(Translation)

To the Shareholders:

JR-West's Business Report

DOCUMENTS ATTACHED TO
THE NOTICE OF THE 25TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2011 to March 31, 2012)

West Japan Railway Company

Contents

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 between the Tsukaguchi station and the Amagasaki station on the Fukuchiyama Line, claiming the lives of, and injuring, many passengers.

We again pray for all the victims of the accident and would like to express our sincerest apologies to the bereaved families and the wounded passengers. We would also like to express our earnest apologies to our customers, our shareholders and the residents of the affected area.

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 West 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. In addition, in consideration of the Great East Japan Earthquake, which struck in March 2011, we have implemented measures to establish a new risk management system, which covers responses to the issue of electric power supply and demand and wide-scale disasters, among others. Furthermore, we have exerted our efforts to make improvements based on customer feedbacks and elevate our customer satisfaction (CS) minds, as well as improve our services and enhance the qualities of our work.

While the business conditions are expected to continue to remain very difficult due to the unforeseeable economic conditions and the rapid aging of the population resulting from the decline in the birthrate, among other things, we will give top priority 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 "mutual through services with the Kyushu Shinkansen Line" and "Osaka Station City". Hence, we cordially seek the continued understanding and further support of our shareholders.

June 2012

Seiji Manabe,
President and Representative Director

BUSINESS REPORT FOR THE 25TH FISCAL YEAR

(From April 1, 2011 to March 31, 2012)

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 October 2010, the Company 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 and has implemented measures accordingly.

The Great East Japan Earthquake, which struck in March 2011, has had serious impacts on the afflicted district, as well as the whole nation. The Group has also been affected in not only its railway business but its entire businesses. While the Company engaged in providing support for recovery and rehabilitation after the earthquake, the Company was forced to decrease the frequencies of train services and cars forming train units due to the shortage of some service parts of trains. The Company made serious efforts to avoid inconvenience to its passengers to the greatest extent possible. The Company has also reviewed its attitude toward risk management and steadily implemented security measures against massive earthquakes and tsunamis from a wide-ranging standpoint. With regard to the issue of electric power supply and demand, the Company has recognized it as a challenge to the whole nation and implemented power-saving measures in its stations, trains and offices to the extent possible while giving thought to its customers' safety and convenience and asking for their understandings and cooperation.

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.

With regard to the promotion of reform, which the Company regards inseparable from "safety enhancement", the Company has exerted its 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, based on the measures for "reform" and "revival" that have been implemented heretofore.

Sessions of the "Corporate Ethics Committee", an advisory organ of the Board of Directors, have been held periodically and in February 2012, it submitted a report summing up its discussions theretofore and proposals based thereupon, which have been reflected in the measures to be taken by the Company in the future. 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.

The environment surrounding the management of the Company has remained difficult due to impacts of the Great East Japan Earthquake, the unforeseeable economic conditions, the rapid aging of the population resulting from the decline in the birthrate, and competition with rival transportation facilities, 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.

Furthermore, the Company has exerted its group-wide efforts to execute its key strategies, such as the maximization of the effects of its two major projects "mutual through services with the Kyushu Shinkansen Line" and "Osaka Station City" to ensure a profit and strengthen its management base.

As a result, on a consolidated basis, operating revenues for the fiscal year under review amounted to ¥1,287.6 billion, up 6.1% from the previous fiscal year, while operating income amounted to ¥109.7 billion, up 14.4%. Recurring profit and net income (after income taxes) totaled ¥82.4 billion, up 19.6%, and ¥29.4 billion, down 15.7%, 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 systems, improved the safety of railway crossings, accelerated quake-proof reinforcement works of the columns of its elevated bridges, and improved the functions of the urgent earthquake detection and alarm system and installed additional derailing prevention guards for the Sanyo Shikansen Line. In March 2012, movable platform gates were placed in service at the Osaka-Tenmangu station on the JR Tozai Line. Furthermore, with regard to security measures against earthquakes and tsunamis, in consideration of the Great East Japan Earthquake, the Company has exerted efforts to improve an environment for smooth conveyance of information on earthquakes and tsunamis and escaping from danger and with regard to countermeasures to snow damage, the Company has improved and strengthened its snow removal measures and snow-melting equipment. In addition, 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, as a result of the commencement of the service of the entire Kyushu Shinkansen Line and the opening of Osaka Station City, the use of the Sanyo Shinkansen Line and the Urban Network increased. In March 2012, the Company revised the timetables: the Company raised the frequency of "Mizuho" and "Sakura" trains for through services on the Sanyo and Kyushu Shinkansen Lines and launched new cars for its limited express "Kuroshio" trains and on the JR Takarazuka Line and the Hanwa Line, to further enhance convenience.

With regard to marketing activities, with the commencement of the service of the entire Kyushu Shinkansen Line and mutual through services of the Sanyo and Kyushu Shinkansen Lines in March 2011, the Company has continued to proactively spread information on the convenience and price edge of its Internet train reservation service "e5489" to promote the utilization of its services. In addition, through its "Kumamoto, Miyazaki and Kagoshima Destination Campaign" and " Campaign for the 1st Anniversary of the Commencement of Through Services of the Sanyo and Kyushu Shinkansen Lines" conducted jointly with local communities, other JR companies and travel agencies, the Company launched travel goods and tourist events tied up with local communities to boost exchanges between West Japan and Kyushu. The Company also conducted various promotional campaigns, including a "*Detective CONAN Okayama-Kurashiki* Mystery Tour", "*San-in Nakaumi* Campaign" and "Japanese Beauty Hokuriku Campaign" to create tourist demand. In March 2012, the Company commenced its "ICOCA" services in the Takamatsu and Sakaide stations of JR Shikoku.

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 in April 2011, introduced women-only cars on an every-day and whole-day basis to improve passenger services.

With regard to the improvement of the Osaka station, in April 2011, the Company commenced a full-scale operation of its elevated station house over the tracks and in May 2011, opened its Osaka Station City on a full scale, which has attracted a great number of visitors.

In September 2011, the twelfth typhoon of the year caused enormous damage to the Company. A bridge on the Kisei Main Line was washed out but as a result of its all-out recovery efforts, the whole line resumed operations in December. The Company has since implemented measures to revitalize the affected area, including "*Genkidesu* Wakayama Campaign" jointly with local communities and travel agencies.

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 setting flexible prices in response to usage trends and improving the functions of the Osaka station bus terminal, among others.

With regard to ferry services (Miyajima Line), the Group conducted sales activities to travel agencies to secure a sale.

As a result, operating revenues from the Transportation Business amounted to ¥839.0 billion, up 4.0% from the previous fiscal year and operating income amounted to ¥76.7 billion, up 25.5%.

<Sales of Goods and Food Services>

"JR Osaka Mitsukoshi Isetan", a department store in the Osaka station "North Gate Building", was opened in May 2011 and has exerted efforts to offer its unique products and services and conduct store operations to win customer support in the area under severe commercial environments. The Group also has opened establishments for sales of goods and foods, including "Daily-in" and "Deli Cafe Express", following the improvement of the Osaka station, and a commercial establishment "Entre Marche" following the improvement of the Shin-Osaka station, in an effort to make its stations more attractive.

As a result, operating revenues from the Sales of Goods and Food Services amounted to ¥233.5 billion, up 16.0%, while, principally due to an increase in non-personnel expenses arising from the opening of "JR Osaka Mitsukoshi Isetan", the Company registered an operating loss of ¥2.9 billion.

<Real Estate Business>

The Group has commenced the operations of a commercial establishment "*VIERA* Okubo" on the south side of the Okubo station and "ALBi" under the west elevated tracks in the Osaka station and opened "*VIERA* Nara" under the elevated tracks in the Nara station on a full scale. The Group has also renovated the east elevated tracks in the Kobe station and opened a shopping center "PLiCO Kobe". Thus, the Group has promoted development of its station premises and surrounding properties. With regard to the Osaka station development project, the Group has opened "Osaka Station City" on a full scale in May 2011. In the "North Gate Building", the Group has opened a specialty shop zone "*Lucua*", which is in good form, and also commenced office renting. 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 July 2011, the Company merged its two consolidated subsidiaries engaging in the operation of shopping centers in the Tennoji station area into one to further augment their competitiveness and collective strengths.

As a result, operating revenues from the Real Estate Business amounted to ¥93.5 billion, up 23.5% from the previous fiscal year and operating income amounted to ¥25.9 billion, up 16.8%.

<Other Businesses>

As to the hotel business, the Group has exerted its efforts on sales promotional activities by opening eating and drinking facilities and launching various events. As to the travel agency business, the Group has exerted its efforts to increase sales by leveraging inbound business and offering a fuller line of products in shopping on the Internet, as well as increasing a line of products for using train services, including the Sanyo and Kyushu Shinkansen Lines. With regard to "J-WEST cards", the Group has promoted 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 services with a major courier company and major restaurant chain stores, extended services to convenience stores in the Shikoku area and offered services to pay for admission tickets for events and tourist facilities, in an effort to make it available in more places and on more occasions in town.

As a result, however, due to a decrease in revenue from the travel agency business arising from a downturn in domestic travels, operating revenues from Other Businesses in the aggregate amounted to ¥121.4 billion, down 6.5% from the previous fiscal year, while due to a decrease in non-personnel expenses and other items, operating income amounted to ¥10.3 billion, up 7.3%.

(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 ¥208.8 billion.

A. A major project completed during the fiscal year under review is as follows:

- Construction to build new rolling stock (Shinkansen: 80 railcars, conventional railway lines: 140 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 elevate the tracks near the Toyama station on the Hokuriku Main Line.
- Construction to improve the concourse of the Shin-Osaka station.
- Construction to build new rolling stock (Conventional railway lines: 43 railcars).

(3) Fund-raising

The Group borrowed ¥10.0 billion in domestic straight bonds and ¥40.1 billion in long-term debt, which were used for debt redemption and capital expenditure.

(4) Issues to be addressed

The Great East Japan Earthquake, which struck in March 2011, has had serious impacts on the afflicted district, as well as the whole nation. We will review our attitude toward risk management and steadily implement security measures against massive earthquakes and tsunamis from a wide-ranging standpoint and with regard to the issue of electric power supply and demand, implement power-saving measures to the extent possible.

In October 2010, the 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 West 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 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, 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 at our "*Tetsudo Anzen Kodokan* (Library to Think and Act for Railway Safety)". 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 transport disorder through the development of effective measures in a cross-sectional manner, including the construction of railway safety barriers and train-turn facilities, to ensure higher-quality, safe and reliable transportation services. Furthermore, as countermeasures against earthquakes and tsunamis, we will promote quake-proof reinforcement works and improve the environment for quick and efficient escaping from danger.

To meet customers' expectations, we will exert our efforts to make improvements based on customer feedbacks and elevate our CS minds, as well as improve our services and enhance the qualities of our work with the head office cooperating closely with the branch offices and the field.

We will also seek to develop human resources to induce the growth of each employee and establish workplace management to ensure the compliance with disciplines and rules. Specifically, in response with gravity to the occurrence of misconduct that has seriously diminished trust among our customers, we will strengthen checking systems and control systems at our stations and other places and more intensively provide education and training to our employees to prevent a recurrence.

To promote safety and enhance CS as mentioned above, it is essential to promote reform of our corporate culture. Hence, we will continue 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, to maximize the effect of the through services with the Kyushu Shinkansen Line, we will exert our efforts to enhance competitiveness of our Shinkansen by the provision of high-quality services, including the creation of a convenient timetable and the promotion of the use of the Internet train reservation service "e5489". We will also increase our efforts to promote two-way interregional exchanges through cooperation with local communities, create demand for tourism, including foreign visitors, and promote improvements of our information infrastructure. We will also seek "innovation by technology", including the enhancement of the implementation skills and expertise of our employees, the promotion of system changes in our railway operations, and efforts in global environmental protection.

With regard to sales of goods and food services and real estate business, we will deliver a good performance of "Osaka Station City" and steadily promote its related projects, and further enhance 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.

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 its related business divisions and in collaboration with local authorities and communities, we will enhance the value of our railway belts. We will also implement measures to realize plus-sum values in the West Japan area to promote "coexistence with local communities".

With regard to the promotion of our corporate social responsibility (CSR), we will send and share the cases of the thinking and acting of each of our employees to realize our "Corporate Philosophy". With regard to the promotion of compliance and corporate governance, we will, by taking into consideration proposals offered by the "Corporate Ethics Committee", strengthen our efforts to establish our management base and corporate ethics and further enhance our functions of management supervision and control. For the purpose of establishing a new risk management system, we will exert our efforts to plan countermeasures for energy crises, including the issue of electric power supply and demand, upgrade our business continuity plan (BCP) by taking into consideration the Great East Japan Earthquake, which broken in March 2011, and implement disaster-prevention measures in our both software and hardware infrastructures. In addition, we will keep up efforts to serve to the society through the activities of "JR-West *Anshin* Foundation", 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 difficult due to the unforeseeable economic conditions, the rapid aging of the population resulting from the decline in the birthrate and competition with rival transportation facilities, among other things. 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 "mutual through services with the Kyushu Shinkansen Line" and "Osaka Station City".

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

(5) Assets and profits

Item	22nd April 1, 2008 - Mar. 31, 2009	23rd April 1, 2009 - Mar. 31, 2010	24th April 1, 2010 - Mar. 31, 2011	25th (current year) April 1, 2011 - Mar. 31, 2012
Operating revenues (billion yen)	1,275.3	1,190.1	1,213.5	1,287.6
Recurring profit (billion yen)	94.8	48.1	68.9	82.4
Net income (billion yen)	54.5	24.8	34.9	29.4
Net income per share (yen)	27,729	12,837	18,066	152
Total assets (billion yen)	2,461.8	2,546.3	2,672.4	2,642.9
Net assets (billion yen)	689.6	702.1	721.2	733.5

(Note) As of July 1, 2011, the Company subdivided each share of common stock into 100 shares and adopted a share unit system under which the number of shares constituting one unit of shares shall be 100 shares. Net income per share for the 25th fiscal year (April 1, 2011 to March 31, 2012) is stated by taking into account such subdivision of shares.

(6) State of major subsidiaries, etc. (as of March 31, 2012)

(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	74.4	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
Tennoji Shopping Center Development Co., Ltd.	1,800	100.0	Real estate leasing
JR-West Japan Real Estate & Development Company	620	100.0	Real estate leasing
Japan Railway West Trading Company	200	79.8 (100.0)	Wholesales

Name	Paid-in capital (million yen)	Equity ownership by the Company (%)	Main business
JR West Japan Communications Company	200	65.0 (100.0)	Advertising services
West Japan Electric System Co., Ltd.	81	51.5	Electric engineering

(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.	14,695	21.5 (22.4)	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, 2012)

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		
	km	km	km		
Shinkansen Administration Department	644.0	8.5	652.5	3	1,045
Kanazawa Branch	-	(28.0) 637.0	(28.0) 637.0	164	563
Kansai Urban Area Regional Head Office	-	943.0	943.0	333	3,682
Wakayama Branch	-	282.5	282.5	86	0
Fukuchiyama Branch	-	331.7	331.7	71	167
Okayama Branch	-	601.0	601.0	154	370
Yonago Branch	-	605.7	605.7	154	239
Hiroshima Branch	-	959.3	959.3	257	615
Total	644.0	(28.0) 4,368.7	(28.0) 5,012.7	1,222	6,681

(Notes) 1. 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.

2. 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 Osaka station and the Kyoto station 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)
• Tennoji Shopping Center Development Co., Ltd. (Tennoji-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, 2012)

Segment description	Number of employees (increase or decrease compared with the end of the previous fiscal year)
Transportation Business	27,724 (+49)
Sales of Goods and Food Services	2,528 (+53)
Real Estate Business	930 (+54)
Others	14,220 (-457)
Total	45,402 (-301)

(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, 2012)

Lender	Debt payable (billion yen)
Development Bank of Japan	62.4
Nippon Life Insurance Company	36.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	31.8
Sumitomo Mitsui Banking Corporation	22.0
The Norinchukin Bank	20.0
Mizuho Corporate Bank, Ltd.	17.0
Sumitomo Life Insurance Company	12.0
The Sumitomo Trust and Banking Company, Limited	11.5
Meiji Yasuda Life Insurance Company	11.0
Resona Bank, Limited	10.1

(Note) As of April 1, 2012, The Sumitomo Trust and Banking Company, Limited changed its trade name into Sumitomo Mitsui Trust Bank, Limited.

2. Matters concerning shares: (as of March 31, 2012)

(1) Total number of issuable shares: 800,000,000 shares

(2) Total number of issued shares: 200,000,000 shares

(Note) 6,265,399 shares of treasury stock are included in the total number of issued shares.

(3) Number of shareholders: 164,294 persons

(4) Major shareholders (top 10)

Name	Number of shares (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	10,800,300	5.58
Japan Trustee Services Bank, Ltd. (Trust Unit)	8,501,800	4.39
Mizuho Corporate Bank, Ltd.	6,450,000	3.33
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
JR-West Employee Stock-Sharing Plan	4,609,400	2.38
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	4,128,051	2.13
Japan Trustee Services Bank, Ltd. (Trust Unit 9)	4,018,600	2.07
Nippon Life Insurance Company	4,000,000	2.06
The Sumitomo Trust and Banking Company, Limited	3,200,000	1.65

(Notes) 1. For the purpose of computing the shareholding ratios, 6,265,399 shares of treasury stock are excluded from the total number of issued shares of the Company.
2. As of April 1, 2012, The Sumitomo Trust and Banking Company, Limited changed its trade name into Sumitomo Mitsui Trust Bank, Limited.

As of July 1, 2011, the Company subdivided each share of common stock into 100 shares and adopted a share unit system under which the number of shares constituting one unit of shares shall be 100 shares.

3. Matters concerning corporate officers (as of March 31, 2012)

(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 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 and Safety Research Institute
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	Akiyoshi Yamamoto	In charge of Kansai Urban Area Regional Head Office
Director	Shizuka Yabuki	In charge of Business Development Headquarters
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, Structural Engineering Office and Construction Department

Title	Name	Duties and major concurrent posts
Director	Hitoshi Nakamura	In charge of Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line of the Company
Director	Tatsuo Kijima	In charge of reform promotion, Corporate Planning Headquarters, Corporate Communication Department, Inquiry & Auditing 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	Ikuo Uno	Councilor, 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 Company, Incorporated External Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.
Corporate Auditor	Yasumi Katsuki	Certified public accountant, Katsuki Office External Corporate Auditor, Sakata Inx Corporation

(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 Ikuo Uno and Yasumi Katsuki are external auditors as provided for in Article 2, item 16 of the Corporation Law of Japan.
3. The Company has given notice of all of its external directors and auditors as independent officers as provided for by the financial instruments exchanges on which its shares are listed.
4. Corporate Auditor Yasumi Katsuki, who is qualified as a certified public accountant, has considerable knowledge of financing and accounting.
5. 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.
6. As of May 1, 2012, a change of Directors took place as follows:

President and Representative Director	Seiji Manabe	(Executive Vice President and Representative Director)

Chairman and Director	Takayuki Sasaki	(President and Representative Director)
Director	Noritaka Kurauchi	(Chairman and Director)

The title prior to the change is shown in the parentheses.

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

Classification	Number	Amount
Director	15	¥397 million
Corporate Auditor	5	¥69 million
Total	20	¥467 million

(Note) The total amount of remuneration, etc. for nine external officers for the fiscal year under review was ¥89 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 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 professional perspective of an academic expert.
	Tadashi Ishikawa	Mr. Ishikawa attended 11 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 12 of the 13 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 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.

Classification	Name	Major activities
External Corporate Auditor	Tsutomu Iwasaki	Mr. Iwasaki attended all of the 13 sessions of the Board of Directors and all of the 15 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.
	Ikuo Uno	Mr. Uno attended 11 of the 13 sessions of the Board of Directors and 14 of the 15 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.
	Yasumi Katsuki	Mr. Katsuki attended all of the 11 sessions of the Board of Directors and all of the 11 sessions of the Board of Corporate Auditors held during the fiscal year under review after he assumed office and expressed his opinions from time to time, principally from the perspective of a certified public accountant.

(4) Summary of the agreements to limit liabilities

The Company has entered into an agreement with each of the External Director and External Corporate Auditor to limit his/her liabilities as provided for in Article 423, paragraph 1 of the Corporation Law of Japan in accordance with Article 427, paragraph 1 of the said law. The maximum amount of the liabilities under the agreement is as provided for in laws and ordinances.

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: ¥171 million

(ii) Total amount of money and other proprietary benefits payable by the Company and its subsidiaries: ¥397 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 (as of April 27, 2012)

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 the President acting as chairman, 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 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, 2005, 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 a wide-scale disaster or any other 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, 2012)

(million yen)

ASSETS

Current assets:	240,902
Cash and deposits	50,619
Trade notes and accounts receivable	15,504
Railway fares receivable	27,280
Accounts receivable	46,256
Inventories	33,360
Deferred tax assets	19,455
Others	49,259
Less allowance for doubtful accounts	(835)
Fixed assets:	2,401,929
Tangible fixed assets:	2,159,523
Buildings and structures	1,097,120
Machinery, equipment and transport equipment	328,154
Land	656,358
Construction in progress	41,282
Other tangible fixed assets	36,608
Intangible fixed assets:	30,053
Investments and other assets:	212,352
Investment in securities	58,452
Deferred tax assets	123,584
Others	31,500
Less allowance for doubtful accounts	(1,185)
Deferred assets:	162
TOTAL ASSETS	2,642,994

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

(million yen)

LIABILITIES

Current liabilities:	546,842
Trade notes and accounts payable	46,205
Short-term borrowings	27,562
Current portion of bonds	30,000
Current portion of long-term debt	72,067
Current portion of long-term payables for the acquisition of railway properties	40,823
Current portion of long-term payables	31
Accounts payable	92,380
Accrued consumption taxes	7,911
Accrued income taxes	22,631
Railway deposits received	6,902
Deposits	63,119
Prepaid railway fares received	32,359
Advances received	29,191
Allowance for bonuses	34,486
Allowance for rewards based on points	1,005
Others	40,163
Long-term liabilities:	1,362,605
Bonds	424,972
Long-term debt	251,188
Long-term payables for the acquisition of railway properties	249,620
Long-term payables	159
Deferred tax liabilities	244
Retirement allowances for employees	316,876
Allowance for environment and safety measures	6,394
Allowance for gift certificates yet to be redeemed	2,550
Others	110,599
TOTAL LIABILITIES	1,909,447

NET ASSETS

Shareholders' equity:	702,656
Common stock	100,000
Capital surplus	55,000
Retained earnings	577,999
Treasury stock	(30,343)
Accumulated other comprehensive income:	728
Evaluation difference on other securities	902
Deferred hedge income (loss)	(173)
Minority interests:	30,161
TOTAL NET ASSETS	733,546
TOTAL LIABILITIES AND NET ASSETS	2,642,994

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

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2011 to March 31, 2012)

(million yen)

Operating revenues		1,287,679
Operating expenses:		
Transportation and other services and cost of sales	999,745	
Selling, general and administrative expenses	178,133	1,177,879
Operating income		109,799
Non-operating income:		
Interest income	77	
Dividend income	377	
Others	7,499	7,954
Non-operating expenses:		
Interest expenses	32,948	
Equity in losses of affiliates	847	
Others	1,500	35,295
Recurring profit		82,458
Extraordinary profits:		
Proceeds from construction contract	16,182	
Expropriation compensation	2,971	
Others	8,453	27,607
Extraordinary expenses:		
Loss on reduction entry of proceeds from construction	15,162	
Loss on reduction entry of expropriation	2,970	
Others	11,675	29,808
Income before income tax		80,256
Corporation, inhabitant and enterprise taxes		35,023
Income taxes – deferred		17,887
Income before income tax and minority interest		27,345
Minority interest (loss)		(2,143)
Net income		29,489

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2011 to March 31, 2012)

(million yen)

	Shareholders' equity					Accumulated other comprehensive income				
	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	Minority interests	Total net assets
Balance as of April 1, 2011	100,000	55,000	563,766	(30,343)	688,423	546	(161)	384	32,443	721,251
Changes during the year:										
Distribution of surplus			(15,498)		(15,498)					(15,498)
Net income			29,489		29,489					29,489
Change of the scope of consolidation			242		242					242
Changes in items other than shareholders' equity during the year (net)				(0)	(0)	355	(11)	344	(2,281)	(1,937)
Total changes during the year	-	-	14,233	(0)	14,232	355	(11)	344	(2,281)	12,295
Balance as of March 31, 2012	100,000	55,000	577,999	(30,343)	702,656	902	(173)	728	30,161	733,546

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(From April 1, 2011 to March 31, 2012)

(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: 64

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, Tennoji Shopping Center Development Co., Ltd., JR-West Japan Real Estate & Development Company, Japan Railway West Trading Company, JR West Japan Communications Company, West Japan Electric System Co., Ltd. and 52 others.

As from the fiscal year under review, JR West Japan Shopping Center Development Company is included in the scope of consolidation due to its increased importance. As of April 21, 2011, the liquidation of Kurashiki Station Development Co., Ltd. was completed.

As of July 1, 2011, Tennoji Station Building Co., Ltd. was merged into Tennoji Terminal Building Co., Ltd., a surviving company, which has changed its trade name to Tennoji Shopping Center Development Co., Ltd.

(2) The Company has 78 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 (which is 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 78 non-consolidated subsidiaries and 18 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 (which is 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 settlement date of Nippon Travel Agency Co., Ltd. is December 31 of each year and its financial statements as of the settlement date are used for the purpose of preparing the consolidated financial statements. Significant transactions up to the consolidated settlement date are adequately adjusted for the purpose of consolidation. The settlement date of any other consolidated subsidiary is March 31 of each year, which corresponds to the consolidated settlement date.

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 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 and business commencement 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 a 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 the fiscal year under review.

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 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 the fiscal year under review.

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

To meet the future redemption of gift certificates issued by 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 the fiscal year under review.

(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 the fiscal year under review.

(5) Important methods of hedge accounting:

Deferral hedge is adopted in hedge accounting, in principle. Appropriation processing is adopted for exchange contracts and currency swaps 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 the fiscal year under review 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 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.

II. Note to change in the accounting methods

Application of "Accounting Standard for Earnings Per Share":

As from the fiscal year under review, the "Accounting Standard for Earnings Per Share" (ASBJ Corporate Accounting Standard No. 2, June 30, 2010), "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ Implementation Guidance No. 4, June 30, 2010) and "Practical Solution on Accounting for Earnings Per

Share" (Practical Issues Task Force (PITF) No. 9, June 30, 2010) are applied.

As of July 1, 2011, the Company subdivided each share of common stock into 100 shares. In connection with such subdivision of shares, the amount of net income per share is calculated as if it had taken place at the beginning of the fiscal year under review.

III. Notes to consolidated balance sheet, etc.

1. Assets pledged

Assets pledged:

Deposits	¥230 million
Buildings and structures	¥17,290 million
Land	¥190 million
Investment in securities	¥288 million
Total	¥17,999 million

Secured liabilities:

Long-term debt	¥3,350 million
Current portion of long-term debt	¥610 million
Total	¥3,960 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: ¥2,967,938 million

3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥650,682 million

4. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Osaka Soto-Kanjo Railway Co., Ltd.	8,933	Commitment to guarantee for loans from financial institutions
Nichiryo Service Co., Ltd.	360	Guarantee for sale of JR tickets on consignment
Nichiryo-OMC Co., Ltd.	155	Guarantee for payment for air fares
Others (7 companies)	211	
Total	9,660	

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.

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

1. Class and number of shares issued and outstanding at the end of the fiscal year under review

Shares of common stock 200,000,000 shares

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

Shares of common stock 6,358,499 shares

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, 2011	Shares of common stock	7,749	4,000	March 31, 2011	June 24, 2011
Meeting of the Board of Directors held on October 27, 2011	Shares of common stock	7,749	40	September 30, 2011	November 30, 2011

(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 on June 22, 2012	Shares of common stock	9,686	Retained earnings	50	March 31, 2012	June 25, 2012

V. 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. Temporary surplus funds are 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 28 years maximum after the settlement date of the fiscal year. 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 Shinkansen Holding Corporation 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 39 years maximum after the settlement date the fiscal year. Some of such long-term payables with floating rates are exposed to interest volatility risk.

Derivatives are currency swap and interest-rate swap transactions to hedge volatility risk involving future exchange rates and the payment of interest relating to financial liabilities, as well as exchange contracts to hedge foreign currency volatility 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 consolidated settlement date 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 volatility risk):

The Company uses currency swap and interest-rate swap transactions to hedge volatility risk involving future exchange rates and the payment of interest relating to financial liabilities. 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 in 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, 2012 (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	50,619	50,619	-
(2)	Trade notes and accounts receivable	15,504	15,504	-
(3)	Railway fares receivable	27,280	27,280	-
(4)	Accounts receivable	46,256	46,256	-
(5)	Investment in securities: Other marketable securities	7,308	7,308	-
(6)	Trade notes and accounts payable	(46,205)	(46,205)	-
(7)	Short-term borrowings	(27,562)	(27,562)	-
(8)	Accounts payable	(92,380)	(92,380)	-
(9)	Accrued income taxes	(22,631)	(22,631)	-
(10)	Railway deposits received	(6,902)	(6,902)	-
(11)	Deposits	(63,119)	(63,119)	-
(12)	Bonds (including current portion of bonds)	(454,972)	(490,161)	(35,189)
(13)	Long-term debt (including current portion of long-term debt)	(323,255)	(332,844)	(9,589)
(14)	Long-term payables for the acquisition of railway properties (including current portion of long-term payables for the acquisition of railway properties)	(290,444)	(409,342)	(118,898)
(15)	Long-term payables (including current portion of long-term payables)	(190)	(202)	(11)
(16)	Derivatives Those to which hedge accounting is applied	(366)	(366)	-

(*) 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 currency swaps or interest-rate swaps, the fair value is calculated by discounting the total principal and interest to be processed together with such currency swaps or interest-rate 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	51,127
Others	17

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".

VI. 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
151,942	335,608

(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.

VII. Notes to information per share

1. Net assets per share: ¥3,632.41
2. Net income per share: ¥152.29

As of July 1, 2011, the Company subdivided each share of common stock into 100 shares. In connection with such subdivision of shares, the amount of net income per share is calculated as if it had taken place at the beginning of the fiscal year under review.

VIII. Other notes:

1. Application of "Accounting Standard for Accounting Changes and Error Corrections", Etc.

For any accounting change and the correction of any error in the past to be made as from the beginning of the fiscal year under review, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Corporate Accounting Standard No. 24, December 4, 2009) and "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Implementation Guidance No. 24, December 4, 2009) are applied.

2. Application of the "Law for Partial Revision of the Income Tax Law, etc. to Establish Tax Systems in Response to the Changing Socioeconomic Structure", Etc.

On December 2, 2011, the "Law for Partial Revision of the Income Tax Law, etc. to Establish Tax Systems in Response to the Changing Socioeconomic Structure" (2011 Law No. 114) and the "Special Measures Law to Secure the Funds Necessary to Realize Restoration Following the Great East Japan Earthquake" (2011 Law No. 117) were promulgated. By these laws, the corporate tax rate will be changed from the fiscal year beginning on or after April 1, 2012.

Accordingly, with regard to temporary differences expected to be eliminated for the fiscal year or years beginning on or after April 1, 2012, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.69% to 38.01% principally. With regard to temporary differences expected to be eliminated for the fiscal year or years beginning on or after April 1, 2015, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.69% to 35.64% principally.

Consequently, net deferred tax assets decreased by ¥15,670 million and income taxes - deferred (Credit) increased by ¥15,726 million.

BALANCE SHEET

(As of March 31, 2012)

	(million yen)
ASSETS	
Current assets:	182,722
Cash and deposits	38,875
Railway fares receivable	29,751
Accounts receivable	24,940
Accrued income	4,122
Short-term loans	29,967
Materials and supplies	12,274
Prepaid expenses	1,907
Deferred tax assets	12,993
Others	28,490
Less allowance for doubtful accounts	(602)
Fixed assets:	2,199,052
Fixed assets for railway operations	1,672,538
Fixed assets for related businesses	73,619
Other relevant fixed assets	65,909
Construction in progress	38,536
Investments and other assets	348,448
Stocks of affiliates	147,159
Investment in securities	8,633
Long-term loans receivable	75,838
Long-term prepaid expenses	3,974
Deferred tax assets	105,500
Others	7,541
Less allowance for doubtful accounts	(199)
TOTAL ASSETS	2,381,774

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

LIABILITIES	(million yen)
Current liabilities:	561,180
Short-term borrowings	158,765
Current portion of bonds	30,000
Current portion of long-term debt	69,796
Current portion of long-term payables for acquisition of railway properties	40,823
Current portion of long-term payables	288
Other accounts payable	114,198
Accrued expenses	18,113
Accrued consumption taxes	5,311
Accrued income taxes	14,599
Railway deposits received	6,822
Deposits	17,120
Prepaid railway fares received	32,193
Advances received	26,196
Prepaid income received	207
Allowance for bonuses	25,789
Allowance for rewards based on points	430
Others	524
Long-term liabilities:	1,232,198
Bonds	424,972
Long-term debt	240,301
Long-term payables for acquisition of railway properties	249,620
Other long-term payables	536
Retirement allowances for employees	297,519
Allowance for environment and safety measures	6,274
Others	12,975
TOTAL LIABILITIES	1,793,379
NET ASSETS	
Shareholders' equity:	587,684
Common stock	100,000
Capital surplus	55,000
Capital reserve	55,000
Retained earnings	462,684
Retained earnings reserve	11,327
Other retained earnings	451,357
Reserve for advanced depreciation of fixed assets	21,698
General reserve	360,000
Retained earnings carried forward	69,659
Treasury stock	(29,999)
Evaluation and exchange differences, etc.:	709
Evaluation difference on other securities	709
TOTAL NET ASSETS	588,394
TOTAL LIABILITIES AND NET ASSETS	2,381,774

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

STATEMENT OF INCOME

(From April 1, 2011 to March 31, 2012)

(million yen)

Railway operations		
Operating revenues	838,886	
Operating expenses	762,649	
Operating income		76,236
Related businesses		
Operating revenues	23,294	
Operating expenses	10,248	
Operating income		13,045
Operating income		89,282
Non-operating income		
Interest and dividend income	1,405	
Others	5,722	7,128
Non-operating expenses		
Interest expenses and bond interest	32,652	
Others	879	33,531
Recurring profit		62,879
Extraordinary profits		
Proceeds from construction contract	16,182	
Expropriation compensation	2,961	
Gain on sale of fixed assets	3,292	
Others	711	23,147
Extraordinary expenses		
Loss on reduction entry of proceeds from construction	15,162	
Loss on reduction entry of expropriation	2,960	
Others	6,757	24,880
Income before income tax		61,146
Corporation, inhabitant and enterprise taxes		23,523
Income taxes - deferred		15,464
Net income		22,158

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(From April 1, 2011 to March 31, 2012)

(million yen)

	Shareholders' equity									Evaluation and exchange differences, etc.	
		Capital surplus	Retained earnings								
				Other retained earnings							
	Common stock	Capital reserve	Retained earnings reserve	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity	Evaluation difference on other securities	Total net assets
Balance as of April 1, 2011	100,000	55,000	11,327	20,071	350,000	74,626	456,024	(29,999)	581,025	361	581,387
Changes during the year:											
Distribution of surplus						(15,498)	(15,498)		(15,498)		(15,498)
Net income						22,158	22,158		22,158		22,158
Transfer to reserve for advanced depreciation of fixed assets				3,232		(3,232)	-		-		-
Reversal of reserve for advanced depreciation of fixed assets				(1,605)		1,605	-		-		-
Transfer to general reserve					10,000	(10,000)	-		-		-
Acquisition of treasury stock								(0)	(0)		(0)
Changes in items other than shareholders' equity during the year (net)										347	347
Total changes during the year	-	-	-	1,626	10,000	(4,967)	6,659	(0)	6,659	347	7,006
Balance as of March 31, 2012	100,000	55,000	11,327	21,698	360,000	69,659	462,684	(29,999)	587,684	709	588,394

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
(From April 1, 2011 to March 31, 2012)

(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 a 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 the fiscal year under review.

Prior year service liabilities are amortized in a lump sum in a 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 the fiscal year under review.

(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 the fiscal year under review.

5. Methods of hedge accounting

Deferral hedge is adopted in hedge accounting, in principle. Appropriation processing is adopted for currency swaps 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 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.

7. Accounting treatment of consumption taxes

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

II. Note to change in the accounting methods

Application of "Accounting Standard for Earnings Per Share":

As from the fiscal year under review, the "Accounting Standard for Earnings Per Share" (ASBJ Corporate Accounting Standard No. 2, June 30, 2010), "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ Implementation Guidance No. 4, June 30, 2010) and "Practical Solution on Accounting for Earnings Per Share" (Practical Issues Task Force (PITF) No. 9, June 30, 2010) are applied.

As of July 1, 2011, the Company subdivided each share of common stock into 100 shares. In connection with such subdivision of shares, the amount of net income per share is calculated as if it had taken place at the beginning of the fiscal year under review.

III. 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: ¥2,710,037 million

3. Accumulated contributions for construction directly deducted from acquisition costs of fixed assets: ¥650,682 million

4. Total amount of fixed assets by item

Tangible fixed assets	¥1,785,595 million
Land	¥640,148 million
Buildings	¥149,140 million
Structures	¥662,817 million
Rolling stock	¥240,836 million
Others	¥92,653 million
Intangible fixed assets	¥26,472 million

5. Particulars of guarantee obligations

(million yen)

Guaranteed	Guarantee amount	Details of guaranteed obligations
Osaka Soto-Kanjo Railway Co., Ltd.	8,933	Commitment to guarantee for loans from financial institutions
Kyoto Station Building Development Co., Ltd.	8,374	
Hotel Granvia Okayama Co., Ltd.	824	Guarantee for loans from financial institutions
JR West Miyajima Ferry Co. Ltd.	190	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	18,344	

6. Long-term receivables from affiliates: ¥77,913 million

7. Short-term receivables from affiliates: ¥38,577 million

8. Long-term payables to affiliates: ¥2,460 million

9. Short-term payables to affiliates: ¥258,445 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.

IV. Notes to statement of income

1. Operating revenues: ¥862,180 million

2. Operating expenses:

Operating expenses:	Delivery expenses and cost of sales:	¥553,887 million
	Railway operations	¥553,882 million
	Related businesses	¥4 million
	Selling, general and administrative expenses:	¥47,254 million
	Railway operations	¥40,766 million
	Related businesses	¥6,487 million
	General tax:	¥30,961 million
	Depreciation expenses:	¥140,794 million

3. Transactions with affiliates:

Operating revenues:	¥38,249 million
Operating expenses:	¥192,694 million
Transactions other than ordinary business:	¥108,071 million

V. 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: 6,265,399 shares

VI. Notes to tax effect accounting

1. Principal items of deferred tax assets:

Allowance for bonuses	¥9,802 million
Accrued social insurance contributions	¥1,285 million
Accrued enterprise taxes	¥1,250 million
Retirement allowance for employees	¥107,326 million
Allowance for environment and safety measures	¥2,252 million
Others	¥14,259 million
Subtotal of deferred tax assets	¥136,177 million
Valuation reserve	(¥5,274 million)
Total deferred tax assets	¥130,903 million

2. Principal items of deferred tax liabilities:

Evaluation difference on other securities	(¥393 million)
Reserve for advanced depreciation of fixed assets	(¥12,015 million)
Total deferred tax liabilities	(¥12,408 million)

3. Deferred tax assets – net: ¥118,494 million

4. Effect of changes in effective corporate tax rates

On December 2, 2011, the "Law for Partial Revision of the Income Tax Law, etc. to Establish Tax Systems in Response to the Changing Socioeconomic Structure" (2011 Law No. 114) and the "Special Measures Law to Secure the Funds Necessary to Realize Restoration Following the Great East Japan Earthquake" (2011 Law No. 117) were promulgated. By these laws, the corporate tax rate will be changed from the fiscal year beginning on or after April 1, 2012.

Accordingly, with regard to temporary differences expected to be eliminated for the fiscal year or years beginning on or after April 1, 2012, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.69% to 38.01% principally. With regard to temporary differences expected to be eliminated for the fiscal year or years beginning on or after April 1, 2015, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.69% to 35.64% principally.

Consequently, net deferred tax assets decreased by ¥14,243 million and income taxes - deferred (Credit) increased by ¥14,299 million.

VII. 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:	¥306 million
2. Amount equivalent to the accumulated depreciation of leased assets at the end of the fiscal year under review:	¥259 million
3. Amount equivalent to the balance of unearned rent of leased assets at the end of the fiscal year under review:	¥46 million

VIII. Notes to information per share

1. Net assets per share:	¥3,037.12
2. Net income per share:	¥114.37

(Note) As of July 1, 2011, the Company subdivided each share of common stock into 100 shares. In connection with such subdivision of shares, the amount of net income per share is calculated as if it had taken place at the beginning of the fiscal year under review.

IX. Other notes

For any accounting change and the correction of any error in the past to be made as from the beginning of the fiscal year under review, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Corporate Accounting Standard No. 24, December 4, 2009) and "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Implementation Guidance No. 24, December 4, 2009) are applied.

Copy of Account Auditors' Audit Report Relating to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

May 8, 2012

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)
Designated and Limited Engagement Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Designated and Limited Engagement Partner
Certified Public Accountant

Yoshihiro Shibata (seal)
Designated and Limited Engagement 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, 2011 to March 31, 2012 pursuant to Article 444, paragraph 4 of the Corporation Law of Japan.

Management's Responsibility for Consolidated Financial Statements

The responsibility of the Company's management is to prepare and present properly these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these consolidated financial statements free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these consolidated financial statements are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in consolidated financial statements and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the consolidated financial statements by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these consolidated financial statements to form a plan for adequate audit procedures according to conditions. 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 sufficient and appropriate audit evidence forming a basis for our opinion.

Account Auditors' 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.

Financial Interest

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 25th fiscal year from April 1, 2011 to March 31, 2012, 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, 2012

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)

Ikuo Uno (seal)
External Corporate Auditor

Yasumi Katsuki (seal)
External Corporate Auditor

Copy of Account Auditors' Audit Report

INDEPENDENT AUDITORS' REPORT

May 8, 2012

The Board of Directors
West Japan Railway Company

Ernst & Young ShinNihon LLC

Mikio Konishi (seal)
Designated and Limited Engagement Partner
Certified Public Accountant

Yutaka Matsumura (seal)
Designated and Limited Engagement Partner
Certified Public Accountant

Yoshihiro Shibata (seal)
Designated and Limited Engagement 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 25th fiscal year from April 1, 2011 to March 31, 2012 pursuant to Article 436, paragraph 2, item 1 of the Corporation Law of Japan.

Management's Responsibility for Financial Statements, etc.

The responsibility of the Company's management is to prepare and present properly these financial statements and the supplementary financial schedules in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these financial statements and the supplementary financial schedules free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and the supplementary financial schedules from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these financial statements and the supplementary financial schedules are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in financial statements and supplementary financial schedules and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the financial statements and the supplementary financial schedules by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these financial statements and the supplementary financial schedules to form a plan for adequate audit procedures according to conditions. 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 these financial statements and the supplementary financial schedules.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

Account Auditors' 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.

Financial Interest

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 25th fiscal year from April 1, 2011 to March 31, 2012, 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, 2012

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)

Ikuo Uno (seal)
External Corporate Auditor

Yasumi Katsuki (seal)
External Corporate Auditor