansen from Tokyo or Nagoya to the major railway stations along the Sanyo Shinkansen—Okayama, Hiroshima, and Hakata—without having to change trains.

Transportation revenues from the Sanyo Shinkansen began declining after fiscal 1997 due to the slowdown in the Japanese economy, and more intense competition from competing transportation services, such as airlines and highway buses. However, usage began to rise following an October 2003 timetable revision, primarily to reflect the switchover from Hikari to Nozomi services, and a lowering



### Transportation Revenues Sanyo Shinkansen

Billions of yen / Millions of passengers



of fares for Nozomi services, which accompanied this switchover. Subsequently, thanks to further revisions of timetables, mainly to enable an increase in Nozomi services, and such marketing initiatives as the introduction of the Express Reservation system, revenues from the Sanyo Shinkansen rose for five consecutive years until fiscal 2008.

#### Fiscal 2009 Measures

In response to fiercer competition between JR-West's services on certain line segments and airline services, in March 2008 the Company introduced new N700 Series trains—featuring comfortable interiors that are popular with customers—to one of the two Nozomi services that operate between Tokyo and Hakata every hour. Also, we increased Nozomi services between Tokyo and Hiroshima. In other initiatives to further heighten the competitiveness of our Shinkansen services, in March 2009 we introduced N700 Series trains to the two Nozomi services that operate between Tokyo and Hiroshima every hour. Furthermore, JR-West added direct Nozomi services between the Tokaido and the Sanyo Shinkansen during busy morning and evening periods.

With regard to marketing activities, the Company has proactively spread basic information on the Sanyo Shinkansen Line services, including the content of the revised timetable such as the increased frequency, the comfort of N700 Series trains, the convenience of the Express Reservation system and the price edge, and launched special tickets such as "Kodama Reserved Round Tickets" to promote the utilization of its services. The Company also has engaged in sales promotion of the "DISCOVER WEST Campaign," "Yamaguchi Destination Campaign," and other campaigns jointly with the relevant local areas, travel agencies, and other JR companies to create tourist demand.

However, due to the dramatic deterioration of the business climate in the second half of the fiscal year, for fiscal 2009 JR-West recorded year-on-year decreases in total passenger-kilometers and transportation revenues for the first time in six years. In fiscal 2009, the Sanyo Shinkansen saw declines of 0.8% in the number of railway passengers, to 62 million; 0.3% in total passenger-kilometers, to 15,887 million; and 1.3%, or ¥4.3 billion, in transportation revenues, to ¥339.1 billion.

#### Initiatives Going Forward

Amid an environment characterized by tough economic conditions and increased competition due to a substantial reduction in expressway tolls in March 2009, JR-West will take steps aimed at increasing the use of its railway services. These initiatives will include creating Shinkansen timetables that fully exploit the benefits of introducing N700 Series trains, providing comfortable, highly reliable transportation services that reflect demand trends, and publicizing the environment-friendliness of Shinkansen services. Also, in order to increase the convenience of sales channels, JR-West will encourage use of its Express Reservation system and expand the Express Reservation IC card (EX-IC) service for Sanyo Shinkansen services from August 2009. Further, JR-West will encourage tourism by promoting the "DISCOVER WEST Campaign" and destination campaigns while creating, developing, and promoting travel packages in collaboration with local communities and travel agencies. We will also encourage tourism by offering special discount tickets such as the West Japan Pass, which allows very reasonably priced unlimited travel, and upgrading secondary access.

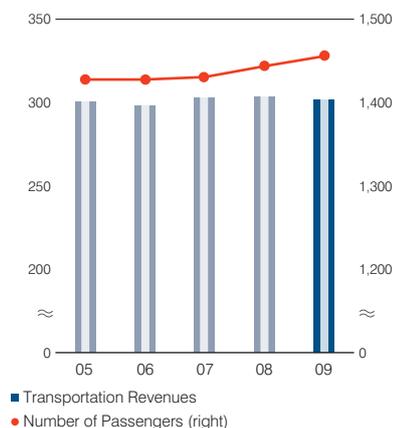


## Urban Network Services



### Transportation Revenues Urban Network Services

Billions of yen / Millions of passengers



The Urban Network provides passenger services for the densely populated major cities of Kyoto, Osaka, and Kobe, and their surrounding areas. It has an operating route length of 622.0 kilometers (943.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto–Osaka–Kobe region.

The Urban Network area includes the portion of the Fukuchiyama Line between Tsukaguchi and Amagasaki where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built among customers and society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest priorities.

### Fiscal 2009 Results

In accordance with the Basic Safety Plan prepared in April 2008, we advanced and established measures to analyze safety issues identified through reports and other feedback from employees and to implement countermeasures. Specifically, JR-West expanded the ATS-P system, increased the safety of trains by changing their structures, and improved the safety of equipment at railway crossings.

In transportation, JR-West encouraged use of the Osaka Higashi Line, which began operations in March 2008, and three new railway stations: Shimamoto Station, Sumakaihinkoen Station, and Harima-Katsuhara Station. Also, we increased convenience for passengers by opening Katsuragawa Station on the JR Kyoto Line between Nishioji and

Mukomachi Stations in October 2008.

In addition, the Company reflected usage trends by revising timetables in March 2009 to enable the introduction of Special Rapid late-night services on the JR Kyoto Line and the JR Kobe Line.

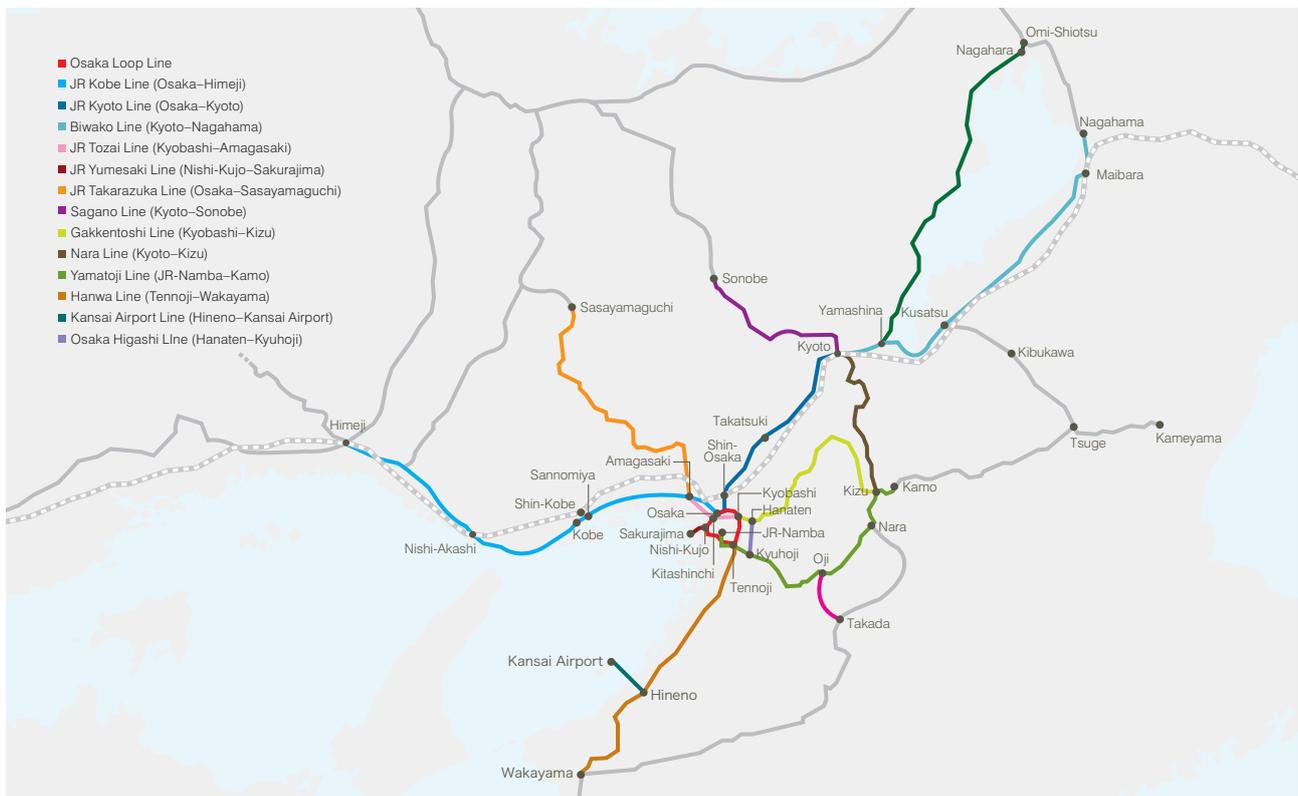
In marketing initiatives, we made reservations more convenient by introducing a ticketless service for the Haruka and Biwako Express limited express services.

As a result of those initiatives, in fiscal 2009 the number of railway passengers of the Urban Network, including the three branch offices in Kyoto, Osaka, and Kobe, increased 0.5%, to 1,462 million. However, the rapid worsening of the business climate in the second half of the fiscal year led to decreases of 0.1% in total passenger-kilometers, to 28,933 million, and 0.6%, or ¥1.8 billion, in transportation revenues, to ¥301.5 billion.

### Initiatives Going Forward

JR-West is giving priority to measures to further improve safety, such as expansion of the ATS-P system, and is steadily implementing a range of forward-looking initiatives.

In marketing initiatives, capitalizing on its railway network in the Kyoto–Osaka–Kobe area, JR-West will advance initiatives to develop tourism, which will include collaborations with other railway operators and center on Kyoto, Nara, and Sakai. Also, we will move forward steadily with the Osaka Station Development Project. In conjunction with those efforts, we will improve accessibility and the quality of transportation services for the area surrounding Osaka



Station, which, with completion of the Osaka Station Development Project, will likely attract dramatically more customers in the near future. Other initiatives will include increasing the values of its railway belts through initiatives in which the railway division and the business development division work in unison and collaborate with local communities to develop railway stations and their surrounding areas.

**The ICOCA IC card**

Use of the ICOCA non-contact IC card, a service introduced in the Urban Network area in November 2003, has steadily increased, with the number of cards issued reaching 4.48 million within the

first five and a half years of the launch of the service. In August 2004, we began offering reciprocal use with the Suica IC card issued by East Japan Railway Company, and in January 2006 reciprocal use with the PiTaPa IC card issued by Surutto Kansai Association, an organization composed of public and private railway operators in the Kansai region. We have steadily broadened the area in which the ICOCA IC card can be used, introducing the service in the Okayama and Hiroshima areas from September 2007, and offering interoperability with Central Japan Railway Company (JR-Central)'s TOICA IC card from March 2008.

Also, to coincide with the February 2006 launch of the J-WEST card, we began issuing the SMART ICOCA IC card, which allows cardholders to add money to their IC card without using cash. For the ICOCA electronic money service launched in October 2005, we are working to expand the number of stores in railway stations and towns where the service can be used, such as at Kiosk stands in the Kinki region. In March 2008, we began reciprocal use with East Japan Railway Company (JR-EAST)'s electronic money, Suica, to increase the number of stores in railway stations and towns where ICOCA can be used.



## 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 3,425.7 kilometers.

The operating environment for other conventional lines continues to be difficult due to the declining population of areas served by the lines. However, considering that these lines play a role as feeders for Shinkansen services and function as a vital part of the railway network, we are

working to provide community-oriented services and undertake other management efforts, while placing priority on ensuring safety. Also, we are helping stimulate tourism demand by working in partnership with local communities and operating tourist trains that feature upgraded interiors and exteriors.

The number of railway passengers on the other conventional lines during fiscal 2009 increased 0.1%, to 375 million, although total passenger-kilometers were down 0.7%, to 9,621 million. Transportation revenues decreased 1.4%, or ¥1.8 billion, to ¥132.5 billion.



## Bus and Ferry Services



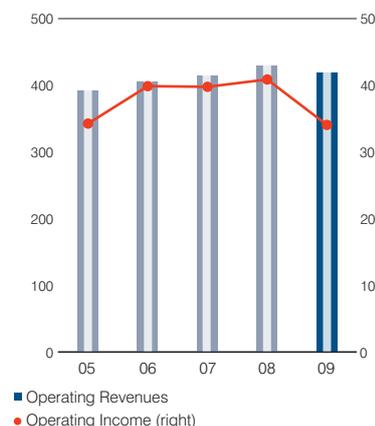
The Transportation Operations segment also includes bus and ferry services. In bus services, with competition for highway bus services continuing to intensify, JR-West worked to provide services that fit the varied needs of customers, including establishing a new route between Hokuriku and Nagoya, and revising timetables for routes from the Kyoto, Osaka, and Kobe area to Shinjuku, Tokyo, and for routes to Awajishima and Naruto.

In ferry services (the Miyajima Line), JR-West established a structure that facilitates timely and appropriate decision making. In order to improve safety further and enable carefully tailored marketing measures, JR-West established a subsidiary, which began operating ferry services from April 1, 2009.

## Non-Transportation Operations

### Operating Results

Billions of yen



JR-West's Non-Transportation Operations comprise three operations: Sales of Goods and Food Services, Real Estate Business, and Other Businesses. Those 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 trust of customers. The Railway Operations Headquarters and the Business Development Headquarters will increase the value of its railway belts through initiatives that entail collaboration with local communities to develop railway stations and their surrounding areas. In development, our basic approach is to clarify management responsibility in order to accelerate operational development and pursue development through Group companies. In accordance with that approach, we will advance peripheral development centered on railway stations and areas within railway stations, develop commercial facilities in areas between railway stations, and conduct operations that use idle land for the development and sales of condominiums. Also, in order to foster earnings mainstays for the next generation, JR-West is furthering initiatives to create new businesses through collaborations inside and outside the Group.



## Sales of Goods and Food Services



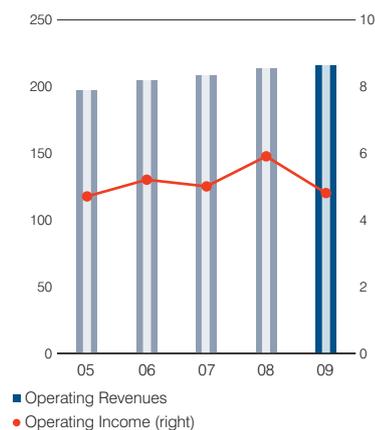
JR-West's retail services mainly target railway passengers, consisting of convenience stores, specialty stores, and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

Kobe Station, and a Daily Inn convenience store stand at Himeji Station following completion of work to elevate the railway tracks.

As a result, although operating revenues in the Sales of Goods and Food Services segment rose 1.2% over the previous fiscal year, to ¥215.3 billion, operating income declined 9.4%, to ¥4.7 billion, due mainly to declines in sales at department stores and increased costs associated with opening new stores, which offset the increased sales revenues.

### Operating Results

Billions of yen



### Fiscal 2009 Results

JR-West decided on West Japan Railway Isetan Limited as the main business operator for the new department store in the New North Building of Osaka Station, established a development planning office in the company, and began making preparations for opening. We also continued to work to make railway stations more attractive, such as through opening the Kobe Food Terrace restaurant zone within

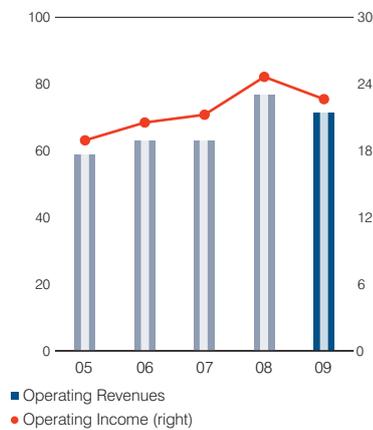


## Real Estate Business



### Operating Results

Billions of yen



JR-West's real estate services consist of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal railway stations, 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.

In shopping center operations, JR-West has strengthened the Group's tenant leasing functions, and accelerated its efforts to attract preferential tenants. At the same time, we have enhanced the drawing power and freshness of our facilities through regular merchandise and tenant changeovers. In real estate sales and leasing, JR-West seeks to effectively utilize its real estate holdings by steadily developing shopping centers in station buildings, as well as developing and selling condominiums on former sites of Company housing units and leisure facilities. We are also currently renovating Osaka Station and developing the New North Building, which are planned to open in spring 2011.

### Fiscal 2009 Results

JR-West worked to develop station premises and surrounding areas, including opening the JR Fukuchiyama Station No. 1 and No. 2 NK Buildings, with a large-volume electronics retailer as a tenant on the south side of Fukuchiyama Station, as well as opening the PLiE HIMEJI shopping center at the main central entrance of Himeji Station, and the JR Nara Station NK Building with a hotel and other facilities at the east exit of Nara Station. We also moved steadily forward with the plan for the Osaka Station Development Project, including making progress with the renovation of Osaka Station and work to develop the New North Building, as well as beginning work on the ACTY Osaka building expansion. In addition, we continued to promote sales of condominium apartments formerly used for housing for Company employees.

However, operating revenues for the Real Estate segment declined 7.3% over the previous fiscal year, to ¥71.1 billion, with operating income down 8.2%, to ¥22.6 billion. This was due mainly to a year-on-year decline in condominium sales.

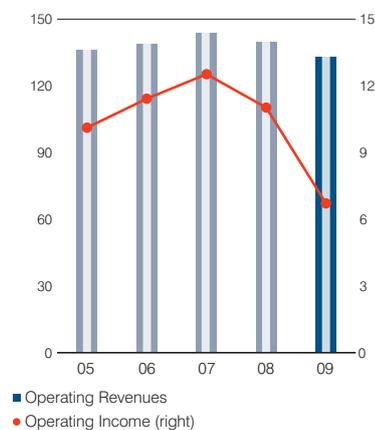


## Other Businesses



### Operating Results

Billions of yen



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, an advertising agency business, maintenance and engineering services, and other businesses to facilitate the smooth and efficient operation of the mainstay railway business.

### Fiscal 2009 Results

In travel agency operations, amid an extremely difficult business environment, JR-West worked to expand Internet-related sales, such as by expanding the lineup of Internet-only products. We also strengthened development of products utilizing a new overseas travel information system.

As to the hotel business, the Group has exerted its efforts on sales promotion activities by refurbishing accommodation facilities, eating and drinking establishments, and banquet halls and by launching various events. To add synergy to its existing hotels and railway business, West Japan Railway Hotel Development Limited acquired the shares of Hotel

HOPINN AMING located north of Amagasaki Station to make it a new member of JR-West Japan Hotels in January 2009.

Nevertheless, operating revenues in the Other Businesses segment declined 4.8% over the previous fiscal year, to ¥132.6 billion, with operating income down 39.0%, to ¥6.7 billion. This is attributed mainly to a falloff in income in the travel agency operations during the fiscal year due to the impact from the sluggish economy.