

Our Goal is to

Achieve Sustainable Growth.

TAKAYUKI SASAKI

President, Representative Director, and Executive Officer



Effects of the Great East Japan Earthquake

First, I would like to state that the thoughts and prayers of all at JR-West are with those who have lost their lives and those who are otherwise suffering as a result of the Great East Japan Earthquake. With regard to the JR-West Group, fortunately, we did not suffer any direct damage to our facilities. However, we are experiencing some difficulties in procuring parts for our rolling stock that are produced in the affected regions. This has forced us to temporarily halt operation of certain trains. In addition to continuing our various initiatives to provide safe and secure transportation, we will offer support to the people in the affected regions to the greatest extent possible based on the situation on the ground within these regions and the needs of the people there. Further, we believe that in order to overcome the nationwide crisis caused by this disaster, it is important for us to first focus our efforts on invigorating the West Japan area, which in turn will help revitalize the domestic economy. We anticipate that this will lend strength to the recovery efforts following the earthquake. For this reason, we will redouble our efforts to contribute to the invigoration of the West Japan area through our business activities centered on railways.

Overview of Fiscal 2011

In the fiscal year ended March 2011, we were able to achieve increases in both revenues and income. This can be seen as the result of several factors, such as higher transportation revenues from Shinkansen services and other sources due to the recovery of the domestic economy as well as the recovery from the losses associated with the epidemic of the new influenza virus experienced during the previous year, and reduced expenses centered on personnel costs. Additionally, in October 2010, we revised the JR-West Group's Medium-Term Management Plan 2008–2012, which we originally formulated in May 2008. In this revision, we defined a management vision of achieving sustainable growth over the long term, while pursuing excellence in safety management and seeking to be a corporate group trusted by customers, communities, and society. In our efforts to realize this management vision, we will continue to implement initiatives based on our three pillars of management—"measures to have ourselves accepted as acting with the best intentions by the victims of the train accident," "measures to enhance safety," and "furthering of reform." In the revised plan, however, we also outlined three new strategies geared toward the realization of this vision—"coexistence with local communities," "innovation by technology," and "thinking and acting based on the field."

As a company that operates railways as its main business, we realize that we cannot survive independent of the communities in which we operate. Therefore, we must establish strong relationships with local governments, transportation providers, and other local organizations. Going forward, we will work to build comprehensive win-win relationships with these organizations. Also, in the future, we will need to address the various issues arising from the declining population in Japan. To this end, we intend to reform our railway operation system and implement other measures meant to promote innovation by technology. Additionally, we will thoroughly revise actual workflow processes throughout the Company from a perspective that focuses on the “field of play” that defines our operating environment. We hope that this will further stimulate the JR-West Group and help enhance our corporate culture.

Completion of Two Major Projects

In the fiscal year ending March 2012, we began operation of direct services between the Sanyo and the Kyushu Shinkansen lines as well as operation of “Osaka Station City,” both major projects that the JR-West Group has devoted many years to complete. On March 12, 2011, services began operation on all lines of the Kyushu Shinkansen line. On the same day, we began operating the new Mizuho and Sakura Shinkansen services, which connect Shin-Osaka and Kagoshima-Chuo stations by means of a direct service. It is unfortunately true that these new services got off to a slow start due to such factors as the Great East Japan Earthquake, which occurred the day before the direct services were due to begin. However, the substantial reduction in travel time combined with the traveling comfort provided by our new rolling stock won the praise of customers, consequently we believe that these services were able to achieve a strong start regardless of the difficult operating environment. Going forward, we will work in cooperation with travel companies and local governments in our service area to communicate the appeal of Kyushu’s many tourist destinations to people in the Kyoto–Osaka–Kobe area as well as to the rest of West Japan, while also communicating to people in Kyushu the appeal of Kyoto, Osaka, and other destinations in West Japan. Through these efforts, we hope to encourage increased interaction between both areas.

“Osaka Station City” held its grand opening on May 4, 2011, marking the completion of a massive development project. With a floor space of 245,000 m², the project required an investment of approximately ¥210 billion. In addition to making the station more open and easier to use, the project entailed the

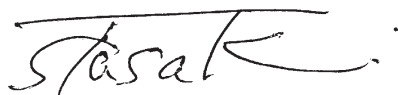
construction of a new building that would be amply equipped with department stores, specialty shops, and office spaces. We believe that “Osaka Station City” will contribute greatly to increasing revenues from railway operations, as well as from the sales of goods and food services and the real estate business. Also, a number of other development projects, unrelated to the Group, are currently being conducted in the area surrounding Osaka Station. In the near future, we anticipate that this area will become densely populated by appealing large-scale commercial institutions thoroughly connected by underground and above-ground walkways, thus making it very easy to get around. The JR-West Group aims to make this area even more appealing so that people from the Kyoto–Osaka–Kobe area and even people living further away will come to visit it. To accomplish this goal, the Group will coordinate its efforts with railway operators and other organizations in the surrounding areas.

Forecast for Fiscal 2012

For the fiscal year ending March 2012, we are forecasting somewhat low operating results, due to the compounded effects of such factors as the economic slowdown following the Great East Japan Earthquake and the temporary increase of expenses associated with development projects. However, we will continue the vigorous implementation of the strategies outlined in our medium-term management plan, while making safety our utmost priority and addressing the management issues that were made apparent by the recent earthquake, including those related to disaster precautionary measures and the uninterrupted procurement of parts for our rolling stock. In these ways, we will steadily strengthen our management foundations amidst this harsh management environment, and work to ensure that the Group achieves improved operating results and sustainable growth.

In closing, I would like to ask our shareholders and other investors for their continued support.

May 2011



Takayuki Sasaki
President, Representative Director, and Executive Officer