Aiming to Be the Most Reliable Railway



2007 Annual Report

For the year ended March 31, 2007

WEST JAPAN RAILWAY COMPANY

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

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

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

Corporate Philosophy

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

Safety Charter

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

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

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Population: *About 43 million people*

GDP: *About ¥164 trillion*

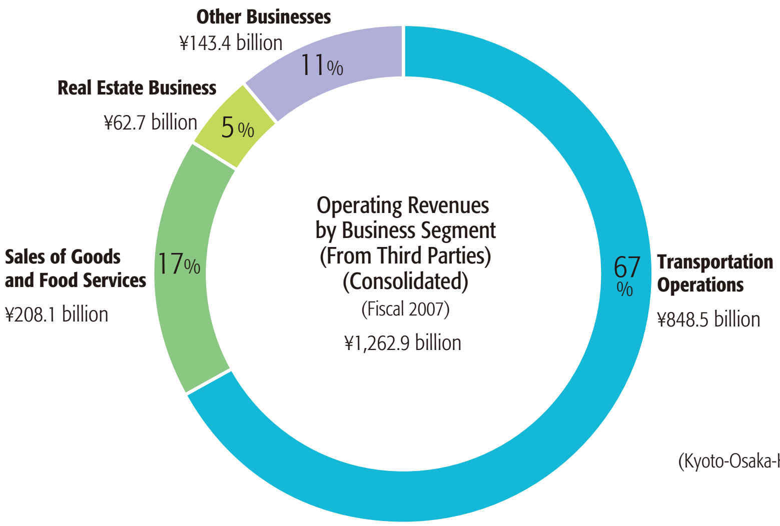
Route Length: *About 5,023.7 km*

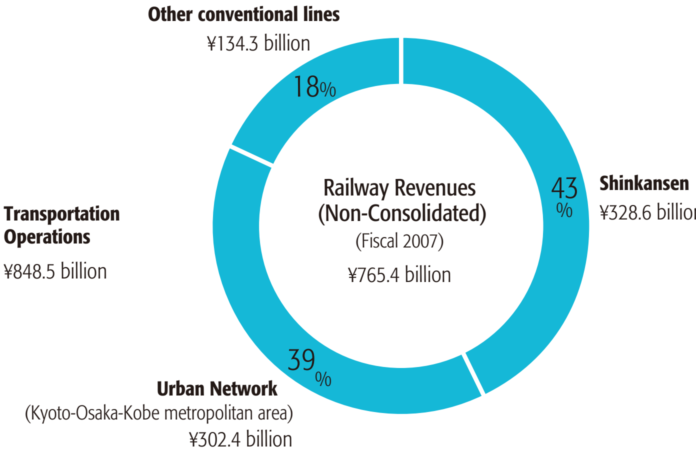
JR-West operates a railway network that stretches across an area of approximately 104,000 square kilometers, covering 18 prefectures in western Honshu and the northern tip of Kyushu with a total operating kilometerage of 5,023.7 kilometers. In addition to railway passenger services, JR-West operates retail, real estate, and other businesses that offer synergistic benefits with the railway business. The area served by JR-West's rail network is home to approximately 43 million people—34% of Japan's population—with a nominal GDP amounting to ¥164 trillion.

A significant portion of JR-West's revenue is derived from the Sanyo Shinkansen, a high-speed intercity transport line running at speeds of up to 300 kilometers/hour between Shin-Osaka Station in Osaka and Hakata Station in the city of Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu.

JR-West's Urban Network provides services to the Kyoto-Osaka-Kobe metropolitan area, which has a population of more than 20 million. An average of 3.95 million passengers use JR-West's Urban Network daily (fiscal 2007), mainly for commuting to work or school.

Business Environment





Business Overview

RAILWAY BUSINESS

JR-West has a total operating kilometerage of 5,023.7 kilometers, accounting for slightly less than 20% of the total operating kilometerage in Japan. By line, the high-speed intercity transport line Sanyo Shinkansen accounts for 644.0 kilometers, the Urban Network serving the Kyoto-Osaka-Kobe metropolitan area 621.7 kilometers (954.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), while other conventional lines (excluding the three branch offices) extend a total of 3,425.7 kilometers.

Transport operating revenues for fiscal 2007 (ended March 31, 2007) were derived 43% from the Sanyo Shinkansen, 39% from the Urban Network, and 18% from other conventional lines.

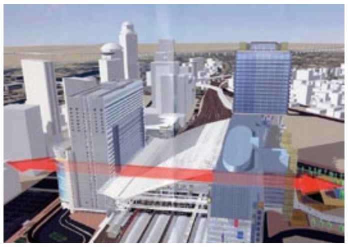
JR-West also operates bus and ferry services in addition to railways. The combined operating revenues in the Transportation Operations segment from these services accounted for approximately 67% of consolidated operating revenues (from third parties) in fiscal 2007, and around 71% of consolidated operating income.

The new N700 Series Shinkansen

NON-RAILWAY BUSINESSES

Along with its railway and other transport services JR-West utilizes its far-reaching network of stations and the large populations they serve to operate a variety of businesses that are either related to the railway business, or serve to supplement and/or strengthen it. These businesses include (1) sales of goods and food services business consisting of department stores, retail specialty stores, conveniences stores, Kiosk stands and restaurants in or near station premises; (2) a real estate business consisting of shopping center operations, development of commercial facilities around stations and underneath elevated tracks, and housing developments near railway lines; and (3) various other businesses such as hotels, travel services, advertising, rental cars, and construction.

Operating revenues from the Sales of Goods and Food Services, Real Estate Business and Other Businesses segments accounted for approximately 17%, 5%, and 11% of consolidated operating revenues (from third parties), respectively, in fiscal 2007, and around 4%, 16%, and 9% of consolidated operating income.



Renovation of Osaka Station

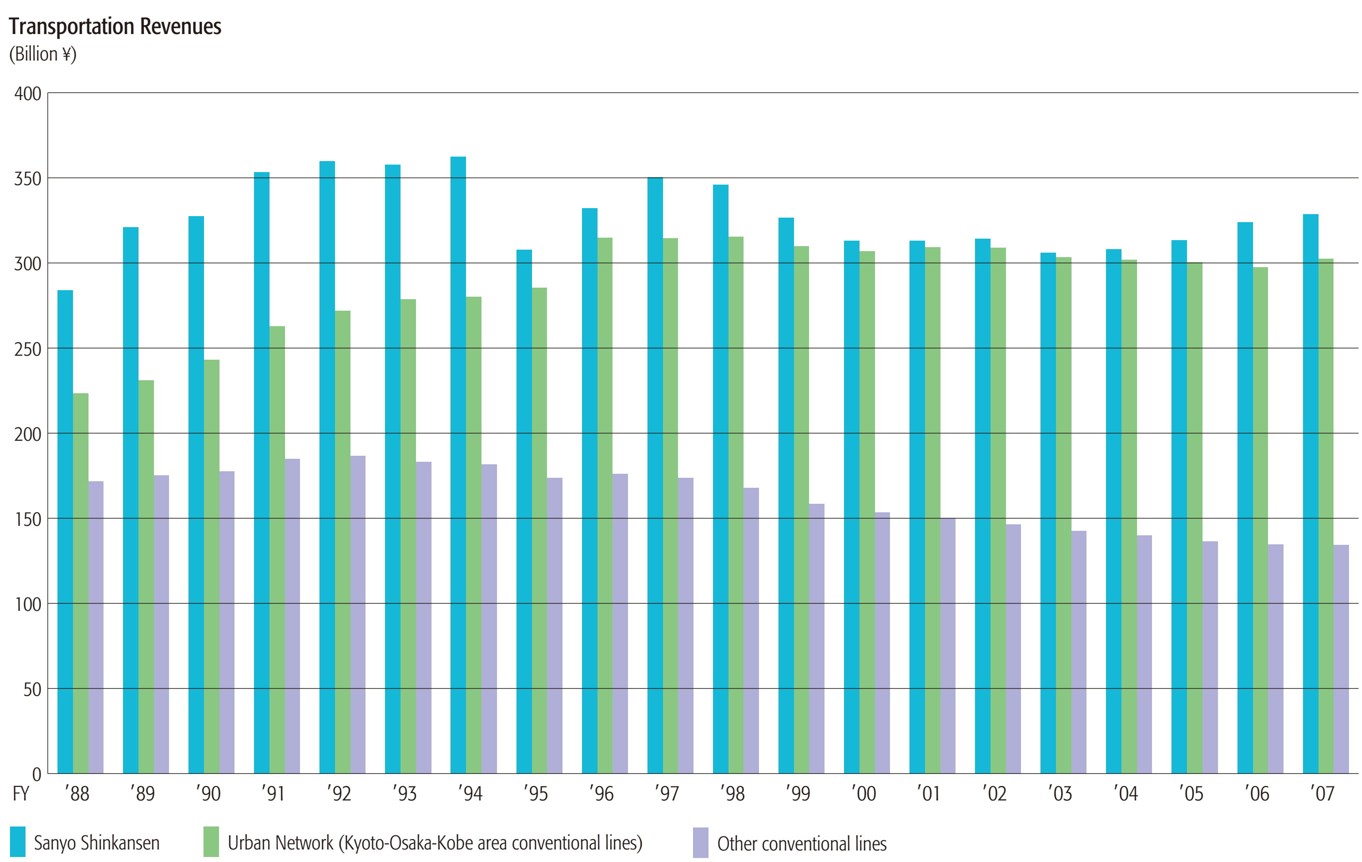
ELEVEN-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31	1997	1998	1999	2000	2001
For the Year:					
Operating revenues	¥ 1,209,266	¥ 1,229,137	¥ 1,205,078	¥ 1,191,009	¥ 1,195,516
Operating income	136,649	118,111	117,941	107,758	111,877
Net income (loss)	35,638	19,931	(9,014)	25,091	30,961
Return on assets (operating income basis)	5.2%	4.5%	4.5%	4.2%	4.4%
Return on equity (ROE)	11.5	6.1	(2.8)	7.6	8.1
Per Share Data:					
Net income (loss)	¥ 17,819.41	¥ 9,965.54	¥ (4,507.03)	¥ 12,545.62	¥ 15,480.62
Cash dividends	6,000	5,000	5,000	5,000	5,000
Net assets	162,132.73	165,917.46	156,308.87	174,423.63	206,822.51
At Year-End:					
Total assets	¥ 2,670,075	¥ 2,632,327	¥ 2,574,195	¥ 2,561,095	¥ 2,576,301
Total net assets	324,265	331,834	312,617	348,847	413,645

Note: Yen figures have been converted into U.S. dollars at the rate of ¥118=U.S.$1.00, the approximate exchange rate at March 31, 2007.

Performance

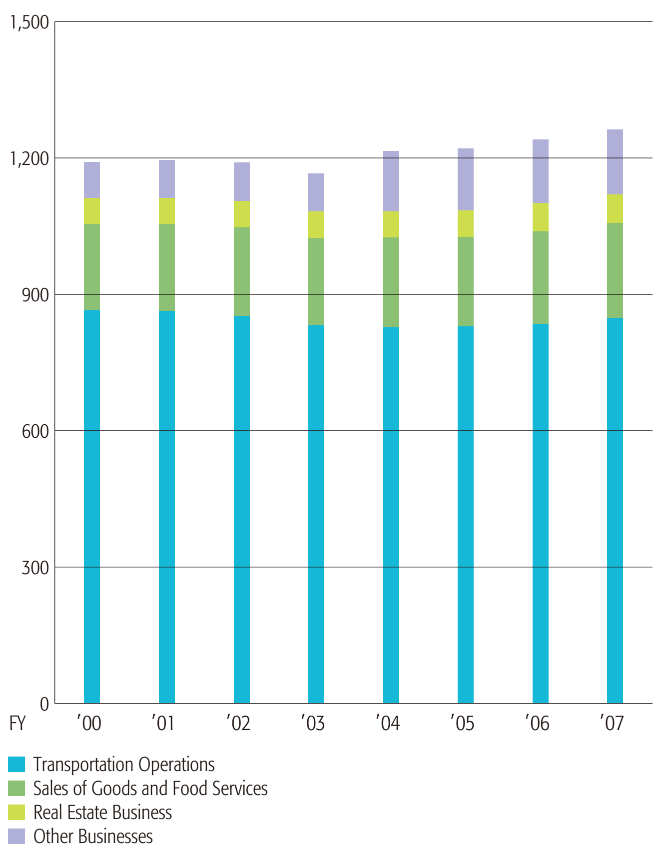
20-YEAR RAILWAY OPERATING REVENUES



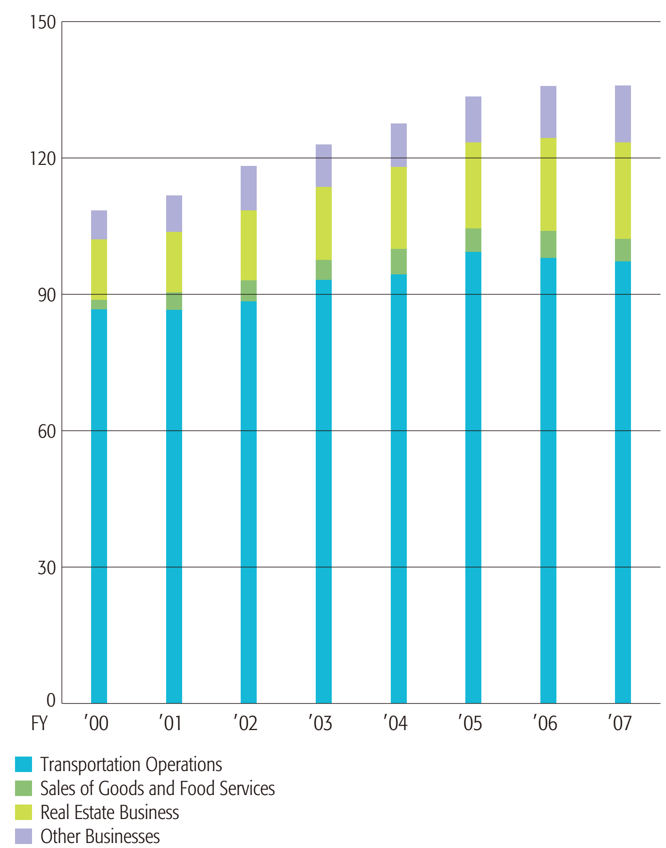
2002	2003	2004	2005	2006	**2007**	**2007**
					Millions of yen, %	Millions of U.S. dollars (Note)
¥ 1,190,610	¥ 1,165,571	¥ 1,215,735	¥ 1,220,847	¥ 1,240,098	**¥ 1,262,935**	**$10,702**
117,649	122,636	126,930	133,100	135,218	**135,341**	**1,146**
45,537	41,644	47,016	58,996	46,525	**56,791**	**481**
4.7%	5.1%	5.2%	5.6%	5.7%	**5.7%**	
11.0	9.8	10.2	11.8	8.5	**9.7**	
					Yen	U.S. dollars (Note)
¥ 22,768.68	¥ 20,740.12	¥ 23,423.19	¥ 29,462.96	¥ 23,281.96	**¥ 28,415.07**	**$ 240**
5,000	5,000	6,500	6,000	6,000	**6,000**	**50**
205,740.04	220,284.84	239,876.24	262,232.61	282,245.00	**303,906.52**	**2,575**
					Millions of yen	Millions of U.S. dollars (Note)
¥ 2,416,787	¥ 2,432,713	¥ 2,410,358	¥ 2,364,322	¥ 2,355,969	**¥ 2,401,667**	**$20,353**
411,480	440,556	479,762	524,357	564,254	**637,849**	**5,405**

BY BUSINESS SEGMENT

Operating Revenues (From Third Parties)
(Billion ¥)



Operating Income
(Billion ¥)



On April 25, 2005, West Japan Railway Company (JR-West) caused an extremely serious accident when a train derailed on the Fukuchiyama Line between Tsukaguchi and Amagasaki, resulting in the death of 106 passengers, with more than 500 injured. I would like to take this opportunity to once more offer a prayer for the souls of those who died, and offer our deepest apologies to their families. I would also like to offer an apology to those who were injured, and a prayer for their speedy recovery. We are also deeply sorry for the considerable stress and trouble we have caused to our customers, shareholders, and local residents.

Since the accident, JR-West has made its best efforts to help those who suffered as a result, while to ensure that such an accident is never repeated it has been implementing a wide range of measures to improve safety in accordance with the Safety Enhancement Plan submitted to the Minister of Land, Infrastructure and Transport on May 31, 2005. We also established a Safety Management System based on the Corporate Philosophy and Safety Charter initiated on April 1, 2006, and are taking other steps aimed at ensuring a safe and trustworthy rail service for passengers, regaining the trust of customers and society.


Masao Yamazaki

In view of these measures, in October 2006 we revised our group medium-term management targets originally formulated in March 2005. This revision sets as a management goal the establishment of a "corporate culture of placing top priority on safety," and states that JR-West will enhance safety with the aim of recovering the trust of passengers and society in general, and providing for the sustainable growth of the corporate group. Forecasts for operating revenues for the year to March 2009 have been revised upward from the initial plan, to be achieved by providing high-quality services and products that are the preferred choice of customers. At the same time, however, forecasts for return on assets (ROA) and return on equity (ROE) have been revised downward, in consideration of efforts necessary to enhance safety and other measures. Our overall aim is to steadily regain the trust of customers with our safety measures, so that we can more securely cement our sustainable growth as a corporate group.

Review of Fiscal 2007 Results

The most pressing issues for JR-West during fiscal 2007 (ended March 31, 2007) were to establish a corporate culture of placing top priority on safety, and to ensure the recovery of trust. With these priorities in mind, in our mainstay railway business we devoted our full effort to improving safety, while in the non-railway businesses we implemented measures that take advantage of the unique characteristics of each business, and worked to effectively utilize our assets.

In the railway business, we concentrated our efforts on implementing the Safety Enhancement Plan and a variety of other measures. We also further enhanced the convenience of the Sanyo Shinkansen service, revising timetables in March 2006 to add more *Nozomi* trains providing direct service from Hakata and Hiroshima to Tokyo, and increasing the number of extra trains for this increasingly popular line. For the Urban Network providing service to the Kyoto-Osaka-Kobe metropolitan area, in October 2006 we extended Special Rapid services on the Hokuriku Line and the Kosei Line to Tsuruga Station following completion of work to convert the electric supply from AC to DC, while in March 2007 we revised the timetable to coincide with the opening of the Sakura Shukugawa Station. In terms of marketing, we expanded the Express Reservation system allowing passengers to easily make or change reservations on the Tokaido and Sanyo Shinkansen using a PC or mobile phone. We further promoted use of the Shinkansen service by proactively posting such basic information on the Shinkansen service as number of trains, travel times, and fares.

In the non-railway business, including retail and real estate businesses, we continued to move ahead with the NexStation

Plan to improve the quality of stations, while further enhancing the retail business within stations. We also opened shopping centers in Okayama Station and in front of Kanazawa Station, and pursued other projects to develop stations and surrounding areas. Initiatives in the real estate business included proactive development of condominiums on sites of former company housing and other areas as part of the effective utilization of assets. The renovation of Osaka Station and development of the New North Building is proceeding smoothly. Construction has begun on the New North Building, with the opening planned for 2011.

As a result of these measures, operating revenues rose 1.8% year on year, to ¥1,262.9 billion on a consolidated basis for the fiscal year ended March 31, 2007. Although we had initially forecast a decline in profit, operating income increased 0.1%, to ¥135.3 billion. Net income rose 22.1%, to ¥56.7 billion.

● Measures to Ensure Sustainable Growth in Corporate Value

Fiscal 2008 (ending March 31, 2008) will be our third year since the accident. We intend to continue to focus on regaining customer trust through our safety measures, while at the same time moving forward with strategic initiatives for the future—such as strengthening the competitiveness of the Shinkansen service—that will allow us to adapt to changes in the business environment, and offering services and products to make JR-West the preferred choice of customers.

Specifically, as part of our ongoing response to victims of the accident we will continue to listen sincerely to their opinions and requests, and devote our full effort to providing a response while at the same time moving steadily forward with measures focused on improving safety and regaining trust. We intend to pay particular attention to the report published in June 2007 by the Aircraft and Railway Accident Investigation Commission of the Ministry of Land, Infrastructure and Transport, accept its recommendation and make the appropriate responses to prevent a reoccurrence.

In the railway business, we plan to further enhance the competitive the Shinkansen service with the introduction of eight trainsets of the new N700 Series Shinkansen, which offers greater speed and comfort. The July revisions to the timetable will increase the number of *Nozomi* departing from Shinagawa during the peak morning hours and high-speed *Hikari Rail Star* trains, while we will also further promote the use of the Express Reservation system. For the area serviced by the Urban Network, we are proceeding with construction work in preparation for the opening of the southern portion of the Osaka Outer Loop Line planned for the spring of 2008, the renovation of Tennoji Station, and the opening of new stations along the JR Kyoto and Kobe lines. In non-railway businesses, we will continue to develop the areas around stations, as well as steadily move forward with the construction of the New North Building in Osaka Station, improving environments in order to facilitate expansion of ACTY Osaka, and other measures to improve station facilities.

We remain keenly aware of the principle of "no trust without safety, no growth without trust." During the current fiscal year, we will continue to redouble our safety efforts, placing the highest priority on recovering the trust of customers and society. Building on a foundation of providing a trustworthy, reliable, and high-quality transportation service, the JR-West Group will build a foundation that will offer sustainable growth into the future while striving to provide a service that is beneficial to society, and to increase its revenues.

We sincerely appreciate your continued support of JR-West.

June 2007

Masao Yamazaki

Masao Yamazaki
President, Representative Director and Executive Officer

In March 2005, JR-West formulated and publicized a medium-term management targets entitled "CHALLENGE 2008—TOGETHER WITH OUR CUSTOMERS" (the "Targets") for the period through the fiscal year ending March 31, 2009. However, on April 25, 2005, the Company caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line. In consideration of the accident, the Company has formulated a Safety Enhancement Plan and has exerted its company-wide efforts to implement the plan steadily. Thus, the Company intends to revise the Targets, as described at right.

Management Target

Build a "Corporate Culture of Placing Top Priority on Safety"

We will build a "corporate culture of placing top priority on safety" by making all employees fully understand and put into practice the Corporate Philosophy and the Safety Charter and implementing the Safety Enhancement Plan steadily, and restore the confidence of our customers and other stakeholders, thereby realizing sustainable growth as a corporate group.

Important Management Challenges

Response to the Victims of the Accident in All Sincerity

We have given one of the highest priorities to our response to the victims of the railway accident on the Fukuchiyama Line. We, on the initiative of our Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line, will continue to exert our company-wide efforts to respond to any victims by listening to their opinions and requests in all sincerity. We will also convey the bitter anguish and grief of the victims to all employees and make each of them fully aware of the misery brought by the accident.

Promotion of Measures to Enhance Safety

Implement the Safety Enhancement Plan Steadily

By implementing the Safety Enhancement Plan steadily, we will exert our all-out efforts to provide reliable and trustworthy railway services and assure greater safety within the JR-West Group, which engages in railway services as its core business, thereby building up a basis for sustainable growth in the future.

To be specific, by enhancing awareness of the Safety Charter and holding safety meetings to allow top management and officers on the one hand and employees in the field on the other to directly exchange opinions, we will endeavor to prevent the accident from fading from our memories and make all employees more safety-conscious.

In addition, we will intensively and steadily implement measures in our software infrastructures, including the establishment and improvement of the symptom control activities utilizing “accident origins” and “worrisome events” and more effective education of employees on safety, as well as measures in our hardware infrastructures, including the installation of ATS-SWs (with speed checking functions) and ATS-Ps, quake-resistant reinforcement construction of elevated tracks and other quake-resistant and disaster-preventive measures, measures to enhance crossing security and replacement of aged facilities.

Furthermore, we will promote various measures to prevent the recurrence or occurrence of a grave accident, including the establishment of schemes for safety audits and safety evaluation and the continued improvement thereof through actually implementing the same. This is the utilization of the fruits of work by our Safety Research Institute established in June 2006 and adequate responses to recommendations of the Aircraft and Railway Accidents Investigation Commission of the Ministry of Land, Infrastructure and Transport and proposals of our Safety Consultative Committee. We will also focus more efforts on preventing labor accidents, including measures to prevent railway workers from being hit by trains.

To promote these measures, we, based on the notion that “great importance should be placed on people in the field” and that “the group companies should work in a body,” will endeavor to secure human resources and enhance technology and expertise and pour our management resources preferentially and intensively to required capital expenditure and other items during the period.

Establish a Safety Management System

To engage in enhancing safety continuously, in October 2006 we, in accordance with the Railway Business Law amended recently, established the “Railway Safety Management Manual,” which is intended to establish a safety management system relating to the basic policy on business operations, control systems and methods of implementation thereof to secure safe transportation.

Based on the “Railway Safety Management Manual,” we will continue our efforts to enhance safety to build a corporate culture of placing top priority on safety.

In so doing, we aim to cause “no accident to produce casualties among our customers.” Also, we will exert ceaseless effort to cause “no serious labor accident to our employees.”

Promotion of Reforms

To restore the confidence of our customers and the society eroded by the accident and build up a basis for sustainable growth in the future, we will share a sense of current crisis, and promote reforms of our business operations in general, including job structures, operational processes, and schemes and systems in which employees find job satisfaction and take pride.

Provision of Quality Services and Products Preferred by Customers

Railway Business

In March 2006, we revised the timetables of our conventional railway lines, specifically in the Urban Network (transportation services linking the entire Kyoto-Osaka-Kobe metropolitan area), which have revised stoppage time and set a margin of time according to the actual status of use by passengers. We will also continue our efforts to improve the qualities of our transportation services in general, including ground facilities and rolling stock, raise the level of front-desk services of our employees, implement measures based on "customer opinions," strengthen our IT and IC technology, including the services of "Express Reservations" of the Shinkansen Line started in July 2006, and implement other measures rapidly, placing top priority on safety, from the perspective of our customers and precisely in response to customer needs.

In March 2006, we revised the timetables of the Shinkansen Line. We will continue our efforts to further improve our Shinkansen transportation system, including the introduction of N700 Series rolling stock, and make preparations for the opening of the Osaka Outer Loop Line and the Kyushu Shinkansen Line between Hakata and Shin-Yatsushiro, thereby implementing various projects relating to our railway business properly.

Non-Railway Businesses

We will devote more efforts to our current "NexStation Plan" to improve the quality of our station, and endeavor to increase the values of our ICOCA and J-WEST cards, whereby developing businesses to support the lifestyles of our customers aggressively, centering on the railway business.

We will steadily promote the Osaka Station renovation and New North Building development project, expected to be completed in the spring of 2011, and continue our efforts to build up a basis for sustainable growth of the whole JR-West Group.

Enhancement and Preservation of Technology, and Expertise and Promotion of Technological Development

With the understanding that business operations based on capable and reliable technology and expertise will form the basis for business management, including safety, we, united with the whole group companies, will enhance and preserve technology and expertise.

In developing technologies, we will further strengthen cooperation with other companies and third-party research organizations, aiming at reforming railway technology through introduction of state-of-the-art technology and general-purpose technology to the railway system, based on a solid technology platform.

Performance of Corporate Social Responsibilities

With the belief that we can perform our corporate social responsibilities only through pursuing the cause declared in our new Corporate Philosophy, we, all officers and employees, will exert our strenuous efforts for fulfillment of this purpose, focused on establishing ourselves as a reliable and trustworthy railway company.

To respond to the expectations of our stakeholders, including customers, shareholders, communities and societies, we will strengthen our functions of monitoring and supervising management based on the newly established system of corporate governance, assure strict compliance in the whole business operations and improve our crisis management system to implement our internal control system effectively, and simultaneously promote timely and adequate information disclosure and environment-protection efforts, whereby performing our corporate social responsibilities in earnest.

Prospect of Management Indices

As a result of our efforts as discussed above, the management indexes for the fiscal year ending March 31, 2009 as projected in the Targets are expected to be as follows:

Consolidated ROA (return on assets)	5.8%	(6.4%)
Consolidated ROE (return on equity)	9.4%	(10.0%)
Consolidated operating revenues	¥1,275 billion	(¥1,250 billion)
Transportation revenues	¥767.5 billion	(¥756.5 billion)

Total capital expenditure on a consolidated basis for the fiscal year ended March 31, 2005 to the fiscal year ending March 31, 2009	¥750.0 billion	(¥660.0 billion)
Total capital expenditure on a non-consolidated basis for the fiscal year ended March 31, 2005 to the fiscal year ending March 31, 2009	¥620.0 billion	(¥540.0 billion)
Safety-related capital expenditure	¥360.0 billion	(¥280.0 billion)

The figures in the parentheses show those prior to revision.

Please take notice that these forward-looking statements of operating results in the future are made as of October 31, 2006 and may differ materially from the actual results.

JR-West, in its business plan through the fiscal year to March 2009, has allocated an additional ¥80 billion for safety-related capital expenditures over four years. This is just one part of our dedicated effort in a wide range of areas aimed at regaining the trust of customers by improving safety.

Installing and Upgrading ATS Devices

Automatic train stop (ATS) devices are part of a system that uses ground control information to sound an alarm to notify the driver or automatically apply the brakes when a train approaches a stop signal, ensuring that the train will stop before reaching the signal. The ATS-SW and ATS-P devices include additional functions to monitor the speed of the train as well.

Increasing the number of ATS-SW devices and ATS-P devices along heavily used sections of track is part of the operational and hardware safety measures in JR-West's Safety Enhancement Plan.

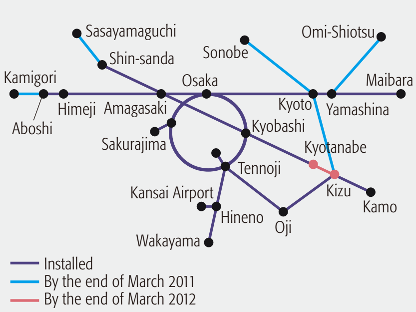
ATS-SW Implementation Status

- Devices were installed in 1,234 places along curved portions of track during fiscal 2006, while in fiscal 2007 were installed at points and crossings (1,107 places) and dead-end lines (57 places).

ATS-P Implementation Status

- During 2007, devices were installed along the Yamatoji Line (between Kamo and Oji), and along the Hanwa Line (between Hineno and Wakayama). Installation work is also proceeding for the Nara Line (between Kyoto and Kizu) and planned for other lines.

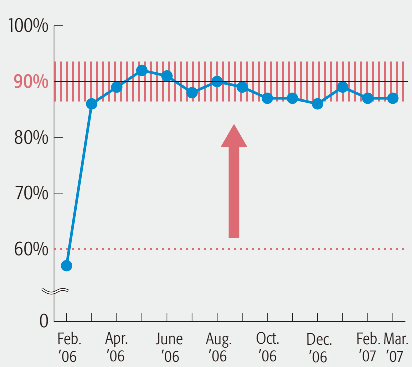
Installation Plan of ATS



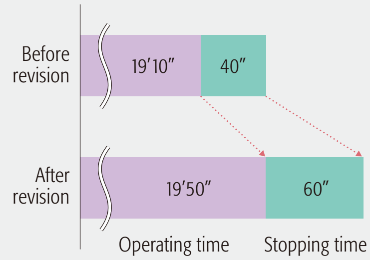
Revision of Timetables

In accordance with the timetable revision policy stipulated in the Safety Enhancement Plan, on March 18, 2006, JR-West implemented a network-wide timetable revision, centered on its Urban Network operations, that provides more leeway in terms of travel times between stations and station stop times to ensure safer transport. One example is the Special Rapid Service on the Urban Network, where the daytime travel time has been lengthened from 19 to 20 minutes between Sannomiya and Osaka. Such revisions allow more time for passengers to board and alight from trains, providing a less stressful journey.

Ratio of Scheduled Operation Achievement after Timetable Revision (Special Rapid Service)



Daytime Travel Times on the Special Rapid Service (Sannomiya–Osaka)



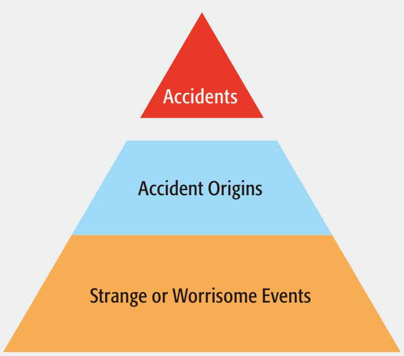
Simulation Training for Train Crews

As a part of the efforts to make our education program more effective, JR-West has introduced simulators that allow crew members to train under a wide range of actual conditions that occur in everyday operation. Various simulations and training tailored to the skills and abilities of each crew member increase their ability to handle emergency and other types of situations. As of the end of March 2007, simulators for train drivers had been installed in 64 locations, and for conductors in 24 locations.

Reports on "Accident Origins" and "Symptom Control Activities"

JR-West has long used danger anticipation training and other drills to help employees anticipate accidents before they occur, but is also working together as a company to prevent accidents by actively encouraging employees to report the nature of the potential causes of accidents, minor errors that did not result in an accident, as well as "strange or worrisome events" latent in daily operations in workplaces.

To encourage employees to report the nature of the potential causes of accidents on their own initiative an environment has been created in which such reports do not count against the employee, and new systems introduced to make such reporting easier.



Quake-Resistant and Earthquake Disaster Prevention Measures

Drawing on its experience with the 1995 Hanshin-Awaji Earthquake, JR-West has undertaken seismic reinforcements and other measures to counter earthquakes. We are also working to ensure safety in the event of an earthquake with systems to detect seismic activity ahead of time, allowing trains to be stopped as quickly as possible.

Quake-Resistant Reinforcement Construction

- Elevated track pillars are being strengthened so that they will not collapse during a major earthquake.
  Sanyo Shinkansen: Work being conducted on entire line (completion planned in fiscal 2009)
  Urban Network: Work concentrated on high-speed portions of lines
- Bridge supports were expanded and other bridge sections reinforced along the entire Sanyo Shinkansen line to prevent the fall of bridge girders.

Earthquake Disaster Prevention Systems

- The safety of the Shinkansen service has been improved with the creation and improving of an earthquake early warning system.*

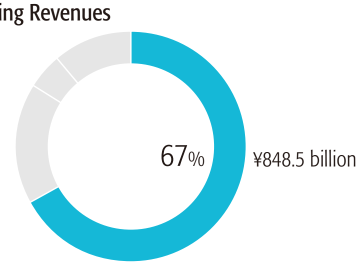
  * A system that picks up the preliminary tremors (P waves) of an earthquake at the "seaside detection point" near the epicenter, and applies the brakes of any Shinkansen train in operation prior to the arrival of the main shaking (S waves).
- A similar system is also being used on the Urban Network as part of a system to automatically transmit a warning signal to train crews.
- Additional seismometers are also being installed to more accurately detect seismic activity.

Accident Response Training

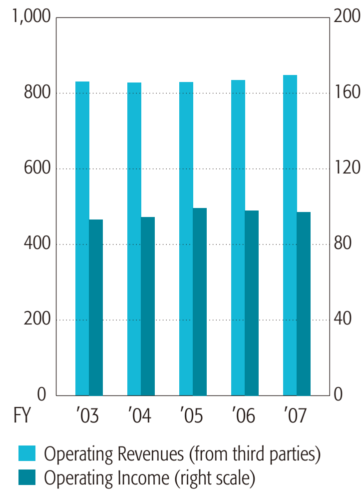
JR-West has prepared a manual for employees should an accident occur, which places the highest priority to preventing additional accidents and aiding passengers, as well as stipulates specific actions with regard to quickly adopting an initial action framework, contacting relevant authorities and organizations, and methods to respond to customers. Comprehensive accident response training is regularly conducted to provide employees with practical experience in these areas, and to assess their response. During fiscal 2007, such training was conducted a total of 50 times, and a total of approximately 4,800 employees participated.

Transportation Operations

Operating Revenues



Operating Results
(Billion ¥)



Business Overview

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

Urban Network (Kyoto-Osaka-Kobe area conventional lines)
The Urban Network provides passenger transport services to the densely populated Kyoto, Osaka, and Kobe and their surrounding areas. It has a total operating kilometerage of 621.7 kilometers (954.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network for the entire Kyoto-Osaka-Kobe metropolitan area.

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

Fiscal 2007 Results

Sanyo Shinkansen
Operating revenues rose 1.5% (¥4.8 billion) year on year, to ¥328.6 billion.

Urban Network (954.0-km basis)
Operating revenues rose 1.6% (¥4.8 billion) year on year, to ¥302.4 billion.

Other Conventional Lines
Operating revenues fell 0.2% (¥0.3 billion) year on year, to ¥134.3 billion.

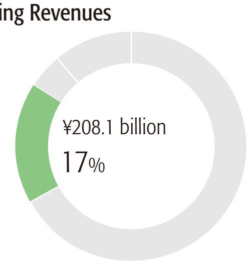
Total
Operating revenues for the Transportation Operations segment increased 1.7% year on year, to ¥848.5 billion. Operating income, however, decreased 0.8%, to ¥97.2 billion.

Major Subsidiaries

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

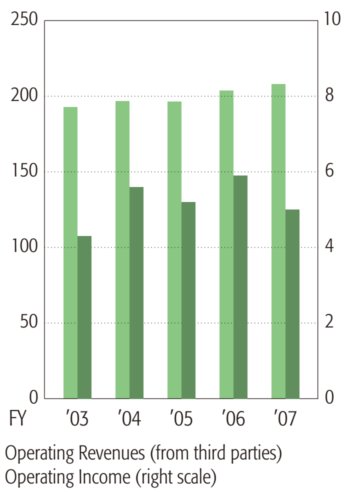
Sales of Goods and Food Services

Operating Revenues



Operating Results

(Billion ¥)



JR-West's retail services mainly target railway passengers, consisting of convenience stores, specialty stores, and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

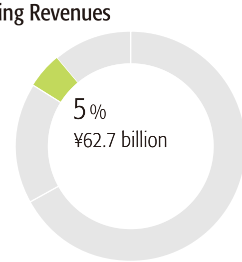
Operating revenues rose 2.1% year on year, to ¥208.1 billion, while operating income declined 15.2%, to ¥5.0 billion.

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

Eight other companies

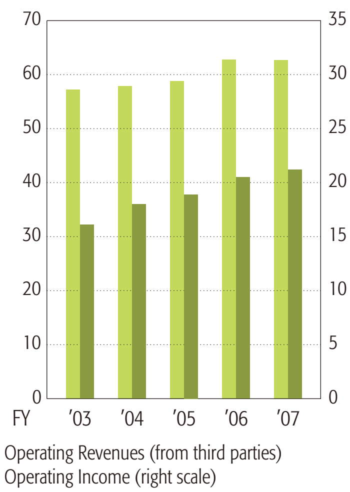
Real Estate Business

Operating Revenues



Operating Results

(Billion ¥)



JR-West's real estate services consist of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

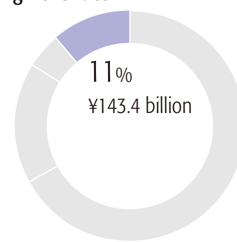
Operating revenues declined 0.3% year on year, to ¥62.7 billion. Operating income, however, increased 3.5%, to ¥21.2 billion.

- Osaka Terminal Building
- Kyoto Station Building Development

19 other companies

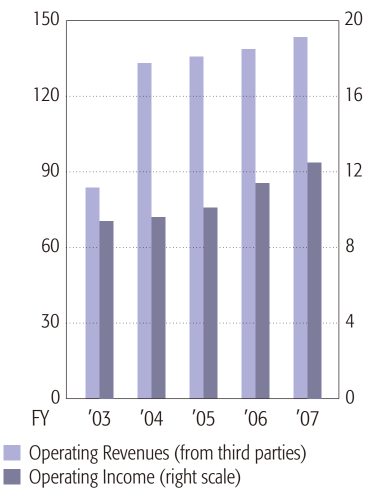
Other Businesses

Operating Revenues



Operating Results

(Billion ¥)



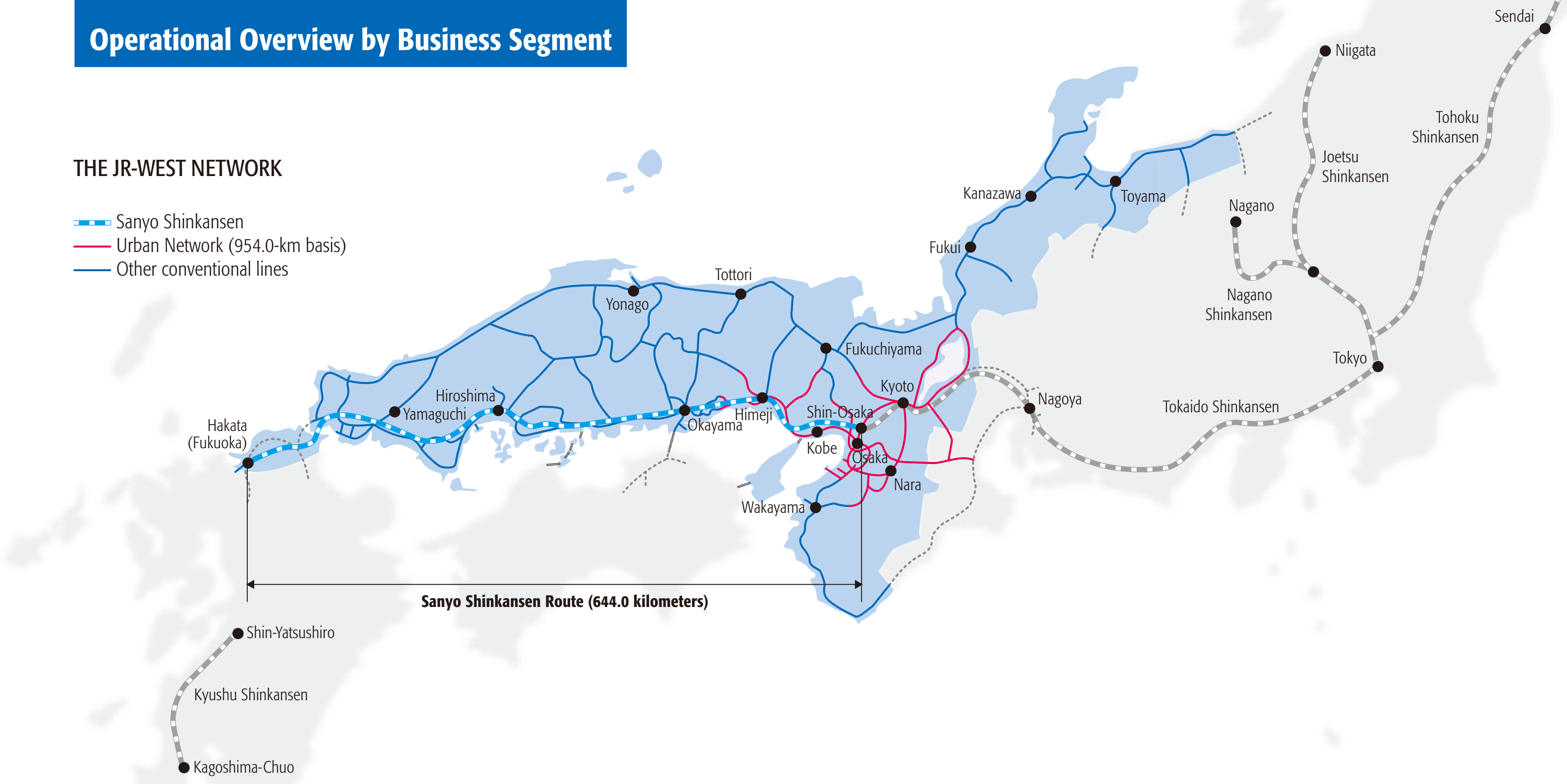
JR-West's other businesses consist of a travel agency business operated by Nippon Travel Agency, which became a consolidated subsidiary of JR-West in fiscal 2004, a hotel business operating the Hotel Granvia Kyoto and other hotels, as well as an advertising agency business, maintenance and engineering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

Operating revenues rose 3.4% year on year, to ¥143.4 billion, with operating income up 9.2%, to ¥12.5 billion.

- West Japan Railway Hotel Development
- Nippon Travel Agency

31 other companies

THE JR-WEST NETWORK



Transportation Operations

OVERVIEW

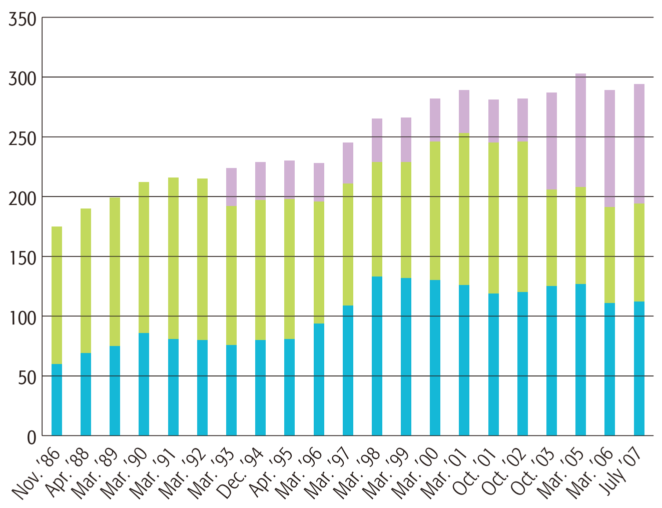
JR-West's Transportation Operations consist of the railway business, along with small-scale bus and ferry services. The railway business encompasses 18 prefectures in the western half of Honshu and the northern tip of Kyushu, an area of approximately 104,000 square kilometers. The region is home to approximately 43 million people, equivalent to 34% of the population of Japan. The Company operates 50 lines with a total of 1,208 stations. Operating route length totals 5,023.7 kilometers, a little less than 20% of all passenger railway kilometerage in Japan. By line, the Sanyo Shinkansen, a high-speed intercity transport line, stretches 644.0 kilometers, the Urban Network covering the Kyoto-Osaka-Kobe metropolitan area covers 621.7 kilometers (954.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), and other conventional lines (excluding the three branch offices in Kyoto, Osaka, and Kobe) extend a total of 3,425.7 kilometers.

Operating revenues in the Transportation Operations segment rose 1.7% year on year, to ¥848.5 billion. The majority of this revenue is derived from the passenger railway revenue of the parent company JR-West, which rose 1.2% from the previous fiscal year, to ¥765.4 billion. Operating income in this segment, however, declined 0.8%, to ¥97.2 billion due to increases in maintenance and miscellaneous expenses arising from a focus on various measures to improve safety.

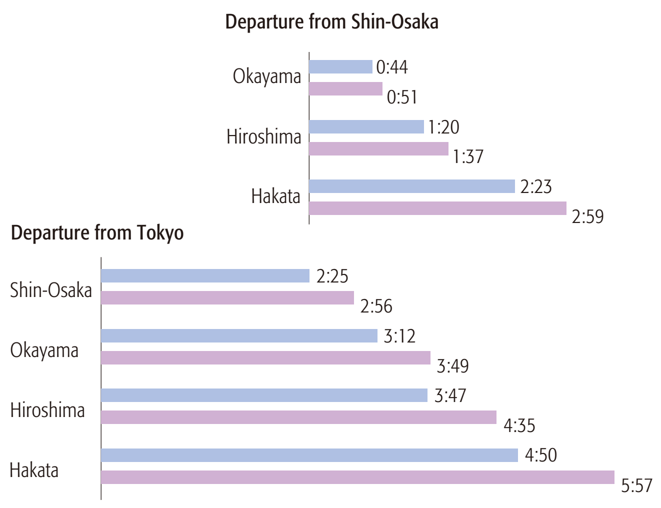
In fiscal 2007, JR-West concentrated on implementing its Safety Enhancement Plan and a range of other measures aimed at establishing a corporate culture that places a top priority on safety. Specific measures included enhancements to the safety training structure to make it more effective, such as expanded use of simulators for train conductors, and computer-aided instruction (CAI) for station staff involved in transportation operations. We also conducted comprehensive training for train accidents with the aim of enhancing response capabilities in the event of an accident, such as in the areas of providing aid to passengers, and cooperation with rescue crews, police, and other authorities.

In terms of facilities, the Company has expanded the area of tracks with both the ATS-SW and ATS-P automatic train stop systems that prevent trains from exceeding speed limits at points and crossings, and other portions of track. We also strengthened pillars supporting elevated tracks against earthquakes, increased the number of anemometers to help counter problems from strong winds.

Number of Sanyo Shinkansen Trains per Day



Sanyo Shinkansen: Transition of Arrival Time (In Hours and Minutes)



SANYO SHINKANSEN

The Sanyo Shinkansen is a high-speed intercity passenger service between Shin-Osaka Station in Osaka and Hakata Station in Fukuoka in northern Kyushu. The line runs through several major cities in western Japan, including Kobe, Okayama, Hiroshima, and Kitakyushu. It has a total operating kilometerage of 644.0 kilometers, and 19 stations, including Shin-Osaka Station. JR-West owns the entirety of the railway facilities related to the existing Sanyo Shinkansen, and with the exception of Shin-Osaka Station (owned by JR Central), operates all of the other 18 stations.

There are four types of trains in operation on the Sanyo Shinkansen: the express trains *Nozomi*, *Hikari Rail Star*, and *Hikari*, and the local train *Kodama*. Of these the fastest is *Nozomi*, which operates at a maximum speed of 300 kilometers per hour, linking Shin-Osaka and Hakata in two hours and 23 minutes.* The majority of the *Nozomi* trains are through-service trains running on the Tokaido Shinkansen tracks operated by JR Central linking Tokyo and Shin-Osaka. This allows passengers to travel across the Tokaido Shinkansen from Tokyo or Nagoya to the major stations along the Sanyo Shinkansen—Okayama, Hiroshima and Hakata—without having to change trains.

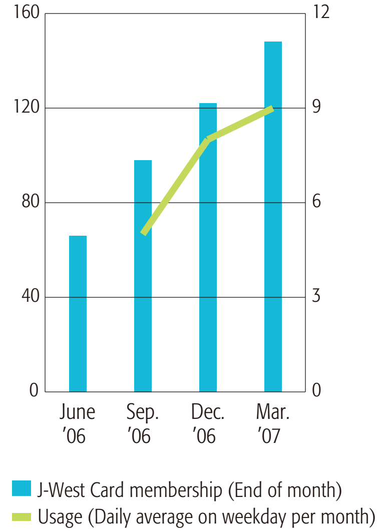
*In the case of the fastest service

The new N700 Series Shinkansen

Operating revenue from the Sanyo Shinkansen began declining in fiscal 1997 due to the slowdown in the Japanese economy and increasingly fierce competition from competing forms of transport, such as airplanes and highway buses. However, this trend began to reverse with the shift of *Hikari*

Hikari Rail Star

J-WEST Card Membership (End of Month)
and Its Usage (Daily Average on Weekday per Month)



trains to the faster *Nozomi* in October 2003, and timetable revisions centered on lowering fares for the *Nozomi* trains. Further timetable revisions in March of 2005 and again in 2006 that increased the number of *Nozomi* trains added a further boost, and through fiscal 2007 revenue has risen for four consecutive years.

Ridership on the Sanyo Shinkansen during fiscal 2007 was up 0.9% year on year to 61 million, with total passenger-kilometers up 2.1% to 15,164 million passenger-kilometers. Transportation revenues increased 1.5% (up ¥4.8 billion), to ¥328.6 billion. Both transport volume and revenue for fiscal 2007 rose for the fourth consecutive fiscal year.

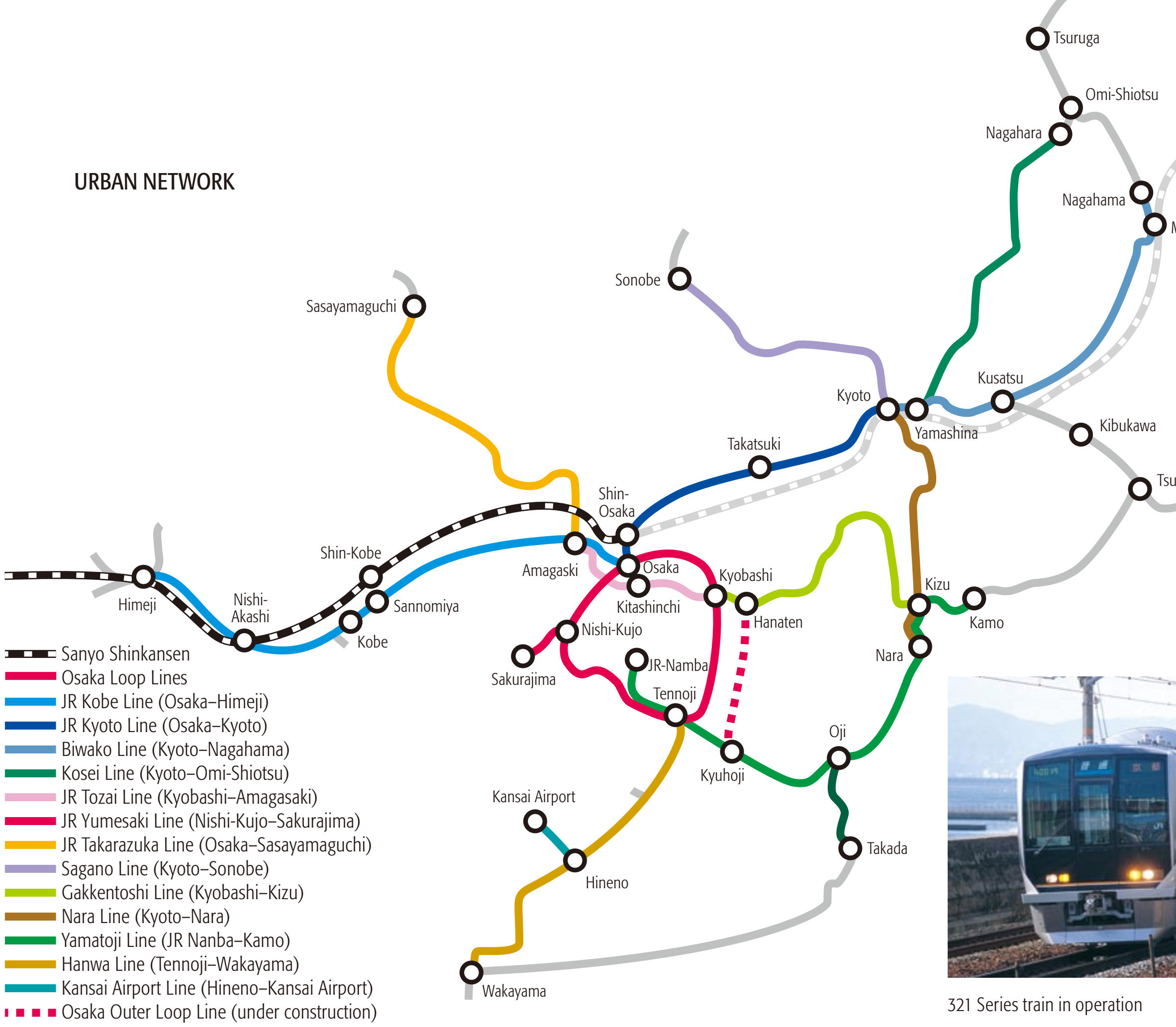
Review of Fiscal 2007

The opening of the Kobe Airport in February 2006 and the New Kitakyushu Airport in March 2006 significantly increased the number of airline flights in JR-West's competitive area. In response we made efforts to enhance the competitiveness of Shinkansen service with further revisions to timetables in March 2006, an increase in the number of *Nozomi* trains providing direct service from Hakata and Hiroshima to Nagoya and Tokyo, and addition of express service for the *Hikari Rail Star*, running between Hakata and Shin-Osaka.

In terms of marketing, from July 2006 we broadened the scope of the Express Reservation Service, which allows customers to easily reserve or change Shinkansen reservations at any time up to the point of departure using a PC or mobile phone, to the entire Sanyo and Tokaido Shinkansen. We also further promoted use of the Shinkansen service by proactively posting such basic information on the Shinkansen service as number of trains, travel times, and fares. To increase the number of cardholders of the J-WEST Card necessary to use the Express Reservation system, we conducted PR and other campaigns to highlight the privileges of membership. We further worked in cooperation with local governments, travel agents and other JR companies to develop strategies for the DISCOVER WEST and other travel campaigns, and stimulate demand for tourism. We also launched the travel association Club DISCOVER WEST for persons over 50 years of age, in an effort to stimulate demand for travel.

During fiscal 2008, we plan to concentrate on measures to further improve safety, as well as move forward steadily with a variety of initiatives for the future.

URBAN NETWORK



321 Series train in operation

URBAN NETWORK SERVICES

(Kyoto-Osaka-Kobe Area Conventional Lines)

The Urban Network provides passenger service for the densely populated major cities of Kyoto, Osaka, and Kobe, and their surrounding areas. It has an operating route length of 621.7 kilometers (954.0 kilometers including the three branch offices in Kyoto, Osaka, and Kobe), forming a comprehensive network stretching across the entire Kyoto-Osaka-Kobe region.

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

Ridership on the Urban Network (954.0-km basis) during fiscal 2007 was up 0.9% year on year to 1,443 million passengers, with total passenger-kilometers up 1.9% to 28,801 million passenger-kilometers. Transportation revenues increased 1.6% (up ¥4.8 billion), to ¥302.4 billion.

Review of Fiscal 2007

In transportation operations, JR-West expanded the coverage area for the traffic control system and made other efforts to enhance safe and reliable transportation services. Work to convert the electric supply on the Hokuriku Line and the Kosei Line from AC to DC was completed in October 2006,

Initiatives for Fiscal 2008

JR-West implements a timetable revision in July 2007 that includes the new N700 Series Shinkansen, which offers greater speed and comfort, as well as increase the number of *Nozomi* departing from Shinagawa during the peak morning hours and high-speed *Hikari Rail Star* trains, as part of an effort to provide customers with a safe, trustworthy, and high-quality service. To maximize the benefit from the introduction of the N700 Series, we will highlight the convenience of the Express Reservation system and the cost benefits in order to further promote the use of the Shinkansen service. We will continue with the DISCOVER WEST campaign, and through the development of the travel association Club DISCOVER WEST for persons over 50 years of age, pursue initiatives in cooperation with local governments to draw attention to the Kyoto area.

In July 2007, with the aim of creating a unified planning and operational structure for the Shinkansen business, JR-West establishes within the Railway Operations Headquarters the Shinkansen Supervising Department, along with the Shinkansen Management Division, which functions as a branch office for Shinkansen-related sites.

The Safety Research Institute

JR-West established the Safety Research Institute on June 23, 2006, to further strengthen its safety assurance. The institute conducts research as an organization independent of other departments, with its finding reflected in specific measures to enhance safety management or revise procedures at work sites.

Institute Head

- **Safety Management Research Laboratory**
  Analyzes and researches management methods and assessment methods to improve railway safety
- **Human Factors Research Laboratory**
  Researches means of preventing human error arising from psychological or physiological causes
- **Safety Systems Research Laboratory**
  Researches the human-machine interfaces necessary to prevent accidents from the standpoint of human factors

permitting extension of Special Rapid Service to Tsuruga Station. Timetables were also revised in March 2007 to accommodate the opening of the Sakura Shukugawa Station.

Initiatives for Fiscal 2008

Work on the southern portion of the Osaka Outer Loop Line (between Hanaten and Kyuhoji) is currently underway, with the opening of the planned for the spring of 2008. The completion of this line will link the Yamatoji Line, Gakkentoshi Line and JR Tozai Line through the Osaka Outer Loop Line, and improve access for passengers traveling from Nara to Kitashinchi Station, close to Osaka Station. We plan to renovate Tennoji Station to coincide with the opening of the Osaka Outer Loop Line, improving access to Osaka Station from Wakayama Prefecture and the Kansai International Airport. We are also proceeding with construction of new stations along the JR Kyoto and Kobe lines, with opening planned for the spring of 2008 or later.

The ICOCA IC Card

Use of the ICOCA non-contact IC card, a service introduced in the Urban Network area in November 2003, has steadily increased, with the number of cards issued reaching 2.91 million within the first three and a half years of the launch of the service. In August 2004, we began offering reciprocal use with the Suica IC card issued by East Japan Railway Company, and in January 2006 reciprocal use with the PiTaPa IC card issued by Surutto Kansai Association, an organization composed of public and private railway operators in the Kansai region. In February 2006, along with the launch of the J-WEST Card we began issuing the SMART ICOCA card, which allows cardholders to charge their IC card without using cash, further promoting its use.

In response to the positive feedback received from Urban Network passengers, we introduce the ICOCA service in the Okayama and Hiroshima areas from September 2007.

ICOCA card

The Railway Safety Education Center

The Railway Safety Education Center was established with the goal of ensuring that each and every employee carefully consider the issue of safety, and reflect this in specific ways in his or her actions.

The center includes illustrations and photographs that highlight the seriousness of the Fukuchiyama Line accident, allowing employees to experience for themselves the responsibility for protecting the truly precious lives of our customers. It also describes the current rules, equipment, and other safety measures introduced as a result of the accident.

We are having all employees attend the center as early as possible, to learn about the Fukuchiyama Line accident and other past serious accidents so as to reflect those lessons in specific actions and practices for safety assurance.

OTHER CONVENTIONAL LINES

JR-West's other conventional lines comprise intercity transport provided by limited express and express trains, regional transport for commuters and students in and around regional hub cities such as Hiroshima and Okayama, and local lines with low transport density. The other conventional lines have an operating route length of 3,425.7 kilometers.

Business conditions for the other conventional lines remain harsh due to the decline in population along the railway lines and other factors. However, as these lines serve a role as feeders for Shinkansen service, and function as part of the overall railway network, we plan to implement a variety of management efforts, placing priority on ensuring safety.

Ridership on the other conventional lines during fiscal 2007 (excluding the three branch offices in Kyoto, Osaka and Kobe) declined 0.7% year on year to 373 million passengers, though total passenger-kilometers were up 0.1% to 9,712 million passenger-kilometers. Transportation revenues decreased 0.2% (down ¥0.3 billion), to ¥134.3 billion.

BUS AND FERRY SERVICES

JR-West's Transportation Operations segment also includes bus and ferry services. In bus services, the Company made efforts aimed at further ensuring safety, including equipping vehicles with safety devices, and enhancing employee training. Also, with competition for highway bus services becoming more intense, we strengthened our marketing capabilities with full-scale operation of the Highway Bus Net, an Internet reservation service. We also began operating the Youth Mega Dream Bus, and took other steps to provide services to respond to the varied needs of customers.

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

New-style Kiosk stand

Dessert Terrace Store in Osaka Station

Sales of Goods and Food Services

JR-West's retail services mainly target railway passengers, consisting of convenience stores, specialty stores, and other food and beverage establishments located in and around station buildings, as well as the JR Kyoto Isetan department store.

Review of Fiscal 2007

JR-West continued to move forward with its NexStation Plan to improve the quality of stations, formulated in fiscal 2003. We also opened new-style Kiosk stands and small convenience stores "Daily In," developed original products, and made efforts to stimulate sales at existing stores. Further, we opened the Dessert Terrace, a collection of well-known dessert shops, in Osaka Station, and took other measures to enhance retail operations within stations. For the JR Kyoto Isetan department store we took steps to increase profitability, including a freshening up of the sales floors to reflect the change in the seasons, and further expanding our lineup of unique products.

As a result, operating revenues in the Sales of Goods and Food Services segment rose 2.1% from the previous year, to ¥208.1 billion. Operating income, however, was down 15.2%, to ¥5.0 billion.

The NexStation Plan to Improve the Quality of Stations

The JR-West Group announced its NexStation Plan in February 2003, with the goal of developing the 150,000 square meters of stations and surrounding areas—the Company's most important assets—over a five-year period from fiscal 2003 through fiscal 2007. The plan would enhance the appeal of stations through the development of commercial facilities, renovations and the introduction of new services. This plan was further expanded in the group medium-term management targets announced in March 2005, to develop 250,000 square meters over the five-year period from fiscal 2005 through fiscal 2009.

Sun Station Terrace Okayama in Okayama Station

JR Kanazawa Station NK Building

Real Estate Business

JR-West's real estate services consist of the management of shopping centers in station buildings and other facilities, operation of large station buildings at terminal stations, development of commercial facilities near station areas and underneath elevated tracks, and real estate sales and leasing operations for residential and urban development focused on railway lines.

In shopping center operations, JR-West has strengthened the Group's tenant leasing functions, and accelerated its efforts to attract preferential tenants. At the same time, we have enhanced the customer drawing power and freshness of our facilities through regular merchandise and tenant changeovers. In real estate sales and leasing, JR-West seeks to effectively utilize its real estate holdings by steadily developing shopping centers in station buildings, as well as developing and selling condominiums on former sites of company housing units and leisure facilities. We are also currently renovating Osaka Station and developing the New North Building, which are planned to open in spring 2011.

Review of Fiscal 2007

JR-West continued to develop station premises and surrounding areas during the subject fiscal year. The "bridge station building" (a type of station with ticket gates and other station facilities above the tracks) was opened in Okayama Station, along with the SUN STATION TERRACE OKAYAMA, a shopping center facing the walk-through linking the east and west sides of the station. The JR Kanazawa Station NK Building was also opened in front of Kanazawa Station, attracting a large-scale shopping center as a tenant. The Company also developed condominium apartments on land formerly used for housing for Company employees, and made other efforts to effectively utilize assets.

The plan for renovation of Osaka Station and the development of the New North Building is steadily moving forward, with construction begun on the New North Building.

As a result, fiscal 2007 operating revenues for the Real Estate Business segment declined 0.3% from the previous year, to ¥62.7 billion. Operating income, however, increased 3.5%, to ¥21.2 billion.

Hotel Granvia Hiroshima

Other Businesses

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

Review of Fiscal 2007

In travel agency operations, JR-West undertook aggressive marketing measures that included enhancing the Red Balloon Centennial product established to mark the 100th anniversary of Nippon Travel Agency, and a strengthening of sales via the Internet. In hotel operations, the Company promoted sales with renovations to its banquet halls and guest rooms, along with various events organized by the banquet and culinary divisions.

As a result, operating revenues in the Other Businesses segment increased 3.4% from the previous fiscal year, to ¥143.4 billion, with operating income climbing 9.2%, to ¥12.5 billion.

Feature

The

Prepared in December 2003, the Osaka Station Renovation and New North Building Development Plan was designed to make Osaka Station, located in Osaka's Kita ("North") Area and JR-West's premier terminal station, a station befitting its status as the gateway to Osaka. The plan would also increase the earnings of the corporate group, and help to invigorate both the Osaka Station area and the entire Kansai region. The main tenets of the plan are a fundamental renovation of the station, enhancements to station concourses and public areas, and development of the New North Building, all of which were intended to allow Osaka Station to provide the comfort and convenience appropriate to a terminal station.

The station renovation and improvement work focused on alleviating overcrowding, providing more convenience for changing trains, and making facilities barrier-free. The plan incorporates substantial revisions to passenger flow


Artist's image of the New North Building


Artist's image of ACTY Osaka after the expansion of floors

Osaka Station Renovation and New North Building Development Project

and station design, improvements that make the station easier to use, along with erection of a large dome and other ideas to create an attractive, symbolic station space. Along with the station renovations we are also adding elements to make the station area an excursion destination in its own right, such as walkways and public areas in the new building and over the station.

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

Along with the plans to renovate Osaka Station and develop the New North Building, JR-West also formulated a plan in December 2005 for the expansion of ACTY Osaka, the existing south building. The aim of this plan is to renovate and create an attractive façade for the south-side entrance of Osaka Station, providing a balance and uniform flow with the north side. Specific plans include expanding the floor space of the ACTY Osaka building by 35,000 square meters, constructing a connecting concourse linking the north and south sides of the station together with a multi-story public space, along with other measures to make the south side of the station more like a main entrance. Construction to expand the building is scheduled to begin in the fall of 2007, to be completed around the same time as the New North Building.

The total construction cost for both projects is projected to be approximately ¥170 billion.

Artist's image of Osaka Station

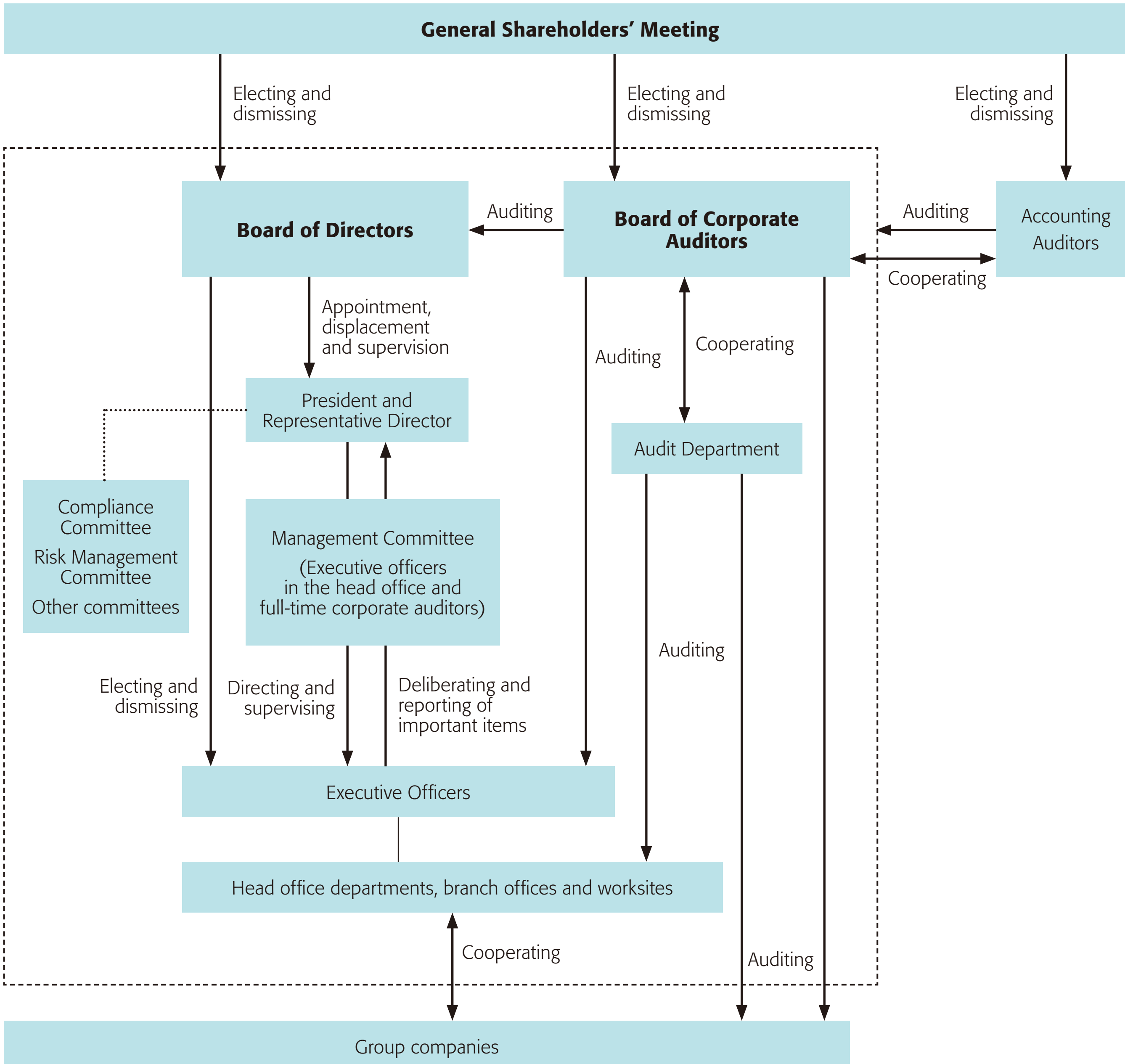
Since its establishment, JR-West has invited persons from outside the Company with excellent management skill and exceptional insight to be directors and corporate auditors. (Currently, five of 13 directors, and three of four corporate auditors are from outside the Company.) The beneficial advice and proper auditing the Company receives has helped ensure transparency and fairness in management. The Company has also reduced the number of directors, introduced an executive officer system, and broadened the authority of the executive officers to strengthen the supervisory function of the Board of Directors, and enhance the speed of decision-making. In accordance with these measures, in June 2006 the Company introduced a new corporate governance structure aimed at further enhancing the monitoring and oversight of business conduct, as well as increasing its speed.

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

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

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

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


General Shareholders' Meeting
Electing and dismissing
Electing and dismissing
Electing and dismissing
Board of Directors
Auditing
Board of Corporate Auditors
Auditing
Accounting Auditors
Cooperating
Appointment, displacement and supervision
Auditing
Cooperating
President and Representative Director
Audit Department
Compliance Committee
Risk Management Committee
Other committees
Management Committee
(Executive officers in the head office and full-time corporate auditors)
Auditing
Electing and dismissing
Directing and supervising
Deliberating and reporting of important items
Executive Officers
Head office departments, branch offices and worksites
Cooperating
Auditing
Group companies

Board of Directors and Corporate Auditors

As of June 22, 2007

Chairman of the Board of Directors .... **Noritaka Kurauchi***

Director .... **Yoshio Tateishi***

Director .... **Akio Nomura***

Director .... **Satoru Sone***

Director .... **Tadashi Ishikawa***

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

Director, Vice President and Executive Officer .... **Kazuaki Maruo****

Director, Vice President and Executive Officer .... **Takayuki Sasaki****

Director and Senior Managing Executive Officer ...... **Ryuichiro Tsuchiya**

Director and Senior Managing Executive Officer .... **Takashi Kondo**

Director and Senior Executive Officer .... **Seiji Manabe**

Director and Senior Executive Officer .... **Naoki Nishikawa**

Director and Senior Executive Officer .... **Koichi Inoue**

* External Director; ** Representative Director

Corporate Auditor .... **Noboru Koide***

Corporate Auditor .... **Tsutomu Iwasaki*, ****

Corporate Auditor .... **Kazuo Yoshida****

Corporate Auditor .... **Ikuo Uno****

* Full-time Auditor; ** External Auditor

Executive Officers

As of June 22, 2007

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Executive Officer .... **Kenji Nanakawa**
- *General Manager of Track & Structures Department, Railway Operations Headquarters*

Executive Officer .... **Yoshifumi Matsuda**
- *General Manager of Hiroshima Branch*

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

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

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

Executive Officer .... **Satoshi Maruyama**
- *General Manager of Okayama Branch*

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

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

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

Executive Officer .... **Masato Naito**
- *Deputy General Manager of Shinkansen Management Division*
- *General Manager of Fukuoka Branch, Shinkansen Management Division*

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

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

Executive Officer .... **Makoto Shibata**
- *General Manager of General Affairs Department*

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

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

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

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

Organizational Structure

As of July 1, 2007

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

Results of Operations

Operating revenues for fiscal 2007 (ended March 31, 2007) expanded 1.8% from the previous fiscal year to ¥1,262.9 billion, the fourth consecutive increase. This was due mainly to a ¥14.1 billion rise in the Transportation Operations segment stemming from improved convenience from timetable revisions and other factors that increased use of Shinkansen service. Increases in the Sales of Goods and Food Services, Real Estate Business, and Other Businesses segments also contributed to the rise in operating revenues.

Operating income was up 0.1% from the previous fiscal year to ¥135.3 billion, the seventh consecutive rise. The increase was realized despite a ¥14.5 billion expansion in maintenance and miscellaneous expenses due to efforts to improve safety, and an increase in the cost of sales in the Sales of Goods and Food Services segment.

Net income rose 22.1% from the previous fiscal year to ¥56.7 billion, the first expansion in two fiscal periods. The increase was due to a 6.2% improvement in the loss on net financial expenses to a loss of ¥36.9 billion, while additions to reserves in the previous fiscal year for expenses for disposal of products containing PCB, and for earthquake resistance reinforcements, were not repeated during the subject fiscal year.

Factors Affecting Results of Operations

■ *Revenues*

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

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

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

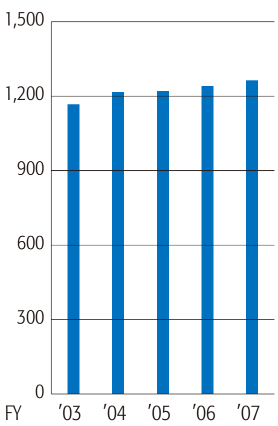
The Other Businesses segment's revenues primarily consist of income from hotel and travel agency operations. Hotel revenue is affected mainly by economic conditions, room rates, and competition from other hotels. Travel agency revenue is affected mainly by competition from other agents, as well as anything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

■ *Expenses*

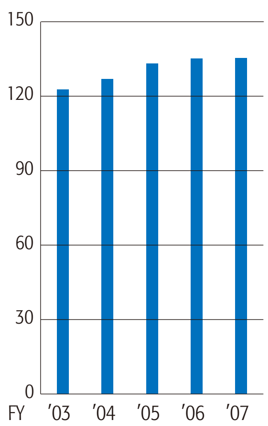
Personnel costs declined ¥3.6 billion from the previous fiscal year to ¥272.5 billion. With many employees taking advantage of JR-West's early retirement program, staff numbers necessary to maintain operations are secured through new hires and other means. Both employee numbers and personnel costs have declined as a result.

In terms of non-personnel costs, JR-West is working to achieve structural cost reductions through the introduction of rolling stock and equipment that are easily maintained, mechanization, and the improvement of existing infrastructure, while placing the highest priority on ensuring safety. However, in response to the serious accident that occurred when a train derailed on the Fukuchiyama Line between Tsukaguchi and

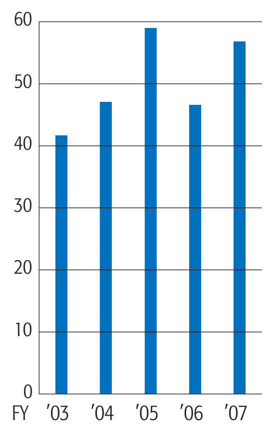
Operating Revenues
(Billion ¥)



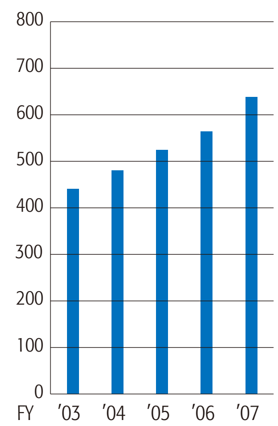
Operating Income
(Billion ¥)



Net Income
(Billion ¥)



Total Net Assets
(Billion ¥)



Amagasaki, we have formulated a Safety Enhancement Plan and are currently implementing measures based on it. As a result, for the foreseeable future we anticipate a rise in expenses necessary to enhance safety.

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

Among other expenses, interest expense is a major factor. The JR-West Group's total interest expense for the subject fiscal year declined ¥2.5 billion to ¥37.2 billion, due to reduction of long-term debt and payables and lower interest rates.

Liquidity and Capital Sources

■ *Cash Flows*

Net cash provided by operating activities in fiscal 2007 amounted to ¥188.6 billion (up ¥24.5 billion year on year). This was due mainly to an increase in income before income taxes and minority interests.

Net cash used in investing activities totaled ¥131.7 billion (up ¥30.0 billion). This was due mainly to an increase in purchases of property, plant and equipment.

Net cash used in financing activities declined ¥14.7 billion from the previous fiscal year to ¥54.6 billion. This was due mainly to a ¥38.1 billion repayment of long-term debt and payables, and payment of dividends.

As a result, cash and cash equivalents at March 31, 2007, amounted to ¥57.5 billion, an increase of ¥2.1 billion compared to March 31, 2006.

■ *Capital Demand and Capital Expenditures*

JR-West made capital expenditures totaling ¥183.4 billion in fiscal 2007, of which the Transportation Operations segment accounted for ¥146.1 billion, the Sales of Goods and Food Services segment ¥3.9 billion, the Real Estate Business segment ¥23.2 billion, and the Other Businesses segment ¥10.1 billion. Capital investment in the Transportation Operations segment was mainly for railroad infrastructure centered on safety enhancements, and purchases of new rolling stock.

The Group's capital expenditures in the Sales of Goods and Food Services, Real Estate Business, and Other Businesses segments were mainly for construction of new facilities, and renovation of aged facilities. The Group has already announced its plans for renovation of Osaka Station and development of the New North Building, as well as its plan for expansion of ACTY Osaka Building. The JR-West Group anticipates capital expenditures for these projects to be approximately ¥170.0 billion at this point, with completion scheduled for fiscal 2012.

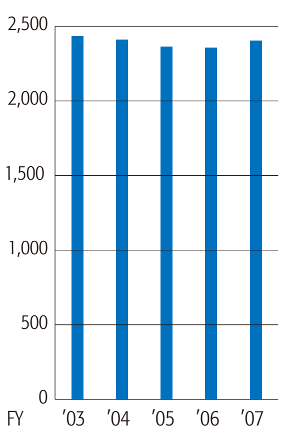
Further, JR-West has formulated a Safety Enhancement Plan in response to the serious accident that occurred on the Fukuchiyama Line between Tsukaguchi and Amagasaki stations, which includes infrastructure-related measures such as operational safety equipment necessary to further enhance safety, and calls for the ongoing consideration of various initiatives to bolster safety.

■ *Liquidity and Financing*

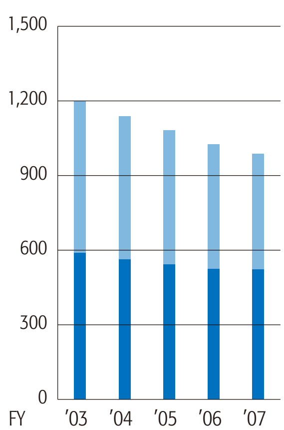
The JR-West Group receives substantial amounts of cash on a daily basis mainly from the Transportation Operations segment, ensuring a sufficient level of cash flow. At the same time, however, we recognize that improving financial efficiency is very important in terms of business management. As part of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

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

Total Assets
(Billion ¥)



Long-Term Debt and Payables
(Billion ¥)



Long-term payables
Long-term debt

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

Basic Management Policies

The JR-West Group will work together as a group to foster a corporate culture which places a top priority on safety, concentrating on its core business of railway operations. We will further seek to regain trust as quickly as possible, and pursue sustainable development as a corporate group.

The JR-West Group, with railway operations as its core business, is engaged in sales of goods and food services, real estate and other businesses aimed at providing services mainly to railway passengers, as well as efficient utilization of assets in the vicinity of railway stations. In its business development, the Company works to strengthen its sense of unity, as well as effectively utilize its business assets and otherwise further strengthen its management foundation as a means of attaining sustainable growth and enhancement of corporate value as a group. Going forward, JR-West will continue to strive to improve its corporate value by accurately identifying market trends, providing high-quality services and products which customers repeatedly select with confidence, and implementing various measures in a strategic and timely manner. Amid a difficult operating environment, these efforts will be made in accordance with the Corporate Philosophy and Safety Charter, and founded on the principle of safety as the highest priority.

Consolidated Balance Sheets

West Japan Railway Company and its consolidated subsidiaries
As of March 31, 2007, 2006 and 2005

	Millions of yen			Millions of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
ASSETS				
Current assets:				
Cash (Notes 3 and 11)	**¥ 57,814**	¥ 56,093	¥ 62,901	**$ 489**
Marketable securities (Note 4)	**—**	3	2	**—**
Notes and accounts receivable:				
Unconsolidated subsidiaries and affiliates	**2,483**	2,133	2,788	**21**
Trade	**94,593**	83,564	72,411	**801**
Less allowance for doubtful accounts	**(397)**	(351)	(308)	**(3)**
Inventories (Note 6)	**19,379**	17,939	15,696	**164**
Income taxes refundable (Note 14)	**329**	194	48	**2**
Deferred income taxes (Note 14)	**18,679**	19,426	19,079	**158**
Prepaid expenses and other current assets (Note 5)	**33,217**	28,855	41,500	**281**
Total current assets	**226,100**	207,859	214,120	**1,916**
Investments:				
Unconsolidated subsidiaries and affiliates (Note 7)	**41,013**	38,264	36,927	**347**
Other securities (Notes 4 and 11)	**23,834**	26,762	16,767	**201**
	64,847	65,027	53,695	**549**
Property, plant and equipment (Notes 8, 9, 11 and 12)**:**				
Land	**658,519**	655,311	662,910	**5,580**
Buildings and structures	**2,681,260**	2,639,039	2,614,754	**22,722**
Machinery, equipment and vehicles	**1,039,468**	1,004,483	976,969	**8,809**
Tools, furniture and fixtures	**91,132**	84,552	79,684	**772**
Construction in progress	**66,296**	59,442	69,296	**561**
	4,536,677	4,442,829	4,403,613	**38,446**
Less accumulated depreciation	**(2,563,530)**	(2,491,949)	(2,420,952)	**(21,724)**
Property, plant and equipment, net	**1,973,146**	1,950,880	1,982,660	**16,721**
Deferred income taxes (Note 14)	**92,698**	88,022	73,014	**785**
Other assets	**44,872**	44,179	40,831	**380**
Total assets	**¥2,401,667**	¥2,355,969	¥2,364,322	**$20,353**

See accompanying notes to consolidated financial statements.

	Millions of yen			Millions of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Note 10)	**¥ 13,137**	¥ 14,445	¥ 13,420	**$ 111**
Current portion of long-term debt (Notes 10 and 11)	**49,352**	88,904	30,888	**418**
Current portion of long-term payables (Note 12)	**36,562**	36,170	38,623	**309**
Notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**3,581**	5,823	4,356	**30**
Trade	**170,967**	145,145	126,566	**1,448**
Prepaid railway fares received	**30,507**	30,503	30,434	**258**
Deposits and advances received	**130,841**	115,269	159,232	**1,108**
Accrued expenses	**60,213**	65,419	62,587	**510**
Accrued income taxes (Note 14)	**20,474**	27,946	21,307	**173**
Allowance for loss on restructuring of a subsidiary (Note 1(10))	**—**	259	—	**—**
Deferred income taxes (Note 14)	**198**	—	—	**1**
Other current liabilities	**12,918**	11,259	9,848	**109**
Total current liabilities	**528,757**	541,148	497,263	**4,480**
Long-term debt (Notes 10, 11 and 22(1))	**473,192**	435,663	512,362	**4,010**
Long-term payables (Note 12)	**427,689**	464,205	499,794	**3,624**
Accrued retirement benefits (Note 16)	**219,693**	201,677	199,779	**1,861**
Allowance for antiseismic reinforcement measures (Note 1(11))	**9,931**	14,400	—	**84**
Allowance for environmental safety measures (Note 1(12))	**7,426**	7,543	—	**62**
Deferred income taxes (Note 14)	**113**	76	76	**0**
Other long-term liabilities (Note 11)	**97,012**	99,230	105,211	**822**
Minority interests	**—**	27,769	25,476	**—**
Contingent liabilities (Note 18)				
Net assets:				
Shareholders' equity (Note 17):				
Common stock:				
Authorized – 8,000,000 shares;				
Issued and outstanding – 2,000,000 shares	**100,000**	100,000	100,000	**847**
Capital surplus	**55,000**	55,000	55,000	**466**
Retained earnings (Note 22(2))	**443,658**	398,910	365,303	**3,759**
Less treasury stock, at cost	**(327)**	(327)	(327)	**(2)**
Total shareholders' equity	**598,331**	553,583	519,976	**5,070**
Valuation and translation adjustments:				
Net unrealized holding gain on securities	**8,864**	10,670	4,381	**75**
Net deferred gain on hedging instruments	**348**	—	—	**2**
Total valuation and translation adjustments	**9,212**	10,670	4,381	**78**
Minority interests	**30,305**	—	—	**256**
Total net assets	**637,849**	564,254	524,357	**5,405**
Total liabilities and net assets	**¥2,401,667**	¥2,355,969	¥2,364,322	**$20,353**

Consolidated Statements of Income

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Millions of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Operating revenues	**¥1,262,935**	¥1,240,098	¥1,220,847	**$10,702**
Operating expenses (Note 1 (9))**:**				
Transportation, other services and cost of sales	**919,294**	899,513	880,106	**7,790**
Selling, general and administrative expenses (Note 13)	**208,299**	205,367	207,640	**1,765**
	1,127,593	1,104,880	1,087,747	**9,555**
Operating income	**135,341**	135,218	133,100	**1,146**
Other income (expenses):				
Interest and dividend income	**331**	372	330	**2**
Interest expense	**(37,298)**	(39,799)	(42,653)	**(316)**
Equity in earnings of affiliates	**1,016**	1,214	239	**8**
Amortization of prior service cost (Note 1(8))	**(2,142)**	4,039	(715)	**(18)**
Loss on impairment of fixed assets (Notes 2(1) and 9)	**(242)**	—	(4,429)	**(2)**
Provision of allowance for antiseismic reinforcement measures (Note 1(11))	**—**	(14,400)	—	**—**
Provision of allowance for environmental safety measures (Note 1(12))	**—**	(7,543)	—	**—**
Other, net (Note 18)	**3,864**	794	19,539	**32**
	(34,469)	(55,321)	(27,688)	**(292)**
Income before income taxes and minority interests	**100,872**	79,896	105,411	**854**
Income taxes (Note 14)**:**				
Current	**44,320**	50,280	45,412	**375**
Deferred	**(2,816)**	(19,306)	(1,424)	**(23)**
	41,504	30,974	43,987	**351**
Income before minority interests	**59,368**	48,922	61,424	**503**
Minority interests	**(2,576)**	(2,396)	(2,428)	**(21)**
Net income	**¥ 56,791**	¥ 46,525	¥ 58,996	**$ 481**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred gain on hedging instrument	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2004	¥100,000	¥55,000	¥319,491	¥(327)	¥474,165	¥ 5,597	¥ –	¥ 5,597	¥ –	¥479,762
Net income for the year	–	–	58,996	–	58,996	–	–	–	–	58,996
Cash dividends	–	–	(13,000)	–	(13,000)	–	–	–	–	(13,000)
Bonuses to directors and corporate auditors	–	–	(193)	–	(193)	–	–	–	–	(193)
Increase in retained earnings resulting from merger of consolidated and unconsolidated subsidiaries	–	–	9	–	9	–	–	–	–	9
Net changes in items other than shareholders' equity	–	–	–	–	–	(1,216)	–	(1,216)	–	(1,216)
Balance at March 31, 2005	¥100,000	¥55,000	¥365,303	¥(327)	¥519,976	¥ 4,381	¥ –	¥ 4,381	¥ –	¥524,357
Net income for the year	–	–	46,525	–	46,525	–	–	–	–	46,525
Cash dividends	–	–	(13,000)	–	(13,000)	–	–	–	–	(13,000)
Bonuses to directors and corporate auditors	–	–	(92)	–	(92)	–	–	–	–	(92)
Decrease in retained earnings resulting from inclusion of a subsidiary in consolidation	–	–	(41)	–	(41)	–	–	–	–	(41)
Increase in retained earnings resulting from merger of consolidated and unconsolidated subsidiaries	–	–	215	–	215	–	–	–	–	215
Net changes in items other than shareholders' equity	–	–	–	–	–	6,289	–	6,289	–	6,289
Balance at March 31, 2006	¥100,000	¥55,000	¥398,910	¥(327)	¥553,583	¥10,670	¥ –	¥10,670	¥ –	¥564,254
Reclassified balance at March 31,2006	**–**	**–**	**–**	**–**	**–**	**–**	**348**	**348**	**30,305**	**30,654**
Net income for the year	**–**	**–**	**56,791**	**–**	**56,791**	**–**	**–**	**–**	**–**	**56,791**
Cash dividends	**–**	**–**	**(12,000)**	**–**	**(12,000)**	**–**	**–**	**–**	**–**	**(12,000)**
Decrease in retained earnings resulting from merger of consolidated subsidiaries	**–**	**–**	**(43)**	**–**	**(43)**	**–**	**–**	**–**	**–**	**(43)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(1,806)**	**–**	**(1,806)**	**–**	**(1,806)**
Balance at March 31, 2007	**¥100,000**	**¥55,000**	**¥443,658**	**¥(327)**	**¥598,331**	**¥ 8,864**	**¥348**	**¥ 9,212**	**¥30,305**	**¥637,849**

Millions of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Net deferred gain on hedging instrument	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	$847	$466	$3,380	$(2)	$4,691	$ 90	$–	$ 90	$ –	$4,781
Reclassified balance at March 31, 2006	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**	**256**	**259**
Net income for the year	**–**	**–**	**481**	**–**	**481**	**–**	**–**	**–**	**–**	**481**
Cash dividends	**–**	**–**	**(101)**	**–**	**(101)**	**–**	**–**	**–**	**–**	**(101)**
Decrease in retained earnings resulting from merger of consolidated subsidiaries	**–**	**–**	**(0)**	**–**	**(0)**	**–**	**–**	**–**	**–**	**(0)**
Net changes in items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(15)**	**–**	**(15)**	**–**	**(15)**
Balance at March 31, 2007	**$847**	**$466**	**$3,759**	**$(2)**	**$5,070**	**$ 75**	**$2**	**$ 78**	**$256**	**$5,405**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

West Japan Railway Company and its consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Millions of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 100,872**	¥ 79,896	¥ 105,411	**$ 854**
Adjustments for:				
Depreciation and amortization	**112,827**	111,900	113,682	**956**
Loss on impairment of fixed assets	**242**	—	4,429	**2**
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	**31,076**	58,328	38,526	**263**
Loss on disposal of property, plant and equipment	**12,692**	13,368	19,342	**107**
Amortization of (negative) goodwill arising from consolidation	**—**	(18)	181	**—**
Decrease in allowance for doubtful accounts	**(1)**	(717)	(48)	**(0)**
Increase (decrease) in accrued retirement benefits	**18,016**	1,711	(9,154)	**152**
Decrease in accrued bonuses	**(7)**	(1,625)	(1,194)	**(0)**
(Decrease) increase in other accruals	**(4,649)**	22,212	9	**(39)**
Interest and dividend income	**(331)**	(372)	(330)	**(2)**
Interest expense	**37,298**	39,799	42,653	**316**
Net gain on sales of investments in securities	**—**	(77)	(25,035)	**—**
Equity in earnings of affiliates	**(1,016)**	(1,214)	(239)	**(8)**
Gain on contributions received for construction	**(31,714)**	(58,724)	(38,919)	**(268)**
Increase (decrease) in notes and accounts receivable	**(10,731)**	(8,476)	(9,709)	**(90)**
(Increase) decrease in inventories	**(1,439)**	(2,159)	544	**(12)**
Increase (decrease) in notes and accounts payable	**20,738**	(12,877)	4,065	**175**
Increase (decrease) in accrued consumption taxes	**2,039**	(821)	(4,611)	**17**
Other	**(7,293)**	10,050	(518)	**(61)**
Subtotal	**278,617**	250,184	239,084	**2,361**
Interest and dividend income received	**265**	373	323	**2**
Interest paid	**(37,398)**	(40,271)	(43,044)	**(316)**
Income taxes paid	**(52,865)**	(46,205)	(53,392)	**(448)**
Net cash provided by operating activities	**188,618**	164,080	142,970	**1,598**
Cash flows from investing activities				
Payments for time deposits with a maturity of more than three months	**(335)**	(12,160)	(660)	**(2)**
Proceeds from time deposits with a maturity of more than three months	**765**	12,160	661	**6**
Purchases of property, plant and equipment	**(175,024)**	(156,155)	(145,371)	**(1,483)**
Proceeds from sales of property, plant and equipment	**4,272**	4,172	7,039	**36**
Contributions received for construction	**41,858**	42,889	40,284	**354**
Increase in investments in securities	**(1,961)**	(513)	(1,556)	**(16)**
Proceeds from sales of investments in securities	**—**	329	26,436	**—**
Increase in long-term loans receivable	**(689)**	(282)	(10,129)	**(5)**
Collection of long-term loans receivable	**266**	10,396	672	**2**
Other	**(928)**	(2,612)	(2,295)	**(7)**
Net cash used in investing activities	**(131,776)**	(101,765)	(84,918)	**(1,116)**
Cash flows from financing activities				
Increase in short-term loans	**2,139**	2,863	1,437	**18**
Proceeds from long-term loans	**57,100**	12,300	32,000	**483**
Repayment of long-term loans	**(89,135)**	(30,983)	(61,373)	**(755)**
Proceeds from issuance of bonds	**29,981**	—	10,000	**254**
Repayment of long-term payables	**(36,093)**	(38,425)	(37,504)	**(305)**
Cash dividends paid to the Company's shareholders	**(12,002)**	(13,001)	(12,972)	**(101)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(112)**	(112)	(112)	**(0)**
Other	**(6,566)**	(2,038)	2,045	**(55)**
Net cash used in financing activities	**(54,690)**	(69,397)	(66,480)	**(463)**
Net increase (decrease) in cash and cash equivalents	**2,151**	(7,083)	(8,427)	**18**
Cash and cash equivalents at beginning of year	**55,433**	62,241	70,655	**469**
Increase in cash and cash equivalents arising from merger of consolidated and unconsolidated subsidiaries and initial consolidation of subsidiaries	**—**	275	14	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 57,584**	¥ 55,433	¥ 62,241	**$ 488**

See accompanying notes to consolidated financial statements.

West Japan Railway Company and its consolidated subsidiaries
March 31, 2007

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

Basis of Presentation of Financial Statements

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

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company and its consolidated subsidiaries are incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥118 = U.S.$1.00, the exchange rate prevailing on March 31, 2007. 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 consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Summary of Significant Accounting Policies

(1) Principles of consolidation

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

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

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

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

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

(2) Cash and cash equivalents

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

(3) Investments in securities

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

(4) Derivative financial instruments

Derivative financial instruments are stated at fair value.

(5) Inventories

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

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

(6) Property, plant and equipment

Property, plant and equipment is stated at cost (see Note 8). Depreciation is determined primarily by the declining-balance method at rates based on the estimated useful lives of the respective assets, except for certain railway fixtures included in buildings and structures whose initial acquisition costs have been depreciated to a book value of 50% of their original costs, with the proviso that any replacement costs be charged to income.

(7) Leases

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

(8) Accrued retirement benefits

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

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

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

Prior service cost is principally charged to income when incurred. This is expensed primarily as "Amortization of prior service cost" in the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005.

(9) Income taxes

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

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 and certain of its consolidated subsidiaries accounted for business scale taxation with respect to the amount of value added and the size of capital as a component of operating expenses. Consequently, operating expenses for the year ended March 31, 2005 increased by ¥2,572 million and income before income taxes and minority interests for the year then ended decreased by the same amount.

(10) Allowance for loss on restructuring of a subsidiary

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

(11) Allowance for antiseismic reinforcement measures

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

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

(12) Allowance for environmental safety measures

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

(13) Hedge accounting

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

2. Adoption of New Accounting Standard

(1) Loss on impairment of fixed assets

Effective the year ended March 31, 2005, the Company and its consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets as early adoption of this standard was permitted commencing the fiscal year ended or subsequent to March 31, 2004. The effect of the adoption of this standard was to decrease income before income taxes and minority interests by ¥4,429 million for the year ended March 31, 2005 from the amount which would have been recorded under the previous method.

(2) Presentation of net assets in the balance sheet

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

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

Total shareholders' equity prior to the adoption of this accounting standard amounted to ¥607,195 million ($5,145 million) at March 31, 2007.

(3) Financial instruments

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

As a result of the adoption of these accounting standard and practical guidance, bond discount receivables of ¥18 million ($0 million), which arose from the bond issuances at July 28, 2006 and February 19, 2007, were deducted from the respective nominal amounts.

(4) Business combinations

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

(5) Deferred assets

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

3. Cash and Cash Equivalents

The balances of cash reflected in the consolidated balance sheets at March 31, 2007, 2006 and 2005 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statements of cash flows for the years then ended as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Cash	**¥57,814**	¥56,093	¥62,901	**$489**
Time deposits with an original maturity in excess of three months, included in cash	**(230)**	(660)	(660)	**(1)**
Cash and cash equivalents	**¥57,584**	¥55,433	¥62,241	**$488**

4. Investments in Securities

The accounting standard for financial instruments requires that, except for investments in unconsolidated subsidiaries and affiliates, all other investments in securities be classified as follows: trading, held-to-maturity, or other securities. The Company and its consolidated subsidiaries did not have any investments classified as trading or held-to-maturity securities at March 31, 2007, 2006 and 2005. The standard further requires that other securities be stated at fair value, with any unrealized holding gain or loss reported as a separate component of net assets, net of deferred income taxes.

Investments in marketable securities at March 31, 2007, 2006 and 2005 are summarized as follows:

Millions of yen

	2007			2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥6,752**	**¥20,807**	**¥14,054**	¥6,379	¥23,317	¥16,938
Debt securities:						
Government bonds	**2**	**2**	**0**	—	—	—
Subtotal	**6,755**	**20,810**	**14,054**	6,379	23,317	16,938
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**109**	**62**	**(47)**	109	78	(31)
Debt securities:						
Government bonds	**25**	**25**	**(0)**	25	25	(0)
Subtotal	**135**	**88**	**(47)**	135	103	(31)
Total	**¥6,890**	**¥20,898**	**¥14,007**	¥6,514	¥23,420	¥16,906

	Millions of yen			Millions of U.S. dollars		
	2005			**2007**		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 6,430	¥13,245	¥6,814	**$57**	**$176**	**$119**
Debt securities:						
Government bonds	25	25	0	**0**	**0**	**0**
Subtotal	6,455	13,270	6,814	**57**	**176**	**119**
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	109	78	(31)	**0**	**0**	**(0)**
Debt securities:						
Government bonds	—	—	—	**0**	**0**	**(0)**
Subtotal	109	78	(31)	**1**	**0**	**(0)**
Total	¥6,565	¥13,349	¥6,783	**$58**	**$177**	**$118**

Sales of, and aggregate gain and loss on, investments in securities for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Sales	**¥—**	¥329	¥26,436	**$—**
Aggregate gain	**—**	77	25,050	**—**
Aggregate loss	**—**	—	14	**—**

At March 31, 2007, the redemption schedule for investments in securities by maturity date was as follows:

	Millions of yen		Millions of U.S. dollars	
	2007		**2007**	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Government bonds	**¥—**	**¥27**	**$—**	**$0**
Corporate bonds	**—**	**2**	**—**	**0**
	¥—	**¥30**	**$—**	**$0**

The carrying value of investments in non-marketable securities at March 31, 2007, 2006 and 2005 was as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Unlisted equity securities	**¥2,841**	¥3,249	¥3,414	**$24**
Other	**93**	3,096	4,005	**0**
	¥2,935	¥6,345	¥7,419	**$24**

5. 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 extended to this institution by the Company. These assets were included in "prepaid expenses and other current assets," a component of current assets in the consolidated balance sheet at March 31, 2005. The Company had the right to dispose of them without any restrictions. The fair value of these financial assets totaled ¥9,999 million at March 31, 2005.

6. Inventories

Inventories at March 31, 2007, 2006 and 2005 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Real estate for sale	**¥ —**	¥ —	¥ 16	**$ —**
Rails, materials, supplies, merchandise and contracts in process	**19,379**	17,939	15,680	**164**
	¥19,379	¥17,939	¥15,696	**$164**

7. Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2007, 2006 and 2005 consisted of the following:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Investments in:				
Unconsolidated subsidiaries	**¥ 6,668**	¥ 4,861	¥ 5,237	**$ 56**
Affiliates	**34,344**	33,402	31,690	**291**
	¥41,013	¥38,264	¥36,927	**$347**

8. Property, Plant and Equipment

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

The contributions deducted from property, plant and equipment for the years ended March 31, 2007, 2006 and 2005 totaled ¥31,076 million ($263 million), ¥58,328 million and ¥38,526 million, respectively. The accumulated contributions deducted from property, plant and equipment at March 31, 2007, 2006 and 2005 amounted to ¥501,302 million ($4,248 million), ¥473,299 million and ¥419,147 million, respectively.

The compensation deducted from property, plant and equipment to replace the properties expropriated for the years ended March 31, 2007, 2006 and 2005 totaled ¥2,513 million ($21 million), ¥4,388 million and ¥6,510 million, respectively.

9. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets relating to transportation, sales of goods and food services and other businesses, primarily at each business which manages the receipts and payments separately. They also group their fixed assets in the real estate business, fixed assets which they have determined to dispose of, and idle assets, primarily at each asset. Consequently, for the years ended March 31, 2007 and 2005, the Company and its consolidated subsidiaries wrote down the following 1 fixed asset and 24 fixed assets, respectively, to their respective recoverable value and recorded the related loss on impairment of fixed assets totaling ¥242 million ($2 million) and ¥4,429 million, respectively, in the consolidated statements of income for the years then ended:

	Millions of yen		Millions of U.S. dollars
	2007	2005	**2007**
Assets to be disposed of:			
Company houses held in Osaka City and other – 17 items:			
Land	**¥ –**	¥1,513	**$–**
Buildings and structures	**–**	791	**–**
Land held in Hiroshima City – 1 item	**242**	–	**2**
Idle assets:			
Land held in Mihara City, Hiroshima Prefecture and other – 5 items:			
Land	**–**	1,824	**–**
Buildings and structures	**–**	7	**–**
Other assets:			
Land for rental held for rental purposes in Osaka City and other – 2 items:			
Land	**–**	282	**–**
Buildings and structures	**–**	8	**–**
Total	**¥242**	¥4,429	**$2**

The recoverable value of the assets to be disposed of and the idle assets presented in the above table was measured primarily at net realizable value and was calculated based principally on the appraisal value published by the tax authorities. The recoverable value of other assets presented in the above table was measured principally by value in use based on the respective estimated future cash flows discounted at 5% per annum.

10. 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, 2007, 2006 and 2005 ranged from 0.15% to 0.99%, from 0.15% to 0.38%, and from 0.15% to 1.375%, respectively.

Long-term debt at March 31, 2007, 2006 and 2005 is summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Secured West Japan Railway bonds, payable in yen, at rates ranging from 1.53% to 3.45%, due from 2009 through 2019	**¥ 175,000**	¥175,000	¥175,000	**$1,483**
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 2.04% to 2.49%, due from 2022 through 2027	**74,981**	45,000	45,000	**635**
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 0.0% to 8.5%, due in installments from 2008 through 2021	**74,009**	84,852	95,695	**627**
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.77% to 3.1%, due in installments from 2008 through 2021	**175,628**	195,689	202,826	**1,488**
Secured loans from the Development Bank of Japan, payable in yen, at rates ranging from 3.25% to 4.7%, due in installments from 2008 through 2019	**7,110**	7,815	8,519	**60**
Other	**15,815**	16,210	16,210	**134**
	522,545	524,567	543,251	**4,428**
Less current portion	**(49,352)**	(88,904)	(30,888)	**(418)**
	¥473,192	¥435,663	¥512,362	**$4,010**

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2008	¥ 49,352	$ 418
2009	87,979	745
2010	62,765	531
2011	30,948	262
2012	44,768	379
2013 and thereafter	246,730	2,090
	¥522,545	$4,428

11. Pledged Assets

Assets pledged at March 31, 2007 as collateral for indebtedness are summarized as follows:

	Millions of yen	Millions of U.S. dollars
Bank deposits included in cash	**¥ 230**	**$ 1**
Investments in other securities	**269**	**2**
Land	**190**	**1**
Buildings and structures	**21,674**	**183**
	¥22,364	**$189**

The indebtedness secured by such collateral at March 31, 2007 was as follows:

	Millions of yen	Millions of U.S. dollars
Current portion of long-term loans included in current portion of long-term debt	**¥ 650**	**$ 5**
Long-term loans included in long-term debt	**6,460**	**54**
Other current liabilities	**2,103**	**17**
	¥9,213	**$78**

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

12. Long-Term Payables

Long-term payables at March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2008 through 2017	**¥265,791**	¥300,899	¥338,360	**$2,252**
Fixed interest portion at 6.35% and 6.55%, due in installments from 2008 through 2052	**189,282**	189,698	190,089	**1,604**
Other	**9,176**	9,778	9,967	**77**
	464,251	500,376	538,417	**3,934**
Less current portion	**(36,562)**	(36,170)	(38,623)	**(309)**
	¥427,689	¥464,205	¥499,794	**$3,624**

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, 2007, 2006 and 2005 were 4.33%, 4.37% and 4.50%, respectively.

The aggregate annual maturities of long-term payables subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2008	¥ 36,562	$ 309
2009	34,555	292
2010	33,439	283
2011	29,975	254
2012	39,093	331
2013 and thereafter	290,625	2,462
	¥464,251	$3,934

13. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,403 million ($54 million), ¥6,770 million and ¥6,170 million for the years ended March 31, 2007, 2006 and 2005, respectively.

14. Income Taxes

The aggregate statutory tax rate applicable to the Company and its consolidated subsidiaries was 40.69% for the years ended March 31, 2007, 2006 and 2005.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31 2007, 2006 and 2005 has been omitted because the differences between these tax rates were less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Deferred tax assets:				
Accrued bonuses included in accrued expenses	**¥ 14,010**	¥ 14,010	¥ 14,612	**$ 118**
Accrued enterprise tax included in accrued income taxes	**1,931**	2,659	2,171	**16**
Accrued retirement benefits	**89,236**	81,860	71,004	**756**
Unrealized gain on property, plant and equipment	**6,698**	6,193	5,853	**56**
Tax loss carryforwards	**207**	445	226	**1**
Other	**23,415**	20,253	10,039	**198**
Gross deferred tax assets	**135,499**	125,422	103,908	**1,148**
Valuation allowance	**(5,444)**	(501)	(625)	**(46)**
Total deferred tax assets	**130,055**	124,920	103,282	**1,102**
Deferred tax liabilities:				
Unrealized holding gain on securities	**(5,702)**	(6,882)	(2,762)	**(48)**
Contributions for construction deducted from acquisition costs of property, plant and equipment	**(11,313)**	(9,104)	(6,944)	**(95)**
Gain on valuation of assets of consolidated subsidiaries	**(1,443)**	(1,443)	(1,443)	**(12)**
Other	**(530)**	(117)	(115)	**(4)**
Total deferred tax liabilities	**(18,989)**	(17,548)	(11,265)	**(160)**
Deferred tax assets, net	**¥111,065**	¥107,372	¥ 92,017	**$ 941**

15. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2007, 2006 and 2005, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Company and its consolidated subsidiaries are lessees and which are currently accounted for as operating leases:

	Millions of yen					
	2007			2006		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	**¥ 448**	**¥ 128**	**¥ 319**	¥ 425	¥ 124	¥ 301
Tools, furniture and fixtures	**1,975**	**1,168**	**807**	3,634	2,949	684
Software included in other assets	**299**	**248**	**51**	611	391	220
	¥2,723	**¥1,544**	**¥1,178**	¥4,671	¥3,465	¥1,206

	Millions of yen			Millions of U.S. dollars		
	2005			**2007**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	¥ 361	¥ 104	¥ 257	**$ 3**	**$ 1**	**$2**
Tools, furniture and fixtures	4,657	3,627	1,029	**16**	**9**	**6**
Software included in other assets	745	410	334	**2**	**2**	**0**
	¥5,764	¥4,142	¥1,621	**$23**	**$13**	**$9**

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2007, 2006 and 2005 totaled ¥565 million ($4 million), ¥713 million and ¥1,013 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 assuming a nil residual value.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2008	¥ 361	$3
2009 and thereafter	816	6
	¥1,178	$9

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2007, 2006 and 2005 for finance lease transactions in which consolidated subsidiaries of the Company are the lessors and which are currently accounted for as operating leases:

	Millions of yen					
	2007			2006		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	**¥2,725**	**¥ 836**	**¥1,888**	¥2,338	¥ 951	¥1,386
Tools, furniture and fixtures	**4,245**	**1,479**	**2,765**	3,483	1,486	1,997
	¥6,970	**¥2,315**	**¥4,654**	¥5,822	¥2,438	¥3,383

	Millions of yen			Millions of U.S. dollars		
	2005			**2007**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property:						
Machinery, equipment and vehicles	¥2,388	¥ 776	¥ 1,612	**$23**	**$ 7**	**$16**
Tools, furniture and fixtures	2,913	1,432	1,481	**35**	**12**	**23**
	¥5,301	¥2,208	¥3,093	**$59**	**$19**	**$39**

Lease receipts relating to finance leases accounted for as operating leases for the years ended March 31, 2007, 2006 and 2005 were ¥1,207 million ($10 million), ¥1,053 million and ¥866 million, respectively. Depreciation expense of the leased assets for the years ended March 31, 2007, 2006 and 2005, which was computed by the straight-line method over the respective lease terms, amounted to ¥1,087 million ($9 million), ¥933 million and ¥762 million, respectively.

Future minimum lease receipts (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Millions of U.S. dollars
2008	¥1,169	$ 9
2009 and thereafter	3,923	33
	¥5,092	$43

16. Retirement Benefit Plans

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

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

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Retirement benefit obligation	**¥(376,375)**	¥(401,479)	¥(408,214)	**$(3,189)**
Plan assets at fair value	**11,943**	11,851	9,916	**101**
Unfunded retirement benefit obligation	**(364,431)**	(389,628)	(398,298)	**(3,088)**
Unrecognized net retirement benefit obligation at transition	**99,283**	130,741	162,200	**841**
Unrecognized actuarial loss	**48,009**	57,168	36,157	**406**
Unrecognized prior service cost	**(2,235)**	187	245	**(18)**
Net retirement benefit obligation	**(219,375)**	(201,529)	(199,694)	**(1,859)**
Prepaid pension cost	**318**	147	84	**2**
Accrued retirement benefits	**¥(219,693)**	¥(201,677)	¥(199,779)	**$(1,861)**

The components of retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are outlined as follows:

	Millions of yen			Millions of U.S. dollars
	2007	2006	2005	**2007**
Service cost	**¥15,852**	¥15,294	¥16,713	**$134**
Interest cost	**7,932**	8,133	9,020	**67**
Expected return on plan assets	**(264)**	(229)	(221)	**(2)**
Amortization of net retirement benefit obligation at transition	**31,458**	31,458	31,518	**266**
Amortization of actuarial loss	**7,291**	4,753	4,666	**61**
Amortization of prior service cost	**1,975**	(4,039)	743	**16**
	¥64,245	¥55,372	¥62,440	**$544**

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

	2007	2006	2005
Discount rate	**Principally 2.0%**	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	**Principally 2.5%**	Principally 2.5%	Principally 2.5%

17. Shareholders' Equity

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

Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of changes in net assets. The Company's legal reserve amounted to ¥11,327 million ($95 million) at March 31, 2007, 2006 and 2005.

Common stock and treasury stock

Movements in issued common stock and treasury stock during the year ended March 31, 2007 are summarized as follows:

				Number of shares
	March 31, 2006	Increase	Decrease	**March 31, 2007**
Common stock	2,000,000	—	—	**2,000,000**
Treasury stock	885	—	—	**885**

18. Contingent Liabilities

At March 31, 2007, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans to companies other than consolidated subsidiaries in the aggregate amount of ¥6,020 million ($51 million).

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

19. Amounts per Share

Amounts per share at March 31, 2007, 2006 and 2005 and for the years then ended were as follows:

			Yen	U.S. dollars
	2007	2006	2005	**2007**
Net assets	**¥303,906.52**	¥282,245.00	¥262,232.61	**$2,575**
Net income	**28,415.07**	23,281.96	29,462.96	**240**
Cash dividends	**6,000.00**	6,000.00	6,000.00	**50**

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. Diluted net income per share has not been presented for the years ended March 31, 2007, 2006 and 2005 since neither the Company nor any of its consolidated subsidiaries had any potentially dilutive stock at March 31, 2007, 2006 and 2005.

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.

20. Derivatives

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

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

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

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

21. Segment Information

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

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005 is outlined as follows:

Millions of yen

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

Millions of yen

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

Millions of yen

2005	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	¥ 829,450	¥196,684	¥ 58,878	¥135,834	¥1,220,847	¥ —	¥1,220,847
Intergroup operating revenues and transfers	16,552	36,178	12,013	123,764	188,507	(188,507)	—
Operating revenues	846,002	232,862	70,891	259,598	1,409,354	(188,507)	1,220,847
Operating expenses	746,636	227,625	51,969	249,413	1,275,644	(187,897)	1,087,747
Operating income	¥ 99,365	¥ 5,237	¥ 18,922	¥ 10,185	¥ 133,710	¥ (609)	¥ 133,100
II. Total assets, depreciation and amortization and capital expenditures:							
Total assets	¥1,788,767	¥ 66,699	¥286,064	¥222,013	¥2,363,546	¥ 776	¥2,364,322
Depreciation and amortization	93,803	2,132	10,702	7,043	113,682	—	113,682
Capital expenditures	126,482	3,183	7,990	10,330	147,986	—	147,986

Millions of U.S. dollars

	2007						
	Transportation	Sales of goods and food services	Real estate business	Other	Total	Corporate and eliminations	Consolidated
I. Operating revenues and income:							
Operating revenues from third parties	**$ 7,191**	**$1,764**	**$ 531**	**$1,215**	**$10,702**	**$ —**	**$ 10,702**
Intergroup operating revenues and transfers	**138**	**372**	**112**	**1,329**	**1,954**	**(1,954)**	**—**
Operating revenues	**7,330**	**2,137**	**644**	**2,545**	**12,656**	**$(1,954)**	**10,702**
Operating expenses	**6,505**	**2,094**	**464**	**2,439**	**11,503**	**(1,947)**	**9,555**
Operating income	**$ 824**	**$ 42**	**$ 179**	**$ 106**	**$ 1,153**	**$ (6)**	**$ 1,146**
II. Total assets, depreciation and amortization and capital expenditures:							
Total assets	**$15,189**	**$ 645**	**$2,396**	**$2,172**	**$20,404**	**$ (51)**	**$20,353**
Depreciation and amortization	**788**	**21**	**88**	**57**	**956**	**—**	**956**
Capital expenditures	**1,238**	**33**	**197**	**85**	**1,554**	**—**	**1,554**

22. Subsequent Events

(1) Based on a resolution adopted at a meeting of the Board of Directors held on March 22, 2007, the Company determined to issue straight bonds on May 21, 2007 as follows:

Description	The 14th West Japan Railway Bonds
Issuance date	May 30, 2007
Total issuance amount	¥10,000 million ($84 million)
Issue price	¥99.98 ($0.84) with a face value of ¥100 ($0.84)
Annual interest rate	2.23%
Type	Unsecured
Maturity	May 28, 2027
Usage of funds	Repayment of long-term payables

(2) The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a meeting of the shareholders of the Company held on June 22, 2007:

	Millions of yen	Millions of U.S. dollars
Cash dividends (¥3,000 = U.S.$25 per share)	¥6,000	$50

The Board of Directors
West Japan Railway Company

We have audited the accompanying consolidated balance sheets of West Japan Railway Company and consolidated subsidiaries as of March 31, 2007, 2006 and 2005, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Japan Railway Company and consolidated subsidiaries at March 31, 2007, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (1) to the consolidated financial statements, the Company and its consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets effective the year ended March 31, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

Osaka, Japan
June 22, 2007

Ernst & Young ShinNihon

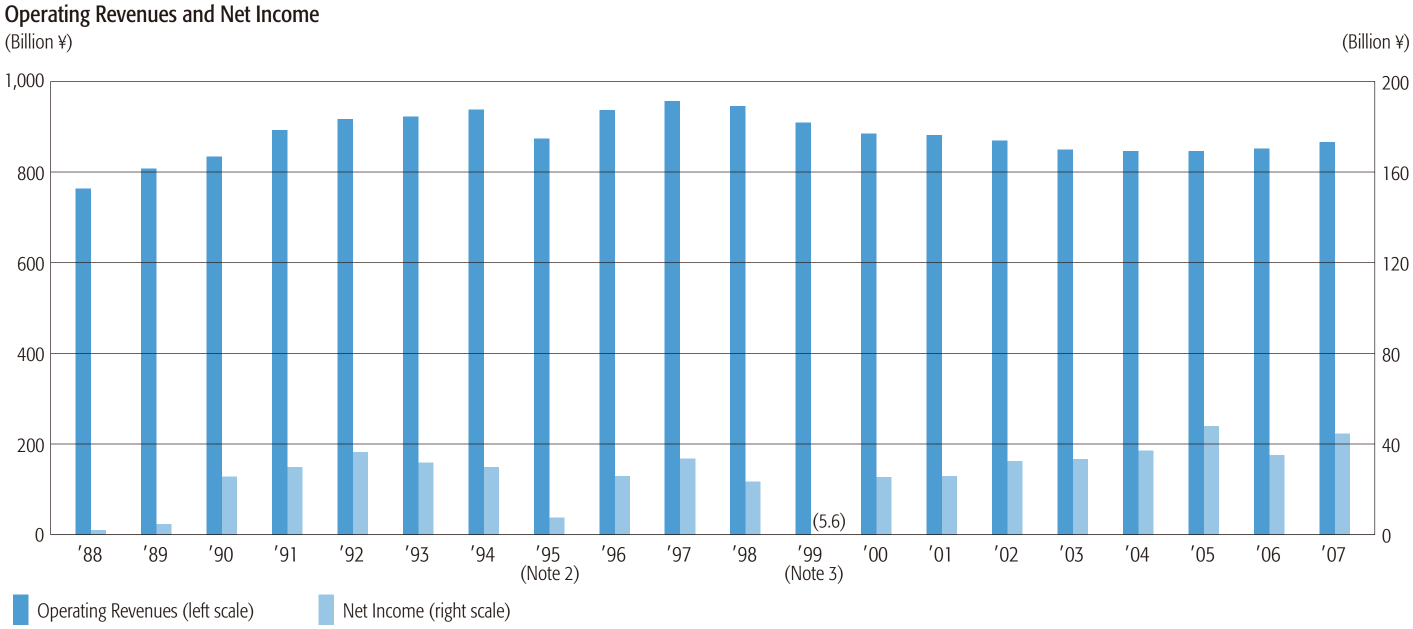
NON-CONSOLIDATED 20-YEAR FINANCIAL SUMMARY FROM THE YEAR OF ESTABLISHMENT

Years ended March 31

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

Notes: 1. Yen figures have been converted into U.S. dollars at the rate of ¥118=U.S.$1.00, the approximate exchange rate at March 31, 2007.
2. The Hanshin-Awaji Earthquake occurred in January 1995.
3. In accordance with the Law on the Disposition of the Liability owned by the Japan National Railways Settlement Corporation, the Company paid ¥44.5 billion to the Japan Railways Group Mutual Aid Association in March 1999.
4. The Company purchased the Sanyo Shinkansen Line properties from the Shinkansen Holding Corporation for a total purchase price of ¥974.1 billion in October 1991.

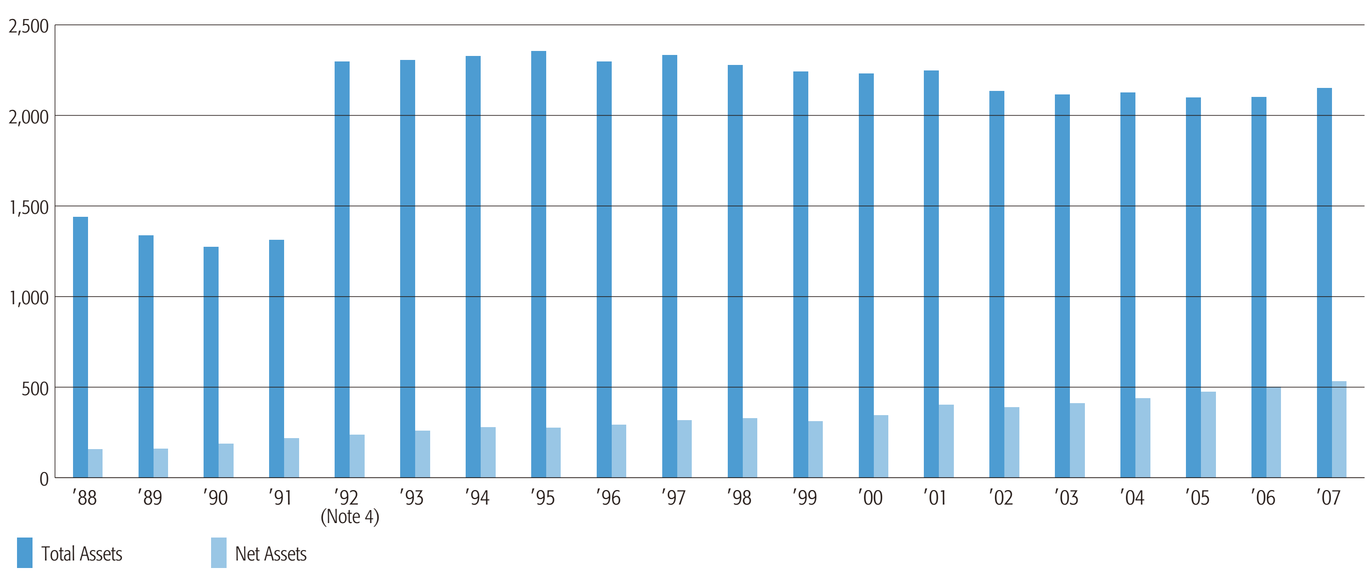
Operating Revenues and Net Income



1998	1999 (Note 3)	2000	2001	2002	2003	2004	2005	2006	Billions of yen, % 2007	Millions of U.S. dollars (Note 1) 2007
¥ 946.0	¥ 909.4	¥ 885.1	¥ 881.4	¥ 869.8	¥ 849.0	¥ 845.8	¥ 846.4	¥ 851.2	**¥ 865.8**	**$ 7,337**
830.0	795.5	773.9	773.1	770.2	752.3	750.8	750.9	756.5	**765.8**	**6,490**
346.0	326.7	313.0	313.0	314.3	306.0	308.1	313.4	323.8	**328.6**	**2,785**
315.3	309.8	306.9	309.3	308.9	303.3	302.0	300.4	297.5	**302.4**	**2,563**
167.9	158.4	153.5	150.1	146.4	142.5	140.0	136.5	134.7	**134.3**	**1,138**
831.1	796.7	786.0	784.4	770.3	745.7	740.4	736.4	742.3	**756.8**	**6,413**
358.5	357.8	350.1	345.6	330.5	301.6	294.5	286.8	276.1	**272.5**	**2,309**
301.2	277.7	276.5	275.0	281.2	288.2	291.0	300.5	320.0	**337.9**	**2,864**
43.8	40.5	39.3	38.2	39.2	38.4	36.6	36.9	34.8	**34.3**	**291**
120.9	108.0	112.3	114.3	116.8	122.6	121.9	127.1	140.7	**148.9**	**1,262**
136.5	129.2	124.9	122.4	125.1	127.1	132.4	136.4	144.4	**154.5**	**1,310**
38.0	31.3	31.0	30.3	30.0	29.3	28.2	29.7	28.7	**28.1**	**238**
23.0	22.8	23.8	31.5	31.3	31.0	30.8	24.6	24.7	**24.6**	**209**
110.2	107.0	104.4	101.8	97.1	95.4	95.7	94.5	92.5	**93.5**	**792**
114.8	112.7	99.0	97.0	99.5	103.2	105.4	110.0	108.9	**108.9**	**923**
48.3	50.5	42.3	43.4	54.0	61.3	65.0	74.3	75.9	**77.6**	**658**
23.4	(5.6)	25.5	25.9	32.5	33.4	37.1	48.0	35.1	**44.6**	**378**
¥2,277.2	¥2,242.0	¥2,232.6	¥2,247.8	¥2,135.7	¥2,116.8	¥2,126.8	¥2,098.0	¥2,102.1	**¥2,151.8**	**$18,236**
327.8	312.0	346.6	403.3	388.6	410.7	439.3	474.3	502.2	**533.3**	**4,519**

Total Assets and Net Assets

(Billion ¥)



CAPITAL EXPENDITURES AND CASH FLOWS

Years ended March 31

Capital Expenditures

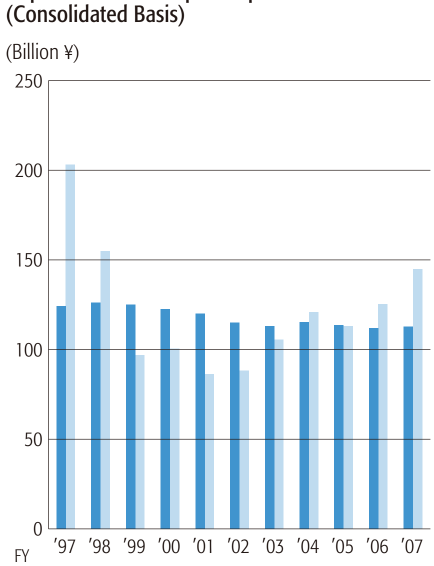
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	**2007**	**2007**
											Billions of yen	Millions of U.S. dollars (Note)
Consolidated basis:												
Depreciation expenses	¥124.1	¥126.1	¥125.0	¥122.6	¥120.0	¥115.1	¥113.0	¥115.3	¥113.6	¥111.9	**¥112.8**	**$ 956**
Capital expenditures excluding a portion contributed by local governments etc.	203.1	155.0	96.8	100.6	86.3	88.3	105.4	120.8	113.1	125.3	**144.9**	**1,228**
Non-consolidated basis:												
Depreciation expenses	¥111.2	¥110.2	¥107.0	¥104.4	¥101.8	¥ 97.1	¥ 95.4	¥ 95.7	¥ 94.5	¥ 92.5	**¥ 93.5**	**$ 792**
Capital expenditures excluding a portion contributed by local governments etc.	137.1	94.0	84.4	100.0	71.8	89.2	85.7	102.3	92.8	106.3	**117.2**	**993**

Cash Flows (Consolidated basis)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	**2007**	**2007**
											Billions of yen	Millions of U.S. dollars (Note)
Net cash provided by operating activities	—	—	—	¥154.7	¥138.7	¥99.5	¥130.2	¥140.2	¥142.9	¥164.0	**¥188.6**	**$1,598**
Net cash (used in) provided by investing activities	—	—	—	(99.2)	9.4	17.7	(63.3)	(91.6)	(84.9)	(101.7)	**(131.7)**	**(1,116)**
Free cash flows	—	—	—	55.5	148.1	117.3	66.8	48.5	58.0	62.3	**56.8**	**482**
Net cash used in financing activities	—	—	—	(66.5)	(133.2)	(167.1)	(71.5)	(67.9)	(66.4)	(69.3)	**(54.6)**	**(463)**

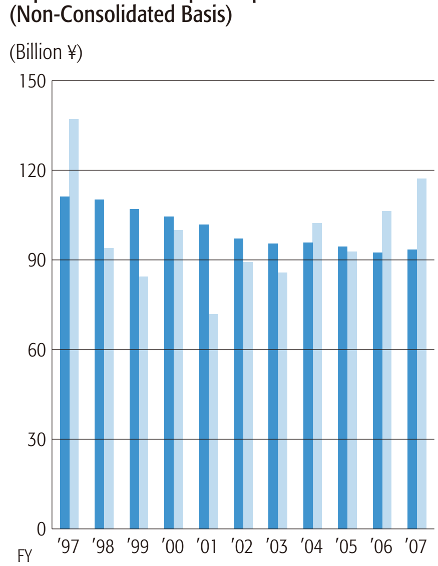
Note: Yen figures have been converted into U.S. dollars at the rate of ¥118=U.S.$1.00, the approximate exchange rate at March 31, 2007.

Depreciation and Capital Expenditures (Consolidated Basis)



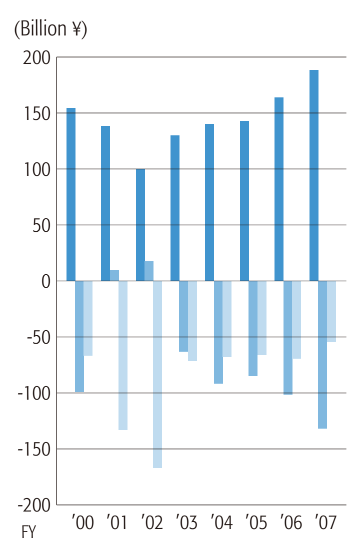
Depreciation expenses
Capital expenditures excluding a portion contributed by local governments etc.

Depreciation and Capital Expenditures (Non-Consolidated Basis)



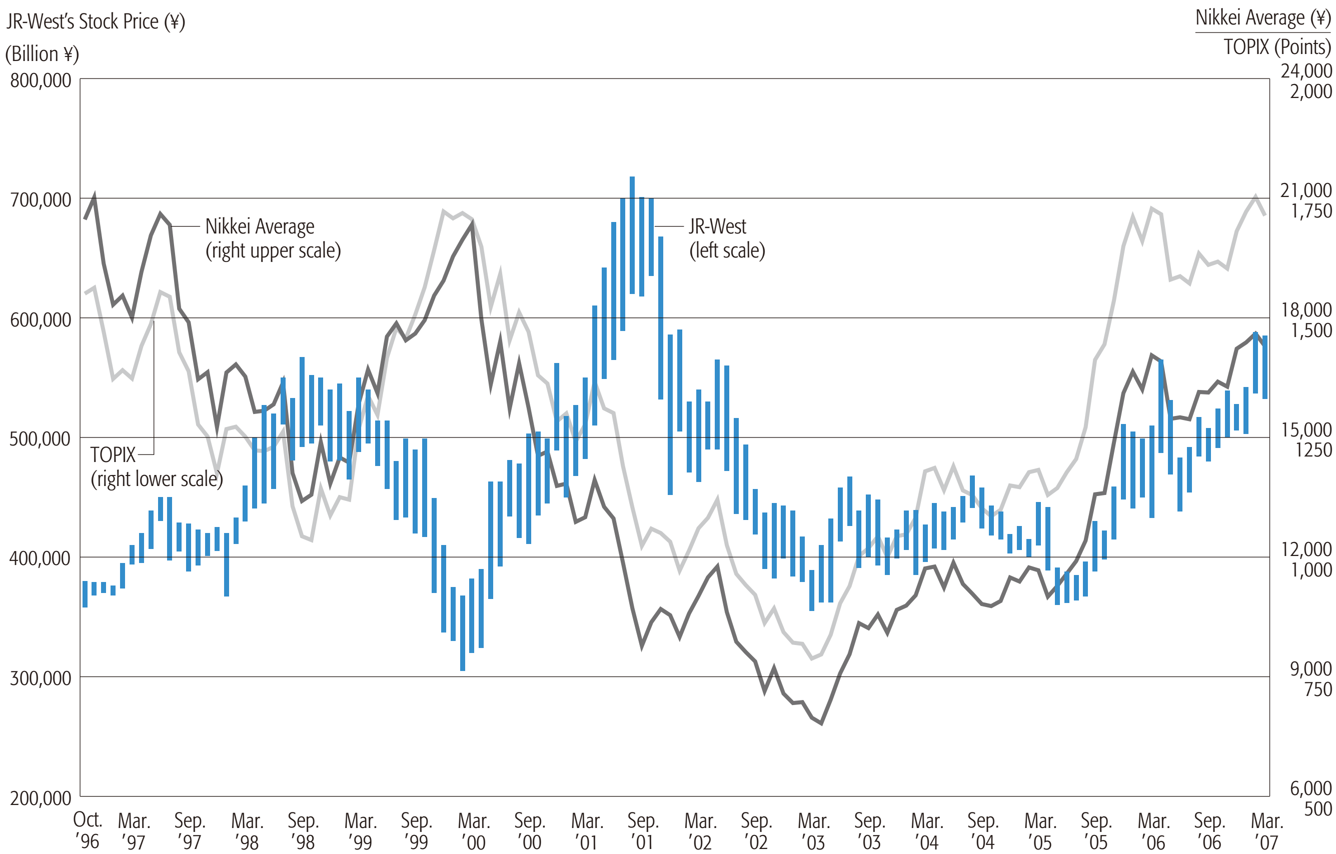
Depreciation expenses
Capital expenditures excluding a portion contributed by local governments etc.

Cash Flows



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

STOCK PRICE AND TRADING VOLUME



		FY1997	FY1998		FY1999		FY2000		FY2001		FY2002	
		2H	1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West	High (¥)	410,000	450,000	460,000	567,000	552,000	540,000	499,000	503,000	562,000	718,000	700,000
	Low (¥)	358,000	388,000	367,000	441,000	465,000	420,000	305,000	324,000	435,000	510,000	452,000
	Average Daily Trading Volume (Shares)	6,554.97	2,006.08	1,592.91	1,526.36	1,111.34	1,408.39	1,438.86	1,636.97	2,151.64	3,067.06	3,827.91
Nikkei Average (¥)		18,003.40	17,887.71	16,527.17	13,406.39	15,836.59	17,605.46	20,337.32	15,747.26	12,999.70	9,774.68	11,024.94
TOPIX (Points)		1,373.26	1,388.32	1,251.70	1,043.57	1,267.22	1,506.83	1,705.94	1,470.78	1,277.27	1,023.42	1,060.19

		FY2003		FY2004		FY2005		FY2006		FY2007	
		1H	2H	1H	2H	1H	2H	1H	2H	1H	2H
JR-West	High (¥)	565,000	445,000	467,000	448,000	468,000	446,000	442,000	511,000	565,000	588,000
	Low (¥)	419,000	355,000	362,000	385,000	406,000	400,000	360,000	398,000	438,000	491,000
	Average Daily Trading Volume (Shares)	2,472.75	2,164.39	3,136.44	5,045.71	6,500.51	5,313.89	8,400.19	8,021.32	6,166.66	6,884.86
Nikkei Average (¥)		9,383.29	7,972.71	10,219.05	11,715.39	10,823.57	11,668.95	13,574.30	17,059.66	16,127.58	17,287.65
TOPIX (Points)		921.05	788.00	1,018.80	1,179.23	1,102.11	1,182.18	1,412.28	1,728.16	1,610.73	1,713.61

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

Number of Shareholders: 157,340 (As of March 31, 2007)

Major Shareholders
(As of March 31, 2007)

	Number of Shares Held (Shares)	Equity Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Unit)	97,267	4.86
The Master Trust Bank of Japan, Ltd. (Trust Unit)	72,835	3.64
Mizuho Corporate Bank, Ltd.	69,000	3.45
Sumitomo Mitsui Banking Corporation	64,000	3.20
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	63,000	3.15
Japan Trustee Services Bank, Ltd. (Trust Unit 4)	41,106	2.06
JR-West Employee Stock-Sharing Plan	39,880	1.99
Nippon Life Insurance Company	35,000	1.75
State Street Bank and Trust Company 505103	33,729	1.69
The Sumitomo Trust & Banking Co., Ltd.	32,000	1.60
Total	547,817	27.39

Consolidated Subsidiaries

As of March 31, 2007

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

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

Corporate Data

As of March 31, 2007

COMPANY NAME

West Japan Railway Company

HEAD OFFICE

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

PAID-IN CAPITAL

¥100 billion

NUMBER OF EMPLOYEES

28,768

STOCK LISTINGS

Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges

TRANSFER AGENT

The Sumitomo Trust & Banking Co., Ltd.

MAIN FEATURES OF BUSINESS

■ RAILWAY

(Non-Consolidated Basis)

Route length and track gauge

50 lines; 5,023.7 km
Shinkansen (1 line): 644.0 km; 1,435 mm
Conventional lines (49 lines):
4,371.2 km; 1,067 mm
8.5 km; 1,435 mm

Double- and multi-tracked section length

2,209.8 km (44.0% of total route length)

Electrified-section length

3,388.2 km (67.4% of total route length)

Number of stations

1,209

Rolling stock

6,725 cars
Electric railcars: 5,660
Shinkansen: 809
Conventional lines: 4,851
Diesel railcars: 476
Passenger cars: 228
Freight cars: 258
Electric locomotives: 41
Diesel locomotives: 57
Steam locomotives: 5

Number of passengers per year

1,803 million
Shinkansen: 61 million
Conventional lines: 1,757 million

Passenger-kilometers per year

53,678 million
Shinkansen: : 15,164 million
Conventional lines: 38,514 million

Train-kilometers per day

549,000 km
Shinkansen: 103,000 km
Conventional lines: 445,000 km

■ FERRY SERVICE

(Non-Consolidated Basis)

Route length

1.8 km

Number of ferryboats

3

Number of passengers per year

2.36 million

■ OTHER BUSINESSES

Bus Services

Sales of Goods and Food Services

Retail and Food Service Operations
Department Store Operations
Wholesale Operations

Real Estate Business

Shopping Center Management
Real Estate Brokerage and Leasing

Other Businesses

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

For further information, please contact
the Investor Relations section of the
Corporate Planning Headquarters at the
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