Report of Independent Auditors

The Board of Directors
West Japan Railway Company

We have audited the accompanying non-consolidated balance sheets of West Japan Railway Company as of March 31, 2008, 2007 and 2006, and the related non-consolidated statements of income and changes in net assets 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 financial position of West Japan Railway Company at March 31, 2008, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2(4) to the non-consolidated financial statements, the Company has changed its method of accounting for depreciation of property, plant and equipment effective the year ended March 31, 2008.

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

Ernst & Young ShinNihon

Osaka, Japan
June 24, 2008

West Japan Railway Company

Non-Consolidated Balance Sheets

As of March 31, 2008, 2007 and 2006

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	2008
Assets				
Current assets:				
Cash	¥ 31,471	¥ 39,536	¥ 44,700	$ 317
Accounts receivable	50,439	55,010	42,409	509
Less allowance for doubtful accounts	(169)	(161)	(64)	(1)
Inventories *(Note 3)*	8,015	6,217	5,409	80
Deferred income taxes *(Note 10)*	14,984	13,907	14,521	151
Prepaid expenses and other current assets *(Note 4)*	44,157	29,259	24,440	446
Total current assets	148,899	143,769	131,417	1,504
Investments and advances:				
Subsidiaries and affiliates *(Note 4)*	163,106	155,131	137,066	1,647
Other securities	15,413	21,950	24,672	155
Total investments	178,519	177,082	161,738	1,803
Property, plant and equipment, at cost *(Notes 5 and 6)*:				
Railway *(Note 8)*	3,914,529	3,809,475	3,738,478	39,540
Ferry	1,229	1,228	1,375	12
Other operations	216,404	214,720	209,647	2,185
Construction in progress	76,390	61,251	57,817	771
	4,208,554	4,086,675	4,007,318	42,510
Less accumulated depreciation	(2,431,556)	(2,360,472)	(2,298,642)	(24,561)
Property, plant and equipment, net	1,776,997	1,726,202	1,708,675	17,949
Deferred income taxes *(Note 10)*	94,525	79,845	75,609	954
Other assets	24,005	24,975	24,725	242
Total assets	¥ 2,222,947	¥ 2,151,875	¥ 2,102,166	$ 22,454

	Millions of yen			Millions of U.S. dollars (Note 1)
	2008	2007	2006	2008
Liabilities and net assets				
Current liabilities:				
Short-term loans *(Notes 4 and 7)*	¥ 136,069	¥ 117,139	¥ 128,567	$ 1,374
Current portion of long-term debt *(Note 7)*	85,116	34,876	41,471	859
Current portion of long-term payables *(Notes 4 and 8)*	34,918	36,850	55,739	352
Accounts payable *(Note 4)*	145,562	147,882	122,473	1,470
Prepaid railway fares received	31,211	30,463	30,455	315
Deposits and advances received	77,493	74,159	63,949	782
Accrued expenses	48,108	47,112	47,999	485
Accrued income taxes *(Note 10)*	27,175	13,254	21,253	274
Allowance for customer point program *(Note 1(7))*	480	—	—	4
Other current liabilities	1,453	3,893	1,763	14
Total current liabilities	587,589	505,630	513,672	5,935
Long-term debt *(Notes 7 and 15(1))*	420,846	449,679	397,474	4,250
Long-term payables *(Notes 4 and 8)*	394,845	429,665	466,469	3,988
Accrued retirement benefits	238,518	201,188	182,969	2,409
Allowance for antiseismic reinforcement measures *(Note 1(8))*	2,222	9,931	14,400	22
Allowance for environmental safety measures *(Note 1(9))*	11,466	7,426	7,543	115
Other long-term liabilities	15,012	15,032	17,407	151
Contingent liabilities *(Note 12)*				
Net assets:				
Shareholders' equity *(Note 13)*:				
Common stock:				
Authorized – 8,000,000 shares				
Issued and outstanding – 2,000,000 shares	100,000	100,000	100,000	1,010
Capital surplus	55,000	55,000	55,000	555
Retained earnings *(Note 15(3))*	403,444	370,316	337,633	4,075
Less treasury stock, at cost *(Note 15(2))*	(9,999)	—	—	(101)
Total shareholders' equity	548,444	525,316	492,633	5,539
Valuation and translation adjustments:				
Net unrealized holding gain on securities	4,000	8,003	9,596	40
Total valuation and translation adjustments	4,000	8,003	9,596	40
Total net assets	552,445	533,320	502,229	5,580
Total liabilities and net assets	¥2,222,947	¥2,151,875	¥2,102,166	$ 22,454

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Income

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			*Millions of U.S. dollars (Note 1)*
	2008	2007	2006	2008
Operating revenues:				
Transportation	¥781,787	¥765,893	¥756,506	$ 7,896
Transportation incidentals	22,274	22,503	22,561	224
Other operations	19,625	18,229	17,720	198
Miscellaneous	55,772	59,183	54,492	563
	879,460	865,810	851,280	8,883
Operating expenses *(Note 9)*:				
Personnel	269,922	272,509	276,194	2,726
Energy	34,430	34,376	34,861	347
Maintenance	148,644	148,995	140,793	1,501
Depreciation	107,540	93,533	92,568	1,086
Rent	24,637	24,684	24,722	248
Miscellaneous taxes	28,639	28,149	28,735	289
Other	155,820	154,594	144,426	1,573
	769,635	756,844	742,302	7,774
Operating income	109,824	108,966	108,978	1,109
Other income (expenses):				
Interest and dividend income	1,054	782	586	10
Interest expense	(35,438)	(36,208)	(37,850)	(357)
Gain on sales of investments in securities	–	–	74	–
Gain on sales of property, plant and equipment	8,016	9,578	8,874	80
Loss on disposal of property, plant and equipment	(1,104)	(3,441)	(5,583)	(11)
Amortization of prior service cost *(Note 1(5))*	(2,826)	(2,142)	4,038	(28)
Loss on impairment of fixed assets *(Note 6)*	(4,103)	(242)	–	(41)
Provision of allowance for antiseismic reinforcement measures *(Note 1(8))*	–	–	(14,400)	–
Provision of allowance for environmental safety measures *(Note 1(9))*	(4,400)	–	(7,543)	(44)
Other, net *(Note 12)*	5,067	(1,496)	(116)	51
	(33,733)	(33,171)	(51,920)	(340)
Income before income taxes	76,090	75,795	57,057	768
Income taxes *(Note 10)*:				
Current	43,973	33,640	39,327	444
Deferred	(13,010)	(2,528)	(17,410)	(131)
	30,962	31,111	21,917	312
Net income	¥ 45,128	¥ 44,683	¥ 35,140	$ 455

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Non-Consolidated Statements of Changes in Net Assets

Years ended March 31, 2008, 2007 and 2006

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2005	¥ 100,000	¥ 55,000	¥ 315,492	¥ –	¥ 470,492	¥ 3,822	¥ 3,822	¥ 474,315
Net income for the year	–	–	35,140	–	35,140	–	–	35,140
Cash dividends	–	–	(13,000)	–	(13,000)	–	–	(13,000)
Net changes in items other than shareholders' equity	–	–	–	–	–	5,774	5,774	5,774
Balance at March 31, 2006	¥ 100,000	¥ 55,000	¥ 337,633	¥ –	¥ 492,633	¥ 9,596	¥ 9,596	¥ 502,229
Net income for the year	–	–	44,683	–	44,683	–	–	44,683
Cash dividends	–	–	(12,000)	–	(12,000)	–	–	(12,000)
Net changes in items other than shareholders' equity	–	–	–	–	–	(1,592)	(1,592)	(1,592)
Balance at March 31, 2007	¥ 100,000	¥ 55,000	¥ 370,316	¥ –	¥ 525,316	¥ 8,003	¥ 8,003	¥ 533,320
Net income for the year	–	–	45,128	–	45,128	–	–	45,128
Cash dividends	–	–	(12,000)	–	(12,000)	–	–	(12,000)
Purchases of treasury stock	–	–	–	(9,999)	(9,999)	–	–	(9,999)
Net changes in items other than shareholders' equity	–	–	–	–	–	(4,003)	(4,003)	(4,003)
Balance at March 31, 2008	¥ 100,000	¥ 55,000	¥403,444	¥ (9,999)	¥548,444	¥4,000	¥4,000	¥552,445

	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	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2007	$ 1,010	$ 555	$ 3,740	$ –	$ 5,306	$ 80	$ 80	$ 5,387
Net income for the year	–	–	455	–	455	–	–	455
Cash dividends	–	–	(121)	–	(121)	–	–	(121)
Purchases of treasury stock	–	–	–	(101)	(101)	–	–	(101)
Net changes in items other than shareholders' equity	–	–	–	–	–	(40)	(40)	(40)
Balance at March 31, 2008	$1,010	$555	$4,075	$ (101)	$5,539	$ 40	$ 40	$ 5,580

See accompanying notes to non-consolidated financial statements.

West Japan Railway Company

Notes to Non-Consolidated Financial Statements

March 31, 2008

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

Basis of Presentation of Financial Statements

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

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

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

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

Summary of Significant Accounting Policies

(1) Investments in securities

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

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

(2) Inventories

Rails, materials and supplies are stated at cost determined by the moving average method.

(3) Property, plant and equipment

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

(4) Leases

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

(5) Accrued retirement benefits

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

Accrued retirement benefits for employees are provided at the retirement benefit obligation, 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 ¥301,642 million is being amortized over a ten-year period.

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

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

(5) Accrued retirement benefits (continued)

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

(6) 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.

(7) Allowance for customer point program

Allowance for customer point program is provided for the point granted to J-West Card memberships at a reasonably estimated amount.

(8) 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.

(9) 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.

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

(9) Allowance for environmental safety measures (continued)

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

2. Adoption of New Accounting Standards

(1) Presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, the Company 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).

Total shareholders’ equity prior to the adoption of this accounting standard amounted to ¥533,320 million at March 31, 2007.

(2) Financial instruments

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

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

2. Adoption of New Accounting Standards (continued)

(3) Accounting standard for measurement of inventories

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

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

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

The Company publicized the revised medium-term management targets of the group as important management challenges remained which mainly consisted of "Promotion of measures to enhance safety" and "Provision of quality services and products preferred by customers" at October 31, 2006. The Company completed the installation of ATS and quake-proof reinforcements of elevated railroads and so forth during the year ended March 31, 2007. The Company continuously engages in enhancing safety subsequent to April 1, 2007 and will also steadily go ahead with various projects in the railway business, such as preparing for the expansion of Kyushu Shinkansen to Hakata station to commence through-service operations between Kyushu and Sanyo Shinkansen at the end of the year ending March 31, 2011. In addition, the Company will steadily go ahead with its plan for the renovation of Osaka station and the development of the New North building. The Company will also continuously improve the stations in order to make them convenient, attractive and selectable by more users such as via the installation of barrier-free facilities, which are more convenient and functional, and making changes to the designs of existing stations resulting from the development of commercial facilities in the stations.

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

2. Adoption of New Accounting Standard (continued)

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

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

The effect of this change was to increase depreciation expense included in operating expenses by ¥8,741 million ($88 million) and decrease operating income, and income before income taxes by the same amount for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the previous method. In addition, depreciation expense with respect to the residual value of existing property, plant and equipment amounted to ¥6,765 million ($68 million) for the year ended March 31, 2008 and has been included as a part of the increase in depreciation expense mentioned above.

3. Inventories

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

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Rails, materials and supplies	¥ 8,015	¥6,217	¥5,409	$ 80

4. Balances with Subsidiaries and Affiliates

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

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Investments in:				
Subsidiaries	¥ 98,352	¥ 97,902	¥ 97,839	$ 993
Affiliates	25,319	25,085	24,989	255
Advances to subsidiaries	39,434	32,143	14,237	398
	¥ 163,106	¥155,131	¥137,066	$1,647

Amounts due from and due to subsidiaries and affiliates at March 31, 2008, 2007 and 2006 are presented in the accompanying non-consolidated balance sheets as follows:

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Due from subsidiaries and affiliates:				
Short-term loans receivable included in prepaid expenses and other current assets	¥ 28,041	¥ –	¥ –	$ 283
Due to subsidiaries and affiliates:				
Short-term loans	¥135,148	¥116,234	¥127,688	$1,365
Current portion of long-term payables	288	288	19,569	2
Accounts payable	106,479	102,317	86,722	1,075
Long-term payables	1,688	1,976	2,264	17
	¥ 243,603	¥220,815	¥236,243	$2,460

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Land	¥ 640,410	¥ 641,828	¥ 638,287	$ 6,468
Buildings	359,479	353,760	350,474	3,631
Railway fixtures	2,007,364	1,971,445	1,939,807	20,276
Rolling stock and other vehicles	823,120	774,786	754,767	8,314
Ships	992	992	1,152	10
Machinery and equipment	247,718	233,416	218,926	2,502
Furniture and fixtures	53,078	49,195	46,083	536
Construction in progress	76,390	61,251	57,817	771
	4,208,554	4,086,675	4,007,318	42,510
Less accumulated depreciation	(2,431,556)	(2,360,472)	(2,298,642)	(24,561)
Property, plant and equipment, net	¥ 1,776,997	¥ 1,726,202	¥ 1,708,675	$ 17,949

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

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

The compensation deducted from the acquisition costs of property, plant and equipment to replace the properties expropriated for the years ended March 31, 2008, 2007 and 2006 totaled ¥3,416 million ($34 million), ¥2,503 million and ¥4,014 million, respectively.

6. Loss on Impairment of Fixed Assets

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

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

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

7. Short-Term Loans and Long-Term Debt

Short-term loans represent loans on deeds due within one year. The annual interest rates applicable to such loans outstanding at March 31, 2008, 2007 and 2006 ranged from 0.66% to 1.20%, from 0.15% to 0.99%, and from 0.15% to 0.28%, respectively.

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

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Secured West Japan Railway bonds, payable in yen, at rates ranging from 1.53% to 3.45%, due from 2009 through 2019	¥ 175,000	¥ 175,000	¥ 175,000	$ 1,767
Unsecured West Japan Railway bonds, payable in yen, at rates ranging from 2.04% to 2.49%, due from 2022 through 2028	104,964	74,981	45,000	1,060
Unsecured loans from the Development Bank of Japan, payable in yen, at rates ranging from 1.4% to 8.5%, due in installments from 2009 through 2018	47,373	55,559	64,535	478
Unsecured loans from banks and insurance companies, payable in yen, at rates ranging from 0.95% to 2.25%, due from 2009 through 2021	163,200	163,200	138,200	1,648
Other	15,425	15,815	16,210	155
	505,962	484,555	438,945	5,110
Less current portion	(85,116)	(34,876)	(41,471)	(859)
	¥ 420,846	¥ 449,679	¥ 397,474	$ 4,250

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

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2009	¥ 85,116	$ 859
2010	60,170	607
2011	30,962	312
2012	42,360	427
2013	30,996	313
2014 and thereafter	256,358	2,589
	¥ 505,962	$ 5,110

8. Long-Term Payables

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

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Unsecured payables to the Japan Railway Construction, Transport & Technology Agency:				
Variable interest portion, due in installments from 2009 through 2017	¥230,372	¥265,791	¥300,899	$2,326
Fixed interest portion at 6.35% and 6.55%, due in installments from 2009 through 2052	188,838	189,282	189,698	1,907
Other	10,552	11,440	31,611	106
	429,764	466,515	522,209	4,341
Less current portion	(34,918)	(36,850)	(55,739)	(352)
	¥394,845	¥429,665	¥466,469	$3,988

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

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2009	¥ 34,918	$ 352
2010	33,790	341
2011	30,338	306
2012	39,414	398
2013	41,159	415
2014 and thereafter	250,142	2,526
	¥429,764	$ 4,341

9. Research and Development Costs

Research and development costs are expensed in the year in which such costs are incurred. These amounted to ¥6,544 million ($66 million), ¥6,231 million and ¥6,532 million for the years ended March 31, 2008, 2007 and 2006, respectively.

10. Income Taxes

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

The effective tax rate reflected in the accompanying non-consolidated statement of income for the year ended March 31, 2006 differs from the statutory tax rate for the following reasons:

	2006
Statutory tax rate	40.69 %
Permanent non-deductible expenses	0.16
Per capita portion of inhabitants' taxes	0.58
Special corporation tax deduction	(2.17)
Other	(0.85)
Effective tax rate	38.41 %

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

10. Income Taxes (continued)

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

	Millions of yen			*Millions of U.S. dollars*
	2008	2007	2006	2008
Deferred tax assets:				
Accrued bonuses included in accrued expenses	¥ 10,827	¥ 10,784	¥ 10,981	$ 109
Accrued social insurance premiums included in accrued expenses	1,362	1,384	1,413	13
Accrued enterprise taxes included in accrued income taxes	2,406	1,363	2,047	24
Accrued retirement benefits	97,053	81,863	74,450	980
Allowance for antiseismic reinforcement measures	904	4,041	5,859	9
Allowance for environmental safety measures	4,672	3,021	3,069	47
Other	13,081	12,473	7,247	132
Valuation allowance	(5,863)	(5,099)	–	(59)
Total deferred tax assets	124,443	109,833	105,068	1,257
Deferred tax liabilities:				
Unrealized holding gain on securities	(2,744)	(5,491)	(6,583)	(27)
Contributions received for construction deducted from acquisition costs of property, plant and equipment	(12,189)	(10,590)	(8,353)	(123)
Total deferred tax liabilities	(14,934)	(16,081)	(14,937)	(150)
Deferred tax assets, net	¥ 109,509	¥ 93,752	¥ 90,130	$1,106

11. Leases

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

	Millions of yen					
	2008			2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Leased property for:						
Railway operations	¥ 940	¥339	¥600	¥1,879	¥ 1,254	¥ 625
Other operations	42	10	31	189	171	18
	¥ 982	¥350	¥632	¥2,069	¥ 1,426	¥ 643

	Millions of yen		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Leased property for:			
Railway operations	¥1,815	¥ 929	¥ 886
Other operations	1,230	997	232
	¥3,046	¥ 1,928	¥ 1,118

	Millions of U.S. dollars		
	2008		
	Acquisition costs	Accumulated depreciation	Net book value
Leased property for:			
Railway operations	$ 9	$ 3	$ 6
Other operations	0	0	0
	$ 9	$ 3	$ 6

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2008, 2007 and 2006 totaled ¥349 million ($3 million), ¥680 million and ¥747 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.

11. Leases (continued)

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

Year ending March 31,	*Millions of yen*	*Millions of U.S. dollars*
2009	¥ 190	$1
2010 and thereafter	441	4
	¥ 632	$6

12. Contingent Liabilities

At March 31, 2008, the Company was contingently liable for guarantees of loans to subsidiaries and an affiliate in the aggregate amount of ¥24,414 million ($246 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 non-consolidated statement of income for the year ended March 31, 2006. The Company expects further expenditures to be incurred in subsequent years relating to the payment of compensation for this accident as well as other related costs; however, it is unable to estimate the amounts of such expenditures on a reasonable basis at the present time.

13. Shareholders' Equity

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

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

13. Shareholders' Equity (continued)

Treasury stock

Movements in treasury stock during the year ended March 31, 2008 are summarized as follows:

	Number of shares			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock	—	17,434	–	17,434

14. Amounts per Share

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

	Yen			*U.S. dollars*
	2008	2007	2006	2008
Net assets	¥278,651.89	¥266,660.13	¥251,114.87	$2,814
Net income	22,632.52	22,341.69	17,570.30	228
Cash dividends	6,000.00	6,000.00	6,000.00	60

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

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

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

15. Subsequent Events

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

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

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

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

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

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

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