

(Translation)

To the Shareholders:

JR-West's Business Report

DOCUMENTS ATTACHED TO
THE NOTICE OF THE 24TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2010 to March 31, 2011)

West Japan Railway Company

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To Our Shareholders:

We should like to thank you, our shareholders, for your support to our business activities.

On April 25, 2005, the Company caused a grave accident claiming the lives of 106 passengers and injuring more than 500 passengers.

We now again pray for all the victims of the accident and would like to express our sincerest apology to the bereaved families. We would also like to express our deepest sympathy and sincerest apology to the wounded passengers and wish them to recover as soon as possible.

We would like to express our sincerest apology to our customers, our shareholders and the residents of the affected area for causing great anxiety and trouble.

We also pray for all the victims of the Great Eastern Japan Earthquake, which struck in March 2011, and offer our heartfelt condolences to all sufferers.

The earthquake has had serious impacts on the afflicted district, as well as the whole nation. We were forced to suspend train services due to the shortage of some service parts of trains. We express our apology for great inconvenience caused to our passengers. We will make serious efforts to avoid inconvenience to our passengers to the greatest extent possible, and also review our attitude toward risk management and steadily implement security measures against massive earthquakes and tsunamis from a wide-ranging standpoint.

In October 2010, our Group publicized our "Revision of JR-West Group's Medium-Term Management Plan 2008-2012". While persistently committed to our "three pillars of management": "efforts to have ourselves accepted as acting with the best of intentions by the victims of the train accident", "efforts to enhance safety" and "promotion of reform", we have set it as a mission of JR-West Group to contribute to revitalizing the Western Japan areas through our business activities and launched three new strategies: "coexistence with local communities", "innovation by technology" and "thinking and acting based on the field", to substantiate the direction of our management.

While the business conditions are expected to continue to remain very difficult due to the impacts of the greatest earthquake on record, among others, we will give first place to our efforts to enhance safety and implement measures to ensure a profit and strengthen our management base by executing with full force our key strategies, such as the maximization of the effects of our two major projects "commencement of the service of the entire Kyushu Shinkansen Line and mutual through services of the Sanyo and Kyushu Shinkansen Lines" and "opening of Osaka Station City". Hence, we cordially seek the continued understanding and support of our shareholders.

June 2011

President and Representative Director

BUSINESS REPORT FOR THE 24TH FISCAL YEAR

(From April 1, 2010 to March 31, 2011)

1. Matters concerning the situations of West Japan Railway Group (the "Group")

(1) Developments and results of business activities

(i) General developments:

On April 25, 2005, the Company caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line and 106 lives were claimed and more than 500 passengers were injured. The Company has since set up "efforts to have ourselves accepted as acting with the best of intentions by the victims of the train accident", "efforts to enhance safety" and "promotion of reform" as its "three pillars of management" and continued its all-out efforts. The Company also has taken with utmost seriousness the report on the investigation of the train accident concerning the Fukuchiyama Line train accident publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007, and promoted improvement measures in response sincerely and swiftly to various remarks, including "proposals" and "opinions" stated therein.

In addition, in consideration of the grave issue concerning compliance that turned up in the process of the investigation of the railway accident on the Fukuchiyama Line by the Aircraft and Railway Accidents Investigation Commission in September 2009, the Company has focused efforts on preventing a recurrence of similar problems and also more strongly promoted measures under our established three pillars of management for corporate revival.

In October 2010, the Company, in consideration of the most ever difficult circumstances facing the Company and a sharp economic downturn since autumn 2008, formulated and publicized a "Revision of JR-West Group's Medium-Term Management Plan 2008-2012" to define and substantiate the direction of its medium- and long-term management again while focusing management attention on longer-term sustainability.

During the fiscal year under review, the Company held a "memorial ceremony commemorating the deceased victims of the train accident on the Fukuchiyama Line", as well as "explanatory sessions" for the victims, whereby continuing its all-out efforts to have the Company accepted as acting with the best of intentions. In addition, the Company has exerted its efforts to contribute to "making society safer and securer" through the "JR-West *Anshin* Foundation", a public-interest foundation established in consideration of the accident.

Based on the "Corporate Philosophy" and "Safety Charter" instituted in March 2006, the Company has implemented measures to build "a corporate culture of placing top priority on safety", further enhance safety and restore the confidence of its customers. Specifically, for the purpose of "building a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees", which is the goal of the "Basic Safety Plan", the Company has exerted its efforts to establish a safety management system based on risk assessments. In the meantime, with regard to some

incidents that might undermine the confidence of its customers, the Company has investigated the causes therefor and formulated and implemented measures to address the issues in question.

With regard to the promotion of reform, which the Company regards inseparable from "safety enhancement", the Company has promoted measures to reform the mind-set of all officers and employees and business operations in general, based on the recommendations made by the "Reform Promotion Council" consisting of third-party experts.

With regard to the grave issue concerning compliance that came up in September 2009, sessions of the "Corporate Ethics Committee", an advisory organ of the Board of Directors, have been held periodically for the prevention of a recurrence of similar problems and corporate revival and the Company has also implemented measures for the establishment of corporate ethics, including officers' corporate ethics training and employees' training by use of case examples on which they might find it difficult to make decisions in day-to-day operations. In addition, the Company has implemented various measures to reform its corporate culture, with the "Corporate Revival Headquarters" established in December 2009 acting as the central figure and in December 2010, filed a report on the development of the remediation measures with the Minister of Land, Infrastructure, Transport and Tourism. The Company also has established a "*Kodo* (Thinking and Acting) Promotion Office" to continue and advance the measures for "reform" and "revival" that have been implemented heretofore.

The Company established a "Kansai Urban Area Regional Head Office" in December 2010 as an organ responsible for the field site- and community-based development of measures and railway operations in the entire Kinki area in an integrated fashion.

The environment surrounding the management of the Company has become much more difficult due to serious impacts of the Great Eastern Japan Earthquake that struck in March 2011, among other things. Under these circumstances, with the aim of enhancing its corporate value on a medium- and long-term range, the Company has exerted its all-out efforts to promote the enhancement of safety in the railway operations, its core business, and in other businesses of the Group, implemented various measures by exploiting their respective characteristics and made effective use of their assets to enhance the values of its railway belts and also carried out various marketing activities to boost tourist demand to remain profitable.

The Great Eastern Japan Earthquake that struck in March 2011 had serious impacts on the railway operations, specifically.

As a result, on a consolidated basis, operating revenues for the fiscal year under review amounted to ¥1,213.5 billion, up 2.0% from the previous fiscal year, while operating income amounted to ¥95.9 billion, up 25.4%. Recurring profit and net income (after income taxes) totaled ¥68.9 billion, up 43.3%, and ¥34.9 billion, up 40.7%, respectively.

(ii) Developments by segment

<Transportation Business>

In the railway operations, the Company has continued to promote improvement measures in response to various remarks, including "proposals" and "opinions" stated in the report on the investigation of the train accident. In addition, to "build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees" based on the "Basic Safety Plan" formulated in April 2008, the Company has implemented measures for risk assessments to enhance safety. To be specific, the Company has implemented these measures to a fuller extent through the development in a cross-sectional manner of risk information sharing and effective measures, as well as recommended measures for risk assessments. The Company also has continued to hold "safety meetings" at which its officers can exchange opinions with its employees in the field. With regard to hardware infrastructures, the Company has installed additional ATS-P systems, improved the safety of railway crossings and accelerated quake-proof reinforcement works of the columns of its elevated bridges. In March 2011, movable platform gates were placed in service at the Kitashinchi station on the JR Tozai Line. Furthermore, the Company has given to trainees, including the employees of its group companies, training at its "*Tetsudo Anzen Kodokan* (Library to Think and Act for Railway Safety)" established to seriously ponder the gravity of the accident in the future and teach lessons from the accident systematically. The Company also has conducted various drills to enhance its capabilities to rescue passengers and respond upon the occurrence of an accident.

With regard to transportation, in March 2011, the Company revised the timetables: the Company commenced to operate "Mizuho" and "Sakura" trains for through services on the Sanyo and Kyushu Shinkansen Lines upon the commencement of the service of the entire Kyushu Shinkansen Line and as to the conventional railway lines, the Company raised the frequency of rapid service trains for through services to the Osaka station and operated 12-car new rapid service trains on Saturdays, Sundays and national holidays on the Urban Network (Kyoto-Osaka-Kobe (Keihanshin) metropolitan area). In addition, the Company launched new cars with greater safety and comfort to its limited express "Hamakaze" trains in November 2010 and suburban trains in the Keihanshin area in December 2010, as well as limited express trains running between Osaka and Kyoto to and from the northern Kinki area, to further enhance convenience.

With regard to marketing activities, the Company has continued to its proactively spread information on the Sanyo Shinkansen Line services, including its frequency, the comfort of N700 series trains, the convenience of the "Express Reservations" and "EX-IC (Express IC)" services and the price edge to promote the utilization of its services. The Company commenced a joint ICOCA pass service with Keihan Electric Railway Co., Ltd. in May 2010, and a service of mutual use of its "ICOCA" and Kyushu Railway Company's "SUGOCA" and a new Internet train reservation service "e5489" in March 2011 to enhance convenience of the railway. In preparation for the commencement of the service of the entire Kyushu Shinkansen Line and through services on the Sanyo and Kyushu Shinkansen Lines in March 2011, the Company launched test-ride events for the through services and joint tourism campaigns with local municipalities and conducted joint "THE Shinkansen" campaigns with five other JR companies to advertise the Shinkansen. In addition, the

Company conducted various promotional campaigns, including the "Nara Destination Campaign", "Japanese Beauty Hokuriku Campaign" and "Kumamoto Surprisesans Campaign", jointly with local communities, travel agencies and other JR companies to create tourist demand.

With regard to passenger services, the Company provided information on safer and more comfortable train services with videos by use of displays installed in its stations and trains and conducted enlightenment activities to prevent groping to improve passenger services.

With regard to the improvement of the Osaka station, in November 2010, the Company commenced service of part of the station as connecting passages in preparation for the completion of its elevated station house over the tracks in April 2011.

In February 2011, the Company entered into a "comprehensive cooperation agreement" with the government of Shiga Prefecture to promote measures to materialize "harmonious coexistence with local communities", including urban development with stations at the core.

With regard to environmental matters, the Company has engaged in its "*Kodo* (Thinking and Acting) Eco" project that encourages each and every employee to think for himself/herself and reassess his/her daily life and duties in his/her workplace. Additionally, the Company has focused its combined efforts with its group companies on customer-participatory activities, such as an "Eco Life Point" service.

With regard to bus business, the Group has exerted its efforts to enhance the convenience of customers by revising the timetables and setting flexible prices, among others.

With regard to ferry services (Miyajima Line), the Group held commemorative events for the first anniversary of its opening and conducted sales activities to travel agencies to secure a sale.

As a result, operating revenues from the Transportation Business amounted to ¥806.4 billion, up 1.1% from the previous fiscal year and operating income amounted to ¥61.1 billion, up 35.3%.

<Sales of Goods and Food Services>

With regard to the department store "JR Osaka Mitsukoshi Isetan" in the new North Building of the Osaka station "North Gate Building", its operating body West Japan Railway Isetan Limited has made preparations for its opening in May 2011. The Group also has opened establishments for sales of goods and foods following the improvement of the Osaka station and Hakata station and developed and opened a compact convenience store "Daily-in", a café & bakery "Third" and other establishments in the Nada station in an integrated fashion, in an effort to make its stations more attractive.

As a result, however, principally due to a decrease in sales of its wholesale businesses,

operating revenues from the Sales of Goods and Food Services amounted to ¥201.3 billion, down 0.3%, while, principally due to a decrease in labor cost, operating income amounted to ¥3.5 billion, up 13.0%.

<Real Estate Business>

The Group has opened a "JR Oji Station NK Building" with restaurants as major tenants and a clinic building "JR Tamatsukuri Station NK Building", as well as a commercial establishment "VIERA Nara" under the elevated tracks in the Nara station, a "PLiE Gochiso-kan" and a "PLiE Omiyage-kan" under the elevated tracks in the Himeji station and a new fashion zone Kanazawa Hyakuban-gai "Rinto" in the Kanazawa station. Thus, the Group has promoted development of its station premises and surrounding properties. With regard to the Osaka station development project, in preparation for the grand opening of a "Osaka Station City" in May 2011, the Group opened a "South Gate Building" in March 2011 and exerted its efforts to prepare for the opening of a specialty shop zone "Lucua" in the "North Gate Building". In addition, to revitalize the whole districts surrounding the Osaka station, the Group has promoted area management activities in cooperation with businesses in the vicinity. It also has promoted sales of condominium apartments on its former lots of residence for its employees. Furthermore, in April 2010, the Company merged its two consolidated subsidiaries engaging in the operation of shopping centers in the Hiroshima area into one to further augment their competitiveness and collective strengths.

As a result, operating revenues from the Real Estate Business amounted to ¥75.7 billion, up 6.8% from the previous fiscal year and operating income amounted to ¥22.2 billion, down 1.2%.

<Other Businesses>

As to the hotel business, the Group has exerted its efforts on sales promotional activities by refurbishing eating and drinking facilities and launching various events. As to the travel agency business, the Group has exerted its efforts to increase sales by offering a fuller line of products and enhancing convenience in shopping on the Internet and increasing a line of products for using train services. With regard to "J-WEST cards", the Group has commenced the offering for membership of "Osaka Station City J-West cards" to increase its membership. With regard to "ICOCA electronic money", the Group has commenced the mutual use thereof with Kyushu Railway Company's "SUGOKA" cards and also exerted its efforts to make it available in more places and on more occasions in town, including major convenience stores and admission tickets for events and tourist facilities.

As a result, operating revenues from Other Businesses in the aggregate amounted to ¥129.9 billion, up 8.6% from the previous fiscal year and operating income amounted to ¥9.6 billion, up 43.8%.

(2) Capital expenditure

During the fiscal year under review, the Group made capital investments by placing the full weight of its effort on enhancing safety, including the installation of additional ATS-P systems on its rail tracks. The Group also made investments to improve services

and profitability and build up its transportation infrastructures, among other things.

The investments totaled ¥282.7 billion.

A. Major projects completed during the fiscal year under review are as follows:

- Construction to introduce traffic control systems to the JR Takarazuka Line, the JR Tozai Line and the Gakken-Toshi Line.
- Construction to improve facilities associated with the commencement of the service of the entire Kyushu Shinkansen Line.
- Construction to build new rolling stock (Shinkansen: 96 railcars, conventional railway lines: 243 railcars).

B. Major projects under construction as of the end of the fiscal year under review are as follows:

- Extended construction to install ATS-P systems on the relevant lines.
- Construction related to the Osaka Station Development Project.
- Construction to improve the concourse of the Shin-Osaka station.
- Construction to build new rolling stock (Shinkansen: 80 railcars, conventional railway lines: 183 railcars).

(3) Fund-raising

The Group borrowed ¥60.0 billion in domestic straight bonds and ¥67.1 billion in long-term debt, which were used for debt redemption and capital expenditure.

(4) Issues to be addressed

The Great Eastern Japan Earthquake, which struck in March 2011, has had serious impacts on the afflicted district, as well as the whole nation. While we engaged in providing support for recovery and rehabilitation after the earthquake, we were forced to decrease the frequencies of train services and cars forming train units due to the shortage of some service parts of trains, which caused great inconvenience to our passengers. We will make serious efforts to avoid inconvenience to our passengers to the greatest extent possible, and also review our attitude toward risk management and steadily implement security measures against massive earthquakes and tsunamis from a wide-ranging standpoint.

In October 2010, our Group formulated and publicized our "Revision of JR-West Group's Medium-Term Management Plan 2008-2012". In the revised plan, we have set it as a mission of JR-West Group to contribute to revitalizing the Western Japan areas through our business activities and while persistently committed to our established "three pillars of management", launched three new strategies: "coexistence with local communities", "innovation by technology" and "thinking and acting based on the field", to substantiate the direction of our management. We will also aim to create a virtuous cycle of values by promoting harmony with our stakeholders from a long-term perspective and increase values as a whole (realize plus-sum values) to share the fruits thereof with our shareholders and

other stakeholders.

With regard to the response to the bereaved families and the victims of the train accident on the Fukuchiyama Line, which we recognize is the highest priority issue, we will listen to them sincerely and respond to their opinions and requests in a courteous manner, and also exert our efforts to have ourselves accepted as acting with the best of intentions.

With regard to measures for safety enhancement, to seek security by developing a higher safety level, we will implement measures to accomplish the "Basic Safety Plan", which essentially seeks to "build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees", and further improve our safety management system in accordance with our "Railway Safety Management Manual".

To be specific, to accomplish the objectives essentially sought under the Basic Safety Plan, we will confirm and share the level of such accomplishment and increase our efforts in risk assessments by clarifying risks to be prioritized and residual risks to promote new measures to prevent accidents. We will also keep up efforts never to forget the train accident on the Fukuchiyama Line and continue to heighten the educational effect learned from the accident, including training to our employees, including those of our group companies, at our "*Tetsudo Anzen Kodokan* (Library to Think and Act for Railway Safety)". Furthermore, we will implement measures to strengthen the basis of safety, including the improvement of communications, the reinforcement of cooperation and the procurement and development of human resources. In addition, we will implement measures, including the installation of additional ATS systems, measures to prevent accidents at rail crossings and platform safety measures and promote measures to reduce everyday transport disorder to ensure higher-quality, safe and reliable transportation services. As heavy-snow countermeasures, we will improve systems for information conveyance and operation management, among others.

With regard to the promotion of reform, we will increase our efforts to establish the "thinking and acting based on the field" where each and every employee in every field site must act on his/her own initiative.

With regard to the railway operations, in consideration of the commencement of the service of the entire Kyushu Shinkansen Line in March 2011, we will exert our efforts to enhance competitiveness of the Shinkansen by creating a convenient timetable, including mutual through services of the Sanyo and Kyushu Shinkansen Lines, and the provision of high-quality services and reliable announcements, including an Internet train reservation service "e5489". We will also increase our efforts to promote cooperation with local communities and interregional exchanges, create demand for tourism, including foreign visitors, and promote improvements of the information infrastructure. With regard to transport IC cards, we will implement measures to address issues on the expansion of IC card alliances with other private railway companies and the realization of the mutual use service of IC cards nationwide. We will also increase our efforts to improve management measures based on "customer feedbacks" and enhance customer satisfaction (CS) by elevating the CS mind among our employees, raising the level of our front-desk services and installing barrier-free facilities in the stations in collaboration with local authorities, among others.

With regard to sales of goods and food services and real estate business, for the purpose of maximizing our asset efficiencies, enhancing the potentials of our stations and their surrounding premises and revitalizing the premises between our stations in combination of our railway division and in collaboration with local authorities and communities, we will enhance the value of our railway belts to create "rail belts that may enhance the functions of our stations and streets, be convenient and be attractive to live along". We will also safely and steadily promote the "opening of Osaka Station City" scheduled in May to accomplish a result without fail, as well as area management of the district in the vicinity of the Osaka station. In addition, we will exert our efforts to increase the number of "J-West Card" members and member stores of our "ICOCA electronic money" to enhance the convenience thereof combined with its use for railway services.

With regard to our corporate social responsibility (CSR) and compliance, we will aim to realize our "Corporate Philosophy" committed to the society through a long succession of the thinking and acting of each of our employees and also further strengthen our efforts to establish our management base and corporate ethics by taking into consideration deliberations at the "Corporate Ethics Committee", an advisory organ of the Board of Directors. With regard to environmental matters, we will continue efforts to aggressively reduce CO₂ emissions and also promote our "*Kodo* (Thinking and Acting) *Eco*" activities among the entire Group. In addition, we will keep up efforts to serve to the society on a continuous and constant manner through the activities of "JR-West *Anshin* Foundation", a public-interest foundation established in consideration of the train accident on the Fukuchiyama Line, including support, aid, extension and education for and of activities and researches of the care of physical and mental disorder due to accidents and disasters and the creation of the security of communities.

Our business environments are expected to continue to remain very difficult due to the impacts of the Great Eastern Japan Earthquake, which struck in March, among others. In this situation, we will focus our managerial effort on longer-term sustainability and also exert our group-wide efforts with full force to maximize the effects of our two major projects "commencement of the service of the entire Kyushu Shinkansen Line and mutual through services of the Sanyo and Kyushu Shinkansen Lines" and "opening of Osaka Station City".

We cordially seek the continued understanding and support of our shareholders.

(5) Assets and profits for the most recent three fiscal years together with the fiscal year under review

Item	21st April 1, 2007 - Mar. 31, 2008	22nd April 1, 2008 - Mar. 31, 2009	23rd April 1, 2009 - Mar. 31, 2010	24th (current year) April 1, 2010 - Mar. 31, 2011
Operating revenues (billion yen)	1,290.1	1,275.3	1,190.1	1,213.5
Recurring profit (billion yen)	108.8	94.8	48.1	68.9
Net income (billion yen)	57.7	54.5	24.8	34.9
Net income per share (yen)	28,954	27,729	12,837	18,066
Total assets (billion yen)	2,462.8	2,461.8	2,546.3	2,672.4
Net assets (billion yen)	670.8	689.6	702.1	721.2

(6) State of major subsidiaries, etc. (as of March 31, 2011)

(i) State of major subsidiaries:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
West Japan Railway Hotel Development Limited	18,000	100.0	Hotels
West Japan Railway Isetan Limited	12,000	60.0	Department store
Kyoto Station Building Development Co., Ltd.	6,000	61.4 (61.9)	Real estate leasing
Osaka Terminal Building Company	5,500	73.8	Real estate leasing
Nippon Travel Agency Co., Ltd.	4,000	79.8	Travel agency
Chugoku JR Bus Company	2,840	100.0	Bus services
West Japan Railway Daily Service Net Company	2,300	100.0	Retail sales
West Japan JR Bus Company	2,110	100.0	Bus services
JR-West Japan Real Estate & Development Company	620	100.0	Real estate leasing
Japan Railway West Trading Company	200	79.8 (100.0)	Wholesales
JR West Japan Communications Company	200	65.0 (100.0)	Advertising services
West Japan Electric System Co., Ltd.	81	51.5	Railway-related electric facilities

(Note) The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

(ii) State of major affiliated companies:

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
Kansai Rapid Railway Co., Ltd.	75,280	23.9 (24.1)	Railway services
Osaka Soto-Kanjo Railway Co., Ltd.	14,469	21.4 (22.2)	Railway services
Daitetsu Kogyo Co., Ltd.	1,232	36.9	Construction
Kosei Construction Co., Ltd.	780	20.3	Construction

(Note) The percentages in the parentheses represent the Company's equity ownership including shares held indirectly through the subsidiaries of the Company.

(7) Major businesses and offices (as of March 31, 2011)

The major businesses the Group engages in and the offices therefor are as follows:

(i) Transportation Business:

In addition to the railway services, the Group engages in bus services and other services.

- The Company (Kita-ku, Osaka-City)
- Chugoku JR Bus Company (Minami-ku, Hiroshima-City)
- West Japan JR Bus Company (Konohana-ku, Osaka-City)

The outline of the railway services is as follows:

Office	Route length			Number of stations	Number of rolling stock cars
	Shinkansen	Conventional railway lines	Total		
Shinkansen Administration Department	km 644.0	km 8.5	km 652.5	3	997
Kanazawa Branch	-	(28.0) 637.0	(28.0) 637.0	164	581
Kansai Urban Area Regional Head Office	-	943.0	943.0	333	3,751
Wakayama Branch	-	282.5	282.5	86	0
Fukuchiyama Branch	-	331.7	331.7	71	179
Okayama Branch	-	601.0	601.0	154	376
Yonago Branch	-	605.7	605.7	154	243
Hiroshima Branch	-	959.3	959.3	257	595
Total	644.0	(28.0) 4,368.7	(28.0) 5,012.7	1,222	6,722

- (Notes)
- As of December 1, 2010, a Kansai Urban Area Regional Head Office was established.
 - Fukuoka Branch has been established under the Shinkansen Administration Department. Kyoto, Osaka and Kobe Branches have been established under the Kansai Urban Area Regional Head Office.
 - The kilometers in the parentheses are shown separately for the Category III railway services (Nanao Line (between Wakura-Onsen and Anamizu)). The conventional railway lines of the Kansai Urban Area Regional Head Office include 28.6 kilometers of the Category II railway services (Kansai-Airport Line (between Rinku-Town and Kansai-Airport), JR Tozai Line (between Kyobashi and Amagasaki) and Osaka Higashi Line (between Hanaten and Kyuhoji)). The other lines are all for the Category I railway services.

Category I railway services: Transportation services provided by using its own railway tracks

Category II railway services: Transportation services provided by leasing railway tracks from other operators

Category III railway services: Possession of railway tracks that are used by other operators for transportation services

(ii) Sales of Goods and Food Services:

The Group engages in department store business in the Kyoto Station Building and sales of goods and food services in major stations.

- West Japan Railway Isetan Limited (Shimogyo-ku, Kyoto-City)
- West Japan Railway Daily Service Net Company (Amagasaki-City, Hyogo-Prefecture)
- Japan Railway West Trading Company (Suita-City, Osaka-Prefecture)

(iii) Real Estate Business:

The Group engages in sales and lease of real estate by use of its own real estate and operations of shopping centers.

- Kyoto Station Building Development Co., Ltd. (Shimogyo-ku, Kyoto-City)
- Osaka Terminal Building Company (Kita-ku, Osaka-City)
- JR-West Japan Real Estate & Development Company (Amagasaki-City, Hyogo-Prefecture)

(iv) Others:

The Group engages in hotel and advertising businesses by use of its own properties, travel agency business that has highly synergistic effects with its transportation services, and various construction and engineering works.

- West Japan Railway Hotel Development Limited (Shimogyo-ku, Kyoto-City)
- Nippon Travel Agency Co., Ltd. (Minato-ku, Tokyo)
- JR West Japan Communications Company (Kita-ku, Osaka-City)
- West Japan Electric System Co., Ltd. (Yodogawa-ku, Osaka-City)

(8) State of employees

(as of March 31, 2011)

Segment description	Number of employees (increase or decrease compared with the end of the previous fiscal year)	
Transportation Business	27,675	(+237)
Sales of Goods and Food Services	2,475	(+19)
Real Estate Business	876	(+22)
Others	14,677	(-679)
Total	45,703	(-401)

(Note) The number of employees represents the number of those actually at work in the respective segments.

(9) Major lenders (top 10) (as of March 31, 2011)

Lender	Debt payable (billion yen)
Development Bank of Japan	71.1
Nippon Life Insurance Company	34.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	31.8
Sumitomo Mitsui Banking Corporation	28.8
Mizuho Corporate Bank, Ltd.	24.3
The Norinchukin Bank	20.0
Sumitomo Life Insurance Company	13.0
The Sumitomo Trust and Banking Company, Limited	11.5
Resona Bank, Limited	10.1
Hyogo Prefecture	9.9

2. Matters concerning shares: (as of March 31, 2011)

- (1) Total number of issuable shares: 8,000,000 shares
- (2) Total number of issued shares: 2,000,000 shares
(Note) 62,653 shares of treasury stock are included in the total number of issued shares.
- (3) Number of shareholders: 166,507 persons
- (4) Major shareholders (top 10)

Name	Number of shares (shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Unit)	107,050	5.53
The Master Trust Bank of Japan, Ltd. (Trust Unit)	104,483	5.39
Mizuho Corporate Bank, Ltd.	64,500	3.33
Sumitomo Mitsui Banking Corporation	64,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.25
JR-West Employee Stock-Sharing Plan	45,892	2.37
Nippon Life Insurance Company	40,000	2.06
Japan Trustee Services Bank, Ltd.	35,464	1.83
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	35,363	1.83
The Sumitomo Trust and Banking Company, Limited	32,000	1.65

(Note) For the purpose of computing the shareholding ratios, 62,653 shares of treasury stock are excluded from the total number of issued shares of the Company.

3. Matters concerning corporate officers (as of March 31, 2011)

(1) Names of officers, etc.

Title	Name	Duties and major concurrent posts
Chairman and Director (Chairman of the Board of Directors)	Noritaka Kurauchi	Advisor, Sumitomo Electric Industries, Ltd.
Director	Satoru Sone	Guest Professor, Extension Center, Kogakuin University
Director	Tadashi Ishikawa	Partner, Oh-Ebashi LPC & Partners, Attorney at law External Corporate Auditor, Takeda Pharmaceutical Company Limited
Director	Yumiko Sato	Senior Research Fellow, Suntory Foundation
Director	Yuzo Murayama	Professor and Dean of Business Course, Graduate School, Doshisha University
President and Representative Director	Takayuki Sasaki	In charge of responses to the victims of the derailment accident on the Fukuchiyama Line
Executive Vice President and Representative Director	Naoki Nishikawa	Provides general assistance to President. In charge of safety enhancement, Railway Operations Headquarters, Safety Research Institute and Structural Engineering Office
Executive Vice President and Representative Director	Seiji Manabe	Provides general assistance to President. In charge of reform promotion, Corporate Ethics and Risk Management Department, Secretary Office, General Affairs Department, Personnel Department and Finance Department
Director	Takashi Kondo	In charge of Inquiry & Auditing Department, Construction Department and Business Development Headquarters
Director	Akiyoshi Yamamoto	In charge of Kansai Urban Area Regional Head Office
Director	Kenji Nanakawa	In charge of safety enhancement, Deliberation Department of the Derailment Accident on the Fukuchiyama Line, Safety Promotion Department and Transport Security Systems Office, Railway Operations Headquarters
Director	Hitoshi Nakamura	In charge of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line of the Company

Title	Name	Duties and major concurrent posts
Director	Tatsuo Kijima	In charge of reform promotion, Corporate Planning Headquarters, Corporate Communication Department and Tokyo Headquarters
Director	Makoto Shibata	In charge of IT Development Headquarters and Marketing Division, Railway Operations Headquarters
Full-time Corporate Auditor	Noboru Koide	
Full-time Corporate Auditor	Tsutomu Iwasaki	
Corporate Auditor	Kazuo Yoshida	Professor, Graduate School of Economics and Faculty of Economics, Kyoto University External Corporate Auditor, KYOCERA Corporation
Corporate Auditor	Ikuo Uno	Chairman and Representative Director of Nippon Life Insurance Company External Director, Panasonic Corporation External Director, FUJIKYUKO CO., LTD. External Corporate Auditor, Odakyu Electric Railway Co., Ltd. External Corporate Auditor, Tohoku Electric Power Co., Inc. External Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.

- (Notes)
1. Chairman and Director Noritaka Kurauchi, Directors Satoru Sone, Tadashi Ishikawa, Yumiko Sato and Yuzo Murayama are external directors as provided for in Article 2, item 15 of the Corporation Law of Japan.
 2. Full-time Corporate Auditor Tsutomu Iwasaki, Corporate Auditors Kazuo Yoshida and Ikuo Uno are external auditors as provided for in Article 2, item 16 of the Corporation Law of Japan.
 3. The Company has a business relationship with Nippon Life Insurance Company. It has no special relation with any other company or institution with which the external Directors and Corporate Auditors hold concurrent posts as listed above.
 4. Corporate Auditor Ikuo Uno assumed the office of Director and Advisor of Nippon Life Insurance Company as of April 1, 2011.

(2) Total amount of remuneration, etc. for officers

Classification	Number	Amount
Director	17	¥368 million
Corporate Auditor	4	¥68 million
Total	21	¥436 million

(Note) The total amount of remuneration, etc. for ten external officers for the fiscal year under review was ¥87 million.

(3) Matters concerning external officers

Classification	Name	Major activities
External Director	Noritaka Kurauchi	Mr. Kurauchi attended all of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.
	Satoru Sone	Mr. Sone attended 12 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
	Tadashi Ishikawa	Mr. Ishikawa attended 12 of the 13 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an attorney at law.
	Yumiko Sato	Ms. Yumiko Sato attended all of the 11 sessions of the Board of Directors held during the fiscal year under review and expressed her opinions from time to time, principally from the professional perspective of an academic expert.
	Yuzo Murayama	Mr. Murayama attended all of the 11 sessions of the Board of Directors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
External Corporate Auditor	Tsutomu Iwasaki	Mr. Iwasaki attended all of the 13 sessions of the Board of Directors and all of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally with his wide experience in public administration.
	Kazuo Yoshida	Mr. Yoshida attended 12 of the 13 sessions of the Board of Directors and all of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally from the professional perspective of an academic expert.
	Ikuo Uno	Mr. Uno attended 11 of the 13 sessions of the Board of Directors and 11 of the 13 sessions of the Board of Corporate Auditors held during the fiscal year under review and expressed his opinions from time to time, principally from the perspective of an experienced management executive.

4. Matters concerning account auditors

(1) Name of the account auditors

Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc. for the account auditors

- (i) Amount of remuneration, etc. payable for the fiscal year under review: ¥169 million
- (ii) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: ¥358 million

(Note) The amount of remuneration payable to the account auditors for their audits under the Corporation Law of Japan and the amount of remuneration payable for their audits under the Financial Instruments and Exchange Law of Japan are not specifically separated in the audit contract between the Company and the account auditors and cannot be separated practically. Hence, such amounts are stated collectively in the amount in (i) above.

(3) Content of non-auditing services

The Company has entrusted the account auditors with, and paid remuneration for, support for the adoption of International Financial Reporting Standards (IFRS) and others, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Law of Japan.

(4) Policy on determination of dismissal and non-reappointment

In the event that the account auditors are considered to fall under any of the items of Article 340, paragraph 1 of the Corporation Law of Japan or otherwise it is considered necessary by the Company, the Company shall determine to dismiss or not to reappoint the account auditors.

5. Systems to secure the properness of business activities

The matters concerning the establishment of the systems to secure the execution by the Directors of their duties to comply with laws or ordinances and the Articles of Incorporation and other systems to secure the properness of business activities of the Company are described below:

(1) Systems to secure the execution by the Directors and employees of their duties to comply with laws or ordinances and the Articles of Incorporation

To establish corporate ethics, the Company shall institute its code of conduct and code of ethics in accordance with its "Corporate Philosophy", make its officers comply with these codes and exercise the initiative in materializing the "Corporate Philosophy" and

generate a sense of common values that will constitute the bases of honest and fair business behaviors. The Company shall establish a "Corporate Ethics Committee" with outsiders as its members as an advisory organ of its Board of Directors, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company shall also accept consultations as to questionable acts from the perspective of law or corporate ethics through contacts with the "Ethics Office" of the Company and outside attorneys and improve its whistle-blowing system.

The Board of Directors of the Company shall meet once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner and monitor the execution by the Directors of their duties mutually. The Company shall make a clear distinction between Directors to engage exclusively in monitoring and supervision and Directors to execute business (concurrently serving as Executive Officers) as well, have two or more external Directors, appoint the "Chairman", who shall act as chairman of the Board of Directors, from among the external Directors, and improve the system of distributing information to the external Directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company shall clarify the criteria for selection of Directors and Executive Officers to ensure objectivity and transparency.

With regard to the execution by the Directors and employees of their duties, the Company shall ensure transparency thereof by devising schemes that may allow checking functions, including a system of circulating requests for managerial decision, as well as various committees from time to time, and make the Inquiry & Auditing Department, responsible for internal audits, audit business of the Company in general from the perspectives of compliance with laws or ordinances and regulations.

Furthermore, for the purpose of the establishment of systems to evaluate and audit internal control over financial reporting, the Company shall maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.

The Directors and Executive Officers shall submit "Letters of Confirmation of Execution of Duties", which shall state that they have committed no misdeed or material violation of laws or rules in connection with the execution of their duties, at the close of each fiscal year.

Through these measures, the Company shall endeavor to improve its systems to ensure compliance with law and establish corporate ethics in its business operations in general.

- (2) Systems concerning storage and management of information on the execution by the Directors of their duties

Pursuant to laws or ordinances and the document management manuals of the Company, information on the execution by the Directors of their duties shall be prepared,

stored and managed properly by the respective sections in charge thereof and shall be made available for inspection by the Directors and Corporate Auditors at all times whenever necessary.

(3) Regulations concerning management of exposure to the risk of loss and other systems

Taking seriously that on April 25, 2006, it caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line in which 106 lives were claimed and more than 500 passengers were injured, and with a resolve never to permit the occurrence of such any accident, the Company shall set the "building of a corporate culture of placing top priority on safety" as its utmost management target and implement measures to complete the target in accordance with its "Corporate Philosophy" and "Safety Charter".

The Company shall steadily implement measures in response to remarks, including "proposals" and "opinions" stated in the report on the investigation of the train accident on the Fukuchiyama Line publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007. The Company shall also steadily promote the "Basic Safety Plan" formulated in April 2008 by taking into consideration the proposals for the direction of safety enhancement measures by the Experts' Council on Safety Promotion, to promote greater safety. Furthermore, the Company shall build a stronger safety management system based on its "Railway Safety Management Manual" instituted in accordance with the amended Railway Business Law of Japan, enforced in October 2006. Additionally, the "Risk Management Committee" with the President acting as chairman shall keep track of risks and critical factors that may have material effects on management of the Company, prepare manuals and deliberate on and determine important policies to respond thereto, prepare to establish a rapid initial response system and implement appropriate measures in the event of any serious crisis, and examine and evaluate the risk management schemes and systems.

Through these efforts, the Company shall build up a system for appropriate risk management in its business activities in general.

(4) Systems to secure efficient execution by the Directors of their duties

The Directors in charge of their respective sections shall, based on the general business plan determined by the Board of Directors at the beginning of each fiscal year, execute their duties properly with regard to the measures of the respective sections in accordance with the authority and decision-making rules under the Company's regulations of its organization and execution of business.

The Company shall convene a session of the Executive Committee consisting of the Representative Directors and Executive Officers of the Company once every week in principle, to deliberate on fundamental matters for execution of business, and introduce a system of executive officers to delegate authorities to the Executive Officers, whereby ensuring stronger functions to monitor and supervise the Board of Directors and speedier decision-making.

(5) Systems to secure the properness of business activities of the corporate group

The Company shall determine policies on the establishment of corporate ethics in the whole Group by taking into consideration deliberations at its "Corporate Ethics Committee" and determine fundamental matters for risk management of the whole Group at its "Risk Management Committee". Based on these policies and fundamental matters, each group company shall take measures to establish committees and regulations, whereby formulating a system for the establishment of corporate ethics and appropriate risk management of the whole Group. In addition, with regard to the whistle-blowing system, the Company shall respond to consultations concerning any group company through contacts established in and outside of the Company.

With regard to important managerial matters of the group companies, the Company shall establish a system to allow them to consult with the Company in advance, and the Company shall make its officers assume the offices of directors and corporate auditors of its important group companies to ensure legitimate and effective management of the Group. Furthermore, for the purpose of its internal audits, the Company shall, whenever necessary, determine if laws or ordinances and regulations concerning execution of business of the group companies are observed.

With regard to the "evaluation of internal control over financial reporting", the Company shall promote its group-wide efforts as the business on a consolidated basis is subjected to such evaluation.

(6) Matters concerning the employees to assist the Corporate Auditors to execute their duties and their independence from the Directors

The Company has appointed its employees as the Corporate Auditors' staff to engage exclusively in assisting the Corporate Auditors and they shall execute their duties under the orders and instructions of the Corporate Auditors.

The Company shall make their personnel changes and evaluations by taking into consideration the opinions of the Corporate Auditors.

(7) System for reporting by Directors and employees to the Corporate Auditors and other systems for reporting to the Corporate Auditors

The Directors, Executive Officers and employees shall give to the Corporate Auditors or the Board of Corporate Auditors reports promptly upon the occurrence of any grave accident, any act in violation of any law or ordinance or the Articles of Incorporation or any event that may cause material damage to the Company, as well as reports on the state of performance of internal audits, the particulars of information provided with the "Ethics Office", the particulars of the measures taken by the President's Special Aide, the details of business and problems of each section and such other matters as requested by the Corporate Auditors or the Board of Corporate Auditors from time to time and on a regular basis.

(8) Other systems to ensure effective audits by the Corporate Auditors

The Directors of the Company shall formulate systems necessary for the Corporate Auditors to expediently perform audits, including those to allow the Corporate Auditors to attend important meetings, inspect decision documents and other important documents, cooperate with its internal audit section and account auditors and exchange opinions with the Representative Directors on a regular basis.

In addition, the sections responsible for the business offices of the Company shall coordinate and cooperate with each other to allow the Corporate Auditors to visit the offices to perform effective and efficient audits.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2011)

<u>ASSETS</u>	(million yen)
Current assets:	262,432
Cash and deposits.....	79,742
Trade notes and accounts receivable.....	16,734
Railway fares receivable.....	26,689
Accounts receivable.....	47,064
Inventories.....	28,043
Deferred tax assets.....	18,961
Others.....	46,070
Less allowance for doubtful accounts.....	(872)
Fixed assets:	2,409,979
Tangible fixed assets:	2,150,617
Buildings and structures.....	1,001,337
Machinery, equipment and transport equipment.....	323,914
Land.....	655,872
Construction in progress.....	139,615
Other tangible fixed assets.....	29,877
Intangible fixed assets:	25,798
Investments and other assets:	233,564
Investment in securities.....	60,407
Deferred tax assets.....	142,069
Others.....	32,213
Less allowance for doubtful accounts.....	(1,126)
Deferred assets:	11
TOTAL ASSETS	<u>2,672,423</u>

(Note) Figures are indicated by discarding fractions of one million yen.

(million yen)

LIABILITIES

Current liabilities:	487,837
Trade notes and accounts payable.....	51,207
Short-term borrowings.....	17,515
Current portion of long-term debt.....	44,764
Current portion of long-term payables for the acquisition of railway properties.....	39,101
Current portion of long-term payables.....	31
Accounts payable.....	134,824
Accrued consumption taxes.....	3,324
Accrued income taxes.....	15,450
Railway deposits received.....	1,779
Deposits.....	53,687
Prepaid railway fares received.....	31,183
Advances received.....	24,790
Allowance for bonuses.....	34,173
Allowance for rewards based on points.....	660
Others.....	35,340
Long-term liabilities:	1,463,334
Bonds.....	444,970
Long-term debt.....	283,155
Long-term payables for the acquisition of railway properties.....	290,408
Long-term payables.....	190
Deferred tax liabilities.....	241
Retirement allowances for employees.....	322,737
Allowance for environment and safety measures.....	7,033
Allowance for gift certificates yet to be redeemed.....	2,670
Others.....	111,925
TOTAL LIABILITIES	<u>1,951,172</u>
<u>NET ASSETS</u>	
Shareholders' equity:	688,423
Common stock.....	100,000
Capital surplus.....	55,000
Retained earnings.....	563,766
Treasury stock.....	(30,343)
Accumulated other comprehensive income:	384
Evaluation difference on other securities.....	546
Deferred hedge income (loss).....	(161)
Minority interests:	32,443
TOTAL NET ASSETS	<u>721,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,672,423</u>

(Note) Figures are indicated by discarding fractions of one million yen.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2010 to March 31, 2011)

(million yen)

Operating revenues		1,213,506
Operating expenses		
Transportation and other services and cost of sales	950,419	
Selling, general and administrative expenses	167,097	1,117,517
Operating income		95,988
Non-operating income		
Interest income	176	
Dividend income	301	
Equity in earnings of affiliates	2,421	
Others	6,572	9,471
Non-operating expenses		
Interest expenses	33,786	
Others	2,714	36,500
Recurring profit		68,959
Extraordinary profits:		
Proceeds from construction contract	39,737	
Expropriation compensation	4,899	
Others	6,499	51,135
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	38,530	
Loss on reduction entry of expropriation	4,847	
Others	15,694	59,073
Income before income tax		61,021
Corporation, inhabitant and enterprise taxes		29,952
Income taxes – deferred		(3,587)
Income before income tax and minority interest		34,656
Minority interest (loss)		(326)
Net income		34,983

(Note) Figures are indicated by discarding fractions of one million yen.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2010 to March 31, 2011)

(million yen)

	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Evaluation difference on other securities	Deferred hedge income (loss)	Total accumulated other comprehensive income		
Balance as of March 31, 2010	100,000	55,000	543,323	(30,343)	667,980	1,292	(108)	1,183	32,977	702,141
Changes during the year:										
Distribution of surplus			(14,530)		(14,530)					(14,530)
Net income			34,983		34,983					34,983
Change of the scope of consolidation			(10)		(10)					(10)
Changes in items other than shareholders' equity during the year (net)						(746)	(52)	(799)	(534)	(1,333)
Total changes during the year	-	-	20,443	-	20,443	(746)	(52)	(799)	(534)	19,109
Balance as of March 31, 2011	100,000	55,000	563,766	(30,343)	688,423	546	(161)	384	32,443	721,251

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2010 to March 31, 2011)

(Note) Figures are indicated by discarding fractions of one million yen.

I. Notes on important information constituting the basis of preparation of consolidated financial statements

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 65

The consolidated subsidiaries of the Company are West Japan Railway Hotel Development Limited, West Japan Railway Isetan Limited, Kyoto Station Building Development Co., Ltd., Osaka Terminal Building Company, Nippon Travel Agency Co., Ltd., Chugoku JR Bus Company, West Japan Railway Daily Service Net Company, West Japan JR Bus Company, JR-West Japan Real Estate & Development Company, Japan Railway West Trading Company, JR West Japan Communications Company, West Japan Electric System Co., Ltd. and 53 others.

As from the fiscal year under review, JR West Customer Relations Co., Ltd. is included in the scope of consolidation due to its increased importance. As of April 1, 2010, Hiroshima Station Building Co., Ltd. was merged into Chugoku SC Development Co., Ltd.

(2) The Company has 80 non-consolidated subsidiaries, including Osaka Energy Service Co., Ltd. These companies are excluded from the scope of consolidation, because their aggregate amounts of total assets, net sales, net income or loss (equal to the equity share) and retained earnings (equal to the equity share) do not have a significant effect on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) The Company has no non-consolidated subsidiary subject to the equity method.

(2) The equity method is applied to the investments in five affiliated companies: Osaka Soto-Kanjo Railway Co., Ltd., Kansai Rapid Railway Co., Ltd., Daitetsu Kogyo Co., Ltd., Kosei Construction Co., Ltd. and Railway Information Systems Co., Ltd.

(3) These 80 non-consolidated subsidiaries and 17 affiliated companies, including Nara Hotel Co., Ltd. are excluded from the scope of the application of the equity method, because their aggregate amounts of net income or loss (equal to the equity share) and retained earnings (equal to the equity share) do not have a significant effect on the consolidated financial statements.

3. Matters concerning the fiscal years of the consolidated subsidiaries

The date of the closing of accounts of Nippon Travel Agency Co., Ltd. is December 31 of each year and its financial statements as of the date of the closing of accounts are used for the purpose of preparing the consolidated financial statements. Significant transactions up to the date of the closing of consolidated accounts are adequately adjusted for the purpose of consolidation. The date of the closing of accounts of any other consolidated subsidiary is March 31 of each year, which corresponds to the date of the closing of consolidated accounts.

4. Matters concerning the accounting standards

(1) Basis and method of valuation of important assets:

(i) Marketable securities:

Other marketable securities:

Those with market value: At market value, determined by market prices, etc. as of the close of the fiscal year (Revaluation differences are all transferred directly to net assets. Selling costs are determined principally by the moving average method.)

Those without market value: At cost, determined principally by the moving average method

(ii) Inventories:

Goods: At cost, determined principally by the retail inventory method and the latest purchase cost method

Real estate for sale: At cost, determined by the identified cost method

Work in process: At cost, determined principally by the identified cost method

Materials and supplies: At cost, determined principally by the moving average method

The balance sheet values are calculated by the write-down method based on declined margins.

(2) Method of depreciation of important depreciable assets:

(i) Tangible fixed assets (excluding leased assets):

Tangible fixed assets are depreciated principally by the declining balance method; provided, however, that the replacement cost method is applicable to replacement assets for railway services.

(ii) Intangible fixed assets:

Intangible fixed assets are depreciated by the straight-line method. Software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(iii) Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership:

Leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction other than those in which ownership of a leased asset is deemed to pass to its lessee, which became effective prior to the fiscal year during which the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No. 13 "Accounting Standard for Lease Transactions" first became applicable, is treated similarly in the manner in which ordinary lease transactions are treated.

(iv) Long-term prepaid expenses:

Long-term prepaid expenses are written off in equal amounts.

(3) Method of treatment of deferred assets:

Bond issuing expenses are all treated as expenses upon payment thereof.

Development expenses of the consolidated subsidiaries are amortized regularly over their respective effective periods.

(4) Basis for accounting for important allowances and accrued liabilities:

(i) Allowance for doubtful accounts:

To meet losses from loan default, the Group sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(ii) Allowance for bonuses:

To meet the payment of bonuses to employees, the Group sets aside an estimated amount of bonuses to be paid for each current fiscal year.

(iii) Retirement allowances for employees:

To meet the payment of retirement benefits to employees, the Group provides an amount, based on estimated retirement benefit obligations and pension plan assets as of the close of each current fiscal year.

The difference of ¥12,266 million upon the change of accounting standards for employee retirement benefits is treated as expenses, and is amortized on a straight-line basis for a period of 15 years.

Prior year service liabilities are amortized in a lump sum in a current fiscal year when such liabilities occur.

Actuarial differences are treated principally as expenses from the fiscal year next following the fiscal year when such differences occur, and are amortized principally on a straight-line basis for a specific period of years (principally, 10 years) not exceeding the average remaining years of service of employees when such differences occur.

(iv) Allowance for environment and safety measures:

To meet the payment for expenses of disposal of PCB and other wastes, the Group provides an estimated amount of disposal expenses at the close of each current fiscal year.

To meet the payment for expenses of disposal of contaminated soil on certain lands held by the Company for development, the Company provides an estimated amount of disposal expenses at the close of each current fiscal year.

(v) Allowance for gift certificates yet to be redeemed:

To meet the future redemption of gift certificates issued by some consolidated subsidiaries and recorded as income after the lapse of a certain period after the issuance thereof, the Group provides an amount of future redemption reasonably estimated based on the past redemption rate at the close of each current fiscal year.

(vi) Allowance for rewards based on points:

To meet the future use of points given to customers, the Group provides an amount of future rewards estimated at the close of each current fiscal year.

(5) Important methods of hedge accounting:

Deferral hedge is adopted in hedge accounting, in principle. Appropriation processing is adopted for exchange contracts that meet the requirements for appropriation processing. Special processing is adopted for interest-rate swap transactions that meet the requirements for special processing.

(6) Accounting treatment of proceeds from construction contract:

For the purpose of construction to elevate railway tracks and other works for its railway operations, the Company receives from local municipal entities contributions to pay for part of such construction. An amount equivalent to such contributions is deducted directly from acquisition costs of the fixed assets so acquired upon the completion of such construction.

In the consolidated statement of income, the Group accounts for such contributions received for construction as an extraordinary profit and accounts for such amount directly deducted from acquisition costs of the fixed assets, as a loss on reduction entry of proceeds from construction, as an extraordinary expense.

(7) Standard for recognizing revenues and costs of completed construction projects:

The percentage-of-completion method is applicable to construction projects for which the percentage of completion at the close of each current fiscal year can be reliably estimated and the completed-contract method is applicable to contracts for other construction projects. Estimates of the percentage of completion of construction projects to which the percentage-of-completion method is applicable are made mainly by calculating the percentage of the cost incurred to the estimated total cost.

(8) Accounting treatment of consumption taxes:

Consumption taxes are excluded from each account subject to such taxes.

5. Matters concerning the valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are valued based on the overall market value method.

6. Matters concerning the amortization of goodwill and negative goodwill

Goodwill, and negative goodwill occurring on or before March 31, 2010 are amortized equally over five years.

Negative goodwill occurring on or after April 1, 2010 is treated as an income for a fiscal year when such negative goodwill occurs.

7. Changes in the important matters forming the basis of preparation of consolidated financial statements

(Changes in the accounting methods)

- (1) Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method":

As from the fiscal year under review, "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Corporate Accounting Standard No.16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force (PITF) No.24, March 10, 2008) are applied.

The change has no effect on the consolidated financial statements.

- (2) Application of "Accounting Standard for Asset Retirement Obligations":

As from the fiscal year under review, "Accounting Standard for Asset Retirement Obligations" (ASBJ Corporate Accounting Standard No.18, March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Implementation Guidance No. 21, March 31, 2008) are applied.

The change has no significant effect on the consolidated financial statements.

- (3) Application of "Accounting Standard for Business Combinations", etc.:

As from the fiscal year under review, "Accounting Standard for Business Combinations" (ASBJ Corporate Accounting Standard No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Corporate Accounting Standard No.22, December 26, 2008), "Partial Amendments to 'Accounting Standard for Research and Development Costs'" (ASBJ Corporate Accounting Standard No.23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Corporate Accounting Standard No.7, December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Corporate Accounting Standard No.16, issued on December 26, 2008) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Implementation Guidance No.10, December 26, 2008) are applied.

(Changes in the methods of presentation)

(1) Related to consolidated balance sheet and consolidated statement of changes in shareholders' equity, etc.:

Presentation of "accumulated other comprehensive income":

In accordance with the amendment to the Corporate Accounting Regulations, as from the fiscal year under review, the Company has replaced the method of presentation of "evaluation and exchange differences, etc." with "accumulated other comprehensive income" in its consolidated balance sheet and consolidated statement of changes in shareholders' equity, etc.

(2) Related to consolidated statement of income:

Presentation of "income before income tax and minority interest":

In accordance with the amendment to the Corporate Accounting Regulations, as from the fiscal year under review, the Company has changed the method of presentation in its consolidated statement of income to present the item "income before income tax and minority interest".

II. Notes to consolidated balance sheet, etc.

1. Assets pledged

Assets pledged:

Deposits	¥230 million
Buildings and structures	¥17,868 million
Land	¥190 million
Investment in securities	¥275 million
<hr/>	
Total	¥18,564 million

Secured liabilities:

Long-term debt	¥3,960 million
Current portion of long-term debt	¥610 million
<hr/>	
Total	¥4,570 million

In addition, pursuant to Article 7 of the Supplementary Provisions to the Law to Amend Part of the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (2001 Law No. 61) of Japan, the entire property of the Company is subject to statutory preferential rights for the security of all bonds (¥110,000 million).

2. Accumulated depreciation of tangible fixed assets: ¥2,902,676 million
3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥637,643 million

4. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Osaka Soto-Kanjo Railway Co., Ltd.	7,666	Commitment to guarantee for loans from financial institutions
Nichiryō Service Co., Ltd.	393	Guarantee for sale of JR tickets on consignment
Nichiryō-OMC Co., Ltd.	159	Guarantee for payment for air fares
Others (7 companies)	220	
Total	8,439	

5. Matters concerning the train accident on the Fukuchiyama Line

Expenses resulting from the train accident on the Fukuchiyama Line, including compensation, are anticipated. However, it is difficult to reasonably estimate the amount thereof at present.

III. Notes to consolidated statement of changes in shareholders' equity, etc.

1. Matters concerning the class and number of shares issued and outstanding

Class	Number of shares as of March 31, 2010 (shares)	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2011 (shares)
Shares of common stock	2,000,000	-	-	2,000,000

2. Matters concerning the class and number of shares of treasury stock

Class	Number of shares as of March 31, 2010 (shares)	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2011 (shares)
Shares of common stock	63,584	-	-	63,584

3. Matters concerning dividends

(1) Amount of dividends paid:

Resolution	Class of shares	Total amount of dividends (million yen)	Amount of dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2010	Shares of common stock	6,780	3,500	March 31, 2010	June 24, 2010
Meeting of the Board of Directors held on October 28, 2010	Shares of common stock	7,749	4,000	September 30, 2010	November 30, 2010

(2) Dividends for which the record date falls during the fiscal year under review but the effective date falls during the next fiscal year:

Resolution (expected)	Class of shares	Total amount of dividends (million yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held in June 23, 2011	Shares of common stock	7,749	Retained earnings	4,000	March 31, 2011	June 24, 2011

IV. Notes to financial instruments

1. Matters relating to the status of financial instruments

(1) Policy in relation to financial instruments:

The Group raises funds (principally through bond issues and long-term debt from banks and others) for funds for repayment of its existing loans and capital investments that cannot be covered by cash flows. Floating money is invested in high-security financial assets and short-term operating funds are provided principally by short-term bond issues. The Group uses derivatives to reduce risks, as described below, and has a policy not to conduct speculative trading.

(2) Details of financial instruments and related risks:

Trade receivables – trade notes and accounts receivable, railway fares receivable and accounts receivable – are exposed to credit risk in relation to customers. Investments in securities, which principally consist of shares in the companies with which the Group

has business relationships, are exposed to market risk.

Substantially all of trade payables – trade notes and accounts payable, accounts payable, railway deposits received and deposits – have payment due dates within one year. Trade payables in foreign currencies are exposed to foreign currency risk. However, with regard to trade payables in foreign currencies related to overseas travel business, the Group uses exchange contracts to hedge risk, in principle. Bonds and loans are funds raised principally to repay its existing loans and make capital investments, which will be redeemed in 29 years maximum after the close of the fiscal year under review. Certain bonds and loans with floating rates are exposed to interest volatility risk. Long-term payables for the acquisition of railway properties and long-term payables comprise principally of liabilities for consideration for the Shinkansen railway facilities transferred from the Japan Railway Construction, Transport and Technology Agency pursuant to the Law Related to the Transfer of the Shinkansen Railway Facilities (1991 Law No. 45), payable in semiannual installments calculated using the equal payment method, whereby principal and interest are paid in equal amounts semiannually, in 40 years maximum after the close of the fiscal year under review. Some of such long-term payables with floating rates are exposed to interest volatility risk.

Derivatives are interest-rate swap transactions to hedge interest volatility risk involving the payment of interest on loans, as well as exchange contracts to hedge foreign currency risk involving trade payables in foreign currencies. For the methods of hedge accounting, please refer to the "important methods of hedge accounting" stated in the aforementioned "matters concerning the accounting standards".

(3) Risk management system relating to financial instruments:

(i) Management of credit risk (risk relating to clients' contractual defaults, etc.):

The Company, in accordance with its internal rules, manages the due dates and balances of its trade receivables by client to early detect or reduce credits that may become uncollectable due to the deterioration of its financial position or other reasons. Likewise, its consolidated subsidiaries, in accordance with their respective internal rules, manage their trade receivables.

With regard to derivatives, the Company enters into transactions solely with financial institutions with high ratings to avert counterparty risk.

The maximum amount of credit risk as of the close of the fiscal year under review is stated in the amount of financial assets exposed to credit risk recorded on the consolidated balance sheet.

(ii) Management of market risk (foreign currency and interest rate risk):

The Company uses interest-rate swap transactions to hedge interest volatility risk involving the payment of interest on loans. The execution and management thereof are conducted by its divisions responsible for financing in accordance with

its internal rules providing for trading authorities.

With regard to trade payables in foreign currencies, some of the consolidated subsidiaries of the Company use exchange contracts to hedge foreign currency risk, detected by currency and by month, in principle. According to exchange rates, the relevant subsidiary enters into exchange contracts for trade payables in foreign currencies, which may be certain to be incurred by anticipated transactions relating to overseas travel products, for a semiannual period at a maximum by taking into consideration the past performance and the status of booking thereof. With regard to the execution and management thereof, some of its consolidated subsidiaries, in accordance with their respective regulations to administer foreign exchange transactions that provide for trading authorities and maximum amounts, among others, approve their basic policies at their foreign exchange councils semiannually and accordingly allow their respective accounting departments to engage in transactions and check the balance with the counterparties. At some of the consolidated subsidiaries, these transactions are administered by their respective administrative departments upon request from the business section of each branch office and their internal auditing divisions manage risk through periodic monitoring systems.

With regard to securities and investment in securities, the Company periodically gains information on the market values and financial standings of the issuers and review the holding of securities other than those held to maturity on a continuous basis by taking into consideration the relationships with the issuers thereof.

- (iii) Management of liquidity risk relating to fund-raising (risk of default of payment when due):

The Company prepares and revises cash flow projections on a timely basis based on its divisions, departments and sections and its group companies to manage liquidity risk. The Company also enters into commitment line agreements that make available funds under predetermined terms to secure stable liquidity on hand.

- (4) Supplementary explanation of matters relating to the fair values, etc. of financial instruments:

The fair values of financial instruments include market prices and reasonably estimated values if there are no market prices. As the estimation of fair values incorporates variable factors, adopting different assumptions may change the values. With regard to derivatives listed in "2. Matters concerning fair values, etc. of financial instruments" below, the amount thereof in itself does not represent market risk involved in derivatives trading.

2. Matters concerning fair values, etc. of financial instruments

The following chart shows amounts for items recorded in the consolidated balance sheet As of March 31, 2011 (the consolidated settlement date for the fiscal year under review), along with their fair values and the variances. Items for which determining the fair values is recognized as being extremely difficult are not included in the chart. (See Note 2)

(million yen)

	Balance sheet amount	Fair value	Difference
(1) Cash and deposits	79,742	79,742	-
(2) Trade notes and accounts receivable	16,734	16,734	-
(3) Railway fares receivable	26,689	26,689	-
(4) Accounts receivable	47,064	47,064	-
(5) Investment in securities: Other marketable securities	6,998	6,998	-
(6) Trade notes and accounts payable	(51,207)	(51,207)	-
(7) Short-term borrowings	(17,515)	(17,515)	-
(8) Accounts payable	(134,824)	(134,824)	-
(9) Accrued income taxes	(15,450)	(15,450)	-
(10) Railway deposits received	(1,779)	(1,779)	-
(11) Deposits	(53,687)	(53,687)	-
(12) Bonds (including current portion of bonds)	(444,970)	(466,707)	(21,737)
(13) Long-term debt (including current portion of long-term debt)	(327,920)	(332,863)	(4,943)
(14) Long-term payables for the acquisition of railway properties (including current portion of long-term payables for the acquisition of railway properties)	(329,510)	(445,817)	(116,307)
(15) Long-term payables (including current portion of long-term payables)	(222)	(235)	(13)
(16) Derivatives Those to which hedge accounting is applied	(343)	(343)	-

(*) Figures in parentheses () are stated in liabilities.

(Note 1) Matters concerning the calculation method of the fair values of financial instruments, as well as marketable securities and derivatives:

(1) Cash and deposits, (2) Trade notes and accounts receivable, (3) Railway fares receivable and (4) Accounts receivable:

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(5) Investment in securities:

The fair value of investment in securities is determined by the price of the stock traded on an exchange. For bonds, the value is determined by the price on an exchange or calculated from the present value of the future cash flow discounted at an

appropriate rate plus the yield spread on government bonds.

(6) Trade notes and accounts payable, (7) Short-term borrowings, (8) Accounts payable (some of which are subjected to appropriation processing for exchange contracts), (9) Accrued income taxes, (10) Railway deposits received and (11) Deposits:

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(12) Bonds (including current portion of bonds):

The fair value of bonds issued by the Company is calculated based on the market price.

(13) Long-term debt (including current portion of long-term debt) and (15) Long-term payables (including current portion of long-term payables):

The fair value of these items is calculated from the present value of the total principal and interest discounted at a rate supposing newly conducted similar borrowing. With regard to some long-term debt, which is subject to interest rate swaps, the fair value is calculated by discounting the total principal and interest to be processed together with such interest swaps, at an estimated rate supposing similar new borrowings were conducted.

(14) Long-term payables for the acquisition of railway properties (including current portion of long-term payables for the acquisition of railway properties):

The fair value of long-term payables for the acquisition of railway properties is calculated based on the present value of the total principal and interest discounted at a rate supposing newly issued similar bonds, due to the difficulty of refinancing the debt acquired based on relevant laws by similar methods.

(16) Derivatives:

The fair value of derivatives is based on the market price and other information shown by the Company's financial institutions.

However, as derivatives subjected to appropriation processing for exchange contracts and special processing for interest-rate swap transactions are processed together with long-term debt to be hedged, the fair value thereof is stated by inclusion in that of such long-term debt.

(Note 2) Financial instruments for which determining the market values is recognized as being extremely difficult:

(million yen)

Item	Balance sheet amount
Investment in securities	
Other marketable securities	
Unlisted shares	53,376
Others	31

These items have no market price and it is impossible to estimate their future cash flow. As determining the market value is recognized as being extremely difficult, they are not included in "(5) Investments in securities – Other marketable securities".

V. Notes to leased and other real estate properties

1. Matters concerning the status of leased and other real estate properties

The Company and some of its subsidiaries hold real estate properties for lease, including office buildings, commercial facilities (with land) and residential buildings, in Osaka-Prefecture and other regions.

2. Matters concerning the market value of leased and other real estate properties

(million yen)

Balance sheet amount	Fair value
142,575	287,977

(Note 1) The balance sheet amount is the acquisition amount less accumulated depreciation and impairment loss.

(Note 2) The fair value of major properties at the close of the fiscal year under review is calculated based on real-estate appraisal standards. The fair value of other properties is recorded as the assessed value or balance sheet amount as a certain portion of the relevant assessed value can be considered to be properly reflected in the market price.

VI. Notes to information per share

1. Net assets per share:	¥355,712.84
2. Net income per share:	¥18,066.01

BALANCE SHEET
(As of March 31, 2011)

	(million yen)
<u>ASSETS</u>	
Current assets:	206,267
Cash and deposits.....	69,829
Railway fares receivable.....	27,073
Accounts receivable.....	26,601
Accrued income.....	4,038
Short-term loans.....	29,958
Materials and supplies.....	10,188
Prepaid expenses.....	2,035
Deferred tax assets.....	13,159
Others.....	23,866
Less allowance for doubtful accounts.....	(483)
Fixed assets:	2,199,483
Fixed assets for railway operations.....	1,651,074
Fixed assets for related businesses.....	56,278
Other relevant fixed assets.....	70,835
Construction in progress.....	74,923
Investments and other assets.....	346,372
Stocks of affiliates.....	146,899
Investment in securities.....	8,316
Long-term loans receivable.....	58,710
Long-term prepaid expenses.....	4,229
Deferred tax assets.....	120,944
Others.....	7,468
Less allowance for doubtful accounts.....	(197)
TOTAL ASSETS	<u>2,405,751</u>

(Note) Figures are indicated by discarding fractions of one million yen.

<u>LIABILITIES</u>	(million yen)
Current liabilities:	494,432
Short-term borrowings	130,555
Current portion of long-term debt.....	42,360
Current portion of long-term payables for acquisition of railway properties ..	39,101
Current portion of long-term payables.....	288
Other accounts payable	156,709
Accrued expenses.....	17,285
Accrued consumption taxes	1,284
Accrued income taxes	9,333
Railway deposits received.....	1,773
Deposits.....	14,828
Prepaid railway fares received	31,059
Advances received	23,064
Prepaid income received	218
Allowance for bonuses.....	25,637
Allowance for rewards based on points	345
Others.....	589
Long-term liabilities:	1,329,930
Bonds	444,970
Long-term debt.....	269,997
Long-term payables for acquisition of railway properties	290,408
Other long-term payables.....	824
Retirement allowances for employees	302,044
Allowance for environment and safety measures	7,033
Others.....	14,653
TOTAL LIABILITIES	<u>1,824,363</u>
 <u>NET ASSETS</u>	
Shareholders' equity:	581,025
Common stock	100,000
Capital surplus	55,000
Capital reserve	55,000
Retained earnings.....	456,024
Retained earnings reserve	11,327
Other retained earnings	444,697
Reserve for advanced depreciation of fixed assets	20,071
General reserve	350,000
Retained earnings carried forward	74,626
Treasury stock.....	(29,999)
Evaluation and exchange differences, etc.:	361
Evaluation difference on other securities.....	361
TOTAL NET ASSETS	<u>581,387</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,405,751</u>

(Note) Figures are indicated by discarding fractions of one million yen.

STATEMENT OF INCOME

(From April 1, 2010 to March 31, 2011)

(million yen)

Railway operations		
Operating revenues	806,834	
Operating expenses	745,789	
Operating income		61,044
Related businesses		
Operating revenues	21,816	
Operating expenses	7,040	
Operating income		14,776
Operating income		75,821
Non-operating income		
Interest and dividend income	1,353	
Others	5,652	7,006
Non-operating expenses		
Interest expenses and bond interest	33,499	
Others	804	34,303
Recurring profit		48,523
Extraordinary profits		
Proceeds from construction contract	39,737	
Expropriation compensation	4,857	
Gain on sale of fixed assets	2,356	
Others	1,985	48,936
Extraordinary expenses		
Loss on reduction entry of proceeds from construction	38,530	
Loss on reduction entry of expropriation	4,805	
Others	6,073	49,409
Income before income tax		48,050
Corporation, inhabitant and enterprise taxes		20,480
Income taxes - deferred		(961)
Net income		28,530

(Note) Figures are indicated by discarding fractions of one million yen.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2010 to March 31, 2011)

(million yen)

	Shareholders' equity									Evaluation and exchange differences, etc.	Total net assets
	Common stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity	Evaluation difference on other securities	
		Capital reserve	Retained earnings reserve	Other retained earnings			Total retained earnings				
				Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward					
Balance as of March 31, 2010	100,000	55,000	11,327	20,587	350,000	60,109	442,024	(29,999)	567,024	1,077	568,102
Changes during the year:											
Distribution of surplus						(14,530)	(14,530)		(14,530)		(14,530)
Net income						28,530	28,530		28,530		28,530
Transfer to reserve for advanced depreciation of fixed assets				1,062		(1,062)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets				(1,578)		1,578	-		-		-
Changes in items other than shareholders' equity during the year (net)										(715)	(715)
Total changes during the year	-	-	-	(516)	-	14,517	14,000	-	14,000	(715)	13,284
Balance as of March 31, 2011	100,000	55,000	11,327	20,071	350,000	74,626	456,024	(29,999)	581,025	361	581,387

(Note) Figures are indicated by discarding fractions of one million yen.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2010 to March 31, 2011)

(Note) Figures are indicated by discarding fractions of one million yen.

I. Notes on the matters concerning significant accounting policies:

1. Basis and method of valuation of assets

(1) Basis and method of valuation of marketable securities:

(i) Stocks of subsidiaries and affiliates: At cost, determined by the moving average method

(ii) Other marketable securities:

Those with market value: At market value, determined by market prices, etc. as of the close of the fiscal year (Revaluation differences are all transferred directly to net assets. Selling costs are determined by the moving average method.)

Those without market value: At cost, determined by the moving average method

(2) Basis and method of evaluation of inventories:

Materials and supplies: At cost, determined by the moving average method (The balance sheet values are calculated by the write-down method based on declined margins.)

2. Method of depreciation of fixed assets:

(1) Tangible fixed assets (excluding leased assets):

Declining balance method; provided, however, that the replacement cost method is applicable to replacement assets for railway services.

(2) Intangible fixed assets:

Intangible fixed assets are depreciated by the straight-line method. Software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(3) Leased assets:

Leased assets related to finance lease transactions that do not transfer ownership:

Leased assets are depreciated by the straight-line method, based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction other than those in which ownership of a leased asset is deemed to pass to its lessee, which became effective prior to the fiscal year during which the Accounting Standards Board of Japan ("ASBJ") Corporate Accounting Standard No. 13 "Accounting Standard for Lease Transactions" first became applicable, is treated similarly in the manner in which ordinary lease transactions are treated.

(4) Long-term prepaid expenses:

Long-term prepaid expenses are written off in equal amounts.

3. Method of treatment of deferred assets

Bond issuing expenses are all treated as expenses upon payment thereof.

4. Basis for accounting for allowances and accrued liabilities

(1) Allowance for doubtful accounts

To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(2) Allowance for bonuses:

To meet the payment of bonuses to employees, the Company sets aside an estimated amount of bonuses to be paid for each current fiscal year.

(3) Retirement allowances for employees:

To meet the payment of retirement benefits to employees, the Company provides an amount, based on estimated retirement benefit obligations as of the close of each current fiscal year.

Prior year service liabilities are amortized in a lump sum in a current fiscal year when such liabilities occur.

Actuarial differences are treated as expenses from the fiscal year next following the fiscal year when such differences occur, and are amortized on a straight-line basis for a specific period of years (10 years) not exceeding the average remaining years of service of employees when such differences occur.

(4) Allowance for environment and safety measures:

To meet the payment for expenses of disposal of PCB and other wastes, the Company provides an estimated amount of disposal expenses at the close of each current fiscal year.

To meet the payment for expenses of disposal of contaminated soil on certain lands held by the Company for development, the Company provides an estimated amount of disposal expenses at the close of each current fiscal year.

(5) Allowance for rewards based on points:

To meet the future use of points given to J-West Card members, the Company provides an amount of future rewards estimated at the close of each current fiscal year.

5. Accounting treatment of proceeds from construction contract

For the purpose of construction to elevate railway tracks and other works for its railway operations, the Company receives from local municipal entities contributions to pay for part of such construction. An amount equivalent to such contributions is deducted directly from acquisition costs of the fixed assets so acquired upon the completion of such construction.

In the statement of income, the Company accounts for such contributions received for construction as an extraordinary profit and accounts for such amount directly deducted from acquisition costs of the fixed assets, as a loss on reduction entry of proceeds from construction, as an extraordinary expense.

6. Accounting treatment of consumption taxes

Consumption taxes are excluded from each account subject to such taxes.

7. Changes in important accounting policies

Application of "Accounting Standard for Asset Retirement Obligations":

As from the fiscal year under review, "Accounting Standard for Asset Retirement Obligations" (ASBJ Corporate Accounting Standard No.18, March 31, 2008) and "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Implementation Guidance No. 21, March 31, 2008) are applied.

The change has no effect on the financial statements.

II. Notes to balance sheet, etc.

1. Assets pledged

Pursuant to Article 7 of the Supplementary Provisions to the Law to Amend Part of the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (2001 Law No. 61) of Japan, the entire property of the Company is subject to statutory preferential rights for the security of all bonds (¥110,000 million).

2. Accumulated depreciation of tangible fixed assets: ¥2,657,674 million

3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥637,643 million

4. Total amount of fixed assets by item

Tangible fixed assets	¥1,755,967 million
Land	¥640,585 million
Buildings	¥117,659 million
Structures	¥669,616 million
Rolling stock	¥237,589 million
Others	¥90,516 million
Intangible fixed assets	¥22,221 million

5. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Kyoto Station Building Development Co., Ltd.	9,881	Commitment to guarantee for loans from financial institutions
Osaka Soto-Kanjo Railway Co., Ltd.	7,666	
Hotel Granvia Okayama Co., Ltd.	1,112	Guarantee for loans from financial institutions
JR West Miyajima Ferry Co. Ltd.	222	Guarantee for the amount payable to Japan Railway Construction, Transport and Technology Agency
Hotel Granvia Osaka Co., Ltd.	13	Guarantee for the balance of prepaid cards issued
Hotel Granvia Hiroshima Co., Ltd.	8	
Total	18,903	

6. Long-term receivables from affiliates: ¥60,456 million

7. Short-term receivables from affiliates: ¥35,991 million

8. Long-term payables to affiliates: ¥3,364 million

9. Short-term payables to affiliates: ¥247,488 million
10. Matters concerning the train accident on the Fukuchiyama Line:

Expenses resulting from the train accident on the Fukuchiyama Line, including compensation, are anticipated. However, it is difficult to reasonably estimate the amount thereof at present.

III. Notes to statement of income

1. Operating revenues:		¥828,651 million
2. Operating expenses:	Delivery expenses and cost of sales:	¥549,398 million
	Railway operations	¥549,393 million
	Related businesses	¥4 million
	Selling, general and administrative expenses:	¥44,486 million
	Railway operations	¥39,532 million
	Related businesses	¥4,954 million
	General tax:	¥29,826 million
	Depreciation expenses:	¥129,118 million
3. Transactions with affiliates:		
	Operating revenues:	¥36,958 million
	Operating expenses:	¥189,819 million
	Transactions other than ordinary business:	¥121,382 million

IV. Note to statement of changes in shareholders' equity, etc.

Class and number of shares of treasury stock at the end of the fiscal year under review:

Shares of common stock: 62,653 shares

V. Notes to tax effect accounting

1. Principal details of deferred tax assets

Allowance for bonuses	¥10,432 million
Accrued social insurance contributions	¥1,330 million
Accrued enterprise taxes	¥940 million
Retirement allowance for employees	¥122,901 million
Allowance for environment and safety measures	¥2,928 million
Others	¥15,611 million
<hr/>	
Subtotal of deferred tax assets	¥154,144 million
Valuation reserve	(¥6,021 million)
<hr/>	
Total deferred tax assets	¥148,122 million

2. Principal details of deferred tax liabilities

Evaluation difference on other securities	(¥248 million)
Reserve for advanced depreciation of fixed assets	(¥13,770 million)
<hr/>	
Total deferred tax liabilities	(¥14,018 million)

3. Deferred tax assets – net ¥134,104 million

VI. Notes to fixed assets used on lease

In addition to the fixed assets listed in the balance sheet, part of office equipment is used pursuant to finance lease agreements that do not transfer ownership thereof:

1. Amount equivalent to the acquisition prices of leased assets at the end of the fiscal year under review:	¥512 million
2. Amount equivalent to the accumulated depreciation of leased assets at the end of the fiscal year under review:	¥381 million
3. Amount equivalent to the balance of unearned rent of leased assets at the end of the fiscal year under review:	¥131 million

VII. Notes to information per share

1. Net assets per share:	¥300,094.77
2. Net income per share:	¥14,726.76

INDEPENDENT AUDITORS' REPORT

May 9, 2011

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)
Specified and Executive Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Specified and Executive Partner
Certified Public Accountant

Yoshihiro Shibata (seal)
Specified and Executive Partner
Certified Public Accountant

We have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of West Japan Railway Company (the "Company"), applicable to its consolidated fiscal year from April 1, 2010 to March 31, 2011 pursuant to Article 444, paragraph 4 of the Corporation Law of Japan. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We are of the opinion that the above consolidated financial statements present properly the financial position and profit and loss of the corporate group comprised of West Japan Railway Company and its consolidated subsidiaries for the period related to the consolidated financial statements in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountant Law of Japan.

- END -

Copy of Audit Report of the Board of Corporate Auditors Relating to Consolidated Financial Statements

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We, the Board of Corporate Auditors of the Company, based on the audit report prepared by each Corporate Auditor on the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements for the 24th fiscal year from April 1, 2010 to March 31, 2011, prepared this audit report upon deliberation and hereby report as follows:

1. Method of Audit by the Corporate Auditors and the Board of Corporate Auditors and the Particulars thereof:

The Board of Corporate Auditors determined the audit policy, audit plans, etc. and received from each Corporate Auditor reports on the state of his performance of audits and the results thereof.

Each Corporate Auditor, in accordance with the audit policy, audit plans, etc., as determined by the Board of Corporate Auditors, received from Directors, employees, etc. reports on the consolidated financial statements and demanded their explanations whenever necessary. We also monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Corporate Accounting Regulations) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary. In accordance with such methods, we investigated the consolidated financial statements for the fiscal year under review.

2. Results of Audit:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon LLC, are proper.

May 11, 2011

The Board of Corporate Auditors
West Japan Railway Company

Noboru Koide (seal)
Full-time Corporate Auditor

Tsutomu Iwasaki (seal)
Full-time Corporate Auditor
(External Corporate Auditor)

Kazuo Yoshida (seal)
External Corporate Auditor

Ikuo Uno (seal)
External Corporate Auditor

INDEPENDENT AUDITORS' REPORT

May 9, 2011

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)
Specified and Executive Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Specified and Executive Partner
Certified Public Accountant

Yoshihiro Shibata (seal)
Specified and Executive Partner
Certified Public Accountant

We have audited the balance sheet, the statement of income, the statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the supplementary financial schedules of West Japan Railway Company (the "Company"), applicable to its 24th fiscal year from April 1, 2010 to March 31, 2011 pursuant to Article 436, paragraph 2, item 1 of the Corporation Law of Japan. These financial statements and the supplementary financial schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the supplementary financial schedules from an independent standpoint.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to obtain reasonable assurance about whether the financial statements and the supplementary financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary financial schedules. We believe that our audit provides a reasonable basis for our opinion.

We are of the opinion that the above financial statements and the supplementary financial schedules present properly the financial position and profit and loss for the period related to the financial statements and the supplementary financial schedules in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

We have no financial interest in the Company which is required to be disclosed under the provisions of the Certified Public Accountant Law of Japan.

- END -

Copy of Audit Report of the Board of Corporate Auditors

AUDITORS' REPORT

We, the Board of Corporate Auditors of the Company, based on the audit report prepared by each Corporate Auditor on the performance by the Directors of their duties during the 24th fiscal year from April 1, 2010 to March 31, 2011, prepared this audit report upon deliberation and hereby report as follows:

1. Method of Audit by the Corporate Auditors and the Board of Corporate Auditors and the Particulars thereof:

The Board of Corporate Auditors determined the audit policy, audit plans, etc. and received from each Corporate Auditor reports on the state of his performance of audits and the results thereof.

Each Corporate Auditor, pursuant to the rules of audits by Corporate Auditors determined by the Board of Corporate Auditors and in accordance with the audit policy, audit plans, etc., maintained constant communication with the Directors, internal audit divisions and other employees, etc. in an effort to collect information and improve the environment for auditing, attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc., reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company. We also monitored and verified the details of the resolutions of the Board of Directors for establishing systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Corporation Law of Japan as necessary to secure the adequacy of business of joint-stock corporations, as well as the status of the systems (internal control systems) established pursuant to such resolutions. With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, corporate auditors, etc. thereof and required the subsidiaries to render reports on their business operations and made investigation into the state of their activities and property whenever necessary. In accordance with such methods, we investigated the business report and its supplementary schedules for the fiscal year under review.

We also monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Corporate Accounting Regulations) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary. In accordance with such methods, we investigated the balance sheet, the statement of income, the statement

of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the supplementary financial schedules for the fiscal year under review.

2. Results of Audit:

(1) Results of audit of the business report, etc.:

We are of the opinion:

- (i) That the business report and its supplementary schedules fairly present the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;
- (ii) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists; and
- (iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the performance by the Directors of their duties concerning such internal control systems contains nothing to be pointed out.

(2) Results of audit of the financial statements and the supplementary financial schedules:

We are of the opinion that the method and results of the audit made by the Account Auditors, Ernst & Young ShinNihon LLC, are proper.

May 11, 2011

The Board of Corporate Auditors
West Japan Railway Company

Noboru Koide (seal)
Full-time Corporate Auditor

Tsutomu Iwasaki (seal)
Full-time Corporate Auditor
(External Corporate Auditor)

Kazuo Yoshida (seal)
External Corporate Auditor

Ikuo Uno (seal)
External Corporate Auditor