West Japan Railway Company March 31, 2005

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

Basis of Financial Statements

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

The accompanying non-consolidated financial statements relate to the Company only, with investments in subsidiaries and affiliates being stated at cost.

The accompanying non-consolidated financial statements are stated in yen, the currency of the country in which the Company is incorporated and operates. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥107=U.S.$1.00, the exchange rate prevailing on March 31, 2005. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

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

Summary of Significant Accounting Policies

(1) Investments in securities

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

(2) Inventories

Real estate for sale is stated at cost determined by the individual identification method. Rails, materials and supplies are stated at cost determined by the moving average method.

(3) Property, plant and equipment

Property, plant and equipment is stated at cost (see Note 6). Depreciation is determined by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs are to be charged to income.

(4) Leases

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

(5) Long-term accrued rail usage charges

Up to the year ended March 31, 2000, the Company expensed the rail usage charges for the JR Tozai Line payable to Kansai Rapid Railway Co., Ltd. ("KRRCL") at a periodic payment amount scheduled to increase by 10% every three years. As an economic recovery in Japan is not foreseeable and the population of students along this line has recently been decreasing, the Company is unable to expect any increase in revenue from the line to offset the corresponding increase in expenses. Thus, effective April 1, 2000, the Company began expensing rail usage charges at an amount allocated evenly over the thirty-year period of the rental agreement.

The Company and KRRCL have reached an agreement under which they will determine the annual rail usage charges for years subsequent to April 1, 2004 based on a discussion to be held every three years and reflecting interest-rate fluctuation as well as other factors. KRRCL obtained the approval of the Minister of Land, Infrastructure and Transport for this agreement on February 25, 2004. As the Company's obligation to pay the rail usage charges has now been extinguished, the Company reversed long-term accrued rail usage charges of ¥52,797 million at March 31, 2004 and recorded this as "reversal of long-term accrued rail usage charges," a component of other income in the non-consolidated statement of income for the year ended March 31, 2004.

(6) Accrued retirement benefits

The Company has a lump-sum severance and retirement benefit plan covering all employees who are entitled to lump-sum payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which the termination of employment occurs.

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

The net retirement benefit obligation at transition of ¥301,642 million is amortized over a ten-year period.

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

Prior service cost is charged to income when incurred. Prior service cost of ¥38,511 million was incurred following an amendment to the employees' early retirement plan and the implementation of the re-employment plans. This was expensed as "amortization of prior service cost" and was presented as a component of other expenses in the non-consolidated statement of income for the year ended March 31, 2004.

(7) Income taxes

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

In accordance with a law on the amendment of local tax laws, and so forth, which went into effect on April 1, 2004, a corporation with capital in excess of ¥100 million is subject to business scale taxation on the basis of the total amount of value added, the size of its capital and its taxable income. Based on the new accounting standard for business scale taxation, the Company has accounted for business scale taxation with respect to the amount of value added and capital as a component of operating expenses. Consequently, operating expenses for the year ended March 31, 2005 increased by ¥2,005 million and income before income taxes for the year ended March 31, 2005 decreased by ¥2,005 million.

(8) Allowance for loss on business reorganization

The allowance for loss on business reorganization was provided for loss on the reorganization of the business of Tamba Kogen Kaihatsu Co., Ltd. ("TKKCL"), a subsidiary, at an estimate of the related amount to be borne by the Company.

At an extraordinary meeting of the shareholders held on April 26, 2004, the shareholders of TKKCL approved a resolution authorizing the transfer of its entire golf course management business to the Company and for the subsequent liquidation of TKKCL.

2. Adoption of New Accounting Standard

Effective April 1, 2004, the Company adopted a new accounting standard for the impairment of fixed assets as early adoption of this standard was permitted commencing the fiscal year ending on or subsequent to March 31, 2004. The effect of the adoption of this standard was to decrease income before income taxes by ¥3,901 million for the year ended March 31, 2005.

3. Financial Assets Received as Collateral

At March 31, 2005, the Company held government bonds received from a financial institution as collateral for short-term loans to it, which were included in "prepaid expenses and other current assets," a component of current assets in the non-consolidated balance sheet as of March 31, 2005. The Company has the right to dispose of them freely. The fair value of these financial assets was ¥9,999 million ($93 million) at March 31, 2005.

4. Inventories

Inventories at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Real estate for sale	**¥ 16**	¥ 45	¥ 85	**$ 0**
Rails, materials and supplies	**4,604**	4,405	2,979	**43**
	¥4,621	¥4,450	¥3,064	**$43**

5. Balances with Subsidiaries and Affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Investments in:				
Subsidiaries	**¥ 97,708**	¥102,605	¥102,593	**$ 913**
Affiliates	**24,761**	24,437	23,797	**231**
Advances to subsidiaries	**12,513**	11,740	7,612	**116**
	¥134,983	¥138,783	¥134,004	**$1,261**

Amounts due to subsidiaries and affiliates at March 31, 2005, 2004 and 2003 are presented in the balance sheets as follows:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Short-term loans	**¥108,978**	¥103,166	¥ 66,427	**$1,018**
Current portion of long-term payables	**5,842**	1,168	1,168	**54**
Accounts payable	**77,391**	68,965	70,976	**723**
Long-term payables	**21,833**	27,675	28,843	**204**
	¥214,045	¥200,975	¥167,414	**$2,000**

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Land	**¥ 645,608**	¥ 661,227	¥ 663,688	**$ 6,033**
Buildings	**349,803**	356,405	361,158	**3,269**
Railway fixtures	**1,920,074**	1,905,283	1,893,830	**17,944**
Rolling stock and other vehicles	**734,741**	716,011	680,952	**6,866**
Ships	**672**	668	668	**6**
Machinery and equipment	**212,840**	209,718	198,422	**1,989**
Furniture and fixtures	**43,750**	44,123	40,826	**408**
Construction in progress	**67,825**	66,876	85,149	**633**
	3,975,316	3,960,314	3,924,696	**37,152**
Less accumulated depreciation	**(2,237,987)**	(2,185,406)	(2,131,074)	**(20,915)**
Property, plant and equipment, net	**¥1,737,329**	¥1,774,907	¥1,793,621	**$16,236**

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

The contributions deducted from property, plant and equipment for the years ended March 31, 2005, 2004 and 2003 totaled ¥38,526 million ($360 million), ¥28,988 million and ¥29,593 million, respectively. The accumulated contributions deducted from property, plant and equipment at March 31, 2005, 2004 and 2003 were ¥419,147 million ($3,917 million), ¥382,233 million and ¥356,267 million, respectively.

The compensation deducted from property, plant and equipment to replace the properties expropriated for the years ended March 31, 2005, 2004 and 2003 totaled ¥6,363 million ($59 million), ¥6,750 million and ¥6,038 million, respectively.

The Company planned to repair the elevated railroads of the Sanyo Shinkansen Line during the period from April 1, 2001 to March 31, 2004 based on the recommendations of the Investigation Committee on the Sanyo Shinkansen Concrete Structures. The Company had recorded an accrual for the projected costs of ¥9,650 million as of March 31, 2002 and charged this provision to income for the year then ended.

7. Loss on Impairment of Fixed Assets

The Company groups fixed assets relating to railways, vessels, sales of goods and food services and other businesses at each business which manages the receipts and payments separately. It also groups fixed assets in the real estate business, fixed assets which it has decided to dispose of, and idle assets at each asset. Consequently, the Company has written down the following asset items to their recoverable value and has recorded the related loss on impairment of fixed assets of ¥3,901 million ($36 million) in the non-consolidated statement of income for the year ended March 31, 2005:

	Millions of yen	Millions of U.S. dollars
	2005	**2005**
Assets to be disposed of:		
Company houses held in Osaka City and others—16 items:		
Land	**¥1,513**	**$14**
Buildings and structures	**580**	**5**
Total	**¥2,094**	**$19**
Idle assets:		
Land held in Mihara City, Hiroshima Prefecture and others—3 items:		
Land	**¥1,806**	**$16**

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

8. Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2005, 2004 and 2003 ranged from 0.15% to 0.31%, from 0.15% to 0.31% and from 0.2% to 0.36%, respectively.

Long-term debt at March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Secured West Japan Railway bonds, payable in yen, at rates ranging from 1.53% to 3.45%, due from 2009 through 2019	**¥175,000**	¥175,000	¥200,000	**$1,635**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 2.04% to 2.28%, due from 2022 to 2024	**45,000**	35,000	15,000	**420**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 1.4% to 8.5%, due in installments from 2006 through 2018	**73,511**	82,487	91,463	**687**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 1.05% to 2.62%, due from 2006 through 2012	**138,400**	150,550	156,750	**1,293**
Other	**16,210**	16,210	11,710	**151**
	448,121	459,247	474,923	**4,188**
Less current portion	**(21,476)**	(51,026)	(44,976)	**(200)**
	¥426,645	¥408,221	¥429,947	**$3,987**

All the secured bonds issued by the Company are secured by statutory preferential rights over the entire property of the Company.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2006	¥ 21,476	$ 200
2007	41,471	387
2008	34,876	325
2009	85,116	795
2010	50,170	468
2011 and thereafter	215,012	2,009
	¥448,121	$4,188

9. Long-Term Payables

Long-term payables at March 31, 2005, 2004 and 2003 are summarized as follows:

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars
	2005	2004	2003	**2005**
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2006 through 2017	**¥338,360**	¥374,935	¥409,368	**$3,162**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2006 through 2052	**190,089**	190,455	190,798	**1,776**
Other	**37,642**	39,374	41,106	**351**
	566,092	604,764	641,273	**5,290**
Less current portion	**(44,465)**	(38,891)	(36,656)	**(415)**
	¥521,627	¥565,873	¥604,617	**$4,875**

On October 1, 1991, the Company purchased Sanyo Shinkansen's facilities from the Shinkansen Holding Corporation ("SHC") for the total price of ¥974,111 million. The Company is currently liable to the Japan Railway Construction, Transport & Technology Agency ("JRTT") for this purchase. In accordance with the terms of the purchase agreement, the interest rate applied to the variable interest portion of the payables for each fiscal year will be adjusted every year to a weighted-average interest rate to be determined based on the interest rate of certain of JRTT's long-term debt (as defined in the purchase agreement) assumed from SHC and outstanding as of April 1 of each respective year. The variable interest rates for the years ended March 31, 2005, 2004 and 2003 were 4.50%, 4.57% and 4.68%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2006	¥ 44,465	$ 415
2007	55,828	521
2008	22,997	214
2009	23,991	224
2010	25,029	233
2011 and thereafter	393,781	3,680
	¥566,092	$5,290

10. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,130 million ($57 million), ¥6,001 million and ¥6,071 million for the years ended March 31, 2005, 2004 and 2003, respectively.

11. Income Taxes

The aggregate statutory tax rate applicable to the Company was 40.69% for the year ended March 31, 2005 and 42.24% for the years ended March 31, 2004 and 2003.

The effective tax rates reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2004 and 2003 differ from the statutory tax rate for the following reasons:

	2004	2003
Statutory tax rate:	42.24%	42.24%
Permanent non-deductible expenses	0.21	0.20
Decrease in deferred tax assets at March 31, 2003 resulting from change in statutory tax rate	—	2.91
Per capita portion of inhabitants' taxes	0.50	1.43
Special corporation tax deduction	(2.77)	—
Loss on business reorganization of a subsidiary	5.92	—
Other	(0.35)	—
Effective tax rate	45.75%	46.78%

The presentation of corresponding information for the year ended March 31, 2005 has been omitted because the difference between the statutory tax rate and the effective tax rate was less than five percent of the statutory tax rate.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2005, 2004 and 2003 are summarized as follows:

	Millions of yen 2005	Millions of yen 2004	Millions of yen 2003	Millions of U.S. dollars 2005
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥11,779**	¥12,428	¥11,266	**$110**
Loss on business reorganization of a subsidiary	**—**	4,740	—	**—**
Accrued social insurance premiums	**1,517**	—	—	**14**
Accrued enterprise tax included in accrued income taxes	**1,488**	2,372	1,989	**13**
Accrued retirement benefits	**64,108**	58,531	33,084	**599**
Adjustment to the JR Tozai Line rail usage charges for prior years	**—**	—	19,120	**—**
Accrued repair costs for elevated railroads of the Sanyo Shinkansen Line	**—**	—	1,527	**—**
Other	**6,571**	5,756	4,270	**61**
Total deferred tax assets	**85,466**	83,830	71,258	**798**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(2,622)**	(2,618)	(1,541)	**(24)**
Contributions for construction deducted from acquisition costs of property, plant and equipment	**(6,162)**	(5,279)	(2,365)	**(57)**
Total deferred tax liabilities	**(8,784)**	(7,897)	(3,907)	**(82)**
Deferred tax assets, net	**¥76,681**	¥75,933	¥67,351	**$716**

In accordance with a law on amendments to local tax laws, etc., announced on March 31, 2003, the Company applied a statutory tax rate of 40.84% to the calculation of deferred tax assets and liabilities at March 31, 2003, which are expected to be reversed on April 1, 2004 and thereafter. The effect of this change in the applicable statutory tax rate was to decrease deferred tax assets, net of deferred tax liabilities, at March 31, 2003 by ¥1,776 million, and to increase income taxes–deferred for the year ended March 31, 2003 and net unrealized holding gain on securities at March 31, 2003 by ¥1,828 million and ¥52 million, respectively.

12. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2005, 2004 and 2003, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
	2005	**2005**	**2005**	2004	2004	2004
Leased property for:						
Railway operations	**¥1,820**	**¥ 674**	**¥1,145**	¥1,538	¥383	¥1,154
Other operations	**1,228**	**686**	**541**	1,260	428	830
	¥3,048	**¥1,361**	**¥1,686**	¥2,798	¥812	¥1,985

	Millions of yen	Millions of yen	Millions of yen	Millions of U.S. dollars	Millions of U.S. dollars	Millions of U.S. dollars
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
	2003	2003	2003	**2005**	**2005**	**2005**
Leased property for:						
Railway operations	¥ 433	¥199	¥ 234	**$17**	**$ 6**	**$10**
Other operations	991	184	806	**11**	**6**	**5**
	¥1,424	¥384	¥1,040	**$28**	**$12**	**$15**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2005, 2004 and 2003 totaled ¥750 million ($7 million), ¥571 million and ¥228 million, respectively. These amounts are equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2006	¥ 737	$ 6
2007 and thereafter	949	8
	¥1,686	$15

13. Shareholders' Equity

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and corporate auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code further stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying non-consolidated balance sheets and non-consolidated statements of shareholders' equity. The Company's legal reserve amounted to ¥11,327 million ($105 million) at March 31, 2005, 2004 and 2003.

14. Contingent Liabilities

At March 31, 2005, the Company was contingently liable for an in-substance defeasance on bonds in the amount of ¥25,000 million ($233 million).

In addition, at March 31, 2005, the Company was contingently liable for guarantees of loans to subsidiaries in the aggregate amount of ¥27,253 million ($254 million).

15. Amounts per Share

Amounts per share at March 31, 2005, 2004 and 2003 and for the years then ended were as follows:

	Yen	Yen	Yen	U.S. dollars
	2005	2004	2003	**2005**
Net assets	**¥237,157.57**	¥219,640.07	¥205,323.44	**$2,216**
Net income	**24,002.61**	18,536.62	16,695.59	**224**
Cash dividends	**6,000.00**	6,500.00	5,000.00	**56**

Diluted net income per share has not been presented for the years ended March 31, 2005, 2004 and 2003 since the Company had no potentially dilutive stock at March 31, 2005, 2004 and 2003.

Net assets per share have been computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at each balance sheet date. Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year.

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

16. Subsequent Events

(1) On April 25, 2005, a rapid train derailed between Tsukaguchi Station and Amagasaki Station on the Fukuchiyama Line, resulting in multiple fatalities and injuries. The Company is doing its best to fulfil all its responsibilities to the bereaved families, the injured passengers and the residents of the condominium complex struck by the train. The Company anticipates that the related expenses will be considerable; however, it is unable at this time to estimate their effect on future operating results on a reasonable basis.

(2) The following appropriation of retained earnings, which has not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2005, was approved at a meeting of the shareholders of the Company held on June 23, 2005:

	Millions of yen	Millions of U.S. dollars
	2005	**2005**
Cash dividends (¥3,500=$32 per share)	**¥7,000**	**$65**