



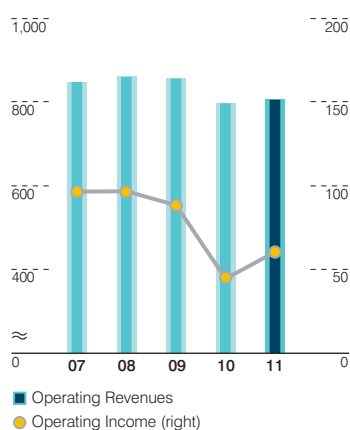
Our Transportation Network contributes to

# the Development of the Community We Serve.

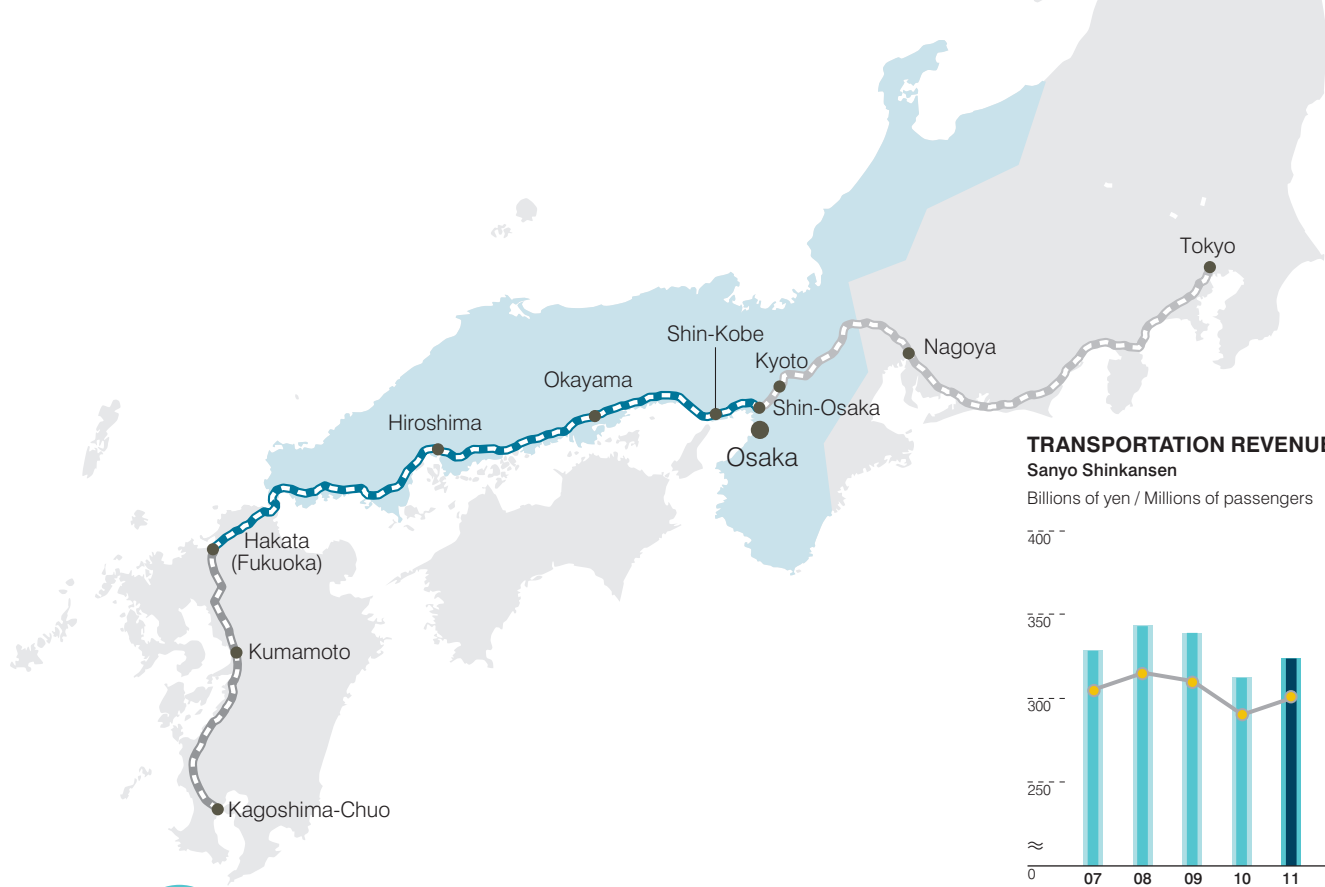
## Transportation Operations

### OPERATING RESULTS

Billions of yen



JR-West's Transportation Operations segment consists of railway operations and small-scale bus and ferry services. Its railway operations encompass 18 prefectures in the western half of Japan's main island of Honshu and the northern tip of Kyushu, covering a total service area of approximately 104,000 square kilometers. The service area has a population of approximately 43 million people, equivalent to 34% of the population of Japan. The railway network comprises a total of 1,222 railway stations, with an operating route length of 5,012.7 kilometers, almost 20% of passenger railway kilometerage in Japan. This network includes the Sanyo Shinkansen, a high-speed intercity railway line; the Urban Network, serving the Kyoto–Osaka–Kobe metropolitan area; and other conventional railway lines (excluding the three JR-West branch offices in Kyoto, Osaka, and Kobe). In fiscal 2011, operating revenues in this segment were up 1.1% year on year, to ¥806.4 billion. While demand for domestic tourism declined following the Great East Japan Earthquake, which occurred on March 11, 2011, this decline was more than offset by the revenues generated due to the strong economic recovery trend seen up until the earthquake, which contributed to an overall rise in revenues. Operating income also increased, rising 35.3%, to ¥61.1 billion. This was largely attributable to the significant decrease in personnel expenses as a result of the completion of the amortization of net retirement benefit obligation at transition of approximately ¥30.0 billion.



## Sanyo Shinkansen



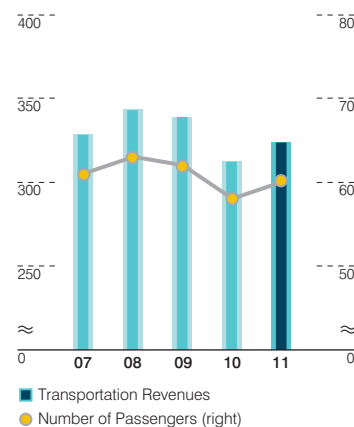
The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage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

The services on the Sanyo Shinkansen include the Group's Nozomi, Hikari, and Kodama services, which it has offered for some time. Of particular interest are the direct Nozomi services operated by Central Japan Railway Company (JR-Central), which link Tokyo Station and Shin-Osaka Station. These Nozomi services allow passengers to travel on 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. In addition, following the March 12 commencement of operations on all lines of the Kyushu Shinkansen, JR-West launched the Mizuho and Sakura Shinkansen services, which travel directly between the Sanyo Shinkansen and Kyushu Shinkansen lines. These new services enable customers to travel between Shin-Osaka and Kagoshima-Chuo in as little as 3 hours and 45 minutes.

## TRANSPORTATION REVENUES

### Sanyo Shinkansen

Billions of yen / Millions of passengers



## Fiscal 2011 Results

In fiscal 2011, the Company was forced to face the effects of the Great East Japan Earthquake, which occurred in March 2011. However, its impact was offset by the benefits of a number of initiatives implemented earlier in the fiscal year. These included the launch of direct services between the Sanyo Shinkansen and Kyushu Shinkansen lines, which accompanied the commencement of operations on all lines of the Kyushu Shinkansen, as well as promotional campaigns highlighting the comfort of traveling on the new N700 Series along with the convenience and price advantages of the Express Reservation and EX-IC systems. Additionally, there was growth in revenues due to the absence of the new influenza epidemic, which caused a decline in revenues during the first half of the previous fiscal year. As a result, total passenger-kilometers for the Sanyo Shinkansen increased 4.9% year on year, to 15,546 million kilometers. Likewise, transportation revenues were up ¥11.4 billion, or 3.7%, to ¥323.9 billion.



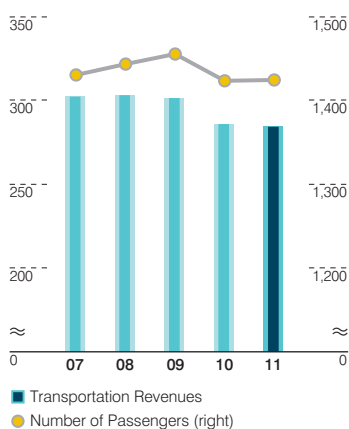
## Urban Network Service



### TRANSPORTATION REVENUES

#### Urban Network Service

Billions of yen / Millions of passengers



The Urban Network provides passenger services for the densely populated metropolises and surrounding areas of Kyoto, Osaka, and Kobe. It has an operating route length of 622.0 kilometers (943.0 kilometers including the three JR-West 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 section of the Fukuchiyama Line between Tsukaguchi Station and Amagasaki Station, the location where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built with customers and

society. We recognize that redoubling our efforts to prioritize safety and regaining that trust is one of our highest management priorities.

Further, the renovation of Osaka Station—the largest JR-West-operated terminal station—that we undertook in 2003 reached completion, and we were subsequently able to hold the grand opening of Osaka Station City on May 4, 2011. Osaka Station serves as the gateway to the Kansai region as well as the gateway into Osaka itself. For this reason, we hope that Osaka Station City will serve as a new landmark in Osaka, a landmark that embodies a sense of flair and sophistication befitting its role as a gateway. This strong desire was a key factor in our naming of Osaka Station City. Further, it is our wish that it will come to be loved by all who visit it as a “city” that is both highly relaxing and convenient.

### Fiscal 2011 Results

In transportation operations, we revised our timetables in consideration of the opening of Osaka Station City in March 2011, increasing the number of rapid services connecting directly to Osaka Station and beginning operation of special rapid services using trains with 12 cars on weekends and public holidays.

In marketing initiatives, we worked to further enhance railway convenience by launching the ICOCA direct commuter pass service in cooperation with Keihan Electric Railway Co., Ltd.

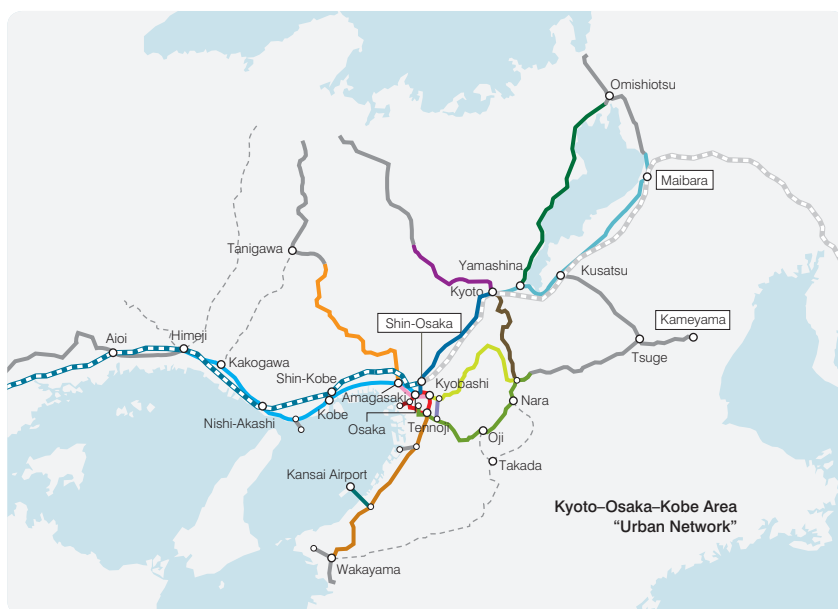
In customer service initiatives, we bolstered efforts to help passengers use the railway more safely and more comfortably, including the use of video on

station displays and in-car displays to provide information for passengers. We also conducted campaigns to raise awareness of efforts to prevent groping.

Additionally, as part of the renovation of Osaka Station, we opened a portion of a structure built over the tracks for passengers to use when changing trains in November 2010. This structure was fully completed in April 2011.

In February 2011, we concluded a comprehensive partnership agreement with Shiga Prefecture. Under this agreement, we will promote initiatives geared toward deepening the extent of our “coexistence with local communities,” through such efforts as fostering the development of urban areas around train stations.

In fiscal 2011, we saw revenue increase as a result of absence of the new influenza epidemic, which caused a decline in revenues during the first half of the previous fiscal year. In addition, JR-West worked in cooperation with local governments, travel agents, and other JR companies to stimulate demand for domestic tourism through various promotional campaigns such as the Nara Destination Campaign. However, the persistence of the overall slump in railway usage was compounded by the impact of the Great East Japan Earthquake, which occurred in March 2011. As a result, total passenger-kilometers for the Urban Network (including the three JR-West branch offices in Kyoto, Osaka, and Kobe) decreased 0.2% year on year, to 28,047 million kilometers, while transportation revenues were down ¥1.7 billion, or 0.6%, to ¥284.4 billion.



## 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

the areas it serves. However, considering that this network plays a role as a feeder for Shinkansen services as well as functions as a vital part of the overall JR-West railway network, we are working to provide more community oriented services and undertake other management efforts, while placing priority on ensuring safety.

### Fiscal 2011 Results

In transportation operations, we implemented several measures geared toward improving the convenience of train services, such as the November 2010 introduction of the Hamakaze limited express and the December 2010 introduction of new train services in the suburbs of the Kyoto–Osaka–Kobe metropolitan area. Other initiatives included the intro-

duction of new-model trains with exceptional safety and comfort on limited express services that connect Osaka and Kyoto to the northern Kinki region.

In sales initiatives, we worked to stimulate demand for tourism through the Japanese Beauty Hokuriku campaign as well as various other promotional campaigns conducted in cooperation with local governments, travel agents, and other JR companies.

However, the decline in rail-side populations coupled with the impact of the Great East Japan Earthquake resulted in the total passenger-kilometers for other conventional lines decreasing 0.6% year on year, to 9,020 million kilometers, while transportation revenues were down ¥1.7 billion, or 1.4%, to ¥119.6 billion.



## Bus and Ferry Services



The Transportation Operations segment also includes bus and ferry services. In bus services, we enhanced convenience for customers through revised timetables and more-flexible fare schedules.

In ferry services (the Miyajima Line), we

held special events to commemorate the first anniversary of our ferry operations, marketed our ferry service to travel companies, and took other steps to increase revenue.

## FUTURE INITIATIVES IN TRANSPORTATION OPERATIONS

In railway operations, following the commencement of services on all lines of the Kyushu Shinkansen in March 2011, JR-West will establish convenient timetables incorporating direct-service operations on the Sanyo Shinkansen and Kyushu Shinkansen lines. It will also launch the online reservation service “e5489,” and continue to take other steps to enhance the competitiveness of its Shinkansen services by ensuring the provision of high-quality customer service

and faithfully reporting information. In addition, we will work to coordinate with local organizations, promote regional exchange, generate demand for tourism through such means as attracting foreign visitors to Japan, and bolster our information infrastructure. In regard to transportation IC cards (smart cards), JR-West will expand alliances with private railway operators and address the issues standing in the way of the development of services that are can be used reciprocally between

railway operators nationwide. We will also implement other measures to enhance customer service, including strengthening efforts to incorporate customer feedback in management strategies, fostering a strong customer service mindset among employees, improving the quality of the customer service provided, as well as working in conjunction with local governments and other organizations to make our stations more accessible with “barrier free” facilities.

### 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 6.01 million within the first seven-and-a-half years of its launch. In August 2004, we began offering reciprocal use with the Suica IC card, issued by East Japan Railway Company (JR-East), and in January 2006, we began offering reciprocal use with the PiTaPa IC card, issued by the Surutto Kansai Association, an organization composed of public and private railway operators in the Kansai region. We have also steadily broadened the geographical area in which the ICOCA IC card can be used, introducing it to 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. In addition, in December 2009, we began discussions on tie-up services with the Surutto Kansai Association utilizing IC card passenger

tickets, reaching an agreement that aims to further enhance railway passenger convenience by better coordinating services.

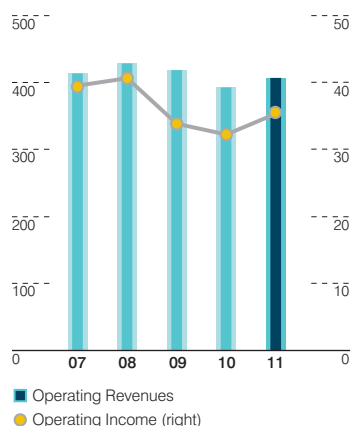
Also, to coincide with the February 2006 launch of the J-WEST Card, we began issuing the SMART ICOCA IC card, which allows cardholders to add money to their IC card without using cash. With the ICOCA electronic money (e-money) service launched in October 2005, we are working to further expand the number of stores in cities and towns where the service can be used, such as in major convenience store and restaurant chains. Previously, in March 2008, we began reciprocal use with JR-East's Suica e-money service, and in March 2010, we commenced reciprocal use with JR-Central's TOICA IC card. Further, in March 2011, we began offering ICOCA services that can be used reciprocally with Kyushu Railway Company (JR-Kyushu)'s SUGOCA service. These measures are designed to enhance ICOCA IC card user convenience in combination with promoting usage on railway services.



## Non-Transportation Operations

### OPERATING RESULTS

Billions of yen



JR-West's Non-Transportation Operations segment comprises 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 increased 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 individual railway stations and their surrounding areas. In development initiatives, 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 develop commercial facilities in and around railway stations as well as 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 both inside and outside the Group.



### Sales of Goods and Food Services



JR-West's retail services, centered on railway passengers, consist of convenience stores, specialty stores, and food and beverage outlets located in and around station buildings, as well as the JR Kyoto Isetan department store.

outlets and restaurants in Osaka Station and Hakata Station following station renovations, as well as the integrated development and opening of shops inside Nada Station, including the small-scale convenience store Daily-In as well as the cafe and bakery THIRD.

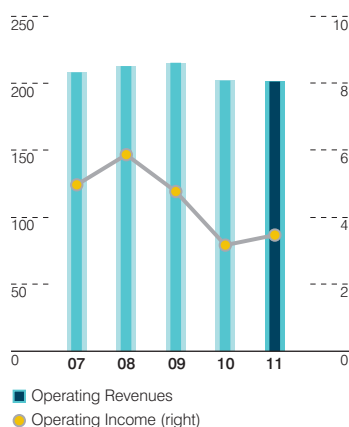
### Fiscal 2011 Results

Throughout fiscal 2010, West Japan Railway Isetan Limited, the main operator of the new JR Osaka Mitsukoshi Isetan department store in the newly opened North Gate Building, continued to advance preparations for the store's May 2011 opening. We also continued efforts to make our stations even more attractive. This included opening new retail

However, regardless of these efforts, operating revenues in Sales of Goods and Food Services were down 0.3% year, to ¥201.3 billion. The decrease was primarily attributable to the decline of revenues in its wholesale operations. Conversely, operating income was up 13.0%, to ¥3.5 billion, as a result of such factors as lower personnel expenses.

### OPERATING RESULTS

Billions of yen



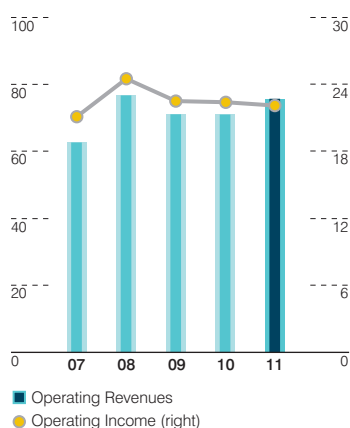


## Real Estate Business



### OPERATING RESULTS

Billions of yen



JR-West's Real Estate Business consists of the management of shopping centers in station buildings and other facilities, the operation of large station buildings at terminal railway stations, the 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.

### Fiscal 2011 Results

In fiscal 2011, JR-West advanced development projects in its stations and their surrounding areas, including opening the JR Oji Station NK Building, which primarily contains restaurants, and the JR Tamatsukuri Station NK Building, which houses several health clinics. Additionally, we opened the VIERA Nara commercial facility located underneath the elevated tracks at Nara Station; the PLiE restaurant and gift centers, which are below the elevated tracks at Himeji Station; and the new Rinto fashion store in the Kanazawa 100bangai fashion shopping zone at Kanazawa Station.

In regard to the Osaka Station Development Project, we advanced preparations for the May 2011 grand opening of Osaka Station City. As part of these preparations, we opened the South Gate Building in March 2011. Also, provisions were made in the North Gate Building to prepare for the opening of the LUCUA specialty shop zone. Further, we worked in cooperation with local businesses around Osaka Station in order to promote better area management, with the goal of invigorating the area surrounding the station. Also, we encouraged the development of condominiums on the former sites of company housing. In the Hiroshima area, we merged two consolidated subsidiaries in April 2010, which operate shopping centers, in the hope of further boosting their competitiveness and increasing the overall strength of these operations.

As a result, operating revenues in the Real Estate Business increased 6.8%, to ¥75.7 billion, while operating income fell 1.2%, to ¥22.2 billion.

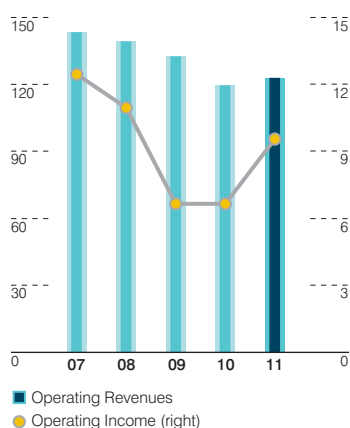


## Other Businesses



### OPERATING RESULTS

Billions of yen



JR-West's Other Businesses consist of the travel agency business operated by Nippon Travel Agency, 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 2011 Results

In the hotel business, we renovated restaurant facilities, held various promotional events, and implemented other initiatives geared toward increasing revenues. In the travel agency business, we targeted sales growth by enhancing our lineup of travel packages sold through its online sales system and

improving the convenience of this system while also expanding our lineup of products that utilize our railway networks. In addition, we began accepting applications for the Osaka Station City J-WEST Card, and took other steps to increase the number of cardholders. In regard to our ICOCA e-money service, we commenced reciprocal use with JR-Kyushu's SUGOCA card. Also, we worked to increase the number of opportunities for this service to be used around town, making it usable at major convenience store chains as well as for purchasing tickets to events and tourist attractions.

As a result, operating revenues in Other Businesses increased 8.6% year on year, to ¥129.9 billion, while operating income was up 43.8%, to ¥9.6 billion.



## FUTURE INITIATIVES IN NON-TRANSPORTATION OPERATIONS

In Sales of Goods and Food Services as well as Real Estate Business, JR-West will implement measures to further enhance the value of our railway belts, with the railway division working in cooperation with local governments and communities to maximize asset efficiency. In addition, with the aim of utilizing the full potential of stations and their surrounding

areas—while also invigorating the area between stations—we will strive to create communities centered on stations offering comprehensive services and develop surrounding areas providing ample convenience and an attractive place to live.

Further, we will also work to bring out the full potential of Osaka Station City and conduct area management for the

area around Osaka Station. In regard to the J-WEST Card, JR-West will increase the number of J-WEST Card cardholders, expand the number of stores where the ICOCA e-money service can be used, and take other steps to enhance convenience for customers in conjunction with their use of the Company's railway service.