2008 Annual Report

For the year ended March 31, 2008

Aiming to Build a Brand of Safety and Reliability

WEST JAPAN RAILWAY COMPANY

Profile

West Japan Railway Company (JR-West) is one of the six passenger railway transport companies formed by the split-up and privatization of Japanese National Railways (JNR) in 1987. Its mainstay railway business operates a network of lines with a total route length of approximately 5,000 kilometers, extending through 18 prefectures that account for around one-fifth of Japan's land area.

Railway systems in Japan evolved as a natural consequence of the cities that formed through the accumulation of people in the limited number of plains throughout the country. Joined like links in a chain, the geographical distribution of these cities has created a solid demand base that accounts for one-fourth of all passenger volume in Japan.

While railway operations remain the core of its business, JR-West also aims to make the most of the assets that are part of its network of stations and railways to develop its retail, real estate, and hotel businesses.

Corporate Philosophy

1. We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability.
2. We, with a central focus on railway business, will fulfill the expectations of our customers, shareholders, employees and their families by supporting the lifestyles of our customers, and achieving sustainable growth into the future.
3. We, valuing interaction with customers, and considering our business from our customers' perspective, will provide comfortable services that satisfy our customers.
4. We, together with our Group companies, will consistently improve our service quality by enhancing technology and expertise through daily efforts and practices.
5. We, deepening mutual understanding, and respecting each individual, will strive to create a company at which employees find job satisfaction and in which they take pride.
6. We, acting in a sincere and fair manner in compliance with the spirit of legal imperatives, and working to enhance corporate ethics, will seek to be a company trusted by communities and society.

CONTENTS

In April 2008, JR-West created a new Basic Safety Plan, and determined to pursue a higher level of safety. The new Medium-Term Management Plan is rooted in this commitment.

President Masao Yamazaki answers nine questions about the goals and strategies of the Medium-Term Management Plan, formulated in May 2008.

Safety Charter

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

1. Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.
2. The most important actions for ensuring safety are to execute basic motions, to rigorously enforce safety checks, and to implement flawless communication.
3. To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank or assignment.
4. When uncertain about a decision, we must choose the most assuredly safe action.
5. Should an accident occur, our top priorities are to prevent concomitant accidents, and to aid passengers.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that are based on JR-West's current expectations, assumptions, estimates, and projections about its business, industry, and capital markets around the world.

These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "plan," or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.

Known or unknown risks, uncertainties, and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.

Important risks and factors that could cause actual results to be materially different from expectations include, but are not limited to:

- expenses, liability, loss of revenue, or adverse publicity associated with property or casualty losses;
- economic downturn, deflation, and population decreases;
- adverse changes in laws, regulations, and government policies in Japan;
- service improvements, price reductions, and other strategies undertaken by competitors such as passenger railway and airlines companies;
- earthquake and other natural disaster risks; and
- failure of computer telecommunications systems disrupting railway or other operations.

All forward-looking statements in this annual report are made as of July 1, 2008, based on information available to JR-West as of the date July 1, 2008, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Future compensation and other expenses related to the Fukuchiyama Line accident that occurred on April 25, 2005, are difficult to estimate reasonably at this time, and so have not been included in forecasts.

Operating revenues for fiscal 2008 rose 2.2% over the previous year to ¥1,290.1 billion, with operating income up 1.5% to ¥137.4 billion. Net income rose 1.6% over fiscal 2007 to ¥57.7 billion.

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.

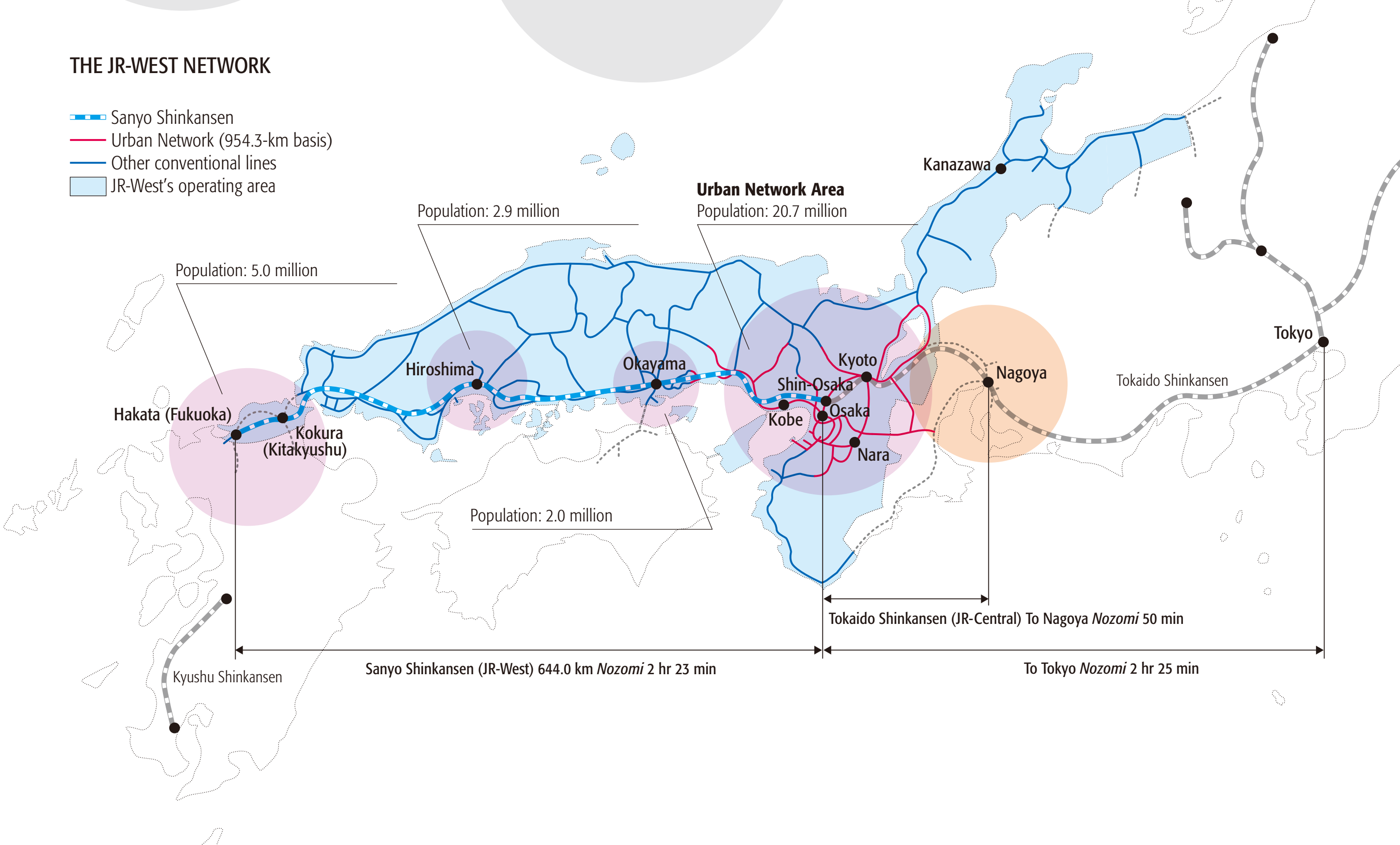
JR-West's Urban Network provides services to the Kyoto-Osaka-Kobe metropolitan area, which has a population of more than 20 million. An average of 3.97 million passengers use JR-West's Urban Network daily (fiscal 2008), mainly for commuting to work or school.

Route Length:
5,024.0 km

Population:
43 million

GDP:
¥166 trillion

THE JR-WEST NETWORK



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.

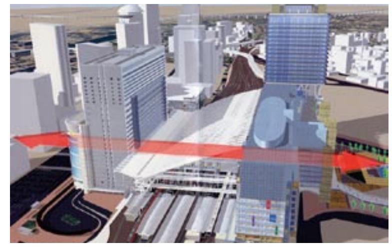
Operating revenues in the Transportation Operations segment for fiscal 2008 (ended March 31, 2008) were derived 44% from the Sanyo Shinkansen, 39% from the Urban Network, and 17% from other conventional lines.

The new N700 Series

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.

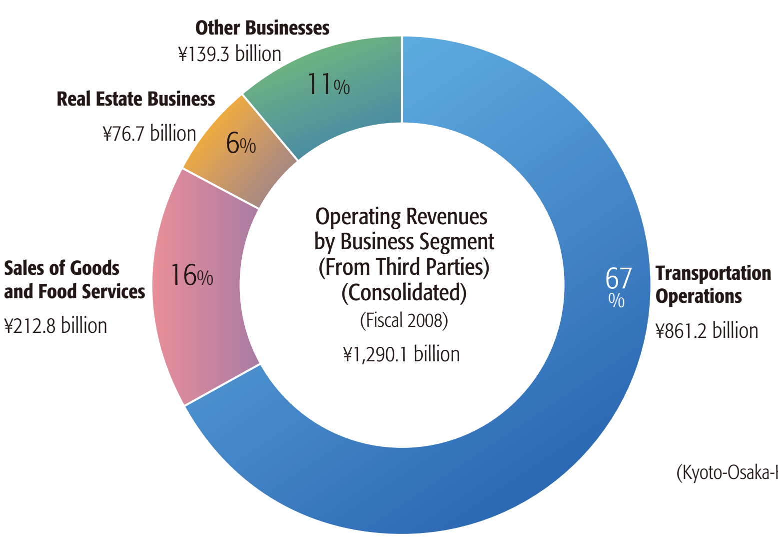
Non-Railway Businesses

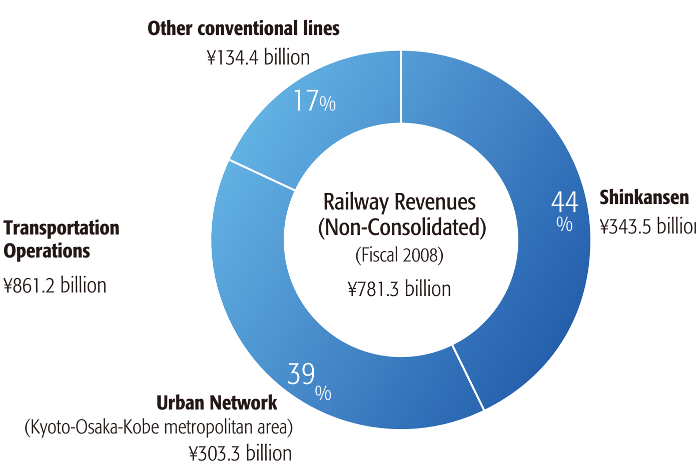
Along with its railway and other transport services JR-West utilizes its far-reaching network of stations and the large populations they serve to operate a variety of businesses that are either related to the railway business, or serve to supplement and/or strengthen it. These businesses include (1) 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 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.



Renovation of Osaka Station

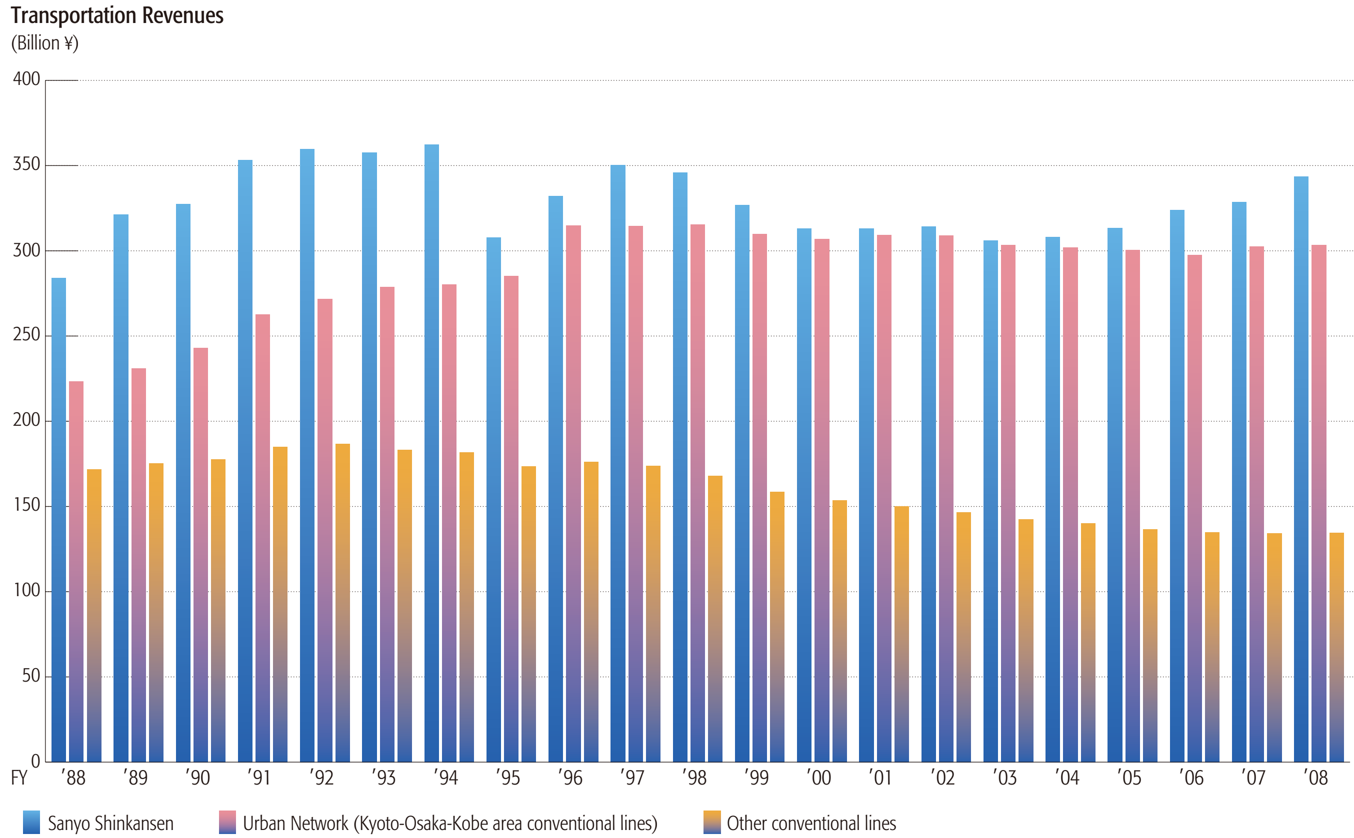
Operating revenues from the Sales of Goods and Food Services, Real Estate Business and Other Businesses segments accounted for approximately 16%, 6%, and 11% of consolidated operating revenues (from third parties), respectively, in fiscal 2008, and around 4%, 18%, and 8% of consolidated operating income.





Performance

21-Year Railway Operating Revenues



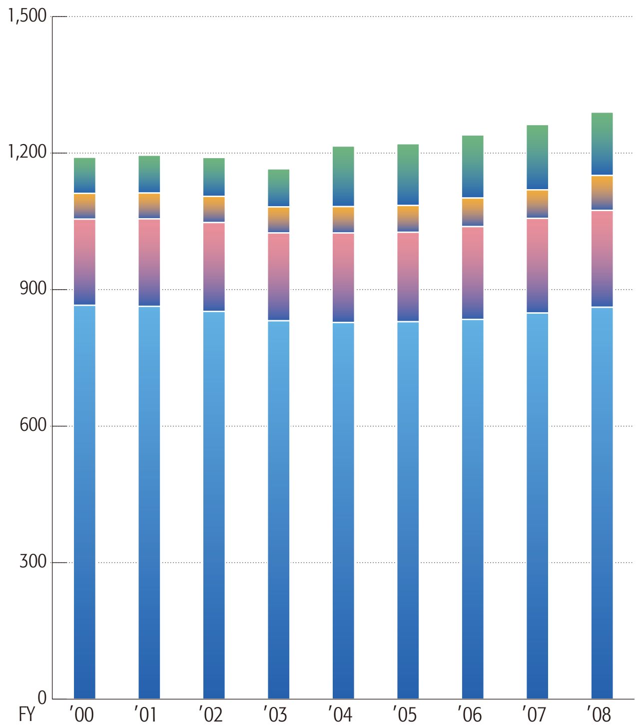
Eleven-Year Consolidated Financial Highlights

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

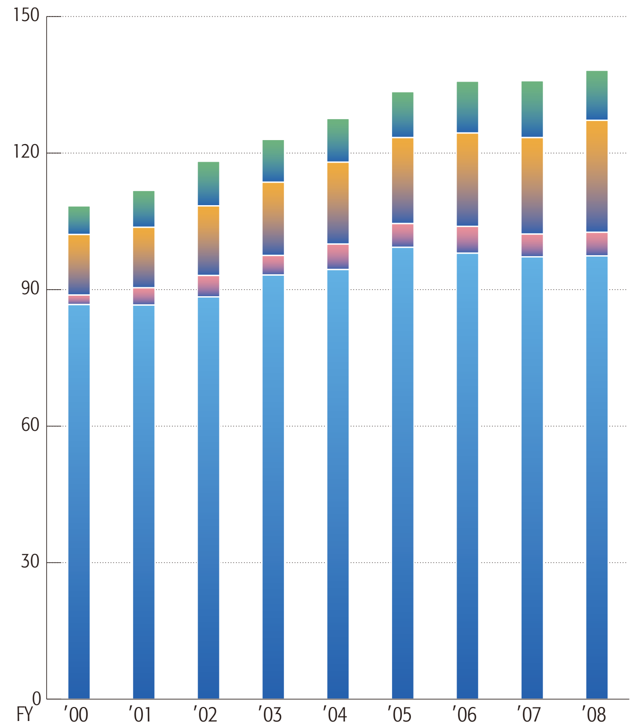
Note: Yen figures have been converted into U.S. dollars at the rate of ¥99=U.S.$1.00, the approximate exchange rate at March 31, 2008.

By Business Segment

Operating Revenues (From Third Parties)
(Billion ¥)



Operating Income
(Billion ¥)



Transportation Operations | Sales of Goods and Food Services | Real Estate Business | Other Businesses

2003	2004	2005	2006	2007	**2008**	**2008**
					Millions of yen, %	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**

The West Japan Railway Company Group (the JR-West Group) formulated the JR-West Group's Medium-Term Management Plan in May 2008. This new plan will provide us with a fresh start, and bring us back to the basis of our management efforts—the realization of our Corporate Philosophy. Under this plan, we will seek to redouble efforts to establish "a corporate culture that places top priority on safety," make further safety enhancements, regain the trust of customers, and achieve the sustainable growth based on these efforts.

Our primary management goal is "Build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees." We consider safety measures to be our highest priority, and pledge never to forget the Fukuchiyama Line accident. The JR-West Group has implemented numerous initiatives to improve safety and regain the trust of customers, and achieved most of the goals in its Safety Enhancement Plan. Some issues still need to be addressed, however, such as transforming the corporate culture and sense of value. As a response to the publication in June 2007 of the investigative report by the Aircraft and Railway Accidents Investigation Commission, in April 2008 we created a new Basic Safety Plan, and determined to pursue a higher level of safety. The new Medium-Term Management Plan is rooted in this commitment.

This plan, founded on these measures to enhance safety, focuses on improving the corporate value of JR-West over the medium to long term, as well as meeting the expectations of all stakeholders, including customers, shareholders, employees, and local communities. Amid rising expectations for the safety, reliability and service to customers, as well as responsiveness to global environmental issues, JR-West is seeking to raise its corporate value by being the transportation provider of choice, and by doing so create a positive spiral that will lead to further enhancement of safety, establishment of a brand of safety and reliability, improvement in service quality, and expansion in growth fields. Further, considering the declining birthrate and aging of society, population decline, advancements in information and communication technologies, and other changes in the business environment, we intend to foster a management concept from a long-term perspective that includes innovation of our railway systems and other measures, and to implement these as quickly as possible.

Also, from the standpoint of effective use of shareholders' equity we will continue to focus on capital efficiency, and have revised our dividend policy.

Finally, I would like to express my sincere appreciation to all shareholders and investors for your continued support of JR-West.

May 2008

Masao Yamazaki

Masao Yamazaki
President, Representative Director and Executive Officer

THE JR-WEST GROUP'S MEDIUM-TERM MANAGEMENT PLAN 2008–2012

The West Japan Railway Company Group ("JR-West Group," the "Group" or "we," as the case may be) has formulated the JR-West Group's Medium-Term Management Plan 2008–2012 (the "Plan") for the fiscal years ending March 31, 2013. The Group will steadily implement the Plan to achieve sustainable growth in the future, while strengthening its bases for safety.

Aims to Pursue in the Medium and Long Terms

In accordance with our "Corporate Philosophy," which shows the aims and the common value we pursue, we will set the "aims to pursue in the medium and long terms" as described below and implement a range of efforts during the period of the Plan as the first stage:

- We will strive to form a dynamic group of technologies and expertise and become a company that excels in safety management, by never forgetting the railway accident on the Fukuchiyama Line and continuously pursuing greater safety.
- We will strive to provide "only one services" with reliability and satisfaction that will be highly evaluated by our customers, by providing safe and reliable transportation services to our customers, strengthening the relationships with our customers through state-of-art technologies in the fields of information and telecommunications, and providing comfortable services in the stations and trains operated by the Group in a unified manner.
- We, in combination with our railway division and business development division and in collaboration with local communities, will strive to develop comfortable, convenient and functional stations and community renovations in their surrounding premises to enhance the value of our railway belts.
- We will strive to establish a good management foundation based on "human resources" and "technology" and pursue every possibility in regard to them.
- We will strive to become a corporate group trusted by local communities and society as a company playing a key social role, through sound business activities.

Management Targets

For the "aims to pursue in the medium and long terms," we will set the management targets for the period of the Plan as described below. Through our corporate activities to fulfill the management targets, we will fulfill the expectations of our stakeholders, including customers, shareholders, employees and their families, communities and the society.

We will build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees.

- Taking to heart the invaluable lesson taught by the railway accident on the Fukuchiyama Line, we will make it a principle to attain higher safety levels and strive to build a brand of safety and reliability. To do this, we will revitalize our organization with the reform of the mindset of our employees and our corporate culture serving as the driving force, seek customer satisfaction, enhance technologies and expertise and perform our corporate social responsibilities.
- By making ourselves the customers' first choice, we will strive to enhance our corporate value, thereby establishing an "upward spiral" structure to further enhance safety, improve our services and expand our growth field and achieve sustainable growth as a corporate group.

- We will build a management vision from a long-term perspective, covering the innovation of our railway systems, among others, and work for the early realization thereof.

Building a Brand of Safety and Reliability

By operating a business that gives the highest priority to safety based on the renovation of the mindset of our employees and our corporate culture and the attainment of higher safety levels by carrying out reforms, we will build a "brand of safety and reliability."

1. Response to the Victims of the Accident in All Sincerity

We will continue to exert our company-wide efforts to respond to the victims of the railway accident on the Fukuchiyama Line, which we recognize as one of the most important management issues. We will never forget the accident and take it to heart as an invaluable lesson in our efforts to enhance safety, which is vital to railway operations, in the future.

2. Commitment to Security through Attainment of Higher Safety Levels

We will seriously promote measures in response to the remarks stated in the investigation report of the Aircraft and Railway Accidents Investigation Commission and also by placing our newly formulated Basic Safety Plan at the core of the Medium-Term Management Plan, steadily implementing measures to seek and attain higher safety levels.

3. Commitment to Customer Satisfaction

Based on safe and reliable transportation service, we will implement measures in our software and hardware infrastructures from the perspective of our customers and provide comfortable services that satisfy our customers.

4. Improvement of Technologies and Expertise

Our railway systems are the accumulation of various technologies, skills and expertise. We will upgrade our technologies and skills, together with our group companies to improve the qualities of our railway transportation services.

5. Provision of Job Satisfaction and Pride

We will exert our efforts to secure and cultivate human resources and enhance job satisfaction of every employee to make the best of the capabilities of the employees. We will also work seriously to cultivate human resources who can think and act for themselves and build a system thereof.

6. Measures for Environmental Protection

We will aggressively implement measures for environmental protection, with the aim of making 75% of our rolling stock energy-saving and reducing the basic unit of energy consumption by 12% from the 1995 level in the fiscal year ending March 31, 2013. We will also continue energetic efforts on resource saving, with the aim of attaining an 85% rate of recycling trash in the stations and trains (recyclable waste) and at least a 90% rate of recycling railway materials generated by maintenance and repairs. Furthermore, we will promote development of technologies conducive to environmental protection. We will also give publicity of our "earth-conscious railway" to win more customers and contribute to CO_2 reductions in the overall transportation system.

7. Performance of Corporate Social Responsibilities

To meet the requirements of the society for corporate social responsibilities, we will make it a principle to continue offering positive value to society through sound business activities, and ensure strict compliance with the law and actively promote social action programs.

Promotion of Business Strategies for Sustainable Growth

We will exert our efforts to enhance existing businesses in our each business segment and make inroads into new fields to achieve sustainable growth as the JR-West Group. As a growth field, we will place emphasis on the transportation services of the Sanyo Shinkansen Line and enhancement of the value of our railway belts in the Kyoto-Osaka-Kobe metropolitan area to improve our corporate value.

1. Sanyo Shinkansen Renaissance

During the period of the Plan, due to the further expansion of Haneda Airport in the fall of 2010 and the extension of the Kyushu Shinkansen Line to Hakata in the spring of 2011, among others, passenger transportation is expected to change drastically. Seizing the opportunity, we will draw intensively on our management resources, strengthen cooperation with Central Japan Railway Company and Kyushu Railway Company and make maximum use of the potential of the Sanyo Shinkansen Line to accelerate its use. Specifically, we will strive to establish a competitive advantage over airliners in 900 kilometer/four-hour areas.

2. Enhancement of the Value of Our Railway Belts in the Kyoto-Osaka-Kobe Area

We will make the most of our railway network in the Kyoto-Osaka-Kobe area to further enhance the convenience of access to the Osaka area and improve the qualities of our railway services. Simultaneously, in combination with our railway division and business development division and in collaboration with local communities, we will develop stations and their surrounding premises to enhance the value of our railway belts.

3. Changes in Systems for Operating Processes and Management

To enjoy sustainable growth in the future with the advent of a society facing the major trend of depopulation, we will continuously change our systems in terms of operating processes and management so that we can seize profitable opportunities to the best extent and also make our organization more autonomous and flexible.

In addition, we will extensively encourage inventiveness in the front lines of the field and focus our efforts on technological development activities to renovate our railway systems.

Building of Management Vision from a Long-Term Perspective

From a long-term perspective looking 10 to 15 years into the future, we will address important strategic issues related to management and work for their early realization. We will intensively promote technological development during the period of the Plan, necessary for their realization.

1. Renovation of Our Railway Systems

In consideration of changes in the social environment of railway operations, including future transportation demand, technologies and labor conditions, we are required to build a new railway system and promote a modal shift to achieve sustainable growth on a long-term basis. We will implement a study on technological renovations to enable us to do so.

2. Efforts in Our Local Railway Lines

We recognize the resolution of issues concerning our local railway lines as one of our important management issues. As a company existing in harmony with local communities, and in consideration of the situation in which emphasis is placed on the revitalization of regional public transportation, we will consider the resolution of the issues in collaboration with local authorities.

3. Planning and Implementation of New Projects with Growth Potential

During the period of the Plan, we will have worked to enhance our transportation services, including the transportation capacity of the Shinkansen Line, and the Osaka station development project. In this situation, to facilitate our sustained growth in the future, we will consider the planning of new projects with growth potential, including the acquisition of outside management resources, in addition to our continued efforts to further reinforce the basis of our existing businesses.

Financial Strategy and Capital Policy to Enhance Corporate Value

As a result of the reduction of long-term debt and payables so far, our financial position has become sounder and healthier. We will give greater importance to the strengthening and expansion of our business base by increasing capital expenditure for safety and for future growth to enhance our corporate value. In addition, in consideration of our current shareholders' equity and long-term debt and payables, we consider it important to maintain and improve capital efficiency and increase return to our shareholders, aiming to achieve 3% of consolidated dividend on equity (DOE) for the fiscal year ending March 31, 2013 on condition that our projects will yield results. Furthermore, to allow management to implement capital policies with agility, we will acquire our own shares flexibly upon consideration of our cash flow condition.

Management Indices

Among the management indices for the fiscal year ending March 31, 2013, consolidated operating revenues, consolidated earning before interest, taxes, depreciation and amortization (EBITDA), consolidated return on assets (ROA) and consolidated return on equity (ROE) are projected as follows:

Consolidated operating revenues: ¥1,430 billion

Consolidated EBITDA*: ¥345 billion

* EBITDA = operating income + depreciation expenses

Consolidated ROA: 7%

Consolidated ROE: 10%

The total capital expenditures for the fiscal year ending March 31, 2009 to the fiscal year ending March 31, 2013, principally for safety-related capital expenditure, are projected as follows:

Consolidated: ¥980 billion
Non-consolidated: ¥780 billion
(safety-related capital expenditure: ¥430 billion)

*Please take note that these forward-looking statements regarding operating results in the future are made as of the date hereof and may differ materially from the actual results due to changes in the business environment and other factors.

Q1: What is the basic idea behind the new Medium-Term Management Plan?

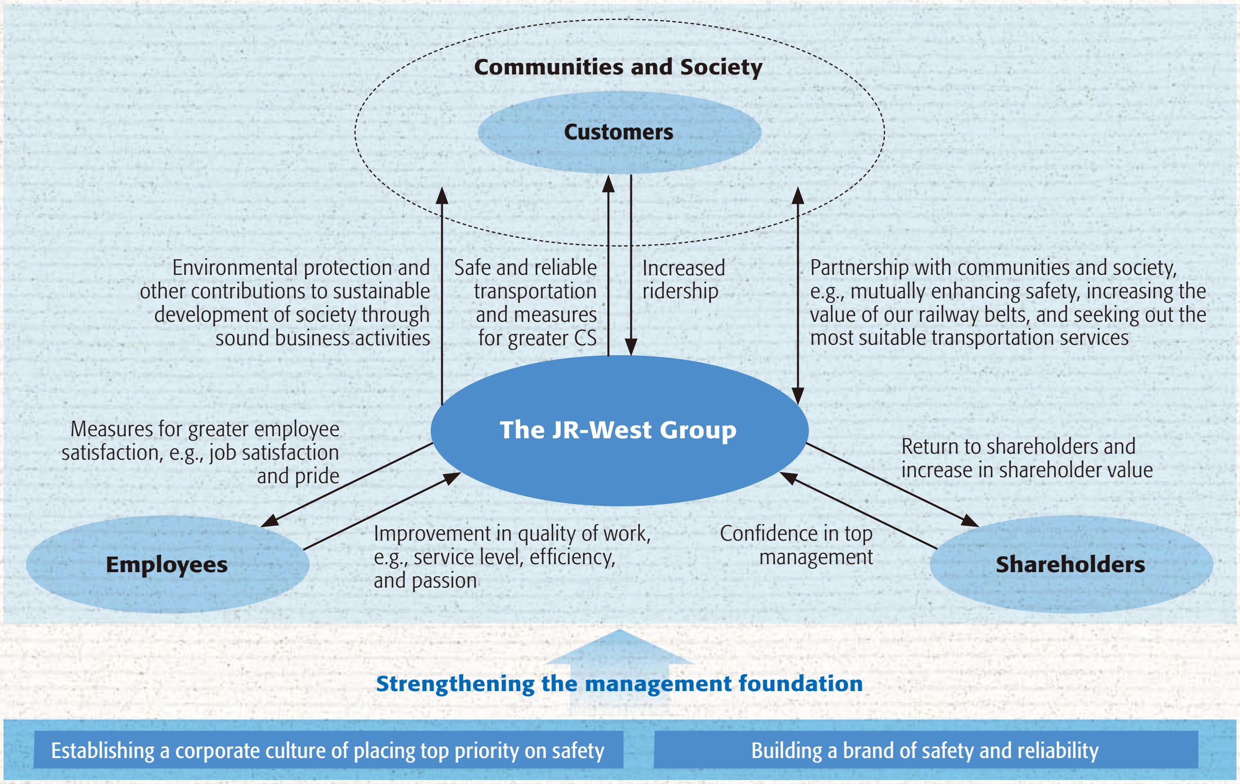
A: Following the Fukuchiyama Line accident in April 2005, JR-West implemented a series of measures to enhance safety and regain trust, in accordance with its Safety Enhancement Plan and a revision of Medium-Term Management Plan targets based on it. In March and April 2008, we formulated and announced a series of reform measures, along with a new Basic Safety Plan. Our aim is to move to the next stage based on these measures, and make a fresh start.

The basic concept of the new Medium-Term Management Plan is to work to further strengthen our foundations for safety, together with solid measures to expand in growth fields. The management plan is built on the dual axes of safety and growth to achieve a steady increase in corporate value.

More specifically, for the "safety" aspect, based on the Basic Safety Plan formulated in April, we are applying risk assessment techniques to railway operation accidents—the first such effort in Japan—in order to establish a brand of safety and reliability. In growth fields, we have plans to aggressively broaden our top line through the Shinkansen service and development of the Osaka Station North Building.

These measures will enhance corporate value over the medium to long term, which will increase returns to all stakeholders in JR-West, such as customers and shareholders. The relationship of trust that is established as a result will then become the foundation for further safety and growth, creating a "positive spiral." That is the basic idea behind this plan.

Confident and Empathetic Relation with Stakeholders to Improve Corporate Value



Q2: What is JR-West's policy regarding safety measures?

A: On April 25, 2005, the Company caused a very grave accident to occur on the Fukuchiyama Line. In consideration of the accident, we have set the building of a "corporate culture of placing top priority on safety" as our management target and exerted our all-out efforts to respond to the victims and restore the confidence of our customers promptly.

Since then, we have steadily implemented our Safety Enhancement Plan and achieved progress in various aspects of our software and hardware infrastructures. However, there still remain issues to be addressed to enhance safety, including the "reform of our culture and sense of value."

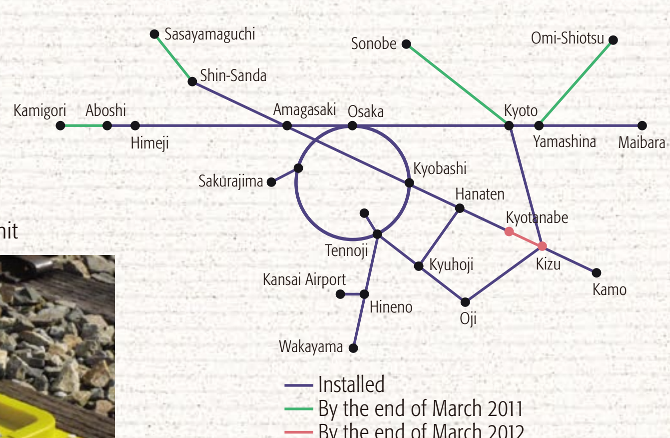
In June 2007, in the meantime, a report on the investigation of the accident was publicized by the Aircraft and Railway Accidents Investigation Commission. We solemnly accept the findings of the commission, and are working to address them. Seizing the moment, we formulated a Basic Safety Plan in April 2008 to seek higher safety levels in combination with our previous measures.

The Basic Safety Plan applies risk assessment techniques to railway operation accidents, a first for Japan. We assess beforehand the potential for customer casualties or serious labor accidents to our employees, and implement appropriate countermeasures for those risks judged to be of high priority.

The safety plan also calls for installing automatic train stop (ATS) systems along sections of track with a declining gradient, and incorporates individual measures to meet government standards and escalating public expectations for the general level of safety, such as those to prevent accidents causing injuries or deaths or accidents at rail crossings. As a result, JR-West plans to invest ¥430 billion in safety-related equipment over the five years to the fiscal year ending March 31, 2013, continuing the high level of investment begun following the Fukuchiyama Line accident.

These safety measures are intended to lower the risk of future accidents or disasters. Our aim is to establish a brand of safety and reliability, and secure a solid foundation for sustainable growth.

Our Installation Plan for ATS-P Systems



Portable ATS unit

Q3: What is the basic direction for each business segment in the management plan?

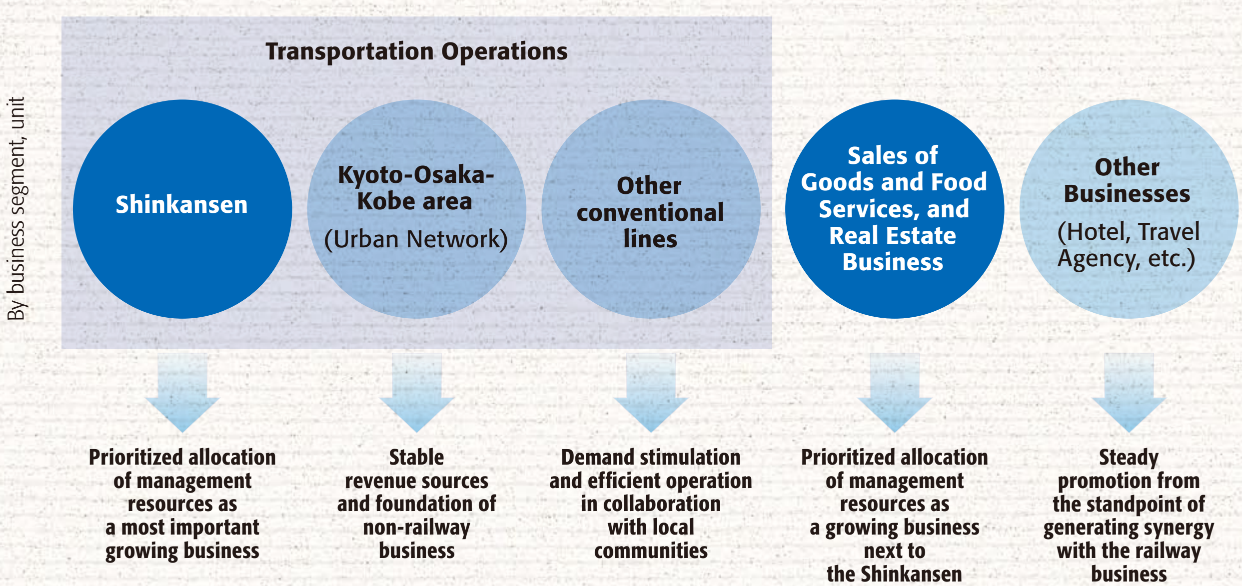
A: The Shinkansen service is the largest and most important growth driver for JR-West in both the Transportation Operations segment and throughout the Company. This is our priority for allocation of management resources.

Non-railway businesses also include such growth drivers as the Sales of Goods and Food Services segment and the Real Estate Business segment. We are moving forward with the renovation of Osaka Station and other development projects to support these businesses, giving priority in allocating resources to the Kyoto-Osaka-Kobe metropolitan area, and railway hubs.

The Urban Network (lines linking the Kyoto-Osaka-Kobe metropolitan area) is the foundation of the non-railway business, and we will take effective steps to maintain it as a stable revenue source.

For other conventional lines, we will work to encourage use of limited express train services in conjunction with the Shinkansen, while also seeking the most suitable transportation service based on demand in local areas.

The Basic Direction of Our Business Portfolio



Q4. What initiatives are you planning to bolster the competitiveness of the Sanyo Shinkansen, and what is the outlook?

A: The Sanyo Shinkansen is one of JR-West's core businesses, and we intend to make a significant improvement in service over the next five years. We call it the "Sanyo Shinkansen Renaissance."

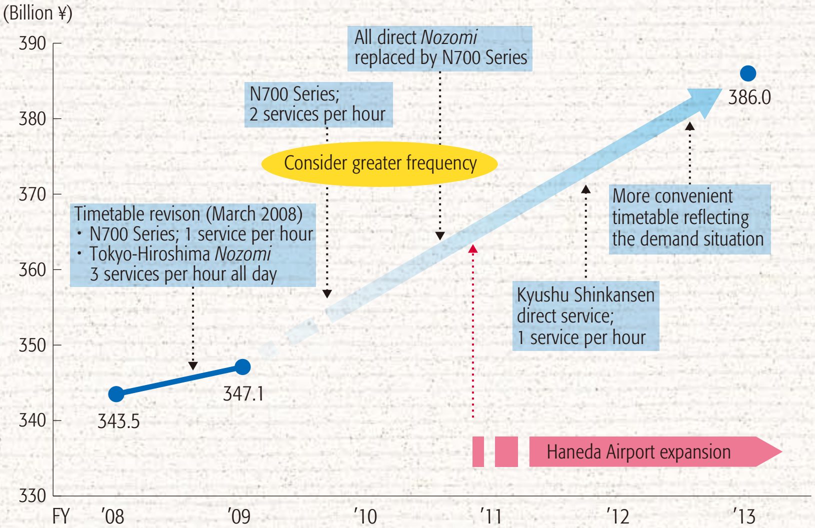
The biggest factor in this is the timetable. We intend to make continual revisions as we look ahead to expansion of Haneda Airport in 2010, and extension of the Kyushu Shinkansen to Hakata in spring 2011. We have three specific measures planned.

The first is to replace by 2010 all direct-service *Nozomi* trains running between the Tokaido and the Sanyo Shinkansen with the new N700 Series, which has been highly praised for its comfort and quiet ride. A second measure we are considering is to get a head start on increasing the number of trains using four additionally purchased trains. The third is to provide through-service operations in conjunction with the start of Kyushu Shinkansen service to Hakata.

We forecast that the greater competitiveness realized from these measures will increase Shinkansen revenue by approximately ¥39.0 billion (around 11%) in four years to a total of ¥386.0 billion. This will be a new historical high.

Forecast of Shinkansen Revenue

(Billion ¥)



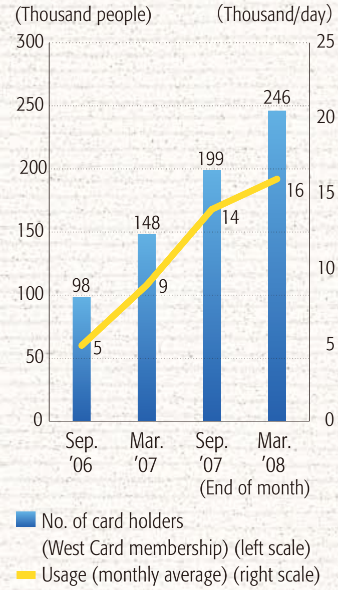
14

Q5. What are your marketing strategies for the Shinkansen service?

A: The Express Reservation system was introduced for the Sanyo Shinkansen in July 2006, and usage has steadily increased, mainly among business travelers. We intend to further develop the Express Reservation system as a marketing tool, and use this to increase revenue.

More specifically, in summer 2009 we plan to expand the Express Reservation IC card service (EX-IC) launched for the Tokaido Shinkansen in spring 2008 to the Sanyo Shinkansen, providing users with further time savings and convenience. Using the database built up through the Express Reservation system, we plan to more finely target specific customer segments, effectively utilizing J-WEST points and other schemes to achieve highly reliable revenue increases. As usage expands, we will also look into introducing corporate services.

Express Reservation



Q6. What is your plan for through-service operations between the Sanyo and Kyushu Shinkansen services?

A: The extension of the Kyushu Shinkansen to Hakata is scheduled for completion in spring 2011. We are planning through-service operations with JR Kyushu that will link Shin-Osaka and Kagoshima-Chuo stations in four hours. This will require a considerable investment totaling approximately ¥100 billion, but we feel that through-service is essential to improving customer convenience.

Using this service as a selling point, we will implement marketing strategies to stimulate tourism demand, focusing on middle-aged and elderly travelers. We will work together with JR Kyushu to develop demand for sightseeing among the numerous tourist destinations in Kyushu, as well as stimulate travel from Kyushu to the urban centers of Kyoto and Osaka.

Q7. What initiatives are you launching for the Urban Network, and what is the outlook?

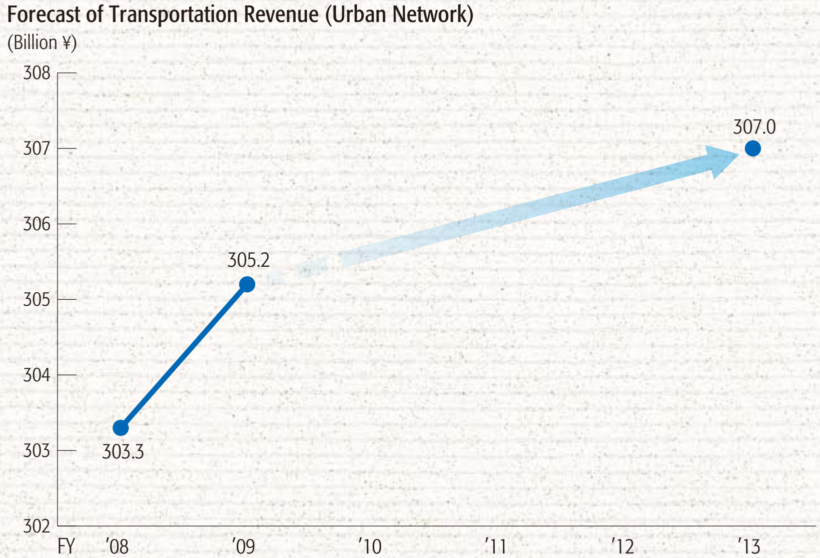
A: Population in the Kansai area has entered a period of decline. However, we will focus on maintaining and expanding our current revenue as the railway business in the Kyoto-Osaka-Kobe metropolitan area provides stable income of around ¥300 billion per year, and serves as a revenue base of our non-railway businesses. To achieve this, we need to establish a brand of safety and reliability by preventing accidents causing injuries or deaths and accidents at crossings, reducing the number of equipment failures, and providing a safe and consistent transportation service.

Also, considering the falling birth-rate and aging society, we will make efficient investments of management resources with tightly focused targets, such as expansion of direct services that takes account of the development around Osaka Station in 2011, and improved transportation for select areas and times of day.

Over the medium to long term, strengthening cooperation with local authorities and communities, we, in combination with the retail and real estate businesses, will pursue steady measures to enhance the value of our railway belts, and make them the preferred choice for residence and shopping.

As a result, we anticipate that revenue from the Urban Network will rise ¥1.8 billion compared to the current fiscal year, to ¥307.0 billion in the fiscal year ending March 31, 2013.

Forecast of Transportation Revenue (Urban Network)



Q8: What initiatives are you planning for the retail and the real estate business, and what is their outlook?

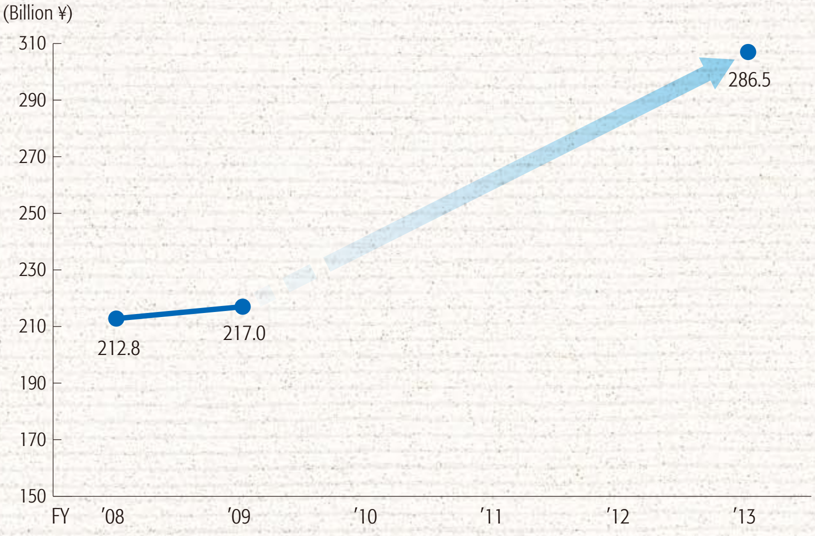
A: We consider the retail and real estate businesses to be a growth field second only to the Shinkansen service. These businesses have made a steady contribution to earnings up to this point.

Of these, the area that has continued to be a pillar of revenue and earnings is development of stations and surrounding areas. Over the next five years, we plan to develop and/or renovate 250,000 square meters, or twice that amount including the Osaka Station development.

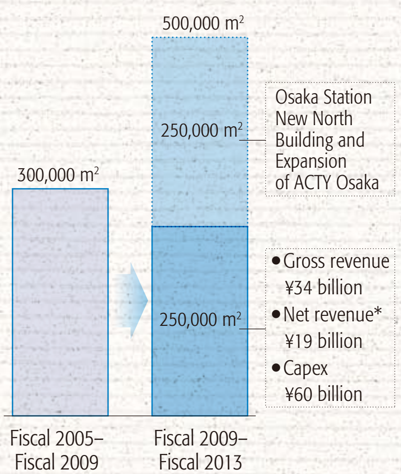
Over the medium to long term, to improve the value of our railway belts we will pursue measures in conjunction with local authorities and communities, with the aim of enhancing the synergistic benefit with the railway business.

The Osaka Station development project, due to open in spring 2011, will include as a tenant a department store operated by West Japan Railway Isetan Limited, a subsidiary of JR-West. This development project is part of a program of selection and concentration in the retail and real estate business, focused on outstanding major stations in the Kyoto-Osaka-Kobe metropolitan area. We adopted a strategy of aggressive investment in consideration of the business potential, which will maximize earnings from the project.

Sales of Goods and Food Services (Revenue from Third Parties)

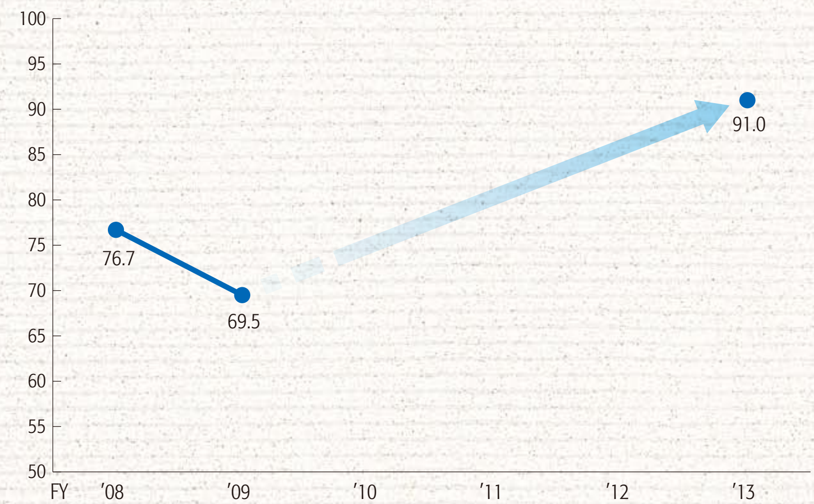


Our Development Plans



*Excluding current revenue from the development area

Real Estate Business (Revenue from Third Parties)



Q9: Where do you see JR-West going after this business plan, perhaps 10 to 15 years in the future?

A: One of the characteristics of the new Medium-Term Management Plan is that it also sets a long-term vision for the Company 10 to 15 years hence. The measures of the plan are those that we need to accomplish within these next five years in order to make that a reality.

Looking at the business environment for JR-West, demand for transportation will gradually taper off in line with the population decline, particularly in the rural areas. At the same time, society's expectation for safe and consistent transportation continues to grow, and demand for barrier-free facilities and other social infrastructure is rising. It is highly likely that JR-West will need to respond to these demands with new equipment and facilities.

The number of young workers is also set to decline as the birthrate falls and society ages, and we anticipate that it will become increasingly difficult to secure the labor and technicians necessary to maintain the railways.

Considering these changes in the business climate, our Medium-Term Management Plan incorporates measures to train personnel and develop technologies to achieve innovation in railway systems. It also considers solutions to problems of local railway lines to be implemented in collaboration with local authorities, as well as makes reference to management issues such as generating new growth projects.

These management issues are long-term initiatives, and we are not able to provide specific details on them at this time. However, we feel that molding these into concrete form over the next five years, and making them a reality, are important to enhancing our corporate value over the medium to long term.

Goals to Pursue: ● Excellence in safety management ● Reliability and satisfaction for customers ● Enhanced value of our railway belt ● Basis on "human resources" and "technology" ● Trust of local communities and society

Strengthening of the management base; building of a brand of safety and reliability through continuous safety measures and performance of CSR

Renovation of the railway system considering transportation demand, technology and the workforce in the future

Development of new transportation demand centering on the Shinkansen, enhancement of the value of railway belts, and planning of new projects

Efforts in local railway lines to adapt to the realities of traffic volume in collaboration with local authorities

Aiming at sustainable growth of corporate value, while maintaining and improving asset efficiency and capital efficiency

BASIC SAFETY PLAN (SUMMARY)

Fiscal 2009–Fiscal 2013

The Basic Safety Plan is a five-year plan through the fiscal year ending March 31, 2013 that clarifies the safety issues to be addressed by JR-West, sets an attainment target, and summarizes the measures to reach this target. JR-West will definitely implement this plan with the determination and strong leadership of management, making a concerted effort to pursue and achieve a higher level of safety.

Attainment Target

Building a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees

Specific Measures

1. Accomplishment of Safety Management Based on Risk Assessment

A. Risk assessment

- We will launch measures to concentrate management resources and employee energy toward ensuring no accidents to produce casualties among our customers and no serious labor accidents to our employees.
- Risk assessment will be introduced as a specific measure to achieve this appropriately.
- Although risk assessment is becoming established in the area of labor accidents, our attempt is the first in Japan to adopt risk assessment in relation to railway operational accidents.

B. Revision of the concept of an accident

- We will fundamentally revise the concept of an accident. It will be limited to bodily harm or property damage.

2. Improving the Effectiveness of Lessons Learned from Accidents

- We established our Safety Charter never to forget the Fukuchiyama Line Accident and to take to heart the serious lessons from the accident.
- Going forward, with the initiative of management we will raise awareness and insight regarding safety through various types of training programs. We will also strive to make education on learning from accidents more effective in an effort to constantly change the mentality of all executives and employees.

3. Building a Foundation for Safety

A. Improvements in safety technology

- Railway safety is guaranteed with a wide range of technologies and specialist knowledge, so we will steadily improve the technological capabilities of employees and organizations, and the safety of railroad systems.
- We will implement measures to maintain and improve business capabilities as a fundamental requirement for operation of a railway business.
- We will continue to make improvements to the various manuals essential to ensuring safety in operations.
- On the recommendation of the Advisory Panel for Safety Promotion,* we will cultivate skilled operators able to pay attention to railway systems overall.

*A panel composed of seven independent safety experts established in September 2007.

B. Improvements in communication to ensure safety

- We will identify operational problems regarding communications, which is not yet sufficient, and make the necessary improvements.
- Recognizing that the revision of the concept of an accident to expand the range of "safety reports" will necessitate reporting by employees, we will work to establish a "culture of reporting" that includes all incidents.
- We will encourage teamwork in which all members fulfill their roles both during periods of normal operation and during emergencies.

C. Safety improvements based on human factors

- JR-West's Safety Research Institute will conduct surveys and research to improve safety from the standpoint of human and other factors, the results of which will be steadily utilized in operations.
- We will cultivate safety experts with specialized knowledge in safety issues, such as knowledge of human factors and methods of analyzing accidents.

D. Improvements in on-site safety (ability to resolve on-site issues autonomously)

- We will implement measures to make employees more aware of workplace risks, and encourage them to identify safety-related issues and make improvements independently.
- These measures will be implemented at all workplaces, and given full support by the Company.

E. Cooperation with group companies to jointly establish safety

- JR-West and its Group companies will strongly cooperate to enhance the effectiveness of measures.
- With the shared recognition that JR-West and its Group companies underpin the same railway business, we will implement necessary reforms to operations.
- We will provide proactive support to enhance specialist technologies at Group companies.
- We will implement measures together as a Group to ensure the stable securing of personnel.

F. Secure and cultivate personnel to support business operations

- We will make an ongoing effort to secure personnel able to ensure smooth operations, and ensure that technical knowledge is passed on.
- We will put in place an educational structure that includes formulating a training plan for young employees and engineers, and cultivate employees with a strong desire for self-improvement.

G. Cooperation with local communities and customers to jointly establish safety

- We will cooperate with local communities and governments, through measures including proactive participation in urban development plans.
- We will implement measures seeking the understanding and cooperation of customers in ensuring safety in stations and other areas.

4. Safety-Related Investment

■ Accomplishment of measures under the Safety Enhancement Plan and other initiatives

- Expanded deployment of ATS-P equipment (further expansion plans include the JR Takarazuka Line between Shin-Sanda and Sasayamaguchi, the Kosei Line, and the Sagano Line)
- Anti-earthquake measures (reinforcement of elevated portions of existing tracks of Sanyo Shinkansen and conventional lines)
- Deployment of ATS equipment to prevent excessive speed along declining gradients and other sections of track

■ Main issues pointed out in the accident investigative report

- Installation of equipment to record operating status
- Development of system to provide train crews with operational notice in a written format
- Improvement of braking systems

■ Main measures of the newly initiated plan

- Enhanced measures to prevent accidents at crossings
- Enhanced measures to prevent accidents causing injuries or deaths
- Measures to counter rail breakage

■ Main continuing measures

- Measures to prevent accidents during maintenance work
- Measures to prevent collisions with bridge beams
- Measures to improve safety at crossings

■ We will quickly implement measures to counter newly uncovered or evident risks that require priority attention.

Since its establishment, JR-West has invited persons from outside the Company with excellent management skill and exceptional insight to be directors and corporate auditors. (Currently, five of 14 directors, and three of four corporate auditors are from outside the Company.) The beneficial advice and proper auditing the Company receives has helped ensure transparency and fairness in management. The Company has also reduced the number of directors, introduced an executive officer system, and broadened the authority of the executive officers to strengthen the supervisory function of the Board of Directors, and enhance the speed of decision-making. In accordance with these measures, in June 2006 the Company introduced a new corporate governance structure aimed at further enhancing the monitoring and oversight of business conduct, as well as increasing its speed.

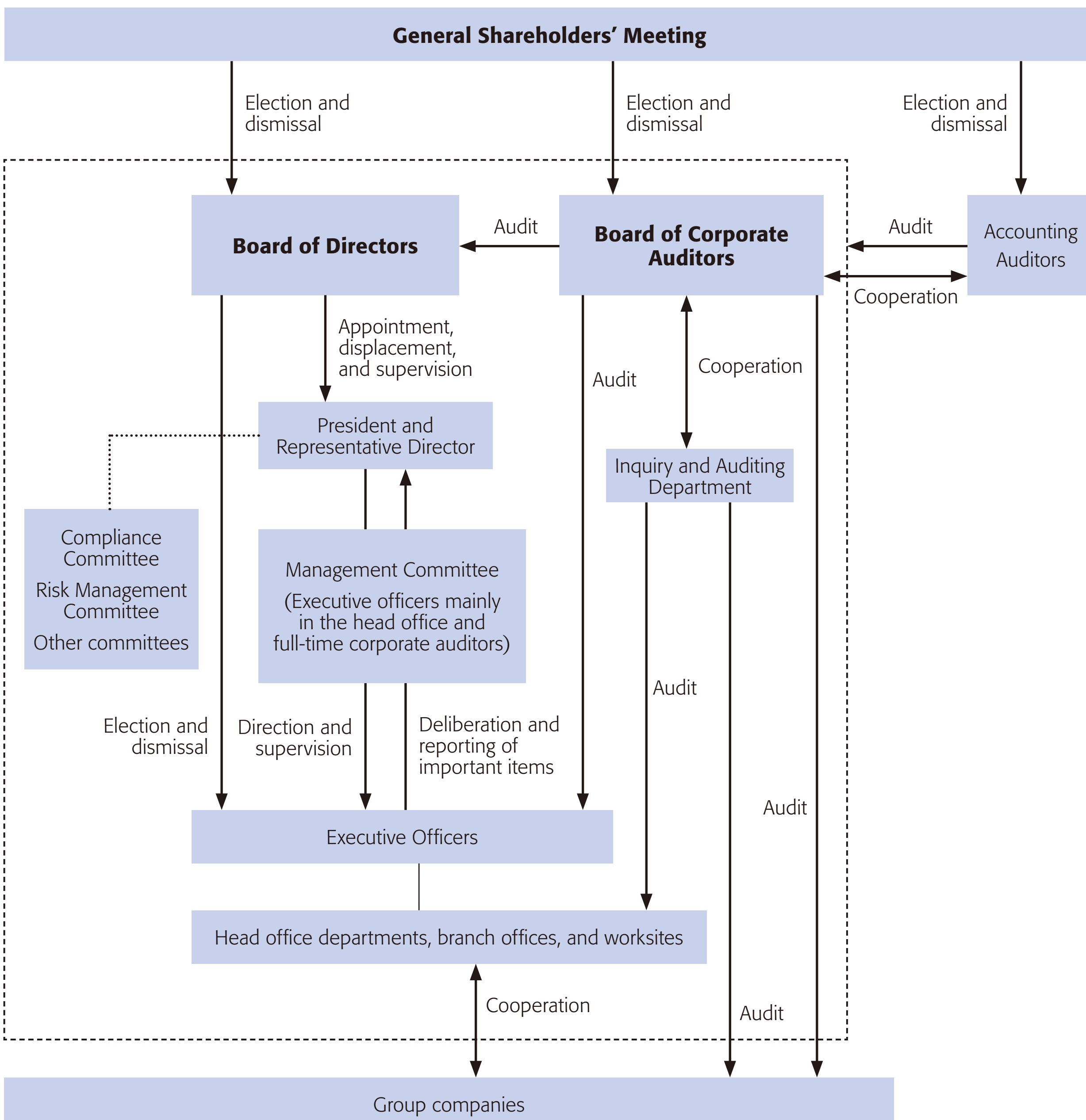
Specifically, the monitoring and supervisory functions of the Board of Directors were enhanced by clearly distinguishing the external directors who are independent and specialize in monitoring and supervision, from directors who also conduct the affairs of the Company as executive officers. The number of external directors was also increased from three to five, while an external director was appointed as chairman of the Board of Directors. The monitoring and supervisory function for corporate administration has been strengthened by bolstering the structure for providing information to external directors, such as increasing the number of opportunities for reporting the status of business conduct to the external directors. The speed of business conduct has been enhanced by giving the president of the Company primary responsibility for the conduct of operations.

The Board of Directors meets once a month in principle. It receives timely and appropriate reports on the status of the conduct of business, deliberates on significant business matters, and makes prompt decisions. A Management Committee composed of the executive officers mainly in the head office and full-time corporate auditors, and chaired by the president meets once a week in principle to discuss basic business matters.

For the compensation of directors, JR-West has, in accordance with the Companies Act and by resolution of the Board of Directors, adopted a new compensation structure that eliminates the director bonus system and unifies compensation in a monthly payment. A Compensation Advisory Committee has also been established for the purpose of providing an objective viewpoint and increasing transparency in the compensation and other benefits for directors. This committee is composed of three or more directors, the majority of whom are external directors. It deliberates on compensation and other benefits for directors from an objective and fair standpoint, and makes a recommendation to the Board of Directors.

In accordance with the auditing policies and plan prepared by the Board of Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also hold individual hearings with directors on matters considered necessary, audit the conduct of business by directors, and provide necessary advice and recommendations. Corporate auditors also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Board of Corporate Auditors meets regularly to hear reports on significant matters pertaining to audits, and to deliberate and make decisions. For the support structure for corporate auditors, the administrative staff structure to provide full-time support to corporate auditors has been strengthened and enhanced, and is conducted under the direction of corporate auditors.

JR-West's Inquiry & Auditing Department, in charge of internal control and audit functions, conducts evaluations of the effectiveness of its internal control over financial reporting and audit system, in order to maintain and improve internal control over financial reporting, and ensure the accuracy and reliability of financial reporting.


General Shareholders' Meeting
Election and dismissal
Election and dismissal
Election and dismissal
Board of Directors
Audit
Board of Corporate Auditors
Audit
Accounting Auditors
Cooperation
Appointment, displacement, and supervision
Audit
Cooperation
President and Representative Director
Inquiry and Auditing Department
Compliance Committee
Risk Management Committee
Other committees
Management Committee
(Executive officers mainly in the head office and full-time corporate auditors)
Audit
Election and dismissal
Direction and supervision
Deliberation and reporting of important items
Audit
Executive Officers
Head office departments, branch offices, and worksites
Cooperation
Audit
Group companies

Board of Directors and Corporate Auditors

As of June 24, 2008

Board of Directors

■ Chairman of the Board of Directors

Noritaka Kurauchi*
Advisor, Sumitomo Electric Industries, Ltd.

■ Directors

Yoshio Tateishi*
Chairman, OMRON Corporation

Akio Nomura*
Chairman, Osaka Gas Co., Ltd.

Satoru Sone*
Guest Professor and Counselor of Extension Center, Kogakuin University

Tadashi Ishikawa*
Professor of Graduate School of Law, Kobe University
Representative Partner, Oh-Ebashi LPC & Partners

■ Director, President and Executive Officer

Masao Yamazaki**

■ Directors, Vice Presidents and Executive Officers

Takayuki Sasaki**

Naoki Nishikawa**

■ Directors and Senior Managing Executive Officers

Ryuichiro Tsuchiya

Takashi Kondo

■ Directors and Senior Executive Officers

Seiji Manabe

Koichi Inoue

Akiyoshi Yamamoto

Kenji Nanakawa

* External Director

** Representative Director

Corporate Auditors

Noboru Koide*

Tsutomu Iwasaki*, **

Kazuo Yoshida**
Professor of Economics, Kyoto University

Ikuo Uno**
Chairman, Nippon Life Insurance Company

* Full-Time Auditor
** External Auditor

Executive Officers

As of June 24, 2008

President, Representative Director and Executive Officer ..... **Masao Yamazaki**

Vice President, Representative Director and Executive Officer ..... **Takayuki Sasaki**
- *Senior General Manager of IT Development Headquarters*

Vice President, Representative Director and Executive Officer ..... **Naoki Nishikawa**
- *Senior General Manager of Railway Operations Headquarters*

Director and Senior Managing Executive Officer ..... **Ryuichiro Tsuchiya**
- *General Manager of Deliberation Department of the Derailment Accident on the Fukuchiyama Line*

Director and Senior Managing Executive Officer ..... **Takashi Kondo**
- *Senior General Manager of Business Development Headquarters*

Director and Senior Executive Officer ..... **Seiji Manabe**
- *Senior General Manager of Corporate Planning Headquarters*

Director and Senior Executive Officer ..... **Koichi Inoue**
- *Deputy Senior General Manager of Railway Operations Headquarters*
- *Senior General Manager of Marketing Division, Railway Operations Headquarters*

Director and Senior Executive Officer ..... **Akiyoshi Yamamoto**
- *General Manager of Osaka Branch*

Director and Senior Executive Officer ..... **Kenji Nanakawa**
- *Deputy Senior General Manager of Railway Operations Headquarters*
- *General Manager of Transport Safety Department, Railway Operations Headquarters*

Senior Executive Officer ..... **Kenji Shiratori**
- *General Manager of Safety Research Institute*

Senior Executive Officer ..... **Hitoshi Nakamura**
- *Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line*

Senior Executive Officer ..... **Noriaki Azuma**
- *Senior General Manager of Tokyo Headquarters*

Executive Officer ..... **Teruaki Akahoshi**
- *General Manager of Construction Department*

Executive Officer ..... **Michio Utsunomiya**
- *General Manager of Corporate Communications Department*

Executive Officer ..... **Takao Fukuyama**
- *Deputy Senior General Manager of Business Development Headquarters*

Executive Officer ..... **Yoshifumi Matsuda**
- *General Manager of Structural Engineering Office*

Executive Officer ..... **Tatsuya Mano**
- *General Manager of Shinkansen Supervising Department, Railway Operations Headquarters*
- *General Manager of Shinkansen Management Division*

Executive Officer ..... **Hideyo Sakata**
- *Deputy Senior General Manager of Business Development Headquarters*

Executive Officer ..... **Konosuke Ohashi**
- *General Manager of Kyoto Branch*

Executive Officer ..... **Masaru Kawakami**
- *General Manager of Yonago Branch*

Executive Officer ..... **Hitoshi Miura**
- *General Manager of Transport Department, Railway Operations Headquarters*

Executive Officer ..... **Tatsuo Kijima**
- *General Manager of Personnel Department*

Executive Officer ..... **Fumio Hosono**
- *General Manager of Kanazawa Branch*

Executive Officer ..... **Shigeki Kitazono**
- *General Manager of Kobe Branch*

Executive Officer ..... **Makoto Shibata**
- *General Manager of Hiroshima Branch*

Executive Officer ..... **Kunikazu Onishi**
- *General Manager of Fukuchiyama Branch*

Executive Officer ..... **Yasuki Nishioka**
- *General Manager of Shin-Osaka General Control Center*

Executive Officer ..... **Hideyuki Miura**
- *General Manager of Finance Department*

Executive Officer ..... **Yoshinori Tsujiko**
- *General Manager of Wakayama Branch*

Executive Officer ..... **Tetsuhisa Shima**
- *Deputy General Manager of Shinkansen Management Division*
- *General Manager of Fukuoka Branch, Shinkansen Management Division*

Executive Officer ..... **Katsunori Matsuura**
- *Deputy Senior General Manager of Corporate Planning Headquarters*

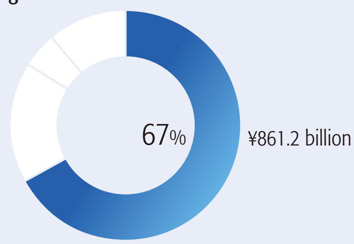
Executive Officer ..... **Akihiro Horisaka**
- *General Manager of General Affairs Department*

Executive Officer ..... **Kazuaki Hasegawa**
- *General Manager of Okayama Branch*

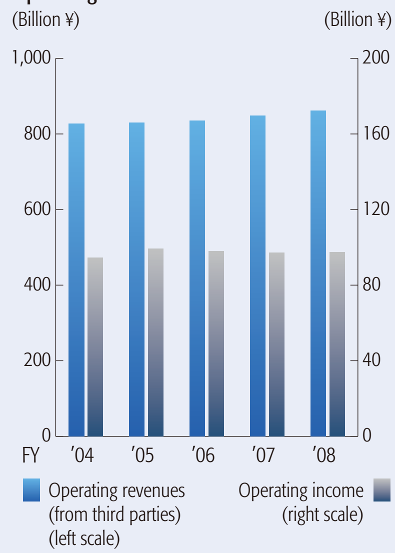
Executive Officer ..... **Masashi Nonaka**
- *Deputy Senior General Manager of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line*

Transportation Operations

Operating Revenues



Operating Results



Business Overview

Sanyo Shinkansen
The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in the northern tip of 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.

Urban Network (Kyoto-Osaka-Kobe area conventional lines)
The Urban Network provides passenger transport services to the densely populated Kyoto, Osaka, and Kobe and their surrounding areas. It has a total operating kilometerage of 622.0 kilometers (954.3 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network for the entire Kyoto-Osaka-Kobe metropolitan area.

Other Conventional Lines
JR-West's other conventional lines consist of limited express and express service trains for intercity transport, local transport for commuting to work or school in such core urban areas as Hiroshima and Okayama, and local lines through less-populated areas. These other conventional lines (excluding the three branch offices) extend a total of 3,425.7 kilometers.

Fiscal 2008 Results

Sanyo Shinkansen
Operating revenues rose 4.5% (¥14.8 billion) year on year, to ¥343.5 billion.

Urban Network (954.3-Kilometer Basis)
Operating revenues rose 0.3% (¥0.9 billion) year on year, to ¥303.3 billion.

Other Conventional Lines
Operating revenues rose less than ¥0.1 billion year on year, to ¥134.4 billion.

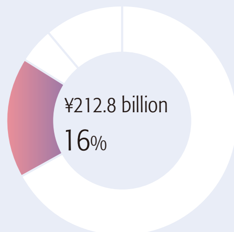
Total
Operating revenues for the Transportation Operations segment increased 1.5% year on year, to ¥861.2 billion, with operating income up 0.2%, to ¥97.4 billion.

Major Subsidiaries

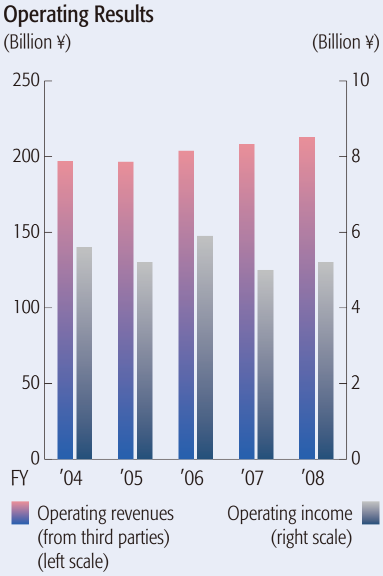
- Chugoku JR Bus
- West Japan JR Bus
- Sagano Scenic Railway

Sales of Goods and Food Services

Operating Revenues



Operating Results



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.

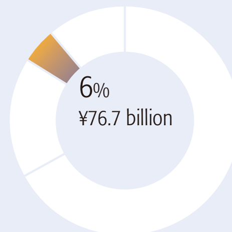
Operating revenues rose 2.2% year on year, to ¥212.8 billion, with operating income up 4.3%, to ¥5.2 billion.

- West Japan Railway Isetan
- West Japan Railway Daily Service Net

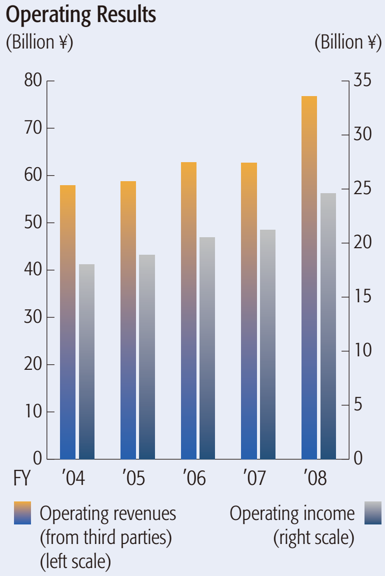
Eight other companies

Real Estate Business

Operating Revenues



Operating Results



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 stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

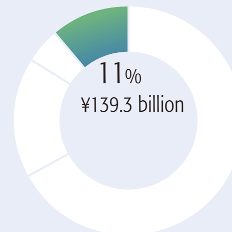
Operating revenues rose 22.4% year on year, to ¥76.7 billion, with operating income up 16.2%, to ¥24.6 billion.

- Kyoto Station Building Development
- Osaka Terminal Building

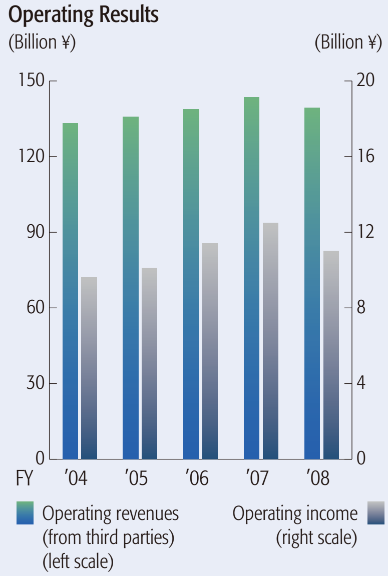
18 other companies

Other Businesses

Operating Revenues



Operating Results



JR-West's other businesses consist of a travel agency business operated by Nippon Travel Agency, which became a consolidated subsidiary of JR-West in fiscal 2004, a hotel business operating the Hotel Granvia Kyoto and other hotels, as well as an advertising agency business, maintenance and engineering services, and other business to facilitate the smooth and efficient operation of the mainstay railway business.

Operating revenues declined 2.8% year on year, to ¥139.3 billion. Operating income decreased 11.8%, to ¥11.0 billion.

- West Japan Railway Hotel Development
- Nippon Travel Agency

31 other companies

Transportation Operations

Overview

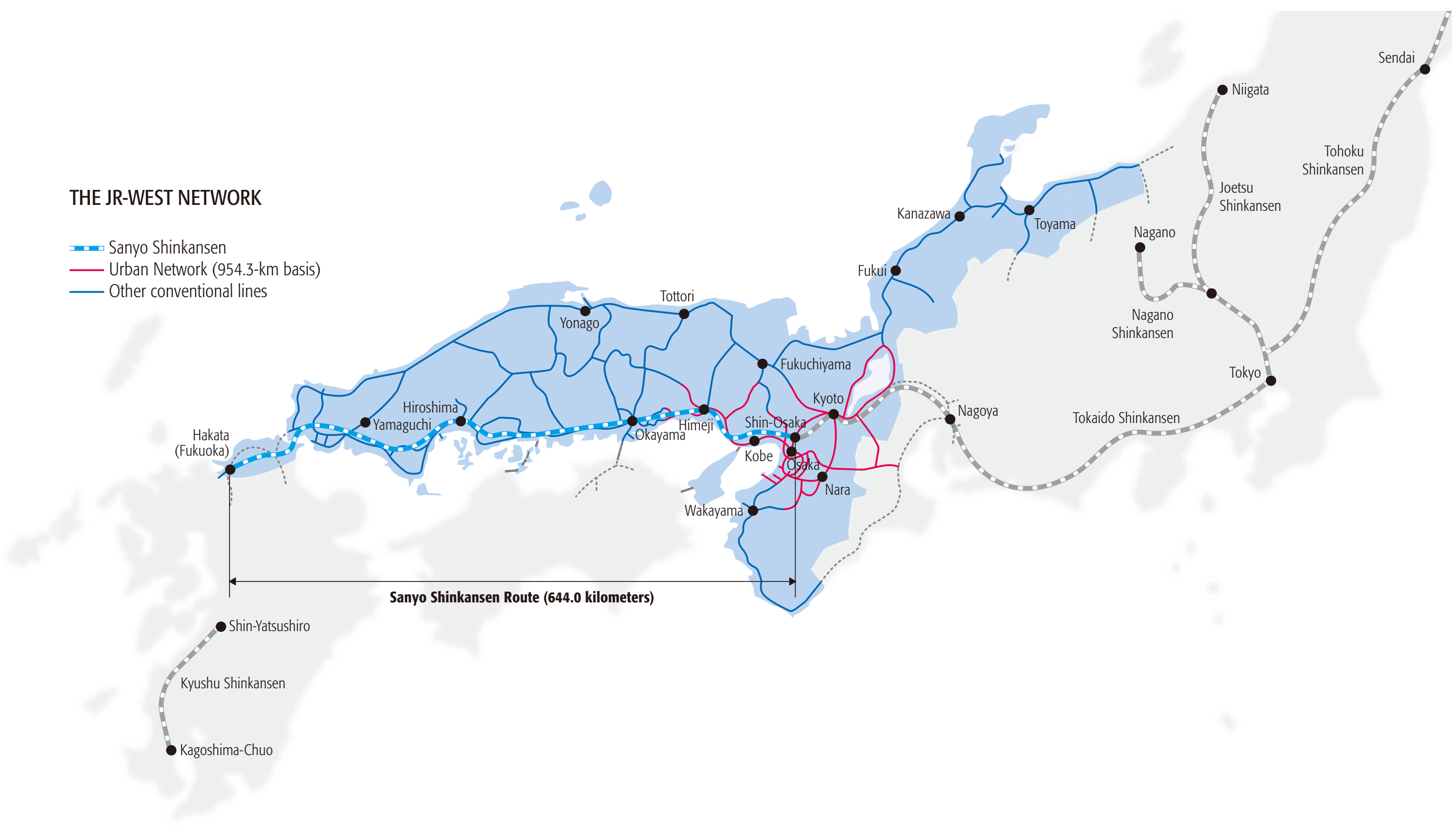
JR-West's Transportation Operations consist of the railway business, along with small-scale bus and ferry services. The railway business encompasses 18 prefectures in the western half of Honshu and the northern tip of Kyushu, an area of approximately 104,000 square kilometers. The region is home to approximately 43 million people, equivalent to 34% of the population of Japan. The Company operates 51 lines with a total of 1,221 stations. Operating route length totals 5,024.0 kilometers, a little less than 20% of all passenger railway kilometerage in Japan. By line, the Sanyo Shinkansen, a high-speed intercity transport line, stretches 644.0 kilometers, the Urban Network covering the Kyoto-Osaka-Kobe metropolitan area covers 622.0 kilometers (954.3 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), and other conventional lines (excluding the three branch offices in Kyoto, Osaka, and Kobe) extend a total of 3,425.7 kilometers.

Operating revenues in the Transportation Operations segment rose 1.5% year on year during fiscal 2008, to ¥861.2 billion. The majority of this revenue is derived from the passenger railway revenue of the parent company JR-West, which rose 2.1% from the previous fiscal year, to ¥781.3 billion. As a result, despite a change in the system for depreciation and greater depreciation expenses stemming from an increase in capital expenditure, operating income for the segment rose 0.2% year on year to ¥97.4 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 stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the

THE JR-WEST NETWORK



exception of Shin-Osaka Station (owned by JR Central), operates all of the other 18 stations.

There are four types of trains in operation on the Sanyo Shinkansen: the express trains *Nozomi*, *Hikari Rail Star*, and *Hikari*, and the local train *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 (in the case of the fastest rail service). The majority of the *Nozomi* trains are through-service trains running on the Tokaido Shinkansen tracks operated by JR Central linking Tokyo and Shin-Osaka. This allows passengers to travel across the Tokaido Shinkansen from Tokyo or Nagoya to the major stations along the Sanyo Shinkansen—Okayama, Hiroshima, and Hakata—without having to change trains.

Transportation revenue 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 the switchover from *Hikari* to *Nozomi* trains in October 2003, and timetable revisions centered on lower fares for *Nozomi* trains. As a result of further timetable revisions in March 2005, March 2006, and July 2007 to accommodate more *Nozomi* trains, the introduction of the N700 Series and the success of marketing efforts such as the Express Reservation system, revenue from the Sanyo Shinkansen rose for the fifth consecutive year in fiscal 2008.

Fiscal 2008 Measures

In response to more intense competition from airlines over competing routes, in July 2007 JR-West introduced the new N700 Series Shinkansen, offering improved speed, comfort, and energy conservation. In March 2008, we implemented timetable revisions to enhance the competitiveness of Shinkansen services, including hourly operation of an N700 series train between Tokyo and Hakata, and an increase in the number of *Nozomi* trains running between Tokyo and Hiroshima.

The new N700 Series

Hikari Rail Star

The new N700 Series features improved energy efficiency, further enhancing the environmental friendliness of Shinkansen travel, and contributing significantly to global environmental conservation. The N700 Series also received the fiscal 2007 Environment Minister's Prize for Global Warming Prevention Activity.

Sales and marketing initiatives to promote use of the Shinkansen included proactive publication of information on Sanyo Shinkansen timetable revisions, the comfort of the N700 Series, and the increased number of trains in operation, as well as the convenience and price advantages of the Express Reservation system. We further worked in cooperation with local communities, travel agents, and other JR companies to stimulate demand for tourism, including promotion of the DISCOVER WEST Campaign, and operating the Club DISCOVER WEST travel association for persons over 50 years of age.

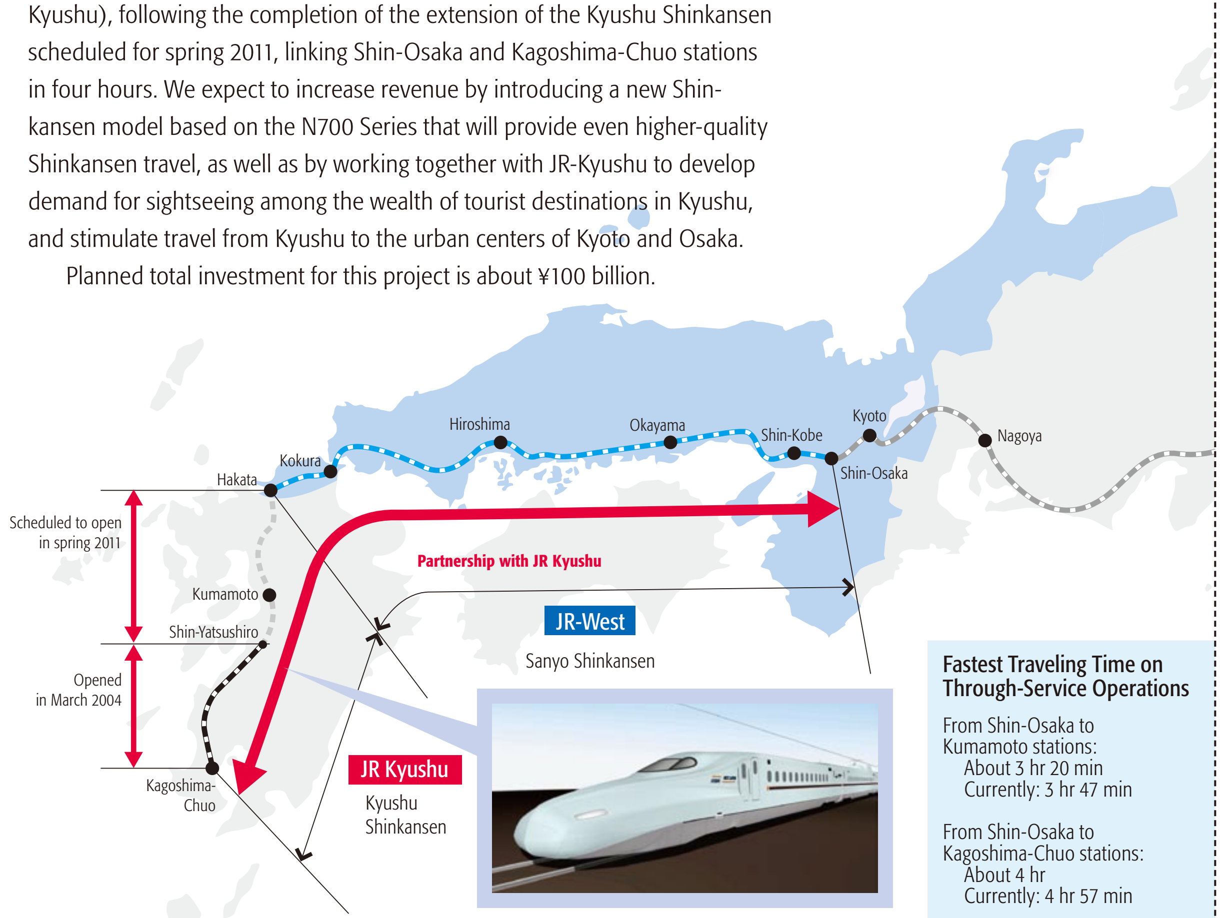
Initiatives for Fiscal 2009

JR-West is working amid a fiercely competitive environment to create Shinkansen timetables that maximize the benefits from the introduction of the N700 Series, along with other efforts to offer a comfortable and highly reliable transportation service responsive to demand. We are also moving forward with measures to increase use of the Shinkansen, including advertising campaigns promoting the environmentally friendly aspects of Shinkansen service. We are also encouraging the use of the Express Reservation system to further enhance the convenience of sales channels, and expanding the Express Reservation IC card service (EX-IC) service to include the Sanyo Shinkansen from summer 2009.

Through-Service Operations with the Kyushu Shinkansen

JR-West is planning to provide through-services between the Sanyo Shinkansen and Kyushu Shinkansen, operated by Kyushu Railway Company (JR Kyushu), following the completion of the extension of the Kyushu Shinkansen scheduled for spring 2011, linking Shin-Osaka and Kagoshima-Chuo stations in four hours. We expect to increase revenue by introducing a new Shinkansen model based on the N700 Series that will provide even higher-quality Shinkansen travel, as well as by working together with JR-Kyushu to develop demand for sightseeing among the wealth of tourist destinations in Kyushu, and stimulate travel from Kyushu to the urban centers of Kyoto and Osaka.

Planned total investment for this project is about ¥100 billion.



Fastest Traveling Time on Through-Service Operations

From Shin-Osaka to Kumamoto stations:
About 3 hr 20 min
Currently: 3 hr 47 min

From Shin-Osaka to Kagoshima-Chuo stations:
About 4 hr
Currently: 4 hr 57 min

Urban Network Services

(Kyoto-Osaka-Kobe Area Conventional Lines)

The Urban Network provides passenger service 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 (954.3 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto-Osaka-Kobe region.

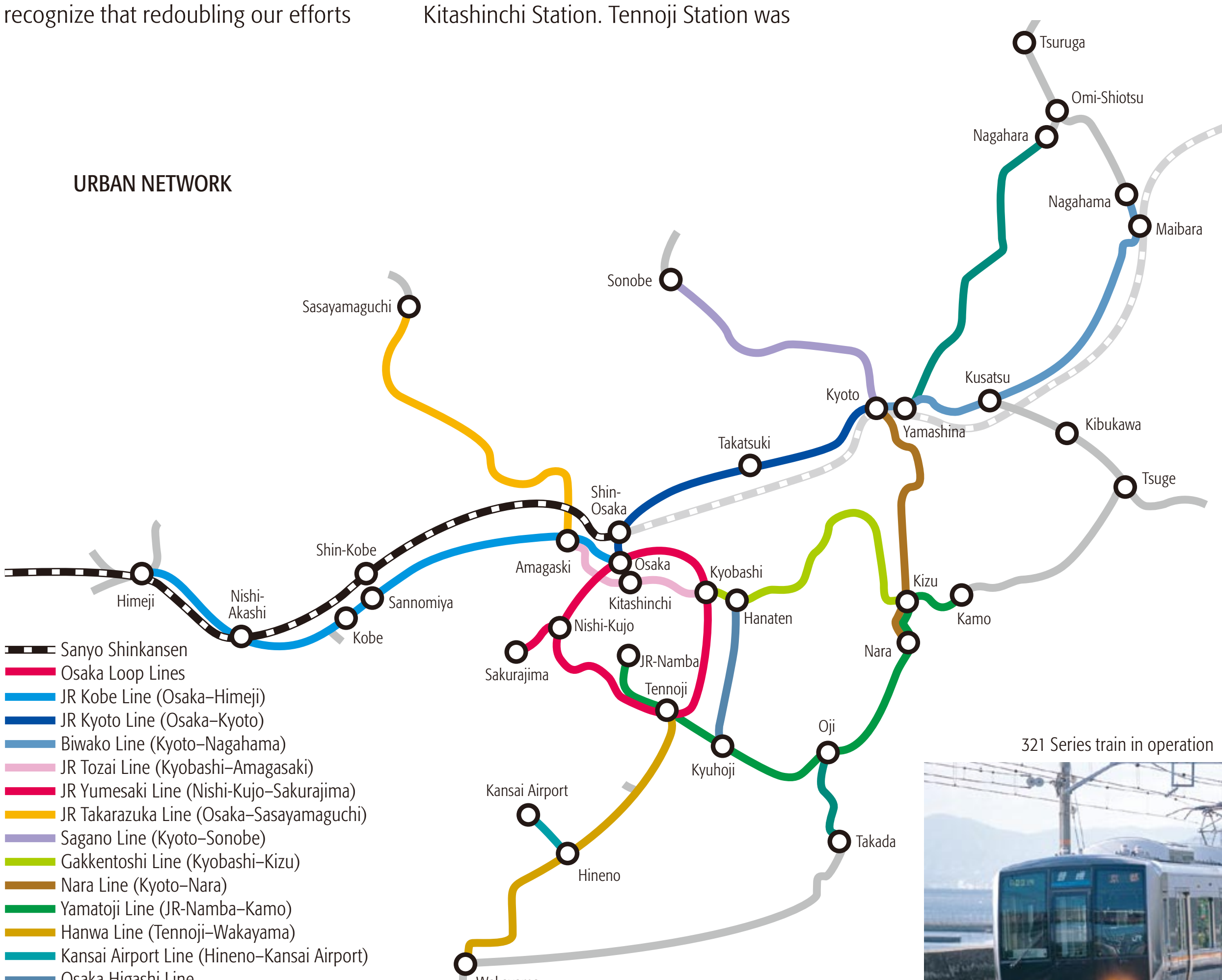
The Urban Network area includes the portion of the Fukuchiyama Line between Tsukaguchi and Amagasaki where JR-West caused a terrible accident on April 25, 2005, resulting in a substantial loss of the trust we have built among customers and society. We recognize that redoubling our efforts to prioritize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

Ridership on the Urban Network (954.3-kilometer basis) during fiscal 2008 was up 0.8% year on year to 1,445 million passengers, with total passenger-kilometers up 0.6% to 28,962 million passenger-kilometers. Transportation revenues increased 0.3% (up ¥0.9 billion), to ¥303.3 billion.

Fiscal 2008 Measures

Timetable revisions were implemented in March 2008 for the opening a portion of the Osaka Higashi Line between Hanaten and Kyuhoji, providing links to the Yamatoji Line, Gakkentoshi Line and JR Tozai Line to improve access for passengers traveling from Nara to Kitashinchi Station. Tennoji Station was also renovated to coincide with the opening of the Osaka Higashi Line, improving access to Osaka Station from Wakayama Prefecture and the Kansai International Airport. We also opened three new stations, and made other efforts to further improve convenience. In terms of facilities, we undertook a series of measures to enhance safety, including expansion of the ATS-P system, improving the safety features equipment at railway crossings, and introducing new equipment such as train proximity warning systems, and early-warning seismic activity warning systems. We also installed additional anemometers, and strengthened pillars supporting elevated tracks against earthquakes.

URBAN NETWORK



321 Series train in operation

Initiatives for Fiscal 2009

JR-West is focusing its efforts on measures to further enhance safety, and is steadily implementing a range of other initiatives for the future.

In transportation and marketing, we are utilizing the railway network across the Kyoto-Osaka-Kobe metropolitan area to further enhance the convenience of access to the Osaka area and otherwise improve the quality of transportation services. The Railway Operations and Business Development headquarters are also working together with local communities to improve the value of our railway belts through initiatives to develop stations and surrounding areas. Further, JR-West is proactively implementing measures to make stations and trains more user-friendly and to enhance customer satisfaction, including raising the overall level of service, from ticket windows and other station and train services, introducing special displays at station entrances to provide better information when a transport disorder occurs, and moving forward with the installation of “barrier-free” facilities in conjunction with local governments.

The ICOCA IC (Smart) 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 3.68 million within the first four 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 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 Tokai)’s TOICA card from March 2008.

For the ICOCA e-money service launched in October 2005, we began offering reciprocal use with the Suica IC card issued by East Japan Railway Company, and are working to expand the number of stores in towns and


ICOCA card

SMART ICOCA card

inside stations accepting ICOCA in order to improve the convenience of the service.

Other Conventional Lines

JR-West's other conventional lines comprise intercity transport provided by limited express and express trains, 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 the Shinkansen service 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.

Ridership on the other conventional lines during fiscal 2008 (excluding the three branch offices in Kyoto, Osaka, and Kobe) increased 0.5% year on year to 374 million passengers, though total passenger-kilometers were down 0.2% to 9,690 million passenger-kilometers. Transportation revenues increased less than ¥0.1 billion year on year, to ¥134.4 billion.

Bus and Ferry Services

The Transportation Operations segment also includes bus and ferry services. JR-West undertook a number of initiatives aimed at further ensuring safety, including equipping vehicles with safety devices, and bolstering employee training. We began operating bus routes between Kobe and Shirahama, and took other steps to supply services responsive to the varied needs of customers.

In ferry services, the Company worked to establish safety management systems based on the Marine Safety Management Manual, with the aim of providing safe and reliable transport.

Diesel car for local lines

Haruka limited train

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.

Fiscal 2008 Measures

JR-West continued its efforts to improve the attractiveness of stations, such as by opening SUN FESTA OKAYAMA in Okayama Station and shin-kobe Entree Marche in Shin-Kobe Station, as well as promoting the opening of new types of Kiosk stands, such as a "self-service" style. For the JR KYOTO ISETAN department store, we took steps to increase store revenues to coincide with the 10th anniversary of the opening of the Kyoto Station building, including a renewal of the men's clothing floor, and the opening of SUVACO JR KYOTO ISETAN, a new station commercial facility along the north-south passage through Kyoto Station.

As a result, operating revenues in the Sales of Goods and Food Services segment rose 2.2% over the previous fiscal year, to ¥212.8 billion, with operating income up 4.3%, to ¥5.2 billion.

New-style Kiosk stand

SUVACO JR KYOTO ISETAN in Kyoto Station

Real Estate Business

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 stations, development of commercial facilities near 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 customer 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


JR Kanazawa Station NK Building

developing the New North Building, which are planned to open in spring 2011.

Fiscal 2008 Measures

JR-West continued to develop station premises and surrounding areas, including the opening of the JR Kyoto Station NK Building at Kyoto Station with a large-scale electronics retailer, the JR Kanazawa Station NK Building at Kanazawa Station, and SUN STATION TERRACE FUKUYAMA shopping center at Fukuyama Station. We moved steadily forward with the plan for the Osaka Station Renovation, including the New North Building Development and ACTY Osaka expansion. In addition, in an effort to effectively utilize assets, we continuously developed condominium apartments on Company-owned land, such as former sites of Company housing.

As a result, operating revenues for the Real Estate Business segment rose 22.4% over the previous fiscal year, to ¥76.7 billion, with operating income up 16.2%, to ¥24.6 billion.

J GRAN condominium apartment

Other Businesses

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

Fiscal 2008 Measures

In travel agency operations, JR-West pursued sales and marketing activities utilizing the New Domestic Travel Information System recently put into operation. We also formulated the Nippon Travel Agency Group Medium-Term Business Plan (Fiscal 2009 through Fiscal 2011), which sets a policy of stable growth in core fields and a shift of management resources to growth fields. In hotel operations, the Company promoted sales with renovations to its guest rooms and dining facilities, as well as hosted various events.

Nevertheless, operating revenues in the Other Businesses segment declined 2.8% over the previous fiscal year, to ¥139.3 billion, and operating income fell 11.8%, to ¥11.0 billion.

Hotel Granvia Hiroshima

Osaka Station Development Project

Artist's image of Osaka Station

The Osaka Station Renovation and New North Building Development Plan was formulated in December 2003 with the aim of making Osaka Station—JR-West's foremost terminal station located in the heart of Osaka's Kita District—a facility befitting its status as the gateway to Osaka. The plan would also increase the earnings of the corporate group, and help to revitalize both the Osaka Station area and the Kansai region. The three main elements of the plan are a fundamental renovation of the station, enhancement of station concourses and public areas, and development of the New North Building, which together would enhance the comfort and convenience of Osaka Station, and provide it with the stateliness appropriate to a terminal station.

The focus of the station renovation and improvement is on alleviating overcrowding, providing more convenience for changing trains, and making facilities barrier-free. The plan includes substantial revisions to the passenger flow and station layout, along with improvements that make the station easier to use. It also incorporates elements to create an attractive, symbolic station space, such as the erection of a large dome. To complement the station renovations, we have also included additions to make the station area itself an excursion destination, such as walkways and public areas in the new building, and over the station.

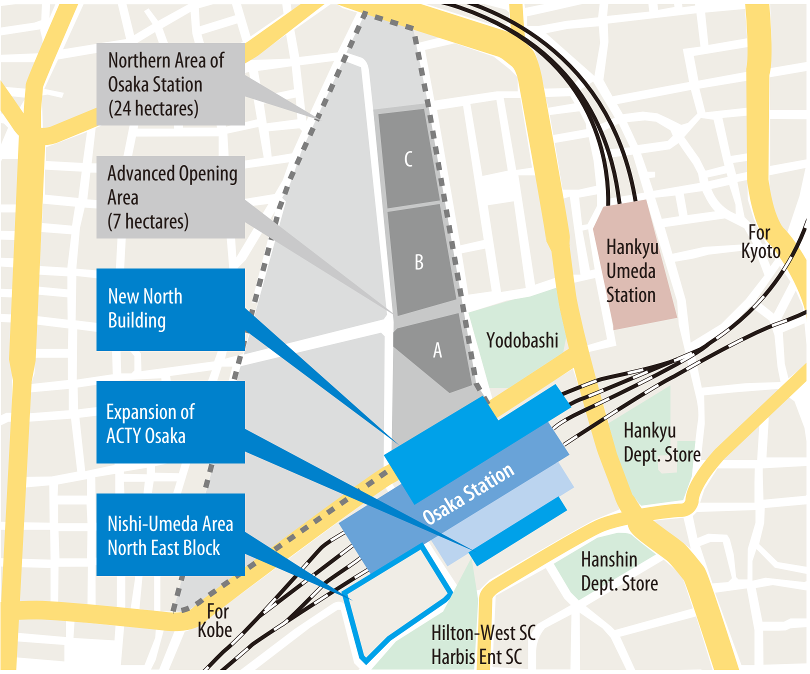
The New North Building will have 210,000 square meters of floor space, and incorporates a symbolic atrium in its central portion. The anchor tenant will be a department store, and there are plans for a mall of specialty stores, offices, a cinema complex, and other facilities. Station renovation work began in spring 2004, and groundbreaking for the New North Building in fall 2006. The opening of the New North Building, along with the walkways and public areas (the grand opening) is planned for the spring of 2011.


Artist's image of the New North Building


The New North Building under construction

Along with the renovation of Osaka Station and development of the New North Building, JR-West also formulated a plan to remodel the southside station entrance as a new gateway, and provide for a balance and uniform flow with the north side. Work on expansion of the existing south building, ACTY Osaka, began in May 2008. Specific plans include expanding the floor space of the ACTY Osaka building by 35,000 square meters, constructing a connecting concourse linking the north and south sides of the station together with a multi-story public space, along with other measures to make the south side of the station more like a main entrance. The renovation will help link the north and south districts of Osaka Station, and make a substantial contribution to the vitality of the entire Osaka Station area.

JR-West had originally planned for the core tenant of the New North Building to be a department store operated by Mitsukoshi, Ltd. However, we recognized that in order to establish a more attractive commercial facility as the heart of the Osaka Station north district, and with the support of customers further enhance its drawing power, it would be necessary to make use of all group resources from both West Japan Railway Company, and Isetan Mitsukoshi Holdings Ltd., launched on April 1, 2008. Accordingly, in April 2008 the plan for the main department store operator in the New North Building was changed to JR-West's consolidated subsidiary, West Japan Railway Isetan Ltd. Since this will generate additional refurbishment and other expenses for the JR-West Group, the total projected cost to the Group for the project has been increased to approximately ¥200 billion.



Organizational Structure

As of July 1, 2008

- Board of Corporate Auditors
  - Corporate Auditors
- Board of Directors
  - President
    - Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line
      - Consultation Office of the Derailment Accident on the Fukuchiyama Line
    - Deliberation Department of the Derailment Accident on the Fukuchiyama Line
    - Corporate Planning Headquarters
      - CSR Office
      - Group Management Planning Office
    - IT Development Headquarters
    - Secretary Office
    - General Affairs Department
      - Human Rights Office
      - Legal Office
      - Risk Management Office
    - Corporate Communications Department
    - Inquiry & Auditing Department
    - Personnel Department
      - Staff Training Center
      - Osaka Railway Hospital
    - Finance Department
    - Tokyo Headquarters
    - Railway Operations Headquarters
      - Transport Safety Department
      - Transport Security Systems Office
      - Marketing Division
        - Customer Service Department
          - JR-West Customer Center
        - Tokyo Marketing Department
        - Kyushu Marketing Department
      - Technical Research and Development Department
        - GCT Test Operations Center
      - Shinkansen Supervising Department
      - Station Operations Department
      - Transport Department
      - Rolling Stock Department
        - Rolling Stock Design Office
      - Track & Structures Department
      - Electrical Engineering Department
      - Shin-Osaka General Control Center
    - Safety Research Institute
    - Structural Engineering Office
    - Construction Department
    - Business Development Headquarters
    - Shinkansen Management Division
      - Fukuoka Branch
      - Tokyo Control Center
    - Osaka Construction Office
    - Osaka Electric Construction Office
    - Kanazawa Branch
    - Kyoto Branch
    - Osaka Branch
    - Wakayama Branch
    - Kobe Branch
    - Fukuchiyama Branch
    - Okayama Branch
    - Yonago Branch
    - Hiroshima Branch

Financial Section

Management's Discussion and Analysis of Operations
(Consolidated Basis)

Results of Operations

Operating revenues for fiscal 2008 (ended March 31, 2008) expanded 2.2% from the previous fiscal year to ¥1,290.1 billion, the fifth consecutive year-on-year increase. This was due mainly to a ¥12.6 billion rise in the Transportation Operations segment stemming from timetable revisions, widespread availability of the Shinkansen Express Reservation service, and other factors that increased use of the Shinkansen service. Increases in the Sales of Goods and Food Services segment and the Real Estate Business segment also contributed to the rise in operating revenues.

Operating income was up 1.5% from the previous fiscal year to ¥137.4 billion, the eighth consecutive rise. The increase was realized despite a ¥12.7 billion expansion in operating expenses arising from greater maintenance and miscellaneous expenses and the impact of a change in accounting procedures for depreciation, together with an increase in the cost of sales in the Sales of Goods and Food Services segment.

Net income rose for the second consecutive year, up 1.6% to ¥57.7 billion. The increase was realized due to a 5.4% improvement in net financial expenses to a net loss of ¥34.9 billion, despite the recording of reserves for environmental safety measures and unredeemed travel coupons at subsidiary companies.

Factors Affecting Results of Operations

■ *Revenues*

The Transportation Operations segment's operating revenues are derived mainly from railway transportation. Revenue from railway transportation depends mainly on the number of passengers, and so is affected by numerous factors including competition from other modes of transportation and rival railway companies, as well as economic conditions, and the falling birthrate and aging population.

The Sales of Goods and Food Services segment's revenues primarily consist of income from department businesses, merchandise sales, and restaurant operations. Revenue in this segment is influenced by economic conditions, and competition from other department stores, retailers, and restaurants. Because businesses in this segment are operated at many stations and in surrounding areas, the number of passengers also has an impact. However, because the number of people using stations remains relatively stable, there is less of an impact from such factors on revenue in this segment compared to other companies in the same industry. The number of new store openings and store closings also has an effect.

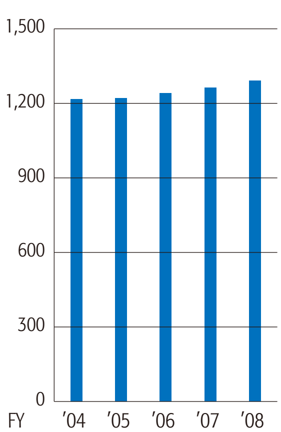
The Real Estate Business segment's revenues are derived mainly from leasing income from facilities in and around stations. Although this segment is affected by economic conditions, the impact is less than that for competitors, as stations enjoy relatively stable traffic, and tenants prefer offices that are conveniently located either on station premises or in the surrounding areas.

The Other Businesses segment's revenues primarily consist of income from hotel and travel agency operations. Hotel revenue is affected mainly by economic conditions, room rates, and competition from other hotels. Travel agency revenue is affected mainly by competition from other agents, as well as anything that deters travel, such as adverse economic conditions or terrorist attacks.

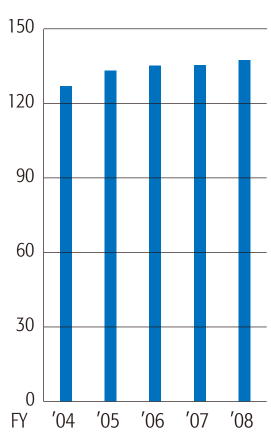
■ *Expenses*

Personnel costs declined ¥2.5 billion from the previous fiscal year to ¥269.9 billion. With many employees taking advantage of JR-West's early retirement program, staff numbers necessary to maintain operations are secured through new hires and other means. Both employee numbers and personnel costs have declined as a result.

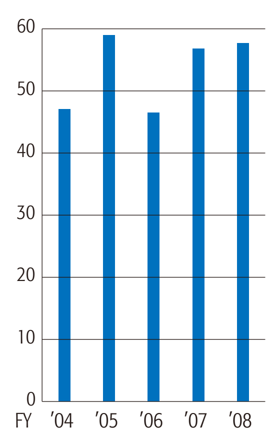
Operating Revenues
(Billion ¥)



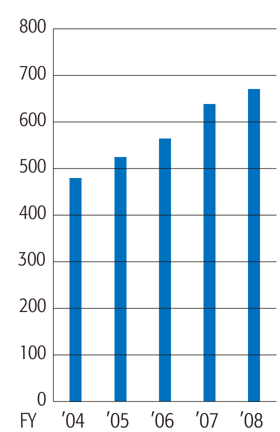
Operating Income
(Billion ¥)



Net Income
(Billion ¥)



Total Net Assets
(Billion ¥)



In terms of non-personnel costs, JR-West is working to achieve structural cost reductions through the introduction of rolling stock and equipment that are easily maintained, mechanization, and the improvement of existing infrastructure, while placing the highest priority on ensuring safety. However, we have also continued to implement safety improvement measures in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki. As a result, for the foreseeable future we anticipate a rise in expenses as necessary to enhance safety.

JR-West leases the JR Tozai Line from Kansai Rapid Railway Co., Ltd. Since April 1, 2004, annual rail usage charges have been renegotiated every three years, and determined in consideration of interest rate fluctuations and other factors. As a result, expenses paid for the subject fiscal year amounted to approximately ¥16.6 billion.

Among other expenses, interest expense is a major factor. The JR-West Group's total interest expense for the subject fiscal year declined ¥1.8 billion to ¥35.4 billion, due to reduction of long-term debt and payables and lower interest rates.

Liquidity and Capital Sources

■ *Cash Flows*

Net cash provided by operating activities amounted to ¥222.1 billion, a rise of ¥33.5 billion from the previous fiscal year. The main factors affecting cash were an increase in operating revenues of the Transportation Operations segment and decrease in retirement benefit payments.

Net cash used in investing activities amounted to ¥179.2 billion, a rise of ¥47.5 billion from the previous fiscal year. The main factor affecting cash was an increase in purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥55.8 billion, ¥1.1 billion more than in the previous fiscal year. Although expenditures for repayment of long-term loans declined, expenditures for acquisition of treasury stock increased.

As a result, cash and cash equivalents at the end of fiscal 2008 decreased ¥12.9 billion from the end of the previous fiscal year to ¥44.6 billion.

■ *Capital Demand and Capital Expenditures*

JR-West made capital expenditures totaling ¥224.5 billion in fiscal 2008, of which the Transportation Operations segment accounted for ¥194.3 billion, the Sales of Goods and Food Services segment ¥5.3 billion, the Real Estate Business segment ¥15.6 billion, and the Other Businesses segment ¥9.2 billion. Capital investment in the Transportation Operations segment was mainly for railroad infrastructure centered on safety enhancements, and purchases of new rolling stock.

The Group's capital expenditures in the Sales of Goods and Food Services, Real Estate Business, and Other Businesses segments were mainly for construction of new facilities, and renovation of aged facilities. The Group has already announced its plans for renovation of Osaka Station and development of the New North Building, as well as its plan for expansion of ACTY Osaka. The JR-West Group anticipates capital expenditures for these projects to be approximately ¥200.0 billion at this point, with completion scheduled for the spring of 2011.

Further, in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations, JR-West is implementing various safety improvement measures, including installing operational safety equipment and other infrastructure-based initiatives necessary to further enhance safety, and is considering a range of other measures to bolster safety.

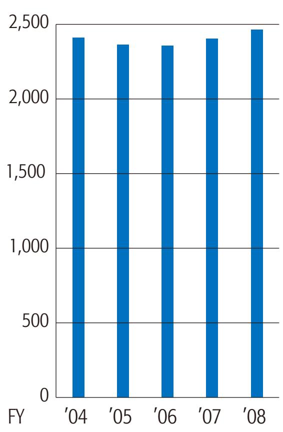
■ *Liquidity and Financing*

The JR-West Group receives substantial amounts of cash on a daily basis mainly from the Transportation Operations segment, ensuring a sufficient level of cash flow. At the same time, however, we recognize that improving financial efficiency is very important in terms of business management. As part of our efforts in this area, in October 2002 we introduced a cash management service (CMS), ensuring effective utilization of Group funds.

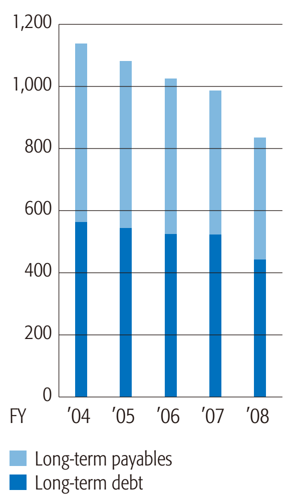
In terms of financing, JR-West typically procures funds required for repayment of existing debt, capital expenditures or other expenses, in an amount not covered by the Group's cash flows. Financing methods, including corporate bonds and long-term bank loans, are determined through a comprehensive consideration of market trends, interest rates, and other factors. For short-term financing, we raise necessary capital mainly through short-term bonds.

We have further concluded commitment line contracts allowing use of funds in accordance with prescribed conditions, such as in the event of a major earthquake.

Total Assets
(Billion ¥)



Long-Term Debt and Payables
(Billion ¥)



Note: Long-term debt and payables includes the current portion of long-term debt and long-term payables.

Consolidated Balance Sheets

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
ASSETS				
Current assets:				
Cash (Notes 3 and 10)	**¥ 44,836**	¥ 57,814	¥ 56,093	**$ 452**
Marketable securities (Note 4)	**—**	—	3	**—**
Notes and accounts receivable:				
Unconsolidated subsidiaries and affiliates	**2,423**	2,483	2,133	**24**
Trade	**90,834**	94,593	83,564	**917**
Less allowance for doubtful accounts	**(335)**	(397)	(351)	**(3)**
Inventories (Note 5)	**22,246**	19,379	17,939	**224**
Income taxes refundable (Note 13)	**108**	329	194	**1**
Deferred income taxes (Note 13)	**19,938**	18,679	19,426	**201**
Prepaid expenses and other current assets	**41,087**	33,217	28,855	**415**
Total current assets	**221,138**	226,100	207,859	**2,233**
Investments:				
Unconsolidated subsidiaries and affiliates (Note 6)	**42,920**	41,013	38,264	**433**
Other securities (Notes 4 and 10)	**17,117**	23,834	26,762	**172**
Total Investments	**60,038**	64,847	65,027	**606**
Property, plant and equipment, at cost (Notes 7, 8, 10 and 11)**:**				
Land	**657,469**	658,519	655,311	**6,641**
Buildings and structures	**2,730,404**	2,681,260	2,639,039	**27,579**
Machinery, equipment and vehicles	**1,102,962**	1,039,468	1,004,483	**11,141**
Tools, furniture and fixtures	**97,320**	91,132	84,552	**983**
Construction in progress	**81,301**	66,296	59,442	**821**
	4,669,458	4,536,677	4,442,829	**47,166**
Less accumulated depreciation	**(2,640,818)**	(2,563,530)	(2,491,949)	**(26,674)**
Property, plant and equipment, net	**2,028,639**	1,973,146	1,950,880	**20,491**
Deferred income taxes (Note 13)	**109,035**	92,698	88,022	**1,101**
Other assets	**43,978**	44,872	44,179	**444**
Total assets	**¥2,462,831**	¥2,401,667	¥2,355,969	**$24,877**

See accompanying notes to consolidated financial statements.

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Note 9)	**¥ 13,630**	¥ 13,137	¥ 14,445	**$ 137**
Current portion of long-term debt (Notes 9 and 10)	**87,979**	49,352	88,904	**888**
Current portion of long-term payables (Note 11)	**34,630**	36,562	36,170	**349**
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**2,901**	3,581	5,823	**29**
Trade	**171,676**	170,967	145,145	**1,734**
Prepaid railway fares received	**31,260**	30,507	30,503	**315**
Deposits and advances received	**127,306**	130,841	115,269	**1,285**
Accrued expenses	**61,756**	60,213	65,419	**623**
Accrued income taxes (Note 13)	**35,369**	20,474	27,946	**357**
Allowance for loss on restructuring of a subsidiary (Note 1(10))	**—**	—	259	**—**
Allowance for customer point program (Note 1(14))	**670**	—	—	**6**
Deferred income taxes (Note 13)	**—**	198	—	**—**
Other current liabilities (Note 10)	**11,514**	12,918	11,259	**116**
Total current liabilities	**578,698**	528,757	541,148	**5,845**
Long-term debt (Notes 9, 10 and 21(1))	**441,495**	473,192	435,663	**4,459**
Long-term payables (Note 11)	**393,157**	427,689	464,205	**3,971**
Accrued retirement benefits (Note 15)	**257,038**	219,693	201,677	**2,596**
Allowance for antiseismic reinforcement measures (Note 1(11))	**2,222**	9,931	14,400	**22**
Allowance for environmental safety measures (Note 1(12))	**11,466**	7,426	7,543	**115**
Allowance for unredeemed gift tickets (Note 2(7))	**2,667**	—	—	**26**
Deferred income taxes (Note 13)	**141**	113	76	**1**
Other long-term liabilities	**88,748**	97,012	99,230	**896**
Minority interests	**—**	—	27,769	**—**
Contingent liabilities (Note 16)				
Net assets:				
Shareholders' equity (Note 17):				
Common stock:				
Authorized – 8,000,000 shares;				
Issued and outstanding – 2,000,000 shares	**100,000**	100,000	100,000	**1,010**
Capital surplus	**55,000**	55,000	55,000	**555**
Retained earnings (Note 21(3))	**489,366**	443,658	398,910	**4,943**
Less treasury stock, at cost (Note 21(2))	**(10,343)**	(327)	(327)	**(104)**
Total shareholders' equity	**634,022**	598,331	553,583	**6,404**
Valuation and translation adjustments:				
Net unrealized holding gain on securities (Note 4)	**4,552**	8,864	10,670	**45**
Net deferred gain on hedging instruments	**95**	348	—	**0**
Total valuation and translation adjustments	**4,647**	9,212	10,670	**46**
Minority interests	**32,167**	30,305	—	**324**
Total net assets	**670,838**	637,849	564,254	**6,776**
Total liabilities and net assets	**¥2,462,831**	¥2,401,667	¥2,355,969	**$24,877**

Consolidated Statements of Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Operating revenues	**¥1,290,190**	¥1,262,935	¥1,240,098	**$13,032**
Operating expenses:				
Transportation, other services and cost of sales	**944,207**	919,294	899,513	**9,537**
Selling, general and administrative expenses (Note 12)	**208,569**	208,299	205,367	**2,106**
	1,152,777	1,127,593	1,104,880	**11,644**
Operating income	**137,413**	135,341	135,218	**1,388**
Other income (expenses):				
Interest and dividend income	**461**	331	372	**4**
Interest expense	**(35,424)**	(37,298)	(39,799)	**(357)**
Equity in earnings of affiliates	**1,298**	1,016	1,214	**13**
Amortization of prior service cost (Note 1(8))	**(2,826)**	(2,142)	4,039	**(28)**
Loss on impairment of fixed assets (Note 8)	**(4,103)**	(242)	—	**(41)**
Provision of allowance for antiseismic reinforcement measures (Note 1(11))	**—**	—	(14,400)	**—**
Provision of allowance for environmental safety measures (Note 1(12))	**(4,400)**	—	(7,543)	**(44)**
Other, net (Note 16)	**9,166**	3,864	794	**92**
	(35,828)	(34,469)	(55,321)	**(361)**
Income before income taxes and minority interests	**101,584**	100,872	79,896	**1,026**
Income taxes (Note 13)**:**				
Current	**56,559**	44,320	50,280	**571**
Deferred	**(14,737)**	(2,816)	(19,306)	**(148)**
	41,822	41,504	30,974	**422**
Income before minority interests	**59,762**	59,368	48,922	**603**
Minority interests	**(2,054)**	(2,576)	(2,396)	**(20)**
Net income	**¥ 57,707**	¥ 56,791	¥ 46,525	**$ 582**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2008, 2007 and 2006

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2005	¥100,000	¥55,000	¥365,303	¥(327)	¥519,976	¥ 4,381	¥ —	¥ 4,381	¥ —	¥524,357
Net income for the year	—	—	46,525	—	46,525	—	—	—	—	46,525
Cash dividends	—	—	(13,000)	—	(13,000)	—	—	—	—	(13,000)
Bonuses to directors and corporate auditors	—	—	(92)	—	(92)	—	—	—	—	(92)
Decrease in retained earnings resulting from inclusion of a subsidiary in consolidation	—	—	(41)	—	(41)	—	—	—	—	(41)
Increase in retained earnings resulting from merger of consolidated and unconsolidated subsidiaries	—	—	215	—	215	—	—	—	—	215
Net changes in items other than shareholders' equity	—	—	—	—	—	6,289	—	6,289	—	6,289
Balance at March 31, 2006	¥100,000	¥55,000	¥398,910	¥(327)	¥553,583	¥10,670	¥ —	¥10,670	¥ —	¥564,254
Reclassified balance at March 31, 2006	—	—	—	—	—	—	348	348	30,305	30,654
Net income for the year	—	—	56,791	—	56,791	—	—	—	—	56,791
Cash dividends	—	—	(12,000)	—	(12,000)	—	—	—	—	(12,000)
Decrease in retained earnings resulting from merger of consolidated subsidiaries	—	—	(43)	—	(43)	—	—	—	—	(43)
Net changes in items other than shareholders' equity	—	—	—	—	—	(1,806)	—	(1,806)	—	(1,806)
Balance at March 31, 2007	¥100,000	¥55,000	¥443,658	¥(327)	¥598,331	¥ 8,864	¥348	¥ 9,212	¥30,305	¥637,849
Net income for the year	—	—	57,707	—	57,707	—	—	—	—	57,707
Cash dividends	—	—	(12,000)	—	(12,000)	—	—	—	—	(12,000)
Increase in treasury stock resulting from change in shares of an affiliate	—	—	—	(16)	(16)	—	—	—	—	(16)
Purchases of treasury stock	—	—	—	(9,999)	(9,999)	—	—	—	—	(9,999)
Net changes in items other than shareholders' equity	—	—	—	—	—	(4,312)	(253)	(4,565)	1,862	(2,703)
Balance at March 31, 2008	¥100,000	¥55,000	¥489,366	¥(10,343)	¥634,022	¥4,552	¥ 95	¥ 4,647	¥32,167	¥670,838

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred gain on hedging instruments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$1,010	$555	$4,481	$(3)	$6,043	$ 89	$3	$ 93	$306	$6,442
Net income for the year	—	—	582	—	582	—	—	—	—	582
Cash dividends	—	—	(121)	—	(121)	—	—	—	—	(121)
Increase in treasury stock resulting from change in shares of an affiliate	—	—	—	(0)	(0)	—	—	—	—	(0)
Purchases of treasury stock	—	—	—	(101)	(101)	—	—	—	—	(101)
Net changes in items other than shareholders' equity	—	—	—	—	—	(43)	(2)	(46)	18	(27)
Balance at March 31, 2008	$1,010	$555	$4,943	$(104)	$6,404	$ 45	$0	$ 46	$324	$6,776

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	**2008**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 101,584**	¥ 100,872	¥ 79,896	**$ 1,026**
Adjustments for:				
Depreciation and amortization	**128,085**	112,827	111,900	**1,293**
Loss on impairment of fixed assets	**4,103**	242	—	**41**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**24,864**	31,076	58,328	**251**
Loss on disposal of property, plant and equipment	**11,111**	12,692	13,368	**112**
Amortization of negative goodwill arising from consolidation	**–**	—	(18)	**–**
Increase (decrease) in allowance for doubtful accounts	**275**	(1)	(717)	**2**
Increase in accrued retirement benefits	**37,344**	18,016	1,711	**377**
Increase (decrease) in accrued bonuses	**468**	(7)	(1,625)	**4**
(Decrease) increase in other accruals	**(157)**	(4,649)	22,212	**(1)**
Interest and dividend income	**(461)**	(331)	(372)	**(4)**
Interest expense	**35,424**	37,298	39,799	**357**
Net gain on sales of investments in securities	**—**	—	(77)	**—**
Equity in earnings of affiliates	**(1,298)**	(1,016)	(1,214)	**(13)**
Gain on contributions received for construction	**(25,891)**	(31,714)	(58,724)	**(261)**
Decrease (increase) in notes and accounts receivable	**4,235**	(10,731)	(8,476)	**42**
Increase in inventories	**(2,866)**	(1,439)	(2,159)	**(28)**
(Decrease) increase in notes and accounts payable	**(21,504)**	20,738	(12,877)	**(217)**
(Decrease) increase in accrued consumption taxes	**(2,177)**	2,039	(821)	**(21)**
Other	**5,606**	(7,293)	10,050	**56**
Subtotal	**298,747**	278,617	250,184	**3,017**
Interest and dividend income received	**472**	265	373	**4**
Interest paid	**(35,564)**	(37,398)	(40,271)	**(359)**
Income taxes paid	**(41,472)**	(52,865)	(46,205)	**(418)**
Net cash provided by operating activities	**222,183**	188,618	164,080	**2,244**
Cash flows from investing activities				
Payments for time deposits with a maturity of more than three months	**(230)**	(335)	(12,160)	**(2)**
Proceeds from time deposits with a maturity of more than three months	**230**	765	12,160	**2**
Purchases of property, plant and equipment	**(224,864)**	(175,024)	(156,155)	**(2,271)**
Proceeds from sales of property, plant and equipment	**2,847**	4,272	4,172	**28**
Contributions received for construction	**45,027**	41,858	42,889	**454**
Increase in investments in securities	**(1,198)**	(1,961)	(513)	**(12)**
Proceeds from sales of investments in securities	**44**	—	329	**0**
Increase in long-term loans receivable	**(641)**	(689)	(282)	**(6)**
Collection of long-term loans receivable	**736**	266	10,396	**7**
Other	**(1,232)**	(928)	(2,612)	**(12)**
Net cash used in investing activities	**(179,281)**	(131,776)	(101,765)	**(1,810)**
Cash flows from financing activities				
Increase in short-term loans	**1,526**	2,139	2,863	**15**
Proceeds from long-term loans	**26,300**	57,100	12,300	**265**
Repayment of long-term loans	**(49,383)**	(89,135)	(30,983)	**(498)**
Proceeds from issuance of bonds	**29,982**	29,981	—	**302**
Repayment of long-term payables	**(36,431)**	(36,093)	(38,425)	**(367)**
Purchases of treasury stock	**(9,999)**	—	—	**(101)**
Cash dividends paid to the Company's shareholders	**(12,025)**	(12,002)	(13,001)	**(121)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(112)**	(112)	(112)	**(1)**
Other	**(5,735)**	(6,566)	(2,038)	**(57)**
Net cash used in financing activities	**(55,879)**	(54,690)	(69,397)	**(564)**
Net (decrease) increase in cash and cash equivalents	**(12,978)**	2,151	(7,083)	**(131)**
Cash and cash equivalents at beginning of year	**57,584**	55,433	62,241	**581**
Increase in cash and cash equivalents resulting from merger of consolidated and unconsolidated subsidiaries and initial consolidation of subsidiaries	**—**	—	275	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 44,606**	¥ 57,584	¥ 55,433	**$ 450**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

West Japan Railway Company and its consolidated subsidiaries
March 31, 2008

1. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of West Japan Railway Company (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥99 = U.S.$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Summary of Significant Accounting Policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or undisposed losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

During the year ended March 31, 2007, Daitetsu Kogyo Co., Ltd., an affiliate, changed its fiscal year end from February 28 to March 31. Accordingly, the accompanying consolidated financial statements include the Company's equity in the undistributed earnings of the affiliate for the thirteen-month period from March 1, 2006 through March 31, 2007.

All assets and liabilities of the subsidiaries are revalued on acquisition, if applicable. The difference, not significant in amount, between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of five years on a straight-line basis.

The balance sheet date of one consolidated subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(2) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(3) Investments in securities

Investments in marketable securities are stated at fair value, and net unrealized holding gain or loss on such securities is accounted for as a separate component of net assets. Cost of securities sold is determined primarily by the moving average method. Investments in non-marketable securities are stated at cost based on the moving average method.

(4) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(5) Inventories

Inventories are stated at cost determined primarily by the following methods:

Merchandise:	The last purchase price method or the retail cost method;
Real estate for sale and contracts in process:	The individual identification method;
Rails, materials and supplies:	The moving average method.

(6) Property, plant and equipment

Property, plant and equipment are stated at cost (see Note 7). Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(7) Leases

The Company and its consolidated subsidiaries lease certain equipment under noncancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(8) Accrued retirement benefits

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

The net retirement benefit obligation at transition of ¥321,242 million is being amortized principally over a ten-year period.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a ten-year period, which is shorter than the average remaining years of service of the eligible employees.

Prior service cost is principally charged to income when incurred. This is expensed primarily as "Amortization of prior service cost" in the accompanying consolidated statements of income for the years ended March 31, 2008, 2007 and 2006.

(9) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(10) Allowance for loss on restructuring of a subsidiary

Allowance for loss on restructuring of a subsidiary provides for losses related to the business restructuring of an unconsolidated subsidiary at an estimate of the amount to be borne by the consolidated subsidiaries.

(11) Allowance for antiseismic reinforcement measures

At March 31, 2006, to meet certain expenditures including the removal and restoration costs relating to quake-proof reinforcement work on the columns of the elevated railroads of the Shinkansen Line, the Company provided an allowance for such expenses at a reasonably estimated amount.

The quake-proof reinforcement project is scheduled to be completed no later than the year ending March 31, 2009, considering the columns of the elevated railroads of the Joetsu Shinkansen Line damaged by the Niigata Chuetsu Earthquake on October 23, 2004. No estimate of other related expenses can be provided as these cannot be reasonably estimated at the present time.

(12) Allowance for environmental safety measures

To meet expenditures for the disposal of polychlorinated biphenyl and other wastes held by the Company, an allowance at an amount reasonably estimated has been provided at March 31, 2006. The estimate was calculated based on the unit costs publicized by Japan Environment Safety Corporation. Other expenses related to the disposal which cannot be reasonably estimated at the present time have not been provided for.

As the Company found soil pollution in a portion of land under development which it owns, an allowance has been provided at a reasonably estimated amount to meet expenditures of the related clean-up costs at March 31, 2008. Such allowance is applicable to the entire portion of the land where soil pollution was found excluding the area for which an adjustment is necessary with respect to the amount of clean-up costs to be borne by the former owner and the amount to be borne by the Company.

(13) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Derivatives such as forward foreign exchange contracts and interest-rate swap contracts are utilized to manage foreign currency and interest-rate risk. Forward foreign exchange contracts which meet certain conditions are accounted for by the allocation method which requires that recognized foreign currency receivables or payables be translated at the corresponding forward foreign exchange contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally been applied to the underlying debt.

(14) Allowance for customer point program

Allowance for customer point program is provided for the points granted to customers at a reasonably estimated amount.

2. Adoption of New Accounting Standard

(1) Presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005).

Under the accounting standard and guidance, certain items which were previously presented as assets or liabilities are now presented as components of net assets. Such items include minority interests and deferred gain or loss on derivative instruments.

Total shareholders' equity prior to the adoption of this accounting standard amounted to ¥607,195 million at March 31, 2007.

(2) Financial instruments

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 revised on August 11, 2006) and "Practical Guidance on Accounting for Financial Instruments" (Report No. 14 revised by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants on October 20, 2006).

As a result of the adoption of the accounting standard and practical guidance, bond discount receivables of ¥18 million, which arose from the bond issuances at July 28, 2006 and February 19, 2007, were deducted from the respective nominal amounts.

(3) Business combinations

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Business Combinations" (Business Accounting Council, issued on October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 revised on December 22, 2006).

(4) Deferred assets

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Tentative Solution on Accounting for Deferred Assets" (ASBJ Practical Issues Task Force No. 19 issued on August 11, 2006).

(5) Accounting standard for measurement of inventories

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries have early adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). The effect of this adoption on the consolidated financial statements for the year ended March 31, 2008 was immaterial.

(6) Change in the method of accounting for depreciation of property, plant and equipment

In accordance with the 2007 revision of the Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007 has been changed to the declining-balance method stipulated in the revised law.

The Company publicized the revised medium-term management targets of the group as important management challenges remained which mainly consisted of "Promotion of measures to enhance safety" and "Provision of quality services and products preferred by customers" at October 31, 2006. The Company completed the installation of ATS and quake-proof reinforcements of elevated railroads and so forth during the year ended March 31, 2007. The Company continuously engages in enhancing safety subsequent to April 1, 2007 and will also steadily go ahead with various projects in the railway business, such as preparing for the expansion of Kyushu Shinkansen to Hakata station to commence through-service operations between Kyushu and Sanyo Shinkansen at the end of the year ending March 31,

2011. In addition, the Company will steadily go ahead with its plan for the renovation of Osaka station and the development of the New North building. The Company will also continuously improve the stations in order to make them convenient, attractive and selectable by more users such as via the installation of barrier-free facilities, which are more convenient and functional, and making changes to the designs of existing stations resulting from the development of commercial facilities in the stations.

Considering the above condition of investments and renovation related to buildings in the future, earlier depreciation of buildings would be able to reflect more properly the condition of buildings for operations, for instance stations.

In addition, in accordance with the 2007 revision of Corporation Tax Law of Japan, effective April 1, 2007, the method of accounting for depreciation of property, plant and equipment acquired before April 1, 2007 has been changed. Property, plant and equipment acquired before April 1, 2007 which have been depreciated to their respective residual value are depreciated to memorandum value by the straight-line method over a period of 5 years. This change has been made mainly in consideration of the Company's buildings' condition of disposition and the trend in accounting practice to set residual value at one yen.

The effect of this change was to increase depreciation expense included in operating expenses by ¥9,433 million ($95 million) and decrease operating income, and income before income taxes and minority interests by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method. In addition, depreciation expense with respect to the residual value of existing property, plant and equipment amounted to ¥7,199 million ($72 million) for the year ended March 31, 2008 and has been included as a part of the increase in depreciation expense mentioned above.

(7) Allowance for unredeemed gift tickets

Unutilized gift tickets issued by certain consolidated subsidiaries were credited to income after a fixed period had passed from their respective dates of issuance. Until the year ended March 31, 2007, gift tickets which were utilized after having been credited to income were expensed at the time of exchange. Effective the year ended March 31, 2008, the Company has adopted an accounting standard for allowances (Auditing and Assurance Practice Committee Statement No. 42 revised on April 13, 2007). As a result, certain consolidated subsidiaries have provided an allowance for unredeemed gift tickets at a reasonably estimated amount which is expected to be incurred based on the historical redemption ratio. The effect of this change in method of accounting was to increase operating revenues and operating income by ¥67 million ($0 million) and to decrease income before income taxes and minority interests by ¥2,667 million ($26 million) for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method.

3. Cash and Cash Equivalents

The balances of cash reflected in the accompanying consolidated balance sheets at March 31, 2008, 2007 and 2006 are reconciled to the balances of cash and cash equivalents as presented in the accompanying consolidated statements of cash flows for the years then ended as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Cash	**¥44,836**	¥57,814	¥56,093	**$452**
Time deposits with an original maturity in excess of three months, included in cash	**(230)**	(230)	(660)	**(2)**
Cash and cash equivalents	**¥44,606**	¥57,584	¥55,433	**$450**

4. Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other investments in securities be classified as follows: trading, held-to-maturity, or other securities. The Company and its consolidated subsidiaries did not have any investments classified as trading or held-to-maturity securities at March 31, 2008, 2007 and 2006. The standard further requires that other securities be stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Investments in marketable securities at March 31, 2008, 2007 and 2006 are summarized as follows:

Millions of yen

	2008			2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥6,373**	**¥13,549**	**¥7,176**	¥6,752	¥20,807	¥14,054
Debt securities:						
Government bonds	**3**	**3**	**0**	2	2	0
Subtotal	**6,376**	**13,553**	**7,176**	6,755	20,810	14,054
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**716**	**644**	**(72)**	109	62	(47)
Debt securities:						
Government bonds	**25**	**25**	**(0)**	25	25	(0)
Subtotal	**742**	**669**	**(72)**	135	88	(47)
Total	**¥7,118**	**¥14,222**	**¥7,104**	¥6,890	¥20,898	¥14,007

	Millions of yen			Millions of U.S. dollars		
	2006			**2008**		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥6,379	¥23,317	¥16,938	**$64**	**$136**	**$72**
Debt securities:						
Government bonds	—	—	—	**0**	**0**	**0**
Subtotal	6,379	23,317	16,938	**64**	**136**	**72**
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	109	78	(31)	**7**	**6**	**(0)**
Debt securities:						
Government bonds	25	25	(0)	**0**	**0**	**(0)**
Subtotal	135	103	(31)	**7**	**6**	**(0)**
Total	¥6,514	¥23,420	¥16,906	**$71**	**$143**	**$71**

Sales of, and aggregate gain and loss on sales of, investments in securities for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Sales	**¥—**	¥—	¥329	**$—**
Aggregate gain	**—**	—	77	**—**
Aggregate loss	**—**	—	—	**—**

At March 31, 2008, the redemption schedule for investments in securities by maturity date was as follows:

	Millions of yen		Millions of U.S. dollars	
	2008		**2008**	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Government bonds	**¥28**	**¥—**	**$0**	**$—**
	¥28	**¥—**	**$0**	**$—**

The carrying value of investments in non-marketable securities at March 31, 2008, 2007 and 2006 was as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Unlisted equity securities	**¥2,809**	¥2,841	¥3,249	**$28**
Other	**85**	93	3,096	**0**
	¥2,895	¥2,935	¥6,345	**$29**

5. Inventories

Inventories at March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Rails, materials, supplies, merchandise and contracts in process	**¥22,246**	¥19,379	¥17,939	**$224**

6. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Investments in:				
Unconsolidated subsidiaries	**¥ 7,310**	¥ 6,668	¥ 4,861	**$ 73**
Affiliates	**35,609**	34,344	33,402	**359**
	¥42,920	¥41,013	¥38,264	**$433**

7. Property, Plant and Equipment

Contributions for the construction of railway facilities granted by national and municipal governments and others are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. Compensation for the expropriation of properties received from national and municipal governments and others, in accordance with the Corporation Tax Law, is also deducted directly from the acquisition costs of the properties acquired to replace the properties expropriated.

The contributions deducted from the acquisition costs of property, plant and equipment for the years ended March 31, 2008, 2007 and 2006 totaled ¥24,864 million ($251 million), ¥31,076 million and ¥58,328 million, respectively. The accumulated contributions deducted from the acquisition costs of property, plant and equipment at March 31, 2008, 2007 and 2006 amounted to ¥525,033 million ($5,303 million), ¥501,302 million and ¥473,299 million, respectively.

The compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2008, 2007 and 2006 totaled ¥3,416 million ($34 million), ¥2,513 million and ¥4,388 million, respectively.

8. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets relating to transportation, sales of goods and food services and other businesses primarily at each business which manages the receipts and payments separately. They also group their fixed assets in the real estate business, fixed assets which they have determined to dispose of and idle assets primarily at each asset. Consequently, for the years ended March 31, 2008 and 2007, the Company wrote down the following fixed assets to their respective recoverable value and recorded a related loss on impairment of fixed assets totaling ¥4,103 million ($41 million) and ¥242 million, respectively, in the accompanying consolidated statements of income for the years then ended:

	Millions of yen		Millions of U.S. dollars
	2008	2007	**2008**
Assets to be disposed of:			
Land held in Hiroshima City, Hiroshima Prefecture – 1 item	**¥ —**	¥242	**$ —**
Rolling stock held in Chikushi District, Fukuoka Prefecture – 48 items	**2,225**	—	**22**
Idle assets:			
Land mainly held in Kobe City, Hyogo Prefecture – 29,000 m^2	**1,878**	—	**18**
Total	**¥4,103**	¥242	**$41**

The recoverable value of the assets to be disposed of and the idle assets presented in the above table was measured primarily at net realizable value and was calculated based principally on the appraisal value published by the tax authorities.

9. Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2008, 2007 and 2006 ranged from 0.66% to 1.20%, from 0.15% to 0.99%, and from 0.15% to 0.38%, respectively.

Long-term debt at March 31, 2008, 2007 and 2006 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Secured West Japan Railway bonds, payable in yen, at rates ranging from 1.53% to 3.45%, due from 2009 through 2019	**¥ 175,000**	¥ 175,000	¥175,000	**$1,767**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 2.04% to 2.49%, due from 2022 through 2028	**104,964**	74,981	45,000	**1,060**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.0% to 8.5%, due in installments from 2009 through 2021	**63,956**	74,009	84,852	**646**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.79% to 2.76%, due in installments from 2009 through 2021	**163,669**	175,628	195,689	**1,653**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.7%, due in installments from 2009 through 2019	**6,460**	7,110	7,815	**65**
Other	**15,425**	15,815	16,210	**155**
	529,475	522,545	524,567	**5,348**
Less current portion	**(87,979)**	(49,352)	(88,904)	**(888)**
	¥441,495	¥473,192	¥435,663	**$4,459**

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2009	¥ 87,979	$ 888
2010	62,765	633
2011	33,448	337
2012	44,768	452
2013	33,267	336
2014 and thereafter	267,245	2,699
	¥529,475	$5,348

10. Pledged Assets

Assets pledged at March 31, 2008 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	**¥ 230**	**$ 2**
Investments in other securities	**302**	**3**
Land	**190**	**1**
Buildings and structures	**20,740**	**209**
	¥21,463	**$216**

The indebtedness secured by such collateral at March 31, 2008 was as follows:

	Millions of yen	Millions of U.S. dollars
Current portion of long-term loans included in current portion of long-term debt	**¥ 650**	**$ 6**
Long-term loans included in long-term debt	**5,810**	**58**
Other current liabilities	**1,991**	**20**
	¥8,451	**$85**

In addition, the entire property of the Company is subject to statutory preferential rights for the security of all its secured bonds.

11. Long-Term Payables

Long-term payables at March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2009 through 2017	**¥230,372**	¥265,791	¥300,899	**$2,326**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2009 through 2052	**188,838**	189,282	189,698	**1,907**
Other	**8,576**	9,176	9,778	**86**
	427,788	464,251	500,376	**4,321**
Less current portion	**(34,630)**	(36,562)	(36,170)	**(349)**
	¥393,157	¥427,689	¥464,205	**$3,971**

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from Shinkansen Holding Corporation ("SHC") for a total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRTT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRTT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year. The variable interest rates for the years ended March 31, 2008, 2007 and 2006 were 4.28%, 4.33% and 4.37%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2009	¥ 34,630	$ 349
2010	33,502	338
2011	30,050	303
2012	39,126	395
2013	40,871	412
2014 and thereafter	249,606	2,521
	¥427,788	$4,321

12. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,716 million ($67 million), ¥6,403 million and ¥6,770 million for the years ended March 31, 2008, 2007 and 2006, respectively.

13. Income Taxes

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2008, 2007 and 2006.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31 2008, 2007 and 2006 has been omitted because the differences between these tax rates were less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥ 14,202**	¥ 14,010	¥ 14,010	**$ 143**
Accrued enterprise taxes included in accrued income taxes	**3,161**	1,931	2,659	**31**
Accrued retirement benefits	**104,403**	89,236	81,860	**1,054**
Unrealized gain on property, plant and equipment	**7,061**	6,698	6,193	**71**
Tax loss carryforwards	**152**	207	445	**1**
Other	**24,011**	23,415	20,253	**242**
Gross deferred tax assets	**152,993**	135,499	125,422	**1,545**
Valuation allowance	**(6,279)**	(5,444)	(501)	**(63)**
Total deferred tax assets	**146,714**	130,055	124,920	**1,481**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(2,892)**	(5,702)	(6,882)	**(29)**
Contributions received for construction deducted from acquisition costs of property, plant and equipment	**(12,883)**	(11,313)	(9,104)	**(130)**
Gain on valuation of assets of consolidated subsidiaries	**(1,443)**	(1,443)	(1,443)	**(14)**
Other	**(661)**	(530)	(117)	**(6)**
Total deferred tax liabilities	**(17,881)**	(18,989)	(17,548)	**(180)**
Deferred tax assets, net	**¥128,832**	¥111,065	¥107,372	**$1,301**

14. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation/amortization and net book value of the leased property as of March 31, 2008, 2007 and 2006, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Company and its consolidated subsidiaries are lessees and which are currently accounted for as operating leases:

	Millions of yen					
	2008			2007		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Leased property:						
Machinery, equipment and vehicles	**¥ 731**	**¥ 207**	**¥ 524**	¥ 448	¥ 128	¥ 319
Tools, furniture and fixtures	**2,049**	**829**	**1,220**	1,975	1,168	807
Software included in other assets	**141**	**87**	**54**	299	248	51
	¥2,923	**¥1,124**	**¥1,798**	¥2,723	¥1,544	¥1,178

	Millions of yen			Millions of U.S. dollars		
	2006			**2008**		
	Acquisition costs	Accumulated depreciation/ amortization	Net book value	Acquisition costs	Accumulated depreciation/ amortization	Net book value
Leased property:						
Machinery, equipment and vehicles	¥ 425	¥ 124	¥ 301	**$ 7**	**$ 2**	**$ 5**
Tools, furniture and fixtures	3,634	2,949	684	**20**	**8**	**12**
Software included in other assets	611	391	220	**1**	**0**	**0**
	¥4,671	¥3,465	¥1,206	**$29**	**$11**	**$18**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2008, 2007 and 2006 totaled ¥492 million ($4 million), ¥565 million and ¥713 million, respectively. These amounts are equal to the depreciation/amortization expense of the leased assets computed by the straight-line method over the respective lease terms assuming a nil residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2009	¥ 489	$ 4
2010 and thereafter	1,308	13
	¥1,798	$18

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2008, 2007 and 2006 for finance lease transactions in which certain consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

	Millions of yen					
	2008			2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	**¥3,678**	**¥ 833**	**¥2,845**	¥2,725	¥ 836	¥1,888
Tools, furniture and fixtures	**4,328**	**1,877**	**2,451**	4,245	1,479	2,765
	¥8,007	**¥2,710**	**¥5,296**	¥6,970	¥2,315	¥4,654

	Millions of yen			Millions of U.S. dollars		
	2006			**2008**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	¥2,338	¥ 951	¥ 1,386	**$37**	**$ 8**	**$28**
Tools, furniture and fixtures	3,483	1,486	1,997	**43**	**18**	**24**
	¥5,822	¥2,438	¥3,383	**$80**	**$27**	**$53**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2008, 2007 and 2006 were ¥1,363 million ($13 million), ¥1,207 million and ¥1,053 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2008, 2007 and 2006 computed by the straight-line method over the respective lease terms amounted to ¥1,254 million ($12 million), ¥1,087 million and ¥933 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2009	¥1,341	$13
2010 and thereafter	4,440	44
	¥5,782	$58

15. Retirement Benefit Plans

The Company and its consolidated subsidiaries have unfunded lump-sum severance and retirement benefit plans covering substantially all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination of employment occurs. Certain consolidated subsidiaries have a funded defined contribution pension plan administered by a government agency.

The funded and accrued status of the retirement benefit plans of the Company and its consolidated subsidiaries and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Retirement benefit obligation	**¥(377,161)**	¥(376,375)	¥(401,479)	**$(3,809)**
Plan assets at fair value	**10,927**	11,943	11,851	**110**
Unfunded retirement benefit obligation	**(366,233)**	(364,431)	(389,628)	**(3,699)**
Unrecognized net retirement benefit obligation at transition	**67,824**	99,283	130,741	**685**
Unrecognized actuarial loss	**43,747**	48,009	57,168	**441**
Unrecognized prior service cost	**(2,004)**	(2,235)	187	**(20)**
Net retirement benefit obligation	**(256,666)**	(219,375)	(201,529)	**(2,592)**
Prepaid pension cost	**372**	318	147	**3**
Accrued retirement benefits	**¥(257,038)**	¥(219,693)	¥(201,677)	**$(2,596)**

The components of retirement benefit expenses for the years ended March 31, 2008, 2007 and 2006 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2008	2007	2006	**2008**
Service cost	**¥15,656**	¥15,852	¥15,294	**$158**
Interest cost	**7,450**	7,932	8,133	**75**
Expected return on plan assets	**(262)**	(264)	(229)	**(2)**
Amortization of net retirement benefit obligation at transition	**31,458**	31,458	31,458	**317**
Amortization of actuarial loss	**7,208**	7,291	4,753	**72**
Amortization of prior service cost	**2,582**	1,975	(4,039)	**26**
	¥64,093	¥64,245	¥55,372	**$647**

The assumptions used in accounting for the above retirement benefit plans were as follows:

	2008	2007	2006
Discount rate	**Principally 2.0%**	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	**Principally 2.5%**	Principally 2.5%	Principally 2.5%

16. Contingent Liabilities

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans to companies other than consolidated subsidiaries in the aggregate amount of ¥8,612 million ($86 million).

Expenditures related to a train accident on the Fukuchiyama Line amounted to ¥4,245 million and have been included in "Other, net," a component of "Other income (expenses)" in the accompanying consolidated statement of income for the year ended March 31, 2006. The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for this accident as well as other related costs; however, it is unable to estimate the amounts of such expenditures on a reasonable basis at the present time.

17. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($114 million) at March 31, 2008, 2007 and 2006.

Common stock and treasury stock

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2008 and 2007 are summarized as follows:

Number of shares

	March 31, 2007	Increase	Decrease	**March 31, 2008**
Common stock	2,000,000	—	—	**2,000,000**
Treasury stock	885	17,480	—	**18,365**

Number of shares

	March 31, 2006	Increase	Decrease	March 31, 2007
Common stock	2,000,000	—	—	2,000,000
Treasury stock	885	—	—	885

18. Amounts per Share

Amounts per share at March 31, 2008, 2007 and 2006 and for the years then ended were as follows:

	Yen			U.S. dollars
	2008	2007	2006	**2008**
Net assets	**¥322,294.60**	¥303,906.52	¥282,245.00	**$3,255**
Net income	**28,954.78**	28,415.07	23,281.96	**292**
Cash dividends	**6,000.00**	6,000.00	6,000.00	**60**

Net assets per share have been computed based on the number of shares of common stock outstanding at each balance sheet date.

Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share has not been presented for the years ended March 31, 2008, 2007 and 2006 since the Company had no potentially dilutive stock at March 31, 2008, 2007 and 2006.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

19. Derivatives

Certain consolidated subsidiaries enter into various transactions involving derivative financial instruments in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. These transactions include forward foreign exchange contracts and interest-rate swaps; however, they do not include speculative transactions which entail high levels of risk.

The counterparties to these derivatives positions are limited to financial institutions with high credit ratings.

Certain consolidated subsidiaries enter into these derivatives transactions in the normal course of business relating to the financing and procurement of goods and to the tour business. They enter into such transactions with the counterparties based on the resolutions or the approvals required under their respective internal bylaws. The accounting departments or other management departments manage the related risk.

Disclosure of fair value information on derivatives has been omitted because all open derivatives positions qualified for deferral hedge accounting.

20. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in railway, ferry, bus and other transportation services. They also engage in other activities such as sales of goods and food services and in the real estate business.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008, 2007 and 2006 is outlined as follows:

Millions of yen

							2008
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	**¥ 861,273**	**¥212,803**	**¥ 76,757**	**¥139,356**	**¥ 1,290,190**	**¥ —**	**¥ 1,290,190**
Intersegment operating revenues and transfers	**16,577**	**42,772**	**13,883**	**165,640**	**238,873**	**(238,873)**	**—**
Operating revenues	**877,850**	**255,576**	**90,640**	**304,996**	**1,529,064**	**(238,873)**	**1,290,190**
Operating expenses	**780,371**	**250,305**	**65,994**	**293,959**	**1,390,631**	**(237,853)**	**1,152,777**
Operating income	**¥ 97,479**	**¥ 5,270**	**¥ 24,646**	**¥ 11,036**	**¥ 138,433**	**¥ (1,020)**	**¥ 137,413**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	**¥1,846,782**	**¥ 89,093**	**¥305,049**	**¥266,962**	**¥ 2,507,888**	**¥ (45,056)**	**¥ 2,462,831**
Depreciation and amortization	**107,026**	**2,866**	**11,665**	**6,527**	**128,085**	**—**	**128,085**
Loss on impairment of fixed assets	**4,103**	**—**	**—**	**—**	**4,103**	**—**	**4,103**
Capital expenditures	**194,365**	**5,320**	**15,686**	**9,215**	**224,588**	**—**	**224,588**

Millions of yen

	2007						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 848,586	¥208,185	¥ 62,725	¥143,438	¥1,262,935	¥ —	¥1,262,935
Intersegment operating revenues and transfers	16,391	43,993	13,308	156,884	230,578	(230,578)	—
Operating revenues	864,978	252,178	76,033	300,323	1,493,514	(230,578)	1,262,935
Operating expenses	767,703	247,125	54,814	287,814	1,357,457	(229,863)	1,127,593
Operating income	¥ 97,274	¥ 5,053	¥ 21,219	¥ 12,508	¥ 136,056	¥ (715)	¥ 135,341
II. Total assets, depreciation and amortization and capital expenditures:							
Total assets	¥1,792,324	¥ 76,218	¥282,757	¥256,404	¥2,407,704	¥ (6,037)	¥2,401,667
Depreciation and amortization	93,079	2,503	10,481	6,763	112,827	—	112,827
Capital expenditures	146,156	3,922	23,246	10,115	183,440	—	183,440

Millions of yen

	2006						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 834,537	¥203,942	¥ 62,884	¥138,734	¥1,240,098	¥ —	¥1,240,098
Intersegment operating revenues and transfers	16,308	40,532	12,818	141,503	211,162	(211,162)	—
Operating revenues	850,846	244,474	75,702	280,238	1,451,261	(211,162)	1,240,098
Operating expenses	752,835	238,517	55,201	268,778	1,315,332	(210,452)	1,104,880
Operating income	¥ 98,010	¥ 5,957	¥ 20,501	¥ 11,459	¥ 135,928	¥ (710)	¥ 135,218
II. Total assets, depreciation and amortization and capital expenditures:							
Total assets	¥1,769,956	¥ 72,445	¥286,432	¥216,572	¥2,345,406	¥ 10,563	¥2,355,969
Depreciation and amortization	91,955	2,307	10,395	7,241	111,900	—	111,900
Capital expenditures	140,262	3,548	9,080	8,186	161,078	—	161,078

							Millions of U.S. dollars
							2008
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	**$ 8,699**	**$2,149**	**$ 775**	**$1,407**	**$13,032**	**$ —**	**$ 13,032**
Intersegment operating revenues and transfers	**167**	**432**	**140**	**1,673**	**2,412**	**(2,412)**	**—**
Operating revenues	**8,867**	**2,581**	**915**	**3,080**	**15,445**	**(2,412)**	**13,032**
Operating expenses	**7,882**	**2,528**	**666**	**2,969**	**14,046**	**(2,402)**	**11,644**
Operating income	**$ 984**	**$ 53**	**$ 248**	**$ 111**	**$ 1,398**	**$ (10)**	**$ 1,388**
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:							
Total assets	**$18,654**	**$ 899**	**$3,081**	**$2,696**	**$25,332**	**$ (445)**	**$24,877**
Depreciation and amortization	**1,081**	**28**	**117**	**65**	**1,293**	**—**	**1,293**
Loss on impairment of fixed assets	**41**	**—**	**—**	**—**	**41**	**—**	**41**
Capital expenditures	**1,963**	**53**	**158**	**93**	**2,268**	**—**	**2,268**

As described in Note 2(6), in accordance with the 2007 revision of the Corporate Tax Law, the method of accounting for depreciation of property, plant and equipment has been changed to the procedure stipulated in the revised law. Consequently, operating expenses of the "Transportation" segment, "Sales of goods and food services" segment, "Real estate business" segment and "Other" segment increased by ¥8,809 million ($88 million), ¥86 million ($0 million), ¥332 million ($3 million) and ¥205 million ($2 million), respectively, for the year ended March 31, 2008 over the corresponding amounts which would have been recorded under the previous method. In addition, operating income of each segment decreased by the same amount as that of the corresponding increase in operating expenses mentioned above for each segment for the year ended March 31, 2008 from the corresponding amount which would have been recorded under the previous method.

21. Subsequent Events

(1) Based on a resolution approved at a meeting of the Board of Directors held on March 19, 2008, the Company determined to issue the following straight bonds on May 22, 2008:

Description	The 16th Series of West Japan Railway Bonds
Issuance date	May 30, 2008
Total issuance amount	¥10,000 million ($101 million)
Issue price	¥100 ($1.01) with a face value of ¥100 ($1.01)
Annual interest rate	1.989%
Type	Unsecured
Maturity	March 19, 2020
Usage of funds	Repayment of long-term payables

Description	The 17th Series of West Japan Railway Bonds
Issuance date	May 30, 2008
Total issuance amount	¥15,000 million ($151 million)
Issue price	¥100 ($1.01) with a face value of ¥100 ($1.01)
Annual interest rate	2.427%
Type	Unsecured
Maturity	March 17, 2028
Usage of funds	Repayment of long-term payables

(2) Purchases of the Company's shares of common stock

At a meeting of the Board of Directors of the Company held on May 16, 2008, pursuant to the provision of Article 156 of the Corporation Law of Japan, the Company approved a purchase of up to 50,000 of its own shares of common stock with an aggregate acquisition cost not exceeding ¥20,000 million ($202 million) during the period from June 2, 2008 through March 31, 2009 in order to be able to make quick and flexible capital transactions in response to changes in the management environment.

(3) The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at a meeting of the shareholders of the Company held on June 24, 2008:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥3,000 = U.S.$30 per share)	¥5,947	$60

Report of Independent Auditors

The Board of Directors
West Japan Railway Company

We have audited the accompanying consolidated balance sheets of West Japan Railway Company and consolidated subsidiaries as of March 31, 2008, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and consolidated subsidiaries at March 31, 2008, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (6) to the consolidated financial statements, the Company and its consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment effective the year ended March 31, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

Osaka, Japan
June 24, 2008

Ernst & Young ShinNihon

Analysis of JR-West Operations

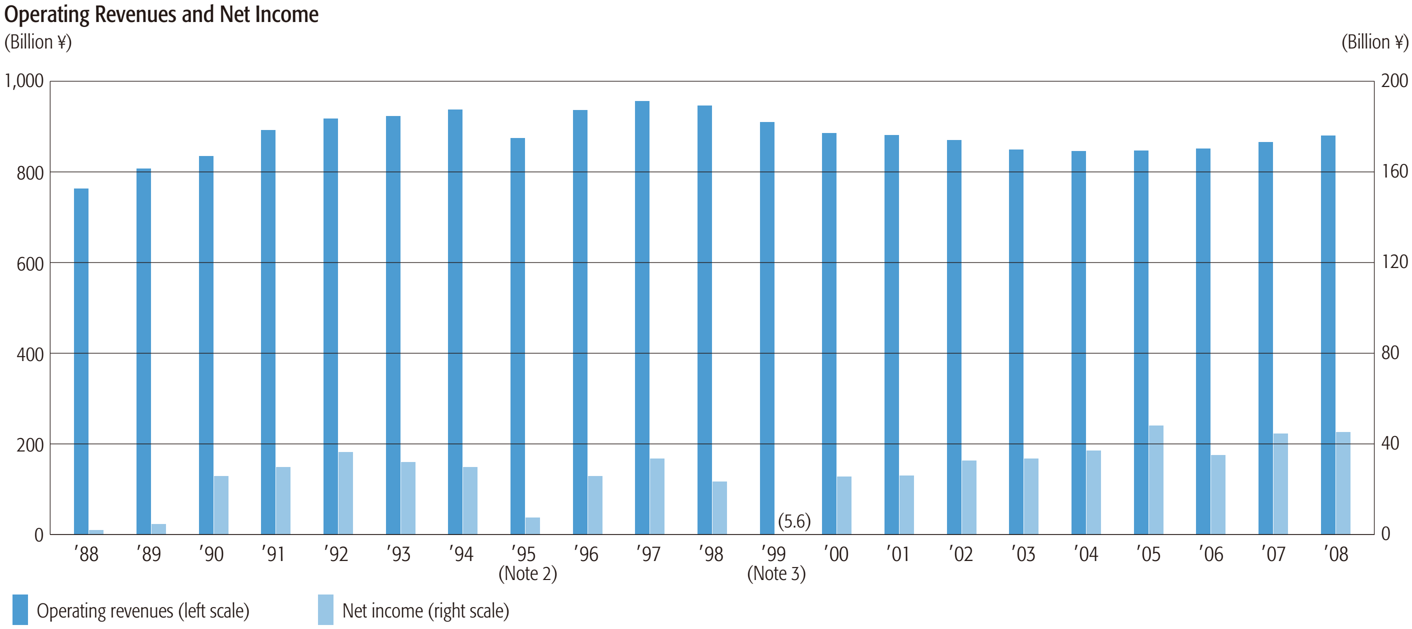
NON-CONSOLIDATED 21-YEAR FINANCIAL SUMMARY FROM THE YEAR OF ESTABLISHMENT

Years ended March 31

	1988	1989	1990	1991	1992	1993	1994	1995 (Note 2)	1996	1997
For the Year:										
Operating revenues:	¥ 763.1	¥ 807.1	¥ 834.3	¥ 892.3	¥ 917.2	¥ 922.5	¥ 937.6	¥ 874.1	¥ 936.2	¥ 956.0
Transportation:	680.0	728.1	748.8	801.8	819.0	820.4	824.9	767.5	823.9	839.1
Sanyo Shinkansen	283.9	321.1	327.4	353.3	359.7	357.6	362.3	307.8	332.2	350.3
Kyoto-Osaka-Kobe area	223.3	231.0	243.0	262.7	271.8	278.7	280.1	285.3	314.8	314.4
Other lines	171.8	175.1	177.5	185.0	186.7	183.2	181.6	173.6	176.1	173.7
Operating expenses:	692.3	727.7	743.3	769.8	789.4	778.2	801.0	773.0	795.9	825.9
Personnel	268.2	265.4	300.6	289.2	303.4	318.3	329.8	334.4	341.8	350.9
Nonpersonnel:	229.9	238.6	259.8	301.1	311.9	294.7	317.2	295.5	305.7	326.5
Energy	39.4	38.4	40.4	43.1	43.4	43.6	43.8	41.4	43.3	42.4
Maintenance	87.9	99.5	111.8	139.9	143.2	127.4	136.4	124.8	128.4	146.7
Miscellaneous	102.5	100.6	107.6	117.9	125.2	123.6	136.9	129.2	134.0	137.3
Taxes	9.1	10.9	14.9	19.7	21.6	25.8	26.4	20.6	29.1	27.1
Rental payments, etc.	5.5	5.6	5.8	5.8	5.8	5.8	5.9	7.9	9.0	10.0
Depreciation expenses	85.1	112.7	88.0	79.8	109.9	133.3	121.5	114.4	110.0	111.2
Operating income	70.8	79.3	90.9	122.4	127.8	144.3	136.5	101.1	140.3	130.0
Recurring profit	8.0	17.2	40.2	87.5	66.1	55.7	54.7	20.4	55.6	56.0
Net income	2.0	4.6	25.7	29.8	36.4	31.9	29.8	7.5	25.8	33.5
At Year-End:					(Note 4)					
Total assets	¥1,440.2	¥1,337.6	¥1,275.1	¥1,314.2	¥2,297.1	¥2,306.5	¥2,327.9	¥2,355.1	¥2,297.9	¥2,333.4
Total net assets	157.0	161.6	187.4	217.2	238.6	260.4	280.1	277.5	293.2	316.6

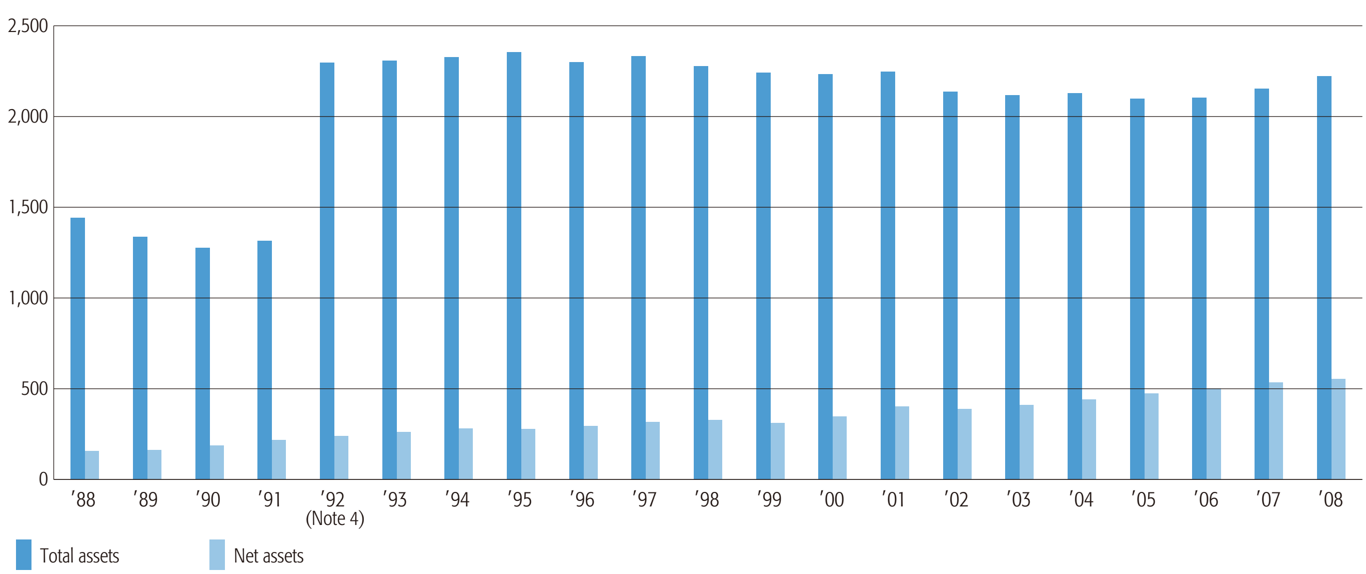
Notes: 1. Yen figures have been converted into U.S. dollars at the rate of ¥99=U.S.$1.00, the approximate exchange rate at March 31, 2008.
2. The Hanshin-Awaji Earthquake occurred in January 1995.
3. In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.
4. The Company purchased the Sanyo Shinkansen Line properties from the Shinkansen Holding Corporation for a total purchase price of ¥974.1 billion in October 1991.

Operating Revenues and Net Income



	1998	1999 (Note 3)	2000	2001	2002	2003	2004	2005	2006	2007	**2008**	**2008**
											Billions of yen, %	Millions of U.S. dollars (Note 1)
	¥ 946.0	¥ 909.4	¥ 885.1	¥ 881.4	¥ 869.8	¥ 849.0	¥ 845.8	¥ 846.4	¥ 851.2	¥ 865.8	**¥ 879.4**	**$ 8,883**
	830.0	795.5	773.9	773.1	770.2	752.3	750.8	750.9	756.5	765.8	**781.7**	**7,896**
	346.0	326.7	313.0	313.0	314.3	306.0	308.1	313.4	323.8	328.6	**343.5**	**3,470**
	315.3	309.8	306.9	309.3	308.9	303.3	302.0	300.4	297.5	302.4	**303.3**	**3,064**
	167.9	158.4	153.5	150.1	146.4	142.5	140.0	136.5	134.7	134.3	**134.4**	**1,358**
	831.1	796.7	786.0	784.4	770.3	745.7	740.4	736.4	742.3	756.8	**769.6**	**7,774**
	358.5	357.8	350.1	345.6	330.5	301.6	294.5	286.8	276.1	272.5	**269.9**	**2,726**
	301.2	277.7	276.5	275.0	281.2	288.2	291.0	300.5	320.0	337.9	**338.8**	**3,422**
	43.8	40.5	39.3	38.2	39.2	38.4	36.6	36.9	34.8	34.3	**34.4**	**347**
	120.9	108.0	112.3	114.3	116.8	122.6	121.9	127.1	140.7	148.9	**148.6**	**1,501**
	136.5	129.2	124.9	122.4	125.1	127.1	132.4	136.4	144.4	154.5	**155.8**	**1,573**
	38.0	31.3	31.0	30.3	30.0	29.3	28.2	29.7	28.7	28.1	**28.6**	**289**
	23.0	22.8	23.8	31.5	31.3	31.0	30.8	24.6	24.7	24.6	**24.6**	**248**
	110.2	107.0	104.4	101.8	97.1	95.4	95.7	94.5	92.5	93.5	**107.5**	**1,086**
	114.8	112.7	99.0	97.0	99.5	103.2	105.4	110.0	108.9	108.9	**109.8**	**1,109**
	48.3	50.5	42.3	43.4	54.0	61.3	65.0	74.3	75.9	77.6	**79.9**	**807**
	23.4	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0	35.1	44.6	**45.1**	**455**
	¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	¥2,151.8	**¥2,222.9**	**$22,454**
	327.8	312.0	346.6	403.3	388.6	410.7	439.3	474.3	502.2	533.3	**552.4**	**5,580**

Total Assets and Net Assets
(Billion ¥)



CAPITAL EXPENDITURES AND CASH FLOWS

Years ended March 31

Capital Expenditures

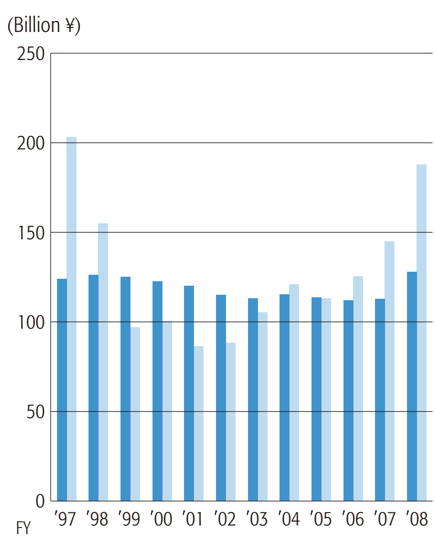
	Billions of yen												Millions of U.S. dollars (Note)
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	**2008**	**2008**
Consolidated basis:													
Depreciation expenses	¥124.1	¥126.1	¥125.0	¥122.6	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	¥112.8	**¥128.0**	**$1,293**
Capital expenditures excluding a portion contributed by local governments etc.	203.1	155.0	96.8	100.6	86.3	88.3	105.4	120.8	113.1	125.3	144.9	**187.9**	**1,897**
Non-consolidated basis:													
Depreciation expenses	¥111.2	¥110.2	¥107.0	¥104.4	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	¥ 93.5	**¥107.5**	**$1,086**
Capital expenditures excluding a portion contributed by local governments etc.	137.1	94.0	84.4	100.0	71.8	89.2	85.7	102.3	92.8	106.3	117.2	**159.6**	**1,612**

Cash Flows (Consolidated basis)

	Billions of yen												Millions of U.S. dollars (Note)
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	**2008**	**2008**
Net cash provided by operating activities	—	—	—	¥154.7	¥138.7	¥99.5	¥130.2	¥140.2	¥142.9	¥164.0	¥188.6	**¥222.1**	**$2,244**
Net cash (used in) provided by investing activities	—	—	—	(99.2)	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	(131.7)	**(179.2)**	**(1,810)**
Free cash flows	—	—	—	55.5	148.1	117.3	66.8	48.5	58.0	62.3	56.8	**42.9**	**433**
Net cash used in financing activities	—	—	—	(66.5)	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	(54.6)	**(55.8)**	**(564)**

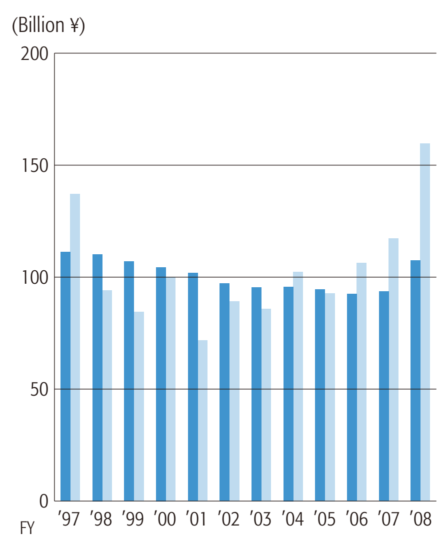
Note: Yen figures have been converted into U.S. dollars at the rate of ¥99=U.S.$1.00, the approximate exchange rate at March 31, 2008.

Depreciation and Capital Expenditures (Consolidated Basis)



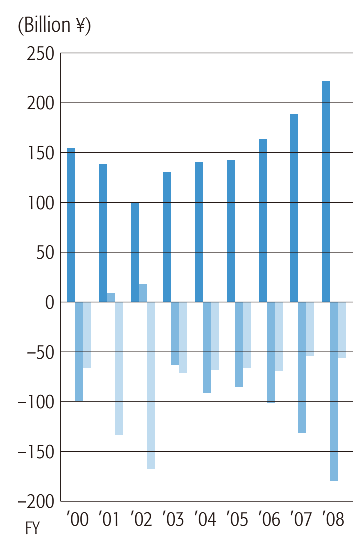
■ Depreciation expenses
■ Capital expenditures excluding a portion contributed by local governments, etc.

Depreciation and Capital Expenditures (Non-Consolidated Basis)



■ Depreciation expenses
■ Capital expenditures excluding a portion contributed by local governments, etc.

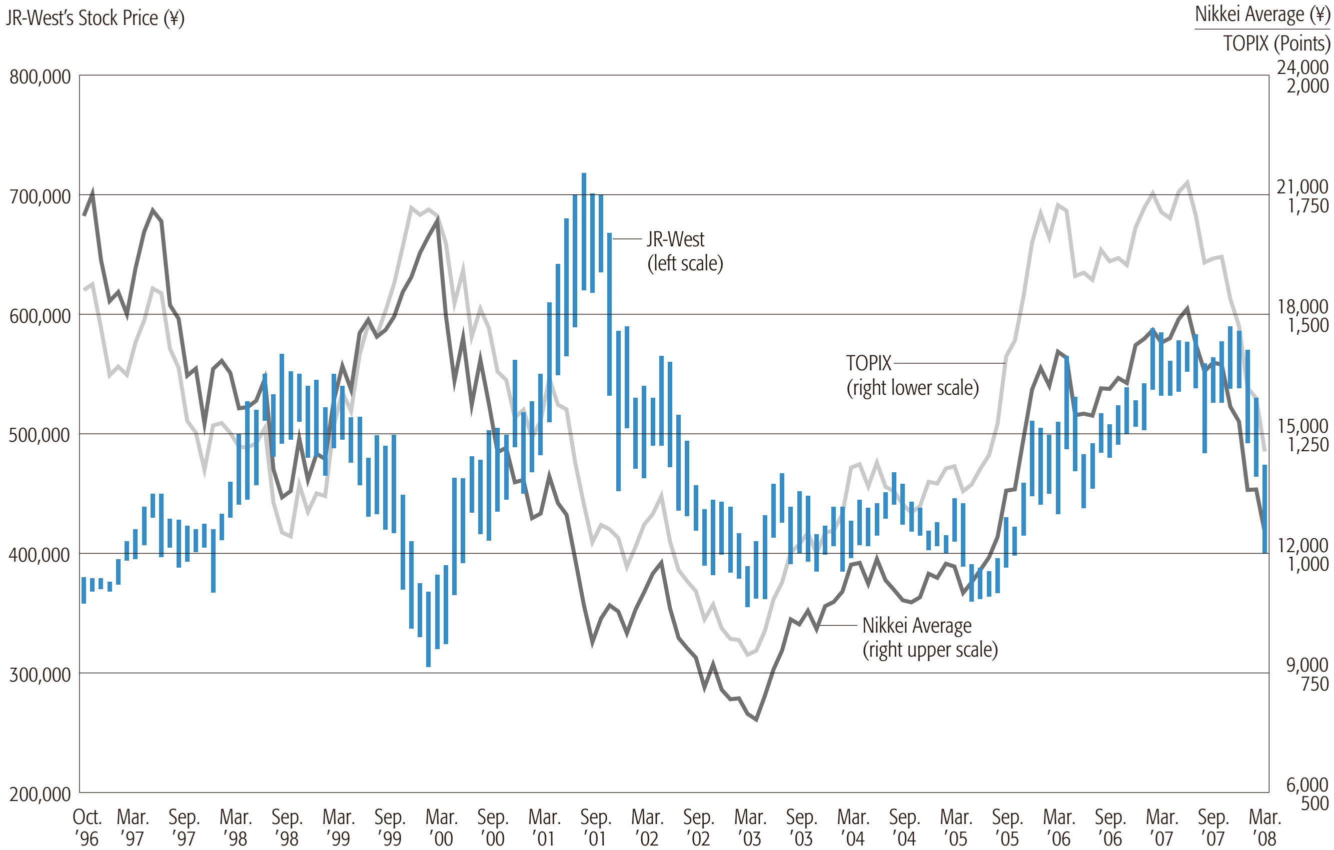
Cash Flows



■ Net cash provided by operating activities
■ Net cash (used in) provided by investing activities
■ Net cash used in financing activities

Investor Information

STOCK PRICE AND TRADING VOLUME



		Fiscal 1997	Fiscal 1998		Fiscal 1999		Fiscal 2000		Fiscal 2001		Fiscal 2002	
		2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West	High (¥)	410,000	450,000	460,000	567,000	552,000	540,000	499,000	503,000	562,000	718,000	700,000
	Low (¥)	358,000	388,000	367,000	441,000	465,000	420,000	305,000	324,000	435,000	510,000	452,000
	Average Daily Trading Volume (Shares)	6,554.97	2,006.08	1,592.91	1,526.36	1,111.34	1,408.39	1,438.86	1,636.97	2,151.64	3,067.06	3,827.91
Nikkei Average (¥)		18,003.40	17,887.71	16,527.17	13,406.39	15,836.59	17,605.46	20,337.32	15,747.26	12,999.70	9,774.68	11,024.94
TOPIX (Points)		1,373.26	1,388.32	1,251.70	1,043.57	1,267.22	1,506.83	1,705.94	1,470.78	1,277.27	1,023.42	1,060.19

		Fiscal 2003		Fiscal 2004		Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008	
		1H	2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West	High (¥)	565,000	445,000	467,000	448,000	468,000	446,000	442,000	511,000	565,000	588,000	583,000	590,000
	Low (¥)	419,000	355,000	362,000	385,000	406,000	400,000	360,000	398,000	438,000	491,000	484,000	400,000
	Average Daily Trading Volume (Shares)	2,472.75	2,164.39	3,136.44	5,045.71	6,500.51	5,313.89	8,400.19	8,021.32	6,166.66	6,884.86	6,480.94	8,616.20
Nikkei Average (¥)		9,383.29	7,972.71	10,219.05	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65	16,785.69	12,525.54
TOPIX (Points)		921.05	788.00	1,018.80	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61	1,616.62	1,212.96

Notes: 1. Based on prices on the First Section of the Tokyo Stock Exchange.
2. The closing prices for the Nikkei Index and TOPIX are recorded at the end of the period (month).

Number of Shareholders: 155,128 (As of March 31, 2008)

Major Shareholders

(As of March 31, 2008)

	Number of Shares Held (Shares)	Equity Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Unit)	114,067	5.70
The Master Trust Bank of Japan, Ltd. (Trust Unit)	105,421	5.27
Mizuho Corporate Bank, Ltd.	69,000	3.45
Sumitomo Mitsui Banking Corporation	64,000	3.20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.15
JR-West Employee Stock-Sharing Plan	38,799	1.94
State Street Bank and Trust Company 505103	38,172	1.91
Nippon Life Insurance Company	35,000	1.75
The Sumitomo Trust & Banking Co., Ltd.	32,000	1.60
The Dai-ichi Mutual Life Insurance Company	30,000	1.50
Total	589,459	29.47

Consolidated Subsidiaries

As of March 31, 2008

Segment	Name	Paid-in Capital (Millions of yen)	Business	Equity Ownership (%)
Transportation Operations	Chugoku JR Bus Company	2,840	Bus Services	100.0
	West Japan JR Bus Company	2,110	Bus Services	100.0
	Sagano Scenic Railway	200	Railway Services	100.0
Sales of Goods and Food Services	West Japan Railway Isetan Limited	6,000	Department Store	66.7
	West Japan Railway Daily Service Net Company	2,300	Retail Sales	91.5
	West Japan Railway Food Service Net Company	899	Food Services	100.0
	Japan Railway Service Net Hiroshima Company	300	Retail Sales	100.0
	Japan Railway Service Net Okayama Company	230	Retail Sales	100.0
	Japan Railway West Trading Company	200	Wholesale	100.0
	Japan Railway Service Net Kanazawa Company	200	Retail Sales	100.0
	Japan Railway Service Net Yonago Company	200	Retail Sales	100.0
	Japan Railway Service Net Fukuoka Company	200	Retail Sales	100.0
	West Japan Railway Fashion Goods Co., Ltd.	100	Retail Sales	100.0
Real Estate Business	Kyoto Station Building Development Co., Ltd.	6,000	Real Estate Leasing	61.9
	Osaka Terminal Building Company	2,000	Real Estate Leasing	57.4
	Tennoji Terminal Building Co., Ltd.	1,800	Real Estate Leasing	61.7
	Kyoto Station Center Co., Ltd.	1,000	Real Estate Leasing	59.1
	JR-West Japan Real Estate & Development Company	620	Real Estate Leasing	100.0
	Toyama Terminal Building Company	550	Real Estate Leasing	63.6
	West JR Create Company	490	Real Estate Leasing	100.0
	Kanazawa Terminal Development Co., Ltd.	300	Real Estate Leasing	80.0
	Okayama Station Center Co., Ltd.	300	Real Estate Leasing	51.0
	Sanyo Station Development Co., Ltd.	120	Real Estate Leasing	100.0
	Hiroshima Station Building Co., Ltd.	100	Real Estate Leasing	100.0
	San-in Station Development Co., Ltd.	100	Real Estate Leasing	93.0
	Tennoji Station Building Co., Ltd.	100	Real Estate Leasing	78.4
	KOBE SC DEVELOPMENT COMPANY	98	Real Estate Leasing	94.0
	Chugoku SC Development Co., Ltd.	75	Real Estate Leasing	100.0
	Wakayama Station Building Co., Ltd.	75	Real Estate Leasing	76.5
	Shin-Osaka Station Store Company	60	Real Estate Leasing	100.0
	Osaka Station Development Co., Ltd.	50	Real Estate Leasing	100.0
	Kyoto Eki-Kanko Department Store Company	40	Real Estate Leasing	96.3
	JR-West Fukuoka Development Co., Ltd.	30	Real Estate Leasing	100.0

Segment	Name	Paid-in Capital (Millions of yen)	Business	Equity Ownership (%)
Other Businesses	West Japan Railway Hotel Development Limited	18,000	Hotels	100.0
	Nippon Travel Agency Co., Ltd.	4,000	Travel Services	79.8
	Hotel Granvia Hiroshima Co., Ltd.	2,800	Hotel	93.1
	Hotel Granvia Osaka Co., Ltd.	2,200	Hotel	52.9
	Hotel Granvia Okayama Co., Ltd.	2,054	Hotel	93.9
	Wakayama Terminal Building Co., Ltd.	1,000	Hotel	61.0
	Sannomiya Terminal Building Co., Ltd.	500	Hotel	67.0
	West-Japan Railways Financial Services	360	Lease and Finance	100.0
	Kurashiki Station Development Co., Ltd.	320	Hotel	99.1
	JR West Japan LINEN Co., Ltd.	290	Linen, Supply Services	97.4
	JR West Japan Communications Company	200	Advertising Services	100.0
	WEST JAPAN RAILWAY TECHNOS CORPORATION	161	Maintenance for Railcar Facilities	62.7
	JR West Japan General Building Service Co., Ltd.	130	Building Management	95.0
	West Japan Railway MAINTEC Co., LTD	100	Railcar-Related Cleaning	100.0
	Railway Track and Structures Technology Co., Ltd.	100	Constructing	100.0
	West Japan Electric Technologys Co., Ltd.	90	Electric Works	100.0
	West Japan Electric System Co., Ltd.	81	Railway-Related Electric Facilities	51.5
	JR West Japan MARUNIX Co., Ltd.	80	Baggage Service	51.0
	JR-West Japan Consultants Company	50	Consulting	100.0
	JR West Financial Management Co., Ltd.	50	Accounting Shared Service	100.0
	JR West Japan Transportation Service Co., Ltd.	50	Station Operations	94.6
	West Japan Railway Golf Co., Ltd.	50	Golf Course Management	88.1
	JR WEST IT Solutions Company	48	Information Services	100.0
	West Japan Railway Hiroshima MAINTEC Co., LTD	35	Railcar-Related Cleaning	100.0
	West Japan Railway Kanazawa MAINTEC Co., LTD	30	Railcar-Related Cleaning	100.0
	West Japan Railway Fukuoka MAINTEC Co., LTD	30	Railcar-Related Cleaning	100.0
	Eki Rent-A-Car Kansai Company	30	Rent-a-Car Services	80.0
	West Japan Railway Okayama MAINTEC Co., LTD	25	Railcar-Related Cleaning	100.0
	West Japan Railway Fukuchiyama MAINTEC Co., LTD	20	Railcar-Related Cleaning	100.0
	West Japan Railway Yonago MAINTEC Co., LTD	20	Railcar-Related Cleaning	100.0
	Eki Rent-A-Car Chugoku Company	20	Rent-a-Car Services	75.0
	West Japan Railway WelNet Co., Ltd.	10	Welfare Facilities Management	100.0
	Hakushin Sharyo Industries Co., Ltd.	10	Maintenance for Railcar Facilities	87.0

Corporate Data

As of March 31, 2008

COMPANY NAME

West Japan Railway Company

HEAD OFFICE

4-24, Shibata 2-chome, Kita-ku, Osaka 530-8341, Japan

PAID-IN CAPITAL

¥100 billion

NUMBER OF EMPLOYEES

28,690

STOCK LISTINGS

Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges

TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd.

MAIN FEATURES OF BUSINESS

■ RAILWAY

(Non-Consolidated Basis)

Route length and track gauge

51 lines; 5,024.0 km
Shinkansen (1 line): 644.0 km; 1,435 mm
Conventional lines (50 lines):
4,371.5 km; 1,067 mm
8.5 km; 1,435 mm

Double- and multi-tracked section length

2,219.0 km (44.2% of total route length)

Electrified-section length

3,397.0 km (67.6% of total route length)

Number of stations

1,221

Rolling stock

6,783 cars
Electric railcars: 5,808
Shinkansen: 915
Conventional lines: 4,893
Diesel railcars: 466
Passenger cars: 164
Freight cars: 246
Electric locomotives: 39
Diesel locomotives: 55
Steam locomotives: 5

Number of passengers per year

1,818 million
Shinkansen: 63 million
Conventional lines: 1,770 million

Passenger-kilometers per year

54,585 million
Shinkansen: 15,931 million
Conventional lines: 38,653 million

Train-kilometers per day

549,000 km
Shinkansen: 105,000 km
Conventional lines: 444,000 km

■ FERRY SERVICE

(Non-Consolidated Basis)

Route length

1.8 km

Number of ferryboats

3

Number of passengers per year

2.57 million

■ OTHER BUSINESSES

Bus Services

Sales of Goods and Food Services

Retail and Food Service Operations
Department Store Operations
Wholesale Operations

Real Estate Business

Shopping Center Management
Real Estate Brokerage and Leasing

Other Businesses

Travel Agency
Hotels
Advertising Services
Electrical Engineering
Maintenance for Railcar Facilities
Construction Consulting
Railcar-Related Cleaning
Rent-a-Car Service
Management of Welfare Facilities
Merchandise Leasing
Construction
Information Service

For further information, please contact
the Investor Relations section of the
Corporate Planning Headquarters at the
West Japan Railway Company Head Office.

4-24, Shibata 2-chome,
Kita-ku, Osaka 530-8341, Japan
Tel: 81-6-6375-8981
Fax: 81-6-6375-8976
E-mail: ir@westjr.co.jp
URL: http://www.westjr.co.jp

JR-WEST

WEST JAPAN RAILWAY COMPANY

Printed in Japan